Risk Factors Comparison 2024-03-08 to 2023-03-08 Form: 10-K

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We face many challenges and risks in the industry in which we operate. You should carefully consider each of the following risk factors and all of the other information set forth in this Annual Report, including under the section titled " Cautionary Note Regarding Forward- Looking Statements. " The risks and uncertainties described are not the only ones we face. Additional risk factors not presently known to us or which we currently consider immaterial may also adversely affect our business, financial condition, or future results. If any of these risks were actually to occur, our business, financial condition, or results of operations could be materially adversely affected. In that case, the trading price of our common stock could decline, and a stockholder could lose all or part of its investment. Risks Related to Our Industry Our business is cyclical and depends on capital spending and well completions by the onshore oil and natural gas industry, and the level of such activity is volatile. Our business has been, and may continue to be, adversely affected by industry and financial market conditions that are beyond our control. Our business is cyclical, and we depend on our customers' willingness to make operating and capital expenditures to explore for, develop, and produce oil and natural gas, which, in turn, largely depends on prevailing industry and financial market conditions that are influenced by numerous factors beyond our control, including: • the level of prices, and expectations about future prices, for oil and natural gas; • the domestic and foreign supply of, and demand for, oil and natural gas and related products; • the level of global and domestic oil and natural gas production; • the supply of, and demand for, hydraulic fracturing and other oilfield services and equipment; • governmental regulations, including the policies of governments regarding the exploration for and production and development of their oil and natural gas reserves; • the cost of exploring for, developing, producing, and delivering oil and natural gas; • available pipeline, storage, and other transportation capacity; • worldwide political, military, and economic conditions ~~; • global or national health epidemics or concerns, such as the coronavirus pandemic that began in 2020, which may reduce demand for oil, natural gas, and related products because of reduced global or national economic activity~~ ; • lead times associated with acquiring equipment and products and availability of qualified personnel; • the discovery rates of new oil and natural gas reserves; • federal, state, and local regulation of hydraulic fracturing and other oilfield service activities, as well as E & P activities, including public pressure on governmental bodies and regulatory agencies to regulate our industry; • economic and political conditions in oil and natural gas producing countries; • actions of OPEC, its members, and other state- controlled oil companies relating to oil price and production levels, including announcements of potential changes to such levels; • advances in exploration, development, and production technologies or in technologies affecting energy consumption; • activities by non- governmental organizations to restrict the exploration, development, and production of oil and natural gas so as to minimize emissions of carbon dioxide, a GHG; • the price and availability of alternative fuels and energy sources; • global weather conditions and natural disasters, including those related to **the physical effects of** climate change; and • uncertainty in capital and commodities markets and the ability of oil and natural gas producers to access capital. A decline in oil and natural gas commodity prices may adversely affect the demand for our products and services and the rates we are able to charge. Our business depends, to a significant extent, on the level of unconventional resource development activity and corresponding capital spending of oil and natural gas companies, which are strongly influenced by current and expected oil and natural gas prices. Volatility or weakness in oil and natural gas commodity prices (or the perception that oil and natural gas commodity prices will decrease) affects the spending patterns of our customers and may result in the drilling of fewer new wells or lower production spending on existing wells. Historically, oil and natural gas commodity prices have been extremely volatile. During the ~~past~~ five years ending December 31, ~~2022~~ **2023** , the posted price for West Texas Intermediate (" WTI ") oil has ranged from a low of $ (36. 98) per barrel in April 2020 to a high of $ 123. 64 per barrel in March 2022, and the Henry Hub spot market price of gas has ranged from a low of $ 1. 33 per MMBtu in September 2020 to a high of $ 23. 86 per MMBtu in February 2021. ~~The~~ **Moreover, the** theme of capital discipline for E & P operators in the energy industry has led to a ~~significant~~ disconnect between commodity prices and market activity. The average WTI price for ~~2022~~ **2023** was $ ~~94~~ **77** . ~~90~~ **58** , an increase of ~~39~~ **36** % over **the average WTI price in** ~~2021 and $ 55. 74 higher than 2020 and $ 37. 91 higher than~~ 2019 ~~.~~ **; however, the** ~~Average~~ **average** rig count ~~increased~~ **decreased** by ~~51~~ **27** % **over** ~~from 2021 to 2022 and was 67 % higher in 2022 than~~ **that** ~~2020~~ **same period** . If prices of oil and natural gas decline or our customers do not increase capex and activity levels, our business, financial condition, results of operations, cash flows, and prospects may be materially and adversely affected. Significant factors that are likely to affect near- term commodity prices include **actions of** ~~the extent to which~~ members of OPEC and other oil exporting nations, including Russia, ~~continue~~ **relating** to ~~reduce~~ oil export prices and ~~increase~~ production **levels** ; the effect of U. S. energy, monetary, and trade policies; the pace of economic growth in the U. S. and throughout the world, including the potential for macro weakness; geopolitical and economic developments in the U. S. and globally, including conflicts, instability, acts of war or terrorism in oil producing countries or regions, particularly Russia, the Middle East, South America and Africa; changes to energy and EPA policies; and overall North American natural gas supply and demand fundamentals, including the pace at which export capacity grows. For additional information, please see " Management' s Discussion and Analysis of Financial Condition and Results of Operations – Overview – Industry Trends and Outlook " in Item 7 of Part II of this Annual Report. The products and services we provide are, to a substantial extent, deferrable in the event oil and natural gas companies reduce capital expenditures. As a result, we may experience lower utilization of, and may be unable to increase rates or be forced to lower our rates for, our equipment and services in weak oil and natural gas commodity price environments. Even with supportive oil and natural gas prices, E & P operator activity may not materially increase, as they remain focused on operating within their capital plans. Moreover, any substantial and unexpected drop in commodity prices in the future, even if the drop is relatively short-lived, or expectations of such a drop or of prolonged weak oil and natural gas commodity price environments, could similarly affect our customers' expectations and capital spending, which could result in a material adverse effect on our business, financial condition, results of operations, cash flows, and prospects. Reduced discovery rates of new oil and natural gas reserves in our market areas as a result of decreased capital spending may also have a negative long- term impact on our business, even in an environment of stronger oil and natural gas prices, to the extent the reduced number of wells for us to service more than offsets increasing completion activity and intensity. Our business could be adversely affected by a decline in general economic conditions or a weakening of the broader energy industry, and inflation may adversely affect our financial position and operating results. A prolonged economic slowdown or recession, adverse events relating to the energy industry, or regional, national, or global economic conditions and factors, particularly a slowdown in the E & P industry, could negatively impact our operations and therefore adversely affect our results. The risks associated with our business are more acute during periods of economic slowdown or recession because such periods may be accompanied by decreased exploration and development spending by our customers, decreased demand for oil and natural gas, and decreased prices for oil and natural gas. Inflationary factors, such as increases in the labor costs, material costs, and overhead costs, may also adversely affect our financial position and operating results. Like others in our industry, ~~in 2021 and 2022~~ we faced, and we continue to face, cost inflation with both labor and materials, which could offset any price increases for our products and services. Increased attention to climate change and conservation measures may expose us to climate- related transition risks, including evolving climate change legislation, fuel conservation measures, technological advances **,** and negative shift in market perception towards the oil and natural gas industry, which could result in reduced demand for oil and natural gas. Increased attention to climate change from governmental and regulatory bodies, investors, consumers, industry and other stakeholders, changes in consumer behavior and related demand for alternatives to oil and natural gas, societal expectations on companies to address climate change, 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 change- related regulations, policies and initiatives (at the government, regulator, corporate and / or investor community levels), including alternative energy requirements, new fuel consumption standards, energy conservation and emissions reductions measures and responsible energy development, technological advances with respect to the generation, transmission, storage and consumption of energy, and increased availability and competitiveness of alternative energy sources (such as wind, solar geothermal, tidal, fuel cells, and biofuels). These developments could reduce demand for oil and natural gas and therefore our products and services, which would lead to a reduction in our revenues and have a material adverse effect on our business, financial condition, results of operations, cash flows, and prospects. In addition, the enactment of climate change- related regulations, policies **,** and initiatives (at the government, corporate and / or investor community levels) may in the future result in increases in our compliance costs and other operating costs and have other adverse effects (e. g., greater potential for governmental investigations or litigation). For further discussion regarding the risks posed to us by climate change- related regulations, policies **,** and initiatives and by negative public perception of the oil and gas industry, see the discussions below in " Negative public perception of the oil and gas industry could adversely affect our operations and our ability raise debt and equity capital " and " Existing or future laws and regulations related to GHGs and climate change could have a negative impact on our business and may result in additional compliance obligations with respect to the release, capture, and use of GHGs that could have a material adverse effect on our business, results of operations, prospects, and financial condition. " Negative public perception of the oil and gas industry could adversely affect our operations and our ability to raise debt and equity capital. Opposition toward the oil and natural gas industry has been growing globally and is particularly pronounced in the United States. Companies in the oil and natural gas industry are often the target of activist efforts from both individuals and non- governmental organizations **or subject to pressure from other stakeholders** regarding safety, human rights, climate change ~~,~~ **and other** environmental matters, sustainability, and business practices. Anti- development activists are working to, among other things, reduce access to federal and state government lands and delay or cancel certain operations such as drilling and development. Any such activism against oil and natural gas exploration and development may cause operational delays or restrictions, increased operating costs, additional regulatory burdens **,** and increased risk of litigation. In addition, some parties have initiated public nuisance claims under federal or state common law against certain companies involved in the production of oil and natural gas, or claims alleging that the companies have been aware of the adverse effects of climate change for some time but failed to adequately disclose such impacts to their investors or ~~customer~~ **customers** . Although our business is not a party to any such litigation, we could be named in actions making similar allegations, which could lead to costs and materially impact our financial condition in an adverse way. Negative perceptions regarding our industry and reputational risks may also in the future adversely affect our ability to successfully carry out our business strategy by adversely affecting our access to capital. Certain segments of the investor community have developed negative sentiment towards investing in our industry. ~~Recent equity returns in the sector versus other industry sectors have led to lower oil and gas representation in certain key equity market indices.~~ Parties concerned about the potential effects of climate change have directed their attention at sources of financing for energy companies, **including by promoting divestment of fossil fuel equities and pressuring lenders to limit funding and insurance underwriters to limit coverage to companies engaged in the extraction of fossil fuel reserves,** which has resulted in certain financial institutions, funds **,** and other capital providers restricting or eliminating their investment in oil and natural gas activities. In addition, some investors, including investment advisors and certain sovereign wealth funds, pension funds, university endowments, and family foundations, have stated policies to disinvest in the oil and gas sector based on their social and environmental considerations. Further, certain investment banks and asset managers based both domestically and internationally have announced that they are adopting climate change guidelines for their banking and investing activities. Certain other stakeholders have also pressured commercial and investment banks to stop financing oil and gas production and related infrastructure projects. **Institutional lenders who 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. Such developments, including environmental activism, investment policies and initiatives, and related litigation aimed at limiting climate change and reducing air pollution, could result in downward pressure on the stock prices of oil and gas companies, including ours. These developments may also potentially result in a reduction of available capital funding for potential development projects, impacting our future financial results. Increased scrutiny of sustainability matters could have an adverse effect on our business and damage our reputation. In recent years, companies across all industries are facing increasing scrutiny from a variety of stakeholders, including investor advocacy groups, proxy advisory firms, certain institutional investors and lenders, investment funds and other influential investors and rating agencies, related to their environmental, social and governance (" ESG ") and sustainability practices. If we do not adapt to or comply with investor or other stakeholder expectations and standards on ESG matters (or meet sustainability goals and targets that we have set) as they continue to evolve, or if we are perceived to have not responded appropriately or quickly enough to growing concern for ESG and sustainability issues, regardless of whether there is a regulatory or legal requirement to do so, we may suffer from reputational damage and our business, financial condition and / or stock price could be materially and adversely affected. In addition, 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. Such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings could 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. Risks Related to Our Indebtedness Our substantial debt obligations could have significant adverse consequences on our business and future prospects. **At December 31** ~~As of February 1~~ , 2023, we had $ 300. 0 million of 13. 000 % Senior Secured Notes due 2028 (the " 2028 Notes ") outstanding, and we had $ ~~72~~ **57** . 0 million of borrowings under the ABL Credit Facility (as defined and described in " Management' s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources " in Item 7 of Part II of this Annual Report) outstanding. Subject to the restrictions in the ABL Credit Agreement (as defined and described in " Management' s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources " in Item 7 of Part II of this Annual Report) and the indenture governing the 2028 Notes, we may incur substantial additional indebtedness (including secured indebtedness) in the future. Our current or future level of indebtedness could have significant adverse consequences on our business and future prospects, including in the following ways: • requiring us to dedicate a substantial portion of our cash flow from operations to service our existing debt, thereby reducing the cash available to finance our operations and other business activities; • limiting management' s discretion in operating our business and our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; • increasing our vulnerability to downturns and adverse developments in our business and the economy generally; • limiting our ability to access the capital markets to raise capital on favorable terms or to obtain additional financing for working capital, capital expenditures, or acquisitions or to refinance existing indebtedness; • placing us at a competitive disadvantage relative to competitors with lower levels of indebtedness in relation to their overall size or less restrictive terms governing their indebtedness; and • making it more difficult for us to satisfy our obligations under our debt instruments and increase the risk that we may default on our debt obligations. Additionally, borrowings under the ABL Credit Facility bear interest at variable rates exposing us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remains the same, and our net income and cash available to finance our operations and other business activities would decrease. We may not be able to generate sufficient cash to service all of our indebtedness. Our ability to make scheduled payments with respect to our indebtedness 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. If our cash flows and capital resources are insufficient to fund debt service obligations, we may be forced to sell assets, seek additional capital, or restructure or refinance indebtedness. These alternative measures may not be successful and may not permit us to meet scheduled debt service obligations. For example, we may not be able to consummate dispositions, and the proceeds of any such disposition may not be adequate to meet any debt service obligations then due. Also, 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. In addition, any debt restructuring transactions may involve the issuance of additional equity or convertible debt securities that could result in material dilution to our stockholders, and these securities could have rights superior to holders of our common stock and could contain covenants that will restrict our operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. An event of default, if not waived, could result in acceleration of the indebtedness outstanding under the applicable agreement and an event of default with respect to, and an acceleration of, the indebtedness outstanding under any other debt agreements to which we are a party. Any such accelerated indebtedness would become immediately due and payable. If that occurs, we may not be able to make all of the required payments. In addition, any failure to make payments 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. Restrictions in our debt agreements could limit our growth and our ability to engage in certain activities. The ABL Credit Facility and the indenture governing our 2028 Notes have, and future financing agreements could have, restrictive covenants that could restrict our ability to finance future operations or capital needs or to expand or pursue our business activities. For example, our debt agreements contain restrictive covenants that limit our ability to, among other things: • incur additional indebtedness and guarantee indebtedness; • pay dividends or make other distributions or repurchase or redeem our capital stock; • transfer or sell assets; • make loans and investments; • incur liens; • enter into agreements that restrict dividends or other payments from any non- guarantor restricted subsidiaries to us; • consolidate, merge, or sell all or substantially all of our assets; • prepay, redeem, or repurchase certain debt; • issue certain preferred stock or similar equity securities; • make certain acquisitions and investments; • engage in transactions with affiliates; and • create unrestricted subsidiaries. The restrictions in our debt agreements could also impact our ability to obtain capital to withstand a downturn in our business or the economy in general, or to otherwise conduct necessary corporate activities. We may also be prevented from taking advantage of business opportunities that arise because of the limitations that the restrictive covenants under our debt arrangements may impose on us. A breach of any covenant in our debt agreements will result in a default under the applicable agreement and an event of default under such agreement if there is no grace period or if such default is not cured during any applicable grace period. An event of default, if not waived, could result in acceleration of the indebtedness outstanding under the applicable agreement and an event of default with respect to, and an acceleration of, the indebtedness outstanding under any other debt agreements to which we are a party. Any such accelerated indebtedness would become immediately due and payable. If that occurs, we may not be able to make all of the required payments or borrow sufficient funds to refinance such indebtedness. Even if new financing were available at that time, it may not be on terms that are acceptable to us. Competition and Market Risks We may be unable to maintain existing prices or implement price increases on our products and services. We periodically seek to increase the prices on our products and services to offset rising costs and to generate higher returns for our stockholders. However, we operate in a very competitive industry and as a result, we are not always successful in raising or maintaining our existing prices. Volatility in oil and natural gas prices can impact our customers' activity levels, and current energy prices are important contributors to cash flow for our customers and their actual or perceived ability to fund exploration and development activities, which may limit our ability to increase or maintain prices. Additionally, during periods of increased market demand, a significant amount of new service capacity, including new well service rigs, wireline units, and coiled tubing units, may enter the market, which also puts pressure on the pricing of our services and limits our ability to increase prices. Even when we are able to increase our prices, we may not be able to do so at a rate that is sufficient to offset rising costs. In periods of high demand for oilfield services, a tighter labor market may result in higher labor costs. During such periods, our labor costs could increase at a greater rate than our ability to raise prices for our services. Also, we may not be able to successfully increase prices without adversely affecting our activity levels. The inability to maintain our pricing and to increase our pricing as costs increase could have a material adverse effect on our business, financial position, results of operations, and cash flows. Intense competition in the markets for our dissolvable plug products may lead to pricing pressures, reduced sales, or reduced market share. The **completion services** ~~oil and natural gas~~ industry is intensely competitive **. We compete with major domestic** and **international oilfield services companies, many of which have greater market recognition and substantially greater financial, technical, marketing, distribution, and other resources than we do. We have experienced pricing declines in certain of our more mature proprietary product lines, primarily due to competitive conditions. Likewise, our customers may seek pricing declines more precipitously than our ability to reduce costs, leaving us unable to achieve or maintain pricing to our customers at a level sufficient to cover our costs. Furthermore, our industry** has **generally experienced** ~~been characterized by~~ price erosion for new technologies as additional competing products enter the market. ~~In 2020, we experienced a decline in the pricing and profitability of our dissolvable plug products and, to a lesser extent, our composite plug products due to the impacts of the coronavirus pandemic on the oil and natural gas industry. Pricing toward the end of 2021 and throughout 2022 mostly stabilized; however, any future price declines, future lack of availability of materials, or future increases in prices in materials may harm our business. We compete with major domestic and international oilfield services companies, many of which have greater market recognition and substantially greater financial, technical, marketing, distribution, and other resources than we do. We have experienced pricing declines in certain of our more mature proprietary product lines, primarily due to competitive conditions. Likewise, our customers may seek pricing declines more precipitously than our ability to reduce costs, leaving us unable to achieve or maintain pricing to our customers at a level sufficient to cover our costs.~~ We are continuing to work on reducing manufacturing costs of our products, as well as introducing new and differentiated technology to improve profitability ~~,~~ **;** however, there can be no assurance that we will be able to do so in the future. If the amounts we are able to charge customers for our dissolvable plug products decline further or are insufficient to cover our costs, that could have a material adverse effect on our financial condition, results of operations, and cash flows. Our current and potential competitors may have longer operating histories, significantly greater financial or technical resources, and greater name recognition than we do. The oilfield services industry is highly competitive and fragmented and includes several large companies that compete in many of the markets we serve, as well as numerous small companies that compete with us on a local basis. The oilfield services industry competes primarily on a regional basis, and the intensity of competition may vary significantly from region to region at any particular time. We believe the principal competitive factors in the market areas we serve include price, equipment quality, supply chains, balance sheet strength and financial condition, product and service quality, safety record, availability of crews and equipment, and technical proficiency. Many of our existing and potential competitors have substantially greater financial, technical, manufacturing, and other resources than we do. The greater size of many of our competitors provides them with cost advantages as a result of their economies of scale and their ability to obtain volume discounts and purchase raw materials at lower prices. As a result, such competitors may have stronger bargaining power with their suppliers and have an advantage over us in pricing as well as securing a sufficient supply of raw materials during times of shortage. Many of our competitors also have better brand name recognition, stronger presence in more geographic markets, more established distribution networks, larger customer bases, more in- depth knowledge of the target markets, and the ability to provide a much broader array of products and services. Some of our competitors may also be able to devote greater resources to the research and development, promotion, and sale of their products and better withstand the evolving industry standards and changes in market conditions as compared to us. Our operations may be adversely affected if our competitors introduce new products or services with better features, performance, prices, or other characteristics than our products and services or expand into service areas where we operate. Our operations may also be adversely affected if our competitors are able to respond more quickly to new or emerging technologies and services and changes in customer requirements. Competitive pressures could reduce our market share or require us to reduce the price of our services and products, particularly during industry downturns, either of which would harm our business and operating results. Significant increases in overall market capacity have also caused active price competition and led to lower pricing and utilization levels for our services and products. The competitive environment has intensified since the industry downturn that began in late 2014, which caused an oversupply of, and reduced demand for, oilfield services, and we have seen substantial reductions in the prices we can charge for our services and products. Any significant future increase in overall market capacity for completion services may adversely affect our business, financial condition, and results of operations. Operational Risks Our operations are subject to conditions inherent in the oilfield services industry. Conditions inherent in the oil and natural gas industry can cause personal injury or loss of life, disruption or suspension in operations, damage to geological formations, damage to facilities, substantial revenue loss, business interruption, and damage to, or destruction of, property, equipment, and the environment. Such risks may include, but are not limited to: • equipment defects; • liabilities arising from accidents or damage involving our fleet of trucks and other equipment; • explosions and uncontrollable flows of gas or well fluids; • unusual or unexpected geological formations or pressures and industrial accidents; • blowouts; • fires; • cratering; • loss of well control; • collapse of the borehole; and • damaged or lost equipment. Defects or other performance problems in the products that we sell or services that we offer could result in our customers seeking damages from us for losses associated with these defects or other performance problems. In addition, our services could become a source of spills or release of fluids, including chemicals used during hydraulic fracturing activities, at the site where such services are performed, or could result in the discharge of such fluids into underground formations that were not targeted for fracturing or well completion activities, such as potable aquifers, or at third- party properties. These risks could expose us to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, and other environmental damages and could result in a variety of claims, losses, and remedial obligations that could have an adverse effect on our business and results of operations. The existence, frequency, and severity of such incidents could affect operating costs, insurability, and relationships with customers, employees, and regulators. In particular, our customers may elect not to purchase our services if they view our safety record as unacceptable or otherwise experience material defects in our products or performance problems, which could cause us to lose substantial revenue. In addition, any litigation or claim, even if fully indemnified or insured, could negatively affect our reputation with our customers and the public, which could cause us to lose customers and substantial revenue, make it more difficult for us to compete effectively, or obtain adequate insurance in the future. Our assets require capital for maintenance, upgrades, and refurbishment, and we may require capital expenditures for new equipment. Our equipment requires capital investment in maintenance, upgrades, and refurbishment to maintain their competitiveness. For the years ended December 31, **2023 and** 2022 ~~and 2021~~, we spent approximately $ ~~13~~ **12** . 6 million and $ ~~7~~ **13** . ~~4~~ **6** million, respectively, on capital expenditures related to maintenance ~~, and we expect to spend approximately $ 20 million to $ 30 million on capital expenditures related to maintenance in 2023~~. Our equipment typically does not generate revenue while it is undergoing maintenance, upgrades, or refurbishment. Any maintenance, upgrade, or refurbishment project for our assets could increase our indebtedness or reduce cash available for other opportunities. Further, such projects may require proportionally greater capital investments as a percentage of total asset value, which may make such projects difficult to finance on acceptable terms. To the extent we are unable to fund such projects, we may have less equipment available for service or our equipment may not be attractive to potential or current customers. Additionally, competition or advances in technology within our industry may require us to update our products and services. Such demands on our capital or reductions in demand and the increase in cost to maintain labor necessary for such maintenance and improvement, in each case, could have a material adverse effect on our business, liquidity position, financial condition, prospects, and results of operations and may increase costs. In addition, although such projects may require material capital expenditures, there is no assurance that they will generate a positive return. Seasonal and adverse weather conditions and the physical risks arising from climate change may have a negative impact on our business and result of operations, including by **impacting operations, increasing costs, and** adversely affecting demand for our products and services. Weather can have a significant impact on demand for our services and products as consumption of energy is seasonal, and any variation from normal weather patterns or cooler or warmer summers and winters can have a significant impact on demand. In addition, adverse weather conditions, such as hurricanes, tropical storms, and severe cold weather, may interrupt or curtail our operations or our customers' operations, cause supply disruptions, and damage our equipment and facilities, which may or may not be insured. In addition, most scientists have concluded that increasing concentrations of GHGs in the Earth' s atmosphere may produce climate changes that could have significant physical effects, such as increased frequency and severity of storms, droughts, floods, **extreme temperatures,** and other climatic events. If any such effects were to occur, they could adversely affect or delay demand for oil and natural gas, which, in turn, could also reduce the demand for our products and services; cause us to incur significant costs in preparing for or responding to the effects of climatic events themselves, which may not be fully insured; ~~or cause an adverse~~ **adversely** impact ~~on~~ **our** ~~our -~~ **or our customers'** operations **, workforce, supply chain or distribution chain; or potentially lead to increased costs for insurance coverages in the aftermath of such effects** . Our ability to mitigate the adverse physical impacts of climate change depends in part upon our disaster preparedness and response and business continuity planning. During the winter months (portions of the first and fourth quarters) and periods of heavy snow, ice, or rain, particularly in the northeastern U. S., Michigan, North Dakota, Wyoming, and western Canada, our customers may delay operations, or we may not be able to operate or move our equipment between locations. Also, during the spring thaw, which normally starts in late March and continues through June, some areas, primarily in western Canada, impose transportation restrictions to prevent damage caused by the spring thaw. For **both** the years ended December 31, **2023 and** 2022 ~~and 2021~~, we generated approximately 0. 3 % ~~and 0. 6 %, respectively,~~ of our revenue from our operations in western Canada. Lastly, throughout the year heavy rains adversely affect activity levels because well locations and dirt access roads can become impassible in wet conditions. In addition, we typically have experienced a pause by our customers around the holiday season in the fourth quarter, which may be compounded as our customers exhaust their annual capital spending budgets towards year end. Risks Related to Our Customers and Suppliers If we are unable to accurately predict customer demand or if customers cancel their orders on short notice, we may hold excess or obsolete inventory, which would reduce gross margins. Conversely, insufficient inventory would result in lost revenue opportunities and potentially loss of market share and damaged customer relationships. We often place orders with our suppliers based on forecasts of customer demand. Anticipating customer demand is difficult because our customers face unpredictable demand for their own products and are increasingly focused on cash preservation and tighter inventory management. Our forecasts of customer demand are based on multiple assumptions, each of which may introduce errors into the forecasts. If we overestimate customer demand, we may allocate resources to the purchase of material or manufactured products that we may not be able to sell when we expect to, if at all. As a result, we would hold excess or obsolete inventory, which would reduce gross margin and adversely affect financial results. Conversely, if we underestimate customer demand or if insufficient manufacturing capacity is available, we would miss revenue opportunities and potentially lose market share and damage our customer relationships. In addition, any future significant cancellations or deferrals of orders or the return of previously sold products could materially and adversely affect profit margins, increase inventory obsolescence, and restrict our ability to fund our operations. We are exposed to the credit risk of our customers, and the deterioration of the financial condition of our customers could adversely affect our financial results. We are subject to the risk of loss resulting from nonpayment or nonperformance by our customers, many of whose operations are concentrated solely in the domestic and Canadian E & P industry, which, as described above, is subject to volatility and, therefore, credit risk. Our credit procedures and policies may not be adequate to fully reduce customer credit risk. If we are unable to adequately assess the creditworthiness of existing or future customers or unanticipated deterioration in their creditworthiness, any resulting increase in nonpayment or nonperformance by them and our inability to re- market or otherwise use our equipment could have a material adverse effect on our business, financial condition, prospects, and / or results of operations. In the course of our business, we hold accounts receivable from our customers. In the event of the financial distress or bankruptcy of a customer, we could lose all or a portion of such outstanding accounts receivable associated with that customer. Further, if a customer was to enter into bankruptcy, it could also result in the cancellation of all or a portion of our service contracts with such customer at significant expense or loss of expected revenues to us. In addition, during times when the oil or natural gas markets weaken, our customers are more likely to experience financial difficulties, including being unable to access debt or equity financing, which could result in a reduction in our customers' spending for our products and services. We are dependent on customers in a single industry. The loss of one or more significant customers could adversely affect our financial condition, prospects, and results of operations. Our customers are engaged in the oil and natural gas E & P business, which has been historically volatile. For the year ended December 31, ~~2022~~ **2023** , our five largest customers collectively accounted for approximately 21 % of total revenues. If we were to lose several key alliances over a relatively short period of time or if one of our largest customers fails to pay or delays in paying a significant amount of our outstanding receivables, we could experience an adverse impact on our business, financial condition, results of operations, cash flows, and prospects. Additionally, the E & P industry is characterized by frequent consolidation activity. Changes in ownership of our customers may result in the loss of, or reduction in, business from those customers, which could materially and adversely affect our business, financial condition, results of operations, and prospects. Certain of our product lines are subject to the risk of supplier concentration, and certain of our product lines are subject to exclusive distribution arrangements, which we may not be able to maintain. Certain of the product lines depend on a limited number of third- party suppliers and vendors. As a result of this concentration in some supply chains, our business and operations could be negatively affected if certain key suppliers were to experience significant disruptions affecting the price, quality, availability, or timely delivery of their products. The partial or complete loss of any one of those key suppliers, or a significant adverse change in the relationship with any such suppliers, through consolidation or otherwise, may limit our ability to manufacture and sell certain of our product lines. In addition, we have arrangements with certain technology companies and manufacturers that give us exclusive distribution rights to certain product offerings. In some cases, we are, or may in the future will be, required to meet certain minimum volume or other requirements in order to retain our arrangement. If any of these companies or manufacturers terminate our right to sell some or all of their products, modify or terminate our exclusive distribution arrangement, or change the applicable terms and conditions of sale, our business and results of operations could be adversely affected. Regulatory, Compliance, and Legal Risks Oilfield anti- indemnity provisions enacted by many states may restrict or prohibit a party' s indemnification of us. We typically enter into agreements with our customers governing the provision of our services, which usually include certain indemnification provisions for losses resulting from operations. Such agreements may require each party to indemnify the other against certain claims regardless of the negligence or other fault of the indemnified party; however, many states place limitations on contractual indemnity agreements, particularly agreements that indemnify a party against the consequences of its own negligence. Furthermore, certain states, including Louisiana, New Mexico, Texas, and Wyoming, have enacted statutes generally referred to as " oilfield anti- indemnity acts " expressly prohibiting certain indemnity agreements contained in or related to oilfield services agreements. Such oilfield anti- indemnity acts may restrict or void a party' s indemnification of us, which could have a material adverse effect on our business, financial condition, prospects, and results of operations. We may be subject to claims for personal injury and property damage or other litigation, which could materially adversely affect our financial condition, prospects, and results of operations. Our services are subject to inherent risks that can cause personal injury or loss of life, damage to or destruction of property, equipment, or the environment, or the suspension of our operations. As the wells we service continue to become more complex, our exposure to such inherent risks becomes greater as downhole risks increase exponentially with an increase in complexity and lateral length. Our operations are also exposed to risks of labor organizing and risks of claims for alleged employment- related liabilities, including risks of claims related to alleged wrongful termination or discrimination, wage payment practices, retaliation claims, and other human resource related matters. Litigation arising from operations where our facilities are located, or our services are provided, may cause us to be named as a defendant in lawsuits asserting potentially large claims, including claims for exemplary damages. For example, transportation of heavy equipment creates the potential for our trucks to become involved in roadway accidents, which in turn could result in personal injury or property damages lawsuits being filed against us. We maintain what we believe is customary and reasonable insurance to protect our business against most potential losses, but such insurance may not be adequate to cover our liabilities, especially as the inherent risks in our operations increase with increasing well complexity, and we are not fully insured against all risks, including alleged employment- related liabilities. Further, our insurance has deductibles or self- insured retentions and contains certain coverage exclusions. The current trend in the insurance industry is towards larger deductibles and self- insured retentions. In addition, insurance may not be available in the future at rates that we consider reasonable and commercially justifiable, compelling us to have larger deductibles or self- insured retentions to effectively manage expenses. As a result, we could become subject to material uninsured liabilities or situations where we have high deductibles or self- insured retentions that expose us to liabilities that could have a material adverse effect on our business, financial condition, prospects, or results of operations. In recent years, oilfield services companies have been the subject of a significant volume of wage and hour- related litigation, including claims brought under the Fair Labor Standards Act (“ FLSA ”), in which employee pay practices have been challenged. We have been named as defendants in these lawsuits, and we do not maintain insurance for alleged wage and hour- related litigation. Some of these cases remain outstanding and are in various states of negotiation and / or litigation, and the results or costs of any such cases may have an adverse effect on our business, operating results, and financial condition. The frequency and significance of wage- or other employment- related claims may affect expenses, costs, and relationships with employees and regulators. Additionally, we could become subject to material uninsured liabilities that could have a material adverse effect on our business, financial condition, prospects, or results of operations. Delays or restrictions in obtaining, or inability to obtain or renew, permits or authorizations by our customers for their operations or by us for our operations could impair our business. In most states, our operations and the operations of our customers require permits or authorizations from one or more governmental agencies or other third parties to perform drilling and completion and production activities, including hydraulic fracturing. Such permits or approvals are typically required by state agencies, but federal and local governmental permits may also be required. We are also required to obtain federal, state, local, and / or third- party permits and authorizations in some jurisdictions in connection with our wireline services and trucking operations. The requirements for permits or authorizations vary depending on the location where the associated activities will be conducted. As with most permitting and authorization processes, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit or approval to be issued, and the conditions which may be imposed in connection with the granting of the permit. Over the past several years, parts of the country have experienced extreme drought conditions. As a result of these conditions, some rural water districts have begun to impose restrictions on water use and may require permits for water used in drilling and completion activities. In addition, some of our customers’ drilling and completion activities may take place on federal land or Native American lands, requiring leases and other approvals from the federal government or Native American tribes to conduct such drilling and completion activities. Permitting, authorization, or renewal delays, the inability to obtain new permits, or the revocation of current permits could cause a loss of revenue and potentially have a materially adverse effect on our business, financial condition, prospects, or results of operations. We are subject to federal, state, and local laws and regulations regarding issues of health, safety, and protection of the environment. Under these laws and regulations, we may become liable for penalties, damages, or costs of remediation or other corrective measures. Any changes in laws or government regulations could increase our costs of doing business. Our operations are subject to stringent federal, state, local, and tribal laws and regulations relating to, among other things, protection of natural resources, clean air and drinking water, wetlands, endangered species, GHGs, air pollution, the environment, occupational health and safety, chemical use and storage, waste management, waste disposal, and transportation of waste and other hazardous and nonhazardous materials. Our operations involve risks of environmental liability, including leakage from an operator’ s casing during our operations or accidental spills of hazardous materials onto or into surface or subsurface soils, surface water, or groundwater. Some environmental laws and regulations may impose strict liability, joint and several liability, or both. In some situations, we could be exposed to liability as a result of our conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, third parties without regard to whether we caused or contributed to the conditions. Additionally, environmental concerns, including clean air, drinking water contamination, and seismic activity, have prompted investigations that could lead to the enactment of regulations, limitations, restrictions, or moratoria that could potentially have a material adverse impact on our business. Actions arising under these laws and regulations could result in the shutdown of our operations, fines and penalties (administrative, civil, or criminal), revocations of permits to conduct business, expenditures for remediation or other corrective measures, and / or claims for liability for property damage, exposure to hazardous materials, exposure to hazardous waste, nuisance, or personal injuries. Sanctions for noncompliance with applicable environmental laws and regulations may also include the assessment of administrative, civil, or criminal penalties, revocation of permits and temporary or permanent cessation of operations in a particular location, and issuance of corrective action orders. Such claims or sanctions and related costs could cause us to incur substantial costs or losses and could have a material adverse effect on our business, financial condition, prospects, and results of operations. Additionally, an increase in regulatory requirements or limitations, restrictions, or moratoria on oil and natural gas exploration and completion activities at a federal, state, or local level could significantly delay or interrupt our operations, limit the amount of work we can perform, increase our costs of compliance, or increase the cost of our services, thereby possibly having a material adverse impact on our financial condition. If we do not perform our operations in accordance with government, industry, customer, or our own stringent occupational safety, health, and environmental standards, we could lose business from our customers, many of whom have an increased focus on environmental and safety issues. We are subject to the oversight of the EPA, the ~~U. S. Department of Transportation (the “~~ DOT ~~”)~~, the U. S. Nuclear Regulation Commission, Bureau of Alcohol, Tobacco, Firearms and Explosives, OSHA, and state regulatory agencies that regulate operations to prevent air, soil, and water pollution or to protect against the effects of ionizing radiation. The energy extraction sector is one of the sectors designated for increased enforcement by the EPA, which will continue to regulate our industry in the years to come, potentially resulting in additional regulations that could have a material adverse impact on our business, prospects, or financial condition. The EPA regulates air emissions from all engines, including off- road diesel engines that are used by us to power equipment in the field under the CAA Tier 4 emission standards (the " Tier 4 " standards). The Tier 4 standards require substantial reductions in emissions of particulate matter and nitrous oxide from off- road diesel engines. Such emission reductions can be achieved through the use of appropriate control technologies. Under these U. S. emission control regulations, we could be limited in the number of certain off- road diesel engines we can purchase if we are unable to find a sufficient number of Tier 4- compliant engines from manufacturers. Further, these emission control regulations could result in increased capital and operating costs. Changes in environmental laws and regulations could lead to material increases in our costs, and liability exposure, for future environmental compliance and remediation. Additionally, if we expand the size or scope of our operations, we could be subject to regulatory requirements that are more stringent than the requirements under which we are currently allowed to operate or require additional authorizations to continue operations. Compliance with this additional regulatory burden could increase our operating or other costs. Federal, state, and local legislative and regulatory initiatives relating to hydraulic fracturing could prohibit, restrict, or limit hydraulic fracturing operations, or increase our operating costs. Our businesses are dependent on hydraulic fracturing and horizontal drilling activities. Hydraulic fracturing is an important and common practice that is used to stimulate production of hydrocarbons, particularly natural gas, from tight formations, including shales. The process, which involves the injection of water, sand, and chemicals under pressure into formations to fracture the surrounding rock and stimulate production, is typically regulated by state oil and natural gas commissions. However, federal agencies have asserted regulatory authority over certain aspects of the process. For more information on existing regulations and regulatory initiatives relating to hydraulic fracturing, see " Regulatory Matters – Hydraulic Fracturing " in Item 1 of Part I of this Annual Report. If new laws or regulations that significantly restrict hydraulic fracturing are adopted, such laws could reduce demand for our business by making it more difficult or costly for certain customers to perform fracturing to stimulate production from tight formations. In addition, if hydraulic fracturing becomes regulated at the federal level as a result of federal legislation or regulatory initiatives by the EPA, the business and operations of our customers could be subject to additional permitting requirements, and also to attendant permitting delays, increased operating and compliance costs, and process prohibitions, which could have an adverse effect on our business, financial condition, and results of operations. Changes in environmental requirements related to GHG emissions and climate change may negatively impact demand for our products and services. For example, oil and natural gas E & P may decline as a result of environmental requirements, including land use policies responsive to environmental concerns (e. g., numerous cities, including San Francisco, CA, and Seattle, WA, have banned the use of natural gas in new construction, and other cities, including New York, NY, are considering similar initiatives). Federal, state, and local agencies have been evaluating climate- related legislation and other regulatory initiatives that would restrict emissions of GHGs in areas in which we conduct business. Because our business depends on the level of activity in the oil and natural gas industry, existing or future laws and regulations related to GHGs and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws or regulations reduce demand for oil and natural gas. Likewise, such restrictions may result in additional compliance obligations with respect to the release, capture, sequestration, and use of GHGs that could have a material adverse effect on our business, results of operations, prospects, and financial condition. Additionally, **regulations requiring the disclosure of GHG emissions and other climate- related information are increasingly being adopted or proposed at the federal and state level. For example,** the SEC issued a proposed rule in March 2022 that would mandate extensive disclosure of climate- related data, risks, and opportunities, including financial impacts, physical and transition risks, related governance and strategy, and GHG emissions, for certain public companies. We cannot predict the costs of implementation or any potential adverse impacts resulting from the rulemaking. However, to the extent this rulemaking is finalized as proposed, we could incur increased costs relating to the assessment and disclosure of climate- related risks. 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 stakeholders and lenders restricting or seeking more stringent conditions with respect to their investments in certain carbon- intensive sectors. See " Business – Regulatory Matters – Climate Change " for more information on existing and proposed climate change regulation.** Studies by either state or federal agencies demonstrating a correlation between earthquakes and oil and natural gas activities could result in increased regulatory and operational burdens. In light of concerns about seismic activity being triggered by the injection of produced waters into underground wells, certain regulators **have implemented or** are ~~also~~ considering **implementing** additional requirements related to seismic safety for hydraulic fracturing activities. A 2015 U. S. Geological Survey report identified eight states, including Texas, with areas of increased rates of induced seismicity that could be attributed to fluid injection or oil and gas extraction. Any regulation that restricts the ability of our customers to dispose of produced waters or increases their cost of doing business could cause them to curtail operation, which in turn could decrease demand for our products and services and have a material adverse effect on our business. We are subject to complex U. S. and foreign laws and regulations governing anti- corruption and export controls and economic sanctions. The U. S. Foreign Corrupt Practices Act (the " FCPA "), the U. K. Bribery Act (" UKBA "), Canada' s Corruption of Foreign Public Officials Act (the " CFPOA "), and similar anti- bribery and anti- corruption laws generally prohibit companies and their intermediaries from making improper payments or improperly providing anything of value for the purpose of obtaining or retaining business. We operate and make sales in parts of the world that may be viewed as higher risk for corruption or may have experienced some corruption in the past, and in some instances, strict compliance with the FCPA, UKBA, CFPOA, and similar anti- bribery laws may conflict with local practices. We are also subject to export control and economic sanctions laws and regulations, including those implemented by the U. S. Office of Foreign Assets Control, the U. S. Department of State, the U. S. Department of Commerce, the European Union and its member states, Her Majesty' s Treasury of the United Kingdom, and other relevant sanctions authorities. These measures can prohibit or restrict transactions and dealings with certain designated persons and in certain countries in which we conduct business. Despite efforts to ensure compliance, there can be no assurance that our directors, officers, employees, agents, and third- party intermediaries will comply with such laws and regulations. We can be held liable for violations under such laws and regulations either due to our acts or omissions or due to the acts or omissions of others, including intermediaries working on our behalf. If we fail to comply with applicable laws and regulations, including those referred to above, we may be subject to criminal and civil penalties or other sanctions, which could harm our reputation and have a material adverse impact on our business, financial condition, results of operations, and prospects. Any investigation of any actual or alleged violations of such laws could also harm our reputation or have an adverse impact on our business, financial condition, results of operations, and prospects. Additionally, we could face other third- party claims by agents, stockholders, debt holders, or other interest holders or constituents of our company. Our customers in relevant jurisdictions could seek to impose penalties or take other actions adverse to our interests, and we may be required to dedicate significant time and resources to investigate and resolve allegations of misconduct, regardless of the merit of such allegations. Furthermore, compliance with this additional regulatory burden could increase our operating or other costs. Changes in transportation regulations may increase our costs and negatively impact our results of operations. We are subject to various transportation regulations including as a motor carrier by the DOT and by various federal, state, and tribal agencies, whose regulations include certain permit requirements of highway and safety authorities. These regulatory authorities exercise broad powers over our trucking operations, generally governing such matters as the authorization to engage in motor carrier operations, safety, equipment testing, driver requirements and specifications, and insurance requirements. Certain motor vehicle operators are required to register with the DOT. This registration requires an acceptable operating record. The DOT periodically conducts compliance reviews and may revoke registration privileges based on certain safety performance criteria, and a revocation could result in a suspension of operations. Since 2010, the DOT has pursued its Compliance, Safety, Accountability (" CSA ") program in an effort to improve commercial truck and bus safety. A component of CSA is the Safety Measurement System (" SMS "), which analyzes all safety violations recorded by federal and state law enforcement personnel to determine a carrier' s safety performance. The SMS is intended to allow the DOT to identify carriers with safety issues and intervene to address those problems. The trucking industry is subject to possible regulatory and legislative changes that may impact our operations, such as changes in fuel emissions limits, hours of service regulations that govern the amount of time a driver may drive or work in any specific period, and limits on vehicle weight and size. For example, in December 2016, the DOT finalized minimum training standards for new drivers seeking a commercial driver' s license **; in** ~~, and effective~~ December 2017, the FMCSA ~~has~~ mandated electronic logging devices in all interstate commercial trucks **; and in June 2020, the FMCSA revised its Hours- of- Service Rule to modify break requirements for drivers and the number of hours they may drive in adverse conditions** . As the federal government continues to develop and propose regulations relating to fuel quality, engine efficiency, and GHG emissions, we may experience an increase in costs related to truck purchases and maintenance, impairment of equipment productivity, a decrease in the residual value of vehicles, unpredictable fluctuations in fuel prices, and an increase in operating expenses. Increased truck traffic may contribute to deteriorating road conditions in some areas where our operations are performed. Our operations, including routing and weight restrictions, could be affected by road construction, road repairs, detours, and state and local regulations and ordinances restricting access to certain roads. Proposals to increase federal, state, or local taxes, including taxes on motor fuels, are also made from time to time, and any such increase would increase our operating costs. Also, state and local regulation of permitted routes and times on specific roadways could adversely affect our operations. We cannot predict whether, or in what form, any legislative or regulatory changes or municipal ordinances applicable to our logistics operations will be enacted and to what extent any such legislation or regulations could increase our costs or otherwise adversely affect our business or operations. Risks Related to Technology Our success may be affected by the use and protection of our proprietary technology as well as our ability to enter into license agreements. There are limitations to our intellectual property rights and, thus, our right to exclude others from the use of our proprietary technology. Our success may be affected by our development and implementation of new product designs and improvements and by our ability to protect, obtain, and maintain intellectual property assets related to these developments. We rely on a combination of patents and trade secret laws to establish and protect this proprietary technology. We have received patents and have filed patent applications with respect to certain aspects of our technology, and we generally rely on patent protection with respect to our proprietary technology, as well as a combination of trade secrets and copyright law, employee and third- party non- disclosure agreements, and other protective measures to protect intellectual property rights pertaining to our products and technologies. In addition, we are a party to and rely on several arrangements with third parties, which give us exclusive distribution rights to certain product offerings with desirable intellectual property assets, and we may enter into similar arrangements in the future. Such measures may not provide meaningful protection of our trade secrets, know- how, or other intellectual property in the event of any unauthorized use, misappropriation, or disclosure. We cannot ensure that competitors will not infringe upon, misappropriate, violate, or challenge our intellectual property rights in the future. Additionally, we cannot ensure that our intellectual property rights will deter or prevent competitors from creating similar purpose products for our customers. If we are not able to adequately protect or enforce our intellectual property rights, such intellectual property rights may not provide significant value to our business, results of operations, or financial condition. Moreover, our rights in our confidential information, trade secrets, and confidential know- how will not prevent third parties from independently developing similar technologies or duplicating such technologies. Publicly available information (e. g., information in issued patents, published patent applications, and scientific literature) can be used by third parties to independently develop technology, and we cannot provide assurance that this independently- developed technology will not be equivalent or superior to our proprietary technology. In addition, while we have patented some of our key technologies, we do not patent all of our proprietary technology, even when regarded as patentable. The process of seeking patent protection can be long and expensive. There can be no assurance that patents will be issued from currently pending or future applications or that, if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to us. Further, with respect to exclusive third- party arrangements, these arrangements could be terminated, which would result in our inability to provide the services and / or products covered by such arrangements. We may be adversely affected by disputes regarding intellectual property rights, and the value of our intellectual property rights is uncertain. We may become involved in dispute resolution or litigation proceedings from time to time to protect and enforce our intellectual property rights. In these dispute resolution or litigation proceedings, a third- party defendant may assert that our intellectual property rights are invalid or unenforceable. Third parties from time to time may also initiate dispute resolution or litigation proceedings against us by asserting that our businesses infringe, impair, misappropriate, dilute, or otherwise violate another party' s intellectual property rights. For example, in April 2020, a third party filed a lawsuit asserting that our BreakThru Casing Flotation DeviceTM infringed its intellectual property rights ~~. In~~ **, and in** January 2022, a jury in the Western District of Texas, Waco Division, found in the third party' s favor. However, we intend to appeal the jury' s verdict. We may not prevail in such appeal or in any **other** ~~dispute resolution~~ proceedings relating to intellectual property rights, and our intellectual property rights may be found invalid or unenforceable or our products and services may be found to infringe, impair, misappropriate, dilute, or otherwise violate the intellectual property rights of others **, in which case we may be required to pay damages or other compensation to the other party (which could be costly) and / or cease use of such intellectual property** . Also, as a part of resolving such disputes, we may enter into **licenses,** cross- licenses or other agreements, which could reduce the value of our existing intellectual property rights. The results or costs of any such dispute resolution or litigation proceedings may have an adverse effect on our business, operating results, and financial condition. Any dispute resolution or litigation proceeding concerning intellectual property could be protracted and costly, is inherently unpredictable, and could have an adverse effect on our business, regardless of its outcome. Our success may be affected by our ability to implement new technologies and services. Our success may be affected by the ongoing development and implementation of new product designs, methods, and improvements, and our ability to protect, obtain, and maintain intellectual property assets related to these developments. If we are not able to obtain patent or other protection of our technology, it may not be economical for us to continue to develop systems, services, and technologies to meet evolving industry requirements at prices acceptable to our customers. Further, we may face competitive pressure to develop, implement, or acquire certain new technologies at a substantial cost. Although we take measures to ensure that we use advanced technologies, changes in technology or improvements in our competitors' equipment could make our equipment less competitive or require significant capital investments to keep our equipment competitive. Our long- term success depends, in part, on our ability to effectively address changing customer demands, as well as government regulation and required disclosure regarding ESG. These demands and regulations include, but are not limited to, the creation of ESG- related policies and procedures, the quantification of our greenhouse gas emissions and evaluation of risk and opportunities. These customer preferences and government requirements could cause us to continue to adapt our equipment and technology offerings, as well as increase internal costs to address changes in ESG requirements. If ESG- related requirements change faster than anticipated or in a manner we do not anticipate, demand for our services could be adversely affected. Some of our competitors are large national and multinational companies that may be able to devote greater financial, technical, manufacturing, and marketing resources to research and development of new systems, services, and technologies and may have a larger number of manufacturers for their products or ability to manufacture their own products. As competitors and others use or develop new or comparable technologies in the future, we may lose market share or be placed at a competitive disadvantage if we are not able to develop and implement new technologies or products on a timely basis or at an acceptable cost. If we are unable to compete effectively given these risks, our business and results of operations could be affected. We rely on a limited number of manufacturers to produce the proprietary products used in the provision of our services, which exposes us to risks. We currently rely on a limited number of manufacturers for production of the proprietary products used in the provision of our products and services. Termination of the manufacturing relationship with any of these manufacturers could affect our ability to provide such products and services to our customers. Although we believe other alternate sources of supply for our proprietary products exist, we would need to establish relationships with new manufacturers, which could potentially involve significant expense, delay, and potential changes to certain product components. Any protracted curtailment or interruptions of the supply of any of our key products, whether or not as a result of termination of our manufacturing relationships or patent infringement claims, could have a material adverse effect on our financial condition, business, and results of operations. Our operations are subject to ~~cyber security~~ **cybersecurity** risks that could have a material adverse effect on our results of operations and financial condition. The efficient operation of our business is dependent on our information technology (" IT ") systems. Accordingly, we rely upon the capacity, reliability, and security of our IT hardware and software infrastructure and our ability to expand and update this infrastructure in response to our changing needs. Our IT systems are subject to possible breaches and other threats that could cause us harm. If our systems for protecting against ~~cyber security~~ **cybersecurity** risks prove not to be sufficient, we could be adversely affected by, among other things, loss or damage of intellectual property, proprietary information, customer or business data; interruption of business operations; or additional costs to prevent, respond to, or mitigate ~~cyber security~~ **cybersecurity** attacks. These risks could have a material adverse effect on our business, financial condition, and results of operations and could lead to litigation or regulatory action against us. Risks Related to Certain Significant Stockholders Significant ownership of our common stock by certain stockholders could adversely affect our other stockholders. SCF VII, L. P. and SCF- VII (A), L. P. (collectively, " SCF ") owned approximately ~~27~~ **26** % of our outstanding common stock as of December 31, ~~2022~~ **2023** . In addition, certain of our directors are currently employed by SCF. Consequently, SCF is able to strongly influence all matters that require approval by our stockholders, including the election and removal of directors, changes to our organizational documents, and approval of acquisition offers and other significant corporate transactions. In addition, another one of our stockholders beneficially owned approximately ~~10~~ **8** % of our outstanding common stock as of December 31, ~~2022~~ **2023** . This concentration of ownership by a small group of stockholders will limit other stockholders' ability to influence corporate matters, and as a result, actions may be taken that other stockholders may not view as beneficial. For example, this concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which in turn could cause the market price of our common stock to decline or prevent our stockholders from realizing a premium over the market price for their shares of our common stock. This concentration of stock ownership may also adversely affect the trading price of our common stock to the extent investors perceive a disadvantage in owning stock of a company with significant stockholders. A significant reduction by SCF of its ownership interests in us could adversely affect us. We believe that SCF' s substantial ownership interest in us provides them with an economic incentive to assist us to be successful. SCF is not subject to any obligation to maintain its ownership interest in us and may elect at any time to sell all or a substantial portion of or otherwise reduce its ownership interest in us. If SCF sells all or a substantial portion of its ownership interest in us, it may have less incentive to assist in our success and its affiliates that serve as members of our board of directors may resign. Such actions could adversely affect our ability to successfully implement our business strategies, which could adversely affect our cash flows or results of operations. Certain of our directors may have conflicts of interest because they are also affiliates of SCF. The resolution of these conflicts of interest may not be in our or other stockholders' best interests. ~~Certain of our directors, namely David C. Baldwin and~~ Andrew L. Waite, ~~are~~ **one of our directors, is** currently **an** ~~officers~~ **officer** of SCF' s ultimate general partner. In addition, Mr. Waite is a director of National Energy Reunited Corp., a corporation in which SCF owns an approximate 9 % equity interest as of December 31, ~~2022~~ **2023** . These positions may conflict with such individuals' duties as one of our directors regarding business dealings and other matters between SCF and us. The resolution of these conflicts may not always be in our or our other stockholders' best interest. SCF and its affiliates are not limited in their ability to compete with us, and the corporate opportunity provisions in our charter could enable SCF to benefit from corporate opportunities that may otherwise be available to us. SCF and its affiliates have investments in other oilfield service companies that may compete with us, and SCF and its affiliates may invest in such other companies in the future. SCF, its other affiliates, and its other portfolio companies are referred to herein as the " SCF Group. " Conflicts of interest could arise in the future between us, on the one hand, and the SCF Group, on the other hand, concerning among other things, potential competitive business activities or business opportunities. Our charter provides that, to the fullest extent permitted by applicable law, we renounce any interest or expectancy in any business opportunity that involves any aspect of the energy equipment or services business or industry and that may be from time to time presented to SCF or any of our directors or officers who is also an employee, partner, member, manager, officer, or director of any SCF Group entity, even if the opportunity is one that we might reasonably have pursued or had the ability or desire to pursue if granted the opportunity to do so. Our charter further provides that no such person or party shall be liable to us by reason of the fact that such person pursues any such business opportunity or fails to offer any such business opportunity to us. As a result, any of our directors or officers who is also an employee, partner, member, manager, officer, or director of any SCF Group entity may become aware, from time to time, of certain business opportunities, such as acquisition opportunities, and may direct such opportunities to other businesses in which they have invested, in which case we may not become aware of or otherwise have the ability to pursue such opportunity. Further, such businesses may choose to compete with us for these opportunities. As a result, by renouncing our interest and expectancy in any business opportunity that may be from time to time presented to any member of an SCF Group entity or any of our directors or officers who is also an employee, partner, member, manager, officer, or director of any SCF Group entity, our business or prospects could be adversely affected if attractive business opportunities are procured by such parties for their own benefit rather than for ours. Our charter provides that any amendment to or adoption of any provision inconsistent with our charter' s provisions governing the renouncement of business opportunities must be approved by the holders of at least 80 % of the voting power of the outstanding stock of the corporation entitled to vote thereon. Any actual or perceived conflicts of interest with respect to the foregoing could have an adverse impact on the trading price of our common stock. Risks Related to Human Capital Our executive officers and certain key personnel are critical to our business, and these officers and key personnel may not remain with us in the future. Our future success depends in substantial part on our ability to hire and retain our executive officers and other key personnel. In particular, we are highly dependent on certain of our executive officers, particularly our President and Chief Executive Officer, Ann G. Fox, and the Chief Operating Officer, David Crombie. These individuals possess extensive expertise, talent, and leadership, and they are critical to our success. The diminution or loss of the services of these individuals, or other integral key personnel affiliated with entities that we acquire in the future, could have a material adverse effect on our business. Furthermore, we may not be able to enforce all of the provisions in any employment agreement we have entered into with certain of our executive officers, and such employment agreements may not otherwise be effective in retaining such individuals. In addition, we may not be able to retain key employees of entities that we acquire in the future, which may impact our ability to successfully integrate or operate the assets we acquire. We may be unable to employ, or maintain the employment of, a sufficient number of key employees, technical personnel, and other skilled and qualified workers. The delivery of our services and products requires personnel with specialized skills and experience, including personnel who can perform physically demanding work, and our success depends, in large part, upon our ability to employ and retain key employees, technical personnel, and other skilled and qualified workers. To attract and retain qualified employees, we must compensate them at market levels. If we are unable to continue to attract and retain qualified employees, or do so at rates necessary to maintain our liquidity and competitive position, our business, financial condition **,** or results of operations could suffer. Workers may choose to pursue employment with our competitors or in fields that offer a more desirable work environment as a result of the volatility in the oilfield service industry and the demanding nature of our work. There has been a reduction of the available skilled labor force to service the energy industry. To the extent that there is an increase in demand for our products or services, there is no assurance that the availability of skilled labor will improve. If we are unable to employ and retain skilled workers, our capacity and profitability could be diminished, and our growth potential could be impaired. Other Material Risks ~~The coronavirus pandemic and related economic repercussions have had, and may continue to have, a material adverse effect on our business, liquidity, results of operations, and financial condition. The coronavirus pandemic and related economic repercussions created, and any resurgence of the pandemic or emergence of another global or national health epidemic or concern could again create significant volatility, uncertainty, and turmoil in the oil and gas industry and significant weakening of the demand for our services and products. Other effects included, and or may in the future include: disruption to our supply chain for raw materials essential to our business, including restrictions on importing and exporting products; disruptions to our operations due to lockdowns or other governmental restrictions or due to employee impacts from illness; liquidity challenges, including impacts related to delayed customer payments and payment defaults associated with customer liquidity issues and bankruptcies; limitations on access to sources of liquidity or higher borrowing costs due to significant volatility or disruption of the global financial markets; a need to preserve liquidity, which could result in a delay or change in our capital investment plan; cyber security issues, as digital technologies may become more vulnerable and experience a higher rate of cyber attacks in an environment of remote connectivity; reduction of our workforce to adjust to market conditions, which could result in severance payments, retention issues, and an inability to hire employees when market conditions improve; impairments along with other accounting charges as demand for our services and products decreases; changes in the regulation of the production of hydrocarbons, such as the imposition of limitations on the production of oil and gas by states or other jurisdictions, that may result in additional limits on demand for our products and services; and a structural shift in the global economy and its demand for oil and natural gas as a result of changes in the way people work, travel, and interact, or in connection with a global recession or depression. The extent to which our operating and financial results will continue to be affected by the pandemic will depend on various factors beyond our control, such as the continued severity of the pandemic, including any sustained geographic resurgence; the emergence of new variants and strains of the coronavirus; and the success of actions to contain or treat the coronavirus. The coronavirus or other pandemic, and volatile regional and global economic conditions stemming therefrom, could also aggravate our other risk factors described in this Annual Report.~~ We do not intend to pay dividends on our common stock, and our debt agreements place ~~certain~~ restrictions on our ability to do so. Consequently, a stockholder' s only opportunity to achieve a return on his investment is if the price of our common stock appreciates. We do not plan to declare dividends on shares of our common stock in the foreseeable future. Additionally, our debt agreements place ~~certain~~ restrictions on our ability to pay cash dividends. Consequently, **currently** ~~unless we revise our dividend policy~~, a stockholder' s only opportunity to achieve a return on his investment in us will be by selling his common stock at a price greater than the stockholder paid for it. There is no guarantee that the price of our common stock that will prevail in the market will ever exceed the price at which a stockholder purchased his shares **of our common stock. The market price of our common stock could be adversely affected by, and our stockholders may experience dilution as a result of, sales of substantial amounts of common stock in the public or private markets, including sales by the Company or other large holders. The sale of a substantial number of shares of our common stock by the Company or a holder of a substantial number of shares of our common stock in the public markets could have a material adverse effect on the price of our common stock and dilute our stockholders. In November 2023, we entered an equity distribution agreement (the " Equity Distribution Agreement ") with Piper Sandler & Co. (the " Agent "). Pursuant to the Equity Distribution Agreement, we may, from time to time, sell, shares of our common stock having an aggregate offering price of up to $ 30. 0 million through the Agent acting as the Company' s sales agent (the " ATM Program "). Under the Equity Distribution Agreement, we will set the parameters for the sale of the shares thereunder, including the number of shares to be sold, the time period during which sales are requested to be made and any price below which sales may not be made. Subject to the terms and conditions of the Equity Distribution Agreement and such parameters, the Agent may sell the shares by any method deemed to be an " at the market offering " as defined by Rule 415 under the Securities Act of 1933, as amended (the " Securities Act "), including sales made directly on or through the New York Stock Exchange. The Agent may also sell shares in negotiated transactions at market prices prevailing at the time of sale or at prices related to such prevailing market prices and / or any other method permitted by law, subject to our prior written consent. In addition to any shares issued through the ATM Program, we may issue shares of our common stock or equity securities senior to our common stock in the future for a number of reasons, including to finance our operations and growth plans or to adjust our ratio of debt- to- equity. We cannot predict the size of future issuances or sales of our common stock or the effect, if any, that future issuances and sales of shares of our common stock could have on the market price** of our common stock. We have operated at a loss in the past, and there is no assurance of our profitability in the future. We have in the past experienced periods of low demand for our products and services and have incurred operating losses. In the future, we may not be able to reduce our costs, increase our revenues, or reduce our debt service obligations sufficiently to achieve or maintain profitability and generate positive operating income. Under such circumstances, we may incur operating losses and experience negative operating cash flow. Our future financial condition and results of operations could be adversely impacted by long- lived assets or other asset impairment charges. Determining whether an impairment exists and the amount of the potential impairment involves quantitative data and qualitative criteria that are based on estimates and assumptions requiring significant management judgment, such as those relating to revenue growth rates, future cash flows, and future market conditions. Future events or new information, including regarding the general economic environment, E & P activity levels, our financial performance and trends, and our strategies and business plans, may change management' s valuation of long- lived assets, other intangible assets, or other assets in a short amount of time. In particular, prolonged periods of decreased demand, low utilization, changes in technology or market conditions, or sales and other dispositions of assets for amounts less than their carrying value may cause us to recognize impairment charges relating to our long- lived assets, other intangible assets, or other assets that reduce our net income. While we believe our estimates and assumptions used in impairment tests are reasonable, we cannot provide assurance that additional impairment charges in the future will not be required, especially if an economic downturn occurs and continues for a lengthy period or becomes severe or if our acquisitions and investments fail to achieve expected returns. Significant impairment charges as a result of a decline in market conditions or otherwise could have a material adverse effect on our financial condition or results of operations in future periods. A terrorist attack or armed conflict could harm our business. The occurrence or threat of terrorist attacks in the U. S. or other countries, anti- terrorist efforts, and other armed conflicts involving the U. S. or other countries, including continued hostilities in the Middle East, may adversely affect the U. S. and global economies and could prevent us from meeting financial and other obligations. We could experience loss of business, delays or defaults in payments from payors, or disruptions of fuel supplies and markets if wells, operations sites, or other related facilities are direct targets or indirect casualties of an act of terror or war. Such activities could reduce the overall demand for oil and natural gas, which, in turn, could also reduce the demand for our products and services. Oil and natural gas- related facilities could be direct targets of terrorist attacks, and our operations could be adversely impacted if infrastructure integral to our customers' operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all. Terrorist activities and the threat of potential terrorist activities and any resulting economic downturn could adversely affect our results of operations, impair our ability to raise capital, or otherwise adversely impact our ability to realize certain business strategies. A portion of our revenue is derived from sales to customers outside of the U. S., which exposes us to risks inherent in doing business internationally. In ~~2022~~ **2023** , we derived 4. ~~2~~ **7** % of our revenue from sales to customers outside of the U. S. Sales to customers in countries other than the U. S. are subject to various risks, including: • volatility in political, social, and economic conditions; • social unrest, acts of terrorism, war, or other armed conflicts; • confiscatory taxation or other adverse tax policies; • deprivation of contract rights; • trade and economic sanctions or other restrictions imposed by the European Union, the U. S., or other countries; • exposure under the FCPA or similar legislation, as discussed in the below risk factor; and • currency exchange controls. Our charter and bylaws contain provisions that could delay, discourage, or prevent a takeover attempt even if a takeover might be beneficial to our stockholders, and such provisions may adversely affect the market price of our common stock. Provisions contained in our charter and bylaws could make it more difficult for a third party to acquire us. Our charter and bylaws also impose various procedural and other requirements, which could make it more difficult for stockholders to effect certain corporate actions. For example, our charter authorizes our board of directors to determine the rights, preferences, privileges, and restrictions of unissued series of preferred stock without any vote or action by our stockholders. Thus, our board of directors can authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our capital stock. These rights may have the effect of delaying or deterring a change of control of our company. Additionally, for example, our bylaws (i) establish limitations on the removal of directors and on the ability of our stockholders to call special meetings, (ii) include advance notice requirements for nominations for election to our board of directors and for proposing matters that can be acted upon at stockholder meetings, (iii) provide that our board of directors is expressly authorized to adopt, or to alter or repeal, our bylaws, and (iv) provide for a classified board of directors, consisting of three classes of approximately equal size, each class serving staggered three- year terms, so that only approximately one- third of our directors will be elected each year. These provisions could limit the price that certain investors might be willing to pay in the future for shares of our common stock. Our charter and bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees, or agents. Our charter and bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees, or agents to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law (the " DGCL "), our charter or our bylaws, or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. These exclusive forum provisions are not intended to apply to actions arising under the Exchange Act or the Securities Act ~~of 1933, as amended~~ . The Court of Chancery of the State of Delaware has recently held that a Delaware corporation can only use its constitutive documents to bind a plaintiff to a particular forum where the claim involves rights or relationships that were established by or under the DGCL. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the forum selection provisions of our charter and bylaws. These choice of forum provisions may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees, or agents, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our charter or bylaws inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition, or results of operations. ~~Taking advantage of the reduced disclosure requirements applicable to " emerging growth companies " may make our common stock less attractive to investors. We are an " emerging growth company, " as defined in the Jumpstart Our Business Startups Act of 2012 (the " JOBS Act "), and we will remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year in which we have more than $ 1. 07 billion in annual revenue; (ii) the date on which we become a " large accelerated filer " (the fiscal year- end on which at least $ 700 million of equity securities are held by non- affiliates as of the last day of our then most recently completed second fiscal quarter); (iii) the date on which we have issued, in any three- year period, more than $ 1. 0 billion in non- convertible debt securities; and (iv) December 31, 2023, which is the last day of the fiscal year ending after the fifth anniversary of the completion of our initial public offering (the " IPO "). An emerging growth company may take~~

~~advantage of certain reduced reporting and other requirements that are otherwise applicable generally to public companies. Pursuant to these reduced disclosure requirements, emerging growth companies are not required to, among other things, comply with the auditor attestation requirements of Section 404 of the Sarbanes- Oxley Act of 2002, provide certain disclosures regarding executive compensation, hold stockholder advisory votes on executive compensation, or obtain stockholder approval of any golden parachute payments not previously approved. In addition, emerging growth companies have longer phase- in periods for the adoption of new or revised financial accounting standards. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We intend to take advantage of all of the reduced reporting requirements and exemptions, including the longer phase- in periods for the adoption of new or revised financial accounting standards under Section 107 of the JOBS Act, until we are no longer an emerging growth company. If we were to subsequently elect instead to comply with these public company effective dates, such election would be irrevocable pursuant to Section 107 of the JOBS Act. Our election to use the phase- in periods permitted by this election may make it difficult to compare our financial statements to those of non- emerging growth companies and other emerging growth companies that have opted out of the longer phase- in periods under Section 107 of the JOBS Act and who will comply with new or revised financial accounting standards. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our common stock price may be more volatile. On the other hand, once we are no longer an emerging growth company, compliance with rules and regulations that do not currently apply to us as an emerging growth company will increase our legal and financial compliance costs, may make some activities more difficult, time- consuming, or costly, and will increase demand on our systems and resources.~~ We may not be able to utilize a portion of our net operating loss carry forwards (" NOLs ") to offset future taxable income for U. S. federal or state tax purposes, which could adversely affect our net income and cash flows. As of December 31, ~~2022~~ **2023** , we had federal and state income tax NOLs of approximately $ ~~442~~ **471** . ~~2~~ **8** million, which will begin to expire between ~~2023~~ **2024** and 2034. Utilization of these NOLs depends on many factors, including our future taxable income, which cannot be assured. In addition, Section 382 of the Internal Revenue Code of 1986, as amended (" Section 382 "), generally imposes an annual limitation on the amount of an NOL that may be used to offset taxable income when a corporation has undergone an " ownership change " (as determined under Section 382). Determining the limitations under Section 382 is technical and highly complex. An ownership change generally occurs if one or more shareholders (or groups of shareholders) who are each deemed to own at least 5 % of the corporation' s stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three- year period. In the event that an ownership change has occurred, or were to occur, with respect to a corporation following its recognition of an NOL, utilization of such NOL would be subject to an annual limitation under Section 382, generally determined by multiplying the value of the corporation' s stock at the time of the ownership change by the applicable long- term tax- exempt rate ~~(~~as defined in Section 382 ~~)~~. However, this annual limitation would be increased under certain circumstances by recognized built- in gains of the corporation existing at the time of the ownership change. In the case of an NOL that arose in a taxable year beginning before January 1, 2018, any unused annual limitation with respect to an NOL generally may be carried over to later years, subject to the expiration of such NOL 20 years after it arose. The issuance of additional stock in ~~the IPO~~ **our initial public offering in 2018** , combined with ownership shifts over the rolling three- year period, resulted in an ownership change under Section 382, and we may be prevented from fully utilizing our NOLs prior to their expiration. Future changes in our stock ownership or future regulatory changes could also limit our ability to utilize our NOLs. To the extent we are not able to offset future taxable income with our NOLs, our net income and cash flows may be adversely affected. ~~32~~