Phoenix Energy One, LLC
Quarterly Investor Update
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The Registered Offering is being made pursuant to an effective registration statement and prospectus, filed, or registered with the U.S. Securities and Exchange Commission ("SEC") and appropriate state regulatory agencies. For the Registered Offering only investors meeting certain criteria, including the financial suitability requirements, may invest in the Registered Offering. The eligibility requirements may be found in the offering documentation, including the prospectus, that the Company has filed on EDGAR with the SEC and can be found at www.sec.gov, where you can obtain a free copy of the prospectus. Alternatively,

Phoenix Energy or a registered representative of Dalmore will supply additional materials when requested. Call 303.376.9778 or email InvestorRelations@phoenixenergy.com to place a request.
Before you invest, you should read the offering documentation for the relevant Offering, including, with respect to the Registered Offering, the prospectus, and other documents that the Company has filed with the SEC.

While the Company may use general solicitation and general advertising with respect to its debt offerings, which may be conducted through a number of different means, including, among others, the internet, social media, seminars/webinars, and print, the Company will take reasonable steps to verify that the purchasers investing in such offerings meet the applicability suitability standards criteria, including being an "accredited investor" if purchasing securities pursuant to our Private Placement Offering. To that end, investors wishing to purchase securities in such offerings will be required to provide certain supporting materials and other information to the Company for the purpose of verifying "accredited investor" status. Any investment decision will be made only based on the information included in, and for the securities described in, the related offering documents.

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The materials include forward looking statements that reflect the Company's current views with respect to, among other things, the Company's growth, operations, and financial performance. Forward looking statements include all statements that are not historical facts. These forward-looking statements relate to matters such as the Company's industry, business strategy, goals, and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity, and capital resources and other financial and operating information. These forward-looking statements are generally identifiable by forward looking terminology such as "expect," "believe," "anticipate," "outlook," "could," "target," "project," "intend," "plan," "seek," "estimate," "should," "will," "approximately," "predict," "potential," "may," and "assume," as well as variations of such words and similar expressions referring to the future. Oral information provided in connection with the Company's presentations or discussions with investors may similarly include forward looking statements.

The forward-looking statements contained in the materials, including but not limited to any outlook, targets, or projections, are based on management's current expectations and are not guarantees of future performance. The forward-looking statements are subject to various risks, uncertainties, assumptions, or changes in circumstances that are difficult to predict or quantify. For example, projections included in the materials assume the Company has continued access to adequate sources of capital to fund operations. The

Company's expectations, beliefs, and projections are expressed in good faith, and the Company's management believes there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs, and projections will result or be achieved.

Actual results may differ materially from these expectations due to changes in global, regional, or local economic, business, competitive, market, regulatory, and other factors, many of which are beyond our control. Management believes that these factors include but are not limited to the risk factors the Company has identified in its offering documents under "Risk Factors." Risk Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. The Company may not actually achieve the plans, intentions or expectations disclosed in such forward-looking statements and you should not place undue reliance on the Company's forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether because of new information, future developments or otherwise, except as may be required by any applicable securities laws.

The SEC generally permits oil and gas companies, in filings made with the SEC, to disclose proved reserves, which are reserve estimates that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, and certain probable and possible reserves that meet the SEC's definitions for such terms. The Company discloses estimated proved reserves and estimated probable reserves in its filings with the SEC. The Company's estimated reserves are prepared by the Company's internal reservoir engineer and comply with definitions promulgated by the SEC. These estimated reserves are not audited by an independent petroleum engineering firm. Additional information on the Company's estimated reserves is contained in the Company's filings with the SEC. In these materials, the Company may use the terms "resources," "resource potential" or "potential resources," which SEC guidelines prohibit issuers from including in filings with the SEC. "Resources," "resource potential" or "potential resources" refer to the Company's internal estimates of hydrocarbon quantities that may be potentially discovered through exploratory drilling or recovered with additional drilling or recovery techniques. Such terms do not constitute reserves within the meaning of the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers or SEC rules and do not include any proved reserves. Actual quantities that may be ultimately recovered will differ substantially. Factors affecting ultimate recovery include the scope of drilling programs, which will be directly affected by the availability of capital, drilling and production costs, availability of drilling services and equipment, drilling results, lease expirations, transportation constraints, regulatory approvals and other factors and actual drilling results, including geological and mechanical factors affecting recovery rates. Estimates may change significantly as development of properties provides additional data. In addition, our production forecasts and expectations for future periods are dependent upon many assumptions, including estimates of production, decline rates from existing wells and the undertaking and outcome of future drilling activity, which may be affected by significant commodity price declines or drilling cost increases. Estimated proved reserves and estimated probable reserves do not represent or measure the fair value of the respective properties or the fair market value at which a property or properties could be sold. In the event of any such sale, proceeds to the Company may be significantly less than the value of the estimated reserves.

Certain materials contain "non-GAAP financial measures" that are financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with accounting principles generally accepted in the United States ("GAAP"). Specifically, the Company presents "EBITDA" as a supplemental measure of financial performance that is not required by, or presented in accordance with, GAAP. The Company believes this measure can assist investors in comparing the Company's operating performance across reporting periods on a consistent basis by excluding items that it does not believe are indicative of its core operating performance. Management believes these non-GAAP measures are useful in highlighting trends in the Company's operating performance, while other measures can differ significantly depending on long term strategic decisions regarding capital structure, capital investments, etc. Management uses these non-GAAP measures to supplement GAAP measures of performance in the evaluation of the effectiveness of the Company's business strategies and to make budgeting decisions. Management supplements GAAP results with non-GAAP financial measures to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone provide. However, this measure should not be considered as an alternative to net income (loss) as a measure of financial performance or cash provided by operating activities as a measure of liquidity, or any other performance measure derived in accordance with GAAP. The presentation of this measure has limitations as an analytical tool and should not be considered in isolation, or as a substitute for the Company's results as reported under GAAP.

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Risk Factors

An investment in these offerings or any offering is highly speculative and suitable only for persons or entities bonds, evaluate the risks of the investment and an investment should be made only by persons or entities able to bear the risk of and to withstand the total loss of their investment. Prospective investors should consider the following risks, as well as the other risk factors set forth in our offering materials before bonds, to purchase our bonds.

Risks Related to the Bonds and to these Offerings Include, Among Other Risks:

- We may not have sufficient cash to pay any interest or principal on the bonds and our total indebtedness could limit our cash flow available for operations, exposing us to risks that could adversely affect our business, financial condition and results of operations and impair our ability to satisfy our obligations under the Bonds.
- The bonds are not obligations of our subsidiaries and will be effectively subordinated to the liabilities of our subsidiaries.
- The bonds are effectively subordinated to our current and future secured indebtedness. Amounts outstanding under our other unsecured debt will generally be senior to our payment obligations under the bonds.
- Bonds of longer terms may be subject to higher risk. There is no established trading market for the bonds, and one is not expected.
- We are subject to regular and balloon payments of principal and interest which may impact our ability to service our debt and other obligations.
- Bondholders have limited ability to require us to redeem their bonds, but we may redeem all or any part of the bonds that have been issued and holders may be unable to reinvest the proceeds at either the same or higher rate of return.

Risks Related to Our Business and Operations Include, Among Other Risks:

- The business of drilling and extracting minerals and acquisition of mineral rights are highly competitive and the business involves many uncertainties.
- Our business is sensitive to the price of oil and gas and declines in prices may adversely affect us.
- We have limited operating history and have experienced significant business growth in a short time making it difficult to evaluate our business and prospects.
- Our estimated reserve quantities and future production rates are based on many assumptions that may prove to be inaccurate, and the undeveloped reserves may take longer and may require higher levels of capital expenditures than currently anticipated.
- Our hedging activities could result in financial losses and reduce earnings.
- Our business is subject to significant government regulations and governmental authorities could delay or deny permits and approvals or change legal requirements that could adversely impact our business plan and strategy.
- Our business could be adversely impacted by unfavorable economic and political conditions.

Transcript

[00:00:13] As all of you know, my name is Adam Ferrari. I'm the CEO here at Phoenix Energy. I'm 42 now. It's hard to believe I've been in this business since I was 22. I'm from a small farm town in Illinois, just south of Chicago. I'm a chemical engineer by degree, from the University of Illinois at Urbana-Champaign. My education gave me the book smarts. In my first real job with BP on an offshore oil rig in the Gulf of America, gave me the street smarts. About 14 years into my career, Phoenix was founded, and in many ways, Phoenix is my life's work. When I'm not working, I am home with my wife and two young children, Axel and Akemi. As you all know, Phoenix moves very fast, so too to my children. So quite literally, there is no rest for me. Please work there. Oh, come on, let's see here. There we go. Yep. This is going to work today. Like we typically do in our quarterly updates everyone. We're going to cover financial and business performance, but we will also discuss the state of the oil and gas industry, our vision for the future and our new registered offering. State of the industry. One of the things that is very unique with a company of our size is that we talk directly to our investors all the time. In fact, just earlier today, I spoke directly to one of our large investors. Our quarterly update calls are not robotic and scripted like most public companies of our size.

[00:01:35] And this is very important to us and to me really personally. We want to have a lasting relationship with our investors, and I believe we have done just that with many of you. Given that we do talk to many of you often, a topic that has come up a lot lately is oil price. So, let's dive in. And this is going to work. Let's make sure this works. Okay. So, this chart is really worth a thousand words.

[00:02:05] Adam, I am going to advance the slides for you? Because we are having some technical issues. So, if I can try to stay with your cadence, then I'm going to go back offstage and try to deal with the technical.

[00:02:13] Okay. All good. I appreciate it Matt. So, this chart is, like I said, really worth a thousand words, contrary to the propaganda you might see on various corporate media outlets. Oil demand has never been higher. Back in 1974, oil demand was about 55 million barrels a day. And today, the demand is forecasted to hit around 105 million barrels a day by the end of this year, early next year. It is worth noting, there have been several experts that have made peak oil calls during this time period, and they were all wrong. The best one was during Covid, where you see that little dip up there in 2020. Thankfully, we have the Wayback Machine, so now we can all go back and look at what the experts said previously.

[00:02:53] Some of the experts at this time were suggesting that coming out of Covid, world demand could crater with many suggesting 30.. 30 million barrels a day world. Well, once again, the experts were wrong. During the same time that… uh. Can we go slide right, Matt? There we go. Thank you. Uh, during the same time that daily oil consumption is risen and is likely to continue to rise, we have seen a historic underinvestment in this industry. This can be seen more recently in the US rig count and the global investments in oil and oil and gas. Some of this certainly can be attributed to the large publics with ESG mandates that have been chasing fairy dust, as opposed to real energy, and we will get into that more in a minute. This is a setup that we really like here at Phoenix. We're in a world where demand is strong and the large players have underinvested, and we are quite literally leaning into this trend and investing more. Next slide. Another data point we like a lot right now is domestic stockpiles of crude and refined products. Last month, this metric turned negative, and historically that has provided a very solid floor for crude prices. As a reminder, all of this happened before the conflict with Israel and Iran, which has clearly provided strong support for oil prices. Next slide. I know this might seem a little bit petty, so please don't take it that way, but this is really my favorite slide in the deck.

[00:04:22] The current version of the Big Beautiful Bill in the Senate has removed EV tax credits. President Trump has been incredibly consistent on this topic for many years. If you want to buy an EV, that is just fine, but everyone else should not be paying for it via federal tax credits. If indeed the credit is killed, future EV sales will be negatively impacted and this will also provide a solid demand floor for crude oil. And even if EV adoption were to continue at the current pace, oil demand is forecasted. It's going to remain strong and with EV subsidies potentially gone, it will be even stronger. Next slide. This pie chart to me really tells a story. After trillions of dollars being wasted funding the so-called green energy industry, the workhorse for American energy production is still oil and gas. I really want to point this out as well. There is nothing new about solar panels, electric vehicles, and wind turbines. Regardless of the hype and spin. This is old technology that is being refashioned as something new and only exists at scale due to government subsidies that all of us pay for in the form of inflation. We have nothing against all forms of energy, so long as they stand on their own two feet. In my 20-year career in the oil and gas industry, I have seen the highest of highs and the lowest of lows.

[00:05:36] The team at Phoenix was built for this moment and the future has never been brighter. We're going to go to the next slide into our first poll question. And Matt, do you have the poll question? Because I do not see it on this version of the deck. There we go. And you all know how we like to operate these events. We really want to engage with our investor base and these poll questions merely help us understand a little bit more about who you are, how you got here, and if you could answer the questions. It's not mandatory, but we appreciate it. I think one of the trends you've always noticed with our company is we strive to build a relationship, and we really do listen to all of you. So please take the time to answer. I'm going to step off stage and let Curtis talk about financials, and I'm going to come back a little bit later to talk about the operation.

[00:06:22] So, I'm really excited to talk to you guys about a new offering. So, for most of you who have been with us for a while, we've been talking about trying to bring a registered offering or at least an offering to folks who are not accredited. So, if you've been with us on this journey for a while, you will have known that we've only had an accredited product for about the last 8 to 9 months.

[00:06:42] So we've been working with the SEC for over a year on this product, and it's finally launched in the middle of May of this year. They made our S-1 effective. That's a public registration offering of debt securities. So, what's on the screen here today is available to all investors, big and small. It doesn't matter your size; there's four offerings with four different terms and interest rates. You can compound or simple interest all of them. So, it's very exciting for us to actually bring this to market, because I've been telling you for a while now, standing up here on the stage that we are trying and here we are. Now what's the what's the negative, Curtis? We're only available in 23 states. We are trying very hard to get in all 50 states. I can't. There's no timeline when I'll get there. But we are trying the way that Phoenix has created itself. When you're not publicly traded, when you don't have a do not have a publicly traded equity, the SEC is only the first gate. Once you've achieved that gate, then you're in all 50 states asking permission to sell within their state. So that's what we're the process we're in right now, and we're trying our best to get in all 50. Hopefully by later this year, we will have that. One quick point. If you are in a regulation A+ bond, that's the three-year 9% bond.

[00:07:53] If you're in that bond right now and not matured and would rather be in a term and interest rate like the one you see on the screen; we do have an exchange offer that you can move from your regulation A into a similar term that you see on the screen here. So, if you're interested in that, reach out to your IR rep or your rep like Matt, and they'll be happy to walk you through that. So, let's jump right into the financials. So, if you've been with us for some time, you will know that we are on a trajectory that is quite incredible. This is a growth story, and I can tell you that Q1 is the same story. So, on the screen you'll see a very familiar layout. Its revenues on the left, EBITDA is on the right. Let's start with revenue. Revenue is the lifeblood of any company. Revenue is what we're all here to do. Revenue has grown three years in a row, doubling, so it's doubled three years in a row going back to 2021. That's not on the screen here. But you have to trust me. We went from 55 million to 118, all the way up to 281 million at year end. And as of year-end, we projected revenue for this year to be in the range of about 600 million. Which would do that doubling once more. Now, for those of you who are looking at the quarterly revenue on the screen there, which is about 116 million, and doing some math and saying, well, Curtis, I don't think you're quite on pace.

[00:09:08] Give me a second. Let me get to my next slide and I'll show you why. We are on pace to hit our projections, and we are maintaining them. EBITDA is on the right. Let me explain EBITDA here for a second. EBITDA is earnings before interest, taxes, depreciation or depletion and amortization. Now that's a very important metric and let me explain why. EBITDA is basically revenue minus expenses, adding back a couple of those auxiliary ones and let me explain in a second here why EBITDA is so important to Adam and I. EBITDA did the same exact story. We've doubled EBITDA for three years in a row going back to 2021, and then in 2025, we are projecting to double again up to north of $310 million dollars. Now why is it important to Adam and I? So, when we've created this company, we did it very uniquely. We raised debt from individuals, like most of you that are on this call. And what's very important to Adam and I is that the companies value, the company that we are creating, is valued more than the debt that we've raised. Right. That's a very simple metric to… a simple hurdle to, to meet. But we better have a company that's worth more than the debt that we've raised from you.

[00:10:08] So although Phoenix has no plans, or we're not thinking about selling or divesting or going public for our common equity, none of those things are what we're considering right now. The point being is we want to show that EBITDA multiple in the marketplace would be a viable exit. So typically for an oil and gas company like Phoenix, you'd expect an EBITDA multiple between five on the very low end and ten on the high end. And we'll show you an example in a little bit here of a company that recently divested for an EBITDA multiple around eight. Why is that important? So, if you take our EBITDA projection for 2025 and multiply by that range of multiples, that is well north of the debt that we have currently. Now, that of course is not a guarantee or, you know, that is not what Phoenix could sell for. But it's just I'm trying to explain why EBITDA is so important to Adam and I and why we focus on it. So, for those of you who are doing that math a second ago, let me break it down by quarter by quarter. So, you'll see the same two boxes revenue and EBITDA. EBITDA kind of lives in the middle now. And net income takes the right slide. Revenue has more than almost tripled in the first quarter of 2025, comparable to the first quarter of 2024. That is why I say we are on pace to hit our projections.

[00:11:18] We have projects in the works right now, projects that just came online and projects that Adam will talk about here in a second that are going to really achieve our 2025 growth. EBITDA has the same exact story. More than tripling there on the middle slide. I've added net income to the right, and this is a common question that we get from you folks, which is you know, when is Phoenix going to be net income positive? And I can inform you that we just did. So Q1 of 2025 was our first quarter of net income positive in several years. Now that's not so important to Adam and I. Let me explain that. So, in a growth company it's not uncommon for a growth company to have negative net income. Typically, a growth company is looking at its future more than its present. We're looking at we're doing things and developing and creating programs and processes for the future, not necessarily in the present. And that can sometimes have a drag on the current financials, which is what you've probably seen here. Phoenix is a hyper-hyper growth company. And the simple fact that we're able to achieve net income, while having this hyper growth is extremely exciting to me. So now let me focus on the two main revenue driving divisions of Phoenix. So, Phoenix really has three segments; its minerals and non-op, which is kind of a passive investment vehicle. Think of.. we invest in something and we just simply collect checks.

[00:12:30] Then we have the operating division, which is our active drilling division that we are active in. We drill the wells, we complete the wells, and we produce the wells. The final division is one that you've all touched in some way, shape or form, and that's our securities division. We have dozens of individuals in that division that are there to help you get through the process of investing in the company. So let me only talk about the two divisions that really make revenue. Securities is not intended to make revenue for us. So, on the left there you'll see revenue again and this time it's broken down by operations and minerals. Operations is the first two bars on the left and minerals is the next two bars. And what you'll see is a massive increase in revenue in the operating division and that's pretty obvious. So, we started operating in September of 2023, with our first operating pads coming online in early 2024. So really, we didn't have much of the development of Phoenix Op in 2024. So, what you're going to see is a massive growth in revenue in that segment of Phoenix, and that's going to continue throughout the year. If we achieve all of our objectives. The minerals segment is kind of staying hum-ho about even with where it was in 2024. We do expect that to tick up as the year goes on. We're acquiring a lot of minerals in our own units, and the minerals division has actually been more active than it's ever been, and I'll show you that in a second, too.

[00:13:42] So on the right you're going to turn to operating profit of the different divisions. Both divisions are massively positive. So now let's turn away from financials and look more at kind of the business and how it's doing. So, a core fundamental element of Phoenix is to raise money from investors just like you. So, in 2022 was our first year of significant growth in that division. And we raised about $74 million dollars. We had a significant jump up to about 439,000,000 in 2023, up to about 600,000,000 in 2024 and then you'll see there about 166 million in Q1 of 25. So, we're well on pace to beat our 2024 record, if you will, in terms of funds raised, which is a really good sign for the company and its growth into the future. On the right, you'll see some leases and mineral acres that we purchased year over year and you'll see generally the same trend, which is a significant increase over the years and then 2025 going to be able to beat 24 if we maintain our current, uh, acquisition rate. So, let's dig into the deals in investment a little bit. So, what you're seeing on the screen here is quarter over quarter deals closed and invest money invested into these deals and the investment into the actual wells themselves.

[00:14:56] So you're going to see an up and to the right trend there as well. With the most recent quarter, we invested about $188 million dollars in 614 deals. So, in aggregate, we've invested over $1 billion dollars to date in these types of properties. And let me explain a deal real quick. So, we've got 3.5 thousand deals. One deal would be like the deed to your house. Now, not depending on where you live. It might not be that size and magnitude of dollars, but that is what a deal is to us. A deal is either we're purchasing a mineral acre or a royalty asset or releasing a property to drill. So, there's a substantial amount of deals. That's about 50 deals a week that we're closing. Our team is running the title on, making a deal with the owner and then closing it and putting it into our books. So that's a lot of a lot of movement very fast. So now what you can see on the screen is reserves and let me kind of trying to juxtapose this between what you've just seen. So, when you think of revenue and income, that's kind of a point in time. How are we doing today? How are the processes and systems that we've developed generating wealth today? Well, reserves are more of a kind of futuristic look. So, it's more of like the balance sheet, although it doesn't exist on our balance sheet.

[00:16:00] It's a quasi-way of determining how much our assets are worth. So, reserves is simply what is the PV10. So, a discounted cash flow at the 10% discount rate value of all of our assets into the future. And these are internal calculations. So, in 2023 we had about $1.7 billion dollars in reserves, 2024 about 2.7 and as of Q1 2025, about $3 billion dollars in reserve assets. So let me break it down into little segments. So, the gold is PDP. The white is PUD and the gray is probable. So let me explain those. PDP is a currently producing asset. So, the gold is something that's currently producing on the surface. There's cash flow coming from it today as I speak. PUD's: those are kind of wells that are either in a drilling status of some sort, just completed, but not yet quite online or on our drill schedule to come in the next 24 months. That's what exists inside the white bucket. And then the gray bucket, what we call probable. We're fairly conservative in that. Probable to us is not that there might be reserves there. There's almost certainly reserves there. It is.. We don't know how long it's going to take us to get there, because the way Phoenix is funded is, is very just in time financing. We raise money from you folks, and then we deploy it in real time into assets. So, we just simply don't know is it going to be two years, three years, four years or five years.

[00:17:15] So we lump it into that probable bucket. But the quality of the reserves is there. There's no question of the quality of the reserves. So, you can't really see it on the screen. I wish they would have made it larger. But underneath those gold numbers on the far right, that 1.7, 2.7 and 3, you'll also see our liabilities put against it at the same period of time. So, 1.7 billion in reserves at the end of 23 was to about 532 million in liabilities, 2.7 to about 1 billion and 3 billion to about 1.1 billion. To give you kind of a feel for how we feel the business is doing. So now between EBITDA, which is a multiple that we like to look at in terms of what can the company sell for and then also reserves, what do we believe our reserves are worth if we just drill and extract them? Both of those are really good metrics to Adam and I to determine that the business is in good health. So, on this slide you're going to see many of the same numbers and a couple new ones. So, you've got the $3 billion in reserves, the 1.2 billion underneath that which is in the proved that's PDP plus PUD. But we have about $38 million dollars in revenue a month right now. We're being paid by about 140 different operators. The biggest operator is Phoenix Operating, of course, Phoenix Operating being the one that we have the most concentration in.

[00:18:24] We're in nine different states, over 100,000 acres of royalties, over 250,000 acres of leases coming. We're in over 7000 wellbores and we have about 19.5 thousand barrels a day of production right now. Those are all spectacular numbers for us. So, the last slide that I'm going to talk about is hedging. So, this is a very important topic. So, when we talk about our business, the things that we can control and things that we cannot control, the things that are greater in our control are the wells where we're going to drill, how good the wells are going to be. That's a little variable, but generally we have a pretty good thesis for how well the good how good the wells will be. The one thing that we really have very little or no control over is the price that will sell the oil at when it comes out at the ground. So how we handle this is we… we hedge. We use either put options or swaps and the point of that is really we do give up some upside. We don't get the upside when we do a swap. For instance, if I swap oil at $65 dollars, that's the price I'm going to get. If it goes to 100, I got 65. If it goes to 30, I got 65. Think of it like insurance for us. It's our insurance and our business to make sure that we have the revenue necessary to pay our obligations in our bonds.

[00:19:33] So as of the end of the quarter, we had 4.6 million barrels hedged at the weighted average price of $65.18. The simple math there is about $300 million in revenue and you can see the barrels over years and how many years we had the barrels hedged out. So, I like to say hedging is a double-edged sword. It's very important to us. We will definitely want to put enough hedges in place to make sure we meet our obligations, but we also don't want to put too many hedges in place. So, if oil does run to $100, then we don't enjoy the upside of that. So, we typically don't hedge 100% of our portfolio at any one time. We'll have 25 to 50% of our barrels presently unhedged. So, I'm going to pull Adam back on to discuss a little more about the future of the company, where we're going, and why we actually think that we're going to achieve those growth metrics that we've been talking about.

[00:20:28] Okay. Matt, we're going to do this again to make sure we get these transitions smoothly dialed in. We're going to go ahead and next slide, Mr. Willer. So, most of you already know this, but I have just based on the chat and some of the poll questions, there are some folks that are new to the Phoenix story. So, I will quickly kind of go over the Phoenix platform.

[00:20:49] Most of you already know what we do here. But for those of you that are new, we are an oil company. Yes. But you can also think of us as investors. We invest in mineral rights, which are really our bedrock, non-operated working interests, and our operating arm. I will go into assets we own that fall into each of these categories now. Next slide, Matt. So, minerals was the first thing that I mentioned on the previous slide and minerals are truly the bedrock of the company and I'll give you a little more detail on why that is. This is where we started and we still to this day acquire minerals at scale. As you see on the slide here, we've invested over $250 million dollars in mineral assets since our inception. The first thing we did when Phoenix launched was develop a custom software system called ARK. ARK is really the golden goose to us. It's a tool that identifies, underwrites and grades mineral opportunities, and it's enabled us to build the most prolific wholesale mineral buying machine ever assembled and I can back that statement up. It's factually true. There are always large deals happening in our space. And this, the recent mineral deal that's shown here is worth noting. This happened when oil was 60, and if it happened today, it would likely have priced much higher. This was Viper acquiring SITIO royalties and you see there, it was 4.2 billion at an 8x current EBITDA.

[00:22:04] So it's a very relevant transaction. Um, it's not a direct comparison to our company because we do have some other divisions, but I think it's relevant nonetheless to look at it, given that minerals are a significant, significant part of our portfolio. And one thing I, um, the last thing I want to mention before I leave this slide is I want to give a special shout out to somebody on the team. You know, we have built, like I said, in my opinion, and I think the fact supports the most prolific organic mineral buying machine ever assembled and were it not for Justin Arn leading all the land and title at Phoenix, the results above would not have been possible. I'm definitely somebody who takes great pride in never being outworked by anyone. But I don't think there's another human on planet Earth that can outwork Justin. Uh, Justin's work ethic is inspiring to me, and I will reference one occasion in the early days where we needed some physical documents in Dunn County, North Dakota, and immediately, uh, for a deal that we needed to close. And Justin drove through the night from Casper to North Dakota and slept in his car in order to get the job done. So, Justin, that's a shout out to you. We love you. And. Okay. I embarrassed Justin enough, so we're going to move on. Uh, next slide, Matt. So this is the mineral deal we closed last December.

[00:23:16] As you can see by the economics here. I'm not going to go into it in much more detail. Minerals are something we've always done. We're still doing it. The deals are still highly accretive. We have a machine that this is our bread and butter. We do deals like this now, not deals like this every day. But we do deals like this often. Next slide Matt. Uh, the Uintah Basin for those of you that have been following our story. We love Utah. We have a massive competitive advantage in the Uintah Basin, and we continue to this day to do very accretive deals in the Uintah Basin. This mineral deal was bought under SM Energy. SM Energy acquired XCL Resources for about $2 billion dollars, and they are currently mowing down acreage as we speak in this basin, as you can see as well. The economics of this deal are also very, very compelling. Next slide, Matt. And this is a non op slide, and I wanted to use this slide to sort of answer a question that we get sometimes. Folks will say, do you prefer you know how do you decide between operated and non-operated type deals? Well, the short answer is we prefer to operate everything, but there's ferocious competition in these basins and in this particular instance, we were competing against Kraken. They happened to get a majority first, so they became the operator. But as you can see by the economics here, we still love participating with Kraken as a non-op partner. We participated in these six wells and the economics are phenomenal. Next slide, Matt. I'm going to take a quick sip of water. And now we're going to talk about the shiny object that everyone loves to talk about, the operations team, and they've done a wonderful job here at Phoenix and we're going to dive in. Next slide, Matt. So, this image here is from the Marshall Pad in Dunn County. High Level. This was three 12 hundred acre spacing units that were developed all from one surface location. So, we chose to go about this particular operation with a consolidated footprint, if you will. There is quite literally nobody in the basin pulling off what we were able to do on the Marshall pad regarding simultaneous operations. We were fracking wells, producing wells, running wireline, drilling of salt water disposal well and rigging up coil tubing all at the same time, which results in a massive cost savings to Phoenix. You know how is Phoenix able to get to do things that not even Exxon is doing? We have minimal red tape and hands down the best execution team in the basin. To me, that's a lethal combination, giving the most talented people in the industry freedom to pursue aggressive goals is how results like this happen. Some of you might say that all sounds great Adam, but how does this translate to the bottom line? Next slide, Matt.

[00:25:47] The numbers speak for themselves. We were able to achieve quite significant cost savings given some of the pressures in the market and you can see there the original budget for this project is about 110 million. Our final costs came in at about 98. The rate of return and the cash flow speak for themselves. The margins on this project were good at 60. They are great at 70. And if oil keeps running, they would be phenomenal at 80. And I want this slide to really resonate. We have learned over the years how to be efficient in all price environments. This is not our first rodeo and you know, as Matt alluded to earlier, there were a lot of folks that were calling in as oil prices softened up and literally three weeks later, they're 20 bucks higher. But we we can live and survive in all environments. That's what we do here. And we're really good at it. Next slide, Matt. And this is just kind of an example of some running room that we have and I'm going to go into it a little bit more in the future. You just saw the economic forecast for the Marshall Pad. Those wells are shown right here on the screen. We have acreage all around here. We have tons of running room, and we believe the results from some of this other acreage is going to be comparable in many ways.

[00:26:53] And that's some of the probable bucket that Curtis was talking about earlier. Matt. Next slide, Matt. So for those that have been following our story, you're very familiar with the Alamo area. Alamo is a very sleepy little town in northwest North Dakota and in a couple of days, all three of our drilling rigs will be in, in and around Alamo. Right now, there's two. The third one is going to be moving there in the next couple of days. This is where Phoenix operating began and where we intend on drilling out all of the units shown in this map by the end of the year. As you can see, the economics for these wells are very strong at current oil prices. They were still good at 60. And like I said, they're great at 73. You also may notice there are mostly three-mile laterals on this map. But you will also see there's ten four-mile laterals. So, let's dive into that a little bit. Next slide, Matt. Whether oil is 60 or 80. We are always striving to create as much value as possible. As you can see, drilling longer laterals is more efficient and leads to better financial outcomes. It's not always possible to drill four-mile laterals given previous spacing, but on a ton of our acreage, it is possible. Somebody recently asked me if drilling longer laterals leads to better outcomes, why doesn't everyone do it? The simple answer is that it is not easy to do it.

[00:28:09] You have to push operational and engineering limits, and some companies are seemingly comfortable with average outcomes that are easy. One of our mottos here is average is never acceptable, and the outcomes we have achieved clearly reflect that. Next slide, Matt. Well given that average is not acceptable. We just drilled the longest lateral ever drilled in the middle Bakken. It TD'd last weekend. It was on the Nystuen 1H. It's shown here on the screen. Moreover, there are only now 11 four- mile laterals that have ever been drilled in the Bakken. And by the end of this year, we will have ten of them. And nobody has ever even attempted drilling a full pad of all four-mile laterals and as you can see here on the screen, the Nystuen pad will have five of them. Next slide, Matt. As we all know, drilling leads to production, and we are quickly climbing the ranks there. We just surpassed EOG to be the 10th largest oil producer in the state of North Dakota, and we aim to be in the top five within five years. And God willing, someday will be number one. Next slide, Matt. We often claim to be one of the most efficient operators in the Bakken and these stats are a key part of the support for that statement. We have drilled… our execution team in the field, has drilled the three fastest three-mile horizontals ever drilled.

[00:29:24] Actually, the four fastest three-mile laterals ever drilled in the basin and as I just mentioned, we recently TD'd the longest ever lateral drill in the basin. That was a four miler and the penetration rate in the lateral was the fastest out of all the ones that have been drilled to date. Next slide, Matt. We are all about setting the bar higher and higher within our operating arm and recently, we set an internal record for gross daily oil production at over 29,000 barrels of oil in a single day. And this data is shown on our website. I believe Curtis and the finance team update it twice a month. So, we encourage all investors to, you know, we really do try to keep everyone informed on our journey. As you can see, we move fast. Things are changing. We want everyone to have as much up to date information as possible, so go to the website and check everything out. Next slide, Matt. Since Phoenix Operating started at the end of 2023, we have sold 5.6 million barrels of oil from the operating arm and injected over 15 million barrels of produced water. The water number is really critical and it kind of goes unnoticed, so I want to focus on it here for a minute. Anybody can make money in this business when oil is 80 bucks, but when prices are softer, only the strong survive. In order to be strong, you have to be able to manage water efficiently.

[00:30:40] We have an SWD on each pad, which has enabled us to save somewhere around $2 a barrel in terms of water disposal costs, which flows right to the bottom line. Water management is an incredibly critical part of our success in North Dakota. Next slide, Matt. We say it often and I'll say it again here. We have one of the most efficient operating arms operating teams in the Bakken. In my opinion we're the most efficient. Um, and it starts with our best-in-class land team that runs more title and leases more acres than anyone in the Bakken by a wide margin. Then it goes to our subsurface team, who ensures we maximize the value of every acre we own. Then to the regulatory team who maintains and fosters a critical relationship with state regulators and leaders. And at the end, we hand the baton over to the execution team. I've just listed some of their stats on the drilling side and if you go to the completion and production side, they deliver the goods equally as good. Next slide, Matt. Really this slide just sort of to me says the future is very bright over here at Phoenix. When we are talking about our vision and our lofty goals, it really all comes down to the acreage. We have the running room to continue our aggressive growth strategy that we strongly believe is in all of our best interests.

[00:31:58] It is also worth noting the footprint with our production and minerals makes Phoenix a highly attractive acquisition target. Now we have no interest in selling, but I think it's important for all of us is stakeholders in this company to know that we're building something that plenty of other people would love to acquire and this footprint is one of many reasons why folks would love to own Phoenix. Okay, we got a poll. Oh, I guess we're not doing the poll question at this point. Matt's going to take the polls. Um, I think next slide, Matt. This is important. Curtis mentioned this earlier. What is our primary goal here at Phoenix? Our primary goal is to create value. That's what we're doing here. And at the end of last year, we had an independent evaluation conducted on our company and while I believe this was a very conservative number, and I can bore you with why I feel that in a one-on-one conversation if you ever want. It was still 1.64 billion, and our total liabilities were just over a billion, with reserves at 2.7 billion. This is good news for all of us. The company is paying our investors a strong cash yield and still creating excess value along the way, which is one form of bondholder principal protection and it's really important to understand that. Next slide, Matt. This is really our vision for the future, and I've stated this in previous quarterly events.

[00:33:13] I have very lofty goals that I've set forth for the team here and one of those goals is to reach 100,000 barrels of production a day. That's a very noteworthy milestone. In oil and gas, you're measured by the number of barrels that you can bring to the market daily and to start from where we started, to get to 100,000 organically would have been unheard of. But we are within striking distance on that number and I'm really proud to say that. Goal number two, to buy 10,000 royalty acres and mineral interests under Phoenix Operating in 2025. I can report to you today that we're well on our way to that goal and that goal was also very aggressive, but it kind of goes back to minerals are the bedrock, and we do have the most prolific mineral buying machine ever assembled. So, the team is up for the challenge and last and certainly not least, to deliver for all of you. I mean, that's what we're doing here. Our investors and I told the investors that I spoke with earlier, I said, thank you. You know, your investment in.. we've done really solid by you in terms of the yield that we've paid you on, on the bonds. But you've given us the ammo to go fight these battles and win and we're forever grateful for that. Next slide, Matt. And really this is this going to be my last slide then I'm gonna hand it over to Matt.

[00:34:19] But what do you get when you invest in Phoenix Energy. And this is my opinion. But I believe you get the best risk adjusted rate in the market. That's my opinion. But then factually, what else do you get that's supporting your investment in Phoenix? It's backed by the most efficient operating team in the Bakken, the most prolific mineral buying arm in the Rockies and, in my opinion, the most competent management team I've ever worked with. I could talk for hours about the accolades and the work ethic and the motivation and the drive of the leaders of this company and I mentioned Justin Arn earlier, I could name ten other people that also inspire me that are here on the team, and it's just an incredibly motivating factor, and it's resulted in some of the amazing outcomes that we've achieved as a team. And then last and certainly not least, I think most of you would agree with this last statement. I believe we have unmatched customer service. I've instructed the Capital Markets team to treat every one of our investors like family, and I can only think of one that took advantage of that in a negative way that's no longer part of our investor base, but everyone else has just been amazing, and we have really built a special bond between our bond holders in the management team and the Capital Markets team at Phoenix and so I'm going to close with that.