



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

The world of the small to medium oil and gas company continues to evolve. It's as if the oil gods are determined to prove with perfect surety the notion of "survival of the fittest." More O&G companies went out of business this year; some consolidated while most just disappeared. Industry survivors...and Eratz is one...just didn't continue doing the same things in the same ways, we all had to change. Of course, we took advantage of the downturn by acquiring better leases at attractive prices as well as restructuring relationships with industry partners. Warren Buffet was quoted once: "Be greedy when others are fearful and fearful when others are greedy". Intrepid investors, resolved to move in when others are leaving, typically earn rich rewards, and that's where we find ourselves now. Just like contrarians, today's O&G survivors accommodated to oil prices. Like Eratz, they've reworked their field operations, improved efficiencies, lowered expenses...basically trimming the fat and leaving bone and muscle. But what separates Eratz from the rest? First of all, I can be reached...you'll talk to me, not a message center, rerouted to the Far East, or get lost in a maze of telephonic prompts. I return calls promptly so there will be no "dodging" and I tell it like it is. Secondly, like no others, Eratz keeps its clients in the know and that's why we created our newsletter, distinctive mailing cards, executive summaries and a dynamic web site, www.eratz.com. And Eratz is the only privately-owned O&G company that gives its clients an extremely relevant and informative Investors Handbook.

If you haven't received our handbook, just go to our website and fill out our Suitability Questionnaire and we'll make sure you get one. Oh, one other thing...actually just a few more things...that separates us: we've never changed our name and have stayed in the same building for over two decades. Please call World Headquarters @ 972-392-2677 for more information.

Company Highlights

As we move forward in this year, Eratz keeps its eyes on a few choice Permian Basin leases. We will soon be employing 3D seismic mapping on a few sites that were originally shot with 2D mapping. Back in the day 2D seismic mapping was the cutting edge technology but it could only create a paper-thin slice of what's going on below the technician's feet. With 3D you get not just the slice, you get the whole pie! It's not cheap but it's the technology needed. Reshooting older leases is definitely in keeping with our promise of giving you the **biggest bang for the buck** and **staying lean and clean**. We have found that over the years that when we were fortunate to drill on older tracts, we often discovered sizeable reserves and in the O&G business, it's the reserves we get excited about. Sufficient reserves allow us to offset the wells, which keeps costs down and profits up. Remember, Eratz prides itself as vertical offset well specialists as we always **stay in our lane**, and we've been doing just that since 1989. You might be asking yourself, "How does Eratz come upon such opportunities?" Well, we talk to other operators (sadly most of them are out of business or retired, but they still *know things*), proven geologists and respected land managers. Most of today's operators are second generation family businesses. Often the company founders have retired leaving sons and daughters to run family-owned businesses, and like so many

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second-generation companies, 70% fail within the first five years. And that's where we are now. Not only are there fewer operators, but those that do remain just don't have the knowledge, experience or vigor as their fathers. It doesn't stop with the dwindling number of operators. With most *twenty-somethings* raised on computers and hooked on social media, there are fewer dedicated field hands and those that remain tend to migrate to the hot spots. Luckily for Eratz, we still maintain solid contacts across Texas; a few of these professional relationships go back decades.

Oil Patch Highlights

Since the last newsletter things have turned a little strange. Julie Geiger for Oilprice.com blogged a few days ago some interesting facts. On the positive side, domestic oil and gas rig count is almost double over the same time last year; rig count rose from 591 to 946. The glut of oil steadily declines; the Energy Information Administration (EIA) reports that the United States' crude oil inventory had fallen by 8.9 million barrels, and The EIA also reported that Saudi Arabia's oil exports had hit a 33-month low. You would think these developments indicate that a healthy price rebound is just around the corner. Yet...on the negative side, oil prices continue to wallow in a six-month sideways channel. There is still a lot of imported oil still floating thus not counted as domestic inventory and the technicals point to oil prices hovering around the same price per barrel for a little while longer. Natural disasters...we are in hurricane season...often change the energy sector; wide-spread calamities typically create short-term price spikes but who wants to make a few more dollars at someone else's expense? As for Eratz, after much rain over the last three months, Hodges #2 is finally being drilled. We expect great things.

Things to Think About

What makes a success of a man? There are many definitions of success and most speak of clarity of purpose, diligence of effort and unshakeable perseverance, but please don't limit yourself to just the financial. Should these elements be couched in something larger? Attitude has to be considered; this is not about posture or swagger, but the confidence going in, staying with and then reaping the reward. We call it faith. Successful investors not only have faith in their decisions, but they also know it takes time plus purpose, diligence and perseverance, but taking risks without balance yields chaos. O&G men, just like everyone else, seek balance and harmony, not just in their investments but in the living of their lives. Eratz's best investors have diversified portfolios where oil and gas is just a part of their financial foundation. Could it be that their positive attitude is more than just a discipline? We believe the attitudes coming into oil and gas investments are shaped by the knowing of the received blessings and in the confidence that good things take time and perseverance. You heard that you reap what you sew. When you seek peace and harmony, coupled with wisdom good things will happen. Run the good race and keep your eyes fixed on the horizon. The successful oil and gas investor epitomizes those attributes like no other. It never comes easy--sometimes it doesn't come at all, but when you look around and point to the truly successful people in your life...and I mean those individuals you truly admire for many reasons...what do they have in common? To us what evokes success in all its glory are lives filled with peace, harmony and balance.

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.