GAIL Global (USA) Inc.
and Subsidiary

Consolidated Financial Statements
(with Independent Accountants' Review Report)

March 31, 2022

GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

March 31, 2022

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Stockholder of
GAIL Global (USA) Inc. and Subsidiary

We have reviewed the accompanying consolidated financial statements of GAIL Global (USA) Inc. (a Texas corporation) and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of March 31, 2022 and 2021, the related consolidated statements of operations, changes in stockholder's deficit and cash flows for the three months ended March 31, 2022 and 2021, and the related notes to the consolidated financial statements. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with U.S. GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with U.S. GAAP.

Pannell Kerr Forster of Texas, P.C.

May 9, 2022

GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Consolidated Balance Sheets

	March 31, 2022	March 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 1,675,226	$ 793,060
Accounts receivable - oil and natural gas	2,007,271	1,062,857
Accounts receivable - Parent	135,490,307	91,512,368
Accounts receivable - other	42,585	27,211
Inventory	11,612,013	20,293,395
Prepaid expenses	14,291	88,007
Other current assets	-	925,062
Total current assets	150,841,693	114,701,960
Oil and natural gas properties, successful effort method		
Property costs		
Leasehold costs (evaluated and unevaluated)	25,030,983	25,135,376
Drilling costs	34,028,843	34,020,347
Completion costs	60,769,415	60,625,169
Production equipment and facilities	10,454,350	10,312,081
Asset retirement obligation asset	682,212	679,115
Capitalized interest	4,200,117	4,097,045
Total oil and natural gas property	135,165,920	134,869,133
Office equipment	69,691	69,691
Accumulated depletion, depreciation and amortization	(82,295,771)	(72,393,720)
Oil and natural gas properties, net	52,939,840	62,545,104
Operating lease right of use asset, net	88,080	131,751
Total assets	$ 203,869,613	$ 177,378,815

See accompanying notes to consolidated financial statements.

	March 31, 2022	March 31, 2021
Liabilities and Stockholder's Deficit		
Current liabilities		
Accounts payable	$ 104,024,731	$ 76,322,080
Accrued liabilities	138,823	165,056
Lines of credit	108,821,565	107,672,660
Operating lease liability, current portion	45,211	47,661
Total current liabilities	213,030,330	184,207,457
Deferred tax liability, net	1,164,489	1,586,643
Asset retirement obligations	882,172	843,031
Operating lease liability, net of current portion	47,220	88,981
Total liabilities	215,124,211	186,726,112
Commitments and contingencies		
Stockholder's deficit		
Common stock, $1 par value; 50,000,000 shares authorized, 36,000,000 shares issued and outstanding	36,000,000	36,000,000
Retained deficit	(47,254,598)	(45,347,297)
Total stockholder's deficit	(11,254,598)	(9,347,297)
Total liabilities and stockholder's deficit	$ 203,869,613	$ 177,378,815

See accompanying notes to consolidated financial statements.

GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Consolidated Statements of Operations

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
LNG sales - Parent	$ 318,153,490	$ 199,658,991
Oil and natural gas sales		
Crude oil	2,295,571	1,625,244
Natural gas liquids	218,869	78,956
Natural gas	186,391	37,873
Total oil and natural gas sales	2,700,831	1,742,073
Total revenue	320,854,321	201,401,064
Cost of sales - LNG	317,636,796	198,949,869
Oil and natural gas operating expenses		
Lease operating	428,262	502,801
Production taxes	129,800	77,983
Marketing and distribution	171,544	86,862
Depletion, depreciation and amortization	1,997,705	1,795,393
Abandonment of expired leases	106,000	-
Accretion expense	9,117	8,456
General and administrative	471,075	651,673
Total operating expenses	320,950,299	202,073,037
Loss from operations	(95,978)	(671,973)
Other income (expense)		
Interest income	117	1,765
Interest expense	(246,681)	(291,965)
Interest expense capitalized	24,332	26,402
Total other expense, net	(222,232)	(263,798)
Loss before income tax benefit	(318,210)	(935,771)
Income tax benefit		
Deferred	18,163	56,935
Total income tax benefit	18,163	56,935
Net loss	$ (300,047)	$ (878,836)

See accompanying notes to consolidated financial statements.

GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Consolidated Statements of Changes in Stockholder's Deficit

For the Three Months Ended March 31, 2022 and 2021

	Common Stock	Retained Deficit	Total
Balance, December 31, 2020	$ 36,000,000	$ (44,468,461)	$ (8,468,461)
Net loss	-	(878,836)	(878,836)
Balance, March 31, 2021	$ 36,000,000	$ (45,347,297)	$ (9,347,297)
Balance, December 31, 2021	$ 36,000,000	$ (46,954,551)	$ (10,954,551)
Net loss	-	(300,047)	(300,047)
Balance, March 31, 2022	$ 36,000,000	$ (47,254,598)	$ (11,254,598)

See accompanying notes to consolidated financial statements.

GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Consolidated Statements of Cash Flows

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash flows from operating activities		
Net loss	$ (300,047)	$ (878,836)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depletion, depreciation and amortization	1,997,705	1,795,393
Abandonment of expired leases	106,000	-
Accretion expense	9,117	8,456
Amortization of operating lease right of use asset	10,940	10,881
Deferred income tax benefit	(18,163)	(56,935)
Changes in operating assets and liabilities		
Accounts receivable - oil and natural gas	(120,782)	343,359
Accounts receivable - Parent	(3,697,412)	(2,884,013)
Accounts receivable - other	(10,374)	3,084
Inventory	19,452,837	(7,468,783)
Prepaid expenses	19,559	574,629
Other current assets	2,391,326	1,297,629
Accounts payable	(3,185,193)	5,570,046
Accrued liabilities	(27,339)	62,938
Operating lease liability	(11,075)	(10,834)
Net cash provided by (used in) operating activities	16,617,099	(1,632,986)
Cash flows from investing activities		
Additions to oil and natural gas properties	(29,156)	(627,995)
Change in capital expenditure accrual	(9,906)	-
Net cash used in investing activities	(39,062)	(627,995)
Cash flows from financing activities		
Proceeds from borrowings on lines of credit	298,937,510	200,021,245
Repayments of lines of credit	(314,706,079)	(197,663,594)
Net cash provided by (used in) financing activities	(15,768,569)	2,357,651
Net increase in cash and cash equivalents	809,468	96,670
Cash and cash equivalents - beginning of period	865,758	696,390
Cash and cash equivalents - end of period	$ 1,675,226	$ 793,060
Non-cash investing and financing activities		
Capitalized asset retirement obligation costs	$ -	$ 35,784
Supplemental cash flow information		
Cash paid for interest, net of amounts capitalized	$ 249,688	$ 202,624

See accompanying notes to consolidated financial statements.

NOTE 1 - NATURE OF OPERATIONS

GAIL Global (USA) Inc. ("GGUI") was formed on September 26, 2011 as a Texas Corporation and is a wholly-owned subsidiary of GAIL (India) Limited (the "Parent"). GGUI is a United States 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 September 28, 2011, GGUI entered into a purchase and participation agreement (the "Agreement") to acquire a 20% working interest in oil and natural gas properties located in the Eagle Ford Shale area in Dimmit, Frio, LaSalle and McMullen Counties of the State of Texas for an upfront payment of $63,650,000 and a carry on behalf of the seller totaling $31,350,000, which has since then been funded.

In July 2018, the Company sold its working interest in certain producing properties and undeveloped acreage totaling approximately 2,502 net acres (including 55 producing wells) located primarily in LaSalle County in the Eagle Ford Shale area to EP Energy E&P Company, L.P. At March 31, 2022, the Company had a working interest in the remaining 2,862 net acres (including 83 producing wells) in the Eagle Ford Shale area.

During 2013, the Company's Board of Directors approved the formation of a wholly-owned subsidiary to enter into contractual agreements to secure capacity rights in a certain liquefied natural gas ("LNG") liquefaction terminal and related pipelines, to purchase and deliver natural gas to the terminal, and to perform any other activities that may be required in the sale of LNG to Parent. On March 28, 2013, Gail Global (USA) LNG LLC ("GGULL or Subsidiary") was formed as a Delaware limited liability company to hold the LNG operations and related obligations. GGUI and Subsidiary are collectively referred to as the "Company".

In April 2013, GGULL entered into a terminal service agreement with Dominion Energy Cove Point LNG, LP ("DECP") for 2.3 million tons per annum of capacity in the Dominion Energy Cove Point LNG Terminal in Lusby, Maryland, for a term of approximately 20 years, commencing on the in-service date of the LNG liquefaction terminal, which occurred in April 2018. GGULL also entered into a Pipeline Precedent Agreement for a pipeline capacity of 420,000 Dekatherm ("Dth") per day (later changed to 430,000 Dth/Day) in DECP's Cove Point pipeline. The terminal service agreement requires GGULL to pay monthly fixed charges for liquefaction of the annual contracted quantities and supply fuel gas for liquefaction and general terminal purposes. The operator is liable to pay certain credits to GGULL in case of service failures other than force majeure. The Pipeline Precedent Agreement followed by the Pipeline Service Agreement executed in December 2014 requires GGULL to pay monthly fixed and variable charges for capacity of 430,000 Dth/Day in DECP's Cove Point pipeline. In November 2020, DECP changed its name to Cove Point LNG, LP ("CPLL") and is referred to herein as CPLL.

In November 2014, GGULL entered into a Gas Sale and Purchase Agreement ("GSPA") with WGL Midstream, Inc. ("WGLM") for supply of up to 430,000 Dth per day of natural gas for a term of approximately 20 years. The supplies under the GSPA commenced in March 2018. As provided in the GSPA, GGULL also released its capacity in CPLL's Cove Point pipeline in favor of WGLM. In April 2021, WGLM became Six One Commodities Vega LLC followed by a change in its ownership interest. Effective July 2021, Six One Commodities Vega LLC assigned GSPA to its affiliate Six One Commodities LLC and GGULL amended its capacity release in CPLL's Cove Point pipeline in favor of Six One Commodities LLC.

NOTE 1 - NATURE OF OPERATIONS (CONTINUED)

In September 2017, GGULL entered into an LNG Sale Purchase Agreement ("LNG SPA") with the Parent for the sale of LNG from the Dominion Energy Cove Point LNG Terminal in Lusby, Maryland. LNG sales to Parent under the LNG SPA commenced in April 2018.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of GGUI and GGULL. All significant intercompany accounts and transactions have been eliminated in consolidation.

Interim Financial Information

The information contained in the accompanying consolidated financial statements as of March 31, 2022 and 2021 and for the three month periods ended March 31, 2022 and 2021 are unaudited; however, the consolidated financial statements include all adjustments of a normal recurring nature which are, in the opinion of management, necessary to present fairly the financial position of the Company as of March 31, 2022 and 2021 and the results of its operations and cash flows for the three month periods ended March 31, 2022 and 2021. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end, which is December 31. The results of operations for interim periods are not necessarily indicative of the results for any other interim period or the full year.

Cash 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.

Inventory

Crude oil that remains within 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. Therefore, no inventory is recorded by GGUI for produced volumes that remain unsold.

GGULL supplies natural gas to CPLL's Liquefaction Terminal for production of LNG, for fuel consumed for such liquefaction and for its fuel share for terminal operations. Natural gas supplied by GGULL for fuel is treated as consumed and any positive or negative imbalance with the operator is adjusted in subsequent fuel supplies. All LNG produced for GGULL and remaining in the LNG tanks at the liquefaction terminal at each reporting date is valued on a First-in-First Out ("FIFO") basis and is classified as Inventory. Valuation of LNG includes the costs of natural gas (including consumed fuel gas), gas liquefaction and gas transportation. Inventory is carried at the lower of cost or net realizable value.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquefaction - Other Current Assets or Liabilities

Per the Terminal Services Agreement executed between GGULL and CPLL, GGULL is entitled to liquefaction of gas quantities at the CPLL liquefaction terminal equal to the aggregate annual contracted quantities stated in the agreement for such operating year. For liquefaction services, GGULL is required to pay fixed liquefaction charges each month but the liquefaction quantities vary from month to month.

Therefore, the value of the difference between the liquefaction charges paid and the value of the liquefaction services provided for the quantities received at each reporting date is accounted for in either a prepaid Liquefaction Charges Adjustment Account, which is included within Other Current Assets, or a liability Liquefaction Charges Adjustment Account, which is included in Accounts Payable, on the consolidated balance sheets.

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, to drill and equip exploratory wells that find proved reserves, 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. With respect to amounts paid by the Company for its carry obligation, they are recorded to oil and natural gas properties in cost categories incurred as tangible and intangible drilling costs and completion costs and production equipment and facilities. Additionally, interest costs 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.

Interest costs totaling $24,332 and $26,402 were capitalized for the three months ended March 31, 2022 and 2021, respectively. Geological and geophysical costs and costs of carrying and retaining unproved properties are expensed when incurred.

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) basis 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. Unproved 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 consolidated 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 consolidated statements of operations.

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, 2022 and 2021, no impairment of unevaluated oil and natural gas properties is required.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Oil and Natural Gas Properties (Continued)

During the three months ended March 31, 2022 and 2021, abandonment of expired leases charged to expense totaled $106,000 and $0, respectively. As of March 31, 2022 and 2021, oil and natural gas leasehold costs in the consolidated balance sheets included $10,857,070 and $10,963,232, respectively, of unevaluated leasehold costs. As of March 31, 2022 and 2021, capitalized interest associated with unevaluated oil and natural gas leasehold costs in the consolidated balance sheets included $2,229,380 and $2,125,391, respectively.

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 unevaluated 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 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 an impairment with a corresponding amount recorded to accumulated depreciation, depletion, and amortization. At March 31, 2022 and 2021, no impairment of evaluated oil and natural gas properties is required.

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 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 cost.

Revenue Recognition and Imbalances

The Company follows Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers" (Topic 606) ("ASC 606"). ASC 606 uses 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Imbalances (Continued)

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 when control has passed and is 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 operator are accrued in Accounts Receivable – oil and natural gas in the consolidated balance sheets. As of March 31, 2022 and 2021, oil and natural gas receivables from the operators were $2,007,271 and $1,062,857, respectively. Taxes assessed by governmental authorities on crude oil, natural gas and NGLs and costs associated with processing, treating and delivery contracts are typically netted within the selling price received or when remitted. Taxes assessed are presented separately from such revenues in the consolidated 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 applied 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.

Revenue from LNG sales is recognized when the LNG Cargo Loading is completed and control has passed. All the costs arising out of GGULL's LNG operations are billed to the Parent ("Buyer") through LNG invoices or billing adjustments. The LNG sales price is comprised of the natural gas purchase cost, liquefaction costs, transportation costs, other third-party costs such as financing and letter of credit costs, legal expenses on contracts, general and administrative costs and a markup on general and administrative costs. The markup being charged is subject to the outcome of an Advance Pricing Agreement filed by GGUI with the IRS for transfer pricing of GGULL's Parent LNG transactions. Any under/over recovery in costs is recorded as a true-up provision within Other Current Assets or within Accounts Payable and is adjusted in subsequent periods through LNG pricing adjustments. In addition to the LNG sale pricing, any costs paid to or any credits received from the terminal operator and gas supplier that are not related to the LNG sold are passed on to the Buyer through Debit/Credit Notes and reported as receivable from/payable to Buyer.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

Deferred financing costs are those costs incurred in connection with obtaining a line of credit and are amortized to interest expense, on a straight-line basis, which approximates the interest method, over the term of the line of credit.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated 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 consolidated financial statements.

Significant estimates include volumes of oil and natural gas reserves used in calculating depreciation, depletion and amortization of oil and natural gas properties, future net revenues and abandonment obligations, impairment of evaluated and unevaluated properties, the collectability of outstanding accounts receivable, contingencies, and the results of current and future litigation. Oil and natural gas reserve estimates, which are the basis for unit-of-production depreciation and depletion, 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 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 operator. Future changes in these assumptions may affect these significant estimates materially in the near term.

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 bases of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are included in the consolidated 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 its deferred tax assets at their net realizable value.

The Company is subject to state taxes in Maryland and Texas. The state of Texas has a gross margin tax that applies to the Company. Tax 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Company will account for interest and penalties assessed resulting from an examination in income tax expense when incurred. The Company had no tax-related interest or penalties for the three months ended March 31, 2022 and 2021. Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the consolidated financial statements.

Sales-Based Taxes

The Company pays certain governmental taxes based on its sales of oil and natural gas to customers. The Company reports its sales at the gross amount and the related taxes, primarily severance taxes, are included in production taxes in the accompanying consolidated statements of operations. Total sales-based taxes incurred by the Company for the three months ended March 31, 2022 and 2021 amounted to $129,800 and $77,983, respectively.

Fair Value of Financial Instruments

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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Company follows ASU No. 2016-02, leases (Topic 842) and all related amendments ("ASC 842"), which accounts for leases to be put on the consolidated balance sheet as Right of Use Assets with a corresponding amount recorded as a Lease Liability. The Company's lease is an operating lease for its office space which expires in March 2024. See Note 9 – "Leases".

NOTE 3 - ASSET RETIREMENT OBLIGATIONS

A summary of the changes in the asset retirement obligations for the three months ended March 31, 2022 and 2021 is as follows:

	2022	2021
Balance, December 31	$ 873,055	$ 798,791
Liabilities incurred	-	35,784
Accretion expense	9,117	8,456
Balance, March 31	$ 882,172	$ 843,031

NOTE 4 - LINES OF CREDIT

During April 2019, GGULL entered into a credit facility agreement with a bank for: (1) a $50,000,000 committed line of credit (the "Working Capital Line of Credit"), and (2) an uncommitted line of credit (the "Uncommitted Working Capital Line of Credit") for $20,000,00 both of which matured in April 2020. During April 2020, GGULL entered into a credit facility agreement for: (1) a $55,000,000 committed line of credit (the "New Working Capital Line of Credit"), and (2) an uncommitted line of credit (the "New Uncommitted Working Capital Line of Credit") for $15,000,000, both of which matured in April 2021. Borrowings under the New Working Capital Line of Credit as of March 31, 2021 accrued interest at the one-month LIBOR plus 0.50% and was payable monthly. The New Working Capital Line of Credit had a commitment fee at March 31, 2021 equal to 0.10% per annum times the average daily amount by which the commitment exceeds the outstanding principal amount. The commitment fee accrued at all times, as defined, and was due and payable in arrears on the last day of each interest period. The New Working Capital Line of Credit was guaranteed by the Company's Parent for no annual fee. The outstanding balance on the New Working Capital Line of Credit at March 31, 2021 was $35,672,660.

During April 2021, GGULL entered into a credit facility agreement with a bank for: (1) a $55,000,000 committed line of credit (the "Second New Working Capital Line of Credit"), and (2) an uncommitted line of credit (the "Second New Uncommitted Working Capital Line of Credit") for $15,000,000, both of which mature in April 2022. Borrowings under the Second New Working Capital Line of Credit as of March 31, 2022 accrued interest at the one-month LIBOR (0.43757% at March 31, 2022) plus 0.42% and was payable monthly. The Second New Working Capital Line of Credit had a commitment fee at March 31, 2022 equal to 0.10% per annum times the average daily amount by which the commitment exceeds the outstanding principal amount. The commitment fee accrued at all times, as defined, and was due and payable in arrears on the last day of each interest period. The Second New Working Capital Line of Credit was guaranteed by the Company's Parent for no annual fee. The outstanding balance on the Second New Working Capital Line of Credit at March 31, 2022 was $41,821,565. See Note 10 – "Subsequent Events " for a summary of the new credit agreement for a Working Capital Line of Credit.

NOTE 4 - LINES OF CREDIT (CONTINUED)

During September 2017, GGULL entered into two letter of credit facility agreements with a bank to provide for: (1) a $100,000,000 Letter of Credit Line, and (2) a $25,000,000 Uncommitted Line of Credit. These facilities will be used for the issuance of standby letters of credit to accommodate the purchase of natural gas. The agreements were subsequently amended to extend the maturity date to September 27, 2021. The Letter of Credit Line had a commission fee of 0.25% on the average daily amount of obligations outstanding, and a facility fee equal to 0.25% per annum times the average daily amount by which the commitment exceeds the outstanding Letter of Credit Line obligation amount. The facility fees and commission fees for the immediately preceding quarter were payable on the first business day of the quarter. The Letter of Credit Line was guaranteed by the Company's Parent for no annual fee.

In June 2021, GGULL further amended the $100,000,000 Letter of Credit Line and the $25,000,000 Uncommitted Line of Credit to extend the maturity date from September 27, 2021 to September 27, 2022. The remaining terms are similar to those under its prior agreement except the original commission fees have been revised to be 0.25% of the aggregate amount available to be drawn after September 28, 2021. The Letter of Credit Line continues to be guaranteed by the Company's Parent. At March 31, 2022 and 2021, the issued letters of credit under the Letter of Credit Line totaled $100,000,000.

During December 2020, the Company entered into a Credit Facility Agreement with a bank for borrowings of up to $72,500,000 (the "Line of Credit") with a bank. The outstanding balance on the Line of Credit at March 31, 2021 was $72,000,000, and matured on December 17, 2021. Borrowings under the Line of Credit accrued interest at the one-month LIBOR (0.11113% at March 31, 2021) plus 0.39% and was payable monthly. The Line of Credit was guaranteed by the Parent for an annual fee of 0.43% payable quarterly in advance calculated based on the outstanding principal plus overdue interest.

During December 2021, the Company entered into a Credit Facility Agreement with a bank for borrowings of up to $70,000,000 (the "New Line of Credit") with a bank. The outstanding balance on the New Line of Credit at March 31, 2022 was $67,000,000 and matures on December 16, 2022. Borrowings under the New Line of Credit accrue interest at the one-month LIBOR (0.43757% at March 31, 2022) plus 0.39% and is payable monthly. The New Line of Credit is guaranteed by the Parent for an annual fee of 0.24% payable quarterly in arrears, calculated based on the outstanding principal plus overdue interest.

The following table comprises the outstanding lines of credit balance at March 31, 2022 and 2021:

	2022	2021
Line of credit	$ 67,000,000	$ 72,000,000
Working capital line of credit	41,821,565	35,672,660
Lines of credit	$ 108,821,565	$ 107,672,660

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, 2022 and 2021.

	2022	2021
Deferred tax assets (liabilities)		
Differences in depletion, depreciation and amortization of property for tax purposes	$ (7,321,211)	$ (8,137,422)
Net operating loss carryforward	7,471,997	7,866,054
Capitalized interest expense	(1,315,275)	(1,315,275)
Total deferred tax liability, net	$ (1,164,489)	$ (1,586,643)

The Company has a net operating loss carryforward available at March 31, 2022 amounting to $81,136,036, of which $67,775,936 begins to expire in 2035 and $13,360,100 will be carried forward indefinitely. Maryland generally follows the federal rules with respect to the treatment of NOL's. At March 31, 2022, the Company has a state net operating loss carryforward of $9.2 million.

The 2017 CARES Act provisions relating to NOL's are not expected to result in any material impacts to the Company's tax attributes. At March 31, 2022 and 2021, a tax effected valuation allowance totaling approximately $10.2 million and $8.7 million, respectively, has been recorded and is reflected as a reduction of the net operating loss carryforward.

The differences between the U.S. Federal statutory corporate rate of 21% and the current income tax rates realized for the three months ended March 31, 2022 and 2021 are due to several factors primarily resulting from the Company's LNG operations, which commenced in Maryland during 2018, to which state income taxes are applicable. Accordingly, in 2018 the Company established deferred state income taxes related to its Maryland LNG operations. The 2017 CARES Act, which came into effect during the 2018 tax year, phased out the alternative minimum ("AMT") tax.

NOTE 6 - RELATED PARTY TRANSACTIONS

The Company recorded interest expense related to the Parent's guarantee of the lines of credit for the three months ended March 31, 2022 and 2021 totaling $34,477 and $76,340, respectively.

The Company incurred general and administrative expenses incurred by its Parent on behalf of the Company of $29,483 and $147,460 during the three months ended March 31, 2022 and 2021, respectively. At March 31, 2022 and 2021, $27,143 and $82,641, respectively, was unpaid and included in Accounts Payable.

GGULL recorded LNG revenue from sales to Parent of approximately $318 million and $200 million during the three months ended March 31, 2022 and 2021, respectively. At March 31, 2022 and 2021, Accounts Receivable – Parent was approximately $135 million and $92 million, respectively.

NOTE 6 - RELATED PARTY TRANSACTIONS (CONTINUED)

GGULL recorded LNG over/(under) recovery in costs as a true-up provision to be adjusted in subsequent periods through LNG pricing adjustments to Parent of approximately $2.0 million and $(1.0) million for the three months ended March 31, 2022 and 2021, respectively. At March 31, 2022 and 2021, Current Assets included approximately $nil and $0.9 million, respectively, related to this true-up provision.

NOTE 7 - 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.

NOTE 8 - 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 and natural gas sales are from two operators of 100% of the Company’s properties. To mitigate this credit risk, the Company closely monitors the payment history and credit worthiness of the operators. All of the Company’s accounts receivable resulting from LNG sales are from its Parent.

The carrying value of the Working Capital Line of Credit and the Line of Credit approximates fair value because the interest rate is based on current floating market rates commensurate with debt instruments that carry similar credit risk. Since the Company’s debt instruments have floating interest rates based on the one-month LIBOR rate the Company is exposed to interest rate risk. Interest expense will fluctuate as the LIBOR rate increases and decreases and due to changes in borrowing activities. Based on the March 31, 2022 balance of debt outstanding, a 1% change in the LIBOR rate will cause interest expense to increase or decrease by approximately $1 million.

NOTE 9 - LEASES

The Company follows ASC 842 applying the modified retrospective approach.

The Company has an operating lease for its office which expires on March 31, 2024. The initial accounting for this operating lease under ASC 842 resulted in the recognition of operating lease liability totaling $147,476, based upon the present value of the remaining minimum rental payments using discount rates as of the adoption date. The Company recorded a corresponding right-of-use asset totaling $142,632 based upon the operating lease liability adjusted for deferred rent and lease incentives and a $4,844 cumulative effect as an adjustment to the opening balance of accumulated deficit.

At March 31, 2022, the operating lease right-of-use asset total is $88,080 and the operating lease liability total is $92,431. At March 31, 2021, the operating lease right-of-use asset total is $131,751 and the operating lease liability total $136,642.

The Company is subject to future minimum rental payments for operating leases for office space and future minimum rental commitments for the period and years ended December 31, are as follows:

December 31,		
2022	$	34,445
2023		46,747
2024		11,755
	$	92,947

Total rental expense for all operating leases except those with terms of a month or less that were not renewed was $19,079 and $18,427 for the three months ended March 31, 2022 and 2021, respectively.

NOTE 10 - SUBSEQUENT EVENTS

In April 2022, GGULL entered into a new credit agreement for a Working Capital Line of Credit Committed amount of $65,000,000 and an Uncommitted Working Capital Line of Credit of $25,000,000 both of which mature in April 2023. Borrowings under the Line of Credit accrue interest at the one-month SOFR plus 0.55% and is payable monthly. The Working Capital Line of Credit has a commitment fee equal to 0.15% per annum times the average daily amount by which the commitment exceeds the outstanding principal amount. The commitment fee will accrue at all times, as defined, and will be due and payable in arrears on the last day of each interest period. The Working Capital Line of Credit is guaranteed by the Company’s Parent for no annual fee.

The Company has evaluated subsequent events through May 9, 2022, the date the consolidated financial statements were available to be issued and have determined that there are no other subsequent events to be reported.