



# DAC Insights: Monthly Energy Investor Recap



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## DAC Insights: Energy Investor Recap (Data for Week Ending: October 23, 2020)

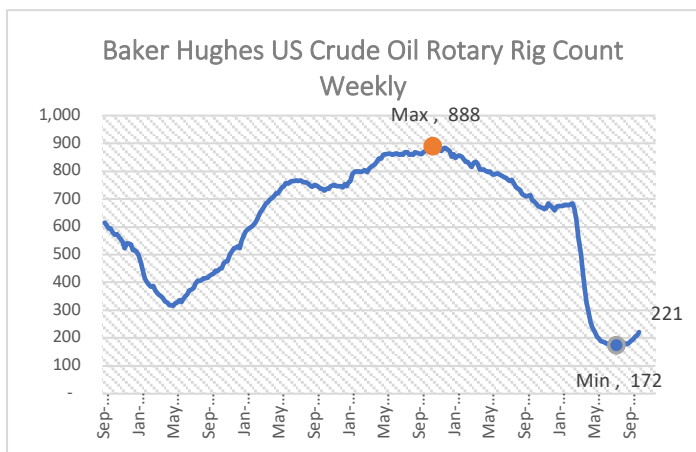
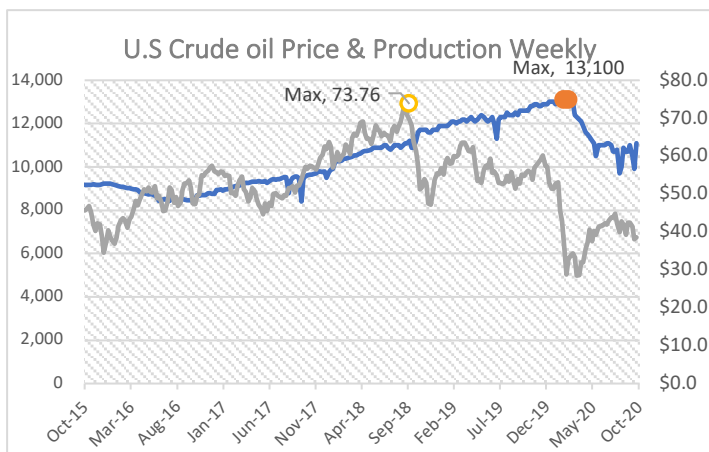
By Susie Wang, Co-Chief Investment Officer and Director of Investment Strategies

November 1, 2020

The Monthly Energy Recap provides a one-stop information platform on selected data essential for investors from domestic supply/demand to global trends.

### U.S. Total Crude Oil Production and U.S. Crude Rotary Rig Count

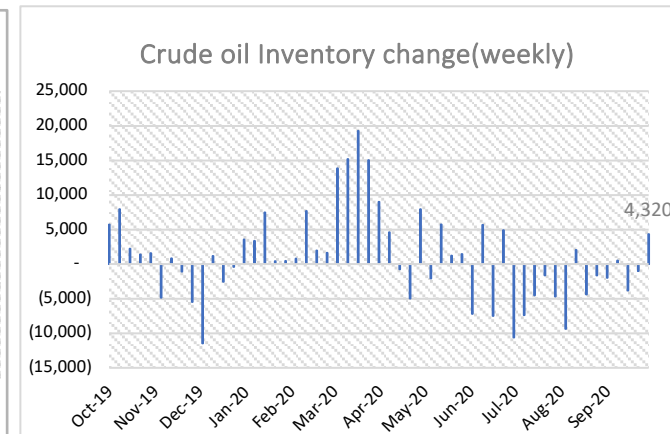
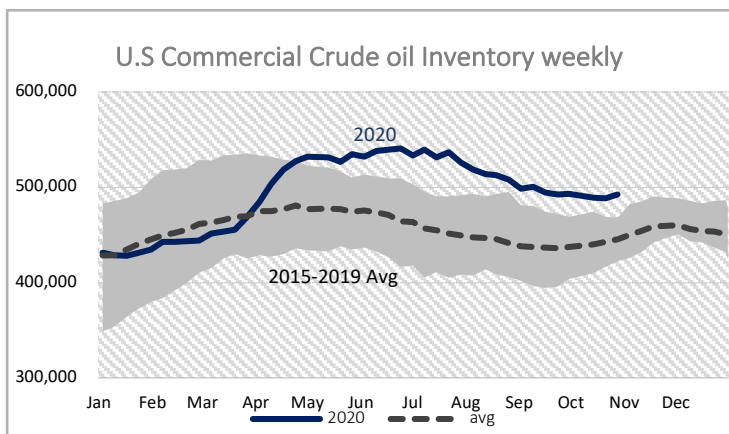
1. As of 11/2/2020, West Texas Intermediate (WTI) oil price was \$38.5 per barrel, 2.0% lower than the previous month at \$39.3 per barrel.
2. Crude oil production averaged 11.1 million barrels per day (bbl/d), which increased from the previous month's average of 10.7mil barrels per day. However, still, 2mil barrels fewer than 13.1 mil produced earlier this year.
3. The U.S. oil rig count increased to 221 from 189 the previous month. The increase marked the fifth straight weekly gain indicating onshore rig stabilization after a steep decline.



Source: DAC, EIA, Bloomberg

### The U.S. Commercial Crude Oil Inventories (excluding those in the Strategic Petroleum Reserve) and Inventory Changes

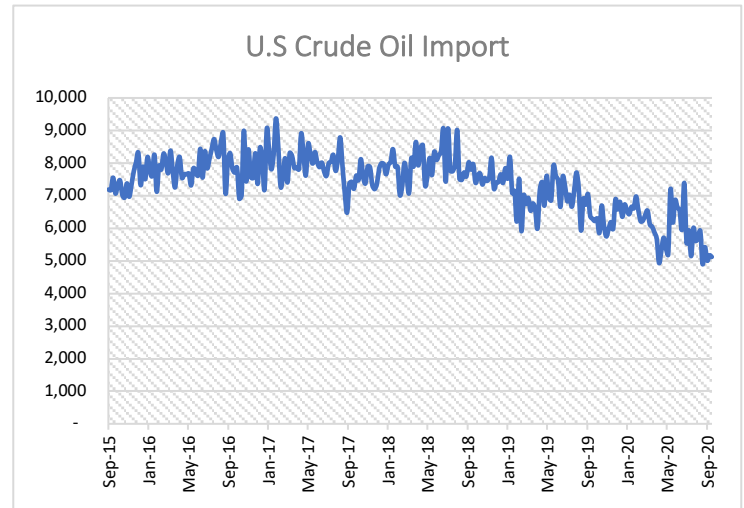
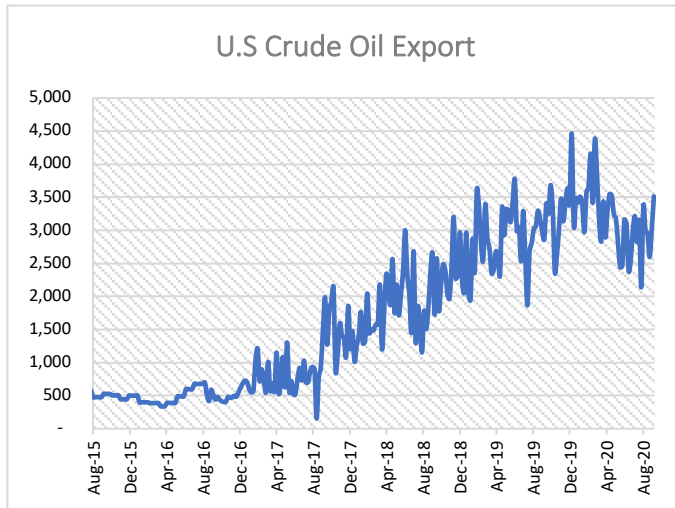
1. U.S. commercial crude oil inventories were 492.4 million barrels. This inventory level is about 9% above the five-year average for this time of year.
2. U.S. commercial crude oil inventories increased by 4.3 million barrels from the previous week, after some more significant withdrawals in the past couple of months.



Source: DAC, EIA, Bloomberg

## U.S. Imports and Exports

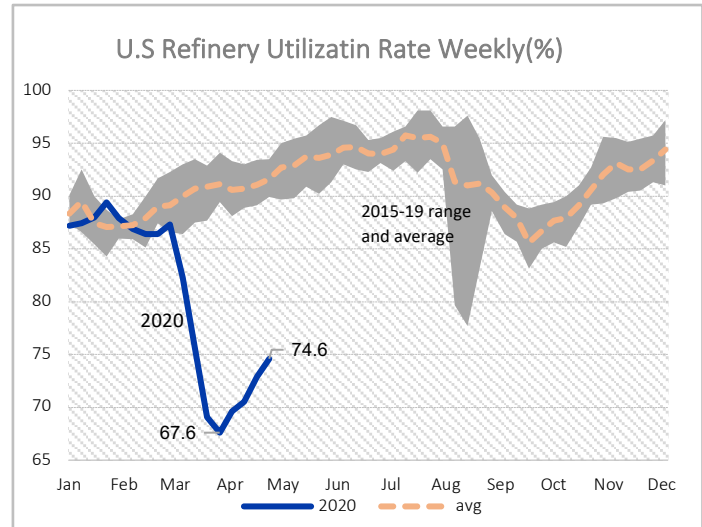
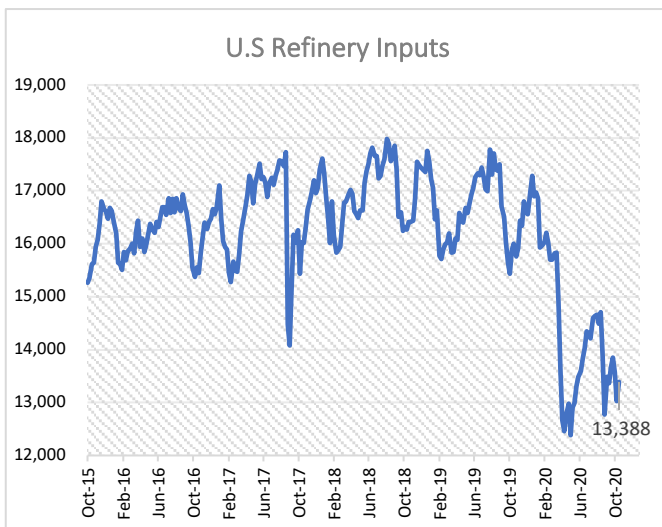
1. The U.S. crude oil exports averaged 3.46 million bbl/d for the week, 424k bbl/d more than the previous week, and 133k bbl/d more than the same week a year ago. Although, the four-week average still shows a 17.3% decline from a year ago.
2. The U.S. crude oil imports averaged 5.66 million bbl/d last week, increased 545k bbl/d from the previous week, but 1.0 million bbl/d fewer than the same week a year ago.



Source: DAC, EIA, Bloomberg

## U.S. Refinery Inputs and Utilization Rates

1. U.S. crude oil refinery inputs averaged 13.4 million bbl/d, 363,000 barrels per day more than the previous week's average. The inputs increased 1.0 million bbl/d compared to the May 8 low at 12.4 million bbl/d.
2. U.S. refineries operated at 74.6% of their operable capacity last week compared to April low of 67.6%.



Source: DAC, EIA, Bloomberg

## Charts of the Month

### Survive to thrive

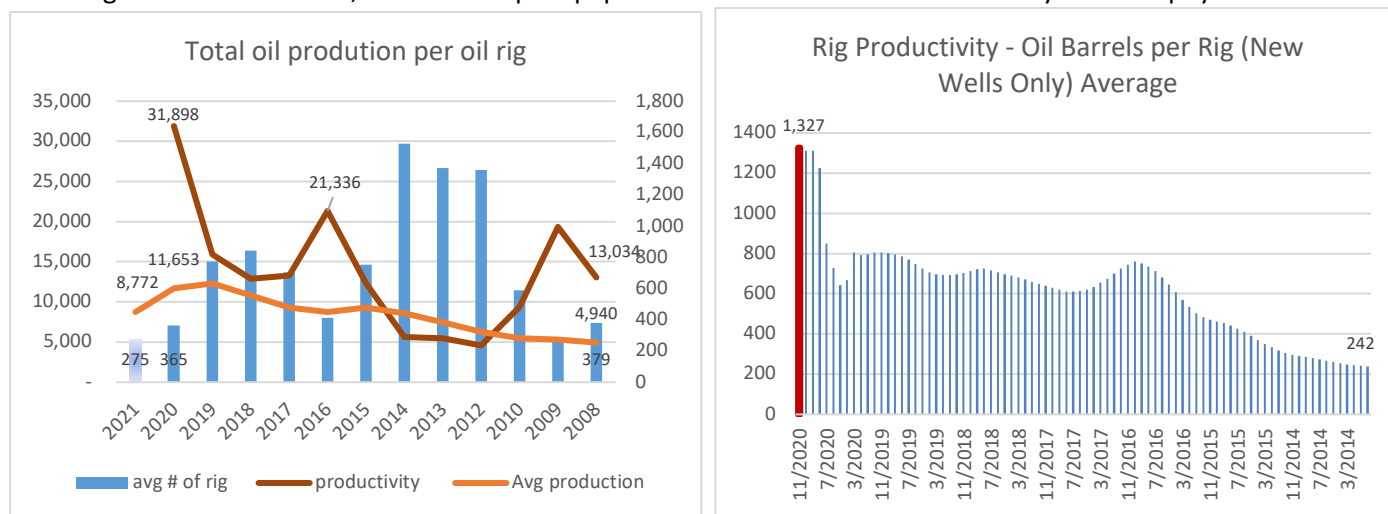
Charting oil production per rig since 2008 is truly impressive. In 2008, an average of 379 oil rigs produced 4.9 mil barrels per day. Fast forward to 2020, an average of 365 oil rigs produced 11.6 million barrels per day. Thanks to technological advancements, production per rig has more than doubled from 13,034 to 31,898 in 12 years--resulting in 22% average yearly growth. As stunning as these numbers are, will productivity gains be sustainable; given significant capital expenditure cuts industry wide.

One reason for this strong production was premium drilling. With historically low oil prices, the oil and gas industry puts the best wells to work. These wells are called "Thousand Club" – number of wells with 30-Day peak rate >1,000 Barrel of oil equivalent (Boed). Since August, there are more than 1,000 bbl/rig for new wells. Nov's latest reading is 1,327 oil bbl/rig --65% higher than the average 806.7 bbl/rig reported in 2019.

As the inventory from these premium wells works through, coinciding with the decline of shale well production curve, productivity per rig for new wells could decline from 2020 high levels. We saw a similar productivity decline phenomenon during in 2015-2016 downturn.

Our projections show, oil production could decline to 8.77mil bbl/d in 2021 (close to average production in 2017). This assumes the average rig deployed in 2021 is around 275—a 4% increase from the current 221 level and average output per rig from 2020 levels.

If production declines to more normalized inventory levels. We could see a significant supply deficit causing oil prices to move higher. In this scenario, we would expect paper barrels to trade more consistently with the physical market.



Source: DAC, EIA, Bloomberg

### Disclosures:

*This information is for illustrative purposes. Material presented has been derived from sources considered to be reliable, but the accuracy and completeness cannot be guaranteed. Nothing contained in this document may be relied upon as a guarantee, promise, assurance, or representation as to the future.*

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