

Market Commentary

Recap: Oil futures settled at their highest level since July, after U.S. crude oil inventories fell for the sixth straight week. Subdued refinery runs and limited production led to a 6.4 million barrel drop in domestic crude oil supplies, as the Gulf of Mexico was hit with a powerful hurricane. Tropical Storm Nicholas moved slowly through the Gulf Coast on Tuesday, leaving hundreds of thousands of homes and businesses without power, although Texas refineries ran normally. Damage from the storm comes two weeks after Hurricane Ida knocked a significant amount of Gulf Coast refining capacity offline. Analysts were expecting a draw of 3.5 million barrels. Drawdowns in both gasoline and distillate inventories added to the higher move. October WTI rose \$2.15, or about 3.1%, to settle at \$72.61 a barrel, while November Brent added \$1.86, or 2.5%, to settle at \$75.46 a barrel. October RBOB tacked on 1.6%, to settle at \$2.21 a gallon and October heating oil rose 2%, to nearly \$2.21 a gallon.

Technical Analysis: In the short term, this market will remain supported by outages in the Gulf of Mexico, as Hurricane Nicholas brought more rain into the region, which has been slow to recover from Hurricane Ida. This, in conjunction with expectations for increasing demand will most likely keep this market on the run. That being said, we continue to look for a run at \$74 in WTI, with the highs of July looming on the horizon. Any pullbacks in the market will be viewed as a buying opportunity all the way down to the \$70 level. Above \$74, additional resistance can be found at \$75.50.

Fundamental News: The EIA reported that crude oil stocks in the week ending September 10th fell to the lowest level since September 2019. Crude stocks fell by 6.422 million barrels on the week to 417.4 million barrels, with stocks in the Midwest falling to 113.9 million barrels, the lowest level since October 2018 and U.S. Gulf Coast crude stocks falling to 224.2 million barrels, the lowest level since January 2020. Gasoline stocks fell by 1.857 million barrels on the week to 218.1 million barrels, the lowest level since November 2019. It also reported that U.S. Gulf Coast distillates stocks fell to 40.6 million barrels, the lowest level since December 2019.

One diesel cargo was set to arrive in Europe from the U.S. Gulf Coast this week. Total imports on the transatlantic route were set to reach 155,000 tons in September, about half of the previous month's volumes.

Energy companies worked to restore pipeline service and electricity after Tropical Storm Nicholas pass through on Tuesday, allowing them to return to repairing the significant damage caused by Hurricane Ida two weeks ago. Royal Dutch Shell said it can resume production at its Perdido offshore oil platform that was shut by Nicholas once power is restored at another facility. Colonial Pipeline resumed normal operations of its main gasoline and diesel lines 1 and 2. Exxon said the Hoover Offshore Oil Pipeline System is expected to resume operations on Wednesday afternoon following the storm. Texas coastal oil refineries sailed through Nicholas. However, a few in Louisiana are working to restart after Hurricane Ida, including Valero Energy Corp's refineries in St. Charles and Meraux and PBF Energy's refinery in Chalmette. Shell said operations at its Deer Park complex was normal following the storm. Meanwhile, the U.S. Coast Guard said the ports of Houston, Galveston, Freeport and Texas City in Texas reopened to inbound and outbound vessel movements on Wednesday. The Houston Ship Channel also reopened to all traffic on Wednesday.

IIR Energy reported that U.S. oil refiners are expected to shut in 1.9 million bpd of capacity in the week ending September 17th, increasing available refining capacity by 244,000 bpd. Offline capacity is expected to fall to 840,000 bpd in the week ending September 24th.

Early Market Call - as of 8:00 AM EDT

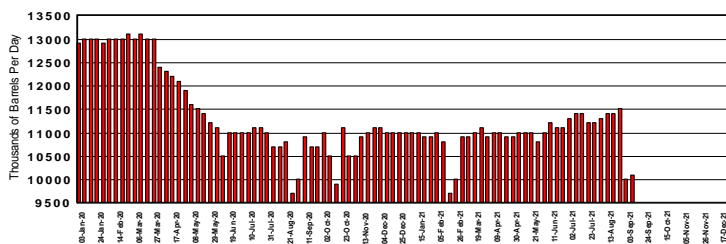
WTI - Oct \$72.48, down 13 cents
 RBOB - Oct \$2.2060, down 6 points
 HO - Oct \$2.2000, down 53 points

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Oct-21	\$2.2053	\$0.0440	\$0.0916
Nov-21	\$2.2035	\$0.0444	\$0.0926
Dec-21	\$2.1986	\$0.0433	\$0.0917
Jan-22	\$2.1924	\$0.0423	\$0.0904
Feb-22	\$2.1820	\$0.0412	\$0.0883
Mar-22	\$2.1661	\$0.0400	\$0.0859
Apr-22	\$2.1460	\$0.0385	\$0.0833
May-22	\$2.1321	\$0.0368	\$0.0813
Jun-22	\$2.1208	\$0.0352	\$0.0793
Jul-22	\$2.1164	\$0.0338	\$0.0773
Aug-22	\$2.1139	\$0.0325	\$0.0755
Sep-22	\$2.1128	\$0.0313	\$0.0744
Oct-22	\$2.1126	\$0.0303	\$0.0730
Nov-22	\$2.1119	\$0.0294	\$0.0723
Dec-22	\$2.1099	\$0.0284	\$0.0716
Jan-23	\$2.1078	\$0.0274	\$0.0707
Feb-23	\$2.1003	\$0.0265	\$0.0693

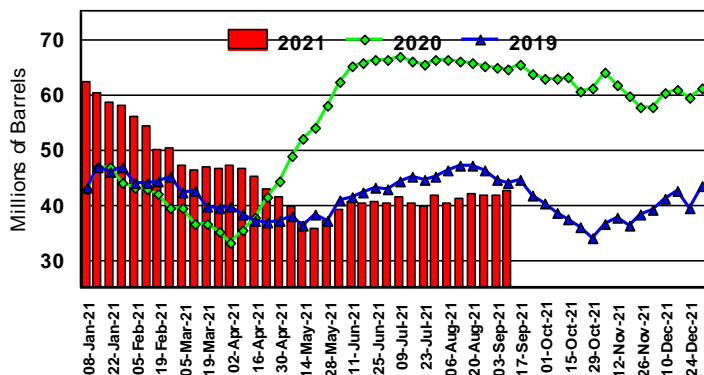
Sprague HeatCurve October 2021-April 2022		\$2.1856
	Close	Change
Crude - WTI	\$72.3300	\$2.1000
Crude - Brent	\$75.4600	\$1.8600
Natural Gas	\$5.4600	\$0.2000
Gasoline	\$2.2066	\$0.0342

U.S. Domestic Crude Production



Weekly EIA Petroleum Status Report for the Week Ending September 10, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 6.422 million barrels
 Cushing, OK Crude Stocks Down 1.103 million barrels
Gasoline Stocks Down 1.857 million barrels
Distillate Stocks Down 1.689 million barrels
Refinery % Operated 82.1%, Up 0.2%

PADD #1

	Week Ending Sep 10, 2021	Week Ending Sep 3, 2021	Week Ending Sep 10, 2020
Distillate Stocks (in million bbls)	7.8	7.5	12.7
New England	22.6	22.6	38.2
Central Atlantic	42.7	41.8	65.4
Total PADD #1			
Distillate Imports (thousands b/d)	141	105	107

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