

Market Update

PRODUCTS	1/7/19	1/8/19	1/9/19	1/10/19	1/11/19
WTI Crude Oil	48.27	49.58	52.19	52.42	51.44
Brent Crude Oil	57.10	56.91	59.46	60.47	59.24
Natural Gas	2.74	2.89	2.92	2.95	2.95

- [CME Group](#)

Headlines

North Dakota

- **Judge Endorses Water Permit for Refinery Near National Park.** [Associated Press](#)
 - An administrative law judge in North Dakota is recommending that state officials issue a water permit for an oil refinery being developed near Theodore Roosevelt National Park that's being opposed by environmentalists and some area landowners. Three landowners last summer challenged a proposed State Water Commission permit allowing the Davis Refinery to draw water from an underwater aquifer. Their concerns included how they might be affected and how much of the water would be wasted. They also argued that the amount of water specified in the proposed permit was not the same as what Meridian Energy Group had initially requested, a change landowner attorney JJ England maintained was illegal. Administrative Law Judge Tim Dawson held a hearing in November that focused on whether Meridian would use all of the allowable water for a "beneficial" use. England asserted Meridian's plans for treating and using the water are vague and at times conflicting, while state water officials testified that the company had submitted sufficient information justifying a conditional permit that would be fine-tuned after refinery operations begin and its precise water needs are determined. Dawson in a ruling dated Tuesday recommended State Engineer Garland Erbele issue the proposed permit, saying "a refinery requires water" and that "there is no realistic harm to the public interest." It wasn't immediately known when Erbele would issue a final decision. Landowners have the option of appealing that decision to state district court. Their attorney was out of the office and not immediately available for comment Thursday. Meridian issued a statement Thursday applauding the ruling. "Once again we are gratified that our work and the work of the various state agencies involved are withstanding this intensive litigation-related review," CEO William Prentice said. Meridian is developing the refinery just 3 miles (5 kilometers) from North Dakota's top tourist attraction. It began ground work at the site last summer. But environmental groups are challenging its state air quality permit in court, as well as a decision by state regulators not to review whether the refinery site is appropriate. The groups worry about pollution in the 30,000-acre (12,000-hectare) park that draws more than 700,000 visitors annually. Meridian maintains the refinery will have modern technology that will make it "the cleanest refinery on the planet."
- **North Dakota revenue estimate expects rising oil.** [Associated Press](#)
 - A new revenue forecast from North Dakota's economic consultant is counting on oil prices to go up, just as Gov. Doug Burgum did in the two-year, \$14.3 billion budget he proposed last month. IHS Markit projects prices ranging from \$50 to \$70 a barrel, up from less than \$49 Monday, in its report to the Legislature. The firm's estimate of \$2.9 billion in revenue from major tax collections was largely in line with the state's own forecast, which Burgum relied on to write his budget. Republican House Appropriations Chairman Jeff Delzer said volatile oil prices will force lawmakers to be cautious with priorities when they adopt a budgetary starting point this week. "We need to be fairly conservative," Delzer told reporters, after hearing a report

from economist Jim Duffley of IHS Markit. Lawmakers hired the Colorado-based firm in 2017 to give the Legislature a second opinion on state revenue forecasts that have missed the mark by hundreds of millions of dollars in recent years. Oil prices are a key contributor to the wealth of North Dakota, the No. 2 oil producer behind Texas. State tax officials estimate every dollar that a barrel of oil either increases or decreases has a more than \$33 million impact on the state treasury annually. Duffley told Senate and House appropriations members that predicted prices range from \$50 to \$70 a barrel for West Texas Intermediate, the U.S. benchmark set at Cushing, Oklahoma. WTI was fetching less than \$49 a barrel on Monday. Crude oil from North Dakota's rich Bakken and Three Forks formations typically trades at significant discounts compared to WTI because of more distance and other difficulties in moving it to market. Burgum, a Republican serving his first term, presented his proposed budget to the Legislature last month. The budget was based on a North Dakota discounted price of \$46 to \$50 a barrel. With the discount, North Dakota sweet crude was selling at an average price of about \$41 on Monday, said Justin Kringstad, the director of the North Dakota Pipeline Authority. Burgum based his budget on input from state budget analysts and the economic consultancy Moody's Analytics. The governor's and the Legislature's forecast both predict oil production to remain near the 1.39 million barrels daily set in October, the latest figures available. GOP Sen. Ray Holmberg, chairman of the Senate Appropriations Committee, told lawmakers that it will be up to them to set a budgetary starting point sometime this week. "The Legislature will decide how much money we think we'll have," Holmberg said. "We just have to come up with a number we have to agree on. The state's current two-year budget including federal aid is \$13.6 billion.

Domestic

- **Oil drops nearly 2 percent, breaking 9-day win streak amid global growth concern. CNBC**
 - Oil prices fell about 2 percent on Friday amid worries about a global economic slowdown, but futures ended the week higher, keeping some gains from a week-long rally spurred by U.S.-China trade hopes. U.S. West Texas Intermediate crude futures ended Friday's session down \$1, or 1.9 percent, at \$51.59 a barrel. Brent crude futures fell \$1.15, or 1.9 percent, to \$60.53 a barrel, around 2:30 p.m. ET. Friday's pullback marked the end of a nine-day winning streak for crude futures, the best string of gains since January 2010 for WTI and April 2007 for Brent. Still, both benchmarks posted their second week of gains, with WTI rising about 7.5 percent and Brent up 6 percent. Markets were supported earlier this week by hopes that an all-out trade war between Washington and Beijing might be averted. Three days of talks concluded on Wednesday with no concrete announcements, but higher-level discussions may convene later this month. "Some of the strength that we've gotten from that seems to be coming out of the market," Gene McGillian, vice president of market research at Tradition Energy in Stamford, Connecticut. "Right now I think the market is in a holding pattern above our recent lows and it's looking for its next driver," McGillian said. Investors remained concerned about a slew of recent economic data that has raised worries about a global economic slowdown. China plans to set a lower economic growth target of 6-6.5 percent in 2019 compared with last year's target of "around" 6.5 percent, policy sources told Reuters, as Beijing gears up to cope with higher U.S. tariffs and weakening domestic demand. "If we experience an economic slowdown, crude will underperform due to its correlation to growth," said Hue Frame, portfolio manager at Frame Funds in Sydney. On the supply side, oil markets have received support from supply cuts led by the Organization of the Petroleum Exporting Countries. The deal is aimed at reining in a glut that emerged in the second half of 2018. Lower oil exports from Iran since November, when U.S. resumed sanctions against the OPEC producer, have also supported crude. Iran will see its crude exports severely curtailed for a third month in January, according to tanker data and industry sources. Playing a key part in the emerging glut was the United States, where crude oil production has soared to a record 11.7 million barrels per day. Consultancy JBC Energy this week said it was likely that U.S. crude production was "significantly above 12 million bpd" by this month. U.S. energy firms, however, this week cut four oil rigs, the second week of declines, General Electric Co's Baker Hughes energy services firm said, as producers turned conservative in their 2019 drilling plans due to uncertainty over a recovery in crude prices.

Oil and Gas Analysis

o Rotary Rig Count Summary

Location	Date	Week	+/-	Week Ago	+/-	Year Ago
United States	4-Jan-19	1075	-8	1083	151	924
	11-Jan-19	1075	0	1075	136	939
North Dakota	4-Jan-19	53	0	53	8	45
	11-Jan-19	53	0	53	8	45
Canada	4-Jan-19	76	6	70	-98	174
	11-Jan-19	184	108	76	-92	276
International	Dec-18	1025	34	991	71	954

- Baker Hughes

o Weekly Petroleum Status Report

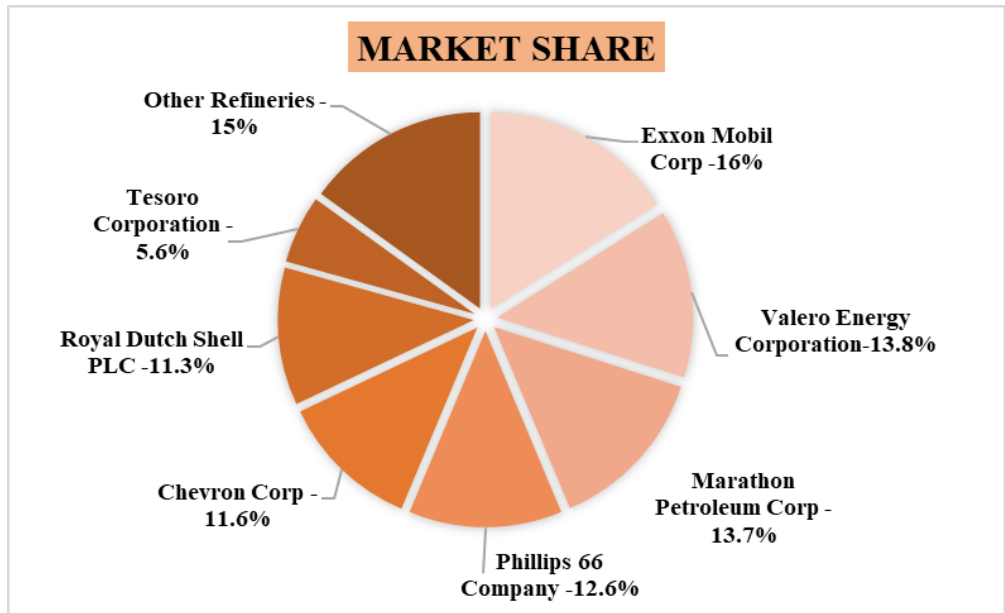
Stocks (Million Barrels)			
	Four Weeks Ending		
	1/4/2019	12/28/2018	1/5/2018
Crude Oil (Excluding SPR)	439.7	441.4	419.5
Motor Gasoline	248.1	240.0	237.3
Distillate Fuel Oil	140.0	129.4	143.1
All Other Oils	427.6	431.3	419.8
Crude Oil in SPR	649.1	649.1	663.7
Total	1,904.6	1,891.3	1,883.5

Products Supplied (Thousand Barrels per Day)			
	Four Weeks Ending		
	1/4/2019	12/28/2018	1/5/2018
Motor Gasoline	8,987	9,063	9,094
Distillate Fuel Oil	3,822	4,200	3,874
All Other Products	7,663	7,639	7,650
Total	20,473	20,902	20,618

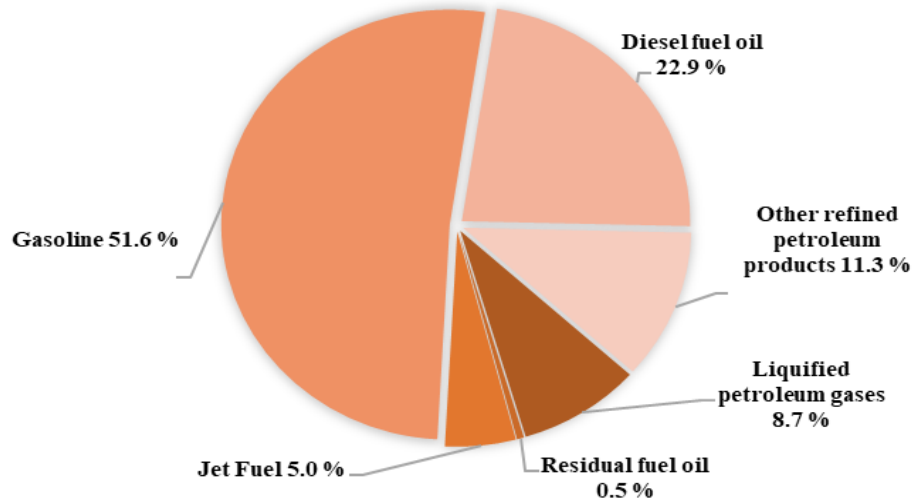
Refinery Activity (Thousand Barrels per Day)			
	Four Weeks Ending		
	1/4/2019	12/28/2018	1/5/2018
Crude Oil Input to Refineries	17,521	17,489	17,348
Refinery Capacity Utilization	96	95.7	95.4
Motor Gasoline Production	9,851	10,117	9,880
Distillate Fuel Oil Production	5,498	5,493	5,391

Net Imports (Thousand Barrels per Day)			
	Four Weeks Ending		
	1/4/2019	12/28/2018	1/5/2018
Crude Oil	5,180	5,015	6,473
Petroleum Products	-3,559	-3,811	-3,107
Total	1,622	1,204	3,367

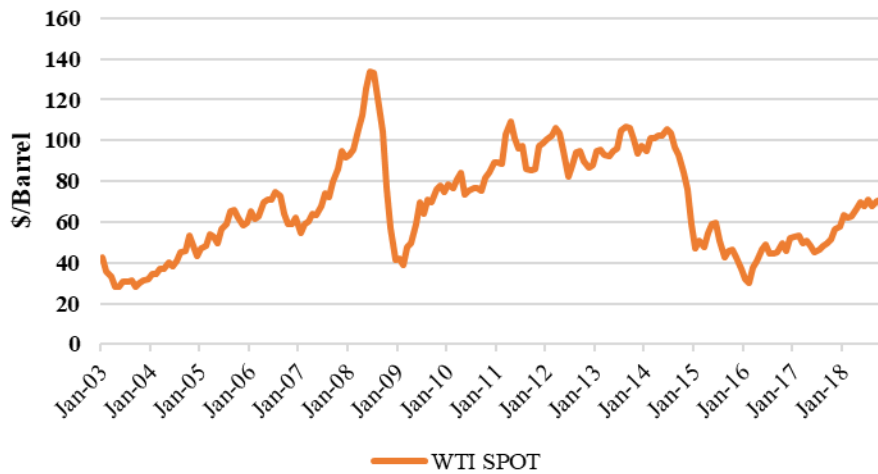
- [EIA](#)
- **US Petroleum Refining at a Glance**



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>