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

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

The following is a summary of some of the risks and uncertainties that could materially adversely affect our business, financial condition, results of operations and cash flows. You should read this summary together with the more detailed risk factors contained below ~~. Risks Related to the Pending Advance Acquisition • There can be no assurance as to when or if the Advance Acquisition will be completed. • We may be unable to successfully integrate Advance' s business or achieve anticipated benefits~~ . Risks Related to our Financial Condition • Our success is dependent on the prices of oil, natural gas and NGLs, the volatility of which may adversely affect our financial condition. • Our industry and the broader U. S. economy **have** experienced higher than expected inflationary pressures in **recent years** ~~2022. • We face numerous risks related to the COVID- 19 pandemic, including its impact on global oil demand~~ . • We cannot predict the impact of the ongoing military ~~conflict~~ **conflicts** between Russia and Ukraine **and Israel and Hamas** . • Our business requires substantial capital expenditures that may exceed our cash flows from operations and potential borrowings. • Our oil and natural gas reserves are estimated, and significant inaccuracies in our oil and natural gas reserves estimates or underlying assumptions will materially affect the quantities and present value of our reserves. • The calculated present value of future net revenues from our proved oil and natural gas reserves will not necessarily be the same as the current market value of our estimated oil and natural gas reserves. • Approximately ~~38~~ **39** % of our total proved reserves at December 31, ~~2022~~ **2023** consisted of undeveloped and developed non- producing reserves, and those reserves may not ultimately be developed or produced. • Unless we replace our oil and natural gas reserves, our reserves and production will decline. • We may be required to write down the carrying value of our proved properties under accounting rules. • Hedging transactions, or the lack thereof, may limit our potential gains and could result in financial losses. • Changes in price differentials between benchmark prices of oil and natural gas and the wellhead price we receive for our production could adversely affect us. • Our failure to identify ~~or~~ **,** complete **or integrate** future acquisitions successfully could reduce our earnings and hamper our growth. • We may purchase properties or midstream assets with liabilities or risks that we did not know about or assess correctly. • We may incur losses or costs as a result of title deficiencies in the properties in which we invest. • Our ability to complete dispositions of assets, or interests in assets, may be subject to factors beyond our control, and in certain cases we may be required to retain liabilities for certain matters. Risks Related to our Liquidity • We may not be able to generate sufficient cash to fund our capital expenditures, service all of our indebtedness and pay dividends to our shareholders, and we may incur additional indebtedness, which could reduce our financial flexibility. • The borrowing base under our Credit Agreement is subject to periodic redetermination, and we are subject to interest rate risk under our Credit Agreement and the San Mateo Credit Facility. • The terms of the agreements governing our outstanding indebtedness may restrict our current and future operations. • Our credit rating may be downgraded, which could reduce our financial flexibility. • Dividend payments are at the discretion of our Board of Directors and subject to numerous factors. Risks Related to our Operations • Drilling for and producing oil ~~and~~ **,** natural gas **and NGLs is highly speculative and** ~~involve~~ **involves** a high degree of operational and financial risk **. • Our operations are subject to operational hazards and risks, and insurance against all such risks is not available to us** . • Our reserves and production are concentrated in a few core areas. • There is no guarantee that we will be successful in optimizing our spacing, drilling and completions techniques. • Certain of our properties are in areas that may have been partially depleted or drained by offset wells, and certain of our wells may be adversely affected by actions of other operators. • Multi-well pad drilling may result in volatility in our operating results. • The unavailability or high cost of drilling rigs, completion equipment and services, supplies and personnel could adversely affect our ability to establish and execute exploration and development plans within budget and on a timely basis. • We may be unable to acquire adequate supplies of water for our drilling and hydraulic fracturing operations or dispose of the water we use at a reasonable cost and pursuant to applicable environmental rules. • Regulatory changes could prevent our ability to continue to pool wells in accordance with our past practices. • Midstream projects are subject to risks of construction delays and cost over- runs. • Our identified drilling locations are scheduled over several years, making them susceptible to uncertainties and lease expirations that could materially alter the occurrence or timing of their drilling. • The seismic data and other technologies we use cannot eliminate exploration risk. Risks Related to Third Parties • Financial difficulties encountered by purchasers, operators or other third parties could decrease our cash flows from operations **and adversely affect the exploration and development of our prospects and assets** . • The marketability of our production is dependent upon gathering, processing and transportation facilities. • We conduct a portion of our operations through joint ventures, including San Mateo, which subjects us to certain risks. • San Mateo' s and Pronto' s long- term success depends on their ability to obtain new sources of products, which depends on certain factors beyond their control. • Certain of our long- term contracts require us to pay fees to our service providers based on minimum volumes regardless of actual volume throughput and may limit our ability to use other service providers. • We do not own all of the land on which our midstream assets are located, which could disrupt our operations. • Competition in our industry is intense, and our competitors may use superior technology and data resources. • Strategic relationships upon which we may rely are subject to change. • We have limited control over activities on properties we do not operate. Risks Related to Laws and Regulations • Approximately ~~31~~ **32** % of our leasehold and mineral acres in the Delaware Basin is located on federal lands, which are subject to various requirements and regulations. • We are subject to government regulation, including complex environmental laws, which could require significant expenditures. • We are subject to tax laws ~~,~~ and ~~changes thereto could eliminate~~ **may become subject to new taxes,** or ~~reduce certain federal income~~ tax deductions currently available **to us may be eliminated or reduced** . • Legislation and regulatory initiatives relating to hydraulic fracturing, induced seismicity, emissions and climate change could result in increased costs and additional operating restrictions or delays, and the physical effects of climate change could disrupt our production and cause us to incur significant costs. • New climate disclosure rules proposed by the SEC **or states in which we have operations or do business** could increase our costs of compliance. • We may incur significant costs and liabilities resulting from compliance with pipeline safety regulations. • A change in the jurisdictional characterization of some of our assets by FERC or a change in policy by FERC may result in increased regulation of our assets. • The rates of our regulated assets are subject to review and reporting by federal regulators. • Should we fail to comply with FERC- administered statutes, rules, regulations and orders, we could be subject to substantial penalties and fines. • Derivatives legislation adopted by Congress could limit our ability to hedge risks associated with our business. Risks Relating to Our Common Stock • The price of our common stock has fluctuated substantially and may fluctuate substantially in the future. • **Attention to ESG and** ~~Conservation~~ **conservation** ~~measures~~ **matters** and a negative shift in market perception towards the oil and natural gas industry could adversely affect us. • Future sales and offerings of our common stock could depress the price of our common stock. • Our directors and executive officers own a significant percentage of our equity, which could give them influence in corporate transactions and other matters, and their interests could differ from other shareholders. • The issuance of preferred stock could diminish the rights of holders of our common stock. General Risk Factors • We may have difficulty managing growth in our business. • The loss of any key personnel ~~,~~ **or** Board member ~~or special Board advisor~~ could disrupt our business operations. • A cyber incident could occur and result in information theft, data corruption, operational disruption or financial loss. • Our governing documents and Texas law may have anti- takeover effects that could prevent a change in control. • We operate in a litigious environment and may be involved in legal proceedings. The consummation of the Advance Acquisition is...... conditions associated with the Advance Acquisition. Our success is dependent on the prices of oil, natural gas and NGLs. Low oil, natural gas and NGL prices and the continued volatility in these prices may adversely affect our financial condition and our ability to meet our capital expenditure requirements and financial obligations. The prices we receive for the oil, natural gas and NGLs we produce heavily influence our revenue, profitability, cash flow available for capital expenditures, the repayment of debt and the payment of cash dividends, if any, access to capital, borrowing capacity under our Credit Agreement and future rate of growth. Oil, natural gas and NGLs are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil, natural gas and NGLs have been volatile and will likely continue to be volatile in the future. For the year ended December 31, ~~2022~~ **2023**, oil prices averaged $ **77. 60 per Bbl, as compared to $** 94. 33 per Bbl **in 2022**, ~~as compared to~~ **ranging from a high of** $ **93.** 68 ~~. 11~~ per Bbl in **late September to** ~~2021, ranging from~~ a ~~high~~ **low** of $ ~~123~~ **66**. ~~70~~ **74** per Bbl in ~~early~~ **mid-** March ~~to a low of $ 71. 02 per Bbl in early December~~, based upon the WTI oil futures contract price for the earliest delivery date. For the year ended December 31, ~~2022~~ **2023**, natural gas prices averaged $ **2. 66 per MMBtu, as compared to $** 6. 54 per ~~MMBtu, as compared to $ 3. 71 per~~ MMbtu in ~~2021~~ **2022**, based upon the NYMEX Henry Hub natural gas futures contract price for the earliest delivery date. During ~~2022~~ **2023**, natural gas prices ranged from a low of $ ~~3~~ **1**. ~~72~~ **99** per MMBtu in **late March to a high of $ 4. 17 per MMBtu in** early January ~~to a high of $ 9. 68 per MMBtu in mid- August~~ before finishing the year at $ ~~4~~ **2**. ~~48~~ **51** per MMBtu. The prices we receive for our production, and the levels of our production, depend on numerous factors. These factors include, but are not limited to, the following: • the domestic and foreign supply of, and demand for, oil, natural gas and NGLs; • the actions of OPEC and state- controlled oil companies; • the prices and availability of competitors' supplies of oil, natural gas and NGLs; • the price and quantity of foreign imports; • the impact of U. S. dollar exchange rates; • domestic and foreign governmental regulations and taxes; • speculative trading of oil and natural gas futures contracts; • the availability, proximity and capacity of gathering, processing and transportation systems for oil, natural gas and NGLs and gathering and disposal systems for produced water; • the availability of refining capacity; • the prices and availability of alternative fuel sources; • weather conditions and natural disasters, including hurricanes **and tropical storms** in the Gulf Coast region and severe cold weather in the Delaware Basin; • political conditions **or conflicts** in or affecting oil, natural gas and NGL producing regions or countries, including the United States, the Middle East, South America, Russia, Ukraine and China; • the ongoing military ~~conflict~~ **conflicts** between Russia and Ukraine **and Israel and Hamas, as well as the related actions of U. S. and other governments and governmental organizations relating to oil, natural gas and NGLs, including through sanctions, embargoes, import restrictions and commodity price caps**; • domestic or global health concerns, including the outbreak **or resurgence** of contagious or pandemic diseases, such as COVID- 19 and its variants; • the continued threat of terrorism and the impact of military action and civil unrest; • public pressure on, and legislative and regulatory interest within, federal, state and local governments to stop, significantly limit or regulate oil, natural gas and NGL operations, including hydraulic fracturing activities; • the level of global oil, natural gas and NGL inventories and exploration and production activity; • the impact of energy conservation efforts; • technological advances affecting energy consumption; and • overall worldwide economic conditions. These factors make it difficult to predict future commodity price movements with any certainty. Substantially all of our oil, natural gas and NGL sales are made in the spot market or pursuant to contracts based on spot market prices and are not pursuant to long- term fixed price contracts. Further, oil, natural gas and NGL prices do not necessarily fluctuate in direct relation to each other. Declines in oil, natural gas or NGL prices not only reduce our revenue, but could also reduce the amount of oil, natural gas and NGLs that we can produce economically and, as a result, could have a material adverse effect on our financial condition, results of operations, cash flows and reserves and our ability to comply with the financial covenants under our Credit Agreement. Should oil, natural gas or NGL prices decrease to economically unattractive levels and remain there for an extended period of time, we may elect to delay some of our exploration and development plans for our prospects, cease exploration or development activities on certain prospects due to the anticipated unfavorable economics from such activities or cease or delay further expansion of our midstream projects, each of which could have a material adverse effect on our business, financial condition, results of operations and reserves. In addition, such declines in commodity prices could cause a reduction in our borrowing base. If the borrowing base were to be less than the outstanding borrowings under our Credit Agreement at any time, we would be required to provide additional collateral satisfactory in nature and value to the lenders to increase the borrowing base to an amount sufficient to cover such excess or repay the deficit in equal installments over a period of six months. Our industry and the broader U. S. economy **have** experienced higher than expected inflationary pressures in ~~2022~~ **recent years** related to increases in oil and natural gas prices, continued supply chain disruptions, labor shortages and geopolitical instability, among other pressures. Should these conditions persist, it may impact our ability to procure services, materials and equipment on a cost- effective basis, or at all, and, as a result, our business, financial condition, results of operations and cash flows could be materially and adversely affected. Inflation in the U. S. has become much more significant in recent years ~~, and in 2022 it reached its highest levels in approximately 40 years~~ . Throughout 2022 **and 2023** , we ~~began to experience~~ **experienced** significant increases in the costs of certain oilfield services, materials and equipment, including diesel, steel, labor, trucking, sand, personnel and completion costs, among others, as a result of the recent increases in oil and natural gas prices, as well as availability constraints, supply chain disruptions, increased demand, labor shortages **and wage increases** associated with a **low** ~~fully employed~~ U. S **unemployment rate** ~~. labor force~~ , inflation and other factors. ~~These challenges are due in part to increased demand for oil and natural gas production driven by the continued economic recovery from the COVID- 19 pandemic and, more broadly, systemic underinvestment in global oil and natural gas development. These supply~~ **Supply** and demand fundamentals have been ~~further~~ aggravated by disruptions in global energy supply caused by multiple geopolitical events, including the ongoing military ~~conflict~~ **conflicts** between Russia and Ukraine **and Israel and Hamas, as well as related actions of the U** . ~~We expect for~~ **S. and** ~~the~~ **other governments** ~~foreseeable future to experience supply chain constraints~~ and ~~inflationary pressure on our cost structure~~ **governmental organizations relating to oil, natural gas and NGLs, including through sanctions, embargoes, import restrictions and commodity price caps** . Should oil and natural gas prices remain at their current levels or increase, we expect to be subject to additional **supply chain constraints and** service cost inflation in future periods, which may increase our costs to drill, complete, equip and operate wells. In addition, supply chain disruptions and other inflationary pressures being experienced throughout the U. S. and global economy and in the oil and natural gas industry may limit our ability to procure the necessary products and services we need for drilling, completing and producing wells in a timely ~~fashion~~ **and cost- effective manner** , which could result in **reduced margins and** delays to our operations and could, in turn, have a material adverse effect on our business, financial condition, results of operations and cash flows. We ~~face numerous risks related to the COVID- 19 pandemic, including its impact on global oil demand, which has had and, depending on the progression of the pandemic, may continue to have, a material adverse effect on our business, financial condition, results of operations and cash flows. Since the beginning of 2020, the COVID- 19 pandemic has spread across the globe and disrupted economies and industries around the world, including the exploration and production and midstream businesses. The rapid spread of COVID- 19 and its variants has led to the implementation of various responses, including federal, state and local government- imposed quarantines, shelter- in- place mandates, sweeping restrictions on travel and other public health and safety measures, nearly all of which materially reduced global demand for crude oil, natural gas and NGLs in 2020. Although demand for crude oil, natural gas and NGLs generally increased in 2021 and 2022 as many travel restrictions, business closures and other restrictions on conducting business were lifted in response to improved treatments and availability of vaccinations, we cannot reasonably predict the future impact of COVID- 19 or its variants on overall economic activity and the demand for, and pricing of, our products. The extent to which COVID- 19 or its variants will continue to affect our business, financial condition, results of operations and cash flows and the demand for our production will depend on future developments, which are highly uncertain and cannot be predicted, including the duration or any recurrence of the pandemic and responsive measures, the emergence, contagiousness and threat of new strains of the virus and their severity, additional or modified government actions, new information that may emerge concerning the severity of COVID- 19 or its variants, the effectiveness of treatments, vaccines and other actions taken to contain COVID- 19 or its variants or treat its impact now or in the future, disruptions in the supply chain and an increasingly competitive labor market due to a sustained labor shortage or increased turnover caused by the COVID- 19 pandemic, among others. Some impacts of the COVID- 19 pandemic that could have a material adverse effect on our business, financial condition, results of operations and cash flows include: • significantly reduced prices for our oil production, resulting from a world- wide decrease in demand for hydrocarbons and a resulting oversupply of existing production; • decreases in the demand for our oil production, resulting from significantly decreased levels of global, regional and local travel as a result, in part, of federal, state and local government- imposed quarantines, including shelter- in- place mandates, enacted to slow the spread of COVID- 19 or its variants; • increased likelihood that we may, either voluntarily or as a result of third- party and regulatory mandates, curtail or shut in production, resulting from depressed oil prices, lack of storage and other market or political forces; • significant decreases in the volumes of oil, natural gas and produced water that are transported, gathered, processed or disposed of by San Mateo or Pronto due to curtailed or shut- in production by Matador or other of San Mateo' s or Pronto' s customers; • increased costs associated with, or actual unavailability of, facilities for the storage of oil, natural gas and NGL production in the markets in which we operate; • increased operational difficulties associated with the delivery of oil, natural gas and NGLs to end- markets, resulting from pipeline and storage constraints; • the potential for the operations of the Black River Processing Plant, the Marlan Processing Plant and other critical midstream infrastructure to be adversely impacted by outbreaks of COVID- 19 or its variants among the relevant workforce; • the potential for forced curtailment of oil and natural gas production by state governmental agencies, resulting in a need to significantly curtail or shut in our production; • the potential for loss of leasehold interests due to the failure to produce oil and natural gas in paying quantities as a result of significantly lower commodity prices, voluntary or forced curtailments or other factors related to the misalignment of supply and demand, and the potential to incur significant costs associated with litigation related to the foregoing; • increased third- party credit risk, including the risk that counterparties may not accept the delivery of our oil, natural gas and NGL production, resulting from adverse market conditions, a lack of access to capital and storage or the failure of certain of our counterparties to continue as going concerns; • increased likelihood that counterparties to our existing agreements may seek to invoke force~~

~~majeure provisions to avoid the performance of contractual obligations, resulting from significantly adverse market conditions; • the potential impact for delays in construction or increased costs related to midstream construction projects; • increased costs, staffing requirements and difficulties sourcing oilfield services related to social distancing measures implemented in connection with federal, state or local government and voluntarily imposed quarantines; and • increased legal and operational costs related to compliance with significant changes in federal, state and local laws and regulations. The COVID- 19 pandemic continues to evolve, and the extent to which the pandemic may impact our business, financial condition, results of operations and cash flows will depend highly on future developments, which are very uncertain and cannot be predicted. Additionally, the extent and duration of the impact of the COVID- 19 pandemic on our stock price and that of our peer companies is uncertain and may make us look less attractive to investors. As a result, there may be a less active trading market for our common stock, our stock price may be more volatile and our ability to raise capital could be impaired. We~~ cannot predict the impact of the ongoing military ~~conflict~~ **conflicts** between Russia and Ukraine and **Israel and Hamas and** the related humanitarian ~~crisis~~ **crises** on the global economy, energy markets, geopolitical stability and our business ~~. On February 24, 2022, Russian military forces commenced a military operation in Ukraine, and sustained conflict and disruption in the region is likely~~. Although our leasehold acreage is located primarily in the Delaware Basin, the broader consequences of the ~~Russian- Ukrainian conflict~~ **conflicts between Russia and Ukraine and Israel and Hamas**, which may include further sanctions, embargoes, supply chain disruptions, regional instability and geopolitical shifts, may have adverse effects on global macroeconomic conditions, increase volatility in the price and demand for oil and natural gas, increase exposure to cyberattacks, cause disruptions in global supply chains, increase foreign currency fluctuations, cause constraints or disruption in the capital markets and limit sources of liquidity. We cannot predict the extent of ~~the~~ **either** conflict' s effect on our business and results of operations as well as on the global economy and energy markets. Our exploration, development, exploitation and midstream projects require substantial capital expenditures that may exceed our cash flows from operations and potential borrowings, and we may be unable to obtain needed capital on satisfactory terms, which could adversely affect our future growth. Our exploration, development, exploitation and midstream activities are capital intensive. Our cash, operating cash flows, contributions from our joint venture partners and potential future borrowings ~~,~~ under our Credit Agreement, the San Mateo Credit Facility or otherwise ~~,~~ may not be sufficient to fund all of our future ~~acquisitions or future~~ capital expenditures **or future acquisitions**. The rate of our future growth is dependent, at least in part, on our ability to access capital at rates and on terms we determine to be acceptable. Our cash flows from operations and access to capital are subject to a number of variables, including: • our estimated proved oil and natural gas reserves; • the amount of oil and natural gas we produce; • the prices at which we sell our production; • the costs of developing and producing our oil and natural gas reserves; • the costs of constructing, operating and maintaining our midstream facilities; • our ability to attract third- party customers for our midstream services; • our ability to acquire, locate and produce new reserves; • the ability and willingness of banks **or other financial institutions** to lend to us; and • our ability to access the equity and debt capital markets. In addition, the possible occurrence of future events, such as decreases in the prices of oil and natural gas, or extended periods of such decreased prices, terrorist attacks, wars or combat peace- keeping missions, the outbreak **or resurgence** of contagious or pandemic diseases, financial market disruptions **, failures of banks**, general economic recessions, oil and natural gas industry recessions, oil and natural gas company bankruptcies, accounting scandals, overstated reserves estimates by public oil companies and disruptions in the financial and capital markets, has caused financial institutions, credit rating agencies and the public to more closely review the financial statements, capital structures and spending and earnings of public companies, including energy companies. Such events have constrained the capital available to the energy industry in the past, and such events or similar events could adversely affect our access to funding for our operations in the future. If our revenues decrease as a result of lower oil and natural gas prices, operating difficulties, declines in reserves or the value thereof or for any other reason, we may have limited ability to obtain the capital necessary to sustain our operations at current levels, further develop and exploit our current properties or invest in certain opportunities. Alternatively, to ~~fund acquisitions, increase our rate of growth, expand our midstream operations,~~ develop our properties ~~or~~ **,** pay for higher service costs **, fund acquisitions, increase our rate of growth, or expand our midstream operations**, we may decide to alter or increase our capitalization substantially through the issuance of debt or equity securities, the sale of production payments, the sale or joint venture of midstream assets, oil and natural gas producing assets or leasehold interests, the sale or joint venture of oil and natural gas mineral interests, the borrowing of funds or otherwise to meet any increase in capital spending. If we succeed in selling additional equity securities or securities convertible into equity securities to raise funds or make acquisitions, the ownership of our existing shareholders would be diluted, and new investors may demand rights, preferences or privileges senior to those of existing shareholders. If we raise additional capital through the issuance of new debt securities or additional indebtedness, we may become subject to additional covenants that restrict our business activities. If we are unable to raise additional capital from available sources at acceptable terms, our business, financial condition and results of operations could be adversely affected. Our oil and natural gas reserves are estimated and may not reflect the actual volumes of oil and natural gas we will recover, and significant inaccuracies in these reserves estimates or underlying assumptions will materially affect the quantities and present value of our reserves. The process of estimating accumulations of oil and natural gas is complex and inexact due to numerous inherent uncertainties. This process relies on interpretations of available geological, geophysical, engineering and production data. The extent, quality and reliability of this technical data can vary. This process also requires certain economic assumptions related to, among other things, oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The accuracy of a reserves estimate is a function of: • the quality and quantity of available data; • the interpretation of that data; • the judgment of the persons preparing the estimate; and • the accuracy of the assumptions used. The accuracy of any estimates of proved oil and natural gas reserves generally increases with the length of production history. Due to the limited production history of certain of our properties, the estimates of future production associated with these properties may be subject to greater variance to actual production than would be the case with properties having a longer production history. As our wells produce over time and more data becomes available, the estimated proved reserves will be redetermined on at least an annual basis and may be adjusted to reflect new information based upon our actual production history, results of exploration and development, prevailing oil and natural gas prices and other factors. Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas most likely will vary from our estimates. It is possible that future production declines in our wells may be greater than we have estimated. Any significant variance from our estimates could materially affect the quantities and present value of our reserves. It should not be assumed that the present value of future net cash flows included in this Annual Report is the current market value of our estimated proved oil and natural gas reserves. As required by SEC rules and regulations, the estimated discounted future net cash flows from proved oil and natural gas reserves are based on current costs held constant over time without escalation and on commodity prices using an unweighted arithmetic average of first- day- of- the- month index prices, appropriately adjusted, for the 12- month period immediately preceding the date of the estimate. Actual future prices and costs may be materially higher or lower than the prices and costs used for these estimates and will be affected by factors such as: • actual prices we receive for oil and natural gas; • actual costs and timing of development and production expenditures; • the amount and timing of actual production; and • changes in governmental regulations or taxation. In addition, the 10 % discount factor that is required to be used to calculate discounted future net revenues for reporting purposes under GAAP is not necessarily the most appropriate discount factor based on the cost of capital in effect from time to time and risks associated with our business and the oil and natural gas industry in general. ~~Approximately 38 % of our total proved reserves at December 31, 2022 consisted of undeveloped and developed non- producing reserves, and those reserves may not ultimately be developed or produced.~~ At December 31, ~~2022~~ **2023** , approximately ~~38~~ **37** % of our total proved reserves were undeveloped and **approximately 2** ~~less than 1~~ % of our total proved reserves were developed non- producing. Our undeveloped and / or developed non- producing reserves may never be developed or produced, or such reserves may not be developed or produced within the time periods we have projected or at the costs we have estimated. SEC rules require that, subject to limited exceptions, proved undeveloped reserves may only be booked if they are related to wells scheduled to be drilled within five years after the date of booking. Delays in the development of our reserves or increases in costs to drill and develop such reserves would reduce the present value of our estimated proved undeveloped reserves and future net revenues estimated for such reserves, resulting in some projects becoming uneconomical and reducing our total proved reserves. In addition, delays in the development of reserves or declines in the oil and / or natural gas prices used to estimate proved reserves in the future could cause us to have to reclassify a portion of our proved reserves as unproved reserves. Any reduction in our proved reserves caused by the reclassification of undeveloped or developed non- producing reserves could materially affect our business, financial condition, results of operations and cash flows. Unless we replace our oil and natural gas reserves, our reserves and production will decline, which would adversely affect our business, financial condition, results of operations and cash flows. The rate of production from our oil and natural gas properties declines as our reserves are depleted. Our future oil and natural gas reserves and production and, therefore, our income and cash flow are highly dependent on our success in efficiently developing and exploiting our current reserves and economically finding or acquiring additional oil and natural gas producing properties. We are currently focusing on developing our assets in the Delaware Basin, an area with intense competition and industry activity. As a result of this activity, we may have difficulty growing our current production or acquiring new properties in this area and may experience such difficulty in other areas in the future. During periods of low oil and / or natural gas prices, existing reserves may no longer be economic, and it will become more difficult to raise the capital necessary to finance expansion activities. If we are unable to replace our current and future production, our reserves will decrease, and our business, financial condition, results of operations and cash flows would be adversely affected. We may be required to write down the carrying value of our proved properties under accounting rules, and these write- downs could adversely affect our financial condition. There is a risk that we will be required to write down the carrying value of our oil and natural gas properties when oil or natural gas prices are low or are declining, as occurred in 2020. In addition, non- cash write- downs may occur if we have: • downward adjustments to our estimated proved reserves; • increases in our estimates of development costs; or • deterioration in our exploration and development results. We periodically review the carrying value of our oil and natural gas properties under full- cost accounting rules. Under these rules, the net capitalized costs of oil and natural gas properties less related deferred income taxes may not exceed a cost center ceiling that is calculated by determining the present value, based on constant prices and costs projected forward from a single point in time, of estimated future after- tax net cash flows from proved reserves, discounted at 10 %. If the net capitalized costs of our oil and natural gas properties less related deferred income taxes exceed the cost center ceiling, we must charge the amount of this excess to operations in the period in which the excess occurs. We may not reverse write- downs even if prices increase in subsequent periods. A write- down does not affect net cash flows from operating activities, liquidity or capital resources, but it does reduce the book value of our net tangible assets, retained earnings and shareholders' equity, and could lower the value of our common stock. To manage our exposure to price risk, **including price differential risk,** we, from time to time, enter into hedging arrangements, using primarily " costless collars " or " swaps " with respect to a portion of our future production. Costless collars provide us with downside price protection through the purchase of a put option, which is financed through the sale of a call option. Because the call option proceeds are used to offset the cost of the put option, these arrangements are initially " costless " to us. Three- way costless collars also provide us with downside price protection through the purchase of a put option, but they also allow us to participate in price upside through the purchase of a call option. The purchase of both the put option and call option are financed through the sale of a call option. Because the proceeds from the call option sale are used to offset the cost of the purchased put and call options, these arrangements are also initially " costless " to us. In the case of a costless collar, the put option and the call option or options have different fixed price components. In a swap contract, a floating price is exchanged for a fixed price over the specified period, providing downside price protection. The goal of these and other hedges is to lock in a range of prices in the case of collars or a fixed price in the case of swaps so as to mitigate price volatility and increase the predictability of cash flows. These transactions limit our potential gains if oil, natural gas or NGL prices rise above the maximum price established by the call option or swap **,** as applicable, and may offer protection if prices fall below the minimum price established by the put option or swap, as applicable, only to the extent of the volumes then hedged. In addition, hedging transactions may expose us to the risk of financial loss in certain other circumstances, including instances in which our production is less than expected or the counterparties to our put and call option or swap contracts fail to perform under the contracts. Disruptions in the financial markets could lead to sudden changes in a counterparty' s liquidity, which could impair its ability to perform under the terms of the contracts. We are unable to predict sudden changes in a counterparty' s creditworthiness or ability to perform under contracts with us. Even if we do accurately predict sudden changes, our ability to mitigate that risk may be limited depending upon market conditions. Furthermore, there may be times when we have not hedged our production when, in retrospect, it would have been advisable to do so. Decisions as to whether, at what price and what production volumes to hedge are difficult and depend on market conditions and our forecast of future production and oil, natural gas and NGL prices, and we may not always employ the optimal hedging strategy. We may employ hedging strategies in the future that differ from those that we have used in the past, and neither the continued application of our current strategies nor our use of different hedging strategies may be successful. See Note 12 to the consolidated financial statements in this Annual Report for a summary of our open derivative financial instruments at December 31, ~~2022~~ **2023** . A change in the differential between the NYMEX or other benchmark prices of oil and natural gas and the wellhead price we receive for our production could adversely affect our business, financial condition, results of operations and cash flows. The prices we receive for our oil and natural gas production often reflect a discount to the relevant benchmark prices, such as the WTI oil price or the NYMEX Henry Hub natural gas price. The difference between the benchmark price and the price we receive is called a differential. Increases in the differential between the benchmark price for oil and natural gas and the wellhead price we receive could adversely affect our business, financial condition, results of operations and cash flows. Over the past several years, these oil and natural gas basis differentials were volatile and widened at various times. See " Management' s Discussion and Analysis of Financial Condition and Results of Operations — General Outlook and Trends " for additional information regarding the differentials. These wider oil and natural gas basis differentials were largely attributable to industry concerns regarding the near- term sufficiency of pipeline takeaway capacity for oil, natural gas and NGL production in the Delaware Basin. If we do experience any interruptions with takeaway capacity or NGL fractionation, our oil and natural gas revenues, business, financial condition, results of operations and cash flows could be adversely affected. Although the completion of additional oil and natural gas pipeline capacity from West Texas to the Texas Gulf Coast and other end markets improved these price differentials in 2020 and 2021, these price differentials for natural gas widened in 2022 and **2023 and** could widen further in future periods. Should we experience future periods of negative pricing for natural gas as we **have experienced historically** ~~did at certain times in 2020~~ , we may temporarily shut in certain high gas- oil ratio wells and take other actions to mitigate the impact on our realized natural gas prices and results. A component of our growth may come through acquisitions, and our failure to identify ~~or~~ **,** complete **or integrate** future acquisitions successfully could reduce our earnings and hamper our growth. We may be unable to identify properties for acquisition or to make acquisitions on terms that we consider economically acceptable. There is intense competition for acquisition opportunities in our industry. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions. The pursuit and completion of acquisitions may be dependent upon, among other things, our ability to obtain debt and equity financing and, in some cases, regulatory approvals. Our ability to grow through acquisitions will require us to continue to invest in operations and financial and management information systems and to attract, retain, motivate and effectively manage our employees. In addition, if we are not successful in identifying and acquiring properties, our earnings could be reduced and our growth could be restricted. In addition, **the success of our acquisitions will depend, in part, on our ability to realize the anticipated benefits and cost savings from integrating the acquired assets and operations into our business, and there can be no assurance that** we ~~may~~ **will** be ~~unable~~ -- **able** to successfully integrate ~~potential~~ **or otherwise realize the anticipated benefits of our** acquisitions ~~into our existing operations~~ . The inability to manage the integration of acquisitions effectively could reduce our focus on subsequent acquisitions and current operations and could negatively impact our results of operations and growth potential. Members of our ~~senior~~ management team may be required to devote considerable amounts of time to the integration process, which will decrease the time they will have to manage our business **.Difficulties in integrating** our ~~company and~~ **acquisitions into** our ~~ability to manage the combined~~ company may result in us performing differently than expected,in operational challenges or in the delay or failure to realize anticipated expense- related efficiencies,and could have a material adverse effect on our business,financial condition,results of operations and cash flows.Potential difficulties that may be encountered in the integration process include,among others:• the inability to successfully integrate ~~Advance~~ **our acquisitions** operationally,in a manner that permits us to achieve the full revenue,expected cash flows and cost savings anticipated from **such** ~~the Advance Acquisition~~ **acquisitions** ;• not realizing anticipated operating synergies;and • potential unknown liabilities and unforeseen expenses,delays or regulatory conditions associated with ~~the~~ **such acquisitions** . Furthermore, our decision to acquire properties that are substantially different in operating or geologic characteristics or geographic locations from areas with which our staff is familiar may impact our productivity in such areas. Our financial condition, results of operations and cash flows may fluctuate significantly from period to period as a result of the completion of significant acquisitions during particular periods. We may engage in bidding and negotiation to complete successful acquisitions. We may be required to alter or increase substantially our capitalization to finance these acquisitions through the use of cash on hand, the **borrowing of funds, the** issuance of debt or equity securities, the sale of production payments, the sale or joint venture of midstream assets or oil and natural gas producing assets or acreage ~~, the borrowing of funds~~ or otherwise. Our Credit Agreement, the San Mateo Credit Facility and the ~~indenture~~ **indentures** governing our outstanding senior notes include covenants limiting our ability to incur additional debt. If we were to proceed with one or more acquisitions involving the issuance of our common stock, our shareholders would suffer dilution of their interests. We may purchase oil and natural gas properties or midstream assets with liabilities or risks that we did not know about or that we did not assess correctly, and, as a result, we could be subject to liabilities that could adversely affect our results of operations. Before acquiring oil and natural gas properties or midstream assets, we assess the potential reserves, future oil and natural gas prices, operating costs, potential environmental liabilities, condition of the assets, customer contracts and other factors relating to the properties or assets, as applicable. However, our review process is complex and involves many assumptions and estimates, and their accuracy is inherently uncertain. As a result, we may not discover all existing or potential problems associated with the properties or assets we buy. We may not become sufficiently familiar with the properties or assets to assess fully their deficiencies and capabilities. We may not perform inspections on every well, property or asset, and we may not be able to observe mechanical and environmental problems even when we conduct an inspection. Even when problems with a property or asset are identified, the seller may not be willing or financially able to give us contractual protection against any identified problems, and we may decide to assume environmental and other risks and liabilities in connection with properties or assets we acquire. If we acquire properties or assets with risks or liabilities we did not know about or that we did not assess correctly, our financial condition, results of operations and cash flows could be adversely affected as we settle claims and incur cleanup costs related to these liabilities. If an examination of the title history of a property that we have purchased reveals oil and natural gas leases or mineral interests have been purchased in error from a person who is not the owner of such interests or if the property has other title deficiencies, our interest would likely be worth less than what we paid or may be worthless. In such an instance, all or part of the amount paid for such oil and natural gas lease or mineral interest, as well as all or part of any royalties paid pursuant to the terms of the lease prior to the discovery of the title defect, would be lost. It is not our practice in all acquisitions of oil and natural gas leases or mineral interests, or undivided interests in such interests, to undergo the expense of retaining lawyers to examine the title to the interest. Rather, in certain acquisitions we rely upon the judgment of oil and natural gas brokers and / or landmen who perform the field work by examining records in the appropriate governmental office before attempting to acquire a lease or mineral interest. Prior to the drilling of an oil and natural gas well, however, it is standard industry practice for the operator of the well to obtain a preliminary title review of the spacing unit within which the proposed well is to be drilled to ensure there are no obvious deficiencies in title to the well. Frequently, as a result of such examinations, certain curative work must be done to correct deficiencies in the marketability of the title, and such title review and curative work entails expense, which may be significant and difficult to accurately predict. ~~Our~~ **A** failure to cure any title defects may delay or prevent us from utilizing the associated leasehold right or mineral interest, which may adversely impact our ability to increase production and reserves. In the future, we may suffer a monetary loss from title defects or title failure. Additionally, unproved and unevaluated acreage has greater risk of title defects than developed acreage. If there are any title defects or defects in assignment of leasehold rights or mineral interests in properties in which we hold an interest, we will suffer a financial loss that could adversely affect our financial condition, results of operations and cash flows. From time to time, we may sell an interest in a strategic asset for the purpose of assisting or accelerating the asset’ s development. In addition, we regularly review our property base for the purpose of identifying nonstrategic assets, the disposition of which would increase capital resources available for other activities and create organizational and operational efficiencies. Various factors could materially affect our ability to dispose of such interests or nonstrategic assets or complete announced dispositions, including the receipt of approvals of governmental agencies or third parties and the identification of purchasers willing to acquire the interests or purchase the nonstrategic assets on terms and at prices acceptable to us. Sellers typically retain certain liabilities or indemnify buyers for certain pre- closing matters, such as matters of litigation, environmental contingencies, royalty obligations and income taxes. The magnitude of any such retained liability or indemnification obligation may be difficult to quantify at the time of the transaction and ultimately may be material. Also, as is typical in divestiture transactions, third parties may be unwilling to release us from guarantees or other credit support provided prior to the sale of the divested assets. As a result, after a divestiture, we may remain secondarily liable for the obligations guaranteed or supported to the extent that the buyer of the assets fails to perform these obligations. We may not be able to generate sufficient cash to fund our capital expenditures, service all of our indebtedness and pay dividends to our shareholders, and we may be forced to take other actions to satisfy our obligations under applicable debt instruments, which may not be successful. Our ability to make scheduled payments on or to refinance our indebtedness obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund debt service obligations, we may be forced to reduce or delay investments and capital expenditures, sell assets, cease the payment of any dividends to our shareholders, seek additional capital or restructure or refinance indebtedness. Our ability to restructure or refinance indebtedness will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. In the absence of sufficient cash flows and capital resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet debt service and other obligations. Our Credit Agreement, the San Mateo Credit Facility and the ~~indenture~~ **indentures** governing our outstanding senior notes currently restrict our ability to dispose of assets and our use of the proceeds from such disposition. We may not be able to consummate those dispositions, and the proceeds of any such disposition may not be adequate to meet any debt service obligations then due. These alternative measures may not be successful and may not permit us to meet scheduled debt service obligations, which could have a material adverse effect on our financial condition and results of operations. We may incur additional indebtedness, which could reduce our financial flexibility, increase interest expense and adversely impact our operations and our unit costs. As of February ~~21~~ **20** , ~~2023~~ **2024** , the maximum facility amount under the Credit Agreement was $ ~~1~~ **2** . ~~50~~ **00** billion, the borrowing base was $ 2. ~~25~~ **50** billion and our elected borrowing commitment was $ ~~775~~ **1** . ~~0~~ **325** ~~million~~ **billion** . Borrowings under the Credit Agreement are limited to the lowest of the borrowing base, the maximum facility amount and the elected borrowing commitment (subject to compliance with the covenants noted below). At February ~~21~~ **20** , ~~2023~~ **2024** , we had available borrowing capacity of approximately $ ~~729~~ **772** . ~~4~~ **6** million under our Credit Agreement (after giving effect to outstanding letters of credit). Our borrowing base is determined semi- annually by our lenders based primarily on the estimated value of our existing and future oil and natural gas reserves, but both we and our lenders can request one unscheduled redetermination between scheduled redetermination dates. Our Credit Agreement is secured by our interests in the majority of our oil and natural gas properties and contains covenants restricting our ability to incur additional indebtedness, sell assets, pay dividends and make certain investments. Since the borrowing base is subject to periodic redeterminations, if a redetermination resulted in a borrowing base that was less than our borrowings under the Credit Agreement, we would be required to provide additional collateral satisfactory in nature and value to the lenders to increase the borrowing base to an amount sufficient to cover such excess or repay the deficit in equal installments over a period of six months. If we are required to do so, we may not have sufficient funds to fully make such repayments. The Credit Agreement requires us to maintain a debt to EBITDA ratio, which is defined as debt outstanding (net of up to $ 75. 0 million of unrestricted cash and cash equivalents), divided by a rolling four quarter EBITDA calculation, of 3. 50 **to 1. 0** or less and a current ratio, which is defined as (x) **total** consolidated current assets plus the unused availability under the Credit Agreement divided by (y) **total** consolidated current liabilities less current maturities under the Credit Agreement, of equal to or greater than 1. 0 **to 1. 0 at the end of each fiscal quarter** . As of February ~~21~~ **20** , ~~2023~~ **2024** , the facility amount under the San Mateo Credit Facility was $ ~~485~~ **535** . 0 million, and San Mateo had available borrowing capacity of approximately $ ~~11~~ **36** . 0 million (after giving effect to outstanding letters of credit and subject to San Mateo' s compliance with the covenants noted below). The San Mateo Credit Facility includes an accordion feature, which ~~could expand~~ **provides for potential increases in** the commitments of the lenders to up to $ 735. 0 million. The San Mateo Credit Facility is non- recourse with respect to Matador and its **other** ~~wholly- owned~~ subsidiaries, but is guaranteed by San Mateo' s subsidiaries and secured by substantially all of San Mateo' s assets, including real property. The San Mateo Credit Facility requires San Mateo to maintain a debt to EBITDA ratio, which is defined as total consolidated funded indebtedness outstanding (as defined in the San Mateo Credit Facility) divided by a rolling four quarter EBITDA calculation, of 5. 00 or less, subject to certain exceptions. The San Mateo Credit Facility also requires San Mateo to maintain an interest coverage ratio, which is defined as a rolling four quarter EBITDA calculation divided by San Mateo' s consolidated interest expense for such period, of 2. 50 or more. The San Mateo Credit Facility also restricts the ability of San Mateo to distribute cash to its members if San Mateo' s liquidity is less than 10 % of the lender commitments under the San Mateo Credit Facility. In addition to these restrictions, the San Mateo Credit Facility also contains covenants restricting San Mateo' s ability to incur additional indebtedness, sell assets, pay dividends and make certain investments. In the future, subject to the restrictions in the ~~indenture~~ **indentures** governing our outstanding senior notes and in other instruments governing our other outstanding indebtedness (including our Credit Agreement and the San Mateo Credit Facility), we may incur significant amounts of additional indebtedness, including under our Credit Agreement and the San Mateo Credit Facility, through the issuance of additional notes or otherwise, in order to develop our properties, fund acquisitions or invest in certain opportunities. Interest rates on such future indebtedness may be higher than current levels, causing our financing costs to increase accordingly. A high level of indebtedness could affect our operations in several ways, including the following: • requiring a significant portion of our cash flows to be used for servicing our indebtedness; • increasing our vulnerability to general adverse economic and industry conditions; • placing us at a competitive disadvantage compared to our competitors that are less leveraged and, therefore, may be able to take advantage of opportunities that our level of indebtedness may prevent us from pursuing; • restricting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions and general corporate or other purposes; and • increasing the risk that we may default on our debt obligations. The borrowing base under the Credit Agreement is determined semi- annually as of May 1 and November 1 by the lenders based primarily on the estimated value of our proved oil and natural gas reserves at December 31 and June 30 of each year, respectively. We and the lenders may each request an unscheduled redetermination of the borrowing base once between scheduled redetermination dates. In addition, our lenders have the flexibility to reduce our borrowing base due to a variety of factors, some of which may be beyond our control. As of February ~~21~~ **20** , ~~2023~~ **2024** , our borrowing base was $ 2. ~~25~~ **50** billion, our elected borrowing commitment was $ ~~775~~ **1** . ~~0~~ **325** ~~million~~ **billion** , the maximum facility amount under the Credit Agreement was $ ~~1~~ **2** . ~~50~~ **00** billion and we had ~~no~~ **$ 500. 0 million in** outstanding borrowings under, and approximately $ ~~45~~ **52** . ~~6~~ **4** million in outstanding letters of credit issued pursuant to, the Credit Agreement. Borrowings under the Credit Agreement are limited to the lowest of the borrowing base, maximum facility amount and elected borrowing commitment (subject to compliance with the ~~covenant~~ **covenants** noted above). We could be required to repay a portion of any outstanding debt under the Credit Agreement to the extent that, after a redetermination, our outstanding borrowings at such time exceeded the redetermined borrowing base. We may not have sufficient funds to make such repayments, which could result in a default under the terms of the Credit Agreement and an acceleration of the loans thereunder, requiring us to negotiate renewals, arrange new financing or sell significant assets, all of which could have a material adverse effect on our business and financial results. Our earnings are exposed to interest rate risk associated with borrowings under our Credit Agreement and the San Mateo Credit Facility. Borrowings under the Credit Agreement may be in the form of a base rate loan or a loan based on the secured overnight financing rate administered by the Federal Reserve Bank of New York (" SOFR "). If we borrow funds as a base rate loan, such borrowings will bear interest at a rate equal to the greatest of (i) the prime rate for such day, (ii) the Federal Funds Effective Rate (as defined in the Credit Agreement) on such day, plus 0. 50 %, and (iii) the Adjusted Term SOFR Rate (as defined in the Credit Agreement) for a one month tenor, plus 1. 00 %, plus, in each case, an amount ranging from 0. 75 % to 1. 75 % ~~per annum~~ depending on the level of borrowings under the Credit Agreement. If we borrow funds as a SOFR loan, such borrowings will bear interest at a rate equal to (x) the Adjusted Term SOFR Rate for the chosen interest period plus (y) an amount ranging from 1. 75 % to 2. 75 % ~~per annum~~ depending on the level of borrowings under the Credit Agreement. If we have outstanding borrowings under our Credit Agreement and interest rates increase, so will our interest costs, which may have a material adverse effect on our results of operations and financial condition. Similarly, borrowings under the San Mateo Credit Facility may be in the form of a base rate loan or a SOFR loan. If San Mateo borrows funds as a base rate loan, such borrowings will bear interest at a rate equal to the greatest of (i) the prime rate for such day, (ii) the Federal Funds Effective Rate (as defined in the San Mateo Credit Facility) on such day, plus 0. 50 % and (iii) the Adjusted Term SOFR Rate (as defined in the San Mateo Credit Facility) for a one month tenor, plus 1. 00 % plus, in each case, an amount ranging from 1. 25 % to 2. 25 % ~~per annum~~ depending on San Mateo' s Consolidated Total Leverage Ratio (as defined in the San Mateo Credit Facility). If San Mateo borrows funds as a SOFR loan, such borrowings will bear interest at a rate equal to (x) the Adjusted Term SOFR Rate for the chosen interest period plus (y) an amount ranging from 2. 25 % to 3. 25 % ~~per annum~~ depending on San Mateo' s Consolidated Total Leverage Ratio. If San Mateo has outstanding borrowings under the San Mateo Credit Facility and interest rates increase, so will San Mateo' s interest costs, which may have a material adverse effect on San Mateo' s results of operations and financial condition. Interest rates rose significantly during 2022 **and remained elevated throughout 2023** as the Federal Reserve sought to control inflation **.** ~~, and interest~~ **Interest** rates **may remain** ~~are likely to rise higher~~ -- **high or increase** during ~~2023~~ **2024** . Our Credit Agreement and the San Mateo Credit Facility have floating rates tied to SOFR or other interest rate benchmarks that generally rise alongside the increase in the federal funds rates. As a result, interest expense on our existing floating rate debt rose during 2022 and ~~will likely rise~~ **2023 and may remain high or increase** during ~~2023~~ **2024** . In addition, interest rates on future credit facilities and debt offerings could be higher than current levels, causing our financing costs to increase accordingly. The terms of the agreements governing our outstanding indebtedness may restrict our current and future operations, particularly our ability to respond to changes in business or to take certain actions. Our Credit Agreement, the San Mateo Credit Facility and the ~~indenture~~ **indentures** governing our senior notes contain, and any future indebtedness we incur will likely contain, a number of restrictive covenants that impose significant operating and financial restrictions, including restrictions on our ability to engage in acts that may be in our best long- term interest. One or more of these agreements include covenants that, among other things, restrict our ability to: • incur or guarantee additional debt or issue certain types of preferred stock; • pay dividends on capital stock or redeem, repurchase or retire our capital stock or subordinated indebtedness; • transfer or sell assets; • make certain investments; • create certain liens; • enter into agreements that restrict dividends or other payments from our Restricted Subsidiaries (as defined in the ~~indenture~~ **indentures governing our outstanding senior notes** ) to us; • consolidate, merge or transfer all or substantially all of our assets; • engage in transactions with affiliates; and • create unrestricted subsidiaries. A breach of any of these covenants could result in an event of default under our Credit Agreement, the San Mateo Credit Facility and the ~~indenture~~ **indentures** governing our outstanding senior notes. For example, our Credit Agreement requires us to maintain a debt to EBITDA ratio, which is defined as debt outstanding (net of up to $ 75 **. 0** million of unrestricted cash and cash equivalents) divided by a rolling four quarter EBITDA calculation, of 3. 50 **to 1. 0** or less and a current ratio, which is defined as current assets plus the unused availability under the Credit Agreement, divided by current liabilities, of equal to or greater than 1. 0 **to 1. 0** . Low oil and natural gas prices or a decline in our oil or natural gas production may adversely impact our EBITDA, cash flows and debt levels, and therefore our ability to comply with this covenant. Similarly, the San Mateo Credit Facility requires San Mateo to meet a debt to EBITDA ratio, which is defined as **total** consolidated ~~total~~ funded indebtedness outstanding (as defined in the San Mateo Credit Facility) divided by a rolling four quarter EBITDA calculation, of 5. 00 or less, subject to certain exceptions. The San Mateo Credit Facility also requires San Mateo to maintain an interest coverage ratio, which is defined as a rolling four quarter EBITDA calculation divided by San Mateo' s consolidated interest expense for such period, of 2. 50 or more. Lower revenues as a result of less volumes than anticipated, or otherwise, or an increase in interest rates may adversely impact San Mateo' s EBITDA and interest expense, and therefore San Mateo' s ability to comply with these covenants. The San Mateo Credit Facility also restricts the ability of San Mateo to distribute cash to its members if San Mateo' s liquidity is less than 10 % of the lender commitments under the San Mateo Credit Facility. Upon the occurrence of an event of default, all amounts outstanding under the applicable debt agreements could be declared to be immediately due and payable and all applicable commitments to extend further credit could be terminated. If indebtedness under our Credit Agreement, the San Mateo Credit Facility or the ~~indenture~~ **indentures** governing our outstanding senior notes is accelerated, there can be no assurance that we will have sufficient assets to repay such indebtedness. The operating and financial restrictions and covenants in these debt agreements and any future financing agreements could materially adversely affect our ability to finance future operations or capital needs or to engage in other business activities. Our credit rating may be downgraded, which could reduce our financial flexibility, increase interest expense and adversely impact our operations. In March 2020, our corporate credit rating from S & P Global Ratings was downgraded from " B " to " B- " and our corporate credit rating from Moody' s Investors Service was downgraded from " B1 " to " B3. " The downgrades resulted in significant part due to the sudden decline in oil prices in early 2020. Moody' s Investor Services subsequently upgraded our corporate credit rating to " B2 " in July 2020, to " B1 " in September 2021 and to " Ba3 " in September 2022. S & P Global Ratings upgraded our corporate credit rating to " B " in June 2021, " B " in January 2022 and " BB- " in September 2022. In September 2021, Fitch Ratings assigned us a corporate credit rating of " B " and subsequently upgraded our corporate credit rating to " BB- " in September 2022. As of February ~~21~~ **20** , ~~2023~~ **2024** , our corporate credit ratings from S & P Global Ratings, Moody' s Investors Service and Fitch Ratings remained " BB-, " " Ba3 " and " BB-, " respectively. We cannot assure you that our credit ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Any future downgrade could increase the cost of any indebtedness incurred in the future. Any increase in our financing costs resulting from a credit rating downgrade could adversely affect our ability to obtain additional financing in the future for working capital, capital expenditures, additional letters of credit or other credit support we may be required to provide to counterparties, acquisitions and general corporate or other purposes. If a credit rating downgrade were to occur at a time when we were experiencing significant working capital requirements or otherwise lacked liquidity, our results of operations could be materially adversely affected. The payment of dividends will be at the discretion of our Board of Directors and subject to numerous factors, and we do not presently intend to repurchase any shares of our common stock. In February ~~2022~~ **2023** ~~and~~ **,** April ~~2022~~ **2023 and** ~~, our Board of Directors declared quarterly cash dividends of $ 0. 05 per share of common stock. In June 2022, the Board amended our dividend policy to increase the quarterly dividend to $ 0. 10 per share of common stock. In~~ July ~~2022~~ **2023** ~~and October 2022~~ , ~~the~~ **our** Board declared quarterly cash dividends of $ 0. ~~10 per share of common stock. In December 2022, the Board amended our dividend policy to increase the quarterly dividend to $ 0.~~ 15 per share of common stock ~~for future~~ **. In October 2023, the Board amended our** dividend **policy to increase** ~~payments. On February 15, 2023,~~ the ~~Board~~ **quarterly dividend to $ 0. 20 per share of common stock and also** declared a quarterly cash dividend of $ 0. ~~15~~ **20 per share of common stock. On February 13, 2024, the Board declared a quarterly cash dividend of $ 0. 20** per share of common stock payable on March ~~9~~ **13** , ~~2023~~ **2024** to shareholders of record as of February ~~27~~ **23** , ~~2023~~ **2024** . We intend to continue to pay a quarterly dividend in the future pursuant to the dividend policy adopted by our Board ~~of Directors~~ . However, the payment and amount of future dividend payments, if any, are subject to declaration by our Board ~~of Directors~~ . Such payments will depend on, among other things, our available cash, earnings, financial condition, capital requirements, level of indebtedness, stock price, statutory and contractual restrictions applicable to the payment of dividends and other considerations that our Board ~~of Directors~~ deems relevant. Cash dividend payments in the future may only be made out of legally available funds, and, if we experience substantial losses, such funds may not be available. We do not presently intend to repurchase any shares of our common stock. Certain covenants in our Credit Agreement and the ~~indenture~~ **indentures** governing our outstanding senior notes may limit our ability to pay dividends or repurchase shares of our common stock. Accordingly, you may have to sell some or all of your common stock in order to generate cash flow from your investment, and there is no guarantee that the price of our common stock will exceed the price you paid. We are under no obligation to make dividend payments on our common stock and may cease such payments at any time in the future. Any elimination of or downward revision in our dividend payout could have a material adverse effect on our stock price. Drilling for and producing oil ~~and~~ **,** natural gas ~~are~~ **and NGLs is** highly speculative and ~~involve~~ **involves** a high degree of operational and financial risk, with many uncertainties that could adversely affect our business. Exploring for and developing hydrocarbon reserves involves a high degree of operational and financial risk, which precludes us from definitively predicting the costs involved and time required to reach certain objectives. Our drilling locations are in various stages of evaluation, ranging from locations that are ready to drill to locations that will require substantial additional interpretation and approvals before they can be drilled. The budgeted costs of planning, drilling, completing and operating wells may be exceeded and such costs can increase significantly due to various complications that may arise during drilling, completion and operation. Before a well is spud, we may incur significant geological, geophysical and land costs, including seismic acquisition costs, which are incurred whether or not a well eventually produces commercial quantities of hydrocarbons, or is drilled at all. Exploration wells could bear a much greater risk of loss than development wells. The analogies we draw from available data from other wells, more fully explored locations or producing fields may not be applicable to our drilling locations. If our actual drilling and development costs are significantly more than our estimated costs, we may not be able to continue our operations as proposed and could be forced to modify our drilling plans accordingly. If we decide to drill a certain location, there is a risk that no commercially productive oil or natural gas reservoirs will be found or produced. We may drill or participate in new wells that are not productive. We may drill or participate in wells that are productive, but that do not produce sufficient net revenues to return a profit after drilling, operating and other costs. There is no way to affirmatively determine in advance of drilling and testing whether any particular location will yield oil or natural gas in sufficient quantities to recover exploration, drilling and completion costs or to be economically viable. Even if sufficient amounts of oil or natural gas exist, we may damage the potentially productive hydrocarbon- bearing formation or experience mechanical difficulties while drilling or completing the well, resulting in a reduction in production and reserves from, or abandonment of, the well. The productivity and profitability of a well may be negatively affected by a number of additional factors, including the following: • general economic and industry conditions, including the prices received for oil and natural gas; • shortages of, or delays in, obtaining equipment, including hydraulic fracturing equipment, and qualified personnel; • potential drainage of oil and natural gas from our properties by operations on adjacent properties; • the existence or magnitude of faults or unanticipated geological features; • loss of or damage to oilfield development and service tools; • accidents, equipment failures or mechanical problems; • title defects of the underlying properties; • increases in severance taxes; • adverse weather conditions that delay drilling activities or cause producing wells to be shut in; • **inflation in exploration, drilling, completion and production costs; •** domestic and foreign governmental regulations; and • proximity to and capacity of gathering, processing, transportation and disposal facilities. Furthermore, our exploration and production operations involve using some of the latest drilling and completion techniques developed by us, other operators and service providers. Risks that we face while drilling and completing horizontal wells include, but are not limited to, the following: • landing our wellbore in the desired drilling zone; • staying in the desired drilling zone while drilling horizontally through the formation; • running our casing the entire length of the wellbore; • fracture stimulating the planned number of stages; • drilling out the plugs between stages following hydraulic fracturing operations; and • being able to run tools and other equipment consistently through the horizontal wellbore. Each of these risks is magnified in wells with longer laterals. In ~~2022~~ **2023** , ~~98 % of~~ the **average completed lateral length for** operated wells ~~we~~ turned to sales **was approximately 9** ~~had lateral lengths of greater than one mile. In 2023~~ , **800 feet** ~~we anticipate that 96 % of the operated wells we turn to sales should have lateral lengths of greater than one mile~~ . If we do not drill productive and profitable wells in the future, our business, financial condition, results of operations, cash flows and reserves could be materially and adversely affected. Our operations are subject to operational hazards and risks, which could result in significant damages and the loss of revenue. There are numerous operational hazards inherent in oil and natural gas exploration, development, production, gathering, transportation and processing, including: • natural disasters; • adverse weather conditions **, including hurricanes and tropical storms in the Gulf Coast region and severe cold weather in the Delaware Basin** ; • loss of drilling fluid circulation; • blowouts where oil or natural gas flows uncontrolled at a wellhead; • cratering or collapse of the formation; • pipe or cement leaks, failures or casing collapses; • damage to pipelines, processing plants and disposal wells and associated facilities; • fires or explosions; • releases of hazardous substances or other waste materials that cause environmental damage; • pressures or irregularities in formations; and • equipment failures or accidents. In addition, there is an inherent risk of incurring significant environmental costs and liabilities in the performance of our operations and services, some of which may be material, due to our handling of petroleum hydrocarbons and wastes, our emissions to air and water, the underground injection or other disposal of wastes, the use of hydraulic fracturing fluids and historical industry operations and waste disposal practices. Any of these or other similar occurrences could result in the disruption or impairment of our operations, substantial repair costs, personal injury or loss of human life, significant damage to property, environmental pollution and substantial revenue losses. The location of our wells, gathering systems, pipelines and other facilities near populated areas, including residential areas, commercial business centers and industrial sites, could significantly increase the level of damages resulting from these risks. Furthermore, our operations may be subject to curtailment due to seismic events. In 2021, the NMOCD implemented new rules establishing protocols in response to seismic events in New Mexico. The protocols require enhanced reporting and varying levels of curtailment of injection rates for salt water disposal wells, including potentially shutting in wells, in the area of seismic events based on the magnitude, timing and proximity to the seismic event. If a seismic event were to occur in the area of our operations, the salt water disposal wells that we deliver to or operate may be shut in or curtailed, which may result in increased expenses or the curtailment of our oil and natural gas production. In addition, if such a seismic event occurred in the area of **the Company' s or** San Mateo' s operations, **the Company or** San Mateo may be required to shut in or curtail the volumes disposed in its salt water disposal wells. **For example, the salt water disposal well we acquired in the Advance Acquisition is restricted due to these protocols.** Any such **further** events could adversely impact our and San Mateo' s revenues and cash flows. There are also significant risks associated with the operation of cryogenic natural gas processing plants such as the Marlan Processing Plant and the Black River Processing Plant. Natural gas and NGLs are volatile and explosive and may include carcinogens. Damage to or improper operation of the Black River Processing Plant or the Marlan Processing Plant could result in an explosion or the discharge of toxic gases, which could result in significant damage claims, interrupt a revenue source and prevent us from processing some or all of the natural gas produced from our wells or third- party wells located in nearby asset areas. Furthermore, if we were unable to process such natural gas, we may be forced to flare natural gas from, or shut in, the affected wells for an indefinite period of time. In addition, San Mateo' s and Pronto' s gathering, processing and transportation assets connect to other pipelines or facilities owned and operated by unaffiliated third parties. The continuing operation of, and our continuing access to, such third- party pipelines, processing facilities and other midstream facilities is not within our control. These pipelines, plants, salt water disposal wells and other midstream facilities may become unavailable because of testing, turnarounds, line repair, maintenance, reduced operating pressure, lack of operating capacity, regulatory requirements and curtailments of receipt or deliveries due to insufficient capacity or because of damage from severe weather conditions or other operational issues. In addition, if San Mateo' s or Pronto' s costs to access and transport on these third- party pipelines significantly increase, their profitability could be reduced. If any such increase in costs occurs, if any of these pipelines or other midstream facilities become unable to receive, transport, process or dispose of product, or if the volumes San Mateo or Pronto gathers, processes or transports do not meet the product quality requirements of such pipelines or facilities, our and San Mateo' s revenues and cash flows could be adversely affected. Insurance against all operational risks is not available to us. Insurance against all operational risks is not available to us. We are not fully insured against all risks, including development and completion risks that are generally not recoverable from third parties or insurance. Pollution and environmental risks generally are not fully insurable. In addition, we may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the perceived risks presented. Losses could, therefore, occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. Moreover, insurance may not be available in the future at commercially reasonable prices or on commercially reasonable terms. Changes in the insurance markets due to various factors may make it more difficult for us to obtain certain types of coverage in the future. As a result, we may not be able to obtain the levels or types of insurance we would have otherwise obtained prior to these market changes, and the insurance coverage we do obtain may not cover certain hazards or all potential losses that are currently covered, and may be subject to large deductibles. Losses and liabilities from uninsured and underinsured events and delays in the payment of insurance proceeds could have a material adverse effect on our business, financial condition, results of operations and cash flows. Because our reserves and production are concentrated in a few core areas, problems with production in and markets for a particular area could have a material impact on our business. Almost all of our current oil and natural gas production and our proved reserves are attributable to our properties in the Delaware Basin in Southeast New Mexico and West Texas, the Eagle Ford shale in South Texas and the Haynesville shale in Northwest Louisiana. In recent years, the Delaware Basin has become an area of increasing focus for us, and approximately ~~95~~ **96** % of our total oil and natural gas production for ~~2022~~ **2023** was attributable to our properties in the Delaware Basin. Since 2016, the vast majority of our capital expenditures have been allocated to the Delaware Basin. We expect that substantially all of our capital expenditures in ~~2023~~ **2024** will continue to be in the Delaware Basin, with the exception of amounts allocated to limited operations and certain non- operated well opportunities in our South Texas and Haynesville shale positions. The industry focus on the Delaware Basin may adversely impact our ability to gather, transport and process our oil and natural gas production due to significant competition for access to gathering systems, pipelines, processing and refinery facilities and oil, condensate and produced water trucking operations. Due to the concentration of our operations, we may be disproportionately exposed to the impact of delays or interruptions of production from our wells in our operating areas caused by transportation capacity constraints or interruptions, curtailment of production, availability of equipment, facilities, personnel or services, significant governmental regulation, natural disasters, adverse weather conditions or plant closures for scheduled **or unscheduled** maintenance. Due to our concentration of properties in the Delaware Basin, we are also particularly exposed to any differential between benchmark prices of oil and natural gas and the wellhead price we receive for our production. See " — Risks Related to our Financial Condition — ~~An increase~~ **A change** in the differential between the NYMEX or other benchmark prices of oil and natural gas and the wellhead price we receive for our production could adversely affect our business, financial condition, results of operations and cash flows. " Our operations may also be adversely affected by weather conditions and events such as hurricanes, tropical storms and inclement winter weather, resulting in delays in drilling and completions, damage to facilities and equipment and the inability to receive equipment or access personnel and products at affected job sites in a timely manner. For example, in recent years, ~~including in February 2021 and December 2022,~~ the Delaware Basin has experienced periods of severe winter weather that impacted many operators. In particular, weather conditions and freezing temperatures have resulted in shut **-** ins of producing wells, power outages, curtailments in trucking, delays in drilling and completion of wells and other production constraints. Certain areas of the Delaware Basin have also experienced periods of severe flooding that impacted our operations as well as many other operators in the area, resulting in delays in drilling, completing and initiating production on certain wells. As we continue to focus our operations on the Delaware Basin, we may increasingly face these and other challenges posed by severe weather ~~. Similarly, certain areas of the Eagle Ford shale play are prone to severe tropical weather, such as Hurricane Harvey in August 2017, which caused many operators to shut in production. We experienced minor operational interruptions in our central and eastern Eagle Ford operations as a result of Hurricane Harvey, although future storms might cause more severe damage and interruptions or disrupt our ability to market production from our operating areas, including the Eagle Ford shale and the Delaware Basin~~ . Due to the concentrated nature of our portfolio of properties, a number of our properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on our results of operations than they might have on other companies that have a more diversified portfolio of properties. For example, our operations in the Delaware Basin are subject to particular restrictions on drilling activities based on environmental sensitivities and requirements and potash mining operations. Such delays, interruptions or restrictions could have a material adverse effect on our business, financial condition, results of operations and cash flows. There is no guarantee that we will be successful in optimizing our spacing, drilling and completions techniques in order to maximize our rate of return, cash flow from operations and shareholder value. As we accumulate and process geological and production data, we attempt to create a development plan, including well spacing and completion design, that maximizes our rate of return, cash flow from operations and shareholder value. Due to many factors, however, including some beyond our control, there is no guarantee that we will be able to find the optimal plan. Future drilling and completion efforts may impact production from existing wells, and parent-child well effects may impact future well productivity as a result of timing, spacing proximity or other factors. If we are unable to design and implement an effective spacing, drilling and completions strategy, it may have a material adverse effect on our financial condition, results of operations and cash flows. Certain of our properties are in areas that may have been partially depleted or drained by offset wells, and certain of our wells may be adversely affected by actions other operators may take when drilling, completing or operating wells that they own. Certain of our properties are in areas that may have already been partially depleted or drained by earlier offset drilling. The owners of leasehold interests adjoining any of our properties could take actions, such as drilling and completing additional wells, which could adversely affect our operations. When a new well is completed and produced, the pressure differential in the vicinity of the well causes the migration of reservoir fluids toward the new wellbore (and potentially away from existing wellbores). As a result, the drilling and production of these potential locations could cause a depletion of our proved reserves and may inhibit our ability to further develop our proved reserves. In addition, completion operations and other activities conducted on adjacent or nearby wells could cause production from our wells to be shut in for indefinite periods of time, could result in increased lease operating expenses and could adversely affect the production and reserves from our wells after they re- commence production. We have no control over the operations or activities of offsetting operators. We utilize multi- well pad drilling where practical. Because wells drilled on a pad are not produced until other wells being drilled on the pad at the same time are drilled and completed, multi- well pad drilling delays the commencement of production from wells drilled on a given pad, which may cause volatility in our operating results. In addition, problems affecting one well could adversely affect production from other wells on the same pad. As a result, multi- well pad drilling can cause delays in the scheduled commencement of production or interruptions in ongoing production. Additionally, infrastructure expansion, including more complex facilities and takeaway capacity, could become challenging in project development areas. Managing capital expenditures for infrastructure expansion could cause economic constraints when considering design capacity. The unavailability or high cost of drilling rigs, completion equipment and services, supplies and personnel, including hydraulic fracturing equipment and personnel, could adversely affect our ability to establish and execute exploration and development plans within budget and on a timely basis, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Shortages or the high cost of drilling rigs, completion equipment and services, drill pipe, casing and other tubular goods, personnel or supplies, including sand and other proppants, could delay or adversely affect our operations. When drilling activity in the United States or a particular operating area increases, associated costs typically also increase, including those costs related to drilling rigs, equipment, supplies, drill pipe, casing and other tubular goods, including sand and other proppants, and personnel and the services and products of other industry vendors. These costs may increase, and necessary equipment, supplies and services may become unavailable to us at economical prices. Should this increase in costs occur, we may delay drilling or completion activities, which may limit our ability to establish and replace reserves, or we may incur these higher costs, which may negatively affect our business, financial condition, results of operations and cash flows. In addition, should oil and natural gas prices decline, third- party service providers may face financial difficulties and be unable to provide services. A reduction in the number of service providers available to us may negatively impact our ability to retain qualified service providers, or obtain such services at costs acceptable to us. Further, supply chain disruptions **and other inflationary pressures** being experienced throughout the United States **and global economy** may limit our ability to procure the necessary products and services for drilling and completing wells **in a timely and cost effective manner** , which could ~~cause~~ **result in reduced margins and** delays in our drilling and completion activities which, in turn, could adversely affect our business, financial condition, results of operations and cash flows. In addition, the demand for hydraulic fracturing services from time to time exceeds the availability of fracturing equipment and crews across the industry and in certain operating areas in particular. The accelerated wear and tear of hydraulic fracturing equipment due to its deployment in unconventional oil and natural gas fields characterized by longer lateral lengths and larger numbers of fracturing stages could further amplify such an equipment and crew shortage. If demand for fracturing services were to increase or the supply of fracturing equipment and crews were to decrease, higher costs or delays in procuring these services could result, which could adversely affect our business, financial condition, results of operations and cash flows. If we are unable to acquire adequate supplies of water for our drilling and hydraulic fracturing operations or are unable to dispose of the water we use at a reasonable cost and pursuant to applicable environmental rules, our ability to produce oil and natural gas commercially and in commercial quantities could be impaired. We use a substantial amount of water in our drilling and hydraulic fracturing operations. Our inability to obtain sufficient amounts of water at reasonable prices, or treat and dispose of water after drilling and hydraulic fracturing, could adversely impact our operations. In recent years, Southeast New Mexico and West Texas have experienced severe drought. As a result, we may experience difficulty in securing the necessary volumes of water for our operations. Moreover, the imposition of new environmental initiatives and regulations could include restrictions on our ability to conduct certain operations such as (i) hydraulic fracturing, including, but not limited to, the use of fresh water in such operations, or (ii) disposal of waste, including, but not limited to, the disposal of produced water, drilling fluids and other wastes associated with the exploration, development and production of oil and natural gas. Furthermore, future environmental regulations and permitting requirements governing the withdrawal, storage and use of surface water or groundwater necessary for hydraulic fracturing of wells could increase operating costs and cause delays, interruptions or termination of operations, the extent of which cannot be predicted, and all of which could have a material adverse effect on our business, financial condition, results of operations and cash flows. If regulatory changes prevent our ability to continue to pool wells in the manner we have been, it could have a material adverse impact on our future production results. In Texas, allocation wells allow an operator to drill a horizontal well under two or more leaseholds that are not pooled or across multiple existing pooled units. In New Mexico, operators are able to pool multiple spacing units in order to drill a single horizontal well across several leaseholds. We are active in drilling and producing both allocation wells in Texas and pooled spacing unit wells in New Mexico. If there are regulatory changes with regard to such wells, the applicable state agency denies or significantly delays the permitting of such wells, legislation is enacted that negatively impacts the current process under which such wells are permitted or litigation challenges the regulatory schemes pursuant to which such wells are permitted, it could have an adverse impact on our ability to drill long horizontal lateral wells on some of our leases, which in turn could have a material adverse impact on our anticipated future production. Construction of midstream projects subjects us to risks of construction delays, cost over- runs, limitations on our growth and negative effects on our financial condition, results of operations, cash flows and liquidity. From time- to- time, we, through San Mateo, Pronto or otherwise, plan and construct midstream projects, some of which may take a number of months before commercial operation, such as construction of oil, natural gas and produced water gathering or transportation systems, construction of natural gas processing plants, drilling of commercial salt water disposal wells and construction of related facilities. These projects are complex and subject to a number of factors beyond our control, including delays from third- party landowners, the permitting process, government and regulatory approval, compliance with laws, unavailability of materials, labor disruptions, environmental hazards, financing, accidents, weather and other factors. Any delay in the completion of these projects could have a material adverse effect on our business, results of operations, liquidity ~~and~~ **,** financial condition **and the ability of San Mateo or Pronto to attract third- party customers** . The construction of produced water disposal facilities, pipelines and gathering and processing facilities requires the expenditure of significant amounts of capital, which may exceed our estimated costs. Estimating the timing and expenditures related to these development projects is very complex and subject to variables that can significantly increase expected costs. Should the actual costs of these projects exceed our estimates, our liquidity and financial condition could be adversely affected. This level of development activity requires significant effort from our management and technical personnel and places additional requirements on our financial resources and internal financial controls. We may not have the ability to attract and / or retain the necessary number of personnel with the skills required to bring complicated projects to successful conclusions. Our identified drilling locations are scheduled over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling. Our management team has identified and scheduled drilling locations in our operating areas over a multi- year period. Our ability to drill and develop these locations depends on a number of factors, including oil and natural gas prices, assessment of risks, costs, drilling results, reservoir heterogeneities, the availability of equipment and capital, approval by regulators, lease terms, seasonal conditions and the actions of other operators. Additionally, as lateral lengths greater than one mile have become increasingly common in the Delaware Basin, we may have to cooperate with other operators to ensure that our acreage is included in drilling units or otherwise developed. In January 2021, the Biden administration issued the Biden Administration Federal Lease Orders limiting the issuance of federal drilling permits and other necessary federal approvals. The BLM indicated that the Lease Sale Litigation and the Social Cost of Carbon Litigation could delay lease sales and the approval of drilling permits. Although some of the restrictions in the Biden Administration Federal Lease Orders have lapsed, the impact of these and similar federal actions related to the natural gas industry remains unclear. Should these or other limitations or prohibitions be imposed or continue to be applied, our drilling locations on federal lands may not be drilled as scheduled. The final determination on whether to drill any of the identified locations will be dependent upon the factors described elsewhere in this Annual Report as well as, to some degree, the results of our drilling activities with respect to our established drilling locations. Because of these uncertainties, we do not know if the drilling locations we have identified will be drilled within our expected timeframe, or at all, or if we will be able to economically produce hydrocarbons from these or any other potential drilling locations. Our actual drilling activities may be materially different from our current expectations, which could adversely affect our business, financial condition, results of operations and cash flows. Certain of our unproved and unevaluated acreage is subject to leases that will expire over the next several years unless production is established on units containing the acreage. At December 31, ~~2022~~ **2023** , we had leasehold interests in approximately ~~23~~ **30** , ~~100~~ **600** net acres across all of our areas of interest that are not currently held by production and are subject to leases with primary or renewed terms that expire prior to ~~2028~~ **2029** . Unless we establish and maintain production, generally in paying quantities, on units containing these leases during their terms or we renew such leases, these leases will expire. The cost to renew such leases may increase significantly, and we may not be able to renew such leases on commercially reasonable terms or at all. In addition, on certain portions of our acreage, third- party leases, or top leases, may have been taken and could become immediately effective if our leases expire. If our leases expire or we are unable to renew such leases, we will lose our right to develop the related properties. As such, our actual drilling activities may materially differ from our current expectations, which could adversely affect our business, financial condition, results of operations and cash flows. The 2- D and 3- D seismic data and other advanced technologies we use cannot eliminate exploration risk, which could limit our ability to replace and grow our reserves and materially and adversely affect our results of operations and cash flows. We employ visualization and 2- D and 3- D seismic images to assist us in exploration and development activities where applicable. These techniques only assist geoscientists in identifying subsurface structures and hydrocarbon indicators and do not allow the interpreter to know conclusively if hydrocarbons are present or economically producible. We could incur losses by drilling unproductive wells based on these technologies. Furthermore, the acquisition of seismic and geological data can be expensive and require the incurrence of various risks and liabilities, and we may not be able to license or obtain such data at an acceptable cost. Poor results from our exploration and development activities could limit our ability to replace and grow reserves and adversely affect our business, financial condition, results of operations and cash flows. Financial difficulties encountered by our oil ~~and~~ **,** natural gas **and NGL** purchasers, third- party operators or other third parties could decrease our cash flows from operations and adversely affect the exploration and development of our prospects and assets. We derive most of our revenues from the sale of our oil, natural gas and NGLs to unaffiliated third- party purchasers, independent marketing companies and midstream companies. We are also subject to credit risk due to the concentration of our oil and natural gas receivables with several significant customers. For **each of** the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , we had three ~~, three and two~~ significant purchasers ~~, respectively,~~ that collectively accounted for approximately **76 %,** 70 % ~~,~~ **and** 72 ~~% and 65~~ %, respectively, of our total oil, natural gas and NGL revenues. We cannot ensure that we will continue to have ready access to suitable markets for our future production. If we lost one or more of these customers and were unable to sell our production to other customers on terms we consider acceptable, it could materially and adversely affect our business, financial condition, results of operations and cash flows. Furthermore, we cannot predict the extent to which counterparties' businesses would be impacted if oil and natural gas prices decline, such prices remain depressed for a sustained period of time or other conditions in our industry were to deteriorate. Any delays in payments from our purchasers caused by financial problems encountered by them could have an immediate negative effect on our results of operations and cash flows. In addition to credit risk related to purchasers of our production, we also face credit risk through receivables from joint interest owners on properties we operate and from San Mateo' s and Pronto' s customers. Joint interest receivables arise from billing entities that own partial interests in the wells we operate. These entities participate in our wells primarily based on their ownership in leases on which we drill. We are generally unable to control which co- owners participate in our wells. Liquidity and cash flow problems encountered by our joint interest owners or the third- party operators of our non- operated properties may prevent or delay the drilling of a well or the development of a project. Our joint interest owners may be unwilling or unable to pay their share of the costs of projects as they become due. In the case of a farmout party, we would have to find a new farmout party or obtain alternative funding in order to complete the exploration and development of the prospects subject to a farmout agreement. In the case of a working interest owner, we could be required to pay the working interest owner' s share of the project costs. If we are not able to obtain the capital necessary to fund either of these contingencies or find a new farmout party, our results of operations and cash flows could be ~~negatively~~ **adversely** affected. The marketability of our production is dependent upon oil, natural gas and NGL gathering, processing and transportation facilities, and the unavailability of satisfactory oil, natural gas and NGL gathering, processing and transportation arrangements could have a material adverse effect on our revenue. The unavailability of satisfactory oil, natural gas and NGL gathering, processing and transportation arrangements may hinder our access to oil, natural gas and NGL markets or delay production from our wells. The availability of a ready market for our oil, natural gas and NGL production depends on a number of factors, including the demand for, and supply of, oil, natural gas and NGLs and the proximity of reserves to pipelines and terminal facilities. Our ability to market our production depends in substantial part on the availability and capacity of gathering systems, pipelines, processing facilities and oil and condensate trucking operations. Such systems and operations include those of San Mateo, as well as other systems and operations owned and operated by third parties. The continuing operation of, and our continuing access to, third- party systems and operations is outside our control. Regardless of who operates the midstream systems or operations upon which we rely, our failure to obtain these services on acceptable terms could materially harm our business. In addition, certain of these gathering systems, pipelines and processing facilities, particularly in the Delaware Basin, may be outdated or in need of repair and subject to higher rates of line loss, failure and breakdown. Furthermore, such facilities may become unavailable because of testing, turnarounds, line ~~repair, maintenance, reduced operating pressure, lack of operating capacity, regulatory requirements and curtailments of receipt or deliveries due to insufficient capacity or because of damage from severe weather conditions or other operational issues.~~ We may be required to shut in wells for lack of a market or because of inadequate or unavailable pipelines, gathering systems, processing facilities or trucking capacity. If that were to occur, we would be unable to realize revenue from those wells until production arrangements were made to deliver our production to market. Furthermore, if we were required to shut in wells **,** we might also be obligated to pay shut- in royalties to certain mineral interest owners in order to maintain our leases. The disruption of our own or third- party facilities due to maintenance, weather or other factors could negatively impact our ability to market and deliver our oil, natural gas and NGLs. If our costs to access and transport on these pipelines significantly increase, our profitability could be reduced. Third parties control when or if their facilities are restored and what prices will be charged. In the past, we have experienced pipeline and natural gas processing interruptions and capacity and infrastructure constraints associated with natural gas production. While we have entered into natural gas processing and transportation agreements covering the anticipated natural gas production from a significant portion of our Delaware Basin acreage in Southeast New Mexico and West Texas, no assurance can be given that these agreements will alleviate these issues completely, and we may be required to pay deficiency payments under such agreements if we do not meet the gathering or processing commitments, as applicable. **For example, in January 2024, we experienced temporary natural gas pipeline and processing interruptions due to maintenance and constraints that are estimated to have resulted in approximately 5, 500 BOE per day of less production.** We may experience similar interruptions and processing capacity constraints as we continue to explore and develop our Wolfcamp, Bone Spring and other liquids- rich plays in the Delaware Basin in ~~2023~~ **2024** . If we were required to shut in our production for long periods of time due to pipeline interruptions or lack of processing facilities or capacity of these facilities, it could have a material adverse effect on our business, financial condition, results of operations and cash flows. We conduct a portion of our operations through joint ventures, which subjects us to additional risks that could have a material adverse effect on the success of these operations, our financial position, results of operations or cash flows. We own and operate substantially all of our midstream assets in Eddy County, New Mexico and Loving County, Texas through San Mateo, and we have and may continue to enter into other joint venture arrangements in the future. The nature of a joint venture requires us to share a portion of control with unaffiliated third parties. ~~If~~ **Moreover, joint venture arrangements involve various risks and uncertainties, such as committing us to fund operating and / or capital expenditures, the timing and amount of which we may not control. In addition, if** our joint venture partners do not fulfill their contractual **, financial** and other obligations, the affected joint venture may be unable to operate according to its business plan, and we may be required to increase our level of financial commitment or seek third- party capital, which could dilute our ownership in the applicable joint venture. If we do not timely meet our financial commitments or otherwise comply with our joint venture agreements, our ownership of and rights with respect to the applicable joint venture may be reduced or otherwise adversely affected. Furthermore, there can be no assurance that any joint venture will be successful or generate cash flows at the level we have anticipated, or at all. Differences in views among joint venture participants could also result in delays in business decisions or otherwise, failures to agree on major issues, operational inefficiencies and impasses, litigation or other issues. We provide management functions for certain joint ventures and may provide such services for future joint venture arrangements, which may require additional time and attention of management or require us to hire or contract additional personnel. Third parties may also seek to hold us liable for a joint venture' s liabilities. These issues or any other difficulties that cause a joint venture to deviate from its original business plan could have a material adverse effect on our business, financial condition, results of operations and cash flows. Because of the natural decline in production in the regions of San Mateo' s and Pronto' s midstream operations, San Mateo' s and Pronto' s long- term success depend on their ability to obtain new sources of products, which depends on certain factors beyond San Mateo' s and Pronto' s control. Any decrease in supplies to ~~its~~ **their** midstream facilities could adversely affect San Mateo' s and Pronto' s business and operating results. San Mateo' s and Pronto' s midstream facilities are, or will be, connected to oil and natural gas wells operated by us or by third parties from which production will naturally decline over time, which means that the cash flows associated with these sources of oil, natural gas, NGLs and produced water will also decline over time. Some of these third parties are not subject to minimum volume commitments. To maintain or increase throughput levels on San Mateo' s and Pronto' s gathering systems and the utilization rate at its other midstream facilities, San Mateo and Pronto must continually obtain new sources of products. San Mateo' s and Pronto' s ability to obtain additional sources of oil, natural gas, NGLs and produced water depends, in part, on the level of successful drilling and production activity near its gathering and transportation systems and other midstream facilities. San Mateo and Pronto have no control over the level of activity in the areas of their operations, the amount of reserves associated with the wells or the rate at which production from a well will decline. In addition, San Mateo and Pronto have no control over producers or their drilling or production decisions, which are affected by, among other things, prevailing and projected energy prices, demand for hydrocarbons, the level of reserves, geological considerations, governmental regulations, the availability of drilling rigs, other production and development costs and the availability and cost of capital. We have entered into certain long- term contracts that require us to pay fees to our service providers based on minimum volumes regardless of actual volume throughput and that may limit our ability to use other service providers. From time to time, we have entered into and may in the future enter into certain oil, natural gas or produced water gathering or transportation agreements, natural gas processing agreements, NGL transportation agreements, produced water disposal agreements or similar commercial arrangements with midstream companies, including San Mateo. Certain of these agreements require us to meet minimum volume commitments, often regardless of actual throughput. Reductions in our drilling activity could result in insufficient production to fulfill our obligations under these agreements. As of December 31, ~~2022~~ **2023** , our long- term contractual obligations under agreements with minimum volume commitments totaled approximately $ ~~833~~ **764** . ~~1~~ **2** million over the terms of the agreements. If we have insufficient production to meet the minimum volume commitments under any of these agreements, our cash flow from operations will be reduced, which may require us to reduce or delay our planned investments and capital expenditures or seek alternative means of financing, all of which may have a material adverse effect on our results of operations. Pursuant to certain of our agreements with midstream companies, we have dedicated our current and future leasehold interests in certain of our asset areas to counterparties. As a result, we will be limited in our ability to use other gathering, processing, disposal and transportation service providers, even if such service providers are able to offer us more favorable pricing or more efficient service. We do not own all of the land on which our midstream assets are located, and we are therefore subject to the possibility of more onerous terms and / or increased costs or royalties to retain necessary land access if we do not have valid rights- of- way or leases or if such rights- of- way or leases lapse or terminate. We sometimes obtain the rights to land owned by third parties and governmental agencies for a specific period of time. Our loss of these rights, through our inability to renew right- of- way contracts, leases or otherwise, could cause us to cease operations on the affected land or find alternative locations for our operations at increased costs, each of which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Competition in the oil and natural gas industry is intense, making it more difficult for us to acquire properties, market oil and natural gas, provide midstream services and secure trained personnel, and our competitors may use superior technology and data resources that we may be unable to afford. Competition is intense in virtually all facets of our business. Our ability to acquire additional prospects and to find and develop reserves in the future will depend in part on our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment for acquiring properties, to market oil and natural gas and to secure trained personnel. Similarly, our midstream business, and particularly the success of San Mateo and Pronto, depends in part on our ability to compete with other midstream service companies to attract third- party customers to our midstream facilities. San Mateo and Pronto compete with other midstream companies that provide similar services in their areas of operations, and such companies may have legacy relationships with producers in those areas and may have a longer history of efficiency and reliability. Also, there is substantial competition for capital available for investment in the oil and natural gas industry. Many of our competitors possess and employ financial, technical, technological and personnel resources substantially greater than ours. Those companies may be able to pay more for productive oil and natural gas properties and exploratory prospects and to evaluate, bid for and purchase a greater number of properties and prospects than our financial, technical, technological or personnel resources permit. As our competitors use or develop new technologies, we may be placed at a competitive disadvantage, and competitive pressures may force us to implement new technologies at a substantial cost. We cannot be certain that we will be able to implement technologies on a timely basis or at a cost that is acceptable to us. One or more of the technologies that we use or that we may implement in the future may become obsolete, and our operations may be adversely affected. In addition, other companies may be able to offer better compensation packages to attract and retain qualified personnel than we are able to offer. The cost to attract and retain qualified personnel has increased in recent years due to **a** ~~competition~~ **competitive labor market, inflation and other factors,** and may increase substantially in the future. We may not be able to compete successfully in the future in acquiring prospective reserves, developing reserves, developing midstream assets, marketing hydrocarbons, attracting and retaining quality personnel and raising additional capital, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Strategic relationships upon which we may rely are subject to change, which may diminish our ability to conduct our operations. Our ability to explore, develop and produce oil and natural gas resources successfully, acquire oil and natural gas interests and acreage and conduct our midstream activities depends on our developing and maintaining close working relationships with industry participants and on our ability to select and evaluate suitable acquisition opportunities in a highly competitive environment. These relationships are subject to change and, if they do, our ability to grow may be impaired. To develop our business, we endeavor to use the business relationships of our management ~~,~~ **and** Board ~~of Directors and special Board advisors~~ to enter into strategic relationships, which may take the form of contractual arrangements with other oil and natural gas companies and service companies, including those that supply equipment and other resources that we expect to use in our business, as well as midstream companies and certain financial institutions. We may not be able to establish these strategic relationships, or if established, we may not be able to maintain them. In addition, the dynamics of our relationships with strategic partners may require us to incur expenses or undertake activities we would not otherwise be inclined to incur or undertake in order to fulfill our obligations to these partners or maintain our relationships. If our strategic relationships are not established or maintained, our business prospects may be limited, which could diminish our ability to conduct our operations. We are not the operator on some of our properties in Northwest Louisiana, particularly in the Haynesville shale. We also have other non- operated acreage positions in Southeast New Mexico, West Texas and South Texas. Because we are not the operator for these properties, our ability to exercise influence over the operations of these properties or their associated costs is limited. Our dependence on the operators and other working interest owners of these projects and our limited ability to influence operations and associated costs, or control the risks, could materially and adversely affect the drilling results, reserves and future cash flows from these properties. The success and timing of our drilling and development activities on properties operated by others therefore depends upon a number of factors, including: • the timing and amount of capital expenditures; • the operator' s expertise and financial resources; • the rate of production of reserves, if any; • approval of other participants in drilling wells; and • selection and implementation or execution of technology. In areas where we do not have the right to propose the drilling of wells, we may have limited influence on when, how and at what pace our properties in those areas are developed. Further, the operators of those properties may experience financial problems in the future or may sell their rights to another operator not of our choosing, both of which could limit our ability to develop and monetize the underlying oil or natural gas reserves. In addition, the operators of these properties may elect to curtail the oil or natural gas production or to shut in the wells on these properties during periods of low oil or natural gas prices, and we may receive less than anticipated or no production and associated revenues from these properties until the operator elects to return them to production. Approximately ~~31~~ **32** % of our leasehold and mineral acres in the Delaware Basin is located on federal lands, which are subject to administrative permitting requirements and potential federal legislation, regulation and orders that may limit or restrict oil and natural gas operations on federal lands. At December 31, ~~2022~~ **2023** , Matador held approximately ~~129~~ **152** , ~~400~~ **200** net leasehold and mineral acres in the Delaware Basin **, primarily** in Eddy and Lea Counties, New Mexico and in Loving ~~County~~ **and Ward Counties** , Texas, of which approximately ~~39~~ **48** , ~~500~~ **100** net acres, or about ~~31~~ **32** %, was on federal lands administered by the BLM. In addition to permits issued by state and local authorities, oil and natural gas activities on federal lands also require permits from the BLM. Permitting for oil and natural gas activities on federal lands can take significantly longer than the permitting process for oil and natural gas activities not located on federal lands. **In addition, government disruptions, such as a shutdown of the U. S. federal government resulting from the failure to pass budget appropriations, adopt continuing funding resolutions or raise the debt ceiling, could delay or halt the granting and renewal of such permits or other licenses, approvals or certificates required to conduct our operations.** Delays in obtaining necessary permits **or other approvals** can disrupt our operations and have a material adverse effect on our business. ~~These~~ BLM leases contain relatively standardized terms and require compliance with detailed regulations and orders, which are subject to change. For example, on August 16, 2022, H. R. 5376, commonly known as the Inflation Reduction Act of 2022 (the " IRA "), was enacted. Pursuant to the IRA, the royalty rate for federal leases issued on or after August 16, 2022 was increased to 16. 67 percent. **On July 24, 2023, the BLM issued a proposed rule that would revise the BLM' s oil and gas leasing regulations, including aligning royalty rates, rentals, and minimum bids with the IRA, and would update the bonding requirements for leasing, development and production.** These operations are also subject to BLM rules regarding engineering and construction specifications for production facilities **, ability to commingle production** , safety procedures, the valuation of production, the payment of royalties, the removal of facilities, the posting of bonds, hydraulic fracturing, the control of air emissions and other areas of environmental protection. These rules could result in increased compliance costs for our operations, which in turn could have a material adverse effect on our business and results of operations. Under certain circumstances, the BLM may require our operations on federal leases to be suspended or terminated. In addition, litigation related to leasing and permitting of federal lands could also restrict, delay or limit our ability to conduct operations on our federal leasehold or acquire additional federal leasehold. In January 2021, the Biden administration issued the Biden Administration Federal Lease Orders limiting the issuance of federal drilling permits and other necessary federal approvals. The BLM indicated that the Lease Sale Litigation and the Social Cost of Carbon Litigation could delay lease sales and the approval of drilling permits. Although some of the restrictions in the Biden Administration Federal Lease Orders have lapsed, the impact of these and similar federal actions remains unclear. Should these or other limitations or prohibitions be imposed or continue to be applied, our oil and natural gas operations on federal lands could be adversely impacted. At the federal level, various policy makers, regulatory agencies and political candidates, including President Biden, have also proposed restrictions on hydraulic fracturing, including its outright prohibition. It is possible that any such restrictions on hydraulic fracturing may particularly target activity on federal lands. Any federal legislation, regulations or orders intended to limit or restrict oil and natural gas operations on federal lands, if enacted, could have a material adverse impact on our business, financial condition, results of operations and cash flows. Oil and natural gas exploration and production activities on federal lands are also subject to NEPA, which requires federal agencies, including the Department of Interior, to evaluate major agency actions having the potential to significantly impact the environment. In the course of such evaluations, an agency will prepare an environmental assessment that assesses impacts that are " reasonably foreseeable " and have a " reasonably close causal relationship " to the agency action under review and, if necessary, will prepare a more detailed environmental impact statement that may be made available for public review and comment. This process, including any additional requirements that may be implemented or litigation regarding the process, has the potential to delay or even halt development of future oil and natural gas projects with NEPA applicability. We are subject to government regulation and liability, including complex environmental laws, which could require significant expenditures. The exploration, development, production, gathering, processing, transportation and sale of oil and natural gas in the United States are subject to many federal, state and local laws, rules and regulations, including complex environmental laws and regulations. A change in the presidential administration, as well as a closely divided Congress, may also increase the uncertainty with regard to potential changes in these laws, rules and regulations and the enforcement of any new legislation or directives by governmental authorities. Matters subject to regulation include discharge permits, drilling bonds, reports concerning operations, the spacing of wells, unitization and pooling of properties, taxation, gathering and transportation of oil, natural gas and NGLs, gathering and disposal of produced water, environmental matters and health and safety criteria addressing worker protection. Under these laws and regulations, we may be required to make large expenditures that could materially adversely affect our financial condition, results of operations and cash flows. If existing laws and regulations are revised or reinterpreted, or if new laws and regulations become applicable to our operations or those of our service providers, such changes may affect the costs that we pay for such services or the results of business. In addition to expenditures required in order for us to comply with such laws and regulations, expenditures required by such laws and regulations could also include payments and fines for: • personal injuries; • property damage; • containment and clean- up of oil, produced water and other spills; • venting, flaring or other emissions; • management and disposal of hazardous materials; • remediation, clean- up costs and natural resource damages; and • other environmental damages. We do not believe that full insurance coverage for all potential damages is available at a reasonable cost. Failure to comply with these laws and regulations may also result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties, injunctive relief and / or the imposition of investigatory or other remedial obligations. The costs of remedying noncompliance may be significant, and remediation obligations could adversely affect our financial condition, results of operations and leasehold acreage. Laws, rules and regulations protecting the environment have changed frequently and the changes often include increasingly stringent requirements. These laws, rules and regulations may impose liability on us for environmental damage and disposal of hazardous and non- hazardous materials even if we were not negligent or at fault. We may also be found to be liable for the conduct of others or for acts that complied with applicable laws, rules or regulations at the time we performed those acts. These laws, rules and regulations are interpreted and enforced by numerous federal and state agencies. In addition, private parties, including the owners of properties upon which our wells are drilled or our facilities are located, the owners of properties adjacent to or in close proximity to those properties or non- governmental organizations such as environmental groups, may also pursue legal actions against us based on alleged non- compliance with certain of these laws, rules and regulations. For example, a number of lawsuits have been filed in some states against others in our industry alleging that fluid injection or oil and natural gas extraction have caused damage to neighboring properties or otherwise violated state and federal rules regulating waste disposal. Private parties may also pursue legal actions challenging permitting programs that authorize certain of our operations. For example, it is possible that courts could vacate relevant NWPs as such potential permit coverage relates to activities in the oil and natural gas sector, or the Biden administration could choose to suspend the availability of NWPs in the future, thereby forcing our relevant operations to seek coverage under individual permits under CWA Section 404 (which is a longer and more administratively complex process that is subject to NEPA). Part of the regulatory environment in which we operate includes, in some cases, federal requirements for obtaining environmental assessments, environmental impact statements and / or plans of development before commencing exploration and production or midstream activities. Oil and natural gas operations in certain of our operating areas can be adversely affected by seasonal or permanent restrictions on drilling activities designed to protect various wildlife. For example, on ~~November 25~~ **March 27** , ~~2022~~ **2023** , a final rule ~~was published~~ **became effective** that, among other things, ~~will list~~ **lists** the lesser prairie- chicken as endangered under the ESA in certain portions of southeastern New Mexico where we operate. ~~The effective date of~~ **On July 3, 2023,** the ~~final~~ **USFWS issued a proposed** rule ~~is currently set~~ to ~~be March 27, 2023~~ **list the dunes sagebrush lizard as endangered** . We participate in candidate conservation agreements for the lesser prairie- chicken, as well as the ~~sand dune~~ **dunes sagebrush** lizard and the Texas hornshell mussel, pursuant to which we are restricted from operating in certain sensitive locations or at certain times. The listing of the **dunes sagebrush lizard** ~~lesser prairie- chicken~~ as endangered, participation in such candidate conservation agreements or the designation of previously unprotected species as threatened or endangered species could prohibit drilling or other operations in certain of our operating areas, cause us to incur increased costs arising from species protection measures or result in limitations on our exploration and production and midstream activities, each of which could have a material adverse impact on our business, financial condition, results of operations and cash flows. See " Business — Regulation. " We are subject to federal, state and local taxes and may become subject to new taxes or have eliminated or reduced certain federal income tax deductions currently available with respect to oil and natural gas exploration and production activities as a result of future legislation, which could adversely affect our business, financial condition, results of operations and cash flows. The federal, state and local governments in the areas in which we operate impose taxes on the oil and natural gas products we sell and, for many of our wells, sales and use taxes on significant portions of our drilling and operating costs. Many states have raised state taxes on energy sources or state taxes associated with the extraction of hydrocarbons, and additional increases may occur. For instance, in New Mexico, there have been proposals to impose a surtax on natural gas processors that, if enacted into law, could adversely affect the prices we receive for our natural gas processed in New Mexico. Historically, we have generated and carried forward net operating losses (" NOL ") in amounts sufficient to offset substantially all of our taxable income and, thus, have not incurred material federal or state income tax liabilities. As of December 31, 2022, we had utilized all ~~or substantially all~~ of our federal NOL carryovers. **During 2023** ~~As a result, unless additional NOLs are generated~~ , we ~~expect that we will begin to incur material~~ **recognized research and experimental expenditure tax credits of $ 74. 0 million, which had the effect of reducing our federal income tax liability for 2023. Our** federal and state income tax liabilities **in 2024 and subsequent years will be dependent upon a variety of factors that will impact our taxable income, including oil and natural gas prices, allowable deductions and any legislative changes thereon, in addition to any tax credits generated that would offset tax liabilities in future periods** . Additionally, the IRA contains a number of revisions to the Internal Revenue Code, including (i) a 15 % corporate minimum income tax for certain corporations with more than $ 1 billion in average adjusted financial statement income for the three- year tax period ending ~~with~~ **before** the corporation' s current tax year, (ii) a 1 % excise tax on corporate stock repurchases in tax years beginning after December 31, 2022 and (iii) expanded business tax credits and incentives for the development of clean energy projects and the production of clean energy. The impact of the 15 % corporate minimum tax will depend on our results of operations each year ~~and anticipated guidance from the Internal Revenue Service~~ . While we do not expect such minimum tax (or any other tax provision contained in the IRA) to have any immediate material impact, we will continue to evaluate its future impact as further information becomes available. In addition, there has been a significant amount of discussion by legislators and presidential administrations concerning a variety of energy tax proposals at the U. S. federal level. Periodically, legislation is introduced to eliminate certain key U. S. federal income tax preferences currently available to oil and natural gas exploration and production companies. Such changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for certain oil and natural gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, (iii) the elimination of the deduction for certain U. S. production or manufacturing activities and (iv) the increase in the amortization period for geological and geophysical costs paid or incurred in connection with the exploration for, or development of, oil or natural gas within the United States. The passage of any **such** legislation or any other similar change in U. S. federal income or state tax law could affect certain tax deductions that are currently available with respect to oil and natural gas exploration and production activities and could negatively impact our financial condition, results of operations and cash flows. Federal and state legislation and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays. Hydraulic fracturing involves the injection of water, sand or other proppants and chemicals under pressure into rock formations to stimulate oil and natural gas production. We routinely use hydraulic fracturing to complete wells in order to produce oil, natural gas and NGLs from formations such as the Wolfcamp and Bone Spring plays, the Eagle Ford shale and the Haynesville shale, where we focus our operations. Hydraulic fracturing has been regulated at the state and local level through permitting and compliance requirements. Federal, state and local laws or regulations targeting various aspects of the hydraulic fracturing process are being considered, or have been proposed or implemented. In past sessions, Congress has considered, but has not passed, legislation to amend the SDWA, to remove the SDWA' s exemption granted to most hydraulic fracturing operations (other than operations using fluids containing diesel) and to require reporting and disclosure of chemicals used by oil and natural gas companies in the hydraulic fracturing process. Also at the federal level, in March 2015, the BLM issued final rules, including new requirements relating to public disclosure, wellbore integrity and handling of flowback water, to regulate hydraulic fracturing on federal and Indian lands, but these rules never became effective. These rules were rescinded by rule in December 2017. The rescission was challenged, and the challenge remains pending before the Ninth Circuit Court of Appeals. Separately, in 2016, BLM issued the 2016 Waste Prevention Rule to address flaring, venting and leaks from oil and natural gas operations on federal lands. Following litigation, the 2016 Waste Prevention Rule was vacated. However, the **IRA** ~~August 16, 2022 Inflation Reduction Act~~ contains a suite of provisions addressing onshore and offshore oil and natural gas development under federal leases. Under the authority of the **IRA** ~~Inflation Reduction Act~~, on November 30, 2022, BLM proposed new regulations to reduce the waste of natural gas from venting, flaring, and leaks during oil and natural gas production activities on federal and Indian leases **. In addition, in July 2023, the Louisiana Department of Natural Resources issued a proposed rule that would restrict routine venting and flaring of methane from oil and natural gas production facilities in the state** . Various policymakers, regulatory agencies and political candidates at the federal, state and local levels have proposed restrictions on hydraulic fracturing, including its outright prohibition. Any such restrictions on hydraulic fracturing on federal lands could adversely impact our operations in the Delaware Basin, and an outright prohibition would adversely impact essentially all of our operations. In addition, a number of states and local regulatory authorities are considering or have implemented more stringent regulatory requirements applicable to hydraulic fracturing, including bans or moratoria on drilling that effectively prohibit further production of oil and natural gas through the use of hydraulic fracturing or similar operations. For example, ~~in December 2014, New York announced a moratorium on high volume fracturing activities combined with horizontal drilling following the issuance of a study regarding the safety of hydraulic fracturing. Certain communities in Colorado have also enacted bans on hydraulic fracturing. These actions are the subject of legal challenges.~~ Texas and New Mexico have adopted regulations that require the disclosure of information regarding the substances used in the hydraulic fracturing process. ~~Recently, bills~~ **Bills** have been introduced in the New Mexico legislature to place a moratorium on, ban or otherwise restrict hydraulic fracturing activities, including prohibiting the injection of fresh water in such operations. Although such bills have not passed, similar laws, rules, regulations or orders, if passed at the local, state or federal level could limit our operations. The adoption of new laws or regulations imposing reporting or operational obligations on, or otherwise limiting or prohibiting, the hydraulic fracturing process could make it more difficult to complete oil and natural gas wells in unconventional plays. In addition, if hydraulic fracturing becomes regulated at the federal level as a result of federal legislation or regulatory initiatives by the EPA or BLM, hydraulic fracturing activities could become subject to additional permitting requirements, and also to attendant permitting delays and potential increases in cost, which could adversely affect our business and results of operations. The potential adoption of federal, state and local legislation and regulations intended to address potential induced seismicity in the areas in which we operate could restrict our drilling and production activities, as well as our ability to dispose of produced water gathered from such activities, which could decrease our and San Mateo' s revenues and result in increased costs and additional operating restrictions or delays. State and federal regulatory agencies recently have focused on a possible connection between the operation of injection wells used for produced water disposal and the increased occurrence of seismic activity. When caused by human activity, such events are called " induced seismicity. " Regulatory agencies at all levels are continuing to study the possible link between oil and natural gas activity and induced seismicity. In addition, a number of lawsuits have been filed in some states against others in our industry alleging that fluid injection or oil and natural gas extraction have caused damage to neighboring properties or otherwise violated state and federal rules regulating waste disposal. In response to these concerns, regulators in some states, including New Mexico and Texas, are seeking to impose additional requirements, including requirements regarding the permitting of salt water disposal wells or otherwise, to assess the relationship between seismicity and the use of such wells. While the scientific community and regulatory agencies at all levels are continuing to study the possible link between oil and natural gas activity and induced seismicity, some state regulatory agencies, including in Texas and New Mexico, have modified their regulations or guidance to mitigate potential causes of induced seismicity. For example, in 2021, the NMOCD implemented new rules establishing protocols in response to seismic events in New Mexico. Under these protocols, applications for salt water disposal well permits in certain areas of New Mexico with recent seismic activity require enhanced review prior to approval. In addition, the protocols require enhanced reporting and varying levels of curtailment of injection rates for salt water disposal wells, including potentially shutting in wells, in the area of seismic events based on the magnitude, timing and proximity of the seismic event. See " Business — Regulation — Environmental, Health and Safety Regulation. " Increased seismicity in areas in which we operate could result in additional regulation and restrictions on the use of injection wells by us or by third parties whom we may contract with to dispose of produced water. Additional regulation and attention given to induced seismicity could also lead to greater opposition, including litigation, to oil and natural gas activities. Any one or more of these developments may result in operational delays, increase our operating and compliance costs or otherwise adversely affect our operations. We and San Mateo dispose of large volumes of produced water gathered from our and third parties' drilling and production operations by injecting it into wells pursuant to permits issued to us by governmental authorities overseeing such disposal activities. While these permits are issued pursuant to existing laws and regulations, these legal requirements are subject to change, which could result in the imposition of more stringent operating constraints or new monitoring and reporting requirements, owing to, among other things, concerns of the public or governmental authorities regarding such gathering or disposal activities. The adoption and implementation of any new laws or regulations that restrict our ability to dispose of produced water gathered from drilling and production activities could adversely impact our business, cash flows and results of operations and could decrease our and San Mateo' s revenues and result in increased costs and additional operating restrictions or delays. Legislation or regulations restricting emissions of greenhouse gases or promoting the development of alternative sources of energy could result in increased operating costs and reduced demand for the oil, natural gas and NGLs we produce, while the physical effects of climate change could disrupt our production and cause us to incur significant costs in preparing for or responding to those effects. We believe it is likely that scientific and political attention to issues concerning the extent, causes of and responsibility for climate change will continue, with the potential for further regulations and litigation that could affect our operations. Our operations result in greenhouse gas emissions. The EPA has published its final findings that emissions of carbon dioxide, methane and other greenhouse gases present an endangerment to public health and welfare because emissions of such gases are, according to the EPA, contributing to the warming of the earth' s atmosphere and other climatic changes. There were attempts at comprehensive federal legislation establishing a cap and trade program, but that legislation did not pass. Further, various states have considered or adopted legislation that seeks to control or reduce emissions of greenhouse gases from a wide range of sources. Internationally, in 2015, the United States participated in the United Nations Conference on Climate Change, which led to the creation of the Paris Agreement. The Paris Agreement, which was signed by the United States in April 2016, requires countries to review and " represent a progression " in their intended NDCs, which set greenhouse gas emission reduction goals, every five years beginning in 2020. The United States exited the Paris Agreement in November 2020 but rejoined the agreement effective February 19, 2021. In April 2021, the United States made its NDC submittal, setting a goal to achieve a 50 to 52 % reduction from 2005 levels in economy- wide net greenhouse gas pollution in 2030. Further, in November 2021, the United States and other countries entered into the Glasgow Climate Pact, which includes a range of measures designed to address climate change, including but not limited to the phase- out of fossil fuel subsidies, reducing methane emissions 30 % by 2030, and cooperating toward the advancement of the development of alternative sources of energy. On August 16, 2022, the IRA created the Methane Emissions Reduction Program to incentivize methane emission reductions and, for the first time ever, ~~imposes~~ - **impose** a fee on GHG emissions from certain facilities that exceed specified emissions levels. Further, on November 11, 2022, the EPA issued a supplemental notice of proposed rulemaking on methane and ~~GHG~~ **greenhouse gas** emissions from new and existing sources in the oil and natural gas industry. On December ~~6~~ **2** , ~~2022~~ **2023** , the EPA ~~published~~ **issued** a ~~supplemental proposal~~ **prepublication version of a final rule** to reduce methane and volatile organic chemicals emissions from the oil and natural gas sector, which strengthens and expands the EPA' s November 1, 2021 proposed revisions to the New Source Performance Standards program established under Section 111 of the CAA **and creates new emissions restrictions for existing sources as well** . On ~~December 23~~ **November 17** , ~~2022~~ **2023** , the EPA ~~proposed~~ **issued** a **final** rule that ~~would enable~~ **enables** states to implement more stringent methane emissions standards than the federal guidelines require. In 2019, New Mexico' s governor signed an executive order declaring that New Mexico would support the goals of the Paris Agreement by joining the U. S. Climate Alliance, a bipartisan coalition of governors committed to reducing ~~GHG~~ **greenhouse gas** emissions consistent with the goals of the Paris Agreement. The stated objective of the executive order is to achieve a statewide reduction in greenhouse gas emissions of at least 45 % by 2030 as compared to 2005 levels. The executive order also requires New Mexico regulatory agencies to create an " enforceable regulatory framework " to ensure methane emission reductions. In 2021, the NMOCD implemented rules regarding the reduction of natural gas waste and the control of emissions that, among other items, prohibits flaring in certain circumstances and requires upstream and midstream operators to reduce natural gas waste by a fixed amount each year and achieve a 98 % natural gas capture rate by the end of 2026. The NMED adopted rules and regulations in April 2022 to address the formation of ground- level ozone, including from existing oil and natural gas operations. In August 2022, the NMED issued a final rule imposing additional controls on oil and natural gas operations to reduce ozone- precursor emissions. A challenge to the ozone precursor rule is currently pending in New Mexico state court. The EPA has begun adopting and implementing a comprehensive suite of regulations to restrict ~~GHG~~ **greenhouse gas** emissions under existing provisions of the CAA and the recent authority of the IRA. Legislative and regulatory initiatives related to climate change and greenhouse gas emissions could, and in all likelihood would, require us to incur increased operating costs adversely affecting our profits and could adversely affect demand for the oil and natural gas we produce, depressing the prices we receive for oil and natural gas. In an interpretative guidance on climate change disclosures, the SEC indicated that climate change could have an effect on the severity of weather (including hurricanes **, droughts** and floods), sea levels, the arability of farmland and water availability and quality. If such effects were to occur, there is the potential for our exploration and production operations to be adversely affected. Potential adverse effects could include damages to our facilities from powerful winds or rising waters in low- lying areas, disruption of our production, less efficient or non- routine operating practices necessitated by climate effects and increased costs for insurance coverage in the aftermath of such effects. Any future exploration and development activities and equipment could also be adversely affected by ~~extreme~~ **severe** weather conditions such as hurricanes or freezing temperatures, which may cause a loss of production from temporary cessation of activity from regional power outages or lost or damaged facilities and equipment. Such ~~extreme~~ **severe** weather conditions could also impact access to our drilling and production facilities for routine operations, maintenance and repairs and the availability of and our access to, necessary third- party services, such as gathering, processing, compression and transportation services. These constraints and the resulting shortages or high costs could delay or temporarily halt our operations and materially increase our operation and capital costs, which could have a material adverse effect on our business, financial condition and results of operations. Significant physical effects of climate change could also have an indirect effect on our financing and operations by disrupting the transportation or process- related services provided by us or other midstream companies, service companies or suppliers with whom we have a business relationship. We may not be able to recover through insurance some or any of the damages, losses or costs that may result from potential physical effects of climate change. In addition, our hydraulic fracturing operations require large amounts of water. See " — Risks Related to our Operations — If we are unable to acquire adequate supplies of water for our drilling and hydraulic fracturing operations or are unable to dispose of the water we use at a reasonable cost and pursuant to applicable environmental rules, our ability to produce oil and natural gas commercially and in commercial quantities could be impaired. " Should climate change or other drought conditions occur, our ability to obtain water of a sufficient quality and quantity could be impacted and in turn, our ability to perform hydraulic fracturing operations could be restricted or made more costly. The adoption of legislation or regulatory programs to reduce greenhouse gas emissions could require us to incur increased operating costs, such as costs to purchase and operate emissions control systems, to acquire emissions allowances or to comply with new regulatory or reporting requirements. Any such legislation or regulatory programs could also increase the cost of consuming, and thereby reduce demand for, the oil and natural gas we produce. Consequently, legislation and regulatory programs to reduce emissions of greenhouse gases could have a material adverse effect on our business, financial condition and results of operations. Reduced demand for the oil and natural gas that we produce could also have the effect of lowering the value of our reserves. In addition, there have also been efforts in recent years to influence the investment community, including investment advisors **, investment fund managers** and certain family foundations **, universities, individual investors** and sovereign wealth, pension and endowment funds, promoting divestment of **, or limit investment in,** fossil fuel equities and pressuring lenders to limit **or stop** funding to companies engaged in the extraction of fossil fuel reserves. Such environmental activism and initiatives aimed at limiting climate change and reducing air pollution could interfere with our business activities, operations and ability to access capital. Additionally, the threat of climate change has resulted in increasing political risk in the United States as various policy makers, regulatory agencies and political candidates at the federal, state and local levels have proposed bans of new leases for production of minerals on federal properties and various restrictions on hydraulic fracturing, including its outright prohibition. In January 2021, the Biden administration issued the Biden Administration Federal Lease Orders, limiting the issuance of federal drilling permits and other federal approvals **. Also in 2021, President Biden issued an executive order directing the federal government to utilize certain calculations of the " social cost " of carbon and other greenhouse gases in its decision making** . The BLM indicated that the Lease Sale Litigation and the Social Cost of Carbon Litigation could delay lease sales and the approval of drilling permits. Although some of the restrictions in the Biden Administration Federal Lease Orders have lapsed, the impact of these and similar federal actions remains unclear. Should these or other limitations or prohibitions be imposed or continue to be applied, our oil and natural gas operations on federal lands could be adversely impacted. President Biden and the Democratic Party, which now controls the U. S. Senate, have identified climate change as a priority, and new executive orders, regulatory action and / or legislation targeting greenhouse gas emissions, promoting energy efficiency or the development and consumption of alternative forms of energy, or prohibiting or restricting oil and natural gas development activities in certain areas, have been ~~and likely will be~~ proposed and / or promulgated during the Biden administration **and** ~~. In addition~~ **additional** ~~, the~~ **such measures are likely. The** Biden administration has ~~already~~ issued multiple executive orders pertaining to environmental regulations and climate change, including the Executive Order on Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis and the Executive Order on Tackling the Climate Crisis at Home and Abroad. In the latter executive order, President Biden established climate change as a primary foreign policy and national security consideration, affirmed that achieving net- zero greenhouse gas emissions by or before 2050 is a critical priority, affirmed his administration' s desire to establish the United States as a leader in addressing climate change and generally further integrated climate change and environmental justice considerations into government agencies' decision-making, among other measures. Finally, increasing attention to the risks of climate change has resulted in an increased possibility of lawsuits or investigations brought by public and private entities against oil and natural gas companies in connection with their greenhouse gas emissions. Should we be targeted by any such litigation or investigations, we may incur liability, which, to the extent that societal pressures or political or other factors are involved, could be imposed without regard to the causation of or contribution to the asserted damage, or to other mitigating factors. The ultimate impact of greenhouse gas emissions- related agreements, legislation and measures on our financial performance is highly uncertain because we are unable to predict, for a multitude of individual jurisdictions, the outcome of political decision- making processes and the variables and trade- offs that inevitably occur in connection with such processes. New climate disclosure rules proposed by the SEC **or states in which we have operations or do business** could increase our costs of compliance and adversely impact our business. On March 21, 2022, the SEC released proposed new rules that would require significantly expanded climate- related disclosures in SEC filings, including certain climate- related risks, climate- related metrics and ~~GHG~~ **greenhouse gas** emissions, information about climate- related targets and goals, transition plans, if any, and extensive attestation requirements. The proposed rules include certain phase- in compliance dates for disclosure of Scope 1, 2 and 3 ~~GHG~~ **greenhouse gas** emissions. As initially proposed, large accelerated filers such as us would be obligated to disclose Scope 1 and 2 ~~GHG~~ **greenhouse gas** emissions **beginning** ~~for fiscal year 2023~~ in the ~~2024~~ **first** filing year **in which the rules apply** and disclose Scope 3 ~~GHG~~ **greenhouse gas** emissions **beginning** ~~for fiscal year 2024~~ in the ~~2025~~ **following** filing year. While we are currently assessing the proposed rule, the final form and substance of the rule is not yet known, and at this time we cannot predict the costs of implementation or any potential adverse impacts resulting from the rule. ~~To~~ **In addition, in** the ~~extent~~ **absence of federal action, states may propose and adopt climate disclosure requirements. In** the **event the SEC finalizes its proposed climate disclosure** rule ~~is finalized as proposed~~ **or states in which we operate or do business adopt climate disclosure requirements** , we could incur significant additional costs relating to the assessment and disclosure of climate- related risks, including costs relating to monitoring, collecting, analyzing and reporting the new metrics and implementing systems and procuring additional internal and external personnel with the requisite skills and expertise to serve those functions. These additional costs or changes in operations could have a material adverse effect on our business, financial condition, results of operations and cash flows. We may also face increased litigation risks related to disclosures made pursuant to the rule if finalized as proposed. In addition, enhanced climate disclosure requirements could accelerate the trend of certain investors and lenders restricting or seeking more stringent conditions with respect to their investments in carbon- intensive sectors. Separately, the SEC has also announced that it is scrutinizing existing climate- change related disclosures in public filings, increasing the potential for enforcement if the SEC were to allege an issuer' s existing climate disclosures to be misleading or deficient. New regulations on all emissions from our operations could cause us to incur significant costs. In recent years, the EPA issued final rules to subject oil and natural gas operations to regulation under the ~~New Source Performance Standards ("~~ NSPS ~~")~~ and **NESHAP** ~~National Emission Standards~~

~~for Hazardous Air Pollutants~~ programs under the CAA and to impose new and amended requirements under both programs. The EPA rules include NSPS standards for completions of hydraulically fractured oil and natural gas wells, compressors, controllers, dehydrators, storage tanks, natural gas processing plants and certain other equipment. These rules have required changes to our operations, including the installation of new equipment to control emissions. **In January 2023, the EPA announced a proposed consent decree that, if finalized as proposed, would establish a December 10, 2024 deadline for the EPA to review and propose revisions to the NESHAP for oil and natural gas production facilities and natural gas transmission and storage facilities, which may require us to make additional changes to our operations.** The EPA finalized a more stringent National Ambient Air Quality Standard ~~(" NAAQS ")~~ for ozone in October 2015. The EPA finished promulgating final area designations under the new standard in 2018, which, to the extent areas in which we operate have been classified as " non- attainment " areas, may result in an increase in costs for emission controls and requirements for additional monitoring and testing, as well as a more cumbersome permitting process. To the extent regions reclassified as non- attainment areas under the lower ozone standard have begun implementing new, more stringent regulations, those regulations could also apply to our or San Mateo' s customers' operations. Generally, it takes states several years to develop compliance plans for their non- attainment areas. In November 2016, BLM issued final rules relating to the venting, flaring and leaking of natural gas by oil and natural gas producers who operate on federal and Indian lands. The rules were designed to limit routine flaring of natural gas, require the payment of royalties on avoidable natural gas losses and require plans or programs relating to natural gas capture and leak detection and repair. Following litigation, the 2016 Waste Prevention Rule was vacated. However, the ~~August 16, 2022~~ IRA contains a suite of provisions addressing onshore and offshore oil and natural gas development under Federal leases. Under the authority of the **IRA** ~~Inflation Reduction Act~~, on November 30, 2022, BLM proposed new regulations to reduce the waste of natural gas from venting, flaring, and leaks during oil and natural gas production activities on Federal and Indian leases. If not withdrawn or significantly revised, these proposed rules are expected to result in an increase to our operating costs and changes in our operations. In ~~November~~ **December** ~~2021~~ **2023**, the EPA **issued final** ~~also proposed new~~ NSPS updates and emission guidelines ~~(the " 2021 Proposed Methane Rules ")~~ to reduce methane and other pollutants from the oil and gas industry ~~. The EPA issued a supplemental notice of proposed rulemaking on this topic in December 2022 to update, strengthen and expand the 2021 Proposed Methane Rules that would make the proposed requirements more stringent and include sources not previously regulated under the oil and natural gas source category. The EPA has announced that it plans to finalize these rulemakings in 2023~~. In addition, several states are pursuing similar measures to regulate emissions of methane from new and existing sources within the oil and natural gas source category. As a result of this continued regulatory focus, future federal and state regulations of the oil and natural gas industry remain a possibility and could result in increased compliance costs for our operations. Our pipelines are subject to stringent and complex regulation related to pipeline safety and integrity management. For instance, the Department of Transportation, through PHMSA, has established a series of rules that require pipeline operators to develop and implement integrity management programs for hazardous liquid (including oil) pipeline segments that, in the event of a leak or rupture, could affect high- consequence areas. The Rustler Breaks Oil Pipeline System is subject to such rules. PHMSA also recently finalized rulemaking to expand existing integrity management, reporting and records retention, and safety requirements to certain natural gas transmission lines. Additional action by PHMSA with respect to pipeline integrity management requirements may occur in the future. At this time, we cannot predict the cost of such requirements, but they could be significant. Moreover, violations of pipeline safety regulations can result in the imposition of significant penalties. Several states have also passed legislation or promulgated rules to address pipeline safety. Compliance with pipeline integrity laws and other pipeline safety regulations issued by state agencies such as the RRC and the NMOCD could result in substantial expenditures for testing, repairs and replacement. Due to the possibility of new or amended laws and regulations or reinterpretation of existing laws and regulations, there can be no assurance that future compliance with PHMSA or state requirements will not have a material adverse effect on our results of operations or financial position. A change in the jurisdictional characterization of some of our assets by FERC or a change in policy by FERC may result in increased regulation of our assets, which may cause our revenues to decline and operating expenses to increase. Section 1 (b) of the NGA exempts natural gas gathering facilities from regulation by FERC under the NGA. We believe that the natural gas pipelines in our gathering systems meet the traditional tests FERC has used to establish a pipeline' s status as a gatherer not subject to FERC regulation. However, the distinction between FERC- regulated transmission services and federally unregulated gathering services is the subject of ongoing litigation, so the classification and regulation of our gathering facilities are subject to change based on future determinations by FERC, the courts or Congress. Similarly, intrastate crude oil pipeline facilities are exempt from regulation by FERC under the ICA. San Mateo' s Rustler Breaks Oil Pipeline System, which includes crude oil gathering and transportation pipelines from origin points in Eddy County, New Mexico to an interconnect with Plains, is subject to FERC jurisdiction. We believe the other crude oil pipelines in our gathering systems meet the traditional tests FERC has used to establish a pipeline' s status as an intrastate facility not subject to FERC regulation. Whether a pipeline provides service in interstate commerce or intrastate commerce is highly fact dependent and determined on a case- by- case basis. A change in the jurisdictional characterization of our facilities by FERC, the courts or Congress, a change in policy by FERC or Congress or the expansion of our activities may result in increased regulation of our assets, which may cause our revenues to decline and operating expenses to increase. The rates of our regulated assets are subject to review and reporting by federal regulators, which could adversely affect our revenues. The Rustler Breaks Oil Pipeline System transports crude oil in interstate commerce. FERC regulates the rates, terms and conditions of service on pipelines that transport crude oil in interstate commerce. If a party with an economic interest were to file either a complaint against our tariff rates or protest any proposed increases to our tariff rates, or FERC were to initiate an investigation of our rates, then our rates could be subject to detailed review. If any proposed rate increases were found by FERC to be in excess of just and reasonable levels, FERC could order us to reduce our rates and to refund the amount by which the rate increases were determined to be excessive, plus interest. If our existing rates were found by FERC to be in excess of just and reasonable levels, we could be ordered to refund the excess we collected for up to two years prior to the date of the filing of the complaint challenging the rates, and we could be ordered to reduce our rates prospectively. In addition, a state commission also could investigate our intrastate rates or our terms and conditions of service on its own initiative or at the urging of a shipper or other interested party. If a state commission found that our rates exceeded levels justified by our cost of service, the state commission could order us to reduce our rates. Any such reductions may result in lower revenues and cash flows. In addition, FERC' s ratemaking policies are subject to change and may impact the rates charged and revenues received on the Rustler Breaks Oil Pipeline System and any other natural gas or crude oil pipeline that is determined to be under the jurisdiction of FERC. Should we fail to comply with all applicable FERC- administered statutes, rules, regulations and orders, we could be subject to substantial penalties and fines. Under the Energy Policy Act, FERC has civil penalty authority under the NGA to impose penalties for current violations of up to approximately $ 1. 3 million per day for each violation and disgorgement of profits associated with any violation. This maximum penalty authority established by statute will continue to be adjusted periodically for inflation. While the nature of our gathering facilities is such that these facilities have not yet been regulated by FERC, the Rustler Breaks Oil Pipeline System does transport crude oil in interstate commerce and, therefore, is subject to FERC regulation. Laws, rules and regulations pertaining to those and other matters may be considered or adopted by FERC or Congress from time to time. Failure to comply with those laws, rules and regulations in the future could subject us to civil penalty liability. Derivatives legislation adopted by Congress could have an adverse impact on our ability to hedge risks associated with our business. The Dodd- Frank Wall Street Reform and Consumer Protection Act (the " Dodd- Frank Act "), among other things, established federal oversight and regulation of certain derivative products, including commodity hedges of the type we use. The Dodd- Frank Act requires the Commodity Futures Trading Commission (" CFTC ") and the SEC to promulgate rules and regulations implementing the Dodd- Frank Act. Although the CFTC has finalized certain regulations, others remain to be finalized or implemented, and it is not possible at this time to predict when, or if, this will be accomplished. In 2011, the CFTC issued regulations to set position limits for certain futures and option contracts in the major energy markets and for swaps that are their economic equivalents. The initial position limits rule was vacated by the United States District Court for the District of Columbia in 2012. However, in 2013, the CFTC proposed new rules that would place limits on positions in certain core futures and equivalent swaps contracts for or linked to certain physical commodities, subject to exceptions for certain bona fide hedging transactions. In 2016, the CFTC decided to re- propose, rather than finalize, certain regulations, including limitations on speculative futures and swap positions. The CFTC has not acted on the re- proposed position limit regulations. As these new position limit rules are not yet final, the impact of those provisions on us is uncertain at this time. The Dodd- Frank Act could also result in additional regulatory requirements on our derivative arrangements, which could include new margin, reporting and clearing requirements. In addition, this legislation could have a substantial impact on our counterparties and may increase the cost of our derivative arrangements in the future. If these types of commodity hedges become unavailable or uneconomic, our commodity price risk could increase, which would increase the volatility of revenues and may decrease the amount of credit available to us. Any limitations or changes in our use of derivative arrangements could also materially affect our cash flows, which could adversely affect our ability to make capital expenditures. Finally, the Dodd- Frank Act was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. Our revenues could therefore be adversely affected if a consequence of the Dodd- Frank Act and implementing regulations is to lower commodity prices. Any of these consequences could have a material adverse effect on our business, financial condition and results of operations. Our stock price has experienced volatility and could vary significantly as a result of a number of factors. In ~~2022~~ **2023** , our stock price fluctuated between a high of $ ~~73~~ **69** . ~~78~~ **41** and a low of $ ~~37~~ **42** . ~~01~~ **04** . In addition, the trading volume of our common stock may continue to fluctuate and cause significant price variations to occur. In the event of a drop in the market price of our common stock, you could lose a substantial part or all of your investment in our common stock. In addition, the stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. Factors that could affect our stock price or result in fluctuations in the market price or trading volume of our common stock include: • our actual or anticipated operating and financial performance and drilling locations, including oil and natural gas reserves estimates; • quarterly variations in the rate of growth of our financial indicators, such as net income per share, net income and cash flows, or those of companies that are perceived to be similar to us; • changes in revenue, cash flows or earnings estimates or publication of reports by equity research analysts; • declaration of dividends or adjustments to our dividend policy; • speculation in the press or investment community; • announcement or consummation of acquisitions, dispositions or joint ventures by us; • public reaction to our operations or plans, press releases, announcements and filings with the SEC; • the publication of research or reports by industry analysts regarding the Company, its competitors or our industry; • the enactment of federal, state or local laws, rules or regulations that restrict our ability to conduct our operations, such as the Biden Administration Federal Lease Orders; • sales of our common stock by the Company, directors, officers or other shareholders, or the perception that such sales may occur; • general financial market conditions and oil and natural gas industry market conditions, including fluctuations in the price of oil, natural gas and NGLs; • the realization of any of the risk factors presented in this Annual Report; • the recruitment or departure of key personnel; • commencement of, involvement in or unfavorable resolution of litigation; • the success of our exploration and development operations, our midstream business (including San Mateo) and the marketing of any oil, natural gas and NGLs we produce; • changes in market valuations of companies similar to ours; and • domestic and international economic, legal and regulatory factors unrelated to our performance. **Attention to ESG and** ~~Conservation~~ **conservation** ~~measures~~ **matters** and a negative shift in market perception towards the oil and natural gas industry could adversely affect demand for oil and natural gas and our stock price. **Attention from governmental and regulatory bodies, investors, consumers and other stakeholders on ESG practices, together with changes in consumer, industrial and commercial behavior, investor and societal expectations on companies to address**

**climate change and to make voluntary disclosures related to climate change and sustainability, preferences and attitudes with respect to the generation and consumption of energy, the use of hydrocarbons and the use of products manufactured with, or powered, by hydrocarbons, may result in the enactment of climate and ESG- related regulations, policies and initiatives at the government, regulator, corporate and / or investor community levels; technological advances with respect to the generation, transmission, storage and consumption of energy; and the development of, and increased demand from consumers for, lower- emission products and services. These developments may in the future result in increased costs (including increased costs associated with compliance, shareholder engagement, contracting and insurance) and reduced demand for products manufactured with, or powered by, petroleum products, as well as the demand for our products and services. Such developments could result in downward pressure on the stock prices of oil and natural gas companies, including ours. In addition, negative perceptions regarding our industry and reputational risks, including perceptions related to the sufficiency of our ESG program (which may include policies, practices and extralegal objectives related to climate change, environmental stewardship, social responsibility and corporate governance), may in the future adversely affect our ability to successfully carry out our business strategy by adversely affecting our access to capital. In particular,** ~~Certain~~ **certain** segments of the investor community have recently expressed negative sentiment towards investing in the oil and natural gas industry. In recent years prior to 2021, equity returns in the sector versus other industry sectors have led to lower oil and natural gas representation in certain key equity market indices. Some investors, including certain pension funds, sovereign wealth funds, university endowments **, individual investors** and family foundations, have stated policies to reduce or eliminate their investments in the oil and natural gas sector based on social and environmental considerations. Other significant investors **and asset managers, both domestically and internationally,** have published ESG **guidelines and** disclosure standards that companies in which they invest are expected to adopt or follow ~~. Furthermore, fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, technological advances in fuel economy and energy generation devices could reduce demand for oil and natural gas. Such developments could result in downward pressure on the stock prices of oil and natural gas companies, including ours~~ . Certain other stakeholders have pressured commercial and investment banks and other capital providers to stop **or limit** funding **of** oil and natural gas projects **and have pressured insurance underwriters to limit coverages to companies engaged in the extraction of fossil fuel reserves. Institutional lenders that provide financing to energy companies have also become more attentive to sustainable lending practices, and some may elect not to provide traditional energy producers or companies that support such producers with funding** . With the continued volatility in oil and natural gas prices, and the possibility that interest rates will rise in the near term, increasing the cost of borrowing, certain investors have emphasized capital efficiency and free cash flow from earnings as key drivers for energy companies, especially those primarily focused in the shale plays. This may also result in a reduction of available capital funding for potential development projects, further impacting our future financial results. Furthermore, if we are unable to achieve the desired level of capital efficiency or free cash flow within the timeframe expected by the market, our stock price may be adversely affected. **In addition, shareholder activism has been recently increasing in the oil and gas industry, and shareholders may attempt to effect changes to our business or governance, whether by shareholder proposals, public campaigns, proxy solicitations or otherwise. Organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters, and such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings and recent activism directed at shifting funding away from companies with energy- related assets could lead to increased negative investor sentiment toward us and to the diversion of investment to other industries, which could have an adverse effect on our stock price and our access to and costs of capital.** Future sales of shares of our common stock by existing shareholders and future offerings of our common stock by us could depress the price of our common stock. The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market, including shares of equity or debt securities convertible into common stock, and the perception that these sales could occur may also depress the market price of our common stock. If our existing shareholders, including directors or officers, sell, or indicate an intent to sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline significantly. Sales of our common stock may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales could also cause our stock price to decrease and make it more difficult for you to sell shares of our common stock. We may also sell or issue additional shares of common stock or equity or debt securities convertible into common stock in public or private offerings or in connection with acquisitions. We cannot predict the size of future issuances of our common stock or convertible securities or the effect, if any, that future issuances and sales of shares of our common stock or convertible securities would have on the market price of our common stock. As of February ~~21~~ **20** , ~~2023~~ **2024** , our directors and executive officers beneficially owned approximately ~~5~~ **6** . ~~5~~ **3** % of our outstanding common stock. These shareholders could influence or control to some degree the outcome of matters requiring a shareholder vote, including the election of directors, the adoption of any amendment to our certificate of formation or bylaws and the approval of mergers and other significant corporate transactions. Their influence or control of the Company may have the effect of delaying or preventing a change of control of the Company and may adversely affect the voting and other rights of other shareholders. In addition, due to their ownership interest in our common stock, our directors and executive officers may be able to remain entrenched in their positions. Our Board can authorize the issuance of preferred stock, which could diminish the rights of holders of our common stock and make a change of control of the Company more difficult even if it might benefit our shareholders. Our Board ~~of Directors~~ is authorized to issue shares of preferred stock in one or more series and to fix the voting powers, preferences and other rights and limitations of the preferred stock. Accordingly, we may issue shares of preferred stock with a preference over our common stock with respect to dividends or distributions on liquidation or dissolution, or that may otherwise adversely affect the voting or other rights of the holders of common stock.

Issuances of preferred stock, depending upon the rights, preferences and designations of the preferred stock, may have the effect of delaying, deterring or preventing a change of control of the Company, even if that change of control might benefit our shareholders. We may have difficulty managing growth in our business, which could have a material adverse effect on our business, financial condition, results of operations and cash flows and our ability to execute our business plan in a timely fashion. Because of our size, growth in accordance with our business plans, if achieved, will place a significant strain on our financial, technical, operational and management resources. As and when we expand our activities, including our midstream business, through San Mateo, Pronto or otherwise, there will be additional demands on our financial, technical and management resources. The failure to continue to upgrade our technical, administrative, operating and financial control systems or the occurrence of unexpected expansion difficulties, including the inability to recruit and retain experienced managers, geoscientists, petroleum engineers, landmen, midstream professionals, attorneys and financial and accounting professionals, **could have a material adverse effect on our business, financial condition, results of operations and cash flows and our ability to execute our business plan in a timely fashion.** Our success depends, to a large extent, on our ability to retain our key personnel, including our chairman and chief executive officer, management and technical team ~~,~~ **and** the members of our Board ~~and our special Board advisors~~ , and the loss of any key personnel ~~,~~ **or** Board member ~~or special Board advisor~~ could disrupt our business operations. Investors in our common stock must rely upon the ability, expertise, judgment and discretion of our management and the success of our technical team in identifying, evaluating and developing prospects and reserves. Our performance and success are dependent to a large extent on the efforts and continued employment of our management and technical personnel, including our Chairman and Chief Executive Officer, Joseph Wm. Foran. We do not believe that they could be quickly replaced with personnel of equal experience and capabilities, and their successors may not be as effective. We have entered into employment agreements with Mr. Foran and other key personnel. However, these employment agreements do not ensure that these individuals will remain in our employment. If Mr. Foran or other key personnel resign or become unable to continue in their present roles and if they are not adequately replaced, our business operations could be adversely affected. With the exception of Mr. Foran, we do not maintain, nor do we plan to obtain, any insurance against the loss of any of these individuals. We have an active Board ~~of Directors~~ that meets at least quarterly throughout the year and is closely involved in our business and the determination of our operational strategies. Members of our Board ~~of Directors~~ work closely with management to identify potential prospects, acquisitions and areas for further development. If any of our directors resign or become unable to continue in their present role, it may be difficult to find replacements with the same knowledge and experience and, as a result ~~, our operations may be adversely affected. In addition, our Board of Directors consults regularly with our special Board advisors regarding our business and the evaluation, exploration, engineering and development of our prospects and properties. Due to the knowledge and experience of our special advisors, they play a key role in our multi- disciplined approach to making decisions regarding prospects, acquisitions and development. If any of our special advisors resign or become unable to continue in their present role~~ , our operations may be adversely affected. It has also been widely reported in the press and elsewhere that businesses have faced a more challenging hiring environment since the onset of the COVID- 19 pandemic and the subsequent recovery, which has resulted in increased costs to attract skilled labor, such as higher wages or costs for contractors. We may experience employee turnover or labor shortages if our business requirements, compensation, benefits and / or perquisites are inconsistent with the expectations of current or prospective employees, or if workers pursue employment in fields with less volatility than in the energy industry. If we are unsuccessful in our efforts to attract and retain sufficient qualified personnel on terms acceptable to us, or do so at rates necessary to maintain our competitive position, our business could be adversely affected. The oil and natural gas industry is dependent on digital technologies to conduct certain exploration, development, production, gathering, processing and financial activities, including technologies that are managed by third- party service providers or other providers to our industry on whom we directly or indirectly rely to help us collect, host or process information. We depend on such digital technology to, among other things, estimate oil and natural gas reserves quantities, plan, execute and analyze drilling, completion, production, gathering, processing and disposal operations, process and record financial and operating data and communicate with employees, shareholders, royalty owners and other third- party industry participants. Industrial control systems, such as our SCADA systems, control important processes and facilities that are critical to our operations. While we and our third- party service providers commit resources to the design, implementation and monitoring of our information systems, there is no guarantee that these security measures will provide absolute security. Despite these security measures, we may not be able to anticipate, detect or prevent cyberattacks, particularly because the methodologies used by attackers change frequently or may not be recognized until launch, and because attackers are increasingly using technologies designed to circumvent controls and avoid detection. If any of such programs or systems were to fail or create erroneous information in our hardware or software network infrastructure or we were subject to cyberspace breaches, phishing schemes or attacks, possible consequences include financial losses, damage to our reputation and the inability to engage in any of the aforementioned activities. Any such consequence could have a material adverse effect on our business. In addition, any failure of our third- party providers' computer systems, or those of our customers, suppliers or others with whom we do business, could materially disrupt our ability to operate our business. While we have experienced certain phishing schemes and efforts to access our network, we have not experienced any material losses due to cyber incidents. However, we may suffer such losses in the future. If our or our third- party providers' systems for protecting against cyber incidents prove to be insufficient, we could be adversely affected by unauthorized access to proprietary information, which could lead to data corruption, communication interruption, exposure of our or third parties' confidential or proprietary information, ~~operational~~ disruptions **of our current or planned business operations or transactions** , damage to our reputation or financial loss. Additionally, costs for insurance may also increase as a result of cybersecurity threats, and insurance against losses relating to cyber incidents may become more difficult to obtain. As cyber threats continue to evolve, we may be required to expend additional resources to continue to modify and further enhance our protective systems or to investigate and remediate any vulnerabilities. In addition, the continuing and evolving threat of cybersecurity attacks has resulted in evolving legal and compliance matters, including increased regulatory focus on prevention, which could lead to increased regulatory compliance costs, insurance coverage cost or capital expenditures. Any failure by us to comply with any additional regulations could result in significant penalties and liability to us, and we cannot predict the potential impact to our business or the energy industry resulting from additional regulations. We may also be subject to regulatory investigations or litigation relating ~~from~~ **to** cybersecurity issues. Provisions of our certificate of formation, bylaws and Texas law may have anti- takeover effects that could prevent a change in control even if it might be beneficial to our shareholders. Our certificate of formation and bylaws contain certain provisions that may discourage, delay or prevent a merger or acquisition of the Company or other change in control transaction that our shareholders may consider favorable. These provisions include: • authorization for our Board ~~of Directors~~ to issue preferred stock without shareholder approval; • a classified Board ~~of Directors~~ so that not all members of our Board ~~of Directors~~ are elected at one time; • the prohibition of cumulative voting in the election of directors; and • a limitation on the ability of shareholders to call special meetings to those owning at least 25 % of our outstanding shares of common stock. Provisions of Texas law may also discourage, delay or prevent someone from acquiring or merging with us, which may cause the market price of our common stock to decline. Under Texas law, a shareholder who beneficially owns more than 20 % of our voting stock, or an affiliated shareholder, cannot acquire us for a period of three years from the date this person became an affiliated shareholder, unless various conditions are met, such as approval of the transaction by our Board ~~of Directors~~ before this person became an affiliated shareholder or approval of the holders of at least two- thirds of our outstanding voting shares not beneficially owned by the affiliated shareholder. We operate in a litigious environment and may be involved in legal proceedings that could have a material adverse effect on our results of operations and financial condition. Like many oil and natural gas companies, we are from time to time involved in various legal and other proceedings **in the ordinary course of business** , such as title, royalty or contractual disputes, regulatory compliance matters and personal injury or property damage matters ~~, in the ordinary course of our business~~ . Such legal proceedings are inherently uncertain and their results cannot be predicted. Regardless of the outcome, such proceedings could have a material adverse impact on us because of legal costs, diversion of management and other personnel and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in liability, penalties or sanctions, as well as judgments, consent decrees or orders requiring a change in our business practices, which could materially and adversely affect our business, operating results and financial condition. Accruals for such liability, penalties or sanctions may be insufficient. Judgments and estimates to determine accruals or range of losses related to legal and other proceedings could change from one period to the next, and such changes could be material.