EVOLUTION PETROLEUM CORP
Form 10-K
September 11, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2015
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 001-32942
EVOLUTION PETROLEUM CORPORATION
(Exact name of registrant as specified in its charter)

Nevada	41-1781991
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2500 CityWest Blvd., Suite 1300, Houston, Texas 77042
(Address of principal executive offices and zip code)
(713) 935-0122
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, $0.001 par value	NYSE MKT
8.5% Series A Cumulative Preferred Stock, $0.001 par value	NYSE MKT

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes: o No: ý
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes: o No: ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes: ý No: o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes: ý No: o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definition of "large accelerated filer", "accelerated filer" and "smaller reporting

company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer o Accelerated filer ý Non-accelerated filer o Smaller reporting company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). Yes: o No: ý
The aggregate market value of the voting and non-voting common equity held by non-affiliates on December 31, 2014, the last business day of the registrant’s most recently completed second fiscal quarter, based on the closing price on that date of $7.43 on the NYSE MKT was $183,168,484.
The number of shares outstanding of the registrant's common stock, par value $0.001, as of September 1, 2015, was 32,671,415.
DOCUMENTS INCORPORATED BY REFERENCE
Portions of the proxy statement related to the registrant's 2015 Annual Meeting of Stockholders to be filed within 120 days of the end of the fiscal year covered by this report are incorporated by reference into Part III of this report.

EVOLUTION PETROLEUM CORPORATION AND SUBSIDIARIES
2015 ANNUAL REPORT ON FORM 10-K
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This Form 10-K and the information referenced herein contain forward-looking statements within the meaning of the Private Securities Litigations Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words "plan," "expect," "project," "estimate," "assume," "believe," "anticipate," "intend," "budget," "forecast," "predict" and other similar expressions are intended to identify forward-looking statements. These statements appear in a number of places and include statements regarding our plans, beliefs or current expectations, including the plans, beliefs and expectations of our officers and directors. When considering any forward-looking statement, you should keep in mind the risk factors that could cause our actual results to differ materially from those contained in any forward-looking statement. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include the timing and extent of changes in commodity prices for oil and natural gas, operating risks and other risk factors as described in this Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC"). Furthermore, the assumptions that support our forward-looking statements are based upon information that is currently available and is subject to change. We specifically disclaim all responsibility to publicly update any information contained in a forward-looking statement or any forward-looking statement in its entirety and therefore disclaim any resulting liability for potentially related damages. All forward-looking statements attributable to Evolution Petroleum Corporation are expressly qualified in

their entirety by this cautionary statement.
We use the terms, "EPM," "Company," "we," "us" and "our" to refer to Evolution Petroleum Corporation, and unless the context otherwise requires, its wholly-owned subsidiaries.

PART I

Item 1. Business

Note: See Glossary of Selected Petroleum Industry Terms at the back of this document - refer to Table of Contents

General

We are an oil and gas company engaged primarily in the acquisition, exploitation and development of properties for the production of crude oil and natural gas, onshore in the United States. We acquire known crude oil and natural gas resources and exploit them through the application of conventional and specialized technology, with the objective of increasing production, ultimate recoveries, or both. In 2013, our business was modified to include a second focus on applying our proprietary artificial lift technology for recovering incremental oil and gas from existing wells. In this document, we provide additional information about our business operations and plans for commercializing our artificial lift technology, but it is not currently a separate reportable segment of our operations. Additional information regarding our operating segment, major customers, revenues and assets can be found in in Item 8. Financial Statements - Notes to Consolidated Financial Statements.

Our petroleum operations began in September of 2003. On May 26, 2004, our predecessor, Natural Gas Systems, Inc. (Delaware, "Old NGS"), a private corporation formed in September 2003, merged into a wholly-owned subsidiary of Reality Interactive, Inc. (Nevada, "Reality"), an inactive public company, which was renamed Natural Gas Systems, Inc. ("NGS"). The former officers and directors of Reality resigned and the officers, directors and business operations of Old NGS became the Company. Concurrently with the listing of NGS shares on the NYSE MKT in July 2006, NGS was renamed Evolution Petroleum Corporation. Our principal executive offices are located at 2500 City West Blvd, Suite 1300, Houston, Texas 77042, and our telephone number is (713) 935-0122. We maintain a website at www.evolutionpetroleum.com, but information contained on our website does not constitute part of this document. Our common stock is traded on the NYSE MKT under the ticker symbol "EPM". We also have preferred stock which trades under the symbol "EPM.A"

At June 30, 2015, we had ten full-time employees, not including contract personnel and outsourced service providers. None of the Company’s employees are currently represented by a union, and the Company believes that it has excellent relations with its employees. Our team is broadly experienced in oil and gas operations, development, acquisitions and financing. We follow a strategy of outsourcing most of our property accounting, human resources, administrative and other non-core functions.

Business Strategy

Our business strategy is to acquire known, underdeveloped oil and natural gas resources and exploit them through the application of capital, sound engineering and modern technology, including our patented artificial lift technology, to increase production, ultimate recoveries, or both. We also provide our artificial lift technology to other operators to improve recovery of oil and gas from existing wells.

Our principal assets include interests in a CO_2 enhanced oil recovery project in Louisiana’s Delhi Field and our patented artificial lift technology, GARP®. We are focused on increasing underlying asset values on a per share basis. In doing so, we depend on a conservative capital structure, allowing us to maintain financial control of our assets for the benefit of our shareholders.

Delhi Field—Louisiana

Our mineral and working interests in the Delhi Holt-Bryant Unit in the Delhi Field ("Unit"), located in Northeast Louisiana, are currently our most significant asset. The Unit is approximately 13,636 acres in size and has had a prolific production history totaling approximately 195 million bbls of oil through primary and limited secondary recovery operations since its discovery in the mid-1940s. Since initial enhanced oil recovery ("EOR") production began in March 2010, the Unit has produced over 9 million bbls of oil. The Unit is currently producing as an EOR project utilizing CO2 flood technology

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following the sale of a majority of our working interest to a subsidiary of Denbury Resources, Inc., the current operator, in 2006. At the time of our $2.8 million purchase of the field in 2003, the Unit had minimal production.
We own two types of interests in the Unit:

- 7.4% of overriding royalty interests that are in effect throughout the life of the project and mineral royalty interests, free of all operating and capital cost burdens; and
- A 23.9% working interest with an associated 19.0% net revenue interest. The working interest reverted to us effective November 1, 2014, when the operator generated $200 million of net revenue from the 100% working interest less direct operating expenses and the cost of purchased CO_2. Upon occurrence of this contractual payout, we began bearing 23.9% of all operating expenses and capital expenditures and our net revenue interest increased to an aggregate of 26.4%.

Our independent reservoir engineers, DeGolyer & MacNaughton, assigned the following estimated reserves net to our interests at Delhi as of June 30, 2015. Equivalent oil reserves is defined as six MCF of gas and 42 gallons of natural gas liquids to one barrel of oil conversion ratio.

- 12.4 million bbls of proved oil equivalent reserves, with a PV-10* of $218.7 million
- 9.3 million bbls of probable** oil equivalent reserves, with a PV-10* of $72.3 million
- 3.0 million bbls of possible** oil equivalent reserves, with a PV-10* of $13.6 million

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* PV-10 of Proved reserves is a non-GAAP measure, reconciled to the Standardized Measure at "Estimated Oil and Natural Gas Reserves and Estimated Future Net Revenues" under Item 2. Properties of this Form 10-K. Probable and Possible reserves are not recognized by GAAP, and therefore the PV-10 of such reserves cannot be reconciled to a GAAP measure.

** With respect to the above reserve numbers, estimates of Probable and Possible reserves are inherently imprecise. When producing an estimate of the amount of oil and natural gas that is recoverable from a particular reservoir, Probable reserves are those additional reserves that are less certain to be recovered than Proved reserves but which, together with Proved reserves, are as likely as not to be recovered. Possible reserves are even less certain and generally require only a 10% or greater probability of being recovered. All categories of reserves are continually subject to revisions based on production history, results of additional exploration and development, price changes and other factors. Estimates of Probable and Possible reserves are by their nature much more speculative than estimates of Proved reserves and are subject to greater uncertainties, and accordingly the likelihood of recovering those reserves is subject to substantially greater risk. These three reserve categories and net present worth discounted at 10% relating to each category have not been adjusted to different levels of recovery risk among these categories and are therefore not comparable and are not meaningfully combined.

The operator has planned multiple phases for the installation of the CO_2 flood.
Phase I began CO_2 injection in November 2009. First oil production response occurred in March 2010, about three to four months earlier than expected, and production in the field increased to approximately 2,000 gross BOPD.
Implementation of Phase II, which was more than double the size of Phase I, commenced with incremental CO_2 injection at the end of December 2010. First oil production response from Phase II occurred during March 2011, three or more months ahead of expectations, and field gross production increased to more than 4,000 BO per day.
Phase III was installed during calendar 2011, and was expanded twice during calendar 2011. Production subsequently increased to more than 6,000 BO per day.
Phase IV was substantially installed during the first six months of calendar 2012. During early calendar 2013, the operator intensified development in the previously redeveloped western side of the field based on production results and new geological mapping that included the results of seismic data acquired over the last few years. Gross field production increased to more than 7,500 BO per day before the operator temporarily suspended CO_2 injection in the southwestern tip of the field due to a fluid release event in June 2013, which consisted of the uncontrolled release of CO_2, water, natural gas and a small amount of oil from one or more previously plugged wells in the southwest part of the field. The operator has fully remediated the affected area, but has temporarily isolated that part of the field with a water curtain and is evaluating options to continue production from that area as a water flood, potentially aided by surfactants or other enhanced recovery techniques. It is also possible that the operator may choose to resume CO_2

injection in that part of the field at a later date.

The operator has taken the position that the remediation costs of the June 2013 fluid release event, which totaled over $130 million on a gross basis, could be charged to our payout account. Accordingly, this action delayed our working interest

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reversion by more than one year. We dispute the operator's position on the treatment of these costs and have filed suit against the operator over this matter and other issues related to the original 2006 agreements. See Note 17 - Commitments and Contingencies.

Since the June 2013 fluids release, the operator delayed further development of the field and stated its intent not to resume significant capital spending until reversion of our working interest, which became effective on November 1, 2014. In February 2015, subsequent to reversion, we approved an authorization for expenditure ("AFE") for the construction of a natural gas liquids ("NGL") recovery plant in the Delhi Field, which will extract NGL's and methane from the field. We expect that the NGL's will be sold and the recovered methane will be utilized to generate power for the field in order to substantially reduce operating costs, a more economical utilization than selling of the methane. In addition to the value of these hydrocarbon products, the increased purity of the CO_2 stream re-injected into the field should result in significant operational benefits to the CO_2 flood. The estimated gross costs of the plant is approximately $103 million; our net share of these capital expenditures is $24.6 million, of which we have already expended approximately $5 million. The plant is expected to be operational in the second half of calender 2016.

During the fall of 2014, post-reversion, the operator initiated work on expansion of the CO_2 flood in the undeveloped eastern part of the field. These operations were suspended last fall when the operator made significant cuts in its capital budget as a result of declining oil prices. While we believe that expansion is economic at current commodity prices, resumption of this work is likely to be electively delayed due to prevailing oil prices and the partners' allocation of capital for such projects. Since we believe that the NGL plant and further expansion of the CO_2 flood have very favorable economics, even in this lower price environment, we expect the expansion of the CO_2 flood to resume within the next 2-3 years. The economics of expansion will also be improved subsequent to the completion of the NGL recovery plant.

One of the three remaining development phases, part of which lies under the town of Delhi (population approximately 3,000), has been deferred by the operator. The reserves in this phase were reclassified last year from proved to probable. There are also probable reserves associated with three smaller reservoirs within the Unit in similar formations with similar production history that we expect to be developed as an additional phase of the EOR project early in the next decade. Since such development is currently more than five years from now, these reserves are wholly classified as Probable, in accordance with SEC guidelines.

Artificial Lift Technology (GARP®)

Our artificial lift technology registered as GARP® (Gas Assisted Rod Pump) was developed internally by our Senior Vice President of Operations. Its design is intended to increase production and extend the life of horizontal and vertical wells with gas, oil or associated water production with the expectation of recovering additional reserves at an economically attractive cost per BOE. We received a patent on our GARP® technology on August 30, 2011, which provides U.S. patent protection for the technology through early 2028. We have further filed for a continuation in part to our patent for recent improvements in the technology, including a concentric design which allows the technology to work in narrower diameter casing.

Prior to patent issuance, we tested the GARP® technology on certain marginal producing wells we owned and operated in the Giddings Field. The tests were successful in demonstrating that the process works; however, these candidates were unable to prove commercial viability due to their low primary recoveries as producers.

Subsequent to receiving our patent, we entered into demonstration joint venture projects with two different industry operators during fiscal 2012 to prove commercial application. We further expanded our commercial tests during fiscal 2013 with two additional installations and a third in fiscal 2014. All five of these installations were successful in re-establishing commercial production. One well subsequently ceased oil production when an offset well was hydraulically fractured and the water migrated to our well bore. During fiscal 2014, we entered into a commercial agreement to install our technology on at least five wells in the Giddings Field. Three installations were completed as of the end of fiscal 2014, two of which were successful in increasing production and the balance were unsuccessful due to well bore conditions. During fiscal 2015, we completed installation of our artificial lift technology in an additional two non-operated wells under this contract. In addition, we restored production in one of our operated wells that had been temporarily abandoned and shut-in since March 2014.

We are in discussions with multiple industry operators to further expand the business to other fields during fiscal 2016 and have entered into master service agreements with four companies for potential deployment in the Eagle Ford, Barnett and Permian fields located in Texas. With continued success and industry acceptance, we believe GARP® could be applicable to a large number of horizontal and vertical wells worldwide. However, in the current low commodity price environment and reduced capital spending, the timing for commercial success has been slower than previously anticipated.

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Based on our production history, DeGolyer & MacNaughton assigned proved reserves of 33 MBOE to three GARP® installations that we operate with PV-10 of $0.4 million. Certain of our third party technology fees, though based on a percentage of net profits from the wells, will generally not result in the assignment of reserves by our petroleum engineers, as we do not own direct mineral interests in the wells.

Other Projects

Giddings Field—Central Texas

We began leasing activities in the Giddings Field in December 2006. In late calendar 2007, we initiated a redevelopment drilling program in the Giddings Field targeting the Austin Chalk and Georgetown formations. During fiscal 2013, we began and completed a series of sale transactions that monetized all of our non-GARP® producing wells and drilling locations.

We retained a 3-5% overriding royalty interest on 2,094 acres on all depths below the base of the Austin Chalk in Brazos, Burleson and Fayette Counties, Texas for the remaining lives of related leases, as extended. We also retained overriding royalty interests of approximately 5% in 900 net acres in the Woodbine formation and a 15% back-in working interest on approximately 258 net acres in Grimes County, Texas. We do not expect to assign any reserves to these residual interests until such time as there are successful drilling results.

Lopez Field—South Texas

We acquired leases covering approximately 782 net acres in the Lopez Field in South Texas as a first effort to test the concept of redeveloping old oil fields utilizing high flow rate production. While our development activity in the Lopez Field confirmed our concept and the potential for developing material oil reserves, the time and effort required to develop material reserves lowered the attractiveness of this project. Consequently, we elected to sell this asset during fiscal 2013 and completed such monetization in fiscal 2014.

Mississippi Lime—Kay County, Oklahoma

In 2012, we acquired a 45% interest in a joint venture with Orion Exploration, a private company based in Tulsa, Oklahoma. The joint venture was operated by Orion and engaged in the horizontal development of the Mississippi Lime reservoir in Kay County, Oklahoma. Our leasehold position, totaling approximately 6,600 acres, was located in the eastern, more oil-prone side of the play. We drilled one gross salt water disposal well and reached total depth on two horizontally drilled wells in the Mississippi Lime formation, the Sneath #1-24 and the Hendrickson #1-1. While both wells produced at the fluid rates expected, the quantities of oil and gas were far less than expected. We subsequently reworked both wells to test the role of structure in production, and determined that this play is a structural play requiring substantial geophysical and geological work and expertise in order to be successful, as opposed to a resource play in which engineering is the primary requirement. Accordingly, we elected in fiscal 2013 to reduce our joint venture interest in undeveloped leases to 33.9%, resulting in a $1.2 million reduction in both our net property and accounts payable. In October 2014, we closed on the sale of all of our leasehold interests, wells and associated assets in the Mississippi Lime reservoir to the operator.

Markets and Customers

We market our production to third parties in a manner consistent with industry practices. In the U.S. market where we operate, crude oil and natural gas liquids are readily transportable and marketable. We do not currently market our share of crude oil production from Delhi. Although we have the right to take our working interest production in-kind, we are currently accepting terms under the Delhi operator's agreement with Plains Marketing LP for the delivery and pricing of our oil there. The oil from Delhi is currently transported from the field by pipeline, which results in better net pricing than the alternative of transportation by truck. Delhi crude oil production sells at Louisiana Light Sweet ("LLS") pricing which generally trades at a premium to West Texas Intermediate ("WTI") crude oil pricing. This positive LLS price differential was approximately $4.00 per barrel during our fiscal year ended June 30, 2015. The differential has narrowed from past years, but we expect that a positive LLS price differential will continue, at least in the near future.

Since 2008, we had been selling crude oil from our Giddings properties (which includes our GARP® wells) to Enterprise Crude Oil LLC, a crude oil gathering, transportation, storage and marketing company. Our agreements with Enterprise Crude Oil LLC are under a normal "evergreen" sales contracts with a thirty day cancellation provision. In June 2014, we began selling crude oil from our Giddings properties to Sunoco Partners. Oil production from our

Lopez Field was sold to Flint Hill Resources. We believe that other crude oil purchasers are readily available.
We sold our natural gas and natural gas liquids from our properties in the Giddings Field under the terms of normal evergreen sales contracts at competitive prices with DCP Midstream, LP, and ETC Texas Pipeline, LTD. Gas sold to DCP and ETC was processed for removal of natural gas liquids, and we received the proceeds from the sale of the NGL products less a

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fee and certain operating expenses. We have no other business relationships with our crude oil, natural gas or natural gas liquids purchasers.

The following table sets forth purchasers of our oil and natural gas production for the years indicated:

	Year Ended June 30,					
Customer	2015		2014		2013	
Plains Marketing L.P. (includes Delhi production)	99	%	96	%	90	%
Enterprise Crude Oil LLC	—	%	2	%	4	%
Flint Hills	—	%	1	%	2	%
ETC Texas Pipeline, LTD.	—	%	1	%	—	%
All others	1	%	—	%	4	%
Total	100	%	100	%	100	%

The loss of our purchaser at the Delhi field or disruption to pipeline transportation from the field could adversely affect our net realized pricing and potentially our near-term production levels. The loss of any of our other purchasers would not be expected to have a material adverse effect on our operations.

Market Conditions

Marketing of crude oil, natural gas, and natural gas liquids is influenced by many factors that are beyond our control, the exact effect of which is difficult to predict. These factors include changes in supply and demand, market prices, government regulation and actions of major foreign producers.

Over the past 30 years, crude oil price fluctuations have been extremely volatile, with crude oil prices varying from less than $10 to in excess of $140 per barrel. Most recently, the price of oil per barrel has dropped dramatically, particularly in the fourth quarter 2014 and continuing in 2015, by more than half since its high in June 2014. Worldwide factors such as geopolitical, macroeconomic, supply and demand, refining capacity, petrochemical production and derivatives trading, among others, influence prices for crude oil. Local factors also influence prices for crude oil and include increasing or decreasing production trends, quality differences, regulation and transportation issues unique to certain producing regions and reservoirs.

Also over the past 30 years, domestic natural gas prices have been extremely volatile, ranging from $1 to $15 per MMBTU. The spot market for natural gas, changes in supply and demand, derivatives trading, pipeline availability, BTU content of the natural gas and weather patterns, among others, cause natural gas prices to be subject to significant fluctuations. Due to the practical difficulties in transporting natural gas, local and regional factors tend to influence product prices more for natural gas than for crude oil.

Competition

The oil and natural gas industry is highly competitive for prospects, acreage and capital. Our competitors include major integrated crude oil and natural gas companies and numerous independent crude oil and natural gas companies, individuals and drilling and income programs. Many of our competitors are large, well-established companies with substantially larger operating staffs and greater capital resources than ours. Competitors are national, regional or local in scope and compete on the basis of financial resources, technical prowess or local knowledge. The principal competitive factors in our industry are expertise in given geographical and geological areas and the abilities to efficiently conduct operations, achieve technological advantages, identify and acquire economically producible reserves and obtain affordable capital.

Government Regulation

Numerous federal and state laws and regulations govern the oil and gas industry. These laws and regulations are often changed in response to changes in the political or economic environment. Compliance with this evolving regulatory burden is often difficult and costly, and substantial penalties may be incurred for noncompliance. To the best of our knowledge, we are in compliance with all laws and regulations applicable to our operations and we believe that continued compliance with existing requirements will not have a material adverse impact on us. The future annual capital cost of complying with the regulations applicable to our operations is uncertain and will be governed by several factors, including future changes to regulatory requirements which are unpredictable. However, we do not currently anticipate that future compliance with existing laws and regulations will have a materially adverse effect on our consolidated financial position or results of operations.

See "Government regulation and liability for environmental matters that may adversely affect our business and results of operations" under Item 1A. Risk Factors of this Form 10-K, for additional information regarding government regulation.

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Insurance

We maintain insurance on our operated and non-operated properties and operations for risks and in amounts customary in the industry. Such insurance includes general liability, excess liability, control of well, operators extra expense, casualty, fraud and directors & officer's liability coverage. Not all losses are insured, and we retain certain risks of loss through deductibles, limits and self-retentions. We do not carry lost profits coverage and we do not have coverage for consequential damages.

Additional Information

We file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports with the SEC. Our reports filed with the SEC are available free of charge to the general public through our website at www.evolutionpetroleum.com. These reports are accessible on our website as soon as reasonably practicable after being filed with, or furnished to, the SEC. This Annual Report on Form 10-K and our other filings can also be obtained by contacting: Corporate Secretary, 2500 City West Blvd, Suite 1300, Houston, Texas 77042, or calling (713) 935-0122. These reports are also available at the SEC Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors

Our business involves a high degree of risk. If any of the following risks, or any risk described elsewhere in this Annual Report on Form 10-K, actually occurs, our business, financial condition or results of operations could suffer. The risks described below are not the only ones facing us. Additional risks not presently known to us or which we currently consider immaterial also may adversely affect us.

Risks related to the oil and gas industry and our Company

A substantial or extended decline in oil prices may adversely affect our business, financial condition or results of operations and our ability to meet our capital expenditure obligations and financial commitments.

The price we receive for our oil heavily influences our revenue, profitability, access to capital and future rate of growth. Oil is a commodity and its price is subject to wide fluctuations in response to relatively minor changes in supply and demand. For example, average daily prices for WTI crude oil ranged from a high of $108 per barrel to a low of $44 per barrel during our fiscal year ending June 30, 2015. Historically, the markets for oil and natural gas have been volatile. These markets will likely continue to be volatile in the future. The prices we receive for our production, and the levels of our production, depend on numerous factors beyond our control. These factors include the following:

- worldwide and regional economic conditions impacting the global supply and demand for oil and gas;
- actions of OPEC;
- the price and quantity of imports of foreign oil and natural gas;
- political conditions in or affecting other oil-producing and natural gas-producing countries;
- the level of global oil and natural gas exploration and production;
- the level of global oil and natural gas inventories;
- localized supply and demand fundamentals of regional, domestic and international transportation availability;
- weather conditions and natural disasters;
-