

## OGIB INTERIM BULLETIN #588 - May 16th, 2017

### **PORTFOLIO SALE**

### **MIDWEST ENERGY EMISSIONS CONTROL MEEC-NYSEMKT**

### **CLOSE OUT UNG SHORT**

### **UPDATES LILIS ENERGY LLEX-NYSE**

### **PENTANOVA ENERGY PMI-TSXV**

#### **Midwest Energy Emissions Control**

The stock is hitting year lows this morning as management reduced 2017 revenue guidance from \$60-\$70 million to \$40-\$45 million.

This is a bit of a deal killer. EBITDA will almost certainly be flat, maybe a small positive...but maybe not. In Q1, an increase in SG&A offset their revenue growth.

Two, they spent \$2.5 million on the patent rights after quarter end. Combine that with the Q1 cash decrease from operations and paying down payables--and liquidity potentially gets fairly tight.

On the call, CEO Rick McPherson, said that one of his competitors lowered their prices, in his opinion, to a break-even level or even take a loss. That had a quick impact on their expected sales in new EGUs--he was honest in that he said business they were expecting to land by now...didn't come over. And they were big contracts--one customer was worth 8-9 EGUs.

That's standard business by The Big Guys in any industry. And it's tough for small companies--and this one doesn't have a lot of liquidity, to compete against.

They have "restructured" their product pricing, which is likely to mean lower EBITDA.

The Big Negative against this company was the potential for the Trump administration to nullify MATS--which is the building block for their business. That is a permanent cloud over top of the company for awhile. But with re-iterated guidance--several times in the last 3 months--that revenue would double this year and double again next year...I thought this company could outperform.

But this reduced guidance--and the honest reasons for it--changes my outlook on the company. I have a choice of holding the stock now and watching it bounce between 45-80 cents or selling it.

I'm choosing to sell it at 54 cents today--an even 50% loss. Tight liquidity, fierce competitive pressures, a hostile macro environment tell me I would rather take my loss for now and wait for other opportunities.

Plus, I would add a couple things, one personal and one more corporate. Personally, I know I'm not a good holder of stocks underwater--especially by this amount. When I looked at the stock each day I would be so mad at myself...and I don't think the stock is going back over \$1 close to my cost base this calendar year. Corporately....there is never just one cockroach. That may sound mean, but my history says it's true.

NOT FOLLOWING MY 87 CENT STOP LOSS COST ME \$10,000

## **PENTANOVA ENERGY--PMI-TSXV**

It just hit the wires that Pentanova Energy is syndicating a \$200 million financing--at 80 cents per share. They had hoped to do it at \$1. But the weakness in oil price has clearly had an impact. There was a 35 slide presentation that I'm trying to figure out how to post into the Members Centre.

## LILIS ENERGY--LLEX-NYSE

Exec Chairman Ron Ormand and his team have done a great job increasing their acreage position in the Delaware, with their corporate update today telling us it's over 10,000 acres now.

And they now have the liquidity to do pretty much any deal that comes their way now. They're firing on all cylinders. Wish I owned more stock.

IP rates are great--as much as 400 boepd per 1000 lateral feet:

*Currently on Production:*

*\*BOE/D based on three stream production to account for liquids rich gas uplift.*

- **The Bison #1H IP30 rate of 2,144 BOE/D – 74% Liquids**
- **The Bison #1H IP60 rate of 1,576 BOE/D – 74% Liquids**  
The Bison #1H was turned to sales on January 19, 2017 and had a 24-hour rate of 2,375 BOE/D (75% liquids) or 344 BOE/D per 1,000 lateral ft.
- **The Grizzly #1H IP30 rate of 1,323 BOE/D – 63% Liquids**
- **The Grizzly #1H IP60 rate of 1,016 BOE/D – 63% Liquids**  
The Grizzly #1H was turned to sales on February 9, 2017 and had a 24-hour rate of 1,666 BOE/D (65% liquids) or 406 BOE/D per 1,000 lateral ft.

## UNG SHORT--NATURAL GAS ETF

Sadly, I did obey my stop loss on this trade which was \$7.90--right at the top; the equivalent of selling at the bottom. That was a 48-cent loss on 5000 shares.

I will update the portfolio in the next couple days.