



Wisdom & Trust

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Useful websites

www.oil-price.net

www.bloomberg.com/energy

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[Eratz Oil and Gas Investor Handbook](#)

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President's Corner

What's it going to take, friends? With the stock market going up and down like Six-Flag's Texas Giant on a July 4th afternoon, doesn't it make sense to seriously, and I mean seriously, consider investing directly into an Eratz oil venture?

Why now? First of all, oil has been on a steady, albeit quiet rise for a good while which has kept the market bunnies hopping to more lucrative, sexier opportunities--and that's ok. On the other hand, solid sustainable and predictable gains are just the perfect qualities for cautious, value-minded energy-sector players. And this is where I see the market right now: **balanced**. Attractive enough but not too much so. Secondly, the tax shelter advantages remain unmatched. Doesn't it make sense to invest pre-tax dollars for the possible upside of mail box money? Which leads me to these questions: Why us? Because Eratz has been drilling American oil in American soil since 1989. We're still around, the same name, same location and we aren't leaving, especially when we're on a roll like we're on now. Why bet on me? I hate to lose. Everyone loves to win, but the truly best hate to lose much more than they love to win. It doesn't matter if you're a fan of Tom Brady, Nolan Ryan or Michael Jordan, you must admit these men simply hated to lose. Superior opponents, bad breaks... it doesn't matter; when these fierce competitors were in the game, it was up to them to win it. And when they didn't?...well, they took each loss very personally. I'm the same way. Like them, I haven't always come out on top, but when I haven't, I break down each phase of my game, focusing on what I could have done differently and better. The only time a person truly fails is when he or she fails to learn the lessons. That's why I invest 60% of my time evaluating projects and then the balance of my time ensure that I'm talking to the right people, for the right reasons at the right time.

Company Highlights

Things are going well in the field; each well has been tuned and performing to specs, and the Hodges #2 is just a few weeks away from going on line. Operating a successful well is similar to a NASCAR team tuning a 1,000hp race car before each event. There are thousands of adjustments needed, and many of these tweaks are made on the day of the race, subject to changing track and field conditions. Most operators, Like NASCAR teams, work with very similar parts and pieces; and just as true, our governing body, the Texas Railroad Commission; demands operators to operate in very specific ways or face stiff fines, complete shutdowns or both. Naturally, our crews in the field, geologists, researchers, etc., are key members of the Eratz team and, as such, critical to our success as any well-seasoned pit crew to its NASCAR team. So it's imperative we keep our field crews working together, happy and focused; And like NASCAR, you must have top-flight equipment and software. You'd be surprised how expensive oil industry software is, but oh what a difference! But as always, it starts with a great lease. We have them.

Oil Patch Highlights

Bloomberg Surveillance recently posted that 19 million acres of Alaska interior is now open for oil exploration. Opportunity awaits for some but not what or where you think. The predictable thing about Joe Average American Investor is that he typically follows the herd, is easily

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Redirect

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

Confirmed

Saudi Arabia and other OPEC countries agreed in late November to continue to limit oil production until the end of 2018.

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distracted by shiny new things, and rarely knows what he's getting--or getting into. You are not Joe Average. When history repeats, *note not if*, the Big Four: Exxon Mobil, Royal Dutch Shell, BP and Chevron, are going to divest their smaller holdings for more lucrative, deep-pocket opportunities that only millions of virgin acres can bring. Maybe you have a couple of million dollars to invest--if you can get a seat at the table--to invest in an Alaskan private venture? But for the rest, we work with real, approachable amounts. And this is where we are.

In our March newsletter, we covered our budget for our remaining projects. At this time we're considering a handful of investors, but as stated, we only do one project at a time; and we always give our active investors first-right of refusal. And as the newsletter has often stated, it always starts with a great lease; we have those leases but for many of you, it's about taking "baby steps" and giving the **biggest bang for the buck**. So seriously research our Nash 1 offer. Once you're in the Eratz fold, greater opportunities will follow.

Things to Think About

With rotary drill rig counts up over 18% from last year, most economists oddly agree that the price of WTI will rise steadily, especially since WTI runs a \$5 discount to Brent crude. UPI's Daniel Graeber provided some not-so-surprising facts in his April 10th blog. Currently, America exports 1.7 million barrels of oil per day--almost double from last year--and China has been a major reason for the upsurge. However, with the threatened tariff war looming between China and America, what's going to happen with our oil exports and more precisely, the price of WTI? Russia is China's largest oil provider, OPEC is next and we are somewhere further down the list. OPEC is definitely going to grab a larger market share at our expense if this comes to pass.

Since the trade deficit is over \$360 billion, I was hoping our oil would provide some relief. In fact, President Trump wants to cut the imbalance by a cool \$100 billion. Should we play tit for tat and go after their steel and aluminum imports? Where's the gain? Countries in the know realize China has been aggressively dumping state-subsidized commodities into our world markets for decades. But did you know China accounts for only 2.1% of our steel imports?...double that if you include trans-shipments (imports from another country, modified, and then imported to the US). So, in reality, it's not much, therefore slapping raw material tariffs isn't much of a big deal, especially knowing Mother China subsidizes losses. It has never been a level playing field and wishing it "ain't so" doesn't make it so.

For decades Beijing has consistently championed the long game. They aren't concerned about a growing middle class or their masses hunger for personal freedoms. They aren't slaves to investor expectations and quarterly gains; these notions are largely discountable. What China is focused on...and has been for decades...is economic domination, especially over the US. I guess the big concern for most US citizens is how would we acquire those great, reliable Chinese consumer products? Wait a second, isn't that an oxymoron"? *reliable Chinese consumer products*? If Apple's Tim Cook ever decides or is forced to close up shop in China and go back home, don't worry, folks, there will be iPhone knock-offs within days. So how does this play out? Maybe a trade war is inevitable, and maybe it's time. Just maybe the free world will take a united stand and put a stop to pernicious intellectual property piracy, state-sponsored dumping, massive corporate espionage, egregious human right violations, child slavery and Chinese army-orchestrated cyber attacks against practically everything we value. Who am I kidding!

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.

