

Market Commentary

Recap: Oil futures bounced a bit on Wednesday but turned to the downside after a mixed weekly EIA report. Fostering the up move was the unexpected decline in both U.S. crude oil and distillate inventories. However, traders appeared more focused on the 3.5 million barrel build in gasoline inventories and the fact that implied gasoline demand's 4-week-average staying at just 8.7 million barrel per day, which is nearly 8% lower from a year ago and suggests high gas prices are keeping drivers off the road. Oil prices had risen the past three sessions straight on hopes the US would avoid a recession and bring inflation under control. On its last day of trading, August WTI fell \$1.96 a barrel, or 1.88%, to settle at \$102.26. Brent for September delivery lost 43 cents, or 0.40%, to settle at \$106.92 a barrel. August RBOB slipped 3.21 cents, or 0.97%, to settle at \$3.2754 per gallon, while August heating oil lost 2.25 cents per gallon, or 0.62%, to settle at \$3.6043.

Technical Analysis: Oil prices have been rocked by a deteriorating outlook for demand, inflation fears amid aggressive interest rate hikes to fight inflation and the invasion of Ukraine by Russia. Years of global underinvestment and the potential need to replace Russian barrels, broader supply constraints can keep oil prices elevated even if demand moderates. With September WTI being the new front month contract, we would look for a run up toward the downward trend line, with a push above \$100 opening up for a run at \$102. A move above this level will shift the main trend of this market to the upside. Resistance rests at the 50-day moving average, which is currently set at \$110.09. To the downside support is seen at \$94.66 and below that at \$90.

Fundamental News: The EIA reported that U.S. crude oil in the SPR fell by 5 million barrels to 480.1 million barrels, its lowest level since July 1985. The EIA also reported that U.S. crude oil production fell by 100,000 bpd to 11.9 million bpd in the week ending July 15th, its lowest since early June. It was the first time output fell for two consecutive weeks since late January.

IIR Energy reported that U.S. oil refiners are expected to shut in about 636,000 bpd of capacity in the week ending July 22nd, increasing available refining capacity by 33,000 bpd on the week.

The South Dakota electric power cooperative said the recent disruption of the Keystone Pipeline crude oil flows had been caused by vandalism at its Carpenter Substation in rural northeastern Beadle County. TC Energy reported its Keystone Pipeline as a result is operating at reduced capacity for an indefinite period while repairs are completed. TC Energy said there is currently no timeline for completion of repairs and restoration of power service. A pump station was shut down due to damage to a third-party power utility on Sunday. TC declared force majeure on Keystone deliveries on Monday. Platts reported that the Keystone Pipeline could resume full capacity next week.

Vortexa reported that Europe's Russian diesel import increased in July to the highest level since March. Diesel imports from Russia in the July 1st-19th period reached 825,000 bpd, up 24% from June levels and accounting for nearly 60% of European imports. Vortexa expects Europe's non-Russian imports of diesel to reach 660,000 bpd in July. Overall, European imports in July are forecast to reach 1.41 million bpd, the highest level since April and about 14% on the month.

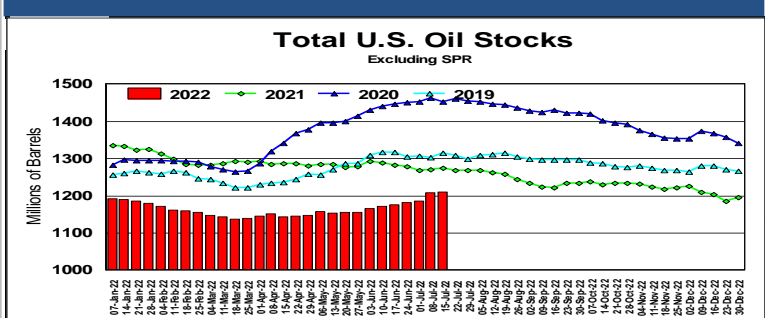
Russia's Deputy Prime Minister said Russia will not supply oil to the world market if a price cap is imposed.

Early Market Call - as of 8:20 AM EDT
WTI - September \$95.99, down 3.89 cents
RBOB - August \$3.0881, down 18.73 cents
HO - Augusts \$3.4938, down 11.05 cents

All NYMEX | Prior Settlements

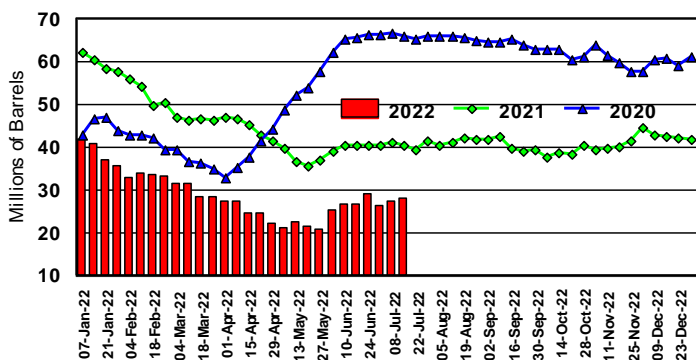
| Month | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Aug-22 | 3.6043 | -0.0225 | -0.0616 |
| Sep-22 | 3.5565 | -0.0123 | -0.1094 |
| Oct-22 | 3.5021 | -0.0057 | -0.0042 |
| Nov-22 | 3.4478 | -0.0011 | 0.009 |
| Dec-22 | 3.3977 | 0.0006 | 0.02 |
| Jan-23 | 3.356 | 0.004 | 0.0332 |
| Feb-23 | 3.3044 | 0.0075 | 0.0457 |
| Mar-23 | 3.2397 | 0.0096 | 0.0522 |
| Apr-23 | 3.1724 | 0.0102 | 0.0551 |
| May-23 | 3.1232 | 0.0074 | 0.0563 |
| Jun-23 | 3.082 | 0.0038 | 0.057 |
| Jul-23 | 3.053 | 0.0044 | 0.0591 |
| Aug-23 | 3.0232 | 0.0056 | 0.0565 |
| Sep-23 | 2.9903 | 0.0077 | 0.0553 |
| Oct-23 | 2.963 | 0.0075 | 0.0608 |
| Nov-23 | 2.94 | 0.0078 | 0.0676 |
| Dec-23 | 2.9211 | 0.0077 | 0.0728 |

| Sprague HeatCurve October 2022-April 2023 | | Close | Change |
|---|--|------------|-----------|
| Crude - WTI | Aug Brent-WTI Spread \$7.04 | \$99.8800 | -\$0.8600 |
| Crude - Brent | | \$106.9200 | -\$0.4300 |
| Natural Gas | | \$8.0070 | \$0.7430 |
| Gasoline | | \$3.2754 | -\$0.0321 |



Weekly EIA Petroleum Status Report for the Week Ending July 15, 2022

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 446,000 barrels
Cushing, OK Crude Stocks Up 1.14 million barrels
Gasoline Stocks Up 3.5 million barrels
Distillate Stocks Down 1.3 million barrels
Refinery % Operated 93.7%, down 1.2%

PADD #1

| | Week Ending July 15, 2022 | Week Ending July 8, 2022 | Week Ending July 16, 2021 |
|-------------------------------------|---------------------------|--------------------------|---------------------------|
| Distillate Stocks (in million bbls) | 3.3 | 3.3 | 6.7 |
| Central Atlantic | 13.0 | 12.8 | 19.8 |
| Total PADD #1 | 28.2 | 27.5 | 40.4 |
| Distillate Imports (thousands b/d) | 90 | 107 | 77 |