



An American Energy Revolution



Frank Holmes,
CEO and Chief
Investment Officer,
U.S. Global Investors

September 2013

In Texas these days, there's a feeling of absolute and unwavering confidence in the concept of an American energy revolution. From the depths of reserves to the richness of the energy, an incredible transformation is taking place.

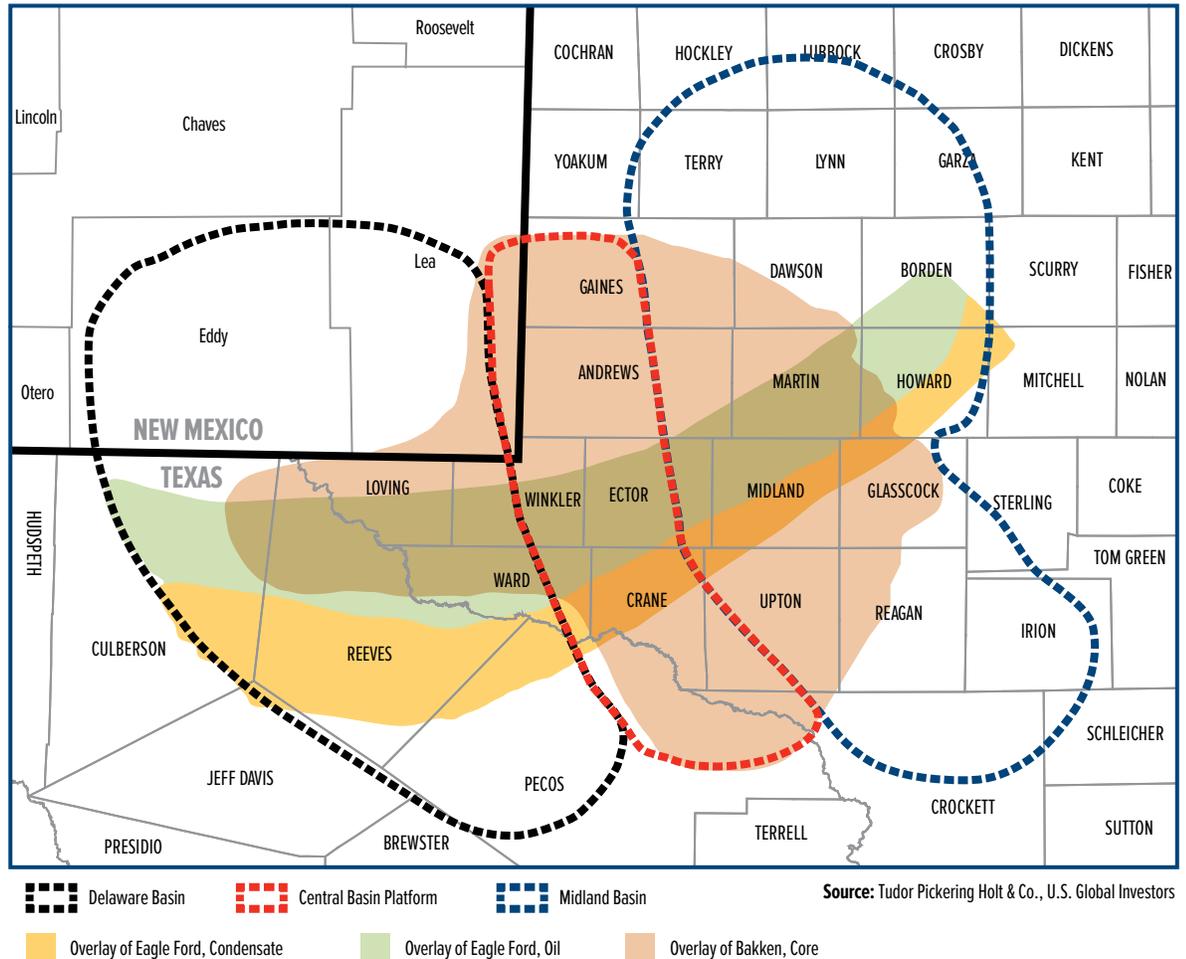
We've been talking about the **significant impact of the U.S.'s oil production** for a while now, but the buzz about shale oil and gas is only getting louder. At Morgan Stanley's energy forum in Houston in August, Director of Research John Derrick and Portfolio Manager Evan Smith said shale was the prevailing topic.

One area that's driving this game-changing trend is located only hours from our headquarters. It's the Permian Basin located in western Texas and

southeastern New Mexico, covering an enormous area. Three component parts make up the Permian: the western Delaware, Central Basin and eastern Midland. If you overlay the Eagle Ford and Bakken basin areas over the Permian, you can see that both the Bakken and the Eagle Ford shale formations easily fit inside.

The area isn't new to the oil industry, as companies have been drilling in the Permian area for almost a century. Back in the 1970s, oil production reached 2 million barrels per day, but fell to 800,000 barrels per day in 2007. It wasn't because the oil wells had dried up but companies couldn't get at the resource. But now since the introduction of shale technology, oil production began increasing once more to 1.2 million barrels per day by 2012.

Permian Basin is Bigger than Eagle Ford and Bakken Combined



And as more data is released, the more convinced we are that this incredible growth will continue. According to Tudor Pickering Holt & Co., by 2025, oil production is projected to more than double to more than 3 million barrels per day. That's about as much oil that is produced these days by Kuwait, the third largest oil producer in OPEC.

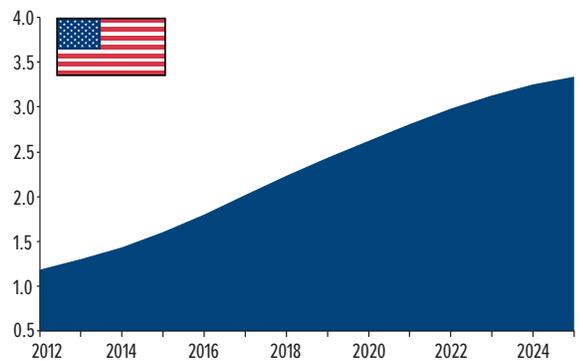
Natural gas in the Permian Basin is also estimated to substantially increase, growing from about 4.3 million cubic feet per day to more than 7 million cubic feet per day.

When it comes to investment plays, "the Permian is red hot right now," says Global Hunter Securities. The research firm finds that, on a year-to-date basis, if you invested in the "pure-play" companies, including Concho Resources (CXO), Diamondback Energy (FANG) and Pioneer Natural Resources (PXD), that have a resource base in the Permian area, your portfolio would be up an incredible 39 percent.

By comparison, over the same timeframe, the SPDR S&P Oil & Gas Exploration & Production ETF (XOP) increased only 15 percent. The S&P 500 Index, which has had a great run so far, rose 16 percent.

Permian Basin Oil Production May Reach More Than 3 Million Barrels of Oil Per Day by 2025

Forecasted base oil production, in million barrels of oil equivalent per day



Pioneer has been a long-term holding in the Global Resources Fund (PSPFX), and has benefited the fund with its handsome return of about 60 percent so far this year. We continue to be bullish on the company due to its substantial presence in the Permian. Pioneer has a net resource base of about 7 billion barrels of oil equivalent across more than 40,000 drilling locations in the Permian, according to Global Hunter. This enormous resource base translates to decades of drilling ahead.

Read more of Frank's insights on his blog, "Frank Talk." Visit usfunds.com/franktalk.

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Here in San Antonio, we've personally witnessed several economic benefits that have positive repercussions for the entire U.S. Locally, there's been a rapid monetization of energy assets. Businesses have been building incredible expertise and creating a growing number of high-paying jobs. For the rest of the country, the effects of cheaper gas and readily available energy create enormous potential for a more competitive United States of America.

We're seeing savvy investors already taking advantage of the nation's incredible energy shift. You might not want to miss out. One solution that aims for better growth potential and lower volatility is the Global Resources Fund, which takes a balanced approach to the energy and materials sectors.

Evan Smith contributed to this commentary.



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Foreign and emerging market investing involves special risks such as currency fluctuation and less public disclosure, as well as economic and political risk. Because the Global Resources Fund concentrates its investments in a specific industry, the fund may be subject to greater risks and fluctuations than a portfolio representing a broader range of industries.

The S&P 500 Index is a widely recognized capitalization-weighted index of 500 common stock prices in U.S. companies. All opinions expressed and data provided are subject to change without notice. Some of these opinions may not be appropriate to every investor.

Holdings in the Global Resources Fund as a percentage of net assets as of 6/30/13: Concho Resources, Inc., 0.0%; Diamondback Energy, Inc., 0.0%; Pioneer Natural Resources Co., 1.87%; SPDR S&P Oil & Gas Exploration & Production ETF, 0.0%. 13-438