

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines



Foothills Exploration, Inc.

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Westlake Village, CA 91361

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SIC Code: 1311

Quarterly Report

For the Period Ending: June 30, 2023
(the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

13,862,576,375 as of June 30, 2023

13,087,576,375 as of December 31, 2022

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Change in Control

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

¹ "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

Yes: No:

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

Foothills Exploration, Inc. (the "Company"): August 4, 2016 – Present
Key Link Assets Corp.: May 13, 2010 – August 4, 2016

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g., active, default, inactive):

Delaware; Active

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address(es) of the issuer's principal executive office:

2660 Townsgate Road, Suite 800, Westlake Village, CA 91361

The address(es) of the issuer's principal place of business:

Check if principal executive office and principal place of business are the same address:

2660 Townsgate Road, Suite 800, Westlake Village, CA 91361

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: Yes: If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: VStock Transfer, LLC
Phone: (212) 828-8436
Email: 0-K@vstocktransfer.com
Address: 18 Lafayette Place, Woodmere, NY 11598

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

Is the Transfer Agent registered under the Exchange Act?² Yes: No:

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

| | |
|---|--|
| Trading symbol: | FTXP |
| Exact title and class of securities outstanding: | 13,862,576,375 shares of Common Stock outstanding at 6/30/2023 |
| CUSIP: | 34512J108 |
| Par or stated value: | \$0.0001 |
| Total shares authorized: | 50,000,000,000 as of date: 6/30/2023 |
| Total shares outstanding: | 13,462,576,375 as of date: 6/30/2023 |
| Number of shares in the Public Float ³ : | 12,304,979,042 as of date: 6/30/2023 |
| Total number of shareholders of record: | 77 as of date: 6/30/2023 |

Other classes of authorized or outstanding equity securities:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

| | |
|---|--------------------------|
| Exact title and class of the security: | Series A Preferred Stock |
| CUSIP (if applicable): | n/a |
| Par or stated value: | \$0.0001 |
| Total shares authorized: | 25,000,000 |
| Total shares outstanding (if applicable): | 10,000,000 |
| Total number of shareholders of record (if applicable): | 2 as of date: 6/30/2023 |

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

Except for and subject to those preference, rights, and privileges expressly granted as rights privileges of preferred stock, and except as may be provided by the laws of the State of Delaware, the holders of common stock shall have exclusively all other rights of stockholders of the Corporation, including, but not by any way of limitation:

A. Dividends. The holders of common stock shall be entitled to receive such dividends if, as and when declared from time to time by the Board of Directors, out of the assets of the Corporation which by law are available therefor.

B. Voting. Each holder of common stock, as such, shall be entitled. to one vote for each share of common stock held as of the applicable date on all matters as to which stockholders shall be entitled to vote or which are submitted to a vote for the consent of stockholders of the Corporation.

C. Liquidation. In the event of the voluntary or involuntary liquidation, dissolution, distribution of assets or winding-

² To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

³ "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

up of the Corporation, the holders of common stock shall be entitled to receive ratably and equally all of the assets of the Corporation, of whatever kind available for distribution to stockholders, remaining after any preferences, if any, of the preferred stock have been satisfied if required by their terms as may be provided in this Certificate of Incorporation, as amended from time to time, or pursuant hereto.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

A. Dividends. The Corporation shall not declare, pay or set aside any dividends on shares of Common Stock (other than dividends on shares of Common Stock payable in shares of Common Stock) unless each holder of the Series A Preferred Stock receives, simultaneously with such dividend paid to the holders of Common Stock, a dividend on each outstanding share of Series A Preferred Stock in an amount equal to the amount it would be entitled to receive if such shares had been converted into shares of Common Stock.

B. Voting. The holders of record of shares of Series A Preferred Stock shall be entitled to the following voting rights:

(i) the right, voting with the holders of Common Stock together as a single class on an as-if-converted basis, to elect all members of the Board of Directors at each meeting or pursuant to each consent of the Corporation's stockholders for the election of directors, and to remove from office such directors and to fill any vacancy caused by the resignation, death or removal of such director;

(ii) the right, voting as a separate class, following a Change of Control (as defined below), to elect a majority of the members of the Corporation's Board of Directors at each meeting or pursuant to each consent of the Corporation's stockholders for the election of directors, and to remove from office such directors and to fill any vacancy caused by the resignation, death or removal of such directors; and

(iii) the right to vote with the holders of Common Stock together as a single class on an as-if-converted basis upon all other matters submitted to holders of Common Stock for a vote.

(iv) Whenever holders of Series A Preferred Stock are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken and signed by the holders of the outstanding shares of Series A Preferred Stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all such shares entitled to vote thereon were present and voted.

(a) For the purposes of this Section, a "*Change of Control*" of the Corporation shall be deemed to have occurred at such time (if any), that individuals who as of the date that shares of Series A Preferred Stock are first issued (the "*Original Issuance Date*") constituted the Board of Directors of the Corporation (together with any new directors whose election or nomination for election to the Board of Directors was approved by (i) a vote of at least a majority the directors of the Corporation then still in office who were either directors on the Original issuance Date at the beginning of such period, or whose election or nomination for election was previously so approved. or (ii) the holders of a majority of the outstanding shares of Series A Preferred Stock), cease for any reason to constitute a majority of the Board of Directors.

(b) For the purposes of this Section, a Change of Control of the Corporation shall also mean the occurrence of any of the following:

(i) The acquisition, directly or indirectly, in one transaction or a series of related transactions, by any person or group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) of the beneficial ownership of securities of the Corporation possessing more than fifty percent (50%) of the total combined voting power of all outstanding securities of the Corporation; provided, however, that a Change in Control shall not result upon such acquisition of beneficial ownership, if such acquisition occurs as a result of a public offering of the Corporation's securities or any financing transaction or series of financing transactions;

(ii) The consummation of a merger or consolidation in which the Corporation is not the surviving entity, except for a transaction in which the holders of the outstanding voting securities of the Corporation immediately prior to such merger or consolidation hold as a result of holding Corporation securities prior to such transaction, in the aggregate, securities possessing at least fifty percent (50%) of the total combined,

voting power of all outstanding voting securities of the surviving entity (or its parent) immediately after such merger or consolidation;

(iii) A reverse merger in which the Corporation is the surviving entity but in which the holders of the outstanding voting securities of the Corporation immediately prior to such merger hold, in the aggregate, securities possessing less than fifty percent of the total combined voting power of all outstanding voting securities of the Corporation or the acquiring entity immediately after such merger; and

(iv) The sale, transfer, or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation, except for a transaction in which, the holders of the outstanding voting securities of the Corporation immediately prior to such transaction(s) receive as a distribution with respect to securities of the Corporation, in the aggregate, securities possessing at least fifty percent (50%) of the total combined voting power of all outstanding voting securities of the acquiring entity (or its parent) immediately after such transaction(s).

C. Optional Conversion.

(i) Conversion. Subject to and in compliance with the provisions of this Section, any shares of Series A Preferred Stock may, at the option of the holder, be converted at any time into fully paid and nonassessable shares of Common Stock. The number of shares of Common Stock to which a holder of Series A Preferred Stock initially shall be entitled upon conversion shall be a product resulting from the quotient obtained by dividing \$0.02 by \$0.0001 (the "Conversion Rate") multiplied by the number of shares of Series A Preferred Stock being converted by the holder.

(ii) Conversion Procedure. Each holder of Series A Preferred Stock who desires to convert the same into shares of Common Stock pursuant to this Section shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or any transfer agent for the Series A Preferred Stock, and shall give written notice to the Corporation at such office that such holder elects to convert the same. Such notice shall state the number of shares of Series A Preferred Stock being converted. Thereupon, the Corporation shall promptly issue and deliver at such office to such holder a certificate or certificates for the number of shares of Common Stock to which such holder is entitled and shall promptly pay in cash any declared and unpaid dividends on the shares of Series A Preferred Stock being converted. Such conversion shall be deemed to have been made at the close of business on the date of such surrender of the certificates representing the shares of Series A Preferred Stock to be converted, and the person entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock on such date.

D. Adjustments to Conversion Rate and Reorganizations. The Conversion Rate for the number of shares of Common Stock into which the Series A Preferred Stock shall be converted on a conversion under Section (a "Conversion") shall be subject to adjustment from time to time as hereinafter set forth:

(i) Stock Dividends, Recapitalization, Reclassification, Split-Ups. If prior to the date of the Conversion, the number of outstanding shares of Common Stock is increased by a stock dividend on the Common Stock payable in shares of Common Stock, or by a stock split, recapitalization or reclassification of shares of Common Stock, or other similar event, including any conversion of the Corporation's debt into Common Stock, then, on the effective date thereof, the Conversion Rate will be adjusted so that the number of shares of Common Stock issuable on a Conversion shall be increased in proportion to such increase in outstanding shares of Common Stock.

(ii) Aggregation of Shares. If prior to or on the date of the Conversion, the number of outstanding shares of Common Stock is decreased by a consolidation, combination, reverse stock split or reclassification of shares of Common Stock or other similar event, then, upon the effective date thereof, the Conversion Rate will be adjusted so that the number of shares of Common Stock issuable on a Conversion of the Series A Preferred Stock shall be decreased in proportion to such decrease in outstanding shares of Common Stock.

(iii) Change Resulting from Reorganization or Change in Par Value, Issuances of New Shares, etc. In case of any reclassification or reorganization of the outstanding shares of Common Stock which solely affects the par value of the share of Common Stock, or in the case of any merger or consolidation of the Corporation with or into another corporation (other than a consolidation or merger in which the Corporation is the continuing corporation and which does not result in any reclassification or reorganization of the outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity of the property of the Corporation as an entirety or substantially as an entirety in connection with which the Corporation is dissolved, the holders of Series A Preferred

Stock shall have the right thereafter (until the Conversion or its equivalent of all outstanding shares of Series A Preferred Stock) to receive upon the conversion of the Series A Preferred Stock the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or other transfer, by a holder of the number of shares of Common Stock into which the Series A Preferred Stock is convertible immediately prior to such event; and if any reclassification also results in a change in shares of Common Stock, then such adjustment also shall be made.

If the Corporation shall at any time or from time to time, issue, sell or otherwise dispose of any additional shares of Common Stock (including shares issued or issuable upon conversion, exchange or exercise of or for any security or instrument), however designated (other than (u) Common Stock or warrants or options to purchase such additional number of shares of Common Stock, in each case issued in connection with a bona fide acquisition, merger or similar transaction; (v) the issuance of any shares of Common Stock or options or rights to purchase such shares designated for such issuance as of the date hereof pursuant to any of the Corporation's employee, director, trustee, or consultant benefit plans, employment agreements, or similar arrangements or programs; (w) a change (by merger, reclassification, or otherwise) in the par value of the Common Stock; or (x) the issuance of shares of Common Stock or any securities convertible into or exchangeable or exercisable for shares of Common Stock in one or more public offerings registered with the U.S. Securities and Exchange Commission under the Securities Act of 1933, as amended yielding gross proceeds to the Corporation of at least \$7,500,000) — then the Conversion Rate shall be adjusted so that the number of shares of Common Stock issuable on a Conversion shall be increased in direct proportion to such increase in outstanding shares of Common Stock, so that Series A Preferred Stockholders as a class, on an as-converted basis, maintain the same percentage of the total combined voting power of all outstanding securities of the Corporation as of the date hereof.

(iv) Successive Changes. The provisions of this Section shall similarly apply to successive reclassifications, reorganizations, mergers or consolidations, sales or other transfers.

E. Liquidation Preference. Upon any liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary (each, a "Liquidation Event"), each holder of Series A Preferred Stock shall be entitled to receive for each share of each series of Series A Preferred Stock then held, out of the proceeds available for distribution the amount of cash, securities or other property to which such holder would be entitled to receive in a Liquidation Event with respect to such shares if such shares had been converted into shares of the Corporation's common stock, par value \$0.0001 per share ("Common Stock"), immediately prior to such Liquidation Event, as described further below.

F. Special Redemption Provisions. Following a Change of Control of the Corporation by any person or entity, holders of Series A Preferred Stock will be required to redeem their shares of Series A Preferred Stock, in whole but not in part, within thirty (30) days after the date of an announced change of control or on which the Change of Control has occurred, for cash at the time of the change of control. Such Change of Ownership or Control of the Corporation will require a mandatory redemption of the Series A Preferred Stock at the Mandatory Redemption Price (as defined below), plus accrued and unpaid dividends (whether or not declared), up to the redemption date. The redemption price of each share of Series A Preferred Stock (the "Mandatory Redemption Price") shall be \$0.50 per share.

G. Liquidation. (a) In the event of any Liquidation, before any distribution is made to holders of Common Stock or any other holder of equity or deemed equity, the Holders of the Series A Preferred Stock will be entitled to receive in respect of each share of Series A Preferred Stock held by such Holder as of immediately prior to such Liquidation, from the assets of the Corporation, or proceeds thereof, distributable among the holders of the Corporation's then-outstanding shares of capital stock, an amount equal to the Mandatory Redemption Price. If, upon such Liquidation, the assets of the Corporation, or proceeds thereof, are insufficient to pay the full Mandatory Redemption Price of each then-outstanding share of Series A Preferred Stock, then all such assets and proceeds of the Corporation so distributable will be distributed ratably in respect of the then outstanding shares of Series A Preferred Stock. (b) Notice of any Liquidation will be given by mail, postage prepaid, not less than thirty (30) days prior to the distribution or payment date stated therein, to each Holder of record of Series A Preferred Stock appearing on the stock books of the Corporation as of the date of such notice at the address of said Holder shown therein. Such notice will state a distribution or payment date, the aggregate amount of Mandatory Redemption Price distributable in respect of all shares of Series A Preferred Stock then held by such Holder and the place where such amount will be distributable or payable. (c) After the payment in cash to the Holders of shares of the Series A Preferred Stock of the full Mandatory Redemption Price with respect to outstanding shares of Series A Preferred Stock, the Holders of outstanding shares of Series A Preferred Stock will have no right or claim, based on their ownership of shares of Series A Preferred Stock, to any of the remaining assets of the Corporation.

3. Describe any other material rights of common or preferred stockholders.

None

4. Describe any material modifications to rights of holders of the company’s securities that have occurred over the reporting period covered by this report.

None

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer’s securities **in the past two completed fiscal years and any subsequent interim period.**

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: Yes: (If yes, you must complete the table below)

| Shares Outstanding as of Second Most Recent Fiscal Year End: <u>Opening Balance:</u> Date <u>12/31/2021</u> Common: <u>9,687,625,597</u> Preferred: <u>10,000,000</u> | | | | | | | | | |
|--|---|--|---------------------|---|--|--|---|---|--|
| Date of Transaction | Transaction type (e.g. new issuance, cancellation, shares returned to treasury) | Number of Shares Issued (or cancelled) | Class of Securities | Value of shares issued (\$/per share) at Issuance | Were the shares issued at a discount to market price at the time of issuance? (Yes/No) | Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed). | Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided | Restricted or Unrestricted as of this filing ⁽¹⁾ | Exemption or Registration Type |
| 2/24/2022 | New Issuance | 361,000,000 | Common | \$0.000045 | Yes | Labrys Fund, L.P. (TJ Silverman) | Principal conversion per conv note | Unrestricted | Exemption: Section 4(a)(2) of the Securities |

| | | | | | | | | | |
|-----------|--------------|-------------|--------|------------|-----|---|---|--------------|--|
| | | | | | | | | | Act and/or Regulation D |
| 3/9/2022 | New Issuance | 298,000,000 | Common | \$0.000045 | Yes | Labrys Fund, L.P. (TJ Silverman) | Principal conversion per conv note | Unrestricted | Exemption: Section 4(a)(2) of the Securities Act and/or Regulation D |
| 3/16/2022 | New Issuance | 277,000,000 | Common | \$0.000045 | Yes | Labrys Fund, L.P. (TJ Silverman) | Principal conversion per conv note | Unrestricted | Exemption: Section 4(a)(2) of the Securities Act and/or Regulation D |
| 3/31/2022 | New Issuance | 196,000,000 | Common | \$0.000045 | Yes | Labrys Fund, L.P. (TJ Silverman) | Principal conversion per conv note | Unrestricted | Exemption: Section 4(a)(2) of the Securities Act and/or Regulation D |
| 4/22/2022 | New Issuance | 440,000,000 | Common | \$0.000045 | Yes | Labrys Fund, L.P. (TJ Silverman) | Principal conversion per conv note | Unrestricted | Exemption: Section 4(a)(2) of the Securities Act and/or Regulation D |
| 5/23/2022 | New Issuance | 466,000,000 | Common | \$0.000045 | Yes | Labrys Fund, L.P. (TJ Silverman) | Principal conversion per conv note | Unrestricted | Exemption: Section 4(a)(2) of the Securities Act and/or Regulation D |
| 6/2/2022 | New Issuance | 356,000,000 | Common | \$0.000045 | Yes | Labrys Fund, L.P. (TJ Silverman) | Principal conversion per conv note | Unrestricted | Exemption: Section 4(a)(2) of the Securities Act and/or Regulation D |
| 6/30/2022 | New Issuance | 250,000,000 | Common | \$0.00025 | No | Elliot G. Freier Revocable Trust U/A dated 9/6/06 | Commitment shares per secured bridge note | Restricted | Exemption: Section 4(a)(2) of the Securities Act |
| 7/21/2022 | New Issuance | 351,000,000 | Common | \$0.000045 | Yes | Labrys Fund, L.P. (TJ Silverman) | Principal conversion per conv note | Unrestricted | Exemption: Section 4(a)(2) of the Securities Act and/or Regulation D |
| 8/3/2022 | New Issuance | 500,000,000 | Common | \$0.0003 | No | Elliot G. Freier Revocable Trust U/A dated 9/6/06 | Commitment shares per secured bridge note | Restricted | Exemption: Section 4(a)(2) of the Securities Act |

| | | | | | | | | | |
|---|--------------|--------------|--------|-----------|----|--|--|--------------|--|
| 8/22/2022 | Cancellation | (95,049,222) | Common | \$0.0001 | No | Crown Bridge Partners, LLC (Seth Adhoot) | Shares cancelled pursuant to SEC Order against Crown Bridge Partners, LLC ⁽²⁾ | Unrestricted | Exemption: Section 4(a)(2) of the Securities Act and/or Regulation D |
| 1/9/2023 | New Issuance | 375,000,000 | Common | \$0.00023 | No | Leonite Fund I, L.P. (Avi Geller) | Commitment shares per secured convertible note | Restricted | Exemption: Section 4(a)(2) of the Securities Act and/or Regulation D |
| 5/30/2023 | New Issuance | 400,000,000 | Common | \$0.0002 | No | Ken Nathan Russ | Shares issued pursuant to the acquisition of Jubilee Exploration, LLC | Restricted | Exemption: Section 4(a)(2) of the Securities Act and/or Regulation D |
| Shares Outstanding on Date of This Report: | | | | | | | | | |
| <u>Ending Balance as of 6/30/2023</u> | | | | | | | | | |
| Common: <u>13,862,576,375</u> | | | | | | | | | |
| Series A Preferred ⁽³⁾ : <u>10,000,000</u> | | | | | | | | | |

Footnotes:

- (1) Shares were restricted at the time of issuance and are labeled as “Unrestricted” if they are Rule 144 eligible.
- (2) Pursuant to the Final Judgment in *SECURITIES AND EXCHANGE COMMISSION, v. CROWN BRIDGE PARTNERS, LLC, SOHEIL AHDOOT, and SEPAS AHDOOT*, dated August 8, 2022.
- (3) Each share of Series A Preferred Stock is convertible into 200 shares of the Company’s common stock. A total of 10,000,000 shares of Series A Preferred Stock convertible into 2,000,000,000 shares of the Company’s common stock were issued.

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer’s equity securities :

No: Yes: (If yes, you must complete the table below)

| Date of Note Issuance | Outstanding Balance (\$) | Principal Amount at Issuance (\$) | Interest Accrued (\$) | Maturity Date | Conversion Terms (e.g., pricing mechanism for determining conversion of instrument to shares) | Name of Noteholder (entities must have individual with voting / investment control disclosed). | Reason for Issuance (e.g., Loan, Services, etc.) |
|-----------------------|--------------------------|-----------------------------------|-----------------------|---------------|---|--|--|
| 12/30/2016 | \$6,000,000 | \$6,000,000 | \$3,000,000 | 6/30/2017 | n/a | Total Belief Limited (1) (Peter Mak) | Acquisition of oil and gas assets |
| 5/10/2017 | \$50,000 | \$50,000 | \$20,712 | 5/10/2018 | Convertible per terms described in below footnote (2) | Elliot G. Freier Revocable Trust U/A 9/6/06 (2) | Convertible Note |

| | | | | | | | |
|------------|-------------|-------------|-------------|------------|--|--|---------------------------------|
| 9/29/2017 | \$250,000 | \$250,000 | \$205,993 | 1/23/2018 | n/a | Elliot G. Freier Revocable Trust U/A 9/6/06 (3) | Promissory Note |
| 11/1/2017 | \$120,629 | \$120,629 | \$82,008 | 6/30/2018 | n/a | Law Offices of Aaron A. Grunfeld (4) | Legal services rendered |
| 7/19/2018 | \$38,000 | \$38,000 | \$18,625 | 8/6/2018 | n/a | Elliot G. Freier Revocable Trust U/A 9/6/06 (5) | Promissory Note |
| 8/11/2018 | \$44,000 | \$44,000 | \$33,433 | 2/11/2020 | Convertible per terms described in below footnote (5) | Elliot G. Freier Revocable Trust U/A 9/6/06 (6) | Convertible Note |
| 9/14/2018 | \$100,000 | \$100,000 | \$53,523 | 12/15/2018 | n/a | Elliot G. Freier Revocable Trust U/A 9/6/06 (7) | Promissory Note |
| 10/22/2018 | \$40,000 | \$50,000 | \$39,203 | 10/22/2019 | n/a | Elliot G. Freier Revocable Trust U/A 9/6/06 (8) | Promissory Note |
| 2/5/2019 | \$209,525 | \$209,525 | \$237,368 | 2/5/2020 | n/a | Elliot G. Freier Revocable Trust U/A 9/6/06 (9) | Discounted debenture |
| 1/17/2020 | \$220,000 | \$220,000 | \$133,685 | 4/17/2020 | n/a | Beijing Gas Blue Sky Holdings Limited (Li Weiqi) (10) | Bridge Note |
| 1/18/2020 | \$5,476,505 | \$5,476,505 | \$2,550,176 | 12/31/2023 | n/a | Beijing Gas Blue Sky Holdings Limited (Li Weiqi) (11) | Deed of Novation and Assignment |
| 5/8/2020 | \$92,205 | \$92,205 | \$1,859.24 | 05/08/2022 | n/a | CARES Act Paycheck Protection Program Loan from SBA (12) | PPP Loan |
| 8/4/2020 | \$130,405 | \$130,405 | - | 09/30/2020 | n/a | Tommy Mit Cheng (13) | Bridge Note |
| 2/22/2022 | \$390,000 | \$390,000 | \$49,183 | 2/22/2023 | Convertible per terms described in below footnote (14) | Mast Hill Fund, L.P. (Patrick Hassani) (14) | Convertible Note |
| 6/30/2022 | \$120,000 | \$120,000 | \$999 | 8/30/2022 | n/a | Elliot G. Freier Revocable Trust U/A 9/6/06 (15) | Secured Bridge Note |
| 8/3/2022 | \$240,000 | \$240,000 | \$1,999 | 8/30/2022 | n/a | Elliot G. Freier Revocable Trust U/A 9/6/06 (16) | Secured Bridge Note |
| 1/9/2023 | \$555,556 | \$555,556 | \$30,016 | 1/9/2024 | Convertible per terms described in below footnote (17) | Leonite Fund I, L.P. (17) | Senior Secured Convertible Note |
| 5/17/2023 | \$281,111 | \$281,111 | \$16,820 | 5/17/2024 | Convertible per terms described in below footnote (18) | Leonite Fund I, L.P. (18) | Senior Secured Convertible Note |

Footnotes:

- (1) On December 30, 2016, the Company issued a promissory note in the principal amount of USD \$6,000,000 to Total Belief Limited (TBL), a wholly owned subsidiary of New Time Energy Corporation, in connection with certain oil and gas assets acquired on December 30, 2016. These assets include certain oil and gas wells throughout the Uinta Basin in Utah on acreage with over 30 proved undeveloped drilling locations, additional non-operating interest in other leases, and access to approximately 6,000 acres in the Uinta Basin with proven and probable reserves and existing infrastructure in place. This note bears no interest during its term. The Company recorded \$342,804 of imputed interest as debt discount. Starting from July 1, 2018 the note bears 10% annual interest. As of the Reporting Period, the note is past due, but not in default.
- (2) On May 10, 2017, we entered into a convertible note agreement with an unrelated party, pursuant to which we borrowed \$50,000 at an annual percentage rate of 10% with a term of 12 months, which is due on May 10, 2018. This note may, at the option of the lender, be converted at any time prior to May 10, 2018, into fully paid, restricted and non-assessable shares of common stock of the Company at a price equal to 100% of the selling price of such common stock in a private placement to institutional and/or accredited investors initiated by the Company during the term of this convertible note until May 10, 2018. On November 7, 2017, the Company issued 50,000 warrants to purchase 50,000 shares of common stock of the Company at a strike price of \$1.00 per share which expired on May 7, 2019. If the Company fails to pay the principal and accrued unpaid interest due and payable to Lender on or before the due date of the convertible note, then the Lender shall be provided the right to convert at either \$0.665 per share or upon the same terms offered in FirstFire Global Opportunities Fund, LLC Note's conversion options. The relative fair value of warrant was determined to be \$3,381 on November 7, 2017, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 77%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1.5 years. The issuance of the warrants in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50.

On September 17, 2018, the note holder agreed to defer repayment of this note to December 15, 2018, the Company agreed to compensate the note holder with 50,000 shares of restricted common stock valued at \$4,500. On April 4, 2019, note holder confirmed that the Company is not in default with respect to this note. The issuance of the shares in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50. As of the Reporting Period, the note is past due, but not in default.

- (3) On September 29, 2017, the Company issued to an unaffiliated investor a promissory note and three tranches of warrants for an aggregate consideration of \$250,000. The Note recites that it accrues no interest if paid when due and is due and payable on January 2, 2018. If principal is not paid on or before maturity, interest will accrue at the rate of 15% per year until paid. On November 6, 2017, the Company agreed to compensate the investor with 75,000 shares of the Company's restricted common stock in connection with a more favorable term of a note entered into with FirstFire Global Opportunities Fund, LLC ("FirstFire"). On December 30, 2017, the Company and the investor agreed to extend the maturity date of this Note to January 23, 2018, in return for a payment at maturity of the principal, accrued interest as provided in the Note, plus 30,000 shares of the Company's restricted common stock. Because the fair value of the shares was greater than 10% of the present value of the remaining cash flows under the Note, the issuance of the shares in connection with a more favorable term of a note entered with FirstFire was treated as a debt extinguishment and reissuance of a new debt instrument pursuant to the guidance of ASC 470-50.

Since January 23, 2018, the Company and the investor have been in ongoing discussions to extend the term of this Note. On March 28, 2018, the investor acknowledged that the Company is not in default regarding this Note and reaffirmed its belief that the Company will either extend the Note's due date or repay its obligation on terms that are mutually satisfactory. The warrants have the following terms:

- 375,000 warrants to purchase 375,000 shares of common stock of the Company at a strike price of \$0.665 per share which expired on September 29, 2019;
- 375,000 warrants to purchase 375,000 shares of common stock of the Company at a strike price of \$1.25 per share which expired on September 29, 2020; and
- 185,000 warrants to purchase 185,000 shares of common stock of the Company at a strike price of \$2.00 per share which expired on September 29, 2020.

The aggregate relative fair value of three tranches of warrants was determined to be \$105,000 on September 29, 2017, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 94%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 2-3 years. \$2,536 imputed interest was recorded as debt discount. \$2,536 was determined using the present value method based on the following assumptions: (i) adjusted interest rate 4% (ii) expected life of 0.26 year. The aggregate value of the warrants and imputed interest of \$107,536 was considered as debt discount upon issuance and will be amortized as interest over the term of the Note or in full upon the conversion of the Note.

Each tranche of warrants is subject to down round adjustment provisions if the Company during the term of that tranche issues additional securities for consideration per share, after giving effect to fees, commission and expenses, that is less, or which on

conversion or exercise of the underlying security is less, than \$0.665 per share (as adjusted for any change resulting from forward or reverse splits, stock dividends and similar events).

To satisfy most favored nation provisions in previously entered securities purchase agreements that are triggered by the transaction described above, the Company issued 136,015 shares of common stock and warrants to purchase 136,015 shares of common stock, in the aggregate, to certain investors who purchased units from the Company, at a \$1.00 per unit, with each unit consisting of one share and one warrant. See the Company's Current Report on the Form 8-K filed with the SEC on June 5, 2017. Of this amount, 100,752 shares and warrants to purchase 100,752 shares of common stock will be issued to Wilshire Energy Partners LLC, an entity controlled by Kevin J. Sylla, our Executive Chairman and Chief Executive Officer of FPI. The exercise price of these investor warrants was adjusted to \$0.665 per share. We measured the value of the effect of the down round feature as the difference between the fair value of the financial instrument at an original exercise price of \$1.50 and an adjusted exercise price of \$0.665 and, as a result, \$59,801 was recorded as down round feature as interest expense under ASC 260-10-30-1. Foothills determined the amount of \$59,801 using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 94%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of three (3) years. As of the Reporting Period, the note is past due, but not in default.

- (4) On November 1, 2017, a promissory note in the principal amount of \$120,629 was issued for services rendered, bearing an interest rate of 12% per annum, which matured on June 30, 2018. On August 22, 2018, the Note Holder agreed to defer repayment of this note to a later date and acknowledged that the Company is not in default regarding this Debenture. As partial consideration for the deferment, the Company agreed to issue the Note Holder 60,000 shares of its restricted common stock. The issuance of the shares in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50. As of the Reporting Period, the note is past due, but not in default.
- (5) On July 19, 2018, the Company issued a promissory note in the principal amount of \$38,000 from an unaffiliated investor with an original discount of \$3,207 (the "Note"). The Note bears interest at 10% per year and matured on August 6, 2018. In connection with the issuance of this note, the Company issued 300,000 shares for late SEC filing, valued at \$36,000. \$74 imputed interest was recorded as debt discount. \$74 was determined using the present value method based on the following assumptions: (i) adjusted interest rate 4% (ii) expected life of 0.05 year. The relative aggregate value of the shares and imputed interest was determined to be \$32,793 using the allocation of proceed, \$32,793 was considered as debt discount upon issuance and will be amortized as interest over the term of the Note or in full upon the conversion of the Note. Pursuant to this Note, the investor shall be assigned an undivided two percent (2%) overriding royalty of all oil, gas, and other minerals and hydrocarbons produced, saved, and sold from each well now or hereinafter located on certain leases and wells owned by the Company.

On August 23, 2018, the lender agreed to defer repayment of this note to a later date and acknowledged that the Company is not in default regarding this Debenture, and as consideration for the extension, the Company agreed to compensate the lender with 15,000 shares of restricted common stock valued at \$1,950. The issuance of the shares in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50. As of the Reporting Period, the note is past due, but not in default.
- (6) On August 11, 2018, the Company borrowed \$44,000 from an unaffiliated investor, bearing an interest rate of 12.5% per annum, which matured on February 11, 2020. As part of this transaction the Company also issued (i) warrants having a 24-month term, to purchase 100,000 shares of the Company's common stock at an exercise price of \$0.665 per share and (ii) 44,000 shares of the Company's restricted common stock. The Note agreements give the lender the right to convert the loan amounts due into common stock at a fixed conversion price of \$0.20. The aggregate relative fair value of the warrant was determined to be \$9,035 on August 11, 2018, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 221%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 2 year. Fair value of 44,000 shares of common stock was determined to be \$5,280 using market price. The aggregate value of the warrant and 44,000 shares of common stock of \$14,315 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note. As of the Reporting Period, the note is past due, but not in default.
- (7) On September 14, 2018, the Company issued a promissory note in the principal amount of \$100,000 from an unaffiliated investor, bearing an interest rate of 9% per annum, which matured on December 15, 2018. In connection with the issuance of this note, the Company issued 250,000 shares of its common stock, valued at \$22,500, which was considered as debt discount upon issuance and will be amortized as interest over the term of the Note or in full upon the conversion of the Note. As of the Reporting Period, the note is past due, but not in default.
- (8) On October 22, 2018, the Company issued a promissory note in the principal amount of \$50,000 (the "Note") with a Volumetric Production Payment ("VPP") equal to 1,250 barrels of oil equivalent ("BOE"). The Note matured on October 22, 2019, with the principal and accrued unpaid interest due in full at Maturity. VPP will be made after deduction of 20% royalties due to mineral owners, paid within the term on the Note and at the discretion of the Company as to amount and volume; *provided, however*, that the VPP for any month shall not be less than 5% of the month's total crude oil sales. Payment may be made "in-kind" at the election of the Investor. If election is made by Investor to be paid "in-kind," then Investor shall bear responsibility for paying mineral owner

royalties due on said “in-kind” payments. All VPP’s to be made from the production of the Company’s operating subsidiaries, Foothills Exploration Operating, Inc. and Tiger Energy Operating, LLC, from the well bores of the Company’s Duck Creek wells, subject to the terms of the Leases covering such wells. Such VPP will continue until paid in full, regardless of payment in full of the Note and shall be secured by the assets. In the event that the West Texas Intermediate (WTI) crude oil market price closes below USD \$40.00 per barrel for 10 consecutive trading days, the Investor shall be allocated a revised VPP equal to 2 times the remaining VPP barrels left over at that time.

Pursuant to this Note, the investor shall be assigned an undivided one-half percent (0.5%) overriding royalty interest (“ORRI”) in all oil, gas and other minerals produced, saved, and marketed from each well now or hereinafter located on wells owned by the Company, subject to the terms of the Leases covering such wells. Upon any default in payment of principal hereunder, the Company shall pay interest on the principal balance of this Note then outstanding and on the accrued but unpaid interest from the date of such default until such default is cured and the Note paid in full at the rate of Fifteen Percent (15%). The Company agreed to issue the investor 200,000 shares of the Company’s restricted common stock as additional consideration for entering into the Note with the Company, valued at \$16,000, which was considered as debt discount upon issuance and will be amortized as interest over the term of the Note or in full upon the conversion of the Note.

Pursuant to this Note, Investor has the right to participate in any future offering by the Company for a period of twelve (12) months for an amount equal to the principal amount detailed in this Term Sheet. So long as the Note is outstanding, if the Company enters into a subsequent financing with another individual or entity (a third party) on terms that are more favorable to that third party, the agreements between the Company and the investor shall be amended to include such better terms. As of the Reporting Period, the note is past due, but not in default.

- (9) On February 5, 2019, the Company issued a discounted debenture in the principal amount of \$209,525 from an unaffiliated investor with an original issue discount of \$33,524 (the “Note”). The Note matured on February 5, 2020 and bears 10% interest. The Company failed to pay \$71,000 principal payment, which was due on March 15, 2019. As a result, we incurred \$100,000 penalty and the interest was increased to 15%. As of the Reporting Period, the note is past due, but not in default.
- (10) On January 17, 2020, the Company closed on a bridge note transaction with an unaffiliated third party in the principal amount of \$220,000.00, with an original issue discount of \$20,000 and received proceeds of \$200,000.00 (the “Bridge Note”). The Bridge Note accrues interest at the rate of 12.5% per annum and matured on April 17, 2020. The Bridge Note may be prepaid at any time without premium or penalty. Unless this Bridge Note is paid in full prior to maturity, the default interest rate shall accrue at the rate of 18% per annum compounded annually from the date of such default. The lender may not assign, sell, pledge, or otherwise transfer all or any portion of its interest in this Bridge Note at any time without prior notice to or consent of the Company. As of the Reporting Period, the note is past due, but not in default.
- (11) On January 18, 2020, the Company entered into a Deed of Novation and Assignment (Novation) with Beijing Gas Blue Sky Holdings Limited (BGBS) in the amount of \$5,476,505 (Novation Amount), wherein BGBS assumed the Company’s debenture with Berwin Trading Limited (Berwin) in the principal amount of \$1,250,000 and the Company’s bridge note with Profit Well Limited (Profit Well) in the principal amount of \$1,050,000, plus all accrued unpaid interest and default interest due and payable under both agreements. As part of the Novation, Berwin and Profit Well assigned their respective debenture and bridge note and transferred all their respective rights, title, and interests pursuant thereto to BGBS. In November and December 2019, BGBS also provided two bridge loans to an indirect subsidiary of the Company for the combined total of \$140,000, which sum was also included in the Novation Amount. The new maturity date pursuant to the Novation for the combined total balance of \$5,476,505 is December 31, 2023, and the new note created therein bears interest at 13.5% per annum accruing from the date of the Novation. Pursuant to the Novation, the Company agreed to make a principal payment of \$500,000 on December 31, 2020 and another principal payment of \$500,000 on December 31, 2021. The Company also agreed to make quarterly interest payments in the approximate amount of \$184,832 with the first such interest payment due on January 20, 2022. All sums due pursuant to the Novation are secured and collateralized by a security interest in the Company’s Ute Tribal North properties.
- (12) On May 8, 2020, the Company received net proceeds of \$92,205 from the U.S. Small Business Administration under the CARES Act Paycheck Protection Program (“PPP Loan”). The PPP Loan bears a fixed interest rate of 1.00% per annum and has a deferment period of six (6) months. The PPP loan is 100% forgivable if the funds are used for the allowed purposes. The Company intends to meet the forgiveness requirements by using over 85% of the loan proceeds for payroll.
- (13) On August 4, 2020, the Company closed on a bridge note transaction with an unaffiliated third party for a 0% interest short-term bridge note (the “Bridge Note”) in the principal amount of \$130,405, bearing a 10% original issue discount, netting the Company proceeds of \$118,550. Terms of the agreement include a personal guaranty signed by the Company’s Executive Chairman. As of the Reporting Period, the note is past due, but not in default.
- (14) On February 22, 2022, the Company closed on a fixed-rate convertible loan transaction with Mast Hill Fund, L.P., a Delaware limited partnership, (“Mast Hill”), pursuant to which the Company issued a convertible promissory note dated February 22, 2022, in the principal amount of \$390,000, with an original issue discount of 10% and received net proceeds of \$325,900, after original issue

discount of \$39,000, broker-dealer fees and legal fees (the "Mast Hill Note"). Mast Hill has the right to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of the Mast Hill Note due into fully paid and non-assessable shares of common stock at a fixed conversion price equal to \$0.0004 per share.

As part of this transaction the Company also issued Mast Hill warrants having a five-year term to purchase 975,000,000 shares of the Company's restricted common stock, at a fixed exercise price of \$0.0004 per share, with a cashless exercise feature. The exercise price is subject to adjustment if the Company at any time while this warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any common stock or securities entitling any person or entity to acquire shares of common stock (upon conversion, exercise or otherwise) (including but not limited to under the Mast Hill Note), at an effective price per share less than the then exercise price. The exercise price shall be reduced to equal the effective price, and the number of warrant shares issuable hereunder shall be calculated by the original total number of warrant shares multiplied by the initial exercise price divided by the effective price.

The Mast Hill Note accrues interest at 12% per year and is due and payable on February 22, 2023. The Company may prepay the Mast Hill Note without prepayment penalty if prepaid during the first 180 days following issuance date. The default interest rate on the Mast Hill Note is 16% per year. No prepayment is permitted after the initial 180 days from issuance. The warrants are subject to adjustment in certain events such as forward or reverse stock splits or if subsequent financings are at terms that are more favorable to persons in subsequent issuances of securities.

- (15) On June 30, 2022, the Company issued a short-term secured bridge note to an unaffiliated investor in the principal amount of \$120,000 with an original issue discount of \$20,000 and a purchase price of \$100,000, which matured on August 30, 2022 (the "Note"). In connection with the issuance of the Note, the Company issued 250,000,000 shares of its common stock, valued at \$63,000, which was considered as a debt discount upon issuance of the Note. The Note is secured by the Company's Illinois basin assets. As of the Reporting Period, the Note is past due, but not in default.
- (16) On August 3, 2022, the Company issued a short-term secured bridge note to an unaffiliated investor in the principal amount of \$240,000 with an original issue discount of \$40,000 and a purchase price of \$200,000, which matured on August 30, 2022 (the "Note"). In connection with the issuance of the Note, the Company issued 500,000,000 shares of its common stock, valued at \$126,000, which was considered as a debt discount upon issuance of the Note. As of the Reporting Period, the Note is past due, but not in default. The Note is secured by the Company's interest in the Illinois basin properties, Oklahoma leases and wells, and Wyoming state leases. As of the Reporting Period, the Note is past due, but not in default.
- (17) On January 9, 2023, the Company issued the first tranche of a senior secured convertible promissory note to an unaffiliated investor ("Holder") in the principal amount of \$555,555.56 (representing the first of three Tranches contemplated) with an original issue discount of \$55,555.56 to cover the Holder's accounting fees, due diligence fees, monitoring, and/or other transactional costs incurred in connection with the purchase and sale of the Note, which is included in the principal balance with a purchase price of \$500,000 (the "Note"). The Holder retained twenty thousand dollars (\$20,000) to cover its legal fees, which provided the Company with net proceeds of \$480,000 ("First Tranche"). The First Tranche of the Note matures on January 9, 2024 ("Maturity Date"). Interest on the Note shall accrue at the rate per annum equal to the greater of (i) the Prime Rate plus eight percent (8%) per annum, or (ii) fourteen percent (14%), determined on a daily basis (the "Interest Rate"). The "Prime Rate" shall mean that variable rate of interest published from time to time by the Wall Street Journal as the prime rate of interest. Any amount of principal, interest, other amounts due hereunder or penalties on this Note, which is not paid by the due date, shall bear interest at the lesser of the rate of twenty four percent (24%) per annum or the maximum legal amount permitted by law ("Default Interest Rate"), from the due date thereof until the same is paid in full, including following the entry of a judgment in favor of Holder ("Default Interest"). In the event of a default, the Company shall also incur a monthly monitoring fee of \$10,000.

Proceeds of this Note shall be used for the acquisition of certain oil and gas properties located in Oklahoma and Kansas, which shall also serve as collateral securing all sums due pursuant to this Note. This Note was issued pursuant to the terms of that certain Securities Purchase Agreement even date herewith (the "Purchase Agreement"), terms of which are incorporated by reference and made part of the Note. The Note is a senior secured obligation of the Company, with first priority over all current and future indebtedness of the Company and any subsidiaries, whether such subsidiaries exist on the Issue Date or are created or acquired thereafter (each a "Subsidiary" and collectively, the "Subsidiaries"). The obligations of the Borrower under this Note are secured by the oil and gas properties to be acquired by the Company with the proceeds of the Note pursuant to the terms of the security and pledge agreement, of even date herewith, by and between the Company and the Holder. The Company signed a confession of judgement for the Note and the Company's Executive Chairman, Kevin J. Sylla, also provided his personal guaranty as well. The Company also agreed to issue to the Holder 375,000,000 shares of the Company's common stock as commitment shares for the First Tranche of the Note. Pursuant to the Note, the Company also agreed to provide the Holder with 50% warrant coverage at the fixed conversion price (as defined below).

Principal Payments: The Principal Amount of each Tranche shall be due and payable in four (4) installments as follows: the first three (3) principal payments, each equal to one sixth (1/6) of the Principal Amount, shall be made on a monthly basis beginning on the date that is nine (9) months following the Advance Date and continuing for two (2) months thereafter. The fourth (4th) principal payment shall be equal to one half (1/2) of the Principal Amount, shall be due on the date that is twelve (12) months following the

Advance date.

Interest Payments: Interest on this Note (i) is computed separately for each Tranche; (ii) is charged on a monthly basis (that is, for each month during each Tranche Term, the amount of accrued interest is determined by multiplying one twelfth (1/12th) of the Interest Rate by the sum of the principal amount plus, if applicable, any accrued and previously due but unpaid interest of such Tranche); (iii) is payable monthly (that is, the monthly interest for each Tranche shall be due on each monthly anniversary of the Advance Date during the Tranche Term (each such date referred to herein as the "Monthly Interest Date"); and (iv) is guaranteed to the Holder for the entirety of each Tranche Term, without regard to an acceleration of the Maturity Date, based on the total Principal Amount of each Tranche, without regard to a reduction of the Principal Amount resulting from, without limitation, Principal Payments, Conversion (as defined below), or prepayment by Borrower subject to the terms contained in the Note.

Prepayment: The Company shall have the right at any time prior to the Maturity Date, upon thirty (30) days' notice to the Holder, to prepay the Note by making a payment to Lender equal to 110% multiplied by the sum of (i) the outstanding Principal Amount, (ii) all accrued and unpaid interest, (iii) all unaccrued interest through the remainder of the Note Term that is guaranteed pursuant to the Note, and (iv) any other amounts due under the Note.

Conversion Right: The Holder shall have the right at any time, at the Holder's option to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of this Note into fully paid and non-assessable Common Shares of the Company or other securities into which such Common Shares shall hereafter be changed or reclassified (each, a "Conversion Share") at the fixed conversion price (the "Conversion Price"). The Conversion Price shall be \$0.0002 (the "Fixed Conversion Price"); *provided* that on the date upon which an Event of Default (as defined therein) under this Note occurs (such date referred to as the "Default Date"), the Conversion Price shall be adjusted to the lesser of (i) a 50% discount to the Fixed Conversion Price; and (ii) the lowest trade price on the Default Date (or if the Default Date is not a Trading Day, then on the Trading Day immediately preceding or subsequent to the Default Date, whichever is lower). At the end of each thirty (30) day period following the Default Date, during which an Event of Default remains uncured, the Conversion Price shall be adjusted to the volume-weighted average price on the prior Trading Day, but only if such price is lower than the Conversion Price in effect just prior to such adjustment.

Mortgage: A mortgage in favor of the Holder will also be filed with the county recorder in each respective county in Kansas and Oklahoma covering the properties to be acquired by the Company with the proceeds of this Note.

Net Profits Interest Agreement: The Holder shall receive from revenues attributable to the Kansas and Oklahoma oil and gas wells to be acquired by the Company, a net profits interest equal to twenty five percent (25%) of the net profits for a 6-year period, commencing on April 1, 2023 and ending on March 31, 2029. The first twelve (12) net profits interest monthly payments shall be applied against the payments of accrued unpaid interest and principal due pursuant to the amortization schedule provided in the Note. (Net Profits shall be defined as total gross revenues reduced by any taxes, royalties, overriding royalties, marketing, and field lease operating expenses to the Kansas and Oklahoma oil and gas leases to be acquired by the Company). The payment of such net profits interest shall commence on production of oil and gas from the properties to be acquired starting on April 1, 2023 and shall be due and payable five (5) business days after receipt of payment for such production. A Net Profits Interest agreement shall also be filed with the county recorder in each respective county in Kansas and Oklahoma covering the properties.

Rollover Rights: If the Company completes a public offering or private placement of its equity, equity-linked or debt securities (each, a "Future Transaction"), the Holder may, in its sole discretion, elect to apply all, or any portion, of the then outstanding balance of the Note, plus any prepayment penalty that would be due if repaid, as purchase consideration for such Future Transaction.

Piggy-Back Registration Rights: In addition, the Company shall file a registration statement with the SEC, which shall include the registration of the Holder's commitment shares, warrant shares, and the shares issuable upon conversion of the Note (collectively, the "registrable shares").

Most Favored Nation Rights: If the Company enters into a subsequent financing with another individual or entity (a "Third Party") on terms that are more favorable to the Third party, the agreements between the Company and the Holder shall be amended to include such better terms so long as the Note is outstanding.

Right of Participation: The Holder shall have the right to participate in any future offering by the Company for the longer of: (i) a period of eighteen (18) months and (ii) so long as any portion of the Note remains outstanding, for an amount equal to the Note principal amount.

Right of First Refusal: The Holder shall have the right of first refusal on any financing for the longer of: (i) a period of eighteen (18) months and (ii) so long as any portion of the Note remains outstanding.

Repayment Right: The Holder shall have the right to be repaid with 100% of the proceeds of the following: (i) asset sales, (ii) debt issuances, (iii) equity issuances. Limitations on Certain Transactions: Until the earlier of Note repayment or conversion, the Company shall not, directly or indirectly, without Lender's prior written consent (which consent shall not be unreasonably withheld): (a) change the nature of its business; (b) sell, divest, change the structure of any material assets other than in the ordinary course of business; or (c) enter into any variable rate transactions (d) accept Merchant-Cash-Advances (MCA) or similar financing instruments, unless approved by Lender.

Warrants: Upon the advance of each Tranche by Holder to the Company, the Company shall issue to Holder a warrant (the

“Warrant”), each exercisable for a number of Common Shares equal to one half (1/2) of the Principal Amount of such Tranche divided by the Fixed Conversion Price. Each Warrant shall have (i) an exercise period of 60 Months, (ii) an exercise price equal to the Fixed Conversion Price, and (iii) provide for full ratchet anti-dilution protection provisions.

Call Option. The Company shall have an option to call fifty percent (50%) of the Warrant (the “Call”) beginning on the Note Issuance Date and ending on the date which is two hundred seventy (270) calendar days following the Note Issuance Date for a total consideration of Twenty-Five Thousand U.S. Dollars and No/Cents (\$25,000.00) (the “Call Payment”). If the Company exercises the Call, then the Company shall make the Call Payment to the Holder within five (5) business days of the date that the Company exercises the Call. If the Call Payment is not made within the required time frame, then the Company shall permanently lose its right to exercise the Call with respect to this Warrant.

- 18 On May 17, 2022, the Company closed on an additional tranche of funding contemplated by that certain Senior Secured Note and Securities Purchase Agreement dated January 9, 2022, between Leonite Fund I, LP (“Leonite” or the “Purchaser”) and the Company. Prior to this second Tranche, Leonite has advanced \$500,000 pursuant to the Note Documents. Upon the closing of this second Tranche, the total advanced by Leonite pursuant to the Transaction Documents will be \$753,000. As per the terms of the Transaction Documents, upon the closing of this second Tranche, the Principal Amount of the Note shall increase by \$281,111.11, including OID of \$28,111.11.

Debt Settlement Agreements

In November 2022, the Company reached a settlement agreement with Jefferson Street Capital, LLC, which retired and extinguished all of their remaining common stock purchase warrants issued in 2019, and cancelled their 498,086,349 irrevocable share reservation held by the Company’s stock transfer agent.

In November 2022, the Company also reached a global settlement agreement with Labrys Fund, L.P. (“Labrys”), which retired and extinguished a total of eleven (11) variable-rate and fixed-rate convertible notes issued on various dates from November 1, 2018 to May 2, 2022, with a combined total principal face value of \$6,368,000. This global settlement agreement also extinguished a total of twelve (12) common stock purchase warrants (all with cashless exercise provisions) and eleven (11) securities purchase agreements issued of same dates, for up to 3.9 billion shares of the Company’s common stock and cancelling their corresponding irrevocable share reservation held by the Company’s stock transfer agent. Labrys’ sale of the Company’s common stock for the following six (6) months will also be limited to twenty percent (20%) of the average daily volume traded on each respective trading day.

4) Issuer’s Business, Products and Services

The purpose of this section is to provide a clear description of the issuer’s current operations.

A. Summarize the issuer’s business operations (If the issuer does not have current operations, state “no operations”)

Foothills Exploration, Inc. (the “Company”) was incorporated in the State of Delaware on May 13, 2010, under the name “Key Link Assets Corp.” for the purpose of acquiring a portfolio of heavily discounted real estate properties in the Chicago metropolitan area. The Company changed its focus and planned to acquire small and medium sized grocery stores in non-urban locales that are not directly served by large national supermarket chains.

On May 2, 2016, Foothills Petroleum Inc., a Nevada corporation (“FPI”) acquired approximately 14.1 million pre-split (56.4 million post-split) shares of the Company’s common stock constituting approximately 96% of our then issued and outstanding shares (“FPI Acquired Shares”). As of May 16, 2016, we effected a 4:1 forward split of our shares of common stock.

On May 27, 2016, the Company entered into a Share Exchange Agreement with shareholders of FPI whereby we acquired all of the outstanding shares of FPI in exchange for 4,500,000 shares of our common stock and also issued 1,503,759 shares of our common stock on automatic conversion of debt (please see discussion below under Overview) for an aggregate of 6,003,759 shares of our common stock (the “Share Exchange”). As a result of the Share Exchange, FPI became our wholly owned subsidiary and the FPI Acquired Shares were returned to treasury and deemed cancelled. For accounting purposes, this transaction is being accounted for as a reverse acquisition and has been treated as a recapitalization of the Company with FPI considered the accounting acquirer, and the financial statements of the accounting

acquirer became the financial statements of the registrant. The completion of the Share Exchange resulted in a change of control. The FPI Shareholders obtained approximately 96% of voting control on the date of Share Exchange. FPI was the acquirer for financial reporting purposes and the Company was the acquired company. The consolidated financial statements after the acquisition include the balance sheets of both companies at historical cost, the historical results of FPI and the results of the Company from the acquisition date. All share and per share information in the accompanying consolidated financial statements and footnotes have been retroactively restated to reflect the recapitalization.

Prior to the Share Exchange, the Company had minimal assets and recognized no revenues from operations and were accordingly classified as a shell company. On June 24, 2016, the Company filed an Amendment No. 1 to its Current Report on Form 8-K originally filed on June 10, 2016, indicating that they were no longer a shell company as defined by Rule 12b-2 of the Exchange Act. In light of the closing of the Share Exchange, the Company became actively engaged in oil and gas operations.

On August 4, 2016, the Financial Industry Regulatory Association (“FINRA”) approved our name change from Key Link Assets Corp. to Foothills Exploration, Inc., and a change of trading symbol from KYLK to FTXP.

On June 17, 2019, the Company filed a Certificate of Amendment to its Certificate of Incorporation with the Secretary of State of the State of Delaware, increasing the authorized capital of the Company. The total number of shares of all classes of stock which the Company is authorized to issue was increased to 500,000,000 shares, consisting of 475,000,000 shares of common stock, \$0.0001 par value, and 25,000,000 shares of preferred stock, \$0.0001 par value.

On October 23, 2019, the Company filed a Certificate of Amendment of its Certificate of Incorporation with the Secretary of State of the State of Delaware, increasing the authorized capital of the Company. The total number of shares of all classes of stock which the Company is authorized to issue was increased to 2,000,000,000 shares, consisting of 1,975,000,000 shares of common stock, \$0.0001 par value, and 25,000,000 shares of preferred stock, \$0.0001 par value.

On August 13, 2020, the Company filed a Certificate of Amendment of its Certificate of Incorporation with the Secretary of State of the State of Delaware increasing the authorized capital of the Company. The total number of shares of all classes of stock which the Company is authorized to issue was increased to 20,000,000,000 shares, consisting of 19,975,000,000 shares of common stock, \$0.0001 par value, and 25,000,000 shares of preferred stock, \$0.0001 par value.

On July 28, 2022, the Company filed a Certificate of Amendment of its Certificate of Incorporation with the Secretary of State of the State of Delaware increasing the authorized capital of the Company. The total number of shares of all classes of stock which the Company is currently authorized to issue was increased to 50,025,000,000 shares, consisting of 50,000,000,000 shares of common stock, \$0.0001 par value, and 25,000,000 shares of preferred stock, \$0.0001 par value.

Employees

As of June 30, 2023, and June 30, 2022, the Company had five (5) employees, including our executive officers.

Our Strategy

Foothills Exploration, Inc. (OTC: FTXP), is an independent exploration and development company focused on delivering the energy needs of today and tomorrow. The Company is dedicated to providing energy while also maintaining and supporting U.S. national security interests. As the global energy markets move towards greener pastures, the Company's long-term strategy is to build a balanced energy mix for the future that is carbon neutral in the long-term. The Company will continue to explore for oil and gas in the near term because the global consensus is that hydrocarbons will continue to play a significant role in the global energy matrix for the next several decades, even as the world increasingly transitions to renewables and carbon free transportation fuels.

Acquisitions and Rollup Strategy

The Company's acquisitions and roll up strategy is based on identifying high-quality, non-core, stranded, and distressed assets in the U.S. Rocky Mountain and Midcontinent regions, which are selling at a discount to intrinsic value. The Company's strategic objective is to build a portfolio of producing properties with low operating costs, long lived reserves, and upside development potential. We intend to acquire oil and gas properties with attractive valuation metrics and

appealing geological risk/reward profiles, which are better positioned to benefit from an improvement in commodity prices. Our primary focus is the U.S. Rocky Mountain and Midcontinent regions, where our consultants and technical staff have conducted successful oil and gas operations. Our geographical focus, regional experience, and strategic industry relationships advantageously position the Company to acquire high quality oil and gas assets at attractive valuations in the current environment.

Foothills is primarily focused on acquiring oil and gas assets that come with current production, existing infrastructure in place, and future developmental potential. Acquired assets are subsequently optimized to maximize production and create shareholder value. Our strategy also includes targeting adjacent oil and gas properties with similar characteristics for bolt on acquisitions to increase total acreage in a concentrated geographical area, enabling us to optimize the profitable operation of those assets.

The Company aims to achieve a lower cost of entry and generate an overall better return on invested capital by acquiring assets at a discount to inherent value, optimizing and developing those assets, and then operating those assets profitably, even at current energy prices. Management believes that accomplishing of these objectives will create and maximize shareholder value in the long term.

Our Properties

| | Unproved Acreage | | Proved Acreage | | Total Acreage | |
|--------------|------------------|---------------|----------------|------------|---------------|---------------|
| | Gross | Net | Gross | Net | Gross | Net |
| Illinois | — | — | 840 | 840 | 840 | 840 |
| Oklahoma | — | — | 130 | — | 130 | — |
| Wyoming | 17,187 | 17,187 | — | — | 17,187 | 17,187 |
| Total | 17,187 | 17,187 | 970 | 840 | 18,157 | 18,027 |

Illinois Properties

The Company, through its direct subsidiary, Anaconda Energy, LLC (“Anaconda Energy”), acquired two small oil and gas operators in the Illinois basin on December 28, 2021. The acquisition included all of the assets of the operating companies, including working interests held in certain oil and gas wells and leases and five percent (5%) overriding royalty interest in certain leases and wells. The acquisition also came with 20 oil wells, 9 of which can be worked over. The Company has maintained oil and gas operations on the leases since acquiring the properties.

Houser-Sears Lease

The Houser-Sears Lease produces between 5-6 BOPD from the Houser-Sears #4, and #6 wells.

Houser-Sears #6 Well

This well was completed in the McClosky Dolomite zone. In the future we may look to perforate and produce the other prospective formations in the Houser-Sears #6 well.

Salem Lime

The Upper Salem Lime zone present in this well’s log data correlates to the “Parrish Salem Oolitic” zone, which is productive from over 20 wells to the southeast and east of this well’s location. This zone does not exist in any of the offset wells to the south (Ochs #1 & #2) or are old (four locations away) pre-1970 Salem tests to the northwest and southwest. This zone will be evaluated in the future.

St Louis Lime

Log data indicates an excellent zone in the Lower St. Louis Lime in this well: 3,170-75'. The 15% porosity, permeability and 43% salt water indicate that this interval should produce oil relatively water free. This zone somewhat correlates to the Ochs #1 (1,980' to SE), which has 3.5 feet of 12% porosity and had an initial production of 36 BOPD (after acid) and produced 2,585 barrels of oil in the first 120 days (21 BOPD average). Our zone is 25% better on analysis. Therefore, we intend to test this zone first after running a cement bond log during the completion phase.

McClosky Dolomite

This zone has been the primary target of this project and log data indicates 27% porosity, which is excellent for this zone and 42% salt water calculated from an analog well. Should the St. Louis Lime zone only produce nominal amounts, the parties plan to also open this zone and co-mingle with the St. Louis Lime.

Upper McClosky / Rosiclare Lime

This zone was thin (only three feet) with low end porosity (8.5%), but it did carry oil and is possibly on the "edge" of the previous wells to the west and northwest. It correlates to the Sears-Houser #4 to the south, which was making a modest 1.5 BOPD after 65 years until the casing became corrupted and the parties repaired it with a liner in 2021. The parties plan to open this zone in the future under optimal conditions to come uphole for more production.

Lower Aux Vase Dolomite

This zone exceeded initial expectations as it demonstrated fair oil shows during drilling but the log analysis indicated 17-21% porosity and a 44% salt water, indicating favorable characteristics. This zone has not been produced anywhere within 1 mile of this well and is also difficult to identify in the old 1960 vintage logs on this lease. This represents another future test zone.

Upper Aux Vases Sand

The offset #4 well to the south was thin, but the offset #6 had good oil shows. The PE curve denotes the 2722-33 interval was 30% Lime / 70% sand and low permeability with 10% porosity, although it had good oil shows. Going forward, the cement bond log should assist in determining if there exists a bond between this zone and the Lower Aux Vases interval. The initial results of this zone did not meet our expectations, but will be investigated further in the future.

The Company recognized approximately \$63,163 in total net revenues during the three months ended June 30, 2023 from the Company's Illinois Basin properties, attributable to Anaconda Energy and its subsidiaries.

Oklahoma Properties

Mid-Continent Expansion

Jubilee Exploration, LLC Acquisition

In January of 2023, the Company, through Anaconda Energy, LLC, its direct subsidiary, closed on the acquisition of one hundred percent (100%) of the membership interest in Jubilee Exploration, LLC, an Oklahoma limited liability company ("Jubilee Exploration"), an independent oil and gas producer who owns 545 shut-in or stranded oil and gas wells situated on multiple leases located in northeastern Oklahoma and southeastern Kansas.

Acquisition Highlights:

- The Jubilee Exploration acquisition provides a multi-year inventory of wells to increase the production and reserve profile of the Company;
- The assets provide the Company with a platform to deliver double-digit growth in production, reserves and revenues in 2023 and 2024;
- Substantial reserves behind pipe;

- Infrastructure in place to drive low-cost development; and
- Natural gas weighted assets.

The Company has already begun its return to production program focused on gas production of 139 wells located in Craig and Nowata counties, Oklahoma. The Company's return-to-production program on these properties will consist of wellhead reconnection, facility maintenance, electrical work and flowline repair work, which is expected to deliver collective production rates of between 1.5 to 2.5 million cubic feet ("MMCF") of gas per day for these wells. The Company expects that natural gas production from all acquired wells can potentially be increased to about five to eight million cubic feet per day ("MMCF") within the first two years of production.

In addition, 14 Jubilee-owned oil wells in Jackson and Garvin counties, Oklahoma will also be returned to production. The Company anticipates 30-40 barrels of oil production per day from these properties combined. The Garvin County properties include three (3) drilled uncompleted wells ("DUC's") as part of the package. The Garvin County wells are the subject of litigation proceedings between Jubilee Exploration, LLC and PCL Energy, whereby Jubilee is repossessing the properties pursuant to a lien in the total amount of \$235,950 plus the lease, which was filed for the benefit of Jubilee on February 28, 2022.

Comanche County Wells and Leases

In January 2023, the Company closed on the acquisition of 21 shallow oil and gas wells, all located in Comanche County, Oklahoma, situated across four leases. These stripper wells have an average depth of 1,200 feet and primarily produce from the Granite Wash formation. The Company's return-to-production program on these properties will consist of cleaning out existing wellbores, facility maintenance, electrical work and flowline repair work, which is expected to deliver collective production rates of 10-15 barrels of oil per day for all wells when completed. WHZ Oil & Gas, LLC, an indirect subsidiary of the Company will operate the properties.

Other Activity

The Company completed an acquisition of twenty-four (24) producing oil and gas wells in Oklahoma from an unrelated third party. These wells are currently producing approximately 5 BOPD and 300 MCFPD. The purchase comprised of twenty-two (22) gas wells and two (2) oil wells. The wells are located primarily in Custer and Washita counties in Oklahoma. The wells will be operated by Jubilee Exploration, LLC, the Company's wholly owned subsidiary. Jubilee Exploration is the majority working interest owner in the twenty-four (24) wells.

In May 2023, the Company's subsidiary WHZ Oil & Gas, LLC acquired approximately fifteen (15) stranded wells located in Oklahoma from Columbia Production Co. The plan is to get these wells back into production during the fourth quarter of 2023.

The Company entered into a strategic partnership agreement to identify and acquire stranded, distressed and orphaned oil and gas properties in Oklahoma for future development and production. The Company acquired one (1) non-core and two (2) abandoned leases comprised of six (6) wells situated on 170 acres in Garvin and Carter counties. The Company plans to stimulate and bring all of the remaining wells online by the end of the fourth quarter of 2023.

Repurposing Abandoned Oil and Gas Wells

The Company's acquisition of the above stripper wells is part of a larger plan to repurpose these wells at the end of their life into clean energy producers. Currently there are several pilot projects and emerging new technologies focused on repurposing oil and gas wells to accelerate the energy transition.

The Company's New Energy Ventures division is also in the research phase of its evaluation into the production of green energy by repurposing abandoned oil and gas wells into geothermal wells and also producing hydrogen from abandoned wellbores using emerging hydrogen production technologies.

Effective April 1, 2022, the Company entered into a related party transaction to acquire up to five percent (5%) of the issued and outstanding membership interest in Hydrathermal Energy, LLC ("HYE"), for up to USD \$100,000 in order to gain access

to certain intellectual properties and to further the development of a downhole apparatus to produce clean energy from subsurface environments. The Company's investment shall be designated for the specific purposes of product development, intellectual property advancement and procurement, lab and diagnostic work, product research and development, and product materials.

Wyoming Properties

Wind River Basin Project

The Company's total acreage in the Wind River Basin is approximately 17,187 acres. In January 2020, the Company's Wind River Basin oil and natural gas prospective resources were evaluated by an independent third-party engineering firm for the Company's interest in 16,387 acres located in an area known as the Beaver Creek East Project. The report indicates *Prospective Resources* of approximately 21 million barrels of undiscovered oil and 37 billion cubic feet (BCF) of undiscovered gas, with a PV-10 value of \$372 million (after risk).

The Company currently owns approximately 17,187 acres of leaseholds located in Fremont County, Wyoming, of which 15,507 acres are Federal leaseholds. On December 16, 2022, the Bureau of Land Management (BLM) held a Zoom webinar with an update on the "BLM Forum on Oil & Gas Leasing Provisions in the Inflation Reduction Act of 2022", and provided a summary of seven (7) Instruction Memorandums' (IM). Number 7 discussed "Suspension of Operations and/or Production IM. These IM 2023-12 guidelines that are specific to the Company's leaseholds and addresses considerations for suspensions based on leasing delays.

The application requesting suspension under Section 39 of the 1920 Mineral Leasing Act (as amended) was approved effective December 1, 2022 and lease suspensions will remain in effect until January 1, 2025.

The BLM Reservoir Management Group ("RMG") evaluated the Company's application dated December 29, 2022, requesting a Section 39 suspension of operation and production of leases because of adjacent unleased Federal lands. The RMG review indicated that:

1. "The Beaver Creek East Prospect Section 39 suspension area is logically subject to exploration and development," and
2. "Delays in issuing Federal leases critical to your prospect have precluded efficient exploration and development of the Beaver Creek East Prospect Section 39 suspension area."

Additional requirements to suspend all leasehold also required approval of Drilling Spacing Units (DSU) that were approved before the Oil and Gas Conservation Commission of the State of Wyoming and supported by legal, geological and engineering hearing Docket testimony for drilling horizontal wells in the Beaver Creek East established Frontier Formation DSUs.

The obvious value of our persistent process is saving this large potential leasehold that has been substantiated by BLM and State agencies' technical evaluation supporting valuable prospective development potential. The added agency support and time will allow the Company to secure a budget and financing partners to develop these leaseholds large oil and gas potential.

Utah Properties

Non-Operated Minority Working Interests

The Company owns a small (under 1%) non-operated working interest in certain leases located in Duchesne County, Utah. The Company also owns a 21.6% non-operated working interest with a 17.1% net revenue interest in two EOG-operated horizontal wells in the Uinta Basin. The initial production from the two Stagecoach wells commenced in December 2017, and the wells were completed in April 2018. The Company has realized natural gas sales, and associated hydrocarbon revenue from both wells since December 2017. Effective May 1, 2022, both Stagecoach wells were acquired by Greylock Production, LLC, who also stepped in as the new operator for both wells.

The Company recognized approximately \$77,038 in total net revenues during the three months ended June 30, 2023 from both of these non-operated working interests in Utah.

Ute Tribal North Properties

These properties, located in Uintah and Duchesne Counties of Utah, are comprised of certain operated and non-operated working interests as well as rights and interests in a project for future development covering over 7,800 acres on Ute Tribal lands. When the Company acquired Tiger Energy Partners International, LLC (“TEPI”) in December 2016, TEPI’s title to these Ute Tribal North properties was clouded by the tribe’s breach of responsibility claims against the former operator who had sold the properties to TEPI. TEPI had already initiated its Bureau of Indian Affairs (“BIA”) Administrative Appeal, which was filed to assert TEPI’s rights and interests in the oil and gas leases on the Ute Indian Uintah and Ouray Reservation. The Company owns all rights and interests acquired in the Purchase and Sale Agreements between TEPI and Mountain Oil & Gas, Inc., dated April 16, 2012, and December 18, 2012.

The Company decided to proceed with the BIA Administrative Appeal instead of the revised Global Settlement Agreement to obtain a more attractive settlement price reflecting current commodity prices. The Company, by continuing the BIA Administrative Appeal, is attempting to reclaim its rights and clear title to the properties, but it is uncertain as to whether the Company will prevail in its efforts to do so, given that several years have passed without any progress being made on the matter. As such, we have decided to write down these assets pending the outcome of this BIA Administrative Appeal.

Plan of Operations

The Company is actively seeking additional capital to fully fund its plan of operations in Oklahoma, Illinois and Wyoming.

Illinois Operations

Future Development Opportunities – Illinois

The Company plans to commence an enhanced recovery program on its Cisne Area wells by implementing a waterflood project. The Company expects to have the waterflood plan of operations and budget considerations and be in a position to schedule service operations by the end of the 2023 fiscal year.

Oklahoma Operations

The Return to Production (RTP) program has successfully returned several wells back to production with other wells awaiting work-over operations. The initial properties acquired were neglected and offered low-risk development with behind pipe potential and field wide optimization opportunities.

Future Development Opportunities – Oklahoma

The Company has targeted several noncore or neglected oil and gas properties for bolt-on acquisitions in its core area of operations. The Company is continuing to evaluate opportunities adjacent to and/or near its existing operations. The Company is seeking underdeveloped and underexploited properties with upside potential.

Wyoming Operations

The Company is still actively pursuing a JV partner and all strategic alternatives to finance its proposed drilling program and develop the project. Currently the leases are under suspension effective December 1, 2022, and lease suspensions will remain in effect until January 1, 2025.

Utah Operations

As of June 30, 2023, the Company’s Utah operations consisted primarily of its 21.6% non-operated working interest in two (2) horizontal gas wells operated by Greylock Production, LLC.

New Asset Acquisitions

The Company continues to seek opportunistic acquisitions of producing assets with long-lived reserves and significant upside development potential. Management is currently evaluating several small to mid-sized production and exploration opportunities in the U.S. Mid-Continent and Rocky Mountain regions to add to the Company's asset portfolio. Asset acquisitions with the following key criteria are being targeted and considered:

- Under-developed conventional assets with long-lived reserves
- Divestitures from large companies due to ESG pressures
- Proved Undeveloped (PUD) drilling opportunities

New Energy Ventures, LLC

Foothills is also working to develop carbon-free energy sources by making investments and entering into joint ventures to develop hydrogen and geothermal-related projects. Management is evaluating areas where the Company can contribute to a viable, realistic, and balanced future energy mix.

The Company continues its natural hydrogen exploration efforts and to that end has extended its binding memorandum of understanding with Pristine Energy, Inc., providing the Company with additional time, until December 31, 2023, to consummate the transaction with respect to participating in the White Lightning natural hydrogen prospect in Canada.

In June 2022, the Company through its indirect subsidiary Dragonfly Energy Inc., entered into a confidential agreement with a Canadian mining company with extensive exploration permits in certain Canadian provinces, which allows the Company to perform unmanned aerial surveys and to conduct surface and geologic testing for natural hydrogen on said acreage.

Drone Joint Venture – HHe Exploration Technologies, Ltd.

The Company's indirect subsidiary, New Energy Ventures, LLC, created a joint venture with Perspectum Drone Inspection Services, Ltd. (PDIS) to develop and commercialize drone-based natural hydrogen detection technology. Through our joint venture, HHe Exploration Technologies, Ltd. ("HHe"), a hydrogen sensor has been mounted on a drone and test flown to evaluate the navigational and stability performance of the platform. HHe believes the combination of optical gas imaging and ambient air analysis provides a novel solution for identifying hydrogen in the most minute volumes and concentrations.

Additionally, a collaboration with a research and technology industry partner is allowing the joint venture to evaluate next generation UAVs, which will have heavier payload capacity, extended flight times and fully autonomous navigation capabilities. These evolved platforms will allow multi-sensor array capabilities of existing and futuristic technologies resulting in the acquisition of the most advanced data possible.

Hydrogen

Just as natural gas is often discussed as a bridge fuel in the global energy transition, hydrogen should be viewed as a coupling and complementary fuel that will eventually lead the world to net zero emissions. Hydrogen gas is the fuel that is most interchangeable with natural gas (methane) and it should be noted that many existing consumer and commercial appliances are capable of running on a blend of natural gas and up to about 15% hydrogen gas without requiring modification. Hydrogen fuel cells have also emerged as viable alternatives to battery electric fuel cells in light duty transportation and some suggest the benefits for medium-duty and heavy-duty transportation are even greater due to the weight of current battery electric fuel cell technologies. Hydrogen has an important role to play in the global energy transition as a strategic complement to electrification because the road to 'electrify everything' is also fraught with potential unintended consequences.

About Hydrogen

Hydrogen, the most abundant element on Earth, has become a key component of the global energy transition to zero-carbon energy and provides numerous opportunities for attractive financial returns. Hydrogen is also gaining unprecedented economic and political momentum globally as an alternative net-zero energy vector and a complement to the 'electrify everything' movement. Bank of America forecasts that the hydrogen industry is at a tipping point and headed to \$11 trillion, with hydrogen production projected to see a 5,000% increase by 2026. Global demand for clean and green energy continues to increase rapidly, coupled with the need to optimize production, and minimize greenhouse gas emissions. Energy

companies will increasingly need to embrace the concept of clean tech by focusing on both the tools and processes to solve such challenges.

Current Market Outlook

The Company is an oil and gas exploration and development company focused on delivering the energy needs of today and tomorrow. The Company's key initiative is to generate high-impact exploration projects focused on oil and natural gas and acquiring assets with long lived reserves, low operating costs, and behind-pipe upside. Over the near-term, the Company believes that it is well positioned to capitalize on the short- and long-term demand for oil and natural gas.

For oil, the Energy Information Agency ("EIA") estimated in their July 11, 2023 Short-Term Energy Outlook for Brent crude oil spot prices to average \$78 per barrel in July. Crude oil prices gradually increase throughout the EIA's forecast, reaching about \$80 per barrel in 4Q23 and averaging about \$84 per barrel in 2024 as the EIA expects global oil inventories will decline over the next five quarters.

For natural gas, the Energy Information Agency ("EIA") estimated in their July 11, 2023 Short-Term Energy Outlook expects Henry Hub spot prices to rise in the coming months as declining natural gas production narrows the existing surplus of natural gas inventories compared with the five-year average. Henry Hub prices in the EIA forecast is expected to average more than \$2.80 per million British thermal units (MMBtu) in the second half of 2023 (2H23), up from about \$2.40/MMBtu in the first half of the year.

Principal Office

The Company's principal office is located at 2660 Townsgate Road, Suite 800, Westlake Village, CA 91361. Its telephone number is (800) 204-5510 and the website address is www.foothillspetro.com.

B. Please list any subsidiaries, parents, or affiliated companies.

Subsidiaries of Foothills Exploration, Inc.:

Foothills Petroleum, Inc., a Nevada corporation*
Energy Transition Holdings, LLC, a Wyoming limited liability company*
Anaconda Energy, LLC, a Wyoming limited liability company

Subsidiaries of Foothills Petroleum, Inc.:

Foothills Petroleum Operating, Inc., a Nevada corporation
Foothills Exploration Operating, Inc., a Nevada corporation*
Foothills Exploration LLC, a Wyoming limited liability company*

Subsidiaries of Energy Transition Holdings, LLC:

New Energy Ventures, LLC, a Wyoming limited liability company
Dragonfly Energy, Inc., a Wyoming corporation

Subsidiaries of Anaconda Energy, LLC:

WHZ Oil & Gas, LLC, an Illinois limited liability company
DDC Oil Company, an Illinois corporation
Dedica Energy Corporation, an Illinois corporation
Jubilee Exploration, LLC, an Oklahoma limited liability company

Subsidiaries of Foothills Exploration Operating, Inc.:

Clear Elite Holdings Limited, a British Virgin Islands limited liability company*
Prominent Sino Holdings Limited, a British Virgin Islands limited liability company
Value Train Investments Limited, a British Virgin Islands limited liability company
Tiger Energy Partners International, LLC, a Nevada limited liability company – 25% total equity ownership

Subsidiaries of Foothills Exploration, LLC:

Foothills Production I, LLC, a Wyoming limited liability company
Foothills Production II, LLC, a Wyoming limited liability company

Subsidiaries of Clear Elite Holdings Limited:

Golden Giants Limited, a British Virgin Islands limited liability company*

Subsidiaries of Golden Giants Limited:

NTE-Utah, LLC, a Delaware limited liability company*
Tiger Energy Partners International, LLC, a Nevada limited liability company – 75% total equity ownership

Subsidiaries of NTE-Utah, LLC:

Tiger Energy Operating, LLC, a Nevada limited liability company*

Subsidiaries of Tiger Energy Operating, LLC:

Tiger Energy Mineral Leasing, LLC, a Nevada limited liability company

**Indicates that it is a parent of one or more entities.*

C. Describe the issuers' principal products or services.

The Company is a development stage company engaged in the acquisition and development of oil and natural gas properties. The Company is focused on delivering the energy needs of today and tomorrow. To meet today's energy needs, the Company is looking to acquire producing and developmental properties in the U.S. Rocky Mountain region. The Company seeks to acquire non-core, dislocated, underdeveloped, and under explored oil and gas assets and maximize those assets to create shareholder value. To meet tomorrow's energy needs, the Company is actively looking at potential transactions related to hydrogen, helium, geothermal and other green energy projects to participate in the global energy transition to net-zero.

The consolidated balance sheets include the accounts of the Company, and its wholly-owned direct and indirect subsidiaries, Foothills Exploration, Inc. ("FTXP"), Foothills Petroleum, Inc. ("FPI"), Foothills Exploration, LLC ("FEL"), Anaconda Energy, LLC ("Anaconda"), WHZ Oil & Gas, LLC ("WHZ"), DDC Oil Co. ("DDC"), Dedic Energy Corporation ("Dedica"), Jubilee Exploration, LLC ("Jubilee"), Foothills Petroleum Operating, Inc. ("FPOI"), Foothills Exploration Operating, Inc. ("FEOI"), Tiger Energy Partners International, LLC ("TEPI"), Tiger Energy Operating, LLC ("TEO"), and Tiger Energy Mineral Leasing, LLC ("TEML").

The Company's oil and gas operations are conducted by its wholly owned indirect subsidiaries. FEL is an oil and gas operator licensed in the state of Wyoming; WHZ is an oil and gas operator licensed in Illinois and Oklahoma. DDC is an oil and gas operator licensed in Illinois; Jubilee is an oil and gas operator licensed in Oklahoma and Kansas; and TEO is an oil and gas operator licensed in the state of Utah. The Company's operating entities have historically employed, and will continue in the future to employ, on an as-needed basis, the services of drilling contractors, other drilling related vendors, field service companies and professional petroleum engineers, geologists, and landmen as required in connection with future drilling and production operations.

The Company's results of operations and financial condition are significantly affected by oil and natural gas commodity prices, which can fluctuate dramatically. Commodity prices are beyond our control and are difficult to predict. Many factors enter into the price of oil, both domestic and foreign.

5) Issuer's Facilities

Leases

The Company leases its Westlake Village, California, corporate office for a total cost of approximately \$1,270 per month. The lease, which we initially entered into on April 28, 2020, automatically renews each year for an additional one-year term unless landlord receives the Company's notice of intent to terminate at least ninety (90) days prior to the expiration of the current term. The Company has currently agreed in principle to leasing new office space with the same landlord.

On November 29, 2021, the Company entered into a new office lease, commencing December 1, 2021, for 370 square feet of office space in Park City, Utah, to serve as a field office for Company operations for a total cost of approximately \$950 per month. The rental term expired on November 29, 2022, after which time tenancy became on a "month-to-month" basis subject to the terms of the lease agreement, unless the lease agreement is otherwise renewed or extended prior to expiration.

On September 15, 2021, the Company's indirect subsidiary, DDC Oil Company entered into an office lease in Mattoon, Illinois, ending on September 1, 2023, for \$400 per month, which serves as a field office for WHZ, DDC and Dedica.

The Company records the lease asset and lease liability at the present value of lease payments over the lease term. The leases typically do not provide an implicit rate; therefore, the Company uses its estimated incremental borrowing rate at the time of lease commencement to discount the present value of lease payments. The Company's discount rate for operating leases at June 30, 2023 was 12%. Lease expense is recognized on a straight-line basis over the lease term.

As of June 30, 2023, the operating leases liabilities have matured.

Rent expense is recognized on a straight-line basis over the life of the lease. Rent expense consists of the following:

| | Three Months ending June 30, 2023 | Year ending December 31, 2022 |
|-----------------------|--|--|
| Operating lease costs | \$ 10,000 | \$ 32,000 |
| Variable rent costs | (-) | (-) |
| Total rent expense | <u>\$ 10,000</u> | <u>\$ 32,000</u> |

Other information related to leases is as follows:

| | Three Months ending June 30, 2023 | Year ending December 31, 2022 |
|---|--|--|
| Other information: | | |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | \$ 5,000 | \$ 32,000 |
| Weighted-average remaining lease term - operating leases | \$ - | - |
| Weighted-average discount rate - operating leases | 12% | 12% |

Title to Oil and Gas Properties

Foothills owns the interest in its oil and gas properties and at times also relies on contracts with the owner or operator of the property, pursuant to which, among other things, the Company has the right to have its interest placed of record. As is customary in the oil and gas industry, we anticipate that a preliminary title examination will be conducted at the time unproved properties or interests are acquired by us. Prior to commencement of drilling operations on such acreage and

prior to the acquisition of proved properties, Foothills will conduct a title examination and attempt to cure materially significant defects before proceeding with operations or the acquisition of proved properties, as it may deem appropriate.

Foothills' properties are subject to royalty, overriding royalty and other interests customary in the industry, liens incident to agreements, current taxes and other burdens, minor encumbrances, easements, and restrictions. Foothills' Utah properties acquired from Total Belief Limited on December 30, 2016, are subject to a certain Bureau of Indian Affairs ("BIA") Administrative Appeal and a Ute Indian Tribe Global Settlement Agreement, each of which does or may affect title to some, all or none of the properties acquired. Foothills is currently attempting to cure title on these properties, subject to the outcome of the BIA Administrative Appeal, which is still ongoing as of the date of this Quarterly Report. To the extent that such defects or disputes exist and cannot be cured, Foothills would suffer title failures, which could result in property valuation impairments and other material adverse consequences to the operations of the Company.

6) Officers, Directors, and Control Persons

The table below provides information, as of June 30, 2023, regarding any person or entity owning 5% or more of any class of the issuer's securities, as well as any officer, and any director of the company, or any person that performs a similar function, regardless of the number of shares they own.

| Name of Officer/Director or Control Person | Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%) | Residential Address (City / State Only) | Number of shares owned | Share type/class | Ownership Percentage of Class Outstanding | Note |
|---|---|---|------------------------|------------------------|---|--|
| Kevin J. Sylla | Executive Chairman / Director | Woodland Hills, CA | 3,405,000 | Common | 0.025% | Restricted stock for services and in lieu of accrued unpaid salary |
| Bruno P. Allaire | CEO / Interim CFO / Director | Santa Fe, NM | 945,333 | Common | 0.007% | Restricted stock for services and in lieu of accrued unpaid salary |
| Christopher C. Jarvis | EVP Finance / Director | Frederick, MD | 1,231,667 | Common | 0.009% | Restricted stock for services and in lieu of accrued unpaid salary |
| Alex M. Hemb | Director | Kamas, UT | 534,111 | Common | 0.004% | Restricted stock for services and in lieu of accrued unpaid salary |
| Kevin J. Sylla | Executive Chairman / Director | Woodland Hills, CA | 5,000,000 | Series A Preferred (1) | 50% | Series A preferred stock in lieu of accrued unpaid salary (2) |
| Beijing Gas Blue Sky Holdings Limited | Owner of more than 5% | Hong Kong | 5,000,000 | Series A Preferred (1) | 50% | Series A preferred stock for cash (3) |
| Elliot G. Freier Revocable Trust U/A dated 9/6/06 | Owner of more than 5% | Los Angeles, CA | 750,964,000 | Common Stock | 5.417% | Commitment shares per secured bridge notes and other notes (4) |

*Ownership percentage based on a total of 13,862,576,375 shares of Common Stock outstanding as of June 30, 2023.

Footnotes:

- (1) Each share of Series A Preferred Stock is convertible into 200 shares of the Company's common stock. A total of 10,000,000 shares of Series A Preferred Stock convertible into 2,000,000,000 shares of common stock were issued (for more information see Series A Preferred Stock below).

- (2) As a condition of the BGBS transaction (see footnote below), the Company's Executive Chairman, Kevin J. Sylla, also agreed to convert \$100,000 of outstanding debt owed to him by the Company into 5,000,000 shares of Series A Preferred Stock. For more information, please refer to the Company's Current Report Form 8-K filed with the SEC on May 28, 2020.
- (3) On May 28, 2020, the Company issued 5,000,000 shares of Series A Preferred Stock to a related party, Beijing Gas Blue Sky Holding Limited ("BGBS"), pursuant to an agreement dated April 6, 2020, yielding total cash proceeds of \$50,000, net to the Company. BGBS is publicly traded on the Hong Kong exchange under the symbol 6828.HK. Mr. Li Weiqi is the company's CEO/Executive Director and the Company's website is www.bgbluesky.com. Mr. Li Weiqi is believed to have the power to vote, or to direct the voting of, such shares. For more information, please refer to the Company's Current Report Form 8-K filed with the SEC on May 28, 2020.
- (4) On December 15, 2022, the Company issued 250,000,000 shares of common stock to Elliot G. Freier Revocable Trust U/A dated 9/6/06 for a secured bridge note dated June 30, 2022. On December 15, 2022, the Company also issued 500,000,000 shares of common stock to Elliot G. Freier Revocable Trust U/A dated 9/6/06 for a secured bridge note dated August 3, 2022.

Series A Preferred Stock

On May 26, 2020, the Company's Board of Directors duly adopted a corporate resolution creating a series of preferred stock designated as the Series A Preferred Stock, comprised initially of 10,000,000 shares. On May 28, 2020, the Company filed a Certificate of Designation designating the rights and restrictions of its Series A Preferred Stock with the Delaware Secretary of State. Of the 25,000,000 preferred shares authorized at a par value of \$0.0001 per share, 10,000,000 were designated as Series A Preferred Stock. The Series A Preferred Stock is convertible at the option of the holder into 200 common shares per one share of Series A Preferred Stock. The Series A Preferred Stock provides for liquidation and dividend rights on an as-if-converted basis into equivalent common shares. The Series A Preferred Stockholders have voting rights with the common shareholders on an as-if-converted basis. The holders of Series A Preferred Stock have the right, voting as a separate class, following a "Change of Control" (as defined), to elect a majority of the members of the Company's Board of Directors and to remove from office such directors and to fill any vacancy caused by the resignation, death or removal of such directors.

On May 28, 2020, the Company issued 5,000,000 shares of Series A Preferred Stock to a related party, Beijing Gas Blue Sky Holding Limited, pursuant to an agreement dated April 6, 2020, yielding total cash proceeds of \$50,000, net to the Company. As a condition of this transaction, the Company's Executive Chairman, Kevin J. Sylla, also agreed to convert \$100,000 of outstanding debt owed to him by the Company into 5,000,000 shares of Series A Preferred Stock. Each share of Series A Preferred Stock is convertible into 200 shares of the Company's common stock. A total of 10,000,000 shares of Series A Preferred Stock convertible into 2,000,000,000 shares of common stock were issued.

7) Legal/Disciplinary History

A. Please identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

Not Applicable

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

Not Applicable

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding, or judgment has not been reversed, suspended, or vacated; or

Not Applicable

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

Not Applicable

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

Legal Proceedings

The Company has determined that judgments rendered in the second quarter of 2018 in connection with all of the following legal proceedings against the Company are Type 1 subsequent events that provide additional evidence with respect to conditions that existed at the date of the balance sheet. Therefore, the financial statements reflect the effects of prejudgment judgments awards to plaintiffs through June 30, 2023, noted below in accordance with Auditing Standard 2801.03.

UTAH WELLS

Conquest Well Servicing, LLC vs. Foothills Exploration Operating, Inc. (Case No. 179800421 8th Judicial District Court in and for Uintah County, State of Utah)

Conquest Well Servicing, LLC ("Conquest") filed this action on September 11, 2017, for collection of unpaid services and materials in the amount of \$49,689 in connection with a workover of wells in Uintah County, Utah. A Settlement Agreement and Stipulation to Entry of Judgment was agreed to by the parties and filed with the court on October 10, 2017. Judgment in the amount of \$54,937.10 including \$5,248.10 in pre-judgement interest was filed on December 18, 2017. An order requesting company asset inquiry was issued on February 20, 2018. A hearing on contempt by FEOI for failure to appear and an answer as to assets was set for September 13, 2018. A stipulation was filed with the court to continue the hearing to October 22, 2018. FEOI inadvertently failed to appear at this hearing, resulting in a contempt of court citation being issued. FEOI sought to reschedule this hearing and intended to purge any contempt by compliance with the court's order. Nevertheless, on July 8, 2019, the court issued a Writ of Garnishment against Defendant's real and personal property for the uncollected portion of the legal judgement amounting to \$49,689, plus accrued interest and attorney's fees. There has been no movement or change in the status of this matter as of the date of this Quarterly Report.

BIA Administrative Appeal – Tiger Energy Partners International, LLC

| | |
|-------------------|--|
| Notice of Appeal: | Dated May 8, 2013 |
| Appellant: | Tiger Energy Partners International, LLC |
| Appellee: | Superintendent Uintah and Ouray Agency |
| Decision | April 12, 2013 |
| Concerning: | Notice of Expiration of Oil and Gas Leases |

This Administrative appeal concerns the ownership and validity of Northern Ute (the "Tribe") Tribal leases acquired by Tiger Energy Partners International, LLC ("TEPI") in a transaction with Mountain Oil and Gas and its affiliated companies. Pursuant to the Global Settlement Agreement ("GSA") negotiated between the Tribe and TEPI, the Company proposes to resolve any issues regarding the ownership of the subject leases and other lands thus acquired. The status of the appeal by TEPI remained unchanged as of the Reporting Period awaiting decision by the Regional Director of the BIA on the merits of the appeal. The decision of the Regional Director is stayed by the parties having entered into the GSA. The Tribe and Tiger remain in discussion regarding approval of the Global Settlement Agreement by the Regional Director. There has been no change in the status of this matter as of the date of this Quarterly Report.

EOG Resources, Inc. vs. Foothills Exploration Inc., f/k/a Foothills Exploration, LLC (Case No. 2021-73673 – 127th Judicial District Court in Harris County, Texas)

Plaintiff in this case is seeking collection of an unpaid debt stemming from the Company's 21.7% non-operated working interest in two Stagecoach Unit horizontal wells in Uintah County, Utah, both operated by EOG Resources. The civil suit filed on November 9, 2021, alleges the sum of \$1,775,558.84 due as of September 2021, exclusive of interest remains unpaid on the Company's proportionate costs incurred by EOG in connection with the operation of the Stagecoach Unit. The Company filed its response to Plaintiff's petition on January 21, 2022. On February 17, 2022, Plaintiff filed its First Amended Petition. On February 21, 2022, the Company and Plaintiff both filed their respective initial disclosures with the court. On April 28, 2022, Plaintiff filed its first set of discovery requests to the Company.

On May 31, 2022, the Company filed its response to Plaintiff's discovery requests. On June 6, 2022, the Company filed its first set of interrogatories, requests for production, and requests for admissions to Plaintiff. On July 5, 2022, Plaintiff filed its response to the Company's first set of interrogatories, requests for production, and requests for admissions. The case was set for trial on February 6, 2023. On January 4, 2023, the Court granted Plaintiff's motion for partial summary judgment as to liability but struck the damages award with a red line. On January 9, 2023, Defendant Foothills Exploration, Inc. was nonsuited by Order of the Court. On February 2, 2023, Plaintiff filed a Motion for Entry of Final Judgment with a proposed order determining Final Judgment as to both liability and damages. On February 21, 2023, the Court entered a Final Judgment disposing of all parties and claims.

Within the 30-day period provided for under Texas Rules of Civil Procedure, on March 22, 2023, the Company, through its legal counsel filed a motion for a new trial requesting the court to vacate its Final Judgment entered on February 21, 2023, and also granting the Company with a new trial with a new docket control order so the parties may properly designate expert witnesses to assist in the evaluation of the claims. On April 5, 2023, the court issued an order vacating its previous judgment and granting the Company's motion for a new trial with an expected trial date to begin on July 24, 2023.

On July 20, 2023, Plaintiff (EOG) presented their final offer for a global settlement agreement, which the Company accepted. The terms of the settlement agreement are as follows.

1. Foothills agrees to a full judgment in the amount of \$1,415,166.75, plus pre-judgment interest of \$1,464,854.84 and attorney fees and costs of \$74,215.73. EOG will not abstract nor execute on the judgment unless the Company breaches the settlement agreement, and EOG also agrees to release the judgment at the end of the 5-year period addressed below.
2. EOG will accept a 50% net profits interest for the life of both Stagecoach wells with the following definition: Greylock net revenues minus Greylock Lease Operating Expenses (Foothills pays its own costs and expenses). Wire payments to be made monthly within 5 business days of receipt by Foothills. Interest to be recorded in Uintah County, Utah.
3. Foothills guarantees EOG a minimum monthly net profit distribution of \$10,000 for a period of 60 months.
4. The parties agree that any existing rights or liens currently held by EOG are neither waived nor supplanted by the terms of the settlement agreement.
5. The offer was made under TRE 408. The parties agree that no settlement is made until the parties have signed a final settlement agreement.

Opposing counsel was advised of the Company's intention to accept their offer detailed above prior to the offer's expiration date. Opposing counsel also agreed to draft and send over the global settlement agreement for the parties to execute.

As of June 30, 2023, and December 31, 2022, the balance of contingent liabilities was \$1,664,000 and \$1,664,000, respectively.

C. Please identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

3. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

Not Applicable

4. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

Not Applicable

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding, or judgment has not been reversed, suspended, or vacated; or

Not Applicable

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

Not Applicable

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Securities Counsel

Name: Jonathan Shechter
Firm: Foley Shechter Ablovatskiy LLP
Address 1: 1180 Avenue of the Americas, 8th Floor
Address 2: New York, NY 10036
Phone: (212) 335-0465
Email: js@foleyshechter.com

All other means of Investor Communication:

Twitter: @Foothills_FTXP
LinkedIn www.linkedin.com/company/foothillspetro

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: Dean S. Skupen, CPA
Firm: Our Finance Team
Nature of Services: Bookkeeping, accounting and financial reporting
Address 1: 2945 Townsgate Road, Suite 200
Address 2: Westlake, CA 91361
Phone: (213) 468-8316
Email: Dean@rfinteam.com

9) Financial Statements

A. The following financial statements were prepared in accordance with:

- IFRS
 U.S. GAAP

B. The following financial statements were prepared by (name of individual)⁴:

Name: Bruno P. Allaire
Title: CEO / Interim CFO / Director, Foothills Exploration, Inc.
Relationship to Issuer: CEO / Interim CFO / Director

See Financial Statements and Footnotes attached hereto.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Bruno P. Allaire certify that:

1. I have reviewed this Disclosure Statement for Foothills Exploration, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 21, 2023

/s/ Bruno P. Allaire, CEO

Principal Financial Officer:

I, Bruno P. Allaire certify that:

1. I have reviewed this Disclosure Statement for Foothills Exploration, Inc.;

⁴ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 21, 2023

/s/ Bruno P. Allaire, CEO

Financial Statements and Supplementary Data for Foothills Exploration, Inc. (FTXP)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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| Unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2023 and 2022 | F-3 |
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| Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2023 and 2022 | F-5 |
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FOOTHILLS EXPLORATION, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> |
|---|----------------------|--------------------------|
| <u>Assets</u> | | |
| Current assets | | |
| Cash and cash equivalents | \$ — | \$ 2,000 |
| Restricted cash | 122,000 | 120,000 |
| Accounts receivable - trade | 54,000 | 63,000 |
| Prepaid expenses | 3,000 | 3,000 |
| Other current assets | <u>51,000</u> | <u>51,000</u> |
| Total current assets | 230,000 | 239,000 |
| Net oil and gas properties, full cost accounting | 1,009,000 | 916,000 |
| Other assets | <u>128,000</u> | <u>58,000</u> |
| Total assets | <u>\$ 1,367,000</u> | <u>\$ 1,213,000</u> |
| <u>Liabilities and Stockholders' Deficit</u> | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 6,547,000 | \$ 6,365,000 |
| Accrued interest | 6,476,000 | 5,674,000 |
| Notes payable | 12,946,000 | 12,946,000 |
| Convertible note payable, net | 1,131,000 | 430,000 |
| PPP loan | 92,000 | 92,000 |
| Derivative liabilities | 690,000 | 1,000 |
| Other liabilities | <u>1,716,000</u> | <u>1,671,000</u> |
| Total current liabilities | 29,598,000 | 27,179,000 |
| Asset retirement obligation | <u>238,000</u> | <u>230,000</u> |
| Total liabilities | <u>29,836,000</u> | <u>27,409,000</u> |
| Commitment and Contingencies | — | — |
| Stockholders' Deficit | | |
| Preferred stock, \$0.0001 par value; 25,000,000 shares authorized; 10,000,000 shares issued and outstanding | 2,000 | 2,000 |
| Common stock, \$0.0001 par value; 19,975,000,000 shares authorized; 13,862,576,375 and 13,087,576,375 shares issued and outstanding, respectively | 1,385,000 | 1,308,000 |
| Stock to be issued | 16,000 | 16,000 |
| Additional paid in capital | 35,714,000 | 35,460,000 |
| Accumulated deficit | <u>(65,586,000)</u> | <u>(62,982,000)</u> |
| Total stockholders' deficit | <u>(28,469,000)</u> | <u>(26,196,000)</u> |
| Total Liabilities and Stockholders' Deficit | <u>\$ 1,367,000</u> | <u>\$ 1,213,000</u> |

See accompanying notes to the unaudited condensed consolidated financial statements.

FOOTHILLS EXPLORATION, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | <u>For the Three Months Ended June 30,</u> | | <u>For the Six Months Ended June 30,</u> | |
|--|--|-----------------------|--|-----------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Revenue | \$ 189,000 | \$ 468,000 | \$ 688,000 | \$ 739,000 |
| Operating expenses | | | | |
| Lease operating expense | 47,000 | 92,000 | 134,000 | 191,000 |
| Selling, general and administrative expense | 569,000 | 892,000 | 1,175,000 | 1,170,000 |
| Depreciation, depletion, amortization, and accretion expense | 46,000 | 154,000 | 140,000 | 161,000 |
| Total operating expenses | <u>662,000</u> | <u>1,138,000</u> | <u>1,449,000</u> | <u>1,522,000</u> |
| Loss from operations | <u>(473,000)</u> | <u>(670,000)</u> | <u>(761,000)</u> | <u>(783,000)</u> |
| Other income (expenses): | | | | |
| Financing expense | (731,000) | (1,253,000) | (1,993,000) | (2,578,000) |
| Change in fair value of derivative instruments | (183,000) | – | 150,000 | – |
| Other income | – | – | – | 1,000 |
| Total other expenses | <u>(914,000)</u> | <u>(1,253,000)</u> | <u>(1,843,000)</u> | <u>(2,577,000)</u> |
| Loss from operations before income taxes | <u>(1,387,000)</u> | <u>(1,923,000)</u> | <u>(2,604,000)</u> | <u>(3,360,000)</u> |
| Provision for taxes | – | – | – | – |
| Net loss | <u>\$ (1,387,000)</u> | <u>\$ (1,923,000)</u> | <u>\$ (2,604,000)</u> | <u>\$ (3,360,000)</u> |
| Net loss per share – basic and diluted | <u>(0.00)</u> | <u>(0.00)</u> | <u>(0.00)</u> | <u>(0.00)</u> |
| Weighted average common shares – basic and diluted | <u>13,496,548,978</u> | <u>11,142,233,332</u> | <u>13,303,398,293</u> | <u>10,714,150,459</u> |

See accompanying notes to the unaudited condensed consolidated financial statements.

FOOTHILLS EXPLORATION, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

| | <u>Preferred stock</u> | | <u>Common stock</u> | | <u>Additional</u> | <u>Stocks to be Issued</u> | <u>Accumulated</u> | <u>Total</u> |
|---|------------------------|-----------------|-----------------------|---------------------|----------------------|----------------------------|------------------------|------------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Shares</u> | <u>Amount</u> | <u>Paid in</u> | | | |
| | | | | | <u>Capital</u> | | | <u>Equity</u> |
| Balance as of December 31, 2022 | 10,000,000 | \$ 2,000 | 13,087,576,375 | \$ 1,308,000 | \$ 35,460,000 | \$ 16,000 | \$ (62,982,000) | \$ (26,196,000) |
| Fair value of common stock issued with note payable | – | – | 375,000,000 | 37,000 | 16,000 | – | – | 53,000 |
| Fair value of warrants issued with note payable | – | – | – | – | 198,000 | – | – | 198,000 |
| Net loss | – | – | – | – | – | – | (1,217,000) | (1,217,000) |
| Balance as of March 31, 2023 | 10,000,000 | \$ 2,000 | 13,462,576,375 | \$ 1,345,000 | \$ 35,674,000 | \$ 16,000 | \$ (64,199,000) | \$ (27,162,000) |
| Issuance of common shares in exchange of services | – | – | 400,000,000 | 40,000 | 40,000 | – | – | 80,000 |
| Net loss | – | – | – | – | – | – | (1,387,000) | (1,387,000) |
| Balance as of June 30, 2023 | 10,000,000 | \$ 2,000 | 13,862,576,375 | \$ 1,385,000 | \$ 35,714,000 | \$ 16,000 | \$ (65,586,000) | \$ (28,469,000) |

| | <u>Preferred stock</u> | | <u>Common stock</u> | | <u>Additional</u> | <u>Stocks to be Issued</u> | <u>Accumulated</u> | <u>Total</u> |
|---|------------------------|-----------------|-----------------------|---------------------|----------------------|----------------------------|------------------------|------------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Shares</u> | <u>Amount</u> | <u>Paid in</u> | | | |
| | | | | | <u>Capital</u> | | | <u>Equity</u> |
| Balance as of December 31, 2021 | 10,000,000 | \$ 2,000 | 9,687,625,597 | \$ 968,000 | \$ 20,671,000 | \$ 16,000 | \$ (45,885,000) | \$ (24,228,000) |
| Common stock issued for conversion of notes | – | – | 969,322,000 | 97,000 | (53,000) | – | – | 44,000 |
| Common stock issued for conversion of accrued interest on notes payable | – | – | 162,678,000 | 16,000 | (9,000) | – | – | 7,000 |
| Fair value of warrants issued with note payable | – | – | – | – | 195,000 | – | – | 195,000 |
| Net loss | – | – | – | – | – | – | (1,437,000) | (1,437,000) |
| Balance as of March 31, 2022 | 10,000,000 | \$ 2,000 | 10,819,625,597 | \$ 1,081,000 | \$ 20,804,000 | \$ 16,000 | \$ (47,322,000) | \$ (25,419,000) |
| Common stock issued for conversion of notes | – | – | 1,192,109,000 | 119,000 | (65,000) | – | – | 54,000 |
| Common stock issued for conversion of accrued interest on notes payable | – | – | 69,891,000 | 7,000 | (4,000) | – | – | 3,000 |
| Fair value of warrants issued with note payable | – | – | – | – | 185,000 | – | – | 185,000 |
| Net loss | – | – | – | – | – | – | (1,923,000) | (1,923,000) |
| Balance as of June 30, 2022 | 10,000,000 | \$ 2,000 | 12,081,625,597 | \$ 1,207,000 | \$ 20,920,000 | \$ 16,000 | \$ (49,245,000) | \$ (27,100,000) |

See accompanying notes to the unaudited condensed consolidated financial statements.

FOOTHILLS EXPLORATION, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30,

| | 2023 | 2022 |
|--|------------------|------------------|
| Cash Flows from Operating Activities | | |
| Net loss | \$ (2,604,000) | \$ (3,360,000) |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Depreciation, depletion, amortization, and accretion | 140,000 | 161,000 |
| Amortization of debt discount | 202,000 | 1,464,000 |
| Accretion of asset retirement obligation | 8,000 | 1,000 |
| Interest expense | 1,791,000 | – |
| Change in derivative value | (150,000) | – |
| Net change in right of use asset and liability | (25,000) | – |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 9,000 | (276,000) |
| Prepaid expenses | – | 1,000 |
| Surety and performance bonds | – | (25,000) |
| Accounts payable and accrued liabilities | 110,000 | 1,147,000 |
| Net cash used in operating activities | <u>(519,000)</u> | <u>(887,000)</u> |
| Cash Flows from Investing Activities | | |
| Payments for acquisition of oil and gas property | (233,000) | (92,000) |
| Net cash used in investing activities | <u>(233,000)</u> | <u>(92,000)</u> |
| Cash Flows from Financing Activities | | |
| Proceeds from convertible note payable | 750,000 | 650,000 |
| Net cash provided by financing activities | <u>750,000</u> | <u>650,000</u> |
| Net decrease in cash and cash equivalents | (2,000) | (329,000) |
| Cash and cash equivalents, beginning of period | 2,000 | 340,000 |
| Cash and Cash Equivalents, end of period | <u>\$ –</u> | <u>\$ 11,000</u> |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash paid for interest | \$ – | \$ – |
| Cash paid for income taxes | \$ – | \$ – |
| Non-cash investing and financing activities: | | |
| Conversion of notes payable and accrued interest | \$ – | \$ 108,000 |
| Fair value of common stock Issued with Notes | \$ 53,000 | \$ – |
| Fair value of warrants issued with note payable | \$ 198,000 | \$ 380,000 |

See accompanying notes to the unaudited condensed consolidated financial statements.

FOOTHILLS EXPLORATION, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Organization

Business

Foothills Exploration, Inc., (“Company,” “Foothills Exploration,” or “Foothills”) was incorporated in the state of Delaware on May 13, 2010, under the name Key Link Assets Corp.

The consolidated balance sheets include the accounts of the Company, and its wholly owned direct and indirect subsidiaries, Foothills Exploration, Inc. (“FTXP”), Foothills Petroleum, Inc. (“FPI”), Foothills Exploration, LLC (“FEL”), Foothills Petroleum Operating, Inc. (“FPOI”), Foothills Exploration Operating, Inc. (“FEOI”), Tiger Energy Partners International, LLC (“TEPI”), Clear Elite Holdings Limited (“CEH”), Prominent Sino Holdings Limited (“PSH”), Value Train Investments Limited (“VTI”), Foothills Production I, LLC (“FP I”), (Foothills Production II, LLC (“FP II”), Golden Giants Limited (“GG”), NTE-Utah, LLC (“NTE”), Tiger Energy Operating, LLC (“TEO”), Tiger Energy Mineral Leasing, LLC (“TEML”), Energy Transition Holdings, LLC (“ETH”), New Energy Ventures, LLC (“NEV”), Dragonfly Energy, Inc. (“DEF”), Anaconda Energy, LLC (“AE”), Jubilee Exploration, LLC (“Jubilee”), WHZ Oil & Gas, LLC (“WHZ”), DDC Oil Co. (“DDC”) and Dedic Energy Corporation (“DEC”).

The Company’s oil and gas operations are conducted by its wholly owned indirect subsidiaries. FEL is an oil and gas operator licensed in the state of Wyoming; WHZ is an oil and gas operator licensed in Illinois and Oklahoma. DDC is an oil and gas operator licensed in Illinois; Jubilee is an oil and gas operator licensed in Oklahoma and Kansas; and TEO is an oil and gas operator licensed in the state of Utah. The Company’s operating entities have historically employed, and will continue in the future to employ, on an as-needed basis, the services of drilling contractors, other drilling related vendors, field service companies and professional petroleum engineers, geologists, and landmen as required in connection with future drilling and production operations.

Going Concern

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has a working capital deficit at June 30, 2023, of \$29,368,000 and has limited sources of revenue. These conditions have raised substantial doubt as to the Company’s ability to continue as a going concern for one year from the issuance of the financial statements. These financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

To address these matters, the Company is actively meeting with investors for possible equity investments, including business combinations; investigating other possible sources to refinance our existing debt; and in continuing discussions with various individuals and groups that could be willing to provide capital to fund operations and growth of the Company.

Note 2 – Significant Accounting Policies

Principles of Consolidation

The financial statements include the accounts of Foothills Exploration, Inc., and all of its direct and indirect wholly owned subsidiaries including Foothills Petroleum, Inc., Foothills Exploration, LLC, Foothills Petroleum Operating, Inc., Foothills Exploration Operating, Inc., Tiger Energy Partners International, LLC, Clear Elite Holdings Limited, Prominent Sino Holdings Limited, Value Train Investments Limited, Foothills Production I, LLC, Foothills Production II, LLC, Golden Giants Limited, NTE-Utah, LLC, Tiger Energy Operating, LLC, Tiger Energy Mineral Leasing, LLC, Energy Transition Holdings, LLC, New Energy Ventures, LLC, Dragonfly Energy, Inc., Anaconda Energy, LLC, Jubilee Exploration, LLC, WHZ Oil & Gas, LLC, DDC Oil Co. and Dedic Energy Corporation. Intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation and Functional Currency

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and are expressed in United States dollars (USD).

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP and 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 revenue and expenses during the reporting periods.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents are recorded at cost, which approximates its fair value. As of June 30, 2023 and December 31, 2022, the Company held only cash deposits at a financial institution.

Restricted Cash

Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements are recorded in restricted cash in the current assets section of our consolidated balance sheet. As of June 30, 2023 and December 31, 2022, the Company had restricted cash of \$122,000 and \$120,000, respectively. This amount is being held in escrow for the benefit of the State of Utah for certain properties located in Utah, covered under a certain Modification to Stipulated Order between the Utah Division of Oil, Gas and Mining and TEPI dated August 1, 2014 (Case No. SI/TA-102). These funds will be released to the Company once the Company finishes its reclamation of the various wells in question.

Accounts receivable and allowance for doubtful accounts

Accounts receivables are stated at the historical carrying amount net of an allowance for uncollectible accounts. The carrying amount of the Company's accounts receivable approximates fair value because of the short-term nature of the instruments. The Company routinely assesses the collectability of all material trade and other receivables.

Trade accounts receivable comprise receivables from joint interest owners which are recorded when the Company incurs expenses on behalf of the non-operator interest owners of the properties the Company operates.

The Company's oil and gas revenues receivable comprise receivables from purchasers of the Company's production of oil and gas and other hydrocarbons and from operators of properties in which the Company has a non-operated interest, as well as from joint interest owners of properties the Company operates.

EOG Resources, Inc. ("EOG"), is the previous operator of two wells in which the Company has a 21.62% working interest. The Company was previously informed that EOG would apply revenues realized to unpaid invoices of the Company's share of costs to drill both wells until EOG has recovered those costs.

The Company's reported balance of accounts receivable, net of allowance for doubtful accounts, represents management's estimate of the amount that ultimately will be realized in cash or used in the future to offset an operator's joint interest billings.

The Company reviews the adequacy of the allowance for doubtful accounts on an ongoing basis, using historical payment trends, the age of the receivables and knowledge of the individual customers or joint interest owners. When the analysis indicates, management increases or decreases the allowance accordingly. However, if the financial condition of our customers were to deteriorate, additional allowances might be required.

Prepaid Expense

Prepaid expenses are assets held by the Company, which are expected to be realized and consumed within twelve (12) months after the reporting period.

Oil and Gas Properties

The Company follows the full cost method of accounting for its investments in oil and gas properties. Under the full cost method, all costs associated with the exploration of properties are capitalized into appropriate cost centers within the full cost pool. Internal costs that are capitalized are limited to those costs that can be directly identified with acquisition, exploration, and development activities

undertaken and do not include any costs related to production, general corporate overhead, or similar activities. Cost centers are established on a country-by-country basis.

Capitalized costs within the cost centers are amortized on the unit-of-production basis using proved oil and gas reserves. The cost of investments in unevaluated properties and major development projects are excluded from capitalized costs to be amortized until it is determined whether or not proved reserves can be assigned to the properties. Until such a determination is made, the properties are assessed annually to ascertain whether impairment has occurred. The costs of drilling exploratory dry holes are included in the amortization base immediately upon determination that the well is dry.

For each cost center, capitalized costs are subject to an annual ceiling test, in which the costs shall not exceed the cost center ceiling. The cost center ceiling is equal to: (i) the present value of estimated future net revenues computed by applying current prices of oil and gas reserves (with consideration of price changes only to the extent provided by contractual arrangements) to estimated future production of proved oil and gas reserves as of the date of the latest balance sheet presented, less estimated future expenditures (based on current costs) to be incurred in developing and producing the proved reserves computed using a discount factor of ten percent and assuming continuation of existing economic conditions; plus (ii) the cost of properties not being amortized; plus (iii) the lower of cost or estimated fair value of unproved properties included in the costs being amortized; and less (iv) income tax effects related to differences between the book and tax basis of the properties. If unamortized costs capitalized within a cost center, less related deferred income taxes, exceed the cost center ceiling, the excess is charged to expense and separately disclosed during the period in which the excess occurs.

Support Facilities and Equipment

Our support facilities and equipment are generally located in proximity to certain of our principal fields. Depreciation of these support facilities is calculated on a units-of-production basis.

Maintenance and repair costs that do not extend the useful lives of property and equipment are charged to expense as incurred.

Proved Reserves

Estimates of the Company's proved reserves included in this report are prepared in accordance with US GAAP and guidelines from the United States Securities and Exchange Commission ("SEC"). The Company's engineering estimates of proved oil and natural gas reserves directly impact financial accounting estimates, including depreciation, depletion, and amortization expense and impairment. Proved oil and natural gas reserves are the estimated quantities of oil and natural gas reserves that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under period-end economic and operating conditions. The process of estimating quantities of proved reserves is very complex, requiring significant subjective decisions in the evaluation of all geological, engineering and economic data for each reservoir. The accuracy of a reserves estimate is a function of: (i) the quality and quantity of available data; (ii) the interpretation of that data; (iii) the accuracy of various mandated economic assumptions, and (iv) the judgment of the persons preparing the estimate. The data for a given reservoir may change substantially over time as a result of numerous factors, including additional development activity, evolving production history and continual reassessment of the viability of production under varying economic conditions. Changes in oil and natural gas prices, operating costs, and expected performance from a given reservoir also will result in revisions to the amount of the Company's estimated proved reserves. The Company engages independent reserve engineers to estimate its proved reserves.

Fixed Assets

The Company capitalizes expenditures related to property and equipment not directly associated with our production of oil and gas, subject to a minimum rule, that have a useful life greater than one year for: (1) assets purchased; (2) existing assets that are replaced, improved or the useful lives have been extended; or (3) all land, regardless of cost, acquisitions of new assets, additions, replacements and improvements (other than land) costing less than the minimum rule in addition to maintenance and repair costs, including any planned major maintenance activities, are expensed as incurred.

Asset Retirement Obligations

The Company follows the provisions of the Accounting Standards Codification ASC 410 – Asset Retirement and Environmental Obligations. The fair value of an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The present value of the estimated asset retirement costs is capitalized as part of the carrying amount of the long-lived asset. The Company's asset retirement obligations relate to the abandonment of oil and gas producing facilities and facilities

that support the production of oil and gas. The amounts recognized are based upon numerous estimates and assumptions, including future retirement costs, future inflation rates and the credit-adjusted risk-free interest rate. After recording these amounts, the ARO will be accreted to its future estimated value using the same assumed cost of funds, and the capitalized costs are depreciated on a unit-of-production basis. Both the accretion and the depreciation will be included in depreciation, depletion and amortization expense on our consolidated statements of operations.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities and short-term debt, the carrying amounts approximate their fair values due to their short maturities. ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Company. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Company considers active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: 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. This category includes those derivative instruments that the Company values using observable market data. Substantially all of these inputs are observable in the marketplace throughout the term of the derivative instruments, can be derived from observable data, or supported by observable levels at which transactions are executed in the marketplace.
- Level 3: Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e., supported by little or no market activity). Level 3 instruments include derivative warrant instruments. The Company does not have sufficient corroborating evidence to support classifying these assets and liabilities as Level 1 or Level 2.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, "Distinguishing Liabilities from Equity," and ASC 815. The carrying amounts of the Company's financial assets and liabilities, including cash, prepaid expenses, accounts payable, accrued expenses, and other current liabilities, approximate their fair values because of the short maturity of these instruments. The fair value of notes payable and convertible notes approximates their fair values since the current interest rates and terms on these obligations are the same as prevailing market rates.

Certain of the Company's debt and equity instruments include embedded derivatives that require bifurcation from the host contract under the provisions of ASC 815-40, Derivatives and Hedging. The estimated fair value of the derivative warrant instruments was calculated using a Black Scholes valuation model. During 2020, all derivative liability was written off.

The Company did not identify any other assets and liabilities that are required to be presented on the consolidated balance sheet at fair value.

Revenue Recognition

The Company recognizes revenue in accordance with the requirements of ASC 606, which directs that it should recognize revenue when a customer obtains control of promised goods or services for an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. All of our revenue is attributable to sales of oil, gas, and other hydrocarbons which are sold daily, with sales aggregated on a monthly basis. In the case of revenue received for a non-operated working interest, we are paid by the operator, which is a joint interest partner and not the purchaser of the product. In the case of revenue received for an operated working interest, we are paid by the marketer to whom we sell the commodities directly pursuant to contractual arrangements.

Debt Issuance Costs, Debt Discount and Detachable Debt-Related Warrants

Costs incurred to issue debt are deferred and recorded as a reduction to the debt balance in our consolidated balance sheets. We amortize debt issuance costs over the expected term of the related debt using the effective interest method. Debt discounts relate to the relative fair value of warrants issued in conjunction with the debt and are also recorded as a reduction to the debt balance and accreted over the expected term of the debt to interest expense using the effective interest method.

Net Earnings (Loss) Per Common Share

We use ASC 260, “*Earnings Per Share*” for calculating the basic and diluted earnings (loss) per share. We compute basic earnings (loss) per share by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and warrants and stock awards. For periods with a net loss, basic and diluted loss per share are the same, in that any potential common stock equivalents would have the effect of being anti-dilutive in the computation of net loss per share.

Income Taxes

The Company accounts for income taxes using the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Stock-Based Compensation

All share-based payments, including grants of stock to employees, directors and consultants, are recognized in the consolidated financial statements based upon their estimated fair values.

The Company accounts for stock, stock options, and stock warrants issued for services and compensation by employees under the fair value method. For non-employees, the fair market value of the Company’s stock is measured on the date of stock issuance or the date an option/warrant is granted as appropriate under ASC 718 “*Compensation – Stock Compensation*.” The Company determined the fair market value of the warrants/options issued under the Black-Scholes Pricing Model. Under the provisions ASC 718, share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the employee’s requisite service period (generally the vesting period of the equity grant).

The Company’s accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows ASC Topic 718. As such, the value of the applicable stock-based compensation is periodically re-measured and income or expense is recognized during their vesting terms. The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor’s performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is primarily recognized over the term of the consulting agreement. In accordance with FASB guidance, an asset acquired in exchange for the issuance of fully vested, non-forfeitable equity instruments should not be presented or classified as an offset to equity on the grantor’s balance sheet once the equity instrument is granted for accounting purposes.

Recent Accounting Pronouncements

Changes to accounting principles are established by the FASB in the form of ASUs to the FASB’s Codification. We consider the applicability and impact of all ASUs on our financial position, results of operations, cash flows, or presentation thereof. Described below are ASUs that are not yet effective, but may be applicable to our financial position, results of operations, cash flows, or presentation thereof. ASUs not listed below were assessed and determined to not be applicable to our financial position, results of operations, cash flows, or presentation thereof.

In August 2020, the FASB issued ASU 2020-06, “*Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*”, to reduce complexity in applying GAAP to certain financial instruments with characteristics of liabilities and equity. ASU

2020-06 is effective for interim and annual periods beginning after December 15, 2023, with early adoption permitted. We are currently evaluating the impact of this guidance.

Note 3 – Property and Equipment

Oil and Gas Properties

The Company’s oil and gas properties as of June 30, 2023 and December 31, 2022 are located in the United States of America.

The following table provides the details of oil and gas properties, net of depletion, depreciation, amortization, and impairment as of June 30, 2023 and December 31, 2022:

| Oil and gas properties, full cost accounting | June 30, 2023 | December 31, 2022 |
|--|---------------------|-------------------|
| Unproved leasehold (1) | \$ 183,000 | \$ 182,000 |
| Proved leasehold and Properties subject to depletion, net of depletion | 787,000 | 679,000 |
| Total | 970,000 | 861,000 |
| Support facilities and equipment, net | 39,000 | 55,000 |
| Net oil and gas properties | \$ 1,009,000 | \$ 916,000 |

(1) Not subject to depletion;

| Year Incurred | Acquisition Costs | Exploration and Development Costs | Disposition of Assets | Depreciation, Depletion, Amortization, and Impairment | Total |
|----------------|-------------------|-----------------------------------|-----------------------|---|---------------|
| 2016 and prior | \$ 10,253,000 | \$ 1,181,000 | \$ – | \$ – | \$ 11,434,000 |
| 2017 | – | 3,224,000 | – | (1,526,000) | 1,698,000 |
| 2018 | – | 1,898,000 | – | (2,887,000) | (989,000) |
| 2019 | 657,000 | 537,000 | – | (12,421,000) | (11,227,000) |
| 2020 | – | 24,000 | – | (520,000) | (496,000) |
| 2021 | 348,000 | 181,000 | – | (53,000) | 476,000 |
| 2022 | – | 190,000 | – | (225,000) | (35,000) |
| 2023 | 232,000 | 1,000 | – | (124,000) | 109,000 |
| Total | \$ 11,490,000 | \$ 7,236,000 | \$ – | \$ (17,756,000) | \$ 970,000 |

Jubilee Exploration, LLC Acquisition

In January of 2023, the Company closed on the acquisition of one hundred percent (100%) membership interest in Jubilee Exploration, LLC, an Oklahoma limited liability company (“Jubilee Exploration”), which owns five hundred forty-five (545) shut-in or stranded oil and gas wells situated on multiple leases located in northeastern Oklahoma and southeastern Kansas.

Acquisition Highlights:

- The acquisition provides a multi-year inventory of wells to increase the production and reserve profile of the Company.
- The assets provide the Company with a platform to deliver double-digit growth in production, reserves, and revenues in 2023 and 2024.
- Substantial reserves behind pipe
- Infrastructure in place to drive low-cost development.
- Natural gas weighted assets

Jubilee Exploration, an independent oil and gas producer currently controls 545 wells located across multiple counties in northeastern Oklahoma and southeastern Kansas. Anaconda Energy, LLC, a direct subsidiary of Foothills acquired one hundred percent (100%) of the membership interest in Jubilee Exploration, LLC, which is now a wholly-owned indirect subsidiary of the Company.

The Company has already begun its return to production program focused on gas production of 139 wells located in Craig and Nowata counties, Oklahoma. The Company’s return-to-production program on these properties will consist of wellhead reconnection, facility maintenance, electrical work and flowline repair work, which is expected to deliver collective production rates of between 1.5 to 2.5 million cubic feet (“MMCF”) of gas per day for these wells. Foothills expects that natural gas production from all acquired wells can potentially be increased to about 5 to 8 million cubic feet per day (“MMCF”) within the first two years of production.

In addition, the 14 Jubilee-owned oil wells in Jackson and Garvin counties, Oklahoma, will also be returned to production. The Company anticipates 30-40 barrels of oil production per day from these properties combined. The Garvin County properties include three (3) drilled uncompleted wells (“DUC’s”) as part of the package. The Garvin County wells are the subject of litigation proceedings, which are in the process of being settled by the parties.

Comanche County Wells and Leases

In January 2023, the Company closed on the acquisition of twenty-one (21) shallow oil and gas wells, all located in Comanche County, Oklahoma, situated across four leases. These stripper wells have an average depth of 1,200 feet and primarily produce from the Granite Wash formation. The Company’s return-to-production program on these properties will consist of cleaning out existing wellbores, facility maintenance, electrical work and flowline repair work, which is expected to deliver collective production rates of 20-25 barrels of oil per day for all wells. WHZ Oil & Gas, LLC, an indirect subsidiary of the Company will operate the properties.

These acquisitions were assessed by the Company as a single identifiable asset, hence, not a business acquisition.

Note 4 – Asset Retirement Obligation

The following table provides a reconciliation of the changes in the estimated present value of asset retirement obligations as of June 30, 2023 and December 31, 2022:

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> |
|--|----------------------|--------------------------|
| Beginning asset retirement obligations | \$ 230,000 | \$ 212,000 |
| Accretion expense | 8,000 | 18,000 |
| Ending asset retirement obligations | <u>\$ 238,000</u> | <u>\$ 230,000</u> |

Accretion expense for the six months ended June 30, 2023 and 2022 were \$8,000 and \$8,000, respectively.

Note 5 – Notes Payable

The following table summarizes the outstanding amounts of our notes payable as of June 30, 2023 December 31, 2022:

| | June 30, 2023 | December 31, 2022 |
|---------------------------------------|---------------|-------------------|
| Balance, beginning | \$ 12,946,000 | \$ 12,586,000 |
| Additions | – | 360,000 |
| Balance, end | \$ 12,946,000 | \$ 12,946,000 |
| Less: current portion | 12,946,000 | 12,946,000 |
| Notes payable, net of current portion | \$ – | \$ – |
| Discount | | |
| Balance, beginning of the year | \$ – | \$ – |
| Additions | – | 189,000 |
| Amortizations | – | (189,000) |
| Balance, end of year | – | – |
| Net carrying amount | \$ 12,946,000 | \$ 12,946,000 |

- (1) On December 30, 2016, the Company issued a promissory note in the principal amount of USD \$6,000,000 to Total Belief Limited (TBL), a wholly owned subsidiary of New Time Energy Corporation, in connection with certain oil and gas assets acquired on December 30, 2016. These assets include certain oil and gas wells throughout the Uinta Basin in Utah on acreage with over 30 proved undeveloped drilling locations, additional non-operating interest in other leases, and access to approximately 6,000 acres in the Uinta Basin with proven and probable reserves and existing infrastructure in place. This note bears no interest during its term. The Company recorded \$342,804 of imputed interest as debt discount. Starting from July 1, 2018 the note bears 10% annual interest. As of the Reporting Period, this note is past due, but not in default and has an outstanding balance of \$6,000,000.
- (2) On September 29, 2017, the Company issued to an unaffiliated investor a promissory note and three tranches of warrants for an aggregate consideration of \$250,000. The Note recites that it accrues no interest if paid when due and is due and payable on January 2, 2018. If principal is not paid on or before maturity, interest will accrue at the rate of 15% per year until paid. On November 6, 2017, the Company agreed to compensate the investor with 75,000 shares of the Company’s restricted common stock in connection with a more favorable term of a note entered into with FirstFire Global Opportunities Fund, LLC (“FirstFire”). On December 30, 2017, the Company and the investor agreed to extend the maturity date of this Note to January 23, 2018, in return for a payment at maturity of the principal, accrued interest as provided in the Note, plus 30,000 shares of the Company’s restricted common stock. Because the fair value of the shares was greater than 10% of the present value of the remaining cash flows under the Note, the issuance of the shares in connection with a more favorable term of a note entered with FirstFire was treated as a debt extinguishment and reissuance of a new debt instrument pursuant to the guidance of ASC 470-50.

Since January 23, 2018, the Company and the investor have been in ongoing discussions to extend the term of this Note. On March 28, 2018, the investor acknowledged that the Company is not in default regarding this Note and reaffirmed its belief that the Company will either extend the Note’s due date or repay its obligation on terms that are mutually satisfactory. The warrants have the following terms:

- 375,000 warrants to purchase 375,000 shares of common stock of the Company at a strike price of \$0.665 per share expiring on September 29, 2019;
- 375,000 warrants to purchase 375,000 shares of common stock of the Company at a strike price of \$1.25 per share expiring on September 29, 2020; and
- 185,000 warrants to purchase 185,000 shares of common stock of the Company at a strike price of \$2.00 per share expiring on September 29, 2020.

The aggregate relative fair value of three tranches of warrants was determined to be \$105,000 on September 29, 2017, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 94%, (ii) discount rate of 0%, (iii)

zero expected dividend yield, and (iv) expected life of 2-3 years. \$2,536 imputed interest was recorded as debt discount. \$2,536 was determined using the present value method based on the following assumptions: (i) adjusted interest rate 4% (ii) expected life of 0.26 year. The aggregate value of the warrants and imputed interest of \$107,536 was considered as debt discount upon issuance and will be amortized as interest over the term of the Note or in full upon the conversion of the Note.

Each tranche of warrants is subject to down round adjustment provisions if the Company during the term of that tranche issues additional securities for consideration per share, after giving effect to fees, commission and expenses, that is less, or which on conversion or exercise of the underlying security is less, than \$0.665 per share (as adjusted for any change resulting from forward or reverse splits, stock dividends and similar events).

To satisfy most favored nation provisions in previously entered securities purchase agreements that are triggered by the transaction described above, the Company issued 136,015 shares of common stock and warrants to purchase 136,015 shares of common stock, in the aggregate, to certain investors who purchased units from the Company, at a \$1.00 per unit, with each unit consisting of one share and one warrant. See the Company's Current Report on the Form 8-K filed with the SEC on June 5, 2017. Of this amount, 100,752 shares and warrants to purchase 100,752 shares of common stock will be issued to Wilshire Energy Partners LLC, an entity controlled by Kevin J. Sylla, our Executive Chairman and Chief Executive Officer of FPI. The exercise price of these investor warrants was adjusted to \$0.665 per share. We measured the value of the effect of the down round feature as the difference between the fair value of the financial instrument at an original exercise price of \$1.50 and an adjusted exercise price of \$0.665 and, as a result, \$59,801 was recorded as down round feature as interest expense under ASC 260-10-30-1. The Company determined the amount of \$59,801 using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 94%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 3 years. As of the Reporting Period, this note is past due, but not in default has an outstanding balance of \$250,000.

- (3) On November 1, 2017, a promissory note in the principal amount of \$120,629 was issued for services rendered, bearing an interest rate of 12% per annum, which matured on June 30, 2018. On August 22, 2018, the Note Holder agreed to defer repayment of this note to a later date and acknowledged that the Company is not in default regarding this Debenture. As partial consideration for the deferment, the Company agreed to issue the Note Holder 60,000 shares of its restricted common stock. The issuance of the shares in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50. As of the Reporting Period, this note is past due, but not in default and has an outstanding balance of \$121,000.
- (4) On July 19, 2018, the Company issued a promissory note in the principal amount of \$38,000 from an unaffiliated investor with an original discount of \$3,207 (the "Note"). The Note bears interest at 10% per year and matured on August 6, 2018. In connection with the issuance of this note, the Company issued 300,000 shares for late SEC filing, valued at \$36,000. \$74 imputed interest was recorded as debt discount. \$74 was determined using the present value method based on the following assumptions: (i) adjusted interest rate 4% (ii) expected life of 0.05 year. The relative aggregate value of the shares and imputed interest was determined to be \$32,793 using the allocation of proceed, \$32,793 was considered as debt discount upon issuance and will be amortized as interest over the term of the Note or in full upon the conversion of the Note. Pursuant to this Note, the investor shall be assigned an undivided two percent (2%) overriding royalty of all oil, gas, and other minerals and hydrocarbons produced, saved, and sold from each well now or hereinafter located on certain leases and wells owned by the Company.

On August 23, 2018, the lender agreed to defer repayment of this note to a later date and acknowledged that the Company is not in default regarding this Debenture, and as consideration for the extension, the Company agreed to compensate the lender with 15,000 shares of restricted common stock valued at \$1,950. The issuance of the shares in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50. As of the Reporting Period, this note is past due, but not in default has an outstanding balance of \$38,000.

- (5) On September 14, 2018, the Company issued a promissory note in the principal amount of \$100,000 from an unaffiliated investor, bearing an interest rate of 9% per annum, which matured on December 15, 2018. In connection with the issuance of this note, the Company issued 250,000 shares of its common stock, valued at \$22,500, which was considered as debt discount upon issuance and will be amortized as interest over the term of the Note or in full upon the conversion of the Note. As of the Reporting Period, this note is past due, but not in default has an outstanding balance of \$100,000.
- (6) On October 22, 2018, the Company issued a promissory note in the principal amount of \$50,000 (the "Note") with a Volumetric Production Payment ("VPP") equal to 1,250 barrels of oil equivalent ("BOE"). The Note matured on October 22, 2019, with the principal and accrued unpaid interest due in full at Maturity. VPP will be made after deduction of 20% royalties due to mineral owners, paid within the term on the Note and at the discretion of the Company as to amount and volume; provided, however,

that the VPP for any month shall not be less than 5% of the month's total crude oil sales. Payment may be made "in-kind" at the election of the Investor. If election is made by Investor to be paid "in-kind," then Investor shall bear responsibility for paying mineral owner royalties due on said "in-kind" payments. All VPP's to be made from the production of the Company's operating subsidiaries, Foothills Exploration Operating, Inc. and Tiger Energy Operating, LLC, from the well bores of the Company's Duck Creek wells, subject to the terms of the Leases covering such wells. Such VPP will continue until paid in full, regardless of payment in full of the Note and shall be secured by the assets. In the event that the West Texas Intermediate (WTI) crude oil market price closes below USD \$40.00 per barrel for 10 consecutive trading days, the Investor shall be allocated a revised VPP equal to 2 times the remaining VPP barrels left over at that time.

Pursuant to this Note, the investor shall be assigned an undivided one-half percent (0.5%) overriding royalty interest ("ORRI") in all oil, gas and other minerals produced, saved, and marketed from each well now or hereinafter located on wells owned by the Company, subject to the terms of the Leases covering such wells. Upon any default in payment of principal hereunder, the Company shall pay interest on the principal balance of this Note then outstanding and on the accrued but unpaid interest from the date of such default until such default is cured and the Note paid in full at the rate of Fifteen Percent (15%). The Company agreed to issue the investor 200,000 shares of the Company's restricted common stock as additional consideration for entering into the Note with the Company, valued at \$16,000, which was considered as debt discount upon issuance and will be amortized as interest over the term of the Note or in full upon the conversion of the Note.

Pursuant to this Note, Investor has the right to participate in any future offering by the Company for a period of twelve (12) months for an amount equal to the principal amount detailed in this Term Sheet. So long as the Note is outstanding, if the Company enters into a subsequent financing with another individual or entity (a third party) on terms that are more favorable to that third party, the agreements between the Company and the investor shall be amended to include such better terms. As of the Reporting Period, this note is past due, but not in default has an outstanding balance of \$40,000.

- (7) On February 5, 2019, the Company issued a discounted debenture in the principal amount of \$209,525 from an unaffiliated investor with an original issue discount of \$33,524 (the "Note"). The Note matured on February 5, 2020 and bears 10% interest. The Company failed to pay \$71,000 principal payment, which was due on March 15, 2019. As the result, we incurred \$100,000 penalty and interest was increased to 15%. As of the Reporting Period, this note is past due, but not in default has an outstanding balance of \$209,000.
- (8) On January 17, 2020, the Company borrowed \$220,000 from an unaffiliated investor with an original discount of \$20,000. The Note has a maturity date of April 17, 2020 and bears 12.5% interest. As of December 31, 2021, unamortized debt discount was \$0 and \$220,000 of principal was outstanding under the Note. As of the Reporting Period, this note is past due, but not in default has an outstanding balance of \$220,000.
- (9) On August 4, 2020, the Company closed on a bridge note transaction with an unaffiliated third party for a 0% interest short-term bridge note (the "Bridge Note") in the principal amount of \$130,405, bearing a 10% original issue discount, netting the Company proceeds of \$118,550. Terms of the agreement include a personal guaranty signed by the Company's Executive Chairman. As of the Reporting Period, this note is past due, but not in default has an outstanding balance of \$130,000.
- (10) On January 18, 2020, the Company entered into a Deed of Novation and Assignment (Novation) with Beijing Gas Blue Sky Holdings Limited (BGBS) in the amount of \$5,476,505 (Novation Amount), wherein BGBS assumed the Company's debenture with Berwin Trading Limited (Berwin) in the principal amount of \$1,250,000 and the Company's bridge note with Profit Well Limited (Profit Well) in the principal amount of \$1,050,000, plus all accrued unpaid interest and default interest due and payable under both agreements. As part of the Novation, Berwin and Profit Well assigned their respective debenture and bridge note and transferred all their respective rights, title, and interests pursuant thereto to BGBS. In November and December 2019, BGBS also provided two bridge loans to an indirect subsidiary of the Company for the combined total of \$140,000, which sum was also included in the Novation Amount. The new maturity date pursuant to the Novation for the combined total balance of \$5,476,505 is December 31, 2023, and the new note created therein bears interest at 13.5% per annum accruing from the date of the Novation. Pursuant to the Novation, the Company agreed to make quarterly interest payments in the approximate amount of \$184,832 with the first such interest payment due on January 20, 2022. All sums due pursuant to the Novation are secured and collateralized by a security interest in the Company's Ute Tribal North properties. As of reporting period, this note has an outstanding balance of \$5,477,000.
- (11) On June 30, 2022, the Company issued a short-term secured bridge note to an unaffiliated investor in the principal amount of \$120,000 with an original issue discount of \$20,000 and a purchase price of \$100,000, which matured on August 30, 2022 (the

“Note”). In connection with the issuance of the Note, the Company issued 250,000,000 shares of its common stock, valued at \$63,000, which was considered as a debt discount upon issuance of the Note. The Note is secured by the Company’s Illinois basin assets. As of the Reporting Period, this note is past due, but not in default and has an outstanding balance of \$120,000.

(12) On August 3, 2022, the Company issued a short-term secured bridge note to an unaffiliated investor in the principal amount of \$240,000 with an original issue discount of \$40,000 and a purchase price of \$200,000, which matured on August 30, 2022 (the “Note”). In connection with the issuance of the Note, the Company issued 500,000,000 shares of its common stock, valued at \$126,000, which was considered as a debt discount upon issuance of the Note. As of the Reporting Period, the Note is past due, but not in default. The Note is secured by the Company’s interest in the Illinois basin properties, Oklahoma leases and wells, and Wyoming state leases. As of the Reporting Period, the Note is past due, but not in default and has an outstanding balance of \$240,000.

During the six months ended June 30, 2023 and 2022, the Company incurred \$741,000 and \$737,806,000 of interest expense, respectively.

Note 6 – Convertible Note Payable

The following table summarizes the outstanding amounts of our Convertible notes payable as of June 30, 2023 and December 31, 2022:

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> |
|--|----------------------|--------------------------|
| Principal | | |
| Balance, beginning of the year | \$ 484,000 | \$ 5,502,000 |
| Additions | 837,000 | 723,000 |
| Forgiveness of debt | – | (5,629,000) |
| Conversions | – | (112,000) |
| Balance, end of the year | <u>\$ 1,321,000</u> | <u>\$ 484,000</u> |
| Less: current portion | 1,321,000 | 484,000 |
| Convertible notes payable – net of current portion | <u>\$ –</u> | <u>\$ –</u> |
| Discount | | |
| Balance, beginning of the year | \$ 54,000 | \$ 1,636,000 |
| Additions | 338,000 | 453,000 |
| Forgiveness of debt | – | (127,000) |
| Amortizations | (202,000) | (1,908,000) |
| Balance, end of year | <u>190,000</u> | <u>54,000</u> |
| Net carrying amount | <u>\$ 1,131,000</u> | <u>\$ 430,000</u> |

(1) On May 10, 2017, we entered into a convertible note agreement with an unrelated party, pursuant to which we borrowed \$50,000 at an annual percentage rate of 10% with a term of 12 months, which is due on May 10, 2018. This note may, at the option of the lender, be converted at any time prior to May 10, 2018, into fully paid, restricted and non-assessable shares of common stock of the Company at a price equal to 100% of the selling price of such common stock in a private placement to institutional and/or accredited investors initiated by the Company during the term of this convertible note until May 10, 2018. On November 7, 2017, the Company issued 50,000 warrants to purchase 50,000 shares of common stock of the Company at a strike price of \$1.00 per share expiring on May 7, 2019. If the Company fails to pay the principal and accrued unpaid interest due and payable to Lender on or before the due date of the convertible note, then the Lender shall be provided the right to convert at either \$0.665 per share or upon the same terms offered in FirstFire Global Opportunities Fund, LLC Note’s conversion options. The relative fair value of warrant was determined to be \$3,381 on November 7, 2017, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 77%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1.5 years. The issuance of the warrants in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50. On September 17, 2018, the note holder agreed to defer repayment of this note to December 15, 2018, the Company agreed to compensate the note holder with 50,000 shares of restricted common stock valued at \$4,500. The issuance of the shares in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50. As of the Reporting Period, this note is past due, but not in default and has an outstanding balance of \$50,000.

(2) On August 11, 2018, the Company borrowed \$44,000 from an unaffiliated investor, bearing an interest rate of 12.5% per annum and with a maturity date of February 11, 2020. As part of this transaction the Company also issued (i) warrants having a 24-month term, to purchase 100,000 shares of the Company's common stock at an exercise price of \$0.665 per share and (ii) 44,000 shares of the Company's restricted common stock. The Note agreements give the lender the right to convert the loan amounts due into common stock at a fixed conversion price of \$0.20. The aggregate relative fair value of the warrant was determined to be \$9,035 on August 11, 2018, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 221%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 2 year. Fair value of 44,000 shares of common stock was determined to be \$5,280 using market price. The aggregate value of the warrant and 44,000 shares of common stock of \$14,315 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note. As of the Reporting Period, this note is past due, but not in default and has an outstanding balance of \$44,000.

(3) On February 22, 2022, the Company closed on a fixed-rate convertible loan transaction with Mast Hill Fund, L.P., a Delaware limited partnership, ("Mast Hill"), pursuant to which, the Company issued a convertible promissory note dated February 22, 2022, in the principal amount of \$390,000, with an original issue discount of 10% and received net proceeds of \$325,900, after original issue discount of \$39,000, broker-dealer fees and legal fees (the "Mast Hill Note"). Mast Hill has the right to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of the Mast Hill Note due into fully paid and non-assessable shares of common stock at a fixed conversion price equal to \$0.0004 per share.

As part of this transaction the Company also issued Mast Hill warrants having a five-year term to purchase 975,000,000 shares of the Company's restricted common stock, at a fixed exercise price of \$0.0004 per share, with a cashless exercise feature. The exercise price is subject to adjustment if the Company at any time while this warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any common stock or securities entitling any person or entity to acquire shares of common stock (upon conversion, exercise or otherwise) (including but not limited to under the Mast Hill Note), at an effective price per share less than the then exercise price. The exercise price shall be reduced to equal the effective price, and the number of warrant shares issuable hereunder shall be calculated by the original total number of warrant shares multiplied by the initial exercise price divided by the effective price.

The Mast Hill Note accrues interest at 12% per year and is due and payable on February 22, 2023. The Company may prepay the Mast Hill Note without prepayment penalty if prepaid during the first 180 days following issuance date. The default interest rate on the Mast Hill Note is 16% per year. No prepayment is permitted after the initial 180 days from issuance. The warrants are subject to adjustment in certain events such as forward or reverse stock splits or if subsequent financings are at terms that are more favorable to persons in subsequent issuances of securities. As of reporting period, this note has an outstanding balance of \$390,000.

(4) In November 2022, the Company also reached a global settlement agreement with Labrys Fund, L.P. ("Labrys"), which retired and extinguished a total of eleven (11) variable-rate and fixed-rate convertible notes issued on various dates from November 1, 2018 to May 2, 2022, with a combined total principal face value of \$6,368,000. This global settlement agreement also extinguished a total of twelve (12) common stock purchase warrants (all with cashless exercise provisions) and eleven (11) securities purchase agreements issued of same dates, for up to 3.9 billion shares of the Company's common stock and cancelling their corresponding irrevocable share reservation held by the Company's stock transfer agent. Labrys' sale of the Company's common stock for the following six (6) months will also be limited to twenty percent (20%) of the average daily volume traded on each respective trading day.

(5) On January 9, 2023, the Company issued the first tranche of a senior secured convertible promissory note to an unaffiliated investor ("Holder") in the principal amount of \$555,555.56 (representing the first of three Tranches contemplated) with an original issue discount of \$55,555.56 to cover the Holder's accounting fees, due diligence fees, monitoring, and/or other transactional costs incurred in connection with the purchase and sale of the Note, which is included in the principal balance with a purchase price of \$500,000 (the "Note"). The Holder retained twenty thousand dollars (\$20,000) to cover its legal fees, which provided the Company with net proceeds of \$480,000 ("First Tranche"). The First Tranche of this Note matures on January 9, 2024 ("Maturity Date"). Interest on the Note shall accrue at the rate per annum equal to the greater of (i) the Prime Rate plus eight percent (8%) per annum, or (ii) fourteen percent (14%), determined on a daily basis (the "Interest Rate"). The "Prime Rate" shall mean that variable rate of interest published from time to time by the Wall Street Journal as the prime rate of interest. Any amount of principal, interest, other amounts due hereunder or penalties on this Note, which is not paid by the due date, shall bear interest at the lesser of the rate of twenty four percent (24%) per annum or the maximum legal amount permitted by law ("Default Interest Rate"), from the due date thereof until the same is paid in full, including following the entry of a judgment in favor of Holder ("Default Interest"). In the event of a default, the Company shall also incur a monthly monitoring fee of \$10,000.

Proceeds of this Note shall be used for the acquisition of certain oil and gas properties located in Oklahoma and Kansas, which shall also serve as collateral securing all sums due pursuant to this Note. This Note was issued pursuant to the terms of that certain Securities Purchase Agreement even date herewith (the "Purchase Agreement"), terms of which are incorporated by reference and made part of the Note. The Note is a senior secured obligation of the Company, with first priority over all current and future indebtedness of the Company and any subsidiaries, whether such subsidiaries exist on the Issue Date or are created or acquired thereafter (each a "Subsidiary" and collectively, the "Subsidiaries"). The obligations of the Borrower under this Note are secured by the oil and gas properties to be acquired by the Company with the proceeds of the Note pursuant to the terms of the security and pledge agreement, of even date herewith, by and between the Company and the Holder. The Company signed a confession of judgement for the Note and the Company's Executive Chairman, Kevin J. Sylla, also provided his personal guaranty as well. The Company also agreed to issue to the Holder 375,000,000 shares of the Company's common stock as commitment shares for the First Tranche of the Note. Pursuant to the Note, the Company also agreed to provide the Holder with 50% warrant coverage at the fixed conversion price (as defined below).

Principal Payments: The Principal Amount of each Tranche shall be due and payable in four (4) installments as follows: the first three (3) principal payments, each equal to one sixth (1/6) of the Principal Amount, shall be made on a monthly basis beginning on the date that is nine (9) months following the Advance Date and continuing for two (2) months thereafter. The fourth (4th) principal payment shall be equal to one half (1/2) of the Principal Amount, shall be due on the date that is twelve (12) months following the Advance date.

Interest Payments: Interest on this Note (i) is computed separately for each Tranche; (ii) is charged on a monthly basis (that is, for each month during each Tranche Term, the amount of accrued interest is determined by multiplying one twelfth (1/12th) of the Interest Rate by the sum of the principal amount plus, if applicable, any accrued and previously due but unpaid interest of such Tranche); (iii) is payable monthly (that is, the monthly interest for each Tranche shall be due on each monthly anniversary of the Advance Date during the Tranche Term (each such date referred to herein as the "Monthly Interest Date"); and (iv) is guaranteed to the Holder for the entirety of each Tranche Term, without regard to an acceleration of the Maturity Date, based on the total Principal Amount of each Tranche, without regard to a reduction of the Principal Amount resulting from, without limitation, Principal Payments, Conversion (as defined below), or prepayment by Borrower subject to the terms contained in the Note.

Prepayment: The Company shall have the right at any time prior to the Maturity Date, upon thirty (30) days' notice to the Holder, to prepay the Note by making a payment to Lender equal to 110% multiplied by the sum of (i) the outstanding Principal Amount, (ii) all accrued and unpaid interest, (iii) all unaccrued interest through the remainder of the Note Term that is guaranteed pursuant to the Note, and (iv) any other amounts due under the Note.

Conversion Right: The Holder shall have the right at any time, at the Holder's option to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of this Note into fully paid and non-assessable Common Shares of the Company or other securities into which such Common Shares shall hereafter be changed or reclassified (each, a "Conversion Share") at the fixed conversion price (the "Conversion Price"). The Conversion Price shall be \$0.0002 (the "Fixed Conversion Price"); *provided* that on the date upon which an Event of Default (as defined therein) under this Note occurs (such date referred to as the "Default Date"), the Conversion Price shall be adjusted to the lesser of (i) a 50% discount to the Fixed Conversion Price; and (ii) the lowest trade price on the Default Date (or if the Default Date is not a Trading Day, then on the Trading Day immediately preceding or subsequent to the Default Date, whichever is lower). At the end of each thirty (30) day period following the Default Date, during which an Event of Default remains uncured, the Conversion Price shall be adjusted to the volume-weighted average price on the prior Trading Day, but only if such price is lower than the Conversion Price in effect just prior to such adjustment.

Mortgage: A mortgage in favor of the Holder will also be filed with the county recorder in each respective county in Kansas and Oklahoma covering the properties to be acquired by the Company with the proceeds of this Note.

Net Profits Interest Agreement: The Holder shall receive from revenues attributable to the Kansas and Oklahoma oil and gas wells to be acquired by the Company, a net profits interest equal to twenty five percent (25%) of the net profits for a 6-year period, commencing on April 1, 2023 and ending on March 31, 2029. The first twelve (12) net profits interest monthly payments shall be applied against the payments of accrued unpaid interest and principal due pursuant to the amortization schedule provided in the Note. (Net Profits shall be defined as total gross revenues reduced by any taxes, royalties, overriding royalties, marketing, and field lease operating expenses to the Kansas and Oklahoma oil and gas leases to be acquired by the Company). The payment of such net profits interest shall commence on production of oil and gas from the properties to be acquired starting on April 1, 2023 and shall be due and payable five (5) business days after receipt of payment for such production. A Net Profits Interest agreement shall also be filed with the county recorder in each respective county in Kansas and Oklahoma covering the properties.

Rollover Rights: If the Company completes a public offering or private placement of its equity, equity-linked or debt securities (each, a "Future Transaction"), the Holder may, in its sole discretion, elect to apply all, or any portion, of the then outstanding

balance of the Note, plus any prepayment penalty that would be due if repaid, as purchase consideration for such Future Transaction.

Piggy-Back Registration Rights: In addition, the Company shall file a registration statement with the SEC, which shall include the registration of the Holder's commitment shares, warrant shares, and the shares issuable upon conversion of the Note (collectively, the "registrable shares").

Most Favored Nation Rights: If the Company enters into a subsequent financing with another individual or entity (a "Third Party") on terms that are more favorable to the Third party, the agreements between the Company and the Holder shall be amended to include such better terms so long as the Note is outstanding.

Right of Participation: The Holder shall have the right to participate in any future offering by the Company for the longer of: (i) a period of eighteen (18) months and (ii) so long as any portion of the Note remains outstanding, for an amount equal to the Note principal amount.

Right of First Refusal: The Holder shall have the right of first refusal on any financing for the longer of: (i) a period of eighteen (18) months and (ii) so long as any portion of the Note remains outstanding.

Repayment Right: The Holder shall have the right to be repaid with 100% of the proceeds of the following: (i) asset sales, (ii) debt issuances, (iii) equity issuances. **Limitations on Certain Transactions:** Until the earlier of Note repayment or conversion, the Company shall not, directly or indirectly, without Lender's prior written consent (which consent shall not be unreasonably withheld): (a) change the nature of its business; (b) sell, divest, change the structure of any material assets other than in the ordinary course of business; or (c) enter into any variable rate transactions (d) accept Merchant-Cash-Advances (MCA) or similar financing instruments, unless approved by Lender.

Warrants: Upon the advance of each Tranche by Holder to the Company, the Company shall issue to Holder a warrant (the "Warrant"), each exercisable for a number of Common Shares equal to one half (1/2) of the Principal Amount of such Tranche divided by the Fixed Conversion Price. Each Warrant shall have (i) an exercise period of sixty (60) Months, (ii) an exercise price equal to the Fixed Conversion Price, and (iii) provide for full ratchet anti-dilution protection provisions.

Call Option. The Company shall have an option to call fifty percent (50%) of the Warrant (the "Call") beginning on the Note Issuance Date and ending on the date which is two hundred seventy (270) calendar days following the Note Issuance Date for a total consideration of Twenty-Five Thousand U.S. Dollars and No/Cents (\$25,000.00) (the "Call Payment"). If the Company exercises the Call, then the Company shall make the Call Payment to the Holder within five (5) business days of the date that the Company exercises the Call. If the Call Payment is not made within the required time frame, then the Company shall permanently lose its right to exercise the Call with respect to this Warrant.

This note was bifurcated into warrants, common stock, and convertible note.

- (6) On May 17, 2022, the Company closed on an additional tranche of funding contemplated by that certain Senior Secured Note and Securities Purchase Agreement dated January 9, 2022, between Leonite Fund I, LP ("Leonite" or the "Purchaser") and the Company. Prior to this second Tranche, Leonite has advanced \$500,000 pursuant to the Note Documents. Upon the closing of this second Tranche, the total advanced by Leonite pursuant to the Transaction Documents will be \$753,000. As per the terms of the Transaction Documents, upon the closing of this second Tranche, the Principal Amount of the Note shall increase by \$281,111.11, including an original issue discount of \$28,111.11.

During the six months ended June 30, 2023 and 2022, the Company incurred \$304,000 and \$1,914,000 of interest expense, respectively, including amortization of discount of \$202,000 and \$1,541,000, respectively. As of June 30, 2023 and December 31, 2022, the unamortized discount was \$190,000 and \$54,000, respectively.

Note 7 – Common Stock

On January 6, 2023, the Company issued 375,000,000 shares upon execution of the convertible debt agreement.

On May 30, 2023, the Company issued 400,000,000 shares pursuant to an acquisition of oil and gas properties.

As of June 30, 2023, the Company had 13,862,576,375 shares issued and outstanding.

Warrants

The following table summarizes all stock warrant activity for the six months ended June 30, 2023 and year ended December 31, 2022:

| | Number of Warrants | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term |
|--|---------------------------|--|--|
| Balance outstanding, December 31, 2021 | 2,146,942,864 | \$ 0.00 | 4.47 |
| Granted | – | – | – |
| Exercised | – | – | – |
| Cancelled or expired | (2,094,282,559) | 0.00 | 3.50 |
| Balance outstanding, December 31, 2022 | 52,660,305 | \$ 0.00 | 3.47 |
| Granted | – | – | – |
| Exercised | – | – | – |
| Cancelled or expired | – | – | – |
| Balance outstanding, June 30, 2023 | 52,660,305 | \$ 0.00 | 3.47 |
| Exercisable, June 30, 2023 | 52,660,305 | \$ 0.00 | 3.47 |

Options

During the six months ended June 30, 2023 and year ended December 31, 2022, we recorded \$0 and \$0 options expense.

The following table summarizes all stock options activity for the six months ended June 30, 2023 and year ended December 31, 2022:

| | Number of Option | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term |
|--|-----------------------------|--|--|
| Balance outstanding, December 31, 2021 | 2,050,000 | \$ 2.21 | 2.26 |
| Granted | – | – | – |
| Exercised | – | – | – |
| Cancelled or expired | (400,000) | 1.99 | – |
| Balance outstanding, December 31, 2022 | 1,650,000 | \$ 2.27 | 1.77 |
| Granted | – | – | – |
| Exercised | – | – | – |
| Cancelled or expired | – | – | – |
| Balance outstanding, June 30, 2023 | 1,650,000 | \$ 2.27 | 1.77 |
| Exercisable, June 30, 2023 | 1,650,000 | \$ 2.27 | 1.77 |

Note 8 – Commitments and Contingencies

Leases

Effective April 28, 2022, the Company entered a one-year lease, expiring April 30, 2023, for its Westlake Village, California, corporate office for a total cost of approximately \$1,270 per month. The lease automatically renews each year for an additional one-year term unless landlord receives the Company's notice of intent to terminate at least ninety (90) days prior to the expiration of the current term. The Company records the \$1,270 monthly office rental as rent expense.

On November 29, 2021, the Company entered into a new office lease, commencing December 1, 2021, for 370 square feet of office space in Park City, Utah, to serve as a field office for Company operations for a total cost of approximately \$950 per month. The rental term expired on November 29, 2022, after which time tenancy shall be on a "month-to-month" basis subject to the terms of the lease agreement, unless the lease agreement is otherwise renewed or extended prior to expiration.

On September 15, 2021, the Company's indirect subsidiary, DDC Oil Company entered into an office lease in Mattoon, Illinois, ending on September 1, 2023, for \$400 per month.

Total rent expense for the six months ended June 30, 2023 and 2022 amounted to \$10,000 and \$13,000 respectively.

Title to Oil and Gas Properties

The Company owns the interest in its oil and gas properties and at times also relies on contracts with the owner or operator of the property, pursuant to which, among other things, the Company has the right to have its interest placed of record. As is customary in the oil and gas industry, we anticipate that a preliminary title examination will be conducted at the time unproved properties or interests are acquired by us. Prior to commencement of drilling operations on such acreage and prior to the acquisition of proved properties, Foothills will conduct a title examination and attempt to cure materially significant defects before proceeding with operations or the acquisition of proved properties, as it may deem appropriate.

The Company's properties are subject to royalty, overriding royalty and other interests customary in the industry, liens incident to agreements, current taxes and other burdens, minor encumbrances, easements, and restrictions. Foothills' Utah properties acquired from Total Belief Limited on December 30, 2016, are subject to a certain Bureau of Indian Affairs ("BIA") Administrative Appeal and a Ute Indian Tribe Global Settlement Agreement, each of which does or may affect title to some, all or none of the properties acquired. Foothills is currently attempting to cure title on these properties, subject to the outcome of the BIA Administrative Appeal, which is still ongoing as of the date of this Quarterly Report. To the extent that such defects or disputes exist and cannot be cured, the Company would suffer title failures, which could result in property valuation impairments and other material adverse consequences to its operations of the Company.

Legal Proceedings

The Company has determined that judgments rendered in the second quarter of 2018 in connection with all but four of the following legal proceedings against the Company are Type 1 subsequent events that provide additional evidence with respect to conditions that existed at the date of the balance sheet. Therefore, the financial statements reflect the effects of prejudgment judgments awards to plaintiffs through December 31, 2022, noted below in accordance with Auditing Standard 2801.03.

UTAH WELLS

Conquest Well Servicing, LLC vs. Foothills Exploration Operating, Inc. (Case No. 179800421 8th Judicial District Court in and for Uintah County, State of Utah)

Conquest Well Servicing, LLC ("Conquest") filed this action on September 11, 2017, for collection of unpaid services and materials in the amount of \$49,689 in connection with a workover of wells in Uintah County, Utah. A Settlement Agreement and Stipulation to Entry of Judgment was agreed to by the parties and filed with the court on October 10, 2017. Judgment in the amount of \$54,937.10 including \$5,248.10 in pre-judgment interest was filed on December 18, 2017. An order requesting company asset inquiry was issued on February 20, 2018. A hearing on contempt by FEOI for failure to appear and an answer as to assets was set for September 13, 2018. A stipulation was filed with the court to continue the hearing to October 22, 2018. FEOI inadvertently failed to appear at this hearing, resulting in a contempt of court citation being issued. Currently, FEOI is seeking to reschedule this hearing and intends to purge any

contempt by compliance with the court's order. There has been no change in the status of this matter as of the date of this Quarterly Report.

BIA Administrative Appeal – Tiger Energy Partners International, LLC

Notice of Appeal: Dated May 8, 2013
Appellant: Tiger Energy Partners International, LLC
Appellee: Superintendent Uintah and Ouray Agency
Decision: April 12, 2013
Concerning: Notice of Expiration of Oil and Gas Leases

This Administrative appeal concerns the ownership and validity of Northern Ute (the “Tribe”) Tribal leases acquired by Tiger Energy Partners International, LLC (“TEPI”) in a transaction with Mountain Oil and Gas and its affiliated companies. Pursuant to the Global Settlement Agreement (“GSA”) negotiated between the Tribe and TEPI, the Company proposes to resolve any issues regarding the ownership of the subject leases and other lands thus acquired. The status of the appeal by TEPI remained unchanged as of the Reporting Period awaiting decision by the Regional Director of the BIA on the merits of the appeal. The decision of the Regional Director is stayed by the parties having entered into the GSA. The Tribe and Tiger remain in discussion regarding approval of the Global Settlement Agreement by the Regional Director. There has been no change in the status of this matter as of the date of this Quarterly Report.

EOG Resources, Inc. vs. Foothills Exploration Inc., f/k/a Foothills Exploration, LLC (Case No. 2021-73673 – 127th Judicial District Court in Harris County, Texas)

Plaintiff in this case is seeking collection of an unpaid debt stemming from the Company's 21.7% non-operated working interest in two Stagecoach Unit horizontal wells in Uintah County, Utah, both operated by EOG Resources. The civil suit filed on November 9, 2021, alleges the sum of \$1,775,558.84 due as of September 2021, exclusive of interest remains unpaid on the Company's proportionate costs incurred by EOG in connection with the operation of the Stagecoach Unit. The Company filed its response to Plaintiff's petition on January 21, 2022. On February 17, 2022, Plaintiff filed its First Amended Petition. On February 21, 2022, the Company and Plaintiff both filed their respective initial disclosures with the court. On April 28, 2022, Plaintiff filed its first set of discovery requests to the Company.

On May 31, 2022, the Company filed its response to Plaintiff's discovery requests. On June 6, 2022, the Company filed its first set of interrogatories, requests for production, and requests for admissions to Plaintiff. On July 5, 2022, Plaintiff filed its response to the Company's first set of interrogatories, requests for production, and requests for admissions. The case was set for trial on February 6, 2023. On January 4, 2023, the Court granted Plaintiff's motion for partial summary judgment as to liability but struck the damages award with a red line. On January 9, 2023, Defendant Foothills Exploration, Inc. was nonsuited by Order of the Court. On February 2, 2023, Plaintiff filed a Motion for Entry of Final Judgment with a proposed order determining Final Judgment as to both liability and damages. On February 21, 2023, the Court entered a Final Judgment disposing of all parties and claims.

Within the 30-day period provided for under Texas Rules of Civil Procedure, on March 22, 2023, the Company, through its legal counsel filed a motion for a new trial requesting the court to vacate its Final Judgment entered on February 21, 2023, and also granting the Company with a new trial with a new docket control order so the parties may properly designate expert witnesses to assist in the evaluation of the claims. On April 5, 2023, the court issued an order vacating its previous judgment and granting the Company's motion for a new trial with an expected trial date to begin on July 24, 2023.

On July 20, 2023, Plaintiff (EOG) presented their final offer for a global settlement agreement, which the Company accepted. The terms of the settlement agreement are as follows.

1. Foothills agrees to a full judgment in the amount of \$1,415,166.75, plus pre-judgment interest of \$1,464,854.84 and attorney fees and costs of \$74,215.73. EOG will not abstract nor execute on the judgment unless the Company breaches the settlement agreement, and EOG also agrees to release the judgment at the end of the 5-year period addressed below.
2. EOG will accept a 50% net profits interest for the life of both Stagecoach wells with the following definition: Greylock net revenues minus Greylock Lease Operating Expenses (Foothills pays its own costs and expenses). Wire payments to be made monthly within 5 business days of receipt by Foothills. Interest to be recorded in Uintah County, Utah.
3. Foothills guarantees EOG a minimum monthly net profit distribution of \$10,000 for a period of 60 months.

4. The parties agree that any existing rights or liens currently held by EOG are neither waived nor supplanted by the terms of the settlement agreement.
5. The offer was made under TRE 408. The parties agree that no settlement is made until the parties have signed a final settlement agreement.

Opposing counsel was advised of the Company's intention to accept their offer detailed above prior to the offer's expiration date. Opposing counsel also agreed to draft and send over the global settlement agreement for the parties to execute.

As of June 30, 2023, and December 31, 2022, the balance of contingent liabilities was \$1,664,000 and \$1,664,000, respectively.