Risk Factors Comparison 2024-03-07 to 2023-03-09 Form: 10-K

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We are ~~Our business is~~ subject to various risks and uncertainties in the ordinary course of **our** business. The following summarizes significant risks and uncertainties that may adversely affect our business, financial condition, or results of operations. We cannot assure you that any of the events discussed in the risk factors below will not occur. Further, the risks and uncertainties described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also materially affect our business. Readers should carefully consider the risk factors included below as well as those matters referenced in this Report under " Forward- Looking Statements " and other information included and incorporated by reference into this Report. Risks Relating to Our Business, Operations **,** and Strategy Part of our strategy involves using some of the latest available horizontal drilling and completion techniques, which involve additional risks and uncertainties in their application ~~as~~ compared to vertical drilling. Our operations use some of the latest horizontal drilling and completion techniques as developed by us, other oil and natural gas exploration and production companies and our service providers. The additional risks that we face while drilling horizontally include, but are not limited to, the following: • drilling wells that are significantly longer and / or deeper than vertical wells; • landing our wellbores in the desired drilling zones; • staying in the desired drilling zones while drilling horizontally through the formations; • running our casing the entire length of wellbores; and • being able to run tools and other equipment consistently through horizontal wellbores. Risks that we face while completing our wells include, but are not limited to, the following: • the ability to fracture or stimulate the planned number of stages in a horizontal or lateral wellbore; • the ability to run tools and other equipment the entire length of ~~the~~ **a** wellbore during completion operations; and • the ability to successfully clean out ~~the~~ **a** wellbore after completion of the final fracture stimulation stage. If our assessments of purchased properties are materially inaccurate, it could have a significant impact on future operations and earnings. The successful acquisition of producing properties requires assessments of many factors, which are inherently inexact and may be inaccurate, including the following: • unforeseen title issues; • the amount of recoverable reserves; • future oil and natural gas prices; • estimates of operating costs; • estimates of future development costs; • estimates of the costs and timing of plugging and abandonment of wells; and • potential environmental and other liabilities. Our assessments will not reveal all existing or potential problems, nor will ~~it~~ **they** permit us to become familiar enough with the **potential** properties **we may acquire** to assess fully their capabilities and deficiencies. We plan to undertake further development of our properties generally through the use of cash flow from existing production. Therefore, a material deviation in our assessments of these factors could result in less cash flow being available for such purposes than we presently anticipate, which could either delay future development operations (and delay the anticipated conversion of reserves into cash) or cause us to seek alternative sources to finance development activities. Prospects that we decide to drill may not yield oil or natural gas in commercially viable quantities. Our prospects are in various stages of evaluation, ranging from prospects that are currently being drilled to prospects that will require substantial additional seismic data processing and interpretation. **We are unable** ~~There is no way~~ to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. This risk may be enhanced in our situation, due to the fact that a significant percentage of our proved reserves is currently proved undeveloped reserves. The use of seismic data and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities. We cannot assure you that the analogies we draw from available data obtained by analyzing other wells, more fully explored prospects or producing fields will be applicable to **all of** our drilling prospects. A substantial percentage of our proved properties are undeveloped; therefore, the risk associated with our success is greater than would be the case if ~~the~~ **a substantial** majority of our properties were categorized as proved developed. Because a substantial percentage of our proved properties are proved undeveloped (approximately ~~35~~ **32** %), we will require significant additional capital to develop such properties before they may become productive. Further, because of the inherent uncertainties associated with drilling for oil and gas, some of these properties may never be developed to the extent that they result in ~~positive cash flow~~ **commercial quantities of oil and natural gas** . While our current business plan is to generally fund the development costs with cash flow from our other producing properties, if such cash flow is not sufficient, we may be forced to seek alternative sources for cash, through the issuance of additional equity or debt securities, increased borrowings or other means. Hedging transactions may limit our potential gains. To reduce our exposure to commodity price uncertainty and increase cash flow predictability ~~relating to the marketing of our crude oil and natural gas~~ , we have entered into crude oil and natural gas price hedging arrangements with respect to a significant portion of our expected production in order to economically hedge a portion of our forecasted oil and natural gas production. Additionally, our credit facility requires us to hedge a significant portion of our production. ~~In addition, these~~ **These** derivative contracts typically limit the benefit we would otherwise receive from increases in the prices for oil and natural gas. ~~As part of our hedging strategy, we have in place derivative contracts covering percentages of our future estimated production in accordance with our Credit Agreement.~~ Hedging transactions may expose us to risk of financial loss. While intended to reduce the effects of volatile oil and natural gas prices, derivative contracts designed as hedges expose us to risk of financial loss in some circumstances, including when there is a change in the expected differential between the underlying price in the hedging agreement and actual prices received, or when the counterparty to the derivative contract ~~is financially constrained and~~ defaults on its contractual obligations. It is also possible that sales volumes fall below the hedged volumes leaving a portion of our position uncovered. We may be adversely affected by natural disasters, pandemics and other catastrophic events, and by manmade problems such as terrorism, that could disrupt our business operations. Natural disasters, adverse weather conditions (particularly abnormally cold weather and thunderstorms), floods, pandemics, acts of terrorism and other catastrophic or geo- political events may cause damage or disruption to our operations and the global economy, or could result in market disruptions, any of which could have an adverse effect on our business, operating results, and financial condition. The coronavirus outbreak ~~has~~ impacted various businesses throughout the world, including an impact on the global demand for oil and natural gas, travel restrictions and the extended shutdown of certain businesses in impacted geographic regions. If other pandemics occur, they could have a material adverse impact on our business operations, operating results and financial condition. The loss of key members of management or failure to attract and retain other highly qualified personnel could ~~, in the future,~~ affect the Company' s business results. **Our** ~~The Company' s~~ success depends on ~~its~~ **our** ability to attract, retain and motivate a highly- skilled management team and workforce. Failure to ensure that **we have** ~~the Company has~~ the depth and breadth of management and personnel with the necessary skill sets and experience could impede ~~its~~ **our** ability to achieve growth objectives and execute ~~its~~ **our** operational strategy. As **we** ~~the Company continues~~ - **continue** to expand, ~~it~~ **we** will need to promote or hire additional staff, and, as a result of increased compensation and benefit packages in our industry, as well as ~~inflation~~ **inflationary** pressures, it may be difficult to attract or retain such individuals without incurring significant additional costs. Risks Relating to the Oil and Natural Gas Industry A substantial or extended decline in oil and natural gas prices may adversely affect our business, financial condition ~~or~~ **and** results of operations and our ability to meet our capital expenditure obligations and financial commitments. The ~~price~~ **prices** we receive for our oil and natural gas production heavily ~~influences~~ - **influence** our revenue, profitability, access to capital and future rate of growth. Oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and natural gas have been volatile ~~.~~ **and we expect** ~~These~~ **these** markets will likely continue to be volatile ~~in the future~~. The prices we receive for our production, and the levels of our production, depend on numerous factors beyond our control. These factors include, but are not limited to, the following: • changes in global supply and demand for oil and natural gas; • the actions of the Organization of Petroleum Exporting Countries, or OPEC; • the actions of oil exporting countries that are not members of OPEC; • the price and quantity of imports **and exports** of ~~foreign~~ oil and natural gas; • political conditions, including embargoes, in or affecting other oil- producing ~~activity~~ **activities** ; • acts of war and related armed conflicts; • the level of global oil and natural gas exploration and production activity; • the level of global oil and natural gas inventories; • weather conditions; • technological advances affecting energy consumption; and • the price and availability of alternative fuels. Lower oil and natural gas prices may not only decrease our revenues on a per Boe basis but also may reduce the amount of oil and natural gas that we can produce economically. Lower prices also negatively impact the value of our proved reserves. A substantial or extended decline in oil or natural gas prices may materially and adversely affect our future business, financial condition, results of operations, liquidity ~~or~~ **and** ability to finance planned capital expenditures. Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our business, financial condition ~~or~~ **and** results of operations. Our future success will depend on our exploitation, exploration, development and production activities. Our oil and natural gas exploration and production activities are subject to numerous risks beyond our control, including the risk that drilling will not result in commercially viable oil or natural gas production. For example, in January 2021, President Biden signed an Executive Order directing the Department of Interior (the " DOI ") to temporarily pause new oil and gas leases on federal lands and waters pending completion of a comprehensive review of the federal government' s existing oil and gas leasing and permitting program. In June 2021, a federal district court enjoined the DOI from implementing the pause and leasing resumed, although litigation over the leasing pause remains ongoing. In February 2022, another judge ruled that the Biden Administration' s efforts to raise the cost of climate change in its environmental assessments, would increase energy costs and damage state revenues from energy production. This ruling has cause federal agencies to delay issuing new oil and gas leases and permits on federal lands and waters. While we do not have **any** ~~a significant~~ federal lands acreage **at this time** ~~position (240 net acres as of December 31, 2022)~~, these actions could have a material adverse effect on our industry, the public perception of oil and gas companies such as ours and the willingness of the public and financial institutions to provide capital for our industry. Our decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. Please read " — Reserve estimates depend on many assumptions that may turn out to be inaccurate. " (below) for a discussion of the uncertainty involved in these processes. Our cost of drilling, completing and operating wells is often uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can make a particular well or project uneconomical. Further, many factors may curtail, delay or cancel drilling, including delays imposed by or resulting from compliance with regulatory requirements; pressure or irregularities in geological formations; shortages of or delays in obtaining equipment and qualified personnel; equipment failures or accidents; adverse weather conditions; reductions in oil and natural gas prices; title problems; and limitations in the market for oil and natural gas. Decreases in oil and natural gas prices may require us to take write- downs of the financial carrying values of our oil and natural gas properties which could negatively impact the trading value of our common stock. Accounting rules require that we review periodically the financial carrying value of our oil and natural gas properties for possible impairment. Based on specific market factors and circumstances at the time of prospective impairment reviews, and the continuing evaluation of development plans, production data, economics and other factors, we may be required to write- down the financial carrying value of our oil and natural gas properties. A write- down would likely constitute a non- cash charge ~~to earnings~~. The cumulative effect of ~~a~~ **one or more** write- ~~down~~ **downs** could also negatively impact the trading price of our common stock. We follow the full cost method of accounting for our oil and natural gas properties. Under the full cost method, the net book value of properties, less related deferred income taxes, may not exceed a calculated " ceiling. " The ceiling is the estimated after tax future net revenues from proved oil and natural gas properties, discounted at 10 % per year. Discounted future net revenues are estimated using oil and natural gas spot prices based on the average price during the preceding 12- month period determined as an ~~un- weighted~~ **unweighted** ~~,~~ arithmetic average of the first- day- of- the- month price for each month within such period, except for changes which are fixed and determinable by existing contracts. The net book value is compared to the ceiling on a quarterly basis. The excess, if any, of the net book value above the ceiling is required to be written off as an impairment expense. During the years ended December 31, **2023,** 2022, and 2021 ~~,~~ we did not incur any write- downs ~~. During the year ended December 31, 2020, we recorded a non- cash write- down of $ 277. 5 million~~. Under SEC full cost accounting rules, any write- off recorded may not be reversed even if higher oil and natural gas prices increase the ceiling applicable to future periods. Future price decreases could result in reductions in the financial carrying value of such assets and an equivalent charge ~~to earnings~~ **on our financial statements**. It is difficult to predict with reasonable certainty the amount of any future impairments given the many factors impacting the ceiling test calculation including, but not limited to, future pricing, operating costs, upward or downward reserve revisions, reserve adds, and tax attributes. Decreases in oil and natural gas prices may affect our bank borrowing base, potentially requiring earlier than anticipated debt repayment, which could negatively impact our financial position, results of operations and the trading value of our common stock. Decreases in oil and natural gas prices could result in reductions in the borrowing base under our Credit Facility, thus requiring earlier than anticipated repayment of debt or trigger a possible default under our Credit Facility in the event we are unable to make payments or repayments under the Credit Facility on a timely basis. Reserve estimates depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves. The process of estimating oil and natural gas reserves is complex. It requires interpretations of available technical data and many assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could ~~materially~~ **negatively** affect the estimated quantities and present value of our reported reserves. In order to prepare our estimates, we must project production rates and timing of development expenditures. We must also analyze available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary. The process also requires economic assumptions about matters such as oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Therefore, estimates of oil and natural gas reserves are inherently imprecise. Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves most likely will vary from our estimates. Any significant variance could materially affect the estimated quantities and present value of our reported reserves. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development, prevailing oil and natural gas prices and other factors, many of which are beyond our control. You should not assume that the present value of future net revenues from our reported proved reserves is the current market value of our estimated oil and natural gas reserves. In accordance with SEC requirements, we generally base the estimated discounted future net cash flows from our proved reserves on prices and costs calculated on the date of the estimate. **Discounted future net revenues are estimated using oil and natural gas spot prices based on the average price during the preceding 12- month period determined as an unweighted arithmetic average of the first- day- of- the- month price for each month within such period, except for changes which are fixed and determinable by existing contracts.** Actual future prices and costs may differ materially from those used in the present value estimate. If future values decline or costs increase it could negatively impact our ability to finance operations, and individual properties could cease being commercially viable, affecting our decision to continue operations on certain producing properties or to attempt to develop properties. All of these factors would have a negative impact on earnings and net income, and most likely the trading price of our common stock. These factors could also result in the acceleration of debt repayment and a reduction in our borrowing base under our Credit Facility. We may incur substantial losses and be subject to substantial liability claims as a result of our oil and natural gas operations. We are not insured against all risks. Losses and liabilities arising from uninsured and ~~underinsured~~ **under insured** events could materially and adversely affect our business, financial condition and results of operations. Our oil and natural gas exploration and production activities are subject to all of the operating risks associated with drilling for and producing oil and natural gas, including the possibility of: • environmental hazards, such as uncontrollable flows of oil, natural gas, brine, well fluids, toxic gas or other pollution into the environment, including groundwater ~~and shoreline contamination~~; • abnormally pressured formations; • mechanical difficulties, such as stuck oil field drilling and service tools and casing ~~collapse~~ **collapses**; • fires and explosions; • personal injuries and death; and • natural disasters. Any of these risks could adversely affect our ability to conduct operations or result in substantial losses to our Company. We may elect **to** not ~~to~~ obtain **certain** insurance **coverage** if we believe that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, then it could materially and adversely affect us. Unless we replace our oil and natural gas reserves, our reserves and production will decline as reserves are produced. Unless we conduct successful exploration and development ~~,~~ activities or acquire properties containing proved reserves, our proved reserves will decline as those reserves are produced. Producing oil and natural gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Our future oil and natural gas reserves and production, and, therefore, our cash flow and income, are highly dependent on our success in efficiently developing and producing our current reserves and economically finding or acquiring additional recoverable reserves. If we are unable to develop, find or acquire additional reserves to replace our current and future production, our cash flow and income will decline as production declines, until our existing properties would be incapable of sustaining commercial production. Competition is intense in the oil and natural gas industry. We operate in a highly competitive environment for acquiring properties and marketing oil and natural gas. Our competitors include multinational oil and natural gas companies, major oil and natural gas companies, independent oil and natural gas companies, individual producers, financial buyers as well as participants in other industries that supply energy and fuel to consumers. Many of our competitors have greater and more diverse resources than we do. Additionally, competition for acquisitions may significantly increase the cost of available properties. We compete for the personnel and equipment required to explore, develop and operate properties. Our competitors also may have established long- term strategic positions and relationships in areas in which we may seek to enter. Consequently, our competitors may be able to address these competitive factors more effectively than we can. If we are not successful in our competition for oil and natural gas ~~reserves~~ **properties** or in our marketing of production, then our financial condition and operation results may be adversely affected. If our access to markets is restricted, it could negatively impact our production, our income and our ability to retain our leases. Market conditions or the unavailability of satisfactory oil and natural gas transportation arrangements may hinder our access to oil and natural gas markets or delay our production. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and terminal facilities. Our ability to market our production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. Our failure to obtain such services on acceptable terms could materially harm our business. Currently, **some** ~~the majority~~ of our production is sold to marketers and other purchasers that have access to ~~nearby~~ pipeline facilities. **Much of** ~~However, as we further develop~~ our ~~properties, we may find~~ production **is** in areas with limited or no access to pipelines, thereby necessitating delivery by ~~other means, such as~~ trucking **. Further, much of** ~~or~~ **our** ~~requiring compression~~ **natural gas production is sold to companies who are the only gathering and processing** facilities ~~.~~ **near most of our properties** Such restrictions on our ability to sell our oil or natural gas could have several adverse effects, including higher transportation costs, fewer potential purchasers (thereby potentially resulting in **increased exposure to facility breakdowns and** a lower selling ~~price~~ **prices**) or, in the event we were unable to market and sustain production from a particular lease for an extended time, possibly causing us to lose a lease due to lack of production. Many of our properties are in areas that may have been partially depleted or drained by offset wells and certain of our wells may be adversely affected by actions we or other operators may take when drilling, completing, or operating wells that we or they own. Many of our properties are in reservoirs that may have already been partially depleted or drained by earlier offset drilling. The owners of leasehold interests adjoining any of our properties could take actions, such as drilling and completing additional wells, which could adversely affect our operations. When a new well is completed and produced, the pressure differential in the vicinity of the well causes the migration of reservoir fluids toward the new wellbore (and potentially away from existing wellbores). As a result, the drilling and production of these potential locations by us or other operators could cause depletion of our proved reserves and may inhibit our ability to further develop our proved reserves. In addition, completion operations and other activities conducted on adjacent or nearby wells by us or other operators could cause production from our wells to be shut **-** in for indefinite periods of time, could result in increased lease operating expenses and could adversely affect the production and reserves from our wells after they re- commence production. We have no control over the operations or activities of offsetting operators. Multi- well pad drilling may result in volatility in our operating results. We utilize multi- well pad drilling where practical. Because wells drilled on a pad are not brought into production until all wells on the pad are drilled and completed and the drilling rig is moved from the location, multi- well pad drilling delays the commencement of production from a given pad, which may cause volatility in our operating results. In addition, problems affecting one pad could adversely affect production from all wells on such pad. As a result, multi- well pad drilling can cause delays in the scheduled commencement of production or interruptions in ongoing production. Extreme weather conditions, which could become more frequent or severe due to multiple factors, could adversely affect our ability to conduct drilling, completion and production activities in the areas where we operate. Our exploration and development activities and equipment ~~could~~ **can** be adversely affected by extreme weather conditions, such as abnormally low temperatures, which can cause a loss of production from temporary cessation of activity from regional power outages or lost or damaged facilities and equipment. ~~Such~~ **For example, we had production stoppages in 2022 and 2023 that adversely affected our revenues.** ~~extreme~~ **Extreme** weather conditions could also impact access to our drilling and production facilities for routine operations, maintenance and repairs and the availability of and our access to, necessary third- party services, such as gathering, processing, compression and transportation services. These constraints and the resulting shortages or high costs could delay or temporarily halt our operations and materially increase our operation and capital costs, which could have a material adverse effect on our business, financial condition **,** and results of operations. Restrictions on drilling activities intended to protect certain species of wildlife may adversely affect our ability to conduct drilling activities in some of the areas where we operate. Oil and natural gas operations in our operating areas can be adversely affected by seasonal or permanent restrictions on drilling activities designed to protect certain wildlife, such as those restrictions imposed under The Endangered Species Act. Seasonal restrictions may limit our ability to operate in protected areas and can intensify competition for drilling rigs, oilfield equipment, services, supplies and qualified personnel, which may lead to periodic shortages when drilling is allowed. These constraints and the resulting shortages or high costs could delay our operations and materially increase our operating and capital costs. Permanent restrictions imposed to protect endangered species could prohibit drilling in certain areas or require the implementation of expensive mitigation measures. The designation of previously unprotected species in areas where we operate as threatened or endangered could cause us to incur increased costs arising from species protection measures or could result in limitations on our exploration, development and production activities that could have an adverse impact on our ability to develop and produce our reserves. Our operations are substantially dependent on the availability, use and disposal of water. New legislation and regulatory initiatives or restrictions relating to water disposal wells could have a material adverse effect on our future business, financial condition, operating results and prospects. Water is an essential component of our drilling and hydraulic fracturing processes. If we are unable to obtain water to use in our operations from local sources, we may be unable to economically produce oil, natural gas and NGLs, which could have an adverse effect on our business, financial condition **,** and results of operations. Wastewaters from our operations typically are disposed of via underground injection. Some studies have linked ~~earthquakes~~ **earth tremors** in certain areas to underground injection, which has led to greater public scrutiny of disposal wells. Any new environmental initiatives or regulations that restrict injection of fluids, including, but not limited to, produced water, drilling fluids and other wastes associated with the exploration, development or production of oil and gas, or that limit the withdrawal, storage or use of surface water or ground water necessary for hydraulic fracturing of our wells, could increase our operating costs and cause delays, interruptions or cessation of our operations, the extent of which cannot be predicted, and all of which would have an adverse effect on our business, financial condition, results of operations **,** and cash flows. Risks Relating to Legal, Regulatory, Privacy **,** and Tax Matters We are subject to complex laws that can affect the cost, manner **,** or feasibility of doing business. Exploration, development, production **,** and sale of oil and natural gas are subject to extensive federal, state, local **,** and international regulation. It is not possible to predict how or when regulations affecting our operations might change. There is ongoing controversy regarding the leasing of federal lands ~~. For example, at the state level, New Mexico’ s consideration of legislation to prohibit certain uses of freshwater in fracking operations, implement new disclosure requirements, and increase penalties may affect the cost and feasibility of our business~~ . We may be required to make large expenditures to comply with governmental regulations. Other matters subject to regulation include: discharge permits for drilling operations; drilling bonds; reports concerning operations; the spacing of wells; unitization and pooling of properties; and taxation. Under these laws, we could be liable for personal injuries, property damage **,** and other damages. Failure to comply with these laws also may result in the suspension or termination of our operations and subject us to administrative, civil **,** and criminal penalties. Moreover, these laws could change in ways that substantially increase our costs. Any such liabilities, penalties, suspensions, terminations **,** or regulatory changes could materially adversely affect our financial condition and results of operations. Our operations may incur substantial liabilities to comply with ~~the~~ environmental laws and regulations. Our oil and natural gas operations are subject to stringent federal, state **,** and local laws and regulations relating to the release or disposal of materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of a permit before drilling commences ~~,~~ **;** restrict the types, quantities **,** and concentration of substances that can be released into the environment in connection with drilling and production activities ~~,~~ **;** limit or prohibit drilling activities on certain lands lying within wilderness, wetlands **,** and other protected areas ~~,~~ **;** and impose substantial liabilities for pollution resulting from our operations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil **,** and criminal penalties ~~,~~ **;** incurrence of investigatory or remedial obligations **;** or the imposition of injunctive relief. Changes in environmental laws and regulations **and the interpretation thereof** occur frequently, and any changes that result in more stringent or costly waste handling, storage, transport, disposal **,** or cleanup requirements could require us to make significant expenditures to maintain compliance and may otherwise have a material adverse effect on our results of operations, competitive position ~~or~~ **, and** financial condition as well as the industry in general. Under these environmental laws and regulations, we could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether we were responsible for the release or if our operations were standard in the industry at the time they were performed. The amount of additional future costs is not fully determinable due to such factors as the unknown magnitude of possible contamination, the unknown timing and extent of the corrective actions or compliance efforts that may be required, the determination of the Company’ s liability in proportion to other responsible parties, and the extent to which such costs are recoverable from third parties. Our operations are subject to a series of risks arising out of the **perceived** threat of climate change that could result in increased operating costs, limit the areas in which we may conduct oil and natural gas exploration and production activities, and reduce demand for the oil and natural gas we produce. In the United States, no comprehensive climate change legislation has been implemented at the federal level **, though recently passed laws such as the IRA advance numerous climate- related objectives** . However, President Biden has highlighted addressing climate change as a priority of his administration, which includes certain potential initiatives for climate change legislation to be proposed and passed into law. Moreover, federal regulators, state and local governments, and private parties have taken (or announced that they plan to take) actions that have or may have a significant influence on our operations. For example, in response to findings that emissions of carbon dioxide, methane **,** and other GHGs endanger public health and the environment, the EPA has adopted regulations under existing provisions of the CAA that, among other things, establish PSD construction and Title V operating permit reviews for certain large stationary sources that are already potential major sources of certain principal, or criteria, pollutant emissions. Facilities required to obtain PSD permits for their GHG emissions also will be required to meet “ best available control technology ” standards that will be established by the states or, in some cases, by the EPA for those emissions. These EPA rules could adversely affect our operations and restrict or delay our ability to obtain air permits for new or modified sources. In addition, the EPA has adopted rules requiring the monitoring and reporting of GHG emissions from specified onshore and offshore oil and gas production sources in the United States on an annual basis, which include certain of our operations. The federal regulation of methane from oil and gas facilities has been subject to substantial uncertainty in recent years. In June 2016, the EPA finalized NSPS, known as Subpart OOOOa, that establish emission standards for methane and VOCs from new and modified oil and natural gas production and natural gas processing and transmission facilities. In September 2020, the EPA finalized amendments to the 2016 standards that removed the transmission and storage segment from the oil and natural gas source category and rescinded the methane- specific requirements for production and processing facilities. However, President Biden signed an executive order on his first day in office calling for the suspension, revision, or rescission of the September 2020 rule and the reinstatement or issuance of methane emission standards for new, modified and existing oil and gas facilities. Subsequently, the U. S. Congress approved, and President Biden has signed into law, a resolution under the Congressional Review Act to repeal the September 2020 revisions to the methane standards, effectively reinstating the prior standards. In response to President Biden’ s executive order **calling on** ~~, in November 2021,~~ the EPA ~~issued a proposed~~ **to revisit federal regulations regarding methane, the EPA finalized more stringent methane rules for new, modified, and reconstructed facilities, known as OOOOb, as well as standards for existing sources for the first time ever, known as OOOOc, in December 2023. Under the final rules, states have two years to prepare and submit their plans to impose methane emission controls on existing sources. The presumptive standards established under the final** rule **are generally**

the same for both ~~that, if finalized, would establish Quad Ob as~~ new ~~source~~ and ~~Quad Oc as first- time~~ existing ~~source~~ **sources** ~~standards of performance for methane and VOC emissions for the crude oil and natural gas source category~~ . **The requirements** ~~Owners or operators of affected emission units or processes would have to comply with specific standards of performance that may~~ include **enhanced** leak ~~detecting~~ - **detection survey requirements** using optical gas imaging and ~~subsequent repair requirements~~ **other advanced monitoring to encourage the deployment of innovative technologies to detect and reduce methane emissions** , reduction of ~~regulated~~ emissions **by 95 %** through capture and control systems ~~,~~ **and** zero- emission requirements for certain ~~equipment or processes~~ **devices. The rule also establishes a " super emitter " response program that would allow third parties to make reports to EPA of large methane emission events, triggering certain investigation** and **repair** ~~operations and maintenance~~ requirements. ~~In November~~ **Fines and penalties for violations of these rules can be substantial. It is likely, however, that the final rule and its requirements will be subject to legal challenges. Moreover, compliance with the new rules may affect the amount we owe under the IRA** 2022 ~~, the~~ **' s methane fee described above because compliance with** EPA **' s methane rules** ~~published a supplemental proposal, which, among other items,~~ would **exempt** ~~impose expanded inspection, monitoring and~~ - **an** ~~emissions control~~ **otherwise covered facility from the** requirement ~~on oil~~ **to pay the methane fee. The requirements of the EPA' s final methane rules have the potential to increase our operating costs** and ~~gas sites~~ **thus may adversely affect our financial results and cash flows. Moreover** , **failure to comply with these CAA requirements can result in the imposition of substantial fines and penalties** as well as ~~strengthen requirements related to emissions from equipment and routine flaring. The proposal would also establish a " Super Emitter Response Program " that would require operator response to emissions events exceeding 200 pounds per hour, as detected by regulatory authorities or qualified third- parties. The proposal is currently subject to public comment and is expected to be finalized in 2023. Separately, certain provisions of the IRA 2022 address methane regulation by imposing the first federal fee on excess methane emissions. As a result, we cannot predict the scope of any final methane regulatory requirements or the cost~~ **costly injunctive relief** ~~to comply with such requirements~~ . However, given the long- term trend toward increasing regulation, future federal GHG regulations of the oil and gas industry remain a significant possibility. Internationally, the United Nations- sponsored " Paris Agreement " requires member states to individually determine and submit non- binding emissions reduction targets 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- 52 % below 2005 levels by 2030. In November 2021, the international community gathered again at COP26, during which multiple announcements were made, including a call for parties to eliminate certain oil and natural gas subsidies and pursue further action on non- CO2 GHGs. These goals were reaffirmed at COP27 in November 2022. Relatedly, the United States and European Union jointly announced the launch of the " Global Methane Pledge, " which aims to cut global methane pollution at least 30 % by 2030 relative to 2020 levels, including " all feasible reductions " in the energy sector. **At COP28 in December 2023, the parties signed onto an agreement to transition away from fossil fuels in energy systems and increase renewable energy capacity, though no timeline for doing so was set. While non- binding, the agreements coming out of COP28 could result in increased pressure among financial institutions and various stakeholders to reduce or otherwise impose more stringent limitations on funding for and increase potential opposition to the exploration and production of fossil fuels.** The impacts of these orders, pledges, agreements and any legislation or regulation promulgated to fulfill the United States' commitments under the Paris Agreement, COP26 **, COP28** or other international conventions cannot be predicted at this time. Concern over the threat of climate change has also resulted in increasing political risks in the United States, including climate- change related pledges made by President Biden and other public office representatives. On January 27, 2021, President Biden signed an executive order calling for substantial action on climate change, including, among other things, the increased use of zero- emissions vehicles by the federal government, the elimination of subsidies provided to the oil and natural gas industry **,** and increased emphasis on climate- related risks across agencies and economic sectors. 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; and reducing non- CO2 GHG emissions, such as methane and nitrous oxide **. In addition, on March 6, 2024, the SEC adopted a rule requiring registrants to include certain climate- related disclosures, including Scope 1 and 2 GHG emissions, climate- related targets and goals, and certain climate- related financial statement metrics, in registration statements and annual reports. Currently, the ultimate impact of these laws on our business is uncertain. Separately, enhanced climate related disclosure requirements could lead to reputational or other harm with customers, regulators, investors or other stakeholders and could also increase our litigation risks relating to statements alleged to have been made by us or others in our industry regarding climate change risks, or in connection with any future disclosures we may make regarding reported emissions, particularly given the inherent uncertainties and estimations with respect to calculating and reporting GHG emissions. Additionally, the SEC has also from time to time applied additional scrutiny to 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** . Increasingly, oil and natural gas companies are exposed to litigation risks associated with the threat of climate change. A number of parties have brought lawsuits against oil and natural gas companies in state or federal court for alleged contributions to, or failures to disclose the impacts of, climate change. We are not currently party to any such litigation, but could be named in future actions making similar claims of liability. To the extent that societal pressures or political or other factors are involved, it is possible that such liability could be imposed without regard to our causation of or contribution to the asserted damage, or to other mitigating factors. Additionally, in response to concerns related to climate change, companies in the oil and natural gas industry may be exposed to increasing financial risks. Financial institutions, including investment advisors and certain sovereign wealth, pension and endowment funds, may elect in the future to shift some or all of their investments into non- oil and natural gas related sectors. Institutional lenders who provide financing to fossil- fuel energy companies also have become more attentive to sustainable lending practices, and some of them may elect in the future not to provide funding for oil and natural gas companies. Many of the largest U. S. banks have made net zero commitments and have announced that they will be assessing financed emissions across their portfolios and taking steps quantify and reduce those emissions. In addition, at COP26, the Glasgow Financial Alliance for Net Zero (" GFANZ ") announced that commitments from over 450 firms across 45 countries had resulted in over $ 130 trillion in capital committed to net zero goals. The various sub- alliances of GFANZ generally require participants to set short- term, sector- specific targets to transition their financing, investing and / or underwriting activities to net zero emissions by 2050. These and other developments in the financial sector could lead to some lenders restricting access to capital for or divesting from certain industries or companies, including the oil and natural gas sector, or requiring that borrowers take additional steps to reduce their GHG emissions. There is also a risk that financial institutions will be required to adopt policies that have the effect of reducing the funding provided to the oil and natural gas industry. For example, the Federal Reserve has joined the Network for Greening the Financial System (" NGFS "), a consortium of financial regulators focused on addressing climate- related risks in the financial sector and, in November 2021, the Federal Reserve issued a statement in support of the efforts of the NGFS to identify key issues and potential solutions for the climate- related challenges most relevant to central banks and supervisory authorities. A material reduction in the capital available to the oil and natural gas industry could make it more difficult to secure funding for exploration, development, production, transportation and processing activities, which could result in decreased demand for our products or otherwise adversely impact our financial performance. The adoption and implementation of new or more stringent international, federal or state legislation, regulations or other regulatory initiatives related to climate change or GHG emissions from oil and natural gas facilities could result in increased costs of compliance or costs of consumption, thereby reducing demand for, oil and natural gas. Additionally, political, litigation, and financial risks may result in (i) restriction or cancellation of certain oil and natural gas production activities, (ii) incurrence of obligations for alleged damages resulting from climate change, or (iii) impairment of our ability to continue operating in an economic manner. One or more of these developments could have a material adverse effect on our business, financial condition **,** and results of operations. Moreover, climate change may also result in various physical risks such as the increased frequency or intensity of extreme weather events or changes in meteorological and hydrological patterns, that could adversely impact our financial condition and operations, as well as those of our suppliers or customers. Such physical risks may result in damage to our facilities, or otherwise adversely impact our operations, such as if we become subject to water use curtailments in response to drought, or demand for our products, such as to the extent warmer winters reduce the demand for energy for heating purposes. Such physical risks may also impact the infrastructure on which we rely to produce or transport our products. One of more of these developments could have a material adverse effect on our business, financial condition and operations. In addition, while our consideration of changing weather conditions and inclusion of safety factors in design is intended to reduce the uncertainties that climate change and other events may potentially introduce, our ability to mitigate the adverse impacts of these events depends in part on the effectiveness of our facilities and our disaster preparedness and response and business continuity planning, which may not have considered or be prepared for every eventuality. Changes in tax laws or the interpretation thereof or the imposition of new or increased taxes or fees may adversely affect our ~~operations~~ - **operating results** and cash flows. From time to time, federal and state level legislation has been proposed that would, if enacted into law, make significant changes to tax laws, including to certain key federal and state income tax provisions currently ~~available~~ **applicable** 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 federal income tax rate applicable to corporations such as us. 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 we operate or own 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 federal income tax laws or the imposition of new or increased taxes or fees on oil and natural gas extraction could adversely affect our ~~operations~~ - **operating results** and cash flows. In addition, ~~on August 16, 2022, President Biden signed into law~~ the IRA, which includes, among other things, 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 repurchases ~~after December 31, 2022~~ . Under the CAMT, a 15 percent minimum tax will be imposed on certain adjusted financial statement income of" applicable corporations," which ~~is~~ **was** 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. **Based on our current interpretation of the IRA and the CAMT and a number of operational, economic, accounting and regulatory assumptions, we do not anticipate the CAMT materially increasing our U. S. federal income tax liability in the near term. The foregoing analysis is based upon our current interpretation of the provisions contained in the IRA and the CAMT. In the future, the U. S. Department of Treasury and the Internal Revenue Service are expected to release regulations and interpretive guidance relating to the CAMT, and any significant variance from our current interpretation could result in a change in the expected application of the CAMT to us and adversely affect our operating results and cash flows. Also, we are subject to unclaimed or abandoned property (escheat) laws which require us to turn over to certain government authorities the property of others held by us that has been unclaimed for a specified period.** We are ~~currently assessing the potential impact of these~~ **subject to audits by individual U. S. states regarding our escheatment practices. The** ~~legislative~~ **legislation** ~~changes~~ and ~~will continue to evaluate the overall impact of other current, future and proposed~~ regulations **related to unclaimed property matters are complex** and ~~interpretive~~

~~guidance from tax~~ **subject to varying interpretations by state governmental** authorities ~~on our effective tax rate and consolidated balance sheets. We are unable to predict whether any such changes or other proposals will ultimately be enacted~~. New climate disclosure rules proposed by the SEC may increase our costs of compliance and adversely impact our On March ~~21~~ **6**, ~~2022~~ **2024**, the SEC ~~proposed~~ **adopted** new rules relating to the disclosure of a range of climate- related risks. We are currently assessing the ~~proposed~~ **final** rule, but at this time we cannot predict the costs of implementation or any potential adverse impacts resulting from the rule. **As a result of** ~~According to the SEC' s Fall 2022 regulatory agenda, the proposed climate disclosure rule is scheduled to be finalized in April 2023. To the extent~~ this rule ~~is finalized as proposed~~, we could incur increased costs relating to the assessment and disclosure of climate- related risks, including increased legal, accounting and financial compliance costs, as well as making some activities more difficult, time- consuming and costly, and placing strain on our personnel, systems **,** and resources. We may also face increased litigation risks related to disclosures made pursuant to the rule ~~if finalized as proposed~~. In addition, enhanced climate disclosure requirements could accelerate the trend of certain stakeholders and lenders restricting or seeking more stringent conditions with respect to their investments in certain carbon- intensive sectors ~~. The SEC proposes certain phase- in compliance dates for disclosures under the proposed rules, including for GHG emissions metrics~~. Risks Relating to Our Capital Structure We have significant indebtedness. We have a Credit Facility in place with $ 600 ~~. 0~~ million in commitments from borrowings and letters of credit under our Second Amended and Restated Credit Agreement dated August 31, 2022 with Truist Bank as Administrative Agent (**the** " **Second** Credit Agreement"). As of December 31, ~~2022~~ **2023**, $ ~~415~~ **425**. 0 million was outstanding on our Credit Facility. If we further utilize this facility, the level of our indebtedness could affect our operations in several ways, including the following: • a significant portion of our cash flow ~~could~~ **would need to** be used to service the indebtedness; • we are required to put into place derivative contracts to hedge a significant portion of our oil and gas production; • a high level of debt would increase our vulnerability to general adverse economic and industry conditions; • the covenants contained in our Credit Facility limit our ability to borrow additional funds, dispose of assets, pay dividends **,** and make certain investments, and; • a high level of debt could impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate **,** or other purposes. In addition, our bank borrowing base is subject to semi- annual redeterminations. We could be required to repay a portion of our bank borrowings due to redeterminations of our borrowing base. If we are required to do so, we may not have sufficient funds to make such repayments, and we may need to negotiate renewals of our borrowings or arrange new financing or sell significant assets. Any such actions could have a material adverse effect on our business and financial results. Further, our borrowings under our Credit Facility expose us to interest rate risks, as it bears variable interest based upon a prime rate and is therefore susceptible to interest rate fluctuations. We may be unable to access the equity or debt capital markets to meet our obligations. Our plans for growth may include accessing the capital markets. Recent reluctance to invest in the exploration and production sector based on market volatility, historically perceived underperformance, and ~~Environmental, Social and Governance ("~~ ESG ~~")~~ trends, among other things, has raised concerns regarding capital availability for the sector. If those markets are unavailable, or if we are unable to access alternative means of financing on acceptable terms, we may be unable to implement all of our development plans, make acquisitions **,** or otherwise carry out our business strategy, which would have a material adverse effect on our financial condition and results of operations **,** and impair our ability to service our indebtedness. We continue to be impacted by inflationary pressures on our operating costs and capital expenditures. Beginning in the second half of 2021 and continuing throughout ~~2022~~ **2023**, we, similar to other companies in our industry, experienced inflationary pressures on our operating costs and capital expenditures- namely the costs of fuel, steel (i. e., wellbore tubulars), labor **,** and drilling and completion services. Such inflationary pressures on our operating and capital costs, which we currently expect to continue in ~~2023~~ **2024**, have impacted our cash flows and results of operations. We have undertaken, and plan to continue with, certain initiatives and actions (such as agreements with service providers to secure the costs and availability of services) to mitigate such inflationary pressures. However, there can be no assurance that such efforts will offset, largely or at all, the impacts of any future inflationary pressures on our operating costs and capital expenditures and, in turn, our cash flows and results of operations. Risks Relating to Technology and Cybersecurity We rely on computer and telecommunications systems, and failures in our systems or cyber security attacks or breaches could result in information theft, data corruption, disruption in operations and / or financial loss. The oil and natural gas industry has become increasingly dependent upon digital technologies to conduct day- to- day operations including certain exploration, development **,** and production activities. We depend on digital technology to process and record financial and operating data, estimate quantities of oil and natural gas reserves, analyze seismic and drilling information, process and store personally identifiable information on our employees and royalty owners **,** and communicate with our employees and other third parties. Our business partners, including vendors, service providers, purchasers of our production **,** and financial institutions, are also dependent on digital technology. It is possible that we could incur interruptions from ~~cyber security~~ **cybersecurity** attacks or breaches, computer viruses or malware that could result in disruption of our business operations and / or financial loss. Although we utilize various procedures and controls to monitor and protect against these threats and mitigate our exposure to such threats, there can be no assurance that these procedures and controls will be sufficient in preventing security threats from materializing and causing us to suffer losses in the future. Even so, any cyber incidents or interruptions to our computing and communications infrastructure or our information systems could lead to data corruption, communication interruption, unauthorized release, gathering, monitoring, misuse **,** or destruction of proprietary or other information, or otherwise significantly disrupt our business operations. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Risks Relating to Our Common Stock We have recently registered ~~63, 888, 878~~ shares of our common stock for possible resale by certain of our stockholders ~~and have exercisable warrants for 14, 590, 366 shares of common stock~~, resulting in significant" market overhang" of our common stock. In connection with the ~~recently completed~~ Stronghold Acquisition **completed in 2022**, ~~we registered 63~~ **Warburg Pincus & Company US**, ~~888, 878~~

LLC and its affiliates hold approximately 46. 1 million shares of our common stock ~~with the SEC for possible resale by Stronghold stockholders~~ . This represents approximately ~~35~~ **23** % of our presently outstanding shares of common stock and if the selling stockholders choose to sell all or a large number of their shares, from time to time, it likely would ~~have a depressive effect on the market price of our common stock. In addition, we have outstanding warrants with respect to 14, 590, 366 shares of common stock with an exercise price of $ 0. 80 per share that have been registered for resale. The holders could choose to sell the shares of common stock acquired upon exercise of their warrants, which could also~~ have a depressive effect on the market price of our common stock. The market price of our common stock may be volatile, which could cause the value of your investment to decline. The stock markets have experienced volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. The market price of our common stock may also fluctuate significantly in response to the following factors, some of which are beyond our control: • our operating and financial performance and prospects; • variations in our quarterly operating results and changes in our liquidity position; • investor perceptions of us and the industry and markets in which we operate; • future sales, or the availability for sale, of equity or equity- related securities; • changes in securities analysts' estimates of our financial performance; • changes in market valuations of similar companies; • changes in the price of oil and natural gas; and • general financial, domestic, economic **,** and other market conditions. We currently do not pay cash dividends on our common stock. We currently intend to retain future earnings, if any, to finance the expansion of our business. Our future dividend policy is within the discretion of our board of directors and will depend upon various factors, including our business, financial condition, results of operations, capital requirements, and investment opportunities. In addition, the terms of our **Second** Credit Agreement have restrictions on dividend payments to our equity holders, including our common stockholders. Our board of directors can, without stockholder approval, cause preferred stock to be issued on terms that could adversely affect common stockholders. Under our Articles of Incorporation, our board of directors is authorized to issue up to 50, 000, 000 shares of preferred stock, of which none are issued and outstanding as of the date of this Annual Report. Also, our board of directors, without stockholder approval, may determine the price, rights, preferences, privileges **,** and restrictions, including voting rights, of those shares. If the board of directors causes shares of preferred stock to be issued, the rights of the holders of our common stock could be adversely affected. The board of director' s ability to determine the terms of preferred stock and to cause its issuance, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting stock. Preferred shares issued by the board of directors could include voting rights, or even super voting rights, which could shift the ability to control the Company to the holders of the preferred stock. Preferred shares could also have conversion rights into shares of common stock at a discount to the market price of the common stock which could negatively affect the market for our common stock. In addition, preferred shares would typically have preference in the event of liquidation of the Company, which means that the holders of preferred shares would be entitled to receive the net assets of the Company distributed in liquidation before the common stockholders receive any distribution of the liquidated assets. We have no current plans to issue any shares of preferred stock. Provisions under Nevada law could delay or prevent a change in control of our company, which could adversely affect the price of our common stock. In addition to the ability of the board of directors to issue preferred stock, the existence of some provisions under Nevada law could delay or prevent a change in control of the Company, which could adversely affect the price of our common stock. Nevada law imposes some restrictions on mergers and other business combinations between us and any holder of 10 % or more of our outstanding common stock.