

Oil Buyer's Guide

News, analysis and commentary

Bloomberg Briefs

March 10, 2017

Vitol Sees 'A Lot More' Growth in U.S. Crude Exports

By Javier Blas and Laura Blewitt

Vitol, the trader that shipped the first cargo of U.S. crude after export restrictions ended in late 2015, predicts the country's oil exports will grow "a lot more" because of rising production in Texas.

U.S. crude shipments briefly surged to a record 1.21 million barrels a day in mid-February, up from 32,000 in 2010, when most of the country's production couldn't be sold overseas because of a 40-year-old ban.

"We will see a lot more growth in U.S. crude exports," **Mike Loya**, the head of Vitol in the Americas, said in an interview in Houston.

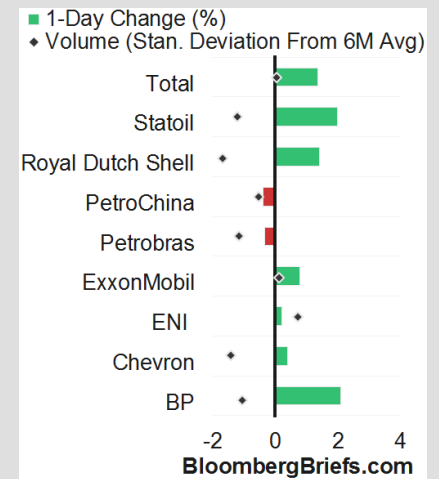
Loya, a 25-year Vitol veteran, said that oil production in the Permian shale, which extends from western Texas into southeast New Mexico, will rise by 600,000 to 700,000 barrels a day in the year through December.

"A lot of that is going to be exported," he said.

The export boom is redrawing the world's energy map, with U.S. crude reaching customers from Venezuela to Israel and from China to Italy, according to government data. In addition to Vitol, major oil companies including **BP** and **ExxonMobil** and traders such as **Trafigura** and **Mercuria Energy** are also shipping U.S. crude overseas.

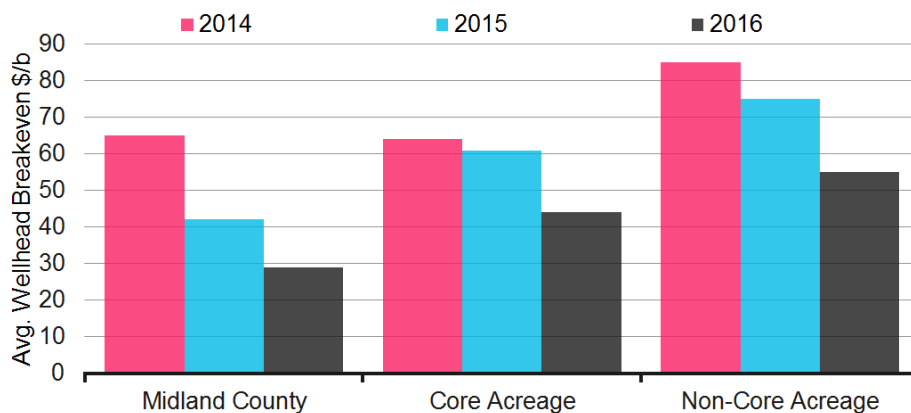
Vitol shifted its strategy around the Permian last year when it sold its West Texas crude system, which includes a 2 million-barrel storage terminal and gathering pipelines, to **Sunoco Logistics Partners** for \$760 million. The terminal was built to allow Vitol to collect key market information in the earlier development days of the basin, Loya said. Now, Vitol can secure enough market intelligence around the Permian without owning a terminal. Full [story](#) on web.

Company Watch



Note: Oil and gas integrators producing more than 1 million barrels a day of crude, according to Bloomberg Intelligence. Company data as of 11:20 am London time. U.S. company data as of previous day's close.

Permian Midland Break-Even Cost Almost Halves in 2 Years



Source: Rystad Energy NASWellCube

BloombergBriefs.com

The wellhead break-even cost for U.S. shale plays decreased by 46 percent between 2014 and 2016, according to the latest data from **Rystad Energy**. Among the main shale plays, the Permian Midland's break-even cost has fallen from \$71 a barrel to \$36 a barrel in 2016, the data show. Within Midland county itself, the break-even cost fell from \$65 a barrel to \$29 a barrel. A combination of a reduction in unit prices, acreage high grading and efficiency improvements have all contributed to the drop, Rystad said.

— Christopher Sell

Today's Events

1:00 p.m.: Baker Hughes U.S. rig count

3:30 p.m.: CFTC Commitment of Traders Report

All times eastern

Quote of the Day

"The oil market had grown complacent to downside risks following a period of low volatility supported by OPEC output cuts."

— *Jens Pedersen*, senior analyst at Danske Bank in Copenhagen

What to Read

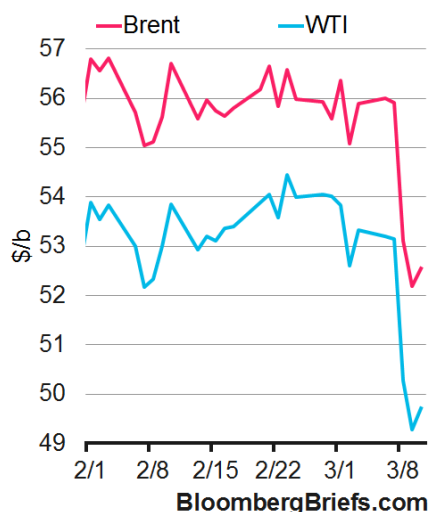
[Oil Traders Are Having Some Fun Again as Price Bubble Bursts](#)

[OPEC Deal Faces Litmus Test as Oil Price Indicators Point South](#)

Today's Oil News

Supply

■ **Oil traded below \$50 a barrel after a surge in U.S. supply** erased all gains over the past three months from an OPEC deal to cut output. Futures recovered 0.8 percent in New York, paring a slump of 7.6 percent in the past four sessions that pushed prices to the lowest since Nov. 29, the day before OPEC agreed to trim supplies. U.S. stockpiles have expanded to a record for four straight weeks and output has surged to the highest level in more than a year, government data showed March 8. Full [story](#) on Terminal.



■ **Shell can make projects work at \$40 a barrel**, said CEO Ben van Beurden, speaking at CERAWEEK in Houston. The company isn't abandoning mega projects, he added. Full [story](#) on Terminal.

■ **PetroChina's Lanzhou refinery will process 700,000 to 800,000 metric tonnes a month of crude this year**, Li Jiamin, plant general manager, said in an interview on the sidelines of the National People's Congress in Beijing today. Full [story](#) on Terminal.

■ **Operating rates at independent refineries** in China's eastern Shandong province rose to 59.36 percent in the

week ended March 9, according to industry website Oilchem.net. Rates reached a record of 60.17 percent in the week ended Dec. 15, 2016. Full [story](#) on Terminal.

■ **Iran's Persian Gulf Star refinery phase 1 is expected to reach an 80 percent run rate in two months**, Saeid Mahjoubi, director for coordination and supervision on production at National Iranian Oil Refining & Distribution, told reporters on the sidelines of an industry event in Singapore today. Full [story](#) on Terminal.

Companies

■ **Repsol shares jumped following the company's announcement** that it made the largest onshore discovery of oil in the U.S. in 30 years. Repsol shares rose as much as 4.7 percent to 14.74 euros in Madrid — the biggest jump since Nov. 30. The stock is up 8 percent this year. The Spanish company announced on March 9 a 1.2 billion-barrel discovery in the Horseshoe prospect on the Alaska North Slope in a partnership with Armstrong Energy. The contingent recoverable resources of light oil were found after drilling two wells in the Nanushuk geological formation, according to a regulatory filing. Full [story](#) on Terminal.

■ **Evercore Partners, the U.S. bank founded by Roger Altman**, won a role to advise on the planned initial public offering of Saudi Arabian Oil Co., according to people familiar with the matter, getting a coveted spot on what may be the largest-ever listing. Evercore will work alongside rival Moelis & Co. as a financial adviser, the people said. Aramco is also in the process of appointing investment banks to underwrite the IPO, they said. Full [story](#) on Terminal.

Market Calls

■ **The oil market is "overly focused" on U.S. inventories** even though record-high stockpiles are reason for a pause in the price rally, RBC Capital Markets said in a March 9 note. While U.S. inventories will remain elevated through much of this year, market attention must shift focus to stock draws occurring outside of America, the note said. Full [story](#) on Terminal.

■ **The move lower in oil prices provides a good entry point** for taking a long December 2017 Brent position as the global market is set to tighten significantly over the next two months and into the second half of 2017, Standard Chartered Bank analysts, including Paul Horsnell, said in a note. Full [story](#) on Terminal.

■ **U.S. oil production is seen rising by 1 million barrels a day year-on-year** by the fourth quarter, Citigroup analysts including Scott Gruber said in a March 9 note. The bank also raised its 2017 rig count outlook by 3 percent to 822 and said shale capex will grow by 80 percent in 2017. Total North American capex will rise by 45 percent, the bank said. Full [story](#) on Terminal.

■ **Brent crude is to rally to \$62.50 by the end of the year**, according to Morgan Stanley. Global oil inventories will decline from the second quarter onwards, the bank said in a report. Full [story](#) on Terminal.

■ **Tanker tracker Petro-Logistics is said to see an increase** of 427,000 barrels a day in OPEC supply in February. The group's 13 members supplied an average of 32.494 million barrels a day, according to a person familiar with the data. Full [story](#) on Terminal.

■ **Global crude inventory data should begin to show declines** in OECD locales by April and May, Cowen & Co. analysts, including Sam Margolin, wrote in a note. Full [story](#) on Terminal.

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Refinery Outages

■ **Citgo's** Lake Charles, Louisiana, refinery is preparing to restart units, pending a pre-startup inspection, the company said by email. Power has been restored after an unexpected failure on March 7.

— Jessica Summers

■ **Phillips 66's** Lake Charles, Louisiana, refinery has shut its 80,000 barrel-a-day crude unit, **Genscape** said in an emailed alert on March 9. Gradual cooling has been observed at the unit since March 8, it said.

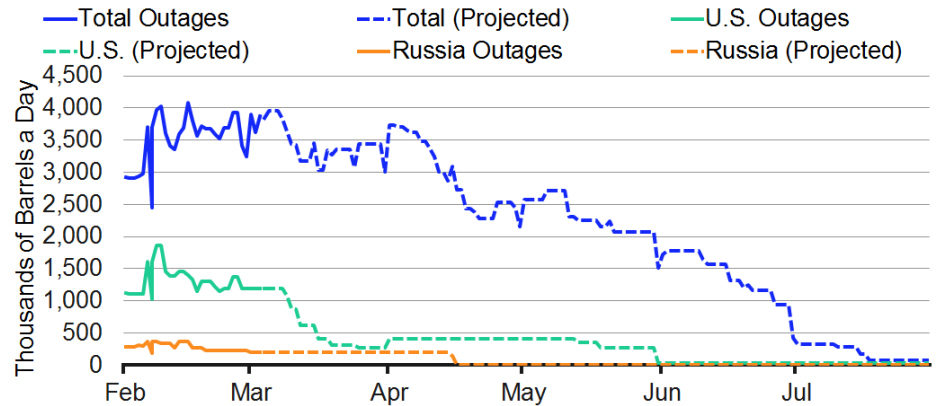
— Jessica Summers

■ **Exxon's** Joliet, Illinois, refinery plans to start a multiunit turnaround in the third quarter of 2018, people familiar with operations said. An overhaul of the 94,500 barrel-a-day fluid catalytic cracker and work on the alkylation unit is included in the turnaround.

— Barbara Powell and Jessica Summers

■ **Gazprom Neft** halted a crude unit at its Moscow refinery on March 2 for planned

Current and Planned Refinery Outages



Source: Bloomberg As of end of day March 9, 2017 BloombergBriefs.com

work, an Energy Ministry report showed. Three crude units are out of service, the report showed, all of which are scheduled to restart mid-April.

— Rachel Graham

■ **Pertamina** has shut one of two refining

units at the Balikpapan refinery in East Kalimantan, Indonesia, for routine maintenance from March 6 to April 17, a company spokeswoman said in a text message. The unit under maintenance has a capacity of 200,000 barrels a day.

— Fitri Wulandari

WTI Survey

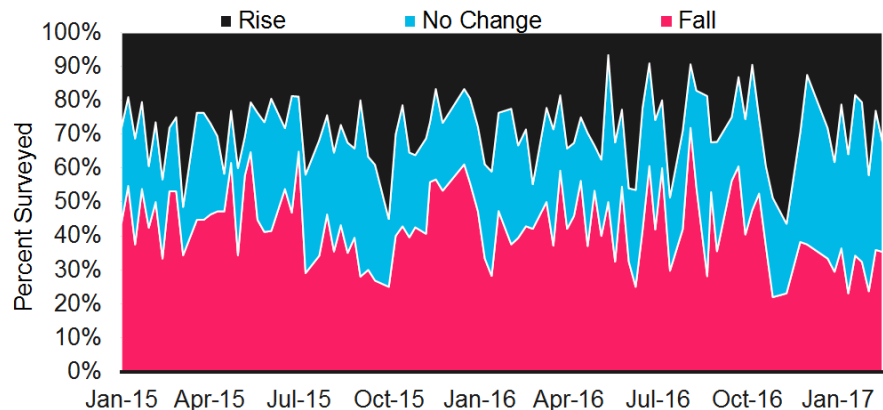
Analysts Split on WTI Crude Outlook in Weekly Survey

By Mark Shenk

Analysts and traders are split on WTI crude futures, a weekly Bloomberg survey shows.

Of those surveyed, 12 of 34, or 35 percent, were bearish and 11, or 32 percent, were bullish. The remaining 11 were neutral.

WTI fell \$4 this week to \$49.33 a barrel on March 9.



Source: Bloomberg BloombergBriefs.com

Benchmarks

Spots

AMERICAS	PRICE	1 DAY CHG	DIFFERENTIALS SPREAD TO
Bloomberg USGC Sour Index	47.18	-1.02	-2.10 WTI
Light Louisiana Sweet (LLS)	50.98	-1.00	1.70 WTI
Mars Blend	47.43	-0.95	-1.85 WTI
WTI Cushing	49.28	-1.00	
West Texas Sour (WTS)	47.93	-1.00	-1.35 WTI
Bakken	47.98	-1.10	-1.30 WTI
West Canadian Select	34.83	-1.15	-14.45 WTI
Edmonton Syncrude Sweet	49.83	-1.15	0.55 WTI
Alaskan Slope	50.83	-0.85	1.55 WTI
Vasconia	47.62	-0.28	-5.00 Brent
Oriente	45.62	-0.78	-7.00 Brent
Gasoline New York 87	148.68	-1.08	-13.75 NYMEX
Gasoline U.S. Gulf 87	148.93	-2.08	-13.50 NYMEX
3:2:1 USGC/WTI Crack Spread	11.80	0.04	
ASIA PACIFIC	PRICE	1 DAY CHG	
Crude Tapis (Bloomberg)	54.26	-2.43	
C&F Japan Naphtha	470.75	-16.50	
3:2:1 Asia/Tapis Crack Spread	7.70	0.54	
MIDEAST	PRICE	1 DAY CHG	DIFFERENTIAL SPREAD TO
Crude Dubai Fateh	51.84	-2.05	1.48 Brent
3:2:1 AG/Dubai Crack Spread	12.01	1.89	
EUROPE	PRICE	1 DAY CHG	DIFFERENTIALS SPREAD TO
Dated BFOE	51.85	-0.69	
ESPO (Bloomberg)	54.64	-2.05	2.80 Dubai
Gasoil ARA FOB barge	453.00	-22.25	
Gasoil NW Europe CIF cargo	462.00	-22.25	
Diesel NW CIF Cargo	470.00	-22.50	
Diesel W Med CIF cargo	467.00	-22.50	
Fuel Oil NWE FOB cargo 1%	302.50	-19.50	
3:2:1 NW/Brent Crack Spread	8.90	0.00	

Source: Bloomberg

For live spot prices, click [here](#) or run **BOIL<GO>** on Bloomberg. For crack spreads, click [here](#) or run **CRKS<GO>**

Futures Based Swaps

PERIOD	WTI	BRNT	WTI/BRNT	NYULSD	NYULSD/WTI
Bal Mo	49.84	52.44	-2.59	153.45	14.61
APR 17	50.23	52.67	-2.44	154.28	14.57
MAY 17	50.59	52.86	-2.27	155.12	14.56
JUN 17	50.9	53.01	-2.11	156.1	14.66
Bal Qt	49.84	52.44	-2.59	153.45	14.61
Q2 17	50.57	52.85	-2.27	155.17	14.6
Q3 17	51.22	53.15	-1.93	158.43	15.32
Q4 17	51.42	53.23	-1.81	161.5	16.41
Bal Yr	50.95	53.01	-2.07	157.87	15.36
Cal 18	51.4	52.94	-1.54	161.58	16.47
Cal 19	51.21	52.58	-1.37	163.98	17.66

PERIOD	NYULSD/BR	NYRB	NYRB/WTI	NYRB/BR	RBHO
Bal Mo	12.02	162.83	18.55	15.95	9.35
APR 17	12.13	164.65	18.93	16.47	10.35
MAY 17	12.28	165.24	18.81	16.52	10.1
JUN 17	12.55	164.69	18.27	16.15	8.56
Bal Qt	12.02	162.83	18.55	15.95	9.35
Q2 17	12.32	164.86	18.67	16.38	9.67
Q3 17	13.39	157.31	14.85	12.91	-1.14
Q4 17	14.6	143.29	8.76	6.94	-18.24
Bal Yr	13.3	155.92	14.54	12.47	-1.98
Cal 18	14.93	152.45	12.63	11.08	-9.17
Cal 19	16.3	149.38	11.53	10.15	-14.65

Source: Bloomberg

For live swap prices, click [here](#) or run **CFVL<GO>** on Bloomberg. Spot prices as of end of previous day. Futures as of 7:30 a.m.

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For the Bloomberg Professional Service



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