

Market Update

PRODUCTS	10/29/18	10/30/18	10/31/18	11/1/18	11/2//18
WTI Crude Oil	67.00	66.18	65.31	63.67	63.12
Brent Crude Oil	77.56	75.68	74.84	71.25	71.11
Natural Gas	3.20	3.27	3.31	3.36	3.26

- [CME Group](#)

Headlines

North Dakota

- **Continental Resources' Bakken production hits quarterly record.** [Reuters](#)
 - Top Bakken producer Continental Resources on Monday said its output from the oil-rich North Dakota shale field hit a record during the third quarter and would increase significantly through the end of the year as it completed more wells. Continental's Bakken production averaged a quarterly record of 167,643 barrels of oil equivalent per day, up 23 percent from the third quarter of 2017. The company said it had added two rigs in the Bakken, bringing its current total to eight. Continental expects fourth quarter Bakken production to "ramp significantly" with up to 70 wells completed by the end of the year. "Continental anticipates a strong wave of oil-weighted production growth as we approach the year end," Chief Executive Officer Harold Hamm said in a release on Monday, pointing to growth in North Dakota's Bakken and drilling projects in Oklahoma. Bakken shale output has surged to record levels this year, aided by a jump in domestic oil prices to near four-year highs. Output is anticipated to average 1.35 million barrels per day in November, according to data from the U.S. Energy Information Administration (EIA). Excluding onetime items, Continental reported net income of \$337 million for the third quarter, or 90 cents per share, beating consensus analysts' estimates by 8 cents, according to Refinitiv data. The company said its oil production remained unhedged, creating a "positive tailwind" in the third quarter. Some rivals, including EOG Resources and Pioneer Natural Resources, have warned investors third-quarter earnings would be lower because they had hedged, or locked-in oil prices, at levels below average market price for the quarter to guarantee a profit. Overall, Continental averaged 27.3 million barrels of oil equivalent, or 296,904 boe per day, during the quarter, a 22 percent increase from the prior year period. (Reporting by Liz Hampton; editing by Diane Craft and Tom B

Domestic

- **Oil drops 1 percent as U.S. allows Iran sanctions waivers.** [Reuters](#)
 - Oil prices fell about 1 percent on Friday and notched a weekly loss of over 6 percent, as investors worried about oversupply after the United States said it will temporarily spare eight jurisdictions from Iran-related sanctions. U.S. Secretary of State Mike Pompeo announced the decision in a conference call. The waivers could allow top buyers to keep importing Iranian oil after economic penalties come back into effect on Monday. Brent crude futures LCOc1 fell 6 cents to settle at \$72.83 a barrel. U.S. crude CLc1 declined 55 cents to end the session at \$63.14 per barrel, a 0.86 percent loss. Both contracts have fallen more than 15 percent from the near four-year highs touched in early October on worries the looming Iran sanctions could drain supply from global markets. Pompeo did not name the jurisdictions, but said the European Union as a

whole, which has 28 members, would not receive one. India, Iraq and South Korea were on the list of waivers, said a source familiar with the matter who spoke on condition of anonymity. Under U.S. law, such exceptions can only be granted for up to 180 days. Turkey has been told it will receive a waiver on U.S. sanctions against Iranian oil sales, Turkish Energy Minister Fatih Donmez said. Iran said on Friday that it had no concerns over the reimposition of sanctions. On Twitter, in a message designed to emphasize his “maximum pressure” policy toward Iran, U.S. President Donald Trump included a photograph of himself modeled on a popular television show poster with the headline: “Sanctions are coming November 5.” “It seems as though all the worries about tightening supplies due to the loss of Iranian barrels in the market have dried up,” said Gene McGillian, director of market research at Tradition Energy in Stamford, Connecticut. “On top of that, concerns regarding reduced global demand has also helped ... the market continues to search for a bottom.” Prices have been under pressure as world oil production has been rising significantly in the past two months. Russian Energy Ministry data showed on Friday the country pumped 11.41 million barrels per day (bpd) of crude in October, a 30-year high. The U.S. believes that global oil supplies will exceed demand next year making it easier for countries to cut Iranian oil imports to zero, a senior U.S. official said on Friday. The Organization of the Petroleum Exporting Countries boosted oil production in October to 33.31 million bpd, up 390,000 bpd and the highest by OPEC since 2016. The United States is challenging Russia for title of top producer, with U.S. crude production C-OUT-T-EIA now above 11 million bpd. The U.S. oil drilling rig count declined this week for the first time in four weeks, with drillers cutting one oil rig in the week to Nov. 2, bringing the total count down to 874, General Electric Co’s (GE.N) Baker Hughes energy services firm said in a report on Friday. RIG-OL-USA-BHI. Hedge funds and money managers cut their net long U.S. crude futures and options positions in latest week to a fresh one-year low, according to data from the U.S. Commodity Futures Trading Commission (CFTC).

Oil and Gas Analysis

o Rotary Rig Count Summary

Location	Date	Week	+/-	Week Ago	+/-	Year Ago
United States	26-Oct-18	1068	1	1067	159	909
	2-Nov-18	1067	-1	1068	169	898
North Dakota	26-Oct-18	54	2	52	5	49
	2-Nov-18	54	0	54	7	47
Canada	26-Oct-18	200	9	191	9	191
	2-Nov-18	198	-2	200	6	192
International	Oct-18	1017	13	1004	66	951

- Baker Hughes

o Weekly Petroleum Status Report

Stocks (Million Barrels)			
	Four Weeks Ending		
	10/26/2018	10/19/2018	10/27/2017
Crude Oil (Excluding SPR)	426.0	422.8	454.9
Motor Gasoline	226.2	229.3	212.8
Distillate Fuel Oil	126.3	130.4	128.9
All Other Oils	470.1	472.5	469.4
Crude Oil in SPR	654.9	656.5	670.6
Total	1,903.5	1,911.5	1,936.6

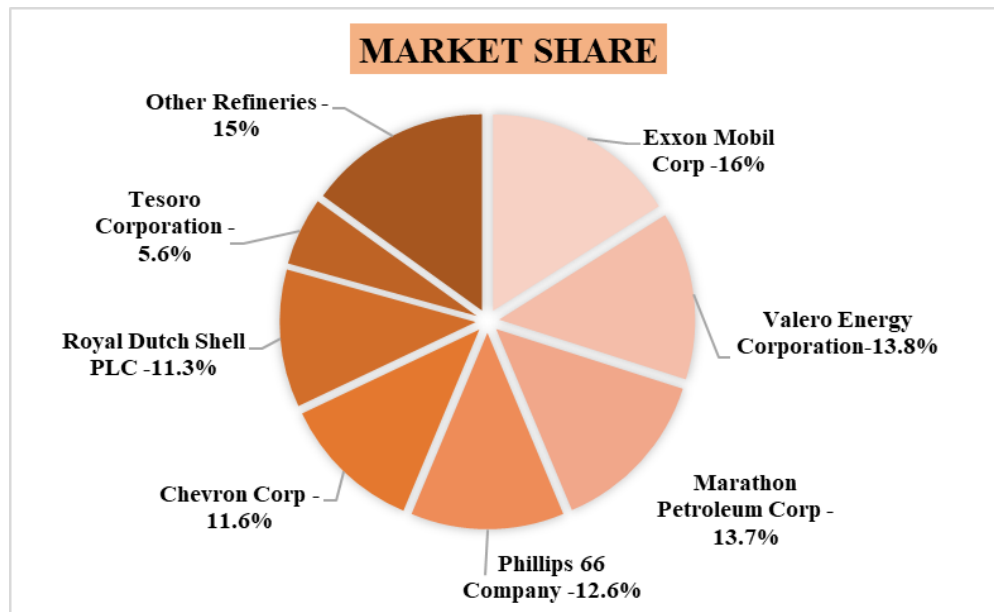
Products Supplied (Thousand Barrels per Day)			
	Four Weeks Ending		
	10/26/2018	10/19/2018	10/27/2017
Motor Gasoline	9,212	9,172	9,348
Distillate Fuel Oil	4,214	4,076	3,690
All Other Products	7,143	7,114	6,475
Total	20,568	20,362	19,513

Refinery Activity (Thousand Barrels per Day)			
	Four Weeks Ending		
	10/26/2018	10/19/2018	10/27/2017
Crude Oil Input to Refineries	16,310	16,354	15,934
Refinery Capacity Utilization	89	89.3	87.4
Motor Gasoline Production	10,133	10,030	9,974
Distillate Fuel Oil Production	4,946	4,958	4,895

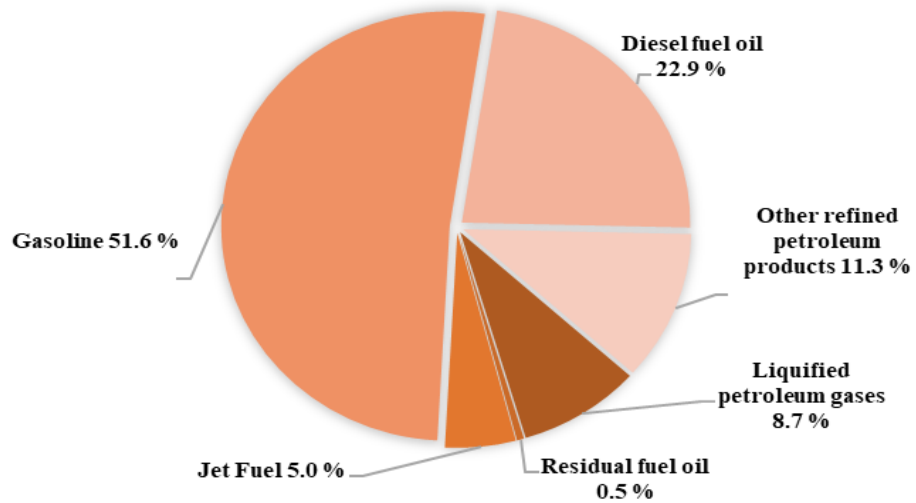
Net Imports (Thousand Barrels per Day)			
	Four Weeks Ending		
	10/26/2018	10/19/2018	10/27/2017
Crude Oil	5,253	5,599	5,917
Petroleum Products	-3,363	-3,244	-3,209
Total	1,890	2,355	2,708

- [EIA](#)

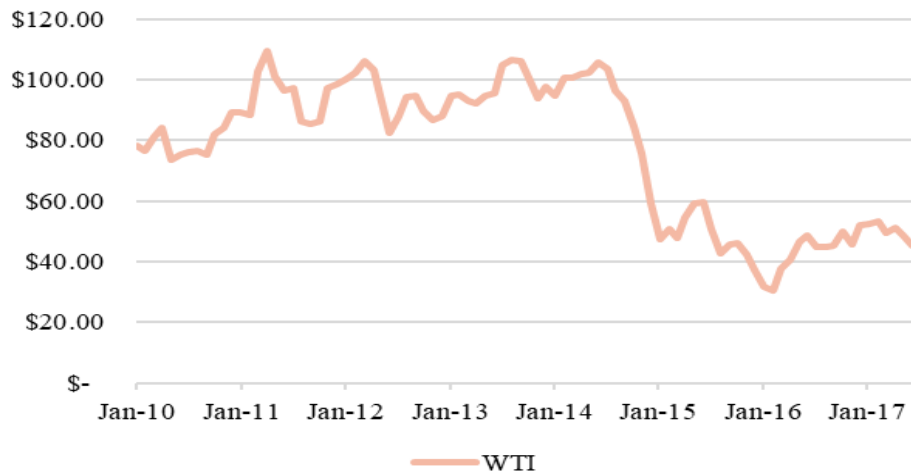
- **US Petroleum Refining at a Glance**



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-behavior>