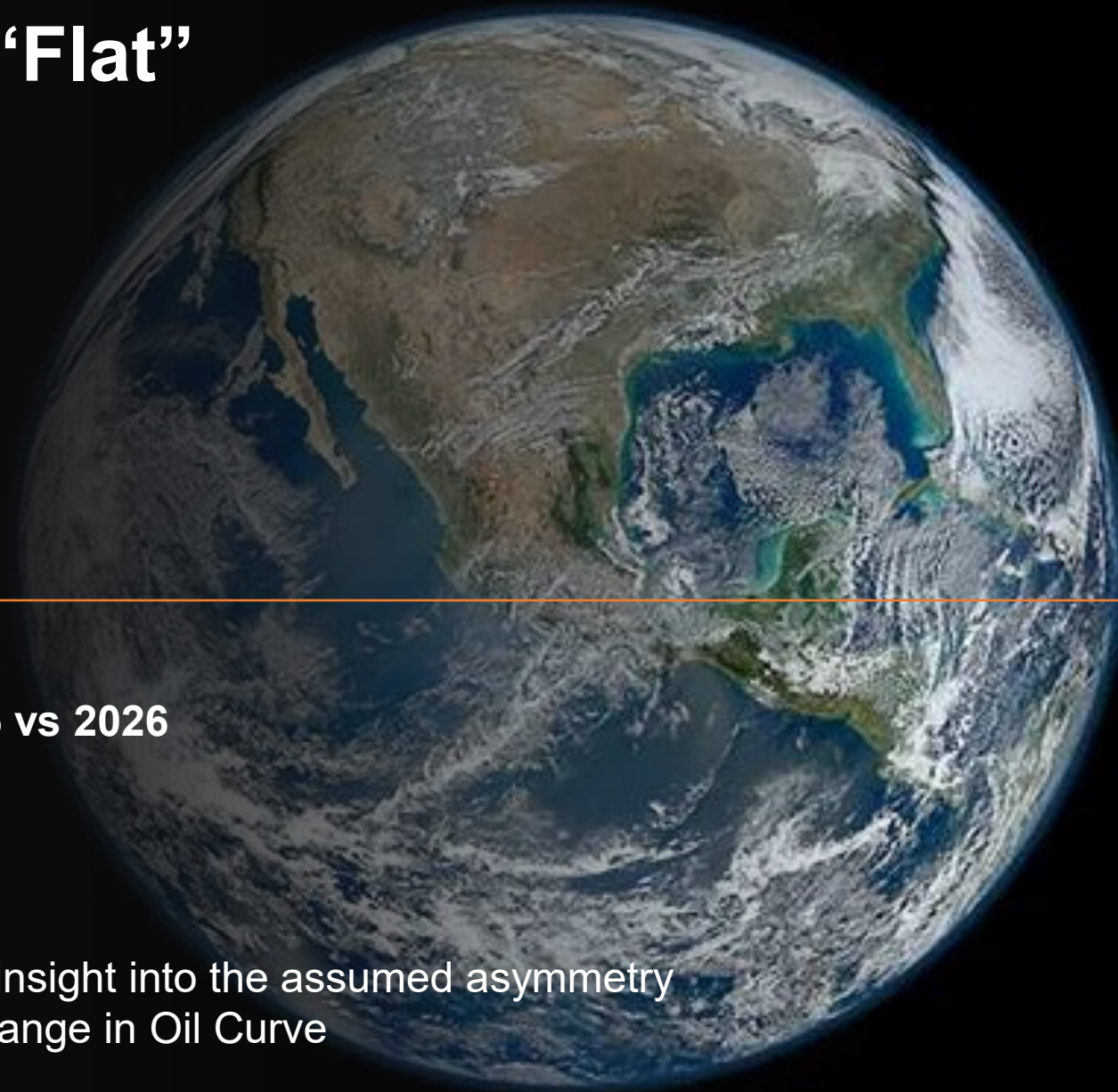


The E&P World isn't "Flat"

6/01/2026

2024 vs 2025 vs 2026

- Different Location on S-Curve
- Different Volatility Wagers
- Different Price Paid for Volatility
- Traditional Valuation Metrics provided little insight into the assumed asymmetry
- Asymmetry tends to be worth $>$ than the change in Oil Curve



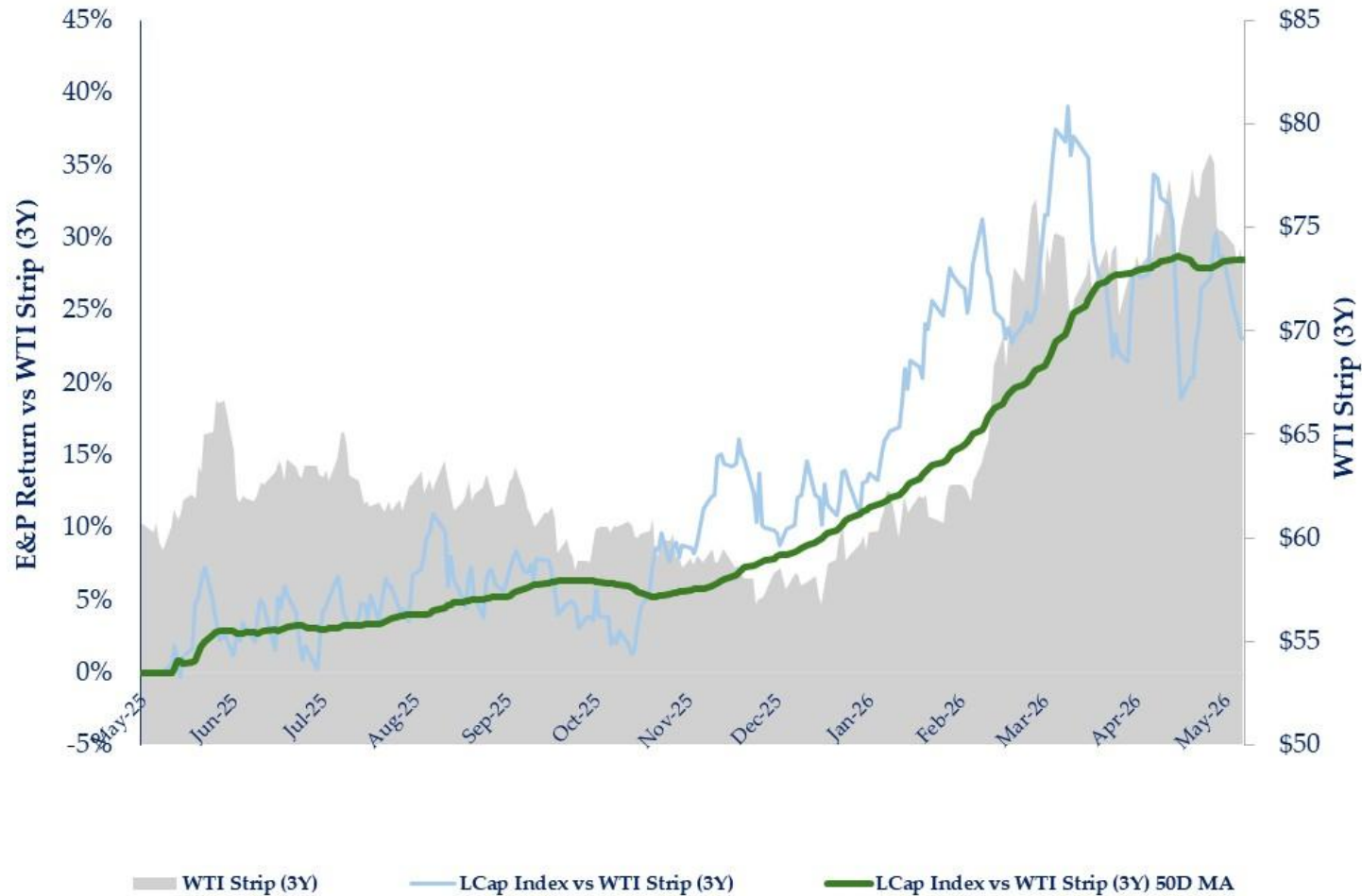
Why are Traditional E&P Metrics Failing?

- E&P Relationship vs O&G is Dynamic, Non-Linear & Idiosyncratic
- P/NAV @ Strip (3Y) is “All Over the Place”
- Performance vs Underlying Strip (3Y) is unpredictable
- The *Price Paid* for the Assumed Volatility Exposure is also changing

The Relationship between E&P & Oil is Dynamic



Large Cap E&P Excess Return vs WTI Strip & 50D MA

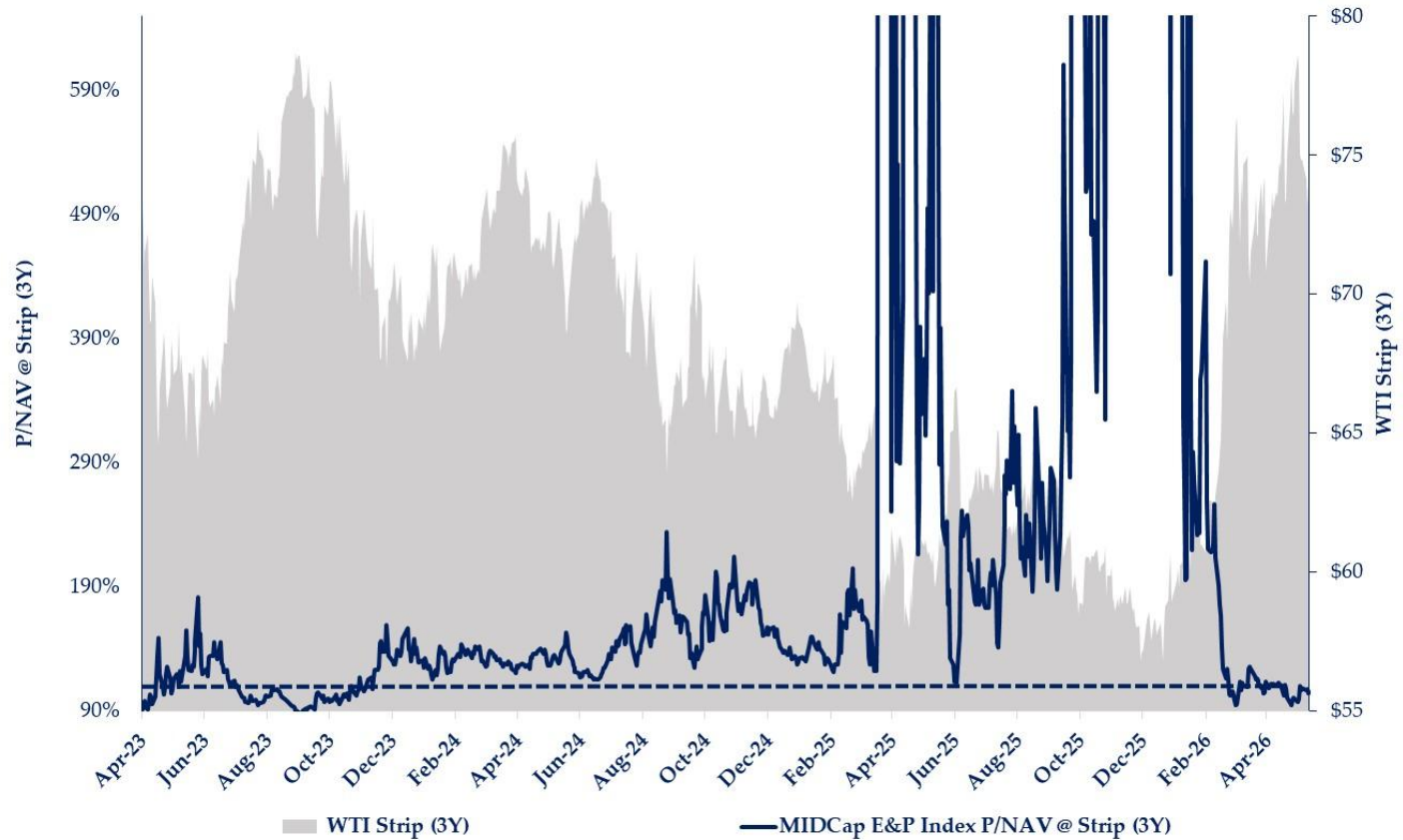


- Oil Beta Expands
- Positive Asymmetry Accelerates
- The change in Oil Volatility Exposure gets Repriced

E&P P/NAV @ Strip (3Y) has been all over the place for 12M



Mid-Cap Index P/NAV vs Strip (3Y)
Similar P/NAV, different O&G Wager and Volatility Exposure



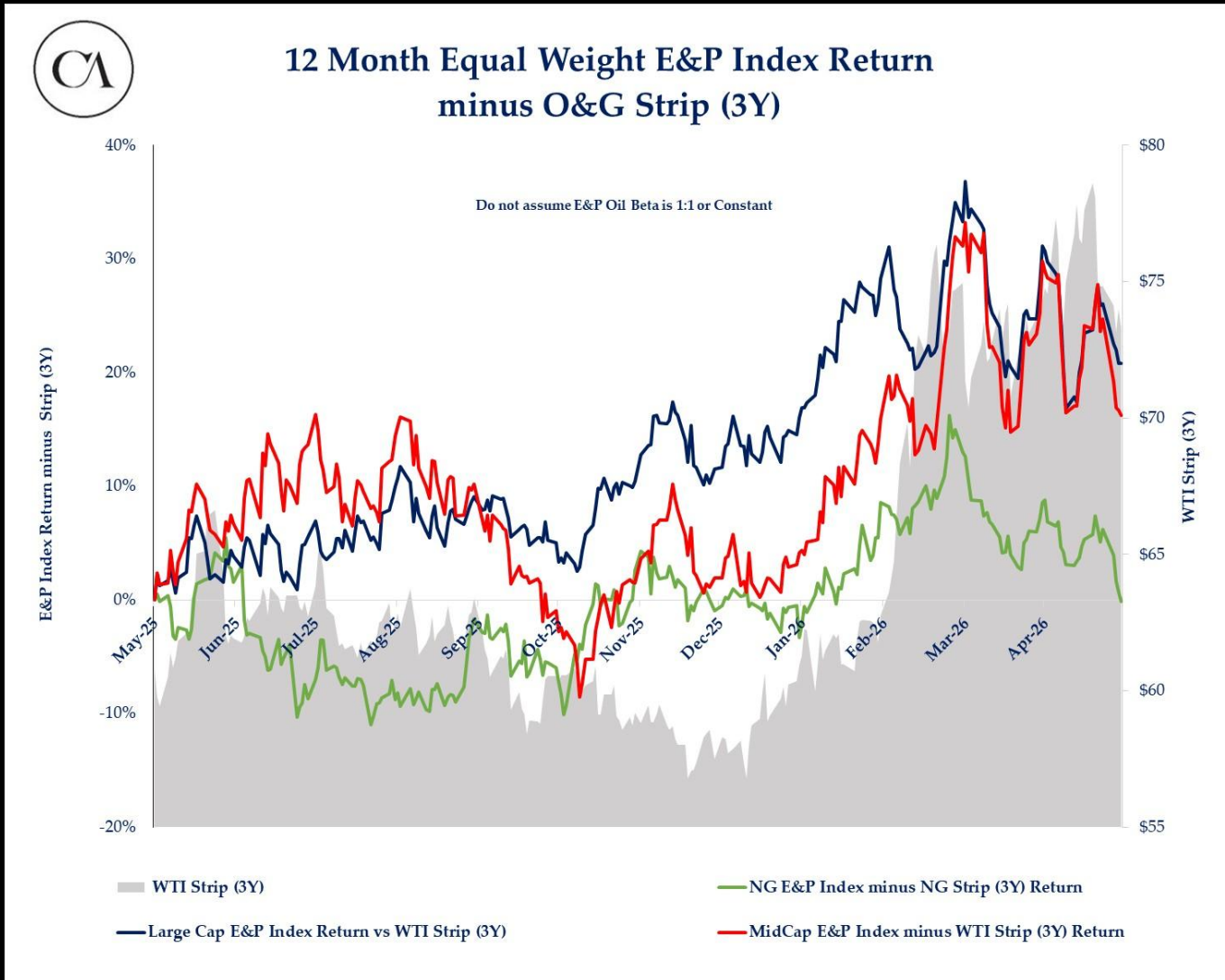
E&P is an Options Pricing Exercise

- Cashflow P/Share \neq Options Value
- The FCF Yield, EV/EBITDA or P/NAV tends to be a very poor indication of valuation

Traditional Metrics Keep Telling Investors E&P is Cheap

How is E&P Performing vs Strip (3Y)

Using Linear Metrics to Value Non-Linear Assets causes Valuation Error



- Large Cap E&P hasn't outperformed the WTI Strip (3Y) since Mid December 2025. Large Cap Volatility Adj Valuations averaging 1.7 STDEV above mean
- Mid Cap E&P is doing worse than it looks - not keeping up with it's much higher Oil Beta
- NG E&P was supposed be a "slam dunk" investment. It hasn't been able to outperform NG Strip (3Y) in 12M

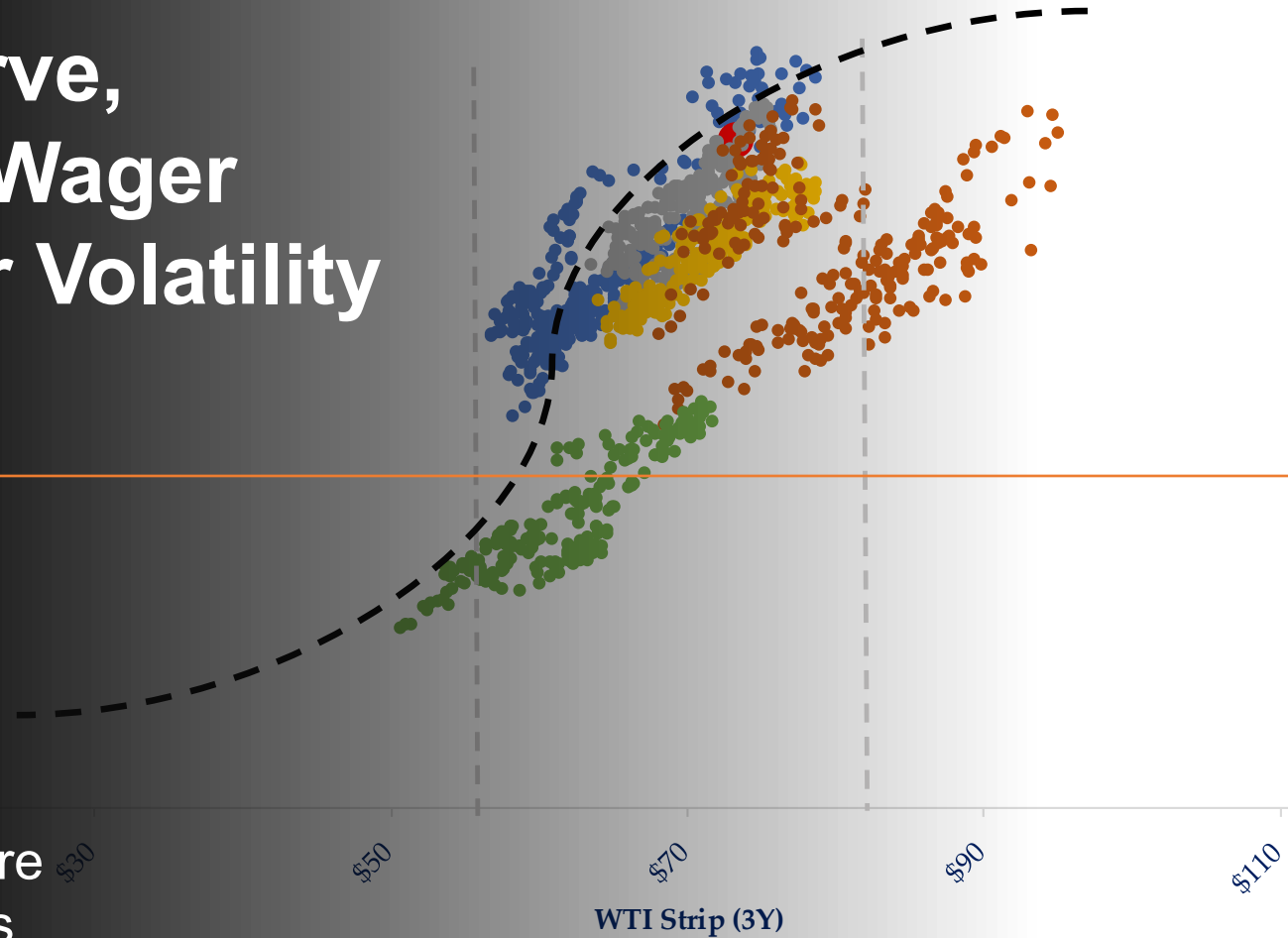
**If EV/EBITDA, FCF Yield & P/NAV Identify Value,
Why are Investors Struggling to Outperform
the Underlying O&G Curve**

Same EV/EBITDA,

Different Oil Curve,
Different Volatility Wager
Different Price Paid for Volatility

The E&P S-Curve

WTI vs The E&P Large Cap Index Price



Identical Commodity Exposure
≠ Identical Equity Outcomes

Index vs WTI

• Last

• '24 LCap Index vs WTI

• '23 LCap Index vs WTI

vs WTI

• '21 LCap Index vs WTI

• '20 LCap Index vs WTI

E&P = Production + Portfolio of Options to Drill

- Traditional Analysis values Production & Reserves
- Options Based Analysis values Inventory Duration, Volatility Exposure, Asymmetry & Time Decay

E&P “A” vs “B”. Same Valuation?

- Same FCF Yield
- 5 Yr Inventory Duration vs 10Yr has a very different Oil Beta Profile
- Low Optionality & High Time Decay vs High Optionality & Low Time Decay

Think about how the Insurance Business Prices Risk

When insurance industry underwrites a car or life policy, it determines the distribution of different outcomes. Two identical cash flow streams can have dramatically different values once probability, duration, and risk are properly priced

Why shouldn't E&P be valued in a similar fashion to insurance?

-The volatility-adjusted valuation prices the insurance *policies* attached to the future barrels cashflows

The Cost of Ignoring Volatility

TIME DECAY IS REAL. DON'T LET OPTIONALITY RUN OUT.

The value of options is perishable. Smart decisions preserve it. Better decisions compound it.

STATIC VALUATION APPROACH

Ignores Volatility. Ignores Time Decay. Destroys Value.



⚠️ RESULT:

Extrinsic value decays. Returns underperform.

OPTIONS-BASED VALUATION APPROACH

Understands Volatility. Respects Time. Compounds Value.



✅ RESULT:

Extrinsic value is preserved and compounded. Better decisions drive outperformance.

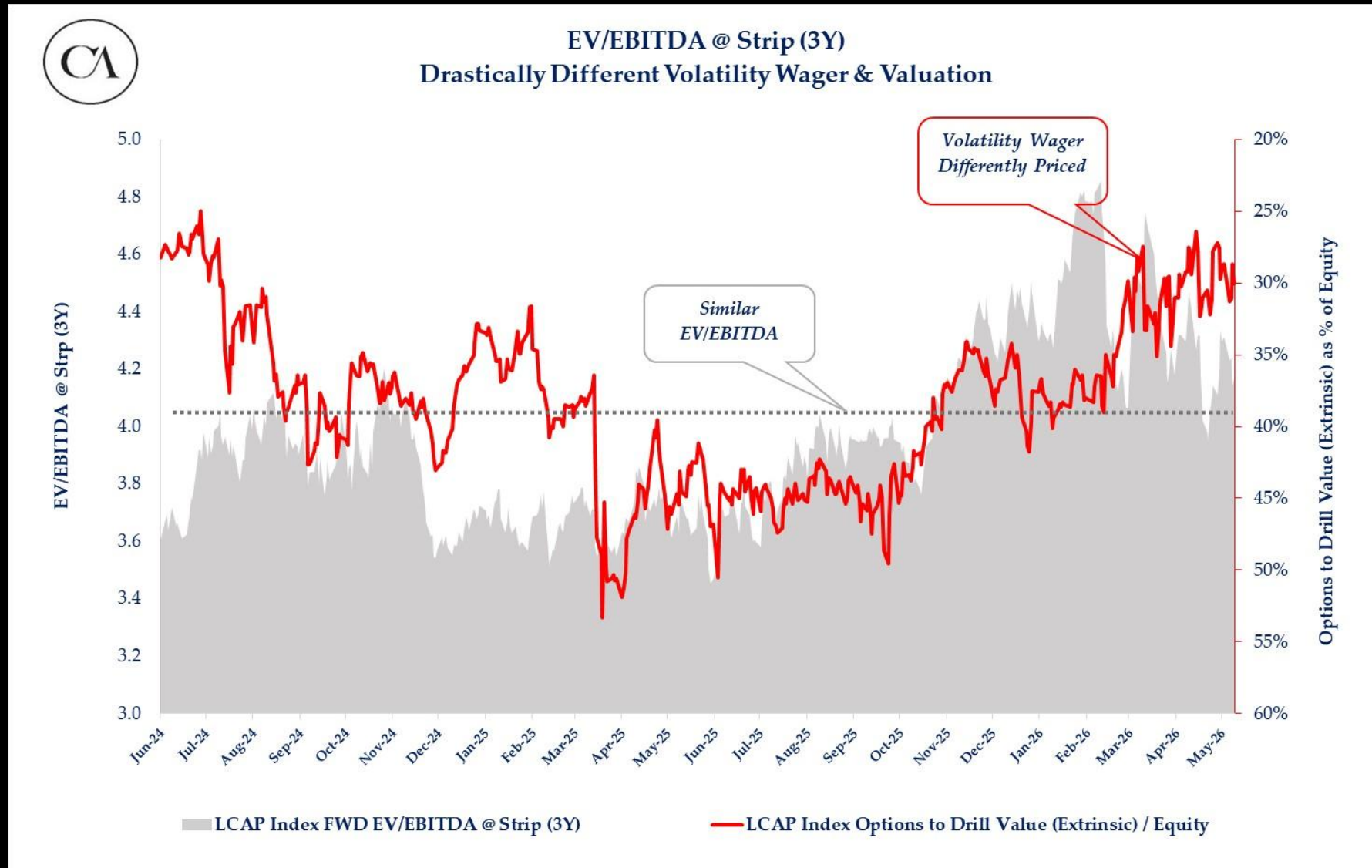


OPTIONALITY IS A FINITE RESOURCE.

How you value it today determines how much value you create tomorrow.

Same EV/EBITDA @ Strip (3Y)

Extrinsic Options Value as a % of Equity Drastically Different



Linear Analysis causes Permanent Destruction of Optionality & Inefficient Capital Allocation

1.2 g

1.2 g

1.2 g

50 mph

Turn Center



There is nothing linear about E&P Well Data, Resource Quantity, Cashflow Sensitivity or Valuation

The Objective is not to Predict O&G Prices

**The Objective is to Identify when the Market is Mispricing
the Volatility Exposure Embedded in E&P Equity**

Pricing O&G Volatility Volatility. Nice to Have or Necessity?



The Question Every Board Should Ask

- Not: What Cashflows will this Asset Generate
- But: What Probability Weighted Mark to Market Risk must Shareholders assume to earn those E&P Cashflows

Traditional Valuation Prices Cash Flows

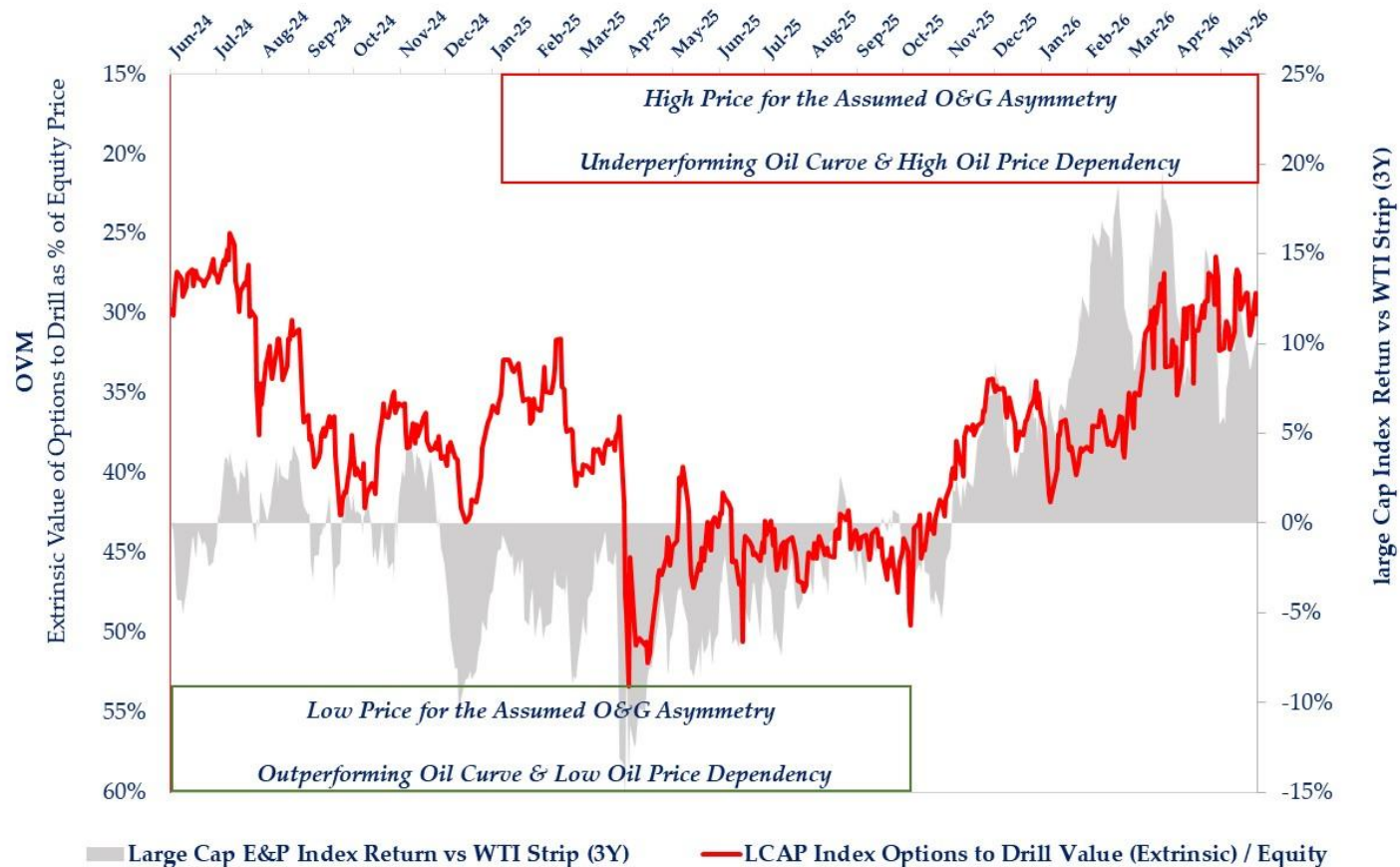
**Volatility Adjusted E&P Valuation
Prices the Risk Required to Earn Them**

A Different Valuation Perspective

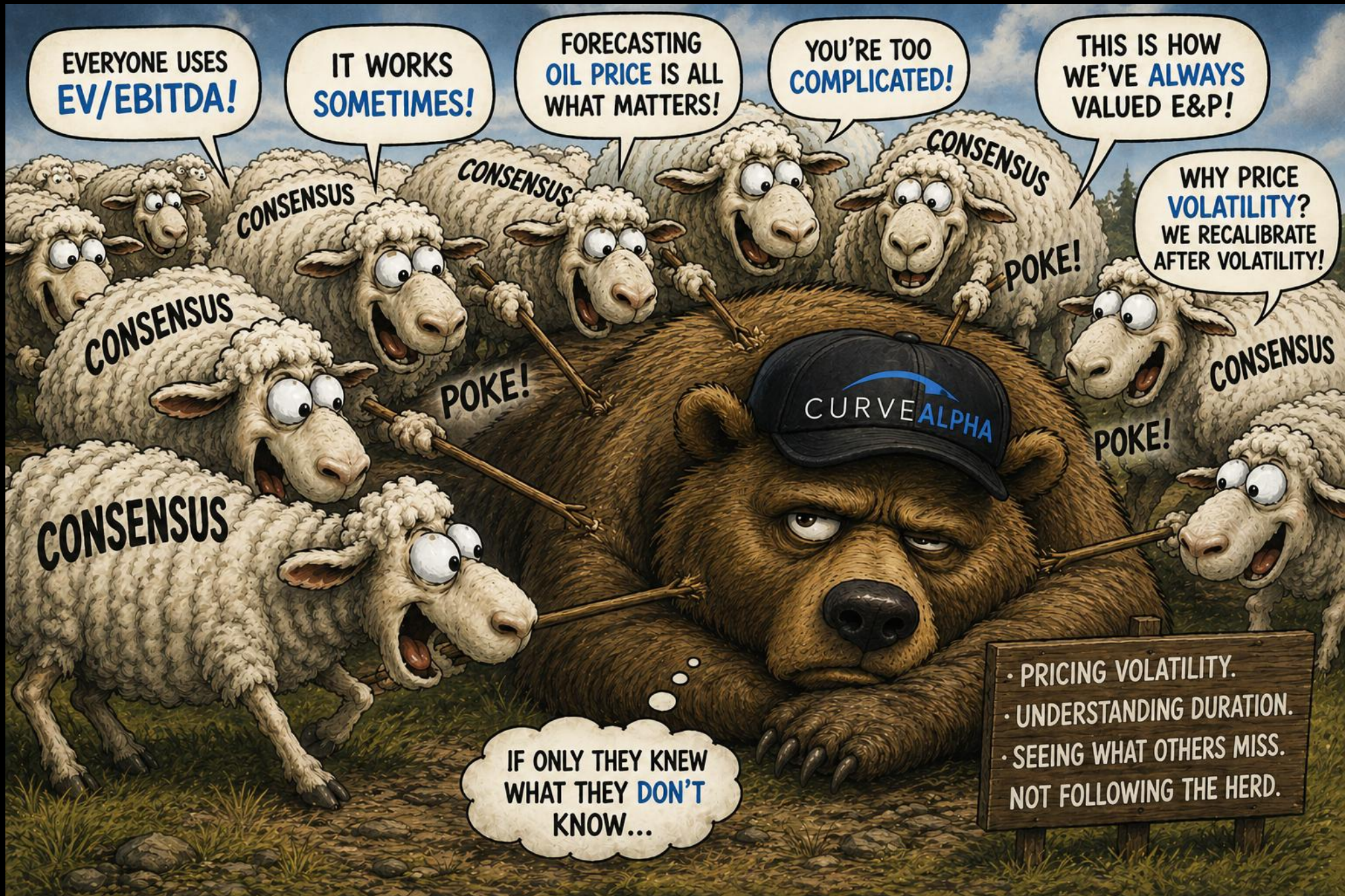
Outperforming the Oil Curve Depends on Pricing the Volatility Wager



Large Cap E&P Index minus Strip (3Y) Return vs Price Paid for the Assumed O&G Volatility Exposure



Period	Traditional View	Volatility-Adjusted View
2024	E&P looked cheap	Elevated risk
2025	Wait for lower prices	Attractive volatility wager
2026	Buybacks favored	Debt reduction favored



EVERYONE USES **EV/EBITDA!**

IT WORKS **SOMETIMES!**

FORECASTING **OIL PRICE IS ALL WHAT MATTERS!**

YOU'RE TOO **COMPLICATED!**

THIS IS HOW WE'VE **ALWAYS VALUED E&P!**

WHY PRICE **VOLATILITY?**
WE RECALIBRATE AFTER VOLATILITY!

IF ONLY THEY KNEW WHAT THEY **DON'T KNOW...**

- PRICING VOLATILITY.
- UNDERSTANDING DURATION.
- SEEING WHAT OTHERS MISS.
- NOT FOLLOWING THE HERD.

May 2026 Volatility Related E&P Themes

1. **Oily E&P has climbed up the S Curve. The Volatility Wager has changed materially.** The E&P Valuation, Capital Allocation & M&A has become > Difficult
2. **Traditional Valuations provide limited value, as the value of Probable Asymmetry is both ignored & misunderstood.** Difference between efficient vs inefficient E&P Capital Allocators is likely to be significant
3. **Probability of M&A mistakes by Buyer or Seller are very significant.** Linear Valuation Metrics are unable to handicap the **cashflow accretion vs option value accretion tradeoffs**
4. Traditional & Volatility Adjusted Valuations are probable to diverge significantly. Investors becoming frustrated that the FCF Yield or EV/EBITDA “doesn’t correlate with absolute or relative return”
5. **Mid Cap E&P has lagged its Oil Beta.** Inventory Duration Uncertainty, Lack of Liquidity, Inefficient Capital Allocation. Reconciling the FCF Yield vs Valuation is a likely a fools game