

3rd Quarter Commentary

November 2026

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A Practical (early-morning, post-election) Example of Applied Theory!

Before I awoke the morning after the mid-term elections, an email arrived from one of the alertly intrepid Horizon Kinetics relationship managers. The night before, I'd already addressed—for this ***Commentary***—the implications of the change in Texas governorship for new datacenter construction. On the strength of the comforting conclusions, I slept soundly. The email kindly prompted me that, "given the severity of the selloff yesterday in TPL, LB and some of our other Permian/data center related positions," I would "lose the room if you don't start off with a few comments."

She was right to alert me, because that additional discussion was buried—in, from my perspective, properly sequenced content order—deep within the prepared remarks. That's what a couple of decades of working together can do.

The sharp price declines in these stocks were fortuitously fitting, because although this ***Commentary*** contains much discussion about those very companies, the underlying theme is all about investor short-term reactions to false news signals. You'll see shortly. Rest assured, we will get to the election implications in a bit.

An observation from the past that parallels the current moment: not so many years ago, bitcoin was down very sharply due to regulatory concerns. Some relating to overregulation (a potential ban on mining and transacting in crypto), and some relating to under-regulation (fraud in initial coin offerings—basically, coin IPOs; offshore failures; and clarity). It was all over the financial news, there was much worry amongst clients—"They're going to outlaw crypto. Should we sell while we can?" In fact, establishing clear regulatory parameters was excellent news for bitcoin. This was the very institutional acknowledgement that was still lacking, and which paved the way for the establishment of bitcoin futures trading on regulated derivatives exchanges, and a cascade of other institutional acceptance of and active engagement in crypto and blockchain technology. It's why we established the HK Blockchain Development ETF, actively managed of course.

Our original thesis about bitcoin well before that moment was that anything can be functional money—seashells, sheaves of tobacco leaves; even paper; all that is required is consensus among the parties who use it that it is money. That impetus to regulate was a move toward official acceptance. (Separate from the demonstrated fact that a government can't actually eliminate bitcoin—it's been tried.)

Oh, and I was thankful that I haven't yet had the new AI-enabled bluetooth-connected mobile phone chip implanted in my ear, otherwise that email alert would have woken me early.

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Fast Answers Bad; Long Answers Good

Recent client questions often shape the ***Quarterly Commentary***; some planned new content is dropped in service of response. So many such questions arose this ***time*** that they will dominate. Much of the new stuff about what we're doing lately will be deferred, and take precedence next time.

The questions are the usual suspects: Why is a stock down (or not up)? The names change, but the game stays the same. At its heart, it's about negative price behavior or an anticipated event that still hasn't occurred. Often prompted by public news or commentary.

> *I think all the great investment mistakes of the last 50, 100 years, or almost all of them were that someone buys a stock and it becomes a disproportionate portion of their portfolio.*
>
> *They say, "I can't have anything being a disproportionate amount of my portfolio. It doesn't matter how good it is. Therefore, if it goes up, it must be sold."*
>
> *And of course, another scenario was maybe the stock didn't appreciate. In which case it could be argued that, well, it hasn't appreciated in a while. Why should it be part of a portfolio? Maybe it should be sold.*
>
> *The third possibility is it could decline in value. In which case it's actually doing damage to portfolios, it would be argued, and it should be sold.*
>
> *So, no matter what happens, it should be sold.*
>
> *That's the logical conundrum when you start thinking like that.*
>
> *-- Murray Stahl (2023)*

Which is a bit of a problem, since we at HK Central work really hard to ***not*** pay attention to short-term share price behavior—because it's misinformation. It then befalls us to explain why an event might not actually be relevant, or the reporting might not be true. There's an irony; we purport to be long-term investors, but find ourselves enmeshed in short-term questions all the way. There are understandable reasons for this, though, more of which later.

"Might not be true" does not suggest mendaciousness at the news outlet or financial services firm; they might simply not understand the circumstance. We should all hope they don't! Because finding securities that are not well-understood or might be "taking too long"—and might therefore be too cheap—is what we do. Maybe that's why so many questions come up.

And why it's important to answer them. But not with quick responses that are only momentarily satisfying. It should be with a framework for understanding the answer. There are at least two principles at work here.

One is the illusion of explanatory depth. This is a study area in social psychology, the observation that we think we understand more about things than we actually do. We become aware of this as soon as we're asked to explain a concept for which we take our understanding for granted. "Do you know how an air conditioner works, or a flush toilet?" "Sure, you just depress the lever and it releases the water in the tank." "OK, but how does it work, specifically? What creates the flow, what causes the tank fill and then stop filling so it doesn't overflow? Why is the internal piping shaped so oddly—is that important?"

The other principle is about how understanding helps prepare the mind to pause rather than react—for instance, at the next news item or abrupt price change. And, in that pause, to consider that it might

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be noise, not information. A bit like situational awareness. It's a practice. This is the difference, as Murray Stahl would say, between talking about ***investments*** and talking about ***investing***.

One client question: "We've had tremendous returns in bitcoin, but I'm guessing that the story is over ***[meaning the price is down]***. Should we redeploy the capital?"

> Short Newsy Answer: Au contraire, on or about April 2028, the price of bitcoin should be about $130,000, based on our proprietary cost-of-production model. Within a range of $117,000 to $149,000, depending on the mining rig efficiency used and a mid-point allowance for miner profitability. By 2033, switching from our production-cost or supply-based model to our demand-based model, bitcoin should be about $1 million. So hang in there.

Is that response informative enough to suffice through whatever ups and downs, whatever regulatory or financial news stories emerge in the next one-and-a-half years to eight years? Because there *will* be a lot of that, and it's a long stretch of time. We've made sure our relationship managers have a summary copy of that bitcoin price analysis, so if the short answer is not satisfying, ask your HK contact, or yours truly.

Bitcoin is a prime example of why short questions often require long answers, if the answer is to be meaningful, and for demonstrating how most sources of financial news and investment commentary are so often propagators of noise and misinformation.

An Invisible Asset Class

Horizon Kinetics clients began owning bitcoin in 2016 and 2017. Years passed before it was ever mentioned on Bloomberg Radio, other than passing comments about its roller-coaster price volatility. Always as a speculative trade that defied credulity and any link to a standard "metric" like revenue or assets.

It was only bitcoin's burgeoning market value relevance (probably when it hit $1 trillion—money talks), that led Bloomberg hosts to invite their guests to opine about this unorthodox instrument. Later still, only after mainstream financial institutions like Fidelity began to allow clients to custody, then to purchase bitcoin, was the price quoted regularly, right alongside the S&P 500, the 10-Year Treasury, and West Texas Intermediate Crude.

No such early prognosticator was actually knowledgeable about cryptocurrency. To this day, not one (at least in my hearing) has ever mentioned bitcoin mining and the four-year bitcoin reward halving cycle. But, these are the two items that ***should*** be discussed, because they are what govern the bitcoin price at this phase of its existence.

Asked the bitcoin question, each guest offered an explanation for the day's price movements that mirrored their areas of expertise: if technical analysis and trading was their thing, then ***bitcoin is overbought or forming a resistance level;*** if macroeconomics, then ***with interest rates up, it's a risk-***

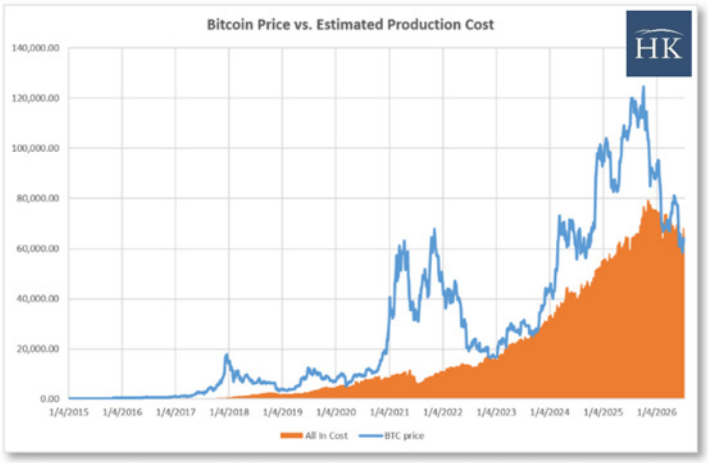
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off environment; if the regulatory and political realms were their bag, ***bitcoin's lower because the government might shut it down to prevent its use by criminals***. Bitcoin was an impressionistic Rorschach test[1] for each guest, with as many explanations as interviewees.

Financial news can't explain or guide: it's mostly about journalism's when/what/where, not the why/how. It's not even the intent: it is not the role of journalists to be analysts; they are announcers and interviewers in a business model that requires one-minute responses. Why do I listen to Bloomberg Radio for one 20-minute segment a day? Not to hear the day's news, to hear what the day's *noise* is.

Nevertheless, informed explanations of bitcoin's economic value have always been publicly available.

One such was posted on the Horizon Kinetics website in 2017, where it remains today. Another, in last quarter's ***Commentary***, is our own proprietary model of the historical operating cost to mine bitcoin. It includes a 10-year computation of global electricity prices and the operating expense and efficiencies of successive generations of mining rigs. It explains and predicts the lower-bound price of bitcoin amidst its price swings around the periodic halvings, and the likely upper ranges along the way.



For Illustrative Purposes Only. Past performance is not indicative of future result.

This is possible, because bitcoin and its rule-sets are a fully disclosed and mathematically based system.

Evidently, it is possible for information to be available to any and all, yet not properly understood. Or it could be a matter of understood-but-not-interested, which works for us just as well.

Other recent questions passed on from our relationship managers:

- "TPL's price has diverged ***[downward, of course]*** from the other energy stocks. Is that because Texas is blocking new data centers, even the off-grid ones that are supposed to be immune from that?"
- "Why has [TPL and/or LandBridge and/or Permian Basin Royalty Trust and/or X] declined after it announced an acquisition and/or corporate change?"

[1] The Rorschach test is a projective psychological test that uses a person's interpretations of inkblots to assess their personality traits and emotional functioning. It was developed in 1921 by Swiss psychiatrist Hermann Rorschach and is often used to detect underlying thought disorders.

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- "What has the market gotten wrong about the data-center story? ***[Meaning, why haven't LandBridge or TPL signed any major data center projects?]*** "Particularly since the need for cheap energy isn't a secret?"

In answer, a bit will be mentioned about:

- The electric grid;
- The largest asset class in the world—neck-and-neck with oil—yet which is invisible to institutional investors and not index-actionable;
- Horizon Kinetics' significant—but stealth and de-risked—AI-data-center, compute-demand "play;"
- The proposition that Horizon Kinetics portfolios are statistically impossible.
- Accessing HK's stealth public-and-private-unicorn-growth strategy.

First, more about humans and stock prices.

Confusing Stock-Price Movements With Information

Investors Can't Help Themselves, and Why It's Not Their Fault

This section is largely lifted from a longer essay by one of our analyst/portfolio managers, Ryan Casey. It's about why understanding psychology is incredibly important in investing—and to what we do here at Horizon Kinetics Central. Particularly the physiological basis for the biases and "hard-wired" emotional responses to which humans-as-investors are prone. It's been intensively studied, particularly topics like loss-aversion. Hard wired how?

> Intriguing social experiments have demonstrated that humans experience loss about twice as intensively as an equivalent gain. Evolution embedded this in our hind brains long before we developed the forebrain capacity to make finer abstract distinctions about risk, like between temporary quotational losses in the stock market (which are unavoidable) and a permanent impairment of capital. We'd rather be safe than sorry.
>
> The classic example of this has us imagine a proto-human on the savannah, passing a stretch of tall grass, when they hear a sound. How do they react without knowing what the sound is coming from? What do they do without all of the appropriate information? The correct actions to the unknown source are not of interest. It is the false positives and false negatives that are informative.
>
> In the case of the false positive, the brain associates the sound with an unidentified threat and we run. When the sound proves to just be the grass blowing in the wind, we have unnecessarily expended some energy, which is expensive for a subsistence-level hunter-gatherer. We were wrong, but better safe than sorry. This is apophenia—the human tendency to see connections and patterns that are not really there.

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> In the case of the false negative, our brain connects the sound to a gust of wind when, in fact, it's a hungry prehistoric beast. We were wrong, now we're lunch.
>
> An overly simplified explanation would say that natural selection at the hand of brush-dwelling predators led to a prevalence of apophenia in modern humans. This may have served early humans in the wild, but it can have deleterious consequences in investing, since those unavoidable large price swings routinely occur for reasons that are of no concern to the long-term investor, or for reasons unrelated the economics of the company.

Ryan went on to explain his first early-career observation of a bout of apophenia on the savannahs of Wall Street. The following tale occurred at his firm's trading desk over a period of days.

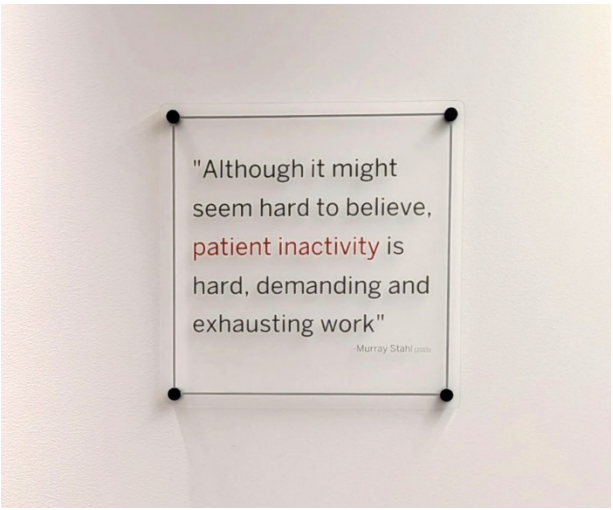
> One of the firm's leading analysts, top ranked by ***Institutional Investor***, was a long-standing bull on an equity they covered. The stock had performed very well, yet after an extended period of outperformance its share price began dropping. A constant, slow decline, day after day, with no news to explain why.
>
> Rumors began to circulate as to who the seller was; an investment firm that was known to have been a big supporter of the stock and who were known long-term investors. The thesis was perfect for their investment philosophy, and at the then depressed price they would have surely been buyers in the past. But they weren't buying. They were selling.
>
> These were astute, sophisticated investors. Had they discovered something that no one else had figured out? Had the entire investment thesis been invalidated? The market began to draw these inferences from the price movement—the rustle of the tall grass tickling their hindbrains—and the downward momentum began to feed upon itself.
>
> Eventually, the truth came out. A portfolio manager at this particular firm was about to take maternity leave. Rather than have a junior employee manage the portfolio during her absence, all the holdings she was responsible for would be liquidated until she returned. The equity in question was one of her biggest holdings.

This was over 15 years ago. As Ryan aptly noted,

> The market reaction today would likely be far worse. Algorithmic traders would identify the negative momentum and decide to trade in kind, thus amplifying the move. Retail trading platforms implementing some form of technical analysis—widely available to individual investors—would see the trading signal for this equity flash from green to red. And if the price change is large enough, perhaps some of these individual investors, levered with readily available margin accounts they don't fully understand, are forcibly liquidated on a price-indifferent basis.
>
> We cannot know all the forces that are moving security prices over a given day, week, or month, but the vast majority have nothing to do with the long-term prospects of any given company.

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This accompanying photo is of a statement from a past letter by our co-founder Murray Stahl. It is permanently posted in our reception area.



The thing is, it's not really so hard to practice—that's a conditional statement. The two conditions dominate most circumstances:

- It ***is*** hard to practice patient inactivity if you don't truly understand what you own and why; each passing day brings new provocations that are challenging to resist.
- It is ***not*** hard to practice if you both understand what you own and why, ***and*** have willing partners who also understand.

Not Q and A, But Q and U (Understanding). Exactly what is TPL, anyway?

Q: "TPL's price has diverged from the other energy stocks. Is that because Texas is blocking new data centers, even the off-grid ones that are supposed to be immune from that?"

The first part of that question can't be answered with brevity, because it contains a false presumption. Let's tackle that issue first.

Is TPL an energy stock? If it isn't, then diverging from other energy stocks would not be a cause for concern. Horizon Kinetics did not categorize TPL as an energy company when we first wrote about it in 1995. The analysis was about the million acres of land and anti-dilutive share repurchases. Each year there were fewer shares and more acres per share. TPL was creating scarcity value.

TPL's land is a perpetuity. It provided the mechanism to compound value with little exogenous risk, on a tax-deferred basis, for a span of time measured in decades if not lifetimes. That is rare and extraordinarily valuable.

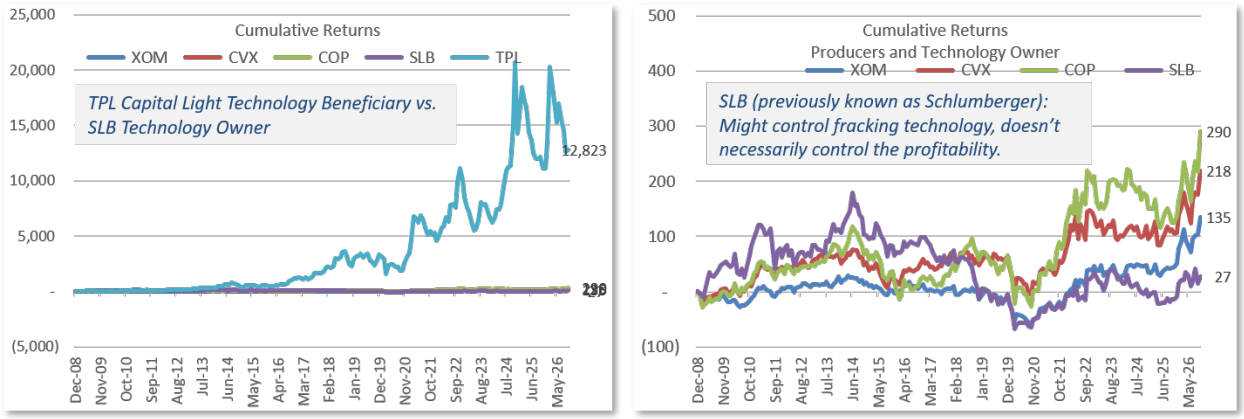
Consider: If this thesis is valid, how relevant are the share price fluctuations that never ***don't*** occur? (That is, they always ***do*** occur.)

An unusual aspect of land is that it can be repurposed for higher, more valuable uses. One of these arose almost 20 years later, in 2013, when TPL became the nation's leading beneficiary of a transformative new technology. TPL didn't develop the technology, own it or buy it; its R&D costs measured zero. This was the improved drilling method called hydraulic fracturing, of which TPL was a direct economic beneficiary.

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Fracking reduced the cost of extracting the deep oil and gas deposits in the Delaware Basin, finally making drilling profitable on a large scale. TPL's participation was an attribute of the mineral rights associated with its original land holdings. Its economic return on the technology was incomparably greater than for the companies that developed it. Some high hopes and high valuations were placed on those developers of the technology, such as SLB N.V., previously familiar to many as Schlumberger.

So, is TPL a land company or an oil-related company?



Source: Factset

Fewer than 10 years later, another value-creating property of TPL's land portfolio emerged: its capacity to both transport and dispose of water. Water-related volumes increased at over a 20.4% annualized rate between 2020 and 2025; oil and gas volumes increased at a 16.4% rate. In the foreseeable future, TPL will almost certainly generate more revenues from water than from oil and natural gas. Because as wells in the Delaware Basin either age or go deeper, greater volumes of water come out of the well along with the hydrocarbons. There are already about three barrels of water for each barrel of oil, and the ratio will continue to increase even if oil production volumes don't.

Moreover, both water volumes *and* pricing in the Delaware are always increasing. The same cannot be said for oil and natural gas. We've covered the reasons in some detail before. Anyone who wants to review them, just contact your relationship manager.

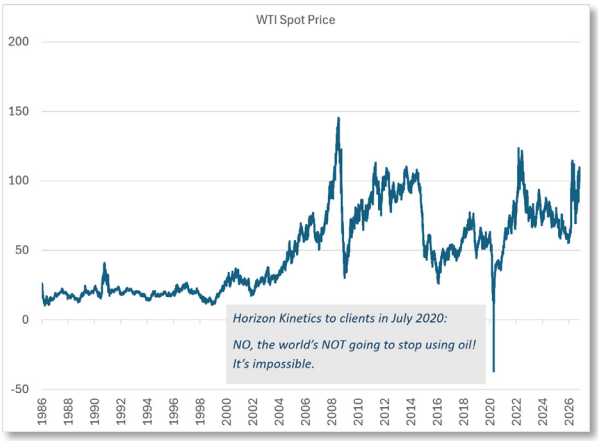
Beyond that, oil and natural gas can't offer the ***data-center-based earnings optionality*** that water can. The water earnings on those projects have the potential to be on a wholly different scale than they have been. TPL has been deliberate in structuring its land and data center contracts to include exclusive water and related infrastructure rights. This is predicated on the full lifecycle potential of water: produced water collection, transportation, treatment, disposal, reuse for cooling (power and or datacenter), re-collection, treatment, disposal (solid and liquid waste). That data doesn't exist yet; one day it will, people will download it to spreadsheets (or ask Claude to do it) and analyze it very accurately.

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Again, consider: Is TPL an oil company, a land company, or a water company?

General statement: In the near future, TPL must almost certainly become a party to a major AI-data-center project. Probably many projects. This conclusion doesn't require announced deal information and other specifics. It is a logically reasoned outcome of the time-urgent, economically driven demand by the AI hyperscalers in response to their shrinking options.

There is a limited nation-wide inventory of locations where the necessary resources can be assembled (natural gas, water, population-remote land, and related necessities). The Delaware Basin has that inventory in abundance. Failure of the investing public to observe a signed contract does not mean that massively complex, enormously large and staggeringly expensive development plans are not being energetically organized, prepared, and negotiated by motivated and capable parties. One doesn't need to sweat the short-term detail. TPL's land and LandBridge's land aren't going anywhere. **Their optionality on that land is perpetual.**



Source: https://www.eia.gov/dnav/pet/hist/rwtcd.htm

In fact, the migration to Texas as the nexus for new development is already in process. The assumption that something won't happen because it hasn't yet, is no different than the belief that something will continue to happen because it ***has*** been happening. As bizarre as it might now seem in retrospect, when spot oil briefly fell to below $20[2] a barrel not so many years ago, we had to caution clients that NO, the world is NOT going to stop using oil (!), that it was impossible.

That assurance required ***long-answer*** explanations, such as about the irreplaceable chemistry of crude oil and natural gas conversion into the necessary chemical feedstocks for the thousands of manufactured substances that support the economy and human life on this planet, including nitrogen-based fertilizer, without which 40% to 50% of the world's population of 8 billion would starve.[3] It also required showing that, yes, although oil production was declining throughout the U.S. (because of the poor economics), that was entirely made up for by rising production in the Delaware Basin (because of the superior economics). It's in our archives, if there's interest; our relationship managers await.

[2] This coincided with the infamous "negative" price ($37.63) for the May 2020 WTI Oil Futures contract (April 20, 2020)
[3] Smil, Vaclav. *How the World Really Works*. Penguin Random House UK, 2022.

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If evidentiary affirmation of TPL's data-center bona fides is still required—if informed reasoning is not enough:

- TPL announced an agreement in June 2026 to provide land and water to a large-scale power generation facility that Chevron and Microsoft are developing. This will approach 3 GW, which is about what the city of Chicago requires. Ground preparation has already begun.
- In December 2025, TPL provided one-third of the capital for the launch of Bolt Data & Energy, a still-private company established by Eric Schmidt, former Chairman of Google. Bolt intends to develop a large-scale data campus. It is likely to raise more capital soon and at, no doubt, a far higher valuation.
- A third TPL data-center project is in planning or negotiation phase.

Water will be a major source of new revenues for TPL for any projects on its land.

Data Centers are coming to TX

Project Name	Company	Tenants	Status	Location	Reported Power Capacity	Power Source
Project Matador	Fermi America	TensorWave	Planned	Carson County, TX	Up to 17 GW	Natural Gas, Nuclear, Renewables, Battery Storage
Nexus	Nexus Hubbard	Anthropic	Planned	Hill County, TX	Up to 5.6 GW	Natural Gas, Battery Storage
Bolt	Bolt Data & Energy/TPL	TBD	Planned	West Texas (Permian Basin), Texas	250 MW initial (up to 5 GW)	Natural Gas, Nuclear, Renewables
South Dallas One	GridFree	TBD	Planned	Hill County, TX	5 GW	Natural Gas
Project Kilby	Chevron	Microsoft	Under Construction	West Texas (Permian Basin), Texas	2.5 GW (up to 5 GW)	Natural Gas
Data City	Energy Abundance Development Corp.	TBD	Planned	Webb County, TX	Up to 4.7 GW	Natural Gas, Renewables
Stargate Abilene (Texas)	Crusoe, Lancium, OpenAI, Softbank, Oracle	OpenAI, Oracle	Operational	Abilene, TX	1.2 GW (total 5 GW planned)	ERCOT Grid, Natural Gas, Nuclear, Renewables, Battery Storage
Stargate Milam (Texas)	SB Energy	OpenAI	Under Construction	Milam, TX (Burlington)	1.2 GW	Natural Gas, Nuclear, Renewables, Battery Storage
Sweetwater	IREN	Microsoft (Tentative)	Under Construction	Sweetwater, TX	Up to 2 GW	Renewables/ERCOT Grid
Port of Victoria	Crusoe/Blue Energy	TBD	Planned	Calhoun County, TX	Up to 1.5 GW	Natural Gas, Nuclear
Vantage Frontier Campus	Vantage	OpenAI, Oracle	Planned	Shackelford County, TX (Abilene)	1.4 GW	Natural Gas, Renewables
Aquila	RCM Hill	TBD	Planned	Hill County, TX	Up to 1.4 GW	ERCOT Grid
Google Texas Data Center Expansion	Google	Google	Under Construction	Armstrong County, TX and Haskell County, TX	TBD	Renewables/ERCOT Grid (PPAs)
CloudBurst	Cloudburst/eVOLVE	TBD	Under Construction	San Marcos, TX	Up to 1.2 GW	Natural Gas
Project Patriot	Bilateral Energy	TBD	Planned	Granbury, TX	Up to 1.2 GW	Natural Gas
Childress Campus	Crusoe/Lancium	Meta (Tentative)	Under Construction	Childress, TX	Up to 1.0 GW	ERCOT Grid, Solar, Battery Storage
Goodnight Campus	Crusoe	Google	Under Construction	Armstrong County, TX	Up to 1.0 GW	Renewable (Wind), Natural Gas backup
Lacy Lakeview Data District	InfraKey	TBD	Planned	McLennan County, TX	Up to 1.0 GW	ERCOT Grid, Battery Storage
Wurldwide	Meta	Meta	Under Construction	El Paso, TX	Up to 1.0 GW	Natural Gas
Project Jupiter	Stack Infrastructure/ BorderPlex Digital Assets	OpenAI, Oracle	Under Construction	Santa Teresa, Doña Ana County, NM	700-900 MW	Fuel Cells, Natural Gas, Renewables, Battery Storage
Childress	IREN	Microsoft	Operational	Childress, TX	750 MW	Renewables/ERCOT Grid
Core Scientific Denton	Core Scientific	TBD	Operational	Denton, TX	394 MW	ERCOT Grid

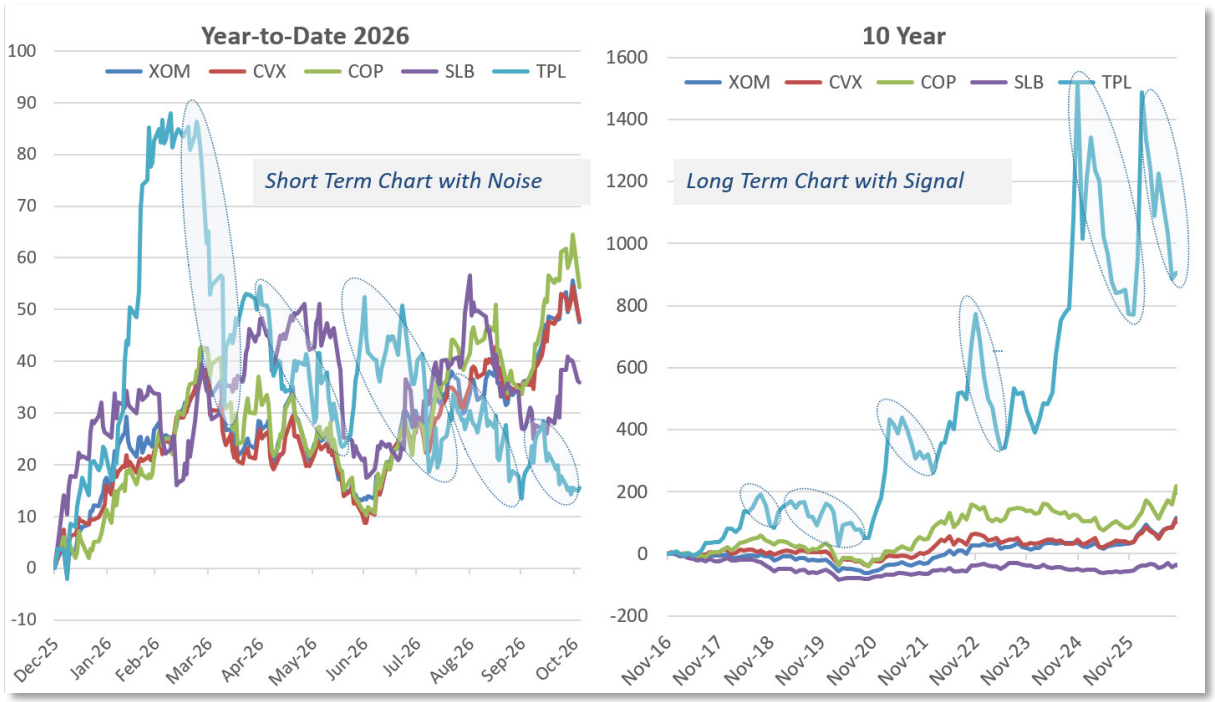
Source: Company Press Releases, Texas.gov, Texas Tribune, East Daley Analytics, PR Newswire, DataCenterKnowledge.com, thedatacenterengineer.com, datacenterwatch.org, 10a Lab

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TPL is relatively assured of being a direct economic beneficiary of the demand for AI technology. This will be through the massive "compute-supply" infrastructure required. With minimal expenditures on its part[4], and irrespective of who the winners and losers will be, or whether their returns on invested capital will be munificent or paltry. Just as TPL was a risk-free beneficiary of the transformative technology of fracking.

Consider again: Is TPL an oil company, a land company, a water company, or an AI-data-center-related company? And the relevance of its price divergence from ExxonMobil, Chevron, and Conoco Phillips.

As far as TPL's share-price divergence from the S&P energy companies, price patterns are not going to help you. Which divergence chart is more informative?



Source: Factset

It escapes notice just how quotidian even massive price volatility is. We think something might be wrong if we notice it in one of ***our own*** stocks. Maybe it's the apophenia talking.

[4] There is a recent exception, TPL's founding-level investment in Bolt Data & Energy, for which TPL will have a right of first refusal to supply water to Bolt-affiliated projects and related infrastructure.

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Here's a least-efforts attempt at a random sampling of New-York-Stock-Exchange-listed firms. The accompanying table will show their closing prices at year-end 2000 alongside their 52-week highs and lows. The idea is to see just how wide a typical stock swings in a given year.

THE NEW YORK TIMES, THURSDAY, DECEMBER 28, 2000

NEW YORK STOCK EXCHANGE TRADING THROUGH 4:30 P.M. / WEDNESDAY, DECEMBER 27, 2000

52-Week High	52-Week Low	Stock	Div	Yld %	P/E	Sales 100s	High	Low	Last	Chg
		A								
29 50	9 75	AAR		3.4	3.1	14 2497	11 13	10 88	11 00	+0 06
32 13	19 25	ABM		66	1.2	1 17 308	30 94	30 50	30 94	−0 06
26 50	19 38	ABN Amro	.80e	3.5		1082	22 88	22 13	22 56	+0 25
26 56	20 25	ACE Cap n	.22	8 7		87	25 63	25 00	25 50	+0 50
43 75	14 06	ACE Ltd	.52	1 2	16	x1028	42 94	41 63	42 63	+0 81
8 06	6 38	ACMIn	.78	10 4	q	6247	7 56	7 44	7 50	+0 06
8 00	6 31	ACM Op	.72e	9 9	q	283	7 25	7 19	7 25	+0 06
9 44	6 19	ACMMD	1.02	15 3	q	692	6 69	6 63	6 69	+0 06
6 69	4 44	ACM MI	.63	13 1	q	957	4 94	4 81	4 81	−0 06
12 88	10 13	ACMMu	.87	6 7	q	224	13 25	12 88	12 94	+0 06
36 38	16 31	ACNiels			37	20508	35 44	36 19	36 25	−0 13
72 81	34 25	AES Cp s			52	20008	55 94	54 56	55 94	+0 13
74 94	33 56	AFLAC	.34	0 5	31	4615	71 56	69 88	71 38	+1 44
14 50	9 44	AGCO	.04	0 4	dd	2788	11 06	10 38	11 00	+0 56
23 00	15 50	AGL Res	1.08	4 7	21	612	22 94	22 50	22 88	+0 44
20 13	7 50	AK Steel	.50	5 8	9	4399	8 63	8 19	8 56	+0 44
25 56	18 81	AMB Pr	1.48	5 8	16	948	25 69	25 31	25 69	+0 31
25 31	19 63	AMLI Rs	1.88	8 0	6	92	23 56	23 44	23 56	+0 13
39 44	**20 75**	**AMR s**			**6**	**8951**	**37 94**	**35 00**	**37 88**	**+2 00**
24 31	19 56	AMR Cp 39	1.97	8 5		6	23 31	23 25	23 25	−0 06
9 25	2 63	APT Sat		41 e	14.3	405	3 00	2 75	2 88	+0 13
19 88	26 38	APW Ltd n			dd	6719	28 50	27 56	28 19	+0 44
20 88	14 06	ASA Ltd	.60	3 9	q	686	15 38	15 19	15 25	+0 19
81 00	16 50	AT&T		14 m	0.8	10 x2410	17 56	16 75	17 06	−0 50
36 00	16 56	ATT Wts n				33778	17 19	16 81	16 94	+0 06
25 50	21 69	ATT N28	2.06	8 3		x522	25 02	24 69	24 94	+0 31
25 88	21 56	ATT D28	2.03	8 2		317	24 88	24 63	24 75	−0 06
90 00	15 13	AVX Cp s	.14	0 9	7	7321	16 06	15 56	16 06	+0 41
81 50	58 25	AXA	2.10e	3.0		4875	70 38	69 19	69 88	+1 38
56 44	25 94	AXA Fn	.10	0 2	23	6104	56 63	54 75	56 50	+0 56
22 94	10 00	AZZ	1.61	0 9	11	75	17 38	17 69	17 81	+0 06
6 00	0 44	Aames s				6337	0 69	0 56	0 56	−0 06
18 00	11 47	AaronRnt	.04	0 3	11	315	15 00	14 56	15 00	+0 13
56 25	29 38	AbtLab	.76	1 6	28	25180	50 56	48 38	48 56	+0 38
31 31	8 00	AberFitc			15	23293	20 94	15 88	20 94	+4 13
79 94	45 50	*Aventis		43e	0.5	dd	2306	81 94	79 88	81 69	+3 25
13 38	2 88	Aventis wt					144	12 56	12 13	12 50	+0 56
78 50	41 13	AveryD	1.20	1.2	2	20	3100	53 75	51 81	53 50	+0 81
9 69	4 38	Avnet				14	899	5 13	4 81	5 00	+0 06
20 63	1 63	Avsation				dd	2034	2 69	2 31	2 63	+0 06
32 69	13 25	Avis A				11	2616	32 56	32 38	32 50	−0 06
69 00	14 63	Avista	.48	2.3	dd		2034	20 69	19 81	20 69	+0 50
40 56	**17 19**	**Avnet s**	**.30**	**1.5**	**11**		**5661**	**20 44**	**18 31**	**20 44**	**+1 75**
49 50	**25 25**	**Avon**	**.74**	**1.5**	**27**		**6574**	**48 88**	**46 19**	**48 38**	**+1 94**
16 69	8 50	Aztar				11	1281	13 00	12 06	12 94	+0 44
11 06	3 38	Azurix					1139	8 25	8 19	8 25	
		B								
43 94	33 25	*BASF n					222	44 50	43 63	44 25	+1 81
38 00	21 69	*BB&T Cp	.92	2.4	21		7202	38 25	37 75	38 25	+0 25
19 00	14 00	BBVABHF	.59e	4.0			143	14 75	14 63	14 75	+0 25
32 50	18 38	BCE gs	1.20b				2308	27 81	27 25	27 69	−0 38
24 84	14 68	BG Grp s	.79r	4.0			55	20 25	19 69	20 00	
28 36	18 66	BHP					342	21 38	20 81	21 13	+0 31
76 75	38 13	BJS				47	8349	69 94	66 81	67 81	−0 88
41 38	26 75	BJs Whls				23	3181	39 00	36 66	38 38	+1 06
23 38	9 94	BKF Cap				q	702	18 50	18 06	18 44	+0 38
7 50	3 69	BMC			06	1.2	13 1424	4 88	4 44	4 88	+0 25
45 13	23 25	BOC ADS	1.13e	3.6			57	31 44	31 00	31 25	+0 81
60 63	43 13	BP Amoco	1.40	2.9			27242	48 88	47 94	48 00	−0 38
15 06	8 31	BP Pru	2.98e	28	7		758	12 75	12 38	12 50	+0 13
33 69	21 75	BRE	1.70b	5.4	33		676	31 69	31 06	31 69	+0 56
8 81	7 50	BRT			8		2	8 00	8 00	8 00	
8 50	2 75	BWAY			81		32	4 06	3 88	4 06	+0 06
27 75	14 50	BacouUSA			15		81	25 81	25 19	25 81	+0 63
8 00	5 94	Bairnco	.20	2.7	6		103	7 44	7 31	7 38	+0 06
42 69	19 50	BalrHu	.46	1.1	cc		16724	43 00	41 19	42 44	−0 06
22 50	14 38	Baldor	.48	2.4	15		665	20 25	19 69	20 25	+0 56
46 38	26 00	*Ball	.60	1.3	22		2111	46 75	45 63	46 56	+0 88
32 88	**20 56**	**BallyTotF**			**11**		**2224**	**33 38**	**30 63**	**33 38**	**+2 81**
4 94	1 75	BanColum					35	2 06	2 06	2 06	−0 06
15 75	11 75	BcBilVArg	.45e	3.2			237	14 38	14 00	14 25	+0 31
29 75	22 63	BnCPInd	.71e	2.8	29		21	25 50	25 38	25 38	+0 25
5 00	3 25	CapitalTr				10	1	4 19	4 19	4 19	−0 06
12 00	6 00	Capstd	.28i	2.5	dd	x935	11 38	11 13	11 38	+0 50
38 25	20 00	CarboCera	.30	0.9	43	109	34 63	34 13	34 63	+0 38
101 94	37 00	*CardnlH	.12	0.1	39	x2972	102 88	98 94	101 38	+2 75
13 19	3 75	*CaremkRx			dd	11775	13 44	12 38	12 50	−0 56
51 00	**30 94**	**Carlisle**	**.80**	**1.9**	**12**		**640**	**41 38**	**39 56**	**41 31**	**+1 69**
43 31	18 69	CarltCm	2.00	8.8			33	22 69	22 50	22 69	+0 19
8 00	0 28	vjCarmke			dd	2278	0 38	0 28	0 31	−0 03
51 25	**18 31**	**Carnival**	**.42**	**1.5**	**18**		**14429**	**28 38**	**26 00**	**28 13**	**+2 19**
38 25	18 75	CarpTech	1.32	3.9	14		385	33 63	32 69	33 63	+0 31
30 94	18 81	*CarrAmR	1.85	5.9	26		808	31 31	30 56	31 19	+0 50
6 19	1 06	CarrSrv			dd		1455	1 38	1 13	1 38	−0 06
33 25	**15.38**	**CartWal**	**.32**	**0.9**	**31**		**2147**	**34 00**	**32 00**	**34 00**	**+1 81**
16 75	7 44	CascdaCp	.40	2.5	34		256	16 06	15 75	15 75	
20 50	13 38	CascNG	.96	4.7	15		215	20 50	19 80	20 44	+0 25
13 00	3 63	CashAm	.05	1.2	dd		799	4 25	3 94	4 25	+0 31
6 19	1 81	CatalLt			5		200	2 13	2 00	2 06	+0 06
44 63	26 50	CelaNWt	s		38		1389	38 06	36 25	38 06	+1 38
19 63	11 38	Celotus			17		1371	18 13	17 81	18 00	+0 13
55 13	29 00	Celrplit	1.36	2.9	16		18665	47 56	46 38	47 50	−0 25
4 44	0 75	CavaltH	.09j		dd		1046	0 88	0 81	0 81	−0 06
20 88	17 44	CedarF	1.56	8.6	12		557	18 25	17 95	18 19	+0 19
24 56	14 88	Celanese	10e	0.6			45	18 13	17 88	18 13	−0 25
276 00	29 25	CeloraGn	s		20		9995	34 19	31 69	34 00	−0 44
87 00	**35 50**	**Celestic**	**g**				**11956**	**53 94**	**45 63**	**53 31**	**+3 63**
60 25	24 38	Celtech	n				63	32 38	31 25	31 50	−0 81
4 75	1 00	Cemex	wt				1	1 13	1 13	1 13	+0 13
28 75	17 13	Cemex		79e	4.4		950	18 06	17 75	17 88	−0 06
26 94	8 13	Cendant			dd		71114	9 63	9 13	9 38	+0 31
12 31	4 50	Cendant rt					446	6 00	5 56	5 63	+0 06
10 50	4 88	CenterTrst	.84	17.5	5	x847	4 88	4 63	4 81	+0 13
47 81	33 75	CentrpPr	2.10	f 4.4	24		209	47 25	46 69	47 25	+0 38
39 00	21 75	CentxCn	.20	0.8	5		240	27 00	25 75	26 63	+0 88
40 00	17 50	Centex	.16	0.4	8		3296	38 00	36 94	37 19	−1 38
17 75	11 06	CentEur				q	569	12 69	12 50	12 69	+0 25
27 88	14 38	CentPrkg	.06	0.3	12	x349	21 94	21 25	21 94	+0 50
13 00	**9 75**	**CVIPS**	**.88**	**7.1**	**10**		**209**	**12 38**	**11 63**	**12 38**	**+0 75**
46 31	30 63	*CentBk	1.36	2.9	18		965	47 25	45 50	47 25	+1 69
47 75	24 44	CntryTel	.19	0.5	27		3771	35 13	34 19	35 13	+0 63

It can be startling. If this were a horror movie, the voice-over might read:

THEY'RE ALL AROUND US. *ALL* THE STOCKS ARE VOLATILE.
ACT BEFORE IT'S TOO LATE!

Why the year 2000? The traditional source, the ***New York Times***, no longer publishes stock price tables, but it does archive its past editions through 2002. Year-end 2000 seemed like a reasonable date.

From the top page of the NYSE listings, two triplets of sequential A's, B's, and C's are listed, 18 companies in all. For example, three of the companies beginning with the letter A are Aaron Rental Center, Abbott Labs, and Abercrombie & Fitch.

It must have been a good year, because all but three of the 18 companies are up at least 31% from their lows.

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On the other hand, one-third are down at least 31%. That one-third contingent would have to appreciate roughly 50% just to get back to their prior highs.

There's also a 45% decliner, a 61% decliner, and a 78% decliner. That last one is Carnival Corp. Still around, and kicking pretty good.

If this small sample size may be taken at its word, the message is: this level of extreme volatility is normal. Which should be taken to mean expected.

New York Stock Exchange Stock Prices
Dec. 27 2000
The ABCs - Three Sets of Threes

	52-Week			Change From	
Stock	High	Low	Last	High	Low
AAR	28.50	9.75	11.00	-61%	13%
ABM	32.13	19.25	30.94	-4%	61%
ABN Amro	26.50	19.38	22.56	-15%	16%
AaronRnt	18.00	11.47	15.00	-17%	31%
AbtLab	56.26	29.38	48.56	-14%	65%
AberFitc	31.31	8.00	20.94	-33%	162%
BMC	7.50	3.69	4.88	-35%	32%
BOC ADS	45.13	23.25	31.25	-31%	34%
BP Amoco	60.63	43.13	48.00	-21%	11%
BJS	75.75	38.13	67.81	-10%	78%
BJs Whls	41.38	26.75	36.38	-12%	36%
BKF Cap	23.38	9.94	18.44	-21%	86%
Carnival	51.25	18.31	28.13	-45%	54%
CarpTech	38.25	18.75	33.63	-12%	79%
CarrSrv	6.19	1.06	1.38	-78%	30%
ContPrkg	27.88	14.38	21.94	-21%	53%
CentBk	43.61	30.63	47.25	8%	54%
CntryTel	47.75	24.44	35.13	-26%	44%

Q: "Is TPL's price down because Texas is blocking new datacenters, even the off-grid ones that are supposed to be immune from that?"

Prefatory note: These remarks were prepared before the November 3rd mid-term elections two days ago, which occasioned the replacement of the Republican governor of Texas with a Democrat. It's probably worthwhile hearing the original remarks, before a few post-election comments. The first post-election client question arrived on November 4th.

Here it is: *"Has the data-center thesis been severely harmed by Texas electing statewide Democrats, including governor? Any doubts about the long-term success of TPL?"*

Back to the pre-election discussion. This datacenter question definitely does not fit with a short answer. Well, why not give it a try? Here goes.

> **Short Answer**: The stock might be down because of the moratorium on new data centers announced by Governor Greg Abbott in August 2026, including a further restriction in September that applied to so called "island" projects that plan to produce their own power without depending upon the Texas electric grid. Enough shareholders inferred that it was a politically based decision with long-term consequences, and concluded that this was bad for TPL.
>
> But in principle it's actually very good for TPL, because the final decision is much more likely to be an economic one, and TPL has a longer lifecycle than state political cycles do.
>
> The central question: Will the governance structure of Texas, the ninth-largest economy in the world, just behind France, say no to the largest mobilization of private capital in U.S. history? Blockbuster movies are made about criminals-as-heroes risking their lives to steal $50 million. A

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data center might cost $50 ***billion*** per gigawatt. TPL is about to participate in several gigawatts worth of data-center business.

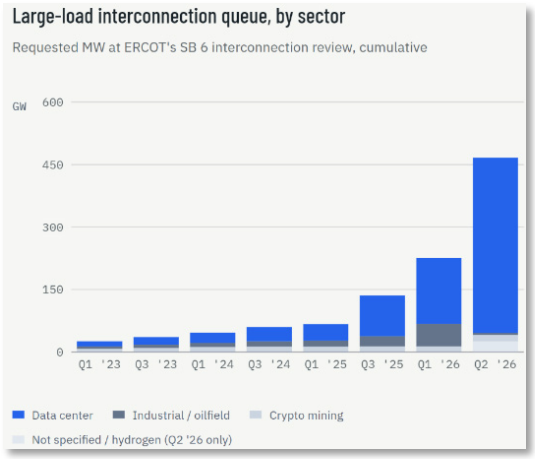
If one believes that economic pragmatism drives corporate behavior, then one would expect that the stronger players will "self-import" toward areas like the Delaware Basin. It's an economic path of least resistance.

Will that answer be sufficient reassurance, if the moratorium extends much beyond the election or year-end? If not, here's a longer-form answer.

There is certainly a political dimension to the moratorium. There's also a terminology issue. The Texas Governor's June instruction to the grid regulator—ERCOT—to make data centers pay for their own electric grid requirements was made after his opponent began largely centering her campaign around halting data-center construction. This did not stop the development activity that the Governor tried to inhibit. So, in September, he further instructed the Texas Commission on Environmental Quality (TCEQ) to pause or delay all land and water permits, even for "behind the meter" projects that in principle don't require power from the grid.

The reason the development activity didn't stop is that the Governor didn't actually impose a moratorium. As Murray would often say (sorry, I can't help myself), "Language corrupts thought." Governor Abbott's directives to these two state agencies were, more accurately, non-legally-binding requests for changes to their review process. It is the state legislature and the agencies themselves—ERCOT and TCEQ—that will ultimately make such determinations.

There is just as certainly a straight-up engineering and infrastructure management dimension. The electric grid is a critical municipal service. It is complex, comprehensively planned, and an intricately managed system. It was designed for, above all, reliability in the face of constantly changing demand conditions, with loads that must be managed with very fine tolerance for momentary voltage fluctuations. It was not designed for the rapid large-scale increases in demand from unruly applicants and customers with enormous and non-traditional demand profiles. The Texas grid system, ERCOT, an acronym for Electric ***Reliability*** Council of Texas, was facing a practical crisis, irrespective of politics.



Between the beginning of last year and this past October 6, the amount of new large-load power demand applying to connect to the grid expanded by over 7x, to 467 GW, of which 90% was for data centers.[5] That is such a large number as to beggar belief.

[5] www.ercotqueue.com

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In fact, it ***couldn't*** be believed, because the grid planners must begin to plan for new capacity based upon the indicated demand. They have to develop confidence levels for each project based on a multiplicity of factors, and require reliable data. But amid the race for data-center grid interconnection, the indicated demand included developers who made multiple applications under different names in different locations, or before they had a complete business plan and funding. They were gaming the application process.

The Texas electric grid, and the other U.S. grids, no longer have excess capacity at the scale that data centers require. Consequently, any large new project requires an infrastructure expansion. This is far more complex than mere spending and building, because power plants are interconnected through the grid, so a power change in one production plant or user flows through to and impacts the others. Accordingly, that prospective new load must be carefully examined and stress-tested or gamed through interconnection studies for its reliability and the impact of an outage on the rest of the system.

The engineers need to know what kind of power generation will be used, under what conditions, and with what time frames it will come offline, the daily usage patterns, the operational reliability of the specifically proposed equipment, and so forth. These studies take considerable time, and the volume of new requests overwhelmed that process. In non-technical terminology, the whole thing was a mess and was log-jamming.

The non-political aspect of the Governor's orders is that there was a legitimate grid management interest at stake. Among the many new rules and application requirements that were intended to rationalize the application process—to keep it honest, orderly, and aligned with the state's interests—were the imposition of interconnect study fees for large loads, and deposits proportional to the amount of power being requested. Those alone are likely to force many of the smaller and more speculative projects to drop out of the running, particularly those depending on grid interconnection and/or municipality resources like water.

The news, or the market, seems to have perceived all this as bad for TPL. Is it bad?

It could be very good, maybe better than before the "moratorium." A politically and infrastructurally aligned planning goal is to have a more orderly grid interconnect application process with reliable applicants, especially those who can afford to build more of their own power and redundancy and can work constructively with ERCOT. These developers are the very ones who would be the prime customers of LandBridge and TPL.

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Another common worry is that community resistance to data centers will result in permanent restrictions against new projects. The accompanying list is a small sample of some of the many cancelled projects. There were more cancellations in Texas than in any other state. Each one made its way into the news. That would certainly be concerning in the absence of an analytical framework.

Project Name	Location
La Osa Data Center Park	AZ
NE Edge Millstone Nuclear Data Center	CT
Okee-One Data Center Campus	FL
Project Tango AI Data Center Campus	FL
Lex Developments AI Data Center (former Hoku polysilicon site)	ID
Meridian Technology Park	IL
CoreWeave Digital Crossroads	IN
Google data center southeast of Indianapolis	IN
Project Lincoln Oldham County	KY
Sentinel Data Centers Androscoggin Mill Campus, Jay	ME
Thor Equities Augusta Township Data Center (Form8tion)	MI
Meta-linked data center proposal	MI
Amazon Becker Data Center (Suspended)	MN
Natelli New Hill Digital Campus	NC
Rural Hall Data Center (The Drox Group)	NC
A1 Data Center Campus	NJ
Aligned Data Centers — Pataskala	OH
Applied Digital Deuel County AI Campus	SD
Roundhouse Digital Infrastructure in Cascade Locks	OR
Cassville Data Center Campus (Undisclosed Developer)	WI
QTS Dane County Hyperscale Campus (DeForest)	WI
Stonebridge Pacific AI Data Center (Columbia County)	WI
Culpeper Acquisitions Brandy Station Campus (denied)	VA
Prince William Digital Gateway	VA
Mountain Road Technology Park	VA
DC Blox Henrico County Campus (withdrawn)	VA
Diode Data Center near Cedar Creek Lake near Fort Worth	East TX
Highlander SM One near San Marcos	East TX
White Rose Project Tomahawk near Prosper	East TX
Highlander SC One LLC near San Marcos	East TX
Project Hutto near Austin	East TX
Sailfish Comanche Circle near Fort Worth	East TX

Source: Company Press Releases, Texas Tribune, PR Newswire, https://savrn.com/data-center-delay-tracker, https://www.compute-atlas.com/

Is that bad news for LandBridge or TPL?

It could be very good. It's just not good news that you'd hear on the evening news.

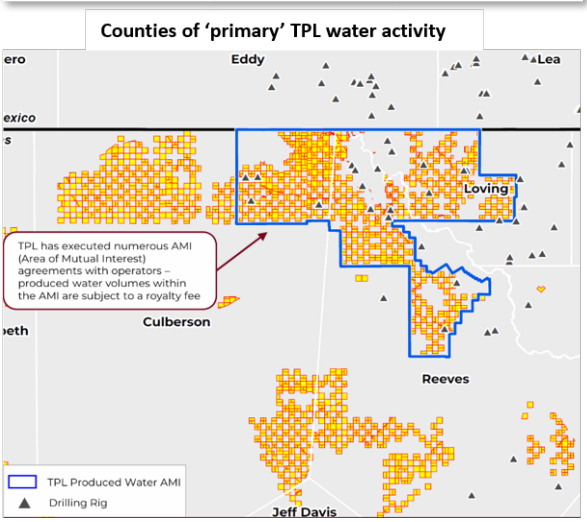
The location of land for a data center can have a very high value all its own, separate from the other resources that come with it. Community opposition is usually highly localized; the populace doesn't want a data center to impact their town's water bill, the quality of their water, their electric bill, disturb the quiet of their home, neighborhood, or the health of their livestock.

Cities and towns are spread across a state, so it's natural to think that the aggregate of the localized community opposition would blanket the state. Let's examine that bit of apophenia.

TX County Population Rank	County	Population
#150	Reeves	12,664
#221	Shackelford	3,175
#232	Culberson	2,195
#254	Loving	33
	Total TX	31.7mm
	TPL Land's Population % of TX	**0.06%**

Texas is larger than France, Spain, Germany, and Poland, and about the size of Ukraine and Egypt. It's big. It has a population of 31.7 million. It has 254 counties.

For TPL, the most intense oil & gas and water activity takes place in three counties just below New Mexico, displayed in the accompanying map: Loving, Reeves, and Culberson Counties.



The least populous county in Texas, #254 of 254, is Loving County, which had 33 residents, according to the U.S. Census 2024 survey.

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Culberson County ranked #232, with 2,195 residents. And Reeves County ranked #150, with 12,664.

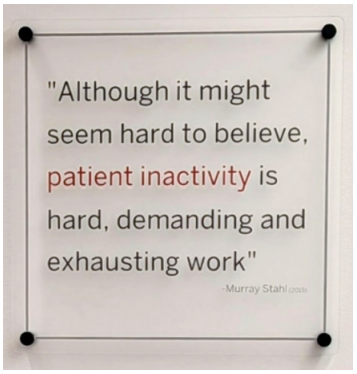
Shackelford County, the location of TPL's venture with Bolt Data & Energy (mentioned earlier), ranks #221 of the 254 counties, with a population of 3,175.

Combined, these four counties contain less than 0.06% of the Texas population.

Those desolate scrubland areas are now very valuable ***because*** of their location.

Remote location of this type is a different form of scarcity value, a predictive attribute to which Horizon Kinetics pays close attention. **Our client accounts are richly endowed with scarcity value.** This is distinct from the descriptive attributes like market cap, trading liquidity or industry sector weightings to which asset allocators pay close attention—those tell you what something looks like, not how it might do.

Hopefully, the longer explanation mollifies anxiety about recent short-term news events or the failure of expected short-term events to appear timely. News is in an unending supply position—it's the opposite of scarcity value.

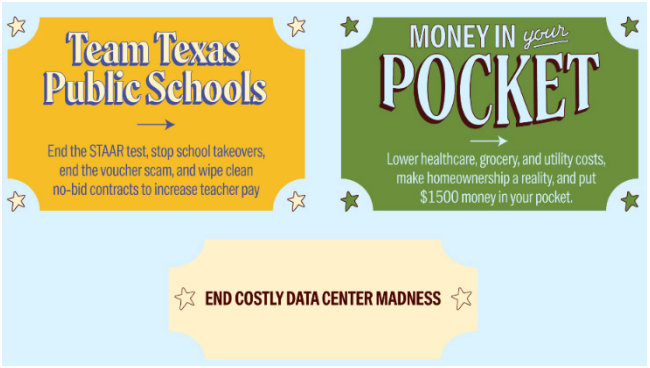


We like to think such mollification shouldn't be necessary, since the assets we're discussing are perpetuities with the many wondrous financial attributes we've discussed at length so often in these pages over the years. But, as the saying goes:

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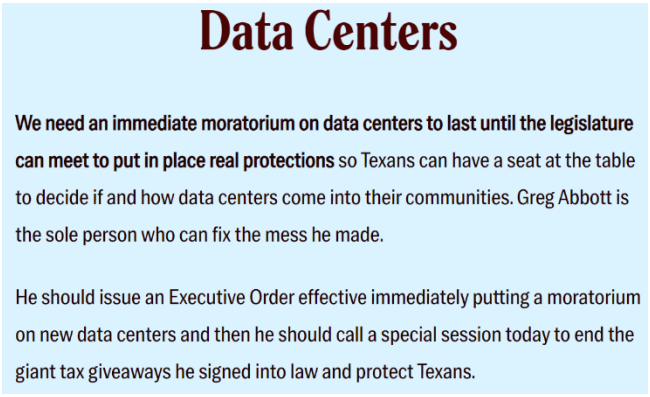
Special Post-election Edition – Q: "Has the data-center thesis been severely harmed by Texas electing state-wide Democrats, including governor? Any doubts about the long term success of TPL?

First things first: like the bitcoin episode referenced earlier, Texas datacenters are not disappearing. Two factors would seem most relevant: governance intent and authority.



As to intent, public market investors appear to presume that Governor-elect Hinojosa represents a threat to datacenter development and, by extension, to TPL and LandBridge. No one has written to us to explain *why* that is the fear, only that it *is* the fear.

Candidate Hinojosa's campaign website is still active (https://ginafortexas.com). This screenshot shows her three sets of priorities: reforming public-school policies; re¬ducing the cost of healthcare, food, and utilities; and ending "costly data center madness." Note that it does not say "ending data centers."



Data Centers

We need an immediate moratorium on data centers to last until the legislature can meet to put in place real protections so Texans can have a seat at the table to decide if and how data centers come into their communities. Greg Abbott is the sole person who can fix the mess he made.

He should issue an Executive Order effective immediately putting a moratorium on new data centers and then he should call a special session today to end the giant tax giveaways he signed into law and protect Texans.

The leading paragraphs on the website's data center page call for residents to have a voice in deciding "if and how data centers come into their communities" and to end egregious tax breaks for hyperscale data centers that were signed into law in 2015.

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Lowering electric utility bills is among the six priorities in the website's cost-of-living page. The leading paragraphs call for freezing residential electricity rates until "data centers and other high-load users pay for themselves" and for due process that respects property rights when building transmission lines for high-load users. It decries letting "global corporations use foreign labor to build data centers in our backyards."

From a Delaware Basin-curious data center developer's perspective: are any of these political campaign policy prescriptions particularly problematic? Or problematic at all? That class of developer already intends to build their own generating capacity. Would hiring U.S. workers be a limiting-factor problem?

Freeze the Rates

As Governor, Gina will direct the Public Utility Commission to freeze the rates residential customers pay until we have laws to ensure that data centers and other high-load users pay for themselves. To bring down your electricity bill long term, Gina plans to ensure that costs from rapid infrastructure development driven by data centers and industry are paid by the corporations and billionaires that drive those costs. We know that the state needs improved grid reliability and better ways to get wind, solar, and other clean and affordable energy onto the grid, but we cannot simply trample on the rights of property owners to build 765kV transmission lines in record time because high-load users demand it. Gina wants to involve stakeholders, use least harm routes, and go through proper notice and comment timelines.

Texans are paying about $40 more a month on electricity bills after Greg Abbott let gas companies get away with making billions during Winter Storm Uri and we will be paying for that for decades to come. Now, while Texans have more residents disconnected from electricity than any other state, he's letting global corporations use foreign labor to build data centers in our backyards and hooking them into the grid through expedited approval processes.

From the Governor-elect's perspective, forcing data center projects toward Culberson, Loving or Reeves counties—largely unpopulated scrubland with non-potable ground water—would seem to deliver on the political promise of protecting communities that don't want them. She could demonstrate that approval permits are going to the developers that can pay their own way.

Presumably, it is the most extreme policy positions that are voiced during a competitive race, before they are attenuated by the practicalities negotiated during post-election governance. On their face, these positions don't seem extreme. Rather, they seem to be fairly well aligned with those of GW-scale data center developers.

Assessment: stronger regulations that selectively favor well-funded, well-planned projects with developers who understand the regulators' needs and can work with them responsively is asymmetrically favorable for the Delaware Basin developers. Because it benefits the relevant stakeholders: the State's economic and financial interests; the regulators' engineering, planning and reliability interests; the Governor's political and social policy interests.

As to authority, investors appear to presume that Texas Governors have the power to act unilaterally or to enforce action through the two primary agencies at issue, ERCOT and TCEQ. The reason Governor Abbot's "moratorium" was ineffective is because they don't. These agencies operate quasi-independently. They share—albeit through different structures and mechanisms—commissioners and boards that are designed for a good measure of stability and insulation from short-term political

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pressures. These include staggered multi-year terms that exceed that of the governor, or board members who are not chosen exclusively by the governor, and so forth. In fact, ERCOT is overseen by the Public Utility Commission, which itself has a similarly defended control structure.

Accordingly, these agencies, which are inherently long-horizon (hah!) planners of critical long-lived infrastructure, work with but not exactly for the governor.

As to public market investors—a class for which we qualify—one must weigh the possibility that we might be poorly attuned to, poor students of, or naïve about this political/regulatory issue—out of our depth.

However—as reviewed earlier—neither TPL nor LandBridge, and neither WaterBridge nor Permian Basin Royalty Trust (soon to be PBT Land & Minerals, Inc.) require a datacenter deal in order to continue a profitable—and profitably growing—existence. Nor do their share prices appear to incorporate the possibility of the contingent profitability that would come with data center business. Just yesterday, in a new account, we purchased significant positions in each of those four companies.

And as to private market investors—a class for which we also qualify—we can report that the active in-the-field operators we've heard from are in a pretty good collective mood this morning.

Q: "What's the market gotten wrong about the data center story, particularly since the need for cheap energy isn't a secret?

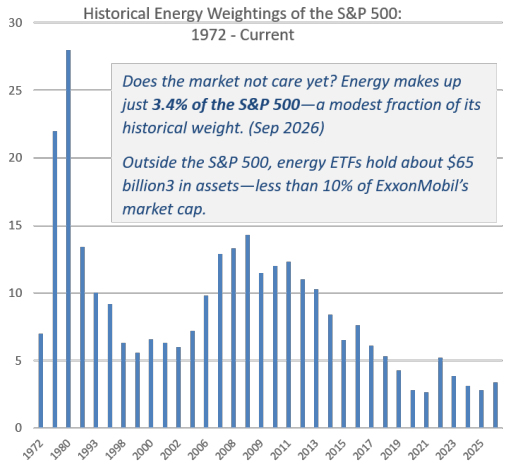
"The market" might not have gotten anything wrong about the data-center story ***generally***; it's everywhere, the biggest thing ever. But it might miss opportunities ***specifically***. Institutional investors focus on 1) what they can see and buy today; and 2) whether it's in a form they can utilize: Does it have mainstream analytical coverage; is it indexed—liquid enough for trillion-dollar ETFs? Proof positive: Aren't we discussing right now whether there will be meaningful data center contracts on LandBridge or TPL land?

- The market can't see those LandBridge or TPL contracts, yet. Various transactions have been announced (e.g. Project Kilby with Chevron and Microsoft), but the granular details of the exclusive water contracts (volume, pricing, duration) have yet to be disclosed, or likely finalized. Thus it remains an "unknown unknown" for the market until it graduates to a "known unknown" at some point.
- The market couldn't use LandBridge or TPL if it wanted to: excluding inside ownership, their tradeable market values are only approximately $1.2 billion[6] and $19 billion[7] respectively. The

[6] Excludes shares held by Five Point Infrastructure, LLC, company management, Horizon Kinetics and First Manhattan
[7] Excludes shares held by Horizon Kinetics and its principals

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first figure is not actionable; it's disqualifying on its face; the second is barely actionable, with an S&P 500 weight of 0.03%



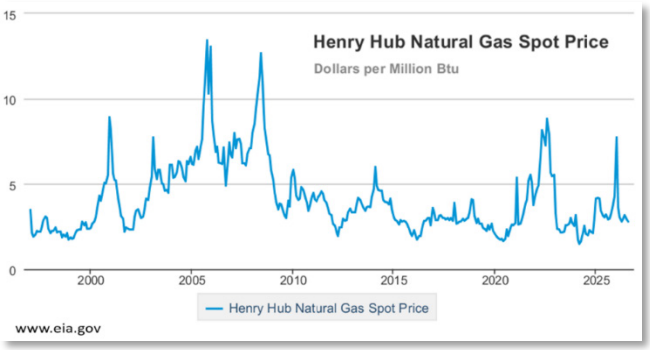
"Is the need for cheap energy no longer a secret?" What if "the market" doesn't care yet? The S&P 500's Energy Sector weight, at 3.7%, is a modest fraction of its historical level. Outside the S&P 500, energy ETFs, at about $65 billion[8], aren't even 10% of ***ExxonMobil's*** market cap. Investors at large don't place much value on energy.

We do.

Natural Gas, a demand-inelastic commodity

The market ***has*** gotten something very wrong about cheap energy. It's completely missing one of the world's two most economically important hard commodities, almost an entire asset class. Natural gas.

Natural gas is the same price today as 30 years ago. It's come to be ignored, as if this is a permanent or equilibrium state. That is nearing a point of change. What can change look like?



Within those 30 years, natural gas has twice spiked to more than 4x the current price; another two times, it rose to more than 3x the current price. That's the response to even a momentary supply shortage for a demand-inelastic commodity. Those price spikes don't reflect what the ultimate outcome might be from a now-rapid secular increase in demand, temporarily hidden within a market that is still in excess supply. Natural gas is in transition from chronic excess supply to a supply/demand balance, or even a supply shortage.

Natural gas in the U.S. has been in structural oversupply since the technology of hydraulic fracturing was applied to gas extraction. The process started with gas because gas molecules rise and are easier to capture than liquid oil molecules. The excess supply attributable to fracking for gas was exacerbated when oil fracking commenced, because of the "associated" gas that is produced along with the oil. This became so stark that U.S. storage capacity was often stretched to its limits during late spring to early fall. If storage filled up due to too much supply and too little demand (warm fall weather), producers simply had to stop producing gas.

[8] Includes conventional energy equities. Excludes MLPs and alternative energy AUM

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Domestically, the demand growth began with the electrification of the economy—electric vehicles, old-fashioned cloud-computing data centers, etc.—followed by industrial reshoring as deglobalization takes hold, and now the AI-compute-demand boom. The big buyers have been, and will continue be, electric utilities and data centers.

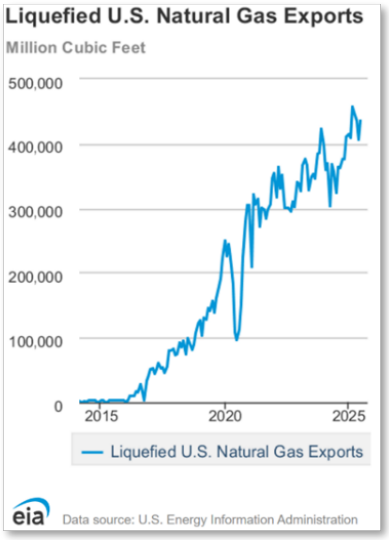
Internationally, global demand is translating into U.S. demand and is going to markedly impact the supply/demand balance.

In the early years, the export of liquified natural gas (LNG) partially attenuated seasonal balancing around limited storage capacity. As it became a larger part of the U.S. gas demand equation, the system became highly vulnerable to single-facility outages like the 2022 Freeport LNG plant explosion that caused global prices to spike.

The next demand phase has already begun: LNG export already accounts for nearly 15% of U.S. gas production, and export capacity is poised to expand about 2.6x between the current level and 2031[9]. If gas volumes were to remain flat (they won't) the 2031 LNG capacity would consume nearly 40% of 2025 production.

LNG exports from the U.S. in the seven years to 2025 rose 4.6-fold. In the first six months of 2026, exports were 23% higher. Asian and European customers pay up to 7x the price of U.S.-originated natural gas.[10]

Market Benchmark*	USD/MMBtu
US Henry Hub	$2.90
US Waha Hub	$1.46
Japan LNG (JKM)	$31.76
Europe Dutch TTF	$30.27



It's why some HK strategies have long held Cheniere Energy, the largest LNG exporter. This is a more conventional, capital-intensive way to invest in natural gas. This is a $65 billion market cap company; even so, the largest holder, the $2 trillion Vanguard Total Stock Market ETF, has only a 0.09% position in Cheniere.

These two charts tell a few interesting stories, if you know the Cliffs Notes.

Just as "the market" either can't see or can't use LandBridge or TPL, that goes double for natural gas. Historically, there weren't any natural gas companies in which to invest. Some people used natural gas pipeline companies, but they're utilities, which is a different business.

Recently, it has become possible to invest more directly in natural gas, at low valuations and with long-horizon compounding expectations. We do it both in the private markets, via the **Horizon Kinetics Royalty and Real Assets Fund** and in the public market. The public market is stark proof of just

[9] Source: EIA data, WhiteHawk Minerals
[10] US Henry Hub, Japan LNG (JKM) and Europe Dutch TTF As of November 4, 2026. US Waha as of October 30, 2026.

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how invisible this important asset class is: the combined market capitalization of natural gas equities is well less than $100 billion[11].

Natural gas is another example of scarcity value; indexation values liquidity, which is the precise opposite.

It also exemplifies the market inefficiency opportunities created by institutional market structure preferences. Which makes our jobs easier and easier. AI looks like it might help us there, but that topic has been rescheduled for next quarter, in the AI Is Stupid section.

We *Don't* Own What's in the Indexes, Indexes *Can't* Own What We Do.

What's That Look Like? An Impossible Portfolio.

The occasion: a recent office visit by a newish client. The thought: to provide a working sense of how and why the account should earn a remunerative return over time. To do that one has to counteract the universal frame of reference of the S&P 500. How could someone imagine a Horizon Kinetics portfolio without an introduction to concepts and functional sectors that don't exist in indexation? Like land perpetuities; asset-light businesses like securities exchanges or royalty companies; predictive attributes like scarcity value or dormant assets? How could one know of the big systemic-exposure differences between an HK portfolio and "the market"?

Most people assume that indexes and ETFs hold what they say they do. Meta and Alphabet are in the S&P 500 Communication sector and Amazon is Consumer Discretionary; yet everyone knows they're among the largest IT companies on the planet. But everyone ***doesn't*** know that a country fund like the Italy ETF gets most of its revenues from ***outside*** Italy. Because international index funds are too large to invest in local-economy companies.

Instead, country funds hold mega-cap multi-nationals like Nestle, which is not much different than buying the S&P 500. Sound a little exaggerated? The Swiss stock exchange lists well over 200 companies. Nestle is 11% of the iShares Switzerland ETF and has more than twice as many employees as any other Swiss company. It gets 1% of its revenues from Switzerland and 36% from North America. It's about as American as Coca-Cola, which gets 41% of its revenues from North America. Good luck trying to diversify your capital using those kinds of methods.

The goal for the visit was to show what the portfolio owned in a qualitative sense. I also had a feeling that our portfolios were behaving quite differently than the broad market. This is some data that we ginned up, just for that client.

[11] Market values for EQT, Expand Energy, Antero Resources, Range Resources, CNX Resources, Comstock Resources, Gulfport Energy

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This functional diversification table, if leavened with some supportive explanation, is a bit of an account owner's manual.

The portfolio is far more diversified across economic sectors and asset classes than the broad indexes. It is superior in terms of business-level profitability, balance sheet strength, and valuation. As adjudged by us, but we're glad to describe the basis for that judgment.

A Recent-Vintage Client Portfolio: Diversification by Functional Business Model Sector

	Weight	Notes
Securities Exchanges	17%	Futures across hard commodities, interest rates, currencies, et al; Options, stocks, data, et al; International (Canada, Australia, Japan, Germany/Europe) Private/emerging exchanges
Royalties excluding energy/land	20%	Gold, silver, iron ore, lithium, copper, potash; wind/solar, et al
Royalties: Energy with & without land	19%	Oil and natural gas
Royalties: Land, water, energy (AI Croupiers)	24%	LandBridge, TPL *(= AI limiting-factor asset investing)*
Water infrastructure	3%	Delaware Basin
Land development	1%	Florida gulf coast; southern California
Auto dealership	3%	Asset-light, high-free-cash-flow business, slowly going private
Recovering regulated electric uility	3%	
India "portfolio" company/closed-end fund	1%	Includes pre-IPO infrastructure asset worth entirety of market value
Global ship broker (U.K. based)	4%	Asset-light inflation beneficiary nformation and data business
Other	5%	Japan owner-operator fund; Swedish family-controlled portfolio company; largest U.S. LNG exporting company; other
	100%	

In its 21-month history, this account behaved in some very unusual ways. Maybe impossible, according to the theory and practice dictates of modern asset allocation.

Preparatory facts: This portfolio has well over 30 holdings, none overly concentrated or dominant, and it holds no technology stocks.[12]

First impossible thing: The performance, even without technology, was about the same as the S&P 500, which held 35% in strictly "Information Technology" stocks (ignoring the mislabeled communications and consumer stocks) as of September. For the year, the I.T. sector returned 36% and the S&P 500 returned 12.8%.

YTD ending Sep'26	Return	Weight
S&P 500	12.8%	
S&P 500 – IT	28.8%	35.6%
S&P 500 – ex-IT	4.2%	
The Mislabeled 3 (AMZN, GOOG, META)	9.1%	18.3%
S&P 500 – ex-IT, ex-Mislabeled 3	3.1%	

Source: Factset

The S&P 500 performance without technology? For easy reference, there is exactly such an ETF.[13] It was up 4.1% this year through September. I had my doubts about something, though, and decided to look under the hood.

[12] The way we manage our SMAs is not purely model driven. We believe that time diversification is as important as security diversification and hence we employ a vintage based implementation approach to deploy capital over time, i.e. dollar cost average into the purchases (as well as exit). As well, because we let compounding occur over a period of years rather than constantly trim appreciated positions, this may also accentuate the weightings differences between older-vintage accounts and new ones. New accounts are invested based on the target weights defined by our portfolio managers in our cash deployment list, not based on the current weightings in the composite.

[13] SPXT, the ProShares S&P 500 ex-Technology ETF

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Uh-huh. The top 3 holdings are Amazon, Alphabet and Meta ("the mislabeled 3?"). They were 19% of the market value of this "ex-Technology" ETF. Their return was twice that of the ETF. Without them, the S&P 500 was up about 3%.

***Second impossible thing**:* In almost half the months, the account moved in the opposite direction of the market: In five of them, it was up when the S&P 500 was down, and in four of the months it was down when the market was up.

ETF companies work very hard to identify asset classes or strategies that have low correlations with the S&P 500. A low correlation is considered very valuable as a risk diversifier, but very difficult to find or create.

Allocators have tried putting money into small-cap stocks, emerging market stocks and real estate. Over two decades, those three moved in the same direction as the S&P 500 about 75% to 87% of the time. Same for the last five years (66% to 80%). Even for the same 21-month period as this client portfolio, the numbers aren't much different (it should be stated that this is too few periods to be statistically significant, but still…). Even a commodity index and an investment-grade bond index—truly different asset classes—were about 50% correlated with the S&P 500 over the past 18 years.

The correlation statistic for this client portfolio would have been close to zero. To reiterate, it's too short a period to be statistically meaningful. Whatever our portfolios are doing, though, it's clearly something very different. Especially amid this era's market concentration and valuation environment, which pretty much screams systemic—meaning across-the-board risk.

We don't use correlation statistics, since they can only describe what happened in the past; they aren't predictive.

This particular portfolio

Month	Portfolio Up/Down vs. Market	Portfolio Excess Change Vs. Market, in % points
2/2025	✓	4.27
3/2025		4.87
4/2025	✓	1.71
5/2025	✓	-6.70
6/2025		-4.28
7/2025	✓	-4.09
8/2025		2.08
9/2025		-1.07
10/2025	✓	-4.63
11/2025		1.74
12/2025		-0.02
1/2026		8.59
2/2026	✓	15.16
3/2026		-0.18
4/2026		-8.88
5/2026	✓	-7.48
6/2026		-0.71
7/2026	✓	2.88
8/2026		1.86
9/2026		-8.51
10/2026	✓	2.50
	Portfolio up/down vs. the market: 9 / 21 months, or 43% of the time	Portfolio change vs. the market by > 4% points: 11 / 21 months, or 52% of the time

Asset Correlations: S&P 500 vs. Other Sector/Asset Classes

Name	Ticker	18 Yrs to 9/26 IVV	5 Yrs to 9/26 IVV	21 Mos to 9/26 IVV
iShares Core S&P 500 ETF	IVV	1.00	1.00	1.00
iShares Core S&P Small-Cap ETF	IJR	0.87	0.79	0.67
iShares MSCI Emerging Markets ETF	EEM	0.76	0.66	0.73
Vanguard Real Estate ETF	VNQ	0.75	0.80	0.48
Invesco DB Commodity Tracking	DBC	0.50	0.10	-0.02
iShares iBoxx $ Invmt Grade Corp Bd ETF	LQD	0.46	0.71	0.35

During true financial crises, when leveraged borrowers are forcibly liquidated, when fear- or need-based selling dominates, most financial assets move down together and the correlations mostly converge toward 1. In principle, it would be better to hold assets that most public market investors don't hold or can't hold—they'll sell what they can, but it won't be as much.

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Buffett Indicator – Tried and True Measure of Overall Market Valuation

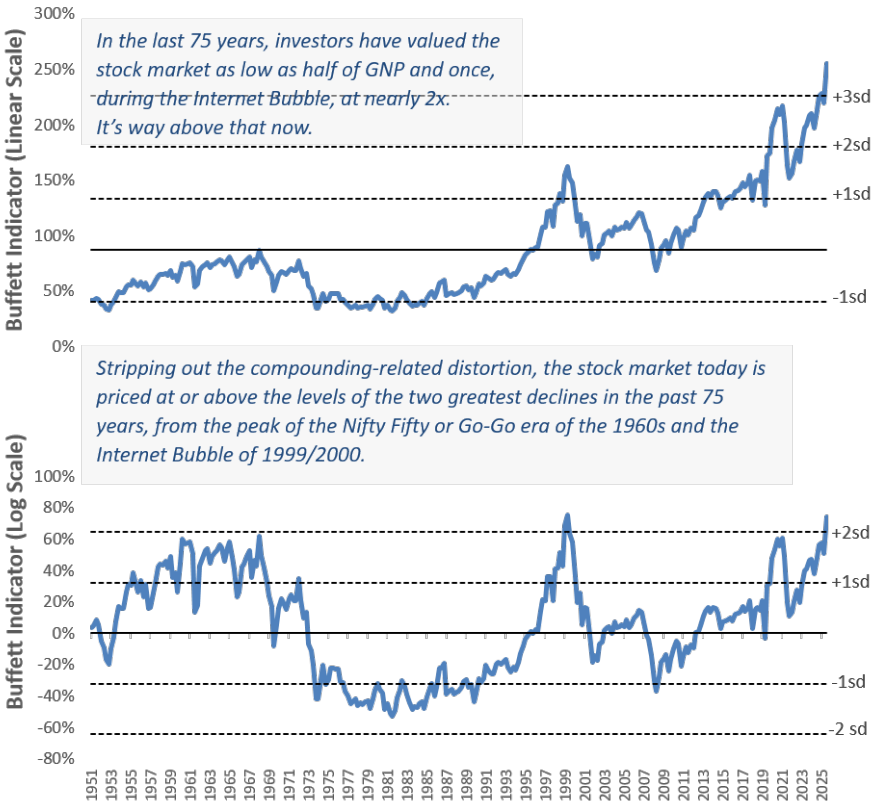
There's a simple way anyone can assess market valuation themselves. It doesn't require sophisticated calculations or analysts' interpretations. Known as the Buffett Indicator, all you need is the total value of the stock market and GNP. Divide the one by the other. You can get those numbers here:

https://fred.stlouisfed.org/series/NCBEILQ027S and
https://fred.stlouisfed.org/series/GNP

The concept is basic:

Total value of the stock market
relative to GNP

Over time, people have been willing to pay a certain amount for the totality of the earnings and assets of all those companies. Their businesses' economic contribution—the goods and services they buy and sell, including labor—make up a big part of the economy. The revenues of the S&P 500 companies have recently been estimated at two-thirds of GNP. Even though much of that is generated overseas, there's a rational linkage between the one and the other.



If you want to add a bit of sophistication, you can try to offset the visual tricks that charts can play. When the thing you're measuring, like GNP or a growth company, increases in an exponential fashion—compounding—the rising-mountain shape that eventually happens flattens out the volatility in long-past periods; they even disappear. See the long-term TPL chart on Page 10.

This distortion can be corrected for by changing the sequential price changes from multiplicative to additive (via a log scale on the vertical Y-axis). Then, each doubling of the stock price is suppressed so that it takes only one-half the vertical distance as the prior doubling. Then, the percentage changes of the 'log normalized' prices from their trendline are shown on an apples-to-apples basis in comparing the present with prior eras. A two- or three-standard deviation change from average is a pretty big deal.

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Early-Stage Investing: Another of the other uncorrelated things we do

One thing we do—not frequent, but important—is sometimes come across a business that's very early in its long-term compounding path. If it is persistently profitable or can expand persistently, then it can be owned for a long time. In success mode, instead of measuring the return in shorter-time-span terminology—like up 10% a year, or as a 50% return—you might be fortunate enough to eventually talk about multiples of your cost. This might sound similar to what technology investors do, but we look for something very different. Commonly, technology-focused investing seeks the next disruptive technology, the unicorn. It's chancy on so many levels that it is the rare success that gets noticed.

An interesting exception was Microsoft. One didn't have to know anything about technology to buy it in the early years after its 1986 IPO. Just a few qualitative observations: One was that more and more people were putting this bulky IBM PC thing on their too-small bedroom desks. Another was to wonder: if only one in 10 households, or 8 million people, owned a PC in 1986, what if half the U.S households would eventually own one? That would be five times larger, excluding all the offices that were buying them and excluding the rest of the world.

The final important observation: Microsoft wasn't a manufacturer: It didn't make the PCs; it owned the software that made a PC run. And it didn't cost Microsoft to make copies of the software, since the company let the PC-makers make copies and send Microsoft a check. Microsoft was a royalty business model with a very large market expansion opportunity.

In the same way, TPL and bitcoin were, each in their manner, vastly smaller than they could ultimately be, and we expected to wait for many, many years. Our reputation as patient investors has provided us opportunities to invest in going-public companies like LandBridge and WaterBridge, as so-called anchor investors in each of those IPOs, and in Permian Basin Royalty Trust, which is public but about to raise capital as it converts to a corporation. These are unusual in simultaneously being early-stage but not high-risk businesses; rather the opposite, because of their business models or hard asset portfolios. They have a long way to go.

We also participate in private market investments. Some of these possess, as in the above examples, high quality, inherently profitable hard assets that make them lower risk than what people think of as early-stage investments. Others are truer venture stage, ranging from an actual data-center "powered land" start-up (with an actual land portfolio); to high-performance computing (Large Math Models—a whole different story than the Large Language Models that are blowing up the world); and to superior, simpler, large-scale batteries for industry, the electric grid, and data centers.

Many clients invest alongside us in these, through our private funds. But that is not for everyone—it is documentation-intensive, one must be a qualified investor, and there are the often-reviled K-1 partnership tax documents.

An alternative form of access is through our publicly traded closed-end fund, the **Renn Fund** ("RCG"), which anyone can buy or sell in the open market. Most of the holdings are publicly traded,

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but we also purchase private investments like those just mentioned, so Renn Fund is a way to have exposure to private investments in a public vehicle. It's still a pretty small fund, in terms of assets, but that also means that a modest private investment that finds success can have a significant impact.

Next Time

A return to new ideas—rather than the ever-present news—will be on the agenda in the next ***Commentary***. In the portfolio construction category, an interesting hole is being filled. It's pleasing to find an investment that benefits financially from a phenomenon that is mostly identified as a threat to large sectors of the economy and the S&P 500. A simple and familiar example is owning an oil royalty company during a period of rising oil prices.

A more challenging threat is the ever-expanding volume of debt in a world of historically extreme budget deficits and debt leverage. A newer holding in some strategies is an exchange-related business that is focused on exactly that—an asset-light croupier for the bond asset class as opposed to equities. It's been owned for some time in a couple of our actively managed ETFs, and has been getting cheaper for years as its growth has outpaced its share price. If one believes that fiscal restraint isn't in the cards and that debt-funded spending might be what is and will be driving interest rates higher, then that would be another functional diversification element in a portfolio.

Here's a random table that illustrates the problem. Random, because it was picked up on the internet and the citation for the data reads:

Public Debt-to-GDP Ranking: Major World Economies (2026)

Rank	Economy	Debt-to-GDP (%)	Context & Fiscal Drivers
1	Japan	230.10%	Decades of stimulus and an aging population.
2	Singapore	172.50%	High, but primarily used for sovereign investment.
3	Italy	137.40%	Persistent structural debt and high servicing costs.
4	United States	125.80%	Rising interest outlays and mandatory spending.
5	France	118.40%	Post-pandemic recovery spending and defense.
6	Canada	114.20%	High household and provincial-level debt.
7	United Kingdom	103.60%	Elevated public service spending vs. slow growth.
8	Spain	98.20%	Gradual deleveraging from pandemic-era peaks.
9	China	96.30%	Rapid rise due to local government and property support.
10	Euro Area (Avg)	87.80%	Broad regional average across EU member states.

https://tradeonline.ca/

Fiscal Deficit Ranking: Major World Economies (2026 Projection)

Rank	Economy	Deficit/Surplus (% of GDP)	Primary Fiscal Drivers
1	China	-8.20%	Infrastructure stimulus and property sector support.
2	Brazil	-7.70%	Social spending and high debt-servicing costs.
3	India	-7.40%	Continued heavy capital expenditure on infrastructure.
4	United States	-5.80%	Rising mandatory spending and net interest outlays.
5	France	-4.90%	Energy transition subsidies and defense modernization.
6	South Africa	-4.90%	Support for state-owned enterprises and power grid.
7	United Kingdom	-3.90%	Public service funding and debt interest volatility.
8	Germany	-3.80%	Defense "Zeitenwende" and industrial energy support.
9	Saudi Arabia	-3.50%	Vision 2030 mega-projects and oil price volatility.
10	Mexico	-3.50%	Social programs and Pemex financial support.

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Note: Published with the assistance of AI and reviewed by an editor.

Tune in next time for more on those new ideas and interesting goings-on flourishing beneath the no-speed-limit indexation and asset allocation highways.

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