



Longreach Energy Holdings LLC

FIRM INFORMATION

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Principal – Technical Director

1.0 Market and Portfolio Commentary

1.1 Macro Industry Commentary

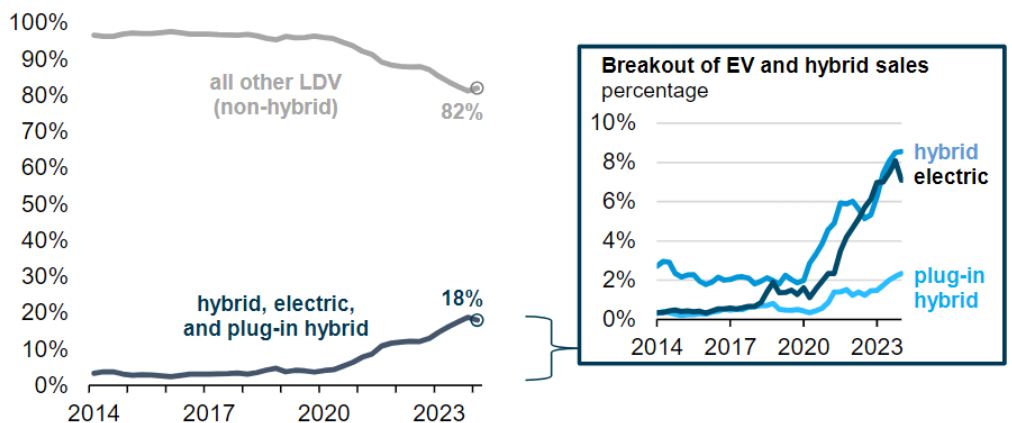
US Henry Hub prompt gas prices rose strongly in May. The prompt was \$1.99/mmbtu at close on 30 April and finished at \$2.59/mmbtu at close on 31 May. Calendar 2024 also increased, beginning May at \$2.61/mmbtu and closing at \$2.88/mmbtu.

Oil prices fell. The prompt began May at \$80.18/bbl and closed the month at \$76.19/bbl. Calendar 2024 started the month at \$75.59/bbl and closed at \$76.01/bbl.

The share of electric and hybrid vehicle sales in the United States decreased in the first quarter of 2024 as battery electric vehicles (BEV) sales declined (Figure 1). Hybrid vehicles, plug-in hybrid electric vehicles and BEVs fell to 18.0% of total new light-duty vehicle (LDV) sales in the United States in the first quarter of 2024 from 18.8% in 4Q23, according to estimates from Wards intelligence. A slowing in demand for BEVs would increase oil demand in coming decades and likely cause some marginal decrease in natural gas demand for power

Figure 1: Quarterly US LDV Sales by Powertrain (Source: Wards Intelligence, via EIA)

Quarterly U.S. light-duty vehicle (LDV) sales by powertrain (Jan 2014–Mar 2024) percentage of sales



Data source: Wards Intelligence
Note: EV=electric vehicles, which include both battery electric and plug-in hybrid electric vehicles.

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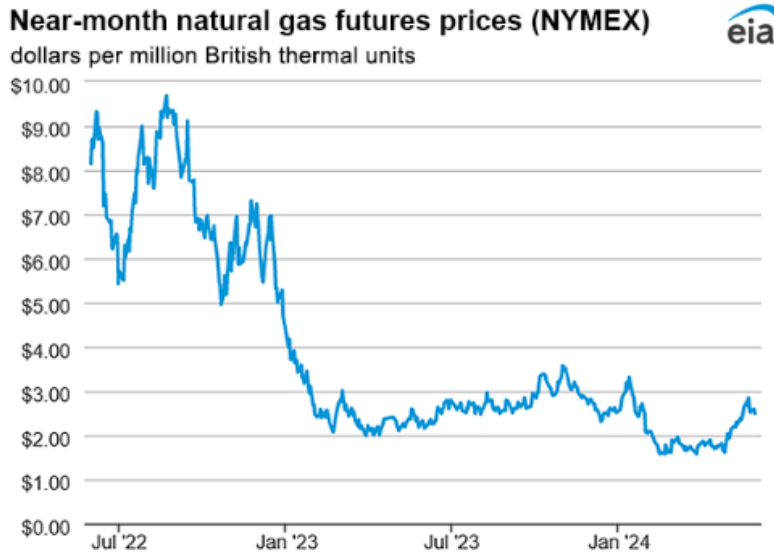
The latest Baker Hughes rig count data follows. In May, US total land rigs fell by 15 from 587 to 572. Total oil rigs fell by 7 from 499 to 492 while gas rigs fell from 102 to 98. Oil and gas rig totals include 22 offshore rigs working in April.

|  NORTH AMERICA Rotary Rig Count 7/06/2024 | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|-------------|------------|
| Location | Week | +/- | Week | +/- | YearAgo |
| Inland Waters | 0 | 0 | 0 | -2 | 2 |
| Land | 572 | -6 | 578 | -101 | 673 |
| Offshore | 22 | 0 | 22 | 2 | 20 |
| United States Total | 594 | -6 | 600 | -101 | 695 |
| Gulf of Mexico | 20 | -1 | 21 | 0 | 20 |
| Canada | 143 | 15 | 128 | 7 | 136 |
| North America | 737 | 9 | 728 | -94 | 831 |
| U.S. Breakout Information | This Week | +/- | Last Week | +/- | Year Ago |
| Gas | 98 | -2 | 100 | -37 | 135 |
| Oil | 492 | -4 | 496 | -64 | 556 |
| Miscellaneous | 4 | 0 | 4 | 0 | 4 |
| Directional | 43 | -1 | 44 | -8 | 51 |
| Horizontal | 531 | -5 | 536 | -94 | 625 |
| Vertical | 20 | 0 | 20 | 1 | 19 |

Gas Market

The recovery in prompt Henry Hub gas futures prices that started in April continued through May. Impetus to the price recovery was added by warm weather forecasts and the need for gas to power the electricity required to satisfy air-conditioning demand (Figure 2).

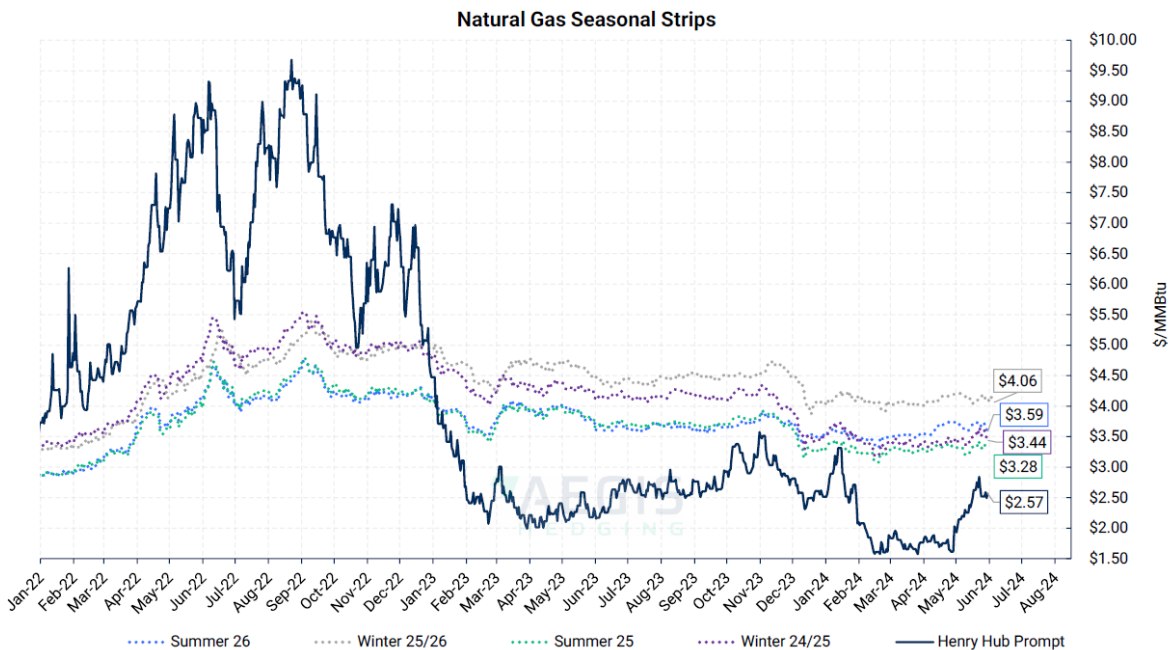
Figure 2: Near Month Henry Hub Futures (Source: EIA)



Data source: CME Group as compiled by Bloomberg, L.P.

As we have previously observed, while the prompt contract has been very volatile year-to-date 2024, the forward curve has been very stable. Figure 3 shows prompt contract and the seasonal strips for Winter 24/25, Summer 25, Winter 25/26 and Summer 26. This stability reflects the looming demand from new LNG facilities.

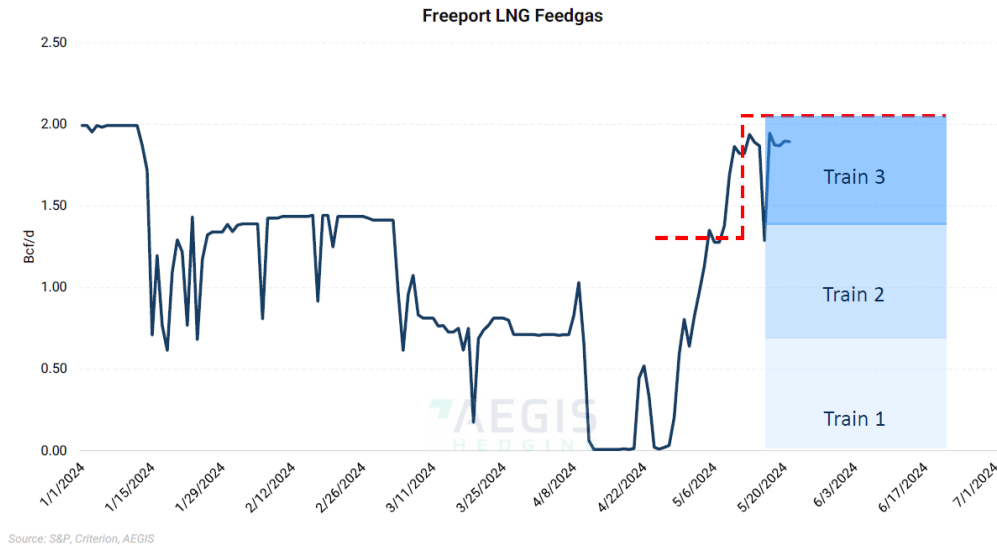
Figure 3: Natural Gas Seasonal Strips (Source: AEGIS)



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One of the reasons that the prompt contract has been low in 2024 is reduced demand from the largest LNG export facility, Freeport LNG, after it experienced a series of unplanned mechanical outages. From the end of May Freeport has steadily increased its feedgas demand as these issues were resolved and is now operating at full capacity (Figure 4). The restoration of full operating capacity is highly correlated with the recent increase in the HH prompt price.

Figure 4: Freeport LNG Feedgas (Source: AEGIS)

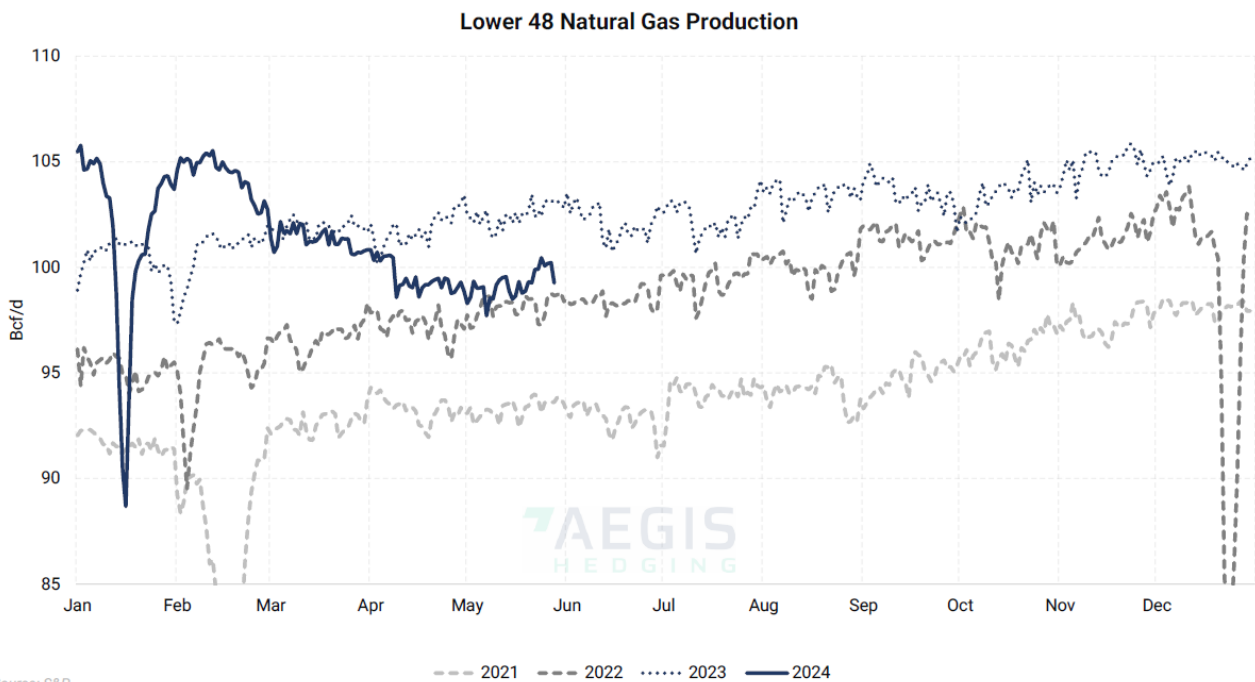


Source: S&P, Criterion, AEGIS

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The low-price induced fall in US Lower 48 State natural gas production is shown in Figure 5. Lower production is now helping to strengthen natural gas prices.

Figure 5: Lower 48 Natural Gas Production (Source: S&P via AEGIS)



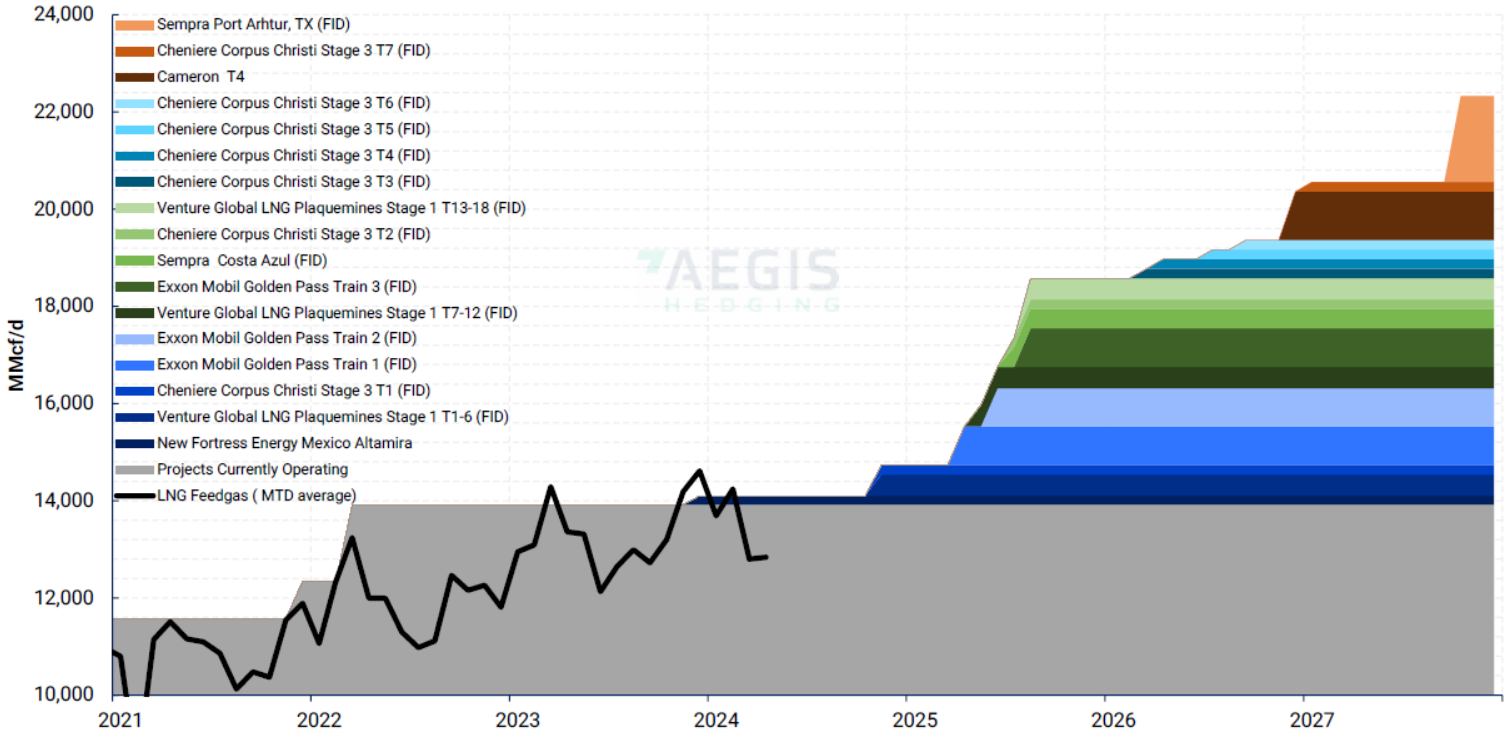
Source: S&P

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Following progress updates from the developers of new LNG facilities AEGIS has updated its projection of total LNG export demand (Figure 6). The big jump in demand is expected to come in mid-2025.

Figure 6: LNG Project Natural Gas Demand through 2027 (Source: various via AEGIS)

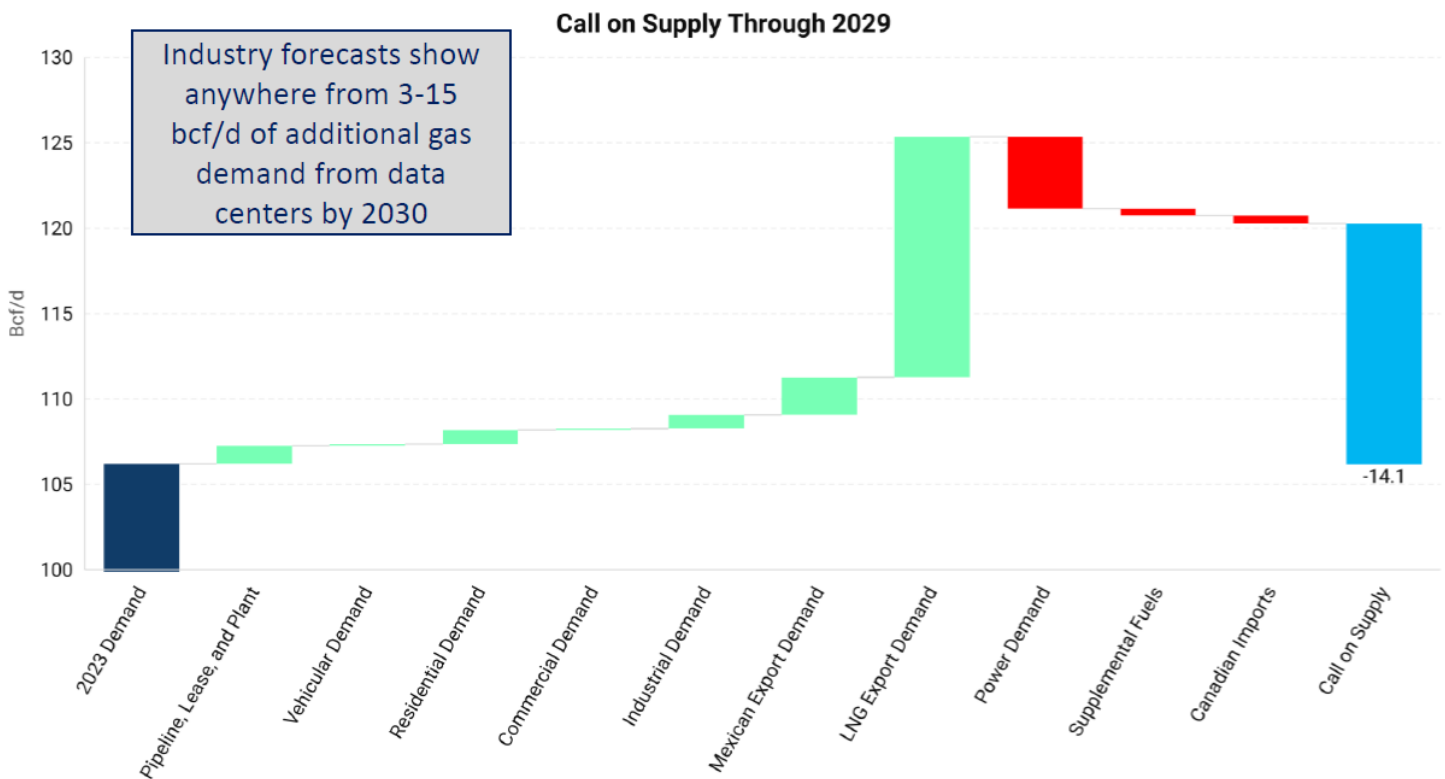
LNG Projects Currently Operating, Under Construction Or FID Through 2027



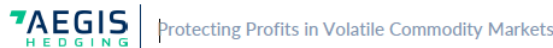
Source: Company Presentations, Bloomberg, AEGIS

Through to the end of 2029, AEGIS expects that average natural gas demand in the US will increase by 14.1bcf/d (Figure 7). This includes a projected fall in electric power demand for natural gas of 3.8bcf/d, notwithstanding that industry forecasts show anywhere from 3-15bcf/d of additional gas demand from data centres alone by 2030.

Figure 7: Call on US Gas Supply through 2029 (Source: various, via AEGIS)



Source: S&P Global Nat Gas Short-Term Outlook



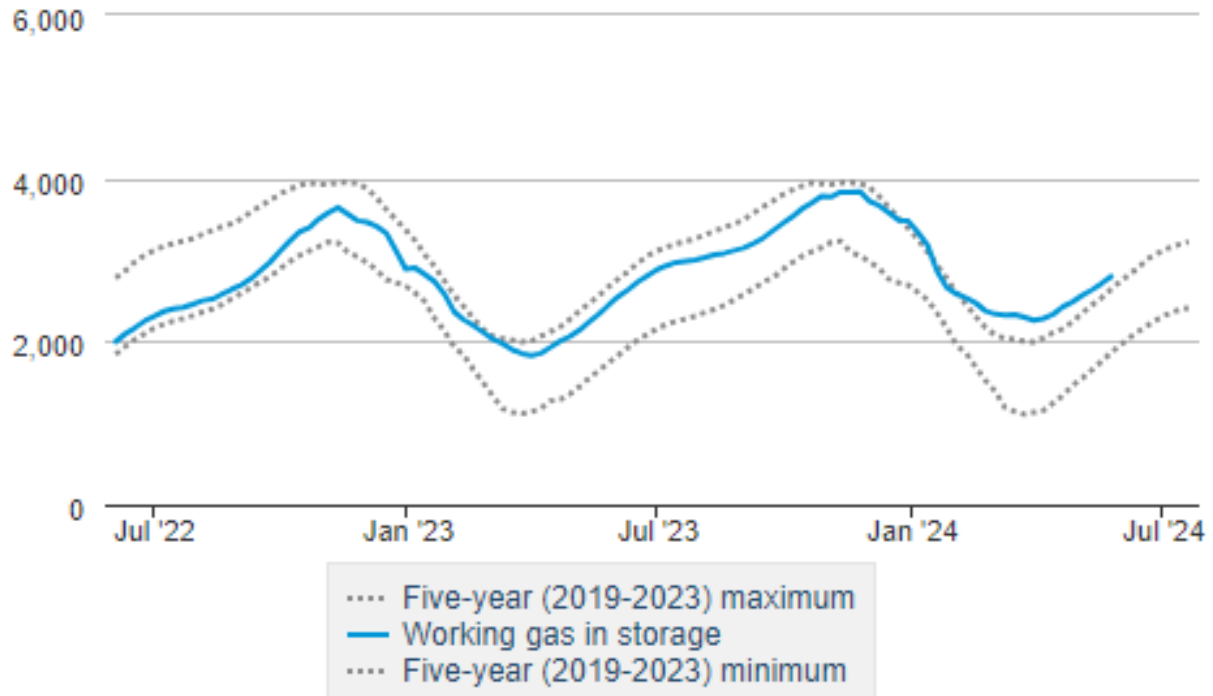
Net injections into storage totalled 84 bcf for the week ending 24 May, compared to the five-year (2019-2023) average net injections of 104 bcf and last year's net injections of 106 bcf during the same week. Working natural gas stocks on 26 April totalled 2,795 bcf, which is 586 bcf (27%) more than the five-year average and 380 bcf (16%) more than this time last year (Figure 8).

Figure 8: US Lower 48 Weekly Working Gas in Underground Storage (Source: EIA)

Working natural gas in underground storage



billion cubic feet

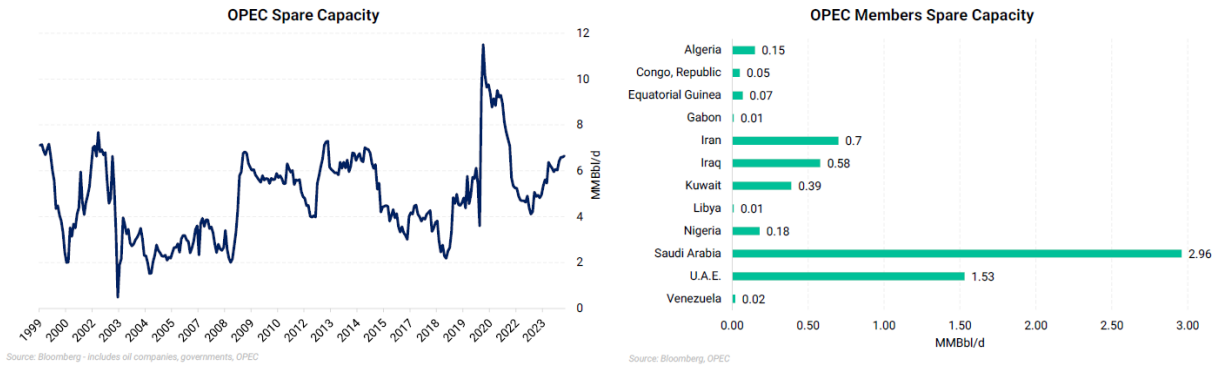


Data source: U.S. Energy Information Administration Form EIA-912, *Weekly Underground Natural Gas Storage Report*

Oil Market

OPEC+ production targets remain the key driver for oil prices. Figure 9 details current OPEC spare capacity. Saudi Arabia and the UAE retain the greatest ability to rapidly increase production.

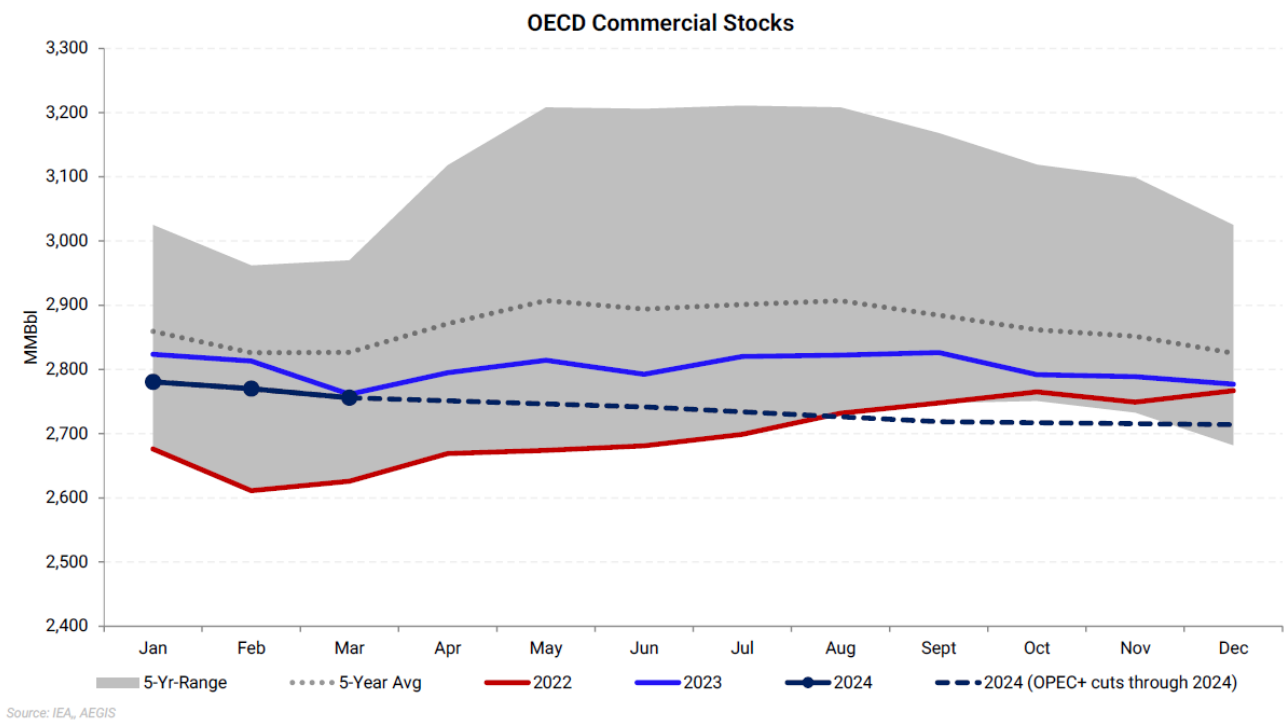
Figure 9: OPEC Spare Capacity (Source: AEGIS)



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Continuation of current cuts through to the end of 2024 are expected to see OECD commercial oil stocks fall to the bottom of the 5-year range (Figure 10).

Figure 10: OECD Commercial Oil Stocks (Source: IEA, via GS)

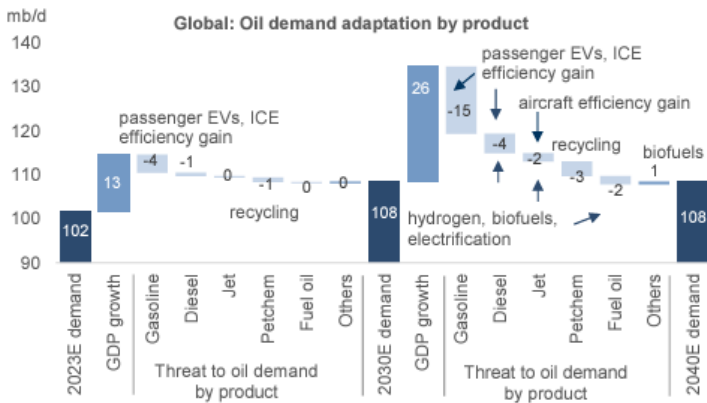


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World economic growth propels the global populations up the consumer spending ladder. LHS Figure 11 illustrates the impact of growing GDP on oil demand. Wealth enabled adaptations away from fossil fuels are expected to eventually offset this increase. The aggregate is a projection for peak oil demand which Goldman Sachs projects at approximately 110mmb/d to occur by 2034 (RHS Figure 11).

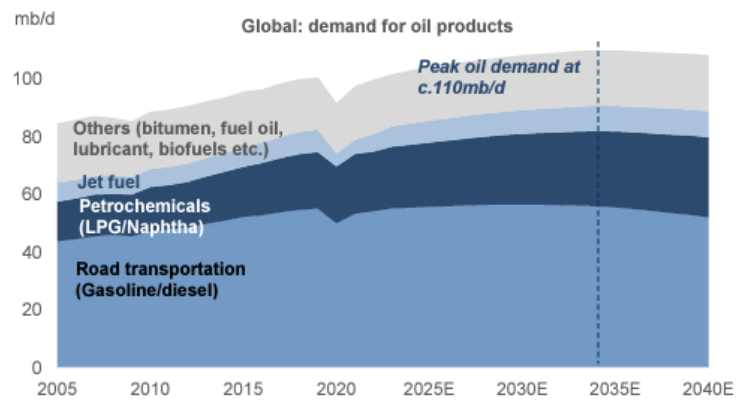
Figure 11: Global Oil Demand Factors (Source: various, via GS)

Exhibit 3: While income growth drives increasing oil demand, demand adaptations away from fossil fuels also accumulate...



Source: Wood Mackenzie, World Bank, BP, Wind, Goldman Sachs Global Investment Research

Exhibit 4: ...eventually leading to peak oil demand

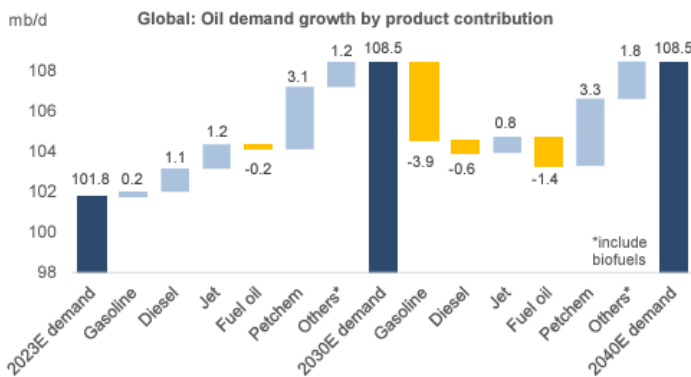


Source: Wood Mackenzie, World Bank, BP, Wind, Goldman Sachs Global Investment Research

As demand for petrol peaks and gradually declines, petrochemicals emerge as the main driver of oil demand in coming decades (LHS Figure 12). As GDP per capita increases towards US\$10k, the demand for consumer durables accelerates, leading to higher demand for petrochemical feedstock. This trend is currently most evident in Asian Emerging Markets (RHS Figure 12).

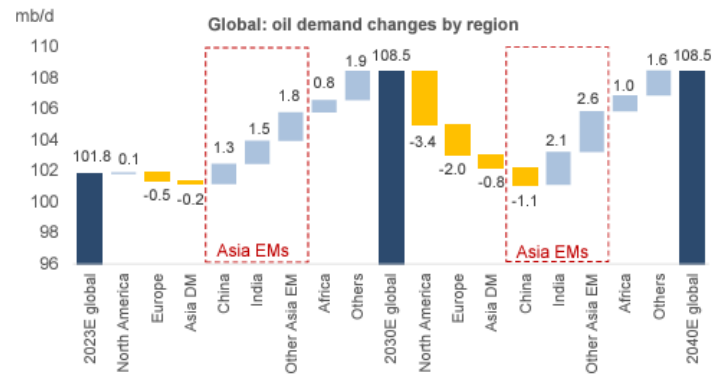
Figure 12: Oil Demand Growth by Product and Region (Source: various, via GS)

Exhibit 15: Demand growth from petrochemicals and jet fuel could partially mitigate the demand decline in road transportation fuels



Source: Wood Mackenzie, World Bank, BP, Wind, Goldman Sachs Global Investment Research

Exhibit 16: We expect EMs in Asia to drive the largest share in oil demand growth

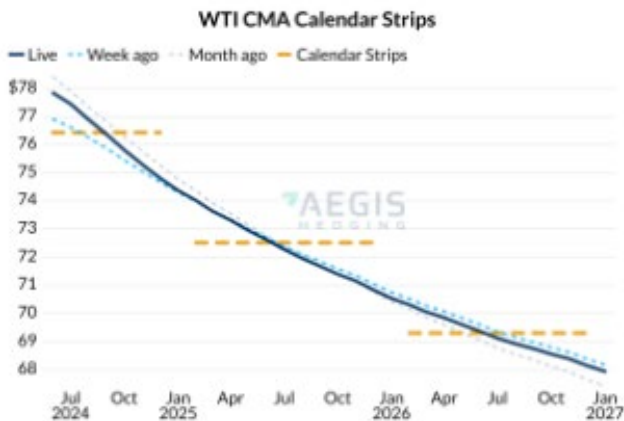


Source: Wood Mackenzie, World Bank, BP, Wind, Goldman Sachs Global Investment Research

Gas and Oil Prices 3 June 2024



As of yesterday's settle

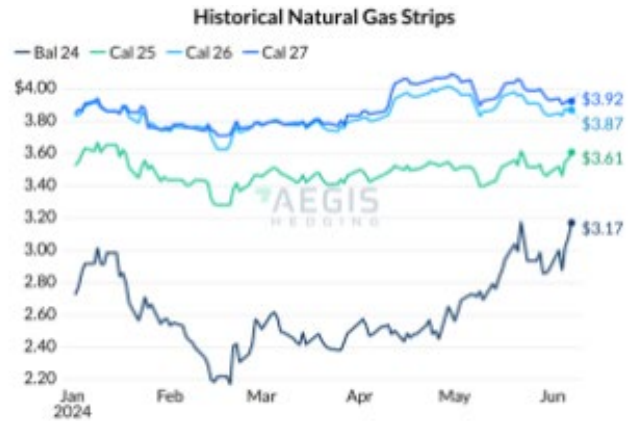


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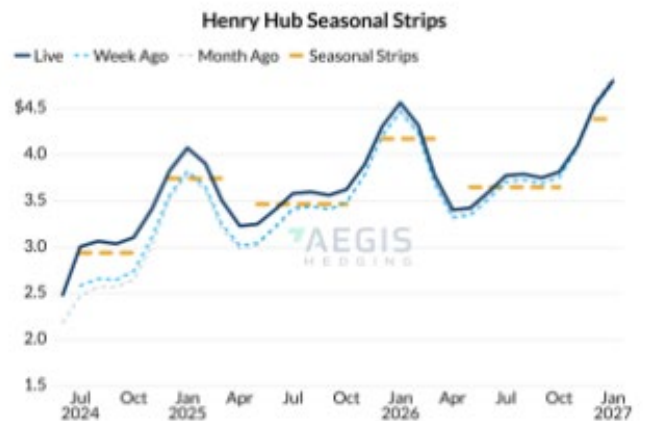
Crude Oil Swap Pricing

| | Bal 24 | Cal 25 | Cal 26 |
|--------------------|----------|----------|---------|
| NYMEX WTI | \$74.87 | \$71.50 | \$68.52 |
| LLS | \$77.55 | \$74.32 | \$71.32 |
| Mars | \$75.46 | \$71.97 | \$66.77 |
| Dubai | \$79.26 | \$75.64 | \$72.83 |
| WCS-WTI | -\$14.97 | -\$14.23 | NaN |
| ICE Brent | \$79.23 | \$76.22 | \$73.41 |
| Dated Brent | NaN | \$76.32 | \$73.38 |
| West TX Sour (WTS) | \$74.92 | \$71.63 | \$68.02 |

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As of yesterday's settle

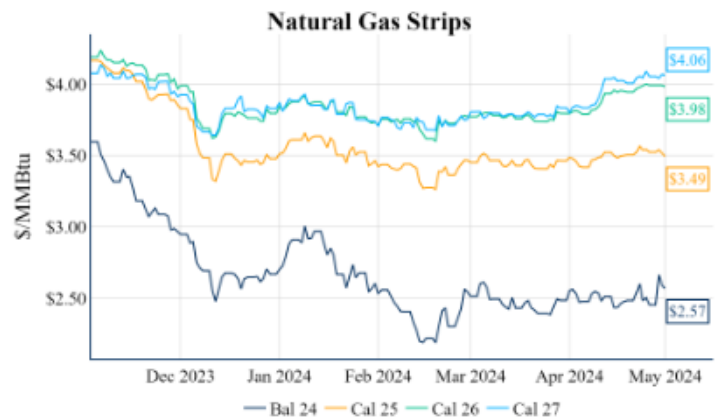
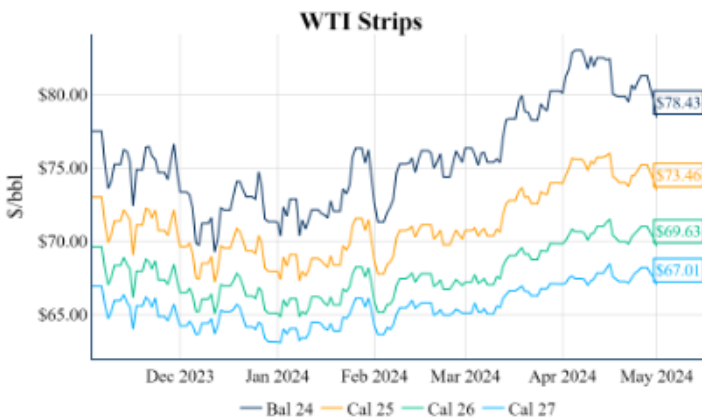
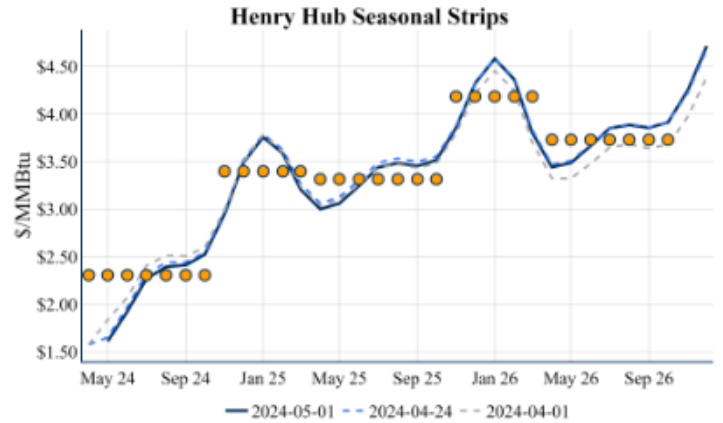
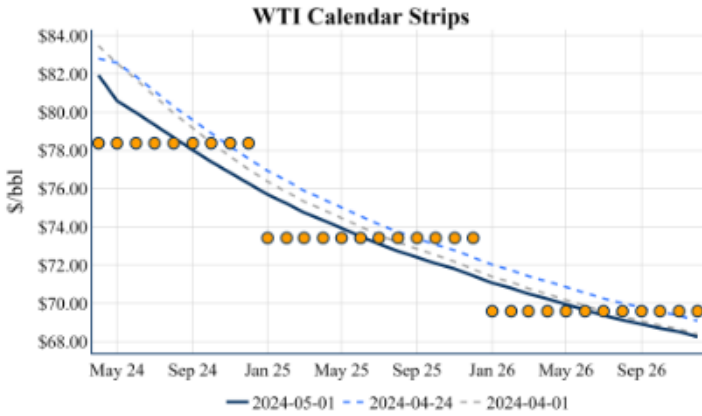


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Natural Gas Basis Swap Pricing

| | Month 1 | Summer 24 | Winter 24/25 | Summer 25 | Winter 25/26 |
|------------------------|----------|-----------|--------------|-----------|--------------|
| Henry Hub Fixed | \$2.918 | \$2.982 | \$3.673 | \$3.546 | \$4.127 |
| Panhandle East | -\$0.783 | -\$0.810 | \$0.076 | -\$0.598 | \$0.063 |
| Eastern Gas South | -\$1.058 | -\$1.245 | -\$0.850 | -\$1.279 | -\$0.949 |
| Waha | -\$1.690 | -\$1.303 | -\$0.598 | -\$0.906 | -\$0.780 |
| TETCO-M3 | -\$0.813 | -\$1.057 | \$0.485 | -\$1.040 | \$0.651 |
| Houston Ship Channel | -\$0.283 | -\$0.397 | -\$0.272 | -\$0.394 | -\$0.235 |
| Columbia Gulf Mainline | -\$0.415 | -\$0.411 | -\$0.237 | -\$0.336 | -\$0.263 |
| NGPL TXOK | -\$0.463 | -\$0.511 | -\$0.262 | -\$0.407 | -\$0.239 |
| SOCAL | -\$1.260 | -\$0.186 | \$2.036 | \$0.807 | \$1.964 |
| AECO | -\$2.250 | -\$2.163 | -\$1.515 | -\$1.507 | -\$1.389 |
| Chicago City-Gates | -\$0.628 | -\$0.640 | \$0.281 | -\$0.487 | \$0.281 |

Previous Day Settle

Gas and Oil Prices 1 May 2024


| Swap Pricing | Bal 24 | Cal 25 | Cal 26 |
|--------------------|----------|----------|---------|
| NYMEX WTI | \$78.36 | \$73.41 | \$69.59 |
| ICE Brent | \$82.98 | \$78.26 | \$74.59 |
| LLS | \$81.11 | \$76.08 | \$72.39 |
| Mars | \$78.78 | \$73.32 | \$67.84 |
| West TX Sour (WTS) | \$78.47 | \$73.40 | \$69.09 |
| Dubai | \$82.33 | \$77.22 | \$73.62 |
| Dated Brent | \$85.27 | \$78.50 | \$74.68 |
| WCS-WTI | -\$13.53 | -\$13.60 | NaN |

| Swap Pricing | Month 1 | Summer 24 | Winter 24/25 | Summer 25 | Winter 25/26 |
|------------------------|----------|-----------|--------------|-----------|--------------|
| Henry Hub Fixed | \$1.932 | \$2.312 | \$3.403 | \$3.322 | \$4.182 |
| Eastern Gas South | -\$0.503 | -\$0.822 | -\$0.789 | -\$0.994 | -\$0.931 |
| Waha | -\$1.444 | -\$0.948 | -\$0.414 | -\$1.047 | -\$0.675 |
| TETCO M3 | -\$0.434 | -\$0.674 | \$0.594 | -\$0.822 | \$0.721 |
| Houston Ship Channel | -\$0.218 | -\$0.316 | -\$0.275 | -\$0.408 | -\$0.195 |
| Columbia Gulf Mainline | -\$0.184 | -\$0.251 | -\$0.239 | -\$0.261 | -\$0.267 |
| Panhandle East | -\$0.447 | -\$0.506 | \$0.090 | -\$0.498 | \$0.061 |
| NGPL MidCon | -\$0.448 | -\$0.531 | -\$0.188 | -\$0.645 | -\$0.195 |
| SoCal | -\$0.399 | \$0.102 | \$2.179 | \$0.604 | \$2.082 |
| AECO | -\$1.110 | -\$1.322 | -\$1.100 | -\$1.104 | -\$1.154 |
| Chicago City-Gates | -\$0.268 | -\$0.344 | \$0.315 | -\$0.307 | \$0.320 |



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