

Market Commentary

Recap: Oil futures marked a 13-month high on Wednesday, after the EIA reported a more than 1 million barrel per day decline in U.S. crude oil production during the deep freeze that stretched across Texas and whopping 5 million barrel drop in U.S. distillate stocks for the week ending February 19. Refining crude inputs dropped to the lowest since September 2008. If U.S. production can drop that much in just one week, expectations are that we will see more down the road, as some refineries are still not running 100% and some terminals are still experiencing issues. Traders are also focusing on next week's meeting between OPEC and other major producers. April WTI rose \$1.55, or 2.5% to settle at \$63.22, the highest settlement for a front-month contract since Jan. 6, 2020. Brent for April delivery tacked on \$1.67, or 2.6%, to settle at \$67.04 a barrel, the highest settlement since January 2020. The soon to be spot month, May contact, settled at \$66.18 a barrel, up \$1.70, or 2.6%. Petroleum products also rose, with March RBOB up 2%, to settle at \$1.8956 a gallon, while March heating oil added 2.2%, to close at \$1.9083 a gallon. A post settlement rally occurred, with oil prices following the stock market higher and also reacting to weakness in the dollar.

Technical Analysis: Despite the negative inventory report for crude oil, oil prices shot up, with WTI recapturing the \$63 level. As the initial reaction to the EIA report began to simmer, WTI settled within a 50 cent range for the remainder of the session, until a post settlement run-up took place. In defiance of the bearish fundamentals for oil, where supplies for oil and gasoline are actually increasing, the upside momentum continued. With a settlement above \$63, one can only think that \$65 is on the horizon. However, given the aforementioned bearish fundamentals, combined with the possibility of OPEC+ putting more oil on the market, we would consider selling on signs of exhaustion. \$65.65 was the high back in January of 2020, prior to the pandemic sell-off, so we would expect a lot of resistance at this level. Support is set at \$62.25.

Fundamental News: Kremlin spokesman, Dmitry Peskov, said Russia and Saudi Arabia "effectively" cooperate in OPEC+. There are no plans for further contacts between Russian President, Vladimir Putin, and Saudi leadership ahead of the OPEC+ meeting next week.

According to the Texas Food & Fuel Association, one in every seven Texas gas stations is without fuel a week after the historic winter storm shut down refineries and fuel transportation. The number of filling stations and convenience stores with empty tanks reached 15% across Texas as of Wednesday morning.

U.S. drillers have restored about 80% of crude production in part of Texas after last week's severe winter weather shut in operations. The Permian Basin in Texas is producing about 2.9 million bpd of crude after an Arctic blast cut power supply and operations, causing output to fall to 600,000-700,000 bpd. The region typically produces about 3.5 million bpd.

The volume of crude oil and condensate in tankers worldwide has declined to a one-year low, with a backwardated structure in the Brent crude market discouraging storage. According to Kpler, the volume of crude and condensate in floating storage totaled 80.2 million barrels in the week starting February 22nd. About 30% of the current storage is offshore China, Indonesia, Malaysia and Singapore.

IIR Energy reported that U.S. oil refiners are expected to shut in 7.2 million bpd of capacity in the week ending February 26th, cutting available refining capacity by 440,000 bpd from the previous week. Offline capacity is expected to fall to 3.8 million bpd in the week ending March 5th.

Early Market Call - as of 8:35 AM EDT

WTI - Apr \$63.32, up 9 cents

RBOB - Mar \$1.8815, down 1.41 cents

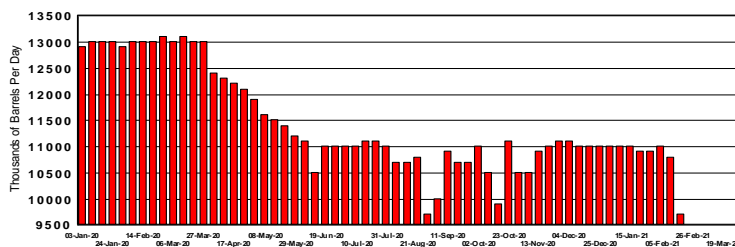
HO - Mar \$1.9055, down 28 points

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-21	1.9083	0.0403	-0.0719
Apr-21	1.9000	0.0391	-0.0772
May-21	1.8895	0.0391	-0.0774
Jun-21	1.8823	0.0387	-0.0765
Jul-21	1.8779	0.0386	-0.0753
Aug-21	1.8754	0.0388	-0.0745
Sep-21	1.8751	0.0388	-0.0733
Oct-21	1.8758	0.0390	-0.0727
Nov-21	1.8759	0.0390	-0.0724
Dec-21	1.8743	0.0389	-0.0717
Jan-22	1.8734	0.0388	-0.0708
Feb-22	1.8690	0.0387	-0.0703
Mar-22	1.8583	0.0379	-0.0694
Apr-22	1.8406	0.0374	-0.0679
May-22	1.8288	0.0361	-0.0663
Jun-22	1.8194	0.0352	-0.0648
Jul-22	1.8168	0.0344	-0.0644

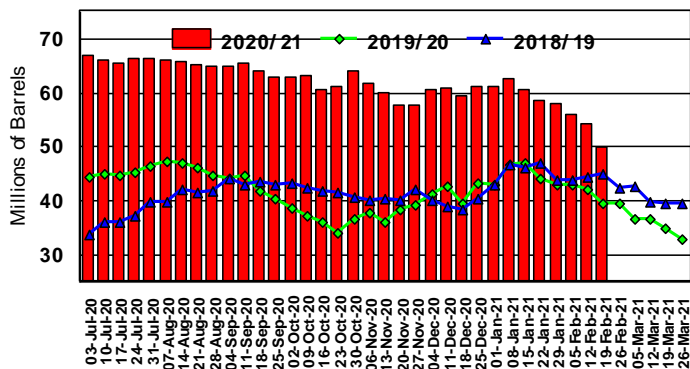
Sprague HeatCurve October 2021-April 2022		\$1.8680
	Close	Change
Crude - WTI	\$63.2200	\$1.5500
Crude - Brent	\$67.0400	\$1.6700
Natural Gas	\$2.8540	-\$0.0250
Gasoline	\$1.8956	\$0.0370

U.S. Domestic Crude Production



Weekly EIA Petroleum Status Report for the Week Ending February 19, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 1.285 million barrels

Cushing, OK Crude Stocks Up 2.807 million barrels

Gasoline Stocks Up 12,000 barrels

Distillate Stocks Down 4.969 million barrels

Refinery % Operated 68.6%, Down 14.5%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Feb 19, 2021	Week Ending Feb 12, 2021	Week Ending Feb 21, 2020
New England	10.5	10.8	6.5
Central Atlantic	26.4	29.7	21.9
Total PADD #1	49.9	54.3	39.4
Distillate Imports (thousands b/d)	242	297	164