

ENERGY INSIDER

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PENNECO

YOUR ENERGY EXPLORATION PARTNER

“2020 PDA K-1s”

PDA K-1s have been mailed by March 18th 2021

Pennsylvania Unclaimed Property

During 2014, 2015, 2016, 2017, 2018 and 2019 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 no hedge payments to or from our counter parties for those PDA Partnerships having January oil production. For 2021, Penneco has hedged 50% of its oil production with an average price 3-way collar of \$38.50/\$50/\$57. A monthly closing price below \$38.50 we receive the market price plus \$11.50, between \$38.50 and \$50 we receive \$50, between \$50 and \$57 we receive the market price and above \$57 we receive \$57. As always, Penneco will monitor the crude oil futures market for hedging opportunities at attractive prices.

Natural Gas & Oil Prices

	January Prod. Month	March Prices
PDA Average Natural Gas Price/MCF (1)	\$1.86	
Dominion Transmission (DTI) Appalachian Index/MCF	\$1.98	\$2.40
NYMEX Natural Gas/MCF*	\$2.59	\$3.00
PDA Average Net Oil Price/ BBL	\$48.71	

(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

Shale's Caution Means U.S. Oil Output Will Lag as Prices Jump

Shale's newfound prudence after last year's crash is putting producers in the unusual situation of reducing oil output just as prices surge. More focused than ever on keeping spending in check, shale drillers haven't been boring new wells fast enough to keep up with output declines in older ones. So, next month, their combined production will edge lower by 47,000 bpd to about 7.46 million, according to the U.S. EIA. That's despite an oil price jump of more than 30% this year. The impact of the coronavirus on energy consumption was so bad last year that several heavily indebted shale producers went under after years of being bankrolled by Wall Street. Now, producers don't seem to be in a rush to start another boom, and their backers aren't either. That's good news for Saudi Arabia, which has sought to bring prices up without unleashing a new supply glut. "We are still observing only about 50% of last year's rig count activity," EIA analyst Jozef Lieskovsky said by email. "With such a low rig count, even with the increased productivity, production declines in all regions are possible." The number of rigs drilling for oil in the U.S. started plunging when the pandemic hit, reaching just 172 in August, down from 683 late in March 2020, according to Baker Hughes data. They are now at little more than 300. In theory, producers also have the option of fracking wells that have been drilled but left uncompleted, known as DUCs. But that wouldn't help them conserve much capital because the process of blasting a mixture of water, chemicals, and sand into the ground to unleash oil and gas from shale rock is the most expensive part of a well's development. DUCs also require some work before they can be fracked if they've been lying idle for too long. Output will be slightly lower in nearly all key shale regions except for the Permian Basin of West Texas and New Mexico, which is estimated to produce a meager 11,000 bpd more, the EIA said in its Drilling Productivity Report. *Source: Bloomberg.com*

Natural Gas Market

The DTI Appalachian Index price for March was \$2.40/MCF. The volume of natural gas in storage, at the beginning of March, was 1,793 billion cubic feet (BCF) which was 257 BCF less than the same time in 2020. Penneco will monitor the gas market for opportunities to hedge future gas production at attractive prices. January PDA gas hedges resulted in a payment of \$7,123 from our counter parties.

The U.S. RIG COUNT on March 5, 2021, was 402 with 310 drilling for oil and 92 drilling for natural gas. The Pennsylvania gas rig count is 20, down 96, from the high of 116 reached in February of 2012. The total U.S. oil rig count is 310 down by 372 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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