The Broadcast - December 2023

PRODUCER PROFIT SHARE **$14,873,341**

About Broadbill Energy

Broadbill exists to develop value differently. From our strong foundations we create unsurpassed value to boldly redefine the midstream industry as the partner of choice. We fearlessly pursue innovation and strategic opportunities. We are producer centric and we work with the right people.

The Broadcast is a monthly marketing newsletter from Broadbill Energy Inc. to provide market insight and company updates.

VISIT US

What's New in the Zoo

We are eyeing $15M in producer profit sharing to ring in the New Year! Thanks again for an incredible year of growth. Let’s continue the trend in 2024!

We have been actively bringing more talent to the Broadbill team both in the field and at our corporate office, as we aim to grow our presence in the WCSB. We welcome Mitch Singer to our growing lease and facilities team, as well as Darla Hamp to help drive producer value in the NGL space as she has done for years coming from Repsol with their departure from the Canadian market with their sale to Peyto last month.

It's Beginning to Look a Lot Like Christmas...Broadbill Edition

It's beginning to look a lot like Christmas
Just like the one's we always know
Take a look at all the diffs, they have all began to slip
With handles that make us all want to choke
It's beginning to look a lot like Christmas
Apportionment starts to grow
But the ugliest sight to see is the tariffs that will be
When TMX finally flows
590 per day, leads to tighter diffs they say
Is the wish of producers right away
Lots of egress, much less stress
Is the hope of the WCSB
And Eric Nutall can hardly wait for increased NCIBs
It's beginning to look a lot like Christmas
The Saudi's want to know.....ohhhh
If OPEC will agree to cuts, to get Brent out of the rut
To keep prices sturdy and to grow
It's beginning to look a lot like Christmas
Soon the bells (in your head) will start
And the thing that'll make it ring is the interest rate Justin brings
And it will break your heart
Musical Interlude......

It's beginning to look a lot like Christmas
Apportionment please slow....ohhhh
But the prettiest sight will be is the smiles that we'll see
When TMX finally flows
Sure, it's Christmas once more...and...

We hope to see you at the Bear and Kilt for some Christmas cheer on December 7 at the annual Broadbill Christmas event. Please let us know if you are planning on coming, if you have not already! We look forward to seeing you.

Our staff wishes a wonderful holiday season to everyone.

Pricing View - November 28, 2023

	October - 2023 Index Diff	November - 2023 Index Diff	December - 2023 Index Diff
WCS	-$18.24	-$20.85	-$26.58
LIGHT SWEET (MSW)	-$2.99	-$3.88	-$8.70
CONDENSATE (C5)	-$1.92	-$0.35	-$3.99
LIGHT SOUR BLEND (LSB)	-$4.31	-$4.57	-$12.15
MIDALE (MSM)	-$7.61	-$7.67	-$16.00

MARKET SUMMARY

Another month, another Trans Mountain Expansion (TMX) challenge. Trans Mountain released its financials and booked a net loss in the third quarter of $888.1 MM in goodwill impairment charge. The company stated that this resulted from “significant factors” related to TMX and “primarily a rise in the cost of capital from increased domestic interest rates.” Forgetaboutit.

Canada Energy Regulator (CER) ordered a work stoppage of TMX earlier in November due to non-compliance with environmental and safety regulations, though bigger producers like Suncor remain optimistic about the prospect of TMX. Earlier this week Trans Mountain completed an oral hearing to change design specifications for a two kilometer stretch between Hope and Chilliwack, BC due to difficult drilling conditions. The change would involve installing a segment of 30-inch pipe instead of 36-inch to shorten construction time by around 60 days. There was no formal opposition to the proposed change.

Saudi government budgets are back into a sizeable deficit. According to the IMF, Suadi needs prices to be around $91 for Brent to balance the budget. Speaking of OPEC related news, OPEC is considering expanding its membership to Brazil. More importantly, OPEC+ postponed their upcoming meeting to November 30, which triggered a selloff. The delay was mainly due to a disagreement over non-compliance from African countries. Many producers are concerned about the overall quota compliance as Iran is rising production. Iran’s oil minister announced that Iran has increased its crude production to 3.4 million b/d and expects further growth in the upcoming months. Though Iranian oil exports decreased for the second month, as the U.S. passed a bill that would sanction all foreign ports and refineries processing Iranian crude.

OPEC's monthly report revised down Eurozone growth for 2023 and 2024. Japan and Russia's economic growth forecast is revised up. World oil demand growth forecast for 2023 is revised up to 2.5 mb/d. Non-OPEC supply forecast is also revised up, which for the time being is counter to OPECs continued lollipop cuts. U.S. production continues to show resilience despite slowing/dropping rig counts coming in at 13.2M/day.

The U.S. eased restrictions on Venezuela's exports in exchange for the commitment to fair elections. Shortly after, Venezuelan government canceled the selection of opposition candidates for the 2024 election, leading many to speculate on whether the export restrictions will be placed back on Venezuela.

A tough month for WTI. No stocking stuffers from Asian demand data points yet either. Weak Chinese manufacturing data, export data, inventory build ups, and shrinking refining margins reflecting falling demand came out bringing back Chinese economic fears. Chinese Consumer Price Index (CPI) and Producer Price Index (PPI) came in low as well. Though it is hard to track and trust all the data coming out of the nation for the time being, demand pull is not coming from Asian indications.

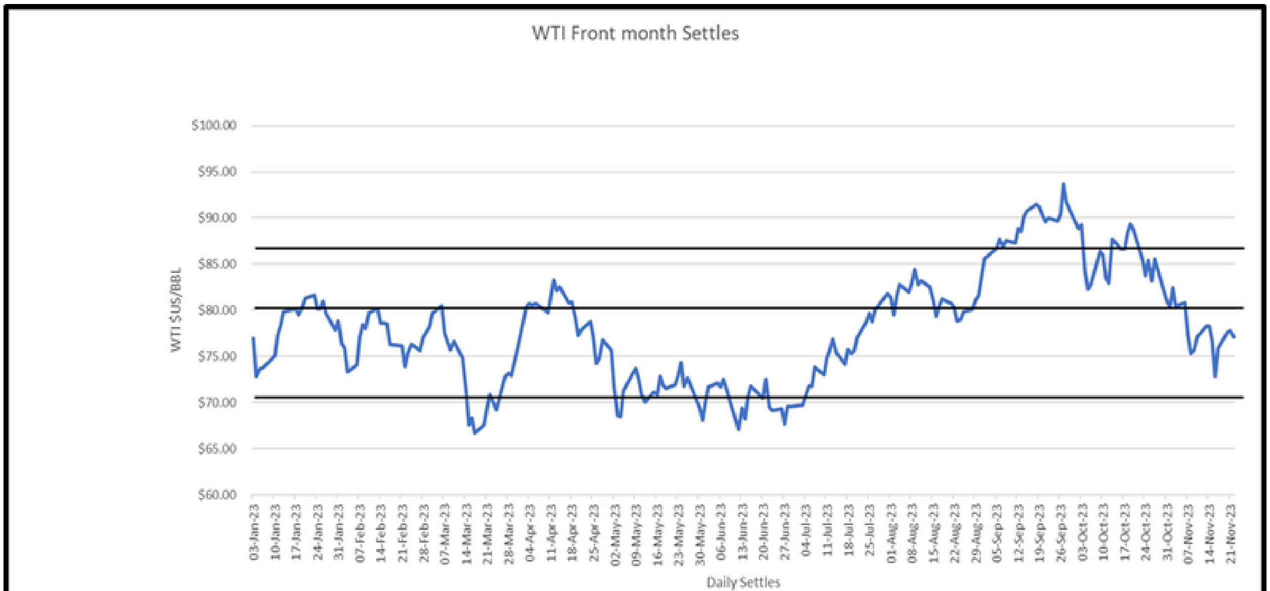
In North America we've lost the "crude inventory draw" storyline that was adding fuel to the market deficiency narrative, as we are seeing consistent builds even exiting maintenance season. The good news is product inventory remains bullish for WTI as gasoline cracks have stayed relevant for the winter season, while diesel remains very strong. Synthetic differential weakness will only serve to promote downstream demand and diesel is still pricing strong at the pumps. Despite all the headwinds, we have so far bounced above $70 us/bbl and remain cautiously optimistic OPEC will maintain (or possibly increase) its price promotion strategy, keeping the market tight.

U.S. employment data came out showing a slowing economy as the U.S. Fed and Bank of England decided to not hike rates. Travel also continues to defy slowdown rhetoric as the consumer still seems comfortable spending on air travel and hotels. Investors are convinced that the U.S. Fed is done raising rates and there's even rumors of possible rate cuts as early as next year. We see this happening in Canada as other than energy, the country seems to be losing steam with real estate losing headwinds other than here in Alberta.

October U.S. CPI came out better than expected lowering U.S. Treasury yields. I would argue core CPI isn't a great metric, as it doesn't include food or energy (things that people need). Yes, the economists argue that commodity prices are subject to price shocks that can't be dampened by monetary policy however, increasing cost of borrowing also impacts farmers and energy companies. Furthermore, CPI uses owner's equivalent rent to measure rent and uses substitutes. For instance, comparing beef vs chicken instead of beef vs. beef as consumers change product preferences often due to affordability issues. However, clearly the treasury market does not agree. PPI numbers also came out lower than expected.

Bank of Canada started the month sounding Hawkish, noting high inflation and elevated wage growth without mentioning weaker GDP, upcoming mortgage renewals and unemployment rising. Canadian CPI for October rose. Near the end of the month Tiff Macklem sounded dovish expecting the economy to remain weak for the next few quarters. Tiff Macklem claimed victory over inflation saying, “tightening of monetary policy is working, and interest rates may now be restrictive enough to get us back to price stability.” The bond market liked the speech as yields have been falling through the month.

The U.S. Department of Energy (DOE) announced it would seek to buy up to 3 million barrels of crude for January 2024 delivery to replenish the Strategic Petroleum Reserve (SPR). Inventory is building up according to the last couple Energy Information Administration (EIA) weekly report.



Source: Broadbill Energy Inc.

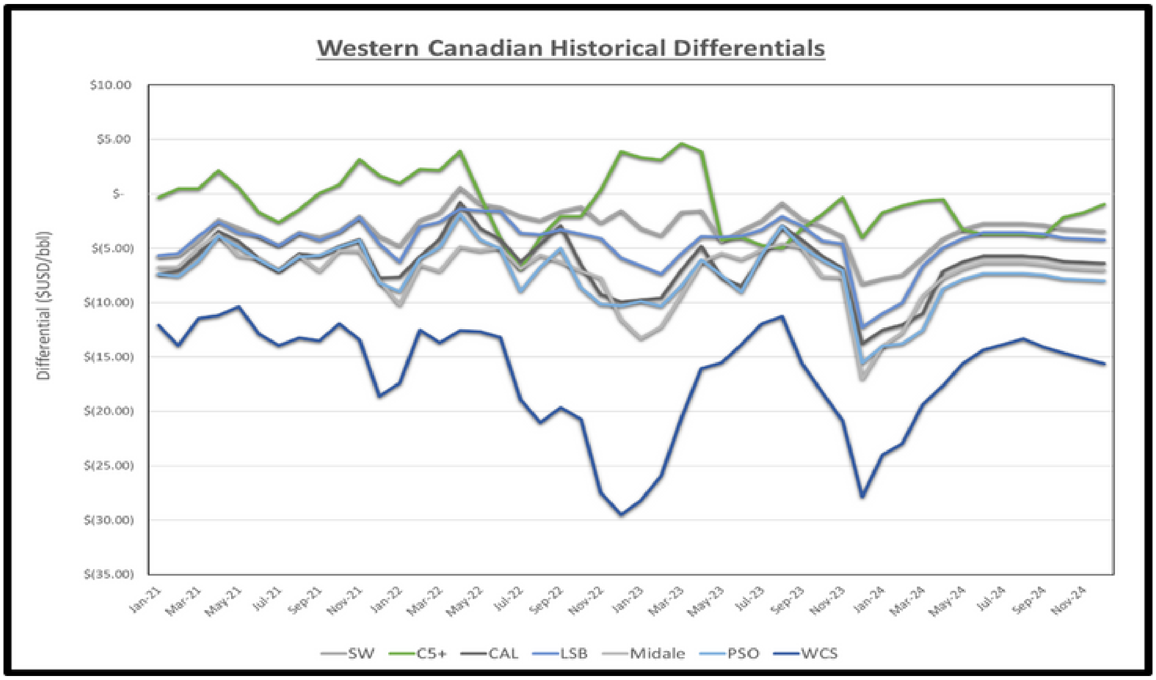
WCSB PRICING SUMMARY

WCSB differentials continue to struggle. The ghost of Christmas past returns: Ebenezer apportionment continues to climb as witnessed on December mainline with lights rising to 35% (increase of 13% from November) and heavies tracking in at 28% (slight increase of 4% over November). All apportionment pinch points now sit once again at Kerrobert, likely with Co-op coming back post maintenance, which can shift the heavy pinch point past Regina to superior as it did in November.

Adding to WCS troubles, additional Venezuelan heavy oil is available for U.S. refineries, as sanctions are eased allowing this production to make its way to the U.S. Gulf Coast as mentioned above. News broke that several cargoes were looking for bids and this has likely dampened the Christmas spirit for Canadian heavy pricing on the Gulf Coast. Additional pressure from Pemex refineries continues to be underutilized for the fifth month, increasing Mexican heavy exports and WCS woes. This will be a theme to watch, especially as we all eagerly await the New Year news flow on TMX start up.

Light differentials were unfortunately a big story for December. Last Christmas the light producers enjoyed some of the tightest winter differentials we have ever seen, while this year's wish list must have got caught with Clark Grizwolds Christmas bonus cheque in the delivery truck or light producers somehow made their way to the naughty list. The reality is there does seem to be some backed up yearend supplies and apportionment is only going to add to the pile (and this pile isn't toys). Synthetic crude is still well offered post December trade cycle and could lend to some Q12024 weakness. We will be keeping our eyes on storage in the WCSB, along with rail exports expecting them both to have the up arrows through to TMX green light.

Another price point to monitor is downstream price in light of softening Canadian differentials. If you have interest in understanding this, please reach out as we have a few strategies to help hedge against this kind of market.



Source: Broadbill Energy Inc.

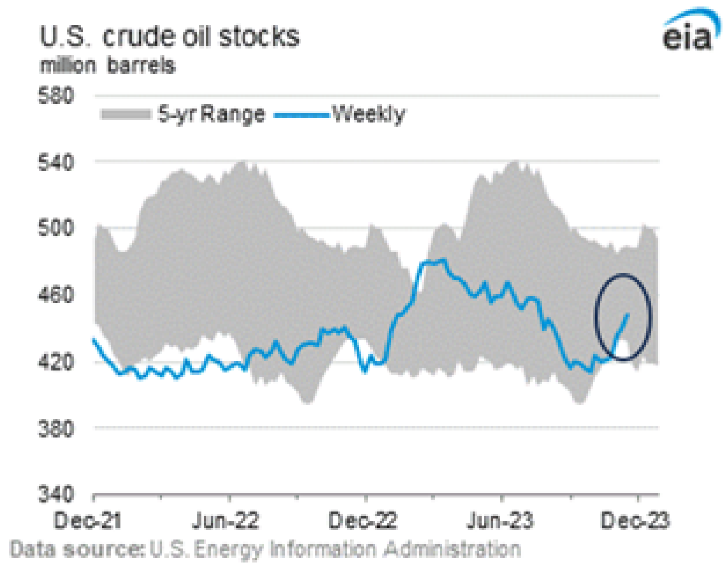
Well, that about covers it. We want to take a moment to wish you and yours a a very Merry Christmas. We hope you have a wonderful holiday season with family and friends and we look forward to reconnecting in the New Year. Thank you again for a memorable 2023. We look forward to exciting times in 2024 and beyond.

Warm (but only metaphorical for our gas producing customers) wishes this holiday season.

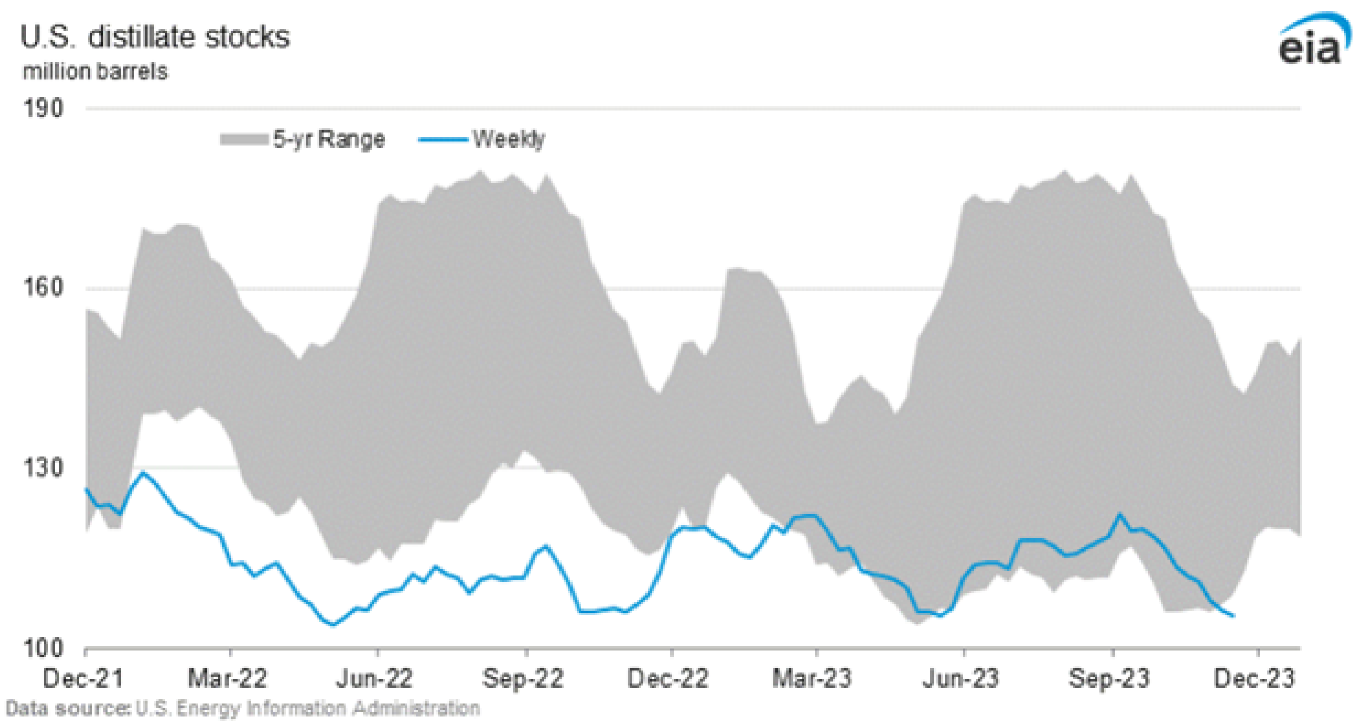
The Broadbill Energy Team

Broadbill Energy - 2800, 525 8th Avenue SW, Calgary, AB, T2P 1G1, Canada

APPENDIX



	Stocks	Change from last	
	11/17/23	Week	Year
Crude oil	448.1	8.7	16.4
Gasoline	216.4	0.7	5.4
Distillate	105.6	-1.0	-3.5
Propane	99.272	-0.469	10.244



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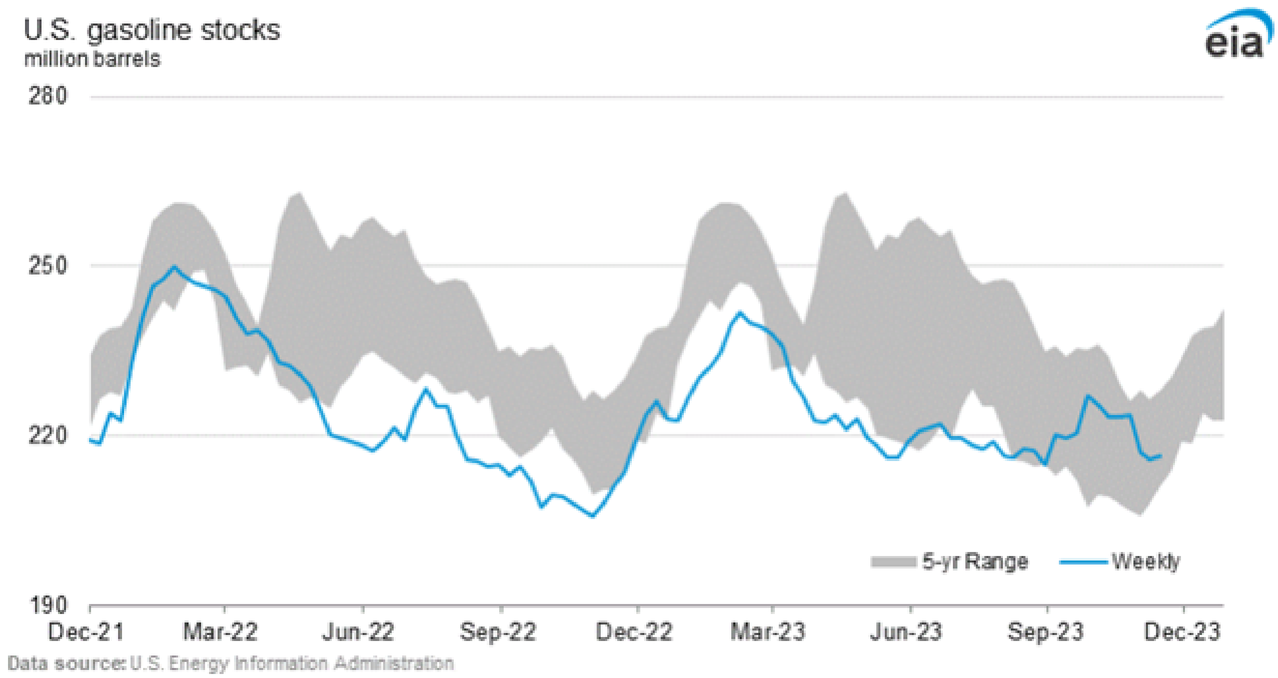

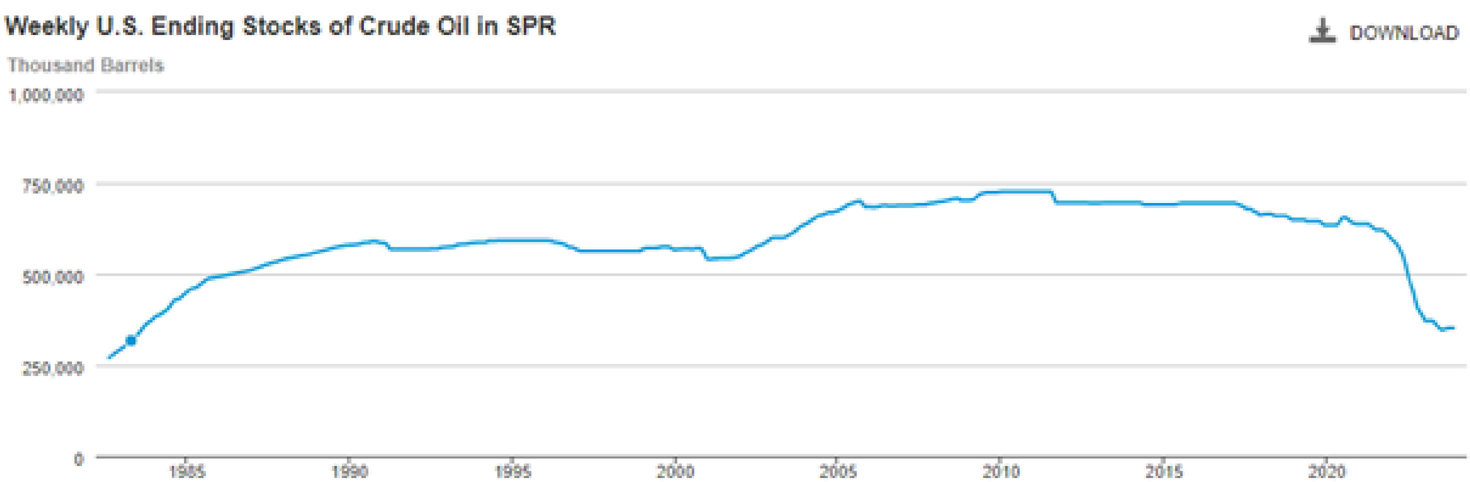

DXY chart›