Risk Factors Comparison 2024-04-15 to 2023-04-17 Form: 10-K

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~~The prices of~~ **In addition to the risks presented to our systems and networks, cyber attacks affecting** oil ~~, NGL~~ and ~~gas are highly volatile. A sustained decline in these commodity prices could materially and adversely affect the Company' s business, financial condition and results of operations. Our revenues, operating results, financial condition and ability to borrow funds or obtain additional capital depend substantially on prevailing prices for~~ natural gas ~~and oil. Lower commodity~~ **distribution systems maintained by third** ~~prices~~ - **parties** ~~may reduce the amount of natural gas and oil that we can produce economically. Natural gas prices~~ , ~~based~~ **or the networks and infrastructure** on **which** ~~the~~ **they rely** ~~twelve- month average of the first of the month Henry Hub index price~~ , **could delay** ~~were $ 6. 358 per MMBTU in 2022 as compared to $ 3. 598 per MMBTU in 2021, and have averaged $ 5. 954 per MMBTU for~~ - **or prevent delivery** ~~the first three months~~ of ~~2023~~ **our production to markets** . **Further** ~~Oil prices~~ , ~~based~~ **cyber attacks** on **a communications network or** ~~West Texas Intermediate (WTI) Light Sweet Crude first of the month prices, averaged $ 93. 67 per~~ **power** ~~barrel~~ **grid could cause operational disruption resulting** in **loss** ~~2022 as compared to $ 66. 56 per barrel in 2022, and in the first three months~~ of **revenues** ~~2023, the first of the month price has averaged $ 90~~ . **A cyber attack of this** ~~97 per barrel. Any substantial or extended decline in future natural~~ **nature** ~~gas or crude oil prices~~ would **be outside our control, but could** have a material **,** adverse effect on our ~~future~~ business, financial condition ~~,~~ **and** results of operations **. Risks Related to** ~~, cash flows, liquidity or~~ **our** ~~ability to finance planned capital expenditures and commitments. Furthermore, substantial, extended decreases in natural gas and crude oil prices may cause us to delay or postpone a significant portion of our exploration, development and exploitation projects or may render such projects uneconomic, which may result in significant downward adjustments to our estimated proved reserves and could negatively impact our ability to borrow and cost of capital and our ability to access capital markets, increase our costs under our revolving credit facility, and limit our ability to execute aspects of our business~~ **Business** ~~plans. Prices for natural gas and oil are subject to wide fluctuations in response to relatively minor changes in the supply of and demand for natural gas and oil, market uncertainty and a variety of additional factors that are beyond our control. These factors include: • the level of consumer product demand; • weather conditions; • political conditions in natural gas and oil producing regions, including the Middle East, Africa and South America; • the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls; • the price levels and quantities of foreign imports; • actions of governmental authorities; • the availability, proximity and capacity of gathering, transportation, processing and / or refining facilities in regional or localized areas that may affect the realized price for natural gas and oil; • inventory storage levels; • the nature and extent of domestic and foreign governmental regulations and taxation, including environmental and climate change regulation; • the price, availability and acceptance of alternative fuels; • technological advances affecting energy consumption; • speculation by investors in oil and natural gas; • variations between product prices at sales points and applicable index prices; • overall economic conditions and • global or national health concerns, including the outbreak of pandemic or contagious disease, such as the coronavirus. In addition, lower oil and natural gas prices may reduce the amount of oil and natural gas that we can produce economically. This may result in our having to make substantial downward adjustments to our estimated proved reserves. If this occurs or if our production estimates change or our exploration or development activities are curtailed, full cost accounting rules may require us to write down, as a noncash charge to earnings, the carrying value of our oil and natural gas properties. Reductions in our reserves could also negatively impact the borrowing base under our revolving credit facility, which could further limit our liquidity and ability to conduct additional exploration and development activities. Concerns over general economic, business or industry conditions may have a material adverse effect on our results of operations, liquidity and financial condition. Concerns over global economic conditions, energy costs, geopolitical issues, inflation, the availability and cost of credit, the European, Asian and the United States financial markets have in the past contributed, and may in the future contribute, to economic uncertainty and diminished expectations for the global economy. In addition, continued hostilities in the Middle East, the occurrence or threat of terrorist attacks in the United States or other countries and global or national health concerns could adversely affect the global economy. These factors, combined with volatility in commodity prices, business and consumer confidence and unemployment rates, may precipitate an economic slowdown. Concerns about global economic growth may have an adverse impact on global financial markets and commodity prices. If the economic climate in the United States or abroad deteriorates, worldwide demand for petroleum products could diminish, which could impact the price at which we can sell our production, affect the ability of our vendors, suppliers and customers to continue operations and ultimately adversely impact our results of operations, liquidity and financial condition. These factors and the volatile nature of the energy markets make it impossible to predict with any certainty the future prices of natural gas and oil. If natural gas and oil prices decline significantly for a sustained period of time, the lower prices may adversely affect our ability to make planned expenditures, raise additional capital or meet our financial obligations. 14 Financial difficulties encountered by our oil and natural gas purchasers, third- party operators or other third parties could decrease cash flow from operations and adversely affect our exploration and development activities. We derive essentially all of our revenues from the sale of our oil, natural gas and NGLs to unaffiliated third- party purchasers, independent marketing companies and midstream companies. Any delays in payments from such purchasers caused by their financial difficulties, including those resulting from the impacts of COVID- 19 and its impact on the global economy, will have an immediate negative effect on our results of operations and cash flows. Additionally, 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 working interest owner, we could be required to pay the working interest owner' s share of the project costs.~~ The shut- in of our wells could negatively impact our production, liquidity, and, ultimately, our operations, results, and performance. Our production depends, in part, upon our wells that are capable of commercial production not being shut- in (i. e., suspended from production). The lack of availability of capacity on third- party systems and facilities or the shut- in of an oil field' s production could result in the shut- in of our wells **.** The producing wells in which we have an interest occasionally experience reduced or terminated production. These curtailments can result from mechanical failures, contract terms, pipeline and processing plant interruptions, market conditions, operator priorities, and weather conditions. These curtailments can last from a few days to many months, any of which could have an adverse effect on our results of operations. If we experience low oil production volumes due to the shut- in of our wells or other mechanical failures or interruptions, it would impact our ability to generate cash flows from operations and we could experience a reduction in our available liquidity. A decrease in our liquidity could adversely affect our ability to meet our anticipated working capital, debt service, and other liquidity needs. Drilling natural gas and oil wells is a high- risk activity. Our growth is materially dependent upon the success of our drilling program. Drilling for natural gas and oil involves numerous risks, including the risk that no commercially productive natural gas or oil reservoirs will be encountered. The cost of drilling, completing and operating wells is substantial and uncertain, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors beyond our control, including: ~~•~~ ● decreases in natural gas and oil prices; ~~•~~ ● unexpected drilling conditions, pressure or irregularities in formations; ~~•~~ ● equipment failures or accidents; ~~•~~ ● adverse weather conditions; ~~•~~ ● loss of title or other title related issues; ~~•~~ ● surface access restrictions; ~~•~~ ● lack of available gathering or processing facilities or delays in the construction thereof; ~~•~~ **● lack of available capacity on interconnecting transmission pipelines; ● lack of available drilling and production equipment or availability of oil field labor; ●** compliance with, or changes in, governmental requirements and regulation, including with respect to wastewater disposal, discharge of **GHGs** ~~greenhouse gases~~ and fracturing; and ● ~~15 •~~ shortages or delays in the availability of required goods or services such as drilling rigs or crews, the delivery of equipment and the availability of sufficient water for drilling operations. Our future drilling activities may not be successful and, if unsuccessful, such failure will have an adverse effect on our future results of operations and financial condition. Our overall drilling success rate or our drilling success rate within a particular geographic area may decline. We may be unable to lease or drill identified or budgeted prospects within our expected time frame, or at all. We may be unable to lease or drill a particular prospect because, in some cases, we identify a prospect or drilling location before seeking an option or lease rights in the prospect or location. Similarly, our drilling schedule may vary from our capital budget. The final determination with respect to the drilling of any scheduled or budgeted wells will be dependent on a number of factors, including: ~~•~~ ● the results of exploration efforts and the acquisition, review and analysis of the seismic data; ~~•~~ ● the availability of sufficient capital resources to us and the other participants for the drilling of the prospects; ~~•~~ ● the approval of the prospects by other participants after additional data has been compiled; ~~•~~ ● economic and industry conditions at the time of drilling, including prevailing and anticipated prices for natural gas and oil and the availability of drilling rigs and crews; ~~•~~ ● our financial resources and results; and ~~•~~ ● the availability of leases and permits on reasonable terms for the prospects. These projects may not be successfully developed and the wells, if drilled, may not encounter reservoirs of commercially productive natural gas or oil. Reserve estimates depend on many assumptions that may prove to be inaccurate. Any material inaccuracies in our reserve estimates or underlying assumptions could cause the quantities and net present value of our reserves to be overstated. Reserve engineering is a subjective process of estimating underground accumulations of natural gas and oil that cannot be measured in an exact manner. The process of estimating quantities of proved reserves is complex and inherently uncertain, and the reserve data included in this document are only estimates. The process relies on interpretations of available geologic, geophysical, engineering and production data. As a result, estimates of different engineers may vary. In addition, the extent, quality and reliability of this technical data can vary. The differences in the reserve estimation process are substantially due to the geological conditions in which the wells are drilled. The process also requires certain economic assumptions, some of which are mandated by the SEC, such as natural gas and oil prices. Additional assumptions include drilling and operating expenses, capital expenditures, taxes and availability of funds. The accuracy of a reserve estimate is a function of: ~~•~~ ● the quality and quantity of available data; ~~•~~ ● the interpretation of that data; ~~•~~ ● the accuracy of various mandated economic assumptions; and ~~•~~ ● the judgment of the persons preparing the estimate. Results of drilling, testing and production subsequent to the date of an estimate may justify revising the original estimate. Accordingly, initial reserve estimates often vary from the quantities of natural gas and oil that are ultimately recovered, and such variances may be material. Any significant variance could reduce the estimated quantities and present value of our reserves. You should not assume that the present value of future net cash flows from our proved reserves is the current market value of our estimated natural gas and oil reserves. In accordance with SEC requirements, we base ~~16~~ the estimated discounted future net cash flows from our proved reserves on the twelve- month average oil and gas index prices, calculated as the unweighted arithmetic average for the first day of the month price for each month, and costs in effect on the date of the estimate, holding the prices and costs constant throughout the life of the properties. Actual future prices and costs may differ materially from those used in the net present value estimate, and future net present value estimates using then current prices and costs may be significantly less than the current estimate. In addition, the 10 % discount factor we use when calculating discounted future net cash flows for reporting requirements in compliance with the Financial Accounting Standards Board (" FASB ") in Accounting Standards Codification (" ASC ") Section 932 may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the natural gas and oil industry in general. The Company' s expectations for future drilling activities will be realized over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of such activities. The Company has identified drilling locations and prospects for future drilling opportunities, including development and infill drilling activities. These drilling locations and prospects represent a significant part of the Company' s future drilling plans. The Company' s ability to drill and develop these locations depends on a number of factors, including the availability of capital, seasonal conditions, regulatory approvals, negotiation of agreements with third parties, commodity prices, costs, access to and availability of equipment, services, resources and personnel and drilling results. Changes in the laws or regulations on which the Company relies in planning and executing its drilling programs could adversely impact the Company' s ability to successfully complete those programs. For example, under current Texas laws and regulations the Company may receive permits to drill, and may drill and complete, certain horizontal wells that traverse one or more units and / or leases; a change in those laws or regulations could adversely impact the Company' s ability to drill those wells. Because of these uncertainties, the Company cannot give any assurance as to the timing of these activities or that they will ultimately meet the Company' s expectations for success. As such, the Company' s actual drilling activities may materially differ from the Company' s current expectations, which could have a significant adverse effect on the Company' s proved reserves, financial condition and results of operations. Our future performance depends on our ability to find or acquire additional natural gas and oil reserves that are economically recoverable. In general, the production rate of natural gas and oil properties declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. Unless we successfully replace the reserves that we produce, our reserves will decline, eventually resulting in a decrease in natural gas and oil production and lower revenues and cash flow from operations. Our future natural gas and oil production is, therefore, highly dependent on our level of success in finding or acquiring additional reserves. We may not be able to replace reserves through our exploration, development and exploitation activities or by acquiring properties at acceptable costs. Low natural gas and oil prices may further limit the kinds of reserves that we can develop economically. Lower prices also decrease our cash flow and may cause us to decrease capital expenditures. Exploration, development and exploitation activities involve numerous risks that may result in dry holes, the failure to produce natural gas and oil in commercial quantities and the inability to fully produce discovered reserves. **In addition, there are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves, actual future production rates and associated costs and the assumption of potential liabilities with respect to prospective acquisition targets. Actual results may vary substantially from those assumed in the estimates.** We are continually identifying and evaluating opportunities to acquire natural gas and oil properties. We may not be able to successfully consummate any acquisition, to acquire producing natural gas and oil properties that contain economically recoverable reserves, or to integrate the properties into our operations profitably. ~~We have substantial capital requirements, and we may not be able to obtain needed financing on satisfactory terms, if at all. We rely upon access to our revolving credit facility as a source of liquidity for any capital requirements not satisfied by cash flow from operations or other sources. Future challenges in the global financial system, 17 including the capital markets, may adversely affect our business and our financial condition. Our ability to access the capital markets may be restricted at a time when we desire, or need, to raise capital, which could have an impact on our flexibility to react to changing economic and business conditions. Adverse economic and market conditions could adversely affect the collectability of our trade receivables and cause our commodity hedging counterparties to be unable to perform their obligations or to seek bankruptcy protection. Future challenges in the economy could also lead to reduced demand for natural gas which could have a negative impact on our revenues. Our debt agreements also require compliance with covenants to maintain specified financial ratios. If the price that we receive for our natural gas and oil production further deteriorates from current levels or continues for an extended period, it could lead to further reduced revenues, cash flow and earnings, which in turn could lead to a default under those ratios. Because the calculations of the financial ratios are made as of certain dates, the financial ratios can fluctuate significantly from period to period. A prolonged period of decreased natural gas and oil prices or a further decline could further increase the risk of our inability to comply with covenants to maintain specified financial ratios. In order to provide a margin of comfort with regard to these financial covenants, we may seek to reduce our capital expenditure plan, sell non- strategic assets or opportunistically modify or increase our derivative instruments to the extent permitted under our debt agreements. In addition, we may seek to refinance or restructure all or a portion of our indebtedness. We cannot assure you that we will be able to successfully execute any of these strategies, and such strategies may be unavailable on favorable terms or not at all.~~ The borrowing base under our revolving credit facility may be reduced in light of recent commodity price declines, which could limit us in the future. The borrowing base under our revolving credit facility is currently $ ~~60~~ **85** million, and lender commitments under our revolving credit facility are $ 300 million. The borrowing base is redetermined semi-annually under the terms of the revolving credit facility. In addition, either we or the lenders may request an interim redetermination twice a year or in conjunction with certain acquisitions or sales of oil and gas properties. Our borrowing base may decrease as a result of lower natural gas or oil prices, operating difficulties, declines in reserves, lending requirements or regulations, the issuance of new indebtedness or for other reasons set forth in our revolving credit agreement. In the event of a decrease in our borrowing base due to declines in commodity prices or otherwise, our ability to borrow under our revolving credit facility may be limited and we could be required to repay any indebtedness in excess of the redetermined borrowing base. In addition, we may be unable to access the equity or debt capital markets to meet our obligations, including any such debt repayment obligations. Strategic determinations, including the allocation of capital and other resources to strategic opportunities, are challenging, and our failure to appropriately allocate capital and resources among our strategic opportunities may adversely affect our financial condition and reduce our growth rate. Our future growth prospects are dependent upon our ability to identify optimal strategies for our business. In developing our business plan, we considered allocating capital and other resources to various aspects of our businesses including well- development (primarily drilling), reserve acquisitions, exploratory activity, corporate items and other alternatives. We also considered our likely sources of capital. Notwithstanding the determinations made in the development of our ~~2023~~ **2024** plan, business opportunities not previously identified periodically come to our attention, including possible acquisitions and dispositions. If we fail to identify optimal business strategies, or fail to optimize our capital investment and capital raising opportunities and the use of our other resources in furtherance of our business strategies, our financial condition and growth rate may be adversely affected. Moreover, economic or other circumstances may change from those contemplated by our ~~2023~~ **2024** plan, and our failure to recognize or respond to those changes may limit our ability to achieve our objectives ~~. 18 Negative 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, oil spills, greenhouse gas or methane emissions and explosions of natural gas transmission lines, 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. 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 need to conduct our operations to be withheld, delayed, or burdened by requirements that restrict our ability to profitably conduct our business~~ . We face a variety of hazards and risks that could cause substantial financial losses. Our business involves a variety of operating risks, including: ~~•~~ ● blowouts, cratering and explosions; ~~•~~ ● mechanical problems; ~~•~~ ● uncontrolled flows of natural gas, oil or well fluids; ~~•~~ ● formations with abnormal pressures; ~~•~~ ● pollution and other environmental risks; and ~~•~~ ● natural disasters. Our operation of natural gas gathering and pipeline systems also involves various risks, including the risk of explosions and environmental hazards caused by pipeline leaks and ruptures. ~~We~~ **Any of these risks could adversely affect our ability to conduct operations or result in substantial losses to the Company due to injury or loss of life, damage to or destruction of wells, production facilities, other property or natural resources, clean- up responsibilities, regulatory investigations and penalties and suspension of operations. The nature of the Company' s assets and production operations** may **impact** ~~not be insured against all of~~ the ~~operating risks to~~ **environment or cause environmental contamination,** which ~~we are exposed~~ **could result in material liabilities to the Company** . ~~We maintain insurance coverage against certain~~ **The Company' s assets and production operations may give rise to significant environmental costs and liabilities as a result of the Company' s handling of petroleum hydrocarbons and wastes** , ~~but not all~~ **because of air emissions and water discharges related to its operations** , **and due to past industry operations and waste disposal practices. The Company' s oil and gas business involves the generation, handling, treatment, storage, transport and disposal of wastes, hazardous substances and petroleum hydrocarbons and is subject to environmental** hazards **, such as oil and produced water spills, NGL and gas leaks, pipeline and vessel ruptures and unauthorized discharges of such wastes, substances and hydrocarbons,** that could **expose the Company to substantial liability due to pollution and other environmental damage. For example, drilling fluids, produced waters and certain other wastes associated with the Company' s exploration, development and production of oil or gas** ~~arise~~ -- **are currently excluded under RCRA** from ~~our RCRA from~~ the definition of hazardous waste.These wastes are instead regulated under RCRA' s less stringent non- hazardous waste provisions.There have been efforts from time to time to remove this exclusion.For example,in response to a federal consent decree issued in 2016,the EPA was required during 2019 to determine whether certain Subtitle D criteria regulations required revision in a manner that could result in oil and gas wastes being regulated as RCRA hazardous waste.In April 2019,the EPA made a determination that such revision of the regulations was unnecessary.Any future loss of the RCRA exclusion could have a material adverse effect on the Company' s **results of** operations **and financial position** . **The Company currently owns, leases or operates, and in the past has owned, leased or operated, properties that for many years have been used for oil and gas exploration and production activities, and petroleum hydrocarbons, hazardous substances and wastes may have been released on or under** ~~Such~~ **such** ~~insurance is believed to~~ **properties, or on or under other locations, including off- site locations, where such substances have been taken for treatment or disposal. These wastes, substances and hydrocarbons may also** be **released during future operations** ~~reasonable for the hazards and risks faced by us. We do not carry business interruption insurance~~ . In addition, ~~pollution~~ **some of the Company' s properties have been operated by predecessors or previous owners or operators whose treatment** and **disposal** of hazardous substances,wastes or petroleum hydrocarbons were not under the Company' s control.Joint and several strict liabilities may be incurred in connection with such releases of petroleum hydrocarbons,hazardous substances and wastes on,under or from the Company' s properties.Private parties,including lessors of properties on which the Company operates and the owners or operators of properties ~~22~~ adjacent to the Company' s operations and facilities where the Company' s petroleum hydrocarbons,hazardous substances or wastes are taken for reclamation or disposal,may also have the right to pursue legal actions to enforce compliance as well as seek damages for noncompliance with environmental **laws and regulations or** ~~risks are not fully insurable. We maintain~~ for **personal injury** ~~our~~ - **or damage to property or natural resources. Such properties and the substances disposed or released on or under them may be subject to CERCLA, RCRA and analogous state laws, which could require the Company to remove previously disposed substances, wastes and petroleum hydrocarbons, remediate contaminated property or perform remedial plugging or pit closure** operations **to prevent future contamination,** ~~total excess liability insurance with limits of $ 20 million per occurrence and in~~ the **costs of which could have** ~~aggregate covering certain general liability and certain " sudden and accidental " environmental risks with~~ a **material adverse effect** ~~deductible of $ 100, 000 per occurrence, subject to all terms, restrictions and sub- limits of the policies. We also maintain general liability insurance limits of $ 1 million per occurrence and $ 2 million in the aggregate. We have several policies that cover environmental risks. We have environmental coverage under the per occurrence and aggregate limits of our general and umbrella liability policies (for a twelve- month term). These policies provide third- party surface cleanup, bodily injury and property damage coverage, and defense costs when a pollution event is sudden and accidental and is discovered within thirty days of commencement and reported to the insurance company within ninety days of discovery. This is standard coverage in oil and gas insurance policies. We seek to protect ourselves from some but not all operating hazards through insurance coverage. However, some risks are either not insurable or insurance is available only at rates that we consider uneconomical. Depending~~ on ~~competitive conditions and other~~ -- **the** ~~factors~~ **Company' s business** , ~~we attempt to obtain contractual protection against uninsured operating risks from our customers and contractors. However, customers and contractors who provide contractual indemnification protection may not in all cases~~

~~maintain adequate insurance to support their indemnification obligations. Our insurance or indemnification arrangements may not adequately protect us 19 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 **and results of operations** . **The Company** ~~Furthermore, we~~ may not be able to ~~maintain adequate~~ **recover some or any of these costs from sources of contractual indemnity or** insurance ~~in~~ **, as pollution and similar environmental risks generally are not insurable or fully insurable, either because such insurance is not available or because of the high premium costs and deductibles associated with obtaining such insurance. We have limited control over the activities on properties we do not operate.** ~~the~~ **Other companies operate some of the properties in which we have an interest. We have limited ability to influence or control the operation or** future ~~at rates~~ **development of these non- operated properties or the amount of capital expenditures that** we ~~consider reasonable~~ **are required to fund with respect to them. The failure of an operator of our wells to adequately perform operations, an operator' s breach of the applicable agreements or an operator' s failure to act in ways that are in our best interest could reduce our production and revenues. Our dependence on the operator and other working interest owners for these projects and our limited ability to influence or control the operation and future development of these properties could materially adversely affect the realization of our targeted returns on capital in drilling or acquisition activities and lead to unexpected future costs. We may have hedging arrangements that expose us to risk of financial loss and limit the benefit to us of increases in prices for natural gas and oil** . From time to time, **when we believe that market conditions are favorable, we use certain derivative financial instruments to manage price risks associated with our production in all of our regions. These hedging arrangements limit the benefit to us of increases in prices. While there are many different types of derivatives available, we generally utilize put options and swap agreements to attempt to manage price risk more effectively. The put options used to establish floor prices for** a ~~small number~~ **fixed volume** of **production during a certain time period. They provide for payments from the counterparties if the index price falls below the floor. The swap agreements call for payments to,** ~~our~~ - **or** ~~contractors have requested contractual provisions~~ **receipts from, counterparties based on whether the index price for the period is greater or less than the fixed price established for** that ~~require~~ **period when the swap is put in place. These arrangements limit the benefit to** us **of increases in prices. In addition, these arrangements expose us** to ~~respond~~ **risks of financial loss in a variety of circumstances, including when: ● a counterparty is unable** to ~~third~~ **satisfy its obligations ● production is less than expected; or ● there is an adverse change in the expected differential between the underlying price in the derivative instrument and actual prices received for our production. The CFTC has promulgated regulations to implement statutory requirements for swap transactions. These regulations are intended to implement a regulated market in which most swaps are executed on registered exchanges or swap execution facilities and cleared through central counterparties. While we believe that our use of swap transactions exempt us from certain regulatory requirements, the changes to the swap market due to increased regulation could significantly increase the cost of entering into new swaps or maintaining existing swaps, materially alter the terms of new or existing swap transactions and / or reduce the availability of new or existing swaps. If we reduce our use of swaps as a result of the Dodd** - ~~party claims. In some~~ **Frank Act and regulations, our results** of **operations may become more volatile and our cash flows may** ~~these instances we have accepted the risk with the understanding that it would~~ be **less predictable** ~~covered under our current coverage~~ . **Legal** ~~We evaluate these risk- transferring negotiations cautiously,~~ and **Regulatory Risks** ~~we feel that we have adequately mitigated this risk through existing coverage or acquiring supplemental coverage when appropriate.~~ Laws and regulations regarding hydraulic fracturing, as well as governmental reviews of such activities, could result in increased costs and additional operating restrictions, delays or cancellations and have a material adverse effect on the Company' s production. Hydraulic fracturing is a common practice that is used to stimulate production of hydrocarbons from tight formations. The Company conducts hydraulic fracturing in its drilling and completion programs. The process involves the injection of water, sand or other proppants and additives under pressure into targeted subsurface formations to stimulate oil and gas production. The process is typically regulated by state oil and gas commissions or similar agencies, but in recent years, several federal agencies have conducted investigations or asserted regulatory authority over certain aspects of the process. For example, in 2016, the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources, concluding that " water cycle " activities associated with hydraulic fracturing may impact drinking water resources under certain circumstances. Additionally, the EPA has asserted regulatory authority pursuant to the SDWA' s UIC program over hydraulic fracturing activities involving the use of diesel and has issued guidance covering such activities. Moreover, the EPA has published an Advance Notice of Proposed Rulemaking to collect data on chemicals used in hydraulic fracturing under the Toxic Substances Control Act and has implemented a final rule under the CWA prohibiting the discharge of wastewater from onshore unconventional oil and gas extraction facilities to publicly- owned wastewater treatment plants. Also, the ~~federal Bureau of Land Management ("~~ BLM ~~")~~ published a final rule in 2015 that established new or more stringent standards for performing hydraulic fracturing on federal and Indian lands. The BLM rescinded the 2015 rule in late 2017; however, **new or more stringent regulations may be promulgated** ~~litigation challenging the BLM' s decision to rescind the 2015 rule remains pending~~ in **the future** ~~federal district court~~ . From time to time, the U. S. Congress has considered adopting legislation intended to provide for federal regulation of hydraulic fracturing and to require disclosure of the additives used in the hydraulic- fracturing process. In addition, certain states, including Texas where the Company operates, have adopted, and other states are considering adopting, regulations that could impose new or more stringent permitting, disclosure, disposal and well- construction requirements on hydraulic- fracturing operations. For example, in April 2019, Colorado passed legislation reforming exploration and production activities by the oil and gas industry in the state including, among other things, revising the mission of the state oil and gas agency from fostering energy development in the state to instead focusing on regulating the industry in a manner that is protective of public health and safety and the environment, as well as authorizing cities and counties to regulate oil and gas operations within their jurisdictions as they do other development. While the Company does not conduct operations in Colorado, passage or enactment of similar legislation in other states in which it does operate could significantly increase the Company' s operating costs and have a significant adverse effect on the Company' s ability to conduct operations. States could elect to prohibit hydraulic fracturing or high volume hydraulic fracturing altogether, following the approach taken by the states of Vermont, Maryland **, Washington** and New York. Also, local land use restrictions, such as city ordinances, may be adopted to restrict or prohibit drilling in general or hydraulic fracturing in particular. In Texas, legislation was adopted providing that the regulation of oil and gas operations in Texas is under the exclusive jurisdiction of the state and thus preempts local regulation of those operations. Nonetheless, municipalities and political subdivisions in Texas continue to have the right to enact " commercially reasonable " regulations for surface activities. ~~20~~ In the event federal, state or local restrictions or bans pertaining to hydraulic fracturing are adopted in areas where the Company is currently conducting operations, or in the future plans to conduct operations, the Company may incur additional costs to comply with such requirements, experience restrictions, delays or cancellations in the pursuit of exploration, development or production activities, and perhaps be limited or precluded in the drilling of wells or in the volume that the Company is ultimately able to produce from its reserves; one or more of which developments could have a material adverse effect on the Company. The Company' s operations are subject to stringent environmental, oil and gas- related and occupational safety and health laws and regulations that could cause it to delay, curtail or cease its operations or expose it to material costs and liabilities. The Company' s operations are subject to stringent federal, state and local laws and regulations governing, among other things, the drilling of wells, rates of production, the size and shape of drilling and spacing units or proration units, the transportation and sale of oil, NGL and gas, and the discharging of materials into the environment and environmental protection. For example, state laws regulate the size and shape of drilling and spacing units or proration units governing the pooling of oil and gas properties. Some states allow forced pooling or integration of tracts to facilitate development, while other states rely on voluntary pooling of lands and leases. In some instances, forced pooling or unitization may be implemented by third parties and may reduce the Company' s interest in the unitized properties. In addition, state conservation laws (i) establish maximum rates of production from oil and gas wells, (ii) generally prohibit the venting or flaring of gas and (iii) impose requirements regarding production rates. These laws and regulations may limit the amount of oil and gas the Company can produce from the Company' s wells or limit the number of wells or the locations that the Company can drill. In connection with its operations, the Company must obtain and maintain numerous environmental and oil and gas- related permits, approvals and certificates from various federal, state and local governmental authorities, and may incur substantial costs in doing so. The need to obtain permits has the potential to delay, curtail or cease the development of oil and gas projects. The Company may in the future be charged royalties on gas emissions or required to incur certain capital expenditures for air pollution control equipment or other air emissions related issues. For example, in 2015, the EPA issued a final rule under the CAA lowering the National Ambient Air Quality Standard (" NAAQS ") for ground- level ozone from 75 parts per billion to 70 parts per billion under standards to provide protection of public health and welfare. In subsequent years, the EPA has issued area designations with respect to ground- level ozone and final requirements that apply to state, local and tribal air agencies for implementing the 2015 NAAQS for ground- level ozone. State implementation of the revised NAAQS could, among other things, require installation of new emission controls on some of the Company' s equipment, resulting in longer permitting timelines, and significantly increase the Company' s capital expenditures and operating costs. In another example, the EPA and U. S. Army Corps of Engineers (the " Corps ") released a final rule in 2015 outlining federal jurisdictional reach under the CWA over waters of the U. S., including wetlands **, which has since been subject to several revisions** . In ~~2017~~ **August 2023** , the EPA **finalized a** ~~and the Corps agreed to reconsider the 2015~~ rule **amending** ~~and, thereafter, on October 22, 2019,~~ the ~~agencies published a final rule, which became effective on December 31, 2019, rescinding the 2015 rule. On January 23, 2020, the two agencies issued a final rule re-defining~~ - **definition of "** ~~the Clean Water Act' s jurisdiction over~~ waters of the United States **" to conform with the recent Supreme Court decision in Sackett v. EPA. However** , ~~which~~ **litigation challenging aspects of the January 2023** ~~redefinition~~ -- **definition not addressed by Sackett** is **ongoing** ~~narrower than found in the 2015 rule. Upon being published in the Federal Register and the passage of 60 days thereafter, the January 23, 2020 final rule will become effective, at which point the United States will be covered under a single regulatory scheme as it relates to federal jurisdictional reach over waters of the United States. However, there remains the expectation that the January 23, 2020 final rule also will be legally challenged in federal district court~~ . To the extent that ~~any~~ **future** ~~challenge~~ --- **changes** to the **definition** ~~January 23, 2020 final rule is successful and the 2015 rule or a revised rule expands~~ - **expand** the scope of the **CWA** ~~Clean Water Act~~ ' s jurisdiction in areas where the Company conducts operations, the Company could incur (i) delays, restrictions or prohibitions in the issuance of necessary permits, (ii) restrictions or cessations in the development or expansion of projects, or (iii) increases in the Company' s capital expenditures and operating expenses by, for example, requiring installation of new emission controls on some of the Company' s equipment, ~~21~~ any one or more of which developments could have a material adverse effect on the Company' s business, financial condition and results of operations. Additionally, the Company' s operations are subject to a number of federal and state laws and regulations, including the federal OSHA and comparable state statutes, whose purpose is to protect the health and safety of employees. Among other things, the OSHA hazard communication standard, the EPA community right- to- know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and comparable state statutes require that information be maintained concerning hazardous materials used or produced in the Company' s operations and that this information be provided to employees, state and local government authorities and citizens. There can be no assurance that existing or future regulations will not result in a delay, curtailment or cessation of production or processing activities, result in a material increase in the costs of production, development, exploration or processing operations or materially and adversely affect the Company' s future operations and financial condition. Noncompliance with these laws and regulations may subject the Company to sanctions, including administrative, civil or criminal penalties, remedial cleanups or corrective actions, delays in permitting or performance of projects, natural resource damages and other liabilities. Such laws and regulations may also affect the costs of acquisitions. In addition, these laws and regulations are subject to amendment or replacement in the future with more stringent legal requirements. Further, any delay, reduction or curtailment of the Company’ s development and producing operations due to these laws and regulations could result in the loss of acreage through lease expiration. The nature of the Company’ s assets...... associated with obtaining such insurance. The Company’ s operations are subject to a number of risks arising out of concerns regarding the threat of climate change, including regulatory, political, litigation and financial risks, that could result in increased operating costs and costs of compliance, limit the areas in which oil and gas production may occur, reduce demand for the oil and gas the Company produces, and expose the Company to the risk of increased activism and decreased funding for the industry, while the potential physical effects of climate change could disrupt the Company’ s production and cause it to incur significant costs in preparing for or responding to those effects. The threat of climate change continues to attract considerable attention in the United States and in foreign countries. Numerous initiatives have been proposed and are expected to continue to be proposed at the international, national, regional and state levels of government to monitor and limit existing sources of GHG emissions as well as to restrict or eliminate emissions from new sources. As a result, the Company’ s operations are subject to a series of regulatory, political, litigation and financial risks associated with the production and processing of fossil fuels and emission of GHGs. In the United States, no comprehensive climate change legislation has been implemented at the federal level. However, following the U. S. Supreme Court finding that GHG emissions constitute a pollutant under the CAA, the EPA has adopted regulations that, among other things, (i) establish construction and operating permit reviews for GHG emissions from certain large stationary sources, (ii) require the monitoring and annual reporting of GHG emissions from certain petroleum and gas system sources in the United States, (iii) implement CAA emission standards directing the reduction of methane from certain new, modified, or reconstructed facilities in the oil and gas sector, and (iv) together with the DOT, implement GHG emissions limits on vehicles manufactured for operation in the United States **. For example, in December 2023, the EPA finalized NSPS Subpart OOOOb, which seeks to reduce methane and volatile organic compound emissions from the oil and natural gas source category and NSPS Subpart OOOOc, which create, for the first- time, emission guidelines for existing oil and natural gas sources that would be included in individual states’ implementation plans. These standards expand upon previously issued NSPS Subparts OOOO and OOOOa published by the EPA in 2012 and 2016, respectively** . Additionally, various states, groups of states, and other countries have adopted or are considering adopting legislation, regulations or other regulatory initiatives that are focused on such areas as GHG cap and trade programs, carbon taxes, reporting and tracking programs, and restriction of emissions. At the international level, there is a non- binding agreement, the United Nations sponsored “ Paris Agreement, ” for nations to limit their GHG emissions through individually- determined reduction goals every five years after 2020 **. The** ~~, although the~~ United States ~~has~~ **withdrew from the Paris Agreement in November 2020 but reentered the agreement in February 2021. In April 2021, the Biden administration** announced ~~its withdrawal~~ **a new goal to reduce GHG emissions by 50 % to 52 % economy- wide by 2030 compared to 2005 levels. In August 2022, President Biden signed into law the Inflation Reduction Act, which created a methane emissions reduction program, provided significant funding to reduce emissions of methane** from ~~such agreement~~ **the oil and gas sector** , ~~effective November 4, 2020~~ **and requires the EPA to impose a charge on certain oil and gas sources** . Governmental, scientific, and public concern over the threat of climate change arising from GHG emissions has resulted in increasing political risks in the United States ~~, including~~ **. President Biden and the Democratic Party have identified** climate change ~~related pledges made by~~ **as a priority, and it is possible that additional executive orders and / or regulatory action targeting GHG emissions, or prohibiting or restricting oil and gas development activities in** certain **areas** ~~candidates seeking the office of the President of the United States in 2020. Critical declarations made by one or more candidates running for President include proposals to ban hydraulic fracturing of oil and gas wells and ban new leases for production of minerals on federal properties~~ , **will** ~~including onshore lands and offshore waters. Other actions that could~~ be **proposed and /** ~~pursued by presidential candidates may include more restrictive requirements for~~ - **or promulgated during** the **Biden Administration** ~~establishment of pipeline infrastructure or the permitting of LNG export facilities, the reversal of the United States’ withdrawal from the Paris Agreement in November 2020 and reinstatement of the ban on oil exports~~ . ~~23~~ Litigation risks are also increasing, as a number of cities, local governments or other persons have sought to bring suit against oil and gas exploration and production companies in state or federal court, alleging, among other things, that such companies created public nuisances by producing fuels that contributed to global warming effects, such as rising sea levels, and therefore are responsible for roadway and infrastructure damages, or alleging that the companies have been aware of the adverse effects of climate change for some time but defrauded their investors by failing to adequately disclose those impacts. There are also financial risks for fossil fuel producers as stockholders or bondholders currently invested in fossil- fuel energy companies concerned about the threat of climate change may elect in the future to shift some or all of their investments into non- fossil fuel energy related sectors. Institutional lenders who provide financing to fossil- fuel energy companies also have become more attentive to sustainable lending practices and some of them may elect not to provide funding for fossil fuel energy companies. Additionally, investing and lending practices of various investment firms and institutional lenders have been the subject of intensive lobbying efforts in recent years, oftentimes public in nature, by environmental activists, proponents of the Paris Agreement, and foreign citizenry concerned about the threat of climate change not to provide funding for fossil fuel producers. For example, there have been efforts in recent years to influence the investment community, including investment advisors and certain sovereign wealth, pension and endowment funds, to divest of fossil fuel equities and lenders to limit funding to companies engaged in the extraction of fossil fuel reserves. Limitation of investments in and financings for fossil fuel energy companies could result in the restriction, delay or cancellation of drilling programs or development or production activities. The adoption and implementation of new or more stringent international, federal or state regulations or other regulatory initiatives that impose more stringent standards for GHG emissions from the oil and gas sector or otherwise restrict the areas in which this sector may produce oil and gas or generate GHG emissions could result in increased compliance and consumption costs, and thereby reduce demand for the oil and gas the Company produces. Additionally, political, litigation and financial risks could result in the restriction or cancellation of production activities, incurring liability for infrastructure damages as a result of climate ~~changes~~ **change** , or impairing the Company' s ability to continue to operate in an economic manner. Finally, if increasing concentrations of GHGs in the Earth' s atmosphere were to result in significant physical effects, such as increased frequency and severity of storms, floods, droughts and other extreme climatic events, then such effects could have a material adverse effect on the Company' s exploration and production operations. In addition, companies in the oil and gas industry have been the target of activist efforts from both individuals and non- governmental organizations, including instituting litigation and supporting political or regulatory efforts to, among other things, limit or ban hydraulic fracturing, restrict or ban certain operating practices, including the disposal of waste materials, such as hydraulic fracturing fluids and produced water, deny or delay drilling permits, prohibit the venting or flaring of gas, reduce access of the oil and gas industry to federal and state government lands, and delay or cancel oil and gas developmental or expansion projects. The Company may need to incur significant costs associated with responding to these initiatives, and complying with any resulting additional legal or regulatory requirements could have a material adverse effect on the Company' s business, financial condition, cash flows and results of operations. Laws and regulations pertaining to protection of threatened and endangered species or to critical habitat, wetlands and natural resources could delay, restrict or prohibit the Company' s operations and cause it to incur substantial costs that may have a material adverse effect on the Company' s development and production of reserves. The federal ESA and comparable state laws were established to protect endangered and threatened species. Under the ESA, if a species is listed as threatened or endangered, restrictions may be imposed on activities adversely affecting that species' habitat. Similar protections are offered to migratory birds under the Federal Migratory Bird Treaty Act. Oil and gas operations in the Company' s operating areas may be adversely affected by seasonal or permanent restrictions imposed on drilling activities by the U. S. Fish and Wildlife Services (the ~~24~~ " FWS ") that are designed to protect various wildlife, which may materially restrict the Company' s access to federal or private land use. Permanent restrictions imposed to protect endangered and threatened species could prohibit drilling in certain areas, impact suppliers of critical materials or services, or require the implementation of expensive mitigation measures. Additionally, federal statutes, including the CWA, the OPA and CERCLA, as well as comparable state laws, prohibit certain actions that adversely affect critical habitat, wetlands and natural resources. If harm to species or damages to wetlands, habitat or natural resources occur or may occur, government entities or, at times, private parties may act to prevent oil and gas exploration or development activities or seek damages for harm to species, habitat or natural resources resulting from drilling, construction or releases of petroleum hydrocarbons, wastes, hazardous substances or other regulated materials, and, in some cases, may seek criminal penalties. Moreover, as a result of one or more settlements entered into by the FWS, the agency is required to make determinations on the potential listing of numerous species as endangered or threatened under the ESA. The designation of previously unprotected species as threatened or endangered in areas where the Company conducts operations could cause the Company to incur increased costs arising from species protection measures or could result in delays, restrictions or prohibitions on its development and production activities that could have a material adverse effect on the Company' s ability to develop and produce reserves. We **are subject to complex laws and regulations, including environmental regulations, which can adversely affect the cost, manner or feasibility of doing business. Our operations are subject to extensive federal, state and local laws and regulations, including tax laws and regulations and those relating to the generation, storage, handling, emission, transportation and discharge of materials into the environment. These laws and regulations can adversely affect the cost, manner or feasibility of doing business. Many laws and regulations require permits for the operation of various facilities, and these permits are subject to revocation, modification and renewal. Governmental authorities** have ~~limited control over~~ **the power to enforce compliance with** ~~the~~ **their regulations, and violations could subject us to fines, injunctions or both. These laws and regulations have increased the costs of planning, designing, drilling, installing and operating natural gas and oil** ~~activities~~ **facilities . In addition, we may be liable for environmental damages caused by previous owners of property we purchase or lease. Risks of substantial costs and liabilities related to environmental compliance issues are inherent in natural gas and oil operations. It is possible that other developments, such as stricter environmental laws and regulations, and claims for damages to property or persons resulting from natural gas and oil production, would result in substantial costs and liabilities. Increasing scrutiny and changing expectations from investors, lenders and other market participants with respect to our Environmental, Social and Governance (" ESG ") policies may impose additional costs** on ~~properties~~ **us or expose us to additional risks. Companies across all industries are facing increasing scrutiny relating to their ESG policies. Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants are increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. The increased focus and activism related to ESG and similar matters may hinder access to capital, as investors and lenders may decide to reallocate capital or not to commit capital as a result of their assessment of a company' s ESG practices. Companies that do not adapt to or comply with investor, lender or other industry shareholder expectations and standards, which are evolving, or which are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage and the business, financial condition or stock price of such a company could be materially and adversely affected. We may face increasing pressures from investors, lenders and other market participants, who are increasingly focused on climate change, to prioritize sustainable energy practices, reduce our carbon footprint and promote sustainability. As a result, we may be required to implement more stringent ESG procedures or standards so that our existing and future investors and lenders remain invested in us and make further investments in us. If** we do not ~~operate~~ **meet these standards, our business or our ability to access capital could be harmed** . ~~Other~~ **Additionally, certain investors and lenders have and may continue to exclude** companies ~~operate~~

engaged in exploration and production activity, such as us, from their investing portfolios altogether due to ESG factors. These limitations in both the debt and equity capital markets may affect our ability to grow as our plans for growth may include accessing those markets. If those markets are unavailable, or if we are unable to access alternative means of financing on acceptable terms, or at all, we may be unable to implement our business strategy, which would have a material adverse effect on our financial condition and results of operations and impair our ability to service our indebtedness. At the same time, some **stakeholders and regulators** ~~of the properties in which we~~ have **increasingly expressed or pursued opposing views, legislation,** ~~an~~ **and investment expectations with respect** ~~interest. We have limited ability~~ to **ESG, including** ~~influence or control the operation or future development of these~~ -- **the** ~~non~~ **enactment or proposal of " anti** - ~~operated properties~~ **ESG " legislation** or ~~the amount of capital expenditures~~ **policies. Further, it is likely** that we ~~are~~ **will incur additional costs and** ~~required~~ - **require additional resources** to ~~fund~~ **monitor, report and comply** with ~~respect to~~ **wide ranging ESG requirements, including** ~~them~~ - **the SEC climate change disclosure rules. Similarly, these policies may negatively impact the ability of our customers to access debt and capital markets** . The ~~failure~~ **occurrence** of ~~an~~ **any** ~~operator~~ of ~~our wells to adequately perform operations, an operator' s breach of the applicable agreements or an operator' s failure to act in ways that are in our best interest could reduce our production and revenues. Our dependence on the operator and other~~ -- **the foregoing** ~~working interest owners for these projects and our limited ability to influence or control the operation and future development of these properties could materially adversely affect the realization of our targeted returns on capital in drilling or acquisition activities and lead to unexpected future costs. Terrorist activities and the potential for military and other actions could adversely affect our business. The threat of terrorism and the impact of military and other action have caused instability in world financial markets and could lead to increased volatility in prices for natural gas and oil, all of which could adversely affect the markets for our operations. Future acts of terrorism could be directed against companies operating in the United States. The U. S. government has issued public warnings that indicate that energy assets might be specific targets of terrorist organizations. These developments have subjected our operations to increased risk and, depending on their ultimate magnitude,~~ could have a material adverse effect on our business ~~. Our ability to sell our natural gas~~ and ~~oil production could be materially harmed if we fail to obtain adequate services such as transportation and processing. The sale of our natural gas and oil production depends on a number of factors beyond our control, including the availability and capacity of transportation and processing facilities. Our failure to obtain these services on acceptable terms could materially harm our business. Competition in our industry is intense, and many of our competitors have substantially greater~~ financial ~~and technological resources than we do, which~~ **condition. Changes to the U. S. federal tax laws** could adversely affect our ~~competitive~~ **financial** position **, results of operations and cash flow** . ~~Competition~~ **Our future effective tax rates could be adversely affected by changes** in **tax laws, both domestically and internationally, or the interpretation or application thereof. From time to time, U. S. and foreign tax authorities, including state and local governments consider legislation that could increase our effective tax rate. The IRA includes a 1 % tax on publicly traded corporations on the fair market value of stock repurchased during any taxable year. Such tax applies to the extent such buybacks exceed $ 1 million during such year, which buyback value may be offset by** ~~the~~ **other** ~~natural~~ **stock issuances. Further, the U. S. Congress has advanced a variety of tax legislation proposals, and while the final form of any legislation is uncertain, the current proposals, if enacted, could have a material effect on our effective tax rate. Additionally, in recent years, lawmakers and the U. S. Department of the Treasury have proposed certain significant changes to U. S. tax laws applicable to oil and** gas ~~and~~ **companies. These changes include, but are not limited to; (i) the repeal of the percentage depletion allowance for** oil ~~industry is intense. Major~~ and ~~independent natural~~ gas ~~and oil companies actively bid~~ **properties, (ii) the elimination of current deductions** for ~~desirable natural gas~~ **intangible drilling and development costs, and (iii)** ~~and~~ - **an** ~~oil properties~~ **extension of the amortization period for certain geological and geophysical expenditures. No accurate prediction can be made as to whether any such legislative changes will be proposed or enacted in the future or, if enacted, what the specific provisions or the effective date of any such legislation would be. This legislation or any future similar changes in U. S. federal income tax laws** , as well as ~~for the equipment and labor required to operate and develop these properties. Our competitive position is affected by price, contract terms and quality of service, including pipeline connection times, distribution efficiencies and reliable delivery record. 25 Many~~ - **any** ~~of~~ **similar changes in state law, could eliminate** ~~our~~ - **or postpone certain tax deductions** ~~competitors have financial and technological resources and exploration and development budgets~~ that **currently** are **available with respect** ~~substantially greater than ours. These companies may be able~~ to ~~pay more for exploratory projects and productive~~ natural gas and oil ~~properties~~ **exploration** and **production** ~~may be able to define~~ , **which could negatively affect** ~~evaluate, bid for and purchase a greater number of properties and prospects than~~ our **results of operations and** financial ~~or human resources permit. In addition, these companies may be able to expend greater resources on the existing and changing technologies that we believe are and will be increasingly important to attaining success in the industry. We may have hedging arrangements that expose us to risk of financial loss and limit the benefit to us of increases in prices for natural gas and oil. From time to time, when we believe that market conditions~~ - **condition** ~~are favorable, we use certain derivative financial instruments to manage price risks associated with our production in all of our regions~~ . **Item 1B** ~~These hedging arrangements limit the benefit to us of increases in prices~~ . **UNRESOLVED STAFF COMMENTS** ~~While there are many different types of derivatives available, we generally utilize put options and swap agreements to attempt to manage price risk more effectively~~ . ~~The put options used to establish floor prices for a fixed volume of production during a certain time period. They provide for payments from the counterparties if the index price falls below the floor. The swap agreements call for payments to, or receipts from, counterparties based on whether the index price for the period is greater or less than the fixed price established for that period when the swap is put in place. These arrangements limit the benefit to us of increases in prices. In addition, these arrangements expose us to risks of financial loss in a variety of circumstances, including when: • a counterparty is unable to satisfy its obligations • production is less than expected; or • there is an adverse change in the expected differential between the~~

~~underlying price in the derivative instrument and actual prices received for our production. The CFTC has promulgated regulations to implement statutory requirements for swap transactions. These regulations are intended to implement a regulated market in which most swaps are executed on registered exchanges or swap execution facilities and cleared through central counterparties. While we believe that our use of swap transactions exempt us from certain regulatory requirements, the changes to the swap market due to increased regulation could significantly increase the cost of entering into new swaps or maintaining existing swaps, materially alter the terms of new or existing swap transactions and / or reduce the availability of new or existing swaps. If we reduce our use of swaps as a result of the Dodd- Frank Act and regulations, our results of operations may become more volatile and our cash flows may be less predictable. The loss of key personnel could adversely affect our ability to operate. Our operations are dependent upon a relatively small group of key management and technical personnel, and one or more of these individuals could leave our employment. The unexpected loss of the services of one or more of these individuals could have a detrimental effect on us. In addition, our drilling success and the success of other activities integral to our operations will depend, in part, on our ability to attract and retain experienced geologists, engineers and other professionals. Competition for experienced geologists, engineers and some other professionals is intense. If we cannot retain our technical personnel or attract additional experienced technical personnel, our ability to compete could be harmed. We are subject to complex laws and regulations, including environmental regulations, which can adversely affect the cost, manner or feasibility of doing business. Our operations are subject to extensive federal, state and local laws and regulations, including tax laws and regulations and those relating to the generation, storage, handling, emission, transportation and discharge of 26~~