Risk Factors Comparison 2023-09-13 to 2022-09-14 Form: 10-K

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Our business involves a high degree of risk. If any of the following risks, or any risk described elsewhere in this Annual Report on Form 10- K, actually occurs, our business, financial condition, or results of operations could suffer. The risks described below are not the only ones facing us. Additional risks not presently known to us or which we currently consider to be immaterial also may adversely affect us. Risks Related to Our Business: A substantial or extended decline in oil and natural gas prices may adversely affect our business, financial condition, results of operations and our ability to meet our capital expenditure obligations and financial commitments. The price we receive for our oil and natural gas significantly influences our revenue, profitability, access to capital, capital spending, and future rate of growth. At June 30, ~~2022~~ **2023** , approximately 32 % of our proved reserves were oil reserves, 49 % were natural gas and 19 % were NGLs. Oil, natural gas and NGLs are commodities and their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand ~~. For example, over our last two fiscal years average daily prices for WTI oil ranged from a high of $ 123. 64 per barrel to a low of a $ 35. 64 per barrel, and Henry Hub natural gas prices ranged from a high of $ 23. 86 to a low of $ 1. 33 per MMBTU~~ . Historically, the markets for oil, natural gas, and NGLs have been volatile and these markets will likely continue to be volatile in the future. The prices we receive for our production depend on numerous factors beyond our control, including, but not limited to the following: ● **● the price, availability and use of alternative fuels.** Substantially all of our production is sold to purchasers under short-term (less than 12- month) contracts at market- based prices. A decline in oil, natural gas, and NGL prices will reduce our cash flows, borrowing ability, the present value of our reserves, and our ability to develop future reserves. We may be unable to obtain needed capital or financing on satisfactory terms. Low oil, natural gas, and NGL prices may also reduce the amount of oil, natural gas, and NGL that we can produce economically, which could lead to a decline in our oil, natural gas and NGL reserves. Generally, we hedge substantially less than all of our anticipated oil and natural gas production and typically only with the requirements of our Senior Secured Credit Facility. To the extent that we have not hedged production, any significant and extended decline in oil, natural gas, and NGL prices may adversely affect our financial position. Our existing **developed** oil and natural gas production will decline; we may be unable to acquire or develop the additional oil and natural gas reserves that are required in order to sustain our production and business operations. The volume of production from **developed** oil and natural gas properties declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. Environmental issues, operating problems, or lack of extended future investment in any of our properties would cause our net production of oil, natural gas, and NGLs to decline significantly over time, which could have a material adverse effect on our financial condition. The types of resources we focus on have substantial operational risks. Our business plan focuses on the acquisition and development of known resources in partially depleted, naturally fractured, or low permeability reservoirs. Our ~~Delhi Field and~~ Hamilton Dome **Field and Delhi** Field properties produce from relatively shallow reservoirs, while our **Jonah Field, Williston Basin and** Barnett Shale ~~, Williston Basin and Jonah Field~~ properties produce from deeper reservoirs. Shallower reservoirs usually have lower pressure, which generally translates into lower reserves volumes in place. Deeper reservoirs have higher pressures and usually more reserves volumes in place, but capturing those reserves often comes at increased drilling and completion costs and risks and, generally, a higher rate of **initial** production decline. Low permeability reservoirs require ~~more wells and~~ substantial stimulation for development of commercial production. Naturally fractured reservoirs require penetration of sufficient un- depleted fractures to establish commercial production. Depleted reservoirs require successful application of newer, or more expensive, technologies to produce incremental reserves. Our approach on the development and application of technologies on these different types of reservoirs could have a material adverse effect on our results of operations. The CO2-EOR project in the Delhi Field, operated by Denbury, requires significant amounts of CO2 reserves, development capital, and technical expertise, the sources of which to date have been committed by the operator. ~~Although initial CO2 injection began at~~ **On July 13, 2023, Exxon Mobil Corporation (" Exxon ") announced it had entered into a definitive agreement to acquire Denbury. Exxon' s plans with respect to** the Delhi Field **are unknown** ~~in November 2009, initial oil production response began in March 2010~~ . Additional capital remains to be invested to fully develop the EOR project and maximize the value of the properties. The operator' s failure to manage these and other technical, environmental, operational, strategic, financial, and logistical risks may ultimately cause enhanced recoveries from the planned CO2- EOR project to fall short of our expectations in volume and / or timing. Such occurrences could have a material adverse effect on our results of operations and financial condition. We have limited control over the activities on properties we do not operate. All of our property interests are operated by third- party working interest owners, not by us. As a result, we have limited ability to influence or control the operations or future development of such properties, including compliance with environmental, safety, and other standards, or the amount of capital expenditures that we will be required to fund with respect to such properties. Operators of these properties may act in ways that are not in our best interest. Moreover, we are dependent on the other working interest owners of such projects to fund their contractual share of the capital expenditures of such projects. These limitations and our dependence on the operator and other working interest owners for these projects could cause us to incur unexpected future costs, result in lower production, and materially and adversely affect our financial condition and results of operations. ~~We~~ **16We** will be subject to risks in connection with acquisitions. We periodically evaluate acquisitions of reserves, properties, prospects, leaseholds, and other strategic transactions that appear to fit within our overall business strategy. The successful acquisition of producing properties requires an assessment of several factors, including, but not limited to: ● recoverable reserves; ● future oil and natural gas prices and their appropriate differentials; ● development and operating costs; ● potential for future drilling and production; ● validity of the seller ~~-~~**'**s title to properties, which may be less than expected at closing; and ● potential environmental issues, litigation, and other liabilities. ~~17The~~ -- **The** accuracy of these assessments is inherently uncertain. In connection with these assessments, we perform a review of the subject properties that we believe to be generally consistent with industry practices. Our review will not reveal all existing or potential problems nor will it permit us to become sufficiently familiar with the properties to fully assess their deficiencies and potential recoverable reserves. Inspections may not always be performed on every well, and environmental problems are not necessarily observable at the ground surface or otherwise when an inspection is performed. Even when problems are identified, the seller may be unwilling or unable to provide effective contractual protection against all or part of the problems. Moreover, in the event of such an acquisition, there is a risk that we could ultimately be liable for unknown obligations related to acquisitions and, importantly, that our assumptions regarding future oil and natural gas prices, differentials, reserves, or production could prove materially inaccurate and have a material adverse effect on our financial condition, results of operations, or cash flows. We may encounter difficulties integrating the operations of newly acquired oil and natural gas properties or businesses. Increasing our reserve base through acquisitions has been an important part of our business strategy. We may encounter difficulties integrating newly acquired oil and natural gas properties or businesses. In particular, we may face significant challenges in consolidating functions and integrating procedures, personnel, and business operations in an effective manner. The failure to successfully integrate such properties or businesses into our Company may adversely affect our business and results of operations. Any acquisition we make may involve numerous risks, including: ● a significant increase in our indebtedness and working capital requirements; ● the inability to timely and effectively integrate the operations of recently acquired businesses or assets; ● the incurrence of substantial costs to address unforeseen environmental and other liabilities arising out of the acquired businesses or assets; ● liabilities arising from the operation of the acquired businesses or assets before our acquisition; ● our lack of drilling or operational history in the areas in which the acquired business operates; ● customer or key employee loss from the acquired business; ● increased administration of new personnel; ● additional costs due to increased scope and complexity of our business; ● potential disruption of our ongoing business; and ● assumptions made on estimated development by the operator may not be accurate or may change. Additionally, significant acquisitions can change the nature of our operations and business depending upon the character of the acquired properties, which may have substantially different operating and geological characteristics or be in different geographic locations than our existing properties. To the extent that we acquire properties substantially different from the properties we currently own or that require different technical expertise, we may not be able to realize the economic benefits of these acquisitions as effectively as with acquisitions within our current footprint and expertise. We may not be successful in addressing these risks or any other problems encountered in connection with any acquisition we may make. ~~Oil~~ **17Oil** and natural gas development, re- completion of wells from one reservoir to another reservoir, restoring wells to production, and drilling and completing new wells are speculative activities which involve numerous risks and substantial uncertain costs. Our growth will be partially dependent upon the success of future development programs on our properties. Drilling for oil and natural gas and extracting NGLs and re- working existing wells involve numerous risks. The cost of drilling, completing, and operating wells is substantial and uncertain; drilling operations may be curtailed, delayed, or canceled as a result of a variety of factors beyond our control, including, but not limited to: ● unexpected drilling conditions; ● pressure fluctuations or irregularities in reservoir formations; ● equipment failures or accidents; ● well blowouts and other releases of hazardous materials; ● inability to obtain or maintain leases on economic terms, where applicable; ~~18~~ ● the cost and availability of goods and services, such as drilling rigs, fracture stimulation services, and tubulars; ● adverse weather conditions; ● compliance with governmental requirements; and ● shortages or delays in the availability of drilling rigs or crews and the delivery of equipment. Drilling or re- working is a highly speculative activity. Even when fully and correctly utilized, modern well completion and production techniques, such as Horizontal Drilling or CO_2 injection, do not guarantee that we will find and produce oil and / or natural gas in economic quantities. Our future drilling, completion and production activities may not be successful and, if unsuccessful, such failure would have an adverse effect on our future results of operations and financial condition. We may also identify and develop prospects through a number of methods, some of which may include Horizontal Drilling or tertiary injectants, and some of which may be unproven. The drilling and results for these prospects may be particularly uncertain. We cannot ensure that these projects can be successfully developed or that wells will, if drilled, encounter reservoirs of commercially productive oil or natural gas. Our oil and natural gas reserves are only estimates and may prove to be inaccurate. There are numerous uncertainties inherent in estimating oil and natural gas reserves and their estimated values. Our reserves are only estimates that may prove to be inaccurate because of these inherent uncertainties. Reservoir engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot always be measured in an exact manner. Estimates of economically recoverable oil and natural gas reserves depend upon a number of variable factors. These factors include historical production from the area compared with production from other comparable producing areas, assumptions concerning effects of regulations by governmental agencies, future oil and natural gas product prices, future operating costs, severance and excise taxes, development costs, workover costs, and remedial costs. Some or all of these assumptions utilized in estimating reserve volumes may vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of reserves, classifications of such reserves based on risk of recovery, and estimates of the future net cash flows expected from reserves may vary substantially depending on the timing and different engineers preparing reserves estimates. Accordingly, reserve estimates may be subject to downward or upward adjustments. Actual production, revenue, and expenditures with respect to our reserves will likely vary from estimates; such variances may be material. The information regarding discounted future net cash flows included in this report should not be considered as the current market value of the estimated oil and natural gas reserves attributable to our properties. The estimated discounted future net cash flows from proved reserves are based on the 12- month average price, calculated as the unweighted arithmetic average of the first- day- of- the- month price for each month within the 12- month period prior to the end of the reporting period, and costs as of the date of the estimate, while actual future prices and costs may be materially higher or lower. Actual future net cash flows also will be affected by factors such as the amount and timing of actual production, supply and demand for oil and natural gas, increases or decreases in consumption, and changes in governmental regulations or taxation. In addition, the 10 % discount factor, which is required by the SEC to be used in calculating discounted future ~~net~~ **18net** cash flows for reporting purposes, is not necessarily the most appropriate discount factor. Interest rates in effect vary from time to time based on risks associated with us or the oil and natural gas industry in general. The Standardized Measure does not necessarily correspond to market value. Regulatory and accounting requirements may require substantial reductions in reporting proven reserves. On a periodic basis, we review the carrying value of our oil and natural gas properties under the applicable rules of various regulatory agencies, including the SEC. Under the full cost method of accounting that we use, the after- tax carrying value of our oil and natural gas properties may not exceed the present value of estimated future net after- tax cash flows from proved reserves, discounted at 10 %. Application of this " ceiling " test requires pricing future revenues at the previous 12- month average beginning- of- month price and requires a write- down of the carrying value for accounting purposes if the ceiling is exceeded. We may in the future be required to write down the carrying value of our oil and natural gas properties when oil and natural gas prices are depressed or unusually volatile. Whether we will be required to ~~19take~~ -- **take** such a charge will depend in part on the prices of oil and natural gas during the previous period and the effect of reserve additions or revisions and capital expenditures during such period. If a write- down is required, it would result in a current charge to our earnings but would not impact our current cash flow from operating activities. A large write- down could adversely affect our compliance with the current financial covenants under our credit facility, could limit our access to future borrowings under that facility, or require repayment of any amounts that might be outstanding at the time. Our derivative activities could result in financial losses or could reduce our income. ~~We are required under~~ **Under** the terms of our Senior Secured Credit Facility **, we are required** to hedge a certain portion of our anticipated oil and natural gas production for future periods **when we reach a defined utilization percentage** . We may also elect to hedge additional production volumes from time to time based upon our view of the attractiveness of commodity futures and the risks that downward price fluctuations might pose to our business plans. When we engage in hedging transactions, we ~~typically~~ **may** utilize costless collars ~~or~~ **,** fixed price swaps **or purchased floors** to cost- effectively provide us with some protection against price changes. We have not historically designated any of our derivative instruments as hedges for accounting purposes and record all derivative instruments on our balance sheet at fair value. Changes in the fair value of our derivative instruments are recognized in earnings. Accordingly, our earnings may fluctuate significantly as a result of changes in the fair value of our future derivative instruments. Derivative arrangements may also expose us to the risk of financial loss in some circumstances, including, but not limited to, if: ● actual production is less than the volume covered by the derivative instruments; ● the counterparty to the derivative instrument defaults on its contract obligations; or ● there is a change in the expected differential between the underlying price in the derivative instrument and actual price received. In addition, in a rising commodity price environment, derivative arrangements ~~will~~ **may** limit the extent to which we might benefit from increases in prices of oil and natural gas and may expose us to cash margin requirements. Our operations may require significant amounts of capital and additional financing may be necessary in order for us to continue our exploitation activities. Cash flow from our production may not be sufficient to fund our ongoing activities at all times. From time to time, we may require additional financing in order to carry out oil and natural gas acquisitions, exploitation, and development activities. If our revenues decrease as a result of decreases in production, lower oil and natural gas prices or otherwise, it will affect our ability to expend the necessary capital to replace our reserves or to maintain our current production. If our cash flow from operations is not sufficient to satisfy our capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or be available to us on favorable terms. ~~Government~~ **19Government** regulation and liability for oil and natural gas operations and environmental matters may adversely affect our business and results of operations. Oil and natural gas operations are subject to extensive federal, state, and local government regulations, which may change from time to time. Matters subject to regulation include discharge permits for drilling operations, drilling bonds, reports concerning operations, the spacing of wells, unitization and pooling of properties, and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and natural gas from wells below actual production capacity in order to conserve supplies of oil and natural gas. There are federal, state, and local laws and regulations **addressing** ~~primarily relating to~~ protection of human health and the environment ~~applicable~~ **that apply** to the development, production, handling, storage, **and** transportation ~~, and disposal~~ of oil ~~and~~ **,** natural gas, **and their** by- products ~~thereof,~~ **; the disposal of related wastes;** the emission of CO_2 ~~or~~ **,** other greenhouse gases, and **volatile organic compounds; and the management of** other substances and materials released, produced or used in connection with oil and natural gas operations. These laws and regulations may affect the costs, manner, and feasibility of our operations by, among other things, requiring us to make significant expenditures in order to comply and restricting the areas available for oil and gas production. Failure to comply with these laws and regulations may result in substantial liabilities to third- parties or governmental entities. In addition, we may be liable for significant environmental damages and cleanup costs, without regard to fault, for releases of hazardous materials on or from property we own or ~~20operate~~ -- **operate** , even if we did not cause or contribute to the release. We are also subject to changing and extensive tax laws, the effects of which cannot be predicted. The implementation of new, or the modification of existing, laws or regulations, could have a material adverse effect on us, such as by imposing new emission controls, penalties, fines and / or fees, taxes and tariffs on carbon that could have the effect of raising prices to the end user and thereby reducing the demand for our products. The risks arising out of the threat of climate change, including transition risks and physical risks, may adversely affect our business and results of operations. The threat of climate change poses both transition risks and physical risks that could have a material adverse effect on us. Transition risks may arise from political and regulatory, legal, technological or financial changes as society tries to safeguard the climate, while physical risks may result from extreme weather events or other shifts in the natural world. We have been facing increased political and regulatory risks as federal, state and local governments have adopted new measures to restrict sources of greenhouse gas emissions and promote energy alternatives. Many such measures have been proposed, and still more can be expected. From time to time, there are proposals to ban ~~Hydraulic~~ **hydraulic** ~~Fracturing~~ **fracturing** of oil and natural gas wells and to remove more lands, both onshore and offshore, from new hydrocarbon production. Many other actions could be pursued such as more rigorous requirements for drilling and construction permits, stricter greenhouse gas emissions standards for both new and existing sources, further limits on construction of new pipelines, reinstatement of the ban on oil exports, enhanced reporting obligations, taxing carbon emissions and creating further incentives for use of alternative energy sources. These actions may cause operational delays or restrictions, increased operating costs and additional regulatory burdens. Litigation risks are also increasing for oil and natural gas companies. A number of suits alleging, among other things, that oil and natural gas companies created public nuisances by producing fuels that contributed to climate change have been brought in state or federal court. Technological changes may drive market demand for products other than oil and natural gas. Wider adoption of hybrid engines and electric cars, for example, would reduce demand for our products. At the same time, our capital and operating costs may increase if we need to add new emission reduction technologies. There are also financial risks for the petroleum industry. It may become more difficult for us to access the capital markets if the threat of climate change discourages new investment. Institutional lenders who provide financing to fossil- fuel energy companies also have become more attentive to sustainable lending practices, and some of them may elect not to provide funding for fossil fuel energy companies. Limitation of investments in and financings for the energy industry could result in the restriction, delay or cancellation of drilling programs or development or production activities. ~~The~~ **20The** threat of climate change also may subject our operations and business to severe weather or other natural hazards, such as flooding, drought, wildfires, and extreme temperatures. Any such event could halt production or exploration activities, **damage equipment,** disrupt transportation ~~and~~ **,** reduce consumer demand **and significantly increase our costs** . Poor general economic, business, or industry conditions may have a material adverse effect on our results of operations, liquidity, and financial condition. During the last few years, concerns over inflation, energy costs, volatile oil and natural gas prices, geopolitical issues, the availability and cost of credit, the United States mortgage market, uncertainties with regard to European sovereign debt, the slowdown in economic growth in large emerging and developing markets, such as China, regional or worldwide increases in tariffs or other trade restrictions, and other issues have contributed to increased economic uncertainty and diminished expectations for the global economy. Concerns about global economic conditions have had a significant adverse impact on domestic and international financial markets and commodity prices. If uncertain or poor economic, business, or industry conditions in the United States or abroad remain prolonged, demand for petroleum products could diminish or stagnate, and production costs could increase. These situations could impact the price at which we can sell our oil, natural gas, and NGLs, affect our vendors ~~'~~ **’** , suppliers ~~'~~ **’** , and customers ~~'~~ **’** ability to continue operations, and ultimately adversely impact our results of operations, liquidity, and financial condition. ~~21Events~~ -- **Events** outside of our control, including a pandemic or broad outbreak of an infectious disease, such as the ~~ongoing~~ global outbreak of a novel strain of the coronavirus (“ COVID- 19 ”), may materially adversely affect our business. We face risks related to pandemics, outbreaks, or other public health events that are outside of our control and could significantly disrupt our operations and adversely affect our financial condition. In December 2019, COVID- 19 was identified in Wuhan, China and rapidly spread around the world. This virus and its variants, and governmental actions to contain it, **had** ~~continue to have a~~ material **adverse economic** ~~impact~~ **impacts** globally. These and other actions could, among other things, impact the ability of our employees and contractors to perform their duties, cause increased technology and security risk due to extended and company- wide telecommuting, and lead to disruptions in our permitting activities and critical business relationships. Additionally, governmental restrictions intended to contain COVID- 19 or future pandemics have in the past, and may in the future, significantly impact economic activity and markets and dramatically reduce actual or anticipated demand for oil and natural gas, adversely impacting the prices we receive for our production. The severity and duration of any such events are uncertain and difficult to predict, as is the extent that such events may have on our business. Our business could be negatively affected by security threats. A cyber- attack or similar incident could occur and result in information theft, data corruption, operational disruption, damage to our reputation, and / or financial loss. The oil and natural gas industry has become increasingly dependent on digital technologies to conduct certain exploration, development, production, processing, and financial activities. We depend on digital technology to estimate quantities of oil and natural gas reserves, manage operations, process and record financial and operating data, analyze seismic and drilling information, and communicate with our employees and third- party ~~partners~~ **operators** . Our technologies, systems, networks, seismic data, reserves information, or other proprietary information, and those of our operators, vendors, suppliers, customers, and other business partners may become the target of cyber- attacks or information security breaches. Cyber- attacks or information security breaches could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information, or could otherwise lead to the disruption of our business operations or other operational disruptions in our exploration or production operations. Cyber- attacks are becoming more sophisticated and certain cyber incidents, such as surveillance, may remain undetected for an extended period and could lead to disruptions in critical systems or the unauthorized release of confidential or otherwise protected information. These events could lead to financial losses from remedial actions, loss of business, disruption of operations, damage to our reputation, or potential liability. Also, computers control nearly all of the oil and natural gas distribution systems in the United States and abroad. Computers are necessary to transport our oil and natural gas production to market. A cyber- attack directed at oil and natural gas distribution systems could damage critical distribution and storage assets or the environment, delay or prevent delivery of production to markets and make it difficult or impossible to accurately account for production and settle transactions. Cyber incidents have increased, and the United States government has issued warnings indicating that energy assets may be specific targets of cybersecurity threats. Our ~~systems~~ **21systems** and insurance coverage for protecting against cybersecurity risks may not be sufficient. Further, as cyber- attacks continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerability to cyber- attacks. Our insurance may not protect us against all of the operating risks to which our business is exposed. The oil and natural gas business involves numerous operating hazards such as well blowouts, mechanical failures, explosions, uncontrollable flows of oil, natural gas, or well fluids, fires, formations with abnormal pressures, hurricanes and storms, flooding, pollution, releases of toxic gas, and other environmental hazards and risks, which can result in (1) damage to or destruction of wells and / or production facilities, (2) damage to or destruction of formations, (3) injury to persons, (4) loss of life, or (5) damage to property, the environment or natural resources. While we carry general liability, control of well, and operator' s extra expense coverage typical in our industry, we are not fully insured against all risks incidental to our business. Should we experience any losses, the costs of our premiums may rise, which could in turn reduce the amount of insurance we are able to carry. ~~22The~~ -- **The** loss of key personnel could adversely affect us. We depend to a large extent on the services of certain key management personnel, including our executive officers. The loss of one or more key personnel could have a material adverse effect on our operations. In particular, our future success is dependent upon the abilities of our executive officers to source, evaluate, and close deals, raise capital, and oversee our development activities and operations. Presently, we are not a beneficiary of any key man life insurance. Oilfield service and materials prices may increase, and the availability of such services and materials may be inadequate to meet our needs. Our business plan to develop or redevelop oil and natural gas resources requires third- party oilfield service vendors and various material providers, which we do not control. We also rely on third- party carriers for the transportation and distribution of our oil and natural gas production. As our production increases, so does our need for such services and materials. Generally, we do not have long- term agreements with our service and materials providers. Accordingly, there is a risk that any of our service providers could discontinue providing services for any reason or we may not be able to source the services or materials we need. Any delay in locating, establishing relationships, and training our sources could result in production shortages and maintenance problems, resulting in loss of revenue to us. In addition, if costs for such services and materials increase, it may render certain or all of our projects uneconomic, as compared to the earlier prices we may have assumed when deciding to redevelop newly purchased or existing properties. Further adverse economic outcomes may result from the long lead times often necessary to execute and complete our redevelopment plans. We may assume risks and financial responsibility for drilling and completing wells on our Williston Basin properties if our ~~operating partner~~ **third- party operator** declines to drill wells and it or other joint interest owners elect not to participate. As discussed elsewhere in this report, pursuant to agreements related to our interests in the Williston Basin properties, we have the ability to propose to the operator a drilling plan for certain wells, which the operator may accept or reject. In the event the operator rejects our proposed drilling plan, we have the right to undertake all necessary activities to drill and complete the wells and related facilities in accordance with our proposed drilling plan. In the event we undertake to do so, and the operator and other joint interest owners elect not to participate, we will bear the entire liability and expense associated with drilling and completing the wells and related facilities, subject only to our right to recoup costs incurred on behalf of non- participating joint interest owners to the extent a well generates sufficient revenues to do so. **We thus may** ~~Ongoing operations of any wells we elect to drill, will~~ be **required** ~~turned over~~ to ~~the operator~~ **bear a share** of **such expenses to an extent that is disproportionate to our economic interest in** the property ~~upon completion~~. If we elect to proceed to drill and complete wells we have proposed and the operator has rejected, ~~certain of the risks highlighted elsewhere in this report, including, without limitation, the risks associated with drilling oil and natural gas wells and in addition to bearing the liability and costs associated with any wells~~ we **also will bear** ~~elect to drill and complete,~~ many of the **other** risks highlighted elsewhere herein ~~will be exacerbated~~, including, without limitation, **failing to find** ~~the risks of developing~~ economic **quantities** ~~reserves; the risks associated with the drilling and completion~~ of oil and natural gas ~~wells~~, ~~including~~ **drilling accidents,** potential environmental ~~and other operating~~ liabilities, ~~inadequate~~ **unavailability of** insurance **at a reasonable cost** to cover **associated** ~~the expenses and~~ liabilities ~~associated with such risks~~, **and** price increases and delivery delays for required drilling and completion equipment, products and services ~~; and financing risks, as~~ **. Ongoing operations of any wells** we ~~may~~ **elect to drill will** be ~~required~~ **turned over** to **the operator** ~~bear a share~~ of ~~such expenses to an extent that is disproportionate to our economic interest in~~ the property **upon completion** . ~~We~~ **22We** cannot market the oil and natural gas that we produce without the assistance of third- parties. The marketability of the oil and natural gas that we produce depends upon the proximity of our reserves and production to, and the capacity of, facilities and third- party services, including oil and natural gas gathering systems, pipelines, trucking or terminal facilities, and processing facilities necessary to make the products marketable for end use. The unavailability or lack of capacity of such services and facilities could result in the shut- in of producing wells or the delay or discontinuance of development plans for properties. A shut- in, delay, or discontinuance could adversely affect our financial condition. ~~23We~~ **We** face strong competition from larger oil and natural gas companies. Our competitors include major integrated oil and natural gas companies, numerous larger independent oil and natural gas companies, individuals, and drilling and income programs. Many of our competitors are large, well- established companies with substantially larger operating staffs and greater capital resources. We may not be able to successfully conduct our operations, evaluate and select suitable properties, or consummate transactions in this highly competitive environment. Specifically, these larger competitors may be able to pay more for development projects and productive oil and natural gas properties and may be able to define, evaluate, bid for, and purchase a greater number of properties and prospects than our financial or human resources permit. In addition, such companies may be able to expend greater resources on hiring contract service providers, obtaining oilfield equipment, and acquiring the existing and changing technologies that we believe are, and will be, increasingly important to attaining success in our industry. We have been, and in the future may become, involved in legal proceedings related to our properties or operations and, as a result, may incur substantial costs in connection with those proceedings. From time to time we may be a defendant or plaintiff in various lawsuits. The nature of our operations exposes us to further possible litigation claims in the future. There is risk that any matter in litigation could be decided unfavorably against us regardless of our belief, opinion, and position, which could have a material adverse effect on our financial condition, results of operations, and cash flow. Litigation can be very costly, and the costs associated with defending litigation could also have a material adverse effect on our financial condition. Adverse litigation decisions or rulings may damage our business reputation. Ownership of our oil, natural gas, and mineral production depends on good title to our property. Good and clear title to our oil, natural gas, and mineral properties is important to our business. Although title reviews will generally be conducted prior to the purchase of most oil, natural gas, and mineral producing properties or the commencement of drilling wells, such reviews do not assure that an unforeseen defect in the chain of title will not arise to defeat our claim. This could result in a reduction or elimination of the revenue received by us from such properties. Unanticipated changes in effective tax rates or laws or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our financial condition and results of operations. We are subject to tax by U. S. federal, state, and local tax authorities. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including: ● changes in the valuation of our deferred tax assets and liabilities; ● expected timing and amount of the release of any tax valuation allowances; ● tax effects of stock- based compensation; ● costs related to intercompany restructurings; or ● changes in tax laws, regulations, or interpretations thereof. For example, in previous years, legislation has been proposed to eliminate or defer certain key U. S. federal income tax deductions historically available to oil and natural gas exploration and production companies. Such proposed changes have included: (1) a repeal of the percentage depletion allowance for oil and natural gas properties; (2) the elimination of deductions for intangible drilling and exploration and development costs; (3) the elimination of the deduction for certain production activities; and (4) an extension of the amortization period for certain geological and geophysical ~~expenditures~~ **23expenditures** . **Under** ~~With President Biden taking office in 2021 and~~ the **current Administration** ~~shift in the control of Congress,~~ there is an increased risk of the enactment of legislation that alters, eliminates, or defers these or other tax deductions utilized within the industry, which could adversely affect our business, financial condition, results of operations, and cash flows. In addition, we may be subject to audits of its income, sales, and other transaction taxes by U. S. federal, state, and local taxing authorities. Outcomes from these audits could have an adverse effect on our financial condition and results of operations. ~~24Risks~~ -- **Risks** Associated with our Common StockOur stock price has been and may continue to be volatile. Our common stock has a relatively low trading volume and the market price has been, and is likely to continue to be, volatile. The variance in our stock price makes it difficult to forecast the stock price at which an investor may be able to buy or sell shares of our common stock. The market price for our common stock could be subject to fluctuations as a result of factors that are out of our control, such as: ● actual or anticipated variations in our results of operations; ● changes or fluctuations in the commodity prices of oil and natural gas; ● general conditions and trends in the oil and natural gas industry; ● redemption demands on institutional funds that hold our stock; and ● general economic, political, and market conditions. Significant ownership of our common stock is concentrated in a small number of shareholders who may be able to affect the outcome of the election of our directors and all other matters submitted to our stockholders for approval. As of June 30, ~~2022~~ **2023** , our executive officers and directors, in the aggregate, beneficially owned approximately 2, ~~554~~ **959** , ~~184~~ **269** million shares, or approximately ~~7~~ **8** . ~~6~~ **9** % of our outstanding common stock and, based on recent filings with the SEC, we believe ~~two~~ **one** large unaffiliated fund ~~complexes~~ -- **complex** ~~each~~ owned in excess of ~~6~~ **8** % of the outstanding shares of our common stock. As a result, a significant percentage of our common stock is concentrated in the hands of relatively few shareholders. These shareholders could potentially exercise significant influence over matters submitted to our stockholders for approval (including the election and removal of directors and any merger, consolidation or sale of all or substantially all of our assets). This concentration of ownership may have the effect of delaying, deferring, or preventing any matter that requires shareholder approval, including a change in control of our company, impede a merger, consolidation, takeover, or other business combination involving our company or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our company, which in turn could have an adverse effect on the market price of our common stock. The market for our common stock is limited and may not provide adequate liquidity. Our common stock trades on the NYSE American. Trading volume in our common stock is relatively low compared to larger companies. Our holders may find it more difficult to sell their shares, should they desire to do so, based on the trading volume and price of our stock at that time relative to the quantity of shares to be sold. If securities or industry analysts do not publish research reports about our business, or if they downgrade our stock, the price of our common stock could decline. Small, relatively unknown companies can achieve visibility in the trading market through research and reports that industry or securities analysts publish. To our knowledge, only two research analysts actively cover our company. The limited number of published reports by securities analysts could limit the interest in our common stock and negatively affect our stock price. We do not have any control over the research and reports these analysts publish or whether they will be published at all. If any analyst who does cover us downgrades our stock, our stock price could decline. If any ~~analyst~~ **24analyst** ceases coverage of our company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price to decline. Payment of dividends on our common stock has been in the past, and could be in the future, reduced or eliminated. Our Board of Directors declared cash dividends on our common stock for the first time in December 2013 and we have declared and paid quarterly cash dividends since that time. However, there is no certainty that dividends will be declared by our Board of Directors in the future. Any payment of cash dividends on our common stock in the future will be dependent upon the amount of funds legally available, our earnings, if any, our financial condition, our business plan, **restrictions contained in current or future debt instruments, contractual covenants or arrangements we may enter into, our anticipated capital requirements, and other factors that our Board of Directors may think are relevant. Although it is our intent to maintain paying dividends to our shareholders, there is no guarantee that we will be able to do so. There may be future sales or issuances of our common stock, which will dilute the ownership interests of stockholders and may adversely affect the market price of our common stock. We may in the future issue additional shares of common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or substantially similar securities, which may result in dilution to our stockholders. In addition, our stockholders may be further diluted by future issuances**

under our equity incentive plans. The market price of our common stock could decline as a result of sales or issuances of a large number of shares of our common stock or similar securities in the market after this offering or the perception that such sales or issuances could occur. Non- U. S. holders may be subject to U. S. income tax and withholding tax with respect to gain on disposition of the Company' s common stock. We believe we are a U. S. real property holding corporation. As a result, Non- U. S. holders that own (or are treated as owning under constructive ownership rules) more than a specified amount of our common stock during a specified time period may be subject to U. S. federal income tax and withholding on a sale, exchange or other disposition of such common stock, and may be required to file a U. S. federal income tax return. Investor sentiment towards climate change, fossil fuels, sustainability, and other ESG matters could adversely affect our business and our stock price. There have been efforts in recent years aimed at the investment community, including investment advisors, sovereign wealth funds, public pension funds, universities, and other groups, to promote the divestment of shares of fossil fuel companies, as well as to pressure lenders and other financial services companies to limit or curtail activities with fossil fuel companies. As a result, some financial intermediaries, investors, and other capital markets participants have reduced or ceased lending to, or investing in, companies that operate in industries with higher perceived environmental exposure, such as the oil and natural gas industry. For example, in December 2020, the State of New York announced that it will be divesting the state' s Common Retirement Fund from fossil fuels. If this or similar divestment efforts are continued, the price of our common stock or debt securities, and our ability to access capital markets or to otherwise obtain new investment or financing, may be negatively impacted. Members of the investment community are also increasing their focus on ESG practices and disclosures, including practices and disclosures related to greenhouse gases and climate change in the energy industry in particular, and diversity and inclusion initiatives and governance standards among companies more generally. The SEC, for example, proposed new rules in 2022 that would require disclosure of various specific risks related to climate. The growing emphasis on ESG may lead the investment community to screen our ESG performance before investing in our common stock or debt securities or lending to us. Over the past few years there also has been an acceleration in investor demand for ESG investing opportunities, and many large institutional investors have committed to increasing the percentage of their portfolios that are allocated towards ESG- focused investments. As a result, there has been a proliferation of ESG- focused investment funds seeking ESG- oriented investment products.