

Weekly Fundamental Market Report April 9-13, 2018

Market Update

PRODUCTS	4/9/18	4/10/18	4/11/18	4/12/18	4/13/18
WTI Crude Oil	63.42	65.51	66.82	67.07	67.39
Brent Crude Oil	68.85	71.04	72.06	72.02	72.58
Natural Gas	2.69	2.66	2.68	2.69	2.74

- [CME Group](#)

Headlines

Local North Dakota

- **Local Support Continues for the Davis Refinery in Stark and Billings Counties. [Bakken](#)**
 - Meridian Energy Group, Inc. recently hosted an “Appreciation Meet and Greet” for the neighboring town of Belfield on Tuesday, March 27th regarding the Davis Refinery. The Davis Refinery is being considered an innovative refinery project, and is being watched closely by the state, nation and even globe due to its proposed cutting-edge technology. More than sixty enthusiastic community members attended the catered event at the Belfield Theater to meet with Meridian management who on-hand were to engage in dialogue, answer questions, and offer details around the timelines for construction and operation of the much-awaited greenfield refinery. Thomas Johnson, Vice President of Operations for the Davis Refinery, and Dan Hedrington, Senior Project Manager for SEH® Engineering, updated the crowd on when the Final Issuance of Permit to Construct for the Project could be expected. Belfield city officials were in attendance as well, including Parks & Recreation Director, Emily Henson, who accepted a donation from Meridian for the upcoming Baseball and Softball Summer League Program. Henson said of the event and donation, “The Belfield Park Board would like to thank Meridian Energy for hosting this informative event for our community. They did a great job answering all our questions and concerns. We are also so thankful for all Meridian has done to help support Belfield Parks and Rec. Most recently, they made a generous donation to our baseball/softball program that will go towards new uniforms! “Meridian was also invited to speak on the Davis Refinery Tuesday night at the monthly meeting of the Dickinson chapter of the American Petroleum Institute (API), in downtown Dickinson. Senior Project Manager, Dan Hedrington the guest speaker of the night, was on-hand to present the various economic benefits the Davis Refinery will bring to the region. The meeting, which yielded twice as many interested attendees as prior API meetings, highlighted the Davis Refinery project, the jobs it will create, the infrastructure improvements that will result, and other advantages local refining would bring to the area. Many in attendance commented that the Davis Refinery will be a big boon to the local economy and community culture. Hedrington is scheduled to speak at several other API chapters throughout the state this spring.
- **EPA gives North Dakota power to regulate CO2 wells. [Bismarck Tribune](#)**
 - The Trump administration on Tuesday gave North Dakota the power to regulate underground wells used for long-term storage of waste carbon dioxide captured from industrial sources such as coal-fired power plants. North Dakota is the first state to be given such power, the Environmental Protection Agency said in announcing the move. The state has a large coal industry, with five lignite mines producing more than 29 million tons last year and seven coal-based power plants generating enough electricity to serve 2 million families, according to the Lignite Energy Council. “By allowing North Dakota to protect its underground sources of drinking water, we are practicing cooperative federalism and increasing the state’s involvement in local environmental protection,” EPA Administrator Scott Pruitt said in a statement. “EPA will work with the state to ensure a smooth transition and that all North Dakotans continue to have safe drinking water. “Sierra Club spokesman

Wayde Schafer questioned whether North Dakota will have enough money to effectively manage the regulatory program. The state has experienced a sharp downturn in tax revenues due to prolonged slumps in oil and agriculture prices. "It will depend on how many resources they want to allocate and how many staff they're willing to dedicate to oversight," Schafer said. "This is a really important undertaking, and we want to do it right the first time. We have kind of a wait-and-see attitude." CO2 is a greenhouse gas said to contribute to global warming. The state's rules for CO2 wells need to be as stringent as federal standards, and the federal government will still have oversight of the state program. EPA also will continue to regulate wells on American Indian land. Pruitt last May signed off on North Dakota's 2013 proposal that had languished under the Obama administration. It then went through a public comment period and an EPA review. North Dakota already had regulatory authority over numerous other types of injection wells, such as those used to store waste from oil production, and Pruitt said giving North Dakota authority over CO2 wells could help advance carbon capture and sequestration technology. Proponents say a state-based program eliminates overlapping or redundant state and federal regulations. The University of North Dakota's Energy and Environmental Research Center has worked with the state Industrial Commission for years on carbon capture technology, and Red Trail Energy LLC is integrating the technology at an ethanol plant in southwestern North Dakota. With the state now the primary regulator, "industry will have greater regulatory certainty to advance carbon capture sequestration projects for both traditional and renewable energy sources," said U.S. Sen. John Hoeven, a Republican who as North Dakota governor in 2008 established a group to develop a regulatory framework for the long-term storage of CO2. U.S. Sen. Heidi Heitkamp, a North Dakota Democrat, also applauded the EPA move, as did U.S. Rep. Kevin Cramer, a Republican who is trying to take her Senate seat. Schafer said it's not known whether carbon capture technology is a long-term solution to reducing CO2 in the atmosphere. "I think it makes more sense to reduce the amount of carbon that we're creating. Do it on the front end, so we don't have to worry about sequestering," he said. "Becoming less reliant on fossil fuels."

Domestic U.S.

- **Oil surges more than 3 percent as trade war fears recede. Reuters**
 - Oil prices surged more than 3 percent on Tuesday as investors grew more confident the United States and China would resolve their trade dispute without damaging the global economy, while Middle East tensions and a weak dollar also supported prices. Brent crude futures jumped \$2.39, or 3.5 percent, to settle at \$71.04 a barrel. This was its largest single-day percentage gain since September. In post-settlement trading, Brent hit \$71.34, its highest since December 2014. West Texas Intermediate crude futures gained 3.3 percent, or \$2.09, to settle at \$65.51 a barrel. "This has been another huge day," said Bill Baruch, president of Blue Line Futures in Chicago. "There's soothing trade war fears, geopolitics, and a weaker dollar at play," Baruch said. President Xi Jinping on Tuesday promised to open China's economy further and lower import tariffs, striking a conciliatory tone on the trade tensions between his country and the United States. Prices of both crude benchmarks have risen more than 5 percent in the past two trading days. Both have erased their losses from last week, when concerns over a possible trade war between the two largest economies contributed to declines of more than 4 percent. Middle East tensions also supported prices, said Phillip Streible, analyst at RJO Futures in Chicago. "Oil markets are getting a bounce on increasing speculation about Trump and Syria," Streible said. U.S. President Donald Trump promised a swift response to a suspected chemical attack in Syria. Such a response is likely to increase the push for the United States to exit the Iran nuclear deal, Streible said, given Iran's support of the Syrian government. Departures from the accord would result in renewed sanctions against Iran, which would hurt its oil industry. Also supportive to crude prices was the weakness of the U.S. dollar. The dollar fell against a basket of major currencies, hitting its lowest in nearly two weeks. Because oil is dollar-priced, a stronger greenback makes purchases in other currencies more expensive. The American Petroleum Institute will publish its storage data later on Tuesday. Analysts anticipated a decline in crude and gasoline inventories. The U.S. Energy Information Administration said it expected domestic crude oil production to rise by 750,000 barrels per day (bpd) to 11.44 million bpd next year, more than previously expected. Meanwhile, Saudi Arabia's Energy Ministry said it would keep exports below 7 million bpd and restore its inventories to normal levels.

Oil and Gas Analysis

o Rotary Rig Count Summary

Location	Date	Week	+/-	Week Ago	+/-	Year Ago
United States	6-Apr-18	1003	8	995	169	831
	13-Apr-18	1008	15	1003	161	847
North Dakota	6-Apr-18	54	0	54	11	43
	13-Apr-18	54	0	54	11	43
Canada	6-Apr-18	109	-25	134	-46	155
	13-Apr-18	102	-7	109	-16	118
International	Mar-18	972	-7	979	29	943

- Baker Hughes

o Weekly Petroleum Status Report

Stocks (Million Barrels)			
	Four Weeks Ending		
	4/6/2018	3/30/2018	4/7/2017
Crude Oil (Excluding SPR)	428.6	425.3	533.4
Motor Gasoline	238.9	238.5	236.1
Distillate Fuel Oil	128.4	129.5	150.2
All Other Oils	395.5	392.3	413.0
Crude Oil in SPR	665.5	665.5	691.5
Total	1,857.0	1,851.0	2,024.2

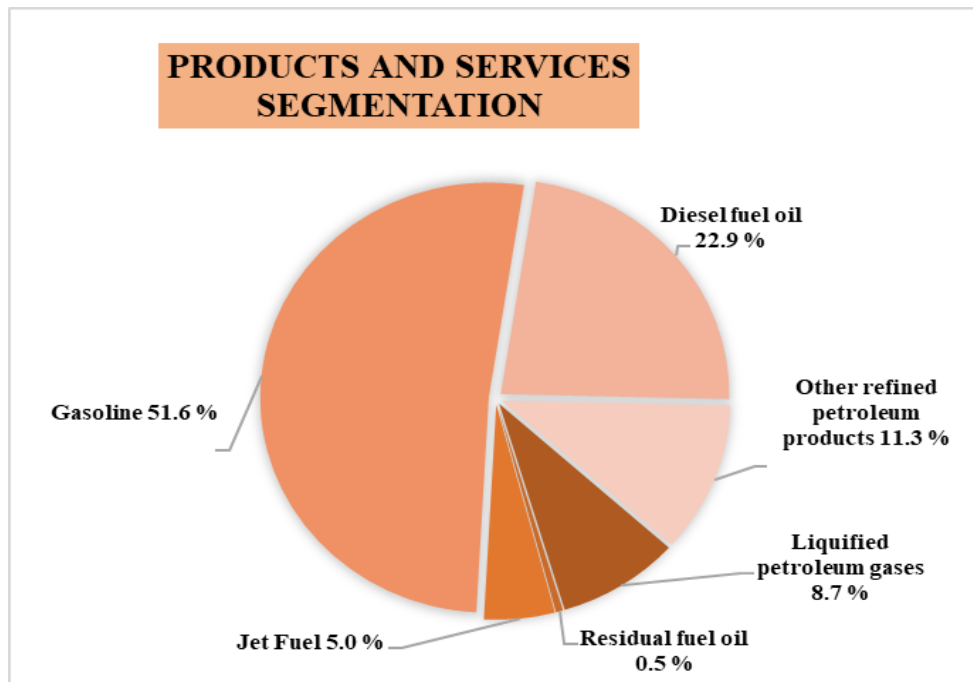
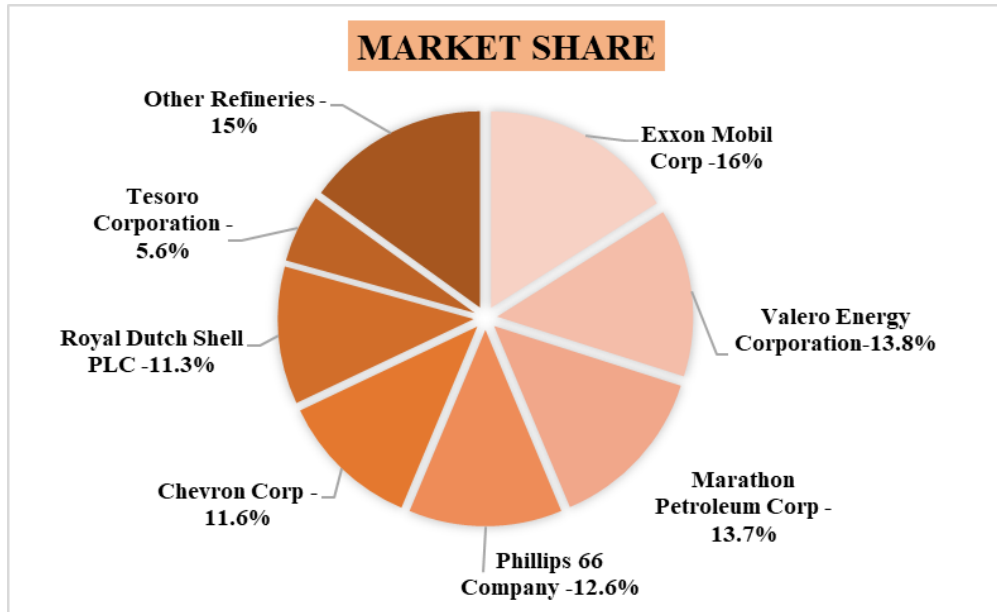
Products Supplied (Thousand Barrels per Day)			
	Four Weeks Ending		
	4/6/2018	3/30/2018	4/7/2017
Motor Gasoline	9,252	9,344	9,311
Distillate Fuel Oil	4,087	4,003	4,242
All Other Products	7,316	7,588	6,125
Total	20,655	20,935	19,678

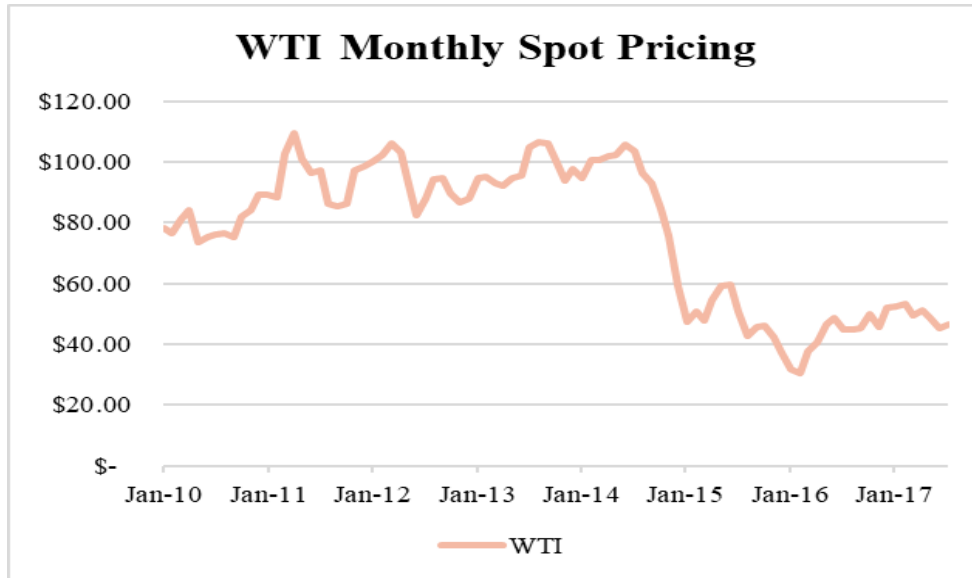
Refinery Activity (Thousand Barrels per Day)			
	Four Weeks Ending		
	4/6/2018	3/30/2018	4/7/2017
Crude Oil Input to Refineries	16,882	16,719	16,288
Refinery Capacity Utilization	92.6	91.8	89.6
Motor Gasoline Production	10,125	10,158	9,810
Distillate Fuel Oil Production	4,905	4,710	4,932

Net Imports (Thousand Barrels per Day)			
	Four Weeks Ending		
	4/6/2018	3/30/2018	4/7/2017
Crude Oil	6,311	5,974	7,359
Petroleum Products	-2,760	-2,772	-2,770
Total	3,550	3,202	4,589

- [EIA](#)

- **US Petroleum Refining at a Glance**





- [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>