



# 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

## 1.0 Market and Portfolio Commentary

### 1.1 Macro Industry Commentary

US Henry Hub prompt gas prices fell in July, the prompt dropped from \$2.80/mmbtu at close on 30 June to \$2.63/mmbtu at close on 31 July. Calendar 2023 fell very modestly, beginning July at \$3.06/mmbtu and closing at \$3.03/mmbtu.

Oil prices jumped. The prompt opened July at \$70.64/bbl and closed the month at \$81.80/bbl. Calendar 2023 started the month at \$70.60/bbl and closed at \$80.84/bbl.

The latest Baker Hughes rig count data follows. In July US total land rigs continued to fall, decreasing by 18 from 653 to 635. Oil rigs fell by 20 from 545 to 525 while gas rigs rose by 4 from 124 to 128. Changes in miscellaneous and inland waters rigs made up the difference.

**Baker Hughes rig count**



**Rotary Rig Count**

8/4/23

Location	Week	+/-	Week Ago	+/-	Year Ago
Land	635	-5	640	-111	746
Inland Waters	5	0	5	3	2
Offshore	19	0	19	3	16
<b>United States Total</b>	<b>659</b>	<b>-5</b>	<b>664</b>	<b>-105</b>	<b>764</b>
Gulf Of Mexico	18	-1	19	4	14
Canada	188	-5	193	-15	203
<b>North America</b>	<b>847</b>	<b>-10</b>	<b>857</b>	<b>-120</b>	<b>967</b>
<b>U.S. Breakout Information</b>	<b>This Week</b>	<b>+/-</b>	<b>Last Week</b>	<b>+/-</b>	<b>Year Ago</b>
Oil	525	-4	529	-73	598
Gas	128	0	128	-33	161
Miscellaneous	6	-1	7	1	5
Directional	53	0	53	16	37
Horizontal	585	-7	592	-113	698
Vertical	21	2	19	-8	29

**CONTACT US**

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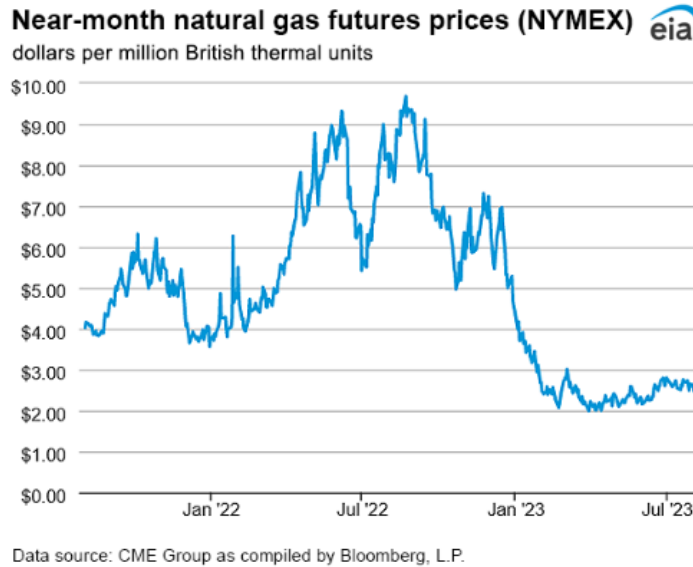
[client.services@longreachalternatives.com](mailto:client.services@longreachalternatives.com)



## Gas Market

In July, prompt Henry Hub gas futures traded in a relatively narrow range between \$2.50 and \$2.85/mmbtu driven primarily by continued strength in demand for natural gas to provide electric power (Figure 1).

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



Natural gas storage volumes remain well above the 5-year average although the surplus has recently stabilised (Figure 2).

Figure 2: US Gas Storage vs 2018-2022 Average, bcf (Source: EIA, via GS)

### Exhibit 11: Storage is tracking well above the 5-year average, although the surplus has stabilized recently

US gas storage vs. 2018-2022 average, Bcf

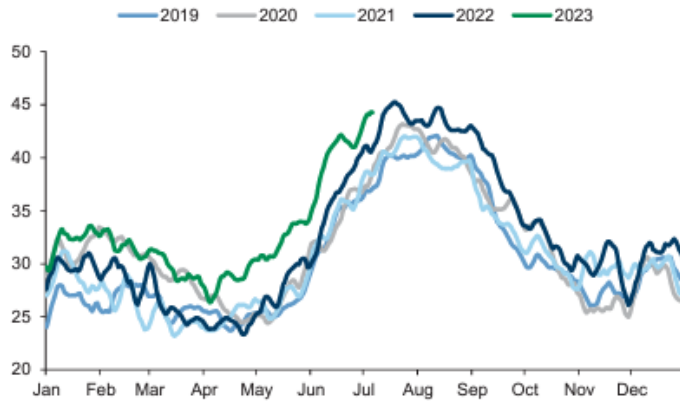


Source: EIA, Goldman Sachs Global Investment Research

Higher natural gas demand has been led by gas-powered electric power generation (Figure 3).

Figure 3: Weather Adjusted Power Demand for Gas, 7 day moving av, bcf/d (Source: EIA via GS)

**Exhibit 13: ... helped by high power demand for gas...**  
Weather-adjusted power demand for gas (7dma), Bcf/d

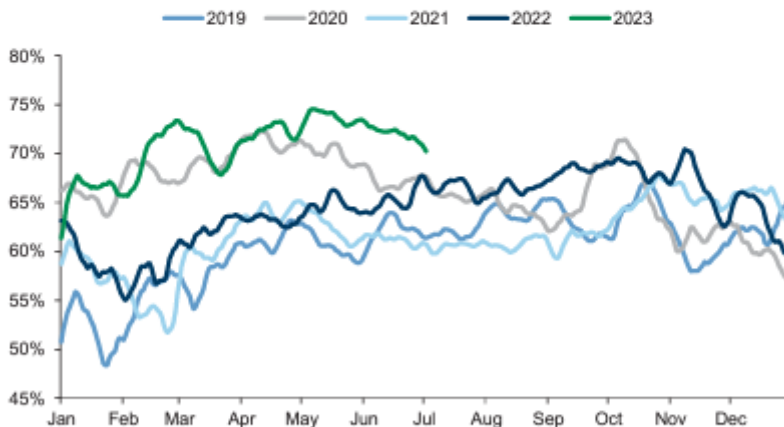


Source: EIA, S&P Global Commodity Insights, Radiant Geospatial Solutions, Goldman Sachs Global Investment Research

Gas's share of thermal power generation has been assisted by price-driven coal-to-gas switching (Figure 4).

Figure 4: Gas Share of Thermal Generation, % (Source: EIA, via GS)

**Exhibit 14: ... and price-driven coal-to-gas switching**  
Gas share in thermal generation, %



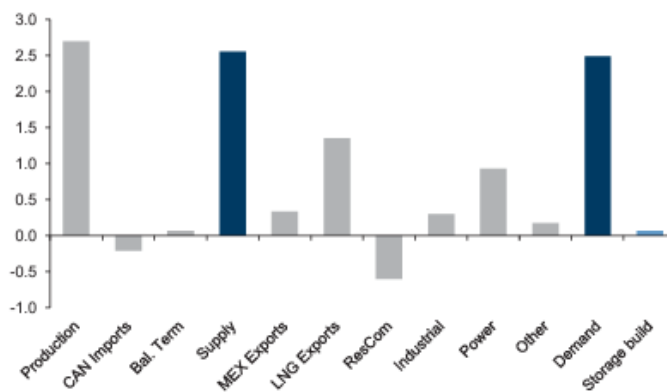
Source: EIA, Goldman Sachs Global Investment Research

In aggregate for the US summer, higher power burns and LNG feed gas demand are likely to offset higher production to leave supply and demand consistent with last year (Figure 5).

Figure 5: Supply and Demand YoY Change Sum22 to Sum23 (Source: GS)

**Exhibit 15: Higher power burns and LNG feedgas demand year-on-year are likely to offset higher production this summer**

Sum23 year-on-year change in S&D under GS price forecasts, Bcf/d



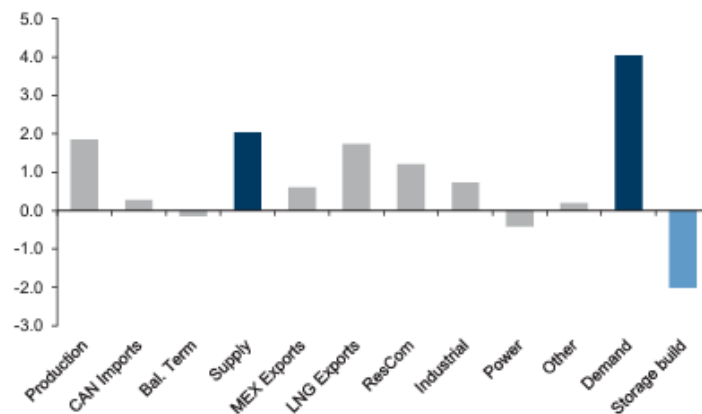
Source: Goldman Sachs Global Investment Research

Goldman expects higher natural gas demand this winter to see larger withdrawals in winter 23/24 than we saw last year (Figure 6).

Figure 6: Supply and Demand YoY Change Win22 to Win23 (Source: GS)

**Exhibit 16: We expect higher demand this winter to lead to higher draws year-on-year**

Win23-24 year-on-year change in S&D under GS price forecasts, Bcf/d



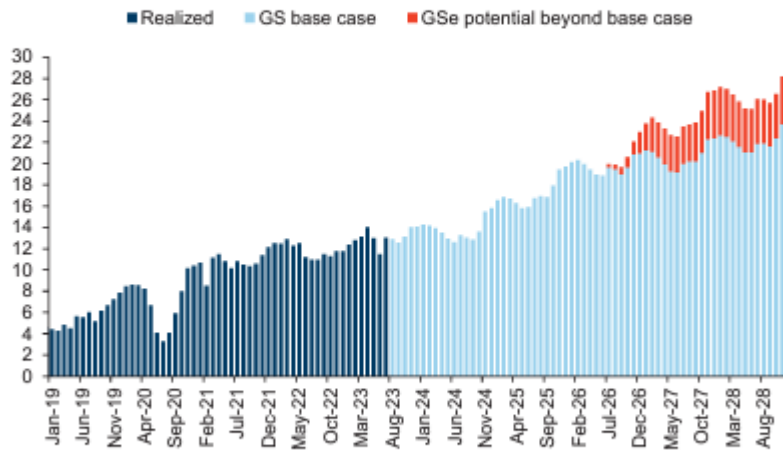
Source: Goldman Sachs Global Investment Research



From 3Q2024, LNG capacity additions will see a rapid increase in demand (Figure 7).

Figure 7: US LNG Feed Gas Demand, bcf/d (Source GS)

**Exhibit 19: We expect LNG capacity additions to bring a rapid increase in demand from 3Q2024...**  
US LNG feedgas demand, Bcf/d

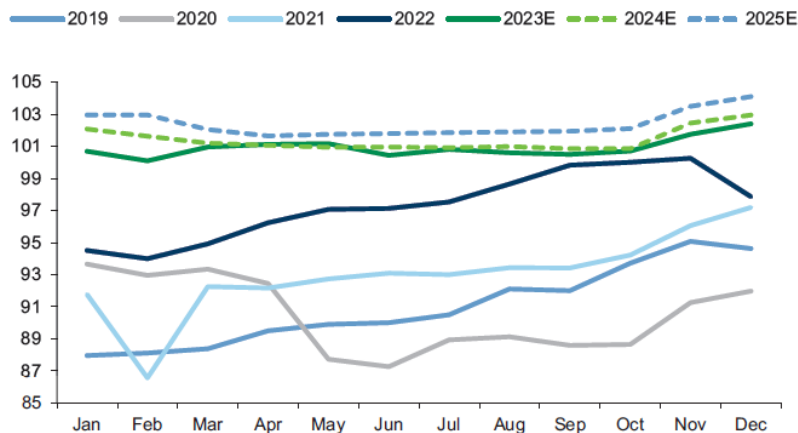


Source: Bloomberg, Goldman Sachs Global Investment Research

Higher prices will then be required to incentivise production growth to meet the increased demand (Figure 8).

Figure 8: US Natural Gas Production under GS Price Forecast, bcf/d (Source WoodMac, GS)

**Exhibit 20: ... incentivizing further growth in production via higher prices**  
Natural gas production under GS price forecast, Bcf/d

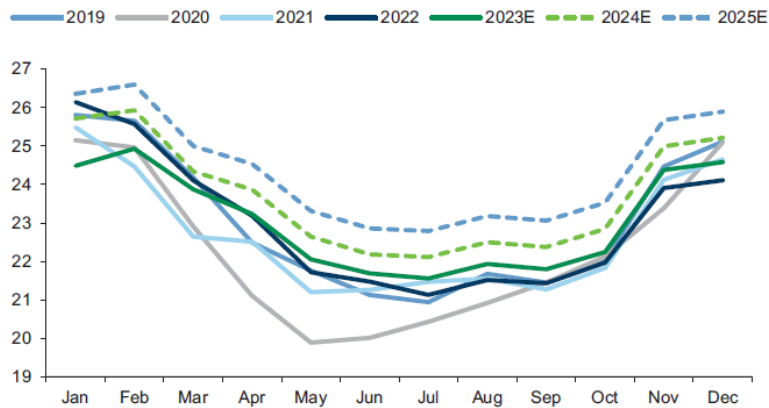


Source: Wood Mackenzie, Goldman Sachs Global Investment Research

Goldman expects that comparative energy advantage will drive a relocation of industrial activity from Europe to the US and that this process will supplement higher LNG demand with increased domestic industrial gas demand (Figure 9).

Figure 9: US Industrial Demand for Gas, bcf/d (Source various via GS)

**Exhibit 21: We expect industrial demand to grow supported by a reallocation of industrial activity from Europe**  
Industrial demand for gas, Bcf/d

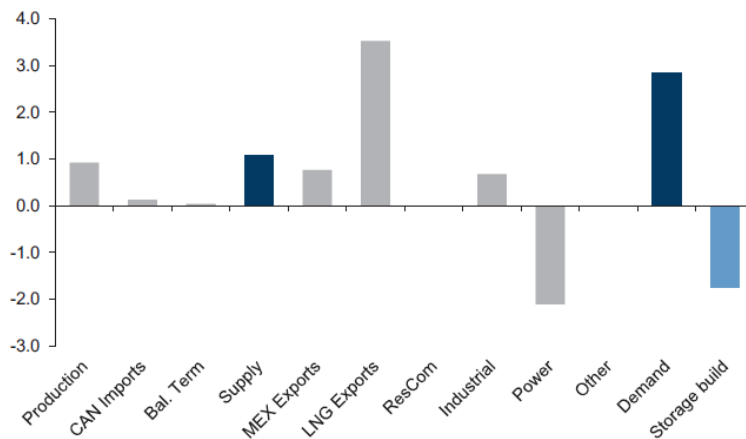


Source: EIA, S&P Global Commodity Insights, Goldman Sachs Global Investment Research

From 2025 these factors are likely to lead to the next bullish cycle in US natural gas (Figure 10).

Figure 10: Supply and Demand YoY Change Sum24 to Sum25 (Source: GS)

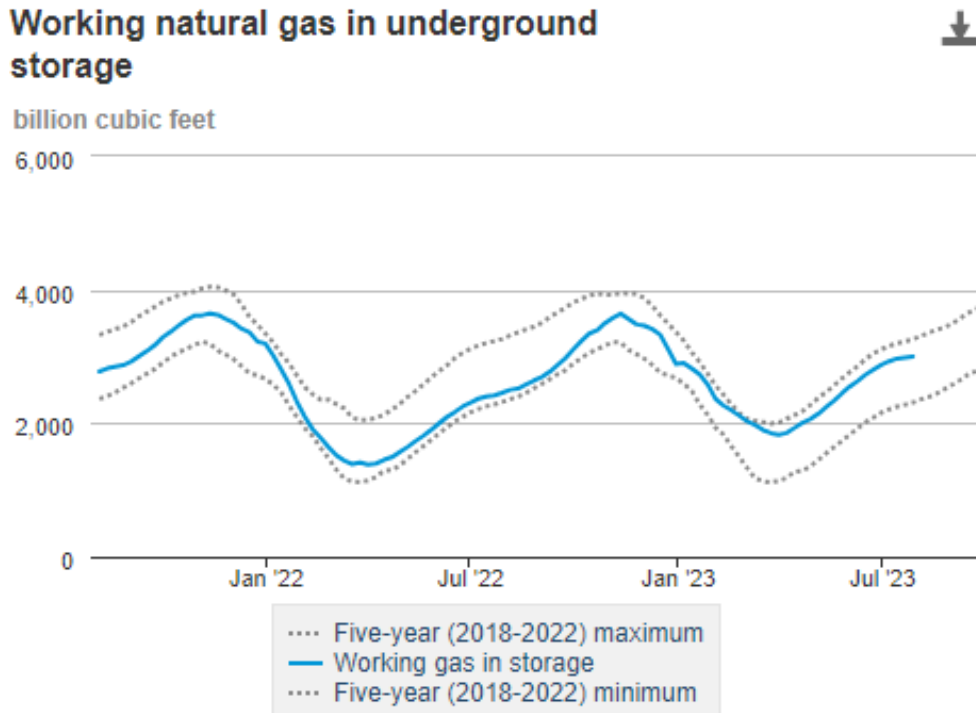
**Exhibit 22: Higher LNG exports from 2025 are likely to lead to the next bullish cycle in US gas**  
Sum25 year-on-year change in S&D under GS price forecasts, Bcf/d



Source: Goldman Sachs Global Investment Research

On 28 July, working natural gas stocks totalled 3,001bcf, which is 322bcf (12%) more than the five-year average and 550bcf (22%) more than last year at this time (Figure 11). Gas injections in recent weeks have been lower than five-year averages and it is now highly unlikely that gas in storage will reach approximate capacity of 4.1tcf before the end of the injection season. This has supported strengthening gas prices.

Figure 11: Working Gas in Underground Storage (Source: EIA)



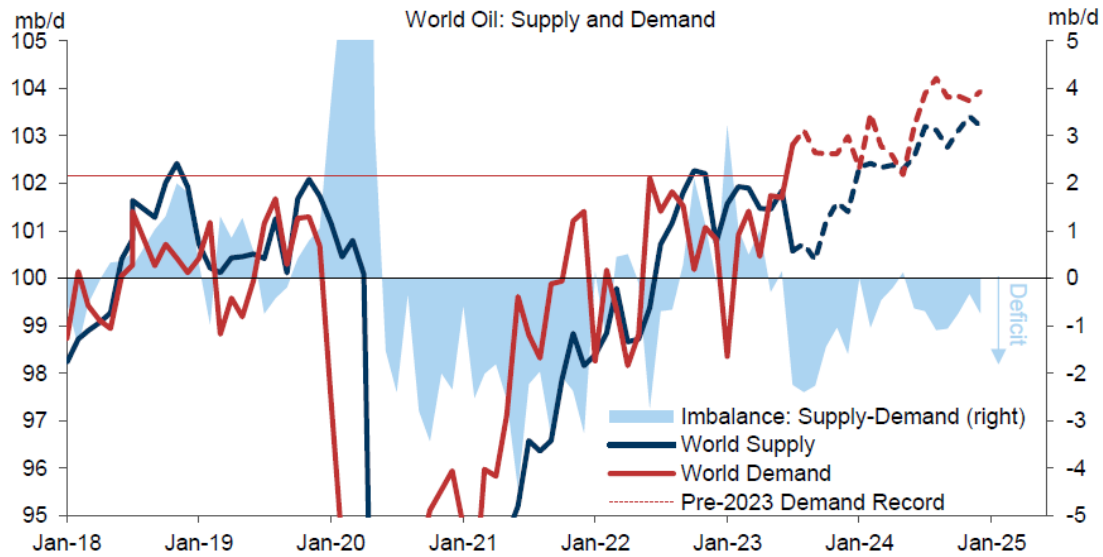
Data source: U.S. Energy Information Administration Form EIA-912, Weekly Underground Natural Gas Storage Report

## Oil Market

Oil prices are up ~18% since mid-June as record high demand and Saudi supply cuts have brought back deficits, and the market has abandoned its growth pessimism (Figure 12).

Figure 12: World Oil Supply and Demand (Source: GS)

### Exhibit 2: Oil Demand Reaches a Record High Level in July While the Extra Saudi Cut Lowers Supply

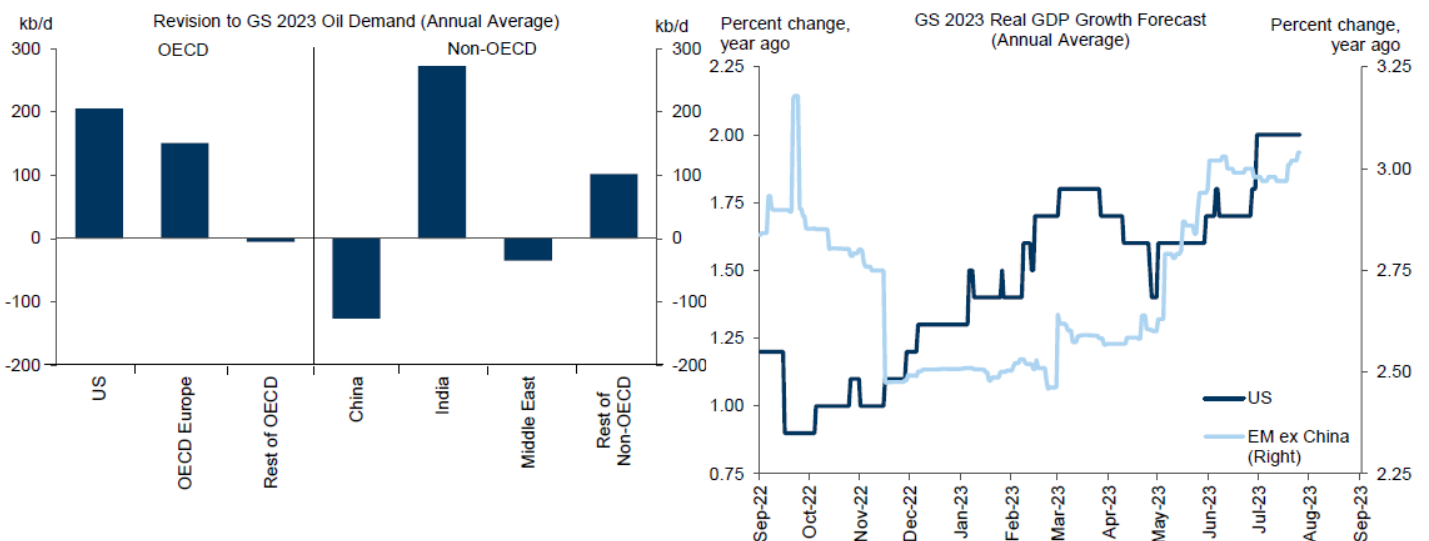


Source: Goldman Sachs Global Investment Research

Goldman estimates that global oil demand rose to an all-time high in July of 102.8mbbl/d. Demand has risen strongly in India, the US and OECD Europe. China demand is increasing, but at a lower rate than Goldman had previously expected (Figure 13).

Figure 13: Oil Demand Revisions (Source: GS)

### Exhibit 3: Upward Revisions to Oil Demand and GDP in the US and EM Ex China



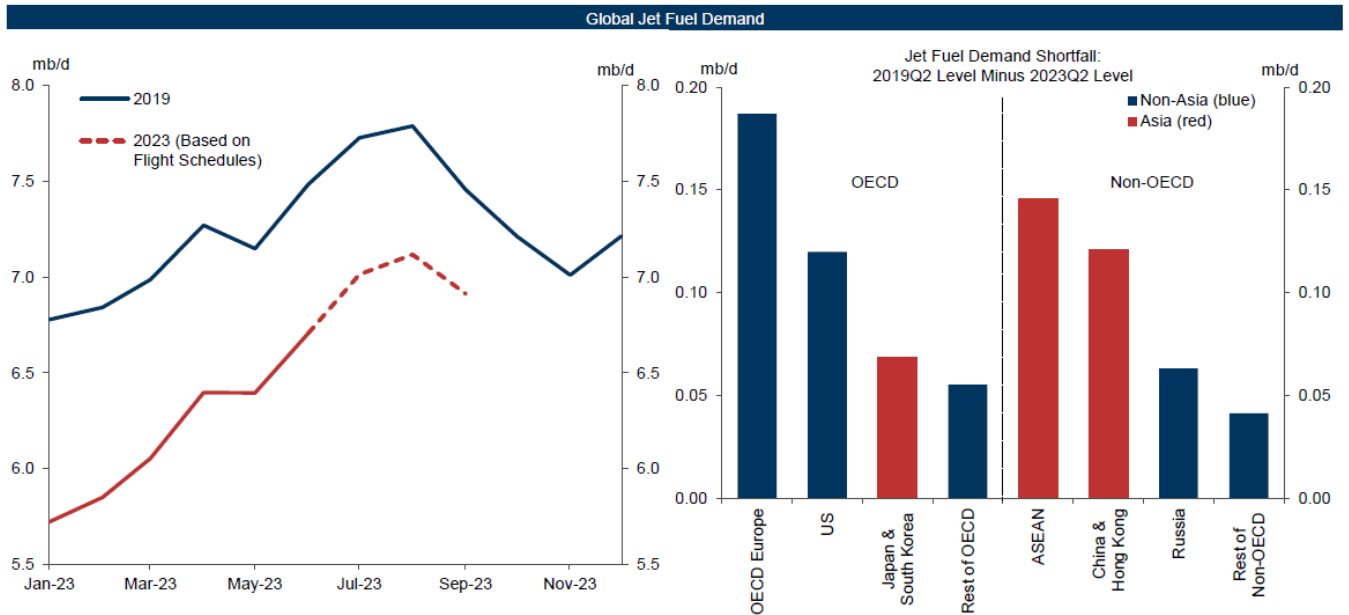
Source: Goldman Sachs Global Investment Research



It is the ongoing rise in services GDP, which drives 70% of global oil demand, that is increasing oil consumption and outweighing global goods stagnation. Within transportation services, the recovery in jet fuel demand still has room to run, especially in ASEAN, China, and Hong Kong (Figure 14).

Figure 14: Changes in Jet Fuel Demand (Source: GS)

### Exhibit 4: Further Room for the Recovery in Jet Fuel Demand, Especially in EM Asia

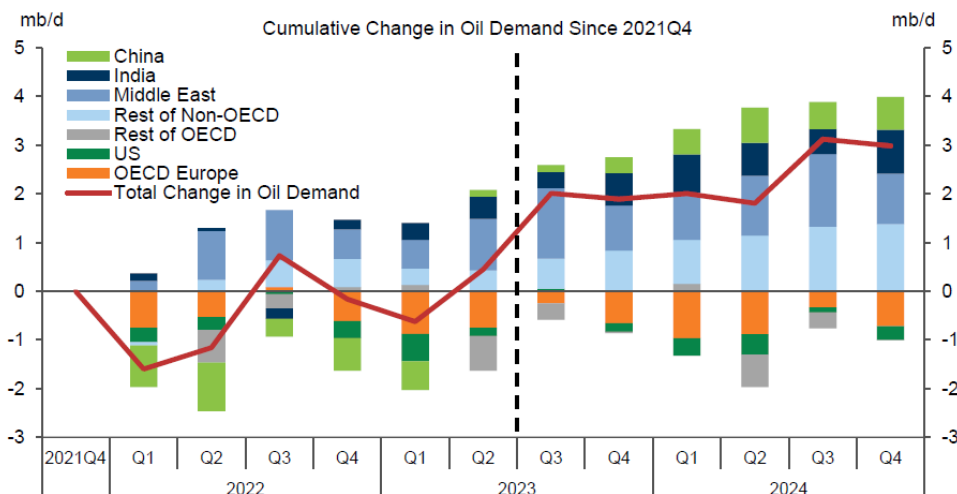


Source: Goldman Sachs Global Investment Research

Solid services activity and seasonal factors are set to raise 3Q23 global oil demand to 103mbbl/d with seasonal boosts from OECD travel and power cooling in the Middle East (Figure 15).

Figure 15: Cumulative Change in Oil Demand since 4Q21 (Source: GS)

### Exhibit 5: A Seasonal Q3 Demand Boost in the OECD and the Middle East

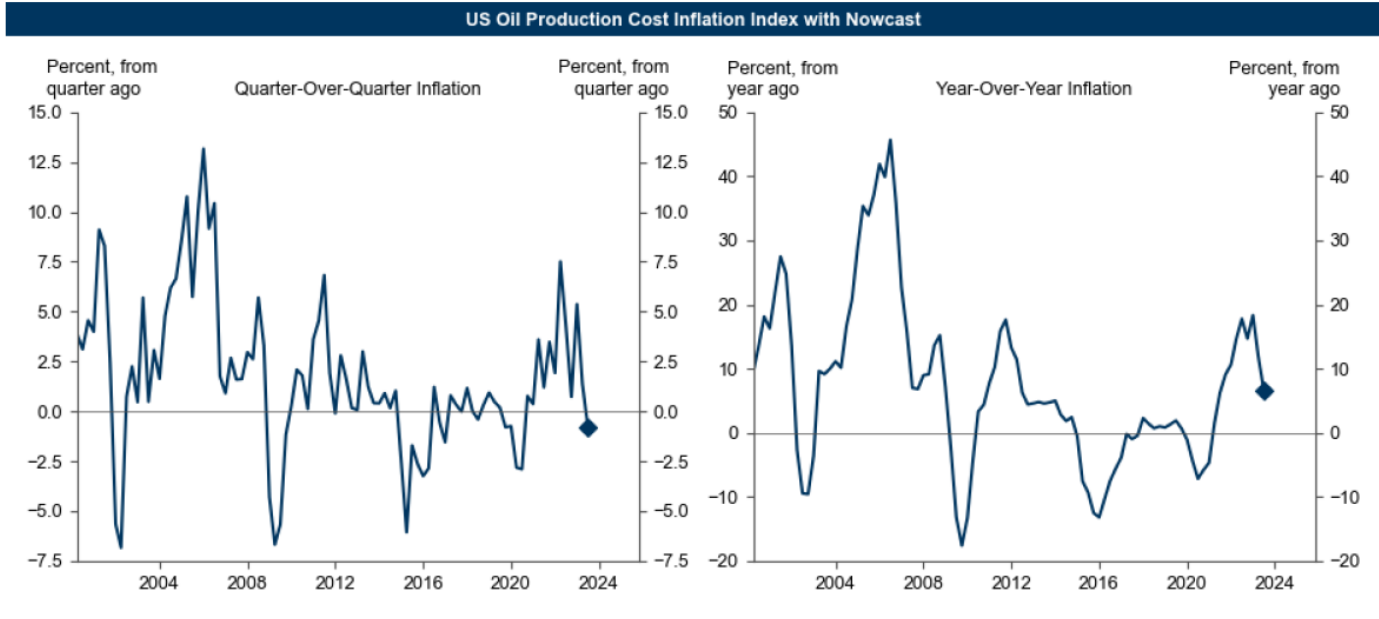


Source: Goldman Sachs Global Investment Research

Economics for US oil producers are also benefiting from a fall in production costs as lower rig counts are compelling suppliers to cut costs in pursuit of business (we are seeing this in gas too, Figure 16)

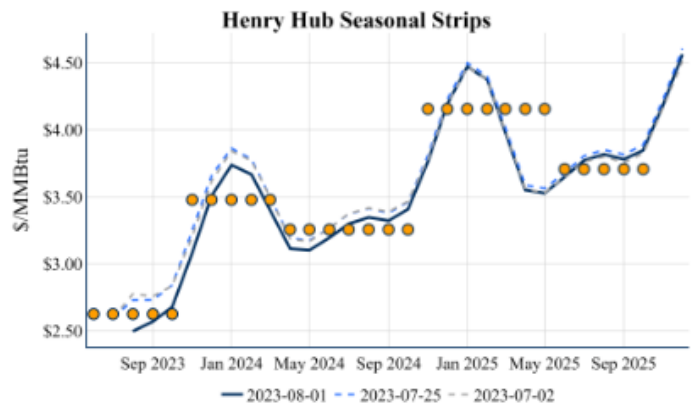
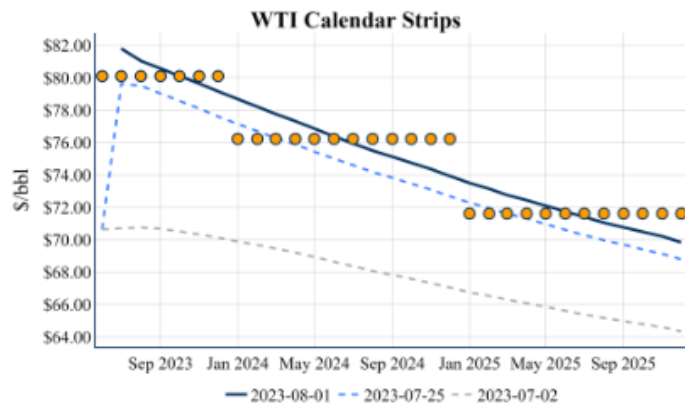
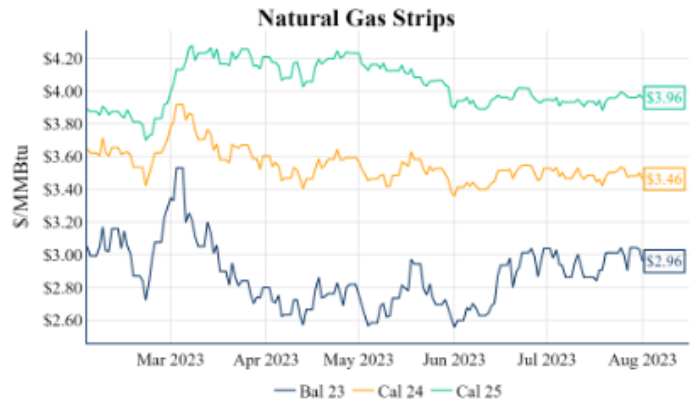
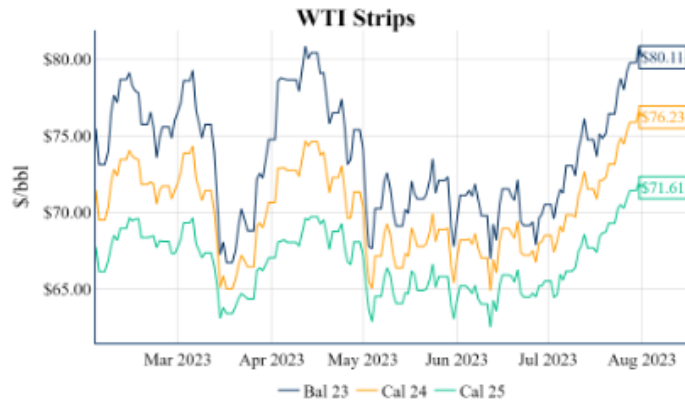
Figure 16: US Oil Production Cost Inflation (Source: GS)

**Exhibit 14: US Oil Production Costs Are Falling**



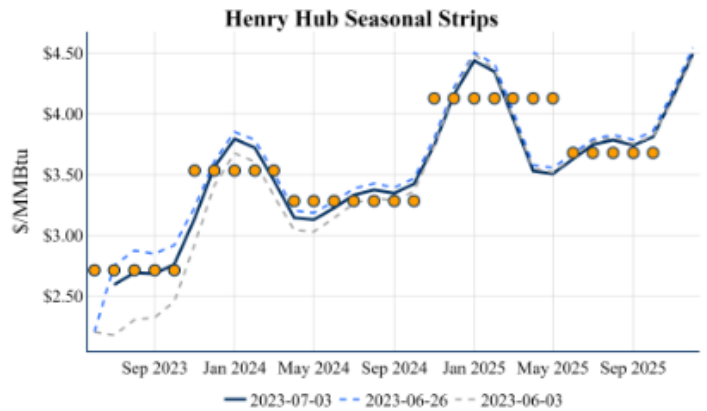
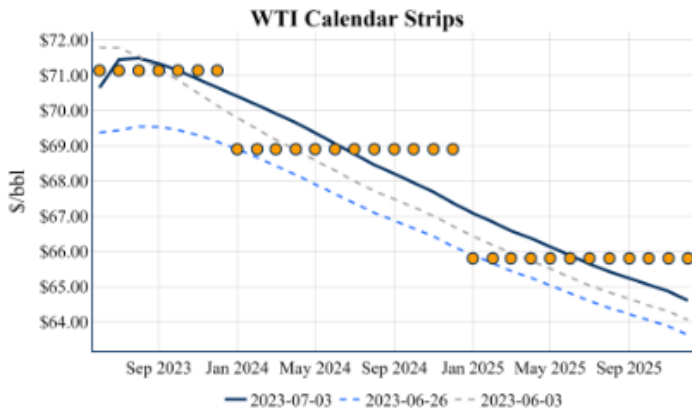
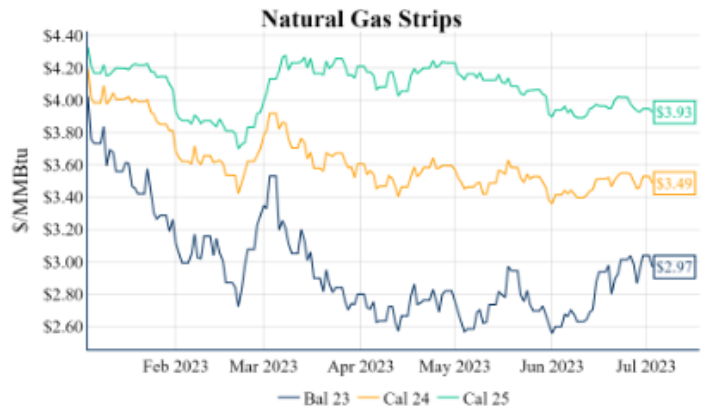
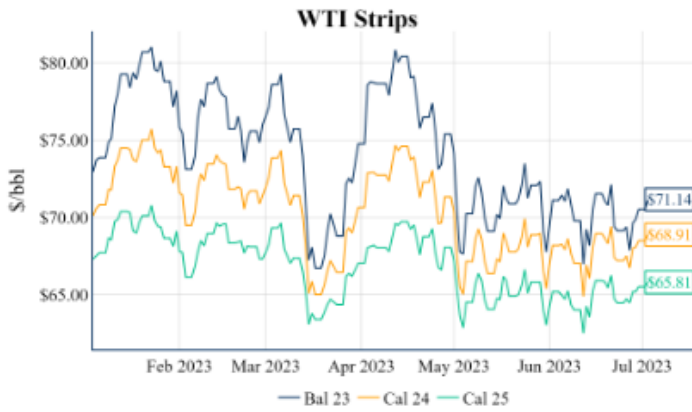
Source: Goldman Sachs Global Investment Research

## Gas and Oil Prices 1 August 2023



Swap Pricing	Bal 23	Cal 24	Cal 25	Cal 26
NYMEX WTI	\$80.09	\$76.22	\$71.60	\$67.94
ICE Brent	\$83.93	\$80.42	\$76.50	\$73.43
LLS	\$82.27	\$78.66	\$74.22	\$70.69
Mars	\$80.09	\$75.45	\$69.40	\$65.78
West TX Sour (WTS)	\$80.31	\$76.10	\$71.35	\$67.29

Swap Pricing	Month 1	Summer 23	Winter 23/24	Summer 24	Winter 24/25
Henry Hub Fixed	\$2.576	\$2.631	\$3.483	\$3.258	\$4.153
Eastern Gas South	-\$1.550	-\$1.606	-\$0.929	-\$0.988	-\$0.845
Waha	-\$0.490	-\$0.584	-\$0.472	-\$0.341	\$0.027
TETCO M3	-\$1.482	-\$1.519	\$1.298	-\$0.783	\$1.025
Houston Ship Channel	-\$0.256	-\$0.292	-\$0.036	-\$0.366	-\$0.271
Columbia Gulf Mainline	-\$0.481	-\$0.514	-\$0.265	-\$0.269	-\$0.249
Panhandle East	-\$0.433	-\$0.422	\$0.192	-\$0.450	\$0.002
NGPL MidCon	-\$0.338	-\$0.333	\$0.119	-\$0.171	\$0.295
SoCal	\$2.406	\$1.970	\$3.132	-\$0.095	\$0.144
AECO	-\$0.685	-\$0.659	-\$0.903	-\$1.035	-\$1.133
Chicago City-Gates	-\$0.288	-\$0.280	\$0.397	-\$0.285	\$0.211

**Gas and Oil Prices 3 July 2023**


Swap Pricing	Bal 23	Cal 24	Cal 25	Cal 26
NYMEX WTI	\$71.13	\$68.90	\$65.80	\$63.30
ICE Brent	\$75.50	\$73.31	\$70.86	\$68.95
LLS	\$73.35	\$71.44	\$68.47	\$65.92
Mars	\$71.17	\$67.81	\$63.50	\$61.08
West TX Sour (WTS)	\$71.25	\$68.39	\$65.10	\$62.61

Swap Pricing	Month 1	Summer 23	Winter 23/24	Summer 24	Winter 24/25
Henry Hub Fixed	\$2.695	\$2.717	\$3.538	\$3.284	\$4.126
Eastern Gas South	-\$1.348	-\$1.496	-\$0.835	-\$0.931	-\$0.801
Waha	-\$0.487	-\$0.627	-\$0.500	-\$0.399	-\$0.075
TETCO M3	-\$1.088	-\$1.304	\$1.421	-\$0.736	\$1.226
Houston Ship Channel	-\$0.189	-\$0.241	-\$0.059	-\$0.242	-\$0.076
Columbia Gulf Mainline	-\$0.383	-\$0.445	-\$0.269	-\$0.267	-\$0.249
Panhandle East	-\$0.423	-\$0.463	\$0.135	-\$0.402	\$0.086
NGPL MidCon	-\$0.181	-\$0.257	\$0.068	-\$0.325	\$0.028
SoCal	\$1.702	\$1.275	\$2.295	\$0.710	\$1.593
AECO	-\$0.890	-\$0.850	-\$1.066	-\$1.179	-\$1.155
Chicago City-Gates	-\$0.289	-\$0.316	\$0.360	-\$0.222	\$0.350

## Important Disclaimer.

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