Risk Factors Comparison 2024-02-29 to 2023-02-24 Form: 10-K

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

You should carefully consider the following risk factors together with all of the other information included in this Annual Report and our other reports filed with the SEC before investing in our securities. The occurrence of one or more of these risks could materially and adversely affect our business, our financial condition, and the results of our operations, which in turn could negatively impact the value of our securities. Risks Related to Commodity Prices Commodity prices are volatile, and a sustained period of low commodity prices for oil, natural gas and NGLs could adversely affect our business, financial condition and results of operations. The prices we receive for our oil, natural gas and NGLs heavily influence our revenue, cash flows, profitability, access to capital, future rate of growth and carrying value of our properties. Oil, natural gas and NGLs are commodities, and their prices may fluctuate widely in response to relatively minor changes in the actual and expected supply of and demand for oil, natural gas and NGLs and market uncertainty. Historically, oil, natural gas and NGL prices have been volatile and subject to fluctuations relating to a variety of additional factors that are beyond our control, including: • worldwide and regional economic conditions impacting the global supply of and demand for oil, natural gas and NGLs; • the price and quantity of foreign imports of oil, natural gas and NGLs; • political and economic conditions in or affecting other producing regions or countries, including the Middle East, Russia, Eastern Europe, Africa and South America; • actions of OPEC, its members and other state- controlled oil companies relating to oil price and production controls; • actions of U. S., European Union and other governments and governmental organizations relating to Russia' s oil, natural gas and NGLs, including through sanctions, import restrictions and commodity price caps; • actions of U. S. producers, and independent producers operating in other countries, relating to production levels; • political, economic and other conditions that affect perceived or actual demand for oil, natural gas and NGLs, including international trade disputes, sanctions and global health pandemics, epidemics and concerns; • the level of global exploration, development, production, and inventories; • actions of U. S. and other governments to strategically release oil, natural gas and NGLs from strategic reserves; • the availability of refining and storage capacity; • prevailing prices on local price indexes in the area in which we operate; • the proximity, capacity, cost and availability of gathering and transportation facilities; • the cost of exploring for, developing, producing and transporting reserves; • weather conditions and other natural disasters; • terrorist attacks targeting oil and natural gas related facilities and infrastructure; • technological advances affecting fuel economy, energy supply and energy consumption; • the effect of energy conservation measures, alternative fuel requirements and the price and availability of alternative fuels; • laws, regulations and taxes in the U. S. and in foreign jurisdictions that impact the demand for oil, natural gas and NGLs; • shareholder activism or activities by non- governmental organizations to restrict the exploration and production of oil and natural gas so as to minimize emissions of carbon dioxide and methane GHGs or otherwise; • localized and global supply and demand fundamentals; and • expectations about future commodity prices. These factors and the volatility of the energy markets make it extremely difficult to predict future oil, natural gas and NGL price movements with any certainty. ~~The commodity prices displayed dramatic volatility in 2020, when the COVID- 19 pandemic and various governmental actions taken to mitigate the impact of COVID- 19 resulted in an unprecedented decline in demand for oil, natural gas and NGLs. During 2020, the WTI spot price for oil briefly fell to a low of negative $ 37. 63 per barrel and the Henry Hub spot price reached a low of $ 1. 33. While worldwide demand for oil, natural gas and NGLs recovered in 2021 and 2022, governmental responses to COVID- 19 remain dynamic with certain countries, such as China, continuing to impose periodic lockdowns in response to rising case numbers. To the extent strains or variants of COVID- 19 resurge, the negative impact to global demand for oil, natural gas and NGLs could be material.~~ A sustained or extended decline in commodity prices may result in a shortfall in our expected revenues and cash flows and require us to reduce capital spending or borrow funds to cover any such shortfall. If we are unable to obtain needed capital or financing on satisfactory terms, our ability to develop future reserves could be adversely affected. Also, using lower prices in estimating proved reserves may result in a reduction in proved reserve volumes due to economic limits. In addition, sustained periods of low commodity prices for oil and natural gas and the resultant effect such prices may have on our drilling economics and our ability to raise capital may require us to re- evaluate and postpone, moderate or eliminate our planned drilling and completions operations, or suspend production from current wells, which could result in the reduction of our expected production and some of our proved undeveloped reserves and related standardized measure. If we moderate or curtail our drilling, completion or production operations, we may be unable to continue to hold leases that are scheduled to expire, which may further reduce our reserves. As a result, a sustained or extended decline in commodity prices may materially and adversely affect our future business, financial condition, results of operations, liquidity and ability to finance planned capital expenditures. If commodity prices decrease to a level such that our future undiscounted cash flows from our properties are less than their carrying value, we may be required to take write- downs of the carrying values of our properties. Accounting guidance requires that we periodically review the carrying value of our properties for possible impairment. Based on prevailing commodity prices and specific market factors and circumstances at the time of prospective impairment reviews, and the continuing evaluation of development plans, production data, economics and other factors, we may be required to write- down the carrying value of our properties. A write- down constitutes a non- cash charge to earnings. **A sustained or extended decline in** ~~In 2020, we recognized an impairment of $ 591. 8 million because of the depressed oil and natural gas~~ commodity prices ~~. While commodity prices have since improved resulting in no impairments directly relating to prevailing commodity prices in 2021 and 2022, a sustained or extended decline in commodity prices in the future~~ could ~~result in additional~~ **require that we recognize** impairments of our properties, which could have a material adverse effect on our results of operations for the periods in which such charges are taken. Risks Related to Our Reserves, Leases and Drilling Locations Reserve estimates depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves. The process of estimating oil and natural gas reserves is complex. In order to prepare reserve estimates, we must project production rates and timing of development expenditures. We must also analyze available geological, geophysical, seismic, production and engineering data. The extent, quality and reliability of this data can vary. The process also requires economic assumptions about matters such as commodity prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Any significant inaccuracies in our interpretations of this technical data or in making our assumptions could materially affect the estimated quantities and present value of our reserves. Actual future production, commodity prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves may vary from our estimates. For instance, initial production rates reported by us or other operators may not be indicative of future or long- term production rates, our recovery efficiencies may be worse than expected, and production declines may be greater than our estimates and may be more rapid and irregular when compared to initial production rates. In addition, we may adjust reserve estimates to reflect additional production history, results of development activities, current commodity prices and other existing factors. Any significant variance could materially affect the estimated quantities and present value of our reserves. You should not assume that the present value of future net revenues from our reserves is the current market value of our estimated reserves. We generally base the estimated discounted future net cash flows from reserves on prices and costs on the date of the estimate. Actual future prices and costs may differ materially from those used in the present value estimate. Our estimated proved reserves as of December 31, ~~2022~~ **2023** , and related standardized measure were calculated under rules of the SEC using twelve- month trailing average benchmark prices of $ ~~90~~ **74** . ~~15~~ **70** per barrel of oil (WTI Posted) and $ ~~6~~ **2** . ~~36~~ **64** per MMBtu (Henry Hub spot), which may be substantially higher or lower than the available spot prices in ~~2022~~ **2023** . For example, if the crude oil and natural gas prices used in our year- end reserve estimates were to increase or decrease by 10 %, our proved reserve quantities at December 31, ~~2022~~ **2023** would increase by ~~1~~ **14** . ~~1~~ **4** MMBoe (~~0~~ **1** . ~~2~~ **6** %) or decrease by **18.** 2 ~~. 0~~ MMBoe (**2.** 0 ~~. 3~~ %), respectively, and the pre- tax PV 10 % of our proved reserves would increase ~~by $ 1. 7 billion (15 %)~~ or decrease by $ 1. ~~7~~ **9** billion (~~15~~ **17** %) ~~, respectively~~ . Unless we replace our reserves with new reserves and develop those reserves, our reserves and production will decline, which would adversely affect our future cash flows and results of operations. Producing oil and natural gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Unless we conduct successful ongoing exploration and development activities or continually acquire properties containing proved reserves, our proved reserves will decline as those reserves are produced. Our future reserves and production, and therefore our future cash flows and results of operations, are highly dependent on our success in efficiently developing our current reserves and economically finding or acquiring additional recoverable reserves. We may not be able to develop, find or acquire sufficient additional reserves to replace our current and future production, particularly because competition in the oil and natural gas industry is intense, and many of our competitors possess and employ financial, technical and personnel resources substantially greater than ours. If we are unable to replace our current and future production, the value of our reserves will decrease, and our business, financial condition and results of operations would be materially and adversely affected. Our use of seismic data is subject to interpretation and may not accurately identify the presence of oil and natural gas, which could adversely affect the results of our drilling operations. Even when properly used and interpreted, seismic data and visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and hydrocarbon indicators and do not enable the interpreter to know whether hydrocarbons are, in fact, present in those structures. As a result, our drilling activities may not be successful or economical. In addition, the use of advanced technologies, such as 3- D seismic data, requires greater pre- drilling expenditures than traditional drilling strategies, and we could incur losses as a result of such expenditures. The development of our estimated PUDs may take longer and may require higher levels of capital expenditures than we currently anticipate. Therefore, our estimated PUDs may not be ultimately developed or produced. As of December 31, ~~2022~~ **2023** , ~~41~~ **24** % of our total estimated proved reserves were classified as proved undeveloped. Development of these proved undeveloped reserves may take longer and require higher levels of capital expenditures than we currently anticipate. Delays in the development of our reserves, increases in costs to drill and develop such reserves or decreases in commodity prices will reduce the value of our estimated PUDs and future net revenues estimated for such reserves and may result in some projects becoming uneconomic. In addition, delays in the development of reserves could cause us to have to reclassify our PUDs as unproved reserves. Further, we may be required to write- down our PUDs if we do not drill those wells within five years after their respective dates of booking. Certain of our undeveloped leasehold acreage is subject to leases that will expire over the next several years unless production is established on units containing the acreage, the primary term is extended through continuous drilling provisions or the leases are renewed. As of December 31, ~~2022~~ **2023** , over 96 % of our total net acreage was held by production. The leases for our net acreage not held by production will expire at the end of their primary term unless production is established in paying quantities under the units containing these leases, the leases are held beyond their primary terms under continuous drilling provisions or the leases are renewed. Some of our leases also expire as to certain depths if continuous drilling obligations are not met. If our leases expire in whole or in part and we are unable to renew the leases, we will lose the right to develop the related properties. Our ability to drill and develop these locations depends on a number of uncertainties, including commodity prices, the availability and cost of capital, drilling and production costs, availability of drilling services and equipment, drilling results, lease expirations, gathering system and pipeline transportation constraints, access to and availability of water sourcing and distribution systems, regulatory approvals and other factors. In the future, we may shut- in some or all of our production depending on market conditions, storage or transportation constraints and contractual obligations, and any prolonged shut- in of our wells could result in the expiration, in whole or in part, of the related leases, which could adversely affect our reserves, business, financial condition and results of operations. Our identified drilling locations are scheduled out over many years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling. We have specifically identified and scheduled certain drilling locations as an estimation of our future multi- year drilling activities on our existing acreage. These drilling locations represent a significant part of our business strategy. Our ability to drill and develop these locations depends on a number of uncertainties, including commodity prices, the availability and cost of capital, drilling and production costs, availability of drilling services and equipment, drilling results, lease expirations, availability of gathering or transportation facilities, access to and availability of water sourcing and distribution systems, regulatory approvals, including permitting, and other factors. Because of these uncertain factors, we do not know if the numerous identified drilling locations will ever be drilled or if we will be able to produce natural gas or oil from these or any other drilling locations. In addition, unless production is established within the spacing units covering the undeveloped acres on which some of the drilling locations are obtained, the leases for such acreage will expire. As such, our actual drilling activities may materially differ from those presently identified. Properties that we decide to drill may not yield oil or natural gas in commercially viable quantities. Properties that we decide to drill that do not yield oil or natural gas in commercially viable quantities will adversely affect our results of operations and financial condition. There is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or be economically viable. The use of micro- seismic data and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities. We cannot assure you that the analogies we draw from available data from other wells, more fully explored prospects or producing fields will be applicable to our drilling prospects. Risks Related to Our Operations Our development and acquisition projects require substantial capital expenditures. We may be unable to obtain required capital or financing on satisfactory terms, which could lead to a decline in our ability to access or grow production and reserves. The oil and natural gas industry is capital- intensive. We make and expect to continue to make substantial capital expenditures related to development and acquisition projects. Historically, we have funded our capital expenditures with cash flows from operations, borrowings under OpCo' s revolving credit facility, proceeds from offering debt and equity securities and divestitures of non- core assets, and we intend to finance our future capital expenditures in a similar fashion. When we finance our capital expenditures through indebtedness, a portion of our cash flows from operations must be used to pay interest and principal on the indebtedness, which reduces our ability to use cash flows from operations to fund working capital, capital expenditures and acquisitions. The actual amount and timing of our future capital expenditures may differ materially from our estimates as a result of, among other things, oil, natural gas and NGL prices; actual drilling results; the availability of drilling rigs and other services and equipment; and regulatory, technological and competitive developments. Our cash flow from operations and access to capital are subject to a number of variables, including: • the prices at which our production is sold; • our proved reserves; • the level of hydrocarbons we are able to produce from existing wells; • our ability to acquire, locate and produce new reserves; • the levels of our operating expenses; and • our ability to borrow under OpCo' s revolving credit facility and to access the capital markets. If our revenues or the borrowing base under OpCo' s revolving credit facility decrease as a result of lower oil, natural gas and NGL prices, operating difficulties, declines in reserves or for any other reason, we may have limited ability to obtain the capital necessary to sustain our operations at current levels. If additional capital is needed, we may not be able to obtain debt or equity financing on terms acceptable to us, if at all. If cash flow generated by our operations or available borrowings under OpCo' s revolving credit facility are not sufficient to meet our capital requirements, the failure to obtain additional financing could result in a curtailment of our operations relating to development of our properties. This, in turn, could lead to a decline in our reserves and production, and could materially and adversely affect our business, financial condition and results of operations. Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our business, financial condition or results of operations. Additionally, we may not be insured for, or our insurance may be inadequate to protect us against, these risks. Our future financial condition and results of operations will depend on the success of our development, acquisition and production activities, which are subject to numerous risks beyond our control, including the risk that drilling will not result in commercially viable oil and natural gas production. In addition to the risks we face in drilling for and producing oil and natural gas, some factors that may directly or indirectly negatively impact our scheduled operations: • lack of available gathering or transportation facilities or delays in the constructing such facilities; • abnormal pressure or irregularities in geological formations; • shortages of or delays in obtaining equipment, qualified personnel, materials or resources; • equipment failures, accidents or other unexpected operational events; • delays imposed by or resulting from compliance with laws, regulations or litigation, including limitations resulting from wastewater disposal, emission of GHGs and limitations on hydraulic fracturing; • environmental hazards, such as oil and natural gas leaks, oil spills, pipeline and tank ruptures and unauthorized discharges of brine, well stimulation and completion fluids, toxic gases or other pollutants into the surface and subsurface environment; • natural disasters; • personal injuries and death; • limited availability of financing at acceptable terms; • title problems; • adverse weather conditions; and • limitations in the market for oil and natural gas. We are not insured against all risks. Losses and liabilities arising from uninsured and underinsured events, including those operating risks listed above, could materially and adversely affect our business, financial condition or results of operations. We may elect not to obtain insurance for any or all of these risks if we believe that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on our business, financial condition and results of operations. Many of our properties are in areas that may have been partially depleted or drained by offset wells and certain of our wells may be adversely affected by actions other operators may take when drilling, completing, or operating wells that they own. Many of our properties are in areas that may have already been partially depleted or drained by earlier offset drilling. The owners of leasehold interests adjoining any of our properties could take actions, such as drilling and completing additional wells, which could adversely affect our operations. When a new well is completed and produced, the pressure differential in the vicinity of the well causes the migration of reservoir fluids toward the new wellbore (and potentially away from existing wellbores). As a result, the drilling and production of these potential locations could cause a depletion of our proved reserves and may inhibit our ability to further develop our proved reserves. In addition, completion operations and other activities conducted on adjacent or nearby wells could cause production from our wells to be shut in for indefinite periods of time, could result in increased lease operating expenses and could adversely affect the production and reserves from our wells after they re-commence production. We have no control over the operations or activities of offsetting operators. Part of our strategy involves using some of the latest available horizontal drilling and completion techniques, which involve risks and uncertainties in their application. Our operations involve utilizing some of the latest drilling and completion techniques as developed by us and our service providers. Risks that we face while drilling horizontal wells include: • landing a wellbore in the desired drilling zone ~~,~~ **;** • staying in the desired drilling zone while drilling horizontally through the formation **;** and • spacing the wells appropriately to maximize production rates and recoverable reserves. Risks that we face while completing wells include: • the ability to fracture stimulate the planned number of stages ~~,~~ **;** • the ability to run tools the entire length of the wellbore during completion operations **;** and • the ability to prevent unintentional communication with other wells. If our drilling results are less than anticipated, the return on our investment for a particular project may not be as attractive as anticipated, and we could incur material write- downs of unevaluated properties and the value of our undeveloped acreage could decline in the future. Our operations are substantially dependent on the availability of water. Restrictions on our ability to obtain water may have an adverse effect on our financial condition, results of operations and cash flows. Water is an essential component of deep shale oil and natural gas production during both the drilling and hydraulic fracturing processes. Drought conditions have persisted in Texas and New Mexico in past years. These drought conditions have led some local water districts to restrict the use of water subject to their jurisdiction for hydraulic fracturing to protect local water supplies. Where practicable, we strive to use recycled water for our hydraulic fracturing operations. If we are unable to obtain water from water suppliers or our recycling operations, it may need to be obtained from non- local sources and transported to drilling sites, resulting in increased costs, or we may be unable to economically drill for or produce oil and natural gas, each of which could have an adverse effect on our financial condition, results of operations and cash flows. Our ability to produce crude oil, natural gas and NGLs economically and in commercial quantities could be impaired if we are unable to acquire adequate supplies of water for our drilling operations or are unable to recycle or dispose of the produced water we produce in an economical and environmentally safe manner. Our operations could be impaired if we are unable to recycle or dispose of the water we produce in an economical and environmentally safe manner. Where practicable, we strive to recycle the produced water for our future oil and gas operations. Produced water that is not recycled generally gets disposed of in disposal wells that are operated by us or third- party contractors. Some studies have linked earthquakes or induced seismicity in certain areas to underground injection of produced water resulting from oil and gas activities, which has led to increased public and governmental scrutiny of injection safety. For instance, in response to concerns regarding induced seismicity, regulators in Texas have adopted new rules governing the permitting or re- permitting of wells used to dispose of produced water and other fluids resulting from the production of oil and gas. Among other things, these rules require companies seeking permits for disposal wells to provide seismic activity data in permit applications, provide for more frequent monitoring and reporting for certain wells and allow the state to modify, suspend or terminate permits on grounds that a disposal well is likely to be, or determined to be, causing seismic activity. Another consequence of water disposal activities and seismic events may be lawsuits alleging that disposal well operations have caused damage to neighboring properties or otherwise violated state and federal rules regulating waste disposal. These developments could result in additional regulation and restrictions on our use of injection wells or commercial disposal wells to dispose of produced water. Increased regulation and attention given to water disposal and induced seismicity could also lead to greater opposition, including litigation, to limit or prohibit oil and gas activities utilizing injection wells for produced water disposal. Any one or more of these developments may result in limitations on disposal well volumes, disposal rates and pressures or locations, require us or our vendors to shut down or curtail the injection into disposal wells, or cause delays, interruptions or termination of our operations, which events could have a material adverse effect on our business, financial condition and results of operations. Our producing properties are concentrated in the ~~Delaware Basin, a sub- basin of the~~ Permian Basin, making us vulnerable to risks associated with operating in a single geographic area. Our producing properties are geographically concentrated in **West Texas and New Mexico in** ~~the Delaware Basin, a sub- basin of~~ the Permian Basin ~~, primarily in West Texas and New Mexico~~ . At December 31, ~~2022~~ **2023** , all of our total estimated proved reserves were attributable to properties located in this area. As a result of this concentration, we may be disproportionately exposed to the impact of regional supply and demand factors, delays or interruptions of production from wells in this area caused by governmental regulation, processing or transportation capacity constraints, market limitations, availability of equipment and personnel, water shortages, regional power outages or other drought or extreme weather related conditions or interruption of the processing or transportation of oil, natural gas or NGLs. In addition, the effect of fluctuations on supply and demand may become more pronounced within specific geographic oil and natural gas producing areas such as the Permian Basin, which may cause these conditions to occur with greater frequency or magnify the effects of these conditions. Due to the concentrated nature of our portfolio of properties, a number of our properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on our results of operations than they might have on other companies that have a more diversified portfolio of properties. Such delays or interruptions could have a material adverse effect on our financial condition and results of operations. The marketability of our production is dependent upon transportation and other facilities, most of which we do not control. If these facilities are unavailable, or if we are unable to access these facilities on commercially reasonable terms, our operations could be interrupted and our revenues reduced. The marketability of our oil, natural gas and NGLs production depends in part upon the availability, proximity and capacity of transportation facilities owned by third parties. Our oil, natural gas and NGLs production is generally transported from the wellhead by gathering systems that are either owned by us or third- party midstream companies. In general, we do not control the transportation of our production and our access to transportation facilities may be limited or denied. In some instances, we have contractual guarantees relating to the transportation of our production through firm transportation arrangements, but third- party systems may be temporarily unavailable due to **pressure limitations,** market conditions, mechanical failures, accidents or other reasons. Insufficient production from our wells to support the construction of pipeline facilities by our purchasers or third- party midstream companies or a significant disruption in the availability of our or third- party transportation facilities or other production facilities could adversely impact our ability to deliver to market or produce our oil, natural gas and NGLs and thereby cause a significant interruption in our operations. If, in the future, we are unable, for any sustained period, to implement acceptable delivery or transportation arrangements, we may be required to shut in or curtail production or flare our natural gas. If we were required to shut- in wells, we might also be obligated to pay certain demand charges for gathering and processing services and firm transportation charges for pipeline capacity we have reserved. Any such shut- in or curtailment, or an inability to obtain favorable terms for delivery of the oil, natural gas and NGLs produced from our fields, would materially and adversely affect our financial condition and results of operations. We have entered into multi- year agreements with some of our suppliers, service providers and the purchasers of our oil and natural gas, which contain minimum volume commitments. Any failure by us to satisfy the minimum volume commitments could lead to contractual penalties that could adversely affect our results of operations and financial position. We have entered into certain multi- year supply and service agreements associated with energy **and frac sand** purchase agreements. We also have various multi- year agreements that relate to the sale, transportation or gathering of our oil and natural gas and may in the future enter into multi- year agreements for contracts for drilling rigs or other services. Some of these agreements contain minimum volume commitments that we must satisfy or contractual penalties in the form of volume deficiencies or other remedies may apply. As of December 31, ~~2022~~ **2023** , our aggregate long- term contractual obligation under these agreements was $ ~~48~~ **120** . ~~7~~ **4** million, which represents the gross minimum obligation but does not include amounts that may be due under certain contracts that contain variable pricing or volumetric components as the future obligations cannot be determined. Further information about these agreements can be found at Note 14 — Commitments and Contingencies under Part II, Item 8 of this Annual Report. Any failure by us to satisfy the minimum volume commitments in these agreements could adversely affect our results of operations and financial position. The unavailability or high cost of additional drilling rigs, equipment, supplies, personnel and oilfield services could adversely affect our ability to execute our development plans within our budget and on a timely basis. The demand for drilling rigs, pipe and other equipment and supplies, as well as for qualified and experienced field personnel to drill wells and conduct field operations, geologists, geophysicists, engineers and other professionals in the oil and natural gas industry, can fluctuate significantly, often in correlation with commodity prices, causing periodic shortages. In addition, to the extent our suppliers source their products or raw materials from foreign markets, the cost of such equipment could be impacted if the United States imposes tariffs on imported goods from countries where these goods are produced. We cannot predict whether these conditions will exist in the future and, if so, what their timing and duration will be. Such shortages or cost increases could delay or cause us to incur significant expenditures that are not provided for in our capital budget, which could have a material adverse effect on our business, financial condition or results of operations. We could experience periods of higher costs if commodity prices rise. These increases could reduce our profitability, cash flow and ability to complete development activities as planned. Historically, our capital and operating costs have risen during periods of increasing oil, natural gas and NGL prices. These cost increases result from a variety of factors beyond our control, such as increases in the cost of electricity, steel and other raw materials that we and our vendors rely upon; increased demand for labor, services and materials as drilling activity increases; and increased taxes. Such costs may rise faster than increases in our revenue as commodity prices rise, thereby negatively impacting our profitability, cash flows and ability to complete development activities as scheduled and on budget. This impact may be magnified to the extent that our ability to participate in the commodity price increases is limited by our derivative activities. We depend upon a small number of significant purchasers for the sale of most of our oil, natural gas and NGL production. We normally sell production to a relatively small number of customers, as is customary in our business. See Note 1 — Basis of Presentation and Summary of Significant Accounting Policies under Part II, Item 8 of this Annual Report for significant purchasers that accounted for more than 10 % of our revenues for the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ . The loss of any of our major purchasers could materially and adversely affect our revenues in the near- term. We may incur losses as a result of title defects in the properties in which we invest. The existence of a material title deficiency can render a lease worthless and can adversely affect our results of operations and financial condition. While we typically obtain title opinions prior to commencing drilling operations on a lease or in a unit, the failure of title may not be discovered until after a well is drilled, in which case we may lose the lease and the right to produce all or a portion of the minerals under the property. Multi- well pad drilling may result in volatility in our operating results. We utilize multi- well pad drilling where practical. Because wells drilled on a pad are not brought into production until all wells on the pad are drilled and completed and the drilling rig is moved from the location, multi- well pad drilling delays the commencement of production from a given pad, which may cause volatility in our operating results. In addition, problems affecting one pad could adversely affect production from all wells on such pad. As a result, multi- well pad drilling can cause delays in the scheduled commencement of production or interruptions in ongoing production. We may be unable to make attractive acquisitions or successfully integrate acquired businesses, and any inability to do so may disrupt our business and hinder our ability to grow. In the future we may make acquisitions of assets or businesses that complement or expand our current business. The successful acquisition of producing properties requires an assessment of several factors, including: • recoverable reserves; • future commodity prices and their applicable differentials; • operating costs; and • potential environmental and other liabilities. The accuracy of these assessments is inherently uncertain. In connection with these assessments, we perform a review of the subject properties that we believe to be generally consistent with industry practices. Our review will not reveal all existing or potential problems, nor will it permit us to become sufficiently familiar with the properties to fully assess their deficiencies and capabilities. Inspections may not always be performed on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, the seller may be unwilling or unable to provide effective contractual protection against all or part of the problems. We often are not entitled to contractual indemnification for environmental liabilities and acquire properties on an " as is " basis. The success of any completed acquisition will depend on our ability to integrate effectively the acquired business into our existing operations. The process of integrating acquired businesses 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 purchase prices higher than those paid for earlier acquisitions. No assurance can be given that we will be able to identify additional suitable 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 and results of operations. In addition, debt agreements impose certain limitations on our ability to enter into mergers or combination transactions and our ability to incur certain indebtedness, which could indirectly limit our ability to engage in acquisitions of businesses. A security interruption or failure with respect to our information technology systems could harm our ability to effectively operate our business. Our ability to effectively manage and operate our business depends significantly on information technology systems. The failure of these systems to operate effectively and support our operations, challenges in transitioning to upgraded or replacement systems, difficulty in integrating new or updated systems, or a breach in security of these systems could adversely impact the operations of our business. Any breach of our network may result in the loss of valuable business data, misappropriation of our customers' or employees' personal information, or a disruption of our business, which could harm our customer relationships and reputation, and result in lost revenues, fines or lawsuits. Moreover, we must comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data. Any failure to comply with these regulatory standards could subject us to legal and reputational risks. Misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against us by governmental entities or others, damage to our reputation and credibility, and could have a negative impact on revenues and profits. Risks Related to Our Derivative Transactions, Debt and Access to Capital Our derivative activities could result in financial losses or could reduce our earnings. We may enter into derivative instrument contracts for a portion of our oil and natural gas production from time to time. As of December 31, ~~2022~~ **2023** , we had entered into derivative contracts covering a portion of our projected oil and gas production through 2023 (refer to Note 8 — Derivative Instruments under Part II, Item 8 of this Annual Report for a summary of our derivative instruments as of December 31, ~~2022~~ **2023**). Accordingly, our earnings may fluctuate significantly as a result of changes in fair value of our derivative instruments. Derivative instruments also expose us to the risk of financial loss in some circumstances, including when: • production is less than the volume covered by the derivative instruments; • there is an increase in the differential between the underlying price in the derivative instrument and actual prices received; or • there are issues with regard to legal enforceability of such instruments. The use of derivatives may, in some cases, require the posting of cash collateral with counterparties. If we enter into derivative instruments that require cash collateral and commodity prices or interest rates change in a manner adverse to us, our cash otherwise available for use in our operations would be reduced, which could limit our ability to make future capital expenditures and make payments on our indebtedness, and which could also limit the size of OpCo' s borrowing base. Future collateral requirements will depend on arrangements with our counterparties, highly volatile commodity prices and interest rates. In addition, derivative arrangements could limit the benefit we would receive from increases in the prices for oil and natural gas, which could also have a material adverse effect on our financial condition. Our commodity derivative contracts expose us to risk of financial loss if a counterparty fails to perform under a contract. Disruptions in the financial markets could lead to sudden decreases in a counterparty' s liquidity, which could make the counterparty unable to perform under the terms of the contract, and we may not be able to realize the benefit of the contract. We are unable to predict sudden changes in a counterparty' s creditworthiness or ability to perform. Even if we accurately predict sudden changes, our ability to negate the risk may be limited depending upon market conditions. Since our production is not fully hedged, and we are also exposed to fluctuations in oil, natural gas and NGL prices as it relates to the price we receive from the sale of our unhedged volumes. We intend to continue to hedge a portion of our production, but we may not be able to do so at favorable prices. Accordingly, our revenues and cash flows are subject to increased volatility with regard to these unhedged volumes, and a decline in commodity prices could materially and adversely affect our business, financial condition and results of operations. Our leverage and debt service obligations may adversely affect our financial condition, results of operations, business prospects and our ability to make payments on our outstanding debt. As of December 31, ~~2022~~ **2023** , we had approximately $ ~~2~~ **3** . ~~1~~ **8** billion of total long- term debt and additional borrowing capacity of $ ~~1~~ **2** . ~~1~~ **0** billion under OpCo' s revolving credit facility (after giving effect to $ 5. ~~8~~ **7** million of outstanding letters of credit), all of which would be secured if borrowed. Subject to the restrictions in the instruments governing OpCo' s outstanding indebtedness (including OpCo' s revolving credit facility and senior notes), OpCo and its subsidiaries may incur substantial additional indebtedness (including secured indebtedness) in the future. Although the instruments governing OpCo' s outstanding indebtedness do contain restrictions on the incurrence of additional indebtedness, these restrictions will be subject to waiver and a number of significant qualifications and exceptions, and indebtedness incurred in compliance with these restrictions could be substantial. Our current and future level of indebtedness could affect our operations in several ways, including the following: • require us to dedicate a substantial portion of our cash flow from operations to service our existing debt, thereby reducing the cash available to finance our operations and other business activities; • limit management' s discretion in operating our business and our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; • increase our vulnerability to downturns and adverse developments in our business and the economy generally; • limit our ability to access the capital markets to raise capital on favorable terms or to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate or other expenses or to refinance existing indebtedness; • place restrictions on our ability to obtain additional financing, make investments, lease equipment, sell assets and engage in business combinations; • make it more likely that a reduction in OpCo' s borrowing base following a periodic redetermination could require OpCo to repay a portion of its then- outstanding bank borrowings; • make us vulnerable to increases in interest rates as the indebtedness under OpCo' s revolving credit facility may vary with prevailing interest rates; • place us at a competitive disadvantage relative to our competitors with lower levels of indebtedness in relation to their overall size or less restrictive terms governing their indebtedness; and • make it more difficult for OpCo to satisfy its obligations under its debt and increase the risk that we may default on its debt obligations. We may not be able to generate sufficient cash to service all of OpCo' s indebtedness and may be forced to take other actions to satisfy OpCo' s obligations under applicable debt instruments, which may not be successful. OpCo' s ability to make scheduled payments on or to refinance its indebtedness depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit OpCo to pay the principal, premium, if any, and interest on OpCo' s indebtedness. If our cash flows and capital resources are insufficient to fund debt service obligations, we may be forced to reduce or delay investments and capital expenditures, sell assets, seek additional capital or restructure or refinance indebtedness. Our ability to restructure or refinance OpCo' s indebtedness will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of indebtedness could be at higher interest rates and may require OpCo to comply with more onerous covenants, which could further restrict business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm OpCo' s ability to incur additional indebtedness. In the absence of sufficient cash flows and capital resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet debt service and other obligations. The agreements governing OpCo' s indebtedness restrict OpCo' s ability to dispose of assets and OpCo' s use of the proceeds from such disposition. OpCo may not be able to consummate those dispositions, and the proceeds of any such disposition may not be adequate to meet any debt service obligations then due. These alternative measures may not be successful and may not permit OpCo to meet scheduled debt service obligations. Restrictions in OpCo' s existing and future debt agreements could limit our growth and ability to engage in certain activities. OpCo' s credit agreement **with a syndicate of banks that provides for a five- year secured revolving credit facility, maturing in February 2027 (the " Credit Agreement ")** and the indentures governing its senior notes contain a number of significant covenants, including restrictive covenants that may limit OpCo' s ability to, among other things: • incur additional indebtedness; • make loans to others; • make investments; • merge or consolidate with another entity; • make certain payments; • hedge future production or interest rates; • incur liens; • sell assets; and • engage in certain other transactions without the prior consent of the lenders. In addition, OpCo' s ~~credit~~ **Credit** ~~agreement~~ **Agreement** requires us to maintain certain financial ratios or to reduce our indebtedness if we are unable to comply with such ratios. As of December 31, ~~2022~~ **2023** , we were in full compliance with such financial ratios and covenants. The restrictions in OpCo' s debt agreements may also limit our ability to obtain future financings to withstand a future downturn in our business or the economy in general, or to otherwise conduct necessary corporate activities. We may also be prevented from taking advantage of business opportunities that arise because of the limitations that the restrictive imposed on OpCo. If OpCo is unable to comply with the restrictions and covenants in the agreements governing its indebtedness, there could be a default under the terms of these agreements, which could result in an acceleration of payment of funds that OpCo has borrowed. Any default under the agreements governing OpCo' s indebtedness that is not cured or waived by the required lenders, and the remedies sought by the holders of any such indebtedness, could make OpCo unable to pay principal, premium, if any, and interest on such indebtedness. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on OpCo' s indebtedness, or if OpCo otherwise fails to comply with the various covenants, including financial and operating covenants, in the agreements governing OpCo' s indebtedness, OpCo could be in default under the terms of the agreements governing such indebtedness. In the event of such default: • the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest; • the lenders under OpCo' s revolving credit facility could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets; and • we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to obtain waivers under OpCo' s revolving credit facility to avoid OpCo being in default. If OpCo breaches the covenants under its revolving credit facility and seeks a waiver, OpCo may not be able to obtain a waiver from the required lenders. If this occurs, OpCo would be in default under the revolving credit facility, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation. Any significant reduction in the borrowing base under OpCo' s revolving credit facility as a result of the periodic borrowing base redeterminations or otherwise may negatively impact our ability to fund our operations. OpCo' s revolving credit facility limits the amounts OpCo can borrow up to a borrowing base amount, which the lenders, in their sole discretion, determine semiannually in the spring and fall. The borrowing base depends on, among other things, projected revenues from, and asset values of, the oil and natural gas properties securing the loan. The borrowing base will automatically be decreased by an amount equal to 25 % of the aggregate notional amount of permitted senior unsecured notes OpCo may issue in the future. The lenders can unilaterally adjust the borrowing base and the borrowings permitted to be outstanding under OpCo' s revolving credit facility. Any increase in the borrowing base requires the consent of the lenders holding 100 % of the commitments. In connection with amending the ~~credit~~ **Credit** ~~agreement~~ **Agreement** in connection with closing the **Earthstone** Merger, the elected commitments were increased to $ ~~1~~ **2** . ~~5~~ **0** billion. In the future, we may not be able to access adequate funding under OpCo' s revolving credit facility (or a replacement facility) as a result of a decrease in the borrowing base due to the issuance of new indebtedness, the outcome of a subsequent borrowing base redetermination or an unwillingness or inability on the part of lending counterparties to meet their funding obligations and the inability of other lenders to provide additional funding to cover the defaulting lender' s portion. Declines in commodity prices could result in a determination to lower the borrowing base in the future and, in such case, OpCo could be required to repay any indebtedness in excess of the redetermined borrowing base. As a result, we may be unable to implement our respective drilling and development plan, make acquisitions or otherwise carry out business plans, which would have a material adverse effect on our financial condition and results of operations and impair our ability to service OpCo' s indebtedness. If we experience liquidity concerns, we could face a downgrade in our debt ratings which could restrict our access to, and negatively impact the terms of, current or future financings or trade credit. Our ability to obtain financing and trade credit and the terms of any financing or trade credit is, in part, dependent on the credit ratings assigned to our debt by independent credit rating agencies. We cannot provide assurance that any of our current ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Factors that may impact our credit ratings include debt levels, planned asset purchases or sales and near- term and long- term production growth opportunities, liquidity, asset quality, cost structure, product mix and commodity pricing levels. A ratings downgrade could adversely impact our ability to access financings or trade credit and increase our borrowing costs. Increases in interest rates could adversely affect our business. Our business and operating results can be harmed by factors such as the availability, terms of and cost of capital, increases in interest rates or a reduction in credit rating. These changes could cause our cost of doing business to increase, limit our ability to pursue acquisition opportunities, reduce cash flow used for drilling and place us at a competitive disadvantage. ~~At December 31, 2022, we had $ 385. 0 million in borrowings outstanding under OpCo' s revolving credit facility. Interest is calculated under the terms of OpCo' s credit agreement.~~ Recent and continuing disruptions and volatility in the global financial markets may lead to an increase in interest rates or a contraction in credit availability impacting our ability to finance operations. We require continued access to capital. A significant reduction in cash flows from operations or the availability of credit could materially and adversely affect our ability to achieve our planned growth and operating results. Risks Related to Legislative and Regulatory Initiatives Climate change laws and regulations restricting emissions of GHGs could increase our costs and reduce demand for the oil and natural gas we produce, while potential physical effects of climate change could disrupt our production and cause us 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 around the world. Numerous proposals have been made and could continue to be made at the international, national, regional and state levels of government to monitor, limit, and report existing emissions of greenhouse gases ~~(" GHGs ")~~ as well as to reduce such future emissions. The ~~U. S. Securities and Exchange Commission ("~~ SEC ~~")~~ issued a proposed rule in March 2022 that would mandate disclosure of climate- related data, risks, and opportunities, including financial impacts, physical and transition risks, related governance and strategy, and GHG emissions, for certain public companies. The SEC originally planned to issue a final rule by October 2022, but ~~most commentators now expect~~ **according to the SEC' s updated rulemaking agenda,** a final rule **is now expected** to be issued in **the spring of** ~~2023~~ **2024** . In addition, in response to findings that emissions of carbon dioxide ~~(" CO2 ")~~ , methane and other GHGs present an endangerment to public health and the environment, the ~~U. S. Environmental Protection Agency ("~~ EPA ~~")~~ has adopted regulations pursuant to the CAA that, among other things, require Prevention of Significant Deterioration ~~(" PSD ")~~ preconstruction and Title V operating permits for certain large stationary sources. While the regulation of methane from oil and gas facilities in the U. S. has been subject to uncertainty in recent years, President Biden signed an executive order in January 20, 2021 calling for the reinstatement or issuance of methane emissions standards for new, modified, and existing oil and gas facilities. The EPA subsequently ~~proposed~~ **issued** new regulations to establish comprehensive standards of performance and emission guidelines for methane and volatile organic compound emissions from new and existing operations in the oil and gas sector, ~~but we~~ **which were finalized in December 2023. The EPA has also issued a proposed rule in July 2023 with a proposed effective date of January 1, 2025, to expand the scope of the EPA' s Mandatory Greenhouse Gas Reporting program and to update reporting requirements. We** cannot predict the scope of any final methane **or GHG** regulatory requirements or the cost to comply with such requirements. ~~The EPA has issued a supplemental proposed rule that is expected to be finalized in 2023.~~ In addition, the ~~Inflation Reduction Act of 2022 ("~~ IRA ~~")~~ , signed by President Biden in August 2022, provides significant funding and incentives for research and development of low- carbon energy production methods, carbon capture, and other programs directed at addressing climate change. The IRA also includes a methane emissions reduction program that amends the Clean Air Act to include a Methane Emissions and Waste Reduction Incentive Program for petroleum and natural gas systems. This program requires the EPA to impose a " waste emissions charge " on certain natural gas and oil sources that are already required to report under EPA' s Greenhouse Gas Reporting Program **. The EPA recently issued a proposed rule to implement the waste emissions charge with a proposed effective date in 2025 for reporting year 2024 emissions** . Compliance with these rules and legislation will likely require enhanced record- keeping practices, the purchase of new equipment, such as optical gas imaging instruments to detect leaks, increased frequency of maintenance and repair activities to address emissions leakage and additional personnel time to support these activities or the engagement of third- party contractors to assist with and verify compliance. A separate executive order targeting climate change was issued by President Biden in January 2021, which directed the Secretary of the Interior to pause new oil and natural gas leasing on public lands and in offshore waters pending completion of a comprehensive review of the federal permitting and leasing practices, consider whether to adjust royalties associated with coal, oil, and gas resources extracted from public lands and offshore waters and identify any " fossil fuel subsidies " to take steps to ensure that federal funding is not directly subsidizing fossil fuels. Legal challenges to the executive orders have been filed. A federal district court issued a preliminary injunction against the order in June 2021, which the Fifth U. S. Circuit Court of Appeals vacated and remanded back to the district court in August 2022. The federal district court subsequently issued a permanent injunction against the order in August 2022, limited to the thirteen Plaintiff states, which included Louisiana, Alabama, Alaska, Arkansas, Georgia, Mississippi, Missouri, Montana, Nebraska, Oklahoma, Texas, Utah, and West Virginia. In November 2022, the ~~Bureau of Land Management ("~~ BLM ~~")~~ also issued a proposed rule to reduce the waste of natural gas from venting, flaring, and leaks during oil and gas production activities on federal and American Indian leases. We cannot predict the scope of any resulting legislation or new regulations, which may, in turn, affect our business. At the international level, the United Nations- sponsored Paris Agreement, a non- binding agreement of which the U. S. is a signatory, encourages nations to limit their GHG emissions through nationally- determined reduction goals every five years after 2020. President Biden announced in April 2021 a new, more rigorous nationally determined emissions reduction level of 50 % to 52 % from 2005 levels in economy- wide net GHG emissions by 2030. Moreover, the international community gathered again in Glasgow in November 2021 at the ~~26th Conference of the Parties ("~~ COP26 ~~")~~ , during which multiple announcements were made, including a call for parties to eliminate certain fossil fuel subsidies and pursue further action on non- CO2 GHGs. Relatedly, the United States and European Union jointly announced at COP26 the launch of a Global Methane Pledge, an initiative which over 150 counties have joined since, committing to a collective goal of reducing global methane emissions by at least 30 % from 2020 levels by 2030, including " all feasible reductions " in the energy sector. These goals were reaffirmed in November 2022 at the COP27 **in Sharm- El Sheik. While there were limited announcements at COP27 with respect to the reduction of fossil fuel use, there were negotiations on emissions reduction targets and reduction of fossil fuel use amongst the international community, and such discussions continued at COP28 in Dubai** . The impacts of these orders, pledges, agreements and any legislation or regulation promulgated to fulfill the United States' commitments under the Paris Agreement, the Global Methane Pledge, or other international conventions cannot be predicted at this time. Please refer to Regulation of the Oil and Natural Gas Industry in Item 1 for further discussion on the topics referenced above and additional information on existing and proposed laws, regulations, treaties and international pledges intended to address GHGs and other climate change issues. Existing and future laws and regulations relating to climate change and GHG emissions could increase our costs, reduce demand for our products, limit our growth opportunities, impair our ability to develop our reserves and have other adverse effects on our business. Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing as well as governmental reviews of such activities could result in increased costs and additional operating restrictions or delays in the completion of oil and natural gas wells and adversely affect our production. Hydraulic fracturing is an important and common practice that is used to stimulate production of oil and / or natural gas from dense subsurface rock formations. The hydraulic fracturing process involves the injection of water, proppants and chemicals under pressure into targeted subsurface formations to fracture the surrounding rock and stimulate production. We regularly use hydraulic fracturing as part of our operations. Hydraulic fracturing is typically regulated by state oil and natural gas commissions, but the EPA and other federal agencies have asserted regulatory authority over aspects of the process. In addition, Congress has from time to time considered legislation to provide for federal regulation of hydraulic fracturing under the Safe Drinking Water Act (" SDWA ") and to require disclosure of the chemicals used in the hydraulic fracturing process. It is unclear how any additional federal regulation of hydraulic fracturing activities may affect our operations. Certain governmental reviews are either underway or being proposed that focus on environmental aspects of hydraulic fracturing practices. The White House Council on Environmental Quality is coordinating an administration- wide review of hydraulic fracturing practices. Additionally, in December 2016, the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources. The EPA report concluded that hydraulic fracturing activities have not led to widespread, systemic impacts on drinking water resources in the United States, although there are above- and- below ground mechanisms by which hydraulic fracturing activities have the potential to impact drinking water resources. To date, EPA has taken no further action in response to the December 2016 report. Other governmental agencies, including the United States Department of Energy and the United States Department of the Interior, are evaluating various other aspects of hydraulic fracturing. These completed, ongoing, or proposed studies could spur initiatives to further regulate hydraulic fracturing under the federal SDWA or other regulatory mechanisms. **Additionally, from time to time, legislation has been introduced, but not enacted, in Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process.** At the state level, several states have adopted or are considering legal requirements that could impose more stringent permitting, disclosure and well construction requirements on hydraulic fracturing activities. For example, in May 2013, the Railroad Commission of Texas issued a " well integrity rule, " which updates the requirements for drilling, putting pipe down and cementing wells. The rule also includes new testing and reporting requirements, such as (i) the requirement to submit cementing reports after well completion or after cessation of drilling, whichever is later, and (ii) the imposition of additional testing on wells less than 1, 000 feet below usable groundwater. The well integrity rule took effect in January 2014. Local governments also may seek to adopt ordinances within their jurisdictions regulating the time, place and manner of drilling activities in general or hydraulic fracturing activities in particular. State and federal regulatory agencies have also recently focused on a possible connection between the operation of injection wells used for natural gas and oil waste disposal and seismic activity. Increased regulation and attention given to induced seismicity could lead to greater opposition to, and litigation concerning, production or development activities utilizing hydraulic fracturing or injection wells for waste disposal, which could indirectly impact our business, financial condition and results of operations. We believe that we follow applicable standard industry practices and legal requirements for groundwater protection in our hydraulic fracturing activities. Nonetheless, if new or more stringent federal, state or local legal restrictions relating to the hydraulic fracturing process are adopted in areas where we operate, we could incur potentially significant added costs to comply with such requirements, experience delays or curtailment in the pursuit of development activities, and perhaps even be precluded from drilling wells. Conservation measures, technological advances and negative shift in market perception toward the oil and natural gas industry could reduce demand for oil and natural gas. Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, technological advances in fuel economy and energy generation devices, including as a result of the renewable energy incentives contained in the IRA, could reduce demand for oil and natural gas. Additionally, the increased competitiveness of alternative energy sources (such as electric vehicles, wind, solar, geothermal, tidal, fuel cells and biofuels) could reduce demand for oil and natural gas and, therefore, our revenues. Certain segments of the investor community have recently expressed negative sentiment towards investing in the oil and natural gas industry. Recent equity returns in the sector versus other industry sectors have led to lower oil and natural gas representation in certain key equity market indices. Some investors, including certain pension funds, university endowments and family foundations, have stated policies to reduce or eliminate their investments in the oil and natural gas sector based on social and environmental considerations. Furthermore, certain other stakeholders have pressured commercial and investment banks to stop funding oil and gas projects. The impact of the changing demand for oil and natural gas, together with a change in investor sentiment, may have a material adverse effect on our business, financial condition, results of operations and cash flows. Our operations may be exposed to significant delays, costs and liabilities as a result of environmental and occupational health and safety requirements applicable to our business activities. Our operations are subject to stringent, complex and evolving federal, state and local laws and regulations governing the discharge of materials into the environment, health and safety aspects of our operations or otherwise relating to ~~environmental~~ protection **of the environment and natural resources (including threatened and endangered species and their habitats)** . These laws and regulations may impose numerous obligations applicable to our operations, including the acquisition of a permit or other approval before conducting regulated activities; the restriction of types, quantities and concentration of materials that can be released into the environment **; the requirement to engage in remedial measures to prevent or mitigate pollution from former and ongoing operations, such as requirements to close pits and plug abandoned wells** ; the limitation or prohibition of drilling activities on certain lands lying within wilderness, wetlands and other protected areas; the application of specific health and safety criteria addressing worker protection; and the imposition of substantial liabilities for pollution resulting from our operations. Numerous governmental authorities, such as the EPA and analogous state agencies, have the power to enforce compliance with these laws and regulations and the permits issued under them. Such enforcement actions often involve taking difficult and costly compliance measures or corrective actions. Failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil or criminal penalties, natural resource damages, the imposition of investigatory or remedial obligations, and the issuance of orders limiting or prohibiting some or all of our operations. In addition, we may experience delays in obtaining, or be unable to obtain, required permits, which may delay or interrupt our operations and limit our growth and revenue. Certain environmental laws impose strict joint and several liability for costs required to remediate and restore sites where hazardous substances, hydrocarbons or solid wastes have been stored or released. We may be required to remediate contaminated properties currently or formerly operated by us or facilities of third parties that received waste generated by our operations regardless of whether such contamination resulted from the conduct of others or from consequences of our own actions that were in compliance with all applicable laws at the time those actions were taken. In connection with certain acquisitions, we could acquire, or be required to provide indemnification against, environmental liabilities that could expose us to material losses. In addition, claims for damages to persons or property, including natural resources, may result from the environmental, health and safety impacts of our operations. Our insurance may not cover all environmental, health and safety risks and costs or may not provide sufficient coverage if an environmental, health and safety claim is made against us. Moreover, public interest in the protection of the environment and human health has increased dramatically in recent years. The trend of more expansive and stringent environmental legislation and regulations applied to the crude oil and natural gas industry could continue, resulting in increased costs of doing business and consequently affecting profitability. In the states of New Mexico and Texas, as an example, governmental authorities are investigating the practice of flaring natural gas and it is possible that such states could implement additional volumetric or other restrictions on this practice which may require us to curtail or shut in production which otherwise is or would be flared due to the unavailability of acceptable delivery, transportation or processing arrangements. To the extent laws are enacted or other governmental action is taken that restricts drilling or imposes more stringent and costly operating, waste handling, disposal and cleanup requirements, our business, prospects, financial condition or results of operations could be materially adversely affected. Restrictions on drilling activities intended to protect certain species of wildlife may adversely affect our ability to conduct drilling activities in areas where we operate. Oil and natural gas operations in our operating areas may be adversely affected by seasonal or permanent restrictions on drilling activities designed to protect various wildlife. Seasonal restrictions may limit our ability to operate in protected areas and can intensify competition for drilling rigs, oilfield equipment, services, supplies and qualified personnel, which may lead to periodic shortages when drilling is allowed. These constraints and the resulting shortages or high costs could delay our operations or materially increase our operating and capital costs. Permanent restrictions imposed to protect endangered or threatened species and their habitats could prohibit drilling in certain areas or require the implementation of expensive mitigation measures. The designation of previously unprotected species in areas where we operate as threatened or endangered could cause us to incur increased costs arising from species protection measures or could result in limitations on our activities that could have a material and adverse impact on our ability to develop and produce our reserves. A negative shift in investor sentiment towards the oil and natural gas industry and increased attention to environmental, social and governance (“ ESG ”) and conservation matters may adversely impact our business. Increasing attention to climate change and natural capital, societal expectations on companies to address climate change, investor and societal expectations regarding voluntary ESG initiatives and disclosures, and consumer demand for alternative sources of energy may result in increased costs (including but not limited to increased costs associated with compliance, stakeholder engagement, contracting, and insurance), reduced demand for our products and our product and services, reduced profits, increased legislative and judicial scrutiny, investigations and litigation, and negative impacts on our stock price and access to capital markets. Increasing attention to climate change and environmental conservation, for example, may result in demand shifts for our products and additional governmental investigations and private litigation against us. To the extent that societal pressures or political or other factors are involved, it is possible that liability could be imposed on us without regard to our causation of or contribution to the asserted damage, or to other mitigating factors. Voluntary disclosures regarding

ESG matters, as well as any ESG disclosures mandated by law, could result in private litigation or government investigation or enforcement action regarding the sufficiency or validity of such disclosures. In addition, failure or a perception (whether or not valid) of failure to implement ESG strategies or achieve ESG goals or commitments, including any GHG reduction or neutralization goals or commitments, could result in governmental investigations or enforcement, private litigation and damage our reputation, cause our investors or consumers to lose confidence in our Company, and negatively impact our operations. Moreover, while we may create and publish disclosures regarding ESG matters, many of the statements in those disclosures may be on hypothetical expectations and assumptions that may or may not be representative of current or actual risks or events or forecasts of expected risks or events, including the costs associated therewith. Such expectations and assumptions are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of an established single approach to identifying and measuring many ESG matters. Such disclosures may also be partially reliant on third- party information that we have not or cannot independently verify. Additionally, we expect there will likely be increasing levels of regulation, disclosure- related and otherwise, with respect to ESG matters, and increased regulation will likely lead to increased compliance costs as well as scrutiny that could heighten all of the risks identified in this risk factor. In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings and recent activism directed at shifting funding away from companies with energy- related assets could lead to increased negative investor sentiment toward us and to the diversion of investment to other industries, which could have a negative impact on our stock price and our or our access to and costs of capital. Also, institutional lenders may, of their own accord, decide not to provide funding for fossil fuel industry companies based on climate change, natural capital, or other ESG related concerns, which could affect our or our access to capital for potential growth projects. Moreover, to the extent ESG matters negatively impact our or the fossil fuel industry' s reputation, we may not be able to compete as effectively to recruit or retain employees, which may adversely affect our operations. **Any restrictions on oil and natural gas development on federal lands has the potential to adversely impact our operations. We possess leases which are granted by the federal government and administered by the BLM, a federal agency. Operations we conduct on federal leases must comply with numerous additional statutory and regulatory restrictions. These leases contain relatively standardized terms requiring compliance with detailed regulations. Under certain circumstances, the BLM may require operations on federal leases to be suspended or terminated. Any such suspension or termination of our leases could adversely impact the results of our operations. The Biden administration has proposed certain changes to the leasing and permitting programs for oil and natural gas development on federal lands, including imposing bans on new oil and gas leasing, cancelling issued oil and gas leases, and removing public lands from future oil and gas leasing. For example, on June 2, 2023, the Biden administration issued a 20- year ban on new oil and gas leasing within a 10- mile radius of Chaco Culture National Historical Park in Northern New Mexico. Additionally, on September 6, 2023, the Biden administration announced that it is cancelling issued leases for oil and gas in the Arctic National Wildlife Refuge designated for oil and gas development. While we cannot predict the ultimate impact of these changes or whether federal agencies will implement further reforms, any revisions to the federal leasing or permitting process that make it more difficult for us to pursue operations on federal lands may adversely impact our operations. In addition to administrative and policy risks, operations on federal lands also face litigation risks. Ongoing litigation related to the federal oil and gas leasing program may impact our federal oil and gas leases, which in turn could impact our results of operations. For example, a June 2022 settlement approved by a federal district court in Washington, D. C., obligates the BLM to redo its environment reports under NEPA for all oil and gas leases sold between 2015 and 2020, including leases in New Mexico. The settlement stems from a 2016 lawsuit alleging that the BLM was not properly accounting for the cumulative climate impacts of its federal leasing program. Separately, there is a risk that authorizations required for existing operations may be delayed to the point that it causes a business disruption, and we cannot guarantee that further action will not be taken to curtail oil and natural gas development on federal land. For example, certain lawmakers have proposed to reduce or ban further leasing on federal lands or to adopt further restrictions for same. To the extent such legislation is passed, it may adversely impact our operations, which could negatively impact our financial performance.** Tax laws and regulations may change over time, and any such changes could adversely affect our business and financial condition. From time to time, legislation has been proposed that, if enacted into law, would make significant changes to U. S. federal and state income tax laws affecting the oil and natural gas industry, including (i) eliminating the immediate deduction for intangible drilling and development costs, (ii) the repeal of the percentage depletion allowance for oil and natural gas properties and (iii) an 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. These proposed changes in the U. S. tax law, if adopted, or other similar changes that would impose additional tax on our activities or reduce or eliminate deductions currently available with respect to natural gas and oil exploration, development or similar activities, could adversely affect our business, results of operations, financial condition and cash flow. Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect our business, investments and results of operations. We are subject to laws, regulations and rules enacted by national, regional and local governments and NYSE. In particular, we are required to comply with certain SEC, NYSE and other legal or regulatory requirements. Compliance with, and monitoring of, applicable laws, regulations and rules may be difficult, time consuming and costly. Those laws, regulations and rules and their interpretation and application may also change from time to time and those changes could have a material adverse effect on our business, investments and results of operations. In addition, a failure to comply with applicable laws, regulations and rules, as interpreted and applied, could have a material adverse effect on our business and results of operations **.** Risks Related to Our Common Stock and Capital Structure A negative shift in investor sentiment towards the oil and gas industry could adversely affect our ability to raise equity and debt capital. Certain segments of the investor community have recently developed negative sentiment towards investing in the oil and gas industry. Over the past years, equity returns in the sector versus other industry sectors have led to lower oil and gas representation in certain key equity market indices. Some investors, including certain institutional investors, private equity companies, pension funds, university endowments and family foundations have stated policies to reduce or eliminate their investments in the oil and gas sector based on social and environment considerations. Certain other stakeholders have pressured commercial and investment banks to stop funding oil and gas projects. Such developments could result in downward pressure on the stock prices of oil and gas companies, including ours. This may also result in a reduction of available capital funding for potential development projects, further impacting our future financial results. Our principal stockholders hold substantial voting power of our outstanding voting common stock. Holders of our Class A Common Stock and Class C Common Stock vote together as a single class on all matters presented to our stockholders for their vote or approval, except as otherwise required by applicable law or our Fourth Amended and Restated Certificate of Incorporation, as amended (the " Charter "). As of December 31, ~~2022~~ **2023** ~~, NGP Energy Capital (" NGP ")~~ , Pearl Energy Investments (" Pearl ") ~~and~~ **, EnCap Partners GP, LLC (" EnCap "),** Riverstone Investment Group LLC (" Riverstone ") **and NGP Energy Capital (" NGP ")** beneficially own approximately ~~21~~ **12** %, ~~16~~ **10** % **, 7 %** and ~~13~~ **6** %, respectively, of our voting interests and, along with their affiliates, could limit the ability of our other stockholders to approve transactions they may deem to be in the best interests of our Company or delay or prevent changes in control or changes in our management. ~~Under the Charter, prior to the first date on which investment funds affiliated with Riverstone, Pearl and NGP and their respective successors and affiliates cease to collectively have beneficial ownership (directly or indirectly) of more than 50 % of our outstanding shares of common stock, any action required to be taken at any annual or special meeting of our stockholders, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, is approved in advance by our board of directors and is signed by the holders of outstanding shares of common stock having at least the minimum number of votes required to take such action. Thus, written consents of this type can be effected without the participation or input of minority stockholders.~~ As long as **Pearl, EnCap, Riverstone and** NGP ~~, Pearl and Riverstone~~ continue to own or control a significant percentage of outstanding voting power, they may have the ability to strongly influence all corporate actions requiring stockholder approval, including the election and removal of directors and the size of our board of directors, any amendment of our Charter or our second amended and restated bylaws (the " Bylaws "), or the approval of any merger or other significant corporate transaction, including a sale of substantially all of our assets. In addition, **Pearl, EnCap, Riverstone and** NGP ~~, Pearl and Riverstone~~ and their respective affiliates may, from time to time, acquire interests in businesses that directly or indirectly compete with our business, as well as businesses that are significant existing or potential acquisition candidates or industry partners. They may also acquire or seek to acquire assets that we seek to acquire and, as a result, those acquisition opportunities may not be available to us or may be more expensive for us to pursue. Moreover, this concentration of stock ownership by our significant stockholders may also adversely affect the trading price of our common stock to the extent investors perceive a disadvantage in owning stock of a company with stockholders who own such a significant percentage of our voting securities. There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock. We are not restricted from issuing additional shares of common stock, including securities that are convertible into or exchangeable for, or that represent a right to receive, common stock. Any issuance of additional shares of our common stock or convertible securities will dilute the ownership interest of our common stockholders. Sales of a substantial number of shares of our common stock or other equity- related securities in the public market, or the perception that these sales could occur, could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our common stock or other equity- related securities would have on the market price of ~~our common stock. As a result of the Merger, we issued 269. 3 million shares our Class C common stock and an equal number of common units in OpCo, which are redeemable or exchangeable on a one- for- one basis for shares of our Class A Common Stock at the election of the holder for no additional consideration, to former Colgate stockholders, including NGP and Pearl. In connection with the closing of the Merger, these stockholders agreed to a lock- up period associated with the shares and units they received in the Merger that expires on March 1, 2023. Thereafter, these stockholders may decide not to hold the shares and units and these sales (or the perception that these sales may occur) could have the effect of depressing the market price for our common stock. In addition, pursuant to the Registration Rights Agreement we entered into with NGP and Pearl at the closing of the Merger, at either of their election, we are required to assist them in a secondary offering of the sale of the securities they received in the Merger. Any such sales of shares and units by NGP or Pearl, or expectations thereof, could similarly have the effect of depressing the market price for~~ our common stock. The declaration of dividends and any repurchases of our common stock are each within the discretion of our board of directors based upon a review of relevant considerations, and there is no guarantee that we will pay any dividends on or repurchase shares of our common stock in the future or at levels anticipated by our stockholders. Dividends, whether fixed or variable, and stock repurchases are authorized and determined by our board of directors in its sole discretion and depend upon a number of factors, including the Company' s financial results, cash requirements and future prospects, restrictions in our debt agreements, as well as such other factors deemed relevant by our board of directors. In September 2022 at the closing of the **Colgate** Merger, we announced an upsized $ 500 million stock repurchase program, but this repurchase program may be suspended from time to time, modified, extended or discontinued by our board of directors at any time. Similarly, any dividends, whether fixed or variable, we may declare in the future will be determined by our board of directors in its sole discretion. Any elimination of, or downward revision in, our stock repurchase program or dividend policy could have an adverse effect on the market price of our common stock. Provisions contained in our Charter and Bylaws, as well as provisions of Delaware law, could impair a takeover attempt, which may adversely affect the market price of our Common Stock. Our

Charter and Bylaws contain provisions that could have the effect of delaying or preventing changes in control or changes in our management without the consent of our board of directors. These provisions include: • a classified board of directors, with only approximately one- third of our board of directors elected each year; • no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates; • the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death, or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors; • the ability of our board of directors to determine whether to issue shares of our preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer; • ~~subject to the limited exception available while investment funds affiliated with Riverstone, Pearl and NGP and their respective successors and affiliates continue to collectively own more than 50 % of our outstanding shares of common stock; •~~ a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders; • the requirement that an annual meeting of stockholders may be called only by the chairman of the board of directors, the chief executive officers, or the board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; • limiting the liability of, and providing indemnification to, our directors and officers; • controlling the procedures for the conduct and scheduling of stockholder meetings; • providing that directors may be removed prior to the expiration of their terms by stockholders only for cause; and • advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer' s own slate of directors or otherwise attempting to obtain control of the Company. These provisions, alone or together, could delay hostile takeovers and changes in control of the Company or changes in our board of directors and management. As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents some stockholders holding more than 15 % of our outstanding voting common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding voting common stock. Any provision of our Charter or Bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their securities and could also affect the price that some investors are willing to pay for our securities. The Charter designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for substantially all actions and proceedings that may be initiated by stockholders, which could limit shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents. Our Charter provide that, unless we consent in writing to the selection of an alternative forum, the (i) Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (A) any derivative action or proceeding brought on our behalf, (B) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our shareholders, (C) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, the Charter or our Bylaws or (D) any action asserting a claim against us that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein; and (ii) subject to the foregoing, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act, including all causes of action asserted against any defendant to such complaint. In the event the Delaware Court of Chancery lacks subject matter jurisdiction, then the sole and exclusive forum for such action or proceeding shall be the federal district court for the District of Delaware. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have received notice of and consented to the foregoing forum selection provision. This provision may limit our shareholders' ability to bring a claim in a judicial forum that they find favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits. Alternatively, if a court were to find this choice of forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect its business, financial condition, prospects, or results of operations. Risks Related to the **Earthstone** Merger **We may be unable to integrate the business of the Company and Earthstone successfully or realize the anticipated benefits of the Earthstone Merger.** The **Earthstone** ~~failure to integrate our businesses and operations with those of Colgate successfully in the expected time frame may adversely affect our future results. The~~ Merger involved the combination of two companies that ~~previously~~ operated as independent **public** companies **until November 1, 2023** . ~~It~~ **The combination of two independent businesses** is **complex, costly and time consuming, and we will be required to continue to devote significant management attention and resources to integrating the business practices and operations of Earthstone into the Company. Potential difficulties that we may encounter as part of the integration process include the following: • the inability to successfully combine the business of the Company and Earthstone in a manner that permits the combined company to achieve, on a timely basis, or at all, the enhanced revenue opportunities and cost savings and other benefits anticipated to result from the Earthstone Merger; • complexities associated with managing the combined businesses, including difficulty addressing** possible **differences in operational philosophies and the challenge of integrating complex systems, technology, networks and other assets of each of the companies in a seamless manner** that **minimizes any adverse impact on customers, suppliers,** ~~the ongoing process of integrating the two businesses could result in the loss of key~~ employees ~~,~~ **and** ~~the~~ **other** ~~disruption of the business, inconsistencies~~ --- **constituencies** ~~in standards, controls, procedures~~ **; • the assumption of contractual obligations with less favorable or more restrictive terms;** and **•** ~~policies,~~ potential unknown liabilities ~~,~~ **and** unforeseen **increased** expenses **associated with the Earthstone Merger. Any of these issues could adversely affect** ~~or~~ **our** ~~delays~~ **ability to maintain relationships with customers, suppliers, employees and other constituencies,** ~~or~~ **our** ~~higher~~ **ability to achieve the anticipated benefits of the**

Earthstone Merger, our earnings or our business and financial results following the Earthstone Merger. The financial forecasts disclosed in connection with the announcement of the Earthstone Merger are based on various assumptions that may not be realized. The financial estimates disclosed in connection with the announcement of the Earthstone Merger were based on assumptions of, and information available to, our management when prepared, and these estimates and assumptions are subject to uncertainties, many of which are beyond our control and may not be realized. Many factors will be important in determining the Company' s future results following the Earthstone Merger. As a result of these contingencies, actual future results may vary materially from our estimates. In view of these uncertainties, these financial estimates should not be viewed as a representation that the forecasted results will necessarily reflect actual future results. Our financial estimates were not prepared with a view toward public disclosure, and such financial estimates were not prepared with a view toward compliance with published guidelines of any regulatory or professional body. Further, any forward - **looking statement speaks only as of the date on which it is made, and we do not undertake any obligation, other** than ~~-~~**as required by applicable law, to update the financial estimates to reflect events or circumstances after the date those financial estimates were prepared or to reflect the occurrence of anticipated or unanticipated events or circumstances. The synergies attributable to the Earthstone Merger may vary from expectations. We may fail to realize the anticipated benefits and synergies** expected **from the Earthstone Merger, which could adversely affect the Company' s business, financial condition and results of operations. The success of the Earthstone Merger will depend, in significant part, on the Company' s ability to successfully** ~~integration~~ **integrate** ~~costs~~ **the acquired business, grow the revenue of the Company and realize the anticipated strategic benefits and synergies from the acquisition. We believe that the acquisition will provide operational and financial scale, increasing free cash flow** and an ~~overall integration process that~~ **enhanced corporate rate of return. However, achieving these goals requires, among other things, realization of the targeted cost synergies expected from the Earthstone Merger. This growth and the anticipated benefits of the transaction may not be realized fully or at all, or may** ~~takes~~ - **take** longer **to realize** than ~~originally~~ **expected. Actual operating, technological, strategic and revenue opportunities, if achieved at all, may be less significant than expected or may take longer to achieve than** anticipated. If we are not able to **achieve these objectives** ~~adequately address integration challenges, we may be unable to successfully integrate operations~~ and **realize** the anticipated benefits ~~of~~ **and synergies expected from** the ~~integration plan~~ **Earthstone Merger within the anticipated timing or at all, our business, financial condition and results of operations** may ~~not~~ be ~~realized. An inability to realize the full extent of the anticipated benefits of the Merger, as well as any delays encountered in the integration process, could have an adverse~~ **adversely affected** ~~effect upon our revenues, level of expenses and operating results, which could have an adverse effect on the market price of our common stock~~ . ~~Colgate was not a U. S. public reporting company and the obligations associated with integrating it into a public company may require significant resources and management attention. Prior to the consummation of the Merger, Colgate was a private company that was not subject to reporting requirements and did not have accounting personnel specifically employed to review internal controls over financial reporting. In connection with integrating its business and assets into our public company, the Colgate business will become subject to the rules and regulations established from time to time by the United States Securities and Exchange Commission and NYSE. In addition, as a public company, we are required to document and test our internal controls over financial reporting pursuant to Section 404 (b) of the Sarbanes- Oxley Act of 2002, so that our management can certify as to the effectiveness of our internal control over financial reporting in connection with the annual report. Colgate' s business will be required to be included in the scope of our internal control over financial reporting in the annual report to be filed with the SEC for the fiscal year following the fiscal year in which the Merger are consummated and thereafter, which requires us to make and document significant changes to our internal controls over financial reporting. Bringing Colgate' s business into compliance with these rules and regulations and integrating the Colgate assets into our current compliance and accounting system may increase our legal and financial compliance costs, make some activities more difficult, time- consuming or costly and increase demand on our systems and resources.~~