

Market Commentary

Recap: Oil prices fell for a second straight session on Thursday on an uncertain demand outlook as more countries considered restrictions on Chinese travelers with COVID-19 infections spreading in the top oil-importing nation. Oil futures fell despite a weak dollar and strong equities, suggesting a significant amount of year-end positioning since no fresh bearish headlines appeared attributable to today's price decline. The unexpected rise in U.S. crude oil inventories also added pressure. WTI for February delivery lost 56 cents per barrel, or 0.71% to \$78.40, while Brent Crude for February delivery lost \$1.00 per barrel, or 1.20% to \$82.26. RBOB Gasoline for January delivery gained 0.78 cent per gallon, or 0.33% to \$2.3707. ULSD for January delivery lost 6.48 cents per gallon, or 1.92% to \$3.3130.

Technical Analysis: Market activity remained subdued, as concerns about overall global demand and the rising number of COVID cases weighs on trader's minds. As long as traders price in a slowdown in global demand, oil markets will continue to struggle. We look for the 50-day moving average to hold as a level of resistance, with pushes above this level opening up the opportunity for a run at \$85. On the downside, the 10-day moving average will provide support, with breaks above this technical indicator allowing for a push toward \$75.

Fundamental News: The EIA reported that U.S. oil product supplied in the week ending December 23rd increased to its highest level since December 2021. Total oil product supplied increased by 1.898 million bpd to 20.822 million bpd. The EIA said U.S. stocks of distillate fuel oil increased in the week ending December 23rd to the highest since February 2022. Distillate fuel stocks increased by 282,000 barrels to 120.2 million barrels. U.S. crude stocks in the SPR fell in the week ending December 23rd by 2.9 million barrels to 375.1 million barrels, the lowest level since December 1983.

Goldman Sachs remains constructive on oil prices in the near term. It said the sweet spot for oil equities is \$90/barrel for Brent crude. It expects 2023-2026 oil prices to average midpoint of an \$80-\$100/barrel range with sustained volatility. It expects \$90/barrel Brent in 2023 compared with its previous forecast of \$110/barrel. It is consistent with its long-term mid-cycle Brent price outlook of \$90/barrel.

Colonial Pipeline Co is allocating space for Cycle 2 shipments on Line 20, which carries distillates from Atlanta, Georgia to Nashville, Tennessee.

TC Energy Corp said it had completed a controlled restart of its Keystone pipeline's extension to Cushing, Oklahoma, and the pipeline was now operational to all delivery points. The 622,000 bpd pipeline was shut on December 7th after it spilled 14,000 barrels of oil in rural Kansas.

According to a survey by the Federal Reserve Bank of Dallas, oil production growth in top U.S. oil-producing states has slowed and inflation, supply chain snags and economic uncertainty have led executives to lower their expectations. The survey showed that oil and gas business activity fell to 30.3 during the fourth quarter, down from 46 in the third quarter. The index was at 57.7 in the second quarter of this year, the highest reading in the survey's history. Some 32% of executives polled said cost inflation and supply chain bottlenecks were the biggest drags on oil and gas production growth, while 27% cited maturing oilfields. Executives anticipate U.S. crude prices will average \$84/barrel by the end of 2023.

Early Market Call - as of 8:25 AM EDT
 WTI - February \$77.97, down 44 cents
 RBOB - January \$2.3882, up 1.58 cents
 HO - January \$3.2672, down 2.35 cents

All NYMEX | Prior Settlements

| Month | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Jan-23 | 3.313 | -0.0648 | 0.1816 |
| Feb-23 | 3.2633 | -0.0366 | 0.1679 |
| Mar-23 | 3.1439 | -0.0376 | 0.1306 |
| Apr-23 | 3.0204 | -0.0356 | 0.1073 |
| May-23 | 2.939 | -0.0312 | 0.0979 |
| Jun-23 | 2.8902 | -0.0276 | 0.0941 |
| Jul-23 | 2.8659 | -0.0256 | 0.0914 |
| Aug-23 | 2.8478 | -0.0256 | 0.086 |
| Sep-23 | 2.835 | -0.0263 | 0.0796 |
| Oct-23 | 2.8198 | -0.0274 | 0.0729 |
| Nov-23 | 2.8019 | -0.0286 | 0.0672 |
| Dec-23 | 2.7833 | -0.03 | 0.0631 |
| Jan-24 | 2.7693 | -0.0306 | 0.0597 |
| Feb-24 | 2.7547 | -0.0306 | 0.0581 |
| Mar-24 | 2.7333 | -0.0306 | 0.0556 |
| Apr-24 | 2.706 | -0.0307 | 0.0533 |
| May-24 | 2.6896 | -0.0307 | 0.0508 |

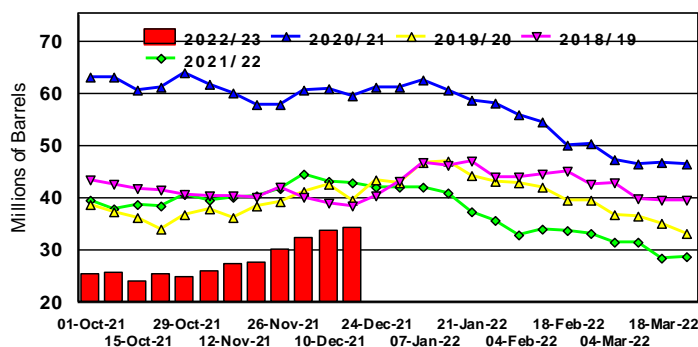
| Sprague HeatCurve October 2023-April 2024 | | Close | Change |
|---|------------------------------------|-----------|-----------|
| Crude - WTI | Feb Brent- WTI Spread \$3.86 | \$78.4000 | -\$0.5600 |
| Crude - Brent | | \$82.2600 | -\$1.0000 |
| Natural Gas | | \$4.5590 | -\$0.1260 |
| Gasoline | | \$2.3707 | \$0.0078 |

EIA Working Gas Storage Report

| | 23-Dec-22 | 16-Dec-22 | Change | 23-Dec-21 |
|---------------|-----------|-----------|--------|-----------|
| East | 747 | 789 | -42 | 782 |
| Midwest | 899 | 974 | -75 | 924 |
| Mountain | 166 | 178 | -12 | 181 |
| Pacific | 165 | 186 | -21 | 237 |
| South Central | 1136 | 1199 | -63 | 1,122 |
| Salt | 323 | 340 | -17 | 327 |
| Nonsalt | 813 | 858 | -45 | 794 |
| Total | 3112 | 3325 | -213 | 3,245 |

Weekly EIA Petroleum Status Report for the Week Ending December 23, 2022

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 718,000 barrels
 Cushing, OK Crude Stocks Down 195,000 barrels
Gasoline Stocks Down 3.1 million barrels
Distillate Stocks Up 282,000 barrels
Refinery % Operated 92%, up 1.1%

PADD #1

| Distillate Stocks (in million bbl) | Week Ending Dec 23, 2022 | Week Ending Dec 16, 2022 | Week Ending Dec 24, 2021 |
|------------------------------------|--------------------------|--------------------------|--------------------------|
| New England | 4.0 | 4.3 | 6.8 |
| Central Atlantic | 16.9 | 16.1 | 22.6 |
| Total PADD #1 | 34.1 | 33.7 | 42.1 |
| Distillate Imports (thousands b/d) | 128 | 165 | 137 |

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