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Build Wealth with Oil and Gas

# Build Wealth with Oil and Gas Exploration

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Build Wealth with Oil and Gas

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# Introduction

Oil and gas investing has been the path to obtaining wealth for many individual investors over the past 50 years. Some of the wealthiest people in the country and around the world have made their initial fortune investing in oil and gas. With prices reaching record highs this past year (as of March 2005, Oil hit a record high of \$58 a barrel), it is becoming a more common practice to move money from the stagnant stock market into oil and gas exploration. Additionally, oil and gas are some of the most important natural resources in the world as gas is needed for cars and in the production of makeup, plastic bottles, and computer parts.

*Why is investing in oil and gas exploration such a lucrative business?*

First of all, oil and gas exploration opportunities have the potential to return the initial capital back to the investor in as little as 1 to 2 years, which is approximately a 50% return annually. Secondly, oil and gas investments can be a great investment to add diversity to portfolios that are heavy in stocks and mutual funds. Lastly, the government offers outstanding tax credits for oil and gas investors.

As with any good investment, the more opportunity there is to make money when the market is doing well, the more small business startups try to get a piece of the pie. In the case of oil and gas, there are many new companies trying to grab a piece of the money making pie. There are new



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marketing companies and new oil drilling operators that are being launched every day to find investors for oil and gas, largely has to do with the rise of oil and gas prices. It is more important than ever to be well informed in oil and gas exploration and know the do's and don'ts of investing. With many of the new startups, there is some cause for concern because many of them have no experience running a business. Investment Hunters have been investing in multiple oil and gas exploration companies and has learned the do's first hand. New investors do not need to make the same mistakes we did, and we want them to learn from our positive experiences. This book should only be used as a guide to investing in oil and gas. Once the investor has read and understands the oil and gas exploration investment opportunities, consult with a financial advisor to make sure it fits into their overall financial strategy.



## Current Market of Oil and Gas Industries

When deciding whether investing in a company that drills for oil and gas is a good investment, it is important to research the current market trends. Currently, Americans consume more oil and gas everyday than what is available in the U.S. This puts a high demand on relying on foreign sources of oil and gas, which subsequently drives up oil and gas prices. Furthermore, China and India, the two most populated countries in the world, have been increasing their demand for oil because of each the country's increased growth. The U.S. is at capacity for refining (making usable product from crude oil) the oil that comes from the ground and there are currently no plans to build additional refineries. This also puts an enormous strain on supply and the result is higher oil prices. Based on these trends the current prices of oil and gas will likely increase over the next few years. There are financial analysts that have predicted oil prices to top the \$100 per barrel mark in the near future. Due to these high prices and technology changes in drilling, many drillers are researching more areas within the United States to drill for oil and gas. Just a few years ago, oil prices were approximately \$28 per barrel. Compare that with today's oil price of \$58 per barrel, the return on investment (ROI) for a driller/operator and investor is incredible.

Many of the new wells that are being drilled today were not even considered as a potential investment a few years ago. With advancing technology, new areas are being looked at as potential gold mines. For



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example, the Barnett Shale rock was considered as a holder of natural gas and oil, but there was no way to extract it from the ground. With new drilling, and fracing processes, the Barnett Shale is a new hot spot for drillers. Also, many of the wells that were shut off 10 or 20 years ago are being re-visited and re-drilled because of technology advancements. With the soaring prices, demand increasing, tax incentives, and technological advancements, there is no better time than right now to begin investing in oil and gas.



## Authors Experiences

Investment Hunters have been investing in oil and gas wells with multiple companies for years and have been successful. On average the ROI has been over 20%, and comparing that with other traditional types of investments, there are no comparisons. Granted these types of investments are not for everyone, there are large risks, and there is a chance of losing the entire investment. However, with proper planning and asking the right questions, it can be a lucrative investment. As with any type of investment, the more information there is to analyze, the more informed investor will have to be to minimize the risk.

Through the data we have gathered and from our own experiences, the success rate of a well producing either oil or gas is around 80 to 85%. With the high oil and gas prices, it is easier to swallow a 20% failure rate. One of the keys to success has been investing in multiple well projects with various oil and gas exploration companies. This is important because it minimizes the losses because essentially, we hedged our bet. Each company we have invested in is located in a different part of the U.S. Not only are the companies located in different areas of the U.S., but they are also drilling different type of wells. Some companies are drilling in the Barnett Shale, and some are re-drilling a well that was once shut off. It is our requirement that we do not invest in one single well with one single company. Instead, we will split our invested amount among multiple wells. For example, if we have \$50,000 to invest we will break the money into thirds and invest in



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three separate wells with three different companies that collectively meet our investment needs. By following the above strategies, we have been able to reduce our risk exposure and still remain very profitable.

There are many differences between oil and gas, but we treat them similarly because both of them are experiencing all time high prices, demands are increasing, and many times, when the well goes online, it produces both oil and gas.