

## Market Update

PRODUCTS	11/5/18	11/6/18	11/7/18	11/8/18	11/9/18
WTI Crude Oil	63.12	62.21	61.67	60.67	60.19
Brent Crude Oil	72.68	72.13	72.07	70.65	70.18
Natural Gas	3.53	3.55	3.55	3.54	3.72

- [CME Group](#)

## Headlines

### North Dakota

- **Bullish On Oil Despite Recent Drop. [Minot News](#)**
  - The price paid for North Dakota crude oil is about twenty dollars lower than it was just a month ago. According to Flint Hills Resources, North Dakota light sweet crude is worth about \$44 a barrel as of Wednesday. It was \$64 on October Third. But that drop doesn't have the head of the state Petroleum Council concerned. Ron Ness says he remains bullish on the oil market - especially considering the innovations being used in the Bakken region to improve efficiency. (Ron Ness, N.D. Petroleum Council) "The technology gains have just been remarkable. You're seeing essentially record after record, month after month, and that's based on the technology that's being deployed." Ness says the industry is working on the infrastructure needed to reduce the amount of natural gas that is burned off - or flared - at well sites. The state reports 18% of natural gas is being flared as of August. That's well above the target of 15%.
- **Energy Transfer aims to expand Bakken oil pipeline capacity to 570,000 bpd. [Reuters](#)**
  - Energy Transfer LP said on Thursday it plans to expand capacity on the Dakota Access pipeline system to as much as 570,000 barrels per day (bpd) from about 525,000 bpd currently, as production in North Dakota's Bakken region surges to a record. "Recent differentials and continued basin growth highlight the need for additional takeaway capacity out of the basin," Chief Financial Officer Thomas Long said during the quarterly earnings call. The company said there were limitations to expanding capacity further to the Gulf Coast on the part of the line that was converted from natural gas service to crude, but said it would evaluate adding pumps to move more oil as production volumes grow. In October, Energy Transfer launched open season, meaning it started to solicit bids from shippers, looking to expand capacity on the line that runs from North Dakota to Illinois and eventually Nederland, Texas. It is a vital artery that links the Bakken to the Midwest and Gulf Coast refining and export hubs. Production in the Bakken has surged to a record and is expected to rise further by nearly 13,000 bpd to a peak of 1.35 million bpd in November. Regional oil prices traded WTC-BAK as much as \$20 below average front-month benchmark futures last week. In the Permian, the largest U.S. oil patch, midstream companies are racing to boost pipeline takeaway capacity as production is expected to climb to new highs above 3.5 million bpd. Energy Transfer and joint-venture partners have proposed a 600-mile pipeline from the Permian Basin to the Gulf Coast that would add at least 1 million bpd of capacity. The open season for that line ended this week, and the companies have sufficient commitments to move forward, Energy Transfer said. There is still a supplemental open season planned to accommodate requests from several shippers who have asked for more time to finalize negotiations, Energy Transfer said. The pipeline is expected to be in service in mid-2020. The company also said all Permian Express lines - 1, 2

and 3 - are currently operating at full capacity. The final 50,000 bpd of Permian Express 3 capacity went into service in September, bringing the total capacity of Permian Express 3 to 140,000 bpd. "The industry was kind of caught without enough capacity for producers (in the Permian), so we're scrambling to help that situation," said Marshall McCrea, a senior Energy Transfer executive. "We certainly will continue look to bring on other projects to meet the demands of our customers."

## Domestic

- **Oil falls 1 percent, U.S. crude on longest losing streak since 1984. Reuters**
  - Oil prices fell nearly 1 percent on Friday as global supply increased and investors worried demand growth could slow, pressuring U.S. crude to its longest stretch of daily declines since 1984. Crude futures benchmarks have slid about 20 percent or more since peaking in early October. "What a difference a month makes," said Michael Tran, commodity strategist at RBC Capital Markets. "Market sentiment has shifted from the most bullish tone in years with many calling for \$100 only weeks ago, to the weakest investor sentiment since the 2016 price trough." Benchmark Brent crude LCOc1 futures fell 47 cents, or 0.7 percent, to settle at \$70.18 a barrel. During the session Brent fell below \$70 a barrel for the first time since April, as much as 20 percent off four-year highs reached in October. Brent slumped about 3.6 percent for the week and more than 15 percent this quarter. U.S. crude fell for the 10th straight day, the longest such streak since July 1984, according to Refinitiv data. U.S. West Texas Intermediate crude futures CLc1 declined 48 cents, or 0.8 percent, to settle at \$60.19 a barrel. The session low was an eight-month bottom at \$59.26, down more than 22 percent from its October peak. That decline puts U.S. crude in "bear market" territory using a stock market definition. Hedge funds cut bullish wagers on U.S. crude in the latest week to the lowest level in more than a year, data showed, while speculators slashed bullish bets on Brent crude to the lowest since July 2017. Demand worries followed forecasts for slower economic growth in 2019, largely due to a U.S.-China trade war. On Friday, Chinese data showed producer inflation fell in October for the fourth straight month on cooling domestic demand and manufacturing activity. The report sent global stocks into a tailspin. Oil peaked in early October on the view that U.S. sanctions on Iran that came into force this week would drain global crude inventories and bring shortages in some regions. But other big producers have more than compensated for lost Iranian barrels. The United States, Russia and Saudi Arabia are pumping at or near record highs, producing more than 33 million barrels per day (bpd), a third of the world's oil. U.S. energy firms added oil rigs for a fourth week in the last five, bringing the total count to 886, the highest since March 2015, data showed on Friday. Also, U.S. sanctions on Iran are unlikely to cut supply as much as expected. Washington has granted exemptions to Iran's biggest buyers. A South Korean delegation including oil buyers is expected to head to Iran next week to discuss resuming oil imports after a three-month halt, sources told Reuters. China National Petroleum Corp said it was still taking oil from Iranian fields in which it has stakes. Bernstein Energy now expects "Iranian exports will average 1.4 million to 1.5 million bpd" during the exemption period, about half the volume in mid-2018. Saudi Arabia says need for 1 mln bpd cut in oil. Inventories in Cushing, Oklahoma, the delivery point for U.S. crude futures, have risen for seven straight weeks. "As OPEC exports continue to rise, inventories continue to build, which is putting downward pressure on oil prices," Bernstein said. "A slowdown in the global economy remains the key downside risk to oil." Still, a return to oil production cuts by OPEC and its allies next year cannot be ruled out, two OPEC sources said this week. A ministerial committee of some OPEC members and allies meets on Sunday in Abu Dhabi.

# Oil and Gas Analysis

## o Rotary Rig Count Summary

Location	Date	Week	+/-	Week Ago	+/-	Year Ago
United States	2-Nov-18	1067	-1	1068	169	898
	9-Nov-18	1081	14	1067	174	907
North Dakota	2-Nov-18	54	0	54	7	47
	9-Nov-18	55	1	54	8	47
Canada	2-Nov-18	198	-2	200	6	192
	9-Nov-18	196	-2	198	-7	203
International	Oct-18	1017	13	1004	66	951

- Baker Hughes

## o Weekly Petroleum Status Report

Stocks (Million Barrels)			
	Four Weeks Ending		
	11/2/2018	10/26/2018	11/3/2017
Crude Oil (Excluding SPR)	431.8	426.0	457.1
Motor Gasoline	228.0	226.2	209.5
Distillate Fuel Oil	122.9	126.3	125.6
All Other Oils	470.8	470.1	464.8
Crude Oil in SPR	654.7	654.9	669.9
Total	1,908.1	1,903.5	1,926.9

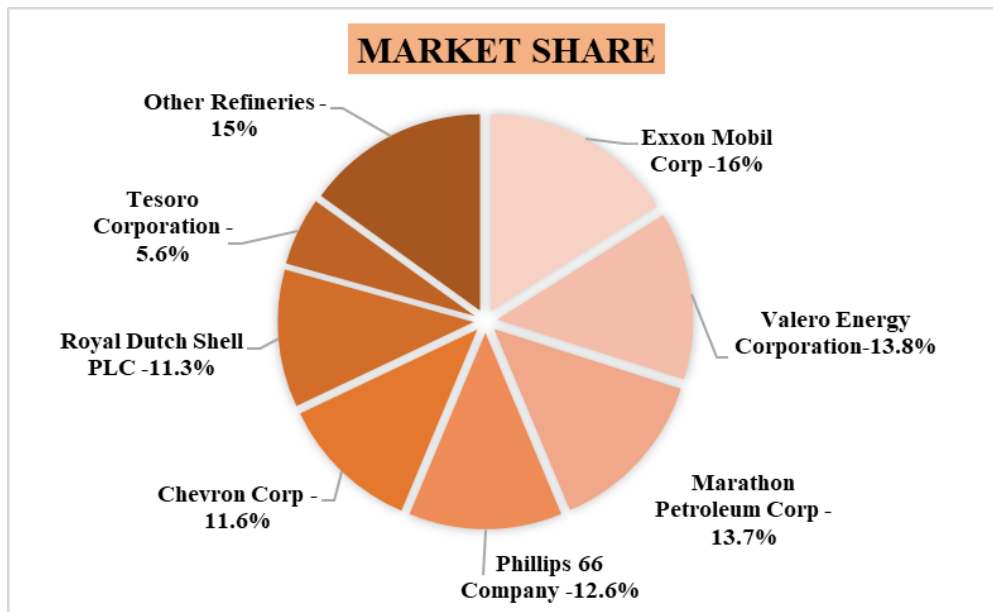
Products Supplied (Thousand Barrels per Day)			
	Four Weeks Ending		
	11/2/2018	10/26/2018	11/3/2017
Motor Gasoline	9,217	9,212	9,352
Distillate Fuel Oil	4,136	4,214	3,900
All Other Products	7,356	7,143	6,658
Total	20,709	20,568	19,909

<b>Refinery Activity (Thousand Barrels per Day)</b>			
	<b>Four Weeks Ending</b>		
	<b>11/2/2018</b>	<b>10/26/2018</b>	<b>11/3/2017</b>
Crude Oil Input to Refineries	16,352	16,310	15,946
Refinery Capacity Utilization	89.3	89	87.5
Motor Gasoline Production	10,134	10,133	10,080
Distillate Fuel Oil Production	4,930	4,946	4,954

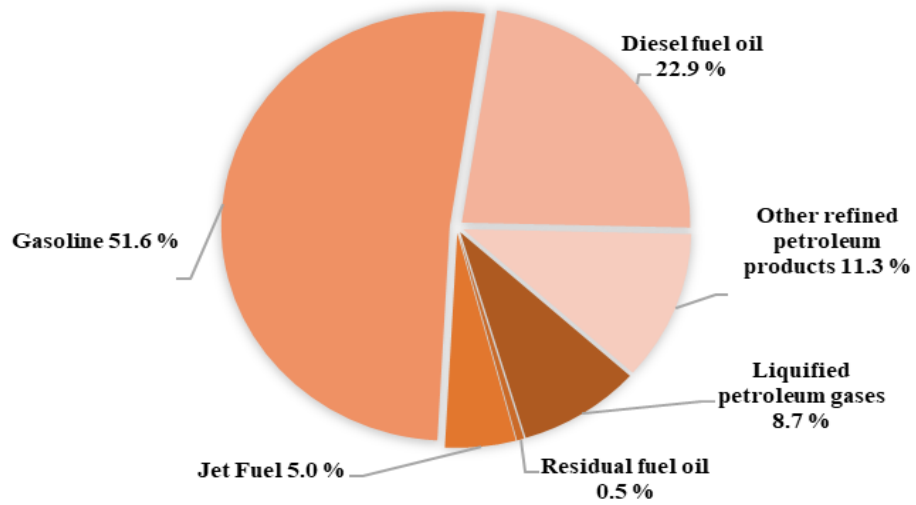
<b>Net Imports (Thousand Barrels per Day)</b>			
	<b>Four Weeks Ending</b>		
	<b>11/2/2018</b>	<b>10/26/2018</b>	<b>11/3/2017</b>
Crude Oil	5,331	5,253	5,958
Petroleum Products	-3,498	-3,363	-3,289
Total	1,834	1,890	2,668

- [EIA](#)

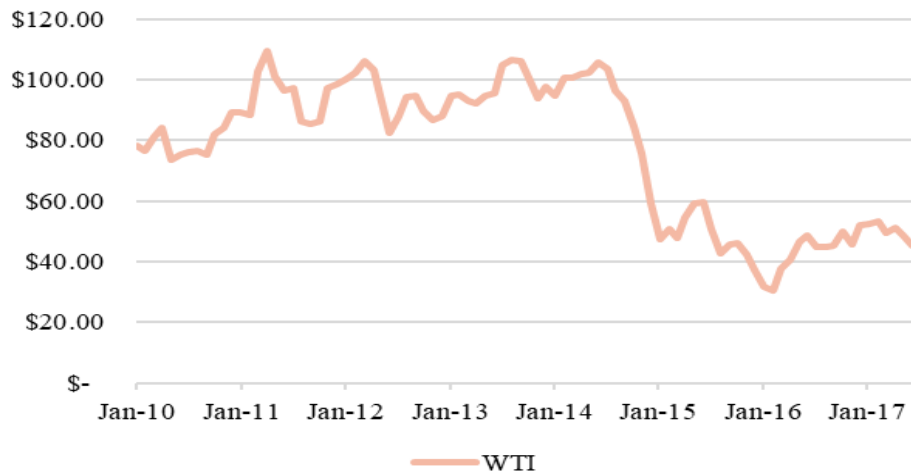
- **US Petroleum Refining at a Glance**



## 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-behavioryuuui>