

# DAVID PESCOD'S Stocktalk

WTI Oil		\$55.16	-4.92
WCS Oil		\$16.10	-1.68
Natural Gas		\$4.10	+0.309
Whitecap Resources	(WCP)	\$5.65	-0.23
Birchcliff Energy	(BIR)	\$3.90	-0.14
Arrow Exploration	(AXL)	\$0.50	-0.06

**Eric Nuttall**, who is frequently seen on BNN and always seemingly quite hopeful for the price of oil as we go forward, is like many in the oil patch these days, feeling as beaten up as possible and wondering "**What the &#@! just happened???**" Which in fact, was the title of a 12-page update he just put out for **Ninepoint Energy Fund** at the end of October this year. He is suggesting that it feels like we are currently in purgatory. He writes, **How could the financial demand for oil fall so sharply while the physical demand for oil continue to grow and remain at the highest level in history?** You can tell he's a little bit ticked off at the unprecedented decline in the price of oil. A drop that most of us have never seen in our lifetime which has resulted in a decimation of oil and gas stocks, particularly already clobbered Canadian oil stories.

According to Nuttall, he believes two factors have played the prominent role in the recent crash of oil prices:

- 1) Ongoing trade war escalations by Trump increased fears of slowing global growth and
- 2) The US issued Iranian import waivers to eight countries and this was perceived as a softening in Trump's stance towards Iran.

A few other factors he suggests, may be the murder of journalist Khashoggi in Turkey, the Department of Energy in the USA reporting August production rose 410,000 barrels a month, the delay of two new Chinese refineries and global and US refinery turnaround season ending up being larger than expected.

Still, you can only imagine Nuttall scratching his head or taking something hard to it as this simply does not make sense. Because of all of these considerations, oil demand continues to rise. So what next?

He writes, "We believe the following to be a critical distinction: as a result of OPEC having increased





production over the past 6 months to prepare for Iranian export reductions the oil market has transitioned from one that is dramatically undersupplied with adequate spare capacity to a market that is now more balanced but with little to no spare capacity." Nuttall continues, "We continue to believe that a major theme in 2019 will be the exhaustion of OPEC spare capacity." And he points out, "Saudi Arabia, the UAE, Iraq, Russia, and even Libya are now all producing at 3-year highs." And again, he points out that while there may be a perception of weakness in the oil market, he points out that demand for oil is still expected to grow by 1.4 million barrels a day...and may actually be understated.

But there is a whole bunch of oil and gas people that are absolutely astounded by what is going on and unlike Nuttall, who has always been maybe too bullish on oil, **Josef Schachter** has been saying for a long time that oil and gas is

about to enter a new bull market (after selling off big time) and he is looking forward to it, hoping to see the third bull market of his life. For those who receive his newsletters and action alerts, you knew that he was expecting oil to get under \$60, which occurred last Friday. For those who receive his Black Gold report, he gave an 'Action Alert' on Friday, November 9th as he wrote, "The price of WTI Crude Oil today fell below our long-standing target of \$60 a barrel (low today U.S. \$59.26 a barrel) and the S&P/TSX Energy Index is now down to 162 (closing in on our below \$160 target). We are adding more ideas today and expect to add more ideas in the coming days." He came out with an 'Action Buy Alert' on five stocks (and we have bids in on a few of them) hoping he's right.

While Schachter has spent so much time over the last while talking about reasons why he thought oil was going to go down, we have been suggesting that



Josef Schachter

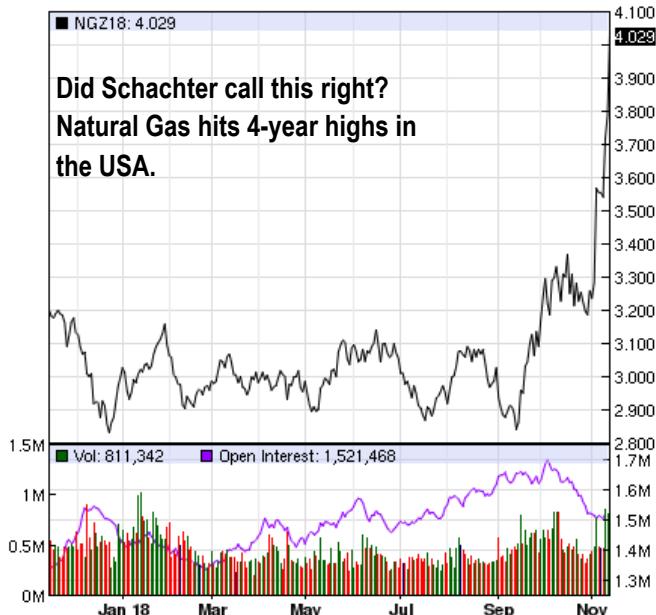
The BlackGold Webinar Wednesday, at 7:00 PM

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## Natural Gas

### U.S. National Average Natural Gas Price

End of day Commodity Futures Price Quotes for Natural Gas (NYMEX)



there now has to be reasons for the price of oil to go up. One sector that he says is simply being totally ignored is the price of natural gas, which could make a huge difference, particularly to some Canadian-based stocks. The price in Canada for natural gas can move dramatically and in the last few months, we've seen a time where gas producers actually had to pay people to take gas off their hands, to recently, where natural gas prices have been above \$3.00 an mcf, which by Canadian standards, is almost lucrative or relatively so...

Schachter is a big believer that we are not far from a time of seeing \$4.00 plus for natural gas...we would be publishing his higher thoughts, but just in case, we will try and protect him, but let's just say it is aggressive. We can understand some of his thoughts for that as suddenly, just as production of natural gas in the United States has gone through the roof, so has demand. Thirty-six new power plants used to use coal now on natural gas with 30 more

expected. LNG facilities popping up everywhere to sell natural gas to every place from South America, Europe, China and India and also a surprising development that we still find amazing...the significant building of pipelines into Mexico to deliver natural gas to a country that seems lousy in oil, but has very little natural gas of its own and some of those fields are fading. But one of Schachter's major suggestions other than continuing increasing demand for oil, is reserve numbers expected out in the coming spring when projects around the world are going to have to suggest exactly what they actually have in reserve. He suggests it's not going to be what a lot of people expect. (And we note the high decline rates of all this new production discovered in the States....some of those new wells won't be around after 2 or 3 years).

Again, Schachter is seeing oil and gas hit his targets and while we are in a market that is notoriously weak for virtually all commodities, it will be interesting to see if we are expecting this sector to bottom out in the next few weeks of tax-loss selling, which he says, is also a major factor.

Which gets us to **Keith Schaefer**, another guy specializing in oil and gas and Schachter and Schaefer are the only two lads these days writing columns for which subscriptions are needed. Keith will also be hosting a conference on **November 19th** and I think some of the people there, you are going to want to hear.

If you know anyone who would like to receive any of our four newsletters,  
please email Debbie at [debbie.lewis@plant4seeds.com](mailto:debbie.lewis@plant4seeds.com)



Keith Schaefer

**Nathan Weiss** always has some good ideas. **Yangarra Resources** will be there and **GeoPark**, plus several others that we think you will find interesting. So what has Schaefer been doing as of late? Well, you have probably noticed in many of his notes that he has been selling some of his oil and gas stocks, even though he loves them, to raise cash. Keith does write, "I think we are at peak negativity here - in the oil market - Trump sanctions, waivers, surprise record boost in U.S. production (not convinced that's real), but I think climbing down from that peak will be much shallower and longer than we think. I am more bearish on the market than on oil and I think that will weigh on oil, but even more on junior oil stocks."

Meanwhile, that doesn't mean he is giving up totally on oil and gas as he explains, he bought 50,000 shares of junior explorer **Arrow Exploration** at a \$0.68 average. What he suggests he is doing is selling stocks that were selling at three times 2019 cash flow, to what he expects from Arrow to be one times 2019 cash flow.

We have featured Arrow Exploration ourselves before because we know some of the people on that board, such as who have a great history of building companies. What is

**Fred Kozak** and others by reputation is will they be able to answer the question...will they be able to duplicate in South America what GeoPark and **Parex** have accomplished? (We should also suggest that while he may be selling some Canadian assets, he has purchased a natural gas play - Cabot Oil and Gas (COG) on the New York Stock Exchange. To register for Keith's upcoming conference, click here: <https://www.eventbrite.ca/e/ogib-calgary-fall-conference-2018-tickets-50272744131>



## Deb's Ditty:

Doing crunches twice a day now.



Captain in the morning, Nestle in the afternoon.