

Risk Factors Comparison 2025-03-14 to 2024-02-29 Form: 10-K

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

Crude oil and natural gas prices are volatile and fluctuate in response to a number of factors; Lower prices could reduce the net proceeds payable to the Trust and Trust distributions. The Trust's income and monthly distributions are heavily influenced by commodity prices. Commodity prices may fluctuate widely in response to (i) relatively minor changes in the supply of and demand for oil and natural gas, (ii) market uncertainty and (iii) a variety of additional factors that are beyond the Trustee's control. As of February 20-24, 2024-2025, the price of oil was \$ 78-71 . 72-06 per barrel and the price of natural gas was \$ 3. 86 per Mcf. Factors that may impact future commodity prices, including the price of oil and natural gas, include but are not limited to: • political conditions in major oil producing regions, especially in the Middle East and Russia, including the conflicts between Russia and Ukraine and Israel and Hamas; • worldwide economic and geopolitical conditions; • weather conditions; • trade barriers; • public health concerns, such as COVID-19; • the supply and price of domestic and foreign crude oil or natural gas; • the level of consumer demand; • the price and availability of alternative fuels; • the proximity to, and capacity of, transportation facilities; • the effect of worldwide energy conservation measures; and • the nature and extent of governmental regulation and taxation. Although the Trustee cannot predict the occurrence of events that may affect future commodity prices or the degree to which these prices will be affected, gas royalty income for a given period generally relates to production three months prior to the period and crude oil royalty income for a given period generally relates to production two months prior to the period and will generally approximate current market prices in the geographic region of the production at the time of production. When crude oil and natural gas prices decline, the Trust is affected in two ways. First, distributable income from the Underlying Properties is reduced. Second, exploration and development activity by operators on the Underlying Properties may decline as some projects may become uneconomic and are either delayed or eliminated. It is impossible to predict future crude oil and natural gas price movements, and this reduces the predictability of future cash distributions to Unit holders. Increased production and development costs attributable to the Royalties will result in decreased Trust distributions unless revenues also increase. Production and development costs attributable to the Royalties are deducted in the calculation of the Trust's share of net proceeds. Accordingly, higher or lower production and development costs will directly decrease or increase the amount received by the Trust from the Royalties. Production and development costs are impacted by increases in commodity prices, both directly, through commodity price dependent costs, such as electricity, and indirectly, as a result of demand driven increases in costs of oilfield goods and services. For example, the costs of electricity that will be included in production and development costs deducted in calculating the Trust's share of 2024-2025 net proceeds could increase compared to the electrical costs incurred during 2023-2024 if higher fuel surcharges are charged by the ~~thirdparty~~ **third party** electricity provider in response to any increased costs of natural gas consumed to generate the electricity. These increased costs could reduce the Trust's share of 2024-2025 net proceeds below the level that would exist if such costs remained at the level experienced in 2023-2024. Similarly, new or changes to existing laws or regulations with which the Underlying Properties must comply, including environmental regulations or regulation of injection and disposal wells in connection with concerns regarding seismic activity, could result in increased production or development costs. If production and development costs attributable to the Royalties exceed the gross proceeds related to production from the Underlying Properties, the Trust will not receive net proceeds until future proceeds from production exceed the total of the excess costs plus accrued interest during the deficit period. Development activities may not generate sufficient additional proceeds to repay the costs. Trust reserve estimates depend on many assumptions that may prove to be inaccurate, which could cause both estimated reserves and estimated future net revenues to be too high, leading to write-downs of estimated reserves. The value of the Units will depend upon, among other things, the reserves attributable to the Royalties from the Underlying Properties. The calculations of proved reserves and estimating reserves is inherently uncertain. In addition, the estimates of future net revenues are based upon various assumptions regarding future production levels, prices and costs that may prove to be incorrect over time. The accuracy of any reserve estimate is a function of the quality of available data, engineering interpretation and judgment and the assumptions used regarding the quantities of recoverable crude oil and natural gas and the future prices of crude oil and natural gas. Petroleum engineers consider many factors and make many assumptions in estimating reserves. Those factors and assumptions include: • historical production from the area compared with production rates from similar producing areas; ~~4~~ • the effects of governmental regulation; • assumptions about future commodity prices, production and development costs, taxes, and capital expenditures; • the availability of enhanced recovery techniques; and • relationships with landowners, working interest partners, pipeline companies and others. **The Trustee has requested information regarding future development and capital expenditures from Blackbeard for fiscal year 2025 but Blackbeard has refused to provide any forward looking information despite having provided this information in previous years. In contrast to previous years, the reserve estimates as of December 31, 2024 exclude all proved undeveloped reserves (" PUDs") as a result of Blackbeard' s refusal to provide such information. SEC rules, subject to limited exceptions, permit PUDs to be disclosed only if they related to wells scheduled to be drilled within five years after the date of disclosure. Without a development plan reflecting development of wells, the Trust cannot disclose PUDs from the Waddell Ranch properties. In 2023, the proved undeveloped reserves constituted 48. 3 % of the total proved reserves for the Waddell Ranch properties and 38 % of the total proved reserves for the Trust.** Changes in any of these factors and assumptions can materially change reserve and future net revenue estimates. The Trust's estimate of reserves and future net revenues is further complicated because the Trust holds an interest in net overriding royalties and does not own a specific percentage of the crude oil or natural gas reserves. Ultimately, actual

production, revenues and expenditures for the Underlying Properties, and therefore actual net proceeds payable to the Trust, will vary from estimates and those variations could be material. Results of drilling, testing and production after the date of those estimates may require substantial downward revisions or write-downs of reserves. The assets of the Trust are depleting assets and, if the operators developing the Underlying Properties do not perform additional development projects, the assets may deplete faster than expected. Eventually, the assets of the Trust will cease to produce in commercial quantities and the Trust will cease to receive proceeds from such assets. In addition, a reduction in depletion tax benefits may reduce the market value of the Units. The net proceeds payable to the Trust are derived from the sale of depleting assets. The reduction in proved reserve quantities is a common measure of depletion. Future maintenance and development projects on the Underlying Properties will affect the quantity of proved reserves and can offset the reduction in proved reserves. The timing and size of these projects will depend on the market prices of crude oil and natural gas. If the operators developing the Underlying Properties do not implement additional maintenance and development projects, the future rate of production decline of proved reserves may be higher than the rate currently expected by the Trust. **Blackbeard has refused to provide its future development plans of the Underlying Properties to the Trustee.** Because the net proceeds payable to the Trust are derived from the sale of depleting assets, the portion of distributions to Unit holders attributable to depletion may be considered a return of capital as opposed to a return on investment. Distributions that are a return of capital will ultimately diminish the depletion tax benefits available to the Unit holders, which could reduce the market value of the Units over time. Eventually, the Royalties will cease to produce in commercial quantities and the Trust will, therefore, cease to receive any distributions of net proceeds therefrom. Government action, policies or regulations designed to discourage production of, reduce demand for, or promote alternatives to oil and natural gas could impact the price of oil and natural gas produced on the Underlying Properties, directly as intended or through unintended consequences. Governments around the world are considering actions intended to reduce greenhouse gas emissions by decreasing both the supply of and the demand for oil and natural gas products or by promoting alternatives. These include the adoption of cap and trade regimes, carbon taxes, trade tariffs, minimum renewable usage requirements, restrictive permitting, increased mileage and other efficiency standards, mandates for sales of electric vehicles, mandates for use of specific fuels or technologies, and other incentives or mandates designed to support transitioning to lower-emission energy sources. Political and other actors and their agents also increasingly seek to advance climate change objectives indirectly, such as by seeking to reduce the availability or increase the cost of financing and investment in the oil and gas sector. Depending on how policies are formulated and applied, such policies could impact the ability and costs of the operators of the Underlying Properties to supply products, demand for their products, or the competitiveness of hydrocarbon-based products, which in turn, could reduce royalty income to the Trust. Any policy that increases the costs for operators of the Underlying Properties or decreases market prices could have a material impact on the distributable income of the Trust. 5-The Trustee may be subject to attempted cybersecurity disruptions from a variety of sources including state-sponsored actors. The Trustee maintains robust cybersecurity protocols including, but not limited to technological capabilities that prevent and detect disruptions; computer workstations and programs protected with passwords and passphrases, as well as employee training throughout the year on financial regulations and cybersecurity followed up by testing of that knowledge. Other, non-technical protocols include securing of documents and work areas that could contain personal, non-public information and independent verification of information changes by outside vendors. If the measures taken to protect against cybersecurity disruptions prove to be insufficient or if proprietary data is otherwise not protected, the Trustee, or customer, employees, or third parties could be adversely affected. The Trust is also exposed to potential harm from cybersecurity events that may affect the operations of third-parties, including suppliers, service providers (including providers of cloud-hosting services for our data or applications), and customers. Cybersecurity disruptions could cause physical harm to people or the environment, damage or destroy assets; compromise business systems; result in proprietary information being altered, lost, or stolen; result in employee, customer, or third-party information being compromised; or otherwise disrupt business operations. The Trust could incur significant costs to remedy the effects of a major cybersecurity disruption in addition to costs in connection with resulting regulatory actions, litigations, or reputational harm. Future royalty income may be subject to risks relating to the creditworthiness of third parties. The Trust does not lend money and has limited ability to borrow money, which the Trustee believes limits the Trust's risk from credit markets. The Trust's future royalty income, however, may be subject to risks relating to the creditworthiness of the operators of the Underlying Properties and other purchasers of the crude oil and natural gas produced from the Underlying Properties, as well as risks associated with fluctuations in the price of crude oil and natural gas. The market price for the Units may not reflect the value of the royalty interests held by the Trust. The public trading price for the Units tends to be tied to the recent and expected levels of cash distribution on the Units. The amounts available for distribution by the Trust vary in response to numerous factors outside the control of the Trust, including prevailing prices for crude oil and natural gas produced from the Royalties. The market price is not necessarily indicative of the value that the Trust would realize if it sold those Royalties to a third party buyer. In addition, such market price is not necessarily reflective of the fact that since the assets of the Trust are depleting assets, a portion of each cash distribution paid on the Units should be considered by investors as a return of capital, with the remainder being considered as a return on investment. There is no guarantee that distributions made to a Unit holder over the life of these depleting assets will equal or exceed the purchase price paid by the Unit holder. Operational risks and hazards associated with the development of the Underlying Properties may decrease Trust distributions. There are operational risks and hazards associated with the production and transportation of crude oil and natural gas, including without limitation natural disasters, blowouts, explosions, fires, leakage of crude oil or natural gas, releases of other hazardous materials, mechanical failures, cratering, and pollution. Any of these or similar occurrences could result in the interruption or cessation of operations, personal injury or loss of life, property damage, damage to productive formations or equipment, damage to the environment or natural resources, or cleanup obligations. The operation of oil and gas properties is also subject to various laws and regulations. Non-compliance with such laws and regulations could subject the operator to additional costs, sanctions or liabilities. The uninsured costs resulting from

any of these or similar occurrences could be deducted as a cost of production in calculating the net proceeds payable to the Trust and would therefore reduce Trust distributions by the amount of such uninsured costs. As of December 31, 2023, oil and gas production from the Waddell Ranch properties ~~is was~~ processed through two facilities. **Blackbeard has refused to verify if this information is still accurate as of December 31, meaning 2024. Should this number still be accurate, the limited number of gas processing facilities for the Waddell Ranch properties may impact as they** may be particularly susceptible to such **operational risks and hazards**. A partial or ~~6~~ complete shut down of operations at that facility could disrupt the flow of royalty payments to the Trust and, accordingly, the Trust's distributions to its Unit holders. In addition, although Blackbeard is the current operator of record of the properties burdened by the Waddell Ranch overriding royalty interests, none of the Trustee, the Unit holders or Blackbeard, as the current operator, has an operating interest in the properties burdened by the Texas Royalty properties' (as defined herein) overriding royalty interests. As a result, these parties are not in a position to eliminate or mitigate the above or similar occurrences with respect to such properties and may not become aware of such occurrences prior to any reduction in Trust distributions which may result therefrom. Increased concerns about climate change and environmental sustainability **could have an impact on development of the Underlying Properties**. There is considerable debate as to the environmental effects of greenhouse gas emissions and associated consequences affecting global climate, oceans, and ecosystems. We are not in a position to validate or repudiate the existence of climate change or various aspects of the scientific debate. However, climate change could have an impact on the operation of the Underlying Properties. Underlying Properties in areas with limited water availability may be particularly impacted if droughts become more frequent or severe. Similarly, more extreme weather events such as ice storms or extended periods of freezing or high temperatures could disrupt operation and production of the Underlying Properties. Changes in climate or weather may hinder exploration and production activities or increase or decrease the cost of production of oil and natural gas resources and consequently affect demand. Changes in climate or weather may also affect consumer demand for energy or alter the overall energy mix. However, we are not in a position to predict the precise effects of climate change on energy markets or the physical effects of climate change. We are providing this disclosure based on publicly available information on the matter. Finally, it should be noted that, recently, concerns about the potential effects of climate change have resulted in certain financial institutions, funds and other sources of capital restricting or eliminating their investment in oil and natural gas activities. These concerns have also led to the oil and gas industry facing growing demand for corporate transparency and a demonstrated commitment to sustainability goals. Furthermore, in March ~~2022~~ **2024** the U. S. Securities and Exchange Commission ("SEC") ~~proposed~~ **adopted** rule amendments that would require public companies to disclose certain climate-related information in their public filings. The ~~final~~ **new rules also required certain disclosure requirements related to severe weather events and other natural conditions in a company's audited financial statements. However, the SEC stayed implementation of the rule-rules until legal challenges to the rules could be resolved, and following installation of the second Trump presidential administration, is reassessing its position** currently expected to be finalized in the **litigation** spring of 2024 and the new requirements are expected to be subject to a phase-in period. Environmental, social, and governance ("ESG") goals and programs, which typically include extralegal targets related to environmental stewardship, social responsibility, and corporate governance, have also become an increasing focus of investors and shareholders across the industry. While reporting on ESG metrics remains voluntary, access to capital and investors is likely to favor companies with robust ESG programs in place. Ultimately, these initiatives could make it more difficult for companies, including the companies that operate the Underlying Properties, to secure funding for exploration and production activities. **The** ~~Notwithstanding potential risks related to climate change, the~~ International Energy Agency ("IEA") estimates in its World Energy Outlook ~~2023~~ **2024** that ~~drivers of growth in global energy demand remain strong~~ **is expected to slow due to efficiency improvements, electrification, and quick expansion of renewables**. ~~However~~ **In addition**, the IEA predicts that oil and natural gas, along with coal, are each expected to reach their high point in global energy supply before 2030, with their combined percentage of global energy supply expected to drop below eighty percent (80%) before that time. In addition, the growth in demand for fossil fuels could be tempered and decrease further if the growth of China's economy slows and investment in clean and efficient energy by it, as well as other high-energy-demand growth areas, such as India, Southeast Asia, and Africa, continues. Terrorism, continued hostilities in Eastern Europe and the Middle East, or other military campaigns could decrease Trust distributions or the market price of the Units. Terrorist attacks and the threat of terrorist attacks, whether domestic or foreign, as well as military or other actions taken in response, cause instability in the global financial and energy markets. Terrorism, continued hostilities in Eastern Europe and the Middle East, or other sustained military campaigns could adversely affect Trust distributions or the market price of the Units in unpredictable ways, including through the disruption of fuel supplies and markets, increased volatility in crude oil and natural gas prices, or the possibility that the infrastructure on which the operators developing the Underlying Properties rely could be a direct target or an indirect casualty of an act of terror. ~~7~~ Unit holders and the Trustee have no influence over the operations on, or future development of, the Underlying Properties. Neither the Trustee nor the Unit holders can influence or control the operations on, or future development of, the Underlying Properties. The failure of an operator to conduct its operations, discharge its obligations, deal with regulatory agencies or comply with laws, rules and regulations, including environmental laws and regulations, in a proper manner could have an adverse effect on the net proceeds payable to the Trust. The current operators developing the Underlying Properties are under no obligation to continue operations on the Underlying Properties. Neither the Trustee nor the Unit holders have the right to replace an operator. **Changes in the information historically made available to the Trustee by Blackbeard has delayed and may continue to delay Trust distributions** Since May 2024, Blackbeard has refused to provide the Trustee information necessary to calculate the monthly net proceeds from the Waddell Ranch properties by the NYSE notification date for each monthly distribution, notwithstanding Blackbeard's historical practice of providing such information and requests from the Trustee to Blackbeard for such information. As a result, distribution of net proceeds from the Waddell Ranch properties each month has been delayed by a month from the time

such proceeds have historically been distributed to unitholders. In response to the Trust's lawsuit against Blackbeard in the District Court of Tarrant County Texas, Blackbeard has filed a counterclaim asking the court to limit the information it provides to the Trust to quarterly statements of the net proceeds computation and inspection of books and record during normal business hours. If Blackbeard continues to limit the information provided to the Trustee, distributions to unitholders of net proceeds from the Waddell Ranch properties will likely continue to be delayed.

The operators developing the Texas Royalty properties have no duty to protect the interests of the Unit holders and do not have sole discretion regarding development activities on the Underlying Properties. Under the terms of a typical operating agreement relating to oil and gas properties, the operator owes a duty to working interest owners to conduct its operations on the properties in a good and workmanlike manner and in accordance with its best judgment of what a prudent operator would do under the same or similar circumstances. Blackbeard is currently the operator of record of the Waddell Ranch overriding royalty interests and in such capacity owes the Trust a contractual duty under the conveyance agreement for that overriding royalty interest to operate the Waddell Ranch properties in good faith and in accordance with a prudent operator standard. The operators of the properties burdened by the Texas Royalty properties' overriding royalty interests, however, have no contractual or fiduciary duty to protect the interests of the Trust or the Unit holders other than indirectly through its duty of prudent operations to the unaffiliated owners of the working interests in those properties. In addition, even if an operator, including Blackbeard in the current case of the Waddell Ranch properties (as defined herein), concludes that a particular development operation is prudent on a property, it may be unable to undertake such activity unless it is approved by the requisite approval of the working interest owners of such properties (typically the owners of at least a majority of the working interests). Even if the Trust concludes that such activities in respect of any of its overriding royalty interests would be in its best interests, it has no right to cause those activities to be undertaken. The operator developing any Underlying Property may transfer its interest in the property without the consent of the Trust or the Unit holders. Any operator developing any of the Underlying Properties may at any time transfer all or part of its interest in the Underlying Properties to another party. Neither the Trust nor the Unit holders are entitled to vote on any transfer of the properties underlying the Royalties, and the Trust will not receive any proceeds of any such transfer. Following any transfer, the transferred property will continue to be subject to the Royalties, but the net proceeds from the transferred property will be calculated separately and paid by the transferee. The transferee will be responsible for all of the transferor's obligations relating to calculating, reporting and paying to the Trust the Royalties from the transferred property, and the transferor will have no continuing obligation to the Trust for that property. The operator developing any Underlying Property may abandon the property, thereby terminating the Royalties payable to the Trust. The operators developing the Underlying Properties, or any transferee thereof, may abandon any well or property without the consent of the Trust or the Unit holders if they reasonably believe that the well or property can no longer produce in commercially economic quantities. This could result in the termination of the Royalties relating to the abandoned well or property. The Royalties can be sold and the Trust would be terminated. The Trustee must sell the Royalties if the holders of 75 % or more of the Units approve the sale or vote to terminate the Trust. The Trustee must also sell the Royalties if they fail to generate net revenue for the Trust of at least \$ 1,000,000 per year over any consecutive two- year period. Sale of all of the Royalties will terminate the Trust. The net proceeds of any sale will be distributed to the Unit holders. The sale of the remaining Royalties and the termination of the Trust will be taxable events to the Unit holders. Generally, Unit holders will realize gain or loss equal to the difference between the amount realized on the sale and termination of the Trust and their adjusted basis in such Units. Gain or loss realized by a Unit holder who is not a dealer with respect to such Units and who has a holding period for the Units of more than one year will be treated as long- term capital gain or loss except to the extent of any depletion recapture amount, which must be treated as ordinary income. Other federal and state tax issues concerning the Trust are discussed under Note 45 and Note 78 to the Trust's financial statements, which are included herein. Each Unit holder should consult his, her or its own tax advisor regarding Trust tax compliance matters, including federal and state tax implications concerning the sale of the Royalties and the termination of the Trust. Unit holders have limited voting rights and have limited ability to enforce the Trust's rights against the current or future operators developing the Underlying Properties. The voting rights of a Unit holder are more limited than those of stockholders of most public corporations. For example, there is no requirement for annual meetings of Unit holders or for an annual or other periodic re- election of the Trustee. The Trust indenture and related trust law permit the Trustee and the Trust to sue Blackbeard, Riverhill Energy Corporation or any other future operators developing the Underlying Properties to compel them to fulfill the terms of the conveyance of the Royalties. If the Trustee does not take appropriate action to enforce provisions of the conveyance, the recourse of the Unit holders would likely be limited to bringing a lawsuit against the Trustee to compel the Trustee to take specified actions. Unit holders probably would not be able to sue Blackbeard, Riverhill Energy Corporation or any other future operators developing the Underlying Properties. Financial information of the Trust is not prepared in accordance with GAAP. The financial statements of the Trust are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States (" GAAP "). Although this basis of accounting is permitted for royalty trusts by the SEC, the financial statements of the Trust differ from GAAP financial statements mainly because revenues are not accrued in the month of production and cash reserves may be established **for specified contingencies and deducted** which ~~would~~ **could** not be ~~accrued~~ **recorded** in GAAP financial statements. Further, Trust expenses are recorded when paid and not in the month they were incurred. The limited liability of the Unit holders is uncertain. The Unit holders are not protected from the liabilities of the Trust to the same extent that a shareholder would be protected from a corporation's liabilities. The structure of the Trust does not include the interposition of a limited liability entity such as a corporation or limited partnership which would provide further limited liability protection to Unit holders. While the Trustee is liable for any excess liabilities incurred if the Trustee fails to insure that such liabilities are to be satisfied only out of Trust assets, under the laws of Texas, which are unsettled on this point, a holder of Units may be jointly and severally liable for any liability of the Trust if the satisfaction of such liability was not contractually limited to the assets of the

Trust and the assets of the Trust and the Trustee are not adequate to satisfy such liability. As a result, Unit holders may be exposed to personal liability. The tax treatment of an investment in Trust Units could be affected by recent and potential legislative changes, possibly on a retroactive basis. U. S. federal tax reform legislation known as the Tax Cuts and Jobs Act (the “ TCJA ”) was enacted December 22, 2017, and made significant changes to the federal income tax rules applicable to both individuals and entities, including changes to the effective tax rate on a Unit holder’ s allocable share of certain income from the Trust. The TCJA is **9-complex, thus, Unit holders should consult their tax advisor regarding the TCJA and its effect on an investment in Trust Units. Any modification to the U. S. federal income tax laws or interpretations thereof (including administrative guidance relating to the TCJA) may be applied retroactively and could adversely affect the Trust’ s business, financial condition or results of operations. The Trust is unable to predict whether any changes or other proposals will ultimately be enacted, or whether any adverse interpretations will be issued. Any such changes or interpretations could negatively impact the value of an investment in the Trust Units.**