**Risk Factors Comparison 2024-02-22 to 2023-02-23 Form: 10-K**

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

The Company' s operations and financial results are subject to various risks and uncertainties, including but not limited to those described below. Other risks are described in" Item 1. Business — Competition, Markets and Regulations,"" Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations" and" Item 7A. Quantitative and Qualitative Disclosures About Market Risk." The Company' s business could also be affected by additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial. If any of these risks actually occur, it could materially harm the Company' s business, financial condition or results of operations or impair the Company' s ability to implement business plans or complete development activities as scheduled. In that case, the market price of the Company' s common ~~stock~~ **shares** could decline. The following risk factors are summarized as general business and industry; operational; financial; health, safety and environmental; ~~and~~ regulatory **; and merger related** . General Business and Industry Risks • The **prices of** ~~COVID- 19 pandemic and related developments in the global~~ oil ~~markets have had~~ , **NGLs** and ~~depending on~~ **gas are highly volatile. A sustained decline in** ~~the~~ **these commodity prices could** ~~progression of the pandemic, may continue to have, material~~ **materially and** ~~adverse~~ **adversely** ~~consequences for general economic,~~ **affect the Company' s** business ~~and industry conditions and for the Company' s operations~~ , financial condition ~~,~~ **and** results of operations ~~, cash flows and liquidity and those of its purchasers, suppliers and other counterparties~~ . • Declining general economic, business or industry conditions could have a material adverse effect on the Company' s results of operations ~~. • The Company may be unable to make attractive acquisitions and any acquisition it completes is subject to substantial risks that could materially and adversely affect its business. • The Company' s ability to complete dispositions of assets or sell partial interests in assets may be subject to factors beyond its control, and in certain cases, the Company may be required to retain liabilities for certain matters~~ . • The Company' s operations and drilling activity are concentrated in the Midland Basin of West Texas; such concentration makes the Company vulnerable to risks associated with operating in a limited geographic area. • The Company may not be able to obtain access on commercially reasonable terms or otherwise to gathering systems, pipelines and other processing, fractionation, refining, storage, transportation and export facilities to market its oil, NGL and gas production. • The Company relies on a limited number of purchasers for a majority of its products. • The refining industry and export facilities may be unable to absorb U. S. oil production, and the ability to export oil is subject to suspension; in any such case, the resulting surplus could depress prices and restrict the availability of markets. • Estimates of proved reserves and future net cash flows are not precise. The actual quantities and net cash flows of the Company' s proved reserves may prove to be lower than estimated. • Because the Company' s producing wells decline continually over time, the Company will need to mitigate these declines through drilling and production enhancement initiatives and / or acquisitions. • A portion of the Company' s total estimated proved reserves as of December 31, ~~2022~~ **2023** were undeveloped, and those proved reserves may not ultimately be developed. • The Company faces significant competition and some of its competitors have resources in excess of the Company' s available resources. • The Company' s business could be materially and adversely affected by security threats, including cybersecurity threats, and other disruptions ~~. • Provisions of the Company' s charter documents and Delaware law may inhibit a takeover, which could limit the price investors might be willing to pay in the future for the Company' s common stock~~ . Operational Risks • The Company' s operations involve many operational risks, some of which could result in unforeseen interruptions to the Company' s operations and substantial losses to the Company for which the Company may not be adequately insured. • Exploration and development drilling involve substantial costs and risks and may not result in commercially productive reserves. • Part of the Company' s strategy involves using some of the latest available horizontal drilling and completion techniques, which involve risks and uncertainties in their application. • The Company' s expectations for future drilling activities will be realized over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of such activities. • ~~Multi- well pad drilling may result in volatility in the Company' s operating results. •~~ The Company' s operations are substantially dependent upon the availability of water and its ability to dispose of produced water gathered from drilling and production activities. ~~PIONEER NATURAL RESOURCES COMPANY~~ • The Company' s use of seismic data is subject to interpretation and may not accurately identify the presence of oil and gas, which could materially and adversely affect the results of its future drilling operations. • The Company' s gas processing and gathering systems are subject to operational and regulatory risks. Financial Risks ~~• The prices of oil, NGLs and gas are highly volatile. • Future declines in the price of oil, NGLs and gas could result in a reduction in the carrying value of the Company' s proved oil and gas properties.~~ • The Company' s actual production could differ materially from its forecasts. • The Company could experience periods of higher costs if commodity prices rise. • The Company is a party to debt instruments, a Credit Facility and other financial commitments that may limit the Company' s ability to fund future business and financing activities. **PIONEER NATURAL RESOURCES COMPANY** • The Company' s return of capital strategies ~~, including its base and variable dividend policy and share repurchase program,~~ may be changed at the discretion of the Board ~~,~~ and ~~the Company' s ability to declare and pay base and variable dividends and repurchase shares~~ are subject to certain considerations. • A failure by purchasers of the Company' s production to satisfy their obligations to the Company could have a material adverse effect on the Company' s results of operations ~~. • The Company' s derivative risk management activities could result in financial losses, limit the Company' s potential gains or fail to protect the Company from declines in commodity prices~~ . • Pioneer' s ability to utilize its U. S. net operating loss carryforwards to offset future income taxes may be limited. • The Company periodically evaluates its **proved and** unproved oil and gas properties **,** ~~for impairment and could be required to recognize noncash charges in the earnings of future periods. • The Company periodically evaluates its~~

goodwill **and other long- lived assets** for impairment and could be required to recognize noncash charges in the earnings of future periods. Health, Safety and Environmental Risks • The Company' s operations are subject to a series of risks arising out of the threat of climate change, energy conservation measures or initiatives that stimulate demand for alternative forms of energy. • The nature of the Company' s assets and production operations may impact the environment or cause environmental contamination. • The Company' s hydraulic fracturing and former sand mining operations may result in silica- related health issues and litigation. • Increasing attention to ESG matters may impact the Company' s business. Regulatory Risks • The Company' s operations are subject to stringent environmental, oil and gas- related and occupational safety and health legal requirements. • Laws, regulations and other executive actions or regulatory initiatives regarding hydraulic fracturing could increase the Company' s cost of doing business and result in additional operating restrictions, delays or cancellations that could have a material adverse effect on the Company' s business, results of operations and financial condition. • Laws and regulations pertaining to protection of threatened and endangered species or to critical habitat, wetlands and natural resources could delay, restrict or prohibit the Company' s operations and cause it to incur substantial costs. • The Company' s transportation of gas; sales and purchases of oil, NGLs and gas or other energy commodities; and any derivative activities related to such energy commodities, expose the Company to potential regulatory risks. • The ~~enactment of derivatives legislation could have a material adverse effect on the Company' s ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with its business. • The~~ Company' s bylaws provide that the Court of Chancery of the State of Delaware (or if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) will be the exclusive forum for certain legal actions between the Company and its ~~stockholders~~ **shareholders** and that the federal district courts of the United States shall be the sole and exclusive forum for the resolution of causes of action arising under the Securities Act of 1933. • Changes in tax laws or the interpretation thereof or the imposition of new or increased taxes or fees may adversely affect the Company' s operations and cash flows. **Risks Associated with the Merger • Completion of the Merger is currently subject to certain conditions and if these conditions are not satisfied or waived, the Merger will not be completed. • Because the Exchange Ratio is fixed and the market price of ExxonMobil common stock has fluctuated and will continue to fluctuate, the Company' s shareholders cannot be sure of the value of the consideration they will receive in the Merger, if completed. •** The ~~onset of~~ **Company' s business relationships may be subject to disruption due to uncertainty associated with** the ~~COVID~~ **Merger. • The Merger Agreement restricts the Company' s ability to pursue alternatives to the Merger. • Failure to complete the Merger could negatively impact the share price and the future business and financial results of the Company. • Litigation against the Company could result in substantial costs, an injunction preventing the completion of the Merger and / or a judgment resulting in the payment of damages. • The Company will incur significant transaction and Merger** - ~~19 pandemic significantly affected~~ **related costs in connection with** the ~~global economy~~ **Merger. The Company' s revenues** , ~~disrupted global~~ **profitability, cash flow and future rate of growth are highly dependent on commodity prices. Commodity prices may fluctuate widely in response to relatively minor changes in the** supply ~~chains and created significant volatility in the financial markets. In addition, the onset~~ of ~~the pandemic resulted in widespread travel restrictions, business closures~~ and ~~other restrictions that led to a significant reduction in~~ demand for oil, NGLs and gas, ~~resulting in~~ **market uncertainty and a variety of additional factors that are beyond the Company' s control, such as: • domestic and worldwide supply of and demand for oil, NGLs and gas; • worldwide oil, NGL and gas inventory levels, including at Cushing, Oklahoma, the benchmark location for WTI** oil prices ~~declining significantly~~ **, and the U. S. Gulf Coast, where the majority of the U. S. refinery capacity exists; • volatility and trading patterns** in **the commodity- futures markets; • the capacity of U. S. and international refiners to utilize U. S. supplies of oil and condensate; • weather conditions, including extreme climatic events; • overall domestic and global political and economic conditions, including the imposition of tariffs or trade or** ~~the~~ **other** ~~first quarter~~ **economic sanctions, political instability or armed conflict in Ukraine, Russia, the Middle East and other oil and gas producing regions, and the effect on global markets** of ~~2020. While~~ **the price cap on Russian oil; • global or national health concerns, including the outbreak of pandemic or contagious disease, which may reduce the** demand for **oil, NGLs** and ~~the demand for oil,NGLs and~~ gas because of reduced global or national economic activity;• actions of OPEC,its members and other state- controlled oil companies relating to oil price and production controls;• the price and quantity of oil,NGLs and LNG imports to and exports from the U.S.;• technological advances or social attitudes or policies affecting energy consumption and energy supply;• domestic and foreign governmental legislative efforts,executive actions and regulations,including environmental regulations,climate change regulations and taxation;• the effect of energy conservation efforts;• ~~stockholder~~ **shareholder** activism or activities by non- governmental organizations to limit certain sources of capital for the energy sector or restrict the exploration,development and production of oil and gas;• the proximity,capacity,cost and availability of gathering systems,pipelines and other processing,fractionation,refinery,storage and export facilities;and • the price,availability and acceptance of alternative fuels **and governmental policies encouraging their adoption and use** .Commodity ~~prices~~ prices ~~for~~ **have historically been, and continue to be, extremely volatile. For example, the Brent** oil ~~, NGLs~~ **prices in 2023 ranged from a high of $ 96. 55 to a low of $ 71. 84 per Bbl** and **NYMEX** gas ~~have improved throughout 2021 and 2022 as travel restrictions, business closures and other restrictions were lifted, an increase in infections or the onset of a new variant of the virus could again reduce demand for and~~ prices **in 2023 ranged from a high** of **$ 4** ~~oil, NGLs and gas~~ . ~~If~~ **17 to a low of $ 1. 99 per MMBtu. The Company expects** this ~~were~~ **volatility** to continue **. A further** ~~for~~ - **or** ~~a prolonged period, the Company, similar to the steps it took at the onset of the pandemic in 2020, may have to make changes to its operations and capital budgets, and the Company' s operations, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected. Risks include, but are not limited to, the following: • An~~ extended decline in commodity prices could materially and adversely affect the ~~could materially and adversely affect the~~ Company' s future business,financial condition,results of operations,liquidity or its ability to fund planned capital expenditures,pay dividends or repurchase shares of common ~~stock~~ **shares (subject to certain restrictions in the Merger Agreement)** .The Company makes price assumptions that are used for planning purposes,and a significant portion of the Company' s cash outlays,including rent,salaries and noncancellable capital and transportation commitments,are largely fixed in nature.Accordingly,if commodity prices are below the expectations on which these commitments were based,the Company' s financial results are likely to be adversely and disproportionately affected because these cash outlays are not variable in the short- term and cannot be quickly reduced to respond to unanticipated decreases in commodity prices.Significant or extended price declines could ~~also~~ materially and adversely affect the ~~amount of oil~~ amount of oil, NGLs and gas that the Company can produce economically, which may result in ~~(i)~~ the Company having to make significant downward adjustments to its estimated proved reserves ~~and (ii)~~ **. A reduction in production could also result in** a shortfall in expected cash flows **and** ~~, which could~~ require the Company to reduce capital spending or borrow funds to cover any such shortfall. **Any of** ~~In addition, the~~ **these factors could negatively** ~~continuation of depressed prices may adversely~~ affect the **Company' s** ability ~~of the Company~~ to **replace** ~~pay dividends or repurchase shares of common stock in the future. • A reduced demand for oil, combined with an oversupply of oil, would likely result in an oil surplus in the United States and worldwide. If the global demand for oil exports to foreign markets, or if the price that can be obtained in foreign markets does not support the transportation and other costs to reach those destinations, it may be uneconomical to invest in new wells and may cause the Company to shut in producing wells. The Company cannot be certain whether shut- in wells can successfully return to pre- shut- in production levels or that the costs required to return the wells to production will be economical. • The Company' s ability to develop and sell~~ its production ~~could be materially and adversely affected by the inability or unwillingness of third parties to provide sufficient processing, fractionation, refining, transportation, storage or export facilities to the Company. For example, at the onset of the COVID- 19 pandemic, oil storage in the United States was, at times, near full capacity in many locations. If this were to again occur for an~~ **and** ~~extended period, the Company' s purchasers might decline to purchase the Company' s oil, NGLs and gas, and the Company may not be able to store~~ its ~~production. Such a lack of market for or storage capacity for the Company' s products could require that the Company shut in some portion of its production. The amount of oil in storage may also keep oil prices at low levels for an extended period, even after demand begins to rise. • Under Texas law, the Texas Railroad Commission is empowered to prorate oil production in the state based on market demand. If the Texas Railroad Commission finds that waste is taking place or is reasonably imminent, it is empowered to adopt a rule or order to correct, prevent, or lessen the waste. If the Texas Railroad Commission imposes proration in the~~ future **rate** ~~, or if any other similar laws or regulations are imposed, those restrictions would limit the amount~~ of **growth** ~~oil, NGLs and gas the Company can produce. • It is possible that any delay, reduction or curtailment of the Company' s development and producing operations, whether due to regulatory actions or actions by the Company in reaction to market conditions, could result in the loss of acreage through lease expiration. • Market conditions resulting from the effects of the COVID- 19 pandemic, low oil prices or a negative or recessionary economy could also increase the risk that the purchasers of the Company' s production, lenders under its credit agreement, counterparties to its derivative instruments and service providers may be unable to fulfill their obligations in a timely manner, or at all. If any such counterparty were to default on its obligations, such a default could have a material adverse effect on the Company' s results of operations. • The Company performs assessments of its proved and unproved oil and gas properties whenever events or circumstances indicate that the carrying values of those assets may not be recoverable. To the extent such tests indicate a reduction of the estimated useful life or estimated future cash flows of the Company' s proved oil and gas properties, an impairment charge could be required to reduce the carrying value of its proved oil and gas properties to their fair value. In addition, goodwill is assessed for impairment whenever it is likely that events or circumstances indicate that the carrying value of a reporting unit exceeds its fair value. • The Company' s operations may be adversely affected if significant portions of its workforce are unable to work effectively, including because of illness, quarantines, social distancing, government actions, or other restrictions in connection with the COVID- 19 pandemic. The Company, as recommended by the Centers for Disease Control and Prevention, has implemented workplace restrictions, including guidance for employees to work remotely for health and safety reasons, where possible. As some employees may have been or may in the future be placed in workplaces where exposure to COVID- 19 is possible, the Company may be subject to risk of liability should such employees allege that the Company failed to adequately mitigate the risk of exposure to COVID- 19, to the extent obligated to do so. In addition, in order to facilitate remote working arrangements, some employees are accessing workspaces from their personal devices through cloud- based systems, which could increase cybersecurity risks to the Company and to its employees. There can be no assurance that the Company' s operations will not be curtailed or suspended or otherwise adversely affected due to such workforce issues. The Company is not able to predict the ultimate long- term impact of the COVID- 19 pandemic on the Company' s business, which will depend on numerous evolving factors and future developments that are beyond the Company' s control, including the length of time that the pandemic continues, the speed and effectiveness of responses to combat the COVID- 19 virus, the impact of the pandemic and its aftermath on the demand for oil, NGLs and gas, the response of the overall economy and the financial markets as well as the effect of governmental actions taken in response to the COVID- 19 pandemic~~ . The economies in the United States and certain countries in Europe and Asia have been growing, with resulting improvements in industrial demand and consumer confidence. However, other economies, such as those of certain South American nations **and, recently, Japan and the United Kingdom** , continue to face economic struggles or slowing economic growth. If these conditions worsen, combined with a decline in economic growth in other parts of the world, there could be a significant adverse effect on global financial markets and commodity prices. In addition, continued ~~hostilities~~ **war in Ukraine, instability** in the Middle East and the occurrence or threat of terrorist attacks in the United States or other countries could adversely affect the global economy ~~. Global or national health concerns, including the outbreak of pandemic or contagious disease, such as the COVID- 19 pandemic, may adversely affect the Company by (i) reducing demand for its oil, NGLs and gas because of reduced global or national economic activity, (ii) impairing its supply chain (for example, by limiting manufacturing of materials used in operations) and (iii) affecting the health~~

~~of its workforce, rendering employees unable to work or travel~~. If the economic climate in the United States or abroad were to deteriorate, due to inflation, rising interest rates or otherwise, demand for petroleum products could diminish or stagnate, which could depress the prices at which the Company could sell its oil, NGLs and gas, affect the ability of the Company' s vendors, suppliers and customers to continue operations and ultimately decrease the Company' s cash flows and profitability. In addition, reduced worldwide demand for debt and equity securities issued by oil and gas companies may make it more difficult for the Company to raise capital to fund its operations or refinance its debt ~~obligations. Acquisitions of oil and gas properties, including acreage trades, have from time to time contributed to the Company' s growth. Acquisition opportunities in the oil and gas industry are very competitive, which can increase the cost of, or cause the Company to refrain from, completing acquisitions. The success of any acquisition will depend on a number of factors and involves potential risks, including, among other things: • the inability to accurately forecast future commodity prices and estimate the costs to develop the acquired reserves, the recoverable volumes of the acquired reserves, rates of future production and future net cash flows attainable from the acquired reserves; • the assumption of unknown liabilities, including environmental liabilities, and losses or costs for which the Company is not indemnified or for which the indemnity the Company receives is inadequate; • the validity of assumptions about costs, including synergies; • the effect on the Company' s liquidity or financial leverage of using available cash or debt to finance acquisitions or from the amount of debt assumed as part of the acquisition; • the diversion of management' s attention from other business concerns; and • an inability to hire, train or retain qualified personnel to manage and operate the Company' s growing business and assets. All of these factors affect whether an acquisition will ultimately generate cash flows sufficient to provide a suitable return on investment. Even though the Company performs a review of the properties it seeks to acquire that it believes is consistent with industry practices, such reviews are often limited in scope. As a result, among other risks, the Company' s initial estimates of reserves may be subject to revision following an acquisition, which may materially and adversely affect the desired benefits of the acquisition. See" Risks Associated with Acquisitions" included in" Item 1A. Risk Factors" for additional information. The Company regularly reviews its property base for the purpose of identifying nonstrategic assets, the disposition of which would increase capital resources available for other activities and create organizational and operational efficiencies. In addition, from time to time, the Company sells an interest in its oil and gas properties for the purpose of assisting or accelerating the asset' s development. Various factors could materially affect the ability of the Company to dispose of such nonstrategic assets or partial interests or complete announced dispositions, including the receipt of approvals of governmental agencies or third parties and the availability of purchasers willing to acquire the nonstrategic assets or partial interests on terms and at prices acceptable to the Company. Sellers typically retain certain liabilities or indemnify buyers for certain pre- closing matters, such as matters of litigation, environmental contingencies, royalty obligations and income taxes. The magnitude of any such retained liability or indemnification obligation may be difficult to quantify at the time of the transaction and ultimately may be material. Also, as is typical in divestiture transactions, third parties may be unwilling to release the Company from guarantees or other credit support provided prior to the sale of the divested assets. As a result, after a divestiture, the Company may remain secondarily liable for the obligations guaranteed or supported to the extent that the buyer of the assets fails to perform these~~ obligations. The Company' s operations and drilling activity are concentrated in the Midland Basin of West Texas, an area of high industry activity, which may affect its ability to obtain the personnel, equipment, services, resources and facilities access needed to complete its development activities as planned or result in increased costs; such concentration also makes the Company vulnerable to risks associated with operating in a limited geographic area. The Company' s producing properties are geographically concentrated in the Midland Basin of West Texas. Industry activity is high in the Midland Basin and demand for and costs of personnel, equipment, power, services and resources remains high. Any delay or inability to secure the personnel, equipment, power, services and resources could result in oil, NGL and gas production volumes being below the Company' s forecasted volumes. In addition, any such negative effect on production volumes, or significant increases in costs, could have a material adverse effect on the Company' s results of operations, cash flow and profitability. As a result of this concentration, the Company may be disproportionately exposed to the impact of delays or interruptions of operations or production in this area caused by external factors such as governmental regulation, state politics, market limitations, produced water disposal limitations, water ~~or~~ **,** sand **or power** shortages, or extreme weather related conditions. The marketing of oil, NGL and gas production depends in large part on the availability, proximity and capacity of gathering systems, pipelines and other processing, fractionation, refining, storage, transportation and export facilities, as well as the existence of adequate markets. If there were insufficient capacity available on these systems, if these systems were unavailable to the Company or if access to these systems were to become commercially unreasonable, the price offered for the Company' s production could be significantly depressed, or the Company could be forced to shut in some production or delay or discontinue drilling plans and commercial production following a discovery of hydrocarbons while it constructs its own facility or awaits the availability of third party facilities. The Company also relies (and expects to rely in the future) on facilities developed and owned by third parties in order to gather, store, process, transport, fractionate, refine, export and sell its oil, NGL and gas production. The Company' s plans to develop and sell production from its oil and gas reserves could be materially and adversely affected by the inability or unwillingness of third parties to provide sufficient gathering, transportation, storage, processing, fractionation, refining or export facilities to the Company, especially in areas of planned expansion where such facilities do not currently exist. Additionally, certain of these challenges may be compounded by a high level of industry activity in the Permian Basin. For example, following Hurricane Harvey in 2017 and Hurricanes Gustav and Ike in 2008, certain Permian Basin gas processors were forced to shut down their plants due to the inability of certain Texas Gulf Coast NGL fractionators to operate. The Company was able to produce its oil wells and vent or flare the associated gas; however, there is no certainty the Company will vent or flare gas in the future as a result of its emissions reduction efforts and potential changes in regulations. The amount of oil and gas that can be produced is subject to limitations in certain circumstances, such as pipeline interruptions due to scheduled and unscheduled maintenance, excessive pressure, physical damage to gathering, transportation, storage, processing, fractionation, refining or export facilities, or lack of capacity at such facilities. The Company has periodically experienced high line pressure at its tank batteries, which has occasionally led to the flaring of gas due to the inability of the gas gathering systems in the areas to support the increased gas production. The curtailments arising from these and similar circumstances may last for a few days, and in many cases, the Company may be provided only limited, if any, notice as to when these circumstances will arise and their duration. To the extent that the Company enters into transportation contracts with pipelines that are subject to the United States Federal Energy Regulatory Commission (" FERC") regulation, the Company is subject to FERC requirements related to use of such capacity. Any failure on the Company' s part to comply with FERC' s regulations and policies related to pipeline transportation, reporting requirements or other regulations, and any failure to comply with a FERC- related pipeline' s tariff, could result in the imposition of civil and criminal penalties. In addition, any changes in FERC or state regulations or requirements on pipeline transportation may result in increased transportation costs on pipelines that are subject to such regulation, thereby negatively impacting the Company' s profitability **. Additionally, in January 2024, the Biden Administration announced a moratorium on approvals of applications for LNG export authorizations by the U. S. Department of Energy (" DOE") while the DOE conducts studies related to the cumulative impact of LNG exports on domestic natural gas prices, climate change and other matters. The moratorium on these approvals is expected to continue for several months and it is uncertain as to timing or conclusions of these studies and the resulting effect on the DOE approval process related to applications for LNG export authorizations. As a result, it is difficult to predict whether changes to the DOE' s approval process will have a negative effect on the prospects for future LNG export projects and on demand for domestic natural gas production that would be supported by these new LNG projects** . A limited number of companies purchase a majority of the Company' s oil, NGLs and gas. The loss of a significant purchaser could have a material adverse effect on the Company' s ability to sell its production. The refining industry and export facilities may be unable to absorb U. S. oil production, and the ability to export oil is subject to suspension; in any such case, the resulting surplus could depress prices and restrict the availability of markets, which could materially and adversely affect the Company' s results of operations. Absent an expansion of U. S. refining and export capacity, an increase in U. S. production of oil could result in a surplus of these products in the U. S., which would likely cause prices for these commodities to fall and markets to constrict. Although U. S. law was changed in 2015 to permit the export of oil, exports may not occur if demand is lacking in foreign markets or the price that can be obtained in foreign markets does not support associated export capacity expansions, transportation and other costs. In such circumstances, the rate of return on the Company' s capital projects would decline, possibly to levels that would make execution of the Company' s drilling plans uneconomical, and a lack of market for the Company' s products could require that the Company shut in some portion of its production. If this were to occur, the Company' s production and cash flow could decrease, or could increase less than forecasted, which could have a material adverse effect on the Company' s cash flow and profitability. Under the 2015 federal law that lifted the ban on U. S. exports of oil, the President, in certain limited circumstances, has the authority to impose export licensing requirements or other restrictions on exports of oil from the U. S. for an initial period of up to one year, subject to extension. Such a limitation could result in a surplus of oil in the U. S., which would likely cause U. S. oil prices to fall. Numerous uncertainties exist in estimating quantities of proved reserves and future net cash flows therefrom. The estimates of proved reserves and related future net cash flows set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Petroleum engineering is a subjective process of estimating underground accumulations of oil and gas that cannot be measured in an exact manner. Estimates of economically recoverable oil and gas reserves and estimates of future net cash flows depend upon a number of variable factors and assumptions, including the following: • historical production from the area compared with production from other producing areas; • the quality and quantity of available data; • the interpretation of that data; • the assumed effects of regulations by governmental agencies; • assumptions concerning future commodity prices; and • assumptions concerning future development costs, operating costs, severance, ad valorem and excise taxes, gathering, processing, transportation and fractionation costs and workover and remedial costs. Because all proved reserve estimates are to some degree subjective, each of the following items may differ materially from those assumed in estimating proved reserves: • the quantities of oil and gas that are ultimately recovered; • the production costs incurred to recover the reserves; • the amount and timing of future development expenditures; and • future commodity prices. Furthermore, different reserve engineers may make different estimates of proved reserves and cash flows based on the same available data. The Company' s actual production, revenues and expenditures with respect to proved reserves will likely differ from the estimates, and the differences may be material. As required by the SEC, the estimated discounted future net cash flows from proved reserves are based on average prices preceding the date of the estimate and costs as of the date of the estimate, while actual future prices and costs may be materially higher or lower. Actual future net cash flows also will be affected by factors such as: • the amount and timing of actual production; • the level of future capital spending; • increases or decreases in the supply of or demand for oil, NGLs and gas; and • changes in governmental regulations or taxation. Standardized Measure is a reporting convention that provides a common basis for comparing oil and gas companies subject to the rules and regulations of the SEC. In general, it requires the use of commodity prices that are based upon a historical 12- month unweighted average, as well as operating and development costs being incurred at the end of the reporting period. Consequently, it may not reflect the prices ordinarily received or that will be received for future oil and gas production because of seasonal price fluctuations or other varying market conditions, nor may it reflect the actual costs that will be required to produce or develop the oil and gas properties. Accordingly, estimates included herein of future net cash flows may be materially different from the future net cash flows that are ultimately received. In addition, the 10 percent discount factor, which is required by the SEC to be used in calculating discounted future net cash flows for reporting purposes, may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with the Company or the oil and gas industry in general. Therefore, the estimates of discounted future net cash flows or Standardized Measure in this Report should not be construed as accurate estimates of the current market value of the Company' s proved reserves. Producing oil and gas reservoirs are characterized by declining production rates, which vary depending upon reservoir characteristics and other factors. Because the Company' s producing wells decline continually over time as those wells are produced, the Company will need to mitigate these declines through drilling and production enhancement initiatives and / or acquisitions of additional recoverable reserves. There can be no assurance that the Company will be able to develop, exploit, find or acquire sufficient additional reserves to replace its current or future production. As of December 31, ~~2022~~ **2023** , ~~11~~ **10** percent of the Company' s total estimated proved reserves were undeveloped. Recovery of undeveloped proved reserves requires significant capital expenditures and successful drilling. The Company' s reserve data assumes that the Company can and will make these expenditures and conduct these operations successfully, which assumptions may not prove to be correct. If the Company chooses not to spend the capital to develop these proved undeveloped reserves, or if the Company is not otherwise able to successfully develop these proved undeveloped reserves, the Company will be required to write- off these proved reserves. In addition, under the SEC' s rules, because proved undeveloped reserves may be booked only if they relate to wells planned to be drilled within five years of the date of booking, the Company may be required to write- off any proved undeveloped reserves that are not developed within this five- year timeframe. The Company' s future production levels and, therefore, its future cash flow and profitability will be impacted if it is not able to successfully develop its undeveloped leasehold acreage. A substantial portion of the Company' s acreage is currently held under leases that require it to establish and maintain production of hydrocarbons in paying quantities, and such leases are typically held by production from horizontal wells and / or older, lower- producing vertical wells. Unless production in paying quantities is maintained from existing lease- holding wells, or is established during the primary term of the lease and then maintained thereafter with respect to these leases, the leases will terminate, and the Company will lose the right to develop the undeveloped leasehold acreage. The oil and gas industry is highly competitive. The Company competes with a large number of companies, producers and operators in a number of areas such as: • seeking to acquire oil and gas properties suitable for exploration or development; • marketing oil, NGL and gas production; and • seeking to acquire the equipment, services and expertise, including trained personnel, necessary to identify, evaluate, develop and operate its properties. Some of the Company' s competitors are larger and have substantially greater financial and other resources than the Company, and as such, the Company may be at a competitive disadvantage in the identification, acquisition and development of properties that complement the Company' s operations. The Company also faces competition from companies that supply alternative sources of energy, such as wind, solar power or other renewable energy. Competition is expected to increase and in certain cases, governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies. Governments and other parties are also promoting research into new technologies to accelerate the implementation of alternative energy sources. As an oil and gas producer, the Company faces various security threats, including cybersecurity threats to gain unauthorized access to, or control of, sensitive information or to render data or systems corrupted or unusable; threats to the security of the Company' s facilities and infrastructure or third party facilities and infrastructure, such as processing plants and pipelines; and threats from terrorist acts. The potential for such security threats has subjected the Company' s operations to increased risks that could have a material adverse effect on the Company' s business. In particular, the Company' s implementation of various procedures and controls to monitor and mitigate security threats and to increase security for the Company' s information, facilities and infrastructure may result in increased capital and operating costs. Costs for insurance have also increased as a result of security threats, and insurance coverage has become more difficult to obtain, and may not be available at prices acceptable to the Company or at all. Moreover, there can be no assurance that such procedures and controls will be sufficient to prevent security breaches from occurring. If any of these security breaches were to occur, they could lead to losses of sensitive information, critical infrastructure or capabilities essential to the Company' s operations and could have a material adverse effect on the Company' s reputation, financial position, results of operations ~~and~~ **or** cash flows. Cybersecurity attacks in particular are becoming more sophisticated. The Company relies extensively on information technology systems, including internet sites, computer software, data hosting facilities and other hardware and software platforms, some of which are hosted by third parties, to assist in conducting its business. The Company' s technologies systems and networks, and those of its **vendors, suppliers, customers and other** business associates may become the target of cybersecurity attacks, including without limitation denial- of- service attacks, malicious software, data privacy breaches by employees, insiders or others with authorized access, cyber or phishing- attacks, ransomware, attempts to gain unauthorized access to data and systems, and other electronic security breaches that could lead to disruptions in critical systems and materially and adversely affect the Company in a variety of ways, including the following: • unauthorized access to and release of seismic data, reserves information, strategic information or other sensitive or proprietary information, which could have a material adverse effect on the Company' s ability to compete for oil and gas resources; • data corruption, communication interruption or other operational disruptions during drilling activities, which could result in the failure to reach the intended target or a drilling incident; • data corruption or operational disruptions of production infrastructure, which could result in loss of production or accidental discharges; • unauthorized access to and release of personal information of royalty owners, employees and vendors, or the data or confidential information of customers, suppliers or other third parties, which could expose the Company to allegations that it did not sufficiently protect that information; • a cybersecurity attack on a vendor or service provider, which could result in supply chain disruptions and could delay or halt operations; • a cybersecurity attack on third- party gathering, transportation, processing, fractionation, refining, storage or export facilities, which could delay or prevent the Company from transporting and marketing its production, resulting in a loss of revenues; • a cybersecurity attack involving commodities exchanges or financial institutions, which could slow or halt commodities trading, thus preventing the Company from marketing its production or engaging in derivative activities, resulting in a loss of revenues; • a cybersecurity attack on a communications network or power grid, which could cause operational disruptions resulting in the loss of revenues; and • a cybersecurity attack on the Company' s automated and surveillance systems, which could cause a loss in production and potential environmental hazards. These events could damage the Company' s reputation and lead to financial losses from remedial actions, loss of business or potential liability. Additionally, certain cyber incidents, such as surveillance, may remain undetected for an extended period of time. **A cyberattack or security breach could lead to significant consequences, including liability and harm to the Company from data privacy or cybersecurity claims, legal penalties under data privacy laws, regulatory fees, damage to its reputation, lasting loss of confidence in the Company, and additional expenses for remediation and for upgrading or improving its information systems to prevent future incidents. These outcomes could materially and negatively impact the Company' s reputation, financial position, results of operations and cash flows.** While the Company has experienced cybersecurity incidents in the past, including attempts to gain unauthorized access to data and systems, inadvertent data exposures, distributed denial- of- service attacks and phishing- attacks, the Company has not suffered any material losses as a result of such events. However, there ~~is~~ **can be** no assurance that the Company will not suffer such losses in the future **. Improvements in computer technology, breakthroughs in artificial intelligence, advancements in cryptography or other technological developments could potentially compromise the technology the Company relies on to protect confidential, personal or otherwise sensitive information** . As cyber threats continue to evolve, the Company may be required to expend significant additional resources to continue to modify or enhance its protective measures or to investigate and remediate any information security vulnerabilities. Additionally, the continuing and evolving threat of cybersecurity attacks has resulted in evolving legal and compliance matters, including increased regulatory focus on prevention, which could require the Company to expend significant additional resources to meet such requirements. ~~Provisions in~~ **A failure or even a perceived failure by the Company or its service providers to comply with** ~~the~~ **these data privacy** ~~Company' s certificate of incorporation~~ and **security** ~~bylaws~~ -- **laws** ~~may~~ **, or any security incident that results in unauthorized access to, improper disclosure of or misappropriation of data, could result in significant liabilities, adverse publicity and damage to the Company' s reputation. Such events could** have ~~the effect of delaying or preventing an acquisition of the Company or~~ a ~~merger in which~~ **detrimental impact on** the ~~Company is not the surviving company~~ **Company ' s business** ~~and may otherwise prevent or slow changes in the Board and management. In addition~~ , **financial health** ~~because the Company is incorporated in Delaware, it is governed by the provisions of Section 203 of the Delaware General Corporation Law. These provisions could discourage an~~ **and operational performance** ~~acquisition of the Company or other change in control transactions and thereby negatively affect the price that investors might be willing to pay in the future for the Company' s common stock~~ . The Company' s operations, including (i) drilling and completion activities and (ii) water distribution, collection and disposal activities, are subject to all the risks incident to the oil and gas development and production business, including: • blowouts, cratering, explosions and fires; • adverse weather effects; • environmental hazards, such as NGL and gas leaks, oil and produced water spills, pipeline and vessel ruptures, encountering naturally occurring radioactive materials, and unauthorized discharges of toxic chemicals, gases, brine, well stimulation and completion fluids or other pollutants onto the surface or into the subsurface environment; • high costs, shortages or delivery delays of equipment, labor or other services or materials, such as water ~~and~~ **, power or** sand for hydraulic fracturing; • facility or equipment malfunctions, failures or accidents; • title ~~problems~~ **and other ownership discrepancies** ; • pipe or cement failures or casing collapses; • uncontrollable flows of oil, gas or water; • compliance with environmental and other governmental requirements, including executive actions and regulatory or legislative efforts ~~under a Biden administration~~ ; • lost or damaged oilfield workover and service tools; • surface access restrictions; • unusual or unexpected geological formations or pressure or irregularities in formations; • terrorism, vandalism, extreme physical acts of activism against fossil fuel interests and physical, electronic and cybersecurity breaches and global or national health concerns, including the outbreak of a pandemic or contagious disease ~~, such as the recent COVID- 19 pandemic~~ ; and • natural disasters. The Company' s overall exposure to operational risks may increase as its drilling activity expands, along with any associated increases in internally- provided water distribution, water collection, disposal or other services. In addition, any of these risks could **materially and** adversely impact the Company' s service providers and suppliers, causing its supply chain to be interrupted, slowed or rendered inoperable. Any of these risks could result in substantial losses to the Company due to injury or loss of life, damage to or destruction of wells, production facilities or other property and natural resources, clean- up responsibilities, regulatory investigations and penalties and suspension of operations. The Company may not be insured or is not fully insured against certain of the risks described above, either because such insurance is not available or because of the high premium costs and deductibles associated with obtaining such insurance. Additionally, the Company relies, to a large extent, on facilities owned and operated by third parties, and damage to or destruction of those third- party facilities could adversely affect the ability of the Company to produce, gather, process, fractionate, refine, store, transport, export and sell its hydrocarbons. Drilling involves numerous risks, including the risk that no commercially productive oil or gas reservoirs will be encountered. The cost of drilling, completing and operating wells is often uncertain and drilling operations may be curtailed, delayed or canceled, or become costlier, as a result of a variety of factors, including: • unexpected drilling conditions; • unexpected pressure or irregularities in formations; • equipment failures or accidents; • construction delays; • fracture stimulation accidents or failures; • adverse weather conditions; • restricted access to land for drilling or laying pipelines; • title defects; • lack of available gathering, transportation, processing, fractionation, storage, refining or export facilities; • lack of available capacity on interconnecting transmission pipelines; • access to, and the cost and availability of, the equipment, services, resources and personnel required to complete the Company' s drilling, completion and operating activities; and • restrictions, delays or cancellations imposed by or resulting from compliance with or changes in environmental and other governmental, regulatory or contractual requirements. The Company' s future drilling activities may not be successful and, if unsuccessful, the Company' s proved reserves and production would decline, which could have an adverse effect on the Company' s future results of operations and financial condition. While all drilling, whether developmental, extension or exploratory, involves these risks, exploratory and extension drilling involves greater risks of dry holes or failure to find commercial quantities of hydrocarbons. The Company expects that it will continue to recognize exploration and abandonments expense in ~~2023~~ **2024** . The Company' s operations involve utilizing some of the latest drilling and completion techniques as developed by it and its service providers. Risks that the Company faces while drilling horizontal wells include, but are not limited to, the following: • landing the wellbore in the desired drilling zone; • staying in the desired drilling zone while drilling horizontally through the formation; • running casing the entire length of the wellbore; and • being able to run tools and other equipment consistently through the horizontal wellbore. Risks that the Company faces while completing wells include, but are not limited to, the following: • 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 successfully clean out the wellbore after completion of the final fracture stimulation stage . Drilling in emerging areas is more......, financial condition and results of operations . The Company utilizes multi- well pad drilling, and wells drilled on a pad are not placed on production until all wells on the pad are drilled and completed. In addition, problems affecting a single well could adversely affect production from all of the wells on the pad. As a result, multi- well pad drilling can cause delays in the scheduled commencement of production, or interruptions in ongoing production. These delays or interruptions may cause volatility in the Company' s operating results. Further, any delay, reduction or curtailment of the Company' s development and producing operations due to operational delays caused by multi- well pad drilling could result in the loss of acreage through lease expiration .Drilling in emerging areas is more uncertain than drilling in areas that are more developed and have a longer history of established drilling operations.New discoveries and emerging formations have limited or no production history and,consequently,the Company is more limited in assessing future drilling results in these areas.If the Company' s drilling results are worse than anticipated,the return on investment for a particular project may not be as attractive as anticipated and the Company may recognize noncash charges to reduce the carrying value of its unproved properties in those areas.The Company has identified drilling locations and prospects for future drilling opportunities,including development,exploratory,extension and infill drilling activities.These drilling locations and prospects represent a significant part of the Company' s future drilling plans.For example,the Company' s proved reserves as of December 31, ~~2023~~ **2022** include proved undeveloped reserves and proved developed non- producing reserves of ~~122~~ **120** MMBbls of oil, ~~78~~ **86** MMBbls of NGLs and ~~435~~ **463** Bcf of gas.The Company' s ability to drill and develop these locations depends on a number of factors,including the availability and cost of capital,regulatory approvals,negotiation of agreements with third parties,commodity prices,costs,access to and availability of equipment,services,resources and personnel and drilling results.There can be no assurance that the Company will drill these locations or that the Company will be able to produce oil or gas reserves from these locations or any other potential drilling locations.Well results vary by formation and geographic area,and the Company generally prioritizes its drilling activities to focus on remaining locations that are believed to offer the highest return.Changes in the laws or regulations on which the Company relies in planning and executing its drilling programs could materially and adversely impact the Company' s ability to successfully complete those programs.For example,under current Texas laws and regulations,the Company may receive permits to drill,and may drill and complete,certain horizontal wells that traverse one or more units and / or leases;a change in those laws or regulations could materially and adversely impact the Company' s ability to drill those wells.Because of these uncertainties,the Company cannot give any assurance as to the timing of these activities or that they will ultimately result in the realization of proved reserves or meet the Company' s expectations for success.As such,the Company' s actual drilling activities may materially differ from the Company' s current expectations,which could have a material adverse effect on the Company' s proved reserves,financial condition and results of operations . The Company' s operations are substantially dependent upon the availability of water and its ability to dispose of produced water gathered from drilling and production activities. Restrictions on the Company' s ability to obtain water or dispose of produced water may have a material adverse effect on its financial condition, results of operations and cash flows. Water is an essential component of the Company' s drilling and hydraulic fracturing processes. Limitations or restrictions on the Company' s ability to secure sufficient amounts of water (including limitations resulting from natural causes such as drought), could materially and adversely impact its operations. Severe drought conditions can result in local water districts taking steps to restrict the use of water in their jurisdiction for drilling and hydraulic fracturing in order to protect the local water supply. If the Company is unable to obtain water to use in its operations from local sources, it may need to be obtained from new sources and transported to drilling sites, resulting in increased costs, which could have a material adverse effect on its financial condition, results of operations and cash flows. In addition, the Company must dispose of the fluids produced from oil and gas production operations, including produced water, which it does directly or through the use of third party vendors. The legal requirements related to the disposal of produced water into a non- producing geologic formation by means of underground injection wells are subject to change based on concerns of the public or governmental authorities regarding such disposal activities. One such concern arises from seismic events near underground disposal wells that are used for the disposal of produced water resulting from oil and gas activities. In 2016, the United States Geological Survey identified Texas as being among the states with areas of increased rates of induced seismicity that could be attributed to fluid injection or oil and gas extraction. In addition, a number of lawsuits have been filed alleging that disposal well operations have caused damage to neighboring properties or otherwise violated state and federal rules regulating waste disposal. In response to these concerns, regulators in some states have imposed, or are considering imposing, additional requirements in the permitting of produced water disposal wells to assess any relationship between seismicity and the use of such wells. For example, in Texas, the Texas Railroad Commission has adopted 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 in order to address these seismic activity concerns within the state. 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. In response to recent seismic activity in the Midland Basin, the Texas Railroad Commission has pursued a series of actions commencing in the latter half of 2021, including suspending deep disposal activity and curtailing certain shallow disposal activities in the areas of heightened seismic activity. Such restrictions have not had a material impact on the Company' s operations to date, but further restrictions across the basin as a result of more stringent regulations or legal directives, potential litigation or other developments could materially impact its ability to dispose of produced water, which could have a material adverse effect on the Company' s business, financial condition and results of 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, the Company' s drilling activities may not be successful or economic. In addition, the use of advanced technologies, such as 3- D seismic data, requires greater pre- drilling expenditures than traditional drilling strategies, and the Company could incur losses as a result of such expenditures. The Company' s gas processing and gathering systems are subject to operational and regulatory risks, which could result in significant damages and the loss of revenue. As of December 31, ~~2022~~ **2023**, the Company owns interests in ~~10~~ **11** gas processing plants, including the related gathering systems. There are significant risks associated with the operation of gas processing plants and the associated gathering systems. Gas and NGLs are volatile and explosive and may include carcinogens. Damage to or improper operation of gas processing plants or gathering systems could result in an explosion or the discharge of toxic gases, which could result in significant damage claims in addition to interrupting a revenue source. Moreover, while the Company' s gas processing and gathering systems generally are not currently subject to FERC or state regulation with respect to rates or terms and conditions of service, there can be no assurance that such processing and gathering operations will continue to be unregulated in the future. Although these facilities may not be directly regulated, other laws and regulations may affect the availability of gas for gathering and processing, such as state regulations regarding production rates and the maximum daily production allowable from gas wells, which could impact the Company' s business in these areas. Such regulation could result in additional costs and reduced revenues . The prices of oil, NGLs...... and Supplementary Data" for additional information . From time to time, the Company provides forecasts of expected quantities of future oil and gas production and other financial and operating results. These forecasts are based on a number of estimates and assumptions, including that none of the risks associated with the Company' s oil and gas operations summarized in this" Item 1A. Risk Factors" occur. Production forecasts, specifically, are based on assumptions such as: • expectations of production from existing wells and future drilling activity; • **expectations** ~~the absence~~ of facility or equipment malfunctions **based on historical results** ; • **expectations** ~~the absence~~ of ~~adverse~~ **seasonal** weather effects; • expectations of commodity prices, which could experience significant volatility; • expected well costs; and • the assumed effects of regulation by governmental agencies, which could make certain drilling activities or production uneconomical. Should any of these assumptions prove inaccurate, or should the Company' s development plans change, actual production could be materially and adversely affected. The Company could experience periods of higher costs if commodity prices rise. These increases could reduce the Company' s profitability, cash flow and ability to complete development activities as planned. Historically, the Company' s capital and operating costs have risen during periods of increasing oil, NGL and gas prices. These cost increases result from a variety of factors beyond the Company' s control, such as increases in the cost of electricity, steel and other raw materials that the Company and its vendors rely upon; increased demand for labor, services and materials as drilling activity increases; and increased production and ad valorem taxes. Costs may rise faster than increases in the Company' s revenue if commodity prices rise, thereby negatively impacting the Company' s profitability, cash flow and ability to complete development activities as scheduled and on budget. ~~This impact may be magnified to the extent that the Company' s ability to participate in the commodity price increases is limited by its derivative risk management activities.~~ Moreover, inflation is an area of ~~increasing~~ economic concern with price increases in equipment, materials, labor and distribution costs leading to possible negative impacts on the Company' s financial condition and results of operations. The Company is a borrower under fixed rate senior and convertible notes and maintains a revolving corporate credit facility (the" Credit Facility") that was undrawn as of December 31, ~~2022~~ **2023** . The terms of the Company' s borrowings specify scheduled debt repayments and require the Company to comply with certain associated covenants and restrictions. The Company' s ability to comply with the debt repayment terms, associated covenants and restrictions is dependent on, among other things, factors outside the Company' s direct control, such as commodity prices and interest rates. In addition, from time to time, the Company enters into arrangements and transactions that can give rise to material off- balance sheet obligations, including **(i)** firm purchase, transportation **, storage** and fractionation commitments, **(ii) open purchase** ~~gathering, processing, transportation and storage~~ commitments ~~on uncertain volumes of future throughput, commitments to purchase minimum volumes of goods~~ and ~~services, operating lease agreements~~ **(iii) contractual obligations for which the ultimate settlement amounts are not fixed** and **determinable** ~~drilling commitments~~ . The Company' s financial commitments could have important consequences to its business including, but not limited to, the following: • the incurrence of charges associated with unused commitments if actual activities do not meet the Company' s expectations at the time such commitments are entered into; • increasing its vulnerability to adverse economic and industry conditions; • limiting its flexibility to plan for, or react to, changes in its business and industry; • limiting its ability to fund future development activities or engage in future acquisitions; and • placing it at a competitive disadvantage compared to competitors that have less debt and / or fewer financial commitments. The Company' s ability to obtain additional financing is also affected by the Company' s debt credit ratings ~~and~~ **,** competition for available debt financing **and certain terms set forth in the Merger Agreement** . A ratings downgrade could materially and adversely impact the Company' s ability to access debt markets, increase the borrowing cost under the Company' s Credit Facility and the cost of future debt and potentially require the Company to post letters of credit or other forms of credit support for certain obligations. Dividends ~~, whether base or variable,~~ are authorized and determined by the Board at its sole discretion ~~. The Company' s stock repurchase program has no time limit~~ , **but such authorizations** ~~may be modified, suspended or terminated at any time by the Board, and the repurchase of shares pursuant to the stock repurchase program approved by the Board are made from time to time based on management' s discretion. Decisions regarding the payment of dividends and the repurchase of shares~~ are subject to a number of considerations, including: • cash available for distribution ~~or repurchases~~ ; • the Company' s results of operations and anticipated future results of operations; • the Company' s financial condition, especially in relation to its anticipated future capital needs; • the level of cash reserves the Company maintains to fund future capital expenditures; • **certain terms set forth in** the **Merger Agreement** ~~Company' s share price~~ ; and • other factors the Board deems relevant ~~. The frequency and amount of dividends, if any, may vary significantly from amounts paid in previous periods~~ . The Company can provide no assurance that ~~it~~ **dividends** will ~~continue~~ **be authorized or declared in the future or as** to ~~pay~~ **the amount of any future dividends. The Merger Agreement provides certain restrictions on future** base **and** ~~or variable dividends or authorize share repurchases at the current rate or at all. Any elimination of or downward revision in the Company' s base or~~ variable dividend ~~payout~~ **declarations, including an agreement that the Company will no longer pay a variable dividend after distributing 50 percent of the normal variable dividend attributable to fourth quarter 2023 results. With limited exceptions, the Merger Agreement precludes the Company from future repurchases** or ~~stock~~ **acquisition of the Company' s common shares, including repurchases under the Company' s share** repurchase program **. The limitations on the Company' s dividend payout and share repurchase program while the Merger is pending, or any such changes to the Company' s dividend policy or share repurchase program if the Merger is not consummated,** could adversely affect the total return of an investment in and have a material adverse effect on the market price of the Company' s common ~~stock~~ **shares** . A failure by purchasers of the Company' s production to satisfy their obligations to the Company could have a material adverse effect on the Company' s results of operation. The Company relies on a limited number of purchasers to purchase a majority of its products. To the extent that purchasers of the Company' s production rely on access to the credit or equity markets to fund their operations, there is a risk that those purchasers could default ~~in~~ **on** their contractual obligations to the Company if such purchasers were unable to access the credit or equity markets for an extended period of time. If for any reason the Company were to determine that it was probable that some or all of the accounts receivable from any one or more of the purchasers of the Company' s production were uncollectible, the Company would recognize a charge in the earnings of that period for the probable loss. ~~The Company' s derivative risk management activities could result in financial losses, limit the Company' s potential gains or fail to protect the Company from declines in commodity prices; the Company may not enter into derivative arrangements with respect to future volumes if prices are unattractive. The Company has historically entered into derivative arrangements covering a portion of its oil, NGL and gas production to mitigate the effect of commodity price volatility on the Company' s net cash provided by operating activities and its net asset value, support the Company' s annual capital expenditure plans and planned dividend payments. These derivative arrangements, on a combined basis, are subject to mark- to- market accounting treatment, and the changes in fair market value of the contracts are reported in the Company' s statements of operations each quarter, which may result in significant noncash gains or losses. While intended to reduce the effects of oil, NGL and gas price volatility, the Company' s derivative arrangements may limit the Company' s potential gains if prices rise over the price established by such arrangements. Conversely, the Company' s derivative arrangements may be inadequate to protect the Company from continuing and prolonged declines in the price of oil, NGLs or gas. Global commodity prices are volatile. Such volatility challenges the Company' s ability to forecast the price of oil, NGLs and gas, and, as a result, it may become more difficult for the Company to manage its derivative arrangements. In trying to manage its exposure to commodity price risk, the Company may end up with too many or too few derivatives, depending upon where commodity prices settle relative to the Company' s derivative price thresholds and how the Company' s oil, NGL and gas volumes and production mix fluctuate relative to expectations when the derivatives were entered. The Company' s derivative arrangements may also expose the Company to risk of financial loss in certain circumstances, including, but not limited to, when: • production is less than the contracted derivative volumes; • the counterparty to the derivative contract defaults on its contract obligations; • there is a change in the expected differential between the underlying price in the derivative contract and actual prices received; or • a sudden, unexpected event materially impacts oil and gas prices. Failure to protect against declines in commodity prices exposes the Company to reduced liquidity when prices decline. A sustained lower commodity price environment would result in lower realized prices for unprotected volumes and reduce the prices at which the Company could enter into derivative contracts on future volumes. The Company has significantly reduced its derivative arrangements for 2023 and beyond; therefore, any decreases in commodity prices for oil, NGLs and gas could have a material adverse effect on the Company' s financial condition, cash flow, liquidity and results of operations. The use of derivative risk management transactions involves the risk that the counterparties will be unable to meet the financial terms of such transactions. The Company is unable to predict changes in a counterparty' s creditworthiness or ability to perform. Even if the Company accurately predicts sudden changes, the Company' s ability to negate the risk may be limited depending upon market conditions and the contractual terms of the transactions. During periods of declining commodity prices, the Company' s derivative receivable positions generally increase, which increases the Company' s counterparty credit exposure. In periods of lower commodity prices, if any of the Company' s counterparties were to default on its obligations under the Company' s derivative arrangements, such a default could (i) have a material adverse effect on the Company' s results of operations, (ii) result in a larger percentage of the Company' s future production being subject to commodity price changes and (iii) increase the likelihood that the Company' s derivative arrangements may not achieve their intended strategic purposes.~~ As of December 31, ~~2022~~ **2023** , Pioneer had U. S. federal net operating loss carryforwards (" NOLs") of $ **779** ~~1. 1 billion~~ **million** which were incurred on or after January 1, 2018. These will not expire and will be carried forward indefinitely under current tax law. Pioneer' s ability to utilize these NOLs and other tax attributes to reduce future taxable income depends on many factors, including its future income, which cannot be assured. Section 382 of the Code (" Section 382") generally imposes an annual limitation on the amount of NOLs that may be used to offset taxable income when a corporation has undergone an" ownership change" (as determined under Section 382). An ownership change generally occurs if one or more ~~stockholders~~ **shareholders** (or groups of ~~stockholders~~ **shareholders** ) who are each deemed to own at least five percent of such corporation' s ~~stock~~ **shares** increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three- year period. In the event that an ownership change **were to** ~~occurs~~ - **occur with respect to Pioneer** , **including as a result of the completion of the Merger, the** utilization of **Pioneer** ~~the relevant corporation~~

' s NOLs would be subject to an annual limitation under Section 382, generally determined, subject to certain adjustments, by multiplying (i) the fair market value of **Pioneer** ~~such corporation~~ ' s ~~stock~~ **shares** at the time of the ownership change by (ii) a percentage approximately equivalent to the yield on long- term tax- exempt bonds during the month in which the ownership change occurs. Any unused annual limitation may be carried over to later years. ~~As of December 31, 2022,~~ **Significant or extended price declines could result in** the Company ~~carried~~ **having to make downward adjustments to the carrying value of its** ~~unproved~~ -- **proved** oil and gas ~~property~~ **properties . The Company performs assessments of the recoverability of its oil and gas properties whenever events or circumstances indicate that the carrying values of those assets may not be recoverable. In order to perform these assessments, management uses various observable and unobservable inputs, including the Company' s outlook for (i) proved reserves and risk- adjusted probable and possible reserves, (ii) commodity prices, (iii) production** costs ~~of $ 6~~ **, (iv) capital expenditures and (v) production** . ~~0 billion~~ **To the extent such tests indicate a reduction of the estimated useful life or estimated future cash flows of the Company' s oil and gas properties, the carrying value may not be recoverable and therefore an impairment charge would be required to reduce the carrying value of the proved properties to their fair value. The Company may incur impairment charges in the future, which could materially affect the Company' s results of operations in the period incurred** . GAAP requires periodic evaluation of ~~these~~ **unproved oil and gas property** costs on a project- by- project basis. These evaluations are affected by the results of current and planned exploration activities, commodity price outlooks, planned future sales or expiration of all or a portion of the leases and the contracts and permits appurtenant to such projects. If the Company determines that a project is not expected to be developed based on the results of these evaluations, the Company will recognize a noncash charge in earnings in the period in which the unproved oil and gas properties is determined to be impaired ~~. As of December 31, 2022, the Company had a carrying value for goodwill of $ 243 million~~ . Goodwill is assessed for impairment annually during the third quarter and whenever facts or circumstances indicate that the carrying value of the Company' s goodwill may be impaired, which may require an estimate of the fair values of the reporting unit' s assets and liabilities. Those assessments may be affected by (i) positive or negative reserve adjustments, (ii) results of drilling activities, (iii) ~~management~~ **the Company** ' s outlook for commodity prices and costs and expenses, (iv) changes in the Company' s market capitalization, (v) changes in the Company' s weighted average cost of capital and (vi) changes in income taxes. If the fair value of the reporting unit' s net assets is not sufficient to fully support the goodwill balance in the future, the Company will reduce the carrying value of goodwill for the impaired value, with a corresponding noncash charge to earnings in the period in which goodwill is determined to be impaired. If incurred, an impairment of goodwill could result in a material noncash charge to the Company' s earnings in the period in which goodwill is determined to be impaired **. See Note 4 of Notes to Consolidated Financial Statements included in" Item 8. Financial Statements and Supplementary Data" for additional information** . The Company' s operations are subject to a series of risks arising out of the threat of climate change, energy conservation measures, or initiatives that stimulate demand for alternative forms of energy that could result in increased operating costs, limit the areas in which oil and gas production may occur and reduce demand for the oil and gas production it provides. 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 and limit existing emissions of GHGs as well as to restrict or eliminate such future emissions. These efforts have included consideration of cap- and- trade programs, carbon taxes, GHG disclosure obligations and regulations that directly limit GHG emissions from certain sources. Moreover, President Biden highlighted addressing climate change as a priority of his administration, issued several executive orders related to climate change and recommitted the United States to long- term international goals to reduce emissions **, and continues to require the incorporation of climate change considerations into executive agency decision- making** . In recent years the U. S. Congress has considered legislation to reduce emissions of GHGs, including methane, a primary component of natural gas, and carbon dioxide, a byproduct of the burning of natural gas. For example, the Inflation Reduction Act of 2022 (the" IRA"), which appropriates significant federal funding for renewable energy initiatives and, for the first time ever, imposes a fee on GHG emissions from certain facilities, was signed into law in August 2022. The **methane** emissions fee and funding provisions of the law could increase operating costs within the oil and gas industry and accelerate the transition away from fossil fuels, which could in turn adversely affect the Company' s business and results of operations. The EPA has adopted regulations that, among other things, establish construction and operating permit reviews for GHG emissions from certain large stationary sources, require the monitoring and annual reporting of GHG emissions from certain petroleum and natural gas system sources in the United States **(the regulations for which are currently undergoing revision to support implementation of the IRA' s methane emissions fee provision)** , impose ~~new~~ standards **for** reducing methane emissions from oil and gas operations through limitations on venting and flaring and the implementation of enhanced emission leak detection and repair requirements, and together with the United States Department of Transportation ~~(" DOT")~~ , implement GHG emissions limits on vehicles manufactured for operation in the United States. The regulation of methane emissions from oil and gas facilities has been subject to ~~uncertainty~~ **considerable attention** in recent years ~~and~~ **. In December 2023,** the EPA ~~is~~ **finalized revised methane rules for new, modified, and reconstructed upstream and midstream facilities under New Source Performance Standards (" NSPS") Subpart OOOOb, as well as new standards for existing sources under NSPS Subpart OOOOc. The final rules expand the scope of regulated oil and gas sources beyond those** currently ~~proposing new and updated~~ **regulated under the existing NSPS Subpart OOOOa. Under the final** rules **, states have two years to prepare and submit plans to impose methane and volatile organic compound emission controls for existing sources. The presumptive standards established under the final rules are generally the same** for both new and existing sources ~~. The EPA' s proposed rules, if finalized would make existing regulations more stringent, expand the scope of source types covered by the rules~~ and ~~require states to develop plans to reduce methane and volatile organic compound (" VOC") emissions from existing sources that must be at least as effective as presumptive standards set by EPA. Under the proposed rules, owners or operators of affected emission units or~~

~~processes would have to comply with specific standards of performance that may~~ include **enhanced** leak detection **survey requirements** using optical gas imaging and ~~subsequent repair requirements~~ **other advanced monitoring technologies** , **the** reduction of emissions by 95 percent through capture and control systems, zero- emission requirements **for specific** ~~, operations and maintenance requirements~~ - - **equipment** ~~and~~ **,** so- called green well completion requirements ~~. The~~ **and the establishment of a" super emitter" response program which would allow certified third parties to report large emission events to the** EPA ~~is currently seeking comments on~~ **, triggering additional investigation, reporting and repair obligations, among** ~~the~~ **other** ~~supplemental proposed~~ **more stringent operational and maintenance requirements. Fines and penalties for violations of these** ~~rule~~ **rules could be substantial. However** , ~~and~~ **compliance with these rules will** ~~like~~ **likely exempt** ~~each of~~ the ~~EPA' s previous~~ **Company from paying the** methane ~~emission regulations,~~ **fee imposed by** the **IRA. These newly** adopted final ~~rule~~ **rules** ~~is~~ **are also** likely to face **legal** ~~immediate litigation~~ challenges. ~~The~~ **Separately, the** BLM has also proposed rules to limit methane emissions for oil and gas operations on federal lands. Additionally, in January 2023 the Council on Environmental Quality ~~(the" CEQ")~~ released updated guidance for federal agency consideration of GHG emissions and climate change impacts in environmental reviews. While the Company cannot predict the ~~final scope or~~ **ultimate impact and** compliance costs of these **final and** proposed regulatory requirements, any such requirements have the potential to adversely affect the Company' s operations, financial results and cash flows. At the international level, the United Nations (" UN")- sponsored" Paris Agreement" requires member states to submit non- binding, individually- determined reduction goals known as Nationally Determined Contributions every five years after 2020. President Biden has recommitted the United States to the Paris Agreement and, in April 2021, announced a goal of reducing the United States' emissions by 50 to 52 percent below 2005 levels by 2030. **Various U. S. states and local governments have also publicly committed to furthering the goals of the Paris Agreement.** Additionally, at the UN Climate Change Conference of Parties (" COP26"), held in November 2021, the United States and the European Union jointly announced the launch of a Global Methane Pledge, an initiative committing to a collective goal of reducing global methane emissions by at least 30 percent from 2020 levels by 2030, including" all feasible reductions" in the energy sector. COP26 concluded with the finalization of the Glasgow Climate Pact, which stated long- term global goals (including those in the Paris Agreement) to limit the increase in the global average temperature and emphasized reductions in GHG emissions. These goals were reaffirmed at the November 2022 Conference of Parties ~~(" COP27"). At COP27~~ , **at which** the ~~US~~ **U. S.** also announced, in conjunction with the European Union and other partner countries, that it would develop standards for monitoring and reporting methane emissions to help create a market for low methane- intensity natural gas. ~~Moreover~~ **In December 2023** , ~~various state and local governments have also publicly committed to furthering~~ the ~~goals of~~ **United Arab Emirates hosted** the **28th session of the Conference of** ~~Paris~~ **Parties where parties signed on to an** ~~Agreement~~ **agreement to transition" away from fossil fuels in energy systems in a just, orderly and equitable manner" and increase renewable energy capacity so as to achieve net zero by 2050, although no timeline for doing so was set** . The full impact of these actions, and any legislation or regulation promulgated to fulfill the United States' commitments thereunder, is uncertain at this time, and it is unclear what additional initiatives may be adopted or implemented that may have adverse effects upon the Company' s operations. Governmental, scientific and public concern over the threat of climate change arising from GHG emissions has resulted in increasing political risks in the United States, including climate change related pledges made by certain candidates elected to public office. President Biden has issued several executive orders focused on addressing climate change, including items that may impact costs to produce, or demand for, oil and gas. Additionally, in November 2021, the Biden Administration released" The Long- Term Strategy of the United States: Pathways to Net- Zero Greenhouse Gas Emissions by 2050," which establishes a roadmap to net zero emissions in the United States by 2050 through, among other things, improving energy efficiency, decarbonizing energy sources via electricity, hydrogen and sustainable biofuels, eliminating subsidies provided to the fossil fuel industry, reducing non- CO2 GHG emissions and increasing the emphasis on climate- related risks across government agencies and economic sectors. The Biden Administration has also called for revisions and restrictions to the leasing and permitting programs for oil and gas development on federal lands **and, for a time, suspended federal oil and gas leasing activities** . The DOI' s comprehensive review of the federal leasing program resulted in **recommendations that were ultimately implemented as part of the IRA, including** a reduction in the volume of onshore land held for lease **, increased minimum bid limits** and an increased royalty rate **. Additionally, in July 2023 the Council on Environmental Quality proposed revisions to the National Environmental Protection Act implementing regulations that would expand environmental review requirements to include analyses of a project' s cumulative effects on climate change, consideration of any disproportionate impact on communities with environmental justice concerns and enhanced project obligations for environmental mitigation measures** . Other actions that could be pursued by the Biden Administration include the imposition of more restrictive requirements for the construction and permitting of pipeline infrastructure and LNG export facilities, as well as more restrictive GHG emissions limits for oil and gas facilities **. In January 2024, the Biden Administration paused authorizations for new LNG exports to certain countries pending a review of the supporting analyses by the DOE, which is expected to include climate change considerations. Any of these actions or new or proposed federal or state policies eliminating support for or restricting the development activities of the oil and gas sector while incentivizing or subsidizing alternative energy sources could reduce demand for the Company' s products, increase its operating costs, or otherwise adversely impact the Company' s financial performance** . Litigation risks are also increasing as a number of parties have sought to bring suit against various oil and natural gas companies in state or federal court, alleging, among other things, that such companies created public nuisances by producing fuels that contributed to climate change or alleging that the companies have been aware of the adverse effects of climate change for some time but defrauded their investors or customers by failing to adequately disclose those impacts. Should the Company be targeted by any such litigation, it may incur liability, which, to the extent that societal pressures or political or other factors are involved, could be imposed without regard to causation or contribution to the asserted damage, or to other mitigating factors. An unfavorable ruling in any such case could significantly impact the Company' s operations **and reputation** and could have an adverse impact on the Company' s financial condition. There are also increasing financial risks for fossil fuel producers as shareholders **and bondholders** currently invested in fossil fuel energy companies may elect in the future to shift some or all of their investments into ~~other~~ **non- fossil fuel related** sectors. **Certain** ~~Institutional~~ **institutional** lenders who provide financing to fossil fuel energy companies also have become more attentive to sustainable lending practices and **have shifted their investment practices to favor non- fossil fuel related energy sources, such as wind and solar, and** some of them may elect not to provide funding ~~for fossil fuel energy companies~~ **to the oil and gas sector** . ~~Although~~ **Many of the largest U. S. banks have made net zero carbon emission commitments and have announced that** ~~the~~ **they** ~~Company cannot predict~~ **will be assessing financed emissions across** ~~the~~ **their portfolios and taking steps to quantify and reduce those emissions. There is also a risk that financial institutions will be pressured or required to adopt policies that have the** ~~effects~~ - **effect** of **reducing** ~~these~~ -- **the capital provided to** ~~actions, such limitation of investments in and financing for fossil fuel energy companies could result in~~ the **oil and gas sector** ~~restriction, delay or cancellation of drilling programs or development or production activities~~ . **In** ~~Additionally, in March 2022~~ **2023 the six largest U. S. banks performed a pilot climate scenario analysis exercise, pursuant to Federal Reserve instructions. Furthermore** , the SEC **has** ~~issued a~~ proposed ~~rule~~ **rules** that would mandate extensive disclosure of climate risks, including financial impacts, related governance and strategy and GHG emissions, for all U. S.- listed public companies. **Enhanced climate disclosure** ~~Although the final form and substance of this rule and its~~ requirements **could** ~~are not yet known and its ultimate impact on the Company' s business is uncertain, compliance with the proposed rule, if finalized, may~~ result in additional legal ~~,~~ **and** accounting ~~and financial compliance~~ costs ~~. The adoption~~ and ~~implementation~~ **accelerate the trend** of ~~new~~ **certain stakeholders and lenders restricting** or **seeking** more stringent ~~international, federal~~ **conditions with respect to their investments in carbon- intensive sectors. States may also pass laws imposing more expansive disclosure requirements** ~~or~~ **for** ~~state legislation~~ **climate- related risks. Separately, the SEC has announced it is scrutinizing existing climate change- related disclosures in public filings, increasing the potential for enforcement if the SEC were to allege an issuer' s existing climate disclosures misleading or deficient. New laws** , regulations or **enforcement initiatives related to the disclosure of climate- related risks could lead to reputational or** other **harm with customers,** ~~regulatory~~ **regulators** ~~initiatives that impose more stringent standards for GHG emissions from~~ **, investors, lenders and other stakeholders and could also increase litigation risks. Any material reduction in the capital available to** the oil and ~~natural~~ gas sector ~~or otherwise restrict the areas in which this sector may produce oil and natural gas or generate GHG emissions~~ could **make it more difficult to secure funding for and** result in **the restriction** ~~increased costs of compliance or costs of consuming~~ , **delay** ~~and thereby reduce demand for~~ - **or** ~~oil~~ **cancellation of the Company' s exploration, development,** and ~~natural gas~~ **production activities** , which could ~~reduce~~ **impact** the ~~profitability of the~~ Company' s ~~business. Additionally, political, litigation and~~ financial **performance** ~~risks may result in the Company restricting or cancelling production activities, incurring liability for infrastructure damages as a result of climatic changes or impairments to the Company' s ability to continue to operate in an economic manner, which also could reduce the profitability of the Company' s operations~~ . **Finally** ~~To date, any costs related to climate change regulation has not had a material impact on the Company' s production activities or otherwise materially and adversely affected their business. However, one or more of these developments could have a material adverse effect on the Company' s business, financial condition and results of operation. As a final note~~ , climate change may also result in various physical risks, such as the increased frequency or severity of extreme weather events (including storms, droughts, floods and wildfires) or changes in meteorological and hydrological patterns, that could adversely impact the Company' s operations and supply chains. Such physical risks could result in damage to the Company' s facilities or indirectly adversely impact the Company' s supply ~~chains~~ - **chain** or operations through, for example, water use curtailments in response to drought or ~~decline in~~ **changes to the amount, timing or location of** demand for the Company' s products **as a result of shifting meteorological conditions. While the Company' s consideration of changing climatic conditions and inclusion of safety factors in the design and operation of the Company' s facilities is intended to reduce the uncertainties that climate change and other events may potentially introduce, the Company' s ability to mitigate the adverse impacts of these events depends in part on the effectiveness of the Company' s disaster preparedness and response and business continuity planning, which may have not considered or prepared** for **every eventuality** ~~heating purposes in response to warmer winters~~ . The nature of the Company' s assets and production operations may impact the environment or cause environmental contamination, which could result in material liabilities to the Company. The Company' s assets and production operations may give rise to significant environmental costs and liabilities as a result of the Company' s handling of petroleum hydrocarbons and wastes, because of air emissions and water discharges related to its operations, and due to past industry operations and waste disposal practices. The Company' s oil and gas business involves the generation, handling, treatment, storage, transport and disposal of wastes, hazardous substances and petroleum hydrocarbons and is subject to environmental hazards, such as oil and produced water spills, NGL and gas leaks, pipeline and vessel ruptures and unauthorized discharges of such wastes, substances and hydrocarbons, that could expose the Company to substantial liability due to pollution and other environmental damage. The Company could also incur costs and liabilities arising out of the unintended release of its flowback water or certain other oilfield fluids that the Company injects or has injected into non- producing formations. Another consequence of such contamination may be lawsuits alleging that its operations have caused damage to neighboring properties or otherwise violated state and federal rules regulating waste disposal. The occurrence of any one or more of these developments could have a material adverse effect on the Company' s business, financial condition and results of operations. The Company' s hydraulic fracturing and former sand mining operations may result in silica- related health issues and litigation that could have a material adverse effect on the Company. The Company routinely conducts hydraulic fracturing in its drilling and completion programs, which activity requires the management and use of significant volumes of sand. Additionally, the Company owns and formerly operated certain sand mining operations. The inhalation of respirable crystalline silica dust is associated with the lung disease silicosis. There is evidence of an association between crystalline silica exposure or silicosis and lung cancer and a possible association with other diseases, including immune system disorders, such as scleroderma. These health risks have been, and may continue to be, a significant issue confronting the commercial sand industry. The actual or perceived health risks of mining, processing and handling sand could materially and adversely affect the Company through the threat of product liability or personal injury lawsuits, enacted OSHA silica regulations and increased scrutiny by federal, state and local regulatory authorities. The occurrence of significant silica- related health issues as well as any pending or future claims or inadequacies of insurance coverage or contractual indemnification arising out of such issues could have a material adverse effect on the Company' s results of operations. Businesses across all industries are facing increasing scrutiny from stakeholders related to their ESG practices. Businesses that do not adapt to or comply with investor or stakeholder expectations and standards, which are continuing to evolve, or businesses that are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage and the business, financial condition and / or share price of such business entity could be materially and adversely affected. Increasing attention to climate change, increasing societal expectations on businesses to address climate change and potential consumer use of substitutes to energy commodities may result in increased costs, reduced demand for the Company' s hydrocarbon products, reduced profits, increased investigations and litigation and negative impacts on its share price and access to capital markets. Increasing attention to climate change, for example, may result in demand shifts for the Company' s hydrocarbon products, additional governmental investigations and private litigation, an increase in shareholder activism as shareholders may attempt to effect changes to the Company' s business or governance, whether by shareholder proposals, public campaigns, proxy solicitations or otherwise, or constraints in sources of capital as certain financial institutions, institutional investors and other sources of capital limit or eliminate their investment in oil and gas activities. As part of the Company' s ongoing effort to enhance its ESG efforts, its Board has established a Sustainability and Climate Oversight Committee, which is charged with the ongoing oversight of the Company' s corporate climate- related risk analysis, as well as its Sustainability Report ~~, Climate Risk Report~~ and other related activities. The Company has established an aspirational long- term net zero (Scope 1 and Scope 2) emissions ambition to further strengthen the Company' s ESG performance **,** with interim targets as follows: (i) reduce its methane emissions intensity by 75 percent by 2030 and its Scope 1 and Scope 2 GHG emissions intensity by 50 percent by 2030, from a 2019 baseline and (ii) maintain a flaring intensity standard of less than one percent of gas produced and end routine flaring by ~~2030, with an aspirational goal to achieve it by~~ 2025. The Company has also set an aspirational goal to reduce the freshwater used in its completions operations to 20 percent by 2026. While the Company may elect to establish and revise various voluntary ESG targets now or in the future, such targets are aspirational. The Company may not be able to meet such targets in the manner or on such a timeline as initially contemplated, including as a result of unforeseen material costs or technical difficulties associated with achieving such results. Some of these targets are dependent on or influenced by factors out of the control of the Company, including, but not limited to, the ability of suppliers to provide new equipment on schedule and the build out of sufficient electricity capacity in the areas the Company operates. Further, to the extent the Company elected to pursue such targets and ~~were~~ **was** able to achieve the desired target levels, such achievement may have been accomplished as a result of entering into various contractual arrangements, including the purchase of various credits or offsets that may be deemed to mitigate its ESG impact instead of actual changes in ESG performance. However, even in those cases the Company cannot guarantee that sufficient quality environmental credits or offsets the Company does purchase will not subsequently be determined to have failed to result in GHG emission reductions for reasons out of the Company' s control. Given the uncertainties related to the use of emerging technologies, the state of the markets for and availability of verified quality carbon offsets, the Company cannot predict whether or not it will be able to timely meet its net zero ambition, if at all. In addition, 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. Moreover, the 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 private litigation and damage the Company' s reputation, cause investors or consumers to lose confidence in the Company and negatively impact the Company' s operations. While the Company may participate in various voluntary frameworks and certification programs to improve the ESG profile of its operations and services, such as the Company' s participation in Project Veritas, The Environmental Partnership and OGMP 2. 0, the Company cannot guarantee that such participation or certification will have the intended results on its ESG profile. Notwithstanding the Company' s election to pursue aspirational targets now or in the future, it may receive pressure from investors, lenders or other groups to adopt more aggressive climate or other ESG- related goals, but the Company cannot guarantee it will be able to implement such goals because of potential costs or technical or operational obstacles. Conversely, governments and private parties are also increasingly filing lawsuits or initiating regulatory action based on allegations that certain public statements regarding ESG- related matters and practices by companies are" greenwashing," i. e. misleading information or false claims overstating potential ESG benefits. For example, in March 2021, the SEC established the Climate and ESG Task Force in the Division of Enforcement to identify and address potential ESG- related misconduct, including greenwashing. Similar issues can also arise relating to aspirational statements such as net- zero or carbon neutrality targets that are made without an adequate basis to support such statements. While the Company is currently not a party to any of these lawsuits, they present a high degree of uncertainty regarding the extent to which oil and gas companies face an increased risk of liability stemming from climate change or ESG disclosures and practices. Furthermore, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating business entities on their approach to ESG matters. Currently, there are no universal standards for such scores or ratings, but the importance of sustainability evaluations is becoming more broadly accepted by investors and shareholders. Such ratings are used by some investors to inform their investment and voting decisions. Additionally, certain investors use these scores to benchmark businesses against their peers and if a business entity is perceived as lagging, these investors may engage with such entities to require improved ESG disclosure or performance. Moreover, certain members of the broader investment community may consider a business entity' s sustainability score as a reputational or other factor in making an investment decision. Consequently, a low sustainability score could result in exclusion of the Company' s ~~stock~~ **shares** from consideration by certain investment funds, engagement by investors seeking to improve such scores and a negative perception of the Company' s operations by certain investors. Additionally, though the Company believes it can achieve its voluntary ESG targets and goals, any failure to realize or the perception of a failure to realize voluntary targets or long- term goals, could lead to a negative perception of the Company. The Company' s operations are subject to stringent environmental, oil and gas- related and occupational safety and health legal requirements that could increase its costs of doing business and result in operating restrictions, delays or cancellations in the permitting, drilling or completion of oil and gas wells, which could have a material adverse effect on the Company' s business, results of operations and financial condition. The Company' s oil and gas exploration and production operations are subject to stringent federal, state and local legal requirements governing, among other things, the drilling of wells (including allocation wells on two or more leaseholds that are not pooled), rates of production, the size and shape of drilling and spacing units or proration units, the transportation and sale of oil, NGLs and gas, the discharging of materials into the environment, environmental protection and occupational safety and health. These requirements may take the form of laws, regulations and executive actions, and noncompliance with these legal requirements may subject the Company to sanctions, including administration, civil or criminal penalties, remedial cleanups or corrective actions, delays in permitting or performance of projects, natural resource damages and other liabilities. Changes in administrative procedures or authorizations, court decisions and legislative action with respect to any of these areas, including authorizations for allocation wells, could have a material adverse effect on the Company' s anticipated future production, results of operations and financial condition. In connection with its operations, the Company must obtain and maintain numerous environmental and oil and gas related permits, approvals and certificates from various federal, state and local governmental authorities, and may incur substantial costs in doing so. The need to obtain permits has the potential to delay, curtail or cease the development of oil and gas projects. The Company may in the future be charged royalties on gas emissions or required to incur certain capital expenditures for air pollution control equipment or other air emissions- related issues. For example, in 2015, the EPA under the Obama Administration issued a final rule under the CAA, making the National Ambient Air Quality Standard (" NAAQS") for ground- level ozone more stringent. Since that time, the EPA has issued area designations with respect to ground- level ozone and, on December 31, 2020, published a final action that, upon conducting a periodic review of the ozone standard in accord with CAA requirements, elected to retain the 2015 ozone NAAQS without revision on a going- forward basis. However, in October 2021, the EPA announced it ~~will~~ **would** reconsider its December 2020 decision ~~and is targeting to complete its~~ **. Then in August 2023, the EPA announced a new review of the ozone NAAQS which will incorporate the ongoing** reconsideration ~~by the end~~ of **the December** ~~2023~~ **2020 decision** . If the EPA were to adopt more stringent NAAQS for ground- level ozone as part of its **new review and ongoing** reconsideration of the December 2020 final action, state implementation of the revised NAAQS could, among other things, require installation of new emission controls on some of the Company' s equipment, result in longer permitting timelines, and significantly increase the Company' s capital expenditures and operating costs. ~~In another example, there continues to be uncertainty on the federal government' s applicable jurisdictional reach under the CWA over waters of the United States (" WOTUS"), including wetlands, as the EPA and the U. S. Army Corps of Engineers (" Corps") under the Obama, Trump and Biden Administrations have pursued multiple rulemakings since 2015 in an attempt to determine the scope of such reach. While the EPA and Corps under the Trump Administration issued a final rule in April 2020 narrowing federal jurisdictional reach over WOTUS, two federal district courts vacated the 2020 rule during the third quarter of 2021. The EPA and the Corps have since published a new final rule, which will take effect on March 20, 2023, defining WOTUS according to the broader pre- 2015 standards with updates to incorporate existing U. S. Supreme Court decisions and agency guidance regarding regional differences. However, the new rule has already been challenged in federal court. Moreover, the EPA and the Corps have announced an intent to develop a subsequent rule that further revises the definition of WOTUS and, separately, the U. S. Supreme Court is expected to rule on certain aspects of the definition in mid- 2023. Separately, in April 2020, the U. S. Supreme Court held that, in certain cases, discharges from a point source to groundwater could fall within the scope of the CWA and require a permit. To the extent that any new rule or judicial determination expands the scope of the CWA' s jurisdiction in areas where the Company conducts operations, such developments could delay, restrict or halt the development of projects, result in longer permitting timelines, or increased compliance expenditures or mitigation costs for the Company' s operations, which may reduce the Company' s rate of production of oil and gas and have a material adverse effect on the Company' s business, results of operations and cash flows.~~ Additionally, the Company' s operations are subject to federal and state laws and regulations, including the federal ~~OSHA~~ - **OSH Act** and comparable state statutes, whose purpose is to protect the health and safety of employees. Among other things, the OSHA hazard communication standard, the EPA community right- to- know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and comparable state statutes require that information be maintained concerning hazardous materials used or produced in the Company' s operations and that this information be provided to employees, state and local government authorities and citizens. Compliance with these legal requirements, or any other new environmental or occupational safety and health laws, regulations or executive actions could, among other things, require the Company to install new or modified emission or safety controls on equipment or processes, incur longer permitting timelines and incur increased capital or operating expenditures, which costs may be significant. Additionally, one or more of these developments could impact the Company' s oil and gas exploration, production and development activities, which could have a material adverse effect on its business, results of operations and financial condition. The Company routinely conducts hydraulic fracturing in its drilling and completion programs. Hydraulic fracturing is typically regulated by state oil and gas commissions, but the practice continues to attract considerable public, scientific and governmental attention in certain parts of the country, resulting in increased scrutiny and regulation, including by federal agencies. Currently, hydraulic fracturing is generally exempt from regulation under the Underground Injection Control program of the SDWA, but the EPA has asserted federal regulatory authority over certain hydraulic fracturing activities. For example, the EPA has published permitting guidance for certain hydraulic fracturing processes involving the use of diesel fuel and issued a final regulation under the CWA prohibiting discharges to publicly owned treatment works of wastewater from onshore unconventional oil and gas extraction facilities. The EPA is also conducting a study of private wastewater treatment facilities (also known as centralized waste treatment (" CWT") facilities) accepting oil and natural gas extraction wastewater. The EPA is collecting data and information related to the extent to which CWT facilities accept such wastewater, available treatment technologies (and their associated costs), discharge characteristics, financial characteristics of CWT facilities and the environmental impacts of discharges from CWT facilities. In late 2016, the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources, concluding that" water cycle" activities associated with hydraulic fracturing may impact drinking water resources under certain circumstances. Other government agencies, including the **DOE** ~~U. S. Department of Energy~~ , the U. S. Geological Survey and the U. S. Government Accountability Office, have evaluated or are evaluating various aspects of hydraulic fracturing. These ongoing or proposed studies could spur initiatives to further regulate hydraulic fracturing and ultimately make it more difficult or costly for the Company to perform fracturing activities. Also, 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 hydraulic fracturing process. This or other federal legislation related to hydraulic fracturing may be considered again in the future, though the extent of any such legislation cannot be predicted at this time. Also, in 2016, the BLM under the Obama Administration published a final rule imposing more stringent standards on hydraulic fracturing on federal lands; however, in late 2018, the BLM, under the Trump Administration, published a final rule rescinding the 2016 final rule. Since that time, litigation challenging the BLM' s 2016 final rule and the 2018 final rule has resulted in rescission in federal courts of both the 2016 rule and the 2018 final rule ~~but~~ **.** ~~appeals~~ **Appeals** to those decisions are ongoing **, but with little activity in the last several years** . At the state level, many states have adopted legal requirements that have imposed new or more stringent permitting, public disclosure or well construction requirements on hydraulic fracturing activities, including in states where the Company' s oil and gas exploration and production activities occur. For example, the Texas Railroad Commission requires operators to disclose chemical ingredients and water volumes used in hydraulic fracturing treatments via the public FracFocus website. States could also elect to place prohibitions on hydraulic fracturing and local governments may seek to adopt ordinances within their jurisdictions regulating the time, place or manner of drilling activities in general or hydraulic fracturing activities in particular. Laws and regulations pertaining to protection of threatened and endangered species or to critical habitat, wetlands and natural resources could delay, restrict or prohibit the Company' s operations and cause it to incur substantial costs that may have a material adverse effect on the Company' s development and production of reserves. The federal ESA and comparable state laws were established to protect endangered and threatened species. Under the ESA, if a species is listed as threatened or endangered, restrictions may be imposed on activities adversely affecting that species' habitat. Similar protections are offered to migratory birds under the Migratory Bird Treaty Act ~~(" MBTA")~~ **and to bald and golden eagles under the Bald and Golden Eagle Protection Act** . ~~The U~~ **Some of the Company' s operations are conducted in areas where protected species or their habitats are known to exist** . ~~S~~ **In these areas, the Company may be obligated to develop and implement plans to avoid potential adverse effects to protected species and their habitats, and the Company may be delayed, restricted or prohibited from conducting operations in certain locations or during certain seasons, such as breeding and nesting seasons, when the Company' s operations could have an adverse effect on the species** . **In addition, the** Fish and Wildlife Service (" FWS") ~~, during the Trump Administration, issued a final rule on January 7, 2021, which clarifies that criminal liability under the MBTA will apply only to actions" directed at" migratory birds, its nests, or its eggs; however, the FWS under the Biden Administration has since published a final rule in October 2021 revoking the January 2021 rule and affirmatively stating that the MBTA prohibits incidental takes of migratory birds. Some of the Company' s operations are conducted in areas where protected species or their habitats are known to exist. In these areas, the Company may be obligated to develop and implement plans to avoid potential adverse effects to protected species and their habitats, and the Company may be delayed, restricted or prohibited from conducting operations in certain locations or during certain seasons, such as breeding and nesting seasons, when the Company' s operations could have an adverse effect on the species. In addition, the FWS~~ may make new determinations on the listing of species as endangered or threatened under the ESA. The Company takes proactive measures to mitigate the risks of existing or future ESA regulations regarding certain species, like the Dunes Sagebrush Lizard and Lesser Prairie Chicken, that have the potential to impact the Company' s operations. For example, the Company is a participant in the Candidate Conservation Agreement with Assurance (" CCAA") for the conservation of the Lesser Prairie Chicken. The terms of ~~the~~ **this** CCAA enable the Company to minimize its impacts to and promote conservation of Lesser Prairie Chicken habitat but also maintain its development plans through the generation of habitat impact offsets. The southern and northern population segments of the Lesser Prairie Chicken were formally listed as endangered and threatened, respectively, by the FWS in November 2022. However, the Company' s participation in the Lesser Prairie Chicken CCAA insulates the Company' s operations from most of the adverse impacts of this listing. Should the habitat of the Lesser Prairie Chicken be expanded at a future date through the actions of the FWS, operations in areas pertaining to any expanded habitat would not be covered by the CCAA and future operations may require securing FWS permits. Separately, in ~~August~~ **July** ~~2022~~ **2023** ~~,~~ the FWS **proposed** ~~agreed, via a stipulated settlement agreement in a federal district court, to decide whether~~ to list the Dunes Sagebrush Lizard as endangered ~~or threatened by June 29~~ , ~~2023~~ **but to date has not proposed any protected habitat** . **Relatedly** ~~In January 2021~~ , the FWS approved a **pair of CCAAs covering the Dunes Sagebrush Lizard and its related habitats in non- federal lands in certain counties of western Texas, one pertaining to oil and gas activities and the other to sand mining activities. The Company is**

**a participant in the** CCAA ~~covering~~ **for** the **conservation of the Dunes Sagebrush Lizard related to oil and gas activities as managed by the American Conservation Foundation. The terms of this CCAA enable the Company to minimize its impacts to the Dunes Sagebrush Lizard and to promote conservation of** Dunes Sagebrush Lizard habitat **through the efforts of the American Conservation Foundation. Participation** in ~~non- federal~~ **the CCAA also provides funding to the American Conservation Foundation to advance scientific understanding** ~~lands~~ -- **and augment efforts to protect the species and preserve and improve Dunes Sagebrush Lizard habitats** in certain counties of western Texas **while maintaining the Company' s development plans. When the FWS designates habitat for the Dunes Sagebrush Lizard, the FWS will work with the American Conservation Foundation to sync conservation and provide legal assurances to CCAA participants** . The designation of previously unprotected species or the re- designation of under protected species as threatened or endangered in areas where the Company conducts operations could cause the Company to incur increased costs arising from species protection measures or could result in delays, restrictions or prohibitions on its development and production activities that could have a material adverse effect on the Company' s ability to develop and produce reserves. The Company' s transportation of gas; sales and purchases of oil, NGLs and gas or other energy commodities and any derivative activities related to such energy commodities, expose the Company to potential regulatory risks. The FERC, the Federal Trade Commission and the U. S. Commodities Futures Trading Commission ~~(" CFTC")~~ hold statutory authority to monitor certain segments of the physical and futures energy commodities markets relevant to the Company' s business. These agencies have imposed broad regulations prohibiting fraud and manipulation of such markets. With regard to the Company' s transportation of gas in interstate commerce, physical sales and purchases of oil, NGLs, gas or other energy commodities, and any derivative activities related to these energy commodities, the Company is required to observe the market- related regulations enforced by these agencies, which hold substantial enforcement authority. Failure to comply with such regulations, as interpreted and enforced, could result in agency actions that could materially and adversely affect the Company' s results of operations and financial condition. The ~~Dodd- Frank Wall Street Reform and Consumer Protection Act (the" Dodd- Frank Act") enacted in July 2010, established federal oversight and regulation of the over- the- counter derivatives market and entities, such as the Company, that participate in that market. The Dodd- Frank Act requires the CFTC and the SEC to promulgate rules and regulations for its implementation. While many Dodd- Frank Act regulations are already in effect, the rulemaking and implementation process is ongoing, and the ultimate effect of the adopted rules and regulations and any future rules and regulations on the Company' s business remain uncertain. In 2020, the CFTC voted to adopt a final rule regarding position limits for certain physical commodity derivatives (the" Final Position Limits Rule"). The Final Position Limits Rule establishes new and amended position limits for futures and options contracts in various commodities (including oil and gas) and for swaps that are their economic equivalents. Under the Final Position Limits Rule, certain types of derivative transactions are exempt from these limits, provided that such derivative transactions satisfy the CFTC' s requirements for certain enumerated" bona fide" derivative transactions, pass- through swaps and certain anticipatory hedges. The Final Position Limits Rule also includes new exemptions for conditional spot- month positions in gas, preexisting positions acquired in good faith and, in limited circumstances, upon request to the CFTC. The CFTC has also adopted final rules regarding the aggregation requirements applicable to position limits (such rules, as expanded by the Final Positions Limits Rule, the" Aggregation Rule"). The Aggregation Rule requires the aggregation of positions in commodity futures contracts and the economically equivalent futures, options and swaps held by separate but related entities for purposes of determining compliance with position limits. These rules may affect both the size of the positions that the Company may hold and the ability or willingness of counterparties to trade with the Company, potentially increasing the costs of transactions. Moreover, such changes could materially reduce the Company' s access to derivative opportunities, which could adversely affect revenues or cash flow during periods of low commodity prices. The ultimate effect of these rules and any additional regulations on the Company' s business is uncertain. In addition, certain banking regulators and the CFTC have adopted final rules establishing minimum margin requirements for uncleared swaps. Although the Company expects to qualify for the end- user exception from margin requirements for swaps entered into to manage its commercial risks, the application of such requirements to other market participants, such as swap dealers, may change the cost and availability of the swaps that the Company uses. If any of the Company' s swaps do not qualify for the commercial end- user exception, the posting of collateral could reduce its liquidity and cash available for capital expenditures and could reduce its ability to manage commodity price volatility and the volatility in its cash flows. The full impact of the Dodd- Frank Act and related regulatory requirements upon the Company' s business will not be known until the regulations are fully implemented and the market for derivatives contracts has adjusted. In addition, it is possible that the Biden administration could expand regulation of the over- the- counter derivatives market and the entities that participate in that market through either the Dodd- Frank Act or the enactment of new legislation. The Dodd- Frank Act (and any regulations implemented thereunder) and any new legislation could significantly increase the cost of derivative contracts, materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks the Company encounters and reduce the Company' s ability to monetize or restructure existing derivative contracts. Further, the Dodd- Frank Act was intended, in part, to reduce the volatility of oil and gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and gas. The Company' s revenues could therefore be materially and adversely affected if a consequence of the Dodd- Frank Act and implementing regulations is to lower commodity prices. The European Union and other non- U. S. jurisdictions have also implemented and continue to implement new regulations with respect to the derivatives market. To the extent the Company transacts with counterparties in foreign jurisdictions or counterparties with other businesses that subject them to regulations in foreign jurisdictions, the Company may become subject to, or otherwise affected by, such regulations. At this time, the impact of such regulations is not clear. Regulation by the CFTC and banking regulators of the over- the- counter derivatives market and market participants could cause the Company' s contract counterparties, which are generally financial institutions and other market participants, to curtail or cease their derivatives activities. The Company believes that these regulatory trends have contributed~~

~~to a reduction in liquidity of the over- the- counter derivatives market, which could make it more difficult to engage in derivative transactions covering significant volumes of the Company' s future production, and which could materially and adversely affect the cost and availability of derivatives to the Company. If the Company reduces its use of derivatives as a result of such regulation, the Company' s results of operations may become more volatile and its cash flows may be less predictable, which could materially and adversely affect the Company' s ability to plan for and fund capital expenditures. Any of these consequences could have a material adverse effect on the Company, its financial condition and its results of operations. The~~ Company' s bylaws provide, to the fullest extent permitted by law, that the Court of Chancery of the State of Delaware (or if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) will be the exclusive forum for certain legal actions between the Company and its ~~stockholders~~ **shareholders** and that the federal district courts of the United States shall be the sole and exclusive forum for the resolution of causes of action arising under the Securities Act of 1933. These provisions could increase costs to bring a claim, discourage claims or limit the ability of the Company' s ~~stockholders~~ **shareholders** to bring a claim in a judicial forum viewed by the ~~stockholders~~ **shareholders** as more favorable for disputes with the Company or the Company' s directors, officers or other employees. The Company' s bylaws provide to the fullest extent permitted by law that, unless the Company consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Company, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, other employee, agent or ~~stockholder~~ **shareholder** of the Company to the Company or the Company' s ~~stockholders~~ **shareholders** , (c) any action against the Company arising pursuant to any provision of the Delaware General Corporation Law or as to which the Delaware General Corporation Law confers jurisdiction on the Court of Chancery of the State of Delaware, or (d) any action against the Company or any director, officer, other employee or agent of the Company asserting a claim governed by the internal affairs doctrine, including, without limitation, any action to interpret, apply, enforce or determine the validity of the Company' s certificate of incorporation or the Company' s bylaws. The Company' s bylaws also provided that the federal district courts of the United States shall be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933. Although the Company' s bylaws provide for an exclusive forum for causes of action under the Securities Act of 1933, its ~~stockholders~~ **shareholders** will not be deemed to have waived compliance with the federal securities laws and the rules and regulations thereunder. The choice of forum provisions may increase costs to bring a claim, discourage claims or limit a ~~stockholder~~ **shareholder** ' s ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company or the Company' s directors, officers or other employees, which may discourage such lawsuits against the Company or the Company' s directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in the Company' s bylaws to be inapplicable or unenforceable in an action, the Company may incur additional costs associated with resolving such action in other jurisdictions. From time to time, U. S. federal and state level legislation has been proposed that would, if enacted into law, make significant changes to U. S. tax laws, including to certain key U. S. federal and state income tax provisions currently available to oil and natural gas exploration and development companies. Such legislative changes have included, but have not been limited to, (i) the elimination of the percentage depletion allowance for oil and natural gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, (iii) an extension of the amortization period for certain geological and geophysical expenditures, (iv) the elimination of certain other tax deductions and relief previously available to oil and natural gas companies and (v) an increase in the U. S. federal income tax rate applicable to corporations such as the Company. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes could take effect. Additionally, states in which the Company operates or owns assets may impose new or increased taxes or fees on oil and natural gas extraction. The passage of any legislation as a result of these proposals and other similar changes in U. S. federal income tax laws or the imposition of new or increased taxes or fees on natural gas and oil extraction could **materially and** adversely affect the Company' s operations and cash flows. In addition, on August 16, 2022, President Biden signed into law the IRA, which ~~includes~~ , among other things, **imposed** ~~a corporate alternative minimum tax (the" CAMT"), provides for an investment tax credit for qualified biomass property and introduces~~ a one percent excise tax on corporate ~~stock~~ **share** repurchases after December 31, 2022 **, provided tax incentives to promote clean energy, and introduced a corporate alternative minimum tax (the" CAMT")** . Under the CAMT, a 15 percent minimum tax **is** ~~will be~~ imposed on certain adjusted financial statement income of" applicable corporations ~~,~~ **.** " ~~which is effective beginning January 1, 2023.~~ The CAMT generally treats a corporation as an applicable corporation in any taxable year in which the" average annual adjusted financial statement income" of the corporation and certain of its subsidiaries and affiliates for a three- taxable- year period ending prior to such taxable year exceeds $ 1 billion. The **U. S. Department of the Treasury and the Internal Revenue Service have issued guidance on the application of the CAMT, which may be relied upon until final regulations are released. If the** Company **' s CAMT liability is greater than its regular U. S. federal income tax liability for any particular tax year, the CAMT liability would effectively accelerate its future U. S. federal income tax obligations, reducing its cash flows in that year, but provide an offsetting credit against its regular U. S. federal income tax liability in future tax years. Based on the Company' s interpretation of the IRA, CAMT and related guidance, the Company does not expect the CAMT to materially increase its tax obligations for the 2023 taxable year. However, the CAMT could materially increase the Company' s tax obligations in the future, which could adversely impact the Company' s financial condition, results of operations and cash flows. The completion of the Merger** is currently ~~assessing~~ **subject to satisfaction or waiver of certain customary mutual closing conditions, including (i) the expiration or termination of any applicable waiting period under the Hart- Scott- Rodino Antitrust Improvements Act of 1976, as amended (the" HSR Act") (in ExxonMobil' s case, without the imposition of any Burdensome Condition (as defined below)), (ii) the absence of any injunction or** ~~the~~ **other order issued by a court of competent jurisdiction or applicable law** or legal prohibition prohibiting or making illegal the consummation of the Merger (or, in ExxonMobil' s case, imposing a Burdensome Condition), (iii) the absence of any stop order or proceeding by the SEC for the purpose of suspending the effectiveness of the Registration Statement on Form S- 4 filed by ExxonMobil pursuant to which the shares of ExxonMobil common stock are to be issued in connection with the Merger and (iv) approval for listing on the NYSE of the shares of ExxonMobil common stock to be issued in connection with the Merger." Burdensome Condition" means a material adverse effect on the business, financial condition or results of operations of ExxonMobil, the Company and their respective subsidiaries, taken as a whole (for this purpose ExxonMobil, the Company and their respective subsidiaries, taken as a whole, being deemed a consolidated group of entities of the size and scale of a ~~potential~~ hypothetical company that is equivalent in size to the Company and its subsidiaries). The obligation of each party to consummate the Merger is also conditioned upon (i) the other party having performed in all material respects its obligations under the Merger Agreement, (ii) the other party' s representations and warranties in the Merger Agreement being true and correct (subject to certain materiality qualifiers) and (iii) the other party having not experienced a material adverse effect. Furthermore, the requirements for obtaining the required clearances and approvals could delay the completion of the Merger for a significant period of time or prevent the Merger from occurring. Any delay in completing the Merger may adversely affect the cost savings and other benefits expected to be achieved if the Merger and the integration of ExxonMobil' s and the Company' s respective businesses are not completed within the expected time frame. There can be no assurance that the conditions to the closing of the Merger will be satisfied, waived or fulfilled in a timely fashion or that the Merger will be completed. If the Merger is completed, each eligible share of the Company' s common shares outstanding immediately prior to the Merger will automatically be converted into the right to receive 2. 3234 shares of ExxonMobil common stock, with cash to be paid in lieu of fractional shares. Because the Exchange Ratio is fixed, the value of the Merger consideration will depend on the market price of ExxonMobil common stock at the time the Merger is completed. Prior to completion of the Merger, the market price of ExxonMobil common stock is also expected to impact ~~of these~~ -- the ~~legislative changes~~ market price of the Company' s common shares. The value of the Company' s common shares and ExxonMobil common stock have fluctuated since the date of the announcement of the Merger Agreement and will continue to fluctuate. Accordingly, the Company' s shareholders will not know or be able to determine the market ~~evaluate~~ --- value of the Merger consideration ~~the~~ they ~~overall impact~~ would receive upon completion of the Merger. Share price changes may result from a variety of factors, including, among others, general market and economic conditions, commodity prices, changes in ExxonMobil' s and the Company' s respective businesses, operations and prospects, market assessments of the likelihood that the Merger will be completed and the timing of the Merger and regulatory considerations. Many of these factors are beyond ExxonMobil' s and the Company' s control. Parties with which the Company does business may experience uncertainty associated with the Merger, including with respect to current or future business relationships with ExxonMobil, Pioneer or the combined business. The Company' s business relationships may be subject to disruption as parties with which ExxonMobil or the Company does business may attempt to negotiate changes in existing business relationships or consider entering into business relationships with parties other ~~current~~ than ExxonMobil , Pioneer or the combined business. These disruptions could have an adverse effect on the businesses, financial condition, results of operations or prospects of the combined business, including an adverse effect on ExxonMobil' s ability to realize the anticipated benefits of the Merger. The risk, and adverse effect, of such disruptions could be exacerbated by a delay in completion of the Merger or termination of the Merger Agreement. The Merger Agreement contains provisions that restrict the ability of the Company to sell its business to a party other than ExxonMobil, even if that party were prepared to pay consideration with a higher per- share value than the consideration payable in the Merger pursuant to the Merger Agreement. In addition, the Company will be required to pay a termination fee of approximately $ 1. 8 billion to ExxonMobil if (i) the Merger Agreement is terminated by ExxonMobil because the Company materially breached the terms of the Merger Agreement, (ii) an acquisition proposal or offer for a competing transaction had been publicly announced or communicated to the Board between the signing and termination of the Merger Agreement and (iii) the Company engages in certain competing transactions within 12 months after the termination of the Merger Agreement. If the Merger is not completed for any reason, the ongoing businesses of the Company may be adversely affected, and without realizing any of the benefits of having completed the Merger, the Company would be subject to a number of risks, including the following: • the Company may experience negative reactions from the financial markets, including negative impacts on its share price; • the Company may experience negative reactions from its customers, vendors, business partners, regulators and employees; • the Company will be required to pay certain costs relating to the Merger, whether or not the Merger is completed; • the Merger Agreement places certain restrictions on the conduct of the Company' s businesses prior to completion of the Merger, and such restrictions, the waiver of which is subject to the written consent of ExxonMobil (such consent not to be unreasonably withheld, conditioned or delayed), and subject to certain exceptions and qualifications, may delay or prevent the Company from taking certain other specified actions, responding effectively to competitive pressures or industry developments or otherwise pursuing business opportunities during the pendency of the Merger that the Company would have made, taken or pursued if these restrictions were not in place; • the Company could be subject to litigation related to any failure to complete the Merger or related to any enforcement proceeding commenced against the Company to perform its obligations under the Merger Agreement; • matters relating to the Merger (including integration planning) will require substantial commitments of time and resources by the Company' s management, which would otherwise have been devoted to day- to- day operations and other opportunities that may have been beneficial to the Company as an independent company; and • in the event of a termination of the Merger Agreement under certain circumstances specified in the Merger Agreement, the Company may be required to pay a termination fee of approximately $ 1. 8 billion to ExxonMobil. There can be no assurance that the risks described above will not materialize. If any of those risks materialize, they may materially and adversely affect the Company' s businesses, financial condition, financial results, ratings, bond prices and / or share price. Securities class action lawsuits and derivative lawsuits are often brought against public companies that have entered into merger agreements. Even if such a lawsuit is unsuccessful, defending against these claims can result in substantial costs. Shareholders of the Company have filed, and may in the future file, lawsuits against ExxonMobil, Pioneer and / or ~~proposed regulations and interpretive guidance from tax authorities on~~ the directors and officers of either ~~Company~~ company ~~' s effective tax rate~~ in connection with the Merger. These lawsuits could prevent or delay the completion of the Merger and ~~consolidated balance sheets~~ result in significant costs to the Company, including any costs associated with the indemnification of directors and officers. There can be no assurance that any of the defendants will be successful in the outcome of any existing or potential lawsuits . The Company expects to incur a number of non- recurring costs associated with the Merger and combining the operations of the two companies. The significant, non- recurring costs associated with the Merger include, among others, fees and expenses of financial advisors and other advisors and representatives, certain employment-related costs relating to employees of the Company, filing fees due in connection with filings required under the HSR Act and filing fees and printing and mailing costs for a proxy statement / prospectus. Some of these costs have already been incurred or may be incurred regardless of whether the Merger is completed ~~unable to predict whether any such changes or other proposals will ultimately be enacted~~ .