

# Energy Market Update, May 8, 2024

## NYMEX Prices

Product	Month	Close	Wk. Change
Crude Oil	Jun 24	78.99	-.01
RBOB Gas	Jun 24	2.5318	-0.0456
NYH ULSD	Jun 24	2.4761	+0.0242
Nat. Gas	Jun 24	2.187	+0.255

### Market Comments:

### Petroleum futures mixed in quiet trading.

Oil and fuel prices shed early losses and ended mixed in choppy midweek trading. Petroleum prices appeared to come under selling pressure early in the session from yesterday's API report which showed an across the board build in stockpiles and a stronger dollar. However, prices appeared to stabilize and reverse course after this morning's DOE inventory report showed crude oil stockpiles dropped by nearly 1.5M bbls last week.

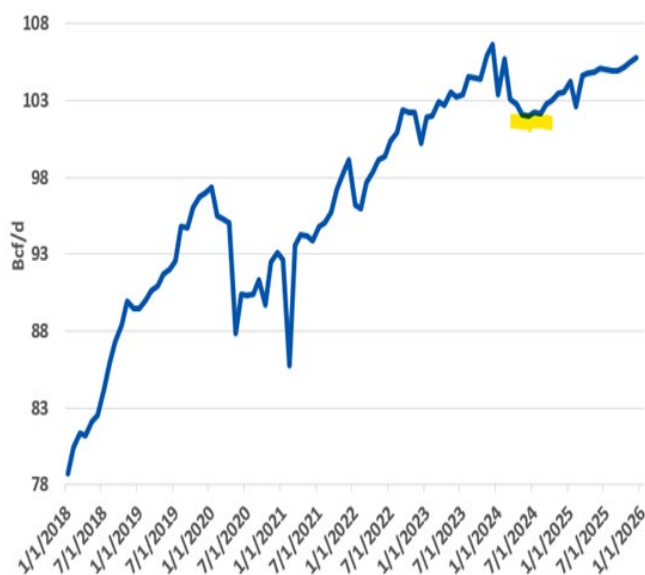
**Looking ahead:** With this week's inventory data in the rearview mirror, traders will likely key on economic indicators and geopolitical factors for the remainder of the week's price direction.

	Crude				Gasoline				Distillate Fuel			
	Change	Total	3-Yr. Avg.	5-Yr. Avg.	Change	Total	3-Yr. Avg.	5-Yr. Avg.	Change	Total	3-Yr. Avg.	5-Yr. Avg.
EIA	-1.4	459.5	457	456	0.9	228.0	236	236	0.6	116.4	146	148
Est.	-4.000/+1.800				-3.000 /+1.800				--3.000/ +1.100			
Propane	Total 59.1 2.2				Midwest 14.8 0.8				Gulf Coast 35.5 1.0			
API	Crude 0.51 Cushing 1.34				Gasoline 1.46				Distillates 1.71			

### Decreasing natural gas production levels in 2024 could tighten supplies and provide support for gas prices in the coming months.

- According to the EIA's latest Short Term Energy Outlook, dry natural gas production levels in 2023 are expected to drop by ~0.8 Bcf/d to 103 Bcf/d.
- Dry gas production levels are project to drop by close 2% to ~102 Bcf/d during the upcoming summer QoQ, a more than one-year low.
- Production is expected to fall in the coming months as several producers have announced curtailments (Chesapeake & EQT among others) because of low natural gas prices.
- The projected decline in natural gas production could also point toward lower propane production levels in the coming months as close to 79% of LP output is from natural gas production.
- However, dry gas production is expected to increase by 1.8 Bcf/d to a record 104.8 Bcf/d in 2025 from 2024 levels.

### US Dry Natural Gas Production

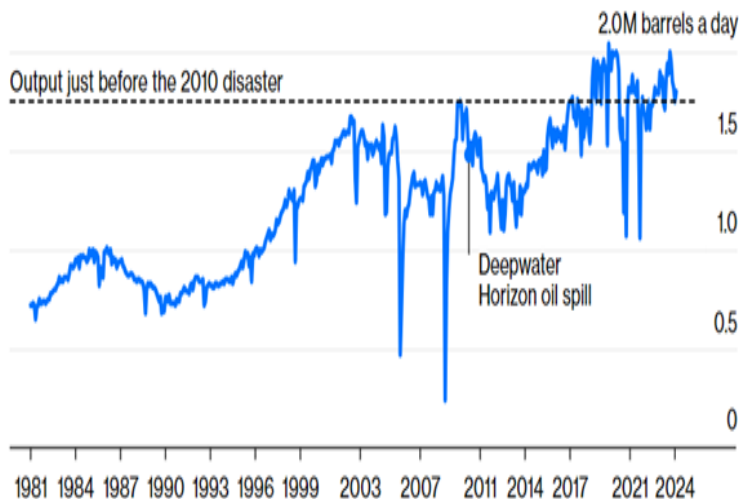


**Why it matters:** For natural gas prices, the combination of lower production levels and increased power sector demand from a hot summer (AC demands) could limit storage builds and provide support for natural gas prices during the remainder of the year.

**Increased US crude oil production could increase supply, help build inventories and loosen the oil market's underlying supply/demand fundamentals in the coming years.**

### Gulf Oil Production Stagnant So Far

Crude oil production in the US Gulf of Mexico remains today roughly at the same level as it was in 2010 when the Deepwater Horizon exploded



Source: US Energy Information Administration

Note: The occasional brief and sharp output drops reflect the impact of hurricanes.

- Although expectations that crude oil production growth in the US' shale fields is expected to plateau in the coming years, output from the Gulf of Mexico (GOM) is forecast to increase and could replace the shale regions as the country's largest source of new production in the coming years.
- Gulf of Mexico oil production, which has stagnated since the 2010 BP Deepwater Horizon rig explosion, is expected to boom again as oil giants BP, Chevron, and Shell are all racing to develop new fields in the geological strata of the GOM known as the Palogene.
- Currently, the GOM pumps about 2M bbls/d of oil or nearly 10% of the US' total.
- If forecasts for the GOM come to fruition, the new Palogene oil fields in the Gulf could add close to 500,000 bbls/d of production and help boost output from the region to 2.3-2.5M bbls/d in the next five years.
- Output is expected to start increasing from the new GOM fields by the end of the year and accelerate in 2025.

### Cooler weather forecast

- The 8-14 weather models, which are valid through May 19th, are calling for cooler weather to settle over the central portion of the U.S.
- There is a pocket of warmer weather in the northwest.
- If these cooler temperatures hold, those furnaces might not be flipped off just yet, and the demand for propane may continue in May.
- Rain may ease across the Midwest, but producers may be cautious about planting corn if temperatures remain cool.

