

Weekly Fundamental Market Report July 9-13, 2018

Market Update

PRODUCTS	7/9/18	7/10/18	7/11/18	7/12/18	7/13/18
WTI Crude Oil	73.93	74.41	70.38	70.33	71.01
Brent Crude Oil	77.08	78.86	73.40	74.45	75.33
Natural Gas	2.90	2.79	2.83	2.80	2.75

- [CME Group](#)

Headlines

Local North Dakota

- **North Dakota Oil, Gas Producers Set New Records in May. [Oil and Gas Investor](#)**
 - Tax North Dakota has reached new records in both oil and gas production, according to preliminary data released by the state's Department of Mineral Resources (DMR) on July 13. The state, where the core of the Bakken/Three Forks play is located, produced roughly 1.2 million barrels per day of oil in May—an increase of about 17,000 barrels from the last record set in December 2014. “This is a very encouraging time for North Dakota as oil and gas operators and service companies have developed drilling rigs that are twice as efficient as they were in 2014 to drill and complete permitted wells,” Lynn Helms, director of the North Dakota DMR, said in a statement. “Closing the gap between current wells producing and the wells capable of producing will add to 2018 production numbers so we should continue to reach new highs.” North Dakota also continues to set record numbers for gas production reaching about 2.3 billion cubic feet per day, according to May data from the DMR. Increasing gas production has increased pressure on operators to meet requirements of the North Dakota Industrial Commission's gas capture policy. The state also announced gas capture was at 83% in May. The current capture goal is 85% and is scheduled to increase to 88% in November 2018. This is the first time since October 2017 that industry has not met the commission goal, the DMR said. “Missing the gas capture goal for May is disappointing, but can be attributed in large part to gas plant maintenance,” Helms said. “The department is meeting with operators and midstream companies to encourage working together to divert gas when needed to use 100% of available capacity and to think creatively on how they plan to meet future goals.” Production data for the close of the second quarter is scheduled to be released Aug. 15.

Domestic

- **Oil rises but declines for the week as supply concerns ease. [Reuters](#)**
 - Oil prices rose about 1 percent on Friday as strike actions in Norway and Iraq hit supplies, but futures were set for a second straight week of decline after Libyan ports reopened and on the view that Iran might still export some crude despite U.S. sanctions. Brent crude LCOc1 rose 88 cents to settle at \$75.33 a barrel, a 1.18 percent gain. The global benchmark fell about 2.7 percent for the week. West Texas Intermediate (WTI) crude CLc1 futures rose 68 cents to settle at \$71.01 a barrel, but lost about 3.9 percent this week. The market pared gains late in the session on a Bloomberg report that the Trump administration is actively considering tapping in to the country's Strategic Petroleum Reserve, which would add supply to the market. The United States holds a reserve of about 660 million barrels, enough for about three or four months of supply. “People have been talking about that as a rumor,” said Robert Yawger, director of energy futures at Mizuho in New York. “This is nothing different than anything that's been said in the last weeks here.” Hundreds of workers

on Norwegian offshore oil and gas rigs went on strike on Tuesday after rejecting a proposed wage deal, closing Shell's Knarr field, which produces 23,900 barrels of oil equivalent per day. In Iraq, about 100 protesters demanding jobs and better services closed access to Umm Qasr commodities port near the southern city of Basra on Friday, port employees said. "Persistently declining oil supplies from Venezuela and simmering strike actions in Norway and Iraq are prompting bullish sentiment," said Abhishek Kumar, senior energy analyst at Interfax Energy in London. Prices weakened earlier in the week after OPEC member Libya reopened major eastern oil ports and U.S. Secretary of State Mike Pompeo said Washington would consider granting waivers to some of Iran's crude buyers. Fears that a U.S.-China trade dispute could hit global economic growth have also kept buyers on the back foot. Russia and other leading oil producers may boost oil output further if supply shortages hit the market, Russian Energy Minister Alexander Novak said. In June, the Organization of the Petroleum Exporting Countries and other key producers including Russia responded to market tightness by easing a supply-cut agreement. China's crude oil imports fell for a second month in a row in June to their lowest level since December, as shrinking margins and volatile oil prices led some independent refiners to scale back purchases. The U.S. oil rig count remained steady at 863 this week, General Electric Co's Baker Hughes energy services firm said. The rate of growth has slowed over the past month or so with a decline in crude prices from late May through late June. Hedge funds and other money managers raised their combined futures and options position in New York and London by 847 contracts to 457,718 during the week ended July 10, the highest since April 24, the U.S. Commodity Futures Trading Commission (CFTC) said on Friday.

Oil and Gas Analysis

o Rotary Rig Count Summary

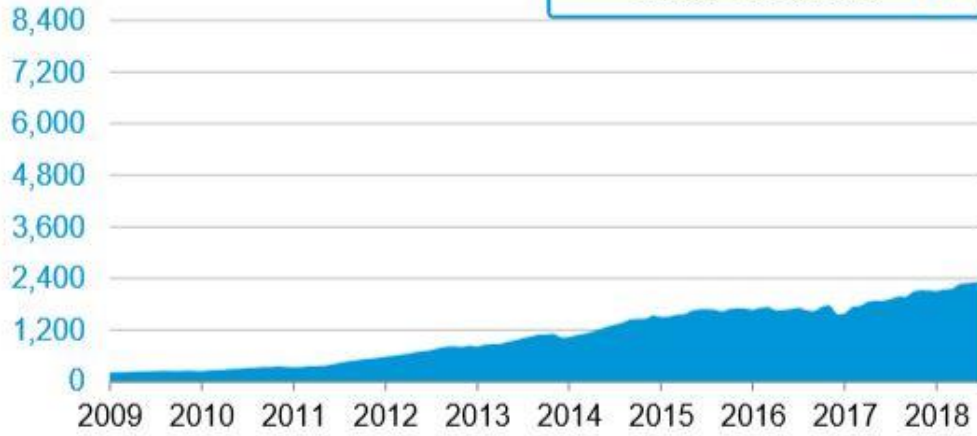
Location	Date	Week	+/-	Week Ago	+/-	Year Ago
United States	6-Jul-18	1052	5	1047	100	952
	9-Jul-18	1054	2	1052	102	952
North Dakota	6-Jul-18	57	3	54	5	52
	9-Jul-18	57	0	57	4	53
Canada	6-Jul-18	182	10	172	7	175
	9-Jul-18	197	15	182	6	191
International	Jun-18	959	-8	967	-1	960

- [Baker Hughes](#)

o Bakken Productivity Report

Bakken Region
Natural gas production

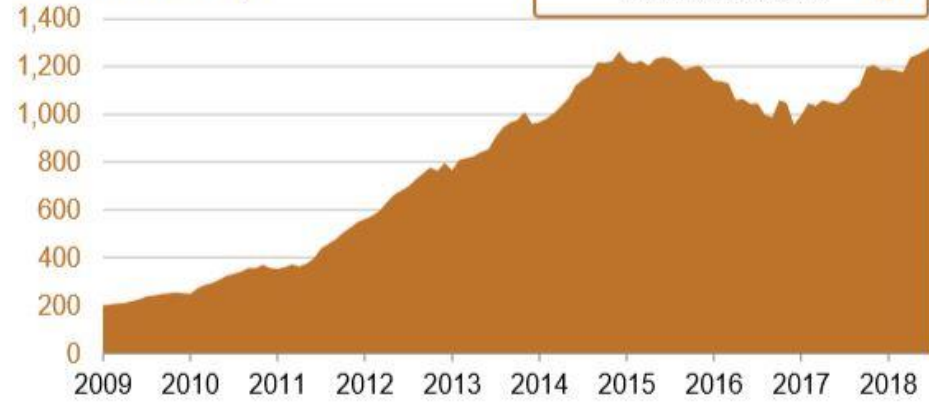
million cubic feet/day



Gas +26 ↑
million cubic feet/day
month over month

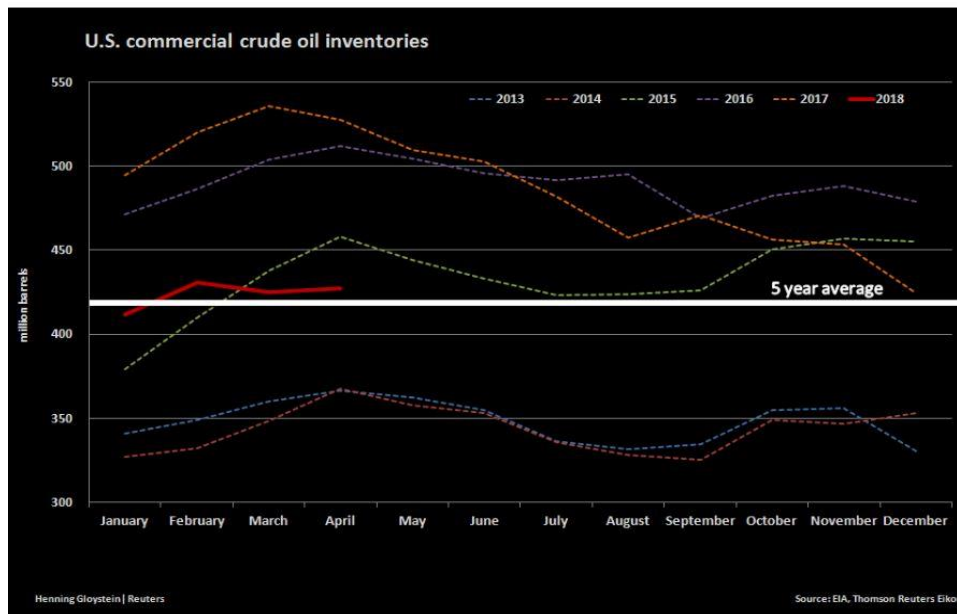
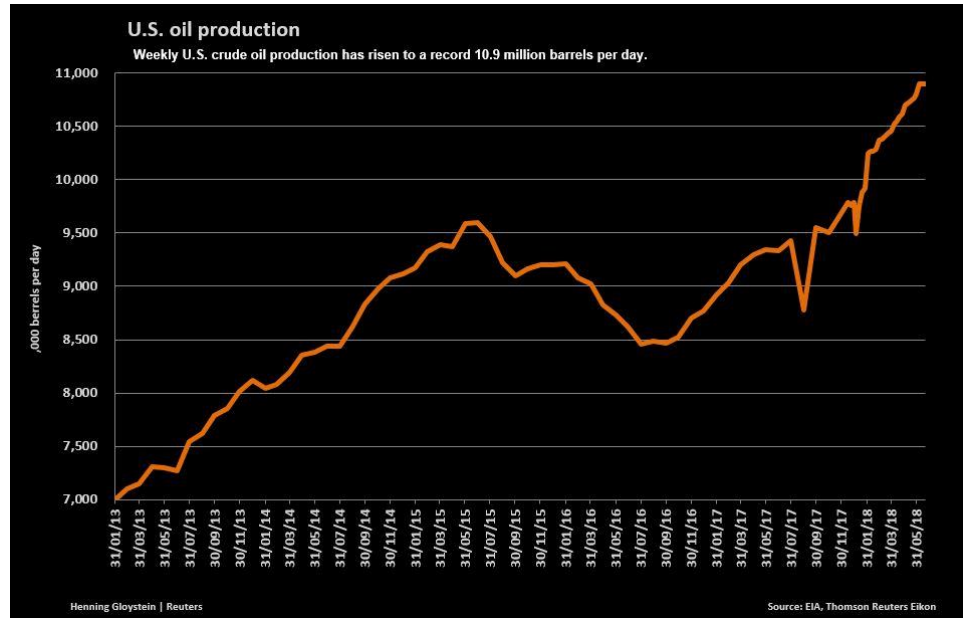
Bakken Region
Oil production

thousand barrels/day



Oil +19 ↑
thousand barrels/day
month over month

o US Production



o **Weekly Petroleum Status Report**

Stocks (Million Barrels)			
	Four Weeks Ending		
	7/6/2018	6/29/2018	7/7/2017
Crude Oil (Excluding SPR)	405.2	417.9	495.4
Motor Gasoline	239.0	239.7	235.7
Distillate Fuel Oil	121.7	117.6	153.6
All Other Oils	433.8	431.8	450.4
Crude Oil in SPR	660.0	660.0	678.9
Total	1,859.7	1,866.9	2,013.8

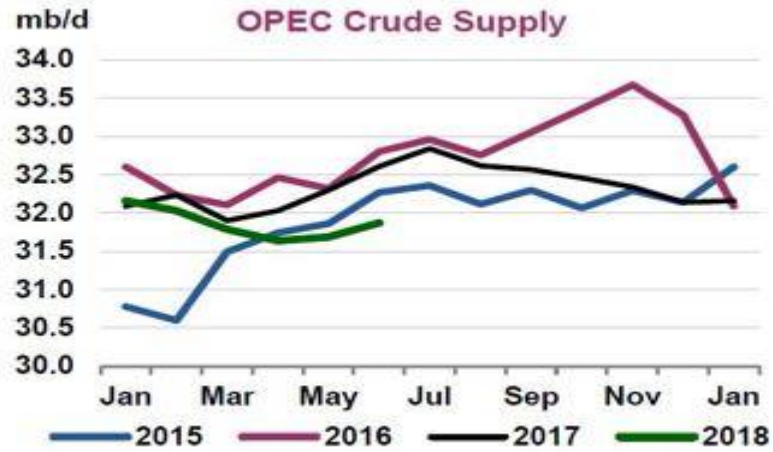
Products Supplied (Thousand Barrels per Day)			
	Four Weeks Ending		
	7/6/2018	6/29/2018	7/7/2017
Motor Gasoline	9,550	9,701	9,711
Distillate Fuel Oil	3,842	3,992	4,092
All Other Products	7,034	7,206	6,921
Total	20,426	20,899	20,724

Refinery Activity (Thousand Barrels per Day)			
	Four Weeks Ending		
	7/6/2018	6/29/2018	7/7/2017
Crude Oil Input to Refineries	17,706	17,669	17,107
Refinery Capacity Utilization	97	96.8	93.6
Motor Gasoline Production	10,313	10,251	10,333
Distillate Fuel Oil Production	5,442	5,360	5,236

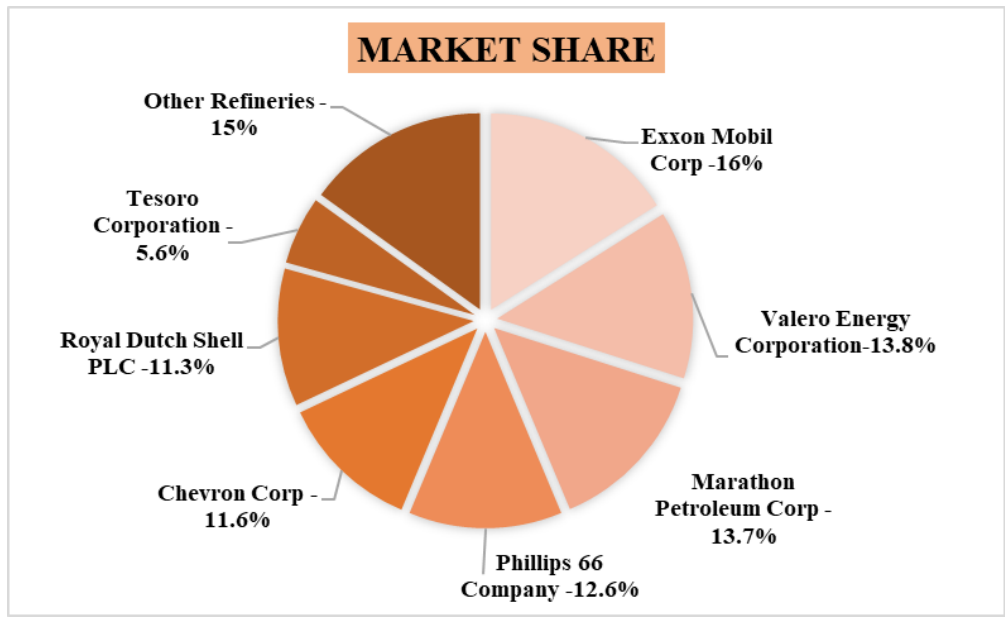
Net Imports (Thousand Barrels per Day)			
	Four Weeks Ending		
	7/6/2018	6/29/2018	7/7/2017
Crude Oil	5,837	6,003	7,128
Petroleum Products	-3,343	-2,927	-2,579
Total	2,494	3,076	4,549

- [EIA](#)

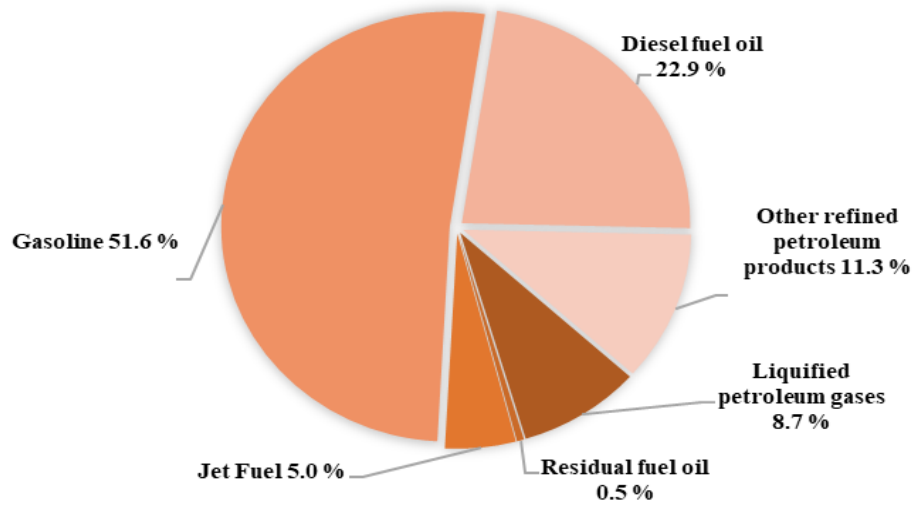
- **OPEC Crude Supply**



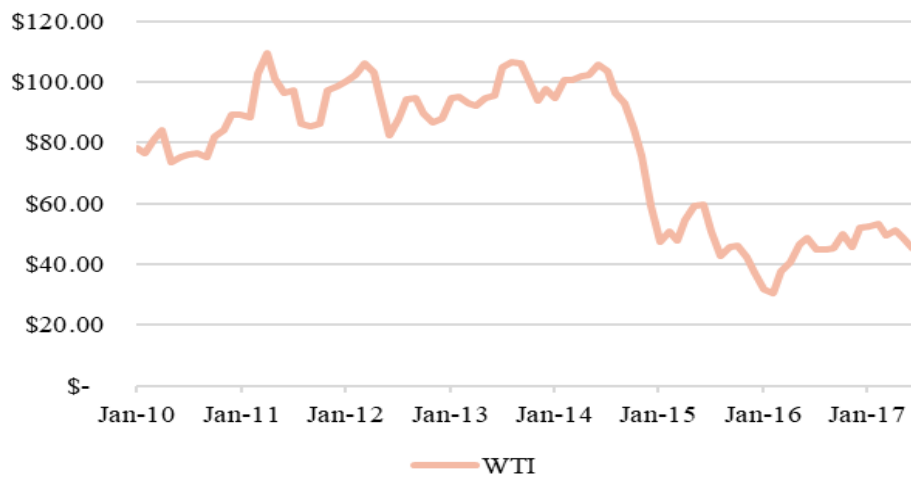
- **US Petroleum Refining at a Glance**



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-behavior>