



# Wisdom & Trust

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### Useful websites

[www.oil-price.net](http://www.oil-price.net)

[www.bloomberg.com/energy](http://www.bloomberg.com/energy)

### Now Available:

[Eratz Oil and Gas Investor Handbook](#)

### Contact Us

[wisdom@eratz.com](mailto:wisdom@eratz.com)

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## President's Corner

Since 1989 I've talked with thousands of souls and of those, several hundred have placed their faith in and investment dollars with Eratz. Our investors range from Old Money to New Money and everyone in between. With this diversity you'd think it would be hard to find a common denominator. Well, there is one and it's the most critical attribute found in every *successful investor*. Be it stocks, real estate or oil and gas, successful investors **make their own decisions**. Which begs the question: Do you really make your own decisions? Often when talking with a prospect, he'll pepper our conversation with how he'll need to "run it by my accountant." True, there are unique tax benefits so we expect you to get with your accountants, but remember they work for you--not the other way around. CPAs, aka Causes Problems Always, are notorious for rarely saying yes to anything but the stodgiest investments. First of all, how many CPAs do you know that have ever taken investment risks? I bet very few. Have you ever heard of an entrepreneurial accountant? Yet, some of you let your accountant dictate your investment strategy. Folks, I have a couple of CPAs and peripheral tax advisors. I need them, yet...I'm very clear about their roles. My job is to make the money, theirs is to have my corporate *i's* dotted and *t's* crossed and very few zeros around tax time. No CPA has ever made money for me--saved me money definitely--but never me made money. Respectfully, if you need your CPA to help you make an oil and gas investment decision, especially if you are considering doing so for the first time, let me know so then I or my CPA of 28 years can talk with your accountant and fill in the blanks. That stated, I am not professing that oil and gas investments are only good for tax write-offs. Oh no, Eratz clients do not come back because I help them make smart write-offs. Eratz makes our investors money and have been doing so non-stop, same name, same location since 1989. The bottom line is this, friends, ***isn't it worth investing tax dollars in an oil and gas venture knowing the upside potential of making mail box money?*** Please call World Headquarters @ 972-392-2677 for more information.

## Company Highlights

The Eratz investor balances each venture with reasonable risk on one end with long-term profit and outstanding tax benefits on the other; the fulcrum is the oil and gas operator. Contrary to popular belief, the average investor is not a cigar-smoking Texas Oil Baron driving top down in a 1975 Cadillac Eldorado. Practically all of our investors are savvy *Average Joes* who just want to be on the "right side of the pump" for once. They know that energy demands will grow despite the oil glut—it's just a matter of time—but right now, they look at the oil prices as an opportunity to move into an out-of-favor investment sector that normally would not be available to them. This is what successful investor contrarians do. So, two years ago Eratz launched an assertive investor and prospect data base to help us identify professed or closet contrarians.

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

### Redirect

For up to date information on Hodges #2 Well, please visit our website: [www.eratz.com](http://www.eratz.com)

### Rumor

The Saudi's may be offering their oil on the NYSE sometime soon...

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We diligently collected and managed hundreds of names, tracked thousands of industry cards and newsletters and hundreds of memo's sent and thousands of phone calls made. Our goal was to educate and assist our core investors to become truly knowledgeable about the oil and gas industry—and then act on their research and diligence and, of course, invest! After all those hours of us working our database, it was time to for our database to work for us. We asked hard questions: Does he make his own decisions? Does he have the right attitude and can he accept reasonable risk? Even though he may know a lot about oil, how long has it been since he invested directly into an oil venture if ever? Is he coachable and able to stay focused? These are tough subjective questions but they had to be asked—and we did. As a result our database, which was growing at a rate of 250 a year, winnowed to a lean, efficient 125 names. We have always claimed that we talk to the right people, for the right reasons at the right time—now we have a database to prove it.

## Oil Patch Highlights

OPEC agreed to continue its policy of constrained production. This was a mixed blessing in the eyes of many economists. Even though the current price remains lower than many OPEC countries' fiscal breakeven levels, those same countries favor the lower-but-longer pricing approach as the political fulcrum needed to leverage massive domestic realignments in their entitlement programs. US production, the pink elephant in the room, remains unfazed as it exports more oil each month despite low oil prices. China, a major battleground for oil export, has popped up on our domestic scene as it buys more and more US oil as a result of OPEC's purposed constraint. One of the big reasons why stateside operators continue to drill is that they have to service their monthly debt; they are literally drilling themselves out of debt just to keep their doors open and meet their monthly bank obligations. Friends, Eratz doesn't borrow money. Never has, never will.

## Things to Think About

Have you wondered how the imminent gas tax hike will affect your pocket book and driving habits? The last time the Federal government raised its gas tax was in 1993. At that time the national tax accounted for 25% of the price seen on the pump. But that was then, and since then our cars and trucks have gotten heavier, faster; and we drive more now than ever while our vaunted infrastructure crumbles underneath. Folks, of all the things that made America supreme among industrialized nations, one could arguably point to (not too long ago) our networks of roads, bridges, railroads and canals. They can't now. It's time—actually, way past time. So ask yourself: will you drive less to compensate for higher gas prices? Probably not. Economists speak of an Inelastic Demand Curve (IDC) at play. This means that gas will have to really climb and hold a pump price before we adjust our driving habits. The \$.30/gallon proposed tax hike doesn't even come close. Many suspect the theoretical IDC limit exceeds \$3.80/gallon. That's a big gap. Since human nature is consistent and our profit motive remains robust, when the Feds apply their gas tax, others will "pile on". We at Eratz believe West Texas Intermediate will spike and hold. Let's see how the Big 4 tests the limits of the IDC.

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