BAYSWATER

2020 Sustainability Report

November 2021


2020

Table of Contents

Dear Stakeholders

Bayswater is a proud participant in the upstream U.S. oil and natural gas industry. Thanks to the shale revolution, our industry has reshaped the global political-economic landscape by transforming the United States from being dependent on foreign crude oil imports to being energy independent and a net energy exporter in less than a decade. U.S. production was 5.5 million barrels of oil produced daily (BOPD) in 2010 (U.S. Energy Information Administration (EIA), 2011). By 2019, the U.S. had eclipsed Saudi Arabia and Russia as the world's top producer at 12.3 million BOPD (EIA, 2019).

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

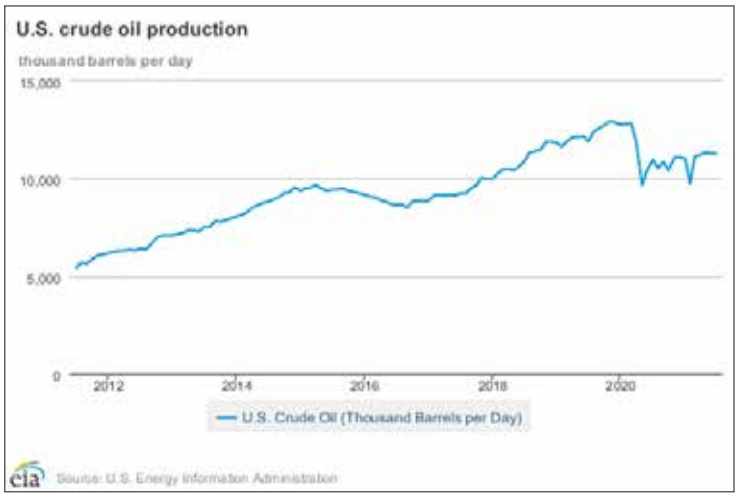


Figure 1: Source: U.S. Energy Information Administration, Monthly Crude Oil and Natural Gas Production.

The industry and Bayswater have a wide range of stakeholders, and to be sustainable, we need to meet the Environment, Social, and Governance (ESG) expectations of these stakeholders. At Bayswater, sustainability means helping supply society's growing need for affordable reliable energy while being Environmentally and Socially responsible and Governing our corporate conduct ethically and with integrity. This 2020 Sustainability Report, Bayswater's first of planned annual reports, outlines the progress Bayswater has made to date in this important ESG arena and sets out some future aspirations to ensure continuing progress.

Bayswater was founded in the summer of 2004 with a small amount of capital and a simple business model aimed at pursuing and capturing opportunities through the application of new technology in mature oil and natural gas fields. Our vision was 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. In 2010, we raised our first Natural Resources Fund. Today, after 17 years in business, we have managed roughly $2.4 billion in lifetime assets and currently have $1.5 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.

Oil and natural gas (with coal collectively referred to as “fossil fuels”) are vitally important to humankind. Together, fossil fuels provide nearly 80 percent of energy consumed worldwide and the raw chemical feedstocks making up so many of the products we touch and use in our daily lives. It has been said that progress is the consumption of energy; and improvements in health, life expectancy, education, and welfare in third-world countries have been directly correlated with increased consumption of energy—primarily fossil fuels. At the same time, one-third of the world’s population continues to live in energy poverty. Roughly 2.5 billion people in the world cook food on indoor fires fueled by wood or dung, which expose them to life threatening particulate air pollution (World Health Organization (WHO), 2021). The WHO estimates close to four million people in the world die annually from lung disease caused by this indoor cooking particulate pollution—a problem that could easily be solved with bottled LNG. Many others die around the world annually from malnutrition and poor-quality potable water. Low-cost fossil fuels are critical to commercial scale agriculture and the delivery of freshwater resources in the developing world. It is our duty as an industry to continue to supply the low-cost and reliable energy that everyone needs.

It is our duty as an industry to continue to supply the low-cost and reliable energy that everyone needs.

Despite the benefits of fossil fuels—specifically oil and natural gas—it is currently popular to frown upon these critical fuel sources and blame them for having a deleterious impact on the climate. The majority of Americans, including a large population in Colorado, believe that climate change is a major problem or even an absolute existential threat to mankind. The Intergovernmental Panel on Climate Change (IPCC) published its sixth assessment report, “Climate Change 2021,” which received a great deal of media attention. Headlines that came out after the release of this report included the following: “Code Red for Humanity;” “Apocalyptic Wildfires and Hurricanes are the New Normal;” “Melting Ice caps and Rising Sea Levels will Doom Coastal Communities;” “The only hope is to drastically reduce carbon emissions by eliminating the use of fossil fuels as soon as possible."

Conversely, many scholars and scientists question these sweeping conclusions and make compelling arguments that the science is unsettled. Steve Koonin, the former Undersecretary for Science for the U.S. Department of Energy under the Obama Administration, recently published a book titled “Unsettled.” In it, Koonin clearly defines why the current view of climate science has many shortcomings. His arguments and those with similar views are punctuated with these four points:

1. Humans exert a growing but small warming influence on the climate, and it is difficult to discern that impact in comparison to impacts caused by historically repeatable geologic and planetary time cycles.
2. Climate models have wide error bands and often contradict each other.
3. Media summaries of the sanctioned studies do not accurately represent the inherent uncertainties in those studies—often representing the worst case as the likely case.
4. Measurable climate parameters are not changing consistent with this catastrophic view (i.e., hurricanes and catastrophic weather events, Rocky Mountain snowpack, rate of receding ice sheets around the globe, heat waves now versus 1900, maximum temperatures).

At Bayswater, ours is not to debate climate science or to wait until the science actually is settled. Instead, we must recognize and respect the concerns of our stakeholders and do all we can to reduce the carbon footprint of our oil and natural gas manufacturing operations. We know environmental sustainability is one important consideration in supplying the energy that the world needs; affordability and reliability are two other equally important considerations. Given the practical necessities of affordability and reliability, the demand for oil and natural gas is forecast to continue to grow substantially into the next two decades (EIA, 2019). The Energy Triangle shown in Figure 2 spells out a simple and compelling mission for the U.S. shale industry and Bayswater—we must continue to produce the low-cost reliable energy that our nation and the world desperately needs in the most environmentally and socially responsible manner possible.

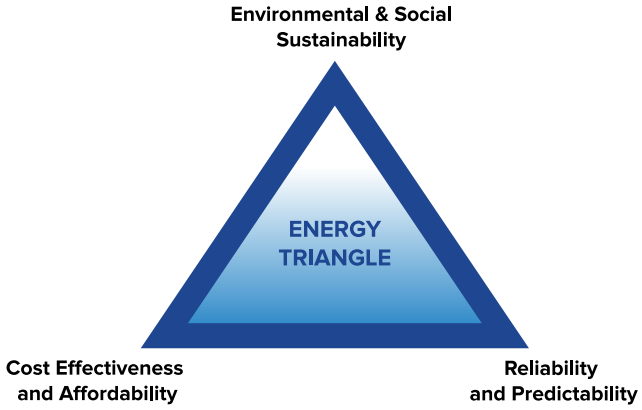


Figure 2: The Energy Triangle (based on Richard Green's Energy Policy Triangle) depicting the three-pronged mission of U.S. shale production.

In our report, Bayswater's first on ESG and sustainability, we discuss the steps taken to demonstrate we are very responsible developers of oil and natural gas, and we outline our future commitment to continuous ESG improvement. Elements of Bayswater's corporate culture and our focus on people are highlighted along with examples of applied technology and innovation. Bayswater's operations are the core of the company and key elements of our management systems, ensuring the health and safety of our operations personnel are detailed. We inventory our environmental best practices in the areas of Air, Land, and Water management and discuss our roadmap for being a carbon neutral manufacturer in the coming years. Also discussed is the "Colorado Green Molecule" where industry best practices and stringent regulations deliver the least greenhouse gas (GHG) intensive oil and natural gas on the planet. The report concludes with our Governance and Compliance practices, including highlighting Bayswater's status as a SEC Registered Investment Advisor, and a quantitative scorecard on our performance using the Sustainability Accounting Standards Board (SASB) standards.

Thank you for taking the time to read our 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 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 Fund IV in 2017 and 2020 respectively, and are currently deploying capital in the Bayswater Natural Resources Funds III and IV.

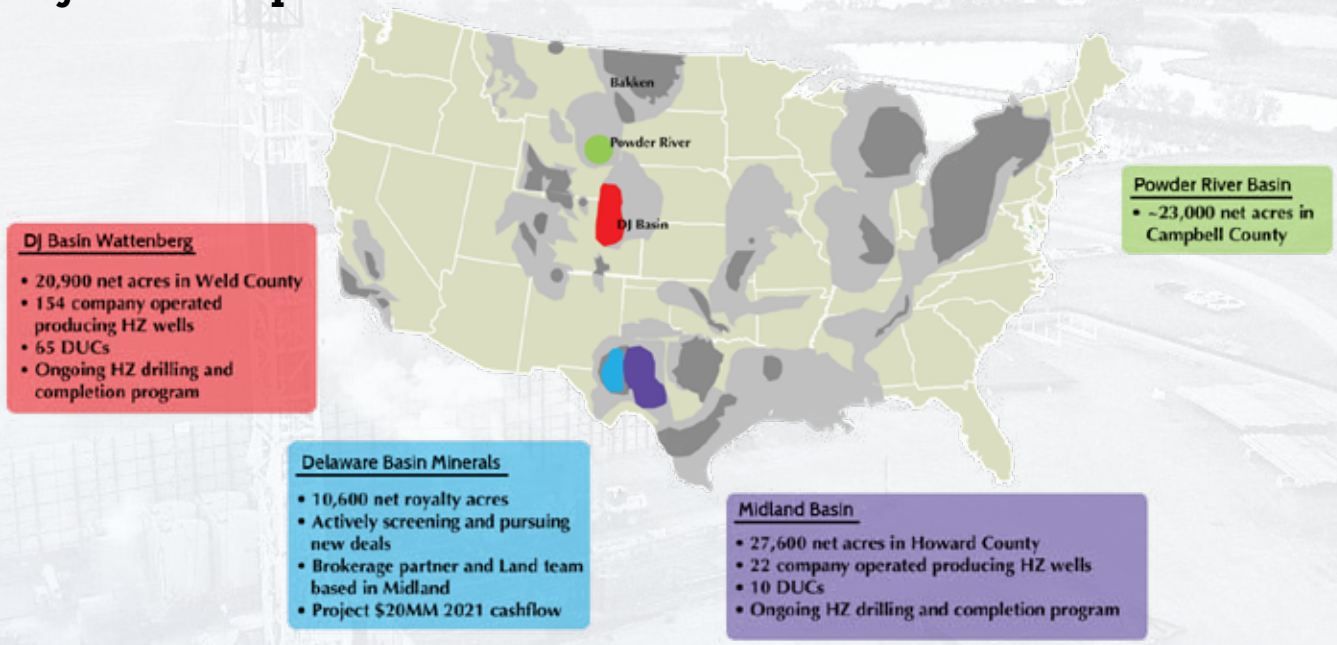
Our Team

The Bayswater executive team has more than 250 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 and 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 July 2021.

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.

While Bayswater has always worked to be a leader in these areas, starting with our 2020 Sustainability Report, we pledge continued commitment to being a leader in Environmental, Social, and Governance (ESG) values and annually testing and reporting our operations against the Sustainability Accounting Standards Board (SASB) standards and metrics included at the end of this report.

The Legacy of Fossil Fuels

In the last century, the world witnessed unprecedented and rapid progress, innovation, and advancements in human development and quality of life. The proliferation of fossil fuels, including coal, made readily available by the oil and natural gas industry is responsible for driving this rapid evolution and growth. Accessible and reliable energy powers human progress, fuels innovation, and elevates quality of life.

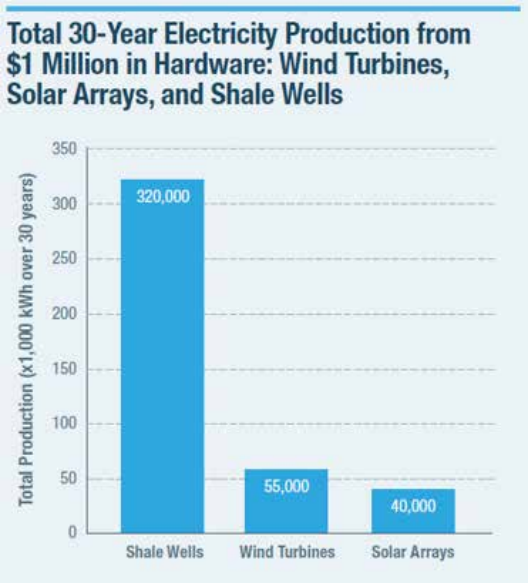


Figure 3: Source: "Lazard's Levelized Cost of Energy Analysis," 2018; Gulfport Energy Credit Suisse Energy Summit, 2019; Cabot Oil & Gas, Heikkinen Energy Conference, 2018.

What does it mean for energy to be **accessible**? Accessibility is not simply the existence of energy infrastructure. It is also, and equally importantly, centered around affordability. Accessible energy is energy that is easy and convenient to obtain for all populations, regardless of affluence. Fossil fuels, particularly oil and natural gas, enjoy a tremendous cost advantage over the two most rapidly growing renewable sources—wind and solar—as illustrated in Figure 3.

What does it mean for energy to be **reliable**? Reliable energy supplies consistent and continuous power. Reliability means energy infrastructure that is up-to-date, stable, and dependable—the lights always come on, the stove is hot, and the house is comfortable—regardless of level of demand, weather event, or season. Reliability for power generation, also referred to as dispatchability, is a key advantage that natural gas has over wind and solar renewable energy. These key energy dimensions—accessibility, affordability, and reliability—have catapulted fossil fuels to be the dominant source of energy in the world today as shown in Figure 4.

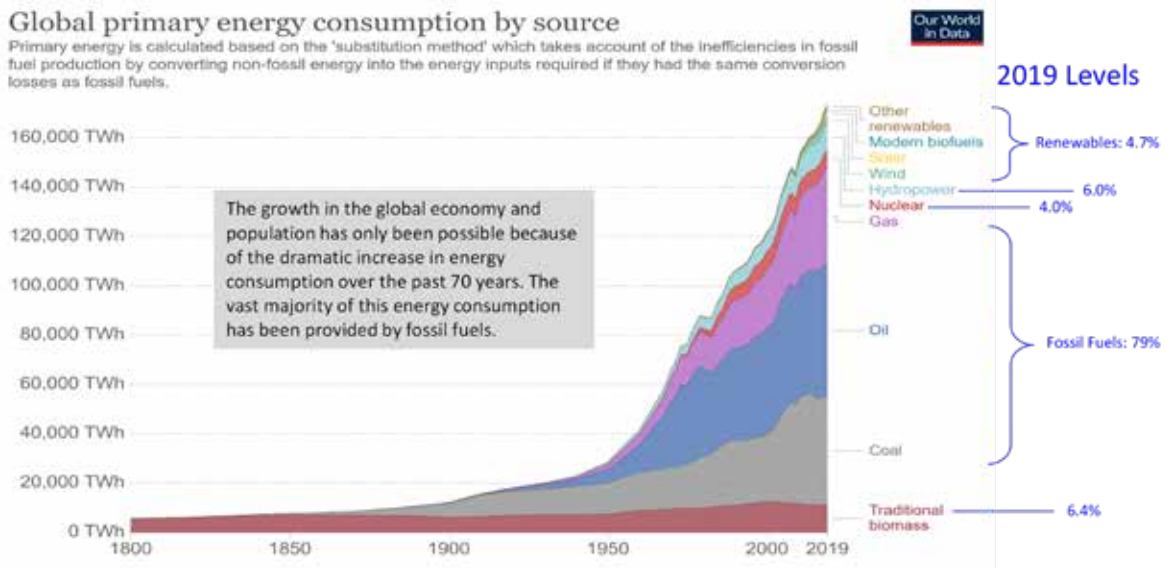


Figure 4: Source: OurWorldInData.org/energy.

In the last century, fossil fuels—coal, oil, and natural gas—have supplied accessible and reliable energy in the staggering quantities needed to meet the demand of nations worldwide, lifting billions of people out of poverty and into a better quality of life. Energy consumption is directly correlated to quality of life and environmental health. According to the United Nations and U.S. Energy Information Administration, nations with the highest Human Development Index—which is calculated based on life expectancy, years of education, and GDP per capita—also consume the most energy per capita. In the decades to come, the developing world will continue to need accessible and reliable energy to elevate their quality of life. In the modern world, over two billion people live every day in energy poverty—2.5 billion people cook their food on indoor fires. The World Health Organization estimates that close to four million people die prematurely every year from illness attributable to indoor air pollution from cooking on biomass stoves, and close to half of the deaths due to pneumonia among children under five years of age are caused by particulate matter inhaled from household air pollution (WHO, 2018). Bottled propane or liquified natural gas (LNG) is the obvious near-term solution to this tragic world problem, and the U.S. leads the world in LNG export growth.

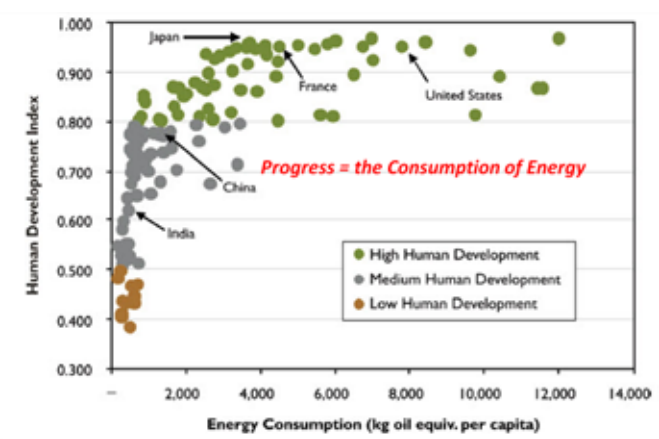


Figure 5: Source: U.S. Energy Information Administration; United Nations.

Accessible and reliable energy powers human progress, fuels innovation, and elevates quality of life.

The reality is that fossil fuels are the lone energy source with the unique capacity to provide accessible, reliable energy to meet the monumental global demand of billions of people worldwide, including the developing world. While we invest in a clean energy future and a collaborative "all of the above" energy solution, it is important to understand fossil fuels will continue to play a significant and critical role in supplying energy to the United States and the world well into the future. During the past 15 years, natural gas supplanted coal as the leading fuel source for U.S. power generation and, as a result, U.S. carbon dioxide (CO_2) emissions have dropped dramatically as illustrated in Figure 6.

In 2020, a year when societies and industries across the world shut down in the midst of the COVID-19 pandemic, U.S. energy consumption decreased by seven percent from 2019 levels, the largest annual decline in recent U.S. history (EIA, 2021). Of the total energy consumed in the U.S. in 2020, fossil fuels comprised almost 80 percent (EIA, 2021). In the socially distanced, work-from-home reality brought about by the COVID-19 pandemic, fossil fuels kept the lights on and powered our new normal.

In order to combat climate change, the Western World appears to be embarking on a massive energy transition that will spend trillions of dollars to move a global economy

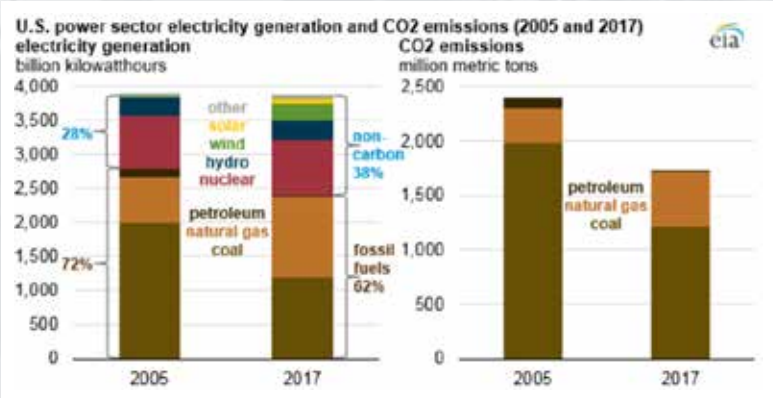


Figure 6: Source: U.S. Energy Information Administration, Monthly Energy Review.

built on fossil fuels to one that is powered by energy sources that do not emit greenhouse gasses. As this transition unfolds, fossil fuels will continue to play an important role, meeting most of the immense energy demand of today and the projected increased energy demand of tomorrow. For the next two decades, the worldwide demand for oil and natural gas is expected to continue to grow (EIA, 2020). Figure 7, from the EIA 2019 "International Energy Outlook (IEO)", shows a tremendous 625% increase in renewable energy by the year 2050. Even with this aggressive case for renewable energy growth, **oil demand increases 20 percent and natural gas demand increases 45 percent**. For the energy transition to succeed, fossil fuels must remain a vital pillar supporting and fueling our modern way of life. Near term policy and other governmental actions aimed at an overly-ambitious curtailment (or an outright ban) on the use of fossil fuels will result in (1) an increase in the percentage of the population in energy

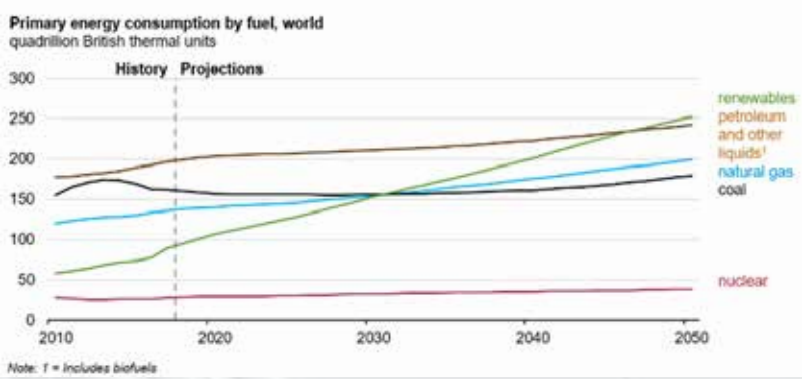


Figure 7: Source: U.S. Energy Information Administration, International Energy Outlook 2019.

poverty, (2) energy outages and shortages (3) political instability, and (4) a decrease in the political and popular will to complete the transition. There is no question that it is imperative to increase the supply of oil and natural gas in the coming decades. The only questions that remain are: where and how will it be produced?

If oil and natural gas is not produced in the United States, it does not mean American consumers will cease to demand and rely upon fossil fuels and hydrocarbon products. Those fossil fuels will simply be produced elsewhere, most likely not according to the same U.S. environmental and safety standards, and then imported to the United States in super-tankers with large carbon footprints. Thanks to modern technology and innovation and strict environmental standards and regulations, the United States produces some of the most environmentally and socially responsible oil and natural gas in the world. Since oil and natural gas will continue to be critical in the decades to come, the United States should invest in and use domestic oil and natural gas instead of relying on foreign oil and natural gas from unfriendly nations with much less stringent environmental and safety regulations.

For the energy transition to succeed, fossil fuels must remain a vital pillar supporting and fueling our modern way of life.

How oil and natural gas is produced in the U.S. varies from basin to basin and state to state. Oil and natural gas producing operations ("manufacturing" crude oil and natural gas to sellable specifications and delivering those products to the market) have differing and variable greenhouse gas (GHG) intensities, which are measured in tons of CO_2 equivalent (CO_2e) per barrel of oil equivalent (BOE) produced. In the United States, Colorado produces oil and natural gas products at amongst the lowest GHG emission intensity in the country. This remarkable achievement is a result of many factors including: industry best practices, extensive pipeline infrastructure, strict state regulations, and active trade associations promoting best practices. Bayswater is proud to be part of the Colorado oil and natural gas industry, leading the nation in sustainable oil and natural gas production. In Colorado, exploration and production activities work to reduce and mitigate environmental impacts wherever possible, including the use of:

- Extensive pipeline oil gathering systems to minimize truck hauling.
- Electric compression installation.
- Replacing natural gas supplied pneumatic controllers with instrument air.
- Deployment of real-time, continuous air emission monitoring devices.
- And many, many other Best Management Practices (BMPs).

Bayswater is also proud to operate in the great Texas Permian Basin. In Texas, pipeline infrastructure gathering for oil and natural gas lags somewhat in comparison to Colorado, resulting in the flaring of more natural gas. However, the industry in Texas is aggressively pursuing improved practices, and collectively is looking to dramatically reduce venting and flaring. At the same time, Permian operations lead the industry in water recycle and "pipe only" water disposal solutions. Bayswater is committed to applying best practices in Colorado to Texas, and vice versa.

In summary, fossil fuels—oil and natural gas in particular—are the most accessible and reliable sources of energy in the world today. Climate concerns have initiated a large-scale energy transition away from fossil fuels and towards renewable energy sources, namely wind and solar. Even the most aggressive forecasts of renewable energy replacement shows that the demand for oil and natural gas will continue to grow in the coming decades. It is imperative that demand is met by environmentally and socially responsible oil and natural gas produced here in the United States.

WE ARE BAYSWATER

We Are Bayswater

Bayswater takes great pride in being early movers in deploying the latest innovative technology to improve our operations and minimize our business impacts. Despite different state regulations and operating environments, we are employing many of the same technologies and sustainable operational practices company-wide in both our Colorado and Texas operations.

At Bayswater, we work to better ourselves and our operations, beyond what is regulated. We hold ourselves to a higher standard and aim for executional excellence. Bayswater takes pride in operating ethically and adhering to four fundamental tenets:

- Conducting all business dealings in an open, honest, and transparent manner.
- Meeting or exceeding all local, state, and federal regulations.
- Building a positive, mutually beneficial relationship with all stakeholders.
- Leaving behind a positive legacy within the local community.

We strive to build our business upholding this culture of executional excellence and fostering our passion for improvement, innovation, and industry leadership.

Our Most Valuable Asset—Our People

In the success we have garnered since our founding in 2004, the people making up the Bayswater team are our most valuable asset and the principal reason for that success. Bayswater takes great pride in the team committed to keeping our operations running smoothly and safely day in and day out. In 2020, our team faced greater challenges than ever before and demonstrated incredible flexibility, endurance, and perseverance. We are proud to say we kept a rig active for the entirety of 2020 through the COVID-19 pandemic and were also able to retain our entire team, not needing to lay-off any member of our workforce. Despite the challenges that occurred throughout 2020, our team grew in 2020 with seven new hires in Colorado and three new hires in Texas to a full team of 53 employees.

100%

of Bayswater employees are direct owners

Denver, Colorado office

One way Bayswater demonstrates how greatly we value our employees is by granting equity ownership to all employees, thereby making everyone a stakeholder and direct owner in our company. By offering this ownership structure to employees, we cultivate clearer “line of sight” to annual objectives, company pride, responsibility, and accountability at all levels.

Our Diverse Team

Bright ideas and innovation are born from diversity—diversity in background, thought process, perspective, and opinion. At Bayswater, we greatly value and actively nurture a small company entrepreneurial culture, a flat organizational structure, and multidisciplinary teamwork. We strive for a diverse team with diverse minds because differing opinions spark the intellectual debates that lead to quality decisions and fuel innovation.

We strive for a diverse team with diverse minds because differing opinions spark the intellectual debates that lead to quality decisions and fuel innovation.

Developing Our Talent

At Bayswater, we firmly believe in investing in our own people. Our team members are vital to our success. Their individual growth means our growth as a company. Many of our Bayswater team members take on more than one role and often work across disciplines to ensure we achieve executional excellence day-to-day.

To develop our talent and continue to be an industry leader, it is critical for our employees to have access to the best and latest in industry tools, resources, and technology. We work to provide our team with the resources, opportunities, and work environment they need to professionally develop and excel. We believe in rewarding every professional success and encourage those individuals with the hunger to professionally improve and grow. The majority of the company’s current managerial team have been promoted from within to their current positions.

Eaton, Colorado office

Data, Technology & Innovation

Bayswater is fundamentally a multi-disciplinary, data-driven technical exploration and production company. We are consistently innovating and finding new ways to apply technology and improve our operations. As an operator focused on meeting or exceeding regulatory standards and deploying the latest innovations and technological advancements, we take great pride in our achievements thus far, but we are never satisfied. We are dedicated to making additional strides to improve our operations moving forward. The foundation of Bayswater's company culture is built upon ownership, entrepreneurship, and multidisciplinary teamwork. These fundamental elements have enabled Bayswater to develop critical data-driven technical innovations, tools, and work processes to operate more efficiently and sustainably. Three notable highlights include:

- Earth Modeling and Geo-Steering.
- Engineered ChokeFlow Management (ECM).
- Real-time Well Performance Dashboard.

Earth Modeling and Geo-Steering

To maximize the productivity of a well, particularly a multi-well pad, operators face the technological challenge of precisely placing 10,000 feet of lateral wellbore at depths of 7,000 feet or more. In 2020, Bayswater focused on optimizing our pre-drill planning procedures and incorporating new technologies to improve the data quality related to the bit location during drilling. The result of these efforts is a much-improved level of precision of lateral placement. Bayswater has achieved this precision using our Dynamic Depth Conversion (DDC) seismic software combined with sophisticated technology and methodology used in our real-time measurement of bit location.

Our 2020 strategy for planning and executing our multi-well pad designs began with Bayswater applying enhanced processing techniques to our 3-dimensional (3D) seismic data volume, which better highlighted critical small faults and optimized the resolution of the stratigraphic beds in the target interval. Then, the 3D seismic volume was meticulously integrated with subsurface data from previously drilled wells to create a detailed subsurface Earth Model encompassing areas that are the target of upcoming drilling programs. This Earth Model allows Bayswater to precisely design the multi-well development program ahead of drilling rig arrival.

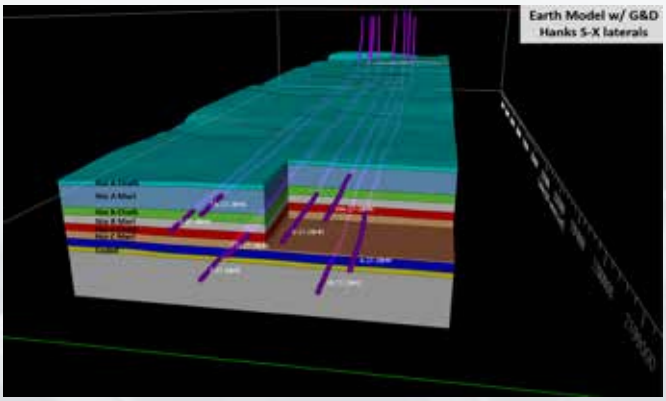


Figure 8: An Earth Model example from the G&D Hanks Pad illustrating the placement of 8 laterals distributed through the 4 target benches of the reservoir interval.

During drilling operations, Bayswater implemented a DDC practice, utilizing geosteering and seismic interpretation, which are dynamically linked. With DDC software, new information gained from geosteering is fed into the seismic interpretation and makes updates to the Earth Model. This process allows Bayswater to continuously improve the Earth Model while a well is being drilled, providing the ability for rapid updates to that well plan and to the subsequent wells on a multi-well pad.

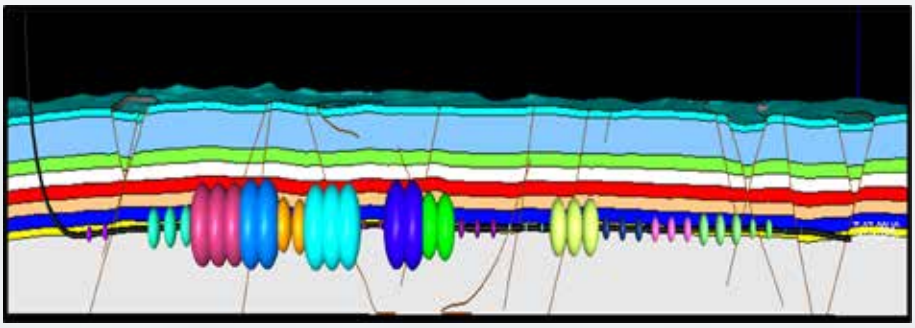


Figure 9: Cross-section from the G&D Hanks Earth Model along the Codell "T" lateral. Integrated with tracer survey data wherein bubbles represent relative contribution by stage to early oil production during flowback.

Further, standard drilling operations employ magnetics-based measurement-while-drilling (MWD) technology to continuously calculate the 3-D, spatial location of the drill bit, resulting in location data for the entire lateral. In 2020, Bayswater initiated a program engaging specialists to work with the directional drilling company to provide real-time corrections to the MWD data based on high resolution magnetic field data, proprietary data processing technology, and cumulative learnings from previous laterals drilled in the same program. This higher quality positioning data was then quality controlled after a drilling program was concluded, by selectively running gyroscopic surveys in some of the laterals. Gyroscopic surveys rely on gravity data and, consequently, provides location data using entirely different physics than the data based on the earth's magnetic field. The integration of these two approaches yielded the most accurate location information possible to better position horizontal laterals and allow for optimal completion designs.

Engineered ChokeFlow Management (ECM)

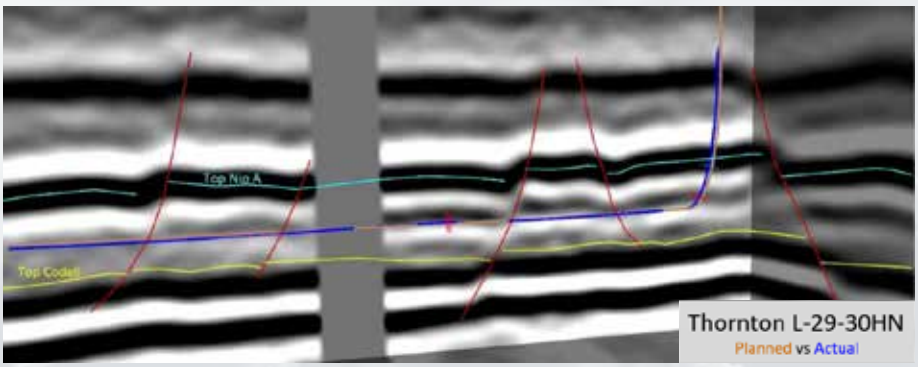


Figure 10: Planned and actual wellbore trajectories in a Bayswater two-mile lateral shown inside the seismic volume.

Bayswater has developed a workflow based in science and engineering to produce our wells efficiently and enhance project economics. Shown in Figure 11, the process referred to as Engineered ChokeFlow Management (ECM) ensures we carefully review all rate and pressure data, listen to the wellbore and the reservoir, and produce them in an optimized fashion as opposed to drawing down the well randomly or very rapidly to enhance early time production rates. High initial production has been viewed in the industry as a common performance indicator and is often touted by operators to the investment community.

In recent years, the industry has become increasingly aware of how sensitive unconventional reservoirs and completions can react to aggressive flowback practices designed to maximize early time performance. Rapid flowback or aggressive choke management has been proven to cause damage to well productivity in many unconventional reservoirs with significant technical literature supporting this claim. Bayswater's ECM mitigates this potential damage and creates more productive long-term wells and increased economic value.

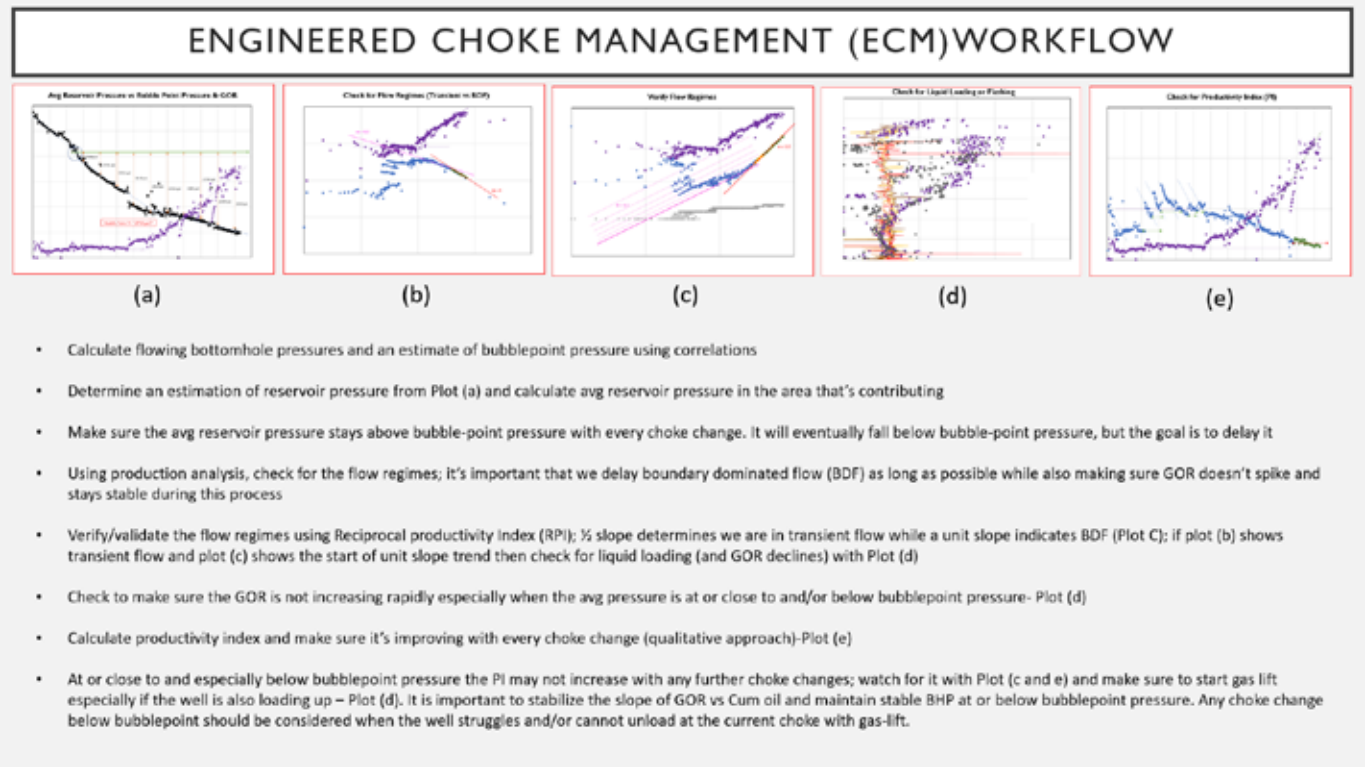


Figure 11: ECM Workflow Diagram illustrating the data and analysis that goes into making optimal choke changes.

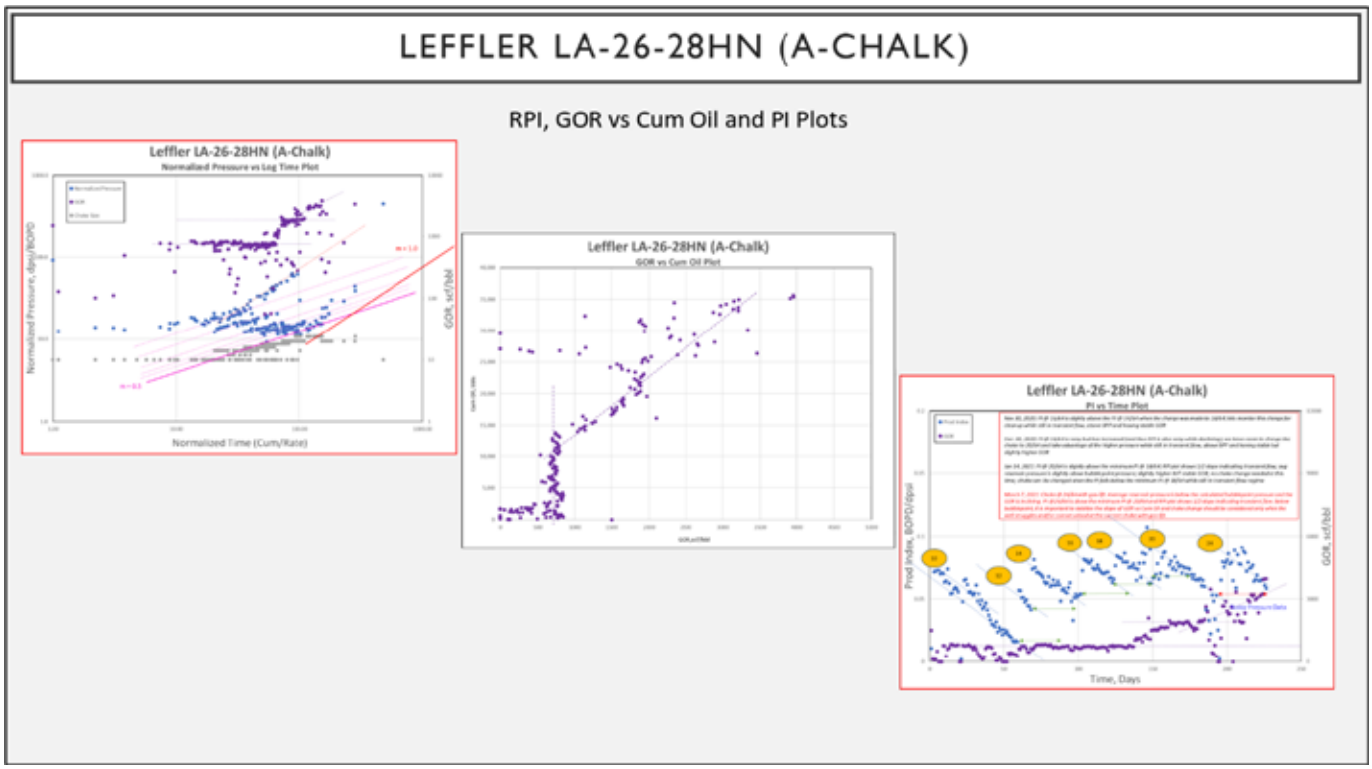


Figure 12: ECM workflow illustrating the progressive changes in well productivity index as successive choke changes are implemented and simultaneously avoiding gas oil ratio spikes.

A key component of the ECM workflow is that it helps us determine when choke changes are needed, while prudently taking advantage of the reservoir energy above the bubble-point pressure. It also helps us produce the wells efficiently when we get below the bubble-point pressure thereby improving the economics.

An example of this ECM workflow from one of our DJ Basin wells is shown in Figure 12. As a result of implementing this workflow and utilizing optimized spacing, Bayswater's wells are in transient flow longer, thereby improving the drainage area and eventually the recovery. Our ECM workflow has also helped us detect liquid loading and gas flashing earlier, thereby reducing any impairment to recovery. Additionally, one of the indirect benefits of implementing this workflow is that we can manage our produced water much more effectively, which allows us to shorten flowback time and move wells to permanent production facilities sooner.

Real-time Well Performance Dashboard

Bayswater has developed its own production monitoring system, allowing our production engineering group and geo-scientists to monitor real-time well performance. The production monitoring platform was written in Spotfire and draws daily data from each well site for real-time display on desktops or mobile devices. In addition to the current actual well production, the Bayswater corporate engineered forecasts are plotted against the actuals for comparison. Under-performing wells are quickly identified for troubleshooting. All key well drilling and completion data is also included in the database, allowing the platform to configure and provide algorithms for comparing the performance of wells with different lateral lengths and completion designs.

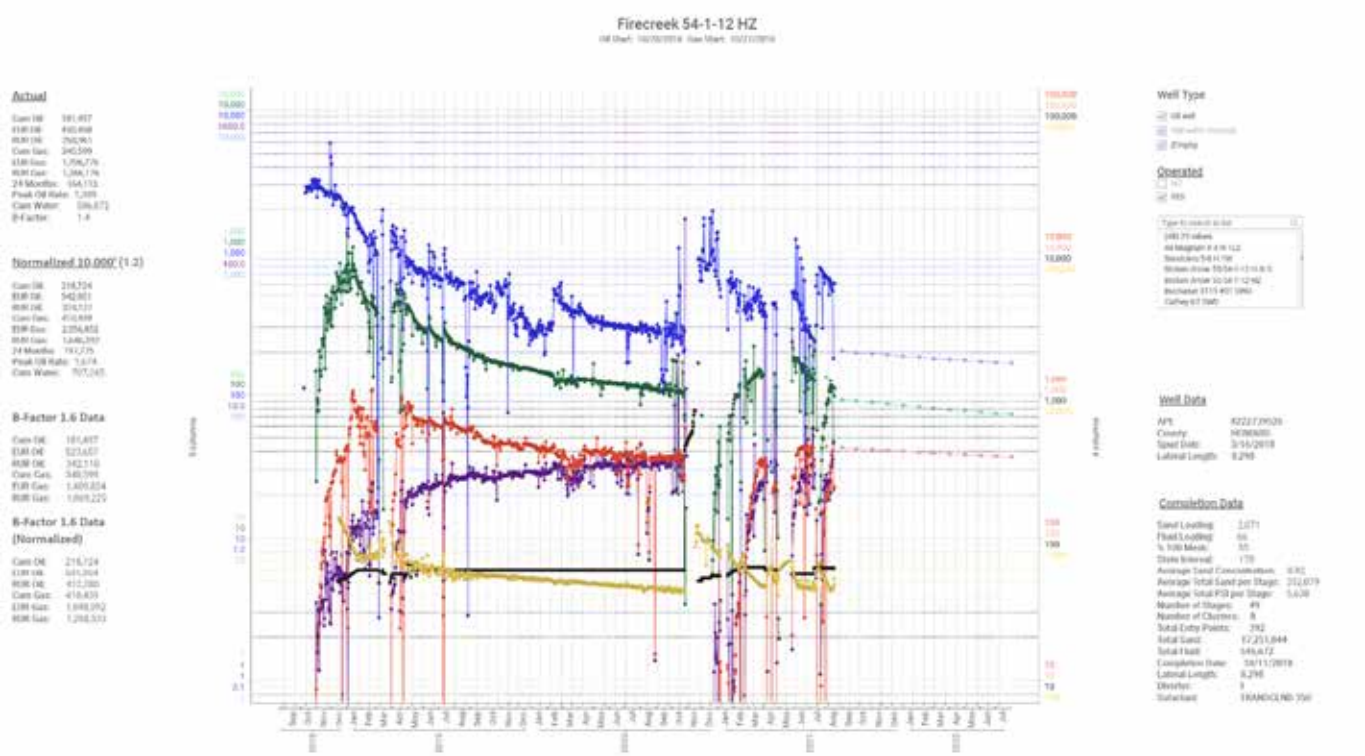


Figure 13: Spotfire database display of Bayswater's Midland Basin Firecreek 54-1-12HZ well showing critical rate-time data, completion information, and length normalized production and reserve information.

Business Continuity, Safety & Cybersecurity

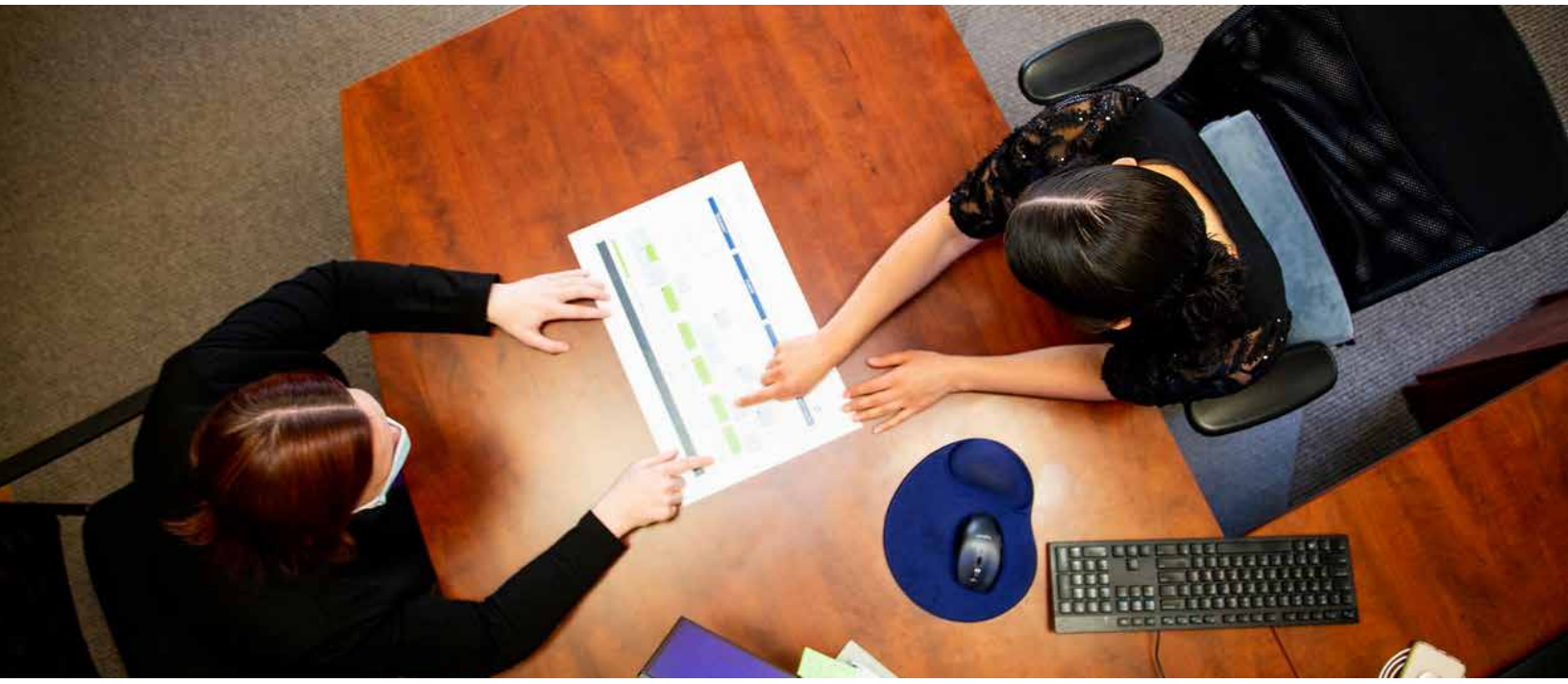
Bayswater is committed to conducting business as safely as possible. In the era of modern oil and natural gas production, the implementation and maintenance of safety measures and protocols to protect our data is an integral component to ensuring business continuity. We take special precautions to ensure we utilize effective cybersecurity protocols and maintain business continuity. Bayswater retains an outsourced third-party information technology (IT) service provider that employs state-of-the art cybersecurity and business continuity services, including the following practices.

Data Protection

Data is core to our business model, making it a critical asset. Bayswater employs multiple layers of protection to ensure our data remains secure. For data protection purposes, Bayswater utilizes a comprehensive program for data backup and disaster recovery. All Bayswater employees regularly undergo phishing tests and cybersecurity awareness training to ensure they recognize a phishing scam or other cybersecurity threat. To further mitigate the possibility of human error, Bayswater employs stringent computer policies, including:

- Enforcing user systems automatically lock after a designated period.
- Ensuring all users can only access the data they have been given permission to access.
- Requiring all users utilize their Bayswater username and password to access the wireless system.
- Confirming all old computers have data wiped before disposal.

Our IT service provider holds quarterly Fractional Chief Information Officer (FCIO) meetings with the Bayswater team to discuss current technology trends and needs, ensuring that Bayswater stays at the forefront of optimal data protection and utilizes the latest technology.



Operations—Health & Safety

At Bayswater, safety is our top priority. We aim to lead by example in our industry, conducting business to ensure the health and safety of all parties involved is protected at all times. We have fostered a culture that emphasizes safety, both company-wide and amongst our contractors. We are confident and take great pride in our operations, employees, and work product.

We are proud that Bayswater employees and consultants conduct business in a manner that responsibly produces a vital energy resource while protecting the health and safety of every member of our team, the local communities in which we operate, and the environment. Bayswater strives for excellence and continually aims to improve our Health, Safety, Environment, and Regulatory (HSE&R) performance through the implementation of a rigorous HSE&R management framework. The key Health and Safety elements of the management framework are highlighted below (Environment and Regulatory are discussed in the next section).

Leadership & Accountability

People throughout the Bayswater organization are responsible for leading and engaging the extended workforce in meeting our HSE&R objectives. As is the industry norm, Bayswater has a "Stop Work Authority" order at each site allowing any employee or contractor to immediately halt any practice they believe to be unsafe. Bayswater has an established HSE&R committee that meets monthly and is responsible for setting clear goals, prioritizing annual objectives, and ensuring adequate resources are dedicated to HSE&R priorities.

People, Training & Behaviors

The behaviors and actions of every employee and contractor reflect our company and operations. The decisions and response time of a Bayswater employee or contractor during a potential incident could directly impact the extent of personal injury, public health threats, environmental damage, and equipment loss. Therefore, each person is carefully selected and trained, and their skills and competencies are regularly assessed. The HSE&R committee defines and implements annually an appropriate training curriculum. Employees and consultants regularly attend health, safety, and environmental meetings and trainings to ensure the knowledge and use of the latest safety management procedures are in compliance with all regulatory and legal requirements across all aspects of our operations. Employee health and wellness is a company focus and subsidized health club memberships are available to all Bayswater employees.

Facility Design, Construction, Operations & Maintenance

Each Bayswater facility is frequently inspected by our employees and contractors, and periodically inspected by regulatory officials. New facilities and modifications to existing facilities are designed and constructed to enable safe, secure, healthy, and environmentally sustainable performance throughout their operational life through the utilization of industry-recognized standards, procedures, and management systems. Our facilities are operated and maintained in this same manner. Mechanical integrity is ensured by industry standard inspection and corrosion control systems.

Safety Metrics, Assessment & Improvement

Total Recordable Incident Rate (TRIR) is a widely used industry metric to measure and track the safety of operations. We use this metric to consistently monitor and gauge the safety of our operations and compare our safety performance to our peers. We continually strive to make our operations safer. Bayswater's TRIR is reviewed regularly with the Bayswater executive team, employees, and contractors and published in our quarterly reports to our investors.

Contractor Management

When it comes to safety, contractors and Bayswater employees are held to the same high standard. Before partnering with independent contractors, Bayswater assesses their capabilities and competencies to perform work on our behalf, as we understand that contractors, suppliers, and other business partners are key to the success of our business endeavors and safety performance. We work together to ensure Bayswater's HSE&R expectations are upheld and achieved.

Man Hours	1st Qtr 2020 (hrs)	2nd Qtr 2020 (hrs)	3rd Qtr 2020 (hrs)	4th Qtr 2020 (hrs)	Total Last 4 QTRS (hrs)
Pumpers	12,252	12,642	11,512	12,800	49,216
Drill	43,142	36,289	44,614	64,700	188,745
Complete	52,924	21,203	13,013	61,300	148,440
Roustabout	21,814	12,778	17,575	29,470	81,637
Misc. labor (haulers, disposal, etc.)	16,397	20,281	9,397	39,085	85,160
Total	**146,539**	**103,193**	**96,111**	**207,355**	**553,198**
Recordable Incidents	2	2	0	1	5
TRIR	2.73	3.88	0.00	0.96	1.81

Figure 14: Bayswater's TRIR in comparison to man hours worked during each quarter of 2020.

To assess and confirm that independent contractors align with our safety culture and HSE&R expectations, Bayswater participates in the ISNetworld system. ISN is a broadly used industry contractor management program that facilitates the selection of vendors through transparent HSE&R performance metrics and allows for the ongoing monitoring of contractor performance. The use of each contractor is also approved by Bayswater representatives closely involved in the upcoming work. We expect all contractors to adhere to Bayswater's HSE&R policies and procedures as well as all relevant local, state, and federal regulations. Figures 15 and 16 show the contractor safety performance metrics for 2020, and demonstrate a clear improvement from 2019 to 2020. This improvement is directly attributable to enhanced selection made possible by ISN and Bayswater's rigorous contractor management approach.

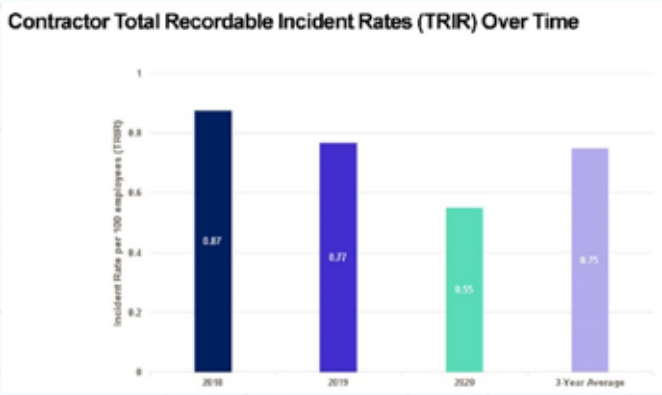


Figure 15: Bayswater's contractors TRIR has decreased by 37% over the past three years.

Crisis & Emergency Management

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

Our emergency organizational and management approach at our owned and operated facilities is based on the Incident Command System (ICS) put forth by the National Incident Management System (NIMS). It is intentionally designed in advance to expand our ability to respond based upon the incident size and complexity.

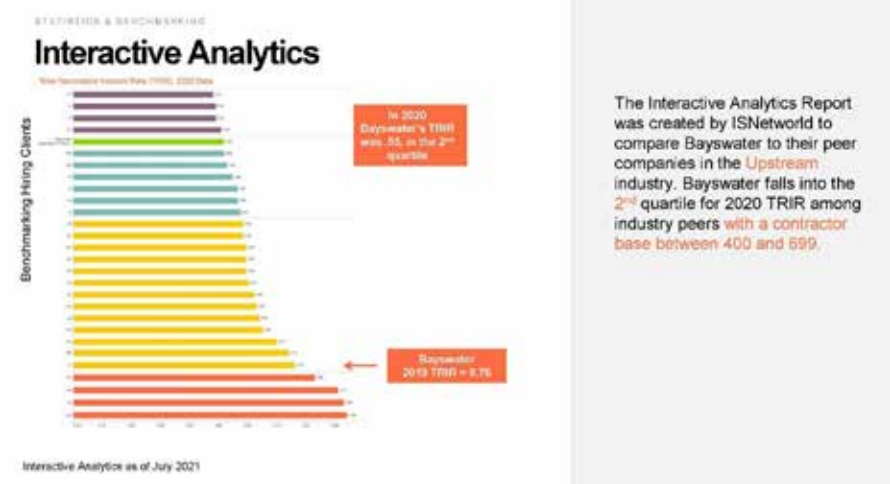


Figure 16: ISNetworld's Interactive Analytics Report demonstrates that Bayswater's contractors are among industry leaders in reducing TRIR.

Bayswater routinely reviews and updates company Emergency Plans, Tactical Response Plans, and Business Continuity Plans. These updates and reviews are shared with employees, contractors, and local first responders to maintain awareness of roles, responsibilities, and appropriate steps to take in the event of an emergency (i.e., evacuation routes and first responder notifications). These plans include all phases of Bayswater's operations, including drilling, completions, and production.

COLORADO PREPAREDNESS & RESPONSE NETWORK

Colorado Preparedness and Response Network (CPRN)

Specific to our operations in Colorado's DJ Basin, Bayswater is an original member of and continues to actively participate in the Colorado Preparedness and Response Network (CPRN)—a 501(c)(4) nonprofit owned and driven by member companies from the Colorado oil and natural gas industry. With a specific focus on responding to oil and natural gas emergencies, the network connects diverse and important local players, advances best management practices, and highlights key resources, expertise, and training. Several Colorado Front Range first response entities participate in this important network, giving them an increased familiarity with Bayswater and other industry sites and allowing for a more efficient and expedient response in the event of an emergency incident.

ENVIRONMENT

Environment

Oil and natural gas development can exist in partnership with environmental stewardship. The two are not mutually exclusive. Bayswater upholds the highest standards of environmental stewardship as we responsibly operate and produce domestic oil and natural gas resources, while maintaining compliance with all local, state, and federal laws and regulations. The environmental impacts of the oil and gas industry are extensively regulated, and Bayswater dedicates a great deal of resources and senior executive time to ensure the following:

1. Bayswater operates with complete knowledge and understanding of local environmental laws, standards and regulations of relevance for the company's operations.
2. Bayswater complies with all relevant environmental laws, standards and regulations; and always meets or strives to exceed those regulatory requirements.
3. Bayswater is aware of and actively engaged in securing all necessary environmental permits or certifications for the company's operations, as required, by the environmental authorities.
4. Under current regulations, Bayswater has obtained all necessary and relevant environmental permits and certifications required for current operations and development activities; said permits and certifications are up to date; and Bayswater is engaged with the ambient regulatory bodies in order to anticipate and quickly respond to any regulatory changes.
5. Bayswater is aware of all environmental sign offs, checks, and audits required by the local environmental authorities in Bayswater's areas of operations; and is in full compliance with all required sign-offs, checks, and/or audits.

Did You Know?

Colorado has some of the strictest oil and natural gas regulations in the U.S., which have been updated with 15 rulemakings in the last decade. This regulatory standard makes the oil and natural gas developed in Colorado some of the cleanest energy production in the world!

Air

Bayswater is an industry leader and goes beyond regulatory requirements in emission mitigation efforts to protect the air we breathe. Ultimately, our goal is to work towards carbon-neutral operations, offsetting or eliminating carbon emissions in our drilling, completion, and production operations. In 2020, Bayswater took multiple steps towards achieving our end goal through the implementation of new technologies or improvement of existing processes to minimize our operational emissions. Evaluating every step in our operational chain, we made significant progress in 2020 to expand monitoring and reduce the greenhouse gas emissions from Bayswater drilling, completion, and production sites.

We continue to assess our operations and look for ways to improve our efforts in reducing greenhouse gas emissions and eventually achieving our goal of carbon-neutral operations.

Some highlights of our emission mitigation efforts in 2020 include:

- ✓ All new sites constructed in 2020 utilize instrument air to operate pneumatic controllers and devices.
- ✓ Deployment of real-time, continuous air emission monitoring devices covering 99 percent of our production along with initial monitoring installations at drilling and completion sites in the DJ Basin.
- ✓ Minimization of truck traffic via an increased focus on pipeline infrastructure.

Air Emissions Monitoring

Bayswater is making actionable commitments and real strides towards real-time continuous air emissions monitoring. Regarding on-site emissions and operations, the most important monitors are the employees and contractors that work there every day. In recent years, air quality technology has greatly advanced and provides critical data for our air emissions monitoring, but nothing can fully replace human observations, experience, and judgment.

On all Bayswater locations, employees and contractors are required to conduct regular Audio, Visual, Olfactory (AVO) inspections and infrared camera inspections to ensure all equipment on-site is functioning properly and in accordance with regulatory requirements. AVO inspections are critical to ensuring equipment function and monitoring emissions. It is Bayswater protocol that AVO inspections occur every day on each horizontal drilling, completion, and production site.

Per company protocol and state regulations, our team also conducts regular tests to ensure all natural gas-fired engines are working properly and within emissions standards. These regular tests by our employees and contractors allow our on-site team to detect and address any issue as quickly as possible to curtail emissions.

Project Canary & Continuous Air Monitoring Program

Bayswater does not stop at simply meeting regulatory requirements. In 2020, Bayswater made history by going beyond federal and state regulatory requirements and becoming one of the first oil and natural gas development companies in Colorado to commit to continuous air emissions monitoring for its operations. By mid-2020, our team had installed continuous air monitoring devices at locations encompassing approximately 99 percent of our production in the DJ Basin. The Project Canary prototype was designed to monitor Volatile Organic Compounds (VOCs) and fine particulate matter, such as PM2.5 and PM10, which can often be indicators of additional greenhouse gas emissions. The Project Canary monitors also include at least one anemometer on each pad site to detect the direction and speed of the wind and a sampling device to take air samples for background conditions at the time of an alert.

As one of the first oil and natural gas company to commit to continuously monitor emissions from its drilling, completion, and production phases, our team is provided with a comprehensive view of our operations and real-time data regarding air quality, allowing us to respond quickly and efficiently to address a potential air quality issue.

Through our partnership with Project Canary, the vast majority of Bayswater production is subject to continuous air monitoring, making Bayswater's commitment one of the strongest to apply and test this new technology in the oil and natural gas sector. In addition, Bayswater joined the Continuous Monitoring Program, a partnership with the Payne Institute for Public Policy at the Colorado School of Mines and emissions monitoring company Project Canary. Together, they provide an independent third-party review of air quality and emissions data collected from Bayswater locations in the Denver-Julesburg Basin. This program provides further assurance that Bayswater produces oil and natural gas in a safe and responsible manner.

A key of the Canary Project is collecting air quality data that can help all Colorado operators better understand the air emissions and environmental impacts of well sites during production and reduce overall emissions from oil and natural gas sites. The comprehensive data collected during this program can help the industry at large better understand how to mitigate emissions during the production of hydrocarbons. We believe a critical component of responsible operations is the use of our continuous air emissions monitoring program to inform local communities and investors of the measurable improvements that will be achieved over time.

"Bayswater Exploration and Production LLC will team with local startup Project Canary to deploy monitors that will continuously take emissions data from 99% of Bayswater's wells in the state and send the data to a Colorado School of Mines' Payne Institute for Public Policy for third-party verification."

- The Denver Business Journal, February 24, 2020

Partnering with the Colorado School of Mines and Project Canary gives Bayswater access to a leading educational institution and an innovative technology provider as it continues to mitigate greenhouse gas emissions and, overall, improve ESG outcomes for its operations.

We intend to work with Project Canary to deploy future iterations of their monitors and, eventually, expand continuous air monitoring across the entirety of our operational footprint and make it an integral part of our drilling, completion, and production operations.

Reducing Flaring

As a fundamental approach to our operational strategy, Bayswater focuses on drilling and completing wells with an accessible pipeline infrastructure intact and the ability to immediately pipe recovered hydrocarbons to market rather than having to flare. This has an immense impact regarding our emissions by dramatically reducing the need for both flaring and trucks. In both our Colorado and Texas operations, we strive to not flare natural gas unless necessary for safety reasons. All Bayswater operations are equipped to allow for natural gas to be flared if that is the only safe way to alleviate pressure during operational activities or to address an emergency. We strive to capture every molecule and deliver it into the pipeline system to the end consumer without the need for flaring. As a company, we believe this is the most environmentally sound and economical way to operate.

"Our continuous monitoring further demonstrates Bayswater's commitment to environmentally responsible oil and natural gas development and production. This gives our stakeholders, including regulators, local communities, neighbors, and investors, even greater confidence that we adhere to the highest operational standards."

- Steve Struna, Bayswater President & CEO

Minimizing Truck Traffic

A central principle of Bayswater operations in 2020 and moving forward is transitioning to an increased focus on utilizing pipeline infrastructure to transport hydrocarbons and produced water as opposed to deploying trucks. In Colorado and Texas, most operators rely on a mix of piping and trucking liquids off-site and downstream. Largely, Bayswater aims to drill locations with access to pipeline infrastructure for oil and produced water gathering.

Not only does piping minimize hydrocarbon and water spills, it also dramatically reduces emissions by removing thousands of trucks from the road for each site. For instance, in 2020, Bayswater piped more than 2,900,000 barrels of hydrocarbons in Colorado and nearly 1,000,000 barrels in Texas, removing an estimated 21,000 trucks from roads. Additionally, in Texas, Bayswater piped 3,000,000 barrels of water during our 2020 operations, removing over 16,500 more trucks from Texas roads. For sites where oil and water are removed by truck, Bayswater utilizes truck loadout controls to reduce associated VOC emissions by 95 percent.

On-Site Power

Another traditional source of operational emissions is on-site power generation. In the past, diesel-powered generators were the norm for Bayswater and the industry. In recent years, we have made considerable strides to transition our on-site power needs from diesel generation to grid electricity and renewable energy sources.

In 2020, we eliminated the use of diesel generators on Bayswater locations in the DJ Basin and a large portion of Permian sites. Where possible, Bayswater accesses the electric grid, obtaining electricity for on-site power usage and utilizing electric motors rather than diesel or natural gas-powered engines.

Zero Venting & Emissions

Our long-term goal is to achieve carbon-neutral operations. An important component of this is eliminating or offsetting emissions from resource development and long-term production. In 2020, Bayswater accomplished real victories in the path towards zero venting and emissions on our drilling locations and production sites through:

- Utilization of a coil tubing drillout process to minimize flowback time.
- Expanded installation of lockdown thief hatches on storage tanks.
- Utilization of on-site automatic tank level gauges.
- Utilization of instrument air to operate pneumatic controllers.
- Improvements in vapor recovery efforts on production sites.
- Increased Leak Detection and Repair (LDAR) efforts.

Coil Tubing Drillout

To limit emissions during drillout—the final step after hydraulic fracturing and prior to flowback—Bayswater utilizes a coil tubing drillout process to drill out the frac plugs and commingle all frac stages along the length of the well, setting it up for long-term production. Coil tubing drillout involves pumping into the well at a high pressure thereby keeping pressure on the formation and preventing oil and natural gas from entering the wellbore, limiting emissions at the wellhead during drillout.

On the rare instance that oil or natural gas manages to escape the formation and enter the wellbore, Bayswater employs gas detection at the wellhead flowback point to allow for the early detection of natural gas and quick implementation of natural gas management procedures, namely the utilization of additional low-pressure separation. Bayswater adopts the coil tubing drillout process to allow constant circulation of the well and positive pressure control, keeping hydrocarbons locked in the formation during drillout and significantly reducing or eliminating this source of emissions.

Minimized Flowback Time

Once drillout has been completed, all frac stages along the well are commingled and the well is ready for flowback, the final stage before setting up the well for long-term production. By adopting an engineered chokeflow management (ECM) process, which we believe also enhances well performance, Bayswater has also reduced early flowback well rates, allowing the permanent production equipment to handle well rates immediately after they begin to cut oil. Overall, this process minimizes flowback time, making our transition to long-term production more efficient and reducing the emissions that can occur during flowback.

Lockdown Thief Hatches

Through the installation of lockdown thief hatches at sites encompassing 99 percent of our production in Colorado, we have significantly reduced emission leaks by lessening the overall need to open thief hatches. During truck loadouts, thief hatches no longer need to be opened, dramatically reducing a significant source of emissions as well as lowering maintenance and repair costs. Moving forward, Bayswater is looking at expanding this practice to our operations in Texas.

Automatic Gauging Tanks

Bayswater has implemented on-site automatic tank level gauges at sites covering substantially all of our production in both our Colorado and Texas operations. Thanks to this update, we have eliminated another significant source of emission leaks by having the capability to measure the amount of product remaining in the tank without regularly and manually opening the tank. Automatic gauging tanks are now utilized at all horizontal well facilities across most of our operational footprint.

Upgrading Pneumatic Controllers

Traditionally, pneumatic controllers on production sites have been powered by on-site natural gas, regularly releasing a tiny amount of natural gas every time the valve is opened or closed. By installing instrument air to power pneumatic controllers, the previous consistent source of methane release is eliminated. In 2020, we began implementing non-emitting, instrument air to power pneumatic controllers. In Colorado, Bayswater installed instrument air to power pneumatic controllers on all new sites constructed in 2020, reducing our methane emissions from pneumatic controllers by an estimated 50 percent. Across our operational footprint in Colorado, over 80 percent of total production utilized instrument air powered pneumatic controllers in 2020.

50%

reduction in methane emissions from Colorado pneumatic controllers

Improving Vapor Recovery

Vapor recovery has been and continues to be one of the most important components of reducing the overall emissions in our operations. In 2014, Bayswater was one of the first operators in the DJ Basin to implement new EcoVapor units designed to reduce the need for flaring by capturing vented natural gas from the oil storage tanks; gas that would have gone to waste was put back in the pipe to be sold. Since launching the first units on Bayswater locations in 2014, Bayswater has continued to push the envelope with the industry's use of vapor capture technology in our facility designs. In 2021, we have plans to deploy new enhanced EcoVapor units into the field that will even further reduce the combustion of oil storage tank emissions.

Our vapor recovery efforts are becoming an increasingly critical component of our Texas operations in the Permian Basin as our production levels grow. As one of the few operators that predominantly relies on pipelines to transport all hydrocarbons in the Permian, we are implementing and enhancing our tank vapor recovery systems at the facilities on our larger sites to collect natural gas and vapors for sale or on-site combustion. Across our operations, in both Colorado and Texas, our industry-leading vapor recovery efforts have increased the efficiency of our operations and significantly decreased emissions.

Leak Detection & Repair (LDAR)

In recent years, we have placed a significant focus on increasing our LDAR efforts to mitigate emissions on production sites. Aging or worn equipment on storage facilities or production sites is one of the leading sources of industry-wide methane and VOC leaks. In 2020, Bayswater prioritized LDAR efforts, conducting over 1,700 inspections, dedicating regular manpower and hours to conducting frequent LDAR and AVO inspections at every Bayswater facility.

According to company-wide protocol, Bayswater employees and contractors conduct both monthly and quarterly LDAR inspections, depending on the production of the well and facility. When a leak is detected, our team mobilizes quickly to address the issue and minimize leakage of emissions. Our LDAR findings have led to overall improvement in facility design and maintenance. In evaluating the source of leaks, a recurrence of thief hatch leaks related to worn gaskets was identified and a solution implemented to install lock down thief hatches (as previously mentioned). This change has virtually eliminated what had been a significant source of leaks and associated emissions.

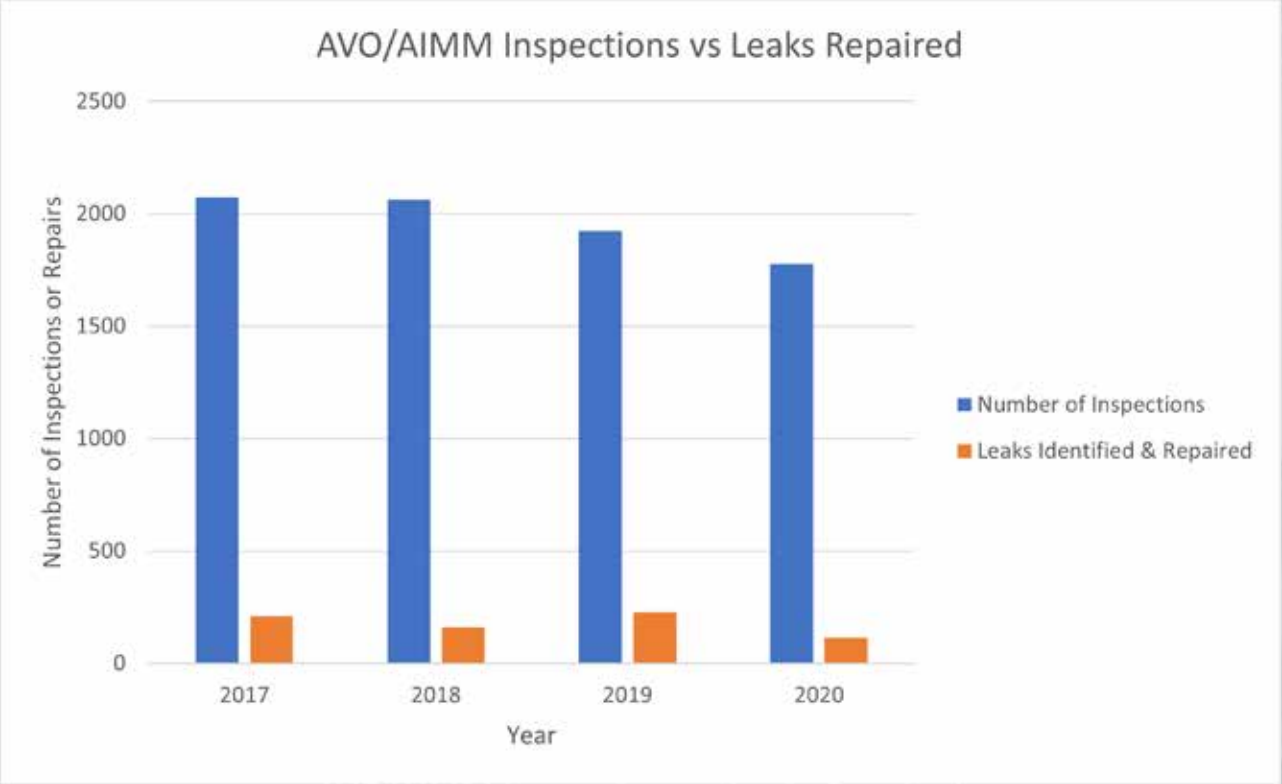


Figure 17: Through regular AVO/AIMM inspections, Bayswater identifies and repair leaks and, in turn, mitigates methane emissions from production sites.

Land

As a responsible oil and natural gas developer, surface land stewardship is one of our most important roles. On every project, we treat the land as if it were our own. Our goal is to access the targeted hydrocarbon reserves while minimizing our surface footprint, disturbance, and impacts.

Figure 18: A reclaimed lease road at a former Bayswater location.

When our team identifies a target reserve of underground hydrocarbons and leases the associated minerals, the next question is: where is the best point of access on the surface? Once this location has been identified, Bayswater works closely with the owner on the selected site to minimize the surface land impacts from the planned drilling and production operations. Every Bayswater location goes through extensive planning and a lengthy permitting process at the county and state levels. The planning and permitting process involves an open dialogue with the neighboring surface owners to ensure our operations do not conflict with other uses of the surface land (i.e., agricultural, industrial, residential). **Bayswater's greatest aspiration is to be viewed as a good neighbor and great steward of the land.**

Stormwater Management

Our oil and natural gas wells will produce for 25 years or more. Therefore, the logistics and physical construction of the site are carefully and thoughtfully planned out. One of the most important long-term considerations is stormwater management. As Coloradans, we understand one of our sites can experience all four seasons in a single day and we want to ensure our site does not disrupt, but rather enhances the existing stormwater management to protect the topsoil of the site and reduce potential erosion. All of Bayswater's sites are constructed using stormwater best management practices to protect topsoil, prevent excessive erosion, and reduce sediment runoff. An effective stormwater management plan is a key element of the regulatory and permitting processes at the state and local levels.

Spill Prevention

The best way to mitigate the impacts of spills is to make sure they do not occur in the first place. At Bayswater, we do everything in our power to ensure all hydrocarbons and produced byproducts stay "in the pipe." We understand preventing spills before they happen is the best outcome for all stakeholders. Our operational approach of an increasing focus and reliance on pipelines rather than trucks dramatically reduces the likelihood of spills during the oil and water transportation process.

All our operations meet or exceed local, state, and federal requirements for spill prevention and containment plans. This includes use of lined secondary containment structures under storage tanks to capture any liquid, regardless of type, and contain any spills before they reach the topsoil.

In the event of a spill, we are prepared. Every Bayswater site and project has an emergency spill plan in place aligned with the U.S. Environmental Protection Agency (EPA)'s Spill Prevention Control Countermeasures (SPCC). In addition, Bayswater develops an Oil Spill Contingency Plan (OSCP) specific to each site. Our stormwater and spill prevention efforts are frequently inspected by third parties to ensure they comply with all regulations. In 2020, we are proud to say that we only recorded six spill events, which were predominantly either produced water or oil-based mud. None of the six spills in 2020 were oil. Each spill was addressed and contained as quickly as possible thanks to prior planning.

Responsible Waste Management

Once drilling operations have commenced and we begin to drill the well, a waste product will be produced in two forms: (1) produced water and (2) cuttings. Bayswater goes the extra mile to ensure all waste products are disposed of responsibly and meet all regulatory standards.

At every drilling location, we employ drying shakers to carefully separate cuttings from drilling mud. The drilling mud will be recycled back into our closed-loop system for reuse. Cuttings are then separated as to whether they are water-based or oil-based drill cuttings. Water-based cuttings are dried and stored until they can be disposed of in an appropriate location. Oil-based cuttings are hauled off-site and properly disposed of at a permitted, local waste management facility.

Produced water is the other main source of waste in the completion and production process. Bayswater increasingly relies on pipes instead of trucks to transport produced water off location. Particularly in our Texas operations, Bayswater predominantly relies on gathering lines to transport produced water to water disposal facilities. Our reliance on pipelines, as opposed to trucks, is an increasing focus across our operational footprint as it has a positive impact on the environment by dramatically decreasing truck traffic, the emissions that come with each truck and the overall chance for spills when loading and unloading each truck.

Figure 19: Bayswater's interim reclamation efforts reclaimed 7.3 acres on this specific location with the red line showing the original pad footprint.

Interim & Final Reclamation

Bayswater aspires to employ the highest standard of reclamation practices across our operational footprint; meeting or exceeding local and state regulatory requirements. Bayswater takes a site-specific approach to reclamation, working closely with the local surface owner to ensure long-term, sustainable reclamation. Each site features unique landscape, soil, foliage, and land use both on the site and in proximity thereof. It is our goal to ensure our reclamation approach thoughtfully addresses the specific needs of each site in the short-term and long-term.

Once the well site has been drilled and completed, the entire location is set up for long-term production, including interim reclamation of the surrounding landscape, where appropriate. Overall, the goal of interim reclamation is to reduce the pad size as much as possible for long-term production and restoration of the surrounding landscape. Landscaping considerations for visual aesthetics for the neighbors are also considered. In this process, Bayswater works closely with state and local regulators, as well as local landowners, to ensure responsible and sustainable interim reclamation practices are employed. These practices incorporate plans for current and future land use and prepares the site to return to its natural state. For instance, during interim reclamation, Bayswater consults the surface landowner regarding even the smallest, yet critical details, such as selection of seed mix to ensure we replant native vegetation.

Other interim reclamation practices employed by Bayswater include:

- Removing road base gravel and preparing road infrastructure for long-term use.
- Re-contouring to the natural topography surrounding the pad and spreading previously segregated topsoil.
- Deep ripping of soil to alleviate compaction that may have occurred during the drilling and completion process.
- Applying seed and straw mulch during the appropriate seeding season.
- Protecting topsoil and preventing erosion.
- Ongoing weed mitigation.

Final reclamation takes place after a well is no longer productive. Following the decommissioning of our facilities, we return the land to pre-existing conditions or better. Our goal is to return the site to its natural state and leave no trace of our operations. In 2020, Bayswater continued to prioritize our reclamation efforts:

- In Colorado, interim or final reclamation was conducted on 20 sites with almost 70 acres of land reclaimed.
    - Our interim reclamation efforts restored an average of four acres per site and reduced our average land use by 46 percent.
    - In total, 45 well sites that had been decommissioned underwent final reclamation, restoring almost 30 acres of Colorado land to its pre-existing state.
- In Texas, Bayswater executed final reclamation on five locations with almost two acres reclaimed per site.

Plugging & Abandonment

Once a well is no longer productive, Bayswater takes steps to abandon the well securely and permanently in compliance with all state regulations and requirements. The plug and abandonment process includes strategic placement of cement plugs in the well and at the surface. These cement plugs are tested to ensure long-term protection of surrounding soil and freshwater aquifers. In 2020, Bayswater prioritized the responsible plugging and abandonment of vertical wells, plugging and abandoning 17 wells in Colorado and five wells in Texas.

22 VERTICAL WELLS
plugged & abandoned in 2020

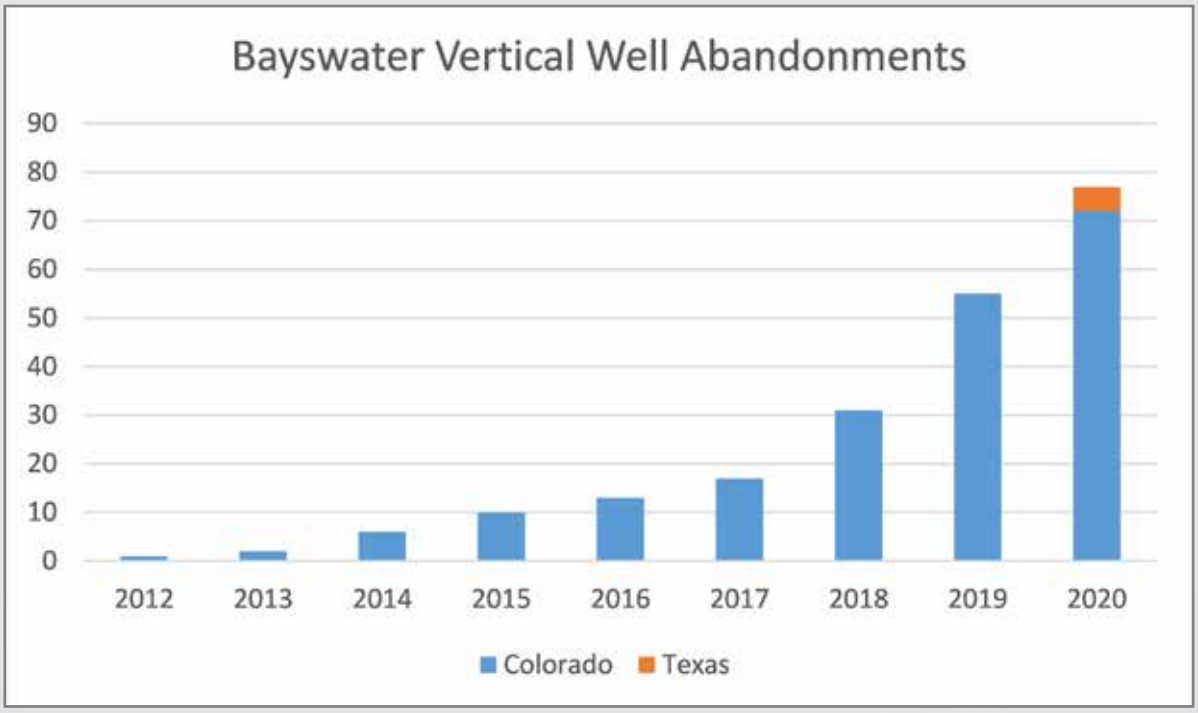


Figure 20: The cumulative number of vertical wells plugged and abandoned by Bayswater between 2012 and 2020. Bayswater plugged and abandoned 22 wells in 2020 alone.

Water

Water is a vital resource, particularly in the two states in which our operations are focused. During each stage of our operations, Bayswater goes to great lengths to protect existing groundwater and aquifers, minimize our water usage, and responsibly dispose of produced water.

Protecting Groundwater

Our efforts to protect groundwater begin in the planning stages of a well. When selecting the surface location for the pad, all surface water, groundwater, and aquifers in the target area are identified. A water risk assessment is conducted to fully understand existing water issues in the immediate area both on and below the surface. Prior to the commencement of drilling operations, Bayswater conducts tests on the water well(s) in the immediate vicinity and continues to monitor water quality as the oil and natural gas development process moves forward.

During the drilling process, each of our wells is completely encased with multiple layers of steel pipe and cement to secure the well and prevent leaks. Bayswater goes beyond regulatory standards, running the final cement casing up the entire length of the well to maximize its long-term stability and integrity.

Water Recycling

Overall, oil and natural gas production does not utilize large amounts of water. However, we continuously attempt to reduce the amount of freshwater we utilize in our operations whenever possible. Across our operations, particularly in Colorado, we have taken significant steps to increase our water recycling operations during the completions process. In 2020, Bayswater used 424,174 barrels of recycled water during hydraulic fracturing in our Colorado operations. In other words, Bayswater avoided using 424,174 barrels—or nearly 18 million gallons—of additional freshwater through our recycling efforts. Moving forward, Bayswater plans to expand our water recycling efforts across our Colorado and Texas operations.

Water recycling involves the collection of produced water from numerous Bayswater production sites, treatment of the produced water on site and the re-use of the treated produced water in Bayswater's hydraulic fracturing operations. Bayswater has a long-standing partnership with PWR, the company conducting the on-site treatment of produced water for recycling. This partnership began in 2014 when Bayswater agreed to provide a sample of produced water from our operations to the Colorado School of Mines and the University of Colorado Boulder for research purposes. As a result, during the past seven years, nearly 40 academic papers have been published on a range of topics related to water treatment and reuse thanks to Bayswater's involvement.

18 million

gallons of freshwater saved by water recycling

Our willingness to provide data to academia (where others declined to do so) underscores important Bayswater values—being transparent and open regarding our operations and advancing the collective environmental stewardship of our industry. We are proud that we were able to play a role in growing the academic understanding and technological advancements of treating and recycling produced water.

Water Management & Disposal

Bayswater has increasingly focused on utilizing pipeline infrastructure and gathering lines to transport water offsite. When pipeline infrastructure does not exist or is not available, water is trucked from location. As mentioned previously, we have significantly increased our water recycling efforts to reduce our freshwater usage. Once we are done using and recycling water for our drilling and completion operations, the next step is ensuring the responsible disposal of produced water, and in doing so, complying with all local, state, and federal regulations. Disposal of the produced water is done with injection into permitted commercial water disposal wells or, specifically in our Texas operations, often into permitted Bayswater-operated disposal wells.

Looking Forward: Bayswater's Green Operating Agenda

Bayswater is passionate about providing vital domestic energy product and simultaneously minimizing our impact on the environment. We are fully committed to sustainable oil and natural gas operations that make both of these important objectives attainable.

With the ultimate goal of carbon-neutral operations our team developed a Green Operating Agenda, listing our accomplishments and improvements thus far, and outlining the next steps. Some highlights of recent accomplishments and desired next steps include:

- All newly-built facilities have been equipped with instrument air pneumatic controllers and we are in the process of retrofitting existing production sites with instrument air to further reduce our methane emissions.
- Expanding oil and water gathering through pipeline infrastructure wherever possible.
- Minimizing our average disturbance area per pad site.
- Since the commencement of our Fund III investments in January 2017, Bayswater has plugged and abandoned 64 vertical wells. We envision plugging and abandoning all remaining vertical wells in the next few years.
- Ultimately recycling 100 percent of produced water and further reducing freshwater usage.
- Expanded use of electric-driven compression and vapor recovery units.

Bayswater always strives to improve and serve as a leader in responsible oil and natural gas development. Our Green Operating Agenda helps us assess where we are now and where we want to go, guiding us towards carbon-neutral operations and a cleaner energy future.

S

SOCIAL

Social

Affordable, reliable energy is vital for our nation and local communities, and Bayswater is proud to provide this essential resource supporting our modern way of life. As a member of the oil and natural gas industry, we require a "social license to operate," which is gained by earning and maintaining the trust of the communities in which we operate. Earned trust is built and maintained by our daily efforts, words, and actions. To make good on the trust we earn, we are committed to:

- Conducting all business in an honest, transparent, and sustainable manner.
- Meeting or exceeding all local, state, and federal regulations.
- Building a positive, mutually beneficial relationship with all stakeholders.
- Leaving behind a positive legacy with the local community.

Good Neighbor

At Bayswater, we strive to be a responsible operator by holding ourselves to an exceptionally high standard of performance. We work diligently to ensure we operate as a good neighbor, minimize our environmental impact, and leave behind a positive legacy in the local community.

Before we begin any operation, we work with the county to obtain the necessary local permits to ensure the community has a voice in facility citing, access, noise, and lighting impacts. Additionally, we conduct voluntary meetings and maintain an open dialogue with local home and business owners. Being a good neighbor is a top priority in our business model and, as such, we have taken concrete steps to adjust and improve our operations on specific sites to better suit local stakeholders. For example:

- Providing landscaping and physical barriers for visually impacted neighbors.
- Voluntarily replacing select homeowners' windows for noise abatement.
- Increasing on-site facilities to eliminate nighttime water hauling during flowback.
- Utilizing "quiet fleet" frac technology for multi-pad stimulation.

Further, Bayswater implements best management practices to minimize the nuisance impacts during every stage of our operations. For instance, to reduce noise impacts to surrounding landowners during drilling and completion, Bayswater erects sound walls around our Colorado pads. On each site, Bayswater takes extra steps to control dust by deploying magnesium chloride on unpaved road surfaces and mitigate odor through the utilization of an oil based mud additive.

Community Engagement

Bayswater strives not simply to mitigate our impact but also to improve the areas in which we operate. We actively work to build and maintain trust with communities near our operations and leave behind a positive legacy by engaging with the communities where we work.

During the unprecedented challenges brought about in 2020 and the COVID-19 pandemic, Bayswater was one of the few operators able to keep a rig active and maintain drilling operations. Bayswater continued to safely operate and retained its workforce, providing good-paying jobs along with the flexibility needed to work from home when possible. By maintaining our operations, Bayswater also kept its status as a significant, positive contributor to the local economies in the small, rural communities near our operations. In 2020, Bayswater kept critical revenue coming into these communities with more than $42 million paid in taxes and royalties in Colorado and Texas.

Bayswater exceeds local and state regulations by surpassing notification requirements and engaging in an open dialogue with local community leaders and residents near our operations. These efforts even include inviting local community leaders and residents on guided field tours. We pride ourselves in being an active representative of responsible oil and natural gas operators, engaging in the local conversation and educating community leaders and residents about both the importance of domestic oil and natural gas production and the efforts the industry makes to be environmentally and socially responsible. We maintained these educational outreach efforts during 2020 with virtual or socially distanced meetings with local community leaders.

Our Community Commitment

Bayswater believes in giving back to the community by supporting diverse local organizations and is an ardent supporter of the arts, agriculture, and STEM-related fields. For instance, in 2019, Bayswater sponsored the Cleo Parker Robinson Dance Ensemble's three-day trip to Grand Lake, Colorado to perform and teach in local schools. Additionally, we actively invest in opportunities for students pursuing STEM-related careers and programs that nurture STEM-focused students. We are a passionate advocate for responsible oil and natural gas production, serving on the Board of Directors for several related advocacy organizations.

$42 MILLION

Paid in taxes and royalties in Colorado and Texas

Figure 21: The promotional poster from the Cleo Parker Robinson Dance Ensemble's Grand Lake performance that was sponsored by Bayswater.

Bayswater is more than just economically invested in the states and communities in which we operate. Along with our financial commitment, we pride ourselves on playing an active social role and engaging with the community through diverse avenues. Unfortunately, in 2020, many organizations were forced to cancel or postpone programs and events due to the COVID-19 pandemic. In recent years, the Bayswater team actively participated in or offered financial sponsorship to the following organizations:

- The Bridge Project
- Cleo Parker Robinson Dance Ensemble
- Coloradans for Responsible Energy Development
- Colorado Ballet
- Colorado Concern
- Colorado Hispanic Chamber of Commerce
- Colorado Oil and Gas Association
- Colorado Science & Engineering Fair
- Denver Center of Performing Arts
- Denver Earth Resources Library
- Energy Outreach Colorado
- Howard County Volunteer Fire Department
- Northern Colorado Economic Alliance
- Protecting Colorado's Environment, Economy, and Energy Independence
- The Wyoming Two Fly Foundation
- Weld County Fair

Education

Bayswater is a passionate supporter of STEM education. One of the programs that we have been most honored to support is the University of Denver's Bridge Project, a program that provided STEM education to low-income youth. Bayswater was more than happy to donate the computers for their STEM Lab. Further, we are incredibly proud to say that we have several Bayswater team members who actively participated in the Bridge Project, including sitting on the Board of Directors.

Additionally, Bayswater has been a proud supporter and active participant of the Colorado Science & Engineering Fair. For the past several years, Bayswater has been a donor of the Fair. Beyond that, several of our team members have served as judges and speakers for the event.

Education, learning, and betterment are core values in our company culture. Bayswater has a long-standing practice of bringing in summer interns to provide training and learning opportunities for future industry professionals. Further, Bayswater takes our role as an ambassador for the oil and natural gas industry very seriously. As an ambassador, we have a responsibility to educate others regarding responsible oil and natural gas production, particularly in the communities where we operate. Education and transparency provide the foundation necessary to build a strong community/operator relationship. We regularly engage with the communities in which we operate by inviting citizens and elected officials on site visits to help better understand the technical processes we use, provide educational materials when we are setting up operations, and communicate openly about the innovative techniques we use. In 2020, despite the COVID-19 pandemic, we were able to maintain outreach efforts in local communities where we operate, forging partnerships and educating community leaders on Bayswater and our operations.

Service & Giving Back

As a good neighbor, we are committed to supporting the civic and community services within the communities where we operate. Bayswater works with local schools, organizations, and governments to find new and meaningful ways to engage with and provide beneficial services to the community. We are proud to be part of our communities and provide services to help make them stronger.

Bayswater ardently believes in giving back to the community, encouraging philanthropy and volunteerism amongst our team and as a company. We are proud to employ active community members dedicating their time, money, and energy to supporting good causes that are important to them and making a positive impact. With the challenges brought about by the COVID-19 pandemic, 2020 served as a reminder of the importance of community and togetherness. We are proud of the resiliency shown by our team through the unprecedented challenges presented by 2020 and even prouder to say that our employees continued to find ways to engage in and give back to their local communities.

Health & Human Services

Oil and natural gas provide an affordable and reliable energy source that helps American families live comfortably and maintain their modern lifestyle. We are deeply committed to ensuring there is access to this important energy source that improves the health and well-being of millions of people in the United States and worldwide.

Health and safety is one of our main priorities at Bayswater, particularly as we navigated the rapidly-changing COVID-19 environment. We use strict methods to ensure our operations prioritize and emphasize the safety of Bayswater employees and the communities in which we operate. However, our commitment extends well beyond operations. We are committed to preventing accidents and innovating our practices whenever possible to continue to further enhance the safety of our operations.

In 2020, Bayswater implemented specific company-wide health and safety protocols to prevent the spread of the COVID-19 pandemic, including transitioning office staff to remote work-from-home during quarantine periods. Following the guidelines from the Centers for Disease Control and Prevention (CDC) and all state and local COVID-19 restrictions, our team remained vigilant, resilient, and safe through 2020, while maintaining our operations.

Looking Forward

Bayswater is proud to provide a vital service and domestic energy product supporting communities in Colorado, Texas, and across the country. We are committed to continuously improving our operations to minimize our impact on our neighbors and the local communities in which we work.

We strive to have a positive impact in the communities in which we live and work beyond our normal operations. As an ambassador of responsible oil and natural gas production, we perceive it as our duty to engage in an open dialogue with the community about our operations and the importance of domestic energy production. Further, education, learning, advancement, and charity are core pillars in our company culture, and we uphold each internally within our firm and externally in the community. Looking ahead, we will continue to seek new ways to give back to local communities, support our employees in their personal volunteer efforts, and engage together as a company.

GOVERNANCE

Governance

Bayswater was founded on the core business values of operating ethically, honestly, and as a leader in the responsible development of a vital domestic energy source. We have built and continue to govern our company and Bayswater team on those foundational principles.

Our Ethics—Bayswater's Core Values

Upon its inception, Bayswater's founders articulated the following core set of values that continue to guide Bayswater's business decisions every day. At Bayswater, we:

- Are in business for the long-term, maximizing the value of our company through executional excellence and by creating strong mutually advantageous business relationships.
- Are always honest, ethical, and open in our dealings with others.
- Value a small company entrepreneurial culture, equity ownership, a flat organization, rewards based upon the delivery of objectives, and multidisciplinary teamwork.
- Value our employees, our network of contractors, industry and financial partners, and having a safe, relaxed, positive, fun work environment.
- Conduct our work without accident, without harm to people, and without damage to the environment. We will meet or exceed ambient regulatory requirements.
- Believe the development of oil and natural gas resources and the stewardship of a pristine, sustainable environment are not mutually exclusive. We will be leaders in demonstrating both are achievable.
- Believe affordable energy is vital for our country, and we are proud participants in the American energy industry. For our industry to be sustainable, its participants require a "social license to operate" which is gained by earning the trust of the communities where we operate. That trust is fragile and earned by our daily actions.
- Actively encourage and assist young people to pursue technical and business careers in the oil and natural gas industry, making our company and our industry competitive and sustainable for the long term.

Did You Know?

*Bayswater has been a Registered Investment Advisor with the Securities and Exchange Commission (SEC) since 2016 and is subject to regular SEC compliance standards and audits.**

**Registration as an Investment Advisor does not imply or guarantee a certain level of skill or training.*

Our Ethics—Compliance Manual and Investment Advisor Standards

Bayswater is dedicated to conducting our business with the highest ethical standards. Our Compliance Manual—which is distributed company-wide—puts strong emphasis on fostering a company culture grounded in integrity, openness, and professionalism. While operating under strict federal and state regulations, exceeding the expectations set for the oil and natural gas industry and operating as a Registered Investment Advisor under SEC regulation, we pride ourselves on our strong ethical foundation.

Compliance with our Code of Ethics is a condition of employment, ensuring all ethical expectations are met and exceeded consistently across the Bayswater team and operations. The Code of Ethics contained in the Compliance Manual outlines ethical conduct requirements and expectations in four general areas and establishes these expectations as a condition of employment. The four categories are:

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.

Registered Investment Advisor

Bayswater is a Registered Investment Advisor with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisers Act of 1940, as amended (Advisers Act). Bayswater has been registered with the SEC since November 2016. Registration entails being subject to SEC compliance standards and audits.*

Bayswater's governance structure includes two principals and five other designated "key men" that form a seven-person Investment Committee that oversees the company's acquisition, divestment, and capital deployment activities. Bayswater also has a Limited Partner Advisory Committee (LPAC) that meets annually or as needed to address any potential issues of conflict or firm (key men) continuity. SEC compliance requirements, the Investment Committee structure, and the LPAC ensure Bayswater's corporate governance is strong and sustainable.

**Registration as an Investment Advisor does not imply or guarantee a certain level of skill or training.*

To ensure appropriate corporate conduct, Bayswater has adopted numerous compliance practices, including maintaining a company Compliance Manual, hiring a third-party compliance consultant, and naming a Chief Compliance Officer. Bayswater has established the following procedures we believe prevent compliance violations and continue to foster a strong company culture:

- Fostering a culture of integrity, openness, and professionalism.
- Conducting training for employees regarding policies and procedures in the Compliance Manual.
- Requiring employees to submit an annual Compliance Questionnaire.
- Periodic testing of policies and procedures to ensure adequacy and effectiveness.
- Reviewing supervisory structures and functions to ensure supervision is appropriate.
- Conducting and documenting due diligence of service providers for expertise and reputation.
- Enforcing the Compliance Manual and taking effective remedial action for 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 conflicts are identified as well as training, tools, and process-oriented solutions 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 operations.

Industry Advocacy

Bayswater is proud to be a responsible oil and natural gas operator, providing a vital energy resource produced on American soil and defending U.S. energy independence. We actively engage in the conversation around fossil fuels and advocate for our industry and employees through diverse engagement primarily in Colorado, the epicenter of oil and natural gas regulatory and energy policy conversations. Bayswater relies on regular engagement with and insight from industry peers, regulatory agencies, industry organizations, and trade associations to navigate the regulatory, environmental, and social factors affecting the industry in the states where we live and operate.

Specific to our Colorado operations, Bayswater is an active member in the energy policy and regulatory conversation through our membership with the Colorado Oil and Gas Association (COGA). Bayswater is one of the privately-owned smaller operators that holds a seat on the Board of Directors, providing a critical perspective to the discussion on Colorado oil and natural gas policy and regulation.

Bayswater is an active participant engaging in and elevating the local and statewide energy conversation through its membership and participation in Coloradans for Responsible Energy Development (CRED). CRED is a statewide oil and natural gas educational program with six industry members, including Bayswater. Bayswater also stays tapped into the energy conversation in the larger business community through their membership with Colorado Concern—an alliance of diverse executives committed to enhancing Colorado's business environment.

Bayswater is a member company of Protecting Colorado's Environment, Economy, and Energy Independence (Protect Colorado)—a ballot issue committee that supports citizen-led ballot initiatives that promote a vibrant Colorado business community and economy and opposes initiatives that would harm Colorado's economy and way of life.

We believe proactively engaging in public awareness, education, and advocacy is not only critical to our overall mission as a company, but also to the success of the entire industry. Bayswater is proud to be an active participant within these organizations, advocating for the betterment and long-term success of the oil and natural gas industry.

COLORADO OIL & GAS ASSOCIATION

PROTECTCOLORADO

COLORADANS FOR RESPONSIBLE ENERGY DEVELOPMENT

Looking Forward

At Bayswater, we are committed to conducting business responsibly and adhering to the highest ethical standards. Our participation in education and advocacy activities as well as our status as a Registered Investment Adviser with the SEC serves to reinforce that objective by subjecting us to SEC compliance standards and audits. We are proud of the team, firm structure, ethical code, and reputation we have built. 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 oil and natural gas operator.

BAYSWATER

2020 SUSTAINABILITY ACCOUNTING STANDARDS BOARD REPORT

Bayswater's Sustainability Accounting Standards Board (SASB) report 2020 contains both retrospective data for 2020 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.

BAYSWATER

Greenhouse Gas Emissions

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

CATEGORY
Quantitative

UNIT OF MEASURE
Metric tons (t) CO_2e, Percentage (%)

CODE
EM-EP-110a.1

BAYSWATER RESPONSE
Calendar year 2020 gross global Scope 1 emissions (metric tons (t) CO_2e): 174,669.12 t

Percentage Methane: (1,952.98 CH4 in t CO_2e/174,669.12 t CO_2e) x 100 = 1.12%

Zero 2020 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 2020 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.

ACCOUNTING 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

CATEGORY
Quantitative

UNIT OF MEASURE
Metric tons (t) CO_2e

CODE
EM-EP-110a.2

BAYSWATER RESPONSE
Amount of gross global Scope 1 emissions from:

1. Flaring & Venting: 200.6 t CO_2e
2. Other combustion (other than flaring): 122,614.8 t CO_2e
3. Process emissions: None
4. Other vented emissions: 338.1 t CO_2e
5. Fugitive emissions: 426.7 t CO_2e

Greenhouse Gas Emissions (Continued)

ACCOUNTING 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

CATEGORY
Discussion and Analysis

UNIT OF MEASURE
n/a

CODE
EM-EP-110a.3

BAYSWATER RESPONSE
Over the last several years, Bayswater has worked to proactively reduce Scope 1 emissions from all aspects of our operations—drilling, completion, and production. Some of the notable emission mitigation efforts implemented or continued in 2020 include:

- Upgrading pneumatic controllers to instrument air systems.
- Installing lock-down thief hatches and auto gauging on oil storage tanks.
- Deploying continuous air monitoring devices.
- Utilizing Vapor Recovery Unit (VRUs) systems.
- Use of sealed tanks for flowback operations.
- Utilization of electric motors for VRU systems.

We are proud of our achievements to this point. We continue to strive to improve and reduce emissions wherever possible. At Bayswater, our small entrepreneurial corporate culture fosters a work ethic and drive to constantly improve. Looking ahead, our aim is to further reduce our Scope 1 emissions, eventually realizing our goal of carbon-neutral operations. To achieve this goal, our team routinely assesses our operations, available technology, and new innovations, and maintains a comprehensive list of short-term and long-term goals. Our aspirational goals allow us to further improve our operations and mitigate our environmental impact, including reducing, eliminating, or offsetting Scope 1 emissions from our drilling, completion, or production operations. Specific to the reduction, elimination, or offset of emissions, some of our forward-looking goals and plans include:

- Minimal reliance on tanks for the storage and primary usage of pipe for all hydrocarbons.
- Expansion of continuous air monitoring devices beyond Colorado sites.
- Utilization of electrified drilling rigs and frac fleets.
- Use of electric motors for larger gas compression applications.
- Use of solar arrays to power select field or production operations.
- Proactive implementation of effective, State specific, carbon offset strategies.

These are just some examples of real short-term and long-term goals Bayswater has prioritized and is taking active steps toward in our effort to reduce our Scope 1 emissions. We are committed to achieving our carbon-neutral emissions target and will prove our progress towards this goal with each annual ESG report moving forward.

Water Management

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

CATEGORY
Quantitative

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

CODE
EM-EP-140a.1

BAYSWATER RESPONSE
1. Total fresh water withdrawn: 15,600,615 barrels (bbls) x 0.16 m^3/bbl = 2,496.098 thousand m^3
2. Total fresh water consumed: 15,240,593 bbls x 0.16 m^3/bbl = 2,438.495 thousand m^3; 0% of fresh water is consumed in High or Extremely High Baseline Water Stress regions

---

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

CATEGORY
Quantitative

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: 2,438.247 thousand m^3
1. Discharged: 0%
2. Injected: 97.22%
3. Recycled: 2.78%; Hydrocarbon content in discharged water: 0%

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

CATEGORY
Quantitative

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.

Water Management (Continued)

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

CATEGORY
Quantitative

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.

Biodiversity Impacts

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

CATEGORY
Discussion and Analysis

UNIT OF MEASURE
n/a

CODE
EM-EP-160a.1

BAYSWATER RESPONSE
In 2020, Bayswater active oil and natural gas operations were located primarily in Weld County, Colorado and Howard County, Texas. Bayswater's operations predominately occur on agricultural land and are not near large population areas. Bayswater works closely with farmers, ranchers, landowners, and local community leaders to minimize the impact of our operations to landowners, neighbors, and the communities in which we operate.

Key Environmental Management Policies & Practices
We firmly believe oil and natural gas production and environmental stewardship are not mutually exclusive. Every Bayswater project strives to achieve both through thoughtful approaches and an intentional, meticulous planning process.

Before operations commence, each Bayswater site requires months of intensive planning, permitting, and work with surface owners, nearby residents, local community leaders, and state regulatory officials. This work ensures the location of wells, service roads, and infrastructure minimize our impact on the local community and environment, meet all required regulations by state regulators, and efficiently access the targeted oil and natural gas reserves. With the revolutionary advent of horizontal drilling coupled with hydraulic fracturing, Bayswater has worked to condense operations and minimize our surface footprint by increasing the number of wells on each pad. Bayswater employs multiple environmental management practices to minimize our impact on the local community, wildlife, and ecosystems, ensuring every stage of our operations—drilling, completion, and production—is thoughtfully and sustainably designed and executed, including the following key practices.

Wildlife & Biodiversity Management
Bayswater thoughtfully approaches and meticulously plans the locations where operations are conducted to minimize our environmental impact and ensure they are in accordance with all state and local environmental regulations. There is little sensitive habitat within Bayswater's operations in Colorado and Texas. Where we do operate around sensitive habitat areas, Bayswater carefully plans and conducts operations in accordance with local, state, and federal regulations, as well as utilizing expert guidance specific to the issue and environment at hand.

Colorado Area of Operations
Raptors are common in Bayswater's Colorado area of operations. Several roosting and nesting sites of the more sensitive species of raptors are monitored by the state. When necessary, Bayswater delays operations to prevent impacting nearby springtime raptor nesting activity.

Pronghorn and Mule Deer Winter Concentration Areas exist to the north and east of Bayswater's area of operations in Weld County, Colorado. Bayswater is aware of and careful to plan and conduct operations outside of these concentration areas. As they do not overlap with Bayswater operations, these concentration areas have never impacted Bayswater activity.

The state of Colorado has designated a few streams cutting through Bayswater's area of operations as "Aquatic Native Species Conservation Waters." In accordance with Colorado regulation, no Bayswater operations are within the 500-foot buffer zone around these sensitive streams.

Texas Area of Operations
There are no biodiversity concerns near Bayswater's operational footprint in the Permian Basin. Bayswater's Permian Basin operations in Howard County, TX are not located on or near any protected or areas designated for biodiversity conservation.

Spill Prevention
At Bayswater, we do everything in our power to ensure all hydrocarbons and byproducts are appropriately and safely secured, transported, and stored. Our operational goal to ensure every hydrocarbon molecule recovered is captured and contained. From a business perspective, it is in our best interest to ensure all the oil and natural gas we produce securely gets from our drill site to the end customer. We realize preventing spills before they happen is best for our stakeholders, the local community, and the environment. Our increased focus on utilizing pipelines as opposed to trucks dramatically reduces the likelihood of spills during the transportation of hydrocarbons.

Biodiversity Impacts (Continued)

All our operations meet or exceed local, state, and federal requirements for spill prevention and containment plans. For instance, this includes liners under drilling and completion operations where fluids are stored as well as under all oil and water storage tanks at production facilities. Containment berm structures surround all equipment at production facilities to capture any potential liquids—whether hydrocarbon, byproduct, or water—to allow for the spill to be contained before it reaches soil. While our primary aim is to prevent spills from occurring in the first place, we never want to be caught off guard and are adequately prepared in the event of a spill. A Spill Prevention, Control and Countermeasures (SPCC) Plan is developed for each Bayswater site and project which certifies each site has sufficient secondary containment to handle oil and/or water releases from its storage vessels. An emergency spill plan is also in place in the form of a formal Oil Spill Contingency Plan (OSCP) that is unique to each site location.

Stormwater Management
A vital component of the planning process for each Bayswater site is stormwater management. Our team thoughtfully considers and carefully plans our operations unique to each specific environment including designing and building the long-term infrastructure on each location to appropriately manage and drain stormwater. We work hard to ensure each site—through drilling, completion, and production—is built for long-term sustainability.

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

CATEGORY
Quantitative

UNIT OF MEASURE
Numbers, Barrels (bbls)

CODE
EM-EP-160a.2

BAYSWATER RESPONSE
Number of hydrocarbon spills: 0; Aggregate volume of hydrocarbon spills: N/A; Volume recovered: N/A; No spills in Arctic or impacting shorelines with ESI index 8-10.

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

CATEGORY
Quantitative

UNIT OF MEASURE
Percentage (%)

CODE
EM-EP-160a.3

BAYSWATER RESPONSE
Bayswater 2020 operations and lease position in Weld County, Colorado are within proximity to areas that have been designated as Habitat Areas by the COGCC under Rule 1202d. Specifically, these areas include a “Mule Deer Winter Concentration Area” and an “Aquatic Native Species Conservation Waters” area. However, no 2020 operations overlapped with these areas, nor were they impacted by the proximity to the designated areas.

Bayswater 2020 operations in Howard County, Texas were not in proximity to, nor involved with any areas designated as having protected conservation status. Similarly, there is no Endangered Species habitat in Bayswater’s Texas operations.

Security, Human Rights & Rights of Indigenous Peoples

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

CATEGORY
Quantitative

UNIT OF MEASURE
Percentage (%)

CODE
EM-EP-210a.1

BAYSWATER RESPONSE
0%

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

CATEGORY
Quantitative

UNIT OF MEASURE
Percentage (%)

CODE
EM-EP-210a.2

BAYSWATER RESPONSE
0%

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

CATEGORY
Discussion and Analysis

UNIT OF MEASURE
n/a

CODE
EM-EP-210a.3

BAYSWATER RESPONSE
N/A as Bayswater does not have any operations located in or near areas of conflict.

Community Relations

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

CATEGORY
Discussion and Analysis

UNIT OF MEASURE
n/a

CODE
EM-EP-210b.1

BAYSWATER RESPONSE

To manage both risks and opportunities associated with community rights and interests, Bayswater begins every project by engaging in a proactive, honest, and transparent dialogue with landowners, nearby residents, local community leaders, county and state officials and agencies. By maintaining an open line of communication throughout the duration of each project, Bayswater works to build trust with local communities with the fundamental understanding that trust is earned. Every Bayswater action needs to reinforce the trust built with the local community. In the oil and natural gas industry, we require a "social license to operate." We understand that his is gained by earning the trust of the communities where we operate. That trust is fragile, and is built and maintained by our daily efforts, words, and actions.

One of the greatest risks of 2020 local communities faced was the COVID-19 pandemic. During unprecedented challenges brought about by 2020 and the COVID-19 pandemic, Bayswater was one of the few operators able to maintain drilling operations. Bayswater continued to safely operate and retained their workforce, providing good-paying jobs and the flexibility needed to work from home, as well as maintained their status as a positive corporate neighbor and contributor to the local economy in the small rural communities near our operations.

Colorado leads the nation in responsible oil and natural gas development with some of the strictest oil and natural gas regulations in the nation. Bayswater meets or exceeds all local and state regulations in Colorado and works to incorporate the same operational standard in its Texas operations.

In 2019, the Colorado state legislature passed a robust, comprehensive revamp of how the oil and natural gas industry is regulated in the form of SB19-181. During Q3 and Q4 of 2020, the first SB19-181 rulemakings took place, most notably including a reworking of the permitting process with the Colorado Oil and Gas Conservation Commission (COGCC) and the passage of a soft 2,000-foot setback. Looking ahead to 2021, Bayswater will be one of the first operators to go through the new permitting process set forth by the state of Colorado.

Specific to our Colorado operations, oil and natural gas companies are required to communicate with local communities to discuss and manage risk for the operator, stakeholders, and local community. Bayswater goes beyond state, county, and local regulatory requirements to maintain an honest, transparent, and open line of communication with landowner, nearby residents, and local community leaders to address any potential concerns and mitigate risks.

Bayswater takes a proactive role in the local and state operating environment in Colorado in conversation regarding oil and natural gas production. Bayswater regularly engages with industry peers and other leaders in the Colorado oil and natural gas industry to address key energy policy and issues, including engagement with trade association and advocacy work. When it comes to major energy policy and regulatory discussions, Bayswater is an active participant in the conversation with industry leaders who are at the table with Colorado elected officials, regulators, and interest groups.

Workforce Health & Safety

ACCOUNTING 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

CATEGORY
Quantitative

UNIT OF MEASURE
Rate, Hours (h)

CODE
EM-EP-320a.1

BAYSWATER RESPONSE
1. TRIR: Employees: 0; Contractors: 2.08
2. Fatality Rate: Employees: 0; Contractors: 0
3. NMFR: Employees: 0; Contractors: 1.247
4. Average hours of health, safety, and emergency response training for:
   a. Full-time employees: 13.12 hours per year, 1.09 hours per month
   b. Contract employees: N/A
   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.

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

CATEGORY
Discussion and Analysis

UNIT OF MEASURE
n/a

CODE
EM-EP-320a.2

BAYSWATER RESPONSE
At Bayswater, we aim to lead by example in our industry, conducting business safely, ethically, and responsibly. We aim to uphold and adhere to the highest ethical standards, safety culture, and environmental stewardship as we responsibly operate and produce domestic oil and natural gas resources, while maintaining compliance with all local, state, and federal laws and regulations.

The behavior and actions of each employee and contractor reflects our company and operations, and, therefore, is critical to Bayswater's success and safety performance. Our team, be it employee or contractor, is carefully selected and trained, and their skills and competencies are regularly assessed. Employees and consultants alike regularly participate in health, safety, and environmental meetings and trainings to ensure the knowledge and use of the latest safety management procedures and are in legal and regulatory compliance across all aspects of our operations.

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

Safety Metrics

Total recordable incident rate, or TRIR, is the industrywide metric to measure and track the safety of operations. While on Bayswater locations, our employees and contractors are required to report all accidents and injuries, which are used in conjunction with manhours worked to determine TRIR. We use this metric to consistently monitor and gauge the safety of our operations and compare our safety performance to our peers. We continually strive to make our operations safer and be an industry leader. Bayswater's TRIR is reviewed regularly with the executive team, all employees, and contractors.

Workforce Health & Safety (Continued)

Contractor Management

When it comes to safety, contractors and Bayswater employees are held to the same high standard. Before partnering with independent contractors, Bayswater assesses their capabilities and competencies to perform work on our behalf, as we understand contractors, suppliers, and other business partners are key to the success of our business endeavors and safety performance.

To assess and confirm that independent contractors align with our safety culture and HSE expectations, Bayswater uses a Contractor Management Program that facilitates the selection of vendors with efficient and acceptable HSE programs and allows for the ongoing monitoring of contractor performance. Bayswater has utilized ISNetworld (ISN) since 2016 to conduct this monitoring of contractors through collection, maintenance, and verification of contractor information. As is required by ISN, all Bayswater contractors must submit their safety and training programs, safety performance data, and proof of insurance for review.

Once the information is gathered from the contractor, ISN then conducts an independent verification of the contractor information, grading each contractor on the strength of their HSE management systems, training programs, and safety performance. Bayswater strives to select independent contractors based on their performance against the ISN benchmarks. The use of each contractor is approved by Bayswater representatives closely involved in the upcoming work. We maintain a list of qualified contractors that align with Bayswater's safety culture and, generally, only contractors from that list are permitted to work on Bayswater operations. We expect all contractors to comply with their respective HSE policies and programs, state and federal regulations, and to adhere to Bayswater's safety expectations and objectives.

Reservation Valuation & Capital Expenditures

ACCOUNTING METRIC
Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves

CATEGORY
Quantitative

UNIT OF MEASURE
Metric tons (t) CO_2e

CODE
EM-EP-420a.2

BAYSWATER RESPONSE
140,058,536 t CO_2e

ACCOUNTING 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

CATEGORY
Discussion and Analysis

UNIT OF MEASURE
n/a

CODE
EM-EP-420a.4

BAYSWATER RESPONSE
Bayswater is committed to responsible energy development and focuses on the top resource plays and basins within the United States, which are typically supported by a robust competitive service sector and have the lowest breakeven costs and best development economics. Our business model and strategy is designed to be profitable in the long-term over a range of commodity prices and market cycles. Bayswater delivers value 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, and generally maintains a constant level of capital spending and organizational capability. To achieve Bayswater's long-term business model, our business and operational decisions must incorporate an assessment of how federal, state, and local regulations influence the market and operational environment now and in the future. We strive to meet or exceed all regulatory requirements and to stay ahead of regulation by taking proactive steps to make our operations increasingly efficient, responsible, and sustainable.

It is important to note that regulatory requirements are significantly different from Colorado to Texas. To demonstrate our commitment to responsible energy development, we work to implement changes and improvements required by Colorado regulation across our operational footprint, including our Texas operations even if not yet mandated by state and local regulations. Our aim is to be proactive and not reactive in driving responsible energy production and going beyond regulatory requirements.

Business Ethics & Transparency

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

CATEGORY
Quantitative

UNIT OF MEASURE
Percentage (%)

CODE
EM-EP-510a.1

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

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

CATEGORY
Discussion and Analysis

UNIT OF MEASURE
n/a

CODE
EM-EP-510a.2

BAYSWATER RESPONSE
At Bayswater, we are committed to conducting our business honestly and ethically. Corruption and bribery go directly against our company culture that emphasizes and prioritizes honest and ethical business practices. We have a Compliance Manual and Code of Ethics detailing Bayswater's values and expectations of employee conduct. We circulate the Compliance Manual and Code of Ethics to all Bayswater employees, train them on our values and expectations, and expect each individual to uphold these values by conducting daily business aligned with the expectations. We also aim to partner with external parties and hire contractors similarly aligned with our values and expectations.

Bayswater became a Registered Investment Advisor in November 2016 and is registered with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Our status as a Registered Investment Advisor requires our company and operations to strictly adhere and comply with SEC guidelines. Bayswater has hired and works with an outside compliance consultant based out of Dallas, Texas to help 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

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

CATEGORY
Discussion and Analysis

UNIT OF MEASURE
n/a

CODE
EM-EP-530a.1

BAYSWATER RESPONSE
As a privately-owned operator, Bayswater has a small team with finite resources. Many of our corporate roles overlap when making operational decisions related to government regulations, environmental, and social factors affecting oil and natural gas development. For additional assistance and expertise in this arena, Bayswater retains a political public relations firm to serve as a consultant that offers guidance in the arena of government affairs, strategic communications, and public relations. Bayswater relies on regular engagement with and insight from industry peers, regulatory agencies, industry organizations, and trade associations to navigate the regulatory, environmental, and social factors affecting the industry in the states where we live and operate.

Specific to Colorado, Bayswater is an active participant engaging in and elevating the local and statewide energy conversation through its membership and participation in Coloradans for Responsible Energy Development (CRED). CRED is a sustained statewide oil and natural gas educational program with six industry members, including Bayswater. Bayswater President and CEO Steve Struna serves on the CRED Board of Directors, regularly meeting with industry leaders and staying abreast of key environmental and social factors influencing the oil and natural gas operating environment in Colorado. Bayswater is also a member company of Protecting Colorado's Environment, Economy, and Energy Independence (Protect Colorado)—an issue committee supporting citizen-led ballot initiatives that promote a vibrant Colorado business community and economy and opposing initiatives that would harm Colorado's economy and way of life.

On the legislative and regulatory front, Bayswater is a member of the Colorado Oil and Gas Association (COGA), where Steve Struna serves on the Executive Board, to stay up to date on any proposed regulatory changes and proposed legislation in Colorado's rapidly changing regulatory and political environment. Bayswater stays tapped into the energy conversation in the larger business community through their membership with and serving on the Board of Directors for Colorado Concern—an alliance of diverse executives committed to enhancing Colorado's business environment.

Critical Incident Risk Management

ACCOUNTING METRIC
Process Safety Event (PSE) rates for Loss of Primary Containment (LOPC) of greater consequence (Tier 1)

CATEGORY
Quantitative

UNIT OF MEASURE
Rate

CODE
EM-EP-540a.1

BAYSWATER RESPONSE
Bayswater has not historically tracked PSE rates. We believe that practice is largely consistent with our upstream E&P peers. We recognize our operations inherently expose us to Process Safety risks and issues as defined by OSHA. At the same time, we believe the expectations defined in our HSE management system, particularly under the headings of Risk Assessment, Facilities Design and Construction, Safety Training, Operations and Maintenance, and Management of Change, adequately address Process Safety management concerns. Bayswater is currently evaluating the merits of separately tracking OSHA PSE metrics to improve overall safety awareness and performance.

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

CATEGORY
Discussion and Analysis

UNIT OF MEASURE
n/a

CODE
EM-EP-540a.2

BAYSWATER RESPONSE
The Bayswater HSE Committee consistently reviews and assesses risk at every stage of our operations. When it comes to an emergency, a timely and appropriate response is critical to minimizing the overall impact. Bayswater takes a comprehensive approach to emergency preparedness.

Bayswater's emergency management approach is comprised of Emergency Plans, Tactical Response Plans, and Business Continuity Plans. Bayswater's goal is to conduct our business without accident, harm to people, or damage to the environment. The purpose of Bayswater's emergency management strategy is to ensure adequate preparedness for both rapid and appropriate incident response, and to protect 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) and is intentionally designed in advance to expand our ability to respond based upon the incident size and complexity. Bayswater's emergency protocols have been established to ensure the Emergency Operations Centers are appropriately staffed as soon as possible after the occurrence of an emergency and that necessary support is provided to the relevant facility or location.

Bayswater routinely reviews and updates company Emergency Plans, Tactical Response Plans, and Business Continuity Plans. These updates and reviews are shared with employees, contractors, and local first responders in an effort to maintain awareness of roles, responsibilities, and appropriate steps to take in the event of an emergency (i.e., evacuation routes, first responder notifications). These plans include all Bayswater operations in drilling, completions, and production. Moving forward, Bayswater plans to conduct emergency response training with drills portraying specific scenarios of potential emergencies in routine oil and natural gas operations.

Specific to our operations in Colorado's Denver Julesburg Basin, Bayswater co-founded and participates in the Colorado Preparedness and Response Network, which is intended to provide collaborative emergency response resources among industry operators and First Responders in the immediate area that greatly enhances field emergency response capabilities. By participating in this network, local first responders have an increased familiarity with Bayswater sites, which allows for a more efficient and expedient response in the event of an emergency incident.

Production of: (1) Oil, (2) Natural Gas, (3) Synthetic Oil, and (4) Synthetic Gas

CATEGORY
Quantitative

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 2020, Bayswater reported full year sales volumes of approximately:

1. Oil: 10.9 MBbl per day
2. Natural Gas
   a. Natural Gas: 30.8 MMscf per day
   b. Natural Gas Liquids: 3.3 MBbl per day
3. Synthetic oil: N/A
4. Synthetic gas: N/A

Number of Offshore Sites

CATEGORY
Quantitative

UNIT OF MEASURE
Number

CODE
EM-EP-000.B

BAYSWATER RESPONSE
Bayswater does not operate offshore.

Number of Terrestrial Sites

CATEGORY
Quantitative

UNIT OF MEASURE
Number

CODE
EM-EP-000.B

BAYSWATER RESPONSE
As of December 31, 2020, Bayswater had 222 terrestrial sites.

"Thank you for taking the time to read our report. More importantly, thank you for being a valued stakeholder and partner in our business and this great industry."

- Steve Struna
President & CEO

BAYSWATER

WWW.BAYSWATER.US