

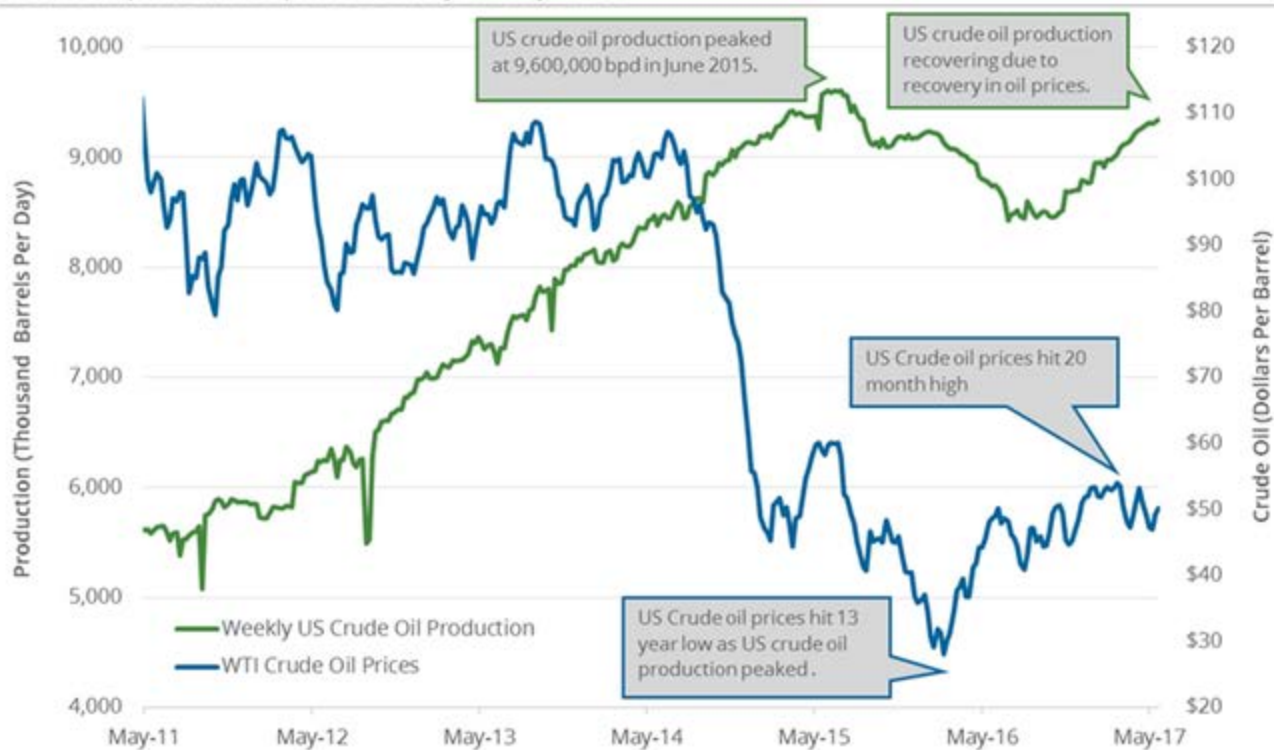
Rebalancing the Oil Market



Crude Oil Production

Relationship between US Crude Oil Production and WTI Prices

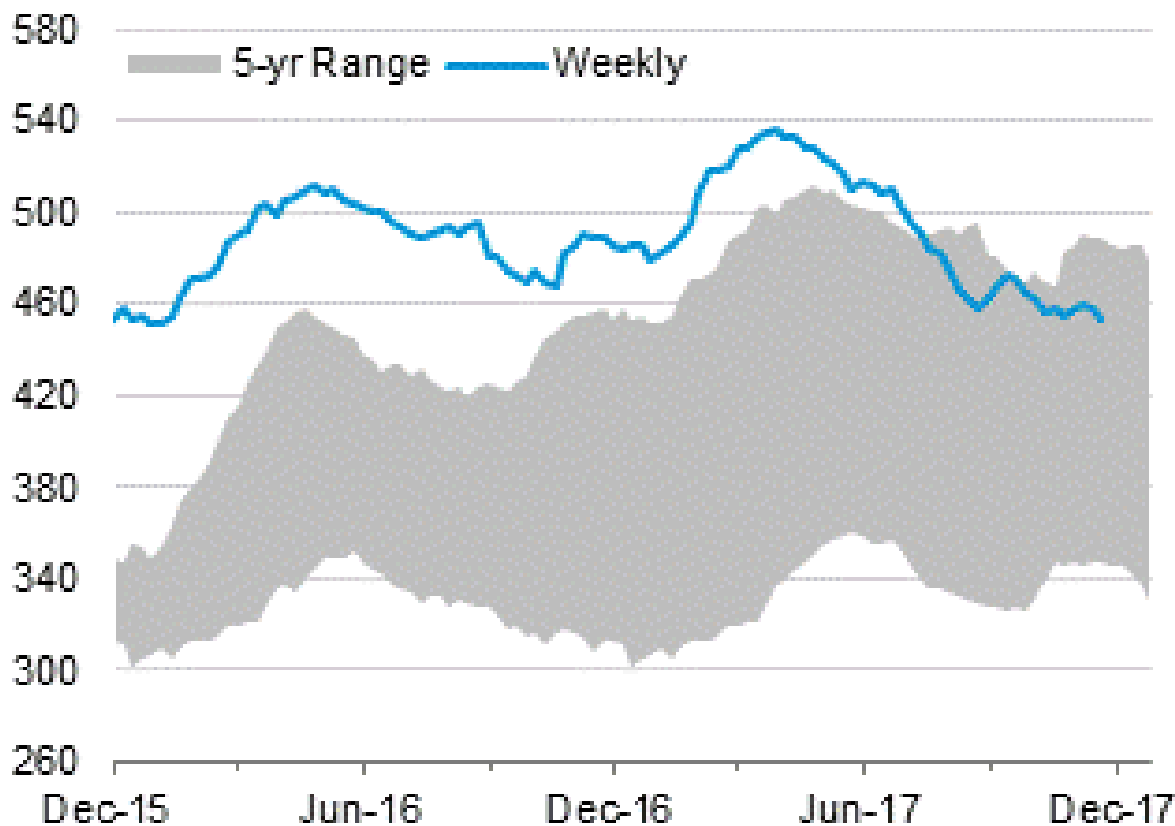
US crude oil production and prices are usually inversely related



Source: EIA, NYMEX

Crude Stocks

U.S. crude oil stocks
million barrels



Source: U.S. Energy Information Administration

Crude Prices after OPEC Meeting?

WTI Crude Oil's Highs and Lows in the Last 18-Months

US Crude oil prices near 30 month high

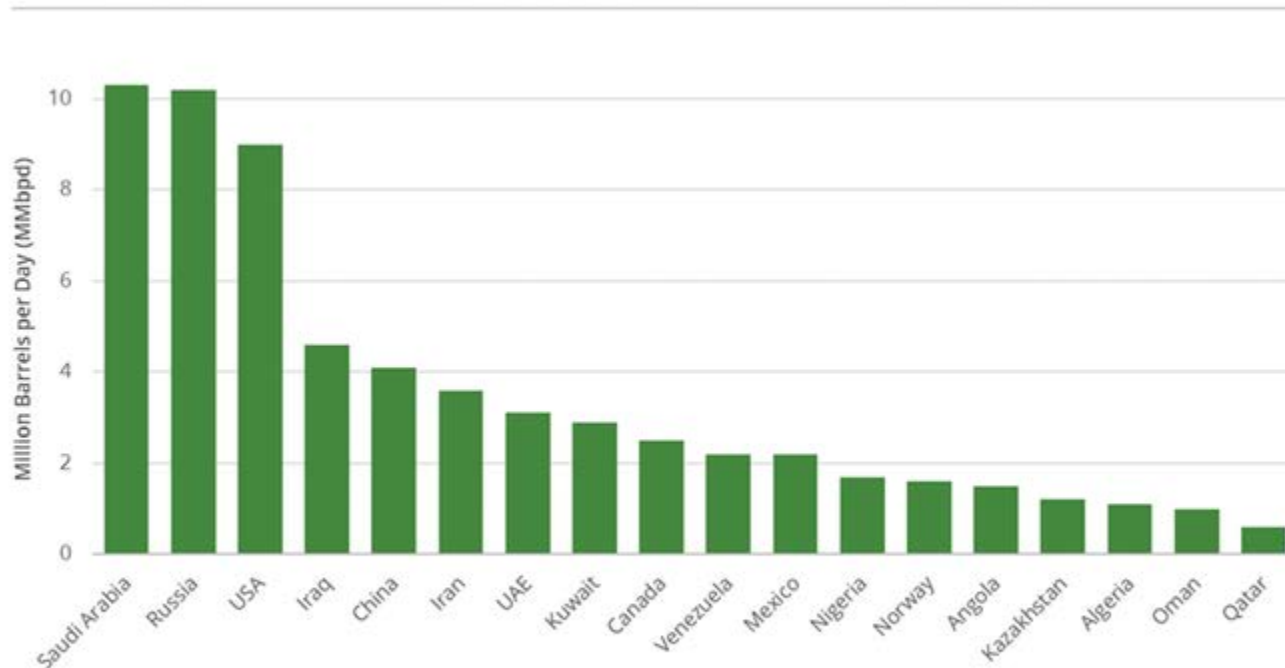


Source: NYMEX

OPEC and Russia Help U.S. Producers

Daily Crude Oil Production of Major Producers

Major producers reached an agreement to cut production by ~1.8 MMbpd starting from January 2017 onwards

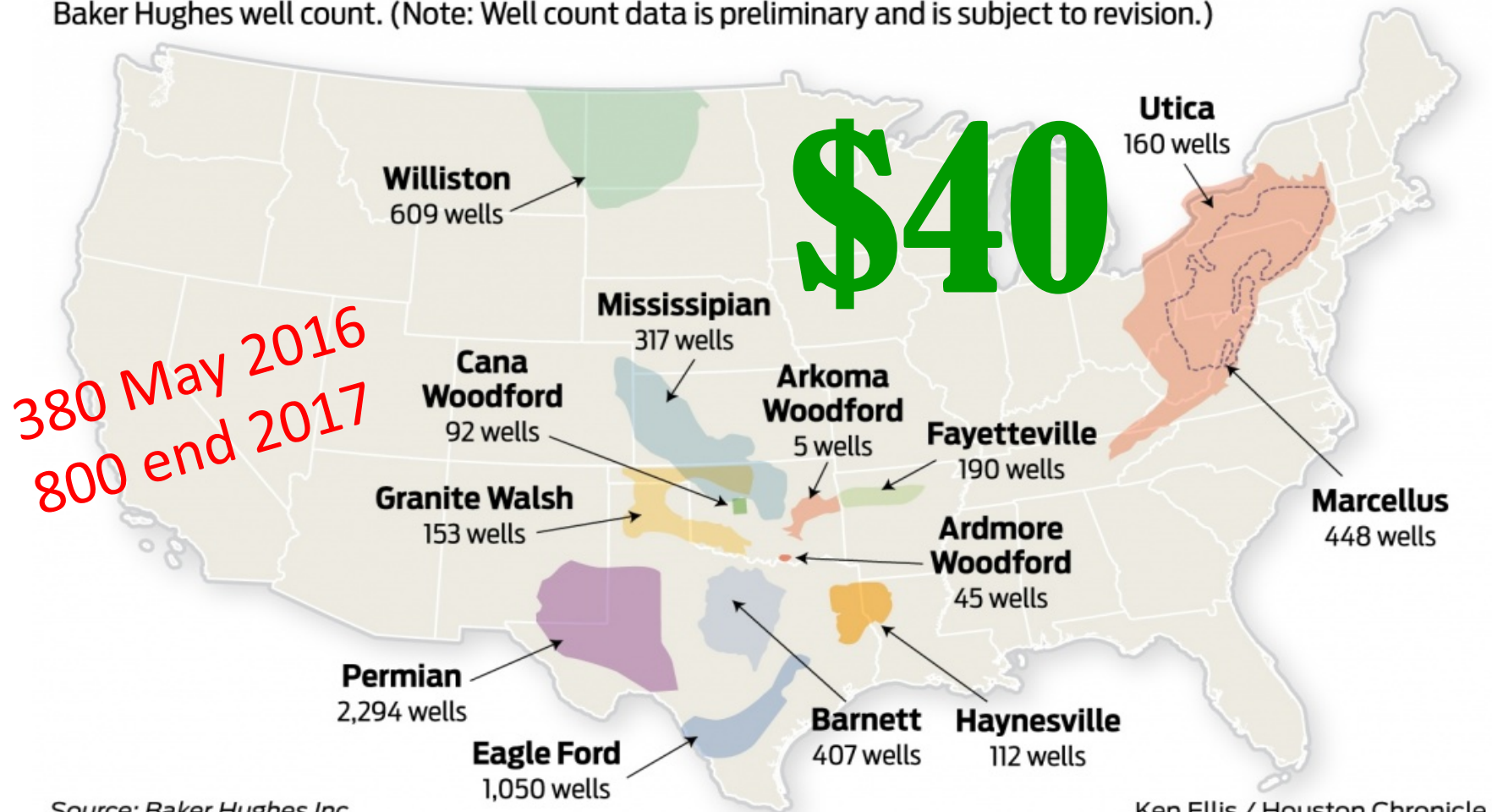


Source: JODI

“Rig-Onometry”

Wells in the shale

New oil and gas wells in U.S. shale plays during the second quarter, according to the inaugural Baker Hughes well count. (Note: Well count data is preliminary and is subject to revision.)



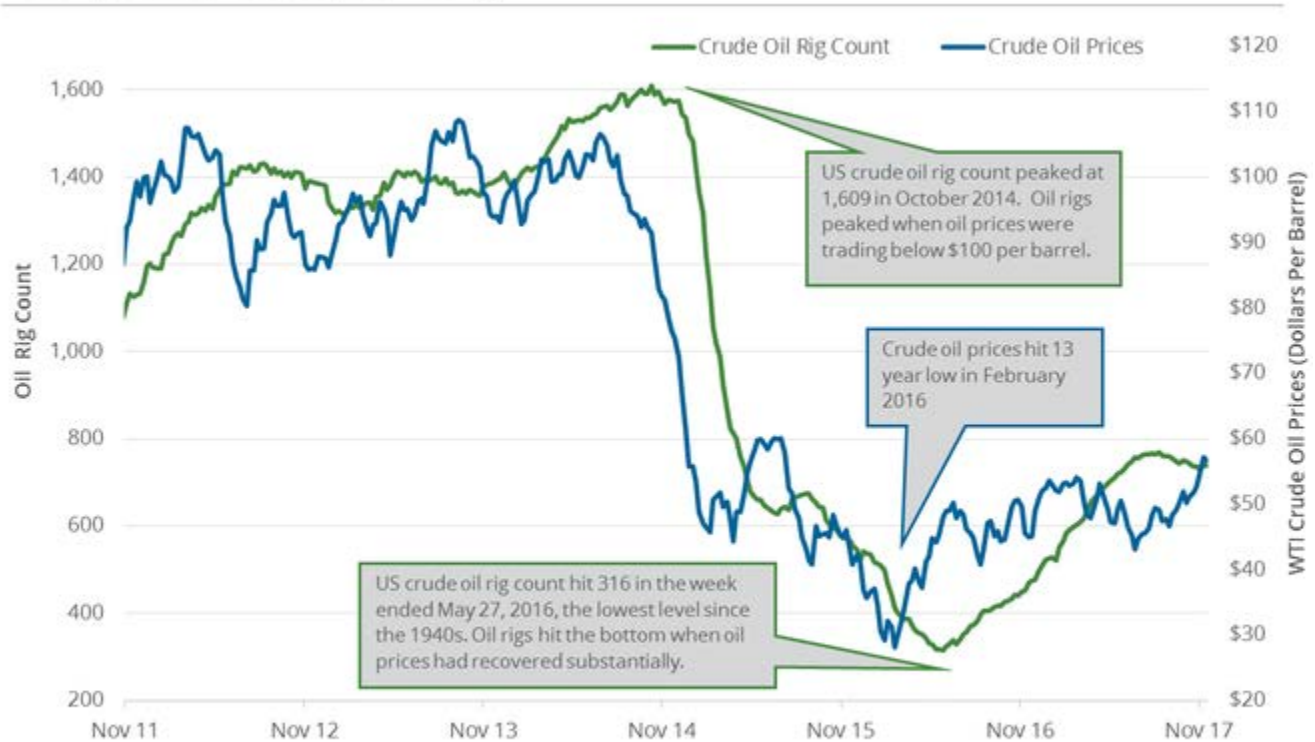
Source: Baker Hughes Inc.

Ken Ellis / Houston Chronicle

US Rig Count Near 3 Month High

Relationship between US Crude Oil Rig Count and WTI Crude Oil Prices

The oil rig count follows crude oil prices with a lag



11.42 %
above last
year

Source: Baker Hughes, NYMEX

Tax Bill Affect on Dollar and Crude

Impact of US Dollar on WTI Crude Oil

US Dollar and Crude oil are usually inversely related



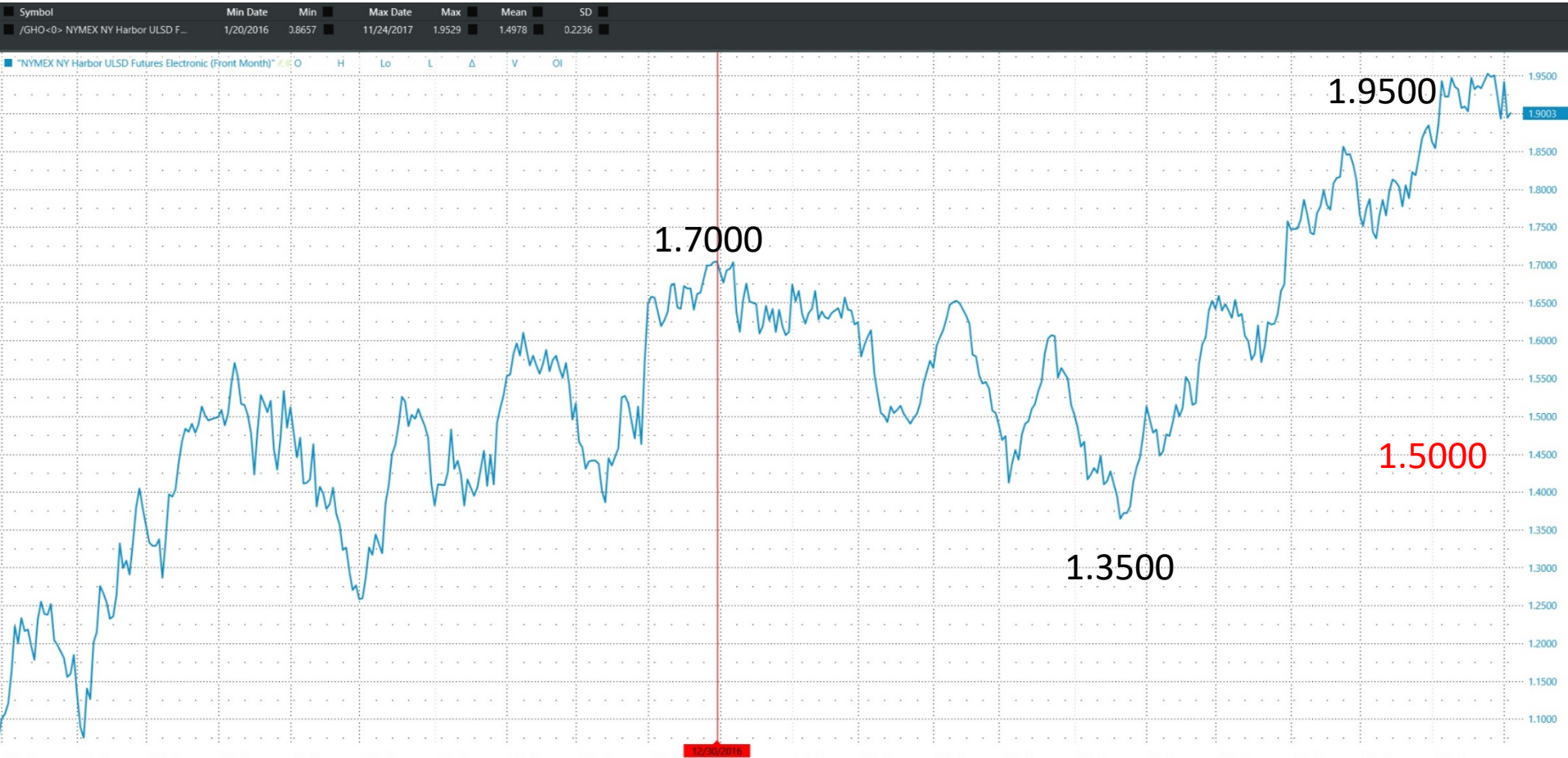
Source: FRED, Exchange

Price Drivers

Short Term Market Overview				
Price Drivers	Crude	Gasoline	HO/Diesel	Nat Gas
Supply	N	N	N	N
Demand	N	N	N	N
Inventories	CBR	CBR	CBR	N
US Dollar	CBU	CBU	CBU	CBU
Global Equities	CBU	CBU	CBU	CBU
Geopolitics	CBU	CBU	CBU	CBU
Technicals	CBR	CBR	CBR	CBU
Market Sentiment	N	N	N	N
Overall View	N	N	N	N
Bias	N	N	N	N

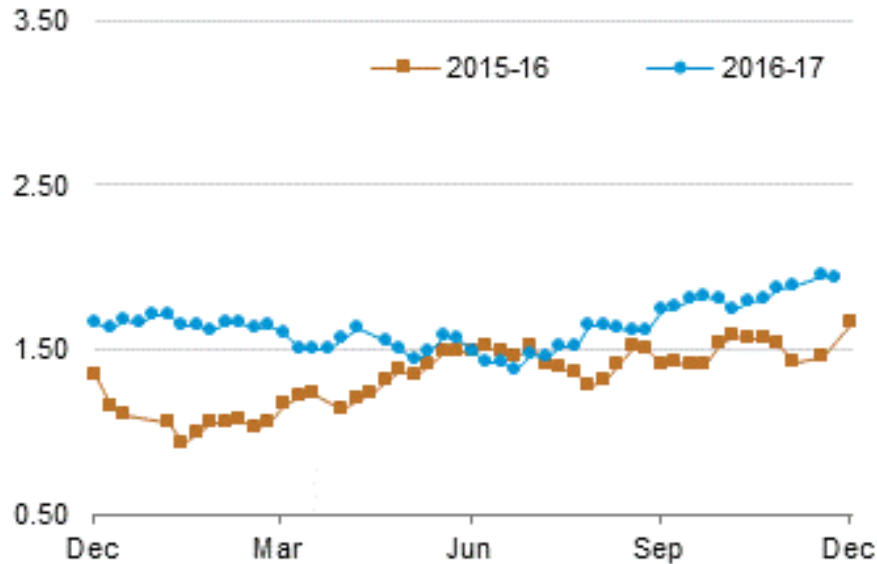
N - Neutral CBR - Cautiously Bearish CBU Cautiously Bullish

ULSD Futures 2016-2017



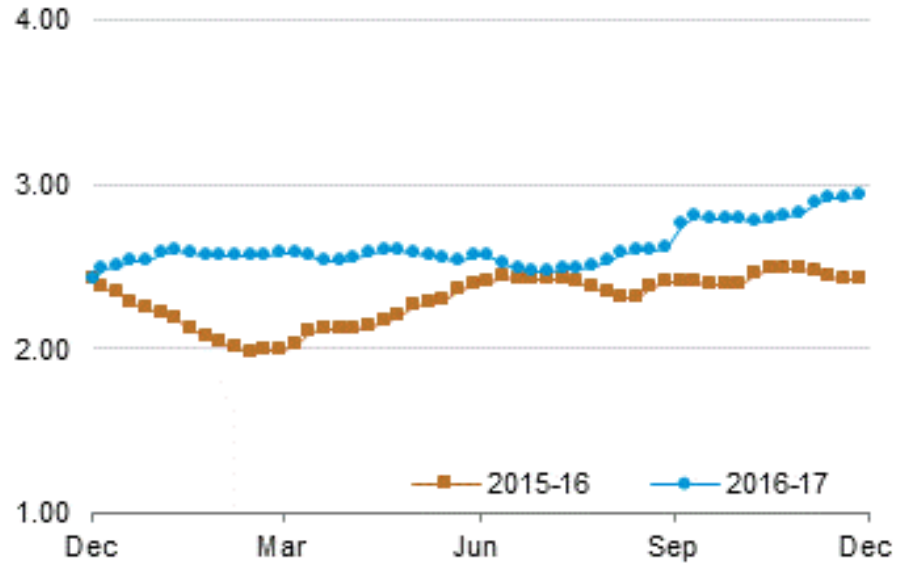
U.S. Diesel Price

Heating oil futures price contract 1
dollars per gallon



Source: U.S. Energy Information Administration, Thomson Reuters

U.S. on-highway diesel fuel prices
dollars per gallon

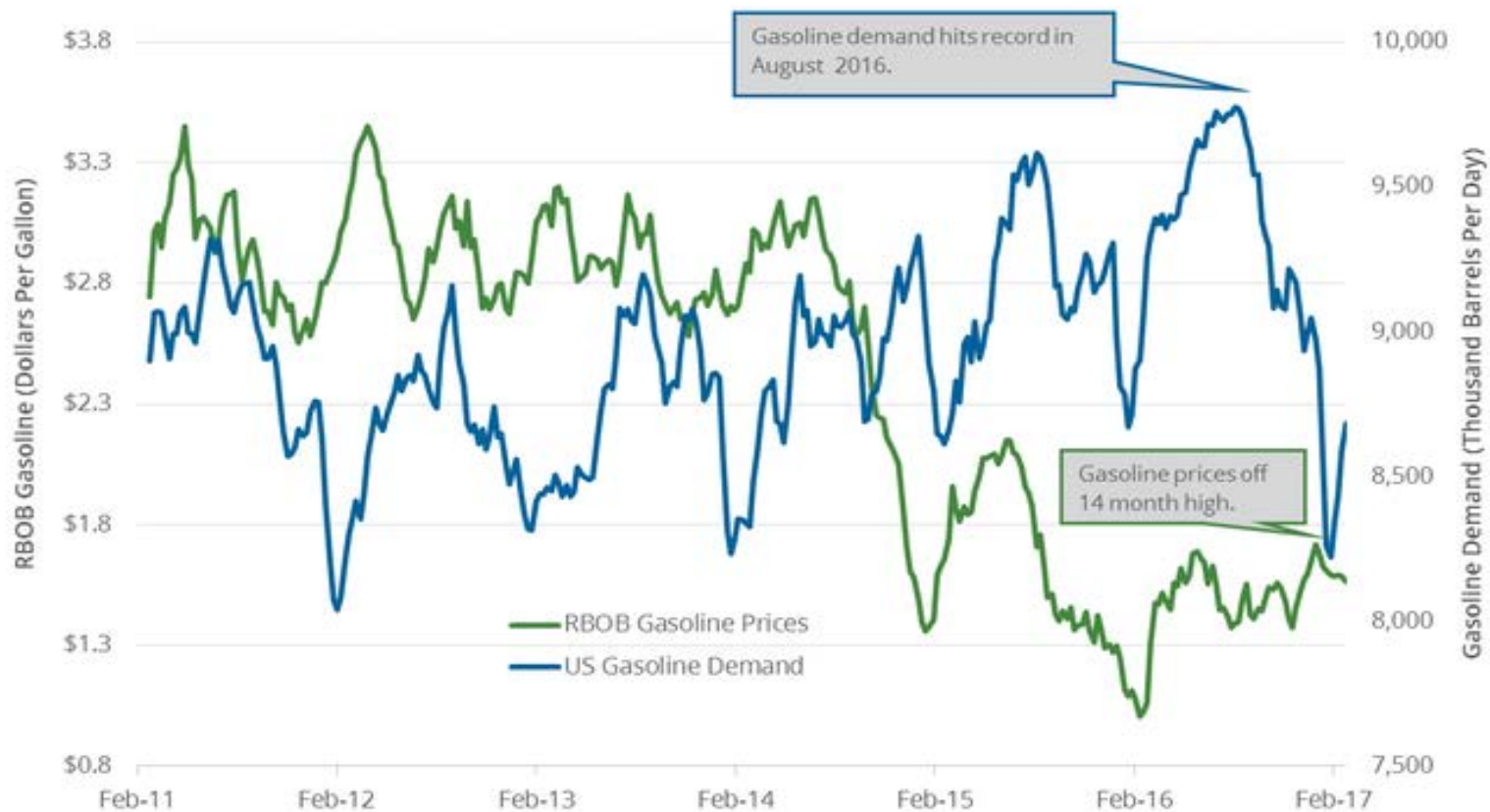


Source: U.S. Energy Information Administration

U.S. Gasoline Consumption

Impact of Gasoline Demand on Gasoline Prices

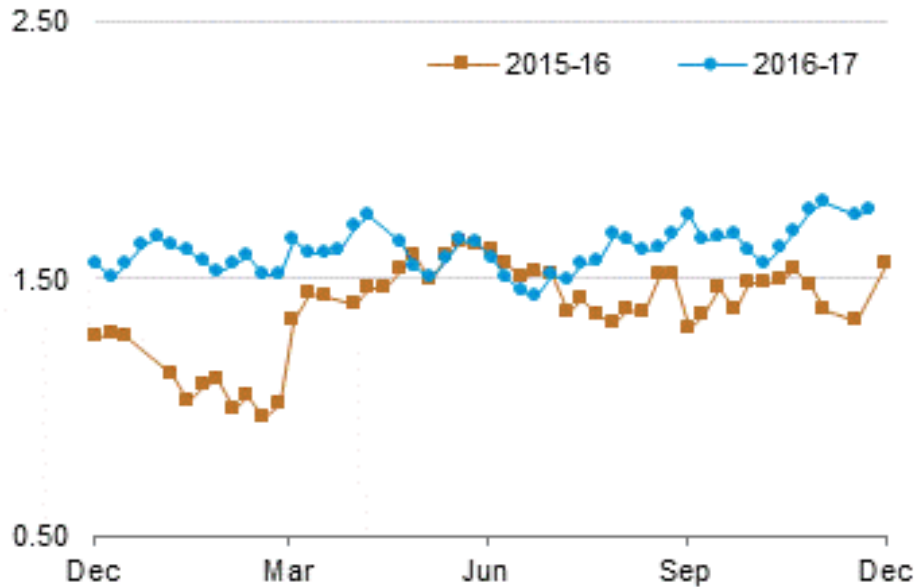
Gasoline demand and gasoline prices are usually directly related



Source: EIA, NYMEX

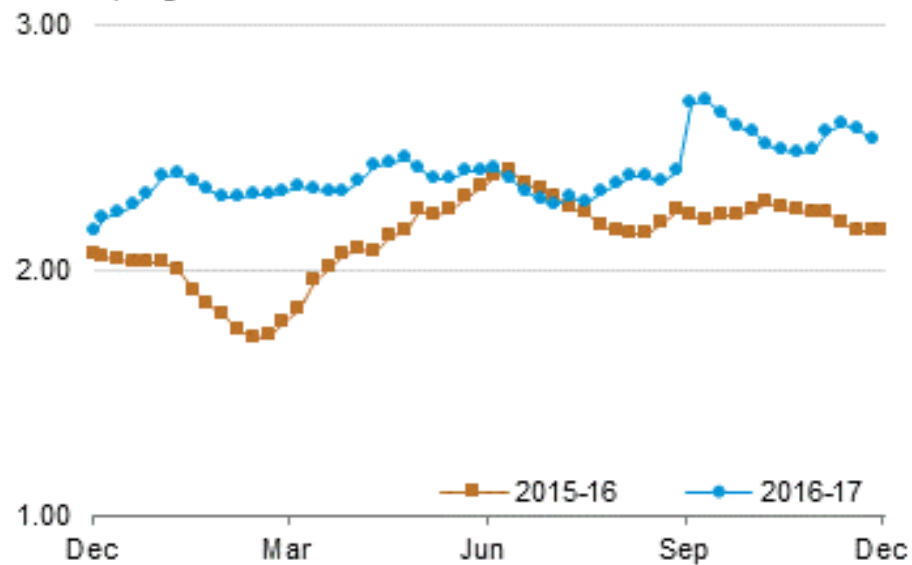
U.S. Gasoline Price

RBOB gasoline futures price contract 1
dollars per gallon



Source: U.S. Energy Information Administration, Thomson Reuters

U.S. regular gasoline prices
dollars per gallon



Source: U.S. Energy Information Administration

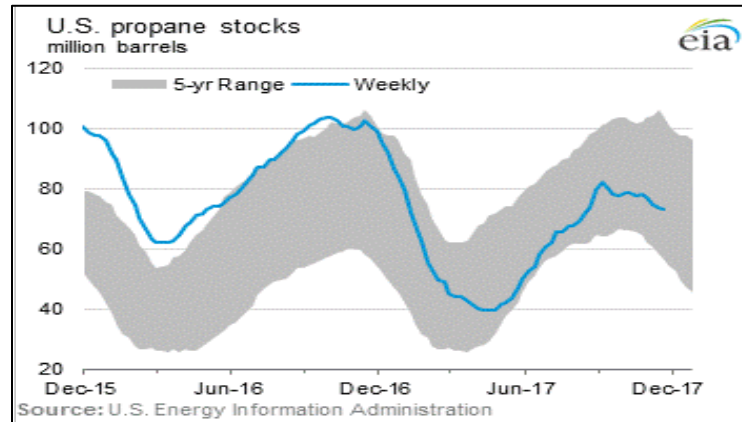
What will propane prices look like in Winter 2017 / 2018?

- Might be facing a shortage if lengthy winter.
- Propane gas is derived from crude oil, its prices will go up with the oil prices.

Why might there be a propane shortage in Winter 2017 / 2018?

- US propane inventory down 25-30% from last year.
- Many countries (including the U.S.) agreed to cut back on production in 2017 which limits supply and raises the chances of a price increase.
- The US currently has 58,000 barrels of propane for 2017, which is the same level of inventory we had in June 2013. We had very serious shortage problems the following winter.

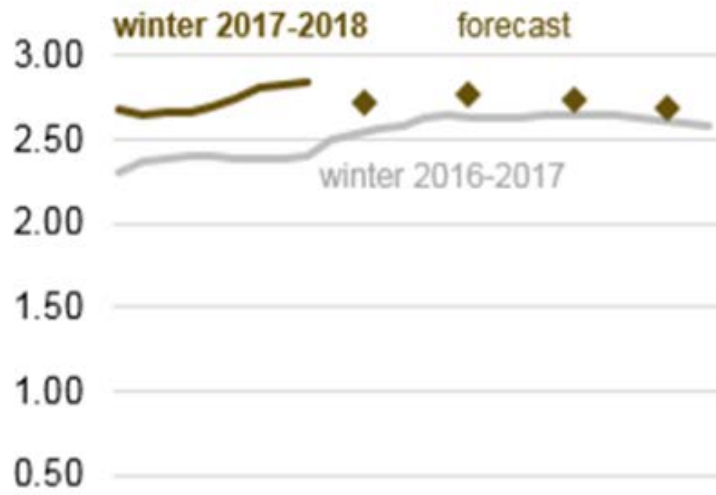
Propane Inventory/Prices



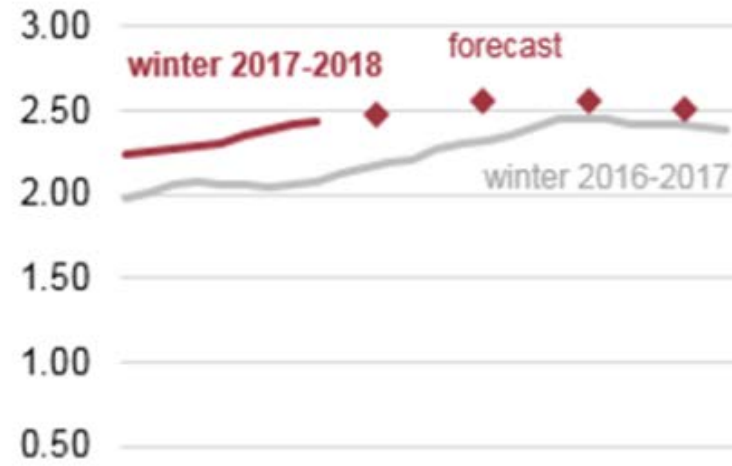
U.S. heating oil and propane prices for residential customers



heating oil
dollars per gallon



propane
dollars per gallon



Questions???

Thank you

R.E. POWELL

