The View from HOUSTON

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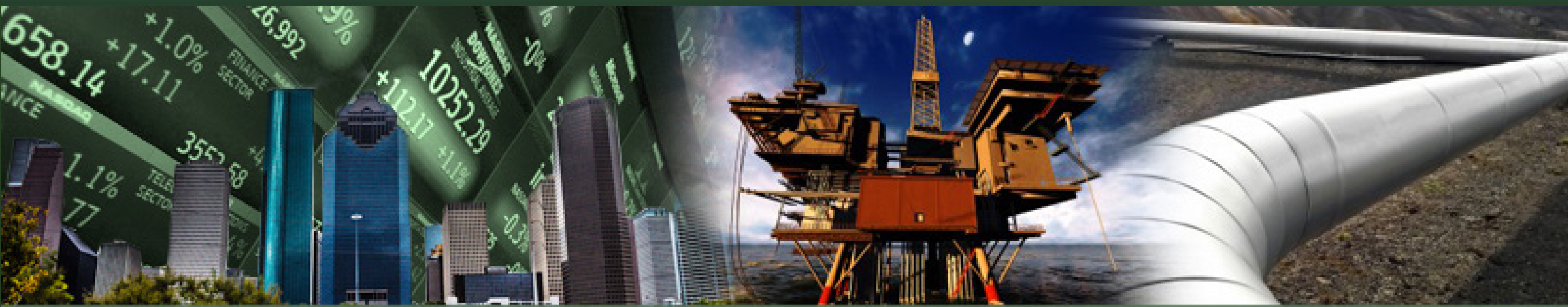


Energy Prospectus Newsletter: "The View from Houston" February 27, 2023 Issue: 202

By: Dan Steffens, President

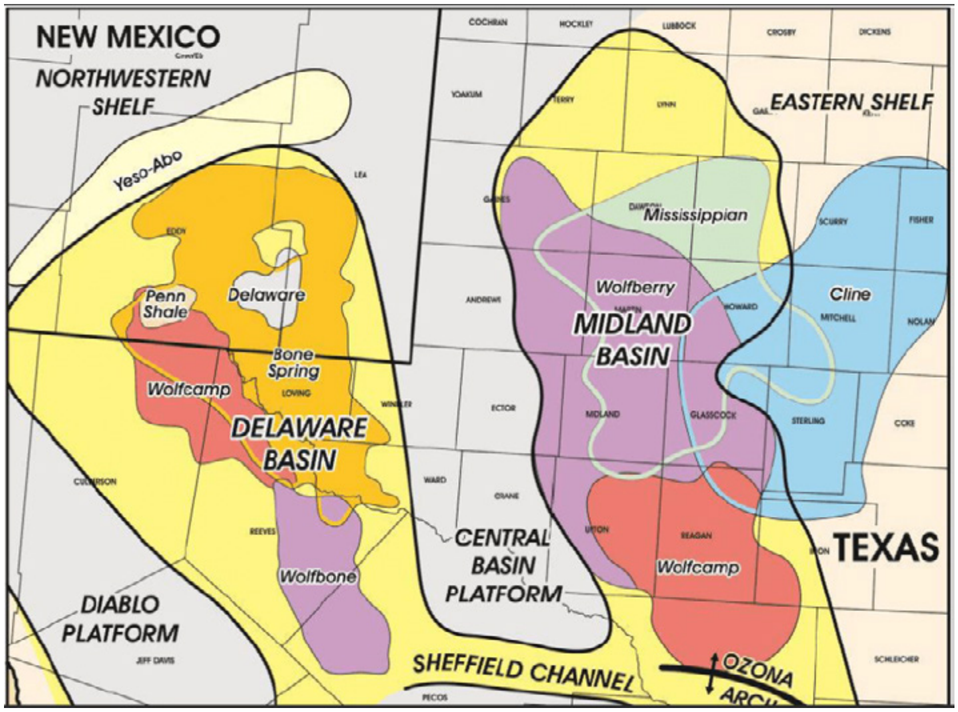
Dan Steffens is the President of Energy Prospectus Group (EPG), a networking organization based in Houston, Texas. He is a 1976 graduate of Tulsa University with an undergraduate degree in Accounting and a Masters in Taxation.

Mr. Steffens began his career in public accounting, becoming licensed as a CPA in 1978. After four years in public accounting, he transitioned to the oil & gas industry with the bulk of his time (18 years) spent with Amerada Hess Corporation (HES). He served as the Hess United States E&P Division Controller from 1994 to 2001.

INSIDE THIS ISSUE

"Seek and ye shall find."

At EPG we are seeking out the best energy stocks and we bring those companies to the attention of our members.



Pictured above is a map of the Permian Basin, home to some of America's most valuable resources. It covers over 19 million acres in Texas and Southeast New Mexico. More than half of the companies in our three model portfolios are doing business in the Permian Basin. Horizontal well level economics in the Delaware Basin (a sub-basin of the Permian) are fantastic thanks to improved well completion designs.

Without the oil, gas and NGLs that hard working men and women help produce from the Permian, we would have a lower standard of living and our economy would be dependent on imported oil. A steady supply of oil from Texas was instrumental in the U.S. winning World War II.

That fact brings me to the utter stupidity of draining the U.S. Strategic Petroleum Reserve for political gain. Here is an update on the continuing sale of oil from the SPR: **The US is selling another 26M barrels of oil reserves — depleting the 'oil piggy bank' even further. But here's President Biden's 3-part plan to replenish it.**

Demand for oil will soon exceed supply.

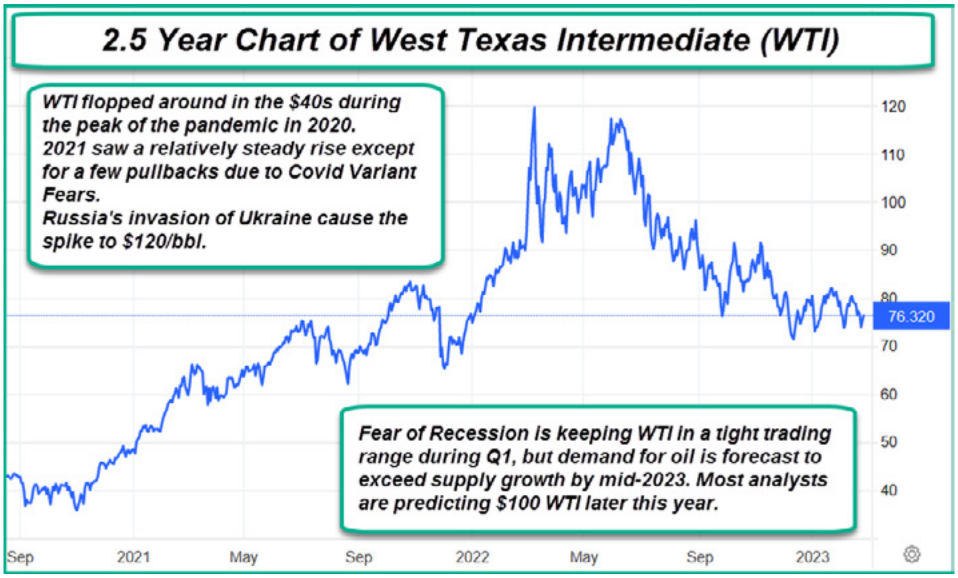
The **International Energy Agency (IEA)** in their February Oil Market Report predicted that global demand for oil will increase by 2 million barrels per day (bpd) in 2023 to 101.9 million bpd (over 103 million bpd in 2H 2023). More than half of the demand increase will be jet fuel as travel is increasing rapidly all over the world, especially in Asia.

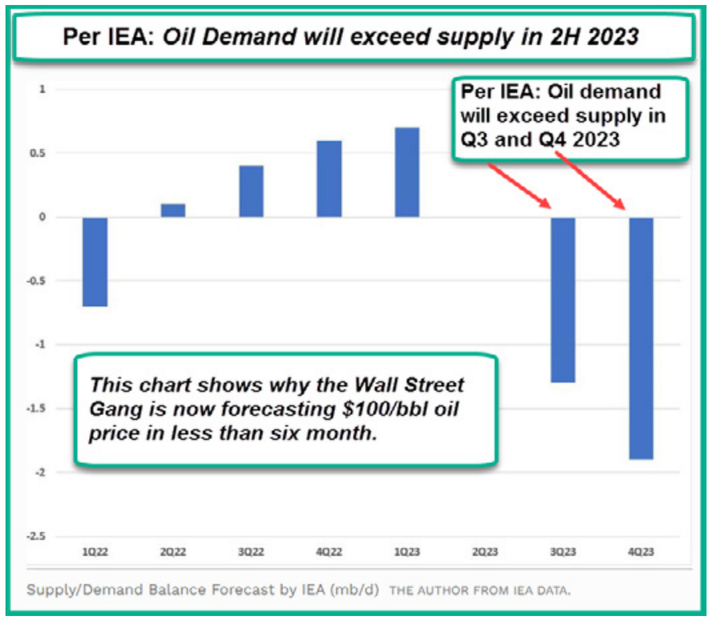
World oil supply was 100.8 million bpd in January, thanks to the 1.2 million bpd decline in December. Oil production always declines during the winter months. Russia says it is going to reduce output by 500,000 bpd to "punish" any country that attempts to enforce price caps on oil imports from Russia. Europe still does not understand that they are a "Price Taker" when it comes to oil and most natural resources. Russia's oil industry is on decline.

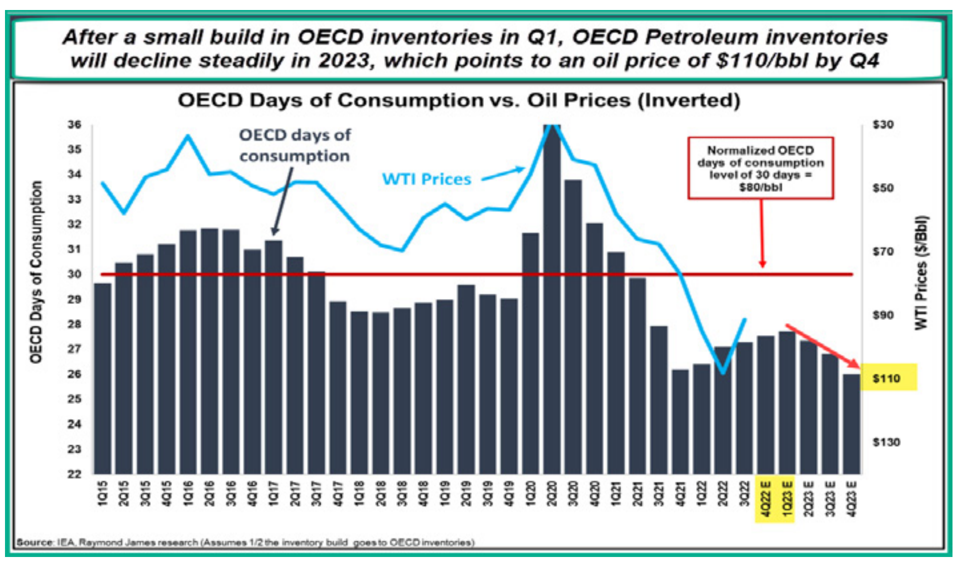
Global observed petroleum inventories tumbled by 69.8 million barrels (mb) in December but were 40.5 mb higher than a year ago and 126 mb above the low point reached in March 2022. OECD industry stocks (crude oil and refined products) fell by 18.1 mb in December to 2,767 mb, 95.7 mb below the five-year average. OECD petroleum inventories are expected to go on steady decline after the first quarter.

It is my opinion that the OPEC+ cartel really does not have much spare capacity. Without more Russian oil coming to market, it is going to take a lot of non-OPEC+ oil production growth to keep up with rising demand. Draining the SPR has artificially kept a lid on oil prices. Higher oil prices are needed to provide the incentive for upstream companies to ramp up their drilling programs. It would also help if we had people with higher IQ's running our government. At least Joe Biden admitted during his State of the Union address that we are going to need oil for a few more years (the under-statement of the year).

Last week was the one-year anniversary of Russia's invasion of Ukraine that caused the price of oil







to spike to $120/bbl. We've contributed over $100 billion in cash and weapons to Ukraine in support of another senseless war and no one in our government seems interested in trying to broker an end to the war. If we start sending American tanks, airplanes and troops into Ukraine, things could get out-of-hand quickly. We are on a dangerous path and it will take a lot of oil to run a war in Europe.

Oil Price

West Texas Intermediate (WTI) crude oil closed at $76.32/bbl on Friday, February 24. Since the beginning of the year, WTI has traded within a range of $73 to $82.

"Oil traders have lingering concerns about a recession-driven demand downturn, but the fundamentals point to tighter global supplies this summer. Hotter-than-expected US economic data fanned concerns of more Federal Reserve interest rate hikes that could weigh on demand at a time when inventories continue to rise. At the same time, the latest EIA report data also showed that US commercial oil inventories rose by 7.648 million barrels to 850.6 million during the week ending February 17th, the highest level since September. Keeping a floor under prices, Russia announced its plans to cut oil exports from its western ports by up to 25% in March, exceeding its announced output curbs of 500,000 barrels per day. On top of that, investors expect China's oil imports to hit a record high in 2023 amid rising demand for transportation fuel and as new refineries come online." – **Trading Economics 2-25-2023**

*"**We raise our estimate for oil demand growth from 1.4 to 1.9 mb/d:** At the start of the year, we forecast 1.4 mb/d of oil demand growth in 2023, driven by 1.8 mb/d of growth from China's re-opening and another year of recovery in aviation, offset by (0.4) mb/d decline in every other category of oil demand, reflecting the heightened risk of a relatively severe recession. Since then, China's re-opening has gained momentum and flight schedules have firmed-up the outlook for jet fuel demand. At the same time, recent oil demand data has come in better-than expected. Consensus GDP forecasts for 2023 have ticked up and manufacturing PMIs have generally rebounded from their lows. We have removed our estimate for (0.4) mb/d decline in demand 'everywhere-else' and now peg this year's oil demand growth at 1.9 mb/d."*

*"**With our updated estimates, the broad trajectory for the oil market stays intact:** We still see 1Q as modestly oversupplied, expect the market to come into balance in 2Q and enter a deficit in 3Q and 4Q. That said, the 2H undersupply we now model is marginally smaller than estimated before. In total, we see global inventories ~30 million barrels higher than we previously estimated by year-end. With this profile, we continue to expect prices to remain range-bound over the balance of the quarter, but firm up later this year. We now estimate Brent to trade in a $90-100/bbl range in 2H, lower than our previous estimate of $100-110/bbl."* – Martijn Rats, Equity Analyst and Commodities Strategist at Morgan Stanley 2-21-2023

Updated Oil Price Forecast

($/bbl)	1Q23	2Q23	3Q23	4Q23	2024
Brent					
New	85.0	90.0	95.0	95.0	95.0
Previous	85.0	90.0	100.0	110.0	110.0
Change	-	-	- 5.0	- 15.0	- 15.0

Source: Morgan Stanley Research

EPG Coming Events

Our live webinars and luncheons in Houston give EPG members and their guests an opportunity to meet the top management of some of the most promising small and mid-cap energy companies that we track.

March 3: Dan Steffens will be joined by Ralph D'Amico, SVP/CFO of PHX Minerals on a live webinar at 10AM CT for all EPG members. After Mr. D'Amico's update on PHX Minerals they will take questions about energy sector topics you'd like to discuss.

April 11: Surge Energy will be hosting a luncheon for EPG members and their invited guests in Houston at The Ballroom at Tanglewood, 5430 Westheimer Road just west of the Galleria.

We urge you to register and participate in our luncheon and webinar series. The higher the participation rate, the easier it will be for us to sell the concept to other public companies. During each event you will be able to ask questions directly to the CEO of each company.

Natural Gas Price

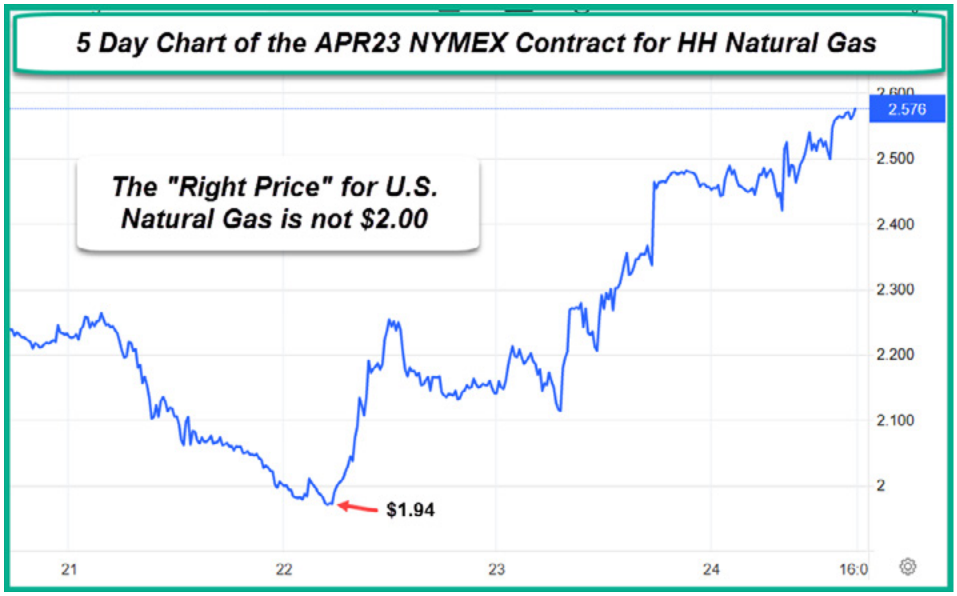
The price of natural gas in the futures market (FEB23 and MAR23) declined sharply after the utilities pulled out of the futures market in January, believing they had enough gas in storage to make it through the rest of the winter. Without enough Buyers, the hedge funds ("Paper Traders") that loaded up on those two futures contracts in December were forced to keep cutting the asking prices on their long positions. The Paper Traders cannot take physical delivery of oil & gas, so they must close out their long positions before the futures contracts expire.

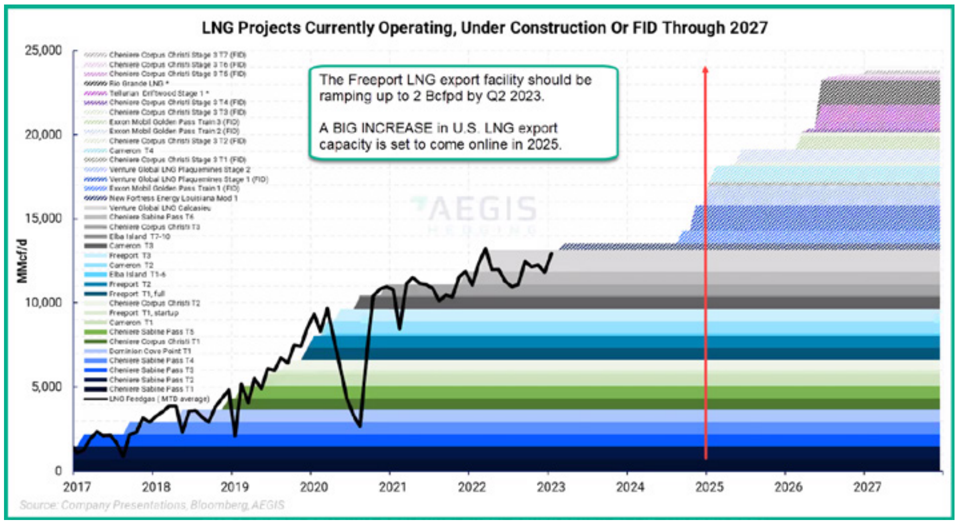
The MAR23 Henry Hub natural gas NYMEX contract expired last week, so we should see natural gas prices in the futures market move back toward a more reasonable "Right Price" for gas.

As you can see in the chart, the front month futures contract for HH natural gas dipped briefly to $1.94/MMBtu on February 22 and rose more than 30% in just two days to close at $2.576/MMBtu on Friday, February 24. **I now expect the futures contracts for Q2 to average more than $2.75/MMBtu and they could go much higher if we have a colder than normal March in the eastern half of the U.S.**

Weather forecasts will be the primary driver of U.S. natural gas prices through March and April. The **Madden Julian Oscillation (MJO)** is now moving into phase 7 and is forecast to go into phase 8 by March 7th. Phase 8 of the MJO causes very cold weather and lots of snow to move into the Northeast U.S. The last time this happened was in March 2018. That year we saw much higher demand for natural gas in March and April than the 5-year average. For more on this topic go to this [link] and watch the Saturday Summary:

Conclusion: There has been a "Structural Change" in the U.S. natural gas market due to the increase in U.S. export capacity.





Mild weather in January and February will not keep the HH gas price under $4.00 much longer. Supply growth is limited by pipeline access and the "gassers" will adjust their drilling programs so as not to over-supply the market. America's growing natural gas export capacity will absorb the relatively small supply/demand imbalance quickly and the bidding war between the utilities and LNG exporters for physical supply will return this summer.

I have reduced the natural gas prices used in all of my forecast models to average prices of $3.00 in 2023 and $4.00 for 2024, but I believe that the surge in LNG export capacity that is coming in 2024/2025 will push U.S. natural gas toward 1/10th the price of WTI oil. The "energy equivalent" of gas-to-oil is 6 MMBtu to 1 barrel.

Sweet 16 Growth Portfolio

The Sweet 16 is our "Flagship Portfolio". It is made up of upstream companies that have strong production and proven reserve growth locked in for many years and the financial strength to fund their business plans. They all have strong balance sheets, lots of running room and current free cash flow. Eleven of them pay dividends and/or have stock buybacks underway.

Step One of your due diligence: For more details on any of the companies in the Sweet 16, download our most recent profile and my forecast/valuation models from the EPG website. Just log on and click on the Sweet 16 tab.

For this newsletter I am just going to focus on the companies that have released Q4 2022 results and fresh guidance for 2023. We have already published updated profiles on three of the large-cap "gassers", **Antero Resources (AR), Comstock Resources (CRK) and EQT Corp. (EQT)**, so you can read those detailed reports. They are all off to a slow start due to the recent pull-back in natural gas prices, but as I explained above, I believe that U.S. gas prices will rebound and so will these rock solid companies.

On Friday afternoon, February 24 a rumor spread that **Pioneer Natural Resources (PXD)** was engaged in talks to acquire **Range Resources (RRC)**, sending the RRC share price up more than 13%. On Saturday morning PXD put out a press release saying they "are not contemplating a significant business combination or other acquisition transaction." Although I do think RRC is a potential takeover target, I do not see PXD making a large acquisition outside of the Permian Basin. RRC will be announcing Q4 2022 results on February 27 after the markets close. I will post my updated forecast/valuation model for RRC to the EPG website on Tuesday, February 28.

The most impressive Q4 2022 results so far came from **Permian Resources (PR)**, my most recent addition to the Sweet 16. This Company was created by the merger of **Colgate Energy Partners III (a private company)** into **Centennial Resources Development (CDEV)**. A day after the merger, they changed the name to "Permian Resources".

Permian Resources is a new name but it is not a start-up. It has a seasoned management team and a large base of production. They reported Q4 2022 production of 158,208 Boepd which beat my forecast of 145,000 Boepd and the forecast of every other analyst that covers the company. This management team knows the power of "under-promising and then over-delivering". My bet is that PR's actual production for 2023 meets or exceeds the high end of their production guidance of 155,000 to 168,000 Boepd. My stock valuation has increased by $2.25 to $16.25/share, and if they continue to report strong production growth there is a lot more upside for this stock.

Callon Petroleum (CPE) and Vital Energy (VTLE) finished 2022 with the highest reported earnings per share in the Sweet 16; $19.63 and $37.67 respectively. They are both heavily weighted to oil and they are both going to be free cash flow positive this year. Based on my forecasts, they could top the portfolio for earnings per share again in 2023. The only negative I see is that the do not pay dividends, but Callon has said that if they meet their debt reduction goal in a few months, a small dividend is likely. As you can tell from my valuations, I am bullish on both companies.

Magnolia Oil & Gas (MGY) does pay a nice dividend and it is funding an aggressive stock buyback program. It has two core areas in South Texas that delivered 14.1% production growth in 2022 and their guidance is for another 10% production growth in 2023. The Company's balance sheet shows over $675 million of cash as of December 31, 2022. That compares to their 2023 drilling budget of $520 million. I think Magnolia may be positioned for a strategic acquisition that could push their production over 100,000 Boepd. That would be a step change that should draw a lot more attend from the Wall Street Gang.

Sweet 16 Growth Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
			2/24/23		
ANTERO RESOURCES	GAS	AR	$27.51	$46.00	67.21%
CALLON PETROLEUM	OIL	CPE	$38.27	$89.00	132.56%
COMSTOCK RESOURCES	GAS	CRK	$12.81	$25.00	95.16%
CRESCENT POINT ENERGY	OIL	CPG	$6.97	$11.50	64.99%
EARTHSTONE ENERGY	OIL	ESTE	$13.92	$34.00	144.25%
EQT CORP	GAS	EQT	$34.73	$45.00	29.57%
VITAL ENERGY (was Laredo Petroleum)	OIL	VTLE	$52.69	$126.00	139.13%
MAGNOLIA OIL & GAS	OIL	MGY	$22.01	$29.00	31.76%
MATADOR RESOURCES	OIL	MTDR	$55.05	$84.00	52.59%
NORTHERN OIL & GAS	OIL	NOG	$32.12	$59.00	83.69%
OVINTIV INC (was ENCANA)	OIL	OVV	$45.56	$65.00	42.67%
PERMIAN RESOURCES	OIL	PR	$11.00	$16.25	47.73%
RANGER OIL	OIL	ROCC	$41.25	$75.00	81.82%
RANGE RESOURCES	GAS	RRC	$28.26	$30.00	6.16%
SILVERBOW RESOURCES	GAS	SBOW	$24.84	$79.00	218.04%
SM ENERGY	OIL	SM	$29.85	$51.00	70.85%

Matador Resources (MTDR) announced very strong Q4 results, but the share price pulled back when their guidance showed a decline of 10% from Q4 to Q1 2023. Wise investors should know that the pullback is a buying opportunity. Matador drills and completes wells in bunches. For years they have drilled numerous wells from a pad and then they bring in a completion crew to complete all of the wells. This practice reduces overall completed well costs. After the production dip in Q1, I expect their production to surge to new company records quarter-after-quarter to an exit rate over 145,000 Boepd.

Matador announced in January that they entered into a definitive agreement to acquire **Advance Energy Partners Holdings, LLC (a private company)** for an initial cash payment of $1.6 billion, subject to customary closing adjustments, including possible additional cash consideration depending on the price of oil during 2023. This strategic bolt-on acquisition is expected to close in the second quarter of 2023. Matador intends to fund it with a combination of cash on hand, free cash flow prior to closing and borrowings under their credit agreement, so they will not need to sell more stock to fund the deal.

I have been following Matador since it was formed over ten years ago. It is nice to see that they are now generating more than enough operating cash flow to fund an acquisition of this size.

Northern Oil & Gas (NOG) is the only non-operating company in the Sweet 16. The Company closed three small bolt-on acquisitions in Q4 and they closed the much larger **Mascot Project Acquisition** on January 5, 2023 that adds over 6,000 Boepd (~80% oil). NOG pays a quarterly dividend and they are buying back stock. Their production guidance points to a 2023 exit rate over 100,000 Boepd (~60% oil), which compares to actual production of 78,854 Boepd in Q4 2022.

I added NOG to the Sweet 16 because they have a strategic advantage that enables them to fund a steady flow of accretive acquisitions. They don't have a lot of competition for large packages of non-operated working interests. The Company's year-over-year production growth was 62.4% in 2021 and 40.5% in 2022.

SM Energy (SM) is off to the worst start in the Sweet 16, down 14.3% year-to-date. 2022 results were rock solid, $9.12 earnings per share and operating cash flow of $1,758 million, $14.42 per share. The Company is a little too "gassy", which is the only negative that I see, but they are still on track to generate over $500 million of free cash flow this year.

This week three more of the Sweet 16 will announce Q4 results and fresh guidance; **Ovintiv (OVV) and Range Resources (RRC)** on February 27 after the markets close. **SilverBow Resources (SBOW)** will announce 2022 results on March 1 and **Crescent Point Energy (CPG)** on March 2. **Earthstone Energy (ESTE) and Ranger Oil (ROCC)** are scheduled to announce Q4 earning on March 8.

Each quarter our team's top priority is updating the forecast models and profiles for the companies in the Sweet 16 Growth Portfolio. Updated forecast/valuation models for each company are posted to the EPG website soon after they announce each quarter's results and we publish updated profiles on all of the Sweet 16 each quarter.

Small-Cap Portfolio

Small-Caps have more risk than the larger companies in our Elite Eight, but they also have more potential. I am very bullish on this group because they are all coming off solid results in 2022. They all have a lot of running room within their existing leasehold inventory of high-potential development drilling locations.

PHX Minerals (PHX) reported Q4 2022 results of $0.09 earnings per share and $0.22 operating cash flow per share. The Company's CFO will be joining me on a live webinar on Friday, March 3 to update us on the company's plans for this year. You can register for the live event on the EPG website home page.

New Profiles

The following reports were posted to the website since our last newsletter:

- Updated Net Income and Cash Flow Forecasts for several of the Sweet 16 companies and those in our other model portfolios
- A table of our Fair Value estimates for each Sweet 16 company compared to First Call's 12-month price targets

Company Profiles:

- Antero Resources (AR)
- Antero Midstream (AM)
- Black Stone Minerals LP (BSM)
- Comstock Resources (CRK)
- Devon Energy (DVN)
- PHX Minerals (PHX)

Solaris Oilfield Infrastructure (SOI) reported solid Q4 results despite some weather-related delays in December that pushed some well completions into 2023. Solaris gained market share during the pandemic and 2023 should be the year their profit margins get back to pre-pandemic levels. In mid-2019 this stock was trading for over $18. The Company is in much better shape financially today than it was in 2019 and it has a much larger footprint in the oilfield services sub-sector. Growing free cash flow should allow them to raise their dividends in 2H 2023.

"I am very proud of the Solaris team's accomplishments in 2022, a year where we saw tremendous growth across our business. Our average fully utilized system count grew over 50% versus 2021, we rapidly rolled out our new top fill offering, expanded into new basins and onboarded over 200 new team members. We are experiencing continued growth in our business in 2023, including additional manufacturing and deployments of our new technology offerings to existing and new customers. These new technology deployments will drive both well site efficiency for our customers and earnings and cash flow growth for Solaris. As the pace of spending on new technology slows during 2023, we anticipate generating excess cash and will continue to prioritize shareholder returns. We look forward to engaging with our shareholders about potential uses of our future free cash flow." – CEO Bill Zartler 2-22-2023

Small-Cap Growth Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
			2/24/23		
HEMISPHERE ENERGY	OIL	HMENF	$0.97	$3.00	209.28%
INPLAY OIL	OIL	IPOOF	$2.03	$6.40	215.27%
KOLIBRI GLOBAL ENERGY	OIL	KGEIF	$4.06	$15.54	282.76%
PHX MINERALS	OIL	PHX	$2.96	$5.80	95.95%
RILEY EXPLORATION PERMIAN	OIL	REPX	$30.32	$45.00	48.42%
RING ENERGY	OIL	REI	$2.10	$7.10	238.10%
ROK RESOURCES	OIL	PTRDF	$0.28	$0.64	128.57%
SOLARIS OILFIELD INFRASTRUCTURE	SERVICES	SOI	$9.20	$14.50	57.61%
SURGE ENERGY	OIL	ZPTAF	$6.49	$11.25	73.34%
TALOS ENERGY	OIL	TALO	$17.80	$33.50	88.20%

Three of our small-cap are coming to Houston to host luncheons for us in April.

- Surge Energy on April 11
- ROK Resources on April 18
- InPlay Oil on April 19

I expect **Hemisphere Energy (HMENF)** to host a Houston luncheon for us in May or June. All four of these companies are based in Canada. Some of our largest capital gains have been generated by small-cap Canadian upstream companies. I am excited about the potential for this entire group of well-managed companies that have production growth locked in.

Riley Exploration Permian (REPX) and Talos Energy (TALO) will be announcing Q4 results this week and I will be updating my forecast/valuation models soon after their Q4 conference calls. Check the EPG Forum for my initial comments.

High Yield Income Portfolio

My primary goal for this portfolio is to find companies that have strong balance sheets and sustainable dividends. In addition to attractive yields, these are "Growth Companies" that have share price upside potential for us.

All of the large-cap upstream companies in the portfolio **(CTRA,**

Updated	Oil & Gas Prices used in Forecast Models					
2/15/2023	2023					2024
	Q1	Q2	Q3	Q4	YEAR	YEAR
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
WTI Oil	$ 80.00	$ 85.00	$ 85.00	$ 90.00	$ 85.00	$ 90.00
HH Gas	$ 2.50	$ 2.75	$ 3.25	$ 3.50	$ 3.00	$ 4.00

High Yield Income Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	Estimated Annual Yield	Annual Dividend	Paid	EPG Valuation
			2/24/23				
Minerals Companies							
BLACK STONE MINERALS LP	GAS	BSM	$15.43	12.3%	$1.90	Qtr	$20.00
KIMBELL ROYALTY PARTNERS	GAS	KRP	$16.14	9.3%	$1.50	Qtr	$20.50
SITIO ROYALTIES CORP	OIL	STR	$23.52	9.9%	$2.32	Qtr	$33.00
VIPER ENERGY PARTNERS LP	OIL	VNOM	$28.86	7.2%	$2.07	Qtr	$35.00
Upstream Companies							
COTERRA ENERGY	GAS	CTRA	$25.56	6.2%	$1.59	Qtr	$30.00
DEVON ENERGY	OIL	DVN	$55.00	8.4%	$4.63	Qtr	$78.00
DIAMONDBACK ENERGY	OIL	FANG	$142.38	7.4%	$10.58	Qtr	$186.00
EOG RESOURCES	OIL	EOG	$114.26	7.8%	$8.88	Qtr	$164.00
PDC ENERGY	OIL	PDCE	$67.12	6.4%	$4.30	Qtr	$115.00
PIONEER NATURAL RESOURCES	OIL	PXD	$196.57	10.6%	$20.74	Qtr	$275.00
Midstream Companies							
ANTERO MIDSTREAM CORP	Midstream	AM	$10.77	8.4%	$0.90	Qtr	$12.00
ONEOK, INC.	Midstream	OKE	$67.56	5.9%	$4.00	Qtr	$71.00
PLAINS ALL AMERICAN PIPELINE - GP	Midstream	PAGP	$13.70	7.8%	$1.07	Qtr	$20.00

DVN, FANG, EOG, PDCE and PXD) have announced strong Q4 2022 results that met or exceeded my forecasts. They have also provided detailed guidance for 2023.

The annual dividend yields shown in the table for each company are based on my 2023 forecasts for each company. The upstream companies all pay "Fixed + Variable Dividends" that are based on a high percentage of their free cash flow, which is defined as operating cash flow less capital expenditures for drilling, completions and facilities.

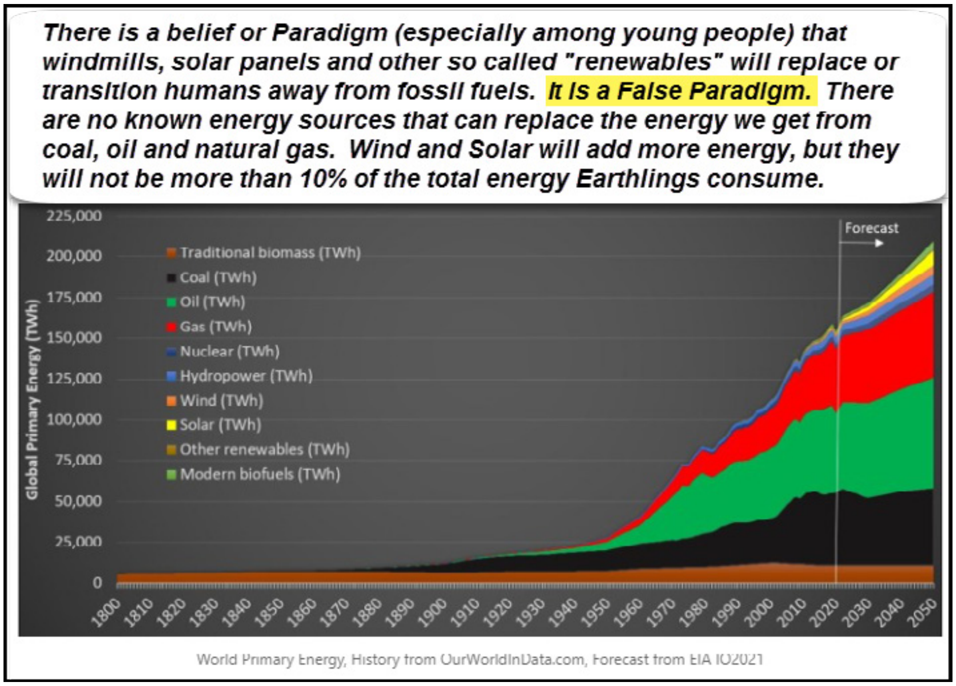
My 2023 forecasts are based on my oil and gas price deck that was updated on 2-15-2023. I do adjust for regional and quality differentials as well as hedges that each company has in place as of the date of this newsletter.

Three of the minerals / royalties companies **(BSM, KRP and VNOM)** have also announce strong Q4 results and 2023 guidance. **Black Stone Minerals (BSM) and Kimbell Royalty Partners (KRP)** are more heavily weighted to natural gas. **Viper Energy Partners (VNOM)** was created and is backed by **Diamondback Energy (FANG)**. It is Diamondback's aggressive drilling program that generates most of Viper's production growth.

We covered **Antero Midstream (AM)** in our recent profile on **Antero Resources (AR)**. AM is the smallest midstream company in this portfolio, but its relationship with AR guarantees its steady revenue growth. I do expect AM to be in position to raise dividends in 2H 2023.

ONEOK (OKE) and Plains All American Pipeline (PAA and PAGP) are in great financial shape and Plains has publicly announced a plan to increase dividends by 15% year-after-year until they reach a higher percentage of their distributable cash flow (DCF).

You can find more details on any of the companies mentioned above on the EPG website. We update profiles on all of our model portfolio companies each quarter.



about is physically impossible. As you can see in the graph above, on a gross basis no present quantity of primary energy generated by fossil fuels is currently replaced by renewables. Even under the most optimistic projections, global fossil fuel's percentage of the world's primary energy sources will only decline from 86% to 80%.

Some headlines from the EIA's report that you do not and will not hear a lot:

- Global primary energy use is about to grow by almost 50% between 2020 – 2050 as impoverished people rise from poverty;
- Oil consumption rises in all EIA scenarios. In their "Reference Scenario", oil consumption rises at about 1 million barrels of crude oil per day each year for the next 30 years, almost the same steady yearly increase of the last 5 decades. **Where is that additional 30 million bpd of oil going to come from?**
- Natural gas consumption will continue to grow through 2050;
- The rate of coal consumption will slow, but gross volumes will still increase through 2050.

The reason for this growth is simple: fossil fuels are abundant, cheap and efficient. They provide reliable and dense energy at scale. They have helped to generate a quality-of-life revolution for a

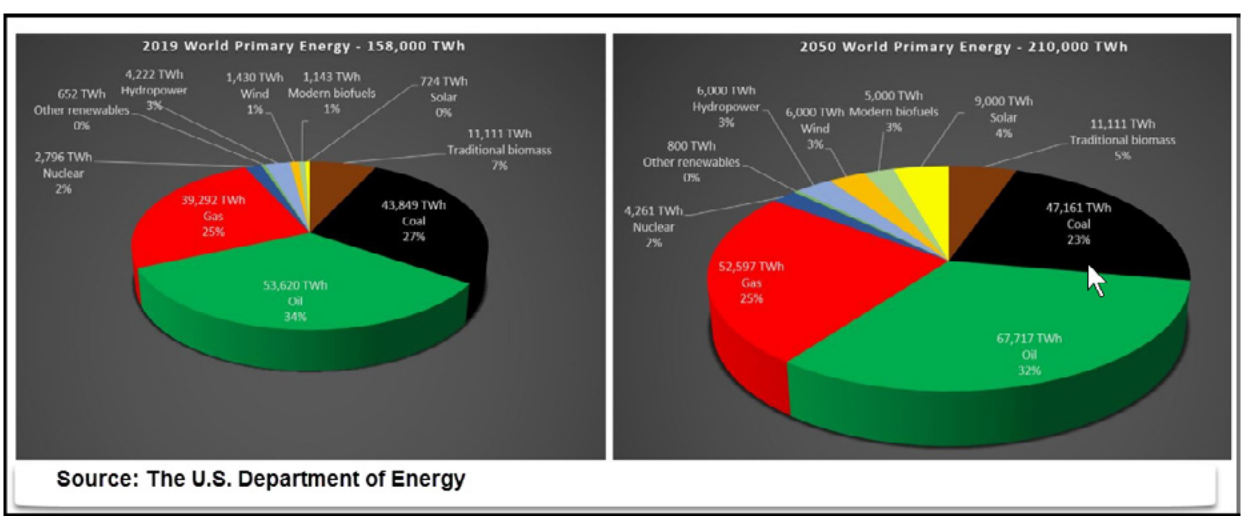
Final Thoughts

During his presidential campaign in 2020, Joe Biden repeated several times that he would pass policies that will allow the U.S. to replace all fossil fuels with "clean energy", like wind, solar and other renewable energy sources. He claimed that he could do it withing ten years. Anytime a politician says they are going to a achieve a goal beyond the remaining time they have in office, it is NEVER going to happen.

Either Old Joe was misinformed by his handlers or he was just lying. There is simply no scalable alternative that can eliminate fossil fuel use. Even reducing our fossil fuel consumption by 20% over the next ten years would have a serious impact on the standard of living we enjoy in America. Millions of people would be forced into poverty and starvation would be widespread.

In the U.S. Department of Energy's recently updated "International Energy Outlook", the EIA shows in the chart above that primary energy distribution by source will be heavily weighted to fossil fuels through at least 2050. The "Energy Transition" goals the president and the Democrats have been telling us

I just wish that the Biden would tell the truth, that there is no "Energy Transition"



portion of humanity, and the people in poverty who have missed out on this blessing rightfully want what you and I already have.

Other terms that have been misused in an effort to sell the false paradigm that replacement of fossil fuels is possible are "energy" and "power" are used instead of "electricity". I saw a recent news report that said, "Renewable energy is expected to account for around 46% of German power consumption this year…." This sounds like Germans are running on renewables for almost half of their energy needs. **But this is JUST for electricity.** According to the BP Statistical Review, world electricity vs primary power, worldwide electricity represents only 17% of all primary power. That is also close to where it currently stands in Germany. **In 2021, Germany's top three primary energy sources were oil, natural gas and coal.** Thanks to the war in Ukraine, Germany is now burning more coal to generate electricity and wood to heat their homes.

We are still in the early stages of the "Big Paradigm Shift".

When it sinks in to the majority of investors that oil & gas are going to dominate the world's primary energy sources for the entire century, we will see multiple expansions (i.e. – much higher share prices) for the very profitable companies in our three model portfolios.

Our goal is not to tell you what to invest in, but to give you a lot of good choices. Not all of the stocks we discuss in this newsletter or on the website are going to go up, but the majority of them have since 2001 when I launched EPG. If you stay focused on owning companies that have strong fundamentals and growth locked in, I believe you will have an edge in the market.

Thank you for your support.

Keep an eye on the macro-environment but look closely at the details before you invest in anything and good luck!

Dan Steffens, President
Energy Prospectus Group