UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: March 31, 2024

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____________ to _____________

Commission File No. 000-33383

Prairie Operating Co.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**98-0357690** (I.R.S. Employer Identification No.)
602 Sawyer, Suite 710 **Houston, TX** (Address of principal executive offices)	**77007** (Zip Code)

(713) 424-4247
(Registrant's telephone number, including area code)

N/A
(Former name, former address, and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Trading Symbol(s)	Name of each Exchange on which registered
Common stock, $0.01 par value	PROP	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Title of Class	**Number of Shares Outstanding on May 10, 2024**
Common Stock, $0.0001 par value	12,190,077

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PART 1 — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Prairie Operating Co. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 4,047,773	$ 13,036,950
Note and other receivable	951,760	7,095
Prepaid expenses	175,647	164,391
Deferred financing costs	1,019,222	—
Current assets – discontinued operations	—	322,655
Total current assets	6,194,402	13,531,091
Property and equipment:		
Oil and natural gas properties, successful efforts method of accounting including $30,397,183 at March 31, 2024 and $ 28,705,404 at December 31, 2023 excluded from amortization	30,754,390	28,705,404
Less: Accumulated depreciation, depletion and amortization	—	—
Total property and equipment, net	30,754,390	28,705,404
Deposits on E&P assets	9,000,000	—
Operating lease assets	396,011	155,253
Deferred transaction costs	186,534	108,956
Noncurrent assets – discontinued operations	—	3,182,307
Total assets	$ 46,531,337	$ 45,683,011
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 8,486,571	$ 5,374,494
Operating lease liabilities, current	162,829	41,890
Total current liabilities	8,649,400	5,416,384
Long-term liabilities:		
Operating lease liabilities, long-term	218,069	93,816
Total long-term liabilities	218,069	93,816
Total liabilities	8,867,469	5,510,200
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Series D convertible preferred stock; $0.01 par value; 50,000 shares authorized and 19,402 shares issued and outstanding at March 31, 2024; 50,000 shares authorized and 20,627 issued and outstanding at December 31, 2023	194	206
Series E convertible preferred stock; $0.01 par value; 50,000 shares authorized and 20,000 shares issued and outstanding at March 31, 2024 and December 31, 2023	200	200
Common stock; $0.01 par value; 500,000,000 shares authorized and 10,815,329 shares issued and outstanding at March 31, 2024; 500,000,000 shares authorized and 9,826,719 shares issued and outstanding at December 31, 2023	108,153	98,267
Additional paid-in capital	125,446,282	118,927,814
Accumulated deficit	(87,890,961)	(78,853,677)
Total stockholders' equity	37,663,868	40,172,811
Total liabilities and stockholders' equity	$ 46,531,337	$ 45,683,011

See notes to unaudited condensed consolidated financial statements

Prairie Operating Co. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Revenues	$ —	$ —
Operating costs and expenses:		
Operating expenses	—	—
General and administrative	7,602,860	64,392
Exploration	441,780	—
Total operating costs and expenses	8,044,640	64,392
Loss from operations	(8,044,640)	(64,392)
Other income (expense):		
Interest income	52,101	—
Total other income (expense)	52,101	—
Loss from operations before provision for income taxes	(7,992,539)	(64,392)
Provision for income taxes	—	—
Net loss from continuing operations	(7,992,539)	(64,392)
Discontinued operations		
Loss from discontinued operations, net of taxes	(1,044,745)	—
Net loss from discontinued operations	(1,044,745)	—
Net loss	$ (9,037,284)	$ (64,392)
Earnings (loss) per common share:		
Loss per share from continuing operations, basic and diluted	$ (0.80)	$ —
Loss per share from discontinued operations, basic and diluted	$ (0.10)	$ —
Loss per share, basic and diluted	$ (0.90)	$ —
Weighted average common shares outstanding, basic and diluted	10,004,987	—

See notes to unaudited condensed consolidated financial statements

Prairie Operating Co. and Subsidiaries
Condensed Consolidated Statements of Members' Deficit/Stockholders' Equity

		Shareholders' Equity								
	Members'	Series D Preferred Stock Par value $0.01		Series E Preferred Stock Par value $0.01		Common stock Par value $0.01		Additional Paid In	Accumulated	Stockholders' Equity
	Deficit	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	(Deficit)
Balance, December 31, 2023	**$ —**	**20,627**	**$ 206**	**20,000**	**$ 200**	**9,826,719**	**$ 98,267**	**$118,927,814**	**$ (78,853,677)**	**$ 40,172,811**
Conversion of Series D preferred stock	—	(1,225)	(12)	—	—	245,000	2,450	(2,438)	—	—
Issuance of common stock upon warrant exercise	—	—	—	—	—	743,610	7,437	4,454,222	—	4,461,659
Stock based compensation	—	—	—	—	—	—	—	2,066,682	—	2,066,682
Net loss	—	—	—	—	—	—	—	—	(9,037,284)	(9,037,284)
Balance, March 31, 2024	**$ —**	**19,402**	**$ 194**	**20,000**	**$ 200**	**10,815,329**	**$108,153**	**$125,446,282**	**$ (87,890,961)**	**$ 37,663,868**
Balance, December 31, 2022	**(381,520)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Net loss	(64,392)									
Balance, March 31, 2023	(445,912)	—	—	—	—	—	—	—	—	—

See notes to unaudited condensed consolidated financial statements

Prairie Operating Co. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cash flow from operating activities:		
Net loss	$ (9,037,284)	$ (64,392)
Adjustment to reconcile net loss to net cash used in operating activities:		
Stock based compensation	2,066,682	—

Loss from discontinued operations, net of taxes	1,182,307	—
Changes in operating assets and liabilities:		
Notes and other receivable	55,335	—
Prepaid expenses	(11,256)	—
Accounts payable and accrued expenses	3,112,077	64,309
Deferred financing costs	(1,019,223)	—
Other	4,433	—
Net cash used in continuing operating activities	(3,646,929)	(83)
Net cash provided by discontinued operating activities	322,655	—
Net cash used in operating activities	(3,324,274)	(83)
Cash flow from investing activities:		
Deposit on Nickel Road Asset Purchase	(9,000,000)	—
Investments in oil and natural gas properties	(2,048,986)	—
Cash received from sale of cryptocurrency miners	1,000,000	—
Deferred transaction costs related to Nickel Road Asset Purchase	(77,577)	—
Net cash used in continuing investing activities	(10,126,563)	—
Net cash used in discontinued investing activities	—	—
Net cash provided by investing activities	(10,126,563)	—
Cash flow from financing activities:		
Proceeds from the exercise of Series D warrants	4,461,660	—
Net cash provided by continuing financing activities	4,461,660	—
Net cash used in discontinued financing activities	—	—
Net cash provided by financing activities	4,461,660	—
Net increase (decrease) in cash and cash equivalents	(8,989,177)	(83)
Cash and cash equivalents, beginning of period	13,036,950	79,845
Cash and cash equivalents, end of period	$ 4,047,773	$ 79,762
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ —	$ —
Cash paid for interest	$ —	$ —
Supplemental disclosures of noncash investing and financing activity:		
Common stock issued upon conversion of Series D Preferred Stock	$ 1,225,000	$ —
Deferred transaction costs associated with the Merger and Exok Transaction	$ —	$ 178,893
Deferred transaction costs associated with the Series D PIPE	$ —	$ 33,501

See notes to unaudited condensed consolidated financial statements

Prairie Operating Co. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Three Months Ended March 31, 2024
(Unaudited)

Note 1. Organization, Description of Business and Basis of Presentation

Organization

On May 3, 2023, we changed our name from Creek Road Miners, Inc. to Prairie Operating Co. (the "Company," "we," "us" or "our") in connection with the Merger (as defined below). The Company was incorporated in Delaware on May 2, 2001. The Company is an independent energy company engaged in oil, natural gas and NGLs development, exploration and production ("E&P"). The Company was also a crypto company focused on cryptocurrency mining until the sale of its cryptocurrency miners in January 2024. Upon this sale, the Company solely operates in the E&P segment.

The Merger Agreement and Related Transactions

On May 3, 2023, the Company completed its merger with Prairie Operating Co., LLC, a Delaware limited liability company ("Prairie LLC"), pursuant to the terms of the Amended and Restated Agreement and Plan of Merger, dated as of May 3, 2023 (the "Merger Agreement," and the closing thereunder, the "Closing"), by and among the Company, Merger Sub and Prairie LLC, pursuant to which, among other things, Merger Sub merged with and into Prairie LLC, with Prairie LLC surviving and continuing to exist as a Delaware limited liability company and a wholly owned subsidiary of the Company (the "Merger"). Upon consummation of the Merger, the Company changed its name from "Creek Road Miners, Inc." to "Prairie Operating Co."

On October 16, 2023, the Company affected a reverse stock split at an exchange ratio of 1:28.5714286 (the "Reverse Stock Split"). Unless otherwise noted, all per share and share amounts presented herein have been retroactively adjusted for the effect of the Reverse Stock Split for all periods presented.

Upon the Merger, membership interests in Prairie LLC were converted into the right to receive each member's pro rata share of 2,297,668 shares of common stock of the Company.

The Merger was accounted for as a reverse asset acquisition under existing GAAP (as defined below). For accounting purposes, Prairie LLC was treated as acquiring Merger Sub in the Merger. See Note 4 for further discussion.

Accordingly, for accounting purposes, the financial statements of the Company represent a continuation of the financial statements of Prairie LLC with the acquisition being treated as the equivalent of Prairie LLC issuing stock for the net assets of the Company. At the date of the Merger, the assets and liabilities of the Company were recorded based upon relative fair values, with no goodwill or other intangible assets recorded.

Description of Business

E&P

We are an independent oil and gas company focused on the acquisition and development of crude oil, natural gas and natural gas liquids. We currently hold acreage in the DJ Basin of Colorado that we intend to develop. In addition to growing production through our drilling operations, we also seek to grow our business through accretive acquisitions, including the acquisition of the Genesis Bolt-on Assets (as defined herein) in February 2024 and the NRO Acquisition (as defined herein), which was signed in January 2024.

Cryptocurrency Mining

Our cryptocurrency mining operations commenced on May 3, 2023 concurrent with the Merger. In the three months ended March 31, 2024, we generated all of our revenue through our cryptocurrency mining activities from assets we acquired in the Merger. Upon the closing of the Crypto Sale (as defined below), we exited the cryptocurrency mining business. All results and activities from these assets and operations have been classified as discontinued operations in our condensed consolidated financial statements.

Basis of Presentation

The consolidated financial statements included in this Quarterly Report present the Company's financial position, results of operations and cash flows for the periods presented in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company evaluates subsequent events through the date the financial statements are issued.

Liquidity Analysis

The Company had a net loss of $ 9.0 million for the three months ended March 31, 2024. We cannot predict if we will be profitable. We may continue to incur losses for an indeterminate period of time and may be unable to achieve profitability. An extended period of losses and negative cash flow may prevent us from successfully operating and expanding our business. We may be unable to achieve or sustain profitability on a quarterly or annual basis. At March 31, 2024, we had cash and cash equivalents of $4.0 million, a working capital deficit of $ 2.5 million, and an accumulated deficit of $ 87.9 million.

We expect that our cash balance will decline until we are able to obtain financing through public or private capital markets and/or upon the exercise of common stock warrants. As of March 31, 2024, the Company had common stock warrants with exercise prices of $6.00 per share of common stock and expiring through August 2024 (see Note 13) that, if all were exercised, would represent cash proceeds to the Company of approximately $27.9 million. Based on recent and current prices of the Company's common stock, the Company expects such warrants to be exercised. The Company received $3.9 million of cash proceeds from such warrant exercises and $1.1 million of cash proceeds from exercises of warrants expiring in 2028 during the period from April 1, 2024 through May 10, 2024. However, there is no assurance that the remainder of such common stock warrants will ultimately be exercised.

The assessment of liquidity and going concern requires the Company to make estimates of future activity and judgments about whether the Company can meet its obligations and has adequate liquidity to operate. Significant assumptions used in the Company's forecasted model of liquidity in the next 12 months include our current cash position and our ability to manage spending. Based on an assessment of these factors, management believes that the Company will have adequate liquidity for its operations for at least 12 months from the date the Company's financial statements are issued.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying financial statements are consolidated and include the accounts of the Company and its wholly owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

These estimates and assumptions include estimates for reserves of uncollectible accounts, accruals for potential liabilities, estimates and assumptions made in valuing assets and debt instruments issued in the Merger, and realization of deferred tax assets.

Industry Segment and Geographic Information

We currently operate in one industry segment, which is the acquisition and development of crude oil, natural gas and natural gas liquids. All of our operations are conducted in the continental United States.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and cash equivalents. The Company places its cash with high quality financial institutions and at times may exceed the FDIC $250,000 insurance limit.

The Company does not anticipate incurring any losses related to these credit risks.

Cash and cash equivalents

Cash and cash equivalents are defined by the Company as short-term, highly liquid investments that have an original maturity of three months or less and deposits in money market mutual funds that are readily convertible into cash. Management considers cash and cash equivalents to have minimal credit and market risk. The Company had $4.0 million and $13.0 million in cash and cash equivalents as of March 31, 2024 and December 31, 2023, respectively.

Accounts receivable

Accounts receivable represents revenue recognized, but for which payment has not yet been received. The Company had no accounts receivable associated with its continuing operations at March 31, 2024 or December 31, 2023.

Note receivable

Note receivable represents the amount due from the sale of the cryptocurrency mining assets (see Note 1) inclusive of accrued interest. The note receivable balance was $951,760 and zero and March 31, 2024 and December 31, 2023, respectively.

Deferred financing costs

Deferred financing costs represent costs represent legal costs associated with a future revolving credit facility and future issuance of equity both expected to be completed no later than December 31, 2024 and were $10,000 and $1.0 million, respectively, at March 31, 2024. Such costs will be reclassified as components of debt and equity, respectively, upon successful completion of each financing. If either or both financings are unsuccessful, such costs will be expensed.

Property and equipment

We follow the successful efforts method of accounting for our oil and natural gas properties. Under this method, exploration costs such as exploratory geological and geophysical costs, expiration of unproved leasehold, delay rentals and exploration overhead are expensed as incurred. All costs related to production, general corporate overhead and similar activities are also expensed as incurred. All property acquisition costs and development costs are capitalized when incurred.

Exploratory drilling costs are initially capitalized, or suspended, pending the determination of proved reserves. If proved reserves are found, drilling costs remain capitalized and are classified as proved properties. Costs of unsuccessful wells are charged to exploration expense. For exploratory wells that find reserves that cannot be classified as proved when drilling is completed, costs continue to be capitalized as suspended exploratory drilling costs if there have been sufficient reserves found to justify completion as a producing well and sufficient progress is being made in assessing the reserves and the economic and operational viability of the project. If we determine that future appraisal drilling or development activities are unlikely to occur, associated suspended exploratory well costs are expensed. In some instances, this determination may take longer than one year. We review the status of all suspended exploratory drilling costs quarterly. Costs to develop proved reserves, including the costs of all development wells and related equipment used in the production of natural gas and oil, are capitalized.

Costs of drilling and equipping successful wells, costs to construct or acquire facilities, and associated asset retirement costs are depreciated using the unit-of-production ("UOP") method based on total estimated proved developed oil and natural gas reserves. Costs of acquiring proved properties, including leasehold acquisition costs transferred from unproved properties, are depleted using the UOP method based on total estimated proved developed and undeveloped reserves.

Proceeds from the sales of individual oil and natural gas properties and the capitalized costs of individual properties sold or abandoned are credited and charged, respectively, to accumulated depreciation, depletion and amortization, if doing so does not materially impact the depletion rate of an amortization base. Generally, no gain or loss is recognized until an entire amortization base is sold. However, a gain or loss is recognized from the sale of less than an entire amortization base if the disposition is significant enough to materially impact the depletion rate of the remaining properties in the amortization base.

When circumstances indicate that the carrying value of proved oil and natural gas properties may not be recoverable, we compare unamortized capitalized costs to the expected undiscounted pre-tax future cash flows for the associated assets grouped at the lowest level for which identifiable cash flows are independent of cash flows of other assets. If the expected undiscounted pre-tax future cash flows, based on our estimate of future crude oil and natural gas prices, operating costs, anticipated production from proved reserves and other relevant data, are lower than the unamortized capitalized costs, the capitalized costs are reduced to fair value. Fair value is generally estimated using the income approach described in Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic ("ASC") 820, Fair Value Measurements. If applicable, we utilize prices and other relevant information generated by market transactions involving assets and liabilities that are identical or comparable to the item being measured as the basis for determining fair value. The expected future cash flows used for impairment reviews and related fair value measurements are typically based on judgmental assessments of commodity prices, pricing adjustments for differentials, operating costs, capital investment plans, future production volumes, and estimated proved reserves, considering all available information at the date of review. These assumptions are applied to develop future cash flow projections that are then discounted to estimated fair value, using a market-based weighted average cost of capital.

Leases

The Company determines if a contract contains a lease at its inception or as a result of an acquisition. A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (an identified asset) for a period of time in exchange for consideration. A right-of-use asset and corresponding lease liability are recognized on the balance sheet at commencement at an amount based on the present value of the remaining lease payments over the lease term as determined using the implicit rate of the lease. Operating right-of-use assets and operating lease liabilities are presented separately on the consolidated balance sheet. The Company does not have any finance leases as of March 31, 2024 or December 31, 2023. Leases with an initial term of twelve months or less are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis, and variable lease payments are recognized in the period as incurred.

Certain leases contain both lease and non-lease components. The Company has chosen to account for the lease and non-lease components separately.

The Company leases office space and vehicles under non-cancelable operating leases expiring through 2027. Certain lease agreements include options to renew the lease, early terminate the lease or purchase the underlying asset(s). The Company determines the lease term at the lease commencement date as the non-cancelable period of the lease, including options to extend or terminate the lease when such an option is reasonably certain to be exercised.

Warrant liabilities

The Company evaluates all of its financial instruments, including issued private placement stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to GAAP. The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable GAAP. Management's assessment considers whether the warrants are freestanding financial instruments, whether they meet the definition of a liability, and whether the warrants meet all of the requirements for equity classification.

For warrants that meet all of the criteria for equity classification, they are recorded as a component of additional paid-in capital at the time of issuance. For warrants that are precluded from equity classification, they are recorded as a liability at their fair value on the date of such classification and subject to remeasurement on each balance sheet date with changes in the estimated fair value of the warrants to be recognized in the statements of operations.

As of March 31, 2024 and December 31, 2023, the Company had no liability-classified warrants.

Commitments and Contingencies

The Company recognizes a liability for loss contingencies when it believes it is probable a liability has been incurred, and the amount can be reasonably estimated. If some amount within a range of loss appears at the time to be a better estimate than any other amount within the range, the Company accrues that amount. When no amount within the range is a better estimate than any other amount the Company accrues the minimum amount in the range.

Revenue Recognition

The Company accounts for revenue in accordance with ASC 606, Revenue from Contracts with Customers. The underlying principle of ASC 606 is to recognize revenue to depict the transfer of goods or services to customers at the amount expected to be collected.

Revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. The Company applies the following five steps in order to determine the appropriate amount of revenue to be recognized as we fulfill our obligations under each of our agreements:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to performance obligations in the contract; and
- recognize revenue as the performance obligation is satisfied.

The Company’s cryptocurrency mining assets that were in service during the three months ended March 31, 2024 until the Crypto Sale were operating under a contract with Atlas Power Hosting, LLC (“Atlas”) whereby Atlas hosted, operated, and managed the Company’s assets (the “Atlas MSA”). The Company received payment in U.S. dollars for the daily net mining revenue representing the dollar value of the cryptocurrency award generated less power and other costs. The Company did not receive or own cryptocurrencies under this contract.

Upon the Crypto Sale as described in Note 1, the Company no longer owns cryptocurrency mining assets nor earns cryptocurrency mining revenues.

Income taxes

We account 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 respective tax basis. 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. At March 31, 2024, the Company had a full valuation allowance to offset its net deferred tax assets.

Discontinued Operations

On January 23, 2024, the Company sold all of its Mining Equipment (as defined herein) for consideration consisting of (i) $ 1.0 million in cash and (ii) $1.0 million in deferred cash payments, to be paid out of (i) 20% of the monthly net revenues received by the buyer associated with or otherwise attributable to the Mining Equipment until the aggregate amount of such payments equals $250,000 and (ii) thereafter, 50% of the monthly net revenues received by the buyer associated with or otherwise attributable to the Mining Equipment until the aggregate amount of such payments equals the Deferred Purchase Price, plus accrued interest. The Company recognized a loss of $ 1.1 million on this disposition.

The related assets and liabilities associated with the discontinued operations in our condensed consolidated balance sheets for the three months ended March 31, 2024 and the year ended December 31, 2023, are classified as discontinued operations. Additionally, the financial results associated with discontinued operations are classified as discontinued operations in our condensed consolidated statements of operations and condensed consolidated statements of cash flows for the three months ended March 31, 2024 and 2023.

Earnings (Loss) Per Common Share

The two-class method of computing earnings per share is required for entities that have participating securities. The two-class method is an earnings allocation formula that determines earnings per share for participating securities according to dividends declared (or accumulated) and participation rights in undistributed earnings. Our Series D Preferred Stock and Series E Preferred Stock (each as defined herein) are participating securities. These participating securities do not have a contractual obligation to share in the Company’s losses. Therefore, in periods of net loss, no portion of such losses are allocated to participating securities.

Basic earnings (loss) per common share (“EPS”) is calculated by dividing net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding each period. Dilutive EPS is calculated by dividing adjusted net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding each period, which includes the effect of potentially dilutive securities. Potentially dilutive securities for the diluted EPS calculation consists of (i) Series D Preferred Stock, (ii) Series E Preferred Stock (iii) warrants for common stock and (iv) exercisable common stock options. Diluted EPS reflects the dilutive effect of the participating securities using the two-class method or the treasury stock method, whichever is more dilutive.

Basic and diluted earnings (loss) attributable to common stockholders is the same for the three months ended March 31, 2024 because the Company has only incurred losses and all potentially dilutive securities are anti-dilutive. Potentially dilutive securities that were not included in the computation of diluted earnings (loss) attributable to common stockholders at March 31, 2024 because their inclusion would be anti-dilutive are as follows:

Potentially Dilutive Security	Quantity	Stated Value Per Share	Total Value or Stated Value	Assumed Conversion Price	Resulting Common Shares
Merger Options and restricted stock units[1]	8,547,574	$ —	$ —	$ —	547,574
Common stock warrants	365,323,672	—	—	—	12,775,829
Series D preferred stock	19,402	1,000	19,402,130	5.00	3,880,426
Series E preferred stock	20,000	1,000	20,000,000	5.00	4,000,000
Total					21,203,829

(1) Not exercisable or vested as of March 31, 2024 (see Notes 13 and 14).

As of and for the three months ended March 31, 2023, there were no potentially dilutive units exercisable and outstanding.

Related parties

The Company follows ASC 850-10, Related Parties, for the identification of related parties and disclosure of related party transactions. Pursuant to Section 850-10-20, the related parties include: (a) affiliates of the Company ("affiliate" means, with respect to any specified person, any other person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such person, as such terms are used in and construed under Rule 405 under the Securities Act of 1933, as amended); (b) entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity; (c) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; (d) principal owners of the Company; (e) management of the Company; (f) other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and (g) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

Recently Issued Accounting Pronouncements

Recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

Note 3. Discontinued Operations

On January 23, 2024, the Company sold all of its cryptocurrency miners (the "Mining Equipment") for consideration consisting of (i) $ 1.0 million in cash and (ii) $1.0 million in deferred cash payments (the "Deferred Purchase Price"), to be paid out of (i) 20% of the monthly net revenues received by the buyer associated with or otherwise attributable to the Mining Equipment until the aggregate amount of such payments equals $250,000 and (ii) thereafter, 50% of the monthly net revenues received by the buyer associated with or otherwise attributable to the Mining Equipment until the aggregate amount of such payments equals the Deferred Purchase Price, plus accrued interest. The Company recognized a loss of $ 1.1 million on this disposition.

The related assets and liabilities associated with the discontinued operations in our condensed consolidated balance sheets for the three months ended March 31, 2024 and the year ended December 31, 2023, are classified as discontinued operations. The major classes of assets included as part of discontinued operations are presented in the table below.

	March 31, 2024	December 31, 2023
Accounts receivable	$ —	$ 322,655
Property and equipment, net	—	3,182,307
Total assets – discontinued operations	$ —	$ 3,504,962

Additionally, the financial results associated with discontinued operations are classified as discontinued operations in our condensed consolidated statements of operations and condensed consolidated statements of cash flows for the three months ended March 31, 2024 and 2023. The major classes of line items constituting the loss from discontinued operations are presented in the table below.

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cryptocurrency mining revenue	$ 192,625	$ —
Cryptocurrency mining costs	(55,063)	—
Depreciation and amortization	(102,210)	—
Loss from sale of cryptocurrency mining equipment	(1,080,097)	—
Loss from discontinued operations before income taxes	(1,044,745)	—
Provision for income taxes	—	—
Net loss from discontinued operations	$ (1,044,745)	$ —

Note 4. Acquisitions and Merger

NRO Acquisition

On January 11, 2024, the Company entered into an asset purchase agreement (the "NRO Agreement"), by and among the Company, Nickel Road Development LLC, Nickel Road Operating, LLC ("NRO") and Prairie Operating Co., LLC, to acquire certain NRO assets (the "Central Weld Assets") for total consideration of $94.5 million (the "Purchase Price"), subject to certain closing price adjustments and other customary closing conditions (the "NRO Acquisition"). The Purchase Price consists of $83.0 million in cash and $ 11.5 million in deferred cash payments. The Company deposited $ 9 million of the Purchase Price into an escrow account on January 11, 2024 (the "Deposit"), which will be released to NRO upon the earlier of the closing date and August 15, 2024. Portions of the Deposit are subject to earlier release under certain circumstances if the closing has not occurred on or prior to June 17, 2024.

The Company expects the NRO Acquisition to close on or before August 15, 2024, subject to customary closing conditions, with an economic effective date of February 1, 2024. The Company expects to fund the transaction through a combination of public and/or private issuance of common stock, cash on hand, and proceeds from existing warrant exercises. However, there can be no assurances that funding required to close can be attained on or before August 15, 2024.

Genesis Bolt-on Acquisition

On February 5, 2024, the Company acquired a 1,280-acre drillable spacing unit and eight proved undeveloped drilling locations in the DJ Basin (the "Genesis Bolt-on Assets") from a private seller for $900,000. These offset the other oil and gas assets held by the Company in northern Weld County, Colorado.

Initial Genesis Asset Acquisitions

Upon the Merger, the Company consummated the purchase of oil and gas leases from Exok, Inc., an Oklahoma corporation ("Exok"), including all of Exok's right, title and interest in, to and under certain undeveloped oil and gas leases located in Weld County, Colorado, together with certain other associated assets, data and records, from Exok for $3.0 million pursuant to the Amended and Restated Purchase and Sale Agreement, dated as of May 3, 2023, by and among the Company, Prairie LLC and Exok (the "Exok Transaction").

On August 14, 2023, Prairie LLC exercised its option in connection with the initial Exok transaction and purchased oil and gas leases, including all of Exok's right, title and interest in, to and under certain undeveloped oil and gas leases located in Weld County, Colorado, together with certain other associated assets, data and records, consisting of approximately 20,328 net mineral acres in, on and under approximately 32,695 gross acres from Exok (the "Exok Option Purchase"). The Company paid $18.0 million in cash to Exok and issued equity consideration to certain affiliates of Exok, consisting of (i) 670,499 shares of common stock and (ii) warrants providing the right to purchase 670,499 shares of common stock at $7.43 per share (the "Exok Warrants").

Merger with Creek Road Miners, Inc.

Under the terms of the Merger, the Company issued 2,297,668 shares of common stock to the members of Prairie LLC in exchange for all of the membership interests of Prairie LLC. Additionally and as a condition of the Merger, 4,423 shares of Series D Preferred Stock were issued to holders of the AR Debentures.

The purchase price is calculated based on the fair value of the common stock that the Company's stockholders immediately prior to the Merger own after the Merger and the fair value of the Series D Preferred Stock issued to the holders of the AR Debentures. With no active trading market for membership interests of Prairie LLC, the fair value of the common stock represents a more reliable measure of the fair value of consideration transferred in the Merger and because it is based upon a quoted price in an active market it is a Level 1 fair value calculation. The fair value of the 4,423 shares of Series D Preferred Stock was determined using a valuation model with unobservable inputs and is a Level 3 fair value calculation.

The total purchase price and allocated purchase price is summarized as follows:

Number of shares of common stock of the combined company owned by the Company's stockholders immediately prior to the merger (1)		3,860,898
Multiplied by the fair value per share of common stock (2)	$	2.57
Fair value of the Company's pre-Merger common stock		9,928,262
Number of shares of Series D Preferred Stock issued to effectuate the Merger		4,423
Multiplied by the fair value per share (3)	$	725.57
Fair value of Series D Preferred Stock issued as consideration		3,209,196
Prairie LLC Transaction costs (4)		2,032,696
Purchase price	$	15,170,154

(1) Represents the historical shares of the common stock outstanding immediately prior to the Closing of the Merger on May 3, 2023.

(2) Based on the last reported sale price of the common stock on OTC Capital Markets on May 3, 2023, the closing date of the Merger (the "Closing Date").

(3) Fair value calculated as described above on May 3, 2023.

(4) Prairie LLC transaction costs consist primarily of legal expenses incurred by Prairie LLC. The transaction costs have been reflected as an increase in the purchase price.

The purchase price for the Merger was allocated to the net assets acquired on the basis of relative fair values. The fair values of the current assets acquired and current liabilities (excluding the convertible debentures) assumed in the Merger were determined to approximate carrying value due to their short-term nature. The fair values of the mining equipment were determined using estimated replacement values of the same or similar equipment and, as such, are Level 3 fair value calculations. The fair value of the secured convertible debentures was calculated as described above. The fair value of the share issuance liability was calculated based on the quoted price of the Company's common stock and, as such, is a Level 1 measurement on the fair value hierarchy. The following summarizes the allocation of the purchase price to the net assets acquired.

Purchase Price Allocation:		**May 3, 2023**
Cash and cash equivalents	$	42,360
Accounts receivable		8,014
Prepaid expenses		63,795
Mining equipment (1)		18,140,874

Deposits on mining equipment	2,928,138
Accounts payable and accrued expenses	(3,352,389)
Secured convertible debentures	(1,981,000)
SBA loan payable	(150,000)
Share issuance liability	(529,638)
Net assets acquired	$ 15,170,154

(1) In accordance with GAAP for asset acquisitions, the excess purchase price over the fair value of the acquired assets and liabilities was ascribed to the property and equipment acquired.

Note 5. Property and Equipment

Property and equipment consisted of the following:

	March 31, 2024	December 31, 2023
Oil and natural gas properties		
Proved properties	$ —	$ —
Unproved properties	30,754,390	28,705,404
Total capitalized costs	30,754,390	28,705,404
Less: Accumulated depreciation, depletion and amortization	—	—
Net capitalized costs	$ 30,754,390	$ 28,705,404

On August 15, 2023, the Company exercised its option under the Exok Transaction to purchase approximately 20,328 net mineral acres in, on and under approximately 32,695 additional gross acres from Exok (the "Exok Option Assets"). The acquisition cost of this acreage was $ 25.3 million consisting of (i) $18.0 million in cash (the "Cash Consideration"), (ii) issuance of 670,499 shares of the Company's common stock and Exok Warrants to purchase 670,499 shares of common stock for an aggregate value of $ 7.3 million, and (iii) direct transaction costs. The Cash Consideration was funded from the Series E PIPE (see Note 11).

On February 5, 2024, the Company acquired the Genesis Bolt-on Assets for $ 900,000.

Note 6. Accounts Payable and Accrued Expenses

The following table provides detail of the Company's accounts payable and accrued expenses for the periods presented:

	March 31, 2024	December 31, 2023
Accounts payable	$ 3,597,981	$ 2,295,575
Accrued legal and accounting fees	1,517,248	200,641
Incentive compensation	2,609,475	1,925,191
Other	761,867	953,087
Accounts payable and accrued expenses	$ 8,486,571	$ 5,374,494

Note 7. Debt

Amended and Restated Senior Secured Convertible Debentures

In connection with the Merger, the Company entered into debentures due December 31, 2023 with each of Bristol Investment Fund, Ltd. ("Bristol") and Barlock 2019 Fund, LP ("Barlock"), in the principal amount of $1,000,000 ("AR Debentures"). Bristol is controlled by Paul L. Kessler who was the Executive Chairman of the Company at the time of the Merger and is a current member of our Board of Directors. Barlock is controlled by Scott D. Kaufman who is a former President, Chief Executive Officer, and Director of the Company. The AR Debentures will accrue interest on the aggregate unconverted and then outstanding principal amount of the debentures at the rate of 12% per annum. Interest is payable quarterly on (i) January 1, April 1, July 1 and October 1, beginning on May 3, 2023, (ii) each date the AR Debentures are converted into common stock (as to that principal amount then being converted), (iii) the day that is at least five trading days following the Company's notice to redeem some or all of the then outstanding principal of the AR Debentures (only as to that principal amount then being redeemed), which may be provided at any time after the Company's common stock is listed or quoted for trading on the NYSE American (or any successor thereto) or any other national securities exchange, and (iv) the maturity date.

In October 2023, conversion notices were received from holders of the AR Debentures and the Company issued 400,666 shares of common stock to affect the conversion. This represented the full conversion of the AR Debentures, together with accrued interest due to one of the holders.

SBA Loan

Upon the Merger, the Company assumed a loan agreement with the SBA. The loan accrued interest at a rate of 3.75% and was scheduled to mature in June 2050. The Company elected to fully repay the SBA loan and accrued interest in September 2023.

The Company had no debt outstanding at March 31, 2024 or December 31, 2023.

Note 8. Leases

The Company's right-of-use assets and lease liabilities are recognized on the accompanying balance sheets based on the present value of the expected lease payments over the lease term. As of March 31, 2024 and December 31, 2023, the Company did not have any finance leases. The following table summarizes the Company's operating leases:

	March 31, 2024	December 31, 2023
Operating Leases		
Office space	$ 196,722	$ —
Vehicles	199,289	155,253
Total right-of-use asset	$ 396,011	$ 155,253
Office space	$ 198,857	$ —

Vehicles	182,041	135,706
Total lease liability	$ 380,898	$ 135,706

The following table summarizes the components of the Company's lease costs incurred for the periods below:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Operating lease cost	$ 39,271	$ —
Short-term lease cost	12,600	—
Total lease cost	$ 51,871	$ —

The Company recognizes operating lease cost on a straight-line basis. Short-term lease costs are recognized as incurred and represent payments for office leases with a lease term of one year or less.

The Company's weighted-average remaining lease terms and discount rates as of March 31, 2024 are as follows:

	Operating Leases
Weighted-average lease term (years)	2.0
Weighted-average discount rate	10.2%

Future commitments by year for the Company's leases with a lease term of one year or more as of December 31, 2023 are presented in the table below. Such commitments are reflected at undiscounted values and are reconciled to the discounted present value recognized on the accompanying balance sheets as follows:

	Operating Leases
2024	$ 145,165
2025	197,138
2026	82,479
2027	3,737
Total lease payments	428,519
Less: imputed interest	(47,621)
Total lease liability	$ 380,898

Supplemental cash flow disclosures related to leases are presented below:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cash paid for amounts included in the measurement of lease liabilities – operating cash flows from operating leases	$ 34,383	$ —
Right-of-use assets obtained in exchange for operating liabilities	$ 270,290	$ —

Note 9. Fair Value Measurements

Fair value of financial instruments

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is defined as an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 valuations – Consist of observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date.

Level 2 valuations – Consist of observable market-based inputs or unobservable inputs that are corroborated by market data. These are inputs other than quoted prices in active markets included in Level 1 that are either directly or indirectly observable as of the reporting date.

Level 3 valuations – Consist of unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in management's best estimate of fair value.

The carrying values of cash and cash equivalents, accounts receivable, other current assets, accounts payable and other current liabilities on the consolidated balance sheets approximate fair value because of their short-term nature. For debt and warrant liabilities, the following methods and assumptions were used to estimate fair value:

There were no assets and liabilities measured at fair value on a recurring basis as of March 31, 2024 or December 31, 2023.

Note 10. Commitments and Contingencies

The Company is subject to various litigation, claims and proceedings, that arise in the ordinary course of business. The Company recognizes a liability for such loss contingencies when it believes it is probable a liability has been incurred, and the amount can be reasonably estimated. If some amount within a range of loss appears at the time to be a better estimate than any other amount within the range, the Company accrues that amount. When no amount within the range is a better estimate than any other amount the Company accrues the minimum amount in the range. The outcomes of any such currently pending matters are not expected to have a material adverse effect on the Company's financial position or results of operations.

Note 11. Preferred Stock

Series D

The Company has authorized 50,000 shares of Series D preferred stock with a par value of $ 0.01 and a stated value of $1,000 per share and convertible into shares of common stock at a price of $5.00 per share ("Series D Preferred Stock"). No dividends are to be paid other than in those in the same form as dividends actually paid on common stock other than any adjustments related to stock dividends or stock splits.

Each share of Series D Preferred Stock is convertible at any time at the option of the holder into the number of shares of common stock determined by dividing the stated value of such share of $1,000 by $5.00, subject to adjustment by certain events as defined in the certificate of designation. If the average price of the Company's common stock, as defined and calculated, for any 22 trading days during a 30 consecutive trading day period exceeds $8.50, subject to adjustment, the Company can require conversion of the Series D Preferred Stock into common stock subject to certain conditions including stock trading volumes and existence of an effective registration statement for such converted shares.

The Company received an aggregate of $17.4 million in proceeds from a number of investors (the "Series D PIPE Investors") who were issued 17,376 shares of Series D Preferred Stock along with Series A warrants ("Series D A Warrants") to purchase 3,475,250 shares of the Company's common stock and Series B warrants ("Series D B Warrants" and together with the Series D A Warrants, the "Series D PIPE Warrants") to purchase 3,475,250 shares of common stock (the "Series D PIPE"). See Note 13 for a further description of the Series D PIPE Warrants.

The Company entered into registration rights agreements with each Series D PIPE Investor whereby the Company is required to pay liquidated damages if the resale of the underlying shares of common stock is not registered by the Securities and Exchange Commission by August 31, 2023. The Company paid a total of $548,144 of such damages for the year ended December 31, 2023 before the resale registration statement with respect to such shares was declared effective in December 2023. There were no such damages incurred or paid in the three months ended March 31, 2024 or 2023.

Additionally and upon the Merger, holders of the AR Debentures were issued 4,423 shares of Series D Preferred Stock. No warrants were issued with or are associated with these shares.

During the three months ended March 31, 2024, there were conversions of 1,225 shares of Series D Preferred Stock into 245,000 shares of common stock. There were 19,402 shares of Series D Preferred Stock outstanding at March 31, 2024.

Series E

The Company has authorized 50,000 shares of Series E preferred stock with a par value of $ 0.01 and a stated value of $1,000 per share and convertible into shares of common stock at a price of $5.00 per share ("Series E Preferred Stock"). No dividends are to be paid other than in those in the same form as dividends actually paid on common stock other than any adjustments related to stock dividends or stock splits.

Each share of Series E Preferred Stock is convertible at any time at the option of the holder into the number of shares of common stock determined by dividing the stated value of such share of $1,000 by $5.00, subject to adjustment by certain events as defined in the certificate of designation. If the average price of the Company's common stock, as defined and calculated, for any 22 trading days during a 30 consecutive trading day period exceeds $8.50, subject to adjustment, the Company can require conversion of the Series E Preferred Stock into common stock subject to certain conditions including stock trading volumes and existence of an effective registration statement for the resale of such converted shares.

The Company received an aggregate of $20.0 million in proceeds (the "Series E PIPE") from Narrogal Nominees Pty Ltd ATF Gregory K O'Neill Family Trust (the "Series E PIPE Investor"), who was issued 20,000 shares of Series E Preferred Stock along with 39,615 shares of the Company's common stock, and Series A warrants ("Series E A Warrants") to purchase 4,000,000 shares of the Company's common stock and Series B warrants ("Series E B Warrants" and together with the Series E A Warrants, the "Series E PIPE Warrants") to purchase 4,000,000 shares of common stock. See Note 13 for a further description of the Series E PIPE Warrants.

The Company's obligations under the Series E Preferred Stock and the Series E PIPE Warrants are secured by a lien on the Exok Option Assets as described under the Deed of Trust, Mortgage, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement, dated August 15, 2023 ("Deed of Trust"). Upon commencement of a voluntary bankruptcy proceeding by Prairie LLC or involuntary bankruptcy proceeding against Prairie LLC, the Series E PIPE Investor will have the right and option to proceed with foreclosure and to sell all or any portion of the Exok Option Assets. In the event that no shares of Series E Preferred Stock remain outstanding (whether by conversion, redemption or otherwise) or are no longer beneficially owned or otherwise held by the Series E PIPE Investor (or any of its affiliates), the lien on the Exok Option Assets under the Deed of Trust will be released in accordance with the terms and procedures set forth therein.

There have been no conversions of Series E Preferred Stock and there were 20,000 shares of Series E Preferred Stock outstanding at March 31, 2024.

Note 12. Common Stock

Holders of our common stock are entitled to one vote per share. Our Amended and Restated Charter (as defined below) does not provide for cumulative voting. Holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared by our Board out of legally available funds. However, the current policy of our Board is to retain earnings, if any, for our operations and expansion. Upon liquidation, dissolution or winding-up, the holders of our common stock are entitled to share ratably in all of our assets which are legally available for distribution, after payment of or provision for all liabilities. The holders of our common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of our common stock are subject to and may be adversely affected by the rights of the holders of shares of any series of preferred stock that we may designate and issue.

In conjunction with the Closing of the Merger (i) 2,297,669 shares of common stock were issued to the former members of Prairie LLC in exchange for their membership interests in Prairie LLC and (ii) 3,860,898 shares of common stock were deemed issued to former stockholders of Creek Road Miners, Inc.

Note 13. Common Stock Options and Warrants

Merger Options

On August 31, 2022, Prairie LLC entered into agreements with its members whereby each member was provided non-compensatory options to purchase a 40% membership interest in the Company for an aggregate purchase price of $ 1,000,000 per member. The non-compensatory options were sold for $80,000. The non-compensatory options only become exercisable in 25% increments upon the achievement of the following production milestones in barrels of oil equivalent per day ("BOE/D"): 2,500 BOE/D, 5,000 BOE/D, 7,500 BOE/D, and 10,000 BOE/D.

On May 3, 2023, prior to the Closing of the Merger, Prairie LLC entered into a non-compensatory option purchase agreement with its members, Bristol Capital, LLC and BOKA Energy LP, a third-party investor pursuant to which Bristol Capital, LLC and BOKA Energy LP purchased non-compensatory options for $24,000 and $8,000, respectively, from Prairie LLC's members. Upon the Merger, the Company converted the non-compensatory options to purchase membership interests of Prairie LLC outstanding and unexercised as of immediately prior to the Merger into options to acquire an aggregate of 8,000,000 shares of common stock for an exercise price of $ 7.14 per share ("Merger Options"), which are only exercisable if the production hurdles noted above are achieved, and the Company entered into the Option Agreements with each of Gary C. Hanna, Edward Kovalik, Bristol Capital LLC and BOKA Energy LP. Erik Thoresen, a director of the Company, is affiliated with BOKA Energy LP. An aggregate of 2,000,000 Merger Options are subject to be transferred to the Series D PIPE Investors, based on their then percentage ownership of the Series D Preferred Stock to the aggregate Series D Preferred Stock outstanding and held by all Series D PIPE Investors as of the Closing Date, if the Company does not meet certain performance metrics by May 3, 2026.

On August 30, 2023, the Company, Gary C. Hanna, Edward Kovalik, Bristol Capital LLC and Georgina Asset Management entered into a non-compensatory option purchase agreement, pursuant to which Georgina Asset Management agreed to purchase, and each of the Sellers agreed to sell to Georgina Asset Management for an aggregate purchase price of $2,000, Merger Options to acquire an aggregate of 200,000 shares of common stock for an exercise price of $7.14 per share.

None of the Merger Options were exercisable at March 31, 2024 or December 31, 2023.

Legacy Warrants

Upon the Merger, the Company assumed warrants to purchase 53,938 shares of the Company's common stock with a weighted average exercise price of $49.71 per share (the "Legacy Warrants"). Legacy Warrants providing the right to purchase 43,438 and 53,938 shares of common stock were outstanding at March 31, 2024 and December 31, 2023, respectively, with a weighted average remaining contractual life of 2.1 and 2.4 years, respectively.

Series D PIPE Warrants

The Series D PIPE Warrants, upon issuance, provided the warrant holders with the right to purchase an aggregate of 6,950,500 shares of common stock at an exercise price of $6.00 per share. The Series D A Warrants expire on May 3, 2028 and could be exercised in a cashless manner under certain circumstances until December 2023 and as of December 31, 2023 and in the future must all be exercised for cash. The Series D B Warrants expire on May 3, 2024 and must be exercised for cash.

During the three months ended March 31, 2024, Series D B Warrants to purchase 743,610 shares of common stock were exercised for total proceeds to the Company of $4.5 million.

Series D A Warrants providing the right to purchase 3,405,250 shares of common stock and Series D B Warrants providing the right to purchase 656,640 shares of common stock were outstanding at March 31, 2024.

Series E PIPE Warrants

The Series E PIPE Warrants provide the warrant holders with the right to purchase 8,000,000 shares of common stock at an exercise price of $ 6.00 per share. The Series E A Warrants expire on August 15, 2028 and may be exercised in a cashless manner under certain circumstances. The Series E B Warrants expire on August 15, 2024 and must be exercised for cash. The Series E A Warrants providing the right to purchase 4,000,000 shares of common stock and Series E B Warrants providing the right to purchase 4,000,000 shares of common stock were outstanding at March 31, 2024.

Exok Warrants

The Exok Warrants provide the warrant holders with the right to purchase 670,499 shares of common stock at an exercise price of $ 7.43 per share. The Exok Warrants expire on August 15, 2028 and may be exercised in a cashless manner under certain circumstances. Exok Warrants providing the right to purchase 670,499 shares of common stock were outstanding at March 31, 2024.

Note 14. Long-Term Incentive Compensation

The Company's long-term incentive plan for employees, directors, consultants, and other service providers (as amended from time to time, the "LTIP") provides for the grant of all or any of the following types of equity-based awards: (i) incentive stock options qualified as such under United States federal income tax laws; (ii) stock options that do not qualify as incentive stock options; (iii) stock appreciation rights; (iv) restricted stock awards; (v) restricted stock units ("RSUs"); (vi) stock awards; (vii) performance awards; (viii) dividend equivalents; (ix) other stock-based awards; (x) cash awards; and (xi) substitute awards.

Subject to adjustment in accordance with the terms of the LTIP, 1,225,000 shares of the Company's common stock were reserved for issuance pursuant to awards under the LTIP, as such LTIP was in effect as of March 31, 2024. After giving effect to the Reverse Stock Split and the awards that have been granted and forfeited under the LTIP as of March 31, 2024 there were 677,426 shares remaining available for grant under the LTIP.

Stock-Based Compensation

The Company's stock-based compensation is classified as either equity awards or liability awards in accordance with GAAP. The fair value of an equity-classified award is determined at the grant date and is amortized to general and administrative expense on a graded attribution basis over the vesting period of the award. The Company accounts for forfeitures of stock-based compensation awards as they occur. The fair value of a liability-classified award is determined on a quarterly basis beginning at the grant date until final vesting. Changes in the fair value of liability-classified awards are recorded to general and administrative expense over the vesting period of the award.

The Company issued RSUs to employees, directors and advisors that (i) cliff-vest on May 3, 2024 (the one-year anniversary of the Merger) (ii) vest one year after the effective date of the applicable consulting agreement, or (iii) vest ratably over three years, on each anniversary date of the Merger beginning with May 3, 2024, as applicable. RSUs granted under the LTIP can immediately vest (A) upon a termination due to (i) death, (ii) disability, or (iii) retirement, or (B) in connection with a change in control; provided that for employee RSU awards, such accelerated vesting upon a change in control only applies to the extent no provision is made in connection with a change in control for the assumption of awards previously granted or there is no substitution of such awards for new awards. To the extent an employee's RSU award is assumed or substituted in connection with the change in control, if a participant is terminated by the Company without "cause" or the employee terminates for "good reason" (each as defined in the applicable award agreement), then each RSU award will become fully vested. The fair value of RSU awards is based on the stock price of the Company's common stock as of each relevant date. Pursuant to the terms of the award agreements covering the RSUs granted to employees in August 2023, no adjustment to the number of shares subject to such RSUs was made in connection with the Reverse Stock Split.

The Company recognized the following amounts in total related to long-term incentive compensation costs for the three months ended March 31, 2024 and the three months ended March 31, 2023. All such amounts for the three months ended March 31, 2024 relate to awards granted in prior periods.

	Three months ended March 31, 2024	Three months ended March 31, 2023
Long-term incentive compensation	$ 2,124,594	$ —

Equity-Classified Awards

The Company recognized $2.1 million in equity-classified stock-based compensation costs for the three months ended March 31, 2024. There were no equity-classified stock-based compensation costs for the three months ended March 31, 2023.

Equity-Classified Restricted Stock Units

As of March 31, 2024, there was $2.7 million of total unrecognized compensation cost related to the Company's unvested equity-classified RSUs. This cost is expected to be recognized over a weighted-average period of 0.7 years. The following table summarizes equity-classified restricted stock units for the three months ended March 31, 2024 and provides information for unvested units as of March 31, 2024.

	Number of Units	Weighted Average Fair Value
Unvested units at December 31, 2023	528,545	$ 14.58
Granted	—	$ —
Vested	—	$ —
Forfeited	—	$ —
Unvested units at March 31, 2024	528,545	$ 14.58

Liability-Classified Awards

The Company recognized $78,955 in liability-classified stock-based compensation costs for the three months ended March 31, 2024. There were no liability-classified stock-based compensation costs for the three months ended March 31, 2023.

Liability-Classified Restricted Stock Units

In August 2023, the Company granted RSUs to directors and an advisor that vest in May 2024 and August 2024, respectively, which are payable 60% in common stock and 40% in either cash or common stock (or a combination thereof), as determined by the Compensation Committee of the Board. The Company has accounted for the portion of the awards that can be settled in cash as liability-classified awards and accordingly changes in the market value of the instruments will be recorded to general and administrative expense over the vesting period of the award. As of March 31, 2024, there was $0.03 million of total unrecognized compensation cost related to liability-classified RSUs that is expected to be recognized over a weighted-average period of 0.2 years. The amount of unrecognized compensation cost for liability-classified awards will fluctuate over time as they are marked to market.

The following table summarizes activity related to liability-classified RSUs for the three months ended March 31, 2024:

	Number of Units	Weighted Average Fair Value
Unvested units at December 31, 2023	19,030	$ 14.71
Granted	—	$ —
Vested	—	$ —
Forfeited	—	$ —
Unvested units at March 31, 2024	19,030	$ 14.71

Note 15. Subsequent Events

On April 8, 2024, the Company entered into an Amendment and Waiver of Exercise Limitations Letter Agreement (the "Letter Agreement") with Bristol Investment Fund, Ltd. ("Bristol"), an entity affiliated with Paul L. Kessler, a director of the Company, to amend certain terms of the Series D A Warrants and Series D B Warrants held by Bristol. Each of the Series D PIPE Warrants held by Bristol is subject to a limitation on exercise if as a result of such exercise or conversion, the holder would own more than 4.99% of the outstanding shares of the Company's common stock, which may be increased by the holder upon written notice to the Company, to any specified percentage not in excess of 9.99% (the "Beneficial Ownership Limitation Ceiling"). The Letter Agreement increases the Beneficial Ownership Limitation Ceiling from 9.99% to 19.99%. Pursuant to the Letter Agreement, Bristol further notified the Company of its intent to immediately increase the Beneficial Ownership Limitation Ceiling to 19.99% and the parties agreed to waive the waiting period with respect to such notice.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Notice Regarding Forward-Looking Statements

The following discussion and analysis of our financial condition and results of operations for the three months ended March 31, 2024 and 2023 should be read in conjunction with our consolidated financial statements and related notes to those financial statements that are included elsewhere in this report, as well as our audited consolidated financial statements and related notes in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2023 and the related "Management's Discussion and Analysis of Financial Condition and Results or Operations" in our Annual Report. Except as otherwise indicated or required by the context, references to the "Company," "we," "us," "our" or similar terms refer to Prairie Operating Co.

Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under "Risk Factors" in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2023 as updated in our Form 8-K's filed on April 9, 2024 and April 12, 2024.

We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements. All forward-looking statements included in this report are based on information available to us on the date hereof and, except as required by law, we assume no obligation to update any such forward-looking statements.

Overview

We are an independent oil and gas company focused on the acquisition and development of crude oil, natural gas and natural gas liquids ("NGLs"). We currently hold attractive acreage in the Denver-Julesburg Basin in Colorado (the "DJ Basin") that our experienced management team intends to develop, deploying next-generation technology and techniques in an environmentally efficient manner. In addition to growing production through our drilling operations, we also seek to grow our business through accretive acquisitions, focusing on assets with the following criteria: (i) producing reserves, with opportunities to add accretive, undeveloped bolt-on acreage; (ii) ample, high rate-of-return inventory of drilling locations that can be developed with cash flow reinvestment; (iii) strong well-level economics; (iv) liquids-rich assets; and (v) accretive valuation.

As of March 31, 2024, all of the Company's E&P assets, which we refer to as the "Genesis Assets," were acquired in the Exok Transaction, the Exok Option Purchase and the acquisition of the Genesis Bolt-on Assets. The Genesis Assets consist of certain oil and gas leasehold interests with no existing oil and gas production or revenue. In all, the total Genesis Assets include 24,351 net mineral acres in, on and under 37,985 gross acres. We have no current drilling or completion operations. As such, our current activities are focused on obtaining requisite permits to begin drilling wells on our Genesis Assets, as well as funding and closing the NRO Acquisition. Additionally, in January 2024, we divested all of our cryptocurrency mining assets.

Key Recent Developments

NRO Acquisition

On January 11, 2024, we entered into the NRO Agreement to acquire the Central Weld Assets for total consideration of $94.5 million, subject to certain closing price adjustments and other customary closing conditions. The Central Weld Assets include certain of NRO's assets and operations located in the DJ Basin in Weld County, Colorado, including Oil and Gas Leases, Mineral Fee Interests, producing and disposal Wells, and Units, (as such terms are defined in the NRO Agreement), as well as appurtenant records and equipment and other properties.

The $94.5 million purchase price consists of $83.0 million in cash and $11.5 million in deferred cash payments. Pursuant to the NRO Agreement, the Company deposited $9 million of the Purchase Price into an escrow account on January 11, 2024, which will be released to NRO upon the earlier of the closing date and August 15, 2024. Portions of the Deposit are subject to earlier release under certain circumstances if the closing has not occurred on or prior to June 17, 2024.

Crypto Sale

Our cryptocurrency mining operations commenced on May 3, 2023 concurrent with the Merger. In the three months ended March 31, 2024, we generated all of our revenue through our cryptocurrency mining activities from assets we acquired in the Merger.

On January 23, 2024, pursuant to an asset purchase agreement (the "Crypto Divestiture Agreement") between the Company and a private purchaser, the Company sold all of its cryptocurrency miners, which we refer to as the "Mining Equipment," for consideration consisting of (i) $1.0 million in cash and (ii) $1.0 million in deferred cash payments (the "Deferred Purchase Price"), to be paid out of (A) 20% of the monthly net revenues received by the buyer associated with or otherwise attributable to the Mining Equipment until the aggregate amount of such payments equals $250,000 and (B) thereafter, 50% of the monthly net revenues received by the buyer associated with or otherwise attributable to the Mining Equipment until the aggregate amount of such payments equals the Deferred Purchase Price, plus accrued interest.

In addition to the sale of the Mining Equipment, the Company assigned, and the buyer assumed, all of the Company's rights and obligations under the Master Services Agreement, dated February 16, 2023, by and between Atlas Power Hosting, LLC ("Atlas") and the Company (the "Atlas MSA"), pursuant to which Atlas hosts, operates, and manages the Mining Equipment. As collateral security for the payment of the Deferred Purchase Price, the Company obtained a security interest in, among other things, the Mining Equipment and the Atlas MSA.

Genesis Bolt-on Assets

On February 5, 2024, the Company acquired the Genesis Bolt-on Assets, consisting of a 1,280-acre drillable spacing unit and eight proved undeveloped drilling locations in the DJ Basin from a private seller for $900,000. These offset the other oil and gas assets held by the Company in northern Weld County, Colorado.

Results of Operations

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Revenue	$ —	$ —
Operating costs and expenses	8,044,640	64,392
Loss from operations	$ 8,044,640	$ 64,392

Loss from operations

The loss from operations increased $8.0 million for the three months ended March 31, 2024, compared to the three months ended March 31, 2023 and was entirely related to the increase in operating costs and expenses. The cryptocurrency mining revenue earned and cryptocurrency mining operating costs and expenses incurred during the three months ended March 31, 2024 and prior to the Crypto Sale have been classified as discontinued operations.

Operating Costs and Expenses

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
General and administrative	$ 7,602,860	$ 64,392
Exploration	441,780	—
Total operating costs and expenses	$ 8,044,640	$ 64,392

Operating costs and expenses increased $8.0 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The operating costs and expenses incurred and related to the cryptocurrency mining assets during the three months ended March 31, 2024 and prior to the Crypto Sale have been classified as discontinued operations.

General and administrative. General and administrative expenses for the three months ended March 31, 2024 increased $7.5 million over the three months ended March 31, 2023. This was primarily due to stock-based compensation of $2.1 million, employment and benefit costs of $1.8 million, investor relations costs of $1.7 million, legal and accounting costs of $0.6 million, other professional services of $0.7 million, and other costs of $0.6 million.

Exploration. The increase in exploration expenses of $0.4 million for the three months ended March 31, 2024 over the three months ended March 31, 2023 is due to delay rentals incurred on oil and gas leases. There were no such costs in 2022.

Other income and expenses

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Interest income	$ 52,101	$ —
Total other income (expense)	$ 52,101	$ —

Interest income. Interest income for the three months ended March 31, 2024 increased $52,101 compared to the three months ended March 31, 2023. This increase was entirely due to our ability to earn interest on our cash balance in the current period and not in the prior year period.

Discontinued operations

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cryptocurrency mining revenue	$ 192,625	$ —
Cryptocurrency mining costs	(55,063)	—
Depreciation and amortization	(102,210)	—
Loss from sale of cryptocurrency mining equipment	(1,080,097)	—
Loss from discontinued operations before income taxes	(1,044,745)	—
Provision for income taxes	—	—
Net loss from discontinued operations	$ (1,044,745)	$ —

The net loss from discontinued operations for the three months ended March 31, 2024 increased $1.0 million compared to the three months ended March 31, 2023. This increase was substantially all due to the $1.1 loss on the sale of cryptocurrency mining equipment for the three months ended March 31, 2024. The Company had no discontinued operations for the three months ended March 31, 2023.

Liquidity and Capital Resources

Overview

Our E&P activities will require us to make significant operating and capital expenditures. In 2023, our primary sources of liquidity were the Series D PIPE and the Series E PIPE, which funded the purchase of the Initial Genesis Assets and working capital, as well as proceeds from the exercise of warrants, which funded, among other things, working capital and the Deposit for the NRO Acquisition in 2024. Since we sold our only revenue-generating assets in January 2024 and do not yet have any operating E&P assets, we will require additional capital to fund our development program and operations. Our primary uses of cash have been for the acquisition and development of oil and natural gas properties and payments of general, administrative and operating costs.

In addition, in order to close the NRO Acquisition, we will need to raise $74 million in cash, subject to customary closing adjustments. We do not currently have sufficient cash or committed capital to close the NRO Acquisition. While we are seeking to raise the necessary capital through an offering of common stock, there is no assurance that we will be successful in raising sufficient funds from the proposed offering or through other sources. If we are unable to raise sufficient funds to close the NRO Acquisition, or if we are unable to close the acquisition for other reasons, we will need to seek other sources of capital to fund our development activity and operations until our other E&P assets are generating revenues. Under certain circumstances, if we are unable to close the NRO Acquisition, we would lose the Deposit.

We do not currently have significant capital commitments outside of the NRO Acquisition. However, even if we are able to close the NRO Acquisition, we expect that we will need to access additional capital through public and/or private markets in order to fund our E&P development and strategy. Our 2024 development program, which is dependent upon the closing of the NRO Acquisition and related financing, contemplates estimated capital costs of $134 million, which we anticipate being funded through net proceeds from an offering of our common stock and warrant exercises and revenues from our operating wells following consummation of the NRO Acquisition. As a supplement to these sources of capital, the Company expects to receive additional proceeds from warrant exercises prior to their expiration and anticipates that it may access public and private equity markets to accelerate drilling activities or to fund development program changes or other changes to its forecast. The availability of such additional capital is subject to numerous factors including prices of oil and natural gas and the overall health of the U.S. and global economic environment and are largely outside of the control of the Company. There can be no assurance that the Company can obtain such additional capital. The amount and allocation of future capital expenditures will depend upon a number of factors, including the amount and timing of cash flows from operations, investing and financing activities, and timing and cost of additional capital sources.

Because we are the operator of all of our acreage, the timing and level of our capital spending is largely discretionary and within our control. We could choose to defer a portion of planned capital expenditures depending on a variety of factors, including, but not limited to, the receipt and timing of required regulatory permits and approvals, seasonal conditions, drilling and acquisition costs, the level of participation by other working interest owners, the success of our drilling activities, prevailing and anticipated prices for oil, natural gas and NGLs, the availability of necessary equipment, infrastructure and capital.

We expect to continue funding our business and strategic plans with cash on hand and proceeds from exercises of warrants, if any. Currently, we have no debt outstanding. We expect to enter into a revolving credit facility primarily to support our hedging program, but we may also utilize it from time to time to fund short-term working capital fluctuations and other needs. We believe our approach to leverage will permit us to grow production while mitigating adverse impacts of commodity price volatility. We expect that limiting our use of leverage will provide flexibility to slow our development pace when commodity prices are not supportive and to accelerate when prices rise. In the near term, we intend to primarily deploy our cash flow towards development.

Working Capital

We define working capital as current assets less current liabilities. At March 31, 2024 we had a working capital deficit of $2.5 million and at December 31, 2023 we had a working capital of $8.1 million. Our current working capital is expected to further decrease in the future due to expenses incurred in connection with our business and until revenue is recognized from our E&P business and/or we raise additional capital through the exercise of existing warrants or through the public and/or private markets. Cash and cash equivalents totaled $4.0 million and $13.0 million at March 31, 2024 and December 31, 2023, respectively.

Cash Flows from Operating, Investing and Financing Activities

The following table summarizes our cash flows for the periods indicated:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net cash used in operating activities	$ (3,324,274)	$ (83)
Net cash used in investing activities	(10,126,563)	—
Net cash provided by financing activities	4,461,660	—
Net decrease in cash and cash equivalents	(8,989,177)	(83)
Cash and cash equivalents, beginning of period	13,036,950	79,845
Cash and cash equivalents, end of period	$ 4,047,773	$ 79,762

Analysis of Cash Flow Changes for the Three Months Ended March 31, 2024 and 2023

Operating Activities

Net cash used in operating activities was $3.3 million for the three months ended March 31, 2024 and resulted primarily from a net loss of $9.0 million, which was partially offset by stock based compensation expense of $2.1 million, loss from discontinued operations of $1.2 million, changes in working capital of $2.1 million and cash provided by operating activities from discontinued operations of $0.3 million.

Investing Activities

Net cash used in investing activities was $10.1 million for the three months ended March 31, 2024 and primarily resulted from the Deposit in connection with the NRO Acquisition of $9.0 million and $2.0 million for investments in oil and natural gas properties partially offset by $1.0 million from the sale of assets associated with discontinued operations.

Financing Activities

Net cash provided by financing activities was $4.5 million for the three months ended March 31, 2024 and resulted from proceeds from the exercise of Series D B warrants.

Liquidity Analysis

The Company had a net loss of $9.0 million for the three months ended March 31, 2024. We cannot predict if we will be profitable. We may continue to incur losses for an indeterminate period of time and may be unable to achieve profitability. An extended period of losses and negative cash flow may prevent us from successfully operating and expanding our business. We may be unable to achieve or sustain profitability on a quarterly or annual basis. At March 31, 2024, we had cash and cash equivalents of $4.0 million, a working capital deficit of approximately $2.5 million, and an accumulated deficit of approximately $87.9 million.

We expect that our cash balance will decline until we are able to obtain financing through public or private capital markets and/or upon the exercise of common stock warrants. As of March 31, 2024, the Company had common stock warrants with exercise prices of $6.00 per share of common stock and expiring through August 2024 that, if all were exercised, would represent cash proceeds to the Company of approximately $27.9 million. Based on recent and current prices of the Company's common stock, the Company expects such warrants to be exercised. The Company received $3.9 million of cash proceeds from such warrant exercises and $1.1 million of cash proceeds from exercises of warrants expiring in 2028 during the period from April 1, 2024 through May 10, 2024. However, there is no assurance that the remainder of such common stock warrants will ultimately be exercised.

The assessment of the liquidity and going concern requires the Company to make estimates of future activity and judgments about whether the Company can meet its obligations and has adequate liquidity to operate. Significant assumptions used in the Company's forecasted model of liquidity in the next 12 months include our current cash position and our ability to manage spending. Based on an assessment of these factors, management believes that the Company will have adequate liquidity for its operations for at least the next 12 months.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. For purposes of this section, the term *disclosure controls and procedures* means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2024, the end of the period covered by this report, our disclosure controls and procedures were effective at a reasonable assurance level.

Inherent Limitations on the Effectiveness of Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended March 31, 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not involved in any disputes and does not have any litigation matters pending which the Company believes could have a materially adverse effect on the Company's financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company or any of our subsidiaries, threatened against or affecting our Company, our Common Stock, any of our subsidiaries or of our Company's or our Company's subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, we refer you to Item 1A. "Risk Factors" of our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2023, filed with the SEC on March 20, 2024. As of the date of this Quarterly Report on Form 10-Q, there have been no material changes in the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no unregistered sales of the Company's equity securities during the quarter ended March 31, 2024, that were not otherwise disclosed in a Current Report on Form 8-K.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit No.	Description
2.1+	Amended and Restated Agreement and Plan of Merger, dated as of May 3, 2023, by and among Creek Road Miners, Inc., Creek Road Merger Sub, LLC and Prairie Operating Co., LLC (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K, filed with the SEC on May 4, 2023).
2.2+	Asset Purchase Agreement, dated as of January 11, 2024, by and among Nickel Road Development LLC, Nickel Road Operating LLC, Prairie Operating Co., and Prairie Operating Co., LLC (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K, filed with the SEC on January 12, 2024).
2.3+	Asset Purchase Agreement, dated as of January 23, 2024, by and among Prairie Operating Co. and Matthew Austin Lerman (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K, filed with the SEC on January 24, 2024).
3.1	Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K, filed with the SEC on October 13, 2023).

3.2	Amended and Restated Bylaws of Prairie Operating Co. (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K, filed with the SEC on May 9, 2023).
3.3	Certificate of Designation of Preferences, Rights and Limitations of Series D Convertible Preferred Stock (incorporated by reference to Exhibit 3.3 of the Company's Current Report on Form 8-K, filed with the SEC on May 9, 2023).
3.4	Certificate of Designation of Preferences, Rights and Limitations of Series E Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 of the amendment to the Company's Current Report on Form 8-K, filed with the SEC on August 18, 2023).
4.1	Form of Series D PIPE Warrant (incorporated by reference to Exhibit C of Exhibit 10.2 of the Company's Current Report on Form 8-K, filed with the SEC on May 4, 2023).
4.2	Form of Exok Warrant (incorporated by reference to Exhibit 4.1 of the amendment to the Company's Current Report on Form 8-K, filed with the SEC on August 18, 2023).
4.3	Form of Series E A Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.2 of the amendment to the Company's Current Report on Form 8-K, filed with the SEC on August 18, 2023).
4.4	Form of Series E B Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.3 of the amendment to the Company's Current Report on Form 8-K, filed with the SEC on August 18, 2023).
4.5	Amendment and Waiver of Exercise Limitations Letter Agreement, dated as of November 13, 2023, by and between the Issuer and Narrogal Nominees Pty Ltd ATF Gregory K O'Neill Family Trust (incorporated by reference to Exhibit 4.6 of the Company's Annual Report on Form 10-K/A, filed with the SEC on March 20, 2024).
31.1*	Certification by the Principal Executive Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).
31.2*	Certification by the Principal Financial Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).
32.1**	Certification by the Principal Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification by the Principal Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*†	Inline XBRL Taxonomy Extension Schema
101.CAL*†	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF*†	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB*†	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE*†	Inline XBRL Taxonomy Extension Presentation Linkbase
104.0	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

** Furnished herewith

\+ Certain exhibits and schedules to this Exhibit have been omitted in accordance with Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted exhibit or schedule to the SEC upon its request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PRAIRIE OPERATING CO.

Date: May 13, 2024

By: */s/ Edward Kovalik*
Edward Kovalik
Chief Executive Officer
(Principal Executive Officer)

Date: May 13, 2024

By: */s/ Craig Owen*
Craig Owen
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Edward Kovalik, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Prairie Operating Co.;

2. Based on my knowledge, this report 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2024

By: */s/ Edward Kovalik*
Edward Kovalik
Principal Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Craig Owen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Prairie Operating Co.;

2. Based on my knowledge, this report 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2024

By: */s/ Craig Owen*
Craig Owen
Principal Financial and Accounting Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report of Prairie Operating Co. (the “Company”), on Form 10-Q for the quarter ended March 31, 2024, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Edward Kovalik, Principal Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Such Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in such Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2024

By: */s/ Edward Kovalik*
Edward Kovalik
Principal Executive Officer

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report of Prairie Operating Co. (the "Company"), on Form 10-Q for the period ended March 31, 2024, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Craig Owen, Principal Financial and Accounting Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Such Quarterly Report on Form 10-Q for the period ended March 31, 2024, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in such Quarterly Report on Form 10-Q for the period ended March 31, 2024, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2024

By: */s/ Craig Owen*
Craig Owen
Principal Financial and Accounting Officer