

# Longreach Energy Investments LLC

## March 2019 Report

### Market and Portfolio Commentary

#### 1.1 Macro Industry Commentary

##### General Market Commentary

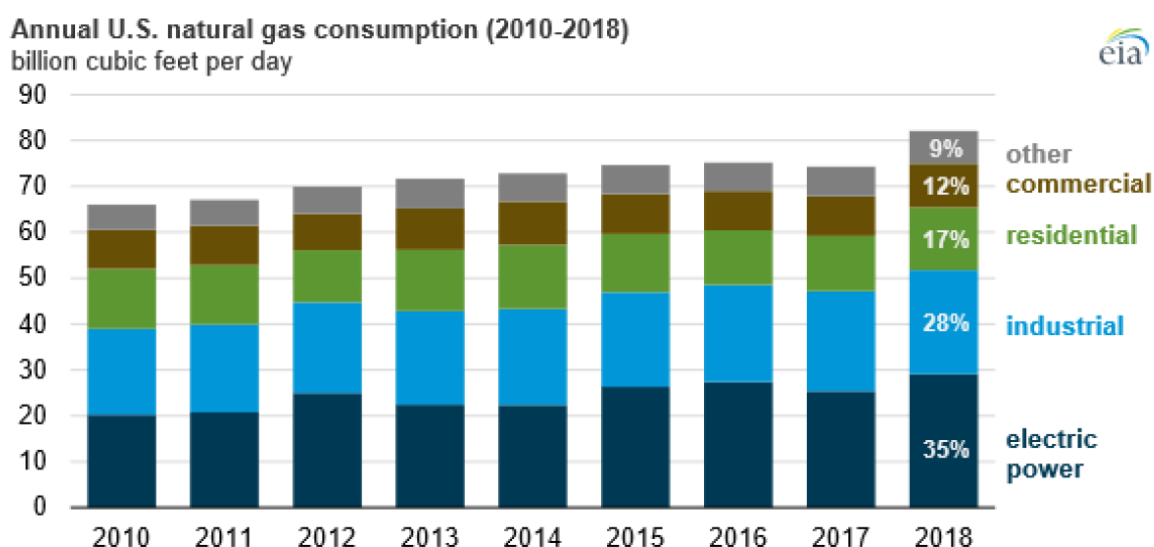
Press reports during the month of March suggest that progress continues to be made in resolving the trade dispute between the U.S.A. and China. Hopes of an amicable resolution together with positive economic data out of the U.S. have provided support to oil prices over the month. The 2019 oil prices to be used in the 31 March portfolio valuation are 29 per cent higher than the price at 31 Dec 2018 (\$60.98/bbl vs \$47.30/bbl). Prices for future years also increased albeit by diminishing percentages, long dates are 7 per cent higher. Gas prices have increased by a modest 1 to 3 per cent over the quarter.

While the risk of U.S. / China trade conflict has reduced, the risk of a disorderly Brexit has increased sharply during March. Happily, for LEI, any adverse consequences for our investment portfolio of even the worst-case execution of the separation of the UK from Europe should be relatively minor.

##### Gas Market

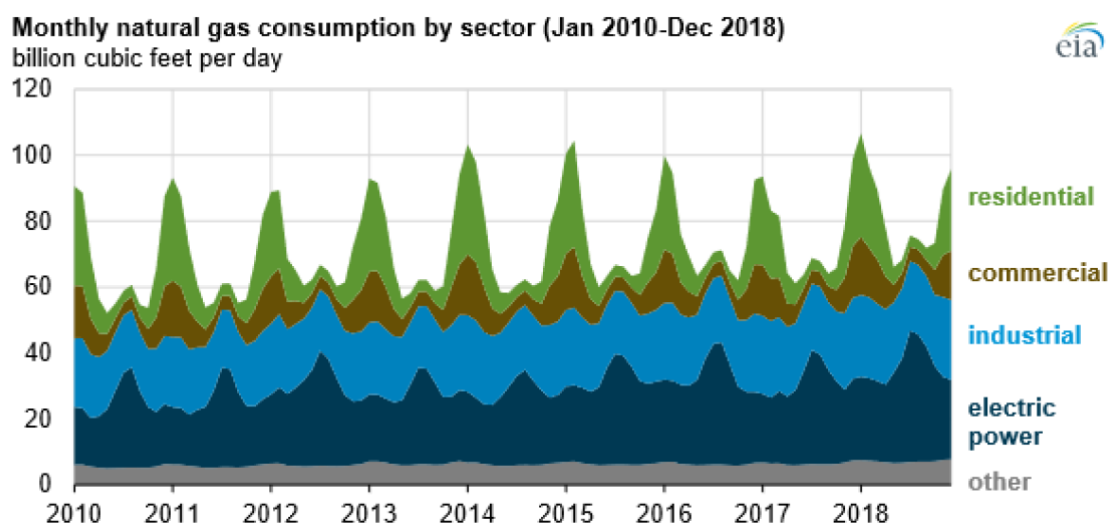
The U.S. Energy Information Administration (EIA) released its February 2019 Natural Gas Monthly with data that U.S. natural gas consumption increased by 10% in 2018 to reach a record high of 82.1 bcf/d. The electric power sector consumed 29.1 bcf/d in 2018, 35% of total domestic U.S. natural gas consumption. New natural gas generator capacity additions continued to displace coal-fired power plants and other less efficient sources of electricity. In 2018, approximately 14.5 gigawatts (GW) of net natural gas capacity were added, while almost 13 GW of coal-fired capacity were retired.

Figure 1: Annual U.S. natural gas consumption (2010-2018)



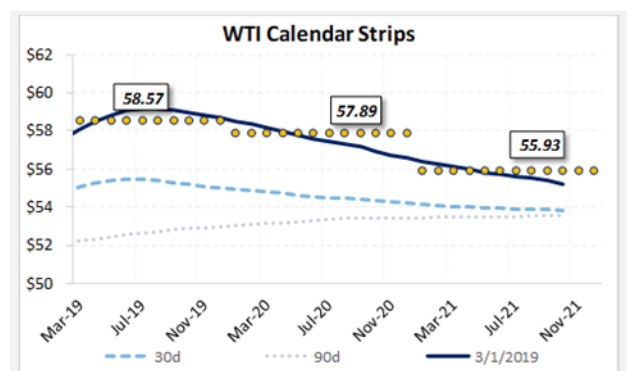
Annual fluctuations in natural gas consumption are largely driven by the weather. During the winter, U.S. natural gas consumption levels are at their highest because natural gas is the predominant source of space heating in the residential and commercial sectors. As the share of electricity generation provided by natural gas grows, the consumption of natural gas will increase both in the summer – when air conditioning demand is high – and in the winter, especially in places such as the South, where electric space heating is more common. Export demand is unaffected by U.S. domestic weather.

Figure 2: Monthly natural gas consumption by sector (2010-2018)



Over the course of the month near dated gas prices fell slightly while longer dates strengthened. Oil increased across the curve.

### Gas and Oil Prices 1 March 2019



#### Swap Pricing

	Bal 19	Cal 20	Cal 21	Cal 22
NYMEX WTI Crude	\$ 58.57	\$ 57.89	\$ 55.93	\$ 54.60
ICE Brent Crude	\$ 65.93	\$ 64.47	\$ 62.50	\$ 61.17
Louisiana Light Sweet	\$ 63.61	\$ 61.08	\$ 58.68	\$ 57.35
TM Midland Differential	\$ (1.04)	\$ 0.20	\$ 0.45	
NYMEX Natural Gas	\$ 2.91	\$ 2.75	\$ 2.62	\$ 2.63

Source: Bloomberg LP

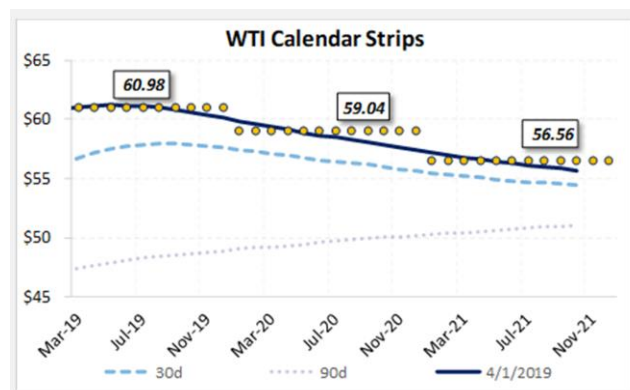
Note: Midland diff changed to TM computation Oct 1. All prices indicative only.



#### Natural Gas Basis

Location	Spot	Winter '18/'19	Summer '19	Winter '19/'20
Henry Hub Fixed	\$ 2.97	\$ 2.86	\$ 2.88	\$ 3.08
TETCO M3	\$ (0.06)	\$ 0.07	\$ (0.27)	\$ 1.25
MichCon	\$ (0.09)	\$ (0.01)	\$ (0.17)	\$ (0.14)
CIG	\$ (0.12)	\$ (0.37)	\$ (0.62)	\$ (0.54)
NGPL	\$ (0.16)	\$ (0.56)	\$ (0.66)	\$ (0.44)
Dominion S	\$ (0.18)	\$ (0.23)	\$ (0.37)	\$ (0.34)
Waha	\$ (1.96)	\$ (1.65)	\$ (1.70)	\$ (0.92)

All prices as of close yesterday

**Gas and Oil Prices 1 April 2019****Swap Pricing**

		Bal 19	Cal 20	Cal 21	Cal 22
NYMEX WTI Crude	\$	60.98	\$ 59.04	\$ 56.56	\$ 54.81
ICE Brent Crude	\$	67.41	\$ 65.36	\$ 63.20	\$ 61.61
Louisiana Light Sweet	\$	65.66	\$ 62.30	\$ 59.41	\$ 57.66
TM Midland Differential	\$	(0.29)	\$ 0.37	\$ 0.55	
NYMEX Natural Gas	\$	2.83	\$ 2.75	\$ 2.66	\$ 2.67

Source: Bloomberg LP

Note: Midland diff changed to TM computation Oct 1. All prices indicative only.

**Natural Gas Basis**

Location	Spot	Winter '18/'19	Summer '19	Winter '19/'20
Henry Hub Fixed	\$ 2.73	\$ 2.86	\$ 2.76	\$ 2.98
TETCO M3	\$ (0.14)	\$ 0.07	\$ (0.30)	\$ 1.25
MichCon	\$ (0.15)	\$ (0.01)	\$ (0.20)	\$ (0.16)
Dominion S	\$ (0.28)	\$ (0.23)	\$ (0.39)	\$ (0.32)
TETCO M2	\$ (0.29)	\$ (0.26)	\$ (0.43)	\$ (0.34)
NGPL-Midcon	\$ (0.32)	\$ (0.56)	\$ (0.55)	\$ (0.43)
CIG	\$ (0.48)	\$ (0.37)	\$ (0.61)	\$ (0.62)
Waha	\$ (3.07)	\$ (1.65)	\$ (1.90)	\$ (0.83)

All prices as of close yesterday

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