

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil prices continued to move higher, gaining support from the 4.95 million barrel draw in U.S. crude oil inventories, but the higher move was contained by the larger than expected increase in product inventories. The sharp drop in production pushed prices to their highest level since 2014, with March Brent reaching a high of \$69.36 and February WTI tipping the chart at \$63.67. Other than the inventory numbers, it was a lackluster day, with both blends trading within tight ranges. Brent for March delivery settled at \$69.20 a barrel, up 38 cents, or 0.55%, while February WTI gained 61 cents, or 0.97%, to settle at \$63.57 a barrel.

February RBOB slipped 0.2% to \$1.833 a gallon, while February heating oil added 0.7% to \$2.081 a gallon.

Fundamental News: According to Euroilstock, European crude and oil products stocks in December fell by 0.4% on the month and by 1.5% on the year to 1.111 billion barrels. It reported that European crude stocks fell by 1% on the month but increased by 0.8% on the year to 476.33 million barrels while gasoline stocks increased by 0.9% on the month but fell by 5.2% on the year to 115.18 million barrels and middle distillates stocks were unchanged on the month but fell by 2.1% on the year to 427.2 million barrels. European refinery intake fell by 0.4% on the month and by 0.9% on the year to 10.642 million bpd.

Goldman Sachs Head of Commodity Research, Jeff Currie, said OPEC may talk down prices if oil reaches \$70/barrel.

Wood Mackenzie said while oil prices over \$60/barrel has stoked speculation that US shale producers will open the taps, this is not true for their European counterparts. UK-listed explorers such as Tullow Oil and Premier Oil are yet to clear debts that increased during crude oil's collapse.

The US may become the world's largest oil producer, surpassing Saudi Arabia and Russia's production levels. According to the EIA, US oil output is expected to increase to 10 million bpd as soon as next month and surpass 11 million bpd in November 2019. This is compared with almost 11 million bpd from Russia in 2017 and a Bloomberg estimate of just below 10 million bpd from Saudi Arabia in December.

Texas issued 885 oil and gas drilling permits in December, down 12% compared with the same period in 2016. December's total included 792 permits to drill new oil or gas wells, 8 to re-enter plugged wells and 85 for re-completions of existing wells, according to the Railroad Commission of Texas.

Russia's Energy Minister has stated that Russian output for December was reduced by 300,750 barrels per day.

IIR reported that US oil refiners are expected to refine 587,000 bpd of capacity in the week ending January 12th, cutting available refining capacity by 384,000 bpd from the previous week. IIR expects offline capacity to increase to 733,000 bpd in the week ending January 19th.

Magellan Midstream Partners LP said it has safely restarted operations on a pipeline system that hauls fuel from Rosemount, Minnesota to Minneapolis on Wednesday following a gasoline leak earlier this week. The pipeline system released an estimated 500 barrels of gasoline during the leak.

U.S. Interior Secretary, Ryan Zinke, as announced that the Trump administration, at the urging of Florida Governor Rick Scott, will not allow drilling for oil and gas off the coast of Florida.

Early Market Call - as of 9:00 AM EDT

WTI - Feb \$63.86, up 29 cents

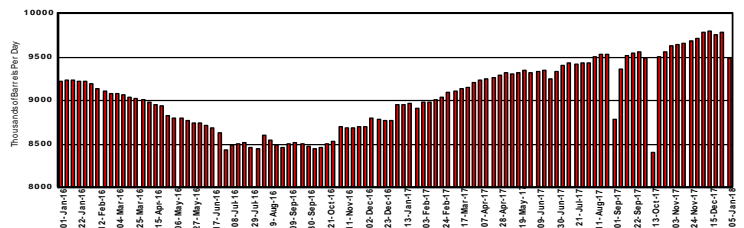
RBOB - Feb \$1.8329, up 1 point

HO - Feb \$2.0888, up 78 points

Month	USLD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-18	\$2.0807	\$0.0145	-\$0.0073
Mar-18	\$2.0698	\$0.0131	\$0.0034
Apr-18	\$2.0505	\$0.0124	\$0.0123
May-18	\$2.0335	\$0.0107	\$0.0158
Jun-18	\$2.0206	\$0.0097	\$0.0193
Jul-18	\$2.0147	\$0.0088	\$0.0217
Aug-18	\$2.0101	\$0.0077	\$0.0230
Sep-18	\$2.0079	\$0.0071	\$0.0241
Oct-18	\$2.0061	\$0.0067	\$0.0249
Nov-18	\$2.0056	\$0.0067	\$0.0258
Dec-18	\$2.0044	\$0.0062	\$0.0260
Jan-19	\$2.0034	\$0.0059	\$0.0263
Feb-19	\$1.9961	\$0.0059	\$0.0263
Mar-19	\$1.9817	\$0.0056	\$0.0258
Apr-19	\$1.9615	\$0.0051	\$0.0256
May-19	\$1.9500	\$0.0044	\$0.0251
Jun-19	\$1.9429	\$0.0045	\$0.0254
Jul-19	\$1.9404	\$0.0048	\$0.0259

		Close	Change
Crude - WTI	Mar Brent-WTI Spread \$5.78	\$63.4200	\$0.5500
Crude - Brent		\$69.2000	\$0.3800
Natural Gas		\$2.9060	-\$0.0170
Gasoline		\$1.8327	-\$0.0035

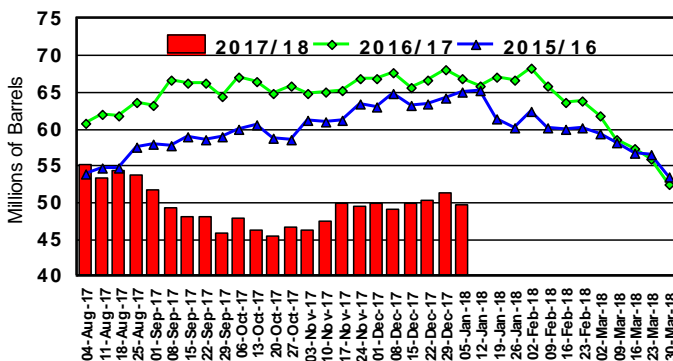
U.S. Domestic Crude Production



EIA Weekly Petroleum Status Report for the Week Ending January 5, 2018

Distillate Stocks

PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 4.948 million barrels

Cushing, OK Crude Stocks Down 2.395 million barrels

Gasoline Stocks Up 4.135 million barrels

Distillate Stocks Up 4.254 million barrels

Refinery % Operated 95.3%, Down 1.4%

PADD #1

	Week Ending Jan 05, 2018	Week Ending Dec 29, 2017	Week Ending Jan 06, 2017
Distillate Stocks (in million bbls)			
New England	7.5	8.0	12.0
Central Atlantic	29.2	30.7	41.2
Total PADD #1	49.7	51.2	66.9
Distillate Imports (thousands b/d)	153	90	95