Condensed Interim Consolidated Financial Statements of

SOUTHERN ENERGY CORP.

For the three months ended March 31, 2023 and 2022

(unaudited)

(US Dollars)

($000s of US Dollars)	March 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 11,811	$ 28,350
Accounts receivable and other	1,747	3,739
Prepaid expenses and deposits	1,885	5,532
Derivative assets (Note 9)	33	17
	15,476	37,638
Property, plant and equipment (Note 3)	92,947	59,800
Right-of-use assets	186	214
Total assets	$ 108,609	$ 97,652
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	20,478	11,147
Royalties payable (Note 10)	5,063	5,073
Current portion of lease liabilities	104	107
Current portion of long-term debt (Note 5)	1,703	1,106
Derivative liabilities (Note 9)	4	-
	27,352	17,433
Long-term liabilities		
Convertible debentures (Note 6)	3,062	3,041
Long-term debt (Note 5)	4,190	3,071
Lease liabilities	101	126
Decommissioning provisions (Note 4)	7,190	6,579
Total liabilities	41,895	30,250
Shareholders' equity (Note 7)		
Share capital	75,557	75,271
Equity component of convertible debenture	245	245
Warrants	2,094	2,154
Contributed surplus	5,340	5,117
Deficit	(15,715)	(14,595)
Accumulated other comprehensive income	(807)	(790)
	66,714	67,402
Total liabilities and shareholders' equity	$ 108,609	$ 97,652

(See accompanying Notes to the Condensed Interim Consolidated Financial Statements)

($000s of US Dollars, except for per share amounts)	Three months ended March 31, 2023	2022
Revenues		
Petroleum and natural gas revenue (Note 11)	$ 5,189	$ 5,925
Royalties	(1,060)	(1,201)
	4,129	4,724
Expenses		
Production and operating	1,413	1,378
Transportation	61	39
Depletion, depreciation and amortization (Note 3)	2,336	1,050
(Gain) loss on derivatives (Note 9)	(99)	3,013
Gain on dispositions	-	(398)
Financing, net (Note 12)	262	424
General and administrative	950	937
Share-based compensation	140	40
Transaction costs	198	-
(Gain) loss on foreign exchange	(12)	96
	5,249	6,579
Total net loss for the period	(1,120)	(1,855)
Currency translation adjustment	(17)	6
Comprehensive loss for the period	**$ (1,137)**	**$ (1,849)**
Net loss per common share (Note 8)		
Basic	$ (0.01)	$ (0.02)
Diluted	$ (0.01)	$ (0.02)

(See accompanying Notes to the Condensed Interim Consolidated Financial Statements)

SOUTHERN ENERGY CORP.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity (unaudited)

($000s of US Dollars, except share amounts)	Common Shares	Shareholders' Capital	Equity Component of Convertible Debentures	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
Balance, December 31, 2021	78,121,858	$ 41,018	$ 497	$ 2,723	$ 4,144	$(23,894)	$ (675)	$ 23,813
Shares issued, net	78,125	(24)	-	(7)	-	-	-	(31)
Share-based compensation	-	-	-	-	40	-	-	40
Net loss	-	-	-	-	-	(1,855)	-	(1,855)
Other comprehensive income	-	-	-	-	-	-	6	6
Balance, March 31, 2022	78,199,983	$ 40,994	$ 497	$ 2,716	$ 4,184	$(25,749)	$ (669)	$ 21,973
Balance, December 31, 2022	138,056,910	$ 75,271	$ 245	$ 2,154	$ 5,117	$(14,595)	$ (790)	$ 67,402
Shares issued, net (Note 7)	953,125	286	-	(60)	-	-	-	226
Share-based compensation	-	-	-	-	223	-	-	223
Net loss	-	-	-	-	-	(1,120)	-	(1,120)
Other comprehensive income	-	-	-	-	-	-	(17)	(17)
Balance, March 31, 2023	139,010,035	$ 75,557	$ 245	$ 2,094	$ 5,340	$(15,715)	$ (807)	$ 66,714

(See accompanying Notes to the Condensed Interim Consolidated Financial Statements)

($000s of US Dollars)	Three months ended March 31, 2023	2022
Operating activities		
Total net loss for the period	$ (1,120)	$ (1,855)
Changes in non-cash items:		
Depletion, depreciation and amortization (Note 3)	2,318	1,050
Gain on dispositions	-	(398)
Financing expense	414	424
Unrealized (gain) loss on derivatives (Note 9)	(12)	2,885
Unrealized loss on foreign exchange	5	88
Share-based compensation	140	40
Decommissioning provisions liabilities settled	-	(15)
Changes in non-cash working capital	1,719	(630)
Net cash provided by operating activities	3,464	1,589
Investing activities		
Capital expenditures	(34,892)	(6,872)
Proceeds from dispositions	-	759
Changes in non-cash working capital	13,295	2,128
Net cash used by investing activities	(21,597)	(3,985)
Financing activities		
Proceeds from share issuances, net	226	(31)
Paydown of long-term debt (Note 5)	(334)	(596)
Draw on credit facility (Note 5)	2,000	-
Payment of interest	(271)	(128)
Finance lease payments	(35)	(36)
Transaction costs on debt refinance	-	(3)
Changes in non-cash working capital	2	116
Net cash provided (used) by financing activities	1,588	(678)
Net decrease in cash and cash equivalents	(16,545)	(3,074)
Effect of foreign exchange rate changes	6	7
Cash and cash equivalents, beginning of period	28,350	9,622
Cash and cash equivalents, end of period	$ 11,811	$ 6,555

(See accompanying Notes to the Condensed Interim Consolidated Financial Statements)

1. Reporting Entity and Nature of Operations

Southern Energy Corp. ("Southern" or the "Company") is an oil and natural gas exploration and production company. Southern has a primary focus on acquiring and developing conventional natural gas and light oil resources in the Southeast Gulf States of Mississippi, Louisiana, and East Texas.

Southern's head office is located in Calgary, Alberta, Canada. Southern trades on the TSX Venture Exchange ("TSXV") under the trading symbol "SOU" and on the AIM market of the London Stock Exchange ("AIM") under the trading symbol "SOUC". The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 30, 2023.

2. Basis of Presentation

a) Principles of Reporting and Consolidation

The condensed interim consolidated financial statements of Southern include the accounts of all domestic and foreign subsidiaries. Wholly-owned subsidiaries included in the Company's accounts include Southern Energy Corp., Southern Energy Corp (Delaware), Southern Energy Operating, LLC, Southern Energy CMS, LLC, Southern Energy LA, LLC and Southern Energy BWB, LLC. Southern accounts for joint operations by recognizing the Company's share of assets, liabilities, income and expenses. All intercompany balances and transactions have been eliminated.

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The condensed interim consolidated financial statements use the accounting policies which the Company applied in its annual consolidated financial statements for the year ended December 31, 2022. These condensed interim consolidated financial statements should be read in conjunction with Southern's consolidated financial statements for the year ended December 31, 2022, which are available on SEDAR at www.sedar.com or on Southern's website at www.southernenergycorp.com. These condensed interim consolidated financial statements are presented in United States dollars ("US dollars"). All financial information presented has been rounded to the nearest thousand unless otherwise indicated.

b) Recently Announced Accounting Pronouncements

Amendments to IAS 1 – Presentation of Financial Statements

Southern adopted the amendments to IAS 1, Presentation of Financial Statements effective January 1, 2023. The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. To support this amendment the IASB also amended IFRS Practice Statement 2 *Making Materiality Judgements*. On adoption of this amendment, there is no impact to the Company's condensed interim consolidated financial statements.

Amounts in ($000s of US Dollars), except for per share amounts

3. Property, Plant and Equipment

The following table presents the reconciliation of the beginning and ending amounts of our PP&E balances including accumulated depletion, depreciation, amortization and impairment:

	Oil and Natural Gas Assets	Other	Total
Net book value as at December 31, 2022	**$ 59,611**	**$ 189**	**$ 59,800**
Additions	34,892	51	34,943
Change in decommissioning provision (Note 4)	496	-	496
Depletion, depreciation and amortization	(2,275)	(15)	(2,290)
Foreign exchange	(2)	-	(2)
Net book value as at March 31, 2023	**$ 92,722**	**$ 225**	**$ 92,947**

Additions

For the three months ended March 31, 2023, Southern incurred $34.9 million of capital additions related to the development of the Central Mississippi Cash Generating Unit ("CMS CGU").

Depletion and depreciation

For the three months ended March 31, 2023, the Company recorded depletion expense of $2.3 million. In the calculation of depletion expense, an estimated $152.0 million of future development costs associated with the proven plus probable reserves were included.

Impairment

At the end of each reporting period, the Company performs an assessment to determine whether there are any indications of impairment for the CGUs that comprise oil and natural gas properties. As at March 31, 2023, Southern did not identify any indicators of impairment for any of its CGUs.

Asset Acquisition

On May 22, 2023, Southern entered into a purchase and sale agreement to acquire assets in Gwinville for cash consideration of $3.2 million (the "Acquisition"). The Acquisition has an expected closing date of June 1, 2023.

4. Decommissioning Provisions

The Company's decommissioning provisions result from its ownership interest in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The total decommissioning provision is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total estimated, inflated undiscounted risked cash flows required to settle the provision, is approximately $14.9 million at March 31, 2023 (December 31, 2022 – $14.8 million). The decommissioning provision was inflated using a rate of 2.4% (December 31, 2022 – 2.4%) and discounted using a risk-free interest rate of 3.5% at March 31, 2023 (December 31, 2022 – 3.95%). These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 50 years into the future and will be funded from general corporate resources at the time of abandonment.

Amounts in ($000s of US Dollars), except for per share amounts

The following table presents the reconciliation of the beginning and ending aggregate carrying amounts of legal obligations associated with the retirement of property, plant and equipment:

		2023
Balance, beginning of year	$	6,579
Liabilities incurred		51
Changes in estimates		496
Accretion expense		64
Balance, end of period	**$**	**7,190**
Long term liability	**$**	**7,190**

5. Long-term Debt

Southern had the following long-term debt obligations outstanding as at the dates indicated:

		As at Mar 31, 2023		**As at Dec 31, 2022**
Current portion of senior secured term loan	$	1,940	$	1,340
Long-term portion of senior secured term loan		4,526		3,460
Unamortized transaction costs		(573)		(623)
Total Long-Term Debt	**$**	**5,893**	**$**	**4,177**

Southern Energy Corporation (Delaware), one of the wholly-owned subsidiaries of Southern, held the existing senior secured term loan ("Credit Facility") at March 31, 2023. The Credit Facility is comprised of Tranche A of $5.5 million that was advanced at closing on April 30, 2021 and effective September 1, 2022, Tranche B of $29.5 million with an availability until September 30, 2023. Interest on the Credit Facility is 12% per annum on amounts outstanding and includes a 1% per annum standby fee on the unused portion of Tranche B, both paid monthly in arrears on the last day of the month. The Credit Facility is secured against the oil and gas properties of Southern and matures on August 31, 2025. As at March 31, 2023, Southern had $6.5 million drawn on the Credit Facility and $23.0 million available from Tranche B.

Quarterly positive free cash flow ("FCF") (as described below) repayments are based on a FCF grid whereby quarterly repayments are X% of the preceding quarter where X is equal to 50% if the ACR (as defined below) is < 3.0x or DSCR (as defined below) is < 1.4x; or X is equal to 0% if the ACR is > 5.0x and DSCR > 1.7x; otherwise is 25%. A standby fee of 1.0% per annum on any undrawn Tranche B amounts.

The Credit Facility includes a monthly repayment of the principal amount outstanding computed as the sum of: (a) outstanding amount multiplied by 1/A, where A equals the number of whole or part months remaining to the maturity date plus 12 months; and (b) on the last day of the second month following each fiscal quarter, the amount determined by the FCF grid (as described above). FCF is calculated as Earnings Before Interest, Taxes, Depreciation, Amortization, and Impairment ("EBITDAX"), less the aggregate of the Credit Facility principal and interest payments.

Below are the financial covenant calculations for the Credit Facility for March 31, 2023 and December 31, 2022:

Financial covenant	**Limit**	**As at Mar 31, 2023**	**As at Dec 31, 2022**
Asset Coverage ratio	Minimum 2.00	6.43	9.77
Debt Service Coverage ratio	Minimum 1.25	3.93	3.87

The asset coverage ratio ("ACR") of at least 2:1 is calculated as the ratio of the net present value of proved developed producing oil and gas properties as determined by an independent qualified engineer, using a price deck based on the forward commodity prices, discounted at 12% to the principle amount outstanding under the Credit Facility.

The debt service coverage ratio ("DSCR") of greater than 1.25:1 is the ratio of EBITDAX to scheduled principal payments and interest expense.

As at March 31, 2023, Southern was in compliance with the above covenants.

6. Convertible Debentures

	Number of Convertible Debentures	Liability Component ($000s)	Equity Component ($000s)
Balance at December 31, 2022	4,286	$ 3,041	$ 245
Accretion of discount	-	19	-
Effect of foreign exchange rate changes	-	2	-
Balance at March 31, 2023	**4,286**	**$ 3,062**	**$ 245**

7. Shareholders' Equity

Share Capital

The authorized share capital of the Company consists of an unlimited number of voting common shares and an unlimited number of preferred shares.

The following table reflects the Company's outstanding Common Shares at March 31, 2023 and December 2022:

	Number of Shares	**Share Capital ($000s)**
Balance as at December 31, 2022	138,056,910	$ 75,271
Issuance of common shares to satisfy unit warrant exercise	953,125	287
Share issuance costs	-	(1)
Balance as at March 31, 2023	**139,010,035**	**$ 75,557**

Amounts in ($000s of US Dollars), except for per share amounts

Subsequent to March 31, 2023, 31,250 Common Shares were issued related to the exercise of Common Share purchase warrants ("Unit Warrant") at a price of CAD$0.32 from the April 2021 non-brokered private placement for proceeds of CAD$0.5 million.

Warrants

Subsequent to March 31, 2023, Southern received approval from the TSX Venture Exchange to extend the expiration date of its Unit Warrants from April 29, 2023 until December 31, 2023. There are 8,746,875 Unit Warrants remaining with an exercise price of CAD$0.32 per Unit Warrant.

As at March 31, 2023, 1,250,000 purchase warrants ("Bonus Warrant") issued with the closing of the Credit Facility in April 2021 were exercised at a price of CAD$0.40 for proceeds of CAD$0.5 million. There are 3,906,250 remaining Bonus Warrants with an expiry date on the earlier of: (a) a liquidity event resulting in the sale of Southern Energy Corporation (Delaware); or (b) April 30, 2024.

As at March 31, 2023, 2,413,333 performance-based Common Share purchase warrants ("Performance Warrants") had vested as the 20-day volume weighted average trading price ("Market Price") of the Common Shares had exceeded CAD$1.20. The Performance Warrants have an exercise price of CAD$0.80 and expire on December 19, 2023.

Stock Option Plan

Under the Company's security based compensation arrangement, which includes the stock option plan and share award incentive plan, the Company may grant options or share awards to its directors, officers, employees and consultants up to a maximum of 10% of the issued and outstanding common shares at the time of the grant, with a maximum of 5% of the Company's issued and outstanding shares reserved for any one person on a yearly basis. The maximum stock option term is 10 years from the grant date with vesting terms set at the discretion of the board of directors.

The following table reflects the Company's outstanding common stock options at March 31, 2023 and December 31, 2022:

	Number of stock options	Weighted average exercise price (CAD)
Balance at December 31, 2022	7,628,125	$ 0.87
Balance at March 31, 2023	**7,628,125**	**$ 0.87**

The following table summarizes information regarding stock options outstanding as at March 31, 2023:

Exercise Price ($CAD/share)	Number of options outstanding (000s)	Weighted average remaining terms (years)	Weighted average exercise price for options outstanding ($CAD/share)	Number of options exercisable (000s)	Weighted average exercise price for options exercisable ($CAD/share)
$0.56 - $1.01	**7,628**	**3.3**	**$0.87**	**4,485**	**$0.81**

Southern recognized $0.2 million of share-based compensation expense relating to stock options during the three months ended March 31, 2023 ($40 thousand – March 31, 2022).

Share Award Incentive Plan

On September 12, 2022, Southern issued 2.5 million restricted share awards (“RSAs”) under its Share Award Incentive Plan. The RSAs vest as to one third on each of the first, second and third anniversaries of the grant date. On the vesting dates of such RSAs, the holder is entitled to receive a cash payment or its equivalent in fully paid Common Shares, at the Company’s discretion, equal to the closing market value per Common Share on the TSXV on the business day prior to such payment. For the purpose of calculating share-based compensation, the fair value of the RSAs is based on the market value of Southern’s Common Shares at each period end. The fair value is recognised as share-based compensation over the vesting period. Fluctuations in fair values are recognized as share-based compensation in the period they occur. Southern remeasured the fair value of the liability resulting in a decrease of $83 thousand relating to the RSAs during the three months ended March 31, 2023 (nil – March 31, 2022).

8. Loss Per Share

The following table presents the Company’s net loss per share:

	Three months ended March 31, 2023	2022
Net loss	$ (1,120)	$ (1,855)
Basic and diluted - weighted average common shares outstanding	138,591,111	78,152,712
Net loss per share, basic and diluted	$ (0.01)	$ (0.02)

The calculation of diluted loss per share for the three months ended March 31, 2023 and 2022 excludes the effect of all outstanding share options, Unit Warrants, Bonus Warrants, Performance Warrants and convertible debentures as they are anti-dilutive.

Amounts in ($000s of US Dollars), except for per share amounts

9. Financial Instruments and Financial Risk Management

Financial Derivative Contracts

Southern utilizes oil and natural gas derivative contracts to mitigate its exposure to commodity price risk associated with future oil and natural gas production. Typical derivative contracts could consist of options, in the form of price floors, collars or three-way collars and fixed-price swaps. The derivative financial instruments are recorded on the consolidated statement of financial position as either an asset or a liability measured at fair value. Southern does not apply hedge accounting to its commodity derivative contracts; accordingly, changes in the fair value of these instruments are recognized in the consolidated statement of earnings and comprehensive income in the period of change.

Southern had the following commodity derivative contracts in place as at March 31, 2023:

Natural Gas	Volume	Pricing
Fixed Basis Swap		
April 1, 2023 – October 31, 2023	1,000 MMBtu/d	NYMEX – HH + $0.320/MMBtu

Subsequent to March 31, 2023, Southern entered into the following commodity derivative contract:

Natural Gas	Volume	Pricing
Fixed Price Swap		
January 1, 2024 – December 31, 2025	1,000 MMBtu/d	NYMEX – HH $3.88/MMBtu

Financial Derivative Contracts Financial Statement Recognition

The Company's financial instruments that were accounted for at fair value as of March 31, 2023 and December 31, 2022 are presented below.

Comprised of:	**As at Mar 31, 2023**	**As at Dec 31, 2022**
Current derivative asset	$ 33	$ 17
Current derivative liability	(4)	-
Net fair value of contracts, end of period	**$ 29**	**$ 17**

Below is a reconciliation of the (gain) loss on derivatives from the condensed interim consolidated statement of loss and comprehensive loss:

	Three months ended March 31,	
	2023	**2022**
Realized (gain) loss on derivatives	$ (87)	$ 128
Unrealized (gain) loss on derivatives	(12)	2,885
(Gain) loss on derivative instruments	**$ (99)**	**$ 3,013**

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of the Company's cash and cash equivalents and accounts receivable and the positive fair value of any financial derivatives represent the maximum credit exposure.

Cash and cash equivalents

The Company manages the credit exposure related to cash and cash equivalents by selecting financial institutions with high credit ratings and monitors all short-term deposits to ensure an adequate rate of return. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Accounts receivable and other

Substantially all of the Company's accounts receivable are due from purchasers of the Company's petroleum and natural gas production, joint interest partners and government agencies, and are subject to normal industry credit risk.

Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. Management of the Company believes the risk is mitigated by the size and reputation of the companies to which they extend credit.

Southern had no provision for doubtful accounts as at March 31, 2023 or December 31, 2022.

Liquidity Risk

Liquidity risk arises through excess financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient capital in order to meet its current and future liquidity requirements. The financial liabilities in the statement of financial position consist of accounts payable, royalties payable, lease liabilities, financial derivative liabilities, convertible debentures and the senior secured credit facility. Strategies to manage liquidity include, having adequate sources of financing available through its Credit Facilities, estimating future cash flows generated from operations based on reasonable production and pricing assumptions, adding additional commodity derivative contracts, reducing capital spending and utilizing equity to settle interest payments on convertible debentures. Southern may also consider sale of non-core oil and gas assets along with alternative sources of financing.

Amounts in ($000s of US Dollars), except for per share amounts

Market Risk

Market risk is the risk that changes in market prices relating to currency, commodity prices and interest rates will affect the Company's net earnings, future cash flows, the value of financial instruments, or the fair value of its assets and liabilities. The object of market risk management is to manage and control market risk exposure within acceptable parameters.

To partially mitigate exposure to commodity price risk, Southern entered into various financial derivative instruments. The instruments currently outstanding are described above. As at March 31, 2023, a 10% change in future commodity prices applied against these contracts would have no impact on net income.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in interest rates. This risk is mitigated as the Credit Facility has a fixed interest rate.

10. Royalties Payable

As at March 31, 2023, Southern had $5.1 million ($5.1 million at December 31, 2022) of non-interest bearing royalty payables related to unresolved title or ownership issues. The royalty payable account is made up of balances due to approximately 5,500 royalty holders with over 95% of the balances outstanding for greater than 120 days. The royalty holders have deficiencies with their accounts that precludes Southern from making payments.

11. Oil and Natural Gas Sales

Southern sells its production pursuant to variable price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for the quality, location and other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under the contract, Southern is required to deliver a fixed or variable volume of crude oil, natural gas liquids or natural gas to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price. Revenues are typically collected in the month following production.

The following table presents Southern's oil and natural gas sales disaggregated by revenue source:

	Three months ended March 31,	
Commodity sales from production, by product	**2023**	**2022**
Crude oil	$ 777	$ 1,191
Natural gas liquids	55	86
Natural gas	4,357	4,648
Total Oil and Natural Gas Sales	**$ 5,189**	**$ 5,925**

Amounts in ($000s of US Dollars), except for per share amounts

12. Financing

The following table presents a breakdown of Southern's financing expenses:

	Three months ended March 31, 2023	2022
Credit facility interest	$ 201	$ 128
Convertible debentures interest	63	131
Interest income	(152)	-
Accretion	143	154
Interest on lease obligations	7	11
Total Financing Expenses	**$ 262**	**$ 424**

13. Capital Risk Management

The Company monitors its capital based on projected cash flow from operations and anticipated capital expenditures. In order to manage its capital structure, the Company prepares annual capital expenditure and operating budgets, which are updated as necessary. The annual and updated budgets are prepared by the Company's management and approved by or reviewed with the Company's Board of Directors. The budget results are regularly reviewed and updated as required.

In order to maintain or adjust the capital structure, the Company may issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure. The Company's ability to raise additional debt or equity financing is impacted by external conditions, including future commodity prices and global economic conditions. The Company continually monitors business conditions including changes in economic conditions, the risk of its drilling programs, forecasted commodity prices, and potential corporate or asset acquisitions.