Risk Factors Comparison 2024-02-28 to 2023-02-24 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Described below are certain risks and uncertainties that could adversely affect our business, financial condition, results of operations or cash flow. These risks are not the only risks we face. Our business could also be affected materially and adversely by other risks and uncertainties that are not currently known to us or that we currently deem to be insignificant. Summary: Risks Related to Our **Oil and Gas** Business • Prices for our products **are volatile** ~~can fluctuate widely~~ and **a substantial decline in prices over** an extended period ~~of low prices~~ could materially and adversely affect our financial condition, results of operations, cash flow and ability to invest in our assets. • Our producing properties are located exclusively in California, making us vulnerable to risks associated with having operations concentrated in this geographic area. • **Drilling for and producing oil and natural gas carry significant operational risks and uncertainty.** We **may not drill wells at the times we scheduled, or at all. Wells we do drill may not yield production in economic quantities or generate the expected payback. • Our business involves substantial capital investments and we may be unable to fund these investments which could lead to a decline in our oil and natural gas reserves or production. • We have been negatively impacted by inflation. • We are subject to economic downturns and the effects of public health events which may materially and adversely affect the demand and the market price for our products. • The military conflicts in Ukraine, Israel and Yemen and the Red Sea have caused related price volatility and geopolitical instability could negatively impact our business. • From time to time we may engage in step- out drilling, or drilling in new or emerging plays. Our drilling results are uncertain, and the value of our undeveloped acreage may decline if drilling is unsuccessful. • Many of our competitors have greater resources than us and we** may not be able to successfully ~~separate our carbon management business from our E & P business,~~ **compete in acquiring and developing new properties. • Our hedging activities limit** ~~or~~ **our** ~~we may decide~~ **ability to realize the full benefits of increases in commodity prices. • Estimates of proved reserves and related future net cash flows are** not **precise** ~~to effect such separation~~ . **The actual quantities of our proved reserves and future net cash flows may prove to be higher or lower than estimated. Risks Related to Carbon TerraVault and Our Carbon Management Business** • Our ability to achieve our 2045 Full- Scope Net Zero target and other goals related to carbon management activities, is subject to risks and uncertainties. • ~~Our ability~~ **We may not be able** to grow our Carbon TerraVault business and develop large scale CCS projects ~~is subject to numerous risks and uncertainties~~ . **• Our Carbon TerraVault** ~~If we are unable to successfully execute our CCS strategy, it could have an adverse effect on our~~ business ~~, results of operations~~ and **other** ~~financial condition. • The economics of~~ CCS projects depend on financial and tax incentives ~~that~~ **to be economical, and these incentives** may not currently be sufficient for our **Carbon TerraVault business and other** CCS projects to be economical **, may not be fully realized,** or could be changed or terminated. • Our Carbon TerraVault JV with Brookfield is subject to inherent uncertainties ~~,~~ which could ~~force us to delay or cancel CCS projects or seek alternative sources of capital to fund our CCS projects and thereby~~ adversely affect our ability to implement our carbon management strategy. **Risk Factors Related to Our Business Generally** • ~~Drilling for and producing~~ **Increasing activism against the** oil and ~~natural~~ gas **industry presents** ~~carry significant operational and financial~~ risks ~~and uncertainty~~ **to our business** . **• Increasing attention to ESG matters may adversely impact our business. •** We may not ~~drill wells at~~ **decide to separate our carbon management business from our E & P business, or be successful in** the ~~times~~ **event** we ~~scheduled, or at all~~ **choose to pursue such separation** . ~~Wells~~ **• Acquisition and disposition activities, including the Aera Merger, involve substantial risks. • While the Aera Merger is pending,** we **will** ~~do drill may not yield production in economic quantities or generate the expected payback. • Our business involves substantial capital investments. We may~~ be ~~unable~~ **subject** to **certain contractual restrictions** ~~fund our capital program, or reach satisfactory terms for other future capital requirements which could lead to a decline in our oil and natural gas reserves or production. Our capital investment program is also susceptible to risks~~ that could ~~materially~~ **adversely** affect ~~its implementation~~ **our business and operations** . • We ~~have been negatively impacted by inflation~~ **may incur substantial losses and be subject to substantial liability claims as a result of pollution, environmental conditions or catastrophic events. We may not be insured for, or our insurance may be inadequate to protect us against, these risks** . • **Cybersecurity attacks, systems failures** ~~We are subject to economic downturns~~ and ~~the~~ **other disruptions could** ~~effects of public health events, such as the COVID- 19 pandemic, which may materially and~~ adversely affect ~~the demand and the market price for our products. • The conflict in Ukraine and related price volatility and geopolitical instability could negatively impact our business. • From time to time we may engage in step- out drilling, or drilling in new or emerging plays. Our drilling results are uncertain, and the value of our undeveloped acreage may decline if drilling is unsuccessful. • Many of our current and potential competitors have or may potentially have greater resources than we have and we may not be able to successfully compete in acquiring, exploring and developing new properties. • Our hedging activities limit our ability to realize the full benefits of increases in commodity prices. • Our level of hedging activities may be impacted by financial regulations that could increase our costs of hedging and / or limit the number of hedging counterparties available to~~ us ~~. • Estimates of proved reserves and related future net cash flows are not precise. The actual quantities of our proved reserves and future net cash flows may prove to be lower than estimated~~ . Risks Related to Regulation and Government Action • We may ~~not be able~~ **face material delays related to our ability** to timely obtain ~~drilling~~ permits **necessary for our operations, or be unable to secure such permits on favorable terms or at all** as a result of **numerous** ~~recent and future actions by the State of~~ California **political, regulatory, and legal developments** . • Recent and future actions by the State of California could reduce both the demand for and supply of oil and natural gas within the state and consequently have a material and adverse effect on our business, results of operations and financial condition. • Our business is highly regulated and government authorities can delay or deny permits and approvals or change requirements governing our operations, ~~which~~ **including hydraulic fracturing and other well stimulation methods, enhanced production techniques and fluid injection or disposal, that** could increase costs, restrict operations and change or delay the implementation of our business plans. • Our Carbon TerraVault business and our CCS projects are subject to extensive government regulation **much** ~~that, among other things, requires us to obtain and maintain permits for the injection and sequestration~~ of **which is** ~~CO2. Many of these regulations are~~ still being developed. Failure to comply with these requirements and obtain the necessary permits, or the development of government regulations that are unfavorable to our CCS projects, could have an adverse effect on our business, results of operations and financial condition. • ~~Recent changes in California law may~~ **New and developing regulations related to CO2 unitization, permitting and pipeline safety could negatively impact our business, financial condition and** ~~result~~ **results of operations** ~~in delays to our carbon capture, sequestration and storage projects~~ . • Concerns about climate change and other air quality issues may prompt governmental action that could materially affect our operations or results. • The Inflation Reduction Act could accelerate the transition to a low- carbon economy and could impose new costs on our operations. • **Tax** ~~Adverse tax~~ law changes ~~may~~ **could have an adverse** ~~affect~~ **effect on** our **financial conditions, results of** operations **and cash flows. • Recent action by the State of California imposing additional financial assurance requirements related to plugging and abandonment costs, decommissioning, and site restoration on those who acquire the right to operate wells and production facilities could impact our ability to sell or acquire assets in the state of California or increase our costs in connection with the same** . Risks Related to our Indebtedness • We may not be able to amend or refinance our existing debt to create more operating and financial flexibility and to enhance shareholder returns. • Our existing and future indebtedness may adversely affect our business and limit our financial flexibility. • We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy the obligations under our indebtedness, which may not be successful. • The lenders under our Revolving Credit Facility could limit our ability to borrow and restrict our ability to use or access to capital. • Restrictive covenants in our Revolving Credit Facility and the indenture governing our Senior Notes may limit our financial and operating flexibility. • Variable rate indebtedness under our Revolving Credit Facility subjects us to interest rate risk, which could cause our debt service obligations to increase significantly. Risks Related to Our Common Stock • Our ability to pay dividends and repurchase shares of our common stock is subject to certain risks. • The trading price of our common stock may decline, and you may not be able to resell shares of our common stock at prices equal to or greater than the price you paid or at all. • Future issuances of our common stock could reduce our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us. • There is an increased potential for short sales of our common stock due to the sales of shares issued upon exercise of warrants, which could materially affect the market price of the stock. • The ownership position of certain of our stockholders limits other stockholders' ability to influence corporate matters and could affect the price of our common stock. • Sales of shares of our common stock by our executive officers could negatively impact the market price for our common stock. ~~General Risk Factors • Increasing attention to ESG matters may adversely impact our business. • Acquisition and disposition activities involve substantial risks. • We may incur substantial losses and be subject to substantial liability claims as a result of pollution, environmental conditions or catastrophic events. We may not be insured for, or our insurance may be inadequate to protect us against, these risks. • Cybersecurity attacks, systems failures and other disruptions could adversely affect us.~~ Our financial condition, results of operations, cash flow and ability to invest in our assets are highly dependent on oil, natural gas and NGL prices. A **substantial decline in** ~~sustained period of low~~ prices for **these products** ~~oil, natural gas and NGLs~~ would reduce our cash flows from operations and could reduce our borrowing capacity or cause a default under our financing agreements. Prices for oil, natural gas and NGL may fluctuate widely in response to relatively minor changes in **domestic and global** supply and demand, market uncertainty and a variety of additional factors that are beyond our control, such as: ~~• changes in domestic and global supply and demand;~~ • domestic and global inventory levels; • political and economic conditions, including international disputes such as the ~~conflict~~ **conflicts** ~~between~~ **in** Ukraine **, Israel** and ~~Russia~~ **Yemen and the Red Sea** ; • pandemics, epidemics, outbreaks or other public health events, such as the COVID- 19 pandemic; • the actions of OPEC and other significant producers and governments; • changes or disruptions in actual or anticipated production, refining and processing; • worldwide drilling and exploration activities; • government energy policies and regulation, including with respect to climate change; • the effects of conservation; • **natural disasters,** weather conditions and other seasonal impacts; • speculative trading in derivative contracts; • currency exchange rates; • technological advances; • transportation and storage capacity, bottlenecks and costs in producing areas; • the price, availability and acceptance of alternative energy sources; • regional market conditions; and • other matters affecting the supply and demand dynamics for these products. Lower prices could have adverse effects on our business, financial condition, results of operations and cash flow, including: • reducing our proved oil and natural gas reserves over time; • limiting our **capital expenditures and our** ability to grow or maintain future production; • causing a reduction in our borrowing base under our Revolving Credit Facility, which could affect our liquidity; • reducing our cash flow and ability to make interest payments or maintain compliance with financial covenants in the agreements governing our indebtedness, which could trigger mandatory loan repayments and default and foreclosure by our lenders and bondholders against our assets ~~; • affecting our ability to attract counterparties and enter into commercial transactions, including hedging, surety or insurance transactions~~ ; and • limiting our access to funds through the capital markets and the price we could obtain for asset sales or other monetization transactions. Our hedging program does not provide downside protection for all of our production. As a result, our hedges do not fully protect us from commodity price declines, and we may be unable to enter into acceptable additional hedges in the future. Our operations are concentrated in California. Because of this geographic concentration, the success and profitability of our operations may be disproportionately exposed to the effect of regional conditions. These changes in state or regional laws and regulations affecting our operations, local price fluctuations and other regional supply and demand factors, including gathering, pipeline, transportation and storage capacity constraints, limited potential customers, infrastructure capacity and availability of rigs, equipment, oil field services, supplies and labor. Our operations are also exposed to natural disasters and related events common to California, such as wildfires, mudslides, high winds, earthquakes and extreme weather events, and the potential increase to the frequency of drought and flooding. Further, our operations may be exposed to power outages, mechanical failures, industrial accidents or labor difficulties. Any one of these events has the potential to cause producing wells to be shut in, delay operations and growth plans, decrease cash flows, increase operating and capital costs, prevent development of lease inventory before expiration and limit access to markets for our products. ~~interpretations.We also bear~~ **The development of oil and natural gas properties are subject to numerous operational risks,including** the risks of **permitting or construction delays,** equipment failures,accidents,environmental hazards,unusual geological formations or unexpected pressure or irregularities within formations,adverse weather conditions ~~,permitting or construction delays~~ ,title disputes,surface access disputes,disappointing drilling results or reservoir performance (including lack of production response to workovers or improved and enhanced recovery efforts) **,cost over- runs** and other associated risks. **Development activities** ~~Our decisions and ultimate profitability are~~ also ~~affected by commodity prices~~ **depend in part on our analysis of geophysical** , **geologic** ~~the availability of capital~~ , **engineering** ~~regulatory approvals~~ , **production** ~~available transportation and storage capacity,the political environment~~ and other ~~factors~~ **technical data and processes,including the interpretation of 3D seismic data** . **This analysis** ~~Our cost of drilling,completing,stimulating,equipping,operating,inspecting,maintaining and abandoning wells~~ is ~~also~~ often ~~uncertain~~ **inconclusive or subject to varying interpretations** .Any of the forgoing operational ~~or financial~~ risks could cause actual results to differ materially from the expected payback or cause a well or project to become uneconomic or less profitable than forecast. We **have specifically identified locations for drilling over the next several years, which are an integral part of our production strategy. Our actual drilling activities** may **materially differ from those presently identified. If future drilling results in these projects do** not **establish sufficient production and reserves to achieve an economic return, we may curtail drilling or development of these projects. We make assumptions about the consistency and accuracy of data when we identify these locations that may prove inaccurate. We cannot guarantee that our identified drilling locations will ever be drilled or if we will** be able to **produce crude oil** ~~successfully separate or finance our~~ - **or natural gas** ~~carbon management business~~ from ~~our E & P business~~ **these drilling locations. In addition** , **some of** ~~or~~ **our leases could expire if** we **do** ~~may decide~~ not **establish production in the leased acreage. The combined net acreage covered by leases expiring in the next three years represented 4 % of our total net undeveloped acreage at December 31, 2023. Our development activities involve substantial capital investments. We intend** to **fund our 2024 capital program using cash flow from operations. Accordingly, a reduction in projected operating cash flow could cause us to reduce our future capital investments. In general, the ability to execute our capital plan depends on a number of factors, including: • the amount of oil, natural gas and NGLs we are able to produce; • commodity prices; • regulatory and third- party approvals; • our ability to timely drill, complete and stimulate wells; • our ability to secure equipment, services and personnel; and • our liquidity and ability fund capital expenditures. Access to future capital may be limited by our lenders, capital markets constraints, activist funds or investors, or poor stock price performance. Because of these and other potential variables, we may be unable to deploy capital in the manner planned, which may negatively impact our production levels and development activities and limit our ability to make acquisitions or enter into partnerships and farmout arrangements. Unless we make sufficient capital investments and conduct successful development and exploration activities or acquire properties containing proved reserves, our proved reserves will decline as those reserves are produced. Our ability to make the necessary long- term capital investments or acquisitions needed to maintain or expand our reserves may be impaired to the extent we have insufficient cash flow from operations or liquidity to fund those activities. Over the long term, a continuing decline in our production and reserves would reduce our liquidity and ability to satisfy our debt obligations by reducing our cash flow from operations and the value of our assets. Increases in inflation may have an adverse** effect ~~such separation~~ **on us** . ~~On February 24~~ **Current and future inflationary effects may be driven by** , ~~2023~~ **among other things, supply chain disruptions and governmental stimulus or fiscal policies, and geopolitical instability. We have taken measures to limit the effects of the inflationary market by entering into contracts for materials and services with terms of one to three years. Additionally** , we **continually look** ~~announced that we had adjusted our corporate operating structure, including setting up a board of directors~~ at ~~Carbon TerraVault,~~ **productivity and performance improvements from our vendors in order** to ~~facilitate~~ **mitigate** ~~the~~ **these price increases** ~~separate operation of our E & P~~ and ~~carbon management businesses. We~~ also ~~intend~~ to **reduce volumes consumed** ~~pursue financing options for our carbon management business that are separate from the rest of our business~~ . **However** ~~Our carbon management business faces operational, technological and regulatory risks that could be considerable due to early stage nature of these projects and the sector generally, which may make it more difficult to independently finance and there are no assurances that it will be a viable standalone business in the near term or at all. Further~~ , there can be no assurances that ~~we~~ **such measures** will be ~~able to successfully separate~~ **effective. Inflation could also result in higher interest rates in the United States, which could increase the cost of future financing efforts. The marketing of our oil, natural gas and NGLs is dependent upon the existence of adequate markets for our products. Imbalances between the supply of and demand for these products, including as a result of economic downturns** ~~our~~ - **or** ~~E & P~~ **the effects of public health events, could cause extreme market volatility** and ~~carbon management businesses~~ **a substantial adverse effect on commodity prices. A world health event, the extent of actions that may be taken to contain or treat their impact, and the impacts on the economy generally and oil prices in particular, are uncertain, rapidly changing and hard to predict. This uncertainty could force us to reduce costs, including by decreasing operating expenses and lowering capital expenditures, and such actions could negatively affect future production and our reserves** . We ~~We~~ may experience labor shortages if our employees are unwilling or unable to come to work because of illness,quarantines,government actions or other restrictions in connection with ~~the~~ **a** pandemic.If our suppliers cannot deliver the materials,supplies and services we need,we may need to suspend operations.In addition,we are exposed to changes in commodity prices which have been and will likely remain volatile.We cannot predict the duration and extent of ~~the~~ **a** pandemic' s adverse impact on our operating results.Additionally,to the extent **a world health event adversely impacts** ~~the COVID- 19 pandemic or any resulting worsening of~~ the global business and economic environment **,which** adversely affects our business and financial results **,it may** also **have the effect of heightening or exacerbating** ~~may~~ **many of the other risks described in the Risk Factors herein. The military conflicts in Ukraine, Israel and Yemen and the Red Sea have caused price volatility and geopolitical instability could negatively impact our business. The military conflicts in Ukraine, Israel and Yemen and the Red Sea have caused volatility in the prices of natural gas, oil and NGLs, and the extent and duration of the military action, sanctions and resulting market disruptions have been significant and could continue to have a substantial impact on the global economy and our business for an unknown period of time. During the fourth quarter of 2023, OPEC announced a continuation of its combined 4 million barrels per day voluntary reduction in production quotas. While actual OPEC production capabilities are difficult to discern, any return to previous targeted production levels — coupled with expanding Iranian, Venezuelan, Brazilian and U. S. production — could cause commodity prices to** ~~decide~~ **decline which would reduce the revenues we receive for our oil and natural gas production. Materialization of either of the events described above may also magnify the impact of the other risks described in this " Risk Factors " section. From time to time we may engage in step- out drilling or drilling in new or emerging plays. Our drilling results are uncertain, and the value of our undeveloped acreage may decline if drilling is unsuccessful. The risk profile for step-out drilling or drilling in new or emerging plays is higher than for other locations because we have less geologic and production data and drilling history, in particular for drilling in unconventional reservoirs, which are in unproven geologic plays. Our ability to profitably drill and develop our identified drilling locations depends on a number of variables, including crude oil and natural gas prices, capital availability, costs, drilling results, regulatory approvals, available transportation capacity and other factors. We may** not **find commercial amounts of oil or natural gas or the costs of drilling, completing, stimulating and operating wells in these locations may be higher than initially expected. If future drilling results in these projects do not establish sufficient reserves** to ~~pursue such separation if~~ **achieve** an economic return,we may curtail drilling or development of these projects.In either case,the value of our undeveloped acreage may decline and could be impaired.We face competition in every aspect of our business,including,but not limited to,acquiring reserves and leases,obtaining goods and services and hiring and retaining employees needed to operate and manage our business and marketing natural gas,NGLs or oil.Competitors include **a** multinational oil ~~companies~~ **company** ,independent production companies and individual producers and operators.In California,our competitors are few and large,which may limit available acquisition opportunities.Many of our competitors have greater financial and other resources than ~~we do~~ we do ~~not believe it~~ **. As a result, these competitors may be able to address such competitive factors more effectively than we can or withstand industry downturns more easily than we can. We enter into hedges to mitigate our economic exposure to commodity price volatility and ensure our financial strength and liquidity by protecting our cash flows. Our Revolving Credit Facility also includes a covenant that** would ~~maximize shareholder value .Many of~~ these factors are outside management' s control and will affect whether the historical sources of proved reserves additions continue to provide reserves at similar levels.Generally,lower prices adversely affect the quantity of our reserves as those reserves expected to be produced in later years,which tend to be costlier on a per unit basis,become uneconomic.In addition,a portion of our proved undeveloped reserves may no longer meet the economic producibility criteria under the applicable rules or may be removed due to ~~the lack~~ **a lower amount** of ~~drilling permits or insufficient~~ capital **available** to develop these projects within the SEC- mandated five- year limit.In addition,our reserves information represents estimates prepared by internal engineers.Although ~~88~~ **85** % of our estimated proved reserve volumes as of December 31, ~~2023~~ **2022** ~~,~~ were audited by our independent petroleum ~~engineer~~ **engineers** , **Ryder Scott and** NSAI,we cannot guarantee that the estimates are accurate.Reserves estimation is a partially subjective process of estimating accumulations of oil and natural gas.Estimates of economically recoverable oil and natural gas reserves and of future net cash flows from those reserves depend upon a number of variables and assumptions.Changes in these variables and assumptions could require us to make significant negative reserves revisions,which could affect our liquidity by reducing the borrowing base under our Revolving Credit Facility.In addition,factors such as the availability of capital,geology,government regulations and permits,the effectiveness of development plans and other factors could affect the source or quantity of **future reserves additions** . Our ability to achieve our 2045 Full- Scope Net Zero target and other goals related to our carbon management activities ~~,~~ is subject to risks and uncertainties. We have adopted a number of targets and objectives related to sustainability matters, including our 2045 Full- Scope Net Zero target and our energy transition strategy. Our efforts to research, establish, accomplish, and accurately report on these targets and objectives expose us to numerous operational, reputational, financial, legal, and other risks. Our ability to achieve any stated target or objective is not guaranteed and is subject to numerous factors and conditions, some of which are outside of our control. In particular, our 2045 Full- Scope Net Zero goal includes Scope 1, 2 and 3 emissions and estimation and management of Scope 3 emissions is subject to some degree of uncertainty. We cannot guarantee that we have been able to completely quantify the full scope of our emissions and account for mitigating all such emissions in our Full- Scope Net Zero goal. Our ability to achieve our 2045 Full- Scope Net Zero goal relies heavily on our ability to develop our Carbon TerraVault business and related CCS projects, which is subject to uncertainties and risks ~~. See~~ **(including those** ~~Risks~~ **risks described herein)** ~~Related to our Business – The economies of CCS projects depend on financial and tax incentives that may not currently be sufficient for our CCS projects to be economical or could be changed or terminated, Risks Related to our Business – Our Carbon TerraVault JV with Brookfield is subject to inherent uncertainties, which could force us to delay or cancel CCS projects or seek alternative sources of capital to fund our CCS projects and thereby adversely affect our ability to implement our carbon management strategy~~ . In addition, the commercial and regulatory environment related to emissions reductions and reporting is evolving and uncertain, and changes in GHG emission accounting methodologies or new developments related to climate science could impact our ability to claim emissions reductions related to our sequestration activities and timely achieve our 2045 Full- Scope Net Zero goal or at all. If we are not able to successfully develop Carbon TerraVault and its CCS projects and claim related emissions reductions, or we are successful in separating our carbon management business, our ability to achieve our 2045 Full- Scope Net Zero goal would be materially and adversely affected. Our business may face increased scrutiny from investors and other stakeholders related to our sustainability activities, including the goals, targets, and objectives that we announce, and our methodologies and timelines for pursuing them. If our sustainability practices do not meet investor or other stakeholder expectations and standards, which continue to evolve, our reputation, our ability to attract or retain employees, and our attractiveness as an investment or business partner could be negatively affected. Similarly, our failure or perceived failure to pursue or fulfill our sustainability- focused goals, targets, and objectives, to comply with ethical, environmental, or other standards, regulations, or expectations, or to satisfy various reporting standards with respect to these matters, within the timelines we announce, or at all, could adversely affect our business or reputation, as well as expose us to government enforcement actions and private litigation. We **are** ~~have announced a strategy to pursue the development~~ **developing** ~~of~~ a carbon management business in California **that relies on CCS projects** . To our knowledge, there are no existing large **-** scale CCS projects in California similar to those that we are seeking to ~~have developed~~ -- **develop** . These projects face operational, technological and regulatory risks that could be considerable due to **the** early **-** stage nature of these projects and the sector generally. Our ability to successfully develop these projects depends on a number of factors that we are not able to fully control, including the following: • The development of large **-** scale CCS projects is an emerging sector and there are no meaningful precedents to gauge the likely range of economic terms upon which these projects may be feasibly developed. In addition, any of the operational, regulatory or financial risks **described herein** could cause actual results to differ materially from expected payback or cause a project to become uneconomic or less profitable than forecast. • The development of CCS **and related** projects will require us, our joint venture partner, and third- party emitters to make significant capital investments in the relevant technology and infrastructure and we may not have sufficient capital resources to fund such investments. Such projects may also depend on third party financing and such financing may not be available on reasonable terms or at all. In some cases, these projects will involve the production and sale of hydrogen, ammonia or other products and markets for some of these products are still **emerging** ~~being developed~~ . • The development of a CCS project will require us to enter into long term binding agreements with large carbon emitters and other third parties and we may not be able to do so on agreeable terms or at all. Such agreements are complex and may involve allocation of not only fees but also various credits, incentives and environmental attributes associated with the storage of CO_2. Not all emission sources produce sufficiently large quantities of pure or relatively pure streams of CO_2, or have installed equipment to capture such CO_2, so as to be useable in one or more of our CCS projects. As a result, we cannot assure whether we will be able to ~~procure~~ **access CO_2 emissions in** sufficient quantities **or** ~~of CO_2~~ on terms that are acceptable to us ~~, and the failure to do so may have a material impact on our ability to execute our CCS strategy~~ . • The development and operation of cost- effective, commercial- scale hydrogen and ammonia production facilities and associated sequestration facilities is highly complex. **We may participate in the development of production facilities that provide the emissions for our CCS business.** There can be no assurances that **we or** our partners will be able to successfully develop these production facilities, or that we will be able to develop the related sequestration facilities, in a timely manner or at all. In addition, there can be no assurances that these facilities can be maintained and operated over the longer term **. The financing and development of these projects may depend on the availability of long term off- take agreements for these products and the market for hydrogen is still developing. It may not be possible for us or our partners to enter into these types of agreements on acceptable terms or at all** . • Certain of our anticipated CCS project sites rely on pore space that we do not own and we may need to enter into agreements with landowners to allow us to inject CO_2 **. The market for such landowner agreements is evolving with the evolution of the CCS industry and it may not be possible for us to enter into these types of agreements on acceptable terms or at all** . • Complex recordkeeping and GHG emissions / sequestration accounting may be required in connection with one or more of our projects, which may increase the costs of such operations. Different methodologies may be required for various regulatory and non- regulatory accounts regarding GHG emissions / sequestration at one or more of our projects, including but not limited to compliance with the EPA' s Mandatory Greenhouse Gas Reporting Program. • Carbon capture may be viewed as a pathway to the continued use of fossil fuels and there may be organized opposition to CCS projects from environmental groups, local residents and legislators. • We may need to transport CO_2 in pipelines if a CCS project relies on storage space that is not co- located with the production facilities. Our ability to transport CO_2 is subject to regulatory uncertainty, see Risks Related to Regulation and Government Action – ~~Senate Bill 905 may~~ **New and developing regulations related to the CO_2 unitization, permitting and pipeline safety could negatively impact our business, financial condition and** ~~result~~ **results of operations** ~~in delays to our CCS projects~~ described below. • Other regulatory uncertainties ~~, see Risks Related to Regulation and Government Action – Our Carbon TerraVault business and our CCS projects are subject to extensive government regulation that, among other things, requires us to obtain permits for the injection of CO_2. Many of these regulations are still being developed. Failure to comply with these requirements and obtain the necessary permits, or the development of government regulation that is unfavorable to our CCS projects, could have a material adverse effect on our business, results of operations and financial condition~~ described below. There can be no assurances that we will successfully develop our CCS projects, including ~~Carbon TerraVault and~~ CalCapture, and such failure could have an adverse effect on our business. Our carbon management business is currently in an early stage of development, and we do not expect the failure of a single CCS project to create an impact on our overall financial condition or operations. However, as the scale of our CCS projects grows, so will their impact on our overall financial condition and operations. Moreover, our failure to successfully develop our CCS projects would adversely affect our ability to claim emissions reductions related to our sequestration activities and our ability to meet our carbon management goals, which in turn could have an adverse effect on our business and reputation. Congress has incentivized the development of carbon capture projects **, clean hydrogen production projects and other**

projects relating to the production of certain clean fuels through the establishment of **various** tax credits **, including the 45Q credit (credit** for **carbon oxide** ~~the capture and~~ sequestration **) and** ~~of CO_2,~~ the **45V credit (credit for** production of clean hydrogen **)** ~~and the production of other clean fuels~~. The successful development of our **Carbon TerraVault business and other** CCS projects is dependent upon our ability to directly or indirectly benefit from these tax credits. The amount of tax credits from which we may directly or indirectly benefit ~~on~~ **in connection with** our **Carbon TerraVault business and other** CCS projects is dependent upon satisfaction of certain requirements, **some of** which **have not been fully developed and issued by the Treasury Department and IRS, and** we cannot assure you that we (or our partners) will **be able to** satisfy ~~. One of~~ those requirements ~~is~~ **. For example, the Treasury Department and IRS recently issued proposed regulations pertaining to the 45V credit which, among other things, indicated** that **the Treasury Department and IRS are considering imposing certain requirements, restrictions and potential limitations on the use of renewable natural gas in connection with the production of clean hydrogen that qualifies for the 45V credit, which, if implemented, could have** a **negative impact on our** ~~minimum volume of CO_2 is captured by the applicable carbon~~ **Carbon TerraVault business** ~~capture equipment during each taxable year. If we or our counterparties are not able to capture the minimum volumes (which could be for a variety of reasons), then the tax credit will not be available~~. Additional financial incentives may also be required for our **Carbon TerraVault business and other** CCS projects to be economical. In particular, we anticipate that CCS projects associated with carbon emission reductions for transportation fuels will generate LCFS credits and that these additional credits will improve the economics of CCS projects. If the existing legal requirements for incentives such as the ~~tax~~ **45Q credit, the 45V credit or LCFS** credits ~~available for the capture and sequestration of CO_2 and the production of clean hydrogen or LCFS~~ are subsequently amended in a manner that such incentives no longer apply or are restricted in application, directly or indirectly, to our projects, we may not be able to successfully achieve an economic return from our **Carbon TerraVault business and our other** CCS ~~business~~ **projects** or, alternatively, the construction or operation of applicable projects may be substantially delayed such that one or more projects is unprofitable or otherwise infeasible. The ability to monetize the ~~tax~~ **45Q** ~~credits~~ - **credit** ~~for CO_2 capture and sequestration~~ is not certain. Either the ~~new owners~~ - **owner** of the carbon capture ~~facilities~~ **equipment** or the sequester must ~~either~~ have the ability to use the ~~tax~~ **45Q** credit ~~for~~ itself, **or the owner of the carbon capture equipment must** utilize direct pay (which is limited to the first five years **of the twelve- year credit period**), procure tax equity financing **,** or transfer the credits to another ~~tax- payer~~ **taxpayer . Similar issues exist with respect to the monetization of the 45V credit** . The **accessibility of** ~~ability to utilize~~ direct pay **,** ~~and the~~ tax equity financing **,** and **the** credit transfers ~~markets~~ - **market** for tax credits provided under the ~~IRA are~~ **Inflation Reduction Act is** still **developing** ~~being analyzed~~ and **is** subject to further guidance from the IRS, and therefore ~~many~~ uncertainties and complexities with respect to ~~the~~ **our (or our partners)** ability to **efficiently** monetize ~~these~~ -- **the 45Q credit and the 45V credit exist. The 45Q credit and the LCFS** credits ~~exist. The tax credit for the capture and sequestration of CO_2 requires~~ - **require** that the captured CO_2 be stored in secure geological storage for long periods of time. If we are not able to satisfy this requirement for the duration of time required, there is the risk of recapture of ~~tax~~ **45Q** credits or LCFS credits from us (or our partners) by the government, as well as a risk of indemnification obligations to our partners, claims from landowners and potential for fines and penalties for violations of environmental requirements. Accidental releases of CO_2 could also adversely impact our ability to meet our 2045 Full- Scope Net Zero goal. There can be no assurances that we (or our partners) will successfully comply with the requirements for the available tax credits or LCFS, and such failure could have an adverse effect on our liquidity, financial condition and results of operations. In August 2022, we entered into the Carbon TerraVault JV with Brookfield to pursue the development of a carbon management business in California. The management and financing of the joint venture are subject to inherent uncertainties. These uncertainties could potentially force us to delay or cancel CCS projects or to seek alternative sources of capital to fund our CCS projects, any of which could adversely affect our ability to achieve our 2045 Full- Scope Net Zero target and other goals related to our carbon management activities. Brookfield has committed an initial $ 500 million to invest in CCS projects that are jointly approved through Carbon TerraVault JV **, of which $ 46 million has been funded to date** . At the time the Carbon TerraVault JV was formed, Brookfield committed to make an initial investment of $ 137 million payable in three ~~equal~~ installments. The first $ 46 million installment was contributed to the joint venture in August 2022, and the next two installments are due upon completion of certain pre- agreed milestones related to the permitting process with the EPA and final investment decision **which are anticipated (but not certain) to occur in 2024** . Future storage projects for Brookfield' s initial commitment are subject to approval of the joint venture, including Brookfield. There can be no assurances that any of these funding milestones will be achieved so that Brookfield will fund the rest of its commitment. Furthermore, even though we own a 51 % interest in the Carbon TerraVault JV, we share decision making power with Brookfield on matters that most significantly impact the economic performance of the joint venture. Any failure to reach a decision with Brookfield could potentially prevent or delay our pursuit of CCS projects or cause such projects to be cancelled. Moreover, if Brookfield does not approve a proposed CCS project that we want to pursue, we will have to seek alternative sources of capital to fund the project and there can be no assurances that such sources of capital will be available. ~~The exploration~~ **Opposition toward oil and gas drilling** and development ~~of~~ **activity has been growing over time. Companies in the** oil and **gas industry are often the target of efforts to delay or prevent oil and gas development by non- governmental organizations and individuals. This opposition also extends to our carbon management business as certain activists oppose carbon capture and sequestration efforts by the oil and gas industry. These activists use a variety of tactics that primarily rely on allegations regarding safety, environmental compliance and business practices. At both the state and federal level, these tactics including seeking changes to laws, pressuring governmental agencies to promulgate regulations or engage in rulemaking, or pursuing litigation. Due to heightened concerns around global warming and GHG emissions, there is often considerable pressure on lawmakers, regulators and others to take action with respect to these allegations regardless of their perceived merit. We may need to incur significant costs associated with responding to these initiatives and such actions may materially adversely affect our**

financial results. Complying with any resulting additional legal or regulatory requirements that are substantial or prevent our activity could have a material adverse effect on our business, financial condition, cash flows and results of operations. Organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to evaluate their investment and voting decisions. Companies in the energy industry, and in particular those focused on oil or natural gas **extraction** ~~properties depend in part on our analysis of geophysical~~ , ~~geologic, engineering, production and other technical data and processes, including the interpretation of 3D seismic data. This analysis is~~ often inconclusive or subject to varying interpretations....... If future drilling results in these projects do not ~~establish sufficient production and reserves~~ **score as well under ESG assessments compared** to ~~achieve~~ **companies in other industries. Unfavorable ESG ratings may lead to increased negative investor sentiment toward us and to the diversion of their investment away from the fossil fuel industry to other industries which could have a negative impact on our stock price and our access to and costs of capital. To the extent ESG matters negatively impact our reputation, we may not be able to compete as effectively or recruit or retain employees, which may adversely affect our operations. Moreover, while we may create and publish voluntary disclosures regarding ESG matters from time to time, many of the statements in those voluntary disclosures will be based on expectations and assumptions that may or may not be representative of actual risks or events, including the costs associated therewith. Such expectations and assumptions are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of** an ~~economic return~~ **established single approach to identifying** , **measuring, and reporting on many ESG matters. Additionally, while** we may ~~curtail drilling or development of these projects~~ **also announce various voluntary ESG targets, such targets are aspirational** . We ~~make assumptions~~ **may not be able to meet such targets in the manner or on such a timeline as initially contemplated, including,** ~~about~~ -- **but** ~~the consistency and accuracy~~ **not limited to as a result** of ~~data when~~ **unforeseen costs or technical difficulties associated with achieving such results. To the extent** we ~~identify~~ **do meet such targets, they may ultimately be achieved through various contractual arrangements, including** ~~these~~ -- **the** ~~locations~~ **purchase of various credits or offsets** that may ~~prove inaccurate~~ **be deemed to mitigate our ESG impact instead of actual changes in our ESG performance** . ~~We~~ **However, we** cannot guarantee that **there** ~~our identified drilling locations~~ will ~~ever~~ be ~~drilled~~ **sufficient offsets available** ~~or~~ **for** ~~if~~ **purchase given the increased demand from numerous businesses implementing net zero goals, or that, notwithstanding our reliance on any reputable third- party registries, that the offsets we do purchase will successfully achieve the emissions reductions they represent. Also, despite these aspirational goals, we may receive pressure from investors, lenders, or other groups to adopt more aggressive climate or other ESG- related goals, but we cannot guarantee that** we will be able to ~~produce crude oil~~ **implement such goals because of potential costs** or ~~natural~~ **technical or operational obstacles. Public statements with respect to ESG matters, such** ~~gas~~ - **as emissions reduction goals, other environmental targets, or other commitments addressing certain social issues, are becoming increasingly subject to heightened scrutiny** from **public and governmental authorities related to** ~~these~~ -- **the** ~~drilling locations~~ **risk of potential " greenwashing, " i. e., misleading information or false claims overstating potential ESG benefits. As a result, we may face increased litigation risks from private parties and governmental authorities related to our ESG efforts** . In addition, **any alleged claims of greenwashing against us or others in our industry may lead to further negative sentiment and diversion of investments. Additionally, we could face increasing costs as we attempt to comply with and navigate further ESG- related focus and scrutiny. Such ESG matters may also impact our customers or suppliers, which may adversely impact our business, financial condition, or results of operations. We may not decide to separate our carbon management business from our E & P business, or be successful in the event we choose to pursue separation. We are considering the potential separation of our E & P and carbon management businesses at** some **point** ~~of our leases could expire if we do not establish production~~ in ~~the leased acreage. The combined net acreage covered by leases expiring in the next three~~ -- **the** ~~years represented 8 % of~~ **future. We are also pursuing financing options for** our ~~total net undeveloped acreage at December 31, 2022~~ **carbon management business that are separate from the rest of our business** . Our **carbon management** business **faces operational** ~~involves substantial capital investments~~ , **technological** ~~which may include acquisitions, partnerships or joint venture arrangements with other oil~~ and **regulatory** ~~natural gas exploration and production companies or financial investors. We may be unable to fund our capital program, or reach satisfactory terms for other future capital requirements, which could lead to a decline in our oil and natural gas reserves or production. Our capital investment program is also susceptible to~~ risks that could ~~materially affect~~ **be considerable due to early stage nature of these projects and the sector generally, which may make** ~~its~~ - **it more difficult** ~~implementation. Our exploration, development and acquisition activities can involve substantial capital investments. We intend~~ to **independently finance and there are no assurances that it will be** ~~fund our 2023 capital program using cash flow from operations. Accordingly,~~ a ~~reduction in projected operating cash flow could cause us to reduce our future capital investments. In general, the ability to execute our capital plan depends on a number of factors, including: • the amount of oil, natural gas and NGLs we are able~~ **viable standalone business in** ~~to produce; • commodity prices; • regulatory and third- party approvals; • our ability to timely drill, complete and stimulate wells; • our ability to secure equipment, services and personnel; and • our liquidity and ability fund capital expenditures. Access to future capital may be limited by our lenders, capital markets constraints, activist funds or investors, or poor stock price performance. Because of these~~ -- **the near** ~~and other potential variables, we may be unable to deploy capital in the manner planned, which may negatively impact our production levels and development activities and limit our ability to make acquisitions or enter into partnerships and farmout arrangements. Unless we make sufficient capital investments and conduct successful development and exploration activities or acquire properties containing proved reserves, our proved reserves will decline as those reserves are produced. Our ability to make the necessary long-~~ -term ~~capital investments or acquisitions needed to maintain or expand our~~ - **or** ~~reserves may be impaired to the extent we have insufficient cash flow from operations or liquidity~~

~~to fund those activities. Over the long term, a continuing decline in our production and reserves would reduce our liquidity and ability to satisfy our debt obligations by reducing our cash flow from operations and the value of our assets. Increases in inflation have had an adverse effect on us. Current and future inflationary effects may be driven by, among other things, supply chain disruptions and governmental stimulus or fiscal policies, and geopolitical instability. In 2022, we experienced high single digit inflation for certain materials and services we procure from vendors including OCTG, fluid hauling, drilling equipment and mechanical and electrical labor services, among other items. We have taken measures to limit the effects of the inflationary market by entering into contracts for materials and services with terms of one to three years. Additionally, we continually look~~ at **all** ~~productivity and performance improvements from our vendors in order to mitigate these price increases and also to reduce volumes consumed~~ . ~~However~~ **Further** , there can be no assurances that **we will be able to successfully separate our E & P and carbon management businesses. We also may decide not to pursue such separation if we do not believe it would maximize shareholder value. On February 7, 2024, we entered into the Merger Agreement with Aera. In addition, from time to time, we engage in acquisition activities. The Aera Merger and other such activities carry risks that we may: • not fully realize anticipated benefits due to less- than- expected reserves or production or changed circumstances; • bear unexpected integration costs or experience other integration difficulties; • assume liabilities that are greater than anticipated; and • be exposed to currency, political, marketing, labor and other risks. In connection with our acquisitions, we are often only able to perform limited due diligence. Successful acquisitions of oil and natural gas properties require an assessment of a number of factors, including estimates of recoverable reserves, the timing for recovering the reserves, exploration potential, future commodity prices, operating costs and potential environmental, regulatory and other liabilities. Such assessments are inexact and incomplete, and we may be unable to make these assessments with a high degree of accuracy. The Aera Merger is expected to close in the second half of 2024 and is subject to certain closing conditions, including the approval of the stock issuance by our stockholders and the receipt of certain required government approvals, and other customary closing conditions. Our other acquisition activities may similarly require us to seek approvals from government agencies and other regulatory bodies, depending on the nature and extent of the businesses being acquired. There can be no assurances that we would be able to obtain such approvals. If we are not able to complete acquisitions, we may not be able to grow our reserves or develop our properties in a timely manner or at all. We regularly review our property base for the purpose of identifying nonstrategic assets, the disposition of which would increase capital resources available for other activities and create organizational and operational efficiencies. Our disposition activities carry risks that we may: • not be able to realize reasonable prices or rates of return for assets; • be required to retain liabilities that are greater than desired or anticipated; • experience increased operating costs; and • reduce our cash flows if we cannot replace associated revenue. There can be no assurance that we will be able to divest assets on financially attractive terms or at all. Our ability to sell assets is also limited by the agreements governing our indebtedness. If we are not able to sell assets as needed, we may not be able to generate proceeds to support our liquidity and capital investments. In addition, we have expended and will continue to expend significant time and resources in connection with the Aera Merger, as well as any future acquisition and disposition activities. For example, time and resources will be expended in connection with seeking regulatory approvals for the Aera Merger. Due to certain restrictions in the Merger Agreement on the conduct of business prior to completing the Aera Merger, we may be unable, during the pendency of the Aera Merger, to pursue strategic transactions, undertake certain significant financing transactions and otherwise pursue other actions, even if such actions would prove beneficial, and we may have to forgo certain opportunities we might otherwise pursue. In addition, the Merger Agreement prohibits us from initiating, soliciting or knowingly encouraging any competing acquisition proposals, subject to certain limited exceptions. The Merger Agreement also contains certain termination rights for us and Aera. Upon termination of the Merger Agreement in accordance with its terms, under certain circumstances, we will be required to pay Aera a termination fee of $ 50 million, or $ 100 million in certain circumstances, including if the Merger Agreement is terminated by Aera due to our Board changing its recommendation in favor of the Aera Merger to support a competing acquisition proposal. We are not fully insured against all risks. Our business and assets are subject to risks from natural disasters and operating risks associated with oil and natural gas exploration and production activities. Pollution or environmental conditions with respect to our operations or on or from our properties, whether arising from our operations or those of our predecessors or third parties, could expose us to substantial costs and liabilities. Such events may cause operations to cease or be curtailed and could adversely affect our business, workforce and the communities in which we operate. The cost and availability of obtaining insurance for natural disasters has increased in recent years. We may be unable to obtain, or may elect not to obtain, insurance for certain risks if we believe that the cost of available insurance is excessive relative to the risks presented. Cybersecurity attacks, systems failures, and other disruptions could adversely affect us. We rely on electronic systems and networks to communicate, control and manage our exploration, development and production activities. We also use these systems and networks to prepare our financial management and reporting information, to analyze and store data and to communicate internally and with third parties, including our service providers and customers. If we record inaccurate data or experience infrastructure outages, our ability to communicate and control and manage our business could be adversely affected. Cybersecurity attacks on businesses have escalated and become more sophisticated. If we or the third parties with whom we interact were to experience a successful attack, the potential consequences to our business, workforce and the communities in which we operate could be significant, including financial losses, loss of business, litigation risks and damage to reputation. We utilize various technologies, controls and procedures, as well as internal staff and external specialists to protect our systems and data, to identify and remediate vulnerabilities and to monitor and respond to threats. However, there can be no assurance that** such measures will be ~~effective~~ **sufficient to prevent security breaches from occurring. If a breach occurs, it may remain undetected for**

~~and~~ - **an extended period of time. If** we ~~anticipate modest price increases for~~ - **or** ~~materials and services in~~ **third parties with whom we interact were to experience a cybersecurity attack or a successful breach,** the **potential consequences** ~~future. Continuing increases in inflation~~ could ~~further increase~~ **be significant, including loss of data, loss of business, damage to our reputation, potential financial** ~~our~~ - **or legal liability requiring us to incur significant** costs ~~of labor~~ **, disruptions related to investigations** and ~~other~~ costs related to **remediation. Energy- related assets may be at a greater risk of strategic terrorist attacks** ~~our~~ - **or** ~~business, which could have an adverse impact~~ **cybersecurity attacks than other targets. A cybersecurity attack** on ~~our business, financial position, results of operations and cashflows. Inflation has also resulted in higher interest rates in the United States, which could increase the cost of our future financing efforts. The COVID- 19 pandemic has adversely affected the global economy, and has resulted in, among other~~ -- **the digital technology** ~~things, travel restrictions, business closures and the institution of quarantining and other mandated and self- imposed restrictions on movement. The severity, magnitude and duration of COVID- 19 or another pandemic, the extent of actions~~ that **controls most** ~~have been or may be taken to contain or treat their impact, and the impacts on the economy generally and~~ oil ~~prices in particular, are uncertain, rapidly changing~~ and hard to predict. This uncertainty could...... intensify, volatility in the prices of natural gas **refining** ~~, oil~~ and ~~NGLs,~~ **distribution necessary to transport** and ~~the extent and duration of the military action, sanctions and resulting~~ market **our products could impact critical** ~~disruptions~~ -- **distribution** ~~have been~~ **and storage assets or the environment, disrupt energy markets by delaying or preventing product delivery, or make it difficult or impossible to accurately account for production and settle transactions. As cybersecurity threats continue to evolve in sophistication and magnitude, we may be required to expend** significant ~~and could~~ **additional resources to** continue to **modify** ~~have a substantial impact on the global economy and our~~ - **or** ~~business~~ **enhance our protective measures** ~~for~~ - **or to investigate** ~~an~~ **and** ~~unknown period of time~~ **remediate any cybersecurity vulnerabilities** . Further, **state** ~~in the fall of 2022, OPEC announced a 2 million barrel per day reduction in production quotas. This action was taken largely in response to the U. S. decision to continue releasing crude from its Strategic Petroleum Reserve. While actual OPEC production capabilities are difficult to discern, any return to previous targeted production levels could cause commodity prices to decline which would reduce the revenues we receive for our oil~~ and **federal cybersecurity** ~~natural gas production. Materialization of either of the events described above may also magnify the impact of the other risks described in this " Risk Factors " section. From time to time we may engage in step- out drilling or drilling in new or emerging plays. Our drilling results are uncertain,~~ and ~~the value of our undeveloped acreage may decline if drilling is unsuccessful. The risk profile for step- out drilling or drilling in new or emerging plays is higher than for other locations because we have less geologic and production~~ data **privacy** and drilling history, in particular for...... 2010, established federal oversight and regulation **legislation** ~~of the over- the- counter (OTC) derivatives market and entities, like us, that participate in that market. Among other things, the Dodd- Frank Act required the U. S. Commodity Futures Trading Commission to promulgate a range of rules and regulations applicable to OTC derivatives transactions. These regulations can affect both the size of positions that we may enter and the ability or willingness of counterparties to trade opposite us. In addition, U. S. regulators adopted a final rule in November 2019 implementing a new approach for calculating the exposure amount of derivative contracts under the applicable agencies' regulatory capital rules, referred to as the standardized approach for counterparty credit risk (SA- CCR). Certain financial institutions were required to comply with the new SA- CCR rules beginning on January 1, 2022. The new rules could significantly increase the capital requirements for some of our hedge counterparties in the OTC derivatives market. These increased capital requirements~~ could result in **complex new requirements** ~~significant additional costs being passed through to end users like us or reduce the number of participants or products available to us in the OTC derivatives market. The European Union and other non- U. S. jurisdictions may implement regulations with respect to the derivatives market. To the extent we transact with counterparties in foreign jurisdictions or counterparties with other businesses~~ that **increase** ~~subject them to regulation in foreign jurisdictions, we may become subject to or~~ **our** otherwise impacted by such regulations, which...... as well as capital and operating costs - **cost** ~~. Many~~ of **doing business** these factors are outside management' s...... source or quantity of future reserves additions . We may face material delays related to our ability to timely obtain permits necessary for our operations ~~,~~ or be unable to secure such permits on favorable terms or at all as a result of numerous California political, regulatory, and legal developments. We must obtain various governmental permits to conduct exploration and production activities, as well as other aspects of our operations. Obtaining the necessary governmental permits is often a complex and time- consuming process involving numerous federal, state and local agencies. The duration and success of each permitting effort is contingent upon many variables not within our control. In the context of obtaining permits or approvals, the Company will need to comply with known standards, existing laws (such as CEQA), and regulations that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the interpretation of the laws and regulations implemented by the permitting authority. **In 2023** ~~From time to time~~ we ~~have~~ experienced significant delays with respect to obtaining ~~drilling~~ **new well, sidetrack, deepening and rework** permits **from CalGEM** for our operations. A variety of factors outside of our control can lead to such delays. **Recent changes in CalGEM management have contributed to permitting delays and uncertainty with respect to our ability to timely obtain permits for our operations. Following such change in management, during the second half of 2023 CalGEM focused on the development of standard operating procedures (SOPs) for permit review, and as a practical matter ceased issuing permits pending the completion of this process. CalGEM released its SOP for the review of applications for rework permits in late Q4 2023 and recently finalized its Lead Agency Preliminary Review process for sidetrack permits. CalGEM has recently resumed issuing permits for reworks to CRC and other operators. It has issued some permits for sidetracks to other operators. Subject to limited exceptions,** CalGEM has not issued any permits for new production wells to any operators since December 2022. **We** ~~Recently, we~~ have experienced delays obtaining permits as a result of litigation related to the Kern County EIR **for the past several years** . ~~On January 26,~~ **Following a favorable trial court order in** ~~2023~~ **2022** , **plaintiffs appealed,** ~~an~~ **and , the** appellate court issued a preliminary order reinstating a suspension of Kern County' s ability to rely on ~~an~~ **the** existing EIR ~~to~~

~~meet the County' s obligations under CEQA in connection with oil and gas permitting. The original suspension was put in place in October 2021 in response to a lawsuit challenging the adequacy of that EIR for CEQA purposes. The county subsequently issued a supplemental EIR and took other steps to address the issues raised by the original lawsuit and in November 2022 a trial court approved the sufficiency of the supplemental EIR and lifted the suspension on Kern County' s reliance on the EIR. On January 26, 2023, the Appellate Court issued a preliminary order on the petition reinstating a suspension of Kern County' s ability to rely on the existing SREIR to meet CEQA requirements~~ pending the outcome of a final order determining whether oil and natural gas permitting shall remain suspended for the duration of the appeals process. ~~That order~~ **We expect the Appellate Court to issue** ~~is~~ **its** ~~still pending~~ **ruling on the matters at issue in the second quarter of 2024** . ~~While we can and intend to~~ **We are in the process of pursuing alternative pathways for** ~~address~~ **addressing** CEQA compliance for our oil and natural gas permitting process ~~through alternative pathways~~ , this would be a lengthy process and we cannot predict **with complete certainty** whether we would be able to timely obtain permits using this alternative. As a result of these issues and current lack of permits with respect to our Kern County properties, we ~~do not~~ currently plan to **operate one active rig** ~~drill and complete any additional wells~~ within Kern County ~~until permitting is resumed~~ **in the first half of 2024, and have the requisite number of permits in hand to keep that rig active throughout the year. We plan to increase our active rig count** in Kern County **from one rig to** ~~, which may be later in the~~ **three in the second half of** 2024 ~~calendar year~~ **, assuming new well and sidetrack permitting resumes in Kern County** . However, there is no certainty that we will obtain permits on that timeline or at all, which may further adversely affect our future development plans, proved undeveloped reserves, business, operations, cash flows, financial position ~~,~~ and results of ~~operation~~ **operations** . Approximately ~~71 %~~ **$ 75 million** of ~~our proved undeveloped reserves or~~ **our** ~~9 % of our total proved reserves~~ **aggregate capital for oil and natural gas development in 2024** ~~relate~~ **relates** to **drilling and completing** wells ~~to be drilled~~ in Kern County ~~beginning in 2024~~ for which we ~~would need to obtain~~ **do not presently have a** ~~permits~~ **permit** . We have also experienced delays obtaining drilling permits from CalGEM since the passage of Senate Bill No. 1137, which established 3, 200 feet as the minimum distance between new oil and natural gas production wells and certain sensitive receptors such as homes, schools and businesses open to the public. The law became effective January 1, 2023 and CalGEM issued emergency regulations implementing the requirements of the law on January 6, 2023. However, on February 3, 2023, the Secretary of State of California certified voter signatures collected in connection with a referendum for the November 2024 ballot to repeal Senate Bill No. 1137. As a result, any implementation of Senate Bill No. 1137 is stayed until it is put to a vote ~~, although any stay could be delayed if there are legal challenges to the Secretary of State' s certification. In addition, even during the stay, CalGEM could attempt to initiate new rulemaking with respect to setbacks~~ . There is significant uncertainty with respect to the ability to book proved undeveloped reserves and drill within the setback zone established by Senate Bill No. 1137 and, as a result, we have only booked proved undeveloped reserves for which we already have permits within the zone ~~and~~ **or** intend to ~~develop~~ **have permits for** prior to the November 2024 ballot. As **a result** of ~~December 31, 2022, changes in our development plans due to~~ Senate Bill No. 1137 **, in 2023 we** reduced the net present value of our proved undeveloped reserves by ~~24~~ **19** % and our overall proved reserves by ~~4~~ **2** %. ~~Recent changes~~ **(See Part I, Item 1 and 2 – Business and Properties, Regulation of Exploration and Production Activities for more information). In addition, commencing** in **February 2023,** CalGEM ~~management~~ **began returning our applications for permits in the Wilmington Oil Field, including permits for new production wells, workovers and plugging and abandonment operations. CalGEM cited concerns regarding the adequacy of the related environmental impact report for purposes of meeting CEQA requirements. We are working together with the City of Long Beach to address CalGEM' s concerns regarding conducting future re- drills, workover and plugging and abandonment activities. Approximately $ 25 million of our aggregate capital for oil and natural gas development in 2024 relates to drilling and completing wells in Wilmington for which we do not presently** have ~~further lead~~ **a permit. We plan** to ~~additional~~ **operate one active rig on the THUMS Islands in the second half of 2024, assuming** permitting ~~delays~~ **of sidetracks** and **deepenings resumes. However, there is no** ~~uncertainty~~ -- **certainty that we will** ~~with respect to our ability to timely~~ obtain permits **on that timeline** ~~for~~ - **or at all, which may further adversely affect** our **future development plans, proved undeveloped reserves, business, operations, cash flows, financial position and results of** operations. We cannot guarantee that these issues or new ones that may arise in the future will not continue to delay or otherwise impair our ability to obtain drilling permits. In the past we have generally been able to mitigate permitting risks by building up a reserve of drilling permits for use throughout the year, but as a result of the issues described above **,** we have not been able to build our reserve of approved permits to the same level as we have in the past. If we cannot obtain new drilling **or sidetrack** permits in a timely manner, we have limited options to meet our drilling plans, such as the use of workovers to extend the life of existing production, that may not ultimately be sufficient to achieve our business goals. **Any continuing** ~~Accordingly, the~~ failure to obtain certain permits or the adoption of more stringent permitting requirements could have a material adverse effect on our business, operations, properties, results of operations, and our financial condition. In recent years, the Governor of California, the Legislature and state agencies have taken a series of actions that could materially and adversely affect the state ~~'~~ **'** s oil and natural gas sector. ~~Most recently, on September 16, 2022, the Governor of California signed Senate Bill No. 1137 into law, which establishes 3, 200 feet as the minimum distance between new oil and natural gas production wells and certain sensitive receptors such as homes, schools or parks. Senate Bill No. 1137 is currently stayed pending the outcome of the California General Election in November 2024.~~ For additional information, see Part I, Item 1 and 2 – Business and Properties, Regulation of the Industries in Which We Operate, Regulation of Exploration and Production Activities **, and Risk Factors, We may face material delays related to our ability to timely obtain permits necessary for our operations, or be unable to secure such permits on favorable terms or at all as a result of numerous California political, regulatory, and legal developments** . The trend in California is to impose increasingly stringent restrictions on oil and natural gas activities. We cannot predict what actions the Governor of California, the Legislature or state agencies may take in the future, but we could face increased compliance costs, delays in obtaining the approvals necessary for our operations, exposure to increased liability, or other limitations as a result of future actions by these parties. Moreover, new developments resulting from the current and future actions of these parties could also materially and adversely affect our ability to operate, successfully execute drilling plans, or otherwise develop our reserves. Accordingly, recent and future actions by the Governor of California, the Legislature, and state agencies could materially and adversely affect our business, results of operations, and financial condition ~~. Our business is highly regulated and government authorities can delay or deny permits and approvals or change requirements governing our operations, including hydraulic fracturing and other well stimulation methods, enhanced production techniques and fluid injection or disposal, that could increase costs, restrict operations and change or delay the implementation of our business plans~~ . Our operations are subject to complex and stringent federal, state, local and other laws and regulations relating to the exploration and development of our properties, as well as the production, transportation, marketing and sale of our products. To operate in compliance with these laws and regulations, we must obtain and maintain permits, approvals and certificates from federal, state and local government authorities for a variety of activities including siting, drilling, completion, stimulation, operation, inspection, maintenance, transportation, storage, marketing, site remediation, decommissioning, abandonment, protection of habitat and threatened or endangered species, air emissions, disposal of solid and hazardous waste, fluid injection and disposal and water consumption, recycling and reuse. For example, our operations in the Wilmington Oil Field utilize injection wells to reinject produced water pursuant to waterflooding plans. These operations are subject to regulation by both the City of Long Beach and CalGEM. We are currently in discussions with the City of Long Beach and CalGEM with respect to what injection well pressure gradient complies with CalGEM' s requirements for the protection of underground **aquifers** ~~sources of drinking water~~ while at the same time mitigating subsidence risks. CalGEM ~~'~~ **'** s local office has preliminarily indicated that the injection well pressure gradient should be reduced from the gradient that has been used for several decades. As part of our ongoing discussions, we and the City of Long Beach have provided CalGEM with technical information regarding how the historical injection well pressure gradient complies with CalGEM ~~'~~ **'** s requirements and to inform them of the absence of risk of leakage **and a plan to gradually lower the injection gradient over time in a manner that we believe would mitigate subsidence risks** . If CalGEM were to ultimately disagree and determine to reduce the injection well pressure gradient **other than in a gradual manner** , and we were unable to reverse that decision on appeal or other legal challenge, we expect ~~that~~ any material reduction in injection well pressure gradient for our operations in the Wilmington Oil Field would result in a decrease in production and reserves from the field. Failure to comply may result in the assessment of administrative, civil and / or criminal fines and penalties, liability for noncompliance, costs of corrective action, cleanup or restoration, compensation for personal injury, property damage or other losses, and the imposition of injunctive or declaratory relief restricting or prohibiting certain operations or our access to property, water, minerals or other necessary resources, and may otherwise delay or restrict our operations and cause us to incur substantial costs. Under certain environmental laws and regulations, we could be subject to strict or joint and several liability for the removal or remediation of contamination, including on properties over which we and our predecessors had no control, without regard to fault, legality of the original activities, or ownership or control by third parties. Our ability to timely obtain and maintain permits for our operations **in 2023** , including from CalGEM, has ~~from time to time~~ been subject to significant delays and uncertainties and is subject to ~~factor~~ **factors that are not within** our control. These factors include changes in agency practices, new regulations, or legal challenges to existing approvals for our operations from individual citizens and non- governmental organizations. For example, beginning in 2021, CalGEM ceased issuing new well stimulation permits **. In 2023, CalGEM virtually ceased issuing permits for new wells, sidetracks, deepenings, and reworks throughout the state (though it recently resumed issuing permits for reworks,** and has ~~slowed~~ **slowly been resuming** the ~~approval~~ **issuance** of ~~new drill~~ permits **for sidetracks),** even as it continues approving **permits for** plugging and ~~workovers~~ **abandonment** . **CalGEM communicated that permitting would resume (with** ~~In addition, in 2020 a group of plaintiffs challenged in court~~ the ~~ability~~ **exception** of **permits for new wells in** Kern County ~~to~~ **, the** ~~issue~~ **issuance** ~~well~~ **of which has been stayed pending the final ruling of the Appellate Court) upon its development of standard operating procedures for reviewing** ~~permits~~ - **permit** ~~in reliance on~~ **applications and cited staffing shortages within its CEQA unit as** an **additional reason for the delays** ~~existing Environmental Impact Report (EIR)~~ . See Part I, Item 1 and 2 – Business and Properties, Regulation of the Industries in ~~Which~~ **which** ~~We~~ **we** Operate, ~~Regulation~~ **Regulations** of Exploration and Production Activities. We **cannot guarantee** ~~can also provide no assurances~~ that ~~we~~ **these issues or new ones that may arise in the future** will **not continue** ~~always be able~~ to ~~successfully navigate these risks and timely~~ **delay or otherwise impair our ability to** obtain **drilling** permits ~~or obtain~~ **. In** ~~them~~ - **the past** ~~on favorable terms. While~~ we have ~~existing~~ **generally been able to mitigate permitting risks by building up a reserve of drilling** permits **for** ~~that will allow us~~ **use** ~~to run~~ **throughout the year, but as** a ~~modified drilling program in 2023~~ **result of the issues described above** , we **have not been** ~~are unlikely to be~~ able to ~~offset projected oil production declines over~~ **build our reserve of approved permits to** the same ~~period~~ **level as we have in the past** . Changes to elected or appointed officials or their priorities and policies could result in different approaches to the regulation of the oil and natural gas industry. ~~We~~ **If we** cannot ~~predict the actions the Governor of California~~ **obtain new drilling or sidetrack permits in a timely manner, we have limited options to meet** ~~or~~ **our drilling plans, such as** the **use** ~~California legislature may take with respect to the regulation~~ of **workovers to extend the life of existing production, that may not ultimately be sufficient to achieve** our business ~~, the oil and natural gas~~ **goals** ~~industry or the state' s economic, fiscal or environmental policies, nor can we predict what actions may be taken at the federal level with respect to health, environmental safety, climate, labor or energy laws, regulations and policies, including those that may directly or indirectly impact our operations~~ . **Any continuing failure** ~~Our Carbon TerraVault business and our CCS projects are subject to extensive government regulation that, among other things, requires us~~ to obtain **certain** permits ~~for~~ - **or** ~~the injection and sequestration of CO2. Many of these~~ -- **the adoption of more stringent permitting** ~~regulations are still being developed. Failure to comply with these~~ requirements ~~and obtain the necessary permits, or the development of government regulations that are unfavorable to our CCS projects,~~ could have ~~an~~ **a material** adverse effect on our business, **operations, properties,** results of operations **,** and **our** financial condition. Successful development of CCS projects in the United States require that we comply with what we anticipate will be a stringent regulatory scheme requiring that we obtain certain permits applicable to subsurface injection of CO_2 for geologic sequestration. Moreover, as operator of our CCS projects, we must demonstrate and maintain levels of financial assurance sufficient to cover the cost of corrective action, injection well plugging, post injection site care and site closure, and emergency and remedial response. There ~~is~~ **are** no assurances that we will be successful in obtaining or maintaining permits or adequate levels of financial assurance for one or more of our CCS projects or that permits can be obtained on a timely basis, whether due to difficulty with the technical demonstrations required to obtain such permits, public opposition, or otherwise. Separately, permitting CCS projects requires obtaining a number of other permits and approvals unrelated to subsurface injection from various U. S. federal and state agencies, such as for air emissions or impacts to environmental, natural, historic or cultural resources resulting from the construction and operation of a CCS facility. We cannot guarantee that we will be able to obtain or maintain all applicable permits for CCS activities on a timely basis or on favorable terms. **Moreover, to the extent any of our CCS projects will require any supporting pipeline infrastructure, we could face additional costs and delays obtaining the necessary permits and rights of ways for such infrastructure, and increased risk of opposition to our projects, which may ultimately mean we are unable to successfully pursue certain CCS projects because of these risks.** As CCS and carbon management represent an emerging sector, laws and regulations may evolve rapidly, which could impact the feasibility of one or more of our anticipated projects. To the extent additional legal or regulatory requirements are imposed, are amended, or more stringently enforced, we may incur additional costs in the pursuit of one or more of our carbon capture projects, which costs may be material or may render any one or more of our projects uneconomical. ~~On September 16, 2022,~~ **New and developing regulations related to** the ~~Governor~~ **CO_2 unitization, permitting and pipeline safety could negatively impact our business, financial condition and results** of ~~California signed~~ **operations.** Senate Bill No. 905 ~~into law, which~~ contemplates the development of unitization, permitting and pipeline safety regulations over a multi- year period to facilitate the development of CCS projects in California, though the legislation does not provide for compulsory unitization. ~~Protocols to support CCS are~~ **A unified permit application is** to be adopted by January 1, ~~2024, and a unified permit application is to be adopted by January 1,~~ 2025. We believe our Carbon TerraVault projects, for which **the EPA has issued draft** permits ~~with the EPA have been filed~~ **that are open to public notice and comment until March 20, 2024** , will continue to be developed on a timeline consistent with our initial expectations. These initial projects are not reliant on the unitization or permitting regulations being developed. In addition, our Carbon TerraVault projects are expected to either use emitters that are directly sited above these storage facilities or rely on pipelines for transporting CO_2 that will need to comply with yet to be developed CO_2 pipeline safety regulations from the federal Pipeline and Hazardous Materials Safety Administration, which could take a number of years to effect. Delays in developing required pipeline safety regulations would delay projects requiring pipeline transportation of CO_2. The lack of compulsory unitization could also delay project timelines. The unified permitting process contemplated by Senate Bill No. 905 will be optional for project applicants and is intended to simplify the permitting process for CCS projects. In the meantime, pursuant to this legislation we are permitted to proceed with our existing and future CCS Class VI permit applications with the EPA. This law also contemplates the implementation of a new regulatory program incorporating standards that are not yet defined and that could affect the timing of future CCS projects in California. Senate Bill No. 905 also prohibits CCS projects that utilize and permanently sequester CO_2 in connection with EOR projects. Although we do not have any existing oil and natural gas production or proved reserves associated with EOR projects, this legislation required us to transition our CalCapture project to target CCS and may require us to make other adjustments to projects in the future. Governmental, scientific and public concern over the threat of climate change arising from GHG emissions, and regulation of GHGs and other air quality issues, may materially affect our business in many ways, including increasing the costs to provide our products and services and reducing demand for, and consumption of, our products and services, and we may be unable to recover or pass through a significant portion of our costs. In addition, legislative and regulatory responses to such issues at the federal, state and local level may increase our capital and operating costs and render certain wells or projects uneconomic, and potentially lower the value of our reserves and other assets. Both the EPA and California have implemented laws, regulations and policies that seek to reduce GHG emissions. California' s cap- and- trade program operates under a market system and the costs of such allowances per metric ton of GHG emissions are expected to increase in the future as the CARB tightens program requirements and annually increases the minimum state auction price of allowances and reduces the state' s GHG emissions cap. As the foregoing requirements become more stringent, we may be unable to implement them in a cost- effective manner, or at all. In August 2022, President Biden signed the **Inflation Reduction** Act into law. The **Inflation Reduction** Act includes a charge on methane emissions that is expected to be applicable to the reported annual methane emissions of certain oil and natural gas facilities, above specified methane intensity thresholds, starting in 2024. The full impact of future climate regulations is uncertain at this time and it is unclear what additional actions may be taken that may have an adverse effect upon our operations. To the extent financial markets view climate change and GHG or other emissions as an increasing financial risk, this could adversely impact our cost of, and access to, capital and the value of our stock and our assets. Current investors in oil and natural gas companies may elect in the future to shift some or all of their investments into other sectors, and institutional lenders may elect not to provide funding for oil and natural gas companies. There is also a risk that financial institutions will be required to adopt policies that have the effect of reducing the funding provided to the fossil fuel sector. Additionally, in March 2022, the Securities and Exchange Commission (SEC) released a proposed rule that would establish a framework for the reporting of climate risks, targets and metrics. **We** ~~A final rule is expected to be released in Q2 2023, but we~~ cannot predict the final form and substance of the rule and its requirements. ~~The~~ **Relatedly, California has enacted new laws requiring additional disclosure with respect to certain** ~~ultimate~~ - **climate** ~~impact~~ **- related risks and GHG emissions reduction claims. (See Part I, Item 1 and 2 – Business and Properties, Regulation** of **the Industries in Which We Operate, Regulation of Climate**

Change and Greenhouse Gas (GHG) Emissions, California Climate Disclosures for more information). Non- compliance with ~~the~~ **these** ~~rule~~ **new laws may result in the imposition of substantial fines or penalties. Other states are considering similar laws. Any new laws or regulations imposing more stringent requirements** on our business ~~is uncertain and upon finalization~~ **related to the disclosure of climate- related risks** may result in **reputation harms among certain stakeholders if they disagree with our approach to mitigating climate- related risks,** additional costs to comply with any such disclosure requirements **and** ~~, alongside~~ increased costs of and restrictions on access to capital. We believe, but cannot guarantee, that our local production of oil, NGLs and natural gas will remain essential to meeting California' s energy and feedstock needs for the foreseeable future. We have also established 2030 Sustainability Goals for water recycling, renewables integration, methane emission reduction and carbon capture and sequestration in our life- of- field planning in an attempt to align with the state' s long- term goals and support our ability to continue to efficiently implement federal, state and local laws, regulations and policies, including those relating to air quality and climate, in the future. However, there can be no assurances that we will be able to design, permit, fund and implement such projects in a timely and cost- effective manner or at all, or that we, our customers or end users of our products will be able to satisfy long- term environmental, air quality or climate goals if those are applied as enforceable mandates. The adoption and implementation of new or more stringent international, federal, state or local legislation, regulations or policies that impose more stringent standards for GHG or other emissions from our operations or otherwise restrict the areas in which we may produce oil, natural gas, NGLs or electricity or generate GHG or other emissions could result in increased costs of compliance or costs of consuming, and thereby reduce demand for or the value of our products and services. Additionally, political, litigation and financial risks may result in restricting or canceling oil and natural gas production activities, incurring liability for infrastructure damages or other losses as a result of climate change, or impairing our ability to continue to operate in an economic manner. Moreover, climate change may pose increasing risks of physical impacts to our operations and those of our suppliers, transporters and customers through damage to infrastructure and resources resulting from drought, wildfires, sea level changes, flooding and other natural disasters and other physical disruptions. One or more of these developments could have a material adverse effect on our business, financial condition and results of operations. In August 2022, President Biden signed the **Inflation Reduction** Act into law. The **Inflation Reduction** Act contains hundreds of billions of dollars in incentives for the development of renewable energy, clean hydrogen, clean fuels, electric vehicles and supporting infrastructure and CCS, amongst other provisions. In addition, the **Inflation Reduction** Act imposes the first ever federal fee on the emission of GHGs through a methane emissions charge. The **Inflation Reduction** Act amends the Clean Air Act to impose a fee on the emission of methane from sources required to report their GHG emissions to the EPA, including those sources in the onshore petroleum and natural gas production categories. The methane emissions charge would start in calendar year 2024 at $ 900 per ton of methane, increase to $ 1, 200 in 2025, and be set at $ 1, 500 for 2026 and each year thereafter. Calculation of the fee is based on certain thresholds established in the **Inflation Reduction** Act **. However, compliance with the EPA' s new methane rules (see Part I, Item 1 and 2 – Business and Properties, Regulation of the Industries in Which We Operate, Regulation of Climate Change and Greenhouse Gas (GHG) Emissions) would exempt an otherwise covered facility from the requirement to pay the fee** . In addition, the multiple incentives offered for various clean energy industries referenced above could further accelerate the transition of the economy away from fossil fuels towards lower- or zero- carbon emission alternatives. The methane charges and various incentives for clean energy industries could decrease demand for crude oil and natural gas, increase our compliance and operating costs and consequently materially and adversely affect our business and results of operations. **Tax law changes could have an adverse effect on our financial condition, results of operations and cash flows.** We are subject to taxation by various tax authorities at the federal, state and local levels where we do business. New legislation could be enacted by any of these government authorities that could adversely affect our business ~~. For example, the Act includes a new excise tax on certain repurchases of corporate stock. The 1 % stock buyback excise tax applies to certain publicly traded corporations that repurchase stock from their shareholders after December 31, 2022. The amount subject to the excise tax is the fair market value of stock repurchased by such corporation net of the fair market value of any stock issued by such corporation during such taxable year. Although the application of this excise tax is not entirely clear, any redemptions made after December 31, 2022 in connection with our Share Repurchase Program will be subject to this excise tax. We do not believe that the effect of this new excise tax will be significant in 2023~~ . In addition, from time to time, legislation has been proposed that would, if enacted into law, make significant changes to U. S. federal income tax laws, including the elimination of certain U. S. federal income tax benefits currently available to oil and natural gas exploration and production companies. Such changes have included, but have not been limited to, (i) the repeal of percentage depletion allowance for oil and natural gas properties; (ii) the elimination of current deductions for intangible drilling and development costs; (iii) an extension of the amortization period for certain geological and geophysical expenditures; (iv) the elimination of certain other tax deductions and relief previously available to oil and natural gas companies; and (v) an increase in the U. S. federal income tax rate applicable to corporations such as us. However, it is unclear whether any such changes will be enacted and, if enacted, how soon any such changes would be effective. Additionally, legislation could be enacted that imposes new fees or increases the taxes on oil and natural gas extraction, which could result in increased operating costs and / or reduced demand for our products. The passage of any such legislation or any other similar change in U. S. federal income tax law could eliminate or postpone certain tax deductions that are currently available with respect to natural gas and oil exploration and development or could increase costs and any such changes could have an adverse effect on our financial condition, results of operations and cash flows. **Similarly, legislation could be enacted that changes or terminates the current tax incentives that our CCS projects depend on to be economical. The enactment of any legislation that reduces or eliminates 45Q credits or tax credits for the production of clean hydrogen could have an adverse effect on our financial condition, results of operations and cash flows.** In California, there have been numerous state and local proposals for additional income, sales, excise and property taxes, including additional taxes on oil and natural gas production and a windfall profits tax on refineries. Although such proposals targeting the oil and natural gas industry have not become law, campaigns by various interest groups could lead to additional future taxes. **On October 7, 2023, the California Governor signed into law Assembly Bill 1167 (AB 1167), which imposes more stringent financial assurance requirements on persons who acquire the right to operate a well or production facility in the state of California, requiring them to file either an individual indemnity bond for single- well or production facility acquisitions, or a blanket indemnity bond for multiple wells or production facilities. The bond imposed on the acquirer will be in an amount determined by the state to sufficiently cover plugging and abandonment costs, decommissioning, and site restoration, and AB 1167 prohibits the closing of any acquisition of a well or production facility until a determination on the appropriate bond amount has been completed by the state and the bond has been filed. We are still assessing the impact of AB 1167. In addition, although AB 1167 has been signed into law, Governor Newsom has called for further legislative changes to these new requirements to mitigate against the potential risk of the implementation of AB 1167 ultimately increasing the number of orphaned idle or low- producing wells in California, although no such changes have yet been announced. We cannot predict what form these changes may ultimately take or if the legislature will act on the Governor' s request. Implementation of this law may lead to the delay or additional costs with respect to acquisitions or dispositions, which could impact our ability to grow or explore new strategic areas – or exit others – within the state of California.** In light of our strategic goals and the restrictions under our existing debt, we are evaluating options to ~~amend and extend or~~ replace ~~our Revolving Credit Facility, as well as refinancing options for~~ our Senior Notes. Our ability to refinance our debt depends on a variety of factors, including our ability to access the commercial banking and debt capital markets. Changes in interest rates could also impact our ability to refinance our debt. If interest rates increase, the interest expense burden of any refinanced debt or other variable rate debt would increase even though the amount borrowed remained the same. There can be no assurances that we will be successful in amending, replacing or refinancing our existing debt on acceptable terms or at all. As of December 31, ~~2022~~ **2023** , we had $ ~~600~~ **545** million of total long- term debt, and additional borrowing capacity of $ ~~458~~ **477** million under the Revolving Credit Facility (after taking into account $ ~~144~~ **153** million of outstanding letters of credit). The terms of our Revolving Credit Facility and Senior Notes permit us to incur significant additional debt, some of which may be secured. Our level of future indebtedness could affect our business in several ways, including the following: • limit management' s discretion in operating our business and our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; • require us to dedicate a portion of our cash flow from operations to service our existing debt, thereby reducing the cash available to finance our operations and other business activities due to restrictions on our ability to obtain additional financing, make investments, lease equipment, sell assets and engage in business combinations; • limit our ability to pay dividends and repurchase shares; • increase our vulnerability to downturns and adverse developments in our business and the economy generally; • limit our ability to access the capital markets to raise capital on favorable terms or to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate or other expenses, or to refinance existing indebtedness; • make it more likely that a reduction in our borrowing base following a periodic redetermination could require us to repay a portion of our then- outstanding bank borrowings; and • make us vulnerable to increases in interest rates as our indebtedness under the Revolving Credit Facility varies with prevailing interest rates. Our ability to satisfy our obligations depends on our future operating performance and on economic, financial, competitive and other factors, many of which are beyond our control. Our business may not generate sufficient cash flow, and future financings may not be available to provide sufficient net proceeds, to meet these obligations or to successfully execute our business strategy. We may not be able to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy the obligations under our indebtedness, which may not be successful. Our earnings and cash flow could vary significantly from year to year due to the nature of our industry despite our commodity price risk- management activities. As a result, the amount of debt that we can manage in some periods may not be appropriate for us in other periods. Additionally, our future cash flow may be insufficient to meet our debt obligations and other commitments at that time. Any insufficiency could negatively impact our business. A range of economic, competitive, business and industry factors will affect our future financial performance, and, as a result, our ability to generate cash flow from operations and to pay our debt obligations. Many of these factors, such as oil and natural gas prices, economic and financial conditions in our industry and the global economy and initiatives of our competitors, are beyond our control as discussed in this " Risk Factors " section. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. The lenders under our Revolving Credit Facility could limit our ability to borrow and restrict our use or access to capital. Our Revolving Credit Facility is an important source of our liquidity. Our ability to borrow under our Revolving Credit Facility is limited by our borrowing base, the size of our lenders' commitments and our ability to comply with covenants. The borrowing base under our Revolving Credit Facility is redetermined semi- annually by our lenders who review the value of our reserves and other factors that may be deemed appropriate. Currently, our borrowing base is set at $ 1. 2 billion and the availability under our Revolving Credit Facility is limited by the aggregate elected commitment amount of our lenders, which as of February 1, ~~2023~~ **2024** was set at $ ~~602~~ **630** million. A reduction in our borrowing base below the aggregate commitment amount of our lenders would materially and adversely affect our liquidity and may hinder our ability to execute on our business strategy. Both our Revolving Credit Facility and the indenture governing our Senior Notes contain certain restrictions, which may have adverse effects on our business, financial condition, cash flows or results of operations. These restrictions limit our ability to, among other things, (i) incur additional indebtedness; (ii) pay dividends or repurchase shares; (iii) sell properties; and (iv) make capital investments. The Revolving Credit ~~Agreement~~ **Facility** also requires us to comply with certain financial maintenance covenants, including a leverage ratio and current ratio. A breach of any of these restrictive covenants could result in a default under the Revolving Credit Facility and / or the Senior Notes. If a default occurs under the Revolving Credit Facility, the lenders may elect to declare all borrowings thereunder outstanding, together with accrued interest and other fees, to be immediately due and payable. If we are unable to repay our indebtedness when due or declared due, the lenders under the Revolving Credit Facility will also have the right to proceed against the collateral pledged to them to secure the indebtedness. An event of default under the Senior Notes may cause all outstanding Senior Notes to become due and payable immediately or give the trustee and the holders the right to declare all outstanding Senior Notes to become due and payable immediately. Borrowings under our Revolving Credit Facility are at variable rates of interest and expose us to interest rate risk. As of December 31, ~~2022~~ **2023** , we had no amounts borrowed under our Revolving Credit Facility. If in the future we borrow under the Revolving Credit Facility, then our results of operations would be sensitive to movements in interest rates. There are many economic factors outside our control that have in the past and may, in the future, impact rates of interest including publicly announced indices that underlie the interest obligations related to our Revolving Credit Facility. Factors that impact interest rates include governmental monetary policies, inflation, economic conditions, changes in unemployment rates, international disorder and instability in domestic and foreign financial markets. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our results of operations would be adversely impacted. Such increases in interest rates could have a material adverse effect on our financial condition and results of operations if we borrow under the Revolving Credit Facility in the future. We have adopted a cash dividend policy which anticipates a total annual dividend of $ 1. ~~13~~ **24** per share, payable to shareholders in quarterly increments of $ 0. ~~2825~~ **31** per share of common stock, subject to board authorization and declaration each quarter. ~~In addition, as~~ **We recently increased the size** of ~~December 31, 2022, we had remaining authorization under~~ our ~~Share~~ **share** ~~Repurchase Program to~~ repurchase **program by** ~~up to $ 389 million of shares of our common stock, before the increase of~~ $ 250 million ~~approved by our Board~~ **to $ 1. 35 billion and extended the program through December 31, 2025. As** of ~~Directors on~~ February ~~23~~ **6** , ~~2023~~ **2024 we had approximately $ 747 million of remaining authorized capacity** . Any payment of future dividends or repurchasing shares of our common stock will be at the discretion of our Board of Directors and will depend upon, among other things, our earnings, liquidity, capital requirements, financial condition and other factors deemed relevant. Our Revolving Credit Facility and Senior Notes both limit our ability to pay dividends and repurchase shares of our common stock. In addition, cash dividend payments in the future may only be made out of legally available funds and, if we experience substantial losses, such funds may not be available. We can provide no assurances that we will continue to pay dividends at the anticipated rate or repurchase shares of our common stock within the authorized amount or at all. The trading price of our common stock may decline for many reasons, some of which are beyond our control. In the event of a drop in the market price of our common stock, you could lose a substantial part or all of your investment in our common stock. Numerous factors, including those referred to in this Risk Factors section could affect our stock price. These factors include, among other things, changes in our results of operations and financial condition; changes in commodity prices; changes in the national and global economic outlook; changes in applicable laws and regulations; variations in our capital plan; changes in financial estimates by securities analysts or ratings agencies; changes in market valuations of comparable companies; and additions or departures of key personnel. We may sell additional shares of common stock in subsequent public or private offerings. We may also issue additional shares of common stock or convertible securities. As of December 31, ~~2022~~ **2023** , we had ~~71~~ **68** , ~~949~~ **693** , ~~742~~ **885** outstanding shares of common stock and 4, ~~295~~ **182** , ~~434~~ **521** shares of common stock issuable upon exercise of outstanding warrants. **Upon the completion of the Aera Merger, we expect to issue 21, 170, 357 shares of common stock.** We cannot predict the size of **other** future issuances of our common stock or securities convertible into common stock or the effect, if any, that **such other** future issuances and sales of shares of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices of our common stock. Downward pressure on the market price of our common stock that likely will result from sales of our common stock issued in connection with the exercise of warrants could encourage short sales of our common stock by market participants. Generally, short selling means selling a security, contract or commodity not owned by the seller. The seller is committed to eventually purchase the financial instrument previously sold. Short sales are used to capitalize on an expected decline in the security' s price. Such sales of our common stock could have a tendency to depress the price of the stock, which could increase the potential for short sales. As of December 31, ~~2022~~ **2023** , ~~five~~ **four** of our shareholders owned at least 5 % each and collectively owned approximately 40 % of our common stock. As a result, each of these stockholders, or any entity to which such stockholders sell their stock, may be able to exercise significant control over matters requiring stockholder approval. Further, because of this large ownership position, if these stockholders sell their stock, the sales could depress our share price. ~~Following our emergence from bankruptcy in October 2020, we granted our executive officers restricted stock units and performance stock units under our Long Term Incentive Plan. These units are settled in shares of our common stock and a significant portion of these grants vest in January 2024.~~ Sales of our common stock by our executive officers may adversely impact the trading price of our common stock, even when done in compliance with our policies with respect to insider sales. Although we do not expect that the relatively small volume of such sales will itself significantly impact the trading price of our common stock, the market could react negatively to the announcement of such sales, which could in turn affect the trading price of our common stock. ~~Organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to evaluate their investment and voting decisions. Companies in the energy industry, and in particular those focused on oil or natural gas extraction, often do not score as well under ESG assessments compared to companies in other industries. Unfavorable ESG ratings may lead to increased negative investor sentiment toward us and to the diversion of their investment away from the fossil fuel industry to other industries which could have a negative impact on our stock price and our access to and costs of capital. To the extent ESG matters negatively impact our reputation, we may not be able to compete as effectively or recruit or retain employees, which may adversely affect our operations. Moreover, while we may create and publish voluntary disclosures regarding ESG matters from time to time, many of the statements in those voluntary disclosures will be based on expectations and assumptions that may or may not be representative of actual risks or events, including the~~

~~costs associated therewith. Such expectations and assumptions are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of an established single approach to identifying, measuring, and reporting on many ESG matters. Additionally, while we may also announce various voluntary ESG targets, such targets are aspirational. We may not be able to meet such targets in the manner or on such a timeline as initially contemplated, including, but not limited to as a result of unforeseen costs or technical difficulties associated with achieving such results. To the extent we do meet such targets, they may ultimately be achieved through various contractual arrangements, including the purchase of various credits or offsets that may be deemed to mitigate our ESG impact instead of actual changes in our ESG performance. However, we cannot guarantee that there will be sufficient offsets available for purchase given the increased demand from numerous businesses implementing net zero goals, or that, notwithstanding our reliance on any reputable third- party registries, that the offsets we do purchase will successfully achieve the emissions reductions they represent. Also, despite these aspirational goals, we may receive pressure from investors, lenders, or other groups to adopt more aggressive climate or other ESG- related goals, but we cannot guarantee that we will be able to implement such goals because of potential costs or technical or operational obstacles. Public statements with respect to ESG matters, such as emissions reduction goals, other environmental targets, or other commitments addressing certain social issues, are becoming increasingly subject to heightened scrutiny from public and governmental authorities related to the risk of potential " greenwashing, " i. e., misleading information or false claims overstating potential ESG benefits. As a result, we may face increased litigation risks from private parties and governmental authorities related to our ESG efforts. In addition, any alleged claims of greenwashing against us or others in our industry may lead to further negative sentiment and diversion of investments. Additionally, we could face increasing costs as we attempt to comply with and navigate further ESG- related focus and scrutiny. Such ESG matters may also impact our customers or suppliers, which may adversely impact our business, financial condition, or results of operations. Our acquisition activities carry risks that we may: • not fully realize anticipated benefits due to less- than- expected reserves or production or changed circumstances; • bear unexpected integration costs or experience other integration difficulties; • assume liabilities that are greater than anticipated; and • be exposed to currency, political, marketing, labor and other risks. In connection with our acquisitions, we are often only able to perform limited due diligence. Successful acquisitions of oil and natural gas properties require an assessment of a number of factors, including estimates of recoverable reserves, the timing for recovering the reserves, exploration potential, future commodity prices, operating costs and potential environmental, regulatory and other liabilities. Such assessments are inexact and incomplete, and we may be unable to make these assessments with a high degree of accuracy. If we are not able to make acquisitions, we may not be able to grow our reserves or develop our properties in a timely manner or at all. We regularly review our property base for the purpose of identifying nonstrategic assets, the disposition of which would increase capital resources available for other activities and create organizational and operational efficiencies. Our disposition activities carry risks that we may: • not be able to realize reasonable prices or rates of return for assets; • be required to retain liabilities that are greater than desired or anticipated; • experience increased operating costs; and • reduce our cash flows if we cannot replace associated revenue. There can be no assurance that we will be able to divest assets on financially attractive terms or at all. Our ability to sell assets is also limited by the agreements governing our indebtedness. If we are not able to sell assets as needed, we may not be able to generate proceeds to support our liquidity and capital investments. We are not fully insured against all risks. Our business and assets are subject to risks from natural disasters and operating risks associated with oil and natural gas exploration and production activities. Pollution or environmental conditions with respect to our operations or on or from our properties, whether arising from our operations or those of our predecessors or third parties, could expose us to substantial costs and liabilities. Such events may cause operations to cease or be curtailed and could adversely affect our business, workforce and the communities in which we operate. The cost and availability of obtain insurance for natural disasters has increased in recent years. We may be unable to obtain, or may elect not to obtain, insurance for certain risks if we believe that the cost of available insurance is excessive relative to the risks presented. Cybersecurity attacks, systems failures, and other disruptions could adversely affect us. We rely on electronic systems and networks to communicate, control and manage our exploration, development and production activities. We also use these systems and networks to prepare our financial management and reporting information, to analyze and store data and to communicate internally and with third parties, including our service providers and customers. If we record inaccurate data or experience infrastructure outages, our ability to communicate and control and manage our business could be adversely affected. Cybersecurity attacks on businesses have escalated and become more sophisticated. If we or the third parties with whom we interact were to experience a successful attack, the potential consequences to our business, workforce and the communities in which we operate could be significant, including financial losses, loss of business, litigation risks and damage to reputation. We utilize various technologies, controls and procedures, as well as internal staff and external specialists to protect our systems and data, to identify and remediate vulnerabilities and to monitor and respond to threats. However, there can be no assurance that such measures will be sufficient to prevent security breaches from occurring. If a breach occurs, it may remain undetected for an extended period of time. If we or third parties with whom we interact were to experience a cybersecurity attack or a successful breach, the potential consequences could be significant, including loss of data, loss of business, damage to our reputation, potential financial or legal liability requiring us to incur significant costs, disruptions related to investigations and costs related to remediation. Energy- related assets may be at a greater risk of strategic terrorist attacks or cybersecurity attacks than other targets. A cybersecurity attack on the digital technology that controls most oil and natural gas refining and distribution necessary to transport and market our products could impact critical distribution and storage assets or the environment, disrupt energy markets by delaying or preventing product delivery, or make it difficult or impossible to accurately account for production and settle transactions. As cybersecurity threats continue to evolve in sophistication and magnitude, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any cybersecurity vulnerabilities. Further, state and federal cybersecurity and data privacy legislation could result in complex new requirements~~

~~that increase our cost of doing business.~~