Struthers Report V28 # 10.0 Oil, Buy back Birchcliff BIR, RECO, Callon Petroleum CPE June 22 2022

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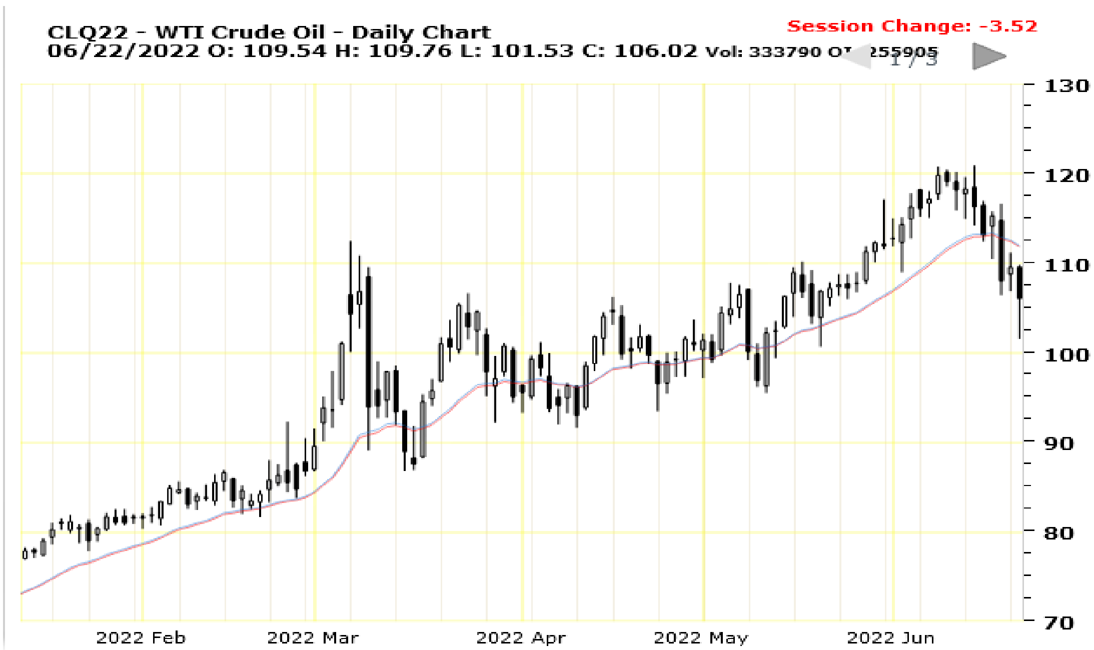
Another good drop in oil prices today that went as low as $102 this morning while I thought yesterday was a likely bottom. We should take advantage of this so I am suggesting two oil&gas stocks.



I guess I was half right yesterday because Earthstone dropped today with lower oil prices but RECO jumped yesterday and today on drill news this morning, although it was back down later today.

ReconAfrica, has successfully completed the second seismic acquisition program comprising 761 linear kilometres of 2-D seismic completed on budget and on schedule. This initial four well program will be executed continuously and will target seismically defined structures with the objective of testing two of the three play types; oil prone Karoo Rift Fill and Intra Rift Fault Block plays.

The Company owned 1000 HP drilling rig (Jarvie-1) is now on the first drilling location (8-2) rigging up and scheduled **to spud on or before June 25, 2022.**

The well will be drilled to a planned depth of approximately 2,800 meters (9,184 feet) and is designed to test potential conventional oil and associated natural gas reservoirs in clastic rocks (sandstones) in the Karoo Rift Fill, the Company's primary play. The well will also be drilled deeper into the Pre-Karoo Mulden and Otavi formations. These intervals correspond to zones in the Company's first well, the 6-2, which is approximately 6.5 kilometres to the East, that had good oil and gas shows. It is anticipated the well will reach total depth within 60 days from the initial spud.

I say that 6.5 kms away is a pretty large step out and might be the beginning to signify the size of this play.

Birchcliff Energy TSX:BIR Recent Price - $9.20

52 week trading range $4.28 to $12.49 Shares outstanding 61.7 million

Like most oil&gas companies, Birchcliff is not focusing on increasing production but focusing on increasing shareholder returns. Both governments in Canada and the US are beating up on oil and gas companies while trying to promoter their climate change agenda, so why would these companies spend more on exploration with unfavourable government support. While on climate change I saw an interesting fact in the NY times this week. We all heard the stories that all the raging and increased forest fires are because of climate change, but facts say not so. This year, according to NY Times 96% of forest fires in the US were started by people. In Canada the actual number of fires has been declining since 2000. An article from a Canadian forest fire researched from 2016 that I found says over 50% of forest fires are started by humans. Lightning is the leading natural cause and of course droughts or long dry periods can be a factor. The human population keeps growing in Canada and the US so naturally more humans will cause more fires. And another factor, there is no education to people of forest fire risks anymore, it is simply blamed on climate change. What about dumb people change?

Now that I blew that smoke off my chest, back to Birchcliff. I really like their plan and how fast it has been developing. Basically Birchcliff has been paying off all their debt and then they will increase their dividend. Reade carefully the CEO commenst in their Q1 report out on May 11th. I put in bold most important comments.

"*We continue to be committed to maximizing free funds flow generation and significantly reducing indebtedness. I am pleased to report that Birchcliff delivered on both fronts in Q1 2022. Our quarterly average production was 76,024 [barrels of oil equivalent per day], and we generated quarterly adjusted funds flow (1) of $183.7-million and record first quarter free funds flow (1) of $95.4-million. As a result of the free funds flow we generated in the quarter, we were able to significantly reduce our total debt (2) at March 31, 2022, by $368.4-million (47 per cent) from March 31, 2021, and by $90.4-million (18 per cent) from Dec. 31, 2021,"* commented Jeff Tonken, chief executive officer of Birchcliff.

Mr. Tonken continued: "*Based on the strength of the forward commodity price environment and our excellent results year to date, we have increased our full-year 2022 targets for adjusted funds flow to $1.18-billion and free funds flow to $920-million to $940-million (3) and updated our five-year plan for 2022 to 2026.* ***We expect to reach zero total debt in [fourth quarter] 2022 and have a surplus (2) of $260-million to $280-million at year-end 2022*** *(3). As a result, we have accelerated our plans for increasing shareholder returns. Our board of directors has declared a doubled quarterly common share dividend of two cents per common share for the quarter ending June 30, 2022. In addition,* ***we are currently targeting increasing our annual common share dividend in 2023 to at least 80 cents per share ($212-million annually)****, subject to commodity prices and the approval of our board of directors. After the payment of this targeted common share dividend in 2023, we are forecasting a surplus of $575-million at year-end 2023 (4). We believe that this increased dividend would be sustainable at an average [West Texas Intermediate]* ***price of $70 (U.S.) per barrel*** *and an average [Alberta Energy Company] price of* ***$3 per [gigajoule]."***

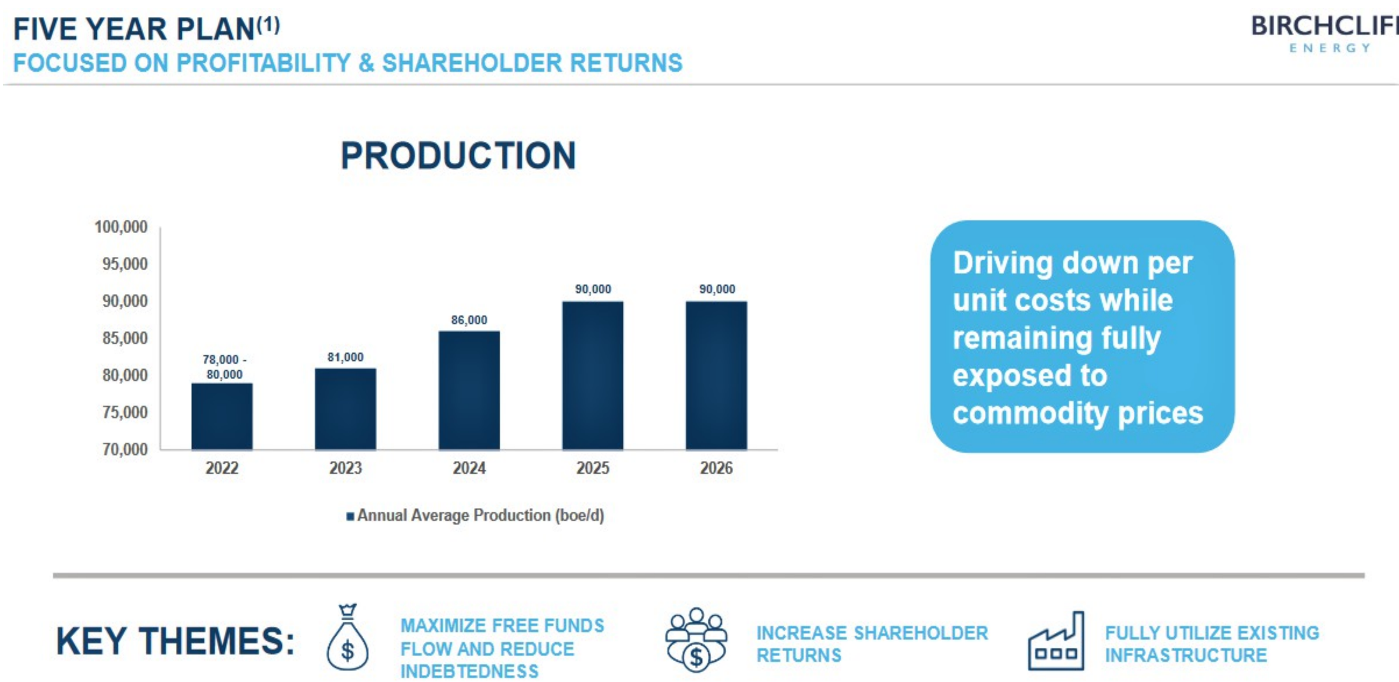
Q1 2022 highlights:

- Achieved quarterly average production of 76,024 boe/d, a 1-per-cent increase from Q1 2021; liquids accounted for 20 per cent of Birchcliff's total production in Q1 2022 as compared with 23 per cent in Q1 2021;
- Generated quarterly adjusted funds flow of $183.7-million, or 69 cents per basic common share (7), a

109-per-cent increase from Q1 2021; cash flow from operating activities was $154.2-million, an 87-per-cent increase from Q1 2021;

- Delivered record first quarter free funds flow of $95.4-million, or 36 cents per basic common share (7);
- Significantly reduced total debt at March 31, 2022, to $409.0-million, a reduction of $368.4-million (47 per cent) from March 31, 2021;
- Earned quarterly net income to common shareholders of $125.8-million, or 47 cents per basic common share, a 467-per-cent and 488-per-cent increase, respectively, from Q1 2021;
- Achieved an operating netback (7) of $28.47 per boe, a 67-per-cent increase from Q1 2021;
- Realized an operating expense (8) of $3.49 per boe, a 10-per-cent increase from Q1 2021;
- F&D capital expenditures were $88.3-million in Q1 2022; in Q1 2022, Birchcliff drilled 11 (11.0 net) wells and brought six (6.0 net) wells on production;
- In Q1 2022, Birchcliff purchased 1,303,196 common shares pursuant to its normal course issuer bid at an average price of $6.66 per common share for an aggregate gross cost of $8.7-million (before fees); year to date, Birchcliff has purchased 4,422,192 common shares pursuant to the NCIB at an average price of $8.58 per common share for an aggregate gross cost of $38.0-million (before fees).

Birchcliff is a really solid performer and most of their production in natural gas. Although production growth will be small in 2022 and 2023, they plan on ramping up after that,



At the current $9.20 share price, 2023's dividend of $0.80 works out to a yield of 8.7%. Oil&Gas stocks usually yield under 5% and the pipelines like Pembina usually a bit higher, over 5%. For Birchcliff to yield around 5% next year with an 80 cent dividend, the stock would be priced at $16, so I will make that my target for next year for about a 75% gain.

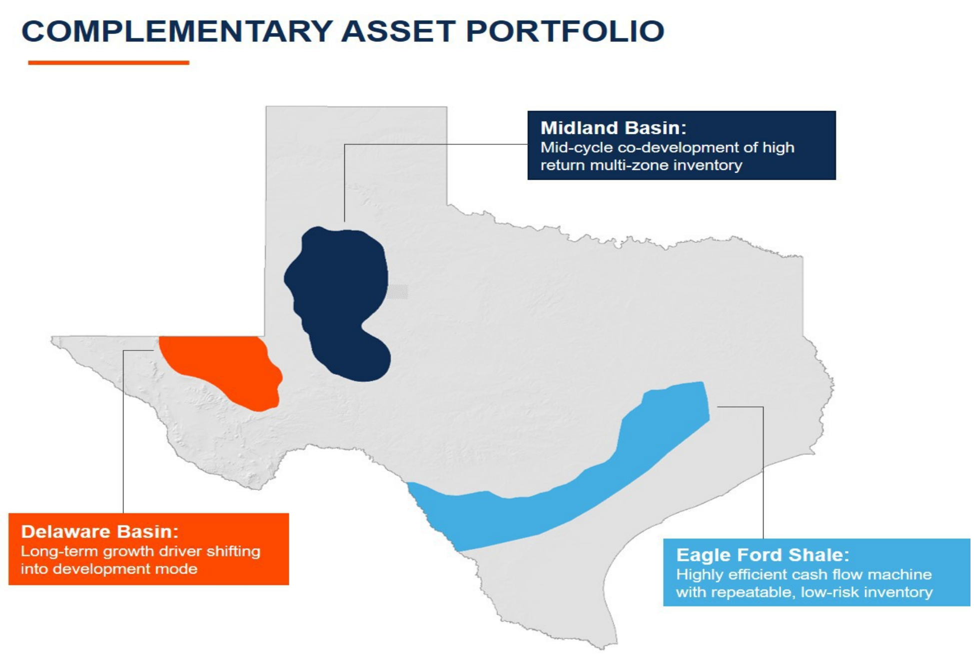
The chart looks good too, as we have a bounce off the $9.00 support area where it bounced up from twice before and after a significant correction this time.

In keeping with my theme of more US companies, I am also suggesting

Callon Petroleum NY:CPE Recent Price $44.70

52 week trading range $25.32 to $66.48

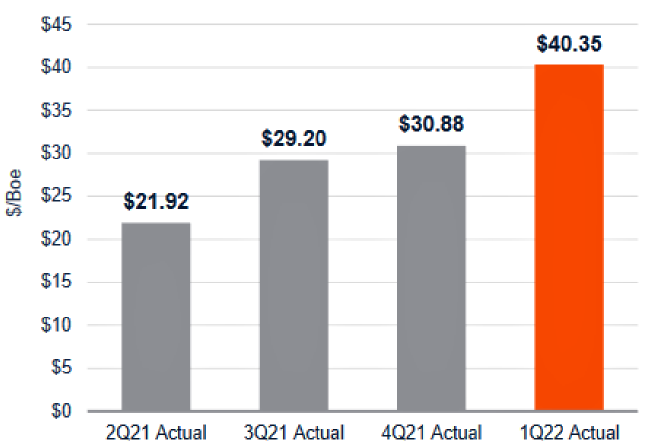
I really like the chart on this one, it has come down to support and is still over 50% below it's 2018 highs. Even with much higher oil prices, the stocks are still under valued and not getting much respect. CPE is well positioned in 3 prominent basins.



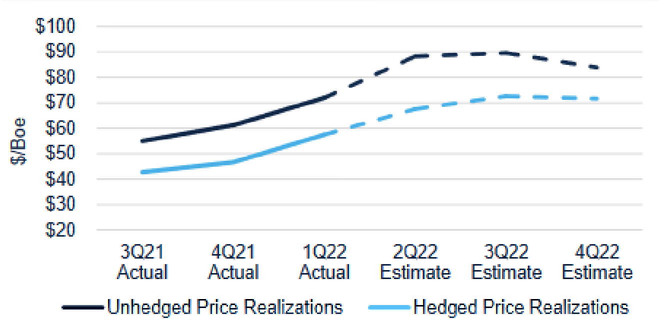
CPE entered the Permian Basin in 2009 with the acquisition of approximately 8,800 net acres for $16 million. Through continued execution of the acquisition, delineation, and rationalization strategies, CPE focused their footprint on approximately 75,000 net acres in the Midland and Delaware Basins. In 2019, CPE completed a merger with Carrizo Oil & Gas which expanded the core footprint across the Permian Basin and added the Eagle Ford Shale. Today, CPE has approximately 180,000 net acres across both basins. The company is operating the vast majority of their acreage, giving them flexibility to modify development plans to appropriately address continuously-changing industry conditions and commodity price cycles. I like this slide from their presentation as it gives a very good overview.

Committed to Managing Cash Costs for Improved Margins

Differentiated "All-in" Cash Margin[1]



Per Boe Realizations Move Higher[2]



	Permian	Eagle Ford
Daily production (MBoe/d)	82	21
% Oil	61%	73%
Realized price[3] ($/Boe)	$70.29	$78.50
Production costs:		
LOE ($/Boe)	$6.85	$8.99
Production and ad valorem taxes ($/Boe)	$3.89	$4.82
GP&T ($/Boe)	$2.33	$1.92
Operating margin ($/Boe)	**$57.22**	**$62.77**

First Quarter Highlights

- ~20% increase in operating margins driven by an increase in realized prices
- LOE decreased by $6.2 million dollars sequentially – which includes a $2.7 million increase in workover expense
- GP&T decreased from impact of acquired infrastructure

They do have some hedging but their realized prices should continue to rise in 2022.

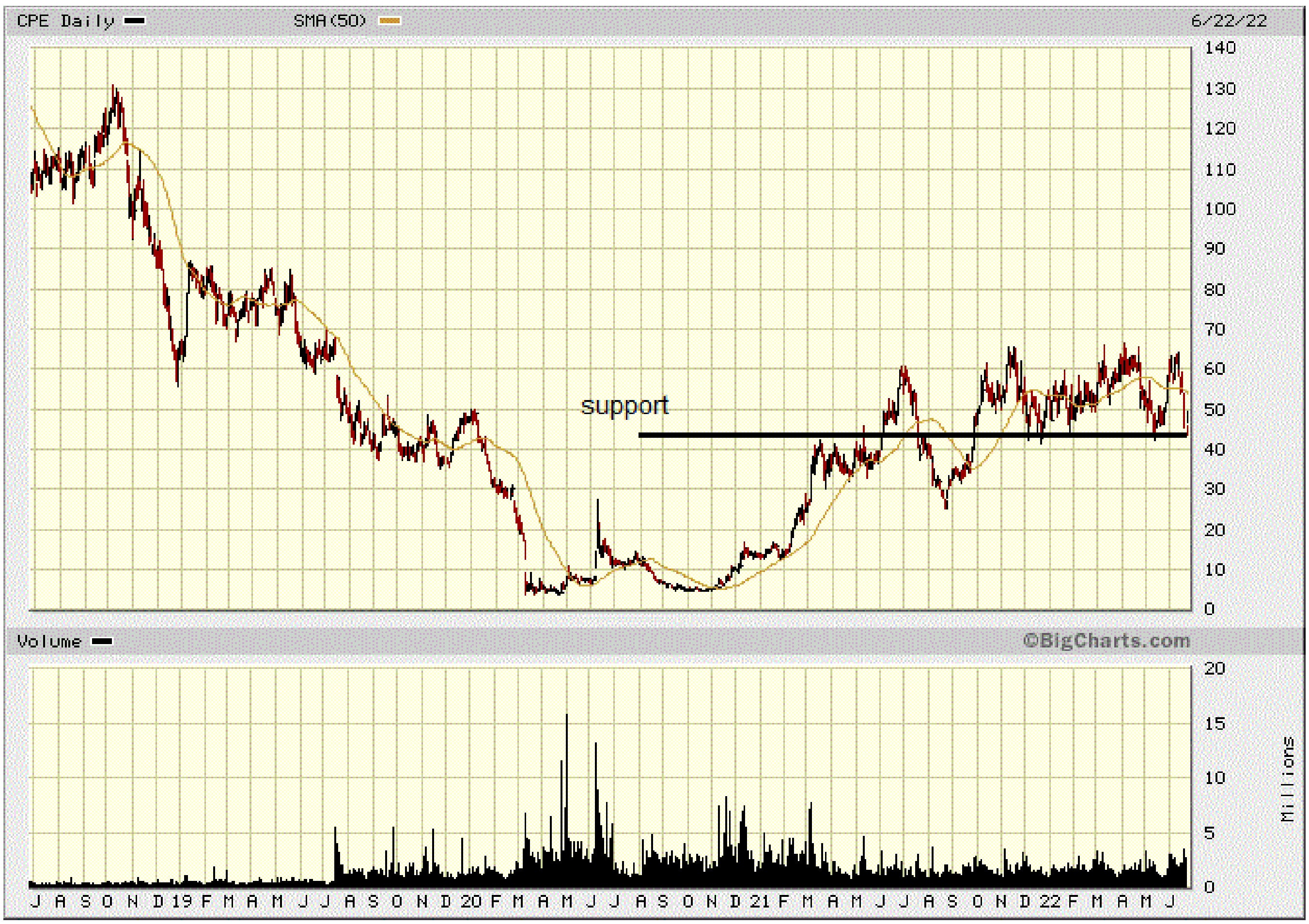
On June 6th Callon announced an updated operational capital budget range of $790 to $810 million in 2022, compared to the initial forecast of $725 million provided in February. This revised guidance is the product of inflationary service cost pressures. This represents incremental inflation of approximately 10% over the 10% inflation rate assumed for the initial 2022 budget. The Company also increased its expectations for adjusted free cash flow to over $900 million in 2022 based on prevailing commodity prices and reaffirmed guidance for production and all expense categories.

Callon expects tp produce 101 to 105 Mboe/day with 64% of that oil. Callon recently completed a ten-well project in the Eagle Ford Shale and a seven-well co-development project in the Midland Basin. Remaining completion activity for the quarter will be focused on the Delaware Basin and will include continued testing of larger completion designs that have produced favorable results in wells placed online earlier this quarter. Callon's drilled, uncompleted well inventory is expected to reach over 50 wells at quarter end at which time the Company will reduce its drilling rig count to six rigs.

First Quarter 2022 and Recent Highlights

- Delivered production of approximately 102.7 MBoe/d (63% oil) in the first quarter of 2022
- Placed two co-development projects on production in the Delaware South area with performance exceeding expectations
- Increased drilled, uncompleted well count to 42 wells at quarter end
- Generated net cash provided by operating activities of $281.3 million and adjusted free cash flow of $183.3 million
- Reported net income of $39.7 million, or $0.64 per diluted share, adjusted EBITDA of $393.7 million, and adjusted income of $212.7 million, or $3.43 per diluted share
- Reduced lease operating expense and gathering, processing & transportation expense on a sequential basis by $6.2 million and $1.3 million, respectively
- Achieved an operating margin of $58.35 per Boe, including oil price realizations of over 100% of WTI benchmark
- Reduced trailing twelve-month net debt-to-adjusted EBITDA to 1.97x, calculated pursuant to our credit facility, driven by strong operating margins and absolute debt reduction during the quarter

The stock is only selling at about 6 times earnings and no doubt earnings will be increasing in 2022. Their hedging is slowing the pace in which their income and earnings are growing, but that will improve each qtr. as lower priced hedges fall off and debt is reduced further. At current prices the stock is about the same as it's pre Covid-19 price and way below previous highs. The current $45 are is also very strong support.



[And just in](), President Joe Biden has again blamed inflation on 'Putin's Price Hike' just moments after Federal Reserve chair Jerome Powell said that Russia's war in Ukraine was not the main driver of rising consumer prices.

'I'm doing everything I can to blunt the Putin Price Hike and bring down the cost of gas and food,' Biden wrote in a tweet on Wednesday touting his release of oil from strategic reserves and efforts to help Ukraine export grain.

Politicians never change