2022
SUSTAINABILITY REPORT

BAYSWATER

2022

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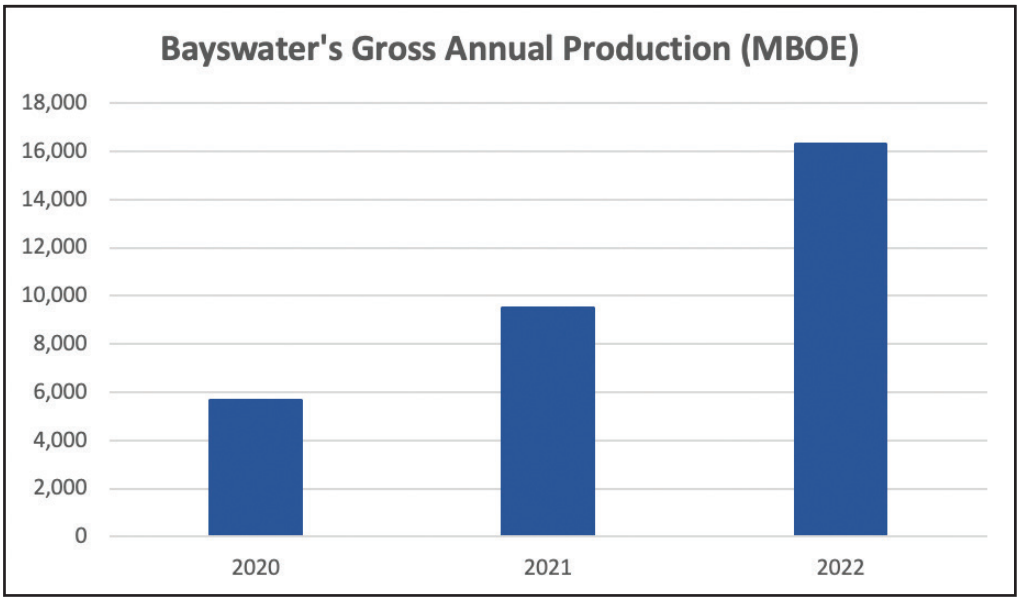
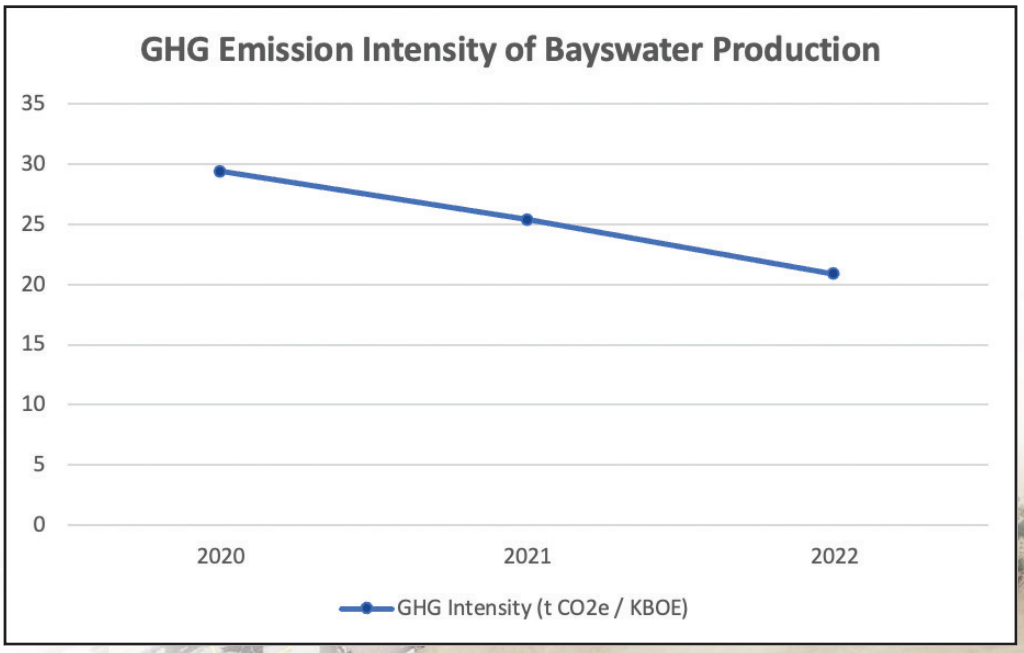
2022 Key Data & Benchmarks in Our Path to Net Zero



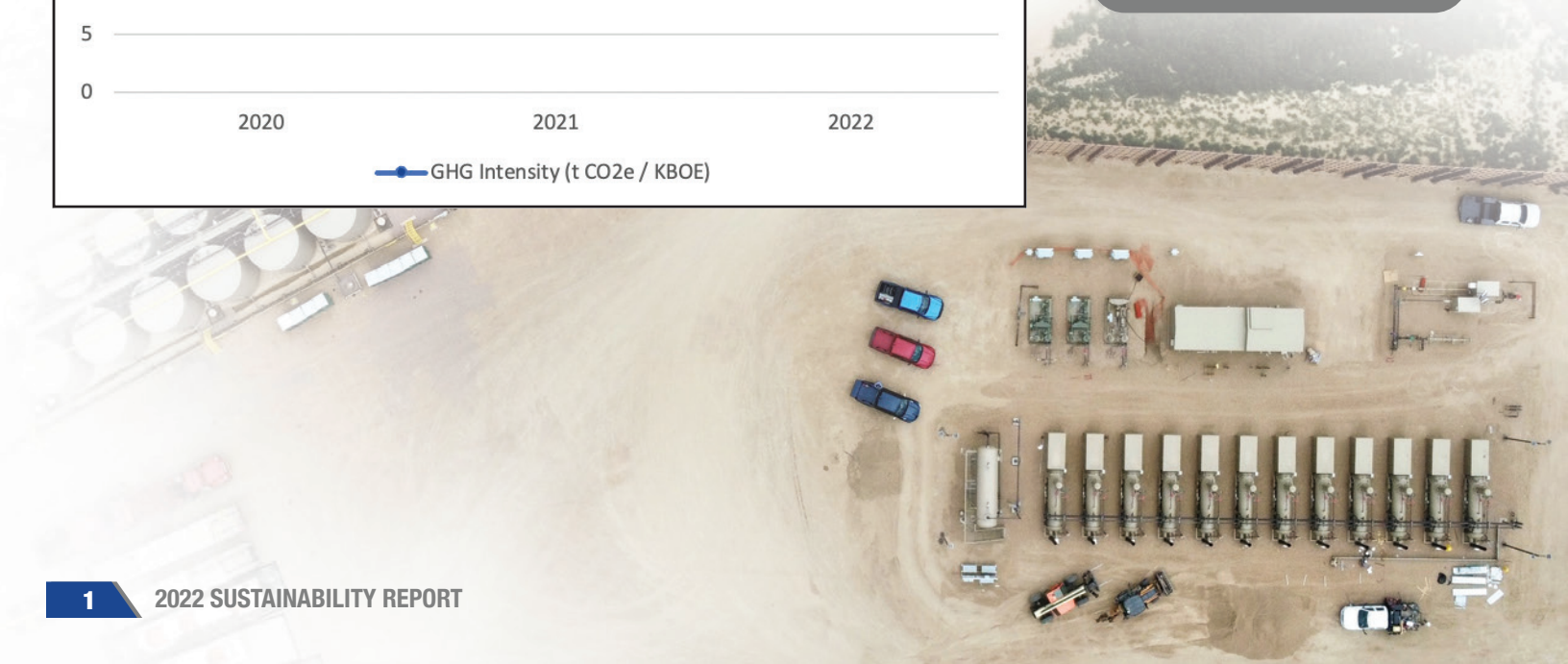
99.5%

of daily Colorado production covered by continuous emission monitoring



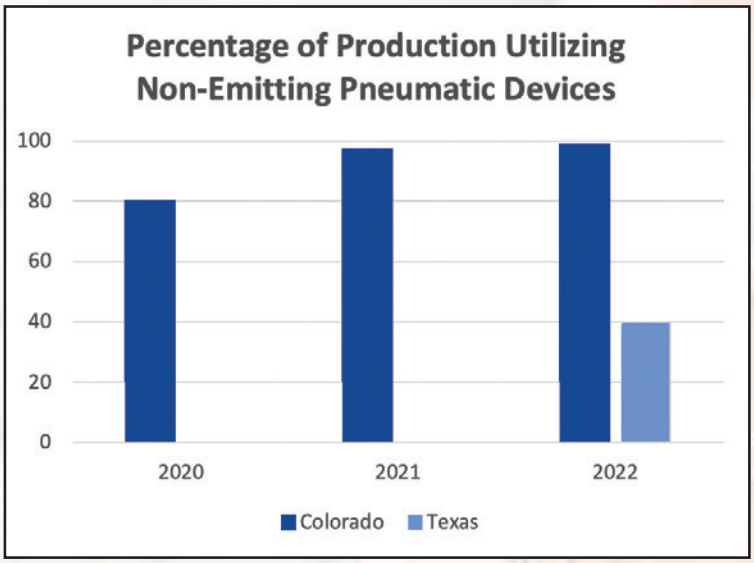
140

vertical wells plugged & abandoned in last 10 years



DID YOU KNOW?

The industry standard pneumatic devices were powered by natural gas, emitting a small but consistent source of methane. By transitioning to instrument air-powered pneumatic devices, Bayswater eliminates a consistent source of methane emissions from our production sites.



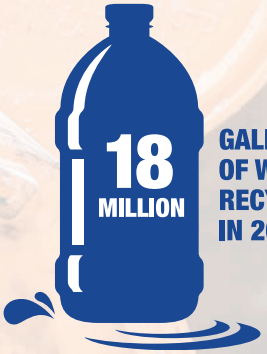
By investing in pipeline infrastructure for oil and water transport, Bayswater has removed tens of thousands of truck trips from Colorado and Texas roads.

37,500 TRUCKS REMOVED FROM ROADS IN 2020

72,400 TRUCKS REMOVED FROM ROADS IN 2021

159,600 TRUCKS REMOVED FROM ROADS IN 2022

Bayswater has saved millions of gallons of water by expanding our water recycling program.



GALLONS OF WATER RECYCLED IN 2020

GALLONS OF WATER RECYCLED IN 2021

GALLONS OF WATER RECYCLED IN 2022

Dear Stakeholders,

Bayswater is a proud participant in the United States shale oil and natural gas industry—providing the low-cost reliable energy that Coloradans, Americans, and the global population desperately need, and safeguarding energy security for the United States. We are focused on responsibly developing oil and natural gas in the top U.S. shale provinces. Thanks to two great technical innovations—horizontal drilling and hydraulic fracturing—our industry has reshaped the global political and economic landscapes by transforming the U.S. from a nation dependent on foreign crude oil imports to one that is energy independent and a net energy exporter, in less than a decade.

This remarkable transformation was led largely by small independent companies, like Bayswater, and made possible by dedicated professionals, continuous technological innovation, access to risk capital, and successful engagement and cooperation with a diverse array of stakeholders. Across the industry, these diverse stakeholders are comprised of surface landowners, local community groups, local school boards reliant on our industry's tax revenues, disproportionately impacted communities, environmentally and socially focused non-governmental organizations (NGOs), private property mineral owners, local governments making land use decisions, state and federal regulators, and the broader investment community.

The industry and Bayswater have a wide range of stakeholders, and to be sustainable, we need to meet the Environment, Social, and Governance (ESG) expectations of these stakeholders. At Bayswater, sustainability means helping supply society's growing need for affordable, reliable energy while being Environmentally and Socially responsible, and Governing our corporate conduct ethically and with integrity. ESG has taken on great significance in recent years and has become the focal point for many participants in the capital markets. This is our third annual Sustainability Report, and we take great pride in reporting on our ESG performance. While this is our third report, ESG values are core to our company culture and operational standard, and always have been. Global climate change concerns are forcing greater scrutiny of energy supply, dictating energy policy, and often vilifying fossil fuel use. The Western world, in particular, strongly favors renewable energy due to its perceived low carbon footprint. Great Britain and western Europe have led the world in transitioning away from fossil fuels and into renewable energy dependent upon solar and wind power and battery storage. The United States is implementing similar policy changes, and with the 2022 Inflation Reduction Act, trillions of dollars have been earmarked for renewable energy projects.

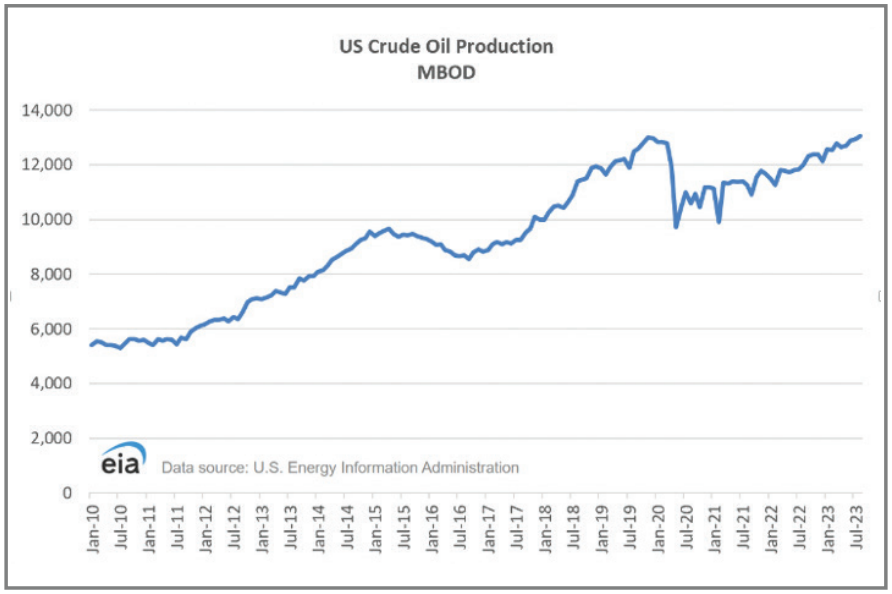


Figure 1: U.S. production of crude oil in thousands of barrels of oil per day (MBOD) from January 2010 to July 2023 (U.S. Energy Information Administration (EIA)).

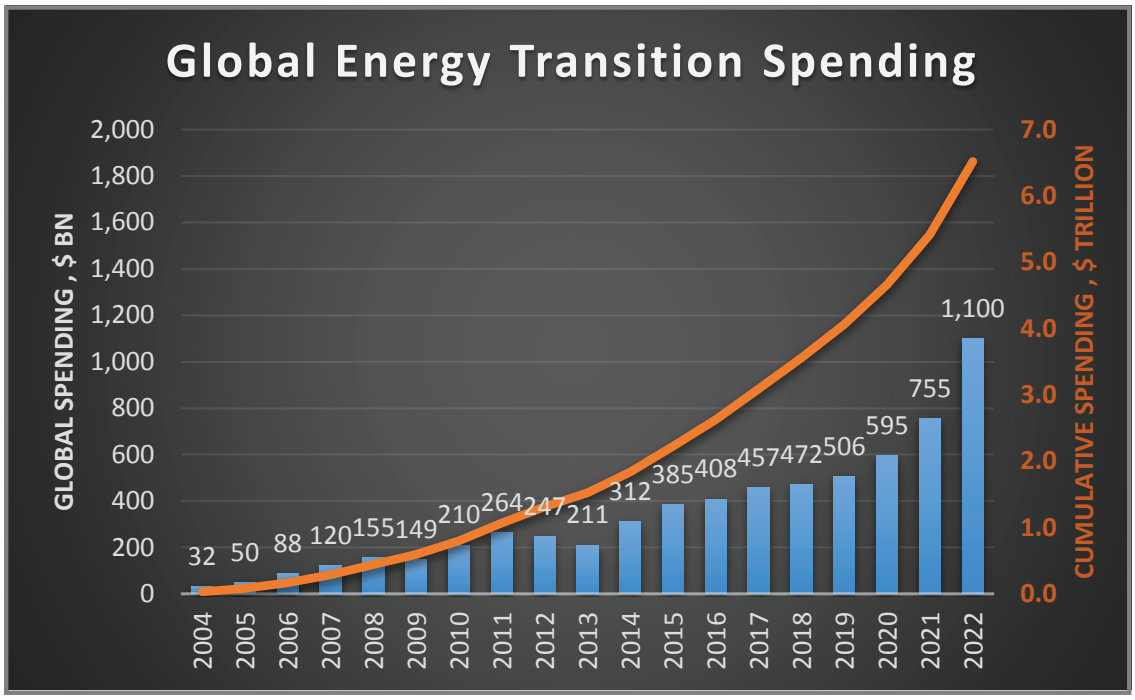


Figure 2: Cumulative global spending on the energy transition from 2004 to 2022 (Bloomberg; Raymond James).

Figure 2 shows that spending towards the global energy transition over the past two decades has reached a staggering $6.5 trillion. Figure 3 shows that hydrocarbon energy sources met 85% of global energy demand in 2000 and, despite a tremendous investment in alternative and renewable energy, fossil fuels continue to dominate the world's energy supply at 82% in 2021. Importantly, as energy demand grew overall by 50% or 35 billion barrels of oil equivalent (BOEs) annually, hydrocarbon energy demand grew by 45% and satisfied 90% of the total two-decade demand growth.

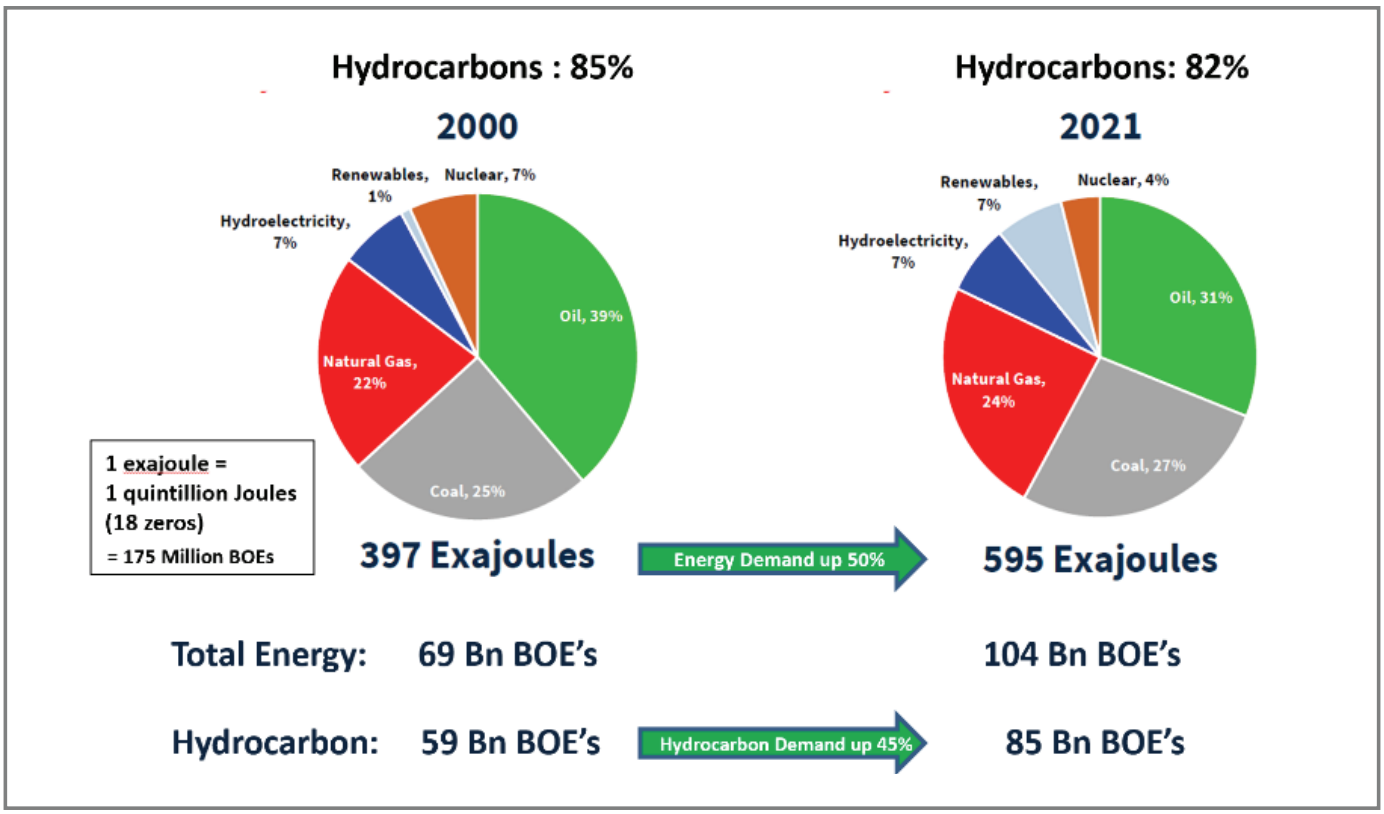


Figure 3: Energy demand and mix between 2000 to 2021 (EIA; Raymond James).

Why is hydrocarbon energy demand so resilient? It's largely because there are considerations other than climate change that impact energy choice. Hydrocarbons are a low-cost, reliable, and abundant source of energy worldwide. Reliability and affordability are more fundamentally important in other parts of the globe than in the developed West where climate impacts dominate the conversation. Energy poverty is a global humanitarian issue impacting an estimated two billion people worldwide. Those nations need low-cost fossil fuels to lift people out of energy poverty. The war in Ukraine also underscores the need for energy security today, while maintaining the path to a lower carbon energy future.

For responsible energy producers, like Bayswater, it is imperative that we define and implement a path to producing our oil and natural gas with zero associated carbon emissions (Scope 1 and Scope 2) in our manufacturing operations.

The shortcomings of the United States and Western world's posture on the energy transition are well documented, not only by the energy industry but by the academic community as well. Dr. Scott W. Tinker, Director at the University of Texas Bureau of Economic Geology, Chairman of Switch Energy Alliance, and CEO of Tinker Energy Associates, LLC, expertly summarizes the energy transition as simply "Energy Addition plus Less Emissions." We are very fortunate to showcase a condensed and paraphrased version of a recent speech from Dr. Tinker in "The Power of Energy Security" section included in this year's sustainability report. In keeping with the **"Energy Addition plus Less Emissions"** theme, any reasonable forecast of the transition to a lower carbon energy future requires a significant multi-decade increase in oil and natural gas supplies to meet the growing worldwide energy demand while a lower carbon energy transition is realized. Responsible oil and natural gas production and low-carbon energy are not conflicting and can go hand-in-hand. For responsible energy producers, like Bayswater, it is imperative that we as an industry define and implement a path to producing our oil and natural gas with zero associated carbon emissions (Scope 1 and Scope 2) in our operations.

Key Operating Metrics	2020	2021	2022
Operated Producing Horizontal Wellbores	151	241	310
Annual Production, MMBOE	5,661	9,533	16,336
Year End Exit Rate, MBOED	23,861	55,798	56,400
Calendar Year Capital Invested $MM	$178	$390	$705
Green House Gas Intensity, Tons CO^2E / KBOE	29.37	25.40	20.84
Field Man Hours Worked	550,000	980,000	1,193,432
Field Full Time Equivalent Employees & Contractors	264	471	574

Figure 4: Key metrics highlighting Bayswater's operational performance in 2020, 2021 and 2022.

Bayswater was founded in 2004 with a small amount of capital and a simple business model aimed at pursuing and capturing opportunities through the application of new technology in mature oil and natural gas fields. Our vision was, and remains, to create long-term, mutually advantageous business relationships by becoming a premier operator and a preferred industry partner. Initially, Bayswater was capitalized by a handful of founders and had several small projects scattered throughout the Rocky Mountains, California, and the Mid-Continent regions. In 2008, we sourced our first outside private equity capital with Elgin Capital Partners out of Washington, D.C. In 2010, we raised our first Natural Resources Fund. Today, after 18 years in business, we have managed roughly $3 billion in lifetime assets and currently have $2.3 billion in active assets under management. Bayswater is recognized as a top operator with premier positions in the Permian and the Denver-Julesburg (DJ) Basins, and we enjoy great relationships with a number of blue-chip financial partners.

Bayswater has experienced significant growth during the past three years, and that certainly continues into 2023 as reflected in the table above. Our level of capital spend and the field man hours worked in 2022 reflect the highest levels of activity in Bayswater's history.

In this report, we relay progress on implementing Bayswater's "Green Operating Agenda" that we first internally outlined as a company in 2018, and was introduced in our 2021 Sustainability Report. We also report on key activities implemented and the near-term next steps in attaining our "Net Zero" aspiration for Scope 1 and 2 emissions. Elements of Bayswater's corporate culture and our focus on people are highlighted along with examples of applied technology and innovation. Bayswater's operational standards are the core of the company and key elements of our management systems, ensuring the health and safety aspects of our operations are detailed. We inventory our environmental best management practices (BMPs) in the areas of air, land, and water management. The report concludes with our governance and compliance practices, including highlighting Bayswater's status as a SEC Registered Investment Advisor, and a quantitative scorecard on our performance using the Sustainability Accounting Standards Board (SASB) and the American Exploration and Production Council (AXPC) standards.

Thank you for taking the time to read our 2022 Sustainability Report. More importantly, thank you for being a valued stakeholder and partner in our business and this great industry. I welcome feedback and the opportunity to engage in conversations around this important aspect of our business.

Gratefully,

Steve Struna
President & CEO

Introduction

Founded in 2004, Bayswater Exploration & Production (Bayswater) is a privately held Colorado-based oil and natural gas development company that owns and operates properties principally in the Denver-Julesburg (DJ) Basin in Colorado and the Permian Basin in Texas.

Our Strategy

Bayswater is committed to responsible energy development and focuses on the top horizontal drilling shale resource plays and basins within the United States, which are typically supported by a robust competitive service sector, are successfully exploited with similar drilling and completion approaches, and have the lowest breakeven costs and best development economics.

Our Energy Funds

Since 2010, Bayswater has raised and deployed capital in a series of energy funds. We became a Registered Investment Advisor in 2016 and raised the Bayswater Natural Resources Fund III and IV in 2017 and 2020 respectively and are currently deploying capital in the Bayswater Natural Resources Funds III and IV.

Our Team

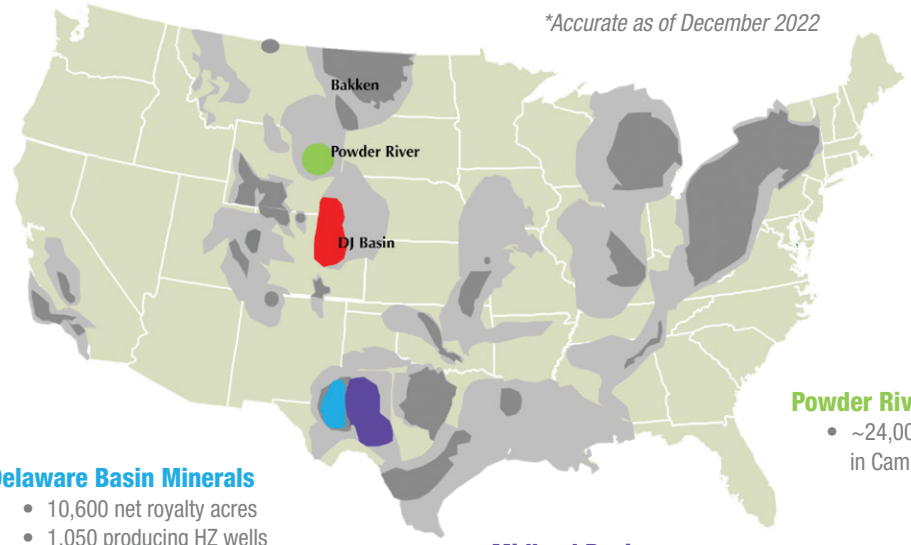
The Bayswater executive team has more than 260 years of collective industry experience. We value our employees, our network of contractors and partners, and work diligently to foster a safe, relaxed, positive, and fun work environment.

Our Business Values & Beliefs

We maximize the long-term value of our company through executional excellence and the creation of strong, mutually advantageous business relationships. The development of oil and natural gas resources and the stewardship of a pristine, sustainable environment are not mutually exclusive. We are committed to demonstrating that both are achievable.

BAYSWATER OPERATIONS

**Accurate as of December 2022*



DJ Basin Wattenberg
- ~30,000 net acres in Weld County
- 257 company operated producing HZ wells
- 38 DUCs
- Q4 2022 average net 22,975 BOE/D

Powder River Basin
- ~24,000 net acres in Campbell County

Delaware Basin Minerals
- 10,600 net royalty acres
- 1,050 producing HZ wells
- 110 DUCs
- 75 permits
- Q4 2022 average net 1,650 BOE/D

Midland Basin
- ~52,000 net acres in Howard & Mitchell Counties, TX
- 64 company operated producing HZ wells
- 12 DUCs
- Q4 2022 average net 6,750 BOE/D

MISSION

Bayswater's mission is to responsibly develop the low-cost and reliable oil and natural gas energy that society needs; create value for our investors and owners; and enhance the well-being of the communities where we operate. We accomplish this through executional excellence and by linking innovative technology, talented people, and capital.

VISION

Bayswater will be recognized for delivering superior returns to our investors through accretive oil and natural gas property acquisitions, well-executed development programs, and the timely return of capital. We will be viewed as a top-tier energy management team by blue-chip institutional investors and as an operating partner of choice in the industry. We achieve this by having:

- Equity ownership throughout our organization.
- Ethical and honest business dealings with a perpetual focus on mutually beneficial business relationships.
- A culture of strong Health, Safety, Environment, and Regulatory (HSE&R) leadership.
- A challenging and rewarding work environment anchored in multi-disciplinary teamwork.
- Access to a quality network of service providers and capital market partners.
- A reputation as a premier oil and natural gas energy producer with operational best practices that protect the health and well-being of the local people, environment, and wildlife.

Bayswater endeavors to be a leader in these areas, which we continue to demonstrate in the 2022 installment of our Sustainability Report. We pledge our sustained commitment to Environmental, Social, and Governance (ESG) values, and to performing annual evaluations of our operations against the Sustainability Accounting Standards Board (SASB) standards and American Exploration & Production Council (AXPC) metrics included at the end of this report.

The Power of Energy Security

BACKGROUND

At the onset of 2022, the world watched in suspense as Russia invaded Ukraine. As the Russia-Ukraine conflict persisted, evolving into a full-scale war, energy quickly became weaponized with Western Allies rallying in support of Ukraine by banning Russian oil and natural gas imports, and with Russia cutting off the pipeline. The fall out in the global oil and natural gas market—particularly in a Europe heavily reliant on Russian oil and natural gas—was immense.

The energy volatility that followed spotlighted the vital importance of energy security for the United States, Europe, and all nations around the world. Energy security began to be openly talked about in national and global energy policy conversations. Further, it stressed the importance of having candid dialogues about finding an affordable, reliable energy mix that strikes the balance between energy access and environmental stewardship. As we have emphasized in this and previous Sustainability Reports, finding that critical balance is a core principle of daily operations at Bayswater.

One of the subject matter experts who explains the importance of this balance best is Dr. Scott Tinker, Director at the University of Texas Bureau of Economic Geology, Chairman of Switch Energy Alliance, and CEO of Tinker Energy Associates, LLC. In April 2023, Dr. Tinker was the keynote speaker at the Energy & Environment Symposium: Oil and Gas Education for Local Government in Grand Junction, Colorado.

For this section of our 2022 Sustainability Report, we were fortunate to have the opportunity to collaborate with Dr. Tinker, who kindly granted permission to feature a condensed version of his speech, *"Energy Transition and the Dual Challenge of Balancing Global Energy Access with Environmental Protection."* We encourage you to watch the full video of his speech available at www.switchon.org. It is our honor to present Dr. Tinker's words and ideas. The following is paraphrased, to allow for written flow. All figures are from his presentation.

"ENERGY TRANSITION AND THE DUAL CHALLENGE OF BALANCING GLOBAL ENERGY ACCESS WITH ENVIRONMENTAL PROTECTION" BY DR. SCOTT W. TINKER

Let's start with some philosophy. "It is the mark of an educated mind to be able to entertain a thought without accepting it." Aristotle is credited with saying that. Wouldn't that be nice? You don't have to accept everything I say today, but let's entertain a few thoughts together and have civil dialogue around them. Three overarching themes today:

1. ***Energy is vital for human flourishing. It is vital for everything.***
2. ***All forms of energy have pros and cons. There's nothing perfect.***
3. ***Energy security drives global leaders and requires optionality.***

To illustrate energy security, economic security, and climate security (or more broadly environmental security), I use a ternary diagram, which you will see in Figure 5. We seek reliable energy, affordable energy, and low emissions. I don't call it clean. The word clean is overused, and somewhat meaningless. If we want 100% low emissions, guess what? We get 0% of everything else. That's how these diagrams work. Now, it's not exactly that way in the real world, but it approximates reality. We've got to think about how these come together and the challenge of ***trade-offs*** *in the real world. I call it the Radical Middle.*

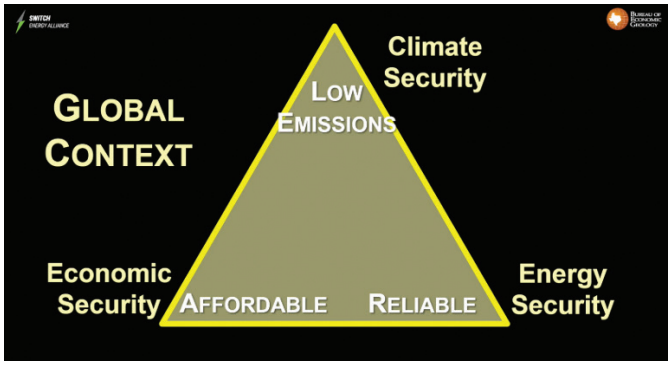


Figure 5: Dr. Tinker's ternary diagram demonstrating the balance and relationship between economic security and affordable energy, climate security and low emission energy, and energy security and reliable energy (Tinker, 2023).

Another way to visualize this is to understand that energy security underpins healthy economies. Major healthy economies typically have reasonably secure energy. And a healthy economy provides the economic wherewithal to invest in the environment.

Let's take a decadal look at this in practice. Before the Paris Agreement in 2016, the global energy conversation was focused mostly on the economy. The COP in Paris pulled us toward climate security. Then COVID said "No, come on back. Let's talk about the economy again and see if we can get through this pandemic." And then European Climate policies and net zero emissions dialog pulled the conversation back towards climate security. Then COP 26 in Glasgow steered the global energy discussion strongly towards climate. But Mr. Putin had other ideas. He invaded Ukraine and weaponized energy, both economically and physically. And global leaders began to talk openly about energy security again. Then, in Egypt in 2022, COP 27 pulled us back towards the center and the African nations spoke with one voice: "Fossil fuels will lift us out of poverty in Africa. You did it, rich nations. We're going to do it." And then Germany went into a recession and Hamas invaded Israel. Global leaders were again balancing energy and the economy, and emissions took a back seat.

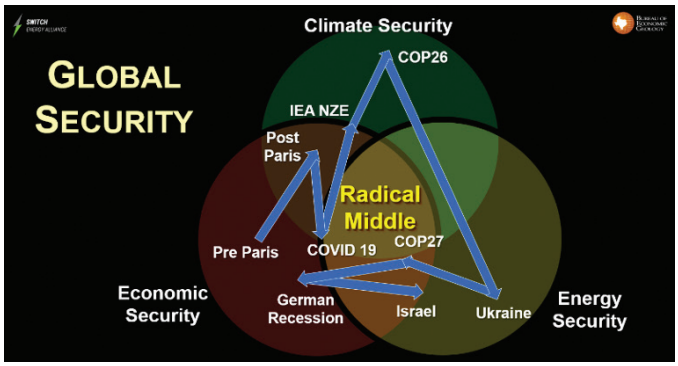


Figure 6: Venn diagram illustrating the interconnected relationship between energy security, economic security, and environmental security (Tinker, 2023).

A bit of energy history is helpful to consider. Ten thousand years ago, we used wood to cook in caves and warm ourselves. The first form of energy was the sun. It grew the hay that we put into our "vehicles," the livestock we used for transportation. And then we used the motion of wind with windmills and the motion of water with river mills to do useful work. We built bigger dams. We killed whales to get their oil to light our homes. Then the world changed: we discovered coal. We burn coal, boil water, make steam, turn a turbine, run a generator, and make electricity to light homes. Electricity changed the world. And then liquid hydrocarbons came along. We refine those and put them in our vehicles. Then we harnessed the power of natural gas, one of the most versatile fuels, and, finally, nuclear. Why am I telling you all this? Because ***this is perhaps the most important concept in energy: it's called energy density.*** *This chart featured in Figure 7 shows surface power density for different energy types.*

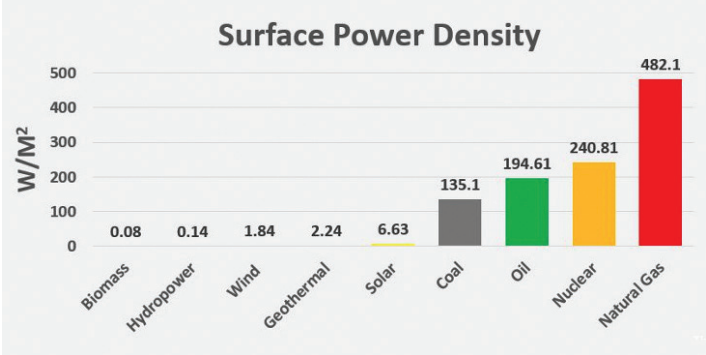


Figure 7: Bar graph denoting surface power density of different energy sources (Vaclav Smil; Tinker, 2023).

For a thousand years, energy has been getting denser. Not a little denser, hundreds of times denser. And we need that to power our modern economies. We have words for the sources on the left of the chart in Figure 7 and the sources on the right, respectively.

- *Renewable and thermal.*
- *Clean and dirty.*
- *Intermittent and reliable.*
- *Weather dependent and firm.*
- *Electrons and molecules.*

The stuff on the left in Figure 7—biomass, hydropower, wind, geothermal, and solar—mostly makes electricity. The stuff on the right—coal, oil, nuclear, and natural gas—you can burn to make electricity. You can also burn them at very high temperatures to do other things too, like make cement and steel. Or use the molecules to make ammonia for fertilizers, or plastics. So, we need both electricity and molecules, and always will.

The reality is that everything in our lives depends on energy. *This is your Dr. Seuss moment! Our homes and our phones, our pets and our jets, our heaters and our beaters, our water, our daughters and our sons and everything they wear, our packs and our snacks, our frames and our games, and our waste and our paste, our light and our sight, our stuffy nose and our clothes, our wheels and our meals. Everything depends on energy!*

Figure 8: Illustration demonstrating that everything in our lives depends on energy (Tinker, TEDx, 2022).

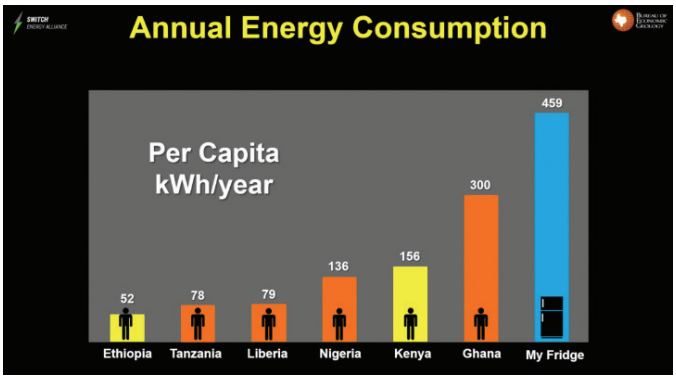


Figure 9: Venn diagram illustrating the interconnected relationship between energy security, economic security, and environmental security (Tinker, 2023).

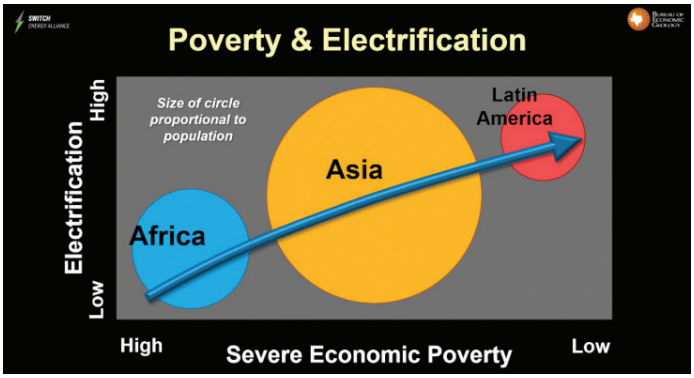


Figure 10: Graph comparing global economic poverty versus electrification (Tinker, 2023).

Most of us don't really appreciate this. We think about the gas pump and the plug. But everything depends on energy. The sad reality is some people in the world can't even meet the basic needs of food, shelter, light, and clean water. Figure 9 shows the energy a human being in many African countries consumes in kilowatt hours per year. Admittedly needing an update for human consumption, but my fridge uses nine times more than a person in Ethiopia each year. How many of you have two fridges? That is energy poverty. And it is very real.

Let's look at the conceptual, aggregated data in Figure 10. Africa has severe poverty and low electrification. There are three times more people in Asia than Africa now: 4.5 billion people. Asia has less severe poverty and is a little more electrified. And Latin America has the lowest rates of severe poverty of these three regions, and the most electrification. ***There's a strong trend: get access to electricity, start to come out of severe economic poverty.*** *In the future, we see Latin America moving off this chart. Asia growing a bit in population, and moving up to the right. Africa will almost double in population and begin to move up and to the right as well. This represents an increase in global energy demand. Some forecasts say global demand for energy is going to go down. No, it's not. More people emerging into healthy economies represents energy demand growth.*

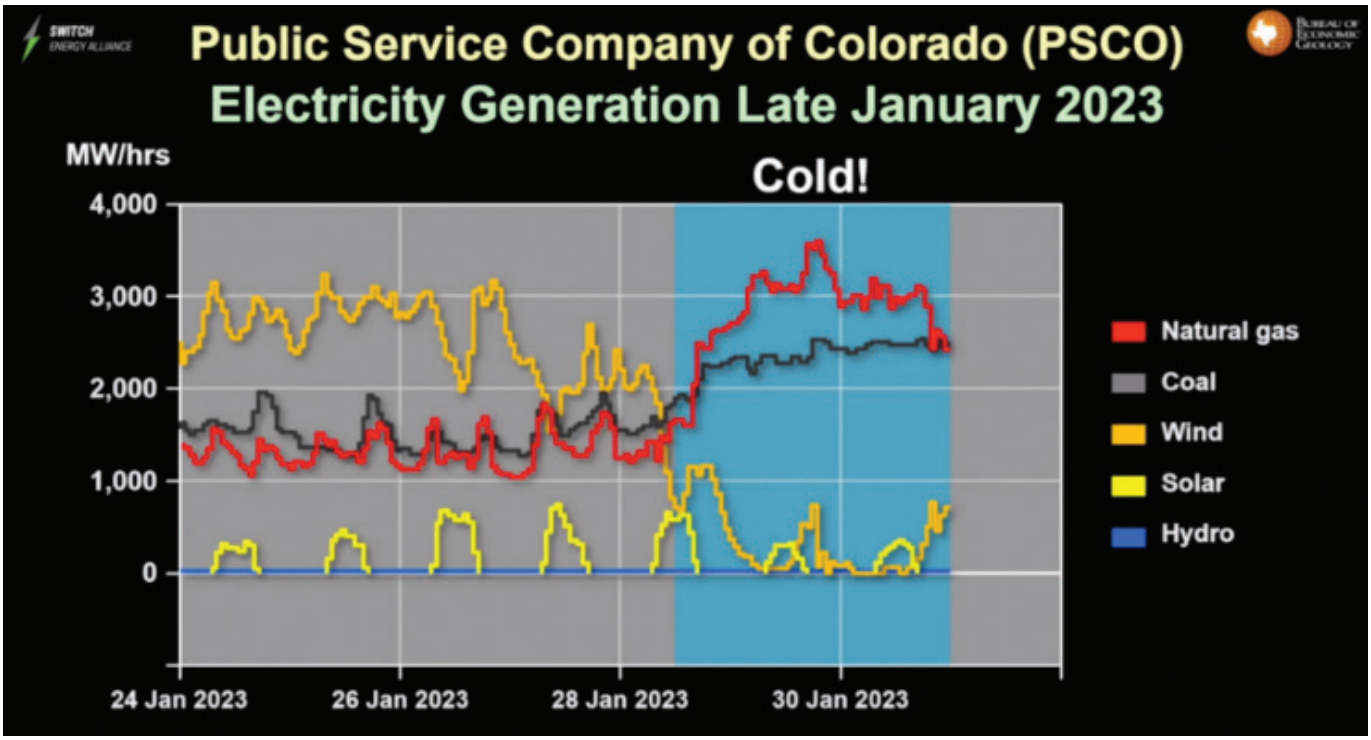


Figure 11: Different sources of power generation in Colorado during a cold spell in January 2023 (Data: EIA. Tinker, 2023).

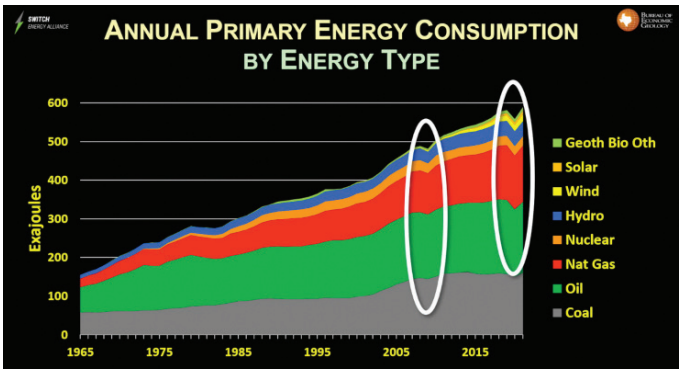


Figure 12: Annual global primary energy consumption by energy type (Tinker, 2023; BP Statistical View of the World Energy, 2020).

Seventy-five percent of the people in the world today live in Africa, Latin America, and Asia, and they are growing faster than the developed world. More than 60% of the world live in some level of energy poverty. The reality is that energy security varies tremendously across the globe. It creates a paradox. As I have said for many years, ***"Energy won't end poverty, but we can't end poverty without energy."*** *Energy access for all is one of the great global challenges. It's time to power the people.*

So that brings us to energy security. I said in testimony to Senator Manchin's climate hearing in 2021: "We've got to strive to be both completely factual and factually complete." Let's look at a Colorado example. You had a couple of cold days earlier this year at the end of January 2023? What happened? Well, if we refer to the data in Figure 11 from the U.S. Energy Information Administration, hydro was nonexistent. Solar and wind decreased significantly. Coal and especially natural gas increased. Forget the politics. What do you think? During those frigid winter days, when power and heat are vital to survive, natural gas and coal were the only things that went up. I think energy options matter. I think these energy sources are ***all*** *important. They do different things at different times. Optionality is vital.*

Let's step back and look globally. Referring to the chart in Figure 12, we see coal and oil plateauing. They are very dense but make a lot of CO2 when you burn them. Natural gas has gone up tremendously and nuclear is also increasing. They're dense with less CO2. And then here's hydro, solar and wind, and other things. They're not dense, but they don't make much CO2. ***There are trade-offs. And options are important.***

The white oval on the left shows the Great Recession in Figure 12. When the world goes into recession, we consume less energy. Look at the downward dimple. And the second downward dimple and white oval in 2020 is COVID. We're already consuming more energy than we did pre-COVID. We still consume more coal and oil in the world than everything else combined, by a lot (Figure 12). This isn't generation capacity. This is actual generation. No source of energy has decreased globally. We just keep adding new energy sources. It's "completely factual" that solar and wind are growing fastest of any other source. That is a rate. And they're getting cheaper at the point of generation. It's phenomenal improvement. But what do we have to do to make this a little more "factually complete?" Scale it. Solar and wind have accounted for about 10% of the growth in energy demand globally—10% of the growth, not the base—since they started. This is the reality of scale and the growth in energy demand.

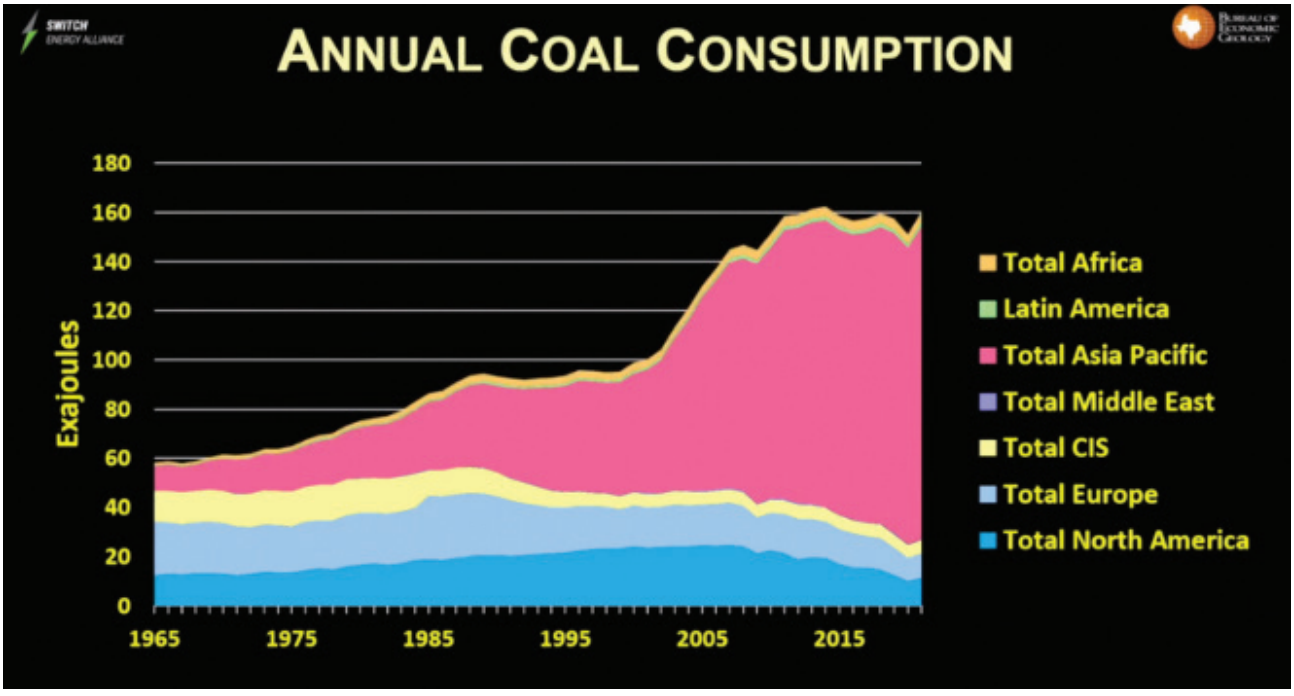


Figure 13: Annual global consumption of coal by region (Tinker, 2023; BP Statistical View of World Energy, 2020).

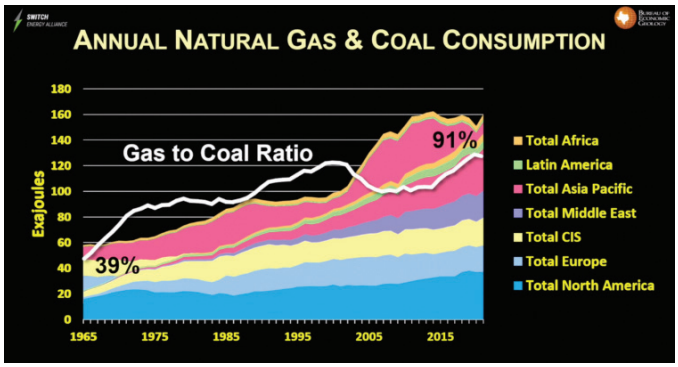


Figure 14: Annual global natural gas consumption layered on top of annual global coal consumption with the natural gas to coal ratio (Tinker, 2023; BP Statistical View of World Energy, 2020).

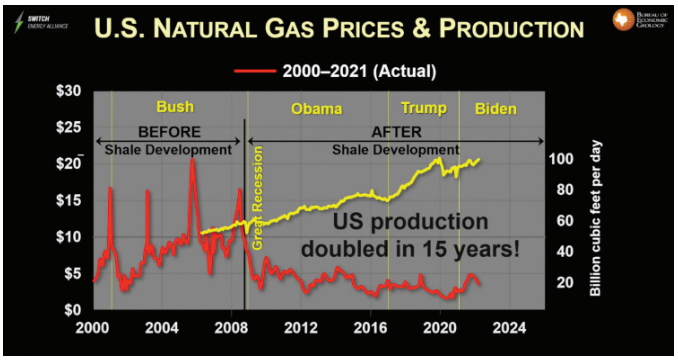


Figure 15: U.S. natural gas prices (in red) and production (in yellow) from 2000 to 2021 (Tinker, 2023; Macrotrends).

Globally, coal consumption is shown in Figure 13. The rich world has cut coal consumption in half. Asia's coal consumption has grown incredibly. Today, coal is an Asian story. Well, except when things get tight. Coal became a German story again when Russia cut off the natural gas. There was a 13% increase in coal usage in Germany because of Russian cutoffs and German attempts to maintain a reliable energy system.

Put natural gas consumption data right on top of annual coal consumption data at the same scale (Figure 14). ***Natural gas is increasing everywhere in the world,*** *except Europe where it's flat. The natural gas to coal ratio has gone from 39% to 91%. Natural gas will likely pass coal, globally.* ***Natural gas is a global story.*** *And it does a lot of good work in the world.*

Let's focus on U.S. oil and natural gas production. We've gone from 5% to over 60% of U.S. oil now produced from shale, and the same for natural gas with over 60% from shale. We're the only place in the world that's done that. But it's starting to plateau. It won't last for forever. Policy matters a lot. Some might say "Good. Let's kill it. The sooner the better." Others might say "Whoa." But think hard about our investment, infrastructure, and the things that allow technology innovations and technically recoverable oil and natural gas assets to continue to grow and produce. Remember, pre-Great Recession in 2008? The natural gas price was volatile in the U.S. from $5 to $15. Then, shale gas doubled the natural gas production and it stabilized natural gas price, which helped get us out of the Great Recession. A remarkable energy transition.

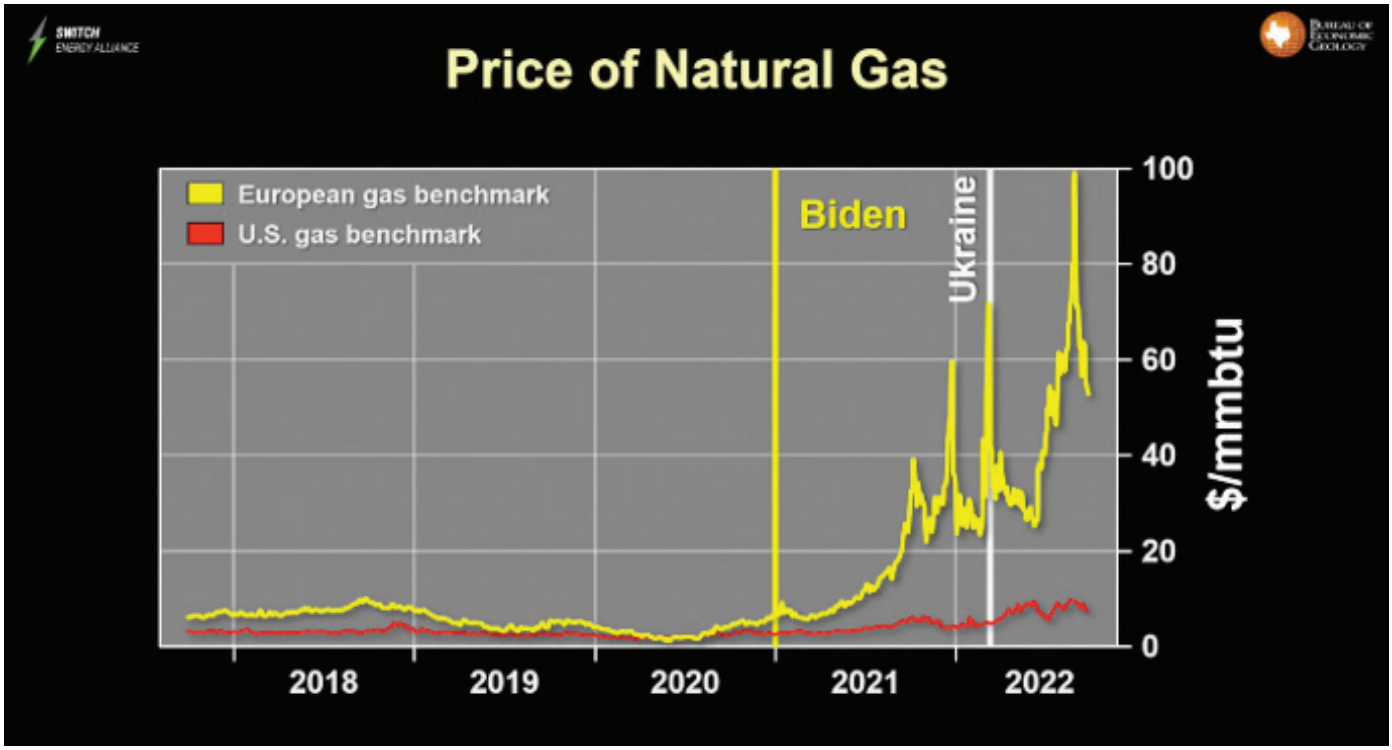


Figure 16: U.S. price of natural gas compared to European price spanning 2018 to 2022 (Tinker, 2023; Nymex, Ice Endex).

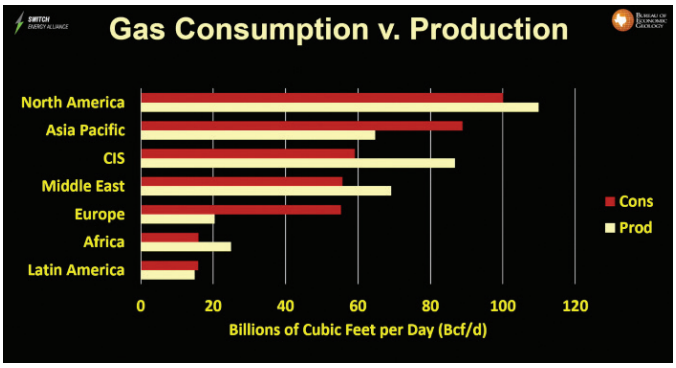


Figure 17: Global natural gas consumption versus production by region (Tinker, 2023; BP Statistical View of World Energy, 2020).

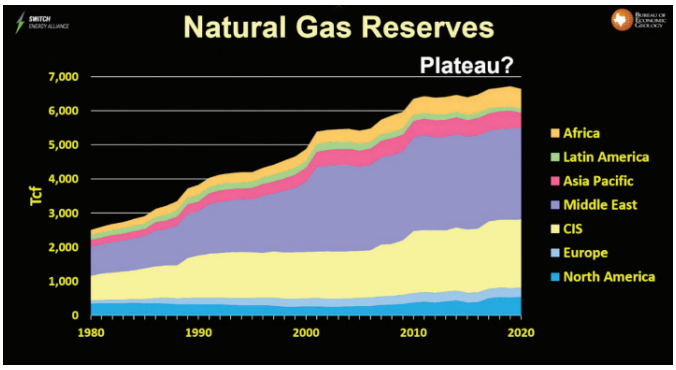


Figure 18: Global natural gas reserves from 1980 to 2020 (Tinker, 2023; BP Statistical View of World Energy, 2020).

Yet, some people still love to hate natural gas. They're cutting off natural gas hookups. I'm just going to say this word again: optionality. Mandating certain choices like EVs only, or legislating other things away, like natural gas, decreases options. Governments, and those who make the rules, are not smarter than markets. Markets want options. The natural gas price in the U.S. has gone up recently. It's come back down a bit, but let's scale it relative to Europe. Look at the price of natural gas in Europe in Figure 16. It is 600% more. Ukraine exacerbated the trend but it went up before Ukraine. It's policy and economic fundamentals.

In Figure 17, shown by the red bars, is the consumption of natural gas in the world by geopolitical regions. North America consumes the most, Asia is next. The yellow bars show production of natural gas. There are only two regions in the world that consume considerably more natural gas than they produce: Europe and Asia.

They need options. Figure 18 shows the reserves of natural gas globally. The slight increase in the dark blue from 2008 to 2020 is what shale did for North America. It's hardly noticeable compared to the Russia and Middle East natural gas reserves in yellow and purple.

Are we starting to plateau in natural gas reserves? We've been growing them for many decades. Europe and Asia? Not much in terms of natural gas reserves. So, no production, no reserves. Who's importing most of the global LNG? Europe and Asia.

Natural gas does a lot of important things. One of them is making electricity. Figure 19 depicts Europe's electricity mix—coming down in coal, natural gas, nuclear, and hydro, and up in solar, wind and bio. This change is driven by policy. How's that working out?

The price of electricity was 60 cents per kilowatt hour in Europe last summer. Again, 500 to 600% more than the U.S. price. Businesses can't compete at these energy costs. Industries and companies are leaving Europe to go compete on the global stage.

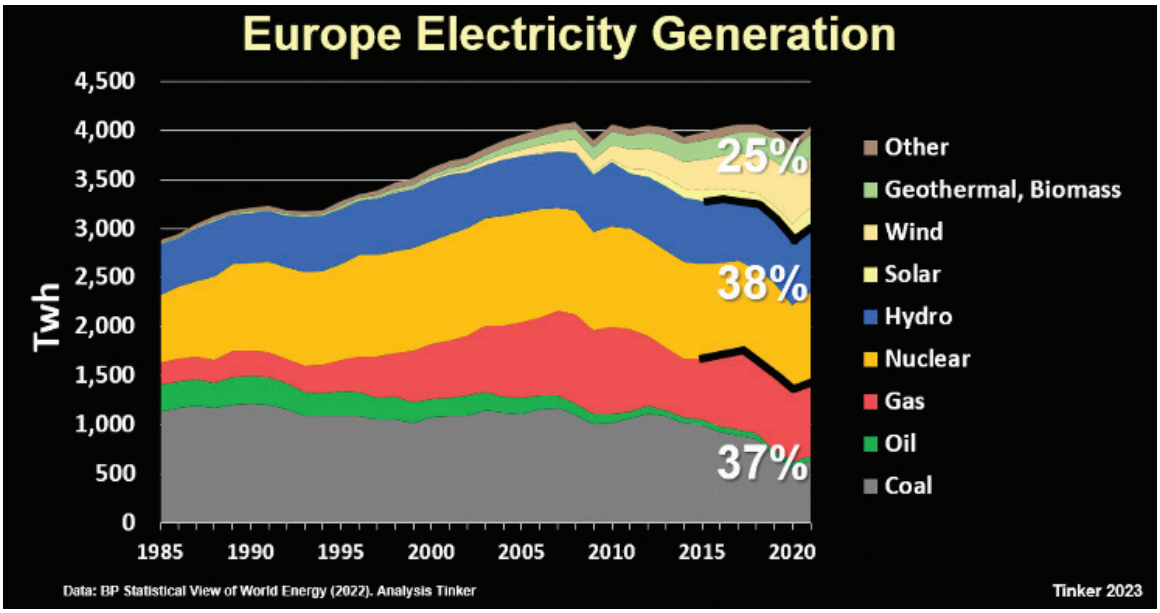


Figure 19: Annual net power generation by fuel type in Europe from 2010 to 2020 (Tinker, 2023; BP Statistical Review of World Energy, 2021).

I want to be very clear, particularly to all of you who regulate. When you hear LCOE (levelized cost of energy or electricity), you think it's "levelized." That's what's reported when they say solar and wind are now cheaper. But that is the price at the plant; where it's generated. It's not the cost to the consumer. The cost in Europe is 60 cents because you need redundant gas plants or batteries waiting to generate when the sun is not out and/or the wind is not blowing. It costs a lot of money to make it reliable. ***The energy mix in Europe is driven by policy. It's policy in California. It's policy in New York.*** *I put out a piece in Fortune late last fall: Reducing energy options doesn't work. Just ask Europe—and the U.S. states where gas prices are rising. We need optionality.*

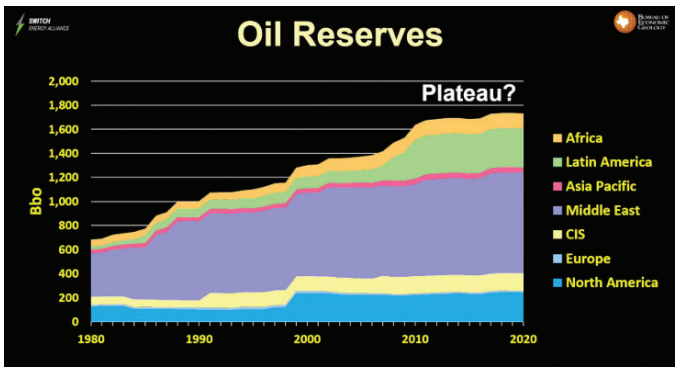


Figure 20: Global reserves of oil by region from 1980 to 2020 (Tinker, 2023; BP Statistical View of World Energy, 2020).

It's the same story in oil. There are only two geopolitical regions in the world that consume a lot more oil than they produce: Europe and Asia. Figure 20 shows the global reserves. North American reserves grew some with shale. There is essentially nothing in Europe. The Middle East dominates in oil, and even Latin America is now bigger than North America in oil reserves. Is it plateauing? Europe and Asia need options for oil. I get it. That is a primary reason why Europe and Asia are pressing so hard on electric vehicles.

Where does it come from, the fossil fuels to fuel our vehicles and make electricity, and the minerals to make solar panels, wind turbines, and EV batteries? Well, as you can see in Figure 21, the U.S., Saudi Arabia, Russia, and Iran are the top producing countries for oil. We also see the source countries for other key metals—such as copper, nickel, cobalt, rare earths, and lithium—distributed reasonably well in terms of extraction. But where is it processed? As you can see in Figure 22: mostly in China. China owns the supply chains for solar panels, wind turbines, and batteries.

We need to know this as we consider energy security. We essentially move transportation fuel dependency from OPEC for oil, to China for batteries.

You in Colorado love EVs? Are you going to start new mining here in order to produce the metals needed for the turbines and the batteries and the panels? If not, who? Optionality: let's not legislate away options by requiring EVs.

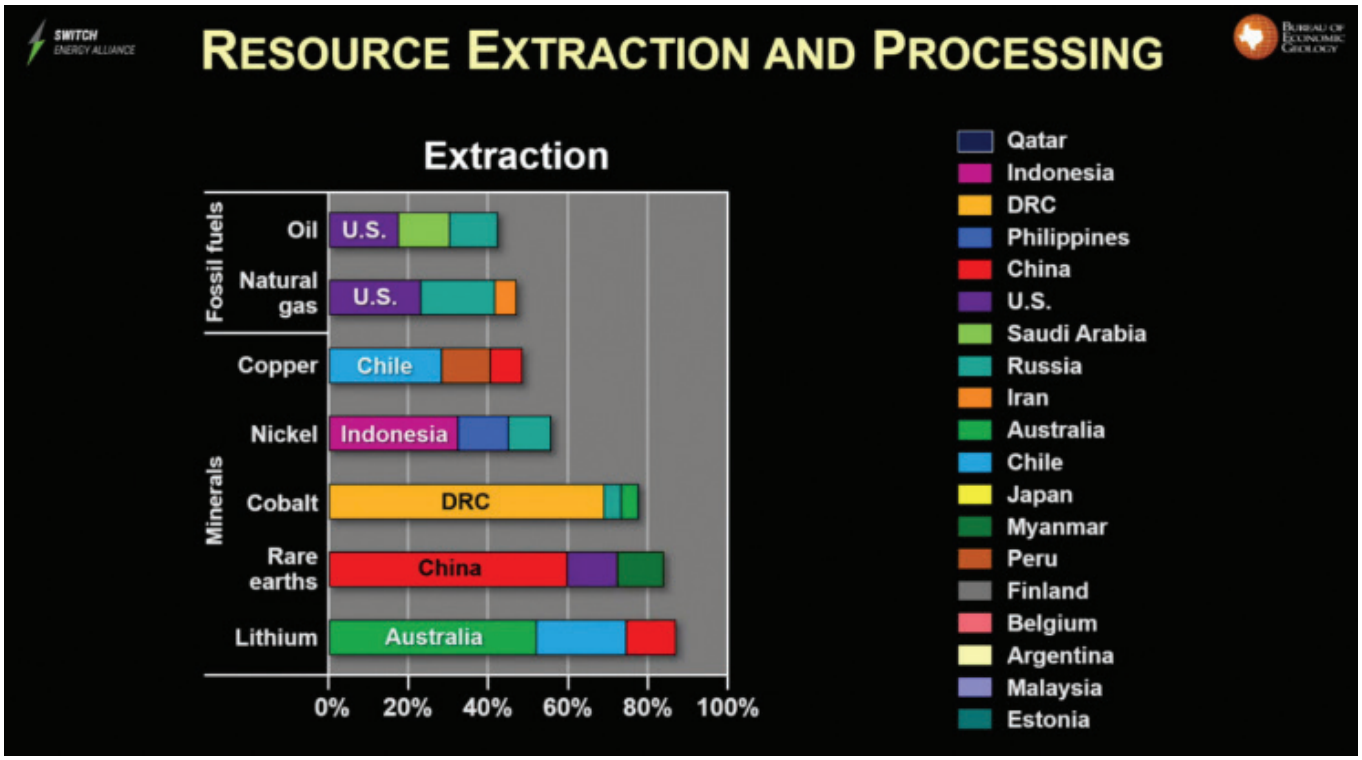


Figure 21: Global distribution of energy resources (Tinker, 2023; IEA, 2021).

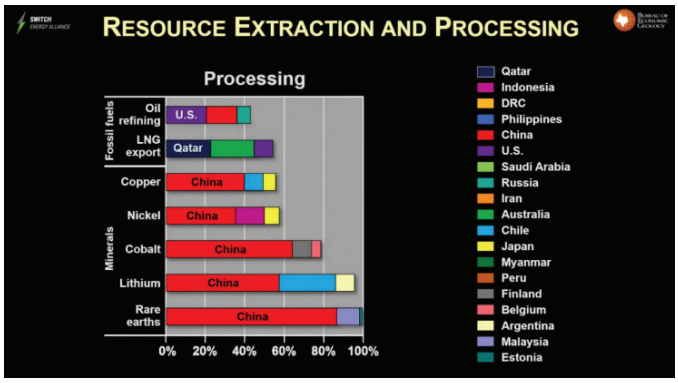


Figure 22: Global processing of energy resources (Tinker, 2023; IEA, 2021).

All forms of energy have impacts. No form of energy is renewable. When you have to mine and manufacture the panels, turbines and batteries, and when they wear out, do it again—it's not renewable. I'll use wind as an example. Have you seen a copper mine? They're gigantic. Wind turbines require a tremendous amount of copper. And turbine blades are enormous. When the turbine blades wear out, where do they go? They go into a landfill. We don't recycle or reuse them.

Which brings us to the concept of the Energy Transition. Some picture leaving coal, oil, natural gas and nuclear behind globally, very soon. That's not going to happen. All are still increasing globally (see Figure 12). ***So, what is the energy transition? It's Energy Addition plus Emissions Reduction.*** *Add energy to lift the world from poverty and grow economies, and work to reduce emissions by various means, including some combination of replacing coal with natural gas and/or nuclear; hydrogen, geothermal and hydro; carbon capture and direct air capture; solar and wind; efficiency and conservation. Of all of these strategies, coal substitution is the most affordable and scalable.*

Who produces oil and natural gas today? Figure 23 shows the top 15 producing companies in the world. Aramco leads. If you put the two Russian companies together, their production is bigger than Aramco. I have to combine the production of ExxonMobil, BP, Shell, Chevron, and TotalEnergies to surpass the combined production of the two Russian companies. I'm often asked what I worry most about. I worry a lot about this. We need to think carefully about the alliances forming in China, Russia, and Saudi Arabia, and perhaps even India. We need to be very clear-eyed. Let's wrap it up. Energy poverty, population growth, the rights and freedom of women—who are going for the water, cooking indoors with wood, not in schools when males are—and immigration and migration. The ability to invest in the environment with a healthy economy and mitigate and adapt to climate change. These are big issues! And energy security helps address many of them.

Back to our themes:

1. ***Energy is vital for human flourishing.***
2. ***All forms of energy have pros and cons.***
3. ***Energy security requires optionality.***

The dual challenge of balancing global energy access and environmental protection is hard. Enough of the black and white, clean and dirty, good and bad. It's time for civil dialogues and critical thinking. It's not simple, but it's very solvable if we are factually complete, keep options open, and end the false narratives that are dividing us.

# # #

FINAL THOUGHTS

Thank you to Dr. Scott Tinker for letting us feature the words and ideas from his speech—*"Energy Transition and the Dual Challenge of Balancing Global Energy Access with Environmental Protection"*—in our 2022 Sustainability Report. Again, this is a condensed and paraphrased version of Dr. Tinker's original keynote speech at the 2023 Energy & Environment Symposium: Oil and Gas Education for Local Government in Grand Junction, Colorado. We strongly encourage you to visit www.switchon.org to view the full speech.

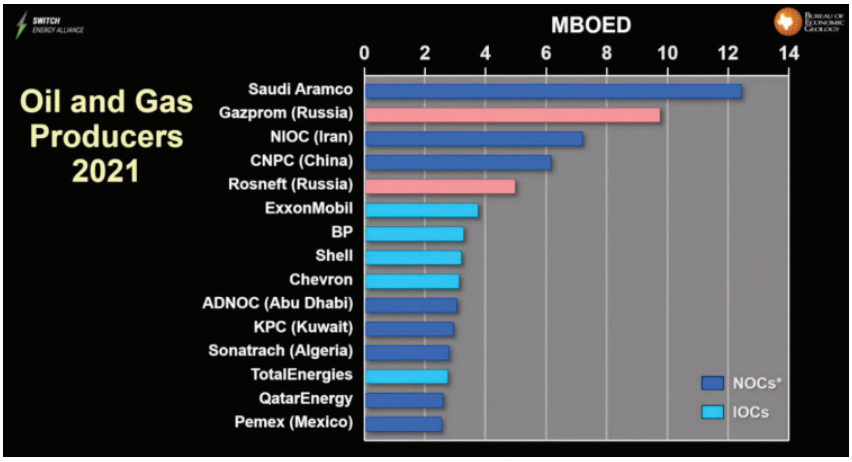


Figure 23: Top 15 global producers of oil and natural gas (Tinker, 2023; S&P Global).

WE ARE BAYSWATER

We Are Bayswater

Fostering a culture of executional excellence has been foundational to our success. At Bayswater, we value continuous improvement and are always seeking new ideas and different ways to improve our operations. We endeavor to stay at the forefront of the latest in innovative technologies and industry practices that maximize the efficiency of our operations and reduce our cumulative impact on the public, health, welfare, and wildlife, while maintaining the profitability of our company. Despite vastly different regulatory and operational environments, we employ many of the same technological advancements and responsible operational practices in both our Colorado and Texas operations to maintain a consistently high standard of performance.

Bayswater's business conduct is built upon the following foundational tenets:

- Conduct all business dealings in an open, honest, and transparent manner.
- Meet or exceed all local, state, and federal regulations.
- Build a positive, mutually beneficial relationship with all stakeholders.
- Leave behind a positive legacy within the local community.

By upholding these foundational values and focusing on executional excellence, we are well positioned to innovate, improve, and lead.

EATON, COLORADO OFFICE

100% OF BAYSWATER EMPLOYEES ARE DIRECT OWNERS

65% OF BAYSWATER EMPLOYEES DIRECTLY INVEST

OUR MOST VALUABLE ASSET

Since our inception in 2004, our success can be attributed to the talented individuals that make up the Bayswater team. On a daily basis, each member of our team plays a critical role in ensuring every facet of our operations runs smoothly and safely. Without question, our employees are our most valuable asset.

Bayswater enjoyed a year of growth in 2022, with our operations expanding to new heights. At the peak, Bayswater had a total of four rigs running, two in Colorado and two in Texas. We also grew our operational footprint and acquired new assets in the DJ Basin in a deal with Nickel Road Operating LLC. With a staff of 63 full-time employees in 2022, Bayswater's team kept our day-to-day operations running smoothly while we experienced a year of unprecedented growth.

Bayswater is proud to operate under an equity ownership structure, which makes each Bayswater employee a stakeholder and direct owner in the company. Further, we offer each employee the option to make a direct personal investment in Bayswater's oil and natural gas development activities, which is matched 50% on their behalf by the management team. By offering the benefits of ownership and investment, our people become business partners, help forge a direct connection to annual objectives, and foster a proud company culture of responsibility and accountability throughout the organization.

OUR DIVERSE TEAM

At Bayswater, we know that creativity and innovation are born from diversity in background, experience, thought process, point of view, and skill set. To promote a diverse Bayswater team, we create and nurture an entrepreneurial culture with multidisciplinary teamwork, and a flat organizational structure. We value having a Bayswater team with differing backgrounds, talents, and opinions as they foster the intellectual debates that inform quality investment decisions, innovation, and advancement.

INVESTING IN OUR TALENT

We encourage the growth of each member of the Bayswater team with the fundamental understanding that a team is greater than the sum of its parts. Many of our Bayswater team members work across disciplines—often taking on multiple roles and responsibilities—to ensure a comprehensive understanding and precise execution of the company's daily operations, and a multi-faceted strategy to achieve sustained executional excellence.

We are committed to investing in our people as they are critical to our day-to-day and long-term success. To be an industry leader in responsible energy production, it is essential Bayswater provides our employees with access to the best tools, resources, and technologies. Further, we also strive to develop our talent by providing the work environment to thrive and the opportunities to grow. We do our best to acknowledge and reward hard work and professional success. We build our team around rewarding strong performance, alignment with company values, and commitment to the long-term success of the organization.

Health & Safety

At Bayswater, we have no greater priority than the health and safety of our people, local communities, and the natural environment. We strive to be an industry leader by responsibly developing oil and natural gas in a manner that protects the health and safety of all parties at all times and mitigates our impact on the environment. Our company culture—internally and among our contractor partners—emphasizes safe and responsible practices and executional excellence in our operational standard, teams, and work product. Bayswater works to continually improve our Environmental, Health, & Safety (EHS) performance through the maintenance of a meticulous EHS management framework.

LEADERSHIP & ACCOUNTABILITY

We empower all Bayswater employees to lead and engage with fellow Bayswater colleagues, contractors, and partners to ensure we collectively uphold our safety standard and achieve our EHS objectives. As is the general industry standard, Bayswater has a Stop Work Authority order implemented at each site, which permits any employee or contractor to immediately halt any practice they deem to be unsafe.

Additionally, Bayswater's internal EHS Committee meets monthly to establish clear EHS goals and annual objectives, and ensure adequate resources are allocated to EHS priorities.

PEOPLE, TRAINING & BEHAVIORS

The behaviors and actions of every Bayswater employee are required to adhere to our company safety standard and protocols. During an incident or emergency, decisiveness and response time directly impact the extent of personal injury, public health risk, environmental damage, and equipment loss. Every Bayswater employee is carefully selected and undergoes rigorous training with their EHS skills and abilities evaluated on a regular basis. The EHS Committee annually defines and implements an appropriate employee training curriculum for Bayswater employees. Within this curriculum, all employees are required to attend selected EHS meetings and trainings to guarantee they have the necessary safety knowledge and skills to uphold company safety protocols and remain in compliance with all regulatory standards through every stage of our operations.

BAYSWATER

WALT GALLOWAY
Sr. Health & Safety Lead

Industry Experience: 15 Years
Bayswater Tenure: 2 Years

What is your position and what does your work entail?
I am the Sr. Health & Safety Lead. My role is to ensure that all Bayswater employees, contractors, and facilities/locations are compliant with federal, state, and company policies and procedures, as we strive towards maintaining our core value of operational excellence.

How long have you been in the oil and natural gas industry?
My entire professional career of 15 years has been spent in oil and gas. The multifaceted aspects of which our industry entails always intrigued me. Being offered the opportunity to carry through a positive Healthy and Safety step-change within a complex industry is what led me to oil and gas and why I'm here today.

What is your favorite part about working for Bayswater?
I love the small company and family feel we have at Bayswater. A lot of companies will say they have an "open door policy" but at Bayswater…we actually do.

FACILITY CONSTRUCTION & MAINTENANCE

All Bayswater facilities are operated and maintained under industry-recognized standards, procedures, and management systems. The mechanical integrity of all equipment is safeguarded by industry-standard inspections and corrosion control systems. Each Bayswater facility undergoes routine inspections by our employees and contractors along with periodic inspections from regulatory officials. Bayswater designs and constructs all new facilities with the best available technologies to ensure the highest safety, security, health, and environmental standards are met or exceeded over the course of each Bayswater facility's operational life. After construction, we work diligently to implement upgrades and modifications to existing facilities to leverage new technologies and innovations, in accordance with current regulations, and to meet our own high operational and safety standards. Furthermore, we consistently work to implement upgrades and modifications to existing facilities in accordance with regulations, and to meet our own high standards.

SAFETY METRICS, ASSESSMENT & IMPROVEMENT

Total Recordable Incident Rate (TRIR) is the standard industry metric to measure and track the safety of company operations. At Bayswater, we use TRIR data to continuously monitor and evaluate the safety of our operations and gauge our safety performance against that of our peers. With a persistent focus on making our operations as safe as possible, Bayswater's TRIR data is regularly reviewed with the executive team, employees, and contractors as well as published in our quarterly investor reports. In 2022, we maintained our strong safety record with an average TRIR of 0.67, a significant improvement from our 2021 TRIR of 1.02. Notably, total field hours in 2022 increased 22% over 2021 levels with 1,193,432 total man-hours representing 596 full-time equivalent employees and contractors in the field. Despite this substantial increase in total field hours, the Bayswater team was able to markedly decrease our average TRIR in 2022, demonstrating our team's focus on safety and commitment to improving the safety of our operations.

CONTRACTOR MANAGEMENT

Bayswater holds contractors to the same high safety standard that is expected from our employees. To ensure contractors align with our safety standard and EHS requirements prior to engaging their services, Bayswater utilizes the ISNetworld (ISN) system, an industry contractor safety management platform that facilitates the selection of vendors through transparent EHS performance metrics and includes access to ongoing monitoring of contractor performance. Through ISN, we are able to review the capabilities and competencies of a potential contractor to perform work on our behalf. We then work together to ensure Bayswater's safety expectations are upheld and EHS objectives are achieved.

Clearly communicated at the onset of any partnership, it is our expectation that all contractors act in accordance with Bayswater's EHS requirements and expectations and adhere to all relevant local, state, and federal regulations.

Man Hours	Q1 2022 (hrs)	Q2 2022 (hrs)	Q3 2022 (hrs)	Q4 2022 (hrs)	2022 Total (hrs)
Bayswater	28,212	28,632	29,491	28,316	114,651
Drilling	100,288	126,989	118,359	123,650	469,286
Completions	14,654	77,617	88,930	135,013	316,214
Production	29,373	35,018	49,264	59,893	173,548
Misc. Labor (Haulers, disposal, etc.)	21,926	27,759	28,007	42,041	119,733
Total	**194,453**	**296,015**	**314,051**	**388,913**	**1,193,432**
Recordable Incidents	1	1	2	0	4
TRIR	1.03	0.68	1.27	0.00	0.67
Rolling 4 QTR TRIR	1.02	1.09	1.03	0.68	–

Figure 24: Total Recordable Incident Rate (TRIR) data is calculated based on recordable incidents and man hours worked by Bayswater employees. In 2022, Bayswater's average TRIR was 0.67, which is a significant decrease from the 2021 average TRIR of 1.02.

The Contractor TRIR shown in Figure 25 stayed the same from 2021 to 2022, even with an increase in our activity levels across both drilling and completions. These statistics represent the annual performance of Bayswater's pool of active contractors (totaling approximately 470 contract service providers). As can be seen in Figure 26, Bayswater is proud to have maintained a contractor TRIR in the upper second quartile in 2022, which only further emphasizes our commitment to and record of a strong safety standard.

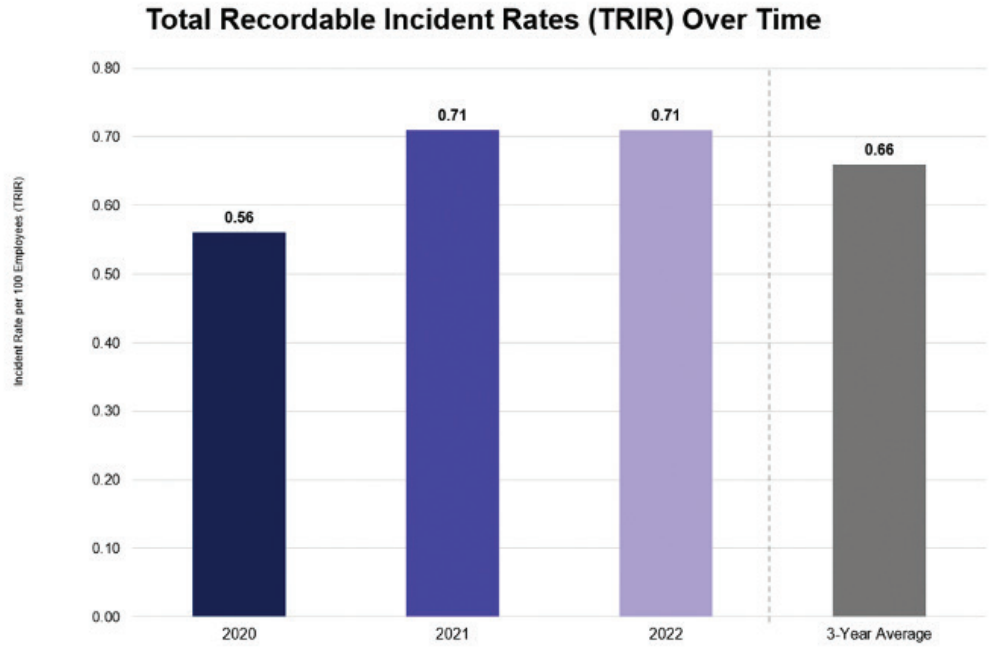


Figure 25: ISN's Interactive Analytics Report shows that Bayswater's 2022 TRIR for their contractors falls into the 2nd quartile in comparison to that of our industry peers with a similarly sized contractor base.

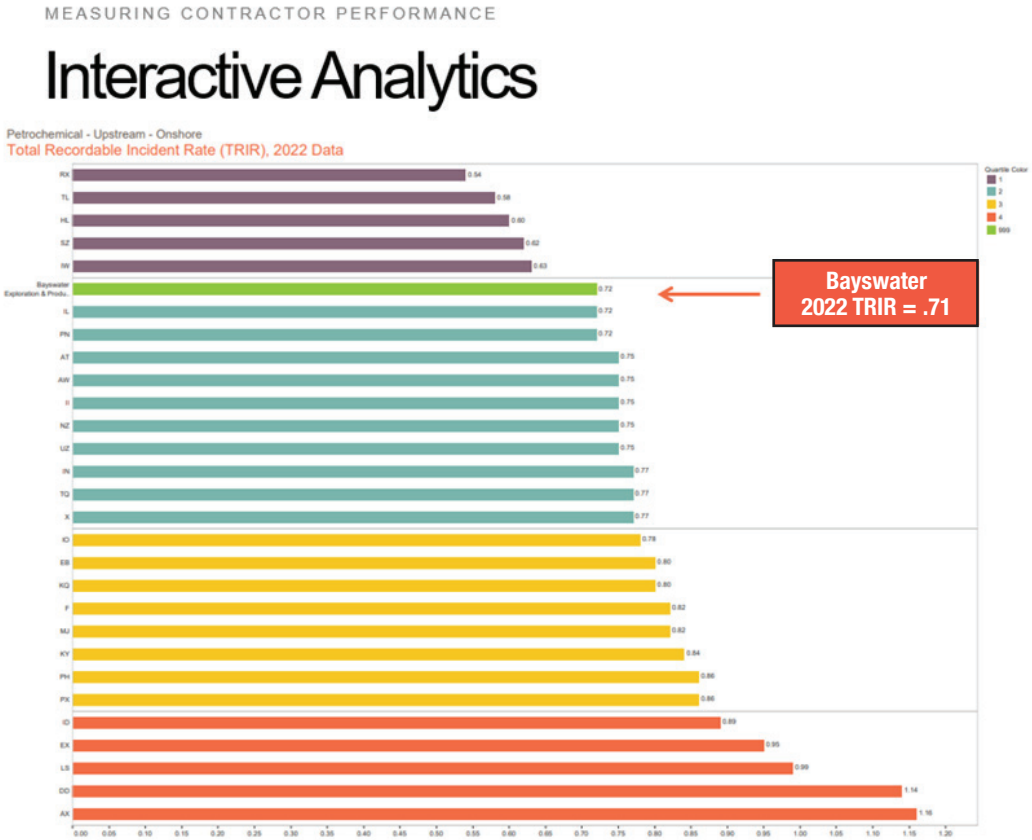


Figure 26: According to the ISN database, Bayswater maintained a strong record of safety with a contractor TRIR of 0.72 in 2022.

CRISIS INCIDENT & EMERGENCY MANAGEMENT

When it comes to preparation for crisis incidents and emergencies, Bayswater employs the following three-pronged emergency management approach:

Emergency Plans

Tactical Response Plans

Business Continuity Plans

Every day and at each Bayswater location, our primary goal is to conduct our business without accident, harm to people, or damage to the environment. In the event an incident does occur, we remain at the ready. Bayswater maintains a comprehensive emergency management strategy that spans all phases of our operations. We want to ensure all Bayswater team members are adequately prepared to respond to any potential incident swiftly, efficiently, and appropriately at any sites owned or operated by Bayswater.

Our emergency management approach is based on the Incident Command System (ICS) put forth by the National Incident Management System (NIMS). Utilizing the NIMS structure as the basis for our approach enables us to respond to all incidents quickly and appropriately. Bayswater routinely reviews and updates each of the three pillars of our emergency management framework. When updates are made, they are distributed among employees, contractors, and local first responders to ensure an ongoing and up-to-date awareness of roles and responsibilities in the event of a crisis incident or emergency.

COLORADO PREPAREDNESS & RESPONSE NETWORK

COLORADO PREPAREDNESS AND RESPONSE NETWORK (CPRN)

In the DJ Basin, Bayswater continued our active participation in the Colorado Preparedness and Response Network (CPRN) in 2022. CPRN is a 501(c)(4) nonprofit specifically focused on best practices in responding to oil and natural gas emergencies. Owned and operated by member companies from the Colorado oil and natural gas industry, the network includes important local actors, advances best management practices, and promotes key resources, expertise, and training frameworks. Several local first response entities participate in CPRN, ensuring they have intimate knowledge of Bayswater and other industry sites and allowing for a more efficient response in the event of an emergency incident.

Data, Technology & Innovation

Innovation is central to our company's culture and business model. Bayswater recognizes its obligation to its stakeholders to utilize the most innovative solutions to optimize the efficiency of our operations, and to contribute to the overall evolution of the industry. Rapid growth in the data and information technology sector continues to provide the energy industry with new opportunities to improve the efficiency, productive capacity, and safety of oil and natural gas operations. Simultaneously, the collective knowledge of the industry grows, leading talented minds to find new applications for contemporary technologies and improve processes in a way that enriches the entire energy sector.

2021 REVIEW

In 2021, we continued to advance our operational standard with the implementation of key innovations and advancements. A few highlights were featured in our 2021 Sustainability Report:

- Utilization and refinement of our frac protect approach designed to address hydraulic fracturing (also referred to as parent/child) interference and mitigate the loss of proved developed producing (PDP) reserves in the parent well.
- Receiving the landmark first Oil and Gas Development Plan (OGDP) approval under the new Colorado regulatory framework thanks to our comprehensive Best Management Practices (BMPs).
- Development and utilization of the Intelex Asset Compliance Training System (ACTS) database to closely track all operational emissions and ensure Bayswater meets all compliance and reporting requirements.

2022 HIGHLIGHTS

In 2022, Bayswater achieved significant milestones and continued to explore, test, and incorporate new ideas, technologies and methods into our operations.

URTeC 2022 Presentation & Paper on Bayswater's Engineered Choke Management (ECM) Strategy

The oil and natural gas industry innovates and evolves at an incredible rate, which is largely thanks to the industry tradition of sharing knowledge about new technologies and strategies. Bayswater is proud to celebrate and be part of that long standing tradition.

In 2022, Bayswater staff concluded a two-year study on incorporating an engineered choke management (ECM) workflow to effectively manage the flowback of unconventional horizontal wells, thereby minimizing damage, maximizing productivity, and, ultimately, enhancing project economics. We were proud to publish and present the findings of this study at the 2022 Unconventional Resources Technology Conference (URTeC) in Houston, Texas with our paper titled *"Improving Recovery by Effectively Managing the Drawdown in the DJ Basin Unconventional Reservoirs Using an Engineered Choke Management (ECM) Strategy."*

Overview Of Engineered Choke Management (ECM) Workflow

Initially highlighted in our 2020 Sustainability Report, ECM is a technique to manage drawdown by using real-time reservoir data to maintain an optimal pressure dynamic, as opposed to drawing down the well randomly or as rapidly as possible, to improve recovery and return on investment (ROI). A key component of the ECM strategy is to maintain the average pressure in the stimulated reservoir volume higher than the bubblepoint pressure as long as possible so the well can stay longer in transient flow, thereby establishing a larger drainage area. It is inevitable that the average pressure in the drawdown area will fall below the bubblepoint pressure, so all we are doing is delaying it as long as possible with a clear focus on economics. This also ensures that we maximize the hydrocarbon recovery in the viscosity sweetspot close to bubblepoint pressure. By taking into account the reservoir and fluid characteristics, a workflow has been successfully developed operating the wells above and below bubblepoint pressure to maximize recovery and economics. This workflow has been successfully automated into a PowerBI dashboard and has been implemented in all new pads.

The ECM workflow at the center of our research was originally introduced in our 2020 Sustainability Report. For over 600 productive days between 2020 and 2022, Bayswater tracked the production metrics between similar ECM drilling space units (DSUs) and their non-ECM counterparts in the Wattenberg Field of the DJ Basin.

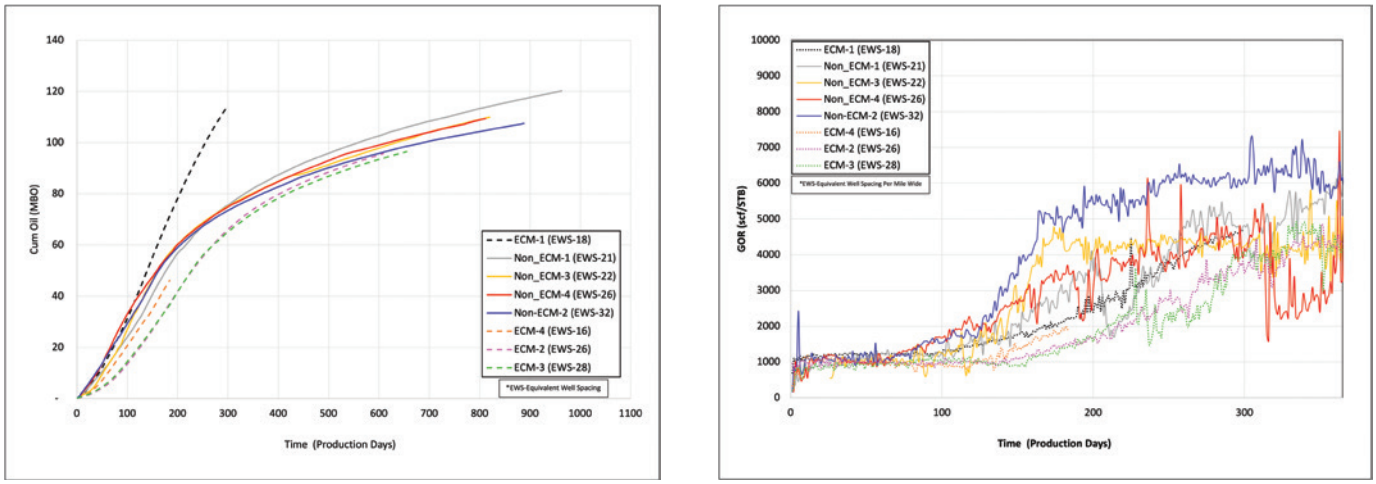


Figure 27: ECM vs. Non-ECM DSU Comparison Plot (Left: Cumulative Oil Production vs. Time; Right: Gas-to-Oil Ratio vs. Time)

Key Takeaways

Based on our two-year study and analysis, the implementation of the ECM workflow in the study area did improve the well performance in both Codell and Niobrara reservoirs. It improved well cleanup and increased drainage area size while also limiting excessive gas production from these reservoirs. Excessive gas-to-oil ratio (GOR) increases were arrested and, as a result, transient flow periods were extended, thereby improving potential recovery and ROI of these wells. The proposed ECM workflow can be applied to other reservoirs with similar production challenges.

Ruby 7-J & Garnet 21-K OGDP Approvals: Continued Commitment to Industry Leading BMPs

In 2021, Bayswater was the first Colorado operator in Weld County to secure an Oil and Gas Development Plan (OGDP) approval under the new state rules. In 2022, Bayswater built on its momentum from 2021, securing two new unanimous OGDP approvals from the Colorado Oil and Gas Conservation Commission (COGCC)* under the new state oil and natural gas regulations.

After the passage of Senate Bill 19-181 (SB19-181), the first set of new rules went into effect in January 2021. Since then, Colorado has continued to undergo subsequent rulemakings, resulting in a rapidly changing regulatory landscape. Given the regulatory uncertainty brought about by the ongoing rulemaking process, Bayswater takes pride in the unanimous approval of both the Ruby 7-J and Garnet 21-K Developments as it demonstrates our continued commitment to meet or exceed all regulations for responsible oil and natural gas development in a state known for rigid oversight. With these two approvals, Bayswater's operations in the Denver-Julesburg Basin increased to 79 new planned horizontal wells.

Consistent with the Blehm OGDP approval highlighted in the previous Sustainability Report, the COGCC praised Bayswater's Best Management Practices (BMPs) for both 2022 applications, including but not limited to:

- Installation of temporary visual and auditory screening walls around the perimeter of the pad during drilling and completion to mitigate light and sound impacts to immediate neighbors.
- Intentional direction of all lighting downward and inward on location to reduce the light impacts to surrounding surface owners.
- Utilization of quiet frac fleet and sand box technology to mitigate noise, dust, and air impacts during completion.
- Delivery of all freshwater for completion operations via temporary pipeline infrastructure, thereby eliminating the associated traffic, emissions, dust, and noise impacts that accompany truck delivery.
- Utilization of permanent pipeline infrastructure for transportation of produced oil and natural gas, thereby eliminating truck transport for oil hauling and the associated traffic, emissions, dust, and noise impacts.
- Permanent installation and strategic placement of engineered sound walls to mitigate noise impacts for immediate neighbors during long-term production.
- Implementation of site-specific Stormwater Management and Spill Prevention Plans to mitigate and manage all surface disturbed areas, prevent contamination from spills if they occur, and protect surrounding soil and water resources.
- Employment of comprehensive air emission monitoring and mitigation techniques, including but not limited to:
  - Continuous air emission monitoring devices on location from pre-construction through production.
  - Capture and compression of all gas and vapors from production infrastructure.
  - Utilization of sealed and ventless storage tanks that release gas only through an Eco-Vapor controlled system.
  - Connection to electrical grid for on-site power during production.

**In 2023, the name of the Colorado regulatory body for oil and natural gas production was changed by law from Colorado Oil and Gas Conservation Commission (COGCC) to the Colorado Energy and Carbon Management Commission (ECMC).*

Geochemical Fingerprinting

In 2022, Bayswater partnered with RevoChem, a Houston-based company specializing in geochemical fingerprinting, to enhance our understanding of what reservoir intervals are contributing to the oil production from a specific horizontal well. This data provides important information about how much of the reservoir has been contacted by the fractures created during stimulation of that well. To start the process, Bayswater carefully collected rock cuttings through the reservoir section at 10-foot intervals while drilling a vertical pilot well adjacent to some currently producing wells and also adjacent to some wells that were going to be drilled and completed in the near future. Bayswater then sent the cuttings to RevoChem for analysis. Next, RevoChem utilized their patented extraction technology to extract oil (if present) from the cuttings. These extracted oils were then analyzed with multi-dimensional gas chromatography to measure the occurrence and abundance of over 2000 organic compounds. The relative occurrence and abundance of these organic compounds is unique for each oil sample and therefore provides a geochemical "fingerprint" for that 10-foot reservoir interval.

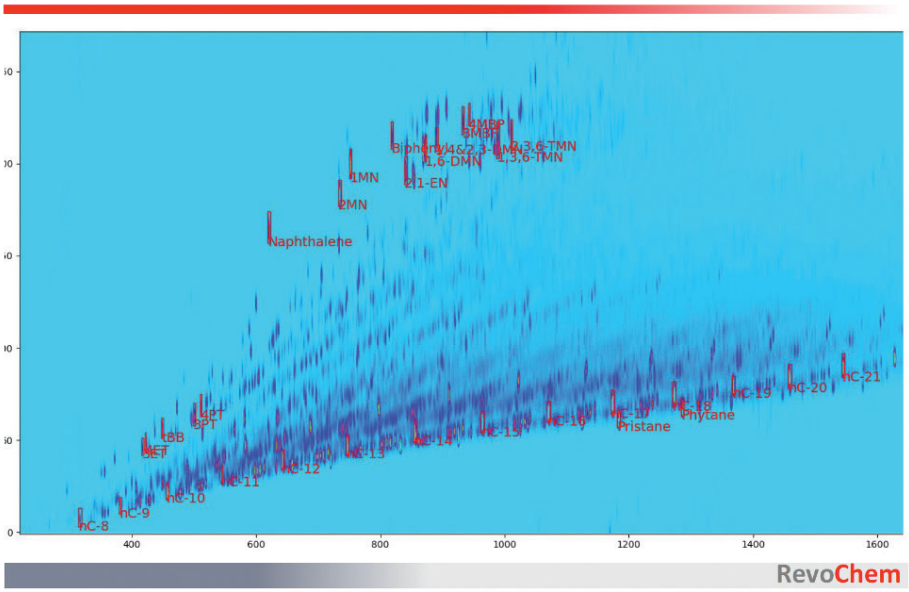


Figure 28: Example of a gas chromatogram (GC) resulting from the RevoChem analysis of oil from one set of well cuttings. Each red peak represents the presence and abundance of one of the organic compounds in the sample.

In the next step of the study, produced oil is collected from neighboring producing horizontal wells. This produced oil is shipped to RevoChem who then analyzes the oils with the same gas chromatography technology as the oil extracted from the cuttings. Revochem then compares the analysis of the produced oil with the "fingerprint" data derived from the cuttings from the adjacent vertical well. That comparison yields data that tells Bayswater the exact 10-foot reservoir intervals the produced oil came from and, proportionally, how much of that oil can be allocated to specific 10-foot reservoir intervals. Using this information, Bayswater can better understand the stimulated rock area, effective fracture height, and drainage volume. The evaluation of produced oils can be repeated at regular intervals to provide additional information as to how the effective fractures are changing over time. This cutting-edge analysis provides Bayswater with precise information that helps our team better understand the mechanics of what is happening below the surface which, in turn, allows us to optimize future developments with respect to well spacing target reservoir intervals and frac design.

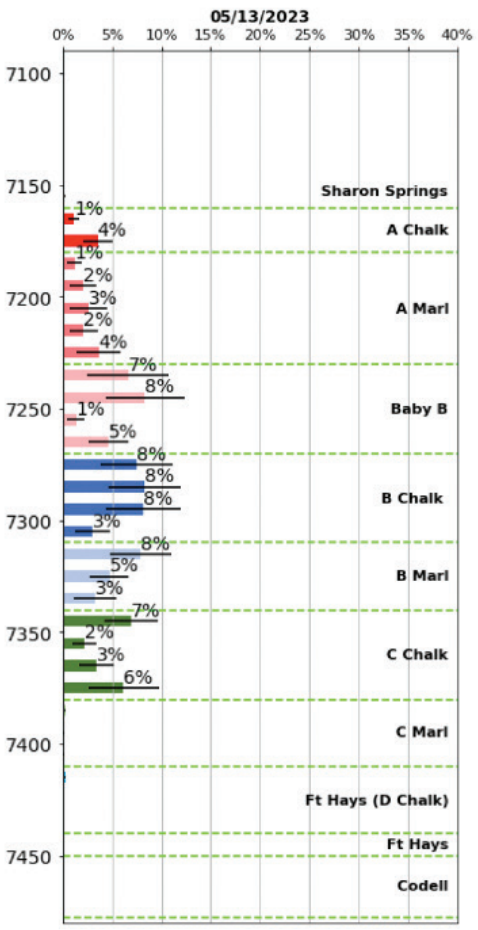


Figure 29: Results of a GC analysis of an oil sample from a horizontal well drilled at the approx. interval represented by the star. The result tells us the produced oil came from reservoir rock in an interval from C Chalk to A Chalk and that fractures connect the wellbore to all of the reservoir units with an allocation percentage shown.

BUSINESS CONTINUITY, SAFETY & CYBERSECURITY

Bayswater prioritizes safety in every aspect of our operations, which includes cybersecurity and protecting our digital systems and data integrity. We understand that a cybersecurity threat or breach can result in a massive disruption in our day-to-day operations. To safeguard business continuity, we employ strong cybersecurity protocols and retain a third-party information technology (IT) service provider that utilizes modern and innovative cybersecurity services.

Data Protection

Data is a vital asset for our business. Bayswater utilizes several layers of protection to guarantee our data is frequently backed up and continuously protected from external threats. We also employ a comprehensive program to ensure we have the necessary steps in place for disaster recovery, and all Bayswater employees are required to complete cybersecurity awareness training to limit the possibility of scams.

To further reduce the potential for data breaches, Bayswater enforces several policies, including:

- Requiring user systems and employee stations to lock automatically after a designated span of inactivity.
- Ensuring sensitive information is only available to those employees who have been given specific access.
- Limiting wireless network access to those with Bayswater usernames and passwords.
- Erasing data from all decommissioned devices prior to disposal.
- Data on mobile user workstations (laptops) is encrypted at rest.
- MFA (Multi-Factor Authentication) is used to authenticate remote access to Bayswater data whenever possible.

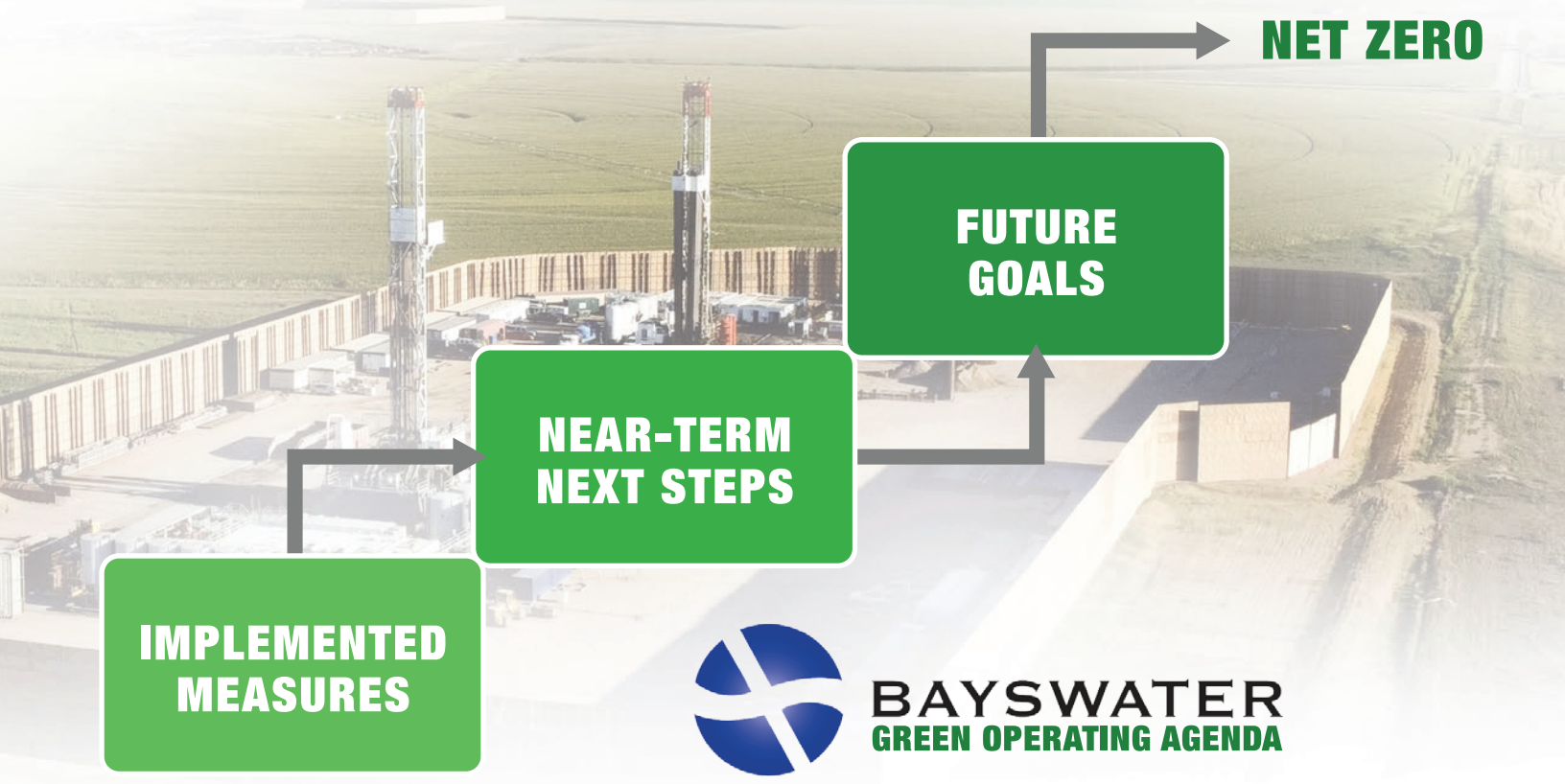
Senior Bayswater team members are invited to quarterly Fractional Chief Information Officer (FCIO) meetings by our IT service provider to ensure the company utilizes the latest technology and stays current with data protection best practices.

Green Operating Agenda: The Path to Net Zero

In our 2021 Sustainability Report, Bayswater unveiled our Green Operating Agenda, a three-tiered approach clearly defining our path towards operations that are steadily more efficient, more sustainable, and, ultimately, Net Zero for Scope 1 and 2 emissions. As new technologies and innovations emerge, Bayswater and our E&P peers find more opportunities to improve our operational standard and further reduce our environmental footprint by mitigating impacts to air, land, water, and communities. It is incumbent upon responsible operators in the oil and natural gas industry to forge this path to a more sustainable energy future. Bayswater recognizes this responsibility, and the Green Operating Agenda serves as a social contract between ourselves and our stakeholders, laying out our commitments to actionable and measurable environmental goals.

The Green Operating Agenda is a living document, designed to adapt to the ever-evolving nature of sustainable oil and natural gas operations. As the industry innovates and raises the bar for what it means to sustainably produce oil and natural gas, so must Bayswater's benchmarks for evaluating progress towards our internal sustainability goals. Therefore, our Green Operating Agenda serves as a roadmap that adapts each year as we make progress on turning our goals into achievements; incorporate new innovations, practices, and technologies; and set new short- and long-term goals on the road to sustainability and Net Zero. As highlighted in our 2021 Sustainability Report, the Green Operating Agenda is a comprehensive, strategically-focused approach broken down into three tiers–**Implemented Measures, Near-Term Next Steps, and Future Goals**–which are individually comprised of four important categories:

AIR WATER LAND COMMUNITY PROJECT



It is important to note that our *Green Operating Agenda* predates Bayswater's first annual Sustainability Report. What began as an internal commitment to conscientious, sustainable operations has evolved to a series of short-term actionable objectives and long-term benchmarks by which we assess and measure our progress towards various environmental goals including, Net Zero operations for Scope 1 and 2 emissions. Our *Green Operating Agenda* outlines our path forward in actionable steps and aligns our team on our environmental objectives in the short- and long-term.

With an ultimate goal of Net Zero, air quality and greenhouse gas emission reduction is a critical focus for Bayswater in our *Green Operating Agenda*. As mentioned in our previous Sustainability Report, our emission reduction program is focused on reducing, eliminating, or offsetting Scope 1 and 2 emissions—namely carbon dioxide, methane, and nitrous oxide—associated with upstream oil and natural gas production. In 2022, Bayswater made significant strides towards laying the groundwork for several Near-Term Next Steps objectives in the Air section of our *Green Operating Agenda*, which we anticipate to fully implement into our operations in 2023 and will unveil in our next Sustainability Report.

In this year's report, our 2022 progress and implemented measures on the environmental goals we have set for ourselves in the *Green Operating Agenda* are captured in the following Environment and Social sections. As in our previous report, at the conclusion, we have outlined our Near-Term Next Steps and Future Goals outlined in the *Green Operating Agenda* to highlight our path forward to Net Zero in 2023 and beyond.

ENVIRONMENT

Environment

Bayswater operates under the guiding principle that responsible oil and natural gas production and environmental stewardship are equally vital and mutually attainable. In every aspect of our operations, Bayswater exemplifies how to access and develop American oil and natural gas resources in a sustainable way that safeguards the public, health, wildlife, and the environment.

With our *Green Operating Agenda* outlining the path forward, Bayswater is dedicated to achieving consistent and tangible progress on our ESG performance year-over-year. We remain focused on responsible energy production and leveraging new technologies and innovations to develop American oil and natural gas resources as safely and responsibly as possible. In the following section, we will highlight progress made in 2022 towards next steps and goals from Bayswater's *Green Operating Agenda* and provide updates on the status of ongoing projects which will improve our overall sustainability as well as mitigating impacts to surrounding air, land, and water resources.

AIR

Bayswater is focused on eliminating, mitigating, or offsetting greenhouse gas emissions from our operations through diverse means. As illustrated in the 2020 and 2021 Sustainability Reports, we employ extensive, multi-faceted efforts to closely monitor, report, and address greenhouse gas emissions throughout each stage of our operations. Armed with this comprehensive emissions data and exploring the latest in air emission monitoring and control technologies, our team is continually working to update and refine our comprehensive approach to reduce, eliminate, or off-set operational emissions.

Greenhouse gas emissions are a natural byproduct of distinct stages in a well's lifecycle. They are also emitted from different types of equipment necessary for the development and production of oil and natural gas and utilized across the industry. Synthesizing the data from our emissions monitoring program, the Bayswater team has been able to target specific emissions from a link in the operational chain and implement targeted solutions to mitigate, offset, or eliminate them. With this multi-faceted, targeted approach built into the Green Operating Agenda, Bayswater has made substantial progress in our emission reduction efforts in recent years and continues to make progress towards Net Zero.

2021 Review

In our previous Sustainability Reports, we showcased Bayswater's approach and significant progress towards reducing greenhouse gas emissions across our operational footprint.

Our 2021 highlights in emission reductions included the following:

- Refinement of our continuous emissions monitoring program in Colorado with the expansion of the Project Canary program totaling 85 monitoring devices–including 11 of the latest Canary X models that monitor for methane and volatile organic compounds (VOCs)–and covering 99.5% of daily production volumes.
- Pilot of a relatively new monitoring technology–aerial gas mapping LiDAR–to detect, quantify, and address potential methane emissions in our Permian Basin operational infrastructure.
- Elimination of diesel generators across our operational footprint.
- Transition away from diesel-powered and natural gas-powered engines to electric engines and an increased reliance on grid power when available.
- Utilization of electric gas compression on specific locations with access to the electric grid.
- Increased focus on utilization of liquefied natural gas (LNG) for on-site power on larger, multi-well Texas locations that do not have grid access.
- Increased installation of instrument air-powered pneumatic controllers on newly constructed and legacy production sites in the DJ Basin, resulting in 97% of Colorado production being covered by pneumatic controllers that do not emit methane.
- Deployment of the latest EcoVapor vapor recovery system on three Colorado production sites, allowing full capture of low-pressure storage tank vapors and reducing emissions by 98% compared to the traditional combustion of tank vapors.
- Elimination of more than 72,000 truck trips in Colorado and Texas by transitioning to pipelines when feasible for oil and water transport.

The vast majority of these 2021 activities have been incorporated into Bayswater's BMPs as company-wide operational standards, and in 2022, we continued to utilize, refine, and advance these efforts. Bayswater is pleased with the emissions reduction progress made and showcased in 2021, but our eyes remain on the horizon for further improvement. As demonstrated in the remainder of this section, Bayswater remains firmly focused on the reduction or elimination of Scope 1 and 2 emissions from our operations.

Figure 30: A Project Canary monitoring device located on a Bayswater production site in Colorado.

2022 Progress

AIR EMISSIONS MONITORING

In 2022, Bayswater sustained our comprehensive efforts to mitigate operational emissions and further refine and enhance our continuous emission monitoring program. As mentioned in our previous Sustainability Reports, human inspection is the first line of defense when it comes to emission monitoring and detection.

Bayswater employees and contractors conduct regular multi-faceted inspections to check for emissions on all sites, including:

- Audio, Visual, Olfactory (AVO).
- Infrared (AIMM).
- Leak Detection and Repair (LDAR).
- VOCs site monitoring.

In 2022, Bayswater spent over 1,800 hours conducting these regular human inspections to ensure equipment was working properly, minimize leaks and emissions, and keep all hydrocarbons contained.

Methan and VOC emission monitoring and mitigation has been a particular focus in regulatory conversations in recent years, and Colorado has been at the epicenter of those discussions. Bayswater has invested a considerable amount of time and effort into staying at the forefront of industry technologies and capabilities to monitor and reduce methane and VOC emissions. Featured in our 2020 and 2021 Sustainability Reports, Bayswater was one of the first operators to pilot the implementation of Project Canary continuous emission monitoring devices in the DJ Basin. As of 2021, we had 85 devices installed across our DJ operations, which monitored 99.5% of our daily production volumes. In 2022, we continued to expand our partnership with Project Canary with a total of 95 monitoring devices installed in our operations in the DJ Basin. Bayswater continues to evaluate continuous emission monitoring technology for future implementation.

99.5%

of Colorado production covered by continuous emissions monitoring.

We have continued to build on the momentum and success of Project Canary and sought new strategies and technologies to augment and optimize our continuous emissions monitoring program. In 2022, we partnered with LongPath Technologies, a Colorado-based company, to pilot their advanced laser system to precisely monitor and identify methane-specific emissions at our locations. The first emissions monitoring sensor technology approved by both the Colorado Department of Public Health & Environment (CDPHE) and the U.S. Environmental Protection Agency (EPA), LongPath is a Continuous Open-Path Sensor utilizing invisible, eye-safe long-range lasers to detect methane-specific greenhouse gas molecules up to a 2.5-mile radius of installation. The continuous emissions monitoring data is displayed on a dashboard accessible to all Bayswater employees, with actionable real-time alerts notifying our team when emission events are detected. These alerts contain granular detail and quantified measurements on the detected methane molecules, providing our team with the information to respond to and address issues with unprecedented speed and efficiency.

Figure 31: A LongPath sensor located on a Bayswater production site in the DJ Basin.

An efficient, comprehensive, and continuous emissions monitoring program is the first step in eliminating, mitigating, or offsetting Scope 1 and 2 emissions from our operations. Moving forward, we will continue to research and test methods and evolving technology to enhance our emission monitoring, detection, and quantification. As our *Green Operating Agenda* attests, we have actionable next steps and future goals outlined to make real short- and long-term progress on this front in both our Colorado and Texas operations.

Figure 32: A close-up shot of LongPath's Continuous Open-Path Sensor, which utilizes invisible, eye-safe long-range lasers to detect methane-specific greenhouse gas molecules up to a 2.5-mile radius of installation.

Figure 33: An example of Bayswater utilizing solar arrays to help power wellheads on a Colorado production site.

ON-SITE POWER

In 2022, Bayswater made strides in advancing our transition to natural gas and electricity for on-site power. In recent years, we have made a concerted effort to shift away from heavy diesel usage to reduce emissions from on-site power and equipment. Featured in our last Sustainability Report, Bayswater reached a notable milestone in this evolution in 2021 with the complete elimination of diesel generators across our producing operations.

The removal of diesel generators is an important step, but the use of diesel power in standard industry practices–namely drilling and completion activities–is still unavoidable. When we do have to use diesel power, we strive to make it as clean and efficient as possible to limit air emissions. In drilling and completions, we have continued to focus on utilizing EPA Tier 4 diesel engines and dual-fuel engines when feasible, which are more efficient and cleaner than traditional diesel-powered engines.

When it comes to the power required to operate equipment on location, the energy sources and power generation solutions are incredibly site-specific and require thoughtful planning to ensure each location has a supply of cost-efficient and reliable power. For instance, some of our locations in both the DJ and Permian Basins are close enough to developed infrastructure that access to the electric grid is sometimes possible. We aim to leverage this resource when feasible and have made considerable strides forward in progressing our electrification efforts, which will further eliminate on-site emissions.

Beyond electrification efforts, the Bayswater team has been working on identifying and refining additional solutions to supply cleaner, reliable, cost-effective power and minimize on-site emissions from power generation and usage. One of these solutions is the use of solar arrays to supply some power to operate on-site equipment such as the wellheads pictured in Figure 33.

Ultimately, as is noted in the *Future Goals* of our *Green Operating Agenda,* Bayswater aspires to utilize electricity and/or grid power for all engines for drilling, completion, and production activities. Grid power along the front range in Colorado is a scarce commodity, and not often available for drilling operations. Due to the enormous power requirements required for specific stages, like completion operations, grid power is unlikely to ever be an available option. However, micro grids and natural gas turbine generators are viable near-term solutions. Moving forward, we will continue to assess the Scope 1 and 2 emissions specific to on-site power generation and usage, and identify new innovative solutions to better monitor, target, reduce, offset, or eliminate these emissions.

ZERO VENTING & EMISSIONS

As outlined in our previous Sustainability Reports and our *Green Operating Agenda,* reducing or eliminating long-term production site emissions is a central focus in our emission mitigation efforts. The Bayswater team has done considerable work to isolate and target emissions from specific production equipment, and test existing and new technologies to significantly reduce or remove these emissions entirely. Two highlights mentioned in the 2020 and 2021 Sustainability Reports:

1. Utilized across our operations, automatic tank level gauges eliminate the need to manually open storage tanks to measure the remaining product in each tank, which keeps any potential emissions inside the tank.
2. Continued expansion of our usage of lockdown thief hatches, which also reduces released emissions by minimizing the need to open thief hatches.

Bayswater continues to implement and explore innovative and thoughtful ways to mitigate emissions from production site equipment. In 2022, we maintained or expanded successful strategies and embarked on testing new approaches, including sour gas production and pneumatic devices.

Sour Gas Production & Reduction in Flaring

One of our most notable developments in 2022 was breaking ground on the construction of a sour gas treatment facility in Texas. By way of background, much of the natural gas reserves in West Texas contain a significant amount of different chemical contaminants–including hydrogen sulfide, carbon dioxide, or sulfur–making it what the industry deems as "sour gas." Traditionally, operators choose not to develop sour gas due to the technical challenges and increased costs of removing the contaminants to make it a pure, marketable product. As such, the previous industry standard has been to treat sour gas as a byproduct that gets flared off during crude production since it is not a viable or economical product to bring to market.

Rather than accept the status quo and wastefully flare off natural gas that has energy potential, the Bayswater team sought to find a way to responsibly develop, treat, and produce this sour gas in our Permian Basin assets. Bayswater invested in building a sour gas treatment facility in Mitchell County, Texas, the first of its kind in the region. This new facility will be able to treat sour gas by separating the hydrogen sulfide (H2S) and carbon dioxide (CO2) from the hydrocarbons, which results in a "sweetened" natural gas that can be transported off location by a sales pipeline.

In 2022, Bayswater put plans in motion to begin construction on our sour gas treatment facility, which was completed in the Summer of 2023. Upon the completion of the facility and transport infrastructure, Bayswater will begin piping sour gas produced from our Permian Basin assets to the facility to be treated and sold. This will result in a tremendous reduction of greenhouse gas emissions from our Permian production by making a marketable product from sour gas that would have previously been flared.

Pneumatic Devices

An ongoing success story in Bayswater's emissions mitigation is the expanded installation of instrument air-powered pneumatic devices across our operational footprint. Until recently, the industry standard pneumatic device was powered by natural gas and would emit a small but regular amount of methane over the course of its lifetime on a production site, which can be active and operational for as long as 25 years. Bayswater sought to mitigate this consistent source of production emissions and instigated a companywide policy replacing natural gas-powered pneumatic devices with air-powered devices that do not emit methane. The pneumatic device overhaul began in Colorado in 2020, and as of 2021, Bayswater had 97% of Colorado production covered by non-emitting instrument air-powered pneumatic devices. In 2022, we increased that coverage to 98.5% of our Colorado production. After a successful roll out in Colorado, we began expanding instrument air-powered pneumatic controllers onto our Texas locations in 2021 and, as of 2022, Bayswater had 40% of our Texas production covered by pneumatic devices that do not emit methane. We will continue to install instrument air-powered pneumatic devices on newly constructed production sites and increase efforts to retrofit legacy locations until this consistent source of methane emissions is eliminated from Bayswater production sites.

98.5%

of Colorado production utilized non-emitting pneumatic devices.

Figure 34: An EcoVapor system located on a Bayswater production site in Colorado's DJ Basin.

Storage Tank Vapor Capture Technology

A significant and long-term source of production facility emissions comes from naturally occurring vapors produced by hydrocarbons while they are housed in storage tanks on location. Historically, the industry practice has been to combust or flare storage tank vapors, which obviously results in emissions released into the atmosphere. In recent years, Bayswater has targeted this continuous source of emissions in our production operations and explored potential solutions to capture storage tank vapors and avoid the need to combust or flare them off.

Working closely with our partner EcoVapor, a Colorado-based service company, Bayswater deployed the latest model of their innovative vapor recovery system onto three production sites in the DJ Basin to test its capabilities. EcoVapor's ZeroO2 technology allows for the captured low-pressure tank vapors from production storage tanks to be compressed and sent to sales by removing oxygen from the vapor stream. Bayswater is now able to collect and compress what has traditionally been a waste stream and consistent source of emissions into a marketable product, significantly reducing a large source of emissions and increasing our profit margin.

On the DJ production sites with the innovative EcoVapor system, Bayswater has seen over a 90% reduction in VOC emissions from our storage tanks, which not only significantly lowers consistent GHG emissions but turns the captured emissions into natural gas that can be sold. Given the success with the 2021 pilot, Bayswater expanded our utilization of EcoVapor and deployed five additional units on new DJ production sites and are exploring the future installation of EcoVapor on legacy Colorado production sites. We are also looking into similar solutions in Texas. On multiple Permian production sites, Bayswater has installed storage tank vapor control recovery units that capture and re-route tank vapors to sales, which again significantly reduces production emissions while increasing our profit margin. Overall, Bayswater's pilot storage tank vapor capture technology has proven largely successful across our operational footprint, and we will continue to expand and refine this program moving forward.

Compressor Engine Maintenance Gas Capture Controls

Another consistent source of emissions from standard production operations comes from the routine maintenance or shutdown of large compressors. When a compressor is taken offline, any natural gas trapped within the compressor is typically vented into the atmosphere. As highlighted in our 2021 Sustainability Report, Bayswater rolled out compressor engine maintenance release controls in our facility design in 2021. These controls capture the natural gas within the compressor and associated piping and re-route it back into the production facility to be sold. On new production sites with compressor engine maintenance natural gas capture controls, Bayswater has tracked a 95% reduction in methane and VOC emissions from these events. Our implementation of compressor engine maintenance gas capture controls has again resulted in the near elimination of a persistent source of production emissions and increased our profit margin by keeping that natural gas in pipe.

In 2022, we expanded our efforts to capture the natural gas released from compressor engine maintenance by retrofitting existing engines and ensuring new installs are equipped to capture these emissions across our Colorado production. Moving forward, we have plans to expand this technology into our Texas production facility design.

159,600 TRUCKS REMOVED FROM COLORADO & TEXAS ROADS

Reduction of Truck Traffic

In recent years, Bayswater has invested significantly in pipeline infrastructure as a means to reduce, and in some cases eliminate, the need for truck transportation of oil and water resources. Increasing our utilization of pipeline infrastructure for transportation improves our operations on several fronts:

1. Eliminating the tailpipe emissions that the trucks would have put into the atmosphere over the course of their route.
2. Significantly reducing the opportunity for spills during standard truck loading operations.
3. Removing the visual and auditory impacts to our immediate neighbors of trucks traveling on and off site at all hours of the day.

From 2020 to 2021, through our increased utilization of pipelines, Bayswater removed a combined total of 109,900 trucks from Colorado and Texas roads along with the accompanying tailpipe emissions. In 2022, we added to that total with a continued emphasis on using permanent or temporary pipeline infrastructure when accessible. Over the course of the year, Bayswater piped almost 3.9 million barrels of oil and nearly 815,000 barrels of water in Colorado, and approximately 3.2 million barrels of oil and over 19 million barrels of water in Texas, resulting in the elimination of approximately 36,000 and 123,600 trucks from Colorado and Texas roads, respectively.

In addition to our expansive produced water pipeline infrastructure for our Texas operations, Bayswater commenced construction in 2022 on a permanent produced water pipeline infrastructure for our DJ Basin asset. This investment in a produced water pipeline allows Bayswater to eliminate the risk for spills during truck loading operations and a broader elimination of truck traffic and subsequent tailpipe emissions from our DJ Basin operations to transport produced water to local treatment facilities.

BAYSWATER

HOLLY GRAHAM
Land Analyst

Industry Experience: 10+ Years
Bayswater Tenure: 3 Years

What is your position and what does your work entail? I'm a Land Analyst. As a member of the Land Team, I provide data calculations for quarterly reporting to engineering, oversee record title review, partner communications, and owner relationships, for operated and non-operated oil and gas properties in the company's Permian Basin assets.

How long have you lived in Colorado? What is your favorite part about living here? I grew up in Colorado and have lived here most of my life. My favorite part of living in Colorado is the summers with ideal weather, sporting and concert events, outdoor activities, and the mountains.

How long have you been in the oil and natural gas industry? I've worked in the industry for 12 years. I have family in the industry, which led to my interest. I like working with intelligent people, being challenged, and having unique business learning opportunities.

LAND

At Bayswater, we prioritize being a good neighbor and responsible steward of the land. We are passionate about the outdoors and protecting the environment, while providing an affordable, reliable domestic energy product. We firmly believe and operate under the fundamental principle that environmental stewardship and responsible oil and natural gas development are mutually attainable.

2021 Review

In our 2020 and 2021 Sustainability Reports, we highlighted many of our BMPs focused on minimizing our surface footprint and preserving the natural landscape, including but not limited to:

- Development and application of site-specific stormwater management plans to protect the topsoil and minimize the potential for erosion.
- Employment of secondary containment structures under storage tanks to capture and contain any potential spill before topsoil penetration.
- Preparation of site-specific, comprehensive emergency spill plans that are deployed and work together in the rare event of a spill on location.
- Responsible disposal of produced water and cuttings at permitted, local waste management facilities.
- Implementation of interim and final reclamation, including the piloting of native topsoil storage on four locations in our Colorado operations.
- Execution of plugging and abandonment on 22 vertical wells in 2020 and 26 wells in 2021.

The aforementioned activities outlined in our 2020 and 2021 Sustainability Reports continued to be utilized, refined, and enhanced in our 2022 operations. Our aim is to be a steward of the land, responsibly conduct our business, sustainably produce energy, and, ultimately, leave the surrounding landscape–above and below the surface–in the original state that we found it.

2022 Progress

In 2022, Bayswater continued to hone and refine our land management practices and strategies to minimize our surface impact, protect the soil above and below ground, and preserve the overall natural landscape in which we are operating.

MINIMIZING PRODUCTION INFRASTRUCTURE & SURFACE FOOTPRINT

In recent years, the Bayswater team has been focused on optimizing the design of long-term production sites to maximize our efficient utilization of the surface area, minimize storage tanks and other production infrastructure, and make our active footprint as small as possible. Each Bayswater production site is carefully planned and thoughtfully designed to work with the surrounding natural landscape over the course of the 15- to 25-year lifetime that a well can actively produce.

RECLAMATION

Another key step in reducing and, eventually, removing our surface footprint is reclamation. Bayswater is proud of the success of our reclamation program. As outlined in the 2021 Sustainability Report, we meet or exceed the regulatory standard during interim and final reclamation to mitigate the impacts of our surface footprint during and after production.

Given Colorado's high regulatory standard and reclamation requirements, our DJ operations have served as the primary focus for piloting and refining our reclamation methods. In accordance with Colorado regulations, Bayswater conducts interim reclamation as soon as a new pad comes online following first production, given sufficient pad surface area. The interim reclamation process reduces the total surface footprint of the pad specifically to areas needed for long-term production. Working in close coordination with the surface owner, the surface area around the active site that was utilized and disturbed during drilling and completion is reclaimed by restoring topsoil and planting native vegetation.

After implementing this basic initial reclamation process, the Bayswater team searched for ways to make it more effective and meaningfully enhance our ability to restore the site to its previous state. As featured in our 2021 Sustainability Report, we witnessed great success in several interim reclamation projects in 2021 where Bayswater was able to separate and store the native topsoil from the disturbed surface area to be later used during interim and, eventually, final reclamation. In many cases, the native topsoil can be generally unused and lost. However, by incorporating uniquely engineered grading and drainage stockpiles into Bayswater's production pad designs, we are able to seed the topsoil–to protect it from erosion and maintain a healthy microbial community–and store it long-term for future reclamation use.

Figure 35: Native vegetation has begun to grow back around the edges of this Bayswater production site from the interim reclamation that was conducted to reclaim and reduce the surface footprint of the site for long-term production.

20 VERTICAL WELLS PLUGGED & ABANDONED

Conservation of the native topsoil has numerous environmental benefits, including promoting a more natural flow of irrigation water and stormwater flow around our pads, and eliminating the need to purchase and truck onto location the topsoil required for final reclamation. In 2022, we continued progressing our topsoil conservation program and began initial conservation and storage efforts on four new Bayswater sites in the DJ Basin.

PLUGGING & ABANDONMENT

As highlighted in our previous Sustainability Reports, the responsible closure–referred to in the industry as "plug and abandon" or P&A–of vertical wells in our DJ and Permian acreage has been a top priority for Bayswater. With the industry shift to horizontal drilling, vertical wells are increasingly seen as antiquated technology with the industry standard focusing on larger, multi-well pads with horizontal drilling. A significant focus in Bayswater's land management plan has been to P&A the vertical wells on our acreage.

The P&A process involves the strategic placement of cement plugs—tested to ensure compliance with regulatory standards and the ability to provide long-term protection for surrounding soil and aquifers—along the length of the well with a final cement plug at the surface. In 2022, Bayswater plugged and abandoned a total of 20 vertical wells—8 in Colorado and 12 in Texas. Ultimately, our end goal is to continue our plugging and abandoning program until we have no vertical wells remaining on our operated acreage. We have made considerable progress in the last several years plugging and abandoning a total of 70 vertical wells since 2020.

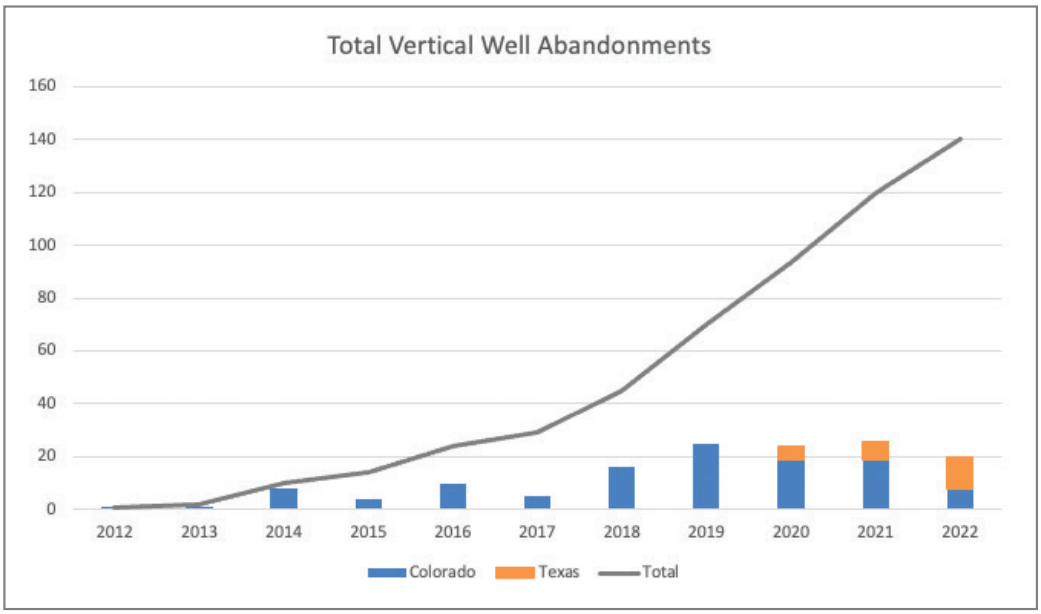


Figure 36: Starting in 2012, this graph depicts the total number of vertical wells plugged and abandoned by Bayswater each year compared with the cumulative total. In 2022, Bayswater plugged and abandoned a combined 20 wells in Colorado and Texas.

WATER

Water is essential to life. Living in particularly arid climates, Texas and Coloradans are no strangers to appreciating and conserving water.

Sustainable water practices are a pillar of responsible oil and natural gas production. In Bayswater's case, operating in the arid regions of Colorado and Texas, failure to adhere to strict water conservation standards becomes more consequential as these states continue to experience population growth and its subsequent strain on water supplies. To respect and preserve this vital resource, Bayswater employs a series of water-focused comprehensive BMPs to protect the water resources on the surface around our operations, safeguard the groundwater and aquifers beneath the surface, and minimize the amount of freshwater used for our operations. In recent years, we have concentrated efforts on minimizing our freshwater usage, leveraging new methods aimed at reducing and repurposing water resources at different stages of preparation and production, and continuing our support of Colorado universities and their produced water research efforts.

2021 Review

Bayswater has reached critical milestones towards its water conservation goals in recent years, including the following highlights from the 2021 Sustainability Report:

- Identification of all surface water, groundwater, and aquifers in the immediate vicinity during site planning and preparation, and ongoing monitoring of water quality in nearby water well(s) during development.
- Encasement of each well in concentric layers of steel and cement to ensure all hydrocarbons stay in pipe, including surpassing regulatory mandate and running the final cement casing the full length of the well.
- Responsible disposal of produced water in compliance with all local, state, and federal regulations.
- Continued refinement and advancement of our water recycling program in Colorado and Texas—Bayswater saved a combined 67 million gallons of freshwater through water recycling in 2020 and 2021.

The pursuit of the most efficient and sustainable water practices is a continuous effort. As outlined in the *Green Operating Agenda,* Bayswater's goals for its water-focused programs are ambitious. The ultimate aim for our water recycling program is to repurpose enough fresh water that 75-100% of the water used in our completion operations is recycled. Additionally, we continue to lead the way on the treatment of produced water and hope to work with our industry and academic partners to realize a future in which produced water treatment processes can generate clean water that can be used for a variety of purposes beyond oil and natural gas operations.

Figure 37: Aerial photo of Bayswater's temporary water treatment facility located on an existing Bayswater production facility in Weld County, Colorado. Produced water was being treated in the tanks at the top of the photo, recycled to be used in completion operations, and then transported to wells being hydraulically fractured via poly pipe.

2022 Progress

Bayswater remains committed to advancing the standard for freshwater conservation and produced water treatment in the oil and natural gas industry making key strides towards these goals in 2022. These efforts started by increasing our recycling efforts in our completions operations, developing our own water infrastructure to move and dispose of excess fluids, and by being active members in Colorado's new Produced Water Consortium.

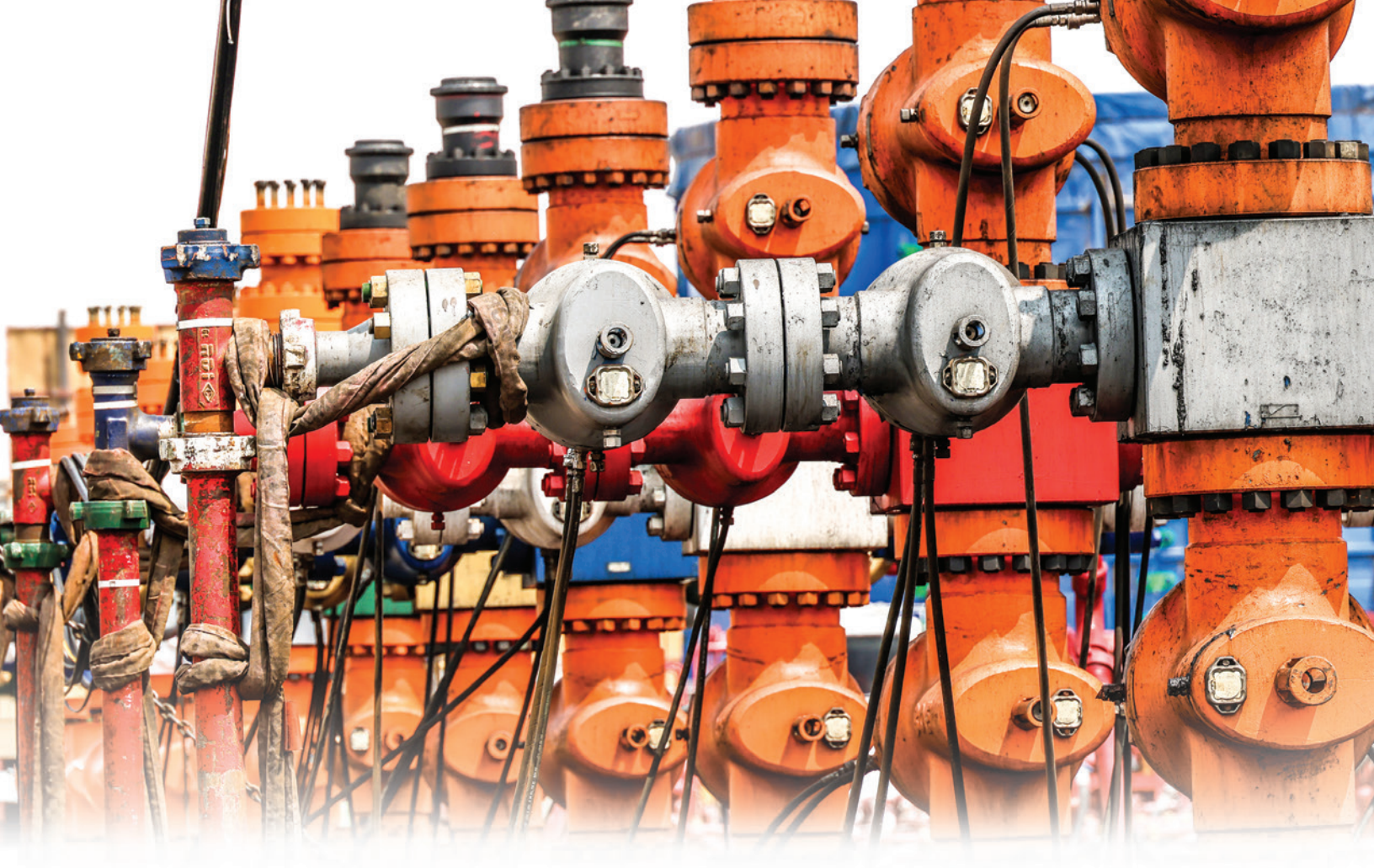
WATER RECYCLING

Improving and augmenting our water recycling program was a primary focus for conserving water and minimizing freshwater usage in 2022. We first expanded this program into our Texas operations in 2021 and saw an immediate impact, recycling more than 1.16 million barrels of produced water and saving nearly 49 million gallons of fresh water. In 2022, Bayswater built on this momentum, recycling approximately 3.76 million barrels of produced water in Texas alone, which equates to roughly 158 million gallons of fresh water saved and more than triple the amount of total water recycled in 2021.

Figure 38: Produced water through our industry partners treatment system, yielding a quality treated water that allows use in our completion operations.

WATER PIPELINE SYSTEM & DISPOSAL WELLS

In Colorado, a critical focus for Bayswater has been working to advance our processes for produced water treatment and responsible disposal. In late 2022, we began construction on a permanent produced water pipeline system in the DJ Basin. As mentioned in the Air section, by establishing a permanent pipeline infrastructure for produced water, we eliminate the risk for spills and emissions during truck loading and unloading while also removing a substantial amount of truck traffic. Accompanying this permanent pipeline system, we also started drilling and construction on two disposal wells in the DJ Basin in 2022. Well completion and facility construction was completed as of June 2023, at which point produced water began being piped from our DJ locations to these disposal wells to be safely and efficiently stored underground. Bayswater permitted the disposal wells from existing abandoned oil and natural gas well permit locations and was able to repurpose the surface area from an existing COGCC and Weld County approved oil and natural gas location, limiting new disturbance. Together, the disposal wells have a total capacity of 30,000 barrels of water per day (BWPD), a quantity which would otherwise require the equivalent of 200 daily truck trips for transport.

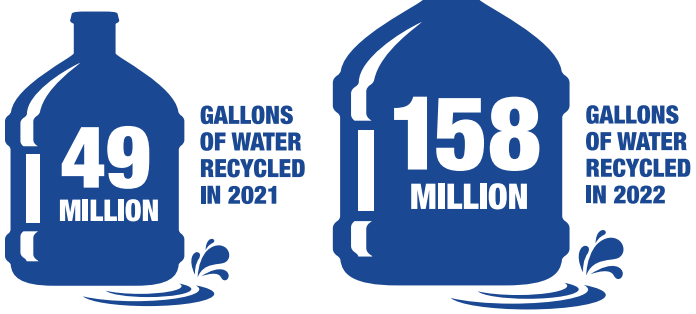


COLORADO PRODUCED WATER CONSORTIUM & SUPPORTING UNIVERSITY RESEARCH EFFORTS

Bayswater continues to lead the way on advancing the industry standard for the treatment and recycling of produced water. The opportunities to reduce our footprint are vast. We can improve produced water treatment processes to generate clean water for uses beyond oil and natural gas development, and we remain committed to investing resources towards this goal. In 2022, we continued to represent the oil and natural gas industry in the formation of a Colorado Produced Water Consortium. The focus of the consortium is to understand the challenges and barriers to the improved reuse of produced water in Colorado both inside and potentially outside the oilfield.

The Consortium brings together a diverse coalition of stakeholders with expertise in produced water. The members of the Consortium include industry experts, state and local government officials, research institutions, environmental groups and other key community stakeholders to collaborate on produced water treatment techniques with the ultimate goal of increasing the use of recycled produced water in oil and natural gas operations. The Consortium meets regularly with Bayswater taking an active role in the discussion on behalf of the industry. We are proud to be at the table for these important discussions and strive to continue to increase the percentage of recycled water that we—and the industry at large—utilize in our operations.

In addition to being part of the Consortium from inception, we have also continued our support of Colorado universities by providing expertise and water for them to study. This has resulted in well over 50 peer reviewed publications—several in 2022 alone—around the treatment and reuse of produced water. These continued efforts are focused on supporting research to find safe alternatives for produced water around the oil and natural gas industry and beyond.



SOCIAL

Social

At Bayswater, our core belief in the power of strong communities drives everything we do. We understand that our success is intricately tied to the well-being of the Colorado and Texas communities where we operate. This begins internally, where we foster a collaborative environment that encourages engagement, promotes diversity of thoughts and ideas, and cultivates growth for all members of our team.

We extend this approach to our operations by embracing our responsibility of being a good neighbor. Going beyond mere compliance, we actively seek to inform, engage, and invest in each community to create lasting relationships and contribute positively to their long-term well-being. In short, our philosophy is to be a good neighbor to colleagues, surface owners, and communities adjacent to our operations.

In 2022, we made great strides in expanding our community outreach programs by further empowering our team members to uphold our philosophy and by making meaningful community investments in the areas where we operate.

TEAMWORK & DIVERSITY

At Bayswater, we understand that no team operates at its peak potential without diverse ideas and perspectives. Our success is determined by our ability to tap into the minds of the entire Bayswater team to ensure we foster an environment where new ideas are shared and effectively heard. To achieve this, we place an emphasis on bringing together employees, vendors, and partners from various social, cultural, and professional backgrounds to cultivate diverse ideas. We rely on this collaboration to inspire new ideas and realize innovative solutions, continuously raising the benchmark for Bayswater's standard of executional excellence. We take pride in the diversity of our team and the ways each team member strengthens our internal Bayswater community and improves our overall work environment and product.

BAYSWATER

GRETCHEN MCGINNIS
Operations Administrator

Industry Experience: 4.5 Years
Bayswater Tenure: 4.5 Years

How long have you been in the oil and natural gas industry? I've been in the industry for 4.5 years, all of which has been with Bayswater! I saw opportunity for growth and challenging new responsibilities in an ever-changing industry. I wanted to be part of a company that makes operations more efficient and sustainable here in Colorado.

What is your favorite part about working for Bayswater? My favorite part is being involved in community outreach. I love being part of a company that takes pride in making a positive impact in the local communities we operate in.

Tell us about your family life and hobbies. My husband Tim and I have been married for 10 years. We live in Weld County with our two boys, Timothy and Jack. In my free time, I enjoy playing soccer, coaching, camping, and watching our son Timothy compete in wrestling and soccer; as well as enjoying each new milestone with Jack!

RESPONSIBLE PRACTICES MAKE FOR GOOD NEIGHBORS

We acknowledge that certain phases of development and production impact communities and surrounding neighbors, especially during heavy onsite activity and truck traffic through drilling, completion, and initial production. This rings especially true when oil and gas operations and community growth intersect. Roughly 50 miles north of Denver—Weld County is home to one of the most prolific reserves of oil and natural gas in Colorado. Weld, the fastest growing county in Colorado, in many ways serves as a good example of this intersection—urban communities and oil and natural gas production and development—emphasizing the importance of meaningful stakeholder engagement and using practices and technologies that reduce impacts.

Figure 39: Photo of a permanent sound wall Bayswater erected at a production location to minimize noise impacts to nearby landowners.

Whether in a growing community like Weld County, Colorado or a rural community in Texas, Bayswater prioritizes stakeholder engagement alongside safe and responsible operations. We strive to implement consistent impact mitigation standards and best management practices (BMPs) across our operations and are committed to meeting or surpassing strict regulatory requirements. Bayswater consistently maintains and deploys comprehensive BMPs that go above and beyond regulatory requirements and focus on reducing operational impacts to nearby communities and neighbors.

Here are examples of our BMPs:

- Proactive and consistent community relations and stakeholder outreach with nearby landowners, local government officials, and first responders to discuss site plans, anticipated timeline, safety, and emergency procedures.
- Consistent and regular contact with nearby landowners and other local stakeholders to address questions, concerns, or needs swiftly and appropriately.
- Thoughtful selection of traffic routes to minimize impacts to nearby residents and, in rural communities, ensure trucks get to a paved road as quickly as possible thereby reducing dust.
- Implementation of multiple dust control practices, including speed restrictions for any vehicles coming onto or leaving the site, deployment of magnesium chloride on dirt roads as needed, regular road maintenance, reduction of construction activity on high-wind days, and full automation of wells and production facilities.
- Implementation of multiple dust control practices, including speed restrictions for any vehicles coming onto or leaving the site, regular road maintenance, deployment of magnesium chloride on dirt roads as needed, full automation of wells and production facilities, and reduction of construction activity on high-wind days.
- Mitigation of noise impacts during completion operations with utilization of a quiet frac fleet.
- Air emissions mitigation through enhanced controls, regular and various inspections, and continuous air monitoring devices.
- Improvement of visual impacts to nearby landowners through the voluntary planting of native trees or vegetation as a visual barrier between the landowner and the active location.

Bayswater takes pride in its high operational standards and goes to great lengths to responsibly develop domestic oil and gas resources, conducting its business in a way that is considerate to neighboring communities and minimizes cumulative impacts on public health and the environment. Our BMPs will continue to evolve as we listen and learn from our diverse stakeholder groups and industry peers.

$242 MILLION IN TAXES & ROYALTIES PAID IN CO & TX

OUR COMMUNITY COMMITMENT

At Bayswater, investing in our people and areas of operation strengthens our current and future workforce and helps build and nurture strong, sustainable communities. From field technicians to executive leadership, Bayswater is committed to actively investing in community-driven initiatives, fostering meaningful partnerships, and supporting local projects to lead to tangible improvements for the community.

Strengthening State & Local Economies

During 2022, Bayswater's operations achieved unprecedented success. We expanded our team in Colorado and Texas adding six new team members and continued our significant contribution to local economies through the more than $242 million in taxes and royalties paid across Colorado and Texas, more than doubling our total of $111 million in 2021.

Transparency & Collaboration

We understand the value of engaging in open and transparent dialogue with our stakeholders. From local landowners and governments to community organizations and first responders, our engagement process creates opportunities to listen, answer questions, seek feedback, build trust, and work together. Our commitment to this approach is demonstrated through the day-to-day actions of our operations team, consistent and timely communications, field tours, collaborative partnerships, investments in community strengthening initiatives, investment in research and education, and the use of new and innovative technologies that improve efficiency and reduce environmental impacts.

As an industry leader, we also value the exchange of new ideas and BMPs with our peers. Through our participation in state and national associations, we help ensure the consistent exchange of information, effective management of legislative and regulatory matters affecting our industry, continued improvement and awareness of BMPs, and ongoing and effective stakeholder engagement.

At Bayswater, our continued journey towards sustainable energy practices is grounded in our profound respect for the communities in which we operate. Our unwavering commitment to transparency, building and nurturing positive relationships through effective stakeholder engagement, and advocating for responsible energy development guides us and continues to shape our journey.

Figure 40: Community stakeholders on a field tour of Bayswater drilling, completion, and production operations in the DJ Basin in Weld County, Colorado.

Service & Giving Back

Philanthropy and community service are central components of Bayswater's culture. In 2022, we expanded our community outreach program to find new opportunities to support the local communities where we operate. Throughout the year, we participated in or contributed to numerous organizations, schools, and community initiatives:

- Ault-Pierce Fire Department
- Ault Veterans of Foreign Wars (VFW) Hensley-Martinez Post 4334
- Clays for Kids
- Colorado State Science Fair
- Denver Earth Science Library
- Eaton Days 2022
- Eaton Old Fashioned Christmas 2022
- Energy Outreach Colorado
- Highland Athletics Booster Club
- Howard College Rodeo
- Howard County Fair
- Michael Ray Lee Golf Tournament
- Morgan Adams Foundation
- Pierce Senior's Center
- Severance Days 2022
- Sterling College
- Texas Livestock Show
- The Bridge Project
- United Way of Big Spring, TX
- University of Northern Colorado
- Weld County Fair
- Weld County Junior Livestock Sale
- Weld County Sheriff's Golf Tournament
- Weld Food Bank

While each organization we give to serves a vital function in strengthening the communities in and around our areas of operation, there were a new handful of engagements from 2022 which we would like to highlight.

WELD COUNTY FOOD BANK - COMPETE TO BEAT HUNGER COMPETITION

Bayswater participated in the Weld County Food Bank's Compete to Beat Hunger Competition for the first time. This annual event, coordinated by Weld Food Bank, encourages local organizations to donate food, funds, and volunteer time to combat food insecurity in Weld County. A focal point for Bayswater's Colorado operations and home to Bayswater's Eaton employees, this event was particularly important to our staff with more than one-third of our Colorado employees electing to volunteer time or donate funds. In our first year participating, we were proud to donate more than 250 cans of food and contribute more than $2,300 to help Weld County families in need.

Figure 41: Bayswater employees volunteering at the Weld County Fair 2022.

WELD COUNTY FAIR JUNIOR LIVESTOCK SALE

Bayswater participated in the Weld County Fair Junior Livestock Sale, an annual event which raises millions for Weld County's young agricultural community. Bayswater staff purchased multiple animals at the event, earning Diamond Level sponsorship status which is reserved for those who purchase over $20,000 in livestock. Bayswater was one of 335 buyers at the event who helped raise a record-breaking total of $1,564,000. The money earned in this competition helps offset college expenses and further career development of youth participants.

Figure 42: Bayswater team at the Weld County Fair Junior Livestock Sale 2022.

Bayswater's Match Program

Launched in late 2021, Bayswater's Personal Match Program completed its first full year in 2022. The Program supports the diverse charitable causes important to our team and encourages support for different causes which they find meaningful. Under the Program, Bayswater matches any employee's donation—which can be allocated via volunteer hours, financial contributions, or a combination thereof—up to $5,000 per employee per year. Any Bayswater employee or a member of their immediate family can submit a match request. Making the Match Program accessible to a team member's immediate family is a unique feature of the Bayswater Program.

The first year of the Personal Match Program was a great success, generating over $32,915 in employee donations which were then matched by Bayswater. The success of the Program is a testament to Bayswater's culture of giving back and passion for community engagement. We look forward to further diversifying our community outreach through the Personal Match Program in years to come.
Here are the organizations supported in 2022 through the Program:

- AEC Adult Enrichment Centers
- Amy BH Greenwell Ethnobotanical Garden
- Books for Development
- Child Advocates
- Comeback Yoga
- Creekside Elementary School
- Denver Casa
- Denver Park Trust
- Girls' Inc.
- Johns Hopkins University
- Mariposa Foundation
- Wisner Pilger Public Schools
- Sri Venkateswara Swamy Temple of Colorado
- Van Arsdale Elementary School

G

GOVERNANCE

Governance

Bayswater was founded on the core values of conducting our business ethically, honestly, and openly; and also being a leader in the responsible development of the domestic oil and natural gas resources that are fundamental to modern society. We have built and continue to govern our company on those foundational principles.

OUR GOVERNANCE STRUCTURE

Since late 2016, Bayswater has been a Registered Investment Advisor with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisers Act of 1940, as amended (Advisers Act). Due to our registration with the SEC, Bayswater is subject to SEC compliance standards and audits.*

**Registration as an Investment Advisor does not imply nor guarantee a certain level of skill or training.*

Bayswater is governed by a seven-person Investment Committee that includes two principals and five other designated members. The Investment Committee oversees all acquisition, divestment, and capital deployment activities for Bayswater. A Limited Partner Advisory Committee (LPAC) also meets annually, or as the need arises over the course of the year, to address any potential conflicts or firm continuity issues. Working in concert, these three elements—SEC compliance requirements, the Investment Committee structure, and the LPAC—combine to ensure Bayswater's corporate governance is strong and will be sustainable for years to come.

OUR CORE VALUES

Bayswater's founders envisioned and built our company around the core values detailed in the introduction of this report. Distilled down into the following main components, our core values serve as the framework for our company culture and business dealings:

- Long-term mutually advantageous business relationships.
- Executional excellence fostered in a multi-disciplinary team environment.
- An entrepreneurial culture, a flat organization, and equity ownership.
- Conducting our work without accident, without harm to people, and without damage to the environment.
- Being a good neighbor, earning our "social license to operate" daily, and being a good corporate citizen.

As representatives of Bayswater, we rely on our employees and contractors to embody these core values in their daily actions. Our success as a firm in the short- and long-term is predicated on upholding these values in every business decision and relationship.

OUR FOCUS ON COMPLIANCE

To ensure appropriate corporate conduct, Bayswater has enacted several compliance practices: maintaining a Compliance Manual, retaining a third-party compliance consultant, and appointing a Chief Compliance Officer.

Bayswater has implemented the following procedures to cultivate a strong and ethical company culture and prevent and detect any compliance violations:

- Fostering a culture of integrity, openness, and professionalism.
- Conducting training for employees regarding policies and procedures in the Compliance Manual.
- Requiring employee participation in an annual Compliance Questionnaire certifying compliance with all policies and procedures.
- Periodically testing of policies and procedures to ensure adequacy and effectiveness.
- Regularly reviewing supervisory hierarchies and functions to ensure appropriate supervision.
- Conducting and documenting due diligence of service providers for expertise and reputation.
- Investigating material, reported or detected violations.
- Enforcing the Compliance Manual and taking effective remedial action for any violations.

The Bayswater Compliance Manual and annual compliance assurance efforts are organized around key themes pertaining to Bayswater's fiduciary duties of care and loyalty. Each theme has a set of performance expectations and an associated risk matrix. Risks to performance and potential issues are identified, and appropriate steps, such as additional training, specialized tools, and process-oriented solutions are developed to mitigate those compliance risks.

Bayswater is committed to fostering a culture dedicated to effective problem-solving, innovation, loyalty, and integrity. Our governance model provides the structure necessary to ensure that culture is upheld across our operations.

OUR CODE OF ETHICS

Built upon a strong ethical foundation, we strive to cultivate a company culture grounded in integrity, honesty, and professionalism. We pride ourselves on adhering to the highest regulatory standard, operating in accordance with all federal, state, and local regulations as a responsible member of the oil and natural gas industry and in compliance with all SEC regulation as a Registered Investment Advisor.

To set clear expectations and enforcement mechanisms, every Bayswater employee is provided with the Bayswater Compliance Manual. This manual includes our Code of Ethics, which all employees are expected to meet or exceed as a condition of employment. This promotes a consistent high ethical standard across the Bayswater team and operations.

Our Code of Ethics and Compliance Manual outline the requirements and expectations of ethical conduct in four main categories:

1. Standards of conduct.
2. Prohibitions against insider trading and the use of material non-public information.
3. Conflicts of interest.
4. Confidentiality of business information and protecting investor privacy.

OUR INDUSTRY ADVOCACY

We are firm believers in proactively engaging in public awareness, education, and advocacy efforts for responsible oil and natural gas production in the United States. Not only are these pursuits critical to our overall mission as a company and industry, but also to the success of our modern American society that is highly dependent upon affordable, reliable energy.

Since 2021, Bayswater has been a member of the **American Petroleum Institute (API)**, a national trade organization representing almost 600 diverse oil and natural gas industry members with the mission of promoting safety industry-wide and influencing key public policy pertinent to the advancement of a strong domestic oil and natural gas industry in the United States. Through our API membership, we have enhanced our visibility and influence of critical energy policy at both the federal and state levels. We take great pride in playing a role in the development of smart U.S. energy policy that supports responsible, reliable, and affordable energy development.

In addition, Bayswater is also a member of **Western Energy Alliance**, a regional trade association representing 200 independent producers across the West. The Alliance serves as the voice of industry in important stakeholder and policy conversations at the federal level and promotes environmentally responsible oil and natural gas exploration and production in the West. With our Western Energy Alliance membership, Bayswater stays attuned to regional developments impacting the broader oil and natural gas industry in the western United States, including in Colorado.

Leading the nation with the strongest oil and natural gas regulations, Colorado is a critical epicenter in modern and future energy policy discussions. In Colorado, Bayswater takes great pride in being an active participant in the statewide energy conversation through diverse avenues of engagement. Through our **Colorado Oil and Gas Association (COGA)** membership, Bayswater is an active member in the ongoing energy policy and regulatory conversation providing the unique and crucial perspective of a small, privately-owned operator.

Bayswater is also an active participant in the effort to drive public awareness and educate Coloradans on oil and natural gas production through **Coloradans for Responsible Energy Development (CRED)**, a statewide educational program on oil and natural gas production. In 2022, CRED was comprised of Bayswater and five other member companies that serve as industry leaders in responsible energy production in Colorado.

Finally, in Colorado, Bayswater represents the Colorado oil and natural gas industry in the larger business community through our membership with **Colorado Concern**, a unique alliance of executives from a range of sectors and industries who are committed to improving Colorado's business environment.

Specific to our Texas operations, Bayswater became a member of the **Texas Independent Producers and Royalty Owners Association (TIPRO)** in late 2021. As mentioned previously, when it comes to our Texas operations, we strive to perform at the same high operational standard required in the Colorado regulatory environment and expand many of our responsible BMPs from Colorado into our Texas operations even if it goes beyond what is regulatorily mandated. As such, we bring a unique perspective to Texas oil and natural gas policy discussions and look forward to the opportunity to actively engage moving forward. Through our TIPRO membership, Bayswater stays informed of important oil and natural gas regulatory developments, can build relationships with important Texas elected officials and policymakers, and has the means to productively engage in local, state, and federal level conversations to advocate for smart energy policy in the state of Texas.

Looking Forward: Charting the Path to Net Zero

As covered in this report, Bayswater realized tangible progress in 2022 towards reducing our resource consumption, minimizing operational impacts, and increasing the efficiency of our operations. While these accomplishments are important, we recognize that our work is not complete. In 2023, our commitment persists as we refine and broaden our Green Operating Agenda, charting Bayswater's course toward enhanced efficiency and sustainable operations, all while striving towards our ultimate goal of achieving Net Zero Scope 1 and Scope 2 emissions.

With an unwavering focus on the future, we conclude our 2022 Sustainability Report by highlighting the Near-Term Next Steps and Future Goals of our Green Operating Agenda. This provides an insight into the path we are forging ahead, as we continue our mission to responsibly produce American oil and natural gas in an environmentally sustainable manner.

Green Operating Agenda: Near-Term Next Steps

- Opportunity for use of micro turbine generation for drill rigs and frac fleets and to provide on-site power for production equipment.
- Opportunity to convert existing locations to instrument air driven pneumatic valves.
- Utilize evolving technology for enhanced monitoring, detection, and quantification of emissions such as aerial methane monitoring.
- Gas injection to enhance recovery and reduce carbon footprint.
- Reduce/eliminate pre-production emissions through closed loop systems.
- Eliminate routine flaring of produced sour gas with construction of Amine Facility.
- Partial staff remote work on CDPHE declared "High Ozone" days.

- Optimize design to reduce number of tanks and production equipment on pad sites to reduce footprint.
- Remove tanks and equipment post production plateau to reduce footprint and recycle equipment.
- Support local college environmental / agricultural programs to enhance and accelerate reclamation efforts.

- 25 - 50% recycled water use in Completions.
- Installation of water pipeline system and disposal wells to allow for recycled water use.

- Adopt "smartway" carrier practices for enhanced truck scheduling and management.
- Landscaping to reduce visual impacts.
- Interconnected pad sites with water distribution and gathering lines.
- Continued pariticpation in community projects.
- STEM / relevant trade education support in local schools.

Green Operating Agenda: Future Goals

AIR

- Utilize grid power for all engines for drilling, completion and production activity.
- Fully transparent / public emissions performance monitored and reported.
- Solar power generation and excess storage and EOR through gas injection.
- Define path to “Carbon Zero” manufacturing (Scope 1 & 2) including carbon offset creation /purchase / trades.
- Realize carbon capture and sequestration credits from amine facility and acid gas injection.

LAND

- Offset land reclamation and planting (carbon “sinks”).
- Elimination of waste to landfills and beneficial use applications.
- Zero vertical wells on operated acreage.

WATER

- 75% to 100% recycled water use in Completions.
- Produced water treatment to allow for beneficial use.

COMMUNITY IMPACT

- Eliminate truck traffic with 100% water and oil gathering systems.
- Low profile facilities; community parks and conservation projects.

2022 REPORT ON KEY ESG METRICS

Bayswater's 2022 Report on Key ESG Metrics contains data pertaining to both Sustainability Accounting Standards Board (SASB) and American Exploration & Production Council (AXPC) guidelines. It includes both retrospective data for 2022, as well prospective statements looking to future operations. These prospective statements are designed to project future Bayswater operations, including but not limited to company plans, activities, processes and procedures, and expectations. All statements made in this report, other than those addressing retrospective data and analysis, are based on assumptions and information currently available at the time of publication. Changes that may occur in the future may be done based on actions within or outside of Bayswater's control. From time to time, Bayswater may choose to update its prospective statements, however is under no requirement to do so.

GREENHOUSE GAS EMISSIONS

METRIC:
Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations

GUIDANCE:
Sustainability Accounting Standards Board (SASB)

UNIT OF MEASURE:
Metric tons (t) CO_2-e, Percentage (%)

CODE:
EM-EP-110a.1

BAYSWATER RESPONSE:
Calendar year 2022 gross global Scope 1 emissions: 352,747 t CO_2-e

Percentage Methane: (1,751 CH_4 in a 25 GWP / 352,747 t CO_2-e) x 100 = 12%

Zero of 2022 Scope 1 emissions were covered under emission-limiting regulations.

Important note: All emissions totals were based on the total greenhouse gas emissions Bayswater reported in 2022 under the U.S. Environmental Protection Agency (EPA)'s Greenhouse Gas Reporting Program–Subpart W using actual measurements, engineering calculations, and EPA-approved emission factors.

METRIC:
Greenhouse Gas (GHG) Emissions

GUIDANCE:
American Exploration & Production Council (AXPC)

UNIT OF MEASURE:
Metric tons (t) CO_2-e

BAYSWATER RESPONSE:
352,747 t CO_2-e

METRIC:
GHG Intensity

GUIDANCE:
AXPC

UNIT OF MEASURE:
GHG Emissions (Metric tons (t) CO_2-e) / Gross Annual Production - As Reported Under Subpart W (MBoe)

BAYSWATER RESPONSE:
20.84 t CO_2-e / MBoe

METRIC:
Percent of GHG Emissions Attributed to Boosting and Gathering Segment

GUIDANCE:
AXPC

UNIT OF MEASURE:
Percentage (%)

BAYSWATER RESPONSE:
0%

METRIC:
Methane Emissions

GUIDANCE:
AXPC

UNIT OF MEASURE:
Metric tons (t) CH_4

BAYSWATER RESPONSE:
1,751 t CH_4

METRIC:
Methane Intensity

GUIDANCE:
AXPC

UNIT OF MEASURE:
Methane Emissions (Metric tons (t) CH_4) / Gross Annual Production - As Reported Under Subpart W (MBoe)

BAYSWATER RESPONSE:
0.10 t CH_4 / MBoe

METRIC:
Percent of Methane Emissions Attributed to Boosting and Gathering Segment

GUIDANCE:
AXPC

UNIT OF MEASURE:
Percentage (%)

BAYSWATER RESPONSE:
0%

METRIC:
Amount of gross global Scope 1 emissions from: (1) flared hydrocarbons, (2) other combustion, (3) process emissions, (4) other vented emissions, and (5) fugitive emissions

GUIDANCE:
SASB

UNIT OF MEASURE:
Metric tons (t) CO_2-e

CODE:
EM-EP-110a.2

BAYSWATER RESPONSE:
Amount of gross global Scope 1 emissions from:

1. Flaring & Venting: 52,545 t CO_2-e
2. Other combustion (other than flaring)*: 221,997 t CO_2-e
3. Process emissions: 0 t CO_2-e
4. Other vented emissions: 33,198 t CO_2-e
5. Fugitive emissions: 785 t CO_2-e

* *The "other combustion" sources of Scope 1 emissions include: heaters, engines (compression, drill rigs, completions), and storage tank ECDs.*

METRIC:
Gross Annual Volume of Flared Gas

GUIDANCE:
AXPC

UNIT OF MEASURE:
Thousand cubic feet (Mcf)

BAYSWATER RESPONSE:
777,125 Mcf

METRIC:
Percentage of Gas Flared per Mcf of Gas Produced

GUIDANCE:
AXPC

UNIT OF MEASURE:
Percentage (%)

BAYSWATER RESPONSE:
2.40%

METRIC:
Volume of Gas Flared Per Barrel of Oil Equivalent Produced

GUIDANCE:
AXPC

UNIT OF MEASURE:
Thousand cubic feet (Mcf) / Barrel of Oil Equivalent (Boe)

BAYSWATER RESPONSE:
0.048 Mcf / Boe

METRIC:
Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets

GUIDANCE:
SASB

UNIT OF MEASURE:
N/A

CODE:
EM-EP-110a.3

BAYSWATER RESPONSE:
In 2022, Bayswater continued to proactively reduce Scope 1 emissions from its operations. The table below compares 2022 performance on key emission metrics to the previous two years.

Key Emission Metrics	2020	2021	2022
Annual Production, MMBOE	5,661	9,533	16,924
Gross Global Scope 1 Emissions, t CO_2-e	174,669	242,145	353,747
Percentage Methane in Scope 1 emissions	1.12%	0.73%	0.50%
GHG Intensity, t CO_2-e/MBOE	29.37	25.40	20.84
Colorado	*29.54*	*20.82*	*14.58*
Texas	*28.61*	*47.13*	*32.76*
Methane Intensity, t CH_4/MBOE	0.21	0.19	0.10
Colorado	*0.26*	*0.14*	*0.08*
Texas	*0.62*	*0.40*	*0.15*
Flared Volumes, MCF	32,686	198,500	798,063
Colorado	*0*	*0*	*0*
Texas	*32,686*	*198,500*	*798,063*
Percentage of gas Flared per MCF Produced	0.20%	1.21%	2.40%
Colorado	*0%*	*0%*	*0%*
Texas	*2.3%*	*14%*	*17%*

Some of the notable emission mitigation efforts implemented or continued in 2022 include:

- Utilizing instrument air systems to operate on-site pneumatic controllers on production sites in both Colorado and Texas operations to eliminate methane and VOC emissions.
- Installing lock-down thief hatches and auto gauging on oil storage tanks.
- Expanding employment of continuous air monitoring devices, including the use of long-rang laser technology for detection and quantification of methane emissions.
- Utilizing Vapor Recovery Unit (VRUs) systems capturing flash gas from production equipment.
- Utilizing storage tank vapor capture systems, reducing on-site combustion and VOC emissions.
- Utilizing sealed tanks for flowback operations.
- Employing electric motors for VRU systems and for larger gas compression applications.
- Routing of emissions associated with routine compressor and engine maintenance to sales.

Bayswater continues to improve our emission reduction efforts wherever possible across every phase of our operations. Looking ahead, our goal is to further reduce our Scope 1 emissions with the ultimate objective of achieving carbon-neutral operations. To realize this goal, our team routinely evaluates our operations, existing data and technology, and new innovations in the industry, and maintains an ever-expanding list of short- and long-term emission reduction strategies and goals.

For 2022, Bayswater continued the efficiency of this technology, to expand the use of EcoVapor as it continues to prove successful and implement new strategies and the latest technology to further mitigate this consistent source of Scope 1 emissions. EcoVapor's equipment removes oxygen from our high BTU vapor gas stream allowing us to capture and sell as a product that would otherwise be combusted at the storage tank ECDs. Bayswater has seen significant reductions in our Scope 1 emissions from the storage tanks.

As our Midland Basin operations continued to expand in 2022, the delineation of our acreage position in Howard County, TX has proven up a significant amount of oil and natural gas reserves laden with Hydrogen Sulfide (H2S). The amount of H2S in the produced gas stream on our eastern-most acreage exceeds pipeline specifications and has necessitated the flaring of the sour gas that is associated with the produced oil, which is the reason for a year-over-year increase in flared gas volumes—a trend that continued into 2022. In late 2022, Bayswater kicked off its construction efforts on a sour gas processing facility that will remove H2S and CO2 from the produced gas stream and allow the sale of pipeline specification gas from our eastern Howard County operations. We anticipate having this gas plant up and running in the second quarter of 2023, which will significantly reduce the flared gas volumes in our Texas operations.

Bayswater's aspirational goals allow us to continue to improve operations and reduce overall environmental impacts, including reducing, eliminating, or offsetting Scope 1 emissions from each facet of our operations. Specific to the reduction, elimination, or offset of operational emissions, some of our forward-looking aspirational goals and plans include the following:

- Minimal reliance on tanks for the storage and primary usage of pipe for all hydrocarbons.
- Expansion of continuous air monitoring technologies to all Bayswater sites.
- Utilization of electrified drilling rigs and frac fleets.
- Employment of solar arrays to power select field or production operations.
- Building and operating the sour gas processing facility in Texas, discussed above.
- Proactive implementation of effective, state-specific, carbon-offset strategies.

These are some examples of objectives Bayswater has prioritized in both the short- and long-term, helping us take active steps forward in our effort to reduce Scope 1 emissions across our operational footprint. We are committed to achieving our ultimate goal of net zero operations and will demonstrate our progress towards this goal with each annual ESG report moving forward.

WATER MANAGEMENT

METRIC:
(1) Total fresh water withdrawn, (2) total fresh water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress

GUIDANCE:
SASB

UNIT OF MEASURE:
Thousand cubic meters (m^3), Percentage (%)

CODE:
EM-EP-140a.1

BAYSWATER RESPONSE:
1. Total fresh water withdrawn: 42,880,378 barrels (bbls) x 0.16 m^3/bbl = 6,860.86 thousand m^3
2. Total fresh water consumed: 42,880,378 barrels (bbls) x 0.16 m^3/bbl = 6,860.86 thousand m^3; 0% of fresh water is consumed in High or Extremely High Baseline Water Stress regions in either our Colorado or Texas operations

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METRIC:
Volume of produced water and flowback generated; percentage (1) discharged, (2) injected, (3) recycled; hydrocarbon content in discharged water

GUIDANCE:
SASB

UNIT OF MEASURE:
Thousand cubic meters (m^3), Percentage (%), Metric tons (t)

CODE:
EM-EP-140a.2

BAYSWATER RESPONSE:
Volume of produced water and flowback generated: 4,155.50 thousand m^3
1. Discharged: 0%
2. Injected: 85.51%
3. Recycled: 14.49%; Hydrocarbon content in discharged water: 0%

METRIC:
Percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used

GUIDANCE:
SASB

UNIT OF MEASURE:
Percentage (%)

CODE:
EM-EP-140a.3

BAYSWATER RESPONSE:
100% of all wells drilled and hydraulically fractured by Bayswater are reported to FracFocus, publicly disclosing all fracturing fluid chemicals used.

METRIC:
Percentage of hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline

GUIDANCE:
SASB

UNIT OF MEASURE:
Percentage (%)

CODE:
EM-EP-140a.4

BAYSWATER RESPONSE:
In accordance with state regulations, Bayswater conducts well water baseline assessments specifically in our Colorado operations. During these assessments, 0% of ground or surface water quality had deteriorated compared to baseline data.

METRIC:
Fresh Water Intensity

GUIDANCE:
AXPC

UNIT OF MEASURE:
Fresh Water Consumed (Bbl) / Gross Annual Production (Boe)

BAYSWATER RESPONSE:
2.710 Bbl / Boe

METRIC:
Water Recycle Rate

GUIDANCE:
AXPC

UNIT OF MEASURE:
Percentage (%)

BAYSWATER RESPONSE:
8.1%

METRIC:
Does your company use WRI Aqueduct, GEMI, Water Risk Filter, Water Risk Monetizer, or other comparable tool or methodology to determine the water stressed areas in your portfolio?

GUIDANCE:
AXPC

UNIT OF MEASURE:
N/A

BAYSWATER RESPONSE:
Yes, Bayswater has utilized online database tool WRI Aqueduct to review water stress in its operating areas.

BIODIVERSITY IMPACTS

METRIC:
Description of environmental management policies and practices for active sites

GUIDANCE:
SASB

UNIT OF MEASURE:
N/A

CODE:
EM-EP-160a.1

BAYSWATER RESPONSE:
In 2022, as was the case in past years, Bayswater's active oil and natural gas operations were primarily focused on agricultural and range land in Weld County, Colorado as well as Howard and Mitchell Counties, Texas. Due to this, Bayswater's operations take place far outside of large population areas. Bayswater collaborates with key stakeholders, such as farmers, ranchers, landowners, and community leaders to minimize the impact of our operations to the communities in which we operate.

KEY ENVIRONMENTAL MANAGEMENT POLICIES & PRACTICES

At Bayswater, we are confident in our ability to produce oil and natural gas resources while remaining good stewards of the environment. We approach every project with this mindset, employing thoughtful methods and adhering to a meticulous planning process to produce energy resources while protecting the surrounding environment.

Before drilling begins at each site, Bayswater conducts months of intensive planning, permitting, and collaboration with surface owners, nearby residents, local community leaders, and state and county regulatory officials. This work ensures the location of wells, pad infrastructure, and access roads has a minimized impact on the community and environment, all while meeting state and county regulations and efficiently accessing the targeted oil and natural gas reserves. Bayswater has proven to have an in-depth understanding of the pre-drilling planning and permitting process required for our Colorado operations, which we carry over into our Texas operations despite having a different regulatory environment and very sparsely populated rural operations. Since the historic innovation of horizontal drilling combined with hydraulic fracturing, Bayswater has been able to dramatically reduce our surface footprint by increasing the number of wells on each pad. On every site, Bayswater carries out a number of environmental management practices designed to mitigate or eliminate any impact on the local community, wildlife, and ecosystems. This ensures each stage of our operations—drilling, completion, and production—is thoughtfully designed and sustainably executed, employing the following key practices on all sites.

WILDLIFE & BIODIVERSITY MANAGEMENT

Bayswater carefully plans the locations where we conduct our operations to minimize our environmental impact and ensure we are adhering to all regulations. While there is little sensitive habitat within Bayswater's operations, in instances where we do operate around sensitive habitat areas, Bayswater plans and operates in accordance with local, state, and federal regulations, and integrates expert guidance specific to the issues at each site.

Colorado Area of Operations

Common in Bayswater's Colorado area of operations, raptor habitats are located in the same vicinity with the state monitoring several roosting and nesting sites of the more sensitive species. Bayswater will delay operations on a location to prevent disturbance of nearby springtime nesting activity.

Pronghorn and Mule Deer Winter Concentration Areas are also located to the north and east of Bayswater's area of operations. As Bayswater is careful to plan and conduct operations outside of these areas, these designated concentration areas generally do not overlap with our operations and, therefore, do not impact our business activities. In 2021, one specific location occurred in an area designated as a "Pronghorn Winter Concentration Area." However, Bayswater's operations took place outside of the time period during the year when this area is deemed as sensitive, resulting in no impact on Bayswater's operations.

Finally, the state has designated certain streams that intersect Bayswater's area of operations as "Aquatic Native Species Conservation Waters." In accordance with state regulation, no Bayswater operations are within the 500-foot buffer zone around these protected streams.

Texas Area of Operations

Bayswater's Permian Basin operations in Howard County, Texas are not located on or near any protected areas or areas designated for biodiversity conservation.

SPILL PREVENTION

Operationally, we strive to capture, contain, and transport every recovered hydrocarbon and produced byproduct. As a business, it is in our best interest to do everything in our power to prevent any loss of oil or natural gas from the drill site to the end customer. The prevention of spills is also in the best interests of our stakeholders, the local community, and the environment. Increased utilization of pipelines instead of trucks to transport these hydrocarbons and produced water effectively reduces the likelihood of spills.

All our operations meet or exceed local, state, and federal requirements for spill prevention and containment plans. For instance, we install liners under drilling and completion operations where fluids are stored as well as under all oil and water storage tanks at production facilities. We have also placed containment berm structures that surround each piece of equipment at production facilities to capture and contain any potential liquids—hydrocarbon, byproduct, or water—before it reaches the soil in the event of a spill.

While our primary aim is prevention, we do our best to anticipate a potential spill and ensure each site is adequately prepared in the event of one occurring. Consequently, we have developed a Spill Prevention, Control and Countermeasures (SPCC) Plan for each Bayswater site certifying the existence of sufficient secondary containment to handle oil and/or water releases from on-site storage vessels. A formal Oil Spill Contingency Plan (OSCP) is also in place to address emergency spills and is unique to each location.

STORMWATER MANAGEMENT

Stormwater management is an essential component of the planning process for each Bayswater site. Our team conducts thorough consideration and planning when it comes to designing and constructing each location's long-term infrastructure to appropriately manage and drain stormwater. Through every stage of the oil and natural gas development process, our goal for each site is to ensure its long-term sustainability.

METRIC:
Number and aggregate volume of hydrocarbon spills, volume in Arctic, volume impacting shorelines with ESI rankings 8-10, and volume recovered

GUIDANCE:
SASB

UNIT OF MEASURE:
Numbers, Barrels (Bbl)

CODE:
EM-EP-160a.2

BAYSWATER RESPONSE:
Number of hydrocarbon spills: 1; Aggregate volume of hydrocarbon spills: 22 Bbl; Volume recovered: 20 bbls; No spills in Arctic or impacting shorelines with ESI index 8-10.

METRIC:
Spill Intensity

GUIDANCE:
AXPC

UNIT OF MEASURE:
Produced Liquids Spills (Bbl) / Total Produced Liquids (MBbl)

BAYSWATER RESPONSE:
0.000 Bbl / MBbl*

* *It is important to note that this spill intensity calculation accounts for all 2022 spills regardless of fluid.*

METRIC:
Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat

GUIDANCE:
SASB

UNIT OF MEASURE:
Percentage (%)

CODE:
EM-EP-160a.3

BAYSWATER RESPONSE:
Bayswater 2022 operations and lease position in Weld County, Colorado are in proximity to areas that have been designated as Habitat Areas by the COGCC under Rule 1202d. The designated Habitat Areas in the vicinity of Bayswater operations include "Mule Deer Winter Concentration Areas," "Mule Deer Severe Winter Range," "Pronghorn Winter Concentration Area," and "Aquatic Native Species Conservation Waters." In 2022, no Bayswater operations overlapped with these areas, nor were they impacted by the proximity to the designated areas.

Bayswater's 2022 operations in Howard County, Texas were not in proximity to, nor involved with any areas designated as Endangered Species habitat or having protected conservation status.

METRIC:
Percentage of (1) proved and (2) probable reserves in or near areas of conflict

GUIDANCE:
SASB

UNIT OF MEASURE:
Percentage (%)

CODE:
EM-EP-210a.1

BAYSWATER RESPONSE:
0%

METRIC:
Percentage of (1) proved and (2) probable reserves in or near indigenous land

GUIDANCE:
SASB

UNIT OF MEASURE:
Percentage (%)

CODE:
EM-EP-210a.2

BAYSWATER RESPONSE:
0%

METRIC:
Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict

GUIDANCE:
SASB

UNIT OF MEASURE:
N/A

CODE:
EM-EP-210a.3

BAYSWATER RESPONSE:
Bayswater does not have any operations located in or near areas of conflict.

COMMUNITY RELATIONS

METRIC:
Discussion of process to manage risks and opportunities associated with community rights and interests

GUIDANCE:
SASB

UNIT OF MEASURE:
N/A

CODE:
EM-EP-210b.1

BAYSWATER RESPONSE:
Community outreach and local stakeholder relations is a foundational component of Bayswater's approach and operations. Our objective is to be a good corporate neighbor by responsibly developing oil and natural gas resources in a thoughtful and intentional way that mitigates the impact to the local communities near our operations. In the initial stages of each Bayswater project, our team goes beyond notification regulatory requirements and engages with local community stakeholders, including surface owners, nearby residents, community leaders, and local, county, and state officials. We aim is to build and foster transparent and honest communication with diverse local stakeholders through the duration of our operations to better understand and immediately address the questions, concerns, and needs of key stakeholders and the local community at-large.

Trust is a cornerstone of community and local stakeholder relations. By approaching community and stakeholder conversations with transparency and deference, we strive to build trust with local stakeholders through open and meaningful engagement. At Bayswater, we understand and respect that our industry depends upon a "social license to operate" from the communities near our operations. This social license is built on trust. In every action, Bayswater aims to reinforce the trust we have painstakingly built with local communities.

Colorado continues to lead the nation with the strictest regulatory standard for oil and natural gas production that prioritizes the protection of public health, safety, wildlife, and the environment. Bayswater meets or exceeds all local and state regulations in our Colorado operations, including those specific to notifying and mitigating risks to local communities near our operations. Further, despite having a less stringent regulatory environment, Bayswater is dedicated to incorporating the same high operational standards we utilize in Colorado to our Texas operations.

Since receiving approval of the first Oil & Gas Development Plan (OGDP) in Weld County issued by the Colorado Oil & Gas Conservation Commission (COGCC) under the new rules in 2021, Bayswater has successfully received two subsequent OGDP permits including plans to drill 56 wells. By working closely with the community, Bayswater was able to reduce the number of locations required to drill these wells and optimize the present and future surface use.

Finally, as aforementioned, Bayswater strives to be a good neighbor that has a positive impact on the communities where we operate. We seek out diverse opportunities to meaningfully engage with, support, and give back to local communities. As a proud and responsible oil and natural gas operator, Bayswater proactively engages in the local and state conversation about oil and natural gas production in the United States. This is of particular importance in our Colorado operations where Bayswater takes on several proactive approaches to inform Coloradans about energy and responsible oil and natural gas production. Particularly in Colorado, Bayswater has a seat at the table with industry leaders, trade associations, and Colorado's numerous elected officials, regulators, and interest groups to discuss critical energy policies and issues.

METRIC:

Number and duration of non-technical delays

GUIDANCE:

SASB

UNIT OF MEASURE:

Number, Days

CODE:

EM-EP-210b.2

BAYSWATER RESPONSE:

In 2022, Bayswater did not experience non-technical delays in planned operations due to protests in the state-level permitting process.

WORKFORCE HEALTH & SAFETY

METRIC:
(1) Total recordable incident rate (TRIR), (2) fatality rate, (3) near miss frequency rate (NMFR), and (4) average hours of health, safety, and emergency response training for (a) full-time employees, (b) contract employees, and (c) short-service employees

GUIDANCE:
SASB

UNIT OF MEASURE:
Rate, Hours (h)

CODE:
EM-EP-320a.1

BAYSWATER RESPONSE:

1. TRIR: Employees: 0.0; Contractors: 0.75
2. Fatality Rate: Employees: 0; Contractors: 0
3. NMFR: Employees: 0; Contractors: 0.56
4. Average hours of health, safety, and emergency response training for:
    A. Full-time employees: 24 hours/year, 2 hours per month
    B. Contract employees: Contract lease operators for Bayswater are included in monthly safety training.
    C. Short-service employees: New field employees receive initial safety orientation and introduction to basic emergency response procedures. New employees are included in monthly safety training.

METRIC:
Employee TRIR

GUIDANCE:
AXPC

UNIT OF MEASURE:
# of Employee OSHA Recordable Cases x 200,000 / Annual Employee Workhours

BAYSWATER RESPONSE:
For 2022, Bayswater had zero OSHA recordable incidents for its employees.

METRIC:
Contractor TRIR

GUIDANCE:
AXPC

UNIT OF MEASURE:
# of Contractor OSHA Recordable Cases x 200,000 / Annual Employee Workhours

BAYSWATER RESPONSE:
0.75

METRIC:
Combined TRIR

GUIDANCE:
AXPC

UNIT OF MEASURE:
# of Combined OSHA Recordable Cases x 200,000 / Annual Employee plus Contractor Workhours

BAYSWATER RESPONSE:
0.67

METRIC:
Discussion of management systems used to integrate a culture of safety throughout the exploration and production life cycle

GUIDANCE:
SASB

UNIT OF MEASURE:
N/A

CODE:
EM-EP-320a.2

BAYSWATER RESPONSE:
On every location and with every project, Bayswater's business model and company culture is built around the fundamental tenet of conducting our business without accident, with no harm to people, and with no damage to the environment. We adhere to the highest ethical standards, safety protocols, and environmental stewardship in our operations, while maintaining compliance with all local, state, and federal laws and regulations.

Bayswater's overall success and safety performance is dependent upon the behavior and actions of each employee and contractor. Our team—employees and contractors alike—is carefully selected and trained with each individual's skills and competencies regularly assessed. Both employees and contractors regularly engage in health, safety, and environmental meetings and trainings, ensuring knowledge and adoption of the current safety management procedures as well as adherence to all federal, state, and local rules and regulations.

Each Bayswater facility is regularly inspected by Bayswater employees and periodically by regulatory officials. All Bayswater facilities are operated and maintained to promote safe, healthy, secure, and environmentally sustainable performance.

SAFETY METRICS

Total recordable incident rate, or TRIR, is the standard metric to measure and track operational safety. While on Bayswater locations, our employees and contractors are required to report all accidents and injuries, which, in conjunction with manhours worked, determines TRIR. We use this metric to consistently monitor and improve the safety of our operations. To uphold a companywide culture of safety, Bayswater's TRIR is reviewed regularly by the executive team, all employees, and contractors.

CONTRACTOR MANAGEMENT

When it comes to safety, both Bayswater employees and contractors are expected to meet the same high standard. Bayswater understands that contractors, suppliers, and other business partners are key to our company's success and safety performance. Consequently, we diligently assess independent contractors' safety management systems prior to and during services being provided on our behalf.

Bayswater utilizes an internal Contractor Safety Management Program that enables us to select vendors with Environmental, Health and Safety (EHS) programs that are aligned with our safety culture and EHS values, along with ongoing monitoring of contractor performance. Since 2016, Bayswater has utilized ISNetworld (ISN) to monitor contractor performance through the collection, maintenance, and verification of contractor information. All Bayswater contractors must submit their safety and training programs, safety performance data, and proof of insurance for review. ISN then conducts an independent verification of the collected data, evaluating each contractor on the strength of their EHS management systems.

Bayswater selects independent contractors based on their performance against our benchmarks established within ISN. Each contractor must be approved by Bayswater representatives directly involved in the upcoming operations. We maintain a list of vetted, proven contractors that uphold and adhere to Bayswater's EHS values and, generally, only contractors from that list are selected to work on Bayswater operations. Every contractor is expected to comply with their respective EHS policies and programs, Bayswater's safety protocols and objectives, and all local, state, and federal regulations.

RESERVATION VALUATION & CAPITAL EXPENDITURES

METRIC:
Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for a price on carbon emissions

GUIDANCE:
SASB

UNIT OF MEASURE:
Million barrels (MMbbls), Million standard cubic feet (MMscf)

CODE:
EM-EP-420a.1

BAYSWATER RESPONSE:
0 MMbbl; 0 MMscf

When it comes to assessing the sensitivity of Bayswater's hydrocarbon reserve levels to future price projection scenarios specific to the price on carbon emissions, the most pertinent future development would be the advent of a federal tax on carbon emissions. Based on Bayswater's annual production of 16,337 MBOE in 2022 and the Scope 1 GHG emissions total of 352,747 t CO_2-e (as reported in EM-EP-110a.1), we determined that our Scope 1 GHG emissions per BOE was 0.0216 t CO_2-e. According to a Center on Global Energy Policy Analysis, projections for potential federal legislation requiring a carbon tax ranged between $20-$50 per ton of CO2-e. Cross-referencing this range with our Scope 1 GHG emission per BOE, we found that translates to a $0.43-$1.08 tax per BOE. This calculation suggests a reduction in profit margin per BOE of between 0.65–1.64% on a 2022 gross profit margin of 85.0% Bayswater management believes this reduction in gross margin to be relatively immaterial and would likely lead to, and be offset by, higher oil and natural gas prices for the end consumer. In conclusion, there is a high probability that a federal carbon tax would result in zero reserve loss for Bayswater, making our reserves not sensitive to future price projection scenarios accounting for a price on carbon emissions.

A notable development in 2022 was the historic passage of the Inflation Reduction Act (IRA) by the Biden administration. This monumental federal policy did not contain any language establishing penalties for oil and natural gas operators for greenhouse gas emissions, such as a carbon tax. Rather, the IRA included provisions that created or expanded tax credits to incentivize the use of low- or zero emission technologies. Therefore, we see no direct impact from the IRA specific to a price on carbon emissions.

METRIC:
Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves

GUIDANCE:
SASB

UNIT OF MEASURE:
Metric tons (t) CO_2-e

CODE:
EM-EP-420a.2

BAYSWATER RESPONSE:
115,929,452 t CO_2-e

METRIC:

Discussion of how price and demand for hydrocarbons and/or climate regulation influence the capital expenditure strategy for exploration, acquisition, and development of assets

GUIDANCE:

SASB

UNIT OF MEASURE:

N/A

CODE:

EM-EP-420a.4

BAYSWATER RESPONSE:

Even as a small, privately held operator, Bayswater is committed to responsible oil and natural development. With our assets located in the continental U.S., our operational strategy is focused on the richest resource plays, which generally combine the lowest breakeven costs, best development economics, and a competitive service sector. The central goal of Bayswater's business model is long-term profitability amidst market fluctuations and changing commodity prices. Bayswater is able to provide long-term value to stakeholders through executional excellence, the creation of strong, mutually advantageous business relationships, robust hedging programs, and the conservative use of debt.

Bayswater deploys capital against a "mid-cycle" view of commodity prices and associated capital and operating costs, generally sustaining a constant level of capital spending and organizational capability. Focused on staying in business for the long-term, our operational strategy and decisions incorporate the potential impact that local, state, and federal regulations may have on the current and future oil and natural gas market and business environment. As we have demonstrated in our 2022 Sustainability Report and the two reports prior, Bayswater has implemented real steps and is making significant progress to ensure our operations meet or exceed all regulatory mandates, while remaining efficient and sustainable for the long-term.

Despite the great differences between the regulatory environments in Colorado and Texas, Bayswater works to hold our operations to a consistently high standard, implementing advancements and improvements required by Colorado regulations across our entire operational footprint. Our focus is on being proactive and demonstrating our long-term commitment to responsible oil and natural gas development in the United States.

BUSINESS ETHICS & TRANSPARENCY

METRIC:
Percentage of (1) proved and (2) probable reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index

GUIDANCE:
SASB

UNIT OF MEASURE:
Percentage (%)

CODE:
EM-EP-510a.1

BAYSWATER RESPONSE:
0% as Bayswater operations are 100% on-shore U.S. focused.

METRIC:
Description of the management system for prevention of corruption and bribery throughout the value chain

GUIDANCE:
SASB

UNIT OF MEASURE:
N/A

CODE:
EM-EP-510a.2

BAYSWATER RESPONSE:
Bayswater's business model and company culture is founded on and committed to operating honestly and ethically. Therefore, corruption and bribery are counter to the foundational principles of our company. Our Compliance Manual and Code of Ethics is distributed to all employees and clearly outlines Bayswater values and expectations of employee conduct. Further, we provide employee training on appropriate employee behavior and expectations. All Bayswater employees are required to adhere to these ethical standards when conducting daily business. Beyond our employees, Bayswater also considers it important to work with partners and hire contractors that are similarly aligned with our company's ethics, values, and principles.

In 2016, Bayswater became a Registered Investment Advisor and is registered with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisers Act of 1940, as amended (the "Advisers Act"). As a Registered Investment Advisor, Bayswater is required to strictly adhere to and comply with all SEC guidelines. Bayswater works with an outside compliance consultant to implement and adhere to the directives and objectives required by the SEC and defined in the Bayswater Compliance Manual.

MANAGEMENT OF THE LEGAL & REGULATORY ENVIRONMENT

METRIC:
Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry

GUIDANCE:
SASB

UNIT OF MEASURE:
N/A

CODE:
EM-EP-530a.1

BAYSWATER RESPONSE:
Bayswater is a small, privately-owned operator, and many of our internal corporate roles overlap when it comes to understanding and making operational decisions related to government regulations, and environmental or social factors affecting the oil and natural gas industry. To support our internal team, Bayswater retains several consultant teams with expertise in government affairs, public relations, and/or regulatory compliance. Beyond this, Bayswater actively engages with industry peers, regulatory agencies, industry organizations, and trade associations to navigate regulatory, environmental, and social factors that could potentially impact the oil and natural gas industry in the states and communities where we operate.

At the federal level, Bayswater's memberships with American Petroleum Institute (API) and Western Energy Alliance enables the company to keep a finger on the pulse regarding federal energy policy. Both organizations closely monitor federal policy developments impacting the oil and natural gas industry. They also represent and defend the interests of Bayswater and other member organizations serving as a voice Bayswater in the federal legislative realm.

Since the passage of Senate Bill 181 in 2019, Colorado has undergone a comprehensive revamp of state oil and natural gas regulations. For Bayswater's Colorado operations, it is critical to stay informed of the rapidly changing regulatory environment. Bayswater actively participates in the local and statewide energy conversation through multiple and diverse avenues, including staying abreast of and engaging in discussions on key regulatory, environmental, and social factors that could impact industry. Bayswater is one of six members in Coloradans for Responsible Energy Development (CRED), a statewide educational program about the importance of responsible oil and natural gas production. Additionally, Bayswater is a member of the Colorado Oil and Gas Association (COGA), which keeps our company informed of proposed state legislation or regulatory changes that may impact the Colorado oil and natural gas industry. Further, Bayswater is engaged in the broader energy and business conversation in Colorado through our participation in Colorado Concern, an alliance of statewide executives committed to enhancing Colorado's business environment.

Specific to our Texas operations, Bayswater is a member of Texas Independent Producers and Royalty Owners Association (TIPRO), which keeps our company informed and engaged on key legislative and regulatory activity impacting the Texas industry environment in Texas.

CRITICAL INCIDENT RISK MANAGEMENT

METRIC:
Description of management systems used to identify and mitigate catastrophic and tail-end risks

GUIDANCE:
SASB

UNIT OF MEASURE:
N/A

CODE:
EM-EP-540a.2

BAYSWATER RESPONSE:
Bayswater's Health, Safety and Environment (HSE) Committee regularly conducts reviews and assessments of potential risk at each stage of our operations. That being said, we understand that emergencies happen, and a timely and appropriate response is critical. As such, Bayswater has developed and maintains a comprehensive approach to emergency preparedness.

Bayswater's emergency management approach consists of Emergency Plans, Tactical Response Plans, and Business Continuity Plans. Ultimately, our goal is to conduct operations without accidents, harm to people, or damage to the environment. The purpose of Bayswater's emergency management strategy is to ensure ample preparedness for both rapid and appropriate incident response, protecting all employees and contractors, the public, the environment and wildlife, and property.

Our emergency organizational and management approach at our owned and operated facilities is based on the Incident Command System (ICS) from the National Incident Management System (NIMS), which expands our ability to respond based on the incident size and/or complexity. Bayswater's emergency protocols have been established to ensure the Emergency Command Centers are established and appropriately staffed and provided the necessary support as soon as possible after the occurrence of an emergency.

Bayswater routinely reviews and updates company Emergency Plans, Tactical Response Plans, and Business Continuity Plans, which cover all stages of Bayswater operations in drilling, completions, and production. We share these plans and any updates with employees, contractors, and local first responders to maintain awareness of roles, responsibilities, and appropriate steps to take in the event of an emergency. Bayswater plans to conduct emergency response training on an annual basis with drills portraying specific scenarios of potential emergencies in routine oil and natural gas operations.

Specific to our operations in Colorado, Bayswater continues to be an active participant in the Colorado Preparedness and Response Network, which provides collaborative emergency response resources to local industry operators and first responders to enhance field emergency response capabilities. By participating in this network, first responders have an increased familiarity with Bayswater sites and operations, which allows for a more expeditious response in the event of an emergency.

ACTIVITY METRICS

TOPIC:
Production of: (1) oil, (2) natural gas, (3) synthetic oil, and (4) synthetic gas

GUIDANCE:
SASB

UNIT OF MEASURE:
Thousand barrels per day (MBbl/day); Million standard cubic feet per day (MMscf/day)

CODE:
EM-EP-000.A

BAYSWATER RESPONSE:
In 2022, Bayswater reported gross annual production of approximately:

1. Oil: 29.5 MBbl per day
2. Natural Gas: 88.7 MMscf per day
3. Synthetic oil: N/A
4. Synthetic gas: N/A

TOPIC:
Number of offshore sites

GUIDANCE:
SASB

UNIT OF MEASURE:
Number

CODE:
EM-EP-000.B

BAYSWATER RESPONSE:
Bayswater does not operate offshore.

TOPIC:
Number of terrestrial sites

GUIDANCE:
SASB

UNIT OF MEASURE:
Number

CODE:
EM-EP-000.C

BAYSWATER RESPONSE:
As of December 31, 2022, Bayswater had 450 terrestrial sites.

2022

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