Energy Directions, Inc.

Energy Market Assessment

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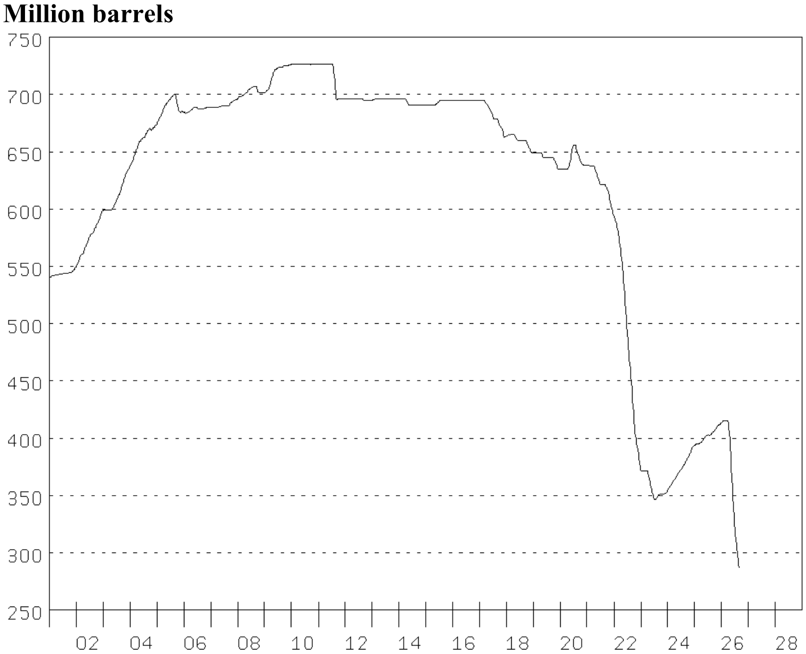
Crude Oil At $91, Gasoline At $130 and Diesel At $197 Per Barrel Confirm A Multi-Year, Profitable Oil-Drilling/Supply-Investing Boom Needed.

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

The near month closing crude oil futures contract up at $91 per barrel, while down from highs, is confirming oil's high value and much more needed.

World oil supply disrupted when Russia invaded Ukraine jumped the current month's closing crude oil futures price to a $123.70 per barrel high in 2022 (Figure 1). Operation Epic Fury's military action, to end the Rulers of Iran's war of domination, jumped it to a $112.95 high. Economic efforts added to military pursuit of peace has the Rulers revealing more weapons to be destroyed. Yesterday's $91.01 close confirms progress with more needed.

Figure 2
U.S. Strategic Petroleum Reserve (SPR) Crude Oil Inventory
(Src: Department of Energy)
Million barrels



Crude oil down $21.94 per barrel from April's, $112.95 high reflects 122.6 mmb supplied from the nation's SPR.

All the oil price surge and inflation challenges of the 1970s into the 80s had a Strategic Petroleum Reserve (SPR) built. 726 million barrels (mmb) were reached as 2010 began (Figure 2). 221 mmb was withdrawn to provide cost relief from the supply disruptions of Russia invading Ukraine. 122.6 mmb withdrawn to date now is the reason that U.S. commercial crude oil inventory, at 424.5 mmb last week, is 3.8 more than 420.7 last year.

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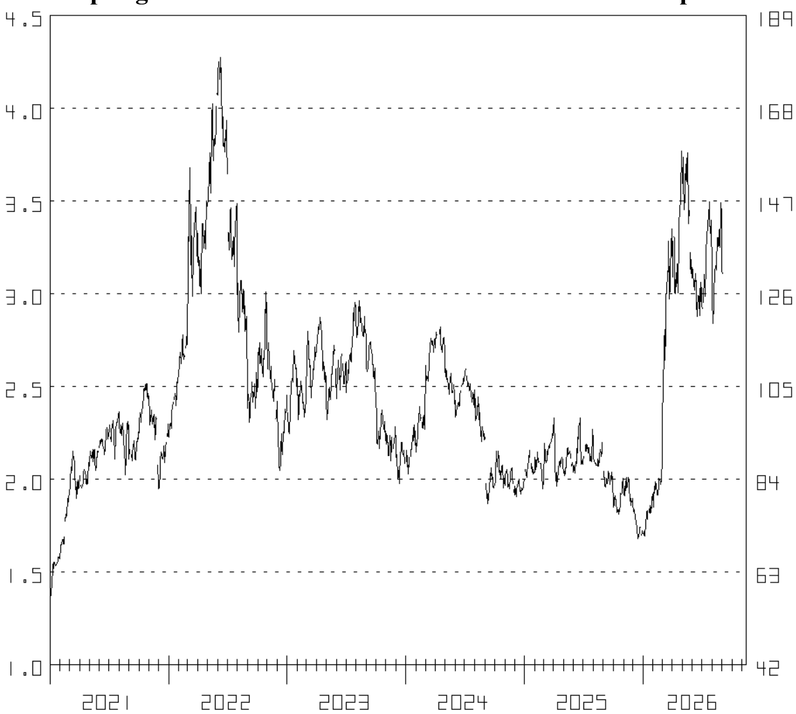
Figure 3
Gasoline-New York RBOB daily, near-month closing futures price
(Src: Wall Street Journal)
Dollars per gallon **Dollars per barrel**

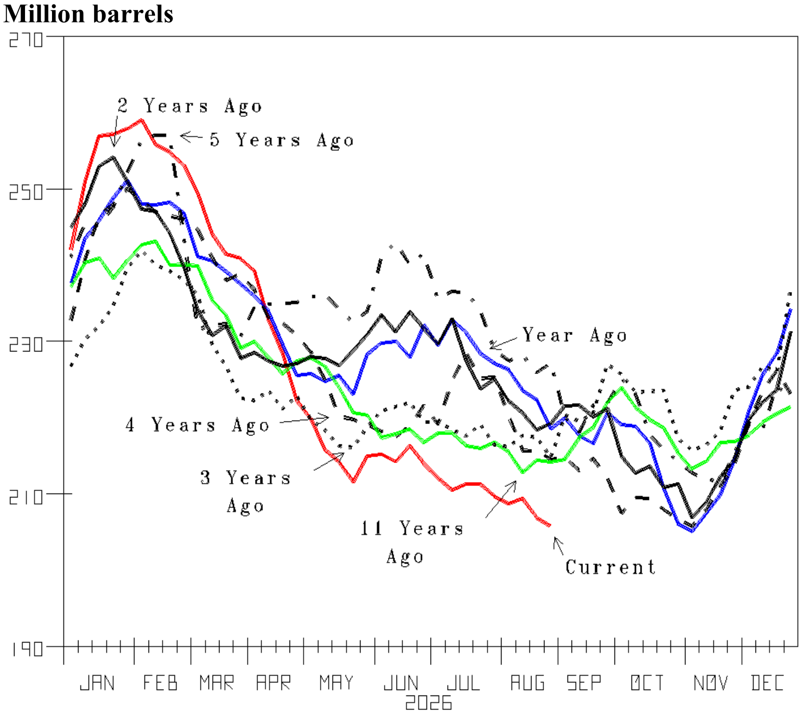


With the closing futures contract price of crude oil down 19% from its Epic Fury high, gasoline's price is down 17%.

$3.783 per gallon was the closing price high for gasoline reached May 5th (Figure 3). $3.104 ($130 per barrel) yesterday's close is 63.4 cents (17.0%) less.

Gasoline below the prior highs is helped by the prior highs being reached on the way to fueling Summer. Some ingredients used to produce Winter grade gasoline are not permitted for Summer because they evaporate at Summer temperatures. Up with more military action but still below the peak reflects end of Summer decline. That and Winter ingredients have yesterday's November contract close at $2.938 per gallon. Another 16.6 cents of cost relief.

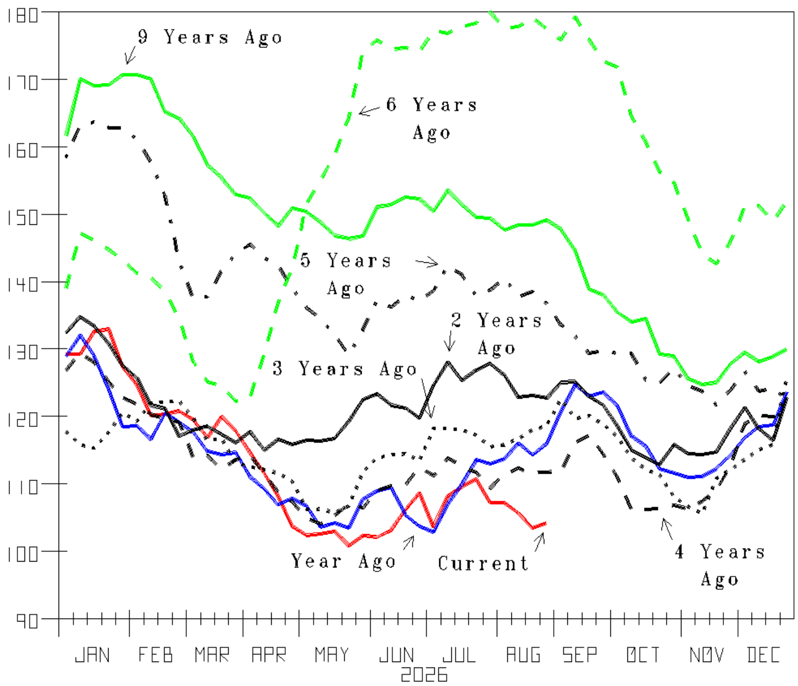
Figure 4
U.S. Gasoline Inventory
(Src: Department of Energy)
Million barrels



News headlines highlighting the high cost of gasoline reflect 1) no Strategic Gasoline Reserve and 2) rules/regulations and dictates of some Western states pulling up the national average.

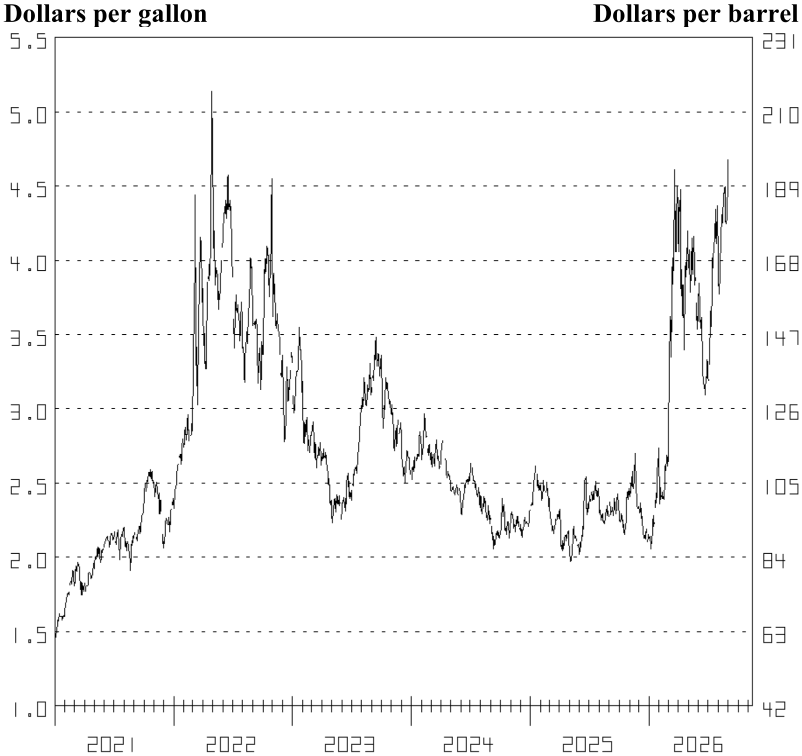
While commercial crude oil inventory is now 3.8 mmb greater than last year, gasoline inventory down at 205.7 (Figure 4, red line) is 12.9 less than 218.6 last year (blue line). No Strategic Gasoline Reserve exists. Economic and military action underway to end the War has the nation's average retail gasoline price last week up to $4.207 per gallon. Rules having the West Coast average up at $5.206, well above $3.618 the Gulf Coast average, have the national average reported so high.

Figure 5
U.S. Distillate Oil (Diesel and Heating Oil) Inventory
(Src: Department of Energy)
Million barrels



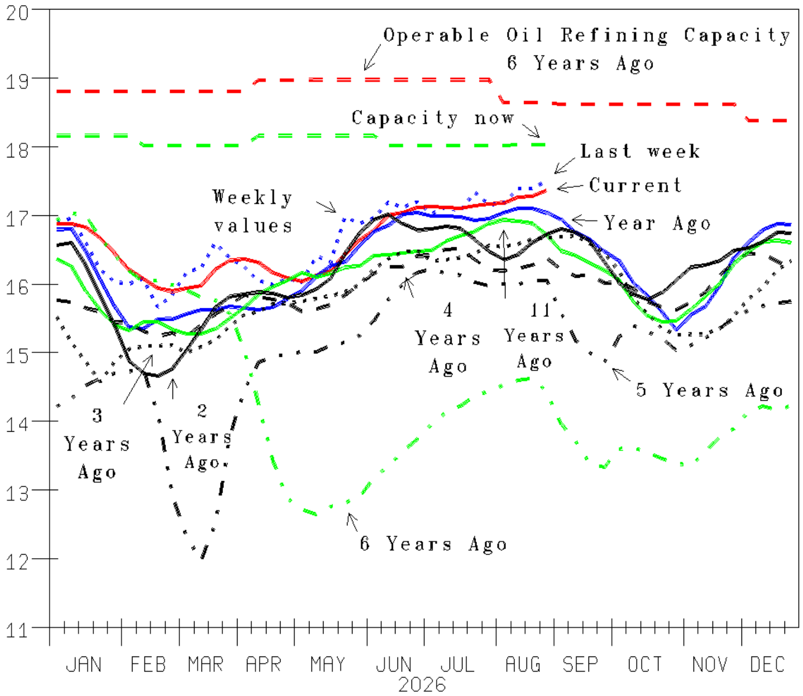
No Strategic Reserve of distillate oil, diesel the world's dominant fuel, plus most living in the Northern Hemisphere heading to Winter has it the major oil now needed. Getting prepared to fuel Winter usually has distillate oil (diesel and heating, Figure 5) inventory increasing now. Demand exceeding supply greatly limited has 104.2 mmb in oil industry inventory last week (red line) 11.7 less than 116.0 last year (blue line). Plus, last year increased another 8.8 mmb next before being drawn down to prepare consumers for Winter.

Figure 6
New York Harbor, Ultra Low Sulfur Distillate (ULSD) daily,
Near-month closing futures price (Src: Wall Street Journal)
Dollars per gallon **Dollars per barrel**



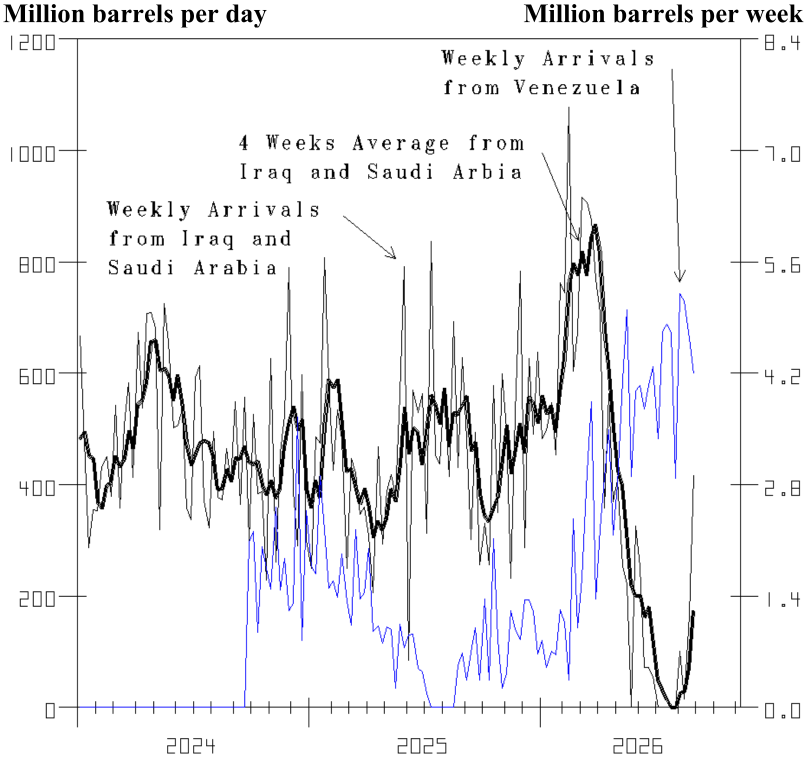
Distillate now the major fuel has yesterday's closing futures price at $197 per barrel, $105 more than crude oil. Operation Epic Fury jumped the closing futures contract price of ultra low sulfur distillate oil (ULSD) to a $4.608 per gallon high March 20 (Figure 6). $4.682 yesterday is 7.4 cents per gallon more, $197 per barrel. The price in March wasn't as high because Winter was over. Behind on preparing for Winter now has it higher now. Plus, diesel is the dominant fuel for most of the world because so few own and benefit from a car.

Figure 7
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



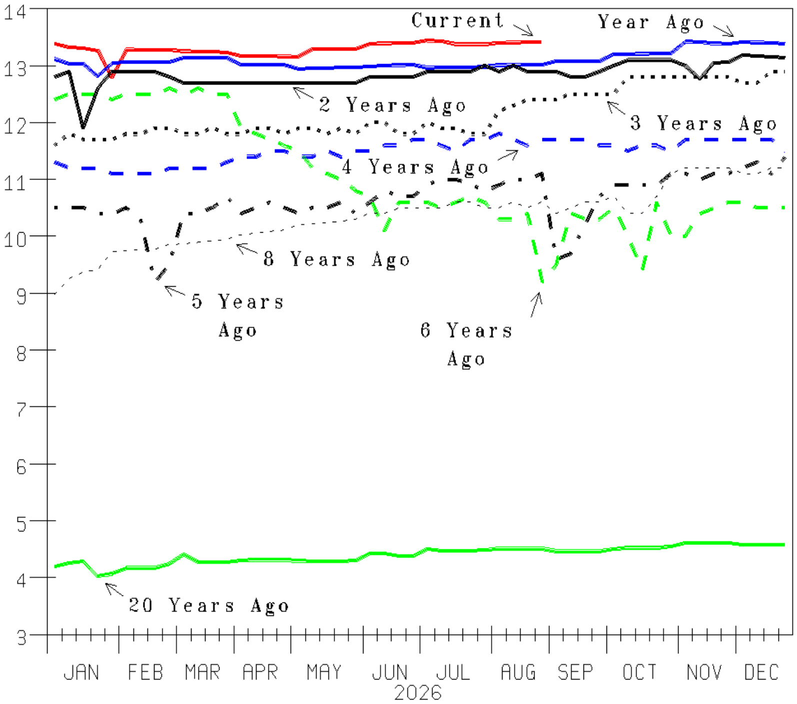
Refined products in short supply and prices calling for much more have U.S. refinery runs setting new highs plus years of profitable investing the direction we head. Free markets working have U.S. oil refineries processing crude oil up at a 17.496 million barrels per day (mmbd) new high last week (Figure 7, blue dot). That has 17.366 the average the last four weeks (red line), 0.332 (+1.9%) more than 17.034 last year (blue line). This week's oil price surge was also helped by a short squeeze with oil futures contracts expiring Monday. **Some cost relief will soon be provided by refinery runs soon dropping** for maintenance and changeover from Summer to Winter.

Figure 8
Weekly Crude Oil Imports From Iraq, Saudi Arabia
and Venezuela (Src: U.S. Department of Energy data)
Million barrels per day **Million barrels per week**



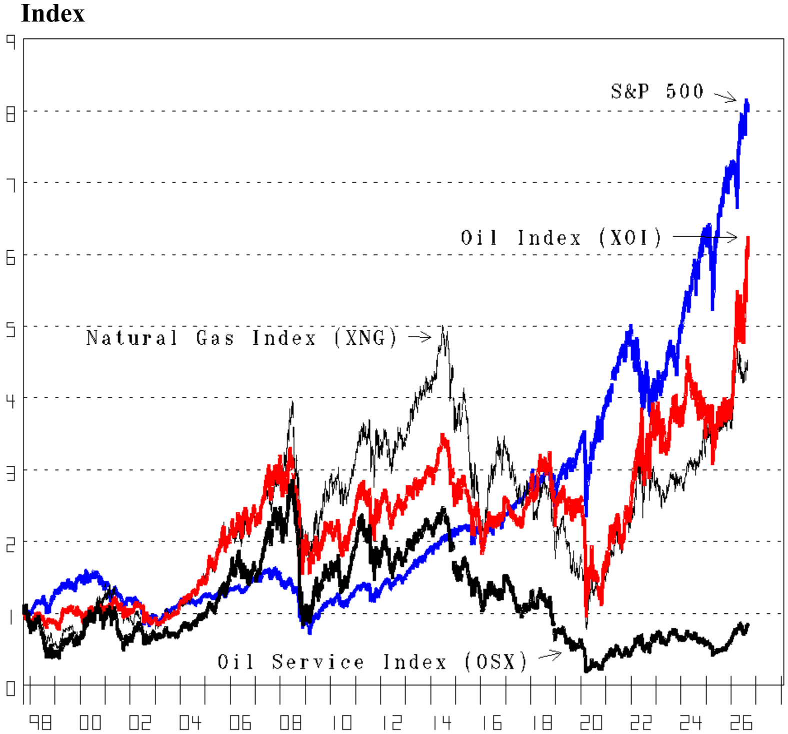
Additional cost relief will be provided by successful U.S. led efforts to increase supply. The Strait of Hormuz closed by the effort, finally, to end the Rulers of Iran's, decades-long war dropped U.S. imports of crude oil from Iraq and Saudi Arabia from above 5.6 mmb per week to zero (Figure 8, bold line). However, the U.S. effort to restore Venezuela, to its capability as a peaceful, prosperous nation, has increased its U.S. imports up toward 5.0 mmb per week (blue line). That and progress in restoring Middle East supply had 2.9 mmb arrive from Iraq and Saudi Arabia last week (line).

Figure 9
U.S. Lower-48 State Weekly Crude Oil Production
(Src: Department of Energy data)
Million barrels per day



Enormous benefit is being provided by U.S. capitalism having the Fracking Revolution made to work, changing the U.S. from the world's largest oil and natural gas importer to its largest exporter. Prior to Fracking made to work for oil, U.S. lower-48-state crude oil production was down averaging around 4.0 mmbd per week (Figure 9, green line). 13.419 last week (red line) is 3.4 times that and 0.4 more than last year (blue line), 3.1% year-over-year (YOY) growth.

Figure 10
Stock Price Index Comparisons
(Indexed to 1.0 10/1/97)
Index



U.S. capitalism's enormous benefit is also evident in the value of the S&P 500 now 8 times what it was in 1997. Much opportunity is out there by changing back to teaching all what and how to Do/Be/Have rather than what to believe/ think. The S&P 500 closing at 7,666.64 yesterday is 8.024 times its 995.41 value October 1, 1997 (Figure 10, blue line). We credit U.S. Freedom to Do/Be/Have better for the success. Including success fueling provided by the amazing Fracking Revolution. While oil prices are helping oil investing gain (red line), much rain and cooler where many people live, hiding natural gas (line) have set up outperformance soon for natural gas, Drilling and Oil Service (bold line).

Figure 11
Monthly, seasonally-adjusted number of non-farm layoffs and discharges in the US at the end of the month (Src: Bureau of Labor Statistics, U.S. Dept of Labor)
Millions

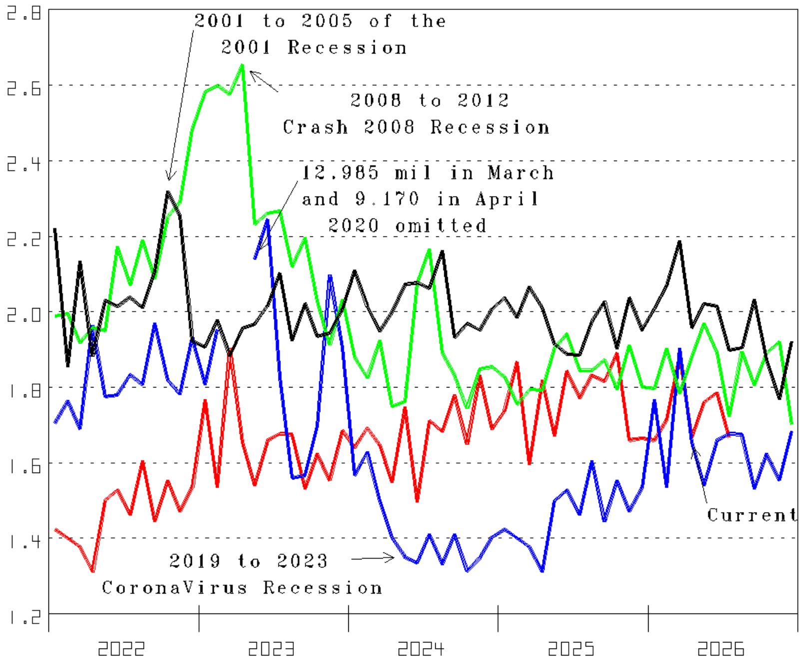
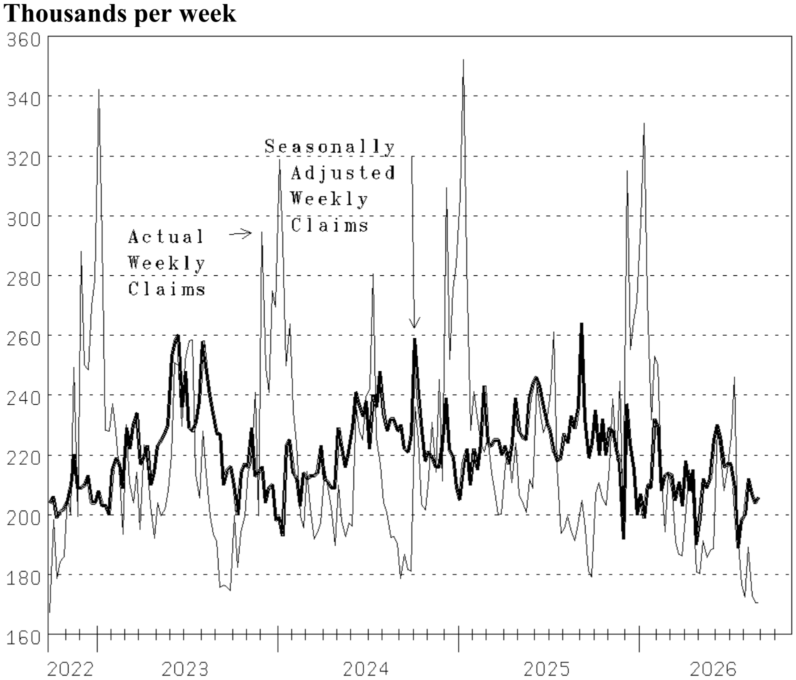


Figure 12
Initial Unemployment Insurance Claims – United States Seasonally Adjusted Data (Src: Calculated from U.S. Dept of Labor Statistics)
Thousands per week



Tuesday's JOLTs report for July shows the U.S. a growing economy despite all the reasons to fear. Tuesday's Job Openings And Labor Turnover (JOLTs) report showed 5.054 million nonfarm hires took place in July. That 171,000 fewer than last year could be a reason to fear. We view it as opportunity to improve educating. Job openings at 7.738 million, 152,000 (2.0%) more than last year highlight growth. So does non-farm layoffs and discharges at 1.652 million (Figure 11, red line), 82,000 (-4.7%) fewer than last year, down in economic growth territory. Layoffs and discharges well below the increases that occurred with the 2001 (bold line), Crash 2008 (green line) and Coronavirus (blue line) recessions confirm our Free-Market economy working at Doing/Being/Having more/better.

Weekly initial unemployment claims down where they are also confirm economic growth is the direction we head. This morning's report shows 206,000 initial unemployment claims were filed for last week ending August 29 (Figure 12, bold line). So low is another indication of employers working at the much needing to be done. **Much of late minimizing, infrastructure trends, 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.**