

Market Commentary

Recap: Oil prices slipped from highs on Wednesday even after OPEC+ stuck to planned moderate output increases despite pressure from top consumers to raise output more quickly after prices rallied to 2014 highs. Oil futures peaked in overnight trading, but were unable to hold on to gains despite the unexpected 1 million barrel decrease in U.S. crude oil inventories, which were expected to increase, while distillate stockpiles also dropped amid strong demand both domestically and in export markets. OPEC+ stuck to their agreement of moderate output increases as the group has already been struggling to meet existing targets. Its members passed the blame of surging prices on the failure of consuming nations to ensure adequate investment in fossil fuels as they shift to greener energy. March WTI edged up 6 cents, or 0.07%, to settle at \$88.26 a barrel, while Brent for April delivery added 31 cents, or 0.35%, to settle at \$89.47 a barrel. March RBOB settled at \$2.6070 a gallon, up .0318 cents, with March heating oil tacking on .0277 cents, to \$2.7689 a gallon.

Technical Analysis: The early rally in crude oil prices fizzled out as the session got underway, with this market experiencing what appears to be a short-term pullback. We could see WTI pullback as far as \$85, where we expect to hear quite a bit of noise on the buy side. As the week progresses and with a major winter storm expected to wallop much of the central United States and stretch to parts of the Northeast toward week's end, bringing heavy snow, freezing rain, and ice, oil futures will be provided an extra boost. We are still looking for WTI to work toward \$90.

Fundamental News: The EIA reported that U.S. gasoline stocks increased by 2.119 million barrels in the week ending January 28th to 250 million barrels, the highest since February 2021. U.S. Midwest gasoline stocks increased to 57.9 million barrels, the highest since April 2020. Meanwhile, U.S. distillate stocks fell by 2.41 million barrels, with stocks in the U.S. East Coast falling by 1.6 million barrels to 35.6 million barrels, the lowest level since April 2020. It reported that the four-week average of U.S. product supplied reached the highest level since August 2019. The EIA also reported that U.S. crude stocks in the SPR fell to 588.9 million barrels, the lowest level since October 2002.

On Wednesday, OPEC+ agreed to stick to moderate increases in its oil output, despite pressure from top consumers for a larger increase in supply after crude prices hit seven-year highs. Several OPEC+ sources also said prices had been pushed up by Russia-U.S. tensions. The U.S. has accused Moscow of planning to invade Ukraine, which Russia denies. OPEC+ has stuck to its target of monthly increases of 400,000 bpd and blamed increasing prices on the failure of consuming nations to ensure adequate investment in fossil fuels as they shift to greener energy. The remaining cuts stand at 2.6 million bpd and OPEC+ hopes to wind them down before the end of the year.

IIR Energy reported that U.S. oil refiners are expected to shut in 669,000 bpd of capacity in the week ending February 4th, cutting available refining capacity by 45,000 bpd. Offline capacity is expected to fall to 573,000 bpd in the week ending February 11th.

Early Market Call - as of 8:30 AM EDT

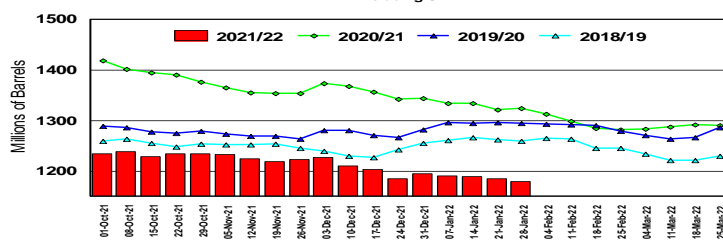
WTI - Mar \$87.14 Down \$1.12
 RBOB - Mar \$2.5815 Down .0255
 HO - Mar \$2,7515 Down .0167

All NYMEX | Prior Settlements

| Month | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Mar-22 | 2.7689 | 0.0277 | 0.0770 |
| Apr-22 | 2.6727 | 0.0193 | 0.0532 |
| May-22 | 2.6153 | 0.0153 | 0.0394 |
| Jun-22 | 2.5794 | 0.0133 | 0.0299 |
| Jul-22 | 2.5567 | 0.0127 | 0.0260 |
| Aug-22 | 2.5430 | 0.0132 | 0.0240 |
| Sep-22 | 2.5364 | 0.0129 | 0.0174 |
| Oct-22 | 2.5301 | 0.0123 | 0.0222 |
| Nov-22 | 2.5208 | 0.0123 | 0.0204 |
| Dec-22 | 2.5074 | 0.0118 | 0.0167 |
| Jan-23 | 2.4938 | 0.0121 | 0.0129 |
| Feb-23 | 2.4765 | 0.0122 | 0.0101 |
| Mar-23 | 2.4564 | 0.0126 | 0.0089 |
| Apr-23 | 2.4322 | 0.0128 | 0.0088 |
| May-23 | 2.4130 | 0.0131 | 0.0088 |
| Jun-23 | 2.3974 | 0.0130 | 0.0076 |
| Jul-23 | 2.3892 | 0.0131 | 0.0078 |

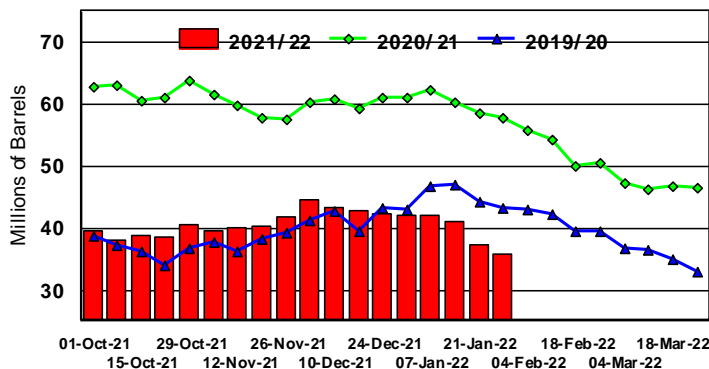
| Sprague HeatCurve October 2022-April 2023 | | \$2.4875 | |
|---|-----------------------------|-----------|----------|
| | | Close | Change |
| Crude - WTI | Apr Brent-WTI Spread \$2.78 | \$86.6900 | \$0.2300 |
| Crude - Brent | | \$89.4700 | \$0.3100 |
| Natural Gas | | \$5.5010 | \$0.7500 |
| Gasoline | | \$2.6070 | \$0.0318 |

Total U.S. Oil Stocks Excluding SPR



Weekly EIA Petroleum Status Report for the Week Ending January 28, 2022

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 1.047 million barrels
 Cushing, OK Crude Stocks Down 1.173 million barrels
Gasoline Stocks Up 2.119 million barrels
Distillate Stocks Down 2.41 million barrels
Refinery % Operated 86.7%, Down 1%

PADD #1

| Distillate Stocks (in million bbls) | Week Ending Jan 28, 2022 | Week Ending Jan 21, 2022 | Week Ending Jan 31, 2021 |
|-------------------------------------|--------------------------|--------------------------|--------------------------|
| New England | 5.2 | 5.5 | 11.5 |
| Central Atlantic | 17.1 | 19.7 | 32.2 |
| Total PADD #1 | 35.6 | 37.2 | 57.9 |
| Distillate Imports (thousands b/d) | 205 | 154 | 506 |