

ENERGY INSIDER

PDA Investor News

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PENNECO
YOUR ENERGY EXPLORATION PARTNER

Pennsylvania Unclaimed Property

During 2014, 2015, 2016, 2017 and 2018 the PDA Partnerships were required to submit to the Pennsylvania Department of Revenue the face value of un-cashed PDA partnership checks. The number of checks involved and the value of the checks was substantial. You may have money on deposit with the Pennsylvania Department of Revenue, which you may claim by visiting: <https://www.patreasury.gov/Unclaimed-property/>

Oil Hedges

There were hedge payments to our counter parties in the amount of \$34,858 from those PDA Partnerships having October oil production. Penneco has hedged approximately 50% of its oil production for the second half of 2018 at an average price of \$54.31/bbl and 36% of its 2019 oil production with a 3-way collar of \$65/\$72/\$80.50. Below \$65 we receive market plus \$7, between \$65 and \$72 we receive \$72, between \$72 and \$80.50 we receive market and above \$80.50 we receive \$80.50. As always, Penneco will monitor the crude oil futures market for hedging opportunities at attractive prices.

Natural Gas & Oil Prices

	October Prod. Month	December Prices
PDA Average Natural Gas Price/MCF (1)	\$ 2.11	
Dominion Transmission (DTI) Appalachian Index/MCF	\$ 2.55	\$ 4.54
NYMEX Natural Gas/MCF*	\$ 3.17	\$ 4.95
PDA Average Net Oil Price/ BBL	\$58.86	

(1) Net of third party transportation, compression, line loss, etc.

*As of the 1st of the month

Hedges are currently based on the monthly NYMEX Natural Gas Futures Price and the monthly NYMEX WTI Crude Oil Futures Price

U.S. Shale Becomes Big Oil's Safe Haven as Prices Languish

Big Oil is investing more in U.S. shale, not less, after the recent tumble in crude prices. It's a far cry from four years ago when OPEC declared war on American shale areas, which at the time had some of the highest costs anywhere in the world and were often the first on the chopping block during tough times. The cost of shale production has fallen so much since then that it's becoming a safe haven for major oil companies in times of volatile prices, providing rapid, reliable growth and quick returns even with crude down by almost a third since the start of October. Oil traded 2.1% higher at \$52.09 on December 12th. The U.S. shale sector has helped boost American production to an average of 10.9 million barrels a day this year, the most on record. Output is forecast to grow a further 11% next year, according to the Energy Information Administration. Conoco Phillips said Monday it's spending half its 2019 budget in the continental U.S., while Chevron Corp. is investing more at home than it's done for more than a decade, with \$3.6 billion going to the Permian Basin alone. Anadarko Petroleum Corp. and Hess Corp., both global operators, plan to increase spending on their American assets by more than 40%. Oil's recent collapse caused "some different allocation going on within the budget," Conoco Chief Executive Officer Ryan Lance said on Bloomberg TV. "We're putting more toward our U.S. unconventional position," he said, referring to shale. Production growth "slows down at \$50 but I don't think it stops at \$50, and it certainly continues if prices get back to \$60," Lance said. Skeptics thought shale "wouldn't last long, but it's here, it's a huge resource and it's going to be resilient and long lasting." Oil companies will spend almost \$124 billion in the U.S. next year, a third of total capital expenditure globally, Evercore ISI wrote in a note. That's a 10% increase from a year earlier, while expenditures outside North America are seen growing 7.2%. In the U.S., Conoco wells in the Eagle Ford Shale, Permian and the Bakken field generate cash when prices are around \$50 a barrel or more, Lance said. The company pumped 313,000 barrels a day from the three regions combined during the third quarter, or 25% of the Houston-based company's global production. Conoco alone will increase its shale production 25% next year, Lance said. That's on top of growth of about 35% expected this year. The shale revolution is having a bigger impact on energy markets than the development of offshore production in the 1960s, he said.

Source: OilandGas360.com

Natural Gas Market

The DTI Appalachian Index price for December was \$4.54/MCF. The volume of natural gas in storage, at the end of November, was 2,991 billion cubic feet (BCF) which was 704 BCF less than the same time in 2017. Penneco will monitor the gas market for opportunities to hedge future gas production at attractive prices. October PDA gas hedges resulted in a payment of \$20,362 to our counter parties.

The U.S. RIGCOUNT on November 30, 2018, was 1,076 with 887 drilling for oil and 189 drilling for natural gas. The Pennsylvania gas rig count is 46, down 70, from the high of 116 reached in February of 2012. The total U.S. oil rig count is 887 up by 138 since last year at this time.

Source: BakerHughes

This document is intended solely for existing investors in PDA Partnerships and their legal, business, financial and tax advisors and any distribution or use for any other purpose is unauthorized.

Please call Amy Turowski for any questions you have relative to your cash distribution. If you have changed your address or desire an account change, please email changes to donnam@penneco.com, or fax to Donna Musser at 724-468-8230. Our National toll free number is 1-800-242-1241.



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