THE ART OF THE BOUTIQUE

THE EXIT STRATEGY

Most would agree that oil and gas is a great investment but one of the biggest hang-ups of investing in oil exploration is the ill-liquidity of the investment. Once you're in an oil and gas drilling project your usually stuck in it and cannot liqui-date the interest for a profit. However, The big boys do not subscribe to this mentality. They have been in the know for years and they have found a way to liquidate "Flip" wells and sell them for huge profits.

Once a well goes into production, we must wait for a minimum of 6 months of production, get an average income collected in those 6 months'. With those factored we can then list the wells individually of as a group to be sold at the same auctions the big boys use . The evaluated amount can be 24, 36, and up to 48 months' worth of production paid upfront in 1 check from the buyer to the seller.

KEY SUMMARY POINTS:

- The Oklahoma STACK play is economic for many operators at current prices and it offers multiple drilling targets due to its complex geology, which is attractive for drillers seeking to leverage pads to expand resources," Kugler said. "While the play covers about one-fifth the aerial extent of the Permian Basin, it is attractive to many operators who find the Permian over-heated in terms of acreage availability and cost of entry. The STACK and the Anadarko Basin offer attractive investments, lower entry costs, and the potential for economic returns, and the play is becoming a core focus for several companies."
- Oklahoma's STACK and SCOOP plays are dominated by five players
- 2nd most active U.S. plays
- Success still remains as a tremendous potential in the STACK and SCOOP plays, according to a report released by Capital One Southcoast (COS).
- Sam Zell is no stranger to success, or "knowing where the money is." It appears he's found his next target. According to the Bloomberg Quint, the billionaire real-estate investor and chairman of Equity LifeStyle Properties (ELS) is joining Continental Resources Inc.'s Harold Hamm in the growing list of enthusiasts of Oklahoma's Stack shale formation. Zell made an investment in the region recently, he sees "awesome prospects for the oil-producing area," in a Bloomberg TV interviewa

Trump's Tax Proposal Could Affect Oil and Gas

On Wednesday, September 27, Republicans in Congress introduced a plan for sweeping tax reform, proposing to cut the corporate income tax from 35 percent to 20 percent, among other significant changes. Reducing the corporate income tax, currently among the highest in developed nations, seems like a home run for oil and gas producers in Texas. But for a national industry that receives over $4 billion of tax exemptions annually, simplifying the tax code to eliminate loopholes might not be uniformly positive. The fate of key exemptions during negotiations will determine how much Texas oil and gas producers actually benefit.

Importantly for oil and gas companies, the proposed reform maintains deductions for "intangible drilling costs" (IDC), the largest exception they enjoy under the current tax code. IDCs, which include costs from drilling new wells like labor and chemicals, can be immediately deducted from taxable income. That offers an advantage relative to other industries who have to deduct upfront expenses over time. Rather than repeal the exception, the proposed tax plan expands immediate expensing across all industries, allowing them to "write off the cost of new investments" for at least five years to incentivize domestic investment. Under the new plan, oil and gas companies will continue deducting IDCs and will get to deduct other investment costs as well.

In this Report – The plan keeps a deduction for intangible drilling costs

- Notably, renewables like wind and solar appear less advantaged under the new plan. The proposal leaves out tax credits for renewables and electric vehicles that are currently phasing out and might also eliminate tax exceptions pertaining to clean-fuel vehicles, carbon capture, renewable energy bonds and more.
- The first would prop up the domestic solar industry by introducing tariffs on foreign-made solar panels to make them more expensive.
- The second would assist coal and nuclear power plants by guaranteeing cost recovery, potentially reducing the opportunity for renewables.
- Taken together, the proposals combined with the tax plan would bode well for fossil fuels, but might create headwinds for renewables in the near term.
- The future of an allowance known as "percentage depletion," which favors how smaller producers depreciate their assets, is uncertain. The exception is large, costing the U.S. government about $1.3 billion of lost revenue per year.
- Importantly for oil and gas companies, the proposed reform maintains deductions for "intangible drilling costs" (IDC), the largest exception they enjoy under the current tax code.

BOUTIQUE

Energy Industry Data & Trends

THE ART OF THE BOUTIQUE

Main operators in the play include Devon Energy, Newfield Energy, Marathon Oil, Chesapeake Energy, Continental Resources, Cimarex Energy, Payrock Energy and Oklahoma Energy. Newfield is a play pioneer credited with naming the play, and the company considers the STACK a core part of its portfolio, as does Devon Energy.

In July 2017, Devon Energy Corp. announced it brought online a "record-setting" Privott 17-H Meramec well in Kingfisher County that achieved a "'facility-constrained' peak 24-hour rate of 6,000 barrels of oil-equivalent (BOE) per day (50 percent oil)." Devon's announcement went on to say that, "when compared against publicly available data in the STACK, the 10,000 foot lateral Privott well achieved the highest initial production rate of any well by a wide margin and is expected to recover in excess of 2 million BOE over the life of the well."

Devon also brought online four additional high-rate Meramec wells in the core of the over-pressured oil window during the second quarter of 2017. In aggregate, these four wells attained an average 30-day initial production rate of 2,000 BOE per day. These well results were even more impressive on a per-lateral-foot basis with average well productivity of greater than 300 BOE per day per 1,000 feet of gross perforated interval.

In this Report – KEY SUMMARY POINTS:

- The Oklahoma STACK play is economic for many operators at current prices and it offers multiple drilling targets due to its complex geology, which is attractive for drillers seeking to leverage pads to expand resources," Kugler said. "While the play covers about one-fifth the aerial extent of the Permian Basin, it is attractive to many operators who find the Permian over-heated in terms of acreage availability and cost of entry. The STACK and the Anadarko Basin offer attractive investments, lower entry costs, and the potential for economic returns, and the play is becoming a core focus for several companies."
- Oklahoma's STACK and SCOOP plays are dominated by five players
- 2nd most active U.S. plays
- Success still remains as a tremendous potential in the STACK and SCOOP plays, according to a report released by Capital One Southcoast (COS).
- Sam Zell is no stranger to success, or "knowing where the money is." It appears he's found his next target. According to the Bloomberg Quint, the billionaire real-estate investor and chairman of Equity LifeStyle Properties (ELS) is joining Continental Resources Inc.'s Harold Hamm in the growing list of enthusiasts of Oklahoma's Stack shale formation. Zell made an investment in the region recently, he sees "awesome prospects for the oil-producing area," in a Bloomberg TV interviewa