Eratz

Wisdom & Trust

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Useful websites

www.oil-price.net

www.bloomberg.com/energy

Now Available:

Eratz Oil and Gas Investor Handbook

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President's Corner

Memorial Day is fast approaching, the unofficial start of summer. Looking back it was the summer of '15 that we first felt the tremors within the oil and gas industry (oil and gas has always been cyclical) but instead of waiting for the crack of doom, we mobilized to deal with it head on. Where most saw problems, we saw opportunities to get better. However, instead of just pumping up our core strengths, we tackled where we needed to get better, faster and stronger. As a result we completely revamped our back-office operations and streamlined our field operations. But our biggest gain must be how much more proactive we are in keeping in touch with our clients and prospects. Seriously, those of you who truly read our newsletters, act on our follow-up cards, appreciate our Investors Handbook and navigate our website will become investor or already are.

The price of oil? Well...it's moving upward as I predicted, but there's still a lot of oil in the system. The good news is that as the pipeline moves south through Illinois, I predict the country's mood about O&G will only get better, which is good for us. I'm sticking with my prediction that oil will end the year between $60-65. More good news is that our break-even point is even lower. Most privately-owned O&G gas companies carry heavy debt, and servicing this debt always affects the bottom line. Consequently, most have filed bankruptcy at least once, some even three times in the last 20 years! Eratz has never filed for BK. So, since we don't use other people's money and have lowered our already low operating costs, our breakeven is even sooner. So...our investors make money while others pay out. Please call World Headquarters @ 972-392-2677 for more information.

Company Highlights

We've had a good start to the second quarter. Investors are jumping off the proverbial fence just as the Hodges 2 is preparing to hit mud in a couple of weeks. Our next venture is at the press as you read this and should be ready for review in a couple of weeks. We've had a great response to our Investors Handbook. It helps those of you who like something in your hand as opposed to reading words on a monitor. Our investors are revealing themselves to be very diversified. They invest in cycle, contra-cyclical, contrarian, low and high risk ventures, even bonds. So it's just not one type. The only thing our investors have in common is that they all do their own due diligence; they are very precise in their vetting process, and they make their own decisions. Are you that person? Do you have the strength of your conviction and the means to be an oil and gas investor? We at Eratz pride ourselves in getting good returns for our investors. Sure, we've had wells that paid out huge, but on average it's less than two and half years to recoup and then it's profit from there. Don't forget that a huge portion of your investment is a write-off!

Do you have an article you want to submit? Let us know by emailing us at the address below.

Oil Patch Highlights

You know the saying, "Out with the old, in with the new!" There's merit, but as with all things moderation is the key. It certainly applies to three-day old fish wrapped in paper, but should it be universal in oil and gas? WTI crude has leveled off as shale oil and gas rig continues to rise. As of April domestic rig count (80% horizontal drills) has doubled from April 2016. What's odd is that Brent oil price has stagnated in the low $50's for several months while OPEC is treading water waiting to vote in June to continue its November decision to curtail production. It doesn't make sense unless somebody knows "something" is about to bust loose or we wouldn't see a spike in rig counts.

Things to Think About

We are approached several times a month about the possibility of venturing with another O&G company. At first glance the prospect looks great and so many former oil and gas companies gone in together on a project. I mean who wouldn't want to work with larger tracts of land resulting in better chances of hitting oil which naturally yields a greater return on investors' money and their trust. But Eratz hasn't gone that way because that's just not us as it violates one of our core values, ***we stay in our lane***. And that's one of the reasons why Eratz is still here while so many of our competitors are back to selling cars, roofing or time shares. We have always ***stayed in our lane*** and have done so since 1989.

Why is Eratz still operating while so many of our contemporaries are out of business? Looking back very few of those companies who partnered with others are still in business or operating under their original names. We think it has to do with rejecting risk. Drilling for oil and gas is inherently risky. True, you mitigate risk downward by using the best technology, superior geology, experienced crews and proven leadership but the end, it still remains 10% luck. But by venturing with other companies, one diffuses risk. This is a good thing right? Lowering risk is good; obscuring risk is bad. Even the best project has risk because it's Mother Nature. If the geology is not good or if you don't have the technology to get to it, it doesn't matter how large your tracts are, what you do in the field or how slick your sales brochures are, it will not pay off. It might pay off handsomely for the oil and gas companies, their geologists and crews but the investors are left holding the bag. One of the natural aspects of diffused risk is that companies can spread the blame when things don't go according to plan. When it's just you in the mirror, nature and a few trusted souls you've worked with for years to hit oil, you're either the hero or the goat. But when you "venture up" the dynamics drastically change in the field and with the investors. You cloud the risk because you have so many more variables to point to when things go badly. In essence you already have your "blame narrative" before the bit hits the mud. Such companies no longer focus on bringing home the oil, but now they spend their energy on hyping their deal through slick marketing and fast talking oil and gas cowboys. Oh...whenever some cowboy points to a producing well adjacent to their over-priced lease, that's a cue to run. The quality of the venture becomes secondary. Regrettably many co-oped ventures use capital venture money so these O&G companies are more interested in satisfying their angel investors or bank rather than putting a smile on their investors' faces. It's no longer about hitting oil, it's about turning cash.

Redirect

For up to date information on Hodges #2 Well, please visit our website: www.eratz.com

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.

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