

# Mid-Cush Spread Rallies; AEGIS Trade Volume Spikes

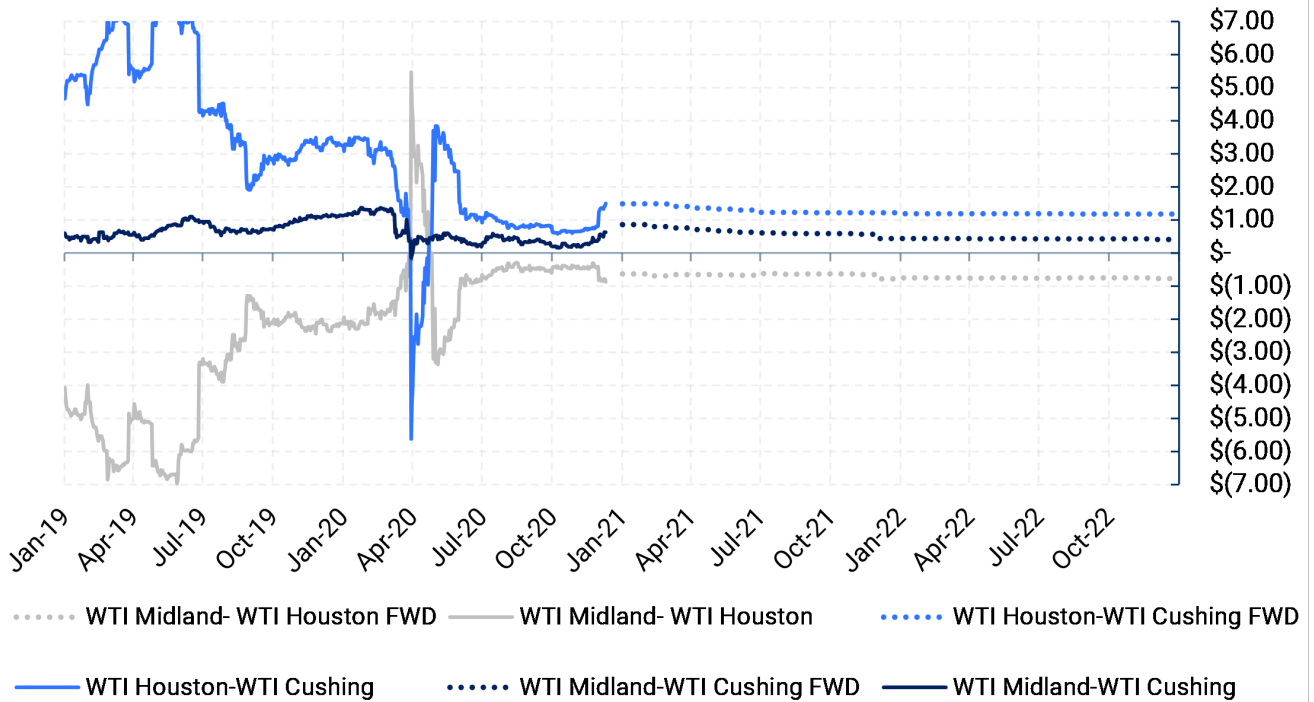
December 11, 2020

**Oil prices in Midland, Texas have been outpacing the rise of WTI at Cushing, Oklahoma, since early November. The WTI Midland-WTI Cushing spread (Mid-Cush) has surged 80c in the last month, to a 90c premium, which is a 10-month high. AEGIS trading volume for the popular spread has also increased and created more interest.**

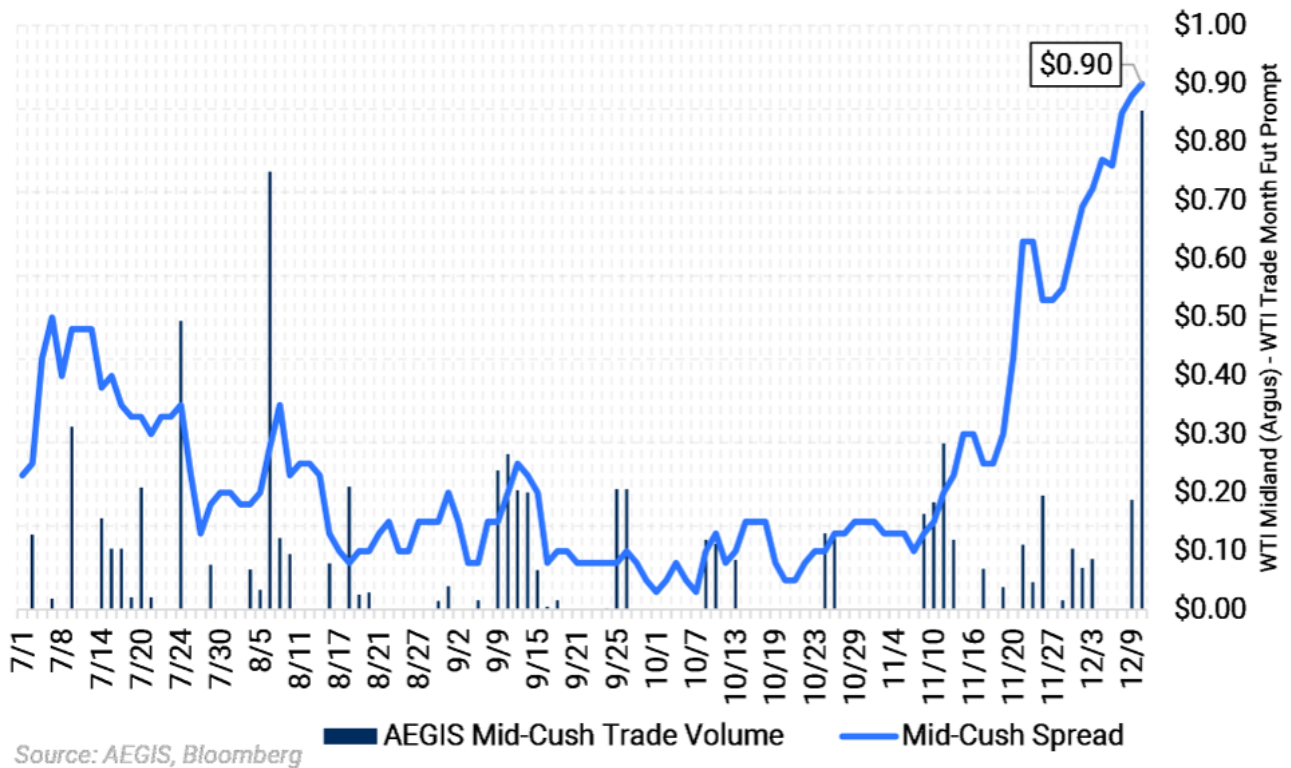
The chart below tracks the change in spreads along the Midland-Cushing-Houston "triangle." Both WTI at Midland and WTI at Houston have appreciated versus the benchmark at Cushing. It's possible that high levels of crude oil at Cushing (the location where Nymex WTI is priced) have put pressure on local prices there relative to other WTI locations.

AEGIS trading volume for the Mid-Cush spread has ticked higher this past week. The recent trade volume in the chart below shows the recent spike in Mid-Cush trading, as the spread reached a stronger premium. The recent rally has allowed hedging at nearly the best prices of the year.

## Midland-Cushing-Houston Price Triangle

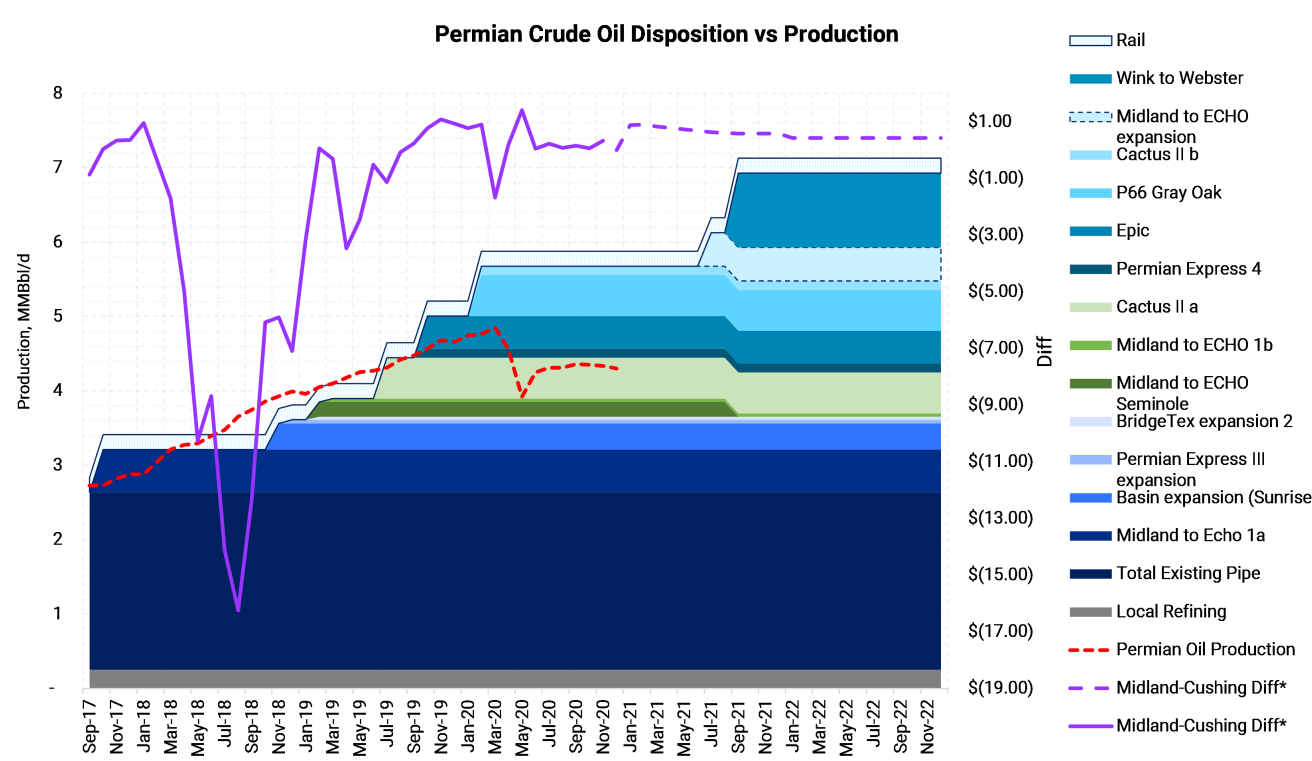


## Mid-Cush Price And AEGIS Hedge Volume Since July

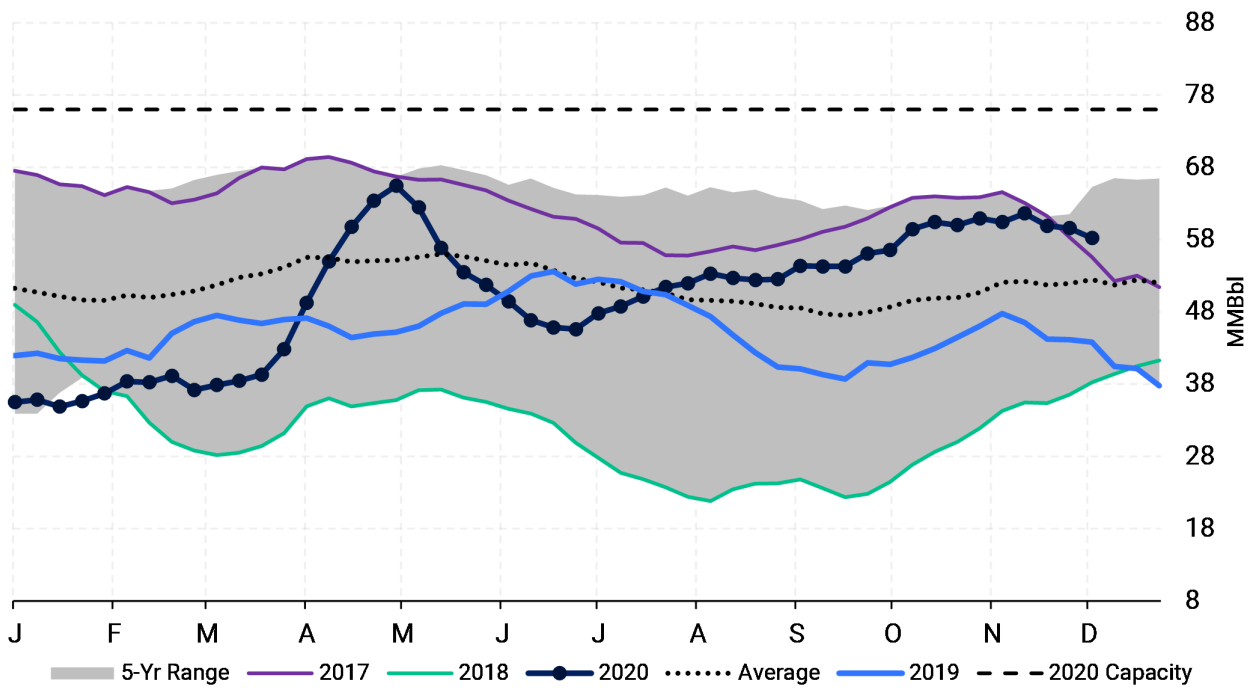


Midland has reasons to continue trading above Cushing as this year's drop in production has resulted in unused pipeline takeaway capacity out of the basin. The situation may persist for years. The large infrastructure buildout from late 2018 to early 2020 provided ~2.5 MMBbl/d of additional takeaway capacity. The Permian Crude Oil Disposition chart highlights the dramatic improvement (purple line) in Mid-Cush between 4Q 2018 and 1Q 2020. The spread has since settled in between \$0.00 and +\$0.50 for much of 2020, until recently.

If WTI Cushing were to weaken, it could help Mid-Cush rise to a higher premium. Crude inventories at Cushing have been near the top of the five-year average for a few months. The last time Cushing storage reached near this level was during the infamous negative WTI pricing regime of late April when there was fear of running out of storage space. Cushing storage is again high, which could weaken WTI Cushing prices. However, the storage facilities are unlikely to reach tank tops, because a small drop in WTI Cushing prices would encourage more oil to flow to other markets, such as the Gulf Coast.



## Cushing Oklahoma Crude Stocks



Source: EIA