Allied Resource Partners
NEWSLETTER
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Allied Summary

Rich Tabaka | President

Though first quarter 2019 weather might disprove global warming, Allied Resource Partners proved that muddy conditions won't stop our progress! We brought the fourth of our fifteen-well project online, and I and my best consulting O&G expert made several trips to Harper, Thomas, Rooks and Ellis counties in Kansas to find our next projects. We have several under consideration but, unlike our competitors who, now that oil prices are rising, are rushing to promote whatever they can find, we will offer only those that meet our strict standards: low risk and generous tax-advantaged returns. We made extra efforts in the first quarter to make our office environment and procedures as "Partner Friendly" as possible. Everyone who works for me is a partner too. I see that every day in our collective work ethic, and I hope you sense that whenever you call us or view our website.

Now that spring and better weather have arrived, we expect to accelerate in the second quarter the pace of drilling and completing new wells while we continue practicing our tagline: "Leading the Way." Please visit our website or call whenever you'd like to see or hear the latest.

Sincerely,

Rich Tabaka
President | Allied Resource Partners

Project Summary

#1 Sun Fee

After making several repairs on the pump jack motor and setting up the pump jack correctly, we believe the #1 Sun Fee is ready to flow smoothly. We have already sold 2 loads of oil and feel that we have a consistent and long term multi year producer.

Buresh 17-1HM

We have fully funded the project and are ready to complete. The oil tank batteries have been dropped off and are set on location. The operator is setting up the heater treater and separator and is about to break dirt and lay pipe lines. We will issue an Update as soon as we can report initial production (IP) numbers.

Industry Summary

Natural gas—here and not forgotten. The abundance of moderately priced natural gas in North America, like that from the Marcellus and Permian Basins, does not get as much attention as the oil sector. And yet it is enabling very material long-term change in US and global energy markets. Natural gas continues to grow as a source of lower-carbon power generation here and abroad.

The wave of new investment in petrochemical facilities would not be possible without the growing US natural gas and NGL supply. Moreover, the United States is now a major player in global LNG markets, with two facilities in operation, at Sabine Pass and Cove Point, and four more due to start up in 2019. This is expected to shape global prices, trade flows, and business models. Although uncertainty exists, the recent decision to take final investment decision (FID) on another major North American LNG project (LNG Canada in Western Canada) is a strong vote of confidence in the viability of North American gas supply.

Digital technologies are increasingly intertwined with the entire oil, gas, and chemicals value chain. As alluded to in the 2018 Outlook,6 opportunities from digital technologies are becoming increasingly apparent and have the potential to unlock new value. More and more companies are looking hard at deployment of artificial intelligence, analytics, robotics, and blockchain to increase efficiency, productivity, reliability, and predictability of operations. However, implementation at scale can be complex in the capital-intensive oil, gas, and chemicals environment where the challenges of legacy equipment and the large number of suppliers should be addressed.

Refining and petrochemicals have been in the vanguard of process automation for many years, but we are now seeing signs that the other sectors are turning their attention to digital opportunities. Those that succeed could be well-equipped to thrive through business cycles and be responsive to customer and societal expectations.

Don't forget the numbers—can returns and profitability demonstrate value to investors? 2018 recovery in commodity prices and cash flows has been good news for the sector. The challenge now will likely be to translate that into sustainable profitability and returns. The downturn saw tremendous gains in cost containment, capital high-grading, and operating efficiency. Will this discipline be maintained? Some costs will inevitably rise, not only to restore margins in the service sector, but also due to rising materials costs. The question is whether acceptable returns can be generated through the commodity price cycle. Learnings from the downturn should not be forgotten, and continuous improvement in technologies and operating practices will go on, as they always have. Industry players could focus on two key lessons: adopting a disciplined approach to capital investment decisions and leveraging digital technologies to achieve higher capital productivity.

TOPIC OF INTEREST

Current Thoughts about Oil Prices

We don’t claim to have an oil pricing “Crystal Ball!” And no one should because short-term oil prices are sometimes driven by political or irrational motives. (Take a look on our website for an article that provides previous insight into oil price.) But let’s summarize some of the recent insights gleaned from industry journals and articles:

- Russia and Saudi Arabia are policing a stricter oil pricing policy that balances OPEC members’ cash flow needs against slowing world economic growth. The goal is pricing stability, which the markets greatly prefer to dramatic swings.
- Washington’s criticism of OPEC pricing might be more for show than for substance because those in the know understand that OPEC’s price range – currently $50- $70 per barrel – is a realistic target, given current supply/demand forecasts.
- Oil prices must be high enough to encourage U.S. domestic production.
- The domestic oil patch is today a net exporter of energy, which increases GDP and decreases the nation’s current account and budget deficits.
- Venezuela and Iran continue showing all the earmarks of “failed states.” Wishful thinking about boosting their production to dampen oil price increases is a pipe dream.
- Current oil pipeline and LNG tanker construction indicate that oil prices are rising to a level that the International Energy Market wants for a transcontinental gas pipeline which will loosen Russia’s grip on Western Europe’s gas supply.

Every week we find additional pricing articles that sometimes contradict each other. But don’t worry; Allied Resource Partners knows how find reserves and develop projects that make money for its partners and itself, no matter the short-term price fluctuations. Please contact us if you would like to find out about our latest investment opportunity.

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