

## Market Update

PRODUCTS	12/10/18	12/11/18	12/12/18	12/13/18	12/14/18
WTI Crude Oil	51.07	51.65	51.15	52.58	51.20
Brent Crude Oil	60.29	60.20	60.15	61.45	60.28
Natural Gas	4.54	4.41	4.14	4.12	3.83

- [CME Group](#)

## Headlines

### North Dakota

- **Oil Patch activity continuing to ramp up. [Williston Herald](#)**
  - Regional economic development directors shared reports of activity in the Oil Patch at a recent meeting of the newly named Western Region Economic Development. The group used to be Williston Regional Economic Development but has changed its name to better reflect the mission of promoting western North Dakota. As part of that shift in focus, the group has added more members from the surrounding region, and gave each a chance to talk about activity in their community during the annual meeting. In Williston, Economic Developer Shawn Wenko, said the community has seen a busy year, and he expects 2019 to be busier still. The unemployment rate is about 1.9 percent, and sales taxes are up 30 percent. “The STAR Fund saw a lot of activity,” he said. “We are going to close out 2018 at about 65 new businesses or expansions and quality of life projects.” The STAR Fund put \$1.8 million into the projects, many of which leveraged back Flex Pace money from the Bank of North Dakota. “We have leveraged about \$1.6 million in Flex Pace coming back to the community,” he said. “I don’t have the full dollar amount, but it looks like it’s about a 10 to 1 return. For every dollar we put in, we see \$10 coming back to the community with economic development.” Going into 2019, Wenko believes there are going to be some good projects ahead. “The people coming in have been getting more comfortable with the market as the oil prices have stayed steady and they are putting their chess pieces in play,” he said. “I think they are going to pull the trigger on things we’ve had discussions about in the office.” Interest from private equity lenders has also been on the rise, Wenko added, and he’s been working with them on projects or property that they can invest in. In the upcoming legislative session, Wenko said there are a couple bills he’s tracking closely. Among these is the skilled workforce forgivable loan program, as well as the 21st Century Workforce, which is a tax credit for automation. He’s also very interest in the discussion of funding for beyond line of sight work for unmanned aerial systems. “If we do it, let’s get it in statewide,” Wenko said. That gives us a good opportunity to diversify.” Wenko is also working on accreditation with the International Economic Development Council, and hopes to make that happen before the end of the year.’ “That’s the gold standard,” Wenko said. In Watford City, Economic Developer Dan Stenberg said the community is, like Williston, in the process of trying to add more schools. They have a bond issue to add one more, or perhaps two more, elementary schools within the next few years. The new health care facility is now completed, bringing under one roof the hospital, two clinics, and assisted living. Meanwhile, in Arnegard, work is proceeding on a new fire hall, which is expected to be finished in February. “That will serve a rural area that used to have only a few calls, and has experienced a 15-fold increase of calls in the past 10 years,” Stenberg said. “So, they are serving a very needed portion, and they do assist with other rural areas and Watford City when needed.” McKenzie County is the site of a number of proposed gas plants. Oasis, for example, just cut the ribbon on its Wild Basin plant, which added 250 million cubic feet per day processing capacity to the state. “There are five or

six others in progress, which we are needing to fill out infrastructure in order for oil production to grow,” Stenberg said. “For oil production to grow, gas capture has to grow along with it.” Meanwhile, downtown, new restaurants are popping up, and new retail shops, most recently, a hair salon. “We still need more retail and single-family housing,” Stenberg said. “That is one of the things that we are going to try and focus in on. If you have developers who want to come build houses, we have a lot of demand for that.” Stenberg added that work is expected to begin next year to renovate the Long X Bridge. “Ultimately, the idea is that Highway 85 from Watford City to I94 will be four lanes,” he said. “It’s a safety and an efficiency thing. It’s not safe the way the road is now.” Doug Graupe, commissioner in Divide County, stood in for Divide County’s economic developer KayCee Lindsey. He said that Divide County has been slower compared to its neighbors, Mountrail and Williams County, but that it has been steady. “We are short of electricians and plumbers,” he said. “And (Lindsey) is working on things like that. This fits with our economic development goal to retain businesses and get new businesses.” Divide County has started a program that brings employers in to visit with students in schools, to spark interest in fields where labor is tight. “(Lindsey) has also been involved in the Renaissance Zone in Crosby, and we have had 19 projects since 2008.” Six have been completed so far, and they, by themselves, have increased value in Crosby by over \$1.2 million. “The Renaissance zone has been extremely valuable in assisting new and expanding businesses while increasing the tax base for both property and sales tax in the city.” Raupey added that many things have changed in Divide County, and encouraged people to come visit and see what is new. In Stanley, they do not have an economic developer, but they have a commercial club. George Littlecreek, vice president of Stanley Commercial Club, said the community has a lot of business activity, both coming and going. “We hope to get more to stay,” he said. Among the new startups are a home health care company and a new boutique downtown. They also have a large day care facility opening for area day cares to group together, and hopefully cover more that way. “I know there’s an assisted living facility in the works of being built as well,” he said. Last year, the Parks board in Stanley finished up a soccer complex, so that the community can host more tournaments next year. There’s also a big fundraising campaign to build a new track, as the current one is not usable. Santa Days are coming soon to Stanley. There will be a Christmas Stroll and lots of activities to promote shopping downtown.

○ **Judge hears arguments in appeal of Davis Refinery permit. Bismarck Tribune**

- An attorney for conservation groups argued in court Wednesday that air pollution estimates for a refinery proposed near a national park are underestimated and health regulators should conduct a more comprehensive review. Scott Strand, representing the National Parks Conservation Association and the Environmental Law & Policy Center, said an air quality permit for the Davis Refinery should be vacated and sent back to the Department of Health for further analysis. The groups, along with the Dakota Resource Council, are challenging health regulators’ decision to issue a “synthetic minor source” permit to Meridian Energy Group for an oil refinery. That classification means the facility has the potential to emit less than 100 tons annually of certain pollutants. Instead, the groups argue the refinery should be evaluated as a major source of air pollution, a process that requires a more rigorous review. “This is not just a technical legal problem. The stakes are high here,” Strand said, pointing out that Theodore Roosevelt National Park is about 3 miles away. But health officials argue they conducted a more in-depth review than was required due to the proximity of the national park. Dave Glatt, chief of the department’s Environmental Health Section, said the agency followed an “extremely exhaustive process.” “We don’t take any permit lightly,” said Glatt, who was among several health officials at the hearing Wednesday. “Our job is to follow the science and the law.” Strand argued that the health department should establish enforceable emission limits that are backed up by evidence from refineries in practice, not estimates. He said the permit does not provide a margin of error for spikes in pollution that can occur during interruptions at the facility. Strand also argued the health department should insist on more robust monitoring, particularly for emissions from volatile organic compounds. Alternatively, Strand said the health department should at least articulate the rationale for its legal conclusion in greater detail. Maggie Olson, assistant attorney general who represented the health department, argued the judge should affirm the agency’s decision. Olson said the health department independently verified information provided by Meridian and responded to all comments received. She said regulators relied on methods approved by the Environmental Protection Agency. Attorney Lawrence Bender, representing Meridian, did not make any oral arguments on Wednesday. In a court filing, Bender wrote that the Davis Refinery will have

state-of-the-art air pollution control equipment and operational limits that reduce potential emissions. Southwest Judicial District Judge Dann Greenwood took the matter under advisement and said he would issue a decision as soon as possible. Meridian began site construction in July. The lawsuit does not prevent the company from constructing, but health regulators have said Meridian would be proceeding at its own risk.

## Domestic

- **Oil drops 2 percent on Wall St. losses, weak China data. Reuters**
  - Oil prices dropped about 2 percent on Friday, weighed down by falling U.S. stock markets, while weak economic data from China pointed to lower fuel demand in the world's biggest oil importer. Brent crude futures fell \$1.17 to settle at \$60.28 a barrel, a 1.90 percent loss. U.S. West Texas Intermediate (WTI) crude futures lost \$1.38 to settle at \$51.20 a barrel, a 2.62 percent loss. Global benchmark Brent posted a weekly loss of almost 2.3 percent, while WTI declined nearly 2.7 percent. "The oil complex remains vulnerable to heavy selling into the equities especially when combined with a strengthening in the U.S. dollar as is the case so far today," Jim Ritterbusch, president of Ritterbusch and Associates, said in a note. U.S. equity markets broadly fell as China's November retail sales grew at their weakest pace since 2003 and industrial output rose the least in nearly three years. The report added to nerves about U.S.-China trade relations. Chinese oil refinery throughput in November fell from October, suggesting an easing in oil demand, though runs were 2.9 percent above year-ago levels. "Oil came under pressure out of poor economic data from China overnight, dampening enthusiasm for good oil demand growth in 2019 in light of a currently oversupplied market," said Andrew Lipow, president of Lipow Oil Associates in Houston. Concerned by mounting oversupply, the Organization of the Petroleum Exporting Countries and other oil producers, including Russia, agreed last week to reduce output by 1.2 million barrels per day (bpd), or more than 1 percent of global demand. U.S. energy firms cut four oil rigs in the week to Dec. 14, General Electric Co's Baker Hughes energy services firm said in its closely followed report on Friday. The data is seen as an indicator of future production. The International Energy Agency said on Thursday it expected a deficit in oil supply by the second quarter of next year, provided OPEC members and other key producers stuck closely to last week's deal to cut output. As part of the agreement, de facto OPEC leader Saudi Arabia plans to reduce its output to 10.2 million bpd in January. The IEA kept its 2019 forecast for global oil demand growth at 1.4 million bpd, unchanged from its projection last month, and said it expected growth of 1.3 million bpd this year. Barclays said on Friday it expects oil prices to rebound in the first half of 2019 on falling inventories, Saudi Arabia's export cuts and an end to the Iran sanction waivers. Hedge funds cut bullish wagers on U.S. crude to the lowest levels in more than two years in the week to Dec. 11, the U.S. Commodity Futures Trading Commission (CFTC) said on Friday.

# Oil and Gas Analysis

## o Rotary Rig Count Summary

Location	Date	Week	+/-	Week Ago	+/-	Year Ago
United States	7-Dec-18	1075	-1	1076	144	931
	14-Dec-18	1071	-4	1075	141	930
North Dakota	7-Dec-18	52	0	52	5	47
	14-Dec-18	50	-2	52	4	46
Canada	7-Dec-18	186	-13	199	-33	219
	14-Dec-18	174	-12	186	-64	238
International	Nov-18	991	-26	1017	49	942

- Baker Hughes

## o Weekly Petroleum Status Report

Stocks (Million Barrels)			
	Four Weeks Ending		
	12/7/2018	11/30/2018	12/8/2017
Crude Oil (Excluding SPR)	442.0	443.2	443.0
Motor Gasoline	228.3	226.3	226.5
Distillate Fuel Oil	124.1	125.6	128.1
All Other Oils	445.5	450.9	449.4
Crude Oil in SPR	649.6	649.6	662.9
Total	1,889.5	1,895.4	1,910.0

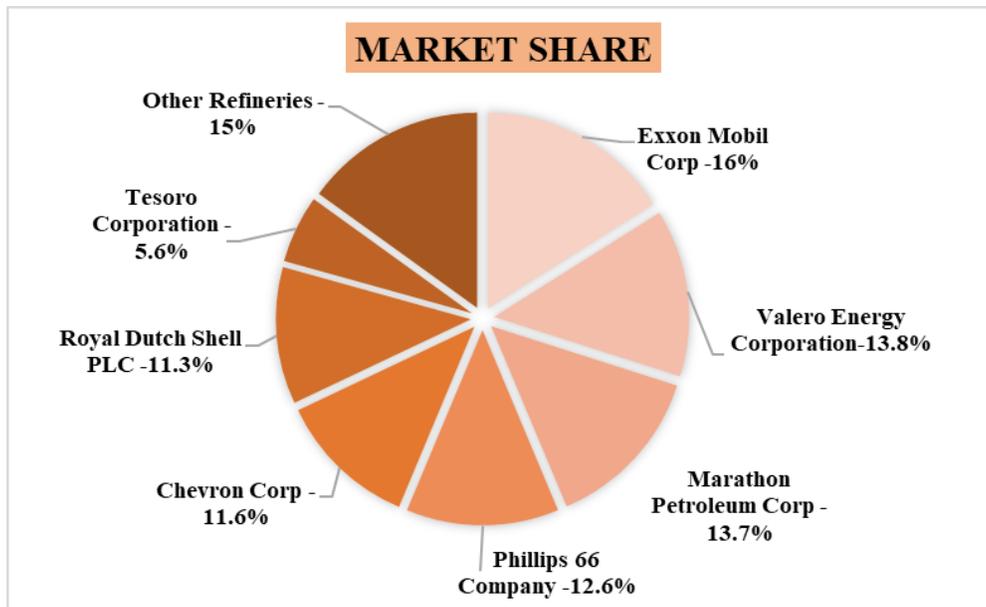
Products Supplied (Thousand Barrels per Day)			
	Four Weeks Ending		
	12/7/2018	11/30/2018	12/8/2017
Motor Gasoline	9,072	9,111	9,076
Distillate Fuel Oil	4,086	4,127	4,014
All Other Products	7,782	7,929	6,753
Total	20,940	21,167	19,843

<b>Refinery Activity (Thousand Barrels per Day)</b>			
	<b>Four Weeks Ending</b>		
	<b>12/7/2018</b>	<b>11/30/2018</b>	<b>12/8/2017</b>
Crude Oil Input to Refineries	17,333	17,082	16,997
Refinery Capacity Utilization	94.8	93.5	92.8
Motor Gasoline Production	10,082	9,982	10,135
Distillate Fuel Oil Production	5,447	5,309	5,317

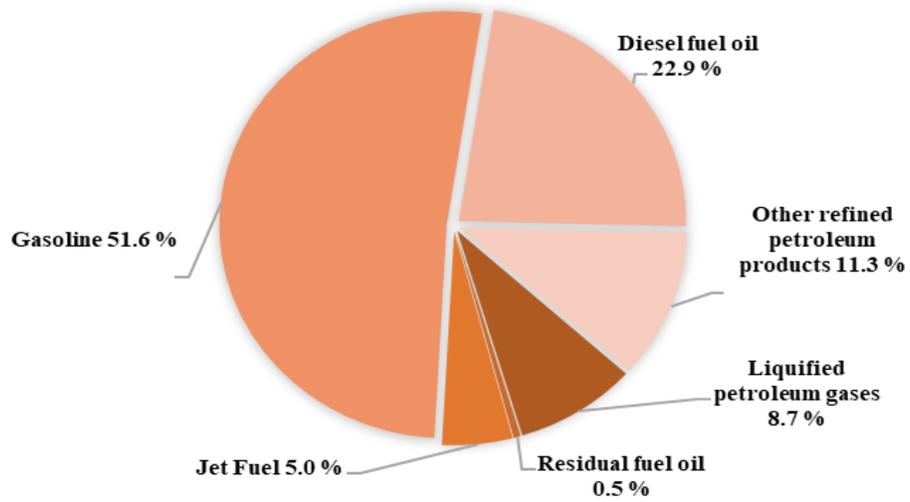
<b>Net Imports (Thousand Barrels per Day)</b>			
	<b>Four Weeks Ending</b>		
	<b>12/7/2018</b>	<b>11/30/2018</b>	<b>12/8/2017</b>
Crude Oil	5,110	5,181	6,080
Petroleum Products	-3,933	-3,675	-3,251
Total	1,177	1,506	2,829

- [EIA](#)

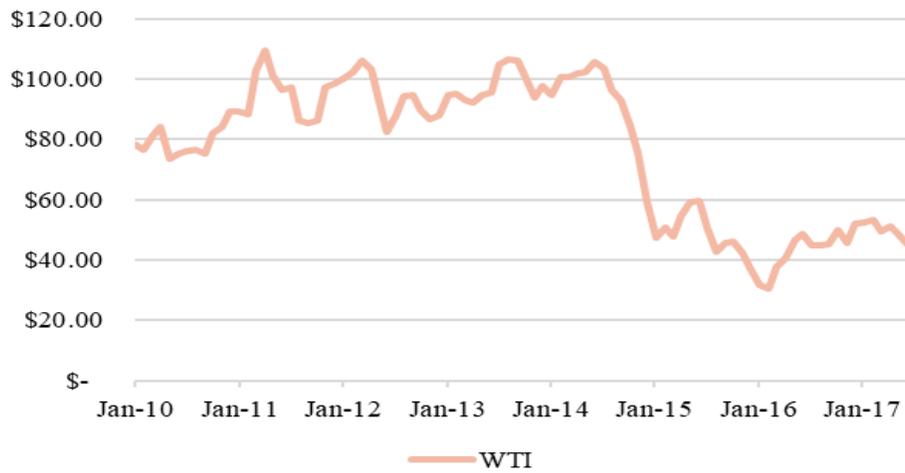
- **US Petroleum Refining at a Glance**



## 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>