Risk Factors Comparison 2024-03-13 to 2023-03-08 Form: 10-K

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

The statements in this section describe the known material risks to our business and should be considered carefully. Risks Relating to Our Business Dependence on contract manufacturing and outsourcing other portions of our supply chain may adversely affect our ability to bring products to market and damage our reputation. We outsource our manufacturing processes and other functions and continue to evaluate additional outsourcing in order to maintain efficient operations. If our contract manufacturers or other outsourcers fail to perform their obligations in a timely manner or at satisfactory quality levels, our ability to bring products to market and our reputation could suffer. For example, during a market upturn, our contract manufacturers may be unable to meet our demand requirements, which may prevent us from fulfilling our customers' orders on a timely basis. The ability of these manufacturers to perform is largely outside of our control. Additionally, changing or replacing our contract manufacturers or other outsourcers could cause disruptions or delays. **Epidemics, pandemics or other similar outbreaks could hurt our business and financial condition.** The ~~global COVID- 19~~ **outbreak of epidemics,** ~~pandemic~~ **pandemics** ~~has and could continue to~~ **or other similar outbreaks in the future may** adversely affect ~~us, and it could have a material adverse impact on~~ our ~~business, financial condition, liquidity, results of~~ operations ~~and prospects~~ . **This may be due to closures or** ~~Since the beginning of 2020, the COVID- 19 pandemic has spread across the globe and disrupted economies around the world, including the oil and gas industry in which we operate. Federal, state and local government- imposed quarantines, shelter- in- place mandates, sweeping~~ restrictions ~~on travel~~ **requested or mandated by governmental authorities** , **disruption to supply chains** and **workforce** ~~other public health and safety measures~~ , **reduction of** ~~could materially reduced global~~ demand for ~~crude oil. Although many of these restrictions have been loosened or~~ **our** ~~lifted around~~ **products and services, credit losses when customers and** ~~the~~ **other** ~~world,~~ **counterparties fail to satisfy** ~~the~~ **their** ~~extent~~ **obligations** to ~~which the~~ **us, and volatility in** global **equity securities markets** ~~COVID- 19 pandemic will continue to affect our business, financial condition, liquidity, results of operations, prospects, and the demand for our products will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration or any recurrence of the outbreak and responsive measures, additional or modified government actions, new information which may emerge concerning the severity of the global COVID- 19 pandemic and the effectiveness of actions taken to contain the coronavirus or treat its impact now or in the future~~ , among ~~others. Some impacts of the global COVID- 19 pandemic that could have an adverse effect on our business, financial condition, liquidity and results of operations, include: • significant changes in prices for oil production, resulting from world- wide swings in demand and resulting over or under supply of existing production; • further decreases in the demand for oil production, resulting from significantly decreased levels of global, regional and local travel as a result of new or additional federal, state and local government- imposed quarantines, including shelter- in- place mandates, enacted to slow the spread of the virus and any new variant; • increased likelihood that our customers will make rapid changes to capital expenditures due to oil prices fluctuations, swings in demand for oil production and~~ other factors **. We share most** ~~that could impact production; • increased potential that our customers may seek to invoke force majeure provisions as a result~~ of ~~significantly adverse market conditions to avoid the~~ **these risks** ~~performance of contractual obligations; • increased costs and staffing requirements related to facility modifications, social distancing measures or other best practices implemented in connection~~ with **all** ~~federal, state or local government, and voluntarily imposed quarantines or other regulations or guidelines concerning physical gatherings; and • increased legal and operational costs related to compliance with significant changes in federal, state, and local laws and regulations. To the extent the global COVID- 19 pandemic continues to adversely affect the global economy, and / or adversely affects our business~~ **businesses** ~~, financial condition, liquidity, results of operations and prospects it may also have the effect of increasing the likelihood and / or magnitude of other risks described above~~ . Changes in the level of capital- spending by our customers could materially and adversely impact our business and financial condition. Our principal customers are oil and natural gas exploration and production companies that operate in the upstream and midstream space and the original equipment manufacturers, or ~~OEM~~ **OEMs** ~~' s~~ , that supply the exploration and production companies with the required production and processing equipment. Thus, the results of our operations and financial condition depend on the level of capital spending by our customers. The energy industry' s level of capital spending is significantly influenced by the prevailing commodity prices of natural gas and crude oil because the amount of crude oil and natural gas that our customers can economically produce also depends on the prevailing prices for those commodities. Volatility in commodity prices may make our customers reluctant to invest in the oil and gas industry where our products would be used. Although our products may enhance the operational efficiency of producing wells, other operational decisions and behaviors by producers could lead to reductions or delays in the capital spending of our customers and therefore reduce the demand for our products and services, which could materially and adversely impact our results of operations, financial condition and cash flow. The energy industry' s level of capital spending may also be affected by government regulations or other efforts designed to mitigate climate change or reduce greenhouse gas emissions. Increasing attention to climate change, increasing societal expectations on companies to address climate change, and potential consumer and customer use of substitutes to oil and gas may result in increased costs and lower profits for our customers, and reduced demand for their products. These factors may also cause our customers to allocate more capital spending to other areas or other types of energy production. We depend on our customers' willingness to make operating and capital expenditures to transport, refine and produce oil and natural gas. Industry conditions are influenced by numerous factors over which we have no control, such as: • the level of oil and gas production; • the demand for oil and gas related products; • domestic and worldwide economic conditions; • political instability in the Middle East and other oil-producing regions; • the actions of the Organization of Petroleum Exporting Countries (OPEC); • political and economic instability, including wars and acts of terrorism, political unrest, boycotts, curtailments of trade, tariffs and sanctions, and other business restrictions; • the price of foreign imports of oil and gas, including liquefied natural gas; • natural disasters or weather conditions, such as hurricanes; • technological advances affecting energy consumption; • the level of oil and gas inventories globally; • the cost of producing oil and gas; • the price and availability of alternative fuels and energy sources; • increasing attention and expectations relating to climate change and reduction of greenhouse gas emissions; • merger and divestiture activity among oil and gas producers; and • governmental regulations, including those related to climate change. These and other industry conditions could influence our customers' willingness to make operating and capital expenditures to transport, refine and produce oil and natural gas. If our customers reduce or eliminate such operating and capital expenditures, it may adversely affect our business and financial condition. Changes in foreign exchange rates in countries where our business operates could have a material adverse impact on our business and financial condition. A portion of our consolidated revenue and consolidated operating income is in Canadian dollars. As a result, we are subject to significant risks, including: • Canadian currency exchange risks resulting from changes in Canadian currency exchange rates and the execution of controls in this area; and • limitations on our ability to reinvest earnings from operations in the United States to fund our operations in Canada. If the volatility in the CAD / USD exchange rate causes a devaluation in either currency, it could have a material adverse impact on our business and financial condition. The competitive nature of the oilfield services industry could lead to an increase of direct competitors. As our segment within the oil and gas exploration and production industry grows and matures it is reasonable to expect additional companies may seek to enter this market. New entrants to our industry may be more highly capitalized, better recognized or better situated to take advantage of market opportunities. If we are unable to adequately compete against current and future competitors, or if the competition results in price reductions or decreased demand for our products, our business, financial condition and results of operations may be materially and adversely affected. We may not realize all of the anticipated benefits of our acquisitions, joint ventures or divestitures, or these benefits may take longer to realize than expected. Our future business strategies may include growth through the acquisitions of other businesses. We may not be able to identify attractive acquisition opportunities or successfully acquire those opportunities that are identified. Even if we are successful in integrating future acquisitions into existing operations, we may not derive the benefits, such as administrative or operational synergy or earnings, that were expected from such acquisitions, which may result in the commitment of capital resources without the expected returns on capital. Additionally, the competition for acquisition opportunities may increase which in turn would increase our cost of making acquisitions. In pursuing our business strategy, from time to time we evaluate targets for potential acquisitions. We conduct due diligence to identify valuation issues and potential loss contingencies, negotiate transaction terms, complete transactions and manage post- closing matters such as the integration of acquired businesses. However, we may incur unanticipated costs or expenses following a completed acquisition, including post- closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation, and other liabilities. The risks associated with our past or future acquisitions also include the following: • the business culture of the acquired business may not match well with our culture; • we may fail to retain, motivate and integrate key management and other employees of the acquired business; • we may experience problems in retaining customers and integrating customer bases; • we may experience complexities associated with managing the combined businesses; and • consolidating multiple physical locations. The anticipated benefits of acquisitions may not be realized, if at all, and we may incur significant time and costs beyond those anticipated with the integration of new acquisitions to the existing business. If we are unable to accomplish the integration and management of the combined business successfully, or achieve a substantial portion of the anticipated benefits of these acquisitions within the time frames anticipated by Management, it could have a material adverse effect on our business and financial condition. Many of these factors are outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues, and diversion of Management' s time and attention. They may also delay the realization of the benefits we anticipate when we enter into a transaction. Failure to implement our acquisition strategy, including successfully integrating acquired businesses, could have a material adverse effect on our business and financial condition. Our operations involve operating hazards, which, if not insured or indemnified against, could harm our results of operations and financial condition. Our operations are subject to hazards inherent in our technology' s use in oilfield service operations, oilfield development and oil production activities, including fire, explosions, blowouts, spills and damage or loss from natural disasters, each of which could result in substantial damage to the oil- producing formations and oil wells, production facilities, other property, equipment and the environment, or in personal injury or loss of life. These hazards could also result in the suspension of purchasing, or in claims by employees, customers or third parties which could have a material adverse effect on our financial condition. Some of these risks are either not insurable or insurance is available only at rates that we consider uneconomical. Although we will maintain liability insurance in an amount that we consider consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits. We may not always be successful in obtaining contractual indemnification from our customers, and customers who provide contractual indemnification protection may not maintain adequate insurance or otherwise have the financial resources necessary to support their indemnification obligations. Our insurance or indemnification arrangements may not adequately protect us against liability or loss from all the hazards of our operations. The occurrence of a significant event that we have not fully insured or indemnified against, or the failure of a customer to meet its indemnification obligations to us, could materially and adversely affect our results of operations and financial condition. Changes to governmental regulation of the oil and gas industry could materially and adversely affect our business. If the laws and regulations governing oil and natural gas exploration and production were to become less stringent, we could experience a decline in the demand for our products, which we expect would materially and adversely impact our results of operations and financial condition. These regulations are subject to change and new regulations may curtail or eliminate customer activities in certain areas where we currently operate. Furthermore, our operations are affected by local, provincial, state, federal, and foreign laws and other regulations relating to oil, gas and electric standards. Such standards can be related to safety, environmental protection, or other regulatory dimensions for the oil and gas industry. Less stringent standards could adversely impact our business and financial conditions. Increased legislation, regulation and other government actions related to climate change and greenhouse gas emissions could also increase costs for our customers and reduce demand for their products, which could cause a reduction in demand for our products and adversely affect our business and financial condition. Our international ~~operations~~ **business development initiatives** subject us to certain operating risks, which could adversely impact our results of operations and financial condition. Our international ~~operations~~ **business development initiatives** involve additional risks not associated with our domestic operations. We intend to continue our expansion into international oil and gas producing areas. The ~~effect~~ **effects** ~~on our~~ **of operating** ~~international~~ **internationally** ~~operations~~ from the risks we describe will not be the same in all countries and jurisdictions. Risks associated with our ~~operations~~ **efforts** outside of the United States include risks of: • multiple, conflicting, and changing laws and regulations, export and import restrictions, and employment laws; • regulatory requirements, and other government approvals, permits, and licenses; • adverse tax consequences; • expropriation, confiscation, or nationalization of assets; • renegotiation or nullification of existing contracts; • difficulties and costs in recruiting and retaining individuals skilled in international business operations; • foreign exchange restrictions; • foreign currency fluctuations; • foreign taxation; • the inability to repatriate earnings or capital; • changing foreign and domestic monetary policies; • cultural and communication challenges; • regional economic downturns; • foreign governmental regulations favoring or requiring the awarding of contracts to local contractors or requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction that may harm our ability to compete; and • failure to comply with anti- corruption and anti- bribery laws, including the U. S. Foreign Corrupt Practices Act. Our business could result in liability for litigation, personal injury and property damage claims assessments. Most of our products are used in hazardous production applications and involve exposure to inherent risks, including explosions and fires, where an accident or a failure of a product could result in liability for personal injury, loss of life, property damage, pollution or other environmental hazards or loss of production. Litigation may arise from a catastrophic occurrence at a location where our equipment and services are used. This litigation could result in large claims for damages, including consequential damages, and could impair the market' s acceptance of our products. The frequency and severity of such incidents could affect our operating costs, insurability and relationships with customers, employees and regulators. These occurrences could result in substantial costs and diversion of Management' s attention and resources, which could have an adverse effect on our business. Our business may be subject to product liability claims or product recalls, which could be expensive and could result in diversion of Management' s attention. As an installer and servicer of oilfield combustion management technologies and related products, we face an inherent business risk of exposure to product liability claims in the event that our products, or the equipment into which our products are incorporated, could malfunction and result in personal injury or death. We may be named in product liability claims even if there is no evidence that our technology, products or services caused or contributed to the accidents. Product liability claims could result in significant losses as a result of expenses incurred in defending claims or the awarding of damages. In addition, we may be required to participate in recalls involving our products if any of our products prove to be defective, or we may voluntarily initiate a recall or make payments related to such claims as a result of various industry or business practices, or in an effort to maintain good customer relationships. Our product liability insurance may not be sufficient to cover all product liability claims, such claims may exceed our insurance coverage limits, or such insurance may not continue to be available on commercially reasonable terms, if at all. Any product liability claim brought against us could have a material adverse effect on our reputation and business. Uninsured or underinsured claims or litigation or an increase in our insurance premiums could adversely impact our results of operations. Although we maintain insurance protection for certain risks in our business and operations, we are not fully insured against all possible risks, nor are all such risks insurable. It is possible an unexpected judgment could be rendered against us for which we could be uninsured or underinsured and damages could be beyond the amounts we currently have reserved or anticipate incurring. Significant increases in the cost of insurance and more restrictive coverage may have an adverse impact on our results of operations. In addition, we may not be able to maintain adequate insurance in the future at rates we consider reasonable or our insurance coverage may not be adequate to cover future claims and assessments that may arise. Our assets and operations, as well as the assets and operations of our customers, could be adversely affected by weather and other natural phenomena. Our assets and operations could be adversely affected by natural phenomena, such as tornadoes, hurricanes, earthquakes, wildfire, floods, and landslides. A significant disruption in our operations or the operations of our customers due to weather or other natural phenomena could adversely affect our business and financial condition. Liability to customers under warranties may materially and adversely affect our earnings. We provide warranties as to the proper operation and conformance to specifications of the products we sell. Failure of our products to operate properly or to meet specifications may increase our costs by requiring additional engineering resources and services, replacement of parts and equipment, or monetary reimbursement to a customer. In the past we have received warranty claims and we expect to continue to receive them in the future. To the extent that we incur substantial warranty claims in any period, our reputation, our ability to obtain future business, and our earnings could be adversely affected. Some of our products use equipment and materials that are available from a limited number of suppliers. We purchase equipment provided by a limited number of manufacturers. During periods of high demand, these manufacturers may not be able to meet our requests for timely delivery, resulting in delayed deliveries of equipment and higher prices for equipment. There are a limited number of suppliers for certain materials used in burner- management systems, our largest product line. Although these materials are generally available, supply disruptions may occur due to factors beyond our control. Such disruptions, delayed deliveries, and higher prices could limit our ability to meet our customers' needs, or could increase the related costs, thus possibly reducing our revenues and profits. We are exposed to risks of delay, cancellation, and nonpayment by customers in the ordinary course of our business activities. We are exposed to risks of loss in the event of delay, cancellation, and nonpayment by our customers. Our customers are subject to their own operating and regulatory risks and may be highly leveraged. Any delay and any increases in the cancellation of contracts or nonpayment by our customers and / or counterparties could adversely affect our results of operations and financial condition. In addition, the same factors that may lead to a reduction in our potential customers' spending may also increase our exposure to the risks of nonpayment and nonperformance by our existing customers. A significant reduction in our customers' liquidity may result in a decrease in their ability to pay or otherwise perform their obligations to us. Any increase in nonpayment or nonperformance by our customers, either as a result of recent changes in financial and economic conditions or otherwise, could have an adverse impact on our operating results and adversely affect our liquidity. Our ability to successfully commercialize our technology and products may be materially adversely affected if we are unable to obtain and maintain effective intellectual property rights for our technologies and planned products, or if the scope of the intellectual property protection is not sufficiently broad. Our success may depend, in part, on our ability to obtain and maintain patent and other intellectual property protection with respect to our proprietary technology and products. In recent years, patent rights have been the subject of significant litigation. As a result, the issuance, scope, validity, enforceability and commercial value of patent rights is highly uncertain. Pending and future patent applications may not result in patents being issued which protect our technology or products or which effectively prevent others from commercializing competitive technologies and products. Changes in either the patent laws or interpretation of the same, especially in jurisdictions in which we hope to secure protection, may diminish the value of patents or narrow the scope of patent protection. Publications of discoveries in the scientific literature often lag behind actual discoveries, and patent applications, in the United States and other jurisdictions. As a result, such discoveries are typically not published until 18 months after filing, or in some cases not at all. Therefore, we may not have been the first to make the inventions claimed in our patents or pending patent applications, or we may not have been the first to file for patent protection of such inventions. Even if the patent applications we rely on are issued as patents, they may not be issued in a form that will provide us with any meaningful protection, prevent competitors from competing with us, or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non- infringing manner. The issuance of a patent is not conclusive as to its scope, validity or enforceability, and patents may be challenged in the courts or patent offices in the United States and internationally. Such challenges may result in patent claims being narrowed, invalidated or held unenforceable, which could limit our ability to stop, or prevent us from stopping, others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours, or otherwise provide us with a competitive advantage. While we are not currently engaged in any material intellectual property litigation, in the future we may commence lawsuits against others if we believe they have infringed our rights. We may not be successful in any such litigation. Our involvement in any intellectual property litigation could require the expenditure of substantial time and other resources, may adversely affect the development of sales of our products or intellectual property, our capital resources, or may divert the efforts of our technical and management personnel, and could have a material adverse effect on our business, results of operations, and financial condition. We may not be able to protect or enforce our intellectual property rights throughout the world. Filing, prosecuting and defending our patents throughout the world would be prohibitively expensive. Competitors may use our technologies in jurisdictions where we have not obtained patent protection, to develop their own products, and may export otherwise infringing products to territories where we have patent protection but where enforcement is not as strong as in the United States. Competitors' products may compete with our products in jurisdictions where we do not have any issued patents, and our intellectual property rights may not be effective or sufficient to prevent them from competing. Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries may not favor the enforcement of patents and other intellectual property protection, which could make it difficult for us to stop the infringement of any patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce any patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business. If we are unable to protect the confidentiality of our trade secrets, the value of our technology could be materially adversely affected, harming our business and competitive position. Some of our proprietary intellectual property is not protected by patents or copyrights, and, despite our precautions, it may be possible for third parties to obtain and use such intellectual property without authorization. We rely upon confidential proprietary information, including trade secrets, unpatented know- how, technology, software, and other proprietary information, to develop and maintain our competitive position. Any disclosure to, or misappropriation by, third parties of our confidential proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in the market. We seek to protect our confidential proprietary information, in part, by confidentiality agreements with our employees and our collaborators and consultants. We also have agreements with our employees and selected consultants that obligate them to assign their inventions to us. These agreements are designed to protect our proprietary information; however, our trade secrets and other confidential information could be disclosed or competitors could otherwise gain access to our trade secrets, or that technology relevant to our business could be independently developed by a person that is not a party to such agreements. Furthermore, if the employees, consultants or collaborators that are parties to these agreements breach or violate the terms of these agreements, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets through such breaches or violations. Further, our trade secrets could be disclosed, misappropriated or otherwise become known or be independently discovered by our competitors. In addition, intellectual property laws in foreign countries may not protect trade secrets and confidential information to the same extent as the laws of the United States. If we are unable to prevent disclosure of the intellectual property related to our technologies to third parties, we may not be able to establish or maintain a competitive advantage in our market, which would harm our ability to protect our rights and have a material adverse effect on our business. Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business. Our commercial success depends upon our ability and the ability of our distributors, contract manufacturers, and suppliers to manufacture, market, and sell our products, and to use our proprietary technologies without infringing, misappropriating, or otherwise violating the proprietary rights or intellectual property of third parties. While we are not aware of any issued or pending patent applications that could restrict our ability to operate, we may in the future become party to, or be threatened with, adversarial proceedings or litigation regarding intellectual property rights with respect to our products and technology. Third parties may assert infringement claims against us based on existing or future intellectual property rights. If we are found to infringe a third party' s intellectual property rights, we may be temporarily or permanently prohibited from commercializing our products that are held to be infringing. We might, if possible, also be forced to redesign our products so that we no longer infringe the third- party intellectual property rights, or we could be required to obtain a license from such third party to continue developing and marketing our products and technology. We may also elect to enter into such a license in order to settle pending or threatened litigation. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non- exclusive, thereby giving our competitors access to the same technologies licensed to us, and we could be required to pay significant royalties and other fees. We could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, we could be found liable for monetary damages. A finding of infringement could prevent us from commercializing our products or force us to cease some of our business operations, which could materially harm our business. Even if we are successful in defending against intellectual property claims, litigation or other legal proceedings relating to such claims may cause us to incur significant expenses and could distract our technical and management personnel from their normal responsibilities. Such litigation or proceedings could substantially decrease our operating profits and reduce our resources available for development activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. As a result of their substantially greater financial resources, some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can. Uncertainties resulting from the initiation and continuation of litigation or other intellectual property- related proceedings could have a material adverse effect on our ability to compete in the marketplace. If we do not develop and commercialize new competitive products, our revenue may decline. To remain competitive in the market for combustion and other emissions control technologies, we must continue to develop and commercialize new products. If we are not able to develop commercially competitive products in a timely manner in response to industry demands, our business and revenues will be adversely affected. Our future ability to develop new products depends on our ability to: • design and commercially produce products that meet the needs of our existing and new customers; • attract and retain talented research- and- development management and personnel; • successfully market new products; and • protect our proprietary designs from our competitors. We may encounter resource constraints or technical or other difficulties that could delay introduction of new products and services. Our competitors may introduce new products before we do and achieve a competitive advantage. Additionally, the time and expense invested in product development may not result in commercial products or revenues. Our inability to enhance existing products in a timely manner or to develop and introduce new products that incorporate new technologies, conform to stringent regulatory standards and performance requirements, and achieve market acceptance in a timely manner, could negatively impact our competitive position. New product development or modification is costly, involves significant research, development, time and expense, and may not necessarily result in the successful commercialization of any new products. Moreover, we may experience operating losses after new products are introduced and commercialized because of high start- up costs, unexpected manufacturing costs or problems, or lack of demand. New technologies could render our existing products obsolete. New developments in technology may negatively affect the development or sale of some or all of our products or make our products obsolete. Our success depends upon our ability to design, develop and market new or modified technologies and related products. Our business and financial condition could be negatively impacted if we lose the services of certain members of senior management. Our development to date has largely depended, and in the future will continue to largely depend, on the efforts of our senior management. We currently do not have key- person insurance on any of our senior management team. Thus, the loss of any member of our senior management could impair our ability to execute our business plan and could therefore have a material adverse effect on our business, results of operations, and financial condition. Failing to attract and retain skilled employees could impair our growth potential and profitability. Our ability to remain productive and profitable depends substantially on our ability to attract and retain skilled employees. Our ability to scale our operations depends on our ability to increase our labor force. The demand for skilled oilfield employees is high and the supply is limited. As a result of the volatility of the oilfield services and technology industry, our ability to offer competitive wages and retain skilled employees may be diminished. A portion of our total compensation program for key personnel has historically included awards of options to buy our common stock or other equity- based awards. If the price of our common stock performs poorly, such performance may adversely affect our ability to retain or attract key personnel. In addition, if we are unable to continue to provide attractive equity compensation awards or other compensation incentives for any reason, we may be unable to retain and motivate existing personnel and recruit new personnel. If we are unable to expand in existing or into new markets, our ability to grow our business as profitably as planned could be materially and adversely affected. We may not be able to expand our market share in our existing markets or successfully enter new or contiguous markets especially in light of industry volatility. In addition, such expansion could adversely affect our profitability and results of operations. If we are unable to enter into new markets, our business could be materially and adversely affected. If we are unable to manage growth effectively, our business, results of operations, and financial condition could be materially and adversely affected. Our ability to successfully expand to new markets, or expand our penetration in existing markets, depends on a number of factors including: • our ability to market our products and services to new customers; • our ability to provide large- scale support and training materials for a growing customer base; • our ability to hire, train and assimilate new employees; • the adequacy of our financial resources; and • our ability to correctly identify and exploit new geographical markets and to successfully compete in those markets. We may not be able to achieve our planned expansion and our products may not gain access to new markets or be accepted in new marketplaces. We may not achieve greater market penetration in existing markets and we may not achieve planned operating results, or results comparable to those we experience in existing markets, in the new markets we enter. Disruptions, failures or security breaches of our information technology infrastructure could have a negative impact on our operations. Information technology is critically important to our business operations. We use information technology to manage all business processes including manufacturing, financial, logistics, sales, marketing, and administrative functions. These processes collect, interpret and distribute business data and communicate internally and externally with employees, suppliers, customers, and others. We invest in industry standard security technology to protect our data and business processes against risk of data security breach and cyber- attack. Our data security management program includes identity, trust, vulnerability, and threat management business processes as well as adoption of standard data protection policies. We measure our data security effectiveness through industry accepted methods and remediate significant findings. Additionally, we ~~certify~~ **require** our major technology suppliers and any outsourced services ~~through~~ **to maintain and comply with** accepted security certification standards. While we believe that our security technology and processes provide adequate measures of protection against security breaches and reduce cybersecurity risks, disruptions in, or failures of, information technology systems ~~are possible~~ **have occurred from time to time and may occur in the future** and could have a negative impact on our operations or business reputation. Failure of our systems, including failures due to cyber- attacks that would prevent the ability of systems to function as intended, could cause transaction errors, loss of customers and sales, and could have negative consequences to our business, our employees, and those with whom we do business. Risks Relating to our Common Stock The market price of our common stock has been and may continue to be volatile and you may have difficulty reselling any shares of our common stock. The market price of our common stock has been volatile and fluctuates widely in price in response to various factors which are beyond our control. The price of our common stock is not necessarily indicative of our operating performance or long- term business prospects. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock. Factors such as the following could cause the market price of our common stock to fluctuate substantially: • the underlying price of the commodities in the oil and gas industry; • announcements of capital budget changes by a major customer; • the introduction of new products by our competitors; • announcements of technology advances by us or our competitors; • current events affecting the political and economic environment in the United States or Canada; • conditions or industry trends, including demand for our products, services and technological advances; • changes to financial estimates by us or by any securities analysts who might cover our stock; • changes in our key personnel; • government regulation of our industry; • seasonal, economic, or financial conditions; • our quarterly operating and financial results; or • litigation or public concern about the safety of our products. The realization of any of these risks and other factors beyond our control could cause the market price of our common stock to decline significantly. In particular, the market price of our common stock may be influenced by variations in oil and gas prices, because demand for our products and services is closely related to commodity prices. The stock market in general experiences, from time to time, extreme price and volume fluctuations. Periodic and / or continuous market fluctuations could result in extreme volatility in the price of our common stock, which could cause a decline in the value of our common stock. Price volatility may be worse if the trading volume of our common stock is low. A small number of existing stockholders own a significant amount of our common stock, which could limit your ability to influence the outcome of any stockholder vote. As of December 31, ~~2022~~ **2023**, our executive officers, directors, and certain beneficial owners owned approximately ~~24~~ **25** % of our common stock. As a result, our insiders have sufficient voting power to significantly influence the outcome of many matters requiring stockholder approval. These matters may include: • the composition of our Board of Directors, which has the authority to direct our business, appoint and remove our officers, and declare dividends; • approving or rejecting a merger, consolidation, or other business combination; • raising future capital; and • amending our articles of incorporation and bylaws. This concentration of ownership of our common stock could delay or prevent proxy contests, mergers, tender offers, open- market purchase programs, or other purchases of our common stock that might otherwise give our other stockholders the opportunity to realize a premium over the then- prevailing market price of our common stock. This concentration of ownership may also adversely affect our share price. The interests of these existing stockholders may differ from the interests of our other stockholders. While we have no existing agreements or plans for mergers or other corporate transactions that would require a stockholder vote at this time, this concentration of ownership may delay, prevent or deter a change in control, or deprive investors of a possible premium for owned common stock as part of a sale of our Company. Our existing stockholders could experience dilution if we elect to raise equity capital to meet our liquidity needs or to finance strategic transactions. As part of our growth strategy, we may desire to raise capital, issue stock to employees pursuant to our ~~2014~~ **2023** Equity Incentive Plan or utilize our common stock to effect strategic business transactions. If we issue equity securities in connection with any of these actions, such issuance will result in dilution to our existing stockholders. Future sales of our common stock, or the perception that future sales may occur, may cause the market price of our common stock to decline, even if our business is doing well. If any significant number of outstanding shares of our common stock are sold, such sales could have a depressive effect on the market price of our stock. Sales of substantial amounts of shares in the public market, or the perception that such sales could occur, could depress prevailing market prices for the shares. Such sales may also make it more difficult for us to sell equity securities or equity- related securities in the future at a time and price which we deem appropriate. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results, and current and potential stockholders may lose confidence in our financial reporting. We are required by the SEC to establish and maintain adequate internal control over financial reporting that provides reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. We are likewise required, on a quarterly basis, to evaluate the effectiveness of our internal control over financial reporting and to disclose any changes in internal control over financial reporting. In Item 9A of this report, we disclose that with respect to the standards of Section 404 of the Sarbanes- Oxley Act of 2002, the internal controls- standard to which we are subject, we concluded that our internal control over financial reporting was effective as of December 31, ~~2022~~ **2023** . For additional information on this item, please see Item 9A. Controls and Procedures. Although we concluded that our internal controls over financial reporting were effective as of December 31, ~~2022~~ **2023** , we cannot be certain that our internal control practices will ensure that we will have or maintain adequate internal control over our financial reporting in future periods. Any failure to have or maintain such internal controls could adversely impact our ability to report our financial results accurately and on a timely basis. If our financial statements are not accurate, investors may not have a complete understanding of our operations. We may be subject to stockholder litigation, thereby diverting our resources, which could materially adversely affect our profitability and results of operations. The market for our common stock is volatile, and we expect it will continue to be volatile for the indefinite future. Plaintiffs often initiate securities class action litigation against a company following periods of volatility in the market price for its securities. In addition, stockholders may bring actions against companies relating to past transactions or other matters. Any such actions could give rise to substantial damages and thereby materially adversely affect our consolidated financial position, liquidity, or results of operations. Even if an action is not resolved against us, the uncertainty and expense associated with stockholder actions could materially adversely affect our business, prospects, and financial condition. Litigation can be costly, time- consuming and disruptive to business operations. The defense of lawsuits could also result in diversion of Management' s time and attention away from business operations, which could harm our business. We could issue " blank check " preferred stock without stockholder approval with the effect of diluting existing stockholders and impairing their voting rights, and provisions in our charter documents and under Nevada corporate law could discourage a takeover that stockholders may consider favorable. Our articles of incorporation authorize the issuance of up to 10, 000, 000 shares of " blank check " preferred stock with designations, rights and preferences as may be determined from time to time by our Board of Directors. Our Board of Directors is empowered, without stockholder approval, to authorize the issuance of a series of preferred stock with dividend, liquidation, conversion, voting or other rights which could dilute the interest of, or impair the voting power of, our common stockholders. The issuance of a series of preferred stock could be used as a method of discouraging, delaying or preventing a change in control. Any aspect of the foregoing, alone or together, could delay or prevent unsolicited takeovers and changes in control or changes in our management. We do not anticipate paying cash dividends for the foreseeable future, and therefore investors should not buy our stock if they wish to receive cash dividends. We have never declared or paid any cash dividends or distributions on our common stock. We currently intend to retain our future earnings to support operations and to finance expansion and, therefore, we do not anticipate paying any cash dividends on our common stock in the foreseeable future. Any payment of cash dividends in the future will be dependent on the amount of funds legally available, our earnings, financial condition, capital requirements, and other factors that our Board of Directors may deem relevant. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock. Anti- takeover effects of certain provisions of Nevada state law hinder a potential takeover of our company. Although we are not currently subject to Nevada' s control share law, we could become subject to Nevada' s control share law in the future. A corporation is subject to Nevada' s control share law if it has more than 200 stockholders, at least 100 of whom are stockholders of record and residents of Nevada, and it does business in Nevada or through an affiliated corporation. The law focuses on the acquisition of a " controlling interest " which means the ownership of outstanding voting shares sufficient, but for the control share law, to enable the acquiring person to exercise the following proportions of the voting power of the corporation in the election of directors: (i) one- fifth or more but less than one- third, (ii) one- third or more but less than a majority, or (iii) a majority or more. The ability to exercise such voting power may be direct or indirect, as well as individual or in association with others. The effect of the control share law is that the acquiring person, and those acting in association with it, obtains only such voting rights in the control shares as are conferred by a resolution of the stockholders of the corporation, approved at a special or annual meeting of stockholders. The control share law contemplates that voting rights will be considered only once by the other stockholders. Thus, there is no authority to strip voting rights from the control shares of an acquiring person once those rights have been approved. If the stockholders do not grant voting rights to the control shares acquired by an acquiring person, those shares do not become permanent non- voting shares. The acquiring person is free to sell its shares to others. If the buyers of those shares themselves do not acquire a controlling interest, their shares do not become governed by the control share law. If control shares are accorded full voting rights and the acquiring person has acquired control shares with a majority or more of the voting power, any stockholder of record, other than an acquiring person, who has not voted in favor of approval of voting rights is entitled to demand fair value for such stockholder' s shares. Nevada' s control share law may have the effect of discouraging takeovers of the corporation. In addition to the control share law, Nevada has a business combination law which prohibits certain business combinations between Nevada corporations and " interested stockholders " for two years after the " interested stockholder " first becomes an " interested stockholder, " unless the corporation' s Board of Directors approves the combination in advance. For purposes of Nevada law, an " interested stockholder " is any person who is (i) the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the outstanding voting shares of the corporation, or (ii) an affiliate or associate of the corporation and at any time within the two previous years was the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the then outstanding shares of the corporation. The definition of the term " business combination " is sufficiently broad to cover virtually any kind of transaction that would allow a potential acquirer to use the corporation' s assets to finance the acquisition or otherwise to benefit its own interests rather than the interests of the corporation and its other stockholders. The effect of Nevada' s business combination law is to potentially discourage parties interested in taking control of our Company from doing so if it cannot obtain the approval of our Board of Directors. We may not be able to maintain compliance with the Nasdaq Capital

Market' s continued listing requirements. Our common stock is listed on the Nasdaq Capital Market. There are a number of continued listing requirements that we must satisfy in order to maintain our listing on the Nasdaq Capital Market. Although we intend to comply with all of the continued listing requirements, it is possible we may fail to do so. If we fail to maintain compliance with all applicable continued listing requirements for the Nasdaq Capital Market and they determine to delist our common stock, the delisting could adversely affect the market liquidity of our common stock, our ability to obtain financing, repay any future debt we could incur, and fund our operations.