

Longreach Energy Investments LLC

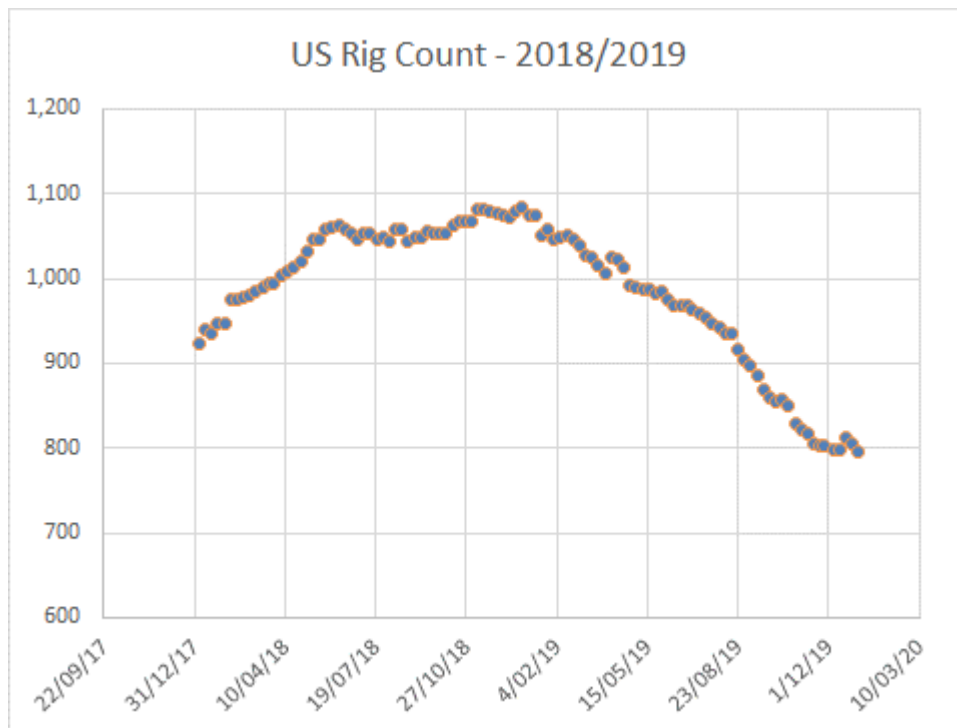
December 2019 Report

1.0 Market and Portfolio Commentary

1.1 Macro Industry Commentary

General Market Commentary

US rig count continues to fall, Baker Hughes United States total rig count declined from 802 on 6 Dec to 796 on 3 Jan. Graph of rig count from Jan 2019 until end Dec 2019 is below.



Gas Market

Term gas prices were flat between end Nov and end Dec although this disguised declines in near term contracts because of warm weather in the US. Prompt month natural gas remains volatile from sensitivity to the major weather forecast outlooks.

On the demand side low gas prices are increasing the switching of power generation from coal to gas.

Global LNG prices were low, driven by Chinese companies trying to offload LNG cargoes delivered under long-term supply arrangements on the spot market due to high storage volumes, a slowing economy and milder than expected weather. Europe has been the primary destination for spot cargoes. On 20 Dec European LNG imports reached a record high of 12.76bcf/d. 75% of long-term LNG deals are priced on oil-linked contracts, these are currently trading in the \$9 - \$10/mcf range vs spot contracts at \$5.50/mcf.

The EIA has reduced its 2020 dry gas production forecast to an average of 95.1 bcf/d. 1Q2020 consumption is forecast at 104.54bcd/d.

Oil Market

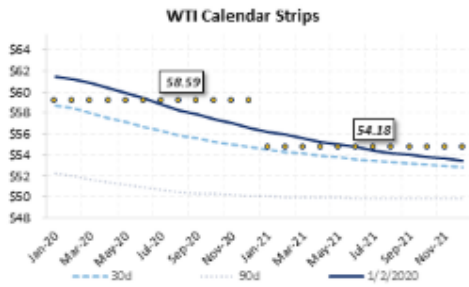
Oil prices increased month-to-month because of:

- I. Decision by OPEC+ (OPEC plus Russia) to increase supply cuts from 1.2mmbld to 2.1mmbld
- II. Announcement in mid-Dec that US and China have agreed a phase 1 trade deal which raised the prospects of better crude oil demand growth in 2020.
- III. Increased geopolitical tensions in the Middle East with air strikes by the US on 5 locations in Syria and Iraq at the end of December.

On 30 Dec WTI spot contract closed at \$62.09/bbl.

The EIA has also lowered US crude production forecasts for 2020. Based on lower rig counts the 2019 forecast was 12.25mmbld and is 13.18mmbld for 2020.

Gas and Oil Prices 2 January 2020

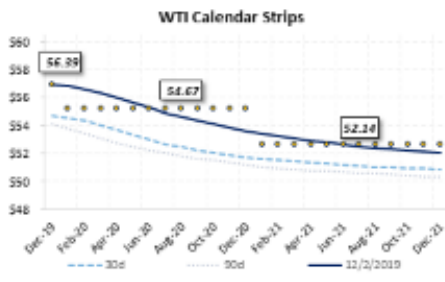


Swap Pricing				
	Cal 20	Cal 21	Cal 22	Cal 23
NYMEX WTI Crude	\$ 58.59	\$ 54.18	\$ 52.07	\$ 51.39
ICE Brent Crude	\$ 63.07	\$ 59.02	\$ 57.23	\$ 56.80
Louisiana Light Sweet	\$ 61.86	\$ 57.12	\$ 54.95	\$ 54.25
TM Midland Differential	\$ 0.90	\$ 1.10	\$ 1.10	
NYMEX Natural Gas	\$ 2.29	\$ 2.43	\$ 2.42	\$ 2.46

Natural Gas Basis				
Location	Spot	Q1 '20	Summer '20	Winter '20/'21
Henry Hub Fixed	\$2.09	\$2.16	\$2.27	\$2.60
TETCO M3	\$ (0.14)	\$ 0.75	\$ (0.33)	\$ 1.15
MichCon	\$ (0.14)	\$ (0.14)	\$ (0.21)	\$ (0.14)
CIG	\$ (0.17)	\$ (0.40)	\$ (0.59)	\$ (0.38)
TETCO M2	\$ (0.24)	\$ (0.36)	\$ (0.49)	\$ (0.40)
Dominion S	\$ (0.40)	\$ (0.37)	\$ (0.46)	\$ (0.40)
NGPL-Midcon	\$ (0.69)	\$ (0.76)	\$ (0.56)	\$ (0.37)
Waha	\$ (0.81)	\$ (1.50)	\$ (1.61)	\$ (1.21)

All prices as of close yesterday

Gas and Oil Prices 2 December 2019



Swap Pricing				
	Cal 20	Cal 21	Cal 22	Cal 23
NYMEX WTI Crude	\$ 54.67	\$ 52.14	\$ 51.20	\$ 51.08
ICE Brent Crude	\$ 59.06	\$ 57.07	\$ 56.47	\$ 56.63
Louisiana Light Sweet	\$ 58.04	\$ 54.96	\$ 53.90	\$ 53.78
TM Midland Differential	\$ 1.00	\$ 1.08	\$ 1.08	
NYMEX Natural Gas	\$ 2.31	\$ 2.43	\$ 2.45	\$ 2.52

Natural Gas Basis				
Location	Spot	Q1 '20	Summer '20	Winter '20/'21
Henry Hub Fixed	\$2.46	\$2.31	\$2.22	\$2.56
TETCO M3	\$ (0.12)	\$ 1.92	\$ (0.35)	\$ 1.25
MichCon	\$ (0.16)	\$ (0.15)	\$ (0.21)	\$ (0.13)
CIG	\$ (0.26)	\$ (0.43)	\$ (0.65)	\$ (0.41)
Dominion S	\$ (0.59)	\$ (0.37)	\$ (0.50)	\$ (0.41)
TETCO M2	\$ (0.60)	\$ (0.37)	\$ (0.55)	\$ (0.43)
NGPL-Midcon	\$ (1.01)	\$ (0.68)	\$ (0.58)	\$ (0.40)
Waha	\$ (1.49)	\$ (1.31)	\$ (1.57)	\$ (1.13)

All prices as of close yesterday