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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.

Winter Storm Fern was very bullish for natural gas prices

Little Rock, Arkansas on January 26, 2026

Severe cold weather across much of the eastern U.S., especially the east coast, Upper Midwest, and South Texas, has led to substantial crude oil and natural gas production shut-ins. **Winter Storm Fern** was an "Arctic Polar Vortex" that caused over 13,500 flight cancellations, a reduction of 2 million barrels per day in crude output, and a loss of more than 20 Bcf per day of natural gas. Fern was followed by another significant winter storm that caused record snow fall in North Dakota.

On January 26th, the front month NYMEX contract for Henry Hub natural gas traded as high as $7.25/MMBtu and spot prices in several regions went over $25/MMBtu. On Friday, January 30th the MAR26 NYMEX futures contract for HH natural gas closed at $4.83/MMBtu.

WTI oil prices rose to more than $65/00bbl last week due to supply disruptions and geopolitical tensions with Iran, where potential US military action remains possible amid ongoing nuclear concerns. A weaker U.S. dollar is also pushing up all commodity prices with silver up more than 165% year-over-year and copper now up 35% year-over-year. I am bullish on copper because there is no other metal that is as good as copper for transmitting electricity. AI Data Centers will require a lot copper and electricity generated by natural gas fired power plants. See my Final Thoughts on the last page.

Estimated Draws from U.S. Natural Gas Storage

Week	Draw	12 Hr Δ	Vs. 5 Yr Avg	Vs. 2025
Week 1 Ending: January 30	-372 BCF	12 Hr Δ: Unchanged	Vs. 5 Yr Avg: -185 BCF	Vs. 2025: -177 BCF
Week 2 Ending: February 6	-285 BCF	12 Hr Δ: Up 0 BCF	Vs. 5 Yr Avg: -142 BCF	Vs. 2025: -174 BCF
Week 3 Ending: February 13	-180 BCF	12 Hr Δ: Up 23 BCF	Vs. 5 Yr Avg: -30 BCF	Vs. 2025: +3 BCF

I am optimistic about energy prices for 2026. My forecast/valuation models are based on WTI oil averaging $62.50/bbl in 2026 and U.S. natural gas averaging $4.00/MMBtu. I now think those prices are too conservative.

I believe that the "Right Price" for WTI will be $70/bbl in 2H 2026, rising above $80/bbl by mid-2027. Key factors for higher oil prices include declining inventories, limited OPEC production capacity, and restricted Russian output even if peace occurs in Ukraine. If I am right, all of our model portfolio stocks should perform strongly in 2026.

To most people, it is now clear that the belief that demand for oil would peak this decade was built on the myth that we would all be driving EV's by 2030. Trust me, there is not enough copper in the world to make that happen because there is six times more copper in a Tesla than there in a gasoline powered car.

Natural Gas Market Outlook

Projected withdrawals from natural gas storage facilities in the United States over the three weeks ending February 13th, as estimated by Celsius Energy, are shown at the top of the page. Daily updates can be accessed **HERE.**.

If a withdrawal of 372 Bcf is reported on February 5th by EIA, **it will represent the largest weekly draw on record during the winter season.** This recent development is attributable to La Nina conditions in the central Pacific Ocean, resulting in a big dip in the northern jet stream over the eastern U.S. allowing arctic air to dive all the way down to the Gulf Coast. Increased gas demand for space heating underscores that we will be needing a lot more natural gas in storage each November to make it through winters in the future.

On January 29th, EIA reported a storage withdrawal of 120 Bcf for the week ending January 23rd; 76 Bcf below the 5-year average. As of that date, natural gas storage was 177 Bcf above the 5-year average, but **colder weather has quickly eliminated the surplus.** Traders with short positions in the FEB26 NYMEX contract realized significant losses when they exited ahead of the contracts expiration on January 28th.

During the prior two winters, the coldest conditions were largely confined to the western U.S. In contrast, this La Nina winter has seen the greatest incursions of the northern jet stream concentrated in the eastern half of the country that uses a lot more natural gas for space heating.

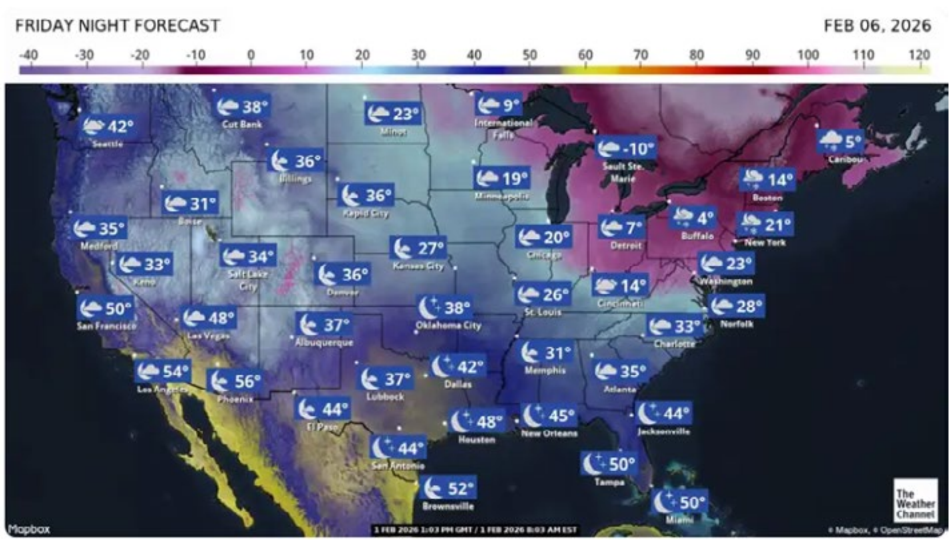
As you can see on the map below, the current weather pattern continues to support strong natural gas demand. The Northeast, where oil remains a common heating fuel, will experience especially cold temperatures this week.

While weather remains the primary driver of natural gas demand throughout the winter, structural changes in the natural gas market are likely to result in higher price ranges for North American natural gas moving forward. Natural gas prices were recently over $13.50/MMBtu in Europe and over $11.50/MMBtu in Asia.

"Growth in total demand is driven primarily by expanding LNG exports and rising consumption in the electric power sector. ***LNG exports increased by 26% in 2025 and will continue to grow through 2030,*** *albeit at a slower pace. Exports will remain the largest source of demand growth over the forecast period, growing by 9% in 2026 and 11% in 2027. The increase is the result of the ramp-up of three new LNG export facilities: Plaquemines LNG, Corpus Christi Stage 3, and Golden Pass LNG. Plaquemines LNG and Corpus Christi Stage 3 will continue ramping up to full operations during our forecast period, and we expect Golden Pass LNG to begin operations by the middle of Q2 2026." – EIA Short Term Energy Outlook 1-13-2026*

Global Oil Market Outlook

Since December, crude oil prices have risen, making me "cautiously optimistic" that oil and gas prices will surpass my 2026 and 2027 forecast estimates shown on the next page.



Rising natural gas demand and record cold in the eastern U.S. have pushed up heating oil use. The severe weather also caused well freeze-offs, reducing U.S. oil production by nearly five million barrels last week, with many wells still shut-in as of this report. There has also been a colder winter in Europe where more oil is burned for space heating.

"Fundamentally speaking, the colder-than-normal weather will boost heating-related demand, which should lower visible global oil inventories. Even if crude inventories build, product storage like distillate, NGL, and others will draw. The material decrease in refinery throughput will also keep crack spreads elevated for longer as some refineries opt to start the refinery turnarounds in February." – HFI Research 1-29-2026

HFI Research also reported that Russia's oil production (including Kazakhstan) is down ~779k b/d. Brazil is down ~500k b/d. and OPEC is down ~1 million b/d. OPEC+ also decided not to increase the cartel's quotas at least through March. Half of the OPEC+ countries cannot produce up to current quotas.

The MAR26 futures contract for WTI oil closed at $65.12/bbl on January 30th, up 13.57% YTD. Some of the increase was due to the lost production, but most of it was attributable to the increasing geopolitical risk premium.

WTI Oil and HH Natural Gas Prices used in EPG forecasts

Updated	Oil & Gas Prices used in Forecast Models					
12/26/2025	2024 & 2025 Actuals and Q4 2025 & 2026 Forecasts					Following
	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	YEAR Actuals	YEAR 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	$ 64.93	$ 58.00	$ 64.52	$ 62.50
2026 by Qtr	$ 57.50	$ 60.00	$ 65.00	$ 67.50	$ 62.50	$ 70.00
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	$ 3.07	$ 3.85	$ 3.50	$ 4.00
2026 by Qtr	$ 4.00	$ 3.75	$ 4.00	$ 4.25	$ 4.00	$ 4.50

A large US naval battle group near Iran is ready to strike the despotic regime. The concern is that they continue to kill their citizens and continue to repair their nuclear facilities. The next week or two should see either a diplomatic solution or a US targeted attack on the IRGC military forces that keep the Ayatollah's in power. My opinion is that there is no chance of lasting peace in the Middle East without regime change in Iran.

"Recent gains in oil prices stem mainly from sharp production drops in the United States and Mexico, triggered by harsh winter weather. This year's disruptions have proven more severe than in past winters. Geopolitical tensions, including speculation about a potential strike on Iran, added upward pressure late last week. Although markets braced for action over the weekend, so far, no attack occurred. An explosion at an apartment building in southern Iran was later attributed to a gas leak, not sabotage. The OPEC+ V8 (the core group of eight producers implementing voluntary cuts) paused the unwind of those cuts through the first quarter of 2026, a decision. Their virtual meeting tomorrow, Sunday, focuses solely on March production levels—no major policy shifts are anticipated." – Anas Alhajji's Daily Energy Report 2-1-2026

"We are quite optimistic on energy prices in 2026, but near term the sector is overbought. Starting in Q2/26 we see rising energy prices. First, we see inventories on land being drawn down starting in Q2/26. Second, we see OPEC having little spare production capacity (as seen from the December OPEC Monthly) and third, we don't see Russia being able to add much more production if there is a peace deal with Ukraine. Overall we expect WTI to average US$70/b in 2026 with over US$80/b in Q4/26. Our trajectory sees Q1 prices ranging from US$52 – US$66/b, Q2 from US$62 – US$72/b, Q3 from US$68 – US$78/b and Q4 ranging from US$74 – US$84/b. If this develops as forecast, energy stocks should have outsized returns in 2026." – Josef Schachter's Eye on Energy Report 1-28-2026

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:

- Civitas Resources (CIVI)
- Magnolia Oil & Gas (MGY)
- Northern Oil & Gas (NOG)
- Ovintiv (OVV)
- SM Energy (SM)

Sweet 16 Growth Portfolio

The Sweet 16 is recognized as our "Flagship Portfolio," comprising 15 upstream companies and one oilfield services company, **Solaris Energy Infrastructure (SEI).**

SM Energy (NYSE: SM) will become the 5th largest upstream company in March

	SM[1]	CIVI[2]	Pro Forma
Net acres	325,000	498,000	823,000
Q2'25 Net production (Mboe/d)	209	317	526
YE24 estimated net proved reserves (MMBoe)	678	798	1,476
2025E CapEx (millions)	$1,385	$1,850	$3,235
Net locations[3]	~ 1,250	~ 1,150	~ 2,400

Each company generates strong revenues and possesses the requisite financial strength to execute its respective business plan. Notably, these organizations maintain solid balance sheets, generate significant operating cash flow, and control valuable drilling inventories that provide low risk and attractive returns—often referred to as "Running Room." Of these entities, fifteen distribute dividends; **Antero Resources (AR)** remains the sole exception. Following dividend distributions, any surplus free cash flow is allocated toward debt reduction and share repurchases.

This newsletter provides select highlights on just a few of the companies, as Q4 2025 financial and operational results are expected in late February. For comprehensive information, please visit the EPG website to download the updated company profiles. All individual company forecast models have recently been revised based on the latest adjustments to my oil and gas price deck.

Tourmaline Oil (TOU.TO and TRMLF) has joined the Sweet 16, replacing **Civitas Resources (CIVI)** due to its impending merger with **SM Energy (SM).**

Tourmaline Oil, which has a production mix of approximately 77.0% natural gas, 14.5% NGLs, 6.4% condensate, and just 2.1% crude oil, offers investors high-caliber "Running Room," driving consistent annual production growth. The company issues a base dividend of C$0.50 per quarter in addition to quarterly Special Dividends. In 2025, Tourmaline distributed C$2.00 in base dividends and C$1.30 in Special Dividends. Notably, Special Dividends have been paid every quarter since Q4 2021.

Company Guidance

During the Q3 2025 Results Conference Call, Tourmaline outlined several significant metrics and forward-looking statements:

- Third-quarter average production reached 634,750 BOEs per day, at the upper end of guidance (625,000–635,000 BOEs per day). For Q4, production is projected at 655,000 to 665,000 BOEs per day, with an anticipated exit rate of 680,000 to 700,000 BOEs per day by year-end 2025.
- 2026 average production guidance remains at 690,000 to 710,000 BOEs per day, with a goal of achieving 850,000 BOEs per day by 2031; a 30% increase in high-margin output.
- Third-quarter earnings stood at $190 million, and cash flow was $720 million, although results were pressured by low AECO and Station 2 pricing for natural gas, averaging $0.64 and $0.48 per Mcf, respectively. Thanks to the Company's hedging program, their realized natural gas price in Q3 2025, including cash settlements on their hedges during the quarter, was $3.07Cdn/MMBtu and I am expecting it to be $3.65Cdn/MMBtu in Q4 2025.
- The 2025 capital expenditure budget is set between $2.6 billion and $2.85 billion, with 2026 capex planned at $2.9 billion. Projected 2026 cash flow is approximately $4 billion, with an estimated $0.9 billion in free cash flow. Management retains flexibility to defer $200 million to $250 million of capital expenditures should market prices decline.

SM Energy (SM) will become the fifth largest independent upstream oil & gas company in the U.S. after its merger with **Civitas**, likely increasing analysts' attention and potentially making it a top Sweet 16 stock. As of January 30th, SM was up 4.12% YTD but still trades at less than half my valuation.

DENVER, Jan. 30, 2026 /PRNewswire/ -- **SM Energy Company** ("SM Energy" or the "Company") (NYSE: SM) announced today the closing of its all-stock merger with Civitas Resources, Inc. ("Civitas") (NYSE: CIVI) (the "Transaction"). The Transaction was approved by stockholders of both companies at special meetings held on January 27, 2026. The combined company continues to trade under the ticker symbol "SM" and will retain the name SM Energy Company.

Crescent Energy (CRGY), post-merger with **Vital Energy,** is now highly profitable with about 395,000 Boepd of current production and strong growth prospects in three core areas. I anticipate that its upcoming 2026 guidance will draw a lot of attention from energy sector analysts, and investors will continue to benefit from a 5.6% dividend yield.

Matador Resources (MTDR) is identified as one of Keith Kohl's top selections and has recently received his "BUY" recommendation up to $65. As of Matador's September 30, 2025 audited balance sheet, MTDR was trading on

Sweet 16 Growth Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
			1/30/26		
ANTERO RESOURCES	GAS	AR	36.37	$42.00	15.48%
COTERRA ENERGY	GAS	CTRA	28.85	$35.00	21.32%
CRESCENT ENERGY	OIL	CRGY	9.77	$23.00	135.41%
DEVON ENERGY	OIL	DVN	40.21	$48.00	19.37%
DIAMONDBACK ENERGY	OIL	FANG	163.95	$200.00	21.99%
EOG RESOURCES	OIL	EOG	112.13	$145.00	29.31%
EQT CORP	GAS	EQT	57.73	$64.00	10.86%
MAGNOLIA OIL & GAS	OIL	MGY	25.51	$27.00	5.84%
MATADOR RESOURCES	OIL	MTDR	45.24	$66.00	45.89%
NORTHERN OIL & GAS	OIL	NOG	25.00	$42.50	70.00%
OVINTIV INC (was ENCANA)	OIL	OVV	43.47	$56.00	28.82%
PERMIAN RESOURCES	OIL	PR	16.13	$21.50	33.29%
RANGE RESOURCES	GAS	RRC	37.85	$42.00	10.96%
SM ENERGY	OIL	SM	19.47	$45.00	131.12%
SOLARIS ENERGY INFRASTRUCTURE	SERVICES	SEI	55.19	$62.00	12.34%
TOURMALINE OIL ($Cdn)	GAS	TOU.TO	64.44	$65.00	0.87%

January 30th at a price lower than its book value per share. Having tracked Matador Resources for over a decade, I see no substantive reason for a company of this quality to be valued beneath its book value.

Recently the borrowing base for Matador Resources under its reserves-based loan (RBL) was unanimously established at $3.25 billion by nineteen lenders, while the commitment remains unchanged at $2.25 billion and borrowing costs have been reduced. The company reduced its RBL borrowings by approximately $311 million over nine months, resulting in a remaining balance of $285 million as of September 30, 2025. The debt-to-EBITDA ratio consistently remained below 1.0, providing the company with approximately $2 billion in liquidity. In summary, Matador Resources does not present any notable debt-related concerns.

"As expected, these circumstances grant Matador enhanced financial flexibility as it pursues its development and capital allocation strategies." – Keith Kohl's Energy Investor newsletter, January edition.

All companies included in the Sweet 16 portfolio produce a combination of crude oil, natural gas, and NGLs. Detailed production mixes for each entity are available on the Sweet 16 Summary spreadsheet (tab 2), which is updated weekly on the EPG spreadsheet.

In addition to Tourmaline Oil, **Antero Resources (AR), EQT Corp. (EQT) and Range Resources (RRC)** get most of their revenues from natural gas sales.

Top Dividend Yields in the Sweet 16

Dividend-focused investors may consider the following Sweet 16 constituents, which posted the highest annualized dividend yields as of the close on January 30th. **Civitas Resources (CIVI)**, yielding 7.43%, is excluded below due to its pending merger into **SM Energy (SM)**:

- Northern Oil & Gas (NOG): 7.88%
- Crescent Energy (CRGY): 5.63%
- Permian Resources (PR): 4.06%
- SM Energy (SM): 4.28%

Small-Cap Portfolio

The Small-Cap Growth Portfolio highlights both the unique advantages and considerations inherent in investing in smaller companies within the energy sector. While small-cap stocks are generally subject to greater risk compared to larger entities in the Sweet 16, they also offer substantial opportunities for growth. The scale and expansion potential of upstream companies are crucial factors; increases in production and proved reserves can contribute to enhanced share valuations. Since EPG's inception in 2003, the highest percentage gains have frequently originated from well-managed small-caps with significant growth prospects, often referred to as having considerable "Running Room."

PORTFOLIO CHANGES AND KEY DEVELOPMENTS

ROK Resources (ROK.V and ROKRF) has been removed from the portfolio due to its pending acquisition, which would result in the company becoming privately held. According to the company's press release dated December 13, 2025, the anticipated closing date is March 17, 2026. However, there remains uncertainty, as the purchaser has yet to secure the necessary financing. Should the transaction not be finalized by that date, ROK will retain the buyer's deposit as a break-up fee.

ROK Resources retains a notable equity interest in **EMP Metals Corp. (EMPS.CN)**, which will host the upcoming EPG webinar on Thursday, February 5. If the sale of ROK.V is completed on March 17, EMPS shares will be spun off into a newly established entity. Post-closing,

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.

February 5 Webinar: Paul Schuback, Chief Operating Officer of **EMP Metals Corp. (EMPS)** will be joining me on a live webinar that will begin at 1:00 PM CT.

February 19 Special Event in Houston: **Roth Capital Partners** has invited EPG members to attend the 2026 Roth Energy Day 8:30 AM to 3:00 PM on Thursday, February 19th at Porter Hedges office, 1000 Main Street, 36th Floor, Houston, Texas 77002. Lunch will be provided and EPG members are also to attend Roth's NAPE After-Party at the House of Blues. All you need to do is register as an EPG member to get in FREE.

There will be a series of interactive fireside chats with senior executives of select public energy issuers; **Riley Permian (REPX) and Magnolia Oil & Gas (MGY)** will be participating, along with 6 other companies.

current ROK shareholders will receive EMPS shares proportional to their ownership percentage in ROK.

COMPANY PERFORMANCE AND OUTLOOK

All eight companies presently listed in the portfolio reported robust results for Q3 2025. Projections indicate strong Q4 2025 performance as well, with disclosures expected in February or March.

JANUARY UPDATES

Baytex Energy (BTE) has strengthened its balance sheet following the sale of its U.S. Eagle Ford assets in December, generating net proceeds of US$2.14 billion (approximately CA$2.96 billion) after adjustments. For 2026, the company has announced a capital budget between $550 million and $625 million, targeting 3%–5% production growth and emphasizing shareholder returns. Provided WTI oil prices remain above $60 per barrel, Baytex anticipates its capital program will be fully funded by operating cash flow and allow it to continue paying quarterly dividends, with additional free cash flow supporting share repurchases.

On January 13, **Kolibri Global Energy (KGEI)** provided an operational update on its latest wells in Oklahoma's Tishomingo Field. As projected, the two new Barnes horizontal wells have commenced production above type curve rates. Barnes 6-31-2H achieved an IP30 of 529 Boepd (84.7% oil), while Barnes 6-4H reached an IP30 of 452 Boepd (82.7% oil), reflecting encouraging oil cuts. The two Velin wells, each with one-mile laterals, are currently producing at 283 Boepd and 257 Boepd, respectively, with output expected to increase as the cleanup process continues.

"It is positive to witness further improvement from the initial press release, particularly the high oil percentage in the Barnes wells, akin to the previously drilled Lovina wells, enhancing the Company's netbacks. For November, the oil production mix exceeded 75%, up from 66% in Q3. We anticipate this high oil ratio will support lower decline rates, similar to trends observed in the Lovina wells, contributing to the forecasted robust IRR, as noted in our December 22, 2025 release." – Wolf Regener, CEO

Kolibri continues its open market share repurchase program and plans to reduce its line of credit during Q1.

TOP PERFORMERS AND FURTHER HIGHLIGHTS

Portfolio leaders in 2025 included **Spartan Delta (SDE.TO)**, which posted a 116.8% gain, and **Journey Energy (JOY.TO)**, up 61.9% year-on-year, attributed to strong well results in the West Shale Basin Duvernay oil play over the past two years. More details can be found in our recently published company profiles.

Small-Cap Growth Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
		Dividends	1/30/26		
			USD	USD	
BAYTEX ENERGY	OIL	BTE	$3.43	$4.50	31.20%
JOURNEY ENERGY	OIL	JRNGF	$2.58	$3.47	34.50%
KOLIBRI GLOBAL ENERGY	OIL	KGEI	$4.03	$7.75	92.31%
PINE CLIFF ENERGY	GAS	PIFYF	$0.55	$0.73	32.29%
RILEY EXPLORATION PERMIAN	OIL	REPX	$28.05	$45.00	60.43%
RING ENERGY	OIL	REI	$1.19	$2.15	80.67%
RUBELLITE ENERGY	OIL	RUBLF	$1.99	$3.90	95.98%
SPARTAN DELTA	GAS	DALXF	$6.85	$7.12	3.94%

Phil Hodge, CEO of **Pine Cliff Energy Ltd. (PNE.TO and PIFYF)**, joined me on an EPG webinar on January 29; the session replay is accessible on the EPG website. After a brief update on Pine Cliff operations, we had a very good discussion about the natural gas market in Western Canada.

No new updates are available for **Riley Exploration Permian (REPX), Ring Energy (REI), and Rubellite Energy (RUBLF)**. These companies rely significantly on crude oil sales revenue; should WTI oil prices stay above $62.50 per barrel, strong financial outcomes are anticipated.

EMERGING OPPORTUNITIES

Westgate Energy Inc. (WGT.V and WGTFF), a promising Canadian junior upstream oil & gas company, hosted an EPG luncheon in Houston on January 27. During 2025, Westgate doubled oil production year-over-year through a successful six-well program. In 2026, the company plans to drill nine wells, expecting to double output once more. Funding for the 2026 capital plan has been secured via a reputable private equity firm based in Houston, that previously provided growth capital for **Hemisphere Energy (HME.V).**

A comprehensive review of Westgate's performance will follow the release of its Q4 2025 financial results. Presentation materials from Westgate's COO and CFO are available on the EPG website.

High Yield Income Portfolio

The High Yield Portfolio is designed to identify companies characterized by strong balance sheets and reliable, sustainable dividends. While the pursuit of high yield is a primary consideration, most holdings within this portfolio are also classified as "Growth Companies," offering meaningful potential for share price appreciation. This portfolio typically exhibits lower volatility compared to dedicated growth portfolios, since share price movements are more influenced by dividend yield rather than speculative market activity. Investors who adopt high-yield strategies tend to have a long-term, buy-and-hold approach, distinguishing them from high-frequency traders.

DIVIDEND FORECASTS AND VALUATION CHANGES

Annual dividend projections included in the attached table reflect updated estimates for 2026. Recent adjustments to stock valuations have resulted from third quarter financial results, updated guidance for the fourth quarter, and the application of a revised oil & gas price deck across all forecasting and valuation models. Minerals and upstream companies in the portfolio are more exposed to commodity price fluctuations than the four midstream companies.

Since releasing Q3 2025 results these companies have not provided much new information, so most or the comments below are the same as they were in my December newsletter.

MINERALS AND ROYALTIES COMPANIES

The portfolio now contains three minerals companies. Minerals and royalties firms are generally considered safer investments than upstream oil & gas companies because they do not assume drilling risk. Nevertheless, they remain sensitive to commodity price risk, making their production mix a crucial factor in my evaluations.

Next week we will be publishing a profile on **Freehold Royalties Ltd. (FRU.TO),** which was recommended by Josef Schachter on his mid-December podcast. Based on what I have found out so far, it will be added to the portfolio next month.

On December 3, 2025 **Black Stone Minerals (BSM)**, an MLP, announced that it has entered into a 220,000 gross acre development agreement with an affiliate of Caturus Energy, LLC ("Caturus") within the Shelby Trough and Haynesville Expansion. The agreement creates a multi-year drilling program designed to advance development of BSM's acreage under Caturus' operating expertise while supporting the growing demand for natural gas across the Gulf Coast region.

Under the terms of the agreement, Caturus has the opportunity to escalate its drilling program over the next six years and drill a step out pilot and test well in the first two years to continue operating across the full footprint. Activity will begin with approximately two gross (0.2 net) wells in 2026 and ramp to approximately 12 gross (0.8 net) wells annually by the end of the six years, supported by minimum annual lateral-foot requirements, all net to BSM's interest. BSM currently manages approximately 40,000 undeveloped net acres within this contract area, with line of sight to additional acquisitions to further increase BSM's net interest across the area.

For investors seeking high-yield dividends over growth, **Kimbell Royalty Partners LP (KRP)** stands out as the top pick. KRP is a partnership taxed as a C-Corp, and its 2025 dividends are anticipated to be treated as a return of capital, resulting in the highest after-tax rate of return in the portfolio. The company pays variable dividends, amounting to about 70% of operating cash flow per unit. Based on my 2026 forecast, KRP's dividend yield should be close to 12% this year.

Viper Energy (VNOM) is my top pick for combining growth and income. Its significant scale and close relationship with **Diamondback Energy (FANG)**, the largest shareholder, provide a solid foundation for continued expansion, especially as Diamondback pursues an aggressive drilling program on Viper's mineral properties.

Viper's third quarter production of 108,859 Boepd exceed forecast, but crude oil production was 1% below forecast. Adjusted Net Income was in line with forecast. The fourth quarter will be the first full quarter since the merger with **Sitio Royalties (STR).** Viper's production guidance for the quarter is 126,000 Boepd. My 2026 forecast is based on production of 130,000 Boepd, which is likely to be too conservative. Viper has more oil price risk because it is a pure play on the Permian Basin where natural gas prices will remain at a deep discount to Henry Hub natural gas prices.

Viper has announced a definitive

agreement to sell its non-Permian assets for $670 million in a transaction that is expected to close in Q1 2026 with an effective date of September 1, 2025; expected FY 2026 average daily production from the assets being sold is approximately 4,500 to 5,000 bo/d (9,000 to 10,000 boe/d).

CANADIAN UPSTREAM OIL & GAS COMPANIES

The High Yield Income Portfolio holds five Canadian upstream oil and gas companies, with forecasts updated to reflect third quarter actual results and updated guidance from each company. All five companies continue to deliver strong financial and operating results.

On January 28th **Hemisphere Energy (HME.V and HMENF)** announced their guidance for 2026. The Company's Board of Directors approved a quarterly cash dividend of $0.025 per common share in accordance with the Company's dividend policy. The dividend will be paid on February 26, 2026 to shareholders of record as of the close of business on February 12, 2026. The dividend is designated as an eligible dividend for income tax purposes. I do anticipate that Hemisphere will also pay two Special Dividends in 2026.

Hemisphere's Board also approved a 2026 capital program of approximately $12 million, which provides the Company disciplined year-over-year production growth of approximately 6%, while protecting the balance sheet and maintaining shareholder returns. The budget will be entirely funded by Hemisphere's estimated 2026 adjusted funds flow ("AFF") of $40 million.

InPlay Oil (IPO.TO and IPOOF) is positioned for growth after its Pembina Area acquisition, which closed on April 7, 2025, effectively doubling production and expanding high-quality inventory. Third quarter output reached 18,970 Boepd (48% crude oil, 12% NGLs, 40% natural gas), exceeding forecasts, and the company has raised its 2025 production guidance. Following insights from CEO Doug Bartole at our December 9th luncheon in Houston, I made minor positive adjustments to my valuation model, maintaining high confidence in its accuracy. Delek Group Ltd., InPlay's largest shareholder, supports further acquisitions to reach a target of 40,000 Boepd by 2030. Based on my forecast, InPlay should generate more than enough operating cash flow to sustain their monthly dividends.

Peyto Exploration & Development (PEY.TO and PEYUF) is close to a pure play on Canadian natural gas. It continues to report the highest realized natural gas prices in this group. Third quarter financial results were slightly better

High Yield Income Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	Estimated Annual Yield	Annual Dividend	Paid	EPG Valuation
			1/30/26		USD		
Minerals Companies							
BLACK STONE MINERALS LP	GAS	BSM	$14.77	10.16%	$1.50	Qtr	$15.00
KIMBELL ROYALTY PARTNERS	OIL	KRP	$13.43	11.99%	$1.61	Qtr	$16.50
VIPER ENERGY, INC.	OIL	VNOM	$42.34	7.30%	$3.09	Qtr	$47.00
Upstream Companies							
HEMISPHERE ENERGY	OIL	HMENF	$1.55	7.54%	$0.117	Qtr	$2.03
INPLAY OIL	OIL	IPOOF	$10.87	7.25%	$0.788	Mo	$12.66
PEYTO EXPLORATION & DEVELOPMENT	GAS	PEYUF	$17.98	5.36%	$0.964	Mo	$18.75
SURGE ENERGY	OIL	ZPTAF	$5.56	6.83%	$0.380	Mo	$7.30
WHITECAP RESOURCES	OIL	WCPRF	$9.26	5.75%	$0.533	Mo	$10.00
Midstream Companies							
ANTERO MIDSTREAM CORP	Midstream	AM	$18.82	4.78%	$0.90	Qtr	$20.00
ENBRIDGE INC	Midstream	ENB	$48.84	5.81%	$2.84	Qtr	$50.00
ONEOK, INC.	Midstream	OKE	$79.19	5.35%	$4.24	Qtr	$104.00
PLAINS GP HOLDINGS LP	Midstream	PAGP	$19.24	8.68%	$1.67	Qtr	$23.00

than my forecast. I consider Peyto the safest way to add more exposure to rising natural gas prices in Western Canada. In addition to high yield dividends, Peyto has to flexibility to ramp up production if market conditions improve.

Surge Energy (SGY.TO and ZPTAF) third quarter production of 23,622 Boepd beat my forecast by 1,122 Boepd, primarily because they continue to report strong well results in the Hope Valley drilling program. The company's drilling program is designed to maximize free cash flow while keeping production flat. When Surge meets it final debt reduction goal early in 2026, it is expected that accelerate its stock buyback program.

On January 27th BMO Capital's energy sector analyst Jeremy Mccrea has maintained their bullish stance on SGY.TO saying that "Latest Type Curves Remain Underappreciated – Set the Stage for Re-Rating". His price target is $10.00Cdn. See more here: https://epgforum.com/viewtopic.php?t=28018

Whitecap Resources (WCP.TO and WCPRF) is the largest of the five Canadian upstream holdings, with production of 374,623 Boepd in the third quarter, beating my forecast of 365,000 Boepd. The company pays monthly dividends of $0.0608 CAD ($0.73 annually). The anticipated Q4 production mix is approximately 47.5% crude oil, 12.5% NGLs, and 40% natural gas. The company's production mix and hedging program help reduce exposure to commodity price risk. Slides from Whitecap's January 5th Investor Day presentation can be found on the company's website.

MIDSTREAM COMPANIES: SAFE BETS FOR INCOME AND GROWTH

Amid the volatility present in oil, gas, and NGL prices, midstream companies are considered the safest options across all three model portfolios.

Plains All American Pipeline LP (PAA) is an MLP with a slightly higher yield, while **Plains GP Holdings (PAGP)** is a C-Corp offering the same dividend and no K-1 tax forms. PAGP, trading below book value, is my top midstream pick and has the highest sub-group dividend yield. For Q3, Distributable Cash Flow (DCF) was $0.61/unit versus $0.38/quarter that was paid out. With PAA's acquisition of EPIC Crude Oil Pipeline, DCF is expected to increase in 2026, and I anticipate annual dividend growth of $0.04/quarter through 2030.

Enbridge (ENB.TO and ENB on the NYSE) is the portfolio's largest holding, valued at $141.6 billion CAD, providing stability in the midstream sector. The company has consistently met its guidance over several years and has raised dividends for 30 straight years. In 2024, shares rose 27.3%, with a 7.3% gain year-to-date in 2025. Enbridge recently raised its quarterly dividend by 3% to $0.9425 CAD starting March 2025. With further dividend increases expected in March of each year, the annualized yield is projected to be around 6% in 2026.

ONEOK (OKE) is a long-standing portfolio company, having completed major acquisitions in September 2023 and October 2024. These transactions increased revenues from $17.7 billion in 2023 to $21.7 billion in 2024, with projections above $33 billion for 2025. ONEOK reported third quarter revenues over $8.6 billion, which generated Adjusted Operating Cash Flow per share of $2.67 for the quarter. I am forecasting CFPS of $10.55 in 2026, which would be company record.

Antero Midstream (AM) is the smallest tracked midstream company in the portfolio, with growth closely tied to the aggressive drilling activities of **Antero Midstream (AR)**. AM's relationship with Antero Resources is key to this stock's growth. AM's third quarter results beat my forecast. Since I now expect AR to accelerate its drilling program in 2026, I have raised my valuation of AM by $2 per share. AM has reached its goal of consistently generating free cash flow after dividends, so it started a Stock Buyback Program in 2025.

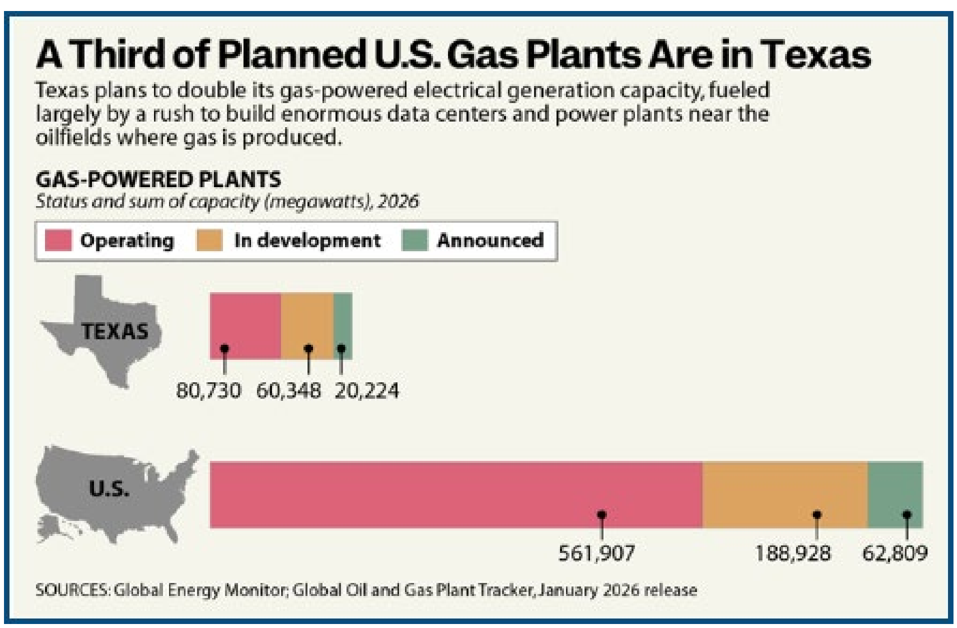
Final Thoughts

This is great news for our Texas based upstream companies that produce a lot of natural gas. **Largest Power Project In US Approved For West Texas Amid Gas Plant And Data Center Buildout** by Tyler Durden Friday, January 30, 2026

This week, Texas' environmental regulator granted the country's largest air pollution permit for a major proposed complex of natural gas-fired power plants and data centers to be constructed near the Permian Basin oilfields, as announced by the project's developers.

Pacifico Energy, an international investor-owned infrastructure firm, described its 7.65-gigawatt GW Ranch in **Pecos County, Texas** as "the largest power project in the United States" in a press release issued this week.

The GW Ranch is one of several significant initiatives unveiled during



2025 that have positioned Texas as the focal point of global gas-fired power generation expansion, according to data published Thursday by **Global Energy Monitor (GEM).**

"Significant fossil fuel infrastructure is being developed, frequently at the source of gas supply, intended primarily to meet anticipated demand from artificial intelligence technologies," stated Jenny Martos, project manager for GEM's Global Oil and Gas Plant Tracker.

In August, developer **Fermi America** submitted applications for air permits covering 6 GW of gas power to supply its planned data center complex near **Amarillo, Texas.** Similarly, **Chevron** revealed plans in November to construct its inaugural power plant in West Texas, which would generate up to 5 GW of electricity specifically for artificial intelligence purposes.

These capacities represent substantial volumes of energy—sufficient to serve mid-sized cities. Throughout 2025, Texas saw the development pipeline for gas power projects increase by nearly 58 GW in generation capacity, as reported by GEM. This figure surpasses the peak power demand of California.

Globally, **only China exceeds Texas in terms of gas power projects under development,** with a population fifty times larger and fifteen times more land area, according to the GEM report. Nearly half of all forthcoming gas power projects in Texas, totaling approximately 40 GW, are designated to directly power data centers.

"There has been a dramatic increase in such projects," commented Griffin Bird, a research analyst monitoring gas plants at the nonprofit Environmental Integrity Project based in Washington, D.C. *"We are encountering considerable challenges in keeping pace with new developments."*

Bottomline: This is bullish news for natural gas producers in the U.S. and in Western Canada. Growing LNG exports will be the #1 driver of increasing natural gas demand in 2026. Demand from all of these new gas-fired power plants will kick it up a notch in 2027.

Thank you for your support.

Monitor the macro-environment while also conducting a thorough analysis of company specific details prior to making any investment decisions. Best wishes for your success.

Dan Steffens, President
Energy Prospectus Group