



# Longreach Energy Holdings LLC

## FIRM INFORMATION

### Investment Manager

Longreach Alternatives Ltd  
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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

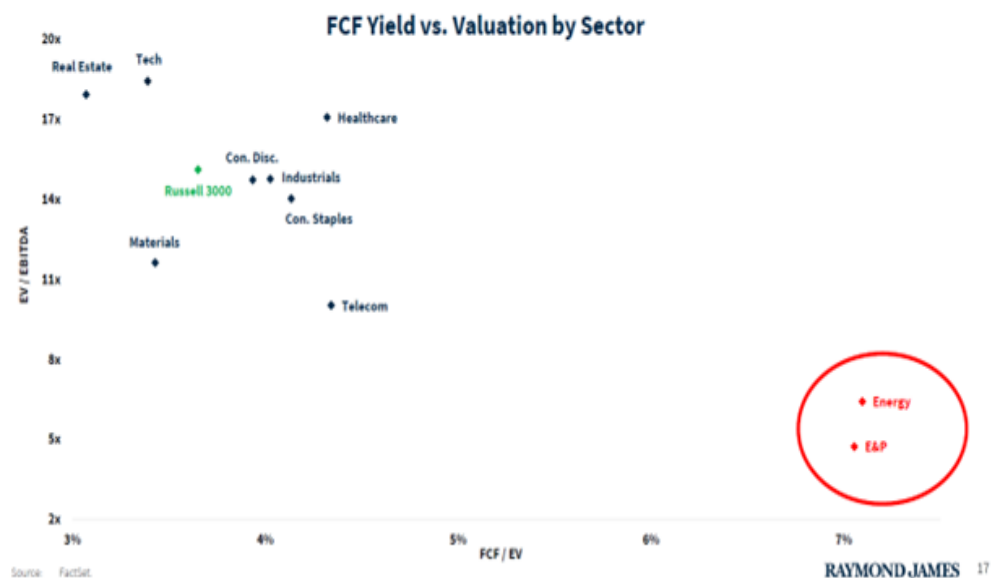
US Henry Hub prompt gas prices rose in February as the cold weather continued. Month-on-month the prompt rose from \$3.04/mmbtu at close on 31 January to \$3.83/mmbtu at close on 28 February. Calendar 2025 also rose strongly, beginning February at \$3.54/mmbtu and ending at \$4.23/mmbtu.

Oil prices saw modest falls. The prompt began February at \$72.53/bbl and closed the month at \$69.76/bbl. Calendar 2025 dropped from \$69.73/bbl to \$67.75/bbl.

Public markets current aversion to the energy sector is highlighted by average sector free cashflow yields, return on capital employed, and market capitalisation weightings in the S&P 500. US listed energy companies are trading at very high free cashflow yields of over 7%, compared to other sectors average of around 4% (Figure 1).

Figure 1: FCF Yield vs Valuation by Sector (Source: Raymon James)

## What Doesn't Make Sense Here?



The energy sector market capitalisation weightings in the S&P 500 of approximately 3.2% is less than half of the energy sector's earnings contribution (Figure 2).

## CONTACT US

### Longreach Alternatives Ltd

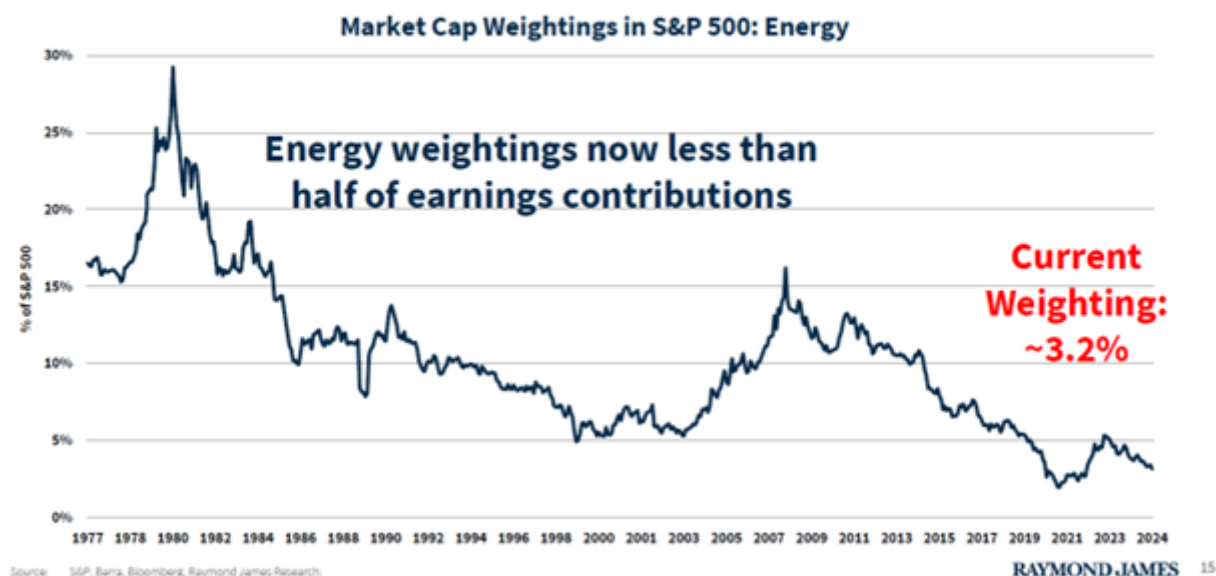
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Figure 2: Energy Sector Market Cap Weighting in the S&P 500 (Source: Raymond James)

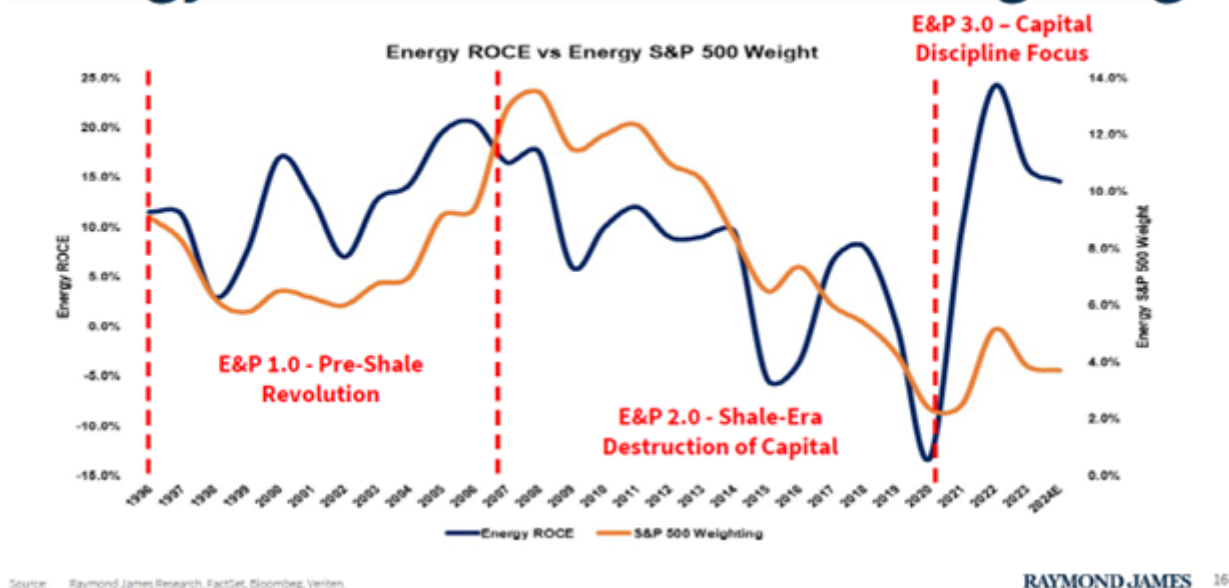
## Energy Massively Underweight in S&P




The energy sectors recent focus on capital discipline, as illustrated by return on capital employed (ROCE), is delivering much improved financial performance, but has yet to be recognised by public market investors (Figure 3).

Figure 3: Energy ROCE vs Energy S&P 500 Weight (Source: Raymond James)

## Energy ROCE Outsized vs S&P Weighting



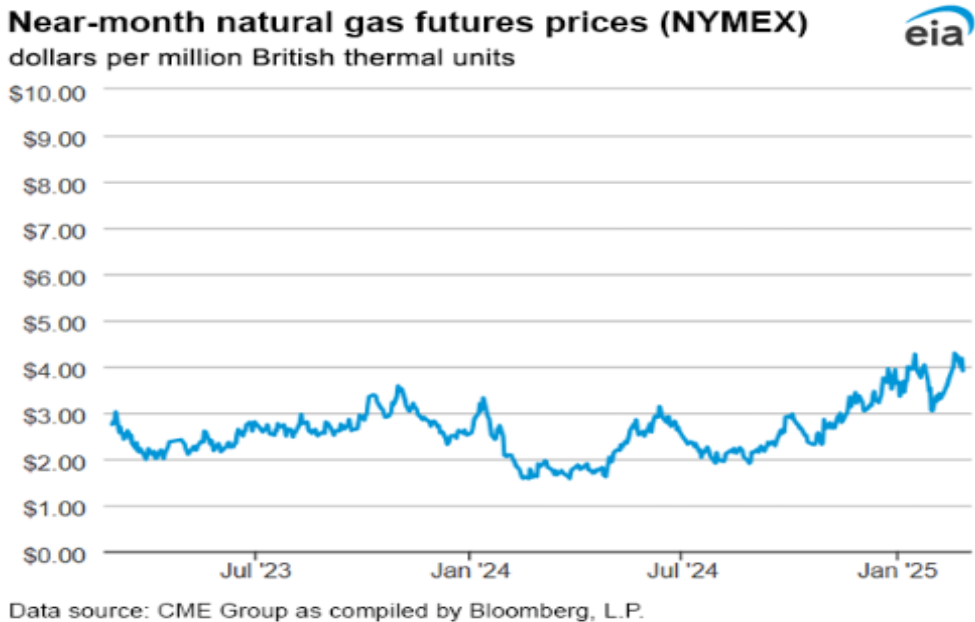
The latest Baker Hughes rig count data follows. In February US total land rigs rose by 11 from 567 to 578. Total oil rigs rose by 7 from 479 to 486, gas rigs rose by 4 to 102. Oil and gas rig totals include 13 offshore and 2 inland water rigs working in February.

<div><div>Baker Hughes</div><div><b>NORTH AMERICA Rotary Rig Count</b> 28/02/2025</div></div>					
Location	Week	+/-	Week	+/-	YearAgo
Inland Waters	2	0	2	2	0
Land	578	2	576	-30	608
Offshore	13	-1	14	-8	21
United States Total	593	1	592	-36	629
Gulf of Mexico	11	-1	12	-8	19
Canada	248	4	244	17	231
North America	841	5	836	-19	860
U.S. Breakout Information	This Week	+/-	Last Week	+/-	Year Ago
Gas	102	3	99	-17	119
Oil	486	-2	488	-20	506
Miscellaneous	5	0	5	1	4
Directional	48	-1	49	-4	52
Horizontal	533	3	530	-28	561
Vertical	12	-1	13	-4	16

Gas Market

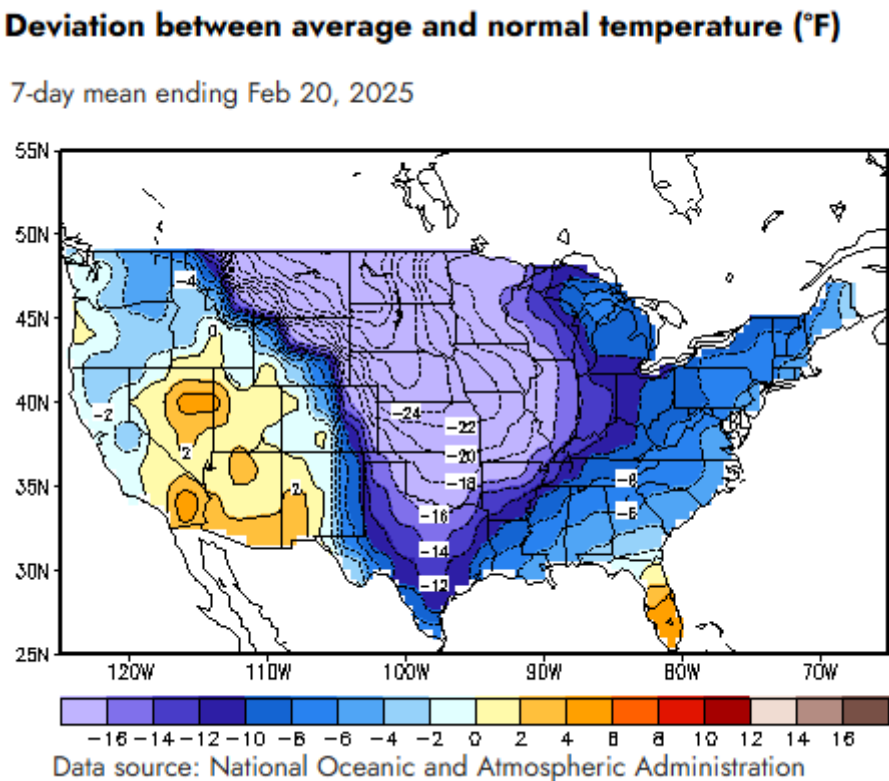
Henry Hub prompt prices fell early in the month before rising strongly as renewed cold weather delivered very strong heating demand and the new Plaquemines LNG facility ramped up faster than had been expected to deliver record daily LNG export volume of ~17bcfd (Figure 4).

Figure 4: Near Month Henry Hub Futures (Source: EIA)



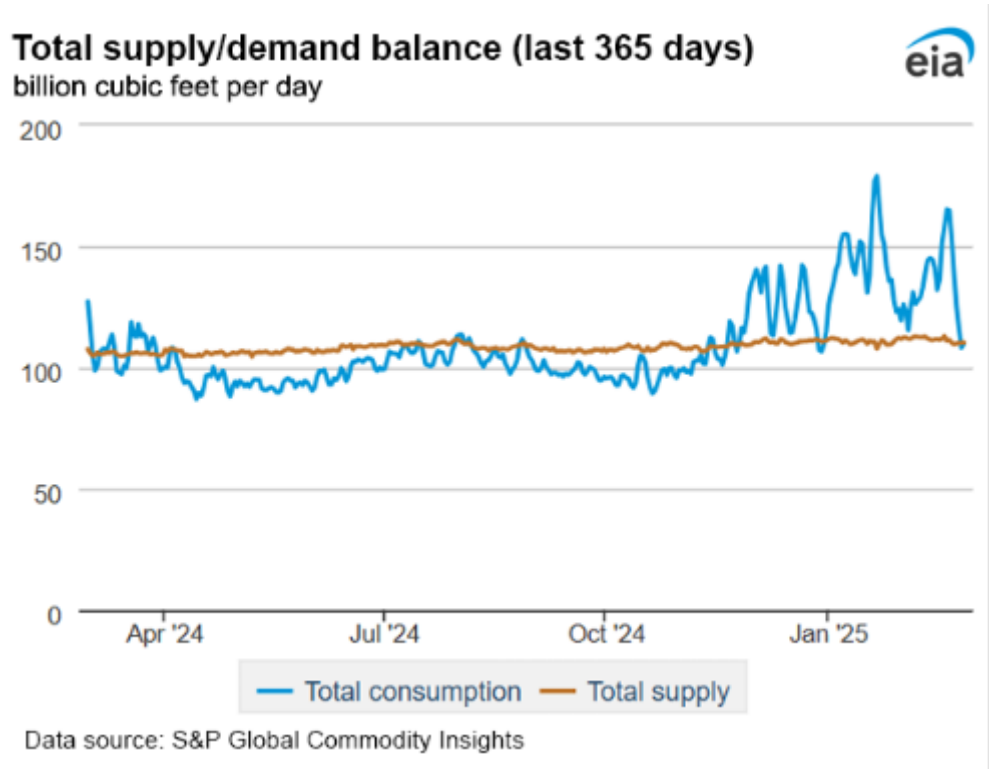
Weather forecasts at the end of January had indicated that February would be warm, this resulted in a big fall in near dated gas prices at the end of January. These forecasts were wrong, February saw more cold weather (Figure 5).

Figure 5: Deviation between average and normal temperature (°F, week ending 20 Feb) (Source: EIA)



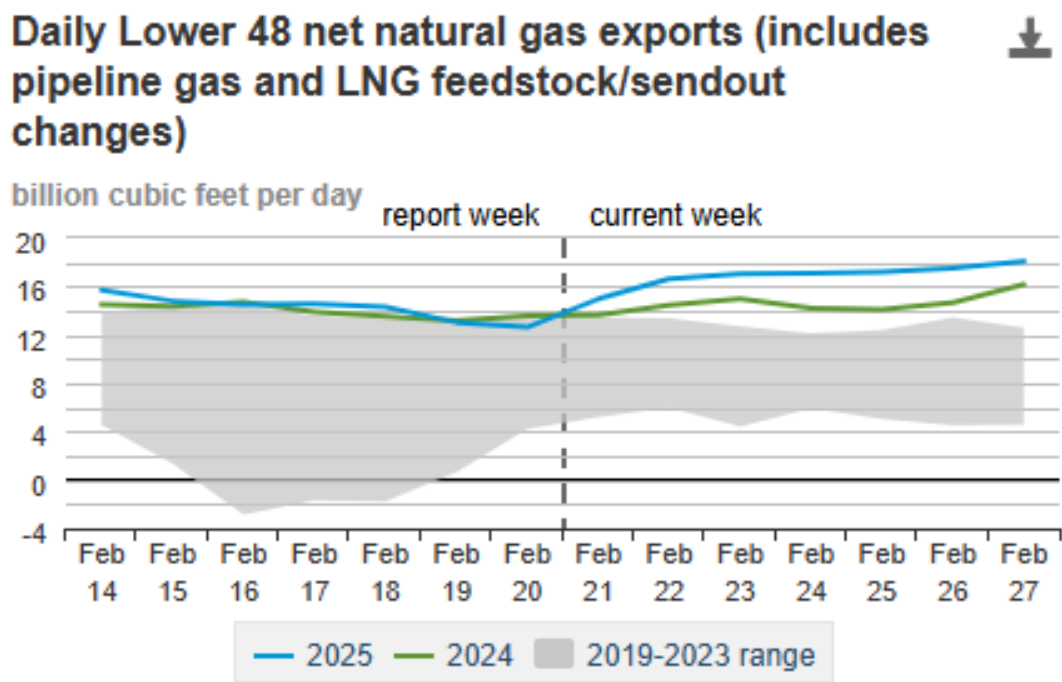
Cold weather was the largest factor driving strong demand for natural gas (Figure 6).

Figure 6: US Gas Supply / Demand Balance) (Source: EIA)



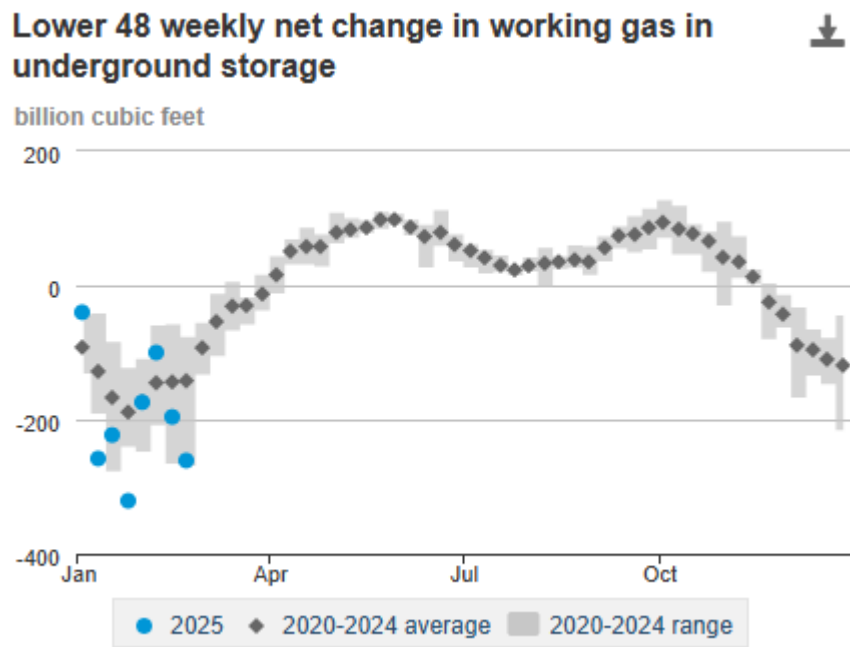
Heating demand was supplemented by record LNG export demand (Figure 7).

Figure 7: Lower 48 Net Natural Gas Exports (Source: EIA)



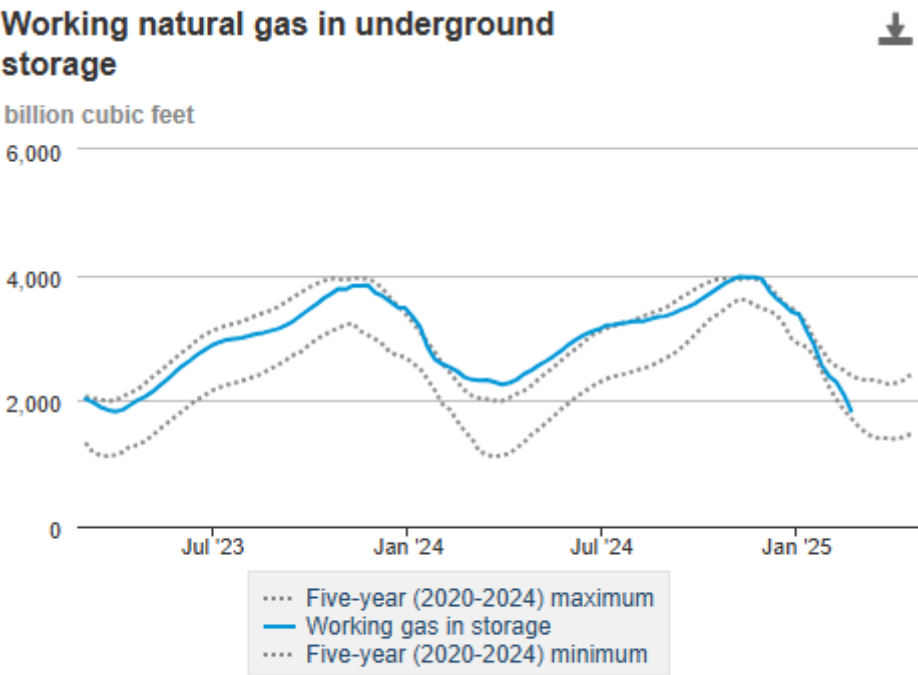
Strong demand drove more very large weekly storage withdrawals (Figure 8).

Figure 8: Lower 48 Weekly Net Change in Nat Gas Storage (Source: EIA)



The week that ended on 21 February saw a 261 bcf withdrawal from storage. This compares to the five-year (2020-2024) average net withdrawals of 141 bcf and last year's net withdrawals of 86 bcf during the same week. Working natural gas stocks totalled 1,840 bcf, which is 238 bcf (11%) lower than the five-year average and 561 bcf (23%) lower than last year at the same time (Figure 9).

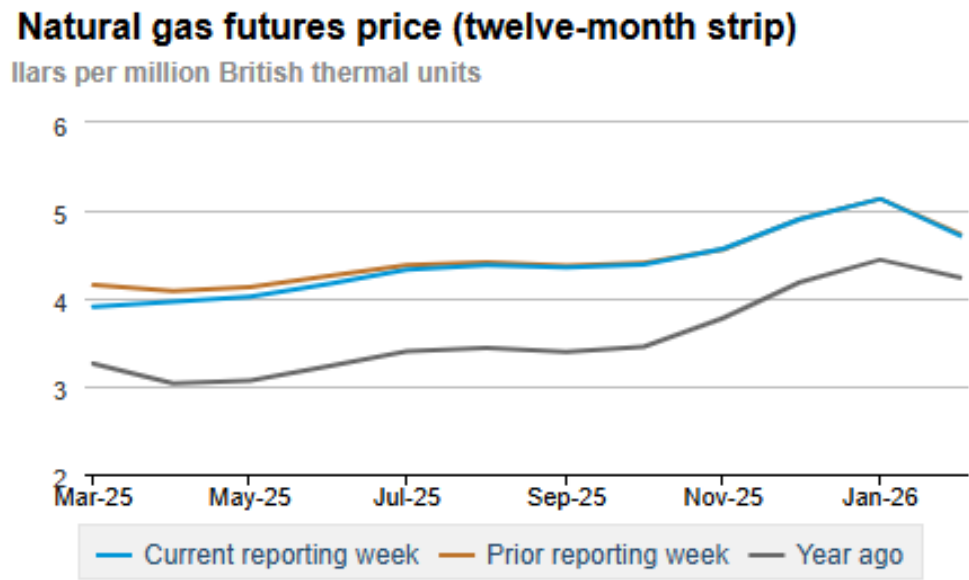
Figure 9: Working Gas in Underground Storage (Source: EIA)



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

The natural gas market is set up for continuation of relative price strength through (Figure 10).

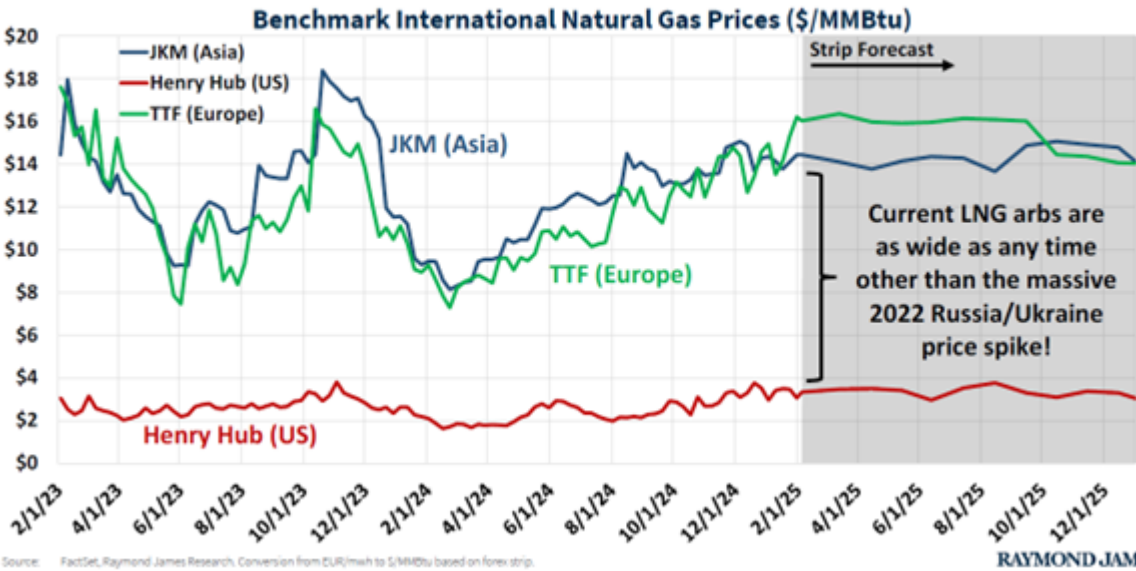
Figure 10: Henry Hub 2025 Prices (Source: EIA)



Despite the rise in US natural gas prices, the gap between US domestic gas prices and international prices (TTF for Europe and JKM for Asia) remains large (Figure 11). This results in strong incentives for US LNG exporters to maximise their export volumes.

Figure 11: Benchmark International Natural Gas Prices (Source: Raymond James)

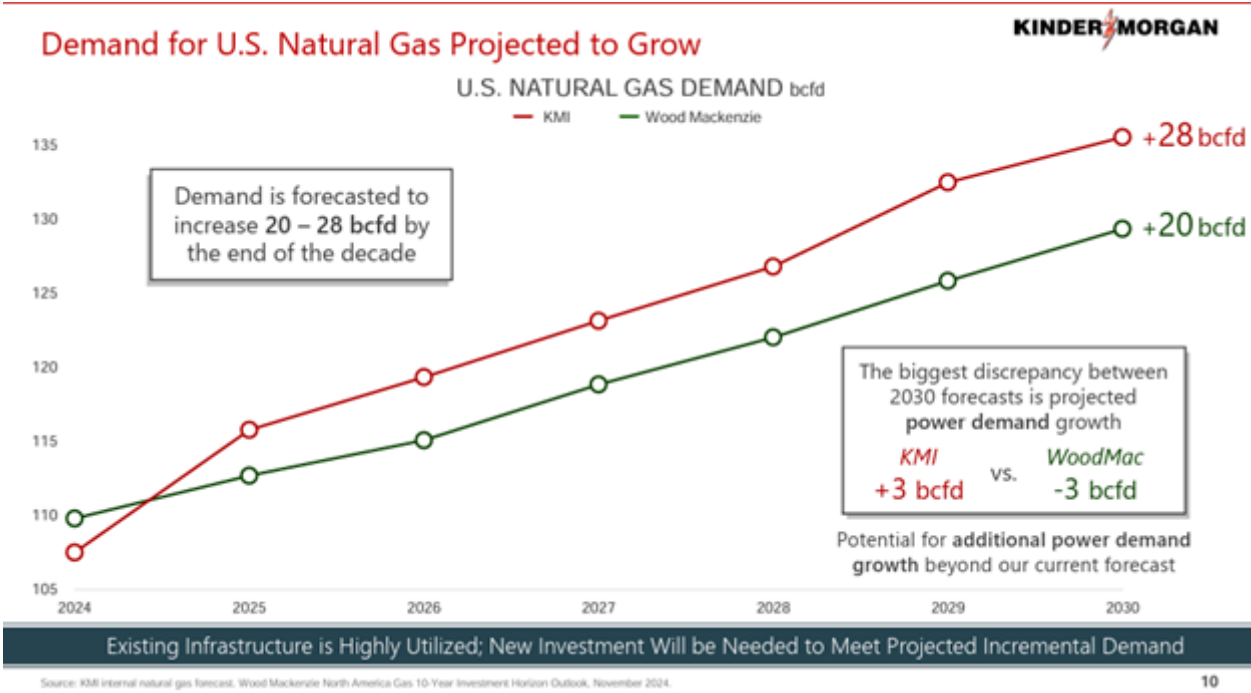
LNG Arb Still Plenty For “Max” Flows





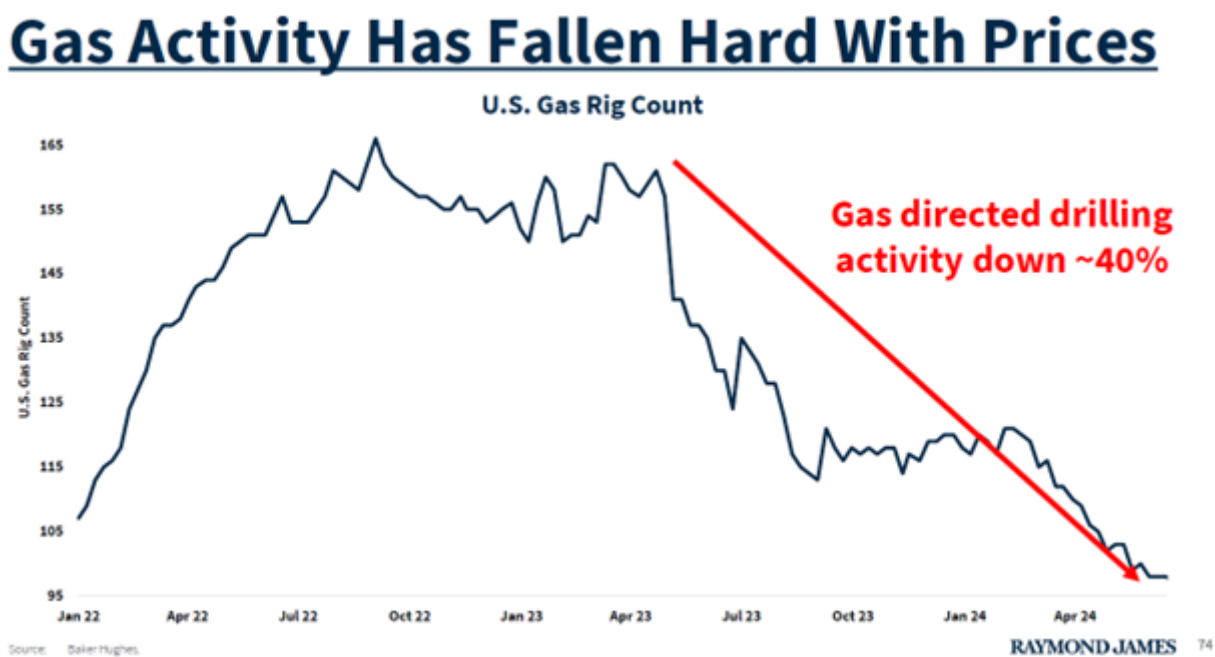
The combination of population and GDP growth, data centre and AI demand and very large increases in LNG export demand result in a forecasted 20 – 28 bcf/d demand increase by the end of the decade (Figure 12).

Figure 12: US Natural Gas Demand (Source: Kinder Morgan)



To incentivise gas companies to reverse the recent fall in drilling activity (Figure 13) and deliver this gas to the market, natural gas prices will need to stay high enough to deliver reliably attractive production margins.

Figure 13: US Natural Gas Rig Count (Source: Baker Hughes via Raymond James)





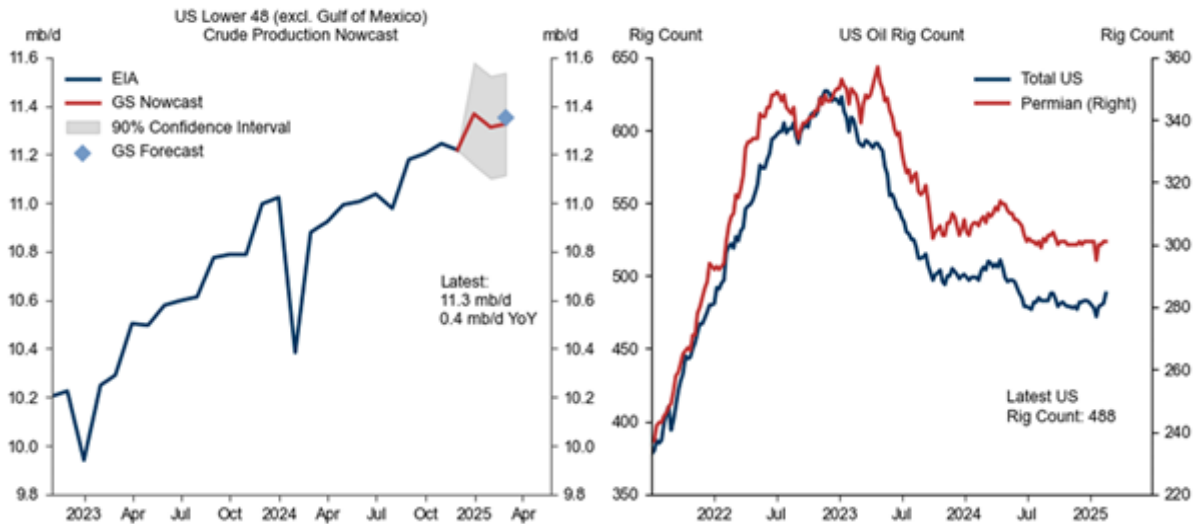


## Oil Market

US oil production has grown steadily over the last couple of years (LHS Figure 14) despite reductions in oil rig count (RHS Figure 14) as productivity gains have allowed the US oil and gas industry to do more with less.

Figure 14: US L48 Oil Production and Rig Count (Source: Various, via GS)

**Exhibit 3: Our US Lower 48 (excl Gulf of Mexico) Crude Production Nowcast Remained at 11.3mb/d Last Week (in Line With Our February Expectation); the US Oil Rig Count Jumped by 7 to 488**

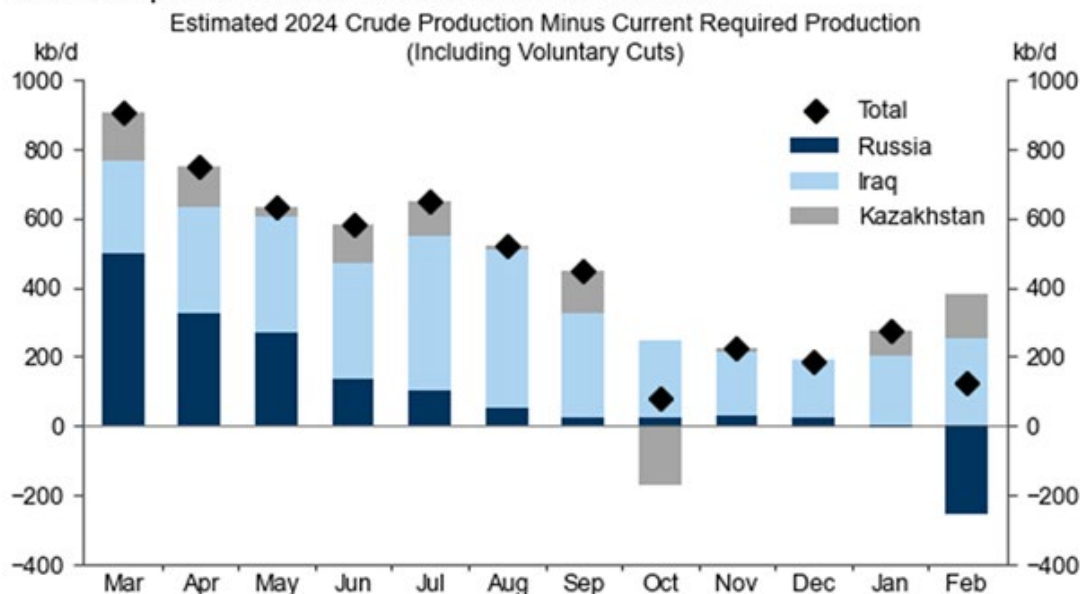


Source: EIA, Genscape, Baker Hughes, Haver Analytics, Bloomberg, Primary Vision, Goldman Sachs Global Investment Research

Overall compliance with OPEC+ production cuts has been solid in recent months (Figure 15).

Figure 15: Estimated OPEC+ Crude Production minus Current Quota (Source: various, via GS)

**Exhibit 6: Compliance With OPEC+ Production Cuts Remains Solid On Net**



Realized crude production for Russia, and Kazakhstan through January is from OPEC secondary sources. We nowcast Russia February month-over-month production growth using our Russia production nowcast. We nowcast monthly changes in Kazakhstan crude production from OPEC secondary sources in February using a regression model with monthly changes in total Kazakhstan oil exports from Kpler (including Kazakhstan grade crude from the CPC terminal). We use our Iraq production nowcast for all months. Current required production corresponds to required October production levels from the OPEC Sep 5, 2024 statement and does not include revised compensation pledged adjusted for the recent overproduction from Iraq and Kazakhstan.

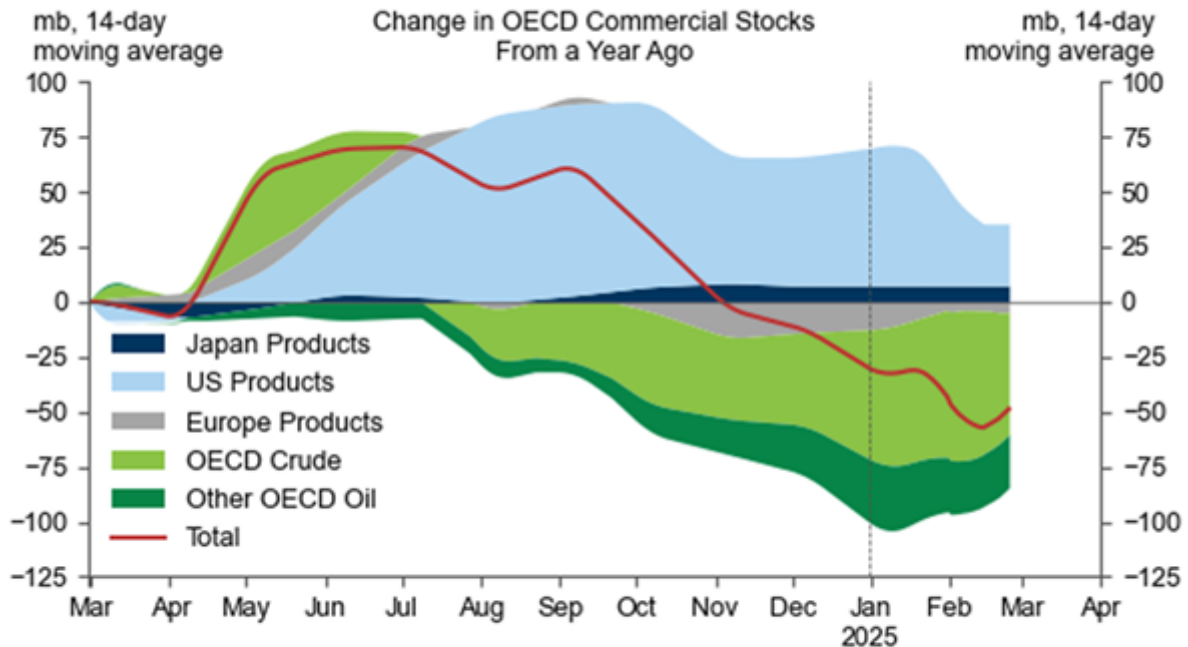
Source: OPEC, S&P Global, Kpler, Goldman Sachs Global Investment Research



Goldman estimates that OECD commercial oil stocks are 49 million bbls lower than they were a year ago (Figure 16).

Figure 16: Change in OECD Commercial Oil Stocks from a Year Ago (Source: various, via GS)

## Exhibit 11: Our OECD Commercial Stocks Nowcast Is Down 49mb From Its Year-Ago Level



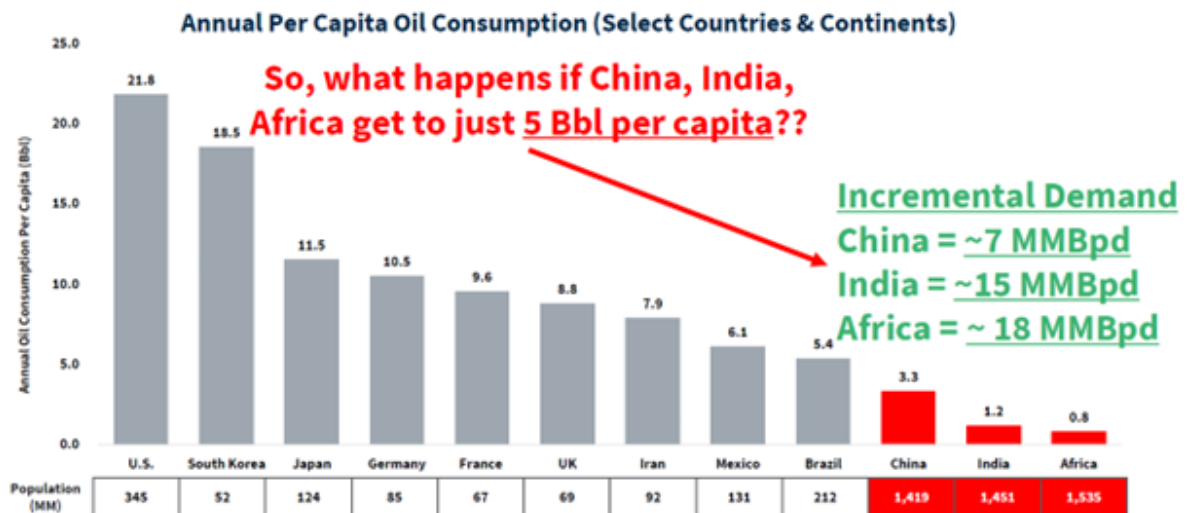
The dotted line indicates the latest realized observation from the IEA (end of December).

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

Most of the world's population consumes substantially less oil per capita than do those fortunate to live in developed countries (Figure 17). The 345 million people who live in the US consume on average 21.8 bbls of oil each per year (20 million bbl/d). If the populations of China, India and Africa were to increase their average oil consumption to 5 bbls each per year (a little less than people in Brazil currently consume) that implies an incremental 40 million bbl/d of global demand.

Figure 17: Annual Per Capita Oil Consumption (Source: various, via Raymond James)

## Also, Global Demand Still WAY Behind U.S.



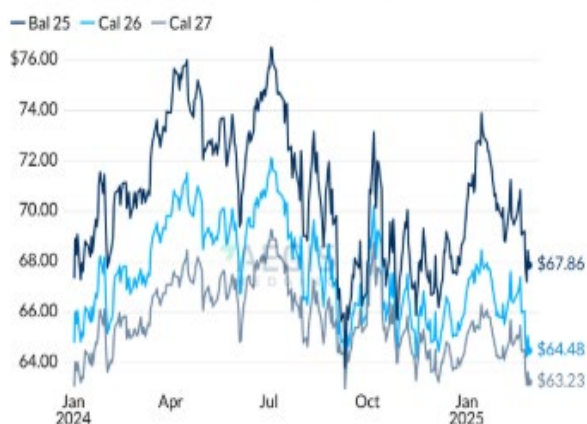
Source: IEA, BP Statistical Review of World Energy, Varian.

RAYMOND JAMES 27



## Gas and Oil Prices 3 March 2025

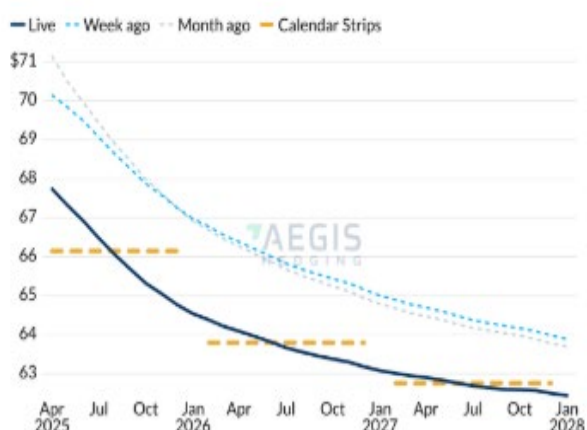
Historical WTI CMA Calendar Strips



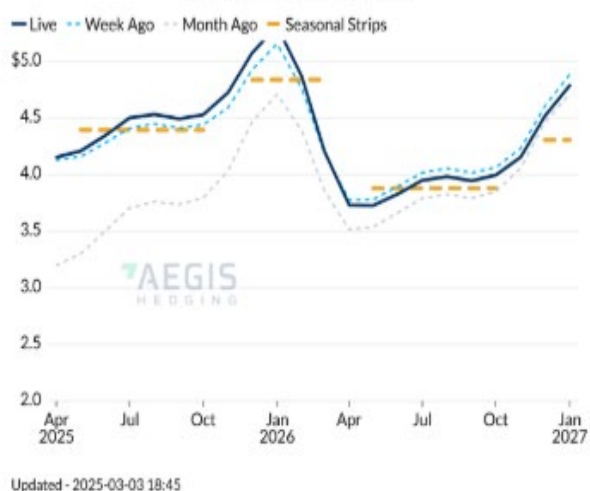
Historical Natural Gas Strips



WTI CMA Calendar Strips



Henry Hub Seasonal Strips



Crude Oil Swap Pricing

	Bal 25	Cal 26
NYMEX WTI	\$66.31	\$63.78
LLS	\$69.54	\$66.85
Mars	\$67.96	\$65.25
Dubai	\$69.75	\$67.11
WCS-WTI	-\$13.44	-\$13.76
ICE Brent	\$69.60	\$67.49
Dated Brent	\$70.30	\$67.72
West TX Sour (WTS)	\$66.67	\$63.75

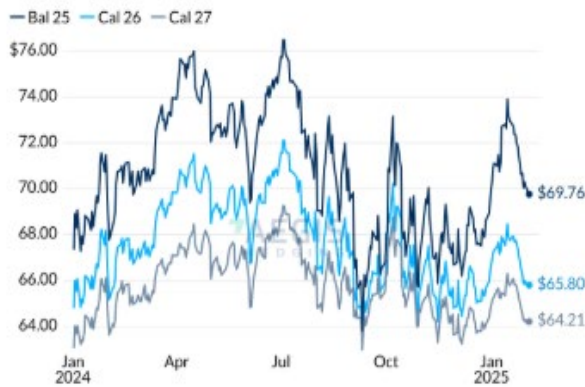
Natural Gas Basis Swap Pricing

	prompt	Winter 25/26	Summer 25	Winter 26/27	Summer 26
Henry Hub Fixed	\$3.834	\$4.630	\$4.104	4	3.825
Panhandle East	-\$0.563	\$-0.077	\$-0.678	-0	-0.640
Eastern Gas South	-\$0.410	\$-0.797	\$-0.915	-1	-1.078
Waha	-\$3.028	\$-2.294	\$-3.099	-1	-2.985
TETCO M3	-\$0.220	\$0.951	\$-0.764	1	-0.915
Houston Ship Channel	-\$0.748	\$-0.352	\$-0.538	-0	-0.429



## Gas and Oil Prices 3 February 2025

Historical WTI CMA Calendar Strips



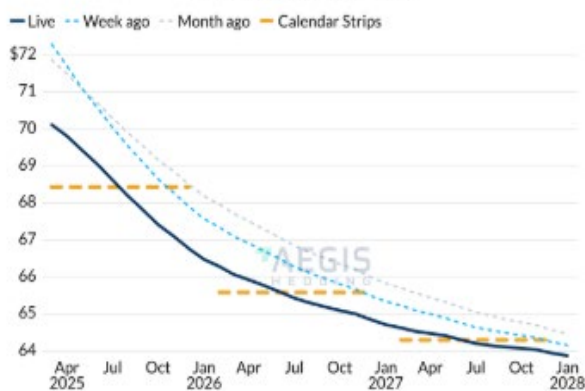
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Historical Natural Gas Strips



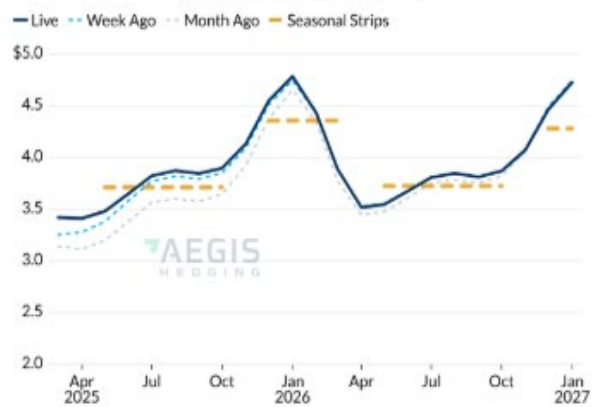
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WTI CMA Calendar Strips



Updated - 2025-02-06 13:00

Henry Hub Seasonal Strips



Updated - 2025-02-06 12:00

Crude Oil Swap Pricing

	Bal 25	Cal 26
NYMEX WTI	\$69.22	\$65.85
LLS	\$72.30	\$69.12
Mars	\$69.87	\$66.18
Dubai	\$72.67	\$69.12
WCS-WTI	-\$14.39	-\$14.34
ICE Brent	\$72.63	\$69.58
Dated Brent	\$72.95	\$69.57
West TX Sour (WTS)	\$69.19	\$65.63

Natural Gas Basis Swap Pricing

	prompt	Winter 24/25	Summer 25	Winter 25/26	Summer 26
Henry Hub Fixed	\$3.352	\$3.352	\$3.651	\$4.319	3.727
Panhandle East	\$0.050	\$-0.165	\$-0.533	\$0.046	-0.528
Eastern Gas South	-\$0.435	\$-0.419	\$-0.956	\$-0.871	-1.045
Waha	-\$1.060	\$-1.491	\$-2.371	\$-1.622	-2.425
TETCO M3	\$0.968	\$0.411	\$-0.789	\$0.915	-0.865
Houston Ship Channel	-\$0.265	\$-0.325	\$-0.427	\$-0.273	-0.381



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