

Market Commentary

Recap: After falling earlier in the session, oil futures rebounded, showing signs of strength, after the EIA reported an unexpected 6.6 million barrel drop in U.S. crude oil inventories. The decrease in crude oil stockpiles comes as refiners ramped up production by 0.7 percent to 83% on the week. This was the highest level of refining utilization since March. Also lending support was the vaccine rollout, which is expected to help drive up demand. Wednesday's rally marked the longest streak in two years. March WTI rose 36 cents, or 0.6%, to \$58.72 a barrel, while April Brent tacked on 46 cents, or 0.7%, to settle at \$61.55 a barrel.

Technical Analysis: Oil prices have surged by 12% over the past seven sessions, marking their longest streak since 2019. The rally is being supported by several factors, including the rollout of the COVID-19 vaccines, compliance by OPEC+ to production cuts, signs of increasing demand and a drop in U.S. crude oil inventories. At this point, the \$60 level is becoming more likely, but one has to wonder if oil prices at this level will prompt producers into action, as they try to take advantage of prices not seen in over a year. While this market forges ahead, technical indicators are indicating that this market may be running out of steam. The 14-day relative strength index, although trending higher, is in overbought territory, as it is closing in on 80. There is resistance set up at the Jan. 21, 2020 high of \$59.75. To the downside, support is set at \$56.30 and below that at \$55.

Fundamental News: IIR Energy reported that U.S. oil refiners are expected to shut in 3.5 million bpd of capacity in the week ending February 12th, increasing available refining capacity by 267,000 bpd from the previous week. Offline capacity is expected to decrease to 3.4 million bpd in the week ending February 19th.

Crude prices in North Dakota's Bakken shale region have increased to their highest levels in about six months as producers in the region rein in output and amid doubt over the fate of the Dakota Access Pipeline. Concern about how U.S. President Joe Biden's administration will handle the Dakota Access Pipeline (DAPL), which can transport more than 550,000 bpd out of the Bakken, is supporting prices. The possibility that the line could be shut down is prompting some producers to ask for higher premiums for their oil, fearing buyers may renege on agreements. Crude output in North Dakota is still about 20% lower than the historic high of 1.5 million bpd reached in late 2019. While production from wells more than one year old has recovered, output from newer wells has not, because of a lower rate of completions. DAPL's operator, Energy Transfer, is arguing in court that the line should be kept open even as the U.S. Army Corps of Engineers undertakes a new review of the impact of the line's passage under Lake Oahe, a key source of water for indigenous communities in the Dakotas. A hearing scheduled for Wednesday in the U.S. District Court of the District of Columbia was postponed until April at the request of the Army Corps.

Iraq's Oil Minister, Ihsan Abdul Jabbar, said Iraq expects total oil production to average 3.6 million bpd in February if the autonomous Kurdistan region abides by OPEC+ oil production cuts. He said an average of 2.9 million bpd in exports were expected. The minister said he anticipated an oil price of \$58 to \$63 in 2021. He also said OPEC and its allies were expected to keep their output policy, to which Iraq remains committed, unchanged during their next meeting. He does not expect Saudi Arabia to continue cutting 1 million bpd of oil beyond February and March. He said Iran might return to the oil market if everything remained "normal", without elaborating.

Early Market Call - as of 8:40 AM EDT

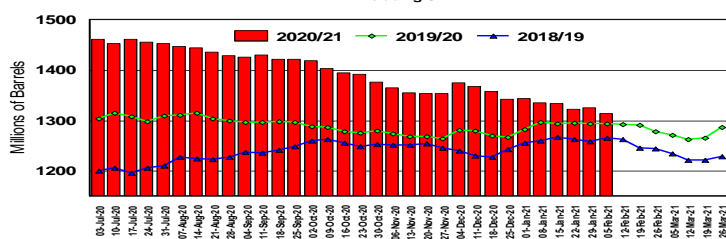
WTI - Mar \$58.37, down 31 cents
 RBOB - Mar \$1.6481, down 53 points
 HO - Mar \$1.7555, down 55 points

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-21	1.7610	0.0043	-0.0705
Apr-21	1.7525	0.0043	-0.0695
May-21	1.7476	0.0047	-0.0687
Jun-21	1.7451	0.0049	-0.0683
Jul-21	1.7450	0.0049	-0.0679
Aug-21	1.7456	0.0050	-0.0675
Sep-21	1.7479	0.0052	-0.0671
Oct-21	1.7498	0.0052	-0.0656
Nov-21	1.7506	0.0049	-0.0643
Dec-21	1.7498	0.0047	-0.0634
Jan-22	1.7510	0.0047	-0.0634
Feb-22	1.7489	0.0050	-0.0631
Mar-22	1.7408	0.0052	-0.0623
Apr-22	1.7261	0.0056	-0.0617
May-22	1.7178	0.0062	-0.0608
Jun-22	1.7120	0.0067	-0.0602
Jul-22	1.7116	0.0071	-0.0596

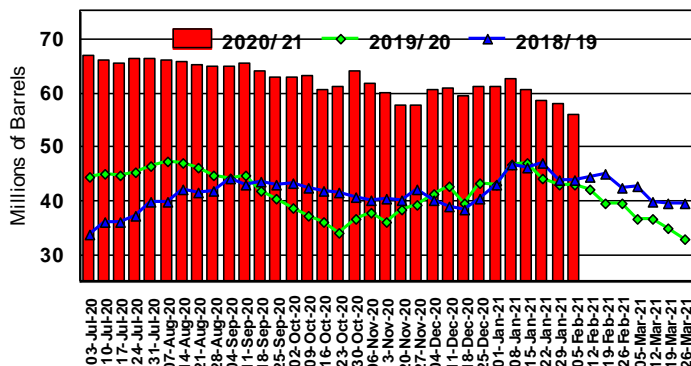
Sprague HeatCurve October 2021-April 2022		\$1.7465
	Close	Change
Crude - WTI	\$58.5700	\$0.3200
Crude - Brent	\$61.4700	\$0.3800
Natural Gas	\$2.9110	\$0.0760
Gasoline	\$1.6534	-\$0.0202

Total U.S. Oil Stocks Excluding SPR



Weekly EIA Petroleum Status Report for the Week Ending February 5, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 6.645 million barrels
 Cushing, OK Crude Stocks Down 658,000 barrels
Gasoline Stocks Up 4.259 million barrels
Distillate Stocks Down 1.732 million barrels
Refinery % Operated 83%, Up 0.7%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Feb 05, 2021	Week Ending Jan 29, 2021	Week Ending Feb 07, 2020
New England	11.1	11.5	7.1
Central Atlantic	31.1	32.2	22.3
Total PADD #1	55.9	57.9	42.9
Distillate Imports (thousands b/d)	333	506	53