LONGREACH ENERGY

Monthly Report

January 2024

Longreach Energy Holdings LLC

FIRM INFORMATION

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1.0 Market and Portfolio Commentary

1.1 Macro Industry Commentary

While month-on-month US Henry Hub prompt gas prices fell in January, a mid-month cold front saw large spikes in spot-gas prices in Oklahoma and Texas with realised local prices approaching $25/mmbtu received over the period from 12 to 15 January. For Henry Hub, the prompt was $2.51/mmbtu at close on 29 December, finishing $2.10/mmbtu at close on 31 January. Note this fall was accentuated by the shift in prompt-month contract to March which is the start of the spring shoulder season that usually sees drop in prices with drop in heating demand. Calendar 2024 also fell, although much more modestly, beginning January at $2.67/mmbtu and closing at $2.58/mmbtu.

Oil prices rose. The prompt began January at $71.65/bbl and closed the month at $75.85/bbl. Calendar 2024 started the month at $71.17/bbl and closed at $74.54/bbl.

The latest Baker Hughes rig count data follows. In January US total land rigs fell by 1 from 601 to 600. Total oil rigs fell by 2 from 501 to 499 while gas rigs fell from 118 to 117. Oil and gas rig totals include 19 offshore rigs working in January.

Baker Hughes rig count

Baker Hughes

Rotary Rig Count

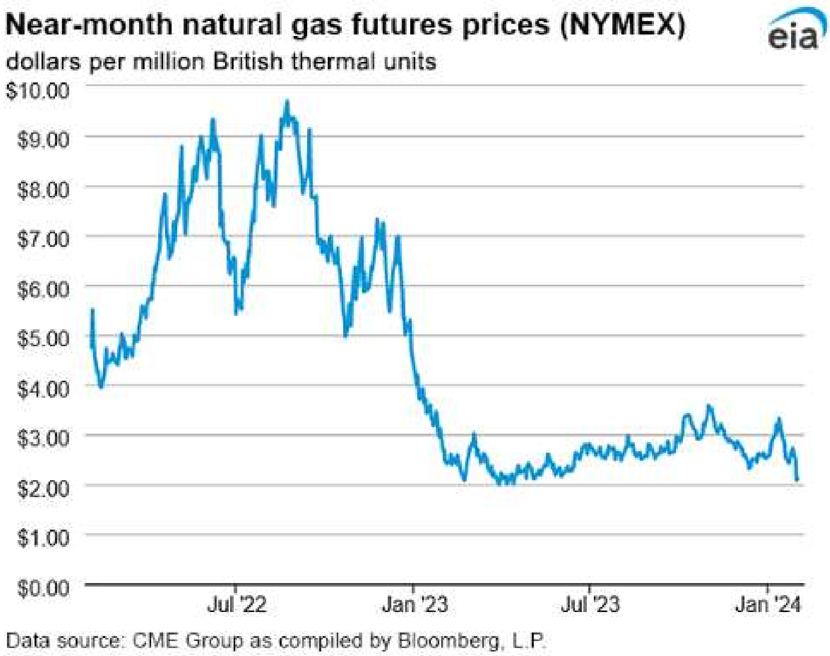
2/2/24

Location	Week	+/-	Week Ago	+/-	Year Ago
Land	600	-2	602	-145	745
Inland Waters	0	0	0	-2	2
Offshore	19	0	19	7	12
United States Total	619	-2	621	-140	759
Gulf Of Mexico	17	0	17	5	12
Canada	232	2	230	-17	249
North America	851	0	851	-157	1008
U.S. Breakout Information	**This Week**	**+/-**	**Last Week**	**+/-**	**Year Ago**
Oil	499	0	499	-100	599
Gas	117	-2	119	-41	158
Miscellaneous	3	0	3	1	2
Directional	49	0	49	11	38
Horizontal	558	-1	559	-142	700
Vertical	12	-1	13	-9	21

Gas Market

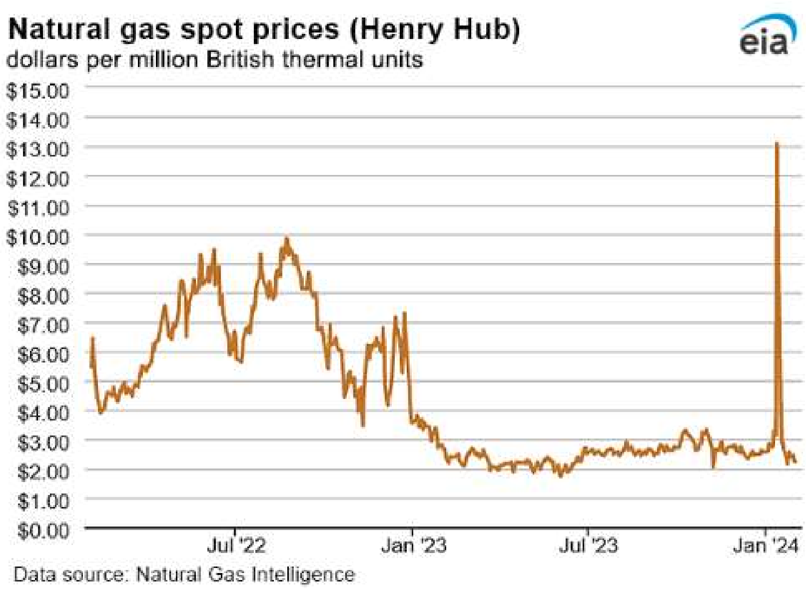
In January, prompt Henry Hub gas futures fell with continuation of relatively warm weather and high production (Figure 1).

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



For most of the month of January the Henry Hub prompt contract was for February pricing and this rolled over to pricing for March towards the end of the month. The size of fall in the prompt contract was increased by the move from a winter heating month (February), to a shoulder season month (March), with lower heating demand. The prompt future trading did not capture a large spike in spot physical prices that occurred as a cold front hit the US over the period 12 to 15 January. During this period Henry Hub gas spot prices reached $13/mmbtu (Figure 2) with local prices in Oklahoma increasing even more to approach $25/mmbtu. Producers selling gas daily in January (of which Longreach owned Tamworth Resources was one) were paid these spot prices for their gas production.

Figure 2: Natural Gas Spot Prices at Henry Hub (Source: EIA)

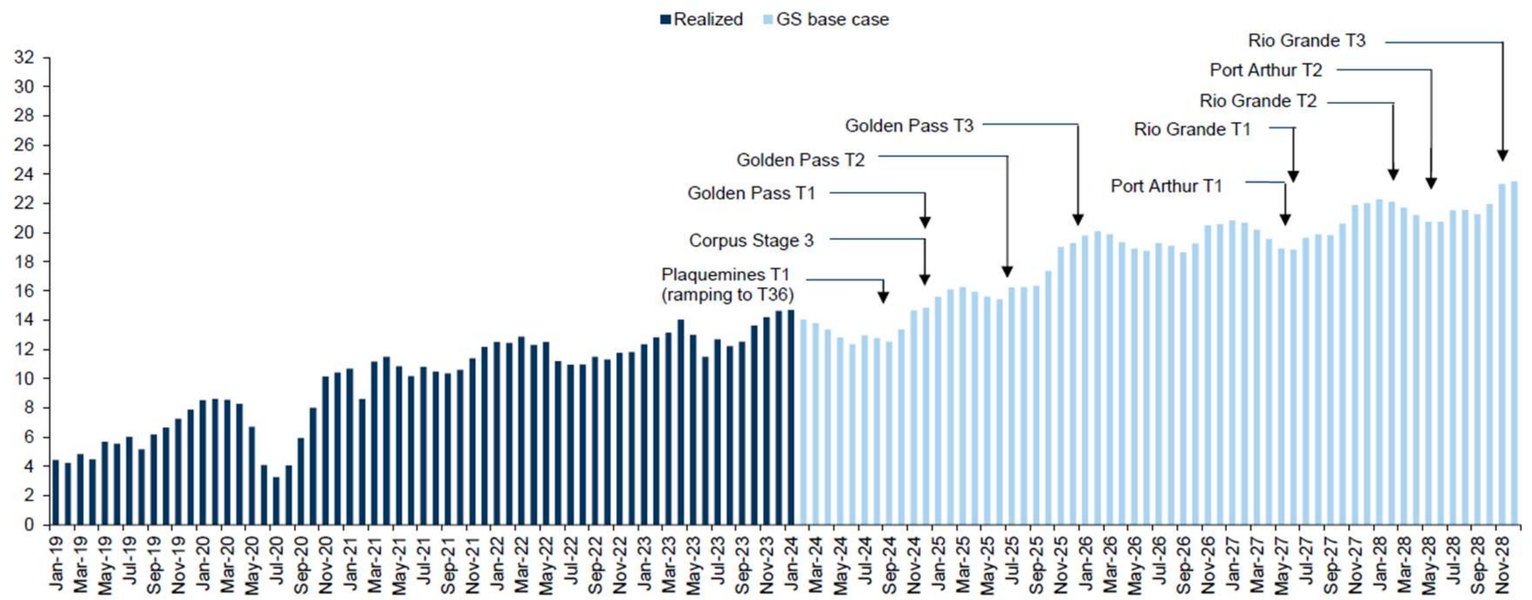


On 25 January, the Biden Administration announced that the Department of Energy (DOE) will pause the approval process of proposed US LNG export facilities to incorporate a broader impact analysis. There is little tangible near to medium term impact from this announcement as this pause does not impact the next 10-12bcf of feed gas demand from already permitted LNG facilities that are due to commence operation between now and 2028 (Figure 3). The long-term impact will only start to become clear after the next US election.

Figure 3: US LNG Feed Gas Demand, bcf/d (Source: various, via GS)

Exhibit 1: We expect US LNG exports to reach 24 Bcf/d (176 mtpa) by end-2028

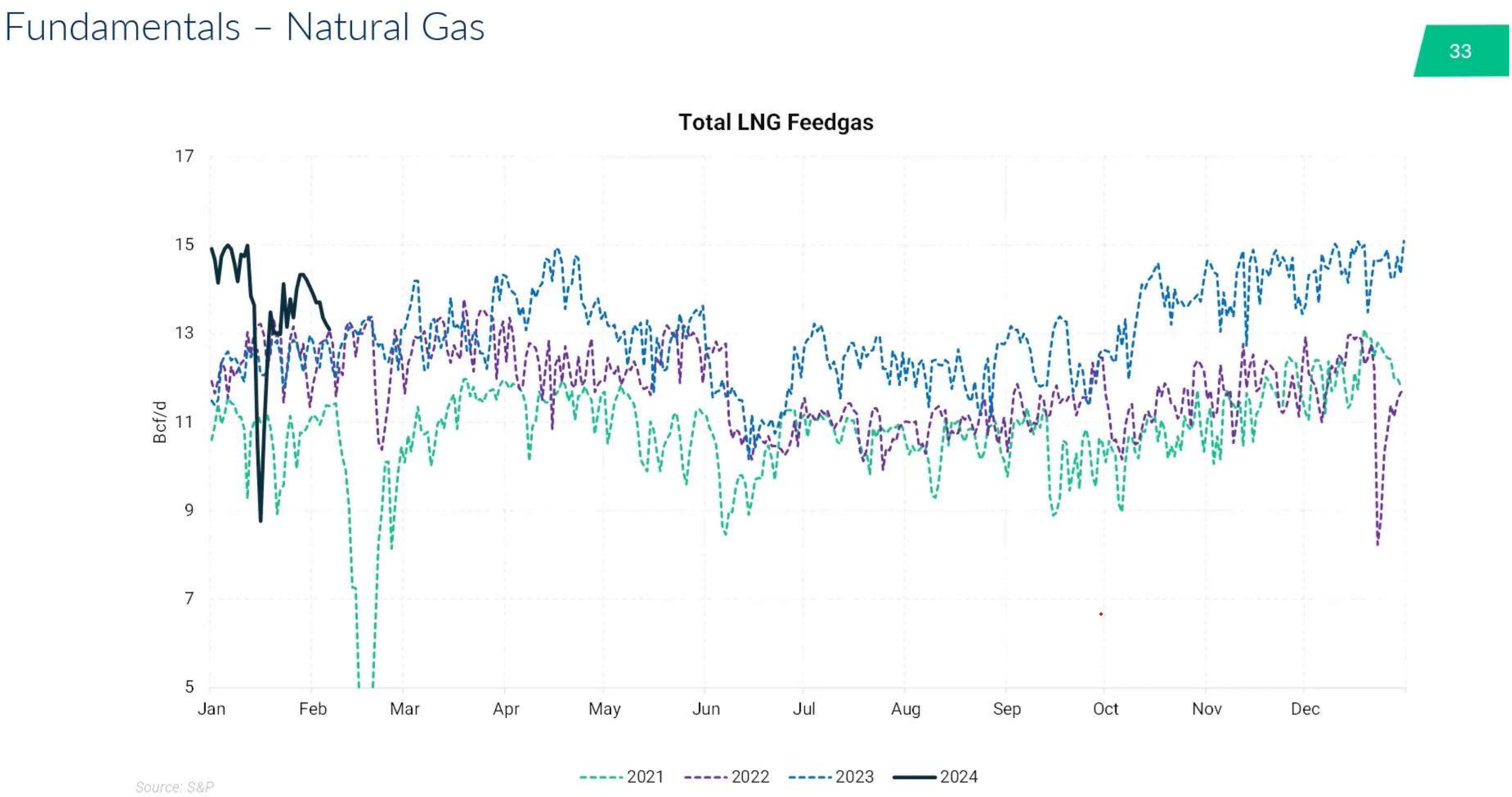
US LNG feedgas demand, Bcf/d



Source: Bloomberg, Goldman Sachs Global Investment Research

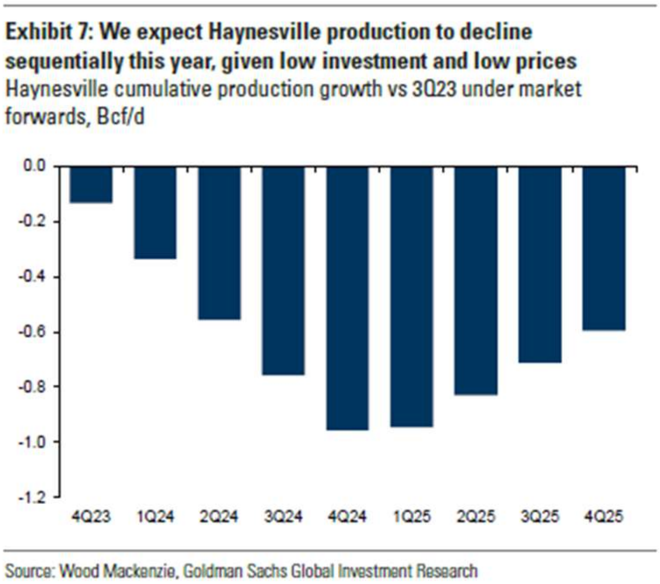
Recent natural gas demand has been weak not just because of relatively warm weather but also because Freeport LNG, the largest export facility, has been operating at reduced capacity after damage received during the recent cold front. This has reduced total LNG feed gas demand (Figure 4). Repairs are expected to take about 1 month.

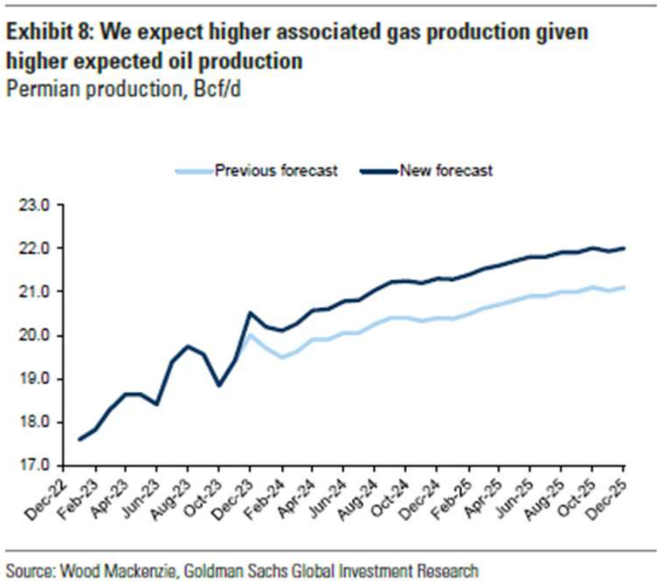
Figure 4: Total LNG Feed Gas Demand (Source: AEGIS)



Natural gas supply from the Haynesville, the largest dry-gas basin (dry-gas means no liquids production so all revenue comes from natural gas with no associated oil), is expected to decline given low investment and low prices (LHS, Figure 5). Natural gas production in the Permian Basin is mostly associated gas, that is gas produced along with oil. Associated gas production is driven by the economics of oil production and therefore production volumes do not move with changes to gas prices. Permian gas production is expected to continue to grow as high oil prices encourage continued investment and increased production (RHS, Figure 5).

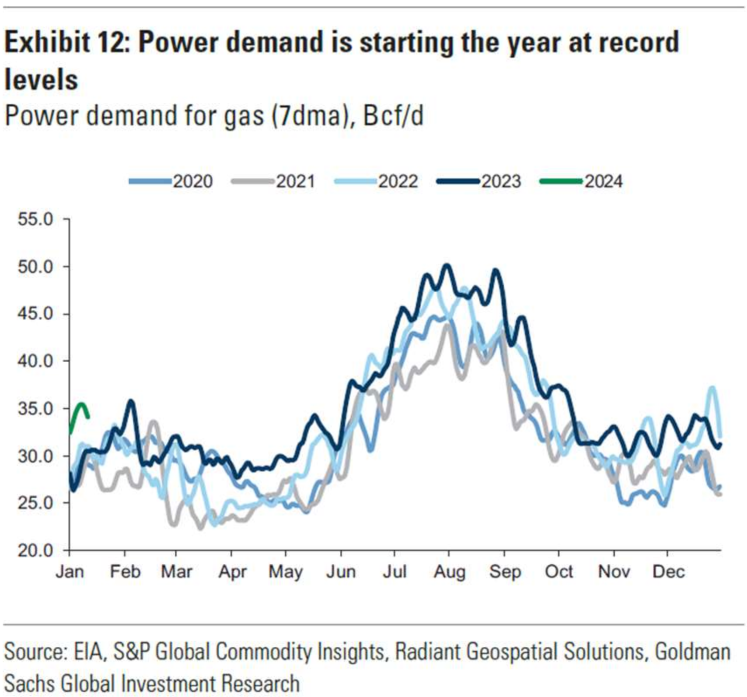
Figure 5: Haynesville and Permian Gas Production (Source: various, via GS)





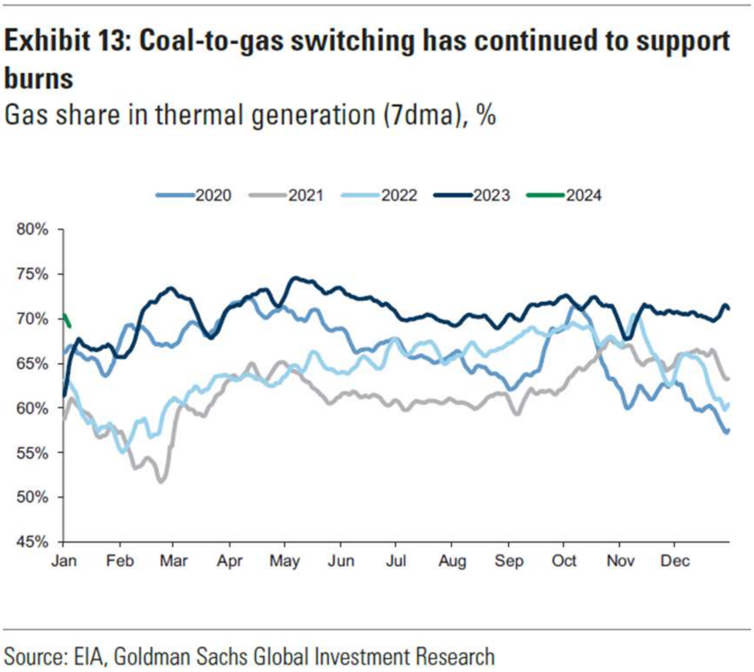
Demand for gas to generate electricity has started the year at record levels (Figure 6).

Figure 6: Power Demand for Gas (Source: various, via GS)



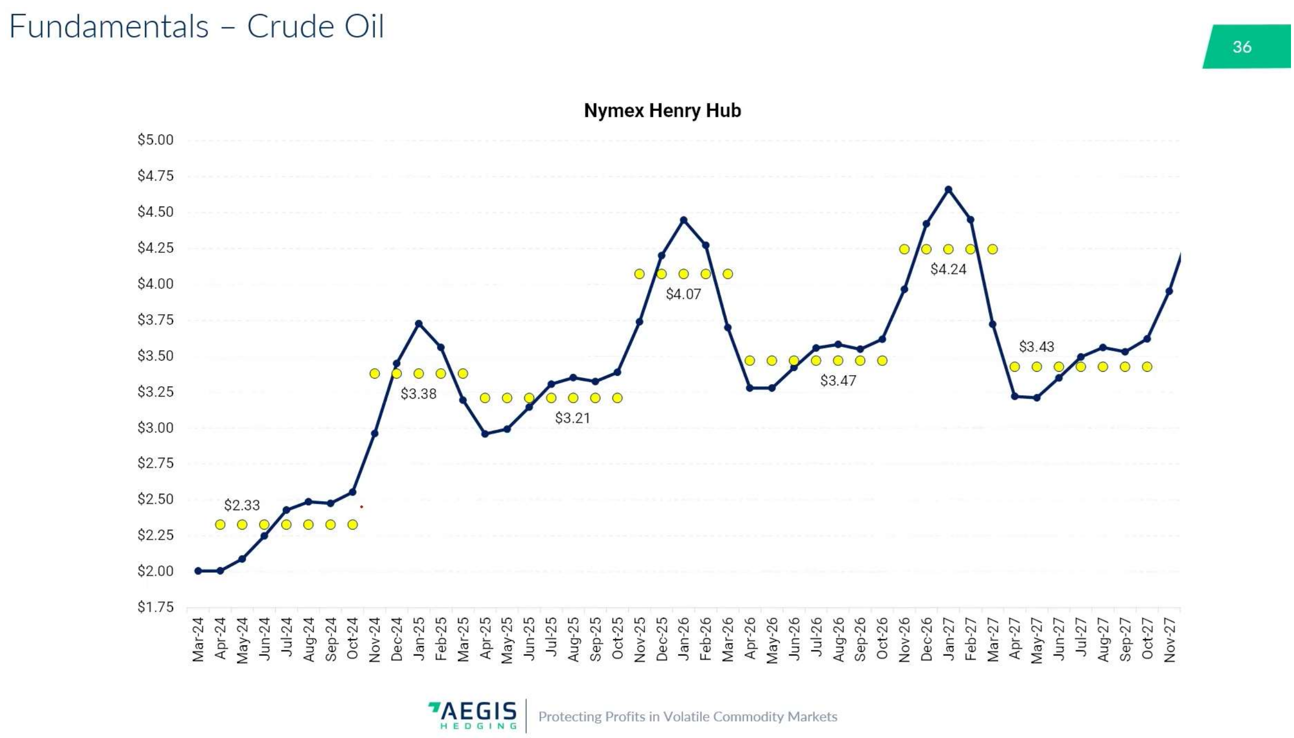
High power demand has been helped by electricity generators switching fuel from coal to gas. Gas has been supplying consistently over 70% share of thermal generation since 2Q23 (Figure 7).

Figure 7: Gas Share of Thermal Generation (Source: EIA, via GS)



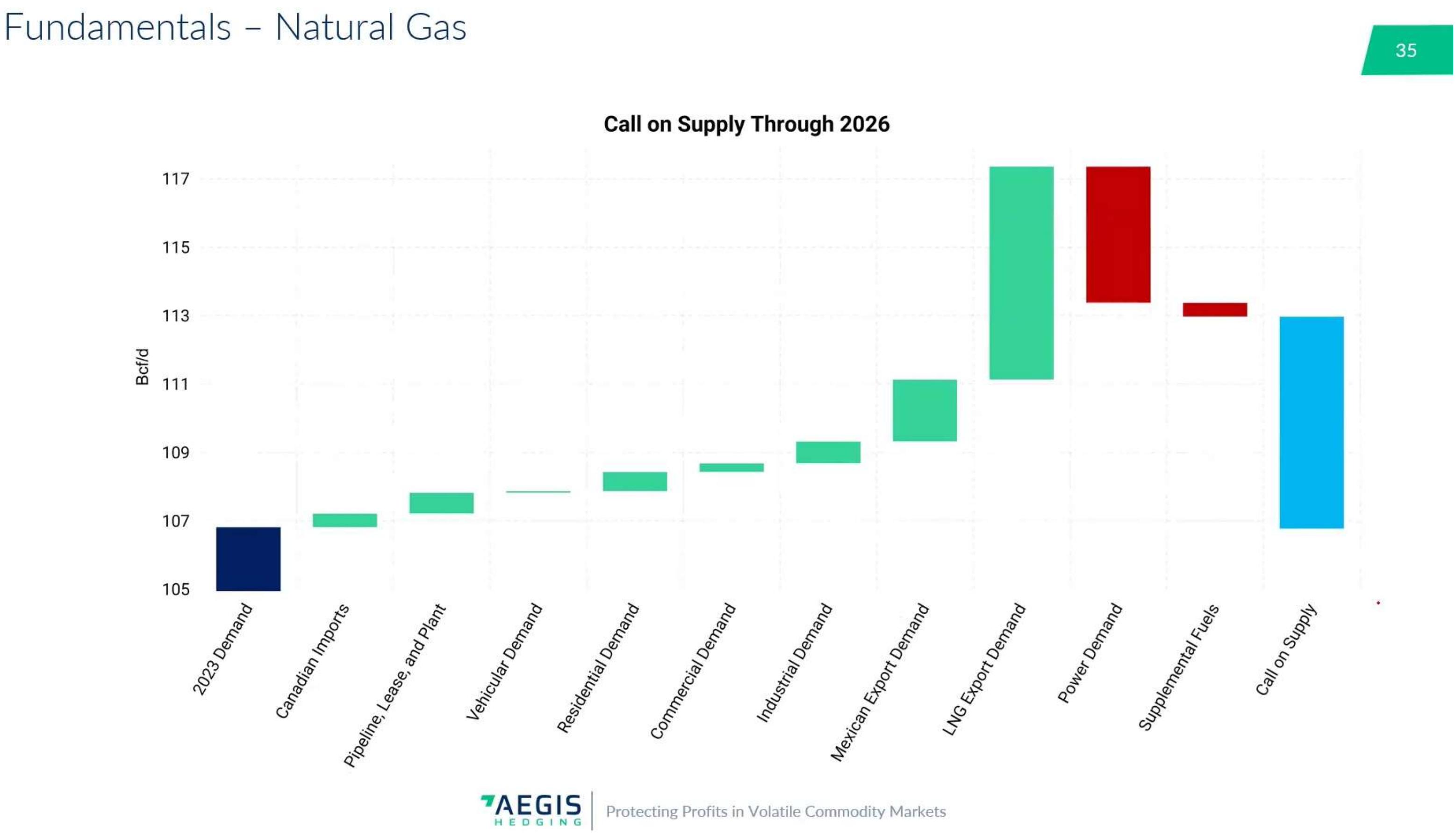
Loose supply has driven near term US natural gas prices down. The forward curve is in strong contango (Figure 8 shows forward curve on 6 Feb), reflecting the increase in demand that will come from new LNG commencing towards the end of this year.

Figure 8: Henry Hub Forward Curve 6 Feb (Source: AEGIS)



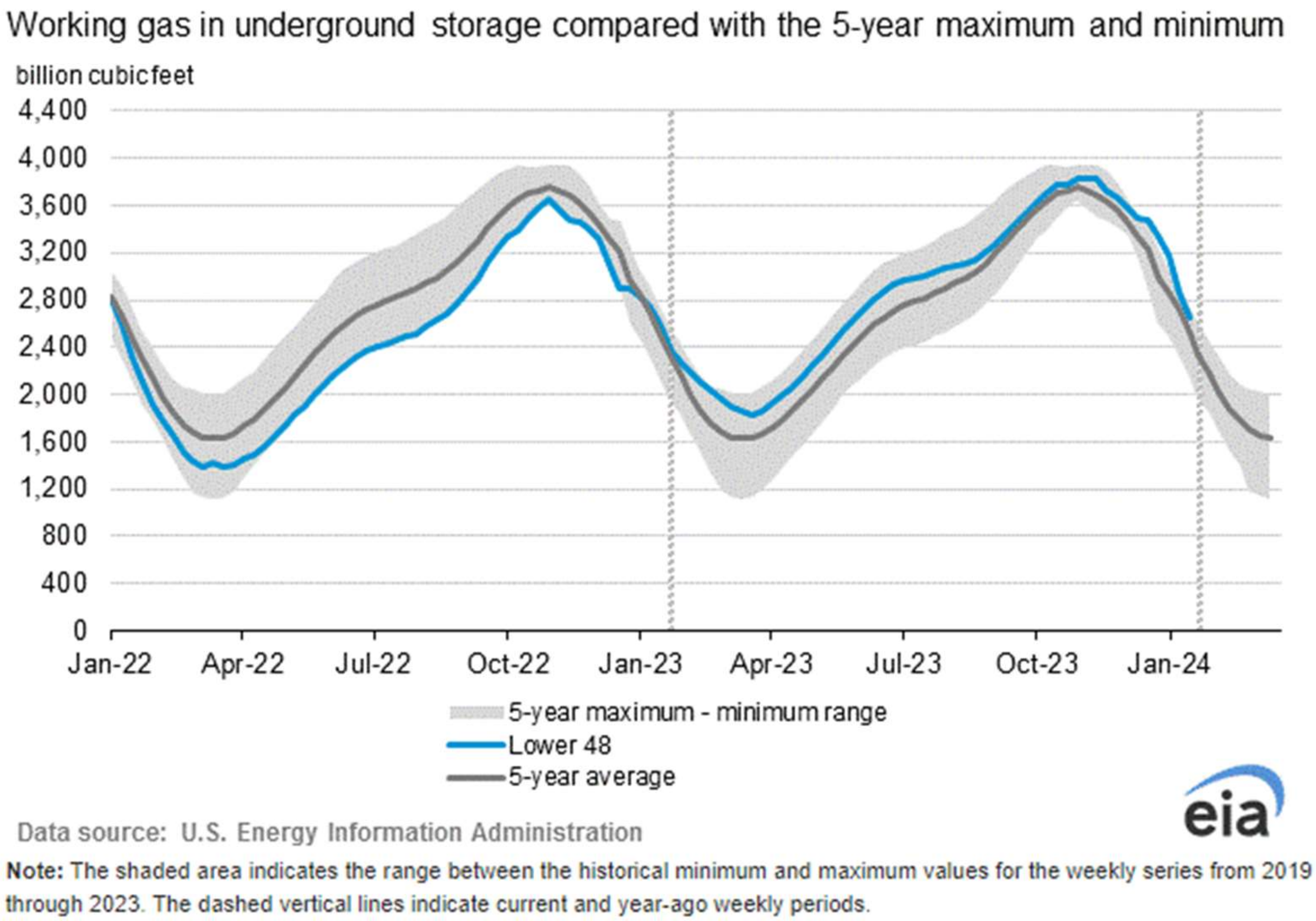
With an expected additional 6 bcf/d of natural gas demand expected by the end of 2026 (Figure 9) it is likely that the forward curve, despite being in contango, will not be high enough to encourage the supply that will be needed from lower margin gas basins (such as the Rockies and 2nd tier targets in the Haynesville and Anadarko) to meet this demand. This suggests that the current market presents an attractive buying opportunity.

Figure 9: Changes in Gas Demand Through 2026 (Source: AEGIS)



Net withdrawals from storage totalled 197 bcf for the week ending 26 January, compared to the five-year (2019-2023) average net withdrawals of 185 bcf and last year's net withdrawals of 141 bcf during the same week. Combined net withdrawals from storage for the two weeks prior to 26 January were 523 bcf, materially higher than average. Working natural gas stocks on 26 January totalled 2,659 bcf, which is 130 bcf (5%) more than the five-year average and 54 bcf (2%) more than this time last year (Figure 10).

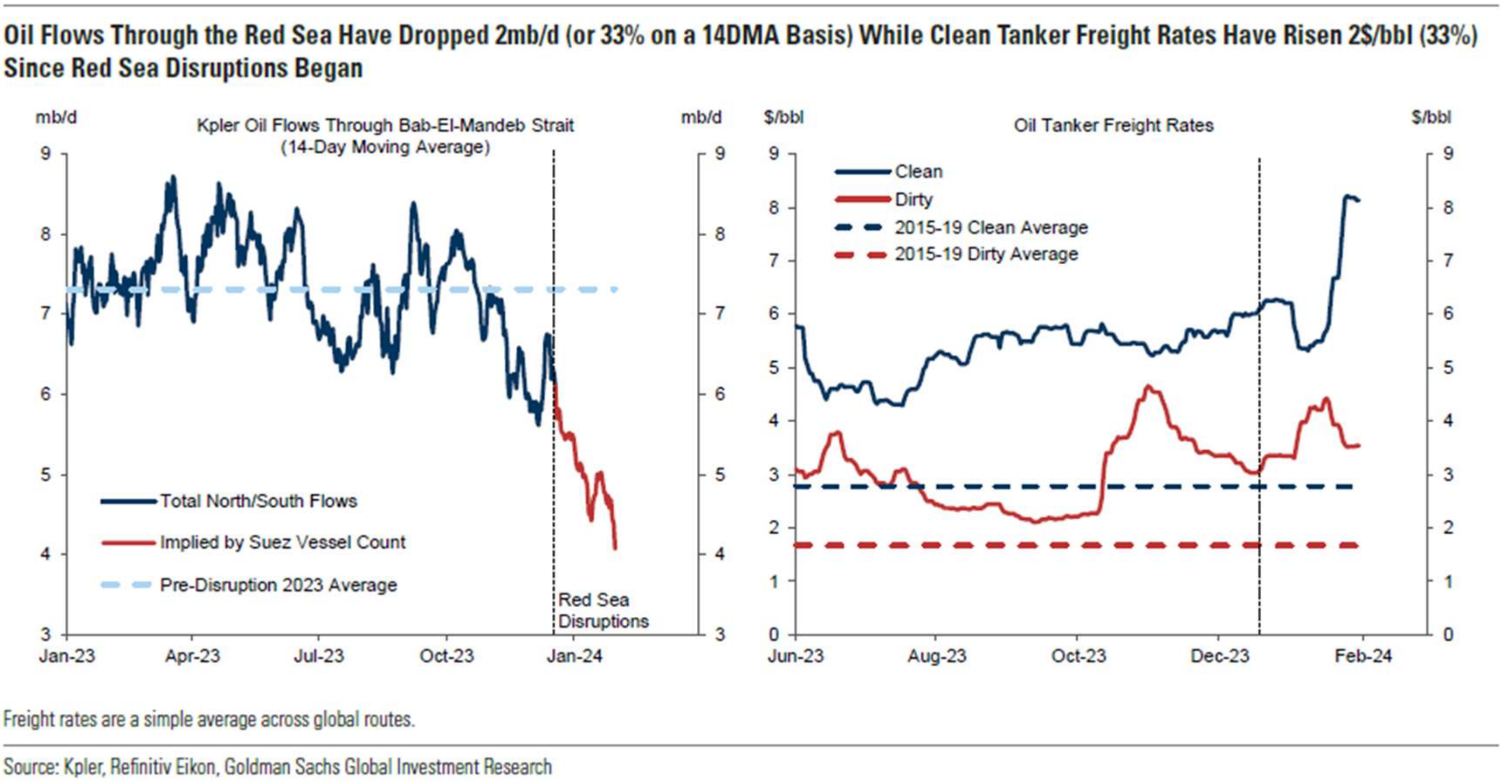
Figure 10: US Lower 48 Weekly Working Gas in Underground Storage (Source: EIA)



Oil Market

Geopolitical tensions provided the focus of oil market attention in January. Risk of attack from the Yemen based Houthi Islamist political and military organisation has led to a material fall in shipping traffic through the Red Sea (LHS, Figure 11). This has added to the time it takes to move goods, including oil, which can no longer use the Suez Canal and jeopardised the transport of products, again including oil, that originate in the Red Sea. The cost of oil transport has risen, clean tanker freight rates are up 33% since the Red Sea disruptions began (RHS, Figure 11).

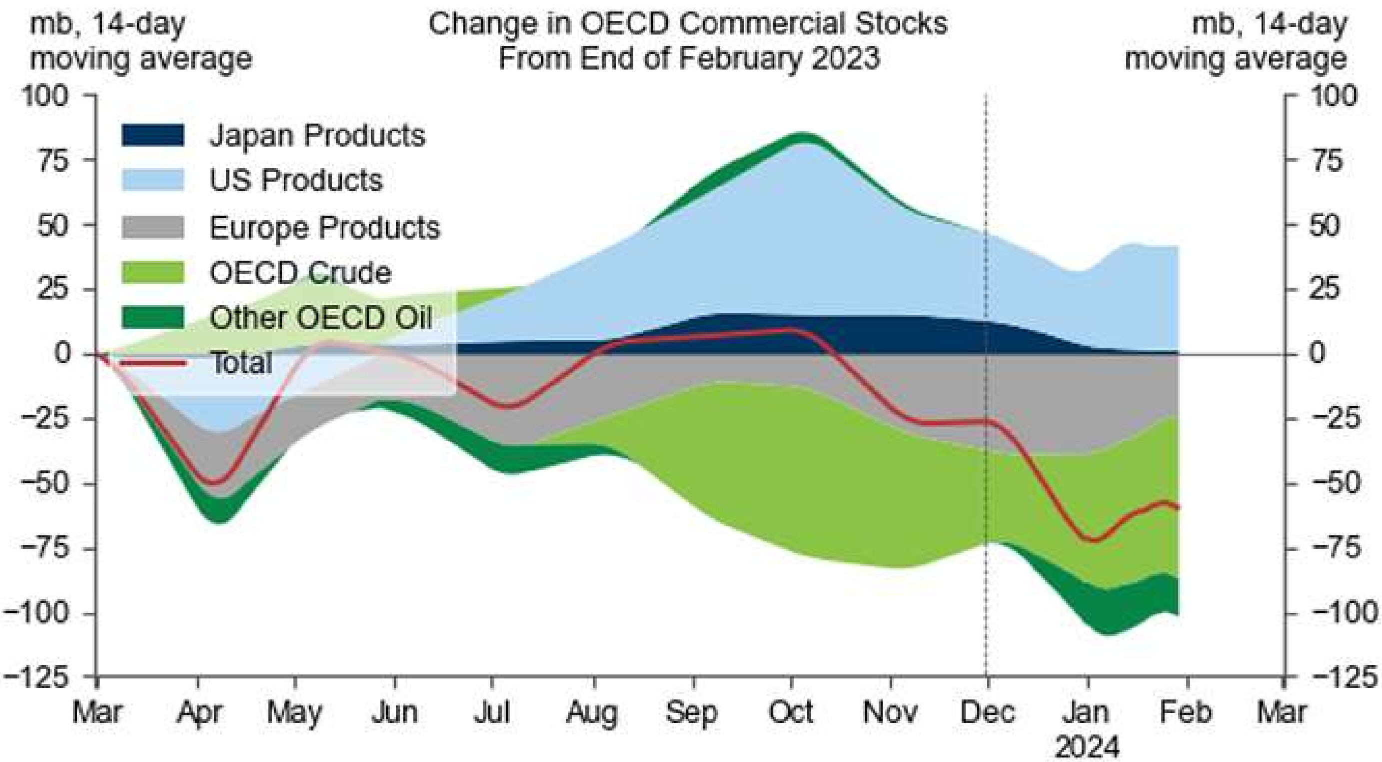
Figure 11: Oil Flows Through the Red Sea and Oil Tanker Freight Rates (Source: various, via GS)



Chinese oil demand is growing more slowly than had been forecast, though OECD commercial oil and oil product stocks continue to trend lower which is helping to support strong prices (Figure 12).

Figure 12: Change in OECD Commercial Stocks from end Feb 2023 (Source: various, via GS)

Exhibit 14: Our OECD Commercial Stocks Nowcast Edged Down 1mb This Week, Now Down 60mb From End of February (on a 14-Day Moving Average Basis)



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

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

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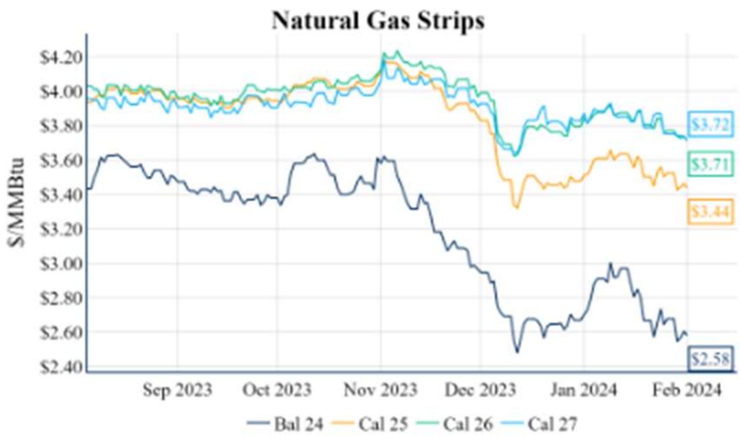
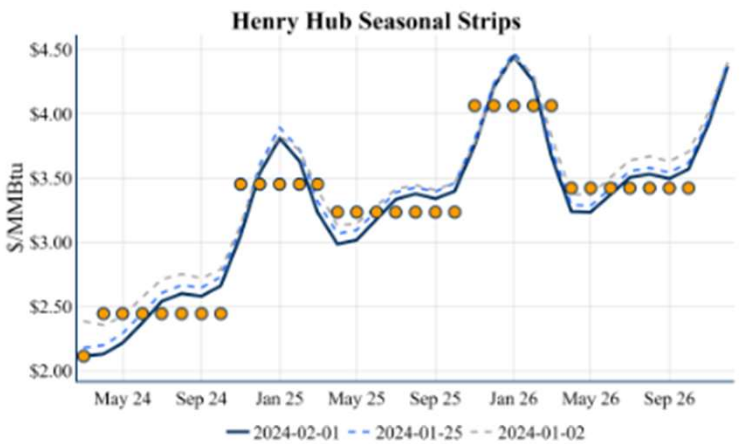
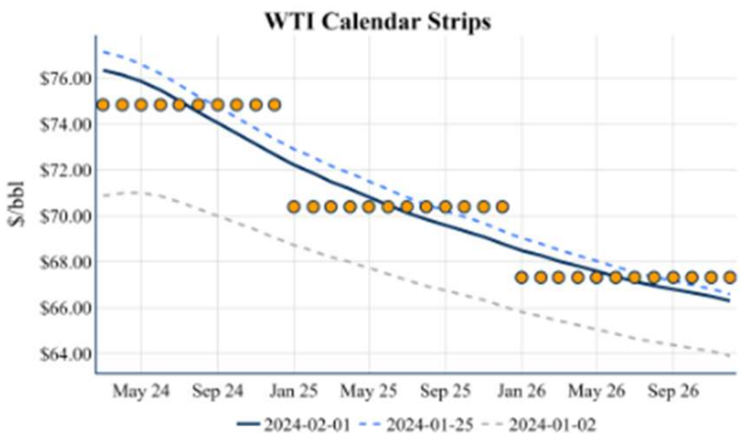
Gas and Oil Prices 1 February 2024







Swap Pricing	Bal 24	Cal 25	Cal 26
NYMEX WTI	$74.83	$70.39	$67.31
ICE Brent	$79.16	$75.06	$72.47
LLS	$77.31	$73.05	$70.02
Mars	$74.80	$69.69	$65.57
West TX Sour (WTS)	$74.81	$70.12	$66.82
Dubai	$78.63	$74.53	$72.05
Dated Brent	$79.02	$75.11	$72.47
WCS-WTI	-$13.81	-$13.43	NaN

Swap Pricing	Month 1	Winter 23/24	Summer 24	Winter 24/25	Summer 25
Henry Hub Fixed	$2.125	$2.125	$2.449	$3.453	$3.247
Eastern Gas South	-$0.563	-$0.563	-$0.936	-$0.916	-$1.116
Waha	-$0.950	-$0.950	-$0.858	-$0.445	-$0.806
TETCO M3	-$0.218	-$0.218	-$0.781	$0.380	-$0.963
Houston Ship Channel	-$0.215	-$0.215	-$0.279	-$0.125	-$0.285
Columbia Gulf Mainline	-$0.150	-$0.150	-$0.210	-$0.244	-$0.236
Panhandle East	-$0.219	-$0.219	-$0.390	$0.133	-$0.470
NGPL MidCon	-$0.170	-$0.170	-$0.330	$0.064	-$0.385
SoCal	$0.233	$0.233	$0.801	$2.453	$0.584
AECO	-$0.690	-$0.690	-$1.095	-$1.023	-$1.014
Chicago City-Gates	-$0.014	-$0.014	-$0.220	$0.344	-$0.279

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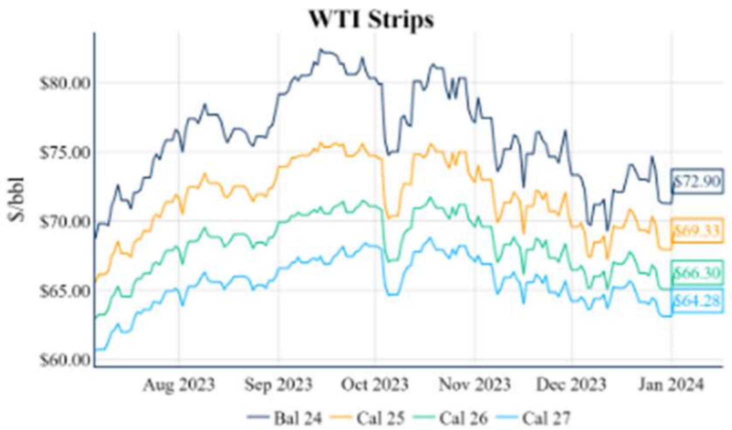
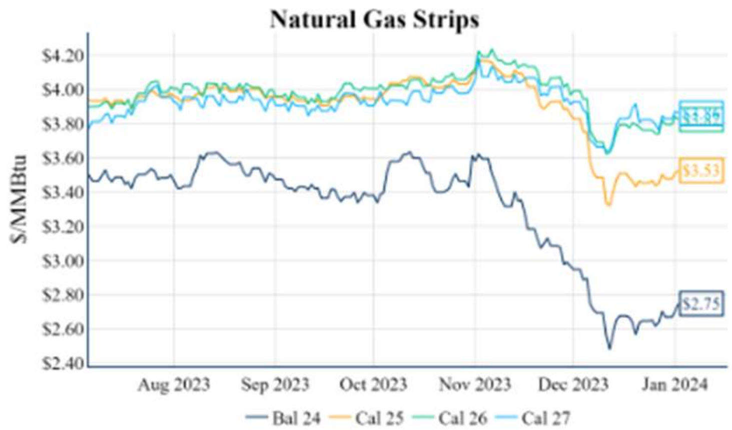
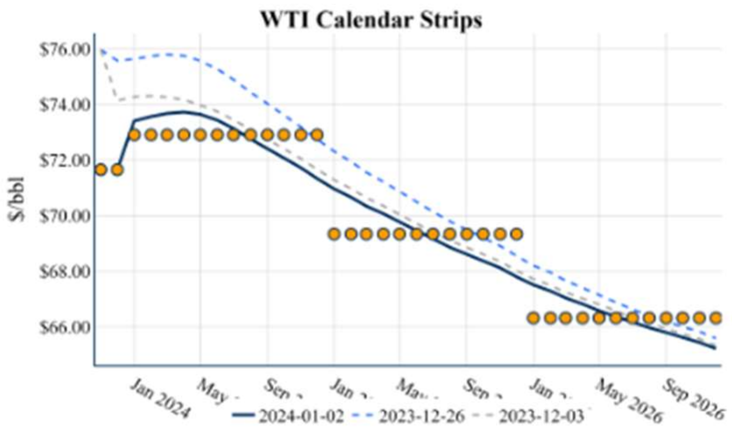
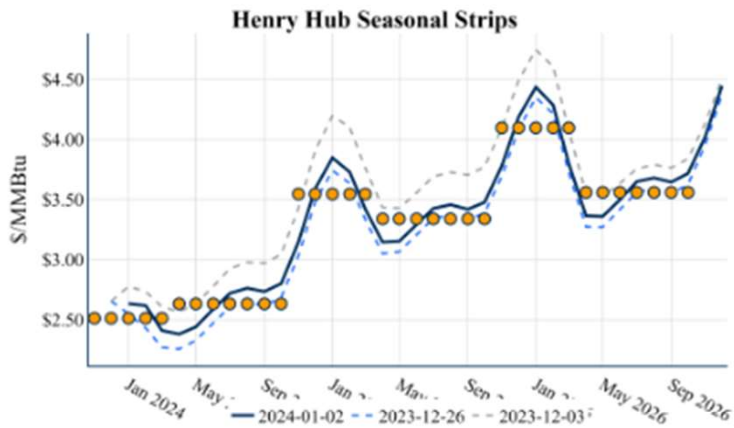
Gas and Oil Prices 2 January 2024









Swap Pricing	Bal 24	Cal 25	Cal 26
NYMEX WTI	$72.91	$69.35	$66.32
ICE Brent	$77.52	$74.23	$71.66
LLS	$75.60	$71.96	$69.02
Mars	$72.67	$68.40	$64.57
West TX Sour (WTS)	$72.76	$68.90	$65.82
Dubai	$76.94	$73.49	$70.62
Dated Brent	$75.85	$74.27	$71.70
WCS-WTI	-$15.60	-$13.94	$0.00

Swap Pricing	Month 1	Winter 23/24	Summer 24	Winter 24/25	Summer 25
Henry Hub Fixed	$2.634	$2.529	$2.640	$3.543	$3.351
Eastern Gas South	-$0.610	-$0.603	-$0.964	-$0.879	-$1.181
Waha	-$0.467	-$0.741	-$0.710	-$0.406	-$0.689
TETCO M3	$1.449	$0.597	-$0.896	$0.472	-$1.098
Houston Ship Channel	-$0.168	-$0.251	-$0.315	-$0.114	-$0.309
Columbia Gulf Mainline	-$0.243	-$0.234	-$0.283	-$0.282	-$0.298
Panhandle East	$0.101	-$0.047	-$0.443	$0.175	-$0.393
NGPL MidCon	$0.101	-$0.019	-$0.360	$0.016	-$0.412
SoCal	$1.076	$0.592	$0.318	$1.698	$0.360
AECO	-$1.080	-$1.040	-$1.180	-$1.150	-$1.070
Chicago City-Gates	$0.255	$0.106	-$0.238	$0.287	-$0.278

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