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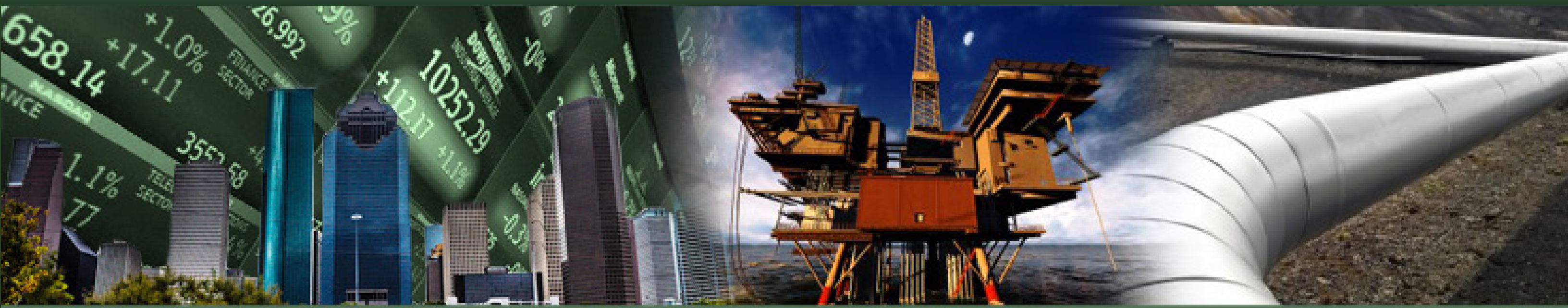
The View from HOUSTON



Energy Prospectus Newsletter: "The View from Houston" July 29, 2024 Issue: 218

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.

There always seems to be a lot of "noise" impacting oil & gas prices, but normally the geopolitical risk is outside of the United States. Not this year.

The July 13th assassination attempt on Donald Trump, the leading candidate for the U.S. presidency, should be a wake-up call for all Americans. Trump survived a shot to the head that, had he been killed, could have cause a national crisis and potentially a civil war. In my opinion, we have a failing Federal government. I don't say "failed" because there is still hope. If we don't change course soon it might be too broken to fix.

Joe Biden has dropped out of the race since it is now clear that he is not capable of handling a full day's work. The "Power Brokers" in the Democratic Party have decided that Vice President Kamala Harris is their best chance of holding onto power. Her knowledge of U.S. energy supply / demand fundamentals is "slim and none". She's indicated that she will go all-in on the failed Green New Deal. This country's economy will fail if it is forced to depend on unreliable wind & solar. Without a lot more dependable sources of electricity all of the high-flying artificial intelligents (AI) stocks will crash and burn.

Donald Trump is far from perfect, but he's not a "politician". He knows that he is lucky to be alive and I think that has changed him. He's a good leader because he's not afraid to put smart people in his cabinet. He doesn't give a damn about woke concepts or diverstiy, equity & inclusion ("DEI"). Trump won't let political correctness restrain him. He is also a good negotiator and I expect him to quickly end the war in Ukraine and not get us into another endless war just so we can sell more weapons.

Donald Trump is a "Driver". He is too much of an egotist to be proven wrong. Personal feelings don't matter to hard core drivers. They set goals and they don't let anyone or anything get in their way. We have a mess in Washington, DC and it is going to take a tough guy to fix it.

We need a common sense energy policy and we need it fast.

Last week I spoke at a conference in Boston. Attendees were very interested in what I thought Trump would do for the energy sector if elected. Here are my opinions.

1. **The day Trump takes office he will enforce the sanctions against Iran.** That will take 2 million bpd off the market. Saudi Arabia and their friends in the Persian Gulf will be happy to make up the difference, but it will reduce OPEC's spare capacity to near zero.
2. **Oil & Gas investors fear of "Drill Baby Drill" is overblown.** During Trump's first term the U.S. oil industry was in the middle of the "Shale Revolution". Twice as many drilling rigs were running as we have today. Ramping up U.S. oil production will be much more difficult today + public companies will get hammered if they start outspending cash flow.
3. **End Senseless Wars.** If Trump can negotiate peace between Russia and Ukraine it might bring more oil supply from Russia, but the much talked about sanctions against Russia have not taken much oil off of the market since China and India are taking every drop of Russian oil they can buy at a discount.
4. Trump is likely to **refill the U.S. Strategic Petroleum Reserve (SPR)**, but not quickly.
5. **Trump knows that the "Green New Deal" is a terrible idea.** He will pull out of the Paris Climate Accord. Team Trump will have a Common Sense energy program. < *All forms of energy will be needed.*
6. **Trump will be bullish for natural gas prices and for the midstream companies.** He will fast track pipelines & LNG export facilities.
7. **Trump is likely to allow completion of the Keystone XL pipeline,** which would be super bullish for the Western Canadian oil producers.

To be clear, I have nothing against investors that want to invest in wind & solar projects or drive an electric vehicle. I just don't want us to be forced to adopt policies that don't make sense. I believe that the Earth's climate system is a well-designed system that is self-balancing. I'm tired of politicians that keep using FEAR to control us.

Oil Prices are set by Global Supply/Demand

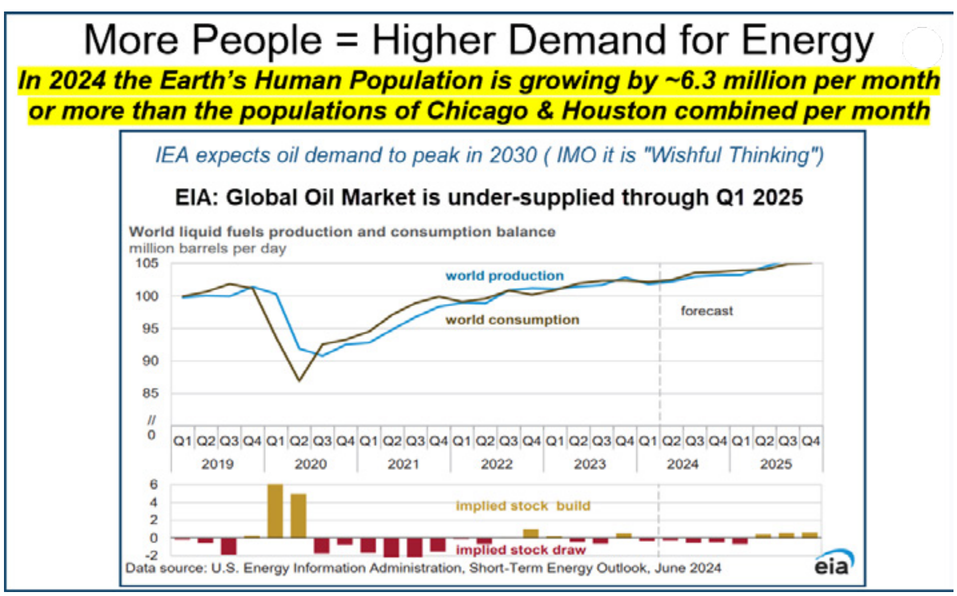
At the Boston conference I said that the "Right Price" for WTI oil was within the range of $75 to $85 per barrel. On the date of this newsletter (July 29), WTI dipped below $76/bbl, a seven-week low, as demand concerns offset the risk of lower supply due to tensions in the Middle East.

Demand for oil-based products is directly related to population growth and per EIA demand is expected to exceed supply through Q1 2025. U.S. crude oil inventories should continue to decline through August.

Trading Economics: *"Disappointing GDP figures from China and contractionary factory PMIs were among the latest signals of poor fuel demand in the world's top consumer, underscoring an 11% drop in fuel imports during the first half of 2024. However, concerns about supply disruptions limited the decline, as Israel vowed strong retaliation against Hezbollah on Sunday, accusing the Iran-backed group of a rocket attack on a football field in the Israeli-occupied Golan Heights that resulted in the deaths of 12 children and teenagers."*

Energy sector investors need to focus on the fundamentals and look beyond all of the "noise". We live in troubling times, but this world still runs on oil-based products and it will for many more decades.

"In April, everyone was fixated on the idea that geopolitical tension between Israel and Iran would escalate to the point of no return.



World War 3 was on the horizon proclaimed some geopolitical experts and Bloomberg published a headline that called for the possibility of $100/bbl oil in the summer. Where is all that enthusiasm now? Just as WTI hits the bottom of the "coil" range, people are starting to doubt the oil thesis. Subscribers are asking whether or not I still see a temporary spike on the horizon, and my answer is yes." – HFI Research 7-29-2024

Oil price volatility will continue. We are just at the bottom of the trading range.

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:

- Comstock Resources (CRK)
- Journey Energy (JRNGF)

Natural Gas Prices are set by Regional Supply/ Demand

I have worked in the oil & gas industry for over 40 years, and I have seen some wild swings in the price of U.S. natural gas. What seem counterintuitive is that three of the largest natural gas price swings have come outside of the high-demand winter season. The big price spike in August 2022 was caused by a bidding war for supply between utility companies and LNG exporters. We have not seen the last of that.

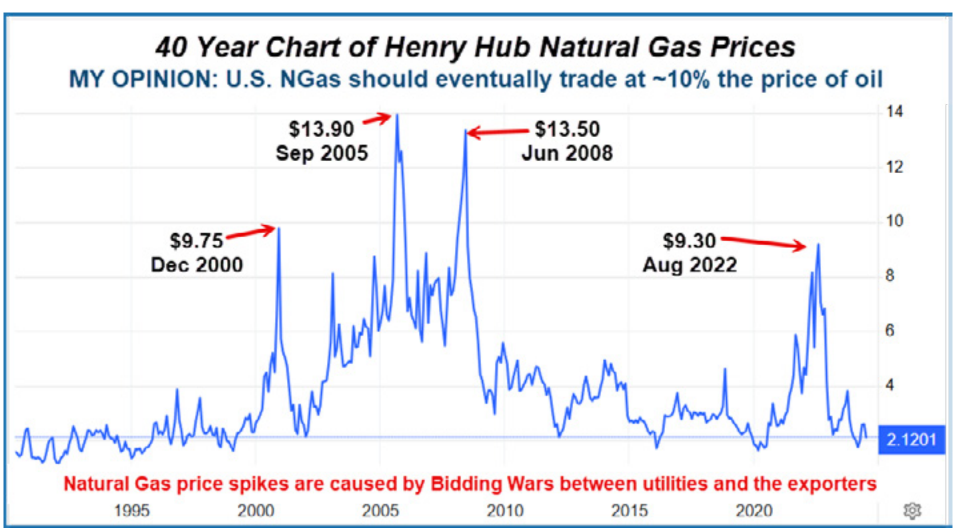
More comments from our friends at HFI Research:

"If there's one thing I can tell you about the oil and natural gas market in the years I've followed it, it is that it always reaches the extremes. Whether it's to the upside or downside, the oil and natural gas markets have the tendency to make themselves so obvious to the patient and observant trader as to make the trade asymmetric.

Look at natural gas, for example, the prompt month is now dropping below $2/MMBtu, and while fundamentals are now improving to the bull side, people are starting to panic. What happened just 45 days ago when prices were approaching $3.00/MMBtu and people forgot all about the surplus we had in storage?

Similarly, people are forgetting this time around that prices dictate just how fast Lower 48 gas production recovers. ***And with the prompt month below $2/MMBtu, the turn-in-line wells (TILs) the producers were expecting to bring on in August will be delayed.*** *This will result in Lower 48 gas production remaining below ~102.5 Bcf/d, which will help keep the natural gas market in a small deficit.*

In theory, prices should trade rangebound between $2.00 to $2.25, but the market is not always rational and it will push prices to the extremes."



Bottomline: Market Forces are rebalancing the U.S. natural gas market. $2.00/MMBtu is an unsustainable natural gas price. Three new LNG export facilities will soon come online that will wipeout the surplus in U.S. natural gas storage. In 2025 we will also be exporting more natural gas to Mexico.

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

I expect all 16 companies to report

Updated	Oil & Gas Prices used in Forecast Models					
7/26/2024	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	$ 79.00	$ 80.00	$ 82.50	$ 79.60	
HH Gas	$ 2.72	$ 2.32	$ 2.66	$ 2.88	$ 2.65	$ 3.50
2024 by Qtr	$ 2.10	$ 2.25	$ 2.25	$ 2.75	$ 2.34	

better results from Q1 to Q2 thanks to higher production and higher realized oil, natural gas & NGL prices. Several of them reported some weather related problems in the first quarter.

Four of the Sweet 16 have announced Q2 2024 financial results. We will be publishing updated profiles on these four companies within the next few days.

EQT Corp. (EQT) reported financial results below my forecast and I have lowered my valuation. On the plus side, they have closed the acquisition of **Equitrans Midstream Corporation (Equitrans)** a full quarter ahead of plan, resulting in approximately $150 million of savings relative to initial expectations; accelerates synergy capture and the commencement of EQT's deleveraging plan.

EQT is for those of you that are bullish on natural gas prices after 2024, like I am.

"This week marked a significant milestone in the history of our company as we closed the acquisition of Equitrans, transforming EQT into America's only large-scale, vertically integrated natural gas business. This combination creates a truly differentiated business model among the energy investment landscape, as EQT is now at the low end of the North American natural gas cost curve. We believe our sustainable cost structure advantage, combined with our scale, peer leading inventory depth, low emissions profile and world class operating team offers the best risk-adjusted exposure to natural gas prices of any publicly investable asset in the world." – Toby Rice, President & CEO of EQT Corp. 7-23-2024

Baytex Energy (BTE) report Q2 2024 production and financial results that exceeded my forecast. The Company has a lot of "Running Room" in South Texas and it is going to fund steady production growth with operating cash flow. They expect to generate approximately $700 Cdn million of free cash flow this year.

Matador Resources (MTDR) also reported Q2 2024 production that exceeded my forecast, as they continue their habit of "under-promising and over-delivering" on operating results. They expect to close the **Ameredev Acquisition** in September, which will raise Matador's production to over 182,000 Boepd (61% crude oil).

Veren Inc. (VRN), formerly known as Crescent Point Energy, is a company "In Transition". Its Q2 2024 results beat my forecast and my current valuation now looks too conservative; just 4X annualized operating cash flow per share. We will be publishing an updated profile on Veren on Wednesday morning.

On July 11th, **APA Corp. (APA)** provided some bullish information

Sweet 16 Growth Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
			7/26/24		
APA CORP	OIL	APA	$31.21	$48.00	53.80%
BAYTEX ENERGY	OIL	BTE	$3.43	$6.50	89.50%
CRESCENT ENERGY	OIL	CRGY	$12.10	$26.00	114.88%
DEVON ENERGY	OIL	DVN	$46.34	$63.00	35.95%
DIAMONDBACK ENERGY	OIL	FANG	$200.76	$226.00	12.57%
EOG RESOURCES	OIL	EOG	$127.15	$150.00	17.97%
EQT CORP	GAS	EQT	$34.31	$43.00	25.33%
MAGNOLIA OIL & GAS	OIL	MGY	$26.60	$31.00	16.54%
MATADOR RESOURCES	OIL	MTDR	$61.44	$90.00	46.48%
NORTHERN OIL & GAS	OIL	NOG	$40.19	$65.00	61.73%
OVINTIV INC (was ENCANA)	OIL	OVV	$46.05	$70.00	52.01%
PERMIAN RESOURCES	OIL	PR	$15.31	$24.00	56.76%
SILVERBOW RESOURCES	OIL	SBOW	$37.73	$63.00	66.98%
SM ENERGY	OIL	SM	$45.91	$72.00	56.83%
VEREN INC	OIL	VRN	$7.53	$11.50	52.72%
VITAL ENERGY	OIL	VTLE	$43.45	$107.00	146.26%

regarding their second quarter financial and operational results. Energy sector analysts and investors liked what they heard, pushing the share price up 9% since my June newsletter (as of July 26th).

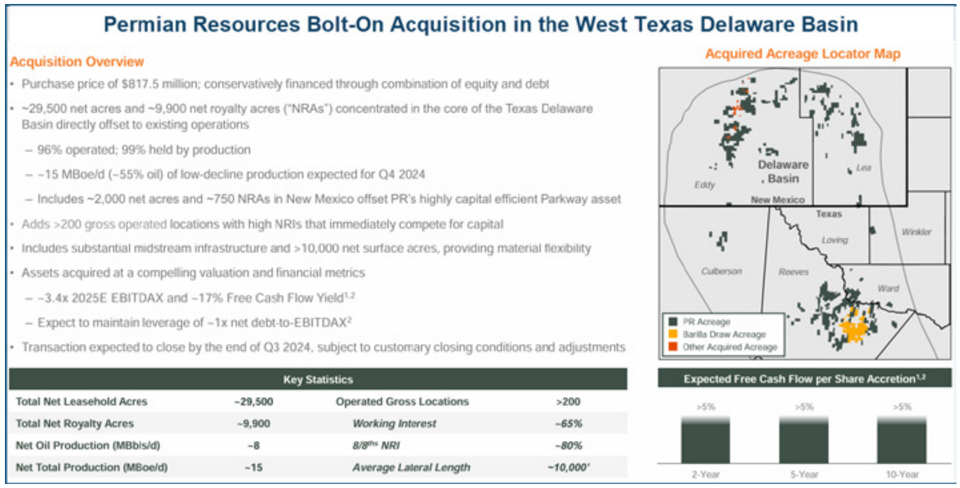
APA will report a big increase in production from Q1 to Q2 because the merger with Callon Petroleum closed on April 1. APA's Q2 production should be approximately 466,000 Boepd with a mix of 51.5% crude oil, 31.0% natural gas and 17.5% NGLs. TipRanks' consensus estimate is that APA will generate $12.02 operating cash flow per share in 2024. There is nothing that I can see that justifies APA trading at less than 3X operating CFPS.

The merger of **SilverBow Resources (SBOW) into Crescent Energy (CRGY)** is now expected to close this week. Crescent point is expected to announce Q2 financial results and provide detailed guidance for 2H 2024 on August 6. We will publish an update profile on Crescent Energy next week.

On July 8 **Devon Energy (DVN)** announced the **Grayson Mill Energy Acquisition**, valued at approximately $5 billion. Devon has a market-cap of $30.5 billion, so this is a significant transaction for them. Post-Closing production should be over 765,000 Boepd with a mix of 49% crude oil, 26% natural gas and 25% NGLs. If Devon's Q2 2024 results and their updated guidance confirm my forecast model assumptions, Devon should be getting some upgrades from the Wall Street Gang.

Diamondback Energy (FANG) and EOG Resources (EOG) continue to trade at the highest multiples of operating cash flow per share (over 6X) within the Sweet 16. Size matters in this business and these two large-caps deserve even higher valuations. They control some of the most valuable real estate in America and they have pristine balance sheets.

Magnolia Oil & Gas (MGY) remains unhedged. It can remain free cash flow positive even if WTI oil dips to $50/bbl.



On July 28th **Vital Energy (VTLE) and Northern Oil & Gas (NOG)** announced an 80/20 joint venture acquisition in the Delaware Basin from Point Energy valued at $1.1 billion. It is an all-cash transaction that is expected to close late in September. Closing adjustments for operating cash flow between the April 1 Effective Date and the Closing Date are expected to reduce the consideration paid at Closing to $1.025 billion; $820 million payable by VTLE and $205 million payable by NOG. **My forecast/valuation models for both companies have been updated for the impact of this significant transaction. It should be accretive to all financial metrics.**

For more information, you should listen to the replay of Vital's July 29th webcast, which can be found at this [LINK.]

I am expecting **Ovintiv (OVV)** to report a slight dip in production from Q1 to Q2 2024, but year-over-year financial results during 1H 2024 should be much better.

Ovintiv closed two strategic transactions in 2023; a Midland Basin Acquisition that added 75,000 Boepd of production in mid-June followed by the Bakken Asset Sale in late-June. 2023 production increased by 10.9% year-over-year primarily due to the transactions. 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 in 2025 will give it a nice revenue boost.

SM Energy (SM) was one of my Top Picks coming into 2024. I'm expecting them to report close to a 12,000 Boepd production increase from Q1 to Q2 2024. I believe that SM still has 50% upside from where it is trading today.

On July 29th **Permian Resources (PR)** announced an acquisition of Delaware Basin (Reeves County, Texas) assets from **Occidental Petroleum (OXY)** at a purchase price of $817.5 million. The transaction is expected to close in September 2024. The approximately 29,500 net acres of leasehold, which includes 9,900 net royalty acres is all in Permian Resources' core area in West Texas. Current production of the assets being acquired is approximately 15,000 Boepd with 8,000 barrels of crude oil per day.

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

Small-Cap Growth Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
			7/26/24		
GRANITE RIDGE RESOURCES	OIL	GRNT	$6.77	$8.70	28.51%
JOURNEY ENERGY	OIL	JRNGF	$2.10	$4.50	114.29%
KOLIBRI GLOBAL ENERGY	OIL	KGEI	$3.45	$5.90	71.01%
RILEY EXPLORATION PERMIAN	OIL	REPX	$28.85	$52.00	80.24%
RING ENERGY	OIL	REI	$1.92	$4.40	129.17%
ROK RESOURCES	OIL	ROKRF	$0.17	$0.55	229.93%
SOLARIS OILFIELD INFRASTRUCTURE	SERVICES	SOI	$13.12	$17.00	29.57%
SURGE ENERGY	OIL	ZPTAF	$4.99	$10.00	100.40%

come from small-caps with high-quality management teams and lots of "Running Room".

We will be publishing updated profiles on all eight companies soon after the release of Q2 financial results. You can read my initial thoughts on the Q2 results on the EPG Forum.

Solaris Oilfield Infrastructure (SOI) closed at $13.12 on July 26th, up by 55.6% since my June newsletter. This is a perfect example of why I recommend owning a basket of under-valued small-caps with high-quality management teams, strong balance sheet and lots of "Running Room". When you invest in small-caps you are really investing in the management team's track record of success. I especially like the ones that pay nice dividends, so you get paid while you wait for the Wall Street Gang to "discover" them.

On July 9th Solaris announced that it has entered into a definitive agreement to acquire **Mobile Energy Rentals LLC ("MER")**, a private company that is a premier provider of distributed power solutions serving the energy and commercial & industrial end-markets, for a purchase price of $200 million. Transaction consideration includes $60 million of cash and the issuance of approximately 16.5 million shares of Solaris Class B common stock to MER's founders and management team, who will join Solaris post-closing.

I am bullish on the upside of "distributed power infrastructure solutions" because there is going to be a big increase in U.S. electricity demand in 2025. Hundreds of natural gas-fired power plants of all sizes will be required to meet demand for electricity.

Read more details about the SOI + MER merger **HERE!**

Riley Exploration Permian, Inc. (REPX) is my Top Pick in this group. It is also pursuing the use of produced natural gas to generate electricity in the oilfield.

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 fueled 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.

Riley is a pure play on the Permian Basin. It has two core areas of 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) 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.

Journey Energy (JRNGF) is also generating electricity in the oilfield. They own three small power plants that should generate free cash flow for the Company in 2025. I believe that Journey's joint venture with **Spartan Delta (TSX: SDE)** to develop 128 sections in the Duvernay West Shale play has significant upside for us. I expect Journey to be a big winner for us in 2025, so start building a position in this stock now.

Ring Energy (REI) is finally drawing more attention. The share price is up 20% since my June newsletter. On July 8th Ring updated their 2nd quarter guidance, which was above what I was using in my forecast model. The Company also announced a $15 million reduction in debt during the quarter.

"The second quarter represents another period of strong performance on multiple key fronts for the Company. Contributing to the increased sales volumes that exceeded expectations was the success of our ongoing 2024 capital program and our continued focus on improving efficiencies of our base production. As discussed previously, we are utilizing a phased versus continuous drilling program seeking to maximize free cash flow on a quarterly basis. The ongoing capital program and improvements of our production operations are helping us deliver strong financial returns and maximize adjusted free cash flow generation that we intend to apply towards reducing debt. We paid down $15 million during this year's second quarter and plan to reduce debt meaningfully in the remaining quarters of this year, subject to oil prices remaining at current levels. We also look forward to releasing our full second quarter results early next month and revised guidance for the rest of the year that reflects the outperformance during the first two quarters. We thank our team for their steadfast efforts leading to our success and appreciate the continued support of our stockholders." – Paul McKinney, Ring's CEO

Kolibri Global Energy (KGEI) released an operations update on July 8th. The two recently completed Nickel Hill 35-1H and 35-2H horizontal wells are off to a good start with production running above the pre-drill type curves. The Company anticipates beginning drilling the next three wells in mid-August. These wells will be the Alicia Renee 2-11-3H, Alicia Renee 2-11-4H and Alicia Renee 2-11-5H. These wells will be 1.5-mile laterals and Kolibri will have a 97.8% percent working interest.

Kolibri is committed to funding all future growth with operating cash flow. The Company's Board of Directors is considering a stock buyback that could begin in this quarter.

ROK Resources (ROKRF) will report a production decline from Q1 to Q2, but they completed a successful drilling program in June that should ramp up production in Q3. ROK has a strong balance sheet and it is free cash flow positive. The current share price is less than 1.5 X my operating cash flow per share forecast for 2024. As you can tell from my valuation, I believe this small-cap Canadian should be a triple for us.

Surge Energy (ZPTAF) recently raise their monthly dividend and I expect them to raise the dividend again early in 2025. I will probably move Surge to our High Yield Income Portfolio. I will make that decision after I see their Q2 results. I do love Surge's monthly dividend payments.

Granite Ridge Resources (GRNT) is a non-op company that offers investors 6.5% dividend yield, but I rate it a HOLD until I see more production growth. It is not generating enough free cash flow to sustain their dividends without more production growth.

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 us. 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".

- **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.- lower natural gas prices for 2H 2024).
- 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.

Black Stone Minerals LP (BSM) unit price is down slightly since my June newsletter because it is the most heavily weighted to natural gas. Approximately 74% of BSM's production during 2024 will be natural gas and NGLs. The Company has ~65% of their 2024 natural gas hedged at $3.55/mcf after the first quarter, which reduces commodity price risk. It has a pristine balance sheet, so the current cash distributions of $0.375/quarter are sustainable.

On July 24, the Board of Directors of the general partner approved a cash distribution for common units attributable to the second quarter of 2024 of $0.375 per unit. The $0.375 per unit maintains the distribution level with the first quarter of 2024. Distributions will be payable on August 16, 2024 to unitholders of record on August 9, 2024.

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 of ~9.75% based on the current unit price.

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 the 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 21% in 2024. With their revenues heavily weighted to liquid sales, Viper's dividends should be increasing quarter-after-quarter.

Kimbell Royalty Partners (KRP) is an aggressive growth company, which also produces a lot of natural gas. Production increased by 34.6% year-over-year in 2023 and the partnership is on pace to increase production by ~24% YOY in 2024. Natural gas is ~50% of the partnership's 2024 production mix, which could lower their Q3 variable cash distribution to $0.40/unit. KRP 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 the Company acquired on April 4th. STR's 2H 2024 production is now expected to average ~38,000 Boepd with a mix of 50% crude oil, 28% natural gas & 22% NGLs.

KRP, STR and VNOM are all taxed as

High Yield Income Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	Estimated Annual Yield	Annual Dividend	Paid	EPG Valuation
			7/26/24				
Minerals Companies							
BLACK STONE MINERALS LP	GAS	BSM	$15.38	9.75%	$1.50	Qtr	$17.10
KIMBELL ROYALTY PARTNERS	OIL	KRP	$16.79	11.08%	$1.86	Qtr	$21.50
SITIO ROYALTIES CORP	OIL	STR	$24.22	7.27%	$1.76	Qtr	$30.00
VIPER ENERGY, INC.	OIL	VNOM	$42.30	5.51%	$2.33	Qtr	$45.00
Upstream Companies							
CIVITAS RESOURCES	OIL	CIVI	$70.83	9.15%	$6.48	Qtr	$114.00
COTERRA ENERGY	GAS	CTRA	$25.78	3.88%	$1.00	Qtr	$32.00
HEMISPHERE ENERGY	OIL	HMENF	$1.29	7.45%	$0.096	Qtr	$3.00
INPLAY OIL	OIL	IPOOF	$1.62	8.23%	$0.133	Mo	$4.05
Midstream Companies							
ANTERO MIDSTREAM CORP	Midstream	AM	$14.49	6.21%	$0.90	Qtr	$14.75
ENBRIDGE INC	Midstream	ENB	$36.66	7.39%	$2.71	Qtr	$38.00
ONEOK, INC.	Midstream	OKE	$82.02	4.83%	$3.96	Qtr	$87.50
PLAINS ALL AMERICAN PIPELINE - GP	Midstream	PAGP	$18.38	6.91%	$1.27	Qtr	$21.00

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 is a rock solid company with decades of high-quality Running Room. I will be taking a hard look at it next week after I get a chance to study their Q2 2024 financial results, which will be announced on August 2nd.

Civitas Resources (CIVI) is 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 55% year-over-year production growth in 2024. I also like the Company's production mix that should be 48% crude oil, 24% NGLs and 28% natural gas heading into 2025. Revenues are heavily weighted to the sale of liquids.

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

On July 11th Hemisphere announced that the TSX Venture Exchange (the "TSXV") has accepted the Company's Notice of Intention to renew of its Normal Course Issuer Bid (the "NCIB") to purchase for cancellation, from time to time, as Hemisphere considers advisable, up to 8,255,766 common shares of the Company, representing approximately 10% of the current public float of the Common Shares. As Hemisphere's outstanding shares go down, my per share valuation will go up.

Hemisphere has a pristine balance sheet. If WTI averages $80US/bbl, the Company should report record free cash flow quarter-after-quarter. The Company's dividend yield is ~7.5%, including the recently announced Special Dividend that was paid on July 26th to shareholders of record on July 12th.

Since Hemisphere has no interest bearing debt to pay off, so 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 should 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). The Company's production declined from 9,596 Boepd in Q4 2023 to 8,605 Boepd in Q1 2024 due to extremely cold weather in January. Production has bounced back in Q2 and I expect InPlay to report strong production growth in 2H 2024 with an exit rate close to 10,000 Boepd.

Hemisphere and InPlay are both going to benefit from improving oil price differentials in Western Canada.

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.

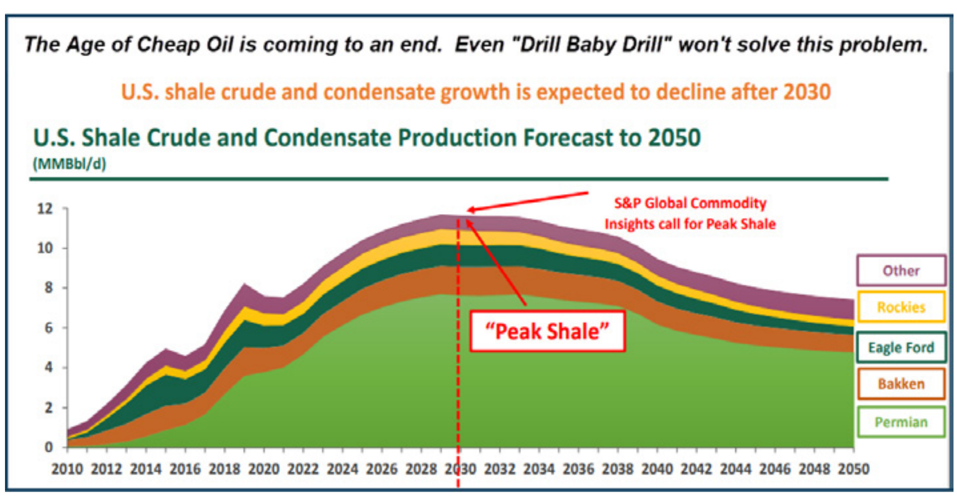
There are several companies in our Sweet 16 and Small-Cap Growth portfolios that offer annual dividend yields over 5%.

Final Thoughts

From time to time, we need to be reminded that every oilfield ever discovered eventually goes on decline. It happens soon after most of the Tier One acreage is drilled up. When the "Shale Revolution" began around 2010, thanks to significant improvements in horizontal drilling technology and well completion methods, the U.S. had five oil basins contributing to production growth. Today, the Permian Basin is the only U.S. basin that still has significant production growth upside. Soon after 2030 the Permian Basin's oil production will go on decline.

Most of the Permian Basin companies that I follow are already reporting increases in their gas-to-oil ratios. There is still a lot of oil left to produce, but the "Age of Cheap Oil" ended around 2005. You may recall that WTI oil ran up to $147/bbl in early 2008.

Yes, there is a chance that a new technology will unleash a new wave of oil production growth.



The U.S. is blessed to have abundant natural gas reserves. Natural gas is the "Clean Fossil Fuel" and it can be used as a transportation fuel. We've had internal combustion engines running on natural gas for over two decades. We just need to build out the delivery system and we could convert lots of large trucks to run on compressed natural gas. CNG will be a big part of a commonsense energy program.

While I was on vacation in Alaska our home was damaged by Hurricane Breyl. We were "lucky" to have only $20,000 of damage. None of us knows what tomorrow will bring, but we should not live in fear. We have politicians trying to use fear to control us, and to justify higher taxes. Live free and enjoy this wonderful planet Earth, which God designed as a paradise.

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

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.

August 2 at 10:00AM CT: A Special Event webinar to introduce Harry van Neck, who posts to the EPG Forum as "Petroleum Economist" to EPG members. Harry is going to explain his methodology for ranking upstream oil & gas companies.

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.