



Longreach Energy Holdings LLC

FIRM INFORMATION

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1. Market and Macro Industry Commentary

General Market Commentary

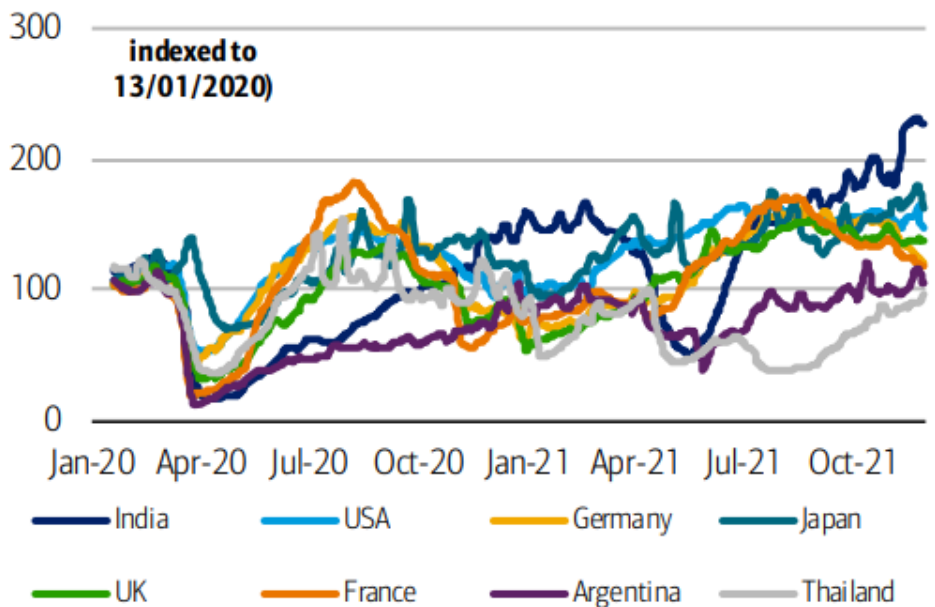
Warm US weather and strong production pushed Henry Hub gas lower during December with the prompt contract closing the month at \$3.73/mmbtu, down 18.3% on price at the end of November. In contrast, strong demand, disruption to international production and reduced Omicron variant concerns combined to push WTI oil price higher, closing December at \$75.21/bbl, up 13.6% on November close.

Global recovery in driving mobility has continued despite the impact of Omicron (Figure 1).

Figure 1: International Driving Mobility (Source: CEIC via BofA)

Exhibit 32: Driving mobility trend by country (7-day MA)

While Omicron could impact air travel, driving mobility has continued to surge since the lockdowns of April/May 2020

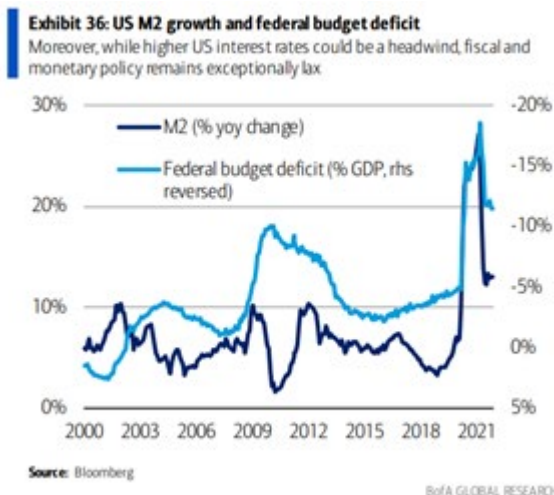
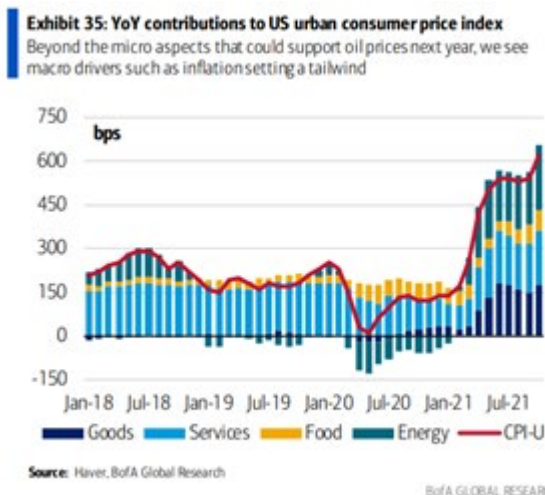


Source: CEIC


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Inflation together with continued loose fiscal and monetary policy are likely to provide additional macro support for energy prices in the coming year (Figure 2).

Figure 2: CPI, Money Supply and US Budget Deficit (Source: Bloomberg, BofA)



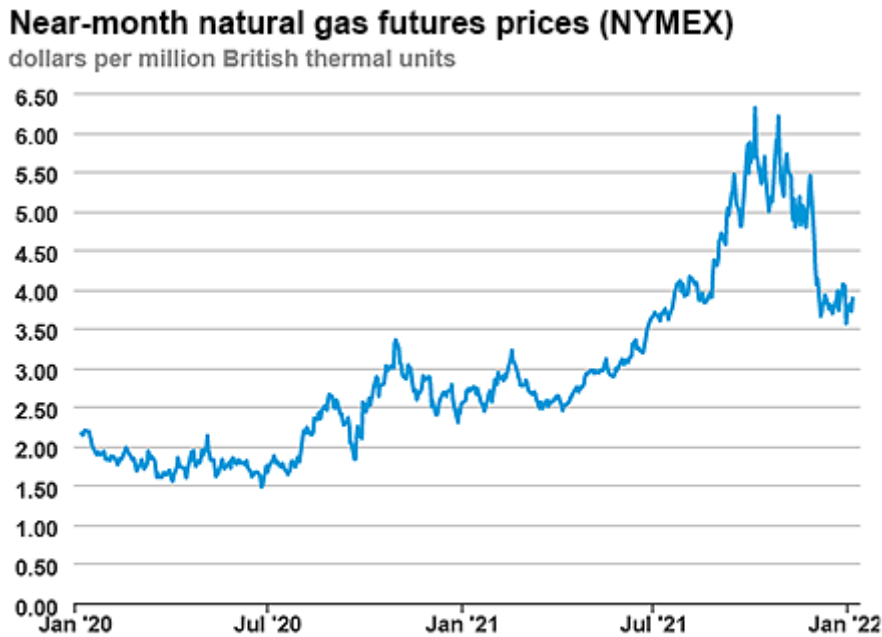
The latest Baker Hughes rig count data follows. In December US total rigs increased by 17 from 569 to 586. Oil rigs increased by 13 from 467 to 480 while gas rigs increased by 4 from 102 to 106.

Rotary Rig Count					
12/31/2021					
Baker Hughes 					
Location	Week	+/-	Week	+/-	Year
Land	570	0	570	238	332
Inland Waters	1	0	1	-1	2
Offshore	15	0	15	-2	17
United States Total	586	0	586	235	351
Gulf Of Mexico	15	0	15	-2	17
Canada	90	-43	133	31	59
North America	676	-43	719	266	410
U.S. Breakout Information	This Week	+/-	Last Week	+/-	Year Ago
Oil	480	0	480	213	267
Gas	106	0	106	23	83
Miscellaneous	0	0	0	-1	1
Directional	30	-1	31	9	21
Horizontal	530	2	528	217	313
Vertical	26	-1	27	9	17

Gas Market

Henry Hub gas futures stabilised above \$3.50 during December with warm weather and strong production the main drivers (Figure 3).

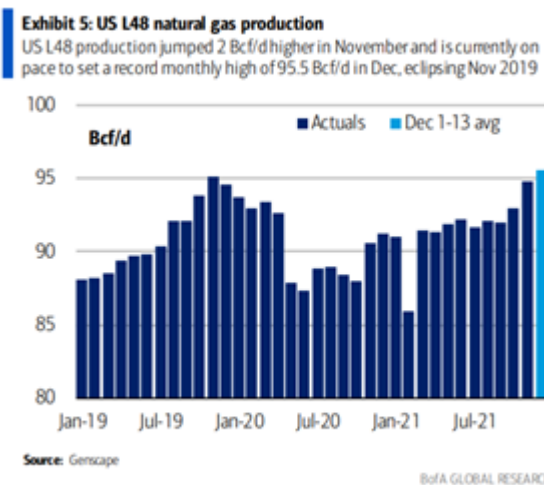
Figure 3: Near Month Henry Hub Futures (Source EIA)



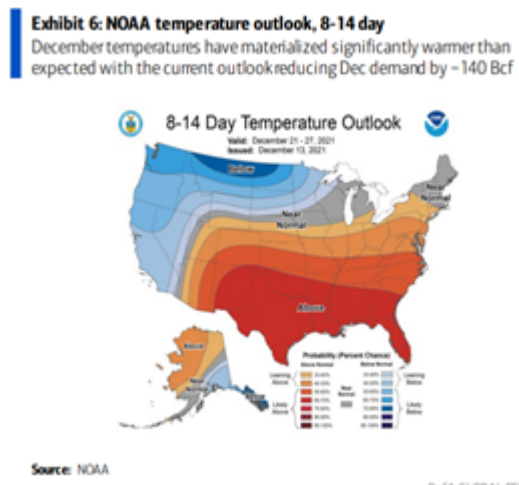
Source: Graph by the U.S. Energy Information Administration (EIA), based on from CME Group as compiled by Bloomberg, L.P.

Reduced demand because of strong production and warm November and December weather (Figure 4) has left storage now at the upper end of the 5-year range (Figure 5).

Figure 4: US Gas Production and December Temperatures (Source Genscape, NOAA via BofA)



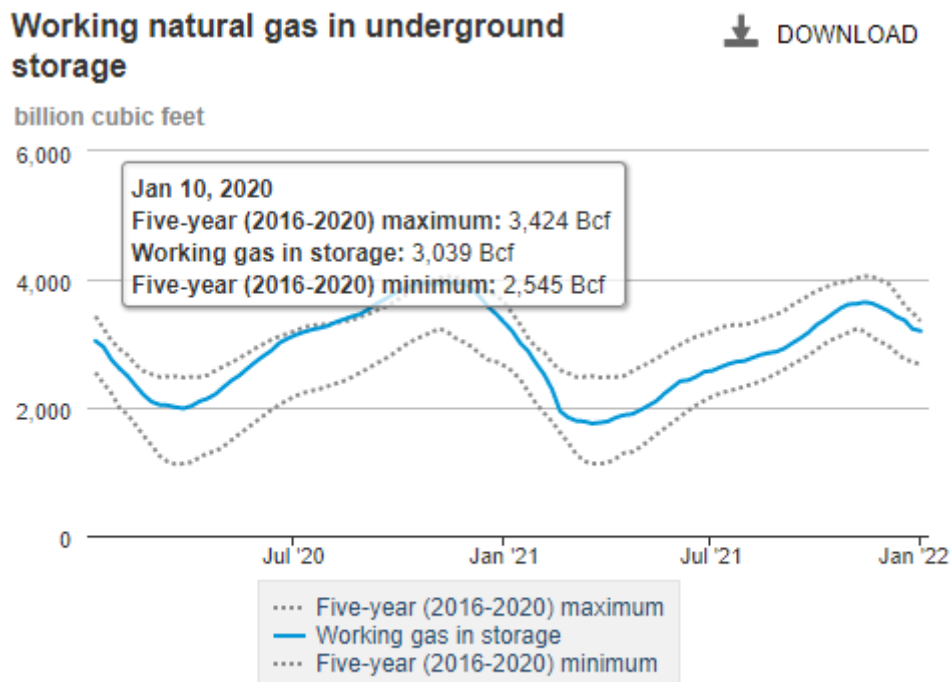
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Figure 5: Working Gas in Underground Storage (Source EIA)



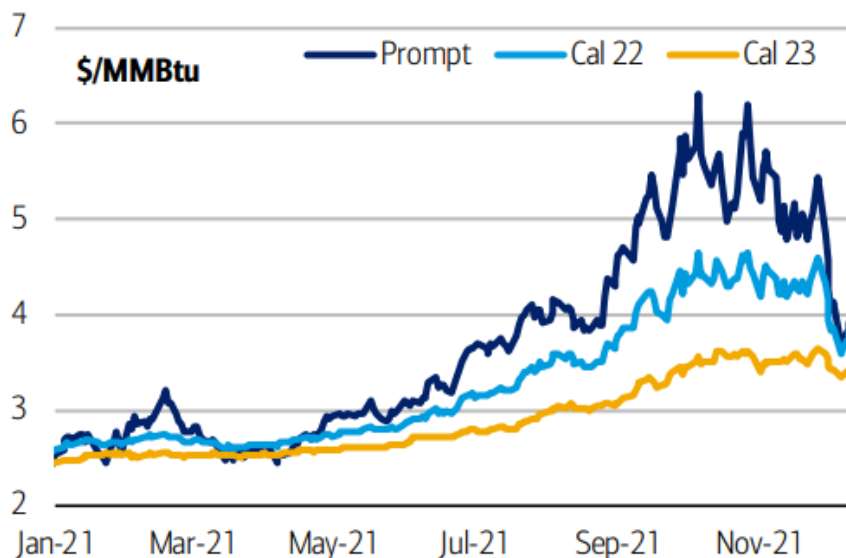
Source: U.S. Energy Information Administration Form EIA-912, Weekly Underground Natural Gas Storage Report

While the prompt contract is well down from highs, calendar 2022 and calendar 2023 natural gas prices have held onto more of their recent gains (Figure 6).

Figure 6: US Natural Gas Prices (Source Bloomberg via BofA)

Exhibit 3: US natural gas prices

Since peaking at \$6.312/MMBtu in early October, US natural gas prices have collapsed to under \$4/MMBtu on warm weather and increased production...

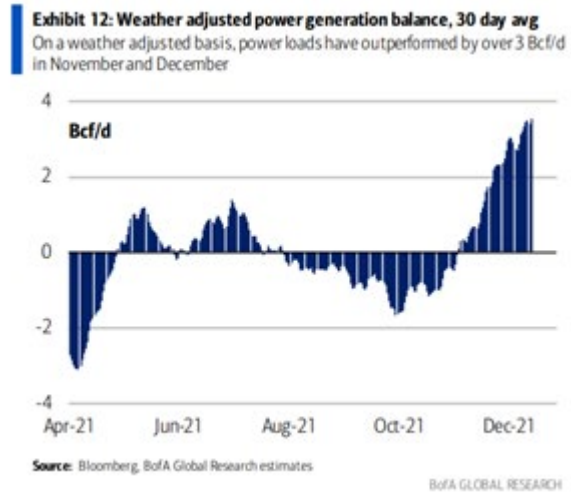
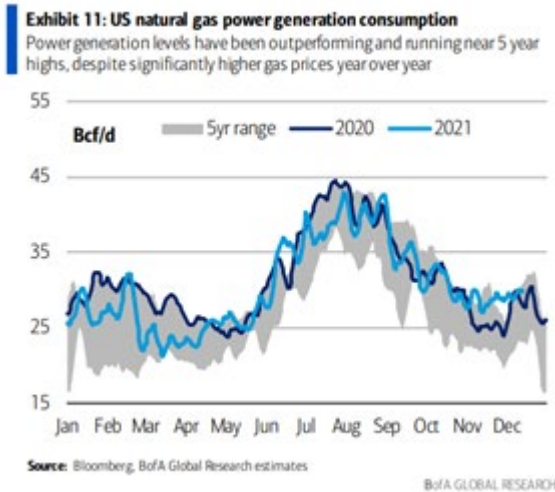


Source: Bloomberg

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Weather and production alone would be expected to have driven natural gas prices well below the ~\$3.60/mmbtu floor in December. The factors driving this surprising relative strength are surging gas fired power generation, up nearly 3bcf/d in November and December vs last year, despite higher prices (Figure 7)

Figure 7: US Natural Gas Power Generation (Source Bloomberg via BofA)



The driver for strength in gas power demand has been disruption in the US coal market where strong coal demand during summer caused a fall in coal stocks (Figure 8). December saw the first fall in month-on-month coal generation in 2021 as strong global thermal coal prices added export demand (Figure 9).

Figure 8: US Coal Utilisation and Stocks (Source Bloomberg, Platts via BofA)

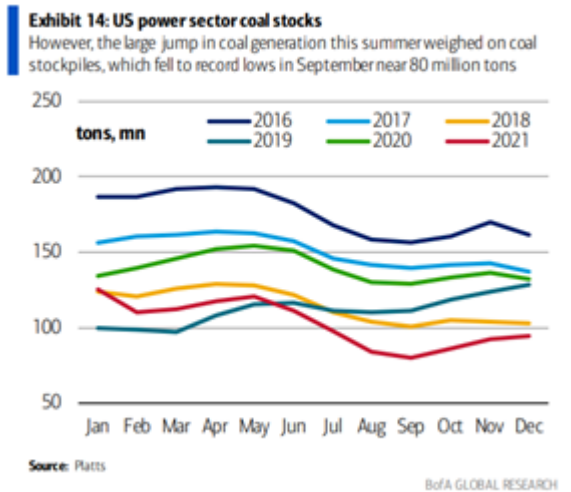
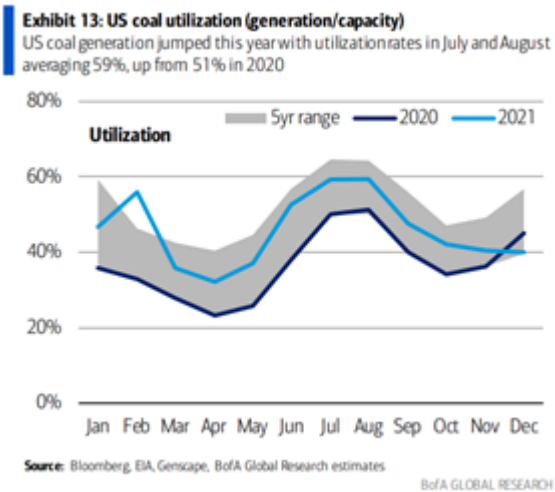
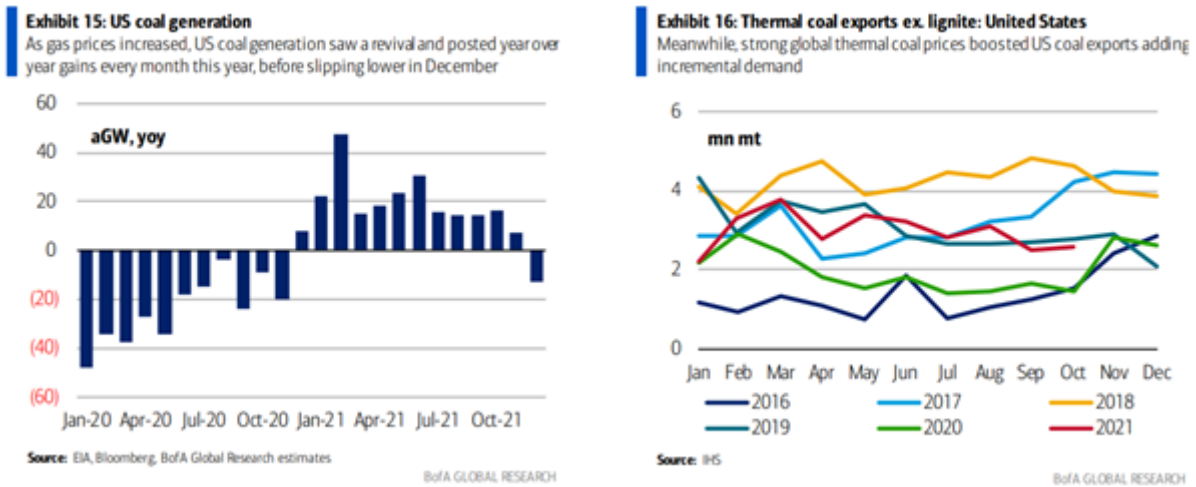
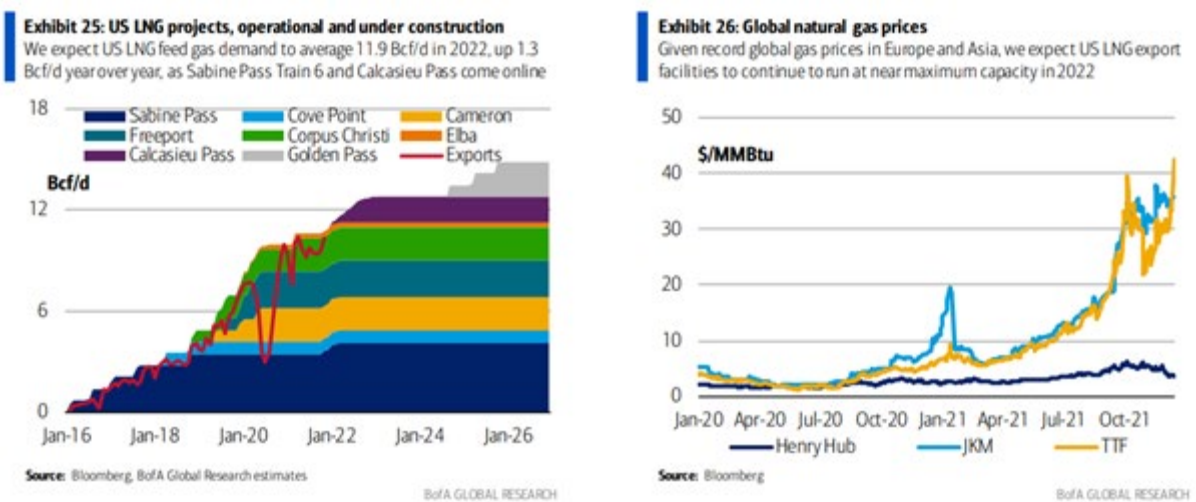


Figure 9: US Coal Generation and Exports (Source EIA, Bloomberg, IHS via BofA)



US LNG feed gas demand has continued higher in December and set a record high of 11.8bcf/d in December (LHS Figure 10). Record gas prices in Europe and Asia can be expected to encourage US LNG export facilities to continue running at near maximum capacity in 2022 (RHS Figure 10).

Figure 10: US LNG and Global Gas Prices (Source Bloomberg, BofA)





On the weather front, January has seen the first real cold weather in the US, likely to drive a substantial lift in demand (Figures 11 and 12).

Figure 11: NOAA January Weather Outlook (Source NOAA)

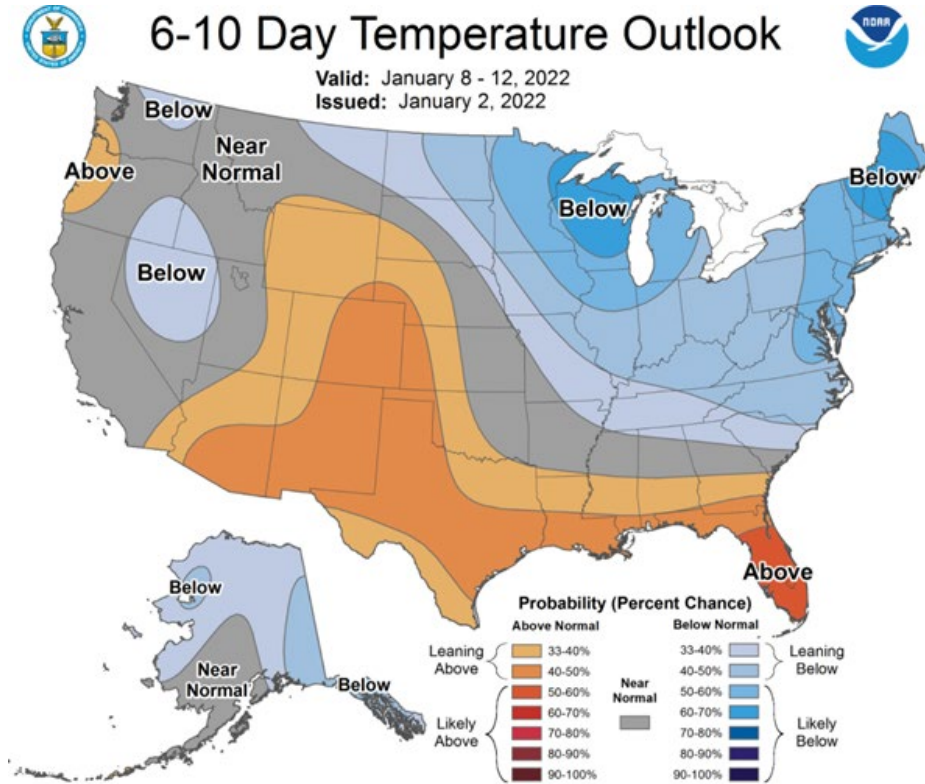
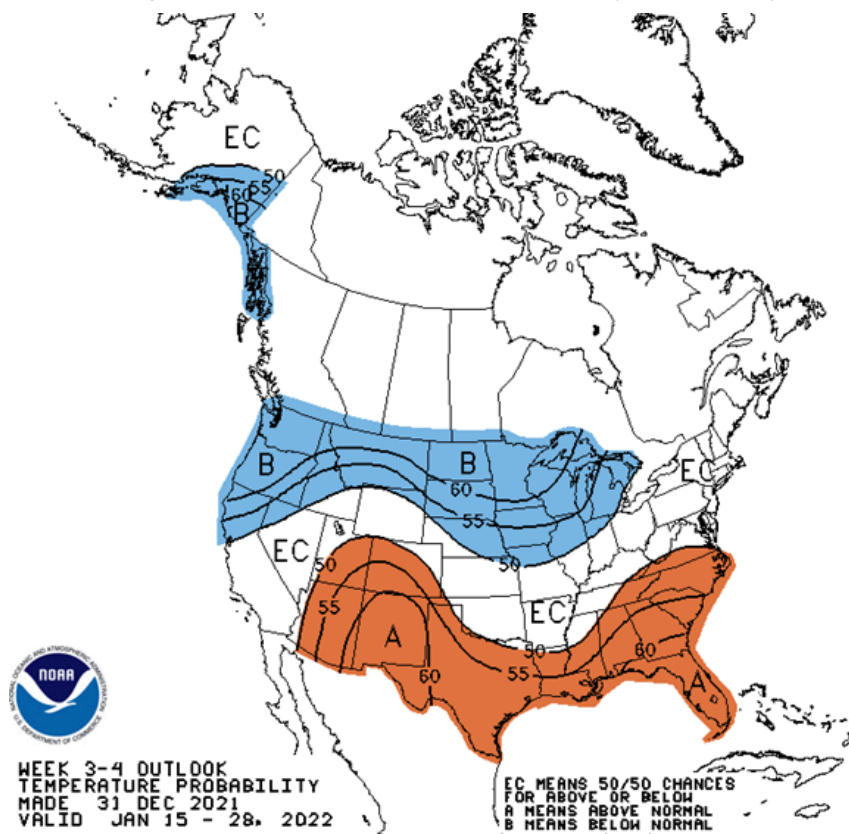


Figure 12: NOAA 3-4 Week Weather Outlook (Source NOAA)

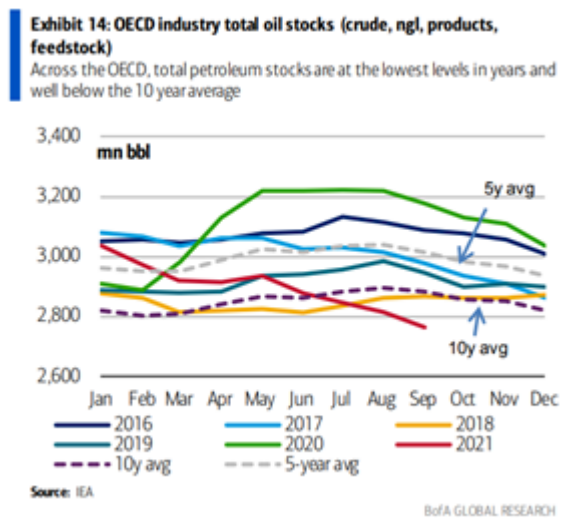
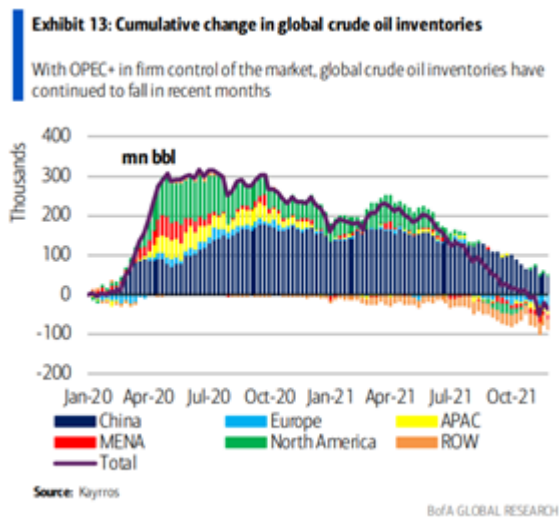


Oil Market

Vitol and Goldman Sachs have both warned that lack of investment in new oil production is likely to deliver higher oil prices over coming years as supply additions are too slow to meet enduring strong demand.

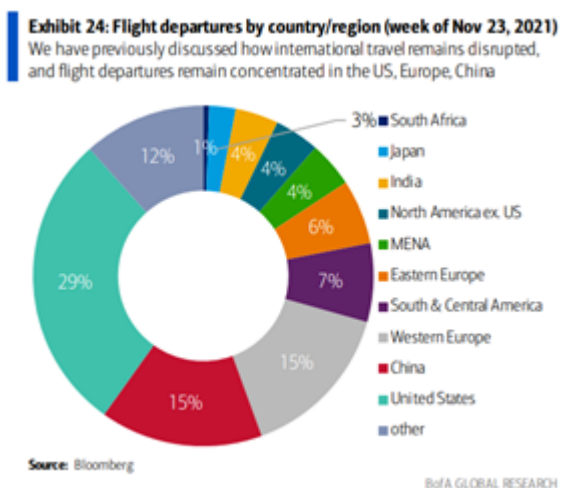
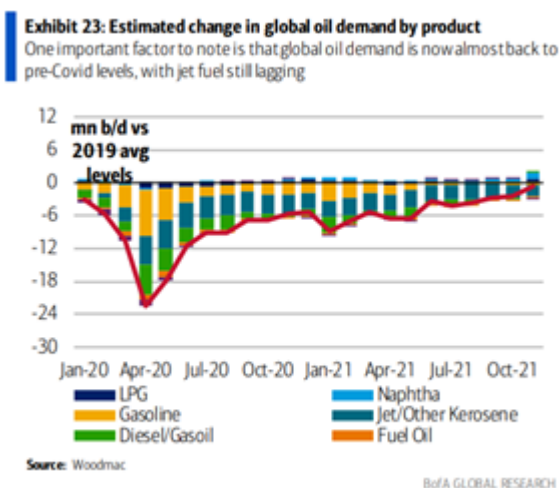
Strong demand and restrained OPEC+ production have caused global oil inventories to continue their decline in recent months (LHS Figure 12). Across the OECD total petroleum stocks are well below the 10-year average (RHS Figure 12).

Figure 13: Petroleum Inventories (Source Kayrros, IEA via BofA)



Global oil demand is now almost back to pre-pandemic levels (LHS Figure 14), this despite continued disruption to international travel and resulting loss of jet-fuel demand (RHS Figure 14).

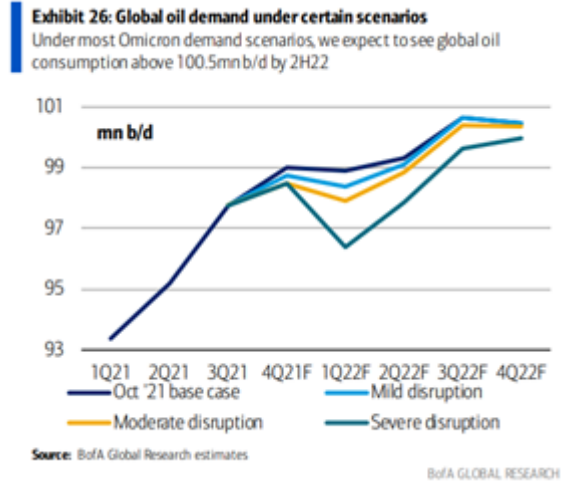
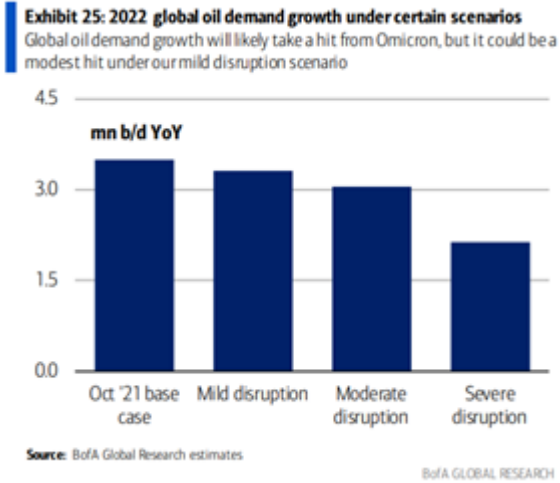
Figure 14: Global Oil Demand and Flight Departures (Source Woodmac, Bloomberg via BofA)





Global oil demand will be reduced because of Omicron but under most scenarios global oil consumption is likely to be above 100.5mmb/d by 2H22 (Figure 15).

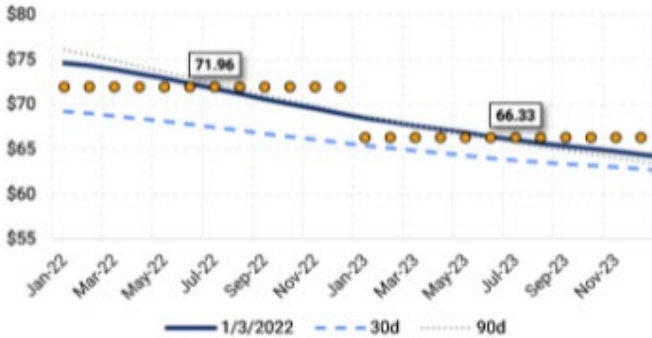
Figure 15: Omicron Impact on Global Demand (Source BofA)



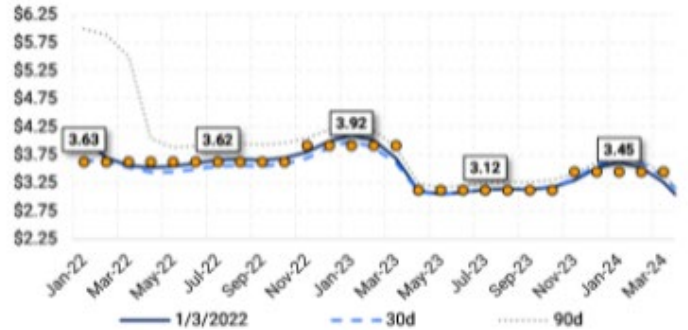


Gas and Oil Prices 3 January 2022

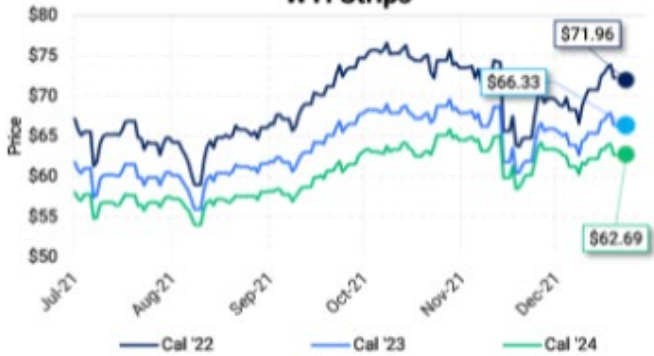
WTI Calendar Strips



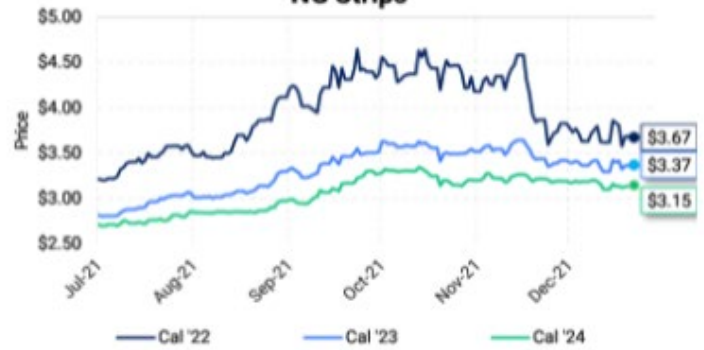
NG Seasonal Strips



WTI Strips



NG Strips



Swap Pricing

	Month 1	Cal 22	Cal 23	Cal 24	Cal 25
NYMEX WTI Crude	\$ 74.34	\$ 71.96	\$ 66.33	\$ 62.69	\$ 60.18
ICE Brent Crude	\$ 77.01	\$ 74.84	\$ 70.27	\$ 67.38	\$ 65.45
Light Louisiana Sweet	\$ 75.06	\$ 73.46	\$ 68.76	\$ 64.42	\$ 60.90
TM Midland Differential	\$ 0.67	\$ 0.53	\$ 0.48		
WCS Differential	\$ (13.11)	\$ (13.25)	\$ (15.20)		
NYMEX Natural Gas	\$ 3.70	\$ 3.68	\$ 3.37	\$ 3.15	\$ 3.08

Source: Bloomberg LP
Indicative only

Natural Gas Basis

Location	Spot	Winter '21/'22	Summer '22	Winter '22/'23	Summer '23
Henry Hub Fixed	3.66	3.63	3.60	3.90	3.90
Malin	\$ 3.58	\$ 0.73	(0.11)	\$ 0.40	\$ 0.40
Opal	\$ 3.45	\$ 0.75	(0.24)	\$ 0.46	\$ 0.46
Sumas	\$ 3.06	\$ 0.77	(0.24)	\$ 0.88	\$ 0.88
PEPL	\$ (0.12)	\$ 0.05	(0.33)	(0.08)	(0.08)
Chicago CG	\$ (0.19)	(0.14)	(0.22)	(0.22)	(0.22)
TETCO M3	\$ (0.29)	\$ 1.09	(0.75)	\$ 1.47	\$ 1.47
Waha	\$ (0.33)	(0.22)	(0.66)	(0.31)	(0.31)
AECO	\$ (0.37)	(0.66)	(1.18)	(1.08)	(1.08)
Dominion S	\$ (0.97)	(0.64)	(0.92)	(0.67)	(0.67)

All prices as previous trading day close
Source: Bloomberg



Gas and Oil Prices 1 December 2021



Swap Pricing	Bal 21	Cal 22	Cal 23	Cal 24	Cal 25
NYMEX WTI Crude	\$ 68.03	\$ 65.58	\$ 61.75	\$ 59.61	\$ 58.47
ICE Brent Crude	\$ 71.32	\$ 68.81	\$ 65.74	\$ 64.23	\$ 63.63
Light Louisiana Sweet	\$ 68.67	\$ 66.25	\$ 62.24	\$ 59.97	\$ 58.77
TM Midland Differential	\$ 0.22	\$ 0.64	\$ 0.58		
WCS Differential	\$ (17.94)	\$ (14.72)	\$ (15.57)		
NYMEX Natural Gas	\$ 5.45	\$ 4.07	\$ 3.53	\$ 3.19	\$ 3.09

Source: Bloomberg LP
Indicative only

Natural Gas Basis	Spot	Winter '21/'22	Summer '22	Winter '22/'23	Summer '23
Henry Hub Fixed	4.52	4.32	3.96	4.19	4.19
Opal	\$ (0.18)	\$ 0.22	\$ (0.28)	\$ 0.28	\$ 0.28
TETCO M3	\$ (0.21)	\$ 2.73	\$ (0.69)	\$ 1.53	\$ 1.53
Chicago CG	\$ (0.33)	\$ (0.21)	\$ (0.22)	\$ (0.25)	\$ (0.25)
Waha	\$ (0.55)	\$ (0.18)	\$ (0.60)	\$ (0.29)	\$ (0.29)
Domestic S	\$ (0.56)	\$ (0.54)	\$ (0.87)	\$ (0.63)	\$ (0.63)
PEPL	\$ (0.58)	\$ 0.00	\$ (0.35)	\$ (0.11)	\$ (0.11)
Malin	\$ (0.64)	\$ 0.34	\$ (0.14)	\$ 0.33	\$ 0.33
Sumas	\$ (0.89)	\$ 0.46	\$ (0.31)	\$ 0.56	\$ 0.56
AECO	\$ (1.57)	\$ (1.37)	\$ (1.38)	\$ (1.16)	\$ (1.16)

All prices as previous trading day close
Source: Bloomberg