



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

I hope you had a Merry Christmas and I pray a happy and prosperous new year! 2019 as predicted was great and we expect even better in 2020. Going on four decades of business we have made it easy for our clients and prospects to get to know us and our business philosophy. We've been saying these truths for years, but they are worthy of repeating: we (Eratz) stay in our lane; we give the biggest bang for the buck; we have skin in the game and we remain lean and clean as we keep our operational and drilling costs low and our name out of court. Just one of those elements separates us from 80% of our competitors, but we have four! If you haven't moved forward ask yourself why? I get up each day excited on what each day will bring. It's hard work, no doubt, but I love this business, and I believe you will too if you just give Eratz a try.

Oil Patch Highlights

This section of *Wisdom and Trust* focuses on what's happening mainly in Texas. Our lens is less macro, but more than micro—something in between. We believe our insights give readers a better perspective to discern and evaluate the oil and gas industry. Noting this, domestic O&G has laid off 15-25% of its labor force depending on the tract; expectedly, rig count is down 25%. Why? The Permian, Bakken and Eagleford Shale, which are still going strong, are maturing—it happens. Just like in nature, there's a season for everything and right now certain regions have peaked as Texas production increase in 2019 was just a little over 100,000 barrels a day. The typical vertical well's life cycle lasts between 8-20 years; horizontal fracked wells deplete faster. Consequently, banks are less inclined to extend credit, and definitely less willing to invest in new, expensive horizontal fracking ventures in maturing oil tracts, especially since many of our competitors are already leveraged by banking finance, and their customers are sometimes slow pay which causes them to be late on bank note payments. Here's the good news: Eratz has always had its own skin in the game; Eratz pays its loyal service companies well and on time, and Eratz doesn't use borrowed money. We are 100% leverage free and always have been.

Company Highlights

We are going on our fifth year of *Wisdom and Trust*. It just seems like last year when we auspiciously recommitted to staying connected with our clients and prospects. Ask any successful investor why they succeed and 90% will confide they remain alert and involved. Ask that same population what foments investor frustration and loss of confidence, without exception they'll exclaim, **“When I don't know what's going**

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Redirect

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

Did You Know...

West Texas Intermediate (WTI), also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing. This grade is described as Medium crude oil because of its relatively low density, and sweet because of its low sulfur content.

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and they never answer their phones!” Well, friends, Eratz not only has *Wisdom and Trust*, insightful industry cards, our impactful www.eratz.com, our investor guide handbook; but we always—and I mean, always—answer our phones.

In 2020 we will be breaking ground on two new tracts. With lower national reserves, improving oil prices, low drilling and operational costs, and great leases, Eratz will move forward with collected wisdom and literally our **Do-It (them)-Now** attitude.

Also, when you fold in how US and China are coming together; with Boris Johnson’s commanding conservative referendum on Brexit, England will be looking for even tighter energy relations with America. The world demand for domestic oil will continue to grow, and vertical offsets will remain the smart choice.

Like we penned previously, when the time is right, you don’t dawdle; you confidently move forward. Just ask our investors over the last two years if we blinked or hesitated. 2020 is going to be fantastic!

Things to Think About

This portion of *Wisdom and Trust* focuses not so much on answers but on framing questions that suggests and or challenges our readers to ponder possible causal factors. Two interesting points of interests and, yes, they are connected. The year 2019 ended the way it started: with a bang with major IPOs flying high and a few cratering. The winners are Saudi’s Aramco and Alibaba out of Hong Kong. Both IPOs are noteworthy not only for their market valuation but also for their timing. For Alibaba, you would think with Hong Kong’s violent months-long civil unrest and mainland’s China belligerent loitering that investors wouldn’t touch any HK IPO with a 17-foot pole. **Wrong.** As for the market’s worst-kept secret, the trading insiders and talking heads crowed for almost a year how Aramco’s pending IPO would launch in 2020, certainly by 2021, but guess what. King Mohammad Bin Salman (MbD) surprised the experts and pulled the trigger in 2019. What does that suggest? Since the Saudis make very, very few mistakes—at least when it comes to energy issues—and true, the IPO was just slightly lower than they had hope—MbD saw the time was ripe...and quickly moved yielding the largest IPO with over \$2T in two days of trading. The energy sector has always been about supply and demand; and as witnesses to the last four years, this sector is even less prone to wild emotional swings. But there is more to this story than Aramco being the richest company in the world, it is a commanding validation of the strength and plasticity of oil for decades to come as The Kingdom is redirecting its momentum into refineries, plastics and natural gas lines. Couldn’t this be a harbinger of good times ahead for domestic oil investors? West Texas Crude is fantastic for oil-based derivative products, even better than the Saudi’s sweet crude. The IPO stocks that cratered? Not good years for either Uber or Lyft with valuations receding at least 25% since their IPOs. Riddle me this, batman: if you accept a smoldering war exists for control of the world’s energy supplies (and we do), couldn’t you apply economists’ Guns and Butter Curve? Maybe people are more concerned about heating their homes and protecting their families than finding cheap ways to get to the airport or a way home after an all-nighter?

Please visit our website, www.eratz.com. You should know who we are, what we do and how we do it.

