

OGIB INTERIM BULLETIN #647 - February 7th, 2018

PORTFOLIO SALE WHITECAP ENERGY RAMACO RESOURCES

PORTFOLIO PURCHASE POLARIS INFRASTRUCTURE

UPDATE--VIPER ENERGY

I was stopped out of my Whitecap Energy at an average price of \$8.62 this morning. Whenever a stock trades below its recent financing price, I'm a seller.

I really thought WCP would trade better on the back of the latest acquisition, which was quite accretive...but I was wrong.

I may not revisit WCP in the future. Of the leading intermediate/junior producers in Canada, it has one of the lowest oil weightings/higher gas weightings. But what these producers have lost on Canadian natgas pricing, they have generally made up for in higher NGL pricing, like propane.

Fundamentally, **Spartan (SPE-TSX)** is still my favourite play. But it's smaller than WCP, so WCP may attract more institutional money sooner. With the weekly EIA data out of the US this morning showing a huge jump in US production—though truly, this was just the weekly numbers getting trued up to the more accurate monthly numbers which have been showing a much larger US production # for a couple months—this is a time to be cautious.

RAMACO RESOURCES – METC-NASD

I sold my Ramaco today at an average price of \$6.80 for a \$1.30 gain for a rough gain of 23%. A) it's a failed breakout and b) whenever the

RSI—Relative Strength Index—goes below 50 on a stock as the moving averages converge, I'm a seller. When the moving averages converge, usually a Big Move in the stock is coming and if the RSI is below 50, that tells me where it's going (lower).

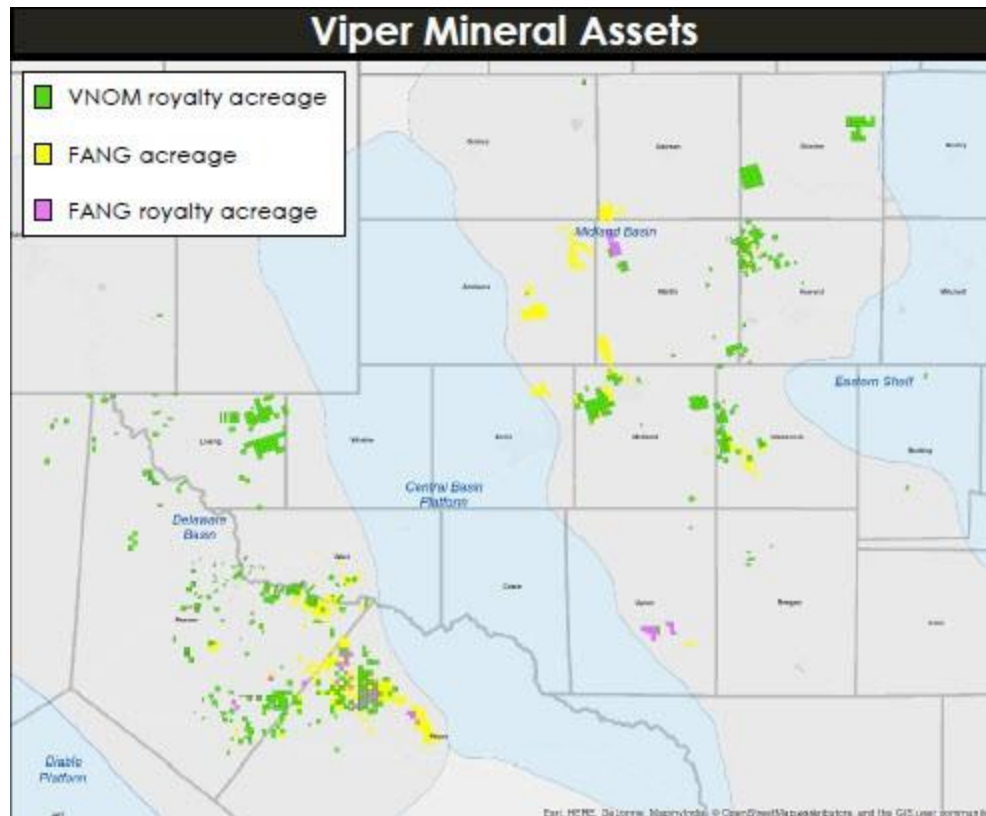
On both Ramaco and the Uranium ETF URA-NYSE I have had big short term gains—like 30% plus in a week!—and not taken them; waiting to see if a bigger win plays out.

POLARIS INFRASTRUCTURE—PIF-TSX

I bought another 1000 shares of Polaris today at \$20.25.

VIPER ENERGY – VNOM-NASD

For new subscribers, Viper is a royalty company (Canadians should think like Prairie Sky and Freehold) that is more than 50% owned by Diamondback Energy, (FANG-NASD). So they have no costs! And they are unhedged. Being focused on the Permian, they are in the most active play in the world and the number of rigs drilling their land just keeps going up (now at 37).



Note this is an MLP with tax considerations for both Americans and Canadians. Don't ask me what you should do about that.

Viper announced Q4 results last night and once again, beat quarterly estimates by the Street:

Q4 distribution was 46 cents (up 37% QoQ), vs. 39 cents estimates (note the one time lease bonus payment to extend leases made up part of this and (likely) won't be repeated)

EBITDA was \$55.4 million vs. \$46 million by the Street—again, the lease extension bonus payment

They did this on slightly lower production than expect at 12,400 boepd vs estimates of 13,400; lease bonuses made up the difference.

Record day for the distribution is Feb 19 with payday being Feb 26. Full 2017 distributions totaled \$1.43, up 78% YoY.

2018 midpoint guidance is 15,200 boepd, with oil being 73% of

production. They continue to acquire new Permian lands, and have made their first acquisition in the Eagle Ford. The acreage is located along the DeWitt/Gonzales County line in the highly productive Karnes Trough area. Operators on the acreage include ConocoPhillips (33%), BHP/Devon (65%), and EOG Resources.

I continue to expect Viper to be a winner for the OGIB portfolio. The stock is trading at a 6.1% TTM yield (Trailing Twelve Months) and a 7.9% Q4 annualized

