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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.

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**"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.



Donald Trump gives speech at UN General Assembly on 23 September 2025

Last week President Trump made an important speech at the United Nations General Assembly in New York. **He told the world the truth**, something few politicians are capable of doing, which is that the FEAR of "Climate Change" would destroy their countries. The Green New Scam has pushed nations all over the world to think wind and solar could power their economies. Those forms of energy are not reliable or affordable for any country. \$Trillions have been spent on wind and solar projects and they generate less than 5% of the world's energy.

**CO2 is not an "Existential Threat" to the human race.** The concentration of carbon dioxide (CO2) in the atmosphere reached 427 parts per

million (0.0427%) in 2024 (per Wikipedia) and it is an essential gas for life on Earth. Plants cannot live without CO2 and humans cannot live without plants.

On September 15th the **International Energy Agency (IEA)** released a stunning report, which our friend over at The Energy Investor, **Keith Kohl** called a "bombshell report". For me it was stunning to see the mouthpiece for the Climate Change Wacko movement admit that we needed to start spending a lot of money (i.e. \$600 billion per year) to find and develop new oil supplies or the OECD countries would soon be running out of oil.

Read Keith's Note [here](#).

## 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.

**November 18th Luncheon in Houston:** Paul Colborne, President & CEO of **Surge Energy** (SGY.TO and ZPTAF) will be speaking at our luncheon at Maggiano's Little Italy, 2019 Post Oak Blvd.

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.

A year earlier, the IEA was telling everyone that Peak Oil Demand was near because the majority of us would be driving electric vehicles and a high percentage of the human population would be willing to accept a lower standard of living. A year ago the head of EIA actually told the world to quit investing in projects to find more oil, since we would soon no longer need it.

The IEA now tells us that based on their analysis of ~15,000 oilfields, oil production from existing wells is now declining at a much faster rate than they thought it was a year ago. If you've been an EPG member for more than a year, you already knew this. Most people are not as smart as we are. The "cattle" believe what they are being told. Cattle are controlled by FEAR. The FEAR of Global Warming made a lot of people rich and a lot of nations poor.

The next four paragraphs are from AEGIS Hedging, a group that I have a lot of respect for.

According to IEA analysis, conventional oil fields lose an average of **5.6% of production each year once they peak, while gas fields decline even faster at 6.8%**. Decline rates vary sharply by field size. The IEA defines supergiant fields as holding more than 5 billion barrels

of recoverable reserves, and notes they decline at just 2.7% annually. Giants (500 million to 5 billion barrels) average 6.3%, large fields (100–500 million barrels) fall 9.4%, and small fields, with less than 100 million barrels, drop by 11.6% a year. The Middle East, home to many of the world's largest onshore supergiants, shows the lowest decline rates at under 2%, while Europe, where offshore fields make up much of production, faces declines closer to 10%. **The IEA also highlights the sharper risks associated with unconventional resources. If reinvestment stopped, US shale output would fall by more than a third in a single year, followed by another 15% drop the next. By contrast, conventional supergiants in the Middle East and Russia could**

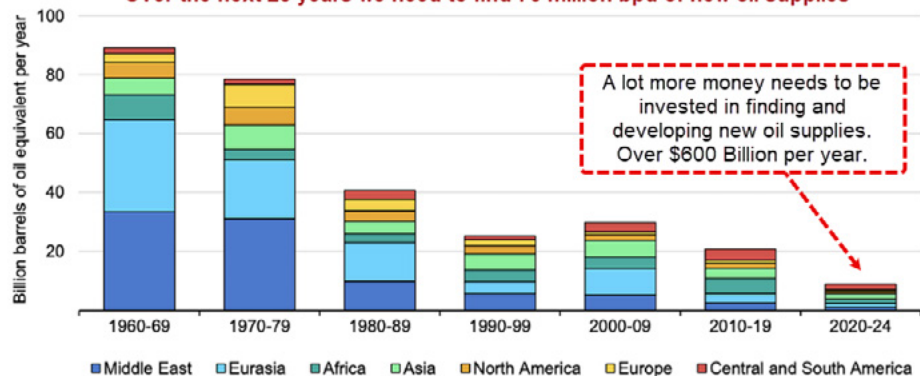
sustain steadier flows.

Without reinvestment, the IEA estimates global oil supply would shrink by about 5.5 MMBbl/d each year, the combined output of Brazil and Norway, while gas would fall by 270 bcm (~9.5 Tcf). Holding today's output steady through 2050 would require more than 45 MMBbl/d of new oil and 2,000 bcm (~70 Tcf) of gas from projects not yet built. The IEA notes that although 230 billion barrels of oil and 40 tcm (~1,410 Tcf) of gas have been discovered but remain undeveloped, mostly in the Middle East, Eurasia, and Africa, a large gap persists. **Even if these resources were developed, the world would still need annual discoveries of 10 billion barrels of oil and 1 tcm (~35 Tcf) of gas, only slightly above recent trends.**

Investment patterns underline the challenge. IEA data show that global spending is rising, yet much of the growth targets clean energy rather than upstream oil and gas. Oil and gas still command significant capital, but not enough to counter accelerating declines. And with new conventional projects taking nearly 20 years from licensing to first production, today's decisions will shape supply in the 2040s and beyond.

**Decline rates are not a distant, theoretical challenge but a near-term reality that requires constant reinvestment just to keep production flat.** Economies reliant on shale

**Figure 12** Average annual conventional oil and gas discoveries, 1960-2024  
Over the next 25 years we need to find 70 million bpd of new oil supplies



Source: Rystad Energy

IEA, CC BY 4.0.



*production face particularly sharp risks if drilling slows, while producers in the Middle East benefit from slower-declining conventional assets. The challenge now is that the majority of investments are no longer driving growth but merely sustaining existing output against accelerating decline rates. The greater vulnerability may not be weakening demand, but a scenario where investment falls short of what is needed to offset the natural erosion of field productivity.*

**Bottomline:** This world runs on oil. The cheap oil has been harvested. Oil prices must go higher to attract the capital needed to find and develop new oil supplies.

## Oil Prices

There is no GLUT of crude oil in the real world. Net zero is a fantasy based on the belief that windmills, solar panels and electric vehicles can replace gasoline and diesel. The fact that you cannot find the materials that are needed to build them, transport them, and install them without oil-based products is just an inconvenient fact.

In EIA's most recent Short-Term

Energy Outlook released on September 9th, the agency's oil price forecast was as follows:

*"We expect the Brent crude oil price will decline significantly in the coming months, falling from \$68 per barrel (b) in August to **\$59/b on average in the fourth quarter of 2025 (4Q25) and around \$50/b in early 2026.** The price forecast is driven by large oil inventory builds as OPEC+ members increase production. We expect global oil inventory builds will average more than 2 million barrels per day (b/d) from 3Q25 through 1Q26. We expect low oil prices in early 2026 will lead to a reduction in supply by both OPEC+ and some non-OPEC producers, moderating inventory builds later in 2026. We forecast the Brent crude oil price will average \$51/b next year. We finalized this outlook before OPEC+ announced on September 7 that it plans to raise production by 137,000 b/d in October 2025."*

First let me say that forecasting the price of oil is extremely difficult because it is **"About the Future"**. Here is why I do not agree with EIA that oil prices will go lower.

1. **Saudi Arabia needs higher oil prices.** They are going along with

Trump's goal of lower gasoline prices because they (a) do not want to be placed on Donald's "naughty list", and (b) higher oil prices in 2025 might push the world into a global recession. A global recession is not good for the Kingdom.

2. **Geopolitical Risk to Oil Supply is much higher than it was on September 9th.** President Trump met with Putin in Alaska on August 16th. The next week more than a dozen European leaders came to Washington to meet with Trump and it appeared that peace in Ukraine was likely. On September 9th there was still a chance of a ceasefire and EIA assumed that sanctions on Russia oil exports would be lifted. Today the war continues and Trump told the UN assembly to stop buying Russian oil.
3. **There is still "Unfinished Business" in Iran.** Last week Iran's "Supreme Leader" announced that he will not give up on plans to enrich uranium. On September 26th the UN announced that it "is set to reimpose wide-ranging sanctions on Iran over Tehran's disputed nuclear program." A press release from Reuters that came out on

## 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)      | • Kimbell Royalty Partners (KRP) | • Peyto Exploration & Development (PEY.TO) |
| • Baytex Energy (BTE.TO)     | • Kolibri Global Energy (KGEI)   | • Spartan Delta (SDE.TO)                   |
| • Black Stone Minerals (BSM) | • Pine Cliff Energy (PNE.TO)     | • Surge Energy (SGY.TO)                    |
| • Hemisphere Energy (HME.V)  | • Rubellite Energy (RBY.TO)      | • Vital Energy (VTLE)                      |
| • InPlay Oil (IPO.TO)        | • Ring Energy (REI)              | • Whitecap Resources (WCPTO)               |
| • Journey Energy (JOY.TO)    | • ROK Resources (ROK.V)          |  |

September 26th included this sentence: "Besides targeting Iran's nuclear and missile programs, the sanctions would also hit Tehran's key oil industry, transport and shipping, and the financial and banking sectors."

4. **FEAR of "What will OPEC+ do next?" is way overblown:** OPEC+, which is controlled by Saudi Arabia, has raised their production quotas, but exports remain well below quotas. More than half of the nations in the cartel cannot produce oil up to their quotas. Several nations that were producing above previous quotas have agreed to produce below the new quotas to make up for their previous over-production. My opinion is that a word game is being played to keep a lid on the price of oil while the physical oil market remains tight. For example, in the U.S. the Big 3 petroleum inventories (crude oil, gasoline and distillates) are all below normal for this time of year.

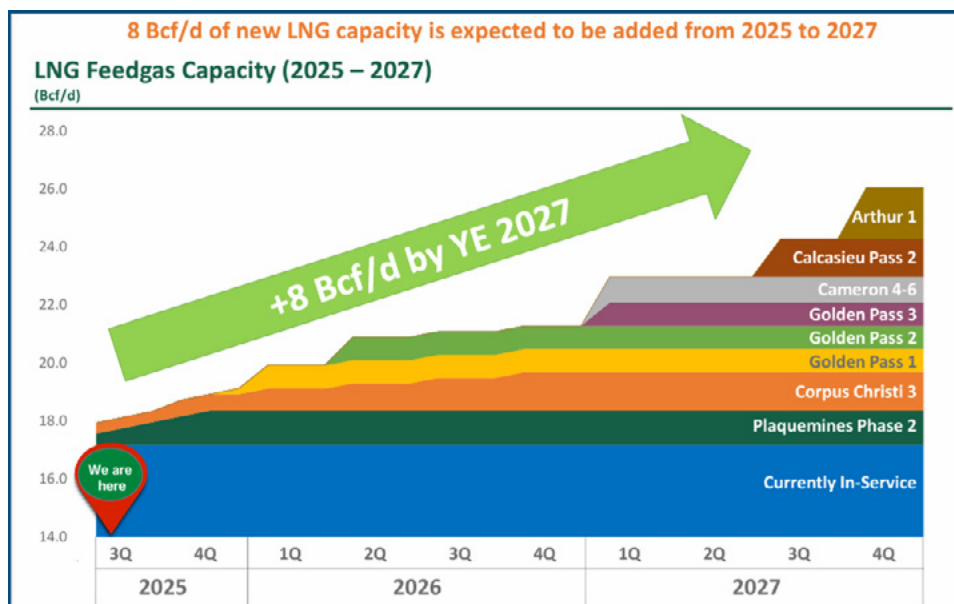
**Bottomline:** Russia and Iran are two of the world's top five oil exporting nations. Ukraine has successfully attacked Russian infrastructure and their ability to export oil and refined products. There is unfinished business in Iran. There is much more risk to global oil supply than there was on September 9th.

## Natural Gas Prices

NOV26 is now the front month NYMEX contract for Henry Hub natural gas. It closed at \$3.18/MMBtu on September 26th.

Natural gas prices are "Regional". Higher gas prices in the Permian Basin are not coming anytime soon. AECO gas prices will ramp up in Q4 because draws from storage in Western Canada for space heating begins in October.

In the U.S. market, the natural gas prices you see reported (the front month contract) should stabilize over \$3.00/MMBtu in October, move



over \$3.50 in November and over \$4.00 in December.

Weather is ALWAYS going to be the primary driver of natural gas prices in the U.S. this time of year, however rapidly increasing LNG export capacity will eventually push U.S. ngas prices toward the ngas prices in Asia and Europe, which today are over \$11.00US/MMBtu. If we have a normal winter, I expect HH natural gas prices to move over \$5.00/Mmbtu in Q4 2026.

I agree with EIA's forecast for natural gas prices in the U.S.: "We (EIA) expect the Henry Hub natural gas spot price will rise from an average of \$2.91 per million British thermal units (MMBtu) in August to **\$3.70/MMBtu in 4Q25 and \$4.30/MMBtu next year**. Rising natural gas prices reflect relatively flat natural gas production amid an increase in U.S. liquefied natural gas exports.

My individual stock valuations for each company are based on four things:

1. Production volumes. Most of the companies provide accurate production guidance.
2. Realized oil, natural gas, and NGL prices for each company during each forecast period.
3. Strength of balance sheet / ability to service their debt
4. Quality of development drilling inventory ("Running Room")

The stock valuations are based on what I believe are conservative multiples of their Adjusted Operating Cash Flow per share in 2025 and 2026.

Regional and quality differentials impact realized commodity prices, plus most of the companies have hedging programs that reduce their commodity price risk. For most companies, their realized crude oil prices in Q3 2025 should be close to what they were in Q2 2025. Their natural gas and NGL prices should be slightly lower in Q3. Thanks to better weather, operating expenses are usually lower in Q3. So, financial results in Q3 should be close to what they reported in Q2.

## Sweet 16 Growth Portfolio

The Sweet 16 is our "Flagship Portfolio". It is made up of 15 upstream companies and one oilfield services company (SEI) that have strong revenues 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"). Fifteen of them pay dividends (Antero Resources is the exception) and half of them have stock buybacks underway.

These are the WTI oil and HH natural gas prices used in EPG forecasts						
Updated	Oil & Gas Prices used in Forecast Models					
8/12/2025	2023 & 2024 Actuals and 2025 Forecasts					2026
	Q1	Q2	Q3	Q4	YEAR	YEAR
	Actuals	Actuals	Actuals	Actuals	Actuals	Forecast
2023 WTI Oil	\$ 76.11	\$ 73.66	\$ 82.32	\$ 78.32	\$ 77.60	
2024 by Qtr	\$ 76.91	\$ 80.49	\$ 75.16	\$ 70.28	\$ 75.71	
2025 by Qtr	\$ 71.42	\$ 63.74	\$ 65.00	\$ 62.50	\$ 65.67	\$ 65.00
2023 HH Gas	\$ 2.72	\$ 2.32	\$ 2.66	\$ 2.88	\$ 2.65	
2024 by Qtr	\$ 2.10	\$ 1.88	\$ 2.16	\$ 2.79	\$ 2.23	
2025 by Qtr	\$ 3.65	\$ 3.43	\$ 3.25	\$ 3.50	\$ 3.46	\$ 4.00

All 16 companies reported Q2 2025 results that were in line with my forecasts or slightly better. I expect all of them to report Q3 2025 results that should be close to my forecasts and close to what they reported in the 2nd quarter. Their realized oil and gas price will be a bit lower, but their expenses should also be lower. All of them should remain free cash flow positive.

On Monday, September 22nd Neal Dingmann, a highly respected energy sector analyst who works at William Blair sent a note to the firm's clients that included "Overweight" recommendations on seven of our Sweet 16 companies. Below are his summary for each company followed by bullet point notes from me.

**Crescent Energy (CRGY):** Dingmann expects the Company to have \$600 million of free cash flow in 2025 and \$800 million in 2026. The Vital Acquisition, though potentially causing short-term pain for long-term gain, would fit the bill of such assets assuming Crescent runs notably fewer rigs going forward than Vital currently does.

- The Vital Acquisition is a stock-for-stock merger valued at \$3 Billion.
- I expect the merger to close in November, creating the 9th largest independent upstream oil & gas company with production of approximately 400,000 Boepd; just ahead of **Permian Resources (PR)**.
- After the merger closes Crescent Energy will have significant "Running Room" in the Permian Basin, South Texas Eagle Ford, and the Uinta Basin in Utah.

- Based on my proforma forecast, the Vital assets will be immediately accretive to all financial measures that count, including free cash flow per share.
- My current valuation of CRGY is \$22.00, with upside to \$24.50 when

the merger closes. First Call's price target is \$15.00 and TipRank's consensus price target is \$13.89, which is the average prices targets submitted in the last three months that range from \$10 to \$20.

- CRGY pays quarterly dividends of

## Sweet 16 Growth Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
9/26/25					
ANTERO RESOURCES	GAS	AR	34.34	\$43.50	26.67%
CIVITAS RESOURCES	OIL	CIVI	33.29	\$60.00	80.23%
COTERRA ENERGY	GAS	CTRA	23.83	\$35.00	46.87%
CRESCENT ENERGY	OIL	CRGY	9.77	\$22.00	125.18%
DEVON ENERGY	OIL	DVN	36.99	\$50.00	35.17%
DIAMONDBACK ENERGY	OIL	FANG	148.25	\$192.00	29.51%
EOG RESOURCES	OIL	EOG	117.31	\$140.00	19.34%
EQT CORP	GAS	EQT	54.06	\$63.00	16.54%
MAGNOLIA OIL & GAS	OIL	MGY	25.26	\$27.00	6.89%
MATADOR RESOURCES	OIL	MTDR	49.01	\$75.00	53.03%
NORTHERN OIL & GAS	OIL	NOG	27.66	\$44.00	59.07%
OVINTIV INC (was ENCANNA)	OIL	OVV	43.17	\$58.00	34.35%
PERMIAN RESOURCES	OIL	PR	13.68	\$21.00	53.51%
RANGE RESOURCES	GAS	RRC	37.65	\$39.00	3.59%
SM ENERGY	OIL	SM	27.58	\$57.00	106.67%
SOLARIS ENERGY INFRASTRUCTURE	SERVICES	SEI	39.71	\$42.00	5.77%



\$0.12 (\$0.48/yr) for yield of 5.1%, and they have more than enough free cash flow to continue those dividends.

- Vital has more than 90% of their Q3 and Q4 2025 oil production hedged with Swaps at an average price of \$68.82/bbl.. Those hedges should generate big cash settlements that will go into the combined Company's bank account.

**Devon Energy (DVN):** Dingmann notes that the company generates one of the highest rates of shareholder returns in the sector through dividends and opportunistic buybacks. Devon's technologies and optimization plan is in process and should generate over \$1 billion in annual FCF, as AI tools, agents, and models boost drilling, completions and real-time production.

- My current DVN valuation of \$50.00 compares to First Call's price target of \$45.62
- Devon's current production is ~845,000 Boepd, 46% oil, 27.5% Ngas, 26.5% NGLs
- Devon is on pace to generate \$2.7 Billion of free cash flow this year.
- Devon offers investors approximately 2.8% dividend yield and an aggressive stock buyback program that will continue to increase the value of each share.

**Diamondback Energy (FANG):** Diamondback's best-in-class cost structure, ample tier-1 inventory and operational efficiencies generate the **upstream group's highest free cash flow per barrel of oil equivalent (BOE) produced.** Dingmann notes that the company could announce a mega power project soon.

- Diamondback is a pure play on the Permian Basin.
- FANG has been trading below book value per share, which is not justified unless you believe that oil prices will remain in the low \$60s per barrel through 2030.
- Dividend yield is only 2.7%, but this one has significant growth potential.
- Diamondback's current production is 915,000 Boepd, ~53.5% oil.
- If they announce a "Mega Power

Project", it should draw more investors' attention to this high-quality Company. They will be turning cheap West Texas natural gas into high value electricity.

- My valuation of \$192.00 compares to First Call's price target of \$180.76

#### **Magnolia Oil & Gas (MGY):**

Dingmann views the Company's low investment requirements and industry-leading growth as a winning playbook. Magnolia has more acres (550,000) than any other small-/midcap E&P, and its finding and development (F&D) costs per acre are lower than most peers."

- MGY is getting close to my valuation of \$27.00 and First Call's price target of \$26.75.
- The Company has significant growth potential in South Texas. With a modest drilling program, it can generate 8% to 10% production growth year-over-year.
- It has a solid balance sheet, continues to generate lots of free cash flow, pays a decent dividend, and has a stock buyback underway.
- Everything looks good, but at this point I rate it a HOLD because none of their production is hedged, therefore a higher valuation multiple is not justified until there is more certainty on where oil & gas prices are headed.

#### **Matador Resources (MTDR):**

Matador continues to benefit from the aptitude of founder and CEO Joe Foran and his team, with Foran demonstrating similar operational and financial success as he did at his predecessor companies. Dingmann forecasts that the Company's margins and production growth will remain elevated.

- Matador is one of my all-time best picks. It continues to beat my production forecasts quarter-after-quarter.
- It is a pure play on the Permian Basin; primarily the Delaware sub-basin.
- It is a classic "Growth Company;" continuing to increase production even during the first two years of Pandemic.
- Since 2021, Matador has increased production by close to 150%; with

two accretive acquisitions that closed in 2024.

- With lots of high-quality "Running Room" in the Delaware Basin, they should be able to generate steady 5% annual production growth through the drillbit and generate strong free cash flow.

**Northern Oil and Gas (NOG):** The Company has industry-leading economies of scale across four core U.S. basins and has completed 15 accretive acquisitions since 2021 with numerous future ground game opportunities. Dingmann sees continuous growth in dividends and stock buybacks.

- NOG is the largest publicly traded "Non-Op" company.
- One of the keys to their strategy is partnering with high-quality operating companies.
- Since 2021 NOG has increased production by ~150%, primarily by acquisition, but also with steady growth from development drilling programs.
- My valuation is \$44.00, which compares to First Call's price target is \$33.30.
- **Dividend yield of 6.8%** is secured by hedges that lock in free cash flow.

**Permian Resources (PR):** Dingmann notes that the Company has lowered its D&C costs and operating expenses. They have also improved returns to shareholders after the merger with Earthstone Energy. He rates Permian Resources as one of the highest-quality mid-cap exploration and production companies, with attractive assets, efficient operations and a solid balance sheet.

- Earthstone Energy was one of my Top Picks back in 2023. It was a "Win-Win" merger.
- Since 2022 Permian Resources has increased production by 303% to 385,118 Boepd in Q2 2025. I expect the Company to exit 2025 with production near 400,000 Boepd.
- It is primarily a Delaware Basin company that is reporting some of the best well results in the Permian Basin.
- My valuation of \$21.00 is based on

just 4.75 X 2025-2026 annualized operating cash flow per share. I could justify a higher valuation. First Call's price target is \$18.32.

**EQT Corp. (EQT)** recently announced two more transactions to get the Company directly into the LNG export business, which should be very profitable. These deals come on top of two LNG deals signed earlier in 2025: a 2 metric tons per year (MTPA) LNG deal signed with Texas LNG and a 2 MTPA contract signed with Gunvor LNG.

- EQT signed a 20-year deal with NextDecade for 1.5 million ton per annum (MTPA) of LNG from the Rio Grande LNG Train 5. The LNG price is based on a free-on-board gas price indexed to Henry Hub.
- EQT booked a 1.0 MTPA of liquefaction capacity under a 20-year deal with Commonwealth LNG at the export facility under development on the Gulf Coast near Cameron, Louisiana.
- The Rio Grande LNG Train 5 and the Cameron LNG project are expected to see FID in late 2025, with first LNG exports in 2029.
- I've heard EQT called the "Most Own" natural gas producer because of their size and deals like this that layer on more revenue growth in the future.

In addition to EQT, if you want more exposure to natural gas, I recommend **Antero Resource (AR)**, **Range Resources (RRC)**, and **Coterra Resources (CTRA)** in that order.

**EOG Resources (EOG)** and **Ovintiv (OVV)** get most of their revenues from oil sales, but natural gas and NGLs make up the majority of their production measured by Boe per day. You can find the production mix for each company in our three model portfolios on the Sweet 16 Main Spreadsheet that is updated each week.

**Solaris Energy Infrastructure (SEI)** made a nice run higher since our last newsletter, but it pulled back last week on profit taking. It is going to be a "high beta" stock because it is linked to the AI Data Center build

out. For its size, it has very high trading volume; over 2.1 million shares per day. "Frequent Traders" are attracted to stocks like this, so my advice is "Buy the dips" and tighten up stop loss orders after it makes a run.

For those of you investing for dividends, here are the four Sweet 16 companies that have the highest annualized dividend yields based on September 26th closing prices. **Antero Resources (AR)** is the only Sweet 16 that does not pay quarterly dividends.

- Civitas Resources (CIVI): 6.01%
- Northern Oil & Gas (NOG): 6.51%
- Crescent Energy (CRGY): 4.91%
- Permian Resources (PR): 4.39%

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

All ten companies reported solid Q2 2025 results, and they all remain free cash flow positive. I have updated my forecast/valuation models for each company, and you can find updated profiles on each of them under the Small-Caps tab on the EPG website.

**Vital Energy (VTLE)** is going to merge into **Crescent Energy (CRGY)**. I expect the transaction to close in November. It will create the 9th largest independent E&P company with approximately 400,000 Boepd of production. Size does matter in this business.

Once the Wall Street Gang figures out how accretive the merger is going to be for Crescent Energy's operating cash flow, I expect them to increase their price targets. TipRanks

currently has ten recently updated price targets for CRGY in their **consensus price target of \$13.89**. The most recently updated price target is dated 9-23-2025 from Mark Lear, a 5-Star rated energy sector analyst at Piper Sandler. Mark rates CRGY a BUY with a price target of \$17.00.

On September 23rd **ROK Resources (ROK.V)** announced that it will be going private via a sale to **Blue Alaska Oil Trading LLC** and the spinout of ROK's 16.47% stake in EMP Metals to a special purpose company ("SpinCo"). SpinCo is expected to monetize the EMP shares soon after the transactions close and distribute to sales proceeds to ROK shareholder. When the dust settles, ROK shareholders should get approximately \$0.276Cdn per share, a 45% premium to where ROK.V closed on September 23rd an hour before the transaction was announced. Read my analysis [here](#).

The remaining eight companies in the portfolio are trading at discounts to my valuations, so we may see a few involved in M&A transactions by year-end.

**Spartan Delta (SDE.TO)** and **Journey Energy (JOY.TO)** look very attractive because of the strong well results in their Duvernay oil play. Spartan Delta is on track to produce over 40,000 Boepd of production this year with a mix of 86% natural gas and NGLs. If natural gas prices do firm up in Canada, Spartan Delta might sell their assets in the Deep Basin and use the sales proceeds to accelerate their development drilling program in the Duvernay, which is focused on increasing the Company's crude oil production.

**Journey Energy** just needs to do keep up with their 30% share of the Duvernay Joint Venture drilling program that is being operated by Spartan Delta. Based on my forecast, Journey should have no problem keeping up.

In Harry van Neck's database, which now includes 84 public energy companies, **Kolibri** **Global**

## Small-Cap Growth Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
		Dividends	9/26/25		
BAYTEX ENERGY	OIL	BTE	\$2.52	\$4.20	66.67%
JOURNEY ENERGY	OIL	JRNGF	\$2.39	\$2.60	8.79%
KOLIBRI GLOBAL ENERGY	OIL	KGEI	\$5.78	\$9.00	55.71%
PINE CLIFF ENERGY	GAS	PIFYF	\$0.45	\$0.66	46.34%
RILEY EXPLORATION PERMIAN	OIL	REPX	\$28.96	\$48.00	65.75%
RING ENERGY	OIL	REI	\$1.14	\$2.50	119.30%
ROK RESOURCES	OIL	ROKRF	\$0.16	\$0.30	85.41%
RUBELLITE ENERGY	OIL	RUBLF	\$1.63	\$3.95	142.33%
SPARTAN DELTA	GAS	DALXF	\$3.95	\$4.30	8.86%
VITAL ENERGY	OIL	VTLE	\$18.34	\$20.00	9.05%

**Exploration (KGEI) and Riley Exploration Permian (REPX)** rank 1st and 3rd respectively based on Net Present Value per share. A merger of these two makes sense to me, but Riley already has a lot of Running Room in SE New Mexico, so the chance of that happening is small.

Kolibri will be completing four more high-rate horizontal development wells in October, so I am expecting their 2025 exit rate to be over 6,500 Boepd, which compares to actual production of 3,220 Boepd in Q2 2025. My hope is that Kolibri announces at least a 12-well

development drilling program in their Tishomingo Field for 2026.

In a Form 6-K filed with the SEC on September 22nd, Kolibri announced a special shareholders meeting will be held on November 25, 2025. My guess is that some of the Company's largest shareholders want an update on how the Company's management plans to get the most value out of the Tishomingo Field. At where oil prices are today, I would prefer an accelerated drilling program over a sale. The most likely buyer is **ExxonMobil (XOM)**.

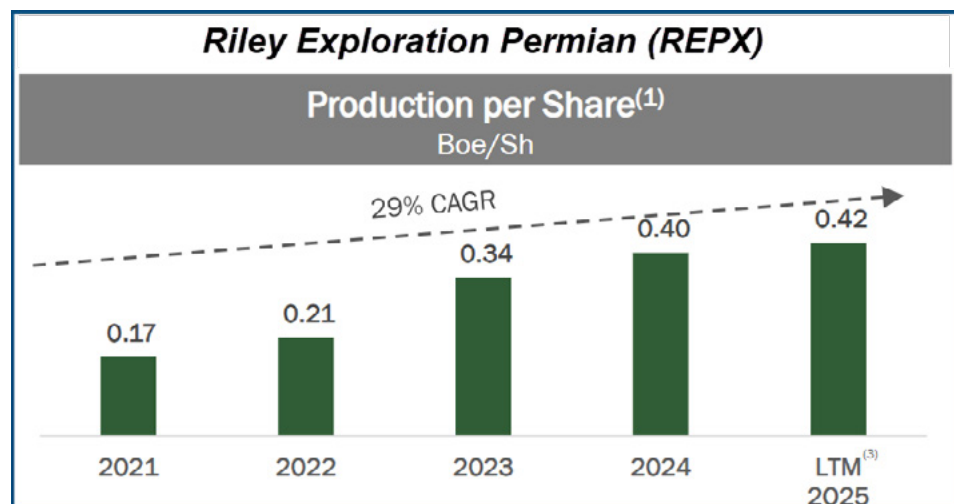
Riley is my Top Pick in the portfolio because of the combination of dividend yield (~5.3%) and more than 20% annual production growth year-after-year. Riley will be reporting a nice production increase from Q2 to Q3 2025 because they closed the Silverback Acquisition in July that added approximately 5,000 Boepd (52% crude oil and 23% NGLs). The Silverback deal also added 47,000 acres of leasehold in Eddy County, New Mexico and a lot more development drilling locations.

**Baytex Energy (BTE.TO)** is the largest company in the portfolio with a market-cap of \$2.4 billion. It reported Q2 2025 results that exceeded my forecast, and they have tightened up their production guidance for 2H 2025. My valuation of \$4.20US per share is just 3 X annualized Adjusted Operating Cash Flow per share for 2025 & 2026. That is a low multiple for a company of this size that pays a dividend and is using free cash flow after dividends to payback debt in 2H 2025.

Baytex deserves a higher valuation multiple once oil prices stabilize. Most encouraging is the recent Duvernay well results and the successful refracs in South Texas that should increase proved reserves. I originally added BTE to our Sweet 16 in 2023 because I thought they had significant upside in South Texas. Their refrac results are proving that I was right.

Most of this year's free cash flow will be generated in the 2nd half of the year because their capital program was front-end loaded. Free cash flow after dividends in 2H 2025 will be used to pay down debt. The balance sheet should be in good shape at year end.

Phil Hodge, CEO of **Pine Cliff Energy (PNE.TO and PIFYF)** made a very informative presentation at our Houston luncheon on September 17th. They will be drilling two high-potential development wells in Q4 2025. Approximately 80.5% of Pine Cliff's production is natural gas and 13.5% NGLs. I added it to the





portfolio because I expect natural gas is Western Canada to rebound to over \$3.00Cdn/MMBtu in December and be much higher year-over-year in 2026. If so, PNE.TO should be a double for us within six months.

**Ring Energy (REI)** reported Q2 2025 results that exceeded my forecast, which was their 23rd consecutive quarter of free cash flow. Ring should be free cash flow positive in Q3 and Q4. Free cash flow keeps going to pay down debt, which is a good thing, but shareholders want dividends. The share price did get a boost on August 26th when Ring announced its debt reduction target of \$18 million for Q3 2025, and that Warburg Pincus has (finally) sold the last of its Ring common stock. Warburg's stock sales had been keeping a lid on the share price for

years. TipRanks' consensus price target is \$2.50.

**Rubellite Energy (RBY.TO and RUBLF)** reported Q2 2025 results that beat my forecast. Based on Net Present Value per share, RBY.TO has moved up to #7 out of 84 public companies in Harry van Neck's database. In its five core areas of operations, Rubellite has 204 net drilling locations and most of them are low-risk horizontal drilling locations that should generate high rates of return on investment at today's oil price.

Rubellite's production has grown from 1,670 Boepd in 2021 to **12,425 Boepd in Q2 2025**. 88.6% of Q2 2025's revenues were from the sale of heavy oil. The Company's production should increase to over

13,000 Boepd by year-end. If their heavy oil realized price is \$72Cdn/bbl in 2026, compared to \$75.52Cdn/bbl in 1H 2025, Rubellite should be able to fund a more aggressive development drilling program in 2026 entirely with operating cash flow.

For more details on each company in this portfolio, read our recently updated profile.

## High Yield Income Portfolio

My primary goal for this portfolio is to find companies that have strong balance sheets and sustainable high dividend yields. In addition to attractive yields, most of these are "Growth Companies" that have

## High Yield Income Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	Estimated Annual Yield	Annual Dividend	Paid	EPG Valuation
			9/26/25	USD			
Minerals Companies							
BLACK STONE MINERALS LP	GAS	BSM	\$13.40	9.51%	\$1.28	Qtr	\$13.00
KIMBELL ROYALTY PARTNERS	OIL	KRP	\$13.81	11.08%	\$1.53	Qtr	\$16.50
VIPER ENERGY, INC.	OIL	VNOM	\$39.85	6.05%	\$2.41	Qtr	\$53.00
Upstream Companies							
HEMISPHERE ENERGY	OIL	HMENF	\$1.54	7.60%	\$0.117	Qtr	\$2.15
INPLAY OIL	OIL	IPOOF	\$9.06	8.70%	\$0.788	Mo	\$12.77
PEYTO EXPLORATION & DEVELOPMENT	GAS	PEYUF	\$13.50	7.14%	\$0.964	Mo	\$18.61
SURGE ENERGY	OIL	ZPTAF	\$5.22	7.28%	\$0.380	Mo	\$7.30
WHITECAP RESOURCES	OIL	WCPRF	\$8.06	6.61%	\$0.533	Mo	\$8.76
Midstream Companies							
ANTERO MIDSTREAM CORP	Midstream	AM	\$19.75	4.56%	\$0.90	Qtr	\$18.00
ENBRIDGE INC	Midstream	ENB	\$49.80	5.48%	\$2.73	Qtr	\$51.10
ONEOK, INC.	Midstream	OKE	\$74.18	5.55%	\$4.12	Qtr	\$98.00
PLAINS GP HOLDINGS LP	Midstream	PAGP	\$18.86	8.06%	\$1.52	Qtr	\$24.50

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 2025 forecasts.**
- Changes to my stock valuations since the last newsletter are primarily the result of using my updated oil & gas price deck for all my forecast/valuation models.
- The minerals and upstream companies have more commodity price risk than the midstream companies.

I have updated the forecast valuation models for Q2 results and updated guidance from each company. You can view and download them from the EPG website. Just log on and click on the High Yield tab.

**Viper Energy (VNOM)** closed the \$4.1 billion stock-for-stock merger with **Sitio Royalties (STR)** on August 19th. From Q2 2025 production of 79,286 Boepd, Viper's production is now expected to be approximately 107,000 Boepd in Q3 2025 and 128,000 Boepd in Q4 2025. Thanks to Diamondback's aggressive drilling program, much of which is on minerals owned by Viper, I expect Viper's production to ramp up to 140,000 Boepd in 2026 with a mix of approximately 52% crude oil, 26% natural gas and 22% NGLs.

The other two minerals companies, **Black Stone Minerals LP (BSM)** and **Kimbell Royalty Partners (KRP)** are much smaller than Viper, but they do offer higher dividend yields than Viper.

KRP offers investors the highest after-tax yield in the portfolio and I like its more balanced production mix than that of BSM, which recently reduced its quarterly dividend from \$0.375 to \$0.30. Black Stone's production mix of 77.5% natural gas

and NGLs should go from a negative in 2025 to a positive in 2026. BSM is the only Master Limited Partnership (MLP) in the portfolio. KRP is a partnership that has elected to be taxed as a C-Corp.

Viper is my Top Pick among the minerals companies because of its significant growth potential.

Among the Upstream Companies, **InPlay Oil (IPO.TO and IPOOF)** is now my Top Pick. In addition to outstanding Q2 2025 financial and operating results, InPlay announced that Delek Group Ltd. has become their largest shareholder. InPlay's growth strategy is now supported by a large-cap investor that has deep pockets. With financial support from the Delek Group, I am expecting it to soon announce one or more large accretive acquisitions.

**Hemisphere Energy (HME.V and HMENF)** reported solid Q2 2025 results and I am eagerly awaiting an update on their Marsden Polymer Flood pilot. If the pilot is successful, this stock should be a double for us early in 2026. Hemisphere's only risk is that its revenues are almost entirely generated by heavy oil sales. The Company's hedging program does lower the risk.

Due to the timing of well completions within Atlee Buffalo, Hemisphere's production should be down slightly from Q2 to Q3, but then production will increase more than 10% in Q4 to

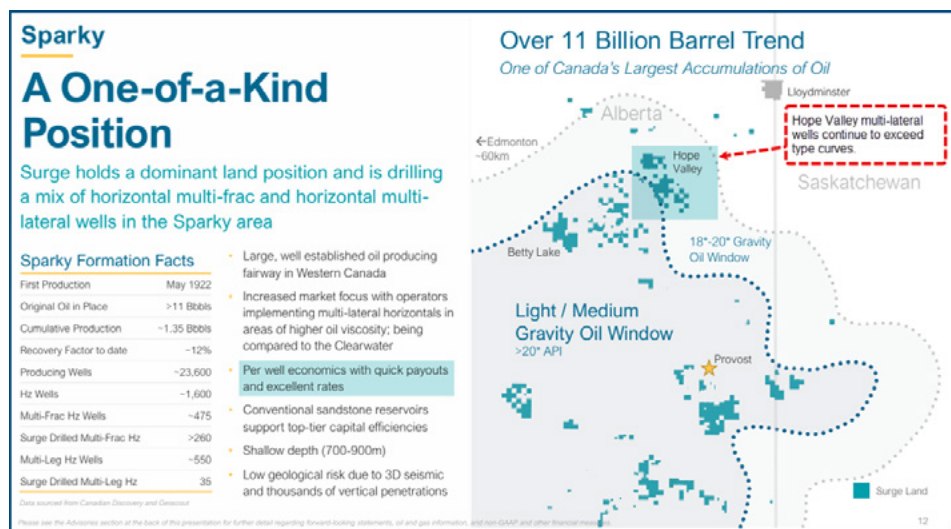
come close to the Company's full year production guidance of 3,900 Boepd.

Hemisphere is now a "Free Cash Flow Machine" that has a pristine balance sheet. It has a very low decline rate because all of its current production comes from two polymer floods at Atlee Buffalo that should maintain production near current levels for several more years with minimal capital expenditures.

It is on pace to generate over **\$44Cdn million of operating cash flow in 2025**, which is more than enough to cover this year's drilling program and other capital expenditures that should be just \$17Cdn million. Hemisphere should continue to pay quarterly dividends of \$0.025Cdn and at least two special dividends per year. The Company is also aggressively buying back common stock, which continues to increase per share value.

If you are bullish on natural gas, **Peyto Exploration & Development (PEY.TO)** is a must own stock. The Company's outstanding marketing team and their hedging program significantly reduces commodity price risk, making it the "Safe Bet" for investors wanting more exposure to the Western Canadian gas market.

**Surge Energy** reported Q2 2025 production of 23,589 Boepd that exceeded their guidance. In early 2024 Surge announced a significant,



new Sparky oil discovery in an area they call **Hope Valley**, where it holds 32.5 net sections of contiguous leases. The development and delineation of Surge's Hope Valley Sparky discovery continued in 1H 2025 with the drilling of four additional multi-lateral horizontal wells in Q1 and three more in Q2 2025. These wells were drilled with 12 lateral legs each, accessing an average of 14,500 meters of shallow, conventional Sparky sandstone reservoir per well, utilizing the application of modern multi-lateral open hole drilling technology.

Surge is close to reaching their final debt payoff goal at which time I expect them to raise their monthly dividend. **You want to own this stock BEFORE they announce a dividend increase.**

**Whitecap Resources (WCPTO and WCPRF)** is a large Canadian oil & gas upstream company with current production of ~365,000 Boepd. I love its dividends and significant growth potential.

Whitecap should be in our Sweet 16 Growth Portfolio because it has over 6,000 "Premium" development drilling locations, which they believe will reach payout within 1.5 years at current oil & gas prices. I like the Company's production mix of approximately 51.5% crude oil, 38.0% natural gas, and 10.5% NGLs.

Following the strategic combination with Veren that closed on May 12, 2025, the balance sheet remains in excellent shape with low leverage

and ample liquidity. The credit rating was upgraded to BBB, with a stable trend, by DBRS, Inc. in the second quarter. Q3 2025 will be the first full quarter since the closing of the merger with Veren. If Q3 results and their updated guidance confirm my forecast model assumptions, Whitecap should deserve a higher valuation multiple because of its outstanding "Running Room".

Midstream companies are the "Safe Bets" because they don't have commodity price risk. They get paid for gathering, processing, transporting and storing large volumes of oil and gas products. As long as the U.S. economy is growing, these companies generate a lot of free cash flow.

We have published updated profiles on all four of the midstream companies.

**Antero Midstream (AM)** is the smallest of the four midstream companies, but its growth is tied directly to the aggressive drilling program of **Antero Resources (AR)**, one of the largest producers of natural gas and NGLs in North America. Antero Resources is one of our Sweet 16 Growth Portfolio companies that has significant share price upside if natural gas and NGL prices rebound. If you are not familiar with AM, it is best to read our recent profile on Antero Resources.

**Enbridge (ENB), ONEOK (OKE),** and **Plains All American Pipeline (PAA)** are large caps that are in very good

financial shape and I expect all of them to be able to increase dividends in 2026.

## Final Thoughts

**The assassination of Charlie Kirk** was terrible and should be a wake-up call for all Americans. The non-stop hate speech against the President of the United States must stop. We need two parties that love American and want to make it great. The Democrats might hate Trump, but he was elected to be our President by the majority. They have a right not to support his agenda, but not the right to call him Hitler. This is a country founded on the principles of "By the People and For the People."

**As bad as Charlie Kirk's death was, the celebration of his life and the strength of Erika Kirk was wonderful.** Erika is a powerful Christian women and we need a lot more of them. Turning Point USA is going to spread the truth and bring a lot of young people into the Republican Party. All people are drawn to positive ideas and the truth. Do you want your children to join a church or Antifa?

**The former FBI Director James Comey** was indicted for making false statements and obstruction of justice last week. In my opinion, what he did during Trump's first term was treason against a duly elected President of the United States. Since the Democrats are on the wrong side of every issue just because they are against everything that Trump says or does, they will support Comey.



**Going against Trump is not a good idea.**  
**"No one is above the law." - Kamala Harris**





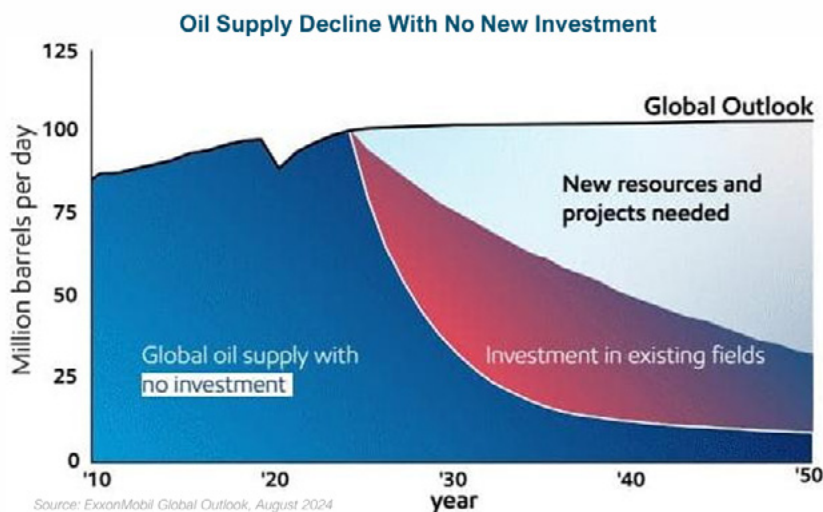
## This world runs on oil

*Nothing can replace the amount of energy we get from fossil fuels.*

*Every oil & gas field ever discovered goes on decline soon after the Tier One areas are developed.*

*We must invest to find new oil fields and the "cheap oil" has been harvested.*

*Oil prices therefore must increase to attract the capital that will be necessary.*



They know Comey is guilty, but they will never support anything that Team Trump wants to do. How can a political party that does not want to Make American Great or even Make America Safe, get any support from real Americans?

### Wouldn't it be great if our elected officials did what Charlie Kirk was trying to teach our young people?

Forty years ago, I was a registered Democrat. John F. Kennedy was a great leader, but in my opinion he was the last great Democrat President. Bill Clinton did a good job running the country, but he was not a good role model for our young people.

**Crude oil is one of the world's most valuable commodities because, next to food, oil-based products have the most impact on our standard of living.** The oil price cycle is very powerful. The oil price cannot stay below the "Right Price" (\$75 to \$85 per barrel) for long, because low oil prices increase demand, which lowers supply, which increases the price. It just takes a small drop in oil supply to cause a big increase in the price of oil. Based on their most recent report at this link, IEA is telling us that a big drop in oil supply might be less than a year [away](#).

**Trying to time the market is difficult. I am terrible at it.** What I do know is that good upstream oil & gas

companies that control a lot of proved & probable reserves become very attractive takeover targets when oil and gas prices move higher.

**Keep two things in mind:** The cheap oil has been harvested and natural gas is the future.

**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

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