Risk Factors Comparison 2024-04-01 to 2023-03-31 Form: 10-K

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

You should carefully consider the following risks associated with owning our common stock. Although the risks described below are the risks that we believe are material, they are not the only risks relating to our industry, our business and our common stock. Additional risks and uncertainties, including those that we have not yet identified or that we currently believe are immaterial, may also adversely affect our business, financial condition or results of operations. Risks Associated With Our Industry Decreased oil and natural gas prices and oil and gas industry expenditure levels adversely affect our revenue. Our revenue is derived primarily from expenditures in the oil and natural gas industry, which, in turn, are based on budgets to explore for, develop and produce oil and natural gas. When these expenditures decline, as they have at various times during the past several years, our revenue will suffer. The industry' s willingness to explore for, develop and produce oil and natural gas depends largely upon the prevailing view of future oil and natural gas prices. Prices for oil and natural gas historically have been, and are likely to continue to be, highly volatile. Many factors affect the supply and demand for oil and natural gas and, therefore, influence oil and natural gas prices, including: • the level of oil and natural gas production; • the level of oil and natural gas inventories; • domestic and worldwide demand for oil and natural gas; • the expected cost of developing new reserves; • the cost of producing oil and natural gas; • the level of drilling and completions activity; • inclement weather; • domestic and worldwide economic activity; • regulatory and other federal and state requirements in the United States; • the ability of the Organization of Petroleum Exporting Countries, national oil companies and other large producers to set and maintain production levels and prices for oil; • political conditions in or affecting oil and natural gas producing countries; • terrorist activities **affecting traditional supply routes and other possible terrorist activities** in the United States and elsewhere; • the cost of developing alternative energy sources; • environmental regulation; and • tax policies. ~~Our~~ **The** rental contracts ~~are generally~~ **of many of our operating compressor units have a** short- term **duration** , and oil and natural gas companies tend to respond quickly to upward or downward changes in prices. Any prolonged reduction in drilling and production activities historically has reduced our compressor sales and materially eroded both rental pricing and utilization rates for our equipment and services and adversely ~~affects~~ **affected** our financial results. As a result of any such prolonged reductions, we may suffer losses, be unable to make necessary capital expenditures ~~and~~ **or** be unable to meet our financial obligations. The intense competition in our industry could result in reduced profitability and loss of market share for us. We compete with the oil and natural gas industry' s largest equipment and service providers who have greater name recognition than we do. These companies also have substantially greater financial resources, larger operations and greater budgets for marketing, research and development than we do. They may be better able to compete because of their broader geographic dispersion and ability to take advantage of international opportunities, the greater number of compressors in their fleet ~~or~~ **,** their product and service diversity **or a lower cost of capital** . As a result, we could lose customers and market share to those competitors. These companies may also be better positioned than us to successfully endure downturns in the oil and natural gas industry. Our operations may be adversely affected if our current competitors or new market entrants introduce new products or services with better prices, features, performance or other competitive characteristics than our products and services. Competitive pressures or other factors also may result in significant price competition that could harm our revenue and our business. Additionally, we may face competition in our efforts to acquire other businesses. Adverse macroeconomic and business conditions may significantly and negatively affect our results of operations. As a result of the COVID- 19 outbreak and other economic conditions in the United States and abroad, our revenue and profitability **were** ~~has been~~ adversely affected **in the ensuing years** . The condition of domestic and global financial markets and the potential for disruption and illiquidity in the credit markets could have an adverse effect on our operating results and financial condition, and if sustained for an extended period, such adverse effects could also become significant. Uncertainty and turmoil in the credit markets may negatively impact the ability of our customers to finance ~~purchases~~ **utilization** of our products and services and could result in a decrease in, or cancellation of, orders ~~included in our backlog~~ or adversely affect the collectability of our receivables. If the availability of credit to our customers is reduced, they may reduce their drilling and production expenditures, thereby decreasing demand for our products and services, which could have a negative impact on our financial condition. A prolonged period of depressed prices for oil and natural gas would likely result in delays or cancellation of projects by our customers, reducing the demand for our products and services. ~~Additionally~~ **Continued elevated levels of inflation could have an adverse impact on our operating results. The U. S. economy has experienced elevated levels of inflation since early 2022. While such levels of inflation have moderated in recent months** , ~~if~~ **uncertainty remains on expectations of inflation during 2024. Should inflationary pressures return or increase, the result will be an increase in our cost structure, including labor costs, parts costs, lubricants and other items used in our operations. If such cost increases occur,** we ~~are not~~ **may be** ~~able~~ **unable** to pass along **such** increases to our **customers in the form of higher rental rates for our compressor units. Increases in inflation could also increase the** costs **of new compressor units** ~~due to inflation on parts~~ , ~~fluids, labor~~ **making them less attractive** and **decreasing** ~~other~~ -- **the demand from our customers for such** ~~aspects~~ - **assets . Should any** of **these items** ~~our~~ **occur** ~~business~~ , ~~it may adversely affect our~~ **they could negatively impact the** results of **our** operations ~~and cash flows~~ . A reduction in demand for oil could adversely affect our business. Our results of operations depend upon the level of activity in the energy market, including oil development, production, and transportation. Oil and natural gas prices and the level of drilling and exploration activity can be volatile. As a result, the demand for our natural gas compression services ~~will~~ **can** be adversely affected. A reduction in demand has, and could **in the future** continue to, force us to reduce our pricing substantially. Additionally, our customers' production from oilweighted reserves constitutes the majority percentage of our business. These **are considered** unconventional sources **and** are generally less economically feasible to be developed in low oil price environments. A decline in demand for oil and natural gas generally has an adverse effect on our business, financial condition and results of operations. Our industry is highly cyclical, and our results of operations may be volatile. Our industry is highly cyclical, with periods of high demand and high pricing followed by periods of low demand and low pricing. Periods of low demand intensify the competition in the industry and often result in rental equipment being idle for long periods of time. We have been required to enter into lower rate rental contracts in response to market conditions and our rentals and sales revenue have decreased as a result of such conditions. Due to the short- term nature of most of our rental contracts, changes in market conditions can quickly affect our business. As a result of the cyclicality of our industry, we anticipate our results of operations will be volatile in the future. Increased regulation or ban of current fracturing techniques could reduce demand for our compressors. From time to time, for example, legislation has been proposed in Congress to amend the federal Safe Drinking Water Act (" SDWA ") to require federal permitting of hydraulic fracturing and the disclosure of chemicals used in the hydraulic fracturing process. Further, the EPA completed a study finding that hydraulic fracturing could potentially harm drinking water resources under adverse circumstances such as injection directly into groundwater or into production wells lacking mechanical integrity. Further, legislation to amend the SDWA to repeal the exemption for hydraulic fracturing (except when diesel fuels are used) from the definition of " underground injection " and require federal permitting and regulatory control of hydraulic fracturing, as well as legislative proposals to require disclosure of the chemical constituents of the fluids used in the fracturing process, have been proposed in recent sessions of Congress. Several states and local jurisdictions also have adopted or are considering adopting regulations that could restrict or prohibit hydraulic fracturing in certain circumstances, impose more stringent operating standards and / or require the disclosure of the composition of hydraulic fracturing fluids. While we do not perform hydraulic fracturing, many of our customers do and their activity level drives demand for our products. More recently, federal and state governments have begun investigating whether the disposal of produced water into underground injection wells has caused increased seismic activity in certain areas. The results of these studies could lead federal and state governments and agencies to develop and implement additional regulations. A ban of hydraulic fracturing would likely halt some projects, including unconventional projects, at least temporarily. Expanded regulations are likely to introduce a period of uncertainty as companies determine ways to proceed. Any curtailment could result in a reduction ~~of~~ **in** demand for our compressors, potentially affecting both sales and rentals of our units. We are subject to extensive environmental laws and regulations that could require us to take costly compliance actions that could harm our financial condition. Our fabrication and maintenance operations are significantly affected by stringent and complex federal, state and local laws and regulations governing the discharge of substances into the environment or otherwise relating to environmental protection. In these operations, we generate and manage hazardous wastes such as solvents, thinner, waste paint, waste oil, wash down wastes, and sandblast material. We attempt to use generally accepted operating and disposal practices and, with respect to acquisitions, will attempt to identify and assess whether there is any environmental risk before completing an acquisition. Based on the nature of the industry, however, hydrocarbons or other wastes may have been disposed of or released on or under properties owned or leased by us or on or under other locations where such wastes have been taken for disposal. The waste on these properties may be subject to federal or state environmental laws that could require us to remove the ~~wastes~~ **waste** or remediate sites where they have been released. We could be exposed to liability for cleanup costs, natural resource and other damages as a result of our conduct or the conduct of, or conditions caused by, prior owners, lessees or other third parties. Environmental laws and regulations have changed in the past, and they are likely to change in the future. If current existing regulatory requirements or enforcement policies change, we may be required to make significant unanticipated capital and operating expenditures. Any failure by us to comply with applicable environmental laws and regulations may result in governmental authorities taking actions against our business that could harm our operations and financial condition, including the: • issuance of administrative, civil and criminal penalties; • denial or revocation of permits or other authorizations; • reduction or cessation in operations; and • performance of site investigatory, remedial or other corrective actions. Increasing attention to environmental, social and governance matters and future related reporting requirements may impact our business, financial results and stock price. In recent years, increasing attention has been given to corporate activities related to environmental, social and governance (" ESG ") matters in public discourse and the investment community. A number of advocacy groups, both domestically and internationally, have campaigned for governmental and private action to promote change at public companies related to ESG matters, including through the investment and voting practices of investment advisers, public pension funds, universities and other members of the investing community. These activities include increasing attention and demands for action related to climate change and energy transition matters, such as promoting the use of substitutes to fossil fuel products and encouraging the divestment of fossil fuel equities, as well as pressuring lenders and other financial services companies to limit or curtail activities with fossil fuel companies. Members of the investment community have begun to screen companies for sustainability performance, including practices related to climate change. In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings systems for evaluating companies on their approach to ESG matters. These ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings may lead to increased negative investor sentiment toward us and our industry and to the diversion of investment to other industries, which could have a negative impact on our stock price and our access to and costs of capital. Regulatory requirements related to ESG or sustainability reporting have been issued in the European Union that apply to financial market participants. In the United States, such regulations have been issued related to pension investments in California, and for the responsible investment of public funds in Illinois. Additional regulation is pending in other states. We expect regulatory requirements related to ESG matters to continue to expand globally. If we are not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, customers or other stakeholders, our business and ability to raise capital may be adversely affected. Increasing attention to climate change, increasing societal expectations on companies to address climate change, and potential consumer use of substitutes to energy commodities may result in increased costs, reduced demand for our customers' hydrocarbon products which will likely translate to reduced demand for compression services, reduced profits, increased investigations and litigation, increased governmental regulations and negative impacts on our stock price and access to capital markets. International, national and state governments and agencies continue to evaluate and promulgate legislation and regulations that are focused on restricting greenhouse gas (GHG) emissions. Compliance with climate action regulations applicable to our customers' operations may have significant implications that could adversely affect our business and operating results in the fossil fuel sectors, and boosting demand for technologies contributing to the climate action agenda. In the United States, the U. S. Environmental Protection Agency (EPA) has taken steps to regulate GHG emissions as air pollutants under the U. S. Clean Air Act of 1970, as amended. The EPA' s Greenhouse Gas Reporting Rule requires monitoring and reporting of GHG emissions from, among others, certain mobile and stationary GHG emission sources in the oil and natural gas industry. In addition, the U. S. government has proposed rules in the past setting GHG emissions standards for, or otherwise aimed at reducing GHG emissions from, the oil and natural gas industry. Caps or fees on carbon emissions, including in the U. S., have been and may continue to be established and the cost of such caps or fees could disproportionately affect the fossil fuel sectors. We are unable to predict whether and when the proposed changes in laws or regulations ultimately will occur or what they ultimately will require, and accordingly, we are unable to assess the potential financial or operational impact they may have on our **customers and therefore our** business ~~. Other developments focused on restricting GHG emissions include the Regional Greenhouse Gas Initiative, the Western Climate Action initiative, and various state programs implementing the California Global Warming Solutions Act of 2006 (known as Assembly Bill 32). Requirements and voluntary initiatives to reduce greenhouse gas emissions, as well as increased climate change awareness, may result in increased costs for the oil and gas industry to curb greenhouse gas emissions and could have an adverse impact on demand for oil and natural gas. International, national, and state governments, agencies and bodies continue to evaluate and promulgate regulations and voluntary initiatives that are focused on restricting GHG emissions. These requirements and initiatives are likely to become more stringent over time and to result in increased costs for the oil and gas industry to curb GHG emissions. In addition, these developments, and public perception relating to climate change, may curtail production and demand for hydrocarbons such as oil and natural gas by shifting demand towards and investment in relatively lower carbon energy sources such as wind, solar and alternative energy solutions. If renewable energy becomes more competitive than fossil-fuel energy globally, it could have a material effect on our results of operations. The potential for climate related changes may pose future risks to our operations and those of our customers. These changes can include extreme variability in weather patterns such as increased frequency and severity of significant weather events (e. g. flooding, hurricanes and tropical storms), natural hazards (e. g., increased wildfire risk), rising mean temperature and sea levels, and long- term changes in precipitation patterns (e. g. drought, desertification, or poor water quality). Such changes have the potential to affect business continuity and operating results, particularly at facilities in coastal areas or areas prone to chronic water scarcity~~ . Risks Associated With Our Company A significant majority of our compressor **unit** ~~rentals~~ - **rental agreements** are **either** ~~for terms of six months~~ - **month- to-month** or ~~less~~ **short- term in duration.** which, if terminated or not renewed, would adversely impact our revenue and our ability to recover our initial equipment costs. The length of our compressor rental agreements with our customers varies based on customer needs, equipment configurations and geographic area. In most cases, under currently prevailing rental rates, the initial rental periods are not long enough to enable us to fully recoup the average cost of acquiring or fabricating the equipment. ~~Of~~ **On a unit basis, of** the 1, ~~221~~ **247** compressors rented at December 31, ~~2022~~ **2023** , ~~841~~ **773** were rented on a month- to-month basis **. On a horsepower basis, of the 420, 432 total rented horsepower, we had 141, 194 of that total rented on a month- to- month basis, with the remainder on contracts expiring between 2024 and 2028** . Given the volatility of the oil and gas market, we cannot be sure that a substantial number of our customers will continue ~~to renew~~ their rental agreements or that **, if such agreements were terminated** we will be able to re- rent the equipment to new customers or that any ~~renewals or~~ re- rentals ~~will~~ **would** be at comparable rental rates. The inability to timely ~~renew~~ **renegotiate** or re- rent a substantial portion of our compressor rental fleet **could** ~~has and will~~ have a material adverse effect upon our business, financial condition, results of operations and cash flows. We could be subject to substantial liability claims that could harm our financial condition. Our products are used in production applications where an accident or a failure of a product can cause personal injury, loss of life, damage to property, equipment or the environment, or suspension of operations. While we maintain insurance coverage, we face the following risks under our insurance coverage: • we may not be able to continue to obtain insurance on commercially reasonable terms; • we may be faced with types of liabilities that will not be covered by our insurance, such as damages from significant product liabilities and from environmental contamination; • the dollar amount of any liabilities may exceed our policy limits; and • we do not maintain coverage against the risk of interruption of our business. Any claims made under our policies will likely cause our premiums to increase. Any future damages caused by our products or services that are not covered by insurance, are in excess of policy limits or are subject to substantial deductibles, would reduce our earnings and our cash available for operations. A significant amount of our revenues and accounts receivable are related to one customer and a loss of this customer or other current customers could adversely affect our results of operations. Our business is dependent not only on securing new customers but also on maintaining current customers. We had one customer that accounted for an aggregate of approximately ~~42~~ **50** % of our revenue for the year ended December 31, ~~2022~~ **2023** , and the same customer accounted for an aggregate of approximately ~~40~~ **42** % of our revenue for the year ended December 31, ~~2021~~ **2022** . At December 31, ~~2022~~ **2023** , this same customer accounted for an aggregate of ~~55~~ **64** % of our accounts receivable. Unless we are able to retain our existing customers, or secure new customers if we lose one or more of our significant customers, our revenue and results of operations would be adversely affected. In addition, the default on payments by our significant customer or other important customers would negatively impact our cash flow and current assets. Loss of key members of our management could adversely affect our business. In keeping with our streamlined approach to our business, our executive management team consists of ~~three~~ **four** officers: our (i) Chief Executive Officer, (ii) Chief Financial Officer ~~and~~ (iii) ~~Vice~~ **Chief Technical Officer and (iv)** President ~~of Technical Services. Stephen C. Taylor, our Interim President~~ and **Chief Operating Officer. On February 1, 2024, Justin Jacobs, a member of our board of directors, was named as** Chief Executive Officer ~~who has been our President, Chief Executive Officer and Board member since 2004, has announced his intention to retire as an~~ **and assumed** ~~officer from the~~ **these** ~~Company effective June 30~~ **duties beginning on February 12** , ~~2023~~ **2024** . We ~~currently~~ have ~~an~~ **had two** Interim Chief Financial ~~Officer~~ **Officers** ~~after~~ **since** the resignation of our prior Chief Financial Officer on February 28, 2023. **While** ~~If either of these~~ **there is an ongoing search for a permanent Chief Financial Officer, if this** ~~positions~~ **position** ~~are~~ **is** not adequately or timely replaced, our business operations could be materially adversely affected **. In addition, we rely on James Hazlett, our long- time Chief Technical Officer, in connection with the design and engineering of our compressor lines. While we have recently hired Brian Tucker as our Chief Operating Officer, we expect that Mr. Hazlett' s services will also continue to be available to us in the foreseeable future. However, the complete loss of either Messrs. Tucker' s or Hazlett' s services could have an adverse impact on our business** . We do not carry any key- man insurance on any of our officers or directors. The erosion of the financial condition of our customers could adversely affect our business. Many of our customers finance their exploration and development activities through cash flow from operations, the incurrence of debt or the issuance of equity. During times when the oil or natural gas markets are weak, our customers are more likely to experience a ~~downturn~~ **deterioration** in their financial condition. Many of our customers' equity values and liquidity substantially ~~declined~~ **decline** during **declines** ~~the most recent fall~~ in oil and natural gas prices, and in some cases access to capital markets may be an unreliable source of financing for some customers. The combination of a reduction in cash flow resulting from declines in commodity prices, an increase in the interest rates charged for debt ~~incurrence~~ **financing** , a reduction in borrowing bases under reserve- based credit facilities and the lack of availability of debt or equity financing may result in a reduction in our customers' spending for our products and services ~~in 2023~~ . For example, our customers could seek to preserve capital by canceling month- to- month contracts, canceling or delaying scheduled maintenance of their existing natural gas compression equipment or determining not to enter into any new natural gas compression service contracts or purchase new compression equipment. We might be unable to employ qualified technical personnel, which could hamper our present operations or increase our costs. Many of the compressors that we sell or rent are mechanically complex and often must perform in harsh conditions. We believe that our success depends upon our ability to employ and retain a sufficient number of technical personnel who have the ability to design, utilize, enhance and maintain these compressors. Our ability to maintain and expand our operations depends in part on our ability to utilize and increase our skilled labor force. The demand for skilled workers is high, and supply is limited. A significant increase in the wages paid by competing employers could result in a reduction of our skilled labor force or cause an increase in the wage rates that we must pay or both. If either of these events were to occur, our cost structure could increase and our operations and growth potential could be impaired. We may require a substantial amount of capital to expand our compressor rental fleet and grow our business. **In late 2022 and for 2023, we significantly expanded and borrowed under our bank credit facility in order to finance the growth of our large horsepower compressor fleet, increasing the outstanding balance on our facility from $ 25 million at December 31, 2022, to $ 164 million at December 31, 2023. The current commitment on our credit facility is $ 225 million, subject to borrowing base limitations. At December 31, 2023, our borrowing base under the credit facility was approximately $ 219. 7 million, leaving approximately $ 55. 7 million available for future borrowing.** During ~~2023~~ **2024** , the amount we will spend on capital expenditures related to ~~rental~~ compression equipment will be determined primarily by the activity of our customers, our financial resources and access to capital. The amount and timing of any capital expenditures may vary depending on a variety of factors, including the level of activity in the oil and natural gas exploration and production industry and the presence of alternative uses for our capital, including any acquisitions that we may pursue. **In addition, although a significant portion of the value of a new compressor increases our borrowing base under our credit facility once it has been fully constructed and put into service, we generally have an approximate lag of 9 to 12 months between borrowing money under the credit facility to fund progress payments to build a compressor and the time it becomes eligible for inclusion in our borrowing base. This lag can reduce the amount of future borrowings available for working capital purposes and new compressor unit acquisition until the unit is placed into service.** During the past year, we funded our capital expenditures through cash flows from operations and borrowings from our revolving credit facility. Although we believe that cash on hand, cash flows from our operations and bank borrowing from **our** revolving credit facility will provide us with sufficient cash to fund our planned capital expenditures for ~~2023~~ **2024** , we cannot **provide** ~~assure~~ **assurance** ~~you~~ that these sources will be sufficient **considering the factors and limitations noted above** . ~~We~~ **In addition to expanding our existing business through organic growth opportunities, we** may require additional capital to fund any significant unanticipated capital expenditures, such as a material acquisition. To the extent we would require any necessary capital, ~~it~~ **due to the existing constraints noted above and any issues or limitations in the equity and debt capital markets, such capital,** may not be available to us when we need it or on acceptable terms. Our ability to raise additional capital will depend on the results of our operations and the status of various capital and industry markets at the time we seek such capital. Failure to generate sufficient cash flow, together with the absence of alternative sources of capital, could **stagnate our growth and** have a material adverse effect on our business, financial condition, results of operations or cash flow. Our debt levels may negatively impact our current and future financial stability. In ~~February~~ **November** 2023, we ~~significantly~~ increased the borrowing commitment of our revolving credit facility from $ ~~50~~ **175** million to $ ~~175~~ **225** million (subject to borrowing base limitation and customary covenants) and at December 31, ~~2022~~ **2023 ,** we had $ ~~25~~ **164** million outstanding on the revolving credit facility and anticipate additional ~~significant~~ borrowing on the facility through ~~2023~~ **2024** . Should we utilize our full debt capacity growth beyond that point could be impacted. As a result of our indebtedness at any given point in time, we might not have the ability to incur any substantial additional indebtedness. The level of our indebtedness could have several important effects on our future operations, including: • our ability to obtain additional financing for working capital, acquisitions, capital expenditures and other purposes may be limited; • a significant portion of our cash flow from operations may be dedicated to the payment of principal and interest (which is variable on our revolving credit facility) on our debt, thereby reducing funds available for other purposes; and • our leverage if increased to an unacceptable level, could make us more vulnerable to economic downturns. If we borrow under our credit line and are unable to service our debt, we will likely be forced to take remedial steps that are contrary to our business plan. If we were to materially borrow **further** under our line of credit or other borrowing arrangements, it is possible that our business will not generate sufficient cash flow from operations to meet any debt service requirements and the payment of principal when due depending on the amount of borrowings at any given time. If this were to occur, we may be forced to: • sell assets at disadvantageous prices; • obtain additional financing **on less favorable terms** ; or • refinance all or a portion of our indebtedness on terms that may be less favorable to us. Our current credit agreement contains covenants that limit our operating and financial flexibility and, if breached, could expose us to severe remedial provisions. Under the terms of our current credit agreement, we must: • comply with various leverage, commitment coverage and other customary **financial** ratios; • not exceed specified levels of debt **;** • comply with limits on asset sales; • comply with limits on cash dividends; **and** • ~~and~~ other customary **financial and operational** limitations. Our ability to meet the financial ratios and tests under our credit agreement can be affected by events beyond our control, and we may not be able to satisfy those ratios and tests. A breach of any one of these covenants or requirements could permit the lending organization to accelerate outstanding amounts so that it is immediately due and payable. If a breach occurs, no further borrowings would be available under our credit arrangement. If we are unable to repay any outstanding amounts, the lending organization could proceed against and foreclose on the assets we pledged as collateral to secure payment of our indebtedness. **Our current credit agreement contains a variable interest rate and increases to such rate may increase our borrowing cost. The interest expense charged on our outstanding borrowings under our current credit agreement is based upon a variable rate which fluctuates as interest rates change. Changes in macroeconomic conditions outside of our control could result in a higher interest rate being charged on our outstanding borrowings and an increase in the overall interest costs charged. This could have an adverse impact on our operations, our free cash flow and our ability to invest in future growth.** If we fail to acquire or successfully integrate additional businesses, our growth may be limited and our results of operations may suffer. As part of our business strategy, we evaluate potential acquisitions of other businesses or assets. However, there can be no assurance that we will be successful in consummating any such acquisitions. **The** ~~Successful~~ **successful** acquisition of businesses or assets will depend on various factors, including, but not limited to, our ability to obtain financing and the competitive environment for acquisitions. In addition, we may not be able to successfully integrate any businesses or assets that we acquire in the future. The integration of acquired businesses is likely to be complex and time **-** consuming ~~and~~ **,** place a significant strain on management and may disrupt our business. We also may be adversely impacted by any unknown liabilities of acquired businesses, including environmental liabilities. We may encounter substantial difficulties, costs and delays involved in integrating common accounting, information and communication systems, operating procedures, internal controls and human resources practices, including incompatibility of business cultures and the loss of key employees and customers. These difficulties may reduce our ability to gain customers or retain existing customers, and may increase operating expenses, resulting in reduced revenues and income and a failure to realize the anticipated benefits of acquisitions. Failure to effectively manage our business and growth could adversely affect our operating results and our internal controls. **In 2023, we had significant growth in our revenue and operations.** Our strategy envisions the **continued** expansion and growth of our business, subject to the demand for oil and gas and the impact of the other risks set forth in this risk factor section and elsewhere in this Report. **Continued rapid** ~~Growth~~ **growth** ~~may~~ **will likely challenge and** place a strain on our management systems and resources **if we are unable to timely adapt and expand such systems and resources. Many of our ongoing reporting functions rely on data capture and recording using manual entry of transaction data. In order to efficiently and effectively manage our planned growth, we will need to continue to analyze and upgrade our use of technology, including our ERP and other operating systems and this will likely require future capital investment** . We must continue to refine and expand our business capabilities, our **workforce, our** systems and processes, and our access to financing sources. ~~If~~ **As** we ~~expand~~ **continue to grow** , we must continue to hire, train, supervise and manage new employees. We cannot assure that we will be able to: • meet our capital needs; • upgrade and expand our office and ~~manufacturing~~ **field management** infrastructure so that it is appropriate for our level of activity; • ~~expand~~ **continue to improve** our systems effectively or efficiently ~~or~~ **and** in a timely manner, including financial and management controls, reporting systems and procedures; and • attract, hire, train and retain additional highly skilled and motivated officers **, sales staff, district managers** and employees and allocate our human resources optimally. If we are unable to manage our growth, our financial conditions and results of operations may be adversely affected. Liability to customers under warranties and indemnification provisions may materially and adversely affect our results of operations. We provide warranties as to the proper operation and conformance to specifications of the equipment we manufacture. Our equipment is complex and often deployed in harsh environments. Failure of this equipment to operate properly or to meet specifications may increase our costs by requiring additional engineering resources and services, replacement of parts and equipment or monetary reimbursement to a customer. We have in the past received warranty claims and we expect to continue to receive them in the future. To the extent that we incur substantial warranty claims in any period, our reputation, our ability to obtain future business and our results of operations could be materially and adversely affected. Our rental and sales contracts provide for varying forms of indemnification from our customers and in most cases may require us to indemnify our customers. Under some of our rental and sales contracts, liability with respect to personnel and property is customarily assigned on a " knock- for- knock " basis, which means that we and our customers assume liability for our respective personnel and property. However, in certain rental and sales contracts we assume liability for damage to our customer' s property ~~and~~ **as well as the property of certain** other third **parties** ~~- party~~ on the site resulting from our negligence. Since our products are used in production applications in the energy industry, expenses and liabilities in connection with accidents involving our products and services could be extensive and may exceed our insurance ~~coverages~~ **coverage**. Our income taxes may change. We are subject to income tax on a jurisdictional or legal entity basis and significant judgment is required in certain instances to allocate our taxable income to a jurisdiction and to determine the related income tax expense and benefits. Losses in one jurisdiction generally may not be used to offset profits in other jurisdictions. As a result, changes in the mix of our earnings (or losses) between jurisdictions, among other factors, could alter our overall effective income tax rate, possibly resulting in significant tax rate increases. We are regularly audited by various tax authorities. Income tax audit assessments or changes in tax laws, regulations, or other interpretations may result in increased tax provisions which could materially affect our operating results in the period or periods in which such determinations are made or changes occur. Failure to maintain effective internal controls could have a material adverse effect on our operations. Section 404 of the Sarbanes- Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting. If we fail to **remediate our material weakness or** maintain effective internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes- Oxley Act. Moreover, effective internal controls are necessary for us to produce reliable financial reports and to help prevent financial fraud. If, as a result of deficiencies in our internal controls, we cannot provide reliable financial reports or prevent fraud, our business decision process may be adversely affected, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the price of our stock could decrease as a result. We **rely on** ~~are exposed to risks related to~~ computer **and telecommunications** systems **, and** failures **in** ~~or~~ **our** ~~cyber security threats In the conduct of our business we are dependent upon our computing~~ systems ~~and those of third parties to collect, store, transmit and process data used in our~~ **or** ~~operational activities and to record, process and track financial transactions. If interruptions were to occur we would be unable to access these systems for a period of time and there is a risk of data loss. Data backup and storage measures are in place that would allow recovery in a time frame that we believe would not materially impact our ability to conduct business. We are also subject to~~ cyber security attacks **or breaches could result in information theft, data corruption, disruption in operations** and **/ or financial loss. In the conduct of our business, we rely heavily on information technology systems (" digital technology "), including internet- based systems, to process, transmit and store electronic information. In particular, we depend upon our digital technology for supply chain management, inventory management, payment processing and data storage. Like many companies, we have become increasingly dependent upon digital technology to conduct daily operations. Our business partners, including vendors, service providers and financial institutions, are also dependent upon digital technology. We are continually exposed to various cybersecurity risks, including but not limited to, unauthorized access to our systems or data, malware and ransomware attacks, denial- of- service attacks, phishing, theft or loss of intellectual property, and data breaches. These risks could result from malicious actors, employee error, malfeasance, or other operational vulnerabilities. A cybersecurity attack could have a significant adverse impact on our business operations, financial condition and reputation. Potential consequences include loss of sensitive or proprietary information, disruption of business operations, financial losses from remedial actions, litigation and potential legal liabilities and damage to customer and investor confidence. We** have taken steps to **protect against cyber- attacks to** minimize the ~~probability~~ **risk** of **our systems being penetrated and compromised by implementing a comprehensive cybersecurity program, such as regular risk assessments and penetration testing, deployment of firewalls and intrusion detection systems, deployment of encryption technologies, implementation of access controls and the development of incident response and recovery plans. Additionally, we have employed data backup and storage measures that could allow for recovery of our data. However, we cannot assure that our efforts to prevent such** an attack ~~penetrating our~~ **or** ~~systems. These include network security~~, **that if** ~~virus protection, filtering software and~~ **an** ~~intrusion protection measures~~ **attack were to occur, that we would be able to access our data in a timely fashion**. Risks Associated With Our Common Stock The price of our common stock may fluctuate. The trading price of our common stock and the price at which we may sell securities in the future are subject to substantial fluctuations in response to various factors, including our ability to successfully accomplish our business strategy, the trading volume of our stock, changes in governmental regulations, actual or anticipated variations in our quarterly or annual financial results, our involvement in litigation, general market conditions, the prices of oil and natural gas, announcements by us and our competitors, our liquidity, our ability to raise additional funds, and other events such as those discussed in the factors above. Future sales of our common stock could adversely affect our stock price. Substantial sales of our common stock in the public market, or the perception by the market that those sales could occur, may lower our stock price or make it difficult for us to raise additional equity capital in the future. According to filings made with the Securities and Exchange Commission ~~in February~~ **as of March 28,** ~~2022~~ **2024**, an aggregate of approximately ~~38~~ **37**. 1 % of the outstanding shares of our common stock are owned by five institutional investors, each of which owns more than 5 % of our outstanding shares as of the date of their respective filings ~~in February 2022~~. Potential sales of large amounts of these shares in a short period of time by one or more of these significant investors could have a negative impact on our stock price. In addition, potential sales of our common stock by our directors and officers, who beneficially own approximately ~~6~~ **7**. ~~9~~ **3** % of the outstanding shares of our common stock as of March 28, ~~2023~~ **2024**, and because of the negative perception of sales by insiders, could also have a negative impact on our stock price. We have a comparatively low number of shares of common stock outstanding and, therefore, our common stock may suffer from limited liquidity and its ~~prices~~ **price** will likely be volatile and its value may be adversely affected. Because of our relatively low number of outstanding shares of common stock, the trading price of our common stock will likely be subject to significant price fluctuations and limited liquidity. This may adversely affect the value of your investment. In addition, our common stock price is subject to fluctuations in response to variations in quarterly operating results, changes in management, future announcements concerning us, general trends in the industry and other events or factors such as those described above. If we issue debt or equity securities, you may lose certain rights and be diluted. If we raise funds in the future through the issuance of debt or equity securities, the securities issued may have rights and preferences and privileges senior to those of holders of our common stock, and the terms of the securities may impose restrictions on our operations or dilute your ownership in our Company. We currently have on file with the SEC an effective" universal" shelf registration statement on Form S- 3, which enables us to sell, from time to time, our common stock and other securities **, including debt securities,** covered by the registration statement in one or more public offerings. The shelf registration statement allows us to enter the public markets and consummate sales of the registered securities in rapid fashion and with little or no notice. Issuances of securities under our shelf registration statement may dilute our existing shareholders. If securities analysts downgrade our stock or cease coverage of us, the price of our stock could decline. The trading market for our common stock relies in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. Furthermore, there are many large, well- established, publicly traded companies active in our industry and market, which may mean that it is less likely that we will receive widespread analyst coverage. If one or more of the analysts who do cover us downgrade our stock, our stock price would likely decline rapidly. If one or more of these analysts cease coverage ~~of our company~~ , we could lose visibility in the market, which in turn could cause our stock price to decline. Provisions contained in our governing documents could hinder a change in control ~~of us~~ . Our articles of incorporation and bylaws contain provisions that may discourage acquisition bids and may limit the price investors are willing to pay for our common stock. Our articles of incorporation and bylaws provide that: • directors are elected for three- year terms, with approximately one- third of the board of directors standing for election each year; • cumulative voting is not allowed, which limits the ability of minority shareholders to elect any directors; • advance notice for nominations of directors by shareholders and for shareholders to include matters to be considered at our annual meeting; • the unanimous vote of the board of directors or the affirmative vote of the holders of not less than 80 % of the votes entitled to be cast by the holders of all shares entitled to vote in the election of directors is required to change the size of the board of directors; and • directors may be removed only for cause or by the holders of not less than 80 % of the votes entitled to be cast on the matter. Our Board of Directors has the authority to issue up to five million shares of preferred stock. The Board of Directors can fix the terms of the preferred stock without any action on the part of our shareholders. The issuance of shares of preferred stock may delay or prevent a change in control transaction. In addition, preferred stock could be used in connection with the Board of Directors' adoption of a shareholders' rights plan (also known as a poison pill), which would make it much more difficult to effect a change in control of our Company through acquiring or controlling blocks of stock. Also, our directors and officers as a group will continue to beneficially own stock and although this is not a majority of our stock, it confers substantial voting power in the election of directors and management of our Company. This would make it difficult for other minority shareholders to effect a change in control or otherwise extend any significant control over our management. This may adversely affect the market price and interfere with the voting and other rights of our common stock. ~~18~~