

The transportation of natural gas and oil is also subject to extensive environmental regulation. We refer you to “Other – Environmental Regulation” in [Item 1](#) of Part I of this Annual Report and the risk factor “We, our service providers and our customers are subject to complex federal, state and local laws and regulations that could adversely affect the cost, manner or feasibility of conducting our operations or expose us to significant liabilities” in [Item 1A](#) of Part I of this Annual Report for a discussion of the impact of environmental regulation on our business.

Other

We currently have no significant business activity outside of our E&P and Marketing segments.

Environmental Regulation

General. Our operations are subject to environmental regulation in the jurisdictions in which we operate. These laws and regulations require permits for drilling wells and the maintenance of bonding requirements to drill or operate wells, and also regulate the spacing and location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled, the plugging and abandoning of wells and the prevention and cleanup of pollutants and other matters. We maintain insurance for clean-up costs in limited instances arising out of sudden and accidental events, but otherwise we may not be fully insured against all such risks. Although future environmental obligations are not expected to have a material impact on the results of our operations or financial condition, there can be no assurance that future developments, such as increasingly stringent environmental laws or enforcement thereof, will not cause us to incur material environmental liabilities or costs.

Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal fines and penalties and the imposition of injunctive relief. Certain laws and legal principles can make us liable for environmental damage to properties we previously owned, and although we generally require purchasers to assume that liability, there is no assurance that they will have sufficient funds should a liability arise. Changes in environmental laws and regulations occur frequently, and any changes may result in more stringent and costly waste handling, storage, transportation, disposal or cleanup requirements. We do not expect continued compliance with existing requirements to have a material adverse impact on us, but there can be no assurance that this will continue in the future. We refer you to “Other – Environmental Regulation” in [Item 1](#) of Part I of this Annual Report and the risk factor “We, our service providers and our customers are subject to complex federal, state and local laws and regulations that could adversely affect the cost, manner or feasibility of conducting our operations or expose us to significant liabilities” in [Item 1A](#) of Part I of this Annual Report for a discussion of the impact of environmental regulation on our business.

The following is a summary of the more significant existing environmental and worker health and safety laws and regulations to which we are subject.

Generation and Disposal of Wastes. The Comprehensive Environmental Response, Compensation, and Liability Act, as amended, also known as CERCLA or the “Superfund law,” imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons that are considered to be responsible for the release of a “hazardous substance” into the environment. These persons include the current or former owner or operator of a site where the release occurred, as well as persons that transported or disposed, or arranged for the transportation or disposal of, the hazardous substances found at the site. Persons who are or were responsible for releases of hazardous substances under CERCLA may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources, and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

The Resource Conservation and Recovery Act, as amended, or RCRA, generally does not regulate wastes generated by the exploration and production of natural gas and oil. RCRA specifically excludes from the definition of hazardous waste “drilling fluids, produced waters and other wastes associated with the exploration, development or production of oil, natural gas or geothermal energy.” However, legislative and regulatory initiatives have been considered from time to time that would reclassify certain natural gas and oil exploration and production wastes as “hazardous wastes,” which would make the reclassified wastes subject to much more stringent handling, disposal and clean-up requirements. If such measures were to be enacted, it could have a significant impact on our operating costs. Moreover, ordinary industrial wastes, such as paint wastes, waste solvents, laboratory wastes and waste oils, may be regulated as hazardous waste.

The Clean Water Act, as amended, or CWA, and analogous state laws, impose restrictions and strict controls regarding the discharge of produced waters and other natural gas and oil waste into regulated waters. Permits must be obtained to discharge pollutants to regulated waters and to conduct construction activities in waters and wetlands. The CWA and similar state laws provide for civil, criminal and administrative penalties for any unauthorized discharges of pollutants and unauthorized discharges