



Longreach Energy Holdings LLC

FIRM INFORMATION

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1.0 Market and Portfolio Commentary

1.1 Macro Industry Commentary

US Henry Hub prompt gas prices fell again in March. The prompt was \$1.86/mmbtu at close on 29 February and finished at \$1.76/mmbtu at close on 28 March. Intra-month lows did not quite reach those under \$1.50/mmbtu seen in February. The expected low-price induced decrease in gas production is now being seen with published 97.7bcf daily aggregate US lower 48 production on 9 April, down from its peak above 106bcf seen in early Feb. Calendar 2024 was again relatively stable, beginning March at \$2.55/mmbtu and closing at \$2.48/mmbtu.

Oil prices continued to rise. The prompt began March at \$78.26/bbl and closed the month at \$83.17/bbl. Calendar 2024 started the month at \$75.35/bbl and closed at \$80.18/bbl.

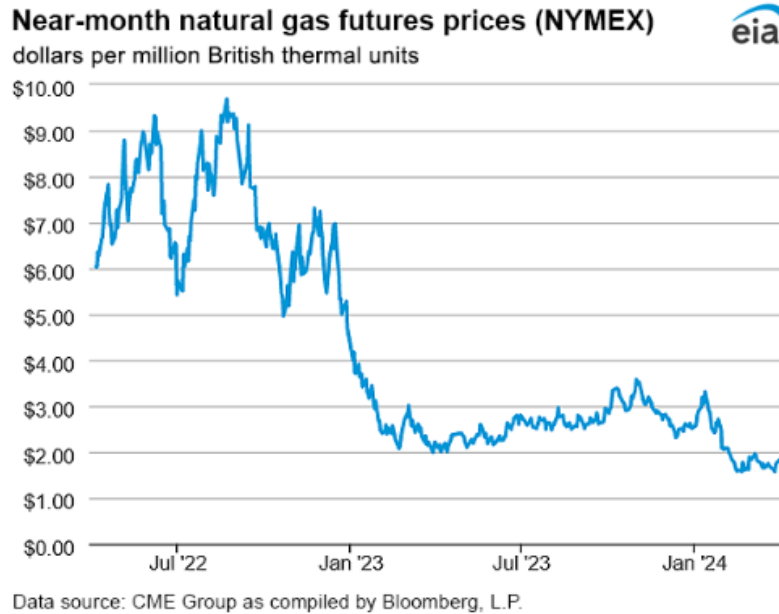
The latest Baker Hughes rig count data follows. In February US total land rigs fell by 8 from 608 to 600. Total oil rigs rose by 2 from 506 to 508 while gas rigs, expectedly, fell from 119 to 110. Oil and gas rig totals include 20 offshore rigs working in March.

Baker Hughes 					
NORTH AMERICA Rotary Rig Count					
5/04/2024					
Location	Week	+/-	Week	+/-	YearAgo
Inland Waters	0	0	0	-1	1
Land	600	-1	601	-133	733
Offshore	20	0	20	3	17
United States Total	620	-1	621	-131	751
Gulf of Mexico	18	0	18	2	16
Canada	136	-15	151	9	127
North America	756	-16	772	-122	878
U.S. Breakout Information	This Week	+/-	Last Week	+/-	Year Ago
Gas	110	-2	112	-48	158
Oil	508	2	506	-82	590
Miscellaneous	2	-1	3	-1	3
Directional	51	1	50	0	51
Horizontal	557	-1	558	-129	686
Vertical	12	-1	13	-2	14

Gas Market

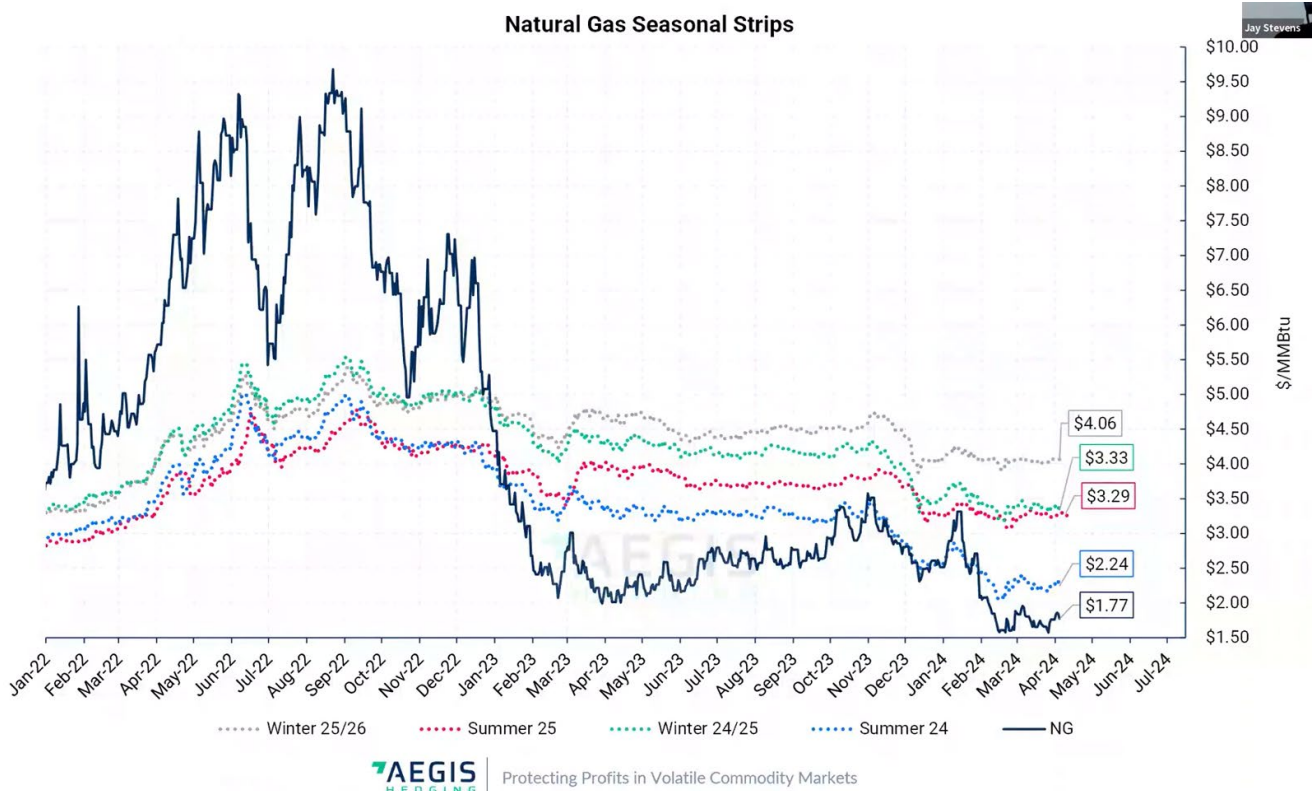
From start to finish of March prompt Henry Hub gas futures fell although the trading range was modestly higher than seen in February, as the market dealt with high storage inventories coming out of a warm winter (Figure 1).

Figure 1: Near Month Henry Hub Futures (Source: EIA)



The relative stability of longer dated prices is shown in the evolution of 2024 and 2025 seasonal natural gas price strips since January 2022 (Figure 2). This stability has been driven by the looming, and well documented, increase in US LNG export demand that will start to build from late 2024.

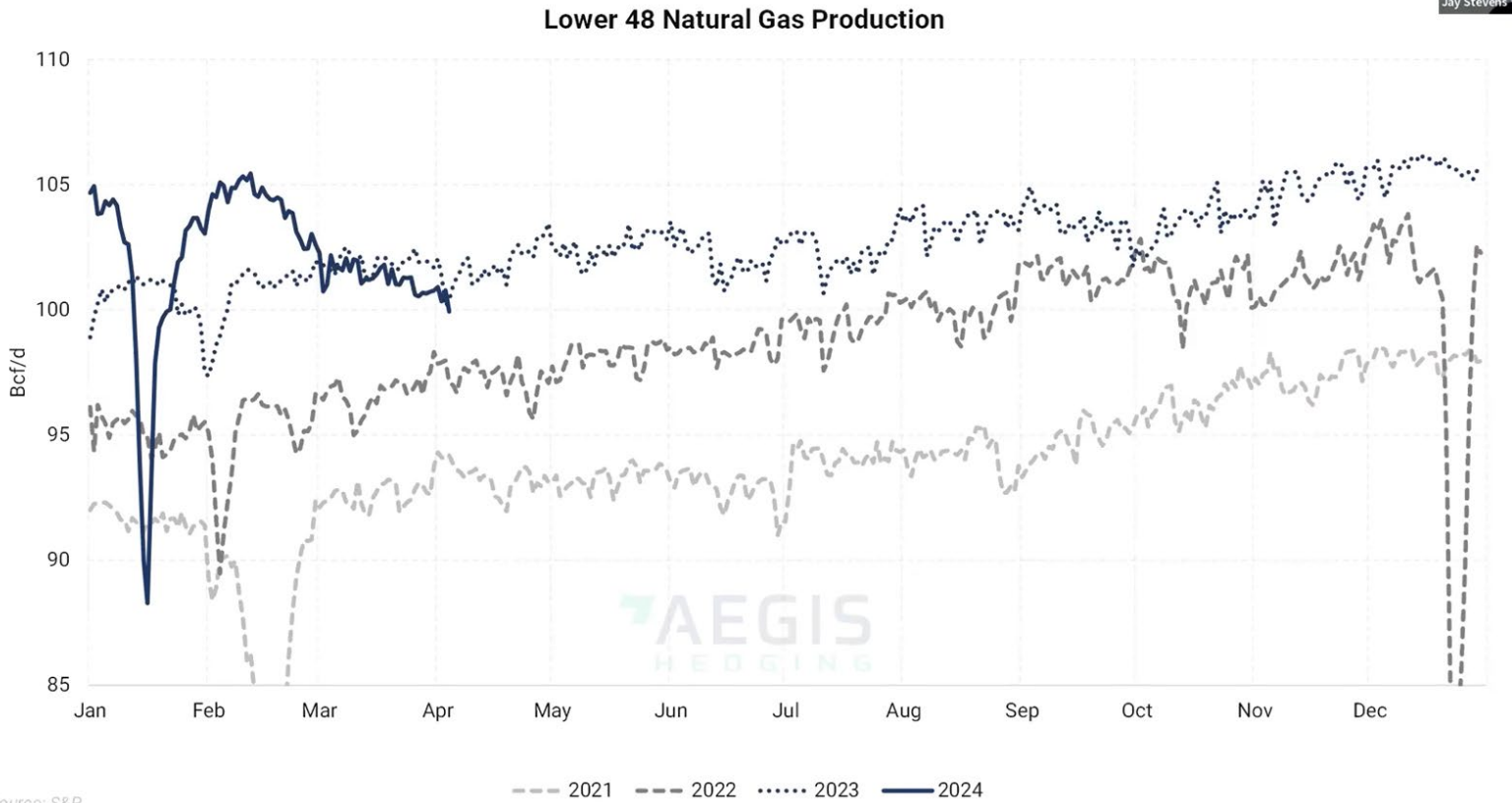
Figure 2: Natural Gas Seasonal Strips (Source: Aegis)





In the near term it is the danger of growing storage volumes, due to the end of the summer injection season exceeding available capacity, that is sending prompt prices lower to induce lower supply. Lower 48 natural gas producers are responding to the market and supply is falling, now down over 5bcfd from peaks (Figure 3).

Figure 3: Lower 48 Natural Gas Production (Source: Aegis)

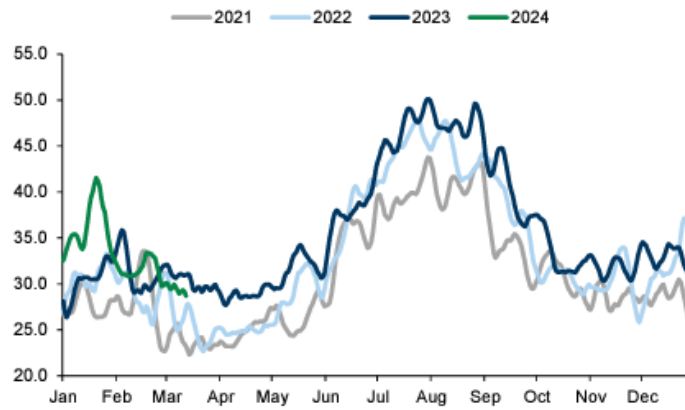


Protecting Profits in Volatile Commodity Markets

Power demand for gas has moderated since January but remains high (Figure 4). Power demand is expected to stay at relatively high levels while gas prices are low.

Figure 4: US Power Demand for Gas, bcfd (Source: various, via GS)

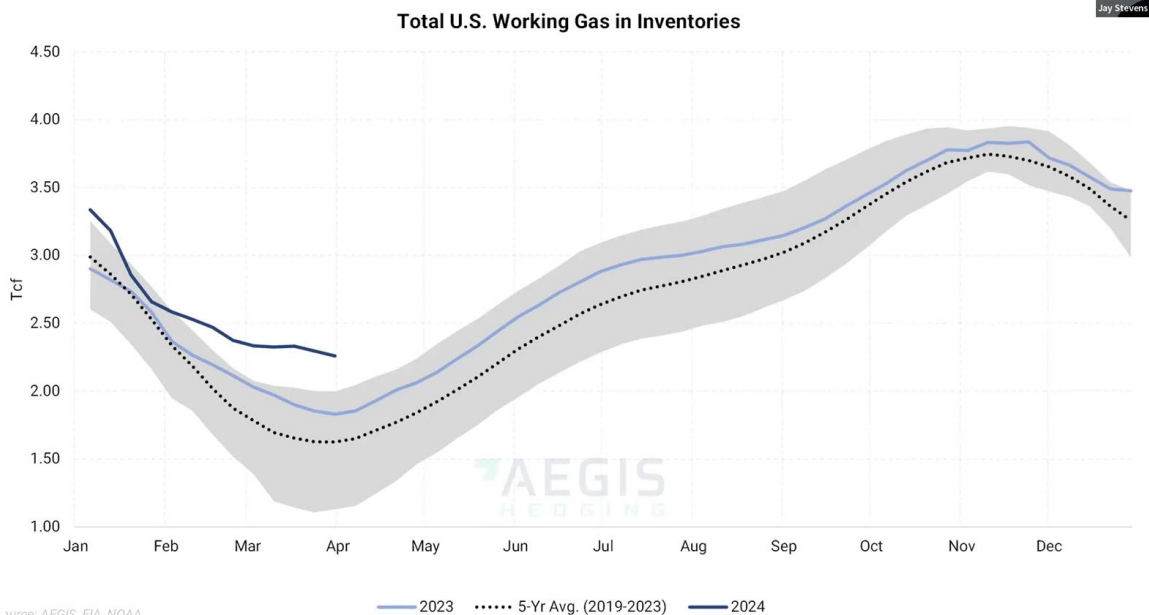
Exhibit 47: Power demand for gas has moderated, but remains high
US power demand for gas, Bcf/d



Source: EIA, S&P Global Commodity Insights, Goldman Sachs Global Investment Research

Total working natural gas in inventories is currently above the 5-year maximum at this time of year (Figure 5).

Figure 5: Total US Working Gas in Inventories (Source: EIA via Aegis)

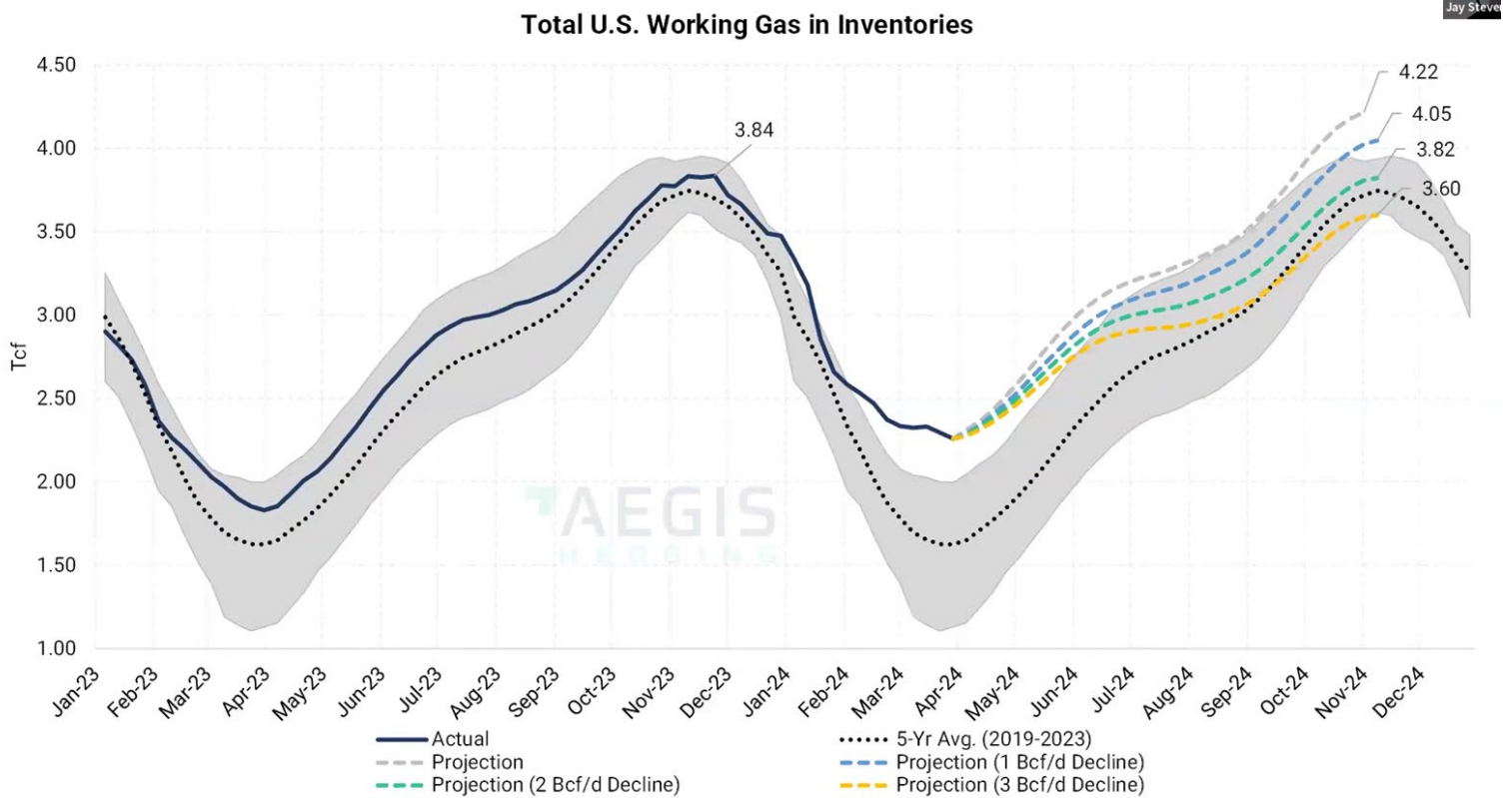


Source: AEGIS, EIA, NOAA

Between now and the start of the winter heating season in November the principal drivers for net supply and demand will be production volume and how hot it gets in summer – hotter weather leading to higher gas demand to power air conditioning.

In November 2023, total US gas inventories reached a peak volume of 3.94tcf. Starting with the current level of 2.3tcf (633bcf more than the 5-year average at this time of year), average consumption and a base estimate production of 102bcfd would deliver peak storage of 4.02tcf in November. Figure 6 shows the impact of reduced production with no change to demand. If production averages 99bcfd from now to November (roughly current production), peak storage falls to a quite manageable 3.60tcf.

Figure 6: Total US Working Gas in Inventories under Production Scenarios (Source: EIA, Aegis)

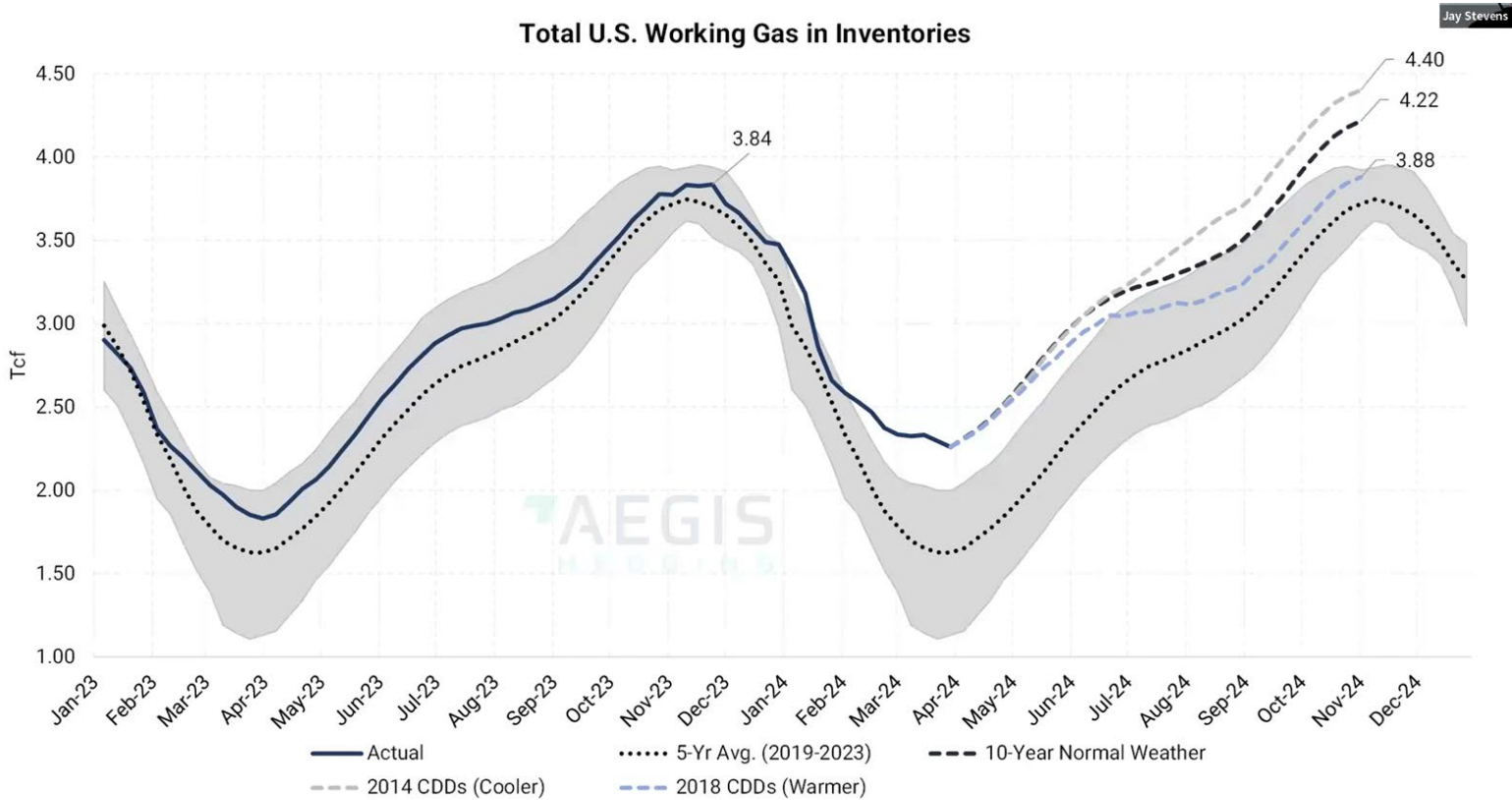


Source: AEGIS, EIA, NOAA



Leaving production at 102bcfd and considering changed demand from either a cold summer (low demand) or a hot summer (high demand) gives a November 2024 peak storage range of 4.4tcf to 3.9tcf (Figure 7).

Figure 7: Total US Working Gas in Inventories under Weather Demand Scenarios (Source: EIA, Aegis)



Jay Stevens



Source: AEGIS, EIA, NOAA

Average daily US natural gas demand across calendar 2023 was 106bcfd. Figure 8 details changes expected through calendar 2026. The largest components are increased exports to Mexico, substantially increased LNG exports and a reduction in power demand due to increased nuclear and renewables. The net increase in average daily supply is expected to be 6.11bcfd to a total 112bcfd.

Investment is required to increase supply and producers, including Longreach, will only invest if prices are high enough to deliver attractive returns. This dynamic will provide strong price support for gas prices from 2025.

Figure 8: Changes to US Average Daily Natural Gas Demand 2023 to 2026 (Source: S&P, via Aegis)

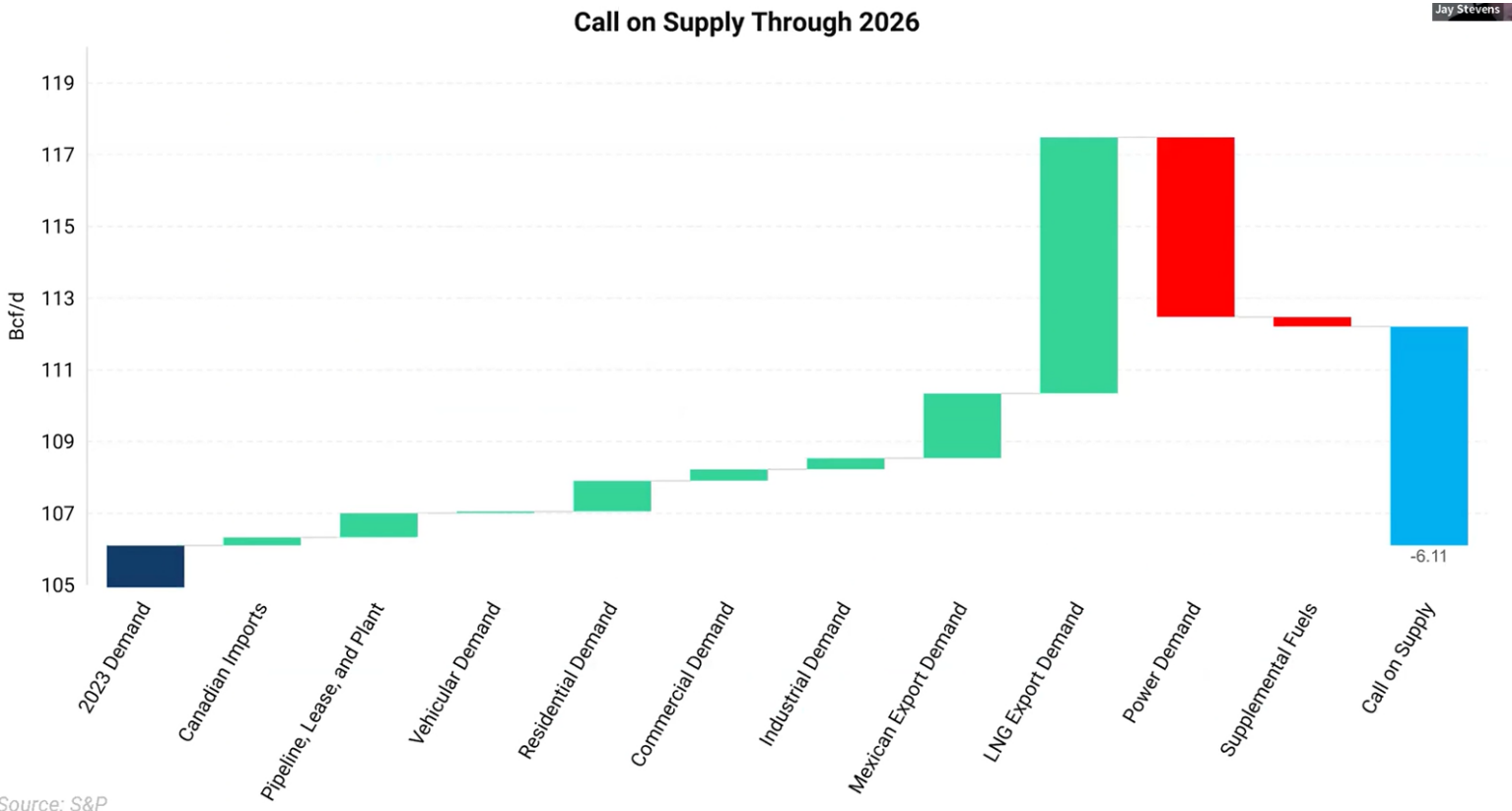
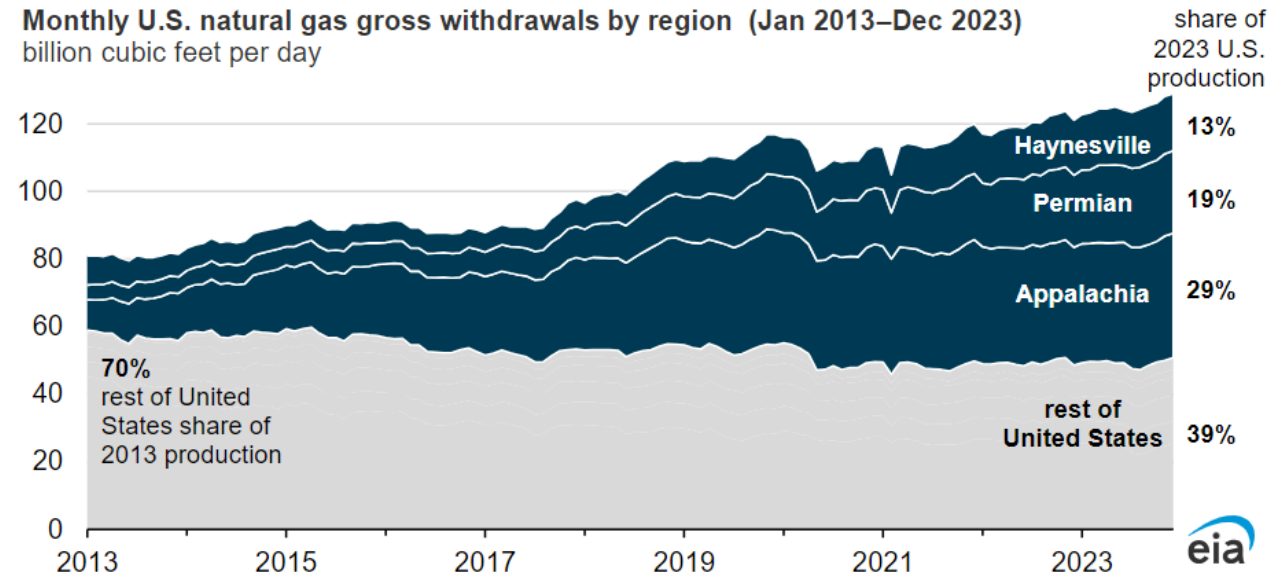


Figure 9 shows the growth in US total natural gas production from January 2013 to December 2023. By the end of 2023 the largest natural gas production regions in the US were Appalachia (29%), Permian (19%) and Haynesville (13%). Over the prior decade these regions had increased their share of US gas production from 30% to 71%. Note the 125bcfd average daily production in 2023 is “wet gas” that includes natural gas liquids. Production data in this report generally refers to “dry gas” after removal of these liquids and gas used for energy generation in the production process.

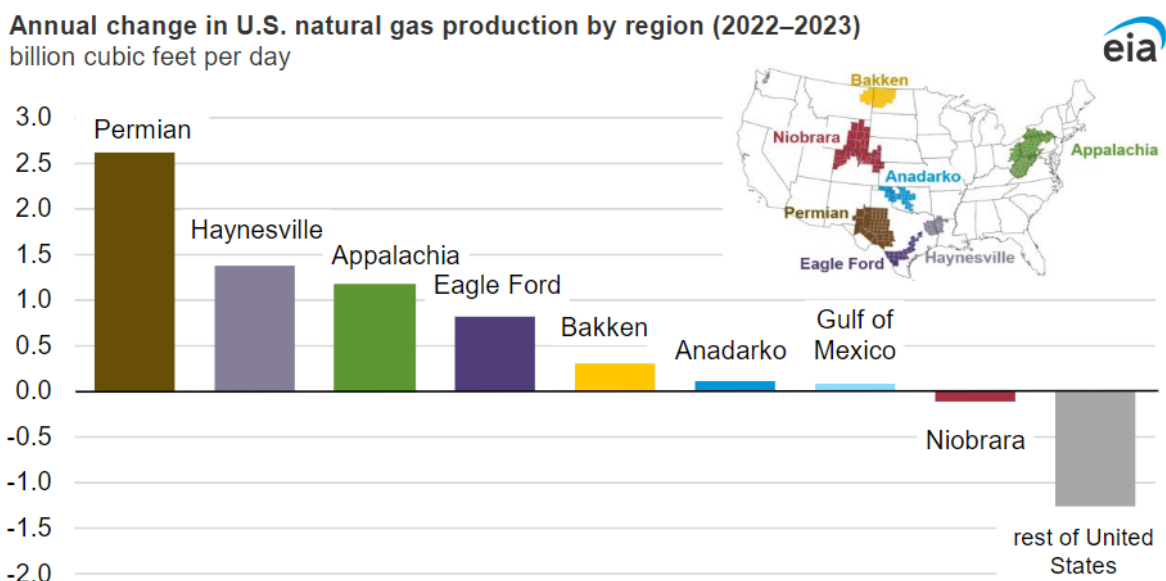
Figure 9: Monthly US Natural Gas Withdrawals by Region Jan 2013 – Dec 2023 (Source: EIA)



Data source: U.S. Energy Information Administration, *Drilling Productivity Report*, *Monthly Crude Oil and Natural Gas Production Report*, and *Natural Gas Monthly*

The annual change in US natural gas production by region from 2012 to 2023 is shown in Figure 10.

Figure 10: Annual Change in Natural Gas Production by Region 2012 - 2023 (Source: EIA)



Data source: U.S. Energy Information Administration, *Drilling Productivity Report*, *Monthly Crude Oil and Natural Gas Production Report*, and *Natural Gas Monthly*

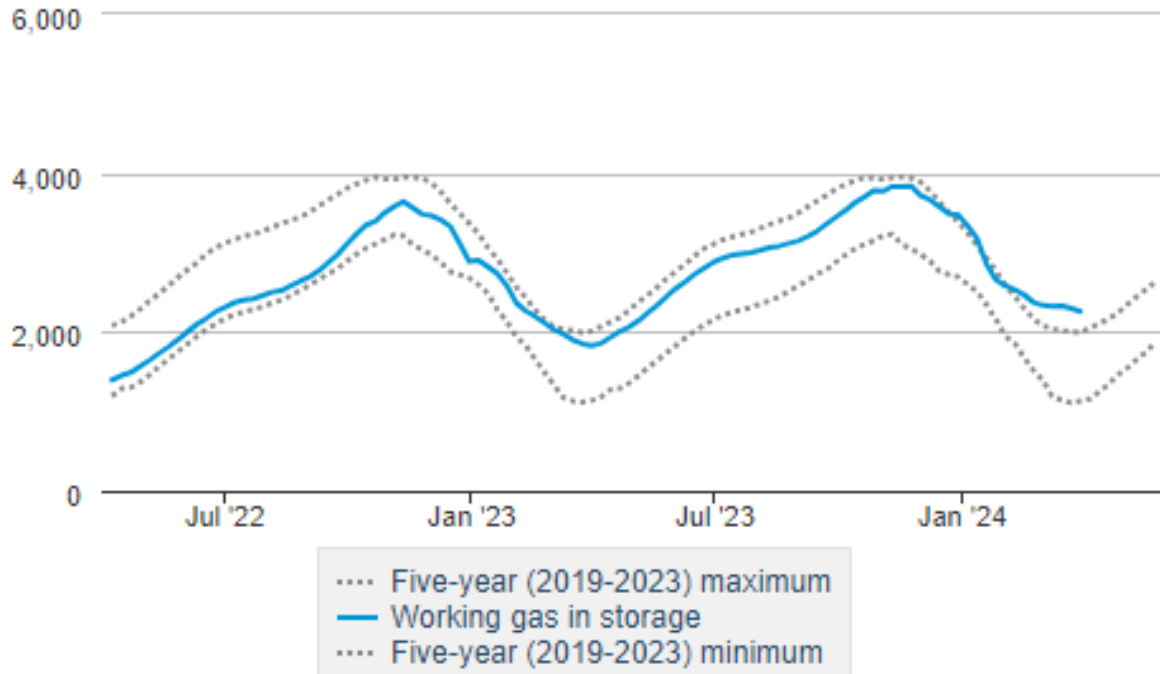
Net withdrawals from storage totalled 37 bcf for the week ending 29 March, compared to the five-year (2019-2023) average net withdrawals of 1 bcf and last year's net withdrawals of 29 bcf during the same week. Working natural gas stocks on 23 February totalled 2,259 bcf, which is 633 bcf (39%) more than the five-year average and 422 bcf (23%) more than this time last year (Figure 11).

Figure 11: US Lower 48 Weekly Working Gas in Underground Storage (Source: EIA)

Working natural gas in underground storage



billion cubic feet



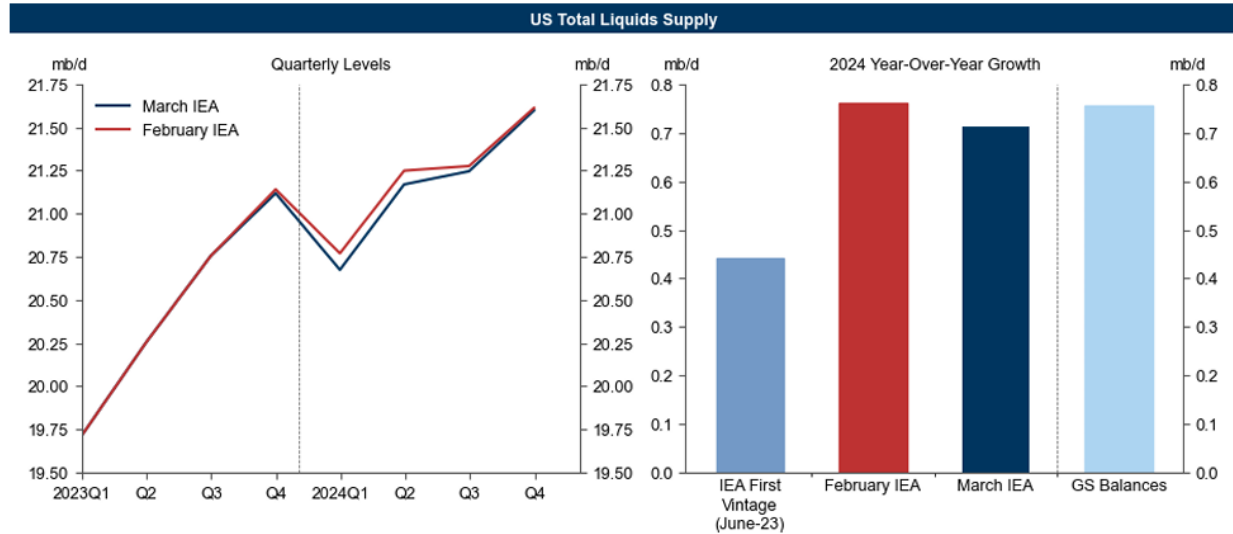
Data source: U.S. Energy Information Administration Form EIA-912, *Weekly Underground Natural Gas Storage Report*

Oil Market

The International Energy Agency (IEA) has upgraded its forecast of 2024 global oil demand growth to 1.3mmbld YoY, an increase of 0.5mmbld from prior. Goldman forecasts 2024 demand growth of 1.5mmbld (Figure 12).

Figure 12: World Oil Demand (Source: IEA, GS)

Exhibit 4: The IEA Nudged Down Its Forecast of 2024 US Total Liquids Supply by -0.1mb/d, With Year-Over-Year Growth at 0.7mb/d



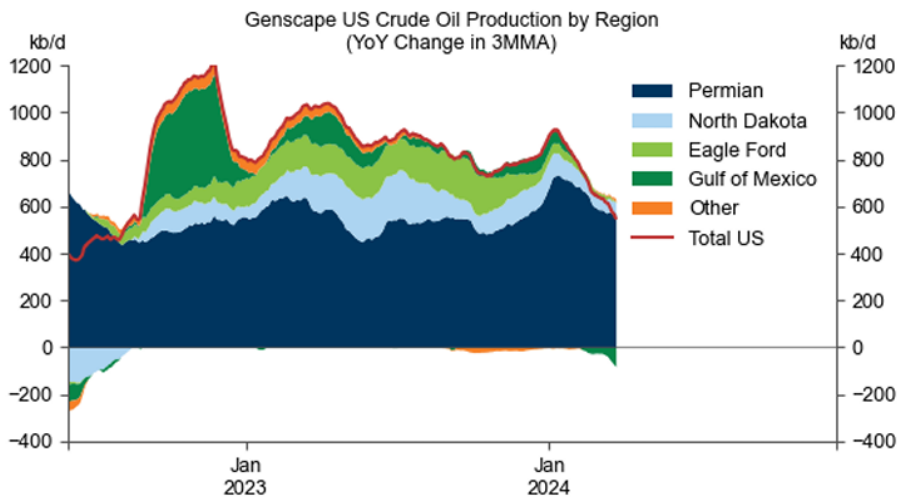
For consistency with the GS balance, Our estimates for US ethanol have been added to IEA total US supply.

Source: IEA, Goldman Sachs Global Investment Research

US oil production is still growing though the pace of growth is slowing (Figure 13).

Figure 13: US Crude Oil Production by Region (Source: Genscape, GS)

Exhibit 2: YoY 3MMA US Crude Oil Production Growth Decreased Again Last Week by 30kb/d to 550kb/d, Given Lower Gulf of Mexico Growth



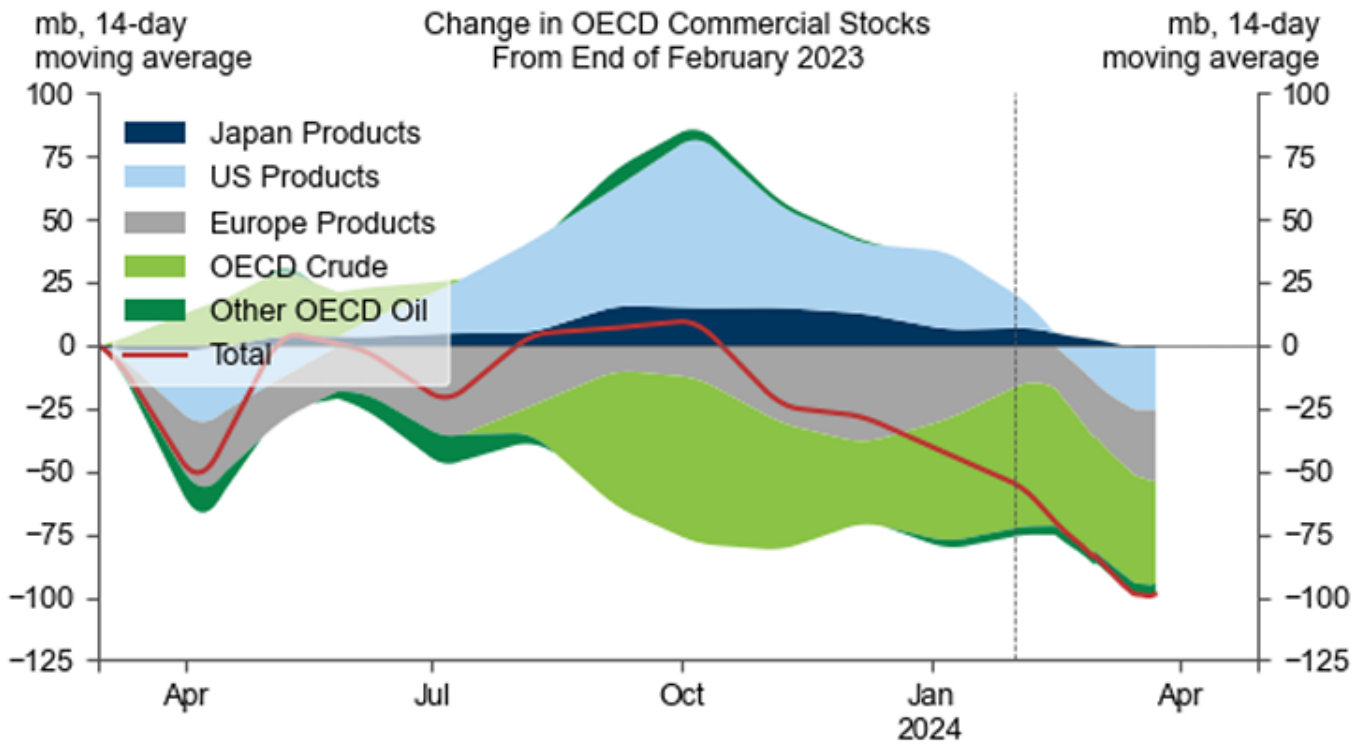
Other includes Alaska.

Source: Genscape, Goldman Sachs Global Investment Research

OECD commercial oil stocks continue to fall, now down 99mmbbl from the end of February 2023 (Figure 14).

Figure 14: Change in OECD Commercial Stocks from end Feb 2023 (Source: various, via GS)

Exhibit 10: Our OECD Commercial Stocks Nowcast Edged Down 6mb This Week (on a 14-Day Moving Average Basis), Now Down 99mb From End of February 2023

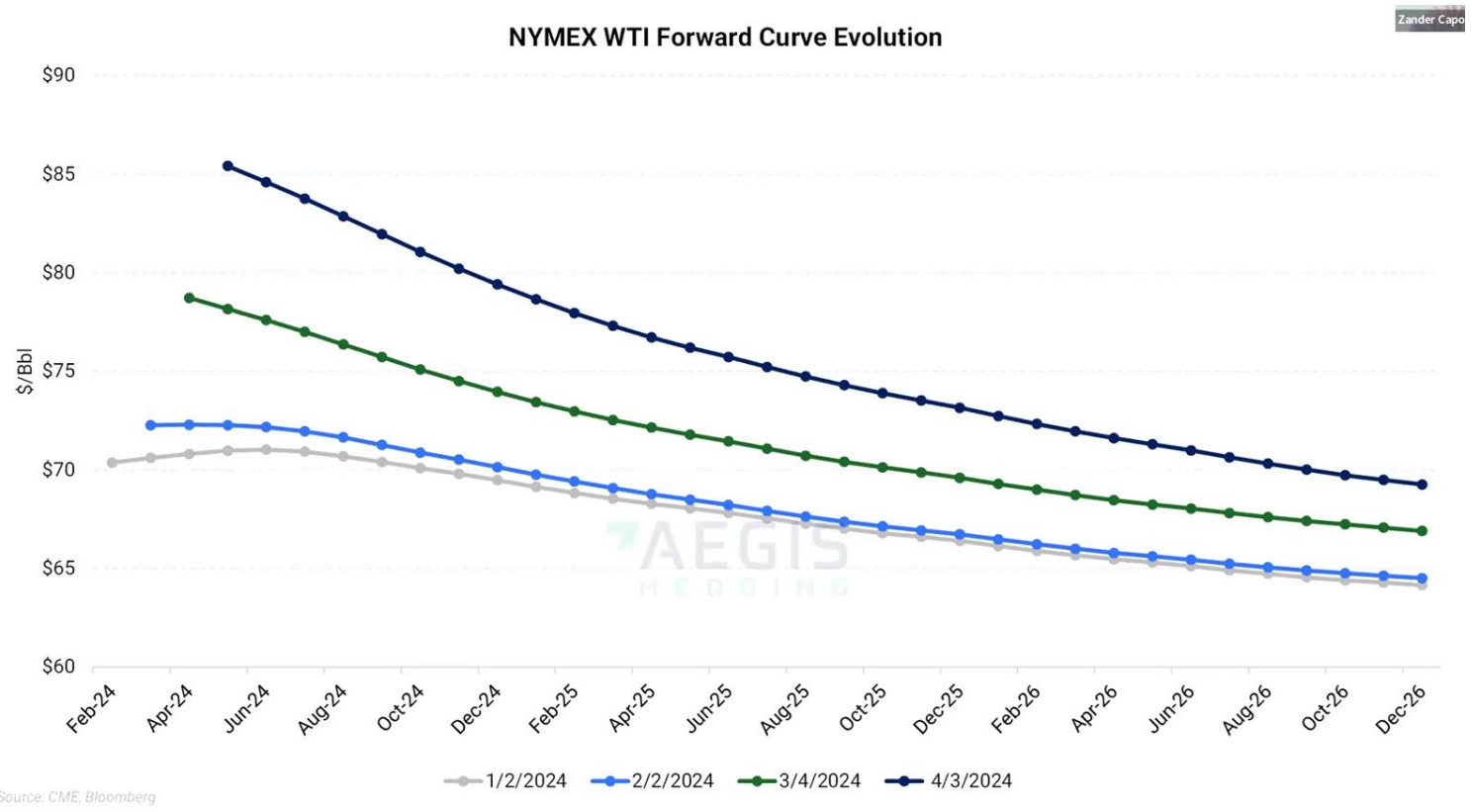


The dotted line indicates the latest realized observation from the IEA (end of January).

Source: IEA, Kpler, DOE, Euroilstocks, PAJ, ARA PJK, Haver, Goldman Sachs Global Investment Research

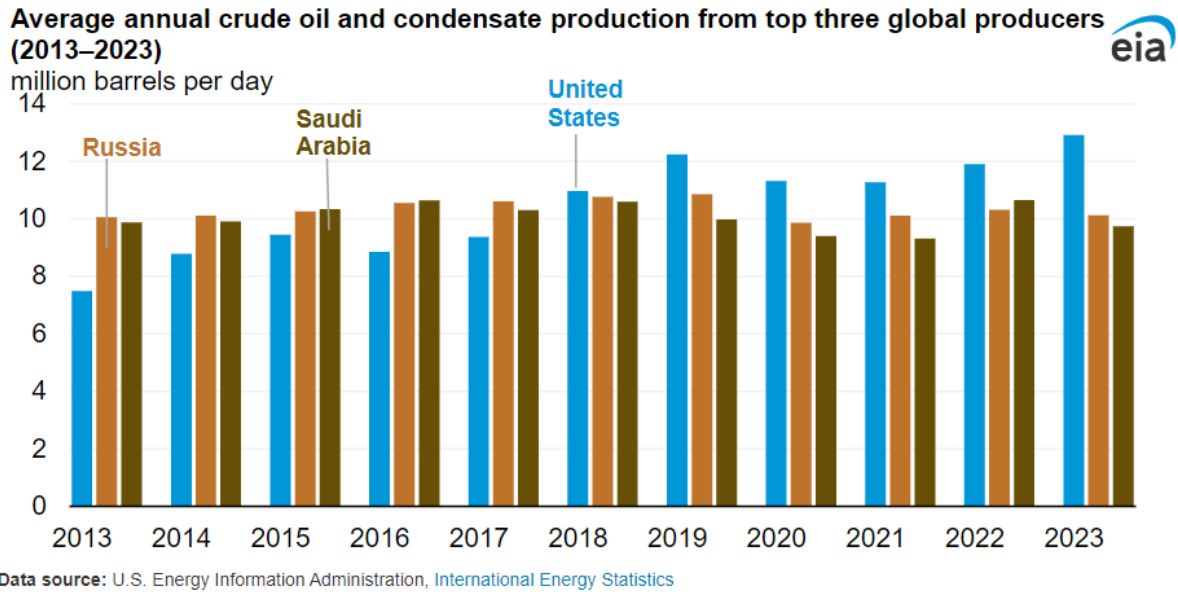
The steepening backwardation of the oil forward curve over the course of 2024 (Figure 15) is evidence of a tightening physical market. Ongoing OPEC+ production cuts, lower growth in US production and strong demand are combining to drive near dated oil prices higher.

Figure 15: WTI Forward Curve Evolution (Source: CME, Bloomberg via Aegis)



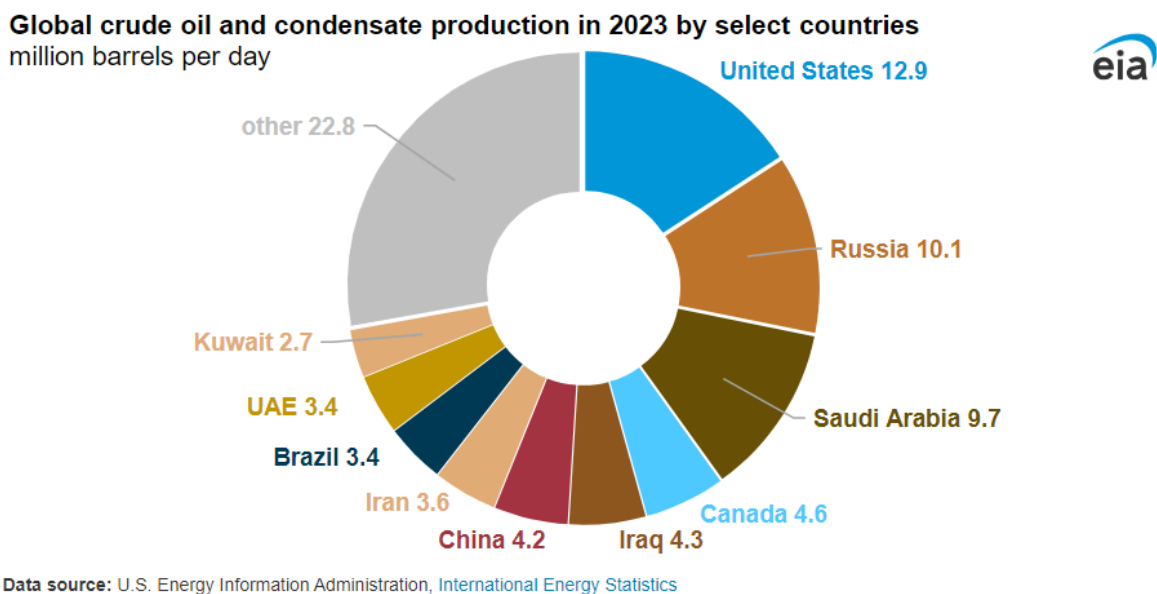
In 2023, the United States produced more crude oil than any nation at any time. For each of the last six years the US has produced more oil than any other nation in history (Figure 16). US crude production, averaged 12.9mmbbl/d in 2023, breaking the previous US and global record of 12.3 mmbbl/d set in 2019.

Figure 16: Average Annual Crude Oil Production 2013-2023 (Source: EIA)



Together the US, Russia and Saudi Arabia accounted for 40% (32.8mmbbl/d) of global production in 2023. These three countries have produced more oil than any others since 1972 (counting production in the Russian Federation of the Soviet Union prior to 1991) (Figure 17).

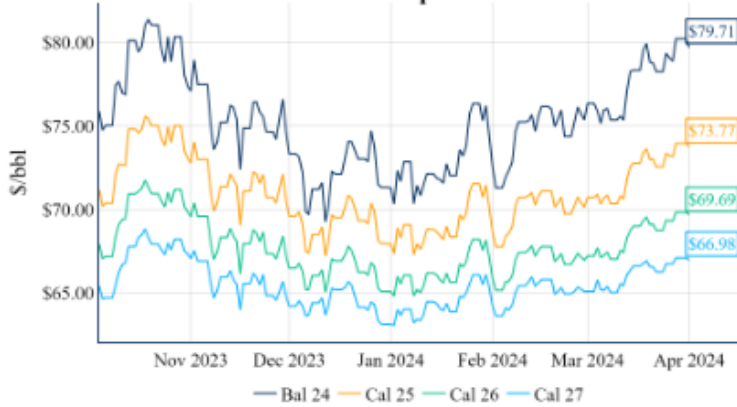
Figure 17: 2023 Crude Oil Production in Select Countries (Source: EIA)





Gas and Oil Prices 1 April 2024

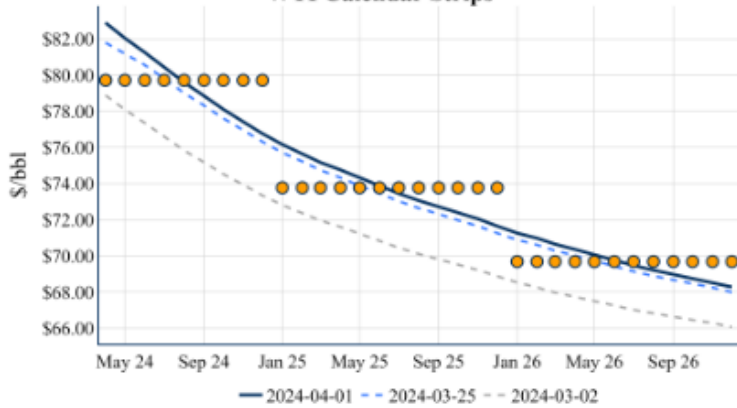
WTI Strips



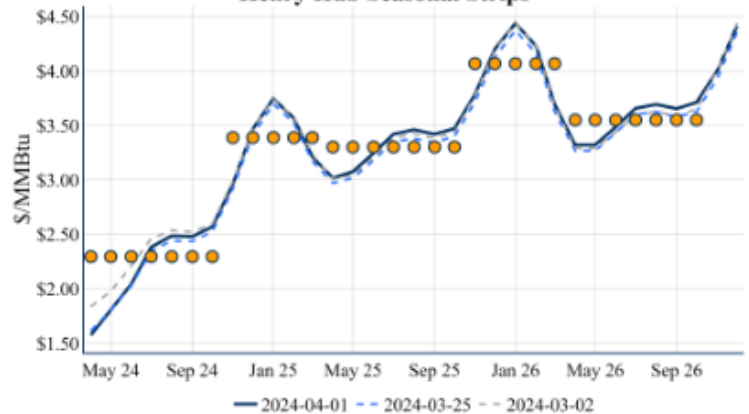
Natural Gas Strips



WTI Calendar Strips



Henry Hub Seasonal Strips

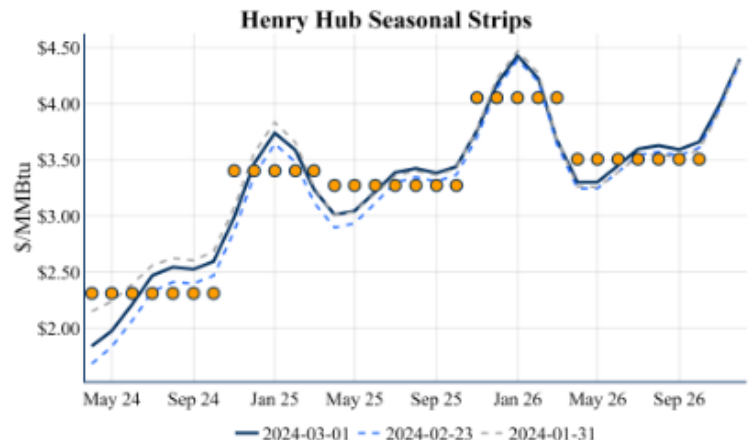
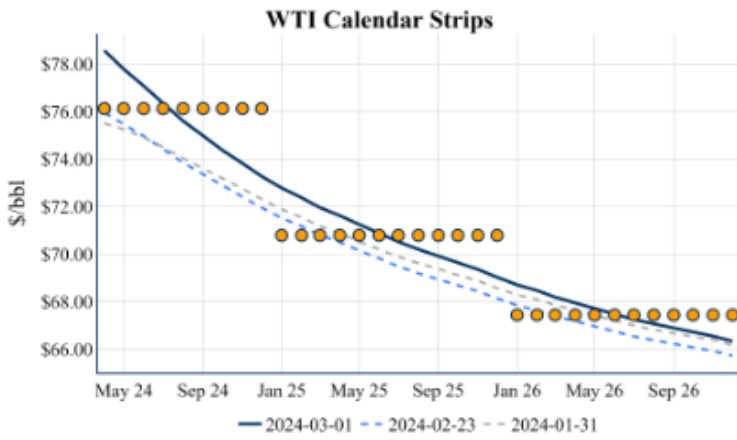
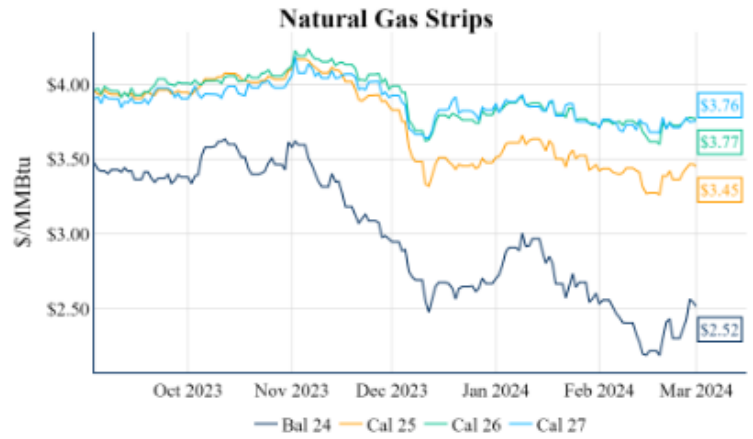
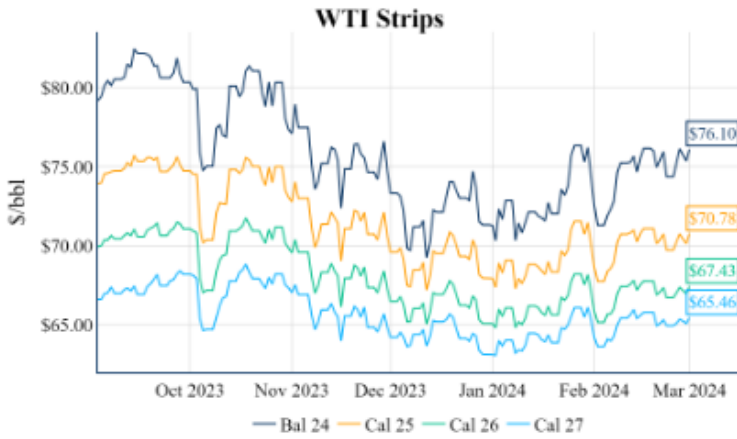


Swap Pricing	Bal 24	Cal 25	Cal 26
NYMEX WTI	\$79.72	\$73.78	\$69.69
ICE Brent	\$83.76	\$78.36	\$74.68
LLS	\$82.38	\$76.51	\$72.50
Mars	\$80.22	\$73.42	\$67.95
West TX Sour (WTS)	\$79.98	\$73.78	\$69.20
Dubai	\$83.32	\$77.61	\$73.95
Dated Brent	\$85.08	\$78.54	\$74.64
WCS-WTI	-\$12.89	-\$13.32	NaN

Swap Pricing	Month 1	Summer 24	Winter 24/25	Summer 25	Winter 25/26
Henry Hub Fixed	\$1.816	\$2.303	\$3.397	\$3.309	\$4.068
Eastern Gas South	-\$0.403	-\$0.703	-\$0.801	-\$0.985	-\$0.924
Waha	-\$1.485	-\$0.920	-\$0.247	-\$0.573	-\$0.273
TETCO M3	-\$0.333	-\$0.559	\$0.648	-\$0.811	\$0.673
Houston Ship Channel	-\$0.204	-\$0.259	-\$0.164	-\$0.317	-\$0.176
Columbia Gulf Mainline	-\$0.151	-\$0.209	-\$0.228	-\$0.225	-\$0.227
Panhandle East	-\$0.309	-\$0.373	\$0.159	-\$0.427	\$0.113
NGPL MidCon	-\$0.273	-\$0.358	\$0.031	-\$0.404	\$0.004
SoCal	-\$0.210	\$0.084	\$2.095	\$0.362	\$1.727
AECO	-\$0.512	-\$0.914	-\$1.030	-\$1.029	-\$0.995
Chicago City-Gates	-\$0.155	-\$0.262	\$0.271	-\$0.331	\$0.273



Gas and Oil Prices 1 March 2024



Swap Pricing	Bal 24	Cal 25	Cal 26
NYMEX WTI	\$76.11	\$70.78	\$67.44
ICE Brent	\$80.05	\$75.40	\$72.50
LLS	\$78.63	\$73.46	\$70.24
Mars	\$75.96	\$70.28	\$65.69
West TX Sour (WTS)	\$76.14	\$70.68	\$66.94
Dubai	\$79.37	\$74.59	\$71.80
Dated Brent	\$80.17	\$75.54	\$72.52
WCS-WTI	-\$14.27	-\$13.46	NaN

Swap Pricing	Month 1	Summer 24	Winter 24/25	Summer 25	Winter 25/26
Henry Hub Fixed	\$1.856	\$2.326	\$3.406	\$3.287	\$4.051
Eastern Gas South	-\$0.473	-\$0.791	-\$0.880	-\$1.039	-\$0.958
Waha	-\$1.160	-\$0.934	-\$0.479	-\$0.807	-\$0.487
TETCO M3	-\$0.371	-\$0.647	\$0.477	-\$0.877	\$0.480
Houston Ship Channel	-\$0.290	-\$0.301	-\$0.181	-\$0.315	-\$0.154
Columbia Gulf Mainline	-\$0.170	-\$0.219	-\$0.232	-\$0.231	-\$0.255
Panhandle East	-\$0.280	-\$0.484	-\$0.094	-\$0.644	-\$0.096
NGPL MidCon	-\$0.260	-\$0.377	\$0.037	-\$0.380	\$0.012
SoCal	\$0.126	\$0.448	\$2.140	\$0.479	\$1.601
AECO	-\$0.577	-\$1.019	-\$1.053	-\$1.032	-\$1.020
Chicago City-Gates	-\$0.130	-\$0.256	\$0.314	-\$0.271	\$0.305



Important Disclaimer.

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