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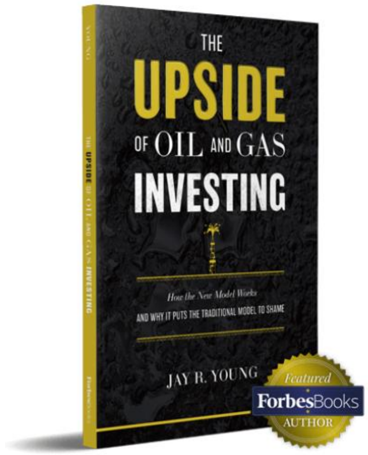
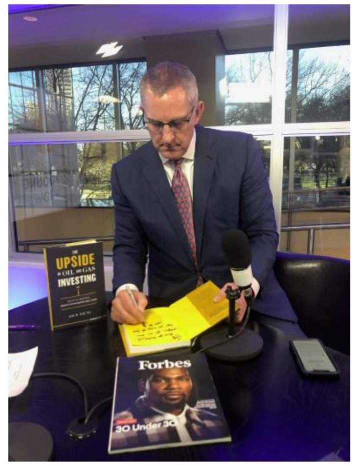
Oil & Gas Investing Redefined





What a 4th Generation Oil & Gas Entrepreneur has learned about the Industry and the Cycles of Investing in Oil and Gas for our Future

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In the new shale-dominated world, we all know that the industry is changing. With threats ranging from geopolitical issues to the rise in electric vehicles and alternative fuel sources, we need repeat investors now more than ever if we're going to stay in business. If we turn people off by doing deals in which they lose money over and over, why would they ever want to invest again? Given all of this, I knew I had to start doing something differently about the way we did business at King Operating Corporation.

The way the vast majority of oil and gas investment deals have traditionally been structured has left limited running room and little diversification. If something goes wrong—and in a complex system like drilling for oil, things can certainly go wrong—there are few ways to fix it without pouring more money into a literal hole in the ground. In these types of cases, it becomes nearly impossible for the investors to recoup their investment.

After speaking to a lot of people in a variety of industries about how they did business and how they approached investors, I realized that all people really want is a genuine shot. Most want to be treated not just as 'money,' but as true partners. They aren't interested in a guarantee—some of them are rightfully wary of any empty "promises"—rather, they want to believe they've got a real shot to make a profit, or, at least make their money back. With this in mind, I knew that I needed to structure this type of oil and gas investment project for them.

In 2015, after speaking to my good friend David Moore, who's been very successful within the real estate industry, King Operating Corporation created the ADD (Acquire, Develop, Divest) model for our oil and gas investment projects. This investment model works for sponsored oil and gas transactions and, in my opinion, represents a total change in the way much of the smaller, independent companies in the oil and gas industry operate. Instead of buying one location, drilling and hoping for the best, the operator buys a large volume of acreage, proves up a well, and sells it off while the investors come along for the entire ride.

By doing things this new way, without having to drill all the wells, projects can also be completed faster. It allows for a better opportunity with a quicker turnaround time and for money to go back into the investors' pockets faster, while ideally starting another project with the same investors on board.

This new model essentially means that the unknown factor (the performance of the wells) is not as critical to the initial investors. In fact, by selling off the acreage to companies who want to drill, this new model has removed investors from the operation before it gets potentially dicey and goes on to something new. At the end of the day, it doesn't matter whether a well gushes or trickles; if the sponsor has been able to sell off the acreage at a higher price than the original acquisition price, the investors will have already made back their money.

The second part of this is that, because we want our investors to be with us for the long term, from project to project, we treat them like full business partners. The goal here is to build true investor partnerships, not solely just looking for money. And, it will not surprise you to hear that when people are treated with respect, they're a whole lot more likely to reinvest with a company. As a result, we've enjoyed repeat investors for several of our most recent projects.

To illustrate our ADD Model, I've provided an example of how our current investment project in Larimer County, Colorado is structured:

- King Operating and investors invest $100 million into the fund.
- The fund leases up to 40,000 acres to drill and complete up to 200 wells. We want the scalability to develop multiple wells in multiple formations, however our goal is NOT to drill all of them as we want to leave this upside for the buyer.
- After we've completed the leasing, we begin drilling and reworking wells in the fund.
- With the purchase, we bought an oil field which has produced over 8 million barrels of oil in the Muddy "J" formation. With current reserve reports, the field shows there is 5-22 million barrels of oil left in this field. If it produces 10 million barrels of oil, at $55 per barrel, the fund generates over $500 million which we feel covers our initial investment of $100 million. We will only use a fraction of the money to prove up remaining reserves and utilize remaining to increase the size and value of our investment.
- Our team of engineers, geologist and geophysicists will be searching for many other opportunities within the acreage. The oil-bearing Niobrara and Codell both produce in the immediate area.

Once the initial work is performed, we will go to the market and look to divest the asset. If the market is not there, we could look to divest a portion of the asset and drill more wells or use the asset as collateral to obtain a loan and then "drill, baby, drill."

We strategize to come up with three (3) exit strategies over the life of the project because we never truly know the timing with the markets or the oil and gas prices.

While we certainly cannot guarantee our future projects will be successful, in my opinion, the new investment model gives our clients a better chance to make positive returns.

I do believe that if we're to continue being successful and making sure that the United States no longer has to rely on foreign oil deposits and can become self-sufficient when it comes to the energy sector, we still need people to continue investing in oil and gas by offering people smarter investment opportunities. When you combine the cutting-edge technology for extracting hidden oil with the way we're doing business now, and the global demand for oil, getting in the game today could set you up for many, many years to come. The good news, I truly believe there couldn't be a better time to invest for those who are investing in oil and gas today and are doing it the right way.

In 2020, King Operating Corporation is revolutionizing how America views 1031 Exchanges using oil and gas with our new sponsored fund "Larimer County Energy DST" (LCEF DST) could provide you with the quality and performance you desire in acquiring commercial property. The fund is structured to own a net profits interest (NPI) of highly perspective oil and gas mineral leases coupled with eight proposed horizontal wells projected to appreciate in value yielding favorable returns. It offers an exit strategy with a targeted holding period of one-two years. Once the property has achieved a forecasted development of producing wells, a plan of divestiture will be implemented seeking a return multiple of possibly two to three times the initial investment. LCEF DST ownership is a net profits interest (NPI) with no possible capital calls, is compatible with tax deferred Section 1031 exchanges and provides diversification from typical real estate investments. Lastly, the LCEF DST offers monthly cash flow with the potential income tax benefit of a deduction of the greater of percentage or cost depletion allowances. Percentage depletion yields a deduction equal to 15% of gross production income, thus creating 85% to be deemed as taxable income.