Risk Factors Comparison 2024-03-12 to 2022-12-13 Form: 10-K

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In addition to the other information included in this Form 10- K, the following risk factors should be considered in evaluating our business and future prospects. If any of the following risk factors should occur, our financial condition could be materially impacted, and the holders of our securities could lose part or all of their investment in the Company. As the owner of mineral fee interests and non- operating working interests, we do not operate any natural gas and oil properties, and we do not have any employees or contractors in the field. As such, the risks associated with natural gas and oil operations affect us indirectly and typically through our non- operating working interests as we proportionately share in the costs of operating such wells. The risk factors described below are not exhaustive, and investors are encouraged to perform their own investigation with respect to our Company and our business. Investors should also read the other information in this Form 10- K, including the financial statements and related notes. Risks Related to our Business The volatility of natural gas and oil prices due to factors beyond our control greatly affects our financial condition, results of operations and cash available for distribution. The supply of and demand for natural gas, oil and NGL impact the ~~prices~~ **revenues** we realize ~~on~~ **in connection with** the sale of these commodities and, in turn, materially affect our financial results. Our revenues, operating results, cash available for distribution and the carrying value of our natural gas and oil properties depend significantly upon the prevailing prices for natural gas, oil and NGL. Natural gas, oil and NGL prices have historically been, and will likely continue to be, volatile. The prices for natural gas, oil and NGL are subject to wide fluctuation in response to a number of factors beyond our control, including: • domestic and worldwide economic conditions; • economic, political, regulatory and tax developments; • market uncertainty; • changes in the supply of and demand for natural gas, oil and NGL, both domestically and abroad; • the impacts and effects of public health crises, pandemics and epidemics, such as the COVID- 19 pandemic; • availability and capacity of necessary transportation and processing facilities; • commodity futures trading; • regional price differentials; • differing quality of oil produced (i. e., sweet crude versus heavy or sour crude); • differing quality and NGL content of natural gas produced; • conservation and environmental protection efforts; • the level of imports and exports of natural gas, oil and NGL; • political instability or armed conflicts in major natural gas and oil producing regions; • actions taken by OPEC or other major natural gas, oil and NGL producing or consuming countries; • technological advancements affecting energy consumption and energy supply; • the level of prices and expectations about future prices of natural gas and oil; • the level of global natural gas and oil exploration and production; • the cost of exploring for, developing, producing and delivering natural gas and oil; • the price and quantity of foreign imports; • political and economic conditions in oil producing countries, including the Middle East, Africa, South America and Russia; • the ability of members of OPEC to agree to and maintain oil price and production controls; • speculative trading in natural gas and crude oil derivative contracts; • weather conditions and other natural disasters; • risks associated with operating drilling rigs; • the price and availability of, and competition from, alternative fuels; • domestic and foreign governmental regulations and taxes; • the continued threat of terrorism and the impact of military and other action, including U. S. military operations in the Middle East; • social unrest, political instability or armed conflict in major oil and natural gas producing regions outside the U. S., such as the ~~conflict~~ **conflicts** between Ukraine and Russia **and between Israel and Hamas** ; • the proximity, cost, availability and capacity of natural gas and oil pipelines and other transportation facilities; and • overall domestic and global economic conditions. These factors and the volatility of the energy markets make it extremely difficult to predict future natural gas, oil and NGL price movements with any certainty. If the prices of natural gas, oil and NGL decline, our operations, financial condition and level of expenditures for the development of our natural gas, oil and NGL reserves may be materially and adversely affected. Lower natural gas, oil and NGL prices may also result in a reduction in the borrowing base under our credit agreement, which may be determined at the discretion of our lenders. Low natural gas, oil and NGL prices for a prolonged period of time would have a material adverse effect on the Company. The volatility of the energy markets makes it extremely difficult to predict future natural gas, oil and NGL price movements with any certainty. Natural gas, oil and NGL prices continued to fluctuate in fiscal year ~~2022~~ **2023** ~~, with the COVID- 19 pandemic continuing to contribute to volatility and uncertainty~~ . Our financial position, results of operations, access to capital and the quantities of natural gas, oil and NGL that may be economically produced would be negatively impacted if natural gas, oil and NGL prices were low for an extended period of time. The ways in which low prices could have a material negative effect include the following: • significantly decrease the number of wells operators drill on our acreage, thereby reducing our production and cash flows; • cash flow would be reduced, decreasing funds available for capital expenditures employed to replace reserves and maintain or increase production; • future undiscounted and discounted net cash flows from producing properties would decrease, possibly resulting in recognition of impairment expense; • certain reserves may no longer be economic to produce, leading to lower proved reserves, production and cash flow; • access to sources of capital, such as equity and debt markets, could be severely limited or unavailable; and • we may incur a reduction in the borrowing base on our credit facility. The ~~COVID- 19 pandemic may adversely affect our business, financial condition and results of operations. The COVID- 19 pandemic (" COVID- 19 ") created significant uncertainty and economic disruption, as well as heightened volatility in the prices of oil and natural gas. The negative impact on worldwide demand for oil and natural gas resulting from COVID- 19 led to a precipitous decline in oil prices, further exacerbated by the early March 2020 failure by OPEC to reach an agreement over proposed oil production cuts and global storage considerations. Although OPEC subsequently agreed to cut oil production, crude oil prices remained depressed as a result of an increasingly utilized global storage network and the decrease in crude oil demand due to COVID- 19. Since then, oil and natural gas prices have risen, but such prices are expected to continue to be volatile as a result of multiple factors, including~~

~~COVID- 19 and related measures taken by governments around the world, and as changes in oil and natural gas inventories, oil demand and economic performance are reported. Although government response measures to COVID- 19 have generally relaxed, the ultimate impact of this pandemic is uncertain and subject to change. The extent of the impact of COVID- 19 on our operational and financial performance will depend on future developments, including the reemergence of widespread COVID- 19 infections, COVID- 19 variants, the pandemic' s severity, actions to contain the disease or mitigate its impact and the effectiveness of treatments and vaccines, all of which are highly uncertain and cannot be predicted with certainty at this time. Declines in oil prices due to COVID- 19 could result in the events discussed in the immediately preceding risk factor, which could have a material adverse effect on our business and financial results. We are unable to predict the ultimate adverse impact of COVID- 19 on our business, which will depend on numerous evolving factors and future developments, including the pandemic' s ongoing effect on the demand for oil and natural gas and the response of the overall economy and the financial markets after the pandemic and response measures come to an end, the timing of which remains highly uncertain. The conflict~~ **conflicts** in Ukraine **and Israel** and related price volatility and geopolitical instability could negatively impact our business. **Global geopolitical tensions** ~~In late February 2022~~ , **including instability in the Middle East, and the conflicts between** Russia **and** ~~launched significant military action against~~ Ukraine ~~. The conflict has~~ **and between Israel and Hamas, have** caused, and could intensify, volatility in natural gas, oil and NGL prices, and the extent and duration of ~~the~~ military ~~action~~ **actions** , 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 ~~. There is evidence that the increase in crude oil prices during the first half of calendar year 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 in this " Risk Factors " section. Lower natural gas, oil and NGL prices or negative adjustments to natural gas, oil and NGL reserves may result in significant impairment charges. We have elected to utilize the successful efforts method of accounting for our natural gas and oil exploration and development activities. Exploration expenses, including geological and geophysical costs, rentals and exploratory dry holes, are charged against income as incurred. Costs of successful wells and related production equipment and development dry holes are capitalized and amortized by property using the unit- of- production method (the ratio of natural gas, oil and NGL volumes produced to total proved or proved developed reserves) as natural gas, oil and NGL are produced. All long- lived assets, principally our natural gas and oil properties, are monitored for potential impairment when circumstances indicate that the carrying value of the asset on our books may be greater than our future net cash flows. The need to test a property for impairment may result from declines in natural gas, oil and NGL sales prices or unfavorable adjustments to natural gas, oil and NGL reserves. The decision to not participate in future development on our leasehold acreage can trigger a test for impairment. Also, once assets are classified as held for sale, they are reviewed for impairment. Because of the uncertainty inherent in these factors, we cannot predict when or if future impairment charges will be recorded. If an impairment charge is recognized, cash flow from operating activities is not impacted, but net income and, consequently, stockholders' equity are reduced. In periods when impairment charges are incurred, it could have a material adverse effect on our results of operations. See Note 11 to the financial statements included in Item 8 – " Financial Statements and Supplemental Data " for further discussion on impairment under the heading " Impairment. " Our future success depends on developing our existing inventory of mineral acreage and acquiring additional mineral interests. Failure to develop our existing inventory of mineral acreage and to acquire additional mineral interests will cause reserves and production to decline materially from their current levels. The rate of production from natural gas and oil properties generally declines as reserves are depleted. Our proved reserves will decline materially as reserves are produced except to the extent that we acquire additional mineral interests on properties containing proved reserves and our lessees or well operators conduct additional successful exploration and development drilling, successfully apply new technologies or identify additional behind- pipe zones (different productive zones within existing producing well bores) or secondary recovery reserves. Drilling for natural gas and oil invariably involves unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient reserves to return a profit after deducting drilling, completion, operating and other costs. In addition, wells that are profitable may not achieve a targeted rate of return. We rely on third- party operators' interpretation of seismic data and other advanced technologies in identifying prospects and in conducting exploration and development activities. Nevertheless, prior to drilling a well, the seismic data and other technologies used do not allow operators to know conclusively whether natural gas, oil or NGL is present in commercial quantities. Cost factors can adversely affect the economics of any project, and the eventual cost of drilling, completing and operating a well is controlled by well operators and existing market conditions. Further, drilling operations may be curtailed, delayed or canceled as a result of numerous factors, including: • unexpected drilling conditions; • title problems; • pressure or irregularities in formations; • equipment failures or accidents; • fires, explosions, blowouts and surface cratering; • lack of availability to market production via pipelines or other transportation; • adverse weather conditions; • environmental hazards or liabilities; • lack of water disposal facilities; • governmental regulations; • cost and availability of drilling rigs, equipment and services; and • expected sales price to be received for natural gas, oil or NGL produced from the wells. Competition for acquisitions of mineral interests may increase the cost of, or cause us to refrain from, completing acquisitions. Our ability to complete acquisitions is dependent upon, among other things, our ability to obtain debt and equity financing and, in some cases, regulatory approvals. Further, these acquisitions may be in geographic regions in which we do not currently hold properties, which could result in unforeseen operating difficulties. In addition, if we enter into new geographic markets, we may be subject to additional and unfamiliar legal and regulatory requirements. Compliance with regulatory requirements may impose substantial additional obligations on us and our management, cause us to expend additional time and resources in compliance activities and increase our exposure to penalties or fines for non- compliance with such additional legal requirements. Further, the success of any completed acquisition will depend on our ability to effectively integrate the acquired business or assets into our existing operations. The process of integrating acquired businesses or assets may involve unforeseen difficulties and may require a disproportionate amount of our managerial and financial resources. In addition, possible future acquisitions may be larger and for purchase prices significantly higher than those paid for earlier acquisitions. No assurance can be given that we will be able to identify suitable mineral interest acquisition opportunities, negotiate acceptable terms, obtain financing for acquisitions on acceptable terms or successfully acquire identified targets. Our failure to achieve consolidation savings, to integrate the acquired businesses and assets into our existing operations successfully or to minimize any unforeseen operational difficulties could have a material adverse effect on our financial condition, results of operations and cash available for distribution. The inability to effectively manage the integration of acquisitions could reduce our focus on subsequent acquisitions and current operations, which, in turn, could negatively impact our growth, results of operations and cash available for distribution. Any acquisition of additional mineral and royalty interests that we complete will be subject to substantial risks. Any acquisition involves potential risks, including, among other things: • the validity of our assumptions about estimated proved reserves, future production, prices, revenues, capital expenditures, operating expenses and costs; • a decrease in our liquidity by using a significant portion of our cash generated from operations or borrowing capacity to finance acquisitions; • a significant increase in our interest expense or financial leverage if we incur debt to finance acquisitions; • the assumption of unknown liabilities, losses or costs for which we are not indemnified or for which any indemnity we receive is inadequate; • mistaken assumptions about the overall cost of equity or debt; • our ability to obtain satisfactory title to the assets we acquire; • an inability to hire, train or retain qualified personnel to manage and operate our growing business and assets; and • the occurrence of other significant changes, such as impairment of natural gas and oil properties, goodwill or other intangible assets, asset devaluation or restructuring charges. Our estimated proved reserves are based on many assumptions that may prove to be inaccurate. Any inaccuracies in these reserve estimates or underlying assumptions may materially affect the quantities and present value of our reserves. It is not possible to measure underground accumulations of natural gas, oil and NGL with precision. Natural gas, oil and NGL reserve engineering requires subjective estimates of underground accumulations of natural gas, oil and NGL using assumptions concerning future prices of these commodities, future production levels and operating and development costs. In estimating our reserves, we and our Independent Consulting Petroleum Engineer must make various assumptions with respect to many matters that may prove to be incorrect, including: • future natural gas, oil and NGL prices; • unexpected complications from offset well development; • production rates; • reservoir pressures, decline rates, drainage areas and reservoir limits; • interpretation of subsurface conditions including geological and geophysical data; • potential for water encroachment or mechanical failures; • levels and timing of capital expenditures, lease operating expenses, production taxes and income taxes, and availability of funds for such expenditures; and • effects of government regulation. If any of these assumptions prove to be incorrect, our estimates of reserves, the classifications of reserves based on risk of recovery and our estimates of the future net cash flows from our reserves could change significantly. Our standardized measure of oil and natural gas reserves is calculated using the 12- month average price calculated as the unweighted arithmetic average of the first- day- of- the- month individual product prices for each month within the 12- month period prior to ~~September 30~~ **fiscal year end** . These prices and the operating costs in effect as of the date of estimation are held flat over the life of the properties. Production and income tax expenses are deducted from this calculation of future estimated development, with the result discounted at 10 % per annum to reflect the timing of future net revenue in accordance with the rules and regulations of the SEC. Over time, we may make material changes to reserve estimates to take into account changes in our assumptions and the results of actual development and production. The reserve estimates made for fields that do not have a lengthy production history are less reliable than estimates for fields with lengthy records. A lack of production history may contribute to inaccuracy in our estimates of proved reserves, future production rates and the timing of development expenditures. Further, our lack of knowledge of all individual well information known to the well operators such as incomplete well stimulation efforts, restricted production rates for various reasons and up- to- date well production data, etc. may cause differences in our reserve estimates.