

Market Commentary

Recap: It was an extremely choppy trading session for oil futures on Wednesday, as traders grappled with frigid temperatures and refinery outages in Texas, while there have been whispers in the market that OPEC is looking to possibly release more supply into the market. Dangerously cold temperatures have forced the closure of Texas' energy sector for the fifth day, with Houston's shipping channel closed overnight and at least a fifth of U.S. refining output offline. Approximately 500,000 to 1.2 million bpd of crude production has been shut in, including the Permian, the largest U.S. oilfield, and it could be weeks before it is fully restored, according to industry sources. Texas producers are not used to dealing with such frigid temperatures as other producers in North Dakota or Alaska are, and it may take more than a week or two for the majority of oil and gas wells to come back on line. March WTI closed at \$60.90 a barrel, up 85 cents, or 1.4%. April Brent rose \$1.01, or 1.6%, to settle at \$64.36 a barrel. Petroleum products rose as well, with March RBOB gaining 2.1%, to settle at \$1.8105 a gallon, while March heating oil added 1.3%, to settle at \$1.8377 a gallon.

Market Outlook: The deep freeze in Texas helped to accelerate the rally in crude oil, pushing WTI spreads into contango market conditions, whereby the front month contract trades at a discount to later dated futures. This is the first time in seven months that contango market conditions have occurred. Given the way prices pulled back on Wednesday, it looks like WTI continues to struggle above \$60. Despite the strong comeback during daylight trading hours, we could see this market quickly turn back around, as it is being whispered that OPEC may begin to release more oil. This, combined with the way the market shot up, does not make a pullback that surprising. March WTI settled above the upper line on the ascending channel we have been talking about, making Thursday's session an important one. Should we get a settlement back into the channel; the settlement above it will be negated. Support is seen at \$60.74 and below that at \$58.77, with \$57.50 playing a key role. Resistance is seen at \$61.15 and above that at \$61.65.

Fundamental News: According to industry experts, the U.S. deep freeze will impact oil and gas production for several days if not weeks, as companies deal with frozen equipment and a lack of power to run operations. Analysts at Rystad Energy said about 500,000 to 1.2 million bpd of the state's crude production has been shut-in by the coldest weather that has hit Texas in 30 years. The ripple effect from the cold is likely to reduce output for several weeks.

A Houston Pilots dispatcher said operations at the Houston ship channel resumed operations on Wednesday morning after operations were suspended overnight.

Diesel traders are booking tankers to haul millions of barrels of European diesel to the U.S. At least eight tankers have been provisionally hired in recent days to transport cargoes of the fuel across the Atlantic. The cargoes amount to almost 2.8 million barrels, which would represent a large increase in deliveries if all the consignments are bound for the U.S. The head of research at E.A. Gibson Shipbrokers Ltd, Richard Matthews, said diesel supplies are "certainly needed due to outages in the U.S. Gulf and a potential lack of product coming up Colonial pipeline. Currently about 2.1 million barrels of European diesel are already en-route to the East Coast.

The Wall Street Journal reported that Saudi Arabia plans to increase oil output in the coming months, reversing a recent production cut of 1 million bpd. According to the Wall Street Journal report, Saudi Arabia is expected to announce its plans when a coalition of oil producers meets next month, adding that the output rise will not start until April.

Saudi Arabian Energy Minister, Prince Abdulaziz bin Salman, said that it was too early to declare victory against the COVID-19 virus and that oil producers must remain "extremely cautious".

Early Market Call - as of 8:20 AM EDT

WTI - Mar \$61.47, up 34 cents
 RBOB - Mar \$1.8262, up 1.57 cents
 HO - Mar \$1.8578, up 2.01 cents

All NYMEX | Prior Settlements

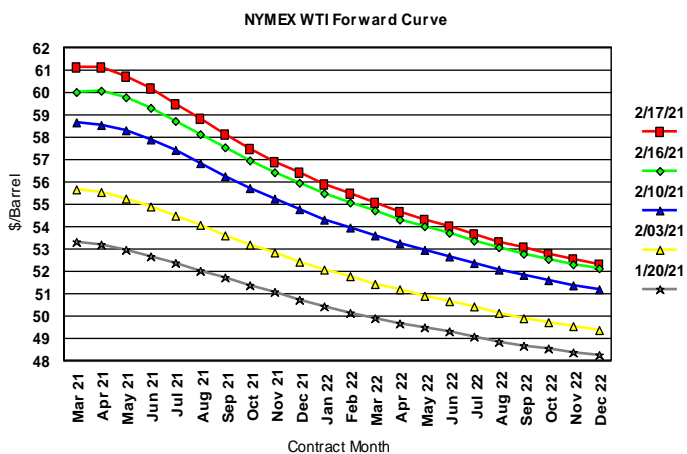
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-21	\$1.8377	\$0.0233	-\$0.0767
Mar-21	\$1.8238	\$0.0221	-\$0.0713
Apr-21	\$1.8144	\$0.0205	-\$0.0668
May-21	\$1.8094	\$0.0187	-\$0.0643
Jun-21	\$1.8070	\$0.0171	-\$0.0620
Jul-21	\$1.8056	\$0.0155	-\$0.0600
Aug-21	\$1.8064	\$0.0144	-\$0.0585
Sep-21	\$1.8073	\$0.0140	-\$0.0575
Oct-21	\$1.8071	\$0.0136	-\$0.0565
Nov-21	\$1.8054	\$0.0135	-\$0.0556
Dec-21	\$1.8050	\$0.0132	-\$0.0540
Jan-22	\$1.8006	\$0.0122	-\$0.0517
Feb-22	\$1.7907	\$0.0108	-\$0.0499
Mar-22	\$1.7738	\$0.0094	-\$0.0477
Apr-22	\$1.7629	\$0.0080	-\$0.0451
May-22	\$1.7541	\$0.0062	-\$0.0421
Jun-22	\$1.7519	\$0.0057	-\$0.0403

Sprague HeatCurve October 2021-April 2022			\$1.7997
		Close	Change
Crude - WTI	Apr Brent- WTI Spread \$3.18	\$61.1600	\$1.0800
Crude - Brent		\$64.3400	\$0.9900
Natural Gas		\$3.2190	\$0.0900
Gasoline		\$1.8105	\$0.0376

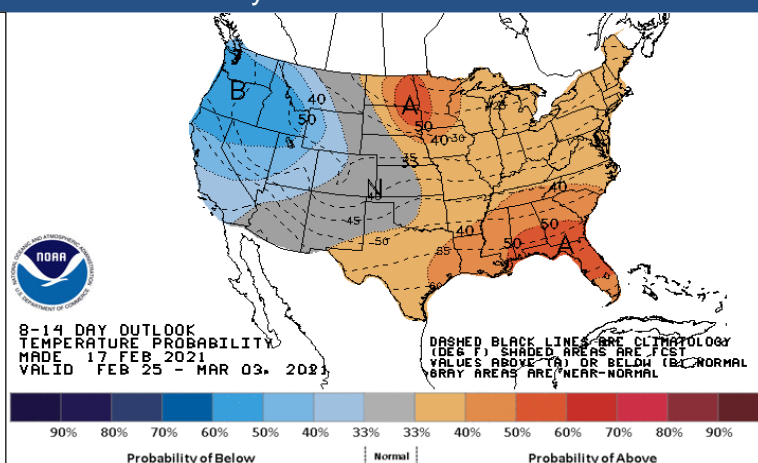
API Report for the Week Ending February 12, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 5.8 million barrels	Down 2.2 million barrels
Cushing, OK Crude Stocks	Down 3 million barrels	
Gasoline Stocks	Up 3.9 million barrels	Up 1.4 million barrels
Distillate Stocks	Down 3.5 million barrels	Down 1.8 million barrels
Refinery Runs	Up 71,000 bpd	Down 0.2% to 82.8%
Crude Imports	Up 26,000 bpd	

WTI Forward Curve



8-14 Day Weather Forecast



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