



# 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

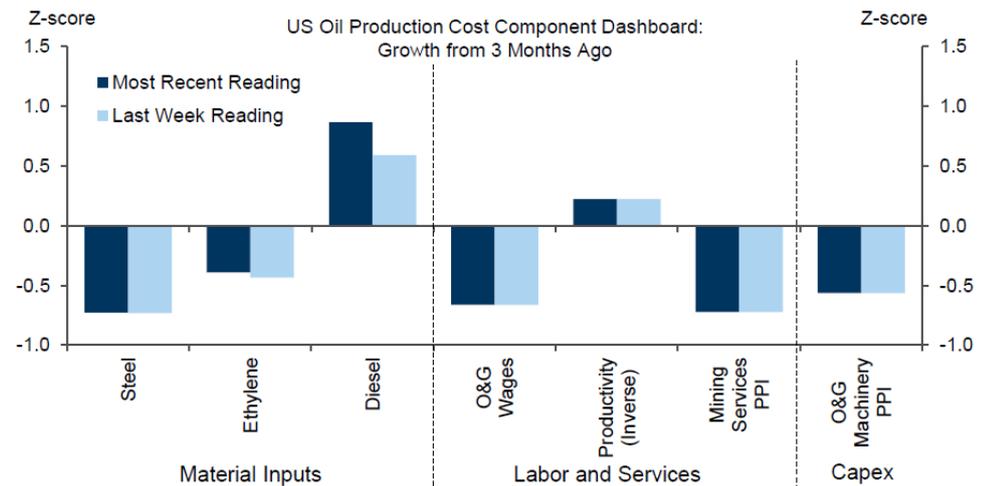
US Henry Hub prompt gas prices rose in August, the prompt was \$2.63/mmbtu at close on 31 July and closed at \$2.77/mmbtu at close on 31 August. Calendar 2023 also increased, beginning August at \$3.03/mmbtu and closing at \$3.18/mmbtu.

Oil prices continued to rise. The prompt opened August at \$81.80/bbl and closed the month at \$83.63/bbl. Calendar 2023 started the month at \$80.84/bbl and closed at \$82.46/bbl.

Gas and oil service costs continue to fall for every input other than diesel (Figure 1). Declining costs improve general development and operational economics.

Figure 1: US Oil Production Costs – 3-month change (Source: Bloomberg, Haver, vis GS)

Exhibit 12: The 3-Month Inflation Rates Rose Further for Diesel This Week But Remained Below the Historical Average for Other Material Inputs, Labor, and Mining Services



Source: Bloomberg, Haver, Goldman Sachs Global Investment Research

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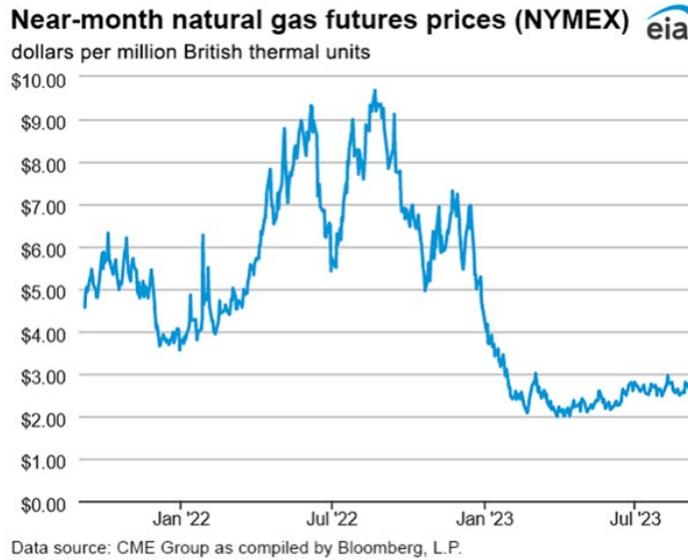
The latest Baker Hughes rig count data follows. In August US total land rigs continued to fall, decreasing by 25 from 635 to 610. Oil rigs fell by 12 from 525 to 513 while gas rigs fell by 15 from 128 to 113.

Baker Hughes rig count		Baker Hughes 			
<b>Rotary Rig Count</b>					
9/8/23					
Location	Week	+/-	Week Ago	+/-	Year Ago
Land	610	-1	611	-131	741
Inland Waters	3	0	3	0	3
Offshore	19	2	17	4	15
<b>United States Total</b>	<b>632</b>	<b>1</b>	<b>631</b>	<b>-127</b>	<b>759</b>
Gulf Of Mexico	17	1	16	4	13
Canada	182	-5	187	-23	205
North America	814	-4	818	-150	964
U.S. Breakout Information	This Week	+/-	Last Week	+/-	Year Ago
Oil	513	1	512	-78	591
Gas	113	-1	114	-53	166
Miscellaneous	6	1	5	4	2
Directional	56	5	51	13	43
Horizontal	562	-4	566	-130	692
Vertical	14	0	14	-10	24

## Gas Market

In August prompt Henry Hub gas futures again traded in the tight range between \$2.50 and \$2.85/mmbtu that has prevailed since June (Figure 2).

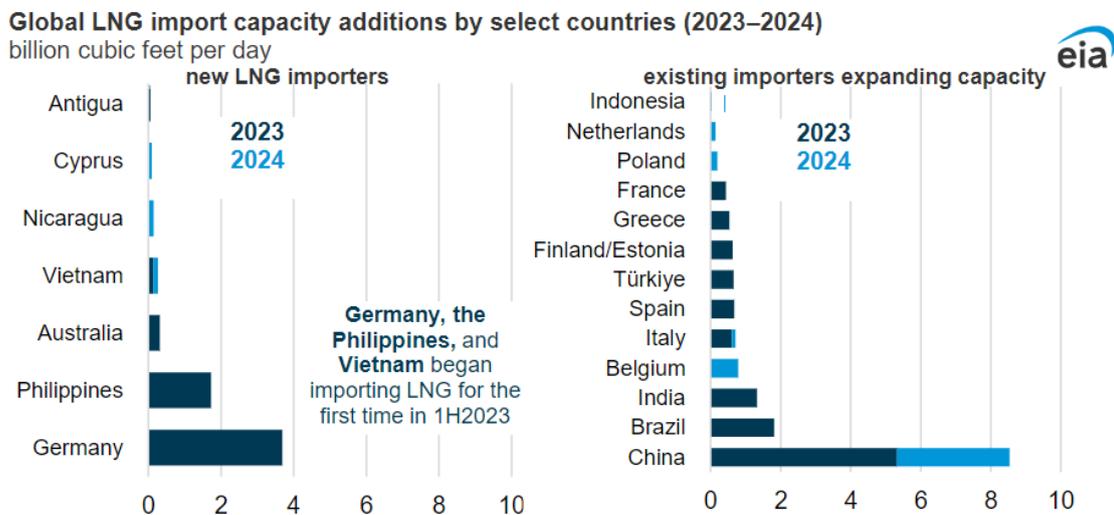
Figure 2: Near Month Henry Hub Futures (Source: EIA)



Based on trade press and industry data, the EIA expects global LNG import capacity to expand by 16%, or 23 bcf/d by the end of 2024 compared to 2022 (Figure 3). In the first three months of 2023, three countries – Germany, the Philippines and Vietnam – began importing LNG for the first time. By the end of 2024, the EIA expects Australia, Antigua, Cyprus, and Nicaragua to start importing LNG. Several more countries are in advanced stages of developing LNG import capacity.

Figure 3: Select Countries LNG Import Capacity Additions 2023-2024 (Source: EIA)

## Three more countries began importing liquefied natural gas this year, and more will follow



Data source: U.S. Energy Information Administration estimates based on trade press and data by the International Group of Liquefied Natural Gas Importers (GIIGNL)

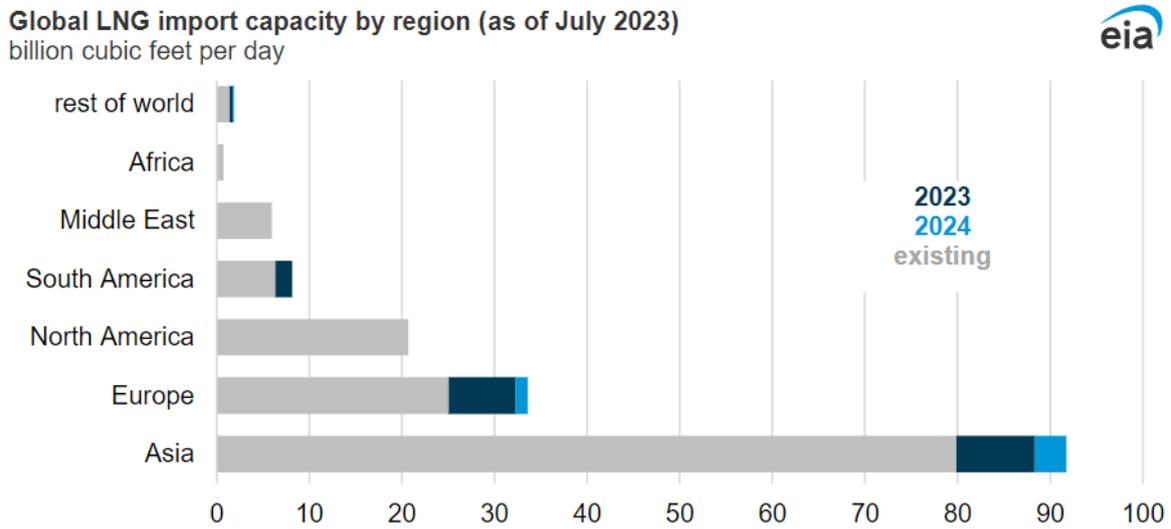
Note: Capacity additions include projects that came online in Jan–Jul 2023 and projects under construction and expected to be in service in 2023–24. LNG=liquefied natural gas. 1H2023=first half of 2023.

Regionally, the EIA expects Asia to lead the growth in global LNG import capacity, accounting for 52% (11.9bcf/d) of total capacity additions in 2023-2024. Europe accounts for 38% (8.6bcf/d), and the rest of the world 10% (2.3bcf/d).

Australia, though also one of the world's three largest LNG exporters, will add 0.3bcf/d of LNG import capacity through a new offshore terminal on the east coast.

Over the past 10 years (2013-2022), global LNG import capacity – called regasification capacity – has grown by 49% (45.8bcf/d) to reach 140 bcf/d across 48 countries. By the end of 2024, the EIA expects 55 countries to have LNG regasification terminals with a combined capacity of 163 bcf/d (Figure 4). Globally, available regasification capacity exceeds physical LNG imports. Historically up to 39% of global regasification capacity is used every year. Spare regasification capacity, most of which is in Japan, South Korea, and China, allows countries to meet periodic demand spikes, particularly in winter. Last year, global LNG trade used 37% of available regasification capacity, being 51.7 bcf/d.

Figure 4: Global LNG Import Capacity by Region as of July 2023 (Source: EIA)



**Data source:** U.S. Energy Information Administration estimates based on trade press and data by the International Group of Liquefied Natural Gas Importers (GIIGNL)  
**Note:** Rest of world includes the Caribbean, Central America, and Australia. LNG=liquefied natural gas.

To meet rapidly growing LNG regasification demand both the US and Qatar are increasing LNG supply capacity. By 2028 Qatar will have completed six new liquification trains to increase its export capacity from 13.3bcf/d to 19.7bcf/d.

Upcoming LNG projects in the US are tabulated below. Combined these will double current capacity, adding an additional 13bcf/d to the current capacity of 14.2bcf/d. 4.3bcf/d of additions are expected to come online between 2023 and 2025.

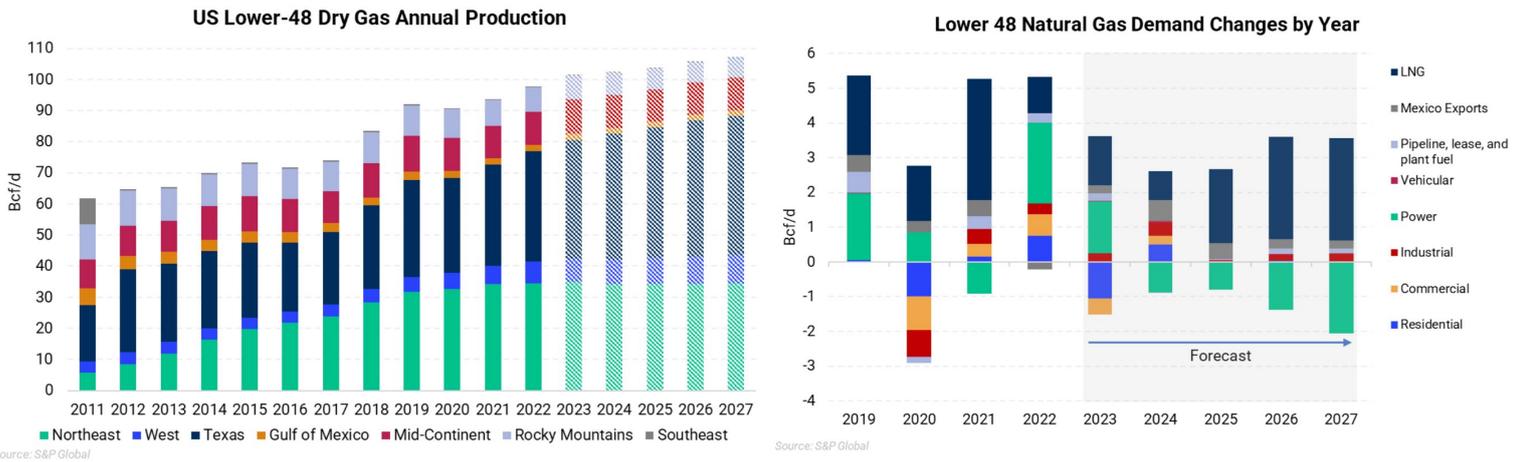
**Upcoming Projects**

Project	Expected Start Date	Capacity (MMcf/d)
Exxon Mobil Golden Pass Train 1 (FID)	2Q2024	790
Exxon Mobil Golden Pass Train 2 (FID)	4Q2024	790
Venture Global LNG Plaquemines Stage 1 (FID)	4Q2024	1500
Venture Global LNG Plaquemines Stage 2 (FID)	1Q2025	1150
Cheniere Corpus Christi Stage 3 T1 (FID)	1Q2025	196
Cameron T4	1Q2025	1000
Exxon Mobil Golden Pass Train 3 (FID)	1Q2025	790
Cheniere Corpus Christi Stage 3 T2 (FID)	2Q2025	196
Cheniere Corpus Christi Stage 3 T3 (FID)	1Q2026	196
Cheniere Corpus Christi Stage 3 T4 (FID)	2Q2026	196
Tellurian Driftwood Stage 1 *	2Q2026	1447
Rio Grande LNG (FID)	2Q2026	2350
Cheniere Corpus Christi Stage 3 T5 (FID)	3Q2026	196
Cheniere Corpus Christi Stage 3 T6 (FID)	3Q2026	196
Cheniere Corpus Christi Stage 3 T7 (FID)	1Q2027	196
Port Arthur LNG (FID)	4Q2027	1770

Source: Company Presentations, Bloomberg, AEGIS

US natural gas production is expected to grow steadily in coming years, with LNG accounting for the majority of US natural gas demand growth for 2024 – 2027 (Figure 5).

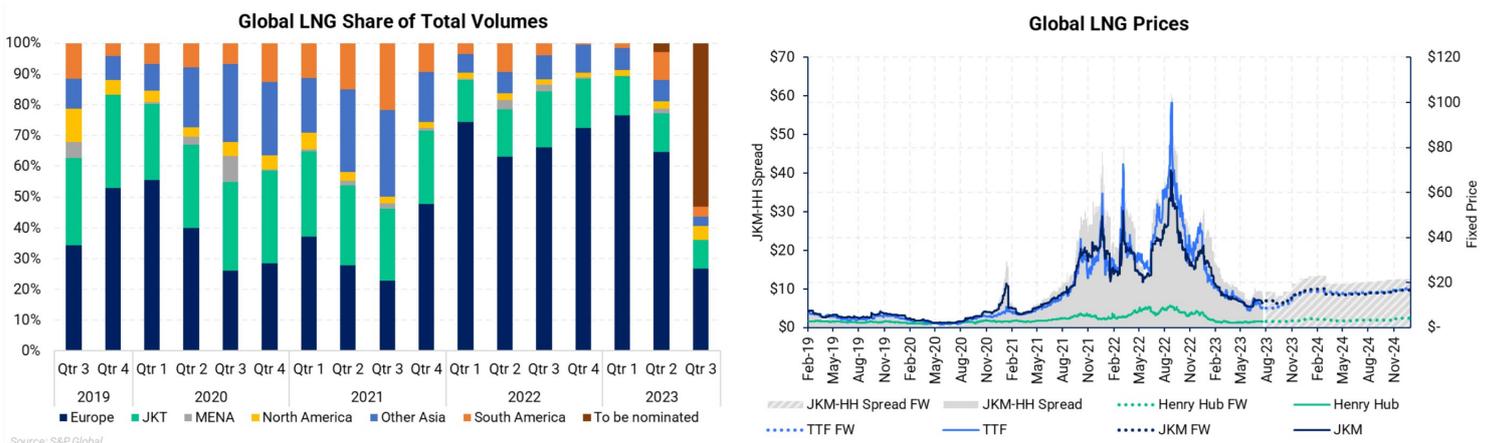
Figure 5: US Lower 48 Dry Gas Production and Natural Gas Demand Changes by Year (Source: Aegis)



Thanks to Russia's invasion of the Ukraine, Europe has dominated LNG imports since 1Q2022, however with European gas storage now effectively at capacity ahead of the winter heating season, 3Q2023 is likely to have seen Asian buyers return to the fore (LHS Figure 6).

Global LNG prices remain well above US Henry Hub, providing strong incentive for US LNG exporters to maximise volumes. At current US prices European gas only needs to trade above \$3.80/mcf for US gas to be profitably liquified and delivered to Europe. The spread between Henry Hub and Asian and European prices is over \$10/mcf (RHS Figure 6).

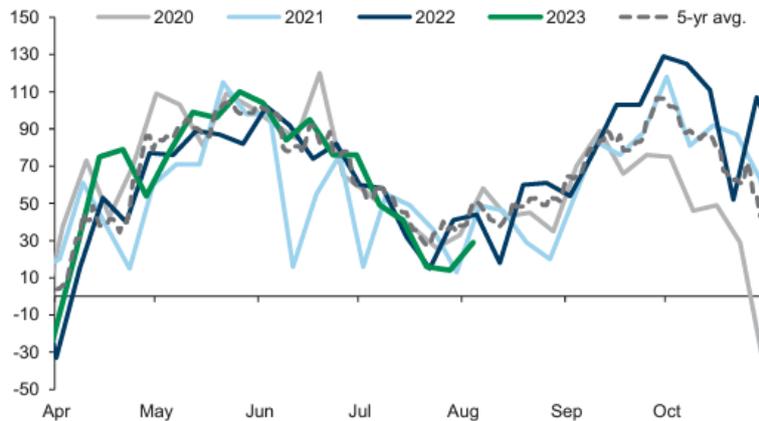
Figure 6: Supply and Demand YoY Change Win22 to Win23 (Source: GS)



Increased power demand, primarily arising from hot weather induced cooling, has delivered lower than recent average storage injections over the northern summer (Figure 7).

Figure 7: US Storage Injections (Source: GS)

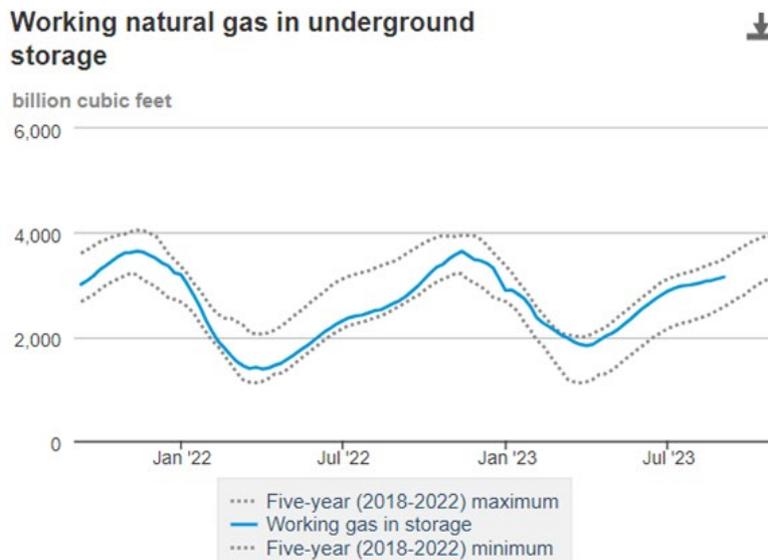
### Exhibit 11: Storage injections have tightened... Storage injections, Bcf



Source: Goldman Sachs Global Investment Research

On 1 September working natural gas stocks totalled 3,148bcf, which is 222bcf (8%) more than the five-year average and 462bcf (17%) more than last year at this time (Figure 8). Recent lower than average injections have steadily reduced the storage margin over average in recent months.

Figure 8: Working Gas in Underground Storage (Source: EIA)



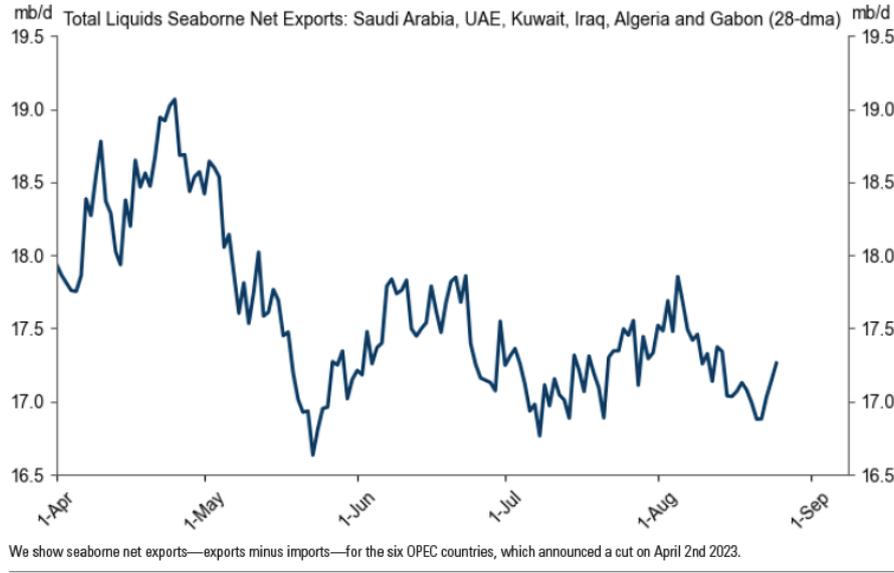
 Data source: U.S. Energy Information Administration Form EIA-912, Weekly Underground Natural Gas Storage Report

## Oil Market

Oil prices continue to rise with robust demand and ongoing production limits from OPEC. OPEC's seaborn exports are now 1.4mmb/d below April levels (Figure 9).

Figure 9: OPEC Net Exports (Source: Kpler, via GS)

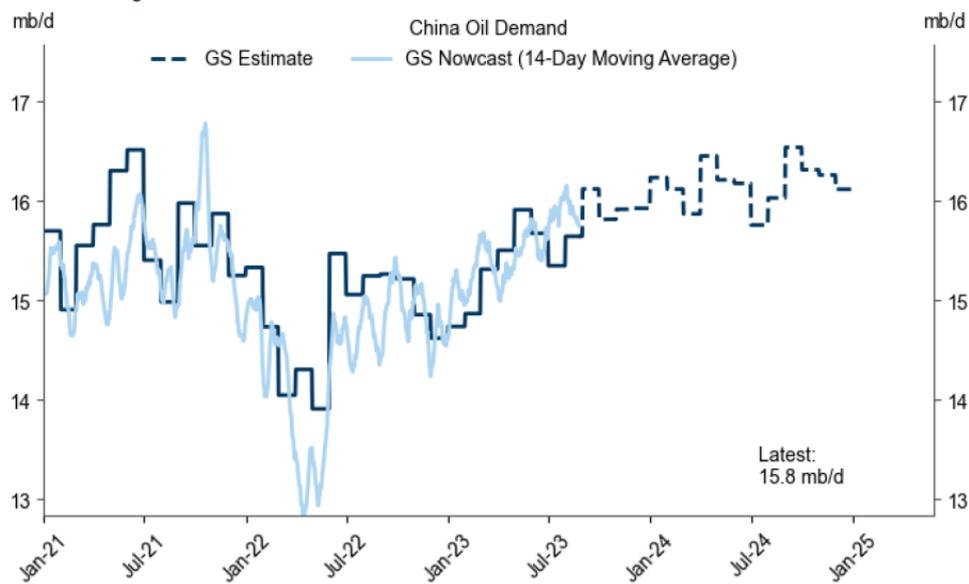
**Exhibit 5: Seaborne Net Exports by OPEC Countries, Which Announced a Cut in April, Now Stand at 1.4mb/d Below April Levels**



Chinese oil demand continues to increase notwithstanding that country's widely reported economic headwinds (Figure 10).

Figure 10: Chinese Oil Demand (Source: various, via GS)

**Exhibit 6: Our China Oil Demand Nowcast Edged Down by 0.1mb/d This Week to 15.8mb/d, Which Is 0.2mb/d Above Our August 2023 Forecast...**

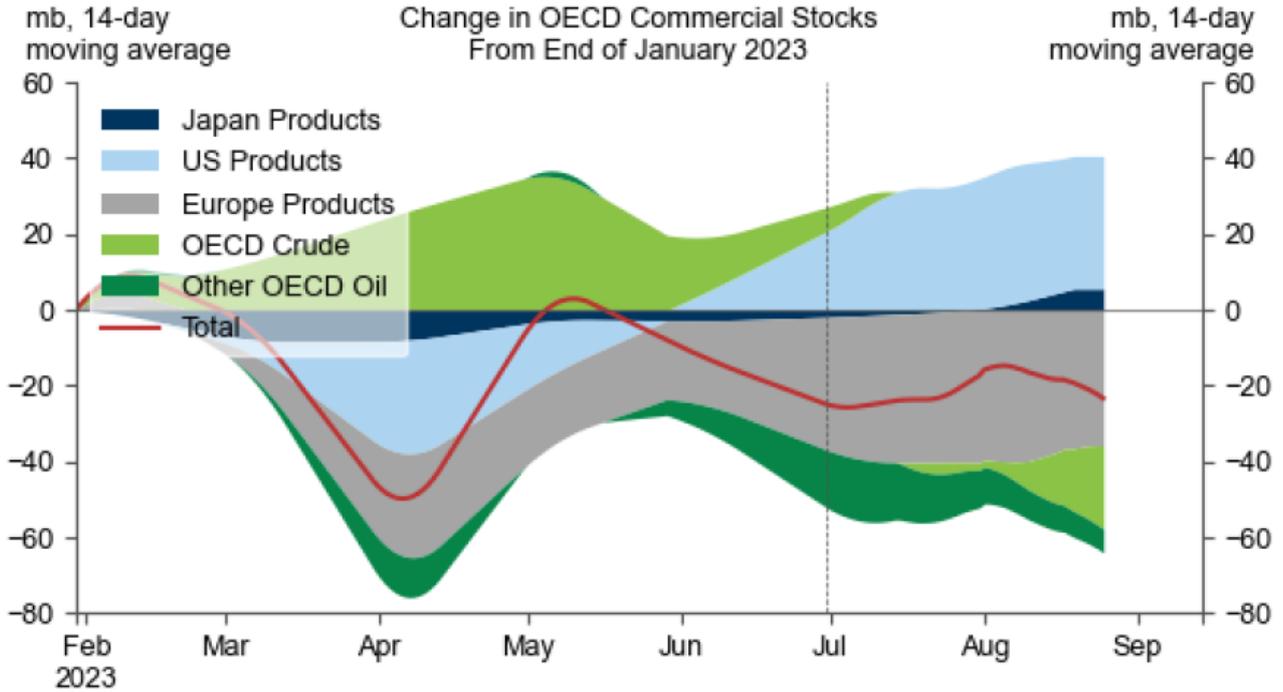


Source: IEA, ICIS, Oilchem, Bloomberg, Industrial Info Resources, Kpler, Goldman Sachs Global Investment Research

Oil stocks in the OECD continue to fall (Figure 11).

Figure 11: Change in OECD Commercial Oil Stocks from end Jan 2023 (Source: various, via GS)

**Exhibit 11: Our OECD Commercial Stocks Nowcast Decreased This Week by 3.0mb on a 14-Day Moving Average Basis on Continuing OECD Crude Draws**



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

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

## Gas and Oil Prices 1 September 2023

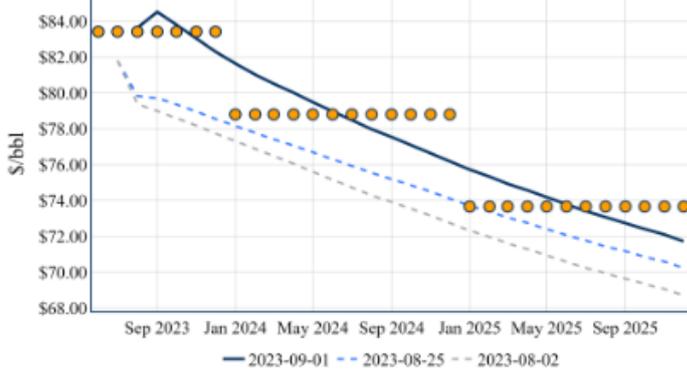
### WTI Strips



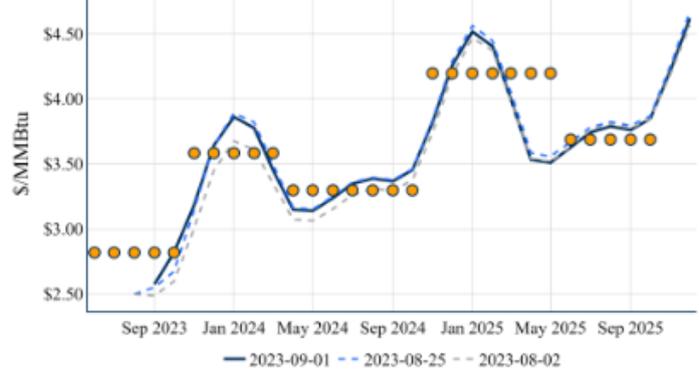
### Natural Gas Strips



### WTI Calendar Strips

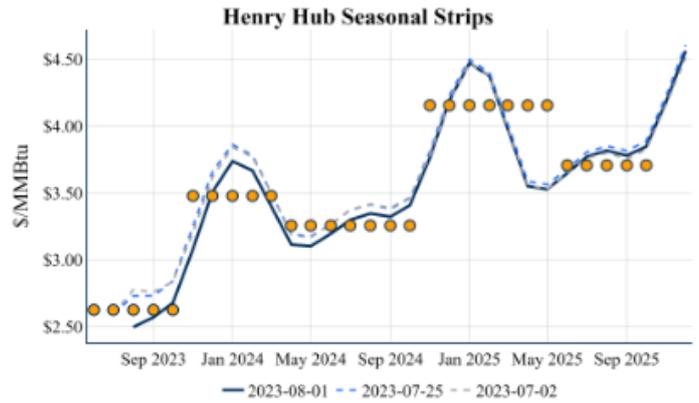
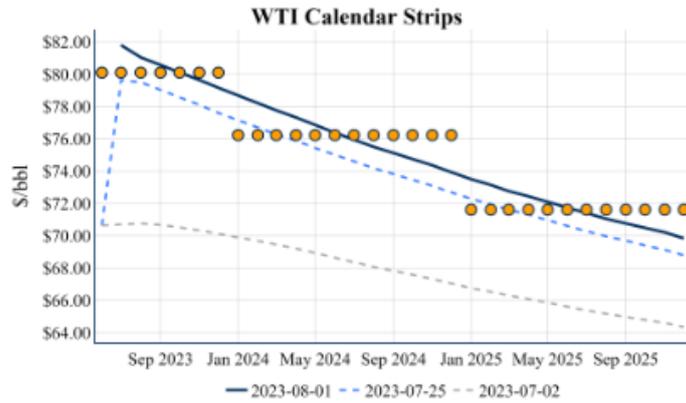
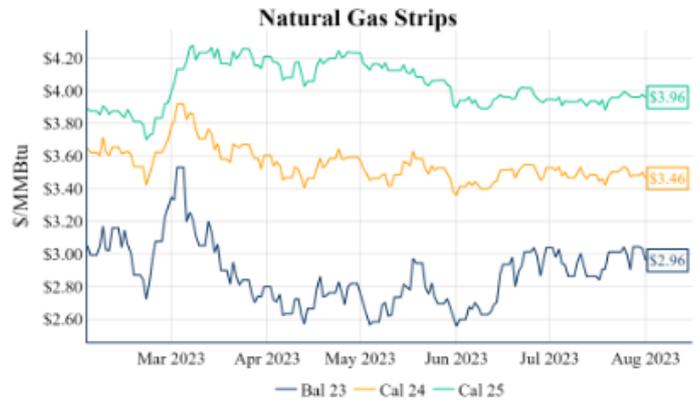
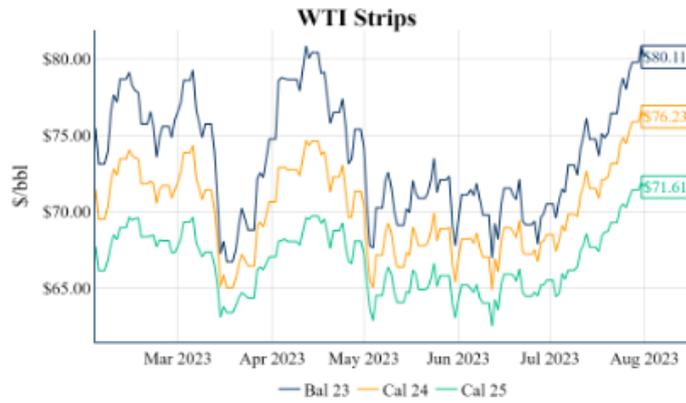


### Henry Hub Seasonal Strips



Swap Pricing	Bal 23	Cal 24	Cal 25	Cal 26
NYMEX WTI	\$83.42	\$78.81	\$73.67	\$69.72
ICE Brent	\$86.87	\$82.79	\$78.28	\$74.77
LLS	\$85.56	\$81.03	\$76.27	\$72.46
Mars	\$83.73	\$78.27	\$71.31	\$67.53
West TX Sour (WTS)	\$83.92	\$78.96	\$73.42	\$69.07

Swap Pricing	Month 1	Summer 23	Winter 23/24	Summer 24	Winter 24/25
Henry Hub Fixed	\$2.815	\$2.815	\$3.587	\$3.300	\$4.197
Eastern Gas South	-\$1.673	-\$1.673	-\$0.871	-\$1.078	-\$0.851
Waha	-\$0.892	-\$0.892	-\$0.385	-\$0.704	-\$0.398
TETCO M3	-\$1.551	-\$1.551	\$1.666	-\$0.883	\$1.003
Houston Ship Channel	-\$0.295	-\$0.295	-\$0.011	-\$0.268	-\$0.059
Columbia Gulf Mainline	-\$0.492	-\$0.492	-\$0.255	-\$0.240	-\$0.245
Panhandle East	-\$0.445	-\$0.445	\$0.249	-\$0.364	\$0.132
NGPL MidCon	-\$0.385	-\$0.385	\$0.185	-\$0.288	\$0.093
SoCal	\$1.300	\$1.300	\$3.338	\$0.899	\$1.761
AECO	-\$0.670	-\$0.670	-\$0.959	-\$1.080	-\$1.197
Chicago City-Gates	-\$0.281	-\$0.281	\$0.455	-\$0.187	\$0.373

**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



## Important Disclaimer.

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