

Oil India (USA) Inc.

Financial Statements

March 31, 2021

Oil India (USA) Inc.

March 31, 2021

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Independent Auditors' Report

To the Board of Directors and Stockholder of
Oil India (USA) Inc.

We have audited the accompanying financial statements of Oil India (USA) Inc. (a Texas corporation), which comprise the balance sheets as of March 31, 2021 and 2020, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Oil India (USA) Inc. as of March 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Pannell Kerr Forster of Texas, P.C.

May 5, 2021

Oil India (USA) Inc.

Balance Sheets

	March 31,	
	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 777,879	\$ 1,063,702
Certificates of deposit	6,995,860	3,675,524
Accounts receivable - oil and natural gas	712,874	1,943,952
Accounts receivable - other	<u>22,237</u>	<u>-</u>
Total current assets	<u>8,508,850</u>	<u>6,683,178</u>
Oil and natural gas properties, successful efforts method		
Evaluated property		
Leasehold costs	25,773,881	26,048,368
Drilling costs	39,170,479	39,200,643
Completion costs	59,516,127	59,526,123
Production equipment	<u>12,384,163</u>	<u>12,581,037</u>
	136,844,650	137,356,171
Accumulated depletion, depreciation and amortization	<u>(129,699,759)</u>	<u>(127,955,089)</u>
Oil and natural gas properties, net	<u>7,144,891</u>	<u>9,401,082</u>
Office furniture and equipment, net	<u>-</u>	<u>3,251</u>
Total assets	<u>\$ 15,653,741</u>	<u>\$ 16,087,511</u>
Liabilities and Stockholder's Equity		
Current liabilities		
Accounts payable	\$ 353,999	\$ 256,847
Accrued liabilities	13,520	573,445
Payable to Parent	<u>-</u>	<u>7,272</u>
Total current liabilities	<u>367,519</u>	<u>837,564</u>
Asset retirement obligations	<u>1,391,392</u>	<u>1,634,118</u>
Total liabilities	<u>1,758,911</u>	<u>2,471,682</u>
Commitments and contingencies		
Stockholder's equity		
Common stock \$0.01 par value; 12,000,000,000 shares authorized, 11,110,000,000 issued and outstanding as of March 31, 2021 and 2020	111,100,000	111,100,000
Retained deficit	<u>(97,205,170)</u>	<u>(97,484,171)</u>
Total stockholder's equity	<u>13,894,830</u>	<u>13,615,829</u>
Total liabilities and stockholder's equity	<u>\$ 15,653,741</u>	<u>\$ 16,087,511</u>

See accompanying notes to financial statements.

Oil India (USA) Inc.

Statements of Operations

	Year Ended March 31,	
	2021	2020
Oil and natural gas revenues		
Crude oil	\$ 3,662,842	\$ 4,942,190
Natural gas liquids	326,921	134,957
Natural gas	285,404	253,026
Total oil and natural gas revenues	<u>4,275,167</u>	<u>5,330,173</u>
Operating expenses		
Lease operating	1,548,237	1,820,051
Production taxes	113,390	263,350
Marketing and distribution	327,009	224,779
Depletion, depreciation and amortization	1,745,352	6,283,150
Abandonment of expired leases	-	1,799,621
Impairment of oil and natural gas properties	-	36,040,053
Accretion expense	31,761	42,476
General and administrative	248,704	503,503
Total operating expenses	<u>4,014,453</u>	<u>46,976,983</u>
Income (loss) from operations	260,714	(41,646,810)
Other income (expense)		
Interest income	20,336	45,290
Loss on sale of office furniture and equipment	(2,049)	-
Total other income, net	<u>18,287</u>	<u>45,290</u>
Income (loss) before income taxes	279,001	(41,601,520)
Income taxes	-	-
Net income (loss)	<u>\$ 279,001</u>	<u>\$ (41,601,520)</u>

See accompanying notes to financial statements.

Oil India (USA) Inc.

Statements of Changes in Stockholder's Equity

For the Years Ended March 31, 2021 and 2020

	Common Stock		Retained Deficit	Total Stockholder's Equity
	Shares	Amount		
Balance, March 31, 2019	11,110,000,000	\$ 111,100,000	\$ (55,882,651)	\$ 55,217,349
Net loss	-	-	(41,601,520)	(41,601,520)
Balance, March 31, 2020	11,110,000,000	111,100,000	(97,484,171)	13,615,829
Net income	-	-	279,001	279,001
Balance, March 31, 2021	<u>11,110,000,000</u>	<u>\$ 111,100,000</u>	<u>\$ (97,205,170)</u>	<u>\$ 13,894,830</u>

See accompanying notes to financial statements.

Oil India (USA) Inc.

Statements of Cash Flows

	Year Ended March 31,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	\$ 279,001	\$ (41,601,520)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depletion, depreciation and amortization	1,745,352	6,283,150
Abandonment of expired leases	-	1,799,621
Impairment of oil and natural gas properties	-	36,040,053
Accretion expense	31,761	42,476
Loss on sale of office furniture and equipment	2,049	-
Changes in operating assets and liabilities		
Accounts receivable - oil and natural gas	1,231,078	(1,342,543)
Accounts receivable - other	(22,237)	-
Prepaid expenses	-	2,320
Accounts payable	99,096	32,791
Accrued liabilities	(165,947)	(62,179)
Net cash provided by operating activities	<u>3,200,153</u>	<u>1,194,169</u>
Cash flows from investing activities:		
Acquisition of oil and natural gas properties	237,034	(4,424,042)
Change in capital expenditure accrual	(395,922)	406,650
Proceeds from sale of office furniture and equipment	520	-
Net cash used in investing activities	<u>(158,368)</u>	<u>(4,017,392)</u>
Cash flows from financing activities:		
Borrowing from (repayments to) Parent, net	<u>(7,272)</u>	<u>(134,203)</u>
Net cash used in financing activities	<u>(7,272)</u>	<u>(134,203)</u>
Net increase (decrease) in cash and cash equivalents	3,034,513	(2,957,426)
Cash and cash equivalents - beginning of year	<u>4,739,226</u>	<u>7,696,652</u>
Cash and cash equivalents - end of year	<u>\$ 7,773,739</u>	<u>\$ 4,739,226</u>
Supplemental non-cash investing activities:		
ARO liabilities incurred and revisions to estimates, net	<u>\$ (274,487)</u>	<u>\$ (57,154)</u>

See accompanying notes to financial statements.

Oil India (USA) Inc.

Notes to Financial Statements

March 31, 2021

Note 1 - Nature of OperationsBackground

Oil India (USA) Inc. (the "Company") was formed on September 26, 2012 as a Texas corporation. The Company is a wholly-owned subsidiary of Oil India Limited (the "Parent"). The Company is a petroleum exploration and production company engaged in the acquisition, exploration, and development of properties for the production of crude oil and natural gas from underground reservoirs.

On October 4, 2012, the Company entered into a purchase and participation agreement (the "Agreement") with Carrizo Oil & Gas, Inc. and one of its affiliates (collectively, "Carrizo") to acquire a 20% working interest in oil and natural gas properties located in the Niobrara Formation area in Weld, Morgan, and Adams counties of the State of Colorado.

Note 2 - Summary of Significant Accounting PoliciesCash and cash equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less from the date of purchase. Certificates of deposits have maturities of three months or less and are considered cash equivalents.

Oil and natural gas properties

The Company uses the successful efforts method of accounting for oil and natural gas producing activities. Costs to acquire mineral interests in oil and natural gas properties, costs to drill and equip exploratory wells that find proved reserves, costs to drill and equip development wells, and related asset retirement costs are capitalized. Exploratory wells that do not find proved oil and natural gas reserves are expensed when that determination is made, which is less than one year from the date that total depth is reached and the well is logged. Interest costs, if appropriate, are capitalized to oil and natural gas properties during the period that unevaluated leasehold costs and costs of wells in progress are undergoing development and preparation for their intended use until reserves have been identified.

Capitalized costs of producing oil and natural gas properties, after considering estimated residual salvage values, are depreciated and depleted on a field level (common reservoir) using the unit-of-production method using proved producing oil and natural gas reserves for exploration and development costs and using total proved reserves for acquisition leasehold costs. Unevaluated property costs, costs of wells in progress and related capitalized interest costs are excluded from the base subject to depletion until the related costs are considered developed or until proved reserves are found.

Upon sale or retirement of a complete unit of an evaluated property, the cost and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and the resulting gain or loss is recognized in the statements of operations. On the retirement or sale of a partial unit of evaluated property, the cost and related accumulated depreciation, depletion, and amortization apportioned to the interest retired or sold are eliminated from the property accounts, and the resulting gain or loss is recognized in the statements of operations.

Oil India (USA) Inc.

Notes to Financial Statements

March 31, 2021

Note 2 - Summary of Significant Accounting Policies (Continued)Oil and natural gas properties (continued)

Upon sale of an entire interest in an unevaluated property, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Evaluated oil and natural gas properties are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, which is generally performed at the field level. Assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of the cash flows of other groups of assets. The Company estimates the future undiscounted net cash flows of the affected properties to determine the recoverability of carrying amounts. If the net costs are in excess of the undiscounted future net cash flows, then the fair value is determined using the discounted future net cash flows as the new carrying value with any excess net cost recorded as impairment with a corresponding amount recorded to accumulated depreciation, depletion and amortization. As of March 31, 2021 and 2020, an impairment of proved oil and natural gas properties totaling \$0 and \$36,040,053, respectively, was recorded.

Unevaluated oil and natural gas properties are periodically assessed for impairment and a loss is recognized at the time of impairment by providing an impairment allowance. At March 31, 2021 and 2020, no impairment of unevaluated oil and natural gas properties was required. As unevaluated leases expire and are not renewed, estimated costs of these leases are charged to abandonment expense. Abandonment of expired leases charged to expense totaled \$0 and \$1,799,621 for the years ended March 31, 2021 and 2020, respectively. At March 31, 2021 and 2020, unevaluated oil and natural gas leasehold costs totaled \$0 for each period presented.

Asset retirement obligations

The Company records an asset retirement obligation for the abandonment of oil and natural gas producing properties (see Note 3). The asset retirement obligation is recorded at its estimated fair value on the date that the obligation is incurred, and accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is measured using expected future cash outflows, which consider an estimate of the cost to plug and abandon wells (excluding salvage), future inflation rates and is discounted at the Company's credit-adjusted risk-free interest rate.

The fair value of the estimated asset retirement cost is capitalized as part of the carrying amount of the applicable proved oil and natural gas property and depleted with the corresponding proved oil and natural gas property using the unit-of-production method. Periodically the asset retirement obligation is re-measured to determine if a revision to the estimate is necessary with any revisions being recorded as an adjustment to oil and natural gas property.

Oil India (USA) Inc.

Notes to Financial Statements

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Note 2 - Summary of Significant Accounting Policies (Continued)Revenue recognition

The Company follows Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASC 606") and has applied the standard to all existing contracts. ASC 606 supersedes previous revenue recognition requirements in ASC 605 - Revenue Recognition ("ASC 605") and includes a five-step revenue recognition model to depict the transfer of goods or services to customers in an amount that reflects the consideration in exchange for those goods or services.

The Company's oil and natural gas revenues are comprised of revenues that are distributed from the operator who sells on the Company's behalf to various purchasers the Company's share of oil, natural gas and natural gas liquids ("NGLs") which may be subject to operator obligated processing, treating and delivery contracts. The Company believes that the disaggregation of revenue into these three major product types appropriately depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors based on its single geographic location. Revenues from the sale of oil, natural gas and NGLs is recorded net of royalties.

An accrual is recorded at each reporting period by estimating the oil, natural gas and NGL volumes produced and delivered, net of royalties, and corresponding prices for periods when actual production information is not available. Crude oil that remains within the field tanks, natural gas that remains in a pipeline and natural gas liquids that remain within a tank that is not sold at each reporting period is considered not produced.

The transaction price used to recognize revenue is a function of the contract billing terms of the operator taking into account volumes at contractually based rates with payment typically required within 30 days of the end of the production month. At the end of each month when the performance obligation is satisfied, the variable consideration can be reasonably estimated and amounts due from the operator are accrued in Accounts Receivable – oil and natural gas in the balance sheets. As of March 31, 2021 and 2020, oil and natural receivables from the operators were \$712,874 and \$1,943,952, respectively. Taxes assessed by governmental authorities on crude oil, natural gas and NGLs and costs associated with processing, treating and delivery contracts are typically netting within the selling price received or when remitted. Taxes assessed are presented separately from such revenues in the statements of operations as production taxes and other post production costs are recorded as marketing and distribution costs since control of production sold passes to the purchasers subject to the operator's terms under these contracts.

The Company followed the practical expedient in ASC 606 exempting the disclosure of the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. Each unit of product typically represents a separate performance obligation; therefore, future volumes are wholly unsatisfied and disclosure of the transaction price allocated to remaining performance obligation is not required.

Oil India (USA) Inc.

Notes to Financial Statements

March 31, 2021

Note 2 - Summary of Significant Accounting Policies (Continued)Business concentration

One customer accounted for approximately 87% of the Company's total revenue during the year ended March 31, 2021 and accounted for approximately 91% of accounts receivable as of March 31, 2021. One vendor accounted for approximately 80% of operating expenses during the year ended March 31, 2021, and two vendors accounted for 88% of accounts payable and accrued expenses at March 31, 2021. During the year ended March 31, 2020, two customers accounted for approximately 90% of the Company's total revenue and one of these customers accounted for 95% of accounts receivable as of March 31, 2020. During the year ended March 31, 2020, three vendors accounted for approximately 95% of operating expenses, and three vendors accounted for 86% of accounts payable and accrued expenses at March 31, 2020.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Significant estimates include volumes of oil and natural gas reserves used in calculating depletion, depreciation and amortization of oil and natural gas properties, future net revenues and abandonment obligations, impairment of developed and undeveloped properties, the collectability of outstanding accounts receivable, contingencies, and the results of any current and future litigation. Oil and natural gas reserve estimates, which are the basis for unit-of-production depletion and depreciation, have numerous inherent uncertainties. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Subsequent drilling results, testing, and production may justify revision of such estimates. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered.

In addition, reserve estimates are sensitive to changes in wellhead prices of crude oil and natural gas, which has a direct effect on future revenues and volumes of oil and natural gas that can be produced economically. Such prices have been volatile in the past and can be expected to be volatile in the future.

The significant estimates are based on current assumptions that may be materially affected by changes to future economic conditions, such as the market prices received for sales of volumes of oil and natural gas, which are primarily based upon the data and information received from the operators. Future changes in these assumptions may affect these estimates materially in the near term.

Oil India (USA) Inc.

Notes to Financial Statements

March 31, 2021

Note 2 - Summary of Significant Accounting Policies (Continued)Income taxes

Provisions for income taxes are based on taxes payable or refundable for the current period and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax basis of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. When appropriate, a valuation allowance is recorded to reflect deferred tax assets at their net realizable value.

The state of Texas has a gross margin tax of 0.75% that is levied on taxable margin. Taxable margin is defined as total revenue less deduction for costs of goods sold or compensation and benefits in which total calculated taxable margin cannot exceed 70% of total revenue. The state of Colorado has an income tax rate of 4.63% that is levied on taxable income.

The Company will account for interest and penalties assessed as a result of an examination if in income tax expense. The Company had no tax-related interest or penalties for the years ended March 31, 2021 and 2020. Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the financial statements.

Fair value of financial measurements

The Company measures fair value under ASC 820, "Fair Value Measurements and Disclosures," which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements.

A three-level valuation hierarchy for disclosure of fair value measurements categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs include observable inputs such as quoted prices in active markets at the measurement date for identical, unrestricted assets or liabilities. Level 2 inputs include inputs that are observable directly or indirectly such as quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. Level 3 inputs include unobservable inputs for which there is little or no market data and which the Company makes its own assumptions about how market participants would price the assets and liabilities.

The initial measurement of asset retirement obligations at fair value is calculated using discounted cash flow techniques and based on internal estimates of future retirement costs associated with property, plant and equipment. Significant Level 3 inputs used in the calculation of asset retirement obligations include plugging costs, inflation rates, discount rates and reserve lives. A reconciliation of the Company's asset retirement obligations is presented in Note 3.

Oil India (USA) Inc.

Notes to Financial Statements

March 31, 2021

Note 2 - Summary of Significant Accounting Policies (Continued)Fair value of financial measurements (continued)

Fair value measurements are also used for impairment purposes most notably related to oil and natural gas properties. Significant Level 3 inputs used in the calculation of fair value takes into consideration of number of assumptions such as future net revenues associated the production and sale of oil and natural gas, future prices, estimates of costs and expenses, timing of production, inflation rates, cost of capital discount rates, future development of prospects and current economic conditions. Significant Level 3 inputs used in the calculation of fair value takes into consideration of number of assumptions such as future net revenues associated the production and sale of oil and natural gas, future prices, estimates of costs and expenses, timing of production, inflation rates, cost of capital discount rates, future development of prospects and current economic conditions.

Certificates of deposits are valued at amortized costs, which approximates fair value, and are included as cash equivalents.

Leases

The Company follows Accounting Standards Update No. 2016-02 (ASU 2016-02), which created ASC 842 Leases. The standard requires lessees to recognize a right-of-use (ROU) asset and lease liability on the balance sheet for the rights and obligations created by leases. This standard does not apply to leases to explore for or use minerals, oil, natural gas or similar nonregenerative resources, including the intangible right to explore for those resources and rights to use the land in which those natural resources are contained. The standard does not have any impact on the Company since the Company does not have any active leases.

Note 3 - Asset Retirement Obligations

The following is a summary of the changes in the asset retirement obligations for the years ending March 31:

	<u>2021</u>	<u>2020</u>
Asset retirement obligation, beginning of year	\$ 1,634,118	\$ 1,648,796
Liabilities incurred	8,372	53,334
Revisions of estimate	(282,859)	(110,488)
Accretion expense	<u>31,761</u>	<u>42,476</u>
Asset retirement obligation, end of year	<u>\$ 1,391,392</u>	<u>\$ 1,634,118</u>

Note 4 - Related Party Transactions

The Parent from time to time makes advances to the Company for both capital expenditure and working capital needs. Total expenses incurred by the Parent and billed to the Company was \$3,936 and \$48,086 for the years ended March 31, 2021 and 2020, respectively, and are comprised of certain employee benefits and travel costs billed at actual costs incurred. The total amount of outstanding advances from the Parent was \$0 and \$7,272 at March 31, 2021 and 2020, respectively, and is recorded as payable to Parent within the balance sheets.

Oil India (USA) Inc.

Notes to Financial Statements

March 31, 2021

Note 5 - Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using a U.S. Federal statutory corporate rate of 21% as of March 31, 2021 and 2020.

Significant components of the net deferred tax asset as of March 31 are as follows:

	2021	2020
Differences in depletion, depreciation, and amortization of property for tax purposes	\$ 2,883,141	\$ 3,621,343
Federal net operating loss carryforward	17,285,450	16,715,107
State net operating loss carryforward	3,010,714	2,911,374
Valuation allowance	<u>(23,179,305)</u>	<u>(23,247,824)</u>
Deferred tax asset	\$ -	\$ -

The Company has a net operating loss carryforward available at March 31, 2021 that amounts to \$82,311,668, of which \$63,912,859 will begin to expire in 2033 and \$18,398,809 will be carried forward indefinitely.

Income tax expense differed from the amount computed by applying the U.S. federal income tax rate of 21% to pretax income, as a result of the following:

	Year Ended March 31,	
	2021	2020
Income tax benefit at statutory rate	\$ 58,590	\$ (8,736,319)
State tax benefit	10,164	(1,513,426)
Prior year true-ups	-	14,563
Other	(235)	(8,102)
Valuation allowance	<u>(68,519)</u>	<u>10,243,284</u>
Total tax expense	\$ -	\$ -

Note 6 - Commitments and Contingencies

From time to time, the Company may be party to legal actions and claims arising in the ordinary course of business. While the outcome of these events cannot be predicted with certainty, management does not expect these matters to have a material adverse effect on the financial positions or results of operations of the Company.

The operations and financial positions of the Company continue to be affected from time to time in varying degrees by domestic political developments as well as legislation and regulations pertaining to restrictions on oil and gas production, imports and exports, gas regulation, environmental regulations and cancellation of contract rights. Both the likelihood and overall effect of such occurrences on the Company vary and are not predictable.

Oil India (USA) Inc.

Notes to Financial Statements

March 31, 2021

Note 6 - Commitments and Contingencies (Continued)

In the normal course of business, the Company is subjected to claims, legal actions, contract negotiations, and disputes. The Company is subject to contingencies as a result of environmental laws and regulations. The Company provides for losses, if any, in the year in which they can be reasonably estimated. In management's opinion, there are currently no such matters outstanding that would have a material effect on the accompanying financial statements.

The Company leased office space under a non-cancellable operating lease agreement that expired in May 2020. Rent expense of \$4,359 and \$17,301 was included in general and administrative expenses for the years ended March 31, 2021 and 2020, respectively.

Note 7 - Concentrations of Credit Risk and Financial Instruments

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and accounts receivable. The Company maintains its cash with financial institutions it believes have a high credit quality. The Company at times maintains bank deposits in excess of federally-insured limits. The possibility of a loss exists if the bank holding excess deposits was to fail. All of the Company's accounts receivable resulting from oil, natural gas and NGL sales are from the operators of 100% of the Company's net interest in its properties. To mitigate this credit risk, the Company closely monitors the payment history and credit worthiness of the operators.

Note 8 - Subsequent Events

Management has evaluated subsequent events through May 5, 2021, which is the date the financial statements were available to be issued and has determined that there were no subsequent events to be reported.