

July 19, 2019

Oil Comparables Weekly 07/19/19

Stratas Advisors

	Weekly Data				Weekly Changes		
	Report Week	Prior Week	Yr Ago Week	5 Year	Δ W-o-W	Δ Y-o-Y	Δ W-o-5YA
				Average this Week			
Stocks (Million Barrels)	7/12/2019	7/5/2019	7/13/2018	2014-2018			
Total U.S. Crude Oil	455.88	458.99	411.08	432.13	-3.12	44.79	23.75
Gasoline	232.75	229.19	235.83	227.88	3.57	-3.08	4.87
Distillate	136.20	130.52	121.31	138.24	5.69	14.89	-2.04
Big 3	824.83	818.70	768.23	798.25	6.13	56.60	26.58
Total Petroleum	1,291.86	1,280.56	1,183.97	1,221.79	11.30	107.90	70.08
Cushing Crude	50.83	52.18	24.86	44.55	-1.35	25.97	6.28
Crude Supply (Million Barrels per Day)							
Field Production	12.00	12.30	11.00	9.41	-0.30	1.00	2.59
Canadian Crude Imports	3.54	3.95	3.41	2.96	-0.41	0.13	0.58
Total Crude Imports	6.83	7.30	9.07	7.91	-0.47	-2.23	-1.08
Crude Demand (Million Barrels per Day)							
Refinery Runs	17.27	17.44	17.24	16.90	-0.17	0.03	0.37
Exports	2.534	3.048	1.461	0.813	-0.51	1.07	1.72
Baker Hughes US Active Rotary Rig Counts							
Oil	779	784	858	836	-5	-79	-57
Gas	174	172	187	199	2	-13	-25
Total	954	958	1,046	1,036	-4	-92	-82
Closing Spot Prices (\$/bbl)	Today	Report Wk	Year Ago	5YA			
	7/19/2019	7/12/2019	7/20/2018	2014-2018			
WTI Weekly Close	55.63	60.21	70.46	62.98	-4.58	-14.83	-7.35
BDT Weekly Close	62.62	67.24	72.71	65.81	-4.62	-10.09	-3.19
Differential, BDT-WTI Weekly Close	6.99	7.03	2.25	2.84	-0.04	4.74	4.15
WTI Weekly Average	56.98	59.27	68.96	54.44	-2.28	-11.98	54.44
BDT Weekly Average	63.65	65.71	71.98	58.32	-2.06	-8.33	58.32
Differential, BDT-WTI Weekly Average	6.67	6.44	3.01	3.88	0.23	3.66	3.88
WCS Weekly Close	41.31	49.63	42.01	45.99	-8.32	-0.70	-4.68
MAYA Weekly Close	57.78	62.43	65.24	58.79	-4.65	-7.46	-1.01
WCS-MAYA Weekly Close	-16.47	-12.80	-23.23	-12.80	-3.67	6.76	-3.67
WCS-WTI Weekly Close	-14.32	-10.58	-28.45	-16.99	-3.74	14.13	2.67
Cracks (\$/bbl), Weekly Average							
321 Gulf Coast	19.77	21.12	14.94	16.10	-1.35	4.82	3.67
321 Northwest Europe	20.01	20.26	18.86	20.70	-0.25	1.15	-0.69
321 Southeast Asia	9.30	8.62	7.13	11.85	0.68	2.17	-2.55
Petroleum Product Implied Demand (Million Barrels per Day)	7/12/2019	7/5/2019	7/13/2018	2014-2018	Δ W-o-W	Δ Y-o-Y	Δ W-o-5YA
Gasoline	9.21	9.75	9.71	9.52	-0.54	-0.49	-0.30
Distillate	3.57	3.55	4.14	3.86	0.01	-0.58	-0.30
Other	7.53	7.99	7.45	7.00	-0.46	0.07	0.53
Total Petroleum	20.31	21.29	21.30	20.38	-0.99	-1.00	-0.07
Petroleum Imports (Million Barrels per Day)	7/12/2019	7/5/2019	7/13/2018	2014-2018	Δ W-o-W	Δ Y-o-Y	Δ W-o-5YA
Net Petroleum Imports	2.17	1.65	2.20	5.43	0.52	-0.04	-3.26
Net Offshore Petroleum Imports	-1.37	-2.29	-1.20	2.47	0.93	-0.16	-3.84
Energy Security Ratio	-6.7%	-10.8%	-5.7%	12.1%	4.04%	-1.08%	-18.85%

Source: Stratas Advisors North American Oil Service analysis of data by EIA, Bloomberg and Baker Hughes.

Key Points: *The EIA's Weekly Petroleum Status Report, showing data for the week ended 7/12/2019 shows crude stocks moved lower by 3.12 million barrels (MMbbl) to 455.88 MMbbl versus expectations of a 3.00 MMbbl step down. Last year at this time, crude stocks were 411.08 MMbbl. Gasoline inventories went up by 3.57 MMbbl during the report week to 232.75 MMbbl, while distillate inventories went higher by 5.69 MMbbl to 136.20 MMbbl. Combined, petroleum stocks increased for the report week and now stand 107.90 MMbbl above last year's level and 70.08 MMbbl up from the contemporaneous five year average.*

Intraday on 7/19/2019, WTI crude prices traded at \$55.63/bbl, which represents a \$4.58 /bbl fall over the close of the EIA report week seven days ago and compares to \$70.46 /bbl a year ago.

Cushing Crude Stock: Crude stocks in Cushing contracted by 1.35 MMbbl from the previous report week to average 50.83 MMbbl. This compares to 24.86 MMbbl from a year ago and 6.28 MMbbl above the five year average.

Weekly Demand: On the domestic demand side, EIA's reported refinery runs declined during the report week by 0.17 Mbb/d to a weekly average of 17.27 MMbbl/d, which compares to a weekly average refinery run rate of 17.24 MMbbl/d a year ago. Demand in the export market for U.S. crude exports for this report week dropped by 0.51 Mbb/d to an average for the report week of 2.53 MMbbl/d which compares to an export rate of 1.46 MMbbl/d a year ago. The data for implied demand for petroleum products, as represented by the EIA's volumes supplied to the consuming market, show an average for this report week running at 20.31 MMbbl/d versus 21.29 MMbbl/d the prior report week and down from the year ago data point of 21.30 MMbbl/d. That said, the EIA's total demand data for this report week came in lower than the 5-year average for this week.

Weekly Supply: On the supply side, field production of crude oil this report week diminished by 0.30 Mbb/d to an average weekly value of 12.00 MMbbl/d, which is higher from last year's 11.00 MMbbl/d output rate. Supplies imported from foreign producers fell by 0.47 MMbbl/d this EIA reporting week to an average of 6.83 MMbbl/d, which is below last year's 9.07 MMbbl/d import level.

Weekly Rig Counts: The Baker Hughes active US rotary rig count this week reduced by 4 over the week to 954 rigs, with oil rigs lower by 5 to 779 and gas rigs increased by 2 to 174. Compared to last year, this week's US active rig count lost ground by 92 from last year's level of 1046.

Commitment of Traders: The CFTC's 7/19/2019 commitment of traders report for NYMEX light sweet crude oil futures and options showed that reportable financial positions (Managed Money and Other) on 7/16/2019 were 454,710 net long while reportable commercial operator positions came in with a 463,188 net short position. Total open interest was reported for this week at 2,777,809 and was up 106,384 lots from last week's reported 2,671,425 level. Sequentially, commercial operators this reporting week were adding to longs by 4,511 while adding to shorts by 43,932. Financial speculators added shorts and added longs for the week (2,944 vs 35,438, respectively). The net long decline this

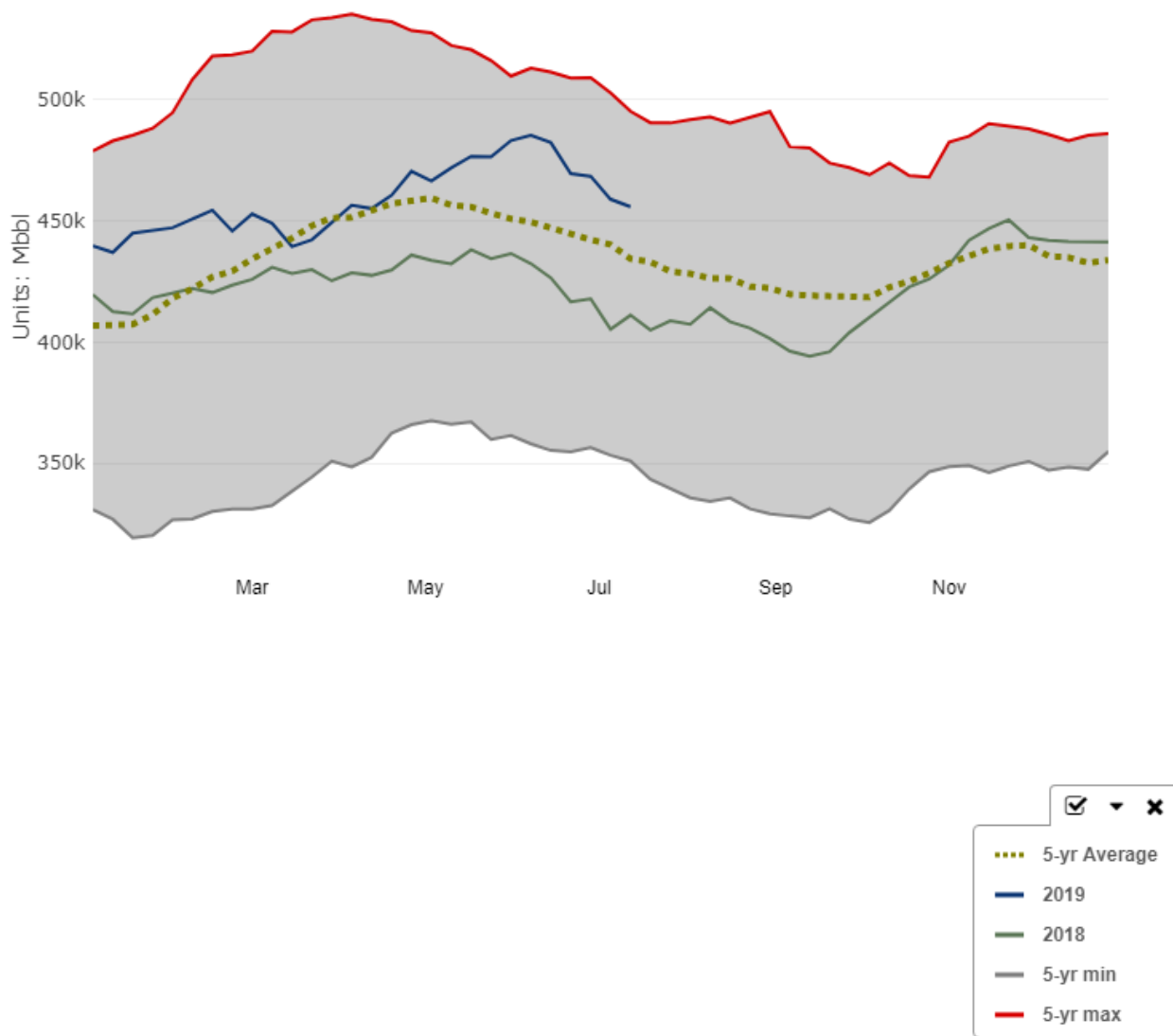
week which follows a net long gain last week shows operators clearly seem to be less optimistic this week, while financial speculators appear to be more bullish given a net long gain this week after a net long decline last week.

Benchmark Prices, Differentials & Margins: The Brent Dated spot price closed 7/19/2019 at \$62.62/bbl, down by \$4.62 /bbl from the end of the EIA report week seven days ago. A year earlier, the Brent dated spot price stood at \$72.71/bbl. The differentials between Brent and WTI spots shrunk by \$0.04/bbl to \$6.99/bbl which compares to \$2.25/bbl a year ago. The average weekly per barrel WCS discount to MAYA broadened by \$3.67 to \$16.47 and compares to a \$23.23 discount last year when the average WCS price for this week was \$42.01

US Gulf Coast 321 crack spreads averaged \$19.77/bbl for the week, which represents a decrease of \$1.35/bbl over the week and compares to \$14.94\$/bbl this week last year.

Northwest Europe 321 crack spreads using Bloomberg's local daily prices and Brent dated spot crude averaged \$20.01/bbl for the week, which represents a decline of \$-0.25/bbl over the prior week and compares to \$18.86/bbl this week last year. Southeast Asia 321 crack spreads using local prices and Minas crude averaged \$9.30/bbl for the current week, which represents a surge of \$0.68/bbl over the prior week and compares to \$7.13/bbl this week last year.

Weekly Total U.S. Crude Stocks (Excl. SPR)



Source: EIA, Stratas Advisors

News and Views

Longhorn Midstream Launches Open Season for Permian Gathering System: Longhorn Midstream [launches](#) Open Season for the 50-mile Touchdown Crude Oil Gathering System in the Northern Delaware Basin

Our Take: With production projected to grow by more than 1,400 Mbb/d in the Permian region this year, new gathering systems will be needed to collect the additional volumes from the wellhead to existing or currently being constructed long haul pipelines for deliveries to key markets. This should lead to tighter WTI Midland prices to WTI Cushing and Gulf Coast light sweet prices such as Magellan East Houston benchmark when the crude arrives at either or both of the US hub at Cushing or the Gulf Coast.

Kinder Morgan to Construct Gray Oak Pipeline Connection: In its 2Q19 [earnings release and investor call](#), Kinder Morgan VP & President of Natural Gas Pipelines Thomas A. Martin disclosed that the company plans to go ahead with a 100 Mbb/d pipeline connection to the 900 Mbb/d Gray Oak pipeline. The pipeline connection will be at a station in South Texas and will transport crude oil in the KMCC pipeline to the Houston Ship Channel.

Our Take: The new pipeline connection provides an additional destination for Permian crude oil. The Gray Oak pipeline already had plans to start up deliveries to Ingleside, Corpus Christi, Three Rivers and Sweeny/Freeport. With this news, Gray Oak will soon be able to deliver to the Houston Ship Channel and likely even the Louisiana Gulf Coast through additional pipeline inter-connects. Deep-water export terminals are pending across the Texas shore while the Louisiana shores currently have one deep-water export terminal operating. The startup of the Gray Oak and the Kinder Morgan connector to Houston by yearend 2019 should see WTI Midland, WTI Cushing and Magellan East Houston light sweet crude prices differentials narrow.

Enbridge Mainline Open Season Delayed: Media outlets are [reporting](#) that Enbridge has decided to delay an open season to solicit bids for contracted space on its Mainline oil pipeline system. The company plans to contract most of the capacity on the pipeline for the next two decades (starting 2021) rather than having shippers submit monthly bids for capacity, which happens to be the current practice.

Our Take: The reason for the delay is yet to be disclosed. We think the ongoing tussle with the 540 Mbb/d Line 5 and Michigan Governor, as well environmental permit uncertainty at the 760 Mbb/d Line 3 Replacement (L3R) project could be factors. The company could be looking to resolve these issues before resuming the Mainline open season.

Energy Transfer Announces Binding Supplemental Open Season for the Bakken Pipeline System: Energy Transfer [announced](#) that it has launched a binding supplemental open season for the Bakken Pipeline System. The system comprised of two pipelines, the Dakota Access Pipeline and the Energy Transfer Crude Oil pipeline plans to increase the system's capacity from 570 Mbbbl/d to 1,100 Mbbbl/d.

Our Take: The pipeline system recently went through a 50 Mbbbl/d expansion in order to alleviate pipeline bottlenecks in the region. However, Bakken crude output continues to exceed pipeline takeaway. The region has seen additional pipeline capacity quickly filled, which has driven an uptick in crude by rail deliveries. According to the latest [North Dakota Pipeline Authority \(NDPA\) Monthly Update](#), North Dakota produced 1,393 Mbbbl/d of crude oil in May (latest available data), with nearly 22% or 300 Mbbbl/d transported on rail (62% of the crude by rail deliveries went PADD V, 33% to PADD I and about 5% to PADD III). By nearly doubling the pipeline system, we believe that this will not only provide additional capacity to support production growth. But the new southbound pipeline capacity will likely also lead to a reduction in crude by rail deliveries to key destinations like PADD V and an increase in pipeline deliveries to PADD III Gulf Coast region. The completion of the expansion project should see Bakken crude prices narrow differentials with Magellan East Houston light crude.

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