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Hello I am Matt Sallee, President of Tortoise.

Happy Halloween, last week was all about earnings and energy companies put up some spooky-good results with the key themes being record profits, strong demand, increased buybacks, Bakken volume improvement but Marcellus infrastructure issues. Jumping in to the details

Independent refiner, Valero, announced a beat over already very lofty expectations. The key macro highlight is that refined product demand across their system is running above 2019 levels. In fact, their diesel volumes are 36% over 2019 and gasoline is up 8%, wow. Within their core refining business gross profit was 4x greater than Q3 2021 on strong utilization and massive refining spreads. These margins have been driven by insufficient refining capacity to keep up current demand levels along with extremely low diesel inventories. On low carbon fuels, renewable diesel profits roughly doubled on much higher volumes from their 2021 plant expansion partially offset by lower margin per barrel vs last year.

On the gas front, Marcellus producer, EQT, missed and made a big cut to Q4 guidance. The drivers of the reduction are lower well count from 3rd party infrastructure issues and a higher assumed regional discount on their gas price. These near-term issues were more than offset by the company doubling their share repurchase program to \$2B and increasing the debt reduction target from \$2.5B to \$4B which will leave them at 1.25x leverage at \$2.75 gas.

Another Marcellus name, Range, missed slightly for the quarter as production volumes were impacted by 3rd party midstream assets however, the bigger story was on capital returns. The company has repurchased \$326M of equity YTD and tripled its buyback authorization to \$1.5B which is nearly 25% of the company's market cap.

On the oil front, Hess Corp reported a beat and raised full year guidance driven primarily by healthy production volumes which came in over guidance for the quarter and are expected to do the same in Q4. The company also continues to be active on the buyback front and expected to exhaust its current authorization by the end of the year.

Moving to the Permian, Pioneer announced yet another strong quarter with volumes at the top end of the range and surprisingly strong price realizations. On the returns front they bought back \$500M of equity during the quarter and will pay a fixed + variable dividend of \$5.71 which is down vs last quarter but still a sporty 9% annualized yield.

On the midstream front, Magellan reported a beat for the quarter as the impact of inflation link tariffs was bigger than expected. Additionally, they benefitted from a higher mix of long-haul volumes. They also bumped the full year guidance slightly but less than the quarter's beat would imply so I suspect the outlook is still conservative.

Hess Midstream beat for the quarter and raised full year guidance. The beat was driven by strong Bakken volumes which were up over 20% sequentially from Hess Corp's increased drilling activity and higher gas capture. Following the strong quarter and guidance boost they are also reiterating their longer-term outlook.

For the majors, Exxon and Chevron made so much money during the quarter that XOM got called out by President Biden who was upset that they are paying dividends to their shareholders instead of "cutting fuel prices for American families". These are still for-profit entities, right?

Last but not least on the utility front several portfolio holdings announced results which were mixed for the quarter but in general outlooks for steady growth were maintained.

Beyond earnings, Excelebrate Energy announced the finalization of yet another LNG contract with the German government to deliver incremental gas supplies to the country. The service will be delivered using a floating regasification unit which will be online in Q1 2023 for a term of 5 years.

I'll leave it there for now, have a great week.

Thank you for joining us. And stay tuned for our next episode. Have topics you want covered or other feedback to share? Write us at info@tortoiseecofin.com.

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