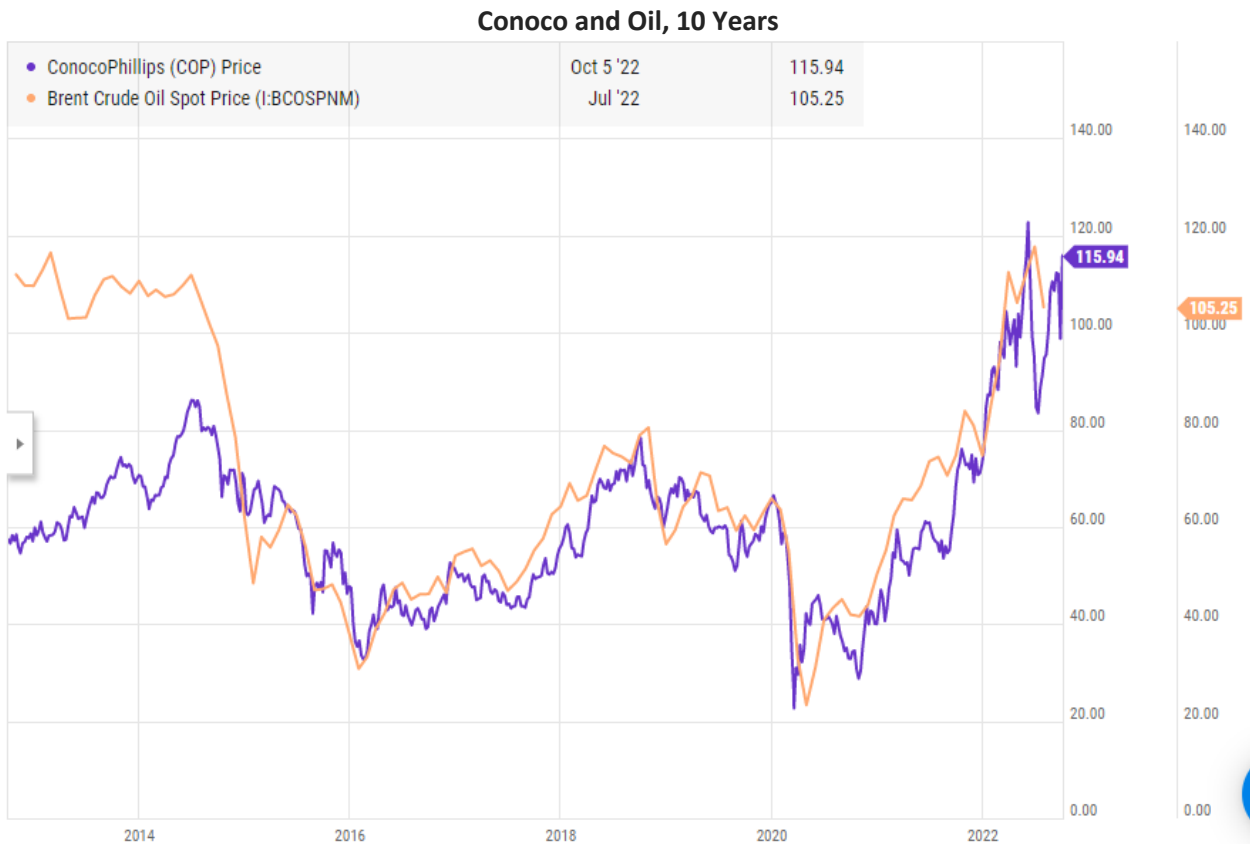


## The Outlook: Oct. 5, 2022

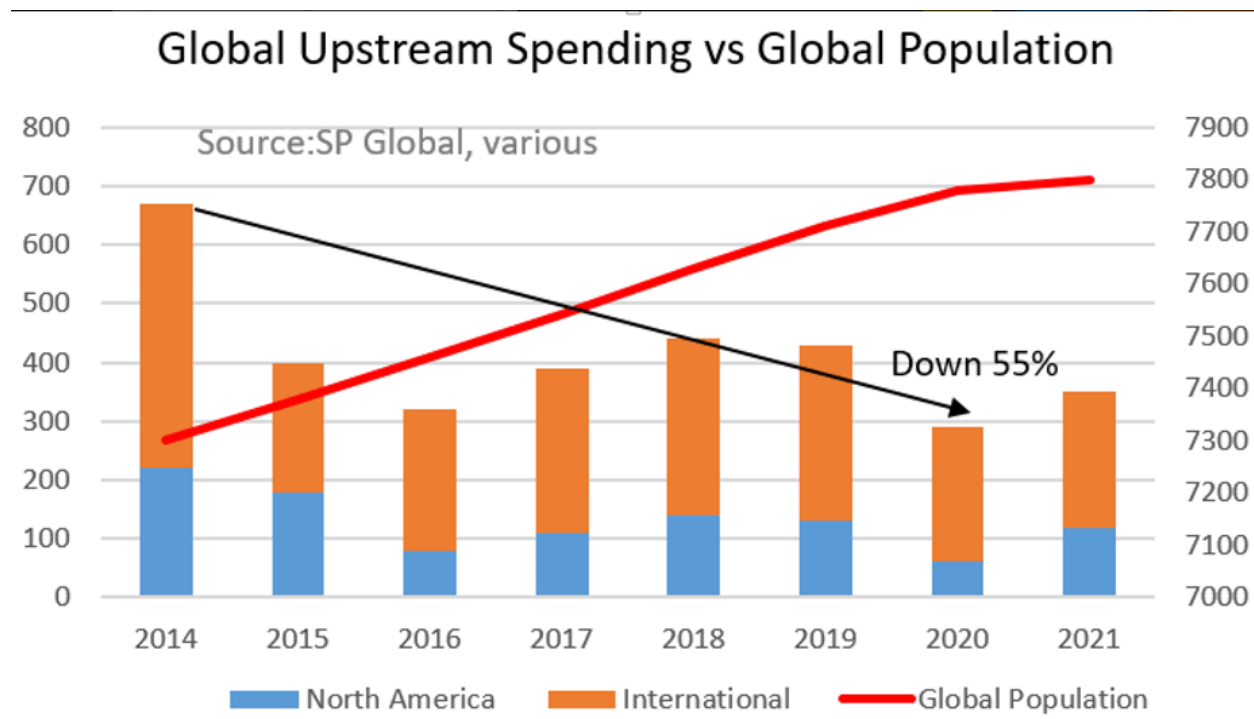
### *Conoco: more than a fleeting pleasure ahead.*

Being human, we usually like hearing from people who agree with us; and have to make ourselves listen to the others. That's particularly true when the subject is something that makes us anxious: yup, investments. And it's even more particularly true, if that's possible, when we've had to endure a long, painful wait for something to happen in the investment world—which we've placed money upon.

So as we've endured the market's weekly poundings lately, it's been sort of a fleeting pleasure to watch the price of Conoco—a core company in spades, for Outlook—stand up so often against the market's red floods. Here's a picture:



Conoco is purple, oil orange. They do move together, don't they? We talk about the necessary "roller coaster ride" every day . . . but Conoco's ride has felt more like a moon shot and the returning splashdown, repeated again and again. Why have we been so inclined to endure this? To answer, let's borrow a couple of pictures from one of those "people who agree with us", in the investment analyst community: "Fluidsdoc."



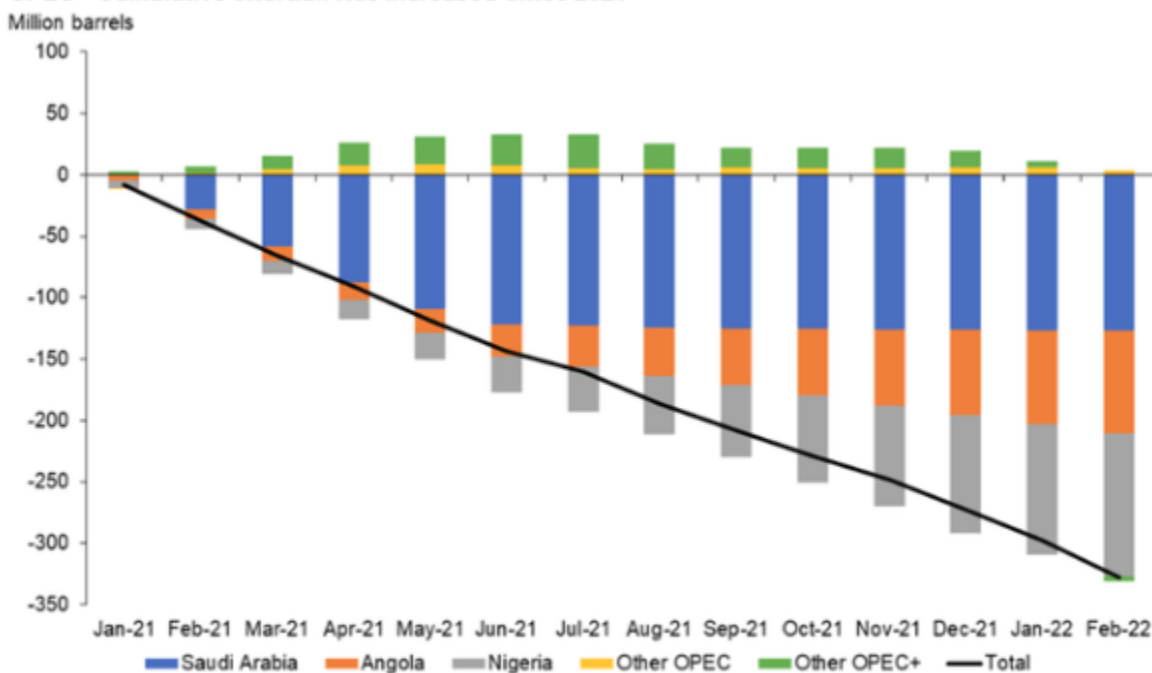
That red line is global population: about 8 billion, plus another 80 million every year. We might write a book about what that means, but no need: people need energy, and they better off they are, the more they need. The bar charts, with their black decline trend since 2014, show worldwide spending to find and produce oil and gas.

Since Outlook began investing in energy around 2015, and kept adding and adding to the investment over the years, this picture has captured the heart of “Why we’ve endured this.” We were sure (as it’s possible for us to be) that:

- Global energy demands would keep rising.
- For a much longer time than expected, renewable energy could not possibly replace much oil and gas in meeting those demands.
- So there would be a Day of Reckoning when the oil-and-gas market really grasped that 7 years of sharply-cut spending on new supply had created a big problem.

That Day does seem to be here right now, or at least somewhere in the neighborhood. The headline of the day was, “OPEC Slashes Production, Oil Spikes Up!” That kind of headline makes the impression that tomorrow’s might be, “OPEC Boosts Production, Oil Plummets!” And of course it might be, headlines and impressions being what they are. But Fluidsdoc (among a good many other analysts) had a picture for that possibility too.

### OPEC+ Cumulative Shortfall Has Increased Since 2021



NOTES: Other OPEC countries are Algeria, Congo, Equatorial Guinea, Gabon, Iraq, Kuwait and the United Arab Emirates. Other OPEC+ countries are Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Oman, Russia, Sudan and South Sudan.  
 SOURCES: International Energy Agency; Federal Reserve Bank of Dallas.

Federal Reserve Bank of Dallas

That picture isn't easy; but what it means is "We strongly suspect Saudi Arabia and OPEC's years of churning out as much oil as they feel like, whenever, are gone." Saudi oil production has been generally falling no matter what they tell the world they've been doing: raising it, lowering it, keeping it flat. There are a handful of keen analysts who are leaning hard toward the conclusion that the ocean of oil under their desert sands is beginning to dry up. Just beginning . . . but clear enough to mean nothing good for long-term oil supply to meet that long-term population demand.

Conoco has been getting ready for this for years. Mr. Lance, CEO, has spent when others shied away; and endured the criticism that always comes to those who stand against the crowd. His company is now extraordinarily strong, with an admirable reserve of oil and gas to pump out of the ground . . . acquired from weaker companies, unable to endure the hard times. That endless roller coaster up there will never quit, for Conoco—but it's pointing up over the years ahead, no matter how anxious the ride.

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