



WATER MANAGEMENT

In the regions where Caerus operates, fresh water is a critical resource in increasingly short supply. As an oil and gas producer and a significant agricultural landowner operating in the arid West, we understand the importance of water conservation and management.



In 2022, Caerus used 82% of recycled produced water to complete the wells drilled.

RECYCLING WATER IS OUR PRIMARY GOAL

This understanding drives our primary water management goal—timing our operations in order to recycle as much produced water as possible to minimize the amount of fresh water used in operations.

Balancing Water Supply and Demand

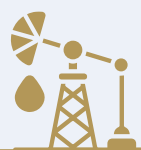
We track every barrel of water that goes into or out of our system. Our Water Management Team works in coordination with the completions and drilling teams to maximize recycling based on well development plans and the current water balance in the system.

On average, it requires 90,000 barrels of water per day for a short period of time to complete a well. Once a well has been completed, it initially produces flowback, a combination of hydrocarbons and water. This flowback water, along with produced water from existing wells, is recycled for use in completing subsequent wells.



Before it can be reused, however, the flowback and produced water are pumped to a permitted Centralized E&P Water Treatment Facility where the fluid is sent through a three-phase separator that uses gravity to remove hydrocarbons from the water stream. The water stream is then cleaned using a dissolved air flotation (DAF) unit that uses micro air bubbles to remove suspended matter, such as solids, oil, and other impurities. Our Divide Road Treatment Facility has two 206,000 barrel (8,400,000 gallon) tanks and is connected to an extensive pipeline system that allows us to easily transmit flowback and produced water from wells for treatment and recycling. Two smaller water recycling facilities provide additional treatment and storage. If there is more flowback or produced water than needed, it is either stored or placed deep underground in a UIC Class II permitted disposal well.

In the Piceance Basin of Western Colorado, produced water comes from two major sources:

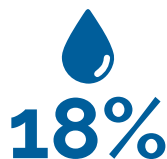
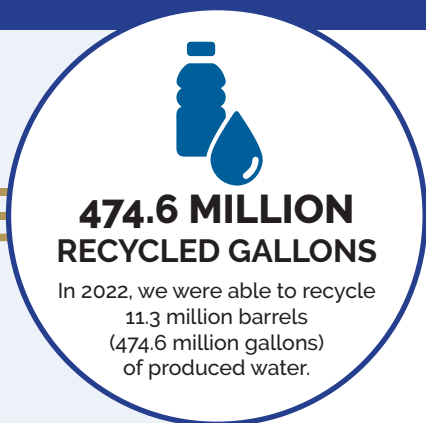


EXISTING WELLS

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COMPLETIONS OPERATIONS

At Caerus, we have built a comprehensive pipeline and water recycling system that allows us to recycle a substantial portion of produced water from our actively producing wells and from recently completed wells.



Of the total water volume used in completions operations in 2022, only 18% came from fresh water.

Long-Range Planning

We engage in long-range planning to ensure that the water system is adequately sized and equipped to manage water movement for all phases of our operations. We continue to plan for and design additional pipeline infrastructure to support our ongoing operations to ensure that every new well is connected to our water recycling system, increasing our ability to recycle and deliver produced water as needed.

In Conclusion

Our water management philosophy is based on maximizing the use of recycled water in our operations. To date, we have invested over \$200 million in our Piceance Basin water system in pursuit of this goal. By carefully tracking each input into the system, in concert with coordinated planning of our operational development, we continually improve our ability to conserve water in the arid Western environment in which we operate. Last year, these conservation efforts enabled us to release 4,500 acre feet of fresh water into the Colorado River to support endangered fish species in the 15 Mile Reach.



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