Energy Directions, Inc.

Energy Market Assessment

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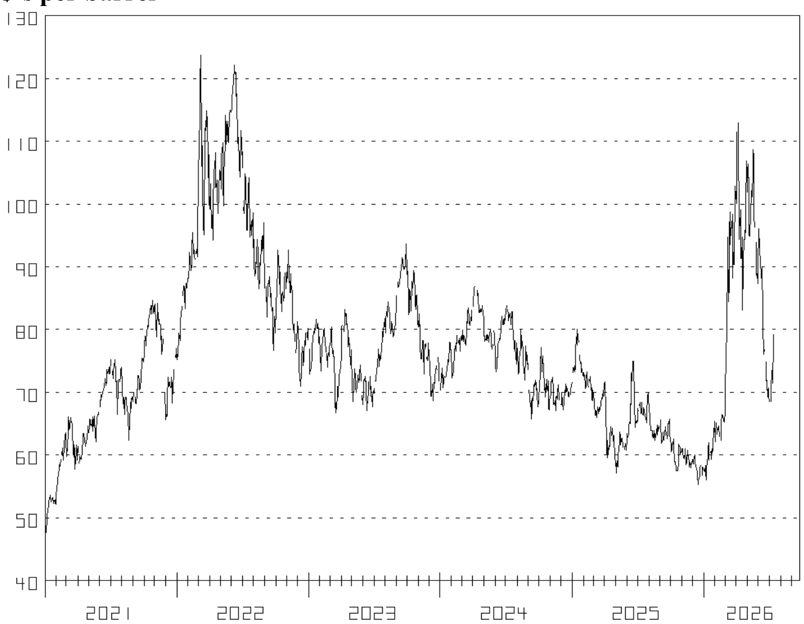
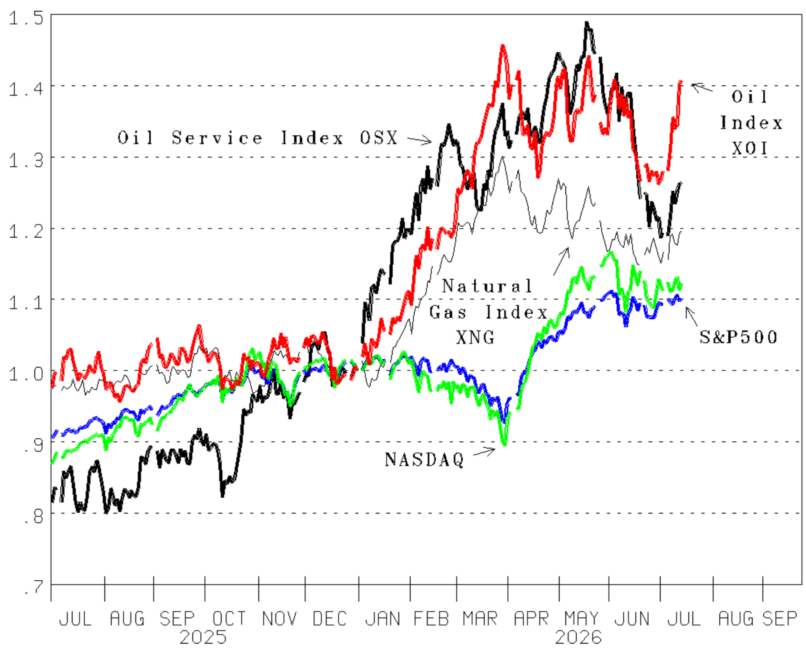
Destroying The Gigantic Horde Of Iran's Rulers Weapons + Summer Temps Taking Time, Worth Waiting For Keeps Us Predicting We Are Heading UP.

Figure 1
Near Month Closing Futures Contract Price of WTI Crude Oil
(Src: Wall Street Journal)
$'s per barrel



Iran Ruler's horde of weapons, built over the decades, proving to be gigantic, confirms taking the time to destroy it is very worthwhile. The U.S. responding to more attacks by those ruling Iran, on Middle East commerce, has jumped the closing futures contract price of West Texas Intermediate (WTI) crude oil back up toward $80 per barrel (Figure 1). We know that a gigantic amount of its weapons have been destroyed. The new attacks are helping know the locations of and destroy what remains. Up to $80, well below the $110+ peak, and the amount of weapons left being greatly reduced encourage our sense that UP is the direction we head.

Figure 2
Stock Price Index (*) Comparisons
(Indexed to 1.0 12/31/2025, last trading day of 2025)
Index



Stock market performance is highlighting more recognizing a Drilling and Fossil-Fuel Supply-investment boom is needed, despite Summer heat taking its time. Oil and natural gas, the best when-needed/where-needed energy sources is evident in energy stocks outperforming (Figure 2). The Oil Index (XOI red line) is up 40.9% year-to-date (YTD). The Oil Service Index (OSX, bold line) up 26.6% and the Natural Gas Index (XNG, line) up 19.6%. Despite Summer taking its time to need more air conditioning, the Natural Gas Index is still up more than the S&P 500 (blue line) up 10.2% and the NASDAQ (green line) up 12.3%.

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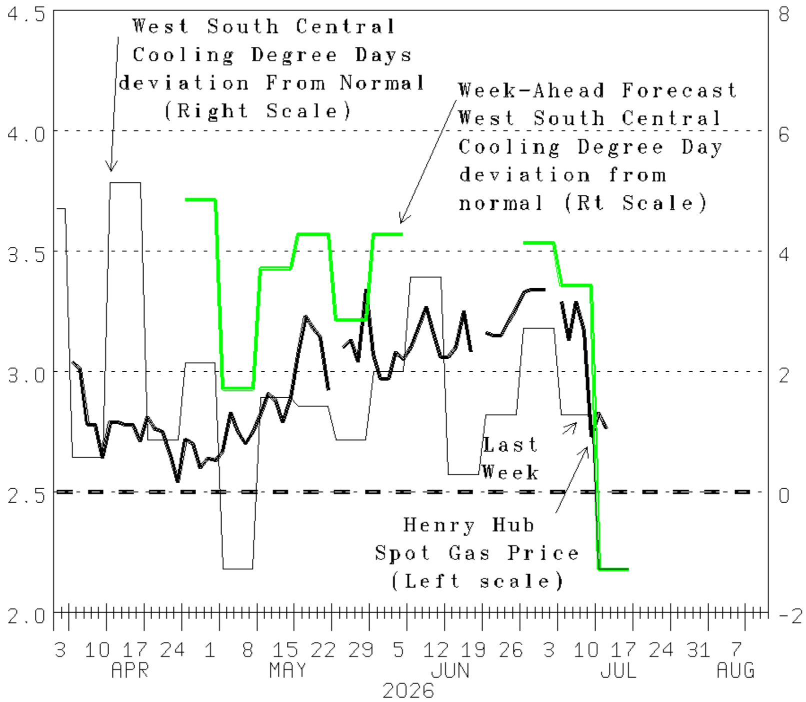
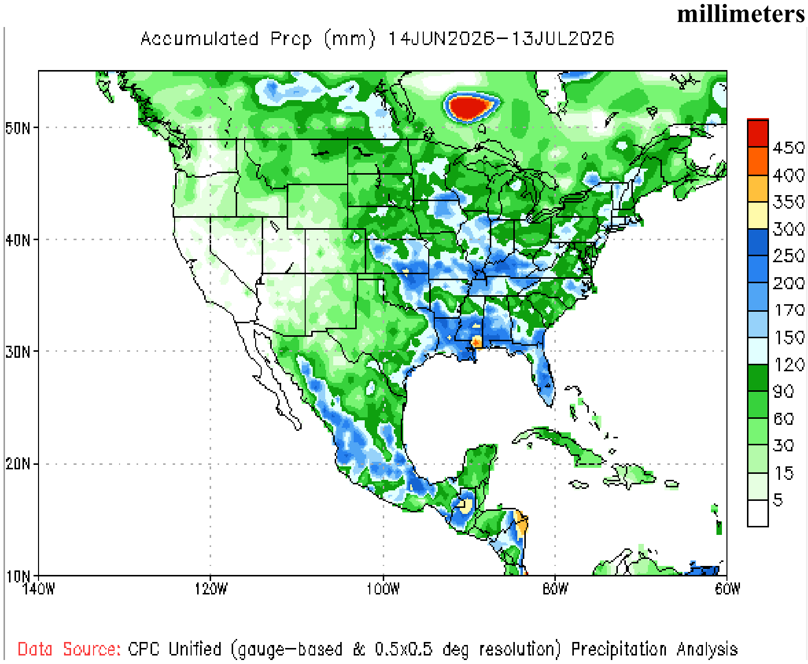
Figure 3
Henry Hub Spot Gas Price versus weekly, West South-Central Region Population-Weighted, Cooling-Degree-Day-Deviation from Normal, Beginning of Week Forecast Deviation and Actual Deviation
(Src: Gas Price-DOE; Degree Day-Calc. from NOAA data)
$/mmBtu Weekly Cooling, Degree Days Temperature Deviation °F



Temperatures mild and Holiday shutdowns have natural gas prices tempered.

Warmer than normal temperatures in April (Figure 3, right scale) minimizing heating demand deflated the Henry Hub spot market price of natural gas to a $2.54 low (bold line, left scale). That exaggerated low had the price then trend up to a $3.34 high into July. But only to $3.34 during the week of the Independence Day Holiday with its shutdowns. Cooler since dropped it to $2.73 Monday.

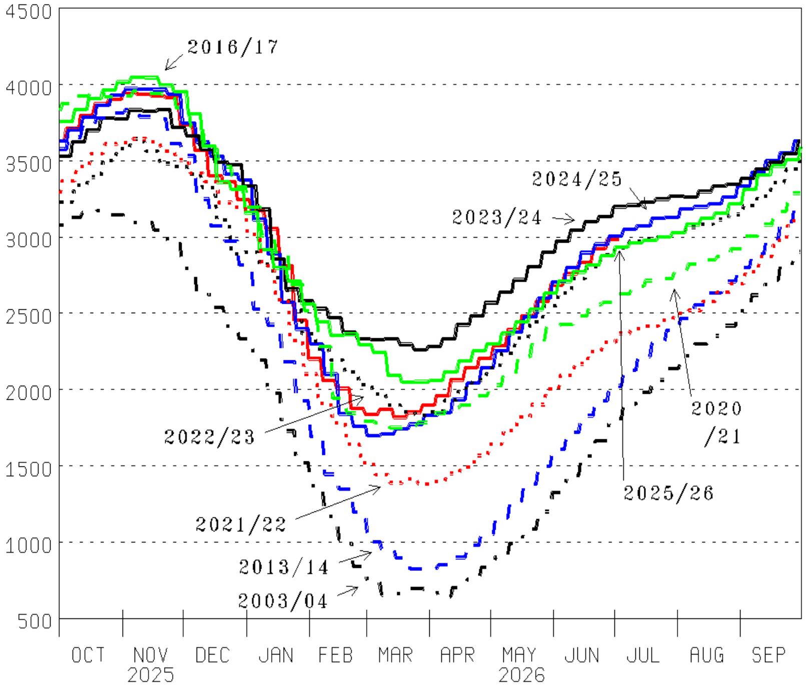
Figure 4
Precipitation Experienced – 30-days, Jun 14 to July 13, 2026
(Src: National Oceanographic and Atmospheric Administration)
millimeters



The Henry Hub spot price of natural gas temporarily tempered is also helped by considerable cloud cover and rain.

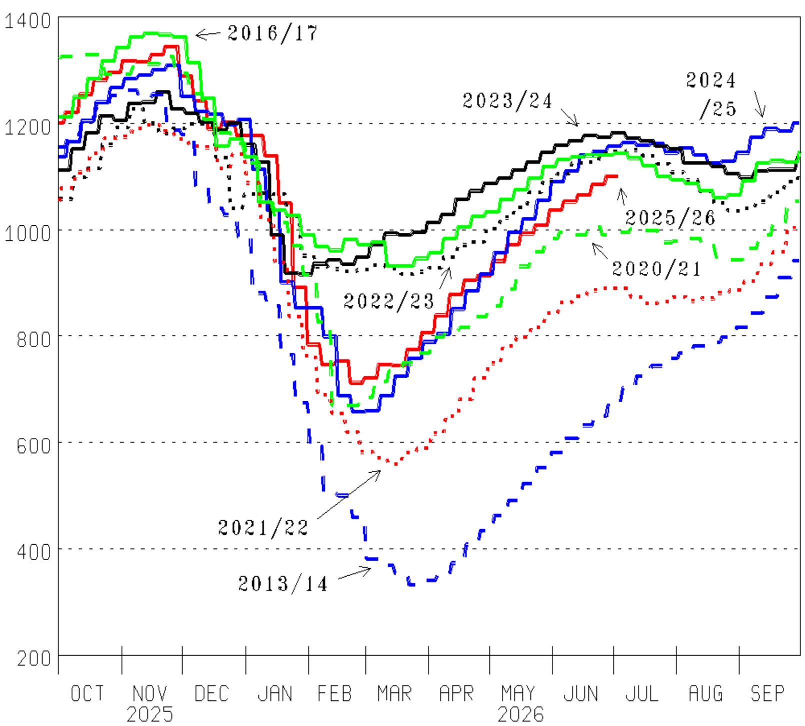
Natural gas demand to generate electricity tempering the Henry Hub price was also helped by a considerable amount of rain and cloud cover over the area served from Louisiana's Henry Hub (Figure 4, shades of blue).

Figure 5
U.S. Working Natural Gas Inventory
(Src: U.S. Energy Information Administration)
Billion cubic feet



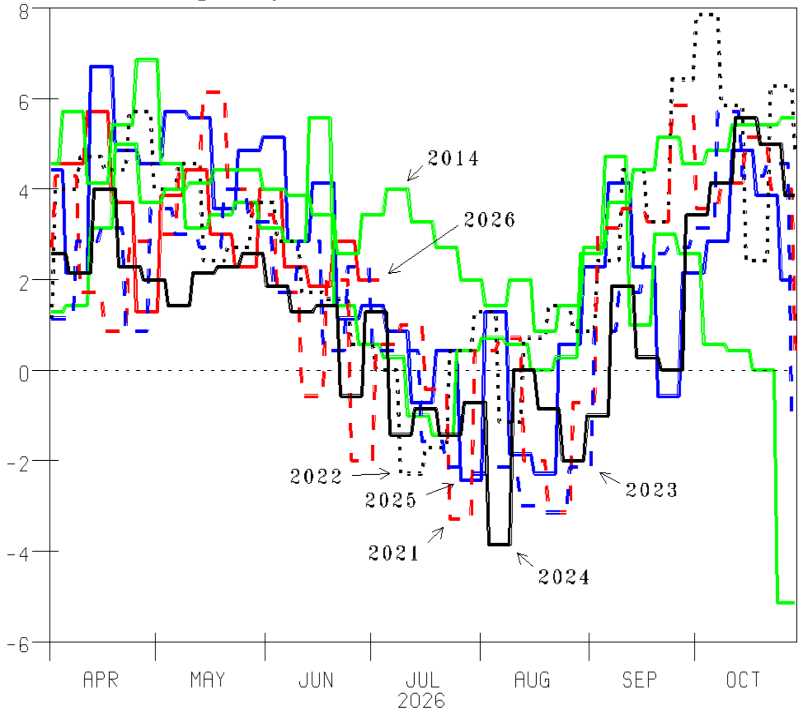
Winter mild, solar and wind maximized in April and May + Summer taking its time to arrive has natural gas inventory up near the record high and well above the record low. Natural gas inventory increasing 61 Bcf the week of Independence Day Holiday shutdowns has it at 2,983 Bcf on July 3rd (Figure 5, red line). That 921 Bcf more than 2,062 July 3d in 2004 (bold, dot-dash) and 1,415 more than the day's July 3rd record high in 1996 is helping most be natural gas bearish /uninterested in being invested. Also helping is it only 214 less than the day's 3,197 Bcf record high in 2016.

Figure 6
South-Central Region Weekly Natural Gas Inventory
(Src: U.S. Energy Information Administration data)
Billion cubic feet



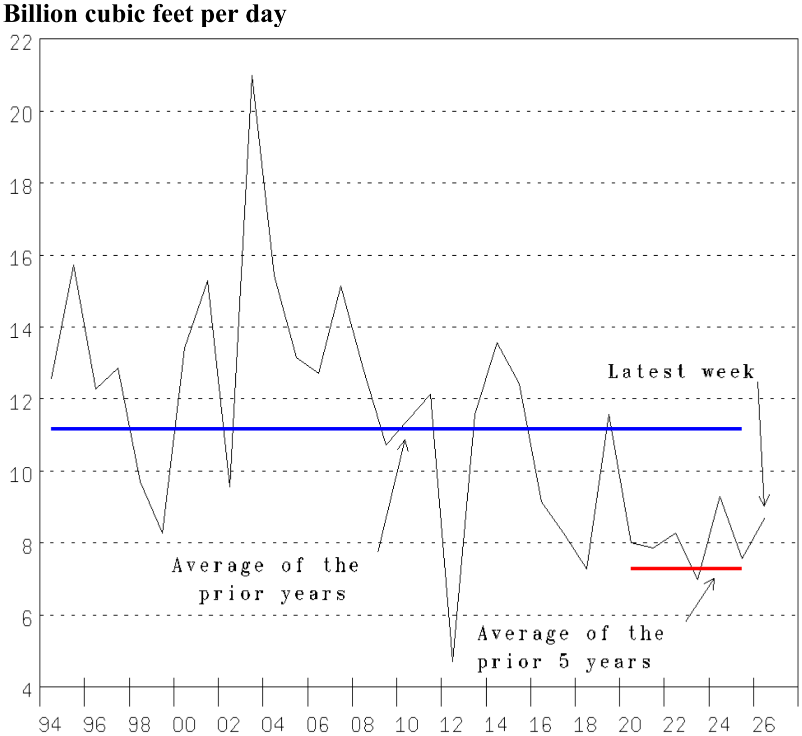
Nevertheless, infrastructure trends having demand growth exceeding production growth is evident in the switch in South Central Region natural gas inventory, from up YOY at Winter's end to notably down YOY now. Back on March 13, 747 Bcf in South-Central Region natura gas inventory (Figure 6, red line) was 63 Bcf more than 684 last year (blue line), a 63 Bcf year-over-year (YOY) increase. However, 1,100 July 3rd is 57 less than 1,157 last year, a 57 Bcf YOY decline. The inventory increase in this region since March 13, 120 Bcf less than last year, highlights infrastructure trends showing demand growth exceeding supply growth.

Figure 7
Weekly Change in South Central Region Working Gas Inventory
(Src: Calculated from U.S. Energy Information Administration data)
Billion cubic feet per day



Climate events temporarily minimizing natural gas demand and prices have many set up to soon be caught natural gas short again. Temperatures and precipitation temporarily minimizing South-Central Region natural gas demand and prices is evident in 20 Bcf injected into its inventory the week ending June 26, a 2.86 Bcf per day rate (Bcf/d, Figure 7, red line), 1.72 more than 1.14 last year (blue line). And a 2.0 Bcf/d rate for the week ending July 3rd, 0.57 more than 1.43 last year. Four weeks of cold temperatures stimulating January into February, catching many short, jumped the Natural Gas Index (XNG) up to a 20% YTD gain at the beginning of March. The Climate soon needing record withdrawals can/will be a big surprise.

Figure 8
U.S. Working Natural Gas Inventory Withdrawal
Latest week comparison (Src: calculated from
U.S. Energy Information Administration (EIA) data)
Billion cubic feet per day



Infrastructure trends having demand growth exceeding supply growth is also evident in the latest week's inventory increase low, despite weather conditions minimizing. Mild temperatures and clouds/rain had natural gas inventory increase 61 Bcf the week ending July 3rd, 8.71 Bcf/d (Figure 8, line). That 1.14 more than the year before and 1.43 (10 Bcf) more than the average the last five years (red line) is helping temper prices, interest and expectations. Nevertheless, it 10th smallest in the 33 years of weekly data history and 2.46 Bcf/d, smaller than the prior years 11.17 Bcf/d average (blue line) clearly shows the trend to Summers needing more increasing the effort needed to rebuild inventory for Winter.

Figure 9
U.S. Rotary Rigs Drilling for Natural Gas—Weekly
(Src: Baker Hughes)
Number of rigs running

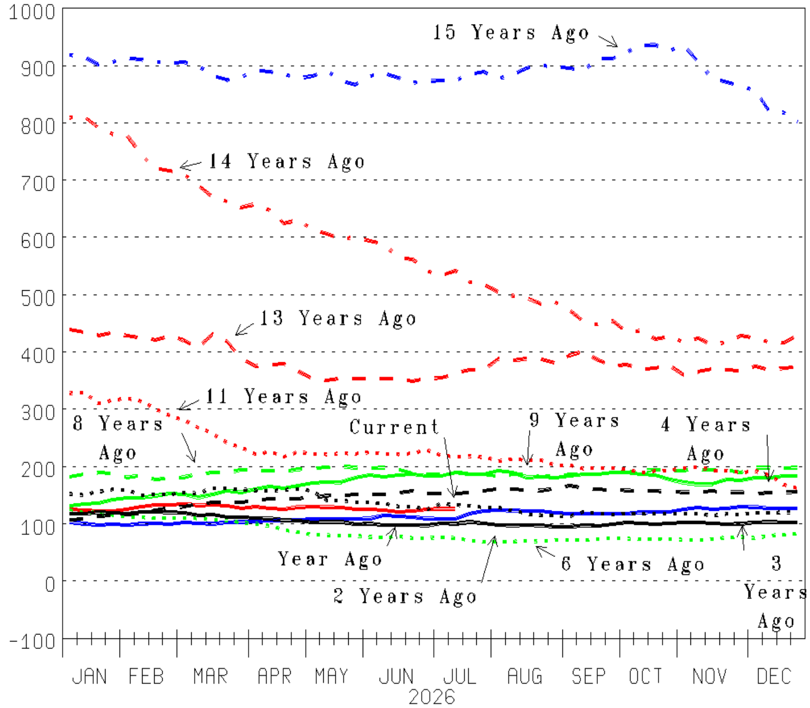
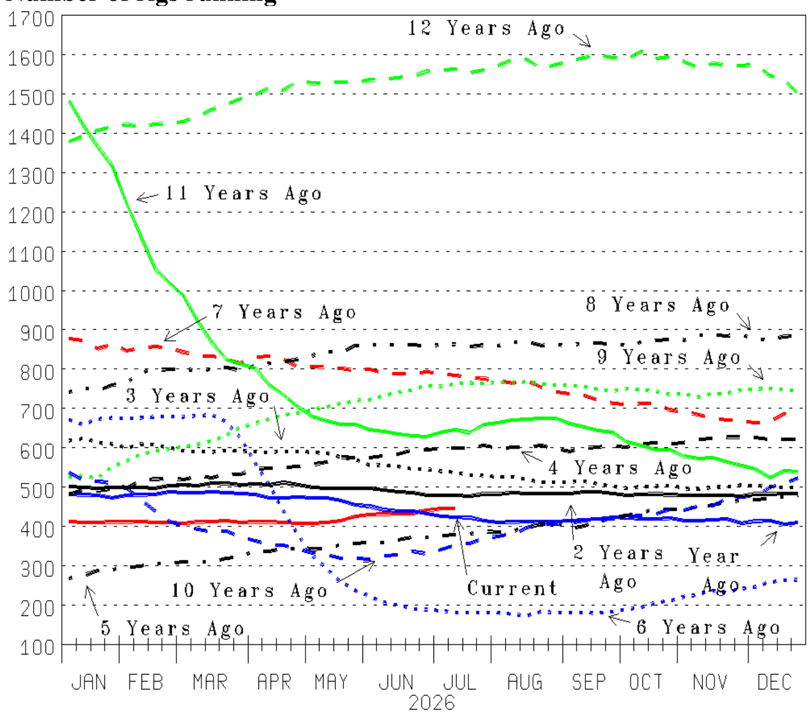


Figure 10
U.S. Rotary Rigs Drilling for Oil—Weekly
(Src: Baker Hughes)
Number of rigs running



Natural gas inventory high is helped by rapid production growth with 126 rigs drilling for gas, +18 YOY. Fracking working for natural gas is greatly evident in 126 rigs drilling for natural gas last week (Figure 9, red line), well below almost 900 in 2011 (blue, dot dash). Yet 18 more than last year has natural gas dry-marketed production averaging 110.9 Bcf/d in March, up from 107.3 last year. **However,** while 126 now is 18 more than last year, **it is only 4 more than the increase to 122 last August** (blue line). **And, while more rigs drilling for gas has production up 3.600 Bcf/d YOY in March, exports are up 4.433** Bcf/d in March.

UP the way we go is being helped by finally taking out the kill-and-destroy Rulers of Iran plus the needed Drilling/Investing boom needed to prosper many more UP. Oil prices rising (Figure 1) has increased the number of rigs drilling for oil from 407 at the end of April to 445 now (Figure 10, red line). The Fracking Revolution has changed the U.S. from being a net crude oil importer the first half of 2008 at 9.856 million barrels per day (mmbd) to 1.627 now. And a net importer of high value petroleum products back then of 1.991, to a net exporter now of 5.825 mmbd. This is driving economic growth/employment. **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.**