Eratz

Wisdom & Trust

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Useful websites

www.oil-price.net

www.bloomberg.com/energy

Good Reads (by Jim Collins)

Built to Last

Good to Great

Great by Choice

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President's Corner

In a few days we will launch our latest addition to our mail card campaign. Back in early 2015 it was clear to us that the oil and gas industry was going through crushing changes and that many companies would or could not survive. We knew that either Eratz makes profound fundamental changes or it would perish like so many others. So we assessed our core values; we recommitted to staying in our lane and to remain lean and clean. We also did our homework. We resolved to evolve. We asked ourselves, "How are we to do things differently and better without sacrificing our identity?" Fortunately somethings did change industry-wide: the good-ole boy-way was over. Today's investors assume nothing; now it's about data analysis, flow models, confirmation, recovery rates, spreadsheets and the web. But mercifully somethings didn't change; they just became more important. It was more critical than ever to nurture client-operator relationships, so we knew that we had our work cut out for us. We met that challenge like we always have-- head on with ***wisdom and trust***.

We initiated our mail card campaign in June of last year; we relaunched our website in December and our first every-other-month newsletter came out in January. We are serious about staying connected with our clients and forging new and deeper relationships with our prospects.

Somethings will never change. We know you're still getting O&G calls, so there's a good chance that you've been telling 'them' what you've been telling us. That's has to change because we simply aren't like them'! Remember this: we cover our fixed expenses by bringing in wells, not just by drilling them! Seriously, we're more like you than you think! Simply, Eratz is just another eager investor that wants to recoup its money quickly and then make good money on top with a strong revenue stream.

So when we call, please get on the phone or return our call. Read our newsletters, learn to love our website and just stay involved. Now…*If you do get Card 5 in the mail* then know that its' a gentle reminder of our commitment to you and the assurances we made to each other. Then ask yourself this: Am I serious about making money with oil and gas? Am I serious making it with Eratz? Do I really want to be a successful oil and gas investor? If you answered 'yes' to all three, then we need to know you better so we can make some money together. If you didn't, we hope you would call to let us know your change of heart. The worst thing that can happen is that we'll part as friends, fair enough?

Company Highlights

In Jim collins' Good to Great, the author covers a lot of good ground. But it's not the *good* we're after… after all, even Collins admits that *good* is the natural enemy of *great*. Eratz must rise above *good* because the O&G landscape is cratered with the smoking carcasses of *good* companies. We have always pursued *great*; now it's a must.

What's surprising was what wasn't there. Collins doesn't glorify how great companies are so much better, smarter, more creative with better, charismatic leaders in rocketing industries. No, actually quite the opposite. His team spent thousands of hours dissecting, analyzing, comparing, and cross-referencing countless public records, financial statements, press releases and thousands of articles. His conclusion? Great companies never depend on up or down markets, industries, or look-at-me leaders heroically saving the day. In fact, many great companies are in underperforming markets or out of favor industries—*just like oil and gas is now.* It's never been about product launches, or radical out-of-the-box thinking or new technologies. Nope. Collins revealed great companies keep it humble, simple

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and focused, but they perfect simple. Great companies focus at **being the best at just one thing—better than anyone else**. Collins calls it being a Hedgehog. Eratz knows it as ***Staying In Our Lane***.

Eratz searches for specific opportunities that yield strong and consistent returns. We largely operate in the Permian Basin, where we have perfected the 3-5,000' vertical offset well. Safe and reliable with low lifting costs, our wells produce 20-80 barrels of WTI crude per day. Since we don't contend with OPEC nor compete with costly and prone-to-break shale plays like Barnett, Marselles or Eagleford, it allows us to stay focused on **being the absolute best in what we do...and with the fewest surprises**.

Oil Patch Highlights

If you're familiar with the Stocksdale Paradox, then you know that survival is rarely about circumstances changing for the better and more about knowing in your bones that no matter what life throws at you, you'll not only survive but you'll be stronger for it. The General would be proud of Eratz because not only is Eratz moving forward while others are falling off or falling back, but this survivor is definitely stronger. It's so true: adversity reveals a man's...or a company's...character. About a month ago a Texas Railroad Commission (TRC) agent wandered into our Sykes#1 project just to see what Eratz was up to—apparently he was just looking for something to do. In the last 27 years and over 300 wells, we probably had no more than five TRC agents stop by. The curious agent told our crew that we have the only running drilling rig in his 15-county TRC 7B district. Many operators have either capped their wells until oil climbs or they have simply left town--permanently. It's hard to believe that just less than 18 months ago there were over 2300 drilling rigs operating and now there are less than 400 in the lower 48. Many companies will use market calamities to justify why they can no longer compete the way they used to or they just quit even trying. Not Eratz.
We recently acquired stacked formation leases on the eastern shelf of the Permian Basin. Because **we stay in our lane**, these multi-target oil sands with reserves up to 100,000 are exactly the kind of opportunities we shoot for. And now that oil is in the mid $40s--and we anticipate it improving about $2.50/month, our ventures become even more attractive because *if we were making money at $30, imagine how nice it will be when the price hits the upper $50s per barrel by the end of the year!*

Redirect

For up to date information on Sykes #1 Well, please visit our website: www.eratz.com

Something to Think About

By now you seen at least a hundred times the TV commercial where the snarky British humorist exposes the assumptions wireless providers have built their industry around. So what does it really mean to be four times better or for that matter, faster, or larger? The comic challenges us to stop assuming and start asking the *right* questions, "*compared to what, when, whom and where?*" Regretfully the O&G industry is just as guilty letting its investors live in their virtual world of presumptions. Too many O&G companies placate their collective morality by asking themselves, 'can it be truly wrong if no one ever asks the right questions?' **Wrong.**

Late last year a prospect--not a client--told us that a couple of months back he invested $40K for one unit. Incidentally our one-unit investment was $84K controlling 12.5% of the well. Our reaction ranged from dismay to disappointment because... honestly, very few competitors have even came close to our one-unit price let alone being $40,000 less. 'How can that be?' we asked ourselves. But then we asked him the *right* question, "So, what's the working interest for your $40K? Exactly how much of the well do you own?"

After a long pause, the investor slowly conceded, "Apparently...1.5 percent." You could hear him mentally flogging himself while gnashing his teeth. Not wanting to rub rock salt into a fresh pulpy wound, we assured him it would probably be a gusher.

Here's the takeaway: know your stuff. Eratz partners become truly knowledgeable oil and gas investors because our best investors are informed investors. So, please never take anything said for granted or at face value and always **always** challenge your assumptions—**and theirs too!**

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