Risk Factors Comparison 2024-03-26 to 2023-04-13 Form: 10-K

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An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below as well as the other information in this filing before deciding to invest in our company. Any of the risk factors described below could significantly and adversely affect our business, prospects, financial condition and results of operations. Additional risks and uncertainties not currently known or that are currently considered to be immaterial may also materially and adversely affect our business, prospects, financial condition and results of operations. As a result, the trading price or value of our common stock could be materially adversely affected, and you may lose all or part of your investment. Summary Risk Factors An investment in our securities involves a high degree of risk. You should carefully consider the risks summarized below. These risks include, but are not limited to, the following: ● our ability to obtain sufficient cash flow from operations, borrowing, and / or other sources to fully develop our undeveloped acreage positions; ● volatility in oil and natural gas prices, including declines in oil prices and / or natural gas prices, which would have a negative impact on operating cash flow and could require further ceiling test write- downs on our oil and natural gas assets; ● the possibility that the oil and natural gas industry may be subject to new adverse regulatory or legislative actions (including changes to existing tax rules and regulations and changes in environmental regulation); ● the general risks of exploration and development activities, including the failure to find oil and natural gas in sufficient commercial quantities to provide a reasonable return on investment; ● future oil and natural gas production rates, and / or the ultimate recoverability of reserves, falling below estimates; ● the ability to replace oil and natural gas reserves as they deplete from production; ● environmental risks; ● risks associated with our plan to develop additional operating capabilities, including the potential inability to recruit and retain personnel with the requisite skills and experience and liabilities we could assume or incur as an operator or to acquire operated properties or obtain operatorship of existing properties; ● availability of pipeline capacity and other means of transporting crude oil and natural gas production, and related midstream infrastructure and services; ● competition in leasing new acreage and for drilling programs with operating companies, resulting in less favorable terms or fewer opportunities being available; ● higher drilling and completion costs related to competition for drilling and completion services and shortages of labor and materials; ● disruptions resulting from unanticipated weather events, natural disasters, and public health crises and pandemics, such as the coronavirus, resulting in possible delays of drilling and completions and the interruption of anticipated production streams of hydrocarbons, which could impact expenses and revenues; ● our lack of effective disclosure controls and procedures and internal control over financial reporting; ● our ability to maintain the listing of our common stock on The Nasdaq Capital Market; ● dilution caused by new equity and / or debt offerings; ● our need for additional capital to complete future acquisitions, conduct our operations and fund our business, and our ability to obtain such necessary funding on favorable terms, if at all; ● the speculative nature of our oil and gas operations, and general risks associated with the exploration for, and production of oil and gas; including accidents, equipment failures or mechanical problems which may occur while drilling or completing wells or in production activities; operational hazards and unforeseen interruptions for which we may not be adequately insured; the threat and impact of terrorist attacks, cyber- attacks or similar hostilities; declining reserves and production; and losses or costs we may incur as a result of title deficiencies or environmental issues in the properties in which we invest, any one of which may adversely impact our operations; ● changes in the legal and regulatory environment governing the oil and natural gas industry, including new or amended environmental legislation or regulatory initiatives which could result in increased costs, additional operating restrictions, or delays, or have other adverse effects on us; ● improvements in or new discoveries of alternative energy technologies that could have a material adverse effect on our financial condition and results of operations; ● the fact that our officers and directors beneficially own a majority of our common stock and that their interests may be different from other stockholders; ● our dependence on the continued involvement of our present management; ● economic downturns and possible recessions caused thereby (including as a result of changes in inflation and interest rates or global conflicts, such as the current conflicts in Ukraine and Israel); ● the effects of global pandemics on our operations, properties, the market for oil and gas, and the demand for oil and gas; ● the need to write- down assets and / or shut- in wells, or our non- operated wells being shut- in by their operators; ● future litigation or governmental proceedings which could result in material adverse consequences, including judgments or settlements; ● anti- takeover effects of our governing documents and Delaware law; ● unanticipated down- hole mechanical problems, which could result in higher- than- expected drilling and completion expenses and / or the loss of the wellbore or a portion thereof; and ● Other risks disclosed below under " Risk Factors ". The following risk factors should be carefully considered in evaluating the information in this annual report on Form 10- K. Risks Related to the Oil and Natural Gas Industry and Our Business We may need additional capital to complete future acquisitions, conduct our operations, and fund our business, and our ability to obtain the necessary funding is uncertain. We may need to raise additional funding to complete future potential acquisitions and will be required to raise additional funds through public or private debt or equity financing or other various means to fund our operations and complete workovers and acquire assets. In such a case, adequate funds may not be available when needed or may not be available on favorable terms. If we need to raise additional funds in the future by issuing equity securities, dilution to existing stockholders will result, and such securities may have rights, preferences, and privileges senior to those of our common stock. If funding is insufficient at any time in the future and

we are unable to generate sufficient revenue from new business arrangements, to complete future acquisitions or operations, our results of operations and the value of our securities could be adversely affected. Additionally, due to the nature of oil and gas interests, i. e., that rates of production generally decline over time as oil and gas reserves are depleted, if we are unable to acquire additional properties and / or develop our reserves, either because we are unable to raise sufficient funding for such development activities, or otherwise, or in the event we are unable to acquire additional operated or non- operated properties, we believe that our revenues will continue to decline over time. Furthermore, in the event we are unable to raise additional required funding in the future, we will not be able to participate in the drilling of additional wells, will not be able to complete other drilling and / or workover activities. If this were to happen, we may be forced to scale back our business plan which could result in the value of our outstanding securities declining in value. Oil, natural gas liquids (NGL) and natural gas prices, are volatile and declines in the prices of such commodities have in the past, and will continue in the future to, adversely affect our business, financial condition or results of operations, and our ability to meet our capital expenditure obligations or targets and financial commitments. The price of oil and, to a lesser extent, natural gas and NGLs, heavily influences our revenue, profitability, cash flows, liquidity, access to capital, present value and quality of our reserves, the nature and scale of our operations, and our future rate of growth. Oil, NGL, and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. In recent years, the markets for oil and natural gas have been volatile. These markets will likely continue to be volatile in the future. Further, oil prices and natural gas prices do not necessarily fluctuate in direct relation to each other. The price of crude oil has experienced significant volatility over the last five years, with the price of a barrel of oil dropping below $ 20 during the early part of 2020, due in part to reduced global demand stemming from the global COVID- 19 outbreak, and **then** ~~most recently~~ surging over $ 125 a barrel in early March 2022 following Russia' s invasion of Ukraine, before more recently trading around $ 70- $ 80 a barrel. A prolonged period of low market prices for oil and natural gas, or further declines in the market prices for oil and natural gas, will likely result in capital expenditures being further curtailed and will adversely affect our business, financial condition and liquidity. Additionally, lower oil and natural gas prices have, and may in the future, cause, a decline in our stock price. The below table highlights the recent volatility in oil and gas prices by summarizing the high and low daily NYMEX WTI oil spot price and daily NYMEX natural gas Henry Hub spot price for the periods presented: Daily NYMEX WTI **Daily NYMEX natural** oil spot price (per Bbl) ~~Daily NYMEX natural~~ gas Henry Hub spot price (per MMBtu) High Low High Low Year ended December 31, 2019 $ 66. 24 $ 46. 31 $ 4. 25 $ 1. 75 Year ended December 31, 2020 $ 63. 27 $ (36. 98) $ 3. 14 $ 1. 33 Year ended December 31, 2021 $ 85. 64 $ 47. 47 $ 23. 86 $ 2. 43 Year ended December 31, 2022 $ 123. 64 $ 71. 05 $ 9. 85 $ 3. 46 **Year ended December 31, 2023 $ 93. 67 $ 66. 61 $ 3. 78 $ 1. 74** Quarter ended March 31, ~~2023~~ **2024** (through February ~~28~~ **29** , ~~2023~~ **2024**) $ ~~81~~ **79. 80 $ 70** . 62 $ ~~72~~ **13** . ~~82~~ **20** $ ~~3~~ **1** . **50** ~~78 $ 2. 07~~ Declines in the prices we receive for our oil and natural gas can also adversely affect our ability to finance capital expenditures, make acquisitions, raise capital and satisfy our financial obligations. In addition, declines in prices can reduce the amount of oil and natural gas that we can produce economically and the estimated future cash flow from that production and, as a result, adversely affect the quantity and present value of our proved reserves. Among other things, a reduction in the amount or present value of our reserves can limit the capital available to us, and the availability of other sources of capital likely will be based to a significant degree on the estimated quantity and value of the reserves. As described above, oil, NGLs, and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the commodities market has been volatile. An extended period of continued lower oil prices, or additional price declines, will have further adverse effects on us. The prices we receive for any future production and the prices received from operators of our non- operated production, and the levels of such production, will continue to depend on numerous factors, including the following: ● the domestic and foreign supply of oil, NGLs, and natural gas; ● the domestic and foreign demand for oil, NGLs, and natural gas; ● the prices and availability of competitors' supplies of oil, NGLs, and natural gas; ● the actions of the Organization of Petroleum Exporting Countries, or OPEC, and state- controlled oil companies relating to oil price and production controls; ● the price and quantity of foreign imports of oil, NGLs, and natural gas; ● the impact of U. S. dollar exchange rates on oil, NGLs, and natural gas prices and inflation; ● domestic and foreign governmental regulations and taxes; ● speculative trading of oil, NGLs, and natural gas futures contracts; ● localized supply and demand fundamentals, including the availability, proximity, and capacity of gathering and transportation systems for natural gas; ● the availability of refining capacity; ● the prices and availability of alternative fuel sources; ● the threat, or perceived threat, or results, of viral pandemics, for example, as previously experienced with the COVID- 19 pandemic; ● weather conditions and natural disasters; ● political conditions in or affecting oil, NGLs, and natural gas producing regions, including the Middle East and South America **,** and the ~~recent conflict~~ **conflicts** in Ukraine **and Israel** ; ● the continued threat of terrorism and the impact of military action and civil unrest; ● public pressure on, and legislative and regulatory interest within, federal, state, and local governments to stop, significantly limit, or regulate hydraulic fracturing activities; ● the level of global oil, NGL, and natural gas inventories and exploration and production activity; ● authorization of exports from the United States of liquefied natural gas; ● the impact of energy conservation efforts; ● technological advances affecting energy consumption; and ● overall worldwide economic conditions. Declines in oil, NGL, or natural gas prices will reduce not only our revenue but also the amount of oil, NGL, and natural gas that we, and the operators of our properties, can produce economically. Should natural gas, NGL **,** or oil prices decline in the future, our non- operated wells and / or any of our ~~own~~ **operated** wells, may be forced to be shut- in, and exploration and development plans for prospects and exploration or development activities may need to be postponed or abandoned. As a result, we may have to make substantial downward adjustments to our estimated proved reserves, each of which would have a material adverse effect on our business, financial condition, and results of operations. **Our business** ~~We have limited control over activities on properties we do not operate. We operate 86 % of our reserves as of December 31, 2022. The remaining 14 % represents working interests we own as a non- operator in a geographically~~ and ~~geologically diverse portfolio of oil- weighted prospects in varying stages of exploration~~

~~and development. As a result, our ability to exercise influence over the~~ operations **were previously** ~~of our non- operated properties or their associated costs is limited. Our dependence on the operators and other working interest owners of these projects and our limited ability to influence operations and associated costs or control the risks could materially and~~ adversely ~~affect~~ **affected** ~~the realization of our targeted returns on capital in drilling or acquisition activities. The success and timing of our drilling and development activities on properties operated by others therefore depends upon a number of factors, including: ● the operator' s expertise and financial resources; ● the rate of production of reserves, if any; ● approval of other participants in drilling wells; and ● selection of technology. Certain of our non- operated wells have previously been temporarily shut- in to preserve oil and gas reserves for production during a more favorable oil price environment, and our wells may again be shut- in, should market conditions significantly deteriorate. In early March 2020, there was a global outbreak of COVID- 19 that resulted in a drastic decline in global demand of certain mineral and energy products including crude oil. As a result of the lower demand caused~~ by the COVID- 19 pandemic **,** and **may be adversely affected by** ~~the~~ **other** ~~oversupply of crude~~ **similar outbreaks. As discussed above, due to the COVID- 19 pandemic and falling** oil ~~, spot~~ and ~~future~~ **gas** prices **,** ~~of crude oil fell to historic lows during the second quarter of 2020. Operators~~ **operators** in North Dakota' s Williston Basin (including the operators of our Williston Basin wells) responded by significantly decreasing drilling and completion activity and shutting in or curtailing production from a significant number of producing wells ~~. Operators' decisions on these matters are changing rapidly and it is difficult to predict the future effects on the Company' s business. Lower oil and natural gas prices not only decrease our revenues, but an extended decline in oil or gas prices may materially and adversely affect our future business, financial position, cash flows, results of operations, liquidity, and ability to finance planned capital expenditures. While our producing wells are shut- in, we do not generate revenues from such wells, and would need to use our cash on hand and funds we receive from borrowings and the sale of equity in order to pay our operating expenses. A continued period of low- priced oil may make it non- economical for our wells to operate~~ , which **had** ~~would have~~ a material adverse effect on our ~~operating results and the value of our assets. We cannot estimate the future price of oil, and as such cannot estimate, when our wells may again be shut- in by us or their third party operators. Our business and~~ operations **in** ~~have been adversely affected by the COVID- 19 pandemic, and may be adversely affected by other~~ -- **the region** ~~similar outbreaks~~ . **Future** ~~As a result of the COVID- 19 pandemic or other~~ adverse public health developments, including voluntary and mandatory quarantines, travel restrictions, and other restrictions, **could similarly have a material adverse effect on** our operations, and those of our subcontractors, customers, and suppliers, ~~have~~ and ~~experienced~~ **result in** delays or disruptions and **/ or** temporary suspensions of operations ~~. In addition, our financial condition and results of operations have been adversely affected by the COVID- 19 pandemic~~ . Other contagious diseases in the human population could have similar adverse effects. Declining general economic, business or industry conditions have, and will continue to have, a material adverse effect on our results of operations, liquidity, and financial condition, and are expected to continue having a material adverse effect for the foreseeable future. Concerns over global economic conditions, the threat of pandemic diseases and the results thereof, energy costs, geopolitical issues, ~~increasing~~ **changing** inflation and interest rates, the availability and cost of credit have contributed to increased economic uncertainty and diminished expectations for the global economy. These factors, combined with volatile prices of oil and natural gas, declining business and consumer confidence, and increased unemployment, may result in an economic slowdown and / or a recession, which could expand to a global depression. Concerns about global economic growth have had a significant adverse impact on global financial markets and commodity prices and are expected to continue having a material adverse effect for the foreseeable future. If the economic climate in the United States or abroad continues to deteriorate, demand for petroleum products could diminish, which could further impact the price at which our operators can sell oil, natural gas, and natural gas liquids, affect the ability of our vendors, suppliers and customers to continue operations, and ultimately adversely impact our results of operations, liquidity and financial condition to a greater extent than it has already. In addition, a decline in consumer confidence or changing patterns in the availability and use of disposable income by consumers can negatively affect the demand for oil and gas and as a result our results of operations. The Company' s operations could be disrupted by natural or human causes beyond its control. The Company' s operations are subject to disruption from natural or human causes beyond its control, including risks from hurricanes, severe storms, floods, **lightning strikes,** heat waves, other forms of severe weather, wildfires, ambient temperature increases, sea level rise, war, accidents, civil unrest, political events, fires, earthquakes, system failures, cyber threats, terrorist acts and epidemic or pandemic diseases such as the COVID- 19 pandemic, some of which may be impacted by climate change and any of which could result in suspension of operations or harm to people or the natural environment **. For example** , ~~any~~ **during the three months ended September 30, 2023, our oil and gas production decreased due to temporary and indefinite shut- ins due to lightning strikes and fires in the Mid- Content region. Any** of ~~which~~ **the above events** could have a **future** material adverse effect on the Company' s results of operations or financial condition. Economic uncertainty may affect our access to capital and / or increase the costs of such capital. Global economic conditions continue to be volatile and uncertain due to, among other things, consumer confidence in future economic conditions, fears of recession and trade wars, the price of energy, fluctuating interest rates **and inflation** , the availability and cost of consumer credit, the availability and timing of government stimulus programs, levels of unemployment ~~, increased inflation~~ , and tax rates. These conditions remain unpredictable and create uncertainties about our ability to raise capital in the future. In the event required capital becomes unavailable in the future, or more costly, it could have a material adverse effect on our business, results of operations, and financial condition **. We may enter into strategic transactions in the future which could result in a material change in our operations and / or a change of control. In the future, we or our majority stockholders, may enter into transactions with, or undertake transactions with, us or parties seeking to merge and / or acquire us and / or our operations. While neither we, nor our majority stockholders have entered into any such agreements or understandings to date, in the event that we or our majority stockholders do enter into such a transaction or transactions in the future, it could result in a change in our business focus, the acquisition of significant amounts of our outstanding common stock, the acquisition or sale of a material amount of**

assets, or a change in our majority stockholders. We and our majority stockholders have not entered into any agreements relating to any strategic transaction involving the Company as of the date of this filing and may never enter into such agreement (s) in the future. Any future strategic transaction involving the Company or its operations may have a material effect on our operations, cash flows, results of operations, prospects, plan of operations, the listing of our common stock on the Nasdaq Capital Market, our officers, directors and majority stockholders, and the value of our securities . The development of oil and natural gas properties involves substantial risks that may result in a total loss of investment. The business of exploring for, working over and developing natural gas and oil properties involves a high degree of business and financial risk, and thus a significant risk of loss of initial investment that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The cost and timing of drilling, workover completing and operating wells is often uncertain. Factors which can delay or prevent drilling or production, or otherwise impact expected results, include but are not limited to: ● unexpected drilling conditions; ● inability to obtain required permits from governmental authorities; ● inability to obtain, or limitations on, easements from landowners ~~; ● uncertainty regarding our operating partners' drilling schedules~~ ; ● high pressure or irregularities in geologic formations; ● equipment failures; ● title problems; ● fires, explosions, blowouts, cratering, pollution, spills and other environmental risks or accidents; ● changes in government regulations and issuance of local drilling restrictions or moratoria; ● adverse weather; ● reductions in commodity prices; ● pipeline ruptures; and ● unavailability or high cost of equipment, field services and labor. A productive well may become uneconomic in the event unusual quantities of water or other non- commercial substances are encountered in the well bore that impair or prevent production. We may participate in wells that are or become unproductive or, though productive, do not produce in economic quantities. In addition, even commercial wells can produce less, or have higher costs, than we projected. In addition, initial 24- hour or other limited- duration production rates announced regarding our oil and natural gas properties are not necessarily indicative of future production rates. Dry holes and other unsuccessful or uneconomic exploration, exploitation and development activities can adversely affect our cash flow, profitability and financial condition, and can adversely affect our reserves. The Williston Basin (Bakken and Three Forks shales) oil price differential and oil price differentials in other properties in Wyoming and Montana could have adverse impacts on our revenue. Generally, crude oil produced from the Bakken formation in North Dakota is high quality (36 to 44 degrees API (a measure of how heavy or light a petroleum liquid is compared to water), which is comparable to West Texas Intermediate Crude (" WTI "). During ~~2022~~ **2023** , our weighted average realized oil price in our Rockies region, which includes North Dakota, Montana and Wyoming was $ ~~88~~ **68** . ~~54~~ **84** , which due to transportation costs was approximately $ ~~6~~ **8** . ~~36~~ **80** per barrel less than the average WTI spot price for crude oil. This discount, or differential, may widen in the future, which would reduce the price we receive for our production. We may also be adversely affected by widening differentials in other areas of operation. Drilling and completion costs for the wells we drill in the Williston Basin are typically comparable to or higher than other areas where there is no price differential. This makes it more likely that a downturn in oil prices will result in a ceiling limitation write- down of our oil and natural gas properties. A widening of the differential would reduce the cash flow from our Williston Basin properties and adversely impact our ability to participate fully in drilling. Our production in other areas could also be affected by adverse changes in differentials. In addition, changes in differentials could make it more difficult for us to effectively hedge our exposure to changes in commodity prices ~~. Non- consent provisions could result in penalties and loss of revenues from wells. Our industry partners may elect to engage in drilling activities that we are unwilling or unable to participate in during 2023 and thereafter. Our exploration and development agreements contain customary industry non- consent provisions. Pursuant to these provisions, if a well is proposed to be drilled or completed but if a working interest owner elects not to participate, the resulting revenues (which otherwise would go to the non- participant) flow to the participants until the participating parties receive from 150 % to 300 % of the capital they provided to cover the non- participant' s share. In order to be in position to avoid non- consent penalties and to make opportunistic investments in new assets, we will continue to evaluate various options to obtain additional capital, including debt financing, sales of one or more producing or non- producing oil and natural gas assets and the issuance of shares of our common stock~~ . Unanticipated costs could require new capital that may not be available. The oil and natural gas business holds the potential opportunity for significant returns on investment, but achievement of such returns is subject to high risk. For example, initial results from one or more oil and natural gas programs could be marginal but warrant investing in more wells. Dry holes, over- budget exploration costs, low commodity prices, or any combination of these or other adverse factors, could result in production revenues falling below projections, thus adversely impacting cash expected to be available for a continued work program, and a reduction in cash available for investment in other programs. These types of events could require a reassessment of priorities and therefore potential re- allocations of existing capital and could also mandate obtaining new capital. There can be no assurance that we will be able to complete any financing transaction on acceptable terms. Competition may limit our opportunities in the oil and natural gas business. The oil and natural gas business is very competitive. We compete with many public and private exploration and development companies in finding investment opportunities. We also compete with oil and natural gas operators in acquiring acreage positions. Our principal competitors are small to mid- size companies with in- house petroleum exploration and drilling expertise. Many of our competitors possess and employ financial, technical and personnel resources substantially greater than ours. They also may be willing and able to pay more for oil and natural gas properties than our financial resources permit, and may be able to define, evaluate, bid for and purchase a greater number of properties. In addition, there is substantial competition in the oil and natural gas industry for investment capital, and we may not be able to compete successfully in raising additional capital if needed. Successful exploitation of shale formations is subject to risks related to horizontal drilling and completion techniques. Operations in shale formations in many cases involve utilizing the latest drilling and completion techniques in an effort to generate the highest possible cumulative recoveries and therefore generate the highest possible returns. Risks that are encountered while drilling include, but are not limited to, landing the well bore in the desired drilling zone, staying in the zone while drilling horizontally through the shale formation, running casing the entire length of the well bore (as applicable to the formation) and being able to run tools and other equipment consistently through the horizontal well bore. For wells that are hydraulically fractured, completion risks include, but are not limited to, being able to fracture stimulate the planned number of fracture stimulation stages, and successfully cleaning out the well bore after completion of the final fracture stimulation stage. Ultimately, the success of these latest drilling and completion techniques can only be evaluated over time as more wells are drilled and production profiles are established over a sufficient period of time. Costs for any individual well will vary due to a variety of factors. These wells are significantly more expensive than a typical onshore shallow conventional well. Accordingly, unsuccessful exploration or development activity affecting even a small number of wells could have a significant impact on our results of operations. Costs other than drilling and completion costs can also be significant for shale wells. If our access to oil and natural gas markets is restricted, it could negatively impact our production and revenues. Securing access to takeaway capacity may be particularly difficult in less developed areas of the Williston Basin and Montana and Wyoming. Market conditions or limited availability of satisfactory oil and natural gas transportation arrangements may hinder our access to oil and natural gas markets or delay our production. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and other midstream facilities. The ability to market our production depends in substantial part on the availability and capacity of gathering systems, pipelines, rail transportation and processing facilities owned and operated by third parties. In particular, access to adequate gathering systems or pipeline or rail takeaway capacity is limited in the Williston Basin and in Montana and Wyoming. In order to secure takeaway capacity and related services, we or our operating partners may be forced to enter into arrangements that are not as favorable to operators as those in other areas. If we are unable to replace reserves, we will not be able to sustain production. Our future operations depend on our ability to find, develop, and acquire crude oil, natural gas, and NGL reserves that are economically producible. Our properties produce crude oil, natural gas, and NGLs at a declining rate over time. In order to maintain current production rates, we must locate and develop or acquire new crude oil, natural gas, and NGL reserves to replace those being depleted by production. Without successful drilling or acquisition activities, our reserves and production will decline over time. In addition, competition for crude oil and natural gas properties is intense, and many of our competitors have financial, technical, human, and other resources necessary to evaluate and integrate acquisitions that are substantially greater than those available to us. As part of our growth strategy, we intend to make acquisitions. However, suitable acquisition candidates may not be available on terms and conditions we find acceptable, and acquisitions pose substantial risks to our business, financial condition and results of operations. In pursuing acquisitions, we compete with other companies, many of which have greater financial and other resources than we do. In the event we do complete an acquisition, its successful impact on our business will depend on a number of factors, many of which are beyond our control. These factors include the purchase price for the acquisition, future crude oil, natural gas, and NGL prices, the ability to reasonably estimate or assess the recoverable volumes of reserves, rates of future production and future net revenues attainable from reserves, future operating and capital costs, results of future exploration, exploitation, and development activities on the acquired properties, and future abandonment and possible future environmental or other liabilities. There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves, actual future production rates, and associated costs and potential liabilities with respect to prospective acquisition targets. Actual results may vary substantially from those assumed in the estimates. A customary review of subject properties will not necessarily reveal all existing or potential problems. Additionally, significant acquisitions can change the nature of our operations and business depending upon the character of the acquired properties if they have substantially different operating and geological characteristics or are in different geographic locations than our existing properties. To the extent that acquired properties are substantially different than our existing properties, our ability to efficiently realize the expected economic benefits of such transactions may be limited. If we are unable to integrate acquisitions successfully and realize anticipated economic, operational and other benefits in a timely manner, substantial costs and delays or other operational, technical or financial problems could result. Integrating acquired businesses and properties involves a number of special risks. These risks include the possibility that management may be distracted from regular business concerns by the need to integrate operations and systems and that unforeseen difficulties can arise in integrating operations and systems and in retaining and assimilating employees. Any of these or other similar risks could lead to potential adverse short-term or long- term effects on our operating results and may cause us to not be able to realize any or all of the anticipated benefits of the acquisitions. Many of our joint operating agreements contain provisions that may be subject to legal interpretation, including allocation of non- consent interests, complex payout calculations that impact the timing of reversionary interests, and the impact of joint interest audits. Substantially all of our oil and natural gas interests are subject to joint operating and similar agreements. Some of these agreements include payment provisions that are complex and subject to different interpretations and / or can be erroneously applied in particular situations. Joint interest audits are a normal process in our business to ensure that operators adhere to standard industry practices in the billing of costs and expenses related to our oil and natural gas properties. However, the ultimate resolution of joint interest audits can extend over a long period of time in which we attempt to recover excessive amounts charged by the operator. Joint interest audits result in incremental costs for the audit services and we can incur substantial amounts of legal fees to resolve disputes with the operators of our properties. ~~We have many non- operated drilling locations. Therefore, we will not be able to control the timing of exploration or development efforts, associated costs, or the rate of production of these non- operated assets. We do not currently operate the drilling prospects in South Texas we hold with industry partners. As a non- operator, our ability to exercise influence over the operations of the drilling programs is limited. In the usual case in the oil and natural gas industry, new work is proposed by the operator and often is approved by most of the non- operating parties. If the work is approved by the holders of a majority of the working interests, but we disagree with the proposal and do not (or are unable to) participate, we will forfeit our share of revenues from the well until the participants receive 150 % to 300 % of their investment. In some cases, we could lose all of our interest in the well. We would avoid a penalty of this kind only if a majority of the working interest owners agree with us and the proposal does not proceed.~~

~~The success and timing of our drilling and development activities on properties operated by others depend upon a number of factors outside of our control, including: ● the nature and timing of the operator' s drilling and other activities; ● the timing and amount of required capital expenditures; ● the operator' s geological and engineering expertise and financial resources; ● the approval of other participants in drilling wells; and ● the operator' s selection of suitable technology. The fact that our industry partners serve as operator makes it more difficult for us to predict future production, cash flows and liquidity needs. Our ability to grow our production and reserves depends on decisions by our partners to drill wells in which we have an interest, and they may elect to reduce or suspend the drilling of those wells.~~ Our estimated reserves are based on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or the relevant underlying assumptions will materially affect the quantity and present value of our reserves. Oil and natural gas reserve reports are prepared by independent consultants to provide estimates of the quantities of hydrocarbons that can be economically recovered from proved properties, utilizing commodity prices for a trailing 12- month period and taking into account expected capital, operating and other expenditures. These reports also provide estimates of the future net present value of the reserves, which we use for internal planning purposes and for testing the carrying value of the properties on our balance sheet. The reserve data included in this Report represents estimates only. Estimating quantities of, and future cash flows from, proved oil and natural gas reserves is a complex process and not an exact science. It requires interpretations of available technical data and various estimates, including estimates based upon assumptions relating to economic factors, such as future production costs; ad valorem, severance and excise taxes; availability of capital; estimates of required capital expenditures, workover and remedial costs; and the assumed effect of governmental regulation. The assumptions underlying our estimates of our proved reserves could prove to be inaccurate, and any significant inaccuracy could materially affect, among other things, future estimates of the reserves, the economically recoverable quantities of oil and natural gas attributable to the properties, the classifications of reserves based on risk of recovery, and estimates of our future net cash flows. At December 31, ~~2022~~ **2023** , 99 % of our estimated proved reserves were developed producing. Estimation of proved undeveloped reserves and proved developed non- producing reserves is almost always based on analogy to existing wells, volumetric analysis or probabilistic methods, in contrast to the performance data used to estimate producing reserves. Recovery of proved undeveloped reserves requires significant capital expenditures and successful drilling operations. You should not assume that the present values referred to in this report represent the current market value of our estimated oil and natural gas reserves. The timing and success of the production and the expenses related to the development of oil and natural gas properties, each of which is subject to numerous risks and uncertainties, will affect the timing and amount of actual future net cash flows from our proved reserves and their present value. In addition, our PV- 10 and standardized measure estimates are based on costs as of the date of the estimates and assume fixed commodity prices. Actual future prices and costs may be materially higher or lower than the prices and costs used in the estimate. Further, the use of a 10 % discount factor to calculate PV- 10 and standardized measure values may not necessarily represent the most appropriate discount factor given actual interest rates and risks to which our business or the oil and natural gas industry in general are subject. Our hedging activities have in the past and may in the future prevent us from benefiting fully from increases in oil and gas prices and may expose us to other risks, including counterparty risk. From time to time, we use derivative instruments, typically fixed- rate swaps and costless collars, to manage price risk underlying our oil and natural gas production. We have in the past, and to the extent that we continue to engage in hedging activities to protect ourselves against commodity price declines, we may in the future, be prevented from fully realizing the benefits of increases in oil and / or gas prices above the prices established by our hedging contracts. For example, ~~in January~~ **on September 12,** ~~2022~~ **2023** , the Company entered into **crude oil swap agreements, agreeing to pay the monthly average** NYMEX WTI ~~crude~~ **prices and receive fixed prices for the month of settlement. The contracts were for a total of 187, 620 barrels of** oil ~~commodity derivative contracts~~ **, extending from October 2023 through December 2024 with weighted average prices of $ 86. 64** for **the** ~~2022 and~~ 2023 **swaps** ~~production. The Company entered into commodity derivative collar contracts for a total of 210, 500 Bbls of crude oil from February 1, 2022 to December 31, 2022 with a floor of $ 65. 00~~ and ~~a ceiling of $ 89. 40 and 211, 500 Bbls of crude oil from January 1, 2023 to December 31, 2023 with a floor of $ 60. 00 and a ceiling of~~ $ 81. ~~04~~ **16 for the 2024 swaps** . For the years ended December 31, **2023 and** 2022 ~~and 2021~~ , we had a total net derivative **gains of $ 2. 9 million and** ~~loss~~ **losses** ~~on oil and gas contracts~~ of $ 5. 7 ~~million and $ 0. 3~~ million, respectively. See Note 7 Commodity Derivatives to the footnotes to the financial statements included herein under " Item 8. Financial Statements and Supplementary Data ". Our hedging activities may expose us to the risk of financial loss in certain circumstances, including instances in which the counterparties to our hedging contracts fail to perform under the contracts. Our hedges have in the past and may in the future result in losses and reduce the amount of revenue we would otherwise obtain upon the sale of **our** oil and **natural** gas **production** and may also ~~increase~~ **decrease** our margins and ~~decrease our~~ net revenues. Our actual future production may be significantly higher or lower than we estimate at the time we enter into derivative contracts for the relevant period. If the actual amount of production is higher than we estimated, we will have greater commodity price exposure than we intended. If the actual amount of production is lower than the notional amount that is subject to our derivative instruments, we might be forced to satisfy all or a portion of our derivative transactions without the benefit of the cash flow from our sale of the underlying physical commodity, resulting in a substantial diminution of our liquidity. As a result of these factors, our hedging activities may not be as effective as we intend in reducing the volatility of our cash flows, and in certain circumstances may actually increase the volatility of our cash flows. Derivative instruments also expose us to the risk of financial loss in some circumstances, including when: ● the counter- party to the derivative instrument defaults on its contract obligations; ● there is an increase in the differential between the underlying price in the derivative instrument and actual prices received ~~(as existed in 2021and 2022)~~ ; or ● the steps we take to monitor our derivative financial instruments do not detect and prevent transactions that are inconsistent with our risk management strategies. In addition, depending on the type of derivative arrangements we enter into, the agreements could limit the benefit we would receive from increases in oil prices. It cannot be assumed that the hedging transactions we have entered into, or will enter into, will adequately protect us from fluctuations in commodity prices. The Dodd- Frank Wall Street Reform and Consumer Protection Act (the " Dodd- Frank Act ") provides for statutory and regulatory requirements for derivative transactions, including crude oil and natural gas derivative transactions. Among other things, the Dodd- Frank Act provides for the creation of position limits for certain derivatives transactions, as well as requiring certain transactions to be cleared on exchanges for which cash collateral will be required. The Dodd- Frank Act requires the Commodities Futures and Trading Commission (the " CFTC "), the SEC and other regulators to promulgate rules and regulations implementing the Dodd- Frank Act. The CFTC has finalized other regulations implementing the Dodd- Frank Act' s provisions regarding trade reporting, margin, clearing and trade execution; however, some regulations remain to be finalized and it is not possible at this time to predict when the CFTC will adopt final rules. For example, the CFTC has re-proposed regulations setting position limits for certain futures and option contracts in the major energy markets and for swaps that are their economic equivalents. Certain bona fide hedging transactions are expected to be made exempt from these limits. Also, it is possible that under recently adopted margin rules, some registered swap dealers may require us to post initial and variation margins in connection with certain swaps not subject to central clearing. The Dodd- Frank Act and any additional implementing regulations could significantly increase the cost of some commodity derivative contracts (including through requirements to post collateral, which could adversely affect our available liquidity), materially alter the terms of some commodity derivative contracts, limit our ability to trade some derivatives to hedge risks, reduce the availability of some derivatives to protect against risks we encounter and reduce our ability to monetize or restructure our existing commodity derivative contracts. If we reduce our use of derivatives as a consequence, 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. Increased volatility may make us less attractive to certain types of investors. Finally, the Dodd- Frank Act was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. If the implementing regulations result in lower commodity prices, our revenues could be adversely affected. Any of these consequences could adversely affect our business, financial condition and results of operations. Increases in the differential between the ceiling value for oil and natural gas prices set forth in our commodity derivative contracts and commodity derivative collar contracts has in the past adversely affected ~~,~~ and is anticipated to continue to adversely affect our business, financial condition and results of operations. Our acreage must be drilled before lease expiration, generally within three to five years, in order to hold the acreage by production. In the highly competitive market for acreage, failure to drill sufficient wells in order to hold acreage will result in a substantial lease renewal cost, or if renewal is not feasible, the loss of our lease and prospective drilling opportunities. Unless production is established within the spacing units covering the undeveloped acres on which some of our potential drilling locations are identified, the leases for such acreage will expire. The cost to renew such leases may increase significantly, and we may not be able to renew such leases on commercially reasonable terms or at all. The risk that our leases may expire will generally increase when commodity prices fall, as lower prices may cause our operating partners to reduce the number of wells they drill. In addition, on certain portions of our acreage, third- party leases could become immediately effective if our leases expire. As such, our actual drilling activities may materially differ from our current expectations, which could adversely affect our business. Our producing properties are primarily located in North Dakota, Montana, Wyoming, New Mexico, Texas Oklahoma and Kansas, making us vulnerable to risks associated with having operations concentrated in these geographic areas. Because our operations are geographically concentrated in North Dakota, Montana, Wyoming, New Mexico, Texas, Oklahoma and Kansas the success and profitability of our operations may be disproportionally exposed to the effect of regional events. These include, among others, regulatory issues, natural disasters and fluctuations in the prices of crude oil and natural gas produced from wells in the region and other regional supply and demand factors, including gathering, pipeline and other transportation capacity constraints, available rigs, equipment, oil field services, supplies, labor and infrastructure capacity. Any of these events has the potential to cause producing wells to be shut- in, delay operations and growth plans, decrease cash flows, increase operating and capital costs and prevent development of lease inventory before expiration. In addition, our operations in North Dakota, Montana, Wyoming, New Mexico, Texas, Oklahoma and Kansas, may be adversely affected by seasonal weather and lease stipulations designed to protect wildlife, which can intensify competition for services, infrastructure and equipment during months when drilling is possible and may result in periodic shortages. Any of these risks could have a material adverse effect on our financial condition and results of operations. Insurance may be insufficient to cover future liabilities. Our business is currently focused on oil and natural gas exploration and development, and we also have potential exposure to general liability and property damage associated with the ownership of other corporate assets. We have obtained insurance policies for our oil and natural gas operations covering both operated and non- operated properties, as well as, policies covering corporate liabilities and damage to corporate assets. We would be liable for claims in excess of coverage and for any deductible provided for in the relevant policy. If uncovered liabilities are substantial, payment could adversely impact the Company' s cash on hand, resulting in possible curtailment of operations. Moreover, some liabilities are not insurable at a reasonable cost or at all. We are dependent upon information technology systems, which are subject to disruption, damage, failure and risks associated with implementation and integration. We are dependent upon information technology systems in the conduct of our operations. Our information technology systems are subject to disruption, damage or failure from a variety of sources, including, without limitation, computer viruses, security breaches, cyberattacks, natural disasters and defects in design. Cybersecurity incidents, in particular, are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and the corruption of data. Various measures have been implemented to manage our risks related to information technology systems and network disruptions. However, given the unpredictability of the timing, nature and scope of information technology disruptions, we could potentially be subject to operational delays, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of our systems and networks or financial losses from remedial actions, any of which could have a material adverse effect on our cash flows, competitive position, financial condition or results of operations. Improvements in or new discoveries of alternative energy technologies could have a material adverse effect on our financial condition and results of operations. Because our operations depend on the demand for oil and used oil, any improvement in or new discoveries of alternative energy technologies (such as wind, solar, geothermal, fuel cells and biofuels) that increase the use of alternative forms of energy and reduce the demand for oil, gas and oil and gas related products could have a material adverse impact on our business, financial condition and results of operations. Competition due to advances in renewable fuels may lessen the demand for our products and negatively impact our profitability. Alternatives to petroleum- based products and production methods are continually under development. For example, a number of automotive, industrial and power generation manufacturers are developing alternative clean power systems using fuel cells or clean- burning gaseous fuels that may address increasing worldwide energy costs, the long- term availability of petroleum reserves and environmental concerns, which if successful could lower the demand for oil and gas. If these non- petroleum- based products and oil alternatives continue to expand and gain broad acceptance such that the overall demand for oil and gas is decreased it could have an adverse effect on our operations and the value of our assets. Permitting requirements could delay our ability to start or continue our operations. Oil and natural gas projects are subject to extensive permitting requirements. Failure to timely obtain required permits to start operations at a project could cause delay and / or the failure of the project resulting in a potential write- off of the investments made. Negative public perception regarding us and / or our industry could have an adverse effect on our operations. Negative public perception regarding us and / or our industry resulting from, among other things, concerns raised by advocacy groups about hydraulic fracturing, waste disposal, oil spills, seismic activity, climate change, explosions of natural gas transmission lines and the development and operation of pipelines and other midstream facilities may lead to increased regulatory scrutiny, which may, in turn, lead to new state and federal safety and environmental laws, regulations, guidelines and enforcement interpretations. Additionally, environmental groups, landowners, local groups and other advocates may oppose our operations through organized protests, attempts to block or sabotage our operations or those of our midstream transportation providers, intervene in regulatory or administrative proceedings involving our assets or those of our midstream transportation providers, or file lawsuits or other actions designed to prevent, disrupt or delay the development or operation of our assets and business or those of our midstream transportation providers. These actions may cause operational delays or restrictions, increased operating costs, additional regulatory burdens and increased risk of litigation. Moreover, governmental authorities exercise considerable discretion in the timing and scope of permit issuance and the public may engage in the permitting process, including through intervention in the courts. Negative public perception could cause the permits we require to conduct our operations to be withheld, delayed or burdened by requirements that restrict our ability to profitably conduct our business. Recently, activists concerned about the potential effects of climate change have directed their attention towards sources of funding for fossil- fuel energy companies, which has resulted in certain financial institutions, funds and other sources of capital restricting or eliminating their investment in energy- related activities. Ultimately, this could make it more difficult to secure funding for exploration and production activities. Seasonal weather conditions adversely affect our ability to conduct drilling activities in some of the areas where we operate. Oil and natural gas operations in ~~the~~ North Dakota, Montana, Wyoming and the Texas Gulf Coast can be adversely affected by seasonal weather conditions. In North Dakota, Montana and Wyoming, drilling and other oil and natural gas activities sometimes cannot be conducted as effectively during the winter months, and this can materially increase our operating and capital costs. Texas Gulf Coast operations are also subject to the risk of adverse weather events, including hurricanes. Shortages of equipment, services and qualified personnel could reduce our cash flow and adversely affect results of operations. The demand for qualified and experienced field personnel to drill wells and conduct field operations, geologists, geophysicists, engineers and other professionals in the oil and natural gas industry can fluctuate significantly, often in correlation with oil and natural gas prices and activity levels in new regions, causing periodic shortages. These problems can be particularly severe in certain regions such as the Williston Basin and Texas. During periods of high oil and natural gas prices, the demand for drilling rigs and equipment tends to increase along with increased activity levels, and this may result in shortages of equipment. Higher oil and natural gas prices generally stimulate increased demand for equipment and services and subsequently often result in increased prices for drilling rigs, crews and associated supplies, oilfield equipment and services, and personnel in exploration, production and midstream operations. These types of shortages and subsequent price increases could significantly decrease our profit margin, cash flow and operating results and / or restrict or delay our ability to drill those wells and conduct those activities that we currently have planned and budgeted, causing us to miss our forecasts and projections. Our oil and natural gas reserves are estimated and may not reflect the actual volumes of oil and natural gas we will receive, and significant inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves. The process of estimating accumulations of oil and natural gas is complex and is not exact, due to numerous inherent uncertainties. The process relies on interpretations of available geological, geophysical, engineering, and production data. The extent, quality, and reliability of this technical data can vary. The process also requires certain economic assumptions related to, among other things, oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes, and availability of funds. The accuracy of a reserves estimate is a function of: ● the quality and quantity of available data; ● the interpretation of that data; ● the judgment of the persons preparing the estimate; and ● the accuracy of the assumptions. The accuracy of any estimates of proved reserves generally increases with the length of the production history. Due to the limited production history of our properties, the estimates of future production associated with these properties may be subject to greater variance to actual production than would be the case with properties having a longer production history. As our wells produce over time and more data is available, the estimated proved reserves will be re- determined on at least an annual basis and may be adjusted to reflect new information based upon our actual production history, results of exploration and development, prevailing oil and natural gas prices and other factors. Actual future production, oil, and natural gas prices, revenues, taxes, development expenditures, operating expenses, and quantities of recoverable oil and natural gas most likely will vary from our estimates. It is possible that future production declines in our wells may be greater than we have estimated. Any significant variance to our estimates could materially affect the quantities and present value of our reserves. We may purchase oil and natural gas properties with liabilities or risks that we did not know about or that we did not assess correctly, and, as a result, we could be subject to liabilities that could adversely affect our results of operations. Before acquiring oil and natural gas properties, we estimate the reserves, future oil and natural gas prices, operating costs, potential environmental liabilities, and other factors relating to the properties. However, our review involves many assumptions and estimates, and their accuracy is inherently uncertain. As a result, we may not discover all existing or potential problems associated with the properties we buy. We may not become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. We generally do not perform inspections on every well or property, and we may not be able to observe mechanical and environmental problems even when we conduct an inspection. The seller may not be willing or financially able to give us contractual protection against any identified problems, and we may decide to assume environmental and other liabilities in connection with the properties we acquire. If we acquire properties with risks or liabilities we did not know about or that we did not assess correctly, our business, financial condition, and results of operations could be adversely affected as we settle claims and incur cleanup costs related to these liabilities. The properties we acquired in 2022 may be subject to liabilities or risks that we did not know about or that we did not assess correctly, and, as a result, we could be subject to liabilities that could adversely affect our results of operations as a result of such acquisitions. ~~We may fail to realize the anticipated benefits of the acquisitions we completed in 2022 and may assume unanticipated liabilities. The success of our 2022 acquisitions will depend on, among other things, our ability to combine our assets and the acquired assets in a manner that realizes the various benefits, growth opportunities and synergies identified by combining our assets with the acquired assets. Achieving the anticipated benefits of the acquisition is subject to a number of risks and uncertainties. Completing the integration process may be more expensive than anticipated, and we cannot assure you that we will be able to affect the integration of these operations smoothly or efficiently or that the anticipated benefits of the purchase will be achieved.~~ Risks Related to Our Financial Statements We have written down, and may in the future be forced to further write- down, material portions of our assets due to low oil and natural gas prices **and other reasons** . The full cost method of accounting is used for oil and gas acquisition, exploration, development and production activities. Under the full cost method, all costs associated with the acquisition, exploration **,** and development of oil and natural gas properties are capitalized and accumulated in a country- wide cost center. This includes any internal costs that are directly related to development and exploration activities, but does not include any costs related to production, general corporate overhead **,** or similar activities. Proceeds received from disposals are credited against accumulated cost, except when the sale represents a significant disposal of reserves, in which case a gain or loss is recognized. The sum of net capitalized costs and estimated future development and dismantlement costs for each cost center is depleted on the equivalent unit- of- production method, based on proved oil and natural gas reserves. Excluded from amounts subject to depreciation, depletion **,** and amortization are costs associated with unevaluated properties. Under the full cost method, net capitalized costs are limited to the lower of (a) unamortized cost reduced by the related net deferred tax liability and asset retirement obligations, and (b) the cost center ceiling. The cost center ceiling is defined as the sum of (i) estimated future net revenue, discounted at 10 % per annum, from proved reserves, based on unescalated costs, adjusted for contract provisions, any financial derivatives qualifying as accounting hedges and asset retirement obligations, and unescalated oil and natural gas prices during the period, (ii) the cost of properties not being amortized, and (iii) the lower of cost or market value of unproved properties included in the cost being amortized, less ~~(iv)~~ income tax effects related to tax assets directly attributable to the natural gas and crude oil properties. If the net book value reduced by the related net deferred income tax liability and asset retirement obligations exceeds the cost center ceiling limitation, a non- cash impairment charge is required in the period in which the impairment occurs. We perform a quarterly ceiling test for our only oil and natural gas cost center, which is the United States. During 2022 ~~and 2021,~~ we did not record **a** ~~ceiling test write- downs, however, during 2020, our capitalized costs for oil and natural gas properties exceeded the ceiling and, therefore, we recorded an aggregate~~ ceiling test write- down ~~of $ 2. 9 million~~ . The ceiling test incorporates assumptions regarding pricing and discount rates over which we have no influence in the determination of present value **.** In arriving at the ceiling test for the year ended December 31, 2022, we used an average price applicable to our properties of $ 93. 67 per barrel for oil and $ 6. 36 per ~~Mcfe~~ **one million British Thermal Units (MMbtu)** for natural gas, based on average prices per barrel of oil and per ~~Mcfe~~ **Mmbtu** of natural gas at the first day of each month of the 12- month period prior to the end of the reporting period, to compute the future cash flows of each of the producing properties at that date. ~~Capitalized~~ **In the calculation of the ceiling test as of December 31, 2023, the Company used $ 78. 22 per barrel for oil and $ 2. 64 per MMbtu for natural gas (as further adjusted for property, specific gravity, quality, local markets and distance from markets) to compute the future cash flows of the Company' s producing properties. The discount factor used was 10 %. The Company recorded a $ 26. 7 million ceiling test write- down of its oil and gas properties during the year ended December 31, 2023, primarily due to a reduction in the value of proved oil and natural gas reserves as a result of a decrease in crude oil and natural gas prices and other reserve revisions. We expect to record an additional write- down of our oil and gas properties in the first quarter of 2024 due to lower commodity prices used in the calculation of the ceiling test as higher first quarter 2023 commodity prices will be removed from the ceiling test calculation and replaced with lower first quarter 2024 commodity prices. Depending on actual commodity prices, estimated price differentials, lease operating** costs ~~associated with unevaluated properties include exploratory wells in progress~~ , **revisions** ~~costs for seismic analysis of exploratory drilling locations, and leasehold costs related~~ to **reserve estimates** ~~unproved properties. During 2020~~ , ~~the COVID- 19 pandemic has led to an~~ **and the amount and timing of capital expenditures, additional** ~~economic downturn resulting in lower oil prices which required us to incur material~~ write- downs **of $ 2 million to $ 3 million could be incurred in the first quarter of 2024** . **Additionally, during the year ended December 31, 2023, the Company re- evaluated its use of capital relative to its portfolio and strategic initiatives and**

determined that it no longer intends to fund development activities required to develop its ~~Unevaluated~~ **unevaluated acreage. Therefore** ~~properties not subject to depreciation~~ , **it reclassified the entire** ~~depletion and amortization amounted to an aggregate of approximately~~ $ 1. 6 million ~~as~~ **book value** of **unevaluated properties by** ~~December 31, 2022. These costs will be transferred~~ **transferring** ~~to~~ **them into** evaluated properties ~~to the extent that we subsequently determine the~~ **. Material future write- downs or impairments of our oil and gas** properties ~~are impaired~~ **may have a material adverse effect on** ~~or~~ **our assets** ~~if proved reserves are established. During 2020, we impaired $ 2. 1 million of unevaluated properties~~ and ~~reclassified~~ **/ or our financial condition, either of which may cause** ~~these~~ -- **the** ~~amounts~~ **value of our securities** to **decline in value** ~~the full cost pool~~ . We have identified material weaknesses in our internal control over financial reporting, and our management has concluded that our disclosure controls and procedures were not effective for periods since 2017. We cannot assure you that additional material weaknesses or significant deficiencies do not exist or that they will not occur in the future. If our internal control over financial reporting or our disclosure controls and procedures are not effective, we may not be able to accurately report our financial results or prevent fraud, which may cause investors to lose confidence in our reported financial information and may lead to a decline in our stock price. Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. We maintain a system of internal control over financial reporting, which is defined as a process designed by, or under the supervision of, our principal executive officer and principal financial officer, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with **generally accepted accounting principles in the United States of America ("** GAAP **")** . A " material weakness " is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. **A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.** Based on the results of management' s assessment and evaluation of our internal controls, our principal executive officer and principal financial officer concluded that our internal control over financial reporting was not effective as of December 31, ~~2022~~ **2023** due to ~~the~~ **a** material ~~weaknesses~~ -- **weakness related to** ~~described below. As of December 31, 2022, we have identified~~ the ~~following material weaknesses: •~~ **ineffective design of our accounting system. Specifically, reliance could not be placed on some of the control elements of the accounting system. These control elements include a lack of certain functionality related to system- based account reconciliations, missing systematic controls in areas such as segregation of duties enforcement and data input validation, and an absence of independent evaluation of** ~~Third~~ **third -** party information technology general controls (" ITGCs ") ~~related to our accounting~~ **. The Company' s manual review controls partially compensate for the** system ~~were not designed~~ -- **design** ~~appropriately and reliance could not~~ **limitations, but this material weakness cannot** be ~~placed on~~ **remediated without** the **implementation** ~~processing integrity~~ of **a** ~~the accounting~~ system **- based solution** ~~. • Certain control activities with a review component were not implemented and operating effectively for a sufficient portion of the year and did not include sufficient evidence of review procedures performed or formal approval by the reviewer. • Certain business process controls were not implemented for a sufficient portion of the year and did not include sufficient evidence of operation~~ . As a result, our management also concluded that our disclosure controls and procedures were not effective as of December 31, ~~2022~~ **2023** , such that the information relating to us required to be disclosed in the reports we file with the SEC (a) is recorded, processed, summarized and reported within the time periods specified in the SEC' s rules and forms and (b) is accumulated and communicated to our management to allow timely decisions regarding required disclosures and such disclosure controls and procedures have not been deemed effective since approximately December 31, 2016 ~~. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company' s annual or interim financial statements will not be prevented or detected on a timely basis. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis~~ . Maintaining effective disclosure controls and procedures and effective internal control over financial reporting are necessary for us to produce reliable financial statements and the Company is committed to remediating its material weaknesses in such controls as promptly as possible. However, there can be no assurance as to when these material weaknesses will be remediated or that additional material weaknesses will not arise in the future. Any failure to remediate the material weaknesses, or the development of new material weaknesses in our internal control over financial reporting, could result in material misstatements in our financial statements and cause us to fail to meet our reporting and financial obligations, which in turn could have a material adverse effect on our financial condition and the trading price of our common stock, and / or result in litigation against us or our management. In addition, even if we are successful in strengthening our controls and procedures, those controls and procedures may not be adequate to prevent or identify irregularities or facilitate the fair presentation of our financial statements or our periodic reports filed with the SEC. There are inherent limitations in all control systems and misstatements due to error or fraud that may occur and not be detected. The ongoing internal control provisions of Section 404 of the Sarbanes- Oxley Act of 2002 require us to identify material weaknesses in internal control over financial reporting, which is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with GAAP. Our management does not expect that our internal controls and disclosure controls, even assuming all material weaknesses and control deficiencies are remediated, will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud in our company have been detected. These inherent limitations include the realities that judgments in decision- making can be faulty and that breakdowns can occur because of simple errors or mistakes. Further, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions. Over time, a control may be inadequate because of changes in conditions, such as growth of the Company or increased transaction volume, or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost- effective control system, misstatements due to error or fraud may not be detected. Our ability to use net operating loss carryforwards and realize built in losses to offset future taxable income for U. S. federal income tax purposes is subject to limitation. In general, under Section 382 of the Internal Revenue Code of 1986, as amended, a corporation that undergoes an " ownership change " is subject to limitations on its ability to utilize its pre- change net operating losses (" NOLs ") and realized built in losses (" RBILS ") to offset future taxable income. In general, an ownership change occurs if the aggregate stock ownership of certain stockholders (generally 5 % stockholders, applying certain look- through rules) increases by more than 50 percentage points over such stockholders' lowest percentage ownership during the testing period (generally three years). On December 27, 2017, we paid down debt under our credit facility with APEG II with shares of our common stock, which represented a 49. 3 % ownership change in the Company. In addition, on January 5, 2022, we issued 19, 905, 736 shares of our common stock for the acquisition of assets, representing ~~an~~ **a then** 81. 0 % ownership change in the Company. As a result of these transactions, our ability to use these NOLs and RBILS were significantly reduced. Risks Related to Governmental Regulations Oil and natural gas operations are subject to environmental, legislative and regulatory initiatives that can materially adversely affect the timing and cost of operations and the demand for crude oil, natural gas, and NGLs. Our operations are subject to stringent and complex federal, state and local laws and regulations relating to the protection of human health and safety, the environment and natural resources. These laws and regulations can restrict or impact our business activities in many ways including, but not limited to the following: ● requiring the installation of pollution- control equipment or otherwise restricting the handling or disposal of wastes and other substances associated with operations; ● limiting or prohibiting construction activities in sensitive areas, such as wetlands, coastal regions or areas that contain endangered or threatened species and / or species of special statewide concern or their habitats; ● requiring investigatory and remedial actions to address pollution caused by our operations or attributable to former operations; ● requiring noise, lighting, visual impact, odor and / or dust mitigation, setbacks, landscaping, fencing, and other measures; ● restricting access to certain equipment or areas to a limited set of employees or contractors who have proper certification or permits to conduct work (e. g., confined space entry and process safety maintenance requirements); and ● restricting or even prohibiting water use based upon availability, impacts or other factors. Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial or restoration obligations, and the issuance of orders enjoining future operations or imposing additional compliance requirements. Certain environmental statutes impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances, hydrocarbons or wastes have been disposed or otherwise released. Moreover, local restrictions, such as state or local moratoria, city ordinances, zoning laws and traffic regulations, may restrict or prohibit the execution of operational plans. In addition, third parties, such as neighboring landowners, may file claims alleging property damage, nuisance or personal injury arising from our operations or from the release of hazardous substances, hydrocarbons or other waste products into the environment. The trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment. We monitor developments at the federal, state and local levels to keep informed of actions pertaining to future regulatory requirements that might be imposed in order to mitigate the costs of compliance with any such requirements. We also monitor industry groups that help formulate recommendations for addressing existing or future regulations and that share best practices and lessons learned in relation to pollution prevention and incident investigations. See " Environmental Laws and Regulations " in Item 1 – Business in this Form 10- K for a discussion of the major environmental, health and safety laws and regulations that relate to our business. We believe, but cannot be certain, that we are in material compliance with these laws and regulations. We cannot reasonably predict what applicable laws, regulations or guidance may eventually be adopted with respect to our operations or the ultimate cost to comply with such requirements. Proposed changes to U. S. tax laws, if adopted, could have an adverse effect on our business, financial condition, results of operations, and cash flows. From time to time, legislative proposals are made that would, if enacted, result in the elimination of the immediate deduction for intangible drilling and development costs, the elimination of the deduction from income for domestic production activities relating to oil and gas exploration and development, the repeal of the percentage depletion allowance for oil and gas properties, and an extension of the amortization period for certain geological and geophysical expenditures. Such changes, if adopted, or other similar changes that reduce or eliminate deductions currently available with respect to oil and gas exploration and development, could adversely affect our business, financial condition, results of operations, and cash flows. Our ability to produce crude oil, natural gas, and associated liquids economically and in commercial quantities could be impaired if we are unable to acquire adequate supplies of water for our drilling operations and / or completions or are unable to dispose of or recycle the water we use at a reasonable cost and in accordance with applicable environmental rules. The hydraulic fracturing process on which we and others in our industry depend to complete wells that will produce commercial quantities of crude oil, natural gas, and NGLs requires the use and disposal or recycling of significant quantities of water. Our inability to secure sufficient amounts of water, or to dispose of, or recycle the water used in our operations, could adversely impact our operations. Moreover, the imposition of new environmental initiatives and regulations could include restrictions on our ability to conduct certain operations such as hydraulic fracturing or disposal of wastes, including, but not limited to, produced water, drilling fluids, and other wastes associated with the exploration, development, or production of crude oil, natural gas, and NGLs. Compliance with environmental regulations and permit requirements governing the withdrawal, storage, and use of surface water or groundwater necessary for hydraulic fracturing of wells may increase our operating costs and cause delays, interruptions, or termination of our operations, the extent of which cannot be predicted, all of which could have an adverse effect on our operations and financial condition. Our industry and the broader US economy ~~have~~ experienced higher than expected inflationary pressures in 2022, related to continued supply chain disruptions, labor shortages and geopolitical instability. Should these conditions ~~persist~~ **reappear** , our business, results of operations and cash flows could be materially and adversely affected. **2022** saw significant increases in the costs of certain materials, including steel, sand and fuel, as a result of availability constraints, supply chain disruption, increased demand, labor shortages associated with a fully employed US labor force, high inflation, interest rates and other factors. **Those** ~~Supply~~ **supply** and demand fundamentals **were** ~~have been~~ further aggravated by disruptions in global energy supply caused by multiple geopolitical events, including the ongoing conflict between Russia and Ukraine. ~~Recent~~ **While prior** supply chain constraints and **demand fundamentals have more or less reverted to pre- 2022 levels,** inflationary pressures **and future supply chain disruptions, increased demand, labor shortages, increased inflation and interest rates, and other factors** may ~~continue to~~ adversely impact our operating costs and may negatively impact our ability to procure materials and equipment in a timely and cost- effective manner, if at all **, in the future** , which could 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. The ~~conflict~~ **conflicts** in Ukraine **and Israel** and related price volatility and geopolitical instability could negatively impact our business. In late February 2022, Russia launched significant military action against Ukraine. The **sanctions announced by the United States and other countries against Russia and Belarus following Russia' s invasion of Ukraine to date include restrictions on selling or importing goods, services, or technology in or from affected regions and travel bans and asset freezes impacting connected individuals and political, military, business, and financial organizations in Russia and Belarus. The United States and other countries could impose wider sanctions and take other actions should the** conflict ~~has~~ **further escalate. Separately, in October 2023, Israel and certain Iranian- backed Palestinian forces began an armed conflict in Israel, the Gaza Strip, and surrounding areas, which threaten to extend into other Middle Eastern countries. These conflicts have** caused, and could intensify, volatility in natural gas, oil and NGL prices **. The** ~~, and the~~ extent and duration of the military ~~action~~ **actions** , sanctions **,** and resulting market disruptions could be significant and could potentially have a substantial negative impact on the global economy and / or our business for an unknown period of time. We believe that the increase in crude oil prices during **the first half of** 2022 ~~has~~ **was** partially ~~been~~ due to the impact of the conflict between Russia and Ukraine on the global commodity and financial markets, and in response to economic and trade sanctions that certain countries have imposed on Russia. Any such volatility and disruptions may also magnify the impact of other risks described herein. Risks Related to Management, Employees and Directors Potential conflicts of interest could arise for certain members of our Board of Directors that hold management positions with other entities and also represent our majority stockholders. John A. Weinzierl, Duane H. King and Joshua Batchelor, each a member of the Board of Directors of the Company, hold various other management positions with privately- held companies, some of which are involved in the oil and gas industry, and together such persons control or have joint control, over a majority of our common stock. We believe these positions will not conflict with their roles or responsibilities with our company. Certain of these entities are party to agreements with the Company and if any of these companies enter into any additional transactions or agreements with our company, or other related party transactions or matters exist, potential conflicts of interests could arise from the directors performing services for us and these other entities. Certain of our directors beneficially own approximately ~~57~~ **58** . ~~0~~ **4** % of our outstanding common stock, which gives them majority voting control over stockholder matters, and each are also party to a Nominating and Voting Agreement, which allows them to control who is appointed to the Board of Directors of the Company and their interests may be different from your interests; and as a result of such ownership, we are a " controlled company " under applicable Nasdaq Capital Market Rules. John A. Weinzierl, Duane H. King and Joshua Batchelor, our Chairman, director **,** and director, respectively, beneficially own an aggregate of 14, ~~107~~ **147** , 140 shares of our common stock, representing approximately ~~53~~ **55** . ~~3~~ **9** % of our outstanding common stock, including approximately ~~18~~ **20. 3 %, 8** . 4 % ~~, 7. 7 %~~ and ~~25~~ **27** . ~~7~~ **2** % of our common stock beneficially owned by each of John A. Weinzierl, Duane H. King and Joshua Batchelor **, not including the recent grants approved as of March 19, 2024** . As such, Messrs. Weinzierl, King and Batchelor can control the outcome of all matters requiring a stockholder vote, including the election of directors, the adoption of amendments to our Certificate of Incorporation or Bylaws and the approval of mergers and other significant corporate transactions. Subject to any fiduciary duties owed to the stockholders generally, while Messrs. Weinzierl' s, King' s and Batchelor' s interests may generally be aligned with the interests of our stockholders, in some instances Messrs. Weinzierl, King and Batchelor may have interests different than the rest of our stockholders. Messrs. Weinzierl' s, King' s and Batchelor' s influence or control of our company as stockholders may have the effect of delaying or preventing a change of control of our company and may adversely affect the voting and other rights of other stockholders. Because Messrs. Weinzierl, King and Batchelor control the stockholder vote, investors may find it difficult to replace Messrs. Weinzierl, King and Batchelor (and such persons as they may appoint from time to time) as members of our management and board of directors if they disagree with the way our business is being operated. Additionally, the interests of Messrs. Weinzierl, King and Batchelor may differ from the interests of the other stockholders and thus result in corporate decisions that are adverse to other stockholders. Separately, each of the entities controlled by Messrs. Weinzierl, King and Batchelor entered into an Amended and Restated Nominating and Voting Agreement with us and certain of their affiliates and other third parties. The A & R Agreement provides that each of Lubbock, Synergy and Banner (each a " Nominating Party ") has the right to designate for nomination to the Board two nominees (for so long as such Nominating Party (and its affiliates) beneficially owns at least 15 % of the Company' s outstanding common stock) and one nominee (for so long as such Nominating Party (and its affiliates) beneficially owns at least 5 % of the Company' s common stock), for appointment at any stockholder meeting or via any consent to action without meeting of the stockholders of the Company. The A & R Agreement also requires the Board to include such nominees in the slate of directors up for appointment at each meeting of stockholders where directors will be appointed, and take other actions to ensure that such persons are elected to the Board by the stockholders of the Company. Pursuant to the A & R Agreement, if any Nominating Party' s Seller Nominated Party ceases for any reason to serve on the Board, such Seller Nominated Party will be provided the right to appoint another person to the Board, who shall be appointed to the Board pursuant to the power to fill vacancies given to the Board without a stockholder vote, by the Bylaws of the Company. Because of Messrs. Weinzierl' s, King' s and Batchelor' s ownership of the Company, as discussed above, we are a " controlled company " under the rules of the Nasdaq Capital Market. Under these rules, a company of which more than 50 % of the voting power is held by an individual, a group or another company is a " controlled company " and, as such, can elect to be exempt from certain corporate governance requirements, including requirements that: ● a majority of the Board of Directors consist of independent directors; ● the board maintain a nominations committee with prescribed duties and a written charter; and ● the board maintain a compensation committee with prescribed duties and a written charter and comprised solely of independent directors. As a " controlled company, " we may elect to rely on some or all of these exemptions, provided that we have to date not taken advantage of any of these exemptions and do not currently intend to take advantage of any of these exemptions moving forward. Notwithstanding that, should the interests of Messrs. Weinzierl, King and Batchelor differ from those of other stockholders, the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq Capital Market corporate governance standards. Even if we do not avail ourselves of these exemptions, our status as a controlled company could make our common stock less attractive to some investors or otherwise harm our stock price. We depend significantly upon the continued involvement of our present management. We depend to a significant degree upon the involvement of our management, specifically, our Chief Executive Officer ~~and Chief Financial Officer~~ , Ryan L. Smith. Our performance and success are dependent to a large extent on the efforts and continued employment of Mr. Smith. We do not believe that Mr. Smith could be quickly replaced with personnel of equal experience and capabilities, and his successor (s) may not be as effective. If Mr. Smith or any of our other key personnel resign or become unable to continue in their present roles and if they are not adequately replaced, our business operations could be adversely affected. The Company entered into an agreement with Mr. Smith on May 5, 2022. The term of Mr. Smith' s Employment Agreement commenced on May 5, 2022, and ~~has~~ **had** an initial term expiring January 1, 2024, subject to automatic one- year renewals thereafter in the event neither party provides the other at least 60 days prior written notice of their intention not to renew the terms of the agreement **. Because neither party provided the other notice of termination prior to January 1, 2024, the agreement renewed for an additional one year, and currently has a term through January 1, 2025 (subject to additional one year renewals thereafter)** . We have an active Board of Directors that meets several times throughout the year and is intimately involved in our business and the determination of our operational strategies. Members of our Board of Directors work closely with management to identify potential prospects, acquisitions, and areas for further development. If any of our directors resign or become unable to continue in their present role, it may be difficult to find replacements with the same knowledge and experience and as a result, our operations may be adversely affected. Risks Related to Our Credit Agreement Our obligations under the Credit Agreement are secured by a first priority security interest in substantially all of our assets. Our obligations under the Credit Agreement are secured by a first priority security interest in substantially all of our assets. Additionally, substantially all of our subsidiaries agreed to guarantee our obligations under the Credit Agreement. As such, our creditor may enforce its security interests over our assets and / or our subsidiaries which secure the repayment of such obligations, take control of our assets and operations, force us to seek bankruptcy protection, or force us to curtail or abandon our current business plans and operations. If that were to happen, any investment in the Company could become worthless. Our failure to comply with the covenants in the documents governing our existing and future indebtedness could materially adversely affect our financial condition and liquidity. In connection with the Credit Agreement, we agreed to comply with certain affirmative and negative covenants and agreed to meet certain financial covenants. We are required to make certain mandatory repayments under the Credit Agreement, in the event the borrowing base decreases below the aggregate amount of loans made by the lenders and / or if as of the last business day of any calendar month, certain required debt ratios required under the Credit Agreement are not met, there are outstanding amounts owed to the lenders, and the Company has consolidated cash on hand in excess of $ 5 million, and in some cases we are also required to pay cash to the agent to be held as collateral. The Credit Agreement contains customary indemnification requirements, representations and warranties and customary affirmative and negative covenants applicable to the Loan Parties and their subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, prepayment of other indebtedness, transactions with affiliates, and dividends and other distributions. In addition, the Credit Agreement contains financial covenants, tested quarterly, that limit the Company' s ratio of total debt to EBITDAX (as defined in the Credit Agreement) to 3: 1 and require its ratio of consolidated current assets to consolidated current liabilities (as each is described in the Credit Agreement) to remain at 1: 1 or higher. The Credit Agreement also requires us to hedge certain oil and gas volumes, based on our utilization of the borrowing base. Events of default under the Credit Agreement include: the failure by the Company to timely make payments due under the Credit Agreement; material misrepresentations or misstatements in any representation or warranty of any of the Loan Parties; failure by the Company or any of its subsidiaries to comply with their covenants under the Credit Agreement and other related agreements, subject in certain cases to rights to cure; certain defaults under other indebtedness of the Loan Parties; insolvency or bankruptcy- related events with respect to the Company or any of its subsidiaries; certain unsatisfied judgments against the Company or any of its subsidiaries in an amount in excess of $ 500, 000; if the Credit Agreement or certain related agreements or security interests created by them cease to be in full force and effect; certain ERISA- related events reasonably expected to have a material adverse effect on the Company and its subsidiaries; and the occurrence of a change in control, each as discussed in greater detail in the Credit Agreement, and subject to certain cure rights. If any event of default occurs and is continuing under the Credit Agreement, the lenders may terminate their commitments, and may require the Company and its subsidiaries to repay outstanding debt and / or to provide a cash deposit as additional security for outstanding letters of credit. A breach of any of the covenants of the Credit Agreement or any future agreements, if uncured or unwaived, could lead to an event of default under any such document, which in some circumstances could give our creditors the right to demand that we accelerate repayment of amounts due and / or enforce their security interests over substantially all of our assets. This would likely in turn trigger cross- acceleration or cross- default rights in other documents governing our indebtedness. Therefore, in the event of any such breach, we may need to seek covenant waivers or amendments from our creditors or seek alternative or additional sources of financing, and we may not be able to obtain any such waivers or amendments or alternative or additional financing on acceptable terms, if at all. In addition, any covenant breach or event of default could harm our credit rating and our ability to obtain additional financing on acceptable terms. The occurrence of any of these events could have a material adverse effect on our financial condition and liquidity and / or cause our lenders to enforce their security interests which could ultimately result in the foreclosure of our assets, which would have a material adverse effect on our operations and the value of our securities. The covenants in our credit and loan agreements restrict our ability to operate our business and might lead to a default under our Credit Agreement. ~~The Credit Agreement contains customary indemnification requirements, representations and warranties and customary affirmative and negative covenants applicable to the Loan Parties and their subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, prepayment of other indebtedness, transactions with affiliates, and dividends and other distributions. In addition, the Credit Agreement contains financial covenants, tested quarterly, that limit the Company' s ratio of total debt to EBITDAX (as defined in the Credit Agreement) to 3: 1 and require its ratio of consolidated current assets to consolidated current liabilities (as each is described in the Credit Agreement) to remain at 1: 1 or higher.~~ As a result of these covenants and limitations, we may not be able to respond to changes in business and economic conditions and to obtain additional financing, if needed, and we may be prevented from engaging in transactions that might otherwise be beneficial to us. Our Credit Agreement requires, and our future credit facilities and loan agreements may require, us to maintain certain financial ratios and satisfy certain other financial condition tests. Our ability to meet these financial ratios and tests can be affected by events beyond our control, and we may not be able to meet those tests. The breach of any of these covenants could result in a default under our Credit Agreement or future credit facilities. Upon the occurrence of an event of default, the lenders could elect to declare all amounts outstanding under such Credit Agreement, including accrued interest or other obligations, to be immediately due and payable. If amounts outstanding under such Credit Agreement were to be accelerated, our assets might not be sufficient to repay in full that indebtedness and our other indebtedness. A prolonged period of weak, or a significant decrease in, industry activity and overall markets ~~, due to COVID- 19 or otherwise~~ , may make it difficult to comply with our covenants and the other restrictions in the agreements governing our debt and current global and market conditions have increased the potential for that difficulty. Risks Related to Our Common Stock We currently have 245, 000, 000 shares of common stock authorized and there may be future issuances of sales of our common stock, which could adversely affect the market price of our common stock and dilute a stockholder' s ownership of common stock. The exercise of any options granted to executive officers and other employees under our equity compensation plans could have an adverse effect on the market price of the shares of our common stock. Additionally, we are not restricted from issuing additional shares of common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive shares of common stock, and currently have 245, 000, 000 authorized shares of common stock, provided that we are subject to the requirements of The ~~NASDAQ~~ **Nasdaq** Capital Market (" ~~NASDAQ~~ **Nasdaq** ") (which generally requires stockholder approval for any transactions which would result in the issuance of more than 20 % of our then outstanding shares of common stock or voting rights representing over 20 % of our then outstanding shares of stock, subject to certain exceptions, including sales in a public offering and / or sales which are undertaken at or above the lower of the closing price immediately preceding the signing of the binding agreement or the average closing price for the five trading days preceding the signing of the binding agreement). Issuances of a substantial number of shares of our common stock and / or sales of a substantial number of shares of our common stock in the public market or the perception that such issuances or sales might occur could materially adversely affect the market price of the shares of our common stock. Because our decision to issue securities in the future, including in connection with any future offering, will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of our future issuances or offerings. Accordingly, our stockholders bear the risk that our future issuances and / or offerings will reduce the market price of our common stock and dilute their stock holdings in us. We have established preferred stock which can be designated by the Board of Directors without stockholder approval. We have 5, 000, 000 shares of preferred stock authorized (none of which are outstanding). Shares of preferred stock may be designated and issued by our Board of Directors without stockholder approval with voting powers, and such preferences and relative, participating, optional, or other special rights and powers as determined by our Board of Directors, which may be greater than the shares of common stock currently outstanding. As a result, shares of preferred stock may be issued by our Board of Directors which cause the holders to have voting power over our shares or provide the holders of the preferred stock the right to convert the shares of preferred stock they hold into shares of our common stock, which may cause substantial dilution to our then common stock stockholders and / or have other rights and preferences (including, but not limited to voting rights) greater than those of our common stock stockholders. Investors should keep in mind that the Board of Directors has the authority to issue additional shares of preferred stock, which could cause substantial dilution to our existing stockholders or result in a change of control. Because our Board of Directors is entitled to designate the powers and preferences of the preferred stock without a vote of our stockholders, subject to ~~NASDAQ~~ **Nasdaq** rules and regulations, our stockholders will have no control over what designations and preferences our future preferred stock, if any, will have. Our stock price has historically been and is likely to continue to be, volatile. Our stock is traded on The ~~NASDAQ~~ **Nasdaq** Capital Market under the symbol " USEG ". ~~During~~ **For** the ~~last 52 weeks~~ **twelve month period ending March 15, 2024** , our common stock has traded as high as $ ~~8~~ **2** . ~~36~~ **69** per share and as low as $ ~~1~~ **0** . ~~37~~ **83** per share. We expect our common stock will continue to be subject to wide fluctuations as a result of a variety of factors, including factors beyond our control. These factors include: ● price volatility in the oil and natural gas commodities markets; ● variations in our drilling, recompletion and operating activity; ● relatively small amounts of our common stock trading on any given day; ● additions or departures of key personnel; ● legislative and regulatory changes; and ● changes in the national and global economic outlook, including, but not limited to, as a result of inflation and interest rates, and global conflicts, including the current ongoing conflict between Ukraine and Russia). The stock market has recently experienced significant price and volume fluctuations, and oil and natural gas prices have declined significantly. These fluctuations have particularly affected the market prices of securities of oil and natural gas companies like ours. Our Common Stock may be delisted from The Nasdaq Capital Market if we cannot satisfy Nasdaq' s continued listing requirements. Among the conditions required for continued listing on The Nasdaq Capital Market, Nasdaq requires us to maintain at least **one of the following:** $ 2. 5 million in stockholders' equity, at least $ 35 million in market value of listed securities or $ 500, 000 in net income over the prior two years or two of the prior three years ~~, to have~~ **and also meet other conditions including having** a majority of independent directors ~~,~~ and ~~to maintain~~ **maintaining** a stock price over $ 1. 00 per share. Our stockholders' equity may not remain above Nasdaq' s $ 2. 5 million minimum, we may not have at least $ 35 million in market value of listed securities, and we may not generate over $ 500, 000 of yearly net income moving forward, we may not be able to maintain independent directors, and we may not be able to maintain a stock price over $ 1. 00 per share. Delisting from The Nasdaq Capital Market could make trading our common stock more difficult for investors, potentially leading to declines in our share price and liquidity. Without a Nasdaq Capital Market listing, stockholders may have a difficult time getting a quote for the sale or purchase of our stock, the sale or purchase of our stock would likely be made more difficult and the trading volume and liquidity of our stock could decline. Delisting from The Nasdaq Capital Market could also result in negative publicity and could also make it more difficult for us to raise additional capital. The absence of such a listing may adversely affect the acceptance of our common stock as currency or the value accorded by other parties. Further, if we are delisted, we would also incur additional costs under state blue sky laws in connection with any sales of our securities. These requirements could severely limit the market liquidity of our common stock and the ability of our stockholders to sell our common stock in the secondary market. If our common stock is delisted by Nasdaq, our common stock may be eligible to trade on an over- the- counter quotation system, such as the OTCQB market, where an investor may find it more difficult to sell our stock or obtain accurate quotations as to the market value of our common stock. In the event our common stock is delisted from The Nasdaq Capital Market, we may not be able to list our common stock on another national securities exchange or obtain quotation on an over- the counter quotation system. If we are delisted from The Nasdaq Capital Market, your ability to sell your shares of our common stock could also be limited by the penny stock restrictions, which could further limit the marketability of your shares. If our common stock is delisted, it could come within the definition of " penny stock " as defined in the Exchange Act and would then be covered by Rule 15g- 9 of the Exchange Act. That Rule imposes additional sales practice requirements on broker- dealers who sell securities to persons other than established customers and accredited investors. For transactions covered by Rule 15g- 9, the broker- dealer must make a special suitability determination for the purchaser and receive the purchaser' s written agreement to the transaction prior to the sale. Consequently, Rule 15g- 9, if it were to become applicable, would affect the ability or willingness of broker- dealers to sell our securities, and accordingly would affect the ability of stockholders to sell their securities in the public market. These additional procedures could also limit our ability to raise additional capital in the future. ~~We~~ **Our Board of Directors has determined to suspend our quarterly cash dividend. On April 13, 2022, August 5, 2022, November 7, 2022, February 9, 2023, and May 18, 2023, the Company' s Board of Directors approved the declaration and payment of quarterly cash dividends of $ 0. 0225 per share of common stock. Our Board of Directors, at its sole discretion, determines the amount of the quarterly dividends to be distributed to our shareholders, if any, based on consideration of a number of factors including, but not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including future acquisitions and divestitures. Consequently, our dividend levels may fluctuate. On August 9, 2023, the Board of Directors determined it appropriate to suspend dividend payments, with the associated future capital resources being allocated towards the Company' s share repurchase program and repayments of the outstanding balance on our credit facility. The Board of Directors may or** may not **reinstate future dividend payments in the future, the amount and frequency of which will** be ~~able to continue to pay~~ **determined at the sole discretion of the Board. To the extent that the** ~~dividends~~ - **dividend** ~~on~~ **is not reinstated in the future, only appreciation of the price of** our common stock ~~in~~ **, which may not occur, will provide a return to our stockholders. Our stock repurchases are discretionary and even if effected,** ~~the~~ **they may not achieve the desired objectives. On April 26, 2023, the Board of Directors of the Company authorized and approved a share repurchase program for up to $ 5. 0 million of the currently outstanding shares of the Company' s common stock. Subject to any** future **extensions,** ~~which could impair~~ the ~~value of such~~ **repurchase program is scheduled to expire on June 30, 2024. Under the** stock **repurchase program** ~~. Under Delaware law~~ , **shares** ~~dividends to stockholders~~ may be **repurchased from time to time in the open market or through negotiated transactions at prevailing market rates, or by other means in accordance with federal securities laws. Repurchases will be** made ~~only from~~ **at management' s discretion at prices management considers to be attractive and in** the ~~surplus~~ **best interests** of ~~a~~ **both the** ~~company~~ **Company and its stockholders** , **subject to** ~~or, in certain situations, from~~ the ~~net profits~~ **availability of stock, general market conditions, the trading price of the stock, alternative uses** for **capital, and** the ~~current fiscal~~ **Company' s financial performance. During the** year **ended December 31, 2023, the Company repurchased 336, 000 shares** ~~or~~ **for $ 426 thousand at** ~~the fiscal year before which the dividend is declared. We have initiated and paid~~ a ~~quarterly dividend on~~ **weighted average price of $ 1. 27 per share in open market transactions. In 2024, through March 15, 2024, the Company has purchased 318, 200 shares for $ 344 thousand at a weighted average price of $ 1. 08 per share. The program does not obligate the Company to acquire a minimum amount of shares. There can be no assurance that any repurchases pursuant to** our ~~common~~ stock **repurchase program** ~~since March 2022. We may not be able to legally pay a dividend in the future pursuant to Delaware law and / or our Board of Directors may choose to discontinue our dividend in the future. Our ability~~

~~to pay dividends in the future~~ will **enhance stockholder** ~~depend on our financial results, liquidity and financial condition. In the event we cease paying a dividend or reduce our current quarterly dividend, the~~ value **because the market price** of our common stock may decline ~~in value~~ **below the levels at which we repurchase such shares. The amounts and timing of the repurchases may also be influenced by general market conditions, regulatory developments (including recent legislative actions which, subject to certain conditions, may impose an excise tax of 1 % on our stock repurchases) and the prevailing price and trading volumes of our common stock. If our financial condition deteriorates or we decide to use our cash for other purposes, we may suspend repurchase activity at any time** . A sale of a substantial number of registered shares of common could cause the price of our common stock to decline and make it harder for us to sell equity in the future. We have registered the resale of 19, 905, 736 shares of common stock pursuant to a Form S- 3 Registration Statement, which shares of common stock represent approximately 78. 9 % of our **then** outstanding shares of common stock. Such shares of common stock may be resold in the public market immediately without restriction. The registered shares represent a significant number of shares of our common stock, and if sold in the market all at once or at about the same time, could significantly depress the market price of our common stock during the period the registration statement remains effective and could also affect our ability to raise equity capital in the future at a time and price that we deem reasonable or appropriate. Risks Relating to Our Governing Documents and Delaware Law Our Certificate of Incorporation provides for indemnification of officers and directors at our expense and limits their liability, which may result in a major cost to us and hurt the interests of our stockholders because corporate resources may be expended for the benefit of officers or directors. Article VI. B. of our Certificate of Incorporation provides for indemnification as follows: " To the fullest extent permitted by applicable law, as the same exists or may hereafter be amended, the Corporation shall indemnify and hold harmless each person who is or was made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a " proceeding ") by reason of the fact that he or she is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, other enterprise or nonprofit entity, including service with respect to an employee benefit plan (an " indemnitee "), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent, or in any other capacity while serving as a director, officer, employee or agent, against all liability and loss suffered and expenses (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes and penalties and amounts paid in settlement) reasonably incurred by such indemnitee in connection with such proceeding. The Corporation shall to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by an indemnitee in defending or otherwise participating in any proceeding in advance of its final disposition; provided, however, that, to the extent required by applicable law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking, by or on behalf of the indemnitee, to repay all amounts so advanced if it shall ultimately be determined that the indemnitee is not entitled to be indemnified under Article VI. B. of the Certificate of Incorporation or otherwise. " Our obligation to indemnify our officers and directors may discourage stockholders from bringing a lawsuit against our officers or directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against our officers and directors, even though such an action, if successful, might otherwise benefit us and our stockholders. Furthermore, a stockholder' s investment may be adversely affected to the extent we pay the costs of settlement and damage awards against our officers and directors pursuant to these indemnification provisions. We have been advised that, in the opinion of the SEC, indemnification for liabilities arising under federal securities laws is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification for liabilities arising under federal securities laws, other than the payment by us of expenses incurred or paid by a director, officer or controlling person in the successful defense of any action, suit or proceeding, is asserted by a director, officer or controlling person in connection with our activities, we will (unless in the opinion of our counsel, the matter has been settled by controlling precedent) submit to a court of appropriate jurisdiction, the question whether indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue. The legal process relating to this matter if it were to occur is likely to be very costly and may result in us receiving negative publicity, either of which factors is likely to materially reduce the market and price for our shares. Our Certificate of Incorporation contains a specific provision that limits the liability of our directors for monetary damages to the Company and the Company' s stockholders and requires us, under certain circumstances, to indemnify officers, directors and employees. The limitation of monetary liability against our directors, officers and employees under Delaware law and the existence of indemnification rights to them may result in substantial expenditures by us and may discourage lawsuits against our directors, officers and employees. Our Certificate of Incorporation contains a specific provision that limits the liability of our directors for monetary damages to the Company and the Company' s stockholders, including as a result of a breach of their fiduciary duties, except to the extent such exception from liability is not permitted under Delaware General Corporation Law. We also have contractual indemnification obligations under our employment and engagement agreements with our executive officers and directors, as well as pursuant to indemnification agreements. The foregoing indemnification obligations could result in us incurring substantial expenditures to cover the cost of settlement or damage awards against our directors and officers, which the Company may be unable to recoup. These provisions and resultant costs may also discourage us from bringing a lawsuit against our directors and officers for breaches of their fiduciary duties and may similarly discourage the filing of derivative litigation by our stockholders against our directors and officers, even though such actions, if successful, might otherwise benefit us and our stockholders. Anti- takeover provisions may impede the acquisition of the Company. Certain provisions of the Delaware General Corporation Law (DGCL) have anti- takeover effects and may inhibit a non- negotiated merger or other business combination, notwithstanding the fact that our Certificate of Incorporation provides that we are not subject to Section 203 of the DGCL, which relates to certain restrictions on business combinations with interested stockholders. These provisions are intended to encourage any person interested in acquiring the Company to negotiate with, and to obtain the approval of, our directors, in connection with such a transaction. As a result, certain of these provisions may discourage a future acquisition of the Company, including an acquisition in which the stockholders might otherwise receive a premium for their shares. In addition, we can also authorize " blank check " preferred stock, which could be issued by our Board of Directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock. Anti- takeover provisions in our Certificate of Incorporation and our Amended and Restated Bylaws, as well as provisions of Delaware law, might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the trading price of our common stock. Our Certificate of Incorporation and Amended and Restated Bylaws and Delaware law contain provisions that may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our common stock. These provisions may also prevent or delay attempts by our stockholders to replace or remove our management. Our corporate governance documents include provisions: ● a classified board of directors, as a result of which our board of directors is divided into three classes, with each class serving for staggered three- year terms; ● the removal of directors only for cause; ● requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our Board of Directors; ● authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock; and ● limiting the liability of, and providing indemnification to, our directors and officers. Any provision of our Certificate of Incorporation or Amended and Restated Bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock. The existence of the foregoing provisions and anti- takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition. Our Certificate of Incorporation contains exclusive forum provisions that may discourage lawsuits against us and our directors and officers. Our Certificate of Incorporation provides that unless the corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware, will be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim for breach of a fiduciary duty owed by any current or former director, officer, employee or stockholder of the Company to the Company or the Company' s stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our Certificate of Incorporation or Bylaws or (iv) any action asserting a claim governed by the internal affairs doctrine. The choice of forum provision in our Certificate of Incorporation does not waive our compliance with our obligations under the federal securities laws and the rules and regulations thereunder. Moreover, the provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act or by the Securities Act. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder, and Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts with respect to suits brought to enforce a duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain claims under the Securities Act. Notwithstanding the above, to prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our Certificate of Incorporation provides that unless the Company consents, the U. S. federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. However, there is uncertainty as to whether a court would enforce such a provision. While the Delaware courts have determined that choice of forum provisions of the type included in our Certificate of Incorporation are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in our exclusive forum provision. In such instance, to the extent applicable, we would expect to vigorously assert the validity and enforceability of our exclusive forum provision. This may require additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions. These exclusive forum provisions may limit the ability of the Company' s stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with the Company or the Company' s directors or officers, which may discourage such lawsuits against the Company and the Company' s directors and officers. Alternatively, if a court were to find one or more of these exclusive forum provisions inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, we may incur additional costs associated with resolving such matters in other jurisdictions or forums, which could materially and adversely affect our business, financial condition, or results of operations. General Risk Factors Because we are a smaller reporting company, the requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the requirements of the Sarbanes- Oxley Act and the Dodd- Frank Act, may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost- effective manner. As a public company with listed equity securities, we must comply with the federal securities laws, rules and regulations, including certain corporate governance provisions of the Sarbanes- Oxley Act of 2002 (the " Sarbanes- Oxley Act ") and the Dodd- Frank Act, related rules and regulations of the SEC and ~~NASDAQ~~ **Nasdaq** , with which a private company is not required to comply. Complying with these laws, rules and regulations will occupy a significant amount of time of our board of directors and management and will significantly increase our costs and expenses, which we cannot estimate accurately at this time. Among other things, we must: ● establish and maintain a system of internal control over financial reporting in compliance with the requirements of Section 404 of the Sarbanes- Oxley Act and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board; ● comply with rules and regulations promulgated by ~~NASDAQ~~ **Nasdaq** ; ● prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws; ● maintain various internal compliance and disclosures policies, such as those relating to disclosure controls and procedures and insider trading in our common stock; ● involve and retain to a greater degree outside counsel and accountants in the above activities; ● maintain a comprehensive internal audit function; and ● maintain an investor relations function. In addition, being a public company subject to these rules and regulations may require us to accept less director and officer liability insurance coverage than we desire or to incur substantial costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and qualified executive officers. Our business could be adversely affected by security threats, including cybersecurity threats. We face various security threats, including cybersecurity threats to gain unauthorized access to our sensitive information or to render our information or systems unusable, and threats to the security of our facilities and infrastructure or third- party facilities and infrastructure, such as gathering and processing facilities, refineries, rail facilities and pipelines. The potential for such security threats subjects our operations to increased risks that could have a material adverse effect on our business, financial condition and results of operations. For example, unauthorized access to our seismic data, reserves information or other proprietary information could lead to data corruption, communication interruptions, or other disruptions to our operations. Our implementation of various procedures and controls to monitor and mitigate such security threats and to increase security for our information, systems, 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, or damage to, sensitive information or facilities, infrastructure and systems essential to our business and operations, as well as data corruption, reputational damage, communication interruptions or other disruptions to our operations, which, in turn, could have a material adverse effect on our business, financial position and results of operations. The threat and impact of terrorist attacks, cyber- attacks or similar hostilities may adversely impact our operations. We cannot assess the extent of either the threat or the potential impact of future terrorist attacks on the energy industry in general, and on us in particular, either in the short- term or in the long- term. Uncertainty surrounding such hostilities may affect our operations in unpredictable ways, including the possibility that infrastructure facilities, including pipelines and gathering systems, production facilities, processing plants and refineries, could be targets of, or indirect casualties of, an act of terror, a cyber- attack or electronic security breach, or an act of war. The marketability of our production is dependent upon oil and natural gas gathering and transportation and storage facilities owned and operated by third parties, and the unavailability of satisfactory oil and natural gas transportation arrangements have had a material adverse effect on our revenue in the past and may again in the future. The unavailability of satisfactory oil and natural gas transportation arrangements has in the past hindered our access to oil and natural gas markets and has delayed production from our wells. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for, and supply of, oil and natural gas and the proximity of reserves to pipelines, terminal facilities and storage facilities. Our ability to market our production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. Our failure to obtain these services on acceptable terms has in the past, and could in the future, materially harm our business. We do not expect to purchase firm transportation capacity on third- party facilities. Therefore, we expect the transportation of our production to be generally interruptible in nature and lower in priority to those having firm transportation arrangements. The disruption of third- party facilities due to maintenance and / or weather could negatively impact our ability to market and deliver our products. The third parties' control when or if such facilities are restored after disruption, and what prices will be charged for products. Federal and state regulation of oil and natural gas production and transportation, tax and energy policies, changes in supply and demand, pipeline pressures, damage to or destruction of pipelines and general economic conditions could adversely affect our ability to produce, gather and transport oil and natural gas. We may have difficulty managing growth in our business, which could have a material adverse effect on our business, financial condition and results of operations and our ability to execute our business plan in a timely fashion. Because of our small size, growth in accordance with our business plans, if achieved, will place a significant strain on our financial, technical, operational and management resources. As we expand our activities, including our planned increase in oil exploration, development and production, and increase the number of projects we are evaluating or in which we participate, there will be additional demands on our financial, technical and management resources. The failure to continue to upgrade our technical, administrative, operating and financial control systems or the occurrence of unexpected expansion difficulties, including the inability to recruit and retain experienced managers, geoscientists, petroleum engineers and landmen could have a material adverse effect on our business, financial condition and results of operations and our ability to execute our business plan in a timely fashion. Failure to adequately protect critical data and technology systems could materially affect our operations. Information technology solution failures, network disruptions and breaches of data security could disrupt our operations by causing delays or cancellation of customer orders, impeding processing of transactions and reporting financial results, resulting in the unintentional disclosure of customer, employee or our information, or damage to our reputation. There can be no assurance that a system failure or data security breach will not have a material adverse effect on our financial condition, results of operations or cash flows. If we complete acquisitions or enter into business combinations in the future, they may disrupt or have a negative impact on our business. If we complete acquisitions or enter into business combinations in the future, funding permitting, we could have difficulty integrating the acquired companies' assets, personnel and operations with our own. Additionally, acquisitions, mergers or business combinations we may enter into in the future could result in a change of control of the Company, and a change in the board of directors or officers of the Company. In addition, the key personnel of the acquired business may not be willing to work for us. We cannot predict the effect expansion may have on our core business. Regardless of whether we are successful in making an acquisition or completing a business combination, the negotiations could disrupt our ongoing business, distract our management and employees and increase our expenses. In addition to the risks described above, acquisitions and business combinations are accompanied by a number of inherent risks, including, without limitation, the following: ● the difficulty of integrating acquired companies, concepts and operations; ● the potential disruption of the ongoing businesses and distraction of our management and the management of acquired companies; ● change in our business focus and / or management; ● difficulties in maintaining uniform standards, controls, procedures and policies; ● the potential impairment of relationships with employees and partners as a result of any integration of new management personnel; ● the potential inability to manage an increased number of locations and employees; ● our ability to successfully manage the companies and / or concepts acquired; ● the failure to realize efficiencies, synergies and cost savings; or ● the effect of any government regulations which relate to the business acquired. Our business could be severely impaired if and to the extent that we are unable to succeed in addressing any of these risks or other problems encountered in connection with an acquisition or business combination, many of which cannot be presently identified. These risks and problems could disrupt our ongoing business, distract our management and employees, increase our expenses and adversely affect our results of operations. Any acquisition or business combination transaction we enter into in the future could cause substantial dilution to existing stockholders, result in one party having majority or significant control over the Company or result in a change in business focus of the Company. If persons engage in short sales of our common stock, the price of our common stock may decline. Selling short is a technique used by a stockholder to take advantage of an anticipated decline in the price of a security. In addition, holders of options and warrants will sometimes sell short knowing they can, in effect, cover through the exercise of an option or warrant, thus locking in a profit. A significant number of short sales or a large volume of other sales within a relatively short period of time can create downward pressure on the market price of a security. Further sales of common stock issued upon exercise of future warrants or other convertible securities could cause even greater declines in the price of our common stock due to the number of additional shares available in the market upon such exercise, which could encourage short sales that could further undermine the value of our common stock. Stockholders could, therefore, experience a decline in the values of their investment as a result of short sales of our common stock. Stockholders may be diluted significantly through our efforts to obtain financing and satisfy obligations through the issuance of securities. Wherever possible, our Board of Directors will attempt to use non- cash consideration to satisfy obligations. In many instances, we believe that the non- cash consideration will consist of shares of our common stock, preferred stock, or warrants to purchase shares of our common stock. Our Board of Directors has authority, without action or vote of the stockholders, subject to the requirements of The ~~NASDAQ~~ **Nasdaq** Capital Market (which generally require stockholder approval for any transactions which would result in the issuance of more than 20 % of our then outstanding shares of common stock or voting rights representing over 20 % of our then outstanding shares of stock, subject to certain exceptions, including sales in a public offering and / or sales which are undertaken at or above the lower of the closing price immediately preceding the signing of the binding agreement or the average closing price for the five trading days preceding the signing of the binding agreement), to issue all or part of the authorized but unissued shares of common stock, preferred stock or warrants to purchase such shares of common stock. In addition, we may attempt to raise capital by selling shares of our common stock, possibly at a discount to market in the future. These actions will result in dilution of the ownership interests of existing stockholders and may further dilute common stock book value, and that dilution may be material. Such issuances may also serve to enhance existing management' s ability to maintain control of us, because the shares may be issued to parties or entities committed to supporting existing management. Future litigation or governmental proceedings could result in material adverse consequences, including judgments or settlements. From time to time, we are involved in lawsuits, regulatory inquiries and may be involved in governmental and other legal proceedings arising out of the ordinary course of our business. Many of these matters raise difficult and complicated factual and legal issues and are subject to uncertainties and complexities. The timing of the final resolutions to these types of matters is often uncertain. Additionally, the possible outcomes or resolutions to these matters could include adverse judgments or settlements, either of which could require substantial payments, adversely affecting our results of operations and liquidity. We may become involved in securities class action litigation that could divert management' s attention and harm the combined company' s business, and insurance coverage may not be sufficient to cover all costs and damages. In the past, securities class action or stockholder derivative litigation often follows certain significant business transactions, such as a material acquisition **like** ~~such as~~ the one completed in January 2022. The combined company may become involved in this type of litigation in the future. Litigation often is expensive and diverts management' s attention and resources, which could adversely affect the combined company' s business. The physical effects of climate change could disrupt our production and cause us to incur significant costs in preparing for or responding to those effects. An economy- wide transition to lower GHG energy sources could have a variety of adverse effects on our operations and financial results. Many scientists have shown that increasing concentrations of carbon dioxide, methane and other GHGs in the Earth' s atmosphere are changing global climate patterns. One consequence of climate change could be increased severity of extreme weather, such as increased hurricanes and floods. If such events were to occur, or become more frequent, our operations could be adversely affected in various ways, including through damage to our facilities or from increased costs for insurance. Another possible consequence of climate change is increased volatility in seasonal temperatures. The market for natural gas is generally improved by periods of colder weather and impaired by periods of warmer weather, so any changes in climate could affect the market for the fuels that we produce. As a result, if there is an overall trend of warmer temperatures, it would be expected to have an adverse effect on our business. Efforts by governments, international bodies, businesses and consumers to reduce GHGs and otherwise mitigate the effects of climate change are ongoing. The nature of these efforts and their effects on our business are inherently unpredictable and subject to change. However, actions taken by private parties in anticipation of, or to facilitate, a transition to a lower- GHG economy will affect us as well. For example, our cost of capital may increase if lenders or other market participants decline to invest in fossil fuel- related companies for regulatory or reputational reasons. Similarly, increased demand for low- carbon or renewable energy sources from consumers could reduce the demand for, and the price of, the products we produce. Technological changes, such as developments in renewable energy and low- carbon transportation, could also adversely affect demand for our products. The Company does not insure against all potential losses, which could result in significant financial exposure. The Company does not have commercial insurance or third- party indemnities to fully cover all operational risks or potential liability in the event of a significant incident or series of incidents causing catastrophic loss. As a result, the Company is, to a substantial extent, self- insured for such events. The Company relies on existing liquidity, financial resources and borrowing capacity to meet short- term obligations that would arise from such an event or series of events. The occurrence of a significant incident, series of events, or unforeseen liability for which the Company is self- insured, not fully insured or for which insurance recovery is significantly delayed could have a material adverse effect on the Company' s results of operations or financial condition. Increasing attention to environmental, social, and governance (ESG) matters may impact our business. Increasing attention to ESG matters, including those related to climate change and sustainability, increasing societal, investor and legislative pressure on companies to address ESG matters, may result in increased costs, reduced profits, increased investigations and litigation or threats thereof, negative impacts on our stock price and access to capital markets, and damage to our reputation. Increasing attention to climate change, for example, may result in demand shifts for hydrocarbon and additional governmental investigations and private litigation, or threats thereof, against the Company. In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters, including climate change and climate-related risks. Such ratings are used by some investors to inform their investment and voting decisions. Also, some stakeholders, including but not limited to sovereign wealth, pension, and endowment funds, have been divesting and promoting divestment of or screening out of fossil fuel equities and urging lenders to limit funding to companies engaged in the extraction of fossil fuel reserves. Unfavorable ESG ratings and investment community divestment initiatives, among other actions, may lead to negative investor sentiment toward the Company and to the diversion of investment to other industries, which could have a negative impact on our stock price and our access to and costs of capital. Additionally, evolving expectations on various ESG matters, including biodiversity, waste and water, may increase costs, require changes in how we operate and lead to negative stakeholder sentiment. Global economic conditions could materially adversely affect our business, results of operations, financial condition and growth. Adverse macroeconomic conditions, including inflation, slower growth or recession, new or increased tariffs, changes to fiscal and monetary policy, tighter credit, higher interest rates, high unemployment and currency fluctuations could materially adversely affect our operations, expenses, access to capital and the market for oil and gas. In addition, uncertainty about, or a decline in, global or regional economic conditions could have a significant impact on our expected funding sources, suppliers and partners. A downturn in the economic environment could also lead to limitations on our ability to issue new debt; reduced liquidity; and declines in the fair value of our financial instruments. These and other economic factors could materially adversely affect our business, results of operations, financial condition and growth. We may be adversely affected by climate change or by legal, regulatory or market responses to such change. The long- term effects of climate change are difficult to predict; however, such effects may be widespread. Impacts from climate change may include physical risks (such as rising sea levels or frequency and severity of extreme weather conditions), social and human effects (such as population dislocations or harm to health and well- being), compliance costs and transition risks (such as regulatory or technology changes) and other adverse effects. The effects of climate change could increase the cost of certain products, commodities and energy (including utilities), which in turn may impact our ability to procure goods or services required for the operation of our business. Climate change could also lead to increased costs as a result of physical damage to or destruction of our facilities, equipment and business interruption due to weather events that may be attributable to climate change. These events and impacts could materially adversely affect our business operations, financial position or results of operation. We might be adversely impacted by changes in accounting standards. Our consolidated financial statements are subject to the application of U. S. GAAP, which periodically is revised or reinterpreted. From time to time, we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the Financial Accounting Standards Board (" FASB ") and the SEC. It is possible that future accounting standards may require changes to the accounting treatment in our consolidated financial statements and may require us to make significant changes to our financial systems. Such changes might have a materially adverse impact on our financial position or results of operations. SEC rules could limit our ability to book ~~additional~~ proved undeveloped reserves (" PUDs ") in the future. SEC rules require that, subject to limited exceptions, PUDs may only be booked if they relate to wells scheduled to be drilled within five years after the date of booking. This requirement has limited and may continue to limit our ability to book additional PUDs as we pursue our drilling program. Moreover, we may be required to write down our PUDs if we do not drill or plan on delaying those wells within the required five- year timeframe. Future changes to U. S. tax laws, if adopted, could have an adverse effect on our business, financial condition, results of operations, and cash flows. ~~Item 1B. Unresolved Staff Comments.~~