Risk Factors Comparison 2024-02-27 to 2023-03-01 Form: 10-K

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

~~The COVID- 19 pandemic and developments in the global oil markets have had, and may continue to have, material adverse consequences for general economic, financial and business conditions, and could materially and adversely affect our business, financial condition, results of operations and liquidity and those of our customers, suppliers and other counterparties. The COVID- 19 pandemic and the responses of governmental authorities, companies and individuals across the world to stem the spread of the virus have had a material negative impact on global economic activity and our business. Our manufacturing facilities rely on raw materials and components provided by our suppliers. The impacts of COVID- 19 have caused and may continue to cause delays or disruptions in our supply chain. As a result, we have experienced and may continue experiencing manufacturing slow- downs, requiring us to seek to obtain alternate sources of supply, that may not be available or may be more expensive. We have experienced or may experience disruptions to our supply chain and business operations, or to our suppliers' or customers' supply chains and business operations, including disruptions from the closure of supplier and manufacturer facilities, interruptions in the supply of raw materials and components, personnel absences, or restrictions on the shipment of our or our suppliers' or customers' products. Such disruptions have had and could continue to have adverse ripple effects on our business. Further, governments have imposed and may continue to impose travel bans, quarantines and other emergency public health measures that decrease the number of businesses open for operation and substantially reduce the number of people traveling to work or leaving their home to purchase goods and services. As a result, there has been substantial volatility in the demand for and the market prices of crude oil. Additionally, actions taken by OPEC related to crude oil supply have exacerbated the negative impact on the market prices for crude oil. Despite the current price recovery, uncertainty remains around the current level of oil prices as a result of the on- going effects of COVID- 19 and the global vaccine efforts, as well as the uncertainty surrounding the longevity of the OPEC production agreements. Any prolonged period of economic slowdown or recession resulting from the negative effects of COVID- 19 on economic and business prospects across the world may negatively impact crude oil prices and the demand for our products, and could have significant adverse consequences to our financial condition and the financial condition of our customers, suppliers and other counterparties. The ultimate extent of the impact of the COVID- 19 pandemic on our business, financial condition, results of operation and liquidity will depend largely on the pace and level of the recovery from the pandemic and whether overall economic activity returns to pre- pandemic levels, all of which are uncertain and cannot be predicted with certainty at this time. Risks Related to Third- Party Relationships We rely on technology provided by third parties and our business may be materially adversely affected if we are unable to renew our licensing arrangements with them.~~ We have existing contracts and may enter into new contracts with customers that require us to use technology or to purchase components from third parties, including some of our competitors. In the ordinary course of our business, we have entered into licensing agreements with some of these third parties for the use of such technology, including a license from a competitor of a technology important to our subsea wellheads. We may not be able to renew our existing licenses or to purchase these components on terms acceptable to us, or at all. If we are unable to use a technology or purchase a component, we may not be able to meet existing contractual commitments without increased costs or modifications or at all. In addition, we may need to stop selling products incorporating that technology or component or to redesign our products, either of which could result in a material adverse effect on our business and operations. The loss of a significant customer could have an adverse impact on our financial results. Our principal customers are major integrated oil and gas companies, large independent and foreign national oil and gas companies throughout the world. Drilling contractors, other oilfield contractors and engineering and construction companies also represent a portion of our customer base. In **2023, our top 15 customers represented approximately 59 % of total revenues, and Chevron accounted for approximately 11 % of total revenues. In** 2022 **and 2021** , our top 15 customers represented approximately 60 % **and 59 %** of total revenues, ~~and~~ **respectively, while** Chevron accounted for approximately 10 % ~~of total revenues. In 2021~~ and ~~2020, our top 15 customers represented approximately 59 % and 60 % of total revenues, respectively, while Chevron accounted for approximately~~ 12 % ~~and 11 %~~ , respectively of **2022 and** 2021 ~~and 2020~~ total revenues. The loss of one or more of our significant customers could have an adverse effect on our results of operations, financial position and cash flows. We depend on third- party suppliers for timely deliveries of raw materials, and our results of operations could be adversely affected if we are unable to obtain adequate supplies in a timely manner. Our manufacturing operations depend upon obtaining adequate supplies of raw materials from third parties. The ability of these third parties to deliver raw materials may be affected by events beyond our control ~~, such as the COVID- 19 pandemic~~ . Restrictions or disruptions of transportation related to ~~the pandemic~~ **events beyond our control** , including reduced availability of air transport, port closures and increased border controls or closures, have resulted in higher costs and delays, both on obtaining raw materials and shipping finished goods to customers. Any interruption or increased costs in the supply of raw materials needed to manufacture our products could adversely affect our business, results of operations and reputation with our customers. Financial Risks Inflation may adversely affect our financial position and results of operations. Increases in the cost of wages, materials, parts, equipment and other operational components has the potential to adversely affect our results of operations, cash flows and financial position by increasing our overall cost structure, particularly if we are unable to achieve commensurate increases in the prices we charge our customers for our products and services. In addition, inflation has also resulted in higher interest rates in the U. S., which ~~could cause~~ **can lead to** an increase in the cost of debt borrowing in the future, as well as supply chain shortages, an increase in the costs of labor, currency fluctuations and other similar effects. Conditions in the global financial system may have impacts on our business and financial position that we currently cannot predict. Uncertainty in the credit markets may negatively impact the ability of our customers to finance purchases of our products and services and could result in a decrease in, or cancellation of, orders included in our backlog or adversely affect the collectability of our receivables. If the availability of credit to our customers is reduced, they may reduce their drilling and production expenditures, thereby decreasing demand for our products and services, which could have a negative impact on our financial position. Additionally, unsettled conditions could have an impact on our suppliers, causing them to be unable to meet their obligations to us. A prolonged constriction on future lending by banks or investors could result in higher interest rates on future debt obligations or could restrict our ability to obtain sufficient financing to meet our long- term operational and capital needs. We are exposed to the credit risks of our customers, and a general increase in the nonpayment and nonperformance by customers could have an adverse impact on our cash flows, results of operations and financial condition. Our business is subject to risks of loss resulting from nonpayment or nonperformance by our customers. Certain of our customers finance their activities through cash flow from operations, the incurrence of debt or the issuance of equity. In an economic downturn, commodity prices typically decline, and the credit markets and availability of credit can be expected to be constrained. Additionally, certain of our customers' equity values could decline. The combination of lower cash flow due to commodity prices, a reduction in borrowing bases under reserve- based credit facilities and the lack of available debt or equity financing may result in a significant reduction in our customers' liquidity and ability to pay or otherwise perform on their obligations to us. Furthermore, some of our customers may be highly leveraged and subject to their own operating and regulatory risks, which increases the risk that they may default on their obligations to us. Any increase in the nonpayment and nonperformance by our customers could have an adverse impact on our operating results and could adversely affect our liquidity. Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future revenues and earnings. The revenues projected in our backlog may not be realized or, if realized, may not result in profits. All of the projects currently included in our backlog are subject to change and / or termination at the option of the customer. In case of a change or termination, the customer is generally required to pay us for work performed and other costs necessarily incurred as a result of the change or termination. We can give no assurance that our backlog will remain at current levels. Sales of our products are affected by prices for oil and natural gas, which have fluctuated significantly and may continue to do so in the future. Contracts denominated in foreign currency are also affected by changes in exchange rates, which may have a negative impact on our backlog. When drilling and production levels are depressed, a customer may no longer need the equipment or services currently under contract or may be able to obtain comparable equipment or services at lower prices. As a result, customers may delay projects, exercise their termination rights or attempt to renegotiate contract terms. ~~Continued declines~~ **Declines** in, or sustained low levels of, oil and natural gas prices could also reduce new customer orders, possibly causing a decline in our future backlog. If we experience significant project terminations, suspensions or scope adjustments to contracts reflected in our backlog, our financial condition, results of operations and cash flows may be adversely impacted. Impairment in the carrying value of long- lived assets, inventory and intangible assets could negatively affect our operating results. We evaluate our property and equipment for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and we could incur additional impairment charges related to the carrying value of our long- lived assets. Long- lived assets, including property, plant and equipment and definite- lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We evaluate our property and equipment and definite- lived intangible assets for impairment whenever changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Should the review indicate that the carrying value is not fully recoverable, the amount of the impairment loss is determined by comparing the carrying value to the estimated fair value. We assess recoverability based on undiscounted future net cash flows. Estimating future net cash flows requires us to make ~~judgements~~ - **judgments** regarding long- term forecasts of future revenues and costs related to the assets subject to review. These forecasts are uncertain in that they require assumptions about our revenue growth, operating margins, capital expenditures, future market conditions and technological developments. If changes in these assumptions occur, our expectations regarding future net cash flows may change such that a material impairment could result. We incurred long- lived asset write- downs of approximately $ 5. 7 million during the year ended December 31, 2022. These charges are reflected as " Restructuring and other charges " in our ~~Consolidated~~ **consolidated** ~~Statements~~ **statements** of ~~Income~~ **income** (~~Loss~~ **loss**). During ~~2022~~ **2023** , Brent crude oil prices fluctuated ~~significantly~~ , with a high of $ ~~133~~ **97** . ~~18~~ **10** per barrel, a low of $ ~~76~~ **71** . ~~02~~ **03** per barrel ~~, and an average of $ 100~~ . ~~94 per barrel~~ **According to the January 2024 release of the Short- Term Energy Outlook published by the Energy Information Administration (EIA) of the U** . ~~Although~~ **S. Department of Energy, Brent** crude oil prices ~~recovered~~ **averaged approximately $ 82. 49 per barrel** in ~~2022~~ **2023 , and the price is forecasted to average $ 82. 49 per barrel in 2024 and $ 79. 48 per barrel in 2025. Crude oil prices declined in 2023, largely due to geopolitical turmoil. Further, crude oil prices have fluctuated considerably in recent years, in large part due to the ongoing conflict between Russia and Ukraine. The recent escalation between Israel and Hamas may also have an impact on energy and commodity prices. We are unable to predict the impact that future supply and demand balances, weather events or conflicts may have on the global economy, our industry or our business, financial condition, results of operations or cash flows. Further** , continued volatility in market conditions may further deteriorate the financial performance or future prospects of our operating segments from current levels, which may result in an impairment of long- lived assets or inventory and negatively impact our financial results in the period of impairment. Our excess cash is invested in various financial instruments which may subject us to potential losses. We invest excess cash in various financial instruments including interest bearing accounts, money market mutual funds and funds which invest in U. S. Treasury obligations and repurchase agreements backed by U. S. Treasury obligations. However, changes in the financial markets, including interest rates, as well as the performance of the issuers, can affect the market value of our short- term investments. We may suffer losses as a result of foreign currency fluctuations and limitations on the ability to repatriate income or capital to the United States. We conduct a portion of our business in currencies other than the U. S. dollar, and our operations are subject to fluctuations in foreign currency exchange rates. We cannot assure you that we will be able to protect the Company against such fluctuations in the future. Further, we cannot assure you that the countries in which we currently operate will not adopt policies limiting repatriation of earnings in the future. Our foreign subsidiaries also hold significant amounts of cash that may be subject to both U. S. income taxes (subject to adjustment for foreign tax credits) and withholding taxes of the applicable foreign country if we repatriate that cash to the United States. We may lose money on fixed-price contracts. A portion of our business consists of the designing, manufacturing and selling of our equipment for major projects pursuant to competitive bids and is performed on a fixed- price basis. Under these contracts, we are typically responsible for all cost overruns, other than the amount of any cost overruns resulting from requested changes in order specifications. Our actual costs and any gross profit realized on these fixed- price contracts may vary from the estimated amounts on which these contracts were originally based. This may occur for various reasons, including: • errors in estimates or bidding; • changes in availability and cost of labor and materials; • variations in productivity from our original estimates; and • material changes in foreign currency exchange rates. These variations and the risks inherent in our projects may result in reduced profitability or losses on projects. Depending on the size of a project, variations from estimated contract performance could have a material adverse impact on our operating results. We may be required to recognize a charge against current earnings because of over time method of accounting. Revenues and profits on long- term project contracts are recognized on an over time basis. We calculate the percent complete and apply the percentage to determine revenues earned and the appropriate portion of total estimated costs. Accordingly, purchase order price and cost estimates are reviewed periodically as the work progresses, and adjustments proportionate to the percentage complete are reflected in the period when such estimates are revised. To the extent that these adjustments result in a reduction or elimination of previously reported profits, we would have to recognize a charge against current earnings, which could be significant depending on the size of the project or the adjustment. Risks Related to Legal, Compliance and Regulations Our international operations require us to comply with a number of U. S. and foreign regulations governing the international trade of goods, services and technology, which expose us to compliance risks. Doing business on a worldwide basis exposes us and our subsidiaries to risks inherent in complying with the laws and regulations of a number of different nations, including various anti- bribery laws. We do business and have operations in a number of developing countries that have relatively underdeveloped legal and regulatory systems compared to more developed countries. Several of these countries are generally perceived as presenting a higher than normal risk of corruption, or as having a culture in which requests for improper payments are not discouraged. As a result, we may be subject to risks under the U. S. Foreign Corrupt Practices Act, the United Kingdom' s Bribery Act of 2010 and similar laws in other countries that generally prohibit companies and their representatives from making, offering or authorizing improper payments to government officials for the purpose of obtaining or retaining business. We have adopted policies and procedures, including our Code of Business Conduct and Ethical Practices, which are designed to promote compliance with such laws. However, maintaining and administering an effective compliance program under applicable anti- bribery laws in developing countries presents greater challenges than is the case in more developed countries. In addition, the movement of goods, services and technology subjects us to complex legal regimes governing international trade. Our import activities are governed by unique tariff and customs laws and regulations in each of the countries where we operate. Further, many of the countries in which we do business maintain controls on the export or reexport of certain goods, services and technology, as well as economic sanctions that prohibit or restrict business activities in, with or involving certain persons, entities or countries. These laws and regulations concerning import and export activity, including their recordkeeping and reporting requirements, are complex and frequently changing. Moreover, they may be adopted, enacted, amended, enforced or interpreted in a manner that could materially impact our operations. The precautions we take to prevent and detect misconduct, fraud or non- compliance with applicable laws and regulations governing international trade, including anti- bribery laws, may not be able to prevent such occurrences, and we could face unknown risks or losses. Our failure to comply with applicable laws or regulations or acts of misconduct could subject us to criminal or civil penalties, such as fines, imprisonment, sanctions, debarment from government contracts, seizure of shipments and loss of import and export privileges. In addition, actual or alleged violations of such laws and regulations could be expensive and consume significant time and attention of senior management to investigate and resolve, as well as damage our reputation and ability to do business, any of which could have a material adverse effect on our business and our results of operations, financial position and cash flows. We are also subject to the risks that our employees, agents and other representatives may act or fail to act in violation of such laws or regulations or our compliance policies and procedures. ~~The United Kingdom (U. K.) formally left the European Union (E. U.) on January 31, 2020 (" Brexit "). Brexit could lead to increasingly divergent national laws and regulations as the U. K. government determines which retained E. U. laws to modify or replace. This in turn could impact compliance and operational costs for the Company, in particular to the extent that it is reliant upon access into or outputs from the E. U. This, or other effects of Brexit which we cannot anticipate, could have a negative impact on the Company' s financial position and results of operations. In addition, the consequences of Brexit and ongoing negotiations could introduce significant uncertainties into global financial markets and adversely impact the regions in which we and our clients operate. See " Our international operations expose us to instability and changes in economic and political conditions and other risks inherent to international business, which could have a material adverse effect on our results of operations, financial position or cash flows " under " Item 1A. Risk Factors. "~~ We are subject to taxation in many jurisdictions and there are inherent uncertainties in the final determination of our tax liabilities. As a result of our international operations, we are subject to taxation in many jurisdictions. Accordingly, our effective income tax rate and other tax obligations in the future could be adversely affected by a number of factors, including changes in the mix of earnings in countries with differing statutory tax rates, the mix of business executed in deemed profit regimes compared to book income regimes, changes in the valuation of deferred tax assets and liabilities, disagreements with taxing authorities with respect to the interpretation of tax laws and regulations and changes in tax laws. In particular, foreign income tax returns of foreign subsidiaries and related entities are routinely examined by foreign tax authorities, and these tax examinations may result in assessments of additional taxes, interest or penalties. Refer to " Item 3. Legal Proceedings " regarding tax assessments in Brazil. We regularly assess all of these matters to determine the adequacy of our tax provision, which is subject to discretion. If our assessments are incorrect, it could have an adverse effect on our business and financial condition. Moreover, the United States Congress, the Organization for Economic Co- operation and Development and other government agencies in the other jurisdictions where we and our subsidiaries do business have had an extended focus on issues related to the taxation of multinational corporations. One example is in the area of " base erosion and profit shifting, " where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. As a result, the tax laws in the United States and other countries in which we and our subsidiaries do business could change on a prospective or retroactive basis, and such changes could adversely affect us. Our operations and our customers' operations are subject to a variety of governmental laws and regulations that may increase our costs, limit the demand for our products and services or restrict our operations. Our business and our customers' businesses may be significantly affected by: • federal, state, local and foreign laws and other regulations relating to the oilfield operations, worker safety and the protection of the environment; • changes in these laws and regulations; • levels of enforcement of these laws and regulations; and • interpretation of existing laws and regulations. In addition, we depend on the demand for our products and services from the oil and gas industry. This demand is affected by changing taxes, price controls and other laws and regulations relating to the oil and gas industry in general, including those specifically directed to offshore operations. For example, the adoption of laws and regulations curtailing exploration and development drilling for oil and gas for economic or other policy reasons could adversely affect our operations by limiting demand for our products. We cannot determine the extent to which our future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations and enforcement thereof. Various new regulations intended to improve particularly offshore safety systems and environmental protection have been issued since 2010 that have increased the complexity of the drilling permit process and may limit the opportunity for some operators to continue deepwater drilling in the U. S. Gulf of Mexico, which could adversely affect the Company' s financial operations. Third- party challenges to industry operations in the U. S. Gulf of Mexico may also serve to further delay or restrict activities. If the new regulations, policies, operating procedures and possibility of increased legal liability are viewed by our current or future customers as a significant impairment to expected profitability on projects, they could discontinue or curtail their operations, thereby adversely affecting our financial operations by decreasing demand for our products. Because of our foreign operations and sales, we are also subject to changes in foreign laws and regulations that may encourage or require hiring of local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. If we fail to comply with any applicable law or regulation, our business, results of operations, financial position and cash flows may be adversely affected. Our businesses and our customers' businesses are subject to environmental laws and regulations that may increase our costs, limit the demand for our products and services or restrict our operations. Our operations and the operations of our customers are also subject to federal, state, local and foreign laws and regulations relating to the protection of human health and the environment. These environmental laws and regulations affect the products and services we design, market and sell, as well as the facilities where we manufacture our products. For example, our operations are subject to numerous and complex laws and regulations that, among other things, may regulate the management and disposal of hazardous and non- hazardous wastes; require acquisition of environmental permits related to our operations; restrict the types, quantities and concentrations of various materials that can be released into the environment; limit or prohibit operation activities in certain ecologically sensitive and other protected areas; regulate specific health and safety criteria addressing worker protection; require compliance with operational and equipment standards; impose testing, reporting and record- keeping requirements; and require remedial measures to mitigate pollution from former and ongoing operations. We are required to invest financial and managerial resources to comply with such environmental, health and safety laws and regulations and anticipate that we will continue to be required to do so in the future. In addition, environmental laws and regulations could limit our customers' exploration and production activities. These laws and regulations change frequently, which makes it impossible for us to predict their cost or impact on our future operations. Consequently, such legislation or regulatory programs could have an adverse effect on our financial condition and results of operations. It is too early to determine whether, or in what form, further regulatory action regarding greenhouse gas emissions will be adopted or what specific impact a new regulatory action might have on us or our customers. However, our business and prospects could be adversely affected to the extent laws are enacted or modified or other governmental action is taken that prohibits or restricts our customers' exploration and production activities or imposes environmental protection requirements that result in increased costs to us or our customers. Environmental laws may provide for " strict liability " for damages to natural resources or threats to public health and safety, rendering a party liable for environmental damage without regard to negligence or fault on the part of such party. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Some environmental laws and regulations provide for joint and several strict liability for remediation of spills and releases of hazardous substances. In addition, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances, as well as damage to natural resources. These laws and regulations also may expose us to liability for the conduct of or conditions caused by others, or for our acts that were in compliance with all applicable laws and regulations at the time such acts were performed. Any of these laws and regulations could result in claims, fines or expenditures that could be material to results of operations, financial position and cash flows. Global climate change may in the future increase the frequency and severity of weather events and the losses resulting therefrom, which could have a material adverse effect on the economies in the markets in which we operate or plan to operate in the future and therefore on our business. Our business could be negatively affected by climate- change related physical changes or changes in weather patterns. Severe weather events affecting platforms or structures may result in a suspension of our customer' s exploration and production activities. In addition, impacts of climate change, such as sea level rise, coastal storm surge, inland flooding from intense rainfall and hurricane- strength winds may damage our facilities or those of our customers. An increase in severe weather patterns could result in damages to or loss of our equipment, impact our ability to conduct our operations and / or result in a disruption of our customers' operations which could be material to our results of operations, financial position and cash flows. Demand for our products and services could be reduced by existing and future legislation, regulations and public sentiment related to the transition away from fossil fuel energy sources. Regulatory agencies and environmental advocacy groups in the European Union, the United States and other regions or countries have been focusing considerable attention on the emissions of carbon dioxide, methane and other greenhouse gases and their role in climate change. There is also increased focus, including by governments and our customers, investors and other stakeholders, on these and other sustainability and energy transition matters. Existing or future legislation and regulations related to greenhouse gas emissions and climate change, as well as initiatives by governments, nongovernmental organizations, and companies to conserve energy or promote the use of alternative energy sources, and negative attitudes toward or perceptions of fossil fuel products and their relationship to the environment, may significantly curtail demand for and production of oil and gas in areas of the world where our customers operate, and thus reduce future demand for our products and services. This may, in turn, adversely affect our financial condition, results of operations and cash flows. Our business, reputation and demand for our stock could be negatively affected if we do not (or are perceived to not) act responsibly with respect to sustainability matters. Our business is subject to complex and evolving U. S. and foreign laws and regulations regarding privacy and data protection. The regulatory environment surrounding data privacy and protection is constantly evolving and can be subject to significant change. New laws and regulations governing data privacy and the unauthorized disclosure of confidential information, including the European Union General Data Protection Regulation and recent California legislation, pose increasingly complex compliance challenges and potentially elevate our costs. Any failure, or perceived failure, by us to comply with applicable data protection laws could result in proceedings or actions against us by governmental entities or others, subject us to significant fines, penalties, judgments and negative publicity, require us to change our business practices, increase the costs and complexity of compliance, and adversely affect our business. As noted above, we are also subject to the possibility of cyber incidents or attacks, which themselves may result in a violation of these laws. Additionally, if we acquire a company that has violated or is not in compliance with applicable data protection laws, we may incur significant liabilities and penalties as a result. Risks Related to Cybersecurity and Technology Our business could be adversely affected if we do not develop new products and secure and retain patents related to our products. Technology is an important component of our business and growth strategy, and our success as a company depends to a significant extent on the development and implementation of new product designs and improvements. Whether we can continue to develop systems and services and related technologies to meet evolving industry requirements and, if so, at prices acceptable to our customers will be significant factors in determining our ability to compete in the industry in which we operate. Many of our competitors are large multinational companies that may have significantly greater financial resources than we have, and they may be able to devote greater resources to research and development of new systems, services and technologies than we are able to do. Our ability to compete effectively will also depend on our ability to continue to obtain patents on our proprietary technology and products. Although we do not consider any single patent to be material to our business as a whole, the inability to protect our future innovations through patents could have a material adverse effect. Our business could be adversely affected by a failure or breach of our information technology systems. Our business operations depend on our information technology (IT) systems. Despite our security and back- up measures, our IT systems are vulnerable to cyber incidents or attacks, natural disasters and other disruptions or failures. Due to the nature of cyber- attacks, breaches to our IT systems could go unnoticed for a prolonged period of time. The failure of our IT systems to perform as anticipated for any reason or any significant breach of security could disrupt our business or the businesses of key customers or suppliers and result in numerous adverse consequences, including reduced effectiveness and efficiency of our operations and those of our customers or suppliers, the loss, theft, corruption or inappropriate disclosure of confidential information or critical data, including sensitive employee and customer data, increased overhead costs, loss of revenue, legal liabilities and regulatory penalties, including under data protection laws and regulations, loss of intellectual property and damage to our reputation, which could have a material adverse effect on our business and results of operations. In addition, we may be required to incur significant costs to prevent or respond to damage caused by these disruptions or security breaches in the future. Risks Related to Ownership of our Common Stock The market price of our common stock may be volatile. The trading price of our common stock and the price at which we may sell common stock in the future are subject to large fluctuations in response to any of the following: • limited trading volume in our common stock; • quarterly variations in operating results; • general financial market conditions; • the prices of natural gas and oil; • announcements by us and our competitors; • our liquidity; • changes in government regulations; • our ability to raise additional funds; • our involvement in litigation; and • other events. Provisions in our corporate documents and Delaware law could delay or prevent a change in control of the Company, even if that change would be beneficial to our stockholders. The existence of some provisions in our corporate documents and Delaware law could delay or prevent a change in control of our company, even if that change would be beneficial to our stockholders. Our certificate of incorporation and bylaws contain provisions that may make acquiring control of our company difficult, including: • provisions relating to the classification, nomination and removal of our directors; • provisions regulating the ability of our stockholders to bring matters for action at annual meetings of our stockholders; • provisions requiring the approval of the holders of at least 80 % of our voting stock for a broad range of business combination transactions with related persons; and • the authorization given to our Board of Directors to issue and set the terms of preferred stock. In addition, the Delaware General Corporation Law imposes restrictions on mergers and other business combinations between us and any holder of 15 % or more of our outstanding common stock.