Risk Factors Comparison 2024-02-26 to 2023-02-16 Form: 10-K

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You should carefully consider the following risks and other information in this **Annual Report on** Form 10- K. The following risks have generally been separated into five groups: risks relating to our common stock, risks relating to our business, risks relating to our indebtedness, risks relating to the recent Spin- Off and risks relating to legal and regulatory matters. If any of the following events actually occur, our business, financial condition and results of operations could be materially adversely affected, the trading price of our common stock could decline and you could lose all or part of your investment. Additional risks and uncertainties that we do not presently know about or currently believe are not material may also adversely affect our business, financial condition and results of operations. Summary Risk Factors We believe that the risks associated with our business, and consequently the risks associated with an investment in our equity or debt securities, fall within the following categories: Risks Relating to Our Common Stock ■ Vitesse is an emerging growth company and the information we provide stockholders may be different from information provided by other public companies, which may result in a less active trading market for our common stock and higher volatility in our stock price. ■ Although we expect to **continue to** pay dividends, we cannot provide assurance that we will pay dividends on our common stock, and our indebtedness may limit our ability to pay dividends on our common stock. ■ Certain provisions in our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws and Delaware law may discourage takeovers. ■ Your percentage ownership in Vitesse may be diluted in the future. ■ Our Amended and Restated Certificate of Incorporation designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees. Risks Relating to Our Business ■ Oil and natural gas prices are volatile. Extended declines in oil and natural gas prices have adversely affected, and could in the future adversely affect, our business, financial position, results of operations and cash flow. ■ Due to previous declines in oil and natural gas prices, we have in the past taken writedowns of our oil and natural gas properties. We may be required to record further writedowns of our oil and natural gas properties in the future. ■ Our estimated proved reserves are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our total reserves. ■ The present value of future net cash flows from our proved reserves is not necessarily the same as the current market value of our estimated proved reserves. ■ As a non- operator, the successful development **and operation** of our assets relies extensively on third parties, which could have an adverse effect on our **financial condition and** results of operations ~~. ■ We could experience periods of higher costs as activity levels fluctuate or if oil and natural gas prices rise. These increases could reduce our profitability, cash flow, and ability to complete development activities as planned~~ . ■ The development of our proved undeveloped reserves may take longer and may require higher levels of capital expenditures than we ~~currently~~ anticipate. Therefore, these undeveloped reserves may not be ultimately developed or produced. ■ Our acquisition strategy will subject us to certain risks associated with the inherent uncertainty in evaluating properties for which we have limited information. ■ The majority of our producing properties are located in the Williston Basin, making us vulnerable to risks associated with operating in one major geographic area. ■ The loss of any member of our management team, upon whose knowledge, relationships with industry participants, leadership and technical expertise we rely **,** could diminish our ability to conduct our operations and harm our ability to execute our business plan. ■ Deficiencies of title to our interests could significantly affect our financial condition. ■ Inflation could adversely impact our ability to control our costs, including the operating expenses and capital costs of our operators. ■ Our derivatives activities could adversely affect our profitability, cash flow, results of operations and financial condition. ■ Asset retirement costs **are** ~~may be~~ difficult to predict and may be substantial. Unplanned costs could divert resources from other projects. **■ Increased attention to ESG matters, including climate change, may impact our business and access to capital.** Risks Relating to Our Indebtedness ■ Any significant reduction in the borrowing base under our Revolving Credit Facility may negatively impact our liquidity and could adversely affect our business and financial results. ■ Our Revolving Credit Facility and other agreements governing indebtedness may contain operating and financial restrictions that may restrict our business and financing activities. ■ Our ability to pay dividends to our stockholders is restricted ~~by applicable laws and regulations and limited~~ by requirements under our Revolving Credit Facility. ■ Variable rate indebtedness could subject us to interest rate risk, which could cause our debt service obligations to increase significantly. ■ We may be adversely affected by developments in the SOFR market, changes in the methods by which SOFR is determined or the use of alternative reference rates. ■ Our business plan requires the expenditure of significant capital, which we may be unable to obtain on favorable terms or at all. Risks Relating to **Legal and Regulatory Matters ■ Restrictions on our ability to acquire federal leases and more stringent regulations affecting our operators' exploration and production activities on federal lands may adversely impact our business. ■ Our business involves the selling and shipping of oil by rail, which involves risks of derailment, accidents and liabilities associated with cleanup and damages, as well as potential regulatory changes that may adversely impact our business, financial condition or results of operations. ■ Our derivative activities expose us to potential regulatory risks. ■ Failure to comply with federal, state and local environmental laws and regulations could result in substantial penalties and adversely affect our business. ■ The adoption of climate change legislation or regulations restricting emissions of carbon dioxide, methane, and** ~~the~~ **other** ~~Recent Spin- Off~~ **greenhouse gases could result in increased operating costs and reduced demand for the oil and natural gas we produce. Risks Relating to Tax Matters** ■ If the Distribution does not qualify as a transaction that is tax- free for U. S. federal income tax purposes, Jefferies and holders of Jefferies common stock who received shares of ~~Vitesse~~ **our** common stock in connection with the Spin- Off could be subject to significant tax liability ~~. ■ We agreed to numerous restrictions to preserve the non- recognition treatment of the Distribution, which may reduce our strategic and operating flexibility. ■ We could have an indemnification obligation to Jefferies in certain circumstances if the Distribution were determined not to qualify for tax- free treatment for U. S. federal tax purposes, or in certain other circumstances, which could materially adversely affect our business, financial condition and results of operations. ■ We may be unable to achieve some or all of the benefits that we expect to achieve from the Spin- Off, which could materially adversely affect our business, financial condition and results of operations. ■ Our management and accounting systems may not be adequately prepared to meet the reporting and other requirements to which we have become subject following the Spin- Off, and we have and will continue to incur increased costs as a result of being an independent publicly traded company. ■ Certain members of management and directors may face actual or potential conflicts of interest. Risks Relating to Legal and Regulatory Matters ■ The current presidential administration, acting through the executive branch and / or in coordination with Congress, already has ordered or proposed, and could enact additional rules and regulations that restrict our ability to acquire federal leases in the future and / or impose more onerous permitting and other costly environmental, health and safety requirements~~ . ■ Taxable gain or loss on the sale of our common stock could be more or less than expected. ■ The IRS Forms 1099- DIV that our stockholders receive from their brokers may over- report dividend income with respect to our common stock for U. S. federal income tax purposes, which may result in a stockholder' s overpayment of tax. In addition, failure to report dividend income in a manner consistent with the IRS Forms 1099- DIV may cause the IRS to assert audit adjustments to a stockholder' s U. S. federal income tax return. For non- U. S. holders of our common stock, brokers or other withholding agents may overwithhold taxes from dividends paid, in which case a stockholder generally would have to timely file a U. S. tax return or an appropriate claim for refund to claim a refund of the overwithheld taxes. ■ ~~Our business involves the selling and shipping by rail of oil, which involves risks of derailment, accidents and liabilities associated with cleanup and damages, as well as potential regulatory changes that may adversely impact our business, financial condition or results of operations. ■~~ Some stockholders might be deemed to have received a taxable distribution as a result of our repurchase of our own stock. ~~■ Our derivative activities expose us to potential regulatory risks. ■ Federal and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays.~~ We describe these and other risks in much greater detail below. An active, liquid trading market for our common stock may not ~~develop~~ **continue** , which may limit your ability to sell your shares ~~. The Spin- Off occurred in January 2023. Therefore, there has been a public market for our common stock for a short period of time~~ . Although we have listed our common stock on the NYSE under the symbol " VTS, " an active trading market for our common stock may not be sustained. A public trading market having the desirable characteristics of depth, liquidity and orderliness depends upon the existence of willing buyers and sellers at any given time, such existence being dependent upon the individual decisions of buyers and sellers over which neither we nor any market maker has control. The failure of an active and liquid trading market to ~~develop and~~ continue would likely have a material adverse effect on the value of our common stock. An inactive market may also impair our ability to raise capital to continue to fund operations by issuing shares and may impair our ability to acquire other companies or assets by using our shares as consideration. We cannot predict the prices at which our common stock may trade. The market price of our common stock may fluctuate widely, depending on many factors, some of which may be beyond our control, including: ■ actual or anticipated fluctuations in our business, financial condition and results of operations due to factors related to our business; ■ competition in the oil and natural gas industry and our ability to compete successfully; ■ success or failure of our business strategies; ■ our ability to retain and recruit qualified personnel; ■ our quarterly or annual earnings, or those of other companies in our industry; ■ our level of indebtedness, our ability to make payments on or service our indebtedness and our ability to obtain financing as needed; ■ announcements by us or our competitors of significant acquisitions or dispositions; ■ changes in accounting standards, policies, guidance, interpretations or principles; ■ the failure of securities analysts **to continue** to cover our common stock; ■ changes in earnings estimates by securities analysts or our ability to meet those estimates; ■ the operating and stock price performance of other comparable companies; ■ investor perception of our company and the oil and natural gas industry; ■ overall market fluctuations, including the cyclical nature of the oil and natural gas market; ■ results from any material litigation or government investigation; ■ changes in laws and regulations (including tax laws and regulations) affecting our business; and ■ general economic conditions, credit and capital market conditions and other external factors. Furthermore, **low** ~~our business profile and market capitalization may not fit the investment objectives of some Jefferies shareholders and, as a result, these Jefferies shareholders may sell their shares of our common stock. Low~~ trading volume **of and lack of liquidity** for our stock may occur if, among other reasons, an active trading market does not ~~develop~~ **continue** . This would amplify the effect of the above factors on our stock price volatility. Vitesse is an " emerging growth company " as defined by the Jumpstart Our Business Startups Act of 2012. We will continue to be an emerging growth company until the earliest to occur of the following: ■ the last day of the fiscal year in which our total annual gross revenues first meet or exceed $ 1. 235 billion (as adjusted for inflation); ■ the date on which we have, during the prior three- year period, issued more than $ 1. 0 billion in non- convertible debt; ■ the last day of the fiscal year in which we (1) have an aggregate worldwide market value of common stock held by non- affiliates of $ 700 million or more (measured at the end of each fiscal year) as of the last business day of our most recently completed second fiscal quarter and (2) have been a reporting company under the Exchange Act for at least one year (and filed at least one annual report under the Exchange Act); or ■ the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement under the Securities Act. For as long as we are an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to: ■ not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting under Section 404 (b) of the Sarbanes- Oxley Act of 2002; ■ exemption from new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies; ■ reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements; and ■ exemptions from the requirement of holding a nonbinding advisory vote on executive compensation and stockholder approval on golden parachute compensation not previously approved. We may choose to take advantage of some or all of these reduced burdens. **To** ~~For example, we have taken advantage of~~ the **extent** ~~reduced disclosure obligations regarding executive compensation in this Annual Report on Form 10- K. For as long as~~ we take advantage of the reduced reporting obligations, the information we provide stockholders may be different from information provided by other public companies. In addition, it is possible that some investors will find our common stock less attractive as a result of these elections, which may result in a less active trading market for our common stock and higher volatility in our stock price. In addition, we may take advantage of the extended transition period that allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. Our election to use the extended transition period ~~permitted by this election~~ may make it difficult to compare our financial statements to those of non- emerging growth companies and other emerging growth companies that have opted out of the extended transition period and who will comply with new or revised financial accounting standards. The timing, declaration, amount of and payment of future dividends, if any, to stockholders will fall within the discretion of our Board. Our Board **may change the timing and amount of any future dividend payments or eliminate the payment of future dividends to our stockholders at its discretion, without advance notice to our stockholders. Our Board** ' s decisions regarding the payment of future dividends, if any, will depend upon many factors, including our financial condition, earnings, capital requirements of our business, covenants associated with certain of our debt service obligations, legal requirements or limitations, industry practice, and other factors deemed relevant by our Board. ~~We have~~ **Our ability to declare and pay dividends to our stockholders is subject to certain laws and regulations, including minimum capital requirements and, as a Delaware corporation, we are subject to certain restrictions on dividends under the DGCL. Under the DGCL, our Board may** not ~~adopted~~ **authorize payment of a dividend unless it is either paid out of our surplus** , ~~and~~ **as calculated in accordance with the DGCL, or if we** do not **have** ~~currently expect to adopt,~~ a ~~separate written~~ **surplus, it is paid out of our net profits for the fiscal year in which the** dividend ~~policy to reflect~~ **is declared and /** ~~our~~ - **or** ~~Board' s policy~~ **the preceding fiscal year** . For more information, see Part II ~~,~~ **.** Item 5 ~~,~~ **.** Market for Registrant' s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities, ~~"~~ **-** Dividend Policy. ~~"~~ For a description of the covenants limiting our ability to pay dividends ~~and distributions~~ , see ~~"~~ **— Risks Relating to Our Indebtedness** — Our ability to pay dividends to our stockholders is restricted by ~~applicable laws and regulations and limited by~~ requirements under our Revolving Credit Facility. ~~"~~ There can be no assurance that we will pay a dividend in the future or continue to pay any dividend ~~if we do commence paying dividends~~ . Several provisions of our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws and Delaware law may discourage, delay or prevent a merger or acquisition that is opposed by our Board. These include provisions that: ■ prevent our stockholders from calling a special meeting or acting by written consent; ■ require advance notice of any stockholder nomination for the election of directors or any stockholder proposal; ■ provide for a plurality voting standard in contested director elections; ■ authorize only our Board to fill director vacancies and newly created directorships; ■ authorize our Board to adopt, amend or repeal our Amended and Restated Bylaws without stockholder approval; and ■ authorize our Board to issue one or more series of " blank check " preferred stock. In addition, Section 203 of the DGCL ~~,~~ prohibits a Delaware corporation from engaging in a business combination with any interested stockholder for a period of three years following the date the person became an interested stockholder, subject to certain exceptions. In general, Section 203 of the DGCL defines an " interested stockholder " as an entity or person who, together with the entity' s or person' s affiliates, beneficially owns, or is an affiliate of the corporation and within three years prior to the time of determination of interested stockholder status did own, 15 % or more of the outstanding voting stock of the corporation. A Delaware corporation may " opt out " of these provisions with an express provision in its certificate of incorporation. We have not opted out of Section 203 of the DGCL in our Amended and Restated Certificate of Incorporation. These and other provisions of our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws and Delaware law may discourage, delay or prevent certain types of transactions involving an actual or a threatened acquisition or change in control of us including unsolicited takeover attempts, even though the transaction may offer our stockholders the opportunity to sell their shares of our common stock at a price above the prevailing market price. Your percentage ownership in Vitesse may be diluted in the future because of the settlement or exercise of equity- based awards that have been granted and **that we expect** will continue to **be** ~~grant~~ **granted** to our directors, officers and other employees under our equity incentive plan. In addition, we may issue equity as all or part of the consideration paid for acquisitions and strategic investments that we may make in the future or as necessary to finance our ongoing operations. In addition, our Amended and Restated Certificate of Incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over our common stock with respect to dividends and distributions, as our Board may generally determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant the holders of preferred stock the right to elect some number of the members of our Board in all events or upon the happening of specified events, or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences that we could assign to holders of preferred stock could affect the residual value of our common stock. Our Amended and Restated Certificate of Incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees. Our Amended and Restated Certificate of Incorporation provides that, in all cases to the fullest extent permitted by law, unless we consent 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: ■ any derivative action or proceeding brought on our behalf; ■ any action or proceeding asserting a claim of breach of a fiduciary duty owed by any current or former director, officer or other employee or stockholder of our company to us or our stockholders; ■ any action or proceeding asserting a claim arising pursuant to, or seeking to enforce any right, obligation or remedy under, any provision of Delaware law or our Amended and Restated Certificate of Incorporation or our Amended and Restated Bylaws ~~(with respect to each, as may be amended from time to time)~~ ; or ■ any action or proceeding asserting a claim governed by the internal affairs doctrine or any other action asserting an " internal corporate claim " as that term is defined in Section 115 of the DGCL. However, if the Court of Chancery of Delaware does not have jurisdiction, the action or proceeding may be brought in any other state or U. S. federal court located within the State of Delaware. Further, our Amended and Restated Certificate of Incorporation provides that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the U. S. federal district courts are the sole and exclusive forum for any complaint asserting a cause of action arising under U. S. federal securities laws. Any person holding, purchasing or otherwise acquiring ~~any interest in~~ shares of ~~capital~~ **our** stock ~~of us~~ will be deemed to have notice of and have consented to this provision and deemed to have waived any argument relating to the inconvenience of the forum in connection with any action or proceeding described in this provision. This provision may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits. Alternatively, if a court of competent jurisdiction were to find this provision of our Amended and Restated Certificate of Incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions. The oil and natural gas markets are very volatile, and we cannot predict future oil and natural gas prices. Oil and natural gas prices have fluctuated significantly, including periods of rapid and material decline, in recent years. The prices we receive for our oil and natural gas production heavily influence our production, revenue, cash flows, profitability, reserve bookings and access to capital. Although we seek to mitigate volatility and potential declines in oil and natural gas prices through derivative arrangements that hedge a portion of our expected production, this merely seeks to mitigate (not eliminate) these risks, and such activities come with their own risks. The prices we receive for our oil and natural gas production and the levels of our production depend on numerous factors beyond our control. These factors include, but are not limited to, the following: ■ changes in global supply and demand for oil and natural gas; ■ changes in NYMEX WTI oil prices and NYMEX Henry Hub natural gas prices; ■ the volatility and uncertainty of regional pricing differentials; ■ future repurchases (or additional possible releases) of oil from the strategic petroleum reserve by the United States Department of Energy; ■ the actions of OPEC and other major oil producing countries; ■ worldwide and regional economic, political and social conditions impacting the global supply and demand for oil and natural gas, which may be driven by various risks including war, terrorism, political unrest, or health epidemics ~~(such as the global COVID- 19 coronavirus outbreak)~~ ; ■ the price and quantity of imports of foreign oil and natural gas; ■ political and economic conditions, including embargoes, in oil- producing countries or affecting other oil- producing activity; ■ the outbreak or escalation of military hostilities, including between Russia and Ukraine **and in the Middle East** , and the potential destabilizing effect such conflicts may pose for ~~the European continent or~~ the global oil and natural gas markets; ■ inflation; ■ the level of global oil and natural gas exploration, production activity and inventories; ■ changes in U. S. energy policy; ■ weather conditions; ■ outbreak of disease; ■ technological advances affecting energy consumption; ■ domestic and foreign governmental taxes, tariffs and / or regulations; ■ proximity and capacity of processing, gathering, and storage facilities, oil and natural gas pipelines and other transportation facilities; ■ the price and availability of competitors' supplies of oil and natural gas in captive market areas; and ■ the price and availability of alternative fuels. These factors and the volatility of the energy markets make it extremely difficult to predict oil and natural gas prices. A substantial or extended decline in oil or natural gas prices, such as the significant and rapid decline that occurred in 2020, has resulted in and could result in future impairments of our proved oil and natural gas properties and may materially and adversely affect our future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures. To the extent oil and natural gas prices received from production are insufficient to fund planned capital expenditures, we may be required to reduce spending or borrow or issue additional equity to cover any such shortfall. Lower oil and natural gas prices may limit our ability to comply with the covenants under our Revolving Credit Facility and / or limit our ability to access borrowing availability thereunder, which is dependent on many factors including the value of our proved reserves. Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our financial condition or results of operations. Our operators' drilling activities are subject to many risks, including the risk that they will not discover commercially productive reservoirs. Drilling for oil or natural gas can be uneconomical, not only from dry holes, but also from productive wells that do not produce sufficient revenues to be commercially viable. In addition, drilling and producing operations on our acreage may be curtailed, delayed or canceled by our operators as a result of other factors, including: ■ declines in oil or natural gas prices; ■ infrastructure limitations, such as the natural gas gathering and processing constraints experienced in the Williston Basin in 2019; ■ the high cost, shortages or delays of equipment, materials and services; ■ unexpected operational events, pipeline ruptures or spills, adverse weather conditions and natural disasters, facility or equipment malfunctions, and equipment failures or accidents; ■ title problems; ■ pipe or cement failures and casing collapses; ■ lost or damaged oilfield development and services tools; ■ laws, regulations, and other initiatives related to environmental matters, including those addressing alternative energy sources, the phase- out of fossil fuel vehicles and the risks of global climate change; ■ compliance with environmental and other governmental requirements; ■ increases in severance taxes; ■ regulations, restrictions, moratoria and bans on hydraulic fracturing; ■ unusual or unexpected geological formations, and pressure or irregularities in formations; ■ loss of drilling fluid circulations; ■ environmental hazards, such as oil, natural gas or well fluids spills or releases, pipeline or tank ruptures and discharges of toxic gas; ■ fires, blowouts, craterings and explosions; ■ uncontrollable flows of oil, natural gas or well fluids; **and** ■ pipeline capacity curtailments ~~; and ■ demand from investors to return capital to investors and / or conduct share repurchases~~ . In addition to causing curtailments, delays and cancellations of drilling and producing operations, many of these events can cause substantial losses, including personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution, environmental contamination, loss of wells and regulatory penalties. We ordinarily maintain insurance against various losses and liabilities arising from our operations; however, insurance against all operational risks is not available to us. Additionally, we may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the perceived risks presented. Losses could therefore occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The occurrence of an event that is not fully covered by insurance could have a material adverse impact on our business activities, financial condition and results of operations. ~~In 2020, we were required to write down the carrying value of certain of our oil and natural gas properties, and further writedowns could be required in the future. Under the successful efforts method of accounting, costs associated with the acquisition, drilling, and equipping of successful exploratory wells and costs of successful and unsuccessful development wells are capitalized and depleted, net of estimated salvage values, using the units- of- production method on the basis of a reasonable aggregation of properties within a common geological structural feature or stratigraphic condition, such as a reservoir or field. Exploration, geological and geophysical costs, delay rentals, and drilling costs of unsuccessful exploratory wells are charged to expense as incurred. The sale of a partial interest in a proved property is accounted for as a cost recovery, and no gain or loss is recognized as long as this treatment does not significantly affect the units- of- production amortization rate. A gain or loss is recognized for all other sales of proved properties.~~ We review our oil and natural gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of their carrying value. We estimate the expected future cash flows of our oil and natural gas properties and compare such cash flows to the carrying amount of the proved oil and natural gas properties to determine if the amount is recoverable. If the carrying amount exceeds the estimated undiscounted future cash flows, we will adjust our proved oil and natural gas properties to estimated fair value. The factors used to estimate fair value include estimates of reserves, future oil and natural gas prices adjusted for basis differentials, future production estimates, anticipated capital expenditures, and a discount rate commensurate with the risk associated with realizing the projected cash flows. The discount rate is a rate that management believes is representative of current market conditions and includes estimates for a risk premium and other operational risks. A continued period of low prices may force us to incur ~~further~~ material write- downs of our oil and natural gas properties, which could have a material effect on the value of our properties and cause the value of our securities to decline. Additionally, impairments would occur if we were to experience sufficient downward adjustments to our estimated proved reserves or the present value of estimated future net revenues. An impairment recognized in one period may not be reversed in a subsequent period even if higher oil and natural gas prices increase the cost center ceiling applicable to the subsequent period. We have in the past and could in the future incur ~~additional~~ impairments of oil and natural gas properties which may be material. We have incurred net losses in the past, in part due to fluctuations in oil and gas prices, and we may incur such losses again in the future. We had net **loss of $ 19. 7 million, net** income of $ 118. 9 million, net income of $ 18. 1 ~~million, net loss of $ 8. 9~~ million and net loss of $ 7. 4 million during the years ended December 31, **2023, December 31,** 2022 ~~, and~~ **and** November 30, 2021 ~~and 2020~~ and the month ended December 31, 2021, respectively. To the extent our production is not hedged, we are exposed to declines in oil and natural gas prices, and our derivative arrangements may be inadequate to protect us from continuing and prolonged declines in oil and natural gas prices. In prior periods, such declines have led to net losses ~~. For example, our net loss for the year ended November 30, 2020 was largely caused by a decrease in oil and natural gas revenue, due primarily to a decrease in the average realized oil and natural gas prices~~ . Unrealized hedging losses on commodity derivatives attributable to significant increases in oil prices may also cause a net loss for a given period. In addition, fluctuations in oil and natural gas prices have impacted our **Predecessor** unit- based compensation expense for prior periods and may impact our stock- based compensation expense. For example, in prior periods we have experienced increases to our unit- based compensation expense primarily due to increased oil and natural gas prices causing the estimated fair value of the liabilities associated with such unit- based compensation to increase, which contributed to net losses recorded during such periods. As a result of the foregoing and other factors, we may continue to incur net losses in the future. Determining the amount of oil and natural gas recoverable from various formations involves significant complexity and uncertainty. ~~No one can measure underground accumulations of oil or natural gas in an exact way.~~ Oil and natural gas reserve engineering requires subjective estimates of underground accumulations of oil and / or natural gas and assumptions concerning future oil and natural gas prices, production levels, and operating, and development costs. Some of our reserve estimates are made without the benefit of a lengthy production history and are less reliable than estimates based on a lengthy production history. As a result, estimated quantities of proved reserves and projections of future production rates and the timing of development expenditures may prove to be inaccurate. We routinely make estimates of oil and natural gas reserves in connection with managing our business ~~and preparing reports to our lenders and investors~~ , including in some cases estimates prepared by our internal reserve engineers and professionals that are not reviewed or audited by an independent reserve engineering firm. We make these reserve estimates using various assumptions, including assumptions as to oil and natural gas prices, development schedules, drilling and operating expenses, capital expenditures, taxes and availability of funds. Some of these assumptions are inherently subjective, and the accuracy of our reserve estimates relies in part on the ability of our management team, reserve engineers and other advisors to make accurate assumptions. Any significant variance from these assumptions by actual figures could greatly affect our estimates of total reserves, the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, the classifications of reserves based on risk of recovery, and estimates of the future net cash flows. Numerous changes over time to the assumptions on which our reserve estimates are based result in the actual quantities of oil and natural gas our operators ultimately recover being different from our reserve estimates. Any significant variance could materially affect the estimated quantities and present value of reserves shown in this **Annual Report on** Form 10- K, subsequent reports we file with the SEC or other company materials. Our future success depends on our ability to replace reserves. Because the rate of production from oil and natural gas properties generally declines as reserves are depleted, our future success depends upon our ability to economically find or acquire and produce additional oil and natural gas reserves. Except to the extent that we acquire additional properties containing proved reserves, conduct successful development activities or, through engineering studies, identify additional behind- pipe zones or secondary recovery reserves, our proved reserves will decline as our reserves are produced. We have added significant net wells and production from wellbore- only acquisitions, where we don' t hold the underlying leasehold interest that would entitle us to participate in future wells. Future oil and natural gas production, therefore, is highly dependent upon our level of success in acquiring or finding additional reserves that are economically recoverable. We cannot assure you that we will be able to find or acquire and develop additional reserves at an acceptable cost. We may acquire significant amounts of unproved property to further our development efforts. Development and drilling and production activities are subject to many risks, including the risk that no commercially productive reservoirs will be discovered. We seek to acquire both proved and producing properties as well as undeveloped acreage that we believe will enhance growth potential and increase our earnings over time. However, we cannot assure you that all of these properties will contain economically viable reserves or that we will not abandon existing properties. Additionally, we cannot assure you that unproved reserves or undeveloped acreage that we acquire will be profitably developed, that new wells drilled on our properties will be productive or that we will recover all or any portion of our capital in our properties and reserves. We base the estimated discounted future net cash flows from our proved reserves using Standardized Measure and PV-10, each of which uses specified pricing and cost assumptions. However, actual future net cash flows from our oil and natural gas properties will be affected by factors such as the volume, pricing and duration of our hedging contracts; actual prices we receive for oil and natural gas; our actual operating costs in producing oil and natural gas; the amount and timing of our capital expenditures; the amount and timing of actual production; and changes in governmental regulations or taxation. For example, our estimated proved reserves as of December 31, ~~2022~~ **2023** were calculated under SEC rules by applying year- end SEC prices based on the twelve- month unweighted arithmetic average of the first day of the month oil and natural gas prices for such year end of $ ~~94~~ **78** . ~~14~~ **21** per Bbl and $ ~~6~~ **2** . ~~36~~ **64** per MMBtu, which for certain periods during this time were substantially different from the available market prices. In addition, the 10 % discount factor we use when calculating discounted future net cash flows may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and natural gas industry in general. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves, which could adversely affect our business, results of operations and financial condition. Our business depends on transportation and processing facilities and other assets that are owned by third parties. The marketability of our oil and natural gas depends in part on the availability, proximity and capacity of pipeline systems, processing facilities, oil trucking fleets and rail transportation assets owned by third parties. The lack of available capacity on these systems and facilities, whether as a result of proration, growth in demand outpacing growth in capacity, physical damage, scheduled maintenance, legal or other reasons such as suspension of service due to legal challenges (see below regarding the Dakota Access Pipeline), could result in a substantial increase in costs, declines in realized oil and natural gas prices, the shut- in of producing wells or the delay or discontinuance of development plans for our properties. In recent periods, we experienced significant delays and production curtailments, and declines in realized natural gas prices, that we believe were due in part to natural gas gathering and processing constraints in the Williston Basin. The negative effects arising from these and similar circumstances may last for an extended period of time. In many cases, operators are provided only with limited, if any, notice as to when these circumstances will arise and their duration. In addition, our wells may be drilled in locations that are serviced to a limited extent, if at all, by gathering and transportation pipelines, which may or may not have sufficient capacity to transport production from all of the wells in the area. As a result, we rely on third- party oil trucking to transport a significant portion of our production to third- party transportation pipelines, rail loading facilities and other market access points. In addition, the third parties on whom operators rely for transportation services are subject to complex federal, state, tribal, and local laws that could adversely affect the cost, manner, or feasibility of conducting business on our oil and natural gas properties. Further, concerns about the safety and security of oil and gas transportation by pipeline may result in public opposition to pipeline development and increased regulation of pipelines by PHMSA. In recent years, PHMSA has increased regulation of onshore gas transmission systems, hazardous liquids pipelines, and gas gathering systems. For example, in November 2021, PHMSA issued a final rule that extended pipeline safety requirements to onshore gas gathering pipelines, and therefore could result in less capacity to transport our products by pipeline. ~~Further, although we do not expect to incur direct costs as a result of increased PHMSA regulation, additional~~ **Additional** regulation could impact rates charged by our operators and impact their ability to enter into gathering and transportation agreements, which costs could be passed through to us. The Dakota Access Pipeline (the " DAPL "), a major pipeline transporting oil from the Williston Basin, is subject to ongoing litigation that could threaten its continued operation. In July 2020, a federal district court vacated the DAPL' s easement to cross the Missouri River at Lake Oahe and ordered the pipeline be shut down pending the completion of an environmental impact statement (" EIS ") to determine whether the DAPL poses a threat to the Missouri River and drinking water supply of the Standing Rock Sioux Reservation. The shut- down order was later reversed on appeal and the DAPL currently remains in operation while the Corps ~~conducts~~ **completes** the ~~review~~ **EIS** , **a draft of** which **was completed in 2023, opened to public comment through December 2023, and** is **expected** ~~currently anticipated~~ to be ~~completed~~ **finalized** in ~~the~~ spring ~~of~~ **or summer** ~~2023~~ **2024** . Following completion of the EIS, the Corps will ~~determine~~ **issue a final decision** whether to grant the DAPL an easement to cross the Missouri River at Lake Oahe or to ~~shut~~ **require the abandonment, removal, or reroute of that section, effectively shutting** down the pipeline. Moreover, the EIS or the Corps' decision with respect to an easement may subsequently be challenged in court. As a result, a shut- down remains possible, and there is no guarantee that the DAPL will be permitted to continue operations following the completion of the EIS. Any significant curtailment in gathering system or pipeline capacity, or the unavailability of sufficient third- party trucking or rail capacity, could adversely affect our business, results of operations and financial condition. Seasonal weather conditions, **extreme climatic events, and shifts in**

meteorological conditions, which may be impacted by climate change, may adversely affect our operators' ability to conduct drilling and completion activities and to sell oil and natural gas for periods of time **or affect demand for oil and gas** , in some of the areas where our properties are located. Seasonal weather conditions can limit drilling and completion activities, selling oil and natural gas, and other operations in some of our operating areas. In the Williston Basin, drilling and other oil and natural gas activities on our properties can be adversely affected during the winter months by severe winter weather and drilling on our properties is generally performed during the summer and fall months. These seasonal constraints can pose challenges for meeting well drilling objectives and increase competition for equipment, supplies and personnel during the summer and fall months, which could lead to shortages and increase costs or delay operations. Additionally, many municipalities impose weight restrictions on the paved roads that lead to jobsites due to the muddy conditions caused by spring thaws. This could limit access to jobsites and operators' ability to service wells in these areas. The frequency and severity of severe winter weather conditions **and shifts in regional temperature and precipitation patterns,** which **could result in increases in severity or frequency of droughts, storms, flooding, or wildfires, could cause physical damage to our operators' assets, disrupt our operators' supply chains (for example, through water use curtailments imposed during a prolonged drought), or otherwise adversely** impact ~~our business~~ **the production** activities **on our interests. Such climatic events** may also be impacted **or exacerbated** by the effects of climate change. **The ability of** ~~Energy needs could increase or~~ **our** ~~decrease as a~~ **operators to mitigate the adverse impacts of these events depends in part on the effectiveness of their resiliency planning in design and disaster preparedness and response, which may not have considered every eventuality. Additionally, global climate trends and changes in meteorological conditions may** result **in** ~~of extreme weather conditions depending on the duration and magnitude of any such climate~~ changes ~~. Increased~~ **to the amount, timing, or location of demand for** energy ~~use due to weather changes may require us to invest in order to serve increased demand. A decrease in energy use due to weather changes may affect our~~ **or its production. To the extent these events occur, our production from our assets and our resulting** financial condition **and performance** ~~through decreased revenues. To the extent the frequency of extreme weather events increases, this~~ could ~~increase our operators' costs. If any of these results occur, it could have an adverse effect on our assets and cause us to incur costs in preparing for and responding to them. If any such effects were to occur, our financial condition and results of operations would~~ be ~~materially~~ adversely affected. We have only participated in wells operated by third parties. The success of our business operations depends on the timing of drilling activities and success of our third- party operators. If our operators are not successful in the development, exploitation, production and exploration activities relating to our leasehold interests, or are unable or unwilling to perform, our financial condition and results of operations would be adversely affected. These risks are heightened in a low oil and natural gas price environment, which may present significant challenges to our operators. The challenges and risks faced by our operators may be similar to or greater than our own, including with respect to their ability to service their debt, remain in compliance with their debt instruments and, if necessary, access additional capital. Oil and natural gas prices and / or other conditions have in the past and may in the future cause oil and natural gas operators to file for bankruptcy. The insolvency of an operator of any of our properties, the failure of an operator of any of our properties to adequately perform operations or an operator' s breach of applicable agreements could reduce our production and revenue and result in our liability to governmental authorities for compliance with environmental, safety and other regulatory requirements, to the operator' s suppliers and vendors and to royalty owners under oil and natural gas leases jointly owned with the operator or another insolvent owner. Our operators will make decisions in connection with their operations (subject to their contractual and legal obligations to other owners of working interests), which may not be in our best interests. We may have no ability to exercise influence over the operational decisions of our operators, including the setting of capital expenditure budgets and drilling locations and schedules. Dependence on our operators could prevent us from realizing our target returns for those locations. The success and timing of development activities by our operators will depend on a number of factors that will largely be outside of our control, including oil and natural gas prices and other factors generally affecting the oil and natural gas industry' s operating environment; the timing and amount of capital expenditures; their expertise and financial resources; approval of other participants in drilling wells; selection of technology; and the rate of production of reserves, if any. The inability of one or more of our operators to meet their **financial** obligations to us may adversely affect our financial results. Our exposures to credit risk are, in part, through receivables resulting from the sale of our oil and natural gas production, which operators market on our behalf to energy marketing companies, refineries and their affiliates. We are subject to credit risk due to the relative concentration of our oil and natural gas receivables with a limited number of operators. This concentration may impact our overall credit risk since these entities may be similarly affected by changes in economic and other conditions. A low oil and natural gas price environment may strain our operators, which could heighten this risk. The inability or failure of our operators to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results **. We could experience periods of higher costs as activity levels fluctuate or if oil and natural gas prices rise. These increases could reduce our profitability, cash flow, and ability to complete development activities as planned** . An increase in oil and natural gas prices or other factors could result in increased development activity and investment in our areas of operations, which may increase competition for and cost of equipment, labor and supplies. Shortages of, or increasing costs for, experienced drilling crews and equipment, labor or supplies could restrict our operators' ability to conduct desired or expected operations. In addition, capital and operating costs in the oil and natural gas industry have generally risen during periods of increasing oil and natural gas prices as producers seek to increase production in order to capitalize on higher oil and natural gas prices. In situations where cost inflation exceeds oil and natural gas price inflation, our profitability and cash flow, and our operators' ability to complete development activities as scheduled and on budget, may be negatively impacted. Any delay in ~~the~~ drilling ~~of new wells~~ or significant increase in drilling costs could reduce our revenues and profitability. Approximately ~~38~~ **30** % of our estimated net proved reserves volumes were classified as proved undeveloped as of December 31, ~~2022~~ **2023** . Development of undeveloped reserves may take longer and require higher levels of capital expenditures than we ~~currently~~ anticipate. Delays in the development of our reserves or increases in costs to drill and develop such reserves will reduce the PV- 10 value of our estimated proved undeveloped reserves and future net revenues estimated for such reserves and may result in some projects becoming uneconomic. In addition, delays in the development of reserves could cause us to have to reclassify our proved undeveloped reserves as unproved reserves. We intend to continue to expand our operations in part through acquisitions. Our decision to acquire a property will depend in part on the evaluation of data obtained from production reports and engineering studies, geophysical and geological analyses and seismic and other information, the results of which are often inconclusive and subject to various interpretations. Also, our reviews of acquired properties are inherently incomplete because it generally is not economically feasible to perform an in- depth review of the individual properties involved in each acquisition. Even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit us to become sufficiently familiar with the properties to assess fully their deficiencies and potential recoverable reserves. On- site inspections are often not performed on properties being acquired, and environmental matters, such as subsurface contamination, are not necessarily observable even when an on- site inspection is undertaken. Any acquisition involves other potential risks, including, among other things: ■ the validity of our assumptions about reserves, future production, revenues and costs; ■ a decrease in our liquidity by using a significant portion of our cash from operations or borrowing capacity to finance acquisitions; ■ a significant increase in our interest expense or financial leverage if we incur additional debt to finance acquisitions; ■ the ultimate value of any contingent consideration agreed to be paid in an acquisition; ■ dilution to stockholders if we use equity as consideration for, or to finance, acquisitions; ■ the assumption of unknown liabilities, losses or costs for which we are not indemnified or for which our indemnity is inadequate; ■ geological risk, which refers to the risk that hydrocarbons may not be present or, if present, may not be recoverable economically; ■ an inability to hire, train or retain qualified personnel to manage and operate our growing business and assets; and ■ an increase in our costs or a decrease in our revenues associated with any potential royalty owner or landowner claims or disputes, or other litigation encountered in connection with an acquisition. We may also acquire multiple assets in a single transaction. Portfolio acquisitions via joint- venture or other structures are more complex and expensive than single project acquisitions, and the risk that a multiple- project acquisition will not close may be greater than in a single- project acquisition. An acquisition of a portfolio of projects may result in our ownership of projects in geographically dispersed markets which place additional demands on our ability to manage such operations. A seller may require that a group of projects be purchased as a package, even though one or more of the projects in the portfolio does not meet our strategic objectives. In such cases, we may attempt to make a joint bid with another buyer, and such other buyer may default on its obligations. Further, we may acquire properties subject to known or unknown liabilities and with limited or no recourse to the former owners or operators. As a result, if liability were asserted against us based upon such properties, we may have to pay substantial sums to dispute or remedy the matter, which could adversely affect our profitability. Unknown liabilities with respect to assets acquired could include, for example: liabilities for clean- up of undiscovered or undisclosed environmental contamination; claims by developers, site owners, vendors or other persons relating to the asset or project site; liabilities incurred in the ordinary course of business; and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the asset or project sites. require substantial capital expenditures.Historically,we have funded our capital expenditures through a combination of cash flow from operations,borrowings under our credit facilities and equity issuances.Cash reserves,cash ~~flow~~ from operations and borrowings under our Revolving Credit Facility may not be sufficient to fund our continuing operations and business plan and goals.We may require additional capital and we may be unable to obtain such capital if and when required.If our access to capital were limited due to numerous factors,which could include a decrease in operating cash flow due to lower oil and natural gas prices or decreased production or deterioration of the credit and capital markets,we would have a reduced ability to develop our properties,replace our reserves and pursue our business plan and goals.We may not be able to incur additional debt under our Revolving Credit Facility,issue debt or equity,engage in asset sales or access other methods of **financing** We may be unable to successfully integrate any assets we may acquire in the future into our business or achieve the anticipated benefits of such acquisitions. ~~Our ability~~ **We may not be able** to ~~achieve the anticipated benefits of any future acquisitions will depend in part upon whether we can~~ integrate the acquired assets into our existing business in an efficient and effective manner **or achieve the anticipated benefits of such acquisitions** . We may not be able to accomplish this integration process successfully. The successful acquisition of ~~producing~~ properties requires an assessment of several factors, including: ■ recoverable reserves; ■ future oil and natural gas prices and their appropriate differentials; ■ availability and cost of transportation of production to markets; ■ availability and cost of drilling equipment and of skilled personnel; ■ development and operating costs including access to water and potential environmental and other liabilities; and ■ regulatory, permitting and similar matters. The accuracy of these assessments is inherently uncertain. In connection with these assessments, we ~~have performed~~ -- **perform** reviews of the subject properties that we believe to be generally consistent with industry practices. The reviews are based on our analysis of historical production data, assumptions regarding capital expenditures and anticipated production declines without review by an independent petroleum engineering firm. Data used in such reviews are typically furnished by the seller or obtained from publicly available sources. Our review may not reveal all existing or potential problems or permit us to fully assess the deficiencies and potential recoverable reserves for all of the acquired properties, and the reserves and production related to the acquired properties may differ materially after such data is reviewed by an independent petroleum engineering firm or further by us. On- site inspections will not always be performed on every well, and environmental problems are not necessarily observable even when an on- site inspection is undertaken. Even when problems are identified, the seller may be unwilling or unable to provide effective contractual protection against all or a portion of the underlying deficiencies. We are often not entitled to contractual indemnification for environmental liabilities and acquire properties on an " as is " basis, and, as is the case with certain liabilities associated with the assets acquired in our recent acquisitions, we are entitled to indemnification for only certain operational liabilities. The integration process may be subject to delays or changed circumstances, and we can give no assurance that our ~~recently~~ acquired assets will perform in accordance with our expectations or that our expectations with respect to integration or **the benefits** ~~cost savings as a result~~ of such acquisitions will materialize. Our oil and natural gas properties are focused on the Williston Basin, which means our current producing properties and new drilling opportunities are geographically concentrated in that area. Because our oil and natural gas properties are not as diversified geographically as some of our competitors, our profitability may be disproportionately exposed to the effect of any regional events, including fluctuations in prices of oil and natural gas produced from the wells in the region, natural disasters, restrictive governmental regulations, transportation capacity constraints, weather, curtailment of production or interruption of transportation and processing, and any resulting delays or interruptions of production from existing or planned new wells. Our success depends heavily upon the continued contributions of those members of our management team whose knowledge, relationships with industry participants, leadership and technical expertise would be difficult to replace. In particular, our ability to successfully acquire additional properties, to increase our reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements depends on developing and maintaining close working relationships with industry participants. In addition, our ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment is dependent on our management team' s knowledge and expertise in the industry. To continue to develop our business, we rely on our management team' s knowledge and expertise in the industry and will use our management team' s relationships with industry participants to enter into strategic relationships. The members of our management team may terminate their employment with our company at any time. If we were to lose members of our management team, we may not be able to replace the knowledge or relationships that they possess and our ability to execute our business plan could be materially harmed. Deficiencies of title to our leased interests could significantly affect our financial condition. We typically do not incur the expense of a title examination prior to acquiring oil and natural gas leases or undivided interests in oil and natural gas leases or other developed rights. If an examination of the title history of a property reveals that an oil or natural gas lease or other developed rights have been purchased in error from a person who is not the owner of the ~~mineral~~ interest desired, our interest would substantially decline in value or be eliminated. In such cases, the amount paid for such oil or natural gas lease or leases or other developed rights may be lost. It is generally our practice not to incur the expense of retaining lawyers to examine the title to the ~~mineral~~ interest to be acquired. Rather, we typically rely upon the judgment of our own oil and natural gas landmen who conduct due diligence and perform the fieldwork in examining records in the appropriate governmental or county clerk' s office before attempting to acquire a lease or other developed rights in a specific ~~mineral~~ interest. Prior to drilling an oil or natural gas well, however, it is the normal practice in the oil and natural gas industry for the company acting as the operator of the well to obtain a title examination of the spacing unit within which the proposed oil or natural gas well is to be drilled to ensure there are no obvious deficiencies in title to the well. Frequently, as a result of such examinations, certain curative work must be done to correct deficiencies in the marketability of the title, such as obtaining affidavits of heirship or causing an estate to be administered. Such curative work entails expense, and the operator may elect to proceed with a well despite defects to the title identified in the title opinion. Furthermore, title issues may arise at a later date that were not initially detected in any title review or examination. Any one or more of the foregoing could require us to reverse revenues previously recognized and potentially negatively affect our cash flows and results of operations. Our failure to obtain perfect title to our leaseholds may adversely affect our ~~current~~ production and reserves and our ability in the future to increase production and reserves. We conduct business in a highly competitive industry. The oil and natural gas industry is highly competitive. The key areas in respect of which we face competition include: acquisition of assets offered for sale by other companies; access to capital (debt and equity) for financing and operational purposes; purchasing, leasing, hiring, chartering or other procuring of equipment by our operators that may be scarce; and employment of qualified and experienced skilled management and oil and natural gas professionals. Competition in our markets is intense and depends, among other things, on the number of competitors in the market, their financial resources, their degree of geological, geophysical, engineering and management expertise and capabilities, their pricing policies, their ability to develop properties on time and on budget, their ability to select, acquire and develop reserves and their ability to foster and maintain relationships ~~with the relevant authorities~~ . Our competitors ~~also~~ include ~~those~~ entities with greater technical, physical and financial resources. ~~Finally~~ **In addition** , companies and certain private equity firms not previously investing in oil and natural gas may choose to acquire reserves to establish a firm supply or simply as an investment. Any such companies will also increase market competition which may directly affect us. If we are unsuccessful in competing against other companies, our business, results of operations, financial condition or prospects could be materially adversely affected. ~~The~~ **Global pandemics have previously, may continue to, and may in the future adversely impact our financial condition and results of operations. Global pandemics, including the** COVID- 19 pandemic ~~has had~~ , ~~and may continue to have, an~~ **and** ~~adverse effect on our financial condition and results of operations. We face risks related to public health crises, including~~ the ~~COVID- 19~~ **actions taken by governmental authorities, businesses and consumers in response to such** ~~pandemic~~ **pandemics** ~~. The effects of the COVID- 19 pandemic~~ , including travel bans, prohibitions on group events and gatherings, shutdowns of certain businesses, curfews, shelter- in- place orders and recommendations to practice social distancing ~~in addition to other actions taken by both businesses and governments~~ , **have previously** ~~resulted in a significant and swift reduction in international and U. S. economic activity. The collapse in the demand for oil caused by this unprecedented global health and economic crisis contributed to the significant decrease in oil prices in 2020 and had~~ and could in the future ~~continue to~~ have an adverse impact on **international** ~~our financial condition~~ and **U. S. economic activity which** results **in significant volatility in** ~~of operations. Since the beginning of 2021, the distribution of COVID- 19 vaccines progressed and many government- imposed restrictions were relaxed or rescinded. However, we continue to monitor the effects of the pandemic on our operations. As a result of COVID- 19, our operations, and those~~ -- **the oil** ~~of our operators, have~~ and **gas industry** ~~may continue to experience delays or disruptions and temporary suspensions of operations. In addition, our results of operations and financial condition have been and may continue to be adversely affected by COVID- 19~~ . The extent to which our operating and financial results are affected by **pandemic** ~~COVID-~~

~~19~~ will depend on various factors and consequences beyond our control, such as the ~~emergence of more contagious and harmful variants of the COVID- 19 virus, the~~ duration and scope of the pandemic, additional actions by businesses and governments in response to the pandemic, and the speed and effectiveness of responses to combat the ~~virus~~ **pandemic** . ~~COVID- 19~~ **Furthermore, such pandemics** , and the volatile regional and global economic conditions stemming from ~~the~~ **them** ~~pandemic~~ , could also aggravate the other risk factors that we identify herein. ~~While the effects of the COVID- 19 pandemic have lessened in the United States, we cannot predict the duration or future effects of the pandemic, or more contagious and harmful variants of the COVID- 19 virus, and such effects may adversely affect our results of operations and financial condition in a manner that is not currently known to us or that we do not currently consider to present significant risks to our operations.~~ The ongoing military ~~conflict~~ **conflicts** ~~between~~ **in** Ukraine and ~~Russia has~~ **the Middle East have** caused unstable market and economic conditions and ~~is~~ **are** expected to have additional global consequences ~~, such as heightened risks of cyberattacks~~ . Our business, financial condition, and results of operations may be materially adversely affected by the negative global and economic impact resulting from ~~the~~ **such** military ~~conflict~~ **conflicts** ~~in Ukraine~~ or any other geopolitical tensions. U. S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions ~~and~~ **,** the **ongoing** ~~start of the~~ military conflict between Russia and Ukraine **and escalation** ~~. On February 24, 2022, a full- scale military invasion~~ of ~~Ukraine by Russian troops began~~ **hostilities in the Middle East** . Although the length and impact of ~~the~~ **these** ongoing military ~~conflict~~ **conflicts** ~~is~~ **are** highly unpredictable, the military ~~conflict~~ **conflicts** in Ukraine ~~has~~ **and in the Middle East have** led to market disruptions, including significant volatility in oil and natural gas prices, credit and capital markets, as well as supply chain disruptions. ~~Various of Russia' s actions have led to sanctions and other penalties being levied by the United States, the European Union, and other countries, as well as other public and private actors and companies, against Russia and certain other geographic areas, including restrictions on imports of Russian oil, LNG and coal.~~ These disruptions in the oil and natural gas markets have caused, and could continue to cause, significant volatility in energy prices, which could have a material effect on our business. ~~Additional potential sanctions and penalties have also been proposed and / or threatened. In addition, the United States and other countries have imposed sanctions on Russia which increases the risk that Russia, as a retaliatory action, may launch cyberattacks against the United States, its government, infrastructure and businesses. On March 21, 2022, the Biden Administration issued warnings about the potential for Russia to engage in malicious cyber activity against the United States in response to the economic sanctions that have been imposed.~~ Prolonged unfavorable economic conditions or uncertainty as a result of ~~the~~ **these** military ~~conflict~~ **conflicts** ~~between Russia and Ukraine~~ may adversely affect our business, financial condition, and results of operations. Any of the foregoing may also magnify the impact of other risks described in this **Annual Report on** Form 10- K. Although inflation in the United States has been relatively low in recent years, it rose significantly beginning in the second half of 2021 and has continued to rise in 2022 **and 2023** . This is believed to be the result of the economic impact from ~~the COVID- 19 pandemic, including the effects of~~ global supply chain disruptions ~~and government stimulus packages~~ , among other factors. Global, industry- wide supply chain disruptions ~~caused by the COVID- 19 pandemic~~ have resulted in shortages in labor, materials and services. Such shortages have resulted in inflationary cost increases for labor, materials and services and could continue to cause costs to increase as well as scarcity of certain products and raw materials ~~. We have experienced drilling and completion cost increases of approximately 10 % between 2021 and 2022, and we cannot predict the extent of any future increases~~ . To the extent elevated inflation remains, our operators may experience further cost increases for their operations, including oilfield services, labor costs, and equipment if drilling activity in our operators' areas of operations increases. Higher oil and natural gas prices may cause the costs of materials and services to continue to rise. We cannot predict any future trends in the rate of inflation and a significant increase in inflation, to the extent we are unable to recover higher costs through higher oil and natural gas prices and revenues, would negatively impact our business, financial condition and results of operations. **Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults, or non- performance by financial institutions or transactional counterparties, could adversely affect our current and projected business operations and our financial condition and results of operations. Actual events involving limited liquidity, defaults, non- performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market- wide liquidity problems. For example, on March 10, 2023, SVB was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation (" FDIC ") as receiver. Similarly in 2023, Signature Bank, Silvergate Capital Corp. and First Republic Bank were each placed into receivership by the FDIC. Although we did not have any funds deposited with SVB, Signature Bank, [Silvergate Capital Corp] or First Republic Bank, we currently, and may in the future, have assets held at financial institutions that may exceed the insurance coverage offered by the FDIC, and the loss of such assets would have a severe negative affect on our operations and liquidity. In addition, if any of our counterparties with whom we conduct business are unable to access funds pursuant to such instruments or lending arrangements with such a financial institution, such parties' ability to pay their obligations to us or to enter into new commercial arrangements requiring additional payments to us could be adversely affected. Our primary banking relationship is with Wells Fargo Bank, as administrative agent and lender, and a syndicate of banks, as additional lenders under the Revolving Credit Facility including Fifth Third Bank, Bank of Oklahoma, and Amegy Bank.** To achieve more predictable cash flows and reduce our exposure to adverse fluctuations in the price of oil and natural gas, we enter into derivative instrument contracts for a portion of our expected production, which may include swaps, collars, puts and other structures. See Part II ~~,~~ **.** Item 7A ~~,~~ **.** Quantitative and Qualitative Disclosure About Market Risk **-** ~~, "~~ Commodity Price Risk. ~~"~~ By using derivative instrument contracts to reduce our exposure to adverse fluctuations in the price of oil and natural gas, we could limit the benefit we would receive from increases in the prices for oil and natural gas, which could have an adverse effect on our profitability, cash flow, results of operations and financial condition. Likewise, to the extent our production is not hedged, we are exposed to declines in oil and natural gas prices, and our derivative arrangements may be inadequate to protect us from continuing and prolonged declines in oil and natural gas prices. In accordance with applicable accounting principles, we are required to record our derivatives at fair market value, and they are included on our balance sheet as assets or liabilities and in our statements of operations as gain (loss) on commodity derivatives, net. Accordingly, our earnings may fluctuate significantly as a result of changes in the fair market value of our derivative instruments. In addition, while intended to mitigate the effects of volatile oil and natural gas prices, our derivatives transactions may limit our potential gains and increase our potential losses if oil and natural gas prices were to rise substantially over the price established by the hedge. Our actual future production may be significantly higher or lower than we estimate at the time we enter into derivative contracts for such period. If the actual amount of production is higher than we estimate, we will have greater oil and natural gas price exposure than we intended. If the actual amount of production is lower than the notional amount that is subject to our derivative financial 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. In addition, such transactions may expose us to the risk of loss in certain circumstances, including instances in which a counterparty to our derivative contracts is unable to satisfy its obligations under the contracts; our production is less than expected; or there is a widening of price differentials between delivery points for our production and the delivery point assumed in the derivative arrangement. Disruptions in the financial markets could lead to sudden decreases in a counterparty' s liquidity, which could make it unable to perform under the terms of the contracts, and we may not be able to realize the benefit of the contracts. We ~~are~~ **may be** unable to predict ~~sudden~~ changes in a counterparty' s creditworthiness or ability to perform. Even if we do accurately predict ~~sudden~~ changes, our ability to negate the risk may be limited depending upon market conditions. We are responsible for costs associated with plugging, abandoning and reclaiming wells, pipelines and other facilities that we use for production of oil and natural gas reserves **where we have a working interest** . Abandonment and reclamation of these facilities and the costs associated therewith is often referred to as " asset retirement. " We accrue a liability for asset retirement costs associated with our wells, but have not established any cash reserve account for these potential costs in respect of any of our properties. It may be difficult for us to predict such asset retirement costs. If asset retirement is required before economic depletion of our properties or if our estimates of the costs of asset retirement exceed the value of the reserves remaining at any particular time to cover such asset retirement costs, we may have to draw on funds from other sources to satisfy such costs, which may be substantial. The use of other funds to satisfy such asset retirement costs could impair our ability to dedicate our capital to other areas of our business. We depend on computer and telecommunications systems, and failures in our systems or ~~cyber security~~ **cybersecurity** threats, attacks or other disruptions could significantly disrupt our business operations. We have entered into agreements with third parties for hardware, software, telecommunications and other information technology services in connection with our business. In addition, we have developed or may develop proprietary software systems, management techniques and other information technologies incorporating software licensed from third parties. It is possible that we, or these third parties, could incur interruptions from ~~cyber security~~ **cybersecurity** attacks, computer viruses or malware, or that third-party service providers could cause a breach of our data. We believe that we have positive relations with our related vendors and maintain adequate anti- virus and malware software and controls; however, any interruptions to our arrangements with third parties for our computing and communications infrastructure or any other interruptions to, or breaches of, our information systems could lead to data corruption, communication interruption, loss of sensitive or confidential information or otherwise significantly disrupt our business operations. Although we utilize various procedures and controls to monitor these threats and mitigate our exposure to such threats, there can be no assurance that these procedures and controls will be sufficient in preventing security threats from materializing. Furthermore, various third- party resources that we rely on, directly or indirectly, in the operation of our business (such as pipelines and other infrastructure) could suffer interruptions or breaches from cyber-attacks or similar events that are entirely outside our control, and any such events could significantly disrupt our business operations and / or have a material adverse effect on our results of operations. To our knowledge we have not experienced any material losses relating to cyber- attacks; however, there can be no assurance that we will not suffer material losses in the future. In addition, our operators face various security threats, including ~~cyber security~~ **cybersecurity** threats to gain unauthorized access to sensitive information or to render data or systems unusable, threats to the security of their facilities and infrastructure or third- party facilities and infrastructure, such as processing plants and pipelines, and threats from terrorist acts. If any of these security breaches were to occur, they could lead to losses of sensitive information, critical infrastructure or capabilities essential to operations and could have a material adverse effect on our financial position, results of operations or cash flows. The U. S. government has issued warnings that U. S. energy assets may be the future targets of terrorist organizations. These developments subject operations on our oil and natural gas properties to increased risks. Any future terrorist attack at our operators' facilities, or those of their purchasers or vendors, could have a material adverse effect on our financial condition and operations. Decarbonization measures and related governmental initiatives, technological advances **, increased competitiveness of alternative energy sources** and negative shift in market perception towards the oil and natural gas industry could reduce demand for oil and natural gas. Decarbonization measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, technological advances in fuel economy and energy generation devices, and the increased competitiveness of alternative energy sources could reduce demand for oil and natural gas. Additionally, the increased competitiveness of alternative energy sources (such as wind, solar, geothermal, tidal, fuel cells and biofuels) could reduce demand for oil and natural gas and, therefore, our revenues. Our business could also be impacted by governmental initiatives to encourage the conservation of energy or the use of alternative energy sources. For example, in November 2021, the Biden Administration released " The Long- Term Strategy of the United States: Pathways to Net- Zero Greenhouse Gas Emissions by

2050, " which establishes a roadmap to net zero emissions in the United States by 2050 through, among other things, improving energy efficiency; decarbonizing energy sources via electricity, hydrogen, and sustainable biofuels; eliminating subsidies provided to the fossil fuel industry; reducing non- CO_2 GHG emissions, such as methane and nitrous oxide; and increasing the emphasis on climate- related risks across government agencies and economic sectors. In addition, ~~in August 2022, Congress passed, and President Biden signed,~~ the **IRA** ~~Inflation Reduction Act of 2022. The Inflation Reduction Act of 2022~~ includes a variety of clean- energy tax credits and establishes a program designed to reduce methane emissions from oil and gas operations. These initiatives or similar state or federal initiatives to reduce energy consumption or encourage a shift away from fossil fuels could reduce demand for hydrocarbons and have a material adverse effect on our earnings, cash flows and financial condition. Additionally, certain segments of the investor community have recently expressed negative sentiment towards investing in the oil and natural gas industry. ~~Recent equity returns in the sector versus other industry sectors have led to lower oil and natural gas representation in certain key equity market indices.~~ Some investors, including certain pension funds,...... and enforcement interpretations. 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. Such ratings are used by some investors to inform their~~ investment and voting decisions. Unfavorable ESG ratings and recent activism directed at shifting funding away from companies with energy- related assets could lead to increased negative investor sentiment toward us and our industry and to the diversion of investment to other industries ~~their investments in the oil and natural gas sector based on social and environmental considerations~~ .Furthermore,certain other stakeholders have pressured commercial and investment banks to stop funding oil and natural gas projects.With the continued volatility in oil and natural gas prices,and the possibility that interest rates ~~will~~ **may** continue to rise in the near term,increasing the cost of borrowing,certain investors have emphasized capital efficiency and free cash flow from earnings as key drivers for energy companies,especially shale producers.This may also result in a reduction of available capital funding for potential development projects,further impacting our future financial results.The impact of the changing demand for oil and natural gas services and products,together with a change in investor sentiment,may have a material adverse effect on our business,financial condition,results of operations and cash flows. ~~Furthermore,if we~~ **Businesses across all industries** are ~~unable~~ **facing increasing scrutiny from stakeholders related** to ~~achieve the~~ **their** ~~desired level of capital efficiency~~ **ESG practices.Businesses that do not adapt to** or ~~free~~ **comply with investor or stakeholder expectations and standards** , which **are continuing to evolve, or businesses that are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage and the business, financial condition, and / or stock price of such business entity** could **be materially and adversely affected. Increasing attention to climate change, increasing societal expectations on companies to address climate change, increasing investor and societal expectations regarding voluntary ESG disclosures, increasing mandatory ESG disclosures, and increasing consumer demand for alternatives to oil and natural gas may result in increased costs, reduced demand for our products, reduced profits, increased administrative, legislative, and judicial scrutiny, reputational damage, and negative impacts on our access to capital markets. To the extent that societal pressures or political or other factors are involved, it is possible that the Company could be subject to additional governmental investigations, private litigation or activist campaigns as stockholders may attempt to effect changes to the Company' s business or governance practices. As part of our ongoing effort to enhance our ESG practices, our Board has established the Nominating, Governance and Environmental and Social Responsibility Committee, which is charged with overseeing our ESG risks, strategies, policies, and programs in the best interests of our stakeholders. While we may elect pursue to certain ESG strategies in the future, the goals of such are aspirational and may not** have ~~a negative~~ **the intended** impact on our ~~stock price and~~ **business. We may also receive pressure from investors, lenders** ~~our~~ **or** ~~access~~ **other groups** to ~~and~~ **adopt more aggressive climate or other ESG- related goals, but we cannot guarantee that we will be able to implement such goals because of potential** costs **or technical or operational obstacles. Moreover, failure or a perception (whether or not valid)** of ~~capital~~ **failure to implement ESG strategies or achieve ESG goals or commitments, including any GHG emission reduction or carbon intensity goals or commitments, could result in private litigation and damage our reputation, cause investors or consumers to lose confidence in us, and negatively impact our operations** . Also, institutional lenders may, of their own accord, ~~elect~~ **decide** not to provide funding for fossil fuel energy companies **or related infrastructure projects** based on climate ~~change~~ **or other ESG-** related concerns, which could affect our access to capital for potential growth projects **. Many of the largest U. S. banks and other large institutional investors have made " net zero " carbon emission commitments and have announced that they will be assessing financed emissions across their portfolios and taking steps to quantify and reduce those emissions. Additionally, there is also a risk that financial institutions will be pressured or required to adopt policies that have the effect of reducing the capital provided to the fossil fuel sector. In 2023 the six largest U. S. banks performed a pilot climate scenario exercise pursuant to instructions published by the Federal Reserve. The SEC has proposed rules that would mandate extensive disclosure of climate risks, including financial impacts, physical and transition risks, related climate- related governance and strategy, and GHG emissions, for all U. S.- listed public companies. Enhanced climate disclosure requirements could result in additional legal and accounting costs and accelerate the trend of certain stakeholders and lenders restricting or seeking more stringent conditions with respect to their investments in certain carbon- intensive sectors. States may also pass laws imposing more expansive disclosure requirements for climate- related risks. Separately, the SEC has also announced that it is scrutinizing existing climate- change related disclosures in public filings, increasing the potential for enforcement if the SEC were to allege an issuer' s existing climate disclosures misleading or deficient. New laws, regulations, or enforcement initiatives related to the disclosure of climate- related risks could lead to reputational or other harm with customers, regulators, lenders, investors or other stakeholders and could also increase litigation risks. Any material reduction in the capital available to the fossil fuel industry could**

make it more difficult to secure funding for exploration, development, production, transportation, and processing activities, which could impact our business and results of operations . Availability under our Revolving Credit Facility is subject to a borrowing base, with scheduled semiannual and other elective borrowing base redeterminations based upon, among other things, projected revenues from, and asset values of, the oil and natural gas properties securing the Revolving Credit Facility. As a result of these borrowing base redeterminations, the lenders under the Revolving Credit Facility are able to unilaterally determine and adjust the borrowing base and the borrowings permitted to be outstanding under our Revolving Credit Facility. Reductions in estimates of our producing oil and natural gas reserves could result in a reduction of our borrowing base thereunder. The same could also arise from other factors, including but not limited to lower commodity prices or production; operating difficulties; changes in oil and natural gas reserve engineering; increased operating and / or capital costs; lending requirements or regulations; or other factors affecting our lenders' ability or willingness to lend (including factors that may be unrelated to our company). Any significant reduction in our borrowing base could result in a default under current and / or future debt instruments, negatively impact our liquidity and our ability to fund our operations and, as a result, could have a material adverse effect on our financial position, results of operations and cash flow. Further, if the outstanding borrowings under our Revolving Credit Facility were to exceed the borrowing base as a result of any such redetermination, we could be required to repay the excess. If we do not have sufficient funds and we are otherwise unable to arrange new financing, we may have to sell significant assets or take other actions. Any such sale or other actions could have a material adverse effect on our business and financial results. Our Revolving Credit Facility contains a number of restrictive covenants that impose operating and financial restrictions on us, including restrictions on our ability to, among other things: declare or pay any dividend or make any other distributions on, purchase or redeem our equity interests; make loans or certain investments; make certain acquisitions; incur or guarantee additional indebtedness or issue certain types of equity securities; incur liens; transfer or sell assets; create subsidiaries; consolidate, merge or transfer all or substantially all of our assets; and engage in transactions with our affiliates. For a description of the covenants limiting our ability to pay dividends ~~and distributions~~ , see ~~"~~ — Our ability to pay dividends to our stockholders is restricted by ~~applicable laws and regulations and limited by~~ requirements under our Revolving Credit Facility. ~~"~~ In addition, the Revolving Credit Facility requires us to maintain compliance with certain financial covenants and other covenants. As a result of these covenants, we could be limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs. Our ability to comply with ~~some of~~ these covenants and restrictions may be affected by events beyond our control ~~. If~~ **, including the deterioration of** market or other economic conditions ~~deteriorate, our ability to comply with these covenants may be impaired~~ . A failure to comply with the covenants, ratios or tests in our Revolving Credit Facility or any other indebtedness could result in an event of default ~~under our Revolving Credit Facility~~ , which, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations. If an event of default under our Revolving Credit Facility occurs and remains uncured, the lenders thereunder would not be required to lend any additional amounts to us and could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. If the payment of debt were accelerated, cash flows from our operations may be insufficient to repay such debt in full and our stockholders could experience a partial or total loss of their investment. Our Revolving Credit Facility contains customary events of default, including the occurrence of a change in control. An event of default or an acceleration under our Revolving Credit Facility could result in an event of default and an acceleration under other existing or future indebtedness. Conversely, an event of default or an acceleration under any other existing or future indebtedness could result in an event of default and an acceleration under our Revolving Credit Facility. In addition our obligations under the Revolving Credit Facility are collateralized by perfected liens and security interests on substantially all of our assets and if we default thereunder **,** the lenders could seek to foreclose on our assets. We may not be able to generate enough cash flow to meet our debt obligations or to pay dividends to our stockholders. Our earnings and cash flow may vary significantly ~~from year to year~~ due to the cyclical nature of our industry. As a result, the amount of debt that we can service in some periods may not be appropriate for us in other periods. Additionally, our future cash flow may be insufficient to meet our debt obligations and commitments, or to permit us to pay dividends to our stockholders. Any insufficiency could negatively impact our business. A range of economic, competitive, business and industry factors will affect our future financial performance, and, as a result, our ability to generate cash flow from operations and to pay our debt or dividends. Many of these factors, such as oil and natural gas prices, economic and financial conditions in our industry and the global economy or competitive initiatives of our competitors, are beyond our control. If we do not generate enough cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt; selling assets; reducing or delaying capital investments; or seeking to raise additional capital. However, we cannot assure you that undertaking alternative financing plans, if necessary, would allow us to meet our debt obligations or pay dividends. Our inability to generate sufficient cash flow to satisfy our debt obligations or pay dividends, or to obtain alternative financing, could materially and adversely affect our business, financial condition, results of operations and prospects. Holders of our common stock are only entitled to receive such cash dividends as our Board, in its sole discretion, may declare out of funds legally available for such payments. We ~~made~~ **paid** cash **dividends of** ~~distributions to our members totaling~~ $ ~~0~~ **58** . 0 million **to our equity holders** ~~and $ 12. 0 million~~ during the ~~years ended November 30, 2020 and 2021, respectively, and $ 6. 0 million and $ 36. 0 million during the one month and~~ year ended December 31, **2023. We made cash distributions to our members totaling $ 36. 0 million, $ 12. 0 million and $ 6. 0 million during the years ended December 31, 2022 and November 30,** 2021 and **the month ended December 31,** ~~2022~~ **2021** , respectively. We cannot assure you that we will pay dividends in the future. ~~Our Board may change the timing and amount of any future dividend payments or eliminate the payment of future dividends to our stockholders at its discretion, without notice to our stockholders.~~ Any future determination relating to ~~our~~ **the payment of** ~~dividend~~ **dividends** ~~policy~~ will be dependent on a variety of factors, including **any limitations imposed** ~~our financial condition, earnings, legal requirements, our general liquidity needs, and other factors that our Board deems relevant.~~

~~Our ability to declare and pay dividends to our stockholders is subject to certain laws, regulations, and policies, including minimum capital requirements and, as a Delaware corporation, we are subject to certain restrictions on dividends under the DGCL. Under the DGCL, our Board may not authorize payment of a dividend unless it is either paid out of our surplus, as calculated in accordance with the DGCL, or if we do not have a surplus, it is paid out of our net profits for the fiscal year in which the dividend is declared and / or the preceding fiscal year. Finally, our ability to pay dividends to our stockholders is limited~~ by covenants in the Revolving Credit Facility and ~~may be limited by covenants in~~ any debt agreements that we may enter into in the future. Under our Revolving Credit Facility, we are permitted to make cash distributions without limit to our equity holders if (i) no event of default or borrowing base deficiency (i. e., outstanding debt (including loans and letters of credit) exceeds the borrowing base) then exists or would result from such distribution and (ii) after giving effect to such distribution, (a) our total outstanding credit usage does not exceed 80 % of the least of (the following collectively referred to as " Commitments "): (1) $ 500 million, (2) our then- effective borrowing base, and (3) the then- effective aggregate amount of our lenders' commitments and (b) as of the date of such distribution, the EBITDAX Ratio does not exceed 1. 50 to 1. 00. If our EBITDAX Ratio does not exceed 2. 25 to 1. 00, and if our total outstanding credit usage does not exceed 80 % of the Commitments, we may also make distributions if our distributable free cash flow (as defined under the Revolving Credit Facility) is greater than $ 0 and we have delivered a certificate to our lenders attesting to the foregoing. The summaries above do not purport to be complete and you are encouraged to read the Revolving Credit Facility, which is filed as an exhibit to this Annual Report on Form 10- K, for greater detail with respect to these provisions. As a consequence of these various limitations and restrictions, we may not be able to make, or may have to reduce or eliminate at any time, the payment of dividends on our common stock. If as a result, we are unable to pay dividends, investors may be forced to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize a return on their investment. Any change in the level of our dividends or the suspension of the payment thereof could have a material adverse effect on the market price of our common stock. **For additional information, please see — Risks Relating to Our Common Stock — Although we expect to continue to pay dividends, we cannot provide assurance that we will pay dividends on our common stock, and our indebtedness may limit our ability to pay dividends on our common stock.** Our Revolving Credit Facility uses SOFR as a reference rate for borrowings. Borrowings under our Revolving Credit Facility may bear interest at variable rates and expose us to interest rate risk. If interest rates increase and we are unable to effectively hedge our interest rate risk, our debt service obligations on the variable rate indebtedness would increase even if the amount borrowed remained the same, and our net income and cash **flows may** ~~available for servicing our indebtedness would~~ decrease. In 2017, the U. K. Financial Conduct Authority announced that it intended to phase out LIBOR, and in 2021, it announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative immediately after December 31, 2021, in the case of one- week and two- month U. S. Dollar settings, and immediately after June 30, 2023, in the case of the remaining U. S. Dollar settings ~~. The Federal Reserve also has advised banks to cease entering into new contracts that use U. S. Dollar LIBOR as a reference rate~~ . The Alternative Refinance Rate Committee, a committee convened by the Federal Reserve that includes major market participants, has identified SOFR, a new index calculated by short- term repurchase agreements, backed by U. S. Treasury securities, as its preferred alternative rate for LIBOR in the U. S. Although SOFR appears to be the preferred replacement rate for U. S. Dollar LIBOR, it is unclear if other benchmarks may emerge. The consequences of these developments cannot be entirely predicted, and there can be no assurance that they will not result in financial market disruptions, significant increases in benchmark interest rates, substantially higher financing costs or a shortage of available debt financing, any of which could have an adverse effect on our business, financial position and results of operations, and our ability to pay dividends on our common stock. **Oil** ~~Our acquisition~~ and ~~development~~ **gas exploration and production** activities require substantial capital expenditures. Historically,...... sales or access other methods of financing on **federal lands** ~~acceptable terms or at all. If the amount of capital we~~ are ~~able~~ **subject** to **federal** ~~raise from financing activities, together with our cash from operations, is not sufficient to satisfy our capital~~ requirements, **orders** ~~we may not be able to implement our business plan and may be required to scale back our operations~~ , ~~sell assets at unattractive prices or obtain financing on unattractive terms, any of which could adversely affect our business, results of operations~~ and ~~financial~~ **lease** ~~condition~~ **conditions** ~~. In connection with the Spin- Off, Jefferies' received (1) the IRS Ruling and (2) an opinion of Morgan, Lewis & Bockius LLP, each substantially to the effect~~ that ~~, subject to the limitations specified therein and the accuracy of and compliance with certain representations, warranties and covenants, the Distribution, together with certain related~~ - **regulate** ~~transactions, qualified as a tax- free " reorganization " for U. S. federal income tax purposes under Section 368 (a) (1) (D) of the Code and the Distribution qualified as a tax- free distribution within the meaning of Section 355 of the Code. Although the IRS Ruling is generally binding on the IRS, the continuing validity of the IRS Ruling is subject to the accuracy of the factual representations made in the ruling request. In addition, Jefferies obtained an opinion of Morgan, Lewis & Bockius LLP as described above. In rendering its opinion, Morgan, Lewis & Bockius LLP relied on (1) customary representations and covenants made by Jefferies and Vitesse and (2) specified assumptions, including an assumption regarding the completion of the Distribution and certain related transactions in the manner contemplated by the transaction agreements. If any of those representations, covenants or assumptions are inaccurate, Morgan, Lewis & Bockius LLP' s opinion may not be valid and the tax consequences of the Distribution and certain related transactions could differ from those described above. Notwithstanding the receipt of the IRS Ruling and tax opinion, there can be no assurance that the IRS or a court will not take a contrary position and the consequences of the Distribution and certain related transactions to Jefferies and the holders of Jefferies common stock could be materially different from, and worse than, the U. S. federal income tax consequences described above. If it were determined that the Distribution, together with certain related transactions, did not qualify as a tax- free " reorganization " within the meaning of Section 368 (a) (1) (D) of the Code and the Distribution did not qualify as a distribution to which Section 355 of the Code applies, Jefferies would generally be subject to tax as if it sold the Vitesse common stock in a transaction taxable to Jefferies, which could result in a material tax liability. In addition, Jefferies~~

~~shareholders who are U. S. holders would generally, for U. S. federal income tax purposes, be treated as receiving a distribution in an amount equal to the fair market value of our common stock received, which could result in a material tax liability. We agreed in the Tax Matters Agreement to covenants and indemnification obligations that address compliance with Section 355 (e) of the Code. These covenants and indemnification obligations may limit our ability to pursue strategic transactions or engage in new businesses or other transactions that may otherwise maximize the value of our business, and might discourage or delay a strategic transaction that our stockholders may consider favorable, including share repurchases, stock issuances, certain asset dispositions and other strategic transactions. To preserve the tax- free treatment of the Distribution, and in addition to our indemnity obligations described above, the Tax Matters Agreement restricts us, for the two- year period following the Distribution, except in specific circumstances, from: (1) entering into any transaction pursuant to which all or a specified portion of our stock would be acquired, whether by merger or otherwise, (2) issuing equity securities in a manner that could reasonably be expected to have adverse consequences under Section 355 (e) of the Code, (3) repurchasing shares of our stock other than in certain open- market transactions, (4) ceasing to actively conduct certain of our businesses or (5) taking or failing to take any other action that prevents the Distribution and certain related transactions from qualifying as a transaction that is generally tax- free for U. S. federal income tax purposes under Sections 355 and 368 (a) (1) (D) of the Code. For more information, see Part III, Item 13, Certain Relationships and Related Transactions, and Director Independence. In connection with the Spin- Off, we entered into a Tax Matters Agreement with Jefferies. The terms of the Tax Matters Agreement require us to indemnify Jefferies and certain related parties for certain taxes and losses that (i) result primarily from, individually or in the aggregate, the breach of certain representations and warranties made by us (including in connection with the receipt by Jefferies of the IRS Ruling or the opinion of Morgan, Lewis & Bockius LLP regarding the tax treatment of the Distribution) or covenants made by us (applicable to actions or failures to act by us and our subsidiaries following the completion of the Distribution), (ii) are attributable to actions we take following the Distribution and result from the failure of the transfer of the Vitesse Energy equity interests to Vitesse, together with the Distribution, to qualify as (a) a reorganization described in Section 355 (a) and Section 368 (a) (1) (D) of the Code, (b) a transaction in which the stock distributed thereby is " qualified property " for purposes of Sections 355 (c) and 361 (c) of the Code, or (c) a transaction in which Jefferies, Vitesse and the holders of Jefferies common stock recognize no income or gain for U. S. federal income tax purposes pursuant to Sections 355, 361 and 1032 of the Code, including, as a result of the application of Section 355 (e) of the Code to the Distribution as a result of a 50 % or greater change in ownership as described below, or (iii) are attributable to taxes with respect to Vitesse Energy or Vitesse Oil for tax periods or portions thereof ending before the Distribution, including as may arise on audit. Even if the Distribution were otherwise to qualify as a tax- free transaction under Section 368 (a) (1) (D) and Section 355 of the Code, the Distribution would be taxable to Jefferies (but not to Jefferies' shareholders) pursuant to Section 355 (e) of the Code if there were a 50 % or greater change in beneficial ownership of either Jefferies or Vitesse as part of a plan or series of related transactions that included the Distribution. For this purpose, any acquisitions of Jefferies or our common stock during the four- year period beginning on the date that begins two years before the date of the Distribution are presumed to be part of such a plan, although we or Jefferies may rebut that presumption. The U. S. federal income tax rules for determining whether there has been a 50 % or greater change in beneficial ownership of Jefferies and Vitesse, and the period during which that change is measured, are complex and include the aggregation and attribution rules of Section 355 (e) (4) (C) of the Code. The Distribution itself does not give rise to a change in beneficial ownership, and public trading of the stock of Jefferies or Vitesse by small stockholders does not give rise to a change in beneficial ownership, but many other transactions could do so. Such transactions may include (but are not limited to) acquisitions by Vitesse or Jefferies using its own stock, the merger or consolidation of Vitesse or Jefferies with or into another company, redemptions, recapitalizations, stock dividends, and sales or issuances of stock. Any such indemnification obligation could materially adversely affect our business, financial condition and results of operations. For more information, see Part III, Item 13, Certain Relationships and Related Transactions, and Director Independence. We believe that, as an independent, publicly traded company, we are able to~~ , among other ~~things~~ **matters** , **drilling and related operations on** ~~more effectively articulate a clear investment proposition to attract a long- term investor base suited to our business, growth profile and~~ **lands** ~~capital~~ **covered by federal leases and the** ~~allocation~~ -- **calculation** ~~priorities~~ **and disbursement of royalty payments to the federal government** . ~~However~~ **For example** , ~~we may not achieve the~~ **these regulations require** ~~anticipated benefits from~~ the **plugging and abandonment** ~~Spin- Off for a variety~~ of ~~reasons~~ **wells and removal of production facilities by current and former operators** , including **corporate successors** ~~, among other things: ■ we may be more susceptible to market fluctuations, the risk~~ of **former operators. These requirements may result in** ~~takeover by third parties and other adverse events because our business will be less diversified than Jefferies' businesses prior to the Spin- Off; ■ the Spin- Off required us to incur~~ significant ~~costs, including accounting, tax, legal and other professional services costs, recruiting and relocation~~ costs associated with **the removal of tangible equipment** ~~hiring key senior management personnel who are new to our company, costs to retain key management personnel, tax costs and costs to shared systems~~ and other **restorative actions. Additionally,** ~~unforeseen dis- synergy costs; and ■~~ under **certain circumstances** ~~the terms of the Tax Matters Agreement that we entered into with Jefferies~~ , ~~we will~~ **the BLM may require operations on federal leases to** be **suspended** ~~restricted from taking certain actions that could cause the Spin- Off or other related transactions to fail to qualify as a tax- free transaction and these restrictions may limit us for~~ - **or terminated** ~~a period of time from pursuing certain strategic transactions and equity issuances or engaging in other transactions that might increase the value of our business~~ . **Oil** ~~If we fail to achieve some or all of the benefits that we expect to achieve as an~~ **and gas sector activity on federal** ~~independent company, or do not achieve them in the time we expect, our business, financial condition and~~ **lands have become** ~~results of operations could be materially adversely affected. As an independent public company, we are~~ subject to **increasing** ~~the reporting requirements of the Exchange Act, the Sarbanes- Oxley Act of 2002 and the Dodd- Frank Act and are required to prepare our financial statements according to the rules and regulations~~ - **regulatory scrutiny** ~~required by the SEC. These reporting and other obligations place significant demands on our management~~

~~and on administrative and operational resources. Moreover, to comply with these requirements, we have had to implement additional financial and management controls, reporting systems and procedures, and may need to hire additional accounting and finance staff~~. We ~~expect to incur additional annual expenses related to these requirements. If our financial~~ and ~~management controls, reporting systems, information technology and procedures are not adequately prepared, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies under the Exchange Act could be impaired. We have also incurred additional expenses in order to obtain new director and officer liability insurance. Other significant changes may occur~~ -- **our** ~~in our cost structure, management, financing and business operations~~ - **operators** ~~as a result of operating as an independent publicly traded company. As such, our historical financial data may not be indicative of our future performance as an independent, publicly traded company. For additional information about our past financial performance and the basis of presentation of our financial statements, see Part II, Item 7, Management' s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and the notes thereto included in the section entitled " Index to Financial Statements. " Federal and state fraudulent transfer laws and New York and Delaware corporate law may permit a court to void the Distribution and related transactions, which could have a material adverse effect on our business, financial condition and results of operations. In connection with the Distribution, Jefferies undertook the Pre- Spin- Off Transactions which, along with the Distribution, may be subject to challenge under federal and state fraudulent conveyance and transfer laws as well as under New York or Delaware corporate law. Under applicable laws, any transaction, contribution or distribution contemplated as part of the Distribution could be voided as a fraudulent transfer or conveyance if, among other things, the transferor received less than reasonably equivalent value or fair consideration in return and the transferor was insolvent or rendered insolvent by reason of the transfer. We cannot be certain as to the standards a court would use to determine whether any entity involved in the Distribution was insolvent at the relevant time. In general, however, a court would look at various facts and circumstances related to the entity in question, including evaluation of whether: ■ the sum of its debts, including contingent and unliquidated liabilities, was greater than the fair saleable value of all of its assets; ■ the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or ■ it could pay its debts as they become due. If a court were to find that any transaction, contribution or distribution involved in the Distribution was a fraudulent transfer or conveyance, the court could void the transaction, contribution or distribution. In addition, the Distribution could also be voided if a court were to find that it is not a legal distribution or dividend under New York or Delaware corporate law. The resulting complications, costs and expenses of either finding could have a material adverse effect on our business, financial condition and results of operations. Certain members of the management and directors of each of Jefferies and Vitesse may own common stock in both companies and Ms. Linda Adamany and Messrs. Brian Friedman and Joseph Steinberg, members of our Board, will also continue to serve on the Jefferies Board, and may be required to recuse themselves from deliberations relating to arrangements between us and Jefferies in the future. This ownership and directorship overlap could create, or appear to create, potential conflicts of interest when the management and directors of one company face decisions that could have different implications for themselves and the other company. For example, potential conflicts of interest could arise in connection with the resolution of any dispute regarding the terms of the agreements governing the separation and our relationship with Jefferies. These agreements include the Separation and Distribution Agreement, the Tax Matters Agreement and any commercial or service agreements between the parties or their affiliates. Potential conflicts of interest may also arise out of any commercial arrangements that we or Jefferies may enter into in the future. For more information, see Part III, Item 13, Certain Relationships and Related Transactions, and Director Independence, " Other Transactions and Relationships with Related Persons. " We~~ are affected by the adoption of **new or more stringent** laws, regulations and policy directives that, for economic, environmental protection or other policy reasons, could **increase the operating costs of, or otherwise** curtail exploration and development drilling for oil and natural gas. For example, in January 2021, President Biden signed an Executive Order directing the DOI to temporarily pause new oil and natural gas leases on federal lands and waters pending completion of a comprehensive review of the federal government' s existing oil and natural gas leasing and permitting program. The order was subsequently blocked by a federal district court within 13 protesting states, including Montana **and then lifted following negotiations pursuant to the passage of the IRA**. The DOI' s comprehensive review of the federal leasing program resulted in a reduction in the volume of onshore land held for lease and an increased royalty rate. **Meanwhile** ~~In addition~~, **the DOI released a report on the federal oil and natural gas leasing program** in November 2021 ~~,~~ **which included several recommendations for how to reform** the ~~EPA~~ **program. Some of the report' s recommendations, including an increased royalty rate, minimum bid limits, and a significant reduction in total available acreage, were required to be implemented as part of the IRA and have been subsequently incorporated in recent lease sales. While most of the Biden Administration' s changes to federal lands regulations have focused on new leases, future regulatory efforts could shift focus to existing lease operations. For example, the BLM issued a** proposed ~~a~~ **rule in November 2022 to reduce natural gas waste from venting, flaring, and leaks associated with exploration and production activities on federal and tribal lands. The implementation of, and potential litigation in response to, the Biden Administration' s Social Cost of GHGs (" SC- GHGs ") metric may also impact future regulatory decision- and policy- making regarding oil and gas operations on federal lands. While the Fifth Circuit dismissed initial challenges to the Biden Administration' s interim calculations of then- named interim Social Cost of Carbon values on standing grounds in February 2023, future litigation opposing federal agency application of the finalized SC- GHGs metric appears likely. In September 2023, the Biden Administration announced it would be directing federal agencies to incorporate SC- GHGs values in budgeting, procurement, and other agency decisions, including in environmental reviews, where appropriate. The ultimate impacts of these policy directives and ongoing and future litigation concerning BLM leases and the use of the SC- GHGs metric cannot be predicted at this time, but such could affect the character of** new ~~rule~~ **regulations on certain federal oil and gas leases or oil and gas infrastructure on**

federal lands, which in turn could adversely impact our operators' and our results of operations. Additionally, oil and natural gas operations and related infrastructure projects on federal lands may be impacted by recent and ongoing revisions to the NEPA implementing regulations. NEPA requires federal agencies, including the BLM and the federal Bureau of Indian Affairs (" BIA "), to evaluate major agency actions, such as the issuance of permits that have the potential to significantly impact the environment. In the course of such evaluations, an agency will prepare an environmental assessment that assesses the potential direct, indirect and cumulative impacts of a proposed project and, if necessary, will prepare a more detailed environmental impact statement that may be made available for public review and comment. In January 2023, the CEQ released updated guidance for federal agency consideration of GHG emissions and climate change impacts in environmental assessments, which includes, among other recommendations, best practices for analyzing and communicating climate change effects. Additionally, in July 2023 the CEQ proposed revisions to the NEPA implementing regulations that would ~~impose more stringent methane emissions standards for new and modified sources in the oil and natural gas industry, and to regulate existing sources in the oil and natural gas industry for the first time. A supplemental proposed rule, strengthened and expanded~~ -- **expand requirements** ~~the proposed rule was published in November 2022. For existing sources, the current proposed rule would require each state~~ to **analyze** ~~incorporate the emission guidelines proposed by the EPA or to adopt their~~ -- **the cumulative effects of the project** ~~own~~ - **on** ~~standards that achieve the same degree of emissions limitations. Further, in September 2021, President Biden publicly announced the Global Methane Pledge, an international pact that aims to reduce global methane emissions to at least 30 % below 2020 levels by 2030. These efforts, among others, are intended to support the current presidential administration' s stated goal of addressing~~ climate change ~~.~~ **and consider any disproportionate impact of** ~~Other~~ -- **the project** ~~actions that could be pursued by Congress or the Biden Administration include imposing more restrictive laws and regulations pertaining to permitting, limitations~~ on **communities with environmental justice concerns as well enhance certain project obligations for implementing environmental mitigation measures. Operations on federal lands also face litigation risks. From time to time, legal challenges have been filed relating to federal leasing decisions, such as for failure to adequately assess the impact of any increase of** GHG emissions ~~,~~ **resulting from** increased ~~requirements~~ **production on federal lands. Historically, such challenges have sought the cancellation** ~~for~~ - **or** ~~financial assurance~~ **pause of lease sales and obligations to redo environmental assessments. More recently, in April 2023** ~~and~~ - **an** ~~bonding~~ **environmental organization filed suit against the DOI, seeking to** ~~for~~ **force** ~~decommissioning liabilities, and carbon taxes. For example, in August 2022, Congress passed, and President Biden signed,~~ the **agency** ~~Inflation Reduction Act of 2022. The Inflation Reduction Act of 2022 includes a variety of clean- energy tax credits and establishes a program designed~~ to ~~reduce methane emissions from certain~~ **develop and promulgate a regulation that would phase out all** oil and ~~natural~~ gas ~~facilities~~ **development on federal lands by 2035** . Any of these administrative **, legislative** or ~~Congressional~~ **judicial** actions could adversely affect our financial condition and results of operations by restricting the lands available for development ~~and / or access to permits required for such development,~~ or by imposing additional and costly **regulations. Additionally, depending on the results and mitigation recommendations presented in environment assessments or** environmental **impact statements required under NEPA** , ~~health~~ **our operators** and ~~safety requirements~~ **their service providers could incur added costs, and be subject to delays, limitations or prohibitions in the scope of crude oil and natural gas projects or performance of midstream services** . Potential future legislation or the imposition of new or increased taxes or fees may generally affect the taxation of **oil and** natural gas ~~and oil~~ exploration and development companies and may adversely affect our operations and cash flows. From time to time, legislation has been proposed that would, if enacted into law, make significant changes to U. S. tax laws, including certain key U. S. federal income tax provisions currently available to oil and natural gas companies. Such legislative changes have included, but not been limited to, (1) the repeal of the percentage depletion allowance for natural gas and oil properties, (2) the elimination of current deductions for intangible drilling and development costs, and (3) an extension of the amortization period for certain geological and geophysical expenditures. Although these provisions were largely unchanged in the most recent federal tax legislation, certain of these changes were considered for inclusion in the proposed " Build Back Better Act " and Congress could consider, and could include, some or all of these proposals as part of future tax reform legislation. Moreover, other more general features of any additional tax reform legislation, including changes to cost recovery rules, may be developed that also would change the taxation of oil and natural gas companies. It is unclear whether these or similar changes will be enacted in future legislation and, if enacted, how soon any such changes could take effect. The passage of any legislation as a result of these proposals or any similar changes in U. S. federal income tax laws could eliminate or postpone certain tax deductions that currently are available with respect to oil and natural gas development or increase costs, and any such changes could have an adverse effect on our financial position, results of operations and cash flows. Additionally, states in which we operate or own assets may impose new or increased taxes or fees on natural gas and oil extraction. The passage of any legislation as a result of these proposals and other similar changes in U. S. federal income tax laws or the imposition of new or increased taxes or fees on natural gas and oil extraction could adversely affect our operations and cash flows ~~. If a stockholder sells our common stock, the stockholder will recognize gain or loss equal to the difference between the amount realized and the holder' s tax basis in the shares of common stock sold. A stockholder' s basis in our common stock may be adjusted during the course of its holding for various reasons, including being lowered as a result of certain distributions on our common stock, to the extent such distributions exceed our current and accumulated earnings and profits. In such a case, such excess will be treated as a tax-free return of capital and will reduce a stockholder' s tax basis in our common stock. Such reduction in basis, to the extent that it shall occur, will result in a corresponding increase in the amount of gain, or a corresponding decrease in the amount of loss, recognized by the stockholder upon the sale of our common stock. The IRS Forms 1099- DIV that our stockholders receive from their brokers may over- report dividend income with respect to our common stock for U. S. federal income tax purposes, which may result in a stockholder' s overpayment of tax. In addition, failure to report dividend income in a manner consistent with the IRS Forms 1099- DIV may cause the IRS to assert audit~~

~~adjustments to a stockholder' s U. S. federal income tax return. For non- U. S. holders of our common stock, brokers or other withholding agents may overwithhold taxes from dividends paid, in which case a stockholder generally would have to timely file a U. S. tax return or an appropriate claim for refund to claim a refund of the overwithheld taxes. Distributions we pay with respect to our common stock will constitute " dividends " for U. S. federal income tax purposes only to the extent of our current and accumulated earnings and profits. Distributions we pay in excess of our earnings and profits will not be treated as " dividends " for U. S. federal income tax purposes; instead, they will be treated first as a tax- free return of capital to the extent of a stockholder' s tax basis in their common stock and then as capital gain realized on the sale or exchange of such stock. We may be unable to timely determine the portion of our distributions that is a " dividend " for U. S. federal income tax purposes, which may result in a stockholder' s overpayment of tax with respect to distribution amounts that should have been classified as a tax-free return of capital. In such a case, a stockholder generally would have to timely file an amended U. S. tax return or an appropriate claim for refund to obtain a refund of the overpaid tax. For a U. S. holder of our common stock, the IRS Forms 1099- DIV received from brokers may not be consistent with our determination of the amount that constitutes a " dividend " for U. S. federal income tax purposes or a stockholder may receive a corrected IRS Form 1099- DIV (and may therefore need to file an amended U. S. federal, state or local income tax return). We will attempt to timely notify our stockholders of available information to assist with income tax reporting (such as posting the correct information on our website). However, the information that we provide to our stockholders may be inconsistent with the amounts reported by a broker on IRS Form 1099-DIV, and the IRS may disagree with any such information and may make audit adjustments to a stockholder' s tax return. For a non- U. S. holder of our common stock, " dividends " for U. S. federal income tax purposes will be subject to withholding of U. S. federal income tax at a 30 % rate (or such lower rate as may be specified by an applicable income tax treaty) unless the dividends are effectively connected with the conduct of a U. S. trade or business. In the event that we are unable to timely determine the portion of our distributions that constitute a " dividend " for U. S. federal income tax purposes, or a stockholder' s broker or withholding agent chooses to withhold taxes from distributions in a manner inconsistent with our determination of the amount that constitutes a " dividend " for such purposes, a stockholder' s broker or other withholding agent may overwithhold taxes from distributions paid. In such a case, a stockholder generally would have to timely file a U. S. tax return or an appropriate claim for refund in order to obtain a refund of the overwithheld tax. Under certain circumstances, where a corporation repurchases its own stock, certain stockholders whose stocks have not been redeemed might be deemed to have received a taxable distribution. We do not currently know if any contemplated repurchase of our stocks would satisfy the circumstances under which such potential tax liability may arise. While we believe that any currently contemplated repurchase of our stocks, even if it were to satisfy such circumstances, would be an " isolated redemption " which would not result in taxable income to the non- redeemed stockholders, we have not requested, nor do we intend to request, a ruling to that effect. The IRS may disagree with this position, and a successful challenge by the IRS may thus result in taxable income to such non-redeemed stockholders~~ . A portion of our oil production is transported to market centers by rail. Derailments in North America of trains transporting oil have caused various regulatory agencies and industry organizations, as well as federal, state and municipal governments, to focus attention on transportation by rail of flammable liquids. Any changes to existing laws and regulations, or promulgation of new laws and regulations, including any voluntary measures by the rail industry, that result in new requirements for the design, construction or operation of tank cars used to transport oil could increase our costs of doing business and limit our ability to transport and sell our oil at favorable prices at market centers throughout the United States, the consequences of which could have a material adverse effect on our financial condition, results of operations and cash flows. In addition, any derailment of oil involving oil that we have sold or are shipping may result in claims being brought against us that may involve significant liabilities. The FTC, FERC and the CFTC have statutory authority to monitor certain segments of the physical and futures energy commodities markets. These agencies have imposed broad regulations prohibiting fraud and manipulation of such markets. With regard to derivative activities that we undertake with respect to oil, natural gas or other energy commodities, we are required to observe the market- related regulations enforced by these agencies. Failure to comply with such regulations, as interpreted and enforced, could have a material adverse effect on our business, results of operations and financial condition. Legislative and regulatory developments could have an adverse effect on our ability to use derivative instruments to reduce the effect of volatile oil and natural gas price, interest rate and other risks associated with our business. The Dodd- Frank Act contains measures aimed at increasing the transparency and stability of the OTC derivatives market and preventing excessive speculation. On January 14, 2021, the CFTC published a final rule imposing position limits for certain futures and options contracts in various commodities (including oil and gas) and for swaps that are their economic equivalents, though certain types of derivative transactions are exempt from these limits, provided that such derivative transactions satisfy the CFTC' s requirements for certain enumerated " bona fide " derivative transactions. The CFTC also has adopted final rules regarding aggregation of positions, under which a party that controls the trading of, or owns ten percent or more of the equity interests in, another party will have to aggregate the positions of the controlled or owned party with its own positions for purposes of determining compliance with position limits unless an exemption applies. The CFTC' s aggregation rules are now in effect, although CFTC staff has granted relief until August 12, ~~2022~~ **2025** from various conditions and requirements in the final aggregation rules. These rules may affect both the size of the positions that we may hold and the ability or willingness of counterparties to trade with us, potentially increasing the costs of transactions. Moreover, such changes could materially reduce our access to derivative opportunities, which could adversely affect revenues or cash flow during periods of low oil and natural gas prices. The CFTC also has designated certain interest rate swaps and credit default swaps for mandatory clearing and the associated rules also will require us, in connection with covered derivative activities, to comply with clearing and trade-execution requirements or to take steps to qualify for an exemption to such requirements. Although we believe we qualify for the end- user exception from the mandatory clearing requirements for swaps entered to mitigate its commercial risks, the application of the mandatory clearing and trade execution requirements to other market participants, such as swap dealers, may change the cost and availability of the swaps that we use. If our swaps do not qualify for the commercial end- user exception, or if the cost of entering into uncleared swaps becomes prohibitive, we may be required to clear such transactions. The ultimate effect of these rules and any additional regulations on our business is uncertain. The full impact of the Dodd- Frank Act and related regulatory requirements on our business will not be known until the regulations are fully implemented and the market for derivatives contracts has adjusted. In addition, it is possible that the current presidential administration could expand regulation of the OTC derivatives market and the entities that participate in that market through either the Dodd- Frank Act or the enactment of new legislation. Regulations issued under the Dodd- Frank Act (including any further regulations implemented thereunder) and any new legislation also may require certain counterparties to our derivative instruments to spin off some of their derivative activities to a separate entity, which may not be as creditworthy as the current counterparty. Such legislation and regulations could significantly increase the cost of derivative contracts (including from swap recordkeeping and reporting requirements and through requirements to post collateral which could adversely affect our available liquidity), materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks we encounter, reduce our ability to monetize or restructure our existing derivative contracts, and increase our exposure to less creditworthy counterparties. We maintain an active hedging program related to oil and natural gas price risks. Such legislation and regulations could reduce trading positions and the market- making activities of our counterparties. If we reduce our use of derivatives as a result of legislation and regulations or any resulting changes in the derivatives markets, 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 or to make payments on our debt obligations. 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. Our revenues could therefore be adversely affected if a consequence of the legislation and regulations is to lower oil and natural gas prices. Any of these consequences could have a material adverse effect on our business, our financial condition, and our results of operations. Our business is subject to complex federal, state, and local laws, as well as other laws and regulations that could adversely affect the cost, manner or feasibility of doing business. Our operational interests, as operated by our third- party operators, are regulated extensively at the federal, state, tribal and local levels. Environmental and other governmental laws and regulations have increased the costs to plan, design, drill, install, operate and abandon oil and natural gas wells. Under these laws and regulations, our company (either directly or indirectly through our operators) could also be liable for personal injuries, property and natural resource damage and other damages. Failure to comply with these laws and regulations may result in the suspension or termination of our business and subject us to administrative, civil and criminal penalties. Moreover, public interest in environmental protection has increased in recent years, and environmental organizations have opposed, with some success, certain drilling projects. Part of the regulatory environment in which we do business includes, in some cases, legal requirements for obtaining environmental assessments, environmental impact studies and / or plans of development before commencing drilling and production activities. In addition, our activities are subject to the regulations regarding conservation practices and protection of correlative rights. These regulations affect our business and limit the quantity of natural gas we may produce and sell. A major risk inherent in the drilling plans in which we participate is the need for our operators to obtain drilling permits from state and local authorities. Delays in obtaining regulatory approvals or drilling permits, the failure to obtain a drilling permit for a well or the receipt of a permit with unreasonable conditions or costs could have a material adverse effect on the development of our properties. Additionally, the oil and natural gas regulatory environment could change in ways that might substantially increase the financial and managerial costs of compliance with these laws and regulations and, consequently, adversely affect our profitability. At this time, we cannot predict the effect of this increase on our results of operations. Furthermore, we may be put at a competitive disadvantage to larger companies in our industry that can spread these additional costs over a greater number of wells and larger operating staff. ~~Failure to comply with federal, state and local environmental laws and regulations could result in substantial penalties and adversely affect our business.~~ All phases of the oil and natural gas business can present environmental risks and hazards and are subject to a variety of federal, state and municipal laws and regulations. Environmental laws and regulations, among other things, restrict and prohibit spills, releases or emissions of various substances produced in association with oil and natural gas operations, and require that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. There is risk of incurring significant environmental costs and liabilities as a result of the handling of petroleum hydrocarbons and wastes, air emissions and wastewater discharges related to our business, and historical operations and waste disposal practices. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, loss of our leases, incurrence of investigatory or remedial obligations and the imposition of injunctive relief. Additionally, our operators may be subject to operational restrictions or additional expenses regarding compliance with laws and regulations to protect endangered species, sensitive habitat, or other natural resources, which in turn could adversely impact our results of operations. **See Part I. Items 1 and 2. Business and Properties — Regulation and Environmental Matters for additional discussion of the environmental laws and regulations that affect our business and the production activities of our operators.** Environmental legislation and regulations are evolving in a manner we expect may result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge, regardless of whether we were responsible for the release or contamination and regardless of whether our operators met previous standards in the industry at the time they were conducted. In addition, claims for damages to persons, property or natural resources may result from environmental and other impacts of operations on our properties. The application of new or more stringent environmental laws and regulations to our business may cause us to curtail production or increase the costs of our production or development activities **. Federal and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays** . Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. Hydraulic fracturing is used extensively by our third- party operators. The hydraulic fracturing process is typically regulated by state oil and natural gas commissions **though** ~~. However, in April 2012, the~~ EPA ~~issued~~ **has published permitting guidance and** regulations ~~specifically applicable to the oil~~ **covering certain hydraulic fracturing activities** and ~~natural gas industry that~~ **investigated impacts of hydraulic fracturing on water resources. State regulation of hydraulic fracturing typically imposes permitting, public disclosure, and well construction requirements. For example, North Dakota** ~~require~~ **requires** operators to **disclose** ~~significantly reduce VOC emissions from gas wells that are hydraulically fractured through~~ the **amount of water and chemicals** ~~use~~ **used** ~~of " green completions " to capture natural gas that would otherwise escape into the air. The EPA issued additional regulations~~ in ~~2016 targeting methane and VOC emissions from new, modified and reconstructed oil and natural gas wells that have been hydraulically~~ ---- **hydraulic fracturing** ~~fractured. Then in November 2021~~ , **subject** ~~the EPA proposed rules~~ to **certain trade- secret exemptions** ~~further reduce methane and VOC emissions from new and existing sources in the oil and natural gas sector~~ . From time to time, there have also been various ~~other~~ proposals to regulate hydraulic fracturing at the federal level **and the Biden Administration could pursue regulatory initiatives to restrict hydraulic fracturing operations on federal lands** . Any federal or state legislative or regulatory changes with respect to hydraulic fracturing could cause us to incur substantial compliance costs or result in operational delays, and the consequences of any failure to comply by us or our third- party operators could have a material adverse effect on our financial condition and results of operations. In addition, in response to concerns relating to recent seismic events near underground disposal wells used for the disposal by injection of flowback and produced water or certain other oilfield fluids resulting from oil and natural gas activities (so- called " induced seismicity "), regulators in some states have imposed, or are considering imposing, additional requirements in the permitting of produced water disposal wells or otherwise to assess any relationship between seismicity and the use of such wells. States may, from time to time, develop and implement plans directing certain wells where seismic incidents have occurred to restrict or suspend disposal well operations. These developments could result in additional regulation and restrictions on the use of injection wells by our operators to dispose of flowback and produced water and certain other oilfield fluids. Increased regulation and attention given to induced seismicity also could lead to greater opposition to, and litigation concerning, oil and natural gas activities utilizing injection wells for waste disposal. Until such pending or threatened legislation or regulations are finalized and implemented, it is not possible to estimate their impact on our business. Any of the above risks could impair our ability to manage our business and have a material adverse effect on our operations, cash flows and financial position. The ~~adoption~~ **threat** of climate change ~~legislation or regulations restricting~~ **continues to attract considerable attention in the United States and around the world. Numerous proposals have been made and could continue to be made at the international, national, regional and state levels of government to monitor and limit** emissions of **GHGs. These efforts have included consideration of cap- and- trade programs,** carbon ~~dioxide~~ **taxes** , ~~methane~~ **climate- related disclosure obligations** , ~~and other greenhouse gases could result in increased operating costs and reduced demand for the oil and natural gas we produce. The oil and natural gas industry is affected from time to time in varying degrees by political developments and a wide range of federal, tribal, state and local statutes, rules, orders~~ and regulations that **directly limit** ~~may, in turn, affect the operations and costs of the companies engaged in the oil and natural gas industry. In response to findings that emissions of carbon dioxide, methane, and other GHGs present an endangerment to public health and the environment, the EPA has adopted regulations under existing provisions of the CAA that, among other things, require preconstruction and operating permits for~~ GHG emissions from certain ~~large stationary~~ sources **. Moreover, President Biden highlighted addressing climate change as a priority of his administration, issued several Executive Orders related to climate change, recommitted the United States to long- term international goals to reduce emissions, and continues to require the incorporation of climate change considerations into executive agency decision- making. As a result, our operations are subject to a series of regulatory, political, litigation, and financial risks associated with emissions of GHGs from the oil and natural gas industry. In recent years the U. S. Congress has considered legislation to reduce emissions of GHGs, including methane, a primary component of natural gas, and carbon dioxide, a byproduct of the burning of natural gas. While it presently appears unlikely** that ~~already emit conventional pollutants above a certain threshold. In addition~~ **comprehensive climate change legislation will be passed by Congress in the near future** , **energy legislation and** ~~the~~ **other regulatory initiatives have been** ~~EPA has adopted rules requiring the monitoring~~ and ~~reporting of~~ **continue to be proposed that are relevant to GHG emissions issues. For example, the IRA, which appropriates significant federal funding for renewable energy initiatives and, for the first time ever, imposes a fee on** GHG emissions from ~~specified onshore~~ **certain facilities, was signed into law in August 2022. The excess methane emissions fee provision of the IRA takes effect in 2024. The emissions fee** and ~~offshore~~ **funding provisions of the law could increase operating costs within the** oil and ~~natural~~ gas **industry and accelerate the transition away from fossil fuels, which could in turn adversely affect our business and results of operations. The EPA and the BLM also continue to propose, revise, and enforce regulations related to GHG emissions that increase operating costs for or otherwise restrict exploration and** production **activities. Several** ~~sources in the United States~~ **states have also implemented, of their** ~~on~~ **own accord or in coordination with their neighbor states, regional initiatives** ~~an~~ **and** ~~annual basis~~ **programs limiting** , ~~which may include operations on the~~ **monitoring, or otherwise regulating GHG emissions. See Part I. Items 1 and 2. Business and** Properties **—** ~~. Additional GHG regulation~~ **Regulation** ~~could also~~ **and Environmental Matters, for additional discussion of regulatory matters affecting and** ~~result~~ **resulting** from **risks related to climate change and GHGs. At** the ~~agreement crafted during~~ **international level,** the United Nations ~~climate change conference in~~ **(" UN ")- sponsored** Paris **agreement** ~~, France in December 2015~~ (~~the~~ " Paris Agreement ") **requires member states to submit non- binding, individually determined reduction goals known as Nationally Determined Contributions every five years after 2020** . ~~Under~~ **President Biden has recommitted the United States to** the Paris Agreement **and** , **in April 2021, announced a goal of reducing** the United States **'**

~~committed to reducing its GHG~~ emissions by ~~26~~ **50** - ~~28~~ **52** % **below** ~~by the year 2025 as compared with~~ 2005 ~~levels. Moreover, in November 2021, at the U. N. Framework Convention on Climate Change 26th Conference of the Parties, the United States and the European Union advanced a Global Methane Pledge to reduce global methane emissions at least 30 % from 2020~~ levels by 2030 ~~, which over 100 countries~~ **. Various U. S. states and local governments** have **also publicly committed** ~~signed. Congress has from time~~ to ~~time considered legislation~~ **furthering the goals of the Paris Agreement. The international community continues** to ~~reduce~~ **meet annually to deliberate on global** emissions ~~of GHGs~~ **reduction and climate- related initiatives** . Most recently, **at** ~~in August 2022, Congress passed, and President Biden signed,~~ the **28th session** ~~Inflation Reduction Act~~ of ~~2022~~ **the Conference of the Parties (" COP28 "), and agreement was made to transition " away from fossil fuels in energy systems in a just, orderly and equitable manner " and increase renewable energy capacity so as to achieve net zero by 2050, although no timeline for doing so was set** . The **full impact of these international agreements** ~~Inflation Reduction Act establishes a program designed to reduce methane emissions from certain oil~~ and **initiatives** ~~natural gas facilities, which includes a charge~~ on ~~methane emissions above certain thresholds. In addition, a number of state and regional efforts have emerged that are aimed at tracking or~~ **our business, including** ~~reducing GHG emissions by means of cap and trade programs. These programs typically require major sources of GHG emissions to acquire and surrender emission allowances in return for emitting those~~ -- **the** ~~GHGs. Although it~~ **impact of any actions taken to fulfill the United States' obligations thereunder,** is **uncertain** ~~not possible~~ at this time ~~to predict how~~ **. The promulgation of new or more stringent regulations limiting or taxing the emission of GHGs,** legislation **restricting the production of oil and gas,** ~~or new regulations that may be adopted to address GHG emissions would impact us or our~~ - **or other climate- related policies having the affect** ~~operators, any future laws and regulations imposing reporting obligations on, or limiting emissions~~ of ~~GHGs from, operators' equipment and operations~~ **reducing the availability or attractiveness of fossil- fuel energy** could ~~require them to incur costs to~~ reduce ~~emissions of GHGs associated with their operations. For example, although EPA regulations implementing the methane charge requirements associated with the Inflation Reduction Act of 2022 have not yet been developed, the future implementation of these requirements could result in direct costs for our operators based on methane emissions above set thresholds or require capital expenditure by our operators to reduce their emissions. In addition, substantial limitations on GHG emissions could adversely affect~~ demand for the oil and ~~natural~~ gas **our operators** ~~produced~~ - **produce** ~~from our oil~~ and ~~natural gas properties~~ **sell and adversely impact our results of operations** . ~~Restrictions~~ **Increased regulatory scrutiny** on emissions ~~of methane~~ **and related climate change matters has also led to increased litigation risks** ~~or~~ **for** ~~carbon dioxide~~ **fossil fuel companies. A number of states, municipalities and other plaintiffs have sought to bring suit against various oil and gas companies in state or federal court, alleging, among other things, that such energy companies created public nuisances by producing fuels that contributed to climate change and its effects** , such as ~~restrictions on venting~~ **rising sea levels,** and ~~flaring of natural~~ **therefore, are responsible for roadway and infrastructure damages** ~~gas~~ - **as a result, or alleging** that **the companies have been aware of the adverse effects of climate change for some time but defrauded their investors by failing to adequately disclose those impacts. The Company is not currently a defendant in any of these lawsuits, but it could be named in actions in the future making similar allegations. Should the Company be targeted by any such litigation, we** may **incur liability, which, to the extent that societal pressures or political or other factors are involved, could** be imposed ~~at~~ **without regard to causation or contribution to the asserted damage, or to** ~~the~~ **other mitigating factors. Involvement in** ~~federal or state level, as well as federal, state and local climate change initiatives,~~ such **a case** ~~as increased energy efficiency standards or mandates for renewable energy sources,~~ could **have** ~~adversely~~ -- **adverse** ~~affect the oil~~ **reputational impacts and** ~~and~~ - **an unfavorable ruling in any such case** ~~natural gas industry, and, at this time, it is not possible to accurately estimate how potential future laws or regulations addressing GHG emissions would~~ **could significantly** impact ~~oil and natural gas assets. Finally, it should be noted that climate changes may have significant physical effects, such as increased frequency and severity of storms, freezes, floods, drought, hurricanes and other climatic events; if any of these effects were to occur~~ -- **our** ~~, they~~ **operations and** could have an adverse ~~effect~~ **impact** on ~~us or~~ **our** ~~our operators. In addition, spurred by increasing concerns regarding climate change, the oil and natural gas industry faces growing demand for corporate transparency and a demonstrated commitment to sustainability goals. ESG goals and programs, which may include extralegal targets related to environmental stewardship, social responsibility, and corporate governance, have become an increasing focus of investors and stakeholders across the industry, and companies without robust ESG programs may find access to capital and investors more challenging in the future. Further, in March 2022, the SEC issued a proposed rule that would require public companies to disclose certain climate- related information, including climate- related risks, impacts, oversight and management,~~ financial **condition** ~~statement metrics and emissions, targets, goals and plans. While the proposed rule is not yet effective and is expected to be subject to a lengthy comment process, compliance with the proposed rule as drafted could result in increased legal, accounting and financial compliance costs, make some activities more difficult, time- consuming and costly, and place strain on our personnel, systems and resources~~ . Regulatory requirements to reduce gas flaring and to further restrict emissions could have an adverse effect on our operations. Wells in the Williston Basin of North Dakota, where we own significant oil and natural gas properties, produce natural gas as well as oil. Constraints in third party natural gas gathering and processing systems in certain areas have resulted in some of that natural gas being flared instead of gathered, processed and sold. In 2014, the NDI Commission, North Dakota' s chief energy regulator, adopted a policy to reduce the volume of natural gas flared from oil wells in the Williston Basin. The NDI Commission requires operators to develop gas capture plans that describe how much natural gas is expected to be produced, how it will be delivered to a processor and where it will be processed. **As of November 1, 2020, the enforceable gas capture percentage goal is 91 %.** Production caps or penalties may be imposed on certain wells that cannot meet the capture goals. It is possible that other states in which we operate, including Montana, will require gas capture plans or otherwise institute new regulatory requirements in the future to reduce flaring. Gas capture requirements and other regulatory requirements, in North Dakota or our other locations, could increase our operators' operational costs and restrict production on our oil and natural gas properties, which could materially and adversely affect our financial condition, results of operations and cash flows. If our interpretation of the applicable regulations is incorrect, or if we receive a non- appealable order to pay royalty on past and future flared volumes in North Dakota, such royalty payments could materially and adversely affect our financial condition and cash flows. **In connection with the Spin- Off, Jefferies' received (1) a ruling from the IRS and (2) a tax opinion from legal counsel, each substantially to the effect that, subject to the limitations specified therein and the accuracy of and compliance with certain representations, warranties and covenants, the Distribution, together with certain related transactions, qualified as a tax- free " reorganization " for U. S. federal income tax purposes under Section 368 (a) (1) (D) of the Code and the Distribution qualified as a tax- free distribution within the meaning of Section 355 of the Code. Although the IRS ruling is generally binding on the IRS, the continuing validity of the IRS ruling is subject to the accuracy of the factual representations made in the ruling request. In addition, in rendering its tax opinion, legal counsel relied on (1) customary representations and covenants made by Jefferies and Vitesse and (2) specified assumptions, including an assumption regarding the completion of the Distribution and certain related transactions in the manner contemplated by the transaction agreements. If any of those representations, covenants or assumptions are inaccurate, the tax opinion may not be valid and the tax consequences of the Distribution and certain related transactions could differ from those described above. Notwithstanding the receipt of the IRS ruling and tax opinion, there can be no assurance that the IRS or a court will not take a contrary position and the consequences of the Distribution and certain related transactions to Jefferies and the holders of Jefferies common stock could be materially different from, and worse than, the U. S. federal income tax consequences described above. If it were determined that the Distribution, together with certain related transactions, did not qualify as a tax- free " reorganization " within the meaning of Section 368 (a) (1) (D) of the Code and the Distribution did not qualify as a distribution to which Section 355 of the Code applies, Jefferies would generally be subject to tax as if it sold the Vitesse common stock in a transaction taxable to Jefferies, which could result in a material tax liability. In addition, Jefferies shareholders who are U. S. holders would generally, for U. S. federal income tax purposes, be treated as receiving a distribution in an amount equal to the fair market value of our common stock received, which could result in a material tax liability. We agreed to numerous restrictions to preserve the non- recognition treatment of the Distribution, which may reduce our strategic and operating flexibility. We agreed in the Tax Matters Agreement to covenants and indemnification obligations that address compliance with Section 355 (e) of the Code. These covenants and indemnification obligations may limit our ability to pursue strategic transactions or engage in new businesses or other transactions that may otherwise maximize the value of our business, and might discourage or delay a strategic transaction that our stockholders may consider favorable, including share repurchases, stock issuances, certain asset dispositions and other strategic transactions. To preserve the tax- free treatment of the Distribution, and in addition to our indemnity obligations described above, the Tax Matters Agreement restricts us, for the two- year period following the Distribution, except in specific circumstances, from: (1) entering into any transaction pursuant to which all or a specified portion of our stock would be acquired, whether by merger or otherwise, (2) issuing equity securities in a manner that could reasonably be expected to have adverse consequences under Section 355 (e) of the Code, (3) repurchasing shares of our stock other than in certain open- market transactions, (4) ceasing to actively conduct certain of our businesses or (5) taking or failing to take any other action that prevents the Distribution and certain related transactions from qualifying as a transaction that is generally tax- free for U. S. federal income tax purposes under Sections 355 and 368 (a) (1) (D) of the Code. We could have an indemnification obligation to Jefferies in certain circumstances if the Distribution were determined not to qualify for tax- free treatment for U. S. federal tax purposes, or in certain other circumstances, which could materially adversely affect our business, financial condition and results of operations. In connection with the Spin- Off, we entered into a Tax Matters Agreement with Jefferies. The terms of the Tax Matters Agreement require us to indemnify Jefferies and certain related parties for certain taxes and losses that (i) result primarily from, individually or in the aggregate, the breach of certain representations and warranties made by us (including in connection with the IRS ruling or the tax opinion regarding the tax treatment of the Distribution) or covenants made by us (applicable to actions or failures to act by us and our subsidiaries following the completion of the Distribution), (ii) are attributable to actions we take following the Distribution and result from the failure of the transfer of the Vitesse Energy equity interests to Vitesse, together with the Distribution, to qualify as (a) a reorganization described in Section 355 (a) and Section 368 (a) (1) (D) of the Code, (b) a transaction in which the stock distributed thereby is " qualified property " for purposes of Sections 355 (c) and 361 (c) of the Code, or (c) a transaction in which Jefferies, Vitesse and the holders of Jefferies common stock recognize no income or gain for U. S. federal income tax purposes pursuant to Sections 355, 361 and 1032 of the Code, including, as a result of the application of Section 355 (e) of the Code to the Distribution as a result of a 50 % or greater change in ownership as described below, or (iii) are attributable to taxes with respect to Vitesse Energy or Vitesse Oil for tax periods or portions thereof ending before the Distribution, including as may arise on audit. Even if the Distribution were otherwise to qualify as a tax- free transaction under Section 368 (a) (1) (D) and Section 355 of the Code, the Distribution would be taxable to Jefferies (but not to Jefferies' shareholders) pursuant to Section 355 (e) of the Code if there were a 50 % or greater change in beneficial ownership of either Jefferies or Vitesse as part of a plan or series of related transactions that included the Distribution. For this purpose, any acquisitions of Jefferies or our common stock during the four- year period beginning on the date that begins two years before the date of the Distribution are presumed to be part of such a plan, although we or Jefferies may rebut that presumption. The U. S. federal income tax rules for determining whether there has been a 50 % or greater change in beneficial ownership of Jefferies and Vitesse, and the period during which that change is measured, are complex and include the aggregation and attribution rules of Section 355 (e) (4) (C) of the Code. The Distribution itself does not give rise to a change in beneficial ownership, and public trading of the stock of**

Jefferies or Vitesse by small stockholders does not give rise to a change in beneficial ownership, but many other transactions could do so. Such transactions may include (but are not limited to) acquisitions by Vitesse or Jefferies using its own stock, the merger or consolidation of Vitesse or Jefferies with or into another company, redemptions, recapitalizations, stock dividends, and sales or issuances of stock. If a stockholder sells our common stock, the stockholder will recognize gain or loss equal to the difference between the amount realized and the holder' s tax basis in the shares of common stock sold. A stockholder' s basis in our common stock may be adjusted during the course of its holding for various reasons, including being lowered as a result of certain distributions on our common stock, to the extent such distributions exceed our current and accumulated earnings and profits. In such a case, such excess will be treated as a tax free return of capital and will reduce a stockholder' s tax basis in our common stock. Such reduction in basis, to the extent that it shall occur, will result in a corresponding increase in the amount of gain, or a corresponding decrease in the amount of loss, recognized by the stockholder upon the sale of our common stock. Distributions we pay with respect to our common stock will constitute " dividends " for U. S. federal income tax purposes only to the extent of our current and accumulated earnings and profits. Distributions we pay in excess of our earnings and profits will not be treated as " dividends " for U. S. federal income tax purposes; instead, they will be treated first as a tax- free return of capital to the extent of a stockholder' s tax basis in their common stock and then as capital gain realized on the sale or exchange of such stock. We may be unable to timely determine the portion of our distributions that is a " dividend " for U. S. federal income tax purposes, which may result in a stockholder' s overpayment of tax with respect to distribution amounts that should have been classified as a tax- free return of capital. In such a case, a stockholder generally would have to timely file an amended U. S. tax return or an appropriate claim for refund to obtain a refund of the overpaid tax. For a U. S. holder of our common stock, the IRS Forms 1099- DIV received from brokers may not be consistent with our determination of the amount that constitutes a " dividend " for U. S. federal income tax purposes or a stockholder may receive a corrected IRS Form 1099- DIV (and may therefore need to file an amended U. S. federal, state or local income tax return). We will attempt to timely notify our stockholders of available information to assist with income tax reporting (such as posting the correct information on our website). However, the information that we provide to our stockholders may be inconsistent with the amounts reported by a broker on IRS Form 1099- DIV, and the IRS may disagree with any such information and may make audit adjustments to a stockholder' s tax return. For a non- U. S. holder of our common stock, " dividends " for U. S. federal income tax purposes will be subject to withholding of U. S. federal income tax at a 30 % rate (or such lower rate as may be specified by an applicable income tax treaty) unless the dividends are effectively connected with the conduct of a U. S. trade or business. In the event that we are unable to timely determine the portion of our distributions that constitute a " dividend " for U. S. federal income tax purposes, or a stockholder' s broker or withholding agent chooses to withhold taxes from distributions in a manner inconsistent with our determination of the amount that constitutes a " dividend " for such purposes, a stockholder' s broker or other withholding agent may overwithhold taxes from distributions paid. In such a case, a stockholder generally would have to timely file a U. S. tax return or an appropriate claim for refund in order to obtain a refund of the overwithheld tax. Under certain circumstances, where a corporation repurchases its own stock, certain stockholders whose stocks have not been redeemed might be deemed to have received a taxable distribution. We do not currently know if any repurchase of our stock under the Stock Repurchase Program or any other contemplated repurchase of our stocks would satisfy the circumstances under which such potential tax liability may arise. While we believe that the repurchase of our stock under the Stock Repurchase Program and any other possible contemplated repurchase of our stocks, even if it were to satisfy such circumstances, would be an " isolated redemption " which would not result in taxable income to the non-redeemed stockholders, we have not requested, nor do we intend to request, a ruling to that effect. The IRS may disagree with this position, and a successful challenge by the IRS may thus result in taxable income to such non-redeemed stockholders.