

2023



BISON INTERESTS

Oil Inventories & Market Update

March 2023

Bison invests in undervalued oil and gas equities with quality assets, survivable balance sheets, top-tier management teams, and special situations to maximize risk-adjusted returns for investors.

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Performance is from stated period (earliest May 2015, Bison inception) to March 2023. These performance measures are illustrative and may not be indicative of actual or average performance achieved by clients.



About Bison



Josh Young
Chief Investment Officer

Josh has built his career investing in publicly traded oil and gas securities, with over 15 years of relevant experience in investment management, private equity and management consulting. Josh co-founded Bison Interests in 2015 and became Chairman of the Board of portfolio company RMP Energy in 2017. After refreshing the board and management team and rebranding the company (Iron Bridge Resources), it was bought out at a 78% premium from its pre-deal price by Warburg Pincus and CPPIB backed Velvet Energy, in 2018.

Josh is the author of numerous articles on oil & gas investments and the guest speaker at various energy industry conferences. Josh is a well-known oil and gas expert and is often featured in media outlets such as the Wall Street Journal, Bloomberg, Al Jazeera, Barron's, Reuters, and others.

Awards & Highlights

Hedgeweek US Awards 2022



*Shortlisted for Best Equity Hedge Fund
Under \$500MM & Best Long Biased
Equity Hedge Fund*

Barron's



*Barron's interviewed Josh Young in a
feature article following Bison Interests'
outperformance in 2021*

Hart Energy's 40 Under 40



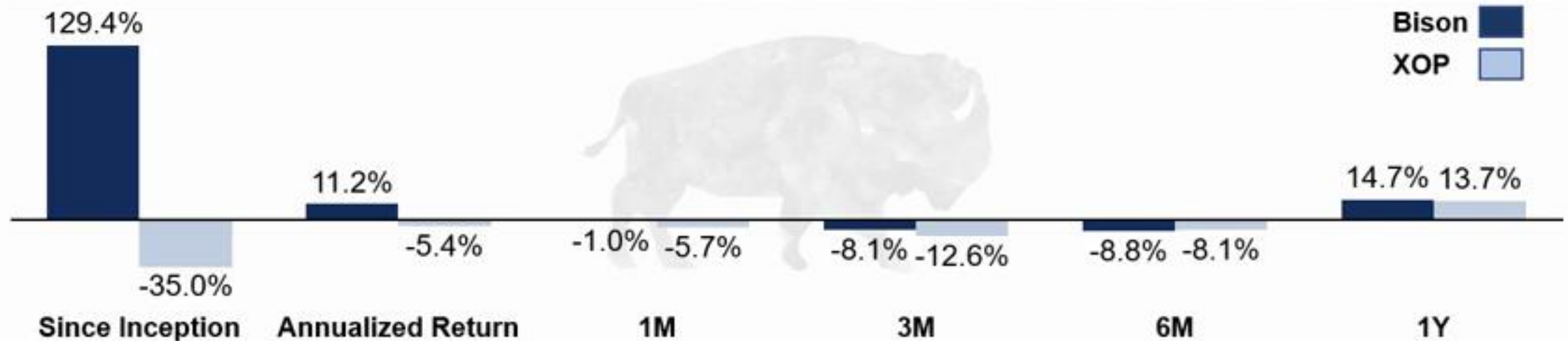
*Josh Young was the only oil & gas
public equity investment manager to
receive this designation in 2022*



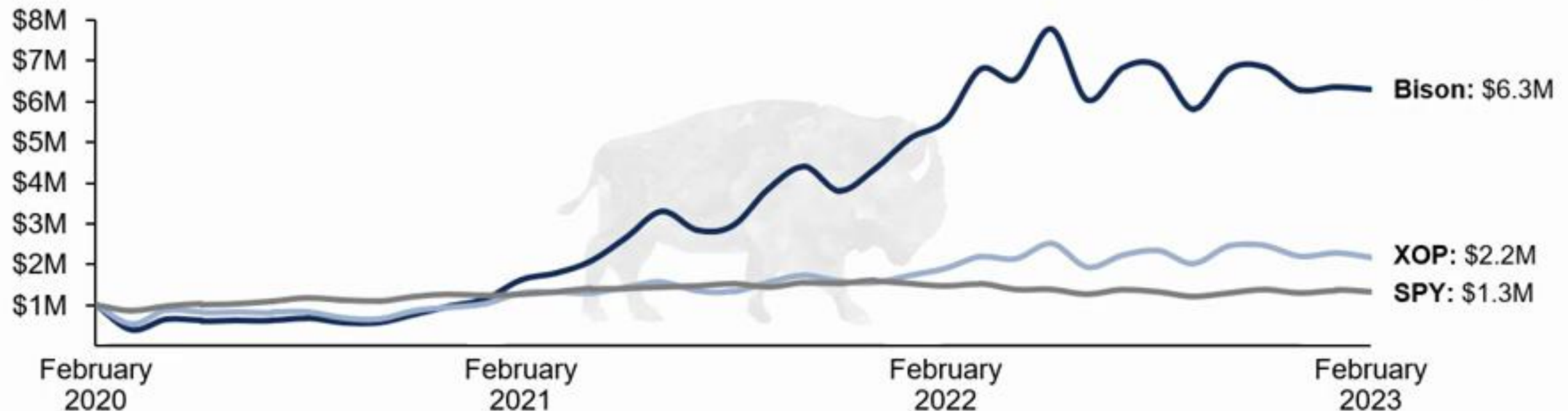
About Bison

Bison has meaningfully outperformed its benchmark and the broader market over time.

Bison Net Performance as of February 28, 2023



Value of \$1M Starting Investment After, 3 Years



Disclaimer: Unaudited net return data for Bison Energy Opportunity Fund, L.P. ("Bison") is estimated, net of all fees & expenses, 1% management fee and 20% incentive allocation. No investor has achieved these precise results, and past performance is not indicative. Chart is for illustrative purposes and is intended to provide a basis for further discussion. The benchmark of the Fund is SPDR Oil & Gas Exploration & Production ETF (XOP) and it is used as a reference for investment performance comparison purpose.



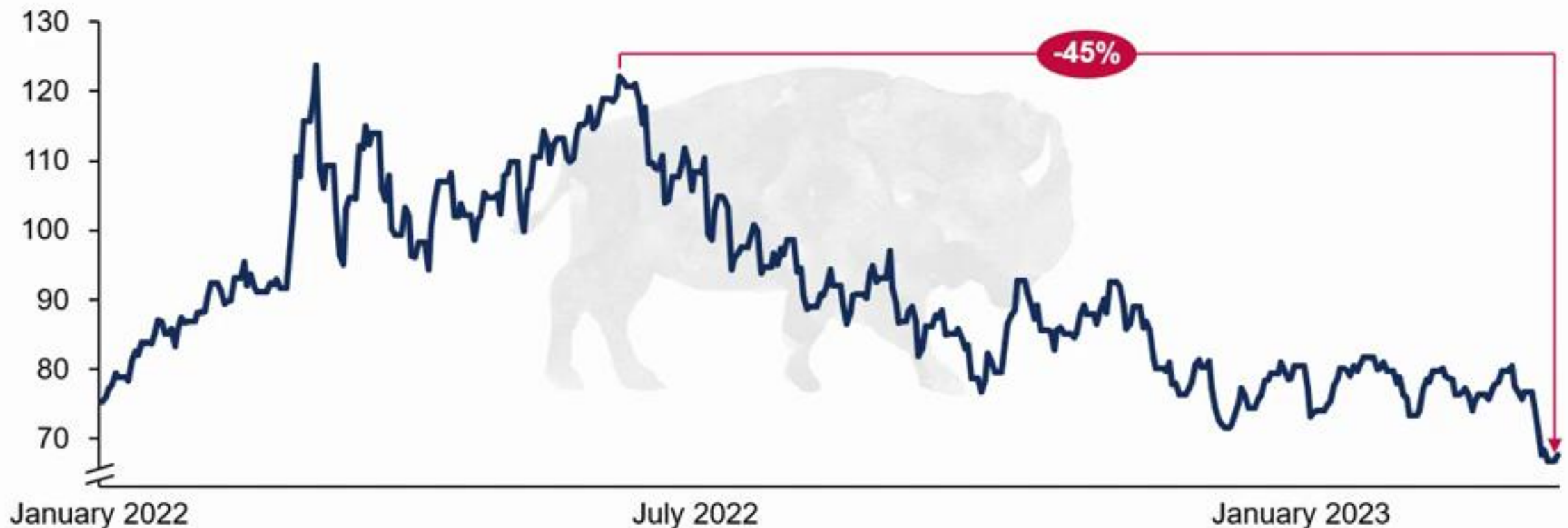
On Recent Oil Price Action

Recent oil price action may not be reflective of actual oil market fundamentals.

- Typically, commodity price action is reflective of shifting supply/demand dynamics. For instance, oil prices have fallen 45% after peaking around 120\$/bbl in June 2022, due to lower-than-expected demand from Chinese covid lockdowns and inventory buildups.
- In 2023, disappointing OPEC+ and US shale production, declining Russian exports, SPR abatement & surging Chinese demand are likely to lead to supply deficits and may push prices higher.
- With short term bond yields having moved significantly, the drop in oil prices may be indicative of significant margin calls and forced liquidations in many macro funds/strategies.

WTI Oil Price, January 2022 – March 2023

Oil Price, in \$/Bbl



Sources: Bison Interests analysis, Investing.com

*March 2023 values through 03/20.

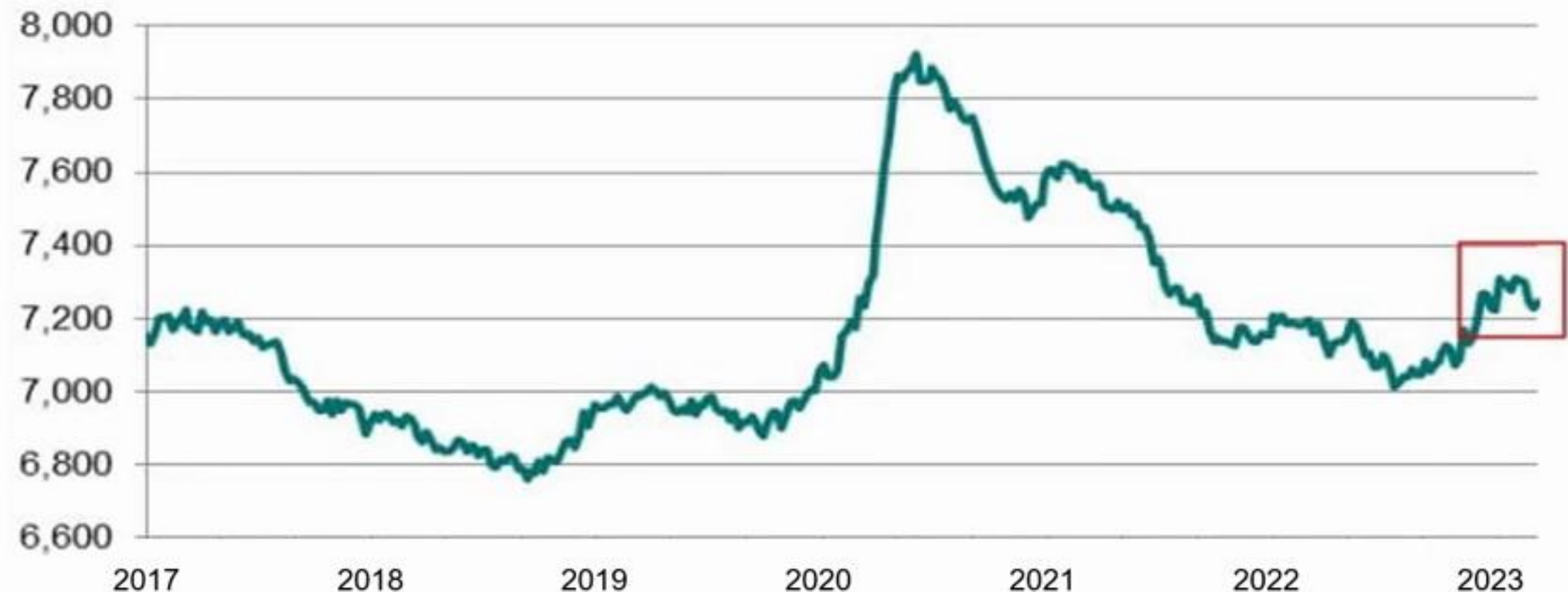


Petroleum Inventories Tell a Different Story

Global oil inventories are no longer building, which may support higher prices.

- Oil inventory data is traditionally hard to find due to differences in reporting and data quality in different countries.
- SP Platts, a commodities-focused research provider that agglomerates 3rd party data, has reported on oil inventories and production for some time with a good track record.
- Despite rapid drawdowns in US oil inventories, particularly of the strategic petroleum reserve, global inventories had been building in the second half of 2022. This may have put downward pressure on prices.
- Oil inventories appear to have peaked and may be inflecting downwards.

Global Petroleum Inventories (in MM Bbl), January 2017 — January 2023



Sources: SP Platts

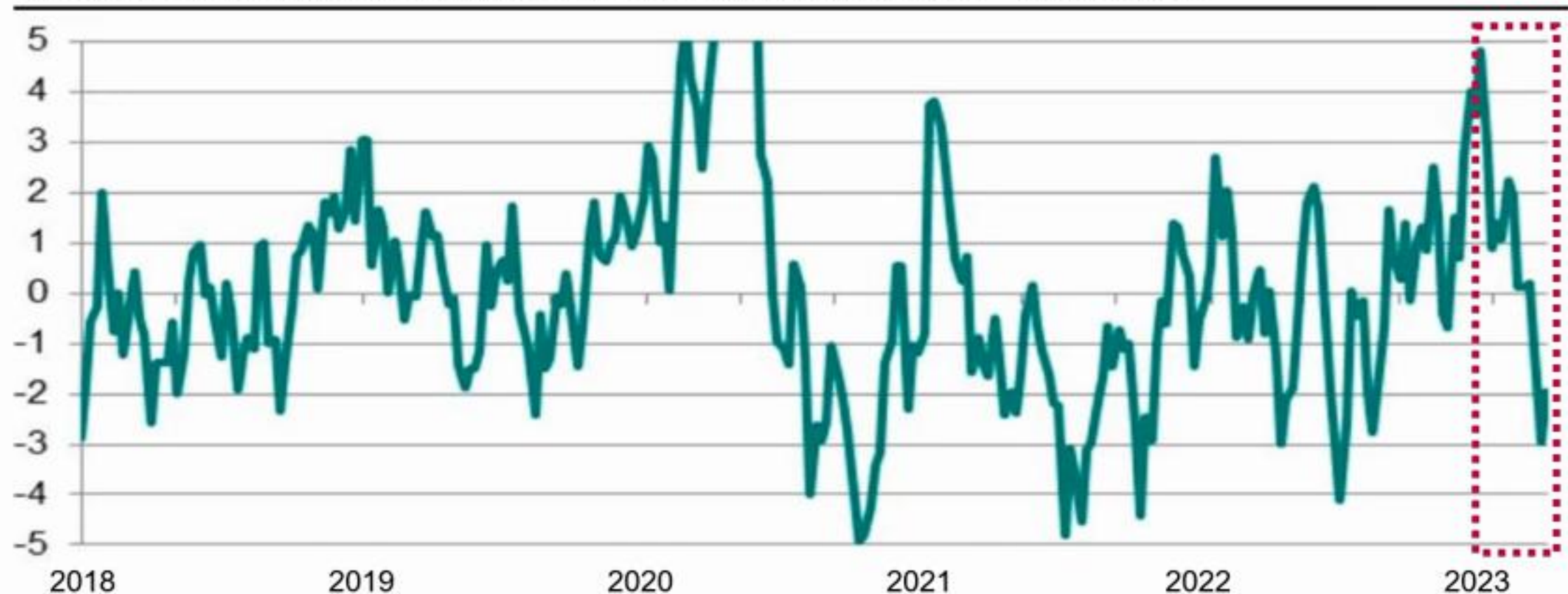


Petroleum Inventories Are Inflecting Down

While oil prices are falling inventories are being rapidly depleted, which may portend higher prices in the future.

- As per SP Platts, oil inventories have been rapidly drawing down, and are likely to accelerate due to declining production and rising demand.
- Historically, rapid oil inventory draws have preceded higher oil prices, while rapid oil inventory builds have preceded periods of lower oil prices.
- The recent rapid draw in oil inventories has coincided with falling oil prices, implying that prices are disconnected from fundamentals. This may present a compelling opportunity to buy oil and gas equities at discounted valuations.

Change in Global Petroleum Inventories (in MM Bbl/d), January 2018 — January 2023



Sources: SP Platts



Oil Will Likely Be Undersupplied in 2023

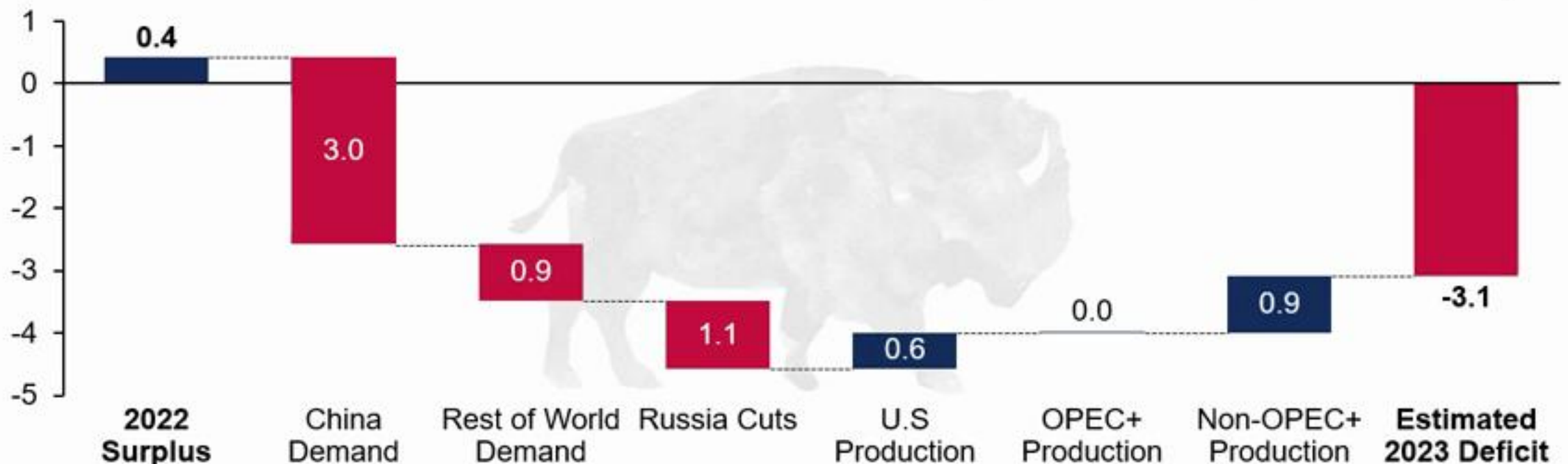
The world will likely move from being slightly oversupplied to meaningfully undersupplied in 2023.

- Despite running deficits for several months in early 2022, the world ran a surplus for the year due to unexpected, protracted Chinese covid lockdowns.
- Ever since China's reopening, air travel and industrial activity has been rebounding at an astounding pace. Chinese oil demand would need to increase by 3MM bbl/d just to return to 2019 pre-Covid levels.
- Russian production may decline in late 2023 due to intensifying Western sanctions, despite initially surprising to the upside. The rest of OPEC+ has been missing production quotas for more than 2 years, and are unlikely to deliver any growth.
- U.S production is likely increasing, but may disappoint consensus expectation due to rapidly declining well productivity.

Estimated Change in Global Crude Oil Surplus/Deficit, F2H 2023

Change, in MM bbl/d

■ Increase in Deficit ■ Increase in Surplus



Source: EIA, Bison Est., Rystad, EIA, EIA, Bison Est., Rystad, Bison Est.

Sources: Bison Interests analysis, EIA, IEA, Alpine Macro, Rystad Energy

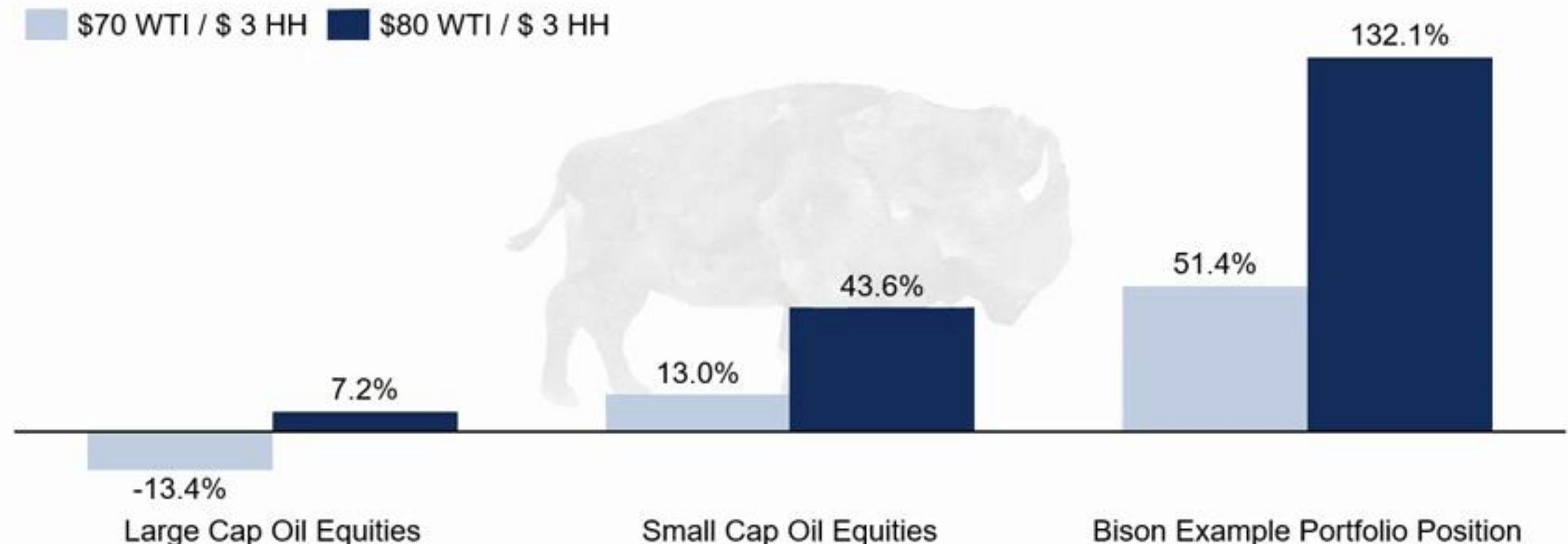


Energy Valuations Remain Low

Despite record profits and cash flow, energy equities continue to trade at record low valuations compared to other sectors and their historical averages at similar oil prices.

- While investors continue to shy away from energy equities due to ESG and other non-economic reasons, their fundamentals are rapidly improving, driving lower valuations.
- Oil and gas equities remain cheap even despite the declining trajectory in oil prices. Many of them remain profitable at current strip pricing, and their valuations were already reflecting lower than market commodity prices.
- There is substantial upside to mispriced oil and gas equities even in a move to \$80 oil, and even more upside in select undervalued equities.

Implied Upside/Downside to NAV from Current Share Price at Different WTI Prices



Sources: Bison Interests analysis, Enverus, Atom Finance – as of January 2023

