

Market Commentary

Recap: Oil futures reversed early gains, but held close to seven highs as Russia tensions offset U.S. Federal Reserve plans to implement money tightening policies. Crude prices surged on Wednesday, with Brent climbing above \$90 a barrel for the first time in seven years amid tensions between Russia and the West. Recent threats to the United Arab Emirates from Yemen's Houthi movement have added to jitters in the oil market. Prices had surged on Wednesday, with Brent climbing above \$90 a barrel for the first time in seven years amid tension between Russia and the West. Threats to the United Arab Emirates from Yemen's Houthi movement had added to oil market jitters. The market is starting to turn its attention to a Feb. 2 meeting of the Organization of the Petroleum Exporting Countries (OPEC) and allies led by Russia, a group known as OPEC+. March WTI fell 74 cents, or .085%, to settle at \$86.61 a barrel, snapping a two day winning streak. March Brent settled at \$89.34 a barrel, down 62 cents, or 0.69%. Petroleum products finished mixed, with February heating oil adding .0505 cents, to \$2.7945 a gallon, while February RBOB fell .0019, to \$2.5210 a gallon.

Technical Analysis: In the short-term, crude oil will remain pretty well supported, albeit not without headwinds. We're looking for supply challenges and mounting Russia-Ukraine tensions to remain supportive for crude oil prices. WTI still needs to capture the \$90 level, where we expect to encounter technically placed stops. Once above \$90, we would look for WTI to fall into a bit of sideways trading, as traders ponder future movement of this market.

Fundamental News: The Department of Energy reported that U.S. operators reported a 19% decline in proven reserves in the U.S. due to lower oil prices in the first year of the Covid pandemic. The average price of WTI fell from \$57/barrel in 2019 to \$39/barrel in 2020. It stated that "Lower crude oil prices caused many operators to revise their estimates of proved reserves downward and scale back development plans for new wells." In 2020, American producers estimated the country had 38.2 billion barrels of crude that could be produced economically. In Texas, proven reserves fell from 19.8 billion barrels in 2019 to 16.7 million barrels in 2020. Proved crude oil and lease condensate reserves also fell in North Dakota by 2.2 billion barrels and in the Federal Offshore Gulf of Mexico by 800 million barrels. The EIA said higher crude prices in 2021 will likely lead to more reserves in 2021.

Citi increased its first quarter Brent outlook by \$4 to \$79/barrel to reflect near-term tightness yet it maintained its view that prices will decline from current levels. Its forecasts for the second quarter and third quarter were each raised by \$2 to \$75/barrel and \$69/barrel, respectively and the fourth quarter by \$1/barrel to \$63/barrel.

Analysts expect oil prices to reach \$125/barrel if the Russia-Ukraine crisis worsens and turns into a war. Global strategist at Rabobank International, Michael Every, said "War will result in elevated risk-premiums and higher transit costs. On that basis, oil may hit \$125 and natural gas \$200 in per barrel oil equivalent terms. Assuming all countries halt purchases of Russian energy, the potential price impact would be huge, with oil rising to \$175/barrel and European gas to \$250."

U.S. economic growth accelerated in the fourth quarter as businesses replenished depleted inventories to meet strong demand for goods, helping the nation to post its best performance in nearly four decades in 2021. The U.S. Commerce Department said GDP increased at a 6.9% annualized rate in the fourth quarter. That followed a 2.3% growth rate in the third quarter. The economy grew 5.7% in 2021, the strongest since 1984, following a decline 3.4% in 2020, the biggest drop in 74 years.

Early Market Call - as of 8:30 AM EDT

WTI - Mar \$88.36 Up \$1.75

RBOB - Feb \$2.5678 Up 0.0468

HO - Feb \$2.8430 Up 0.0485

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-22	2.7945	0.0505	0.1227
Mar-22	2.7175	0.0256	0.0891
Apr-22	2.6254	0.0059	0.0593
May-22	2.5761	0.0002	0.0444
Jun-22	2.5481	-0.0014	0.0358
Jul-22	2.5279	-0.0028	0.0289
Aug-22	2.5149	-0.0041	0.0258
Sep-22	2.5083	-0.0050	0.0192
Oct-22	2.5027	-0.0052	0.0250
Nov-22	2.4943	-0.0061	0.0224
Dec-22	2.4832	-0.0075	0.0185
Jan-23	2.4720	-0.0089	0.0156
Feb-23	2.4569	-0.0095	0.0154
Mar-23	2.4377	-0.0098	0.0161
Apr-23	2.4133	-0.0101	0.0164
May-23	2.3936	-0.0106	0.0167
Jun-23	2.3786	-0.0112	0.0167

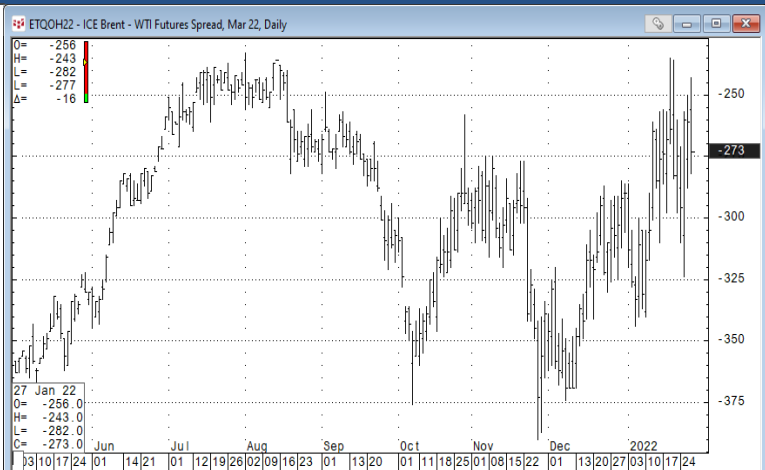
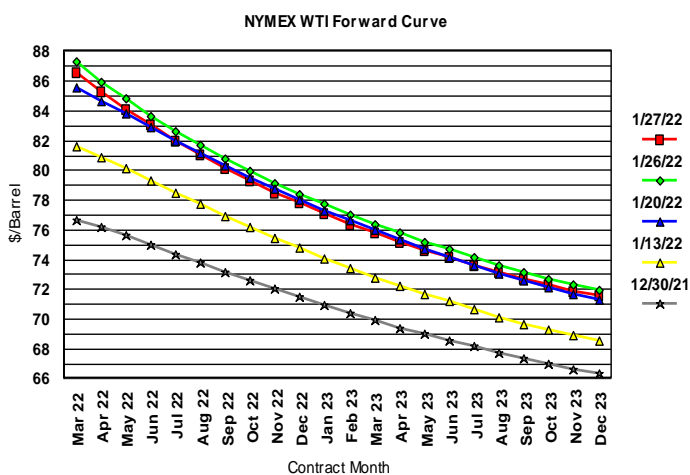
Sprague HeatCurve October 2022-April 2023		\$2.4654	
		Close	Change
Crude - WTI	Mar Brent-WTI Spread \$2.73	\$86.6100	-\$0.7400
Crude - Brent		\$89.3400	-\$0.6200
Natural Gas		\$6.2650	\$1.9880
Gasoline		\$2.5210	-\$0.0019

EIA Working Gas Storage Report

	21-Jan-22	14-Jan-22	Change	21-Jan-2021
East	609	669	-60	646
Midwest	701	770	-69	787
Mountain	143	151	-8	171
Pacific	201	201	0	275
South Central	938	1,019	-81	1,019
Salt	279	308	-29	289
Nonsalt	658	711	-53	730
Total	2,591	2,810	-219	2,899

WTI Forward Curve

ICE March Brent-WTI Spread



COG Inc. © 2022 All rights reserved worldwide. <http://www.cog.com> ETQOH22 - ICE Brent - WTI Futures Spread, Mar 22, Daily | Thu Jan 27 2022 15:26:56, COG 21.12.8085