Risk Factors Comparison 2024-03-06 to 2023-03-08 Form: 10-K

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In addition to risks and uncertainties in the ordinary course of business that are common to all businesses, important factors that are specific to us and our industry could materially impact our future performance and results of operations. We have provided below a list of known material risk factors that should be reviewed when considering buying or selling our securities. These are not all the risks we face, and other factors currently considered immaterial or unknown to us may impact our future operations. Market and Competitive Risks **Oil** ~~Crude oil~~, **NGL and** natural gas ~~and NGL~~ prices can fluctuate widely due to a number of factors that are beyond our control. Depressed oil, **NGL or** natural gas ~~or NGL~~ prices adversely ~~affects~~ **affect** our business, financial condition, cash flow, liquidity or results of operations and could affect our ability to fund future capital expenditures needed to find and replace reserves, meet our financial commitments and to implement our business strategy. The price we receive for our ~~crude~~ oil, NGLs and natural gas production directly affects our revenues, profitability, access to capital, ability to produce these commodities economically and future rate of growth. Historically, oil, NGLs and natural gas prices have been volatile and subject to wide price fluctuations in response to domestic and global changes in supply and demand, economic and legal forces, events and uncertainties, and numerous other factors beyond our control, including: ● changes in global supply and demand for ~~crude~~ oil, NGLs and natural gas; ● events that impact global market demand **, such as a** ~~(e. g. the reduced demand experienced during the COVID- 19~~ pandemic ~~)~~ **or other world health event** ; ● the actions of OPEC ~~Plus~~ ; ● the price and quantity of imports of foreign ~~crude~~ oil, NGLs, natural gas and liquefied natural gas into the U. S.; ● acts of war, terrorism or political instability in oil producing countries (e. g. the invasion of Ukraine by Russia); ● domestic and foreign governmental regulations and taxes; ● U. S. federal, state and foreign government policies and regulations regarding current and future exploration and development of oil and gas; ● political conditions and events, including embargoes and moratoriums, affecting oil- producing activities; ● the level of domestic and global oil and natural gas exploration and production activities; ● the level of global ~~crude~~ oil, NGLs and natural gas inventories; ● adverse weather conditions and exceptional weather conditions, including severe weather events in the U. S. Gulf Coast; ● technological advances affecting energy consumption and the availability and cost of alternative energy sources; ● the price, availability and acceptance of alternative fuels; ● speculation as to the future price of oil and the speculative trading of oil and natural gas futures contracts; ● cyberattacks on our information infrastructure or systems controlling offshore equipment; ● activities by non- governmental organizations to restrict the exploration and production of oil and natural gas so as to minimize or eliminate future emissions of carbon dioxide, methane gas and other ~~GHG~~ **GHGs** ; ● the effect of energy conservation efforts; ● the availability of pipeline and other transportation alternatives and third **-** party processing capacity; and ● geographic differences in pricing. These factors and the volatility of the energy markets, which we expect to continue, make it extremely difficult to predict future commodity prices with any certainty. If ~~crude~~ oil, ~~NGLs~~ **NGL** and natural gas prices decrease from their current levels, we may be required to further reduce the estimated volumes and future value associated with our total proved reserves or record impairments to the carrying values of our oil and natural gas properties. Lower future ~~crude~~ oil, NGLs and natural gas prices may reduce our estimates of the proved reserve volumes that may be economically recovered, which would reduce the total volumes and future value of our proved reserves. Under the full cost method of accounting for oil and gas producing activities, a ceiling test is performed at the end of each quarter to determine if our oil and gas properties have been impaired. Capitalized costs of oil and gas properties are generally limited to the present value of future net revenues of proved reserves based on the average price of the 12- month period prior to the ending date of each quarterly assessment using the unweighted arithmetic average of the first- day- of- the- month price for each month within such period. Impairments of our oil and gas properties are more likely to occur during prolonged periods of depressed ~~crude~~ oil, NGLs and natural gas pricing. While we have not recorded an impairment of our oil and gas properties during ~~the year- ended December 31, 2022~~ **2023** , any further decreases in commodity pricing could cause an impairment, which would result in a non- cash charge to earnings. Commodity derivative positions may limit our potential gains. In order to manage our exposure to price risk in the marketing of our oil and natural gas, we have entered, and may continue to enter, into oil and natural gas price commodity derivative positions with respect to a portion of our expected future production. See Financial Statements and Supplementary Data – Note ~~10~~ **4** – Derivative Financial Instruments under Part II, Item 8 in this Form 10- K for additional information on our derivative contracts and transactions. We may enter into more derivative contracts in the future. While these commodity derivative positions are intended to reduce the effects of ~~crude~~ oil and natural gas price volatility, they may also limit future income if ~~crude~~ oil and natural gas prices were to rise substantially over the price established by such positions. In addition, such transactions may expose us to the risk of financial loss in certain circumstances, including instances in which there is a widening of price differentials between delivery points for our production and the delivery points assumed in the hedge arrangements or the counterparties to the derivative contracts fail to perform under the terms of the contracts. Competition for oil and natural gas properties and prospects is intense; some of our competitors have larger financial, technical and personnel resources that may give them an advantage in evaluating and obtaining properties and prospects. We operate in a highly competitive environment for reviewing prospects, acquiring properties, marketing oil, NGLs and natural gas and securing trained personnel. Many of our competitors have financial resources that allow them to obtain substantially greater technical expertise and personnel than we have. We actively compete with other companies in our industry when acquiring new leases or oil and natural gas properties. For example, new leases acquired from the BOEM are acquired through a " sealed bid " process and are generally awarded to the highest bidder. Our competitors may be able to evaluate, bid for and purchase a greater number of properties and prospects than our financial or personnel resources permit. Our competitors may also be able to pay more to acquire productive oil and natural gas properties and exploratory prospects than we are able or willing to pay or finance. Finally, companies with larger financial resources may have a significant advantage in terms of meeting any potential new bonding requirements. If we are unable to compete successfully in these areas in the future, our future revenues and growth may be diminished or restricted. Market conditions or operational impediments may hinder our access to oil and natural gas markets or delay our production. The marketability of our production depends mostly upon the availability, proximity, and capacity of oil and natural gas gathering systems, pipelines and processing facilities, which in some cases are owned by third parties. Market conditions or the unavailability of satisfactory oil and natural gas transportation arrangements may hinder our access to oil and natural gas markets or delay our production. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and terminal facilities. Our ability to market our production depends substantially on the availability and capacity of gathering systems, pipelines and processing facilities, which in some cases are owned and operated by third parties. ~~15We~~ **13We** depend upon third- party pipelines that provide delivery options from our facilities. Because we do not own or operate these pipelines, their continued operation is not within our control. These pipelines may become unavailable for a number of reasons, including testing, maintenance, capacity constraints, accidents, government regulation, weather- related events or other third- party actions. If any of these third- party pipelines become partially or fully unavailable to transport ~~crude~~ oil and natural gas, or if the gas quality specification for the natural gas pipelines changes so as to restrict our ability to transport natural gas on those pipelines, our revenues could be adversely affected. A portion of our oil and natural gas is processed for sale on platforms owned by third parties with no economic interest in our wells and no other processing facilities would be available to process such oil and natural gas without significant investment by us. In addition, third- party platforms could be damaged or destroyed by tropical storms, hurricanes or other weather events, which could reduce or eliminate our ability to market our production. As of December 31, ~~2022~~ **2023** , three fields, accounting for approximately 0. 2 MMBoe (or 1. ~~2~~ **4** %) of our ~~2022~~ **2023** production, are tied back to separate, third- party owned platforms. Although we have entered into contracts for the process of our production with the owners of such platforms, there can be no assurance that the owners of such platforms will continue to process our oil and natural gas production. We may be required to shut in wells because of a reduction in demand for our production or because of inadequacy or unavailability of pipelines, gathering system capacity or processing facilities. If that were to occur, then we would be unable to realize revenue from those wells until arrangements were made to process or deliver our production to market. **For example, the government recently issued an order requiring the abandonment of certain facilities in the Gulf of Mexico, rendering the pipelines and other midstream assets that cross that facility incapable of operating. Our production from certain properties currently utilizes a pipeline that crosses over the facility in order for our production to reach its eventual market and, as a result of the government' s order to abandon the facilities, we are required to shut- in our production at the affected properties until we can find an alternative path to market for such production. While we are working to find an alternative path to market, we are unable to realize revenues from our production at the affected properties until such time as an alternative arrangement is made. Furthermore, if we are forced to shut- in production, we will likely incur greater costs to bring the associated production back online. Cost increases necessary to bring the associated wells back online may be significant enough that such wells would become uneconomic at low commodity price levels, which may lead to decreases in our proved reserve estimates and potential impairments and associated charges to our earnings. If we are able to bring wells back online, there is no assurance that such wells will be as productive following recommencement as they were prior to being shut- in.** We have, in the past, been required to shut in wells when tropical storms or hurricanes have caused or threatened damage to pipelines, gathering stations, and production facilities. In addition, certain third- party pipelines have submitted requests in the past to increase the fees they charge us to use these pipelines. These increased fees, if approved, could adversely impact our revenues or increase our operating costs, either of which would adversely impact our operating profits, cash flows and reserves. ~~Operating~~ **14Operating** RisksRelatively short production periods for our Gulf of Mexico properties based on proved reserves subject us to high reserve replacement needs and require significant capital expenditures to replace our proved reserves at a faster rate than companies whose proved reserves have longer production periods. If we are not able to obtain new oil and gas leases or replace reserves, we will not be able to sustain production at current levels, which may have a material adverse effect on our business, financial condition, or results of operations. Our future success depends largely upon our ability to find, develop or acquire additional oil and natural gas reserves that are economically recoverable in order to replace or grow our produced proved reserves. Producing oil and natural gas reserves are generally characterized by declining production rates that vary depending upon reservoir characteristics and other factors. High production rates generally result in recovery of a relatively higher percentage of reserves during the initial few years of production. All of our current production is from the Gulf of Mexico. Proved reserves in the Gulf of Mexico generally have shorter reserve lives than proved reserves in many other producing regions of the United States, in part due to the difference in rules related to booking proved undeveloped reserves between conventional and unconventional basins. Our independent petroleum consultant estimates that ~~26~~ **33** . ~~3~~ **2** % of our total proved reserves as of December 31, ~~2022~~ **2023** will be depleted within three years. As a result, our need to replace proved reserves and production from new investments is relatively greater than that of producers who recover lower percentages of their proved reserves over a similar time period, such as those producers who have a larger portion of their proved reserves in areas other than the Gulf of Mexico. Historically, we have funded our capital expenditures and acquisitions with cash on hand, cash provided by operating activities, capital markets securities offerings and bank borrowings. The capital markets we have historically accessed may be constrained because of our leverage and also because, in recent years, institutional investors who provide financing to fossil fuel energy companies have become more attentive to sustainability lending practices and some of them may elect not to provide funding for fossil fuel energy companies. As a result, we may not be able to obtain sufficient funding to develop, find or acquire additional proved reserves in sufficient quantities to sustain our current production levels or to grow production beyond current levels. Future cash flows are subject to a number of variables, such as the level of production from existing wells, the prices of oil, NGLs and natural gas, and our success in developing and producing new reserves. Any reductions in our capital expenditures to stay within internally generated cash flow (which could be adversely affected if commodity prices decline) and cash on hand will make replacing depleted reserves more difficult. ~~16Losses and liabilities from uninsured or underinsured drilling and operating activities could have a material adverse effect on our financial condition and operations.~~ We are ~~and could be~~ **not insured against all of the operating risks to which our business is** exposed **. In accordance with industry practice, we maintain insurance against some, but not all, of the operating risks** to **which our business is exposed. We** ~~uninsured~~ --- **insure some, but not all, of our properties from operational** ~~losses~~ -- **loss** ~~in the future~~ **- related events** . We currently carry multiple layers of insurance coverage in our Energy Package **,** ~~(defined as certain insurance policies relating to our oil and gas properties which include named windstorm coverage)~~ covering our operating activities, with higher limits of coverage for higher valued properties and wells. Our insurance ~~does~~ **coverage includes deductibles that have to be met prior to recovery, as well as sub- limits or self- insurance. Additionally, our insurance is subject to exclusions and limitations, and there is** ~~not~~ - **no assurance that such coverage will adequately** protect us against **liability from** all ~~operational risks~~ **potential consequences, damages or losses** . ~~We do~~ **See Part I, Item 1. Business – Insurance Coverage for more information on our insurance coverage. In addition, we may** not ~~carry business interruption~~ **be able to secure additional** insurance ~~. Pollution and environmental risks are generally not fully insurable, as gradual seepage and pollution are not covered under our~~ - **or bonding that might be required by new governmental regulations** ~~policies. Because third- party drilling contractors are used to drill our wells, we may not realize the full benefit of workmen' s compensation laws in dealing with their employees~~ . Currently OPA requires owners and operators of offshore oil production facilities to have ready access to between $ 35. 0 million and $ 150. 0 million, which amount is based on a worst case oil spill discharge volume demonstration that can be used to cover costs that could be incurred in responding to an oil spill at our facilities on the OCS. We are currently required to demonstrate that we have ready access to $ 35. 0 million. If OPA is amended to increase the minimum level of financial responsibility, we may experience difficulty in providing financial assurances sufficient to comply with this requirement. **15In the past, tropical storms and hurricanes in the Gulf of Mexico have caused catastrophic losses and property damage. Similar events may cause damage** ~~For~~ - **or** ~~some risks~~ **liability in excess of our coverage that might severely impact our financial position. We may be liable for damages from an event relating to a project in which we own a non- operating working interest. Well control insurance coverage becomes limited from time to time and the cost of such coverage becomes both more costly and more volatile. In the past** , we have **been able to renew our policies each annual period, but our coverage has varied depending on the premiums charged, our assessment of the risks and our ability to absorb a portion of the risks. The insurance market may further change dramatically in the future due to severe storm damage, major oil spills or other events. Such events as noted above may also cause a significant interruption to our business, which might also severely impact our financial position. We may experience production interruptions for which we do** not ~~obtained~~ **have business interruption** insurance ~~as we believe the cost of available insurance is excessive relative to the risks presented~~ . We **re-** ~~reevaluate~~ -- **evaluate** the purchase of insurance, policy limits and terms annually. Future insurance coverage for our industry could increase in cost and may include higher deductibles or retentions. In addition, some forms of insurance may become unavailable in the future or unavailable on terms that we believe are economically acceptable. No assurance can be given that we will be able to maintain insurance in the future at rates that we consider reasonable, and we may elect to maintain minimal or no insurance coverage. The occurrence of a significant event **for which our losses are** not fully insured or indemnified ~~against losses~~ **, or for which the insurance companies will not pay our claims,** could have a material adverse effect on our financial condition and results of operations. We conduct exploration, development and production operations on the deep shelf and in the deepwater of the Gulf of Mexico, which presents unique operating risks. The deep shelf and the deepwater of the Gulf of Mexico are areas that have had less drilling activity due, in part, to their geological complexity, depth and higher cost to drill and ultimately develop. There are additional risks associated with deep shelf and deepwater drilling that could result in substantial cost overruns and / or result in uneconomic projects or wells. Deeper targets are more difficult to interpret with traditional seismic processing. Moreover, drilling costs and the risk of mechanical failure are significantly higher because of the additional depth and adverse conditions, such as high temperature and pressure. For example, the drilling of deepwater wells requires specific types of rigs with significantly higher day rates as compared to the rigs used in shallower water, sophisticated sea floor production handling equipment, expensive state- of- the- art platforms and infrastructure investments. Deepwater wells have greater mechanical risks because the wellhead equipment is installed on the sea floor. In addition, due to the significant time requirements involved with exploration and development activities, particularly for wells in the deepwater or wells not located near existing infrastructure, actual oil and natural gas production from new wells may not occur, if at all, for a considerable period of time following the commencement of any particular project. Accordingly, we cannot provide assurance that our oil and natural gas exploration activities in the deep shelf, the deepwater and elsewhere will be commercially successful. Continuing inflation and cost increases may impact our sales margins and profitability. Cost inflation, including significant increases in wholesale raw materials costs, labor rates, and domestic transportation costs have and could continue to impact profitability. In addition, our customers are also affected by inflation and the rising costs of goods and services used in their businesses, which could negatively impact their ability to purchase commodities such as oil and gas, which could adversely impact our revenue and profitability. Although such cost increases did not materially impact our ~~2022~~ **2023** financial condition or results of operations, and we currently do not expect them to materially impact our ~~2023~~ **2024** financial results or operations, there is no guarantee that we can increase selling prices, replace lost revenue, or reduce costs to fully mitigate the effect of inflation on our costs and business, which may adversely impact our sales margins and profitability. ~~17We~~ **16We** may not be in a position to control the timing of development efforts, associated costs or the rate of production of the reserves from our non- operated properties. As we carry out our drilling program, we may not serve as operator of all planned wells. In that case, we have limited ability to exercise influence over the operations of some non- operated properties and their associated costs. Our dependence on the operator and other working interest owners and our limited ability to influence operations and associated costs of properties operated by others could prevent the realization of anticipated results in drilling or acquisition activities. ~~Our business~~ **We are subject to numerous risks inherent to the exploration and production of oil and natural gas. Oil and natural gas exploration and production activities** ~~involves~~ **involve certain** ~~many uncertainties and operating~~ risks that ~~can prevent~~ **a combination of experience, knowledge and careful evaluation may not be able to overcome. Our future success will depend on the success of our exploration and production activities and on the future existence of the infrastructure and technology that will allow** us **to take advantage of our findings. Additionally, our properties are located in deepwater, which generally increases the capital and operating costs, technical challenges and risks associated with exploration and production activities. As a result, our exploration and production activities are subject to numerous risks, including the risk that drilling will not result in commercially viable production. Our decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend in part on the evaluation of seismic data through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. Furthermore, the marketability of expected production** from ~~realizing profits~~ **our prospects will also be affected by numerous factors. These factors include, but are not limited to, market fluctuations of oil and natural gas prices, proximity, capacity and availability of pipelines, the availability of processing facilities, equipment availability and government regulations (including, without limitation, regulations relating to prices, taxes, royalties, allowable production, importing and exporting of hydrocarbons, environmental, safety, health and climate change). The effect of these factors, individually or jointly, may result in us not receiving** ~~and~~ **an** ~~can cause substantial losses~~ **adequate return on invested capital. We are subject to drilling and other operational hazards** . The exploration, development and production of oil and gas properties involves a variety of operating risks, including the risk of fire, explosions, blowouts, pipe failure, abnormally pressured formations and environmental hazards **such as** ~~. Environmental hazards include~~ oil spills, gas leaks, pipeline ruptures or discharges ~~of toxic gases~~ . Additionally, our offshore operations are subject to the additional hazards of marine operations, such as capsizing, collisions and adverse weather and sea conditions, including the effects of tropical storms, hurricanes and other weather events. If we experience any of these problems, well bores, platforms, gathering systems and processing facilities could be affected, which could adversely affect our ability to conduct operations. If any of these industry operating risks occur, we could have substantial losses. Substantial losses may be caused by injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean- up responsibilities, regulatory investigation and penalties, suspension of operations and production, repairs to resume operations and loss of reserves. Any of these industry operating risks could have a material adverse effect on our business, results of operations and financial condition. The geographic concentration of our properties in the Gulf of Mexico subjects us to an increased risk of loss of revenues or curtailment of production from factors specifically affecting the Gulf of Mexico, including hurricanes. The geographic concentration of our properties along the U. S. Gulf Coast and adjacent waters on and beyond the OCS means that some or all of our properties could be affected by the same event should the Gulf of Mexico experience severe weather, including tropical storms and hurricanes; delays or decreases in production, the availability of equipment, facilities or services; changes in the status of pipelines that we depend on for transportation of our production to the marketplace; delays or decreases in the availability of capacity to transport, gather or process production; and changes in the regulatory environment **. 17For 2023, approximately 40 % of our production and 19 % of our total revenue was attributable to our Mobile Bay Properties. This concentration means that any impact on our production from this field, whether because of mechanical problems, adverse weather, well containment activities, changes in the regulatory environment or otherwise, could have a material adverse effect on our business. During 2023, our Mobile Bay Properties were shut- in for 35 days for planned maintenance. The shut- in resulted in deferred production of approximately 774 MBoe based on production rates prior to the shut- in. Any additional shut- ins, depending on the duration of the shut- in, could have a material adverse impact on our business. In addition, if the actual reserves associated with the Mobile Bay Properties are less than our estimated reserves, such a reduction of reserves could have a material adverse effect on our business, financial condition, results of operations and cash flows** . Because a majority of our properties could experience the same conditions at the same time, these conditions could have a greater impact on our results of operations than they might have on other operators who have properties over a wider geographic area. New technologies may cause our current exploration and drilling methods to become obsolete, and we may not be able to keep pace with technological developments in our industry. The oil and natural gas industry is subject to rapid and significant advancements in technology, including the introduction of new products and services using new technologies. As competitors use or develop new technologies, we may be placed at a competitive disadvantage, and competitive pressures may force us to implement new technologies at a substantial cost. In addition, competitors may have greater financial, technical and personnel resources that allow them to enjoy technological advantages, and that may in the future, allow them to implement new technologies before we can. We rely heavily on the use of advanced seismic technology to identify exploitation opportunities and to reduce our geological risk. Seismic technology or other technologies that we may implement in the future may become obsolete. We cannot be certain that we will be able to implement technologies on a timely basis or at a cost that is acceptable to us. If we are unable to maintain technological advancements consistent with industry standards, our business, results of operations and financial condition may be materially adversely affected. ~~18Insurance for well control and hurricane damage may become significantly more expensive for less coverage and some losses currently covered by insurance may not be covered in the future. In the past, tropical storms and hurricanes in the Gulf of Mexico have caused catastrophic losses and property damage. Well control insurance coverage becomes limited from time to time and the cost of such coverage becomes both more costly and more volatile. In the past, we have been able to renew our policies each annual~~

~~period, but our coverage has varied depending on the premiums charged, our assessment of the risks and our ability to absorb a portion of the risks. The insurance market may further change dramatically in the future due to severe storm damage, major oil spills or other events. In the future, our insurers may not continue to offer what we view as reasonable coverage, or our costs may increase substantially as a result of increased premiums. There could be an increased risk of uninsured losses that may have been previously insured. We are also exposed to the possibility that in the future we will be unable to buy insurance at any price or that if we do have claims, the insurance companies will not pay our claims. The occurrence of any or all of these possibilities could have a material adverse effect on our financial condition and results of operations.~~ Estimates of our proved reserves depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in the estimates or underlying assumptions will materially affect the quantities of and present value of future net revenues from our proved reserves. Our actual recovery of reserves may substantially differ from our estimated proved reserves. The process of estimating oil and natural gas reserves is complex. It requires interpretations of available technical data and many assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and the calculation of the present value of our reserves at December 31, ~~2022~~ **2023** . In order to prepare our year- end reserve estimates, our independent petroleum consultant projected our production rates and timing of development expenditures. Our independent petroleum consultant also analyzed available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary and may not be under our control. The process also requires economic assumptions about matters such as ~~crude~~ oil and natural gas prices, operating expenses, capital expenditures, taxes and availability of funds. Therefore, estimates of oil and natural gas reserves are inherently imprecise. Actual future production, ~~crude~~ oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves will most likely vary from our estimates. Any significant variance could materially affect the estimated quantities and present value of our reserves. In addition, our independent petroleum consultant may adjust estimates of proved reserves to reflect production history, drilling results, prevailing oil and natural gas prices and other factors, many of which are beyond our control. ~~You~~ **18You** should not assume that the standardized measure or the present value of future net revenues from our proved oil and natural gas reserves is the current market value of our estimated oil and natural gas reserves. In accordance with SEC requirements, we base the estimated discounted future net cash flows from our proved reserves on the 12-month unweighted first- day- of- the- month average price for each product and costs in effect on the date of the estimate. Actual future prices and costs may differ materially from those used in the present value estimate. **At December 31, 2023, approximately 16 % of our estimated proved reserves (by volume) were undeveloped. Any or all of our PUD reserves may not be ultimately developed or produced or may not be ultimately produced during the time periods we plan or at the costs we budget, which could result in the write- off of previously recognized reserves. Recovery of PUD reserves generally requires significant capital expenditures and successful drilling or waterflood operations. Our reserve estimates include the assumptions that we incur capital expenditures to develop these undeveloped reserves and the actual costs and results associated with these properties may not be as estimated. Any material inaccuracies in these reserve estimates or underlying assumptions materially affect the quantities and present value of our reserves, which could adversely affect our business, results of operations and financial condition.** ~~19Prospects~~ -- **Prospects** that we decide to drill may not yield oil or natural gas in commercial quantities or quantities sufficient to meet our targeted rates of return. A prospect is an area in which we own an interest, could acquire an interest or have operating rights, and have what our geoscientists believe, based on available seismic and geological information, to be indications of economic accumulations of oil or natural gas. Our prospects are in various stages of evaluation, ranging from a prospect that is ready to be drilled to a prospect that will require substantial seismic data processing and interpretation, which will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities. Sustained low ~~crude~~ oil, NGLs and natural gas pricing may also significantly impact the projected rates of return of our projects without the assurance of significant reductions in costs of drilling and development. To the extent we drill additional wells in the deepwater and / or on the deep shelf, our drilling activities could become more expensive. In addition, the geological complexity of deepwater and deep shelf formations may make it more difficult for us to sustain our historical rates of drilling success. As a result, we can offer no assurance that we will find commercial quantities of oil and natural gas and, therefore, we can offer no assurance that we will achieve positive rates of return on our investments. ~~A pandemic~~ **We may not realize all of the anticipated benefits from our targeted acquisitions. Such acquisitions could expose us to potentially significant liabilities, including plugging and abandonment and decommissioning liabilities. We expect to grow by expanding the exploitation and development of our existing assets, in addition to making targeted acquisitions in the Gulf of Mexico. We may not realize all of the anticipated benefits from acquisitions** , such as **increased earnings, cost savings and revenue enhancements, for various reasons, including higher than expected acquisition and operating costs or** ~~the~~ **other** ~~COVID~~ **difficulties, unknown liabilities, inaccurate reserve estimates and fluctuations in market prices. This could lead to potential adverse short** - ~~19 pandemic, may have~~ **term or long- term effects on our operating results. Successful acquisitions of oil and natural gas properties require** an **assessment** ~~adverse effect on our business, liquidity, results~~ of ~~operations and financial condition. The COVID- 19 pandemic has resulted in periodic disruptions in demand for~~ **a number of factors, including estimates of recoverable reserves, the timing of recovering reserves, exploration potential, future** oil and **natural** gas ~~commodities as various jurisdictions have attempted to implement~~ **prices, operating costs and potential environmental, regulatory and other liabilities, including plugging and abandonment and decommissioning liabilities. Such assessments are inexact and may not disclose all material issues or liabilities. In connection with** ~~or~~ **our** ~~have implemented measures designed~~ **assessments, we also perform a review of the acquired properties. However, such a review may not reveal all existing or potential problems. Additionally, such review may not permit us** to ~~contain~~ **become sufficiently familiar with the properties to fully assess** ~~the~~ **their** ~~spread of~~ **deficiencies and capabilities. 19There may be**

threatened, contemplated, asserted or ~~the~~ **other claims against the acquired assets** ~~virus. Ongoing pandemics may have~~ related ~~economic repercussions that could adversely impact~~ **to environmental, title, regulatory, tax, contract, litigation** ~~our~~ **or** ~~business, results of operations, financial condition and cash flows. Our supply chain could be disrupted if our vendors have limited access to their~~ - **other matters** ~~facilities or labor shortages adversely affecting the price or availability~~ of ~~products~~ **which we are unaware** , which could **materially** ~~result in a loss of revenue and profitability. While demand for and prices for oil, NGLs and gas generally improved during 2022 as travel restrictions, business closures and other restrictions were lifted, an~~ **and** ~~increase in infections or the onset of a new variant of the virus could again reduce demand for and prices of oil, NGLs and gas. Persistently weak or additional declines in commodity prices could~~ adversely affect ~~the economics of~~ our ~~existing~~ **production, revenues and results of** operations ~~and planned future operations~~ . ~~If our customers also face liquidity challenges~~ **We may be successful in obtaining contractual indemnification for preclosing liabilities** , **including environmental liabilities, but** we **expect that we will generally acquire interests in properties on an " as is " basis with limited remedies for breaches of representations and warranties. In addition, even if we are able to obtain such indemnification from the sellers, these indemnification obligations usually expire over time and** could **potentially** ~~experience delays or defaults in customer payments, and we may incur increased exposure~~ -- **expose us** to **unindemnifiable liabilities** ~~credit risk and bad debts. Further, workforce availability may be impaired due to exposure to the pandemic, reluctance to comply with governmental, legal or contractual mandates, or other restrictions, which may adversely impact our employees' wellness and employee retention, productivity and culture~~ , which could ~~negatively~~ **materially adversely** affect our **production,** ~~costs and profitability or negatively impact our ability to operate at full capacity and reduce our revenue~~ **revenues and results of operations** . Our operations could be adversely impacted by security breaches, including cybersecurity breaches, which could affect the systems, processes and data needed to run our business. We rely on our information technology infrastructure and management information systems to operate and record aspects of our business. Although we take measures to protect against cybersecurity risks, including unauthorized access to our confidential and proprietary information, our security measures may not be able to detect or prevent every attempted breach. Similar to other companies, we have experienced cyber- attacks, although we have not suffered any material losses related to such attacks. Security breaches include, among other things, illegal hacking, computer viruses, interference with treasury function, theft or acts of vandalism or terrorism. A breach could result in an interruption in our operations, malfunction of our platform control devices, disabling of our communication links, unauthorized publication of our confidential business or proprietary information, unauthorized release of customer or employee data, violation of privacy or other laws and exposure to litigation. Any of these security breaches could have a material adverse effect on our consolidated financial position, results of operations and cash flows. The ~~recent~~ invasion of Ukraine by Russia, and the impact of world sanctions against Russia and the potential for retaliatory acts from Russia, could result in increased cybersecurity attacks against U. S. companies. ~~20We are subject to laws, rules, regulations and policies regarding data privacy and security. Many of these laws and regulations are subject to change and reinterpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations or other harm to our business. We are subject to a variety of federal, state and local laws, directives, rules and policies relating to data privacy and cybersecurity. The regulatory framework for data privacy and cybersecurity worldwide is continuously evolving and developing and, as a result, interpretation and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future. It is also possible inquiries from governmental authorities regarding cybersecurity breaches increase in frequency and scope. These data privacy and cybersecurity laws also are not uniform, which may complicate and increase our costs for compliance. Any failure or perceived failure by us or our third- party service providers to comply with any applicable laws relating to data privacy and cybersecurity, or any compromise of security that results in the unauthorized access, improper disclosure, or misappropriation of data, could result in significant liabilities and negative publicity and reputational harm, one or all of which could have an adverse effect on our reputation, business, financial condition and operations.~~ We have historically outsourced substantially all of our information technology infrastructure and the management and servicing of such infrastructure **to a limited number of third parties** , which makes us more dependent upon **such** third parties and exposed to related risks. We are in the process of transitioning substantially all of such infrastructure **internally or to other service providers** , which subjects us to increased costs and risks. We have historically outsourced substantially all of our information technology infrastructure and the management and servicing of such infrastructure to a limited number of third- party service providers. As a result, we previously relied on **a small number of** third parties that we do not control to ensure that our technology needs are sufficiently met, and cyber risks are effectively managed. This reliance has subjected us to certain cybersecurity risks arising from the loss of control over certain processes, including the potential misappropriation, destruction, corruption or unavailability of certain data and systems, such as confidential or proprietary information. A failure of any of our information technology service providers to perform its management and operational duties securely and effectively may have a material adverse effect on our financial condition, liquidity or results of operations or the integrity of the systems, processes and data needed to run our business. We also have not had written agreements with our primary service provider, which exposed us to additional risks with respect to the systems and data outsourced to such provider. Beginning in August 2022 **,** following the notification by our primary information technology service provider, **All About IT ("** AAIT **")** , of its intention to cease providing services to us, we began the transition of information technology services and infrastructure to **us** ~~inside the Company~~ or to other providers ~~. In addition, we filed an action seeking a temporary restraining order, temporary injunction, and permanent injunction seeking, among other things, to restrain AAIT from ceasing to provide services to us until the transition process was complete. On September 16, 2022, we and AAIT mutually agreed to the terms of an agreed order issued by the court providing for a temporary injunction for a period of a minimum of 60 days from the date of the order and up to a maximum of 120 days at our option, during which AAIT would continue to provide information technology services to us and assist with the transition process~~ . We have moved and are continuing to move certain services **internally** ~~within the Company~~ and are transitioning **certain other services** to new service providers and implementing agreements with such providers. Although the transition process is substantially complete and we no longer have a material relationship with AAIT, the transition process has disrupted, and may continue to disrupt, certain of our business operations. Any difficulties in completing such transition could impair our ability to monitor our production and accurately prepare our results of operations in a timely fashion. Moreover, such transition continues to expose us to additional risks, including increased costs, diversion of management' s attention, disruptions to certain of our business operations and loss, damage to or unavailability of data or systems, each of which could have an adverse effect on our business and results of operations. ~~21The~~ **20The** loss of members of our senior management could adversely affect us. To a large extent, we depend on the services of our senior management. The loss of the services of any of our senior management could have a negative impact on our operations. We do not maintain or plan to obtain for the benefit of the Company any insurance against the loss of any of these individuals. See our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year covered by this Form 10- K for more information regarding our senior management team. There may be circumstances in which the interests of significant stockholders could conflict with the interests of our other stockholders. Our Chairman and Chief Executive Officer **(" CEO ")** owns a significant portion of our common stock **and an entity indirectly owned and controlled by our CEO is the sole lender under the Credit Agreement** . Circumstances may arise in which he may have an interest in pursuing or preventing acquisitions, divestitures, hostile takeovers or other transactions, or conflicts of interest could arise in the future regarding, among other things, decisions related to our financing, capital expenditures and business plans, or the pursuit of certain business opportunities, including the payment of dividends or the issuance of additional equity or debt, that, in his judgment, could enhance his investment in us or in another company in which he invests. Such circumstances or conflicts might adversely affect us or other holders of our common stock. In addition, our significant concentration of share ownership **and lender relationships** may adversely affect the trading price of our common stock because investors may perceive disadvantages in owning shares in companies with significant stockholder concentrations **or with such potential conflicts** . Capital RisksWe have a significant amount of indebtedness and limited borrowing capacity under our current Credit Agreement. Our leverage and debt service obligations may have a material adverse effect on our financial condition, results of operations and business prospects, and we may have difficulty paying our debts as they become due. As of December 31, ~~2022~~ **2023** , we had ~~9~~ **$ 400. 2 million of principal amount of long- term debt outstanding, including the Term Loan, the 11** . 75 % Senior Second Lien Notes ~~due 2023 (the " 9. 75 % Senior Second Lien Notes ") and a term loan of certain of our subsidiaries that is non- recourse to the Company (the " Term Loan "). We have no borrowings outstanding on our revolving credit facility under our Credit Agreement~~ , which ~~lending commitment and final maturity is set to expire on January 3, 2024. On February 8, 2023, we redeemed all of the outstanding $ 552. 5 million 9. 75 % Senior Second Lien Notes using cash on hand and the net proceeds from the offering of the $ 275. 0 million 11. 75 % Senior Second Lien Notes, which notes~~ mature on February 1, 2026 (the " 11. 75 % ~~Senior Second Lien~~ Notes ") **and the TVPX Loan. We had no borrowings outstanding under our Credit Agreement** . Our leverage and debt service obligations could: ● increase our vulnerability to general adverse economic and industry conditions; ● limit our ability to fund future working capital requirements, capital expenditures and ~~asset retirement obligations ("~~ ARO ~~")~~ , to engage in future acquisitions or development activities, or to otherwise realize the value of our assets; ● limit our opportunities because of the need to dedicate a substantial portion of our cash flow from operations to payments of interest and principal on our debt obligations or to comply with any restrictive terms of our debt obligations; ● limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; ● limit or impair our ability to obtain additional financing or refinancing in the future or require us to seek alternative financing, which may be more restrictive or expensive; and ● place us at a competitive disadvantage compared to our competitors that have less debt. ~~22Any~~ **21Any** of the above listed factors could have a material adverse effect on our business, financial condition, cash flows and results of operations. If new debt is added to our current debt levels, the related risks that we face could intensify. Additionally, availability of borrowings and letters of credit under our Credit Agreement is determined by establishment of a borrowing base, which is periodically redetermined in lender' s sole discretion based on our ~~lenders~~ - **lender** ' **s** review of ~~crude~~ oil, NGLs and natural gas prices, our proved reserves and other criteria. Lower ~~crude~~ oil, NGLs and natural gas prices in the future would also adversely affect our cash flow and could result in reductions in our borrowing base and sources of alternate credit and affect our ability to satisfy the covenants and ratios required by the Credit Agreement and Indenture (as defined below) **. Lower oil, NGL and natural gas prices may also have ancillary impacts on us and certain subsidiaries. For example, W & T Offshore, Inc. pays certain expenses on behalf of the Aquasition Entities pursuant to a management services agreement, which expenses are repaid by the Aquasition Entities in the ordinary course from operating cash flows. Planned and unplanned facility downtime and lower gas prices in 2023 caused the Aquasition Entities to operate at a loss after servicing their debt obligations under the Subsidiary Credit Agreement, and the Aquasition Entities have been unable to fully reimburse W & T Offshore, Inc. for such expenses paid on their behalf. Because of restrictions in the Credit Agreement and in the 11. 75 % Notes, W & T Offshore, Inc. may not be able to fund expenses on behalf of the Aquasition Entities indefinitely** . We cannot be certain that our cash flow will be sufficient to allow us to pay the principal and interest on our debt or otherwise meet our future obligations. In such scenarios, we may be required to refinance all or part of our existing debt, sell assets, reduce capital expenditures, obtain new financing or issue equity. However, we may not be able to accomplish any of these transactions on terms acceptable to us or such actions may not yield sufficient capital to meet our obligations. Any of the above risks could have a material adverse effect on our business, financial condition, cash flows and results of operations. Our debt agreements contain restrictions that limit our abilities to incur certain additional debt or liens or engage in other transactions, which could limit growth and our ability to respond to changing conditions. The indenture governing our 11. 75 % ~~Senior Second Lien~~ Notes (the " Indenture "), our Credit Agreement and our Subsidiary Credit Agreement governing our indebtedness contain a number of significant restrictive covenants in addition to covenants restricting the incurrence of additional debt. These covenants limit our ability and the ability of our restricted subsidiaries, among other things, to: ● make loans and investments; ● incur additional indebtedness or issue preferred stock; ● create certain liens; ● sell assets; ● enter into agreements that restrict dividends or other payments from our restricted subsidiaries to us; ● consolidate, merge or transfer all or substantially all of the assets of the Company; ● engage in transactions with our affiliates; ● pay dividends or make other distributions on capital stock or indebtedness; and ● create unrestricted subsidiaries. Our Credit Agreement requires us, among other things, to maintain certain financial ratios and satisfy certain financial condition tests. These restrictions may also limit our ability to obtain future financings, withstand a future downturn in our business or the economy in general, or otherwise conduct necessary corporate activities. We may also be prevented from taking advantage of business opportunities that arise because of the limitations imposed on us from the restrictive covenants under our indentures governing our outstanding notes and our Credit Agreement. A breach of any covenant in the agreements governing our debt would result in a default under such agreement after any applicable grace periods. A default, if not waived, could result in acceleration of the debt outstanding under such agreement and in a default with respect to, and acceleration of, the debt outstanding under any other debt agreements. The accelerated debt would become immediately due and payable. If that should occur, we may not be able to make all of the required payments or borrow sufficient funds to refinance such accelerated debt. Even if new financing were then available, it may not be on terms that are acceptable to us. ~~23If~~ **22We have significant capital needs, and our ability to access the capital and credit markets to raise capital or refinance our existing indebtedness on favorable terms, including our 11. 75 % Notes and our Credit Agreement with Calculus, may be limited by industry conditions and financial markets. Disruptions in the capital and credit markets, in particular with respect to the energy sector, could limit our ability to access these markets or may significantly increase our cost to borrow. Volatility in the energy sector, together with the higher interest rate environment, has caused and may continue to cause lenders to increase the interest rates under our credit facilities, enact tighter lending standards, refuse to refinance existing debt around maturity on favorable terms or at all and may reduce or cease to provide funding to borrowers. Furthermore, we may not be able to refinance our 11. 75 % Notes or extend our Credit Agreement with Calculus on favorable terms or at all. If we are unable to access the capital and credit markets on favorable terms, it could have a material adverse effect on our business, financial condition, results of operations, cash flows and liquidity and our ability to repay or refinance our debt. If** we default on our secured debt, the value of the collateral securing our secured debt may not be sufficient to ensure repayment of all of such debt. Our Credit Agreement and our outstanding 11. 75 % ~~Senior Second Lien~~ Notes are secured by various liens on our oil ~~,~~ **and** natural gas ~~and NGL~~ properties, excluding our Mobile Bay assets. ~~Our 11. 75 % Senior Second Lien Notes are secured by a second priority lien on substantially all of such properties.~~ The oil and **natural** gas assets of, and equity in, certain of our subsidiaries that own our Mobile Bay assets (the Borrower Subsidiaries, as defined in Financial Statements and Supplementary Data – Note 2 – Debt under Part II, Item 8 in this Form 10- K), are pledged on a first priority basis to secure our Term Loan. Any future borrowings under our Credit Agreement would be secured on a first priority basis by the assets securing the 11. 75 % ~~Senior Second Lien~~ Notes. In addition, we have certain rights to issue or incur additional or new secured debt, ~~that~~ **which** could be secured by additional liens on the collateral ~~and an~~ **. An** issuance or incurrence of such additional secured debt would dilute the value of the collateral securing our outstanding secured debt. If the proceeds of the sale of the collateral securing the 11. 75 % ~~Senior Second Lien~~ Notes or any future indebtedness incurred under the Credit Agreement are not sufficient to repay all amounts due in respect of such debt, then claims against our remaining assets to repay any amounts still outstanding under our secured obligations would be unsecured **,** and our ability to pay our other unsecured obligations and any distributions in respect of our capital stock would be significantly impaired. With respect to some of the collateral securing our debt, any collateral trustee' s security interest and ability to foreclose on the collateral will also be limited by the need to meet certain requirements, such as obtaining third **-** party consents, paying court fees that may be based on the principal amount of the parity lien obligations and making additional filings. If we are unable to obtain these consents, pay such fees or make these filings, the security interests may be invalid, and the applicable holders and lenders will not be entitled to the collateral or any recovery with respect thereto. These requirements may limit the number of potential bidders for certain collateral in any foreclosure and may delay any sale, either of which events may have an adverse effect on the sale price of the collateral. We may not be able to repurchase the 11. 75 % ~~Senior Second Lien~~ Notes upon a change of control. If we experience certain kinds of changes of control, we must give holders of the 11. 75 % ~~Senior Second Lien~~ Notes the opportunity to sell us their notes at 101 % of their principal amount, plus accrued and unpaid interest. However, in such an event, we might not be able to pay the holders the required repurchase price for the notes they present to us because we might not have sufficient funds available at that time, or the terms of **our Credit Agreement** ~~the Calculus Lending facility~~ or other agreements we may enter into in the future may prevent us from applying funds to repurchase the 11. 75 % ~~Senior Second Lien~~ Notes. The source of funds for any repurchase required as a result of a change of control will be our available cash or cash generated from our oil and gas operations or other sources, including: ● borrowings under the **Credit Agreement** ~~Calculus Lending facility~~ or other sources; ● sales of assets; or ● sales of equity. Finally, using available cash to fund the potential consequences of a change of control may impair our ability to obtain additional financing in the future, which could negatively impact our ability to conduct our business operations. ~~We~~ **23We** may be required to post cash collateral pursuant to our agreements with sureties under our existing or future bonding arrangements, which could have a material adverse effect on our liquidity and our ability to execute our capital expenditure plan, our ARO plan and comply with our existing debt instruments. Pursuant to the terms of our agreements with various sureties under our existing bonding arrangements, or under any future bonding arrangements we may enter into, we may be required to post collateral at any time, on demand, at the surety' s sole discretion. Additional collateral would likely be in the form of cash or letters of credit. We cannot provide assurance that we will be able to satisfy collateral demands for current bonds or for future bonds. If we are required to provide additional collateral, our liquidity position will be negatively impacted, and we may be required to seek alternative financing. To the extent we are unable to secure adequate financing, we may be forced to reduce our capital expenditures in the current year or future years, may be unable to execute our ARO plan or may be unable to comply with our existing debt instruments. ~~24Legal~~ -- **Legal, Government** and Regulatory ~~RisksThe~~ **RisksWe** ~~Biden Administration may pursue significant~~ **are subject to numerous environmental, health and safety** ~~regulatory~~ **regulations which are subject to change** and **may also** ~~political actions that could adversely affect our results~~ - **result** ~~of~~ **in material liabilities and costs. Our** operations **are subject** ~~, and our ability~~ to ~~implement our business~~ **U. S. federal,** ~~strategy~~ --- **state** ~~. President Biden has made addressing~~ **, local and foreign environmental laws and regulations governing, among** ~~the~~ **other things, the** ~~threat of climate change from GHG emissions~~ - **emission** ~~a priority under his Administration. Regulatory agencies under the Biden Administration have issued proposed rulemakings,~~ and **discharge** ~~may issue new or amended rulemakings in support~~ of **pollutants into the environment** ~~President Biden' s regulatory and political agenda~~ , **the generation** ~~which include reducing dependence on~~ , ~~and~~ **storage, handling,** use ~~of, fossil fuels and curtailment of hydraulic fracturing on federal lands~~ -- **and transportation of toxic and hazardous wastes and the health and safety of our employees** . Our operations in the Gulf of Mexico require permits from federal and state governmental agencies in order to perform drilling and completion activities and conduct other regulated activities ~~and~~ **. There is a risk that we have not been or will not be at all times in complete compliance with** ~~the~~ **these** ~~Biden~~ **permits and the environmental laws and regulations to which we are subject. Any failure by us to comply with applicable environmental laws and regulations may result in governmental authorities taking action against us that could adversely impact our operations and financial condition, including the: ● issuance of** ~~Administration~~ **administrative** ~~may continue pursuing~~ **, civil and criminal penalties; ● denial or revocation of permits or other authorizations; ● imposition of limitations on our operations; and ● performance of site investigatory, remedial or other corrective** actions ~~that delay~~ **. If we fail to obtain permits in a timely manner** or **at all (** ~~refuse approval of new leases~~ for **example, due to opposition from community** ~~hydrocarbon exploration and development on federal lands and waters~~ or **environmental groups, government** ~~delay~~ **delays , changes in laws** ~~or fail to grant approvals required for~~ - **or** ~~development of existing leases on~~ **the interpretation thereof, or any other reason),** such **failure could impede** ~~lands and waters. See Part I, Item 1, Business – Compliance with Governmental Regulations for more discussion on orders and regulatory initiatives impacting the oil and natural gas industry pursued under the Biden Administration. To the extent that~~ our operations ~~in federal waters are restricted~~ , **which** ~~delayed for varying lengths of time or cancelled, such developments~~ could have a material adverse effect on our results of operations ~~, our ability to replace reserves~~ and ~~the ability to implement~~ our **financial condition** ~~business strategy. Environmental regulations and liabilities, including those related to climate change, may increase our costs and adversely affect our business. Our operations are subject to U. S. federal, state and local and foreign environmental laws and regulations governing the protection of the environment and health and safety that impose limitations on the discharge of pollutants into the environment and establish standards for the treatment, storage, recycling and disposal of toxic and hazardous wastes. The nature of our business requires that we use, store and dispose of materials that are subject to environmental regulation~~ . The longer- term trend of more expansive and stringent environmental legislation and regulations is expected to continue, which makes it challenging to predict the cost or impact on our future operations. Liabilities associated with environmental matters could have a material adverse effect on our business, financial condition and results of operations. Under certain environmental laws, we could be exposed to strict, joint and several liability for cleanup costs and other damages relating to releases of hazardous materials or contamination, regardless of whether we were responsible for the release or contamination, and even if our operations were lawful ~~at the time~~ or in accordance with industry standards **at the time** . ~~Additionally~~ -- **Additional changes in** ~~, any failure by us to comply with applicable~~ environmental laws ~~and regulations may result in governmental authorities taking action against us that could adversely impact our operations and financial condition, including the: ● issuance of administrative, civil and criminal penalties; ● denial or revocation of permits or other authorizations; ● imposition of limitations on our operations; and ● performance of site investigatory, remedial or other corrective actions. In certain instances, citizen groups also have the ability to bring legal proceedings against us regarding our compliance with certain environmental laws, or to challenge our ability to receive permits that we need to operate. 25In February 2021, the Biden administration rejoined the Paris Agreement. Pursuant to its obligations as a signatory to the Paris Agreement, the United States has set a target to reduce its GHG emissions by 50 % to 52 % by the year 2030 as compared with 2005 levels and has agreed to provide periodic updates on its progress. In addition, in September 2021, President Biden publicly announced the Global Methane Pledge, a pact that aims to reduce global methane emissions at least 30 % below 2020 levels by 2030. Since its formal launch at the United Nations Climate Change Conference (COP26), over 150 countries have joined the pledge. COP26 concluded with the finalization of the Glasgow Climate Pact, which stated long- term global goals (including those in the Paris Agreement) to limit the increase in the global average temperature and emphasized reductions in GHG emissions. Most recently, at the 27th conference of parties, President Biden announced the Environmental Protection Agency' s (" EPA ") proposed standards to reduce methane emissions from existing oil and gas sources, and agreed, in conjunction with the European Union and a number of other partner countries, to develop standards for monitoring and reporting methane emissions to help create a market for low methane- intensity natural gas. Additionally, in August 2022, President Biden signed into law the Inflation Reduction Act of 2022 (the " IRA "). Among other things, the IRA includes a methane emissions reduction program. Additionally, while the pause on new oil and natural gas leases on public lands and offshore waters has been lifted subject to certain limitations, the impacts of these and other future orders or legislation or regulation remain unclear at this time and could have an impact on our customers, and in turn have negative effect on our business, financial conditions, results of operations, and cash flows. Further, on March 21, 2022, the SEC issued a proposed rule regarding the enhancement and standardization of mandatory climate- related disclosures. The proposed rule would require registrants to include certain climate- related disclosures in their registration statements and periodic reports, including, but not limited to, information about the registrant' s governance of climate- related risks and relevant risk management processes; climate- related risks that are reasonably likely to have a material impact on the registrant' s business, results of operations, or financial condition and their actual and likely climate- related impacts on the registrant' s business strategy, model, and outlook; climate- related targets, goals and transition~~

~~plan (if any); certain climate- related financial statement metrics in a note to their audited financial statements; Scope 1 and Scope 2 GHG emissions; and Scope 3 GHG emissions and intensity, if material, or if the registrant has set a GHG emissions reduction target, goal or plan that includes Scope 3 GHG emissions. Although the proposed rule' s ultimate date of effectiveness and the final form and substance of these requirements is not yet known and the ultimate scope and impact on our business is uncertain, compliance with the proposed rule, if finalized, may 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. Additional changes in environmental laws~~ , regulations, guidelines or enforcement interpretations ~~, including relating to the emission of carbon dioxide and other greenhouse gases or climate change- related concerns,~~ could require us to devote capital or other resources to comply with those laws and regulations. These changes could also subject us to additional costs and restrictions, including increased fuel costs. In addition, such changes in laws or regulations could increase **the** costs of compliance and doing business for our customers and thereby decrease the demand for our services. **New laws** ~~Because our business depends on the level of activity in the offshore oil~~ and **regulations** ~~gas industry~~ , **amendment of** existing ~~or future~~ laws ~~,~~ **and** regulations, ~~guidelines,~~ **reinterpretation of legal requirements or increased governmental** enforcement ~~interpretations, treaties~~ **could significantly increase** ~~or~~ **our capital expenditures** ~~international agreements related to greenhouse gases~~ and ~~climate change~~ **operating costs or result in delays** , ~~including incentives~~ **limitations or cancelations** to ~~conserve energy or~~ **our** ~~use alternative energy sources~~ **exploration and production activities** , **which** could have **an adverse effect on our financial condition, results of operations, or cash flows. See Business – Other Regulation of the Oil and Natural Gas Industry under Part I, Item 1 in this Form 10- K for** a ~~negative impact on~~ **more detailed description of** our **environmental** ~~business and ability to execute our business strategy, including if such laws,~~ regulations ~~, treaties or international agreements reduce the worldwide demand for oil and gas or limit drilling opportunities~~ . ~~26We~~ **24We** may be unable to provide financial assurances in the amounts and under the time periods required by the BOEM if the BOEM submits future demands to cover our decommissioning obligations. **The** ~~If in the future the BOEM issues orders to provide additional financial assurances and we fail to comply with such future orders, the BOEM could elect to take actions that would materially adversely impact our operations and our properties, including commencing proceedings to suspend our operations or cancel our federal offshore leases.~~ BOEM requires that lessees demonstrate financial strength and reliability according to its regulations and provide acceptable financial assurances to assure satisfaction of lease obligations, including decommissioning activities **in the OCS. Currently the BOEM requires all lessees of an OCS oil and natural gas lease to post base bonds ranging from $ 50 thousand to $ 3. 0 million in addition to supplemental financial assurance determined based** on the ~~OCS~~ **lessee' s ability to carry out present and future financial obligations** . **In June** ~~As of December 31, 2022~~ **2023** , ~~we are in~~ **the BOEM proposed a new rule that updated the criteria for determining whether oil and natural gas lessees may be required to provide supplemental financial assurance above the prescribed base financial assurance to ensure** compliance with ~~our~~ **the OCSLA. The proposed rule considers an OCS lessee' s credit rating and proved oil reserves in determining whether a lessee in the OCS is required to obtain supplemental** financial assurance ~~obligations to the BOEM and have no outstanding BOEM orders, requests or financial assurance obligations~~ . **A final rule** ~~BOEM under the Obama and Trump Administrations had sought to implement varying levels of stringent and costly standards under the existing federal financial assurance requirements, either through issuance and implementation of NTL # 2016- N01 as was the case under the Obama Administration, or proposing rulemaking to revise the decommissioning and related financial assurance regulations as was the case under the Trump Administration. However, BOEM under the Biden Administration~~ is **anticipated by April 2024** ~~expected to propose new financial assurance requirements that, if adopted as proposed, could increase our operating costs. See Part I, Item 1, Business – Compliance with Governmental Regulations for more discussion on financial assurance regulatory initiatives impacting the oil and natural gas industry that may be pursued under the Biden Administration~~ . Additionally, **the** BOEM could in the future make new demands for additional financial assurances covering our obligations under our properties, which could exceed the Company' s capabilities to provide. If we fail to comply with **the proposed new rule and** such future orders, **the** BOEM could commence enforcement proceedings or take other remedial action **against us** , including assessing civil penalties, suspending operations or production, or initiating procedures to cancel leases, which, if upheld, would have a material adverse effect on our business, properties, results of operations and financial condition **. In addition, if we are required to provide collateral in the form of cash or letters of credit, our liquidity position could be negatively impacted, and we may be required to seek alternative financing. To the extent we are unable to secure adequate financing, we may be forced to reduce our capital expenditures. All of these factors may make it more difficult for us to obtain the financial assurances required by the BOEM to conduct operations in the OCS. These and other changes to BOEM bonding and financial assurance requirements could result in increased costs on our operations and consequently have a material adverse effect on our business and results of operations** . We may be limited in our ability to maintain or recognize additional proved undeveloped reserves under current SEC guidance. SEC rules require that, subject to limited exceptions, proved undeveloped reserves (" PUD reserves ") may only be booked if they relate to wells scheduled to be drilled within five years after the date of initial booking. This requirement may limit our ability to book additional PUD reserves as we pursue our drilling program. Moreover, we may be required to write down our PUD reserves if we do not drill those wells within the required five- year timeframe. Additional deepwater drilling laws, regulations and other restrictions, delays and other offshore- related developments in the Gulf of Mexico may have a material adverse effect on our business, financial condition, or results of operations. **The** ~~In January 2021, President~~ Biden ~~suspended new~~ **administration has taken a number of actions that may result in stricter environmental, health and safety standards applicable to our operations and those of the** oil and natural gas **industry more generally** ~~leases on federal lands and waters, including the OCS pending review and reconsideration of federal oil and gas leasing and permitting practices~~ . ~~While this suspension was challenged and enjoined in June 2021 by a federal district court, the Biden Administration is appealing the court decision. Additionally, regulatory~~ **Regulatory** agencies under the Biden ~~Administration~~

administration may issue new or amended rulemakings regarding **deepwater** ~~deep water~~ leasing, permitting or drilling that could result in more stringent or costly restrictions, delays or cancellations to our operations as well as those of similarly situated offshore energy companies on the OCS. ~~The BSEE and the BOEM have over the past decade, primarily under the Obama Administration, imposed more stringent permitting procedures and regulatory safety and performance requirements with respect to new wells drilled in federal deepwater. While actions by BSEE or BOEM under the former Trump Administration sought to mitigate or delay certain of those more rigorous standards, the Biden Administration could reconsider rules and regulatory initiatives implemented under the Trump Administration and replace them with new, more stringent requirements and also provide more rigorous enforcement of existing regulatory requirements.~~ Compliance with any ~~added~~ **new** or more stringent ~~Biden Administration~~ regulatory requirements or enforcement initiatives and existing environmental and spill regulations, together with uncertainties or inconsistencies in decisions ~~and rulings~~ by governmental agencies ~~and~~ **,** delays in the processing and approval of drilling permits and exploration, development, oil spill response and decommissioning plans and possible additional regulatory initiatives **,** could ~~result in difficult and more costly actions and~~ adversely affect or delay new drilling and ongoing development efforts. Moreover, governmental agencies under the Biden ~~Administration~~ **administration** are expected to continue to evaluate aspects of safety and operational performance in the ~~United States~~ Gulf of Mexico that could result in new, more restrictive requirements. ~~27These~~ **25These** regulatory actions, or any new rules, regulations, or legal or enforcement initiatives ~~or controls~~ that impose ~~increased costs or~~ more stringent operational standards could delay or disrupt our operations ~~,~~ **;** result in increased supplemental bonding and costs **;** and limit activities in certain areas ~~,~~ or cause us to incur penalties ~~,~~ **or** fines **;** ~~, or~~ shut- in production at one or more of our facilities **;** or result in the suspension or cancellation of leases. Also, if material spill incidents were to occur in the future, the United States could elect to issue directives to temporarily cease drilling activities and, in any event, issue further safety and environmental laws and regulations regarding offshore oil and natural gas exploration and development, any of which could have a material adverse effect on our business. We cannot predict with any certainty the full impact of any new laws or regulations on our drilling operations or on the cost or availability of insurance to cover some or all of the risks associated with such operations. See Part I, Item 1. Business – ~~Compliance with Governmental~~ **Environmental, Health and Safety Matters and** Regulations **and Other Regulation of the Oil and Natural Gas Industry** for more discussion on orders and regulatory initiatives impacting the oil and natural gas industry that are being pursued under the Biden ~~Administration~~ **administration** . Our estimates of future ARO may vary significantly from period to period **,** and ~~are especially significant because~~ **unanticipated decommissioning costs could materially adversely affect** our **future financial position and results of** operations ~~are concentrated in the Gulf of Mexico~~ . We are required to record a liability for the present value of our ARO to plug and abandon inactive non- producing wells, to remove inactive or damaged platforms, and inactive or damaged facilities and equipment, collectively referred to as " idle iron, " and to restore the land or seabed at the end of oil and natural gas production operations. An existing BSEE NTL describes the obligations of offshore operators to timely decommission idle iron by means of abandonment and removal. Pursuant to these idle iron NTL requirements, BSEE issued us letters, directing us to plug and abandon certain wells that the agency identified as no longer capable of production in paying quantities by specified timelines. In response, we are currently evaluating the list of wells proposed as idle iron by BSEE and currently anticipate that those wells determined to be idle iron will be decommissioned by the specified timelines or at times as otherwise determined by BSEE following further discussions with the agency. While we have established AROs for well decommissioning, additional AROs, significant in amount, may be necessary to conduct plugging and abandonment of the wells designated in the future as idle iron, but we do not expect the costs to plug and abandon such additional wells will have a material effect on our financial condition, results of operations or cash flows. Nevertheless, these decommissioning activities are typically considerably more expensive for offshore operations as compared to most land- based operations due to increased regulatory scrutiny and the logistical issues associated with working in waters of various depths, and there exists the possibility that increased liabilities beyond what we established as AROs may arise and the pace for completing these activities could be adversely affected by idle iron decommissioning activities being pursued by other offshore oil and gas lessees that may also have received similar BSEE directives, which could restrict the availability of equipment and experienced workforce necessary to accomplish this work. ~~Moreover, BSEE under the Biden Administration could also reconsider its current NTL on idle iron removal or existing idle iron- related regulations and establish new, more stringent decommissioning requirements on an expedited basis.~~ Estimating future restoration and removal costs in the Gulf of Mexico is especially difficult because most of the removal obligations may be many years in the future, regulatory requirements are subject to change or such requirements may be interpreted more restrictively, and asset removal technologies are constantly evolving, which may result in additional ~~or~~ **,** increased **or decreased** costs. As a result, we may make significant increases or decreases to our estimated ARO in future periods. For example, because we operate in the Gulf of Mexico, platforms, facilities and equipment are subject to damage or destruction as a result of hurricanes **and other adverse weather conditions** . The estimated cost to plug and abandon a well or dismantle a platform can change dramatically if the host platform ~~,~~ from which the work was anticipated to be performed ~~,~~ is damaged or toppled rather than structurally intact. Accordingly, our estimate of future ARO ~~will~~ **could** differ dramatically from **what we may ultimately incur as a result of damage from a hurricane** ~~our~~ - **or** ~~recorded estimate if~~ **other natural disaster. Additionally, a sustained lower commodity price environment may cause our non- operator partners to be unable to pay their fair share of costs, which may require us to pay our proportionate share of the defaulting party' s share of costs. We have divested, as assignor, various leases, wells and facilities located in the Gulf of Mexico where the purchasers, as assignees, typically assume all abandonment obligations acquired. Certain of these counterparties in these divestiture transactions or third parties in existing leases have filed for bankruptcy protection or undergone associated reorganizations and may not be able to perform required abandonment obligations. Under certain circumstances, regulations or federal laws, such as the OCSLA, could impose joint and several strict liability and require predecessor assignors, such as us, to assume such obligations. As of December 31, 2023,** we have **$ 18** ~~a damaged platform~~ . **0 million** ~~Any additional requirements under~~

~~BOEM' s formerly issued NTL # 2016- N01, if it were re- issued and fully implemented, or in the event BOEM under the Biden Administration were to issue new, more stringent financial assurance guidance or requirements, would increase our operating costs and reduce the availability~~ of **loss contingency recorded** ~~surety bonds due to the increased demands for such bonds in a low- price commodity environment. In addition, increased demand for salvage contractors and equipment could result in increased costs for decommissioning activities, including plugging and abandonment operations. These items have, and may further, increase our costs and impact our liquidity adversely. 28In addition, the U. S. Government imposes strict joint and several liability under the OCSLA on the various lessees of a federal oil and gas lease for lease obligations, including decommissioning activities, which means that any single co- lessee may be liable to the U. S. Government for the full amount of all of the multiple lessees' obligations under the lease. In certain circumstances, we also could be liable for accrued decommissioning liabilities on federal oil and gas leases that we previously owned and assigned to an unrelated~~ -- **related** ~~third party should the assignee~~ to **anticipated** ~~whom we assigned the leases or any future assignee of those leases is unable to perform its~~ decommissioning obligations ~~(including payment of costs incurred by unrelated parties in decommissioning such lease facilities)~~. ~~For example~~ **See Part II** , ~~we have in the past received a demand~~ **Item 8. Financial Statements and Supplementary Data — Note 19 — Contingencies** for **more information** ~~payment of decommissioning costs related to accrued liabilities for property interests that were sold several years prior~~. **26We** ~~These indirect obligations would affect our costs, operating profits and cash flows negatively and could be material. We~~ are subject to numerous laws and regulations that can adversely affect the cost, manner or feasibility of doing business. Our operations and facilities are subject to extensive federal, state and local laws and regulations relating to the exploration, development, production and transportation of ~~crude~~ oil and natural gas and operational safety. Future laws or regulations, any adverse change in the interpretation of existing laws and regulations or our failure to comply with such legal requirements may harm our business, results of operations and financial condition. Our operations could be significantly delayed or curtailed, and our cost of operations could significantly increase as a result of regulatory requirements or restrictions. Regulated matters include lease permit restrictions; limitations on our drilling activities in environmentally sensitive areas, such as marine habitats, and restrictions ~~on~~ **governing** the ~~way we can~~ discharge **of** materials into the environment; bonds or other financial responsibility requirements to cover drilling contingencies and well decommissioning costs; the spacing of wells; operational reporting; reporting of natural gas sales for resale; and taxation. Under these laws and regulations, we could be liable for personal injuries ~~;~~ **,** property and natural resource damages ~~;~~ **,** well site reclamation costs ~~;~~ **,** and governmental sanctions, such as fines and penalties **. Failure to comply with these laws and regulations also may result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties. Moreover, these laws and regulations could change in ways that could substantially increase our costs. Any such liabilities, penalties, suspensions, terminations or regulatory changes could have a material adverse effect on our results of operations and financial condition, as well as the market price of our common stock** . We are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. ~~It is also possible that a portion of our oil and natural gas properties could be subject to eminent domain proceedings or other government takings for which we may not be adequately compensated.~~ See Business – ~~Compliance with Government~~ **Environmental, Health and Safety Matters and** Regulations **and Other Regulation of the Oil and Natural Gas Industry** under Part I, Item 1 in this Form 10- K for a more detailed explanation of regulations impacting our business. ~~Our~~ **We are subject to laws, rules, regulations and policies regarding data privacy and security. Many of these laws and regulations are subject to change and reinterpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of** operations **or other harm to our business. We are subject to a variety of federal, state and local laws, directives, rules and policies relating to data privacy and cybersecurity. The regulatory framework for data privacy and cybersecurity worldwide is continuously evolving and developing, and, as a result, interpretation and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future. It is also possible that inquiries from governmental authorities regarding cybersecurity breaches increase in frequency and scope. These data privacy and cybersecurity laws also are not uniform, which** may ~~incur substantial liabilities~~ **complicate and increase our costs for compliance. Any failure or perceived failure by us or our third- party service providers** to comply with ~~environmental~~ **any applicable** laws ~~and regulations as well as legal requirements applicable to MPAs and endangered and threatened species. Our oil and natural gas operations are subject to stringent federal, state and local laws and regulations~~ relating to **data privacy** ~~the release or disposal of materials into the environment or otherwise relating to environmental protection. These laws~~ and **cybersecurity** ~~regulations require the acquisition of a permit or other approval before drilling or other regulated activity commences; restrict the types~~ , ~~quantities and concentration~~ **or any compromise** of ~~substances~~ **security** that ~~can be released into the environment in connection with drilling and production activities; limit or prohibit exploration or drilling activities on certain lands lying within wilderness, wetlands, MPAs and other protected areas or that may affect certain wildlife, including marine species and endangered and threatened species; and impose substantial liabilities for pollution resulting from our operations. 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, remedial or corrective obligations; and the imposition of injunctive relief, which could prohibit, limit or restrict our operations in a particular area. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly waste handling, storage, transport, disposal or cleanup requirements could require us to make significant expenditures to attain and maintain compliance and may otherwise have a material adverse effect on our industry in general and on our own~~ results ~~of operations, competitive position or financial condition. Under these environmental laws and regulations, we could incur strict joint and several liability for the removal or remediation of previously released materials or property contamination, regardless of whether we were responsible for the release or contamination 29and regardless of whether our operations met previous standards~~ in ~~the industry at the time they~~ - **the unauthorized access** ~~were conducted. Our permits require that we report any incidents that cause or could cause environmental~~

~~damages. New laws and regulations~~ , **improper disclosure** ~~amendment of existing laws and regulations~~ , ~~reinterpretation of legal requirements or increased governmental enforcement could significantly increase our~~ - **or misappropriation of data,** ~~capital expenditures and operating costs or~~ could result in ~~delays~~ **significant liabilities and negative publicity and reputational harm** , **one** ~~limitations or cancelations to our~~ - **or all of** ~~exploration and production activities,~~ which could have an adverse effect on our **reputation, business,** financial condition **and** ~~, results of~~ operations ~~,~~ **. The Inflation Reduction Act of 2022 could accelerate the transition to a low carbon economy and could impose new costs on** ~~or~~ **our operations** ~~cash flows~~ . ~~See Business – Compliance with Environmental Regulations under Part I~~ **The IRA contains hundreds of billions of dollars in incentives for the development of renewable energy** , ~~Item~~ **clean hydrogen, clean fuels, electric vehicles and supporting infrastructure and carbon capture and sequestration, amongst other provisions. In addition, the IRA imposes the first ever federal fee on the emission of GHGs through a methane emissions charge. The IRA amends the federal CAA to impose a fee on the emission of methane from sources required to report their GHG emissions to the EPA, including those sources in the onshore petroleum and natural gas production categories. In January 2024, the EPA proposed a rule implementing the IRA' s methane emissions charge. The methane emissions charge would start in calendar year 2024 at $ 900 per ton of methane, increase to $** 1 **, 200** in ~~this Form 10~~ **2025, and be set at $ 1, 500 for 2026 and each year after. Calculation of the fee is based on certain thresholds established in the IRA. In addition, the multiple incentives offered for various clean energy industries referenced above could further accelerate the transition of the economy away from the use of fossil fuels towards lower** - ~~K~~ **or zero- carbon emissions alternatives. This could decrease demand** for **oil** ~~a more detailed description of our environmental, marine species,~~ and ~~endangered~~ **natural gas, increase our compliance** and ~~threatened species regulations~~ **operating costs and consequently adversely affect our business** . ~~Responses~~ **27We are subject** to ~~the threat of~~ **risks arising from** climate change, including **risks related to** energy transition, **which** could result in increased costs and reduced demand for the oil and natural gas we produce ~~, which could have a material adverse effect on our business, results of operations, financial condition~~ and ~~cash flows while~~ physical risks **which** ~~related to climate change~~ could disrupt our production and cause us to incur significant costs in preparing for or responding to those effects. ~~The~~ **President Biden has made addressing the** threat of climate change **from GHG emissions** ~~continues to attract considerable attention in the United States and foreign countries. As~~ a ~~result~~ **priority under his administration. Regulatory agencies under the Biden administration have issued proposed rulemakings and may issue new or amended rulemakings in support of President Biden' s regulatory and political agenda** , **which include reducing dependence on, and use of, fossil fuels and curtailment of hydraulic fracturing on federal lands.** ~~numerous~~ **Numerous** proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of GHGs as well as to eliminate such future emissions. Accordingly, our operations are subject to a series of climate- related transition risks, including regulatory, political and litigation and financial risks associated with the production and processing of fossil fuels and emission of GHGs. See Part I, Item 1. ~~"~~ Business – **Other** ~~Compliance with Environmental Regulations~~ - **Regulation** ~~"~~ **of the Oil and Natural Gas Industry** for more discussion on the threat of climate change and restriction of GHG emissions. The adoption and implementation of any international, federal, regional or state legislation, executive actions, regulations, policies or other regulatory initiatives that impose more stringent standards for GHG emissions on our operations or in areas where we produce oil and natural gas could result in increased compliance costs or costs of consuming fossil fuels, and thereby reduce demand for the oil and natural gas that we produce. **Companies in the oil and natural gas industry are often the target of activist efforts from both individuals and non- governmental organizations regarding climate change and environmental and sustainability matters. Activism could materially and adversely impact our ability to operate our business and raise capital. The foregoing factors may cause operational delays or restrictions, increased operating costs and additional regulatory burden.** Additionally, litigation risks to oil and natural gas companies are increasing, as a number of cities, local governments and other plaintiffs have sought to bring suit against oil and natural gas companies in state or federal court, alleging, among other things, that such companies created public nuisances by producing fuels that contributed to global warming effects, such as rising sea levels, and therefore are responsible for roadway and infrastructure damages 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 or customers by failing to adequately disclose those impacts. We are not currently a defendant in any of these lawsuits but could be named in actions making similar allegations. ~~Increasing attention to ESG matters, societal expectations for companies to address climate change and sustainability concerns, and investor, societal, and other stakeholder expectations regarding ESG and sustainability practices and related disclosures may result in increased costs, reduced demand for the oil and natural gas we produce, reduced profits, increased risks of governmental investigations and private party litigation, and negative impacts on our stock price and access to capital markets.~~ Further ~~, if we do not adapt to or comply with investor or other stakeholder expectations and standards on ESG matters as they continue to evolve, or if we are perceived to have not responded appropriately or quickly enough to growing concern for ESG and sustainability issues, regardless of whether there is a regulatory or legal requirement to do so, we may suffer from reputational damage and our business, financial condition and / or stock price could be materially and adversely affected. Moreover, the increased competitiveness of alternative energy sources (such as wind, solar geothermal, tidal and biofuels) could reduce demand for the oil and natural gas we produce, which would lead to a reduction in our revenues. For example~~ , stockholders and bondholders currently invested in fossil fuel energy companies such as ours but concerned about the potential effects of climate change may elect in the future to shift some or all of their investments into non- fossil fuel energy related sectors. Institutional lenders who provide financing to fossil- fuel energy companies also have become more attentive to sustainable lending practices ~~that favor " clean " power sources, such as wind and solar, making those sources more attractive~~ , and some of them may elect not to provide funding for fossil fuel energy companies. Many of the largest U. S. banks have made ~~" net zero " carbon~~ emission **reduction** commitments and have announced that they will be assessing financed emissions across their portfolios and are taking steps to quantify and reduce those emissions. **There is also a risk that financial institutions may be required to adopt policies that have the effect of reducing the funding provided to the fossil fuel sector, and more broadly, some investors, including investment advisors and certain sovereign wealth funds, pension funds, university endowments and family foundations, have stated policies to disinvest in the oil and natural gas sector based on their social and environmental considerations. Certain other stakeholders have also pressured commercial and investment banks to stop financing oil and gas production and related infrastructure projects.** These and other developments in the financial sector could lead to some lenders and investors restricting ~~30access~~ -- **access** to capital for or divesting from certain industries or companies, including the oil and natural gas sector, or requiring that borrowers take additional steps to reduce their GHG emissions. ~~.~~Lastly,most scientists have concluded that increasing concentrations of GHG in the Earth' s atmosphere may produce climate changes that have significant physical effects,such as increased frequency and severity of storms,droughts,floods,rising sea levels and other climatic events.If any such effects were to occur,they could adversely affect or delay demand for oil or natural gas products or cause us to incur significant costs in preparing for or responding to the effects of climatic events themselves,which may not be fully insured.Potential adverse effects could include disruption of our production activities,including,for example,damages to our facilities from winds or floods,increases in our costs of operation,or reductions in the efficiency of our operations,impacts on our personnel,supply chain,or distribution chain,as well as potentially increased costs for insurance coverages in the aftermath of such effects.Any of these effects could have an adverse effect on our assets and operations.Our ability to mitigate the adverse physical impacts of climate change depends in part upon our disaster preparedness and response and business continuity planning.Due to the concentrated nature of our portfolio of properties,a number of our properties could experience any of the same conditions at the same time,resulting in a relatively greater impact on our results of operations than they might have on other companies that have a more diversified portfolio of properties.Each of these developments may in the future adversely affect the demand for products manufactured with,or powered by,petroleum products,as well as the demand for,and in turn the prices of,oil and natural gas products.Additionally,political,financial and litigation risks may result in us having to restrict,delay or cancel production activities,incur liability for infrastructure damages as a result of climatic changes,or impair the ability to continue to operate in an economic manner,which could have a material adverse effect on our business,financial condition,results of operations and cash flows. **31Certain** ~~Further~~ **29Further** , our operations, projects and growth opportunities require us to have strong relationships with various key stakeholders, including our shareholders, employees, suppliers, customers, local communities and others. We may face pressure from stakeholders, including activist investors, many of whom are increasingly focused on climate change, to prioritize sustainable energy practices, reduce our carbon footprint and promote sustainability while at the same time remaining a successfully operating public company. Responses to such pressure could adversely impact our business by distracting management and other personnel from their primary responsibilities, require us to incur increased costs, and / or result in reputational harm. Moreover, if we do not successfully manage expectations across these varied stakeholder interests, it could erode stakeholder trust and thereby affect our brand and reputation. Such erosion of confidence could negatively impact our business through decreased demand and growth opportunities, delays in projects, increased legal action and regulatory oversight, adverse press coverage and other adverse public statements, difficulty hiring and retaining top talent, difficulty obtaining necessary approvals and permits from governments and regulatory agencies on a timely basis and on acceptable terms and difficulty securing investors and access to capital. Organizations that provide information to investors on corporate governance, climate change, health and safety and other ESG related factors have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment decisions. Unfavorable ESG ratings and recent activism directed at shifting funding away from companies with fossil energy- related assets could lead to increased negative investor sentiment toward us or our customers and to the diversion of investment to other industries, which could have a negative impact on our unit price and / or our access to and costs of capital. In addition, **our** ~~the Company' s~~ continuing efforts to research, establish, accomplish and accurately report on the implementation of our ESG strategy, including any specific ESG objectives, may also create additional operational risks and expenses and expose us to reputational, legal and other risks. While we create and publish voluntary disclosures regarding ESG matters from time to time, some of the statements in those voluntary disclosures may be based on hypothetical expectations and assumptions that may or may not be representative of current or actual risks or events or forecasts of expected risks or events, including the costs associated therewith. Such expectations and assumptions are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of an established single approach to identifying, measuring and reporting on many ESG matters. In addition, our current ESG governance structure may not allow us to adequately identify or manage ESG- related risks and opportunities, which may include failing to achieve ESG- related strategies and goals. Lastly, most scientists have concluded that...... of operations and cash flows. 31Certain -- **Certain** U. S. federal income tax deductions currently available with respect to natural gas and oil exploration and development may be eliminated as a result of future legislation. **In recent years** ~~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 gas companies. Such legislative changes have included, but have not been limited to, (i) the repeal of the percentage depletion allowance for natural gas and oil properties, (ii) the elimination of current deductions for intangible drilling and development costs, and (iii) an extension of the amortization period for certain geological and geophysical expenditures. Although these provisions were largely unchanged in recent federal tax legislation such as the IRA, 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 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 gas development or increase costs, and any such changes could have an adverse effect on our financial position, results of operations and cash flows. **30** ~~Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our financial condition and results of operations. We are subject to taxes by U. S. federal, state, and local tax authorities. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including changes in the valuation of our deferred tax assets and liabilities, expected timing and amount of the release of any tax valuation allowances, or changes in tax laws, regulations, or interpretations thereof. In addition, we may be subject to audits of our income, sales, and other transaction taxes by U. S. federal, state, and local taxing authorities. Outcomes from these audits could have an adverse effect on our financial condition and results of operations. Our articles of incorporation and bylaws, as well as Texas law, contain provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our common stock. Certain provisions of our articles of incorporation and bylaws could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our stockholders. Among other things, our articles of incorporation and bylaws: ● provide advance notice procedures with regard to stockholder nominations of candidates for election as directors or other stockholder proposals to be brought before meetings of our stockholders, which may preclude our stockholders from bringing certain matters before our stockholders at an annual or special meeting; ● provide our board of directors the ability to authorize issuance of preferred stock in one or more series, which makes it possible for our board of directors to issue, without stockholder approval, preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us and which may have the effect of deterring hostile takeovers or delaying changes in control or management of us; ● provide that the authorized number of directors may be changed only by resolution of our board of directors; ● provide that, subject to the rights of holders of any series of preferred stock to elect directors or fill vacancies in respect of such directors as specified in the related preferred stock designation, all vacancies, including newly created directorships be filled by the affirmative vote of holders of a majority of directors then in office, even if less than a quorum, or by the sole remaining director, and will not be filled by our stockholders; ● no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates ; ● provide that, subject to the rights of the holders of any series of preferred stock to elect directors under specified circumstances, if any, any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of our stockholders and may not be effected by any consent in writing in lieu of a meeting of such stockholders; ● provide that, subject to the rights of the holders of shares of any series of preferred stock, if any, to remove directors elected by such series of preferred stock pursuant to our articles of incorporation (including any preferred stock designation thereunder), directors may be removed from office at any time, only for cause and 32~~