



Longreach Energy Holdings LLC

FIRM INFORMATION

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1. Market and Macro Industry Commentary

General Market Commentary

The distribution of COVID-19 vaccines has commenced in the northern hemisphere although cases, hospitalisation and daily mortality numbers are at record high levels across the US, UK and parts of Europe. While the immediate data are poor, markets have been relatively strong trading on optimism of vaccine led mitigation of the pandemic during 2021.

Weakness in the US dollar, exacerbated by the Democratic Party's forthcoming control of the US Senate after victory in both Georgia run-off elections in early January, has helped oil. Dollar weakness may also be a factor in the extremely strong JKM spot LNG prices (see Gas and Oil market discussions below).

The latest Baker Hughes rig count data is below. In the last month US total rigs have increased from 323 to 360, land rigs increasing from 308 to 341. The gains have come from oil rigs, increasing from 246 to 275 and 9 new gas rigs, up from 75 to 84.

Baker Hughes rig count



Rotary Rig Count					
1/8/21					
Location	Week	+/-	Week Ago	+/-	Year Ago
Land	341	9	332	-418	759
Inland Waters	2	0	2	1	1
Offshore	17	0	17	-4	21
United States Total	360	9	351	-421	781
Gulf Of Mexico	17	0	17	-4	21
Canada	117	58	59	-86	203
North America	477	67	410	-507	984
U.S. Breakout Information	This Week	+/-	Last Week	+/-	Year Ago
Oil	275	8	267	-384	659
Gas	84	1	83	-35	119
Miscellaneous	1	0	1	-2	3
Directional	22	1	21	-23	45
Horizontal	320	7	313	-378	698
Vertical	18	1	17	-20	38



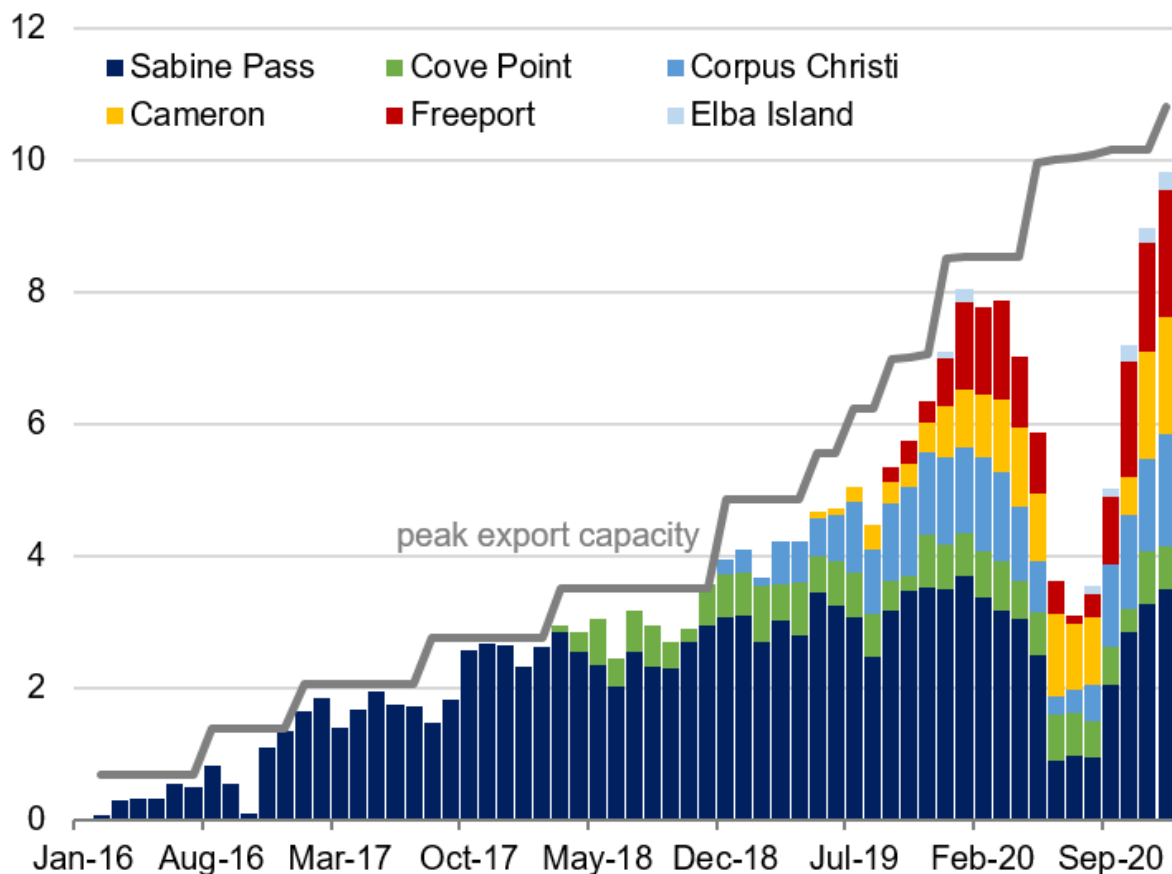
Gas Market

The prompt contract fell \$0.36/mcf or 12% over the course of January after starting the month at \$2.899/mcf and finishing at \$2.539/mcf. Prices fell because of relatively warm weather during December reducing heating demand and reached a monthly low of \$2.27 /mcf on 28 Dec. Prices recovered at the end of the month and have continued to strengthen in early January with the return of colder weather and very strong LNG exports.

The LNG story was strong all month. On 1 December US LNG feed gas flows reached an all-time high of 11.3bcf/d and export facilities continued to work at maximum capacity through the month (see Figure 1).

Figure 1: US LNG Exports by Terminal (Source: EIA)

U.S. liquefied natural gas exports by terminal (Jan 2016–Dec 2020) billion cubic feet per day



Sources: U.S. Energy Information Administration, U.S. Department of Energy
LNG Reports, and Bloomberg Finance, L.P.

Note: Export volumes for November and December 2020 are EIA estimates based on vessel shipping data provided by Bloomberg Finance, L.P. Estimated export volumes are based on LNG-carrying capacity of LNG vessels filled at 95%.

High LNG volumes were driven by strong Asian spot pricing. JKM, the price benchmark for gas delivered into Northeast Asia, had traded at a low of \$1.825/mmbtu¹ on 28 April.

¹ 1 mmbtu is approximately equal to 1 mcf

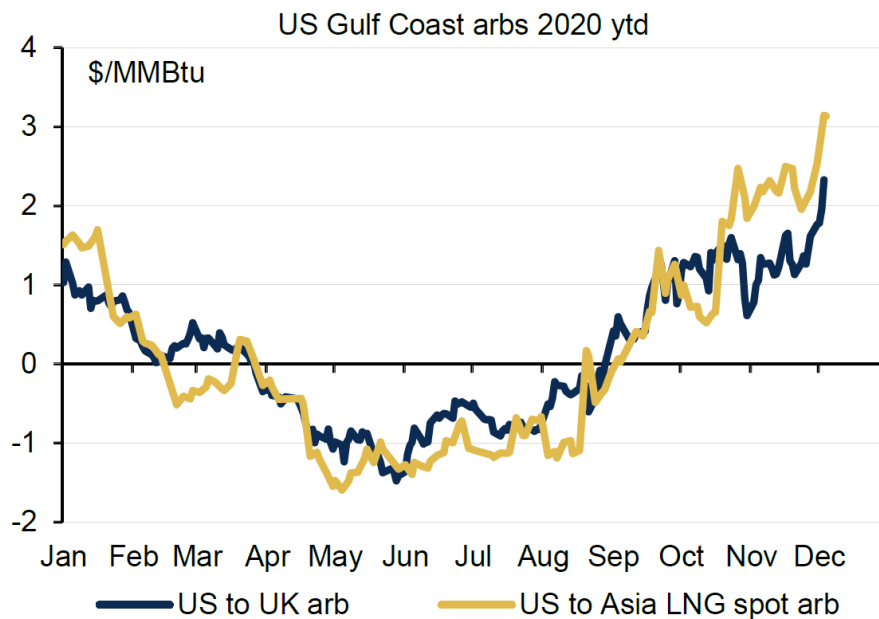


Driven by cold weather and coal shortages in China (partly driven by unofficial ban on the importation of Australian coal), JKM is now at record highs. On 7 December, the benchmark closed at \$8.32/mmbtu, on 29 December JKM reached a 6 year high of \$12.514 and by early January record cold temperatures in north Asia had driven JKM to over \$20/mmbtu.

The LNG export arbitrage is very strong (Figure 2) and forward pricing indicates the spread will remain attractive through 2021. Market assumptions are now that US LNG export facilities will operate at maximum capacity through the year (Figure 3). This demand is providing good support for summer 2021 gas prices.

Figure 2: US Export LNG Arbitrage (Source: Bloomberg via BofA)

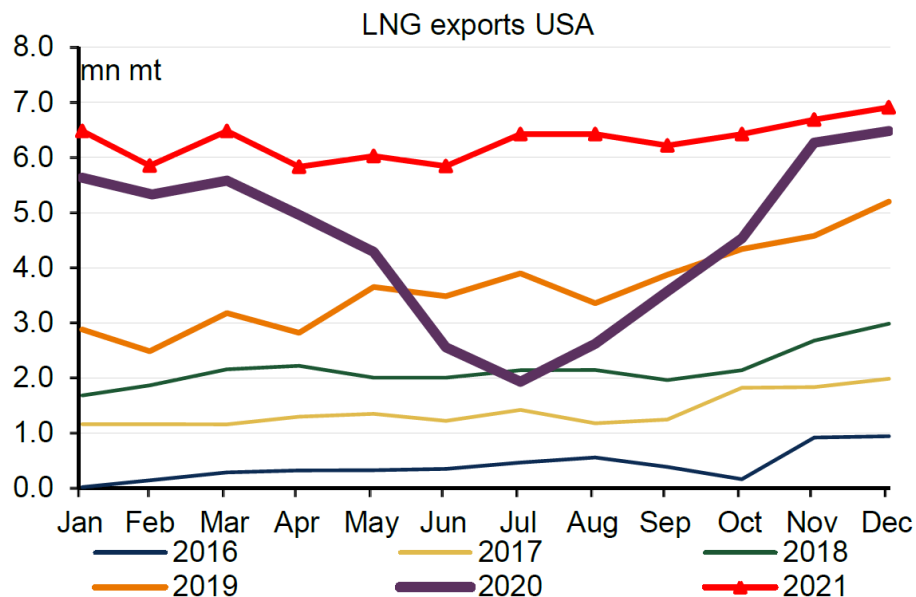
Chart 28: ...and export arbs recover into the winter demand season



Source: Bloomberg

Figure 3: US LNG Exports (Source: Bloomberg, BofA)

Chart 32: We assume near max utilization of US LNG facilities next year



Source: Bloomberg, BofA Global Research estimates



All American swing volumes are going to Asia and supply shortage has driven spot JKM pricing above the long-term oil-linked prices that apply for all Australian LNG exports (Figure 4).

Figure 4: US LNG Exports and JKM and % of Brent (Source: Bloomberg, BofA)

Chart 35: Export arbs from the US are directing all American swing volumes to Asia...

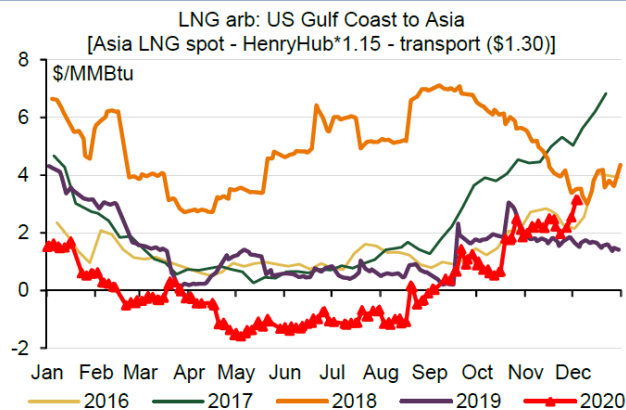
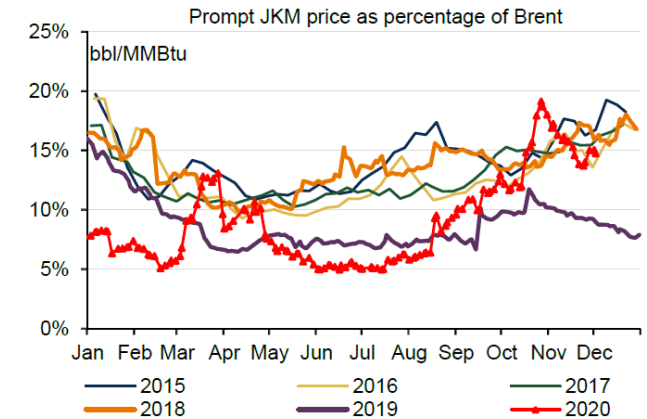


Chart 36: ...and JKM prices have now exceeded oil-linked contract prices



Oil Market

WTI has rallied hard in the first few days of January, the sport contract now trading at \$54.21/bbl, up from \$48.52/bbl on 31 Dec and \$46.09/bbl when the November monthly report was prepared.

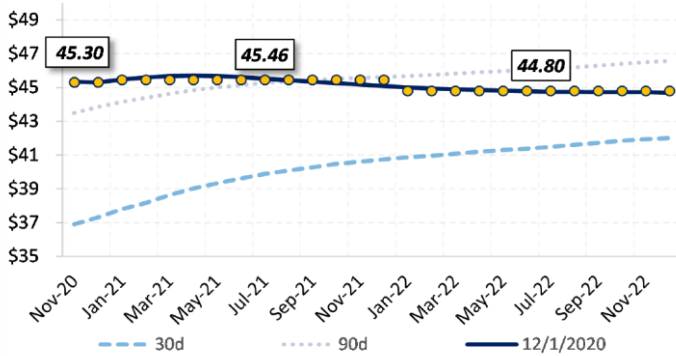
Factors driving the rise are: OPEC+ agreement on slower restoration of production and additional production cuts from Saudi Arabia, the traditional swing producer; a weakening USD; and optimism that Democratic control of House and Senate will aid the new Biden administration pass further substantial stimulus measures.

Oil consumption in China remains high. According to data from Bloomberg, China set a record for daily crude processing in November at 14.26mbd (million barrels per day), topping the previous record that had been set in October. Bloomberg reports that several Indian refiners are also running at 100% capacity.

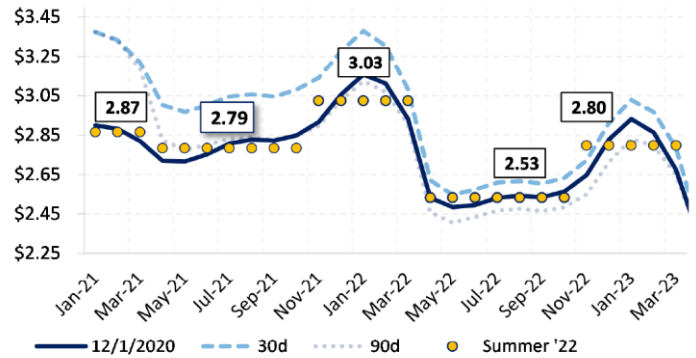


Gas and Oil Prices 1 December 2020

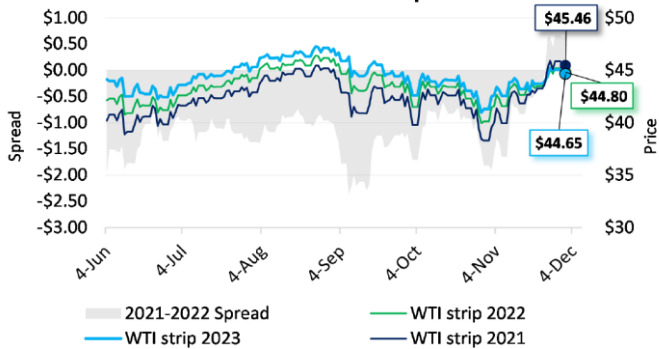
WTI Calendar Strips



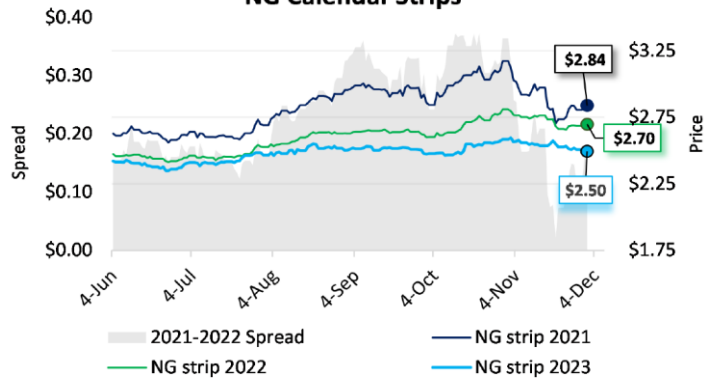
NG Seasonal Strips



WTI Calendar Strips



NG Calendar Strips



Swap Pricing

		Cal 21	Cal 22	Cal 23	Cal 24
NYMEX WTI Crude	\$	45.46	\$ 44.80	\$ 44.65	\$ 44.81
ICE Brent Crude	\$	47.93	\$ 48.04	\$ 48.50	\$ 49.05
Light Louisiana Sweet	\$	47.48	\$ 46.93	\$ 46.74	\$ 46.94
TM Midland Differential	\$	0.41	\$ 0.45	\$ 0.45	
NYMEX Natural Gas	\$	2.88	\$ 2.84	\$ 2.70	\$ 2.50

Source: Bloomberg LP

Indicative only

Natural Gas Basis

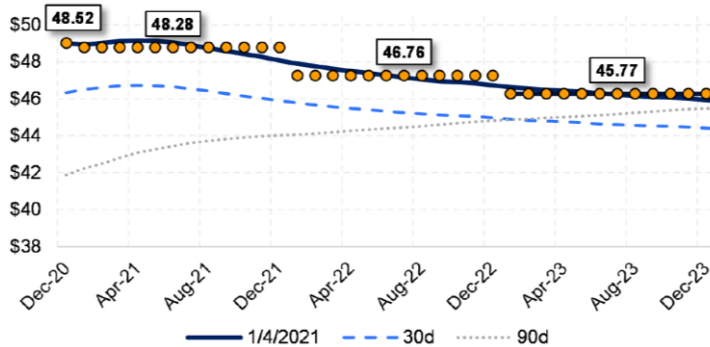
Location	Spot	Winter '20/'21	Summer '21	Winter '21/'22
Henry Hub Fixed	\$2.86	2.85	\$2.77	\$3.02
NWRox	\$ 0.46	\$ 0.09	\$ (0.22)	\$ 0.11
Waha	\$ (0.13)	\$ (0.26)	\$ (0.27)	\$ (0.24)
NGPL-Midcon	\$ (0.25)	\$ (0.24)	\$ (0.27)	\$ (0.19)
MichCon	\$ (0.29)	\$ (0.28)	\$ (0.29)	\$ (0.24)
TETCO M3	\$ (0.75)	\$ 0.66	\$ (0.55)	\$ 0.84
Dominion S	\$ (0.95)	\$ (0.74)	\$ (0.69)	\$ (0.55)
TETCO M2	\$ (1.90)	\$ (0.71)	\$ (0.72)	\$ (0.53)

All prices as of close yesterday

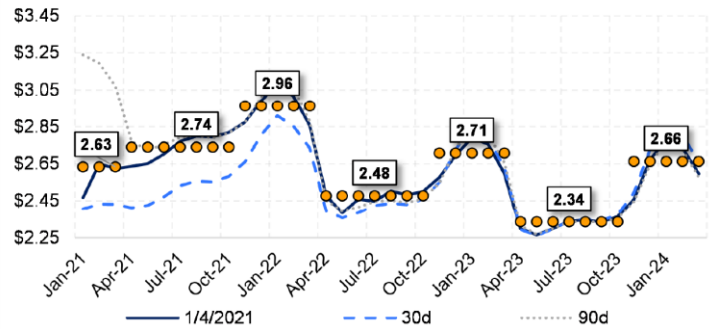


Gas and Oil Prices 4 January 2021

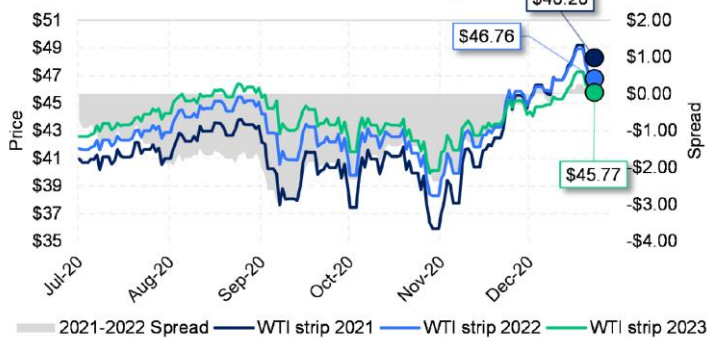
WTI Calendar Strips



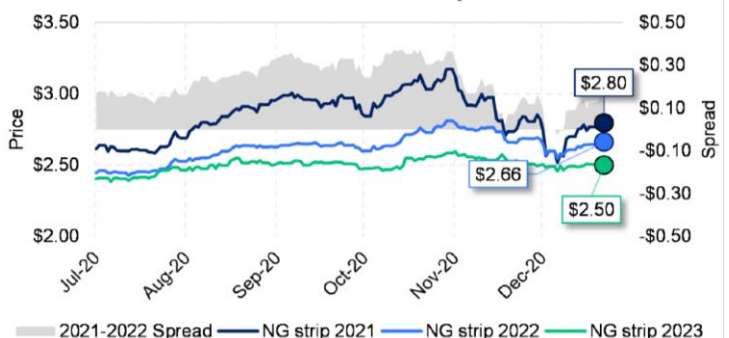
NG Seasonal Strips



WTI Calendar Strips



NG Calendar Strips



Swap Pricing

	Cal 21	Cal 22	Cal 23	Cal 24
NYMEX WTI Crude	\$ 48.28	\$ 46.76	\$ 45.77	\$ 45.17
ICE Brent Crude	\$ 51.44	\$ 50.25	\$ 49.74	\$ 49.49
Light Louisiana Sweet	\$ 49.98	\$ 48.19	\$ 46.98	\$ 46.44
TM Midland Differential	\$ 0.82	\$ 0.63	\$ 0.45	
NYMEX Natural Gas	\$ 2.88	\$ 2.76	\$ 2.63	\$ 2.50

Source: Bloomberg LP

Indicative only

Natural Gas Basis

Location	Spot	Winter '20/'21	Summer '21	Winter '21/'22	Summer '22
Henry Hub Fixed	2.39	2.63	2.65	2.89	2.43
Opal	\$ 0.80	\$ 0.25	\$ (0.18)	\$ 0.23	\$ (0.19)
Waha	\$ (0.03)	\$ (0.20)	\$ (0.24)	\$ (0.20)	\$ (0.37)
Chicago CG	\$ (0.09)	\$ (0.17)	\$ (0.27)	\$ (0.24)	\$ (0.20)
TETCO M3	\$ (0.09)	\$ 0.34	\$ (0.54)	\$ 0.91	\$ (0.48)
PEPL	\$ (0.11)	\$ (0.17)	\$ (0.29)	\$ (0.22)	\$ (0.32)
Dominion S	\$ (0.40)	\$ (0.53)	\$ (0.68)	\$ (0.58)	\$ (0.63)

All prices as previous trading day close

Source: Bloomberg