



STRONGHEART

ENERGY MANAGEMENT II, LP

Performance, Strategy & Outlook for 2026

Published December 2025

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2025 marked a milestone year for **StrongHeart Energy**, as we delivered approximately **40%** annual returns across our investment programs while continuing to build one of the most tax-efficient and operationally disciplined energy portfolios in the U.S. market.

Our success stems from a focused non-operated (“non-op”) investment strategy targeting proven basins, rigorous operator selection, and a turnkey model that eliminates drilling risk and capital calls for investors. With distributions ramping from our inaugural fund and Fund II now fully subscribed, **StrongHeart** enters **2026** with a robust pipeline of new projects and expanded relationships with Tier-1 operators.

The U.S. energy sector continues to demonstrate exceptional resilience and returns despite macro volatility. As of late 2025, **West Texas Intermediate (WTI) has averaged roughly in the mid-to-high \$70s per barrel**, supported by disciplined U.S. production, global supply disruptions, and underinvestment in new exploration outside North America.

The Permian, Powder River, and Williston Basins remain among the most productive regions globally. With improved completion efficiencies, longer laterals, and enhanced recovery techniques, many horizontal wells now reach first oil faster and maintain flatter decline curves – boosting investor yield and shortening payback periods.

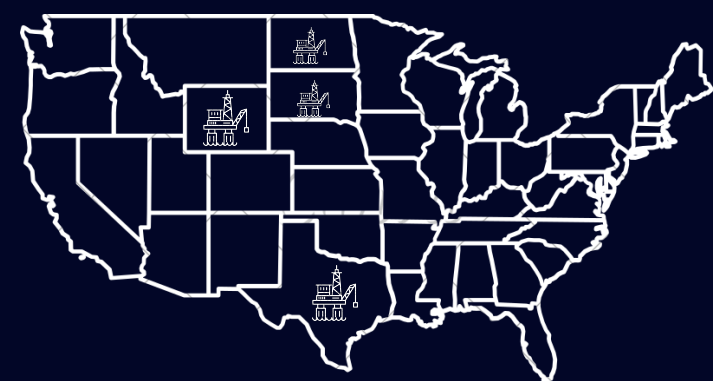


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Top Performing U.S. Energy Basins (2025)



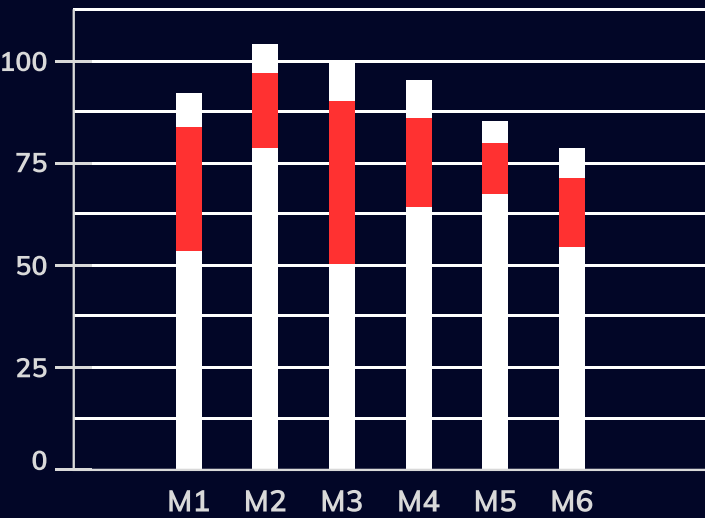
- **Permian Basin:** Largest U.S. producer, >5M BOPD, continued drilling efficiency gains.
- **Powder River Basin:** High-yield horizontals with strong recovery factors.
- **Williston (Bakken):** Mature, stable production with resilient margins.

StrongHeart’s portfolio targets proven, high-return basins with disciplined operator partnerships.

Efficiency Evolution in U.S. Shale Operations

- +45 % increase in lateral length
- +30 % higher initial production (IP) rates
- 20 % reduction in drilling cycle time

Improved completions and recovery techniques accelerate payback and enhance investor yield.



From Basin Efficiency to Investor Yield



- ✓ **Faster “first oil” → earlier cash flow**
- ✓ **Flatter decline curves → longer income stability**
- ✓ **Diversified basin exposure → reduced operational volatility**

Performance through disciplined, data-driven execution.

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Against this backdrop, private energy investment funds like StrongHeart have gained traction as sophisticated investors seek hard-asset exposure with inflation protection and cash-flow-backed yields unavailable in public markets.

Performance Review: StrongHeart Fund I

StrongHeart Energy Fund I LP completed drilling across **20 wells** in partnership with **EOG Resources, Hess Corporation, Anschutz Exploration, and Continental Resources** — each among the most reputable and technically advanced independent operators in the U.S.

Key Highlights (as of Q4 2025):

- **~40% annualized return since inception**
- **All 20 wells online by Q3 2025**; first six producing by February
- **Top-quartile production:** Cadet Pad averaged **1,592 BOPD** per well, with two exceeding **2,000 BOPD** — among the most productive ever drilled in Johnson County, WY
- **Early investor distributions:** cumulative **>5% of capital** returned within two months of initial production
- **Zero dry holes or capital calls** under StrongHeart's **Dry Hole Protection Program**, which replaces underperforming wells at no cost to investors

These results underscore StrongHeart's commitment to **disciplined underwriting, data-driven geologic validation, and alignment with premier operators** to deliver consistent, risk-adjusted outcomes.



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Strategy: Precision Investing in Proven Basins

StrongHeart's investment model centers on non-operated working interests in high-performing basins:



Why Non-Op Works:

- **Lower Overhead:** Investors participate directly in production revenues without operating or administrative burdens.
- **Diversification:** Exposure to multiple wells and operators minimizes single-well risk.
- **Transparency:** Direct revenue and cost data flow from operator partners.
- **Efficiency:** Funds deployed only into fully permitted, high-probability wells with nearby producing offsets.

This disciplined approach allows StrongHeart to act as a capital partner to elite operators, leveraging their technical execution while maintaining investor-level oversight.

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Peer Comparables & Benchmarking

To contextualize StrongHeart’s results, we benchmarked Fund I’s 2025 performance against leading private drilling sponsors as analyzed in Mick Law P.C.’s industry studies. The firm’s Five-Year Performance Study (2018–2022) — and its subsequent year-end sponsor reports — provide an independent cash-on-cash comparison across major sponsors (including Mewbourne Development, U.S. Energy Development, MDS Energy, APX Energy, John Henry Oil, and S.T.L. Resources), and serve as the basis for our peer positioning.

That independent analysis reviewed six major sponsors: Mewbourne Development, U.S. Energy Development, MDS Energy, APX Energy, John Henry Oil, and S.T.L. Resources.

2022 Five Sponsors						
Company	Capital	Mo. Distr.	Cash on Cash	Periodic	Report Date	Qualitative Rank*
Mewbourne MEP 22-A	\$250.0 mm	12	35%	30.14% (12-Mo.)	Apr. 2024	1
US Energy 2022	\$112.19 mm	10	16%	16.0% (12-Mo.)	Jan. 2024	2
MDS 2022	\$147.17 mm	13	8%	7.04% (12-Mo.)	April. 2024	3
JHO Trenton Bl. River IV	\$6.70 mm	7	2%	NR	May 2024	4
STL Fund D	\$25.86 mm	NA	0%	0% (1)	Dec. 2024	5

Relative Performance Analysis:

StrongHeart’s **40%** annualized return outpaces even top-quartile benchmarks (**Mewbourne’s 33.9%**). Fund I achieved a faster payout trajectory – within the first production year – versus the **24–48** month distribution periods typical among peers.

Its **51% tax-adjusted ROI** further boosts after-tax yield relative to conventional partnerships lacking pass-through IDC deductions.

Across the independent broker-dealer landscape, no other energy sponsor achieved comparable early-stage returns, payout velocity, and tax efficiency. StrongHeart ranks among the highest-performing non-operated energy programs in the United States

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Tax Advantages: A Core Component of Investor Return

Oil and gas partnerships enjoy some of the most favorable tax treatments in the U.S. Internal Revenue Code. According to the 2025 independent CPA memorandum by LBCarlson and supported by a legal opinion from Winston & Strawn LLP, StrongHeart Energy I LP investors benefited from significant Intangible Drilling Cost (IDC) and depreciation deductions.

Illustrative Tax Benefits:

- Up to **85% first-year** tax deduction from intangible drilling and development costs.
- **15%** of oil revenue tax-free through statutory percentage depletion.
- Bonus depreciation on tangible equipment in year two (**40% immediate, 60% over seven years**).

Example (per \$100,000 investment):

- **\$85,000** deductible in Year 1 → **\$31,450** potential tax savings for a **37%** marginal taxpayer.
- Immediate reduction of “at-risk capital” to roughly **\$68,550** while retaining full revenue upside.

These advantages uniquely position StrongHeart as a vehicle for after-tax yield generation and portfolio diversification – particularly attractive for accredited investors facing high federal income tax burdens.



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Risk Management and Due Diligence

StrongHeart mitigates investor risk through:

1. Turnkey structure: All wells drilled and completed; investors face no cost overruns.
2. Pre-drilled verification: Investment only in areas with strong producing offsets.
3. Dry Hole Protection: Replacement of any non-productive well at no cost.
4. Partner alignment: Participation alongside operators in the same working interests.

This structure transforms the traditionally risky E&P investment landscape into a predictable, income-oriented asset class.

The Road Ahead: Fund II and Pipeline Development

Following the success of **Fund I**, **StrongHeart Energy Management II LP** (“Fund II”) launched **mid-2025** with five wells across three basins – continuing partnerships with Hess and Anschutz while expanding into additional Powder River and Bakken opportunities.

Fund II features:

- **18-month** investment horizon
- Target **19.9% ROI / 51.3% tax-adjusted ROI**
- **24.4% IRR / 85% tax-adjusted IRR**
- No capital calls, no dry holes, proven operators only
- The Fund II pipeline also includes additional joint ventures in the DJ and Delaware Basins, positioning StrongHeart to scale AUM while maintaining its data-driven underwriting approach.

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Outlook for Next Year: Growth Through Discipline

As public markets remain volatile and institutional capital reallocates toward real assets, private energy partnerships are increasingly recognized as core alternative investments.

StrongHeart 2026 priorities include:

- Expanding its operator partnerships to include new majors and private independents.
- Continuing monthly investor distributions as additional wells reach steady state.
- Launching Fund III with a focus on near-production-stage assets for yield stability.
- Maintaining strict environmental and operational compliance standards aligned with U.S. ESG reporting frameworks.

Conclusion:

StrongHeart Energy's 2025 performance validates our disciplined approach to energy investing: pairing institutional-grade risk management with the scalability of U.S. shale. Our focus on non-operated interests, proven basins, and tax efficiency has delivered both predictable income and competitive returns – while offering investors true exposure to the engine of America's energy independence.

As we close the year, **StrongHeart** stands at the intersection of production growth, fiscal efficiency, and energy resilience, poised to continue delivering sustainable value into **2026** and beyond.



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Strongheart Energy I LP Fund

1. Executive Summary

This report presents an independent analysis of the Strongheart Energy I Fund covering performance through September 2025 and projecting results through December 2025. The objective is to verify the actual returns generated during the first nine months of operation and to assess the expected performance for the full twelve-month period.

2. Methodology

- Data was collected from official fund contribution and distribution records, investor statements, and Revenue and Lease Operating Expense Statements from the Oil and Gas Operators of the wells in this fund (Hess, Anschutz Exploration, EOG Resources, and Continental Resources).
- Returns were calculated based on cumulative distributions relative to the original capital contribution.
- Projections for Q4 (October–December 2025) are based on historical monthly distribution averages and management-provided estimates.

3. Actual Results (From December 2024 Through September 2025)

Period	Months	Return (%)	Notes
December 2024 – September 2025	9	31.43%	Based on actual distributions received to date.

These results confirm that investors have received distributions totaling 31% of contributed capital during the first nine months of the investment period.

4. Projected Results (October – December 2025)

Month	Projected Distribution (%)	Projected Cumulative Return (%)
October 2025	2.84%	34.27%
November 2025	2.81%	37.08%
December 2025	2.77%	39.85%

Based on historical trends and expected fund cash flows, total distributions for the first full year (December 2024 – December 2025) are projected to yield a 39.85% total return on contributed capital

5. Analysis and Interpretation

The Strongheart Energy I Fund has demonstrated above-market performance within its peer group of oil and gas working-interest funds. Key factors influencing returns include:

- Mixed Commodity pricing during the period.
- Effective capital allocation and operational efficiency.
- Effective selection of well investment, leading to strong well performance and favorable production curves.

The consistency of monthly distributions indicates strong underlying production stability and prudent fund management.

6. Conclusion

The accounting analysis confirms that Strongheart Energy I Fund has achieved a 31.43% realized distribution return over its first nine months and is on track to deliver a 39.85% first-year return based on projected Q4 distributions. This performance validates the fund's investment thesis and supports continued investor confidence in future offerings including the Strongheart Energy II LP 2025 Fund

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