



Wisdom & Trust

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Useful websites

www.oil-price.net

www.bloomberg.com/energy

Coming Soon:

Eratz Oil and Gas Investor Handbook

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President's Corner

Over the past year Eratz kept moving forward despite the continued O&G malaise. We've worked through bad times and we'll be here when it turns around. But this isn't about surviving, it's about being great with better leases, better operations, better partners and better decisions...simply better. We search for better.

Over several months we have developed our Eratz Oil and Gas Investors Handbook—and not too soon! Because there is still so much nonsense and half-truths being pandered, we're compelled to set the record straight and help you appreciate our industry for what it truly offers and what it really is. That's precisely why we put so much effort into getting the truth out there. When we first engage a prospect, Eratz opens with an industry card—we have five. These are not mere “thank you cards” but industrial proverbs revealing O&G wisdom, specific to the reader. Additionally we publish our bi-monthly our newsletter, *Wisdom and Trust*. We email it to our newest contacts while our prospects and clients are mailed a hard copy. Overlaying all of this is our evolving website, www.eratz.com. While most O&G companies feast on the uninformed, the naïve and greedy, we are serious about engaging the right people at the right time for the right reason. Are you the right person?

Eratz has purposefully collected a year of data and here is what we've learned: After receiving three cards, three to four newsletters, 70% of our prospects are now clients or currently evaluating one of our private placement memorandums (PPMs). Simply put, after six months we should be doing business. And for those of you who aren't quite ready to commit, we will set up an Eratz Well File. In the interest of doing the proper thing with the right people, we'll ask of you, the reluctant few, for the last four digits of either your SSN or driver's license and your birth date. For your well-place confidence and trust, you will receive our recently published investor handbook. Or better yet, you can contact Eratz now to receive our current PPM. Please call World Headquarters at 972-392-2677.

Company Highlights

In our pending oil and gas investor handbook we address some persistent notions. Surprisingly every once in a blue moon even we are accused of being promoted. Incredulously we ask, “**So how do you know when a deal is promoted?**” Your first clue: First of all, promoters push the word “deal” while operators talk “project”. To recap: a deal speaks of just one shot, like a comet streaking across the sky. A project is about multiple wells with sufficient reserves developed over several years. Secondly, when you engage with anyone other than an operator, it's promoted. Promoters buy discounted portions of a well and add their mark up. When you buy from a promoter, theoretically he'll send you your revenue check...good luck. Brokers don't take title; they just jack the price and then the operator cuts them a fat check for the difference. You'll get your check from the operator...again, good luck. And if they aren't a promoter or broker? Ask the phone jockey how long they've

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

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been working for the company. Many, and we mean practically all O&G companies hire and fire inside salesmen like they're sliding through a revolving door. No real loyalty is generated. Eratz's most junior member has been employed almost three years. Some companies prefer the services of 1099 contractors. Sorrowfully there are "practical" reasons for such declarations. Many of these travelers like the freedom to "come and go", to take the seasonal break...or several, to attend family matters, or to just be a few months ahead of Child Support or the IRS. Very few of them have any vested interest in the company let alone the people they engage. And here's a practical truth: just as you don't shake hands in bathrooms, you don't do business in Las Vegas or strip clubs.

Oil Patch Highlights

We now have our Sykes #1 pumping oil, in spite of all the weather-related Spring and Summer delays. Naturally we are getting more water than oil but the most productive well in our company's history started exactly the same way—a well that paid back its investors \$1900:1. The secret is to stay calm, don't make rash moves and gently move the stem into that glorious sweet spot. Once steady flow is achieved, we expect peak production for several months but somewhere around nine months to a year that flow will be 2/3rds of its high and the decline will continue to creep southward. A redeeming aspect of mid-depth vertical wells is that their depletion curves are shallow compared to fracked wells. Plus, our wells are not prone to breaking resulting in costly repairs and extensive downtime. We expect our investment multiplier over 10-12 years to be a factor of 3 to 3.5.

When operational expenses including well-plugging exceed revenue, Eratz caps the well. Fortunately 10-12 year production runs are the norm. We rarely talk of gushers but we do talk about low-drama sustainable ROI and that's what you should expect. As we've stated many times, we stay in our lane perfecting what we do best.

Things to Think About

We have oil holding--as we predicted--in the low \$50's. Although OPEC struggles to come to agreement among its members on how to...**hold on**...is this really important? No... not really. Did you know that OPEC has little impact on our West Texas Intermediate (WTI) market? It's because our market is just right-sized. Big enough to capture the best efficiencies and technologies; small enough to go unnoticed. OPEC doesn't think of Coleman or Runnel County production because its focus remains on the almost 11,000 producing wells in the Bakken/Three Forks pools pumping a million barrels a day. When you factor that all oil transactions are done in US dollars—for now at least, comparable lifting costs, the additional transportation and security expenses, plus it's WTI crude; what you get is a very stable, insulated market. The question remains: Who can survive the longest? The Middle East is largely a one-trick pony. Don't kid yourself, most of us won't be travelling to the UAE to play one of their 20+ world-class golf courses or bask in the region's glow of religious freedom or women's rights. No, it will always be about oil. And in the meantime, each day OPEC's impasse persists, millions of entitlement dollars never show and the all-consuming fire of the Middle East grows ever ravenous.

Again, it's important to Eratz—and to you as well—that you familiarize yourself with our website, www.eratz.com. You should know who we are, what we do and how we do it.