

Market Commentary

Recap: The trading session on Monday was subdued as demand concerns tied to the pandemic eclipsed any damage concerns due to Hurricane Sally, which is approaching the Gulf of Mexico, except for a brief stint to the upside, oil prices were lower for most of the session, with the pending hit of the storm limiting losses. Although demand has improved since the onset of the pandemic, it has not completely recovered and is expected to remain mostly flat for the near future. October WTI settled at \$37.24 a barrel, down 9 cents, or 0.2%, while Brent for November delivery lost 22 cents, or 0.6%, to settle at \$39.61 a barrel. October RBOB finished up 1.1%, settling at \$1.1068 a gallon, with October heating oil up 0.4%, to settle at \$1.0934 a gallon.

Technical Analysis: October WTI traded in an inside fashion on Monday, settling slightly lower on the day. With OPEC lowering its estimate for global demand, and the potential for more oil out of Libya, along with an uptick in the number of coronavirus cases, as the U.S. dollar strengthens, the potential of this market to trade lower is increasing. At this point, we still feel comfortable selling moves up toward the 50-day moving average, which is currently set at \$40.41, with the potential of test down toward the \$30 level.

Fundamental News: The Bureau of Safety and Environmental Enforcement said Hurricane Sally forced energy firms to shut in 21.4% or 395,790 bpd of offshore crude oil production in the northern Gulf of Mexico. Also, 25.3% or 685 million cubic feet/day of natural gas output was shut by Monday. About 23% or 147 production platforms have been evacuated because of the storm.

Energy companies, ports and refiners on Monday were racing to complete shut downs as they prepared for the second hurricane strike in less than a month. Tropical Storm Sally is forecast to hit Louisiana and Mississippi with up to 85 mile per hour winds and 8-16 inches of rain, causing widespread flooding. Royal Dutch Shell Plc began shutting some of its offshore drilling operations on Sunday in preparation for Tropical Storm Sally, forecast to become a hurricane before making landfall on Tuesday. Shell's offshore production was unchanged and all personnel remained on production platforms. Chevron Corp and Murphy Oil Corp on Saturday began evacuations from offshore production platforms. Chevron Corp shut the Blind Faith and Petronius offshore production platforms on Sunday in the Gulf of Mexico in preparation for Tropical Storm Sally. Chevron Corp also shut its Empire and Fourchon terminals in Louisiana and related pipeline systems due to the storm. Murphy Oil shut the Delta House platform in the U.S.-regulated northern Gulf of Mexico. The Delta House platform and surrounding fields are in the forecast path of Sally. Equinor ASA shut the Titan platform in the U.S.-regulated Gulf of Mexico because of the threat from Tropical Storm Sally. BP Plc also said it evacuated non-essential workers from its Nakika and Thunderhorse platforms in the northeastern Gulf of Mexico. Royal Dutch Shell Plc said production is being curtailed at its Olympus oil and natural gas platform in the Gulf of Mexico to prepare for potential impacts from Tropical Storm Sally. Earlier on Sunday, Shell had started securing offshore drilling operations in the northern Gulf of Mexico in the path of the storm. On Monday, Shell said some production was being curtailed at its U.S. Gulf of Mexico facilities, including its Olympus, Mars and Appomattox oil and natural gas platforms to prepare for potential impact from the storm.

The Louisiana Offshore Oil Port suspended tanker offloading at its offshore marine terminal on Sunday because of Tropical Storm Sally. Its onshore storage facilities continued to operate as Sally, forecast to become a hurricane, threatened the Louisiana coast.

The EIA stated that U.S. oil output from seven major shale formations is expected to fall by about 68,000 bpd in October to about 7.64 million bpd.

Early Market Call - as of 8:10 AM EDT

WTI - Oct \$37.82, up 56 cents

RBOB - Oct \$1.1115, up 47 points

HO - Oct \$1.0909, down 25 points

All NYMEX | Prior Settlements

| Month | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Oct-20 | 1.0934 | 0.0038 | -0.0166 |
| Nov-20 | 1.1095 | 0.0029 | -0.0143 |
| Dec-20 | 1.1271 | 0.0019 | -0.0111 |
| Jan-21 | 1.1455 | 0.0011 | -0.0086 |
| Feb-21 | 1.1619 | 0.0003 | -0.0058 |
| Mar-21 | 1.1746 | 0.0002 | -0.0040 |
| Apr-21 | 1.1816 | 0.0003 | -0.0023 |
| May-21 | 1.1923 | 0.0007 | -0.0011 |
| Jun-21 | 1.2049 | 0.0010 | 0.0000 |
| Jul-21 | 1.2214 | 0.0007 | 0.0013 |
| Aug-21 | 1.2370 | 0.0004 | 0.0024 |
| Sep-21 | 1.2514 | 0.0002 | 0.0035 |
| Oct-21 | 1.2650 | 0.0006 | 0.0041 |
| Nov-21 | 1.2769 | 0.0010 | 0.0043 |
| Dec-21 | 1.2867 | 0.0013 | 0.0043 |
| Jan-22 | 1.2987 | 0.0017 | 0.0043 |
| Feb-22 | 1.3072 | 0.0018 | 0.0044 |

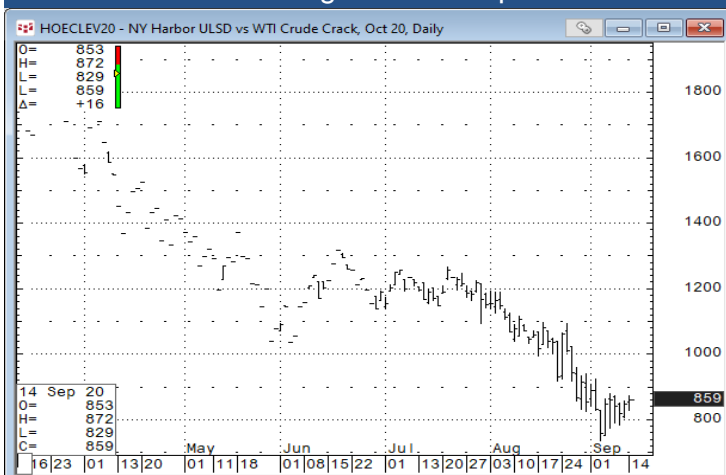
Sprague Heat Weighted Strip October -April 20/2021 \$1.1451

| | Close | Change |
|---------------|-----------|-----------|
| Crude - WTI | \$37.5600 | -\$0.0900 |
| Crude - Brent | \$39.6100 | -\$0.2200 |
| Natural Gas | \$2.3100 | \$0.0410 |
| Gasoline | \$1.1068 | \$0.0119 |

ICE November Brent-WTI Spread



October Heating Oil Crack Spread



October RBOB Crack Spread

