

Market Update

PRODUCTS	1/14/19	1/15/19	1/16/19	1/17/19	1/18/19
WTI Crude Oil	50.31	52.11	52.31	52.07	53.80
Brent Crude Oil	58.80	60.64	61.32	61.18	62.70
Natural Gas	3.36	3.50	3.38	3.41	3.48

- [CME Group](#)

Headlines

North Dakota

- **North Dakota oil production sees slight drop in November. [Bismarck Tribune](#)**
 - North Dakota produced 1.38 million barrels of oil per day in November, a 1.2 percent drop as winter weather arrived and operators were uncertain about gas capture regulations, the state's top oil regulator said Tuesday. Natural gas production dropped about 1.5 percent to 2.5 billion cubic feet per day, Director of Mineral Resources Lynn Helms said. The industry flared 20 percent of Bakken gas in November, or 21 percent of gas statewide. The North Dakota Industrial Commission gas capture target requires companies to limit flaring from Bakken wells to 12 percent as of November, but operators missed the state's target for the seventh month in a row. The volume of gas flared stayed flat at about 527 million cubic feet per day, according to the preliminary figures. Helms estimates that operators voluntarily restricted oil production by 99,000 barrels of oil per day in an attempt to reduce natural gas flaring. Flaring increased to 32 percent on trust lands within the Fort Berthold Reservation. "That's our problem area; that's our struggle," Helms said. Drilling increased at Fort Berthold in November, which Helms said is likely because operators want to develop wells before upcoming changes to how flaring is regulated and a potential discussion at the state Legislature about the state-tribal oil tax agreement. The reservation had 2,017 active wells as of November, a record for the Mandan, Hidatsa and Arikara Nation. The partial government shutdown has stalled talks with the Bureau of Land Management over changes to how flaring is regulated, Helms said. The federal agency plans to defer oversight to state and tribal leaders, but the workers involved with those discussions have been furloughed, according to Helms. State officials indicated they had hoped to have an agreement in place with the BLM by February, but Helms said the shutdown will delay the timeline by at least a month. The shutdown also has stopped the Bureau of Indian Affairs from reviewing right-of-way applications for pipeline projects, Helms said. Justin Kringstad, director of the North Dakota Pipeline Authority, reported an increase in flaring from wells that are not connected to a pipeline. Typically, a majority of flaring comes from wells that have pipeline connections, but the infrastructure is inadequate. Sixty-eight drilling rigs operated in the state as of Tuesday. Kringstad said recent improvement in oil prices indicate there's growth potential for oil production over the winter. "Industry could grow, but that growth rate is going to be heavily weighted by Mother Nature and other seasonal factors," Kringstad said.
- **Shutdown causing hang-ups for oil and gas. [Williston Herald](#)**
 - North Dakota's request for a six-month extension to comment on changes to oil and gas leasing on the Dakota Prairie Grasslands is among items that have hit limbo in the nation's longest running government shutdown, 28 days old as of Friday, Jan. 17. North Dakota requested the extension so that the Department of Mineral Resources Division of Oil and Gas could more thoroughly research problem areas created by the proposal, which officials estimate affects as much as 2 percent of North Dakota's productive mineral acres.

“There’s no one there to accept our request, so we’re going to go ahead and file the comments, with the caveat that when they go back to work, they should extend the deadline,” Director of Mineral Resources Lynn Helms said. “We are reserving the option to supplement the comments.” Among North Dakota’s concerns with the proposed policy changes are large blocks of land that would be designated as “no surface occupancy.” That could potentially lock up mineral rights belonging to both state and private landowners, making them inaccessible with current technology. “It’s not good government to surround someone’s property and limit the access to it,” Helms said. “We are proposing either some adjustment of the surface occupancy, to allow for access corridors, or some very robust waivers and exemptions that the grasslands manager could grant.” The Division of Oil and Gas has worked with the Forest Service to identify several minimum maintenance roads and trails that could be upgraded to provide access to the minerals in question. Some of the mineral acres are not directly blocked by the no occupancy zones, but would require at least a 2-mile long horizontal well to access them. That technology isn’t always workable for every formation. “So again, we are proposing that something be done to reduce that, or that there be some waivers and exemptions,” Helms said. There are also limits on hydraulic fracturing within a quarter mile of existing or future campgrounds in the Grasslands. Helms suggested that distance is unnecessarily restrictive. “That quarter of a mile and timing limits are based on very conservative air quality analysis done by some folks assuming that any oilfield equipment working there would burn diesel,” Helms said. That’s not always the case, and gas field equipment would burn much more cleanly. “We are recommending they provide waivers or exemptions if an operator designates that they are using natural gas field equipment,” Helms said. The request for an extension to the comment period for the Grassland leases is not the only thing hanging in limbo now that portions of the federal government are shutdown. New right of ways for Fort Berthold, a flaring hotspot in the state, are now non-existent, since the Bureau of Indian Affairs is among agencies that has had to furlough workers. “There has not been any BIA right of ways approved, and won’t be, until the BIA goes back to work,” Helms said. Right of ways in that area had already been slow, contributing to problems building out gas gathering and processing infrastructure to reduce flaring. Officials had been working out ways to streamline the process, but that, too, is on hold. The shutdown has also suspended talks between the state, tribes and the Bureau of Land Management on revised venting and flaring rules that call for the BLM to defer to state and tribal regulations. Those new rules were to have been in place by Feb. 5, but Helms said the shutdown means that deadline will likely be missed by a month or more.

Domestic

- **U.S crude gains, slowing global economy challenge oil market in 2019 - IEA. CNBC**
 - U.S. oil production growth combined with a slowing global economy will put oil prices under downward pressure in 2019, challenging OPEC's resolve to support the market with output cuts, the International Energy Agency said on Friday. The IEA, which coordinates the energy policies of industrial nations, said it was keeping its estimate of oil demand growth for this year unchanged at 1.4 million barrels per day, close to 2018 levels. "The impact of higher oil prices in 2018 is fading, which will help offset lower economic growth," the Paris-based IEA said in its monthly report. Oil rallied above \$85 per barrel in the second half of 2018 on concern about lower supplies from Iran due to new U.S. sanctions. But crude fell towards \$50 at the end of 2018 due to an economic slowdown and rising U.S. supply, prompting producer group OPEC to cut output in an effort to keep prices above \$60. The IEA said global oil supply last month fell by 950,000 bpd, roughly 1 percent, led by lower OPEC output even before the organization's new supply-cutting pact took effect in January. The IEA said non-OPEC production growth was set to slow to 1.6 million bpd in 2019 after recording annual gains of 2.6 million bpd in 2018. However, the United States will continue to surprise on the upside. "The United States, already the biggest liquids supplier, will reinforce its leadership as the world's number one crude producer. By the middle of the year, U.S. crude output will probably be more than the capacity of either Saudi Arabia or Russia," the IEA said.

Oil and Gas Analysis

o Rotary Rig Count Summary

Location	Date	Week	+/-	Week Ago	+/-	Year Ago
United States	11-Jan-19	1075	0	1075	136	939
	18-Jan-19	1050	-25	1075	114	936
North Dakota	11-Jan-19	53	0	53	8	45
	18-Jan-19	54	1	53	10	44
Canada	11-Jan-19	184	108	76	-92	276
	18-Jan-19	209	25	184	-116	93
International	Dec-18	1025	34	991	71	954

- Baker Hughes

o Weekly Petroleum Status Report

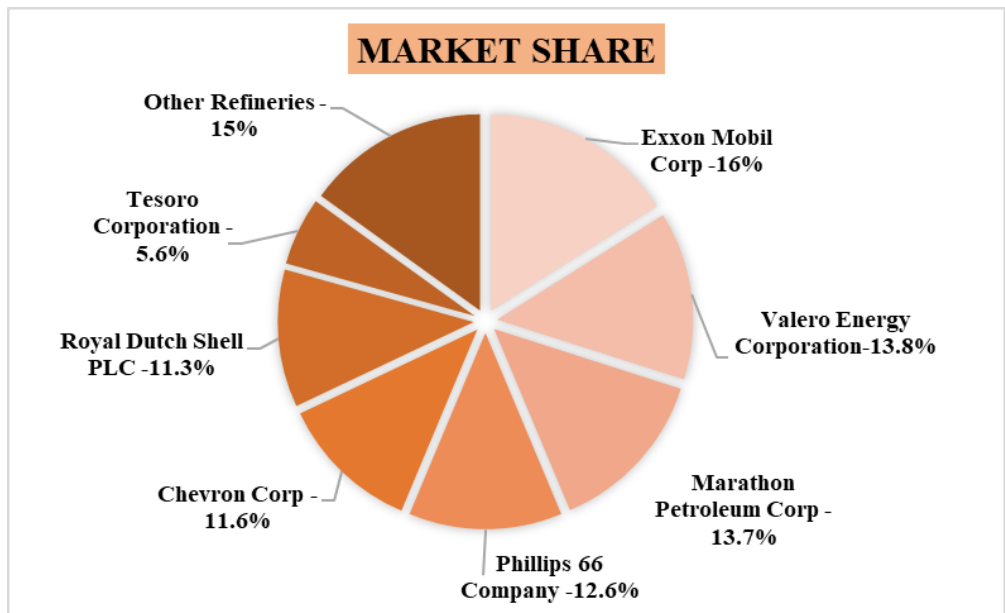
Stocks (Million Barrels)			
	Four Weeks Ending		
	1/11/2019	1/4/2019	1/12/2018
Crude Oil (Excluding SPR)	437.1	439.7	412.7
Motor Gasoline	255.6	248.1	240.9
Distillate Fuel Oil	143.0	140.0	139.2
All Other Oils	424.8	427.6	413.2
Crude Oil in SPR	649.1	649.1	664.2
Total	1,909.6	1,904.6	1,870.2

Products Supplied (Thousand Barrels per Day)			
	Four Weeks Ending		
	1/11/2019	1/4/2019	1/12/2018
Motor Gasoline	8,818	8,987	8,904
Distillate Fuel Oil	3,712	3,822	4,077
All Other Products	7,576	7,663	7,561
Total	20,106	20,473	20,543

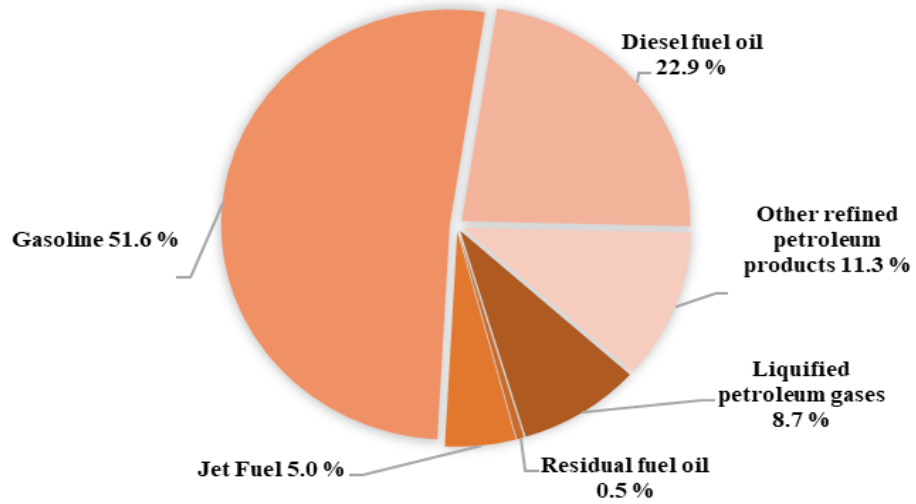
Refinery Activity (Thousand Barrels per Day)			
	Four Weeks Ending		
	1/11/2019	1/4/2019	1/12/2018
Crude Oil Input to Refineries	17,475	17,521	17,301
Refinery Capacity Utilization	95.8	96	95.2
Motor Gasoline Production	9,663	9,851	9,791
Distillate Fuel Oil Production	5,502	5,498	5,359

Net Imports (Thousand Barrels per Day)			
	Four Weeks Ending		
	1/11/2019	1/4/2019	1/12/2018
Crude Oil	5,046	5,180	6,655
Petroleum Products	-3,230	-3,559	-3,184
Total	1,816	1,622	3,471

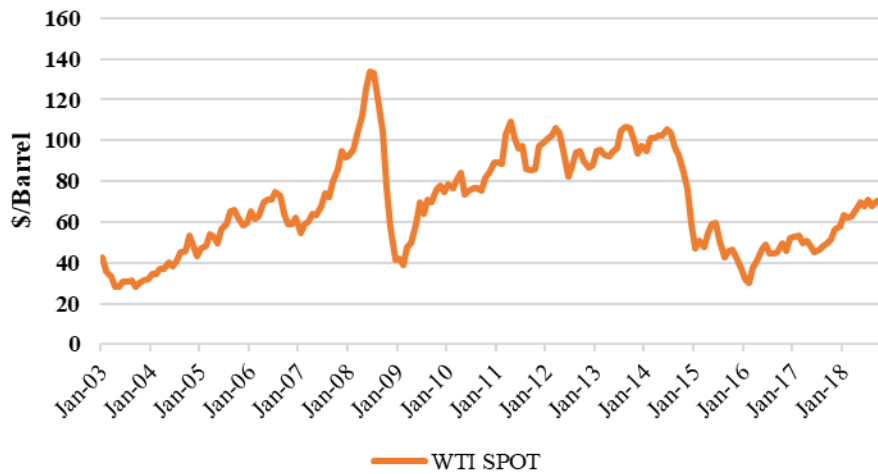
- [EIA](#)
- **US Petroleum Refining at a Glance**



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>