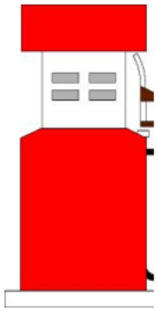


Energy Market Update, May 14, 2025

NYMEX Prices

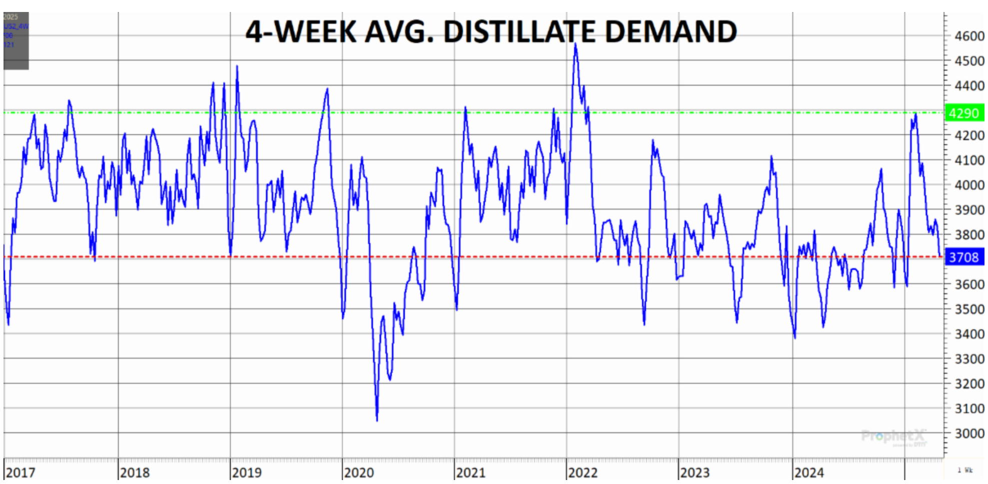
Product	Month	Close	Wk. Change
Crude Oil	Jun 25	63.15	+5.08
RBOB Gas	Jun 25	2.1700	+0.1422
NYH ULSD	Jun 25	2.2061	+0.2295
Nat. Gas	Jun 25	3.492	-0.129

Market News: Energy markets settled mixed with crude stalling while products continued higher
Fuel prices continued higher in Wednesday's trade, with gasoline prices posting 5-straight days of gains now, and diesel gaining six-straight sessions. Crude dropped slightly lower following a larger than expected 3.5-million-barrel build to inventories reported this morning, but it has still gained $5 over the past week. The gasoline contract has picked up 15 cents despite demand remaining below 9 million barrels for the past two weeks, leaving a bit left to be desired. Diesel has gained 24 cents week-over-week as stocks continue to tighten. Trade deals have begun to ease economic concerns brought about by the advent of retaliatory tariffs. Expectations for increased production by both OPEC and non-OPEC producers remains a limiting upside factor for prices. OPEC published their monthly report today, which kept oil demand steady. The cartel reduced their economic growth outlook, but indicated some optimism for trade developments.

Weekly Petroleum Status Report

	Crude				Gasoline				Distillate Fuel			
	Change	Total	3-Yr. Avg.	5-Yr. Avg.	Change	Total	3-Yr. Avg.	5-Yr. Avg.	Change	Total	3-Yr. Avg.	5-Yr. Avg.
EIA	3.5	441.8	448	472	-1.0	224.7	222	231	-3.2	103.6	109	125
Est.	+0.700/-3.300				+0.500/-1.600				+1.000/-0.700			
Propane	Total 50.4 2.2				Midwest 11.0 0.7				Gulf Coast 32.2 1.2			
API	Crude 4.3	Cushing -0.9			Gasoline -1.4				Distillates -3.7			

Decreasing #2 diesel demands going forward could increase inventories, loosen supplies, and possibly help depress distillate prices in the coming months.

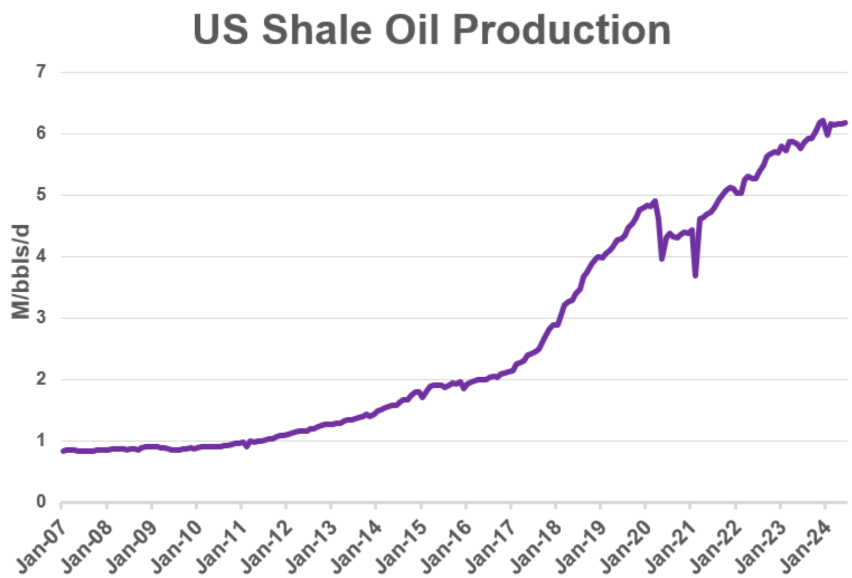


- Four-week average diesel demands, according to the latest data from the DOE, last week decreased by 120,000 bbls/d or 3% to 3.71M bbls/d, a **near four-month low** and nearly 1.5% or 56,000 bbls/d below the three-year average for 4-wk. avg.
- Four-week average distillate demand has dropped by slightly more than 475,000 bbls/d or 11% from its 2025 peak just below 4.2M bbls/d from early February.

- On a weekly basis, distillate demand last week dropped by nearly 30,000 bbls/d or close to one percentage point to a near four-month low at 3.52M bbls/d, according to the DOE, down nearly 1.1M bbls/d or 23% from its 2025 high at 4.6M bbls/d from the end of January.
- Distillate demands could continue to fall due to weakening manufacturing and trucking conditions and increased biofuel substitution.

Why it matters: Weak diesel demand could boost supply, build inventories, and possibly help further soften diesel prices in the coming months. If tepid diesel demands dovetail with increased refinery production levels as refineries emerge from their spring turnarounds in the coming weeks and refiners attempt to boost motor fuel supplies for the upcoming summer driving season, selling pressure could be even greater than expected.

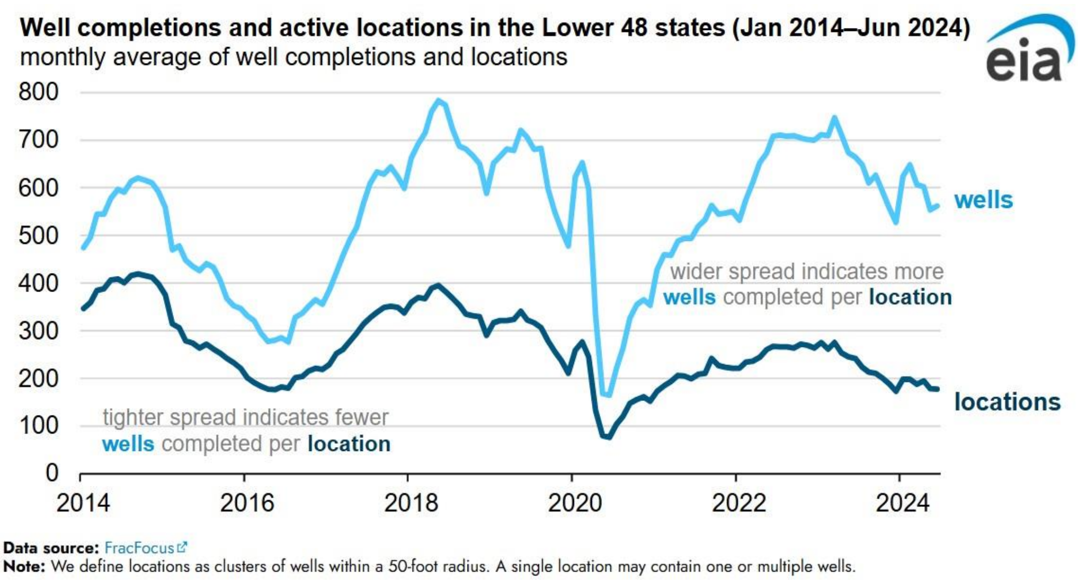
Indications that low crude oil prices are starting to affect decisions by US oil producer's capital expenditures spending (drilling) is beginning to emerge.



- The recent drop in WTI crude oil prices to below $60.00, a point that is not profitable for many exploration and production companies, this past month has triggered some independent shale producers to announce drilling and spending cutbacks in recent weeks.
- Reduced drilling expenditures by producers could help end the significant output increase in US shale oil production levels that has occurred in the past decade and potentially reduce output levels going forward.
- This week, Diamondback Energy (the largest independent shale oil producer in the Permian shale basin) and Coterra Energy announced more than $500 million of combined spending cuts this year.
- In addition, Diamondback Energy's CEO Travis Stice this week stated the Permian basin production (largest US shale basin) has peaked and will likely decline from here as oil prices decline.
- Further, the rising cost of drilling is also expected to contribute to the plateauing of output levels going forward.
- Plus, three other producers, EOG Resources, Matador Resources, and Devon Energy, announced plans to idle drilling rigs this month.

Why it matters: Low oil prices and reduced drilling activity by exploration and production companies could diminish output, help tighten supplies, reduce inventories, and potentially trigger an upswing in energy prices eventually.

Simultaneous well completion has accelerated efficiency & reduced costs for U.S. producers



- Technological advances in equipment capabilities, including the adoption of electric frac fleets for hydraulic fracturing over the past ten years has allowed for the completion of multiple wells simultaneously.
- This has allowed operators to reduce the time from drilling to production, which increased operational efficiency and lowers the overall completion cost per well.

The chart above depicts the increase in well completions of 1.5 wells in the end of 2014 to 3.0 wells in mid-2024, even while the number of action locations has decreased over this timeframe.

Why it matters?: Reductions in cost to complete wells can lead to less financial headwinds for domestic production as technological improvements continue to advance.