



BAYSWATER



2023
SUSTAINABILITY
REPORT

2023

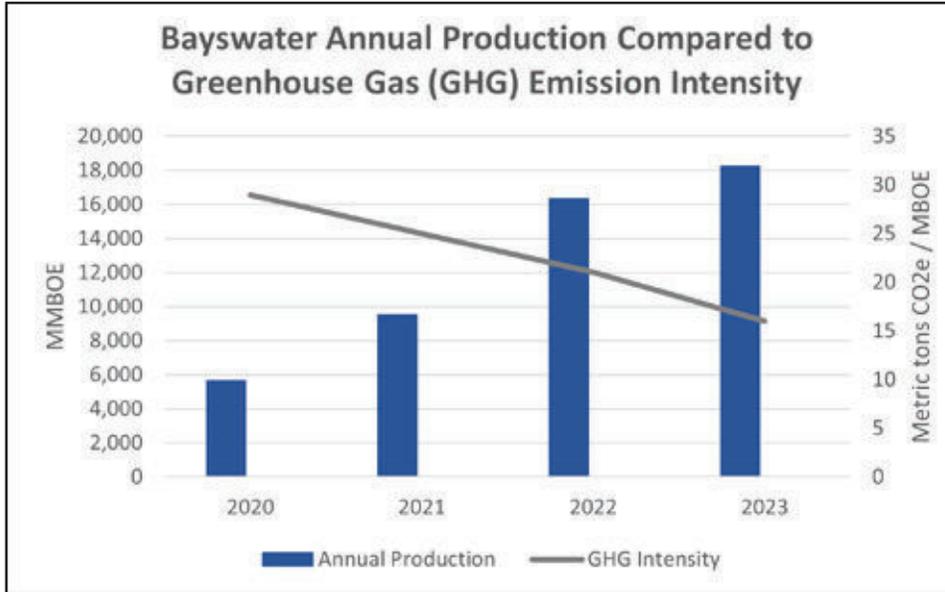




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2023 ESG Highlights



222%
increase in annual production from 2020 to 2023

44%
decrease in GHG intensity from 2020 to 2023

2023 Operational Quick Stats:

- 398 operated producing horizontal wellbores
- Annual production of 18,240 MMBOE
- Year-end exit rate of 51,532 MBOED
- \$759MM calendar year capital invested
- GHG intensity of 16.31 metric tons CO2e / MBOE
- 1.48 million field man hours worked
- 713 field full time equivalent employees & contractors

100% OF BAYSWATER EMPLOYEES ARE DIRECT OWNERS

65% OF BAYSWATER EMPLOYEES DIRECTLY INVEST

40%
of employees have been at Bayswater more than 5 years

5%
voluntary turnover rate in 2023

0.81
Combined TRIR with employees & contractors in 2023

2,000

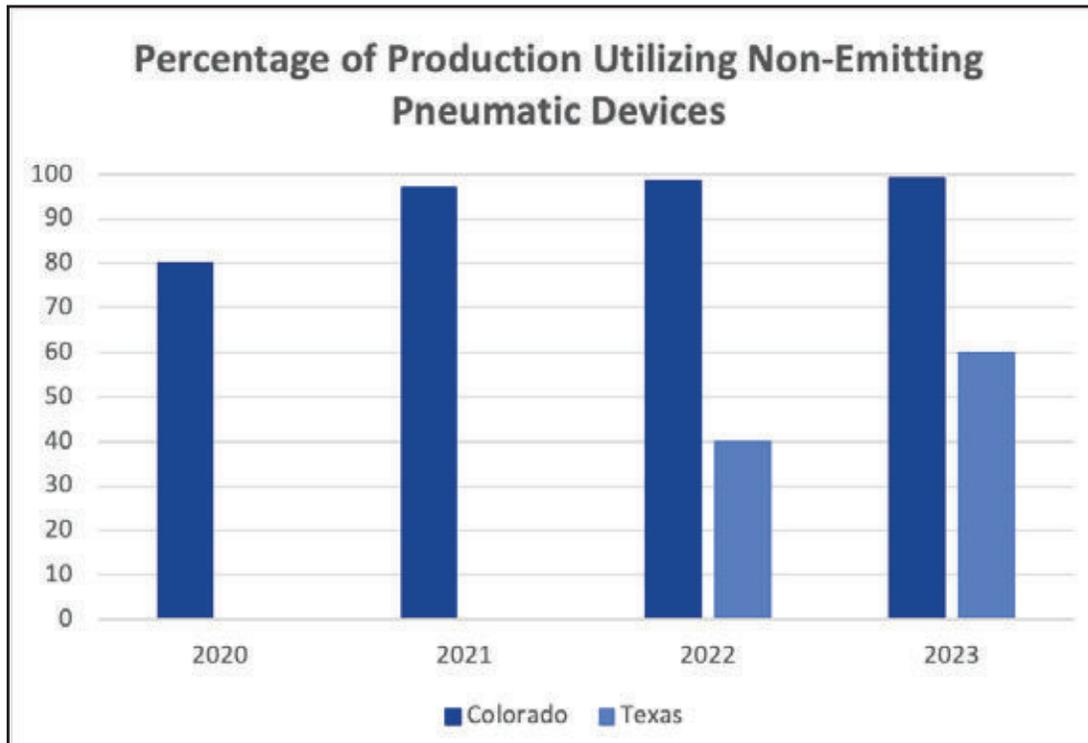
**AVO & LDAR
inspections
conducted in 2023**

75%

**leaks identified
and repaired
same day**

99.9%

**of daily Colorado production
covered by continuous
emission monitoring**



Bayswater was one of the first operators in the DJ Basin to commit to continuous emission monitoring.



146

**vertical wells
plugged & abandoned
since 2012**



225M

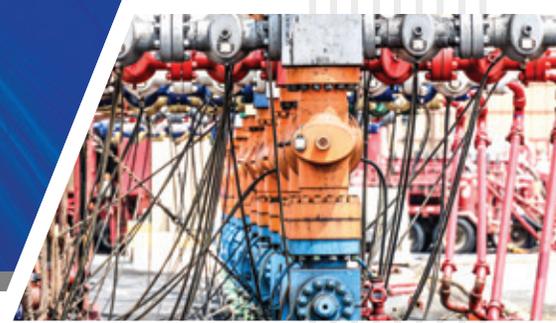
**gallons of water
recycled between
2020–2022**



246K

**truck trips
removed from CO &
TX roads in 2023**

Dear Stakeholders,



Bayswater is a proud participant in the U.S. shale oil and natural gas industry—providing the low-cost reliable energy that our nation and world desperately need. Thanks to the American shale revolution, our industry has reshaped the global political and economic landscapes by transforming the U.S. from being dependent on foreign crude oil imports to being energy independent in less than a decade, and now, the largest energy exporter in the world.

Figure 1 illustrates the dramatic impact the U.S. shale revolution—the combination of horizontal drilling and hydraulic fracturing of “source” rocks—has had on domestic U.S. oil production. In the last dozen years, U.S. oil production has increased more than 250% and the industry has shown incredible resiliency through two significant recent downturns (the 2014 oil price collapse and the 2020 COVID-19 pandemic). Most notably, 2023 production was over 13 million barrels per day for the last five months of the year, exceeding the pre-pandemic high.

Looking back at 2023 and ahead past 2024, there are a few critical macroeconomic themes that are driving the strength and performance of the U.S. shale oil and natural gas industry in this pivotal moment. First, consolidation of public Exploration & Production (E&P) companies has reshaped the industry and vastly improved the financial performance of the sector. Second, capital discipline—which emerged in 2018—is clearly here to stay as public and private companies focus on generating free

cash flow and returning profits to shareholders. Third, there is a growing realization and understanding that the world will continue to rely on oil and natural gas for decades to come and, with that awareness, a greater sobriety around the likely pace and ultimate endpoint of the “energy transition.” Fourth, Figure 1 shows that the shale revolution is very recent—only about 12 years old. It is a nascent industry that has made and will continue to make tremendous strides in technical innovation. The impact and implications of each of these themes on Bayswater and our business is described briefly below.

In recent years, there has been an incredible amount of consolidation of public E&P companies, in which the post-consolidation entity re-engineers business plans to optimize and maximize EBITDA multiples and free cash flow yield. This is achieved by reducing rig count, activity levels, and capital spend in favor of free cash flow accretion. This activity rationalization creates surplus capacity in the service sector, reduces drilling and completion costs, increases certainty of service availability, and often results in experienced professionals becoming available. Further, consolidated companies are often motivated to sell or farm-out their lower ranked or deferred drilling inventory, thereby creating acquisition opportunities for smaller operators like Bayswater.

The second macro theme impacting the industry is capital discipline. As early as 2018, Wall Street recognized that public E&P companies had a track record of capital (and value) destruction. As a result, the prevalent high debt financed reinvestment rates were cut in favor of shareholder returns through dividends and share repurchase plans. Reinvestment rate hit a low point in 2022 at roughly 30% of the pre-COVID reinvestment rate average of 150%. This trend impacted Private Equity (PE) players as well with private fundraising nearly drying up between 2020 and 2022 (as many traditional sponsors moved to Energy Transition funds), and rebounding in 2023 but still well below pre-COVID levels. This relative “capital starvation” improves service availability and costs, places

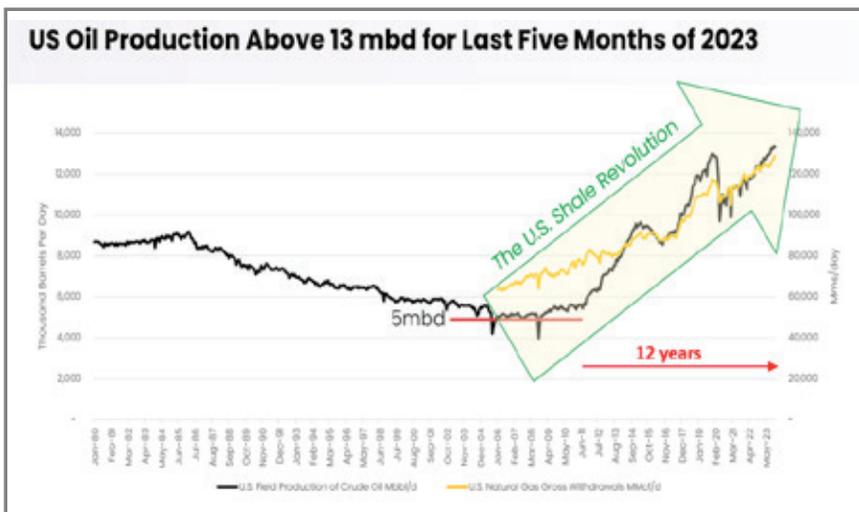


Figure 1: U.S. oil production from January 1980 to December 2023 (Source: EIA, February 2024 Monthly Data).

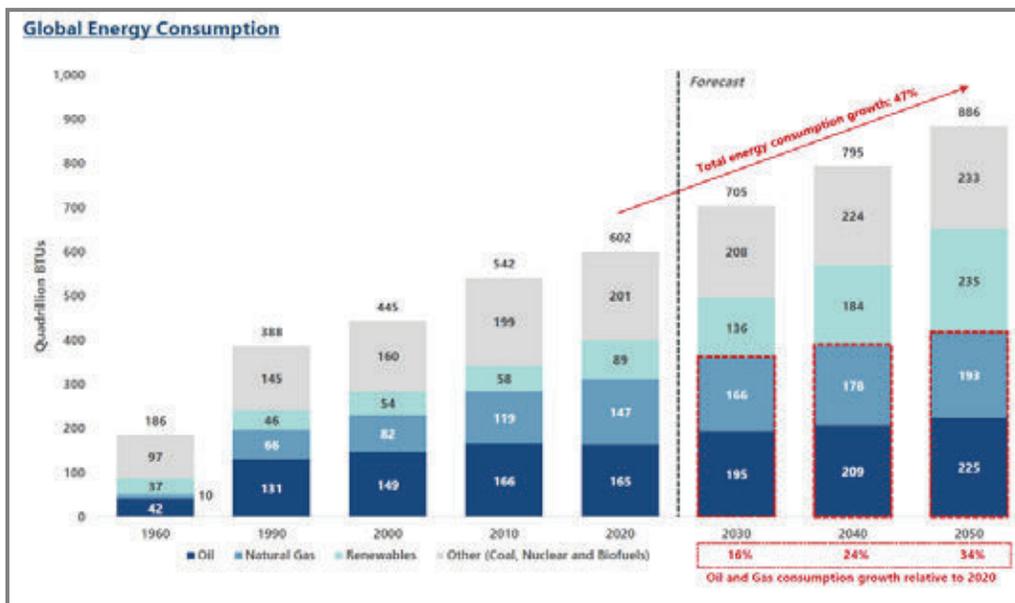


Figure 2: EIA international energy outlook (EIA, 2021; Raymond James).

deferred drilling inventory into the marketplace, and has shifted private equity focus to cash yield from producing assets. All of these dynamics create tailwinds for Bayswater’s drill-bit oriented strategy.

The third driving force influencing U.S. oil and natural gas production is the growing awareness that oil and natural gas resources will remain necessary for decades to come and the pace of any “energy transition” will be slower than people outside the industry have been expecting. The U.S. Energy Information Administration (EIA) periodically assesses current and forecasted supply and demand factors to create an outlook for energy demand by source. Figure 2 is a recent EIA projection of energy demand, which forecasts a 34% growth (from 2020 levels) in oil and natural gas demand over the next three decades. When this growth in demand is weighed against the natural inherent decline in current supply (a minimum of 10-15% annually), the amount of new reserves that must be brought online in the next 30 years to

meet that increasing demand is a gigantic challenge for the upstream oil and natural gas industry. The reality is that the United States and the world will continue to need tremendous quantities of oil and natural gas to power our modern way of life, and Bayswater and our peers in the U.S. industry must rise to meet that demand or it will be met by foreign and less environmentally and socially responsible producers.

Finally, the modern U.S. shale oil and natural gas industry is still in its infancy. The shale revolution began only 12 years ago, which is a relatively short amount of time considering how dramatically shale technology and techniques have advanced to more efficiently produce oil and natural gas from shale reserves. This is still a nascent industry that has evolved greatly in the last 12 years and is poised to continue on that pioneering trajectory. To demonstrate this trajectory and progress within the industry, Figure 3 summarizes key highlights and technological innovations in Bayswater’s Colorado operations from 2014 to 2023.

Bayswater DJ Basin Experience		
Phase	2014	2023
Drilling	1 mile laterals Two casing strings Water based muds 15 day drilling times, 800 ft/day 28 – 32 wells / mile	2 mile laterals Monobore – single string Oil based muds 6 day drilling times, 2,800 ft/day 12 – 16 wells / mile
Completion	Sleeve and packer 10 stages / mile Gel fluid 10 – 15 Bbls/ft Sequential stages per well	Plug and perf 25 – 30 stages / mile Slick water 50+ Bbls/ft Multi well zipper
EUR⁽¹⁾	64 MBOE / well 13.9 BOE/ft	411 MBOE / well 42.8 BOE/ft
⁽¹⁾ compares the one mile Waag pad to the two mile East Ault pad		

Figure 3: A comparison of key operational changes and technological innovations in Bayswater’s Colorado operations from 2014 to 2023.

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 20 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 Denver-Julesburg (DJ) Basins, and we enjoy great relationships with a number of blue-chip financial partners.

Bayswater has experienced significant growth in the past four years. Our level of capital spend and the field man hours worked in 2023 reflect the highest levels of activity in Bayswater's history.

Bayswater has experienced significant growth in the past four years. Showcased in Figure 4, our level of capital spend and the field man hours worked in 2023 reflect the highest levels of activity in Bayswater's history.



Key Operating Metrics	2020	2021	2022	2023
Operated Producing Horizontal Wellbores	151	241	310	398
Annual Production, MMBOE	5,661	9,533	16,336	18,240
Year End Exit Rate, MBOED	23,861	55,798	56,400	51,532
Calendar Year Capital Invested \$MM	\$178	\$390	\$705	\$759
Green House Gas Intensity, Tons CO ² E / MBOE	29.37	25.40	20.84	16.31
Field Man Hours Worked	550,000	980,000	1,193,432	1,481,560
Field Full Time Equivalent Employees & Contractors	264	471	574	712

Figure 4: Key operational metrics highlighting Bayswater's performance and growth from 2020 - 2023.

In this report, the fourth of its kind, we relay progress on implementing Bayswater's "Green Operating Agenda" that we first internally outlined as a company in 2018, and publicly introduced in our 2021 Sustainability Report. We also report on key activities implemented and the near-term next steps in attaining our long-term "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 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 2023 Sustainability Report. More importantly, thank you for being a valued stakeholder and partner in our business and this great industry. I welcome any 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. We are currently deploying capital in the Bayswater Natural Resources Funds III and IV.



Our Team

The Bayswater executive team has nearly 300 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

Maximizing 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.

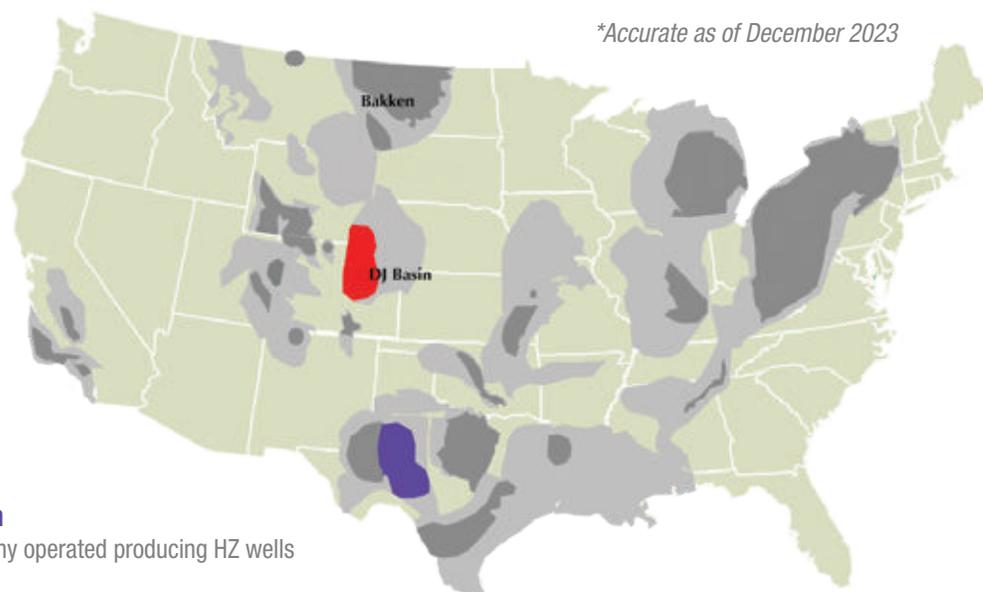
BAYSWATER OPERATIONS

DJ Basin Wattenberg

- 301 company operated producing HZ wells
- 39 DUCs
- Q4 2023 average net 27,900 BOE/D

Midland Basin

- 95 company operated producing HZ wells
- 24 DUCs
- Q4 2023 average net 15,500 BOE/D



VALUES & BELIEFS

- We are always honest, ethical, and open in our dealings with others.
- We are in business for the long-term—maximizing the value of our company through executional excellence and by forging strong mutually advantageous business relationships.
- We value a small company entrepreneurial culture, equity ownership, a flat organization, rewarding success, and multidisciplinary teamwork.
- We value our employees, our network of contractors and partners, and having a safe, relaxed, positive, and fun work environment.
- We value debate, diversity of opinion, and broad participation in business decisions.
- We conduct our work without accident, harm to people, or damage to the environment. We meet or exceed all regulatory requirements.
- We aim to be leaders in demonstrating that oil and natural gas production and the stewardship of a pristine, sustainable environment are not mutually exclusive. On every project, we operate with the end goal that both can be achieved.
- Affordable energy is vital for our country. We are proud participants in the American energy industry.
- We value the “social license to operate.” We work to gain the trust of the communities in our operating areas and ensure that our daily actions always reinforce this trust.
- We encourage and assist young people to pursue careers in the oil and natural gas industry and operate in a way that builds a competitive and sustainable future for Bayswater and the industry.

Bayswater strives to be a leader in the industry, which we continue to demonstrate in the latest installment of our annual Sustainability Reports. We pledge our 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.

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.



ENVIRONMENT

Environment



Introduction

Bayswater operates under the principle that responsible oil and natural gas production and environmental stewardship are equally vital and mutually achievable. In every aspect of our operations, Bayswater works to improve the efficiency and responsibility of our operations to develop American oil and natural gas resources in a sustainable way that safeguards the public, health, wildlife, and the environment. Bayswater is committed to demonstrating consistent, tangible progress on our ESG performance year-over-year.

The operational standard for responsible energy production continues to improve as the industry implements new technologies and innovative solutions that further reduce the environmental footprint of energy production by mitigating impacts to air, land, water, and communities. At Bayswater, we and our peers in the American oil and natural gas industry are tasked with effecting a future of more sustainable energy production. Bayswater's *Green Operating Agenda* provides an evolving roadmap outlining our future ESG goals in the months and years ahead, while our annual Sustainability Reports details the ESG progress we achieved in the previous year. In the following Environment section, we highlight the progress made in 2023 and provide updates on the status of projects, all of which will improve our overall sustainability and mitigate impacts to surrounding air, land, and water resources.

GREEN OPERATING AGENDA

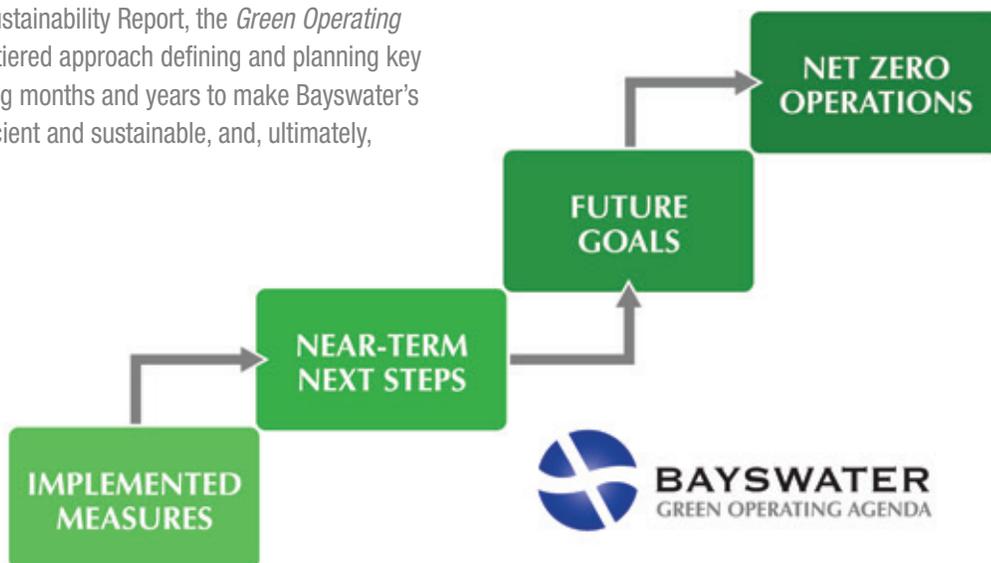
Predating our first Sustainability Report, the *Green Operating Agenda* is our three-tiered approach defining and planning key updates in the coming months and years to make Bayswater's operations more efficient and sustainable, and, ultimately,

Net Zero for both Scope 1 and 2 emissions. Further, our *Green Operating Agenda* serves as a social contract between Bayswater and our diverse stakeholders that defines our commitments to actionable ESG goals in the short- and long-term.

With the American oil and natural gas industry innovating quickly, the *Green Operating Agenda* is intentionally designed to adapt to the ever-advancing standard of sustainable oil and natural gas operations. It is a comprehensive, strategically-focused approach broken down into three tiers—**Implemented Measures, Near-Term Next Steps, and Future Goals**—which are each comprised of four important categories:

- Air
- Land
- Water
- Community Impact

Our *Green Operating Agenda* began as an internal plan and companywide commitment to operating conscientiously and responsibly. Since 2021, we made the decision to include the *Green Operating Agenda* in each of our Sustainability Reports to transparently assess and measure our progress towards our environmental goals, including the Net Zero aspiration for Scope 1 and 2 emissions. Our *Green Operating Agenda* outlines our path forward in actionable steps and allows our team and stakeholders to monitor progress on our environmental objectives. Key progress in each of the four categories is shown in the remainder of this report.





Given our long-term goal of Net Zero for Scope 1 and Scope 2 emissions, a critical focus in our *Green Operating Agenda* is greenhouse gas emission reduction and improved air quality. As mentioned in our previous Sustainability Reports, 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.

We employ extensive, multi-faceted efforts to closely monitor, report, and address greenhouse gas emissions during drilling, completions, and production. Using the latest technologies, our team is continually working to update and refine our approach to reduce, eliminate, or offset operational emissions. Bayswater made significant progress in our emission reduction efforts in 2023 and continues to get closer to our ultimate operational goal of Net Zero Scope 1 and 2 emissions.

Overview of Recent Progress

Our notable 2020, 2021, and 2022 achievements in emission reductions include the following:

- Expansion of our continuous emissions monitoring program in Colorado with the growth of the Project Canary partnership to a total of 95 devices (monitoring for both methane and VOCs) that cover 99.5% of daily production volumes.
- Pilot testing of a new continuous emission monitoring technology in the DJ Basin—an advanced laser system to precisely monitor and detect methane-specific greenhouse gas molecules up to a 2.5-mile radius from the installation.
- Pilot testing 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 for on-site power on all Bayswater production sites in 2021.
- Transition away from diesel-powered and natural gas-powered engines to electric engines and an increased reliance on grid power when accessible.

- Usage of EPA Tier 4 diesel engines and dual-fuel engines—more efficient and cleaner than traditional diesel-powered engines—when feasible and when diesel power is unavoidable.
- Installation of automatic tank level gauges across our operations to eliminate the need to manually open storage tanks to measure the remaining product, keeping any potential emissions inside each tank.
- Continued expansion of our usage of lockdown thief hatches, which reduces released emissions by minimizing the need to open thief hatches.
- Expanded installation of instrument air-powered pneumatic controllers on newly constructed and legacy production sites, resulting in 98.5% of Colorado production and 40% of Texas production being covered by pneumatic controllers that do not emit methane.
- Expansion of the vapor capture program in both Colorado and Texas—including the continued deployment of the EcoVapor vapor recovery system on five new Colorado production sites in 2022—allowing the full capture of low-pressure storage tank vapors and a 90% reduction in VOC emissions from our storage tanks.
- Increased installation of compressor engine maintenance gas capture controls on Colorado production sites, resulting in a 95% reduction in methane and VOC emissions during routine maintenance or shutdown of large compressors.
- Elimination of nearly 270,000 truck trips in Colorado and Texas between 2020 and 2022 by transitioning to pipelines when feasible for oil and water transport.

The vast majority of these activities in 2020–2022 have been incorporated into Bayswater’s BMPs as company-wide operational standards. In 2023, we continued to utilize, refine, and add onto these efforts by realizing some new key achievements in our emission reductions program, which we will highlight below. Bayswater is pleased with the emissions reduction progress made in recent years, but not satisfied; we are always striving for further improvement.

Bayswater was one of the first operators to commit to continuous emission monitoring in the DJ Basin.



Figure 5: A Project Canary monitoring device located on one of Bayswater's Colorado production sites.

2023 Overview & Highlights

EMISSIONS MONITORING

The first step towards Net Zero in Scope 1 and Scope 2 greenhouse emissions is refining our ability to continuously monitor emissions and pinpoint the source in an emission event. Bayswater deploys multi-faceted technologies and practices to ensure we are closely monitoring emissions at each location. The primary method for emission monitoring and detection is human inspection. Bayswater relies on several different types of periodic human inspections to check for emissions on all sites, including:

- Audio, Visual, Olfactory (AVO)
- Infrared (AIMM)
- Leak Detection and Repair (LDAR)
- Volatile organic compound (VOC) site monitoring

In 2023, Bayswater employees and contractors spent a total of 2,500 hours conducting these human inspections to ensure equipment functionality, identify and address leaks, minimize emissions, and keep all hydrocarbons contained. Specifically, 2,000 AVO and LDAR inspections were conducted in 2023 and 75% of leaks identified were repaired the same day. To complement human inspections and enhance monitoring

efforts, Bayswater stays current with continuous emission monitoring technologies in the industry and has deployed several key technologies in recent years.

Bayswater was one of the first operators to commit to continuous emission monitoring in the DJ Basin. Featured in our three previous reports, our first action was the deployment of Project Canary's prototype monitoring device—designed to monitor VOCs and fine particulate matter—at locations encompassing approximately 99% of our DJ production. Since then, we have expanded our partnership with Project Canary, employing new models that monitor for methane and VOCs. As of 2023, there were 96 Project Canary devices and 12 similar monitoring devices installed at our locations in the DJ Basin, together covering 99.9% of our daily production.

99.5%
*of Colorado production covered by
continuous emissions monitoring*

A recent focus has been improving the precision of pinpointing and reducing methane emissions. In 2022, we partnered with LongPath Technologies, a Colorado-based company, to pilot test their advanced laser system in the DJ Basin. 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 from installation. The LongPath data is displayed on a dashboard accessible to all Bayswater employees, providing real-time alerts when methane emission events are detected. These alerts contain detailed measurements on the detected methane molecules, allowing rapid issue resolution. Due to its success, LongPath has become a central component in our emission reduction program in the DJ Basin. By the end of 2023, we had 24 Colorado sites covered by LongPath technology—a 200% increase from the 2022 pilot—and we have plans to



Figure 6: A LongPath sensor located on a Bayswater production site in the DJ Basin.

expand our partnership with LongPath. Continuous emission monitoring requires comprehensive practices and technologies; our plan is to research and test new methods and technologies to improve monitoring, detection, and quantification.



Figure 7: 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 from installation.



Figure 8: An example of Bayswater utilizing solar arrays to help power wellheads on a Colorado production site.

ON-SITE POWER

Every stage of oil and natural gas development—drilling, completions, and production—requires a large and consistent supply of power on location. In recent years, Bayswater has worked to apply low-emission, cost-effective technologies to our engines and equipment. Specifically focused on reducing Scope 1 emissions for on-site power needs, Bayswater has made significant progress transitioning away from diesel power to natural gas and electricity where feasible. Power generation solutions are very site-specific and require thoughtful planning for each location to ensure cost-efficient and reliable power.

In 2021, we reached a significant milestone by eliminating the use of diesel generators for on-site power on all Bayswater production sites. While an important step, the use of diesel power in standard industry practices—namely drilling and completion activities—remains unavoidable. When diesel power is needed, however, we limit air emissions by utilizing EPA Tier 4 diesel engines and dual-fuel engines when feasible. These are more efficient and cleaner than traditional diesel-powered engines.

To reduce greenhouse gas emissions, we have worked to tap into the electric grid when feasible. The ability to rely on grid power is very site-specific as our location has to be close enough to existing grid infrastructure to allow affordable access. Further, the grid is not always able to supply reliable power in the very large quantities needed for drilling, completions or production. In 2023, some Bayswater locations—in both Colorado and Texas—were close enough to developed infrastructure that access to the electric grid was possible. Even when grid power is accessible, it is vital that our on-site power strategies remain flexible and able to shift from grid power to back-up generator power should the grid go down or not be able to supply the amount of power required. In Colorado, grid power has not always been available at the levels needed for

our operations, but as of 2023 and looking ahead, it is becoming increasingly accessible with the expansion of the electric grid by Colorado utilities. Bayswater is working closely with Colorado power providers to proactively communicate upcoming power needs for scheduled operations to allow for the necessary preparation time. In Texas, we are working towards increasing our usage of grid power and removing generator power as our primary on-site power solution.

Bayswater has made considerable progress towards site electrification in recent years, which lessens on-site Scope 1 emissions. It is important to note that increasing usage of grid power will inevitably increase Scope 2 emissions. Therefore, in 2023, we began tracking our Scope 2 emissions to implement strategies and activities to help offset these emissions. An example of another way Bayswater works to reduce on-site emissions is the solar panels located on some Bayswater wellheads in Figure 8.

As discussed in Future Goals of the *Green Operating Agenda* for on-site power, our ultimate objective is to utilize grid power or microgrid power for all engines used in drilling, completion, and production activities. Grid power continues to be a limited resource in Weld County, Colorado and Howard County, Texas due to the power supply restraints of the existing infrastructure. That outlook is shifting as Colorado and Texas utilities invest in expanding the grid's infrastructure and capacity. Some operations (such as completions) will likely never be able to use grid power due to extreme power requirements. However, micro grids and natural gas turbine generators are viable near-term solutions that mitigate on-site emissions. Bayswater plans to continue evaluating Scope 1 and 2 emissions specific to on-site power and incorporating innovative solutions to better monitor, target, reduce, offset, or eliminate those emissions.

ZERO VENTING & EMISSION REDUCTIONS

As outlined in previous Sustainability Reports and our *Green Operating Agenda*, production sites are a priority for emission reduction efforts as there is significant long-term impact given the longevity of production operations. Bayswater has in recent years, tested existing and new technologies to reduce or remove these emissions. In our three previous Sustainability Reports, we featured the following highlights that significantly reduced emissions from storage tanks on Bayswater production sites:

1. Implementation of automatic tank level gauges that eliminate the need to manually open tanks, trapping any potential emissions inside the tank.
2. Expansion of lockdown thief hatches that reduce released emissions from storage tanks by minimizing the need to open thief hatches.

Bayswater continues to explore and implement innovative solutions to mitigate emissions from production site equipment. These solutions must be specifically suited to the unique requirements and challenges of each site. In 2023, we overcame two significant challenges—one in Texas and one in Colorado—to make significant strides toward our emission reduction goals.

Sour Gas Production & Reduction in Flaring

One of the most impactful accomplishments in Texas has been the infrastructure built to treat produced sour gas and eliminate the need for routine flaring. In June 2023, we completed the construction of a sour gas gathering, treatment, and sequestration facility called the Mongoose Gas Plant. The plant is run by Tejon Treating and Carbon Solutions (Tejon), a wholly owned subsidiary of Bayswater founded in 2023, providing service to Bayswater and other operators. Most natural gas in West Texas is “sour gas,” meaning it contains a significant amount of chemical contaminants that make it technically challenging and expensive to develop. Traditionally, operators treat sour gas as a waste byproduct that is not economically viable to bring to market and they flare it off during crude production, resulting in high rates of flaring and methane emissions.

Bayswater saw opportunity in West Texas’ sour gas reserves and was determined to find a way to responsibly develop, treat, and commercially produce sour gas in these Permian Basin assets. We invested considerable time and resources into the construction of the Mongoose Gas Plant, the first of its kind in the region. Completed and operational as of June 2023, this new facility treats 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. Upon the completion of the facility and transportation infrastructure, Bayswater began piping all wellhead gas, including captured vapor recovery unit (VRU) gas, from our Permian Basin assets to the plant to be treated and sold. The plant accomplishes two key things:

1. Transforms “sour” natural gas from a wasted byproduct into a marketable product.
2. Significantly reduces greenhouse gas emissions from our Permian production by eliminating the need for flaring of produced sour gas.

In 2023, we submitted plans to the U.S. Environmental Protection Agency (EPA) to begin carbon sequestration activities at the facility. Ultimately, the Mongoose Gas Plant could play a critical role in not only eliminating methane emissions but offsetting carbon emissions in our operations and in the region. We are awaiting EPA approval on our sequestration plan with an anticipated start date in 2025.



Figure 9: A Bayswater employee showcasing the instrument air pneumatic devices on a Colorado production site.

Pneumatic Devices

In our last several Sustainability Reports, we have highlighted an ongoing success story in Bayswater’s emissions mitigation program with the expanded installation of instrument air-powered pneumatic devices across our operational footprint. These have replaced the previously standard natural gas-powered pneumatic devices, which were a consistent source of methane emissions. Bayswater began deploying instrument air pneumatic devices on new construction sites in Colorado in 2020, and as of 2023, 99% of our Colorado production utilizes non-emitting pneumatic devices. Following Colorado’s success, we began deploying these same devices onto new construction in Texas in 2021, and as of 2023, Bayswater had 60% of our Texas production covered by non-emitting pneumatic devices, a significant increase from the 40% covered in 2022.

99% of Colorado production utilized non-emitting pneumatic devices

While we had success with instrument air pneumatic devices on many of our DJ and Permian production locations, they proved not to be suitable options on remote locations with on-site power challenges, so we searched for an alternative solution. In late 2023, Bayswater partnered with Kathairos Solutions and was the first operator in the DJ Basin to deploy their innovative nitrogen-powered pneumatic devices on two of our remote DJ production sites. Requiring zero on-site power, the Kathairos system uses nitrogen to power pneumatic devices rather than natural gas. By utilizing nitrogen—a non-polluting, non-flammable, and non-corrosive gas that comprises 78% of the air we breathe—the technology eliminates a consistent source of methane emissions on our remote production sites. With a successful pilot on our two DJ locations, Bayswater has plans to expand our partnership with Kathairos and install their nitrogen-powered pneumatic devices on any remote locations where instrument air pneumatic devices are not viable.

Storage Tank Vapor Capture Technology

As with replacing natural gas-powered pneumatic devices, Bayswater's emission mitigation program has been identifying and targeting additional long-term sources of emissions on production facilities. One such source comes from naturally occurring vapors produced by hydrocarbons while they are housed in storage tanks on location. These vapors cannot be left to build pressure inside the storage tank, and for safety reasons must be released. The traditional industry practice has been to combust or flare storage tank vapors, which results in greenhouse gas emissions. In recent years, Bayswater has been testing pioneering technologies to capture these storage tank vapors and avoid the need for combustion or flaring.

After successful pilot tests in both Colorado and Texas, Bayswater has been expanding the implementation of VRUs on production sites. This technology captures the low-pressure tank vapors from production storage tanks, removes the oxygen from the vapor stream, and compresses the remaining vapors into a marketable natural gas product that is then piped off location to be sold. With more VRUs on our production sites, Bayswater is increasingly capturing and compressing vapors that have traditionally been a waste stream and turning them into a sellable product, thus reducing a significant source of emissions and increasing profit margins. On production sites with VRUs installed, Bayswater has measured more than a 90% reduction in VOC emissions from our storage tanks.

Compressor Engine Maintenance Gas Capture Controls

Another consistent source of production emissions occurs during the routine maintenance or shutdown of large compressors. When a compressor is taken offline, standard industry procedure is to vent any natural gas trapped within the compressor.

In 2021, Bayswater deployed compressor engine maintenance release controls in our production facility design to isolate and significantly reduce these emission events. During routine procedures when compressors are taken offline, these controls capture the natural gas trapped within the compressor and associated piping and re-route it back into the production facility to be sold. On our production sites with these controls, Bayswater has measured a 95% reduction in methane and VOC emissions from these events, which benefits both by reducing emissions and generating more gas sales.

In 2023, we expanded the installation of these controls on new construction and legacy sites in the DJ Basin, and eventually all Bayswater locations will have these devices.





246,000

TRUCKS REMOVED FROM CO & TX ROADS IN 2023

Reduction of Truck Traffic

Bayswater continues to utilize pipeline infrastructure for transport whenever feasible to significantly reduce, and in some cases eliminate, the need for truck transport of oil and water resources. Increased reliance on pipelines improves the efficiency and sustainability of operations by:

1. Allowing for more rapid transport of oil and produced water in larger quantities.
2. Eliminating the tailpipe emissions from trucks
3. Reducing the opportunity for spills during standard truck loading operations.
4. Removing the visual and auditory impacts to our immediate neighbors of trucks traveling on and off site.

Through Bayswater’s increased usage of pipelines between 2020–2022, we removed a combined total of nearly 270,000 truck trips—along with the accompanying tailpipe emissions—from Colorado and Texas roads. In 2023, we significantly increased our utilization of permanent or temporary pipelines for transport, particularly with the completion of our produced water pipeline infrastructure in both Colorado and Texas. Overall, Bayswater piped over 9.6 million barrels of oil and almost 27 million barrels of water across our operations, resulting in the elimination of approximately 51,900 and 194,100 truck trips from Colorado and Texas roads, respectively.



BAYSWATER

MARTIN GONZALEZ Production Lead Operator



Bayswater Tenure: 3 Years

What do you appreciate most about working at Bayswater?

Bayswater is a positive and inclusive company that fosters collaboration, innovation, and employee wellbeing. Working with a company that has a clear mission and strong ethical values is very important to me.

What are you most excited about for the future of Bayswater?

To be a part a company that will make a positive impact in this industry.

How has Bayswater supported your involvement in community initiatives or volunteering efforts?

Bayswater has a volunteer match program that my family and I have been able to utilize in our town of Lamesa, TX. We volunteer at the school Food Pantry and have been able to purchase a freezer with the funds from program, to hold delivered goods until we can open to the families of students who are in need. This wouldn't have been possible without the Bayswater Volunteer Match Program.



At Bayswater, we operate under the guiding principle that responsible oil and natural gas development and environmental stewardship are mutually attainable. We can and must have both. In conducting our business, we prioritize being a responsible steward of the land, while ensuring we do everything in our power to be a good neighbor to nearby surface owners and the local community.

The Bayswater team is passionate about the job we do and the product we provide: affordable, reliable American energy. We are just as passionate about the outdoors and protecting the environment. In 2023, Bayswater continued to refine our land management practices and strategies to minimize our cumulative impact and protect public health, wildlife, and the environment.

Overview of Recent Progress

In our three previous Sustainability Reports, we highlighted many of our land management BMPs—both permanent operational protocols at Bayswater and recently incorporated standards to meet or exceed the changing regulatory landscape. The ever-evolving BMPs include but are 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 disseminated to the operations team in the rare event of a spill on location.
- Responsible disposal of produced water and cuttings at permitted local waste management facilities.
- Optimization of production equipment and site design to maximize efficiency and significantly reduce the surface footprint for long-term production.
- Implementation of interim and final reclamation practices, including the pilot testing of native topsoil storage on eight Colorado locations in 2021 and 2022.
- Completion of plugging and abandonment on 22 vertical wells in 2020, 26 wells in 2021, and 20 wells in 2022.

In 2023, we continued to utilize, refine, and expand these land management BMPs. The ultimate objective is to sustainably develop oil and natural gas resources in a way that minimizes our impact on the surrounding environment and returns the location to the original state when we complete operations.

2023 Overview & Highlights

MINIMIZING PRODUCTION INFRASTRUCTURE & SURFACE FOOTPRINT

A recent focus in our land management activities has been to update and improve the design of production sites to maximize the efficient utilization of the surface area, and minimize long-term production infrastructure. Bayswater carefully designs each production site to accommodate and work with the surrounding natural landscape through the 15- to 25-year lifetime of a well.

SURGE VESSELS

In 2023, at two of our Colorado locations, Bayswater incorporated the utilization of surge vessels, a pressurized vessel that regulates fluid pressure and maintains system stability to allow for oil and water to be delivered directly into the pipeline. This new system allows Bayswater to significantly reduce the number of above-ground storage tanks required on location, which reduces the active surface footprint of production equipment. With the utilization of surge vessels, Bayswater can reduce the amount of oil and water production requiring on-site above-ground storage tanks by roughly 90–95%.

Other positive impacts from surge vessel usage include:

- Significant reduction for the opportunity for production emissions with:
 - The elimination of storage equipment and subsequent storage tank vapors.
 - Overall decrease in the amount of flash vapor burned on location.
- Reduction in spill potential due to less product being stored on location.

The successful implementation of these surge vessels has encouraged plans to expand this technology and incorporate surge vessels into our new construction sites and retrofits in Colorado.

INTERIM & FINAL RECLAMATION

Reclamation is a key component in our land management program and ongoing efforts to reduce and eventually eliminate our surface footprint. We strive to meet or exceed all regulatory standards for interim and final reclamation to mitigate the impacts of our surface footprint during active production and after.

Given Colorado's nation-leading regulatory standard for reclamation, Bayswater conducts interim reclamation as soon as a new pad begins production, given sufficient pad surface area. The interim reclamation process is intended to significantly reduce the total surface footprint of the pad from the larger working area required during drilling and completions to focus on the smaller footprint needed for long-term production. Working in close coordination with the surface owner on location, Bayswater conducts interim reclamation by restoring topsoil and planting native vegetation in some of the surface area disturbed during drilling and completion (that is not needed for long-term production).

In the last several years, the Bayswater team has been exploring ways to enhance the effectiveness of our reclamation practices and has had success in the separation and storage of native topsoil. Starting in 2021 on a few Colorado locations, we tested separating the native topsoil from the disturbed surface area when preparing the site for drilling and securely storing the topsoil to be later used during both interim and final reclamation.

Historically, operators do not save the native topsoil during site preparations and additional topsoil is acquired and used for reclamation. However, the utilization of native topsoil and plants increases the chances of a successful reclamation process, while also preserving the site and returning it to its original state once oil and natural gas operations are complete. By incorporating specially engineered grading and drainage stockpiles into Bayswater's production pad designs, we can securely store and seed the native topsoil, protecting it from erosion and maintaining a healthy

microbial community, optimizing it for future reclamation use. Beyond increasing the effectiveness of reclamation practices, the conservation of the native topsoil has other environmental benefits, including:

- Promoting a more natural flow of stormwater around the pads.
- Eliminating the need to purchase and truck the topsoil required for final reclamation.

We continued our topsoil conservation program in 2023, commencing initial conservation and storage activities on the single new Colorado location constructed.

PLUGGING & ABANDONMENT

With a shift in the industry and our own operations towards larger, multi-well horizontal pads, Bayswater has prioritized the responsible closure (traditionally referred to in the industry as "plug and abandon" or P&A) of the vertical wells in our asset portfolio. With a total of 76 vertical wells plugged and abandoned since 2020, Bayswater has nearly reached our goal of successfully plugging and abandoning all the vertical wells in our operated acreage.

To responsibly and permanently close a well after its operational lifespan, the P&A process involves the strategic placement of cement plugs along the length of the wellbore with a final cement plug at the surface. After placement, all cement plugs are rigorously tested to ensure compliance with all regulatory standards and the ability to provide long-term protection for soil and aquifers. In 2023, Bayswater plugged and abandoned six vertical wells in the DJ Basin. This 2023 P&A total is significantly smaller than in previous years due to a dwindling number of vertical wells remaining in our inventory.

76 VERTICAL WELLS PLUGGED & ABANDONED SINCE 2020

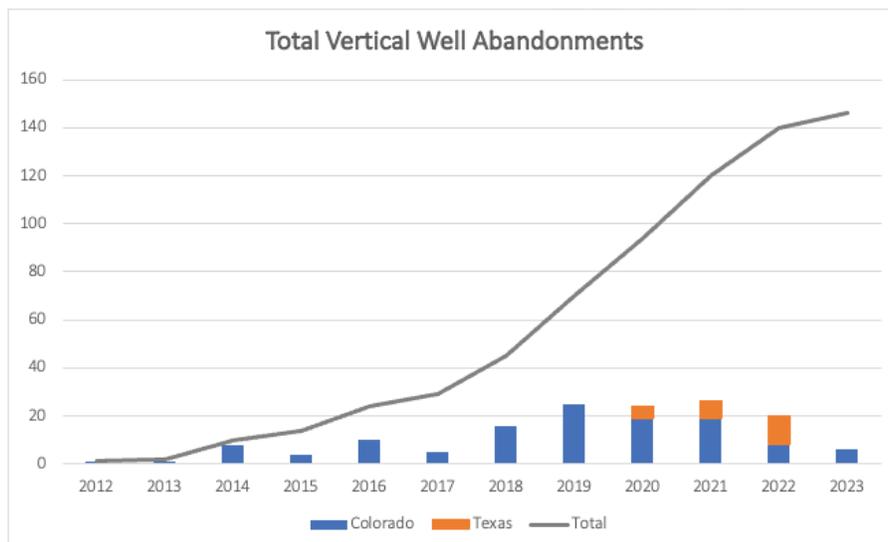


Figure 10: This graph depicts the total number of vertical wells plugged and abandoned by Bayswater each year from 2012–2023 in comparison with the cumulative total. In 2023, Bayswater plugged and abandoned six wells with a dwindling number of vertical wells remaining in our inventory thanks to our P&A focus in the last ten years.



Water is another leading area of focus in Bayswater’s *Green Operating Agenda* and our ongoing efforts to preserve this vital resource. In recent years, our team has been exploring ways to improve existing methods or incorporate new solutions to enhance the sustainability of our water practices. 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 operational activities.

Overview of Recent Progress

In our three previous Sustainability Reports, Bayswater reported the important progress made and milestones reached in the effort to improve water practices and achieve water conservation goals:

- Identification of all surface water, groundwater, and aquifers in the immediate vicinity during site planning and preparation.
- 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 standards and running 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 of our water recycling program in Colorado and Texas—Bayswater saved a combined 225 million gallons of freshwater through water recycling between 2020–2022.
- Ongoing participation in the Colorado Produced Water Consortium to work with other industry experts, government officials, research institutions, environmental groups, and key stakeholders to collaborate on and advance produced water treatment techniques.

Bayswater continues to improve water management practices and leverage new technologies to be as efficient and sustainable as possible. Ultimately, as outlined in our *Green Operating Agenda*, we strive to improve and expand our water recycling program. In 2023, we continued to improve our processes to treat and dispose of produced water.



**GALLONS OF
FRESHWATER
RECYCLED BETWEEN
2020-2022**



2023 Overview & Highlights

WATER PIPELINE SYSTEM & DISPOSAL WELLS

Bayswater has invested considerable time and resources improving capabilities for produced water treatment and responsible disposal. In 2023, Bayswater constructed permanent pipeline infrastructure and drilled two disposal wells in the DJ Basin that facilitate the responsible, efficient transportation and disposal of produced water. These disposal wells reduce emissions, minimize spills, and eliminate truck traffic. They were drilled on an existing approved oil and natural gas location, limiting surface 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 water transport.

Following completion of the pipeline and disposal wells, the system enabled the following significant accomplishments from June to December:

- Piped a total of approximately 2.4 million bbls of produced water from Colorado locations to the disposal wells, which removed approximately 16,800 trucks from Colorado roads and their associated tailpipe emissions.
- Expanded infrastructure to include direct piped water transport from five Colorado locations.
- Added four truck drop off lanes (in December 2023) to injection well sites to allow for produced water from Colorado locations not connected by pipe.
- Trucked a total of 822,400 bbls of water from nearby locations to the disposal wells.

The success of this pipeline and disposal well system prompted Bayswater to begin an expansion of our pipeline infrastructure. In 2023, we began construction on four additional miles of pipeline to transport produced water from two additional Colorado locations.

WATER RECYCLING

In the past several years, refining and expanding our water recycling program has been a high priority for the Bayswater team. The program has historically been successful, as shown by the above mentioned savings of approximately 225 million gallons of freshwater between 2020–2022.

Unfortunately, we experienced significant obstacles on our 2023 locations that hindered our ability to recycle water in both Colorado and Texas. In Colorado, Bayswater did not have a 2023 pad with either the surface area required or established water pipeline infrastructure to allow for recycling to take place. The Colorado Energy & Carbon Management Commission (ECMC)* and the Colorado Produced Water Consortium are working on guidelines to make recycling water in the DJ Basin easier for operators but had not released their recommendations as of 2023. In Texas, our 2023 completions were either in high hydrogen sulfide (H₂S) areas, resulting in produced water that would be unsafe to recycle, or the location was not close enough to a produced water pipeline, which would require miles of above ground produced water transfer, which was not a viable option.

The ability to recycle water on a location is very site specific, and as experienced in 2023, there are sometimes unique challenges outside of our control that inhibit the ability to conduct water recycling. Despite these setbacks, we remain steadfast in our commitment to continue to improve and augment our water recycling program in 2024 and moving forward.

**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).*



COLORADO PRODUCED WATER CONSORTIUM & SUPPORTING UNIVERSITY RESEARCH EFFORTS

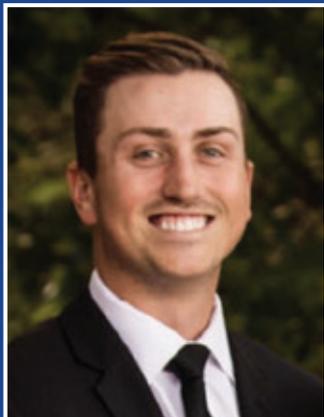
Bayswater continues to be a leader on advancing the industry standard for produced water treatment. Bayswater remains committed to supporting efforts towards this important goal. In 2023, we continued to represent the oil and natural gas industry in the Colorado Produced Water Consortium. The members 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. Bayswater is proud to be at the table for these discussions and strives to increase the percentage of recycled water that we—and the industry at large—utilize in our operations.

In addition to being a part of the Consortium from inception, we have also continued support of Colorado universities conducting research on the subject by providing technical expertise and water samples for them to study. This university research supported by Bayswater has resulted in over 50 peer reviewed publications regarding the treatment and reuse of produced water.



BAYSWATER

STERLING METZGER Production Engineer



Bayswater Tenure: 5 Years

Describe your current role at Bayswater.

My role has many different facets to it but primarily my job is to work with our field operations teams to optimize our wells' production. Examples are designing artificial lift or working over wells to improve their production.

What separates Bayswater from other companies where you've worked?

What separates Bayswater from other companies is the speed that we can make changes. In operation the ability to make changes quickly can make or break a project and not having to jump through hoops really allows us to make meaningful changes quickly.

How has Bayswater supported your involvement in community initiatives or volunteering efforts?

When I lost my best friend to Covid in 2020 his family formed a golf tournament in his honor. The proceeds go towards scholarships for engineers and individuals trying to pursue their dreams of playing golf. Bayswater has provided different sponsorships to support the cause and that means a ton to me.



SOCIAL

Social



Introduction

Responsible oil and natural gas production has a broad, positive impact on numerous human lives in different ways. We are proud to produce a vital energy product that provides reliable, affordable energy supporting our way of life in Colorado, Texas, and across the country. Additionally, there are many other positive impacts in the development and production of oil and natural gas—from the people we employ, the high quality jobs we provide, exceeding regulatory requirements and being a good neighbor, giving back to our communities and the tax dollars we contribute to support K-12 education, transportation infrastructure and parks in the states where we operate. Responsible oil and natural gas production improves the quality of life for many people.

At Bayswater, we prioritize the many people who make our work possible, with a specific focus on the safety and well-being of Bayswater employees, contractors, and communities. We understand that our short- and long-term success is tied to the health and well-being of our workforce and the communities where we operate. We firmly believe in and are committed to growth which has a lasting positive and meaningful impact on the human lives we touch. In summary, our philosophy centers around lifting people up and improving quality of life.

WE ARE BAYSWATER

This philosophy starts internally where we foster a positive, productive, and safe work environment that encourages multidisciplinary teamwork and collaboration, cultivates diverse ideas and innovation, empowers growth and development and prioritizes the health and well-being of our employees in the office and in the field. All of our business dealings and daily actions are rooted in honesty, ethics, safety, and responsibility. Our company vision provides the foundation for a strong companywide culture that drives our daily operations and actions:

- 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 producer with operational best practices that protect the health and well-being of people, the environment, and wildlife.





EATON, COLORADO OFFICE

100% OF BAYSWATER EMPLOYEES
ARE DIRECT OWNERS

EQUITY OWNERSHIP

Bayswater operates under an equity ownership structure: 100% of Bayswater employees are shareholders and direct owners 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 50% matched on their behalf by the management team. By offering the benefits of ownership and investment, all Bayswater employees become business partners, which helps forge a direct connection to achieving annual business objectives and fosters a proud company culture of responsibility and accountability throughout the organization.

TEAMWORK & DIVERSITY

The Bayswater team is our greatest asset and the heart of our success. We are a small, privately held operator with a flat organizational structure and an entrepreneurial culture with multidisciplinary teamwork. Each member of the Bayswater team plays a critical role in ensuring every facet of our operations runs smoothly and safely. In 2023, our team grew to the largest it has ever been, expanding to a staff of 67 full-time employees across Colorado and Texas.

Bayswater recognizes that innovation and creativity are born from diversity in thought, experience, and background. Our team boasts a collective diversity across both age and gender, helping us foster a forward-thinking environment that facilitates strategic growth. In an aging oil and natural gas industry struggling to recruit and retain younger talent, almost half of Bayswater employees are Millennial or Generation Z. We bring together the most qualified employees, vendors, and partners from various social, cultural, and professional backgrounds to cultivate innovative ideas resulting in more efficient and sustainable operations.

65% OF BAYSWATER EMPLOYEES
DIRECTLY INVEST

INVESTING IN OUR TALENT

Looking past 2023, our success is dependent upon the ability to encourage the potential and growth of each member of our team. We are proud of the diverse, dynamic Bayswater team we have cultivated, and even more proud that almost 40% of our employees have been at Bayswater more than five years, and over 10% more than ten. Employee retention is important at Bayswater and in 2023, we had a voluntary turnover rate of only 5%. We maintain a comprehensive benefits package to attract and retain talent, and support the physical, mental, and emotional health of our employees. In 2023, we renovated the Denver headquarters office to include an in-office gym and acupressure room, which is accessible to all Colorado employees and encouraged to support their health and well-being. We understand the importance of fostering a work environment and team dynamic that is positive, productive, and fun.

Further, we provide our employees with the support they need to achieve their professional and career development goals. Growth is central to our company culture, and we invest in the professional growth and career progression of each of our people, reflected in our employee retention ratio. Professional development is approached on an individual basis with the onus on the employee to drive and cater their professional development journey to their specific goals with guidance from their manager and the company.

5% VOLUNTARY TURNOVER
RATE IN 2023

HEALTH & SAFETY

At Bayswater, our greatest priority is 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 always protects the health and safety of all parties and mitigates our impact on the environment. Our company culture emphasizes safe and responsible practices and executional excellence in our operational standard, employee and contractor teams, and work product. Bayswater works to continually improve our Environmental, Health, & Safety (EHS) performance through the maintenance of a detailed EHS management framework.

LEADERSHIP & ACCOUNTABILITY

Safety at every Bayswater site on a daily basis requires a team effort. 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. 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 objectives, and ensure adequate resources are allocated to EHS priorities.

PEOPLE, TRAINING & BEHAVIORS

Every Bayswater employee is 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 EHS training and periodic evaluation. The EHS Committee annually defines and implements an appropriate employee training curriculum. Within this curriculum, all Bayswater employees are required to attend selected EHS meetings and trainings to guarantee they have the necessary knowledge and skills to uphold company safety protocols and remain in compliance with all regulatory standards.



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 as well as 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, maintain adherence to current regulations, and meet our own high operational and safety standards.

SAFETY METRICS, ASSESSMENT & IMPROVEMENT

Total Recordable Incident Rate (TRIR) is the standard industry metric to track the safety of company operations. At Bayswater, we use TRIR data to monitor and evaluate the safety of our operations and compare it with peers in the industry. With a consistent 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. TRIR is measured in incidents per 200,000 man hours worked.

In 2023, we maintained our strong safety record with an average TRIR of 0.81. With our growing operational footprint, total field hours in the last several years have been significantly increasing each year. This trend continued in

2023 with a 24% increase over 2022 levels with 1,481,560 total man-hours representing 713 full time equivalent employees and contractors in the field. Despite this dramatic increase in total hours in recent years, the Bayswater team has been able to sustain a strong average TRIR of 0.81, demonstrating our team's focus on safety and commitment to operational excellence.

Of note, we did experience a slight increase in our combined TRIR in 2023 at 0.81 compared to 0.67 in 2022. With a full-time staff of 67 employees, one recordable incident in 2023 resulted in a significant increase of our Employee TRIR. As a small operator, it is important to note that 80-90% of Bayswater's operations are supported by contract service providers. Therefore, our Contractor TRIR in 2023 of 0.61—which has decreased by 14% over the last three years—reflects Bayswater's efforts towards a strong Contractor Safety Management program.

CONTRACTOR MANAGEMENT

Bayswater holds contractors to the same high safety standard that is expected from our employees. To ensure contractors align with 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. We then work together to ensure Bayswater's safety expectations are upheld and EHS objectives are achieved.

Man Hours	Q1 2023 (hrs)	Q2 2023 (hrs)	Q3 2023 (hrs)	Q4 2023 (hrs)	2023 Total (hrs)
Bayswater	32,848	31,947	50,193	36,882	151,870
Contractor	421,413	323,529	294,500	290,248	1,329,690
Total	454,261	355,476	344,693	327,130	1,481,560
Recordable Incidents	3	1	2	1	6
TRIR	1.32	0.00	1.16	0.61	0.81
Rolling 4 QTR TRIR	1.02	1.09	1.03	0.68	—

Figure 11: Total Recordable Incident Rate (TRIR) data is calculated based on recordable incidents and man hours worked by Bayswater employees and contractors. In 2023, Bayswater's average TRIR was 0.81, which is a slight increase from our 2022 average TRIR of 0.67.

In 2023, the Contractor TRIR shown in Figure 12 decreased substantially compared to 2021 and 2022. This data represents the annual performance of Bayswater’s active contractors (totaling approximately 432 contract service providers). As seen in Figure 13, Bayswater improved our Contractor TRIR

performance in comparison to our peers. In 2023, we had a Contractor TRIR in the first quartile after remaining in the upper second quartile for the last several years, further emphasizing our commitment to and record of a strong safety standard.

“Bayswater’s contractors’ TRIR has decreased by 14% over the past three years” (ISN, 2024).

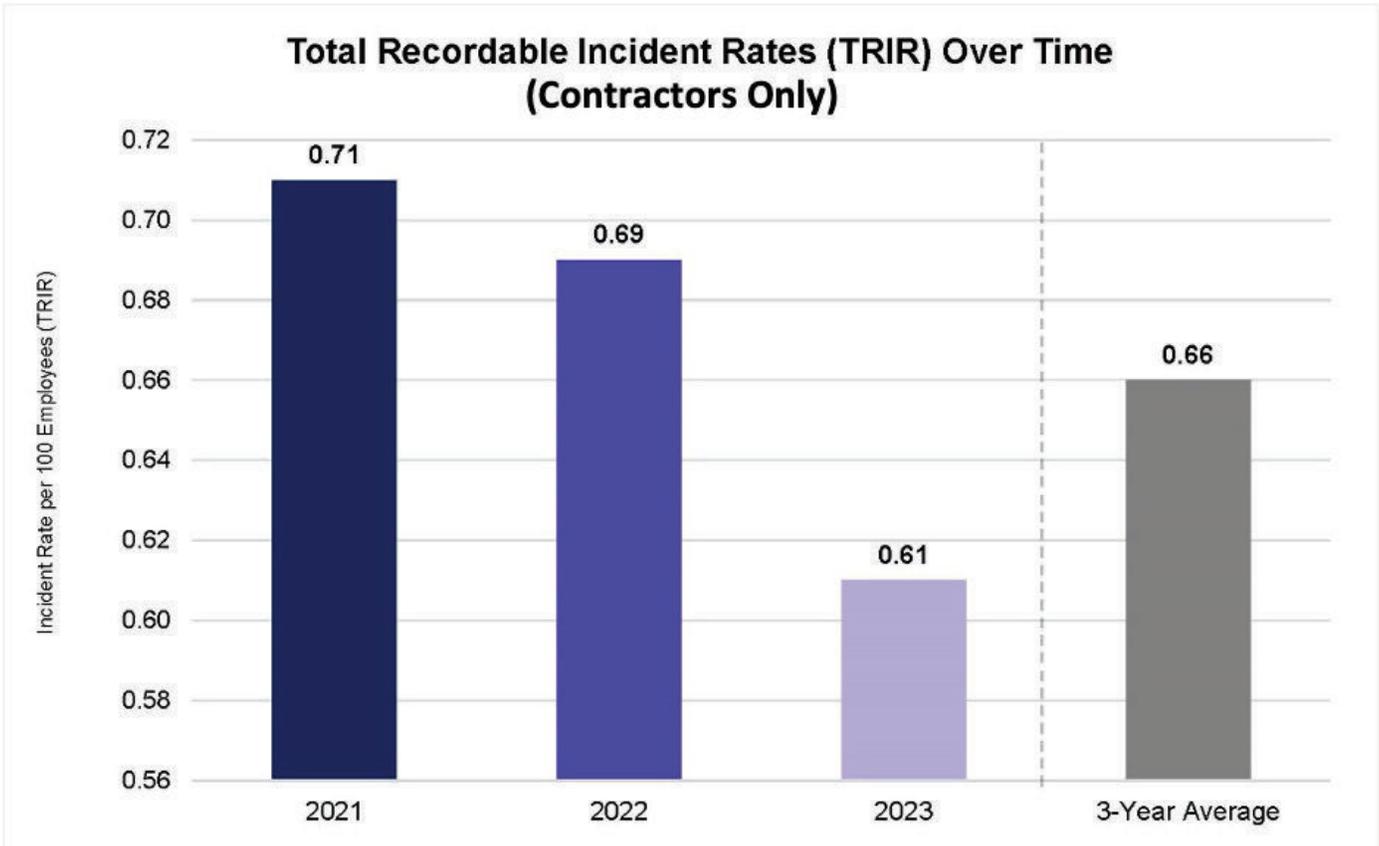


Figure 12: ISN’s Interactive Analytics Report shows that Bayswater’s 2023 Contractor TRIR falls into the 1st quartile in comparison to that of our industry peers with a similarly sized contractor base.



Interactive Analytics

Petrochemical - Upstream - Onshore

Total Recordable Incident Rate (TRIR), 2023 Data



“The Interactive Analytics Report was created by ISNetworld to compare Bayswater to their peer companies in the Upstream industry. Bayswater falls into the 1st quartile for 2023 TRIR among industry peers with a contractor base between 400 – 700+” (ISN, 2024).

Figure 13: According to the ISN database, Bayswater maintained a strong record of safety with a Contractor TRIR of 0.61 in 2023, which is in the 1st quartile compared to our industry peers.

CRISIS INCIDENT & EMERGENCY MANAGEMENT

In all facets of work, Bayswater’s primary goal is to conduct business without accident, harm to people, or damage to the environment. We work diligently to prevent a crisis incident from taking place. However, we remain prepared in the event an incident does occur, and employ the following three-pronged emergency management approach:



Emergency Plans



Tactical Response Plans



Business Continuity Plans

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 response to all incidents quickly and appropriately. Bayswater routinely reviews and updates each of the three pillars of our emergency management framework. Updates are rapidly distributed to employees, contractors, and local first responders to ensure 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.

A CULTURE OF INNOVATION

At Bayswater, innovation is more than a buzzword. It is a principle core to our company's spirit, culture, and operations. Innovation is not just a means to achieve higher profits, but a commitment to our investors and the communities in which we operate. Embracing innovation furthers our goal to conduct our business as efficiently and sustainably as possible and to thrive as an oil and natural gas producer for years to come.

We value continuous improvement and are always seeking new ideas and different ways to improve our operations. We research and use the latest technologies and industry practices to optimize operations, minimize cumulative impact on public health, welfare, and wildlife, and maintain the profitability of our company. Despite vastly different regulatory and operational environments, Bayswater employs many of the same technological advancements and responsible BMPs across our operational footprint—in both Colorado and Texas—to maintain a consistently high standard of performance. In our 2021 and 2022 Sustainability Reports, we featured the following data, technology, and innovation highlights.

2021 HIGHLIGHTS

- Utilizing and refining our frac protect approach designed to address the 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).
- Developing and utilizing the Intelix Asset Compliance Training System (ACTS) database to track all operational emissions and ensure compliance with all 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.

- Publishing and presenting the findings of our two-year study on engineered choke management (ECM) strategy 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."*
- Receiving unanimous approval on both the Ruby 7-J and Garnet 21-K Developments from the Colorado Energy & Carbon Management Commission (ECMC), demonstrating our continued commitment to industry leading BMPs.
- Utilizing geochemical fingerprinting to enhance our understanding of the reservoir intervals contributing to the oil production of a specific horizontal well.

The key innovative technologies we deployed and 2023 updates to our BMPs are featured in the Environment section; refer to page 9 for more information. For nearly 20 years, Bayswater has demonstrated commitment to innovation and progress, rightfully earning a reputation as a producer who can be trusted to run our business properly and safeguard the future assurances of our investment funds. Looking forward to 2024 and beyond, the Bayswater team is testing and deploying new technology and innovative strategies to meet or exceed Colorado's nation-leading regulatory standards, finding new ways to responsibly produce oil and natural gas resources and securing our place as a dependable, enduring operator in the future energy economy.

Leading in Best Management Practices

We strive to be an industry leader to advance the standard of being a responsible producer of oil and natural gas. This requires going above and beyond regulatory mandates to help policymakers and the public understand the value of our product and the many direct and indirect benefits the operations provide their communities. We take pride in our commitment to mitigate the cumulative impacts of our operations with industry leading BMPs, which include but are not limited to:



Land Restoration with Native Vegetation



Smart Traffic Routes to Minimize Impacts to Neighbors



Quiet Frac Fleet for Completions



Advanced Dust Control Practices



Proactive Community Outreach & Stakeholder Communication



Multi-faceted Continuous Air Monitoring Devices

In 2023, Bayswater received unanimous approvals from the ECMC on our Onyx and Opal Coalbank Developments, marking our fourth and fifth unanimous permit approvals under the new Colorado rules. A consistent theme in all five permit approvals has been the ECMC's praise of Bayswater's BMPs to ensure minimal impact at each location. The five approved Bayswater permits comprise 115 planned horizontal wells in the DJ Basin and the totality of Bayswater's Fund IV operations in 2023.

Innovation and improvement are core to our company culture and operational model. Prioritizing sustainable energy practices is grounded in our profound respect for the communities in which we operate. Therefore, our BMPs continue to evolve. Each year, we explore and test the latest technologies and methods to improve our BMPs and further reduce the impacts of our operations in surrounding communities, striving to be a good neighbor.

"We are delighted at the unanimous approval of the Opal Coalbank OGD, and that Bayswater continues to demonstrate our ability to responsibly develop oil and natural gas under the stringent Colorado rules."

*– Steve Struna, President & CEO
(Bayswater Press Release, Dec. 14, 2023)*



BAYSWATER

TYLER GREENLY DJ Field Superintendent



Bayswater Tenure: 7 Years

Describe your current role at Bayswater.

Daily monitoring of all production and construction activities. Maintaining production goals while also fostering an environment of safety and accountability while closely adhering to the company's environmental and safety benchmarks.

What do you appreciate most about working at Bayswater?

Small company atmosphere. Working for this company, you gain an appreciation for how nimble we can be with less red tape and be a proactive member of the industry when other, larger companies, are generally more reactive.

What separates Bayswater from other companies where you've worked?

Access. This is the only company I've worked for where the president is accessible and present. Members of management shake your hand and remember your name.



\$262 MILLION

IN TAXES & ROYALTIES PAID IN CO & TX IN 2023

OUR COMMUNITY COMMITMENT

At Bayswater, sincerely engaging with and investing in the communities where we operate strengthens our operations by:

- Developing and sustaining trust with local communities and preserving the social license to operate that is critical to our industry.
- Investing in our current and future workforce, particularly in a science, technology, engineering, and mathematics (STEM) career path.
- Supporting partner industries (e.g., agriculture) that are equally vital to local economies.
- Building more resilient, self-sustaining communities where our employees live and work.

Our philanthropic efforts are targeted to actively invest in community-driven initiatives, fostering meaningful partnerships, and supporting local projects leading to tangible improvements for the community.

Strengthening State & Local Economies

2023 was another year of unprecedented growth and success for Bayswater. Both our Colorado and Texas teams expanded, our operational footprint grew, and we continued with significant contributions to local economies. In 2023, Bayswater contributed more than \$262 million in taxes and royalties combined in Colorado and Texas, surpassing our 2022 total of \$242 million.

Our positive economic impact—both as one small operator and for the industry at large—goes far beyond tax dollars and royalties. For our full-time employees and contractors, we provide high quality, good-paying jobs in Colorado’s Weld County and Texas’ Howard County, both heavily rural, agricultural communities that do not present many local job opportunities. We represent a pillar industry in these local communities that relies on the local workforce and service providers to directly or indirectly support our operations. As a small, privately held operator, our economic impact on job supply alone is far greater than our modest size. In 2023, we had 713 full-time equivalent employees and contractors in the field. That is 713 high quality, good-paying jobs for workers that often live in the communities where we operate, having further positive economic effects in their hometowns.



Bayswater's Personal Match Program

The Bayswater team has always had a philanthropic spirit and giving nature. In 2021, we wanted to augment that philanthropic spirit and better support the causes that matter to our employees. To achieve this, we launched Bayswater's *Personal Match Program*, permitting any Bayswater employee to submit a charitable donation—which can be allocated via volunteer hours, financial contributions, or a combination thereof—up to \$5,000 per employee per year and Bayswater will agree to match it. Any Bayswater employee or a member of their immediate family can submit a match request.

The *Personal Match Program* has been very successful. 2023 was the second full year that the program was in operation, generating over \$34,000 in employee donations which were matched by Bayswater. By supporting our employees in their own philanthropic endeavors, we have seen a growing number of Bayswater employees utilize the program and, more importantly, we expanded and diversified Bayswater's charitable giving to include causes important to our team, ranging from underfunded school districts in Middle America to programs targeting solutions to provide sustainable water in Africa and charities supporting the mental health of U.S. and allied active duty military and veterans.

Below is the list of charitable organizations supported through the Bayswater Personal Match Program in 2023.

- All Souls Church
- American Society for the Prevention of Cruelty to Animals
- Amy Greenwell Ethnobotanical Garden
- Books for Development
- Children's Hospital Colorado
- Colorado Coalition for the Homeless
- Colorado Dream Foundation
- Colorado Gives Foundation
- Denver Zoo
- Dumb Friends League
- Food Bank of the Rockies
- Girls Inc. of Metro Denver
- GuateStar
- Living Water International
- Prairie Hills Elementary
- Sacred Heart of Mary Church
- Stack Up
- University of Texas Austin
- Van Arsdale Elementary School
- Walk With Me
- Wikimedia Foundation Inc.
- Wisner Pilger Public Schools
- World Vision



Community Service & Giving Back

Philanthropy and community service are central components of Bayswater's culture. Beyond empowering our employees' philanthropic pursuits through the Personal Match Program, Bayswater has an ongoing community outreach program run by an internal committee comprised of staff in our Denver and Eaton offices, including President and CEO Steve Struna. Under the guidance of the committee, Bayswater's community engagement and philanthropic efforts are focused on the communities where we operate in Colorado and Texas and centered around supporting the following key themes:

- Education, particularly science, technology, engineering and mathematics (STEM).
- Youth athletics, leadership and mentorship programs.
- Charitable organizations that assist individuals and families in need.
- First responders in the communities near our operations.
- Partner industries (e.g., agriculture) that are equally vital to the community.
- Annual community events and celebrations.

With a strong focus on investing in and mentoring our youth, we want to support our communities more broadly, including improving food access and other basic services for those who need assistance most. The following 2023 examples in Colorado and Texas demonstrate the variety of causes we seek out in our community engagement efforts.

WELD COUNTY JUNIOR LIVESTOCK SALE

Bayswater has been a sponsor of the Weld County Fair and an annual participant in the Weld County Junior Livestock Sale for the last several years, given that agriculture is another vital industry to Weld County's economy. Bayswater supports key agricultural community events and organizations to further that cross-industry partnership. This livestock event also supports youth leadership and mentorship, a key goal for Bayswater.



Figure 14: The Bayswater team at the 2023 Weld County Junior Livestock Sale, supporting local young agriculture leaders.

The youth that participate in livestock sales take on the full responsibility of raising the animals themselves and the proceeds from the sale of that animal often go toward the young participant's college education and future. Bayswater is proud to support this important cause and participate in an annual community event that is a favorite in Weld County. In 2023, a team of Bayswater employees, including Bayswater President and CEO Steve Struna, participated in the Weld County Junior Livestock Sale and bid on various show animals presented by Weld County youth. Bayswater purchased the Grand Champion goat, giving one young agricultural leader a life-changing amount of money and donating the majority of the meat to the Weld Food Bank.

WELD COUNTY FOOD BANK

Every year, staff from our Denver and Eaton offices come together to donate time, food and money to support the Weld Food Bank's efforts to increase food access to those in need in Weld County, home to Bayswater's Colorado operations.

In June 2023, Bayswater's Colorado offices held a food drive with all donations going to Weld Food Bank. Additionally, we partnered with Weld Food Bank to orchestrate an in-person volunteering event for Bayswater staff, where we packed nearly 2,000 lbs. of produce and 225 food boxes for senior citizens.



Figure 15: The Bayswater team at our annual volunteer event at Weld Food Bank.

AULT VFW POST 4334 KITCHEN REMODEL

Bayswater seeks diverse and meaningful ways to support the communities near our operations. In 2023, we became aware of a unique opportunity in Ault, Colorado, a small, rural town in Weld County, where much of our 2023 operational activity was focused. The Ault-based Veterans of Foreign Wars (VFW) Post 4334 was in need of a long-awaited renovation of the organization's on-campus kitchen facility. Bayswater made a \$25,000 donation to VFW Post 4334 to fully finance the kitchen renovations.

Not only did this donation and kitchen remodel support VFW Post 4334 and local veterans, but the facilities have regularly been used by Ault community members and local schools for community and school events. By filling this need, Bayswater is proud to help VFW Post 4334 continue providing crucial services for its veteran members, while also supporting the Ault community.



Figure 16: A local news article featuring Bayswater's contribution to the Ault VFW Post 4334 to make much-needed renovations to their kitchen.

COLORADO SCIENCE & ENGINEERING FAIR

Since our inception, Bayswater has been an ardent supporter of the Colorado Science & Engineering Fair and we were a top level sponsor again in 2023. We view this support as an investment in the energy workforce and industry of tomorrow. Energy will always be vital to human existence and will require future technical and scientific minds to solve the problems of tomorrow. Bayswater is committed to passing the torch and supporting the next generation of STEM innovators in Colorado.



COAHOMA HIGH SCHOOL FOOTBALL

Bayswater is also committed to supporting the quality of life for the youth in communities where we operate. Our Texas operations are based out of the Bayswater field office in Coahoma, Texas. We support youth athletics programs because of the teamwork, leadership skills and important life lessons that sports teach young athletes, serving them later on in their adult life and career. Bayswater saw a unique opportunity to support the Coahoma High School football team and the Coahoma community attending home football games by donating \$50,000 to purchase a new sound system for the local Coahoma High School football stadium.



Figure 17: Bayswater's logo featured in the Coahoma High School football stadium thanks to our support of the program.





GOVERNANCE

Governance



Introduction

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.*

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 needed, 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.

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

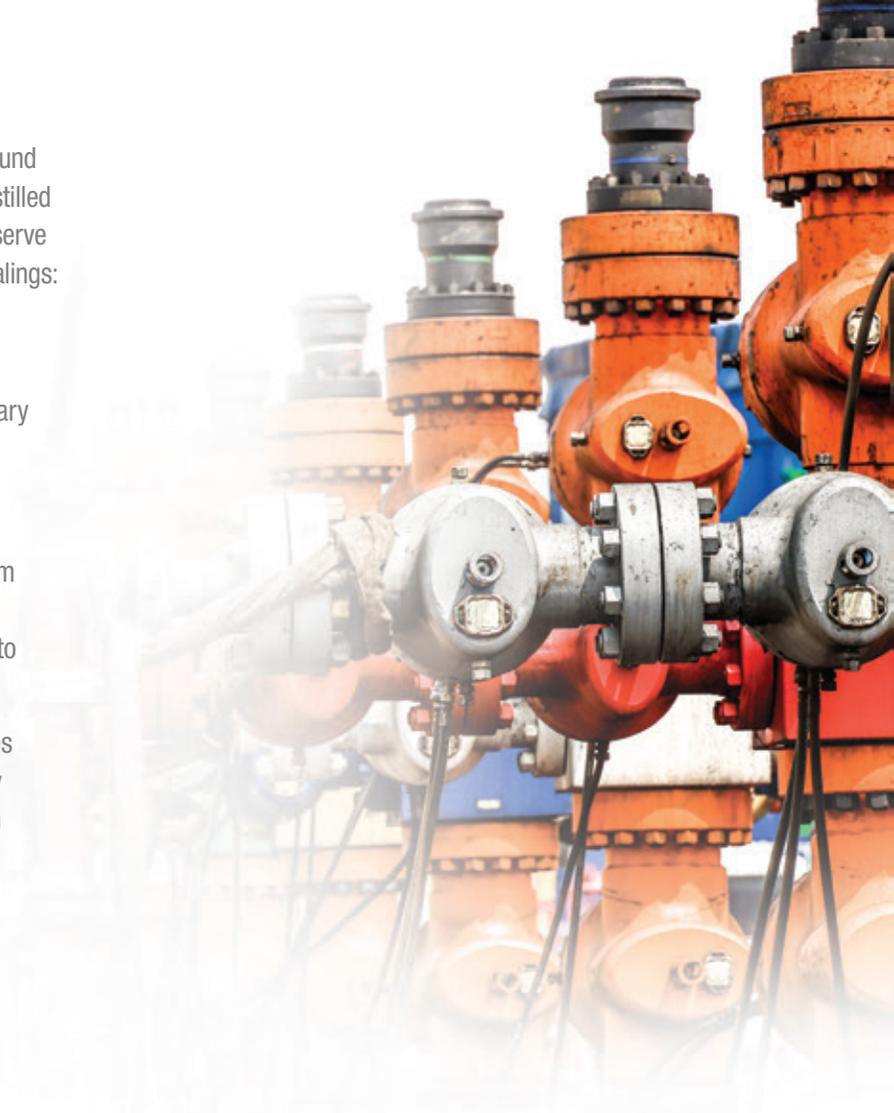


OUR CORE VALUES

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.



BAYSWATER

ALI CARMICHAEL Accounting Manager

Bayswater Tenure: 6 Years



What led you to work in the oil & gas industry?

I started my career in public accounting and initially was drawn to the Oil & Gas group based on the complex and unique nature of the industry and accounting standards. After working on a variety of upstream and midstream clients in Colorado, I jumped at the opportunity to join Bayswater. I'm proud to work in an innovative industry that plays such an integral role in sustaining modern life.

What do you appreciate most about working at Bayswater?

At Bayswater, the people make the place. I appreciate being able to work closely with a small group of high caliber people. It's a company that cares about its people, its community, and – best of all – having a good time.

How does Bayswater support your professional growth and development?

Bayswater supports my professional growth and development by giving me the opportunity to learn under the mentorship of a highly accomplished team. Additionally, I am able to work on projects outside the scope of my primary role and gain knowledge of more facets of the business.



OUR FOCUS ON COMPLIANCE

To ensure appropriate corporate conduct, Bayswater has enacted several compliance practices:

1. Maintaining a Compliance Manual.
2. Retaining a third-party compliance consultant.
3. 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.
- Periodic 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, and 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 regulations 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.

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.





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: Achieving Net Zero



In 2023, Bayswater made significant steps toward reducing our resource consumption, minimizing operational impacts, and increasing operational efficiency. Though proud of our 2023 achievements, our work is not complete. In 2024, we remain steadfast in our commitment to responsible oil and natural gas production. We continue to refine and expand our *Green Operating Agenda*, charting the path forward in enhancing the efficiency and sustainability of our operations, while aiming for the ultimate goal of achieving Net Zero in Scope 1 and Scope 2 emissions.

With an unwavering focus on our goals and overarching objective of sustainable energy production, we conclude our 2023 Sustainability Report by highlighting the Near-Term Next Steps and Future Goals of our *Green Operating Agenda*. This showcases plans for the path 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



- Selectively test the use of micro turbine generation for drill rigs and frac fleets and to provide on-site power for production equipment
- Convert remaining locations to instrument air driven pneumatic valves
- Expand the use of enhanced monitoring, detection, and quantification of methane emissions to all operating areas
- Gas injection to enhance recovery and reduce carbon footprint
- Reduce/eliminate pre-production emissions through closed loop systems
- Ensure management awareness of Ozone Action Days
- Expand on use of electrification of larger compression for gas lift applications when power is available



- Optimize design to reduce number of tanks and production equipment on pad sites to reduce footprint
- Explore options to expand Pioneer's ECT technology on future sites
- Remove tanks and equipment post production plateau to reduce footprint and recycle equipment
- Support local college environmental and/or agricultural programs to enhance and accelerate reclamation efforts
- Expand Bayswater owned and operated water pipeline for new site construction



- 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 participation in community projects
- STEM and/or relevant trade education support in local schools



Green Operating Agenda: Future Goals



- Utilize utility grid power or microgrid power for all engines for drilling, completion, and production activity
- Fully transparent and/or 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



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



- Produced water treatment to allow for beneficial use



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



2023 ESG METRICS REPORT

Bayswater's 2023 ESG Metrics Report contains data pertaining to both Sustainability Accounting Standards Board (SASB) and American Exploration & Production Council (AXPC) guidelines. This report includes both retrospective data for 2023, as well as 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) CO₂-e, Percentage (%)

CODE:

EM-EP-110a.1

BAYSWATER RESPONSE:

Calendar year 2023 gross global Scope 1 emissions: 296,958 t CO₂-e

Percentage Methane: $(1,636 \text{ CH}_4 \text{ in a 25 GWP} / 296,958 \text{ t CO}_2\text{-e}) \times 100 = 14\%$

Zero of 2023 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 2023 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:

Scope 1 Greenhouse Gas (GHG) Emissions

GUIDANCE:

American Exploration & Production Council (AXPC)

UNIT OF MEASURE:

Metric tons (t) CO₂-e

BAYSWATER RESPONSE:

296,958 t CO₂-e

METRIC:

Scope 1 GHG Intensity

GUIDANCE:

AXPC

UNIT OF MEASURE:

Scope 1 GHG Emissions (Metric tons (t) CO₂-e) / Gross Annual Production - As Reported Under Subpart W (MBoe)

BAYSWATER RESPONSE:

16.31 t CO₂-e / MBoe

METRIC:

Percent of Scope 1 GHG Emissions Attributed to Boosting and Gathering Segment

GUIDANCE:

AXPC

UNIT OF MEASURE:

Percentage (%)

BAYSWATER RESPONSE:

0%

METRIC:

Scope 2 Greenhouse Gas (GHG) Emissions

GUIDANCE:

American Exploration & Production Council (AXPC)

UNIT OF MEASURE:

Metric tons (t) CO₂-e

BAYSWATER RESPONSE:

47,606 CO₂-e

Important note: Scope 2 GHG emissions are calculated using EPA-developed emission factors that are found in the Emissions & Generation Resource Integrated Database (eGrid).

METRIC:

Scopes 1 & 2 Combined GHG Intensity

GUIDANCE:

AXPC

UNIT OF MEASURE:

Scope 1 GHG Emissions (Metric tons (t) CO₂-e) / Gross Annual Production - As Reported Under Subpart W (MBoe)

BAYSWATER RESPONSE:

18.92 t CO₂-e / MBoe

METRIC:

Scope 1 Methane Emissions

GUIDANCE:

AXPC

UNIT OF MEASURE:

Metric tons (t) CH₄

BAYSWATER RESPONSE:

1,636 t CH₄

METRIC:

Methane Intensity

GUIDANCE:

AXPC

UNIT OF MEASURE:Scope 1 Methane Emissions (Metric tons (t) CH₄) / Gross Annual Production - As Reported Under Subpart W (MBoe)**BAYSWATER RESPONSE:**0.09 t CH₄ / MBoe**METRIC:**

Percent of Scope 1 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) CO₂-e**CODE:**

EM-EP-110a.2

BAYSWATER RESPONSE:Total Scope 1 Greenhouse Gas (GHG) emissions in 2023: 296,958 t CO₂-e

Amount of gross global Scope 1 emissions from:

1. Flaring & Venting: 83,361 t CO₂-e
2. Other combustion (other than flaring)*: 177,042 t CO₂-e
3. Process emissions: 0 t CO₂-e
4. Other vented emissions: 35,493 t CO₂-e
5. Fugitive emissions: 1,062 t CO₂-e

Important note: 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:

1,320,730 Mcf

METRIC:

Percentage of Gas Flared Per Mcf of Gas Produced

GUIDANCE:

AXPC

UNIT OF MEASURE:

Percentage (%)

BAYSWATER RESPONSE:

4.06%

METRIC:

Volume of Gas Flared Per Barrel of Oil Equivalent

GUIDANCE:

AXPC

UNIT OF MEASURE:

Thousand cubic feet (Mcf) / Barrel of Oil Equivalent (Boe)

BAYSWATER RESPONSE:

0.073 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 2023, Bayswater continued to proactively reduce Scope 1 emissions from its operations. The table below compares 2023 performance on key emission metrics to the previous three years.

Key Emission Metrics	2020	2021	2022	2023
Annual Production, MMBOE	5,661	9,533	16,924	18,217
Gross Global Scope 1 Emissions, t CO ₂ -e	174,669	242,145	353,747	296,958
Percentage Methane in Scope 1 emissions	1.12%	0.73%	0.50%	0.55%
GHG Intensity, t CO ₂ -e/MBOE	29.37	25.40	20.84	16.30
<i>Colorado</i>	29.54	20.82	14.58	16.01
<i>Texas</i>	28.61	47.13	32.76	17.30
Methane Intensity, t CH ₄ /MBOE	0.21	0.19	0.10	0.10
<i>Colorado</i>	0.26	0.14	0.08	0.07
<i>Texas</i>	0.62	0.40	0.15	0.14
Flared Volumes, MCF	32,686	198,500	798,063	1,320,730
<i>Colorado</i>	0	0	0	0
<i>Texas</i>	32,686	198,500	798,063	1,320,730
Percentage of gas Flared per MCF Produced	0.20%	1.21%	2.40%	4.06%
<i>Colorado</i>	0%	0%	0%	0%
<i>Texas</i>	2.3%	14%	17%	19%

Of note in the above table, in 2023, Bayswater's GHG intensity slightly increased in Colorado after several years of a steady downward trend. This increase was driven primarily by the installation of new combustion sources in 2023 with Colorado production remaining similar to 2022 levels. More specifically, the 2023 emissions data shows that Bayswater had an increase of just over 20% in CO₂ emissions, mostly due to the installation of some new large natural gas lift engines and separator heaters. From late 2022 through 2023, Bayswater placed eight 1,340-hp engines in operation. To address this GHG intensity increase, we are working to identify engines to replace with electric-driven motors as Colorado utilities continue to increase the electric grid's capacity in our operating area. Additionally, Bayswater has several new pads in 2024 that will be fully electrified and will power all compression using electric motors.

Some of the notable emission mitigation efforts implemented or continued in 2023 include:

- Constructing and utilization of a sour gas treatment facility combined with an injection well system in Texas, allowing Bayswater to move toward the discontinuance of flaring and eliminating the emissions from flaring.
- 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.
- Piloting nitrogen-powered pneumatic controllers on rural Colorado locations where instrument air systems are not feasible 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-range 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 and permanent production equipment for flowback operations.
- Employing electric motors for VRU systems and for larger gas compression applications (gas lift).
- Accessing the electric grid and transitioning to line power at the majority of Texas locations and therefore eliminating the majority of generators and subsequent emissions.
- Routing of emissions associated with routine compressor and engine maintenance to sales.
- Pilot testing surge vessels on two Colorado locations to dramatically reduce the number of above-ground storage tanks, resulting in a dramatic reduction in emissions from storage tanks.
- Constructing and utilizing permanent pipeline infrastructure to transport produced water in Colorado, eliminating the need for 200 daily truck trips and subsequent tailpipe emissions.

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 net zero 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 2023, Bayswater expanded proven technology and successfully tested critical new technology in our Colorado operations. We continue the use of storage tank vapor collection technology, such as EcoVapor, as it continues to prove successful to further mitigate a consistent source of Scope 1 emissions from storage tanks. In addition, Bayswater incorporated the use of surge vessels on two locations in 2023, which allows Bayswater to direct oil and water production to onsite pipelines for takeaway. This reduces the amount of oil and water production going to above-ground storage tanks and, therefore, reduces emissions from these sources. In 2023, Bayswater successfully deployed and tested two new technologies that enhanced our Scope 1 emission reduction efforts: LongPath's advanced laser system and Kathairos Solutions' nitrogen-powered pneumatic devices. The LongPath emission monitoring sensor technology strengthens our emissions monitoring program, allowing Bayswater to pinpoint methane-specific greenhouse gas molecules within up to a 2.5-mile radius of installation. The Kathairos Solutions devices provide an alternative for natural gas-powered pneumatic devices on remote production sites, eliminating a consistent source of methane emissions.

As our Midland Basin operations continued to expand in 2023, 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 2023. In mid-2023, Bayswater completed 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. Combined with an injection well system, the use of these facilities will dramatically reduce our Scope 1 emissions in our Texas operations by eliminating the need for flaring.

Bayswater's aspirational goals allow us to continue to improve operations and reduce, eliminate, or offset Scope 1 emissions from each facet of our operations. Some of our forward-looking aspirational goals and plans specific to Scope 1 emissions 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 natural gas and electrified drilling rigs and frac fleets.
- Employment of solar arrays to power select field or production operations.
- Continued enhancements to the sour gas processing facility in Texas, for eliminating flaring and potential carbon capture benefits.
- 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 efforts 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 (m³), Percentage (%)

CODE:

EM-EP-140a.1

BAYSWATER RESPONSE:

1. Total fresh water withdrawn: 41,367,446 barrels (bbls) x 0.16 m³/bbl = 6,618.79 thousand m³
 2. Total fresh water consumed: 41,367,446 barrels (bbls) x 0.16 m³/bbl = 6,618.79 thousand m³;
- 0% of fresh water is consumed in High or Extremely High Baseline Water Stress regions in either our Colorado or Texas operations

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 (m³), Percentage (%), Metric tons (t)

CODE:

EM-EP-140a.2

BAYSWATER RESPONSE:

Volume of produced water and flowback generated: 4,155.50 thousand m³

1. Discharged: 0%
2. Injected: 100%
3. Recycled: 0%; Hydrocarbon content in discharged water: 0%

Important note: Bayswater prioritizes water recycling when feasible. Unfortunately, our 2023 operations did not allow for water recycling for various reasons. In our Texas operations, Bayswater was unable to recycle water because the 2023 completions were either in high H2S areas and the water would be unsafe to recycle, or not close to a produced water pipeline, which would require miles of above ground produced water transfer. In Colorado, Bayswater did not have a 2023 pad with enough surface area or a water pipeline to allow recycling. The Colorado Energy & Carbon Management Commission (ECMC) and the Colorado Produced Water Consortium are working on guidelines to make recycling water in the DJ Basin easier for operators, but had not released their recommendations as of 2023.

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 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:

2.271 Bbl / Boe

METRIC:

Produced Water Recycle Rate

GUIDANCE:

AXPC

UNIT OF MEASURE:

Percentage (%)

BAYSWATER RESPONSE:

0%

Important note: Bayswater prioritizes water recycling when feasible. Unfortunately, our 2023 operations did not allow for water recycling for various reasons. In our Texas operations, Bayswater was unable to recycle water because the 2023 completions were either in high H2S areas and the water would be unsafe to recycle, or not close to a produced water pipeline, which would require miles of above ground produced water transfer. In Colorado, Bayswater did not have a 2023 pad with enough surface area or a water pipeline to allow recycling. The Colorado Energy & Carbon Management Commission (ECMC) and the Colorado Produced Water Consortium are working on guidelines to make recycling water in the DJ Basin easier for operators, but had not released their recommendations as of 2023.

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 the 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 2023, as in previous 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. 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 rural 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 responsibly 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. On every site, Bayswater carries out a number of environmental management practices designed to mitigate 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 and best management practices are employed.

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. 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 and consultation as necessary.

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 monitors raptor habitats near our locations and 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. Bayswater is careful to plan and conduct operations outside of these areas. Where these designated concentration areas do overlap with our operations, Bayswater strictly adheres to seasonal migration stipulations and fencing requirements.

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 water byproduct. 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 both 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 a spill taking place. We have 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 planning when designing and constructing each location's long-term infrastructure to appropriately manage and drain stormwater. Stormwater management plans are an integral part of the Weld County, Colorado permitting process.

METRIC:

(1) Number and (2) aggregate volume of hydrocarbon spills, (3) volume in Arctic, (4) volume impacting shorelines with ESI rankings 8-10, and (5) volume recovered

GUIDANCE:

SASB

UNIT OF MEASURE:

Numbers, Barrels (Bbl)

CODE:

EM-EP-160a.2

BAYSWATER RESPONSE:

1. Number of hydrocarbon spills: 3
2. Aggregate volume of hydrocarbon spills: 208 bbls
3. Volume in Arctic: N/A; No spills in Arctic.
4. Volume impacting shorelines with ESI index 8-10: N/A; No spills impacting shorelines with ESI index 8-10.
5. Volume recovered: 0 bbls

METRIC:

Spill Intensity

GUIDANCE:

AXPC

UNIT OF MEASURE:

Produced Liquids Spills (Bbl) / Total Produced Liquids (MBbl)

BAYSWATER RESPONSE:

0.006 Bbl / MBbl

Important Note: This spill intensity calculation accounts for all 2023 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 2023 operations and lease position in Weld County, Colorado are in proximity to areas that have been designated as Habitat Areas by the ECOM 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 2023, no Bayswater operations overlapped with these areas, nor were they impacted by the proximity to the designated areas.

Bayswater's 2023 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.

SECURITY, HUMAN RIGHTS & RIGHTS OF INDIGENOUS PEOPLES

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 sustainable 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 to build and foster open 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 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.

Under the new Colorado oil and natural gas rules that went into effect in January 2021, Bayswater has successfully received a total of five OGDG permit approvals including plans to drill 115 horizontal 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, minimizing our surface impact to the community and environment.

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:

(1) Number and (2) duration of non-technical delays

GUIDANCE:

SASB

UNIT OF MEASURE:

Number, Days

CODE:

EM-EP-210b.2

BAYSWATER RESPONSE:

1. Number: 0
2. Duration: N/A

In 2023, 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) direct employees, and (b) contract employees

GUIDANCE:

SASB

UNIT OF MEASURE:

Rate, Hours (h)

CODE:

EM-EP-320a.1

BAYSWATER RESPONSE:

1. TRIR: Employees: 1.32; Contractors: 0.75
 2. Fatality Rate: Employees: 0; Contractors: 0
 3. NMFR: Employees: 0; Contractors: 0.30
 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.
-

METRIC:

Employee TRIR

GUIDANCE:

AXPC

UNIT OF MEASURE:

of Employee OSHA Recordable Cases x 200,000 / Annual Employee Workhours

BAYSWATER RESPONSE:

1.32

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:

0.81

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:

At every Bayswater location, our business model and company culture is built upon the fundamental tenet of conducting our business without accident, without harm to people, and without damage to the environment.

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 skillset and competencies regularly assessed. Both employees and contractors regularly engage in health, safety, and environmental meetings and trainings, ensuring knowledge and adoption of the latest 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 (TRIR) is the standard industry metric used 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

Both Bayswater employees and contractors are expected to meet the same high safety 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 executed 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 EHS values, along with continued monitoring of contractor safety performance. Since 2016, Bayswater has utilized ISNetworld (ISN) to monitor contractor performance through the collection, maintenance, and verification of contractor safety 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 planned operations. We maintain an approved vendors list of vetted, proven contractors that uphold and adhere to Bayswater's EHS standards and 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 18,217 MBOE in 2023 and the Scope 1 GHG emissions total of 296,958 t CO₂-e (as reported in EM-EP-110a.1), we determined that our Scope 1 GHG emissions per BOE was 0.0163 t CO₂-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 emissions per BOE, we found that translates to a \$0.33 - \$0.82 tax per BOE. This calculation suggests a reduction in profit margin per BOE of between 0.57 - 1.42% on a 2023 gross profit margin of 78.0%. 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.

As of 2023, there has not been any state or federal fees on carbon emissions, so this analysis remains hypothetical. Rather, Bayswater's new Amine Facility in Texas qualifies for the Section 45Q Carbon Capture Tax Credit, which is a performance-based monetary tax credit for carbon capture.

METRIC:

Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves

GUIDANCE:

SASB

UNIT OF MEASURE:

Metric tons (t) CO₂-e

CODE:

EM-EP-420a.2

BAYSWATER RESPONSE:

130,949,049 t CO₂-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 2023 Sustainability Report and the three reports prior, Bayswater has implemented real actions 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.

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 remain apprised of federal energy policy discussions. 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 for 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, which include ongoing subsequent rulemakings. For Bayswater's Colorado operations, it is critical to stay informed of Colorado's 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 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. Additionally, 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 in Colorado. 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.

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. Notwithstanding, 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 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 incident.

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 industry operators and local 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 incident.

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 2023, Bayswater reported gross annual production of approximately:

1. Oil: 35.1 MBbl per day
 2. Natural Gas: 89.1 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, 2023, Bayswater had 56 terrestrial sites.

2023



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