2021 SUSTAINABILITY REPORT

BAYSWATER

2021

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Dear Stakeholders,

Bayswater is a proud participant in the United States shale oil and natural gas industry—providing the low-cost reliable energy that our nation and world desperately needs. 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 and a net energy exporter in less than a decade.

U.S. crude oil production hit 12.8 million barrels of oil per day (BOPD) in February 2020 (U.S. Energy Information Administration (EIA)). Then, our industry endured a tremendous downturn with the dual impacts of COVID-19 demand destruction and an oil supply market share war between Russia and Saudi Arabia. The third quarter of 2020 witnessed U.S. production falling to an average of 10.5 million BOPD, and the onshore rig count fell from 793 in March 2020 to 254 in September (Baker Hughes; EIA). Since the darkest days of 2020, our industry has increased production to roughly 11.8 million BOPD and returned the rig count to just over 760.

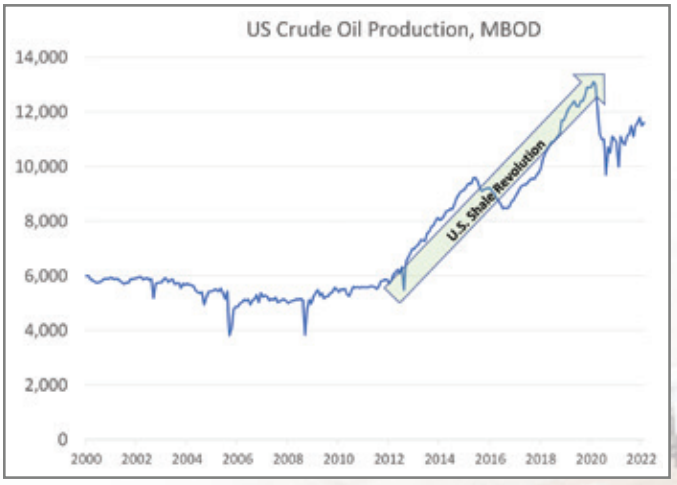


Figure 1: The production of U.S. crude oil between 2000 and 2022, including the incredible growth in production witnessed from the shale revolution (U.S. Energy Information Administration).

Since the publication of our first Sustainability Report last fall, which focused on calendar year 2020 metrics and activity, we have witnessed tremendous volatility in global energy prices driven by both supply and demand. The data presented in Figure 3 illustrates the immense swings in oil and natural gas prices over the past 24 months. In December of 2020, West Texas Intermediate (WTI) oil prices were $47/BBL and Henry Hub natural gas prices were $2.59/MCF; by December 2021, WTI had risen to $72/BBL and Henry Hub natural gas prices were $3.76/MCF; and, during calendar year 2022, we have seen price highs of $122/BBL and over $9.00/MCF.

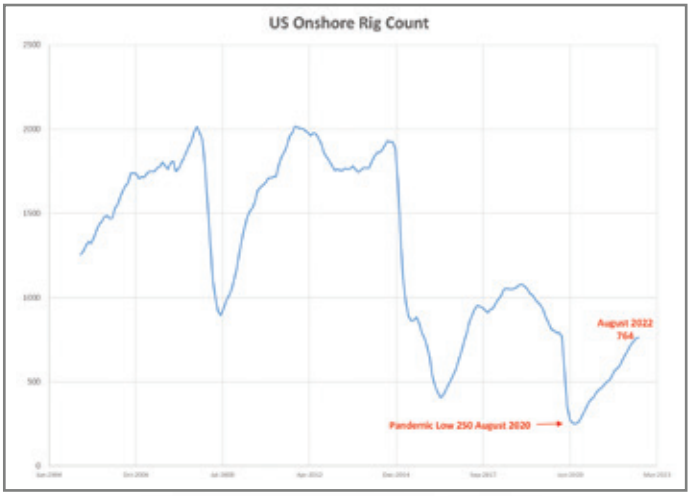


Figure 2: The historic U.S. onshore rig count from January 2004 to August 2022 (Baker Hughes US Rig Count).

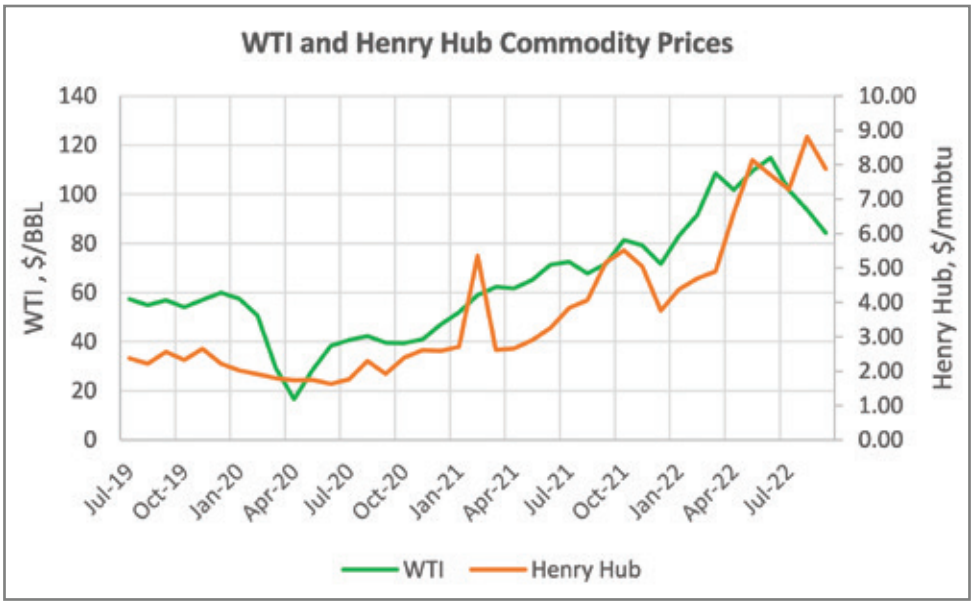


Figure 3: WTI crude oil prices and Henry Hub natural gas prices between July 2019 and July 2022 (WTI; Henry Hub).

This price volatility stemmed from the recovery of demand as the pandemic waned coupled with the simultaneous delayed ramp up in supply. Heavily subsidized wind and solar energy in the United Kingdom and Western Europe drove down fossil fuel production in those countries in recent years. At the same time, in upstream oil and natural gas production, investor-driven under-investment has slowed the post-pandemic crude oil production recovery here in the United States.

In their *Bettering Human Lives* report, Chris Wright, Chairman and CEO of Liberty Energy, provides some critical background and reasoning behind the recent volatile state of the U.S. and global energy market: "We are seeing the greatest threat in many decades to energy security, reliability, and affordability. This is not due to any shortage of available resources. It is due to years of underinvestment in hydrocarbons and related infrastructure. The deeply unfortunate underinvestment in hydrocarbons over the last eight years—in significant part driven by damaging and naïve political, regulatory and investor pressures—has led to an energy crisis that is also precipitating a global food crisis."

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

Several prominent individuals in the global energy market, including Elon Musk, have also recently come forward acknowledging that the energy transition and the world will continue to need more oil and natural gas for years to come. A *Wall Street Journal* article discussing Musk's remarks explained: "Mr. Musk's comments at the gathering of oil-company executives, energy analysts and government officials came as a global energy crisis has driven record natural-gas and electricity prices and fears of winter fuel shortages across Europe. Russia's war in Ukraine has made global energy supplies even tighter as economies have emerged from periods of low energy demand earlier in the pandemic."

Policies and political agendas aimed at accelerating the energy transition to lower carbon sources have created a global energy shortage when there is no actual shortage of oil and natural gas resources. This current reality presents a clear and compelling mandate for leading upstream oil and natural gas companies. Climate change is considered by many to be an existential threat to humanity, and the oil and natural gas industry has been criticized for contributing to, or even causing, climate change. Yet, any reasonable forecast of the transition to a lower carbon energy future requires a significant multi-decade *increase* in oil and natural gas supplies to meet the growing worldwide energy demand while a lower carbon energy transition is realized. For responsible energy producers, like Bayswater, it is imperative that we define and implement a path to producing our oil and natural gas with zero associated carbon emissions (Scope 1 and Scope 2) in our manufacturing operations.

In our second annual Sustainability Report, Bayswater introduces our *Green Operating Agenda.* Predating our commitment to annual ESG reporting, our *Green Operating Agenda* defines our accomplishments, progress, and future plans towards attaining increasingly efficient and sustainable operations and achieving our ultimate goal of "**Net Zero**." In our inaugural Sustainability Report released last year, we set our end goal at carbon-neutral operations. With this second Sustainability Report, we officially broaden that goal to achieving Net Zero Scope 1 and Scope 2 greenhouse gas emissions in our operations.

In our *Green Operating Agenda,* we outline the steps forward to improve our operations and reach Net Zero. These steps are broken down by implemented steps, near term goals, and future aspirations across four important categories: air emission reductions, land use and reclamation, freshwater impact reductions, and mitigating community impacts. This roadmap charts our course towards increasing efficiency and sustainability and reaching our ultimate goal of Net Zero. Additionally, in our 2021 Sustainability Report, we underscore our key ESG principles of adopting industry standard metrics, accurate and third-party verified measurements, and continuous year-over-year improvements in those key metrics.

oil and natural gas fields. Our vision was to create long-term, mutually advantageous business relationships by becoming a premier operator and a preferred industry partner. Initially, Bayswater was capitalized by the few 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, District of Columbia. In 2010, we raised our first Natural Resources Fund. Today, after 18 years in business, we have managed roughly $3.0 billion in lifetime assets and currently have $2.1 billion in active assets under management. Bayswater is recognized as a top operator with premier positions in the Permian and the Denver Julesburg (DJ) Basins. Further, we enjoy great relationships with a number of blue-chip financial partners.

The U.S. shale oil and natural gas industry produces some of the lightest, lowest greenhouse gas (GHG) intensive hydrocarbon molecules in the world. As we acknowledge the duality of the continuing global demand for increasing amounts of oil and natural gas and the reduction of overall carbon intensity of energy, we see tremendous opportunity for companies like Bayswater to meet the growing demand for "greener" oil and natural gas.

Key Operating Metrics	2020	2021
Operated Producing Horizontal Wellbores	151	241
Annual Production (MBOE)	5,661	9,533
Year End Exit Rate (BOED)	23,861	55,798
Calendar Year Capital Invested $MM	$178	$390
Field Man Hours Worked	550,000	980,000
Field Full Time Equivalent Employees & Contractors	264	471

Table 1: Key metrics highlighting Bayswater's operational performance in 2020 and 2021.

Bayswater has experienced significant growth from 2020 to 2021 and that certainly continues into 2022 as reflected in Figure 4. This level of growth is currently atypical amongst upstream oil and natural gas companies, especially for small to mid-size public players, and emphasizes the need to report our environmental impacts relative to our increasing production output. For that reason, in the 2021 Sustainability Report, we adopted a number of new American Exploration and Production Council (AXPC) metrics in addition to the Sustainability Accounting Standards Board (SASB) metrics.

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

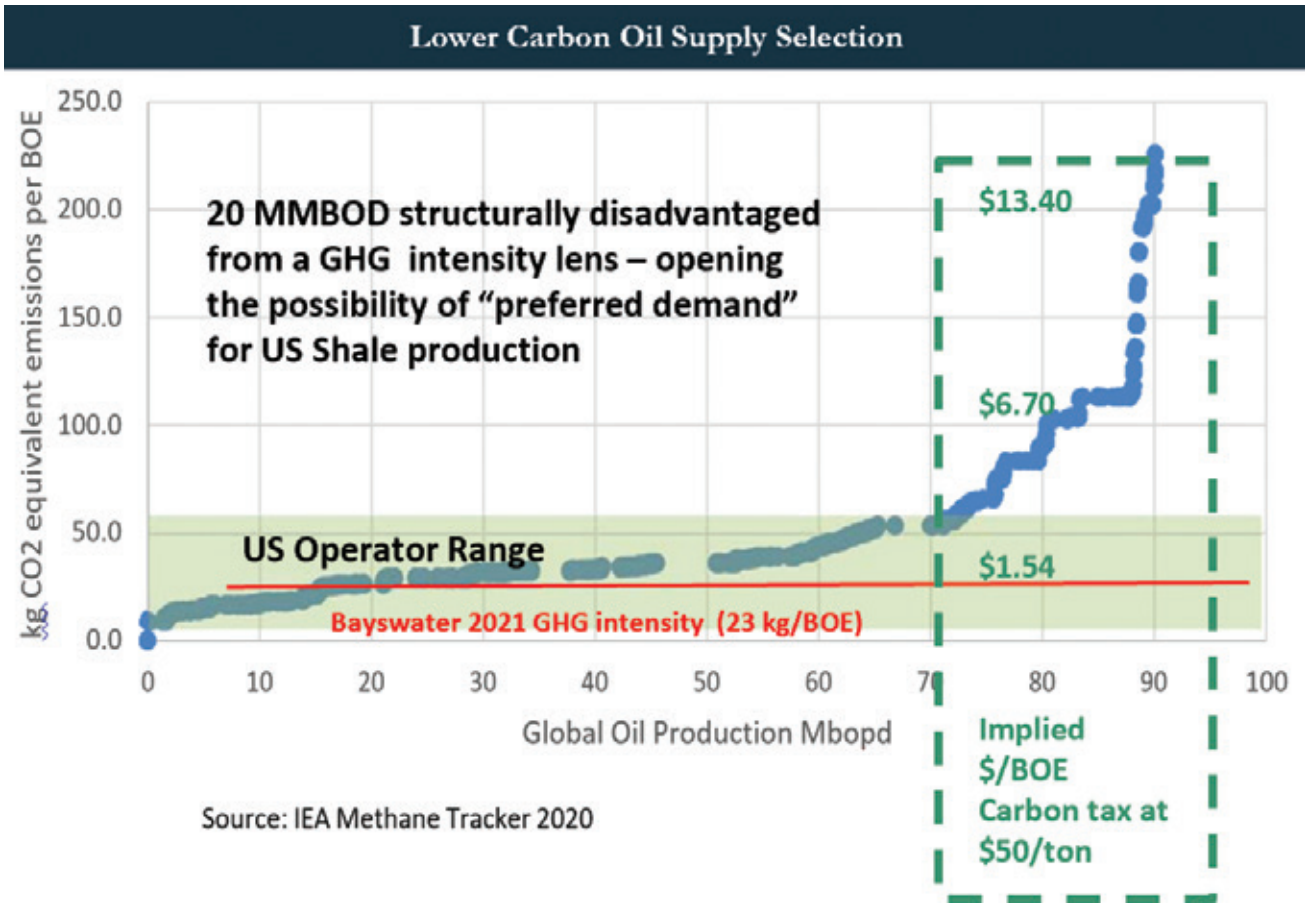


Figure 4: This table from the International Energy Agency compares GHG emissions per barrel of oil equivalent with global oil production. As illustrated by the red line, Bayswater's 2021 GHG intensity was on the low end of the U.S. operator range at 23 kg/BOE.

In 2021, Bayswater accomplished a great deal of progress towards making our operations more efficient and sustainable. We are confident and optimistic about our ability to implement our Green Operating Agenda and occupy a unique market niche as a small, privately capitalized Net Zero oil and natural gas producer.

Thank you for taking the time to read our 2021 Sustainability Report. More importantly, thank you for being a valued stakeholder and partner in our business and this great industry. I welcome feedback and the opportunity to engage in conversations around this important aspect of our business.

Gratefully,

Steve Struna
President & CEO

Introduction

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

Our Strategy

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

Our Energy Funds

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

Our Team

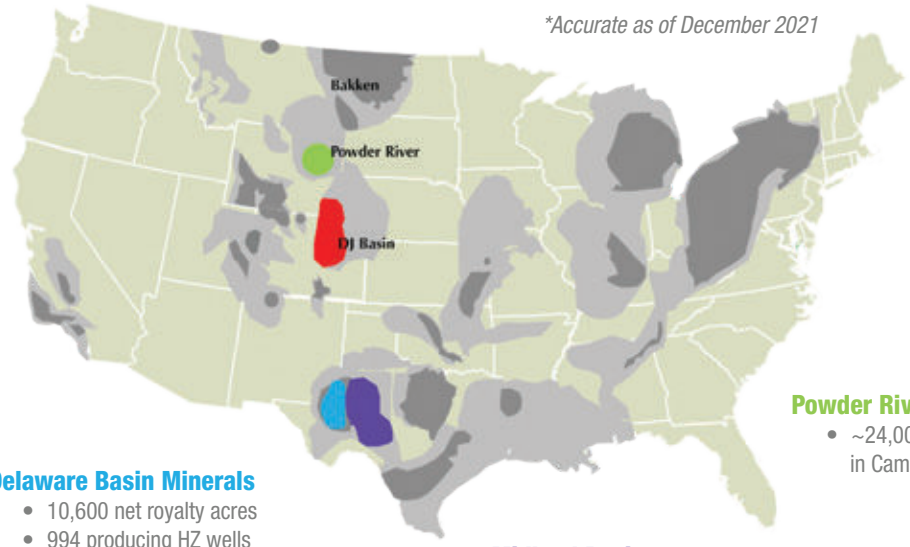
The Bayswater executive team has more than 260 years of collective industry experience. We value our employees, our network of contractors and partners, and work diligently to foster a safe, relaxed, positive, and fun work environment.

Our Business Values & Beliefs

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

**Accurate as of December 2021*



DJ Basin Wattenberg
- ~27,000 net acres in Weld County
- 207 company operated producing HZ wells
- 16 DUCs
- Q4 2021 average net 28,900 BOE/D

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

Delaware Basin Minerals
- 10,600 net royalty acres
- 994 producing HZ wells
- 130 DUCs
- 81 permits
- Q4 2021 average production 1,579 BOE/D

Midland Basin
- ~40,500 net acres primarily in Howard County, TX
- 32 company operated producing HZ wells
- 30 company operated producing VT wells
- 16 DUCs
- Q4 2021 average net 5,323 BOE/D

MISSION

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

VISION

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

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

Bayswater endeavors to be a leader in these areas and continues to do so with the 2021 edition of our Sustainability Report. We pledge our sustained commitment to Environmental, Social, and Governance (ESG) values, and performing annual evaluations of our operations against the Sustainability Accounting Standards Board (SASB) standards and American Exploration & Production Council (AXPC) metrics included at the end of this report.

The Continuing Value of Fossil Fuels

The energy transition can be broadly described as a worldwide effort to move away from a reliance on fossil fuels and toward a global energy economy that generates significantly less greenhouse gas (GHG) emissions by relying on non-fossil fuel sources of energy. In the growing conversation surrounding climate change and the global energy transition, the public narrative tends to focus on the dire forecasted consequences of not pursuing extreme measures immediately to transition away from fossil fuels and substantially curtail GHG emissions.

While that narrative may have merit, an equally important viewpoint is starting to be more widely acknowledged—political turmoil, economic distress, and human suffering are unavoidable, present-day consequences of a world where energy demand surpasses supply. A supply-demand imbalance is the result of an energy transition where fossil fuel-sourced energy reductions are forced (by policy and investor mandates) at a faster pace than alternative energy source replacements are made available. Additionally, overall reduction in total energy demand through conservation and related changes in socio-economic behavior is not as easy in practice as many had hoped.

THE CLIMATE CHANGE NARRATIVE

Published research, modeling results, and other forms of forecasting on climate change over the last 20 years are myriad and have provided wildly differing predictions for the future. Even the most recent and sophisticated climate models have yielded probability profiles with a wide ranging future climate scenarios. In general, however, newer models consistently conclude that there is a high probability of continuing global warming throughout the 21st century, primarily as a result of increasing concentrations of GHG emissions in the atmosphere. How these changes will manifest themselves at the local and regional levels is more challenging to model and becomes progressively more difficult and significantly less certain as we look farther into the future. The key challenge in climate modeling is understanding the impact of anthropogenic causes (GHG emissions in particular) in relation to natural long-term climate cycles and fluctuations.

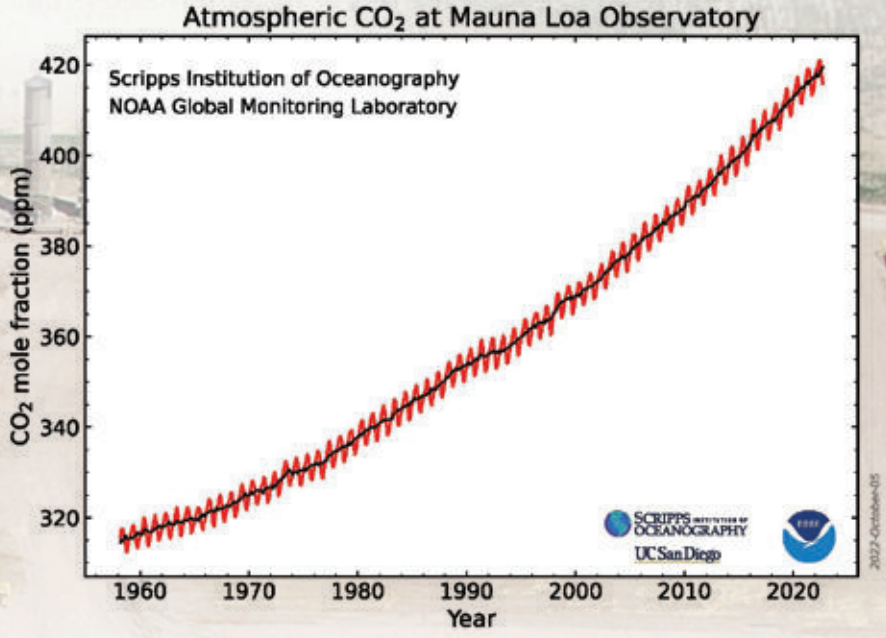


Figure 5: Atmospheric carbon dioxide measured at Mauna Loa Observatory between 1960 and 2020 (National Oceanic & Atmospheric Administration).

Uncertainty in timing and magnitude notwithstanding, the latest models and the policy makers consuming the modeled results agree that there is a high probability that:

Increasing GHG emissions will result in increasing global temperatures.

Increasing global temperatures will translate into increasing levels of human and environmental distress.

The levels of future human and environmental distress directly correlates to the volume of GHG emissions in the atmosphere.

The persistent narrative resulting from these predictions is that global warming-induced distress in future years can be minimized simply by decreasing GHG emissions through the rapid transition away from fossil fuels. The sooner and more aggressively those emissions are reduced (primarily through the reduction of fossil fuel use), the greater the benefit to future populations and ecosystems. This conclusion is followed with the assertion that Net Zero (GHG emissions) needs to be achieved within some specific timeframe, typically ranging between 2040 to 2050. The various timeframes offered are aspirational but are consistently and unrealistically too short. However, it is increasingly recognized that there are significant negative consequences to a rushed and reckless energy transition.

ONGOING ENERGY TRANSITION CHALLENGES

Recent national and global events have reinforced three fundamental realities of modern socio-economic and political systems:

1. Limiting oil and natural gas production is much easier than limiting the world's demand and need for oil and natural gas (fossil fuels currently meet 80% of world energy demand).
2. When the supply of oil and natural gas does not meet demand (current and anticipated), oil and natural gas prices can rise quite rapidly. This imbalance also results in shortages of energy, notably in the form of electricity, fuel, petrochemical feedstock, and fertilizer.
3. When oil and natural gas prices rise significantly and quickly, the negative impacts propagate immediately throughout the entire global economy in the form of higher prices for almost all goods and services.

Oil and natural gas development has been facing numerous headwinds that have significantly impacted the world's ability to maintain oil and natural gas production rates. Starting in 2014, poor returns on many investments in oil and natural gas companies caused the financial markets to move away from the sector. The theme of "capital discipline" emerged on Wall Street in 2018 and most public oil and natural gas companies have significantly reduced capital investments in favor of increased dividend returns to shareholders.

Negative sentiment towards the sector due to concerns about climate change and GHG emissions has also been slowly and steadily building. This negative sentiment again resulted in investment dollars steadily moving elsewhere, accompanied by changes in some energy company strategies to reduce or diversify away from oil and natural gas production. Related to this negative sentiment and growing sensitivity to climate change forecasts, significant policy changes created new obstacles to oil and natural gas drilling and development largely through leasing and permitting regulations, but also in the areas of pipeline and infrastructure expansion. Finally, and most recently, the COVID-19 pandemic added significant uncertainty to all sectors of the economy, which created a strong impetus for global oil and natural gas companies to greatly reduce capital investment in all aspects of production. These factors combined to bring oil and natural gas production capacity to very low levels just as the economy began to rebound from the pandemic in 2021 and the associated demand for energy surged.

One-Year Forward Strip	
NYMEX Henry Hub	$ 5.947
LNG Japan/Korea Marker (Platts) Futures	$ 33.894
Dutch TTF Natural Gas (USD/MMBtu) (ICIS Heren) Front Month	$ 37.903

Table 2: Projected natural gas prices from CME Group demonstrate the United States and the world can continue to expect volatility in the global oil and natural gas market (Daily Weather and Market Report, June 29, 2022).

The net result of these impediments to oil and natural gas production has been a slowing down of the global economy, an increase in political unrest, and disproportionate pain and hardship on the least privileged of our global population. Recent real-world manifestations of this situation include:

- **Yellow Vest Protests in France**—2018-19 protests against high fuel prices during which anger and frustration resulted in riots directed at the government after a decision to increase the price of diesel and gasoline.
- **2021 Ransomware Attack**—Panic and price spikes due to the five-day Colonial Pipeline shutdown.
- **February 2021 Texas Power Crisis**—A five-day interruption to Texas electricity and natural gas supplies crippled the state and resulted in loss of life and significant economic and property damage.
- **Ongoing European Energy Crisis of 2022**—The dramatic natural gas shortages in Western Europe, exacerbated by the war in the Ukraine, have resulted in extremely high energy costs and shortage fears this winter. Natural gas prices in Western Europe and Asia are many multiples of the US Henry Hub Clearing price.

The situations mentioned above are just a few of the very clear cries of pain from individuals and governments when they are faced with present day shortfalls and the associated price increases of oil and natural gas. They also highlight the fragility of socio-economic and political systems when subjected to rapid reductions in energy supply or threats to energy security.

FUTURE ENERGY TRANSITION HEADWINDS

As strong as the political and popular desire may be to rapidly transition away from fossil fuel use in our global economy, the reality is that there are equally strong headwinds that are going to set the pace and thoroughness of the transition.

The primary challenge to this transition is the massive scale of the endeavor. The global population was approximately two billion in 1920 and is almost eight billion today with current forecasts projecting a population of nearly 10 billion by 2050 (United Nations). This incredible population growth has been made possible almost entirely by a concurrent growth in the use of oil, natural gas, and coal. These resources are used not only for electricity, transportation, and heating, but are significant components in the manufacturing of cement, steel, plastics, and fertilizer—foundational building blocks supporting our modern society. Over the course of the last century, fossil fuels have supplied the reliable, accessible energy needed to meet global demand and consequently, drastically improved the quality of life for billions of people around the world. Data has shown that energy consumption is directly correlated to both quality of life and environmental health. According to the United Nations and EIA, nations that enjoy the highest Human Development Index—based on life expectancy, years of education, and GDP per capita—are also the largest consumers of energy per capita.

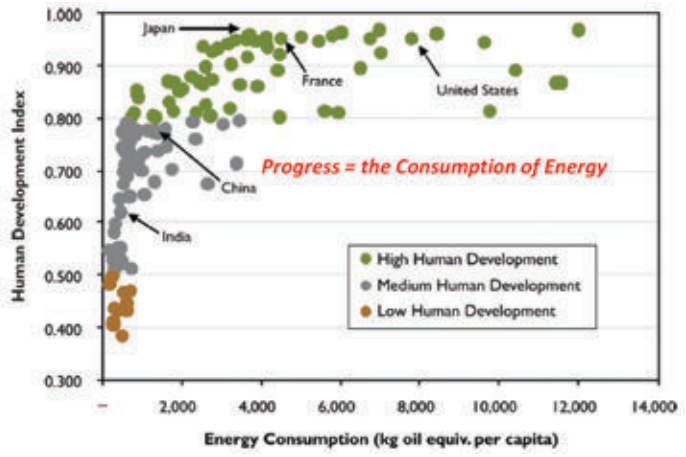


Figure 6: Human Development Index (HDI) compared to energy consumption from countries around the world with key nations highlighted (EIA; United Nations).

This synergistic growth of the global population and fossil fuel usage means that nearly everything eight billion people do or use is made possible through the use of oil, natural gas, and coal.

This synergistic growth of the global population and fossil fuel usage means that nearly everything eight billion people do or use is made possible through the use of oil, natural gas, and coal. A shift away from that reliance towards a new system with much lower GHG emissions, and largely reliant on thermodynamically inferior energy sources such as wind and solar, with help from conservation efforts, is appearing to be technically feasible (with nuclear in the mix). However, the massive scale of the endeavor will greatly slow the pace of transition.

Beyond the scaling issue, even with strong support for a rapid energy transition, there are many people in favor of the transition until it directly impacts their daily lives. Examples of this "Not In My Back Yard" (NIMBY) sentiment include resistance to:

- Construction of new power lines and other grid infrastructure critical to a significant increase in reliance on electricity because of aesthetics and perceived health concerns.
- Wind farms, offshore and onshore, for reasons of aesthetics, bird mortality, and noise.
- Solar farms because of aesthetics, land use concerns, and environmental impacts.
- Critical mining projects needed to accommodate the significant increase in demand for the numerous metals and other raw materials required in all aspects of the energy transition.
- New hydroelectric dams because of loss of habitat in riparian ecosystems.
- Nuclear power for reasons of safety, nuclear waste disposal, and concerns over weaponization of the nuclear fuel.

All democratic societies are and will increasingly be faced with significant struggles related to these encroachments on individual property, rights, and values. At the same time, there is a growing awareness in the western world that China has continued to add coal-fired electricity generation at such an astounding pace that it greatly offsets the GHG reduction efforts shouldered by the West. Further, China now enjoy a low-cost (manufacturing) energy advantage and are the dominant suppliers of components critical to the energy transition such as photovoltaic cells for solar panels and lithium battery materials.

DEMAND FOR ENERGY

Current indications are that global demand for energy will remain high, and likely grow, regardless of the source. Not only do we have a growing global population but, perhaps more significantly, there is also a strong motivation within societies, economies, and governments to reduce human suffering and improve the health and quality of life for all people. The starting point of this effort is to pull the most disadvantaged of the global population—approximately three billion people—out of energy poverty by providing them with basic access to reliable and affordable electricity and fuels.

Attendant with this effort, will be the ongoing aspiration of all people to improve their lives through the acquisition and use of modern tools and technologies. For example, people without refrigerators will strive to acquire refrigerators, people without a car will work towards owning a car, and so on, as there is always something more to want. These steps up the ladder of improved quality of life involve the use of energy, and when multiplied by billions of people, that incremental growth in energy demand is substantial. Figures 7 and 8 illustrate the tremendous historical impact of increased per capita energy consumption on life expectancy and GDP in India and China.

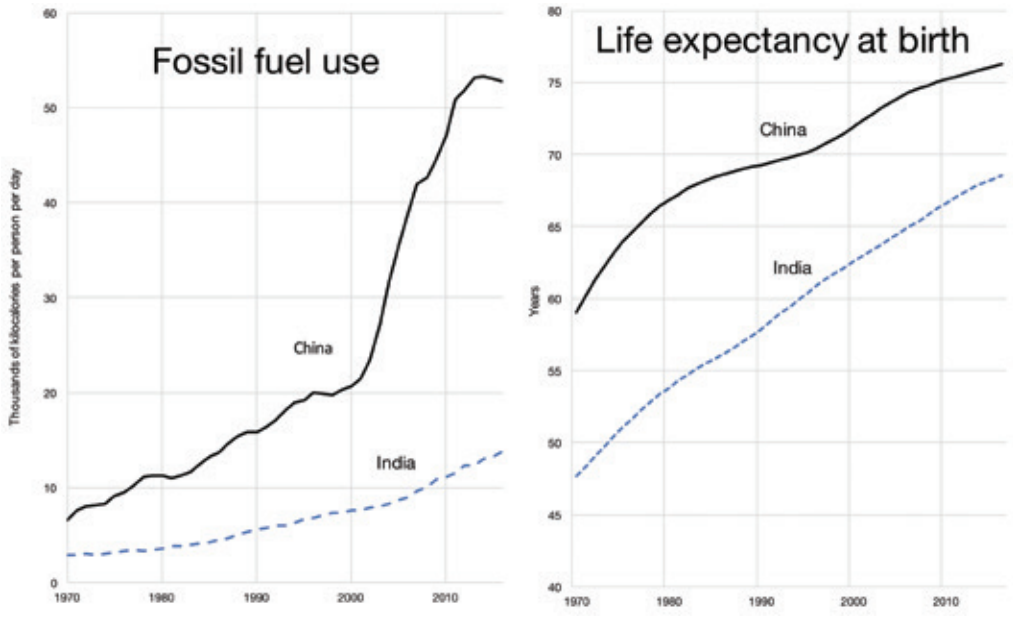


Figure 7: Fossil fuel usage versus life expectancy in India and China from 1970 to 2017 (BP Statistical Review of World Energy; World Bank, World Development Indicators).

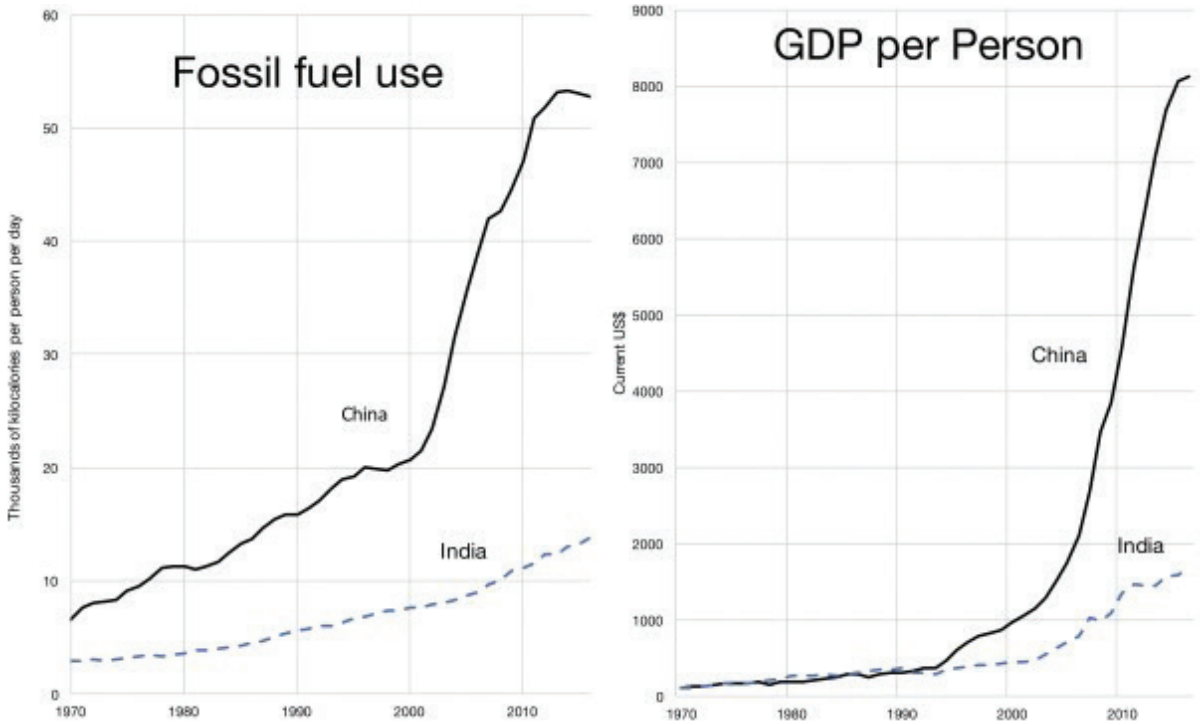


Figure 8: Fossil fuel usage versus GDP per capita in India and China between 1970 and 2017 (BP Statistical Review of World Energy; World Bank, World Development Indicators).

According to the World Health Organization (WHO), over three million people die prematurely every year due to illnesses attributable to poor indoor air quality from cooking on biomass stoves. Additionally, nearly half of the global deaths from lower respiratory infection among children under five years of age are caused by particulate matter (soot) inhaled from household air pollution (WHO, 2022). Bottled propane or liquified natural gas (LNG) are the realistic near-term solution to this avoidable and tragic problem. The United States is the global leader in growth of LNG exports.

The need to grow the overall global supply of energy and, at the same time, transition away from the world's current reliance on fossil fuels magnifies the scale of the transition challenge. It is also becoming increasingly clear that recklessly curtailing fossil fuels at a pace faster than non-GHG emitting energy sources can replace them will not only slow the economic engine of the world's developed countries but will also severely limit the ability of the most disadvantaged of the global population to escape the dire impacts of energy poverty. Figure 9 shows the EIA's latest forecast for supplying the forward energy demands of a growing population. Renewables are clearly the fastest growing segment with a 170% increase by the year 2050. However, during that same time period, the demand for oil grows by 25% and natural gas by 35%.

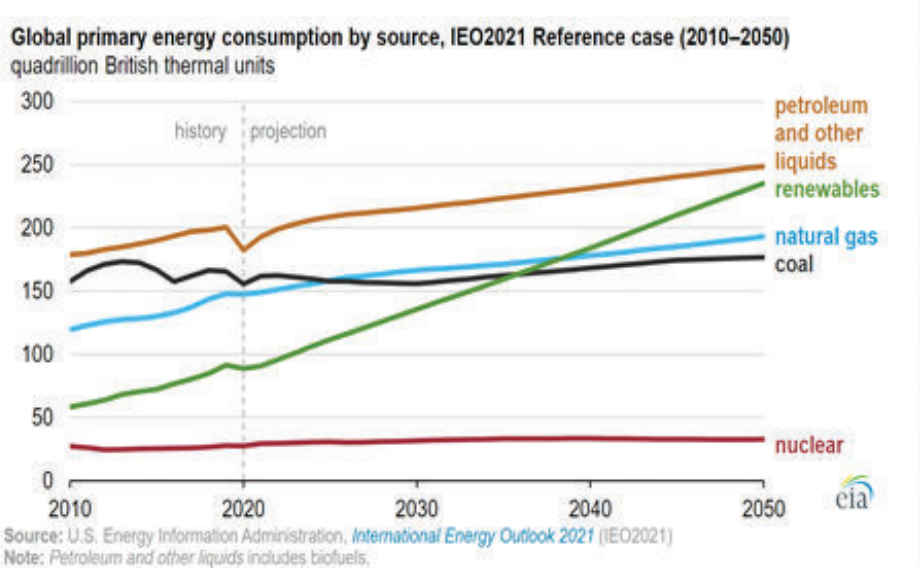


Figure 9: Projection of global primary energy consumption by energy source between 2010 and 2050 (EIA).

SUMMARY

Realistically we will remain reliant on fossil fuels to a significant degree for the foreseeable future. As indicated in Figure 9, fossil fuels are still likely to supply more than 65% of world energy demand three decades from now (EIA, 2021). To minimize the negative effects of this reliance, we need to produce oil and natural gas in a responsible manner that minimizes the impact on the environment, protects the health and safety of all people involved, and aspires to Net Zero in our manufacturing operations. With these goals in mind, responsible oil and natural gas producers will lead the industry towards an industry-wide embracing of the following practices:

- Prioritize their "social license to operate" through educational efforts, community outreach, and transparency.
- Minimize release of methane and volatile organic compounds (VOCs) during drilling, production, and transportation of oil and natural gas.
- Mitigate CO_2 emissions by minimizing the flaring of natural gas.
- Minimize CO_2 emitted through powering of drilling, completion, and pumping equipment.
- Minimize CO_2 emissions created by vehicles used at production sites.
- Employ real-time monitoring of methane and VOC emissions at production facilities to instantly identify leaks and employ action plans to immediately remedy identified leaks.
- Upgrade wells, facilities, and pipelines to current standards wherever possible, and plug and decommission those that cannot be adequately upgraded.
- Track and monitor associated emissions from grid electric power used in drilling, completion, and production operations.
- Create and secure thoughtful carbon offsets to mitigate sources that cannot be practically eliminated.

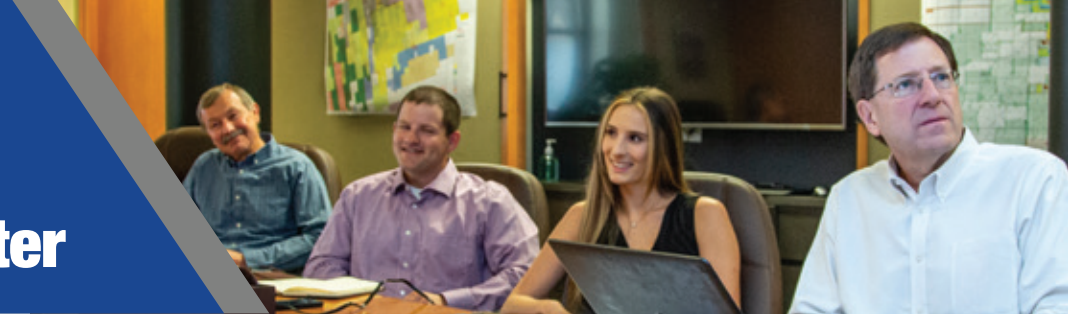
Due to strong national and local regulations and thanks to high-quality, experienced operators whose owners and investors demand a high level of social responsibility, the U.S. oil and natural gas industry is outpacing the rest of the world in its adoption of these practices. Notably, Colorado leads the U.S. in regulations and operational practices addressing these priorities.

The clear conclusion is that, regardless of the urgent need to significantly reduce GHG emissions, the world still requires significant amounts oil and natural gas and will for decades to come. Responsible domestic producers, particularly in Colorado, minimize the impact that these needed commodities have on the global environment. Oil and natural gas produced in the U.S. will also provide the added benefits of:

1. Providing national energy security.
2. Reducing the demand for oil and natural gas from countries that have significantly lower or non-existent regulatory standards regarding the impact to public health, safety, or the environment.
3. Reducing the revenue from oil and natural gas sales going to countries and organizations with significantly different value systems than we embrace in the United States.


WE ARE
BAYSWATER

We Are Bayswater



Fostering a culture of executional excellence has been foundational to our success. At Bayswater, we value continuous improvement and are always seeking out new ideas and different ways to improve our operations. We endeavor to stay on the cusp of the latest in innovative technologies and practices that maximize the efficiency of our operations and reduces our cumulative impact on the public, health, welfare, and wildlife, while maintaining the profitability of our company. We employ many of the same technological advancements and sustainable operational practices in both our Colorado and Texas operations, maintaining a high standard of performance despite drastically different state regulations and operating environments.

At Bayswater, our business conduct is underpinned by the following fundamental tenets:

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

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

BAYSWATER

STEPHEN CHARLES
Production Superintendent

Industry Experience: 13 Years
Bayswater Tenure: 3 Years

What is your favorite part about working for Bayswater?

My favorite part of working for Bayswater is their sense of family and the way they treat their employees. They really value the work that their employees accomplish. That is hard to find nowadays when working in the oil and gas industry. Bayswater is by far the best company I have worked for hands down.

How long have you been in the oil and natural gas industry?

I have been in the oil and gas industry since 2009. I started off as a diesel mechanic for a frac company. My older brother worked as a cementer and convinced me to try the oil and gas industry and I haven't looked back since. After about 4 years of working on a frac crew, I made the switch to the production side of the business starting off as a lease operator to now being production superintendent for Baywater.

OUR MOST VALUABLE ASSET

Undoubtedly, the success we have attained since our inception in 2004 can be attributed to those who make up the Bayswater team. On a daily basis, each member of our team plays a critical role in ensuring every facet of our operations run smoothly and safely. For that reason, we see our employees as our most valuable asset.

At the height of the COVID-19 pandemic, our team worked to ensure we kept a rig active throughout 2020, which set Bayswater apart as we were one of the few operators to keep a rig up in the DJ Basin. In 2021, our team worked hard to ramp production back up to meet and eventually exceed pre-pandemic levels. Our team has managed to grow and flourish despite great marketplace difficulties and external headwinds.

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

OUR DIVERSE TEAM

At Bayswater, we know that creativity and innovation are born from diversity—diversity in experience, thought process, opinion, and skill set. With that in mind, we actively nurture an entrepreneurial culture, multidisciplinary teamwork, and a flat organizational structure. We value having a team with differing backgrounds and opinions as they result in the types of intellectual debates that fuel quality investment decisions, innovation, and advancement.

INVESTING IN OUR TALENT

We are committed to investing in our people because they are vital to our success. For that reason, we encourage the growth of each individual, understanding that a team is greater than the sum of its parts. Many of our Bayswater team members work across disciplines—often taking on more than one role—to ensure a comprehensive understanding of the company's day-to-day operations, and a multi-faceted strategy to achieve executional excellence.

As an industry leader, it is essential Bayswater provides our employees with access to the best tools, resources, and technologies. We also strive to develop our talent by providing the opportunities and work environment that they need to thrive. We do our best to acknowledge and reward hard work and professional success. We want to build our team around rewarding performance, alignment with company values, and commitment to the long-term success of the organization.

DENVER OFFICE

100% OF BAYSWATER EMPLOYEES ARE DIRECT OWNERS

65% OF BAYSWATER EMPLOYEES DIRECTLY INVEST

Health & Safety

At Bayswater, safety is a priority that we integrate into every part of our operations. We strive to be an industry leader by conducting our business in a manner that protects the health and safety of all parties at all times and mitigates our impact on the environment. Throughout our company culture, both internally and among our contractor partners, we emphasize safe practices and take great pride in our operations, team members, and work product. Bayswater works to continually improve our Health, Safety & Environment (HSE) performance through the maintenance of a meticulous HSE management framework.

LEADERSHIP & ACCOUNTABILITY

We empower employees at all levels of the company to lead and engage with our contractors and partners to ensure we collectively achieve our HSE objectives. As with our industry peers, Bayswater implements a *Stop Work Authority* order at each site, which permits any employee or contractor to immediately halt any practice they identify as unsafe. Additionally, Bayswater's internal HSE Committee meets monthly to establish clear goals, set annual objectives, and ensure adequate resources are allocated to HSE priorities.

PEOPLE, TRAINING & BEHAVIORS

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

FACILITY CONSTRUCTION & MAINTENANCE

Across our operational footprint, 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, and periodic inspections from regulatory officials. Bayswater designs and constructs all new facilities with the best available technologies to ensure the highest safety, security, health, and environmental standards are met or exceeded throughout the duration of their operational lives. Furthermore, we consistently work to implement upgrades and modifications to existing facilities in accordance with regulations, and to meet our own high standards.

COAHOMA OFFICE

EATON OFFICE

SAFETY METRICS, ASSESSMENT & IMPROVEMENT

Total Recordable Incident Rate (TRIR) is the standard industry metric to measure and track the safety of company operations. At Bayswater, we use this data to continuously evaluate the safety of our operations and benchmark our performance against that of our peers. With an endless focus on making our operations safer, Bayswater's TRIR is regularly reviewed with the executive team, employees, and contractors as well as published in our quarterly investor reports. In 2021, we maintained our strong safety record and improved from our 2020 TRIR of 1.81. Notably, total field hours in 2021 increased 77% over 2020 levels with 979,118 total man-hours representing 470 full-time equivalent employees and contractors in the field.

CONTRACTOR MANAGEMENT

At Bayswater, we have no greater priority than the health and safety of our people, local communities, and the natural environment. To that end, Bayswater holds contractors to the same high safety standard that is expected from our employees. To ensure contractors align with our HSE expectations prior to engaging their services, Bayswater utilizes the ISNetworld (ISN) system, an industry contractor management program that facilitates the selection of vendors through transparent HSE performance metrics and includes access to ongoing monitoring of contractor performance. Through ISN, we are able to review the capabilities and competencies of a potential contractor to perform work on our behalf. We then work together to ensure Bayswater's HSE expectations are upheld and achieved.

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

Man Hours	Q1 2021 (hrs)	Q2 2021 (hrs)	Q3 2021 (hrs)	Q4 2021 (hrs)	2021 Total (hrs)
Pumpers	12,152	15,751	18,350	18,889	65,142
Drill	73,435	68,897	49,456	92,584	284,372
Complete	86,840	82,117	116,949	27,298	313,204
Roustabout	28,905	26,696	54,120	39,516	149,237
Misc. labor (Haulers, disposal)	48,706	45,054	52,647	20,756	167,163
Total	**250,038**	**238,515**	**291,522**	**199,043**	**979,118**
Recordable Incidents	1	1	1	2	5
TRIR	0.80	0.84	0.69	2.01	1.02
Rolling 4 QTR TRIR	1.22	1.01	0.81	1.02	–

Table 3: Total Recordable Incident Rate (TRIR) data is calculated based on recordable incidents and man hours worked by Bayswater employees. In 2021, Bayswater's average TRIR was 1.02, which is a significant decrease from the 2020 average TRIR of 1.81.

The Contractor TRIR shown in Figure 10 increased from 0.53 in 2020 to 0.73 in 2021. These statistics represent the annual performance of Bayswater's pool of active contractors (totaling approximately 450 contract service providers). The increase in TRIR from the low in 2020 is not surprising and not reflective of a failure in safety management. It is attributable to the rebound in work activity in 2021 from the all-time lows witnessed in 2020. In 2020, the great collapse in industry activity left only the best and most experienced crews working and only the most modern and efficient equipment running. As activity picked back up in 2021, new crews were added, and many new hires had no prior industry experience. This change in activity caused the TRIR to jump back up to pre-pandemic levels. It can be seen in Figure 11 that Bayswater's contractor TRIR performance is in the upper second quartile in 2021, just as it was in 2020.

Figure 10: ISN's Interactive Analytics Report shows that Bayswater's 2021 TRIR for their contractors falls into the 2nd quartile in comparison to that of our industry peers with a similarly sized contractor base.

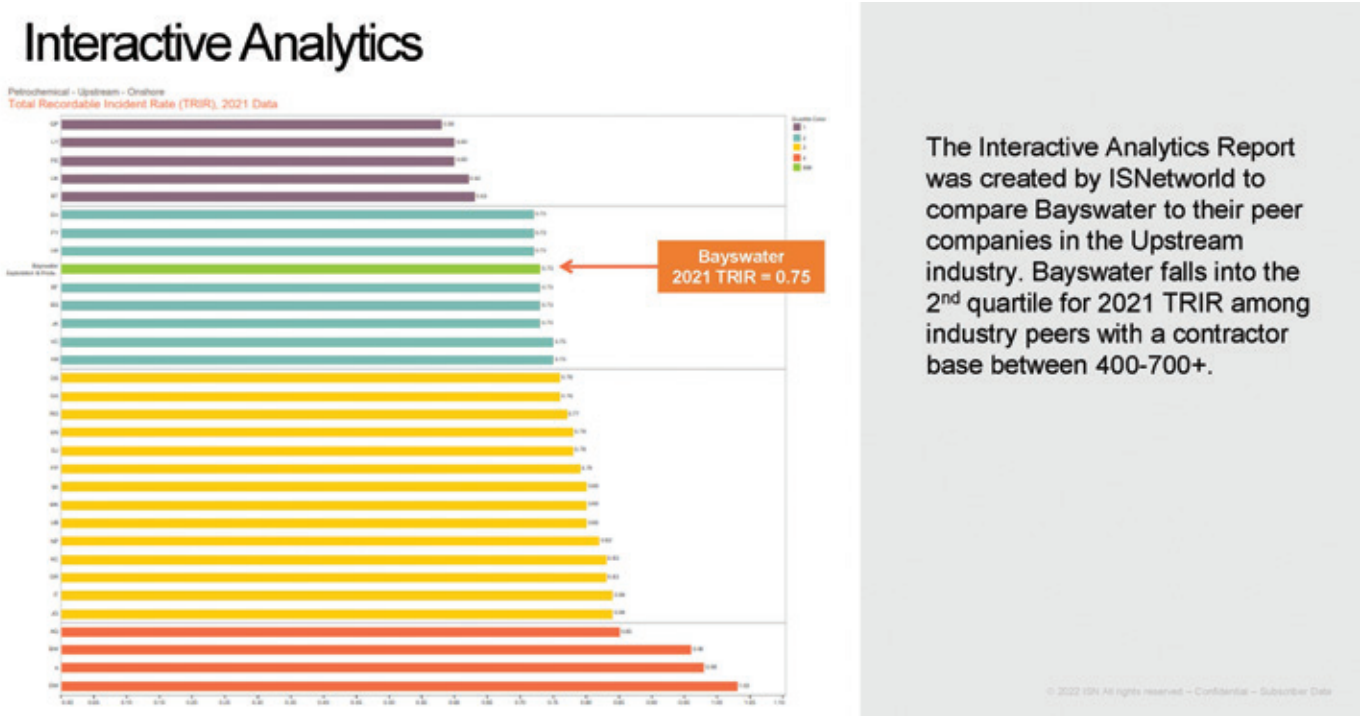


Figure 11: According to the ISN database, Bayswater maintained a strong record of safety with a contractor TRIR of 0.75 in 2021.

CRISIS INCIDENT & EMERGENCY MANAGEMENT

Across our operations, Bayswater employs a three-pronged emergency management approach consisting of:

Emergency Plans

Tactical Response Plans

Business Continuity Plans

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

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

COLORADO PREPAREDNESS & RESPONSE NETWORK

COLORADO PREPAREDNESS AND RESPONSE NETWORK (CPRN)

In the DJ Basin, Bayswater continued our active participation in the Colorado Preparedness and Response Network (CPRN) in 2021. 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 Colorado's 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, which ensures they have intimate knowledge of Bayswater and other industry sites and allows for a more efficient response in the event of an emergency incident.

Data, Technology & Innovation

Bayswater makes every effort to utilize the latest in technology and best operational practices to perform at the highest standard. In this pursuit, we not only look to our industry peers for advancements that we can incorporate, but also work to spark our own innovative processes to operate as efficiently and sustainably as possible.

2020 REVIEW

In 2020, we maintained our legacy of progress and continued to stay at the forefront of innovative industry technologies and practices.

The following innovative technologies and systems were highlighted in Bayswater's 2020 Sustainability Report and are still in use across our operational footprint:

- Enhanced planning of multi-well pad designs through the integration of three-dimensional (3D) seismic data with subsurface data from previous wells to create a detailed 3D subsurface Earth Model, which is then further refined with geosteering data during drilling operations.
- Higher precision of drill bit location and horizontal lateral position through the combination of real-time geosteering data and magnetics-based measurement-while-drilling (MWD) technology.
- Increased efficiency and enhanced economics of Bayswater wells using our Engineered ChokeFlow Management (ECM) process to meticulously review rate and pressure data, listen to the wellbore and reservoir, and optimize the production of each well.
- Real-time monitoring of well performance through the development of Bayswater's own production monitoring system, which compiles daily data from each well site to determine current well production, produces corporate engineered forecasts, and configures algorithms to compare the performance of different wells.

BAYSWATER

MUTHUKUMARAPPAN "KUMAR" RAMURTHY

Chief Technology Officer

Industry Experience: 32 Years
Bayswater Tenure: 2 Years

How long have you been in the oil and natural gas industry?

32 years. I was a Mechanical Engineer first but producing hydrocarbons from several thousand feet below the ground intrigued me more than anything and that passion has only grown over these years. The pride is in producing these hydrocarbons that make a difference in everyone's lives in an environmentally sustainable way!

Tell us about your family life and hobbies.

I am outnumbered at home. I have a beautiful wife, Hema, two amazing daughters, Priyanka and Anushri, and our friendly dog, Velvet!! We love to watch movies at the theater and travel around the world as a family. Love the outdoor activities, and even though my kids hate it, I enjoy watching/playing cricket!! Our youngest daughter loves Disneyland and I hate rides, but I have done the rides just for her.

2021 HIGHLIGHTS

In 2021, Bayswater continued to explore and integrate new technologies and practices that would optimize the efficiency of our operations and set a higher standard for responsible oil and natural gas production.

Frac Protect Approach

In the DJ Basin and other unconventional development areas, loss of proved developed producing (PDP) reserves from hydraulic fracturing interference (also known as parent/child interference) is being addressed via frac-protect operations. There are two main objectives for utilizing the frac protect approach:

1. Keep the child/infill well fracs/completions from thieving into the depleted parent well drainage area leading to ineffective stimulation of the child/infill wells.
2. Mitigate the loss of proved developed producing (PDP) reserves in the parent well.

Frac protect is mainly done by pressurizing the parent well prior to the child/infill well fracs. Normally, the parent well can be recharged or pressurized by injecting water treated with chemicals. Produced gas has also been used by a few operators in the industry as an alternative to water with mixed results. The main aim is to recharge the parent well until it reaches its original frac gradient or close to 0.85 PSI/ft. with an estimated volume determined by the parent well depletion.

Cloud point, Interfacial Tension (IFT), Phase behavior and adsorption tests, along with high temperature spontaneous imbibition testing were conducted in the laboratory to determine the correct chemicals to use in frac-protect operations.

After laboratory testing concluded, two field trials were conducted in the DJ Basin in the first quarter of 2021. While the results are mixed and not entirely satisfactory with regard to mitigating the loss of PDP reserves in the parent well, we believe that we were able to keep the offset well fracs from thieving into the depleted areas of the frac-protect wells drainage areas. The learnings from this work are being analyzed and utilized in further optimizing this technology so we can minimize the loss of PDP reserves and improve child/infill well performance.

Alternative approaches to preventing parent/child interference were also piloted by Bayswater in 2021. One of the more successful approaches was implemented at our Calvary Farms Infill pad shown in Figure 12. On this pad, the following steps were taken to mitigate hydraulic fracturing interference:

1. The spacing between the parent and child wells was increased to 680 feet.
2. The edge child wells were landed in different benches than their offsetting parent wells.
3. The edge infill wells were stimulated with a low fluid loading hybrid gel treatment maximizing frac height growth while minimizing frac length. The four interior infill wells were treated with high fluid loading slick water stimulations.
4. The infill pad was stimulated with two four-well zipper treatments—first the four edge wells were zipper frac'd, creating a pressure containment envelope; and then the four interior wells were zipper frac'd with large slick water stimulations that were ultimately contained by the edge well pressure envelope.

This approach resulted in essentially no production loss to the northern and southern parent wells, and at the same time, produced some high performing infill wells. This approach will continue to be refined in future Bayswater pads.

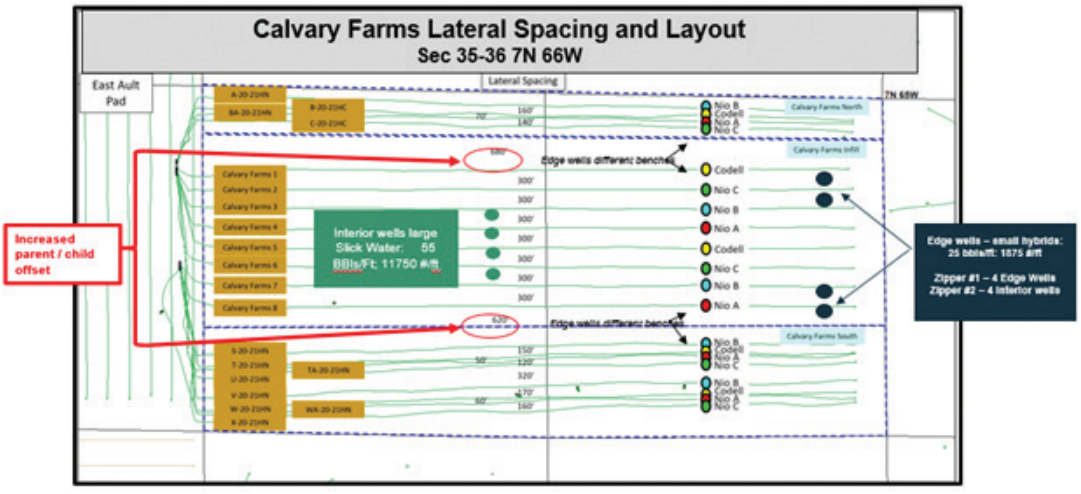


Figure 12: A visual representation of the Frac Protect Approach on Bayswater's Calvary Farms Infill pad.

Blehm 18-1 OGDP Approval: Case Study of Industry Leading Best Management Practices

Following the passage of Senate Bill 19-181 (SB19-181)—a robust overhaul of state regulations on oil and natural gas development—Colorado went through an extensive series of subsequent rulemakings, many of which went into effect in January 2021. Bayswater was extremely proud to receive the first approval on an Oil and Gas Development Plan (OGDP) issued by the Colorado Oil and Gas Conservation Commission (COGCC) in the DJ Basin on October 6, 2021.

According to the COGCC, our approval was largely based upon the Best Management Practices (BMPs) that Bayswater maintains as part of our operational standard and planned to employ at this specific site to mitigate our impacts on the health and safety of the public and the environment. The following list outlines specific examples of the robust and diverse BMPs that enabled Bayswater to receive our landmark approval.

HEAR FROM THE COGCC

"In this operator, I'm finding an operator that's doing the right thing."

– COGCC Chairman Jeff Robbins

"I thought the engagement with stakeholders and with staff, specifically, was pretty exemplary."

– Commissioner Bill Gonzalez

"I don't have any reason to disagree with staff's analysis that there is substantial equivalent protections to all [Residential Building Units] within this particular application within 2,000 feet."

– Commissioner John Messner

While this list is specific to the Blehm 18-I application, these BMPs are incorporated into Bayswater's operational model and utilized at Bayswater sites across our footprint.

During the planning stages for the specific location, Bayswater worked closely with the local surface owner to understand the intended future use of the site—agriculture and solar power generation—and ensure that the selected site was in the least disruptive location for ongoing farming and future solar operations.

During the hearing for our OGDP approval, the COGCC commended Bayswater's extensive community outreach specific to the project. For example, Bayswater consulted and maintained an open line of communication with local first responders and Weld County officials regarding the proposed facility and emergency response plans designed specifically for the proposed location.

Bayswater worked closely with Weld County, the Town of Severance, and the Belmont Farms Homeowners Association to determine the least disruptive traffic route and access point for the site and implemented strict traffic protocols—including speed restrictions—for vehicles coming on- and off-site to minimize the traffic impacts for nearby landowners.

In coordination with Weld County and in compliance with the Colorado Water Quality Control Commission, Bayswater employed a site-specific Stormwater Management Plan that outlined extensive stormwater and erosion controls and spill prevention plans to protect surrounding soil and water resources during construction, drilling, completion, and production phases. These measures include but are not limited to the construction of secondary and tertiary containment and installation of automation to allow for remote monitoring and shut-in capabilities if needed.

Bayswater planned to apply multi-faceted practices to mitigate fugitive dust such as speed restrictions, automation of wells and production facilities to reduce traffic, regular road maintenance, restriction of construction activity on windy days, and silica dust controls during normal completion operations.

Bayswater committed to implement comprehensive protocols and practices that work in concert to mitigate visual, noise, emissions, and odor impacts to those who live, work, and recreate near our operations. Some specific examples from this and every Bayswater location include but are not limited to:

- Pointing all lighting downwards during drilling and completions operations.
- Erecting temporary visual and auditory screening walls during drilling and production phases.
- Painting equipment to match the surrounding landscape.
- Utilizing quiet frac fleets during completion operations.
- Using native soil and vegetation to create berms that prevent erosion and further shield equipment from view.

While learning to navigate Colorado's permitting process under the new rules has been challenging for both operators and the COGCC alike, Bayswater was the first operator to prove that the industry can meet the high bar set by the new rules and demonstrate that there is a path forward for responsible oil and natural gas production in Colorado—a historic and monumental moment for a small, privately-held oil and natural gas company. With the implementation of the new rules under SB19-181, Colorado leads the nation, and arguably the world, with the strongest oil and natural gas regulations. Bayswater is committed to meeting or exceeding the stringent regulatory standards in Colorado and extending those standards to our Texas operations.

"This approval is a true testament to our work and commitment to the communities in which we operate. In addition, it's a clear indication that the industry can continue to responsibly develop oil and gas here in Weld County."

– Steve Struna, Bayswater President & CEO
October 12, 2021

ACTS Database

Bayswater utilizes the Intelex Asset Compliance Tracking System (ACTS) software to closely track emissions for our internal team and ensure full compliance with all local, state, and federal regulations and reporting requirements specific to air emissions. This cloud based HSE software allows us to handle and track Bayswater compliance and reporting frameworks in a customizable format that is specifically designed for Bayswater's internal processes.

In particular, the ACTS software is instrumental in air emissions and compliance management. The software assists in streamlining emission calculations and reporting for programs such as the EPA's Greenhouse Gas Mandatory Reporting Rule. Additionally, the ACTS software tracks facility air inspections such as audio, visual, olfactory (AVO), leak detection and repair (LDAR), and truckload out monitoring. It also includes a program to track engine requirements and testing results across Bayswater operations.

Though Bayswater is currently using the Intelex ACTS software to assist with managing our air compliance program, we are working to expand its capabilities to enhance our tracking of overall progress. As we continue to streamline our operations, we will develop processes that take full advantage of the technological advancements Intelex provides.

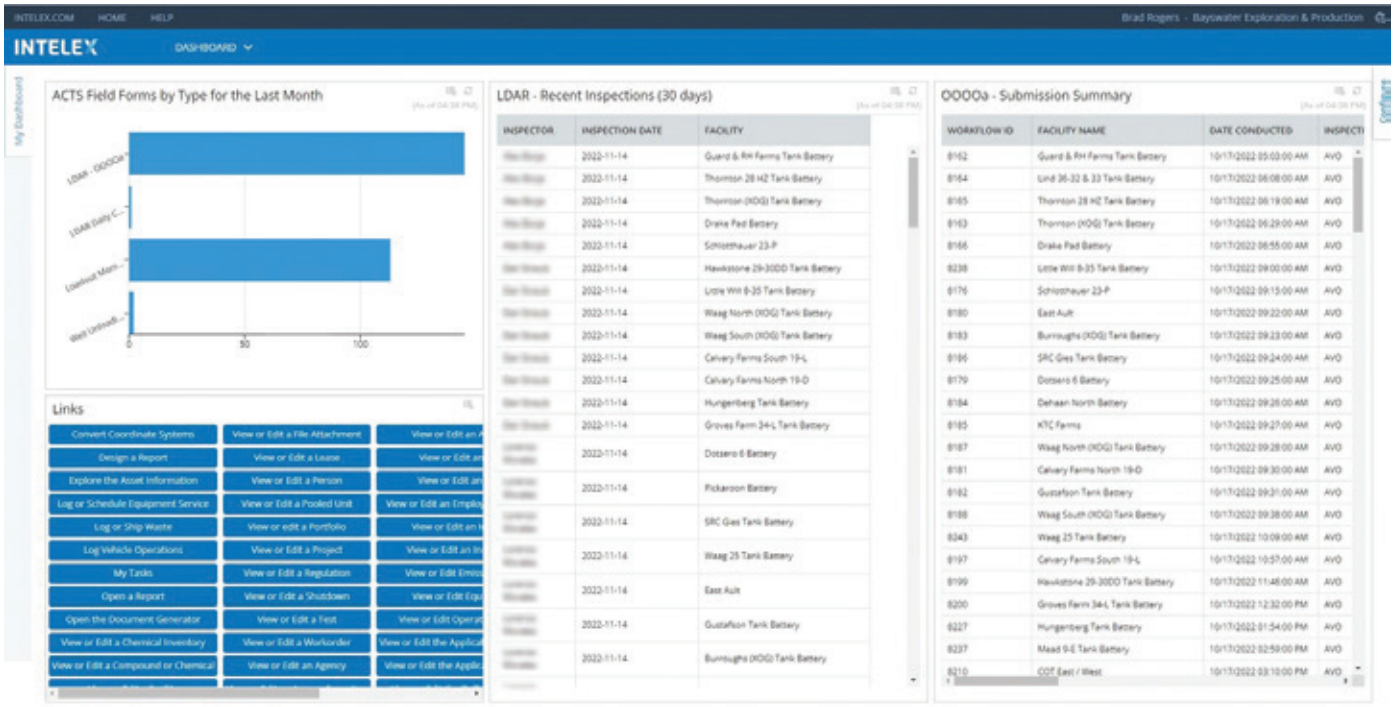


Figure 13: An example of the ACTS dashboard and data collected through the system.

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. As such, 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.

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

Green Operating Agenda

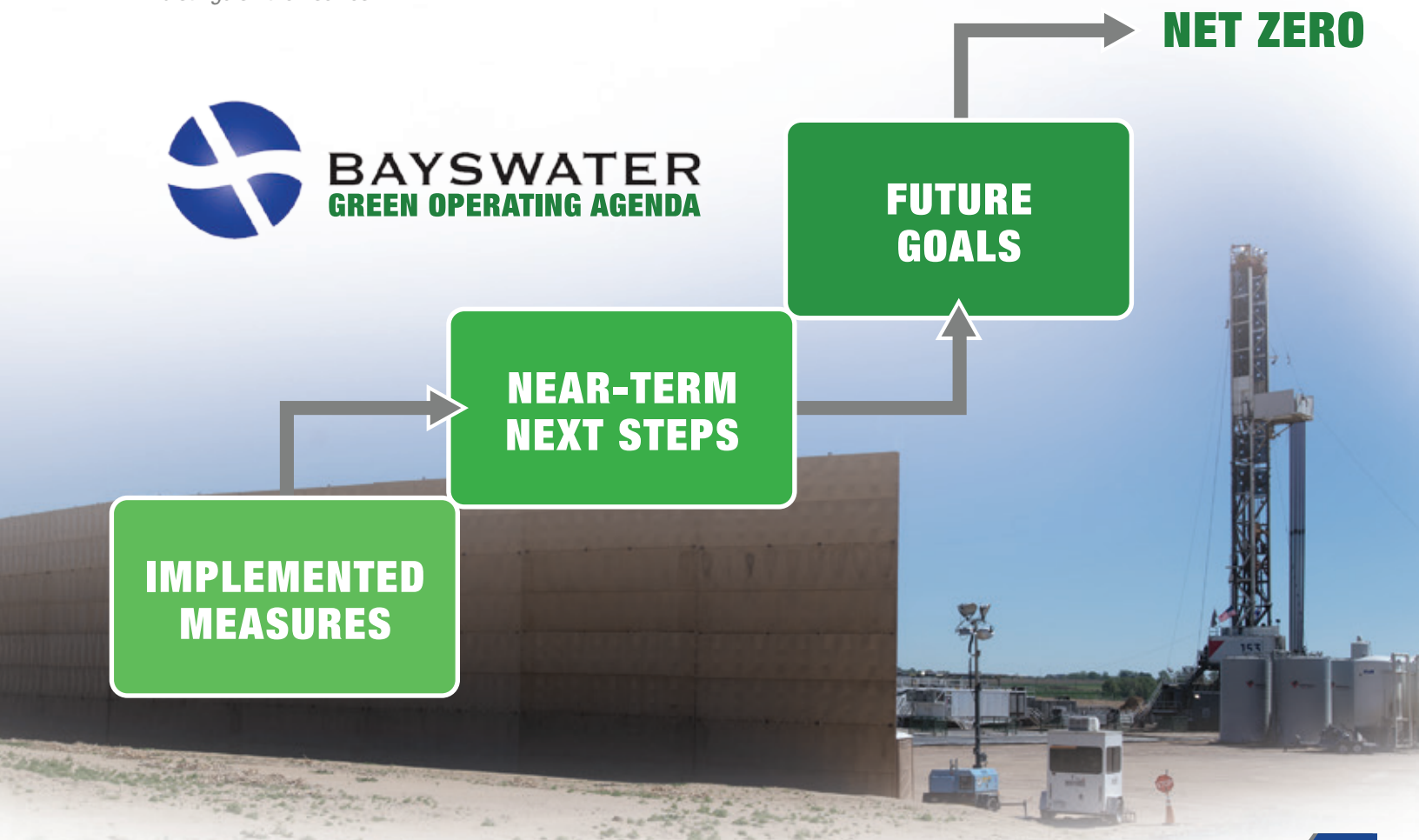
To ensure the sustainability of individual company operations and our entire industry, oil and natural gas producers need to define and commit to a path to Net Zero GHG emissions in their exploration and production operations. The Kimmeridge white paper "Charting a Path to Net Zero Emissions for Oil and Gas Production" succinctly lays out the path to sustainability for Bayswater and similar shale oil and natural gas players:

> *"For the E&P industry, a low carbon future does not mean abandoning or exiting the business. Rather it represents a world where companies operate more efficiently while measuring, reporting and minimizing their impact on the environment. Achieving this with more energy intensive forms of oil production (oil sands, steam floods, etc.) will prove difficult, which should create a platform for light, high-quality unconventional plays to distinguish themselves."*

Bayswater's *Green Operating Agenda* is our three-tiered approach charting a path forward to increasingly efficient and sustainable operations and, ultimately, achieving our aspirational goal of Net Zero emissions. Predating our annual Sustainability Reports, this agenda is a testament to the fact that ESG values have long been central to Bayswater's team, business model, and operational strategy. It is intended to focus and align every member of our team on the achievements we have realized, the short- and long-term goals we are aiming for, and how they all work together to mitigate our cumulative impacts and move us ever closer to our ultimate goal of sustainable, Net Zero operations.

The Green Operating Agenda is comprised of three tiers:

1. Implemented Measures
2. Near-Term Next Steps
3. Future Goals



Each of the three tiers of the agenda is then broken down into four important categories:

- Air
- Land
- Water
- Community Impact

The Green Operating Agenda is our roadmap to turn our sustainability goals into executed actions. It is about goal setting, commitment, accountability, consistency, and progress. By narrowing our focus into smaller, obtainable objectives in the short-term and setting realistic, achievable, long-term goals, we keep our team aligned and focused on increasingly efficient, sustainable, and, eventually, Net Zero operations.

When discussing and outlining a path forward for sustainable oil and natural gas production, air quality and GHG emission reduction is vitally important. As such, the endeavor to reduce or offset greenhouse gas emissions is a considerable focus in Bayswater's sustainability efforts and thus merits a more detailed discussion. When assessing air impacts and emission reductions specific to oil and natural gas production, according to the Greenhouse Gas Protocol, greenhouse gas emissions are generally divided into three categories:

SCOPE 1

Direct GHG Emissions From Owned & Controlled Operations: These are direct emissions from stationary and mobile combustion (i.e., gas-fired compression, generators, diesel drilling and fracking prime movers, vehicle fleets). Scope 1 emissions were reported in our 2020 and 2021 Sustainability Reports.

SCOPE 2

Indirect GHG Emissions From the Use of Purchased Electricity, Steam, Heating & Cooling: These emissions are primarily associated with grid power used to run process controls, electric compression, and electrical submersible pumps. To date, Bayswater has not tracked Scope 2 emissions but has committed to do so for 2022 operations and moving forward.

SCOPE 3

Other Indirect GHG Emissions: These are generally indirect transportation emissions associated with the combustion of products refined from our produced crude oil, and also emissions associated with the retail consumption of our produced natural gas. Bayswater calculates and reports the Scope 3 emissions associated with our proven oil and natural gas reserves but does not intend to mitigate or offset these Scope 3 emissions. There is a small but growing sentiment that upstream oil and natural gas companies should be held responsible for the Scope 3 emissions ultimately associated with their products. Such a sentiment fails to recognize that the upstream oil and natural gas industry satisfies a worldwide demand for energy that currently has no substitute or alternative.

The greenhouse gas emissions most commonly associated with oil and natural gas operations are carbon dioxide (CO_2) and methane (CH_4). These emissions are monitored and tracked in the unit tons of carbon dioxide equivalent ($t\text{-}CO_2e$). Methane has a Global Warming Potential (GWP) equal to approximately 30 times that of CO_2, so reducing and eliminating methane emissions in our operations is a critical focus area. A third important emission associated with combustion sources is nitrous oxide (N_2O) which has a GWP of approximately 280 times that of carbon dioxide. Figure 14 illustrates the relative contribution of emissions along the oil production, transportation, refining, retailing, and end user consumption value chain.

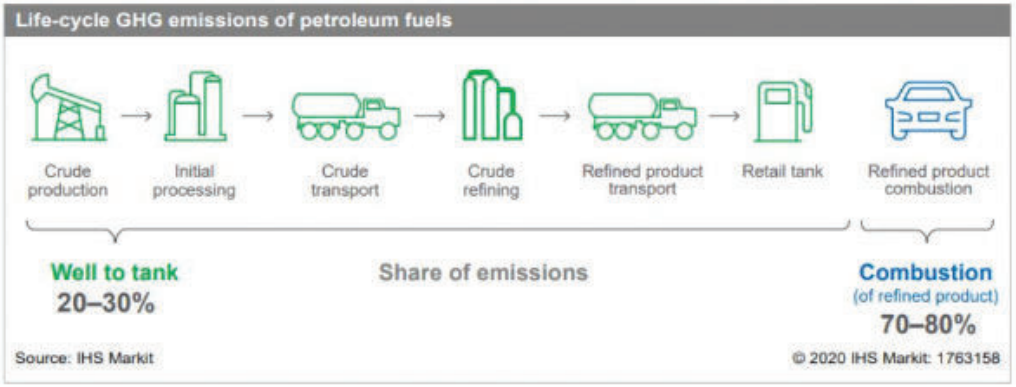


Figure 14: The lifecycle GHG emissions of petroleum fuels (Kimmeridge; IHS Market).

Bayswater's Scope 1 and 2 emissions are associated with the crude production and initial processing steps in the chart above. An ICF International study commissioned by the Environmental Defense Fund identifies four key categories for upstream methane reduction. Bayswater's *Green Operating Agenda* focuses on these key areas and shows great progress in mitigating methane emissions from these consistent sources.

In our 2020 Sustainability Report, Bayswater committed to an ultimate goal of carbon-neutral operations. After further assessing our Scope 1 and 2 emissions and defining the next steps and goals in our *Green Operating Agenda,* we have adjusted our ultimate aspirational goal beyond carbon neutrality to achieving Net Zero Scope 1 and Scope 2 emissions.

Our *Green Operated Agenda* initiatives will be recognizable throughout the remainder of the 2021 Sustainability Report. Our 2020 and 2021 activities outlined in the Environment and Social sections feature many successfully implemented measures, while at the conclusion, we have laid out our Near-Term Next Steps and Future Goals to outline the path forward into 2022 and beyond.

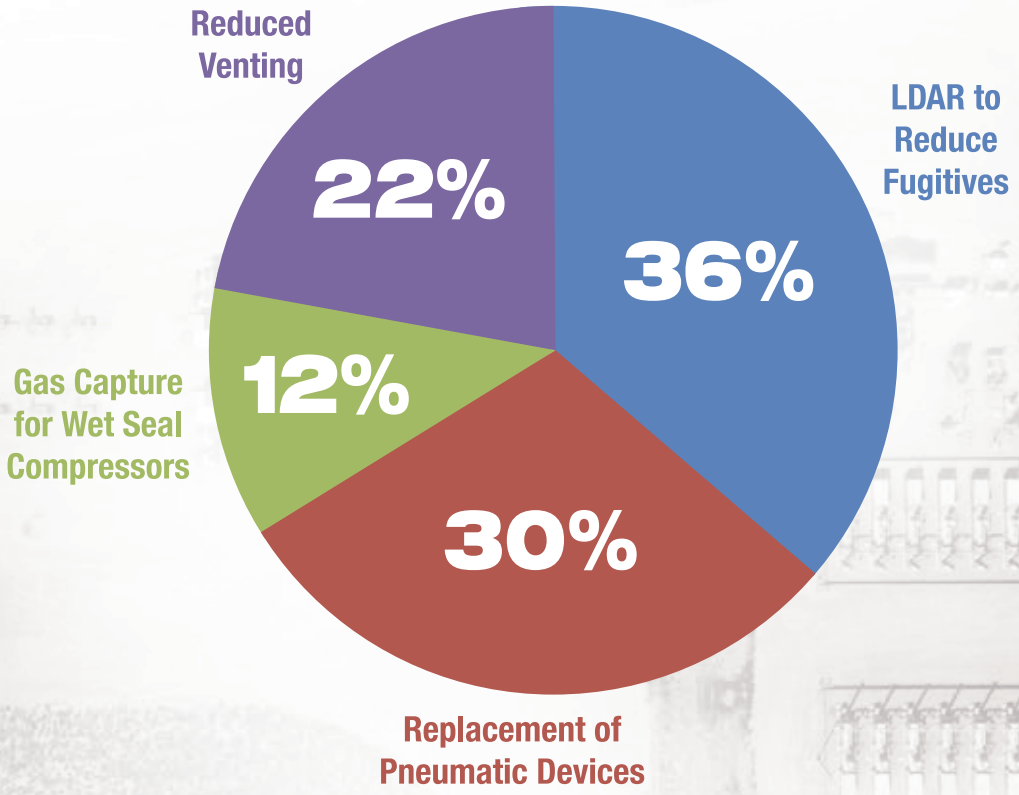


Figure 15: The four key categories for methane emission reduction in upstream oil and natural gas production (ICF International).

ENVIRONMENT

Environment

Energy production and environmental stewardship are mutually attainable. This fundamental principle guides all Bayswater's operations and is a cornerstone of the *Green Operating Agenda* charting our path forward. The *Green Operating Agenda* outlines our short- and long-term goals which contribute to our ultimate goal of carbon-neutral operations. At every location and each stage of the oil and natural gas development process, Bayswater adheres to the highest operational standard, employing BMPs—often beyond what is regulatorily mandated—to mitigate the cumulative impacts of our operations on the public, health, and environment.

In 2021, Bayswater achieved several major environmental milestones demonstrating our progress in improving the efficiency of our operations and our continued commitment to be focused on ESG performance and sustainable, responsible operations. In the following Environment section, we will outline the examples and high-level details of our environmental progress and milestones reached in 2021.

TrustWell® Certification

In 2021, Bayswater expanded our partnership with Project Canary® and engaged the company's services for its TrustWell® analysis and certification process for our operations in the DJ Basin. This independent, comprehensive evaluation measures operational performance across 62 engineering and operational categories to determine an overall responsibility score for oil and natural gas production.

Starting in 2021 and on an ongoing basis moving forward, the TrustWell® certification program will allow us to assess the entire lifecycle of our DJ Basin operations through:

- Review of more than 600 specific engineering criteria and practices designed to mitigate operational impacts on water, air, land, and community.
- Benchmarking against the TrustWell® dataset encompassing more than 4.5 million facilities.

Bayswater was proud to receive a Project Canary TrustWell Gold Rating for our 2021 operational performance in the DJ Basin. Bayswater's TrustWell **Gold Rating** means that we are in the top 25% for our operational performance with highly effective risk management practices in comparison to our peers. This certification is a testament to Bayswater's leadership within the industry for responsible oil and natural gas production. We continue to look for ways to improve our operations and reduce our environmental impact, and the Project Canary environmental assessment and scoring system has highlighted several actionable areas for attention and improvement in the future.

"The intention to produce the cleanest oil and gas molecules it can has been a part of Bayswater's business for a long time, [Steve] Struna said. What's new is having the [continuous air missions monitoring] technology to track and report its environmental progress to stakeholders outside the company."

***– Denver Business Journal,* March 25, 2021**

Responsibly Sourced Gas (RSG)

Bayswater's TrustWell Gold Rating determined Bayswater is a responsible operator and an appropriate candidate for Project Canary's pilot project on Responsibly Sourced Gas (RSG). This pilot project was intended to partner an oil and natural gas producer, midstream company, and utility—each having undergone the Trustwell certification process and individually deemed responsible operators. Project Canary would then be able to assess the full supply chain of responsible natural gas development and guarantee an RSG product for the buyer's standards. Bayswater is proud to be selected by Project Canary as a responsible oil and natural gas producer to participate in this RSG pilot project alongside one of our frequent midstream partners and Colorado Springs utilities.

> ***"Denver-based Bayswater Exploration & Production has been an early adopter of the monitoring, using Project Canary to track emissions in real time at more than 90% of its Denver-Julesburg Basin well sites, verifying its operations meet what Project Canary has deemed its 'gold level' Trustwell standard."***
>
> **– Denver Business Journal, March 15, 2021**

AIR

As previously mentioned, a top priority focus in Bayswater's Green Operating Agenda is protecting air quality and reducing our Scope 1 and Scope 2 emissions. Our emission-reduction efforts are extensive, multi-faceted, and ongoing to implement current technology and explore new innovations that help us move one step closer to our ultimate goal of Net Zero oil and natural gas production.

2020 Review

In Bayswater's inaugural 2020 Sustainability Report, we featured our industry-leading actions to protect the air quality surrounding our operations and reduce our GHG emissions. Our 2020 activities to mitigate operational air emissions included the following:

- Implementation of real-time continuous air emissions monitoring with the deployment of Project Canary devices at locations encompassing 99% of Colorado production along with initial device installation at Colorado drilling and completion sites.
- Minimization of truck traffic—37,500 trucks removed from Colorado and Texas roads in 2020—through the increased use of pipelines for oil and water gathering.
- Eliminated the majority of diesel generator utilization in the DJ Basin and large portion of Permian Basin for on-site power.
- Utilization of coil tubing drillout process and minimized flowback time after completions to set the well up for long-term production.
- Installation of lockdown thief hatches at 99% of Colorado production sites.
- Implementation of on-site automatic tank level gauges at nearly all production sites.
- Upgrading to instrument air powered pneumatic controllers across 80% of Colorado production, thereby significantly reducing methane emissions.
- Implementation and enhancement of vapor recovery systems to collect natural gas and vapors for sale and on-site combustion.
- Prioritization of Leak Detection & Repair (LDAR) inspections—with over 1,700 inspections conducted in 2020—to detect leaks and repair aging or worn equipment.

Many of these 2020 activities are standard operating procedures included in Bayswater's BMPs and, therefore, were continued or expanded upon in 2021 as showcased in our Green Operating Agenda. To minimize our emissions and air quality impact, Bayswater continues to raise our operational performance to new, higher standards to protect the environment and air we all breathe.

Continuing to Lead in 2021

AIR EMISSIONS MONITORING

Bayswater employs multi-faceted practices designed to minimize emissions from our operations. First and foremost, regular inspections, including AVO, infrared (AIMM), LDAR and continuous volatile organic compound (VOC) site monitoring, are conducted by Bayswater employees and contractors on every drilling, completion, and production site to ensure all equipment and engines are operating properly and in compliance with regulatory requirements. In 2021, over 1,600 hours were dedicated to these regular manpower inspections that help minimize emissions and ensure that all natural gas stays in the wellbore and pipe.

In recent years, regulatory and policy conversations around oil and natural gas development at the state and federal levels have focused on methane emission detection and mitigation. Bayswater has invested in implementing the latest technology in continuous air monitoring to expand our methane emission monitoring program in the DJ Basin. A foundational component of the Bayswater business and operational model is staying at the forefront of recent innovations and technological developments. We are proud to highlight two innovative technologies that we deployed in 2021 to expand our methane emissions monitoring efforts: Project Canary across our DJ Basin operations and Bridger Photonics' aerial gas mapping of our Permian Basin operations.

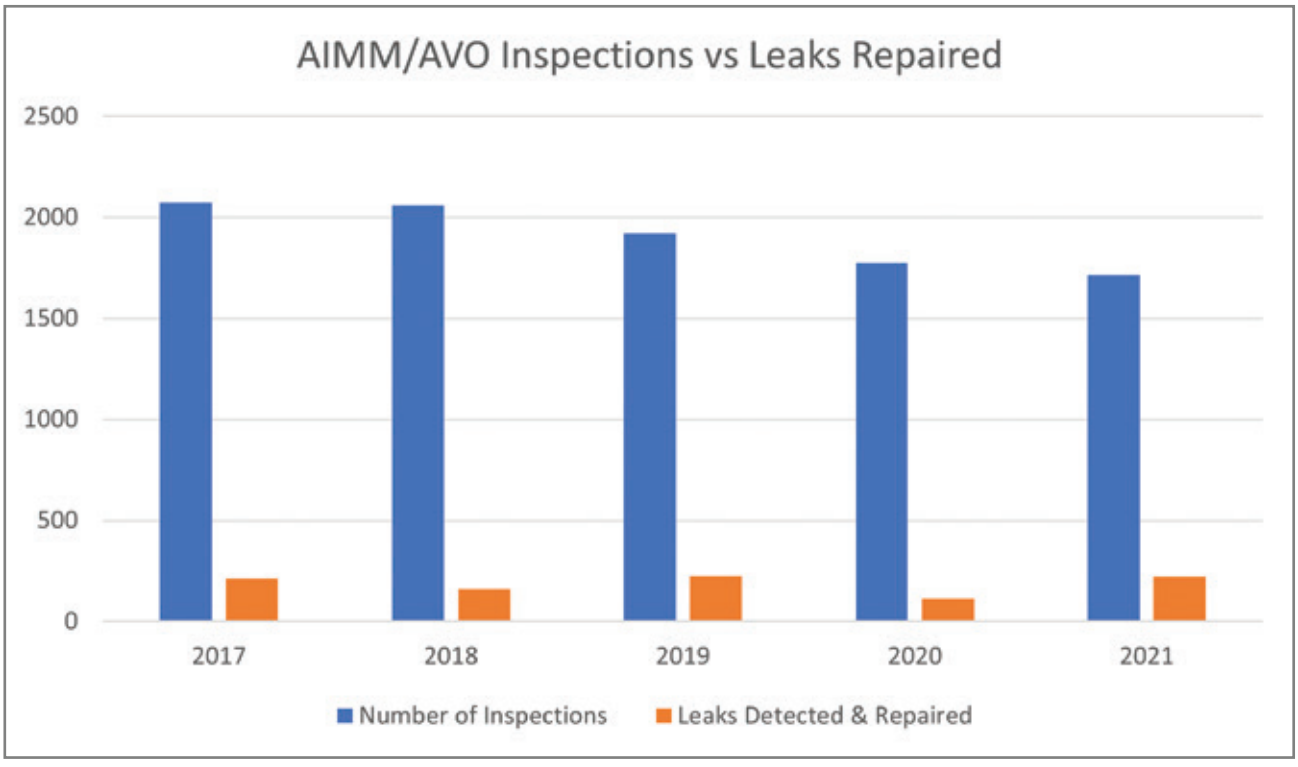


Figure 16: This bar graph depicts the number of infrared (AIMM) and AVO inspections conducted on Bayswater locations each year. In 2021, Bayswater conducted 1,716 infrared and AVO inspections.

Colorado Highlight—Expansion with Project Canary

Bayswater continues to advance our industry-leading continuous air emissions monitoring efforts by expanding our Project Canary program in the DJ Basin. In 2021, we deployed an additional 20 continuous emissions monitoring devices at drilling, completion, and production sites throughout our Colorado locations, including going beyond the 2021 regulatory mandate by installing them at both new and legacy sites. Bayswater currently has 85 units installed across our DJ Basin operations thus monitoring over 99.5% of our daily production volumes.

Additionally, we were one of the first operators to install Project Canary's updated model: the Canary X. This contemporary model conducts continuous monitoring for both methane and VOCs. In 2021, Bayswater was excited to install 11 of the Canary X models on Colorado locations with plans to deploy these devices across our Colorado footprint.

We look forward to expanding advanced continuous air emission monitoring technology to our Texas operations.

Figure 17: A photo of the Canary X model outside of a Bayswater DJ Basin location.

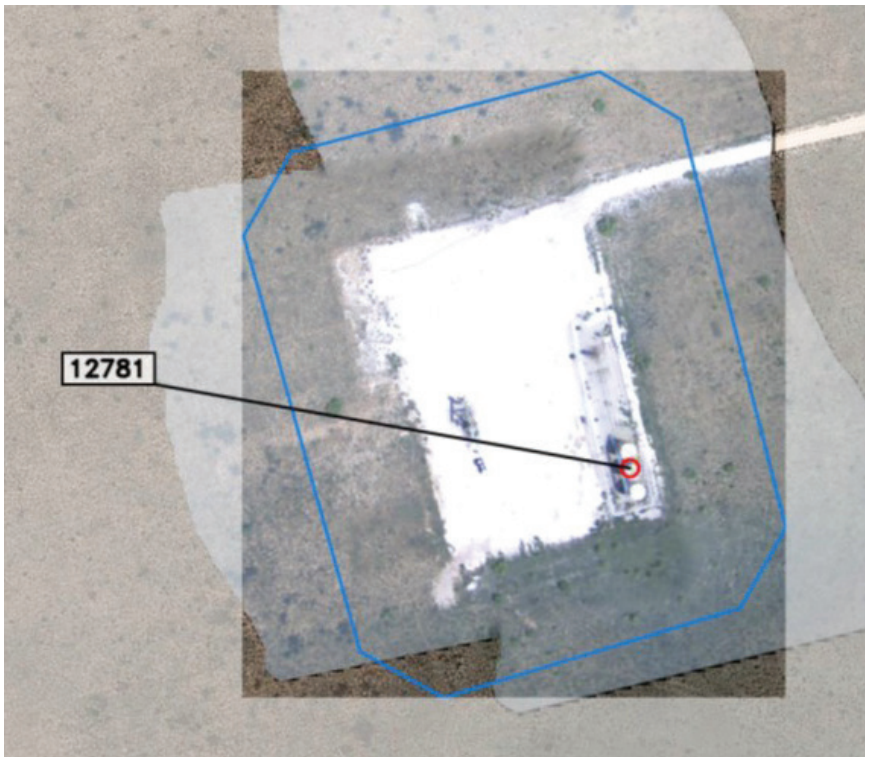


Figure 18: Example of a Bayswater Permian Basin location viewed through aerial gas mapping LiDAR™ technology.

Texas Highlight—Gas Mapping LiDAR™

In 2021, we ran a test on a relatively new technique to detect and reduce methane leaks—aerial gas mapping—in our Permian operations. Employing the services of Bridger Photonics, Bayswater utilized their state-of-the-art Gas Mapping Light Detection and Ranging (LiDAR)™ technology to detect and quantify methane emission leaks from our Permian operational infrastructure. Attached to an airplane that flew over our Permian operations, the LiDAR™ system uses a hyper-sensitive laser that searches for emissions from the plane to the surface. From the air, Bridger Photonics can cover more surface area than previous on-the-ground methods of detection. Real-time data on methane emissions allows our operations team to deploy field personnel to quickly address any methane leak.

ON-SITE POWER

In 2021, to further reduce on-site emissions, Bayswater expanded our transition of on-site power generation to cleaner sources such as natural gas or electricity to become less reliant on diesel power generation. With this move to natural gas and electric power generation, in 2021, Bayswater largely eliminated the use of diesel generators across our operational footprint.

In both Colorado and Texas operations, Bayswater continues efforts to reduce on-site emissions by tapping into the electric grid on location when possible, as well as increased efforts to replace diesel- and natural gas-powered engines with electric engines. When diesel engines are necessary in drilling and completion operations, Bayswater utilizes EPA Tier 4 rated diesel engines and dual-fuel engines (when available), which are cleaner than traditional diesel engines and more efficient, hence further reducing on-site emissions. This overall transition away from diesel-power significantly reduces greenhouse gas emissions in our operations, including carbon dioxide (CO_2), nitrous oxide (N_2O), and sulfate dioxide (SO_2). As the *Green Operating Agenda* demonstrates, our ultimate goal is to transition to a complete reliance on grid power for all engines for drilling, completion, and production activity.

Electric Gas Compression

In our transition to cleaner power generation, we have focused specifically on gas compression. On locations where we have access to the electric grid for a primary power supply, Bayswater has made significant progress transitioning from natural gas to electric motors for our gas gathering and processing equipment. By using electric gas compression, we take another step forward in reducing our on-site emissions. The decision to use natural gas-powered or electric gas compression is specific to each site. Gas-powered motors are able to provide constant, cost-efficient, and reliable power, while electric power is limited to grid availability. As a result, we assess gas compression on a site-by-site basis and alternate options to make sure we are using the best technology available at each location.

LNG for Electricity Generation

In 2021, specific to our larger, multi-well Texas locations, Bayswater implemented the use of liquefied natural gas (LNG) for on-site electricity generation. These locations are often remote and have limited or no access to the electrical grid. By investing in and installing the necessary infrastructure to capture and refine the natural gas on location that would otherwise have been flared, we can convert it to LNG and use it to generate the power necessary to operate on-site equipment. A specific example and important success story is the use of LNG to power our electrical submersible pumps (ESPs)—utilized in the industry to produce wells—on remote locations. By relying on LNG as opposed to diesel fuel, we are able to reduce greenhouse gases by approximately 30%.

Figure 19: An example of power generation on a Texas Bayswater location utilizing LNG as the fuel source.

With the use of LNG for electricity generation, we are also able to use electric motors to power on-site equipment as opposed to diesel- or natural gas-powered motors, allowing us to expand the use of electric motors to remote locations where that would have previously been impossible. This self-sustaining process reduces on-site emissions, particularly methane.

Overall, Bayswater continues to carefully assess every link in the chain of our operations and determine where traditional industry practices and equipment can be updated with modern innovations to reduce our operational footprint. On-site power generation will always be critical for oil and natural gas production, and our team is working on innovative ways to transition to natural gas- or electric on-site power to further mitigate air emissions.

ZERO VENTING & EMISSIONS

Bayswater has made tremendous strides towards reducing venting and emissions specific to long-term production. For example, as highlighted in our 2020 Sustainability Report, automatic tank level gauges are a standard operating practice across our footprint. This technology eliminates the need to manually open storage tanks—releasing emissions trapped inside—to measure the amount of product remaining in each tank. Additionally, the use of lockdown thief hatches has been expanded. These hatches reduce the overall need to open thief hatches, which in turn decreases released emissions. Many of the advancements in this arena were first implemented in the DJ Basin in 2020. In 2021, we continued or expanded the use of the following innovative, emission-saving technologies to more of our DJ locations and into the Permian Basin.

Instrument Air-Powered Pneumatic Controllers

One of the major advancements in mitigating production emissions in 2021 was the expanded installation of instrument air-powered pneumatic controllers. In 2020, Bayswater had begun installing instrument air-powered controllers on new construction in the DJ Basin. By making the change from the industry standard natural gas-powered to instrument air-powered pneumatic controllers, we remove the cumulative methane emissions from the lifespan of the production site—which can be as long as 25 years—that would have been released into the atmosphere by each device. As of 2021, we have expanded the use of instrument air-powered pneumatic controllers beyond new construction to legacy sites that were retrofitted with instrument air-powered devices, resulting in 97% of Colorado production being covered by pneumatic controllers that do not emit methane. Moving forward, as highlighted in the Green Operating Agenda, we have plans to retrofit more existing locations with instrument air-powered pneumatic devices. Additionally, this is another emission-reducing technology that we began to roll out on Permian sites in 2021 with plans to expand further.

Storage Tank Vapor Recovery Systems

For many years, Bayswater has been working towards the integration of vapor recovery systems into our long-term production. Traditional industry practice has been to use enclosed combustors or flares to destruct any vapors released from storage tanks during production. With the addition of storage tank vapor capture systems, we are instead able to collect and compress the vapors from storage tanks into a saleable product rather than a waste stream and further reduce emissions from storage tanks.

Bayswater enjoys an ongoing partnership with EcoVapor, a Denver-based service company boasting a variety of environmental performance solutions designed to assist in eliminating routine combustion by capturing 100% of storage tank vapors. In 2021, Bayswater deployed the latest EcoVapor model and vapor recovery on three Colorado production sites, reducing emissions by 98% compared to combusting of tank vapors. Not only does the EcoVapor system significantly reduce emissions by allowing for the full capture of low-pressure storage tank vapors on production facilities, but it also purifies the captured gas by removing oxygen, which allows Bayswater to compress the captured gas on site so it can be immediately sold. Thanks to the EcoVapor technology, we prevent vented emissions entering the atmosphere from storage tanks on long-term production sites and increase our profit margin by selling the captured and purified natural gas. In 2021, Bayswater utilized a similar vapor capturing technology in our Texas production. We have plans to further this program across our production in the future.

Compressor Engine Maintenance Release Controls

In 2021, Bayswater implemented compressor engine maintenance release controls into its production facility design. When large compressors are taken offline for routine maintenance or shut down, these controls are designed to capture any natural gas contained within the compressor and associated piping. Previously, prior to the advent of this technology, natural gas trapped within the compressor would have typically been vented into the atmosphere when the compressor was taken offline.

With the utilization of these new compressor engine blowdown controls, Bayswater reduces methane and VOC emissions from these events by at least 95% and can re-route the captured gas back into the facility to be sold.

Emission Control Treater (ECT) Pilot

In 2021, Bayswater partnered with Pioneer Energy, a Colorado-based service provider and original equipment manufacturer focused on gas processing solutions, on a groundbreaking pilot project to revolutionize production equipment and infrastructure in an effort to significantly reduce traditional production emissions. In standard production equipment, there are multiple potential sources of emissions from standard operations of the well pad infrastructure. Pioneer Energy developed an unprecedented solution to prevent the majority of these emissions with their Emission Control Treater (ECT)—an integrated, skid-mounted replacement for the vast majority of traditional surface processing infrastructure on the well pad.

By consolidating standard processing infrastructure down to a single skid, well pad system, the ECT system eliminates 90% of point source on-site production emissions. Further, it maximizes crude production by more efficiently separating gas, crude, and water—resulting in increased overall crude volume—and processes the wellhead fluid above midstream evacuation pressure, also eliminating the need for gas compression. Finally, the ECT system eliminates the need for storage tanks and dramatically reduces the surface footprint of the well pad.

Overall, the design and benefits of this innovative equipment has the potential to completely revolutionize oil and natural

gas production, while also preventing most production-related emissions. Bayswater was excited to work with Pioneer in 2021 on their pilot project to test the ECT system in the field. The pilot project design was completed in 2021 and construction commenced in 2022 with a planned start up in Q4 2022.

Reduction of Truck Traffic

Bayswater increasingly relies on pipeline infrastructure to transport hydrocarbons and water on and off our locations. When permanent pipeline infrastructure is accessible or temporary infrastructure feasible, Bayswater prefers to utilize pipelines rather than trucks as a means of transport. Not only does this significantly reduce the chance of spills, but it dramatically reduces operational emissions by removing thousands of trucks from Colorado and Texas roads.

In 2021, Bayswater piped more than 2.88 million barrels of oil in Colorado and, with all three streams on pipe at the majority of Texas locations, Bayswater piped more than 945,000 barrels of oil in Texas. By relying on pipeline infrastructure for oil transport, Bayswater removed more than 11,500 trucks from Colorado roads and nearly 5,300 from Texas roads.

Water gathering is also conducted exclusively via pipeline infrastructure in Texas, with Colorado locations accessing pipelines for water transport whenever possible. With the addition of water piped on and off location, Bayswater removed an additional approximately 3,400 and 52,200 trucks from the roads in Colorado and Texas, respectively.

72,400 TRUCKS REMOVED FROM CO & TX ROADS

LAND

One of our highest priorities is to be a good neighbor and responsible steward of the land. At Bayswater, we are passionate about the outdoors and preserving the environment, while providing an affordable, reliable domestic energy product.

2020 Review

In our 2020 Sustainability Report, we showcased many ongoing operational procedures and highlighted our efforts to protect the environment surrounding each well, including the following:

- Development and implementation of a site-specific, long-term stormwater management plan designed to protect the topsoil and reduce the potential for erosion at each location.
- Utilization of secondary containment structures under all storage tanks to capture and contain any potential spills before they penetrate the topsoil.
- Development of several emergency spill plans that work in concert with each other and are deployed in the rare event of a spill on site.
- Responsible disposal of all waste product—produced water and cuttings—at permitted, local waste management facilities.
- Execution of interim and final reclamation on 25 Bayswater locations in 2020 with a total of almost 80 acres reclaimed.
- Execution of plugging and abandonment on 22 vertical wells in Colorado and Texas in 2020.

In 2021, we continued our extensive efforts to minimize our impact while actively using the land and then to return the land to its original state when our work is complete. Some highlights of these 2021 efforts were discussed in the Air section, including our increased focus on temporary and permanent pipelines for the transportation of water and oil and the ECT pilot project. Both of these steps forward dramatically reduce our operational emissions, and our footprint on the natural environment.

Looking ahead from 2021, the Green Operating Agenda helps us chart a course forward for progress on our land stewardship goals. We have always and will continue to conduct our business under the fundamental and guiding principle that oil and natural gas production and environmental stewardship are mutually achievable. Energy development and a pristine environment can coexist.

Figure 20: An example of interim reclamation conducted on Bayswater's Groves pad in the DJ Basin. Native vegetation has significantly regrown in the interim reclaimed acreage, but the original footprint of the pad during drilling and completions is still just visible.

Continuing to Lead in 2021
RECLAMATION

We carefully plan each Bayswater site for long-term production. Interim and final reclamation are critical components to our end goal of restoring the land to its natural state once our operations are complete. Bayswater continues to go above and beyond what is regulatorily required with its reclamation programs.

Specific to Colorado, once a new pad comes online following drilling and first production, operators are required to perform interim reclamation. This process reduces total land use to areas only needed for long-term production and reclaims the surface area around the active site by restoring the topsoil and planting native vegetation. Bayswater takes interim reclamation a step further. During four different interim reclamation projects in 2021, Bayswater was able to separate and store approximately 9,700 cubic yards of topsoil by incorporating uniquely designed grading and drainage stockpiles into their post-interim reclamation pad designs. Similar to the cover crop approach that the agriculture industry uses for sustainable crop rotations, the stored topsoil—which would normally be unused and lost—is then seeded to protect it from degradation by wind, water, and vehicular erosion. When stored in this manner, the topsoil is able to maintain a healthy microbial community, ensuring that it will be ready for reuse during final reclamation at the end of the well pad's life cycle.

Taking this extra, voluntary step during the interim reclamation process not only conserves the topsoil native to the site but helps irrigation water and stormwater flow around our pads in a more natural way. Years down the road, when the wells are eventually plugged and abandoned, Bayswater will have eliminated the need to purchase and import much of the topsoil required for final reclamation, which would otherwise be transported on-site by trucks. Therefore, when the four sites that underwent interim reclamation in 2021 eventually undergo final reclamation, this extra step of conserving the native topsoil will ensure the site is returned to its former beauty and will prevent approximately 500 truck trips and the emissions that accompany them.

26 WELLS PLUGGED AND ABANDONED IN 2021

PLUGGING & ABANDONMENT

The revolutionary advent of horizontal drilling combined with hydraulic fracturing (fracing) resulted in a critical turning point in oil and natural gas operations and made vertical wells a relic of the past. Now, through directional drilling and fracing, Bayswater and other operators can consolidate our surface footprint on larger, multi-horizontal well pads.

Since shifting our operational focus to the development of horizontal wells, Bayswater in turn prioritized the responsible closure of vertical wells that are typically only producing small quantities of oil and natural gas. The industry terminology for the closure of wells is P&A or -"plug and abandon." The plug and abandonment process involves the strategic placement of a series of secure cement plugs—tested to ensure long-term protection of surrounding soil and aquifers—along the length of the well and a final plug at the surface. In accordance with all state and federal regulations, Bayswater plugged and abandoned a total of 26 vertical wells in 2021—19 in Colorado and 7 in Texas. As outlined in the *Green Operating Agenda,* our future goal is to continue this plugging and abandoning program until we have no vertical wells remaining on our operated acreage.

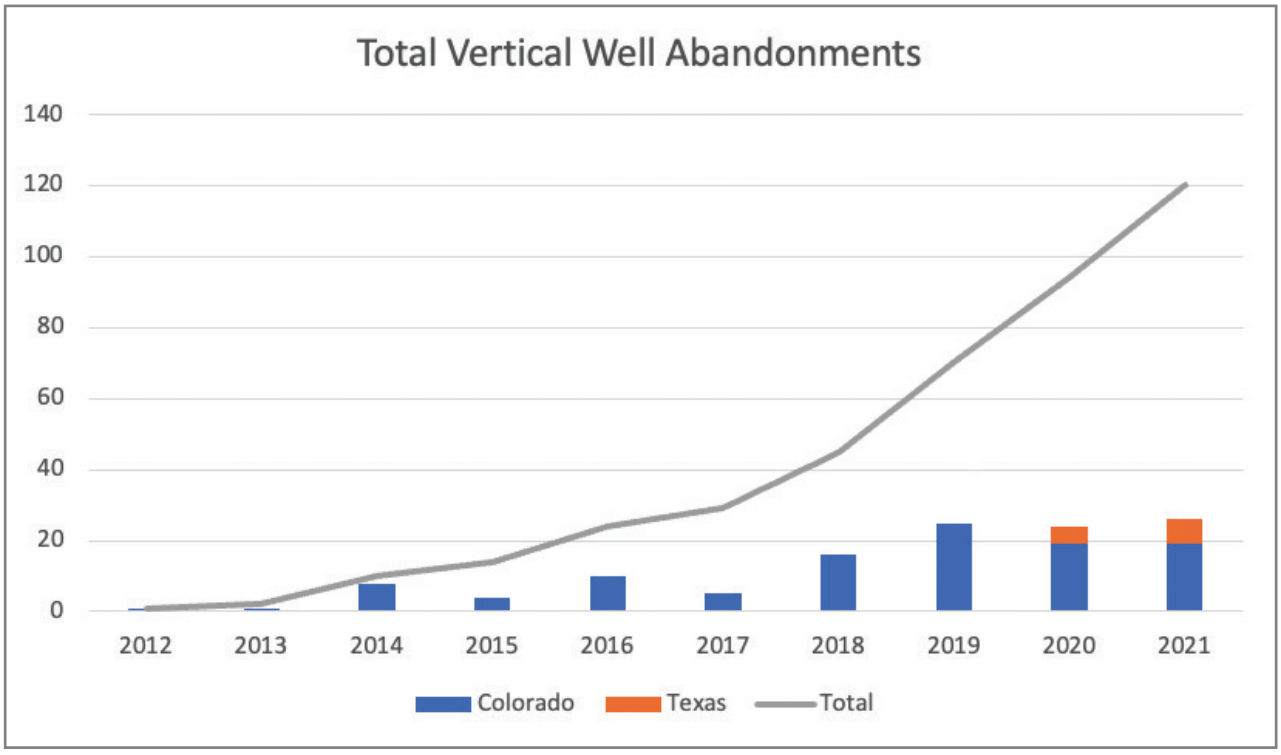


Figure 21: Starting in 2012, the total number of vertical wells plugged and abandoned by Bayswater each year compared with the cumulative total. In 2021, Bayswater plugged and abandoned a combined 26 wells in Colorado and Texas.

WATER

Taking actionable and measurable steps towards preserving water is of the upmost importance for Bayswater, particularly in the arid Colorado and Texas climates where we operate.

2020 Review

Continuing our operational trend, Bayswater goes beyond regulatory requirements to protect freshwater resources above and below ground by implementing several processes, including the following highlights showcased in our 2020 Sustainability Report:

- Prioritization of groundwater protection beginning in the site preparation stage with the identification of all surface water, groundwater, and aquifers in the immediate vicinity, and ongoing monitoring of water quality in nearby water well(s) during development.
- Encasement of each Bayswater well in concentric layers of steel and cement to keep all hydrocarbons in pipe, including going beyond regulatory mandate to run the final cement casing the full length of the well.
- Significant reduction in our freshwater usage through the advancement of our water recycling program in Colorado—Bayswater saved 18 million gallons of freshwater through water recycling in 2020.
- Responsible disposal of produced water in compliance with all local, state, and federal regulations.

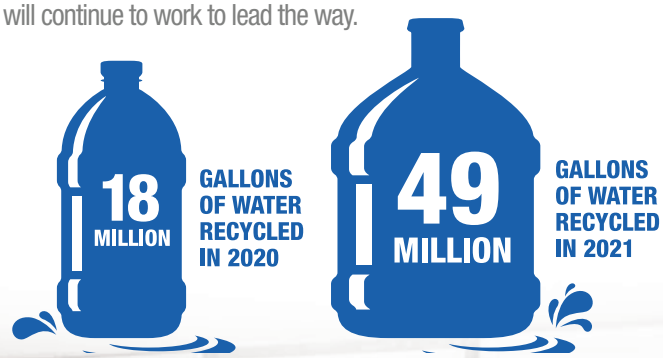
In 2021, Bayswater continued or made significant progress on all 2020 activities to minimize the amount of freshwater used in our operations and preserve local water resources.

Continuing to Lead in 2021

WATER RECYCLING

Improving our water recycling efforts and continuing to reduce our freshwater usage has remained a major focus of our operations. In 2021, Bayswater is proud to say that we officially expanded our water recycling program beyond Colorado and into our Texas operations. Overall, Bayswater recycled more than 1.16 million barrels of produced water to reuse in our drilling and completions operations, rather than utilizing freshwater. To put it simply, thanks to the expansion of our water recycling program, Bayswater saved almost 49 million gallons of freshwater in 2021. Moving forward, we plan to continue to expand and improve our water recycling program in both Colorado and Texas.

Further, we strive to raise the industry bar with the work we are doing to minimize freshwater usage and responsibly recycle produced water. Bayswater is at the table in local industry conversations on water recycling. In 2021, we were one of the oil and natural gas operators integral to the commencement of the Colorado Produced Water Consortium. Additionally, we are working closely with local and state regulatory bodies to increase recycled water rates and advance the industry standard for the recycling of produced water. We are proud to be on the forefront of industry efforts for water recycling and will continue to work to lead the way.



SOCIAL

Social

At Bayswater, we focus on building a culture that values and nurtures stakeholder relationships—within our own team and in the communities where we operate. This approach means we always strive to be good colleagues, partners, and neighbors. It means working together to find common ground, doing the right thing, and being thoughtful and intentional about the actions we take. Investing in our people and the areas where we operate improves our current and future workforce and builds strong, sustainable communities. We believe this is key to leaving a lasting positive legacy. Throughout 2021, we further explored ways to strengthen our culture and community engagement efforts and will continue to do so in the years to come.

TEAMWORK & DIVERSITY

Bayswater is making a difference by putting our ESG values into action and making our operations even more efficient and sustainable. None of this would be possible without the daily hard work and dedication of each individual that comprises our team. At Bayswater, we value collaboration, debate, diversity, and equity. We continuously aim to identify new and uphold existing company policies and practices that reinforce these values. From associate to executive, we strive to foster a welcoming, inclusive, and equitable culture that encourages each team member to make their voice heard. We intentionally bring diverse perspectives and experiences to the table as this is how we create new ideas and realize innovative solutions that push the benchmark for responsible operations even higher. We are proud of our diverse team—employees and vendors alike—and our continued progress towards improving our operations.

RESPONSIBLE PRACTICES MAKE FOR GOOD NEIGHBORS

The oil and natural gas industry faces unique challenges when operations take place in the communities where people live and work. This rings particularly true in Colorado where the most prolific reserves of oil and natural gas are in the DJ Basin, just over 50 miles north of Denver in Weld County. A historically rural county, Weld County has experienced rapid population growth in recent years with communities expanding into a decades old, prolific oil and natural gas field. Between the 2010 and 2020 census, Weld County's population grew by an astounding 30%.

Bayswater prioritizes being a responsible, thoughtful neighbor wherever we operate and remains committed to building meaningful, mutually beneficial relationships with local communities. Our hope is to leave a lasting, positive legacy of service and philanthropy. When it comes to our operational standard, we consistently meet or exceed Colorado's strict regulatory requirements to mitigate impacts to the public, health, and environment and we are working to extend the same Colorado standard to our Texas operations.

We utilize companywide BMPs focused on reducing our operational impacts to nearby landowners and local communities. Some examples of our multi-faceted BMPs include:

- Extensive and consistent community relations and stakeholder outreach with nearby landowners, local government, and first responders to discuss site plans, anticipated timeline, safety, and emergency procedures.
- Maintenance of regular contact with nearby landowners and other local stakeholders to address questions, concerns, or needs quickly and appropriately.
- Thoughtful selection of traffic routes that reduce impacts to nearby residents and, in rural communities, ensure trucks get to a paved road as quickly as possible thereby reducing dust.
- Minimization of truck traffic through increased investment and reliance on pipeline infrastructure to transport crude oil and water on and off site.
- Implementation of multiple dust control practices, including speed restrictions for any vehicles coming onto or leaving the site, regular road maintenance, deployment of magnesium chloride on dirt roads as needed, full automation of wells and production facilities, and reduction of construction activity on high-wind days.
- Utilization of a quiet frac fleet for completion operations.
- Installation of temporary 32-foot noise abatement walls surrounding the pad to mitigate noise, dust, and visual impacts.
- Mitigation of air emissions through enhanced controls, regular inspections, and continuous air monitoring devices.
- Improvement of visual impacts to nearby landowners through the voluntary planting of native trees or vegetation as a visual barrier between the landowner and the active location.

"As operators navigate development under the new regulations here in Colorado, the partnerships between operators and vendors have never been more critical for the future of our industry. Partnerships like the one between Bayswater and Urban is the prime example of operators and vendors supporting each other to keep up with the ever-changing times when it comes to increasing regulations, public sentiment and the continuous need for evolving technology. Bayswater knows this and embodies those values every day when working with my team and company."

– Heidi Gill, Urban Solution Group, Founder & CEO

Our BMPs continue to evolve as we listen and learn from our diverse stakeholder groups and peers in the industry.

Figure 22: An example of Urban Solution Group's innovative temporary sound walls on a Bayswater location in the DJ Basin.

Colorado Highlight–Temporary Sound Walls

In recent years, Bayswater has developed a partnership with Urban Solution Group, a small woman owned, Colorado-based company that provides operators with thoughtful and innovative engineered solutions to proactively mitigate impacts associated with drilling and completion operations to nearby communities. We use Urban's temporary patented sound walls which were engineered and designed by structural and acoustic engineers and manufactured in Colorado to support local jobs and economy. We use their patented walls on our DJ locations during drilling and completions. Their walls better mitigate noise, dust, light, and visual impacts during normal oil and natural gas operations, thereby making it more compatible with nearby landowners and communities. Further, Urban's innovative walls consistently test at a higher performance and safety standard than required by state and local regulations, while also being engineered to sustain high winds and are significantly faster and safer to install and dismantle.

Our utilization of Urban Solution Group's enhanced temporary walls across our Colorado operational footprint is one example of how Bayswater incorporates the latest technology and advanced practices into our industry leading BMPs. Our Green Operating Agenda helps our team to be forward-looking in outlining the next steps and future goals to update our BMPs and further reduce our community impact. With this mindset, we intend to do everything in our power to be considerate neighbors and responsible operators.

$111 MILLION PAID IN TAXES & ROYALTIES IN CO & TX

OUR COMMUNITY COMMITMENT

We work to make a real and lasting positive impact that goes beyond our day-to-day operations and the essential energy we produce. From field staff to executive leadership, the Bayswater team actively participates in the community by building strong and lasting relationships with key stakeholders, as well as seeking opportunities to contribute and engage in meaningful ways.

Strengthening Local Economies

Bayswater is proud to have maintained an active drilling program while keeping teams employed throughout 2020 despite the unprecedented challenges brought on by the COVID-19 pandemic. During 2021, as the nation worked to navigate and recover from the ongoing pandemic, Bayswater expanded our team in both Colorado and Texas and did our part to add to the number of stable, good-paying jobs in local communities. We also maintained our significant contribution to local economies struggling to bounce back from the pandemic. In 2021, Bayswater paid more than $111 million in taxes and royalties in Colorado and Texas.

Investing in Education

Our passion for education and learning is a core tenet in Bayswater's culture, which presents itself in different facets of our approach to community engagement. First, as a representative of the oil and natural gas industry and its modern responsible energy production, we consider it our duty to actively engage and educate local stakeholders on the value and importance of responsible development of domestic energy resources. We consistently orchestrate authentic, in-person, transparent discussions with community leaders on the details of our operations, and host community field tours to provide community members and leaders a behind-the-scenes look at oil and natural gas operations to build trust and demystify the process. For example, in June 2021, Bayswater hosted a small team of doctors from St Joseph's hospital in Denver for an educational field tour of drilling, completion, and production locations. During the tour, team members shared information about how oil and natural gas resources are responsibly developed, the regulations governing the work we do, and the numerous steps we take to mitigate our impacts.

BAYSWATER

LAUREN WALSH
Landman

Industry Experience: 8 Years
Bayswater Tenure: 1 Year

What is your favorite part about living in Colorado?

I have lived in Colorado for 12 years. I came from out of state for college and can't imagine living anywhere else. I love making the most of the beautiful state by skiing, hiking, biking, and spending as much time in the mountains as possible.

What interested you in and/or led you to this industry and career?

I have been in the oil and gas industry my entire career, eight years. I found a great career opportunity in oil and gas in Denver after graduating from CU Boulder and it provided me career growth and personal development ever since.

Figure 23: DPC mentees on a Bayswater field tour of DJ Basin operations.

Bayswater also firmly believes in sponsoring and advocating for Science, Technology, Engineering, and Mathematics (STEM) programs at every level of education. We have long been sponsors of and participants in the Colorado Science & Engineering Fair (CSEF) with some Bayswater team members taking the time to serve as CSEF judges in years past. We continuously seek out new opportunities to foster STEM education within the communities where we operate. In September 2021, Bayswater took part in Severance High School's first Career Technical Education (CTE) Opportunities Career Fair, which brought in 500 students from six nearby Weld County high schools to learn about career opportunities in the oil and natural gas industry and beyond.

Industry Mentorship

Bayswater invests in the future of the oil and natural gas industry by fostering the learning and development of our less experienced staff and industry peers. In 2021, Bayswater's President & CEO, Steve Struna, participated in the Denver Petroleum Club (DPC) Mentor Program. Selected by DPC as an industry leader to serve in one of only three mentor roles, Steve worked closely with 15 rising leaders in Colorado's oil and natural gas industry, providing insight, guidance, and advice to foster their professional development. Through the DPC mentor program, Bayswater provided a $5,000 donation to the Weld County Fair, giving back to a long-celebrated community event in the county where Bayswater's Colorado operations are focused.

Service & Giving Back

Philanthropy and community service has always been fundamental to Bayswater's culture. It was even more critical in 2021 given the economic challenges and hardships many communities faced during the pandemic. Throughout the year, we actively participated in or contributed to numerous local organizations, schools, and community events. Below are a few examples of the organizations we supported:

- Children's Hospital
- Clay for Kids
- Colorado School of Mines
- Colorado Science & Engineering Fair
- Denver Earth Sciences Library
- Disaster Relief (Kentucky)
- Eaton Little League Team
- Eaton Old Fashioned Christmas
- Eaton Middle School Football Team
- Howard County Fair
- March Madness for a Cure
- Northern Colorado Medical Center
- Morgan Adams Foundation
- Weld County Fair
- Western College University Scholarship

"Steve Struna was one of the best Mentors I've seen in my five years with the Denver Petroleum Club (DPC). Steve prioritized the Mentor Program by organizing a field trip to Bayswater field operations, recruiting guest speakers for Lunch & Learns, and introducing Mentees to other C-Suite leaders in the oil and gas industry. He made a lasting impact on the young professionals involved…. Furthermore, Steve is the first Mentor I've seen that not only provided counsel to his Mentees but also solicited their input as young professionals to understand a different perspective on topics."

– Gabby Richmond, Denver Petroleum Club, Executive Director

Figure 24: The Eaton Middle School football team outfitted in their new practice gear thanks to Bayswater.

We made a concerted effort to focus and enhance our philanthropic efforts in the rural communities where we operate, seeking out diverse opportunities to assist and support the community in different ways. For instance, Bayswater learned that the Eaton Middle School football team desperately needed new practice gear. Thanks to a tip from a community stakeholder, Bayswater happily provided the necessary funding needed to purchase new practice gear to outfit the entire team.

Bayswater forged a new partnership in 2021 with the Weld Food Bank. At our first volunteering opportunity at Weld Food Bank, more than a third of our Colorado staff elected to participate. Together, the Bayswater team packaged almost 5,000 pounds of produce and assembled nine pallets of emergency food packs for Weld County families in need.

Bayswater's Match Program

Bayswater prioritizes a culture of philanthropy and giving back. In 2021, we continued to cultivate and promote that culture companywide. After conducting an internal survey to better understand the philanthropic passions that existed within our company, the leadership team realized that philanthropy and community engagement is very specific to each individual. In an effort to invest in and empower each team member's personal philanthropic efforts and community passions, Bayswater officially launched a Personal Matching program in the 2021 holiday season.

Overall, this match program states that a Bayswater employee or their immediate family can submit a monetary donation to or volunteer time at a charitable organization and, once the organization has been approved, Bayswater will match this donation up to a certain amount each year.

In December 2021, Bayswater officially made its first donation under the program by matching the time volunteered by Bayswater employees at the Weld Food Bank. In 2022 and beyond, we look forward to our employees taking full advantage of this new program and seeing how this investment amplifies our giving culture and positively impacts local communities and organizations.

Figure 25: Bayswater employees packing emergency food packs at Weld Food Bank.

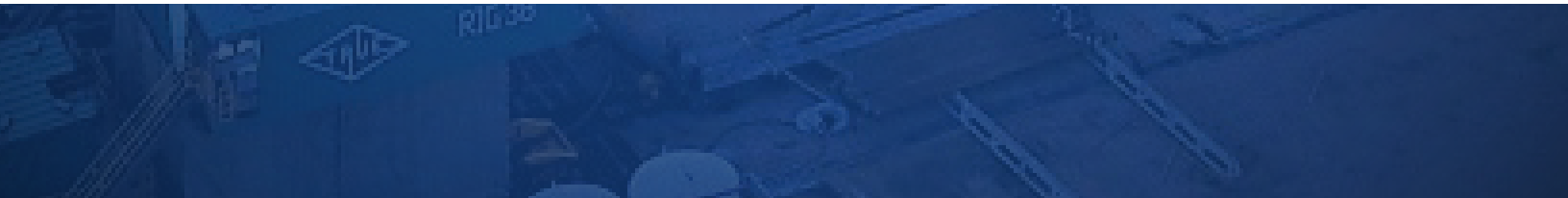
LOOKING FORWARD

Now, more than ever, the importance of affordable, reliable energy is evident. It is our responsibility as a leading oil and natural gas operator to contribute to the communities in which we live and do business in a positive and meaningful way. Between our efforts to employ best practices as good neighbors and stewards of the land, to our contributions to community organizations and involvement in the future success of our youth, Bayswater strives for excellence in everything in we do.

The oil and natural gas industry continues to play a critical role in powering the American comeback from the COVID-19 pandemic. Bayswater is honored to be part of the industry providing a fundamental energy resource and is deeply committed to doing so in a responsible, sustainable way. The *Green Operating Agenda* helps every member of our team maintain focus on upholding this commitment and taking concrete steps forward in minimizing our community impact in the responsible production of a critical domestic energy resource.

G

GOVERNANCE



Governance

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

OUR GOVERNANCE STRUCTURE

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

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

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

BAYSWATER

GABY STASIOWSKI
Director of Finance & Accounting

Industry Experience: 10 Years
Bayswater Tenure: 4 Years

What interested you in and/or led you to this industry and career?

My intrigue in oil & gas began when I took an Oil & Gas accounting class at CU Boulder taught by an industry executive. Post college, I worked in public accounting auditing upstream and midstream oil & gas companies before joining Bayswater. Energy propels the world forward and I am proud to support America's energy independence.

Tell us about your family life and hobbies.

I live in Denver with my husband of 6 years and 2-year-old daughter. I enjoy traveling, golf, concerts, lake life, and socializing with friends.

OUR CORE VALUES

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

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

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

OUR FOCUS ON COMPLIANCE

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

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

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

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

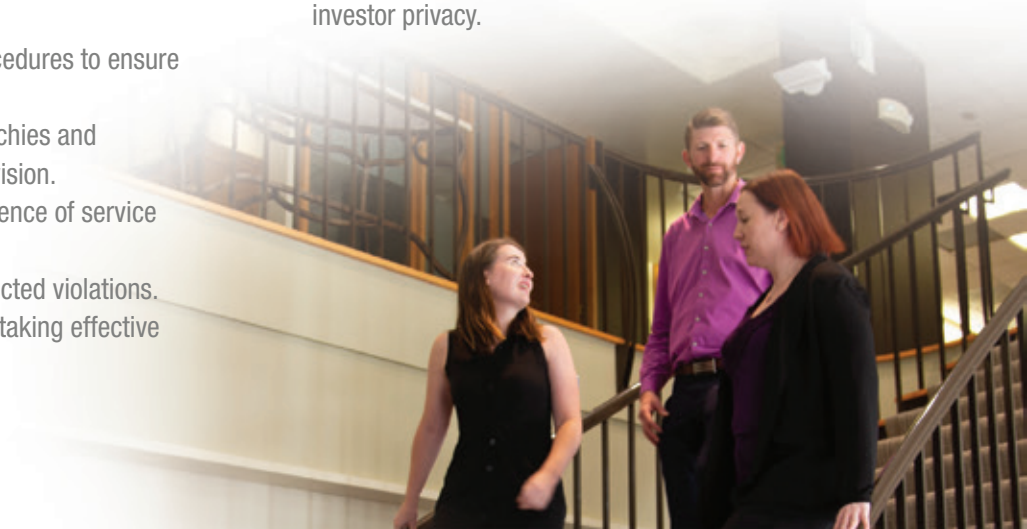
Bayswater is committed to fostering a culture dedicated to effective problem-solving, innovation, loyalty, and integrity. Our governance model provides the structure necessary to ensure that culture is upheld across our operations.

OUR CODE OF ETHICS

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

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

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



OUR INDUSTRY ADVOCACY

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

In 2021, we joined **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, Bayswater has 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.

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.

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.

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

At Bayswater, we remain committed to conducting business responsibly and adhering to the highest ethical standard. We are incredibly proud of the team, company culture, ethical code, and reputation we have built, all of which set the strong foundation for our current and future success. As a Registered Investment Advisor, we will continue to comply with SEC compliance standards and be subject to regular audits. We will also continue to seek out diverse opportunities to educate and advocate for responsible oil and natural gas development. Looking ahead to the future of our company, we intend to uphold our high standard of business and continue to improve in our efforts to be a sustainable and responsible oil and natural gas operator.

Looking Forward: Charting the Path to Net Zero

While we are proud of our accomplishments and progress in 2021, we remain unfinished and unsatisfied. In 2022, we continue to hone and expand our Green Operating Agenda to define Bayswater's path forward to more efficient and sustainable operations with the ultimate objective to realize Net Zero. Keeping our eyes on the horizon, we conclude this 2021 Sustainability Report with the Near-Term Next Steps and Future Goals of the Green Operating Agenda to provide an overview of the road ahead in our mission to sustainably produce American oil and natural gas.

Green Operating Agenda: Near-Term Next Steps

- Opportunity for use of micro turbine generation for drill rigs and frac fleets.
- Opportunity to convert existing locations to instrument air driven pneumatic valves.
- Utilize evolving technology for enhanced monitoring, detection, and quantification of emissions such as aerial methane monitoring.
- Gas Injection to enhance recovery and reduce carbon footprint.
- Reduce/eliminate pre-production emissions through closed loop systems.
- Eliminate routine flaring of produced sour gas with construction of Amine Facility.
- Partial staff remote work on CDPHE declared "High Ozone" days.
- Measure and track Scope 2 emissions associated with electric grid power consumption in our field operations.

- Optimize design to reduce number of tanks and production equipment on pad sites to reduce footprint.
- Installation of water pipeline system and disposal wells to reduce tank storage and truck traffic.
- Remove tanks and equipment post-production plateau to reduce footprint and recycle equipment.
- Support local college environmental / agricultural programs to enhance and accelerate reclamation efforts.

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

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

Green Operating Agenda: Future Goals

AIR

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

LAND

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

WATER

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

COMMUNITY IMPACT

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

2021 REPORT ON KEY ESG METRICS

Bayswater's Key Metrics Report contains data pertaining to both Sustainability Accounting Standards Board (SASB) and American Exploration & Production Council (AXPC) guidelines. It includes both retrospective data for 2021 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 off assumptions and information currently available at the time of publication. Changes that may occur in the future may be done based on actions within or outside of Bayswater's control. From time to time, Bayswater may choose to update its prospective statements, however is under no requirement to do so.

GREENHOUSE GAS EMISSIONS

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

GUIDANCE:
Sustainability Accounting Standards Board (SASB)

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

CODE:
EM-EP-110a.1

BAYSWATER RESPONSE:
Calendar year 2021 gross global Scope 1 emissions: 242,145 t CO_2-e

Percentage Methane: (1,774 CH4 in t CO_2-e / 242,145 t CO_2-e) x 100 = 0.73%

100% of 2021 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 2021 under the U.S. Environmental Protection Agency (EPA)'s Greenhouse Gas Reporting Program–Subpart W using actual measurements, engineering calculations, and EPA-approved emission factors.

METRIC:
Greenhouse Gas (GHG) Emissions

GUIDANCE:
American Exploration & Production Council (AXPC)

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

BAYSWATER RESPONSE:
242,146 t CO_2-e

METRIC:
GHG Intensity

GUIDANCE:
AXPC

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

BAYSWATER RESPONSE:
25.4 t CO_2-e / MBoe

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

GUIDANCE:
AXPC

UNIT OF MEASURE:
Percentage (%)

BAYSWATER RESPONSE:
0%

METRIC:
Methane Emissions

GUIDANCE:
AXPC

UNIT OF MEASURE:
Metric tons (t) CH_4

BAYSWATER RESPONSE:
1,775 t CH_4

METRIC:
Methane Intensity

GUIDANCE:
AXPC

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

BAYSWATER RESPONSE:
0.19 t CH_4 / MBoe

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

GUIDANCE:
AXPC

UNIT OF MEASURE:
Percentage (%)

BAYSWATER RESPONSE:
0%

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

GUIDANCE:
SASB

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

CODE:
EM-EP-110a.2

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

1. Flaring & Venting: 16,723 t CO_2-e
2. Other combustion (other than flaring) : 161,628 t CO_2-e
3. Process emissions: None
4. Other vented emissions: 181.6 t CO_2-e
5. Fugitive emissions: 478.1 t CO_2-e

METRIC:
Gross Annual Volume of Flared Gas

GUIDANCE:
AXPC

UNIT OF MEASURE:
Thousand cubic feet (Mcf)

BAYSWATER RESPONSE:
198,500 Mcf

METRIC:
Percentage of Gas Flared per Mcf of Gas Produced

GUIDANCE:
AXPC

UNIT OF MEASURE:
Percentage (%)

BAYSWATER RESPONSE:
1.21%

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

GUIDANCE:
AXPC

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

BAYSWATER RESPONSE:
0.020 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 2021, Bayswater continued to proactively reduce Scope 1 emissions from every phase of our operations. The table below compares 2020 and 2021 performance on key emission metrics.

Key Emission Metrics	2020	2021
Annual Production, MMBOE	5,661	9,533
Gross Global Scope 1 Emissions, t CO_2-e	174,669	242,145
Percentage Methane in Scope 1 emissions	1.12%	0.73%
GHG Intensity, t CO_2-e/MBOE	29.37	25.40
Colorado	*29.54*	*20.82*
Texas	*28.61*	*47.13*
Methane Intensity, t CH_4/MBOE	0.21	0.19
Colorado	*0.26*	*0.14*
Texas	*0.62*	*0.40*
Flared Volumes, MCF	32,686	198,500
Colorado	*0*	*0*
Texas	*32,686*	*198,500*
Percentage of gas Flared per MCF Produced	0.20%	1.21%
Colorado	*0%*	*0%*
Texas	*0.20%*	*1.21%*

Some of the notable emission mitigation efforts implemented or continued in 2021 include:

- Upgrading pneumatic controllers to instrument air systems on production sites in both Colorado and Texas operations significantly reduced methane emissions.
- Installing lock-down thief hatches and auto gauging on oil storage tanks.
- Expanding employment of continuous air monitoring devices, including deploying updated monitors.
- Utilizing Vapor Recovery Unit (VRUs) systems.
- Utilizing storage tank vapor capture systems.
- Utilizing sealed tanks for flowback operations.
- Employing electric motors for VRU systems and for larger gas compression applications.
- Routing of emissions associated with routine compressor and engine maintenance to sales.

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

For example, in an assessment of our operations and Scope 1 emissions, Bayswater targeted the emissions from storage tank ECDs, an industry-wide consistent source of emissions. After weighing and testing different strategies and technologies, Bayswater deployed the latest EcoVapor technology on three Colorado production sites in 2021. The EcoVapor technology removes oxygen from our high BTU vapor gas stream allowing us to capture and sell up to 100 percent of emissions that otherwise would be combusted from storage tank ECDs. Bayswater has seen significant reductions in our Scope 1 emissions from the storage tank ECDs on the three Colorado sites with EcoVapor systems. We will continue to test the efficiency of this technology, expand the use of EcoVapor if it continues to prove successful, and implement new strategies and the latest technology to further mitigate this consistent source of Scope 1 emissions.

As our Midland Basin operations expanded in 2021, 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 (H_2S). The amount of H_2S 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 continues into 2022. By year end 2021, Bayswater had commenced engineering, procurement, and construction efforts on a sour gas processing facility that will remove H_2S and CO_2 from the produced gas stream and allow the sale of pipeline specification gas from our eastern Howard County operations. We anticipate having this gas plant up and running in the first quarter of 2023, which will significantly reduce the flared gas volumes in our Texas operations.

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

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

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

WATER MANAGEMENT

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

GUIDANCE:
SASB

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

CODE:
EM-EP-140a.1

BAYSWATER RESPONSE:
1. Total fresh water withdrawn: 36,657,312 barrels (bbls) x 0.16 m^3/bbl = 5,865.17 thousand m^3
2. Total fresh water consumed: 36,124,848 bbls x 0.16 m^3/bbl = 5,779.98 thousand m^3; 0% of fresh water is consumed in High or Extremely High Baseline Water Stress regions in either our Colorado or Texas operations

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

GUIDANCE:
SASB

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

CODE:
EM-EP-140a.2

BAYSWATER RESPONSE:
Volume of produced water and flowback generated: 3,112.22 thousand m^3
1. Discharged: 0.0%
2. Injected: 94.0%
3. Recycled: 6.0%; Hydrocarbon content in discharged water: 0%

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

GUIDANCE:
SASB

UNIT OF MEASURE:
Percentage (%)

CODE:
EM-EP-140a.3

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

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

GUIDANCE:
SASB

UNIT OF MEASURE:
Percentage (%)

CODE:
EM-EP-140a.4

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

METRIC:
Fresh Water Intensity

GUIDANCE:
AXPC

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

BAYSWATER RESPONSE:
3.616 Bbl / Boe

METRIC:
Water Recycle Rate

GUIDANCE:
AXPC

UNIT OF MEASURE:
Percentage (%)

BAYSWATER RESPONSE:
3.2%

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

GUIDANCE:
AXPC

UNIT OF MEASURE:
N/A

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

BIODIVERSITY IMPACTS

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

GUIDANCE:
SASB

UNIT OF MEASURE:
N/A

CODE:
EM-EP-160a.1

BAYSWATER RESPONSE:

In 2021, as was the case in 2020, Bayswater's active oil and natural gas operations were primarily focused on agricultural land in Weld County, Colorado and Howard County, Texas. Due to this, Bayswater's operations take place far from large population areas. Bayswater collaborates with key stakeholders, such as farmers, ranchers, and landowners, and community leaders to minimize the impact of our operations to the communities in which we operate.

KEY ENVIRONMENTAL MANAGEMENT POLICIES & PRACTICES

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

Before drilling begins at each site, Bayswater conducts months of intensive planning, permitting, and collaboration with surface owners, nearby residents, local community leaders, and state 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 regulations and efficiently accessing the targeted oil and natural gas reserves. This pre-drilling planning and permitting process is very intense in our Colorado operations, less so in Texas with a different regulatory environment and very sparsely populated rural operations. Since the historic innovation of horizontal drilling combined with hydraulic fracturing, Bayswater has been able to dramatically reduce our surface footprint by increasing the number of wells on each pad. On every site, Bayswater carries out a number of environmental management practices designed to mitigate or eliminate any impact on the local community, wildlife, and ecosystems. This ensures each stage of our operations—drilling, completion, and production—is thoughtfully designed and sustainably executed, employing the following key practices on all sites.

WILDLIFE & BIODIVERSITY MANAGEMENT

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

Colorado Area of Operations

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

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

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

Texas Area of Operations

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

SPILL PREVENTION

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

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

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

STORMWATER MANAGEMENT

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

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

GUIDANCE:
SASB

UNIT OF MEASURE:
Numbers, Barrels (Bbl)

CODE:
EM-EP-160a.2

BAYSWATER RESPONSE:
Number of hydrocarbon spills: 4; Aggregate volume of hydrocarbon spills: 29 Bbl; Volume recovered: 23 Bbls; No spills in Arctic or impacting shorelines with ESI index 8-10.

METRIC:
Spill Intensity

GUIDANCE:
AXPC

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

BAYSWATER RESPONSE:
0.002 Bbl / MBb

Important note: This spill intensity calculation accounts for all 2021 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 2021 operations and lease position in Weld County, Colorado are in proximity to areas that have been designated as Habitat Areas by the COGCC under Rule 1202d. The designated Habitat Areas in the vicinity of Bayswater operations include "Mule Deer Winter Concentration Areas," "Mule Deer Severe Winter Range," "Pronghorn Winter Concentration Area," and "Aquatic Native Species Conservation Waters." With one exception, no 2021 Bayswater operations overlapped with these areas, nor were they impacted by the proximity to the designated areas.

One specific location of 2021 operations occurred in an area designated as a "Pronghorn Winter Concentration Area." However, Bayswater's operations occurred outside of the time period during which this is a sensitive area and so this designation had no impact on Bayswater's operations.

Bayswater's 2021 operations in Howard County, Texas were not in proximity to, nor involved with any areas designated as Endangered Species habitat or having protected conservation status.

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

GUIDANCE:
SASB

UNIT OF MEASURE:
Percentage (%)

CODE:
EM-EP-210a.1

BAYSWATER 2021 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 2021 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. Specific to our Colorado operations, Bayswater did move forward in 2021 with plans to operate in a state-designated Disproportionately Impacted Community—defined by the Colorado Oil and Gas Conservation Commission (COGCC) as a community of "color, low-income, or indigenous population in the state that potentially experience disproportionate environmental or socioeconomic impacts and risks." In 2021, the Bayswater Well Location permit was approved by the COGCC for development in a Disproportionately Impacted Community, designated as such due to the minority population in proximity to the site. This Location permit was granted largely due to community outreach initiated by Bayswater with nearby residents as well as industry-leading Best Management Practices included in the Location application to mitigate impacts to surrounding residents.

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:
In the beginning stages of every project, Bayswater engages with nearby residents, landowners, and local, county, and state officials and agencies in order to balance the interests of and manage the risks to the communities in which we operate. Going beyond regulatory requirements for noticing, our aim is to build and foster an open line of communication through the duration of our operations with all stakeholders involved to better understand and immediately address the questions, concerns, and needs of the local community and other key stakeholders. We strive to be thoughtful in our operations and mitigate the impacts for those living in the communities where we operate.

As a member of the American oil and natural gas industry, Bayswater depends upon a "social license to operate" from the communities where we operate. At Bayswater, we understand and appreciate that this social license is built on trust. Trust is earned daily and easily broken. Therefore, in every instance, we strive to maintain and cultivate the trust we have earned with local communities. Bayswater prioritizes the interests of local stakeholders and members of the community whenever possible.

Specific to our Colorado operations, in 2019, the state legislature approved a comprehensive overhaul of state oil and natural gas regulations with the passage of Senate Bill 19-181. With the enactment of this historic bill, Colorado leads the nation with the strictest oil and natural gas regulations and sets the standard for finding the balance between responsible energy production and protecting the public health, welfare, wildlife, and environment. Bayswater meets or exceeds all local and state regulations, including those regarding community outreach, in Colorado and works to incorporate the same operational standard in its Texas operations.

In January 2021, many of the new regulations under SB19-181 came into effect, including the new rules under the state permitting process. Bayswater is proud to be the recipient of the first Oil & Gas Development Plan (OGDP) approved by the Colorado Oil and Gas Conservation Commission (COGCC) under the new rules in Weld County (October 2021). According to comments made by the COGCC at that permit hearing, Bayswater's approval was largely due to community outreach efforts and Best Management Practices (BMPs) as defined by the new rules regarding risk management for the operator, stakeholders, and local community.

Beyond our Colorado operations, Bayswater's goal is to employ the same high standard across our operational footprint. Moving forward, we will continue to provide an open line of communication with local residents, landowners, and community leaders, and employ BMPs on every site that mitigate the risk and disturbances to the local community.

Further, Bayswater searches for opportunities to engage meaningfully with the local communities where we operate and have a positive social impact. From volunteering at local food banks to sponsoring community and charitable events, we want to actively engage in bettering the community and to build a positive partnership and legacy. As a proud and responsible oil and natural gas operator, Bayswater also takes a proactive role in the conversation surrounding oil and natural gas production in Colorado and the United States. Bayswater regularly engages with industry peers, trade associations, and Colorado's numerous elected officials, regulators, and interest groups to address key energy policies and issues. Bayswater is an active participant in the conversation with industry leaders who are at the forefront of the discussion about the future of oil and natural gas in Colorado and the nation.

METRIC:

Number and duration of non-technical delays

GUIDANCE:

SASB

UNIT OF MEASURE:

Number, Days

CODE:

EM-EP-210b.2

BAYSWATER RESPONSE:

In 2021, Bayswater did not experience non-technical delays in planned operations due to protests in the state-level permitting process.

WORKFORCE HEALTH & SAFETY

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

GUIDANCE:
SASB

UNIT OF MEASURE:
Rate, Hours (h)

CODE:
EM-EP-320a.1

BAYSWATER RESPONSE:

1. TRIR: Employees: 3.32; Contractors: 1.08
2. Fatality Rate: Employees: 0; Contractors: 0
3. NMFR: Employees: 0; Contractors: 0.68
4. Average hours of health, safety, and emergency response training for:
    A. Full-time employees: 24 hours/year, 2 hours per month
    B. Contract employees: Contract lease operators for Bayswater are included in monthly safety training.
    C. Short-service employees: New field employees receive initial safety orientation and introduction to basic emergency response procedures. New employees are included in monthly safety training.

METRIC:
Employee TRIR

GUIDANCE:
AXPC

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

BAYSWATER RESPONSE:
3.32

METRIC:
Contractor TRIR

GUIDANCE:
AXPC

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

BAYSWATER RESPONSE:
0.65

METRIC:
Combined TRIR

GUIDANCE:
AXPC

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

BAYSWATER RESPONSE:
1.34

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

GUIDANCE:
SASB

UNIT OF MEASURE:
N/A

CODE:
EM-EP-320a.2

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

Bayswater's overall success and safety performance is dependent upon the behavior and actions of each employee and contractor. Our team–employees and contractors alike–is carefully selected and trained with each individual's skills and competencies regularly assessed. Both employees and contractors regularly engage in health, safety, and environmental meetings and trainings, ensuring knowledge and adoption of the current safety management procedures as well as adherence to all federal, state, and local rules and regulations. Each Bayswater facility is regularly inspected by Bayswater employees and periodically by regulatory officials. All Bayswater facilities are operated and maintained to promote safe, healthy, secure, and environmentally sustainable performance.

SAFETY METRICS

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

CONTRACTOR MANAGEMENT

When it comes to safety, both Bayswater employees and contractors are expected to meet the same high standard. Bayswater understands that contractors, suppliers, and other business partners are key to our company's success and safety performance. Consequently, we diligently assess independent contractors' capabilities and competencies to safely perform work on our behalf.

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

Bayswater selects independent contractors based on their performance against the ISN benchmarks. Each contractor must be approved by Bayswater representatives directly involved in the upcoming operations. We maintain a list of vetted, proven contractors that uphold and adhere to Bayswater's safety standards and, generally, only contractors from that list are selected to work on Bayswater operations. Every contractor is expected to comply with their respective HSE 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 9,935 BOE in 2021 and the Scope 1 GHG emissions total of Y (as reported in EM-EP-110a.1), we determined that our Scope 1 GHG emissions per BOE was 0.031 t CO_2-e. According to a Center on Global Energy Policy Analysis, projections for potential federal legislation requiring a carbon tax ranged between $20-$50 per ton of CO_2-e. Cross-referencing this range with our Scope 1 GHG emission per BOE, we found that translates to a $0.62-$1.54 tax per BOE. This calculation suggests a reduction in profit margin per BOE of between 1.23 and 3.09 percentage points on a 2021 gross profit margin of 85.0 percent. 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.

METRIC:
Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves

GUIDANCE:
SASB

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

CODE:
EM-EP-420a.2

BAYSWATER RESPONSE:
116,995,184 t CO_2-e

METRIC:

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

GUIDANCE:

SASB

UNIT OF MEASURE:

N/A

CODE:

EM-EP-420a.4

BAYSWATER RESPONSE:

First and foremost, Bayswater is committed to responsible oil and natural development. Within the continental U.S., we focus on the richest resource plays, which typically have the lowest breakeven costs, best development economics, and are supported by a robust competitive service sector. Our business model centers on the goal of long-term profitability amidst changing commodity prices and market fluctuations. 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. To stay in business for the long-term, our operational decisions incorporate the potential impact that federal, state, and local regulations may have on the current and future market and business environment. As is demonstrated in our 2021 Sustainability Report, Bayswater has taken real action to meet or exceed all regulatory requirements, ensuring our operations remain efficient and sustainable in the long-term.

While regulatory requirements vary significantly from Colorado to Texas, we aim to implement changes and improvements required by Colorado regulations across both our Colorado and Texas operational footprint. Although not mandated by state or local regulations in Texas, we are focused on being proactive and demonstrating our long-term commitment to responsible energy development.

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:
The Bayswater business model and company culture is founded on–and committed to–honest and ethical principles. As such, corruption and bribery run counter to the foundational principles of our company. Distributed to all Bayswater employees, our Compliance Manual and Code of Ethics details Bayswater's values and expectations of employee conduct. Further, we provide employee training on Bayswater's values and expectations. Each Bayswater employee is required to uphold these ethical standards when conducting daily business. Additionally, it is important to partner with external parties and hire contractors similarly aligned with our values and expectations.

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, we are required to strictly adhere to and comply with all SEC guidelines. Bayswater works with an outside compliance consultant to implement and adhere to the directives and objectives required by the SEC and defined in the Bayswater Compliance Manual.

MANAGEMENT OF THE LEGAL & REGULATORY ENVIRONMENT

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

GUIDANCE:
SASB

UNIT OF MEASURE:
N/A

CODE:
EM-EP-530a.1

BAYSWATER RESPONSE:
As a privately-owned operator, Bayswater boasts a small, dynamic team with many corporate roles and responsibilities overlapping. To better understand and navigate potential regulatory, environmental, and social factors affecting oil and natural gas development, Bayswater retains a political public relations firm as a consultant offering guidance on government affairs and public relations. Bayswater also relies on regular engagement with industry peers, regulatory agencies, industry organizations, and trade associations to navigate outside factors that may affect the industry in the states and communities where we operate.

At the federal level and in key western states, Bayswater remains informed and engaged on important energy policy discussions through our memberships with American Petroleum Institute (API) and Western Energy Alliance. Both organizations closely track policy issues impacting the oil and natural gas industry and serve as a voice for Bayswater and their other industry members.

Specific to Colorado, Bayswater actively participates in the local and statewide energy conversation through its membership in Coloradans for Responsible Energy Development (CRED), a statewide oil and natural gas education program. Bayswater is one of six member companies, and President and CEO Steve Struna serves on the CRED Board of Directors, regularly meeting with industry leaders and staying informed of key environmental and social factors influencing the oil and natural gas operating environment in Colorado.

In Colorado, Bayswater is a member of the Colorado Oil and Gas Association (COGA), which keeps our company informed of any proposed legislation or regulatory changes that may affect Bayswater's operations. Steve Struna serves on the COGA Executive Board. Further, Bayswater is connected to the broader energy conversation in the larger business community through Colorado Concern, an alliance of executives across the state committed to enhancing Colorado's business environment.

For our Texas operations, Bayswater is a member of Texas Independent Producers and Royalty Owners Association (TIRPRO). Becoming a member in 2021, TIPRO helps Bayswater stay informed and engaged on legislative activity and the regulatory environment in Texas.

CRITICAL INCIDENT RISK MANAGEMENT

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

GUIDANCE:
SASB

UNIT OF MEASURE:
N/A

CODE:
EM-EP-540a.2

BAYSWATER RESPONSE:

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

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

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

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

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

ACTIVITY METRICS

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

GUIDANCE:
SASB

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

CODE:
EM-EP-000.A

BAYSWATER RESPONSE:
In 2021, Bayswater reported gross annual production of approximately:

1. Oil: 19.9 MBbl per day
2. Natural Gas
    A. Natural Gas: 44.8 MMscf per day
    B. Natural Gas Liquids: 8.0 MBbl 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, 2021, Bayswater had 382 terrestrial sites.

2021

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