

# Weekly Fundamental Market Report July 23-27, 2018

## Market Update

PRODUCTS	7/23/18	7/24/18	7/25/18	7/26/18	7/27/18
WTI Crude Oil	67.89	68.52	69.30	69.61	68.69
Brent Crude Oil	73.06	73.44	73.93	74.54	74.29
Natural Gas	2.72	2.73	2.78	2.78	2.82

- [CME Group](#)

## Headlines

### Local North Dakota

- **The Bakken is back.** [Inforum](#)
  - Today we're busier in the Bakken than most people think. In May, the North Dakota oil and gas industry set a new production record, hitting 1.244 million barrels of oil per day (bopd). In eighteen months, production has grown by more than 300,000 bopd, from 942,156 bopd in December 2016. It's hard to believe that only 10 years ago, in May 2008, the state's production totaled only 156,420 bopd. Experts today anticipate we could exceed 2 million bopd. The North Dakota economy has been transformed. The industry employs 20 percent of North Dakota's workforce. And at incredible wages, paying more than 30 percent of total wages. North Dakota mineral owners reap more than \$1 billion per year in royalties. And the taxes paid by the industry are astonishing, benefiting each and every North Dakotan. The average new well pays more than \$1 million of taxes in its first year, and we completed nearly 900 new wells in the last 12 months. Because of it, our state's roads are in their best-ever condition, we have new law and medical schools, water diversion and aversion projects across the state, and a budget, though difficult, much stronger than it would have been without oil production. It hasn't been without challenge. Western North Dakota worked hard to build our communities during the boom and to survive the downturn. For many, balance sheets will take longer to repair than income statements. A lot of iron remains under-utilized in shop yards. Several investments in oil and gas, real estate and other projects have and continue to face challenges. While such situations cause hardship, the Bakken is fundamentally sound. The downturn forced rapid technology advancement in the industry. Often called simply "efficiency," it is far more in scope. New downhole sensors create 2-mile-long 3D images of tiny cracks in the rock more than 10,000 feet below the ground that engineers can use to create frac strategies for not only each well, but each 150-300-foot segment of it. The industry developed special plugs that withstand 15,000 pounds of pressure during the completion process, but naturally dissolve in a matter of weeks, reducing time and equipment on site. Electronic systems allow wells, pipelines and other systems to be managed from anywhere in the world. Altogether, better operations, knowledge and technology have doubled production per well in only a few years and decreased the cost of each well. Our people changed, too. Williams and McKenzie Counties are among the youngest in the nation. The young guys who came out during the boom are five years older now, meaning that growing families are replacing crews in apartments. Our community events are packed with strollers, and even newly-built schools are full. The Bakken became a place for young adults to create families, friends and career opportunities. Now our next challenge in western North Dakota is growing community amenities to make this a place they love even more. Record production, record employment and record births. There's no question that the Bakken is back.

## Domestic

- **Oil prices fall; Brent still set for weekly gain. Reuters**
  - Oil prices fell on Friday, weighed down by a drop in the U.S. equities market, but Brent was still set for a weekly increase, supported by easing trade tensions and a temporary shutdown by Saudi Arabia of a key crude oil shipping lane. Brent crude futures fell 28 cents to \$74.26 a barrel by 1:17 p.m. EDT (1717 GMT), but were on track for a 1.6 percent weekly increase. U.S. West Texas Intermediate (WTI) crude futures fell 94 cents to \$68.67 a barrel, and were set for a fourth week of declines, falling 2.6 percent. Volume was light, with less than 361,000 U.S. crude contracts changing hands as of 1:19 p.m. EDT, compared with a 10-month daily average of about 587,000 contracts. Depressing oil prices, U.S. stock markets broadly fell on Friday. Crude futures at times track with equities. “That could show some sign of a slowdown in the economy, which could in turn affect oil consumption,” said Phillip Streible, senior market strategist at RJO Futures. The oil market largely brushed off government data on Friday that said the U.S. economy grew in the second quarter at its fastest pace in nearly four years. “It was a strong number that suggests strong energy demand into the end of the year,” said Phil Flynn, analyst at Price Futures Group in Chicago. “The reason why we’re not rallying off that is because it came in line with expectations, but when you’re running that kind of a GDP, that’s a lot of oil.” U.S. energy companies added three oil rigs in the week to July 27, the first time in the past three weeks that drillers have added rigs, General Electric Co’s Baker Hughes energy services firm said on Friday. Russian energy minister Alexander Novak said on Friday the market remained volatile and responded to verbal interventions, adding that the market had priced in risks related to U.S. sanctions against Iran. He said the Organization of the Petroleum Exporting Countries and its allies were not discussing an option to boost production by more than 1 million barrels per day. OPEC and other producers led by Russia agreed last month to ease production curbs. The deal effectively increases combined output by 1 million bpd, with Russia’s share at 200,000 bpd. Saudi Arabia earlier in the week said it was suspending oil shipments through the Red Sea’s Bab al-Mandeb strait, one of the world’s most important tanker routes, after Yemen’s Iran-aligned Houthis attacked two ships in the waterway. Any move to block the strait would virtually halt oil shipments through Egypt’s Suez Canal and the SUMED crude pipeline linking the Red Sea and Mediterranean. An estimated 4.8 million bpd of crude oil and refined products flowed through the Bab al-Mandeb strait in 2016 toward Europe, the United States and Asia, according to the U.S. Energy Information Administration. A breakthrough in U.S.-EU trade talks also lent support to oil prices this week. U.S. President Donald Trump and Jean-Claude Juncker, president of the European Commission, reached a surprise agreement on Wednesday that alleviated the risk of an immediate trade war.

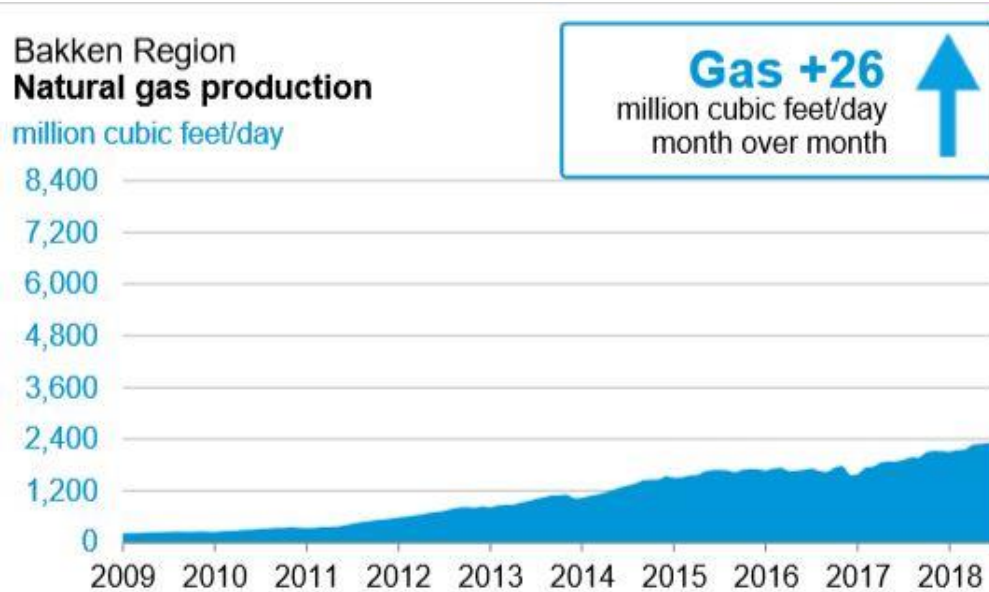
# Oil and Gas Analysis

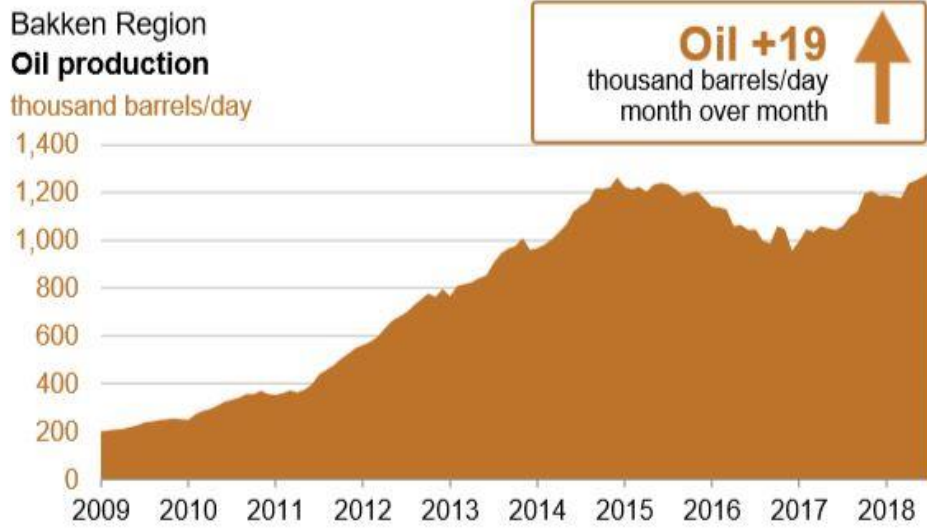
## o Rotary Rig Count Summary

Location	Date	Week	+/-	Week Ago	+/-	Year Ago
United States	20-Jul-18	1046	-8	1054	96	950
	27-Jul-18	1048	2	1046	90	958
North Dakota	20-Jul-18	56	-1	57	2	54
	27-Jul-18	57	1	56	3	54
Canada	20-Jul-18	211	14	197	5	206
	27-Jul-18	223	12	211	3	220
International	Jun-18	959	-8	967	-1	960

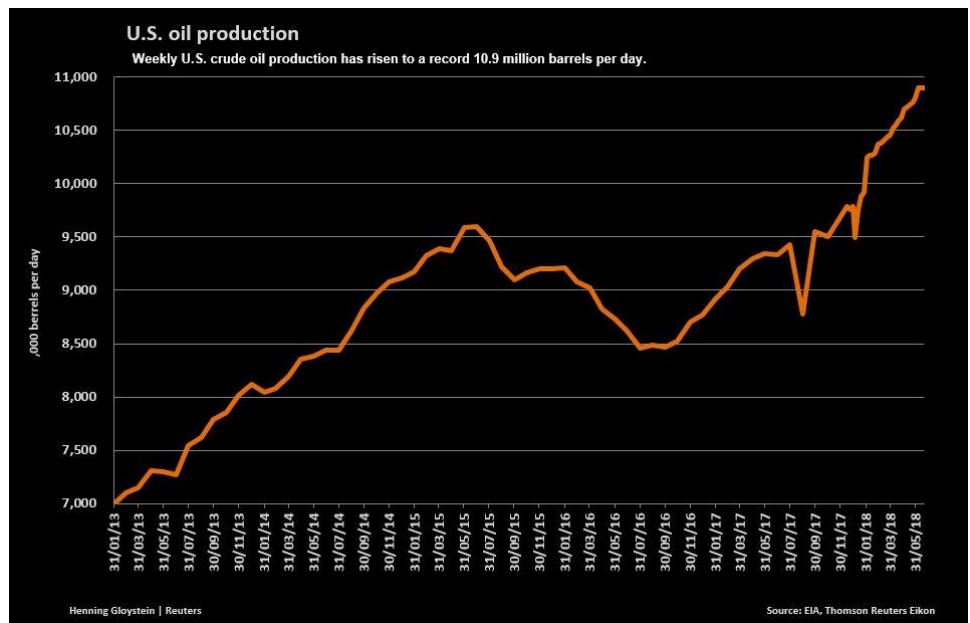
- Baker Hughes

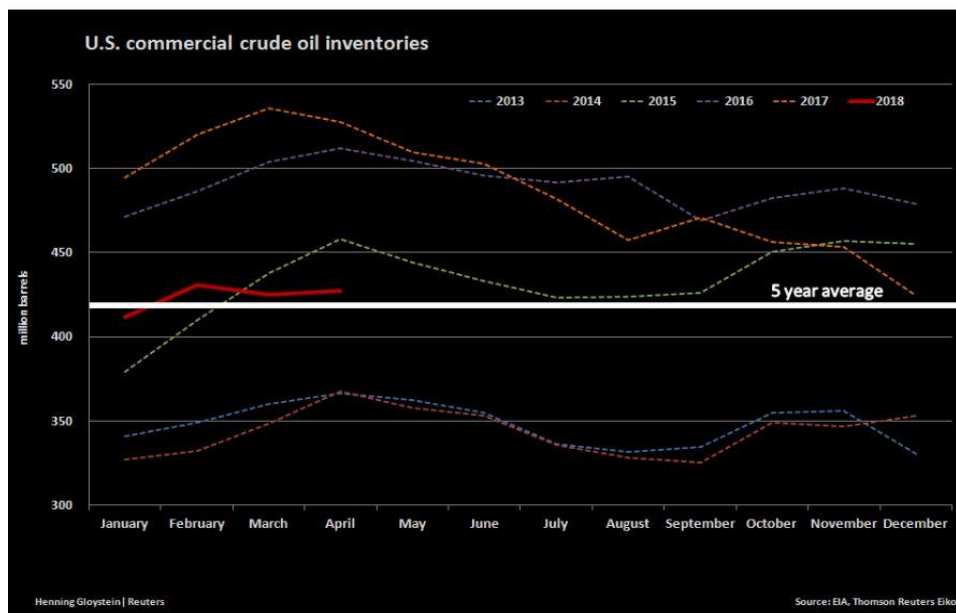
## o Bakken Productivity Report





o **US Production**





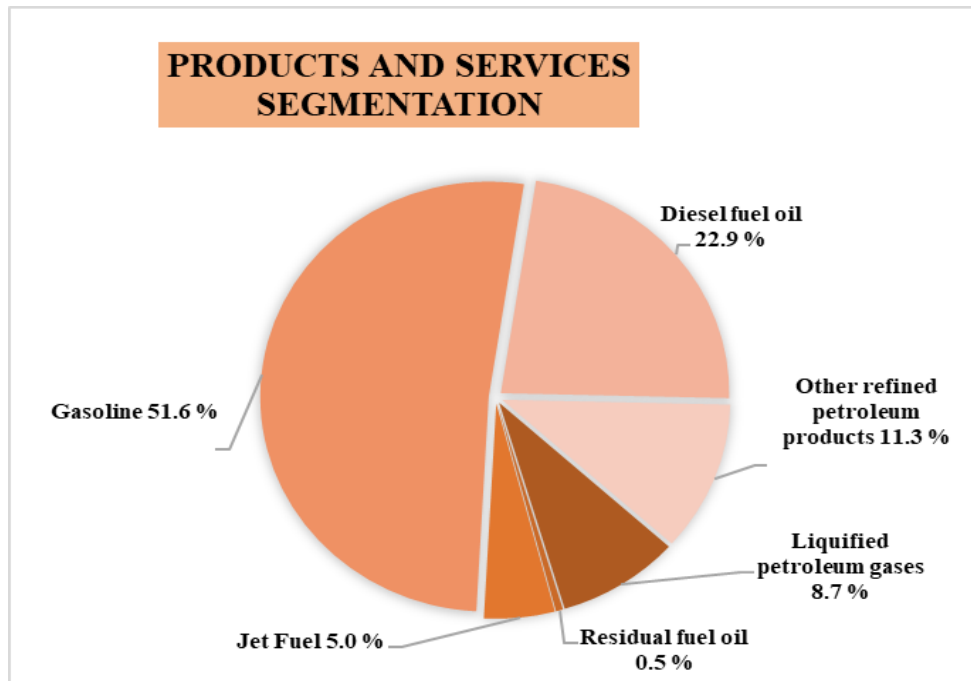
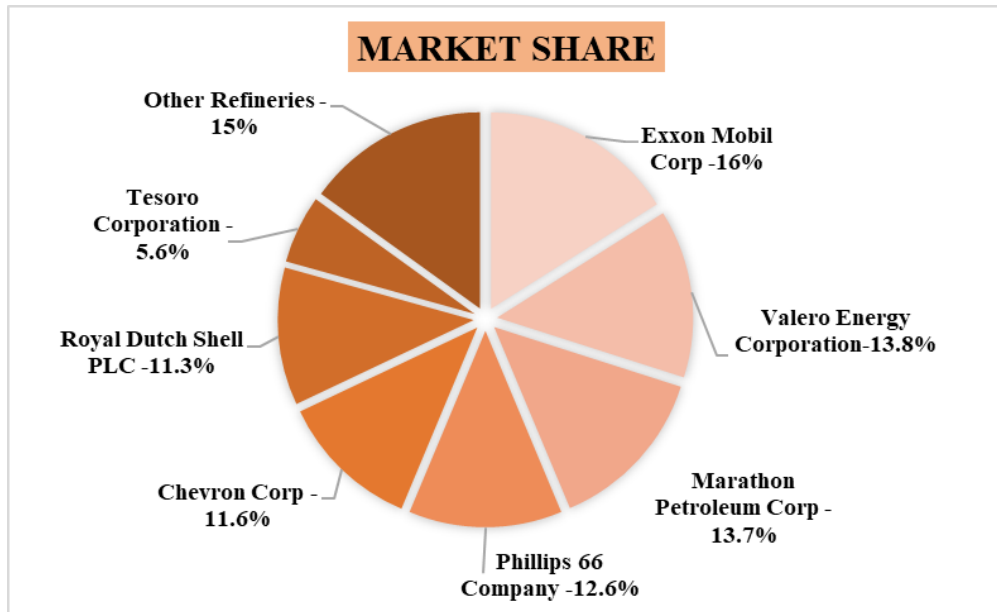
## o Weekly Petroleum Status Report

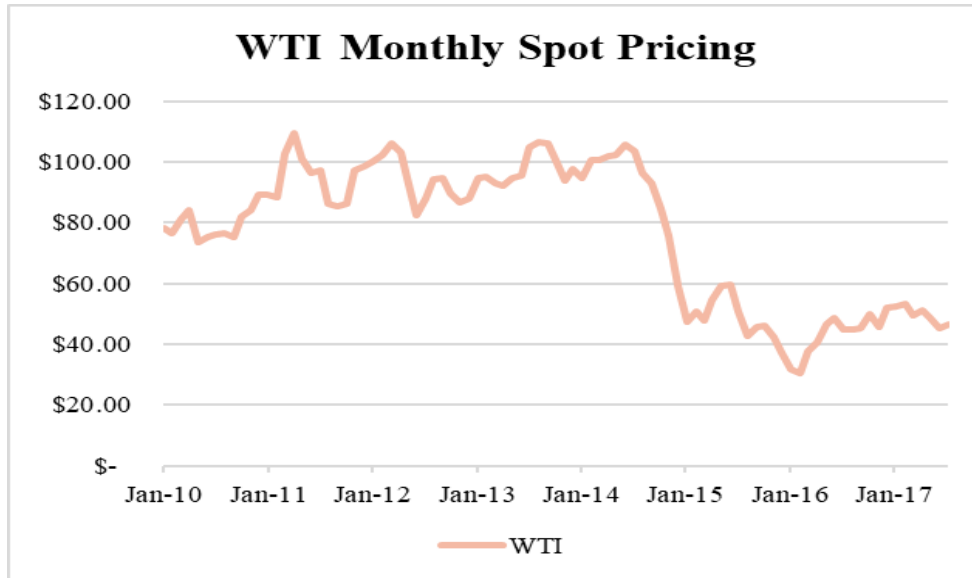
<b>Stocks (Million Barrels)</b>			
	<b>Four Weeks Ending</b>		
	<b>7/20/2018</b>	<b>7/13/2018</b>	<b>7/21/2017</b>
Crude Oil (Excluding SPR)	404.9	411.1	483.4
Motor Gasoline	233.5	235.8	230.2
Distillate Fuel Oil	121.2	121.3	149.6
All Other Oils	436.4	437.5	452.1
Crude Oil in SPR	660.0	660.0	678.9
<b>Total</b>	<b>1,856.0</b>	<b>1,865.8</b>	<b>1,994.2</b>

<b>Products Supplied (Thousand Barrels per Day)</b>			
	<b>Four Weeks Ending</b>		
	<b>7/20/2018</b>	<b>7/13/2018</b>	<b>7/21/2017</b>
Motor Gasoline	9,675	9,646	9,726
Distillate Fuel Oil	4,060	3,921	4,223
All Other Products	7,311	7,128	7,214
<b>Total</b>	<b>21,046</b>	<b>20,694</b>	<b>21,163</b>



- **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>