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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.

"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.

Importers in India have paid more than $330 million more for oil since February.

On August 28, the war between the U.S. and Iran reached the six-month mark with no sign that either side was backing down. President Trump insisted this week that Iran is "begging to make a deal," while Iranian leaders publicly downplayed the impact of the new sanctions. Mr. Trump initially said the war would last six weeks, but now says it will continue for "as long as necessary." – CBS News Update 8-30-2026

This is how I see the "Reality" of this war playing out with a significant impact of energy prices.

My Outlook: A Prolonged Conflict

This war is unlikely to end before the midterm elections and may continue beyond year-end. The risk is that it becomes another "Forever War", with no clear path to resolution and no obvious way for the global oil market to rebalance quickly. When Russia invaded Ukraine President Putin expected it to end in six weeks; now it has been going on for over four years. Wars are easier to start than they are to end.

Market Expectations Are Shifting & Team Trump Cannot Talk Down the Oil Price Much Longer

Since the "Conflict with Iran" began on February 28, 2026, oil paper traders in commodity futures markets have generally remained optimistic. Many accepted President Donald Trump's comments about peace talks or victory over Iran at face value and positioned for a quick end to the war. That view now appears to be changing as physical supply constraints become harder to ignore.

Fuel Supplies Are Tightening

The diesel shortage that has been building since spring is worsening and is likely to intensify as demand rises in the fall and winter. Other fuel markets have faced less pressure, but the strain remains visible because the Middle East and Russia were both major refined-fuel exporters before the war disrupted trade. The pressure is not limited to refined fuels. Crude supplies are also tightening, and President Trump's ability to shape market expectations appears to be fading. This is no longer merely a negotiation over terms; it has become a regional war with no clear end in sight.

Hormuz Flows Remain Severely Reduced

Oil flows through the Strait of Hormuz remain far below normal levels. During the first three weeks of August flows were below July's average of 4.8 million barrels per day and far beneath the pre-war average of 18 million barrels per day. Tanker traffic through the chokepoint is now only about 11% of the level seen before the United States and Israel struck Iran.

No Peace Talks, Rising Price Risk

Tanker attacks continued in August. President Trump says the Strait of Hormuz is open, while Iran says it is closed—and tanker-tracking data supports Iran's position more strongly. Both sides appear to agree on one point: no peace talks are taking place right now. That suggests both are preparing for a prolonged standoff, which could keep energy prices elevated, especially for diesel, jet fuel, and home heating oil.

Crude Prices May Understate the Fuel Crunch

Two weeks ago, Jeff Currie warned that Brent crude prices may not fully reflect the severity of the fuel shortage. "Nobody on the planet earth consumes crude oil," Currie told CNBC. The issue is that crude futures can obscure conditions in the physical market people actually depend on. Strategic crude reserves exist, but large stockpiles of finished oil-based fuels do not.

The Supply Deficit Is Growing

In its August Oil Market Report, the International Energy Agency (IEA) projected that global oil supply will fall by 4.3 million barrels per day this year, a steeper decline than its earlier estimate of 3.7 million barrels per day. IEA is still forecasting that there will be an oil supply surplus early in 2027, but that is just wishful thinking by an organization with a long history of understating oil demand.

Inflation Pressure Is Likely to Build

If the IEA's forecast proves correct, 4.3 million barrels per day of crude that could have been refined into fuels and petrochemicals will not reach refineries. That is already widening crack spreads and pushing up prices for gasoline, diesel, and jet fuel. The broader economic impact could be significant because energy costs feed into nearly every part of the economy.

Alternatives to Hormuz Are Limited

Middle East oil producers are trying to work around the Hormuz bottleneck. Saudi Arabia has redirected exports, and the UAE has increased shipments, with Kpler data showing August volumes above last year's average. However, the UAE recently accused Iran of firing two ballistic missiles at its territory, raising concerns about the safety of Emirati tankers in the Strait of Hormuz. ADNOC tankers have already been frequent targets of Iranian strikes, and new pipelines to bypass Hormuz would take years to complete.

Bottom Line

What initially looked like a short, sharp, but manageable squeeze in oil and gas has become a much larger crisis with no clear end in sight. Both the United States and Iran are under economic pressure from the war, yet both appear willing to continue for an extended period. Until one side backs down, the energy squeeze is likely to worsen.

GLOBAL OIL MARKET OUTLOOK

Oil prices declined Friday, August 28 with Brent trading at $89.35 per barrel, down 0.39% and roughly $5 lower than a week earlier. WTI also fell, trading at $83.21 per barrel, down 0.38%. WTI declined 1.2% during the month of August, but it is up 30.4% year-over-year. **Late on Sunday,**

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:

- APA Corp. (APA)
- Antero Resources (AR)
- Antero Midstream (AM)
- Crescent Energy (CRGY)
- Devon Energy (DVN)
- EQT Corp. (EQT)
- Magnolia Oil & Gas (MGY)
- Ovintiv (OVV)
- Permian Resources (PR)
- SM Energy (SM)
- Solaris Energy Infrastructure (SEI)
- Tourmaline Oil (TOU.TO)
- Whitecap Resources (WCP.TO)

Natural Gas Storage Builds in the U.S. for the next four weeks

Week 1 Ending: August 28		Week 2 Ending: September 4		Week 3 Ending: September 11		Week 4 Ending: September 18	
+30 BCF	12 Hr Δ: Unchanged	+16 BCF	12 Hr Δ: Up 1 BCF	+32 BCF	12 Hr Δ: Up 3 BCF	+53 BCF	12 Hr Δ: Down -3 BCF
	Vs. 5 Yr Avg: -7 BCF		Vs. 5 Yr Avg: -37 BCF		Vs. 5 Yr Avg: -41 BCF		Vs. 5 Yr Avg: -24 BCF
	Vs. 2025: -20 BCF		Vs. 2025: -53 BCF		Vs. 2025: -55 BCF		Vs. 2025: -24 BCF

Source: www.celsiusenergy.net

August 30 Brent oil spike up to $90/bbl on the news that Iran was attempting to re-mine the Strait of Hormuz (See Final Thoughts on last page).

OECD Petroleum Inventories

Per IEA: "Commercial petroleim inventories (crude oii and refined products) are depleting very fast, cover measured in weeks not months." In Europe, the days of cover are now below 23 days. Jet fuel and middle distillate cover is now under the comfort line on some measures, way below the EU's 90-Day strategic stock obligation.

No "Drill Baby Drill" with so much uncertainty.

The total number of active U.S. oil and gas drilling rigs was unchanged at 588 in the week ending August 28, according to Baker Hughes. The count was up 52 from the same period last year.

Active oil rigs fell by five to 447 in the latest reporting period, 35 more than a year earlier. Gas rigs rose by five to 132, up 13 year over year, while miscellaneous rigs held steady at nine.

The latest EIA data showed weekly U.S. crude production rose in the week ending August 21, averaging 13.843 million barrels per day. That was up just 13,000 bpd from 13.830 million barrels per day the prior week and 461,000 barrels per day higher than a year earlier.

Primary Vision's Frac Spread Count, which estimates the number of crews completing wells, fell by nine to 184 in the week ending August 21, following a three-crew decline the prior week.

The Permian Basin rig count was unchanged at 267 during the reporting period, 12 rigs above year-ago levels. The Eagle Ford count also held steady at 50, up 11 from the same time last year.

The Strategic Petroleum Reserve (SPR) is the only remaining U.S. supply buffer

The EIA recently reported that the U.S. SPR fell by 3,700,000 barrels during the week ending August 21, 2026, bringing it down to 289,726,000 barrels. Read **THIS** to understand how close the U.S. is the "Danger Zone" of having no more oil supply buffers.

U.S. NATURAL GAS MARKET

The price of natural gas in the U.S. and Canada is very dependent on the weather since we use so much of it to generate the electricity that runs our air conditioners in the summer and fuel our furnaces in the winter. The strong El Nino is setting up a very hot September that should draw a lot more attention to our "Gassers". In addition to weather related demand U.S. LNG export capacity will be approximately 4 Bcf per day higher year over year during the 2026/2027 winter. Over the next 4 weeks the amount of natural gas in storage is expected to move more than 130 Bcf below where storage levels were a year ago.

We have four large caps in our Sweet 16 Growth Portfolio (AR, EQT, RRC, TOU.TO) that generate a high percentage of their revenues by selling natural gas and NGLs. We have recently published updated profiles on each of them. See comments in the next section.

SWEET 16 GROWTH PORTFOLIO

Our Sweet 16 Flagship Portfolio consists of 15 upstream oil and gas companies plus **Solaris Energy Infrastructure (SEI).** As of August 29, the portfolio was up 37.82% year to date, while still trading at more than a 33% discount to my valuation.

Because eleven Sweet 16 companies generate most of their revenue from crude oil sales, the portfolio's gains have received limited support from companies focused primarily on natural gas and

Updated	Oil & Gas Prices used in Forecast Models					
8/28/2026	2023 to 2025 Actuals and 2H 2026 & 2027 Forecasts					AFTER
	Q1	Q2	Q3	Q4	YEAR	2026
WTI Oil	toc	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	$ 93.05	$ 82.00	$ 88.00	$ 83.75	$ 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	$ 2.90	$ 2.80	$ 3.25	$ 3.48	$ 3.50

NGLs. As noted in the previous section, I expect our "Gassers" to attract more attention after Labor Day, as North American natural gas prices typically rise heading into winter.

EQT Corp. (EQT) is the second largest natural gas producer in the U.S. It reported Q2 2026 financial results below my forecast, but it stands to benefit the most from higher natural gas prices. Based on updated guidance, production should exceed 6.7 Bcfpd in the second half of this year. EQT's production mix is approximately 94.5% natural gas, 5.0% NGLs and 0.5% crude oil. EQT is a very profitable company. I forecast nearly $3 billion of free cash flow from operations in 2026.

Antero Resources (AR) leads the four Gassers with an 11.58% year-to-date gain and still has 30% upside to my current valuation of $50.00 per share. Antero does not yet pay dividends, but it is aggressively repurchasing shares. TipRanks rates AR a Strong Buy, with a consensus price target of $48.50.

I consider **Range Resources (RRC),** up 17.58% year to date, the "safe bet" among the four Gassers because of its strong balance sheet and valuable leasehold that is held-by-production.

Tourmaline Oil (TOU.TO) will likely need higher natural gas prices in Western Canada before drawing more attention. It recently started selling natural gas under contracts based on international market prices. Last week natural gas prices were $23.41/MMBtu in Asia and $22.63/MMBtu in Europe. Natural gas storage in Europe is below the 10-year range for this time of year. As noted in the updated profile we sent out last week, Tourmaline offers significant upside for long-term investors.

Solaris Energy Infrastructure's (SEI) share price has pulled back for no reason I can identify. In August, six analysts submitted updated price targets to TipRanks, and all six rate the stock a Buy. Their price targets range from $73 to $104, with an average of $90.83. SEI is a Screaming Buy up to $60.

Diamondback Energy (FANG) and EOG Resources (EOG) have the greatest exposure to rising oil prices because their oil production is unhedged. We will publish updated profiles on both companies in the next few days.

I have followed Diamondback for more than 20 years, and its growth has been remarkable. The company's Q2 2026 production of 1,017,659 Boepd, including 525,176 bpd of crude oil, exceeded my forecast. I expect production to continue increasing for at least the next five years, and the company has consistently beaten my forecasts year after year.

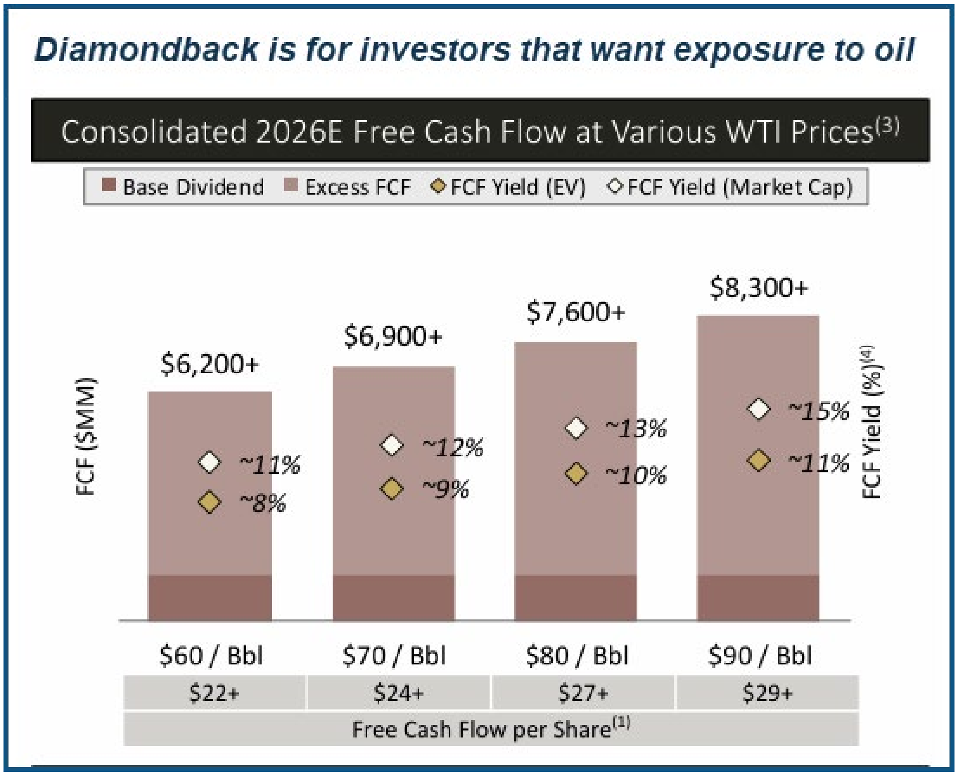
Smart Hedge Fund Managers are rotating money into the Energy Sector: FANG and EOG should become "must-own" stocks for large generalist funds seeking greater exposure to upstream oil and gas companies. EOG's Q2 2026 financial results beat my forecast by a wide margin, with net cash flow provided by operations of $4.7 billion exceeding my forecast by $1 billion.

"Our cash return reflects the significant cash generation capacity of our business, the strength of our balance sheet, and confidence in our ability to drive further value creation. We are well positioned to capture opportunities across commodity cycles. Our diversified asset portfolio spans oil, NGLs, and natural gas across unconventional and conventional resources, which we continue to strengthen through organic exploration." — **Ezra Yacob, EOG's CEO and Chairman**

Matador Resources (MTDR) is now one of my top Sweet 16 picks. The share price is up 32.87% year to date, but it still trades at a deep discount to my $90.00 valuation. Since the company announced two acquisitions from EnCap-funded companies on July 23 that expand its

SWEET 16 GROWTH PORTFOLIO

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
			8/28/26		
APA CORP	OIL	APA	42.54	$49.00	15.19%
ANTERO RESOURCES	GAS	AR	38.45	$50.00	30.04%
CRESCENT ENERGY	OIL	CRGY	13.54	$25.00	84.64%
DEVON ENERGY	OIL	DVN	47.35	$64.00	35.16%
DIAMONDBACK ENERGY	OIL	FANG	197.67	$230.00	16.36%
EOG RESOURCES	OIL	EOG	143.35	$168.00	17.20%
EQT CORP	GAS	EQT	54.57	$66.00	20.95%
MAGNOLIA OIL & GAS	OIL	MGY	26.25	$33.00	25.71%
MATADOR RESOURCES	OIL	MTDR	56.39	$90.00	59.60%
OVINTIV INC (was ENCANA)	OIL	OVV	64.59	$78.00	20.76%
PERMIAN RESOURCES	OIL	PR	22.70	$27.00	18.94%
RANGE RESOURCES	GAS	RRC	41.46	$47.00	13.36%
SM ENERGY	OIL	SM	36.62	$57.00	55.65%
SOLARIS ENERGY INFRASTRUCTURE	SERVICES	SEI	49.89	$92.00	84.41%
TOURMALINE OIL ($Cdn)	GAS	TOU.TO	62.50	$70.00	12.00%
WHITECAP RESOURCES ($Cdn)	OIL	WCP.TO	17.85	$21.50	20.45%



Delaware Basin position, twelve energy sector analysts have submitted new price targets to TipRanks ranging from $60 to $93. Nine of the twelve rate MTDR a Buy at the current share price. I rate it a "Screaming Buy" up to $60. We will publish an updated profile on Matador in the next few days.

Top Dividend Yields in the Sweet 16

Dividend-focused investors may want to consider these Sweet 16 companies, which had the highest annualized dividend yields based on August 28 closing prices. Several should generate enough free cash flow to raise dividends and/or repurchase shares.

- Whitecap Resources (WCP.TO or WCPRF): 4.05%
- Crescent Energy (CRGY): 3.52%
- Tourmaline Oil (TOU.TO and TRMLF): 3.20%
- EOG Resources (EOG): 2.82%
- Devon Energy (DVN): 2.72%
- Permian Resources (PR): 2.72%

SMALL-CAP PORTFOLIO

The Small-Cap Growth Portfolio reflects both the opportunities and risks of investing in smaller energy companies. While small-cap stocks generally carry more risk than the larger Sweet 16 names, they can also offer greater upside. For upstream companies, scale and growth potential are critical: rising production and expanding proved reserves can help drive higher share prices. Because this is a capital-intensive business, the best investment opportunities are companies with high-quality assets, enough operating cash flow to develop them, and capable management teams that can execute. Since founding EPG in 2023, I have built relationships across Western Canada that have helped me identify a few true "gems."

On August 19th, I was interviewed on the KE Report podcast, which aired August 22. We discussed every company in our Small-Cap Growth Portfolio. The podcast is available **HERE**, and my interview begins at the 26:20 mark.

A significant paradigm shift is beginning among professional money managers. They increasingly recognize that the War for Control of the Strait of Hormuz is unlikely to end before the midterm elections and may not end this year. Capital tends to flow toward sectors with the strongest profit potential, and it is clear that oil prices are unlikely to return to pre-conflict levels. This portfolio is up 53.4% year to date, and all holdings still trade below my fair value estimates.

SMALL-CAP GROWTH PORTFOLIO

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
		Dividends	8/28/26 USD	USD	
BAYTEX ENERGY	OIL	BTE	$4.74	$5.05	6.54%
JOURNEY ENERGY	OIL	JRNGF	$4.28	$4.79	11.92%
KOLIBRI GLOBAL ENERGY	OIL	KGEI	$5.84	$8.25	41.27%
LOGAN ENERGY	GAS	LOECF	$0.81	$1.08	33.33%
PINE CLIFF ENERGY	GAS	PIFYF	$0.42	$0.43	2.38%
RILEY EXPLORATION PERMIAN	OIL	REPX	$38.28	$54.00	41.07%
RING ENERGY	OIL	REI	$1.45	$2.80	93.10%
ROK RESOURCES	OIL	ROKRF	$0.28	$0.40	42.60%
RUBELLITE ENERGY	OIL	RUBLF	$3.20	$4.82	50.63%
SPARTAN DELTA	GAS	DALXF	$9.36	$11.52	23.08%

We will publish updated profiles on all of these companies soon, so this newsletter highlights only a few.

Journey Energy (JOY.TO and JRNGF) is the top performing stock so far this year, up 87.4% YTD, driven by the success of its Duvernay Oil joint venture with **Spartan Delta (SDE.TO and DALXF),** which is up 78.6% YTD. Spartan Delta is much larger, with current production of approximately 55,000 Boepd. The joint venture's Area of Mutual Interest covers only a subset of Spartan Delta's extensive Duvernay acreage. Spartan currently holds 555,000 acres across 859 sections, with an estimated 850 potential net development drilling locations. That is a highly attractive asset in one of North America's top oil plays. Spartan Delta has completed 22 horizontal wells in the Duvernay, significantly de-risking its large acreage position. In my opinion, both companies are attractive takeover targets.

Alex Verge, Journey Energy's CEO, will soon be featured on a KE Report special podcast highlighting individual companies. Given the KE Report's large following, the interview should bring additional attention to Journey Energy.

Rubellite Energy (RBY.TO and RUBLF), which is up 86.2% YTD, could be our next double. The heavy-oil producer's Q2 2026 results were in line with my forecast despite weather-related operational issues that pushed operating expenses above expectations. Q2 production of 13,406 Boepd was slightly ahead of my forecast. My current valuation is based on just 4.5 times annualized operating cash flow, a conservative multiple for a company of this size. Sue Rose, Rubellite's CEO, will speak at Josef Schachter's Catch the Energy Conference in October, which should draw more attention to this successful company. I have also recommended that she be featured on one of the KE Report specials.

Baytex Energy (BTE) is the largest company in the portfolio. It reported strong Q2 2026 financial results on July 30th that exceeded my forecast. Per Chad Lundberg, President and CEO: *"Baytex delivered strong second-quarter results, highlighted by outperformance in the Duvernay and continued strength across our heavy oil portfolio.* ***Production exceeded the high end of guidance for the second consecutive quarter,*** *and we are raising our full-year production guidance with no change to our capital program. Momentum continues to build as our teams execute our strategy while delivering strong operating and financial results."*

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.

October 27 Luncheon: Heliostar Metals Ltd. (HSTR.V) CEO Charles Funk will be speaking at our luncheon at Maggiano's Little Italy restaurant at 2019 Post Oak Blvd., Houston. Doors open at 11:00 am for networking with lunch served at 11:30 am.

Kolibri Global Energy (KGEI) announced Q2 2026 financial results on August 13th. Revenues of $22.5 million were the highest in the company's history thanks to a 46% increase in production year-over-year. The increase was primarily due to production from the wells that were drilled and completed in the last half of 2025. Kolibri will soon be announcing some important new well results.

Kolibri's three new Clifton Mack horizontal development wells are expected to begin fracture stimulation this month, with production anticipated by the end of the third quarter. The company believes the pressures encountered during drilling support the potential for strong production rates from these wells.

"As we recently announced, we revised our strategy to target additional benches in our Tishomingo Field while we continue to develop the lower Caney as we have in the past. We are excited to begin drilling the Lovina 8-5-1HF well, which will test the False Caney bench and will also be our first 2 mile lateral well. Successful results in these additional benches will have the potential to add many future drilling locations which would increase our reserves and thus value for our shareholders." – Wolf Regener, Kolibri's CEO

Logan Energy (LGN.V and LOECF) is the most recent addition to the portfolio. It also reported record results for the quarter. Production (17,239 Boepd (40% liquids)) and Adjusted Funds Flow ($47.8 million) were the highest in the company's short history. I will personally be writing the profile on Logan Energy this week.

ROK Resources (ROK.V and ROKRF) announced Q2 2026 results on August 20th. Production of 3,037 Boepd (67% liquids) was lower than my forecast, but operating cash flow was higher than my forecast. The company is in great financial condition with a $9.9 million working capital surplus and no long-term debt as of June 30, 2026. Proceeds from a non-core asset sale and operating cash flow over the first half of 2026 will fund the company's ten well drilling program. They will be completing seven new wells in the 3rd quarter. All ten wells will be completed in proven areas by mid-Q4 and I expect them to add at least two more development wells to this year's drilling schedule. All 12 wells are being drilled in proven areas, so the company should report a significant production increase heading into year-end. ROK has identified another 100 development drilling locations within their leasehold in SE Saskatchewan. ROK should be one of our doubles this year.

Pine Cliff Energy (PNE.TO and PIFYF) 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 which was high-value liquids. The well continues to outperform its type curve, and Pine Cliff announced plans to drill two additional horizontal Glauconite wells in Q4 2026. If natural gas prices increase heading into the winter (like they always do), Pine Cliff's share price should rebound.

Riley Exploration Permian (REPX) and Ring Energy (REI) are both pure plays on Permian Basin oil. Both reported Q2 2026 results on August 5 that were in line with my forecasts. Although both produce meaningful volumes of natural gas and NGLs, their revenues currently come from crude oil sales because gas transportation and processing expenses will exceed gas sales revenue until additional natural gas pipelines are completed into West Texas and southeastern New Mexico. Both companies are generating free cash flow and have substantial running room. If WTI remains above $75 per barrel, both could double for us.

REI trades at the largest discount to my current valuation. REPX has the highest dividend yield in the portfolio. Baytex and Pine Cliff also pay dividends.

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 priority, many holdings also offer growth potential and meaningful share-price upside. Compared with our dedicated growth portfolios, this portfolio is generally less volatile because returns are driven more by dividend income than by market speculation. High-yield investors also tend to take a long-term, buy-and-hold approach rather than trade frequently.

Each company's dividend appears sustainable, and several are likely to raise dividends following their Q2 2026 results. Hemisphere Energy (HME.V and HMENF) is now a "Special Situation" stock because we are waiting on more details on the impact of a recent fire at one of their Atlee Buffalo polymer floods. As of August 29, 2026, the portfolio is up 24.36%, excluding dividends.

HIGH YIELD INCOME PORTFOLIO

Company Name	Primary Product	Stock Symbol	Share Price	Estimated Annual Yield	Annual Dividend	Paid	EPG Valuation
			8/28/26		USD		
Minerals Companies							
BLACK STONE MINERALS LP	GAS	BSM	$14.75	8.47%	$1.25	Qtr	$16.00
FREEHOLD ROYALTIES	OIL	FRHLF	$12.61	6.50%	$0.77	Qtr	$13.68
KIMBELL ROYALTY PARTNERS	OIL	KRP	$14.91	11.54%	$1.72	Qtr	$19.50
VIPER ENERGY, INC.	OIL	VNOM	$44.18	8.19%	$3.62	Qtr	$62.50
Upstream Companies							
HEMISPHERE ENERGY	OIL	HMENF	$1.62	7.11%	$0.115	Qtr	$2.03
INPLAY OIL	OIL	IPOOF	$12.41	6.27%	$0.778	Mo	$18.36
MACH NATURAL RESOURCES LP	GAS	MNR	$12.51	15.35%	$1.920	Qtr	$18.75
NORTHERN OIL & GAS	OIL	NOG	$25.73	7.00%	$1.800	Qtr	$40.00
PEYTO EXPLORATION & DEVELOPMENT	GAS	PEYUF	$17.99	5.68%	$1.022	Mo	$19.08
SURGE ENERGY	OIL	SGYEF	$7.95	4.64%	$0.369	Mo	$11.77
Midstream Companies							
ANTERO MIDSTREAM CORP	Midstream	AM	$22.29	4.04%	$0.90	Qtr	$26.00
FLEX LNG	Midstream	FLNG	$31.48	9.53%	$3.00	Qtr	$34.00
PLAINS GP HOLDINGS LP	Midstream	PAGP	$27.97	5.97%	$1.67	Qtr	$28.25

We will publish updated profiles on all 13 companies in September, so this newsletter highlights only a few of them.

Minerals and Royalties Companies

Minerals and royalties companies are generally safer than upstream oil and gas producers because they avoid drilling risk. However, they remain exposed to commodity prices, making production mix an important part of my analysis.

Viper Energy (VNOM) remains my top pick for combining growth and income. Viper reported strong Q2 2026 results that exceeded my forecast. The board raised the base dividend to $0.50 per quarter but suspended the variable dividend to prioritize stock buybacks with free cash flow after dividends. Viper is more of a growth company, with production up 242% since 2023 to 134,363 Boepd in Q2 2026. Its current production exceeds the other three minerals companies combined.

Kimbell Royalty Partners LP (KRP) offers the group's highest after-tax dividend yield at 11.54%, based on the August 28 closing price. **KRP pays variable dividends,** which totaled $1.57 per unit in 2025. Based on my 2026 forecast, dividends should exceed $1.70 per unit this year. KRP is a partnership that has elected to be taxed as a C-Corp. Although much smaller than Viper, it continues to deliver steady production growth. On August 21, KRP closed an acquisition that should increase production from 25,830 Boepd in Q2 to more than 28,500 Boepd in Q4 2026.

Black Stone Minerals (BSM), an MLP, has the highest natural gas weighting in this group. After signing 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 has raised its 2026 production guidance. If natural gas prices rise as I expect, **I expect the partnership to increase cash distributions in Q4 2026.**

Freehold Royalties (FRU.TO and FRHLF) reported Q2 2026 results that were slightly above my forecast. This Canadian minerals royalty company has expanded aggressively in the U.S., completing several large acquisitions over the past four years using both debt and equity. Freehold has maintained financial flexibility while increasing scale, drilling inventory, and cash flow. Its dividend is sustainable.

Upstream Oil and Gas Companies

With last month's addition of MNR, the High Yield Income Portfolio now includes six upstream oil and gas companies. Given the recent rise in oil prices, all six have reported significant year-over-year increases in free cash flow for 1H 2026.

InPlay Oil (IPO.TO and IPOOF) and Surge Energy (SGY.TO and SGYEF) are my top two holdings because both have extensive high-quality drilling inventory, revenue heavily weighted to oil sales, and monthly dividends. For investors nearing retirement who want dividends supported by a strong revenue base, these two are attractive choices. Both reported solid Q2 2026 results and have strong balance sheets with no near-term debt issues. The CEO joined me on our August 26 webinar. You can access the replay directly from the EPG website.

Hemisphere Energy (HME.V and HMENF) recently reported a fire at its largest polymer flood, so it remains a HOLD until I have more information. I do not expect the fire to impact Hemisphere's long-term potential.

Northern Oil & Gas (NOG) reported solid Q2 2026 results, which helped its share price rebound since our last newsletter. My updated forecast model shows that NOG generates substantial operating cash flow—more than $12 per share this year. NOG should trade for at least 3X CFPS.

Peyto Exploration & Development (PEY.TO and PEYUF) is a "gasser" and one of my top picks for investors seeking more natural gas exposure. Approximately 88% of Peyto's production is natural gas and NGLs, and the company has a clear path to 8% to 10% annual production growth for more than five years.

I recently added **Mach Natural Resources (MNR)** to the portfolio. It is a Master Limited Partnership (MLP) that pays quarterly variable cash distributions to unit holders, equal to approximately 50% of the prior quarter's operating cash flow. MNR reported solid Q2 2026 results despite production declining from 157,540 Boepd in Q1 to 148,890 Boepd in Q2. The decline was caused by some gas wells being shut in or choked back after the sharp drop in natural gas prices, which was a prudent business decision. TipRanks rates MNR a Strong Buy with a consensus price target of $18.50.

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) reported Q2 2026 results in line with my forecast. It is best described as a "Growth + Income" stock and **is up 25.3% YTD.** It is the portfolio's smallest midstream company, and its growth is closely tied to aggressive drilling activity by **Antero Resources (AR).**

Flex LNG, Ltd. (FLNG) is up 26.32% YTD. After the company reported strong Q2 2026 results, I spent several hours on August 23 updating my forecast and view of the company. During the second quarter, three ships returned to service after maintenance and were immediately placed under long-term contracts. LNG demand remains very strong, and I expect Flex to benefit.

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. **PAA is up 41.87% YTD** and remains my top midstream pick for safety and its attractive 6.4% dividend yield. PAA and PAGP have publicly stated that they intend to raise their quarterly dividends by $0.15 per year in 2027.

Final Thoughts

Need more proof that the war with Iran is not ending anytime soon.

us iran war latest updates larzac island launchers strait of hormuz tanker hit

On Sunday, August 30, 2026
MSN: US strikes Iran launchers near Strait of Hormuz, tanker hit in fresh incident

US forces have attacked two Iranian launchers on Larzac Island after Revolutionary Guard forces were seen preparing to fire rockets carrying sea mines towards the Strait of Hormuz, a senior US official told Axios. The reported strikes come as tensions remain high around the strategic waterway, through which a large share of global oil shipments passes.

Separately, a tanker was struck by an unknown projectile while travelling inbound through the Strait of Hormuz, according to the UK Maritime Trade Operations (UKMTO). The incident took place about 12 nautical miles north of Khasab, Oman. It was reported late on 29 August, with UKMTO issuing a warning on 30 August.

No casualties or environmental damage have been reported. The source of the projectile remains unknown and authorities are investigating. Iran has struck several vessels over the past month as the US military has sought to maintain the movement of commercial shipping through the waterway, including vessels using the Omani route.

Iran believes they have won the war with U.S. because the regime only wants to survive. As the U.S. should from the Vietnam War, a super power cannot defeat a country that does not care how much their people suffer.

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.

Iran's Supreme Leader is not a business man.

Dan Steffens, President
Energy Prospectus Group