

Own the Production, Not the Paper.



How direct participation in oil & gas actually works — what to look for, what to look out for, and the questions every serious partner should ask before committing a dollar.

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PARTNERS FIRST · ALIGNMENT · ACCOUNTABILITY · TRANSPARENCY

DRAFT FOR COUNSEL REVIEW. Figure-free and evergreen by design; final visual layout to follow in Gamma after written approval. Remaining bracketed notes flag items for counsel's decision (disclosure language, CTAs/QR, any operator track-record wording) — no further research is required to review this draft.

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A note from our founder

I'm not a lifelong oil man. I'm a capital allocator and serial entrepreneur who has spent years learning to buy well, improve what I bought, and stay disciplined — and who found, in an overlooked corner of energy, the best place I've seen to do exactly that.

I come from a family of educators. My father was the dean of a university; my mother taught second grade. I didn't grow up around oil rigs or trading desks — I grew up around people who believed that if you do your homework and teach honestly, the rest tends to follow. That belief still runs through everything we do here.

The turn in my story came from an unlikely place. In the middle of building a network of copier dealerships in Florida, my father — a teacher — called to say he'd met someone he wanted me to know. I was skeptical. "Dad," I said, "you don't meet people like this." He was right and I was wrong. That man ran a multibillion-dollar private client group and a venture capital firm, and he became the most important mentor of my life — shaping me personally as much as professionally. In the years that followed I took part in dozens of public and secondary offerings, but the real gift was the discipline of capital allocation, taught by one of the finest allocators I've ever known.

I put that discipline to work. Over twenty-five years I built and sold companies — four exits, the most recent in 2023 — and along the way served on Xerox's dealer advisory board, helping grow its dealer network from fewer than ten to more than three hundred across the country. The thread was always the same: buy well, improve the asset, and stay aligned with the people whose capital sits beside your own.

A little over a decade ago I placed my own capital next to a trusted operator's — same rights, same terms — and got my education in oil & gas. What I saw was a gap. At the top, the majors run enormous projects. At the bottom, small wildcat deals get passed among friends and family on odds not much better than a coin flip. In between sat a wide field of proven, unglamorous projects — too small for the giants, too disciplined for the gamblers — with almost no serious competition. So I acquired control of an operator to bring professional capital-allocation discipline to that middle ground.

Here is how to picture what we do. We are not wildcatters chasing a discovery and a magazine cover. We're far closer to value-add real estate: acquire a proven, often-overlooked asset that larger companies walked past, apply modern technology to improve its production, and work to harvest the value they left in the ground. Buy below its potential, improve performance, realize the value. By temperament I'm risk-aware — I would rather understand a risk and diversify it across proven wells than stake an outcome on a single hole. None of that erases the real risks of this business; you'll find them laid out plainly in these pages. But it is a very different discipline from how most of this space operates.

A word about how I'm built. I would rather hold more in reserve than I show, and let the results speak — underpromise, and overdeliver. I have no interest in being the loudest voice in the room. My ambition is simpler

and quieter than that: do excellent, disciplined work for the partners who trust us, and go home to my family at the end of the day. If that sounds unglamorous, good — unglamorous is where the real value usually hides.

One belief has guided me through every business I've built. Picture success as a pie cut in three — one slice for the partners, one for the operators who do the work, and one for the company. Keep those slices in balance and you build something that lasts. Tilt the pie toward any one of them and you might win for a season, but you won't build anything worth keeping. That principle has a name here: Partners First.

I come from educators, and in the end I've landed where they began: the best partner is an informed one. This guide won't promise you a number. It will teach you to evaluate this the way I learned to — so that whether or not we ever work together, you'll be able to tell disciplined ownership from a dressed-up gamble. That is the company I set out to build, and the standard we hold ourselves to. Partners first.

Mark Elliott

Founder & Chief Executive Officer, Summit Ventures Investments, LLC

How to read this guide

This is a teaching document, not a sales document. There are no return projections in it, no dollar figures, and no promises — on purpose. Anyone who leads with a number is asking you to trust the number instead of understanding the thing. We'd rather you understand the thing.

By the end you should be able to do four things: understand what you're actually buying when you own a working interest; evaluate a project across the four things that determine its fate; recognize the warning signs that separate disciplined operators from promoters; and walk into any conversation — with us or anyone else — armed with the right questions.

We've organized it in four parts. **Part I** explains the model and why it's different from the passive products most people have seen. **Part II** is the diligence core — how to evaluate a project, what to look for. **Part III** is the other half of diligence — what to look out for, and the questions to ask. **Part IV** covers risk, tax, and what a real partnership looks like.

Nothing here is investment, legal, or tax advice, and nothing here is an offer. Direct participation in oil & gas is speculative and involves substantial risk, including loss of your entire capital contribution. Any participation is offered only through formal documents and a qualified-admission process, and only to sophisticated participants who meet Summit's standards.

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PART ONE

The Model



Why direct participation is a business you own — not a paper claim on someone else's efforts.

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1 It's a business, not a security

The single most useful thing you can understand about direct oil & gas is what you're actually buying.

When most people picture "investing in oil," they picture a stock, an ETF, or a fund — a paper claim on someone else's efforts. That's the passive model, and it's what the majority of the retail market has been sold. What we do is different in kind, not just degree.

In a direct, active-member joint venture, you become a working-interest owner in the underlying business. You share in what the wells produce. You share proportionately in the costs. You hold governance rights — information, votes, and elections spelled out in the operating agreement — including the ability, by the required vote, to weigh in on major operational decisions and even to change the managing member. You are a participant in an enterprise, with responsibilities as well as rights. You are not a spectator holding a certificate.

Closer to owning a franchise than buying a stock

The mental model that fits best is franchising. A franchisee doesn't buy a passive security; they buy into a *business*. They contribute capital, they take on genuine obligations, they rely on a proven operator's system and playbook, and they share directly in how their specific unit performs — with real upside and real downside. Direct participation in oil & gas works in a structurally similar way: you buy into a business with an operator's system behind it, not a paper proxy for one.

We use "franchise" only to picture the relationship. Summit does not sell franchises and these interests are not franchises. The point is the mindset: this is ownership of an operating venture, and it asks something of the owner.

"The wealthiest don't buy paper — they own the production."

Why does this distinction matter so much? Because economic reality — not the label on the brochure — is what determines everything downstream: how you're treated, what rights you have, how the venture is governed, and how honestly it's marketed. A firm that genuinely runs active-member ventures behaves differently from one that runs passive syndications with a friendlier vocabulary. Throughout this guide, watch for that difference. It's the whole game.

2 Own the production, not the paper

Most portfolios only look diversified. Open the hood and they're overwhelmingly one kind of thing: paper — stocks, bonds, and funds — claims that increasingly move together, and tend to move together most in exactly the moments you'd hoped they wouldn't.

A direct working interest behaves differently because it is tied to something physical: the production of a real commodity the world runs on. That doesn't make it better, and it certainly doesn't make it safer — it makes it *different*, and difference is what diversification is actually about. Owning production is a way to hold an asset whose fortunes are not dictated entirely by the same headlines and rate decisions that move your brokerage account.

Tangible, measurable, and yours

There is a kind of clarity in owning something you can point to. A working interest is measured in barrels and cubic feet, in real wells with real names in real counties. You can read the operating reports. You can ask why a number moved. That transparency isn't a guarantee of results — nothing is — but it changes the character of ownership from "hope the market cooperates" to "understand the business you're in."

Why sophisticated owners think this way

Family offices and experienced operators have long valued real, tangible ownership they can understand and influence. The appeal was never a promised outcome; it was the nature of the asset — that you can see it, have a say in it, and hold interests meant to sit alongside the operator's rather than beneath them. For decades this kind of direct ownership was effectively reserved for institutions and insiders. That circle has widened — selectively, and only to those prepared to participate as genuine partners.

3 The comparison that clicks: multi-family, without the toilets and the tenants

If you've ever owned real estate, you already understand more about this than you think.

The fastest way most people grasp direct oil & gas is to set it beside something familiar: owning multi-family real estate. The parallels are real, and they're the useful kind.

What's genuinely alike

- **Both are real property.** A working interest in a producing well is a tangible, real-property asset — not a paper claim on someone else's business. Like an apartment building, it's something real that exists in a specific place and either performs or doesn't.
- **Both are owned for the long term.** Neither is a day-trade. You commit capital to a real asset and hold it through its productive life.
- **Both are held through a structure.** Serious real-estate owners rarely hold in their own name; they own through an entity, with agreements, governance, and defined rights. A joint-venture working interest works the same way.

The line people remember

"It's real-property ownership — without the toilets and the tenants."

There are no units to turn over, no midnight maintenance calls, no vacancies to chase, no tenants at all. The "asset" is production from the ground rather than rent from a building. For owners who've spent years being landlords, that contrast lands.

But make no mistake — this is still active ownership

Here's the honest part the catchphrase leaves out: trading toilets and tenants for a well does *not* make this passive. You're not buying a hands-off coupon. You're exchanging property management for a different kind of active participation — governance rights, information rights, decisions on capital and assessments, and real operational and geological risk. The work is different, not absent. That's exactly what makes it ownership rather than a paper position.

A note on 1031 — a topic, not a promise

Real-estate owners often ask about like-kind (1031) exchanges. Because a working interest may, *in certain circumstances*, be treated as a real-property interest, it can be a subject worth exploring in a 1031 context. Whether any particular interest actually qualifies is fact-specific — it depends on the nature of the interest,

applicable law, timing, and your own situation — and it is never guaranteed. This is a conversation for your own tax advisor and a qualified intermediary, not something to take on faith from any marketing.

Where the comparison breaks down (and why that matters)

No analogy is perfect, and this one has an important limit: a stabilized apartment building has physical collateral that tends to retain value, while a single well can fail to produce and lose your entire contribution. Oil & gas carries geological and project risk that most real estate does not. The comparison is about the *nature of the ownership* — real, tangible, direct — not a claim that the risk profiles are the same. Read Part IV on risk before you let the analogy do too much work.

Use the comparison as an on-ramp, not a conclusion. The familiar frame gets you in the door; the four pillars in Part II are how you actually decide whether a specific project is worth owning.

4 How this differs from "passive" oil & gas

Plenty of people have "invested in oil" and been burned. Usually the problem wasn't oil — it was the structure and the story wrapped around it. If you've been disappointed before, it's worth understanding exactly how.

The fee machine

Every layer of financial packaging — the fund, the feeder, the advisor, the placement desk — adds another hand in the pocket. By the time capital reaches the actual well, a meaningful share of the economics can already be spoken for. Direct participation aims to shorten that distance: fewer layers between your capital and the production.

Exposure without control

Public energy stocks give you exposure to the sector, but you absorb the volatility with no say over the underlying assets. A comment out of Riyadh or Washington can reprice your holding overnight. Direct ownership won't remove risk — it relocates it. You trade market-sentiment risk you can't influence for operational and geological risk you can at least understand, diligence, and govern.

The pattern to watch for

Look out for

- **A business sold as a passive product.** If you're told your "only job is to collect checks," ask what you actually own and what rights you actually hold. Passivity and real ownership pull in opposite directions — and a passive characterization can carry consequences the brochure won't mention.
- **Promises the ground can't keep.** Specific return figures, guaranteed cash flow, and "beat-the-market" claims. No honest operator can tell you what a well will do.
- **Hype and manufactured urgency.** "Only a few units left" is a sales tactic, not a reason to commit capital.
- **Glossy over granular.** A beautiful deck that's thin on geology, offset-well data, and risk disclosure is telling you what it isn't saying.

Our answer to the pattern is structural, and the rest of this guide is the proof: active-member ownership, real governance, aligned incentives, disciplined operations, and plain talk about risk.

5 Why this opportunity exists: the overlooked middle

A fair question about any opportunity is: "If it's so good, why hasn't someone already taken it?" Here's the honest answer.

U.S. oil & gas isn't a single market — it's a stack of them, and the tiers behave very differently.

- **The majors** run enormous projects and skew global and offshore. The household names most people picture are not where the bulk of America's onshore barrels actually come from.
- **The mid-majors** operate at a large project scale and rarely look at anything smaller — the economics of their overhead won't allow it.
- **The small operators** at the bottom run modest, often speculative deals — frequently wildcat bets on new discoveries, passed among friends and family, where getting your capital back can be little better than a coin flip.

If it helps, map it onto real estate. At the top sit the REITs — the equivalent of the majors and their billion-dollar projects. In the middle is private-equity real estate: professional, disciplined operators doing substantial-but-not-institutional deals. At the bottom are the mom-and-pops, buying small and selling to friends and family. Oil & gas has the very same three tiers — with one difference. Its middle layer, the private-equity-style tier, is precisely the part that thinned out as capital rotated away from the sector. That emptied-out middle is the blue ocean this guide keeps pointing to.

It's worth knowing that a large share of American oil and gas is produced not by the supermajors but by independent producers. The giants matter enormously, but they are only part of the picture — much of the day-to-day production comes from companies most people have never heard of.

Between the giants above and the gamblers below sits a wide band of proven, unglamorous, mid-sized projects with surprisingly little serious competition. That's the ground Summit was built for. Why does it stay open?

Reason one: capital rotated out

Over the past decade and more, a great deal of capital left the sector. Part of that was shifting investment priorities across the market; part of it was a stretch of genuinely poor capital allocation, where operators chased production volume over profitability and lost people money. There is a legitimate and important role for the broader energy transition — but whatever weight you assign to each cause, the practical effect was the same: a smaller pool of capital chasing these projects, and far less competition for a disciplined operator willing to do the unglamorous work well.

Reason two: the majors left proven value behind

When larger plays emerged, rigs and crews rationally moved to where the same effort produced far more — the identical rig and team could earn a multiple of the output for a similar cost. What got left behind were pockets of proven, still-recoverable hydrocarbons that were simply uneconomic *at the majors' scale and overhead*. A large company needs to drill many wells in a row to justify its cost structure; a smaller, agile operator can profitably develop a handful of wells that would never move the needle for a giant.

Where Summit fits

Agile enough to pursue the two-, ten-, or twenty-well projects the majors can't justify — and disciplined enough not to gamble the way the small end does. This is the value-add posture from the founder's letter: acquire proven, overlooked assets, improve them with modern technology, and harvest the value others walked past. It is the opposite of wildcatting.

An honest caveat

Less competition is not less risk. A thinner field can mean better entry points, but the geology, the operator, the infrastructure, and the alignment still have to be right — which is exactly what the rest of this guide teaches you to evaluate. Smaller operators also carry their own risks, from concentration to capitalization (see Part IV). The opportunity is real precisely because it is mid-sized, unglamorous, and rewards discipline rather than a lottery ticket. That is a feature, not a promise.

6 The entrepreneurial-partner mindset

Direct ownership asks something of you that a mutual fund never does: engagement. That's a feature, not a burden — it's the thing that keeps you out of the passive trap. You don't need to become a geologist, but you do need to think like an owner.

What ownership asks

- **Read the reports.** Operating statements, well status, and related-party disclosures exist for you. Use them.
- **Exercise your rights.** Votes, consents, and assessment elections are real levers. Understand them before you need them.
- **Plan for obligations.** Ventures like these can call for additional contributions for completion or later operations. Know what an assessment is and what happens if one is called.
- **Take the long view.** These are illiquid, multi-year commitments. Capital you may need soon does not belong here.

The reward for that engagement is the thing paper can't offer: you understand what you own, you have a hand in it, and your interests are structured to sit alongside the operator's. That's the entrepreneurial bargain — more responsibility, more control, more alignment, and genuine risk on both sides.

7 The life of a venture: drill, test, complete, produce

Before evaluating any single project, it helps to know the arc every venture travels — and where the risk actually lives along the way.

A direct oil & gas venture isn't a single event; it's a sequence of stages, each with its own decision points, costs, and risks. Understanding the arc lets you ask better questions and read a sponsor's plan for what it is.

The stages

- **Drill.** The wellbore is drilled to the target depth. This is capital-intensive and carries mechanical and geological risk — including the possibility that the target isn't what the data suggested.
- **Test.** The well is evaluated to see whether it holds commercially producible hydrocarbons. Finding oil is only half the battle; the test asks whether it will flow at rates worth completing.
- **Complete.** If the results warrant it, the well is completed to bring a zone into production — often a separate decision and a separate cost (which is where "completion assessments" can arise). Not every well that's drilled gets completed.
- **Produce.** If successful, the well produces over a multi-year life, generating revenue net of operating expenses — and declining over time along the curves discussed later.

Look out for

Any presentation that glides past these stages as if production were a foregone conclusion. Each stage can end the story. A disciplined sponsor tells you what happens — and what it costs you — at each decision point, including what an assessment is and what occurs if you decline to fund one.

Early production, by the way, is not destiny. Initial flow after completion can look strong and then settle to a very different sustained rate. Owners who understand the arc aren't surprised by it.

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PART TWO

How to Evaluate a Project



*The four pillars that decide a venture's fate — and what to look for in each.
Everything begins with the rock.*

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8 Pillar One — The Rock

Before taxes, before structure, before strategy, it's the rock that decides whether a project thrives or fails. Weak reservoirs can't be rescued by clever paperwork.

You don't need to interpret a seismic survey yourself. You do need to understand the three properties that set the ceiling on any project, because everything else is downstream of them.

- **Porosity** — how much oil or gas the rock can hold. Think of it as the storage capacity of the reservoir.
- **Permeability** — how easily those hydrocarbons can actually move through the rock to the wellbore. Storage without flow is a museum, not a business.
- **Saturation** — how much of the available pore space is actually filled with hydrocarbons versus water.

Together these explain why two wells in the same basin can have completely different fates. High-porosity, high-permeability formations (classic sandstones) tend to flow more freely — the "workhorses" of conventional production. Tighter rock (shales) can hold enormous volumes but gives it up slowly and often declines fast, requiring advanced techniques and more capital to produce.

Why it matters to you

A reservoir with strong natural characteristics can produce for years. One with weak properties may decline so quickly that the economics never work, no matter how good the marketing was. This is why disciplined operators spend so much time on formation quality *before* a drill bit ever turns — and why the first thing you should want to understand about any project is what the rock actually supports.

Look for

- Proven, well-understood formations with a production history nearby — not frontier bets dressed up as sure things.
- An operator who talks about porosity, permeability, and offset performance — not just acreage size.
- Honesty about decline: every well declines; the question is how gracefully.

9 How operators read the subsurface

You can tour an apartment building before you buy it. In oil & gas, the "building" sits thousands of feet down, in rock no one will ever see directly. So operators rely on tools that act like partial X-rays — powerful, but never certainties.

Well logs

As a well is drilled, instruments measure properties of the rock — things like resistivity, natural radiation, porosity, and fluid content. Those readings form a "log," a kind of electrocardiogram of the subsurface. Skilled geologists interpret logs to identify productive zones, water contacts, and non-productive intervals. Logs are data, not guarantees — and interpretation is where experience earns its keep.

Seismic

Seismic surveys use sound waves to map underground structures — the traps and faults where hydrocarbons may accumulate. Modern 3-D seismic is genuinely powerful, but it's still a map, not the territory. It reduces uncertainty; it doesn't eliminate it.

Look for

- An operator who grounds interpretation in real data — logs and nearby well performance — not just a compelling picture.
- Humility about uncertainty. "The data strongly suggests" is honest; "we know it's there" is a red flag.

The takeaway for an owner: subsurface interpretation is part science, part art. Your outcome rides on the quality of the interpretation and the discipline of the interpreter.

10 Multi-zone targets

One of the quieter ways a well can be more durable is by intersecting more than one productive zone. A wellbore that passes through several "pay" zones has built-in flexibility: as production from one zone naturally declines, the operator may be able to move to the next.

For an owner, multi-zone potential can mean the same wellbore delivers multiple cycles of production, extending its life and lowering the chance of early disappointment. It doesn't guarantee anything — the zones still have to perform — but it's a meaningful factor in how a project's risk and longevity are shaped.

Worth asking

"Is this a single-zone or multi-zone target, and how does that affect the well's expected life?" Completing additional zones can require additional capital (an assessment), so understand both the potential and the obligations that come with it.

11 What you're really buying: PDP, PDNP, PUD

Understanding the rock is step one. The next question is: what portion of those hydrocarbons can actually be produced and sold, and when? The industry answers with three acronyms that appear in nearly every operator's materials. They're shorthand for *certainty* and *timing* — and once you know them, you can read a project's risk profile at a glance.

PDP — Proved Developed Producing

Wells already drilled, completed, and actively producing, with infrastructure in place. The lowest-risk slice and the most predictable. The analogy: an apartment building with tenants already in place and rent checks already arriving.

PDNP — Proved Developed Non-Producing

Wells drilled but not yet producing — often waiting on a tie-in or minor work. The heavy lifting is largely done and production is expected in the near term. The analogy: a building fully constructed and waiting for tenants to move in. Low-to-moderate risk.

PUD — Proved Undeveloped

Confirmed hydrocarbons that still require capital — drilling or recompletion — to unlock. Higher risk and longer-dated, but often the growth engine, entered at a lower point. The analogy: land already zoned for apartments, where value is realized through development.

Why this framework is so useful

It translates geology into economics you can weigh. A package heavy on PDP is an income-oriented profile. One weighted toward PDNP and PUD blends near-term visibility with development upside — and more risk. The essential point: all three are *proved*. The rock has already spoken. The remaining question is timing — are you looking at rent checks today, next quarter, or after development is complete? Knowing the mix tells you what kind of venture you're really being invited into.

12 How a working interest actually pays you

Owning production means sharing in revenue — and in costs. Understanding how the money actually flows keeps you from being surprised, in either direction.

A few terms unlock how a working interest works. They sound technical; the ideas are simple.

- **Working interest (WI)** — your ownership share in the well's operations. It entitles you to a share of production, and it obligates you to a share of the costs. Ownership cuts both ways.
- **Royalty interest** — the landowner's (and sometimes others') share that comes "off the top," before working-interest owners are paid.
- **Net revenue interest (NRI)** — what you actually receive after royalties are deducted. Your NRI is smaller than your WI, and that's normal — the gap is the royalty burden.

Revenue net of expenses

Distributions, when they occur, are revenue *after* operating expenses. As a working-interest owner you bear your share of the cost of running the well — and you're responsible for that share even in a month when the well's revenue doesn't cover it. This is a real difference from passive products, and it's part of what makes this ownership rather than a coupon.

An honest wrinkle worth knowing. Because these ventures are typically taxed as partnerships, you can, in some years, owe tax on your share of income even if cash wasn't distributed to you. This is normal for pass-through ownership — and exactly the kind of thing to review with your own tax advisor before you participate, not after.

Look out for

Anyone who describes the payout as guaranteed, automatic, or "mailbox money." Real ownership means the payout depends on production and net of costs — and sometimes there is no payout at all.

13 Reading the life of a well

Striking oil is only the beginning. What matters to an owner is how a well produces *over time*. Two concepts let you read that story without an engineering degree.

Decline curves

Every well follows a production decline curve. Output is typically strongest early and falls as reservoir pressure drops. What you want to understand is the *shape* of that decline. A gradual, predictable decline signals a reliable reservoir. A steep drop-off can warn of short-lived returns — a well that flashes early and fades fast. Veteran operators read these curves the way a cardiologist reads an EKG.

Drive mechanisms and recovery

Hydrocarbons don't move on their own; something has to push them. Some reservoirs have strong natural drive (expanding gas or an active water drive) that sustains production; others need artificial lift, which adds cost. When natural pressure fades, operators may turn to secondary and tertiary recovery to extend a field's life. You don't need the physics — you need to know that a reservoir's drive is a major determinant of how long and how profitably it produces.

EUR — estimated ultimate recovery

EUR is the engineer's forecast of how much a well will produce over its entire life. For an owner it ties directly to the economics. But an EUR is only as good as the assumptions behind it — and this is where a single question separates disciplined operators from optimistic ones.

The question that matters most

"What offset wells support this estimate?" The most reliable forecasts are grounded in the actual performance of nearby wells in the same formation. An EUR built on real offset data is a projection with a foundation. An EUR built on hope is a marketing number. Ask which one you're looking at.

14 Proved vs. promised

Reserves are classified by how certain they are, and the vocabulary is worth knowing because promoters lean on the fuzzy end of it.

- **Proved (P1):** discovered, tested, and considered economically producible under current conditions. The firm ground.
- **Probable (P2):** reasonable evidence, but meaningfully less certainty.
- **Possible (P3):** more speculative still — often closer to hope than evidence.

Beyond even these sit "contingent" and "prospective" resources — discovered-but-not-yet-commercial, or undiscovered. They have a place in long-range planning, but experienced owners rarely lean on them when real capital is at risk.

The classic trap: "barrels in place"

Look out for

New participants often hear about "millions of barrels in place." Seasoned operators ask a colder question: *how much of that is actually recoverable, and at what cost?* Oil in the ground you can't economically produce is not an asset — it's a story. Any presentation that emphasizes barrels-in-place over recoverable reserves, or acreage size over well performance, is steering you toward the fuzzy end on purpose.

Here is the honest truth the whole industry lives with: subsurface interpretation is part science, part art. Logs and seismic reduce uncertainty; they never eliminate it. Geology is probability, and your outcome rides on the quality of the interpretation and the discipline of the interpreter. A sponsor who admits that is being straight with you. One who speaks in certainties is not.

15 Pillar Two — The Operator

If the rock sets the ceiling, the operator determines how close you get to it. The best reservoir in the world can fail in the wrong hands.

Once you've satisfied yourself on the geology, the operator becomes the most important variable — and often the one that separates a good outcome from a bad one on identical rock. Here's what to weigh.

- **Track record in the specific basin.** Local geology, regulatory nuance, and field execution can't be phoned in from a distance. Experience in *this* basin matters more than a generic résumé.
- **Technical competence across disciplines.** Geology, engineering, and field execution have to work in concert, not silos.
- **Capital discipline.** Durable projects work at conservative prices. If the economics only pencil at high oil prices, you're being sold speculation dressed as strategy.
- **Transparency about risk.** Experienced operators communicate risk as openly as opportunity. If everything you hear is upside, that itself is the warning.

The down-market test

Ask yourself one question about any operator: "**Would I trust this person to manage capital in a down market?**" Anyone can look good when prices are high. Discipline shows when they're not. If the answer isn't a confident yes, the project doesn't belong in your portfolio — no matter how good the rock is.

16 Pillar Three — The Infrastructure

Infrastructure rarely makes the pitch deck, and it's frequently decisive. A well drilled into strong rock by a competent operator can still underperform if the barrels can't get to market efficiently. This isn't about billion-dollar pipelines — it's about the practical systems that keep production flowing and costs predictable.

The two that matter most

- **Saltwater disposal.** Every barrel of oil often comes with barrels of water. If that water has to be hauled away, costs climb fast. Ready access to disposal — owned or contracted — keeps expenses predictable and extends well life.
- **Gas tie-ins and takeaway.** Gas has to reach a buyer to generate revenue. Wells tied directly into a pipeline enjoy faster time-to-market, lower cost, and greater reliability. Absent that, production can be stranded or delayed.

Look out for

A project that's silent on disposal and takeaway. Ask how produced water is handled and how the product reaches market. If the answer is vague, the economics are less certain than the presentation implies.

For an owner building for the long term, infrastructure is a quiet but essential pillar: it protects margins, reduces risk, and extends the life of the venture.

17 Pillar Four — Alignment

Rock, operator, and infrastructure all matter — but without alignment, even a good project can come apart. This is the trust factor that ties the other three together for your benefit.

Alignment means everyone — sponsor, operator, and partners — shares the same goals and benefits in the same direction. Misaligned incentives are where most capital is quietly lost. Here's what real alignment looks like.

- **The operator invests alongside you** — real capital at risk on the same terms, not just management from the sidelines.
- **Compensation tied to shared outcomes** — structures where the operator profits meaningfully only as partners do, rather than fees that are collected regardless.
- **Transparent structure** — you can clearly see fees, splits, conflicts, and decision-making authority. Unnecessary complexity often hides misalignment.
- **Long-term design** — built to perform across commodity cycles, not to make the sponsor whole on a single transaction.

An honest note on conflicts. In most direct ventures the sponsor wears more than one hat — managing member, and sometimes contractor or operator too. That's common and can be perfectly legitimate, but it creates conflicts of interest that must be *disclosed and managed*. The right response as an owner isn't alarm; it's to read the disclosures, understand where the sponsor makes money, and confirm the structure still leaves your interests genuinely aligned.

"When incentives are shared, compensation is performance-based, and structure is transparent, oil & gas becomes more than a deal — it becomes a partnership."

18 Economic durability

Geology decides what's underground. Markets decide what it's worth. The operators who last are the ones who respect both — and build ventures that survive the second even when it turns against them.

Does it work at conservative prices?

This is the durability test. A project underwritten to work only at high oil prices is a bet on the market. A project underwritten to work at conservative prices is a business, with higher prices as upside rather than a requirement. Ask which one you're looking at — and be skeptical of economics that depend on prices staying elevated.

How disciplined operators handle volatility

Commodity prices swing on geopolitics, weather, policy, and sentiment — forces no operator controls. Experienced ones don't pretend otherwise. Rather than betting on price, they manage it: some use hedging tools (such as futures, swaps, or collars) to smooth revenue and protect the downside, without giving up all of the upside. Not every operator hedges, but how a sponsor thinks about price risk is a window into their philosophy — are they running a business, or rolling the dice?

Look for

- Economics that hold up at conservative price assumptions.
- A clear, non-defensive answer to "what happens if prices fall?"
- A thoughtful approach to price risk rather than a bet on prices going up.

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PART THREE

What to Look Out For



Diligence is as much about spotting the bad as recognizing the good. Here are the warning signs — and the questions that surface them.

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19 Warning signs

Teaching you to spot a bad actor is the most honest thing an operator can do. If we're right about ourselves, this chapter only helps you.

Most disappointments in this space share a family resemblance. Here are the signals that a project — or a sponsor — deserves more scrutiny, or a pass.

Signals to slow down on

- **"Your job is to collect checks."** Passive framing on what's supposed to be an ownership venture. It mischaracterizes what you're buying — and a genuinely passive arrangement carries consequences a brochure won't mention.
- **Specific return promises or "beat-the-market" claims.** No one can tell you what a well will do. Certainty is a sales tool, not a fact.
- **Guaranteed cash flow, "safe," or "principal protected."** None of these belong in the same sentence as drilling.
- **Optimistic projections with no offset-well data.** A forecast with nothing underneath it.
- **Acreage size over well performance; "barrels in place" over recoverable reserves.** Steering toward the fuzzy end.
- **Economics that only work at high prices.** A market bet in disguise.
- **Manufactured urgency and scarcity.** "Only a few units left" pressures a decision that deserves patience.
- **Glossy decks, thin diligence.** Production doesn't come from a deck; it comes from the rock.
- **Opaque fees and conflicts.** If you can't see how the sponsor makes money, assume it isn't in your favor.
- **Compensation that rewards raising money over running the business.** Finder's fees and commissions on capital raised can pull a sponsor's incentives away from yours.

None of these, on its own, proves bad faith. But each is a reason to ask harder questions — which is exactly what the next chapter is for.

20 The questions to ask any sponsor — including us

This is the most useful page in the guide. Take it into every conversation. A sponsor's willingness to answer plainly tells you as much as the answers themselves.

On the rock

- What formation is this, and what's its production history nearby?
- What do the porosity, permeability, and saturation actually support?
- What offset wells support your recovery estimate?

On the reserves

- What's the mix of PDP, PDNP, and PUD in what I'd be participating in?
- Are you relying on recoverable reserves — or "barrels in place"?
- What does the decline curve look like, and how was it derived?

On the operator

- What's your track record in this specific basin?
- At what oil price do these economics still work?
- Tell me about a project that didn't go as planned — and what happened.

On infrastructure & price

- How is produced water handled? How does the product reach market?
- How do you think about price risk — do you hedge, and why or why not?

On alignment & structure

- Do you invest your own capital on the same terms?
- Exactly how and when do you get paid — and do you get paid if the well fails?
- What conflicts of interest exist, and how are they managed?
- What governance rights, votes, and information will I actually have?

On risk & obligations

- What's my worst-case outcome, and how likely is it?
- Could I be asked for more capital later? What happens if I decline?
- How long should I expect to hold this, and how illiquid is it really?

If a sponsor welcomes these questions, that's a good sign. If they deflect, rush you, or answer with a brochure, that's an answer too.

21 An illustration: how a neglected field gets a second life

To make the pillars concrete, here is an illustration of the *kind of approach* disciplined operators take. It describes a process, not a promise — and deliberately contains no figures.

Decades ago, majors and mid-majors drilled across many proven areas and, for reasons that had nothing to do with the geology, left value behind. Sometimes a productive zone was never perforated because prices or corporate priorities made it uneconomic *at that scale* at that time. The same rig and crew could make more elsewhere, so pockets of proven, producible hydrocarbon were simply bypassed and forgotten as assets changed hands.

A disciplined operator's playbook in that setting looks like this: identify proven fields with bypassed pay confirmed by real data; acquire the interest at a modest cost because the majors have moved on; apply modern analysis to what the older operators couldn't or wouldn't pursue; recomplete or redevelop with lean, careful operations; and produce responsibly, managing costs and risk the whole way. This is the opposite of wildcatting. It's disciplined value creation on rock that has already demonstrated what it can do.

What this illustrates

The four pillars in action — proven rock, a disciplined operator with modern tools, workable infrastructure, and a structure where the operator's success is tied to the partners'. It's a mindset of controlled risk and evidence over hope, not a claim about any specific result.

[Illustrative and generic; not a description of any specific Summit venture or result. Counsel to review before use, and to confirm whether any Summit-specific example may be substituted.]

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PART FOUR

Risk, Tax & Partnership



*The honest downside, the truth about tax, and what a real partnership
with Summit looks like.*

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22 Understanding the risks — honestly

We'd rather you understand the risk clearly now than be surprised later. If a document about oil & gas doesn't spend real time here, that itself is a warning sign.

Direct participation in oil & gas is speculative and involves a high degree of risk. The risks include, among others:

- **Loss of your entire capital contribution.** A well can be a dry hole or fail to produce commercially. Across the industry, a large share of drilling attempts never become commercially productive. You must be prepared to lose everything you commit.
- **Concentration / limited diversification.** A single-well or single-project venture offers little to no diversification. If that project fails, there is nothing else to carry it.
- **Additional obligations and assessments.** Ventures can call for further capital — for completion or later operations. Depending on the structure, failing to meet an assessment can mean forfeiting your interest entirely, including capital already contributed.
- **Illiquidity.** There is no public market for these interests and transfer is restricted. Plan to hold for the long term; you may not be able to exit when you wish.
- **Operational, geological, and price risk.** Drilling is complex; equipment fails; wells disappoint; commodity prices swing. Results vary widely and cannot be predicted.
- **Conflicts of interest.** A sponsor that is also managing member and a contractor to the venture has interests that must be disclosed and managed.
- **Regulatory and environmental risk.** Rules on drilling, water, emissions, and more evolve and can raise costs or impose restrictions; environmental liabilities can be significant and not always insurable.
- **Tax uncertainty.** Anticipated tax treatment is not guaranteed, depends on your facts and on rules that can change, and may be limited by law (see the next chapter).

None of this is a reason to avoid the asset class. It's the reason to approach it as an owner — informed, deliberate, appropriately sized, and only with capital you can afford to put at risk for years. Risk you can see, understand, and govern is a very different thing from risk you absorb blindly. This guide exists to move you toward the first.

23 Tax: a topic, not a promise

Direct oil & gas ownership has a distinctive place in the U.S. tax code — Congress has long provided incentives to encourage domestic energy production. You'll hear about intangible drilling costs, the depletion allowance, and, in some cases, like-kind (1031) considerations for qualifying real-property interests. These are real features of the landscape and worth understanding.

Here is the honest version, and it matters: these are *topics to understand with your own advisor*, not outcomes anyone can promise you. Whether any benefit applies — and to what extent — depends entirely on your individual facts, on applicable law and its limitations, and on elections you and your advisors make.

Why the caveats are real, not boilerplate

- **Passive-activity limits.** The ability to use certain losses can be limited by law. A "working-interest exception" exists, but it may not be available depending on how an interest is structured (for example, through an entity that limits liability). Whether it applies to you is fact-specific.
- **Individual eligibility.** Certain benefits, such as percentage depletion, depend on your own qualification and circumstances.
- **Retirement / tax-exempt accounts.** Participating through an IRA or other tax-exempt vehicle can create "unrelated business taxable income" and unexpected tax — these structures require special care.
- **Timing and recapture.** Early deductions can shift, rather than eliminate, tax over the life of the venture, and may be subject to recapture.
- **The law can change.** Tax treatment is subject to legislation and administrative action.

Please read this. This section is general information, not tax advice, and nothing here is guaranteed. Anyone who leads with a specific tax-savings figure is getting ahead of your facts and the law. Consult your own tax advisor before drawing any conclusions. Summit does not provide tax advice.

24 Is direct ownership right for you?

This isn't for everyone, and we'd rather you reach that conclusion honestly than be sold past it. Here's a candid self-assessment.

Direct participation tends to fit people who can answer yes to most of the following — and it tends not to fit people who can't.

- Do I have capital I can commit for the long term and genuinely afford to lose entirely?
- Am I comfortable with illiquidity — no public market, restricted transfer, and no easy exit?
- Am I prepared for the possibility of additional capital calls, and to understand what happens if I decline one?
- Do I want to be an *active* owner — reading reports, exercising governance rights — rather than a passive holder?
- Do I have (or will I engage) my own legal and tax advisors to evaluate my specific situation?
- Am I evaluating this as a business I'd own, not a shortcut to a tax outcome or a promised return?
- Do I meet the sophistication and qualification standards these ventures require?

If you found yourself hesitating on the questions about loss, illiquidity, or active involvement, that's valuable information. The right answer to "is this for me?" is sometimes no — and a sponsor worth partnering with will respect that answer as much as a yes.

25 What partnering with Summit looks like

We built Summit to give sophisticated business owners and professionals a better way to own energy — with the transparency and discipline usually reserved for institutions, and the alignment of a genuine partnership.

Our values, operationally

- **Partners First** — we structure ventures around what's right for our partners, and we participate alongside them.
- **Alignment** — incentives designed so we do well when our partners do.
- **Accountability** — every venture carries our name.
- **Transparency** — clarity about structure, risk, and conflicts, because trust is built in the light.

How the conversation works

There's no pressure here, because pressure isn't how good partnerships start. Every next step is about learning and mutual fit:

- **Read this guide** and sit with it. Use the questions in Chapter 14 — on us.
- **Watch our on-demand briefing** — a recorded walk-through of how this works.
- **Request a private strategy call** — a mutual-discovery conversation where we both decide whether there's alignment. Only if there is do we discuss specific opportunities suited to your goals, experience, risk tolerance, and timeline.

"An educated partner is the best partner we can have."

If the way we think resonates, we'd welcome the conversation. And if this asset class isn't right for you, this guide will still have done its job — because you'll be able to tell the difference, wherever you look.

[Insert counsel-approved CTA links / QR code and contact details after sign-off.]

Glossary of terms

Plain-language definitions for the terms you'll encounter. Educational only.

Working interest (WI). An ownership share in a well's operations — a right to a share of production and an obligation to a share of costs.

Net revenue interest (NRI). The share of production revenue an owner actually receives after royalties are deducted.

Royalty interest. A share of production paid "off the top," typically to the landowner, before working-interest owners.

Managing member. The party responsible for running the venture's day-to-day operations, subject to the governance rights reserved to members.

Operator. The party that physically conducts operations on a well; may be the sponsor, an affiliate, or a third party.

Turnkey drilling. An arrangement in which a fixed price covers drilling (and sometimes completion), with cost overruns generally borne by the contractor rather than the venture.

Capital contribution. The capital a participant commits to the venture.

Assessment. A call for additional capital (e.g., for completion or later operations). Depending on the structure, declining an assessment can carry consequences up to forfeiture of an interest.

PDP / PDNP / PUD. Proved Developed Producing / Proved Developed Non-Producing / Proved Undeveloped — reserve categories describing certainty and timing of production.

Proved / Probable / Possible (P1 / P2 / P3). Descending levels of certainty about reserves.

EUR (estimated ultimate recovery). An engineer's forecast of total production over a well's life; only as reliable as its underlying assumptions and offset data.

Decline curve. The pattern by which a well's production falls over time; its shape signals reservoir quality.

Offset well. A nearby well in the same formation whose actual performance can support (or undercut) a project's estimates.

Porosity / permeability / saturation. How much a rock can hold / how easily fluids flow through it / how much of the pore space holds hydrocarbons.

Drive mechanism. The natural force (e.g., gas expansion, water drive) that pushes hydrocarbons toward the wellbore; may require artificial lift when it fades.

Working-interest exception. A tax concept that can affect how losses are treated; availability is fact-specific and may be limited by how an interest is held. Consult your own tax advisor.

IDCs / depletion. Tax concepts associated with direct oil & gas ownership; general in nature, not guaranteed, and dependent on individual circumstances. Consult your own tax advisor.

UBTI. "Unrelated business taxable income" — can arise when participating through certain tax-exempt accounts (e.g., IRAs), potentially creating tax. Consult your own tax advisor.

Important disclosures

This guide is provided by Summit Ventures Investments, LLC for general educational and informational purposes only and is intended solely for sophisticated business owners and professionals. It is not, and should not be construed as, an offer to sell or a solicitation of an offer to buy any security, interest, or participation, and it is not investment, legal, accounting, or tax advice.

Summit's ventures are intended to be structured as active-member entrepreneurial joint ventures and not as passive investment products. Nonetheless, the interests may be characterized as securities depending on facts and circumstances; any participation would be offered only through formal offering and participation documents and a qualified-admission process, in a manner intended to comply with applicable private-offering exemptions, and only to participants who meet Summit's suitability standards, including accreditation verification where applicable.

Direct participation in oil & gas is speculative and involves a high degree of risk, including the possible loss of a participant's entire capital contribution. Interests are illiquid, have no public market, are subject to significant transfer restrictions, and may be subject to additional assessments, the non-payment of which can result in forfeiture of a participant's interest. Ventures may lack diversification. There is no assurance any venture will achieve its objectives, produce commercially, or make any distribution.

Statements regarding geology, reserves, recovery, decline, and operations are general and educational; actual results vary widely and cannot be predicted. Statements regarding tax treatment are general, depend on each participant's individual circumstances, are subject to change, are not guaranteed, and are not tax advice; consult your own tax advisor. Any illustrations of operational approach are generic and do not describe any specific venture or result. Past performance is not indicative of future results. Any forward-looking statements are subject to risks and uncertainties.

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