



Title: Black Gold for Cashflow (Episode 007)

0:00:18 Andy: Hello, Andy Tanner here, welcome to The Cash Flow Academy Show. Awesome to be with you, welcome, welcome, welcome. Welcome, congratulations too, every time, I always make it a point to congratulate people, why? Well you deserve it coz you're doing something other people aren't doing, other people aren't listening to this other than the other people listening to this, did that make sense? Probably not. But you're listening, some are, some aren't and so you deserve some congratulations. And investment itself is always one of the greatest investments we deserve to take time to do that.

So we're gonna keep things simple, we're gonna keep things light, fun, most importantly, we're gonna talk about something real. If you want more on this topic by the way, I've done a few YouTube videos on this when you close your computer, you can check those out. But I've been spending a lot of time since about last December focusing on oil and that's what we're gonna be speaking about today, oil, oil, oil and oil is a source of cash flow. We're gonna talk about different ways to benefit from oil, we'll talk about cash flow as opposed to a capital gain which nothing wrong with capital gain as long as it cash flows do, we want our cake and eat it too. And so we're gonna speak a little bit about oil.

Now, there's lots of different ways people make money with oil, there's big oil, there's small oil, there's credited investors, others who are retail investors, wholesale investors, all kinds of different people in the oil business. And when I was younger, when I thought of oil, I thought of the old show Dallas, remember that? I didn't like it because it was too much drama for me as a kid, I remember the... What I usually do with the TV program Dallas, those who seen it, JR Ewing and all these and Bobby and all that, had like the coolest theme song, they fly over the Dallas, old Dallas Cowboy Stadium there and after the song was over, that was pretty much it for me, too much drama after that.

But there's oil and there's money in oil, black gold is what they call it, Beverly Hill Billy's got rich on oil. And I've got some friends that do very well in oil, I dabble in oil and I wanna speak about it today because I think it's an interesting time for oil. It's not to say that it's the right investment for you necessarily, again, it always comes down to the level of our education so let's improve that now and maybe it will be good for you, maybe it won't, maybe you'll decide it's not for you. Let's talk about oil for cash flow traditionally. Now, when I say cash flowing oil, that's an interesting investment and I've got scheduled a special guest coming up here so this would be a great podcast prepare for him and I hope he catch this podcast before I have on my special guest, we're bringing in some oil experts to interview. So this would be a good baseline, this will be a good preparation for that.



But I have a very good friend and he does very, very well in oil, hundreds and hundreds of thousands of dollars a month in cash flow from oil and he was very fortunate, a lot of it was his father's doing, his father was the president of the oil company, he knew how valuable this could be. He also knew about how technology was the trajectory is improving, that's called ???

[0:03:35] where we can do more with less and get more with less and technology helps us do more with less. And so he went out and invested in some oil leases, in other words, he go around the farmers and ranchers and people with private lands out in the middle of nowhere and said look, are you gonna drill, are you gonna mine? They go, no. You're going to get in that business? They say no. He says, I'll tell you what then I'll give you some money right now for the rights to see if I can search for oil in your property, here will be my footprint, you can live with that, off we go. And so they had these for many, many years and these rights and you can, it's called an oil lease, you can lease a property for the oil that's on there and extract the oil out.

It's really a part of the real estate business, well sure enough, the technology improved and then they could do this fracking and the next thing you know, old Jed's a millionaire, right? And so he didn't move to Beverly Hills but he does very, very well, hundreds of thousands of dollars each month that he gets from oil companies and he gets a piece of every barrel they pump out of there, why? Well he has the rights to the drilling and they have to lease that from him if they wanna drill coz he has those rights. And so that's a wonderful investment and cash flow and you think about it, an oil well can last 20 – 30 years plus and what a great retirement, just sit there. It's also somewhat inflation adjusted I think, I mean, it's not always true but if the dollar weakens, the price of oil goes up so it just give you the extra dollars that you need. So it's a wonderful tax break that way and there's lot to be said for oil.

Now, the downside, it's not a downside but people, you just can't get out and start buying in to oil wells coz you can do that as well, you can go to a drilling company or an oil company and say, hey, I want to speculate and I want to invest in money in some of your projects and most people, you could do it one well at a time which I don't think is wise coz you hit a dry hole, it's all gone, there's that non-systemic risk. And so what you do is you'll join with other investors perhaps in something called a private placement memorandum and you read through it and you'll say I'm gonna put my money in with all these other investors in to a whole bunch of oils and there's important things to learn about this, there's what we call production oil and that's the most expensive oil to invest in because we already know the well is proven, the well is producing and you're buying something that's already there. It's like buying a gas station that's already pumping gas and already has customers, it already has a nice income to it, a nice multiple will be required meaning you'll have to pay a lot of money to buy that there. However, development is different, you don't know, it's not proven yet and so that's high risk, high speculation. You can also expand, if you're gonna drill a new well, it might be a good idea to



drill really, really close to an existing well, your chances of hitting it are probably higher I would imagine. So there's all types of different things to learn about oil.

One of the things that stops a lot of people from investing in something like that and getting monthly income from oil is that in the United States anyway, you have to be what's called an accredited investor and this gets to where the rich get richer, the rules of the rich, there's certain investments the rich are allowed to invest in that the people who are not rich are not allowed to invest in. So if you're saying, hey, I'm not rich, I'm not an accredited investor yet, can invest in oil? It's tougher to do it that way, tougher to do it.

So when I look at oil and I'm interested as an accredited investor in oil like anyone else would be, I would be interested in that side of it in the accredited investing side. However, there's other instruments and this is where paper assets is so much fun is if you want to participate in gold, if you understand paper assets, you can draw your cash flow from paper from a different way. If you're interested in oil, if you're interested in silver, gold, precious metals, frozen concentrated orange juice, any commodity you want, if you're willing to learn the rules of tertiary wealth, that's a big deal.

Now, what I mean by tertiary wealth? Well, primary wealth are the fish in the ocean as the oil in the ground, it's the commodities, it's stuff. And there's a big scare about paper and derivatives and stuff and well, are you really gonna be able to own all the fish in the sea, are you really gonna be able to own all the lumber in the ground? So a lot of people really love to talk about primary wealth as words are primary is the safest, primary this, primary that. Well, good luck, there are lot of people fighting over those things.

When they're talking about secondary wealth, well, they're talking about a level up from primary wealth, maybe you own a canary that can sardines or whatever so you don't actually own the fish but you're secondary.

And then tertiary wealth is where you have a claim on something like a stock, I have a piece of paper. And it's funny how people act about that, they say I wanna own the actual gold and I was on a cruise once and there was a guy on there selling gold and great guy, really knew his stuff but we're at dinner I said, should I buy the ETF or should I buy that represents gold or should I buy gold? He says, oh, I'll buy the physical gold. I said why? He goes, with ETF, that's just a piece of paper and I say, if I buy the gold, how do I keep it safe? I mean, if I have a million dollars of gold in my house, that's a pretty easy bank to rob, I'm not always home and shoot, they might, give me your money or your life, ain't that kind of dangerous? He says, oh no, you don't put it in your house. I said, where do I put it? And I knew where I was going and he says, well, you put it in my vault. I said, really? Put in your vault, how do I know it's mine? He says, well, I'll give you a receipt that shows it's yours. I go, what's that printed on? And he



smiled at me and says paper. So it's a claim on something and so what do you think George Soros made his money, primary wealth? Where do you think Warren Buffet had made his money, primary wealth? No man, these guys, they're derivatives, they make money in paper coz it's so much faster and so much more liquid and you can move it around so much more, it's more liquid. And so if you wanna know if it really works, well look at the richest guys and there's a clue.

So let's get back to oil, when it comes to oil, can you participate? Well sure you can. Now, this is The Cash Flow Academy Radio Show so we're gonna talk about cash flow. You're not gonna get cash flow in the same way, so you can cash flow while you wait for the capital gain. If you've ever played the cash flow game, Rich Dad Poor Dad, the cash flow game, what generally happens is you'll buy a cash flowing asset like a house, you buy a 32 house, you got 100 dollars a month cash flow on it. And what that cash flow does is it allows you to keep it without getting eaten up. Now, if you're flipping and you're borrowing and you're going to debt with no cash flow, if that asset is costing you each month, you may not be able to get very many of them and you may not be able to hold them for a very long time. But if it's cash flowing, you can hold that forever, can't you? Indefinitely until the price goes up, boom, then you flip it.

So capital gains aren't bad, let me say that again, capital gains aren't bad, there's nothing wrong with making money in a capital gain, it's not like that money is not spendable, it's not like that money doesn't make you rich, it's not like it's a bad thing at all. Capital gains is awesome the problem is is when you don't have cash flow, you can have a capital lost and those are not fun at all.

Another problem with capital gains is well, you can't force it, that's for different show. But the bottom line is I don't mind making a capital gain. So if you know how to do this with paper, you can begin to participate. Now, I'll tell you why I like oil, if I could get some paper assets that were tied to oil right now, that might be appealing. And I'll tell you why it might be. The difference between a stock like Dell Computer or Pfizer or Proctor & Gamble or Johnson & Johnson or BP or whatever stock you wanna use, there's end run, these can go bankrupt, they can go to zero, stocks can go to zero, they really can. I think it's tough for gold to zero, might happen someday but probably not in my lifetime. I don't think oil is gonna be free. So if you look at an exchange traded fund which is generally just a fund that tracks an index or tracks a commodity or tracks a currency, you could look at one called the USO and the USO is the symbol for the oil fund, the US oil fund and it tracks the price of oil, if oil goes up, this fund goes up. And right now, this fund will cost you, as of this broadcast, probably around 15 dollars a share.



So here's the guy who's not an accredited investor that says, hey, I think the price of oil might go up, I wanna get a capital gain. Well, the only problem with that is what if oil goes down to 13 or 12? Well, I think there's an advantage in that, why? The lower oil gets, I think the harder it is for it to go even lower. NRUN, the company NRUN, they went to zero, easy for them, it's easy to go to zero when you're a company, you go bankrupt, bam, and there are a lot of companies that go to zero both private and public man. Bam, zero, that's their price. Lucent Technologies, obsolescence risk, bam, they're done. But for oil to go to zero, I just can't imagine people don't wanna drive their cars anymore and don't want to heat their homes anymore, I just, oil is in everything man, it's a huge commodity. So the lower oil gets, the more attractive it is to me because I think it's harder and harder to make oil free, harder and harder and harder to get there.

So it's a little different than dealing with a stock and with paper asset, I feel more and more confident in my ability to get a capital gain but here's the thing, it's The Cash Flow Academy Show, it's not The Capital Gain Academy Show, it's The Cash Flow. We love both of them, we love both of them, the cash flow is your life blood, it certainly is. So, and if you want more on this, look at YouTube, just go to your computer, Google, whatever, you're good, you could find it, Andy Tanner oil YouTube, whatever and you'll see how it cash flow this. We're using the old Warren Buffet trick where we make promises and I might do an entire podcast just on this, we're gonna make promises to buy something, it's an old Warren Buffet trick. Warren Buffet will say I wanna buy oil if it gets to 13 and a person will pay him a certain amount of money, maybe someone who owns the oil, it's gonna go down to 12 or 10, they'll say I'll do that. And so he'll make them a promise, he'll say, look, I'll give you the choice, it's your option, you can sell me your oil or not but I'm willing to promise you that if you knock on my door, I'll give you 13 dollars a share for it. Well of course if oil goes down to 12, Warren Buffet says, oh, you lose Warren, you spent 13 dollars for something that's now down in 12, you just lost a buck. Well, he was willing to buy it at 13 a month ago anyway, would've lost that anyway so he's not really increasing his risk at all and he probably thinks long term that it's gonna go up significantly if he was interested last month, he's probably still interested this month. But it's that cash flow from the premium he receives, right? By making the promise that he's going to buy the oil.

And to be quite frank, I've been doing the same thing, in fact, even as I speak right now, I don't want everyone to go out and copy me, this isn't financial advice, it's just people wanna know, what are you doing? Well, I'm selling puts on oil. A put option is where I make a promise to buy something from somebody and they have the option to sell it to me if they choose to. So if oil goes up, I don't get my oil but I do get my cash flow if oil stays the same, I won't get my oil but I will get my cash flow. And if oil goes down, that's awesome, I'll buy it cheaper than it was today, I'll get my cash flow and I'll get my oil and I can continue to sell options on it if I want to, I can sell puts, I can sell calls.



But the point of it is this is what's cool about it I think, is if you can learn a little bit about paper assets, you could do this with gold or any commodity and I like that idea because gold is not gonna be zero, at least I don't think it's gonna be. I guess in theory anything could be but I don't think it will be, I think that's less likely not more likely. And as I look at oil, I think that's a fun way, I think it would be a great way for someone to learn with a paper account right now is to start to watch the USO, practice with your capital gain stuff and then work your way in to your cash flow to get paid and see if oil stagnates, right? I don't think it can drop a whole lot more, I mean, you get down to 10 dollars a barrel, right now, it's probably around 40 something a barrel but if you get down to 10 dollars a barrel, it cost money to pull it out of the ground, it cost money to pull it out of the ground and people are gonna pay money for it, it's hard to make it free. And so I just think the further oil drops, the more appealing it gets coz even if it stagnates, even it doesn't go down, even if it stagnates, if I know how to sell calls, I can get cash flow. And I'm really not cash flowing from the oil, I'm cash flowing from promises but it's still cash flow.

So the way I would approach oil, my buddy is gonna make money on the oil that comes out of the ground, that's his cash flow. Well, if you're an accredited investor, you'll play that game, you can play that game. They have a tough time because they have cost to pull the oil out and if their operation requires a certain amount of barrel it goes down there, they're gonna have to sell out to someone bigger but the oil lease guy always is gonna have that lease and there's pressure to drill while the lease is still valid so not wasting that money. So that's the accredited investor game, right? That's that game.

But the game you can play as non-accredited investor, if you still like the idea of I think oil is gonna be free, boy, I see this getting lower and lower and lower, I wanna get in on this for capital gain, well, it might not happen tomorrow but if you know how to cash flow does, you're just playing the board game cash flow, right? Think about it, you're playing the board game cash flow, you'll buy a house and it pays you 100 bucks a month until the thing finally goes up and you can flip it. Well couldn't you do the same thing with oil? Buy some USO, sell some calls on it, get some education, get some cash flow from it and let that thing stagnate, let it go up and down, play your technical analysis game, sell puts to buy more, sell calls when you decide you don't wanna have it anymore but man alive, you can play the game and who wouldn't want to have a few thousand shares down low if it gets back up to 20 dollars a share or 25 or 30 or wherever it can go from there.

So I guess the lesson is there's so much to learn. I like oil right now because of where it is from an education standpoint. I just think it's an interesting point, I'm not saying you should, it is right for you or you should go out and hit, that's not what I'm saying, you'd never buy anything without education. What I am saying is though, boy, it sure has how to drop, used to



be 100 dollars a barrel, now it's 40, it's over half off where it used to be and are there opportunities in your 401k there? I don't know, are they the same? I don't think they are, with education, maybe learn a little bit about oil. So one of the things I'm gonna do is I'm going to bring in a guest soon, very, very soon, I won't reveal who it is yet but he knows much more about the oil business than I do and he can tell you more about the accredited investor side of it and you can learn a little bit more about the jargon and you can learn a little bit more about what the possibilities are.

Hey, and I'm known for being a stock guy, hey, it's not the stock show, it's the cash flow show, right? It's about cash flow so I don't care how you get cash flow, real estate, business, commodities, stock, gold, silver, oil, however you get it, get it but it can be fun to learn about all things cash flow.

So with that, have some fun. If you want more on this, go to my YouTube channel and you'll see 2 or 3 videos I've done on oil that draw picture of it, might be easier to learn about it that way. But it is an interesting time to learn about commodities and to learn about black gold, Texas tea, the stuff that makes the world go around. They said the love makes the world go around, it might but I think oil helps as well. Until next time, this is Andy Tanner from The Cash Flow Academy Show, we've been talking about the price of oil and we'll continue to talk about it in another session with a special guest. Until then, be safe, have fun, make it real and always look to increase your education.

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