

Risk Factors Comparison 2025-02-27 to 2024-02-29 Form: 10-K

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Certain factors may have a material adverse effect on our business, financial condition, and results of operations. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Annual Report, including our Consolidated Financial Statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occur, our business, financial condition, results of operations and future prospects could be materially and adversely affected. In that event, the trading price of our common stock could decline, and you could lose part or all of your investment. Risks Related to our Business and the Oil and Natural Gas Industry Oil and natural gas prices are volatile. Stagnation or declines in commodity prices may adversely affect our financial condition and results of operations, cash flows, access to the capital markets and available borrowings under our Bank Credit Facility and our ability to grow. Our revenues, cash flows, profitability and future rate of growth substantially depend upon the market prices of oil and natural gas. Prices affect our cash flows available for capital expenditures and our ability to access funds under our Bank Credit Facility and through the capital markets. The amount available for borrowing under our Bank Credit Facility is subject to a borrowing base, which is determined by the lenders taking into account our estimated proved reserves and is subject to ~~periodic~~ **semi-annual** redeterminations based on pricing models to be determined by the lenders at such time. **In addition, there is currently an availability cap such that, if the aggregate exposure of all lenders under the Bank Credit Facility equals or exceeds a certain amount (which is below the borrowing base) at any time, the approval of lenders holding at least two-thirds of the aggregate commitments is required to make any additional loans or issuance of any additional letters of credit.** Further, **if we are unable to replace proved reserves either through acquisitions or new drilling activity, our borrowing base and available liquidity under our Bank Credit Facility will be reduced. In addition**, because we use the full cost method of accounting for our oil and gas operations, we perform a ceiling test each quarter, and the risk that we are required to write-down the carrying value of oil and natural gas properties increases when oil and natural gas prices are low or volatile. In addition, write-downs may occur if we experience substantial downward adjustments to our estimated proved reserves or our undeveloped property values, or if estimated future development costs increase. Volatility in commodity prices, poor conditions in the global economic markets and other factors could cause us to record additional write-downs of our oil and natural gas properties and other assets in the future, and incur additional charges against future earnings. Any required write-downs or impairments could materially affect the quantities and present value of our reserves, which could adversely affect our business, **borrowing base under our Bank Credit Facility**, results of operations and financial condition. In addition, significant or extended price declines may also adversely affect the amount of oil and natural gas that we can economically produce. A reduction in production and / or the prices we receive for our production could result in a shortfall in our expected cash flows and require us to reduce our capital spending or borrow funds to cover any such shortfall. Any of these factors could negatively impact our ability to replace our production and our future rate of growth. The markets for oil and natural gas have been volatile historically and are likely to remain volatile in the future. For example, during the period January 1, ~~2021-2022~~ **2022** through December 31, ~~2023-2024~~ **2024**, the daily NYMEX WTI crude oil price per Bbl ranged from a low of \$ ~~47.66~~ **47.61** to a high of \$ 123.64, and the daily NYMEX Henry Hub natural gas price per MMBtu ranged from a low of \$ ~~1.74-21~~ **23.13** to a high of \$ ~~23.13~~ **20.86**. ~~Subsequent to December 31, 2023, NYMEX WTI crude oil and NYMEX Henry Hub natural gas prices recorded daily lows of \$ 70.62 per Bbl and \$ 1.61 per MMBtu, respectively.~~ The prices we receive for our oil and natural gas depend upon many factors beyond our control, including, among others: • changes in domestic and global supply of and demand for oil and natural gas; • market uncertainty; • level of consumer product demands; • the cost of exploring for, developing and producing oil and natural gas; • changes in climate, weather and natural disasters such as hurricanes and other adverse climatic conditions; • the impact of applicable market differentials, including those relating to quality, transportation, fees, **tariffs**, energy content and regional pricing; • domestic and foreign governmental actions, regulations and taxes; • price and availability of alternative fuels and competing forms of energy; • political and economic conditions in oil and natural gas producing regions, particularly in the Middle East, Russia, South America, **Mexico, Canada** and Africa; • armed conflicts and hostilities such as Russia's ongoing war in Ukraine and ~~increasing~~ **increasing** hostilities in Israel and the Middle East; • the occurrence or threat of epidemic or pandemic diseases and other public health events; • actions by OPEC Plus and other significant producers and governments relating to oil and natural gas price and production controls; • volatility in the political, legal and regulatory environments **ahead of in connection with** the ~~upcoming~~ **upcoming** U. S. and ~~Mexico~~ **Mexico** ~~Mexican~~ **Mexican** presidential elections ~~transitions~~ **transitions**; • **U. S. changes in tariffs, trade barriers, price and exchange controls** foreign supply of oil and natural gas **other regulatory requirements**; • price and quantity of oil and natural gas imports and exports; • the level of global oil and natural gas exploration and production and inventories; • localized supply and demand fundamentals and transportation availability; • infrastructure availability and constraints such as capacity of processing, gathering, storage and transportation facilities; • speculation as to the future price of oil and the speculative trading of oil and natural gas futures contracts; • price and availability of competitors' supplies of oil and natural gas; • technological advances affecting energy consumption; and • overall economic conditions worldwide. These factors make it very difficult to predict future commodity price movements with any certainty. Substantially all of our oil and natural gas sales are made in the spot market or pursuant to contracts based on spot market prices and are not long-term fixed price contracts. Further, oil prices and natural gas prices do not necessarily fluctuate in direct relation to each other. Because oil, natural gas and NGLs accounted for approximately ~~73~~ **74**%, ~~20~~ **19**%, and 7%, respectively,

of our estimated proved reserves as of December 31, 2023-2024, and approximately 75-71%, 18-20%, and 7-9%, respectively, of our 2023-2024 production on an a MBoe- Boe basis, our financial results are sensitive to movements in oil, natural gas and NGL prices. Future exploration and drilling results are uncertain and involve substantial costs. Drilling for oil and natural gas involves numerous risks including the risk that we may not encounter commercially productive reservoirs. The costs of drilling, completing and operating wells are often uncertain, and drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including: • unexpected drilling conditions; • pressure or irregularities in formations; • equipment failures or accidents; • inflation in exploration and drilling costs; • fires, explosions, blowouts or surface cratering; • lack of, or disruption in, access to infrastructure and transportation; • lack of available skilled labor; and • shortages or delays in the availability of services or delivery of equipment. Our production, revenue and cash flow from operating activities are derived from assets that are concentrated in a single geographic region, making us vulnerable to risks associated with operating in one geographic area. We currently operate in a concentrated geographic region, in the U. S. Gulf of Mexico-America and in the shallow waters off the coast of Mexico. As such, the success and profitability of our operations may be disproportionately exposed to the effect of regional conditions such as: • severe weather, such as hurricanes, winter storms, loop currents, tornadoes and other adverse climatic conditions; • changes in state or regional laws and regulations affecting our operations (including regulations that may, in certain circumstances, impose strict liability for pollution damage or require posting substantial bonds to address decommissioning and P & A costs) and interruption or termination of operations by governmental authorities based on environmental, safety or other considerations; • local price fluctuations and other regional supply and demand factors, including availability of gathering, pipeline, transportation and storage capacity constraints; • production delays or decreases in the region; • limited potential customers; • infrastructure capacity and availability of rigs, equipment, oil field services, supplies and labor; • changes in the status of pipelines that we depend on for transportation of our production to the marketplace; • changes in guidelines issued by BOEM related to financial assurance requirements to cover decommissioning obligations for operations on the OCS; and / or • changes imposed as a result of litigation or by a new presidential administration or by Congress in the United States that may result in added restrictions and delays or prohibitions in offshore oil and natural gas exploration and production activities, including with respect to leasing, permitting, site development or operation in federal waters or hydraulic fracturing. **The threat from these risks may be currently potentially heightened due to the geopolitical tension between Mexico, Canada and the U. S.** Because all or a number of our properties could experience many of the same conditions at the same time, these conditions may have a relatively greater impact on our results of operations than they might have on other producers who have properties over a wider geographic area. Production periods or relatively short reserve lives for U. S. Gulf of Mexico-America properties may subject us to higher reserve replacement needs and may impair our ability to reduce production during periods of low oil and natural gas prices. **Our future success depends largely upon our ability to find, develop or acquire additional oil and natural gas reserves that are economically recoverable in order to replace or grow our proved reserves. Producing oil and natural gas reserves are generally characterized by declining production rates that vary depending upon reservoir characteristics and other factors. High production rates generally result in recovery of a relatively higher percentage of reserves during the initial few years of production.** Substantially all of our operations are in the U. S. Gulf of Mexico-America where proved reserves generally have shorter reserve lives than proved reserves in many other producing regions of the United States. As a result, our reserve replacement needs from new prospects may be greater than those of other companies with longer- life reserves in other producing areas. **Our Furthermore, our** future oil and natural gas production is highly dependent upon finding and / or acquiring additional reserves at a unit cost that is sustainable at prevailing commodity prices. Exploring for, developing or acquiring reserves is capital intensive and uncertain. We may not be able to economically find, develop or acquire additional reserves or make the necessary capital investments if our cash flows from operations decline or external sources of capital become limited or unavailable. Our need to generate revenues to fund ongoing capital commitments and / or repay debt may limit our ability to slow or shut- in production from producing wells during periods of low prices for oil and natural gas. We cannot assure you that our future exploitation, exploration, development and acquisition activities will result in additional proved reserves or that we will be able to drill productive wells at acceptable costs. Further, current market conditions may adversely impact our ability to obtain financing to fund acquisitions, and further lower the level of activity and depressed values in the oil and natural gas property sales market. Global geopolitical tensions may create heightened volatility in oil, gas and NGL prices and could adversely affect our business, financial condition and results of operations. Our oil and gas activities are subject to numerous geopolitical and economic risks, uncertainties (including but not limited to changes, sometimes frequent or marked, in energy policies or the personnel administering them), expropriation of property, cancellation or modification of contract rights, changes in laws and policies governing operations of foreign- based companies, unilateral renegotiation of contracts by governmental entities, redefinition of international boundaries or boundary disputes, foreign exchange restrictions, currency fluctuations, royalty and tax increases, and other risks arising out of governmental sovereignty over the areas in which our operations are conducted, as well as risks of loss due to acts of terrorism, piracy, disease, illegal cartel activities and other political risks, including tension and confrontations among political parties. **The upcoming presidential election in the U.S., the expected change in presidential administration in Mexico, the extended war between Russia and Ukraine and increasing hostilities in the Middle East may cause prolonged uncertainty and volatility in commodity prices.** Mexico's most recent presidential election was held in July 2024-2018. Presidential reelection is not permitted in Mexico. President **Claudia Sheinbaum- Andrés Manuel López Obrador,** took office on December 1, 2018, and his successor is due to be elected in June of 2024 and at . **At** this time we cannot predict **what** the extent of changes **that (if any)** will result from this change in administration. **Similarly, Canadian Prime Minister Justin Trudeau announced in January 2025 that he intends to resign by March 24, 2025, and Canada will hold federal elections in 2025.** Political events in Mexico and Canada, including in conjunction with the Trump Administration's proposed tariffs and the corresponding geopolitical tensions between Mexico and the U.S. as well as between Canada and the U.S., could adversely affect economic

conditions and / or the oil and gas industry and, by extension, our results of operations and financial position. On February 24, 2022, Russian military forces invaded Ukraine, and sustained. We expect the ongoing war to and continued and prolong prolonged disruptions— disruption in the region is likely. Russia's recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and subsequent military action against Ukraine have led to an unprecedented expansion of sanction programs imposed by the U.S., the European Union, the United Kingdom, Canada, Switzerland, Japan and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so-called Donetsk People's Republic and the so-called Luhansk People's Republic, including, among others:

- blocking sanctions against some of the largest state-owned and private Russian financial institutions (and their subsequent removal from the Society for Worldwide Interbank Financial Telecommunication payment system) and certain Russian businesses, some of which have significant financial and trade ties to the European Union;
- blocking sanctions against Russian and Belarusian individuals, including the Russian President, other politicians and those with government connections or involved in Russian military activities; and
- blocking of Russia's foreign currency reserves as well as expansion of sectoral sanctions and export and trade restrictions, limitations on investments and access to capital markets and bans on various Russian imports.

In retaliation against new international sanctions and as part of measures to stabilize and support the volatile Russian financial and currency markets, the Russian authorities also imposed significant currency control measures aimed at restricting the outflow of foreign currency and capital from Russia, imposed various restrictions on transacting with non-Russian parties, banned exports of various products and other economic and financial restrictions. The situation is rapidly evolving as a result of the war in Ukraine, and the U.S., the European Union, the United Kingdom and other countries may implement additional sanctions, export controls or other measures against Russia, Belarus and other countries, regions, officials, individuals or industries in the respective territories. Such sanctions and other measures, as well as the existing and potential further responses from Russia or other countries to such sanctions, tensions and military actions, could adversely affect the global economy and financial markets and could adversely affect our business, financial condition and results of operations. We are actively monitoring the situation in Ukraine and assessing its impact on our business, including our business partners and customers. To date we have not experienced any material interruptions in our infrastructure, supplies, technology systems or networks needed to support our operations. We cannot have no way to predict the progress or outcome of the war in Ukraine or its impacts in Ukraine, Russia or Belarus as the war, and any resulting government reactions, are rapidly developing and beyond our control. Continued hostilities, or any significant increases in the extent and duration of the military action, sanctions and resulting market disruptions — or any meaningful escalation in the objectives thereof or the methods used by the combatants to achieve such objectives — could be significant and could potentially have substantial impact on the global economy and our business for an unknown period of time. Alternatively, a cessation of hostilities as a result of a negotiated withdrawal or otherwise — particularly if coupled with an easing of international sanctions — could cause commodity prices to decline globally in a manner that would reduce the revenues we receive for our oil and gas production. **During the first quarter of 2022, we experienced an increase in commodity prices as sanctions imposed on Russia severely limited the access of Russian oil and gas producers to international markets. In the months that followed, commodity prices subsequently decreased and remained stagnant during the second half of 2022. If the military action concludes and the related sanctions are dropped, commodity prices could significantly decrease.** Any of the above-mentioned factors could affect our business, financial condition and results of operations. Additionally, on October 7, 2023, Hamas, a U.S.-designated terrorist organization, launched a series of coordinated attacks from the Gaza Strip onto Israel. On October 8, 2023, Israel formally declared war on Hamas, and although in January 2025 Israel and Hamas entered into a ceasefire agreement, the duration and success of **armed conflict is ongoing as of the date of such agreement remains uncertain at this time-filing**. Hostilities between Israel and Hamas have **escalated and** involved surrounding countries in the Middle East. Iranian-backed groups have launched attacks on U.S. military bases and assets in Syria, Iraq, and Jordan, and have targeted international shipping in the Red Sea. After three American troops were killed in a drone attack by an Iran-backed militant group, the U.S. launched retaliatory strikes on multiple sites in Iraq and Syria used by Iranian forces and Iran-backed militants. U.S. and British forces then launched a series of strikes on Houthi targets in Yemen in response to continuing attacks on shipping in the Red Sea and Gulf of Aden. Although the length, impact and outcome of the military conflicts between Ukraine and Russia and Israel and Hamas, respectively, are highly unpredictable, these conflicts could lead to significant market and other disruptions, including significant volatility in commodity prices and supply of energy resources, instability in financial markets, supply chain interruptions, political and social instability and other material and adverse effects on macroeconomic conditions. It is not possible at this time to predict or determine the ultimate consequence of these regional conflicts. These conflicts and their broader impacts could adversely affect our business, financial condition and results of operations and the global economy. **Recent and pending management changes could disrupt our operations and impair our ability to attract and retain key personnel. We have experienced recent changes to our senior management team, including the departure of our former President and Chief Executive Officer on August 29, 2024 and our former Interim President and Chief** Our actual recovery of reserves may substantially differ from our proved reserve estimates. Reserve estimation is a subjective and complex process that requires significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data to estimate volumes to be recovered from underground accumulations of oil and natural gas that cannot be directly measured. These estimates of our proved oil and natural gas reserves and the estimated future net cash flows from such reserves are based upon various assumptions, including assumptions required by the SEC relating to oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Our interpretations of the rules governing the estimation of proved reserves could differ from the interpretation of staff members of regulatory authorities resulting in estimates that could be challenged by these authorities. Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves will most likely vary from those estimated. Any significant variance in these factors could materially affect the estimated quantities and present value

of reserves. Our properties may also be susceptible to hydrocarbon drainage from production by other operators on adjacent properties. 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. See Part I, Items 1 and 2. Business and Properties — Summary of Reserves for further discussion on 2023-2024 changes in estimates of our proved reserves. You should not assume that any present value of future net cash flows from our proved reserves represents the market value of our estimated oil and natural gas reserves. We base the estimated discounted future net cash flows from our proved reserves at December 31, 2023-2024 on historical 12-month average prices and costs as of the date of the estimate. Actual future prices and costs may be materially higher or lower. Further, actual future net revenues are affected by factors such as:

- the amount and timing of capital expenditures and decommissioning costs;
- the rate and timing of production;
- changes in governmental legislation, regulations or taxation;
- volume, pricing and duration of our oil and natural gas hedging contracts;
- supply of and demand for oil and natural gas;
- actual prices we receive for oil and natural gas; and
- our actual operating costs in producing oil and natural gas.

The timing of both our production and our incurrence of expenses in connection with the development and production of oil and natural gas properties affects the timing of actual future net cash flows from reserves, and thus their actual present value. In addition, the 10 % discount factor that we use to calculate the net present value of future net revenues and cash flows may not necessarily be the most appropriate discount factor based on our cost of capital in effect from time to time and the risks associated with our business and the oil and natural gas industry in general. At December 31, 2023-2024, approximately 14-23 % of our estimated proved reserves (by volume) were undeveloped and approximately 23-21 % were non-producing. Any or all of our PUD or proved developed non-producing reserves may not be ultimately developed or produced. Furthermore, any or all of our undeveloped and developed non-producing reserves may not be ultimately produced during the time periods we plan or at the costs we budget, which could result in the write-off of previously recognized reserves. Recovery of undeveloped reserves generally requires significant capital expenditures and successful drilling or waterflood operations. Our reserve estimates include the assumptions that we incur capital expenditures to develop these undeveloped reserves and the actual costs and results associated with these properties may not be as estimated. Any material inaccuracies in these reserve estimates or underlying assumptions materially affects the quantities and present value of our reserves, which could adversely affect our business, results of operations and financial condition. Our acreage must be drilled before lease expirations in order to hold the acreage by production. If commodity prices become depressed for an extended period of time, it might not be economical for us to drill sufficient wells in order to hold acreage, which could result in the expiry of a portion of our acreage, which could have an adverse effect on our business. Our leases may expire unless production is established as required by leases covering undeveloped acres. Our drilling plans for areas not held by production are subject to change based upon various factors. As of December 31, 2023-2024, approximately 53-48 % of our net acreage was undeveloped acres. See Part I, Items 1 and 2. Business and Properties — Acreage for further discussion. Many of these factors are beyond our control, including drilling results, oil and natural gas prices, the availability and cost of capital, drilling and production costs, availability of drilling services and equipment, gathering system and pipeline transportation constraints and regulatory approvals. On the acreage that we do not operate, we have less control over the timing of drilling, and therefore there is additional risk of expirations occurring in those acreages. The marketability of our production depends mostly upon the availability, proximity and capacity of oil and natural gas gathering systems, pipelines and processing facilities. The marketability of our production depends upon the availability, proximity, operation and capacity of oil and natural gas gathering systems, pipelines and processing facilities. The lack of availability or capacity **or closure** of this infrastructure could result in the shut-in of producing wells or delays or discontinuance of development plans for our properties. ~~The disruption~~ **Disruptions to** of these gathering systems, pipelines, and processing facilities ~~- whether~~ **Disruptions to** due to maintenance, ~~and/or weather~~, **Disruptions to** abandonment, closures, or **Disruptions to** otherwise could negatively impact our ability to **Disruptions to** continue production and market and deliver our products. Federal, state, and local regulation of oil and natural gas production and transportation, general economic conditions and changes in supply and demand could adversely affect our ability to produce and market our oil and natural gas. If market factors change dramatically, the financial impact could be substantial. The availability of markets and the volatility of product prices are beyond our control and represent a significant risk. Inflationary issues and associated changes in monetary policy may result in increases to the cost of our goods, services and personnel, which in turn could cause our capital expenditures and operating costs to rise. The U. S. inflation rate steadily rose in 2021 and into 2022 before eventually slightly declining throughout during 2023 and 2024. These inflationary pressures resulted in increases to the costs of our goods, services and personnel, which in turn, caused our capital expenditures and operating costs to rise. The U. S. Federal Reserve (the “ Fed ”) and other central banks **Disruptions to** have periodically increased interest rates ~~multiple times in 2022 and 2023~~ in an effort to curb inflationary pressure on the costs of goods and services across the U. S. and globally. While the Fed **Disruptions to** began to indicated in December 2023 that it may reduce benchmark interest rates **Disruptions to** in during 2024, the continuation of elevated rates could have the effects ~~effect~~ of raising the cost of capital and depressing economic growth, either of which — or the combination thereof — could **Disruptions to** hurt negatively impact the financial and operating results of our business. Higher crude oil and natural gas prices may cause the costs of materials and services to continue to rise. We cannot predict any future trends in the rate of inflation or the monetary policies in response thereto. We may be unable to **Disruptions to** provide pursue our CCS business, either wholly or in significant measure, which could have a material adverse effect on our business, results of operations and financial condition. The successful development of our CCS projects is dependent on various economic, regulatory, operational and technical factors. The failure to satisfy, wholly or in significant measure, any of such factors could have a material adverse impact on our business, results of operations and financial condition. Risks related to our CCS business include but are not limited to:

- the uncertainty of evolving government regulations;
- adequate capital financing to develop our projects;
- the availability of necessary infrastructure, equipment, services and skilled personnel to develop our CCS business;
- sufficient infrastructure to capture CO₂ at the source, and transport it to CCS sites;
- the availability, applicability and adequacy of various federal and state incentive programs related to CCS projects;
- the

availability and cost of acquiring necessary federal and state permits, including permits applicable to subsurface injection, and air emissions or impacts to environmental, natural, historic or cultural resources resulting from the construction and operation of a CCS facility; • our ability to maintain adequate financial assurances to cover the cost of corrective action, injection well plugging, post injection site care and site closure, and emergency and remedial response; • public and political opinion regarding CCS development in local communities; • locating suitable sources of anthropogenic CO₂; • obtaining sufficient **amounts or quantities of CO₂ from, and entering into suitable agreements with, emitters on reasonably acceptable terms that are acceptable and economical to us; and • complex recordkeeping and GHG emissions / sequestration accounting which may increase our costs.** The availability and applicability of various federal financial incentives related to our projects is uncertain and there is no assurance that if available, such incentives would be adequate for our CCS project needs or that such incentives will continue to be available in the future. Additionally, successful development of CCS projects in the United States requires us to comply with stringent and varied regulatory **requirements, schemes requiring permits applicable to subsurface injection of CO₂ for- or otherwise geologic sequestration. Moreover, in order to conduct our business in the OCS. BOEM requires that lessees demonstrate financial strength and reliability according to its regulations or provide acceptable financial assurances, such as operator for surety bonds, two- to assure satisfaction of lease obligations, including decommissioning activities on the OCS. The cost of such bonds our- or other** CCS projects, we must demonstrate and maintain levels of financial assurance sufficient to cover the cost of corrective action, injection well plugging, post injection site care and site closure, and emergency and remedial response. As carbon management represents an emerging sector, regulations may evolve rapidly and unpredictably, which could impact the feasibility of one or more of our anticipated projects. There is no assurance that we will be successful in obtaining sufficient federal and state permits or adequate levels of financial assurance for one or more of our CCS projects or that permits can be **substantial** obtained on a timely basis, whether due to difficulty with the technical demonstrations required to obtain such permits, public opposition or otherwise. Separately, CCS projects are also subject to additional permits and approvals unrelated to subsurface injection from various U. S. federal and state agencies, such as for air emissions or impacts to environmental, natural, historic or cultural resources resulting from the construction and operation of a CCS facility. To the extent regulatory requirements are imposed, are increased or more stringently enforced, we may incur additional costs in the development of our CCS projects, which costs may be material or may render any one or more of our projects uneconomic. CCS projects also require satisfying certain operational factors, such as locating a suitable source of anthropogenic CO₂ and reaching suitable agreements to capture that CO₂. Such agreements are complex and may involve allocation of not only fees but also various credits, incentives and environmental attributes associated with the sequestration of CO₂. Not all emission sources produce sufficiently large quantities of pure or relatively pure streams of CO₂, or have installed equipment to capture such CO₂, so as to be usable in one or more of our CCS projects. As a result, we may not be able to obtain sufficient quantities of CO₂ from emitters on terms that are acceptable to us, and the failure to do so may have a material impact on our ability to execute our CCS strategy. Additionally, development of successful CCS projects will require infrastructure to transport CO₂ between the source and our CCS sites. In project areas with existing CO₂ transportation pipelines, this may require reaching an agreement on CO₂ transportation with operators of CO₂ pipelines within the regions in which we operate. Inability to reach a suitable agreement may render a project uneconomic or impracticable. Separately, if no CO₂ pipelines exist in proposed project areas, or if existing pipelines do not extend to one or more of our project sites, we may be required to convert existing pipelines, or build new CO₂ pipelines or lateral connections, which may be subject to various environmental and other permitting requirements to include increased regulation from U. S. federal and state agencies, as well as third party easements, which may render one or more projects uneconomical. We will also need to build the required equipment on a timely basis and at a cost that is economically viable. Additionally, complex recordkeeping and GHG emissions / sequestration accounting may be required in connection with one or more of our projects, which may increase the costs of such operations. Different methodologies may be required for various regulatory and non-regulatory accounts regarding GHG emissions / sequestration at one or more of our projects, including but not limited to, compliance with the EPA's mandatory Greenhouse Gas Reporting Program. Furthermore, as CCS may be viewed as a pathway to the continued use of fossil fuels, notwithstanding that CO₂ emissions are intended to be captured, there may be organized opposition to CCS, including as it relates to our projects. We can provide no assurance that we **can continue to obtain sufficient bonds or other surety in all cases. On April 15, 2024, BOEM issued a final rule, entitled " Risk Management and Financial Assurance for OCS Lease and Grant Obligations, " which significantly increases the amount of new supplemental financial assurance required from lessees and grant holders conducting operations on the OCS. The final rule replaced BOEM's prior five- point test previously used to determine whether an OCS lessee or grant holder was required to obtain supplemental financial assurance. The 2024 final rule instead requires lessees to meet one of two criteria based on: (1) the credit rating of the lessee or (2) the ratio of the value of proved oil and gas reserves of the lease to the estimated decommissioning liability associated with the reserves. As a result, BOEM no longer considers or relies upon the financial strength of predecessors in title in determining whether, or how much, supplemental financial assurance will be able required by current lessees and grant holders. The final rule, which became effective on June 29, 2024, adopts a three- year phased compliance period for fully meeting BOEM's supplemental financial assurance demand. Per BOEM's June 28, 2024 news release, BOEM indicated it may take up to 24 months from that date to complete the processing of financial assurance demands for execute execution . Prior to the effective date of the final rule, BOEM's rule was challenged in the U. S. District our Court CCS business strategy for the Western District of Louisiana by multiple oil and gas industry groups and the States of Mississippi, Louisiana, and Texas on June 17, 2024. The implementation of the rule is not currently stayed, and the outcome of these challenges, as well as regulatory changes that may be implemented by the Trump Administration, remains uncertain. BOEM could, in the future , continue . Any failure by us to achieve make new demands for additional financial assurances in material amounts relating to the decommissioning of our OCS properties. BOEM may reject our**

proposals to satisfy any such **additional** expectations in whole or any significant measure could have a material adverse effect on our business, results of operations and financial **assurance coverage** condition. Our inability to benefit from Section 45Q tax credits could materially reduce our ability to develop CCS projects and **make demands**, as a result, may adversely impact our business, results of operations and financial condition. The successful development of our CCS projects is dependent upon our ability to benefit from certain financial and tax incentives available with respect to CCS projects. The development of CCS projects is incentivized by tax credits provided under Section 45Q of the Internal Revenue Code of 1986, as amended (such credits, “Section 45Q tax credits”), which provides a tax credit for qualified CO₂ that **exceed** is captured using carbon capture equipment and disposed of in secure geological storage. The amount of Section 45Q tax credits from which we may benefit is dependent upon our ability to satisfy certain wage and apprenticeship requirements, which we cannot assure you that we will satisfy. With respect to the first five tax years a qualifying CCS project is in service, but not beyond December 31, 2032, we may elect a “direct pay” option with respect to available Section 45Q tax credits to efficiently monetize their value (i. e., we may receive a payment for the tax credits through a tax refund as if there had been an overpayment of taxes). Following the period in which the direct pay election is available and for the remaining period in which the applicable Section 45Q tax credits are otherwise available, we may elect to transfer the Section 45Q tax credits to unrelated taxpayers. We cannot assure you that we will be able to efficiently monetize Section 45Q tax credits that are transferred to unrelated taxpayers. We will benefit from Section 45Q tax credits only if we satisfy the applicable statutory and regulatory requirements for obtaining the Section 45Q tax credits, including that we own carbon capture equipment that captures qualified CO₂ that we physically or **our capabilities** contractually capture and securely store, or if another party that owns carbon capture equipment elects to pass through Section 45Q tax credits to us, that we dispose of the qualified CO₂ in secure storage. If we are unable to **comply with the BOEM** satisfy such statutory and regulatory requirements or otherwise qualify for or obtain the Section 45Q tax credits, our CCS projects may no longer be economically viable and may not be completed. We cannot assure you that we will be successful in satisfying such requirements or otherwise qualifying for or obtaining the Section 45Q tax credits currently available or that we will be able to **provide** effectively benefit from such tax credits. Section 45Q tax credits are also subject to recapture with respect to any CO₂ that ceases to be disposed of in secure storage, which recapture is treated as an increase in tax liability for the year in which the recapture occurs. The recapture period for Section 45Q tax credits is limited to a 3- year lookback period preceding the date that sequestered CO₂ escapes from its secure storage. Additionally, the availability of Section 45Q tax credits may be reduced, modified or eliminated as a matter of legislative or regulatory policy. There can be no assurance that Section 45Q tax credits will not be reduced, modified or eliminated in the future, including as a result of any change in presidential administration as a result of the 2024 U. S. presidential election. Any such reduction, modification or elimination of Section 45Q tax credits, or our inability to otherwise benefit from Section 45Q tax credits, could materially reduce our ability to develop CCS projects and, as a result, may adversely impact our business, results of operations and financial condition. Even if we are able to benefit from Section 45Q tax credits, we may determine that additional **surety bonds** financial incentives are required for **or** our CCS projects to be economically viable. If such additional incentives do not emerge, we may not be able to achieve an economic return from our CCS business or, alternatively, the **other** construction or operation of our CCS projects may be substantially delayed, unprofitable or otherwise infeasible. We may be unable to provide the financial assurances in the amounts and under the time periods required by BOEM if it submits future demands to cover our decommissioning obligations. If in the future BOEM issues orders to provide additional financial assurances and we fail to comply with such future orders, BOEM could elect to take actions that would materially adversely impact our operations and our properties, including commencing proceedings to suspend our operations or cancel our associated federal offshore leases. BOEM requires that lessees demonstrate financial strength and reliability according to its regulations or provide acceptable financial assurances to assure satisfaction of lease obligations, including decommissioning activities on the OCS. In 2016, BOEM under the Obama Administration had sought to implement more stringent and costly standards under the existing federal financial assurance requirements through issuance and implementation of the 2016 NTL, but the Trump Administration first suspended, and then in 2020 rescinded, the implementation of the 2016 NTL. Following the effectiveness of the 2016 NTL, we received orders from BOEM in late 2016 directing us to provide additional financial assurance in material amounts relating to our OCS properties. We entered into discussions with BOEM regarding the requested additional financial security and submitted a proposed tailored plan (applicable to our sole and non- sole liability properties) for the posting of additional financial security to the agency for review. However, as the Trump Administration rescinded the 2016 NTL, BOEM withdrew the previously issued orders under the 2016 NTL. In August 2021, BOEM published a Note to Stakeholders detailing an expansion of its supplemental financial assurance requirements currently applicable to all sole liability properties and now to certain high- risk, non- sole liability properties; namely, those properties that are inactive, where production end- of- life is fewer than five years, or with damaged infrastructure irrespective of the remaining property life of the surrounding producing assets. BOEM has stated it will prioritize non- sole liability properties where it believes that the current owner does not meet applicable requirements related to financial strength and has no co- owners or predecessors that are financially strong, as determined by BOEM. In connection with this Note to Stakeholders, BOEM initially assessed the required financial assurance for our sole liability properties as approximately \$ 70 million. However, following the opportunity to review BOEM’ s sole liability assessment, we were able to reduce the financial assurance required to approximately \$ 37. 7 million. The bonds covering this amount were posted in 2021. Notwithstanding the above, BOEM, now under the Biden Administration, could, in the future, continue to make new demands for additional financial assurances in material amounts relating to the decommissioning of our OCS properties. BOEM may reject our proposals to satisfy any such additional financial assurance coverage and make demands that exceed our capabilities. If we fail to comply with the current or future orders of BOEM to provide additional surety bonds or other financial assurances, BOEM could commence enforcement proceedings or take other remedial action, including assessing civil penalties, suspending operations or production, or initiating procedures to cancel **federal** leases associated with our noncompliance, which, if upheld,

would have a material adverse effect on our business, properties, results of operations and financial condition. **Additionally, regardless of the 2024 final rule,** BOEM has the right to issue financial assurance orders in the future, including if it determines there is a substantial risk of nonperformance of the current interest holder's decommissioning liabilities and the Biden Administration may elect to pursue more stringent supplemental bonding requirements. **Moreover, under** In the event that BOEM finalizes new regulations similar to or **our existing** more stringent than the 2016 NTL, such as BOEM's June 2023 proposed rule that substantially revises the supplemental financial assurance requirements applicable to offshore oil and gas operations **future indemnity agreements**, the surety **companies have** bond market has very limited capacity to provide additional financial assurance and we therefore may not be able to procure and provide the **right to demand** financial assurance required by such new regulations. Moreover, the implementation of such new regulations could result in sureties seeking additional collateral to support existing or future bonds, such as cash or letters of credit, **and we to support existing bonds or to obtain future bonds. We** cannot provide assurance that we will be able to satisfy collateral demands for such bonds to comply with supplemental bonding requirements of BOEM. If we are required to provide collateral in the form of cash or letters of credit, our liquidity position could **would** be **significantly** negatively impacted, and we may be required to seek alternative financing. To the extent we are unable to secure adequate financing, we may be forced to reduce our capital expenditures. **Further, as a result of adverse developments in restructurings and bankruptcies of companies operating in the OCS, a number of surety companies have left the offshore surety market, which has materially reduced the availability of surety bonds for projects in the OCS and may reduce the ability of companies operating in the OCS to obtain bonding without posting collateral. As a result, bonds may not be available to us on commercially reasonable terms, including requiring collateral, which may lead to significantly increased costs on our operations. Further, there may not be sufficient surety bond capacity available for companies in the OCS which could consequently have a material adverse effect on our ability to conduct our operations.** All of these factors may make it more difficult for us to obtain the financial assurances **necessary** required by BOEM to conduct operations on the OCS. **We cannot predict (i) what actions the Trump Administration may take with respect to these regulations and the timing with respect to the same or (ii) the availability to us of surety bonds on commercially reasonable terms in the marketplace. As a result, other there changes is significant uncertainty with respect to the BOEM bonding and financial assurance regulatory requirements and current market availability of surety bonds. These factors could, in the future, result in significantly increased costs on our operations, reduced cash flows and our liquidity if unable to comply** and consequently have a material adverse effect on our business and results of operations. See Part I, Items 1 and 2. Business and Properties — Government Regulation — Outer Continental Shelf ("OCS") Regulation for more discussion on orders and regulatory initiatives impacting the oil and natural gas industry on the OCS **and Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Known Trends and Uncertainties — Financial Assurance Requirements and — Financial Assurance Market Outlook.** Our business could be negatively affected by security threats, including cybersecurity threats, terrorist attacks and other disruptions. As an oil and gas producer, we **have face** various security threats, including cybersecurity threats to gain unauthorized access to sensitive information or to render data or systems unusable, threats to the security of our facilities and infrastructure or third-party facilities and infrastructure, such as processing plants and pipelines, and threats from terrorist acts. The **U. S. government has issued warnings that U. S. energy assets may be at greater risk of future attacks than other targets in the U. S. We depend on the uninterrupted operation of our technology in many areas of our business and operations, including, but not limited to, monitoring our platforms and pipelines, processing and recording financial and operating data, oversight and analysis of our operations and communicating with our employees, customers, and service providers. We also collect and store sensitive data in the ordinary course of our business, including personally identifiable information as well as our proprietary business information and that of our customers, suppliers, investors and other stakeholders. Additionally, we rely on third-party vendors and service providers, including suppliers, cloud-based storage providers, and industrial equipment manufacturers, which may present additional cybersecurity risks beyond our direct control. If a third-party provider failed to adequately safeguard our data or their systems, or if they experienced a security breach, it could compromise our systems, disrupt our operations, or result in the unauthorized disclosure of sensitive information. We and our service providers have, from time to time, been subject to cybersecurity attacks and security incidents. Cybersecurity attacks in particular are increasing globally in frequency and in sophistication and include, but are not limited to, malicious software, surveillance, credential stuffing, spear phishing, social engineering, use of deepfakes (i. e., highly realistic synthetic media generated by artificial intelligence) attempts to gain unauthorized access to data and systems and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. These events could damage our reputation and lead to financial losses from remedial actions, loss of business or potential for such liability. Although we have implemented and maintain commercially reasonable security measures, including detection and prevention systems, regular cybersecurity assessments, employee training programs, and an incident response plan, these measures may not be effective in preventing security threats subjects, detecting them promptly, our or minimizing their impact. The techniques used by attackers continue to evolve, making it difficult to anticipate, identify, or prevent future attacks. Some attacks may go undetected for extended periods or may not be recognized until they have already caused harm. Attackers increasingly employ sophisticated methods to bypass security controls, evade detection, and obscure forensic evidence, which can hinder our ability to investigate and respond effectively. A successful cyberattack or security breach could compromise our networks, resulting in unauthorized access, exposure, loss, or theft of sensitive information. Such incidents may lead to legal claims, litigation, regulatory scrutiny, enforcement actions, financial penalties, and fines. We may also incur significant costs related to system restoration, compliance measures, operations operational disruptions, reputational damage, and diminished customer confidence in our products and services. Any of these outcomes could**

have a material adverse impact on our business and financial performance. Prolonged outages or disruptions in our information technology infrastructure could impair our ability to increased-deliver services, meet customer expectations, or comply with regulatory requirements. As cybersecurity and data privacy threats continue to evolve, we may need to commit substantial resources to strengthen our security framework, ensure regulatory compliance, and address potential vulnerabilities. The expenses associated with these efforts, including investigating and remediating security incidents, could be significant. Although we maintain cyber insurance to help mitigate financial risks associated with cyber incidents, these policies have inherent limitations and may not cover all potential losses, including reputational damage or regulatory penalties. As a result, our insurance coverage may not fully protect against all cybersecurity-related risks. Additionally, as cyberattacks become more frequent and severe worldwide, the availability and affordability of comprehensive coverage may continue to decline. To date, we have not experienced any material losses relating to cyberattacks. However, there can be no assurance that we will not suffer such losses in the future. No security measure is infallible. Consequently, it is possible that any of these occurrences, or a combination of them, could have a material adverse effect on our business.

In particular, the implementation of various procedures and controls to monitor and mitigate security threats and to increase security for our information, facilities and infrastructure may result in increased capital and operating costs. Moreover, there can be no assurance that such procedures and controls are 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 our operations and could have a material adverse effect on our reputation, financial position, results of operations or cash flows. Cybersecurity attacks in particular are becoming more sophisticated and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and systems and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. These events could damage our reputation and lead to financial losses from remedial actions, loss of business or potential liability. The U. S. government has issued warnings that U. S. energy assets may be the future targets of terrorist organizations. These developments subject our operations to increased risks. Any future terrorist attack at our facilities, or those of our purchasers or vendors, could have a material adverse effect on our financial condition and results of operations.

Global geopolitical tensions may create heightened..... results of operations and the global economy. We may not be in a position to control the timing of development efforts, the associated costs or the rate of production of the reserves from our non-operated properties. We As we carry out our drilling program, we may not serve as operator of all our planned wells. For example, in March 2022, the final UR **Unitization Resolution** from SENER regarding the development of the Zama Field in offshore Mexico affirmed the appointment of PEMEX as operator of the unit, despite our discovery of the Zama Field in 2017 and subsequent operatorship. We may **In such circumstances where we are not operator, we will** have limited ability to exercise influence over the operations of some non-operated properties and their associated costs. Our dependence on the operator and other working interest owners, and our the limited ability to influence operations and associated costs of properties operated by others, could prevent the us from realization--- realizing of the anticipated results in-of drilling or acquisition activities. The success and timing of development and exploitation activities on properties operated by others further depends upon a number of factors that could be largely outside of our control, including:

- the timing and amount of capital expenditures;
- the availability of suitable offshore drilling rigs, drilling equipment, support vessels, production and transportation infrastructure and qualified operating personnel;
- the operator's expertise and, financial resources, **qualified operating personnel and technology decisions**;
- approval of other participants in drilling wells;
- **the operator's ability to obtain permits and regulatory approvals**;
- risk of other non-operator's failure to pay its-their share of costs, which may require us to pay our proportionate share of the defaulting party's share of costs;
- selection of technology;
- the rate of production of the reserves;
- and • the timing and cost of P & A operations.

In addition, with respect to oil and natural gas projects that we do not operate, we have limited influence and over operations, including limited control over **operational decisions and** the maintenance of safety and environmental standards. The operators of those properties may, depending on the terms of the applicable joint operating agreement:

- refuse to initiate exploration or development projects;
- initiate exploration or development projects on a slower or faster schedule than we anticipate would prefer;
- delay the pace of exploratory drilling or development; and / or
- drill more wells or build more facilities on a project than we can afford, whether on a cash basis or through financing, which may limit our participation in those projects or limit the percentage of our revenues from those projects.

For example, PEMEX is the operator of our Zama Field project in offshore Mexico. As a result, we have limited ability to influence the operational or technical decisions made, including those that affect the timing and costs of the development of that project. The occurrence of any of the foregoing events could have a material adverse effect on our anticipated exploration and development activities. Hedging transactions may limit our potential gains. In order to manage our exposure to price risks in the marketing of our oil, natural gas and NGLs, we periodically enter into oil, natural gas and NGL price hedging arrangements with respect to a portion of our expected production. These arrangements may include futures contracts on the NYMEX. While intended to reduce the effects of volatile oil and natural gas prices, such transactions, depending on the hedging instrument used, may limit our potential gains if oil and natural gas prices were to rise substantially over the price established by the hedge. In addition, such transactions may expose us to the risk of financial loss in certain circumstances, including instances in which:

- our production is less than expected or is shut-in for extended periods due to hurricanes or other factors;
- there is a widening of price differentials between delivery points for our production and the delivery point to be assumed in the hedge arrangement;
- the counterparties to our futures contracts fails to perform the contracts;
- a sudden, unexpected event materially impacts oil or natural gas prices; or
- we are unable to market our production in a manner contemplated when entering into the hedge contract.

Our outstanding commodity derivative instruments are with certain lenders or affiliates of the lenders under our Bank Credit Facility. Our derivative agreements with the lenders are secured by the security documents executed by the parties under the Bank Credit Facility. Future collateral requirements for our

commodity hedging activities are uncertain and depend on the arrangements we negotiate with the counterparty and the volatility of oil and natural gas prices and market conditions. Our operations may incur substantial liabilities to comply with environmental laws and regulations as well as legal requirements applicable to marine life and endangered and threatened species. Our oil and natural gas operations in the United States and Mexico are subject to stringent federal, state and / or 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 require permits or other approvals before drilling or other regulated activity 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 exploration or drilling activities on certain lands lying within protected areas or that may affect certain wildlife, including marine species and endangered and threatened species and impose substantial liabilities for pollution resulting from our operations. Additionally, the threat of climate change ~~continues to be~~ **has, in recent years, been** a heightened area of focus and regulatory and disclosure requirements in the United States. For example, in March 2022-2024, the SEC ~~proposed finalized a rules-~~ **rule that which could require** ~~requires~~ additional disclosure of climate change- related information, including, among other things, climate change risk management; short- medium- and long- term climate- related financial risks; and reporting ~~Scope1-~~ **Scope 1 and Scope2-** ~~Scope 2 emissions. The rule is currently stayed pending litigation and (the SEC under the Trump Administration is expected to repeal the rule; however, the timeline for any repeal~~ **Scope3 emissions. The SEC's proposed climate disclosure rules have not yet been finalized, but implementation if at all, is subject to a number of uncertainties** ~~the rules as proposed could impose additional costly and time-consuming requirements on our business.~~ For additional information about government regulation related to environmental and worker safety matters, please see Part I, Items 1 and 2. Business and Properties — Government Regulation — Environmental and Occupational Safety and Health Regulations. Any regulatory developments that impact, curtail or increase the cost of our oil and natural gas exploration and production activities on the OCS could have a material adverse effect on our business, results of operations and financial condition . **Our ability to obtain permits and governmental approvals for our U. S. Gulf of America operations may be delayed by the court- mandated vacatur of the National Marine Fisheries Services' Gulf of America Biological Opinion if NMFS is unable to publish a revised biological opinion by the vacatur date. The Endangered Species Act, as amended, restricts activities that may affect federally identified endangered and threatened species or their habitats. On August 19, 2024, a U. S. District Court in Maryland ruled in favor of a coalition of environmental groups that had challenged NMFS' s 2020 Biological Opinion which covers all activities associated with the OCS oil and gas program in the Gulf of America, and vacated the 2020 Biological Opinion as of December 20, 2024. On September 16, 2024, NMFS filed a motion to alter or amend the court' s ruling requiring vacatur of the 2020 Biological Opinion by December 20, 2024, stating that it was unable to issue a new Biological Opinion by that date. On October 21, 2024, the court extended the vacatur deadline to May 21, 2025. Industry groups appealed the Maryland District Court' s decision to the U. S. Court of Appeals for the Fourth Circuit. The outcome of that challenge remains uncertain at this time. Although NMFS expects to submit a new biological opinion in advance of the May 2025 deadline, any revised biological opinion may impose additional operational restrictions and may face additional scrutiny and legal challenges which could further delay or impact our operations. Without an active biological opinion in place, all permits, plans and government actions in the U. S. Gulf of America would likely require individual project- specific consultations under the Endangered Species Act between BOEM or BSEE (as applicable) and NMFS, which could cause significant delays and adversely impact our ability to obtain plans, permits and government approvals required for our Gulf of America operations in a timely manner. For further information please see Part I, Items 1 and 2. Business and Properties — Environmental and Occupational Safety and Health Regulations — — Endangered Species Act .**

Additional drilling laws, regulations, executive orders and other regulatory initiatives that restrict, delay or prohibit oil and natural gas exploration, development and production activities or access to locations where such activities may occur could have a material adverse effect on our business, financial condition or results of operations. ~~The Biden Administration has taken a number of actions that may result in stricter~~ **Stricter** environmental, health and safety standards applicable to our operations and those of the oil and gas industry more generally **have been implemented during the past few years** . ~~The~~ **For example, President Biden Administration** issued the “ Executive Order on Tackling the Climate Crisis at Home and Abroad ” on January 27, 2021 (the “ Climate Change Executive Order ”) , ~~which~~ **-This executive order** directed the Secretary of the Interior to halt ~~indefinitely~~ new oil and natural gas leases on federal lands and offshore waters pending completion of a review by the Secretary of the Interior of federal oil and gas permitting and leasing practices in light of the Biden Administration' s concerns regarding the impact of these activities on the environment and climate. ~~The Secretary~~ **President Trump signed several Executive Orders rescinding many** of the Interior completed its review of permitting and leasing practices in November 2021 and issued a report recommending, among other -- **the things Biden Administration' s climate- related initiatives , including revoking an increase in royalty rates and financial assurance requirements.** However, litigation concerning the Climate Change Executive Order ' s pause on new oil and gas leases . **However, the ultimate impact of future actions taken by the Trump Administration related to offshore leasing is uncertain at** ongoing. In June 2021, the U. S. District Court for the Western District of Louisiana issued a nationwide preliminary injunction barring the Biden Administration from implementing the pause in new federal oil and gas leases, an injunction which was made permanent in August 2022. This **this time** effectively halts implementation of the leasing suspension with respect to those lease sales canceled or postponed prior to March 24, 2021. In November 2021, the Biden Administration conducted Lease Sale 257 and various industry participants submitted bids for leases in the Gulf of **America** Mexico; however, on January 27, 2022, in litigation brought by Friends of the Earth and other plaintiffs, the U. S. District Court for the District of Columbia vacated Lease Sale 257 and the related agency decision-making process, finding that BOEM failed to consider the impact on foreign greenhouse gas emissions if Lease Sale 257 was not held and the court determined that this failure was a violation of the NEPA. In September 2022, BOEM announced that it was reinstating

Lease Sale 257 results in line with congressional direction in the IRA 2022. In addition, there is increasing uncertainty regarding the near-term future of Gulf of Mexico lease sales. These lease sales are conducted pursuant to Five-Year Leasing Programs under the Outer Continental Shelf Lands Act. The most recent Five-Year Leasing Program **began** expired on June 30, 2022 and on July 1, 2022-2024, **and will continue** BOEM released a proposed program for 2023 through **June 30** 2028. The proposed program, which was subject to public comment through October 6, 2022, proposes no more than ten potential lease sales in the Gulf of Mexico. On September 29, 2023, the proposed final program for 2024-2029 was published and includes a maximum of three potential oil and gas lease sales in the Gulf of Mexico scheduled to be held in years 2025, 2027 and 2029. The Secretary of the Interior approved the 2024-2029 program via a combined decision memo and Record of Decision. It is likely **possible**, however, that **this** the new Five-Year Leasing Program will be subject to heightened environmental review. It is also possible that the program could be delayed by opposing lawsuits that were filed on February 12, 2024 by the American Petroleum Institute and by Earthjustice representing multiple environmental groups both of which are challenging BOEM's actions.

Despite these challenges, on April 1, 2024, BOEM announced the availability of the Area Identification for proposed Gulf of America lease sales 262, 263 and 264 pursuant to the 2024-2029 Five-Year Leasing Program. On December 13, 2024, BOEM published its Draft Programmatic Environmental Impact Statement for proposed U. S. Gulf of America lease sales 262, 263 and 264. Lease Sale 262 is tentatively scheduled for 2025. The Trump Administration, however, may seek to take additional action to revise the Five-Year Leasing Program, though the substance and timing of such action cannot be predicted. Any Future future actions taken by the Biden Administration to limit the availability of new oil and gas leases on the OCS would adversely impact the offshore oil and gas industry and impact demand for our products. Over the past decade, BSEE and BOEM, primarily under the Obama and Biden Administration Administrations, have imposed new and more stringent permitting procedures and regulatory safety and performance requirements for new wells to be drilled in federal waters. While actions by BSEE or BOEM under the Trump Administration sought to mitigate or delay certain of those more rigorous standards, the Biden Administration could reconsider rules and regulatory initiatives implemented under the previous administration and replace them with more stringent requirements and also provide more rigorous enforcement of existing regulatory requirements. For example, in August 2023, BSEE published a final rule, effective October 23, 2023, to clarify and modify certain blowout preventer system requirements. The rule requires, among other things, that the blowout preventer system is able to close and seal the wellbore at all times to the wells- well's maximum kick tolerance design limits and includes more stringent requirements for failure reporting. The Trump Administration has expressed its intent to reduce regulatory burdens related to permitting of fossil fuel projects, though we cannot predict what actions the administration may take with respect to these regulations, if any, and the timing with respect to the same.

Compliance with any added or more stringent regulatory requirements or enforcement initiatives and existing environmental and spill regulations, together with uncertainties or inconsistencies in decisions and rulings by governmental agencies and delays in the processing and approval of drilling permits and exploration, development, oil spill response and decommissioning plans could result in difficult and more costly actions and adversely affect or delay new drilling and ongoing development efforts. Moreover, governmental agencies under the Biden Administration may continue evaluating aspects of safety and operational performance in the U. S. Gulf of Mexico that may result in new, more restrictive requirements. These regulatory **Regulatory** actions, or any new laws, executive orders, regulations, **judicial proceedings** or other legal or enforcement initiatives, that impose increased **restrictions**, costs or more stringent operational standards could delay or disrupt **our ability to obtain permits and governmental approvals, delay or restrict** our operations, result in increased supplemental bonding and associated costs, and limit activities in certain areas, or cause us to incur penalties, fines, or shut-in production at one or more of our facilities or result in suspension or cancellation of leases. Also, if material spill incidents were to occur in the future, the United States or other countries where such an event may occur could elect to issue directives to temporarily cease drilling activities and, in any event, may from time to time issue further safety and environmental laws and regulations regarding offshore oil and natural gas exploration and development, any of which could have a material adverse effect on our business. We cannot predict with any certainty the full impact of any new laws, **legal proceedings** or regulations on our drilling and production operations or on the cost or availability of insurance to cover some or all of the risks associated with such operations. **See Part I, Items 1 and 2. Business and Properties — Government Regulation — Outer Continental Shelf (“ OCS ”) Regulation for more discussion on orders and regulatory initiatives impacting the oil and natural gas industry on the OCS.**

Our oil and gas operations are subject to various international, foreign and U. S. federal, state and local governmental regulations that materially affect our operations. Our oil and gas operations are subject to various international, foreign and U. S. federal, state and local laws and regulations. These laws and regulations may be changed in response to economic or political conditions. Regulated matters include: permits for exploration, development and production operations; limitations on our drilling activities in environmentally sensitive areas, such as marine habitats, and restrictions on the way we can discharge materials and / or GHG emissions into the environment; bonds or other financial responsibility requirements to cover drilling contingencies, well P & A and other decommissioning costs; reports concerning operations, the spacing of wells and unitization and pooling of properties; regulations regarding the rate, terms and conditions of transportation service or the price, terms, and conditions related to the purchase and sale of oil and natural gas; and taxation. Failure to comply with these laws and regulations can result in the assessment of administrative, civil or criminal penalties, the issuance of remedial obligations and the imposition of injunctions limiting or prohibiting certain of our operations. In addition, because we hold federal leases, the federal government requires that we comply with numerous additional regulations applicable to government contractors. The SENER has promulgated guidelines to establish procedures for conducting the unitization of shared reservoirs and approving the terms and conditions of unitization and unit operating agreements, as well as the authority to direct parties holding rights in a potentially shared reservoir to appraise and potentially form a unit for development of such reservoir. If we are forced to shut-in production, we will likely incur greater costs to bring the associated production back online, and will be unable to predict the production levels of such wells once brought back

online. If we are forced to shut- in production, we will likely incur greater costs to bring the associated production back online. Cost increases necessary to bring the associated wells back online may be significant enough that such wells would become uneconomic at low commodity price levels, which may lead to decreases in our proved reserve estimates and potential impairments and associated charges to our earnings. If we are able to bring wells back online, there is no assurance that such wells will be as productive following recommencement as they were prior to being shut- in. **In addition, we may be forced to permanently discontinue development plans or production.** Any shut- in or curtailment of the oil, natural gas and NGLs produced from our fields could adversely affect our financial condition and results of operations. We may experience significant shut- ins and losses of production due to the effects of events outside of our control, including tropical storms, **winter storms** and hurricanes in the U. S. Gulf of Mexico-**America** and in the shallow waters off the coast of Mexico and epidemics, outbreaks or other public health events. Our production is primarily associated with our properties in **and along** the U. S. Gulf of **America** ~~Mexico and in the shallow waters off the coast of Mexico~~. Accordingly, if the level of production from these properties substantially declines, it could have a material adverse effect on our overall production level and our revenue. We are particularly vulnerable to significant risk from hurricanes, tropical storms, loop currents, **winter storms** and other adverse weather conditions in the U. S. Gulf of Mexico-**America**. **In addition, the unavailability of infrastructure may impact our ability to continue production.** We are unable to predict what impact future incidents might have on our future results of operations and production. Epidemics, pandemics, outbreaks or other public health events that are outside of our control could significantly disrupt our operations and adversely affect our financial condition. The global or national outbreak of an illness or other communicable disease, or any other public health crisis, ~~such as COVID-19~~, may cause disruptions to our business and operational plans, which may include (i) shortages of employees, (ii) unavailability of contractors or subcontractors, (iii) interruption of supplies from third parties upon which we rely, (iv) recommendations of, or restrictions imposed by government and health authorities, including quarantines, to address an outbreak and (v) restrictions that we and our contractors, subcontractors and our customers impose, including facility shutdowns, to ensure the safety of employees. We are not insured against all of the operating risks to which our business is exposed. In accordance with industry practice, we maintain insurance against some, but not all, of the operating risks to which our business is exposed. We insure some, but not all, of our properties from operational loss- related events. We have insurance policies that include coverage for general liability, physical damage to our oil and gas properties, operational control of well, named U. S. Gulf of Mexico-**America** windstorm, oil pollution, construction risk, workers' compensation and employers' liability and other coverage. Our insurance coverage includes deductibles that have to be met prior to recovery, as well as sub- limits or self- insurance. Additionally, our insurance is subject to exclusions and limitations, and there is no assurance that such coverage will adequately protect us against liability from all potential consequences, damages or losses. See Part I, Items 1 and 2. Business and Properties – Insurance Matters for more information on our insurance coverage. An operational or hurricane or other adverse weather- related event may cause damage or liability in excess of our coverage that might severely impact our financial position. We may be liable for damages from an event relating to a project in which we own a non- operating working interest. Such events may also cause a significant interruption to our business, which might also severely impact our financial position. We may experience production interruptions for which we do not have production interruption insurance. We reevaluate the purchase of insurance, policy limits and terms annually. Future insurance coverage for our industry could increase in cost and may include higher deductibles or retentions. In addition, some forms of insurance may become unavailable in the future or unavailable on terms that we believe are economically acceptable. **For example, as a result of ongoing litigation between the U. S. Coast Guard and several insurance providers, a number of insurers providing insurance related to the OPA regulations have left the insurance market, which has materially reduced the availability of OPA insurance. While we currently meet the qualifications to self- insure our OPA financial responsibility, if we are unable in future years to fully self- insure our required OPA coverage, we may not be able to obtain adequate OPA insurance required to comply with OPA.** No assurance can be given that we will be able to maintain insurance in the future at rates that we consider reasonable, and we may elect to maintain minimal or no insurance coverage. **We Further, we** may not be able to secure additional insurance or bonding that might be required by new governmental regulations. This may cause us to restrict our operations in the U. S. Gulf of Mexico-**America**, which might severely impact our financial position. The occurrence of a significant event, not fully insured against, could ~~have a material~~ **materially and adversely affect** our financial condition, **cash flows, business properties, liquidity** and results of operations. Our actual production could differ materially from our forecasts. From time to time, we may provide forecasts of expected quantities of future oil and gas production. These forecasts are based on a number of estimates, including expectations of production from existing wells. In addition, our forecasts may assume that none of the risks associated with our oil and natural gas operations summarized in this section would occur, such as facility or equipment malfunctions, adverse weather effects, adverse resolutions to disputes relating to operatorships or significant declines in commodity prices or material increases in costs, which could make certain production uneconomical. ~~Our~~ **We conduct exploration, development and production** operations are subject to **primarily on the deep Shelf and in the Deepwater of the Gulf of America, which present** numerous risks ~~of oil and natural gas drilling and production activities~~. Oil and gas drilling and production activities are subject to numerous risks, including the risk that no commercially productive oil or natural gas reserves are found. The cost of drilling and completing wells is often uncertain. **Moreover, To the extent we drill drilling additional** wells in the U. S. Gulf of Mexico-**America** Deepwater and / or in the Gulf Coast deep shelf **Shelf require**, our drilling activities increase **increased** capital ~~cost~~ **costs**. ~~In addition, the~~ **due to various conditions such as** geological complexity of, **additional depths, high temperatures and pressure and adverse weather in** the areas in which we have oil and natural gas operations ~~make it more difficult for us to sustain the historical rates of drilling success~~. Oil and natural gas drilling and production activities may be shortened, delayed or cancelled as a result of a variety of factors, many of which are beyond our control. These factors include: • hurricanes and other adverse weather conditions; • shortages in experienced labor; and • shortages or delays in the delivery of

equipment. The prevailing prices of oil and natural gas also affect the cost of and the demand for drilling rigs, production equipment and related services. We cannot assure you that the wells we drill will be productive or that we will recover all or any portion of our investment. Drilling for oil and natural gas may be unprofitable. Drilling activities can result in dry holes and wells that are productive but do not produce sufficient cash flows to recoup drilling costs. In addition, an oil spill on or related to our properties and operations could expose us to joint and several strict liability, without regard to fault, under applicable law for containment and oil removal costs and a variety of public and private damages, including, but not limited to, the costs of responding to a release of oil, natural resource damages and economic damages suffered by persons adversely affected by an oil spill. If an oil discharge or substantial threat of discharge were to occur, we could be liable for costs and damages, which costs and damages could be material to our results of operations and financial position. We have an interest in Deepwater fields and may attempt to pursue additional operational activity in the future and acquire additional fields and leases in the Deepwaters of the U. S. Gulf of Mexico-America. Exploration for oil or natural gas in the Deepwaters of the U. S. Gulf of Mexico-America generally involves greater operational and financial risks than exploration in the shallower waters of the U. S. Gulf of Mexico-America conventional shelf. Deepwater drilling generally requires more time and more advanced drilling technologies, involving a higher risk of technological failure and usually higher drilling costs. For example, the drilling of Deepwater wells requires specific types of drilling rigs with significantly higher day rates and limited availability as compared to the rigs used in shallower water. Deepwater wells often use subsea completion techniques with subsea trees tied back to host production facilities with flow lines. The installation of these subsea trees and flow lines requires substantial time and the use of advanced remote installation mechanics. These operations may encounter mechanical difficulties and equipment failures that could result in cost overruns. Furthermore, the Deepwater operations generally lack the physical and oilfield service infrastructure present in the shallower waters of the U. S. Gulf of Mexico-America conventional shelf. As a result, a considerable amount of time may elapse between a Deepwater discovery and the marketing of the associated oil or natural gas, increasing both the financial and operational risk involved with these operations. Because of the lack and high cost of infrastructure, some reserve discoveries in the Deepwater may never be produced economically. If any of these industry operating risks occur, we could have substantial losses. Substantial losses may be caused by injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties, suspension of operations and production and repairs to resume operations. Any of these industry operating risks could have a material adverse effect on our business, results of operations and financial condition. Competition within our industry may adversely affect our operations. Many of our competitors are larger and have more available financial resources. The oil and gas industry is highly competitive, and many companies in our industry are larger and have substantially greater financial resources than we do. We compete with these companies for oil and natural gas leases and other properties; equipment and personnel; and marketing our product to end-users. Such competition can significantly increase costs and the availability of resources available to us, which could provide larger companies a competitive advantage. Larger competitors may also be able to more easily attract and retain experienced personnel. In addition, larger competitors may be better able to respond and adapt to adverse economic and industry conditions, including price fluctuations, reduced oil and gas demand, political changes and current and future governmental regulations and taxation. Competitors may be able to evaluate, bid for and purchase a greater number of properties and prospects than our financial or personnel resources permit. Competitors may also be able to outbid us for acquisitions, productive oil and gas properties and exploratory prospects. Further, our competitors may be able to expend greater resources on the existing and changing technologies to gain competitive advantages. If we are unable to compete successfully in the future, our future revenues and growth may be diminished or restricted. The loss of our larger customers could materially reduce our revenue and materially adversely affect our business, financial condition and results of operations. We have a limited number of customers that provide a substantial portion of our revenue. The loss of our larger customers, including such as Shell Trading (US) Company and Valero Energy Exxon Mobil Corporation, could adversely affect our current and future revenue, and could have a material adverse effect on our business, financial condition and results of operations. See Part IV, Item 15. Exhibits and Financial Statement Schedules — Note 2 — Summary of Significant Accounting Policies for additional information. The loss of key personnel could adversely affect our ability to operate. Our industry has lost a significant number of experienced professionals over the years due to its cyclical nature, which is attributable, among other reasons, to the volatility in commodity prices. Our operations are dependent upon key management and technical personnel. We cannot assure you that individuals will remain with us for the immediate or foreseeable future. The unexpected loss of the services of one or more of these individuals could have an adverse effect on us and our operations. In addition, our exploration, production and decommissioning activities require personnel with specialized skills and experience. As a result, our ability to remain productive and profitable depends upon our ability to employ and retain skilled workers. Our ability to expand operations depends in part on our ability to increase the size of our skilled labor force, including geologists and geophysicists, field operations managers and engineers, to handle all aspects of our exploration, production and decommissioning activities. The demand for skilled workers in our industry is high, and the supply is limited. A significant increase in the wages paid by competing employers or the unionization of our U. S. Gulf of Mexico-America employees could result in a reduction of our labor force, increases in the wage rates that we will have to pay, or both. If either of these events were to occur, our capacity and profitability could be diminished and our growth potential could be impaired. **We have entered into certain agreements which contain minimum volume commitments. Any failure by us to satisfy these commitments could lead to contractual penalties that could adversely affect our results of operations and financial position. From time to time, we have entered into, and may in the future enter into, agreements or similar commercial arrangements, some of which expose the Company to significant economic loss, such as transportation contracts with minimum volume commitments that we may be unable to satisfy due to reductions in our drilling activity resulting in insufficient production. As of December 31, 2024, our total future minimum transportation fees totaled approximately \$ 36.9 million through 2030. If we have insufficient production to meet the minimum volume**

commitments under any of these agreements, our cash flow from operations will be reduced, which may require us to reduce or delay our planned investments and capital expenditures or seek alternative means of financing, all of which may have a material adverse effect on our results of operations and financial position. Further information about these commitments can be found under Part IV, Item 15. Exhibits and Financial Statement Schedules — Note 15 —

Commitments and Contingencies. We have operations in multiple jurisdictions, including jurisdictions in which the tax laws, their interpretation or their administration may change. As a result, our tax obligations and related filings are complex and subject to change, and our after- tax profitability could be lower than anticipated. Additionally, future tax legislative or regulatory changes in the United States, Mexico or any other jurisdiction in which we operate or have subsidiaries could result in changes to the taxation of our income and operations, which could also adversely impact our after- tax profitability. We are subject to income, withholding and other taxes in the United States on a worldwide basis and in numerous state, local and foreign jurisdictions with respect to our income, operations and subsidiaries in those jurisdictions. Our after- tax profitability could be affected by numerous factors, including the availability of tax credits, exemptions, refunds (including refunds of value added taxes) and other benefits to reduce our tax liabilities, changes in the relative amount of our earnings subject to tax in the various jurisdictions in which we operate or have subsidiaries, the potential expansion of our business into or otherwise becoming subject to tax in additional jurisdictions, changes to our existing business structure and operations, the extent of our intercompany transactions and the extent to which taxing authorities in the relevant jurisdictions respect those intercompany transactions. Our after- tax profitability may also be affected by changes in the relevant tax laws and tax rates, regulations, administrative practices and principles, judicial decisions, and interpretations, in each case, possibly with retroactive effect. From time to time, federal and state level legislation in the United States has been proposed that would, if enacted into law, make significant changes to 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 proposed 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 us). U. S. states in which we operate or own assets may also impose new or increased taxes or fees on oil and natural gas extraction. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes could take effect. Additionally, the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the “Multilateral Instrument”) has entered into force among the jurisdictions that have ratified it, although the United States has not yet become a signatory to the Multilateral Instrument. **Further, the Organisation for Economic Co- Operation and Development, an international association of 38 countries that includes the United States, has adopted a set of international tax model rules known as the “Pillar Two” framework, a central component of which is the imposition of a global minimum corporate tax rate of 15 % to multinational enterprises that have consolidated group revenues above a specified threshold. While we are still assessing the potential impacts of the Pillar Two rules to our business and our subsidiaries, any incremental taxes attributable to Pillar Two could be significant and could adversely impact our after- tax profitability.** Such proposed legislative changes ~~and, the ratification of the Multilateral Instrument in the jurisdictions in which we operate~~ **and any incremental taxes attributable to Pillar Two** could result in further changes to our global taxation. ~~Additionally, Mexico has enacted tax reform legislation, and a majority of the provisions became effective on January 1, 2020. These tax reforms provided for new and complex provisions that significantly change how Mexico tax entities and operations and are subject to further legislative change and administrative guidance and interpretation, which may differ from our interpretation.~~ Future tax legislative or regulatory changes in the United States, Mexico or in any other jurisdictions in which we operate ~~or have subsidiaries~~ **now or in the future could also adversely impact our after- tax profitability.** **Our future tax liabilities may be greater than expected if our net operating loss (“NOL”) and interest expense carryforwards are limited. As of December 31, 2024, we had approximately \$ 108. 7 million of tax- affected U. S. federal NOL carryforwards and \$ 12. 4 million of tax- affected state NOL carryforwards. Some of the U. S. federal NOL carryforwards expire in 2036 while others have no expiration date. The state NOL carryforwards have no expiration date. As of December 31, 2024, we also had approximately \$ 75. 0 million of tax- affected U. S. federal and state interest expense carryforwards. Utilization of these NOL and interest expense carryforwards depends on many factors, including our future income, which cannot be assured. In addition, Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”), generally imposes an annual limitation on the amount of NOL and interest expense carryforwards that may be used to offset taxable income when a corporation has undergone an “ownership change” (as determined under Section 382 of the Code). An ownership change generally occurs if one or more stockholders (or groups of stockholders) who are each deemed to own at least 5 % of such corporation’s stock change their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three- year period. All of our U. S. federal NOL carryforwards and certain of our interest expense carryforwards are currently subject to limitation under Section 382 of the Code. In the event that we were to undergo an ownership change in the future, utilization of our NOL and interest expense carryforwards would be subject to limitation under Section 382 of the Code. Any unused annual limitation generally may be carried over to later years until they expire. Limitations similar to those applicable under Section 382 of the Code apply for U. S. state income tax purposes. Any limitation on our ability to utilize our NOL and interest expense carryforwards against income or gain we generate in the future could increase our future tax liabilities and adversely affect our operating results and cash flows.** Our Mexican operations are subject to certain offshore regulatory and environmental laws and regulations promulgated by Mexico. Our oil and gas operations in shallow waters off the coast of Mexico’s Tabasco state are subject to regulation by the SENER, the CNH and other Mexican regulatory bodies. The laws and

regulations governing activities in the Mexican energy sector have undergone significant reformation over the past decade, and the legal regulatory framework continues to evolve as SENER, the CNH and other Mexican regulatory bodies issue new regulations and guidance. Such regulations are subject to change, and it is possible that SENER, the CNH or other Mexican regulatory bodies may impose new or revised requirements that could increase our operating costs and / or capital expenditures for operations in Mexican offshore waters. **In addition, our operations in Mexico are subject to regulations promulgated by ASEA, governing the protection of health, safety and the environment. Permit holders under ASEA must comply with requirements relating to insurance, facility construction and design, law compliance, and risk analysis scenarios.** See Part I, Items 1 and 2. Business and Properties — Government Regulation — Regulation in Shallow Waters Off the Coast of Mexico and Part I, Items 1 and 2. Business and Properties — Government Regulation — Hydrocarbon Export Regulation in Mexico for additional disclosure relating to the legal requirements imposed by SENER, CNH, **ASEA** or other Mexican regulatory bodies to which we may be subject in the pursuit of our operations **conducted through**. ~~In addition, our equity method investment. Additionally, we~~ **oil and gas operations in shallow waters off the coast of Mexico's Tabasco state are subject a signatory** to regulation by the ASEA. The laws and regulations governing the protection of health, safety and the environment from activities in the Mexican energy sector are also relatively new, having been significantly reformed in 2013 and 2014, and the legal regulatory framework continues to evolve as ASEA and other Mexican regulatory bodies issue new regulations and guidance. Such regulations are subject to change, and it is possible that ASEA or other Mexican regulatory bodies may impose new or revised requirements that could increase our operating costs and / or capital expenditures for operations in Mexican offshore waters. See Part I, Items 1 and 2. Business and Properties — Environmental and Occupational Safety and Health Regulations — Environmental Regulation in Shallow Waters Off the Coast of Mexico for additional disclosure relating to the legal requirements imposed by ASEA or other Mexican regulatory bodies to which we may be subject in the pursuit of our operations. ~~The permit holders must comply with requirements relating to insurance, facility construction and design, law compliance, and risk analysis scenarios. Under the Block 7 PSC, making us~~ **we are also jointly and severally liable for the performance of all obligations under the PSC, including exploration, appraisal, extraction and abandonment activities and compliance with all environmental regulations**, ~~and failure~~ **Failure** to perform such obligations could result in contractual rescission of the PSC. Three-dimensional seismic interpretation does not guarantee that hydrocarbons are present or if present, produce in economic quantities. We rely on 3D seismic studies to assist us with assessing prospective drilling opportunities on our properties, as well as on properties that we may acquire. Such seismic studies are merely an interpretive tool and do not necessarily guarantee that hydrocarbons are present or, if present, produce in economic quantities, and seismic indications of hydrocarbon saturation are generally not reliable indicators of productive reservoir rock. These limitations of 3D seismic data may impact our drilling and operational results, and consequently our financial condition. We ~~are subject~~ **may be exposed to liabilities under** the U. S. Foreign Corrupt Practices Act **and may be exposed to liabilities thereunder**. We are subject to the U. S. Foreign Corrupt Practices Act (the "FCPA") and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties for the purpose of obtaining or retaining business. We may do business in the future in countries and regions in which we may face, directly or indirectly, corrupt demands by officials, tribal or insurgent organizations or private entities. Thus, we face the risk of unauthorized payments or offers of payments by one of our employees or consultants, given that these parties may not always be subject to our control. Our existing safeguards and any future improvements may prove to be less than effective, and our employees and consultants may engage in conduct for which we might be held responsible. Under the Block 7 PSC with the CNH, **to which** we work as a consortium with our partners. **subsidiary of Talos Mexico is a party, violations** of the FCPA, by any consortium partner **signatory to the PSC**, may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the CNH has the authority to rescind the PSC if these violations occur. Our operations are subject to various risks arising out of the threat of climate change that could result in increased operating costs, limit the areas in which oil and natural gas production may occur and reduce demand for the crude oil and natural gas that we produce. Climate change continues to attract considerable public, political and scientific attention both domestically and abroad. For example, the IRA 2022 contains significant financial incentives for the development of renewable energy, alternative fuels, supporting infrastructure and carbon capture and sequestration and imposes the first ever federal fee on the emission of greenhouse gases through a methane emissions charge generated from sources in the **offshore and onshore** petroleum and natural gas production categories. ~~Beginning in~~ **However, on January 20, 2024 2025, President Trump issued an Executive Order which paused distribution of federal funds appropriated through the IRA 2022. The pause was aimed at providing time to review the processes, policies and issuance of various grants, loans, contracts or financial disbursements of appropriated funds. However, on January 29, 2025, the Office of Management and Budget rescinded the freezing of federal grants and loans, although not its efforts to review the processes with respect to federal spending. At this time, the potential impact of these various actions remains uncertain. The IRA 2022 also imposes a methane emissions charge** ~~is on~~ **waste emissions of methane from certain oil and gas facilities. In November 2024, the EPA issued a final rule to implement the waste emissions charge. Pursuant to the IRA 2022 and the EPA's implementing regulation, the charge, which applies to reported emissions that exceed statutorily specified waste emissions thresholds set by Congress, was** set at \$ 900 per ton of methane in 2024, and ~~is expected to increase~~ **increasing** to \$ 1, 200 in 2025, and \$ 1, 500 in 2026 and each year after. **The Congress and the Trump Administration may take action to amend, rescind or otherwise modify the IRA 2022 and the implementing regulations, respectively, though the impact or timing of** Such such action **cannot be predicted. However, such** additional fees could significantly impact our operating costs. Further, the incentives offered for various clean energy industries could further accelerate the transition of the economy away from the use of fossil fuels towards lower- or zero- carbon emissions alternatives. These **policy, legislative and** regulatory changes could ultimately decrease demand for crude oil and natural gas, increase our compliance and operating costs and consequently adversely affect

our business. Numerous other executive actions and legislative and regulatory initiatives have been enacted or may be anticipated **at the federal, state or local level**, such as cap- and- trade programs, carbon taxes, GHG emissions reporting and tracking programs and regulations that directly limit GHG emissions from certain sources. Further, regulations or legal actions are likely at the state, regional or international levels of government to monitor and limit existing GHG emissions as well as to restrict or eliminate such future emissions. Additionally, the threat of climate change has resulted in increasing political, litigation and financial risks associated with the production of fossil fuels and GHG emissions. See Part I, Items 1 and 2.

Business and Properties — Environmental and Occupational Safety and Health Regulations — Climate Change for additional disclosure relating to risks arising out of the threat of climate change. The adoption of legislation or regulatory programs to reduce or eliminate future GHG emissions could require us to incur significant operating costs, such as costs to purchase and operate emissions control systems, to acquire emissions allowances or comply with new regulatory or reporting requirements. Any such legislation or regulatory programs could also increase the cost of consuming, and thereby reduce demand for, the oil and natural gas we produce. Consequently, legislation and regulatory programs to reduce or eliminate future GHG emissions could have an adverse effect on our business, financial condition and results of operations. Also, political, financial and litigation risks may result in our restricting or canceling production activities or impairing the ability to continue to operate in an economic manner. Further, if any such effects of climate changes were to occur, they could have an adverse effect on our financial condition and results of operations. ~~Increasing~~ **Any increased** attention to environmental, social and governance matters may impact our business. **In recent years, there has been** ~~Increasing~~ **increasing** attention to climate change and societal expectations on companies to address climate change and substitute energy sources for fossil fuels, **which** may result in increased costs, reduced demand for our products and our services and the products and services of our customers, reduced profits, increased compliance measures, investigations and litigation, and negative impacts on our stock price and access to capital markets. Moreover, while we endeavor to publish transparent sustainability reports, the voluntary disclosures therein are sometimes based on assumptions and calculations **or hypothetical scenarios** that may or may not be representative of actual or forecasted risks or events, including the costs associated therewith. Such assumptions and calculations **or hypothetical scenarios** are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of an established ~~single~~ approach to identifying, measuring and reporting on many environmental, social and governance (“ ESG ”) matters. The Board’ s SSCR Committee is the primary committee responsible for overseeing and managing our ESG initiatives. Our Director of **ESG-Environmental and Sustainability** is responsible for driving our sustainability initiatives, engaging with stakeholders, benchmarking our ESG data, and evaluating potential and emerging ESG drivers. We note, however, that our governance structure may not be able to adequately identify or manage ESG- related risks and opportunities, which may include failing to achieve our GHG emissions targets or other ESG- related aspirational goals, including but not limited to as a result of unforeseen costs or technical difficulties associated with achieving such goals. Moreover, given the evolving nature of GHG emissions accounting methodologies and climate science, it is possible that factors outside of our control could give rise to the need to restate or revise our emissions intensity reduction goals, cause us to miss them altogether, or limit the impact of success of achieving our goals. Additionally, to the extent we meet such targets, they may be achieved through various contractual arrangements, including the purchase of various credits or offsets that may be deemed to mitigate our ESG impact instead of actual changes in our ESG performance. However, we cannot guarantee that there will be sufficient offsets available for purchase given the increased demand from numerous businesses implementing net zero goals, or that the offsets we do purchase will successfully achieve the emissions reductions they represent. In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. We and other companies in our industry publish sustainability reports that are made available to investors. Such ratings and reports are used by some investors to inform their investment and voting decisions. **While such ratings do not impact all investors’ investment or voting decisions,** ~~Unfavorable~~ **unfavorable** ESG ratings may lead to increased negative investor sentiment toward us and to the diversion of investment to other industries which could have a negative impact on our stock price and / or our access to and costs of capital. Additionally, certain institutional lenders may decide not to provide funding to us based on ESG concerns, which could adversely affect our financial condition and access to capital for potential growth projects. To the extent ESG matters negatively impact our reputation, we may also be unable to compete as effectively to recruit or retain employees, which may adversely affect our operations. Furthermore, public statements with respect to ESG **- related** matters, such as emissions reduction goals, other environmental targets, or other commitments addressing certain social issues, are becoming increasingly subject to heightened scrutiny from public and governmental authorities related to the risk of potential “ greenwashing, ” (i. e., misleading information or false claims overstating potential ESG benefits). For example, ~~in March 2021,~~ the SEC **has recently taken** established the Climate and ESG Task Force in the Division of Enforcement **enforcement action against companies for to identify and address potential** ESG- related misconduct, including **alleged** greenwashing. Certain **regulators, such as the SEC and various state agencies, as well as** non- governmental organizations and other private actors have also filed lawsuits under various securities and consumer protection laws alleging that certain ESG **- related** statements, emission reduction claims, approaches to accounting for GHG emissions reductions, or other ESG- related goals or standards were misleading, false, or otherwise deceptive . **Certain employment practices and inclusion initiatives are the subject of scrutiny by both those calling for the continued advancement of such policies, as well as those who believe they should be curbed, including government actors, and the complex regulatory and legal frameworks applicable to such initiatives continue to evolve. More recent political developments could mean that the Company faces increasing criticism or litigation risks from certain “ anti- ESG ” parties, including various governmental agencies. Such sentiment may focus on the Company’ s environmental commitments (such as reducing GHG emissions) or its pursuit of certain employment practices or social initiatives that are alleged to be political or polarizing in nature or are alleged to violate laws based, in part, on changing priorities of, or**

interpretations by, federal agencies or state governments. The complex regulatory and legal frameworks applicable to such initiatives continue to evolve. Consideration of ESG- related factors in the Company’ s decision- making could be subject to increasing scrutiny and objection from such anti- ESG parties. As a result, we may face increased litigation risk from private parties and governmental authorities related to our ESG efforts. In addition, any alleged claims of greenwashing against us or others in our industry may lead to further negative sentiment and diversion of investments. Additionally, we could face increasing costs as we attempt to comply with and navigate further regulatory ESG- related focus and scrutiny. A change in the jurisdictional characterization of our FERC- jurisdictional pipelines, tribal or local regulatory agencies or a change in policy by those agencies may result in increased regulation of such asset, which may cause our revenues to decline and operating expenses to increase or delay or increase the cost of expansion projects. One of our subsidiaries owns an oil pipeline that extends from South Pass Block 89 in federal waters, offshore Louisiana, to the West Delta Receiving Station in Venice, Louisiana. This subsidiary has previously been granted a waiver of certain portions of the ICA and related regulations by the FERC. However, if the pipeline’ s circumstances change, the FERC could, either at the request of other entities or on its own initiative, assert that such pipeline no longer qualifies for a waiver. In the event that the FERC determines the pipeline no longer qualified for a waiver, we would likely be required to file a tariff with the FERC, provide a cost justification for the transportation charge and provide service to all potential shippers without undue discrimination. Such a change in the jurisdictional status of transportation on this pipeline could adversely affect our results of operations. Please also see Part I, Items 1 and 2 Business and Properties — Environmental and Occupational Safety and Health Regulations — Federal Regulation of Sales and Transportation of Crude Oil for more information. We are upgrading our accounting system to a more recent version and, if this upgraded version proves ineffective or we experience difficulties with the migration, we may be unable to timely or accurately prepare financial reports. We are in the process of upgrading our accounting systems. Any problems or delays associated with the implementation of our accounting platform or the failure to complete such implementation on a timely basis could adversely affect our ability to report financial information as our company grows, including the filing of our quarterly or annual reports with the SEC on a timely and accurate basis. After converting from prior systems and processes, we may discover data integrity problems or other issues that, if not corrected, could impact our business or financial results.

Changes in U. S. trade policy, including the imposition of tariffs and the resulting consequences, could adversely affect our business, prospects, financial condition and operating results. There is currently significant uncertainty about the future relationship between the United States and various other countries, including changes that may be implemented by the Trump Administration with respect to trade policies, treaties, tariffs, taxes, and other limitations on cross- border operations. For example, on February 1, 2025, the Trump Administration imposed a 25 % tariff on imports from Mexico and Canada into the United States. Although the imposition of such tariffs has been delayed as of the time of this filing, such tariffs and, if enacted, any further legislation or actions taken by the U. S. federal government that restrict trade, such as additional tariffs, trade barriers, and other protectionist or retaliatory measures taken could increase the cost of our products and the components and raw materials that go into making them. Changes in tariffs, trade barriers, price and exchange controls and other regulatory requirements between Mexico and Canada, on one hand, and the U. S., on the other hand could have an adverse effect on our business, prospects, financial condition and operating results, the extent of which cannot be predicted with certainty at this time. We previously identified material weaknesses in our internal control over financial reporting that could have, had they not been remediated, resulted in material misstatements in our financial statements and caused us to fail to meet our reporting and financial obligations. A material weakness (as defined in Rule 12b- 2 under the Exchange Act) is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company’ s annual or interim financial statements will not be prevented or detected on a timely basis. In September 2024, the Company received a notification from a third party suggesting that a mid- level employee (the “ subject employee ”) was engaged in inappropriate procurement practices. In response, the Audit Committee of the Company’ s Board of Directors (the “ Audit Committee ”) conducted a review of such alleged practices by engaging independent external legal counsel to assist in reviewing the matter and determining the extent of such activities. Such review with external legal counsel did not identify nor implicate other current or former employees and the subject employee was separated from the Company. The Audit Committee also did not identify any related material errors in the Company’ s historical financial statements. However, in the course of its review, the Company identified two material weaknesses. The first material weakness identified was due to our inability to rely on the review control performed by the subject employee with respect to the estimated decommissioning costs incorporated into the asset retirement obligations recognized in our consolidated financial statements. As such, we could not rely on the subject employee’ s judgment in the operation of the review control, which is performed upon acquisition of oil and gas assets subject to the asset retirement obligation and when costs are incurred and reassessed. Although the review of such costs was a task unrelated to the reported conduct subject to our review, we nevertheless determined that the concerns raised regarding the subject employee’ s reliability made it inappropriate to have relied on such subject employee’ s judgment in the review function. The second material weakness identified was due to inappropriate segregation of duties without designing and maintaining effective monitoring controls over the timely review of expenditures associated with asset retirement obligation spending, capital expenditures and lease operating expenses. As more fully disclosed under Part II, Item 9A. Controls and Procedures of this Annual Report, our management, with the participation of our interim principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2024. Based on that evaluation, our interim CEO and Chief Financial Officer (“ CFO ”) concluded that our disclosure controls and procedures were effective as of December 31, 2024. Additionally, our management concluded that its internal control over financial reporting was effective as of December 31, 2024.

Management, under the oversight of our Audit Committee, took steps to fully remediate the material weaknesses as described more fully in Part II, Item 9A. Controls and Procedures of this Annual Report. We can give no assurance that additional material weaknesses will not arise in the future. The development of any new material weaknesses in our internal control over financial reporting could result in material misstatements in our consolidated financial statements and cause us to fail to meet our reporting and financial obligations, which in turn could have a negative impact on our financial condition, results of operations or cash flows, restrict our ability to access the capital markets, require significant resources to correct the material weaknesses or deficiencies, subject us to fines, penalties or judgments, harm our reputation or otherwise cause a decline in both investor confidence and the market price of our stock.

Risks Related to our Capital Structure and Ownership of our Common Stock Our debt level and the covenants in our current or future agreements governing our debt, including our Bank Credit Facility, and the indentures governing our New Senior Notes, could negatively impact our financial condition, results of operations and business prospects. Our failure to comply with these covenants could result in the acceleration of our outstanding indebtedness. The terms of the agreements governing our debt impose significant restrictions on our ability to take a number of actions that we may otherwise desire to take, including: • incurring additional debt; • paying dividends on stock, redeeming stock or redeeming subordinated debt; • making investments; • creating liens on our assets; • selling assets; • guaranteeing other indebtedness; • entering into agreements that restrict dividends from our subsidiaries to us; • merging, consolidating or transferring all or substantially all of our assets; • hedging future production; and • entering into transactions with affiliates. Our level of indebtedness, and the covenants contained in the agreements governing our debt, including the Bank Credit Facility, the indentures for each of Talos Production Inc.'s (the "Issuer") 9.000 % Second- Priority Senior Secured Notes due 2029 (the "9.000 % Notes") and 9.375 % Second- Priority Senior Secured Notes due 2031 (the "9.375 % Notes," and together, with the 9.000 % Notes, our "New Senior Notes"), have important consequences on our operations, including: • requiring that we dedicate a substantial portion of our cash flow from operating activities to required payments on debt, thereby reducing the availability of cash flow for working capital, capital expenditures, and other general business activities; • limiting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions and other general business activities; • limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; • detracting from our ability to successfully withstand a downturn in our business or the economy generally; • placing us at a competitive disadvantage against other less leveraged competitors; and • making us vulnerable to increases in interest rates because debt under our Bank Credit Facility is at variable rates. See Part **H-IV, Item 7-15. Exhibits Management's Discussion and Analysis of Financial Statement Schedules Condition and Results of Operations— Significant Developments Note 8**— Debt Offering for additional information on the issuance of the New Senior Notes. We may be required to repay all or a portion of our debt on an accelerated basis in certain circumstances. If we fail to comply with the covenants and other restrictions in the agreements governing our debt, it could lead to an event of default and the acceleration of repayment of outstanding debt. Our ability to comply with these covenants and other restrictions may be affected by events beyond our control, including prevailing economic and financial conditions. Sustained low oil and natural gas prices have a material and adverse effect on our liquidity position. Our cash flow is highly dependent on the prices we receive for oil and natural gas. We depend on our Bank Credit Facility for a portion of our future capital needs. We are required to comply with certain debt covenants and certain financial ratios under the Bank Credit Facility. Our borrowing base under the Bank Credit Facility, which is redetermined semi- annually, is based on an amount established by the lenders after their evaluation of our proved oil and natural gas reserve values. Such borrowing base determines the amount which is available under our Bank Credit Facility. **In addition, there is an availability cap in our Bank Credit Facility such that, if the aggregate exposure of all lenders under the Bank Credit Facility equals or exceeds a certain amount (which amount is currently below the borrowing base) at any time, the approval of lenders holding at least two- thirds of the aggregate commitments is required to make any additional loans or issuance of any additional letters of credit.** If, due to a redetermination of our borrowing base, our outstanding borrowings plus outstanding letters of credit exceed our redetermined borrowing base (referred to as a borrowing base deficiency), we could be required to repay such borrowing base deficiency. Our Bank Credit Facility allows us to cure a borrowing base deficiency through any combination of the following actions: (i) repay amounts outstanding sufficient to cure the borrowing base deficiency within 30 days after the existence of such deficiency; (ii) add additional oil and gas properties acceptable to the banks to the borrowing base and take such actions necessary to grant the banks a mortgage in such oil and gas properties within 30 days after the existence of such deficiency; (iii) pay the deficiency in four equal monthly installments with the first installment due within 30 days after the existence of such deficiency or (iv) any combination of the above. We are required to elect one of the foregoing options within 10 days after the existence of such deficiency. We may not have sufficient funds to make such repayments. If we do not repay our debt out of cash on hand, we could attempt to restructure or refinance such debt, reduce or delay investments and capital expenditures, sell assets, or repay such debt with the proceeds from an equity offering. We **may not** cannot assure you that we will be able to generate sufficient cash flows from operating activities to pay the interest on our debt or that future borrowings, equity financings or proceeds from the sale of assets are available to pay or refinance such debt. Any refinancing of indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict business operations. The terms of our debt, including our Bank Credit Facility and the respective indentures for our New Senior Notes, may also prohibit us from taking such actions. Factors that affect our ability to raise cash through offerings of our capital stock, a refinancing of our debt or a sale of assets include financial market conditions and our market value and operating performance at the time of such offerings, refinancing or sale of assets. We cannot assure you that any such offerings, restructuring, refinancing or sale of assets would be successfully completed. **The interests of the Slim Family and its affiliates may differ from the interests of our other stockholders. As of February 19, 2025, Control Empresarial, an entity controlled by the family of Carlos Slim Helú (collectively, the "Slim Family") beneficially owned and possessed voting power of approximately 24.2 % of our**

outstanding common stock. The Slim Family has significant influence over matters submitted to stockholders for approval, including changes in capital structure, transactions requiring stockholder approval under Delaware law, and corporate governance. The Slim Family may have different interests than other holders of our common stock and may make decisions adverse to your interests. Among other things, the Slim Family's concentration of voting power could influence a sale of our company. This concentration of voting power could discourage a potential investor from seeking to acquire our common stock and, as a result, might harm the market price of our common stock. On December 16, 2024, we entered into a cooperation agreement (" Cooperation Agreement ") with Control Empresarial. Pursuant to the Cooperation Agreement, Control Empresarial and its affiliates agreed they would not acquire, agree or seek to acquire or make any proposal or offer to acquire, or announce any intention to acquire, directly or indirectly, beneficially or otherwise, any voting securities of the Company (other than in connection with a stock split, stock dividend or similar corporate action initiated by the Company) that exceeds 25 % of the outstanding voting shares of the Company during the term of the Cooperation Agreement which expires on December 16, 2025. The Cooperation Agreement does not contain any other voting or other limitations.

A financial crisis may impact our business and financial condition and may adversely impact our ability to obtain funding under our Bank Credit Facility or in the capital markets. We use our cash flows from operating activities and borrowings under our Bank Credit Facility to fund our capital expenditures, and we rely on the capital markets and asset monetization transactions to provide us with additional capital for large or exceptional transactions. As such, we may not be able to access adequate funding under our Bank Credit Facility as a result of (i) a decrease in our borrowing base due to the outcome of a borrowing base redetermination or a breach or default under our Bank Credit Facility, including a breach of a financial covenant **or, (ii) the inability to obtain requisite lender approval for additional loans or letters of credit above the availability cap or (iii)** an unwillingness or inability on the part of our lending counterparties to meet their funding obligations. We may also face limitations on our ability to access the debt and equity capital markets and complete asset sales, increased counterparty credit risk on our derivatives contracts and requirements by our contractual counterparties to post collateral guaranteeing performance. Events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. Most recently, on May 1, 2023, First Republic was closed by the California Department of Financial Protection and Innovation (" DFPI "), which appointed the FDIC as receiver. The FDIC sold First Republic's deposits and most of its assets to JPMorgan Chase Bank, N. A. On March 10, 2023, Silicon Valley Bank (" SVB ") was closed by the DFPI, which appointed the FDIC as receiver. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership. Although a statement by the Department of the Treasury, the Fed and the FDIC indicated that all depositors of SVB would have access to all of their money after only one business day of closure, including funds held in uninsured deposit accounts, borrowers under credit agreements, letters of credit and certain other financial instruments with SVB, Signature Bank or any other financial institution that is placed into receivership by the FDIC may be unable to access undrawn amounts thereunder. Access to funding sources and other credit arrangements could be significantly impaired by factors that affect the financial services industry or economy in general. In addition, from time to time, we could be required to, or we or our affiliates may seek to, retire or purchase our outstanding debt through cash purchases and / or exchanges for equity or debt, open-market purchases, privately negotiated transactions or other transactions. Such debt repurchase or exchange transactions, if any, will be upon such terms and at such prices as we may determine and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material. Such transactions may give rise to taxable cancellation of indebtedness income (to the extent the fair market value of the property exchanged, or the amount of cash paid to acquire the outstanding debt, is less than the adjusted issue price of the outstanding debt) and adversely impact our ability to deduct interest expenses in respect of our debt against our taxable income in the future. This could result in a current or future tax liability, which could adversely affect our financial condition and cash flows. We require substantial capital expenditures to conduct our operations and replace our production, and we may be unable to obtain needed financing on satisfactory terms necessary to fund our planned capital expenditures. We spend a substantial amount of capital for the acquisition, exploration, exploitation, development, and production of oil and natural gas reserves. We fund our capital expenditures primarily through operating cash flows, cash on hand and borrowings under our Bank Credit Facility, if necessary. The actual amount and timing of our future capital expenditures may differ materially from our estimates as a result of, among other things, oil and natural gas prices, actual drilling results, the availability of drilling rigs and other services and equipment and regulatory, technological and competitive developments. A further reduction in commodity prices may result in a further decrease in our actual capital expenditures, which would negatively impact our ability to grow production. Our cash flow from operations and access to capital is subject to a number of variables, including: • our proved reserves; • the level of hydrocarbons we are able to produce from our wells; • the prices at which our production is sold; • our ability to acquire, locate and produce new reserves; and • our ability to borrow under our Bank Credit Facility. If low oil and natural gas prices, operating difficulties, declines in reserves or other factors, many of which are beyond our control, cause our revenues, cash flows from operating activities, and the borrowing base under our Bank Credit Facility to decrease, we may be limited in our ability to fund the capital necessary to complete our capital expenditure program. After utilizing our available sources of financing, we may be forced to raise additional debt or equity proceeds to fund such capital expenditures. We cannot be sure that additional debt or equity financing will be available, and we cannot be sure that cash flows provided by operations will be sufficient to meet these requirements. For example, the ability of oil and gas companies to access the equity and high yield debt markets has been, and continues to be, significantly limited. We are a holding company that has no material assets other than our ownership of the equity interests of Talos Production Inc. Accordingly, we are dependent upon distributions from Talos Production Inc. to pay taxes, cover our corporate and other overhead expenses and pay dividends, if any, on our common

stock. We are a holding company that has no material assets other than our ownership of the equity interests of Talos Production Inc. We have no independent means of generating revenue. To the extent Talos Production Inc. has available cash, we will cause Talos Production Inc. to make distributions of cash to us, directly and indirectly through our wholly owned subsidiaries, to pay taxes, cover our corporate and other overhead expenses and pay dividends, if any, on our common stock. As we have never declared or paid any cash dividends on our common stock, we anticipate that any available cash, other than the cash distributed to us to pay taxes and cover our corporate and other overhead expenses, will be retained by Talos Production Inc. to satisfy its operational and other cash needs. Accordingly, we do not anticipate paying any cash dividends on our common stock in the foreseeable future. Although we do not expect to pay dividends on our common stock, if our Board of Directors decides to do so in the future, our ability to do so may be limited to the extent Talos Production Inc. is limited in its ability to make distributions to us, including the significant restrictions the agreements governing Talos Production Inc.'s debt impose on the ability of Talos Production Inc. to make distributions and other payments to us. To the extent that we need funds and Talos Production Inc. is restricted from making such distributions under applicable law or regulation or under the terms of our financing agreements, or is otherwise unable to provide such funds, it could materially adversely affect our liquidity and financial condition. See Part IV, Item 15. Exhibits and Financial Statement Schedules — Note 8 — Debt — Limitation on Restricted Payments Including Dividends for additional information. Our estimates of future asset retirement obligations may vary significantly from period to period and unanticipated decommissioning costs could materially adversely affect our current and future financial position and results of operations. We are required to record a liability for the discounted present value of our asset retirement obligations to plug and abandon inactive, non-producing wells, to remove inactive or damaged platforms, facilities and equipment, and to restore the land or seabed at the end of oil and natural gas operations. These costs are typically considerably more expensive for offshore operations as compared to most land-based operations due to increased regulatory scrutiny and the logistical issues associated with working in waters of various depths. Estimating future restoration and removal costs in the U. S. Gulf of Mexico America is especially difficult because most of the removal obligations may be many years in the future, regulatory requirements are subject to change or more restrictive interpretation, and asset removal technologies are constantly evolving, which may result in additional or increased or decreased costs. As a result, we may significantly increase or decrease our estimated asset retirement obligations in future periods. For example, because we operate in the U. S. Gulf of Mexico America, platforms, facilities and equipment are subject to damage or destruction as a result of hurricanes and other adverse weather conditions. The estimated costs to plug and abandon a well or dismantle a platform can change dramatically if the host platform from which the work was anticipated to be performed is damaged or toppled rather than structurally intact. Accordingly, our estimates of future asset retirement obligations could differ dramatically from what we may ultimately incur as a result of damage from a hurricane or other natural disaster. Also, a sustained lower commodity price environment may cause our non-operator partners to be unable to pay their share of costs, which may require us to pay our proportionate share of the defaulting party's share of costs. We have divested, as assignor, various leases, wells and facilities located in the U. S. Gulf of Mexico America where the purchasers, as assignees, typically assume all abandonment obligations acquired. Certain of these counterparties in these divestiture transactions or third parties in existing leases have filed for bankruptcy protection or undergone associated reorganizations and may not be able to perform required abandonment obligations. Under certain circumstances, regulations or federal laws such as the OCSLA could impose joint and several strict liability and require predecessor assignors, such as us, to assume such obligations. As of December 31, 2023-2024, we have accrued \$ 3-5. 3-5 million and \$ 12-14. 3-5 million in obligations reflected as " Other current liabilities " and " Other long- term liabilities ", respectively, on the Consolidated Balance Sheets. See Part IV, Item 15. Exhibits and Financial Statement Schedules — Note 2 — Summary of Significant Accounting Policies and Note Part IV, Item 15 - Exhibits and Financial Statement Schedules — Note 14 — Commitments and Contingencies for more information. We may not realize the anticipated benefits from our current assets and future acquisitions, and we may be unable to successfully integrate future acquisitions. Our growth strategy will, in part, rely on acquisitions. We have to plan and manage acquisitions effectively to achieve revenue growth and maintain profitability in our evolving market. We expect to grow in the future by expanding the exploitation and development of our existing assets, in addition to growing through targeted acquisitions in the U. S. Gulf of Mexico America or in other basins. We may not realize all of the anticipated benefits from our future acquisitions, such as increased earnings, cost savings and revenue enhancements, for various reasons, including difficulties integrating operations and personnel, higher than expected acquisition and operating costs or other difficulties, inexperience with operating in new geographic regions, unknown liabilities, inaccurate reserve estimates and fluctuations in market prices. In particular, this risk arises in the context of the pending QuarterNorth Acquisition, which is expected to close in the first quarter of 2024. In addition, integrating acquired businesses and properties involves a number of special risks and unforeseen difficulties can arise in integrating operations and systems and in retaining and assimilating employees. These difficulties include, among other things: • operating a larger organization; • coordinating geographically disparate organizations, systems and facilities; • integrating corporate, technological and administrative functions; • diverting management's attention from regular business concerns; • diverting financial resources away from existing operations; • increasing our indebtedness; and • incurring potential environmental or regulatory liabilities and title problems. Any of these or other similar risks could lead to potential adverse short- term or long- term effects on our operating results. The process of integrating our operations could cause an interruption of, or loss of momentum in, the activities of our business. Members of our management may be required to devote considerable amounts of time to this integration process, which decreases the time they have to manage our business. If our management is not able to effectively manage the integration process, or if any business activities are interrupted as a result of the integration process, our business could suffer. Our current assets and future acquisitions could expose us to potentially significant liabilities, including P & A liabilities. We expect that future acquisitions will contribute to our growth. In connection with potential future acquisitions, we may only be able to perform limited due diligence. Successful leasing and acquisitions of oil and natural gas properties require an assessment of a

number of factors, including estimates of recoverable reserves, the timing of recovering reserves, exploration potential, future oil and natural gas prices, operating costs and potential environmental, regulatory and other liabilities, including P & A liabilities. Such assessments are inexact and may not disclose all material issues or liabilities. In connection with our assessments, we perform a review of ~~the acquired~~ properties **we expect to lease or acquire**. However, such a review may not reveal all existing or potential problems. In addition, our review may not permit us to become sufficiently familiar with the properties to fully assess their deficiencies and capabilities. There may be threatened, contemplated, asserted or other claims against the ~~acquired~~ assets related to environmental, title, regulatory, tax, contract, litigation or other matters of which we are unaware, which could materially and adversely affect our production, revenues and results of operations. We may be successful in obtaining contractual indemnification for preclosing liabilities, including environmental liabilities, but we expect that we will generally acquire interests in properties on an “ as is ” basis with limited remedies for breaches of representations and warranties. In addition, even if we are able to obtain such indemnification from the sellers, these indemnification obligations usually expire over time and could potentially expose us to unindemnified liabilities, which could materially adversely affect our production, revenues and results of operations. Resolution of litigation could materially affect our financial position and results of operations. Resolution of litigation could materially affect our financial position and results of operations. To the extent that potential exposure to liability is not covered by insurance or insurance coverage is inadequate, we may incur losses that could be material to our financial position or results of operations in future periods. **See Part I, Item 3. Legal Proceedings for more information.** The corporate opportunity provisions in our Second Amended and Restated Certificate of Incorporation could enable others to benefit from corporate opportunities that might not otherwise be available to us. Subject to the limitations of applicable law, our Second Amended and Restated Certificate of Incorporation, among other things: • permits us to enter into transactions with entities in which one or more of our officers or directors are financially or otherwise interested; • permits our officers or directors who are also officers, directors, employees, managing directors, or other affiliate of a Principal Stockholder (as defined in the Second Amended and Restated Certificate of Incorporation) to conduct business that competes with us and to make investments in any kind of property in which we may make investments; and • provides that if any of our officers or directors who is also an officer, director, employee, managing director or other affiliate of the Principal Stockholders becomes aware of a potential business opportunity, transaction or other matter (other than one expressly offered to that director or officer in writing solely in his or her capacity as an director or officer of us), that director or officer will have no duty to communicate or offer that opportunity to us, and will be permitted to communicate or offer that opportunity to any other entity or individual and that director or officer will not be deemed to have acted in a manner inconsistent with his or her fiduciary duty to us or our stockholders. Any of our directors may vote upon any contract or any other transaction between us and any affiliated corporation without regard to the fact that such person is also a director or officer of such affiliated corporation. These provisions create the possibility that a corporate opportunity that would otherwise be available to us may be used for the benefit of others. Our Second Amended and Restated Certificate of Incorporation designates the Court of Chancery of the State of Delaware and, to the extent enforceable, the federal district courts of the United States of America as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents. Our Second Amended and Restated Certificate of Incorporation provides that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on our or our stockholders’ behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, employees, agents and stockholders to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the **Delaware General Corporation Law (“ DGCL ”)**, our Second Amended and Restated Certificate of Incorporation or our Second Amended and Restated Bylaws, (iv) any action as to which the DGCL confers jurisdiction to the Court of Chancery of the State of Delaware, or (v) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware. Our Second Amended and Restated Certificate of Incorporation also provides that, to the fullest extent permitted by applicable law, the federal district courts of the U. S. are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, subject to and contingent upon a final adjudication in the State of Delaware of the enforceability of such exclusive forum provision. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts with respect to suits brought to enforce a duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain claims under the Securities Act. Notwithstanding the foregoing, the exclusive forum provision does not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. Any person or entity purchasing or otherwise acquiring an interest in any shares of our capital stock shall be deemed to have notice of and to have consented to the forum provisions in our Second Amended and Restated Certificate of Incorporation. These choice- of- forum provisions may limit a stockholder’ s ability to bring a claim in a judicial forum that he, she or it believes to be favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits. Alternatively, if a court were to find these provisions of our Second Amended and Restated Certificate of Incorporation inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and board of directors. While the Delaware courts have determined that choice of forum provisions of this type are facially valid, uncertainty exists as to whether a court would enforce such provision, and as such, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in our exclusive forum provision. In such instance, to the extent applicable, we would expect to vigorously assert the validity and enforceability of our exclusive

forum provision. This may require additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions. Future sales, or the perception of future sales, by us or our existing stockholders in the public market could cause the market price for our common stock to decline. The sale of substantial amounts of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. Certain holders of our common stock, including certain former stockholders of EnVen, are entitled to rights with respect to registration of approximately 17.9 million shares of our common stock (representing approximately 11.10.30% of the outstanding shares of our common stock as of February 21, 2024 (2025)) under the Securities Act pursuant to certain registration rights agreements. In addition, we intend to enter into a registration rights agreement in connection with the QuarterNorth Acquisition, which will become effective at the closing, which will grant registration rights to approximately 24.8 million shares of our common stock (representing approximately 13.5% of the outstanding shares of our common stock immediately following the closing of the acquisition. If these -- the event holders of our common stock, by exercising their registration rights, sell a large number of shares of -- the market price for our common stock are sold in the public market, such sales could be reduce the trading price of our shares of common stock. In the future, we may also issue securities if we need to raise capital in connection with a capital raise or as consideration to finance any acquisitions. The number of shares of our common stock issued in connection with such an offering could constitute a material portion of our then-outstanding shares of our common stock and result in dilution of the voting power of our current stockholders and negatively impact the trading price of our common stock. Actions of any activist stockholders or others could materially and adversely affected -- affect. The interests our business, results of operations the Slim Family and its affiliates stock price. We may differ become subject to actions or proposals from stockholders or others that may not align with our business strategies or the interests of our other stockholders. On December 16 As of February 21, 2024, an entity controlled by the Carlos Slim Helu and his family members (collectively, the "Slim Family") beneficially owned and possessed voting power approximately 21.9% of our common stock. The Slim Family has significant influence over matters submitted to stockholders for approval, including changes in capital structure, transactions requiring stockholder approval under Delaware law, and corporate governance. The Slim Family may have different interests than other holders of our common stock and may make decisions adverse to your interests. Among other things, the Slim Family's concentration of voting power could delay or defer a sale of us that many of our other stockholders support. This concentration of voting power could discourage a potential investor from seeking to acquire our common stock and, as a result, might harm the market price of our common stock. Risks Related to the QuarterNorth Acquisition and our Integration of QuarterNorth Into our Business The market price for our common stock following the closing of the QuarterNorth Acquisition may be affected by factors different from those that historically have affected or currently affect our common stock. Our financial position may differ from our financial position before the completion of the QuarterNorth Acquisition, and the results of operations of the combined company may be affected by some factors that are different from those currently affecting our results of operations. Accordingly, the market price and performance of our common stock is likely to be different from the performance of our common stock in the absence of the QuarterNorth Acquisition. In addition, general fluctuations in stock markets could have a material adverse effect on the market for, or liquidity of, our common stock, regardless of our actual operating performance. Our stockholders, as of immediately prior to the QuarterNorth Acquisition, will have reduced ownership in the combined company after closing of the transaction. Based on the number of shares of common stock outstanding immediately following the closing of the QuarterNorth Acquisition, our existing stockholders would own approximately 86.5% of the outstanding shares of the combined company and QuarterNorth's existing members would own approximately 13.5% of the outstanding shares of the combined company. As a result, our current stockholders will have less influence on the policies of the combined company than they currently have following the closing of the QuarterNorth Acquisition. We may not consummate the QuarterNorth Acquisition on the terms currently contemplated or at all. We may not consummate the QuarterNorth Acquisition, which is subject to the satisfaction of customary closing conditions. Many of the conditions to completion of the QuarterNorth Acquisition are not within either our or QuarterNorth's control, and neither we entered into nor QuarterNorth can predict when, or if, these -- the Cooperation Agreement conditions will be satisfied. If any of these conditions are not satisfied or waived prior to the outside date, it is possible that the QuarterNorth Acquisition may be terminated. Although we have agreed with Control Empresarial QuarterNorth to use reasonable best efforts, subject to certain limitations, to promptly complete the QuarterNorth Acquisition, these and other conditions to the completion of the QuarterNorth Acquisition may fail to be satisfied. In addition, satisfying the conditions to and completion of the QuarterNorth Acquisition may take longer, and could cost more, and require additional borrowings, than we currently expect. There can be no assurance that we may not become subject to future activities initiated by stockholders. Actions taken by the Board and management in seeking to maintain constructive engagement with certain stockholders may not be successful to prevent the occurrence of stockholder campaigns, and responding to such conditions will actions can be satisfied costly and time-consuming, disrupt or our that business and operations, and divert the QuarterNorth Acquisition will attention of the Board, management, and employees from the pursuit of our business strategies. The Company has incurred, and may in the future incur, expenses related to stockholder matters, and future stockholder activism activities could interfere with our ability to execute our strategic plan. Activist stockholders or others may create perceived uncertainties as to the future direction of our business or strategy, which may be consummated on the terms exploited by our competitors and may make it more difficult to attract and retain qualified personnel and potential customers, and may affect our relationships with currently -- current contemplated customers, vendors, investors and other third parties. In addition, a proxy contest or for the election of directors at all an annual meeting would require us to incur significant legal fees and proxy solicitation expenses and require significant

time and attention by management and our Board. If **In connection with any activist campaign, we may choose to initiate, or may become subject to, litigation, which would serve as a further distraction to our Board, management and employees and would require us to incur** additional costs. We have previously adopted borrowings are required to consummate the QuarterNorth Acquisition, our total debt and leverage will be greater than currently anticipated **may again in the future choose to adopt** and our availability under our Bank Credit Facility will be reduced by a **stockholder rights agreement** corresponding amount. If we fail to complete the QuarterNorth Acquisition, our management will **which, if adopted, could** have **certain anti- takeover effects** broad discretion in the use of proceeds from the January Equity Offering (as defined herein), and may use such proceeds in ways in which you do not approve. **Our** Failure to complete the QuarterNorth Acquisition could negatively impact our stock price and have a material adverse effect on our results of operations, cash flows and financial position. If the QuarterNorth Acquisition is not completed for any reason, including as a result of failure to obtain all requisite regulatory approvals, we may be materially adversely affected and, without realizing any of the benefits of having completed the acquisition, we would **could also** be subject to a number of risks, including the following: • we may experience negative reactions from the financial markets, including negative impacts on our stock price; • we may experience negative reactions from our customers, distributors, suppliers, vendors, landlords, joint venture partners and other business partners; • we will still be required to pay certain significant **fluctuations** costs relating to the acquisition, such as legal, accounting, financial advisor and printing fees; • QuarterNorth may be entitled to receive the full amount of the deposit pursuant to the Agreement and Plan of Merger, dated as of January 13, 2024, by and among the Company, QuarterNorth, Compass Star Merger Sub Inc. and the Equityholder Representatives named therein (the “QuarterNorth Merger Agreement”); • the QuarterNorth Merger Agreement places certain restrictions on our conduct pursuant to the terms thereof, which may delay or prevent us from undertaking business opportunities that, absent the QuarterNorth Merger Agreement, may have been pursued; • matters relating to the acquisition (including integration planning) require substantial commitments of time and resources by our management, which may have resulted in the distraction of our management from ongoing business operations and pursuing other opportunities that could have been beneficial to us; and • litigation related to any failure to complete the acquisition or related to any enforcement proceeding commenced against us to perform our obligations pursuant to the QuarterNorth Merger Agreement. If the QuarterNorth Acquisition is not completed, the risks described above may materialize and they may have a material adverse effect on our results of operations, cash flows, financial position and stock price. Future sales or issuances of our common stock could have a negative impact on our common stock price. If holders of our common stock, by exercising registration rights or otherwise, sell a large number of shares, the market price for our common stock could be adversely affected. It is possible that some QuarterNorth shareholders will decide to sell some or all of the shares of our common stock that they received as consideration in the QuarterNorth Acquisition. Shortly after the closing of the QuarterNorth Acquisition, we are obligated to file a registration statement covering the resale of potentially all of the shares issued to the QuarterNorth shareholders. In addition, in connection with the closing of the QuarterNorth Acquisition, we will enter into a registration rights agreement with certain QuarterNorth shareholders, pursuant to which we will grant such holders certain demand, “piggy-back” registration rights with respect to shares of our common stock received by such holders in the acquisition, subject to a lock-up period of 60 days following the closing. Following the closing of the QuarterNorth Acquisition, the QuarterNorth shareholders will collectively own 24.8 million shares of our common stock, representing approximately 13.5% of the outstanding shares of our common stock after the closing of that acquisition. We expect that at least a majority of those **the events, risks and uncertainties of any** shares will be subject to the lock-up period. Any disposition by a significant stockholder of our common stock, including by one of the RRA Holders, or the perception in the market that such dispositions could occur, may cause the price of our common stock to fall. Any such decline could impair the combined company’s ability to raise capital through future sales of our common stock. Further, our common stock may not qualify for investment indices and any such failure may discourage new investors from investing in our common stock. Our and QuarterNorth’s business relationships may be subject to disruption due to uncertainty associated with the QuarterNorth Acquisition, which could have a material adverse effect on the results of operations, cash flows and financial position of us pending and following the closing of the QuarterNorth Acquisition. Parties with which we or QuarterNorth do business may experience uncertainty associated with the QuarterNorth Acquisition, including with respect to current or future business relationships with us following the closing of the QuarterNorth Acquisition. Our and QuarterNorth’s business relationship may be subject to disruption as customers, distributors, suppliers, vendors, landlords, joint venture partners and other business partners may attempt to delay or defer entering into new business relationships, negotiate changes in existing business relationships or consider entering into business relationships with parties other than us or QuarterNorth following the QuarterNorth Acquisition. These disruptions could have a material and adverse effect on the results of operations, cash flows and financial position of us, regardless of whether the QuarterNorth Acquisition is completed, as well as a material and adverse effect on our ability to realize the expected benefits of the QuarterNorth Acquisition. The QuarterNorth Merger Agreement subjects us to restrictions on our business activities **activism** prior to the Effective Time. The QuarterNorth Merger Agreement subjects us to restrictions on our business activities prior to the closing of the QuarterNorth Acquisition (the “Effective Time”). The QuarterNorth Merger Agreement obligates each of us and QuarterNorth to generally conduct our businesses in the ordinary course until the Effective Time and to use commercially reasonable efforts to preserve intact our present business organizations. Additionally, the QuarterNorth Merger Agreement restricts us and QuarterNorth from certain other actions prior to the Effective Time, including, among other things, (i) amending our respective organizational documents, (ii) issuing, selling, pledging, disposing of or encumbering any of our respective securities and (iii) merging, consolidating, combining or amalgamating with any person or acquiring any assets or incurring indebtedness in excess of certain monetary thresholds. These restrictions could prevent us from pursuing certain business opportunities that arise prior to the Effective Time. The failure to successfully integrate our business and operations with QuarterNorth in the expected time frame may adversely affect our future results. The integration process of our business with

those of QuarterNorth could result in the loss of key employees, customers, providers, vendors or business partners, the disruption of each company's or all companies' ongoing businesses, inconsistencies in standards, controls, procedures and policies, potential unknown liabilities and unforeseen expenses, delays, or regulatory conditions or higher than expected integration costs and an overall post-completion integration process that takes longer than originally anticipated. Specifically, the following issues, among others, must be addressed in integrating the operations in order to realize the anticipated benefits of the QuarterNorth Acquisition: • combining the companies' operations and corporate functions and the resulting difficulties associated with managing a larger, more complex, integrated business; • combining our business with QuarterNorth in a manner that permits the combined company to achieve any cost savings or operating synergies anticipated to result from the QuarterNorth Acquisition; • reducing the additional and unforeseen expenses such that integration costs are not more than anticipated; • minimizing the loss of key employees; • identifying and eliminating redundant functions and assets; • maintaining existing agreements with customers, providers and vendors or business partners and avoiding delays in entering into new agreements with prospective customers, providers and vendors or business partners; and • consolidating the companies' operating, administrative and information technology infrastructure. In addition, at times the attention of certain members of our management and resources may be focused on the integration of the businesses of the companies and diverted from day-to-day business operations or other opportunities that may have been beneficial to us, which may disrupt our ongoing business.