2829 Westown Parkway | Suite 350 | West Des Moines, IA 50266 Phone (515) 225-1334 | Fax (515) 225-8511 | Web www.heartlandcoop.com

Market Outlook:

- The Crude oil market seems to have found a balance between supply and demand at the current levels. It has been since January 2nd that the market has traded above $55/barrel and $45/barrel has supported the market since then also.
- Demand for crude oil may be improving as Saudi Arabia has raised the price to Asia and the US.

Market News:

Crude, Gasoline and Distillate:

- Recent news reports have given a lot of attention to rig counts coming down because of the decline in crude oil prices. However, this is not the case with oil production in the Gulf of Mexico, as the downturn in oil prices is expected to have minimal direct impact on production in this reign. EIA projects Gulf of Mexico production to reach 1.52 million barrels per day in 2015 and 1.61 million barrels per day in 2016, or about 16% and 17% of total U.S. crude oil production in those two years.
- The U.S. Securities and Exchange Commission requires drillers to calculate the value of their oil reserves every year using average prices from the first trading days in each of the previous 12 months. Because oil didn't start its freefall to about $45 till after the OPEC meeting in late November, companies in their latest regulatory filings used $95 a barrel to figure out how much oil they could profitably produce and what it's worth. Of the 12 days that went into the fourth-quarter average, crude was above $90 a barrel on 10 of them. This year tells a different story. The average price on the first trading days of January, February and March was $51.28 a barrel. That means a lot of pain -- and write downs -- are in store when drillers' first-quarter numbers are announced in April and May. "It has postponed the reckoning," said Julie Hilt Hannink, head of energy research at New York-based CFRA, an accounting adviser.[i]
- Using current prices instead of the SEC-prescribed $95 a barrel would erase $13.8 billion, or 61 percent, from the value of Continental's oil and natural gas properties. It would also mean that 10 percent of the company's reserves, the equivalent of 135 million barrels, would be too expensive to pump with prices where they are, the company said in the filing.[ii]
- The US Senate failed to overturn the Keystone XL pipeline bill President Obama Vetoed. Republicans needing 67 votes to overturn and only received 62.
- Exxon Mobil Corp said Wednesday its oil and gas output would rise 2% this year and 3% in each of the following years as it spends about $34 billion in 2015. They also plan to double their U.S. output by the end of 2017. They are basing their 2017 production target on $55/barrel Brent.
- Saudi Arabia reversed course on its pricing tactics as Saudi Aramco said it was increasing its Asian prices for light oil delivery in April by $1.40 a barrel. In addition, they raised prices in the U.S. by $1.00 a barrel.
- Russian oil is expected to plummet throughout the next two years. Russian output will decline by 800,000 barrels per day as companies are forced to reduce drilling in Siberia, due to the low price environment and sanctions imposed against Russia.
- Islamic State Militants have set fire to oil wells in the Ajil field east of Tikrit in attempts to hinder aerial attacks aimed at driving them from the fields. Before the field was took over in June, it was producing 25,000 barrels per day of crude that shipped to the Kirkuk refinery.

Economy:

- ADP (payroll people) said 212,000 private sector jobs were added in February.
- Productivity declined at an annual rate of 2.2 percent in the fourth quarter, weaker than the 1.8 percent drop that was estimated a month ago, the Commerce Department said Thursday. Labor costs rose at a 4.1 percent rate, faster than the 2.7 percent increase first estimated.[iii]

Jeff Honkomp
Petroleum Sales and Marketing Office: (515) 309-9570 Toll Free: (800) 513-3938
Heartland Coop Fax: (515) 225-8511 Cell: (515) 330-5286
Email: jhonkomp@heartlandcoop.com

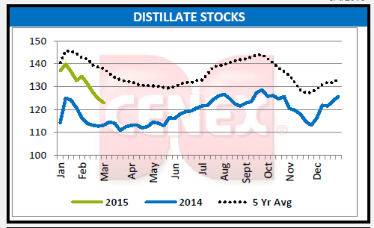
HEARTLAND CO-OP Energy UPDATE

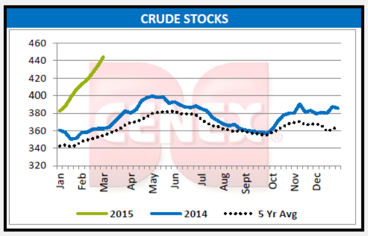
2829 Westown Parkway | Suite 350 | West Des Moines, IA 50266 Phone (515) 225-1334 | Fax (515) 225-8511 | Web www.heartlandcoop.com

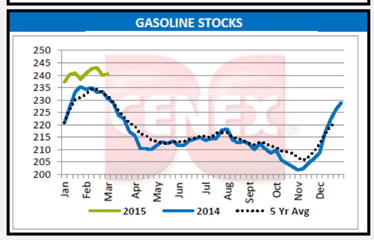
3/4/2015

million bbls	STOCKS: DOE Actual	STOCKS: Trade Estimate	STOCKS: API	DEMAND: Current Week	DEMAND: Chg
Distillate	▼ 1.7	▼ 2.7	▼ 0.3	4.22	▲ 2.2%
Gasoline	▲ 0.5	▼ 1.9	▲ 0.5	8.66	▲ 0.6%
Crude	▲ 10.3	▲ 4.2	▲ 2.9		
Refinery Utilization	▼ 0.8% 87.3%	▼ 0.4% 87.7%			

Current NYMEX	CL	HO	RB
	49.84	1.8963	1.9016
	▼ 0.66	▼ 0.0430	▼ 0.0487







Summary of Weekly Petroleum Data for the Week Ending February 27, 2015

U.S. crude oil refinery inputs averaged over 15.1 million barrels per day during the week ending February 27, 2015, 30,000 barrels per day less than the previous week's average. Refineries operated at 86.6% of their operable capacity last week. Gasoline production decreased last week, averaging over 9.5 million barrels per day. Distillate fuel production decreased last week, averaging over 4.6 million barrels per day.

U.S. crude oil imports averaged about 7.4 million barrels per day last week, up by 89,000 barrels per day from the previous week. Over the last four weeks, crude oil imports averaged about 7.3 million barrels per day, 1.6% below the same four-week period last year. Total motor gasoline imports (including both finished gasoline and gasoline blending components) last week averaged 640,000 barrels per day. Distillate fuel imports averaged 367,000 barrels per day last week.

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) increased by 10.3 million barrels from the previous week. At 444.4 million barrels, U.S. crude oil inventories are at the highest level for this time of year in at least the last 80 years. Total motor gasoline inventories remained unchanged last week, and are well above the upper limit of the average range. Finished gasoline inventories increased while blending components inventories decreased last week. Distillate fuel inventories decreased by 1.7 million barrels last week and are in the lower half of the average range for this time of year. Propane/propylene inventories fell 4.2 million barrels last week but are well above the upper limit of the average range. Total commercial petroleum inventories increased by 2.3 million barrels last week.

Total products supplied over the last four-week period averaged about 19.9 million barrels per day, up by 7.7% from the same period last year. Over the last four weeks, motor gasoline product supplied averaged about 8.7 million barrels per day, up by 4.0% from the same period last year. Distillate fuel product supplied averaged over 4.2 million barrels per day over the last four weeks, up by 16.8% from the same period last year. Jet fuel product supplied is up 12.9% compared to the same four-week period last year.

---

[i] http://www.bloomberg.com/news/articles/2015-03-04/oil-at-95-a-barrel-discovered-in-sec-rules-on-reserves
[ii] http://www.bloomberg.com/news/articles/2015-03-04/oil-at-95-a-barrel-discovered-in-sec-rules-on-reserves
[iii] http://www.barchart.com/headlines/story/6082785/us-productivity-falls-at-faster-pace-labor-costs-rise

Jeff Honkomp
Petroleum Sales and Marketing   Office: (515) 309-9570   Toll Free: (800) 513-3938
Heartland Coop   Fax: (515) 225-8511   Cell: (515) 330-5286
Email: jhonkomp@heartlandcoop.com