

# COVENANT

## Hedge Fund Manager Sees China's Energy Demands Benefiting U.S. Natural Gas Industry, Oklahoma Companies

### Covenant Investors' Steve Shafer Says Emerging Markets' Purchases Could End Glut

Oklahoma City, OK—June 29, 2011—Steve Shafer, Chief Investment Officer for Covenant Financial Services, LLC (“Covenant Investors”), sees a bullish scenario for Oklahoma City-based energy companies Chesapeake Energy Corp (NYSE: CHK), Devon Energy Corporation (NYSE: DVN) and SandRidge Energy, Inc. (NYSE: SD), based on his recent visit to China in June.

Natural gas is a core element of China's newly-adopted Five Year Plan, and as a result, China more than doubled its imports of natural gas in 2010 over 2009. About half of the imported gas was delivered by pipeline from central Asia and the other half in the form of liquefied natural gas, or LNG. China and other emerging market countries are expected to become buyers of cheaper LNG from Canada when its new LNG export terminal is completed in British Columbia in 2015. If that happens, it could siphon off a significant source of natural gas that normally goes to the U.S., thus driving up domestic natural gas prices that have been depressed by excess supplies in the market. In 2009, Canada provided 87% of all U.S. natural gas imports, representing 12% of U.S. consumption.

“Obviously, this scenario is going to play out over years, not months, but any sustainable upward trend in prices will greatly benefit the U.S. natural gas industry and its large players based in Oklahoma,” commented Shafer. “While prices have firmed up this year, there is no question that China will have a substantial effect on global natural gas prices in the not-too-distant future,” he added.

Natural gas prices fell sharply in the aftermath of the recession, from a high of just over \$13 per million British thermal units (BTUs) to a current \$4.32. Although electric utilities, manufacturers and car makers are increasing their use of natural gas, the discovery of shale gas in the last few years created excess supply.

“Today natural gas is effectively a domestic commodity, but because of China's significant growth and consumption, it will soon become a true global commodity in a manner like crude, coal, and copper,” said Shafer.

#### About Covenant

Covenant is a multi-strategy, multi-asset global macro investment manager focused on protecting capital while generating targeted rates of return. As a fiduciary, Covenant is dedicated to delivering desired results at a low risk with low volatility and with a high degree of liquidity. Covenant's investment management is notable for a highly active, tactical style that can be assisted but not replicated by quantitative tools. Moreover, continuous monitoring of securities and trades ensures that every position is delivering results consistent with investor objectives. To learn more, visit [www.covenantinvestors.com](http://www.covenantinvestors.com).

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