Risk Factors Comparison 2024-03-18 to 2023-03-29 Form: 10-K

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An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below as well as the other information in this filing before deciding to invest in our company. Any of the risk factors described below could significantly and adversely affect our business, prospects, financial condition and results of operations. Additional risks and uncertainties not currently known or that are currently considered to be immaterial may also materially and adversely affect our business, prospects, financial condition and results of operations. As a result, the trading price or value of our common stock could be materially adversely affected and you may lose all or part of your investment. Summary Risk Factors We face risks and uncertainties related to our business, many of which are beyond our control. In particular, risks associated with our business include: · The future price of oil, natural gas and NGL; · The impact of public health crises, similar to COVID- 19, on the Company' s operations, future prospects, the value of its properties, and the economy in general, including the related effect on the supply and demand, and ultimate price of oil and natural gas; · Current and future declines in economic activity and recessions, ~~increased~~ **changes in** inflation and interest rates, and their effect on the Company, its property, prospects and the supply and demand, and ultimate price of oil and natural gas; · The status and availability of oil and natural gas gathering, transportation, and storage facilities owned and operated by third parties; · An increase in the differential between the NYMEX or other benchmark prices of oil and natural gas and the wellhead price we receive for our production may adversely affect our business, financial condition, and results of operations; · New or amended environmental legislation or regulatory initiatives which could result in increased costs, additional operating restrictions, or delays, or have other adverse effects on us; · The effect of future shut- ins of our operated production, should market conditions significantly deteriorate; · Declines in the value of our crude oil, natural gas and NGL properties resulting in impairments; · Our need for additional capital to complete future acquisitions, conduct our operations and fund our business, and our ability to obtain such necessary funding on favorable terms, if at all; · Our ability to generate sufficient cash flow to meet any future debt service and other obligations due to events beyond our control; · The fact that all of our assets and operations are located in the Permian Basin and the D- J Basin, making us vulnerable to risks associated with operating in only two geographic areas; · The speculative nature of our oil and gas operations, and general risks associated with the exploration for, and production of oil and gas; including accidents, equipment failures or mechanical problems which may occur while drilling or completing wells or in production activities; operational hazards and unforeseen interruptions for which we may not be adequately insured; the threat and impact of terrorist attacks, cyber- attacks or similar hostilities; declining reserves and production; and losses or costs we may incur as a result of title deficiencies or environmental issues in the properties in which we invest, any one of which may adversely impact our operations; · Potential conflicts of interest that could arise for certain members of our management team and board of directors that hold management positions with other entities and our largest stockholder; ~~31~~ **35** · The limited control we have over activities on properties we do not operate; · The estimates of the value of our oil and gas properties and accounting in connection therewith; · Intense competition in the oil and natural gas industry; · Our competitors use of superior technology and data resources that we may be unable to afford or obtain the use of; · Changes in the legal and regulatory environment governing the oil and natural gas industry, including new or amended environmental legislation or regulatory initiatives which could result in increased costs, additional operating restrictions, or delays, or have other adverse effects on us; · Uncertainties associated with enhanced recovery methods which may result in us not realizing an acceptable return on our investments in such projects or suffering losses; · Requirements that we must drill on certain of acreage in order to hold such acreage by production; · Improvements in or new discoveries of alternative energy technologies that could have a material adverse effect on our financial condition and results of operations; · Future litigation or governmental proceedings which could result in material adverse consequences, including judgments or settlements; · The currently sporadic and volatile market for our common stock; · Our dependence on the continued involvement of our present management; · The fact that Dr. Simon **G.** Kukes, our Chief Executive Officer and a member of board of directors, beneficially owns a majority of our common stock and that his interests may be different from other shareholders; · Our ability to maintain the listing of our common stock on the NYSE American; · Dilution caused by future offerings; · Future material impairments of our oil and gas assets; and · Other risks described under " Risk Factors " below. ~~32Risks~~ -- **Risks** Related to the Oil, NGL and Natural Gas Industry ~~and~~ **;** Our Business **and Operations** Declines in oil and, to a lesser extent, NGL and natural gas prices, have in the past, and will continue in the future, to adversely affect our business, financial condition or results of operations and our ability to meet our capital expenditure obligations or targets and financial commitments. The price we receive for our oil and, to a lesser extent, natural gas and NGLs, heavily influences our revenue, profitability, cash flows, liquidity, access to capital, present value and quality of our reserves, the nature and scale of our operations and future rate of growth. Oil, NGL and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. In recent years, the markets for oil and natural gas have been volatile. These markets will likely continue to be volatile in the future. Further, oil prices and natural gas prices do not necessarily fluctuate in direct relation to each other. Because approximately ~~72~~ **67** % of our estimated proved reserves as of December 31, ~~2022~~ **2023** were oil, our financial results are more sensitive to movements in oil prices. The price of crude oil has experienced significant volatility over the last five years, with the price per barrel of West Texas Intermediate (" WTI ") crude ~~rising from a low of $ 42 in June 2017 to a high of $ 76 in October 2018, then, in 2020~~ , dropping below $ 20 per barrel **in 2020** due in part to reduced global demand stemming from the global COVID- 19 outbreak, and surging to over $ 120 a barrel in early March 2022, following Russia' s invasion of the Ukraine **, to the $ 70s in recent months** . A prolonged period of low market prices for oil and natural gas, or further declines in the market prices for oil and natural gas, will likely result in capital expenditures being further curtailed and will adversely affect our business, financial condition and liquidity and our ability to meet obligations, targets or financial commitments and could ultimately lead to restructuring or filing for bankruptcy, which would have a material adverse effect on our stock price and indebtedness. Additionally, lower oil and natural gas prices have, and may in the future, cause, a decline in our stock price. The below table highlights the recent volatility in oil and gas prices by summarizing the high and low daily NYMEX WTI oil spot price and daily NYMEX natural gas Henry Hub spot price for the periods presented: ~~Daily~~ **36Daily** NYMEX WTIoil spot price (per Bbl) Daily NYMEX naturalgas Henry Hub spot price (per MMBtu) High Low High Low Year ended December 31, 2019 $ 66. 24 $ 46. 31 $ 4. 25 $ 1. 75 Year ended December 31, 2020 $ 63. 27 $ (36. 98) $ 3. 14 $ 1. 33 Year ended December 31, 2021 $ 85. 64 $ 47. 47 $ 23. 86 $ 2. 43 Year ended December 31, 2022 $ 123. 64 $ 71. 05 $ 9. 85 $ 3. 46 ~~Quarter~~ **Year** ended ~~March~~ **December** 31, 2023 ~~(through March 21, 2023)~~ $ ~~81~~ **93** . ~~62~~ **67** $ 66. 61 $ 3. 78 $ 1. ~~93~~ **74** We have a limited operating history, have incurred net losses in the past and may incur net losses in the future **.** We have a limited operating history and are engaged in the initial stages of exploration, development and exploitation of our leasehold acreage and will continue to be so until commencement of substantial production from our oil and natural gas properties, which will depend upon successful drilling results, additional and timely capital funding, and access to suitable infrastructure. Companies in their initial stages of development face substantial business risks and may suffer significant losses. We have generated substantial net losses in the past and may continue to incur net losses as we continue our drilling program. In considering an investment in our common stock, you should consider that there is only limited historical and financial operating information available upon which to base your evaluation of our performance. We have incurred net losses of $ 126, ~~741~~ **477** , 000 from the date of inception (February 9, 2011) through December 31, ~~2022~~ **2023** . Additionally, we may be dependent on obtaining additional debt and / or equity financing to roll- out and scale our planned principal business operations. Management' s plans in regard to these matters consist principally of seeking additional debt and / or equity financing combined with expected cash flows from current oil and gas assets held and additional oil and gas assets that we may acquire. Our efforts may not be successful, and funds may not be available on favorable terms, if at all. We face challenges and uncertainties in financial planning as a result of the unavailability of historical data and uncertainties regarding the nature, scope and results of our future activities. New companies must develop successful business relationships, establish operating procedures, hire staff, install management information and other systems, establish facilities and obtain licenses, as well as take other measures necessary to conduct their intended business activities. We may not be successful in implementing our business strategies or in completing the development of the infrastructure necessary to conduct our business as planned. In the event that one or more of our drilling programs is not completed or is delayed or terminated, our operating results will be adversely affected and our operations will differ materially from the activities described in this Annual Report and our subsequent periodic reports. As a result of industry factors or factors relating specifically to us, we may have to change our methods of conducting business, which may cause a material adverse effect on our results of operations and financial condition. The uncertainty and risks described in this Annual Report may impede our ability to economically find, develop, exploit, and acquire oil and natural gas reserves. As a result, we may not be able to achieve or sustain profitability or positive cash flows provided by our operating activities in the future. We may need additional capital to complete future acquisitions, conduct our operations and fund our business beyond ~~2023~~ **2024** , and our ability to obtain the necessary funding is uncertain. We may need to raise additional funding to complete future potential acquisitions and may be required to raise additional funds through public or private debt or equity financing or other various means to fund our operations and complete exploration and drilling operations beyond ~~2023~~ **2024** and acquire assets. In such a case, adequate funds may not be available when needed or may not be available on favorable terms. If we need to raise additional funds in the future by issuing equity securities, dilution to existing stockholders will result, and such securities may have rights, preferences and privileges senior to those of our common stock. If funding is insufficient at any time in the future and we are unable to generate sufficient revenue from new business arrangements, to complete planned acquisitions or operations, our results of operations and the value of our securities could be adversely affected. ~~33Additionally~~ **37Additionally** , due to the nature of oil and gas interests, i. e., that rates of production generally decline over time as oil and gas reserves are depleted, if we are unable to drill additional wells and develop our reserves, either because we are unable to raise sufficient funding for such development activities, or otherwise, or in the event we are unable to acquire additional operating properties, we believe that our revenues will continue to decline over time. Furthermore, in the event we are unable to raise additional required funding in the future, we will not be able to participate in the drilling of additional wells, will not be able to complete other drilling and / or workover activities, and may not be able to make required payments on our outstanding liabilities. If this were to happen, we may be forced to scale back our business plan, sell or liquidate assets to satisfy outstanding debts, all of which could result in the value of our outstanding securities declining in value. Our industry and the broader US economy have experienced higher than expected inflationary pressures in 2022, related to continued supply chain disruptions, labor shortages and geopolitical instability. Should these conditions persist our business, results of operations and cash flows could be materially and adversely affected. Year 2022 saw significant increases in the costs of certain services and materials, including steel, sand and fuel, as a result of availability constraints, supply chain disruption, increased demand, labor shortages associated with a fully employed US labor force, high inflation, interest rates and other factors, with supply and demand fundamentals being further aggravated by disruptions in global energy supply caused by multiple geopolitical events, including the ongoing conflict between Russia and Ukraine **and the current armed conflict in Israel and the Gaza Strip** , all resulting in an estimated cost increase of approximately 25 % to 30 % per well on our Permian Asset and 10 % to 20 % on our D- J **Basin** Asset, based on costs we experienced commencing in the third quarter of 2021 and **continuing** ~~through~~ **throughout** 2022. Service and materials costs also increased accordingly through 2022 **, stabilizing in 2023,** with general supply chain and inflation issues seen throughout the industry leading to increased operating costs. While the Company is cautiously optimistic that such costs have plateaued and will hold at current levels as we have not seen significant cost increases **in 2023 and** thus far in ~~2023~~ **2024** , supply chain constraints and inflationary pressures may continue to adversely impact our operating costs and may negatively impact our ability to procure materials and equipment in a timely and cost- effective manner, if at all, which could result in reduced margins and production delays and, as a result, our business, financial condition, results of operations and cash flows could be materially and adversely affected. ~~The conflict in Ukraine and related price volatility and geopolitical instability could negatively impact our business. In late February 2022, Russia launched significant military action against Ukraine. The conflict has caused, and could intensify, volatility in natural gas, oil and NGL prices, and the extent and duration of the military action, sanctions and resulting market disruptions could be significant and could potentially have a substantial negative impact on the global economy and / or our business for an unknown period of time. We believe that the increase in crude oil prices during the first half of 2022 was partially due to the impact of the conflict between Russia and Ukraine on the global commodity and financial markets, and in response to economic and trade sanctions that certain countries have imposed on Russia. Any such volatility and disruptions may also magnify the impact of other risks described under " Risk Factors " in Item 1A of this Annual Report.~~ We have been and may continue to be negatively impacted by inflation. **Recent** ~~Increases~~ **increases** in inflation have had an adverse effect on us. Current and future inflationary effects may be driven by, among other things, supply chain disruptions and governmental stimulus or fiscal policies, and geopolitical instability, including the ongoing conflict between the Ukraine and Russia **and the current armed conflict in Israel and the Gaza Strip** . ~~Continuing increases~~ **Increases** in inflation, have in the past, and could in the future, impact our costs of labor, equipment and services and the margins we are able to realize on our wells, all of which could have an adverse impact on our business, financial position, results of operations and cash flows. Inflation has also resulted in higher interest rates, which in turn raises our cost of debt borrowing. Economic uncertainty may affect our access to capital and / or increase the costs of such capital. Global economic conditions continue to be volatile and uncertain due to, among other things, consumer confidence in future economic conditions, fears of recession and trade wars, the price of energy, fluctuating interest rates, the availability and cost of consumer credit, the availability and timing of government stimulus programs, levels of unemployment, increased inflation, and tax rates. These conditions remain unpredictable and create uncertainties about our ability to raise capital in the future. In the event required capital becomes unavailable in the future, or more costly, it could have a material adverse effect on our business, results of operations, and financial condition. ~~34We~~ **We** have entered into ~~Agreed Compliance~~ **a Stipulated Final** ~~Orders~~ - **Order** ~~, as amended~~ (" ~~ACOs~~ **SFO** ") ~~,~~ with **the Director of the Oil and Gas Conservation Division of** the State of New Mexico Energy ~~, Minerals and Natural Resources Department~~ (" ~~EMNRD~~ **OCD** ") which ~~require~~ **requires that** the **Company fund the** ~~restoration of production, or~~ plugging and abandonment ~~,~~ of an aggregate of approximately ~~333~~ **299** legacy vertical wells in our Permian Basin Asset, with any failure by us to comply with the ~~ACOs~~ **SFO** likely to materially and adversely affect our business, results of operations and cash flows. ~~The~~ **38The** Company has ~~previously~~ entered into ~~ACOs~~ **an SFO** with the ~~EMNRD~~ **OCD** through ~~its~~ **RAZO, the Company' s** New Mexico operating ~~subsidiaries~~ **subsidiary** , **which requires, among other things, that the** ~~Ridgeway Arizona Oil Corp. (" Ridgeway ") and EOR Operating~~ Company **reimburse** ~~(" EOR "), which require~~ the ~~Company to restore~~ **OCD for actual costs incurred by the OCD for plugging and abandoning approximately 299 inactive legacy wells in the Permian Basin Asset at a rate of $ 2. 00 per gross barrel of oil sold by RAZO during any** production **reporting period** , **subject to a minimum payment** ~~or plug and abandon, an aggregate~~ of ~~approximately 333 legacy vertical wells~~ **$ 30, 000 per month** by **RAZO** ~~certain specified dates~~ . In the event the Company is unable to fully comply with the terms of ~~these~~ -- **the** ~~ACOs~~ **SFO** , then the Company could be subject to significant civil penalties and sanctions, which would likely ~~have a material adverse effect on our business, financial condition and results of operations, could require us to raise additional funding which may not be available on commercially reasonable terms, if at all, and may negatively affect our drilling plans in the future, and may cause the value of our securities to decline in value. We may be required to enter into new or amended ACOs with the EMNRD with respect to our Permian Basin Asset, which could require the accelerated restoration of production, or plugging and abandonment, of our legacy vertical wells in our Permian Basin Asset, which could materially and adversely affect our business, results of operations and cash flows. In the event the Company is required to enter into new, or amend existing, ACOs with the EMNRD with respect to our approximately 333 legacy vertical wells which require the Company to accelerate the restoration of production, or plugging and abandonment, of some or all of these wells, such accelerated actions could~~ have a material adverse effect on our business, financial condition and results of operations, could require us to raise additional funding which may not be available on commercially reasonable terms, if at all, and may negatively affect our drilling plans in the future, and may cause the value of our securities to decline in value. We may not be able to generate sufficient cash flow to meet any future debt service and other obligations due to events beyond our control. Our ability to generate cash flows from operations, to make payments on or refinance potential future indebtedness and to fund working capital needs and planned capital expenditures will depend on our future financial performance and our ability to generate cash in the future. Our future financial performance will be affected by a range of economic, financial, competitive, business and other factors that we cannot control, such as general economic, legislative, regulatory and financial conditions in our industry, the economy generally, the price of oil and other risks described below. A significant reduction in operating cash flows resulting from changes in economic, legislative or regulatory conditions, increased competition or other events beyond our control could increase the need for additional or alternative sources of liquidity and could have a material adverse effect on our business, financial condition, results of operations, prospects and our ability to service future potential debt and other obligations. If we are unable to service future potential indebtedness or to fund our other liquidity needs, we may be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing such indebtedness, seeking additional capital, or any combination of the foregoing. If we raise debt, it would increase our interest expense, leverage and our operating and financial costs. We cannot assure you that any of these alternative strategies could be affected on satisfactory terms, if at all, or that they would yield sufficient funds to make required payments on future potential indebtedness or to fund our other liquidity needs. Reducing or delaying capital expenditures or selling assets could delay future cash flows. In addition, the terms of future debt agreements may restrict us from adopting any of these alternatives. We cannot assure you that our business will generate sufficient cash flows from operations or that future borrowings will be available in an amount sufficient to enable us to pay such future potential indebtedness or to fund our other liquidity needs. If for any reason we are unable to meet our future potential debt service and repayment obligations, we may be in default under the terms of the agreements governing such indebtedness, which could allow our creditors at that time to declare such outstanding indebtedness to be due and payable. Under these circumstances, our lenders could compel us to apply all of our available cash to repay our borrowings. In addition, the lenders under our credit facilities or other secured indebtedness could seek to foreclose on any of our assets that are their collateral. If the amounts outstanding under such indebtedness were to be accelerated, or were the subject of foreclosure actions, our assets may not be sufficient to repay in full the money owed to the lenders or to our other debt holders. ~~35All~~ -- **All** of our crude oil, natural gas and NGLs production is located in the Permian Basin and the D- J Basin, making us vulnerable to risks associated with operating in only two geographic areas. In addition, we have a large amount of proved reserves attributable to a small number of producing formations. Our **current** operations are focused solely in the Permian Basin located in Chaves and Roosevelt Counties, New Mexico, and the D- J Basin of Weld and Morgan Counties, Colorado **, with potential future operations extending into Laramie County, Wyoming** , which means our current producing properties and new drilling opportunities are geographically concentrated in those two areas. Because our operations are not as diversified geographically as many of our competitors, the success of our operations and our profitability may be disproportionately exposed to the effect of any regional events, including: ~~--~~ ● fluctuations in prices of crude oil, natural gas and NGLs produced from the wells in these areas; ~~--~~ ● natural disasters such as the flooding that occurred in the D- J Basin area in September 2013; ~~--~~ ● the effects of local quarantines; ~~--~~ ● restrictive governmental regulations; and ~~--~~ ● curtailment of production or interruption in the availability of gathering, processing or transportation infrastructure and services, and any resulting delays or interruptions of production from existing or planned new wells. ~~For~~ **39For** example, bottlenecks in processing and transportation that have occurred in some recent periods in the Permian Basin and D- J Basin may negatively affect our results of operations, and these adverse effects may be disproportionately severe to us compared to our more geographically diverse competitors. Similarly, the concentration of our assets within a small number of producing formations exposes us to risks, such as changes in field- wide rules that could adversely affect development activities or production relating to those formations. Such an event could have a material adverse effect on our results of operations and financial condition. In addition, in areas where exploration and production activities are increasing, as has been the case in recent years in the Permian Basin and D- J Basin, the demand for, and cost of, drilling rigs, equipment, supplies, personnel and oilfield services increase. Shortages or the high cost of drilling rigs, equipment, supplies, personnel or oilfield services could delay or adversely affect our development and exploration operations or cause us to incur significant expenditures that are not provided for in our capital forecast, which could have a material adverse effect on our business, financial condition or results of operations. Drilling for and producing oil and natural gas are highly speculative and involve a high degree of risk, with many uncertainties that could adversely affect our business. We have not recorded significant proved reserves, and areas that we decide to drill may not yield oil or natural gas in commercial quantities or at all. Exploring for and developing hydrocarbon reserves involves a high degree of operational and financial risk, which precludes us from definitively predicting the costs involved and time required to reach certain objectives. Our potential drilling locations are in various stages of evaluation, ranging from locations that are ready to drill, to locations that will require substantial additional interpretation before they can be drilled. The budgeted costs of planning, drilling, completing and operating wells are often exceeded, and such costs can increase significantly due to various complications that may arise during the drilling and operating processes. Before a well is spudded, we may incur significant geological and geophysical (seismic) costs, which are incurred whether a well eventually produces commercial quantities of hydrocarbons or is drilled at all. Exploration wells bear a much greater risk of loss than development wells. The analogies we draw from available data from other wells, more fully explored locations or producing fields may not be applicable to our drilling locations. If our actual drilling and development costs are significantly more than our estimated costs, we may not be able to continue our operations as proposed and could be forced to modify our drilling plans accordingly. ~~36If~~ **If** we decide to drill a certain location, there is a risk that no commercially productive oil or natural gas reservoirs will be found or produced. We may drill or participate in new wells that are not productive. We may drill wells that are productive, but that do not produce sufficient net revenues to return a profit after drilling, operating and other costs. There is no way to predict in advance of drilling and testing whether any particular location will yield oil or natural gas in sufficient quantities to recover exploration, drilling or completion costs or to be economically viable. Even if sufficient amounts of oil or natural gas exist, we may damage the potentially productive hydrocarbon- bearing formation or experience mechanical difficulties while drilling or completing the well, resulting in a reduction in production and reserves from the well or abandonment of the well. Whether a well is ultimately productive and profitable depends on a number of additional factors, including the following: ~~--~~ ● general economic and industry conditions, including the prices received for oil and natural gas; ~~--~~ ● shortages of, or delays in, obtaining equipment, including hydraulic fracturing equipment, and qualified personnel; ~~--~~ ● potential significant water production which could make a producing well uneconomic, particularly in the Permian Basin Asset, where abundant water production is a known risk; ~~--~~ ● potential drainage by operators on adjacent properties; ~~--~~ ● loss of, or damage to, oilfield development and service tools; ~~--~~ ● problems with title to the underlying properties; ~~--~~ ● increases in severance taxes; ~~--~~ ● adverse weather conditions that delay drilling activities or cause producing wells to be shut down; ~~--~~ ● domestic and foreign governmental regulations; and ~~--~~ ● proximity to and capacity of transportation facilities. ~~If~~ **40If** we do not drill productive and profitable wells in the future, our business, financial condition and results of operations could be materially and adversely affected. Our success is dependent on the prices of oil, NGLs and natural gas. Low oil or natural gas prices and the substantial volatility in these prices have adversely affected, and are expected to continue to adversely affect, our business, financial condition and results of operations and our ability to meet our capital expenditure requirements and financial obligations. The prices we receive for our oil, NGLs and natural gas heavily influence our revenue, profitability, cash flow available for capital expenditures, access to capital and future rate of growth. Oil, NGLs and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the commodities market has been volatile. For example, the price of crude oil has experienced significant volatility over the last five years, with the price per barrel of West Texas Intermediate (" WTI ") crude ~~rising from a low of $ 42 in June 2017 to a high of $ 76 in October 2018, then, in 2020~~, dropping below $ 20 per barrel **in 2020** due in part to reduced global demand stemming from the global COVID- 19 outbreak, and surging to over $ 120 a barrel in early March 2022, following Russia' s invasion of the Ukraine **, to the $ 70s in recent months** . Prices for natural gas and NGLs experienced declines of similar magnitude. An extended period of continued lower oil prices, or additional price declines, will have further adverse effects on us. The prices we receive for our production, and the levels of our production, will continue to depend on numerous factors, including the following: ~~-~~● the domestic and foreign supply of oil, NGLs and natural gas; ~~-~~● the domestic and foreign demand for oil, NGLs and natural gas; ~~-~~● the prices and availability of competitors' supplies of oil, NGLs and natural gas; ~~-~~● the actions of the Organization of Petroleum Exporting Countries, or OPEC, and state- controlled oil companies relating to oil price and production controls; ~~-~~● the price and quantity of foreign imports of oil, NGLs and natural gas; ● ~~37 -~~the impact of U. S. dollar exchange rates on oil, NGLs and natural gas prices; ~~-~~● domestic and foreign governmental regulations and taxes; ~~-~~● speculative trading of oil, NGLs and natural gas futures contracts; ~~-~~● localized supply and demand fundamentals, including the availability, proximity and capacity of gathering and transportation systems for natural gas; ~~-~~● the availability of refining capacity; ~~-~~● the prices and availability of alternative fuel sources; ~~-~~● the threat, or perceived threat, or results, of viral pandemics, for example, as experienced with the COVID- 19 pandemic in 2020 and 2021; ~~-~~● weather conditions and natural disasters; ~~-~~● political conditions in or affecting oil, NGLs and natural gas producing regions and / or pipelines, including in Eastern Europe, the Middle East and South America, for example, as experienced with the Russian invasion of the Ukraine in February 2022, **and the current armed conflict in Israel and the Gaza Strip,** which ~~conflict~~ **conflicts** ~~is~~ **are** ongoing; ~~-~~**41** ● the continued threat of terrorism and the impact of military action and civil unrest; ~~-~~● public pressure on, and legislative and regulatory interest within, federal, state and local governments to stop, significantly limit or regulate hydraulic fracturing activities; ~~-~~● the level of global oil, NGL and natural gas inventories and exploration and production activity; ~~-~~● authorization of exports from the Unites States of liquefied natural gas; ~~-~~● the impact of energy conservation efforts; ~~-~~● technological advances affecting energy consumption; and ~~-~~● overall worldwide economic conditions. Declines in oil, NGL or natural gas prices have not, and will not, only reduce our revenue, but have and will reduce the amount of oil, NGL and natural gas that we can produce economically. Should natural gas, NGL or oil prices decline from current levels and remain there for an extended period of time, we may choose to shut- in our operated wells, (similar to our shut- in of our operated wells in 2020 in response to the Covid- 19 pandemic), delay some or all of our exploration and development plans for our prospects, or to cease exploration or development activities on certain prospects due to the anticipated unfavorable economics from such activities, and, as a result, we may have to make substantial downward adjustments to our estimated proved reserves, each of which would have a material adverse effect on our business, financial condition and results of operations. We have in the past incurred impairments and future conditions might require us to incur additional impairments or make write- downs in our assets, which would adversely affect our balance sheet and results of operations. We review our long- lived tangible and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For **example, for** the year ended December 31, 2020, due to falling oil and gas prices, we incurred a $ 19. 3 million impairment of our oil and gas properties. No impairment was incurred for the years ended December 31, **2023 and** 2022 ~~and 2021~~. In the past we have been required to impair our assets and **,** if conditions in any of the businesses in which we compete were to deteriorate in the future, we could determine that certain of our assets were impaired and we would then be required to write- off all or a portion of our costs for such assets. Prior write- offs have adversely affected our balance sheet and results of operations and any future significant write- offs would similarly adversely affect our balance sheet and results of operations. ~~38Declining~~ -- **Declining** general economic, business or industry conditions have, and will continue to have, a material adverse effect on our results of operations, liquidity and financial condition, and are expected to continue having a material adverse effect for the foreseeable future. Concerns over global economic conditions, the duration and effects of future pandemics, and the results thereof, energy costs, geopolitical issues (including, but not limited to the current Ukraine / Russia **and Israel / Gaza Strip** ~~conflict~~ **conflicts**), inflation, increasing interest rates and the availability and cost of credit have contributed to increased economic uncertainty and diminished expectations for the global economy. These factors, combined with volatile prices of oil and natural gas, and declining business and consumer confidence, have precipitated an economic slowdown, which could expand to a recession or global depression. If the economic climate in the United States or abroad deteriorates, demand for petroleum products could diminish, which could further impact the price at which we can sell our oil, natural gas and natural gas liquids, affect the ability of our vendors, suppliers and customers to continue operations, and ultimately adversely impact our results of operations, liquidity and financial condition to a greater extent that it has already. Our exploration, development and exploitation projects require substantial capital expenditures that may exceed cash on hand, cash flows from operations and potential borrowings, and we may be unable to obtain needed capital on satisfactory terms, which could adversely affect our future growth. Our exploration and development activities are capital intensive. We make and expect to continue to make substantial capital expenditures in our business for the development, exploitation, production and acquisition of oil and natural gas reserves. Our cash on hand, our operating cash flows and future potential borrowings may not be adequate to fund our future acquisitions or future capital expenditure requirements. The rate of our future growth may be dependent, at least in part, on our ability to access capital at rates and on terms we determine to be acceptable. ~~Our~~ **42Our** cash flows from operations and access to capital are subject to a number of variables, including: ~~-~~● our estimated proved oil and natural gas reserves; ~~-~~● the amount of oil and natural gas we produce from existing wells; ~~-~~● the prices at which we sell our production; ~~-~~● the costs of developing and producing our oil and natural gas reserves;

~~-~~● our ability to acquire, locate and produce new reserves; ~~-~~● the general state of the economy; ~~-~~● the ability and willingness of banks to lend to us; and ~~-~~● our ability to access the equity and debt capital markets. In addition, future events, such as terrorist attacks, wars, threat of wars, or combat peace- keeping missions, financial market disruptions, general economic recessions, oil and natural gas industry recessions, large company bankruptcies, accounting scandals, pandemic diseases, overstated reserves estimates by major public oil companies and disruptions in the financial and capital markets have caused financial institutions, credit rating agencies and the public to more closely review the financial statements, capital structures and earnings of public companies, including energy companies. Such events have constrained the capital available to the energy industry in the past, and such events or similar events could adversely affect our access to funding for our operations in the future. If our revenues decrease as a result of lower oil and natural gas prices, operating difficulties, declines in reserves or for any other reason, we may have limited ability to obtain the capital necessary to sustain our operations at current levels, further develop and exploit our current properties or invest in additional exploration opportunities. Alternatively, a significant improvement in oil and natural gas prices or other factors could result in an increase in our capital expenditures, and we may be required to alter or increase our capitalization substantially through the issuance of debt or equity securities, the sale of production payments, the sale or farm out of interests in our assets, the borrowing of funds or otherwise to meet any increase in capital needs. If we are unable to raise additional capital from available sources at acceptable terms, our business, financial condition and results of operations could be adversely affected. Further, future debt financings may require that a portion of our cash flows provided by operating activities be used for the payment of principal and interest on our debt, thereby reducing our ability to use cash flows to fund working capital, capital expenditures and acquisitions. Debt financing may involve covenants that restrict our business activities. If we succeed in selling additional equity securities to raise funds, at such time the ownership percentage of our existing stockholders would be diluted, and new investors may demand rights, preferences or privileges senior to those of existing stockholders. If we choose to farm- out interests in our prospects, we may lose operating control over such prospects. ~~39Our -~~- **Our** oil and natural gas reserves are estimated and may not reflect the actual volumes of oil and natural gas we will receive, and significant inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves. The process of estimating accumulations of oil and natural gas is complex and is not exact, due to numerous inherent uncertainties. The process relies on interpretations of available geological, geophysical, engineering and production data. The extent, quality and reliability of this technical data can vary. The process also requires certain economic assumptions related to, among other things, oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The accuracy of a reserves estimate is a function of: ~~-~~● the quality and quantity of available data; ~~-~~● the interpretation of that data; ~~-~~● the judgment of the persons preparing the estimate; and ~~-~~● the accuracy of the assumptions. ~~The~~ **43The** accuracy of any estimates of proved reserves generally increases with the length of the production history. Due to the limited production history of our properties, the estimates of future production associated with these properties may be subject to greater variance to actual production than would be the case with properties having a longer production history. As our wells produce over time and more data is available, the estimated proved reserves will be re-determined on at least an annual basis and may be adjusted to reflect new information based upon our actual production history, results of exploration and development, prevailing oil and natural gas prices and other factors. Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas most likely will vary from our estimates. It is possible that future production declines in our wells may be greater than we have estimated. Any significant variance to our estimates could materially affect the quantities and present value of our reserves. We may have accidents, equipment failures or mechanical problems while drilling or completing wells or in production activities, which could adversely affect our business. While we are drilling and completing wells or involved in production activities, we may have accidents or experience equipment failures or mechanical problems in a well that cause us to be unable to drill and complete the well or to continue to produce the well according to our plans. We may also damage a potentially hydrocarbon- bearing formation during drilling and completion operations. Such incidents may result in a reduction of our production and reserves from the well or in abandonment of the well. Our operations are subject to operational hazards and unforeseen interruptions for which we may not be adequately insured. There are numerous operational hazards inherent in oil and natural gas exploration, development, production and gathering, including: ~~-~~● unusual or unexpected geologic formations; ~~-~~● natural disasters; ● ~~40 -~~ adverse weather conditions; ~~-~~● unanticipated pressures; ~~-~~● loss of drilling fluid circulation; ~~-~~● blowouts where oil or natural gas flows uncontrolled at a wellhead; ~~-~~● cratering or collapse of the formation; ~~-~~● pipe or cement leaks, failures or casing collapses; ~~-~~● fires or explosions; ~~-~~● releases of hazardous substances or other waste materials that cause environmental damage; ~~-~~● pressures or irregularities in formations; and ~~-~~● equipment failures or accidents. In addition, there is an inherent risk of incurring significant environmental costs and liabilities in the performance of our operations, some of which may be material, due to our handling of petroleum hydrocarbons and wastes, our emissions to air and water, the underground injection or other disposal of our wastes, the use of hydraulic fracturing fluids and historical industry operations and waste disposal practices. ~~Any~~ **44Any** of these or other similar occurrences could result in the disruption or impairment of our operations, substantial repair costs, personal injury or loss of human life, significant damage to property, environmental pollution and substantial revenue losses. The location of our wells, gathering systems, pipelines and other facilities near populated areas, including residential areas, commercial business centers and industrial sites, could significantly increase the level of damages resulting from these risks. Insurance against all operational risks is not available to us. We are not fully insured against all risks, including development and completion risks that are generally not recoverable from third parties or insurance. In addition, pollution and environmental risks generally are not fully insurable. We maintain $ 2 million in general liability coverage and $ 10 million umbrella coverage that covers our and our subsidiaries' business and operations. With respect to our other non- operated assets, we may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the perceived risks presented. Losses could, therefore, occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. Moreover, insurance may not be available in the future at commercially reasonable prices or on commercially reasonable terms. Changes in the insurance markets due to various factors may make it more difficult for us to obtain certain types of coverage in the future. As a result, we may not be able to obtain the levels or types of insurance we would otherwise have obtained prior to these market changes, and the insurance coverage we do obtain may not cover certain hazards or all potential losses that are currently covered and may be subject to large deductibles. Losses and liabilities from uninsured and underinsured events and delays in the payment of insurance proceeds could have a material adverse effect on our business, financial condition and results of operations. Our strategy as an onshore resource player may result in operations concentrated in certain geographic areas and may increase our exposure to many of the risks described in this Annual Report. Our current operations are concentrated in the states of New Mexico and Colorado **, with future operations potentially extending into Wyoming** . This concentration may increase the potential impact of many of the risks described in this Annual Report. For example, we may have greater exposure to regulatory actions impacting New Mexico **, Colorado** and / or ~~Colorado~~ **Wyoming** , adverse weather and natural disasters in New Mexico **, Colorado** and / or ~~Colorado~~ **Wyoming** , competition for equipment, services and materials available in, and access to infrastructure and markets in, these states. Unless we replace our oil and natural gas reserves, our reserves and production will decline, which will adversely affect our business, financial condition and results of operations. The rate of production from our oil and natural gas properties will decline as our reserves are depleted. Our future oil and natural gas reserves and production and, therefore, our income and cash flow, are highly dependent on our success in (a) efficiently developing and exploiting our current reserves on properties owned by us or by other persons or entities and (b) economically finding or acquiring additional oil and natural gas producing properties. In the future, we may have difficulty acquiring new properties. During periods of low oil and / or natural gas prices, it will become more difficult to raise the capital necessary to finance expansion activities. If we are unable to replace our production, our reserves will decrease, and our business, financial condition and results of operations would be adversely affected. ~~41Our~~ -- **Our** strategy includes acquisitions of oil and natural gas properties, and our failure to identify or complete future acquisitions successfully, or not produce projected revenues associated with the future acquisitions could reduce our earnings and hamper our growth. We may be unable to identify properties for acquisition or to make acquisitions on terms that we consider economically acceptable. There is intense competition for acquisition opportunities in our industry. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions. The completion and pursuit of acquisitions may be dependent upon, among other things, our ability to obtain debt and equity financing and, in some cases, regulatory approvals. Our ability to grow through acquisitions will require us to continue to invest in operations, financial and management information systems and to attract, retain, motivate and effectively manage our employees. The inability to manage the integration of acquisitions effectively could reduce our focus on subsequent acquisitions and current operations and could negatively impact our results of operations and growth potential. Our financial position and results of operations may fluctuate significantly from period to period as a result of the completion of significant acquisitions during particular periods. If we are not successful in identifying or acquiring any material property interests, our earnings could be reduced and our growth could be restricted. We may engage in bidding and negotiating to complete successful acquisitions. We may be required to alter or increase substantially our capitalization to finance these acquisitions through the use of cash on hand, the issuance of debt or equity securities, the sale of production payments, the sale of non- strategic assets, the borrowing of funds or otherwise. If we were to proceed with one or more acquisitions involving the issuance of our common stock, our stockholders would suffer dilution of their interests. Furthermore, our decision to acquire properties that are substantially different in operating or geologic characteristics or geographic locations from areas with which our staff is familiar may impact our productivity in such areas. ~~We~~ **45We** may not be able to produce the projected revenues related to future acquisitions. There are many assumptions related to the projection of the revenues of future acquisitions including, but not limited to, drilling success, oil and natural gas prices, production decline curves and other data. If revenues from future acquisitions do not meet projections, this could adversely affect our business and financial condition. We may purchase oil and natural gas properties with liabilities or risks that we did not know about or that we did not assess correctly, and, as a result, we could be subject to liabilities that could adversely affect our results of operations. Before acquiring oil and natural gas properties, we estimate the reserves, future oil and natural gas prices, operating costs, potential environmental liabilities and other factors relating to the properties. However, our review involves many assumptions and estimates, and their accuracy is inherently uncertain. As a result, we may not discover all existing or potential problems associated with the properties we buy. We may not become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. We do not generally perform inspections on every well or property, and we may not be able to observe mechanical and environmental problems even when we conduct an inspection. The seller may not be willing or financially able to give us contractual protection against any identified problems, and we may decide to assume environmental and other liabilities in connection with properties we acquire. If we acquire properties with risks or liabilities we did not know about or that we did not assess correctly, our business, financial condition and results of operations could be adversely affected as we settle claims and incur cleanup costs related to these liabilities. We may incur losses or costs as a result of title deficiencies in the properties in which we invest. If an examination of the title history of a property that we have purchased reveals an oil and natural gas lease has been purchased in error from a person who is not the owner of the property, our interest would be worthless. In such an instance, the amount paid for such oil and natural gas lease as well as any royalties paid pursuant to the terms of the lease prior to the discovery of the title defect would be lost. ~~42Prior~~ -- **Prior** to the drilling of an oil and natural gas well, it is the normal practice in the oil and natural gas industry for the person or company acting as the operator of the well to obtain a preliminary title review of the spacing unit within which the proposed oil and natural gas well is to be drilled to ensure there are no obvious deficiencies in title to the well. Frequently, as a result of such examinations, certain curative work must be done to correct deficiencies in the marketability of the title, and such curative work entails expense. Our failure to cure any title defects may adversely impact our ability in the future to increase production and reserves. In the future, we may suffer a monetary loss from title defects or title failure. Additionally, unproved and unevaluated acreage has greater risk of title defects than developed acreage. If there are any title defects or defects in assignment of leasehold rights in properties in which we hold an interest, we will suffer a financial loss which could adversely affect our business, financial condition and results of operations. Our identified drilling locations are scheduled over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling. Our management team has identified and scheduled drilling locations in our operating areas over a multi- year period. Our ability to drill and develop these locations depends on a number of factors, including the availability of equipment and capital, approval by regulators, seasonal conditions, oil and natural gas prices, assessment of risks, costs and drilling results. The final determination on whether to drill any of these locations will be dependent upon the factors described elsewhere in this Annual Report and the documents incorporated by reference herein, as well as, to some degree, the results of our drilling activities with respect to our established drilling locations. Because of these uncertainties, we do not know if the drilling locations we have identified will be drilled within our expected timeframe or at all or if we will be able to economically produce hydrocarbons from these or any other potential drilling locations. Our actual drilling activities may be materially different from our current expectations, which could adversely affect our business, financial condition and results of operations. ~~We~~ **46We** currently license only a limited amount of seismic and other geological data and may have difficulty obtaining additional data at a reasonable cost, which could adversely affect our future results of operations. We currently license only a limited amount of seismic and other geological data to assist us in exploration and development activities. We may obtain access to additional data in our areas of interest through licensing arrangements with companies that own or have access to that data or by paying to obtain that data directly. Seismic and geological data can be expensive to license or obtain. We may not be able to license or obtain such data at an acceptable cost. In addition, even when properly interpreted, seismic data and visualization techniques are not conclusive in determining if hydrocarbons are present in economically producible amounts and seismic indications of hydrocarbon saturation are generally not reliable indicators of productive reservoir rock. The unavailability or high cost of drilling rigs, completion equipment and services, supplies and personnel, including hydraulic fracturing equipment and personnel, could adversely affect our ability to establish and execute exploration and development plans within budget and on a timely basis, which could have a material adverse effect on our business, financial condition and results of operations. Shortages or the high cost of drilling rigs, completion equipment and services, supplies or personnel could delay or adversely affect our operations. When drilling activity in the United States increases, associated costs typically also increase, including those costs related to drilling rigs, equipment, supplies and personnel and the services and products of other vendors to the industry. These costs may increase, and necessary equipment and services may become unavailable to us at economical prices. Should this increase in costs occur, we may delay drilling activities, which may limit our ability to establish and replace reserves, or we may incur these higher costs, which may negatively affect our business, financial condition and results of operations. In addition, in the past, the demand for hydraulic fracturing services has exceeded the availability of fracturing equipment and crews across the industry and in our operating areas in particular. The accelerated wear and tear of hydraulic fracturing equipment due to its deployment in unconventional oil and natural gas fields characterized by longer lateral lengths and larger numbers of fracturing stages may further amplify this equipment and crew shortage. Although we believe there is currently sufficient supply of hydraulic fracturing services, if demand for fracturing services increases or the supply of fracturing equipment and crews decreases, then higher costs could result and could adversely affect our business, financial condition and results of operations. ~~43We~~ **We** have limited control over activities on properties we do not operate. We are not the operator on some of our properties located in our D- J Basin Asset, and, as a result, our ability to exercise influence over the operations of these properties or their associated costs is limited. Our dependence on the operators and other working interest owners of these projects and our limited ability to influence operations and associated costs or control the risks could materially and adversely affect the realization of our targeted returns on capital in drilling or acquisition activities. The success and timing of our drilling and development activities on properties operated by others therefore depends upon a number of factors, including: ~~-~~● timing and amount of capital expenditures; ~~-~~● the operator' s expertise and financial resources; ~~-~~● the rate of production of reserves, if any; ~~-~~● approval of other participants in drilling wells; and ~~-~~● selection of technology. ~~The~~ **47The** marketability of our production is dependent upon oil and natural gas gathering and transportation and storage facilities owned and operated by third parties, and the unavailability of satisfactory oil and natural gas transportation arrangements have had a material adverse effect on our revenue in the past and may again in the future. The unavailability of satisfactory oil and natural gas transportation arrangements has in the past hindered our access to oil and natural gas markets and has delayed production from our wells. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for, and supply of, oil and natural gas and the proximity of reserves to pipelines, terminal facilities and storage facilities. Our ability to market our production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. Our failure to obtain these services on acceptable terms has in the past, and could in the future, materially harm our business. In the past we have, and in the future, we may be required to, shut- in wells for lack of a market or because of inadequacy or unavailability of pipeline or gathering system capacity. When this occurs, we are unable to realize revenue from those wells until the market for oil and gas increases and / or until production arrangements are made to deliver our production to market. Furthermore, we are obligated to pay shut- in royalties to certain mineral interest owners in order to maintain our leases with respect to certain shut- in wells. We do not expect to purchase firm transportation capacity on third- party facilities. Therefore, we expect the transportation of our production to be generally interruptible in nature and lower in priority to those having firm transportation arrangements. The disruption of third- party facilities due to maintenance and / or weather could negatively impact our ability to market and deliver our products. The third parties ~~’~~' control when or if such facilities are restored after disruption, and what prices will be charged for products. Federal and state regulation of oil and natural gas production and transportation, tax and energy policies, changes in supply and demand, pipeline pressures, damage to or destruction of pipelines and general economic conditions could adversely affect our ability to produce, gather and transport oil and natural gas. An increase in the differential between the NYMEX or other benchmark prices of oil and natural gas and the wellhead price we receive for our production has adversely affected our business, financial condition and results of operations. The prices that we will receive for our oil and natural gas production sometimes may reflect a discount to the relevant benchmark prices, such as the New York Mercantile Exchange (" NYMEX "), that are used for calculating hedge positions. The difference between the benchmark price and the prices we receive is called a differential. Increases in the differential between the benchmark prices for oil and natural gas and the wellhead price we receive has recently adversely affected, and is anticipated to continue to adversely affect our business, financial condition and results of operations. We do not have, and may not have in the future, any derivative contracts or hedging covering the amount of the basis differentials we experience in respect of our production. As such, we will be exposed to any increase in such differentials. ~~44Financial~~ -- **Financial** difficulties encountered by our oil and natural gas purchasers, third- party operators or other third parties could decrease our cash flow from operations and adversely affect the exploration and development of our prospects and assets. We derive and will derive in the future, substantially all of our revenues from the sale of our oil and natural gas to unaffiliated third- party purchasers, independent marketing companies and mid- stream companies. Any delays in payments from our purchasers caused by financial problems encountered by them will have an immediate negative effect on our results of operations. Liquidity and cash flow problems encountered by our working interest co- owners or the third- party operators of our non- operated properties may prevent or delay the drilling of a well or the development of a project. Our working interest co- owners may be unwilling or unable to pay their share of the costs of projects as they become due. In the case of a farmout party, we would have to find a new farmout party or obtain alternative funding in order to complete the exploration and development of the prospects subject to a farmout agreement. In the case of a working interest owner, we could be required to pay the working interest owner' s share of the project costs. We cannot assure you that we would be able to obtain the capital necessary to fund either of these contingencies or that we would be able to find a new farmout party. ~~The~~ **48The** calculated present value of future net revenues from our proved reserves will not necessarily be the same as the current market value of our estimated oil and natural gas reserves. You should not assume that the present value of future net cash flows as included in our public filings is the current market value of our estimated proved oil and natural gas reserves. We generally base the estimated discounted future net cash flows from proved reserves on current costs held constant over time without escalation and on commodity prices using an unweighted arithmetic average of first- day- of- the- month index prices, appropriately adjusted, for the 12- month period immediately preceding the date of the estimate. Actual future prices and costs may be materially higher or lower than the prices and costs used for these estimates and will be affected by factors such as: ~~-~~ ● actual prices we receive for oil and natural gas; ~~-~~ ● actual cost and timing of development and production expenditures; ~~-~~ ● the amount and timing of actual production; and ~~-~~ ● changes in governmental regulations or taxation. In addition, the 10 % discount factor that is required to be used to calculate discounted future net revenues for reporting purposes under Generally Accepted Accounting Principles (" GAAP ") is not necessarily the most appropriate discount factor based on the cost of capital in effect from time to time and risks associated with our business and the oil and natural gas industry in general. Competition in the oil and natural gas industry is intense, making it difficult for us to acquire properties, market oil and natural gas and secure trained personnel. Our ability to acquire additional prospects and to find and develop reserves in the future will depend on our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment for acquiring properties, marketing oil and natural gas and securing trained personnel. Also, there is substantial competition for capital available for investment in the oil and natural gas industry. Many of our competitors possess and employ financial, technical and personnel resources substantially greater than ours, and many of our competitors have more established presences in the United States than we have. Those companies may be able to pay more for productive oil and natural gas properties and exploratory prospects and to evaluate, bid for and purchase a greater number of properties and prospects than our financial or personnel resources permit. In addition, other companies may be able to offer better compensation packages to attract and retain qualified personnel than we are able to offer. The cost to attract and retain qualified personnel has increased in recent years due to competition and may increase substantially in the future. We may not be able to compete successfully in the future in acquiring prospective reserves, developing reserves, marketing hydrocarbons, attracting and retaining quality personnel and raising additional capital, which could have a material adverse effect on our business, financial condition and results of operations. ~~45Our~~ -- **Our** competitors may use superior technology and data resources that we may be unable to afford or that would require a costly investment by us in order to compete with them more effectively. Our industry is subject to rapid and significant advancements in technology, including the introduction of new products and services using new technologies and databases. As our competitors use or develop new technologies, we may be placed at a competitive disadvantage, and competitive pressures may force us to implement new technologies at a substantial cost. In addition, many of our competitors will have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before we can. We cannot be certain that we will be able to implement technologies on a timely basis or at a cost that is acceptable to us. One or more of the technologies that we will use or that we may implement in the future may become obsolete, and we may be adversely affected. ~~If~~ **49If** we do not hedge our exposure to reductions in oil and natural gas prices, we may be subject to significant reductions in prices. Alternatively, we may use oil and natural gas price hedging contracts, which involve credit risk and may limit future revenues from price increases and result in significant fluctuations in our profitability. In the event that we continue to choose not to hedge our exposure to reductions in oil and natural gas prices by purchasing futures and / or by using other hedging strategies, we may be subject to a significant reduction in prices which could have a material negative impact on our profitability. Alternatively, we may elect to use hedging transactions with respect to a portion of our oil and natural gas production to achieve more predictable cash flow and to reduce our exposure to price fluctuations. While the use of hedging transactions limits the downside risk of price declines, their use also may limit future revenues from price increases. Hedging transactions also involve the risk that the counterparty may be unable to satisfy its obligations. Uncertainties associated with enhanced recovery methods may result in us not realizing an acceptable return on our investments in such projects. Production and reserves, if any, attributable to the use of enhanced recovery methods are inherently difficult to predict. If our enhanced recovery methods do not allow for the extraction of crude oil, natural gas, and associated liquids in a manner or to the extent that we anticipate, we may not realize an acceptable return on our investments in such projects. In addition, as proposed legislation and regulatory initiatives relating to hydraulic fracturing become law, the cost of some of these enhanced recovery methods could increase substantially. A significant amount of our Permian Basin Asset acreage must be drilled pursuant to governing agreements and leases, in order to hold the acreage by production. In the highly competitive market for acreage, failure to drill sufficient wells in order to hold acreage will result in a substantial lease renewal cost, or if renewal is not feasible, loss of our lease and prospective drilling opportunities. Currently ~~27~~ **20** , ~~893~~ **933** acres (net) of our Permian Basin Asset are held by production and not subject to lease expiration, with ~~3~~ **1** , ~~415~~ **788** acres (net) subject to lease or governing agreement expiration if these acres are not developed by us prior to expiration. The loss of substantial leases could have a material adverse effect on our assets, operations, revenues and cash flow and could cause the value of our securities to decline in value. Competition for hydraulic fracturing services and water disposal could impede our ability to develop our oil and gas plays. The unavailability or high cost of high- pressure pumping services (or hydraulic fracturing services), chemicals, proppant, water and water disposal and related services and equipment could limit our ability to execute our exploration and development plans on a timely basis and within our budget. The U. S. oil and natural gas industry is experiencing a growing emphasis on the exploitation and development of shale natural gas and shale oil resource plays, which are dependent on hydraulic fracturing for economically successful development. Hydraulic fracturing in oil and gas plays requires high pressure pumping service crews. A shortage of service crews or proppant, chemical, water or water disposal options, especially if this shortage occurred in eastern New Mexico ~~or~~ **,** eastern Colorado **, or southern Wyoming** , could materially and adversely affect our operations and the timeliness of executing our development plans within our budget. Our operations are substantially dependent on the availability of water. Restrictions on our ability to obtain water may have an adverse effect on our financial condition, results of operations and cash flows. Water is an essential component of shale oil and natural gas production during both the drilling and hydraulic fracturing processes. Historically, we have been able to purchase water from local land owners for use in our operations. When drought conditions occur, governmental authorities may restrict the use of water subject to their jurisdiction for hydraulic fracturing to protect local water supplies. ~~Both~~ New Mexico ~~and~~ **,** Colorado **and Wyoming, all** have relatively arid climates and experience drought conditions from time to time and the U. S. Southwest is currently experiencing significant drought conditions which have reduced the flow of certain rivers and forced the reduction or reallocation of certain waterways and reservoirs. If we are unable to obtain water to use in our operations from local sources or dispose of or recycle water used in operations, or if the price of water or water disposal increases significantly, we may be unable to produce oil and natural gas economically, which could have a material adverse effect on our financial condition, results of operations, and cash flows. ~~46Downturns~~ **50Downturns** and volatility in global economies and commodity and credit markets have, and in the future may, materially adversely affect our business, results of operations and financial condition. Our results of operations have been, and in the future may be, materially adversely affected by the conditions of the global economies and the credit, commodities and stock markets. Among other things, in 2020 we were adversely impacted, and may be adversely impacted in the future, due to a global reduction in consumer demand for oil and gas. In addition, a decline in consumer confidence or changing patterns in the availability and use of disposable income by consumers can negatively affect the demand for oil and gas and as a result our results of operations. Improvements in or new discoveries of alternative energy technologies could have a material adverse effect on our financial condition and results of operations. Because our operations depend on the demand for oil and used oil, any improvement in or new discoveries of alternative energy technologies (such as wind, solar, geothermal, fuel cells and biofuels) that increase the use of alternative forms of energy and reduce the demand for oil, gas and oil and gas related products could have a material adverse impact on our business, financial condition and results of operations. We also face competition from competing energy sources, such as renewable energy sources. Competition due to advances in renewable fuels may lessen the demand for our products and negatively impact our profitability. Alternatives to petroleum- based products and production methods are continually under development. For example, a number of automotive, industrial and power generation manufacturers are developing alternative clean power systems using fuel cells or clean- burning gaseous fuels that may address increasing worldwide energy costs, the long- term availability of petroleum reserves and environmental concerns, which if successful could lower the demand for oil and gas. If these non- petroleum- based products and oil alternatives continue to expand and gain broad acceptance such that the overall demand for oil and gas is decreased, it could have an adverse effect on our operations and the value of our assets. Future litigation or governmental proceedings could result in material adverse consequences, including judgments or settlements. From time to time, we are involved in lawsuits, regulatory inquiries and may be involved in governmental and other legal proceedings arising out of the ordinary course of our business. Many of these matters raise difficult and complicated factual and legal issues and are subject to uncertainties and complexities. The timing of the final resolutions to these types of matters is often uncertain. Additionally, the possible outcomes or resolutions to these matters could include adverse judgments or settlements, either of which could require substantial payments, adversely affecting our results of operations and liquidity. We may be subject in the normal course of business to judicial, administrative or other third- party proceedings that could interrupt or limit our operations, require expensive remediation, result in adverse judgments, settlements or fines and create negative publicity. Governmental agencies may, among other things, impose fines or penalties on us relating to the conduct of our business, attempt to revoke or deny renewal of our operating permits, franchises or licenses for violations or alleged violations of environmental laws or regulations or as a result of third- party challenges, require us to install additional pollution control equipment or require us to remediate potential environmental problems relating to any real property that we or our predecessors ever owned, leased or operated or any waste that we or our predecessors ever collected, transported, disposed of or stored. Individuals, citizens groups, trade associations or environmental activists may also bring actions against us in connection with our operations that could interrupt or limit the scope of our business. Any adverse outcome in such proceedings could harm our operations and financial results and create negative publicity, which could damage our reputation, competitive position and stock price. We may also be required to take corrective actions, including, but not limited to, installing additional equipment, which could require us to make substantial capital expenditures. We could also be required to indemnify our employees in connection with any expenses or liabilities that they may incur individually in connection with regulatory action against us. These could result in a material adverse effect on our prospects, business, financial condition and our results of operations. ~~47A~~ **51A** substantial percentage of our New Mexico properties **, and all of our Wyoming properties,** are undeveloped; therefore, the risk associated with our success is greater than would be the case if the majority of such properties were categorized as proved developed producing. Because a substantial percentage of our New Mexico properties **, and all of our Wyoming properties,** are undeveloped, we will require significant additional capital to develop such properties before they may become productive. Further, because of the inherent uncertainties associated with drilling for oil and gas, some of these properties may never be developed to the extent that they result in positive cash flow. Even if we are successful in our development efforts, it could take several years for a significant portion of our undeveloped properties to be converted to positive cash flow. Part of our strategy involves drilling in existing or emerging oil and gas plays using some of the latest available horizontal drilling and completion techniques. The results of our planned exploratory drilling in these plays are subject to drilling and completion technique risks, and drilling results may not meet our expectations for reserves or production. As a result, we may incur material write- downs and the value of our undeveloped acreage could decline if drilling results are unsuccessful. Our operations in the Permian Basin in Chaves and Roosevelt Counties, New Mexico, and the D- J Basin in Weld and Morgan Counties, Colorado **, and potentially extending into Laramie County, Wyoming** , involve utilizing the latest drilling and completion techniques in order to maximize cumulative recoveries and therefore generate the highest possible returns. The additional risks that we face while drilling horizontally include, but are not limited to, the following: ~~-~~ **•** drilling wells that are significantly longer and / or deeper than more conventional wells; ~~-~~ **•** landing our wellbore in the desired drilling zone; ~~-~~ **•** staying in the desired drilling zone while drilling horizontally through the formation; ~~-~~ **•** running our casing the entire length of the wellbore; and ~~-~~ **•** being able to run tools and other equipment consistently through the horizontal wellbore. Risks that we face while completing our wells include, but are not limited to, the following: ~~-~~ **•** the ability to fracture stimulate the planned number of stages in a horizontal or lateral well bore; ~~-~~ **•** the ability to run tools the entire length of the wellbore during completion operations; and ~~-~~ **•** the ability to successfully clean out the wellbore after completion of the final fracture stimulation stage. The results of our drilling in new or emerging formations will be more uncertain initially than drilling results in areas that are more developed and have a longer history of established production. Newer or emerging formations and areas have limited or no production history and consequently we are less able to predict future drilling results in these areas. Ultimately, the success of these drilling and completion techniques can only be evaluated over time as more wells are drilled and production profiles are established over a sufficiently long time period. If our drilling results are less than anticipated or we are unable to execute our drilling program because of capital constraints, lease expirations, limited access to gathering systems and takeaway capacity, and / or prices for crude oil, natural gas, and NGLs decline, then the return on our investment for a particular project may not be as attractive as we anticipated and we could incur material write- downs of oil and gas properties and the value of our undeveloped acreage could decline in the future. Prospects that we decide to drill may not yield oil or natural gas in commercially viable quantities. Our prospects are in various stages of evaluation, ranging from prospects that are currently being drilled to prospects that will require substantial additional seismic data processing and interpretation. There is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. This risk may be enhanced in our situation, due to the fact that a significant percentage of our reserves ~~is~~ **are** undeveloped. The use of seismic data and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities. We cannot assure you that the analogies we draw from available data obtained by analyzing other wells, more fully explored prospects or producing fields will be applicable to our drilling prospects. ~~48Negative~~ **52Negative** public perception regarding us and / or our industry could have an adverse effect on our operations. Negative public perception regarding us and / or our industry resulting from, among other things, concerns raised by advocacy groups about hydraulic fracturing, waste disposal, oil spills, seismic activity, climate change, explosions of natural gas transmission lines and the development and operation of pipelines and other midstream facilities may lead to increased regulatory scrutiny, which may, in turn, lead to new state and federal safety and environmental laws, regulations, guidelines and enforcement interpretations. Additionally, environmental groups, landowners, local groups and other advocates may oppose our operations through organized protests, attempts to block or sabotage our operations or those of our midstream transportation providers, intervene in regulatory or administrative proceedings involving our assets or those of our midstream transportation providers, or file lawsuits or other actions designed to prevent, disrupt or delay the development or operation of our assets and business or those of our midstream transportation providers. These actions may cause operational delays or restrictions, increased operating costs, additional regulatory burdens and increased risk of litigation. Moreover, governmental authorities exercise considerable discretion in the timing and scope of permit issuance and the public may engage in the permitting process, including through intervention in the courts. Negative public perception could cause the permits we require to conduct our operations to be withheld, delayed or burdened by requirements that restrict our ability to profitably conduct our business. Recently, activists concerned about the potential effects of climate change have directed their attention towards sources of funding for fossil- fuel energy companies, which has resulted in certain financial institutions, funds and other sources of capital restricting or eliminating their investment in energy- related activities. Ultimately, this could make it more difficult to secure funding for exploration and production activities. The physical effects of climate change could disrupt our production and cause us to incur significant costs in preparing for or responding to those effects. An economy- wide transition to lower GHG energy sources could have a variety of adverse effects on our operations and financial results. Many scientists have shown that increasing concentrations of carbon dioxide, methane and other GHGs in the Earth’ s atmosphere are changing global climate patterns. One consequence of climate change could be increased severity of extreme weather, such as increased hurricanes and floods. If such events were to occur, or become more frequent, our operations could be adversely affected in various ways, including through damage to our facilities or from increased costs for insurance. Another possible consequence of climate change is increased volatility in seasonal temperatures. The market for natural gas is generally improved by periods of colder weather and impaired by periods of warmer weather, so any changes in climate could affect the market for the fuels that we produce. As a result, if there is an overall trend of warmer temperatures, it would be expected to have an adverse effect on our business. Efforts by governments, international bodies, businesses and consumers to reduce GHGs and otherwise mitigate the effects of climate change are ongoing. The nature of these efforts and their effects on our business are inherently unpredictable and subject to change. Certain regulatory responses to climate change issues are discussed above under the headings ~~”~~ **“** Changes in the legal and regulatory environment governing the oil and natural gas industry, particularly changes in the current Colorado forced pooling system and drilling operation set- back rules, salt water disposal permitting regulations in New Mexico **or Wyoming** , and new federal orders restricting operations on federal lands, could have a material adverse effect on our business ” and “ New or amended environmental legislation or regulatory initiatives could result in increased costs, additional operating restrictions, or delays, or have other adverse effects on us ” and in Item 1- Business ~~-~~ **–** Regulation in the Oil and Gas Industry. However, actions taken by private parties in anticipation of, or to facilitate, a transition to a lower- GHG economy will affect us as well. For example, our cost of capital may increase if lenders or other market participants decline to invest in fossil fuel- related companies for regulatory or reputational reasons. Similarly, increased demand for low- carbon or renewable energy sources from consumers could reduce the demand for, and the price of, the products we produce. Technological changes, such as developments in renewable energy and low- carbon transportation, could also adversely affect demand for our products. **53The $ 1. 1 million owed to us under a secured convertible promissory note due from Tilloo Exploration may not be repaid timely, if at all. On November 9, 2023, in accordance with the sale of our wholly- owned subsidiary EOR to Tilloo Exploration, the Company entered into a five- year secured promissory note (the “ Note ”) with Tilloo Exploration, bearing interest at 10 % per annum, with no payments due during the first twelve months, and fully- amortized payments due monthly over the remaining four years of the term thereafter until maturity. The Note contains customary events of default and is secured by a lien over all the assets and capital shares of EOR created under a Security Agreement, a Security Agreement (Pledge of Corporate Securities), and a Mortgage entered into by and between the Company and Tilloo Exploration. Tilloo Exploration may not timely pay the Note when due, if at all.** ~~49Risks~~ -- **Risks** Related to Management, Employees and Directors Potential conflicts of interest could arise for certain members of our management team that hold management positions with other entities and our largest stockholder. Dr. Simon **G.** Kukes, our Chief Executive Officer and member of our board of directors, J. Douglas Schick, our President, and Clark R. Moore, our Executive Vice President, General Counsel and Secretary, hold various other management positions with privately- held companies, some of which are involved in the oil and gas industry, and Dr. Kukes is the trustee and beneficiary of The SGK 2018 Revocable Trust, the Company’ s largest stockholder. Dr. Kukes also beneficially owns 66. ~~6~~ **5** % of our voting securities. We believe these positions require only an immaterial amount of each officer’ s time and will not conflict with their roles or responsibilities with our company. If any of these companies enter into one or more transactions with our company, or if the officer’ s position with any such company requires significantly more time than currently anticipated, potential conflicts of interests could arise from the officers performing services for us and these other entities. We have in the past been significantly dependent on capital provided to us by Dr. Simon **G.** Kukes and may rely on Dr. Kukes for additional funding in the future. In 2018 and 2019, Dr. Simon **G.** Kukes, the Company’ s Chief Executive Officer and director, loaned us an aggregate of $ 51. 7 million to support our operations and for acquisitions through an entity owned and controlled by him, all of which loans were evidenced by promissory notes. The promissory notes generally had terms which were more favorable to us than we would have been able to obtain from third parties, including, generally favorable interest rates, no restrictions on further borrowing or financial covenants and no security interests in our assets. All of such notes have to date been converted into 29. 5 million shares of common stock at conversion prices which were above the then- trading prices of our common stock. Additionally, pursuant to subscription agreements, Dr. Kukes’ entity purchased an additional aggregate of 15. 0 million shares of common stock from the Company in private transactions for $ 28. 0 million in 2019, also on substantially more favorable terms to us than could be obtained with third parties. Subsequent to September 2019, we have not received any additional capital from Dr. Kukes, instead funding our operations primarily through the sale of securities in public offerings, the sale of oil and gas properties, and sales of crude oil and natural gas. While Dr. Kukes has verbally advised us that he intends to provide us additional funding as needed, nothing has been documented to date, and such future funding, if any, may not ultimately be provided on favorable terms, if at all. In the event that we are forced to obtain funding from parties other than Dr. Kukes, such funding terms will likely not be as favorable to the Company as the funding provided by Dr. Kukes, and may not be available in such amounts as previously provided by Dr. Kukes. In the event Dr. Kukes fails to provide us future funding, when and if needed, it could have a material adverse effect on our liquidity, results of operations and could force us to borrow funds from outside sources on less favorable terms than our prior debt or sell equity to outside investors on less favorable terms than the equity we issued to Dr. Kukes. We depend significantly upon the continued involvement of our present management. We depend to a significant degree upon the involvement of our management, specifically, our Chief Executive Officer, Dr. Simon **G.** Kukes and our President, Mr. J. Douglas Schick. Our performance and success are dependent to a large extent on the efforts and continued employment of Dr. Kukes and Mr. Schick. We do not believe that Dr. Kukes or Mr. Schick could be quickly replaced with personnel of equal experience and capabilities, and their successor (s) may not be as effective. If Dr. Kukes, Mr. Schick, or any of our other key personnel resign or become unable to continue in their present roles and if they are not adequately replaced, our business operations could be adversely affected. We have no employment or similar agreement in place with Dr. Kukes. Mr. Schick is party to an employment agreement with us which has no stated term and can be terminated by either party without cause. We have an active board of directors that meets several times throughout the year and is intimately involved in our business and the determination of our operational strategies. Members of our board of directors work closely with management to identify potential prospects, acquisitions and areas for further development. If any of our directors resign or become unable to continue in their present role, it may be difficult to find replacements with the same knowledge and experience and as a result, our operations may be adversely affected. ~~50Dr~~ **54Dr** . Simon **G.** Kukes, our Chief Executive Officer and a member of board of directors, beneficially owns 66. ~~6~~ **5** % of our common stock, which gives him majority voting control over stockholder matters and his interests may be different from your interests; and as a result of such ownership, we are a “ controlled company ” under applicable NYSE American rules. Dr. Simon **G.** Kukes, our Chief Executive Officer and member of the board of directors, through his individual ownership of the Company and through his position as trustee and beneficiary of The SGK 2018 Revocable Trust, which beneficially owns approximately **58** ~~59. 5~~ % of our issued and outstanding common stock and Dr. Kukes, together with the ownership of The SGK 2018 Revocable Trust, beneficially owns approximately 66. ~~6~~ **5** % of our issued and outstanding common stock. As such, Dr. Kukes can control the outcome of all matters requiring a stockholder vote, including the election of directors, the adoption of amendments to our certificate of formation or bylaws and the approval of mergers and other significant corporate transactions. Subject to any fiduciary duties owed to the stockholders generally, while Dr. Kukes’ interests may generally be aligned with the interests of our stockholders, in some instances Dr. Kukes may have interests different than the rest of our stockholders, including but not limited to, future potential company financings in which Dr. Kukes or The SGK 2018 Revocable Trust may participate, or his leadership at the Company. Dr. Kukes’ influence or control of our company as a stockholder may have the effect of delaying or preventing a change of control of our company and may adversely affect the voting and other rights of other stockholders. Because Dr. Kukes controls the stockholder vote, investors may find it difficult to replace Dr. Kukes (and such persons as he may appoint from time to time) as members of our management if they disagree with the way our business is being operated. Additionally, the interests of Dr. Kukes may differ from the interests of the other stockholders and thus result in corporate decisions that are adverse to other stockholders. of Dr. Kukes’ ownership of the Company, as discussed above, we are a “ controlled company ” under the rules of the NYSE American. Under these rules, a company of which more than 50 % of the voting power is held by an individual, a group or another company is a “ controlled company ” and, as such, can elect to be exempt from certain corporate governance requirements, including requirements that: ~~-~~ **●** a majority of the Board of Directors consist of independent directors (or 50 % in the case of a smaller reporting company such as the Company); ~~-~~ **●** the board maintain a nominations committee with prescribed duties and a written charter; and ~~-~~ **●** the board maintain a compensation committee with prescribed duties and a written charter and comprised solely of independent directors. As a “ controlled company, ” we may elect to rely on some or all of these exemptions, provided that we have to date not taken advantage of any of these exemptions and do not currently intend to take advantage of any of these exemptions moving forward. Notwithstanding that, should the interests of Dr. Kukes differ from those of other stockholders, the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE American corporate governance standards. Even if we do not avail ourselves of these exemptions, our status as a controlled company could make our common stock less attractive to some investors or otherwise harm our stock price. In addition, this concentration of ownership might adversely affect the market price of our common stock by: (1) delaying, deferring or preventing a change of control of our Company; (2) impeding a merger, consolidation, takeover or other business combination involving our Company; or (3) discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company. Because of the ownership of securities of Dr. Kukes, investors may find it difficult to replace our current directors (and such persons as they may appoint from time to time) as members of our management if they disagree with the way our business is being operated. Additionally, the interests of Dr. Kukes may differ from the interests of the other stockholders and thus result in corporate decisions that are adverse to other stockholders. ~~51Risks~~ **55Risks** Relating to Government Regulations Changes in the legal and regulatory environment governing the oil and natural gas industry, particularly changes in the current Colorado forced pooling system and drilling operation set- back rules, salt water disposal permitting regulations in New Mexico **or Wyoming** , and new federal orders restricting operations on federal lands, could have a material adverse effect on our business. Our business is subject to various forms of government regulation, including laws, regulations and federal orders concerning the location, spacing and permitting of the oil and natural gas wells we drill, among other matters. In particular, our business in the D- J Basin of Colorado utilizes a methodology available in Colorado known as “ forced pooling, ” which refers to the ability of a holder of an oil and natural gas interest in a particular prospective drilling spacing unit to apply to the Colorado Oil and Gas Conservation Commission for an order forcing all other holders of oil and natural gas interests in such area into a common pool for purposes of developing that drilling spacing unit. In addition, our Permian Basin operations require significant salt water disposal capacity, with the permitting of necessary salt water disposal wells being regulated by the New Mexico State Land Office. In recent quarters, we have encountered significant delays in receiving such permits, and increasing difficulty in obtaining required permits, from the New Mexico State Land Office, which has delayed completion operations and the bringing of new wells on to full production. Changes in the legal and regulatory environment governing our industry, particularly any changes to Colorado’ s forced pooling procedures that make forced pooling more difficult to accomplish and changes in minimum set- backs distances for drilling operations from buildings (including those recently adopted), or increased regulation in New Mexico **or Wyoming** with respect to salt water disposal well permitting, could result in increased compliance costs and operational delays, and adversely affect our business, financial condition and results of operations. In addition, approximately ~~26~~ **16** % of ~~our Permian Basin Assets and~~ **the Company’ s acreage in New Mexico,** 1 % of ~~our D- J Basin Asset are~~ **the Company’ s acreage in Colorado, and 3 % of the Company’ s acreage in Wyoming is** located on federal ~~leases~~ **lands** , which may be subject to federal laws, regulations and orders that could limit our ability to operate. For example, on January 20, 2021, the Acting Secretary of the Interior issued Order Number 3395 (" Order No. 3395 ") which contained a directive to temporarily halt all federal permitting activity for 60 days in an effort to study environmental impacts of oil and gas drilling and development, which a federal court blocked with a preliminary injunction in June 2021, which injunction is being appealed. President Biden subsequently announced that his administration will resume onshore oil and gas lease sales on federal lands effective April 18, 2022. While this had no impact on existing or ongoing operations, potentially subsequent federal orders could restrict our ability to develop our leases on federal lands, which could adversely affect our business, financial condition and results of operations. In the event that federal, state or local restrictions or prohibitions are adopted in areas where we conduct operations, that restrict operations or otherwise impose more stringent limitations on the production and development of oil and natural gas, including, among other things, the development of increased setback distances, we and similarly situated oil and natural exploration and production operators in the state may incur significant costs to comply with such requirements or may experience delays or curtailment in the pursuit of exploration, development, or production activities, and possibly be limited or precluded in the drilling of wells or in the amounts that we and similarly situated operates are ultimately able to produce from our reserves. Any such increased costs, delays, cessations, restrictions or prohibitions could have a material adverse effect on our business, prospects, results of operations, financial condition, and liquidity. If new or more stringent federal, state or local legal restrictions relating to the hydraulic fracturing process are adopted in areas where we operate, including, for example, on federal and American Indian lands, we could incur potentially significant added cost to comply with such requirements, experience delays or curtailment in the pursuit of exploration, development or production activities, and perhaps even be precluded from drilling wells. New or amended environmental legislation or regulatory initiatives could result in increased costs, additional operating restrictions, or delays, or have other adverse effects on us. The environmental laws and regulations to which we are subject change frequently, often to become more burdensome and / or to increase the risk that we will be subject to significant liabilities. New or amended federal, state, or local laws or implementing regulations or orders imposing new environmental obligations on, or otherwise limiting, our operations could make it more difficult and more expensive to complete oil and natural gas wells, increase our costs of compliance and doing business, delay or prevent the development of resources (especially from shale formations that are not commercial without the use of hydraulic fracturing), or alter the demand for and consumption of our products. Any such outcome could have a material and adverse impact on our cash flows and results of operations. ~~For~~ **56For** example, in 2014, 2016 and 2018, opponents of hydraulic fracturing sought statewide ballot initiatives in Colorado that would have restricted oil and gas development in Colorado and could have had materially adverse impacts on us. One of the proposed initiatives would have made the vast majority of the surface area of the state ineligible for drilling, including substantially all of our planned future drilling locations. By further example, in April 2019, Colorado Senate Bill 19- 181 (the " Bill ") was passed into law, which prioritizes the protection of public safety, health, welfare, and the environment in the regulation of the oil and gas industry by modifying the State' s oil and gas statutes and clarifying, reinforcing, and establishing local governments' regulatory authority over the surface impacts of oil and gas development in Colorado. This Bill, among other things, gives more power to local government entities in making land use decisions about oil and gas development and regulation, and directs **the Energy & Carbon Management Commission (" ECMC ") (formally** the Colorado Oil & Gas Conservation Commission (" COGCC ") **)** to promulgate rules to ensure, among other things, proper wellbore integrity, allow public disclosure of flowline information, and evaluate when inactive or shut- in wells must be inspected before being put into production or used for injection. In addition, the Bill requires that owners of more than 50 % of the mineral interests in lands to be pooled must have joined in the application for a pooling order and that the application must include proof that the applicant received approval for the facilities from the affected local government or that the affected local government does not regulate such facilities. In addition, the Bill provides that an operator cannot use the surface owned by a nonconsenting owner without permission from the nonconsenting owner, and increases nonconsenting owners' royalty rates during a well' s pay- back period from 12. 5 % to 13. 0 %. Pursuant to the Bill, the COGCC **(now the ECMC)** conducted a series of rulemaking hearings during 2020 which resulted in updated regulatory and permitting requirements, including siting requirements. The COGCC **(now the ECMC)** commissioners determined that locations with residential or high occupancy building units within 2, 000 feet would be subject to additional siting requirements, but also supported " off ramps " allowing oil and gas operators to site their drill pads as close as 500 feet from building units in certain circumstances. We anticipate that the Bill may make it more difficult and more costly for us to undertake oil and gas development activities in Colorado. ~~52Similar~~ -- **Similar** to the Bill described above, proposals are made from time to time to adopt new, or amend existing, laws and regulations to address hydraulic fracturing or climate change concerns through further regulation of exploration and development activities. Please read " Part I " ~~-~~ **–** " Item 1. Business " ~~-~~ **—** " Regulation of the Oil and Gas Industry " and " Regulation of Environmental and Occupational Safety and Health Matters " for a further description of the laws and regulations that affect us. We cannot predict the nature, outcome, or effect on us of future regulatory initiatives, but such initiatives could materially impact our results of operations, production, reserves, and other aspects of our business. For example, in 2019, the EPA increased the state of Colorado' s non- attainment ozone classification for the Denver Metro North Front Range Ozone Eight- Hour Non- Attainment (" Denver Metro / North Front Range NAA ") area from " moderate " to " serious " under the 2008 national ambient air quality standard (" NAAQS "). This increase in non- attainment status to " serious " triggered significant additional obligations for the state under the CAA and resulted in Colorado adopting new and more stringent air quality control requirements in December 2020 that are applicable to our operations, with additional obligations for the state under the CAA possible that could result in new and more stringent air quality permitting and control requirements, which may in turn result in significant costs and delays in obtaining necessary permits applicable to our operations. **It** ~~While there were no oil and gas ballot initiatives in 2022 that would have imposed additional regulations on the oil and gas industry in the State of Colorado, it~~ is possible that future ballot initiatives will be proposed that could limit the areas of the state in which drilling would be permitted to occur or otherwise impose increased regulations on our industry. The Federal Government previously instituted a moratorium on new oil and gas leases and permits on federal onshore and offshore lands, which may have a material adverse effect on the Company and its results of operations. On January 20, 2021, the Acting U. S. Interior Secretary, instituted a moratorium on new oil and gas leases and permits on federal onshore and offshore lands, which a federal court blocked with a preliminary injunction in June 2021, which injunction is being appealed. President Biden subsequently announced that his administration will resume onshore oil and gas lease sales on federal lands effective April 18, 2022. A total of approximately ~~26~~ **16** % of the Company' s acreage in New Mexico ~~and~~ **,** 1 % of the Company' s acreage in Colorado ~~are~~ **, and 3 % of the Company' s acreage in Wyoming is** located on federal lands. It is currently unclear whether the moratorium will be reinstated, or whether such moratorium is the start of a change in federal policies regarding the grant of oil and gas permits on federal lands. The moratorium does not affect the Company, as the Company has no plans to drill new wells on any leases held on federal lands; however, if such prior moratorium was to become permanent, or the federal government in the future were to grant less permits on federal lands, make such permitting process more difficult, costly, or to institute more stringent rules relating to such permitting process, it could have a material adverse effect on the value of the Company' s leases and / or its ability to undertake oil and gas operations on such the portion of its leases on federal lands. ~~SEC~~ **57SEC** rules could limit our ability to book additional proved undeveloped reserves (" PUDs ") in the future. SEC rules require that, subject to limited exceptions, PUDs may only be booked if they relate to wells scheduled to be drilled within five years after the date of booking. This requirement has limited and may continue to limit our ability to book additional PUDs as we pursue our drilling program. Moreover, we may be required to write down our PUDs if we do not drill or plan on delaying those wells within the required five- year timeframe. ~~53Proposed~~ -- **Proposed** changes to U. S. tax laws, if adopted, could have an adverse effect on our business, financial condition, results of operations, and cash flows. From time to time, legislative proposals are made that would, if enacted, result in the elimination of the immediate deduction for intangible drilling and development costs, the elimination of the deduction from income for domestic production activities relating to oil and gas exploration and development, the repeal of the percentage depletion allowance for oil and gas properties, and an extension of the amortization period for certain geological and geophysical expenditures. Such changes, if adopted, or other similar changes that reduce or eliminate deductions currently available with respect to oil and gas exploration and development, could adversely affect our business, financial condition, results of operations, and cash flows. We may incur substantial costs to comply with the various federal, state, and local laws and regulations that affect our oil and natural gas operations, including as a result of the actions of third parties. We are affected significantly by a substantial number of governmental regulations relating to, among other things, the release or disposal of materials into the environment, health and safety, land use, and other matters. A summary of the principal environmental rules and regulations to which we are currently subject is set forth in " Part I " ~~-~~ **–** " Item 1. Business " ~~-~~ **—** " Regulation of the Oil and Gas Industry " and " Regulation of Environmental and Occupational Safety and Health Matters ". Compliance with such laws and regulations often increases our cost of doing business and thereby decreases our profitability. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, and criminal penalties, the incurrence of investigatory or remedial obligations, or the issuance of cease and desist orders. The environmental laws and regulations to which we are subject may, among other things: · require us to apply for and receive a permit before drilling commences or certain associated facilities are developed; · restrict the types, quantities, and concentrations of substances that can be released into the environment in connection with drilling, hydraulic fracturing, and production activities; · limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other " waters of the United States, " threatened and endangered species habitat, and other protected areas; · require remedial measures to mitigate pollution from former operations, such as plugging abandoned wells; · require us to add procedures and / or staff in order to comply with applicable laws and regulations; and · impose substantial liabilities for pollution resulting from our operations. In addition, we could face liability under applicable environmental laws and regulations as a result of the activities of previous owners of our properties or other third parties. For example, over the years, we have owned or leased numerous properties for oil and natural gas activities upon which petroleum hydrocarbons or other materials may have been released by us or by predecessor property owners or lessees who were not under our control. Under applicable environmental laws and regulations, including The Comprehensive Environmental Response, Compensation, and Liability Act- otherwise known as CERCLA or Superfund, and state laws, we could be held liable for the removal or remediation of previously released materials or property contamination at such locations, or at third- party locations to which we have sent waste, regardless of our fault, whether we were responsible for the release or whether the operations at the time of the release were lawful. ~~Compliance~~ **58Compliance** with, or liabilities associated with violations of or remediation obligations under, environmental laws and regulations could have a material adverse effect on our results of operations and financial condition. ~~54Regulations~~ -- **Regulations** could adversely affect our ability to hedge risks associated with our business and our operating results and cash flows. Rules adopted by federal regulators establishing federal regulation of the over- the- counter (" OTC ") derivatives market and entities that participate in that market may adversely affect our ability to manage certain of our risks on a cost- effective basis. Such laws and regulations may also adversely affect our ability to execute our strategies with respect to hedging our exposure to variability in expected future cash flows attributable to the future sale of our oil and gas. We expect that our potential future hedging activities will remain subject to significant and developing regulations and regulatory oversight. However, the full impact of the various U. S. regulatory developments in connection with these activities will not be known with certainty until such derivatives market regulations are fully implemented and related market practices and structures are fully developed. **We have identified material weaknesses in our disclosure controls and procedures and internal control over financial reporting. If not remediated, our failure to establish and maintain effective disclosure controls and procedures and internal control over financial reporting could result in material misstatements in our financial statements and a failure to meet our reporting and financial obligations, each of which could have a material adverse effect on our financial condition and the trading price of our common stock. Maintaining effective internal control over financial reporting and effective disclosure controls and procedures are**

necessary for us to produce reliable financial statements. As reported under " Part II "- " Item 9A. Controls and Procedures ", as of December 31, 2023, our Chief Executive Officer (" CEO ") and Chief Accounting Officer (" CAO ") have determined that our disclosure controls and procedures were not effective. Separately, management assessed the effectiveness of the Company' s internal control over financial reporting as of December 31, 2023 and determined that such internal control over financial reporting was not effective as a result of such assessment, and such internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company' s annual or interim financial statements will not be prevented or detected on a timely basis. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. As of December 31, 2023, the material weakness in our internal control over financial reporting related to the review of the inputs to the calculation of depreciation, depletion, and amortization of our reserves, including the review over the proper inclusion of all developed reserves and the review of proper exclusion of certain segments of certain wells towards the end of the life in the reserve quantity estimates. The error was identified through the course of the Company' s preparation of its year- ended December 31, 2023 financial statements. The Company has already developed a plan to implement new controls and procedures designed to address the identified material weakness. The Company believes these new controls and procedures will remediate the material weaknesses in a future period. However, there is the potential that the Company' s already implemented efforts to remedy the material weakness will be ineffective and / or that additional material weaknesses could occur regardless of the remediation or additional controls implemented by the Company. Maintaining effective disclosure controls and procedures and effective internal control over financial reporting are necessary for us to produce reliable financial statements and the Company is committed to remediating its material weaknesses in such controls as promptly as possible. However, there can be no assurance as to when these material weaknesses will be remediated or that additional material weaknesses will not arise in the future. Any failure to remediate the material weaknesses, or the development of new material weaknesses in our internal control over financial reporting, could result in material misstatements in our financial statements and cause us to fail to meet our reporting and financial obligations, which in turn could have a material adverse effect on our financial condition and the trading price of our common stock, and / or result in litigation against us or our management. In addition, even if we are successful in strengthening our controls and procedures, those controls and procedures may not be adequate to prevent or identify irregularities or facilitate the fair presentation of our financial statements or our periodic reports filed with the SEC. Risks Related to Our Common Stock We currently have a sporadic and volatile market for our common stock, and the market for our common stock is and may remain sporadic and volatile in the future. We currently have a highly sporadic and volatile market for our common stock, which market is anticipated to remain sporadic and volatile in the future. Factors that could affect our stock price or result in fluctuations in the market price or trading volume of our common stock include: ~~-~~ **●** our actual or anticipated operating and financial performance and drilling locations, including reserves estimates; ~~-~~ **●** quarterly variations in the rate of growth of our financial indicators, such as net income per share, net income and cash flows, or those of companies that are perceived to be similar to us; ~~-~~ **●** changes in revenue, cash flows or earnings estimates or publication of reports by equity research analysts; ~~-~~ **59 ●** speculation in the press or investment community; ~~-~~ **●** public reaction to our press releases, announcements and filings with the SEC; ~~-~~ **●** sales of our common stock by us or other stockholders, or the perception that such sales may occur; ~~-~~ **●** the limited amount of our freely tradable common stock available in the public marketplace; ~~-~~ **●** general financial market conditions and oil and natural gas industry market conditions, including fluctuations in commodity prices; ~~-~~ **●** the realization of any of the risk factors presented in this Annual Report; ~~-~~ **●** the recruitment or departure of key personnel; ~~-~~ **●** commencement of, or involvement in, litigation; ~~-~~ **●** the prices of oil and natural gas; ~~-~~ **●** the success of our exploration and development operations, and the marketing of any oil and natural gas we produce; ~~-~~ **●** changes in market valuations of companies similar to ours; and ~~-~~ **●** domestic and international economic, health, legal and regulatory factors unrelated to our performance. ~~55Our~~ -- **Our** common stock is listed on the NYSE American under the symbol " PED. " Our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. Additionally, general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock. Due to the limited volume of our shares which trade, we believe that our stock prices (bid, ask and closing prices) may not be related to our actual value, and not reflect the actual value of our common stock. Stockholders and potential investors in our common stock should exercise caution before making an investment in us. Additionally, as a result of the potential illiquidity and sporadic trading of our common stock, investors may not be interested in owning our common stock because of the inability to acquire or sell a substantial block of our common stock at one time. This may have an adverse effect on the market price of our common stock. In addition, a stockholder may not be able to borrow funds using our common stock as collateral because lenders may be unwilling to accept the pledge of securities having such a limited market. We cannot assure you that an active trading market for our common stock will develop or, if one develops, **that it will** be sustained. An active and sustained trading market for our common stock may not develop in the future. Our common stock currently trades on the NYSE American, although our common stock' s trading volume has been low from time to time and trading in our common stock has historically been sporadic. Liquid and active trading markets usually result in less price volatility and more efficiency in carrying out investors' purchase and sale orders. However, our common stock may continue to have a sporadic trading volume, and investors may not be interested in owning our common stock because of the inability to acquire or sell a substantial block of our common stock at one time. This could have an adverse effect on the market price of our common stock. In addition, a stockholder may not be able to borrow funds using our common stock as collateral because lenders may be unwilling to accept the pledge of securities having such a limited market. We cannot assure you that an active trading market for our common stock will develop or, if one develops, be sustained. Our outstanding options may adversely affect the trading price of our common stock. As of December 31, ~~2022~~ **2023** , there are outstanding stock options to purchase 1, ~~407~~ **632** , ~~667~~ **334** shares of our common stock at a weighted average price per share of $ 1. ~~51~~ **28** . For the life of the options, the holders have the opportunity to profit from a rise in the market price of our common stock without assuming the risk of ownership. The issuance of shares upon the exercise of outstanding securities will also dilute the ownership interests of our existing stockholders. The availability of these shares for public resale, as well as any actual resales of these shares, could adversely affect the trading price of our common stock. We previously filed registration statements with the SEC on Form S- 8 providing for the registration of an aggregate of approximately 16, 134, 915 shares of our common stock, issued, issuable or reserved for issuance under our equity incentive plans. Subject to the satisfaction of vesting conditions, the expiration of lockup agreements, any management 10b5- 1 plans and certain restrictions on sales by affiliates, shares registered under registration statements on Form S- 8 will be available for resale immediately in the public market without restriction. We cannot predict the size of future issuances of our common stock pursuant to the exercise of outstanding options or conversion of other securities, or the effect, if any, that future issuances and sales of shares of our common stock may have on the market price of our common stock. Sales or distributions of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may cause the market price of our common stock to decline. ~~We~~ **60We** are subject to the Continued Listing Criteria of the NYSE American and our failure to satisfy these criteria may result in delisting of our common stock. Our common stock is currently listed on the NYSE American. In order to maintain this listing, we must maintain certain share prices, financial and share distribution targets, including maintaining a minimum amount of stockholders' equity and a minimum number of public stockholders. In addition to these objective standards, the NYSE American may delist the securities of any issuer if, in its opinion, the issuer' s financial condition and / or operating results appear unsatisfactory; if it appears that the extent of public distribution or the aggregate market value of the security has become so reduced as to make continued listing on the NYSE American inadvisable; if the issuer sells or disposes of principal operating assets or ceases to be an operating company; if an issuer fails to comply with the NYSE American' s listing requirements; if an issuer' s common stock sells at what the NYSE American considers a " low selling price " (generally trading below $ 0. 20 per share for an extended period of time) and the issuer fails to correct this via a reverse split of shares after notification by the NYSE American (provided that issuers can also be delisted if any shares of the issuer trade below $ 0. 06 per share); or if any other event occurs or any condition exists which makes continued listing on the NYSE American, in its opinion, inadvisable. ~~56If~~ **If** the NYSE American delists our common stock, investors may face material adverse consequences, including, but not limited to, a lack of trading market for our securities, reduced liquidity, decreased analyst coverage of our securities, and an inability for us to obtain additional financing to fund our operations. Due to the fact that our common stock is listed on the NYSE American, we are subject to financial and other reporting and corporate governance requirements which increase our costs and expenses. We are currently required to file annual and quarterly information and other reports with the Securities and Exchange Commission that are specified in Sections 13 and 15 (d) of the Exchange Act. Additionally, due to the fact that our common stock is listed on the NYSE American, we are also subject to the requirements to maintain independent directors, comply with other corporate governance requirements and are required to pay annual listing and stock issuance fees. These obligations require a commitment of additional resources including, but not limited, to additional expenses, and may result in the diversion of our senior management' s time and attention from our day- to- day operations. These obligations increase our expenses and may make it more complicated or time consuming for us to undertake certain corporate actions due to the fact that we may require NYSE approval for such transactions and / or NYSE rules may require us to obtain stockholder approval for such transactions. Risks Associated with Our Governing Documents and Texas Law Our Certificate of Formation and Bylaws provide for indemnification of officers and directors at our expense, which may result in a major cost to us and hurt the interests of our stockholders because corporate resources may be expended for the benefit of officers or directors. Our Certificate of Formation and bylaws authorize us to indemnify and hold harmless, to the fullest extent permitted by applicable law, each person who is or was made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he or she is or was a director or officer of the Company or, while a director or officer of the Company, is or was serving at the request of the Company. These indemnification obligations may result in a major cost to us and hurt the interests of our stockholders because corporate resources may be expended for the benefit of officers or directors. We have been advised that, in the opinion of the SEC, indemnification for liabilities arising under federal securities laws is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification for liabilities arising under federal securities laws, other than the payment by us of expenses incurred or paid by a director, officer or controlling person in the successful defense of any action, suit or proceeding, is asserted by a director, officer or controlling person in connection with our activities, we will (unless in the determination of our counsel, the matter has been settled by controlling precedent) submit to a court of appropriate jurisdiction, the question whether indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue. The legal process relating to this matter if it were to occur is likely to be very costly and may result in us receiving negative publicity, either of which factors is likely to materially reduce the market and price for our shares. ~~Our~~ **61Our** Certificate of Formation contains a specific provision that limits the liability of our directors for monetary damages to the Company and the Company' s stockholders. Our Certificate of Formation provides that a director of the Company shall, to the fullest extent permitted by the Texas Business Organizations Code, as revised, as then may exist or as it may hereafter be amended, not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exception from liability is not permitted under the Texas Business Organizations Code, as revised. The limitation of monetary liability against our directors under Texas law and the existence of indemnification rights to them may result in substantial expenditures by us and may discourage lawsuits against our directors, officers and employees. These provisions and resultant costs may also discourage us from bringing a lawsuit against our directors and officers for breaches of their fiduciary duties and may similarly discourage the filing of derivative litigation by our stockholders against our directors and officers, even though such actions, if successful, might otherwise benefit us and our stockholders. ~~57Anti~~ -- **Anti** - takeover provisions in our Certificate of Formation and our Bylaws, as well as provisions of Texas law, might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the trading price of our securities. Our Certificate of Formation and Bylaws and Texas law contain provisions that may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for our securities. These provisions may also prevent or delay attempts by our stockholders to replace or remove our management. Our corporate governance documents include the following provisions: ~~-~~ ● Special Meetings of Stockholders ~~-~~ — Our Bylaws provide that special meetings of the stockholders may only be called by our Chairman, our President, or upon written notice to our board of directors by our stockholders holding not less than 30 % of our outstanding voting capital stock. ~~-~~ ● Amendment of Bylaws ~~-~~ — Our Bylaws may be amended by our Board of Directors alone. ~~-~~ ● Advance Notice Procedures ~~-~~ — Our Bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders. At an annual meeting, our stockholders elect a Board of Directors and transact such other business as may properly be brought before the meeting. By contrast, at a special meeting, our stockholders may transact only the business for the purposes specified in the notice of the meeting. ~~-~~ ● No cumulative voting ~~-~~ — Our Certificate of Formation and Bylaws do not include a provision for cumulative voting in the election of directors. ~~-~~ ● Vacancies ~~-~~ — Our Bylaws provide that vacancies on our Board may be filled by a majority of directors in office, although less than a quorum, and not by the stockholders. ~~-~~ ● Preferred Stock ~~-~~ — Our Certificate of Formation allows us to issue up to 100, 000, 000 shares of preferred stock, of which 66, 625 shares have been designated as Series A preferred stock. The undesignated preferred stock may have rights senior to those of the common stock and that otherwise could adversely affect the rights and powers, including voting rights, of the holders of common stock. In some circumstances, this issuance could have the effect of decreasing the market price of the common stock as well as having an anti- takeover effect. ~~-~~ ● Authorized but Unissued Shares ~~-~~ — Our Board of Directors may cause us to issue our authorized but unissued shares of common stock in the future without stockholders' approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock could render more difficult or discourage an attempt to obtain control of a majority of our common stock by means of a proxy contest, tender offer, merger or otherwise. ~~-~~ ● Limitation of Liability and Indemnification ~~-~~ — Our Certificate of Formation limits the liability of, and provides indemnification to, our directors and officers. ~~58Additionally~~ **62Additionally** , Title 2, Chapter 21, Subchapter M of the Texas Business Organizations Code (the " Texas Business Combination Law ") provides that a Texas corporation may not engage in specified types of business combinations, including mergers, consolidations and asset sales, with a person, or an affiliate or associate of that person, who is an " affiliated shareholder, " for a period of three years from the date that person became an affiliated shareholder, subject to certain exceptions. An " affiliated shareholder " is generally defined as the holder of 20 % or more of the corporation' s voting shares. The law' s prohibitions do not apply if the business combination or the acquisition of shares by the affiliated shareholder was approved by the Board of Directors of the corporation before the affiliated shareholder became an affiliated shareholder; or the business combination was approved by the affirmative vote of the holders of at least two- thirds of the outstanding voting shares of the corporation not beneficially owned by the affiliated shareholder, at a meeting of shareholders called for that purpose, not less than six months after the affiliated shareholder became an affiliated shareholder. Because we have more than 100 of record shareholders, we are considered an " issuing public corporation " for purposes of this law. The Texas Business Combination Law does not apply to the following: the business combination of an issuing public corporation: where the corporation' s original charter or bylaws contain a provision expressly electing not to be governed by the Texas Business Combination Law; or that adopts an amendment to its charter or bylaws, by the affirmative vote of the holders, other than affiliated shareholders, of at least two- thirds of the outstanding voting shares of the corporation, expressly electing not to be governed by the Texas Business Combination Law and so long as the amendment does not take effect for 18 months following the date of the vote and does not apply to a business combination with an affiliated shareholder who became affiliated on or before the effective date of the amendment; a business combination of an issuing public corporation with an affiliated shareholder that became an affiliated shareholder inadvertently, if the affiliated shareholder divests itself, as soon as possible, of enough shares to no longer be an affiliated shareholder and would not at any time within the three- year period preceding the announcement of the business combination have been an affiliated shareholder but for the inadvertent acquisition; a business combination with an affiliated shareholder who became an affiliated shareholder through a transfer of shares by will or intestacy and continuously was an affiliated shareholder until the announcement date of the business combination; or a business combination of a corporation with its wholly- owned Texas subsidiary if the subsidiary is not an affiliate or associate of the affiliated shareholder other than by reason of the affiliated shareholder' s beneficial ownership of voting shares of the corporation. The existence of the foregoing provisions and anti- takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition. Our board of directors can authorize the issuance of preferred stock, which could diminish the rights of holders of our common stock and make a change of control of our company more difficult even if it might benefit our stockholders. Our board of directors is authorized to issue shares of preferred stock in one or more series and to fix the voting powers, preferences and other rights and limitations of the preferred stock. Shares of preferred stock may be issued by our board of directors without stockholder approval, with voting powers and such preferences and relative, participating, optional or other special rights and powers as determined by our board of directors, which may be greater than the shares of common stock currently outstanding. As a result, shares of preferred stock may be issued by our board of directors which cause the holders to have majority voting power over our shares, provide the holders of the preferred stock the right to convert the shares of preferred stock they hold into shares of our common stock, which may cause substantial dilution to our then common stock stockholders and / or have other rights and preferences greater than those of our common stock stockholders including having a preference over our common stock with respect to dividends or distributions on liquidation or dissolution. Investors should keep in mind that the board of directors has the authority to issue additional shares of common stock and preferred stock, which could cause substantial dilution to our existing stockholders. Additionally, the dilutive effect of any preferred stock which we may issue may be exacerbated given the fact that such preferred stock may have voting rights and / or other rights or preferences which could provide the preferred stockholders with substantial voting control over us subsequent to the date of this Annual Report and / or give those holders the power to prevent or cause a change in control, even if that change in control might benefit our stockholders. As a result, the issuance of shares of common stock and / or preferred stock may cause the value of our securities to decrease. ~~59General~~ **63General** Risk Factors If we complete acquisitions or enter into business combinations in the future, they may disrupt or have a negative impact on our business. If we complete acquisitions or enter into business combinations in the future, funding permitting, we could have difficulty integrating the acquired companies' assets, personnel and operations with our own. Additionally, acquisitions, mergers or business combinations we may enter into in the future could result in a change of control of the Company, and a change in the board of directors or officers of the Company. In addition, the key personnel of the acquired business may not be willing to work for us. We cannot predict the effect expansion may have on our core business. Regardless of whether we are successful in making an acquisition or completing a business combination, the negotiations could disrupt our ongoing business, distract our management and employees and increase our expenses. In addition to the risks described above, acquisitions and business combinations are accompanied by a number of inherent risks, including, without limitation, the following: ~~-~~ ● the difficulty of integrating acquired companies, concepts and operations; ~~-~~ ● the potential disruption of the ongoing businesses and distraction of our management and the management of acquired companies; ~~-~~ ● change in our business focus and / or management; ~~-~~ ● difficulties in maintaining uniform standards, controls, procedures and policies; ~~-~~ ● the potential impairment of relationships with employees and partners as a result of any integration of new management personnel; ~~-~~ ● the potential inability to manage an increased number of locations and employees; ~~-~~ ● our ability to successfully manage the companies and / or concepts acquired; ~~-~~ ● the failure to realize efficiencies, synergies and cost savings; or ~~-~~ ● the effect of any government regulations which relate to the business acquired. Our business could be severely impaired if and to the extent that we are unable to succeed in addressing any of these risks or other problems encountered in connection with an acquisition or business combination, many of which cannot be presently identified. These risks and problems could disrupt our ongoing business, distract our management and employees, increase our expenses and adversely affect our results of operations. Any acquisition or business combination transaction we enter into in the future could cause substantial dilution to existing stockholders, result in one party having majority or significant control over the Company or result in a change in business focus of the Company. We may incur indebtedness which could reduce our financial flexibility, increase interest expense and adversely impact our operations and our unit costs. We currently have no outstanding indebtedness, but we may incur significant amounts of indebtedness in the future in order to make acquisitions or to develop our properties. Our level of indebtedness could affect our operations in several ways, including the following: ~~-~~ ● a significant portion of our cash flows could be used to service our indebtedness; ~~-~~ ● a high level of debt would increase our vulnerability to general adverse economic and industry conditions; ~~-~~ ● any covenants contained in the agreements governing our outstanding indebtedness could limit our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments; ~~-~~ ● a high level of debt may place us at a competitive disadvantage compared to our competitors that are less leveraged and, therefore, may be able to take advantage of opportunities that our indebtedness may prevent us from pursuing; and ~~-~~ ● debt covenants to which we may agree may affect our flexibility in planning for, and reacting to, changes in the economy and in our industry. A high level of indebtedness increases the risk that we may default on our debt obligations. We may not be able to generate sufficient cash flows to pay the principal or interest on our debt, and future working capital, borrowings or equity financing may not be available to pay or refinance such debt. If we do not have sufficient funds and are otherwise unable to arrange financing, we may have to sell significant assets or have a portion of our assets foreclosed upon which could have a material adverse effect on our business, financial condition and results of operations. ~~Because~~ **64Because** we are a small company, the requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the requirements of the Sarbanes- Oxley Act and the Dodd- Frank Act, may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost- effective manner. ~~60As~~ **As** a public company with listed equity securities, we must comply with the federal securities laws, rules and regulations, including certain corporate governance provisions of the Sarbanes- Oxley Act of 2002 (the " Sarbanes- Oxley Act ") and the Dodd- Frank Act, related rules and regulations of the SEC and the NYSE American, with which a private company is not required to comply. Complying with these laws, rules and regulations will occupy a significant amount of time of our board of directors and management and will significantly increase our costs and expenses, which we cannot estimate accurately at this time. Among other things, we must: ~~-~~ ● establish and maintain a system of internal control over financial reporting in compliance with the requirements of Section 404 of the Sarbanes- Oxley Act and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board; ~~-~~ ● comply with rules and regulations promulgated by the NYSE American; ~~-~~ ● prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws; ~~-~~ ● maintain various internal compliance and disclosures policies, such as those relating to disclosure controls and procedures and insider trading in our common stock; ~~-~~ ● involve and retain to a greater degree outside counsel and accountants in the above activities; ~~-~~ ● maintain a comprehensive internal audit function; and ~~-~~ ● maintain an investor relations function. In addition, being a public company subject to these rules and regulations may require us to accept less director and officer liability insurance coverage than we desire or to incur substantial costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and qualified executive officers. We do not presently intend to pay any cash dividends on or repurchase any shares of our common stock. We do not presently intend to pay any cash dividends on our common stock or to repurchase any shares of our common stock. Any payment of future dividends will be at the discretion of the board of directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our board of directors deems relevant. Cash dividend payments in the future may only be made out of legally available funds and, if we experience substantial losses, such funds may not be available. Accordingly, you may have to sell some or all of your common stock in order to generate cash flow from your investment, and there is no guarantee that the price of our common stock that will prevail in the market will ever exceed the price paid by you. Our business could be adversely affected by security threats, including cybersecurity threats. We face various security threats, including cybersecurity threats to gain unauthorized access to our sensitive information, to seek initiation of unauthorized fund transfers, or to render our information or systems unusable, and threats to the security of our facilities and infrastructure or third- party facilities and infrastructure, such as gathering and processing facilities, refineries, rail facilities and pipelines. The potential for such security threats subjects our operations to increased risks that could have a material adverse effect on our business, financial condition and results of operations. For example, unauthorized access to our seismic data, reserves information or other proprietary information could lead to data corruption, communication interruptions, or other disruptions to our operations. ~~Our~~ **65Our** implementation of various procedures and controls to monitor and mitigate such security threats and to increase security for our information, systems, facilities and infrastructure may result in increased capital and operating costs. Moreover, there can be no assurance that such procedures and controls will be sufficient to prevent security breaches from occurring. If any of these security breaches were to occur, they could lead to losses of, or damage to, sensitive information or facilities, infrastructure and systems essential to our business and operations, as well as data corruption, reputational damage, communication interruptions or other disruptions to our operations, which, in turn, could have a material adverse effect on our business, financial position and results of operations. ~~61Future~~ -- **Future** sales of our common stock could cause our stock price to decline. If our shareholders sell substantial amounts of our common stock in the public market, the market price of our common stock could decrease significantly. The perception in the public market that our shareholders might sell shares of our common stock could also depress the market price of our common stock ~~. Up to $ 100, 000, 000 in total aggregate value of securities have been registered by us on a " shelf " registration statement on Form S- 3 (File No. 333- 250904) that we filed with the Securities and Exchange Commission on November 23, 2020 (the " November 2020 Form S- 3 "), and which was declared effective on December 2, 2020. To date, an aggregate of approximately $ 15. 95 million in securities have been sold by us under the November 2020 Form S- 3, leaving approximately $ 84. 05 million in securities which will be eligible for sale in the public markets from time to time, when sold and issued by us, subject to the requirements of Form S- 3, which limits us, until such time, if ever, as our public float exceeds $ 75 million, from selling securities in a public primary offering under Form S- 3 with a value exceeding more than one- third of the aggregate market value of the common stock held by non- affiliates of the Company every twelve months. On November 17, 2021 we registered up to $ 3. 6 million in securities for sale from time to time in an " at the market offering " under the November 2020 Form S- 3 pursuant to a Prospectus Supplement, of which approximately $ 0. 1 million of securities have been sold to date~~ . Additionally, if our existing shareholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline significantly. The market price for shares of our common stock may drop significantly when such securities are sold in the public markets. A decline in the price of shares of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities. The threat and impact of terrorist attacks, cyber- attacks or similar hostilities may adversely impact our operations. We cannot assess the extent of either the threat or the potential impact of future terrorist attacks on the energy industry in general, and on us in particular, either in the short- term or in the long- term. Uncertainty surrounding such hostilities may affect our operations in unpredictable ways, including the possibility that infrastructure facilities, including pipelines and gathering systems, production facilities, processing plants and refineries, could be targets of, or indirect casualties of, an act of terror, a cyber- attack or electronic security breach, or an act of war. We may have difficulty managing growth in our business, which could have a material adverse effect on our business, financial condition and results of operations and our ability to execute our business plan in a timely fashion. Because of our small size, growth in accordance with our business plans, if achieved, will place a significant strain on our financial, technical, operational and management resources. As we expand our activities, including our planned increase in oil exploration, development and production, and increase the number of projects we are evaluating or in which we participate, there will be additional demands on our financial, technical and management resources. The failure to continue to upgrade our technical, administrative, operating and financial control systems or the occurrence of unexpected expansion difficulties, including the inability to recruit and retain experienced managers, geoscientists, petroleum engineers and landmen could have a material adverse effect on our business, financial condition and results of operations and our ability to execute our business plan in a timely fashion. Failure to adequately protect critical data and technology systems could materially affect our operations. Information technology solution failures, network disruptions and breaches of data security could disrupt our operations by causing delays or cancellation of customer orders, impeding processing of transactions and reporting financial results, resulting in the unintentional disclosure of customer, employee or our information, or damage to our reputation. There can be no assurance that a system failure or data security breach will not have a material adverse effect on our financial condition, results of operations or cash flows. Stockholders may be diluted significantly through our efforts to obtain financing and satisfy obligations through the issuance of securities. Wherever possible, our board of directors will attempt to use non- cash consideration to satisfy obligations. In many instances, we believe that the non- cash consideration will consist of shares of our common stock, preferred stock or warrants to purchase shares of our common stock. Our board of directors has authority, without action or vote of the stockholders, subject to the requirements of the NYSE American (which generally require stockholder approval for any transactions which would result in the issuance of more than 20 % of our then outstanding shares of common stock or voting rights representing over 20 % of our then outstanding shares of stock, subject to certain exceptions, including sales in a public offering and / or sales which are undertaken at or above the lower of the closing price immediately preceding the signing of the binding agreement or the average closing price for the five trading days immediately preceding the signing of the binding agreement), to issue all or part of the authorized but unissued shares of common stock, preferred stock or warrants to purchase such shares of common stock. In addition, we may attempt to raise capital by selling shares of our common stock, possibly at a discount to market in the future. These actions will result in dilution of the ownership interests of existing stockholders and may further dilute common stock book value, and that dilution may be material. Such issuances may also serve to enhance existing management' s ability to maintain control of us, because the shares may be issued to parties or entities committed to supporting existing management. ~~62Securities~~ **66Securities** analysts may not cover, or continue to cover, our common stock and this may have a negative impact on our common stock' s market price. The trading market for our common stock will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over independent analysts (provided that we may engage various non-independent analysts). We currently only have a few independent analysts that cover our common stock, and these analysts may discontinue coverage of our common stock at any time. Further, we may not be able to obtain additional research coverage by independent securities and industry analysts. If no independent securities or industry analysts continue coverage of us, the trading price for our common stock could be negatively impacted. If one or more of the analysts who covers us downgrades our common stock, changes their opinion of our shares or publishes inaccurate or unfavorable research about our business, our stock price could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our common stock could decrease and we could lose visibility in the financial markets, which could cause our stock price and trading volume to decline. If persons engage in short sales of our common stock, including sales of shares to be issued upon exercise of our outstanding warrants, the price of our common stock may decline. Selling short is a technique used by a stockholder to take advantage of an anticipated decline in the price of a security. In addition, holders of options and warrants will sometimes sell short knowing they can, in effect, cover through the exercise of an option or warrant, thus locking in a profit. A significant number of short sales or a large volume of other sales within a relatively short period of time can create downward pressure on the market price of a security. Further sales of common stock issued upon exercise of our outstanding warrants could cause even greater declines in the price of our common stock due to the number of additional shares available in the market upon such exercise, which could encourage short sales that could further undermine the value of our common stock. Stockholders could, therefore, experience a decline in the values of their investment as a result of short sales of our common stock. The Company does not insure against all potential losses, which could result in significant financial exposure. The Company does not have commercial insurance or third- party indemnities to fully cover all operational risks or potential liability in the event of a significant incident or series of incidents causing catastrophic loss. As a result, the Company is, to a substantial extent, self- insured for such events. The Company relies on existing liquidity, financial resources and borrowing capacity to meet short- term obligations that would arise from such an event or series of events. The occurrence of a significant incident, series of events, or unforeseen liability for which the Company is self- insured, not fully insured or for which insurance recovery is significantly delayed could have a material adverse effect on the Company' s results of operations or financial condition. Increasing attention to environmental, social, and governance (" ESG ") matters may impact our business. Increasing attention to ESG matters, including those related to climate change and sustainability, increasing societal, investor and legislative pressure on companies to address ESG matters, may result in increased costs, reduced profits, increased investigations and litigation or threats thereof, negative impacts on our stock price and access to capital markets, and damage to our reputation. Increasing attention to climate change, for example, may result in demand shifts for hydrocarbon and additional governmental investigations and private litigation, or threats thereof, against the Company. 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, including climate change and climate- related risks. Such ratings are used by some investors to inform their investment and voting decisions. Also, some stakeholders, including but not limited to sovereign wealth, pension, and endowment funds, have been divesting and promoting divestment of or screening out of fossil fuel equities and urging lenders to limit funding to companies engaged in the extraction of fossil fuel reserves. Unfavorable ESG ratings and investment community divestment initiatives, among other actions, may lead to negative investor sentiment toward the Company 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. Additionally, evolving expectations on various ESG matters, including biodiversity, waste and water, may increase costs, require changes in how we operate and lead to negative stakeholder sentiment. ~~63Global~~ **67Global** economic conditions could materially adversely affect our business, results of operations, financial condition and growth. Adverse macroeconomic conditions, including inflation, slower growth or recession, new or increased tariffs, changes to fiscal and monetary policy, tighter credit, higher interest rates, high unemployment and currency fluctuations could materially adversely affect our operations, expenses, access to capital and the market for oil and gas. In addition, uncertainty about, or a decline in, global or regional economic conditions could have a significant impact on our expected funding sources, suppliers and partners. A downturn in the economic environment could also lead to limitations on our ability to issue new debt; reduced liquidity; and declines in the fair value of our financial instruments. These and other economic factors could materially adversely affect our business, results of operations, financial condition and growth. We may be adversely affected by climate change or by legal, regulatory or market responses to such change. The long- term effects of climate change are difficult to predict; however, such effects may be widespread. Impacts from climate change may include physical risks (such as rising sea levels or frequency and severity of extreme weather conditions), social and human effects (such as population dislocations or harm to health and well-being), compliance costs and transition risks (such as regulatory or technology changes) and other adverse effects. The effects of climate change could increase the cost of certain products, commodities and energy (including utilities), which in turn may impact our ability to procure goods or services required for the operation of our business. Climate change could also lead to increased costs as a result of physical damage to or destruction of our facilities, equipment and business interruption due to weather events that may be attributable to climate change. These events and impacts could materially adversely affect our business operations, financial position or results of operation. We might be adversely impacted by changes in accounting standards. Our consolidated financial statements are subject to the application of U. S. GAAP, which periodically is revised or reinterpreted. From time to time, we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the Financial Accounting Standards Board (" FASB ") and the SEC. It is possible that future accounting standards may require changes to the accounting treatment in our consolidated financial statements and may require us to make significant changes to our financial systems. Such changes might have a materially adverse impact on our financial position or results of operations.