Energy Directions, Inc.

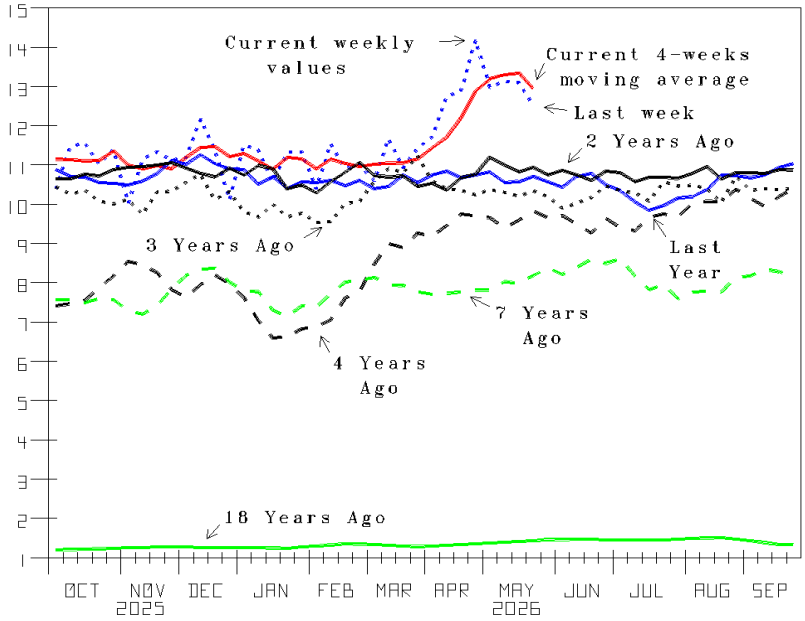
Energy Market Assessment

Michael D. Smolinski

Tuesday, June 6, 2026

More New Customers For What Produces Prosperity, Not Weapons, Needs Much More From The U.S.; Especially, Profitable Oil & Natural Gas.

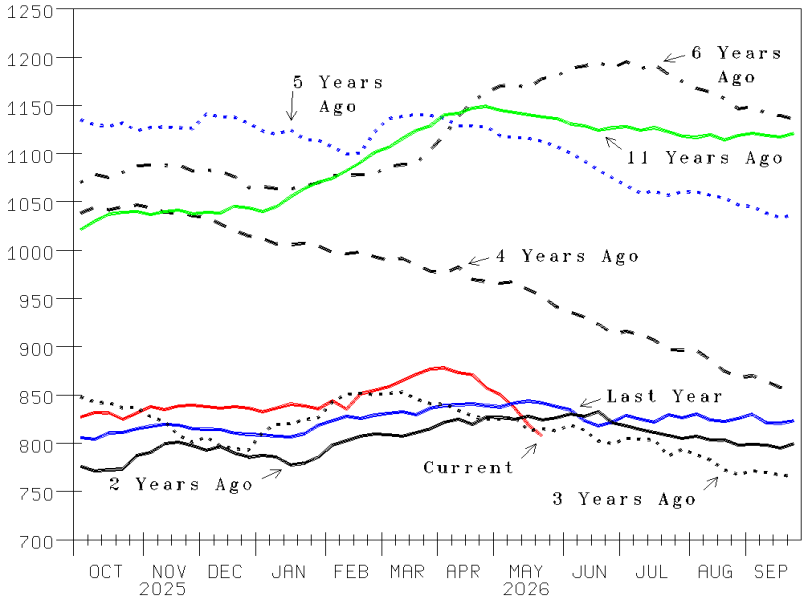
Figure 1
U.S. Crude-Oil and Total Petroleum-Product Exports,
Latest weekly and 4-weeks moving averages
(Src: Calculated from U.S. Department of Energy data)
Million barrels per day



U.S. crude oil and petroleum product exports up at 2.218 mmbd YOY growth highlights new-customer, prosperity-producing opportunity growth.

Prior to the Fracking Revolution made to work for oil, the U.S. was exporting oil (crude oil and petroleum products) at little more than 1.0 million barrels per day (mmbd, Figure 1, green line). The Strait of Hormuz closed has us exporting at an average of 12.933 mmbd the last four weeks (red line), 2.218 more than 10.714 last year (blue line), 20.7% year-over-year (YOY) growth. Changing so much of the world's oil from fueling and keeping Rulers in power, to fueling hundreds of millions into prosperity-producing upward mobility will need much more produced in the U.S.

Figure 2
U.S. total crude-oil inventory; Commercial and
Strategic Petroleum Reserve (SPR, Src: Department of Energy)
Million barrels



Oil leaving at a 2.218 mmbd rate has U.S. crude oil down at a multi-year low and declining at a 1.770 mmbd rate.

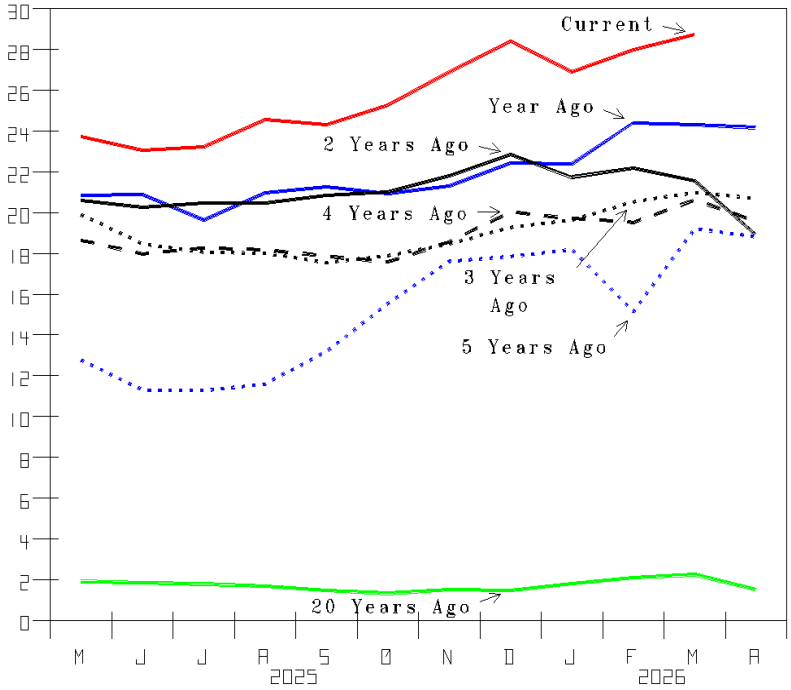
Operation Epic Fury launched February 28th, the effort to finally end the Rulers of Iran's decades-long war with those who love peace, shutting off oil from the Middle East reduced U.S. Commercial and Strategic Petroleum Reserve (SPR) oil inventory two weeks ago 12.390 million barrels (mmb) to 806.8 (Figure 2, red line). A multi-year low and a 1.770 mmbd weekly rate.

More offsetting the world's production decline and fueling more, living prosperous lives needs a multi-year, profitable U.S. Drilling Boom.

Phone: 781-979-9415

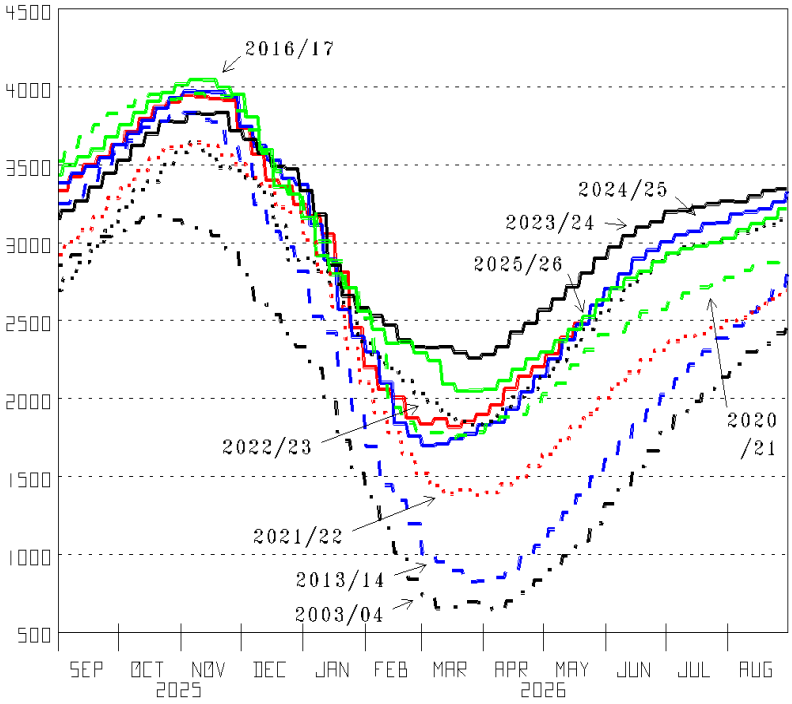
Email: mikes@energydirections.com

Figure 3
U.S. Monthly Natural Gas Exports
(Src: Calculated from U.S. Department of Energy data)
Bcf per day



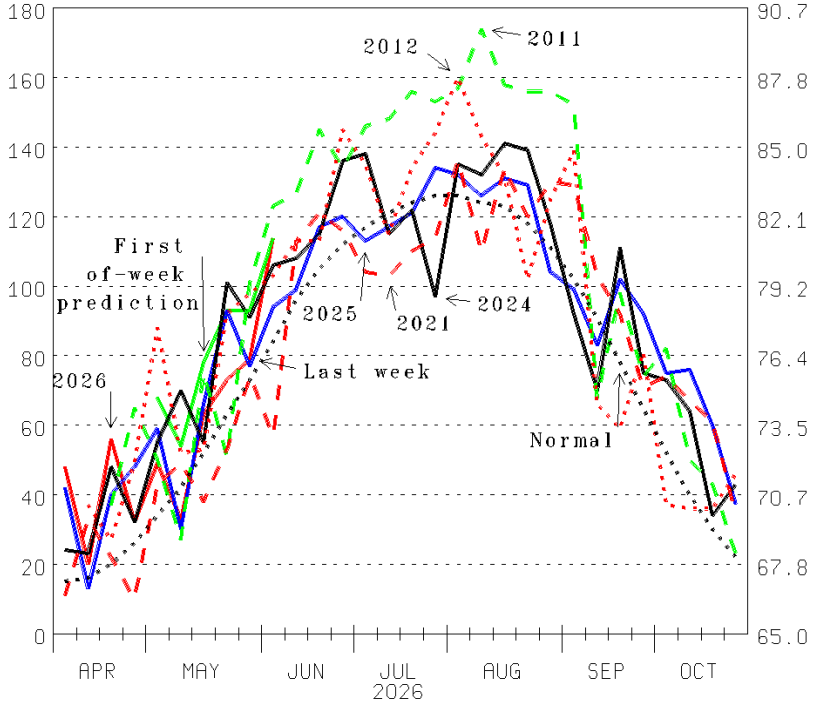
Long-lead-time natural gas supply infrastructure finally being completed has U.S. natural gas exports increasing at a 4.433 Bcf/d YOY rate. Prior to Fracking made to work producing natural gas, U.S. natural gas exports were down at 2.0 billion cubic feet per day (Bcf/d, Figure 3, green line). More in the world learning to live better, prospering lives has U.S. exports averaging 28.731 Bcf/d in March (red line). Another new record high and a 4.433 (18.2%) YOY increase. And this new high was reached before more is needed with Middle East supply greatly curtailed.

Figure 4
U.S. Working Natural Gas Inventory
(Src: U.S. Energy Information Administration)
Billion cubic feet



While oil prices have jumped, natural gas prices are currently low helped by U.S. production setting higher record highs and temperatures mostly mild having inventory high. While the Fall-fall in temperatures taking its time and natural gas production setting higher record highs (Figure 7) had U.S. natural gas working inventory up in record-high territory in December (Figure 4, red line), Winter cold did reduce it. And while temperatures mild have been minimizing natural gas demand for both heating and cooling, inventory now has declined from being 166 Bcf more than last year March 13 (blue line), to only 21 Bcf more than last year May 22nd.

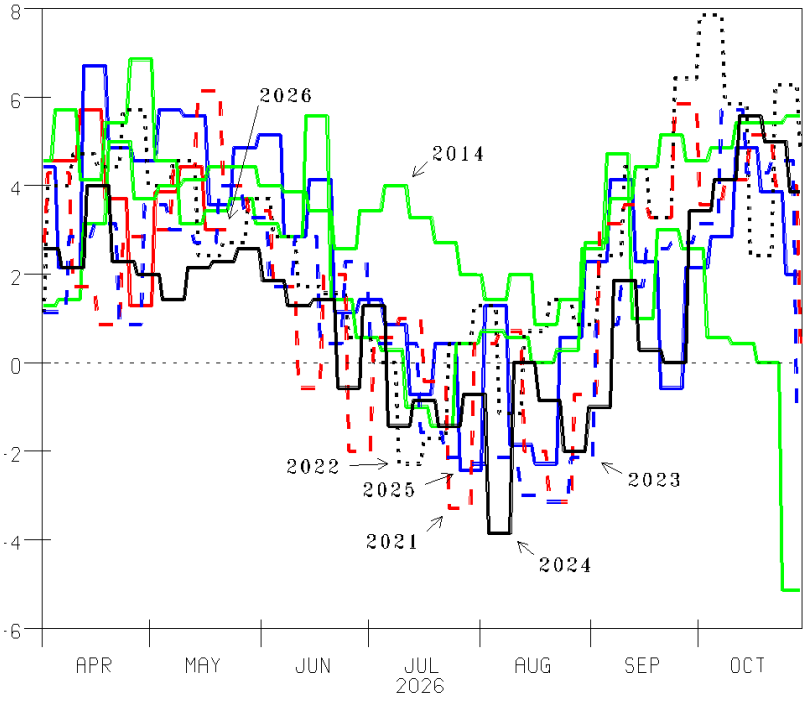
Figure 5
West-South Central Region Weekly Cooling Degree Days
Actual degree days versus forecast for the week (Src: National Oceanic and Atmospheric Administration [NOAA] data)
Cooling Degree Days **Average Daily Temperature (°F)**



April into May warm, not cold is temperatures mostly mild minimizing natural gas demand. Gas prices and expectations low has many set up to soon be caught natural gas short by a hotter Summer overdue.

Temperatures April into May (Figure 5, red line) warmer than normal (bold dot) minimized natural gas demand for heating. Temperatures cooler than normal or close to normal since have been minimizing demand for cooling. Nevertheless, hours of sunlight nicely increasing has us heading to natural gas demand increasing to cool us through Summer. And while many still believe mankind's CO2 emissions have us heading to warmer, Summer temperatures the past several years notably cooler than what was experienced during 2012 (red dot) and 2011 (green dash) are more evidence that mankind-causing-it-fear, is false.

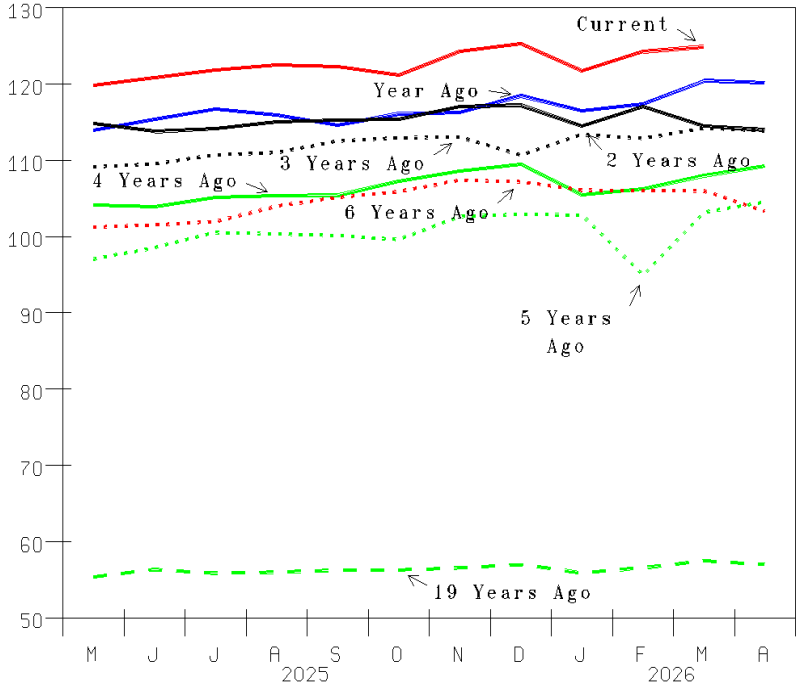
Figure 6
Weekly Change in South Central Region Working Gas Inventory
(Src: Calculated from U.S. Energy Information Administration data)
Billion cubic feet per day



Long-lead-time infrastructure catching up is another part of our prediction that many are set up to soon be caught natural gas short.

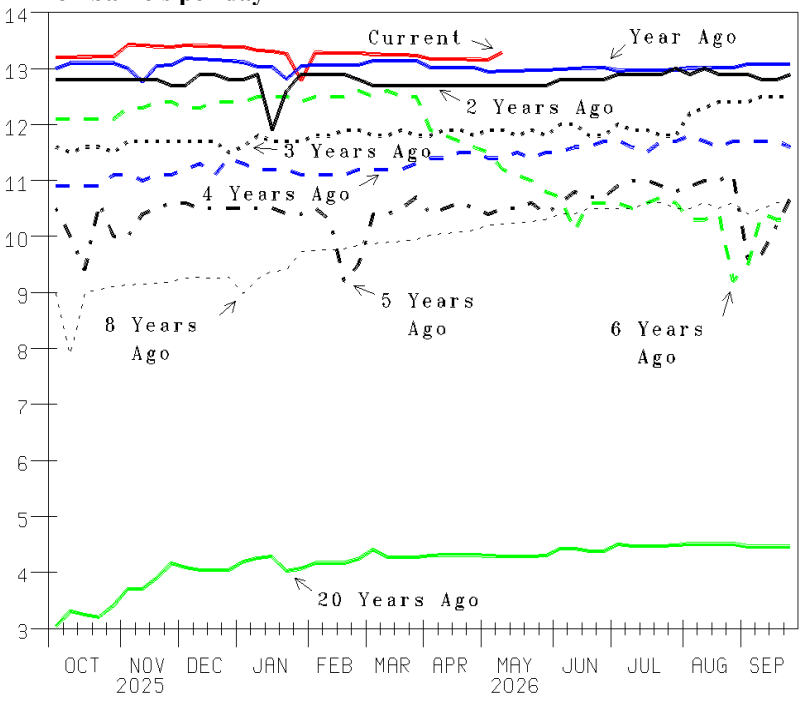
Natural gas replacing coal as the major fuel generating electricity is evident in weekly changes in natural gas inventory through Summer in the West South Central Region. Back in 2014 inventory increased every week (green line). Summer 2021 (red dash), 2023 (blue dash) and 2024 (bold line) had a number of weeks needing natural gas from inventory. Exports setting record highs and hotter overdue has us predict the Summer increase in natural gas inventory will set a new record for small.

Figure 7
U.S. Monthly Natural Gas Gross Withdrawal Production
Lower-48 States
(Src: U.S. Department of Energy, Form 914 data)
Bcf per day



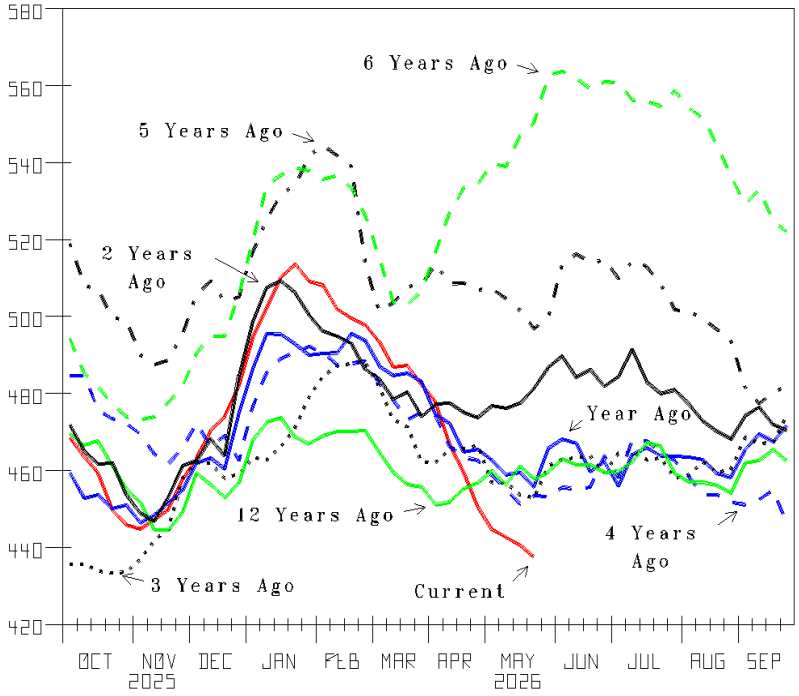
Our sense that natural gas supply/demand is tightening, despite inventory still high, is supported by Lower-48-State natural gas production up 4.446 Bcf/d YOY in March, only meeting export growth of 4.433 Bcf/d YOY. New customers being fueled by the U.S. is evident in oil exports (Figure 1) and natural gas exports (Figure 3) showing good growth. Yes, lower-48-State natural gas production is showing good growth (Figure 7, red line). Nevertheless, Lower-48-State production in March at 124.897 Bcf/d, up 4.446 YOY, only covers exports up 4.443 YOY. Hours of sunlight increasing and solar and wind maximizing will soon be needing notably more natural gas to generate electricity.

Figure 8
U.S. Lower-48 State Weekly Crude Oil Production
(Src: Department of Energy data)
Million barrels per day



More good customers Over There to produce for needs more employed here producing. The Fracking Revolution working for oil is evident in U.S. lower-48-State crude oil production now (Figure 8, red line) more than triple what it was in 2006 (green line). Nevertheless, the 13.293 mmbd rate produced two weeks ago (red line) is only a 0.304 mmbd YOY increase. Yes, natural gas liquids production up 0.580 mmbd YOY is helping. However, the two together up 0.884 is well short of U.S. oil exports now up 2.218 mmbd YOY (Figure 1).

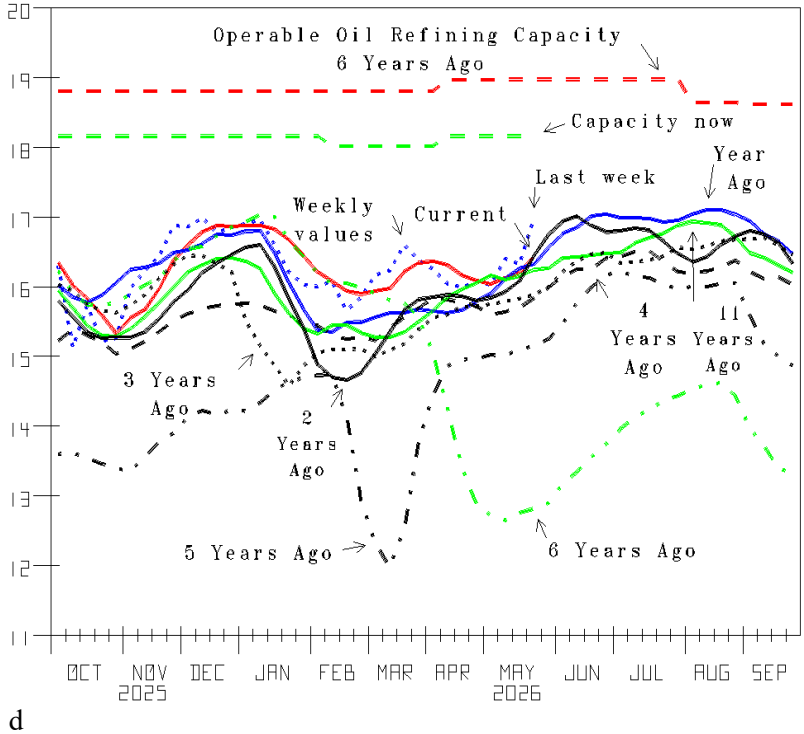
Figure 9
U.S. Distillate, Gasoline, Jet Kerosene & Unfinished Oil Inventory
(Src: Calculated from Department of Energy data)
Million barrels



More oil needed is evident in crude oil inventory declining and inventory of the oil we use down more.

More in the World living better lives had U.S. inventory of the petroleum products we use (distillate [diesel and heating oil], gasoline, jet kerosene and unfinished) down near a multi-year low October into November (Figure 9, red line). Winter mostly mild increased it to good YOY growth. Only the jump with the Coronavirus Recession dictated was higher (green dash and bold, dot-dot-dash). Now, more needed Over There has it setting new lows.

Figure 10
U.S. Oil Refinery Runs – 4-weeks averages and the latest weeks
(Src: Department of Energy data and calculated from it)
Million barrels per day



More of the oil we use needed has Markets free to do so, responding.

Oil prices rising with Operation Epic Fury initiated February 28 had U.S. oil refineries increase runs to produce more (Figure 10, blue dot). However, the need to finish maintenance and turnarounds to produce Summer fuels reduced the four-weeks average (red line) to equal with last year (blue line) of late. Nevertheless, runs increasing 0.652 mmbd two weeks ago to average 16.971, 0.643 more than last year highlights Free Markets at work, doing what needs to be done.

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Figure 11
United States Weekly Retail Gasoline Prices
(Src: U.S. Department of Energy)
Dollars per gallon

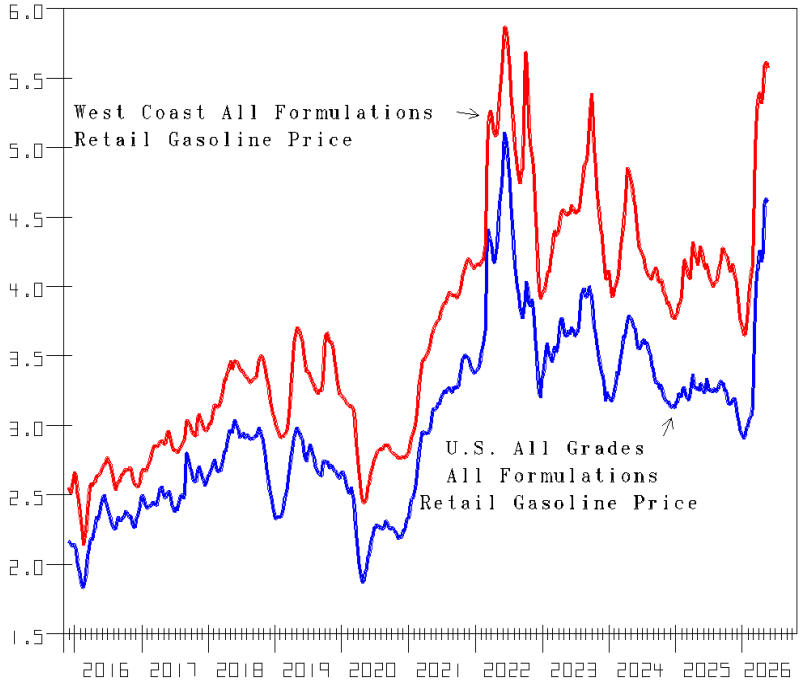
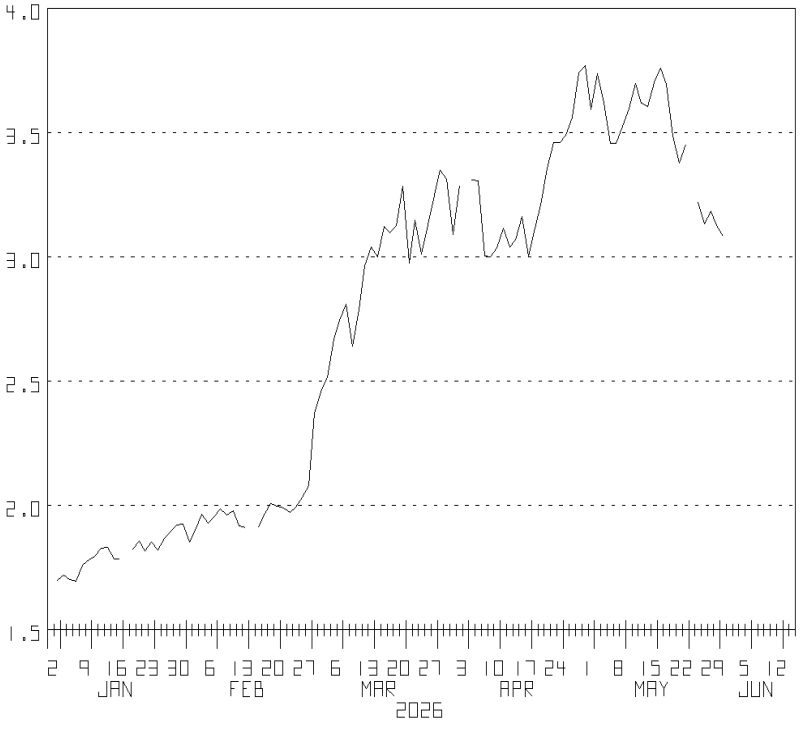


Figure 12
Gasoline-New York RBOB daily closing futures price
(Src: Wall Street Journal)
Dollars per gallon



Yes, there is a cost to ending the Rulers of Iran's war. The oil-price jump exaggerated has us predict: 1) oil price highs have been reached and 2) growth, not recession is the direction we head. Retail gasoline prices up much have many fearful and some predicting we head to recession. Yes, the jump in the U.S. retail (blue line) and West Coast (red line) averages are big. However, the peaks are not as high as the increases in 2022 with Russia invading Ukraine. The jump is exaggerated by the switch from lower-cost Winter grade gasoline to higher-cost Summer grade April into May. Also, by those caught short as oil futures contracts for the month of May expired (Figure 12) as April ended. The Fall-fall back to Winter grade will help relieve inflation.

The jump in retail prices helped by the Winter to Summer grade change and those caught oil short is evident in yesterday's gasoline closing futures contract down to $3.085. Operation Epic Fury jumped the closing futures contract price for New York, RBOB gasoline from $2 per gallon to over $3 (Figure 12). Switching from Winter to Summer and a short squeeze jumped it to $3.772 April 30. Down to $3.085 today highlights Free Markets doing what is needed. **Infrastructure trends, much of late minimizing, AI activity increasing, Over There growing too with work to end/restore war destruction, conventional energy expectations low, + much poorly understood has conventional-energy-Bullish happening. We rate nat gas, crude oil, oil-focused E&P and Drilling & Oil Service Overweight Strong Buy; and Oil-Refining BUY.**