

Market Update

PRODUCTS	9/3/18	9/4/18	9/5/18	9/6/18	9/7/18
WTI Crude Oil	69.8	69.87	68.72	67.77	67.75
Brent Crude Oil	77.42	77.43	77.27	76.5	76.83
Natural Gas	2.92	2.82	2.79	2.77	2.78

- [CME Group](#)

Headlines

North Dakota

- **Regulators approve natural gas liquids pipeline. [Bismarck Tribune](#)**
 - The conversion of a crude oil pipeline to transport natural gas liquids from the heart of the Bakken was approved Wednesday by the North Dakota Public Service Commission. The three-member commission gave unanimous approval to Andeavor Logistics to convert 42 miles of the BakkenLink pipeline, which was originally approved in 2012 to transport crude oil. The company requested to convert a portion of the pipeline to transport natural gas liquids. North Dakota's production of natural gas liquids is growing, but the state lacks sufficient pipeline capacity. "It's good to see this pipeline that was in the ground being put to its most efficient use," said Commissioner Julie Fedorchak. Andeavor previously received permission from the PSC to construct about 44 miles of new natural gas liquids pipelines in McKenzie, Billings and Stark counties that are associated with the converted pipeline. The pipeline system will transport mixed natural gas liquids from the Watford City area to an Andeavor gas processing plant near Belfield, where the liquids will be separated into products such as ethane, propane, butane and natural gasoline. The products would then be transported by pipeline to the Andeavor Fryburg Rail Terminal and loaded onto rail cars. North Dakota produces about 450,000 barrels of natural gas liquids per day, said Justin Kringstad, director of the North Dakota Pipeline Authority.

Domestic

- **Oil steadies as U.S. inventory concerns curb gains. [Reuters](#)**
 - Oil prices were mixed on Monday, pulling back from an early rally after data suggested U.S. crude inventories might build, weighing on the market. Traders said weekly data from Bloomberg suggested U.S. oil inventories are rising, contradicting an earlier report from energy information provider Genscape, which forecast declining inventories. The data put a damper on a bullish mood that had driven trading early in the session. "This has been a Monday morning special that the Bloomberg or Genscape numbers can kill a rally," said Bob Yawger, director of futures at Mizuho in New York. U.S. crude futures settled down 21 cents at \$67.54 a barrel. Brent crude oil rose 54 cents to \$77.37 a barrel after touching a session high of \$77.92 a barrel. Earlier in the session, crude had strengthened as growth of U.S. drilling braked and investors anticipated lower supply once new U.S. sanctions against Iran's crude exports kick in from November. "The low rig count set the stage for us to move higher," said Phil Flynn, an analyst at Price Futures Group in Chicago. "At the end of the day you also have storms that could impact inventories for some time to come." U.S. drillers cut two oil rigs last week, reducing the total count to 860, Baker Hughes said on Friday. Growth

of the number of rigs drilling for oil in the United States has stalled since May, reflecting increases in well productivity but also bottlenecks and infrastructure constraints. “A higher oil price scenario is built on lower exports from Iran due to U.S. sanctions, capped U.S. shale output growth, instability in production in countries like Libya and Venezuela and no material negative impact from a U.S./China trade war on oil demand in the next 6-9 months,” said Harry Tchilinguirian, oil strategist at French bank BNP Paribas. “We see Brent trading above \$80 under (that) scenario,” he told Reuters Global Oil Forum. Outside the United States, Iranian crude oil exports are declining ahead of a November deadline for the implementation of new U.S. sanctions. Although many importers of Iranian oil have said they oppose sanctions, few seem prepared to defy Washington. “Governments can talk tough,” said Energy consultancy FGE. “They can say they are going to stand up to Trump and/or push for waivers. But generally the companies we speak to ... say they won’t risk it,” FGE said. “U.S. financial penalties and the loss of shipping insurance scare everyone.” While Washington is exerting pressure on countries to cut imports from Iran, it is also urging other producers to raise output to hold down prices. U.S. Energy Secretary Rick Perry will meet his counterparts from Saudi Arabia and Russia on Monday and Thursday respectively as the Trump administration encourages the world’s biggest producers and exporters to keep output up. Investors are concerned about the impact on oil demand of the trade dispute between the United States and other large economies, as well as the weakness of emerging markets. “Trade wars, and especially rising interest rates, can spell trouble for the emerging markets that drive (oil) demand growth,” FGE said. Despite this, the consultancy said the likelihood of much weaker oil prices was fairly low as the Organization of the Petroleum Exporting Countries would probably adjust output to stabilize prices.

- **Oil falls more than 1 percent as storm fears ease, demand concerns mount. Reuters**
 - The Oil prices fell more than one percent on Wednesday after a U.S. Gulf storm weakened and moved away from oil-producing areas and as concerns mounted about global trade disputes and Turkey’s currency crisis hurting demand. The Chevron Pascagoula Refinery is pictured as Tropical Storm Gordon approaches Pascagoula, Mississippi, U.S., September 4, 2018. REUTERS/Jonathan Bachman U.S. West Texas Intermediate (WTI) crude CLc1 futures fell \$1.15 to settle at \$68.72 a barrel, a 1.65 percent loss. Brent crude LCOc1 futures fell 90 cents to settle at \$77.27 a barrel, a 1.15 percent loss. The global benchmark had climbed in the previous session to \$79.72 a barrel, its highest since May. Both benchmarks fell further in post-settlement trade after data from industry group the American Petroleum Institute showed a slightly smaller than expected draw in U.S. crude inventories. Data was published a day later than usual because of the U.S. Labor Day holiday on Monday. Crude prices had jumped on Tuesday as oil companies shut dozens of offshore platforms in anticipation of damage from Tropical Storm Gordon. The storm, however, never became a hurricane and by Wednesday energy companies and port operators along the U.S. Gulf Coast took steps to resume operations. “Prices yesterday rose in anticipation that the storm could inflict some damage on the production and refining sector, but after all was said and done we lost a little bit of production and the refineries in Mississippi and Louisiana continued to run as Gordon made landfall,” said Andrew Lipow, president of Lipow Oil Associates. In all, companies halted 156,907 barrels per day of oil production, according to estimates Tuesday by the U.S. Bureau of Safety and Environmental Enforcement. Oil also weakened as the United States-China trade dispute raised demand worries. Trump could impose levies on \$200 billion more of Chinese imports after a public comment period on the new tariffs ends on Thursday. OPEC Secretary-General Mohammad Barkindo said global trade disputes could hurt energy demand in the future. Also weighing on crude futures was a currency crisis in Turkey. The lira has fallen more than 40 percent this year. “Fears of Turkey’s currency crisis spreading to other emerging markets have prompted demand-side concerns,” said Abhishek Kumar, senior energy analyst at Interfax Energy. U.S. sanctions targeting Iran’s oil sector from November are already reducing exports from OPEC’s third-largest producer and counteracting the impact of an agreement by OPEC and its allies to pump more oil. “With the anticipation of up to 1.5 million barrels per day affected by the U.S. sanctions on Iran, one would expect prices to move higher in the weeks ahead,” said Stephen Innes, of futures brokerage OANDA. U.S. President Donald Trump said on Wednesday he could not predict what would happen with Iran and it did not matter to him if Iran’s leaders wanted to talk to him or not.

Oil and Gas Analysis

o Rotary Rig Count Summary

Location	Date	Week	+/-	Week Ago	+/-	Year Ago
United States	31-Aug-18	1048	4	1044	105	943
	7-Sep-18	1048	0	1048	104	944
North Dakota	31-Aug-18	52	0	52	0	52
	7-Sep-18	53	1	52	1	52
Canada	31-Aug-18	228	-1	229	27	201
	7-Sep-18	204	-24	228	2	202
International	Aug-18	1008	11	997	56	952

- Baker Hughes

o Weekly Petroleum Status Report

Stocks (Million Barrels)			
	Four Weeks Ending		
	8/31/2018	8/24/2018	9/1/2017
Crude Oil (Excluding SPR)	401.5	405.8	462.4
Motor Gasoline	234.6	232.8	226.7
Distillate Fuel Oil	133.1	130.0	147.8
All Other Oils	457.4	454.5	473.6
Crude Oil in SPR	660.0	660.0	678.6
Total	1,886.6	1,883.1	1,989.0

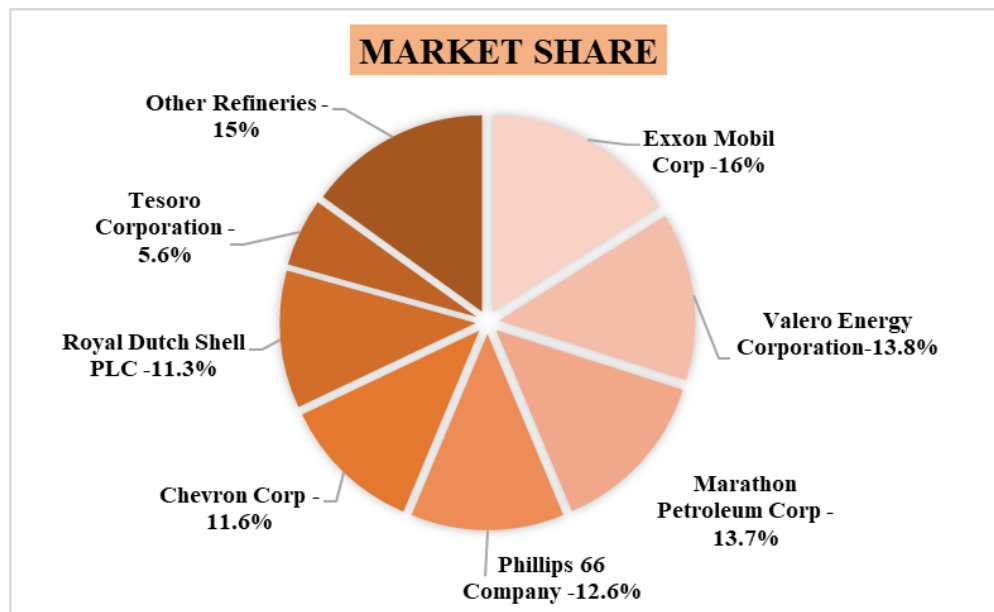
Products Supplied (Thousand Barrels per Day)			
	Four Weeks Ending		
	8/31/2018	8/24/2018	9/1/2017
Motor Gasoline	9,650	9,553	9,540
Distillate Fuel Oil	4,188	4,116	4,068
All Other Products	7,545	7,530	7,148
Total	21,382	21,198	20,756

Refinery Activity (Thousand Barrels per Day)			
	Four Weeks Ending		
	8/31/2018	8/24/2018	9/1/2017
Crude Oil Input to Refineries	17,772	17,759	16,806
Refinery Capacity Utilization	97.3	97.3	92.0
Motor Gasoline Production	10,209	10,134	10,183
Distillate Fuel Oil Production	5,345	5,295	4,981

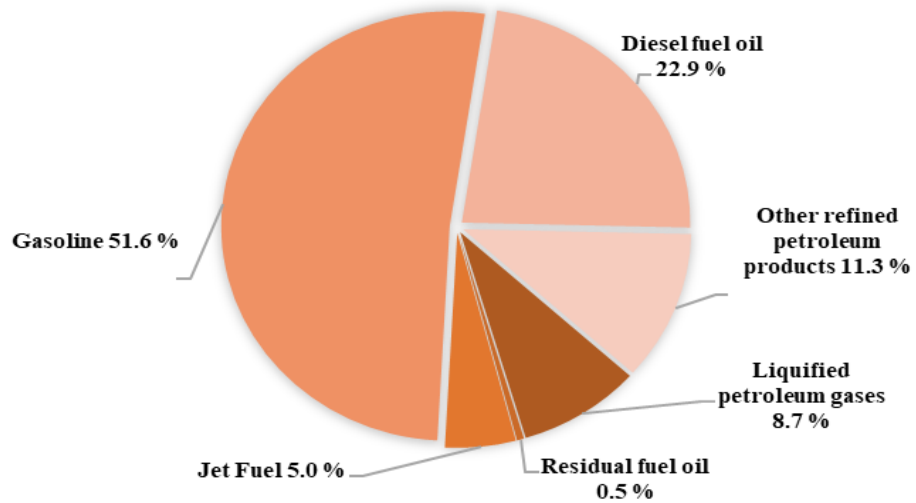
Net Imports (Thousand Barrels per Day)			
	Four Weeks Ending		
	8/31/2018	8/24/2018	9/1/2017
Crude Oil	6,424	6,393	7,259
Petroleum Products	-2,466	-2,756	-1,816
Total	3,958	3,638	5,444

- [EIA](#)

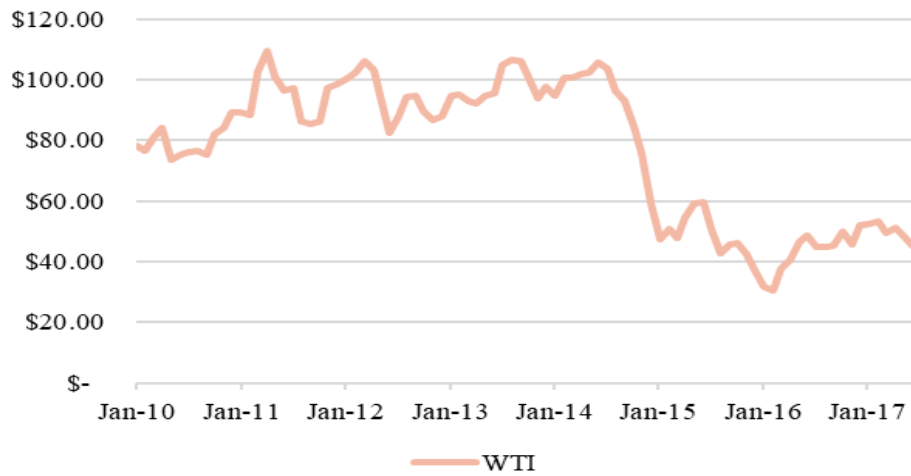
- **US Petroleum Refining at a Glance**



PRODUCTS AND SERVICES SEGMENTATION



WTI Monthly Spot Pricing



- [EIA](#)

o Key External Drivers

- o **World price of crude oil**
 - <http://markets.businessinsider.com/commodities/oil-price?type=wti>
- o **Demand from gasoline and petroleum bulk stations**
 - <https://www.reuters.com/article/us-usa-natgas-kemp/u-s-natural-gas-prices-rise-as-winter-stocks-look-tight-kemp-idUSKCN1BU1RK>
- o **GDP of mainland China**
 - <https://tradingeconomics.com/china/gdp>
- o **Trade-weighted index**
 - <https://www.investing.com/news/economy-news/top-5-things-to-know-in-the-market-on-friday-541066>
- o **Total vehicle miles**
 - <https://www.advisorperspectives.com/dshort/updates/2017/08/31/vehicle-miles-traveled-another-look-at-our-evolving-behavior>