



## **The New Conservative Alternative Investment Natural Gas**

The surge in shale gas production has had a transformative effect on the energy landscape of the United States. Production of hydrocarbons, once the domain of major corporations and unknown wildcatters, has in the past fifteen years resulted in the creation of stable and sophisticated operations working in all of the major shale formations. The introduction of various technologies such as horizontal drilling has seen well success rates climb as high as 99% for some entities. The impact of this success has created a much more stable environment for investors who are seeking to diversify and allocate a portion of their portfolios to alternative investments. These long lived assets provide investors with a number of immediate advantages including, long term income streams, steady and consistent returns over time, and reductions in taxable income by up to 90% of the investment through IDCs (Intangible Drilling Costs) in the year of investment.

The recent precipitous declines in oil prices have led many to conclude that future investment returns offered by numerous oil companies will be drastically reduced. Later oil entrants into the shale plays have drilling and lifting costs that often exceed natural gas by a factor of 10-15X. Thus, the declines in oil commodity pricing have led to the realignment and even halting of oil production in a number of instances. As the WTI Crude oil price holds steady in the \$80 per barrel range, natural gas continues to produce consistent yields, even in a challenging price environment. As the production of natural gas increased, so has its demand, leading many industry observers to be more than a little bullish on the future of the commodity. The reasons they sight are numerous, diverse, and include:

- A continuing trend in the shuttering and conversion of power plants from coal to natural gas
- The introduction of gas powered fleet vehicles and potentially rail cars
- Development of LNG (Liquefied Natural Gas) enabling global shipping and consumption
- Cleaner extraction techniques through "fracing" without chemicals
- Expanded use in the chemicals industry for numerous consumer product applications
- Other storage and capacity requirements based on supply and demand

Alternative investments have a place in every portfolio, and the conservative and consistent nature of natural gas, along with its other benefits and long term outlook, make it a commodity to consider.

To learn more about Hard Rock Exploration please contact us.

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