



Wisdom & Trust

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Useful websites

www.oil-price.net

www.bloomberg.com/energy

www.oilprice.com

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"Mail back your enclosed postcard and receive our Eratz Oil and Gas Investor's Handbook!"

--Sam Roden, President and Founder

President's Corner

"Welcome 2021 and, hey, why couldn't you get here sooner?" I bet all of us can imagine having that conversation with fresh-faced 2021. Personally, I want to see stooped Old Man 2020 in my review mirror--far far in the distance.

Yet everything happens for a reason, and I rest knowing last year's trials and traumas were necessary for my renewed focus on what is real, meaningful and lasting.

How have we changed and what have we done? Well, citizens are more polarized, less trusting of government and its leadership--that's bad. But, these same citizens tend to be more self-reliant and certainly more resourceful--and that's a good thing! Obviously we clearly yearn for honesty and transparency with much less political grandstanding at all levels of public office, and we certainly have become adept at recognizing gas lighting.

On the fiscal side, the GDP model estimate for real growth in the fourth quarter of 2020 is 11.1--odd yet impressive. While traditional year-end trends failed to materialize, e.g., the dreaded fourth-quarter-in-an-election-year-economy slump, blue collar and low-skilled laborers still lost economic ground. Ironically, Wall Street hit an all-time high in late November. Honestly, this just doesn't feel right. Perhaps this "disconnect" might suggest the resiliency of the US economy despite domestic and foreign turmoil, **but it certainly hammers home that Wall Street is definitely not Main Street.** Not surprisingly, the Misery Index is up 42% from last year.

As for the Eratz family, the last four years have felt like an election year with so many fence straddlers and wait-n-see'ers. Thankfully, our economy has never been defined by who is sitting in the White House or whether the Federal Reserve is going to raise or lower its rate by 0.1%. The last time I recall a president who truly made a meaningful difference in my life was back in 8th grade. I remember like it was yesterday: he ran on a platform of stationing candy vending machines in the back hallway. Definitely *Milky Way*. So, if someone is going to make a difference for me, it remains me. I am responsible for how I conduct myself and this company, just as you are responsible for you and your fortunes. If you need to truly affect a legacy-promoting change in your life, give me a call or send an email and let's see what we can do together.

As for me and my family, we will seek His heavenly guidance and providence while we continue to work hard for all in our Eratz family.

Oil Patch Highlights

When President-Elect Biden becomes POTUS, there will be refocused attention on fracking, especially curtailing salt-water dendritic (think roots of a tree spreading underground) fracking on public lands. Salt-water dendritic fracking has been the frackers' method of choice for almost 50 years. This delivery system has been perfected, delivery cost is a fraction of other fracking approaches, e.g., gel and sand; and it has proven to be very profitable. But the problem is that sal-water fracking often occurs below the water table. When a dendritic fracture is generated below the water

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Did You Know...

Texas consumes more natural gas than any other state and accounts for one-fifth of our nation's natural gas consumption.

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table, minute traces of salt water, gas and oil sometimes seeps into the ground water thus spoiling the reservoir. The outcomes and optics are often very bad, so this leaves the O&G industry gel and sand as much-more expensive approaches. Since gel doesn't migrate and sand doesn't float, the environmental and safety hazards posed to water tables are considerably diminished--diminished but not gone. Now accepting this, consider the potential hazards posed by horizontal fracking. The chances of something going bad jumps almost exponentially. Again, Eratz is not into inviting higher risks and unpopular outcomes, so we rarely drill horizontal wells, let alone frack them. How will this sharply curtailed fracking affect oil prices? For the last few years the US has been the world's largest exporter of oil largely due to our shale oil production, giving consumers the world over plentiful, cheap oil. **This will change**, and once again OPEC will be calling the shots as many US domestic fracking wildcatters will quit due to much higher operating costs, tougher EPA guidelines and/or simply legislated out of existence. As we predicted in this newsletter for the last four years, our problem-plagued expensive domestic shale play is going the way of the mountain gorilla.

Company Highlights

Everything continues to move forward. Grid mapping on the Hughes is mostly finished. We have had gully washers in West Texas so plotting has taken more time--what's new. We are looking at 14 Texas counties for new opportunities, and many of these reserves, as we mentioned in our November newsletter, have been moth-balled for decades. We are expecting some huge things from these tracts of land. There is a tendency among oil independents--actually people in general--that when hard-fought success arrives, wildcatters want their next ventures to be bigger, better, more impressive. This same infectious starry-eyed desire is also one of the greatest temptations in the oil business, i.e., bigger deals means bigger returns. But by *staying in our lane*, Eratz will always approach each project, *not deal*, with the same degree of risk aversion be it a 250,000 barrel reserve or a million plus. Eratz demands limited risk exposure, and that's why for over 30 years we have specialized and perfected vertical offsets. Don't forget, we have considerable *skin in the game with every project*. Luckily, we still have low extractions costs (around \$3.00/barrel) and reliable crews working our wells. Eratz prides itself on keeping expenses low and delivering a good profit, especially when factoring the tax benefits. When Eratz investors win, we all win.

Things to Think About

What are the forecasters predicting for 2021? *Who knows*--there are so many theories, so many predictions. What I can confidently predict is: **prepare to be surprised**. We had eight years of Obamageddon and four years of Trump; each rife with political controversies and realities so absurd that one thinks of them as bad fiction. And yet, here we are, still moving forward despite what's happening in Washington, Georgia, California, Saudi Arabia, etc. We Americans keep our heads down and our eyes scanning the heavens and horizon. I applaud the calm investor who didn't panic. I salute the oil and gas operator who stayed in his lane making a profit for his investors despite lower oil prices. I enthusiastically support our struggling small business. I cheer the mom and dad who homeschooled their children and started family gardens, and I remain indebted to our doctors and nurses and first responders. It's true, adversity should never **define** us, it should **refines** us. Perhaps when He asks us to take care of each other we gladly do it with compassion and love. True, 2020 was a tough year and we are not out of the woods because 2021, I'm sure we'll face a number of wicked curveballs and knucklers that will have us swinging silly at the plate; but I think we can all agree that **when the dust settles, we will advance and be better for it**.

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.

