Risk Factors Comparison 2024-03-29 to 2023-03-31 Form: 10-K

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You should carefully consider the risks described below and elsewhere herein in connection with any decision ~~whether~~ to acquire, hold or sell the Company' s securities. The following list identifies and briefly summarizes certain risks but should not be viewed as complete or comprehensive. If any of the contingencies discussed in the following paragraphs or other materially adverse events actually occur, the business, financial condition of the business and its results of operations could be materially and adversely affected. In such case, the trading price of our common stock could decline and you could lose all or a significant part of your investment. Liquidity and Debt Risks An inability to borrow from our new receivables financing during our peak work periods would have a negative impact on our business and liquidity. In March 2022, we refinanced $ 13. 8 million **of** outstanding **debt** under our 2017 Amended Credit Facility with East West Bank for $ 8. 4 million in cash plus future unsecured payments of up to $ 1. 0 million. Prior to the Refinancing of our debt with East West Bank, our growth was limited because of our inability to borrow under our line of credit with East West Bank to meet working capital requirements during our peak demand periods during the winter months. Our ability to grow and sustain our business in the future will depend upon our ability to be able to regularly borrow under our Receivables Financing (the " Receivables Financing "), as defined in Note 5- Debt **to the consolidated financials statements** . There is no assurance that we will be able to make future borrowings under lines of credit, including our Receivables Financing, in order to fund our operations during peak demand periods. If we are unable to generate or obtain the requisite amount of financing needed to fund our business operations or execute our growth strategy, our liquidity and ability to continue operations could be materially adversely affected. We continue to have significant debt obligations that are subject to interest rate increases. We have significant debt obligations under our 2022 equipment lease facility with Utica Leaseco, LLC (the " Equipment Financing " and collectively with the Receivable Financing, the " 2022 Financing Facilities "), with current minimum monthly payments to Utica Leaseco, LLC of $ ~~198~~ **204** , 000 as of January 1, ~~2023~~ **2024** , which is subject to twice yearly Prime Rate dependent interest rate increases, **as** further described in Note 5- Debt **to the consolidated financial statements** . Our ability to pay interest and principal payments on our ~~Utica Facility~~ **Equipment Financing** , and to satisfy our other debt obligations, as ~~defined~~ **described** in Note 5- Debt **to the consolidated financial statements** , will depend upon our ability to achieve increased utilization of our equipment, which is highly influenced by weather and customers' drilling activity. We cannot reasonably guarantee that our business will generate sufficient cash flows from operations, or that future capital will be available to us, in an amount sufficient to fund our future liquidity needs. In the absence of adequate cash from operations and / or other available capital resources we could face substantial liquidity constraints. To the extent that we could not repay or refinance our indebtedness when due, or generate adequate cash flows from operations, we may have to curtail operations which would adversely affect our ability to continue as a going concern. We cannot reasonably guarantee that we will be able to raise sufficient capital through debt or equity financings on terms acceptable to us, or at all, or that we could consummate dispositions of assets or operations for fair market value, in a timely manner or at all. We are currently in a difficult operating environment and our business, results of operations, and financial condition may be affected by general economic conditions and **other** factors beyond our control. We face a difficult operating environment with oil and gas exploration and production companies exerting significant pressure on us to reduce our prices for the services we provide. Reduced activity and operating margins could force us to curtail operations in some or all our locations which would materially and adversely affect our revenues and our ability to continue as a going concern. General economic conditions, weather, oil and natural gas prices and financial, business and other factors may also affect our operations and our future performance. Many of these factors are beyond our control. The Company experienced a heavy downturn in demand for our services in early 2020, which continued **throughout** ~~well into~~ 2021. While crude oil prices and demand for services rebounded in 2022, **demand for our services** ~~the Company' s rig count throughout 2022~~ still remained below pre- pandemic levels **throughout the course of 2023** . If **we do** ~~the Company does~~ not have sufficient funds on hand to continue to pay our monthly debt when due, we may be required to seek a waiver or amendment from our lender, refinance our indebtedness, incur additional indebtedness, sell assets, or sell additional shares of our common stock. We may not be able to complete such transactions on terms acceptable to us, or at all. Our failure to generate sufficient funds to pay our debts or to undertake any of these actions successfully could result in a default on our debt obligations, which would materially adversely affect our business, results of operations and financial condition. **We have operated at a loss, and there is no assurance of our profitability in the future. We have experienced periods of low demand for our services and have incurred operating losses. Although there have been improvements in demand in recent periods, we are still operating at a loss and in an accumulated deficit position. Demand for services in the oil and natural gas industry is cyclical and has experienced significant downturns in recent years, which have significantly affected the performance of our business. Additional adverse developments affecting this industry could have a material adverse effect on our business, financial condition and results of operations. We may not be able to sufficiently reduce our costs or increase our revenues to achieve profitability and generate positive operating income. We may incur further operating losses and experience negative operating cash flow, which may be significant. As a result of this history of losses, and combined with other factors, the Company believes that substantial doubt exists over our ability to continue as a going concern from one year after the date of issuance of this Annual Report on Form 10- K. Acquisition and** Operations Related Risks While our growth strategy includes ~~seeking~~ **exploring potential** acquisitions of other oilfield or other diversified services companies **not directly in the oil sector** , we may not be successful in identifying, making and integrating business or asset acquisitions, if any, in the future. We anticipate that a component of our growth strategy may be to make strategically focused acquisitions of businesses or assets aimed to strengthen our presence and expand services offered in selected service markets **. Additionally, we believe that the diversification of our business outside of the oil and gas services industry will be important in achieving our long- term growth strategy** . Pursuit of this strategy may be restricted by the on- going volatility and uncertainty within the credit markets which may significantly limit the availability of funds for such acquisitions. Our ability to use shares of our common stock in an acquisition transaction **, whether as merger consideration or for raising capital,** may be adversely affected by the volatility in the price of our common stock and by the potential requirement of shareholder approval. In addition to restricted funding availability, the success of this strategy will depend on our ability to identify suitable acquisition candidates and to negotiate acceptable financial and other terms. There is no assurance that we will be able to do so. The success of an acquisition also depends on our ability to perform adequate due diligence before the acquisition and on our ability to integrate the acquisition after it is completed. While we intend to commit significant resources to ensure that we conduct comprehensive due diligence, there can be no assurance that all potential risks and liabilities will be identified in connection with an acquisition. Similarly, while we expect to commit substantial resources, including management time and effort, to integrating acquired businesses into ours, there is no assurance that we will be successful in integrating these businesses. In particular, it may be important that we are able to retain both key personnel of the acquired business and its customer base. A loss of either key personnel or customers could negatively impact the future operating results of any acquired business. Our business is substantially impacted by ~~seasonal~~ **seasonality and** weather conditions. Our operations, particularly our frac heating services, are impacted by weather conditions and temperatures. Unseasonably warm weather during winter months reduces demand for our frac heating services and results in higher operating costs, as a percentage of revenue, due to the need to retain equipment operators during these low demand periods. Management makes concerted efforts to reduce time and costs during these low demand periods by utilizing operators in other business segments, reducing hours, and in some instances, utilizing seasonal layoffs. Further, during the winter months, our customers may delay operations or we may not be able to operate or move our equipment between locations during periods of heavy snow, ice or rain, and during the spring some areas impose transportation restrictions due to muddy conditions caused by spring thaws. We may be unable to implement price increases. We periodically seek to increase the prices of our services to offset rising costs and to generate increased revenues. We operate in a very competitive industry and, as a result, we are not always successful in raising or maintaining our existing prices. Additionally, during periods of increased market demand, a significant amount of new equipment may enter the market, which would also put pressure on the pricing of our services. Even when we are able to increase our prices, we may not be able to do so at a rate that is sufficient to offset rising costs. Also, we may not be able to successfully increase prices without adversely affecting our activity levels. The inability to maintain our prices or to increase the prices of our services in order to offset rising costs could have a material adverse effect on our business, financial position and results of operations. We anticipate pricing pressure impacting our other service lines to the extent that oil and gas prices drop. We operate in a capital- intensive industry and may not be able to finance future growth of our operations or future acquisitions. Our business activities require substantial capital expenditures. If our cash flows from operating activities and **available** borrowings ~~under our 2022 Financing Facilities~~ are not sufficient to fund our capital expenditure budget, we would be required to reduce these expenditures or to fund these expenditures through new debt or equity issuances. Our ability to raise new debt or equity capital, or to refinance or restructure our debt, at any given time depends on, among other things, the condition of the capital markets ~~and~~ **,** our financial condition **, and the oil and gas industry market outlook** at such time. Also, the terms of existing or future debt or equity instruments could further restrict our business operations. The inability to finance future growth could materially and adversely affect our business, financial condition and results of operations. Increased labor costs or the unavailability of skilled workers could adversely affect our operations. Companies in our industry, including us, are dependent upon the available labor pool of skilled workers. We compete with other oilfield services businesses and other employers to attract and retain qualified personnel with the technical skills and experience required to provide our customers with the highest quality service. We are also subject to the Fair Labor Standards Act, which governs such matters as minimum wage, overtime and other working conditions, and which can increase our labor costs or subject us to liabilities to our employees. A shortage of skilled workers or other general inflationary pressures or changes in applicable laws and regulations could make it more difficult for us to attract and retain skilled personnel and could require us to enhance our wage and benefits packages. Labor costs may increase in the future, or we may not be able to reduce wages when demand and pricing falls, and such changes could have a material adverse effect on our business, financial condition and results of operations. We could be negatively impacted by inflationary and interest rate pressures. The U. S. economy **has** experienced rising inflation along with ~~seven~~ **eleven** interest rate hikes ~~in~~ **during** 2022 **- 2023, which has raised the federal funds rate by more than five percentage points over the last 24 months** . A sustained increase in inflation may continue to increase our costs for labor, debt, materials, supplies, and services costs. Future interest rate hikes could increase the cost of our variable rate indebtedness. Our materials suppliers and customers could face inflationary pressures, and the resulting impacts such as increased labor costs and materials could negatively impact our business in the event we are not able to increase the cost of our services, which could decrease our operating margins and financial condition. Historically, we have experienced a high employee turnover rate. Any difficulty we experience replacing or adding workers could adversely affect our business. We believe that the high turnover rate in our industry is attributable to the nature of oilfield services work, which is physically demanding and performed outdoors, and to the seasonality of certain of our segments. As a result, workers may choose to pursue employment in areas that offer a more desirable work environment at wage rates that are competitive with ours. The potential inability or lack of desire by workers to commute to our facilities and job sites, as well as the competition for workers from competitors or other industries, are factors that could negatively affect our ability to attract and retain skilled workers. We may not be able to recruit, train and retain an adequate number of workers to replace departing workers. The inability to maintain an adequate workforce could have a material adverse effect on our business, financial condition and results of operations. Our business depends on domestic (United States) spending by the crude oil and natural gas industry which ~~incurred~~ **often incurs** significant price volatility ~~in 2020- 2022, and such volatility may continue~~ ; our business has been, and may in the future be, adversely affected by industry and financial market conditions that are beyond our control. We depend on our customers' ability and willingness to make operating and capital expenditures to explore, develop and produce crude oil and natural gas in the United States. Customers' expectations for future crude oil and natural gas prices, as well as the availability of capital for operating and capital expenditures, may cause them to curtail spending, thereby reducing demand for our services and equipment. Although there has been a recent uptick in demand for our services, major declines in oil and natural gas prices in 2020 and 2021 have resulted in substantial declines in capital spending and drilling programs across the industry. Any declines in oil and natural gas prices may result in many exploration and production companies substantially reducing drilling and completions programs and have required service providers to make pricing concessions. Industry conditions and specifically the market price for crude oil and natural gas are influenced by numerous domestic and global factors, such as the war in Ukraine and other potential global conflicts over which we have no control, such as the supply of and demand for oil and natural gas, domestic and worldwide economic conditions that are affected by several factors beyond our control, weather conditions, political instability in oil and natural gas producing countries, and perceived economic conditions. The volatility of the oil and natural gas industry, and the consequent impact on commodity prices as well as exploration and production activity, could adversely impact the level of drilling and activity by many of our customers. Where declining prices lead to reduced exploration and development activities in our market areas, the reduction in exploration and development activities over a sustained period will have a negative long- term impact on our business. Several month periods of low oil and natural gas prices typically result in increased pressure from our customers to make additional pricing concessions and impact our borrowing arrangements with our principal bank. There also has been significant political pressure for the United States economy to reduce its dependence on crude oil and natural gas due to the impacts on climate change. There have been significant political and regulatory efforts to reduce or eliminate hydraulic fracturing operations in certain of our service areas. On August 16, 2022, President Biden signed the reconciliation budget bill, known as the Inflation Reduction Act of 2022 (" IRA "), which imposed an expression of interest fee for nominating federal lands for potential lease sale, increased the royalty rate, annual rental rate, and minimum bid on federal oil and gas leases issued after that date, and ended the noncompetitive oil and gas leasing process. Furthermore, the Colorado legislature enacted a bill that could significantly restrict oil and gas drilling in Colorado, thereby negatively affecting our revenues. These activities may make oil and gas investment and production less attractive. Higher oil and gas prices do not necessarily result in increased drilling activity because our customers' expectation of future prices and access to capital also drive demand for production maintenance and completion services. Oil and gas prices, as well as demand for our services, also depend upon other factors that are beyond our control, including, but not limited to, the following: ● Supply and demand for crude oil and natural gas; ● Political and societal pressures against crude oil and natural gas exploration and production; ● Cost of exploring for, producing, and delivering oil and natural gas; ● Expectations regarding future energy prices; ● Advancements in exploration and development technology; ● Adoption or repeal of laws regulating oil and gas production in the United States; ● Imposition or lifting of economic sanctions against foreign companies; ● Weather conditions, natural disasters and pandemics ~~, including COVID- 19~~ ; ● Rate of discovery of new oil and natural gas reserves; ● Tax policy regarding the oil and gas industry; ● Oil and gas companies facing capital market pressure to reduce their debt levels may decrease resources otherwise utilized for drilling activity; ● Development and use of alternative energy sources; and ● The ability of oil and gas companies to generate funds or otherwise obtain external capital for projects and production operations. Ongoing volatility and uncertainty in the domestic and global economic and political environments have caused the oilfield services industry to experience demand volatility. While our management is generally optimistic for the continuing development of the onshore domestic oil and gas industry over the long term, there are several political and economic pressures negatively impacting the economics of production from existing wells, future drilling operations, and the willingness of banks and investors to provide capital to participants in the oil and gas industry. We believe that these cuts in spending will continue to curtail drilling programs as well as discretionary spending on well services and will continue to result in a reduction in the demand for our services in the future, the rates we can charge, and equipment utilization. In addition, certain of our customers could become unable to pay their suppliers, including us. Any of these conditions or events would adversely affect our operating results. Our success depends on key members of our management, and the loss of any executive or key personnel could disrupt our business operations. We depend, to a large extent, on the services of certain of our key managers and executive officers, including our Chief Executive Officer and Chief Financial Officer. The departure or loss of one or more of the Company' s key managers or executive officers could materially disrupt our operations. Similarly, the inability to attract and retain new managers or executives to complement and enhance our management team could negatively impact our Company. We depend on several significant customers, and a loss of one or more significant customers could adversely affect our results of operations. Our top five customers accounted for **60 % and** 57 ~~% and 40~~ % of our total revenues for the years ended December 31, **2023 and** 2022 ~~and 2021~~ , respectively. The loss of any one of these customers, or a sustained decrease in demand by any of such customers, could result in a substantial loss of revenues and could have a material adverse effect on our results of operations. While we believe our equipment could be redeployed in the current market environment if we lost any material customers, such loss could have an adverse effect on our business until the equipment is redeployed. We believe that the market for our services is sufficiently diversified such that it is not dependent on any single customer or a few major customers. ~~Our business and operations may continue to be, adversely affected by the ongoing COVID- 19 pandemic and other similar outbreaks. Our business and operations have been, and are likely to continue to be, adversely affected by the global coronavirus (COVID- 19) pandemic. While there has been an improvement as of late, new variants of COVID- 19 could cause states and cities to impose future travel restrictions and bans, quarantines, social distancing guidelines, shelter- in- place or lock- down orders and other similar limitations in order to control the spread of such new variants. These measures have, among other matters, negatively impacted consumer and business spending and, as a result, have negatively impacted the domestic and international demand for~~

~~crude oil and natural gas, which has contributed to price volatility, impacted the prices received for oil and natural gas and materially and adversely affected the demand for and marketability of our services. Our subcontractors, customers and suppliers, have also and may continue to experience delays or disruptions and temporary suspensions of operations. The pandemic, in addition to other global factors such as the war in Ukraine, may continue to negatively impact oil and gas prices, create economic uncertainty and financial market volatility, reduce economic activity, increase unemployment and cause a decline in consumer and business confidence, and could in the future further negatively impact the demand for our products and services. The extent of the impact of the COVID- 19 pandemic or future pandemics on our operational and financial performance will depend on, among other matters, the duration and intensity of the pandemic event, the level of success of global vaccination and mitigation efforts, governmental and private sector responses to pandemics and the impact of such responses on us, and the pandemic impact on oil and gas prices and on our employees, customers, suppliers, operations and sales, all which are uncertain and cannot be predicted. These factors may remain prevalent for a significant period of time even after the pandemic subsides, including due to a continued or prolonged recession in the United States or other major economies, and as with any adverse public health developments, could have a material adverse effect on our business, results of operations, liquidity or financial condition and heighten or exacerbate risks described in this Annual Report.~~ Declining general economic, business or industry conditions may have a material adverse effect on our results of operations, liquidity and financial condition. Concerns over global economic conditions, global conflicts, the threat of pandemic diseases and the results thereof, energy costs, geopolitical issues, inflation, the availability and cost of credit, including increases in interest rates, the United States mortgage market have contributed to increased economic uncertainty and diminished expectations for the global economy. These factors, combined with volatile prices of oil and natural gas, and declining business and consumer confidence, have precipitated an economic slowdown and a recession. Concerns about global economic growth and global conflicts have had a significant adverse impact on global financial markets and commodity prices. If the economic climate in the United States or abroad continues to deteriorate, demand for petroleum products could diminish, which could impact the price at which we can sell our oil and natural gas production and completion services, affect the ability of our vendors, suppliers and customers to continue operations and ultimately adversely impact our results of operations, liquidity and financial condition. Environmental compliance costs and liabilities could reduce our earnings and cash available for operations. We are subject to increasingly stringent laws and regulations relating to environmental protection and the importation and use of hazardous materials, including laws and regulations governing air emissions, water discharges and waste management. Government authorities have the power to enforce compliance with their regulations, and violations are subject to fines, injunctions or both. We incur, and expect to continue to incur, capital and operating costs to comply with environmental laws and regulations. The technical requirements of these laws and regulations are becoming increasingly complex, stringent and expensive to implement. These laws may provide for" strict liability" for damages to natural resources or threats to public health and safety. Strict liability can render a party liable for damages without regard to negligence or fault on the part of the party. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances. We use hazardous substances and transport hazardous wastes in our operations. Accordingly, we could become subject to potentially material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination, or the imposition of new or increased requirements could require us to incur costs and penalties or become the basis of new or increased liabilities that could reduce the Company' s earnings and cash available for operations. We believe we are currently in compliance with environmental laws and regulations. Intense competition within the well services industry may adversely affect our ability to market our services. The well services industry is intensely competitive. It includes numerous small companies capable of competing effectively in our markets on a local basis, as well as several large companies that possess substantially greater financial and other resources than us. Our larger competitors have greater resources that allow those competitors to compete more effectively than us. Our small competitors may be able to react to market conditions more quickly. Significant consolidations of our customers in the DJ Basin market (our primary Colorado market), could result in a more competitive market and increase our customer concentration. Further, the amount of equipment available may exceed demand at some point in time, which could result in active price competition. We may become involved in intellectual property litigation either due to claims by others that we are infringing their intellectual property rights or due to our own assertions that others are infringing upon our intellectual property rights. As is the situation with other companies in the frac water heating service business, we rely on certain procedures and practices in performing our services. In 2016, we were issued our first patent relating to an aspect of the frac water heating process and in 2017, a second patent was issued. We have other patent applications pending regarding other procedures used in our process of heating frac water. We are aware that one unrelated company has been awarded four patents related, in part, to a process for heating of frac water. Infringement and other intellectual property claims and proceedings brought against us, whether successful or not, could result in substantial costs and harm to our reputation. We cannot be certain that we will successfully defend against allegations of infringement of patents and intellectual property rights of others. If the owner of intellectual property establishes that we are infringing its intellectual property rights, we may be forced to change our services, and such changes may be expensive or impractical, or we may need to seek royalty or license agreements from the owner of such rights. If we are unable to agree on acceptable terms, we may be required to discontinue the sale of key services or halt other aspects of our operations. We may also be liable for financial damages for a violation of intellectual property rights. Any adverse result related to violation of third-party intellectual property rights could materially and adversely harm our business, results of operations and financial condition. Even if intellectual property claims brought against us are without merit, they may result in costly and time- consuming litigation and may require significant attention from our management and key personnel. Similarly, third parties may misappropriate our intellectual property. Monitoring unauthorized use of our intellectual property is difficult and costly. While we actively seek to protect our intellectual property and proprietary rights, the steps we have taken may not prevent unauthorized use by third parties. Misappropriation of our intellectual property or potential litigation concerning such matters could have a material adverse effect on our business, results of operations and financial condition. **Our operations are subject to cybersecurity attacks that could have a material adverse effect on our business, results of operations and financial condition. Our operations are increasingly dependent on digital technologies and services. We use these technologies for internal purposes, including data storage, processing and transmissions, as well as in our interactions with customers' and suppliers' products, services and technology. Digital technologies are subject to the risk of cybersecurity attacks. A cybersecurity incident could be caused by malicious insiders or third parties using sophisticated, targeted methods to circumvent firewalls, encryption, and other cybersecurity defenses, including hacking, fraud, trickery, or other forms of deception. Emerging artificial intelligence technologies may improve or expand the capabilities of malicious third parties in a way we cannot predict at this time, including being used to develop new hacking tools, exploit vulnerabilities, obscure malicious activities and increase the difficulty detecting threats. If our systems for protecting against cybersecurity risks prove not to be sufficient, we could be adversely affected by, among other things: loss of or damage to intellectual property, proprietary or confidential information, or customer, supplier, or employee data; interruption of our business operations; and increased costs required to prevent, respond to, or mitigate cybersecurity attacks. These risks could harm our reputation and our relationships with customers, suppliers, employees and other third parties, and may result in claims against us. These risks could have a material adverse impact on our business, results of operations and financial condition.** We identified material weaknesses in our internal control over financial reporting ~~as of~~ **that originated during the fiscal year ended** December 31, 2021 **, and continued to exist as of December 31, 2022 and 2023** . If our remediation of the material weaknesses is not effective, or if we fail to maintain an effective system of internal control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U. S. generally accepted accounting principles. In connection with the preparation of our consolidated financial statements ~~as of and~~ for the year ended December 31, 2021, we identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. Management identified deficiencies related to the following: (i) our application of the accounting for a warrant issued to a related party in connection with a conversion of subordinated debt to equity during the first quarter of 2021; (ii) our eligibility to receive certain Employee Retention Credits through the CARES Act of 2020; and (iii) our accounting for income taxes in connection with a change in control that occurred during the first quarter of 2021. While management concluded that our disclosure controls and procedures were not effective as of December 31, ~~2022~~ **2023** , in order to properly advance the initiative to address remediation of our material weaknesses that ~~existed~~ **originated** as of December 31, 2021, ~~during the year ended~~ **and continued to exist as of** December 31, 2022 **and 2023** , the Company improved the control environment surrounding its accounting for complex financial instruments as well as its accounting for income taxes. This was accomplished through enhanced analyses by our personnel and third- party professionals with whom we consult regarding complex accounting and tax applications, including but not limited to, regular recurring communication and consultation with our qualified third- party tax professionals, and improved internal oversight and monitoring over these complex financial instruments and their implications to our financial statements. We will continue to remediate, monitor the design and effectiveness of these and other processes, procedures, and controls and make any further changes or determine and obtain any additional resources management deems appropriate. However, while we believe we implemented measures to remediate the material weaknesses, we cannot make assurances that such measures will be sufficient to remediate the control deficiencies that led to the material weaknesses in our internal control over financial reporting or to avoid potential future material weaknesses. If we are unable to maintain our existing internal controls over financial reporting, or if we identify any additional material weaknesses, the accuracy and timeliness of our financial reporting may be adversely affected. If we are unable to maintain effective internal controls, we may not have adequate, accurate or timely financial statements, and we may be unable to meet our reporting obligations as a public company. Failure to comply with the Sarbanes- Oxley Act, when and as applicable, could also potentially subject us to sanctions or investigations by the SEC or other regulatory authorities. Furthermore, if we cannot provide reliable financial reports or prevent fraud, our business and results of operations could be harmed and investors could lose confidence in our reported financial information. Our operations are subject to inherent risks, some of which are beyond our control. These risks may be self- insured or may not be fully covered under our insurance policies, but to the extent not covered, are self- insured by us. Our operations are subject to hazards inherent in the oil and natural gas industry, such as, but not limited to, accidents, blowouts, explosions, fires and oil spills. These conditions can cause: ● Personal injury or loss of life; ● Damage to or destruction of property, equipment and the environment; and ● Suspension of operations by our customers. The occurrence of a significant event or adverse claim in excess of the insurance coverage that we maintain or that is not covered by insurance could have a material adverse effect on our financial condition and results of operations. In addition, claims for loss of oil and natural gas production and damage to formations can occur in the well services industry. Litigation arising from a catastrophic occurrence at a location where our equipment and services are being used may result in us being named as a defendant in lawsuits asserting large claims. ~~In September 2022, the Company and its insurance carriers settled a personal injury matter in Texas for $ 9. 3 million. While the insurance claim payment to the plaintiff was covered by the Company' s insurance policies, no assurance can be given that any future claims will be similarly covered.~~ We maintain insurance coverage that we believe to be customary in the industry against these hazards. **We** ~~In addition, in June 2015, we became self- insured under our Employee Group Medical Plan for the first $ 50,~~

~~000 per individual participant. This self- insured plan terminated on December 31, 2020, and our remaining liability for any for all claims under the Employee Group Medical Plan that arose prior to that date expired on December 31, 2021. Additionally, we~~ do not have insurance against all foreseeable risks, either because insurance is not available or because of the high premium costs. The occurrence of an event not fully insured against, or the failure of an insurer to meet its insurance obligations, could result in substantial losses to us. In addition, we may not be able to maintain adequate insurance in the future at reasonable rates. Insurance may not be available to cover any or all the risks to which we are subject, or, even if available, it may be inadequate, or insurance premiums or other costs could rise significantly in the future so as to make such insurance prohibitively expensive. It is likely that, in our insurance renewals, our premiums and deductibles will be higher, and certain insurance coverage either will be unavailable or considerably more expensive than it has been in the recent past. In addition, our insurance is subject to coverage limits, and some policies exclude coverage for damages resulting from environmental contamination. We are involved in securities litigation, and an adverse resolution of such litigation may adversely affect our business, financial condition, results of operations and cash flows. In May 2022 we became the subject of a lawsuit alleging that the Company and certain of its officers violated securities laws in relation to certain of its Quarterly Reports on Form 10- Q filed in 2021 which required amendments and restatements to such filings. ~~While we believe~~ **On March 4, 2024,** the ~~claims are~~ **United States District Court of Colorado dismissed the May 2022 class action complaint filed against the Company and two current or former officers. The Court granted the Company' s February 2023 motion of dismissal and dismissed the class action lawsuit against the Company and certain of our current and former officers** without ~~merit~~ **prejudice. On March 21** , **2024,** ~~there~~ -- **the** ~~can be~~ **Company was informed by the plaintiff' s attorney that** no **appeal** ~~assurances that a favorable final outcome~~ will be **filed** ~~obtained,~~ and ~~defending any lawsuit can be costly and can impose a significant burden on management and employees. An unfavorable outcome with respect to this lawsuit could have a material adverse effect on our business, financial condition, results of operations or cash flows. Furthermore, there~~ -- **the** ~~can be no assurances~~ **class action complaint is considered dismissed without prejudice as of** that **date** ~~our insurance coverage will be available in sufficient amounts to cover such claim, or at all~~ . Compliance with climate change legislation or initiatives could negatively impact our business. The United States Congress has considered legislation to mandate reductions of greenhouse gas emissions and certain states have already implemented, or may be in the process of implementing, similar legislation. Additionally, the United States Supreme Court has held in its decisions that carbon dioxide can be regulated as an" air pollutant" under the Clean Air Act, which could result in future regulations even if the United States Congress does not adopt new legislation regarding emissions. At this time, it is not possible to predict how legislation or new federal or state government mandates regarding the emission of greenhouse gases could impact our business; however, any such future laws or regulations could require us or our customers to devote potentially material amounts of capital or other resources in order to comply with such regulations. These expenditures could have a material adverse impact on our financial condition, results of operations, or cash flows. Anti- fracking initiatives and revisions of applicable state regulations could adversely impact our business. Some states (including Colorado) and certain municipalities have regulated, or are considering regulating fracking which, if accomplished, could impact certain of our operations. There can be no assurance that these actions, if taken on a wider scale, may not adversely impact our business operations and revenues. **Increased public concern over ESG matters may impact our business. Increasing attention to climate change, increasing societal expectations on companies to address climate change, and potential consumer use of substitutes to fossil- fuel energy commodities may result in increased costs, reduced demand for our customers' hydrocarbon products and our products and services, reduced profits, increased governmental investigations and private litigation against us, and negative impacts on our stock price and access to capital markets. Increasing attention to climate change and environmental conservation, for example, may result in demand shifts for our customers' hydrocarbon products and additional governmental investigations and private litigation against those customers. To the extent that societal pressures or political or other factors are involved, it is possible that such liability could be imposed without regard to our causation of or contribution to the asserted damage, or to other mitigating factors.** Our ability to use our net operating loss carryforwards is subject to limitation and may result in increased future tax liability. The Company has **$ 45. 8 million of** federal and state net operating loss carryforwards (" NOLs") ~~, each of which were~~ **. The Company estimates that** $ ~~40~~ **18** . ~~2~~ **6** million ~~as~~ of ~~December 31, 2022~~ **federal and $ 7** . **4 million** ~~During the first quarter~~ of **state net operating losses will expire unused due to** ~~2021, in connection with a registered equity offering, we experienced a" change in control" within the meaning of Section~~ 382 **limitations beginning in 2035** ~~of the Internal Revenue Code of 1986, as amended (the" Code"), and as a result the realizability of the Company' s deferred tax assets became limited~~ . On March 28, 2023, Cross River ~~Partners, LP (" Cross River"), an entity controlled by our Executive Chairman and Chief Executive Officer, Richard Murphy,~~ converted approximately $ 1. 1 million principal amount of ~~its $ 1. 2 million convertible promissory note issued in March 2022 (~~ the ~~"~~ March 2022 Convertible Note ~~")~~ into 2, 275, 000 shares of Company common stock. **On June 30,** ~~Subject to stockholder approval at the Company' s~~ 2023 ~~Annual Meeting~~ , Cross River ~~intends to~~ **: 1)** ~~convert~~ **converted** the **remaining $ 148, 950 principal** balance of the March 2022 Convertible Note into 322, 402 shares of Company common stock ~~and~~ **; 2) converted** the **entire** $ 1 **, 200, 000 principal balance of** ~~. 2 million convertible promissory note issued in July 2022 (~~ the ~~"~~ July 2022 Convertible Note ~~")~~ into 2, 400, 000 shares of Company common stock **;** and **3) received a five- year** ~~warrants~~ - **warrant** to acquire 2, 400, 000 shares of Company common stock ~~at~~ **with an exercise price of** $ 0. 55 per share. The conversion of ~~these~~ -- **the** ~~two~~ **November 2022** ~~convertible~~ **Convertible Note would** ~~promissory notes, combined with the issuance of shares in the February 2023 Public Offering, will~~ likely cause a change of control within the Code which would negatively impact our ability to utilize the NOLs going forward to offset future taxable income. Sections 382 and 383 of the Code contain rules that limit the ability of a corporation that undergoes a change in control to utilize its NOLs and certain built- in losses recognized in years after the change in control. A change in control is generally defined as any change in ownership of more than 50 % of a corporation' s stock over a rolling three- year period by stockholders that own (directly or indirectly) 5 % or more of the stock of the corporation or arising from a new issuance of stock by the corporation. Limitations on the use of NOLs and other tax attributes could also increase our state tax liabilities. The use of our tax attributes will also be limited to the extent that we do not generate positive taxable income in future tax periods. As a result of these limitations, we may be unable to offset future taxable income, if any, with NOLs before such NOLs expire. Accordingly, these limitations may increase our federal and state income tax liabilities. Improvements in, or new discoveries of, alternative energy technologies could have a material adverse effect on our financial condition and results of operations. Because our operations depend on the demand for oil and used oil, any improvement in or new discoveries of alternative energy technologies (such as wind, solar, geothermal, fuel cells and biofuels) that increase the use of alternative forms of energy and reduce the demand for oil, gas and oil and gas related products could have a material adverse impact on our business, financial condition and results of operations. Competition due to advances in renewable fuels may lessen the demand for our products and negatively impact our profitability. Alternatives to petroleum-based products and production methods are continually under development. For example, a number of automotive, industrial and power generation manufacturers are developing alternative clean power systems using fuel cells or clean- burning gaseous fuels that may address increasing worldwide energy costs, the long- term availability of petroleum reserves and environmental concerns which, if successful, could lower the demand for oil and gas. If these non- petroleum- based products and oil alternatives continue to expand and gain broad acceptance such that the overall demand for oil and gas is decreased, it could have an adverse effect on our operations and the value of our assets. Risks Related to Our Common Stock We have no plans to pay dividends on our common stock for the foreseeable future. Stockholders may not receive funds without selling their shares. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain future earnings, if any, to pay down debt and finance the expansion of our business. Our future dividend policy is within the discretion of our Board of Directors (" Board") and will depend upon various factors, including our business, financial condition, results of operations, capital requirements and investment opportunities. Accordingly, realization of a gain on a shareholder' s investment will depend on the appreciation of the price of our common stock. Our Board of Directors can, without stockholder approval, cause preferred stock to be issued on terms that adversely affect holders of our common stock. Under our certificate of incorporation, our Board is authorized to issue up to 10, 000, 000 shares of preferred stock, of which none are issued and outstanding as of the date of this Annual Report. Also, our Board, without stockholder approval, may determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares. If our Board causes shares of preferred stock to be issued, the rights of the holders of our common stock would likely be subordinate to those of preferred holders and therefore could be adversely affected. Our Board' s ability to determine the terms of preferred stock and to cause its issuance, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of our outstanding common stock. Preferred shares issued by our Board could include voting rights or super voting rights, which could shift the ability to control the Company to the holders of the preferred stock. Preferred stock could also have conversion rights into shares of our common stock at a discount to the market price of our common stock, which could negatively affect the market for our common stock. In addition, preferred stock would have preference in the event of liquidation of the corporation, which means that the holders of preferred stock would be entitled to receive the net assets of the corporation distributed in liquidation before the holders of our common stock receive any distribution of the liquidated assets. The price of our common stock may be volatile regardless of our operating performance and you may not be able to resell shares of our common stock at or above the price you paid, or at all. The trading price of our common stock may be volatile, and a stockholder may not be able to resell their shares at or above the price at which such stockholder paid for such shares. Our stock price volatility can be in response to a number of factors, including those listed in this section and elsewhere in this Annual Report. As a company in the oil services sector, there can be significant trading volume and volatility in our common stock that may be unrelated to our operating performance and more related to fluctuations and trading in oil- related public companies as a whole. Many of these volatility factors are beyond our control. Other factors that may affect the market price of our common stock include: ● Actual or anticipated fluctuations in our quarterly results of operations; ● Liquidity; ● Our inability to raise capital; ● Sales of our common stock by us or our stockholders; ● Fluctuations and higher trading volume related to being in the oil services sector; ● Changes in oil and natural gas prices; ● Changes in our cash flow from operations or earnings estimates; ● Publication of research reports about us or the oil and natural gas exploration, production and service industry, generally; ● Competition from other oil and gas service companies and for, among other things, capital and skilled personnel; ● Increases in market interest rates which may increase our cost of capital; ● Changes in applicable laws or regulations, court rulings, and enforcement and legal actions; ● Changes in market valuations of similar companies; ● Adverse market reaction to any indebtedness we may incur in the future; ● Additions or departures of key management personnel; ● Actions by our stockholders; ● Commencement of or outcome of any significant litigation; ● News reports relating to trends, concerns, technological or competitive developments, regulatory changes, and other related issues in our industry; ● Speculation in the press or investment community regarding our business; ● Political conditions in oil and natural gas producing regions; ● General market and economic conditions; ● Domestic and international economic, legal, and regulatory factors unrelated to our performance; and ● Our ability to comply with NYSE American continued listing standards. In addition, the United States securities markets have experienced significant price and volume fluctuations over the past several years. These fluctuations often have been unrelated to the operating performance of companies in these markets. Market fluctuations and broad market, economic and industry factors may negatively affect the price of our common stock, regardless of our operating performance. Any volatility or a significant decrease in the market price of our common stock could also negatively affect our ability to make acquisitions using our common stock. Further, if we were to be the object of securities class action litigation as a result of volatility in our common stock price or for other reasons, it could result in substantial costs and diversion of our management' s attention and resources, which could negatively affect our financial results. We may be required to raise additional financing by issuing new securities, which may have terms or rights superior to those of our shares of common stock, which could adversely affect the market price of our shares of common stock. We may need to raise additional funds for working capital and other purposes, including to finance acquisitions or develop strategic relationships, by issuing equity or convertible debt securities, which would reduce the percentage ownership of our existing stockholders. Our board of directors has the authority, without action or vote of the stockholders, to issue all or any part of our authorized but unissued shares of common or preferred stock. Our articles of incorporation authorize us to issue up to 100, 000, 000 shares of common stock and 10, 000, 000 shares of preferred stock. Future issuances of common or preferred stock would reduce your influence over matters on which stockholders vote and would be dilutive to earnings per share. In addition, any newly issued preferred stock could have rights, preferences and privileges senior to those of the common stock. Those rights, preferences and privileges could include, among other things, the establishment of dividends that must be paid prior to declaring or paying dividends or other distributions to holders of our common stock or providing for preferential liquidation rights. These rights, preferences and privileges could negatively affect the rights of holders of our common stock, and the right to convert such preferred stock into shares of our common stock at a rate or price that would have a dilutive effect on the outstanding shares of our common stock. Our executive chairman and CEO beneficially owns a significant amount of our outstanding common stock and has substantial control over us. As of March ~~22~~ **12** , ~~2023~~ **2024** , Richard Murphy, our Executive Chairman and CEO, and his affiliated entity Cross River, beneficially own in the aggregate ~~11~~ **approximately 25** . ~~88~~ **85** % of our common stock, or ~~15~~ **approximately 34** . ~~93~~ **50** % including **convertible debt and** warrants exercisable within 60 days ~~(excluding shares issuable upon conversion of outstanding convertible notes held by Cross River, the issuance of which is subject to shareholder approval)~~ . As a result, if acting together, Mr. Murphy will be able to exercise significant influence over all matters requiring approval by our shareholders, including the election of directors and the approval of significant corporate transactions, such as a merger or other sale of our company or assets. Mr. Murphy may also have interests that differ from yours and may vote in a way with which you disagree, which may be adverse to your interests. In addition, to the extent Cross River acquires additional shares pursuant to the conversion of its outstanding convertible notes, the ability of Mr. Murphy, acting together, to control or significantly influence such matters will increase. This concentration of ownership could limit your ability to influence corporate matters and may have the effect of delaying or preventing a change in control of our company. This could prevent transactions in which shareholders might otherwise recover a premium for their shares over current market prices. The liquidity and market price of our common stock may decline significantly if we are unable to maintain our NYSE American listing. Our common stock is currently listed on the NYSE American. The NYSE American will consider suspending dealings in, or delisting, securities of an issuer that does not meet its continued listing standards. If we cannot meet the NYSE American continued listing requirements, the NYSE American may delist our common stock, which could have an adverse impact on us and the liquidity and market price of our common stock. In December 2022, the Company received an official notice of noncompliance from the NYSE American stating that the Company' s stockholders' equity as reported in its Quarterly Report on Form 10- Q for the period ended June 30, 2022 was not in compliance with the ~~NYSE American' s~~ continued listing standards **under Section 1003 (a) (iii) of the NYSE American Company Guide (" Company Guide "),** which requires that a listed company' s stockholders' equity be at least $ 6. 0 million if it has reported losses from continuing operations and / or net losses in its five most recent fiscal years. On January 10, 2023, the Company submitted a plan (the " Plan ") advising of actions it will take to regain compliance with the continued listing standards by June 9, 2024 ~~. If~~ **, which Plan was accepted by the** NYSE ~~accepts the Plan~~ **on February 14, 2023. On May 2, 2023** , the Company ~~will have~~ **received notice from the NYSE that its stockholders' equity balance as of December 31, 2022 had fallen below $ 2. 0 million** ~~an~~ **and therefore** ~~eighteen (18) month cure period to comply with~~ the **Company was not in** ~~Plan and will be subject to periodic reviews including quarterly monitoring for~~ compliance with the ~~Plan~~ **NYSE American' s continued listing standards under Section 1003 (a) (i) in the Company Guide** . **The Company is taking steps to achieve compliance with the stockholders' equity standards of Section 1003 (a) of the Company Guide by June 9, 2024. On March 28, 2023, Cross River converted approximately $ 1. 1 million principal amount of the March 2022 Convertible Note into 2, 275, 000 shares of Company common stock. On June 30, 2023, Cross River: 1) converted the remaining $ 148, 950 principal balance of the March 2022 Convertible Note into 322, 402 shares of Company common stock ; 2) converted the entire $ 1, 200, 000 principal balance of the July 2022 Convertible Note into 2, 400, 000 shares of Company common stock ; and 3) received a five- year warrant to acquire 2, 400, 000 shares of Company common stock with an exercise price of $ 0. 55 per share. The Company is working towards regaining compliance with the stockholders' equity continued listing standards of the NYSE American ; however,** ~~There~~ **there** can be no assurance that the Company will ultimately regain compliance with all applicable NYSE American listing standards. ~~On January 3, 2023, we received an official notice of noncompliance from the NYSE stating that the Company is noncompliant with Section 704 of the NYSE American Company Guide for failure to hold an annual meeting for the fiscal year ended December 31, 2021 by December 31, 2022. The Company expects to hold its Annual Meeting in June 2023, at which time the Company will regain compliance with NYSE American LLC' s (" NYSE American' s ") continued listing standards. To the extent the Company does not hold its Annual Meeting in 2023, the Company may be out of compliance with the NYSE American listing standards and may be delisted from such exchange.~~ If we are unable to retain compliance with the NYSE American criteria for continued listing ~~, including holding an Annual Meeting~~ , our common stock would be subject to delisting. A delisting of our common stock could negatively impact us by, among other things, reducing the liquidity and market price of our common stock; reducing the number of investors willing to hold or acquire our common stock, which could negatively impact our ability to raise equity financing; limiting our ability to issue additional securities or obtain additional financing in the future; decreasing the amount of news and analyst coverage of us; and causing us reputational harm with investors, our employees, and parties conducting business with us. If our common stock is delisted, our common stock may be subject to the so- called" penny stock" rules. The SEC has adopted regulations that define a penny stock to be any equity security that has a market price per share of less than $ 5. 00, subject to certain exceptions, such as any securities listed on a national securities exchange. For any transaction involving a penny stock, unless exempt, the rules impose additional sales practice requirements and burdens on broker- dealers (subject to certain exceptions) and could discourage broker- dealers from effecting transactions in our stock, further limiting the liquidity of our shares, and an investor may find it more difficult to acquire or dispose of our common stock on the secondary market. These factors could have a material adverse effect on the trading price, liquidity, value and marketability of our common stock. Provisions in our charter documents could prevent or delay a change in control or a takeover. Provisions in our bylaws provide certain requirements for the nomination of directors which preclude a stockholder from nominating a candidate to stand for election at any annual meeting. As described in Section 2. 12 of the Company' s bylaws, nominations must be presented to the Company well in advance of a scheduled annual meeting and the notification must include specific information as set forth in that section. The Company believes that such a provision provides reasonable notice of the nominees to the Board, but it may preclude stockholder nomination at a meeting where the stockholder is not familiar with nomination procedures and, therefore, may prevent or delay a change of control or takeover. Although the Delaware General Corporation Law includes § 112 which provides that bylaws of Delaware corporations may require the corporation to include in its proxy materials one or more nominees submitted by stockholders in addition to individuals nominated by the Board, the bylaws of the Company do not so provide. As a result, if any stockholder desires to nominate persons for election to the Board, the proponent will have to incur all the costs normally associated with a proxy contest. General Risk Factors Indemnification of officers and directors may result in unanticipated expenses. The Delaware General Corporation Law, our Amended and Restated Certificate of Incorporation and bylaws, and indemnification agreements between the Company and certain individuals provide for the indemnification of our directors, officers, employees, and agents, under certain circumstances, against attorney' s fees and other expenses incurred by them in any litigation to which they become a party arising from their association with us or activities on our behalf. We also will bear the expenses of such litigation for any of our directors, officers, employees, or agents, upon such person' s promise to repay them if it is ultimately determined that any such person shall not have been entitled to indemnification. This indemnification policy could result in substantial expenditures by us that we may be unable to recoup and could direct funds away from our business and products (if any). We have significant obligations under the 1934 Act and the NYSE American. Because we are a public company filing reports under the Securities Exchange Act of 1934, we are subject to increased regulatory scrutiny and extensive and complex regulation. The SEC has the right to review the accuracy and completeness of our reports, press releases, and other public documents. In addition, we are subject to extensive requirements to institute and maintain financial accounting controls and for the accuracy and completeness of our books and records. In addition to regulation by the SEC, we are subject to the NYSE American rules. The NYSE American rules contain requirements with respect to corporate governance, communications with shareholders, and various other matters. The cost of compliance with many of these requirements is substantial, not only in absolute terms but, more importantly, in relation to the overall scope of the operations of a small company. Failure to comply with these requirements can have numerous adverse consequences, including, but not limited to, our inability to file required periodic reports on a timely basis, loss of market confidence, delisting of our securities and / or governmental or private actions against us. We cannot make assurances that we will be able to comply with all of these requirements or that the cost of such compliance will not prove to be a substantial competitive disadvantage as compared with privately held and larger public competitors. ~~Our operations are subject to cybersecurity attacks that could have a material adverse effect on our business, results of operations and financial condition. Our operations are increasingly dependent on digital technologies and services. We use these technologies for internal purposes, including data storage, processing and transmissions, as well as in our interactions with customers and suppliers. Digital technologies are subject to the risk of cybersecurity attacks. If our systems for protecting against cybersecurity risks prove not to be sufficient, we could be adversely affected by, among other things: loss of or damage to intellectual property, proprietary or confidential information, or customer, supplier, or employee data; interruption of our business operations; and increased costs required to prevent, respond to, or mitigate cybersecurity attacks. These risks could harm our reputation and our relationships with customers, suppliers, employees and other third parties, and may result in claims against us. These risks could have a material adverse impact on our business, results of operations and financial condition.~~