

***Strategic determinations, including the allocation of capital and other resources to strategic opportunities, are challenging in the face of shifting market conditions, and our failure to appropriately allocate capital and resources among our strategic opportunities may adversely affect our financial condition and reduce our future growth rate.***

We necessarily must consider future price and cost environments when deciding how much capital we are likely to have available from net cash flow and how best to allocate it. Our current philosophy is to generally operate within cash flow from operations, net of changes in working capital, and to invest capital in a portfolio of projects that are projected to generate the highest combined Internal Rate of Return. Volatility in prices and potential errors in estimating costs, reserves or timing of production of the reserves can result in uneconomic projects or economic projects generating less than anticipated returns.

***Certain of our undeveloped assets are subject to leases that will expire over the next several years unless production is established on units containing the acreage.***

Approximately 19,242 and 68,825 net acres of our Northeast Appalachia and Southwest Appalachia acreage, respectively, will expire in the next three years if we do not drill successful wells to develop the acreage or otherwise take action to extend the leases. Our ability to drill wells depends on a number of factors, including certain factors that are beyond our control, such as the ability to obtain permits on a timely basis or to compel landowners or lease holders on adjacent properties to cooperate. Further, we may not have sufficient capital to drill all the wells necessary to hold the acreage without increasing our debt levels, or given price projections at the time, drilling may not be projected to achieve a sufficient return or be judged to be the best use of our capital. To the extent we do not drill the wells, our rights to acreage can be lost.

***Natural gas and oil drilling and producing and transportation operations can be hazardous and may expose us to liabilities.***

Drilling and production operations are subject to many risks, including well blowouts, cratering and explosions, pipe failures, fires, formations with abnormal pressures, uncontrollable flows of oil, natural gas, brine or well fluids, severe weather, natural disasters, groundwater contamination and other environmental hazards and risks. Some of these risks or hazards could materially and adversely affect our revenues and expenses by reducing or shutting in production from wells, loss of equipment or otherwise negatively impacting the projected economic performance of our prospects. If any of these risks occurs, we could sustain substantial losses as a result of:

- injury or loss of life;
- severe damage to or destruction of property, natural resources or equipment;
- pollution or other environmental damage;
- clean-up responsibilities;
- regulatory investigations and administrative, civil and criminal penalties; and
- injunctions resulting in limitation or suspension of operations.

For our properties that we do not operate, we depend on the operator for operational and regulatory compliance.

We rely on third parties to transport our production to markets. Their operations, and thus our ability to reach markets, are subject to all of the risks and operational hazards inherent in transporting natural gas and ethane and natural gas compression, including:

- damages to pipelines, facilities and surrounding properties caused by third parties, severe weather, natural disasters, including hurricanes, and acts of terrorism;
- maintenance, repairs, mechanical or structural failures;
- damages to, loss of availability of and delays in gaining access to interconnecting third-party pipelines;
- disruption or failure of information technology systems and network infrastructure due to various causes, including unauthorized access or attack; and
- leaks of natural gas or ethane as a result of the malfunction of equipment or facilities.

A material event such as those described above could expose us to liabilities, monetary penalties or interruptions in our business operations. Although we may maintain insurance against some, but not all, of the risks described above, our insurance may not be adequate to cover casualty losses or liabilities, and our insurance does not cover penalties or fines that may be