Risk Factors Comparison 2024-03-05 to 2023-03-31 Form: 10-K

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Our business involves a high degree of risk. Limited partner interests are inherently different from the capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. Additionally, new risks may emerge at any time and we cannot predict those risks or estimate the extent to which they may affect financial performance. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected. In that case, we might not be able to pay distributions on our common units, the trading price of our common units could decline and our unitholders could lose all or part of their investment. Risks Related to Cash Distributions We may not have sufficient available cash to pay any quarterly distribution on our common units following the establishment of cash reserves and payment of expenses. We may not have sufficient available cash each quarter to pay distributions on our common units. Under the terms of our partnership agreement, the amount of cash available for distribution will be reduced by our operating expenses and the amount of any cash reserves established by our general partner to provide for future operations, future capital expenditures, including development, optimization and exploitation of our oil and natural gas properties, future debt service requirements and future cash distributions to our unitholders. The amount of available cash that we distribute to our unitholders will depend principally on the cash we generate from operations, which will depend on, among other factors: • the amount of oil, natural gas and NGLs we produce; • the prices at which we sell our oil, natural gas and NGL production; • the amount and timing of settlements on our commodity derivative contracts; • the level of our capital expenditures, including scheduled and unexpected maintenance expenditures; • the level of our operating costs, including payments to our general partner and its affiliates for general and administrative expenses; and • the level of our interest expenses, which will depend on the amount of our outstanding indebtedness and the applicable interest rate. Furthermore, the amount of cash we have available for distribution depends primarily on our cash flow, including cash from financial reserves and working capital or other borrowings, and not solely on profitability, which will be affected by non- cash items. As a result, we may make cash distributions during periods when we record losses for financial accounting purposes and may not make cash distributions during periods when we record net income for financial accounting purposes. The amount of our quarterly cash distributions from our available cash, if any, may vary significantly both quarterly and annually and will be directly dependent on the performance of our business. We do not have a minimum quarterly distribution and could pay no distribution with respect to any particular quarter. Our future business performance may be volatile, and our cash flows may be unstable. We do not have a minimum quarterly distribution. Because our quarterly distributions will significantly correlate to the cash we generate each quarter after payment of our fixed and variable expenses, future quarterly distributions paid to our unitholders will vary significantly from quarter to quarter and may be zero. Please read “ Cash Distribution Policy. ” Risks Related to Our Business and the Oil, Natural Gas and NGL Industry The volatility of oil, natural gas and NGL prices due to factors beyond our control greatly affects our financial condition, results of operations and cash available for distribution. Our revenues, operating results, cash available for distribution and the carrying value of our oil and natural gas properties depend significantly upon the prevailing prices for oil, natural gas and NGLs. Prices for oil, natural gas and NGLs are subject to wide fluctuations in response to relatively minor changes in supply and demand, market uncertainty and a variety of additional factors beyond our control. These factors include, but are not limited to: • worldwide and regional economic conditions impacting the supply and demand for oil, natural gas and NGLs; • the level of global oil and natural gas exploration and production; • political and economic conditions and events in foreign oil and natural gas producing countries, including embargoes, continued hostilities in the Middle East and other sustained military campaigns, the armed conflict in Ukraine and associated economic sanctions on Russia, conditions in South America, Central America, China and Russia, and acts of terrorism or sabotage; • the ability of and actions taken by members of Organization of the Petroleum Exporting Countries (“ OPEC ”) and other oil- producing nations in connection with their arrangements to maintain oil prices and production controls; • the impact on worldwide economic activity of an epidemic, outbreak or other public health events, such as COVID- 19; • the proximity, capacity, cost and availability of gathering and transportation facilities; • localized and global supply and demand fundamentals; • weather conditions across the globe; • technological advances affecting energy consumption and energy supply; • speculative trading in commodity markets, including expectations about future commodity prices; • the proximity of our natural gas, NGL and oil production to, and capacity, availability and cost of, natural gas pipelines and other transportation and storage facilities, and other factors that result in differentials to benchmark prices; • the impact of energy conservation efforts; • the price and availability of alternative fuels; • stockholder activism or activities by non- governmental organizations to restrict the exploration, development and production of oil and natural gas to minimize the emission of greenhouse gases; • domestic, local and foreign governmental regulation and taxes; and • overall domestic and global economic conditions. These factors and the volatility of the energy markets make it extremely difficult to predict future oil and natural gas price movements accurately. Changes in oil, natural gas and NGL prices have a significant impact on the amount of oil, natural gas and NGL that we can produce economically, the value of our reserves and on our cash flows. Historically, oil, natural gas and NGL prices and markets have been volatile, and those prices and markets are likely to continue to be volatile in the future. For example, during the period from January 1, 2021 through December 31, ~~2022~~ **2023** , prices for crude oil and natural gas reached a high of $ 123. 70 per Bbl and $ ~~23~~ **9** . ~~86~~ **68** per MMBtu, respectively, and a low of $ 47. 62 per Bbl and $ ~~2~~ **1** . ~~43~~ **99** per MMBtu, respectively. Oil prices steadily increased through 2021 due to continued recovery in demand before increasing drastically in the first half of 2022 due to further demand, domestic supply reductions, OPEC control measures and market disruptions resulting from the Russia-

Ukraine war and sanctions on Russia. **Oil prices moderated over the second half of 2022 and the first half of 2023 before initially increasing in the second half of 2023 as a result of expected supply constraints and hostilities in the Middle East.** Since ~~the~~ **these concerns did not materialize** ~~Russia- Ukraine conflict first commenced~~ , ~~WTI crude~~ oil prices **declined** ~~have been volatile, rising from $ 92. 81 per Bbl on February 24, 2022 to a high of $ 123. 70 per Bbl~~ in **the last month** ~~March 2022 before declining to $ 77. 05 per Bbl as~~ of ~~February 28,~~ 2023 **and first month** ~~. Natural gas prices reached a high~~ of ~~$ 9. 85 per MMbtu in August 2022~~ **2024** ~~before declining to $ 2. 50 per MMbtu as of February 28, 2023~~ . Any substantial decline in the price of oil and natural gas will likely have a material adverse effect on our financial condition, results of operations and cash available for distribution. Unless we replace the reserves we produce, our revenues and production will decline, which would adversely affect our cash flow from operations and our ability to make distributions to our unitholders. We may be unable to pay quarterly distributions to our unitholders without substantial capital expenditures that maintain our asset base. Producing oil and natural gas reservoirs are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Our future reserves and production and, therefore, our cash flow and ability to make distributions are highly dependent on our success in efficiently developing, optimizing and exploiting our current reserves. Our production decline rates may be significantly higher than currently estimated if our wells do not produce as expected. Further, our decline rate may change when we make acquisitions. We may not be able to develop, find or acquire additional reserves to replace our current and future production on economically acceptable terms, which would adversely affect our business, financial condition and results of operations and reduce cash available for distribution to our unitholders. If commodity prices decline and remain depressed for a prolonged period, production from a significant portion of our properties may become uneconomic and cause downward adjustments of our reserve estimates and write downs of the value of such properties, which may adversely affect our financial condition and our ability to make distributions to our unitholders. Significantly lower commodity prices over extended periods of time may render many of our development projects uneconomic and result in a downward adjustment of our reserve estimates, which would negatively impact our borrowing base and ability to borrow to fund our operations or make distributions to our unitholders. As a result, we may reduce the amount of distributions paid to our unitholders or cease paying distributions. In addition, a significant or sustained decline in commodity prices could hinder our ability to effectively execute our hedging strategy. For example, during a period of declining commodity prices, we may enter into commodity derivative contracts at relatively unattractive prices in order to mitigate a potential decrease in our borrowing base upon a redetermination. Prior to 2021, our historical impairment of proved properties included $ 311. 5 million of proved property impairments from 2014 through 2020. Due to the improvement in commodity pricing environment and industry conditions, we did not record any impairments in 2022 or 2021. However, **with the decline of commodity prices late in 2023, increased costs and a change in our policy of recording proved undeveloped reserves, we recorded an impairment of long- lived assets of $ 223. 4 million for the year ended December 31, 2023. The impairment is related to our assets in the Texas Permian Basin that are within our Cross Timbers joint venture. In the future,** if commodity prices fall below certain levels, our production, proved reserves and cash flows will be adversely impacted and we may be required to record additional impairments, which could be material. Lower oil and natural gas prices may also result in a reduction in the borrowing base under our Credit Facility, which may be determined at the discretion of our lenders. See " — Any significant reduction in the borrowing base under our Credit Facility as a result of periodic borrowing base redeterminations or otherwise may negatively impact our ability to fund our operations. " Currently, our producing properties are concentrated in the Permian and San Juan Basins, making us vulnerable to risks associated with operating in a limited number of geographic areas. As a result of our geographic concentration, adverse industry developments in our operating areas could have a greater impact on our financial condition and results of operations than if we were more geographically diverse. We may also be disproportionately exposed to the impact of regional supply and demand factors, governmental regulations or midstream capacity constraints. Delays or interruptions caused by such adverse developments could have a material adverse effect on our financial condition and results of operations. Similarly, the concentration of our assets within a small number of producing formations exposes us to risks, such as changes in field wide rules, which could adversely affect development activities or production relating to those formations. In addition, in areas where exploration and production activities are increasing, as has recently been the case in our operating areas, we are subject to increasing competition for drilling rigs, workover rigs, tubulars and other well equipment, services and supplies as well as increased labor costs and a decrease in qualified personnel, which may lead to periodic shortages or delays. The curtailments arising from these and similar circumstances may last from a few days to several months and, in many cases, we may be provided only limited, if any, notice as to when these circumstances will arise and their duration. Drilling for and producing oil, natural gas and NGLs are high- risk activities with many uncertainties that could adversely affect our business, financial condition, results of operations and cash distributions to unitholders. Our future financial condition and results of operations, and therefore our ability to make cash distributions to our unitholders, will depend on the success of our acquisition, development, optimization and exploitation activities, which are subject to numerous risks beyond our control, including the risk that drilling will not result in commercially viable production. Our decisions to purchase, develop, optimize or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. For a discussion of the uncertainty involved in these processes, see " — Reserve estimates depend on many assumptions that may ultimately be inaccurate. Any material inaccuracies in reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves. " In addition, our cost of drilling, completing and operating wells is often uncertain before drilling commences. Further, many factors may curtail, delay or cancel our scheduled drilling projects, including the following: • unexpected or adverse drilling conditions; • delays imposed by or resulting from compliance with environmental and other governmental or regulatory requirements including permitting requirements, limitations on or resulting from wastewater discharge and the disposal of exploration and production wastes, including subsurface injections; • elevated pressure or irregularities in geological formations; • shortages of or delays in obtaining equipment and qualified personnel; • facility or equipment failures or accidents; • lack of available gathering facilities or delays in construction of gathering facilities; • lack of available capacity on interconnecting transmission pipelines; • adverse weather conditions, such as hurricanes, lightning storms, flooding, tornadoes, snow or ice storms and changes in weather patterns; • issues related to compliance with, or changes in, environmental and other governmental regulations; • environmental hazards, such as oil and natural gas leaks, pipeline and tank ruptures, encountering naturally occurring radioactive materials, and unauthorized discharges of brine, well stimulation and completion fluids, toxic gases or other pollutants into the surface and subsurface environment; • declines in oil, natural gas and NGL prices; • the availability and timely issuance of required governmental permits and licenses; and • title defects or legal disputes regarding leasehold rights. We may be unable to make accretive acquisitions or successfully integrate acquired businesses or assets, and any inability to do so may disrupt our business and hinder our growth potential. Our ability to grow and to increase distributions to our unitholders depends in part on our ability to make acquisitions that result in an increase in cash available for distribution. There is intense competition for acquisition opportunities in our industry and we may not be able to identify attractive acquisition opportunities. Even if we do identify attractive acquisition opportunities, we may not be able to complete the acquisition, do so on commercially acceptable terms or obtain sufficient financing to do so. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions. In addition, our Credit Facility imposes certain limitations on our ability to enter into mergers or combination transactions and to make certain investments. Our Credit Facility also limits our ability to incur certain indebtedness, which could indirectly limit our ability to engage in acquisitions. See “ Management’ s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Revolving credit agreement. ” The success of any completed acquisition will depend on our ability to integrate effectively the acquired business into our existing operations. The process of integrating acquired businesses may involve unforeseen difficulties and may require a disproportionate amount of our managerial and financial resources. Our failure to achieve consolidation savings, to successfully integrate the acquired businesses and assets into our existing operations or to minimize any unforeseen operational difficulties could have a material adverse effect on our financial condition and results of operations. Properties we acquire may not produce as projected, and we may be unable to determine reserve potential, identify liabilities associated with the properties that we acquire or obtain protection from sellers against such liabilities. Acquiring oil and natural gas properties requires us to assess reservoir and infrastructure characteristics, including recoverable reserves, development and operating costs and potential liabilities, including, but not limited to, environmental liabilities. Such assessments are inexact and inherently uncertain. For these reasons, the properties we have acquired or may acquire in the future may not produce as projected. In connection with the assessments, we perform a review of the subject properties, but such a review will not reveal all existing or potential problems. In the course of our due diligence, we may not review every well, pipeline or associated facility. We cannot necessarily observe structural and environmental problems, such as pipe corrosion or groundwater contamination, when a review is performed. We may be unable to obtain contractual indemnities from any seller for liabilities arising from or attributable to the period prior to our purchase of the property. We may be required to assume the risk of the physical condition of the properties in addition to the risk that the properties may not perform in accordance with our expectations. Increased costs of capital could adversely affect our business. Our business could be harmed by factors such as the availability, terms and cost of capital, increases in interest rates or a reduction in our credit rating. For example, during 2022 **and the first half of 2023** , the Federal Reserve raised the target range for the federal funds rate by ~~425~~ **525** basis points to a range of ~~4~~ **5** . 25 % to ~~4~~ **5** . 50 % as of **August** ~~December 31~~ , ~~2022, and in~~ 2023 ~~the target range has been increased again to a range of 4. 75 % to 5. 00 % as of March 2023 and the Federal Reserve and may increase it further~~ . Changes in any one or more of these factors could cause our cost of doing business to increase, limit our access to capital, limit our ability to pursue acquisition opportunities, reduce our cash flows available and place us at a competitive disadvantage. Continuing disruptions and volatility in the global financial markets may lead to an increase in interest rates or a contraction in credit availability impacting our ability to finance our activities. A significant reduction in the availability of credit could materially and adversely affect our ability to achieve our business strategy and cash flows. Drilling locations that we decide to drill may not yield oil, natural gas or NGLs in commercially viable quantities. We may in the future explore potential drilling locations in areas where we currently own properties and in other areas. These potential drilling locations would be in various stages of evaluation, ranging from a location that is ready to drill to a location that will require substantial additional interpretation. There is no way to predict in advance of drilling and testing whether any particular location will yield oil, natural gas or NGLs in sufficient quantities to recover drilling or completion costs or to be economically viable. The use of technologies and the study of producing fields in the same area will not enable us to know conclusively, prior to drilling, whether oil, natural gas or NGLs will be present or, if present, whether oil, natural gas or NGLs will be present in sufficient quantities to be economically viable. Even if sufficient amounts of oil, natural gas or NGLs exist, we may damage the potentially productive hydrocarbon- bearing formation or experience mechanical difficulties while drilling or completing the well, resulting in a reduction in production from the well or abandonment of the well. We cannot assure you that the analogies we draw from available data from other wells, more fully explored locations or producing fields will be applicable to our other identified drilling locations. Further, initial production rates reported by us or other operators may not be indicative of future or long- term production rates. The cost of drilling, completing and operating any well is often uncertain, and new wells may not be productive. Because of these uncertain factors, we do not know if the potential well locations we have identified, or will identify, will ever be drilled or if we will be able to produce oil, natural gas and NGLs from these or any other potential locations. As such, our actual drilling activities may materially differ from those presently identified. Any drilling activities we are able to conduct on these potential locations may not be successful or result in our ability to add additional proved reserves to our overall proved reserves or may result in a downward revision of our estimated proved reserves, which could have a material adverse effect on our future business, financial condition and results of operations. We may incur losses as a result of title defects in the properties in which we invest. It is our practice in acquiring oil and natural gas leases or interests not to incur the expense of retaining lawyers to examine the title to the mineral interest at the time of acquisition. Rather, we rely upon the judgment of lease brokers or landmen who perform the fieldwork in examining records in the appropriate governmental office before attempting to acquire a lease or other interest in a specific mineral interest. The existence of a material title deficiency can render a lease or other interest worthless and can adversely affect our results of operations and financial condition. The failure of title on a lease, in a unit or any other mineral interest may not be discovered until after a well is drilled, in which case we may lose the lease and the right to produce all or a portion of the minerals under the property. We operate certain of our properties through a joint venture over which we have shared control. We conduct certain of our operations through Cross Timbers, a joint venture owned 50 % by us and 50 % by the XTO Entities. For the year ended December 31, ~~2022~~ **2023** , our interest in Cross Timbers represented approximately ~~28~~ **27** % of our revenues excluding the effects of our commodity derivative contracts and approximately ~~33~~ **25** % of our proved reserves. In accordance with the JV LLCA, Cross Timbers is managed by us and governed by a member management committee comprised of six members, three of whom are appointed by us and three of whom are appointed by the XTO Entities. The JV LLCA requires that certain matters, including certain material contracts or acquisitions, mergers, sale of substantially all assets or other change of control transactions, and transfers of our interest to a third party, be approved by unanimous consent of the voting members of the management committee and therefore such actions require the approval of the XTO Entities. Our ability to make distributions to our unitholders depends in part on the performance of this entity and its ability to distribute funds to us. We face certain risks associated with shared control, and the XTO Entities may at any time have economic, business or legal interests or goals that are inconsistent with ours. We own non- operating interests in properties developed and operated by third parties and some of our leasehold acreage could be pooled by a third- party operator. As a result, we are unable, or may become unable as a result of pooling, to control the operation and profitability of such properties. We participate in the drilling and completion of wells with third- party operators that exercise exclusive control over such operations. As a participant, we rely on the third- party operators to successfully operate these properties pursuant to joint operating agreements and other contractual arrangements. Similarly, our acreage in Colorado, Texas and New Mexico may be pooled by third- party operators under state law. If our acreage is involuntarily pooled under state forced pooling statutes, it would reduce our control over such acreage and we could lose operatorship over a portion of our acreage that we plan to develop. We may not be able to maximize the value associated with acreage that we own but do not operate in the manner we believe appropriate, or at all. We cannot control the success of drilling and development activities on properties operated by third parties, which depend on a number of factors under the control of a third- party operator, including such operator' s determinations with respect to, among other things, the nature and timing of drilling and operational activities, the timing and amount of capital expenditures and the selection of suitable technology. In addition, the third- party operator' s operational expertise and financial resources and its ability to gain the approval of other participants in drilling wells will impact the timing and potential success of drilling and development activities in a manner that we are unable to control. A third- party operator' s failure to adequately perform operations, breach of applicable agreements or failure to act in ways that are favorable to us could reduce our production and revenues, negatively impact our liquidity and cause us to spend capital in excess of our current plans, and have a material adverse effect on our business, financial condition and results of operations. Extreme weather conditions **and other climatic phenomena** could adversely affect our ability to conduct drilling activities in the areas where we operate. The majority of the scientific community has concluded that climate change ~~may~~ **is expected to** result in more frequent and / or more extreme weather events, changes in temperature and precipitation patterns, changes to ground and surface water availability, and other related phenomena, which could affect some, or all, of our operations. Our development, optimization and exploitation activities and equipment could be adversely affected by extreme weather conditions, such as hurricanes, thunderstorms, tornadoes and snow or ice storms, or other climate- related events such as wild fires, in each case which may cause a loss of production from temporary cessation of activity or lost or damaged facilities and equipment. Such extreme weather conditions and events could also impact other areas of our operations, including access to our drilling and production facilities for routine operations, maintenance and repairs and the availability of, and our access to, necessary resources, such as water, and third- party services, such as gathering, processing, compression and transportation services. These constraints and the resulting shortages or high costs could delay or temporarily halt our operations and materially increase our operation and capital costs, which could have a material adverse effect on our business, financial condition and results of operations. **Climate change is also expected to result in various chronic impacts, such as changes to water levels and to ambient temperature and precipitation patterns. Such changes may also adversely impact our operations, including through the long- term reduction in the availability of water for hydraulic fracturing, changes to operational practices to respond to increased heat levels, or otherwise.** Declining general economic, business or industry conditions and inflation may have a material adverse effect on our results of operations, liquidity and financial condition. Concerns over global economic conditions, energy costs, supply chain disruptions, increased demand, labor shortages associated with a fully employed U. S. labor force, geopolitical issues, inflation, the availability and cost of credit and the United States financial market and other factors have contributed to increased economic uncertainty and diminished expectations for the global economy. **During** ~~Although inflation in the United States had been relatively low for many years, there was a significant increase in inflation beginning in the second half of 2021, which has continued into 2023, due to a substantial increase in money supply, a stimulative fiscal policy, a significant rebound in consumer demand as COVID- 19 restrictions were relaxed, the Russia- Ukraine war and worldwide supply chain disruptions resulting from the economic contraction caused by COVID- 19 and lockdowns followed by a rapid recovery. Annual inflation for~~ the year ended December 31, 2022 **, the U. S. economy experienced the highest rate of inflation in the past 40 years. Rising inflation has been pervasive since 2022, increasing the cost of salaries,** ~~was~~ **wages** ~~6~~ **, supplies, material, freight, and energy** . ~~5 %~~ **We expect relatively higher inflation to continue in 2024 resulting in higher costs** . Though we incorporated inflationary factors into our ~~2023~~ **2024** business plan, inflation may outpace those assumptions. We continue to undertake actions and implement plans to strengthen our supply chain to address these pressures and protect the requisite access to commodities and services. Nevertheless, we expect for the foreseeable future to experience supply chain constraints and inflationary pressure on our cost structure. Principally, commodity costs for steel and chemicals required for drilling, higher transportation and fuel costs and wage increases have increased our operating costs for the year ended December 31, ~~2022~~ **2023** compared to the year ended December 31, ~~2021~~ **2022** . We **do not expect** ~~also may face shortages of~~ these **cost increases to reverse in the short term** ~~commodities and labor, which may prevent us from executing our development plan~~ . ~~These supply chain constraints~~ **Typically, as prices for oil** and ~~inflationary pressures will~~ **natural gas increase, so do associated costs. Conversely, in a period of declining prices, associated cost declines are** likely ~~continue~~ to **lag** ~~adversely impact our operating costs~~ and ~~, if~~ **may not adjust downward in proportion to prices. If** we are unable to **recover higher** ~~manage our supply chain, it may impact our ability to procure materials and equipment in a timely and cost~~ **costs** ~~- effective manner~~ **through higher commodity prices** , **our current revenue stream** ~~if at all, which~~ could **be adversely** ~~impact~~ **impacted** ~~our ability to distribute available cash~~ and result in reduced margins and production delays and, as a result, our business, financial condition, results of operations and cash flows could be materially and adversely affected. We continue to take actions to mitigate ~~supply chain and~~ inflationary pressures. We are working closely with other suppliers and contractors to ensure availability of supplies on site, especially fuel, steel and chemical suppliers which are critical to many of our operations. However, these mitigation efforts may not succeed or may be insufficient. In addition, continued hostilities related to the Russian invasion of Ukraine **, hostilities in the Middle East** and the occurrence or threat of terrorist attacks in the United States or other countries could adversely affect the global economy. These factors and other factors, such as another surge in COVID- 19 cases or decreased demand from China, combined with volatile commodity prices, and declining business and consumer confidence may contribute to an economic slowdown and a recession. Recent growing concerns about global economic growth have had a significant adverse impact on global financial markets and commodity prices. If the economic climate in the United States or abroad deteriorates, worldwide demand for petroleum products could diminish, which could impact the price at which we can sell our production, affect the ability of our vendors, suppliers and customers to continue operations and ultimately adversely impact our business, financial condition and results of operations. Events outside of our control, including an epidemic or outbreak of an infectious disease, such as COVID- 19, or the threat thereof, could have a material adverse effect on our business, liquidity, financial condition, results of operations, cash flows and ability to pay distributions on our common units. We face risks related to epidemics, outbreaks or other public health events, or the threat thereof, that are outside of our control, and could significantly disrupt our business and operational plans and adversely affect our liquidity, financial condition, results of operations, cash flows and ability to pay distributions on our common units. ~~The~~ **For example, the** COVID- 19 pandemic ~~has~~ adversely affected the global economy and ~~has~~ resulted in unprecedented governmental actions in the United States and countries around the world, including, among other things, social distancing guidelines, travel restrictions and stay- at- home orders, among other actions, which caused a significant decrease in activity in the global economy and the demand for oil, and to a lesser extent, natural gas and NGLs. Additionally, the effects of **an** ~~the COVID- 19 pandemic~~ **epidemic , outbreak or other public health event** might worsen the likelihood or the impact of other risks already inherent in our business. ~~We believe that the known and potential~~ **Potential** impacts of **an** ~~the COVID- 19 pandemic~~ **epidemic , outbreak or other public health event** and related events include, but are not limited to, the following: • disruption in the demand for oil, natural gas and other petroleum products; • intentional project delays until commodity prices stabilize; • potentially higher borrowing costs in the future; • a need to preserve liquidity, which could result in ~~a~~ reductions, delays or changes in our capital expenditures; • liabilities resulting from operational delays due to decreased productivity resulting from stay- at- home orders affecting our workforce or facility closures ~~resulting from the COVID- 19 pandemic~~ ; • future asset impairments, including impairment of our natural gas properties, oil properties, and other property and equipment; and • infections and quarantining of our employees and the personnel of vendors, suppliers and other third parties. New variants of ~~the~~ **a** virus could cause further commodity market volatility and resulting financial market instability, or any other event described above. These are variables beyond our control and may adversely impact our business, financial condition and results of operations. We **opportunistically** use derivative instruments to economically hedge exposure to changes in commodity price and, as a result, are exposed to credit risk and market risk. We periodically enter into futures contracts, energy swaps, options, collars and basis swaps to hedge our exposure to price fluctuations on crude oil, natural gas and natural gas liquids sales. See " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates — Derivatives. " By using derivative instruments to economically hedge exposure to changes in commodity prices, we could limit the benefit we would receive from increases in the prices for oil and natural gas, which could have an adverse effect on our financial condition. Likewise, to the extent our production is not hedged, we are exposed to declines in commodity prices, and our derivative arrangements may be inadequate to protect us from continuing and prolonged declines in commodity prices. Changes in the fair value of commodity price derivatives are recognized currently in earnings. Realized and unrealized gains and losses on commodity derivatives are recognized in oil, NGL and natural gas revenues. Settlements of derivatives are included in cash flows from operating activities. While our price risk management activities decrease the volatility of cash flows, they may obscure our reported financial condition. As required under GAAP, we record derivative financial instruments at their fair value, representing projected gains and losses to be realized upon settlement of these contracts in subsequent periods when related production occurs. These gains and losses are generally offset by increases and decreases in the market value of our proved reserves, which are not reflected in the financial statements. For example, revenues increased $ ~~18~~ **134** . ~~1~~ **3** million, or ~~8~~ **55** %, from $ ~~228~~ **246** . ~~3~~ **4** million for the year ended December 31, ~~2021~~ **2022** to $ ~~246~~ **380** . ~~4~~ **7** million for the year ended December 31, ~~2022~~ **2023** . The increase was primarily attributable to **net gains on our hedging activity of $ 226. 4 million, of which $ 219. 5 million were unrealized gains** ~~an~~ **and $ 6. 9 million were related to lower realized losses. Additionally, revenue** ~~increase~~ **increased $ 6. 3 million in spite of a decrease** in production of **69** ~~1, 246~~ MBoe primarily as a result of **the acquisition of** additional ~~production from~~ **interest in** the **Permian Basin being** ~~acquired Vacuum properties and~~

~~Andrews Parker properties, partially~~ offset by ~~decreased historical production of 248 MBoe~~ **natural declines in San Juan Basin** . These increases were partially offset by ~~losses~~ **a decrease in the average selling price, excluding the effects of derivatives,** on ~~our hedging activity~~ **oil of 19 %, resulting in a decrease in revenue** of $ ~~212~~ **39** . 2 million, **on NGLs** of ~~which~~ **36 %, resulting in a decrease in revenue of** $ ~~122~~ **17** . ~~2~~ **3** million ~~were unrealized losses~~ and **on gas of 21 %, resulting in a decrease in revenue of** $ ~~90~~ **42** . 0 million ~~were realized losses~~ . Additionally, our Credit Facility may hinder our ability to effectively execute our hedging strategy. See " — Our Credit Facility has restrictions and financial covenants that may restrict our business and financing activities and our ability to pay distributions to our unitholders " and " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Revolving credit agreement. " We also expose ourselves to credit risk resulting from the failure of the counterparty to perform under the terms of the applicable derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk. Disruptions in the financial markets could lead to sudden decreases in a counterparty' s liquidity, which could make it unable to perform under the terms of the contract and we may not be able to realize the benefit of the contract. We are unable to predict sudden changes in a counterparty' s creditworthiness or ability to perform. Even if we do accurately predict sudden changes, our ability to negate the risk may be limited depending upon market conditions. The process of estimating oil, natural gas and NGL reserves is complex. It requires interpretations of available technical data and many assumptions, including assumptions relating to current and future economic conditions and commodity prices. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of our reserves. Furthermore, SEC rules require that, subject to limited exceptions, PUD reserves may only be recorded if they relate to wells scheduled to be drilled within five years after the date of booking. This rule may limit our potential to record additional PUD reserves as we pursue our drilling program. To the extent that natural gas and oil prices become depressed or decline materially from current levels, such condition could render uneconomic a number of our identified drilling locations, and we may be required to write down our PUD reserves if we do not drill those wells within the required five- year time frame. If we choose not to develop PUD reserves, or if we are not otherwise able to successfully develop them, then we will be required to remove the associated volumes from our reported proved reserves. The preparation of reserve estimates requires the projection of production rates and the timing of development expenditures based on an analysis of available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary. The process also requires economic assumptions about matters such as oil, natural gas and NGL prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Actual future production, oil, natural gas and NGL prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil, natural gas and NGL reserves will vary from our estimates. Any significant variance could materially affect the estimated quantities and present value of our reserves. In addition, we may revise reserve estimates to reflect production history, results of exploration and development, existing commodity prices and other factors, many of which are beyond our control. The standardized measure of our estimated proved reserves is not necessarily the same as the current market value of our estimated proved reserves. The present value of future net cash flow from our proved reserves, or standardized measure, may not represent the current market value of our estimated proved oil and natural gas reserves. In accordance with SEC requirements, we base the estimated discounted future net cash flow from our estimated proved reserves on the 12- month average oil and natural gas index prices, calculated as the unweighted arithmetic average for the first- day- of- the- month price for each month and costs in effect as of the date of the estimate, holding the prices and costs constant throughout the life of the properties. Actual future prices and costs may differ materially from those used in the net present value estimate, and future net present value estimates using then current prices and costs may be significantly less than current estimates. For example, our estimated proved reserves as of December 31, ~~2022~~ **2023** were calculated under SEC rules using the unweighted arithmetic average first day of the month prices for the prior 12 months of $ ~~6~~ **2** . ~~36~~ **64** / MMBtu for natural gas and $ ~~93~~ **78** . ~~67~~ **22** / Bbl for oil at December 31, ~~2022~~ **2023** , which, for certain periods during this period, were substantially different from the available spot prices. In addition, the 10 % discount factor we use when calculating discounted future net cash flow for reporting requirements in compliance with Accounting Standards Codification 932, " Extractive Activities — Oil and Gas, " may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and natural gas industry in general. We depend upon several significant purchasers for the sale of most of our oil, natural gas and NGL production. The loss of one or more of these purchasers could, among other factors, limit our access to suitable markets for the oil and natural gas we produce. For the year ended December 31, **2023, Chevron USA and CIMA Energy together accounted for more than 42 % of our total revenues, excluding the impact of our commodity derivatives. For the year ended December 31,** 2022, Chevron USA and Phillips 66 Company **together** accounted for more than 35 ~~% of our total revenues, excluding the impact of our commodity derivatives. For the year ended December 31, 2021, Phillips 66 Company, Tenaska Marketing and Eco- Energy, Inc. accounted for more than 40~~ % of our total revenues, excluding the impact of our commodity derivatives. No other purchaser accounted for more than 10 % of our revenue during such periods. We do not have long- term contracts with our customers; rather, we sell the substantial majority of our production under arm' s length contracts with terms of 12 months or less, including on a month- to- month basis, to a relatively small number of customers. The loss of any one of these purchasers, the inability or failure of our significant purchasers to meet their obligations to us or their insolvency or liquidation could materially adversely affect our financial condition, results of operations and ability to make distributions to our unitholders. We cannot assure you that any of our customers will continue to do business with us or that we will continue to have ready access to suitable markets for our future production. See " Business and Properties — Operations — Marketing and Customers. " The availability of a ready market for any hydrocarbons we produce depends on numerous factors beyond our control, including, but not limited to, the extent of domestic production and imports of oil, the proximity and capacity of natural gas and NGL pipelines, the availability of skilled labor, materials and equipment, the effect of state and federal regulation of oil, natural gas and NGL production and federal regulation of oil, natural gas and NGLs sold in interstate commerce. We may be unable to compete effectively with larger companies, which may adversely affect our ability to generate sufficient revenue to allow us to pay distributions to our unitholders. The oil and natural gas industry is intensely competitive, and we compete with companies that possess and employ financial, technical and personnel resources substantially greater than ours. Our ability to acquire additional properties and to exploit reserves in the future will depend on our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. Many of our larger competitors not only drill for and produce oil and natural gas but also carry on refining operations and market petroleum and other products on a regional, national or worldwide basis. These companies may be able to pay more for properties and evaluate, bid for and purchase a greater number of properties than our financial, technical or personnel resources permit. In addition, there is substantial competition for investment capital in the oil and natural gas industry. These larger companies may have a greater ability to continue development activities during periods of low oil prices and to absorb the burden of present and future federal, state, local and other laws and regulations. Any inability to compete effectively with larger companies could have a material adverse impact on our business activities, financial condition and results of operations and our ability to make distributions to our unitholders. Our Credit Facility has restrictions and financial covenants that may restrict our business and financing activities and our ability to pay distributions to our unitholders. Our Credit Facility restricts, among other things, our ability to: • incur certain liens or permit them to exist; • merge or consolidate with another company; • incur or guarantee additional debt; • make certain investments and acquisitions; • make or pay distributions on, or redeem or repurchase, common units, if an event of default or borrowing base deficiency exists; • enter into certain types of transactions with affiliates; and • transfer, sell or otherwise dispose of assets. In addition, our Credit Facility will require us to comply with customary financial covenants and specified financial ratios, including that we maintain (i) a current ratio greater than 1. 0 to 1. 0 and (ii) a ratio of total indebtedness- to- EBITDAX of not greater than 3. 00 to 1. 00. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. If we violate any provisions of our Credit Facility that are not cured or waived within specific time periods, our lender may declare our indebtedness thereunder to be immediately due and payable, our ability to make distributions to our unitholders will be inhibited and our lenders' commitment to make further loans to us may terminate. Any such acceleration of such debt could also result in a cross- acceleration of other future indebtedness which we may incur. We might not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, our obligations under our Credit Facility are secured by substantially all of our assets, and if we are unable to repay our indebtedness under our Credit Facility, the lenders could seek to foreclose on our assets or force us to seek bankruptcy protection. In addition, our Credit Facility may hinder our ability to effectively execute our hedging strategy. Our Credit Facility limits the maximum percentage of our production that we can hedge and the duration of those hedges, so we may be unable to enter into additional commodity derivative contracts during favorable market conditions and, thus, unable to lock in attractive future prices for our product sales. Conversely, our Credit Facility also requires us to hedge a minimum percentage of our production, which may cause us to enter into commodity derivative contracts at inopportune times. For example, during a period of declining commodity prices, we may enter into commodity derivative contracts at relatively unattractive prices in order to mitigate a potential decrease in our borrowing base upon a redetermination. Our Credit Facility limits the amount we can borrow up to a borrowing base amount. The administrative agent under our Credit Facility determines our borrowing base based on the value of our oil and natural gas properties. The borrowing base is subject to further adjustments for asset dispositions, material title deficiencies, certain terminations of hedge agreements and issuances of permitted additional indebtedness. As of ~~November 3~~ **October 25** , ~~2022~~ **2023** , the last date of redetermination, our borrowing base was $ 165 million. Such amount will be redetermined semi- annually on or before each March 15 and September 1 and will depend on the volumes of our proved oil and natural gas reserves and estimated cash flows from these reserves and other information deemed relevant by the administrative agent under the Credit Facility, including our business, financial condition and debt obligations, the types of reserves, the value and effect of hedge contracts then in effect and the effect of gas imbalances. In addition, our lenders will have flexibility to reduce our borrowing base due to subjective factors ~~. Our next borrowing base redetermination is scheduled for to be completed no later than June 30, 2023~~ . In the future, we may not be able to access adequate funding under our Credit Facility (or a replacement facility) as a result of a decrease in the borrowing base due to the issuance of new indebtedness, the outcome of a subsequent borrowing base redetermination or an unwillingness or inability on the part of our lenders to meet their funding obligations. Declines in commodity prices could result in a determination by the lenders to decrease the borrowing base in the future and, in such a case, we could be required to promptly repay any indebtedness in excess of the redetermined borrowing base. As a result, we may be unable to implement our respective drilling and development plan, make acquisitions or otherwise carry out business plans, which could have a material adverse effect on our financial condition and results of operations and impair our ability to service our indebtedness. We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our debt arrangements, which may not be successful. Our ability to make scheduled payments on or to refinance our indebtedness obligations, including our Credit Facility, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and certain financial, business and other factors beyond our control. If oil, natural gas and NGL prices decline for an extended period of time, we may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund debt service obligations, we may be forced to reduce or delay investments and capital expenditures, sell assets, seek additional equity or debt capital or restructure or refinance indebtedness or seek bankruptcy protection to facilitate a restructuring. Our ability to restructure or refinance indebtedness will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict business operations. The terms of existing or future debt or preferred equity arrangements may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on outstanding indebtedness on a timely basis could harm our ability to incur additional indebtedness. In the absence of sufficient cash flows and capital resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet debt service and other obligations. Our Credit Facility currently restricts our ability to dispose of assets and our use of the proceeds from such disposition in certain circumstances. We may not be able to consummate these dispositions, and the proceeds of any such disposition may not be adequate to meet any debt service obligations then due. These alternative measures may not be successful and may prevent us from meeting scheduled debt service obligations. Our level of indebtedness may increase and reduce our financial flexibility. We may incur significant indebtedness, whether through future debt issuances or by drawing down on the availability under our Credit Facility, in the future in order to make acquisitions or to develop our properties or for other general corporate purposes. Such indebtedness could affect our operations in several ways: • a significant portion of our cash flows could be used to service our indebtedness; • a high level of debt would increase our vulnerability to general adverse economic and industry conditions; • the covenants contained in the agreements governing our outstanding indebtedness limit our ability to borrow additional funds, dispose of assets, pay distributions on our common units and make certain investments; • a high level of debt may place us at a competitive disadvantage compared to our competitors that are less leveraged and therefore may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing; • our debt covenants may also affect our flexibility in planning for, and reacting to, changes in the economy and our industry; • a high level of debt may make it more likely that a reduction in our borrowing base following a periodic redetermination could require us to repay a significant portion of our then- outstanding bank borrowings; and • a high level of debt may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, or other general corporate purposes. A high level of indebtedness, if incurred in the future, increases the risk that we may default on our debt obligations. Our ability to meet our debt obligations and to reduce our level of indebtedness in such event depends on our future performance. General economic conditions, commodity prices, and financial, business, and other factors affect our operations and our future performance. Many of these factors are beyond our control. We may not be able to generate sufficient cash flows to pay the interest on our debt and future working capital, borrowings, or equity financing may not be available to pay or refinance such debt. Factors that will affect our ability to raise cash through an offering of our common units or a refinancing of our debt include financial market conditions (including any financial crisis), the value of our assets, and our performance at the time we need capital. Our drilling and production programs may not be able to obtain access to truck transportation, pipelines and storage facilities, natural gas gathering facilities, and other transportation, processing and refining facilities to market our oil, natural gas and NGL production, and our initiatives to expand our access to midstream and operational infrastructure may be unsuccessful. The marketing of oil, natural gas and NGL production depends in large part on the capacity and availability of trucks, pipelines and storage facilities, natural gas gathering systems and other transportation, processing and refining facilities. In order to market new or increased production, new facilities or expanded capacity on existing facilities may be required. Access to transportation, processing, and refining facilities, whether new or existing, is, in many respects, beyond our control. If these facilities are unavailable to us because we are unable to obtain services on commercially reasonable terms, the owners and operators of such facilities are unable to obtain permits for new or expanded capacity in compliance with environmental and other governmental or regulatory requirements or are delayed in obtaining such permits, or otherwise, we could be forced to shut in some production or delay or discontinue drilling plans and commercial production following a discovery of hydrocarbons. We rely (and expect to rely in the future) on facilities developed and owned by third parties in order to store, process, transmit and sell our oil, natural gas and NGL production. Increases in activity in our operating areas could, in the future, contribute to bottlenecks in processing and transportation that could negatively affect our results of operations, and these adverse effects could be disproportionately severe to us compared to our more geographically diverse competitors. As a result, our business, financial condition and results of operations could be adversely affected. We could experience periods of higher costs if commodity prices rise. These increases could reduce our profitability, cash flows and ability to complete development activities as planned. Historically, our capital and operating costs have risen during periods of increasing oil, natural gas and NGL prices. These cost increases result from a variety of factors beyond our control, such as increases in the cost of electricity, steel and other raw materials that we and our vendors rely upon; increased demand for experienced development crews and oil field equipment and services and materials as drilling activity increases; and increased taxes, which could restrict our ability to drill the wells and conduct the operations that we currently have planned. Any delay in the development of new wells or a significant increase in development costs could reduce our revenues and reduce our cash available for distribution to our unitholders. Decreased levels of drilling activity in the oil and natural gas industry in recent periods have led to declining costs of some drilling equipment, materials and supplies. However, such costs may rise faster than increases in our revenue if commodity prices rise, thereby negatively impacting our profitability, cash flows and ability to complete development activities as scheduled and on budget. This impact may be magnified to the extent that our ability to participate in the commodity price increases is limited by our derivative activities. We are highly dependent on the services of our senior management and the loss of senior management or technical personnel could adversely affect our operations. We depend on the services of our senior management and technical personnel. Our management team has **over 30** ~~an average of 32~~ years' experience in the oil and gas industry **on average** . There can be no assurance that we would be able to replace such members of management with comparable replacements or that such replacements would integrate well with our existing team. Further, the loss of the services of our senior management could have a material adverse effect on our business, financial condition and results of operations. In particular, the loss of the services of one or more members of our management team could disrupt our operations. We do not maintain, nor do we plan to obtain, " key person " life insurance policies on any of our employees. As a result, we are not insured against any losses resulting from the death of our key employees. Our continued success will depend, in part, on our ability to attract and retain experienced technical personnel, including geologists, engineers and other professionals. Large numbers of technical personnel in the oil and gas industry are approaching the normal retirement age of 65 or otherwise accepted an early retirement during the COVID- 19 pandemic. These and other factors may lead to a shortage of qualified, entry- level technical personnel and increased compensation costs. The foregoing factors may lead to additional competition from oil and gas companies attempting to meet their hiring needs. If a shortage of technical personnel materializes, companies in the oil and gas industry may be unable to hire adequate numbers of technical personnel to meet their needs, resulting in disruptions, increased costs of operations, financial difficulties and other adverse effects, and these circumstances may become more severe in the future and thereby cause a material adverse effect on our business. Past performance by our management team may not be indicative of future performance of an investment in us. Information regarding performance by, or businesses associated with, TXO ~~Energy~~ Partners and its affiliates is presented for informational purposes only. Past performance by TXO ~~Energy~~ Partners and its affiliates, including our management team, is not a guarantee of future performance. You should not rely on the historical record of TXO ~~Energy~~ Partners and its affiliates or our management team' s prior performance as indicative of our future performance or the returns we will, or are likely to, generate going forward. We are responsible for the decommissioning, abandonment, and reclamation costs for our facilities, which could decrease our cash available for distribution. We are responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of our facilities at the end of their economic life, the costs of which may be substantial. It is not possible to predict these costs with certainty since they will be a function of regulatory requirements at the time of decommissioning, abandonment and reclamation. We may, in the future, determine it prudent or be required by applicable laws or regulations to establish and fund one or more decommissioning, abandonment and reclamation reserve funds to provide for payment of future decommissioning, abandonment and reclamation costs, which could decrease our cash available for distribution. In addition, such reserves, if established, may not be sufficient to satisfy such future decommissioning, abandonment and reclamation costs and we will be responsible for the payment of the balance of such costs. Asset retirement obligations for our oil and gas assets and properties are estimates, and actual costs could vary significantly. We are required to record a liability for the discounted present value of our estimated asset retirement obligations to plug and abandon inactive wells and related assets and non- producing oil and gas properties in which we have a working interest. Such asset retirement obligations may include complete structural removal and / or restoration of the land. At December 31, ~~2022~~ **2023** , we had accrued asset retirement obligations of $ ~~126~~ **154** . ~~5~~ **0** million. Although management has used its best efforts to determine future asset retirement obligations, assumptions and estimates can be influenced by many factors beyond management' s control, including, but not limited to, changes in regulatory requirements, which may be more restrictive in the future, changes in costs for abandonment related services and technologies, which could increase or decrease based on supply and demand, and / or extreme weather conditions, such as hurricanes and lightning storms, which may cause structural or other damage to oil and natural gas assets and properties. Accordingly, our estimate of future asset retirement obligations could differ materially from actual costs that may be incurred. Our business could be negatively affected by security threats, including cybersecurity threats, and other disruptions. As an oil, natural gas and NGL producer, we 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 potential for such security threats has subjected our operations to increased risks that could have a material adverse effect on our business. In particular, our 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 will be sufficient to prevent security breaches from occurring. If any of these security breaches were to occur, they could lead to losses of sensitive information, critical infrastructure or capabilities essential to 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, phishing, ransomware, 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 lead to financial losses from remedial actions, loss of business or potential liability. Although we maintain insurance to protect against losses resulting from certain data protection breaches and cyber- attacks, our coverage for protecting against such risks may not be sufficient. In addition, certain cyber incidents, such as surveillance, may remain undetected for an extended period, and our systems and insurance coverage for protecting against such cybersecurity risks may be costly and may not be sufficient. **There can be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems and information.** As cyber- attackers become more sophisticated, we may be required to expend significant additional resources to continue to protect our business or remediate the damage from cyber- attacks. Furthermore, the continuing and evolving threat of cyber- attacks has resulted in increased regulatory focus on prevention, and we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. To the extent we face increased regulatory requirements, we may be required to expend significant additional resources to meet such requirements. We are subject to a number of privacy and data protection laws, rules and directives (collectively, data protection laws) relating to the processing of personal data. The regulatory environment surrounding data protection laws is uncertain. Varying jurisdictional requirements could increase the costs and complexity of compliance with such laws, and violations of applicable data protection laws can result in significant penalties. A determination that there have been violations of applicable data protection laws could expose us to significant damage awards, fines and other penalties that could materially harm our business and reputation. Any failure, or perceived failure, by us to comply with applicable data protection laws could result in proceedings or actions against us by governmental entities or others, subject us to significant fines, penalties, judgments and negative publicity, require us to change our business practices, increase the costs and complexity of compliance and adversely affect our business. As noted above, we are also subject to the possibility of security and privacy breaches, which themselves may result in a violation of these laws. Additionally, the acquisition of a company that is not in compliance with applicable data protection laws may result in a violation of these laws. Loss of our information and computer systems could adversely affect our business. We are dependent on our information systems and computer- based programs, including our well operations information, seismic data, electronic data processing and accounting data. If any of such programs or systems were to fail or create erroneous information in our hardware or software network infrastructure, possible consequences include our loss of communication links, an inability to find, produce, process and sell oil, natural gas and NGLs and an inability to automatically process commercial transactions or engage in similar automated or computerized business activities. Any such consequence could have a material adverse effect on our business. Our acquisition, development, optimization and exploitation projects require substantial capital expenditures. We may be unable to obtain required capital or financing on satisfactory terms, which could lead to a decline in our ability to access or grow production and reserves. The oil, natural gas and NGL industry is capital intensive. We make and expect to continue to make substantial capital expenditures for the acquisition, development, optimization and exploitation of oil and natural gas reserves. Funding sources for our capital expenditures have included proceeds from bank borrowings, cash from our partners and cash flow from operating activities. Our management has collectively invested more than $ 500 million in us since our inception. We expect that we will not be able to rely on our management or our partners for capital and will need to utilize the public equity or debt markets and bank financings to fund acquisitions and capital expenditures. We expect to fund our ~~2023~~ **2024** capital expenditures with cash generated by operations; however, our cash flows from operations and access to capital are subject to a number of variables, including: • our proved reserves; • the volume of hydrocarbons we are able to produce from existing wells; • the prices at which our production is sold; • our ability to acquire, locate and produce new reserves; • the extent and levels of our derivative activities; • the levels of our operating expenses; and • our ability to borrow under our Credit Facility. If our revenues or the borrowing base under our Credit Facility decrease as a result of lower oil, natural gas and NGL prices, operating difficulties, declines in reserves or for any other reason, we may have limited ability to obtain the capital necessary to sustain our operations and growth at current levels. If additional capital is needed, we may not be able to obtain debt or equity financing on terms acceptable to us, if at all. Even if we can obtain debt financing on terms acceptable to us, the issuance of additional indebtedness would require that a portion of our cash flows from operations be used for the payment of interest and principal on our indebtedness, thereby reducing our ability to use cash flows from operations to fund working capital, capital expenditures and acquisitions. Additionally, the market demand for equity issued by master limited partnerships has been significantly lower in recent years than it has been historically, which may make it more challenging for us to finance our capital expenditures with the issuance of additional equity. The issuance of additional equity securities may be dilutive to our unitholders. If cash flows generated by our operations are not sufficient to meet our capital requirements, the failure to obtain additional financing could result in a curtailment of our operations relating to development of our properties, which in turn could lead to a decline in our reserves and production, and would adversely affect our business, financial condition and results of operations. See " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources. " Continuing political and social concerns about the issues of climate change may result in changes to our business and significant expenditures, including litigation- related expenses. Increasing attention to global climate change has resulted in increased investor attention and an increased risk of public and private litigation, which could increase our costs or otherwise adversely affect our business. Governmental and other entities in various states, such as California and New York, have filed lawsuits against coal, gas oil and petroleum companies. These suits allege damages for contributions to, or failure to disclose the impact of, climate change, and the plaintiffs are seeking unspecified damages and abatement under various tort theories. Similar lawsuits may be filed in other jurisdictions both in the United States and globally. Though we are not currently a party to any such lawsuit, these suits present uncertainty regarding the extent to which companies engaged in oil and gas production face an increased risk of liability stemming from climate change, which risk would also adversely impact the oil and gas industry and impact demand for our services. The ultimate outcome and impact to us of any such litigation cannot be predicted with certainty, and we could incur substantial legal costs associated with defending any potential similar lawsuits in the future. See " Business and Properties — Regulation of GHG Emissions (Climate Change) " for a further description of the laws and regulations that affect us **. Separately, plaintiffs have also targeted various governments, arguing that their actions to- date on fossil fuel and / or climate policy violate human or other legal rights; to the extent such litigation is successful, it may result in additional legal restrictions on the production or consumption of fossil fuels, which may adversely impact our business** . Risks Related to Environmental and Regulatory Matters We are subject to stringent federal, state and local laws and regulations related to environmental and occupational health and safety issues that could adversely affect the cost or feasibility of conducting our operations or expose us to significant liabilities. Our operations are subject to numerous stringent federal, state and local laws and regulations governing occupational safety and health aspects of our operations, the discharge of materials into the environment and the protection of the environment and natural resources (including threatened and endangered species). These laws and regulations may impose numerous obligations applicable to our operations including the acquisition of a permit before conducting drilling and other regulated activities; the restriction of types, quantities and concentration of materials that may be released into the environment; the limitation or prohibition of drilling activities on certain lands lying within wilderness, wetlands and other protected areas; the application of specific health and safety criteria addressing worker protection; and the imposition of substantial liabilities for pollution resulting from our operations, and reclamation and restoration costs. Numerous governmental authorities, such as the U. S. Environmental Protection Agency (" EPA ") and analogous state agencies have the power to enforce compliance with these laws and regulations and the permits issued under them. Such enforcement actions often involve taking difficult and costly compliance measures or corrective actions. Failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil or criminal penalties, the imposition of investigatory or remedial obligations, and the issuance of orders limiting or prohibiting some or all of our operations. In addition, we may experience delays in obtaining or be unable to obtain required permits, which may delay or interrupt our operations or specific projects and limit our growth and revenue. There is inherent risk of incurring significant environmental costs and liabilities in the performance of our operations due to our handling of petroleum hydrocarbons and other hazardous substances and wastes, as a result of air emissions and wastewater discharges related to our operations, and because of historical operations and waste disposal practices at our leased and owned properties. Spills or other releases of regulated substances, including such spills and releases that occur in the future, could expose us to material losses, expenditures and liabilities under applicable environmental laws and regulations. Under certain of such laws and regulations, we could be subject to strict, joint and several liability for the removal or remediation of contamination, regardless of whether we were responsible for the release or contamination and even if our operations met previous standards in the industry at the time they were conducted. We may not be able to recover some or any of these costs from insurance. The trend in environmental regulation has been towards more stringent requirements, and any changes that result in more stringent or costly well drilling, construction, completion or water management activities, air emissions control or waste handling, storage, transport, disposal or cleanup requirements could require us to make significant expenditures to attain and maintain compliance and may otherwise have a material adverse effect on our results of operations, competitive position or financial condition. For example, in June 2016, the EPA finalized rules regarding criteria for aggregating multiple sites into a single source for air quality permitting purposes applicable to the oil and natural gas industry. This rule could cause small facilities on an aggregate basis, to be deemed a major source, thereby triggering more stringent air permitting requirements. In October 2015, the EPA issued a new lower National Ambient Air Quality Standard (“ NAAQS ”) for ground level ozone of 70 parts per billion. In 2017, the EPA designated certain counties in southeastern New Mexico and West Texas located in the Permian Basin attainment / unclassifiable for the 2015 ozone NAAQS. However, in June 2022, EPA announced that it is considering a discretionary redesignation for these counties based on current monitoring data and other air quality factors. If the Permian Basin counties in which we operate were redesignated as nonattainment areas, this could subject us to increased regulatory burdens in the form of more stringent emission controls, emission offset requirements and increased permitting delays and costs. The EPA has also imposed increasingly stringent performance standards on oil and gas operations. In 2016, the EPA issued regulations under NSPS OOOOa that require operators to reduce methane and volatile organic compound (“ VOC ”) emissions from new, modified and reconstructed crude oil and natural gas wells and equipment located at natural gas production gathering and booster stations, gas processing plants and natural gas transmission compressor stations. In ~~November~~ **December** ~~2021~~ **2023** , the EPA ~~proposed a~~ **announced finalized** ~~rule~~ **rules** ~~to further reduce~~ **establishing more stringent standards of performance for** methane ~~and VOC~~ emissions from ~~new and existing sources in the oil and natural gas sector. The proposed rule would establish standards of performance for~~ sources that commence construction, modification or reconstruction after the date the proposed rule was published in the Federal Register and ~~would establish~~ emissions guidelines, **to** ~~which will~~ inform state plans to establish **similar** standards for existing sources ~~. The EPA issued a supplemental proposed rule in November 2022 to update, strengthen and expand its November 2021 proposed rule. The supplemental proposed rule would impose more stringent requirements on the oil and natural gas industry, and is expected to be finalized in 2023~~ . The Bureau of Land Management (“ BLM ”) also issued a proposed rule in November 2022 to reduce the waste of natural gas from venting, flaring, and leaks during oil and gas production activities on federal and American Indian leases. State agencies have similarly imposed increasing restrictions on emissions from oil and gas operations. For example, in 2022, the New Mexico Environment Department adopted new regulations establishing emission reduction requirements for storage vessels, compressors, turbines, heaters, engines, dehydrators, pneumatic devices, produced water management units, and other equipment and processes. Compliance with these more stringent standards and other environmental regulations at the federal or state levels could delay or prohibit our ability to obtain permits for operations or require us to install additional pollution control equipment, the costs of which could be significant. See “ Business and Properties — Regulation of Environmental and Occupational Safety and Health Matters ” for a further description of the laws and regulations that affect us. Should we fail to comply with all applicable regulatory agency administered statutes, rules, regulations and orders, we could be subject to substantial penalties and fines. Under the Energy Policy Act of 2005 (“ EPAct 2005 ”), the Federal Energy Regulatory Commission (the “ FERC ”) has civil penalty authority under the Natural Gas Act of 1938 (“ NGA ”) to impose penalties for current violations of $ 1, ~~496~~ **544** , ~~035~~ **521** per violation per day. The FERC may also impose administrative and criminal remedies and disgorgement of profits associated with any violation. While our operations have not been regulated by FERC as a natural gas company under the NGA, FERC has adopted regulations that may subject certain of our otherwise non- FERC jurisdictional facilities to FERC annual reporting requirements. We also must comply with the anti- market manipulation rules enforced by FERC. Additional rules and regulations pertaining to those and other matters may be considered or adopted by FERC from time to time. Additionally, the Federal Trade Commission (“ FTC ”) has regulations intended to prohibit market manipulation in the petroleum industry with authority to fine violators of the regulations civil penalties of up to $ 1, 426, 319 per violation per day, and the Commodity Futures Trading Commission (“ CFTC ”) prohibits market manipulation in the markets regulated by the CFTC, including similar anti manipulation authority with respect to swaps and futures contracts as that granted to the CFTC with respect to oil purchases and sales. The CFTC rules subject violators to a civil penalty of up to the greater of $ 1, 404, 520 or triple the monetary gain to the person for each violation. Failure to comply with those regulations in the future could subject us to civil penalty liability, as described in “ Business — Regulation of the Oil and Natural Gas Industry. ” Our operations are subject to a series of risks arising out of the threat of climate change that could result in increased operating costs, limit the areas in which we may conduct oil, natural gas and NGL exploration and production activities, and reduce demand for the oil, natural gas and NGLs we produce. In the United States, no comprehensive climate change legislation has been implemented at the federal level. However, following the U. S. Supreme Court finding that greenhouse gas (“ GHG ”) emissions constitute a pollutant under the Clean Air Act (the “ CAA ”), the EPA has adopted regulations that, among other things, establish construction and operating permit reviews for emissions from certain large stationary sources, require the monitoring and annual reporting of GHG emissions from certain petroleum and natural gas system sources in the United States, and together with the Department of Transportation (the " DOT "), implement GHG emissions limits on vehicles manufactured for operation in the United States. The federal government has also increased regulation of methane from oil and gas facilities in recent years. For example, in 2016, the EPA issued regulations under NSPS OOOOa that require operators to reduce methane and VOC emissions from new, modified and reconstructed crude oil and natural gas wells and equipment located at natural gas production gathering and booster stations, gas processing plants and natural gas transmission compressor stations. In ~~November~~ **December** ~~2021~~ **2023** , the EPA **announced finalized rules** proposed a rule to further reduce methane and VOC emissions from new and existing sources in the oil and natural gas sector. The proposed rule would ~~establish~~ **establishing more stringent** standards of performance for sources that commence construction, modification or reconstruction after the date the proposed rule was published in the Federal Register and ~~would establish~~ emissions guidelines **to** ~~, which will~~ inform state plans to establish **similar** standards for existing sources ~~. The EPA issued a supplemental proposed rule in November 2022 to update, strengthen and expand its November 2021 proposed rule. The supplemental proposed rule would impose more stringent requirements on the oil and natural gas industry, and is expected to be finalized in 2023~~ . The BLM also issued a proposed rule in November 2022 to reduce the waste of natural gas from venting, flaring, and leaks during oil and gas production activities on federal and American Indian leases. If finalized, these increasingly stringent methane and VOC requirements on new facilities, or the application of new requirements to existing facilities, could result in additional restrictions on our operations and increased compliance costs, which could be significant. Additionally, the Inflation Reduction Act, **adopted** ~~recently passed by Congress and signed into law by President Biden~~ in 2022, imposes several new requirements on oil and gas operators, including a fee for leaks or venting of methane, starting at $ 900 per ton in 2024 and rising to $ 1, 500 per ton in and after 2026, from certain facilities. The act also appropriates significant federal funding for renewable energy initiatives **. In January 2024, EPA issued a proposed rule to implement the emissions charge with a proposed effective date in 2025 for reporting year 2024 emissions** . These developments may make it harder for the oil and gas industry to attract capital. Given the long- term trend toward increasing regulation, we expect there will be additional future federal GHG regulations of the oil and gas industry. Additionally, various states and groups of states have adopted or are considering adopting legislation, regulations or other regulatory initiatives that are focused on such areas as GHG cap and trade programs, carbon taxes, reporting and tracking programs, and restriction of emissions. For example, the New Mexico Oil Conservation Commission has adopted regulations to restrict the venting or flaring of methane from both upstream and midstream operations. Internationally, the United Nations- sponsored " Paris Agreement " requires member states to individually determine and submit non- binding emissions reduction targets every five years after 2020. President Biden has recommitted the United States to the Paris Agreement and, in April 2021, announced a goal of reducing the United States' emissions by 50- 52 % below 2005 levels by 2030. In November 2021, the international community gathered again in Glasgow at the 26th Conference to the Parties on the UN Framework Convention on Climate Change (" COP26 "), during which multiple announcements were made, including a call for parties to eliminate certain fossil fuel subsidies and pursue further action on non- CO2 GHGs. Relatedly, the United States and European Union jointly announced the launch of the " Global Methane Pledge, " which aims to cut global methane pollution at least 30 % by 2030 relative to 2020 levels, including " all feasible reductions " in the energy sector. **At** ~~While there were limited announcements at COP27~~ **COP28** , ~~which took place in November 2022 in Sharm- El Sheik, with respect to the reduction of fossil fuel use, there were negotiations on emissions reduction targets and reduction of fossil fuel use amongst~~ the international community **expanded on** ~~, and it is likely that~~ these ~~discussions will continue~~ **ambitions with an agreement to look** at ~~COP28~~ **transitioning away from fossil fuels, which may result in additional laws or regulations on the production or consumption of the fuels we produce** . The impact of these orders, pledges, agreements and any legislation or regulation promulgated to fulfill the United States' commitments under the **UNFCCC** ~~Paris Agreement~~ , ~~COP26,~~ **various COPs** or other international conventions cannot be predicted at this time. However, to the extent these developments result in new restrictions on oil and gas operations, increase operational costs, or otherwise reduce the demand for oil and gas, they could have a material adverse effect on our business. Governmental, scientific, and public concern over the threat of climate change arising from GHG emissions has resulted in increasing political risks in the United States, including climate change related pledges made by certain candidates elected to public office. President Biden has issued several executive orders focused on addressing climate change, including items that may impact our costs to produce, or demand for, oil and gas. Additionally, in November 2021, the Biden Administration released " The Long- Term Strategy of the United States: Pathways to Net- Zero Greenhouse Gas Emissions by 2050, " which establishes a roadmap to net zero emissions in the United States by 2050 through, among other things, improving energy efficiency; decarbonizing energy sources via electricity, hydrogen, and sustainable biofuels; and reducing non- CO2 GHG emissions, such as methane and nitrous oxide. **Additionally, in January 2024, the Biden administration announced a temporary pause on the U. S. Department of Energy' s (" DOE ") review of pending applications for authorization to export LNG to non- Free Trade Agreement countries until the DOE updates its underlying analyses for such decisions using more current data to account for considerations like potential energy cost increases for consumers and manufacturers or the latest assessment of the impact of GHG emissions. The temporary pause is not expected to affect LNG exports that have already been authorized. While this pause may not directly impact our exploration, production, and development activities, it may affect the demand for our products, which could have a material adverse effect on our business and financial position and impact our future business strategy.** The Biden Administration is also considering revisions to the leasing and permitting programs for oil and gas development on federal lands. Litigation risks are also increasing, as a number of entities have sought to bring suit against oil and natural gas companies in state or federal court, alleging, among other things, that such companies created public nuisances by producing fuels that contributed to climate change. Suits have also been brought against such companies under shareholder and consumer protection laws, alleging that companies have been aware of the adverse effects of climate change but failed to adequately disclose those impacts **. Litigation has also been brought against various governments, urging greater action on climate change; to the extent such suits are successful, it may result in further legal constraints on the production or consumption of the fuels we produce** . There are also increasing financial risks for fossil fuel producers as shareholders currently invested in fossil- fuel energy companies may elect in the future to shift some or all of their investments into other sectors. Institutional lenders who provide financing to fossil- fuel energy companies also have become more attentive to sustainable lending practices and some of them may elect not to provide funding for fossil fuel energy companies. For example, at COP26, the Glasgow Financial Alliance for Net Zero (" GFANZ ") announced that commitments from over 450 firms across 45 countries had resulted in over $ 130 trillion in capital committed to net zero goals. The various sub- alliances of GFANZ generally require participants to set short- term, sector- specific targets to transition their financing, investing, and / or underwriting activities to net zero emissions by 2050. There is also a risk that financial institutions will be required to adopt policies that have the effect of reducing the funding provided to the fossil fuel sector. Various U. S. financial regulators have announced that they are considering climate- related regulations and, separately, the Federal Reserve has joined the Network for Greening the Financial System, a consortium of financial regulators focused on addressing climate- related risks in the financial sector. In November 2021, the Federal Reserve issued a statement in support of the efforts of the NGFS to identify key issues and potential solutions for the climate- related challenges most relevant to central banks and supervisory authorities. Limitation of investments in and financings for fossil fuel energy companies could result in the restriction, delay or cancellation of drilling programs or development or production activities. Additionally, the SEC has proposed new rules relating to the disclosure of a range of climate- change- related physical and transition risks, data and opportunities. The proposed rule contains several new disclosure obligations, including (i) disclosure on an annual basis of a registrant' s scope 1 and scope 2 greenhouse gas emissions, (ii) third- party independent attestation of the same for accelerated and large accelerated filers, (iii) for some registrants, disclosure on an annual basis of a registrant' s scope 3 greenhouse gas emissions for accelerated and large accelerated filers, (iv) disclosure on how the board of directors and management oversee climate- related risks and certain climate- related governance items, (v) disclosure of information related to a registrant' s climate- related targets, goals and / or transitions plans and (vi) disclosure on whether and how climate- related events and transition activities impact line items above a threshold amount on a registrant' s consolidated financial statements, including the impact of the financial estimates and the assumptions used. **The SEC originally planned to issue a final rule by October 2022, but according to the SEC' s updated rulemaking agenda, a final rule is now expected to be issued in spring 2024.** While we would likely be subject to the longer proposed phase- in for the reporting requirements as an emerging growth company, we are currently assessing this rule and cannot predict the costs of implementation or any potential adverse impacts resulting from the rule should it be adopted as proposed; however, we expect these costs to be substantial. In addition, enhanced climate disclosure requirements could accelerate the trend of certain stakeholders and lenders restricting or seeking more stringent conditions with respect to their investments in certain carbon intensive sectors. The adoption and implementation of new or more stringent international, federal, regional or state legislation, regulations or other regulatory initiatives that impose more stringent standards for GHG emissions from the oil and natural gas sector or otherwise restrict the areas in which this sector may produce oil and natural gas or generate GHG emissions could result in increased costs of compliance or costs of consuming, and thereby reduce demand for, oil and natural gas. Additionally, international, federal, regional or state legislation, regulation or other initiatives could make alternative forms of energy more attractive in comparison to oil and natural gas, and thereby reduce demand for oil and natural gas. Moreover, political, litigation and financial risks may result in our restricting or cancelling production activities, incurring liability for infrastructure damages as a result of climatic changes, or having an impaired ability to continue to operate in an economic manner. One or more of these developments could have a material adverse effect on our business, financial condition and results of operations. **The physical climate change impacts, including increased frequency and severity of storms, severe and persistent drought conditions, winter storms, floods and other climatic events, may potentially have a large impact on our operations and financial results, and our customers' exploration and production operations. The potential impacts of climate change and climate change regulations are highly uncertain at this time, and thus we cannot currently anticipate or predict any material adverse effect of climate change- related matters on our consolidated financial condition, results of operations, or how our cash flows may be effected as a result of climate change and climate change regulations.** Increased attention to ESG matters and conservation measures may adversely impact our business. Increasing attention to climate change, societal expectations on companies to address climate change, investor and societal expectations regarding voluntary ESG initiatives and disclosures, and consumer demand for alternative forms of energy may result in increased costs, including, but not limited to, increased costs related to compliance, stakeholder engagement, contracting and insurance, reduced demand for our products, reduced profits, increased investigations and litigation, and negative impacts on the price of our common units and access to capital markets. Increasing attention to climate change and environmental conservation, for example, may result in demand shifts for oil and natural gas products and additional governmental investigations and private litigation against us or our operators. To the extent that societal pressures or political or other factors are involved, it is possible that such liability could be imposed without regard to our causation of or contribution to the asserted damage, or to other mitigating factors. ~~Moreover, while we may create and publish voluntary~~ **Voluntary** disclosures regarding ESG matters **, as well as any ESG disclosures mandated by law, could result** in **private litigation or government investigation or enforcement action regarding** the ~~future~~ **sufficiency or validity of such disclosures. In addition, failure or a perception (whether or not valid) of failure to implement ESG strategies or achieve ESG goals or commitments, including any GHG reduction or neutralization goals or commitments, could result in governmental investigations or enforcement, private litigation and damage our reputation, cause our investors or consumers to lose confidence in our Company, and negatively impact our operations. Moreover, while we may engage in various initiatives (such as policies, certifications, or disclosures) regarding ESG matters from time to time, such efforts may require us to incur costs and may not have the**

desired effect. For example, we note that methodologies for monitoring and reporting on various ESG matters, including GHG emissions, continue to evolve. Moreover , many of the statements in ~~those~~ **certain** voluntary disclosures may be on hypothetical expectations and assumptions that may or may not be representative of current or actual risks or events or forecasts of expected risks or events, including the costs associated therewith. Such expectations and assumptions are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of an established single approach to identifying and measuring many ESG matters. Such disclosures may also be partially reliant on third- party information that we have not or cannot independently verify. In addition, we expect there will likely be increasing levels of regulation, disclosure- related and otherwise, with respect to ESG matters, and increased regulation will likely to lead to increased compliance costs as well as scrutiny that could heighten all of the risks identified in this risk factor. In addition, organizations that voluntarily provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings and recent activism directed at shifting funding away from companies with fossil fuel energy- related assets could lead to increased negative investor sentiment toward us and our industry and to the diversion of investments to other industries, which could have a negative impact on our access to and costs of capital. Also, institutional lenders may decide not to provide funding for fossil fuel energy companies based on climate change related concerns, which could affect our access to capital for potential growth projects. Moreover, to the extent ESG matters negatively impact our reputation, we may not be able to compete as effectively to recruit or retain employees, which may adversely affect our operations. Such ESG matters may also impact our suppliers or customers, which may adversely impact our business, financial condition, or results of operations. We may face various risks associated with the long- term trend toward increased activism against oil and gas exploration and development activities. Opposition toward oil and gas drilling and development activity has been growing globally. Companies in the oil and gas industry are often the target of activist efforts from both individuals and non- governmental organizations regarding safety, environmental compliance and business practices. Anti-development activists are working to, among other things, reduce access to federal and state government lands and delay or cancel certain projects such as the development of oil and gas shale plays. For example, environmental activists continue to advocate for increased regulations or bans on shale drilling and hydraulic fracturing in the United States, even in jurisdictions that are among the most stringent in their regulation of the industry. Future activist efforts could result in the following: • delay or denial of drilling permits; • shortening of lease terms and reduction in lease size; • restrictions on installation or operation of production, gathering or processing facilities; • restrictions on the use of certain operating practices, such as hydraulic fracturing, or disposal of related waste materials, such as hydraulic fracking fluids and production; • increased severance and / or other taxes; • cyber- attacks; • legal challenges or lawsuits; • negative publicity about our business or the oil and gas industry in general; • increased costs of doing business; • reduction in demand for our products; and • other adverse effects on our ability to develop our properties and expand production. We may need to incur significant costs associated with responding to these initiatives, and there is no guarantee that our responses will have the intended results. Complying with any resulting additional legal or regulatory requirements that are substantial could have a material adverse effect on our business, financial condition, cash flows, results of operations and ability to pay distributions on our common units. Prolonged negative investor sentiment toward upstream natural gas and oil focused companies could limit our access to capital funding, which would constrain liquidity. Certain segments of the investor community have developed negative sentiment towards investing in our industry. Recent equity returns in the sector versus other sectors have led to lower natural gas and oil representation in certain key equity market indices. Some investors, including certain pension funds, private equity funds, university endowments and family foundations, have stated policies to reduce or eliminate their investments in the natural gas and oil sector based on social and environmental considerations. Certain other stakeholders have pressured commercial and investment banks to stop directly funding or raising capital for hydrocarbon extraction, transportation or refining. If this negative sentiment continues or worsens, it may reduce the availability of capital funding for potential development projects **or other strategic or operational purposes** , ~~each~~ **any** of which could have a material adverse effect our financial condition, results of operations, cash flows and ability to pay distributions on our common units. Conservation measures and technological advances could reduce demand for oil, natural gas and NGLs. Fuel conservation measures, alternative fuel requirements, increasing availability of, and consumer and industrial / commercial demand for, alternatives to oil, natural gas and NGLs (e. g., alternative energy sources) and products manufactured with, or powered by, non- oil and gas sources (e. g., electric vehicles and renewable residential and commercial power supplies), and technological advances in fuel economy and energy generation, transmission, storage and consumption of energy (e. g., wind, solar and hydrogen power, smart grid technology and battery technology), including incentives contained in the Inflation Reduction Act, could reduce demand for oil, natural gas and NGLs. The impact of the changing demand for oil and natural gas services and products may have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, our business could be impacted by other governmental initiatives to incentivize the conservation of energy or the use of alternative energy sources. For example, in November 2021, the Biden Administration released " The Long- Term Strategy of the United States: Pathways to Net- Zero Greenhouse Gas Emissions by 2050, " which establishes a roadmap to net zero emissions in the United States by 2050 through, among other things, improving energy efficiency; decarbonizing energy sources via electricity, hydrogen, and sustainable biofuels; and reducing non- CO2 GHG emissions, such as methane and nitrous oxide. Further, the U. S. Department of Transportation recently issued more stringent fuel economy standards. These initiatives or similar state or federal initiatives to reduce energy consumption or incentivize a shift away from fossil fuels could reduce demand for hydrocarbons and have a material adverse effect on our earnings, cash flows and financial condition. Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing as well as governmental reviews of such activities could result in increased costs and additional operating restrictions or delays in the completion of unconventional natural gas wells and adversely affect our production. Hydraulic fracturing is an important and common practice that is used to stimulate production of natural gas from dense subsurface rock formations. Hydraulic fracturing involves the injection of water, sand or alternative proppant and chemicals under pressure into targeted geological formations to fracture the surrounding rock and stimulate production. Nearly all of our operated wells are drilled conventionally; however, from time to time, a small percentage of our wells are horizontally completed. Hydraulic fracturing is typically regulated by state oil and natural gas commissions. However, several federal agencies have asserted regulatory authority over certain aspects of the process. For example, the EPA published final CAA regulations in 2012 and, more recently, in June 2016 governing CAA performance standards, including standards for the capture of air emissions released during oil and natural gas hydraulic fracturing, leak detection, and permitting and separately published in June 2016 an effluent limitation guideline final rule prohibiting the discharge of wastewater from onshore unconventional oil and natural gas extraction facilities to publicly owned wastewater treatment plants. In December 2016, the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources. The final report concluded that " water cycle " activities associated with hydraulic fracturing may impact drinking water resources under certain limited circumstances. To date, the EPA has taken no further action in response to the December 2016 report. In addition, the BLM finalized rules in March 2015 establishing stringent standards relating to hydraulic fracturing on federal and American Indian lands, including well casing and wastewater storage requirements and an obligation for exploration and production operators to disclose what chemicals they are using in fracturing activities. In December 2017, BLM issued a final rule repealing the 2015 hydraulic fracturing rule. The BLM' s rescission of the rule was challenged by several environmental groups and states in the United States District Court for the Northern District of California. The United States District Court for the Northern District of California upheld the BLM' s recission in a March 2020 decision. Additionally, from time to time, legislation has been introduced, but not enacted, in Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. Meanwhile, states have continued to regulate hydraulic fracturing. ~~In~~ **Additionally, from time to time, legislation has been introduced, but not enacted, in Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. At the state level, several states have adopted or are considering legal requirements that could impose more stringent permitting, disclosure and well construction requirements on hydraulic fracturing activities. Local governments also may seek to adopt ordinances within their jurisdictions regulating the time, place and manner of drilling activities in general or hydraulic fracturing activities in particular. State and federal regulatory agencies have also recently focused on a possible connection between the operation of injection wells used for natural gas and oil waste disposal and seismic activity. Increased regulation and attention given to induced seismicity could lead to greater opposition to, and litigation concerning, production or development activities utilizing hydraulic fracturing or injection wells for waste disposal, which could indirectly impact our business, financial condition and results of operations. We believe that we follow applicable standard industry practices and legal requirements for groundwater protection in our hydraulic fracturing activities. Nonetheless, in** the event that new federal, state or local legal restrictions relating to the hydraulic fracturing process are adopted in areas where we operate, we may incur additional costs to comply with such requirements when horizontally completing wells, which may be significant in nature, and also could become subject to additional permitting requirements and experience added delays or curtailment in the pursuit of exploration, development, or production activities, which could in turn have a material adverse effect on our business and results of operations. Restrictions on drilling activities intended to protect certain species of wildlife may adversely affect our ability to conduct drilling activities in areas where we operate. Oil and natural gas operations in our operating areas may be adversely affected by seasonal or permanent restrictions on drilling activities designed to protect various wildlife. Seasonal restrictions may limit our ability to operate in protected areas and can intensify competition for drilling rigs, equipment, services, supplies and qualified personnel, which may lead to periodic shortages when drilling is allowed. These constraints and the resulting shortages or high costs could delay our operations or materially increase our operating and capital costs. Permanent restrictions imposed to protect endangered species could prohibit drilling in certain areas or require the implementation of expensive mitigation measures. The designation of previously unprotected species in areas where we operate as threatened or endangered could cause us to incur increased costs arising from species protection measures or could result in limitations on our exploration and production activities that could have a material adverse impact on our ability to develop and produce our reserves. There is also increasing interest in nature- related matters beyond protected species, such as general biodiversity, which may similarly require us to incur costs or take other measures which may materially impact our business or operations. See " Business and Properties — Endangered Species and Migratory Birds Considerations " for a further description of the laws and regulations that affect us. The third parties on whom we rely for transportation services are subject to complex federal, state, tribal and local laws that could adversely affect the cost, manner or feasibility of conducting our business. The operations of the third parties on whom we rely for transportation services are subject to complex and stringent laws and regulations that require obtaining and maintaining numerous permits, approvals and certifications from various federal, state, tribal and local government authorities. These third parties may incur substantial costs in order to comply with existing laws and regulations. If existing laws and regulations governing such third- party services are revised or reinterpreted, or if new laws and regulations become applicable to their operations, these changes may affect the costs that we pay for such services. Similarly, a failure to comply with such laws and regulations by the third parties on whom we rely could have a material adverse effect on our business, financial condition, results of operations and ability to make distributions to our unitholders. Please read " Business and Properties — Environmental Matters and Regulation " and " Business and Properties — Regulation of the Oil and Natural Gas Industry " for a description of the laws and regulations that affect the third parties on whom we rely. Derivatives regulation could have an adverse effect on our ability to use derivative contracts to reduce the effect of commodity price, interest rate and other risks associated with our business. The Dodd- Frank Act, enacted on July 21, 2010, established federal oversight and regulation of the over the counter derivatives market and of entities, such as us, that participate in that market. The Dodd- Frank Act requires the CFTC and the SEC to promulgate rules and regulations implementing the Dodd- Frank Act. In its rulemaking under the Dodd- Frank Act, the CFTC has adopted rules that place limits on positions in certain core futures and equivalent swaps contracts for or linked to certain physical commodities, subject to exceptions for certain bona fide hedging transactions. These limitations could increase the costs to us of entering into, or lessen the availability of, derivative contracts to hedge or mitigate our exposure to volatility in oil, gas and NGL prices and other commercial risks affecting our business. The Dodd- Frank Act and CFTC rules will also require us, in connection with certain derivatives activities, to comply with clearing and trade execution requirements (or to qualify for an exemption to such requirements). In addition, the CFTC and certain banking regulators have recently adopted final rules establishing minimum margin requirements for uncleared swaps. Although we expect to qualify for the end user exception to the mandatory clearing, trade execution and margin requirements for swaps entered to hedge our commercial risks, the application of such requirements to other market participants, such as swap dealers, may change the cost and availability of the swaps that we use for hedging. In addition, if any of our swaps do not qualify for the commercial end user exception, posting of collateral could impact liquidity and reduce cash available to us for capital expenditures, therefore reducing our ability to execute hedges to reduce risk and protect cash flow. It is not possible at this time to predict with certainty the full effects of the Dodd- Frank Act and CFTC rules on us or the timing of such effects. The Dodd- Frank Act and any new regulations could significantly increase the cost of derivative contracts, materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks we encounter, and reduce our ability to monetize or restructure our existing derivative contracts. If we reduce our use of derivatives as a result of the Dodd- Frank Act and CFTC rules, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Finally, the Dodd- Frank Act was intended, in part, to reduce the volatility of natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to natural gas. Our revenues could therefore be adversely affected if a consequence of the Dodd- Frank Act and CFTC rules is to lower commodity prices. Any of these consequences could have a material and adverse effect on us, our financial condition or our results of operations. In addition, the European Union and other non- U. S. jurisdictions are implementing regulations with respect to the derivatives market. To the extent we transact with counterparties in foreign jurisdictions, we may become subject to such regulations, the impact of which is not clear at this time. We may be involved in legal proceedings that could result in substantial liabilities. Like many oil and natural gas companies, we are, from time to time, involved in various legal and other proceedings in the ordinary course of our business, such as title, royalty or contractual disputes, regulatory compliance matters and personal injury or property damage matters. Such legal proceedings are inherently uncertain and their results cannot be predicted. Regardless of the outcome, such proceedings could have an adverse impact on us because of legal costs, diversion of management and other personnel and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in liability, penalties or sanctions, as well as judgments, consent decrees or orders requiring a change in our business practices, which could materially and adversely affect our business, operating results and financial condition. Accruals for such liability, penalties or sanctions may be insufficient. Judgments and estimates to determine accruals or range of losses related to legal and other proceedings could change from one period to the next, and such changes could be material. We may incur substantial losses and be subject to substantial liability claims as a result of our operations. Additionally, we may not be insured for, or our insurance may be inadequate to protect us against, these risks. We are not insured against all risks. Losses and liabilities arising from uninsured and under insured events could materially and adversely affect our business, financial condition or results of operations. Our exploration and production activities are subject to all of the operating risks associated with drilling for and producing oil, natural gas and NGLs, including the possibility of: • environmental hazards, such as uncontrollable releases of oil, natural gas, brine, well fluids, toxic gas or other pollution into the environment, including groundwater, air and shoreline contamination; • abnormally pressured formations; • well blowouts; • mechanical difficulties, such as stuck oilfield drilling and service tools and casing collapses; • fires, explosions and ruptures of pipelines; • personal injuries and death; • natural disasters; and • terrorist attacks targeting oil and natural gas related facilities and infrastructure. Any of these risks could adversely affect our ability to conduct operations or result in substantial loss to us as a result of claims for: • injury or loss of life; • damage to and destruction of property, natural resources and equipment; • pollution and other environmental damage; • regulatory investigations and penalties; • suspension of our operations; and • repair and remediation costs. We may elect not to obtain insurance for any or all of these risks if we believe that the cost of available insurance is excessive relative to the risks presented. Moreover, insurance may not be available in the future at commercially reasonable costs and on commercially reasonable terms. Also, pollution and environmental risks generally are not fully insurable. The occurrence of an event that is not covered or fully covered by insurance and any delay in the payment of insurance proceeds for covered events could have a material adverse effect on our business, financial condition and results of operations. Limitation or restrictions on our ability to obtain **or dispose of** water may have an adverse effect on our operating results. Water is an essential component of shale oil and natural gas development during both the drilling and hydraulic fracturing processes. Our access to water to be used in these processes may be adversely affected due to reasons such as periods of extended drought, private, third party competition for water in localized areas or the implementation of local or state governmental programs to monitor or restrict the beneficial use of water subject to their jurisdiction for hydraulic fracturing to assure adequate local water supplies. In addition, treatment and disposal of water is becoming more highly regulated and restricted. Thus, our costs for obtaining and disposing of water could increase significantly. In addition, the use, treatment and disposal of water has become a focus of certain investors and other stakeholders who may seek to engage with us on this and other environmental matters, which may result in activism, negative reputational impacts, increased costs or other adverse effects on our business, results of operations and financial condition. Our inability to locate or contractually acquire and sustain the receipt of sufficient amounts of water could adversely impact our exploration and production operations and have a corresponding adverse effect on our business, results of operations and financial condition **. In addition, treatment and disposal of water is becoming more highly regulated and restricted. Thus, our costs for**

obtaining and disposing of water could increase significantly. In addition, the use, treatment and disposal of water has become a focus of certain investors and other stakeholders who may seek to engage with us on this and other environmental matters, which may result in activism, negative reputational impacts, increased costs or other adverse effects on our business, results of operations and financial condition. Our operations could be impaired if we are unable to recycle or dispose of the water we produce in an economical and environmentally safe manner. The effects of climate change may also further exacerbate water scarcity in certain regions, including the areas in which we are active. If distinct weather events or gradual climatic processes were to require us to discontinue or curtail our operations, this could impair ability to economically produce our reserves and would have an adverse effect on our financial condition, results of operations and cash flows . Risks Inherent in an Investment in Us Our general partner and its affiliates own a controlling interest in us and will have conflicts of interest with, and owe limited duties to, us, which may permit them to favor their own interests to the detriment of us and our unitholders. Our general partner has control over all decisions related to our operations. Bob R. Simpson, our Chief Executive Officer and Chairman, Brent W. Clum, our President of Business Operations, Chief Financial Officer and Director, **and** Keith A. Hutton, our President of Production and Development and Director ~~, and Vaughn O. Vennerberg II, our former President,~~ (collectively, the " Founders ") own ~~all of~~ **a majority interest in** the membership interests in the sole member of our general partner ~~. The Founders also own an aggregate of approximately 26 % of our outstanding common units~~ . Although our general partner has a duty to manage us in a manner that is not adverse to the best interests of us and our unitholders, the executive officers and directors of our general partner also have a duty, in certain cases, to manage our general partner at the direction of MSOG, which is **majority-** owned **and controlled** by the Founders. As a result of these relationships, conflicts of interest may arise in the future between the Founders and their respective affiliates, including our general partner, on the one hand, and us and our unitholders, on the other hand. In resolving these conflicts of interest, our general partner may favor its own interests and the interests of its affiliates over the interests of us and our common unitholders. These conflicts include, among others, the following: • Our partnership agreement replaces the fiduciary duties that would otherwise be owed by our general partner with contractual standards governing its duties, limiting our general partner' s liabilities and restricting the remedies available to our unitholders for actions that, without the limitations, might constitute breaches of fiduciary duty; • Neither our partnership agreement nor any other agreement requires the Founders or their respective affiliates (other than our general partner) to pursue a business strategy that favors us; • The Founders and their affiliates are not limited in their ability to compete with us, including with respect to future acquisition opportunities, and are under no obligation to offer or sell assets to us; • Our general partner determines the amount and timing of our development operations and related capital expenditures, asset purchases and sales, borrowings, issuance of additional partnership interests, other investments, including investment capital expenditures in other partnerships with which our general partner is or may become affiliated, and cash reserves, each of which can affect the amount of cash that is distributed to unitholders; • Except in limited circumstances, our general partner has the power and authority to conduct our business without unitholder approval; • Our general partner determines which costs incurred by it and its affiliates are reimbursable by us; • Our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf; • Our general partner intends to limit its liability regarding our contractual and other obligations and, in some circumstances, is entitled to be indemnified by us; • Our general partner may exercise its limited right to call and purchase common units if it and its affiliates own more than 80 % of the common units; • Our general partner controls the enforcement of obligations owed to us by our general partner and its affiliates; and • Our general partner decides whether to retain separate counsel, accountants or others to perform services for us. Our partnership agreement does not restrict our Founders and their respective affiliates from competing with us. Certain of our directors and officers may in the future spend significant time serving, and may have significant duties with, investment partnerships or other private entities that compete with us in seeking out acquisitions and business opportunities and, accordingly, may have conflicts of interest in allocating time or pursuing business opportunities. Our partnership agreement provides that our general partner is restricted from engaging in any business activities other than acting as our general partner and those activities incidental to its ownership of interests in us. Affiliates of our general partner are not prohibited from owning projects or engaging in businesses that compete directly or indirectly with us. Similarly, our partnership agreement does not limit our Founders' or their respective affiliates' ability to compete with us and our Founders do not have any obligation to present business opportunities to us. In addition, certain of our officers and directors may in the future hold similar positions with investment partnerships or other private entities that are in the business of identifying and acquiring mineral and royalty interests. In such capacities, these individuals would likely devote significant time to such other businesses and would be compensated by such other businesses for the services rendered to them. The positions of these directors and officers may give rise to duties that are in conflict with duties owed to us. In addition, these individuals may become aware of business opportunities that may be appropriate for presentation to us as well as the other entities with which they are or may be affiliated. Due to these potential future affiliations, they may have duties to present potential business opportunities to those entities prior to presenting them to us, which could cause additional conflicts of interest. Our Founders and their respective affiliates will be under no obligation to make any acquisition opportunities available to us. Under the terms of our partnership agreement, the doctrine of corporate opportunity, or any analogous doctrine, does not apply to our general partner or any of its affiliates, including its executive officers and directors, our Founders and their respective affiliates. Any such person or entity that becomes aware of a potential transaction, agreement, arrangement or other matter that may be an opportunity for us will not have any duty to communicate or offer such opportunity to us. Any such person or entity will not be liable to us or to any limited partner for breach of any fiduciary duty or other duty by reason of the fact that such person or entity pursues or acquires such opportunity for itself, directs such opportunity to another person or entity or does not communicate such opportunity or information to us. This may create actual and potential conflicts of interest between us and affiliates of our general partner and result in less than favorable treatment of us and holders of our common units. Our partnership agreement requires that we distribute all of our available cash, which could limit our ability to grow our reserves and production and make acquisitions. Our partnership agreement provides that we distribute each quarter all of our available cash, which we define as cash on hand at the end of the each quarter, less reserves established by our general partner. As a result, we expect to rely primarily upon our cash reserves and external financing sources, including the issuance of additional common units and other partnership securities and borrowings under our Credit Facility, to fund future acquisitions and finance our growth. To the extent we are unable to finance growth with our cash reserves and external sources of capital, the requirement in our partnership agreement to distribute all of our available cash may impair our ability to grow. A number of factors will affect our ability to issue securities and borrow money to finance growth, as well as the costs of such financings, including: • general economic and market conditions, including interest rates, prevailing at the time we desire to issue securities or borrow funds; • conditions in the oil and gas industry; • the market price of, and demand for, our common units; • our results of operations and financial condition; and • prices for oil, natural gas and NGLs. In addition, because we distribute all of our available cash, our growth may not be as fast as that of businesses that reinvest their available cash to expand ongoing operations. To the extent we issue additional units in connection with any acquisitions or expansion capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level. There are no limitations in our partnership agreement or our Credit Facility on our ability to issue additional units, including units ranking senior to the common units. The incurrence of additional commercial borrowings or other debt to finance our growth strategy would result in increased interest expense, which, in turn, may impact the available cash that we have to distribute to our unitholders. Our partnership agreement replaces our general partner' s fiduciary duties to us and our unitholders with contractual standards governing its duties, and restricts the remedies available to unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty. Our partnership agreement contains provisions that eliminate the fiduciary standards to which our general partner would otherwise be held by state fiduciary duty law and replaces those duties with different contractual standards. For example, our partnership agreement provides that: • whenever our general partner (acting in its capacity as our general partner), the Board or any committee thereof (including the conflicts committee) makes a determination or takes, or declines to take, any other action in their respective capacities, our general partner, the Board and any committee thereof (including the conflicts committee), as applicable, is required to make such determination, or take or decline to take such other action, in good faith, meaning that it subjectively believed that the decision was not adverse to our best interests, and, except as specifically provided by our partnership agreement, will not be subject to any other or different standard imposed by our partnership agreement, Delaware law, or any other law, rule or regulation, or equitable principle; • our general partner may make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner, free of any duties to us and our unitholders other than the implied contractual covenant of good faith and fair dealing, which means that a court will enforce the reasonable expectations of the partners at the time our partnership agreement was entered into where the language in the partnership agreement does not provide for a clear course of action. This provision entitles our general partner to consider only the interests and factors that it desires and relieves it of any duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or our limited partners. Examples of decisions that our general partner may make in its individual capacity include: • how to allocate corporate opportunities among us and its other affiliates; • whether to exercise its limited call right; • whether to seek approval of the resolution of a conflict of interest by the conflicts committee of the Board; • how to exercise its voting rights with respect to the units it owns; • whether to sell or otherwise dispose of any units or other partnership interests it owns; and • whether or not to consent to any merger or consolidation of the partnership or amendment to the partnership agreement. • our general partner will not have any liability to us or our unitholders for breach of any duty in connection with decisions made in its capacity as general partner so long as it acted in good faith (meaning that it subjectively believed that the decision was not adverse to our best interest); • our general partner and its officers and directors will not be liable for monetary damages to us, our limited partners or assignees for any acts or omissions unless there has been a final and non- appealable judgment entered by a court of competent jurisdiction determining that our general partner or its officers and directors acted in bad faith or engaged in intentional fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was criminal; and • our general partner will not be in breach of its obligations under the partnership agreement (including any duties to us or our unitholders) if a transaction with an affiliate or the resolution of a conflict of interest is: • approved by the conflicts committee of the Board, although our general partner is not obligated to seek such approval; • approved by the vote of a majority of the outstanding common units, excluding any common units owned by our general partner and its affiliates; • determined by the Board to be on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or • determined by the Board to be fair and reasonable to us, taking into account the totality of the relationships among the parties involved, including other transactions that may be particularly favorable or advantageous to us. In connection with a situation involving a transaction with an affiliate or a conflict of interest, any determination by our general partner or the conflicts committee must be made in good faith. If an affiliate transaction or the resolution of a conflict of interest is not approved by our common unitholders or the conflicts committee and the Board determines that the resolution or course of action taken with respect to the affiliate transaction or conflict of interest satisfies either of the standards set forth in the third and fourth sub- bullet points above, then it will be presumed that, in making its decision, the Board acted in good faith, and in any proceeding brought by or on behalf of any limited partner or the Partnership challenging such determination, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. Increases in interest rates could adversely impact our unit price and our ability to issue additional equity and incur debt. Interest rates on future credit facilities and debt offerings could be higher than current levels, causing our financing costs to increase. In addition, as with other yield- oriented securities, our unit price is impacted by the level of our cash distributions to our unitholders and implied distribution yield. This implied distribution yield is often used by investors to compare and rank similar yield- oriented securities for investment decision- making purposes. Therefore, changes in interest rates, either positive or negative, may affect the yield requirements of investors who invest in our common units, and a rising interest rate environment could have an adverse impact on our unit price and our ability to issue additional equity or incur debt. See " — Increased costs of capital could adversely affect our business. " Our general partner may amend our partnership agreement, as it determines necessary or advisable, to permit the general partner to redeem the units of certain non- citizen unitholders. Our general partner may amend our partnership agreement, as it determines necessary or advisable, to obtain proof of the U. S. federal income tax status and / or the nationality, citizenship or other related status of our limited partners (and their owners, to the extent relevant) and to permit our general partner to redeem the units held by any person (i) whose nationality, citizenship or related status creates substantial risk of cancellation or forfeiture of any of our property and / or (ii) who fails to comply with the procedures established to obtain such proof. The redemption price in the case of such a redemption will be the average of the daily closing prices per unit for the 20 consecutive trading days immediately prior to the date set for redemption. Our unitholders have limited voting rights and are not entitled to elect our general partner or the Board, which could reduce the price at which our common units will trade. Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management' s decisions regarding our business. Our unitholders will have no right on an annual or ongoing basis to elect our general partner or its board of directors. The Board, including the independent directors, is chosen entirely by the Founders, as a result of their ownership of our general partner, and not by our unitholders. Unlike publicly traded corporations, we will not conduct annual meetings of our unitholders to elect directors or conduct other matters routinely conducted at annual meetings of stockholders of corporations. As a result of these limitations, the price at which the common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price. Our general partner has control over all decisions related to our operations. Since affiliates of our general partner (including the Founders) collectively own and control the voting of an aggregate of approximately ~~38~~ **37** % of our outstanding common units, the other unitholders will not have an ability to influence any operating decisions and will not be able to prevent us from entering into any transactions. However, our partnership agreement can generally be amended with the consent of our general partner and the approval of the holders of a majority of our outstanding common units (including common units held by the affiliates of our general partner (including the Founders)). Assuming we do not issue any additional common units and the affiliates of our general partner (including the Founders) do not transfer any of their common units, the affiliates of our general partner (including the Founders) will generally have the ability to significantly influence any amendment to our partnership agreement, including our policy to distribute all of our cash available for distribution to our unitholders. Furthermore, the goals and objectives of the affiliates of our general partner (including the Founders) that hold our common units relating to us may not be consistent with those of a majority of the other unitholders. Please read " — Our general partner and its affiliates own a controlling interest in us and will have conflicts of interest with, and owe limited duties to, us, which may permit them to favor their own interests to the detriment of us and our unitholders. " Even if our unitholders are dissatisfied, they ~~cannot~~ **are limited in their ability to** remove our general partner without its consent. The public unitholders will be ~~unable initially~~ **very limited in their ability** to remove our general partner without its consent because **the Founders** ~~affiliates of our general partner~~ own sufficient units to be able to ~~prevent~~ **strongly influence a vote with respect to** the removal of our general partner. The vote of the holders of at least 66 2 / 3 % of all outstanding units voting together as a single class is required to remove our general partner. **The** ~~Affiliates of our general partner (including the~~ Founders ~~)~~ own approximately ~~38~~ **26** % of our outstanding voting units ~~, which will enable those holders, collectively, to prevent the removal of our general partner~~ . Control of our general partner may be transferred to a third party without unitholder consent. Our general partner may transfer its general partner interest to a third party without the consent of the unitholders. Furthermore, our partnership agreement does not restrict the ability of the Founders, who **majority-** own **and control** MSOG, which wholly owns our general partner, from transferring all or a portion of their ownership interests in MSOG (or from causing MSOG to transfer all or a portion of its ownership interest in our general partner) to a third party. The new owner of our general partner would then be in a position to replace the Board and officers of our general partner with their own choices and thereby influence the decisions made by the Board and officers. We may issue an unlimited number of additional units, including units that are senior to the common units, without unitholder approval. Our partnership agreement does not limit the number of additional common units that we may issue at any time without the approval of our unitholders. In addition, we may issue an unlimited number of units that are senior to the common units in right of distribution, liquidation and voting. The issuance by us of additional common units or other equity interests of equal or senior rank will have the following effects: • our unitholders' proportionate ownership interest in us will decrease; • the amount of cash available for distribution on each unit may decrease; • the ratio of taxable income to distributions may increase; • the relative voting strength of each previously outstanding unit may be diminished; and • the market price of our common units may decline. Our partnership agreement restricts the voting rights of unitholders owning 20 % or more of our common units. Our partnership agreement restricts unitholders' limited voting rights by providing that any common units held by a person, entity or group owning 20 % or more of any class of common units then outstanding, other than our general partner, its affiliates, their transferees and persons who acquired such common units with the prior approval of the Board, cannot vote on any matter. Our partnership agreement also contains provisions limiting the ability of common unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the ability of our common unitholders to influence the manner or direction of management. Affiliates of our general partner may sell common units in the public markets, which sales could have an adverse impact on the trading price of the common units. Affiliates of our general partner (including the Founders) own 11, ~~572~~ **470** , ~~649~~ **901** common units, or approximately ~~38~~ **37** % of our limited partner interest. Under our partnership agreement, we have agreed to register for resale under the Securities Act and applicable state securities laws any common units or other partnership interests proposed to be sold by our general partner or any of its affiliates, which includes the Founders. The sale of these units in the public markets could have an adverse impact on the price of the common units or on any trading market that may develop. Our general partner has a limited call right that may require you to sell your common units at an undesirable time or price. If at any time our general partner and its affiliates own more than 80 % of the then outstanding common units, our general partner will have the right, but not the obligation, which it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price that is not less than their then- current market price, as calculated pursuant to the terms of our partnership agreement. As a result, you may be required to sell your common units at an undesirable time or price and may not receive any return on your investment. You may also incur a tax liability upon a sale of your common units. Our general partner is not obligated to obtain a fairness opinion regarding the value of the common units to be repurchased by it upon exercise of the limited call right. There is no restriction in our partnership agreement that prevents our general partner from causing us to issue additional common units and then exercising its call right. If our general partner exercises its limited call right, the effect would be to take us private and, if the units were subsequently deregistered, we would no longer be subject to the reporting requirements of the Exchange Act. Affiliates of our general partner own approximately ~~38~~ **37** % of our common units. Our partnership agreement has designated the Court of Chancery of the State of Delaware as the exclusive forum for certain types of actions and proceedings that may be initiated by our unitholders which would limit our unitholders' ability to choose the judicial forum for disputes with us or our general partner or its directors, officers or other employees. Our partnership agreement provides that, with certain limited exceptions, the Court of Chancery of the State of Delaware (or, if such court does not have subject matter jurisdiction thereof, any other court in the State of Delaware with subject matter jurisdiction) will be the exclusive forum for any claims, suits, actions or proceedings (1) arising out of or relating in any way to our partnership agreement (including any claims, suits or actions to interpret, apply or enforce the provisions of our partnership agreement or the duties, obligations or liabilities among limited partners or of limited partners to us, or the rights or powers of, or restrictions on, the limited partners or us), (2) brought in a derivative manner on our behalf, (3) asserting a claim of breach of a duty owed by any director, officer or other employee of us or our general partner, or owed by our general partner, to us or the limited partners, (4) asserting a claim arising pursuant to any provision of the Delaware Revised Uniform Limited Partnership Act (the " Delaware Act ") or (5) asserting a claim against us governed by the internal affairs doctrine. The foregoing provision will not apply to any claims as to which the Court of Chancery determines that there is an indispensable party not subject to the jurisdiction of such court, which is rested in the exclusive jurisdiction of a court or forum other than such court (including claims arising under the Exchange Act), or for which such court does not have subject matter jurisdiction, or to any claims arising under the Securities Act and, unless we consent in writing to the selection of an alternative forum, the United States federal district courts will be the sole and exclusive forum for resolving any action asserting a claim arising under the Securities Act. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules or regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain such Securities Act claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, the partnership agreement provides that, unless we consent in writing to the selection of an alternative forum, United States federal district courts shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. There is uncertainty as to whether a court would enforce the forum provision with respect to claims under the federal securities laws. If a court were to find these provisions of our amended and restated agreement of limited partnership inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations. Our partnership agreement also provides that each limited partner waives the right to trial by jury in any such claim, suit, action or proceeding, including any claim under the U. S. federal securities laws, to the fullest extent permitted by applicable law. If a lawsuit is brought against us under our partnership agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have, including results that could be less favorable to the plaintiffs in any such action. No unitholder can waive compliance with respect to the U. S. federal securities laws and the rules and regulations promulgated thereunder. If the partnership or one of the partnership unitholders opposed a jury trial demand based on the waiver, the applicable court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with applicable state and federal laws. To our knowledge, the enforceability of a contractual pre- dispute jury trial waiver in connection with claims arising under the U. S. federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre- dispute jury trial waiver provision is generally enforceable, including under the laws of the State of Delaware, which govern our partnership agreement. By purchasing a common unit, a limited partner is irrevocably consenting to these limitations, provisions and obligations regarding claims, suits, actions or proceedings and submitting to the exclusive jurisdiction of the Court of Chancery of the State of Delaware (or such other court) in connection with any such claims, suits, actions or proceedings. These provisions may have the effect of discouraging lawsuits against us, our general partner and our general partner' s directors and officers. The NYSE does not require a publicly traded partnership like us to comply, and we do not intend to comply, with certain of its governance requirements generally applicable to corporations. Because we are a publicly traded partnership, the NYSE does not require us to have a majority of independent directors on our general partner' s board of directors or to establish a compensation committee or a nominating and corporate governance committee. Accordingly, unitholders will not have the same protections afforded to stockholders of certain corporations that are subject to all of the NYSE' s corporate governance requirements. Our unitholders' liability may not be limited if a court finds that unitholder action constitutes control of our business. A general partner of a Delaware limited partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner. Our partnership is organized under Delaware law and we conduct business in a number of other states. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the other states in which we do business. A unitholder could be liable for our obligations as if it was a general partner if: • a court or government agency determined that we were conducting business in a state but had not complied with that particular state' s partnership statute; or • a unitholder' s right to approve some amendments to our partnership agreement or to take other actions under our partnership agreement constitutes " control " of our business. Our unitholders may have liability to repay distributions that were wrongfully distributed to them. Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17- 607 of the Delaware Revised Uniform Limited Partnership Act, we may not make distributions to unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Liabilities to partners on account of their partnership interests and liabilities that are non- recourse to us are not counted for purposes of determining whether a distribution is permitted. Delaware law provides that for a period of three years from the date of an impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Liabilities to partners on account of their partnership interest and liabilities that are non- recourse to the partnership are not counted for purposes of determining whether a distribution is permitted. If our common unit price declines, our unitholders could lose a significant part of their investment. The market price of our common units is influenced by many factors, some of which are beyond our control. The market price of our common units could be subject to wide fluctuations in response to a number of factors, most of which we cannot control, including: • changes in commodity prices; • changes in securities analysts' recommendations and their estimates of our financial performance; • public reaction to our press releases, announcements and filings with the SEC; • fluctuations in broader securities market prices and volumes, particularly among securities of oil and natural gas companies and securities of publicly traded limited partnerships and limited liability companies; • changes in market valuations of similar companies; • departures of key personnel; • commencement of or involvement in litigation; • variations in our quarterly results of operations or those of other oil and natural gas companies; • variations in the amount of our quarterly cash distributions to our unitholders; • changes in tax law; • an election by our general partner to convert or restructure us as a taxable entity; • future issuances and sales of our common units; and • changes in general conditions in the U. S. economy, financial markets or the oil and natural gas industry. In recent years, the securities market has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to the operating performance of these companies. Future market fluctuations may result in a lower price of our common units. For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements that apply to other public companies, including those relating to auditing standards and disclosure about our executive compensation. The JOBS Act contains provisions that, among other things, relax certain reporting requirements for " emerging growth companies, " including certain requirements relating to auditing standards and compensation disclosure. We are classified as an emerging growth company. For as long as we are an emerging growth company, unlike other public companies, we will not be required to, among other things, (1) provide an auditor' s attestation report on management' s assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404 (b) of the Sarbanes- Oxley Act of 2002, (2) comply with any new requirements adopted by the Public Company Accounting Oversight Board (" PCAOB ") requiring mandatory audit firm rotation or a supplement to the auditor' s report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer, (3) comply with any new audit rules adopted by the PCAOB after April 5, 2012 unless the SEC determines otherwise or (4) provide certain disclosure regarding executive compensation required of larger public companies. Taking advantage of the longer phase- in periods for the adoption of new or revised financial accounting standards applicable to emerging growth companies may make our common units less attractive to investors. We have elected to take advantage of all of the reduced reporting requirements and exemptions available to emerging growth companies under the JOBS Act, including the longer phase- in periods for the adoption of new or revised financial accounting standards under Section 107 of the JOBS Act, until we are no longer an emerging growth company. If we were to subsequently elect instead to comply with these public company effective dates, such election would be irrevocable pursuant to Section 107 of the JOBS Act. Our election to use the phase- in periods permitted by this election may make it difficult to compare our financial statements to those of non- emerging growth companies and other emerging growth companies that have opted out of the longer phase- in periods under Section 107 of the JOBS Act and who will comply with new or revised financial accounting standards. We cannot predict if investors will find our common units less attractive because we elected to rely on these exemptions. If some investors find our common units less attractive as a result, there may be a less active trading market for our common units and our common unit price may be more volatile. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. If we fail to develop or maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential unitholders could lose confidence in our financial reporting, which would harm our business and the trading price of our units. Effective internal controls are necessary for us to provide reliable financial reports, prevent fraud and operate successfully as a public company. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. We cannot be certain that our efforts to develop and maintain our internal controls will be successful, that we will be able to maintain adequate controls over our financial processes and reporting in the future or that we will be able to comply with our obligations under Section 404 of the Sarbanes- Oxley Act of 2002. Any failure to develop or maintain effective internal controls, or difficulties encountered in implementing or improving our internal controls, could harm our operating results or cause us to fail to meet our reporting obligations. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our units. Our general partner may elect to convert or restructure us from a partnership to an entity taxable as a corporation for U. S. federal income tax purposes without unitholder consent. Under our partnership agreement, our general partner may, without unitholder approval, cause us to be treated as an entity taxable as a corporation or subject to entity- level taxation for U. S. federal income tax purposes, whether by election of the partnership or conversion of the partnership or by any other means or methods. In addition and as part of such determination, affiliates of our general partner may choose to retain their partnership interests in us and cause us to enter into a transaction in which our interests held by other persons are converted into or exchanged for interests in a new entity, taxable as a corporation or subject to entity- level taxation for U. S. federal purposes, whose sole assets are interests in us. The general partner may take any of the foregoing actions if it in good faith determines (meaning it subjectively believes) that such action is not adverse to our best interests. Any such event may be taxable or nontaxable to our unitholders, depending on the form of the transaction. The tax liability, if any, of a unitholder as a result of such an event may be material to such unitholder and may vary depending on the unitholder' s particular situation and may vary from the tax liability of us or of any affiliates of our general partner who choose to retain their partnership interests in us. Our general partner will have no duty or obligation to make any such determination or take any such actions, however, and may decline to do so free of any duty or obligation whatsoever to us or our limited partners, including any duty to act in a manner not adverse to the best interests of us or our limited partners. We incur increased costs as a result of being a publicly traded partnership. We have a limited history operating as a publicly traded partnership. As a publicly traded partnership, we incur significant legal, accounting and other expenses that we did not incur prior to our initial public offering. In addition, the Sarbanes- Oxley Act of 2002, as well as rules implemented by the SEC and the NYSE, require publicly traded entities to adopt various corporate governance practices that will further increase our costs. The amount of our expenses or reserves for expenses, including the costs of being a publicly traded partnership reduce the amount of cash we have for distribution to our unitholders. As a result, the amount of cash we have available for distribution to our unitholders is affected by the costs associated with being a public company. As a result of our initial public offering, we became subject to the public reporting requirements of the Exchange Act. These rules and regulations ~~has~~ **have** increased certain of our legal and financial compliance costs and made certain activities more time-consuming and costly. For example, as a result of becoming a publicly traded company, we are required to have at least three independent directors, create an audit committee and adopt policies regarding internal controls and disclosure controls and procedures, including the preparation of reports on internal controls over financial reporting. We also incur additional expense in order to obtain director and officer liability insurance. Because of the limitations in coverage for directors, it may be more difficult for us to attract and retain qualified persons to serve on the Board or as executive officers than it was prior to our initial public offering. If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our units or if our operating results do not meet their expectations, our unit price could decline. The trading market for our common units is influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our unit price or trading volume to decline. Moreover, if one or more of the analysts who cover our company downgrades our common units or if our operating results do not meet their expectations, our unit price could decline. Tax Risks to Common Unitholders Our tax treatment depends on our status as a partnership for federal income tax purposes, as well as our not being subject to a material amount of entity- level taxation by individual states. If the Internal Revenue Service (the " IRS ") were to treat us as a corporation for federal income tax purposes or if we were otherwise subject to a material amount of entity- level taxation, then cash available for distribution to our unitholders could be reduced. The anticipated after- tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for federal income tax purposes. Despite the fact that we are organized as a limited partnership under Delaware law, we will be treated as a corporation for federal income tax purposes unless we satisfy a " qualifying income " requirement. Based on our current operations, we believe we satisfy the qualifying income requirement. Failing to meet the qualifying income requirement or a change in current law could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity. We have not requested, and do not plan to request, a ruling from the IRS with respect to our classification as a partnership for federal income tax purposes. If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate and we would also likely pay additional state and local income taxes at varying rates. Distributions to our unitholders would generally be taxed again as corporate dividends, and no income, gains, losses or deductions would flow through to our unitholders. Because a tax would be imposed upon us as a corporation, the cash available for distribution to our unitholders could be reduced. Thus, treatment of us as a corporation could result in a reduction in the anticipated cash- flow and after- tax return to our unitholders, which would cause a reduction in the value of our common units. At the state level, several states have been evaluating ways to subject partnerships to entity- level taxation through the imposition of state income, franchise, capital, and other forms of business taxes, as well as subjecting nonresident partners to taxation through the imposition of withholding obligations and composite, combined, group, block, or similar filing obligations on nonresident partners receiving a distributive share of state " sourced " income. We currently own property or do business in New Mexico, Texas and Colorado, among other states. Imposition on us of any of these taxes in jurisdictions in which we own assets or conduct business or an increase in the existing tax rates could result in a reduction in the anticipated cash- flow and after- tax return to our unitholders, which would cause a reduction in the value of our common units. The tax treatment of publicly traded partnerships or an investment in our common units could be subject to potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis. The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units, may be modified by administrative, legislative or judicial interpretation. From time to time, members of Congress propose and consider substantive changes to the existing federal income tax laws that affect publicly traded partnerships or an investment in our common units, including elimination of partnership tax treatment for certain publicly traded partnerships. Any changes to federal income tax laws and interpretations thereof may or may not be applied retroactively and could make it more difficult or impossible for us to be treated as a partnership for federal income tax purposes or otherwise adversely affect our business, financial condition or results of operations. Any such changes or interpretations thereof could adversely impact the value of an investment in our common units. Certain U. S. federal income tax incentives currently available with respect to oil and natural gas exploration and production may be reduced or eliminated as a result of future legislation. In recent years, legislation has been proposed that would, if enacted, make significant changes to United States tax laws, including the reduction or elimination of certain key U. S. federal income tax incentives currently available to oil and natural gas exploration and production companies. These changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for oil and natural gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, and (iii) an extension of the amortization period for certain geological and geophysical expenditures. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes could become effective. The passage of any legislation as a result of these proposals or any other similar changes in U. S. federal income tax laws could eliminate or postpone certain tax deductions that are currently available with respect to oil and natural gas exploration and development, and any such change could increase the taxable income allocable to our unitholders and negatively impact the value of an investment in our units. We will prorate our items of income, gain, loss and deduction between transferors and transferees of our common units each month based upon the ownership of our common units on the first day of each month, instead of on the basis of the date a particular common unit is transferred. We will generally prorate our items of income, gain, loss and deduction between transferors and transferees of our common units each month based upon the ownership of the units on the first day of each month, instead of on the basis of the date a particular unit is transferred. Treasury Regulations allow a similar monthly simplifying convention, but such regulations do not specifically authorize all aspects of our proration method. If the IRS were to successfully challenge our proration method, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders. A successful IRS contest of the federal income tax positions we take may adversely impact the market for our common units and the cost of any IRS contest will reduce our cash available for distribution to unitholders. The IRS has made no determination as to our status as a partnership for U. S. federal income tax purposes. The IRS may adopt positions that differ from the positions we take, even positions taken with advice of counsel. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take and such positions may not ultimately be sustained. A court may not agree with some or all of the positions we take. As a result, any such contest with the IRS may materially and adversely impact the market for our common units and the price at which our common units trade. In addition, our costs of any contest with the IRS, principally legal, accounting and related fees, will be indirectly borne by our unitholders because the costs will reduce our cash available for distribution. If the IRS makes audit adjustments to our income tax returns, it (and some states) may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us, in which case we would pay the taxes directly to the IRS. If we bear such payment, our cash available for distribution to our unitholders might be substantially reduced. Pursuant to the Bipartisan Budget Act of 2015, if the IRS makes audit adjustments to our income tax returns, it (and some states) may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us. Our general partner would cause us to pay the taxes (including any applicable penalties and interest) directly to the IRS. As a result, our current unitholders may bear some or all of the tax liability resulting from such audit adjustment, even if such unitholders did not own common units in us during the tax year under audit. If, as a result of any such audit adjustment, we are required to make payments of taxes, penalties and interest, our cash available for distribution to our unitholders might be substantially reduced. Our unitholders may be required to pay taxes on their share of our income even if they do not receive any cash distributions from us. Because our unitholders will be treated as partners to whom we will allocate taxable income which could be different in amount from the cash that we distribute, our unitholders may be required to pay federal income taxes and, in some cases, state and local income taxes on their share of our taxable income, whether or not they receive any cash distributions from us. Our common unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the actual tax liability resulting from their share of our taxable income. Tax gains or losses on the disposition of our common units could be more or less than expected. If our unitholders sell their common units, they will recognize a gain or loss equal to the difference between the amount realized and their tax basis in those common units. Because distributions in excess of a unitholder' s allocable share of our net taxable income decrease the unitholder' s tax basis in the unitholder' s common units, the amount, if any, of such prior excess distributions with respect to the common units a unitholder sells will, in effect, become taxable income to the unitholder if the unitholder sells such common units at a price greater than the unitholder' s tax basis in those common units, even if the price received is less than the unitholder' s original cost. A substantial portion of the amount realized, whether or not representing gain, may be taxed as ordinary income due to potential recapture items such as depreciation, depletion, amortization and IDCs. In addition, because the amount realized may include a unitholder' s share of our nonrecourse liabilities, a unitholder that sells common units may incur a tax liability in excess of the amount of the cash received from the sale. Unitholders may be subject to limitation on their ability to deduct interest expense incurred by us. Our ability to deduct interest paid or accrued on indebtedness properly allocable to a trade or business (" business interest ") may be limited in certain circumstances. Should our ability to deduct business interest be limited, the amount of taxable income allocated to our unitholders in the taxable year in which the limitation is in effect may increase. However, in certain circumstances, a unitholder may be able to utilize a portion of a business interest deduction subject to this limitation in future taxable years. Prospective unitholders should consult their tax advisors regarding the impact of this business interest deduction limitation on an investment in our common units. Tax- exempt entities face unique tax issues from owning our common units that may result in adverse tax consequences to them. Investments in our common units by tax- exempt entities, such as individual retirement accounts (" IRAs ") or other retirement plans, and non- U. S. persons raise issues unique to them. For example, virtually all of our income allocated to unitholders who are organizations exempt from federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them. A tax- exempt entity with more than one unrelated trade or business (including by attribution from investment in a partnership such as ours) is required to compute the unrelated business taxable income of such tax- exempt entity separately with respect to each such trade or business (including for purposes of determining any net operating loss deduction). As a result, it may not be possible for tax- exempt entities to utilize losses from an investment in our partnership to offset unrelated business taxable income from another unrelated trade or business and vice versa. Tax- exempt entities should consult a tax advisor regarding the impact of these rules on an investment in our common units. Non- U. S. unitholders will be subject to U. S. taxes and withholding with respect to their income and gain from owning our common units. Non- U. S. unitholders are generally taxed and subject to income tax filing requirements by the United States on income effectively connected with a U. S. trade or business (" effectively connected income "). Income allocated to our unitholders and any gain from the sale of our common units will generally be considered to be " effectively connected " with a U. S. trade or business. As a result, distributions to a non- U. S. unitholder will be subject to withholding at the highest applicable effective tax rate and a non- U. S. unitholder who sells or otherwise disposes of a common unit will also be subject to U. S. federal income tax on the gain realized from the sale or disposition of that common unit. Moreover, upon the sale, exchange or other disposition of a common unit by a non- U. S. unitholder, the transferee is generally required to withhold 10 % of the amount realized on such sale, exchange or other disposition if any portion of the gain on such sale, exchange or other disposition would be treated as effectively connected with a U. S. trade or business. The U. S. Department of the Treasury and the IRS have issued final regulations providing guidance on the application of these rules for transfers of certain publicly traded partnership interests, including transfers of our common units. Under these regulations, the " amount realized " on a transfer of our common units will generally be the amount of gross proceeds paid to the broker effecting the applicable transfer on behalf of the transferor, and such broker will generally be responsible for the relevant withholding obligations. Distributions to non- U. S. unitholders may also be subject to additional withholding under these rules to the extent a portion of a distribution is attributable to an amount in excess of our cumulative net income that has not previously been distributed. The U. S. Department of the Treasury and the IRS have provided that these rules ~~will~~ generally ~~not~~ apply to transfers of our common units occurring ~~before~~ **on or after** January 1, 2023. Non- U. S. unitholders should consult their tax advisors regarding the impact of these rules on an investment in our common units. We will treat each purchaser of our common units as having the same tax benefits without regard to the common units purchased. The IRS may challenge this treatment, which could adversely affect the value of our common units. Because we cannot match transferors and transferees of common units, we will adopt depreciation, depletion and amortization positions that may not conform to all aspects of existing Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to a common unitholder. It also could affect the timing of these tax benefits or the amount of gain from a sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to the unitholder' s tax returns. Our common unitholders will likely be subject to state and local taxes and return filing requirements in states where they do not live as a result of an investment in our common units. In addition to federal income taxes, our common unitholders will likely be subject to other taxes, such as state and local income taxes, unincorporated business taxes and estate, inheritance or intangible taxes imposed by the various jurisdictions in which we do business or own property now or in the future, even if the unitholder does not live in any of those jurisdictions. Our common unitholders will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, our unitholders may be subject to penalties for failure to comply with those requirements. We currently own property or conduct business in New Mexico, Texas and Colorado, among other states. New Mexico and Colorado each impose a personal income tax. Texas does not currently impose a personal income tax on individuals, but it does impose an entity level tax (to which we will be subject) on corporations and other entities. As we make acquisitions or expand our business, we may control assets or conduct business in additional states that impose a personal or corporate income tax. It is the responsibility of each unitholder to file its own federal, state and local tax returns, as applicable. A unitholder whose common units are the subject of a securities loan (e. g., a loan to a " short seller " to cover a short sale of common units) may be considered as having disposed of those common units. If so, the unitholder would no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan and may recognize gain or loss from the disposition. Because there are no specific rules governing the U. S. federal income tax consequence of loaning a partnership interest, a unitholder whose common units are the subject of a securities loan may be considered to have disposed of the loaned units. In that case, the unitholder may no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan, any of our income, gain, loss or deduction with respect to those common units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those common units could be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a securities loan are urged to consult a tax advisor to determine whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from lending their common units. We will adopt certain valuation methodologies in determining a unitholder' s allocations of income, gain, loss and deduction. The IRS may challenge these methods or the resulting allocations and such a challenge could adversely affect the value of our common units. In determining the items of income, gain, loss and deduction allocable to our unitholders, we must routinely determine the fair market value of our respective assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we will make fair market value estimates using a methodology based on the market value of our common units as a means to measure the fair market value of our respective assets. The IRS may challenge these valuation methods and the resulting allocations of income, gain, loss and deduction. A successful IRS challenge to these methods or allocations could adversely affect the amount, character and timing of taxable income or loss being allocated to our unitholders. It also could affect the amount of gain from our unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions.