

10-13-2020 Why I Invested in Flowtex

Ashley Matthysse: [00:00:01] Hi there, Ashley Matthysse with TEN Capital. I am joined today by Beau Flowers with Flowtex and their investor, Brent Mathie. Thank you, gentlemen, both so much for joining me today.

both guests: [00:00:15] Thanks for having us.

Ashley Matthysse: [00:00:16] Yeah. So, Beau, if you could start us off by just giving us a quick overview of Flowtex.

Beau Flowers: [00:00:23] Ok, Flowtex Energy is a, we're a small, mid-level oil and gas natural-gas producer based out of Austin, Texas. We've been in business now going on five years and we work with private investors across the country to develop proven oil fields, mainly in the southeast Texas area, and we work with folks who love to invest in our projects for not only the significant return potential that comes with the oil and gas business, but also for the unique and often fantastic tax benefits that they are able to see from the investments, and we've had a great deal of success over the past few years and actually, a really, really good amount of success over the past six months and that's why we're kind of expanding our base and expanding our operations there in southeast Texas.

Ashley Matthysse: [00:01:14] Brent, I'd love to go ahead and ask you some questions. So, what is your background as an investor?

Brent Mathie: [00:01:23] I've been investing probably for 20 years. For the last 10, we've kind of refined our investment philosophy. We look at opportunities that are more Main Street than Wall Street. We pretty much have fired the institutional money thing, so we're looking at being as close to the asset as possible, we look for long-term holds with returns, cash flow, and tax advantages. We try to diversify across industries, oil and gas for us is very new, so, [00:01:53] reaching out to Flowtex and learning a little bit about what they were offering to investors like us was really interesting to us [00:01:59] about a year and a half, two years ago. But we invest in real estate, in other energy sectors like coal, but it's coal distillation, which is more of a process that's environmentally friendly, that generate byproducts for high-grade pharmaceuticals, and

as well in the finance space in several startups. So, in the last 10 years, we've gotten to rely heavily on syndicators, so people that we have a lot of trust and confidence in that know their respective industries, and that's proven to be a fairly lucrative approach for us, so we're really pleased to be working with Flowtex now to help us in the oil and gas space.

Ashley Matthysse: [00:02:40] What made you decide to invest in this deal?

Brent Mathie: [00:02:44] Well, we have, actually, this is, we've done three projects. So, it started with dipping our toe in the water, we liked that Flowtex relative to other companies in oil and gas is smaller. It's a niche market, if you will, for us anyway, and the first one that we did was an actual full lifecycle, I guess you'd call it. So, it started with looking at all the geological information, the engineering, actually doing a drill-test completion and into production and that was Yang. And then Rockdale, which was something that was already operating, and then now the third one. But for us, [00:03:21] it really came back to looking to diversify, nothing really in our portfolio was directly tied to oil and gas and it met our philosophy. [00:03:31] Like I said, it's cash flow, longer-term hold, good returns and tax advantages.

Ashley Matthysse: [00:03:36] Ok. What did you like about the team?

Brent Mathie: [00:03:40] Willing to answer a lot of our questions. So I'm saying it again, it was new for us. I'm not an oil and gas guy other than filling my vehicle up at the pump and changing the oil in my vehicle, that's about it. I mean, awareness of the industry, yes, but investing in it, no. So, they were very responsive in answering all of our questions, not just about the individual opportunities, but in general, their business plan, their company, what their targets were, what their philosophies were. So there was an alignment there, it was kind of fitting something that we were looking for in our portfolio. So, we thought we would try the first one, and I mean, there are all kinds of acronyms in this industry that I had no idea what they were about. [00:04:25] So, Beau and team were fantastic in educating me and I'm still learning, [00:04:30] and like in any investment, there are things that you plan for and there are things that happen that you don't plan for. And [00:04:37] what I've really liked so far is things may change and it's the way that they've reacted or responded to the changes. [00:04:44]

Ashley Matthysse: [00:04:45] And why do you think this company will continue to be successful?

Brent Mathie: [00:04:50] I think they really care about setting expectations and communicating on a regular basis to the investors. Like I said earlier, we rely heavily on our syndicators, and for me, team matters, communication matters. So, I get regular communications from Beau's team, the communications are really important to us or to me, my wife and I, and I can see that resonating with other investors. [00:05:18] So I can see where other folks would be interested in investing with this company, I can see how this company can grow, they're [00:05:25] not trying to I mean, they're not desperate for new projects. It seems like they're looking at things that fit their business model, whereas you can sense with some other companies out, they're not just in this industry, but they're a little overeager to generate new projects and drive more investors in their company, and I don't get that desperation here, I get it's a real, solid, thought out business approach to the company and it meets our needs.

Ashley Matthysse: [00:05:57] What challenges have you seen the company face and overcome?

Brent Mathie: [00:06:02] One or two come to mind. So, Rockdale, one of them that we're involved in, has had a much slower start, but the communications along the way kind of made me understand what was going on, and recently there was a decision made to get boots on the ground, and that really, for me, shows that things that don't necessarily go according to plan, that's going to happen in any investment in any project. For me, it matters when the company that you're investing with, it's how they respond to that, and we really appreciated that decision to actually get somebody out there and, you know, boots on the ground, and hopefully that's going to drive a lot more progress than we've seen.

Ashley Matthysse: [00:06:45] What excites you most about this opportunity?

Brent Mathie: [00:06:48] I think just the fact that we're in this industry now at a smaller level, if you will, just a few projects, but that we're seeing the returns are there. Again, it's meeting our expectations. So, cash flow potential, overall return, tax advantages, and so for us, what excites us is actually, you know, meeting or exceeding those

expectations. And I mean, as things progress, I mean, I'm sure we'll be involved in more.

Ashley Matthysse: [00:07:17] How are you helping the team?

Brent Mathie: [00:07:21] I think I talk a lot with Aldo on Beau's team and we often just have these informal exchanges of information and sometimes I'll let him know what other syndicators have done for us. So, back to communications - I mean, and I think I've shared this with Aldo a few times - I don't know of another syndicator I've worked with that still relies on hard copies and FedEx. And, when it comes to sending distributions in the mail, I just think that that's an area where this company could grow and evolve, so we've talked about that, it's not that it's off the table, but the possibility of going more digital. I mean, as you all know, with where things are in this world we live in, you know, virtual is just a way of life and being able to do things. I mean, I was in Canada for several months this past summer, and to be able logistically to do things, relying on FedEx and the post office if you will per se, it was a little cumbersome, but I think that's something that they can improve on. So, it's just that kind of feedback and they're super open to those kinds of things. So, that's what I appreciate, there's always the openness to new ideas.

Ashley Matthysse: [00:08:32] And what else should other investors know about the company?

Brent Mathie: [00:08:36] Oh, gosh. That [00:08:38] they're reliable, that they maintain solid communications, they set appropriate expectations, and they're willing to spend the time to teach. Like [00:08:50] I said, this is a niche part of the oil and gas industry, I had no idea about it, and there's been a steep learning curve for me, but they're willing to spend the time to make sure that you clearly understand what you're in for. And it's not just all of the big positives or the possibilities, but even the risks, understanding the risks and I think that's important. I mean, Aldo just yesterday he and I were talking about investor risk tolerance and I think that's important when as a company understanding who your partners and your investors are because some have more or less tolerances than others, and it's important to make sure that those folks clearly... I guess for me, what was important is I expressed what my risk tolerance was and there seemed to be a fit there, so [00:09:39] I think what's really important is making sure that both parties

understand what they're getting into in terms of a relationship. [00:09:45] And it's OK to say "no". And I think that's important too is it's OK to say "no".

Ashley Matthysse: [00:09:50] Wonderful. Well, thank you so much, Brent. That's the end of my questions. Beau, could you give us an update on Flowtex and the status of your fundraiser?

Beau Flowers: [00:10:00] Absolutely. Thanks again, Brent. I really appreciate it.

Beau Flowers: [00:10:03] Right now, the status of Flowtex, we're in a really exciting time right now, our Yang well that he's in is doing really well. We had some issues getting it valved in earlier in the year, but now that we've got it over the past two months, it's doing fantastic, really right along where we expected to be. And then in addition to that, as of Saturday, our latest project, which is called The Wolf, the excuse me, the huge _____ which was an old well that was drilled originally by a bigger company back in the '80s. We went into it starting in the beginning of August, and we're kind of revamping it, replacing some of the old and trying to bring it back to life, and our expectations for that project, our production goal for that project, we were hoping to get about a 100-115 barrels of oil per day would be a very, very successful project. And, we turned the well on last Thursday, this past Thursday, and as of Saturday, it was doing, the last day that we had in production before replacing some of the equipment, we topped out at about 240 barrels a day. So, it was doing about two and a half times better than what we thought, which would equate to - I think the folks in that project invested a total of \$110,000 in it, 240 barrels a day in their monthly incomes, over \$20,000 a month. So, we're extremely excited about that and continue to work with that one. The project that we're currently funding, the project that Brent's in, and it's called the Wolf Hughes Joint Venture. It's two wells, we're drilling two different wells, one of which is in the exact same field of the well that I just spoke about that came on so successfully, and at this point, we're about 80% funded. We're looking for, I think, four or five more investors to come in at the \$90,000 investment range, and that's going to be 100% tax-deductible. We're already in motion of getting that project started and they should start seeing revenue on that project either in December or January of next year. So, anybody that comes on board here in the next few weeks to a month will be put in a position to get some really good tax benefits this year, but also be in a position to see some pretty relatively quick returns coming in December, January.

Ashley Matthysse: [00:12:29] All right. Well, thank you so much. Thank you to both of you for being here today, really appreciate your time.

both guests: [00:12:35] Same with you guys. Appreciate it. Thanks guys. Have a good one.