



# Longreach Energy Holdings LLC

## FIRM INFORMATION

### Investment Manager

Longreach Alternatives Ltd  
ABN 25 082 852 364  
AFSL 246747

### Sub-Advisor

Longreach Energy Holdings LLC  
Delaware registered #565928

## KEY INVESTMENT PERSONNEL

### Andrew Sinclair

Principal – Commercial Director

### Thomas Wagenhofer

Principal – Technical Director

## CONTACT US

### Longreach Alternatives Ltd

Level 9  
88 Phillip Street  
Sydney NSW 2000

T+61 2 9135 0428

[client.services@longreachalternatives.com](mailto:client.services@longreachalternatives.com)

## 1.0 Market and Portfolio Commentary

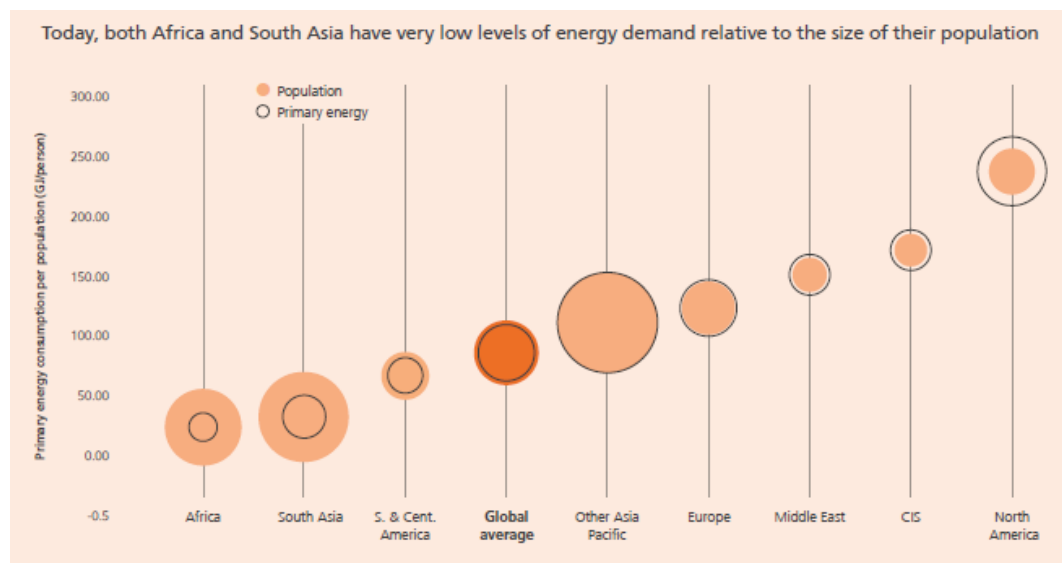
### 1.1 Macro Industry Commentary

US Henry Hub prompt gas prices were steady in June and hot weather increased electricity demand for air conditioning. The prompt was \$2.59/mmbtu at close on 31 May and finished at \$2.60/mmbtu at close on 28 June, the last trading day of the month. Calendar 2024 was also flat, beginning June at \$2.88/mmbtu and closing at \$2.90/mmbtu.

Oil prices rose. The prompt began June at \$76.19/bbl and closed the month at \$81.54/bbl. Calendar 2024 started the month at \$76.01/bbl and closed at \$79.48/bbl.

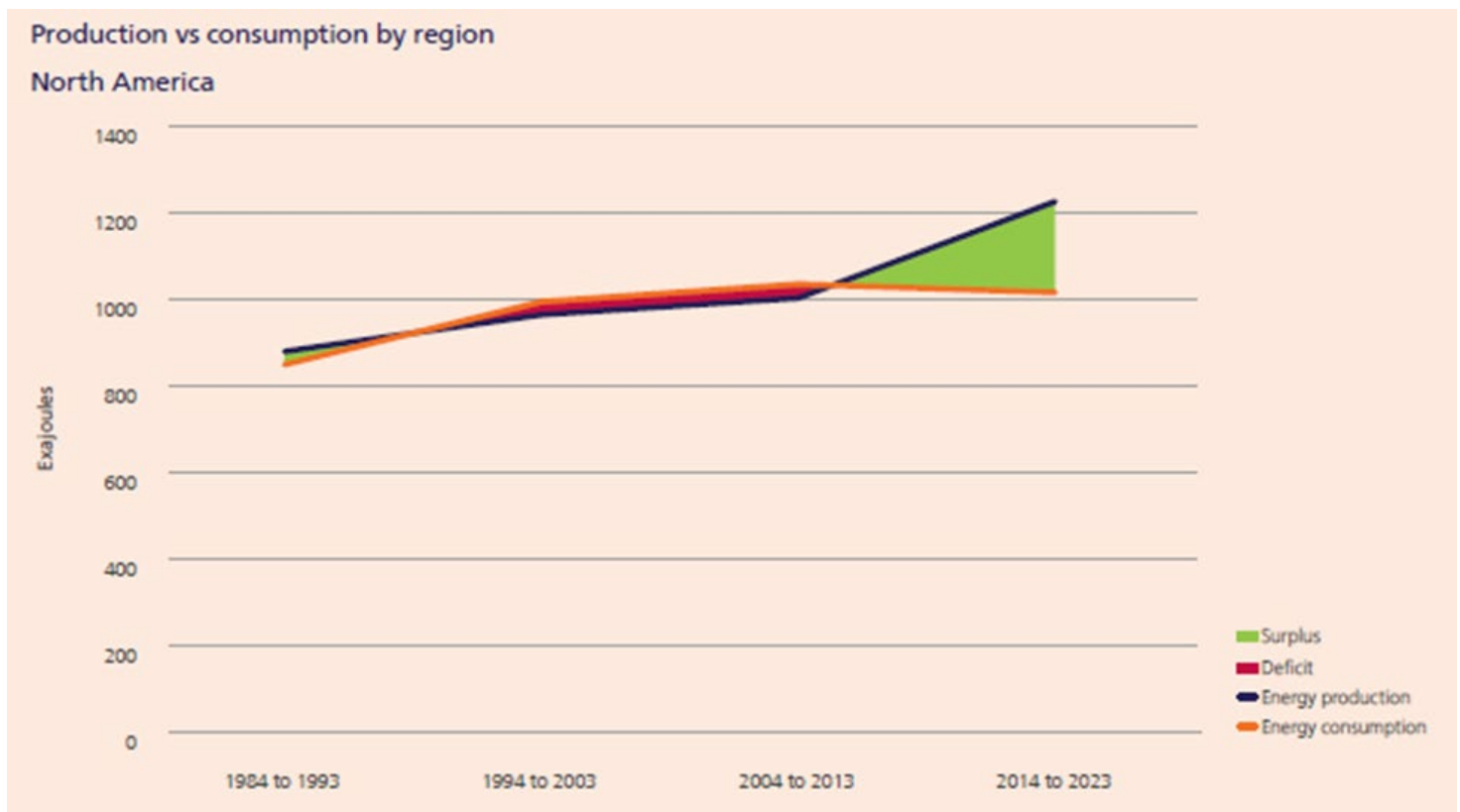
The Energy Institute released the annual 2023 Statistical Review of World Energy during June. Collectively Africa and South Asia were responsible for less than 10% of the world's energy demand in 2023. An estimated 750 million people – 10% of the global population – do not have electricity to light homes or refrigerate food, and around 2.6 billion people – 35% of the global population – rely on heavily polluting biomass fuels such as charcoal, coal and animal waste for heating and cooking.

Figure 1: Per Capita Primary Energy Consumption (Source: 2023 Statistical Review of World Energy)



In 2023, the total international trade of oil, gas, and coal was 53% higher than it was in 2000. Collectively, North America, Europe, and Asia Pacific regions consumed 78% of the world's total energy in 2023. Over the past two decades, North America's energy system has been transformed by the growth in unconventional oil and gas that began in the early 2000's. As a result, in the past 10 years the region has moved from being a net importer of energy to a net exporter (Figure 2). It is an objective feature of human existence that an increased standard of living is driven by increased access to, and use of, energy.

Figure 2: North America Energy Consumption and Production (Source: 2023 Statistical Review of World Energy)



Europe and Asia Pacific are both large energy importers (Figure 3 and Figure 4).

Figure 3: Europe Energy Consumption and Production (Source: 2023 Statistical Review of World Energy)

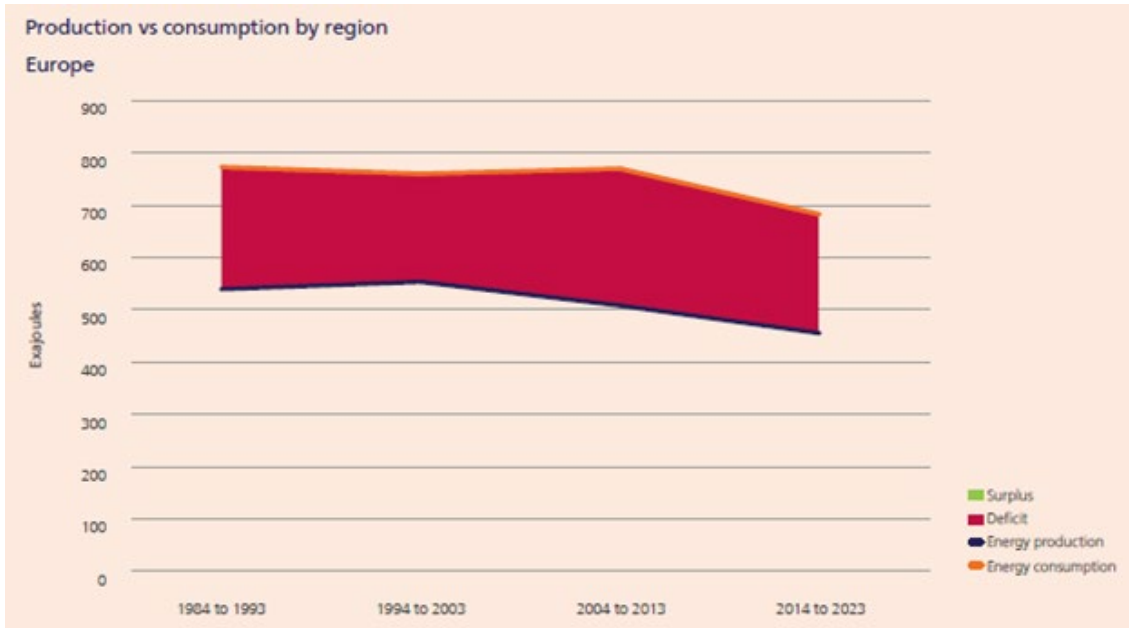
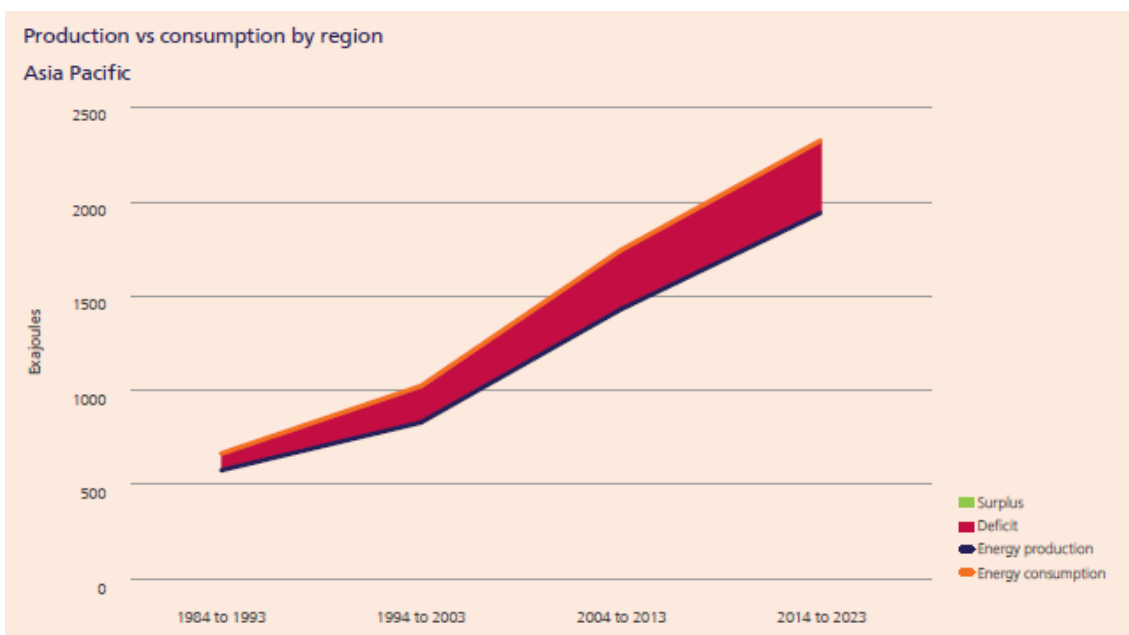
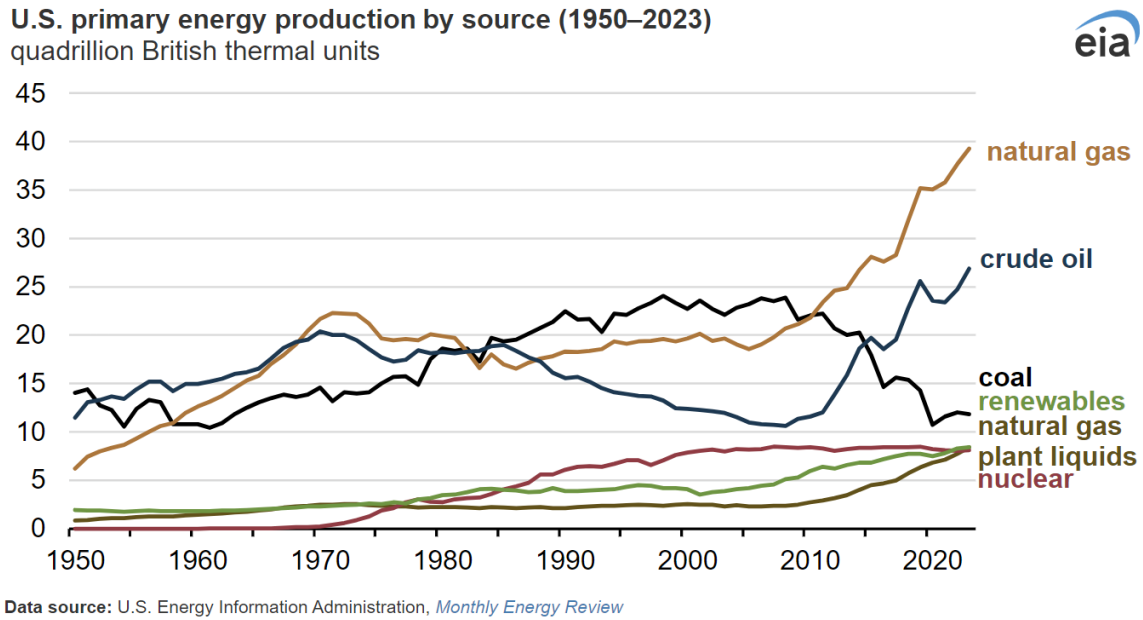


Figure 4: Asia Pacific Energy Consumption and Production (Source: 2023 Statistical Review of World Energy)



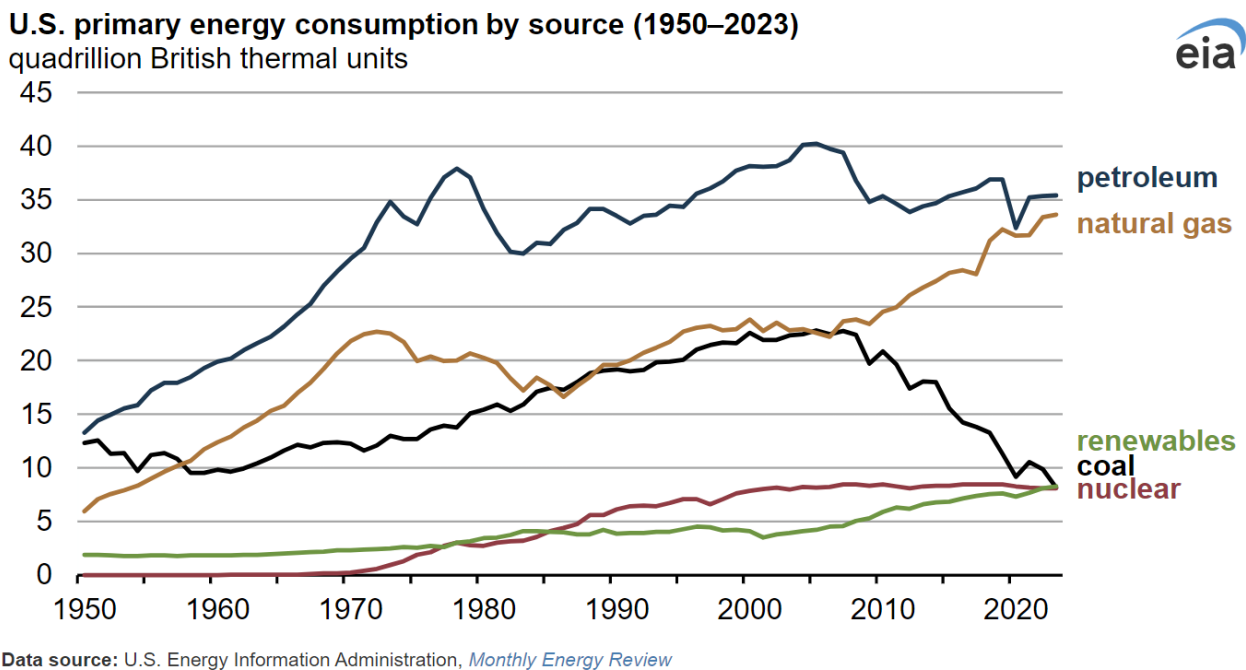
Data from the EIA shows the rapid growth of oil and gas production in the US over this period (Figure 5).

Figure 5: US Primary Energy Production by Source 1950 - 2023 (Source: EIA)



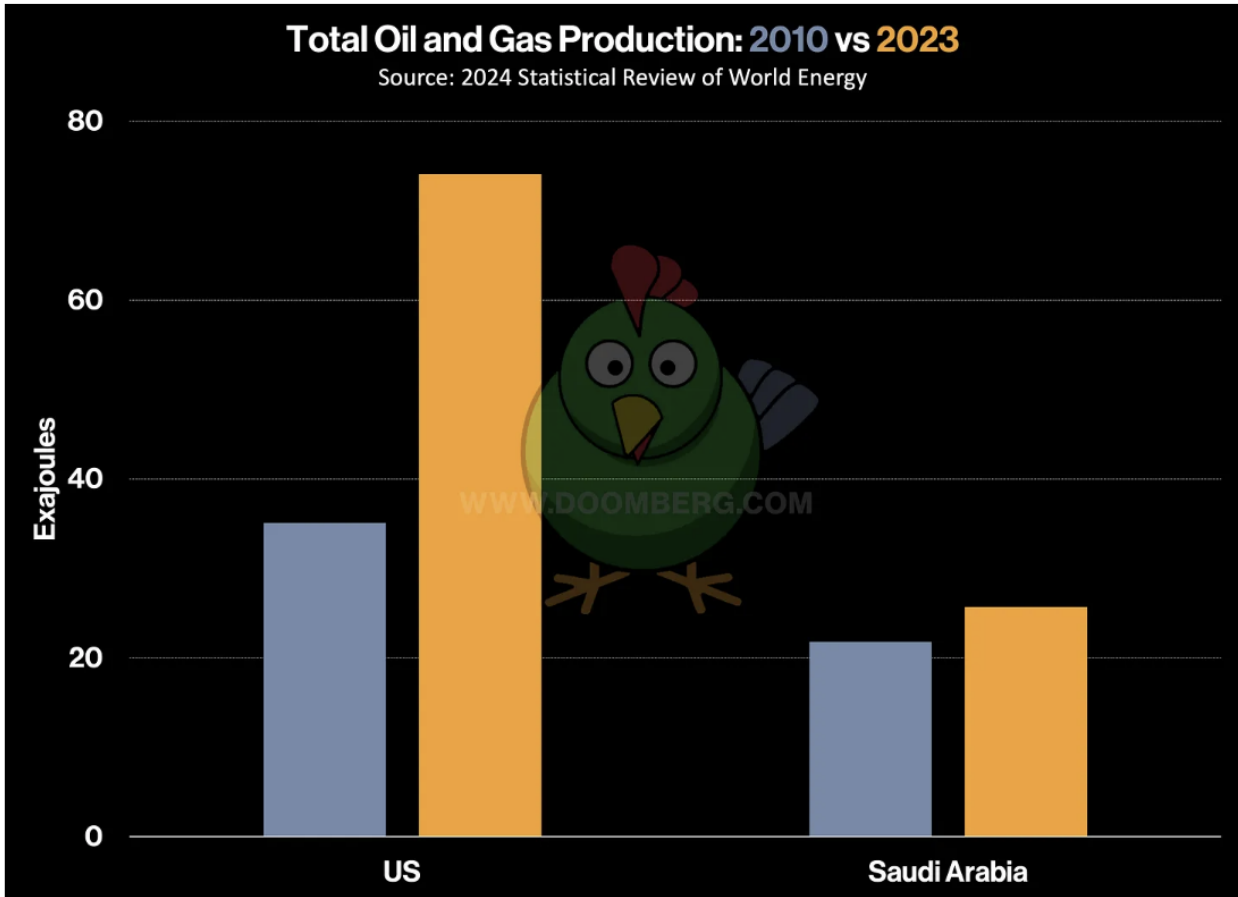
Consumption trends by fuel are shown in Figure 6.

Figure 6: US Primary Energy Consumption by Source 1950 - 2023 (Source: EIA)




As one last comparative measure, since 2010, the US has grown its production of oil and gas to three times what Saudi Arabia typically produces each year. It now satisfies more than 20% of the world's oil needs and 25% of its natural gas consumption (Figure 7).

Figure 7: Total Oil and Gas Production 2010 vs 2023 (Source: 2023 Statistical Review of World Energy, via Doomberg)



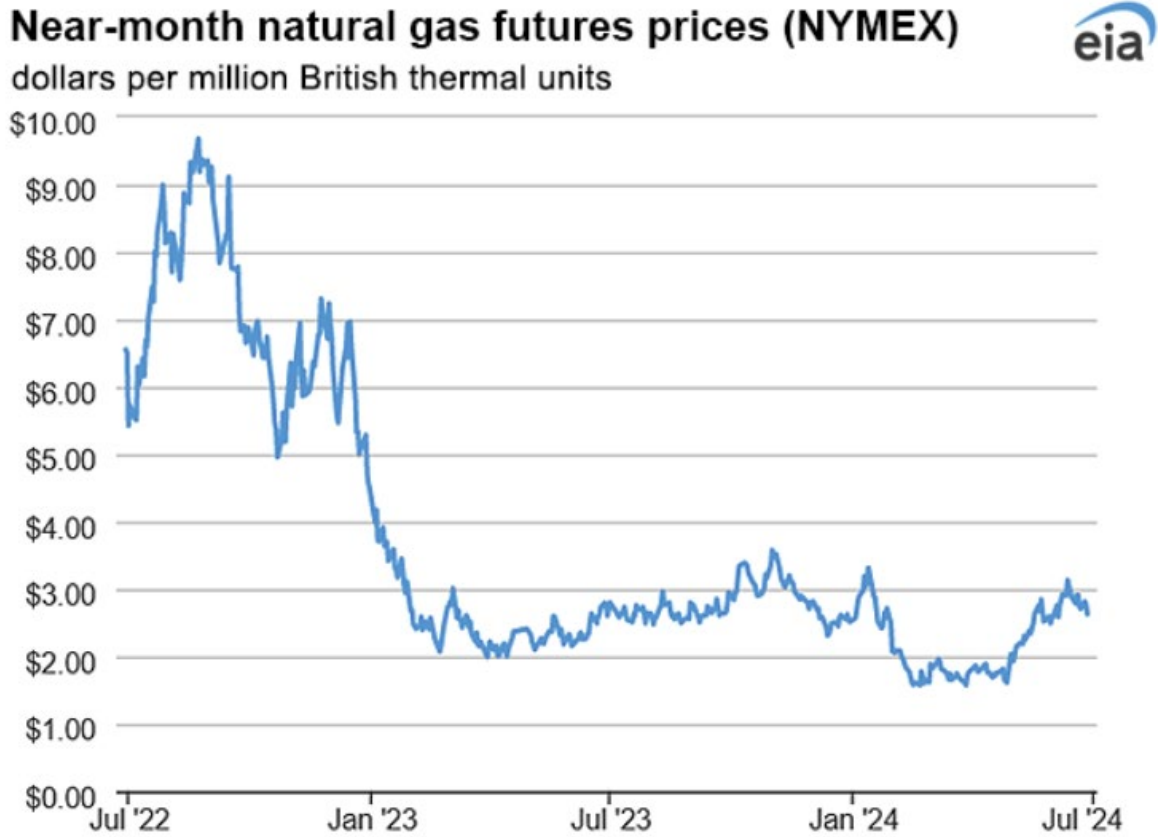
The latest Baker Hughes rig count data follows. In June, US total land rigs fell by 11 from 572 to 561. Total oil rigs fell by 14 from 492 to 478 while gas rigs rose from 98 to 100. Oil and gas rig totals include 23 offshore rigs working in June.

 <b>NORTH AMERICA Rotary Rig Count</b> 12/07/2024					
Location	Week	+/-	Week	+/-	Year Ago
<b>Inland Waters</b>	0	0	0	-5	5
<b>Land</b>	561	-1	562	-91	652
<b>Offshore</b>	23	0	23	5	18
<b>United States Total</b>	<b>584</b>	<b>-1</b>	<b>585</b>	<b>-91</b>	<b>675</b>
<b>Gulf of Mexico</b>	<b>21</b>	<b>0</b>	<b>21</b>	<b>3</b>	<b>18</b>
<b>Canada</b>	<b>189</b>	<b>14</b>	<b>175</b>	<b>2</b>	<b>187</b>
<b>North America</b>	<b>773</b>	<b>13</b>	<b>760</b>	<b>-89</b>	<b>862</b>
U.S. Breakout Information	This Week	+/-	Last Week	+/-	Year Ago
<b>Gas</b>	100	-1	101	-33	133
<b>Oil</b>	478	-1	479	-59	537
<b>Miscellaneous</b>	6	1	5	1	5
<b>Directional</b>	49	-1	50	-3	52
<b>Horizontal</b>	517	0	517	-89	606
<b>Vertical</b>	18	0	18	1	17

## Gas Market

Henry Hub prompt prices held onto recent higher levels during June with continued strong electricity demand (Figure 8).

Figure 8: Near Month Henry Hub Futures (Source: EIA)



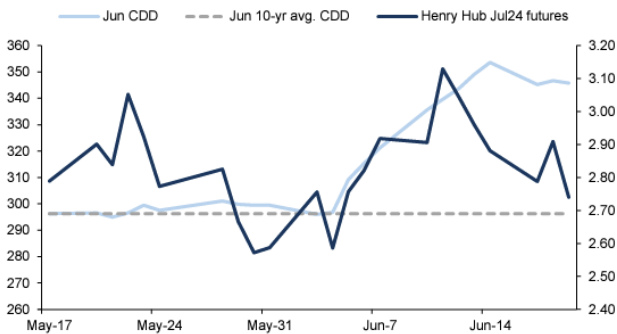
Data source: CME Group as compiled by Bloomberg, L.P.

The increase in gas prices has been driven partly by forecasts for record-hot weather in June (LHS Figure 9). With the increase in regional prices, production from Appalachia have risen sharply (RHS Figure 9).

Figure 9: Henry Hub and Total June Forecast CDDs and Appalachia Production (Source: various by GS)

**Exhibit 1: Gas prices have increased this month driven partly by forecasts for record-hot weather in June**

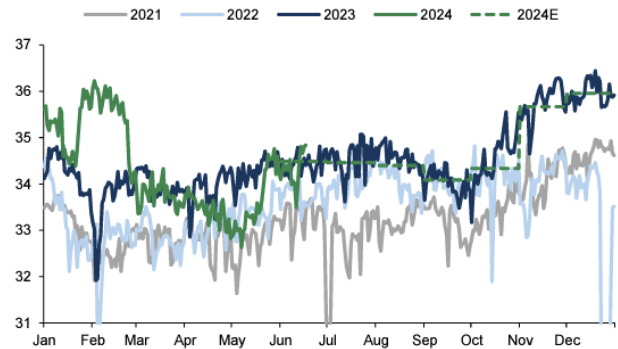
Forecast evolution of total June CDDs (left), and Henry Hub futures (\$/mmBtu, right)



Source: Maxar, CME, Goldman Sachs Global Investment Research

**Exhibit 2: Production in Appalachia rose sharply following an increase in regional prices**

Appalachia dry gas production, Bcf/d

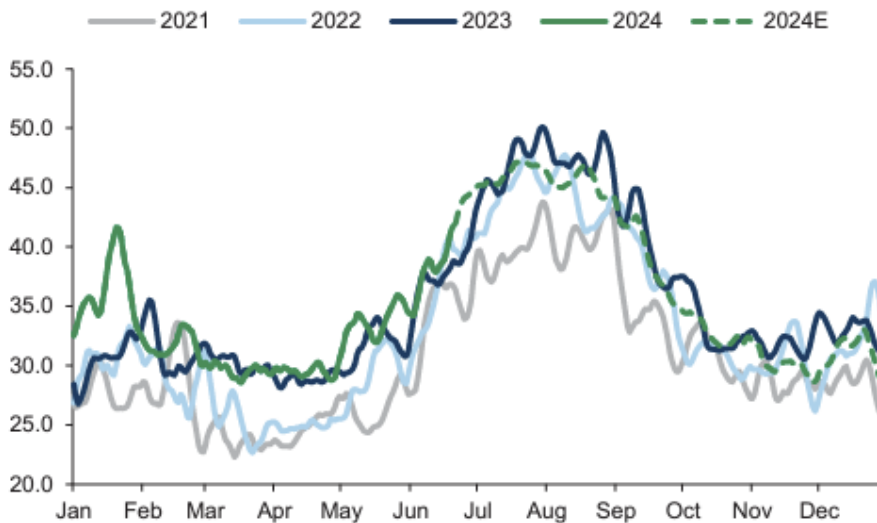


Source: Wood Mackenzie, Goldman Sachs Global Investment Research

Power demand for gas has remained strong (Figure 10).

Figure 10: Power Demand for Gas (Source: EIA via GS)

**Exhibit 12: Power demand has remained strong...**  
Power demand for gas (7dma), Bcf/d



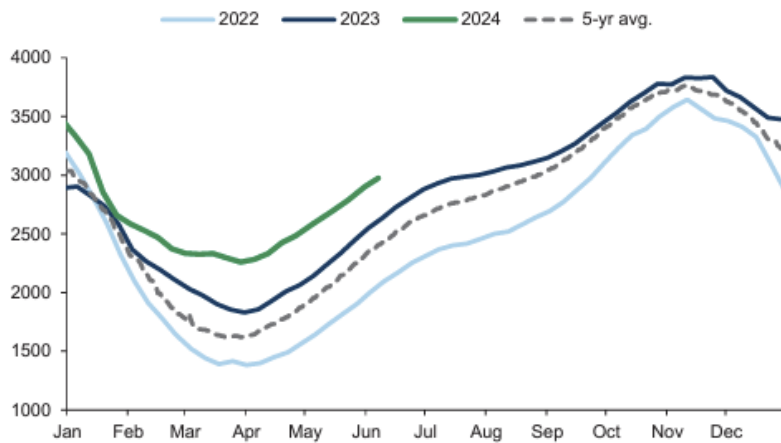
Source: EIA, S&P Global Commodity Insights, Goldman Sachs Global Investment Research



Total gas in storage is tracking well above last year and the 5-year average (Figure 11).

Figure 11: US Lower 48 Storage (Source: EIA via GS)

**Exhibit 9: Storage is tracking well above last year and the 5-year average**  
US Lower 48 storage, Bcf

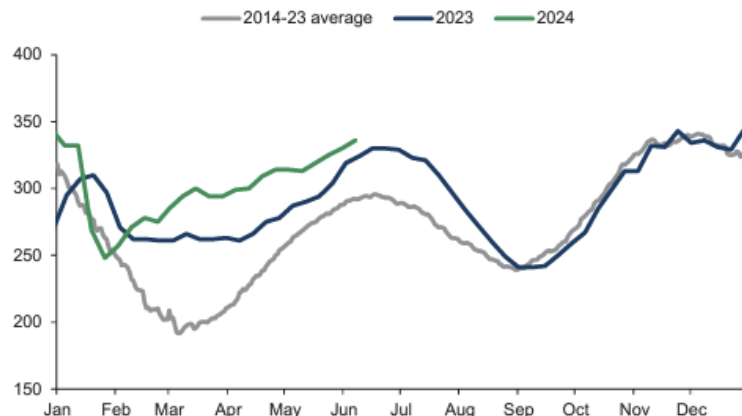


Source: EIA, Goldman Sachs Global Investment Research

The largest storage complex is in the South Central salt facilities, these also offer high volume injection and withdrawal. After a string of smaller-than-average injections salt storage has partly normalized faster than totals. This is likely to provide more support for regional gas prices in the southern US, including OK and TX where Longreach has its production (Figure 12).

Figure 12: South Central Salt Storage (Source: EIA via GS)

**Exhibit 10: Salt storage has partly normalized following a string of smaller-than-average injections**  
South Central Salt Storage, Bcf



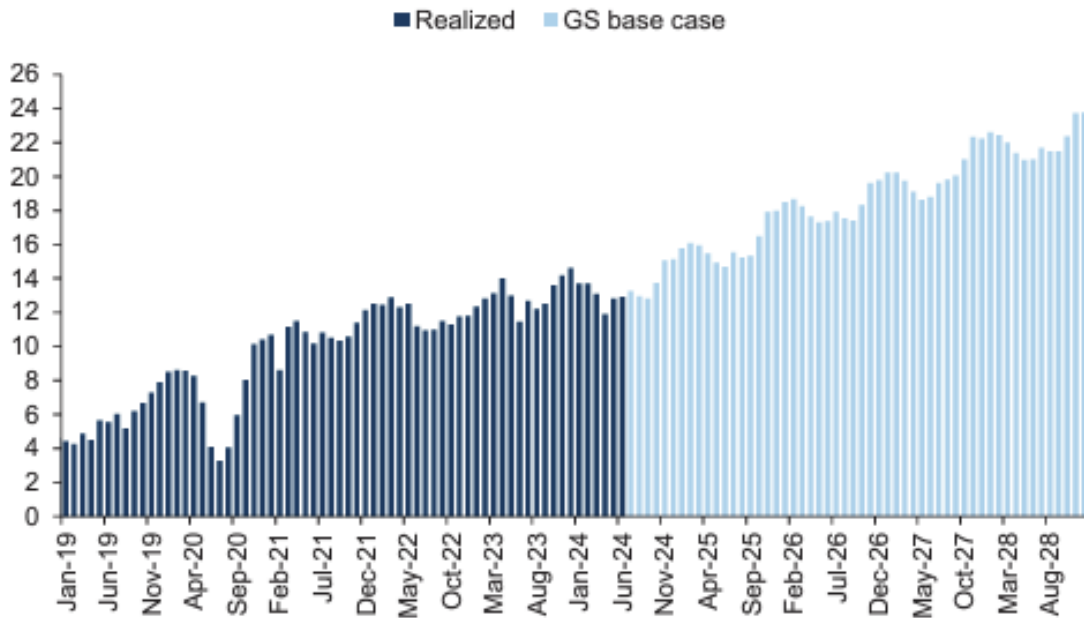
Source: EIA, Goldman Sachs Global Investment Research

Goldman expects that LNG capacity additions will bring a rapid increase in demand from 3Q2024 (Figure 13).

Figure 13: US LNG Feedgas Demand (Source: Bloomberg via GS)

## Exhibit 17: We expect LNG capacity additions to bring a rapid increase in demand from 3Q2024

US LNG feedgas demand, Bcf/d



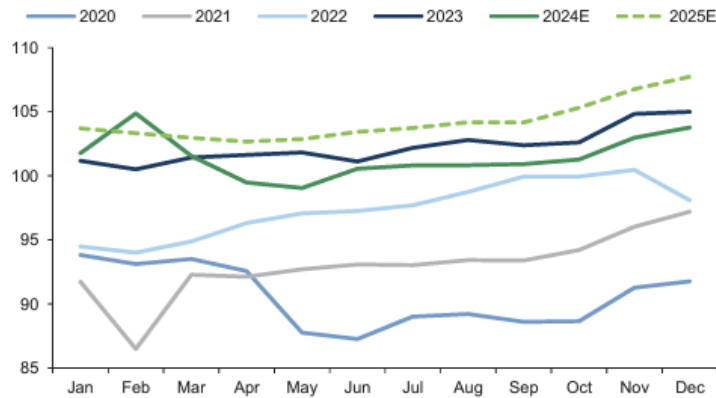
Source: Bloomberg, Goldman Sachs Global Investment Research

This new LNG demand will require investment in production. (Figure 14).

Figure 14: US Natural Gas Production under GS Forecasts (Source: WoodMac via GS)

**Exhibit 19: Which will require investment in production growth**

Natural gas production under GS price forecasts, Bcf/d



Source: Wood Mackenzie, Goldman Sachs Global Investment Research

In Goldman's view low prices are needed to manage oversupply in 2024, while higher prices are needed to incentivise more production in 2025 and 2026 (Figure 15).

Figure 15: Nymex Gas Realised Prices, forwards and GS Estimates (Source: CME via GS)

**Exhibit 16: Low prices are needed to manage oversupply in 2024, while high prices are needed to incentivize production in 2025 and 2026**

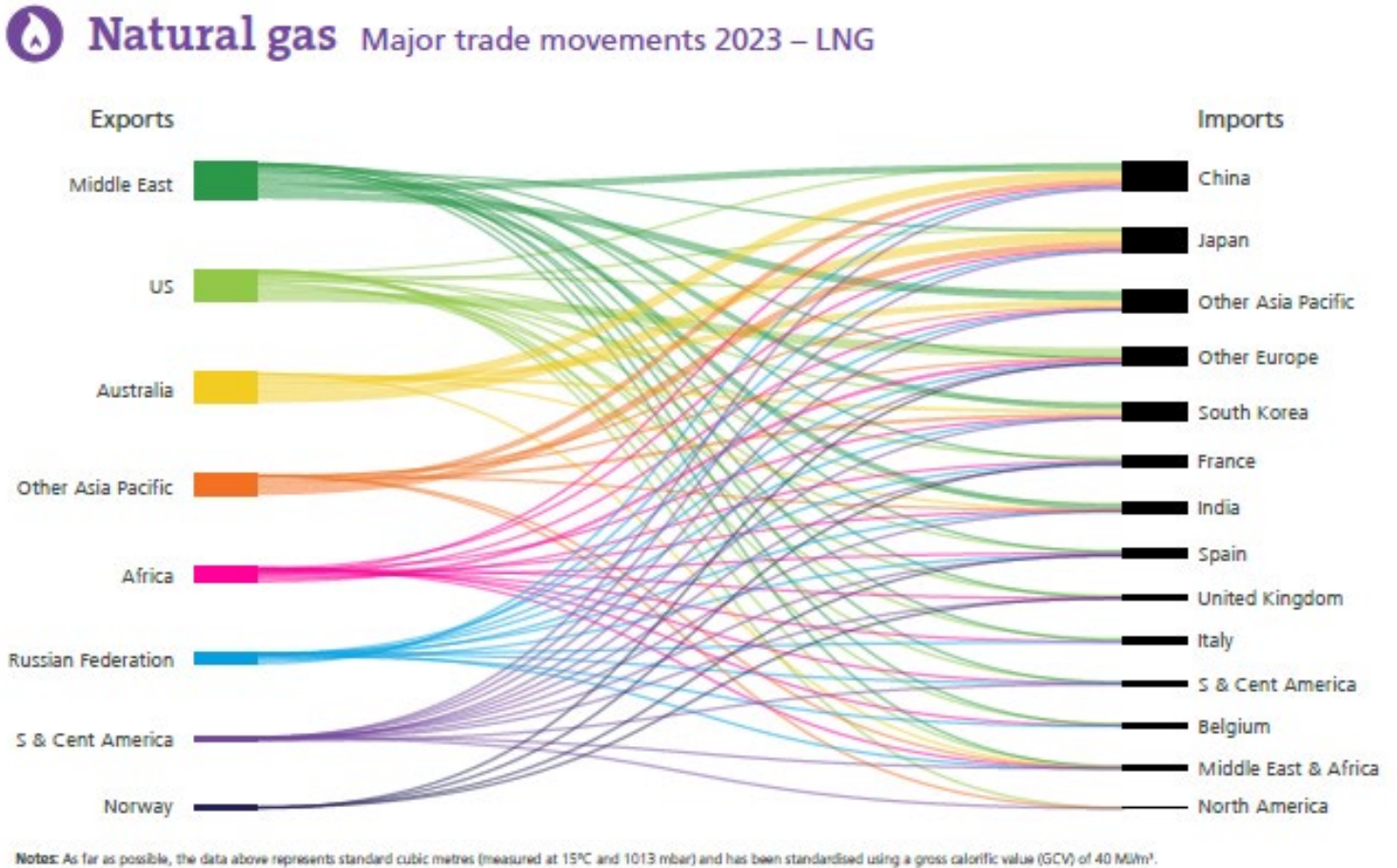
Nymex gas realized prices, forwards, and GSe, \$/mmBtu



Source: CME, Goldman Sachs Global Investment Research

The 2023 Statistical Review of World Energy provides visualisation of the major trade movements in LNG during the year (Figure 16). Partially due to the decline in pipeline exports of gas from Russia, LNG now accounts for nearly 59% of all globally traded gas. During 2023, the US overtook both Australia and Qatar to become the world's largest exporter of LNG. China overtook Japan to become the largest importer of LNG.

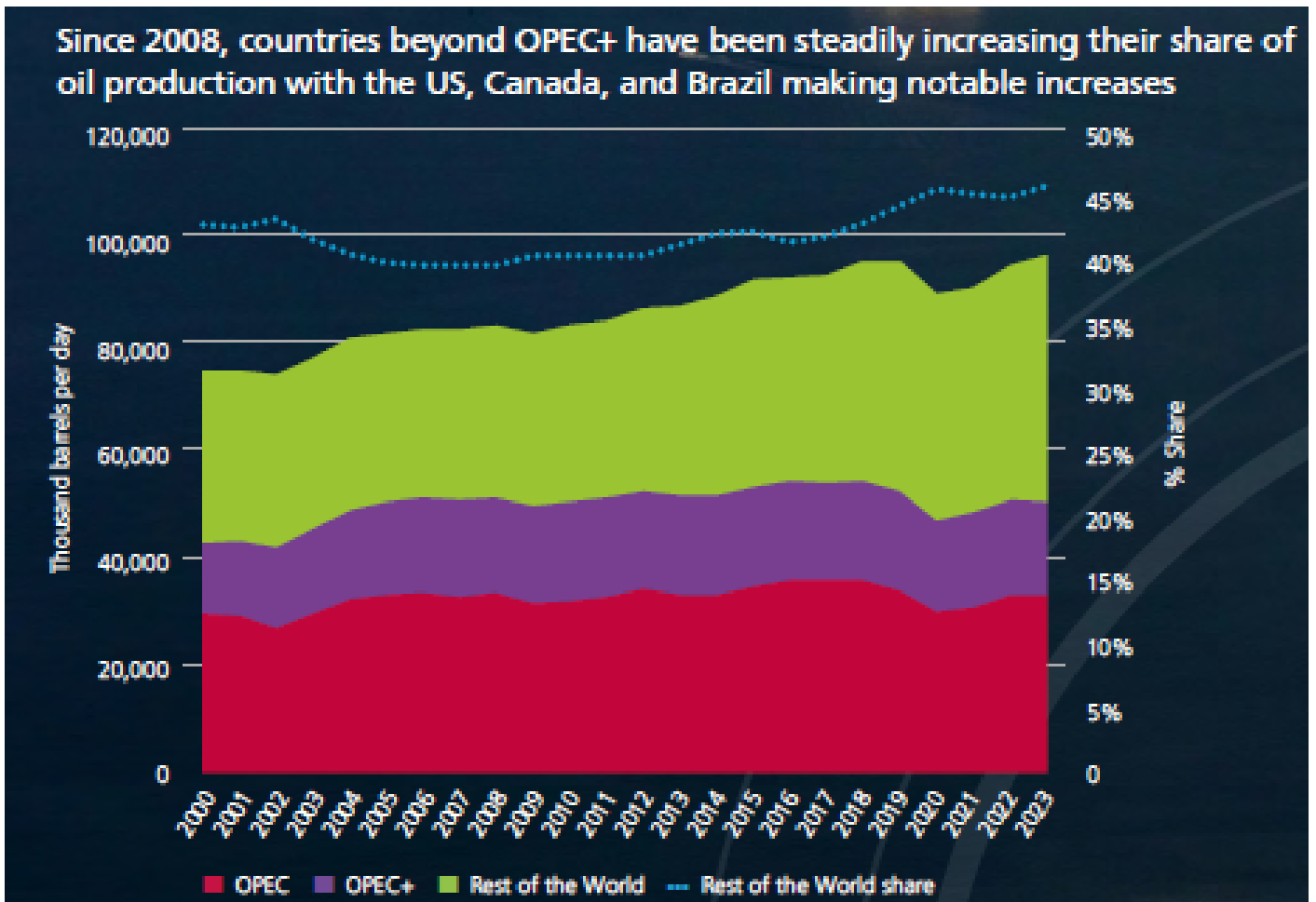
Figure 16: Natural Gas LNG Trade 2023 (Source: 2023 Statistical Review of World Energy)



## Oil Market

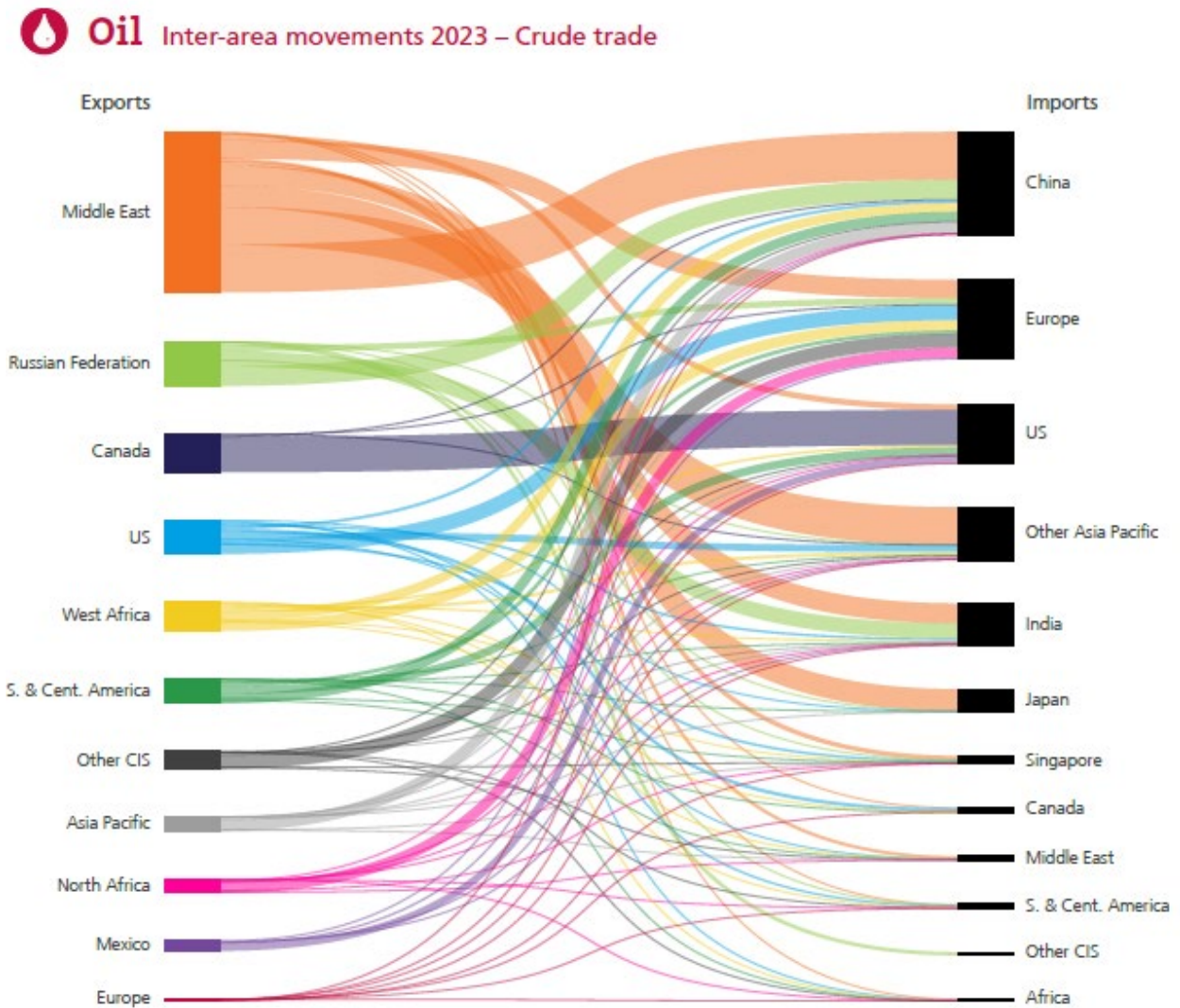
In 2023, global oil production reached a record level of just over 96 million barrels per day (Figure 17). The US remained the largest producer seeing its output grow by over 8%. In 2023, consumption of oil and oil products (including products from natural gas liquids) exceeded 100 million barrels of oil per day for the first time. The use of gasoline, diesel and aviation fuel all returned to or beyond 2019 levels.

Figure 17: Global Oil Production (Source: 2023 Statistical Review of World Energy)



Oil trade flow data show that while the US is the largest producing nation, regionally the Middle East dominates (Figure 18).

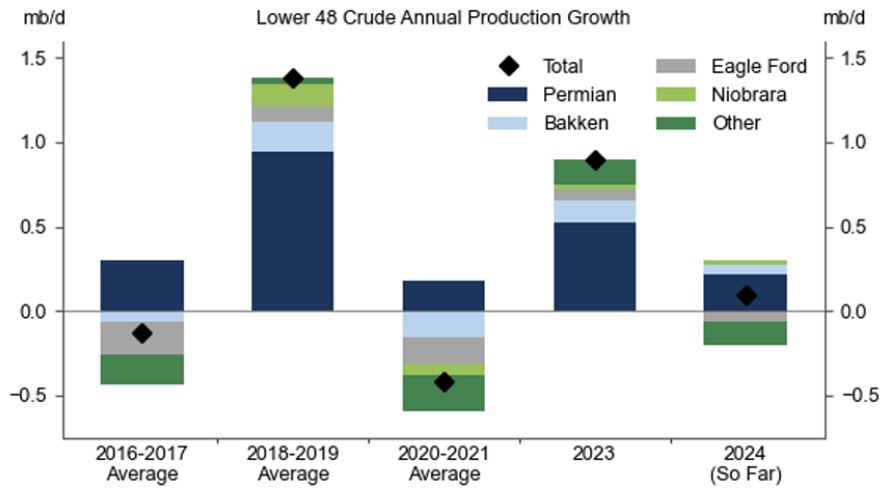
Figure 18: 2023 Crude Oil Trade (Source: 2023 Statistical Review of World Energy)



Since 2020, the Permian Basin has been responsible for all US oil production growth (Figure 19).

Figure 19: Lower 48 Crude Annual Production Growth (Source: EIA, via GS)

**Exhibit 1: The Permian Basin Fully Accounts for All US Crude Production Growth From 2020**



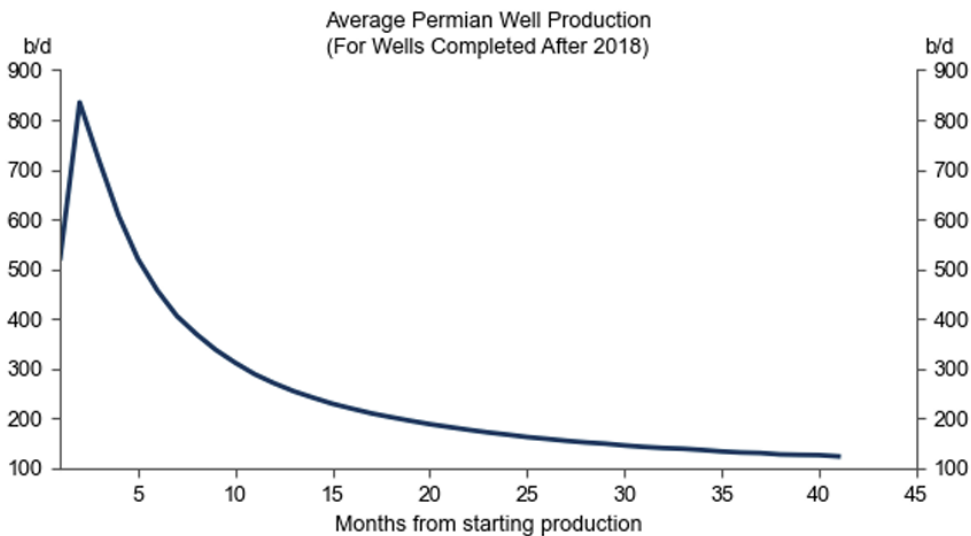
We define production growth in 2024 as a difference between average estimated production in Jan-Jun this year from DPR and average annual production in 2023.

Source: EIA, Goldman Sachs Global Investment Research

Goldman's average Permian well production life cycle illustrates the typical horizontal well production path with high early production tailing into 40 plus year production life (Figure 20).

Figure 20: Average Permian Well Production Life Cycle (Source: Enverus, via GS)

**Exhibit 3: We Combine Oil Accounting and Statistical Approaches to Model Permian Production Following a Life Cycle of a Well**

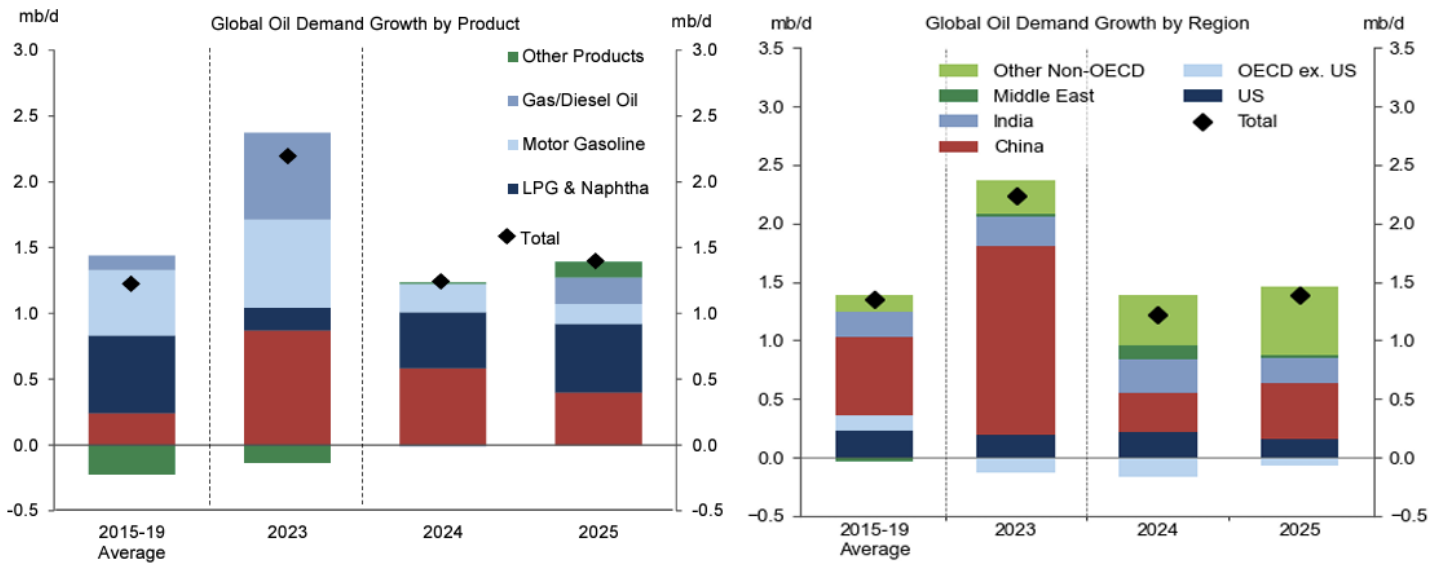


Source: Enverus, Goldman Sachs Global Investment Research

Goldman expects robust global oil demand growth in 2024 of 1.25mmbblpd. Product growth will be led by jet fuel, petrochemical-driven LPG and naphthalene, and gasoline (LHS Figure 21). Regionally China and India dominate (RHS Figure 21).

Figure 21: Global Oil Demand Growth by Product and Region (Source: EIA, via GS)

**Exhibit 6: We Expect Robust Global Oil Demand Growth in 2024 of 1¼mb/d, Led by Jet Fuel, Petrochemical-Driven LPG and Naphtha, and Gasoline by Product, and by China (340kb/d) and India (280kb/d) by Region**



We use the IEA for 2015-2019 averages.

Source: IEA, Goldman Sachs Global Investment Research



## Gas and Oil Prices 1 July 2024

**Historical WTI CMA Calendar Strips**



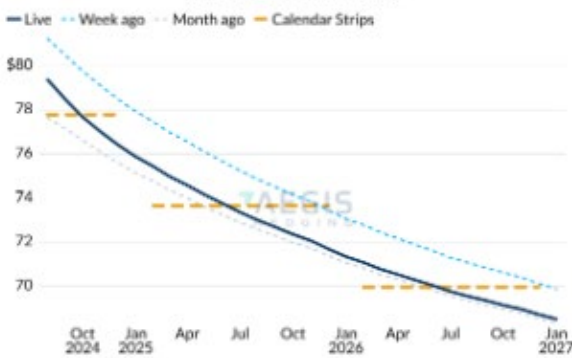
As of yesterday's settle

**Historical Natural Gas Strips**



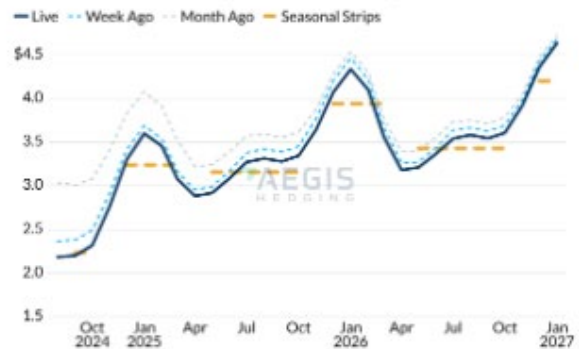
As of yesterday's settle

**WTI CMA Calendar Strips**



Updated - 2024-07-16 18:45

**Henry Hub Seasonal Strips**



Updated - 2024-07-16 18:45

**Crude Oil Swap Pricing**

	Bal 24	Cal 25	Cal 26
NYMEX WTI	\$77.77	\$73.20	\$69.48
LLS	\$80.31	\$75.97	\$72.29
Mars	\$77.89	\$73.33	\$67.74
Dubai	\$81.39	\$77.29	\$73.76
WCS-WTI	\$16.79	-\$15.60	-\$15.47
ICE Brent	\$81.47	\$77.61	\$74.17
Dated Brent	NaN	\$77.90	\$74.33
West TX Sour (WTS)	\$77.80	\$72.90	\$69.09

Updated - 2024-07-16 08:11

**Natural Gas Liquids**

	Month 1	2024	2025	2026
MRV x-TET C2	\$0.164	\$0.189	\$0.239	\$0.266
MRV x-TET C3	\$0.786	\$0.801	\$0.752	\$0.697
MRV x-TET C4	\$0.913	\$0.941	\$0.881	\$0.811
MRV x-TET C5	\$1.561	\$1.565	\$1.507	\$1.418
Conway Propane	\$0.766	\$0.790	\$0.752	\$0.702
Far East Index C3	\$1.205	\$1.216	\$1.100	\$1.023
Northwestern Europe C3	\$1.076	\$1.070	\$0.963	\$0.897

Updated - 2024-07-16 08:11

**Natural Gas Basis Swap Pricing**

	Month 1	Summer 24	Winter 24/25	Summer 25	Winter 25/26
Henry Hub Fixed	\$2.268	\$2.313	\$3.246	\$3.186	\$3.811
Panhandle East	-\$0.585	\$-0.694	\$0.119	\$-0.595	\$-0.134
Eastern Gas South	-\$0.785	\$-1.004	\$-0.753	\$-1.059	\$-1.009
Waha	-\$1.713	\$-1.534	\$-0.734	\$-1.176	\$-0.910
TETCO M3	-\$0.660	\$-0.916	\$0.518	\$-0.916	\$0.095
Houston Ship Channel	-\$0.355	\$-0.473	\$-0.265	\$-0.430	\$-0.314
Columbia Gulf Mainline	-\$0.335	\$-0.402	\$-0.241	\$-0.330	\$-0.316
NGPL TXOK	-\$0.415	\$-0.493	\$-0.273	\$-0.440	\$-0.325
SOCAL	-\$1.260	\$-0.186	\$2.036	\$0.504	\$1.580
AECO	-\$1.700	\$-1.658	\$-1.328	\$-1.409	\$-1.437
Chicago City-Gates	-\$0.415	\$-0.498	\$0.332	\$-0.380	\$0.064

Previous Day Settle

Gas and Oil Prices 3 June 2024

**Historical WTI CMA Calendar Strips**



As of yesterday's settle

**WTI CMA Calendar Strips**



Updated - 2024-06-10 18:45

**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

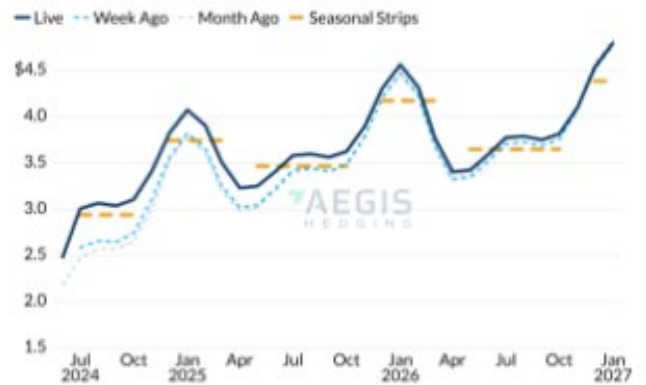
Updated - 2024-06-10 08:02

**Historical Natural Gas Strips**



As of yesterday's settle

**Henry Hub Seasonal Strips**



Updated - 2024-06-10 18:45

**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

## Important Disclaimer.

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