



Energy Prospectus Newsletter: "The View from Houston"

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By: Dan Steffens, President



Dan Steffens is the President of Energy Prospectus Group (EPG), a networking organization based in Houston, Texas. He is a 1976 graduate of Tulsa University with an undergraduate degree in Accounting and a Masters in Taxation.

Mr. Steffens began his career in public accounting, becoming licensed as a CPA in 1978. After four years in public accounting, he transitioned to the oil & gas industry with the bulk of his time (18 years) spent with Amerada Hess Corporation (HES). He served as the Hess United States E&P Division Controller from 1994 to 2001.

"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.



The global oil market is under severe strain. The greatest economic pressure may come not from crude-oil shortages, but from reduced refining capacity caused by Ukrainian attacks on Russian refineries and attacks by Iran and the Houthi rebels on midstream infrastructure in the Middle East.

Rising Diesel Prices and Transatlantic Talks: Diesel prices have reached record highs in September as supply disruptions intensify. Against this backdrop, senior officials in the European Union and the United States remain in close contact. The United States is reportedly considering a ban on diesel exports, although the EU has warned that such a move could harm both sides.

Why Supplies Are Tight: Refineries in the United States have been running near maximum capacity for six months and

they cannot keep up with demand for U.S. diesel. Numerous countries now depend on a steady flow of diesel and other refined products from the U.S.. Global diesel supplies are constrained by two major disruptions:

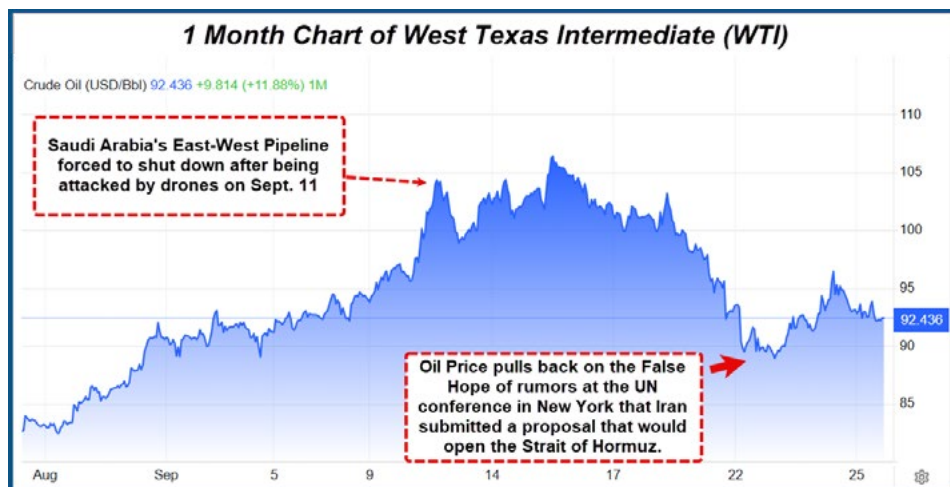
- Moscow has banned fuel exports after Ukrainian attacks disrupted Russian refineries and energy infrastructure.
- Iranian attacks on ships and energy infrastructure in the Middle East have placed additional pressure on supply.

U.S. Policy Options: U.S. Energy Secretary Chris Wright has contacted executives at several major American refiners to assess support for voluntary limits on diesel exports. According to three people familiar with the discussions, the Trump administration is exploring this approach as an alternative to a short-term export ban.

Reports of a Temporary Ban: Politico reported that the United States was preparing a 90-day ban on diesel exports in response to a price spike ahead of the November midterm elections. Wright has disputed that report.

Risks of an Export Ban: Analysts warn that banning U.S. diesel exports would be unlikely to lower energy prices. Instead, it could further restrict global supplies and worsen economic disruption. Some export-focused refineries might also be forced to shut down. Because those facilities produce substantial volumes of gasoline as well as diesel, a ban could inadvertently drive gasoline prices higher. Government intervention in one part of the energy supply chain often creates unintended problems elsewhere.

My Take: The global supply chains for crude oil and oil-based refined products have been broken by the ongoing war between Russia and Ukraine that is now in its fifth year and the "Conflict with Iran" that looks like it will become another never ending war for the U.S. A U.S. ban on diesel exports might please the farmers and trucking companies, but be a disaster for Europe and many countries in the Western Hemisphere that depend on



oil-based fuels from U.S. refineries. I hope that Team Trump does not go down this path.

GLOBAL OIL MARKET OUTLOOK

The oil price chart above tracks the front-month NYMEX WTI contract, currently the NOV26 futures contract. Keep in mind that physical oil available for delivery to a refinery is selling for \$20 to \$30 per barrel more than the futures market prices; often called "paper barrels." Refineries cannot make gasoline or diesel from paper.

Much has happened since my last newsletter, most notably the September 11th drone attack on Saudi Arabia's East-West Pipeline, which removed approximately 4 million barrels of oil supply. I was surprised Brent did not exceed \$150/bbl soon after the news. The most plausible explanation is that war-related refinery outages have made refined products the more pressing problem. In a few weeks, the buffers that have restrained crude oil prices may be gone. I expect oil prices to ramp up heading into the November 3rd mid-term elections.

Saudi Arabia has bypassed the damaged pumping station and restored limited flow through the East-West Pipeline,

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)
- Black Stone Minerals (BSM)
- Diamondback Energy (FANG)
- EOG Resources (EOG)
- InPlay Oil (IPO.TO and IPOOF)
- Journey Energy (JOY.TO and JRNGF)
- Kimbell Royalty Partners (KRP)
- Kolibri Global Energy (KGEI)
- Logan Energy (LGN.V and LOECF)
- Mach Natural Resources LP (MNR)
- Matador Resources (MTDR)
- Pine Cliff Energy (PNE.TO and PIFYF)
- Riley Exploration Permian (REPX)
- Ring Energy (REI)
- Rubellite Energy (RBY.TO and RUBLF)
- Spartan Delta (SDE.TO and DALXF)
- Viper Energy (VNOM)

estimated at 1 million bpd, but returning it to full capacity will take at least another month. Saudi Arabia has already told European refineries not to expect additional oil until November. With the war between Saudi Arabia and the Houthi Rebels escalating, more attacks on the pipeline could be coming. Brent closed at more than \$104/bbl on Friday, September 25th; \$12/bbl higher than the WTI oil price.

Meanwhile, WTI oil prices retreated amid rumors surrounding last week's UN General Assembly meeting in New York. Iran said it had offered President Trump's negotiators a plan to reopen the Strait of Hormuz, but its demands were never likely to be acceptable to Trump.

As I anticipated, President Trump rejected Iran's proposed seven-day ceasefire on Saturday morning—waiting until markets were closed to avoid driving up oil prices—and told aides he expects U.S. strikes on Iran to resume after the November midterm elections, according to The Wall Street Journal.

Citing U.S. officials, the Journal reported late Friday that Trump rejected Tehran's offer to pause hostilities, reopen the Strait of Hormuz, and resume talks on Iran's nuclear program.

Under the plan presented by Iranian Foreign Minister Abbas Araghchi, Iran would reopen the Strait of Hormuz after seven days if Washington ended its naval blockade of Iranian ports, waived sanctions on Iranian oil sales, and honored a ceasefire that included Lebanon. The "new" proposal closely resembled the 14-point MOU signed in June. In effect, Araghchi was asking President Trump to surrender.

The New York Times reported that Secretary of State Marco Rubio said the roughly three-hour, Qatar-mediated meeting produced no breakthrough. Iranian officials called the talks

Updated	Oil & Gas Prices used in Forecast Models						AFTER 2026 Forecast
9/26/2026	2023 to 2025 Actuals and 2H 2026 & 2027 Forecasts						
	Q1	Q2	Q3	Q4	YEAR		
WTI Oil	toc	Actuals	Actuals	Actuals	Actuals		
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	

productive and said further contact remained possible. Trump continues to say he expects the conflict to be resolved after the midterm elections.

Axios reported Tuesday that Trump told the United Nations General Assembly he expected the United States and Iran to reach an agreement after the elections, while warning that he might instead take more aggressive military action. He has previously said the war could end immediately after the midterms. This uncertainty is driving volatility in NYMEX oil futures.

Rinse and Repeat: I do not know when the "Conflict with Iran" will end, but I do not expect Iran to surrender. I hope President Trump avoids the "Escalation Trap" and we don't get another "Forever War" like Vietnam, which claimed the lives of some of my friends. What is clear is that the global oil market has been severely damaged, with no "Quick Fix" to restore prewar prices. WTI averaged \$59.14/bbl in Q4 2025, and my forecast of an \$80/bbl average in 2027 now appears too conservative.

My stock valuation are based on WTI averaging \$85/bbl in the 2nd half of 2026 and \$80/bbl in 2027. Realized oil prices for all of our upstream and minerals companies are likely to be quite a bit higher than \$82/bbl that I used in my 3rd quarter forecasts. Realized oil, gas and NGL prices include cash settlements on hedges and regional

and quality differentials. If the wars in the Middle East are not settled by year end, we can expect much higher prices for diesel, gasoline and jet fuel.

U.S. NATURAL GAS MARKET

The U.S. natural gas market is tightening. On September 24th, the EIA reported that U.S. natural gas inventories increased by 53 Bcf during the week ended September 18, 2026. That build was 25 Bcf below the five-year average for the week, marking the sixth consecutive weekly build below the five-year average. Cumulative builds over those six weeks were also 134 Bcf lower than during the same period last year. **Natural gas in storage is now 146 Bcf below where it was a year ago.** As shown in the table below, the next four weekly builds are also expected to remain below the five-year average.

The U.S. natural gas market is dramatically different from five years ago. The key figure above is the year-over-year storage deficit. What is driving it?

- Natural gas production is not growing fast enough to meet rising demand.
- U.S. LNG export capacity will be approximately 4 Bcf per day higher year-over-year during the 2026–2027 winter heating season.

Estimated U.S. Natural Gas Storage Builds are all below the 5-year average							
Week 1 Ending: September 25		Week 2 Ending: October 2		Week 3 Ending: October 9		Week 4 Ending: October 16	
+67 BCF	12 Hr Δ: Unchanged	+83 BCF	12 Hr Δ: Down 0 BCF	+78 BCF	12 Hr Δ: Up 2 BCF	+86 BCF	12 Hr Δ: Up 4 BCF
	Vs. 5 Yr Avg: -10 BCF		Vs. 5 Yr Avg: -13 BCF		Vs. 5 Yr Avg: -12 BCF		Vs. 5 Yr Avg: -1 BCF
	Vs. 2025: +11 BCF		Vs. 2025: +16 BCF		Vs. 2025: -1 BCF		Vs. 2025: +1 BCF

- Entering the winter heating season in mid-November with storage more than 100 Bcf below last year's level means that a single early winter storm could drive natural gas prices sharply higher in Q1 2027. Henry Hub prices averaged \$4.95/MMBtu in Q1 2026, and spot market prices reached double digits during winter storms in mid-December and late January. AR, EQT, EOG, and RRC all sold some gas at double-digit spot market prices last winter.
- The war in the Middle East has significantly damaged LNG export facilities, supporting strong demand for U.S. LNG through 2027. Natural gas currently trades above \$24/MMBtu in Europe and \$25/MMBtu in Asia. Profit margins on LNG shipments are incredible today and they will be even higher in December.

For each company in the three model portfolios below you can find their production volumes and mix between crude oil, natural gas, and NGLs on the Sweet 16 Summary Spreadsheet that I update each week. You can also find that information and their hedges on the individual company forecast/valuation models.

SWEET 16 GROWTH PORTFOLIO

Our Sweet 16 Flagship Portfolio consists of 15 upstream oil and gas companies plus **Solaris Energy Infrastructure (SEI)**. As of September 25, the portfolio was up 34.69% year to date, while still trading at more than a 37% discount to my valuation.

We have updated the detailed profiles and forecast/valuation models for all 16 companies, so this newsletter will cover only the highlights. Before investing in any of them, spend 20–30 minutes reviewing the updated profiles, which you can download from the EPG website. Eleven Sweet 16 companies generate most of their revenue from crude oil sales. Oil prices have increased since my August newsletter. Since the average WTI oil price in the quarter is now higher than the oil prices used in my Q3 2026 forecast, I expect those eleven companies

to report Q3 financial results that beat my forecasts. The four companies that get the majority of their revenues from the sale of natural gas and NGLs (**AR, EQT, RRC, TOU.TO**) should report solid Q3 results and they should draw more attention in Q4 since natural gas prices ALWAYS increase as winter approaches. Next to death and taxes, higher natural gas prices during the winter are very close to being guaranteed.

Solaris Energy Infrastructure (SEI) is an oilfield services company known for its well-completion equipment and related software, which measures and monitors frac sand during horizontal completions. Since early 2025, most of the company's revenue growth has come from its "Distributed Power" division, which primarily designs and builds reliable power solutions for AI data centers.

On September 9th, SEI announced its acquisition of **Omega Foundation Services ("Omega")**, a specialized engineering, procurement, and construction leader with significant heavy civil construction expertise across multiple end markets, including large-scale data centers. **The previous day, SEI substantially increased its EBITDA guidance for Q3 and Q4 2026 and for 2027.** My current valuation uses the midpoint of the updated guidance, although SEI has a history of exceeding its own forecasts. Despite noise from Democrats about slowing AI development—now called "Super Intelligence"—TipRanks rates SEI a Strong Buy with a \$96.00 price target. The two most recent price targets submitted to TipRanks are \$104 and \$111.

SWEET 16 GROWTH PORTFOLIO

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
9/25/26					
APA CORP	OIL	APA	42.74	\$49.00	14.65%
ANTERO RESOURCES	GAS	AR	35.00	\$50.00	42.86%
CRESCENT ENERGY	OIL	CRGY	13.15	\$25.00	90.11%
DEVON ENERGY	OIL	DVN	47.05	\$66.00	40.28%
DIAMONDBACK ENERGY	OIL	FANG	186.67	\$230.00	23.21%
EOG RESOURCES	OIL	EOG	140.35	\$168.00	19.70%
EQT CORP	GAS	EQT	50.81	\$66.00	29.90%
MAGNOLIA OIL & GAS	OIL	MGY	24.11	\$33.00	36.87%
MATADOR RESOURCES	OIL	MTDR	51.55	\$90.00	74.59%
OVINTIV INC (was ENCANA)	OIL	OVV	60.13	\$78.00	29.72%
PERMIAN RESOURCES	OIL	PR	21.36	\$27.00	26.40%
RANGE RESOURCES	GAS	RRC	38.61	\$47.00	21.73%
SM ENERGY	OIL	SM	33.91	\$57.00	68.09%
SOLARIS ENERGY INFRASTRUCTURE	SERVICES	SEI	70.97	\$110.00	55.00%
TOURMALINE OIL (\$Cdn)	GAS	TOU.TO	61.35	\$70.00	14.10%
WHITECAP RESOURCES (\$Cdn)	OIL	WCPTO	18.14	\$21.00	15.77%

The three Sweet 16 companies with the greatest exposure to crude oil prices are **EOG Resources (EOG)**, **Diamondback Energy (FANG)**, and **Magnolia Oil & Gas (MGY)**, as none of their oil production is hedged. By committing large volumes to refineries and exporters, EOG and FANG can secure premium prices for their production. In Q2 2026, all three companies realized oil prices above the quarter's average WTI price of \$93.05 per barrel. I expect each to exceed my Q3 forecasts.

APA Corp. (APA) has delivered an exceptional 76% year-to-date gain. It sells some of its oil under contracts tied to Brent oil prices. APA's realized oil price was \$98.24/bbl in Q2 2026, more than \$5.00/bbl higher than the WTI average price during the quarter. What's driving up APA's share price is the fact that it is on pace to generate over \$3 billion of free cash flow from operations this year. It also has significant natural gas production in Egypt which has access to the gas market in Europe.

Crescent Energy (CRGY) and **SM Energy (SM)** are "Special Situation" stocks following their recently completed strategic acquisitions. I expect both companies to report strong operating cash flow for the third quarter. Focus on cash flow rather than reported earnings, which will include sizable noncash, mark-to-market losses on their oil hedges. "Cash pays the bills, not reported net income." Both companies are on track to generate more than \$1 billion in free cash flow from operations this year.

Matador Resources (MTDR) remains one of my top Sweet 16 picks. Although its shares are up 21.47% year to date, they still trade well below my \$90.00 valuation, and TipRanks' price target has begun moving closer to that level. Two natural gas pipelines expected to enter service late in Q4 should improve natural gas and NGL pricing for all of our Permian Basin companies.

Over the past two weeks, four energy-sector analysts have submitted updated price targets to TipRanks for **Permian Resources (PR)** that exceed my \$27 valuation. "Higher production guidance alongside slightly lower planned capital spending indicates improving drilling and completion efficiency. This combination

can expand operating scale and strengthen cash generation, while disciplined investment supports durable growth without requiring a proportional increase in capital intensity." – TipRanks' AI Analyst.

Ovintiv (OVV) will produce more unhedged oil each quarter while also benefiting from higher natural gas prices. Despite producing 627,500 Boepd, the company receives less attention than its scale warrants. It is on pace to generate more than \$2.2 billion in free cash flow from operations this year, and its shares are up over 53.43% year to date. My current \$78.00 valuation reflects only 4.75 times operating cash flow per share, although the company deserves a higher multiple. Two highly regarded energy-sector analysts recently raised their price targets to \$82 and \$85, and Stifel Nicolaus initiated coverage on September 10th with a \$92 target.

Devon Energy (DVN) should attract significant attention when it reports its first full quarter of results following the mega-merger with Coterra Energy, which closed in May. With current production of approximately 1,675,000 Boepd—about 56% liquids—Devon is the second-largest upstream company in the United States based on daily production volumes.

The Sweet 16 includes two large Canadian companies. **Whitecap Resources (WCP.TO)**, the larger oil producer, currently produces approximately 372,000 Boepd: 50.2% crude oil, 10.5% high-value NGLs, and 39.3% natural gas, which sold for only \$1.53 Cdn/mcf in Q2. **Tourmaline Oil (TOU.TO)** produces approximately 612,000 Boepd, consisting of 80.8% natural gas, 12.5% NGLs, and 6.7% crude oil. Because Tourmaline sells substantial volumes of natural gas into the United States and Asia, its Q2 realized price was \$3.12/mcf—more than double Whitecap's.

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 September 25 closing prices. Several should generate enough free cash flow to raise dividends and/or repurchase shares.

- Whitecap Resources (WCP.TO or WCPRF): 4.02%
- Crescent Energy (CRGY): 3.65%
- Tourmaline Oil (TOU.TO and TRMLF): 3.42%
- Permian Resources (PR): 2.95%
- EOG Resources (EOG): 2.91%
- Matador Resources (MTDR): 2.91%

WHO IS DEVON: THE PREMIER LARGE-CAP SHALE LEADER

OPERATIONS-FOCUSED, TECHNOLOGY-FORWARD, ENERGY POWERHOUSE

Culture of Excellence

- Safe and Responsible Operations
- Data-Driven Decisions at Every Level
- Relentless Pursuit of Improving Capital Efficiency

Technology Leader

- Technology is a Competitive Advantage
- AI and Data Empowering Employees, Resulting in Better Decisions and Continuous Improvement

Key Differentiator

- Superior Inventory: Scale, Quality, and Durability
- Low Cost of Supply and Reinvestment Rate
- Fortress Balance Sheet
- Focused on Shareholder Returns

5

SMALL-CAP PORTFOLIO

The Small-Cap Growth Portfolio captures 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 most: rising production and expanding proved reserves can support higher share prices. Because the industry is capital intensive, the strongest opportunities are companies with high-quality assets, sufficient 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.”

We recently published updated profiles on every company in our Small Cap Growth Portfolio except **ROK Resources (ROK.V and ROKRF)**. ROK is in very strong financial condition, and its CEO will join me for an October 19th webinar to discuss the 2026 drilling program and the outlook for Q4 and 2027. Because ROK’s revenue is heavily weighted toward oil sales, I expect the company to report very strong well results. Their original plans were to drill and complete ten development wells this year. I think they will be adding two more wells to this year’s program, which can be fully funded by operating cash flow.

On September 21st, **Kolibri Global Energy (KGEI)** announced that it had completed fracture stimulation on all three Clifton Mack horizontal development wells, which are expected to begin sales early in Q4. I expect combined production of approximately 1,500 Boepd.

Kolibri also announced that drilling of the Lovina 8-5-1HF well (99.9% WI) is complete and that fracture stimulation of the 1.2-mile lateral is expected to begin early in the fourth quarter. This well is significant because it is being completed in a previously unproven zone.

CEO and President Wolf Regener commented, “We are excited that the Clifton Mack wells will come online shortly

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.

September 30 Webinar: Nouveau Monde Graphite (NMG) CEO Eric Desautniers will be joining me on a live webinar at 1:00pm CT. NMG is a graphite mining company that has made a lot of progress this year. Graphite is needed for the batteries that power electric vehicles.

October 7 Webinar: Pine Cliff Energy Ltd. (PNE.TO) CEO Phil Hodge will be joining me on a live webinar at 2:00 pm CT. Phil is an expert on the Western Canadian natural gas market and Pine Cliff is one of the companies in our Small Cap Growth Portfolio that gets most of its revenues from natural gas sales.

October 19 Webinar: ROK Resources (ROK.V) CEO Bryden Wright and Senior VP James Lukomski will be joining me on a live webinar at 11:00am CT. We are going to discuss the importance of this year’s drilling program. I am expecting ROK’s Q3 and Q4 results to draw a lot of attention.

October 21 Luncheon: Westhaven Gold Corp. (WHN.V) CEO Ken Armstrong CEO 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. Westhaven Gold is a recent addition to my Watch List.

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. Heliostar Metals is a recent addition to my Watch List.

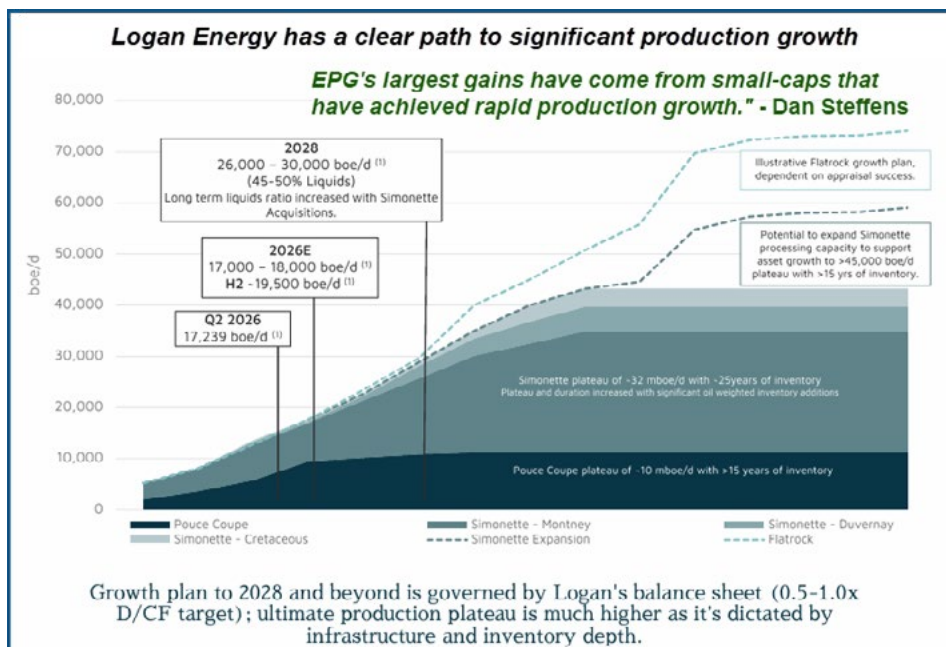
and that drilling is complete on the Lovina 8-5-1HF well, our first test of the False Caney bench. We expect these wells to add meaningful production and, in Lovina’s case, begin proving up a new bench that could create additional development locations. The Clifton Mack locations were classified as probable in the company’s December 31, 2025 reserve report and should convert to proved reserves in the next report. The Lovina location, in a new bench, was not included in the reserve report. With oil prices near \$100 per barrel, the timing of this new production looks much stronger than the \$70 per barrel price assumed in our June 29, 2026 forecast. Cash flow will be used to reduce debt, return capital to shareholders, and, if oil prices remain elevated, potentially accelerate additional drilling. Proving up a

new horizon in the False Caney bench would also add drilling locations and potential reserves to our December 2026 Reserve Report.”

Kolibri also announced a stock buyback program authorizing the repurchase of up to 5% of its outstanding common shares over the next 12 months.

My valuation model for Kolibri assumes Q3 production of 4,500 Boepd and Q4 production of 5,924 Boepd. For 2026, production should average 4,950 Boepd, the midpoint of Kolibri’s August 13th guidance. My 2027 forecast assumes 6,000 Boepd, which is likely to be too conservative.

Logan Energy (LGN.V and LOECF) is the



portfolio's newest addition and a potential "gem". We published an updated profile on September 16th, and my review increased my confidence in the company's upside potential. After growing production 45% year over year in 2024, Logan increased production another 55% in 2025 and is guiding for 34% growth in 2026. Q2 2026 production of 17,239 Boepd exceeded my forecast, and the company appears on track to exit 2026 above 20,000 Boepd. Logan is clear about its ambitions: a path to 30,000 Boepd by early 2029, with an upside case of reaching 70,000 Boepd within ten years. I like management teams that set well-defined stretch goals, and Canadian juniors like this have produced some of my largest capital gains.

Riley Exploration Permian (REPX) and **Ring Energy (REI)** are the portfolio's small caps most leveraged to oil prices. In fact, both companies have received negative natural gas prices over the past two years. Beyond the bullish oil-price outlook, they should benefit from additional natural gas takeaway capacity expected within three months, as Targa's Apex pipeline and Whitewater Midstream's Blackcomb pipeline scheduled to enter service by December. I expect both stocks to double for us this year.

Phil Hodge, CEO of **Pine Cliff Energy (PNE.TO and PIFYF)**, will join me for a webinar on October 7th. Phil is an expert

on the Canadian natural gas market. Pine Cliff has substantial "running room" in a new oil-prone area, where the company's Glauconite horizontal test well completed in February 2026 is outperforming the type curve.

All ten companies in the portfolio are in good financial shape, and I expect them to exceed my Q3 forecasts.

SMALL-CAP GROWTH PORTFOLIO

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
		Dividends	9/25/26		
			USD	USD	
BAYTEX ENERGY	OIL	BTE	\$4.53	\$5.68	25.39%
JOURNEY ENERGY	OIL	JRNGF	\$3.71	\$5.43	46.36%
KOLIBRI GLOBAL ENERGY	OIL	KGEI	\$6.35	\$8.50	33.86%
LOGAN ENERGY	GAS	LOECF	\$0.83	\$1.30	56.25%
PINE CLIFF ENERGY	GAS	PIFYF	\$0.38	\$0.50	30.04%
RILEY EXPLORATION PERMIAN	OIL	REPX	\$40.55	\$54.00	33.17%
RING ENERGY	OIL	REI	\$1.36	\$2.90	113.24%
ROK RESOURCES	OIL	ROKRF	\$0.23	\$0.40	70.58%
RUBELLITE ENERGY	OIL	RUBLF	\$2.93	\$5.32	81.57%
SPARTAN DELTA	GAS	DALXF	\$9.14	\$11.54	26.26%

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 in 2027.

As of September 25, 2026, the portfolio is up 18.77%, excluding dividends.

We have published updated profiles on six of the thirteen companies (AM, BSM, KRP, VNOM, IPOOF, MNR). I hope to publish profiles on the other seven within the next two weeks.

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. **None of Viper's oil production is hedged, so I expect it to beat my Q3 2026 forecast and for their year-end reserve report to support a higher share price.**

Kimbell Royalty Partners LP (KRP) that is up 23.89% YTD offers the group's highest after-tax dividend yield at more than 10.8%, based on the September 25 closing price. **KRP pays variable dividends**, which totaled \$1.57 per unit in 2025. Based on my 2026 forecast, dividends should exceed \$1.65 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 29,500 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

HIGH YIELD INCOME PORTFOLIO

Company Name	Primary Product	Stock Symbol	Share Price	Estimated Annual Yield	Annual Dividend	Paid	EPG Valuation
			9/25/26	USD			
Minerals Companies							
BLACK STONE MINERALS LP	GAS	BSM	\$14.42	8.67%	\$1.25	Qtr	\$16.00
FREEHOLD ROYALTIES	OIL	FRHLF	\$11.90	6.50%	\$0.77	Qtr	\$13.49
KIMBELL ROYALTY PARTNERS	OIL	KRP	\$14.57	11.32%	\$1.65	Qtr	\$19.50
VIPER ENERGY, INC.	OIL	VNOM	\$40.93	4.89%	\$2.00	Qtr	\$62.50
Upstream Companies							
HEMISPHERE ENERGY	OIL	HMENF	\$1.57	7.26%	\$0.114	Qtr	\$1.95
INPLAY OIL	OIL	IPOOF	\$11.80	6.50%	\$0.767	Mo	\$19.17
MACH NATURAL RESOURCES LP	GAS	MNR	\$10.40	16.35%	\$1.700	Qtr	\$18.25
NORTHERN OIL & GAS	OIL	NOG	\$23.29	7.73%	\$1.800	Qtr	\$41.00
PEYTO EXPLORATION & DEVELOPMENT	GAS	PEYUF	\$16.75	6.10%	\$1.022	Mo	\$18.73
SURGE ENERGY	OIL	SGYEF	\$7.98	4.63%	\$0.369	Mo	\$11.71
Midstream Companies							
ANTERO MIDSTREAM CORP	Midstream	AM	\$20.93	4.30%	\$0.90	Qtr	\$26.00
FLEX LNG	Midstream	FLNG	\$30.88	9.72%	\$3.00	Qtr	\$32.50
PLAINS GP HOLDINGS LP	Midstream	PAGP	\$26.58	6.28%	\$1.67	Qtr	\$33.00

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. **Shareholders who are residents of the United States** should be aware that, based on consultation with Freehold's U.S. tax advisor, the Company may be classified as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes

Upstream Oil and Gas Companies

Hemisphere Energy (HME.V and HMF) recently reported a fire at its largest polymer flood (the G-pool within Atlee Buffalo. I do not expect the fire to impact Hemisphere's long-term potential. On September 17, 2026 the company provided an update on the repairs. Most of the damages will be covered by insurance and they also have business interruption insurance after a 30-day waiting period. Hemisphere expects to commence partial recovery from the G-Pool polymer flood in November with full recovery during the first quarter of 2027.

The September 17th press release also announced two successful horizontal wells in the Marshen area that were completed in the Colony Formation. This is an encouraging development.

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. InPlay Oil's CEO joined me on our August 26 webinar. The replay is available on the EPG website.

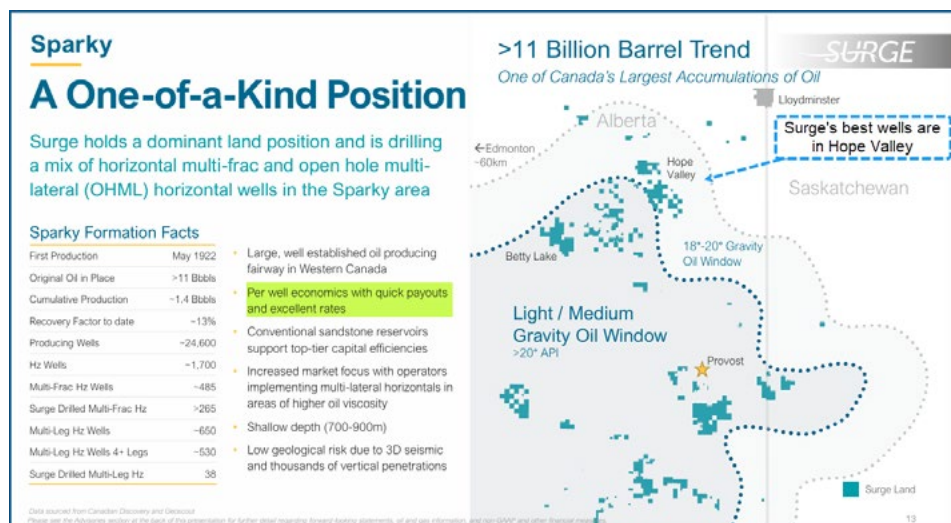
Surge Energy, which is the top performing stock in the portfolio (up 64.06% YTD), will be hosting a Houston Luncheon for us on November 17th. Last week I received a report from BMO Capital Research that highlighted Surge Energy as one of its top picks because of the outstanding Sparky wells they are reporting. Highlighted in the report are early results from a Surge waterflood

pilot project that could significantly increase recoverable oil in Surge's core area of operations.

Final Thoughts

In my view, most Americans do not realize how much higher our standard of living is than that of 90% of the world. We are fortunate to have abundant energy, clean water, and grocery stores stocked with nearly any food we want. We also enjoy some of the world's cheapest and most reliable energy. I have never understood why people focus so heavily on gasoline prices, which account for only a small share of most families' annual expenses.

Susan found the following posted on Facebook and she recommend that I include it in my newsletter.



I often hear people complain that gasoline costs more than \$4.00 a gallon. Sure, I would love to see it back at \$2.00. But before calling gasoline the world's most overpriced liquid, let's add some perspective.

For \$4.00, I get a gallon of gasoline that propels a 4,000-pound machine—carrying me, my wife, groceries, golf clubs, and half the clutter in my trunk—nearly 30 miles. That is impressive work for \$4.00.

Now consider the alternatives.

- A restaurant charges \$9 for a 5-ounce glass of wine—about \$230 a gallon.

And how far does it take me? Usually, only from the dinner table to the men's room.

- A coffee shop may charge \$6 for a 16-ounce latte—\$48 a gallon. It will not carry me 30 miles; it merely moves me from “Leave me alone” to “Okay, you may speak now.”
- A 20-ounce bottle of water may cost \$2.50 at a convenience store—\$16 a gallon for something that sometimes falls from the sky for free.
- A 12-ounce energy drink priced at \$3.50 exceeds \$37 a gallon. Apparently, caffeine becomes a precious commodity once the can has lightning bolts.
- A 2-ounce “energy shot” costing \$3

works out to \$192 a gallon. At that price, it should not merely energize me; it should mow my lawn for a month.

- An \$8, 12-ounce bottle of maple syrup equals about \$85 a gallon, and its main technological achievement is making pancakes sticky.
- Two ounces of vanilla extract for \$6 equals \$384 a gallon. At that price, the vanilla bean should come to my house and bake the cookies.
- Printer ink can cost thousands of dollars per gallon—and, unlike gasoline, may refuse to flow because the printer has decided it is low on cyan.
- Even that \$9 glass of wine deserves

another look. At roughly \$230 a gallon, filling a typical 15-gallon gas tank with restaurant wine would cost about \$3,450.

Count your blessings and opt for JOY in your life.

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

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