Energy Prospectus Group
A Division of DMS Publishing, LLC

The View From HOUSTON

Energy Prospectus Newsletter: "The View from Houston" June 29, 2026 Issue: 240

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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.

"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.

Running on Empty: The Hidden Oil Crisis

"The oil market possess an innate, historical tendency to overshoot to structural extremes, before undergoing a violent turnaround, both to the upside and to the downside" - Jim Puplava.

This is why I believe we will see $100/bbl WTI in July.

Prior to the recent signing of the **"Memorandum of Understanding" (MOU)** between the U.S. and Iran I read dozens of articles by energy sector experts that contained the words "even if the conflict ends tomorrow it will take up to 12 to 18 months to rebalance the global oil market". Then minutes after signing the MOU by President Trump first and a few days later by the President of Iran, we were told that the most important supply chain on Earth would be back to normal in a few months. **Did we figure out how to send crude oil over the internet?**

Investors need to understand that an MOU is not a binding document. Its just an outline of what topics need to be discussed during the real negotiations, which we all know will not be concluded in 60 days. Then we need to give up the fantasy that a paper peace agreement with Iran is going to create lasting peace in the Middle East.

GLOBAL OIL MARKET OUTLOOK

Last week we emailed EPG members a detailed analysis of the oil market written by my friend Jim Puplava, President and Founder of Financial Sense Wealth Management. I urge all of you to read it carefully. Below is Jim's introduction and conclusion. Followed by take.

Introduction: The Paper Illusion vs. the Physical Reality

The oil markets possess an innate, historical tendency to overshoot to structural extremes before undergoing a violent turnaround, both on the upside and the downside. We are currently witnessing this exact psychological phenomenon play out in real time. Following a period where Brent and WTI crude peaked (on a closing basis) at the prominent psychological levels of $112 and $114 a barrel respectively, prices have undergone a precipitous, momentum-driven decline. Brent has collapsed more than 30% to $73 a barrel, accompanied by a symmetrical retreat in WTI down to $70 a barrel.

To the disciplined macro-observer, this aggressive sell-off reveals a profound, systemic disconnect between paper market participants and the unyielding realities of the physical oil complex. Paper traders appear to be operating under a naive, short-sighted assumption that the announcement of a peace framework means the regional crisis is permanently solved, the Strait of Hormuz will instantly reopen like a flipped light switch, and the global energy market will seamlessly revert to its pre-war status quo. Wall Street analysts have rapidly shifted their narratives, once again predicting a massive structural oil glut next year, perceiving the recent diplomatic headlines as the definitive end of the Middle East crisis.

In my opinion, this optimism is deeply flawed. A peace agreement is not a resolution; it is merely the starting line of a grueling, highly volatile, multi-month negotiation process. While speculative paper shorts push prices artificially low based on macro headlines, a forensic look underneath the surface reveals a stark reality: **the developed world has entirely burned through its safety cushion of oil inventories and emergency reserves.** The physical reality of the oil complex suggests that the market is severely underestimating the logistical lag in supply restoration and the sheer, unprecedented depth of the global inventory deficit. When these two forces collide later this year, the structural setup could lead to another aggressive, asymmetric spike in oil prices.

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:

- Baytex Energy (BTE)
- EOG Resources (EOG)
- Flex LNG (FLNG)
- Freehold Royalties (FRHLF)
- Hemisphere Energy (HMENF)
- InPlay Oil (IPOOF)
- Journey Energy (JRNGF)
- Kimbell Royalty Partners (KMP)
- Kolibri Global Energy (KGEI)
- Matador Resources (MTDR)
- Ovintiv (OVV)
- Peyto Exploration & Development (PEYUF)
- Plains All American Pipeline (PAA and PAGP)
- Pine Cliff Energy (PIFYF)
- Riley Exploration Permian (REPX)
- Ring Energy (REI)
- ROK Resources (ROKRF)
- Rubellite Energy (RUBLF)
- Spartan Delta (DALXF)
- Surge Energy (SGYEF)
- Tourmaline Oil (TOU.TO)

Conclusion & Investment Implications

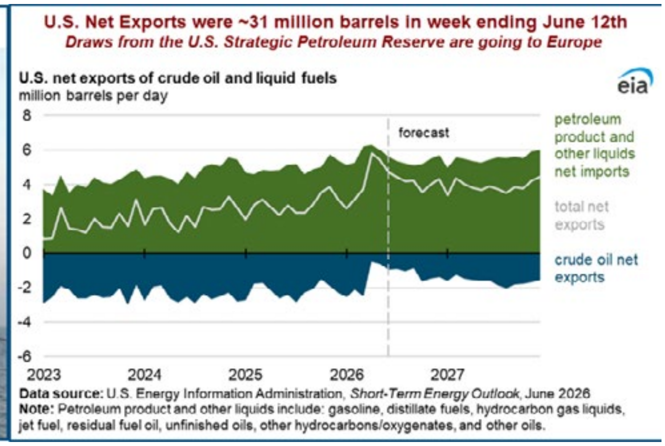
The current macro environment presents a textbook example of a market pricing the headline while completely ignoring the underlying plumbing. The paper markets seem to be valuing oil as if a structural supply glut is locked in, when in fact, the physical oil complex is running on empty. A fragile, 60-day diplomatic waiver cannot magically replenish an international inventory deficit that took a multi-nation war to create, nor can it bypass the rigid laws of maritime logistics. As global refiners are forced to step into the spot market to restock depleted 50-day OECD inventories, they may find that the physical oil simply isn't there yet due to the severe transit lag out of the Persian Gulf. The risk/reward profile heavily favors a structural, "higher-for-longer" outlook in energy prices.

My Takes: There is no "Quick Fix" for the damage done the oil supply chain.

First let me acknowledge that President Trump's ability to talk down the price of oil is one of the most amazing things I've ever seen. He's being helped by strong market forces that also want lower energy prices because their #1 FEAR is that inflation will cause the Fed to raise interest rates, which will cause the overall market to selloff. By artificially keeping the oil price below where the fundamental say it should be, they will make the FEAR a reality.

Second, I have no idea were the oil price will be a few days from now. However, it is clear to me that U.S. crude oil inventories which have declined by over 2 million barrels per day (bpd) in June will keep declining at that rate through July. Crude oil inventories at Cushing, Oklahoma are at "operational minimums", which means the most important oil storage & distribution facility in the U.S. cannot maintain oil pipeline pressures high enough to push the oil to refineries that require a steady flow of oil to keep running. Eventually, the oil paper traders will grasp how big of a problem this is. Watch this **video.**

Third, the odds of a workable peace agreement with Iran during 60 days of negotiations getting finalized is close to



zero. It is a joke how many previous ceasefires have been violated within a few days after being announced.

Fourth, half of the oil tankers that are successfully getting out of the Persian Gulf are not going to return until they are sure that the Strait of Hormuz is safe.

Fifth, the U.S. Strategic Petroleum Reserve (SPR) is being drained at an historically high rate. Like Cushing's oil tanks, it is not an endless supply. Most Americans are unaware that our SPR oil is being shipped to Europe.

Sixth, **and most important,** the geopolitical risk premium on Middle East oil will remain high. Shares of companies with large proven oil reserves in the U.S. and Canada have become more valuable.

U.S. NATURAL GAS MARKET

There is a good reason to have profitable "Gassers" in your portfolio. Measuring by the amount of energy it is able to generate, natural gas (including NGLs) is the fastest growing energy source on Earth. The compound annual growth rate (CAGR) of natural gas demand is approximately 2.2%, compared to approximately 1% for crude oil. In 2024 natural gas was an estimated 25.3% of total energy consumption in the world.

EIA's Short-Term Energy Outlooks for Natural Gas as of June 9

Natural gas production. U.S. marketed natural gas production in our forecast grows by 3.3% in 2026, or about 3.9 billion cubic feet per day (Bcf/d), and by an additional 2.5% in 2027. We now expect the United States will produce 4.6 Bcf/d more natural gas in 2027 than we were forecasting in our January STEO. This upward revision is almost entirely the result of higher associated natural gas in the Permian region than we had previously expected.

Natural gas production growth is not limited to the Permian, but the Permian region drives most of the increase between our January and June forecasts. We also expect natural gas production growth in the Haynesville region, where production is more directly tied to natural gas prices at Henry Hub, Louisiana and demand from U.S. Gulf Coast LNG export facilities. Together, these regions produce enough natural gas to keep inventories above the five-year average and limit upward pressure on Henry Hub prices.

My view is that oil prices will be determined by global supply & demand fundamentals, which are much tighter than we are being led to believe. North America is blessed to have abundant natural gas reserves and a complex distribution network which will keep our electricity prices some of the lowest in the world.

SWEET 16 GROWTH PORTFOLIO

Our Sweet 16 Flagship Portfolio includes 15 upstream oil and gas companies plus **Solaris Energy Infrastructure (SEI), which**

Updated	Oil & Gas Prices used in Forecast Models					
6/16/2026	2023 to 2025 Actuals and 2026 & 2027 Forecasts					AFTER
	Q1	Q2	Q3	Q4	YEAR	2026
WTI Oil	Actuals	Actuals	Actuals	Actuals	Actuals	Forecast
2023 by Qtr	$ 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	$ 59.14	$ 64.81	
2026 by Qtr	$ 71.93	$ 90.00	$ 100.00	$ 85.00	$ 86.73	$ 80.00
HH NGas						
2023 by Qtr	$ 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	$ 3.55	$ 3.43	
2026 by Qtr	$ 4.95	$ 2.95	$ 3.25	$ 3.75	$ 3.73	$ 3.75

leads the pack up 67.1% year-to-date. As of June 27, the portfolio is up 22.95% YTD, but still trades at more than a 50% discount to my valuation.

At the midpoint of the year, all of the Sweet 16 companies are in much better shape than they were a year ago. Oil price volatility will continue and I believe the risk for oil and gas prices is to the upside. The conflict in Iran is far from over and there is no Quick Fix for the largest oil supply deficit that I have seen in my 50 year career.

All 16 companies delivered strong Q1 2026 financial results. Q2 2026 operating cash flow should be quite a bit higher for the eleven companies that get most of their revenues from crude oil sales. Thanks to the normal seasonality of natural gas prices, the four "Gassers" (AR, EQT, RRC, and TOU.TO) will report lower financial results in Q2, but still good. As mentioned above, U.S. natural gas prices are expected to firm up in Q3 and move significantly higher before the start of the 2026/2027 winter.

Harry van Neck is the "Petroleum Economist" on the EPG Forum. [In his weekly report dated June 27th] he makes the case that five of the large-cap "Gassers" he follows, including AR, RRC and EQT are oversold. I agree with Harry, that now is a good time to rebalance your portfolio by adding more exposure to companies that produce a lot of natural gas and NGLs. The July weather forecast for the eastern half of the U.S. has turned bullish for natural gas demand.

You can find each company's production mix on the Sweet 16 Summary Spreadsheet that is updated each weekend on the EPG website.

Crescent Energy (CRGY), up 20.62%, and SM Energy (SM), up 40.86%, are "Special Situations" that are both trading at less than 50% of my current valuation. I expect them to finish the year strong. It takes several quarters of combined results after the closing of large accretive mergers for investors to fully appreciate how impactful they are. Each company reported Q1 2026 results in line with my forecast models, and their updated guidance increases confidence in my price targets.

Devon Energy (DVN) is the largest "Special Situation" this year because of the merger with Coterra that closed on May 7th making Devon the 2nd largest upstream oil & gas company in the U.S. based on current production. On June 9, 2026 Devon provided an updated outlook for the combined company. Q3 production is now expected to be 1,655,000 Boepd with a mix of 34% crude oil, 44% natural gas and 22% NGLs. The production mix and Devon's updated hedges lower commodity price risk.

My valuation of DVN has been reduced by $4 to $67 per share, primarily because I lowered my valuation multiple from 5.75X to 5.5X annualized operating cash flow per share. If actual results match my forecast assumptions, a higher valuation should be deserved.

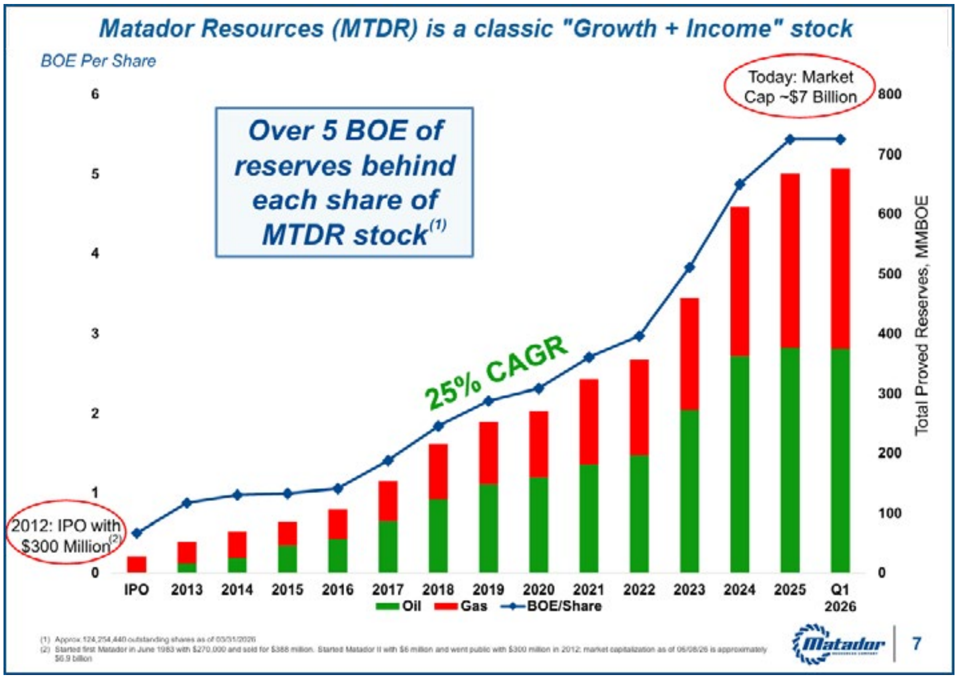
I do expect Devon to put an Appalachia Asset Package up for sale in a few months. They have already received an unsolicited offer of $8 Billion.

19 of 21 analysts that have provided price targets for Devon rate it as a BUY or STRONG BUY. The consensus price target is $60.68, which is 43.8% higher than where DVN closed on June 26.

Devon and **Matador Resources (MTDR)** both announced sizable acquisitions of net undeveloped acreage in the core of the Delaware Basin through April's Bureau of Land Management (BLM) oil and gas lease sale. The new leases appear especially meaningful for Matador, which views the 5,154 net acres as "core-of-the-core," strategic, and highly complementary to its existing position. The acreage supports three-mile-plus laterals, greater use of existing facilities and field teams, and potentially higher

Sweet 16 Growth Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
			6/26/26		
APA CORP	OIL	APA	33.01	$57.00	72.67%
ANTERO RESOURCES	GAS	AR	35.17	$51.00	45.01%
CRESCENT ENERGY	OIL	CRGY	10.12	$28.50	181.62%
DEVON ENERGY	OIL	DVN	42.21	$67.00	58.73%
DIAMONDBACK ENERGY	OIL	FANG	179.91	$230.00	27.84%
EOG RESOURCES	OIL	EOG	132.60	$171.00	28.96%
EQT CORP	GAS	EQT	52.70	$71.00	34.72%
MAGNOLIA OIL & GAS	OIL	MGY	26.78	$37.00	38.16%
MATADOR RESOURCES	OIL	MTDR	49.90	$90.00	80.36%
OVINTIV INC (was ENCANA)	OIL	OVV	53.19	$80.00	50.40%
PERMIAN RESOURCES	OIL	PR	18.42	$26.50	43.87%
RANGE RESOURCES	GAS	RRC	37.57	$50.00	33.08%
SM ENERGY	OIL	SM	26.34	$57.50	118.30%
SOLARIS ENERGY INFRASTRUCTURE	SERVICES	SEI	76.80	$85.00	10.68%
TOURMALINE OIL ($Cdn)	GAS	TOU.TO	60.16	$72.00	19.68%
WHITECAP RESOURCES ($Cdn)	OIL	WCP.TO	14.97	$20.00	33.60%



midstream value from future Delaware Basin volume growth. The leases carry an 87.5% net revenue interest and a 10-year term across all depths.

Each company's press release provides additional details on the BLM leasehold acquisition.

Matador has been a Sweet 16 company since 2013. During that time is has a 25% compound average growth rate of 5 Boe of proven reserves per share.

Permian Resources (PR) should also attract more attention from these press releases because it is a pure-play Delaware Basin company. The Delaware is a sub-basin of the Permian.

EOG, FANG, and Magnolia Oil & Gas (MGY) should benefit the most from higher oil prices because their oil production is largely unhedged. The only exception is a small volume recently hedged by FANG—15,000 bpd under collars with a $115/bbl ceiling.

All of the Sweet 16 profiles and forecast models have been updated on the EPG website.

Top Dividend Yields in the Sweet 16

Dividend-focused investors may want to consider these Sweet 16 names, which had the highest annualized dividend yields as of the June 26 close. Several of these companies should generate enough free cash flow to increase dividends and/or repurchase shares.

- Whitecap Resources (WCP.TO or WCPRF): 4.87%
- Crescent Energy (CRGY): 4.75%
- SM Energy (SM): 3.34%
- Tourmaline Oil (TOU.TO & TRMLF): 3.32%
- Permian Resources (PR): 3.31%
- EOG Resources (EOG): 3.08%

SMALL-CAP PORTFOLIO

The Small-Cap Growth Portfolio highlights both the opportunities and risks of investing in smaller energy companies. Although small-cap stocks typically carry more risk than the larger Sweet 16 names, they can also offer greater upside. For upstream companies, scale and growth potential matter: rising production and expanding proved reserves can support higher share prices. This is a capital-intensive business, and I believe the best opportunities are companies with high-quality assets, sufficient operating cash flow to develop them, and capable management teams that can execute. Since I founded 2023, I have built a Western Canada network that has helped me identify a few true "gems" each year.

The U.S. economy relies on a steady supply of heavy Canadian crude to produce diesel. Four of our small-cap holdings have development drilling programs underway that are increasing heavy-oil production, and my valuations indicate that each offers significant upside potential.

The share price of **Baytex Energy (BTE.TO)** has more than doubled over the past

Small-Cap Growth Portfolio

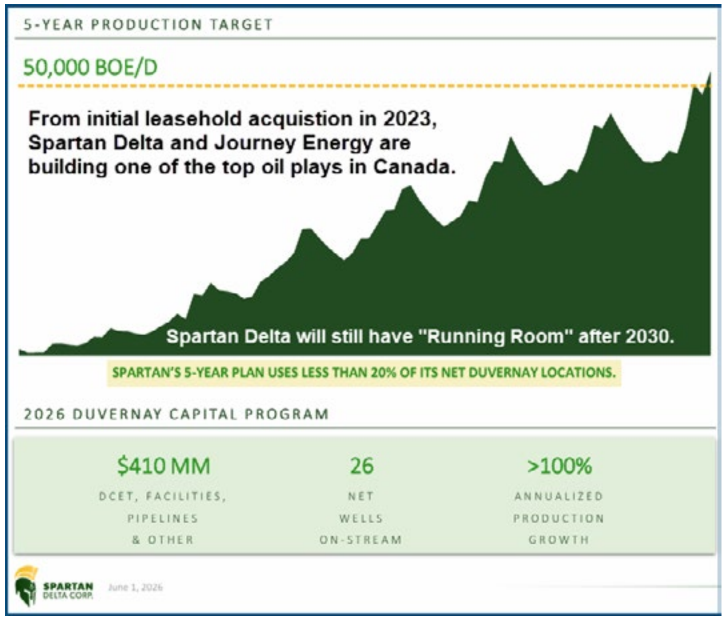
Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
		Dividends	6/26/26		
			USD	USD	
BAYTEX ENERGY	OIL	BTE	$3.99	$5.37	34.59%
JOURNEY ENERGY	OIL	JRNGF	$3.03	$5.82	92.08%
KOLIBRI GLOBAL ENERGY	OIL	KGEI	$4.58	$8.25	80.13%
PINE CLIFF ENERGY	GAS	PIFYF	$0.41	$0.43	6.07%
RILEY EXPLORATION PERMIAN	OIL	REPX	$33.74	$55.00	63.01%
RING ENERGY	OIL	REI	$1.07	$2.85	166.36%
ROK RESOURCES	OIL	ROKRF	$0.18	$0.37	102.96%
RUBELLITE ENERGY	OIL	RUBLF	$2.36	$4.79	102.97%
SPARTAN DELTA	GAS	DALXF	$7.80	$10.30	32.05%

year, although it has pulled back from its 52-week high of $5.36US reached on May 19th. Baytex has significantly strengthened its balance sheet by using $3Cdn billion proceeds from the South Texas asset sale to retire nearly all of its debt. Management recently raised the midpoint of its 2026 production guidance and introduced a three-year plan that gives me greater confidence in my forecast model. Stronger-than-expected first-quarter heavy oil results, improved guidance, longer-term growth targets, and continued share buybacks have increased investor focus on how Baytex balances growth with financial discipline. Baytex is the largest company in the portfolio with a market capitalization of over $4Cdn billion and current production of approximately 70,000 Boepd (~81% oil).

The share prices of **Spartan Delta (SDE.TO and DALXF) and Journey Energy (JOY.TO and JRNGF)** have more than doubled since joining the portfolio and remain its top performers, supported by outstanding well results from their Duvernay oil joint venture. Spartan Delta operates the JV with a 70% working interest, while Journey's 30% working interest gives it greater leverage to higher oil prices. Journey Energy CEO Alex Verge will speak at our next Houston luncheon on July 15th. **Investors focused on companies with high-quality "Running Room" should not miss this event.**

Since its initial leasehold acquisition in late 2023, **Spartan Delta** has built a position of more than 522,000 net acres (815 sections) in the West Basin Duvernay, which is emerging as one of Western Canada's most compelling oil-weighted growth opportunities. With 26 net wells expected to be on-stream by year-end 2026, management is confident Duvernay production can reach 50,000 Boepd by the end of 2030.

Rubellite Energy (RBY.TO) is another heavy-oil producer that could set a new 52-week high after reporting Q2 2026 results in early August, which I expect to be the strongest quarter in its history. The company is funding the development of its high-quality "Running Room" across multiple areas entirely through operating cash flow. Management expects existing assets to support 10% to 15% annual production growth through at least 2030.



On June 22, **ROK Resources (ROK.V and ROKRF)** announced the strategic sale of non-operated assets with limited upside for $8Cdn million, with closing expected on or before July 31, 2026. With its balance sheet already strong, ROK can now focus more fully on developing its core operated assets. The divestiture includes only 3.5 proved plus probable drilling locations, allowing ROK to retain 97% of its drilling inventory for future development.

Since publishing my May newsletter, I received additional information from ROK on the timing of its 2026 well completions. I now expect the company to complete ten new wells this year. The low-risk development drilling program should be fully funded by operating cash flow. Production is expected to rise from 3,027 Boepd in Q1 2026 (57.6% oil, 11.1% NGLs, and 31.3% natural gas) to 4,000 Boepd in the second half of 2026, with a full-year average of 3,475 Boepd. Although well completions began in June, most of the growth should occur in Q3 and Q4. My $0.50Cdn valuation is based on only 3.5X annualized operating cash flow per share. If ROK executes as planned, it should deserve a higher valuation multiple by year-end.

We published an updated profile on **Pine Cliff Energy (PNE.TO and PIFYF)** last week. It is the portfolio's only year-to-date decliner, mainly because its revenue is closely tied to Western Canadian natural gas prices. Pine Cliff remains financially sound and recently reported the February completion of a horizontal Glauconite well with a 60-day initial production rate of 1,150 Boepd, 55% of

EPG Coming Events

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

July 15 Luncheon in Houston: Journey Energy's CEO Alex Verge will be speaking at our luncheon at Maggiano's Little Italy restaurant, 2019 Post Oak Blvd. Doors open at 11:00 for networking with lunch served at 11:30.

which was high-value liquids. The well continues to outperform its type curve, and Pine Cliff is expected to announce plans soon to drill two additional horizontal Glauconite wells in Q4 2026.

Small-Cap Companies based in the U.S.

Kolibri Global Energy (KGEI) actually spun out of a company based in Canada, but all of its assets are in Central Oklahoma. It continues to post double-digit annual production growth - 15.4% in 2025 and roughly 15% again in 2026 based on their guidance. The company has drilled the first of three horizontal development wells from a pad in the Tishomingo Field, which should increase oil production in Q3 2026. I also hope Kolibri's new board approves a more aggressive drilling program, which I believe would justify a higher share price.

Riley Exploration Permian (REPX) is my top Growth & Income pick in the small-cap portfolio and one of its lower-risk holdings, with 67% of expected 2026 production hedged at a blended price near $65/bbl. Crude oil sales have generated more than 100% of Riley's reported revenue for each of the past four quarters, and Q2 2026 should extend that streak to five. The company is on track to deliver record operating cash flow of more than $290 million in 2026 and it all comes from oil sales because natural gas and NGL prices are negative when netted with gathering, transportation, and processing fees (GT&P).

Riley's Q1 2026 net loss included a $127 million non-cash mark-to-market loss on its hedges, which should reverse in Q2. Long-time EPG members know how misleading hedge-accounting rules can be. Based on my forecast, operating cash flow per share could exceed $13.50 this year, supported by management's guidance for 32% production growth.

Ring Energy (REI) declined in mid-May after announcing a dilutive equity offering, but the proceeds have strengthened a balance sheet that needed improvement. I expect Q2 2026 operating cash flow to rise by more than $10 million from the prior quarter, supported by higher production and an almost $8.00 per barrel increase in Ring's realized oil price. Even with the larger share count, Ring's 2026 adjusted operating cash flow per share should remain between $0.65 and $0.70, only modestly below 2025 levels. I see no reason for REI to trade at less than 2X operating cash flow per share.

My 2027 forecasts assume WTI oil averages $80/bbl and Henry Hub natural gas averages $3.75/MMBtu. If actual oil and natural gas prices come close to those levels, all nine companies should be in strong financial position next year.

HIGH YIELD INCOME PORTFOLIO

The High Yield Portfolio focuses on companies with strong balance sheets and dependable, sustainable dividends. Although dividend yield is the main objective, most holdings also qualify as growth companies, offering meaningful upside in share price. Compared with our dedicated growth portfolios, this portfolio is typically less volatile because price movements are driven more by dividend yield than by market speculation. High-yield investors also tend to take a long-term, buy-and-hold approach rather than trade frequently.

During June we have updated all twelve of the profiles for the companies in this portfolio. Their Q1 2026 results were close to my forecast and several of them reported financial results that beat my forecast. Last week, I checked all of the forecast models and made some adjustments in my operating cash flow forecasts. I lowered my valuation multiples for those companies that have the most exposure to the uncertainty of where oil prices are going to settle.

Obviously, Q2 2026 results are going to be much better thanks to WTI oil prices averaging close to $18.00/bbl higher than Q1 oil prices. Natural gas prices were lower quarter-to-quarter, but about $0.20/MMBtu higher than what I was using in my forecasts. The outlook for U.S. natural gas prices has improved since my previous newsletter because gas demand for power generation is expected to go up in July.

Each company's dividends are sustainable and several will be raising dividends based on Q2 2026 results. Toping that list should be KRP and VNOM.

Minerals / Royalties Companies

Minerals and royalties companies are generally safer than upstream oil and gas producers because they do not take on drilling risk. However, they still face commodity-price exposure, so production mix remains an important part of my analysis.

Viper Energy (VNOM) remains my top pick for combining growth and income. It is also the only stock that I follow which has a BUY or STRONG BUY by all 15 analysts that follow it.

- Viper's scale and close relationship with **Diamondback Energy (FANG),** its largest shareholder, support continued growth, especially as Diamondback pursues an aggressive drilling program on Viper's mineral acreage. Viper's revenue is heavily weighted toward oil and it only uses Puts in the low $50s/bbl to protect a bit of the downside risk.

- **I expect Viper's next base + variable dividends to be over $0.90/share based on Q2 2026 operating cash flow,** which compares to the $0.68/share dividend based on Q1 2026 results. Viper's production is now expected to increase ~35% year-over-year in 2026.

- Viper's shareholders get a nice dividend and the net asset value per share keeps going up.

Kimbell Royalty Partners LP (KRP) offers the highest annualized dividend yield at ~12%, based on the June 26 closing price. **KRP pays variable dividends,** which totaled $1.57 per unit in 2025. Based on my 2026 forecast, dividends should exceed $1.75 per unit this year. KRP is a partnership that has elected to be taxed as a C-Corp. It is much smaller than Viper, but it does have steady production growth. Its production mix and hedging program lowers commodity price risk. If your #1 goal is high yield, KRP is a good choice.

Freehold Royalties (FRU.TO and FRHLF) is a recent addition to the portfolio. This Canadian mineral royalty company has been expanding aggressively in the U.S., completing several large acquisitions over the past four years using both debt and equity. Freehold has maintained balanced financial flexibility while increasing scale, drilling inventory, and cash flow. Based on my forecast, the dividend is sustainable. I rate it a HOLD, until I see a clear path to more production growth.

Black Stone Minerals (BSM), an MLP, has the highest natural gas weighting in this group. After closing several aggressive development agreements with high-quality upstream operators, **it now has a clear path to steady distributable cash flow growth.** BSM has also said publicly that it hopes to double annual distributions over the next five to 10 years, and it has raised its 2026 production guidance. If natural gas prices do ramp up as I am expecting them to do, **I expect the partnership to increase cash distribution in 2H 2026.**

Upstream Oil & Gas Companies

The High Yield Income Portfolio includes five upstream oil and gas companies. With the recent rise in oil prices, all five should report a significant increase in Q2 2026 free cash flow.

On June 1st **Surge Energy (SGY.TO and SGYEF)** announced that they have expanded their 2026 drilling program and increased its 2026 exit production rate guidance from 23,000 boepd to 24,000 boepd. On June 16th Surge announced that they plan to accelerate their common stock buybacks because they believe the stock is trading below net asset value. Surge's Q1 2026 production of 23,893 Boepd (86.5% crude oil, 10.8% NGLs, and 2.7% natural gas) exceeded my forecast. Peters & Company, a highly respected research firm, recently raised its price target to $14.00 Cdn. Based on my forecast, Surge should report a significant increase in free cash flow from Q1 to Q2 2026. Surge pays monthly dividends which is favored by many investors.

Northern Oil & Gas (NOG) offers investors the highest dividend yield in this sub-group (~9.4%). The share price is down 10.7% YTD to a very attractive entry price. NOG is a classic "Growth + Income" stock. Production increased 30.8% in 2023, 25.7% in 2024, and 8.8% in 2025. The dividends are sustainable and there is no reason I see for this stock to be trading under 2X operating cash flow per share. More than 60% of NOG's oil production is hedged and it has a good production mix, so NOG's commodity price risk is actually low.

High Yield Income Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	Estimated Annual Yield	Annual Dividend	Paid	EPG Valuation
			6/26/26		USD		
Minerals Companies							
BLACK STONE MINERALS LP	GAS	BSM	$14.10	9.57%	$1.35	Qtr	$15.25
FREEHOLD ROYALTIES	OIL	FRHLF	$11.49	6.50%	$0.77	Qtr	$13.67
KIMBELL ROYALTY PARTNERS	OIL	KRP	$14.78	11.98%	$1.77	Qtr	$19.00
VIPER ENERGY, INC.	OIL	VNOM	$42.57	8.74%	$3.72	Qtr	$63.00
Upstream Companies							
HEMISPHERE ENERGY	OIL	HMENF	$1.72	9.08%	$0.156	Qtr	$2.67
INPLAY OIL	OIL	IPOOF	$10.14	7.56%	$0.767	Mo	$17.40
NORTHERN OIL & GAS	OIL	NOG	$19.17	9.39%	$1.800	Qtr	$44.00
PEYTO EXPLORATION & DEVELOPMENT	GAS	PEYUF	$17.15	5.96%	$1.022	Mo	$20.42
SURGE ENERGY	OIL	SGYEF	$6.48	5.70%	$0.369	Mo	$11.00
Midstream Companies							
ANTERO MIDSTREAM CORP	Midstream	AM	$23.19	3.88%	$0.90	Qtr	$24.50
FLEX LNG	Midstream	FLNG	$29.48	10.18%	$3.00	Qtr	$32.00
PLAINS GP HOLDINGS LP	Midstream	PAGP	$23.76	7.03%	$1.67	Qtr	$25.50

TipRanks rates NOG a BUY with a price target of $32.75.

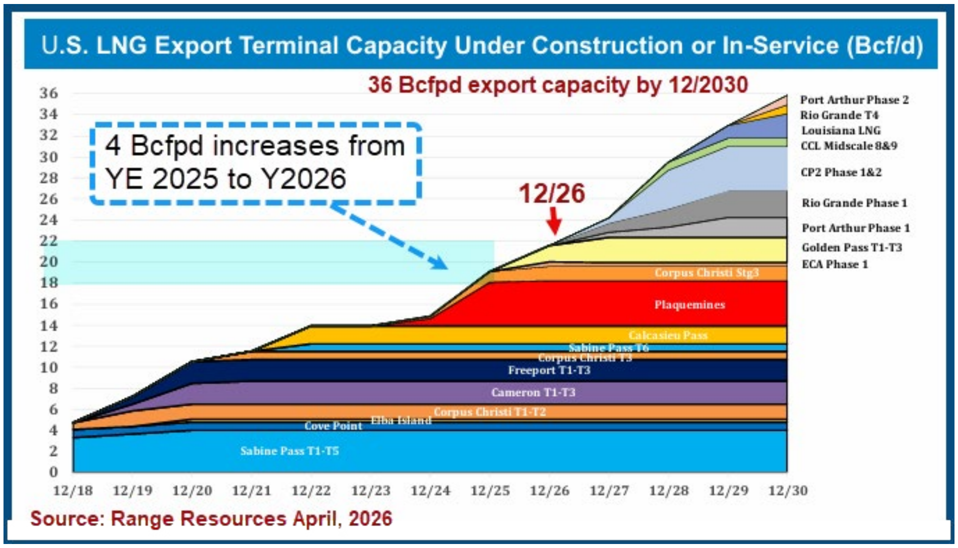
Hemisphere Energy (HME.V) is a pure play on heavy oil. The company is generating strong free cash flow from two successful polymer floods in Southern Alberta. It pays a quarterly dividend of $0.025 per share and issues special dividends when cash exceeds capital needs. With higher oil prices, I expect Hemisphere to pay at least four special dividends this year.

InPlay Oil (IPO.TO) has pulled back to a very attractive price. Based on the midpoint of its production guidance of 19,000 Boepd, with about 48.5% light oil, production should rise roughly 11.7% year over year. I also expect InPlay to add more development wells to this year's drilling program, making a 2026 exit rate of 21,000 Boepd possible. InPlay has a lot of oil production hedged, so it should be reporting a large mark-to-market gains on their hedges at the end of Q2.

Peyto Exploration & Development (PEY.TO and PEYUF) is one of my Top Picks for investor that want to add more exposure to natural gas. Approximately 88% of Peyto's production is natural gas and NGLs. Each time I update my forecast and valuation model for Peyto, I come away more impressed by how effectively it markets its gas. It continues to report the highest realized natural gas prices in this group; $3.82Cdn/MMBtu in 2025 and $4.69Cdn/MMBtu in Q1 2026. I view Peyto as the safest way to increase exposure to Canadian natural gas. In addition to its high-yield dividend, Peyto has the flexibility to increase production if market conditions improve.

From My Watch List: I planned to add **Mach Natural Resources LP (MNR)** to the portfolio, but I have not had time to finish my forecast/valuation model. Q1 2026 production was 158,000 Boepd with a mix of 70% natural gas, 14% NGLs and 16% crude oil. **MNR is up 15.3% YTD and it has a dividend yield of 14.3%, based on its last four quarterly dividends that totaled $1.82/share.** It is a partnership that pays variable dividends.

Midstream Companies: Safe Bets for Income and Growth



Given the volatility in oil, gas, and NGL prices, midstream companies remain the safest holdings across all three model portfolios because they have no direct commodity price exposure.

Antero Midstream (AM) is better described as a "Growth + Income" stock and is up **30.35% YTD.** It is the smallest midstream company in the portfolio, and its growth is closely tied to the aggressive drilling activity of **Antero Resources (AR).** AM's share price has reached my current valuation, so I now rate it a HOLD. **I recommend taking gains in AM and reallocating the proceeds to FLNG, PAA, or PAGP.**

Flex LNG, Ltd. (FLNG) is up 18.16% YTD. The company owns and operates a modern fleet of LNG carriers, most of which are employed under long-term, fixed-rate charters. That limits exposure to volatile spot shipping rates and provides strong cash flow visibility. This structure has allowed Flex to consistently generate excess free cash flow and return a substantial share of it to investors through dividends.

Plains All American Pipeline LP (PAA) is an MLP with a slightly higher yield than its general partner, **Plains GP Holdings (PAGP),** a C-Corp that pays the same dividend without issuing K-1 tax forms. **PAGP is up 24.114% YTD** and remains my top midstream pick for safety and its attractive 7.03% dividend yield. After Q3 2025, PAA and PAGP raised their quarterly dividends to $0.42, and I expect annual dividend increases to continue.

Final Thoughts

A hot July in the Southeast U.S. will ramp up electricity demand, which ramps up natural gas demand. I expect U.S. natural gas prices to firm up in Q3 and then spike up to over $4.00/MMBtu when U.S. LNG exports set records month after month starting in September. The Conflict with Iran has destroyed large LNG export facilities in the Middle East that will take year to repair. The tightness in the global natural gas market will draw more attention as winter approaches. As you can see in the chart above, U.S. LNG export capacity will be doubling to ~35 Bcfpd over the next 4.5 years.

"Paradigm Shifts" are when big gains can be made in the stock market: I am expecting Q3 2026 to be one of the most interesting periods of my career. Over less than six months we have witnessed a world that went from the false paradigm that the world was over-supplied with oil to the largest supply deficit ever seen. The oil price decline in June is based on the false paradigm that the oil supply chain can rebalance by the end of the quarter. There is no way the loss of 1.7 billion barrels of supply, which continues to increase, can be replaced quickly.

In the box at the top of the next page are forecasts from EIA's June Stort Term Energy Outlook. The IEA has been so politicized that it cannot be trusted to put out reliable information in their Monthly Oil Report, but EIA is being more realistic. "Forecasting is difficult, especially when it is about the future.", which is a famous quote from Yogi Berra.

This is based on the Strait of Hormuz being FULLY OPEN IN JULY: Wishful Thinking?

EIA Short Term Energy Outlook released on June 9, 2026

Because of the size of the drawdown in global inventories, we forecast that oil prices will remain elevated until global oil flows return to normal levels and oil inventories are replenished. We estimate that global oil inventories will fall by an average of 6.3 million b/d in 2Q26, and we forecast the Brent crude oil spot price will average around $105/b in June and July. Once the traffic through the Strait of Hormuz gradually begins to resume and shut-in oil production increasingly restarts, we assume oil prices will begin to fall, decreasing to an average of $89/b by 4Q26. We assess that most shut-in oil production will be fully restored in 1Q27 and that global oil inventories will again start building, gradually lowering oil prices to an average of $79/b in 2027. **< My forecast are $85 in Q4 and $80 in 2027.**

In my opinion, the biggest false paradigm is that Iran can actually be trusted to negotiate a peace agreement and that they will stop funding terrorist. I expect the "negotiation period" to be extended passed the mid-term elections at a minimum. We can also expect to see weekly breaking of the current ceasefire, like we just saw over the weekend. There are many forces in the world that want and profit from chaos. Most of them reside in the Middle East.

The oil and gas supply chains are too important to our standard of living to include "just in time" inventories. Commercial and Strategic Petroleum Reserves (SPR) have been and will continue to be drained during the 3rd quarter. Those inventories must be rebuilt and dozens of countries that did not have an SPR will want one in the future. This a significant demand increase that will need to be factored into the estimates of how long it will take the global oil market to rebalance.

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