EPG
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The View from HOUSTON

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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.

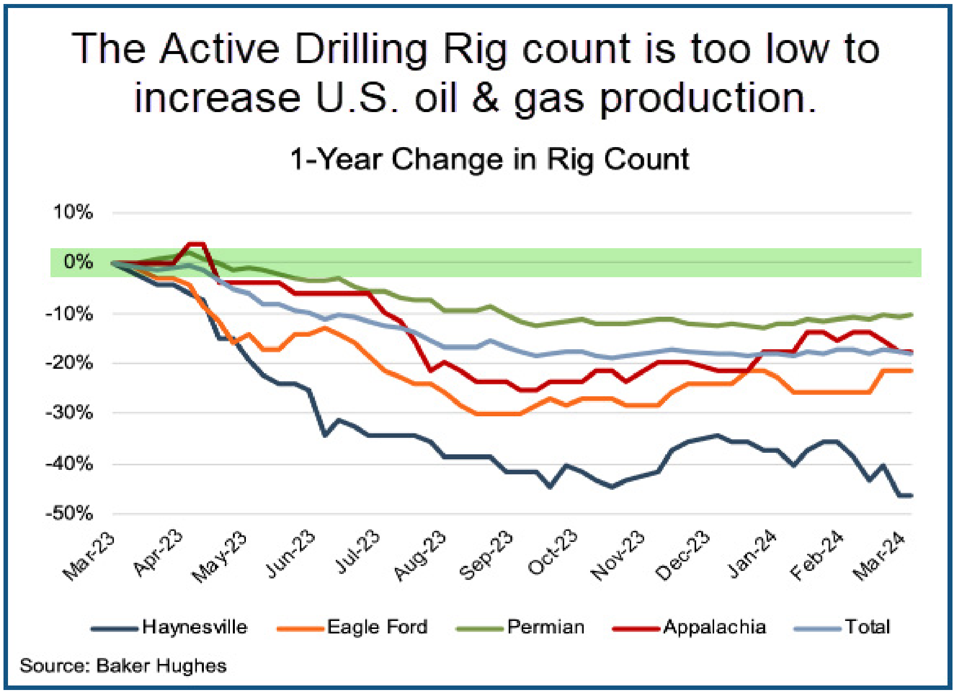
West Texas Intermediate (WTI) is up more than 16% in 12 months

During the second quarter oil and gas prices moved higher from where they averaged in the first quarter, so I'm expecting all of the upstream companies in our three model portfolios to report better financial results for the second quarter. Most of them should also report increased production, thanks to improving weather conditions.

Oil prices in Western Canada are also getting a boost from the improvement in differentials thanks to the completion of the Trans Mountain Pipeline that de-bottlenecked the region.

Our flagship Sweet 16 Growth Portfolio is up 7.34% year-to-date (not including dividends), but it still trades at a 55% discount to my current valuations. I believe that all of my valuation models are based on conservative assumptions for production volumes, operating expenses and commodity prices. The models are macro driven Excel spreadsheets, so you can download them and change the assumptions at the bottom for production volumes and commodity prices. The models will automatically update the stock valuation for you. I also show the current price targets from several highly respected energy sector analysts at the bottom of each model.

The Sweet 16 sits at less than a 3.5 X my 2024 operating cash flow per



share forecasts. That is a very low valuation multiple for companies of this quality. Several of them still trade below book value.

A 7.34% gain during the first half of the year is good, but we should do a lot better during the second half of the year. Commodity price volitility and fear of what the Fed will do next is keeping a lot of investors out of the Energy Sector, despite the fact that many of the companies trade at low single digit price-to-earnings ratios.

After I see Q2 2024 results I will be making a few changes to the model portfolios; adding more exposure to natural gas in the Sweet 16. I've also got some very promising small-caps on my Watch List that we will be profiling in July.

At the current active drilling rig count, it is unlikely that U.S. oil production will increase much during the 2nd half of the year. Rigs drilling for natural gas in Appalachia are down ~20% and in the Haynesville they are down a whopping ~45% year-over-year. Market forces are working to rebalance the U.S. natural gas market. Demand for U.S. natural gas is increasing much faster than global demand for oil.

Oil Prices are set by Global Supply/Demand

On June 2nd OPEC+ annouced that they are extending all of their voluntary oil production cuts through Q3 2024 and most of them through 2025. They indicated that they **might start** relaxing some of the voluntary cuts beginning in October. After the announcement, the front month NYMEX futures contract for WTI oil dipped below $73/bbl. In my opinion, it was an over-reaction to the word might. A few days later OPEC clarified that they would only unwind their production cuts if the global market needed more supply. In my opinion, Saudi Arabia will do whatever it takes to keep oil over $80/bbl.

"In our May outlook, we had assumed OPEC+ would begin to relax some voluntary production cuts beginning in the third quarter of 2024 (3Q24). In line with the group's recent announcement, we now expect OPEC+ will begin relaxing voluntary cuts in 4Q24. ***As a result, we expect that the extension of voluntary OPEC+ production cuts will cause global oil inventories to continue falling through 1Q25.*** *Although we expect crude oil prices to rise from early June levels, lower-than-expected Brent prices in May mean our updated oil price forecast for 2024 is $84/b, 4% lower than our May forecast."* – **EIA Short Term Energy Outlook dated June 6, 2024**

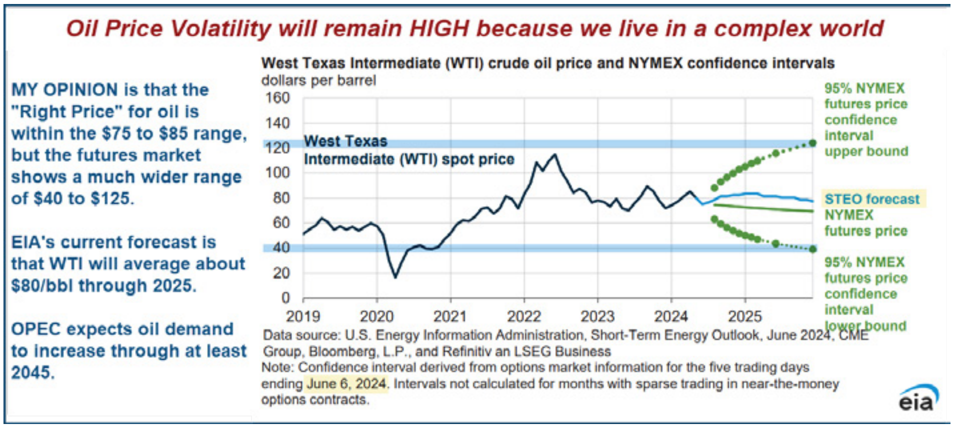
My forecast models are now based on WTI averaging $81.25/bbl in 2H

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.

July 17 at 10:00AM CT: A webinar is being hosted by **Solaris Resources (SLSR),** a minerals exploration company focused on exploring for copper, molybdenum, gold, lead, zinc, and silver. The Company's flagship asset is the 100% owned Warintza Copper and Gold Project Area comprising nine metallic mineral concessions, which covers an area of 268 km2 located in Ecuador.

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.



2024 and $80.00/bbl in 2025.

EIA is now forecasting that U.S. crude oil production will grow by 2% from 2023 to an annual average of 13.2 million barrels per day (bpd) in 2024 and by another 4% in 2025 to 13.7 million bpd. Increasing production is led by the Permian region, which is the source of almost 50% of U.S. domestic crude oil production, followed by the Eagle Ford region and the Federal Gulf of Mexico.

I have received a lot of emails asking me for my thoughts on what a Trump presidency would mean for oil prices in 2025. I think it is important to understand that the U.S. oil market is much different today than it was during his first term (2017-2020). There are also two wars that Trump will need to address as soon as possible.

- In my opinion, **Trump will immediately enforce the sanctions against Iran** and maybe against Venezuela. Without the $billions Iran gets from oil sales, the proxy wars against Israel will end quickly. Taking over 2 million bpd of Iranian oil off the market will more than offset the impact the next two bullet points.
- **"Drill Baby Drill"** might add more oil supply, that would put downward pressure on oil prices, BUT the U.S. oil industry was still in the middle of the "Shale Revolution" during Trump's first term. Ramping up production is more difficult today. U.S. oil production is just 400,000 bpd higher than where it was Pre-Pandemic in late 2019. Plus, public upstream companies will get punished in the market if they aggressively expand their drilling programs.
- **Peace between Russia and Ukraine** will be a top priority for Trump. It sounds bearish for oil prices, but the sanctions really have not taken much Russian oil off the market since China & India are happy to take all the Russian oil at discounted prices they can get. Ukraine's successful attacks on Russian infrastructure will take at least a year to repair.
- My guess is that **Trump will refill the Strategic Petroleum Reserve (SPR).** He probably won't do it right away if sanctions against Iran cause oil prices to move higher. Saudi Arabia will work with Trump to stabilize the global oil market.
- **Trump knows that The Green New Deal is a terrible idea.** He knows that the U.S. economy needs a "Common Sense Energy Policy" that includes all forms of energy. Wind & Solar HAVE NOT and WILL NOT reduce demand for oil this decade.
- **Trump will be extremely bullish for the North American natural gas & NGL markets.** He will fast track LNG export facilities and get more pipeline infrastructure built. The U.S. economy runs on the energy we get from fossil fuels and Trump know it.

Trading Economics comments on June 26:

- WTI crude futures erased gains to trade below $81 per barrel on Wednesday after EIA data showed a surprise increase in US crude stockpiles, raising concerns about weakening demand in the world's top oil consumer.
- U.S. crude oil stocks rose by 3.591 million barrels last week, contrary to market expectations of a 3 million barrel decline, as per EIA.
- Crude stocks at the Cushing, Oklahoma delivery hub decreased by 0.226 million barrels, following a 0.307 million build the previous week.
- Gasoline stocks increased by 2.654 million barrels, against expectations of a 1.10 million barrel decline.
- Investors remained cautious ahead of U.S. PCE inflation data this week, which could influence the Federal Reserve's interest rate decisions. < In my opinion, "Fear of the Fed" is overblown.
- Oil prices have been near two-month highs amid heightened geopolitical risks from Ukrainian drone attacks on Russian oil infrastructure and the failure to secure a peace deal between Israel and Hamas.

There is always a lot of "noise" impacting the oil paper traders, but it is much "louder noise" this year. With wars in Europe and the Middle East there are real risks to the oil supply chain. We are now in the period of the year where demand for oil-based transportation fuels increases the most. Plus, it takes more black oil to make summer blend gasoline in the U.S. **In my opinion, oil price risk is to the upside.**

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 Midstream (AM)
- Antero Resources (AR)
- Black Stone Minerals (BSM)
- Civitas Resources (CIVI)
- Coterra Energy (CTRA)
- Crescent Energy (CRGY)
- Enbridge (ENB)
- Granite Ridge Resources (GRNT)
- Hemisphere Energy (HMENF)
- InPlay Oil (IPOOF)
- Kimbell Royalty Partners (KRP)
- Kolibri Global Energy (KGEI)
- ONEOK Inc. (OKE)
- Plains All American Pipeline (PAA & PAGP)
- Ring Energy (REI)
- Sitio Royalties (STR)
- Solaris Oilfield Infrastructure (SOI)
- Surge Energy (ZPTAF)
- Talos Energy (TALO)

Natural Gas Prices are set by Regional Supply/Demand

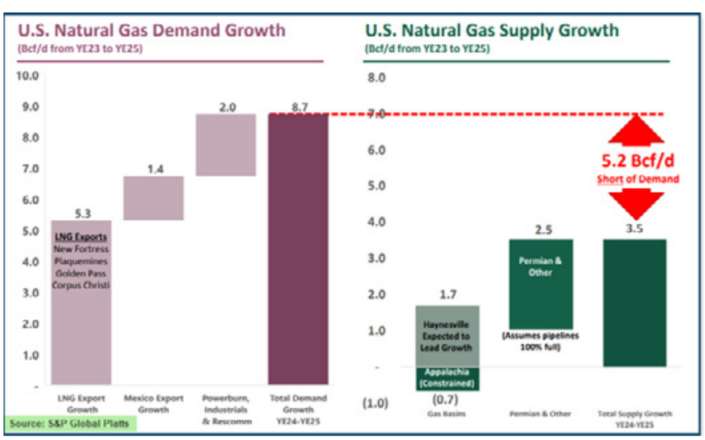
The outlook for natural gas prices has significantly improved since my last newsletter. Market forces are working to balance supply/demand before U.S. storage facilities are filled.

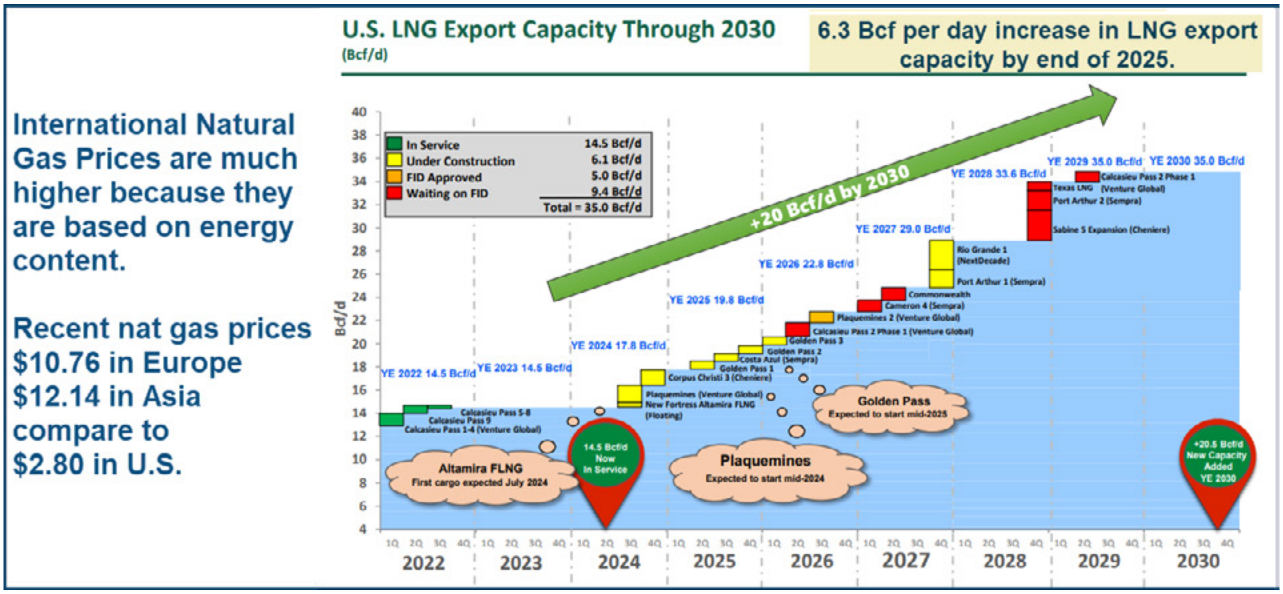
"US natural gas futures traded around \$2.80/MMBtu due to forecasts of hotter weather and increased cooling demand. Meteorologists predict temperatures across the Lower 48 states will stay above normal through at least July 9, which boost the use of gas-powered generators to run air conditioners. Current gas flows to the seven major U.S. LNG export plants remain steady at 12.9 bcfd in June, matching May's figures but below the record 14.7 bcfd set in December 2023. This reduction is due to ongoing maintenance at several Louisiana facilities, including Cameron LNG, Cheniere Energy's Sabine Pass, and Venture Global's Calcasieu Pass. So far this year, gas production is down by around 7% due to delayed well completions and reduced drilling by companies like EQT and Chesapeake after prices fell to 3.5-year lows earlier in the year." – **Trading Economics June 26, 2024**

Beyond 2024 the outlook for U.S. natural gas prices has turned bullish. There are three new LNG export facilities scheduled to come online by the end of 2024 that will increase U.S. LNG export capacity from 14.5 Bcfpd at year-end 2023 to 17.8 Bcfpd by the end of 2024. Three more export facilities should push LNG export capacity to 19.8 Bcfpd by the end of 2025. Pipeline export capacity from West Texas to Mexico is set to increase by 1.4 Bcfpd by mid-2025.

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, generate lots of operating cash flow and hold valuable low-risk / high return drilling inventory ("Running Room").





Updated	Oil & Gas Prices used in Forecast Models										
6/4/2024	2023 & Q1 2024 Actuals and 2024 Forecasts									2025	
	Q1		Q2		Q3		Q4		YEAR		YEAR
	Actuals		Actual		Actual		Actual		Actual		Forecast
WTI Oil	$	76.11	$	73.66	$	82.32	$	78.32	$	77.60	$ 80.00
2024 by Qtr	$	76.91	$	78.00	$	80.00	$	82.50	$	79.35	
HH Gas	$	2.72	$	2.32	$	2.66	$	2.88	$	2.65	$ 3.50
2024 by Qtr	$	2.10	$	2.25	$	2.50	$	3.00	$	2.46	

Fourteen of them pay dividends and/or have stock buybacks underway.

I expect all 16 companies to report better results from Q1 to Q2 2024 thanks to higher production in the 2nd quarter and higher realized oil, natural gas & NGL prices. Several of them reported some weather related problems in the first quarter that have been resolved.

There is not much news to report since my last newsletter, so I will just hit the highlights. Go to our updated profile for each company for more information.

APA Corp. (APA) will report a big increase in production from Q1 to Q2 because the merger with Callon Petroleum that closed on April 1. APA's Q2 production should be approximately 466,000 Boepd with a mix of 51.5% crude oil, 31.0% natural gas and 17.5% NGLs.

Baytex Energy (BTE) will benefit from improving oil price differentials in Western Canada thanks to opening of the Trans Mountain Pipeline. This year's drilling program is focused on increasing oil production in South Texas.

On May 16th **Crescent Energy (CRGY) and SilverBow Resources (SBOW)** announced that they have agreed to merge in a transaction valued at $2.1 billion. **SilverBow will be merging into Crescent Energy.** The merger is expected to close in September, 2024. Both companies are trading below book value and I see nothing that justifies such low valuation multiples. Post-Closing production should be approximately 250,000 Boepd with a mix of 37.5% crude oil, 44.0% natural gas and 18.5% NGLs.

Crescent Point Energy (CPG), which has nothing to do with Crescent Energy, has changed its name to **Veren, Inc. (VRN).** On June 14th Veren announced that it has successfully closed its previously announced disposition of certain non-core assets in Saskatchewan for $600 million in cash (approximately $540 million including closing adjustments).

Net proceeds from the sale will be directed to further strengthen the Company's balance sheet. Veren expects its net debt to total $2.8 billion by year-end 2024 based on average commodity prices of US$75/bbl WTI and $2.10/Mcf AECO for the full year. Veren has more than enough operating cash flow to service that level of debt. Based on my forecast, Veren should generate over $700 million of free cash flow in 2024.

EQT Corp. (EQT) is the only company in the Sweet 16 that gets most of its revenues from natural gas sales. I am expecting EQT's Q2 Adjusted Net Income per share to be much higher than First Call's current EPS forecast of $0.04/share for Q2. If you are as

Sweet 16 Growth Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
			6/26/24		
APA CORP	OIL	APA	$28.64	$48.00	67.60%
BAYTEX ENERGY	OIL	BTE	$3.38	$6.20	83.43%
CRESCENT ENERGY	OIL	CRGY	$11.62	$22.00	89.33%
DEVON ENERGY	OIL	DVN	$46.72	$61.50	31.64%
DIAMONDBACK ENERGY	OIL	FANG	$196.96	$226.00	14.74%
EOG RESOURCES	OIL	EOG	$124.58	$150.00	20.40%
EQT CORP	GAS	EQT	$37.76	$48.00	27.12%
MAGNOLIA OIL & GAS	OIL	MGY	$25.05	$31.50	25.75%
MATADOR RESOURCES	OIL	MTDR	$58.68	$88.00	49.97%
NORTHERN OIL & GAS	OIL	NOG	$38.47	$64.00	66.36%
OVINTIV INC (was ENCANA)	OIL	OVV	$45.97	$70.50	53.36%
PERMIAN RESOURCES	OIL	PR	$15.54	$24.00	54.44%
SILVERBOW RESOURCES	OIL	SBOW	$37.06	$63.00	69.99%
SM ENERGY	OIL	SM	$48.42	$70.00	44.57%
VEREN INC	OIL	VRN	$7.85	$11.25	43.31%
VITAL ENERGY	OIL	VTLE	$42.82	$105.00	145.21%

bullish as I am on U.S. natural gas prices after 2024, then EQT should be one of your long-term holdings. EQT's hedging program has free cash flow locked in for 2024.

None of **Magnolia Oil & Gas (MGY)** production is hedged. The Company's production and revenues should be higher in Q2. They closed a small acquisition April 30th that added ~1,000 Boepd in their Giddings Field.

On June 12th **Matador Resources Company (MTDR)** announced that it has entered into a definitive agreement to acquire a subsidiary of Ameredev II Parent, LLC ("Ameredev"), including certain oil and natural gas producing properties and undeveloped acreage located in Lea County, New Mexico and Loving and Winkler Counties, Texas (the "Ameredev Acquisition").

The Ameredev Acquisition also includes an approximate 19% stake in Piñon Midstream, LLC ("Piñon"), which has midstream assets in southern Lea County, New Mexico.

The consideration for the Ameredev Acquisition will consist of a cash payment of $1.905 billion, subject to customary closing adjustments. Ameredev is a portfolio company of EnCap Investments L.P. ("EnCap").

The **Ameredev Acquisition** is expected to close in September, 2024 adding 25,500 Boepd (~65% crude oil). Matador's Q4 production is now forecast to be 190,175 Boepd (61% crude oil). If WTI averages $80/bbl in 2025, Matador operating cash flow should exceed $2.7 billion next year. That compares to the Company's 2024 D&C capex budget of $1.425 billion.

Northern Oil & Gas (NOG) is the only Non-Op company in the Sweet 16. The Company's production increased by 30.8% year-over-year in 2023 and their guidance is for more than 20% production growth in 2024. Commodity price risk is low on NOG because quite a bit of their 2024 production is hedged at good prices.

Our Petroleum Economist and I agree that **Ovintiv (OVV)** is a solid large-cap. Read his comments **HERE**.

Ovintiv closed two strategic transactions in 2023; a Midland Basin Acquisition that added 75,000 Boepd of production closed mid-June followed by the sale of fully developed Bakken asset that produced ~37,000 Boepd in Q1. The Bakken Sale closed in late-June. 2023 production increased by 10.9% year-over-year primarily due to the transactions above. The Company's 2024 capital program is designed to hold production flat and maximize free cash flow. Their balance sheet should be in great shape at the end of this year. Approximately 48% of Ovintiv's current production of ~570,000 Boepd is natural gas, so rising natural gas prices will give it a nice revenue boost.

Permian Resources (PR) is still working out some issues related to the merger with Earthstone Energy that closed November 1, 2023. **Ignore the "noise".** PR is a solid company that will get a lot more love from the Wall Street Gang as they report strong results quarter-after-quarter. Since the Company announced Q1 2024 results on May 8th, ten analysts have submitted updated price targets for PR to TipRanks. All ten of them rate the stock a BUY with an average price target of $21.

SM Energy (SM) was one of my Top Picks coming into 2024. I am expecting them to report close to a 12,000 Boepd production increase from Q1 to Q2 2024.

Vital Energy (VTLE), which looks like a screaming takeover target to me, continues to trade at the deepest discount to my stock valuation. The Company's Q1 2024 results beat my forecast and their well results continue to be impressive. I am expecting them to reach the high end of their 2024 production guidance of 116,500 to 121,500 Boepd. Vital's production mix is 47% crude oil, 27% natural gas and 26% NGLs.

Vital is once again on pace to be one of the most profitable companies in the Sweet 16 on a per share basis. Their 2023 Reported Net Income was $695.1 million ($34.32/share) with Adjusted Operating Cash Flow of $884.4 million ($43.67/share)

Small-Cap Portfolio

Small-Caps have more risk than the larger companies in our Sweet 16, but they also have more potential. Size does matter in this business. As upstream companies grow production and proved reserves they deserve higher stock valuations. Since EPG was founded in 2003, our largest percentages gains have come from small-caps with high-quality management teams and lots of "Running Room".

I have added **Journey Energy (JOY.TO and JRNGF)** to the portfolio after spending an hour with Alex Verge, the Company's President & CEO. If you have not watched the replay of our June 11th webinar, I recommend that you do so. We will be publishing a profile on the Company next week.

Journey Energy is a profitable Canadian Junior upstream company that produced 11,906 Boepd in Q1 2024 (46% crude oil; 10% NGL's; 44% natural gas). Starting in 2025 it will be generating a lot of free cash flow from its power generation facilities in Alberta. On May 7th the Company announced a Duvernay Joint Venture with Spartan Delta Corp. that has significant upside potential for a company of this size.

All three of our Canadian Juniors (JRNGF, ROKRF and ZPTAF) are now getting a revenue boost from declining oil price differentials due to the completion of the Trans Mountain Pipeline in Western Canada.

I planned to move **Granite Ridge Resources (GRNT)** to our High Yield Income Portfolio to replace **Coterra Energy (CTRA)** but rising natural gas prices puts that move on hold. Coterra is a rock solid "gasser". Granite Ridge's current dividend yield is now ~7.2%. Its growth comes primarily from acquisitions of non-op working interests in producing properties in the Permian Basin.

On **June 3rd Kolibri Global Energy (KGEI)** provided initial flow rates on two new horizontal wells in their Tishomingo Field in Central Oklahoma. The **Nickel Hill 35-1H & 35-2H wells** have been completed in the Caney Formation. Initial production:

- The Nickel Hill 35-1H well averaged 472 Boepd including 369 barrels of oil per day ("BOPD").
- The Nickel Hill 35-2H well averaged 478 Boepd with 379 BOPD.
- Kolibri owns a 62.9% working interest in both of the Nickel Hill wells, which were drilled at a 6-well per section spacing pattern.
- Kolibri has an estimated 170 horizontal development drilling locations within the Tishomingo Field.
- Kolibri's current production mix is approximately 73% oil, 16% NGLs & 11% natural gas.

KGEI was added to the Russell Microcap Index on May 31st. The Russell is a leading global index provider and membership for its Russell indexes is determined primarily by objective, market-capitalization rankings, and style attributes. This is bullish news for KGEI shareholders as it draws more attention to KGEI, and more index funds will be buying it.

Riley Exploration Permian, Inc. (REPX) is my Top Pick in this group. It is a pure play on the Permian Basin. It has two core areas of

Kolibri Global Energy (KGEI) has lots of Running Room in their Tishomingo Field in Oklahoma

- **Infrastructure in place - Gathering system less than a mile from all NSAI Proved locations**
- **Oil is trucked, priced at WTI less ~$1.85 a barrel**
- **170 additional booked Caney locations at 6 wells per section(1)**
  58 Proved, 60 Probable, 52 Possible(1)
- **~17,170 net acres**
- **31 Caney wells on production**
- **Acreage is 99% Held By Production**
- **Additional upside from T-zone**

	Estimated Ultimate Recovery (BOE) *					
	2017	2018	2019	2020	2021	2022*
PUD	449,000	527,000	530,000	531,000	555,000	572,000
PUD (Infill)	-	-	-	-	-	485,000
Prob	506,000	576,000	570,000	571,000	596,000	615,000
Prob (Infill)	-	-	-	-	-	570,000
Poss	629,000	626,000	630,000	628,000	644,000	669,000
Poss (Infill)	-	-	-	-	-	670,000

operations; one on the western edge of Yoakum County, Texas (near the border of New Mexico) and one in northern Eddy County, New Mexico. The quantity and quality of the Company's "Running Room" is one of the reasons that it deserves a higher valuation multiple.

Riley's Q1 2024 production of 20,372 Boepd beat my forecast and I now expect them to grow production to ~23,500 Boepd by year-end.

In addition to strong Q1 results, here are additional positives for REPX.

- REPX pays quarterly dividends of $0.36/share which yield approximately 5.2% per year. Three of our other small-caps (GRNT, SOI & ZPTAF) also pay nice quarterly dividends.
- The midstream company that has been processing Riley's natural gas has completed facility upgrades that should increase Riley's NGL volumes and realized natural gas and NGL prices in 2H 2024.
- Riley's investments in onsite electricity generation by **RRC Power LLC** should lower the Company's operating expenses and significantly lower their exposure to power outages in West Texas.

On May 21st Conduit Power, LLC ("Conduit") and Riley Exploration Permian, Inc. ("Riley Permian") announced that they entered into definitive agreements to expand the scope of their joint venture, **RPC Power, LLC ("RPC Power")**, to build new power generation and storage assets for the sale of energy and ancillary services to ERCOT, the Texas power grid operator.

RPC Power was created in March 2023 to own and operate power generation assets that use Riley Permian's produced natural gas to power its oilfield operations in Yoakum County, Texas. The expanded scope will enable RPC Power to initiate sales of dispatchable power and related services to ERCOT, with plans for 100MW of natural gas fuelled generation and battery energy storage systems across multiple facilities in West Texas. The facilities are targeted for commercial operations throughout 2025.

In conjunction with the agreements, Conduit will operate the facilities and dispatch power into ERCOT through its qualified scheduling entity. Riley Permian increased its ownership in RPC Power from 35% to 50% and has agreed to sell up to 10 MMcf/d of natural gas to RPC Power as feedstock supply for the generation facilities.

Ring Energy (REI) hosted a Houston luncheon for us on June 13th. The Company's Q1 2024 production exceeded the Company's guidance. This year's two rig drilling program is designed to increase 1P reserves and add more oil production. **Ring has been free cash flow positive for 18 straight quarter, which includes the entire Pandemic years.** REI trades at a deep discount to the PV10 Net Asset Value of its proved reserves (1P only), which was $4.40/share at 12/31/2023.

At the luncheon Paul McKinney, Ring's CEO told us that all of the Company's 2024 free cash flow will be used to pay down debt. Ring's #1 goal is to reduce the Company's leverage ratio from 1.4 (not bad already) to under 1.0. Lower debt will also increase Ring's PV10 Net Asset Value per share.

On June 19th **ROK Resources (ROKRF)** provided 2H 2024 guidance, which I have used to update my valuation of ROKRF.

- **Production Growth:** Estimated 2024 average daily production rate of 4,100 Boepd to 4,200 Boepd (64% liquids) which exceeds 2023 daily average production rate of 3,876 Boepd (62% liquids).
- **Reduction in Capital Expenditures:** Total annual capital expenditures of $24 million to $25 million in 2024, a 25% decrease in annual capital expenditures when compared to 2023.
- **Stable Balance Sheet:** 2024 exit Adjusted Net Debt of $19 million to $20 million, implying a debt to cash flow from operations ratio of 0.6x.
- **Core Area Drill Program:** An estimated 13 gross (11.95 net) wells in Southeast Saskatchewan (75% - 85% Frobisher weighted assets), aimed at growing base reserves and future drilling inventory.
- **Midale Multi-Lateral Drilling:** Drilling of 2 to 3 multi-lateral Midale wells to capitalize on Saskatchewan multi-lateral royalty

Small-Cap Growth Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
			6/26/24		
GRANITE RIDGE RESOURCES	OIL	GRNT	$6.07	$8.75	44.15%
JOURNEY ENERGY	OIL	JRNGF	$2.19	$4.50	105.48%
KOLIBRI GLOBAL ENERGY	OIL	KGEI	$3.52	$6.40	81.82%
RILEY EXPLORATION PERMIAN	OIL	REPX	$27.49	$52.00	89.16%
RING ENERGY	OIL	REI	$1.60	$4.30	168.75%
ROK RESOURCES	OIL	ROKRF	$0.19	$0.55	197.30%
SOLARIS OILFIELD INFRASTRUCTURE	SERVICES	SOI	$8.43	$13.00	54.21%
SURGE ENERGY	OIL	ZPTAF	$5.21	$10.00	91.94%

incentive.

- **Strong Natural Gas Hedge Program:** Total natural gas hedges of 1,094,563 MMBtu in 2H 2024 at an average price of $2.09/MMBtu, equating to an estimated hedge gain of $1.0 million to $1.5 million CAD at current strip pricing over this period.

We published an updated profile on **Solaris Oilfield Infrastructure (SOI)** on June 24th. SOI trades at a deep discount to a reasonable valuation. It is now a "Free Cash Flow Machine", pays a nice dividend (~5.7% annual yield) and it is aggressively buying back common stock. I do expect them to raise their dividend in 2H 2024 after raising it twice in 2023.

On May 29th **Surge Energy (SGY.TSX and ZPTAF)** closed a sale of some non-core assets, using the sales proceeds to pay down debt. Now that the Company has reached Phase Two of their debt repayment goals, **Surge will be increasing their monthly dividends starting in August.**

Free cash flow after dividend payments going forward will be split 50/50 for further debt repayment and an aggressive stock buyback program. Based on my forecast model, Surge should achieve the final phase of their debt repayment goals early in 2025. Post Phase Three, 75% of free cash flow will be used for increased dividends, stock buybacks and accelerated production growth.

Surge has a lot of high-quality "Running Room" in two core areas they call Sparky and SE Saskatchewan. The Company's revenues are heavily weighted to oil, and their realized oil price is getting a boost from completion of the Trans Mountain Pipeline (TMX).

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, most of these are "Growth Companies" that have share price upside potential for shareholders. This model portfolio has less volatility than our two growth portfolios because the share prices tend to trade based on their dividend yield. I also believe that investors seeking high yield tend to be "Buy & Hold" rather than "High Frequency Traders".

High Yield Income Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	Estimated Annual Yield	Annual Dividend	Paid	EPG Valuation
			6/26/24				
Minerals Companies							
BLACK STONE MINERALS LP	GAS	BSM	$15.63	9.60%	$1.50	Qtr	$17.20
KIMBELL ROYALTY PARTNERS	OIL	KRP	$16.10	11.61%	$1.87	Qtr	$21.50
SITIO ROYALTIES CORP	OIL	STR	$23.30	7.98%	$1.86	Qtr	$33.00
VIPER ENERGY, INC.	OIL	VNOM	$37.35	6.35%	$2.37	Qtr	$43.00
Upstream Companies							
CIVITAS RESOURCES	OIL	CIVI	$68.36	9.46%	$6.47	Qtr	$114.00
COTERRA ENERGY	GAS	CTRA	$27.13	3.69%	$1.00	Qtr	$33.00
HEMISPHERE ENERGY	OIL	HMENF	$1.24	7.74%	$0.096	Qtr	$3.00
INPLAY OIL	OIL	IPOOF	$1.62	8.22%	$0.133	Mo	$4.05
Midstream Companies							
ANTERO MIDSTREAM CORP	Midstream	AM	$14.85	6.06%	$0.90	Qtr	$14.75
ENBRIDGE INC	Midstream	ENB	$35.34	7.67%	$2.71	Qtr	$41.00
ONEOK, INC.	Midstream	OKE	$80.53	4.92%	$3.96	Qtr	$86.00
PLAINS ALL AMERICAN PIPELINE - GP	Midstream	PAGP	$18.60	6.83%	$1.27	Qtr	$21.00

- **The Annual Dividends shown in the table are now based on my 2024 forecasts.**
- Minor changes to my stock valuations are the result of using my updated oil & gas price deck for all of my forecast/valuation models (i.e.- slightly lower oil prices and higher natural gas prices).
- The minerals and upstream companies all pay fixed + variable dividends, so they do have more commodity price risk than the midstream companies.
- All of the forecast/valuation models have been updated for Q1 2024 results and fresh guidance from each company.

Minerals / Royalties companies have the most exposure to commodity prices.

Viper Energy Partners LP (VNOM) is my Top Pick in this group because it is the most heavily weighted to crude oil sales (55% of Q1 2024 production) and more importantly because of its relationship with **Diamondback Energy (FANG)**. Diamondback's aggressive drilling program in the Permian Basin will generate year-after-year production growth for Viper.

Diamondback is one of the top performing stocks in our Sweet 16 Growth Portfolio. In Q4 2024 they are expected to close a "Mega Merger" with **Endeavor Energy**, a private company. Diamondback has indicated that it will be dropping down the minerals currently held by Endeavor into Viper once they close the merger.

FANG and Viper are pure plays on the Permian Basin. Viper has generated strong production growth of 19.7% in 2022 and 16.6% in 2023. Based on the Company's updated guidance, I expect Viper's production to grow by more than 20% in 2024. With their revenues heavily weighted to liquid sales, Viper's dividends should be increasing quarter-after-quarter.

Of the four minerals/royalties companies **Black Stone Minerals (BSM)** is the most heavily weighted to natural gas. Approximately 74% of BSM's production during 2024 will be natural gas and NGLs.

BSM is a Master Limited Partnership (MLP) that is expected to distribute $1.50/unit of cash to its limited partners this year for annualized yield over 9.5% based on today's unit price.

Kimbell Royalty Partners (KRP) is an aggressive growth company, which also produces a lot of natural gas. It should be getting a nice revenue boost from rising natural gas and NGL prices. KRP is a partnership that has elected to be taxed as a C-Corp.

Sitio Royalties Corp. (STR) Q2 2024 results will include almost a full quarter of production from the DJ Basin assets (~2,600 Boepd) that Sitio acquired on April 4th. STR's 2H 2024 production is now expected to average more than 38,000 Boepd with a mix of 50% crude oil, 28% natural gas & 22% NGLs.

KRP, STR and VNOM are all taxed as C-Corps., so they are appropriate for IRA accounts.

The Upstream Companies offer Growth + Income

Coterra Energy (CTRA) has the lowest dividend yield in the portfolio because it is the most heavily weighted to natural gas. Coterra recently stopped paying the variable part of its "Fixed + Variable" dividend policy. I was going to drop it from the portfolio until natural gas prices ran up. Coterra is a rock solid company with decades of high-quality Running Room. If U.S. natural gas prices do move over $3.00/MMBtu in Q4 (my forecast), I do expect Coterra to increase their dividends.

Civitas Resources (CIVI) my Top Pick for dividend yield & growth potential among the upstream companies and for safety; size does matter in this business. Closing of the Midland Basin Acquisition from Vencer Energy in January has Civitas on pace to more than 50% year-over-year growth in 2024.

Hemisphere Energy (HMENF) is a Canadian Junior that is a pure play

Hemisphere Energy's Updated Guidance
If WTI stays over $80US/bbl, more Special Dividends are expected

Price Sensitivity	$US / bbl	$65 WTI	$75 WTI	$85 WTI
Average Annual Production	boe/d	3,400	3,400	3,400
Adjusted Funds Flow (AFF)	$ million	31	40	49
AFF per Basic Share	*$/share*	*0.32*	*0.41*	*0.49*
Capital Expenditures & ARO(6)	$ million	21	21	21
Free funds flow (FFF)	$ million	10	19	28
FFF per Basic Share	*$/share*	*0.10*	*0.19*	*0.28*
Base Dividends per Basic Share	*$/share*	*0.10*	*0.10*	*0.10*

2024 Budget - $20.8 million
- 13 development wells
- Facilities and equipment
- Exploration and land acquisition

Key Assumptions(7)
- WCS Differential: US$15.50/bbl
- USD/CAD Exchange: 1.35
- Quality adjustment: C$7.50/bbl
- Opex: C$14.85/boe

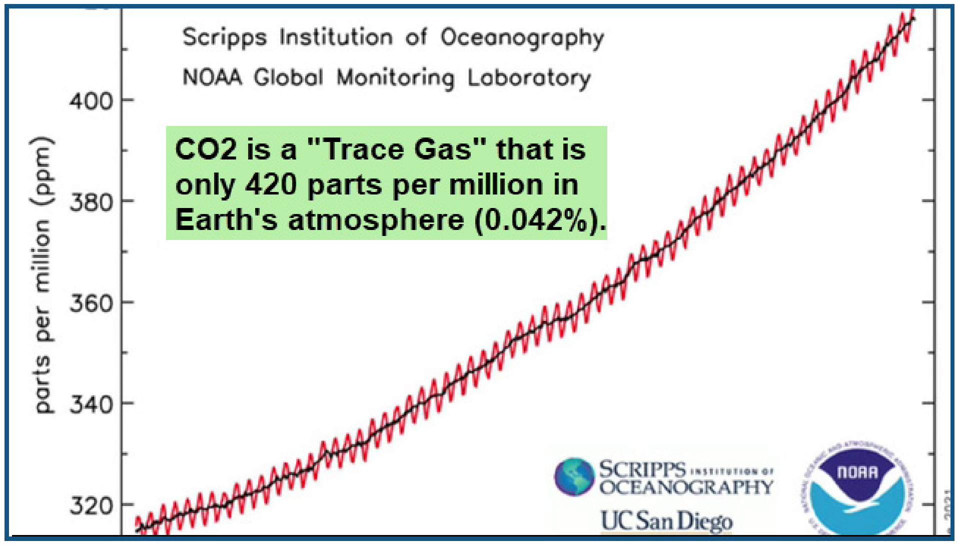
on heavy oil, the price of which has significantly increased from Q1 to Q2, thanks to rapidly improving differentials in Western Canada. Hemisphere has already generated more than enough operating cash flow year-to-date to cover their entire 2024 drilling program estimated to be $20.8 Cdn million.

Hemisphere has a pristine balance sheet. If WTI stays over $80US/bbl, Hemisphere should report record free cash flow quarter-after-quarter. The Company's dividend yield is ~7.8%, including the recently announced Special Dividend that will be paid on July 26th to shareholders of record on July 12th. Since Hemisphere has no interesting bearing debt to pay off, I expect at least one more "Special Dividend" to be paid later this year.

If Hemisphere's new polymer flood, which they call the **"Marsden Oil Play"**, is successful, this stock could be a triple for us within two years from where it trades today.

InPlay Oil's (IPOOF) is also a Canadian Junior, but it has a "gassier" production mix (44% light oil, 40% natural gas and 16% NGLs) than Hemisphere. The Company's production declined from Q4 2023 to Q1 2024 due to extremely cold weather in January that cause some well freeze-offs. Production has bounced back in Q2 and I expect InPlay to report strong production growth in 2H 2024.

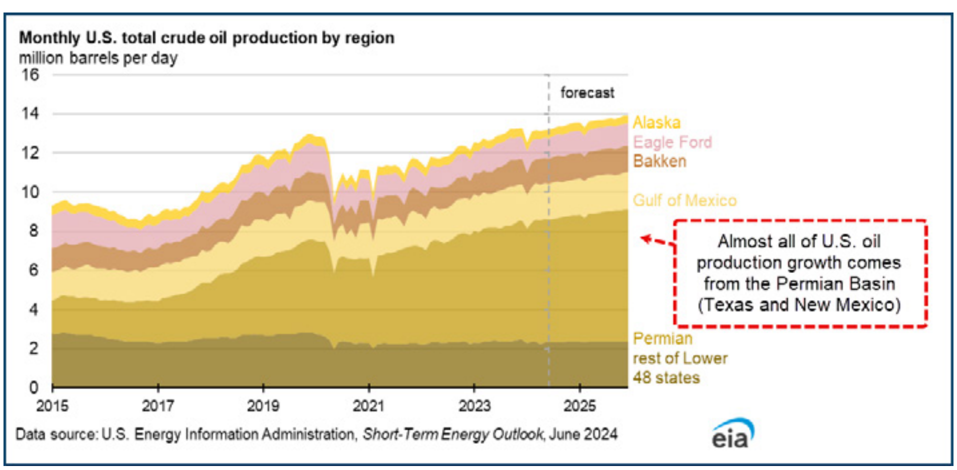
We published an updated profile on InPlay on June 25. I high-lighted a few things in the profile that will have positive impacts on 2024 results. InPlay has a lot of Running Room in their two core areas.



Hemisphere and InPlay are both going to benefit from improving oil price differentials in Western Canada. InPlay should also get better natural gas prices in 2H 2024 thanks to a new gas processing agreement.

Our four **Midstream Companies (AR, ENB, OKE and PAGP)** are "Safe Bets" for dividends because they have long-lived assets that generate strong free cash flow and they do not have direct exposure to commodity prices. None of them should be impacted by an extended period of low natural gas prices. I am expecting ENB, OKE and PAGP to increase dividends this year.

There are several companies in our Sweet 16 and Small-Cap Growth portfolios that offer annual dividend yields over 5%.



Final Thoughts

Outside of the Permian Basin there is very little upside potential for U.S. oil production. Plus, until new natural gas pipelines are completed there is a bottleneck in West Texas and Southeast New Mexico. "Drill Baby Drill" won't be able to increase U.S. oil production if the upstream companies can't complete their wells to sales.

Biden's Green New Deal is a misguided fantasy based on the belief that energy from the burning of fossil fuels is bad and that we can control the amount of CO_2 in the Earth's atmosphere. Even if the U.S. shuts down all coal-fired power plants and we all start driving electric vehicles, it will not have an impact on the Earth's climate.

Last Saturday I found an update on the amount of CO_2 in the atmosphere. CO_2 is a "Trace Gas". Today it is only 420 parts per million of the Earth's atmosphere; just 0.042%. That's nowhere close to being dangerous for humans to breathe and if CO_2 goes below 250 parts per million most of the plants on Earth would die.

With the Earth's human population over 8.1 billion and heading to more than 10 billion before the end of this century, we are going to need a lot more food. Maybe increasing the percentage of CO_2 in Earth's atmosphere is actually a better idea.

There is a saying that **"Dividends are the Life Blood of a good investment portfolio".** There are some high-quality companies in all three of our model portfolios that pay nice dividends. I turned 70 in March, so I've moved a lot of my own portfolio into the companies in our High Yield Income Portfolio. Hemisphere Energy (HMENF) and InPlay Oil (IPOOF) are two of the companies that I belief also offer investors significant stock appreciation potential. Both of them are trading at less than 50% my current valuations.

Susan & I are heading up to Alaska with four other couples on July 6. Our motto is "Go While You Can Go". We live on a wonderful planet that I believe was created by a God that installed a self-balancing climate system. It is foolish to think we can control the Earth's climate.

The "State of the Oil & Gas Industry" is VERY GOOD at today's oil, gas and NGL prices.

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