



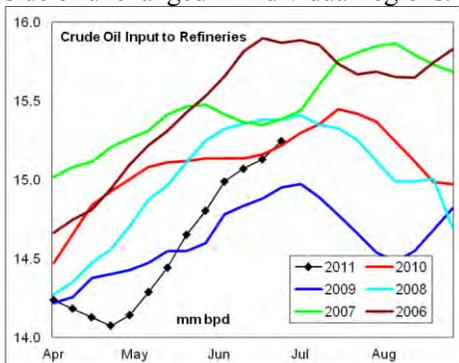
WEEKLY CRUDE OIL FUNDAMENTAL - PRICE TRENDS

A Fundamental Petroleum Trends Weekly Report

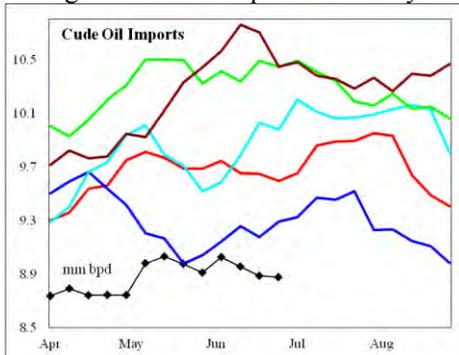
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, June 29, 2011

Supply & Refinery Input

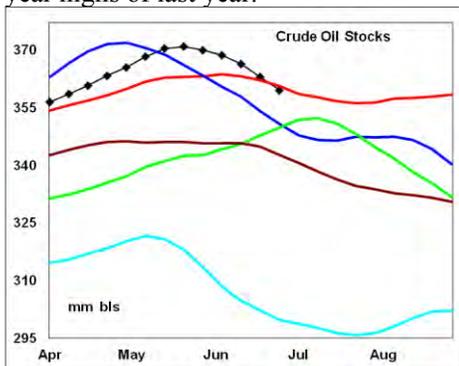
Refinery crude oil runs declined -31,000 bpd last week with small variance either side of unchanged in individual regions.



Crude oil imports fell -0.3 million bpd on the week, with the latest 4-wk average -0.9 million bpd below last year.



Stocks decreased -4.4 million barrels on the week, concentrated in PADD 3. Stock levels have dipped below the 5-year highs of last year.

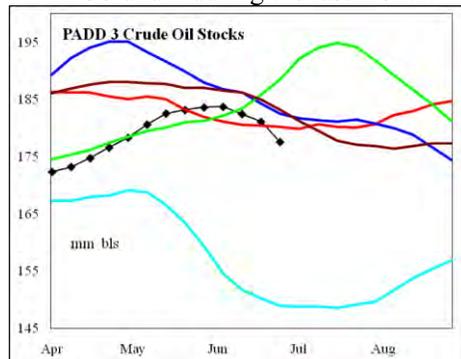


Regional Markets

Crude oil refinery runs decreased -25K to -60K in PADDs 1, 2 and 5. Runs increased +30K to +63K in PADDs 3 and 4, last week. Run rates reached highs for this year, although the level

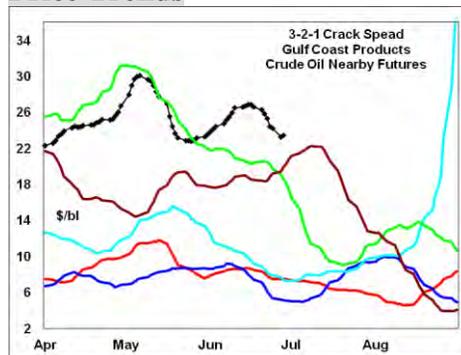
remains comparable to a year ago. Run rates remain relatively low in light of the improvement in the economy since the lows of mid 2009.

Crude oil price differentials that favor processing inland domestic grades have led to meaningful stock draws in PADDs 3 and 2 during the last month.



With sales from the strategic petroleum reserve ahead, and peak refinery thru put during the next quarter, expect further declines in the level of imported crude oil and draw down of stock levels.

Price Trends

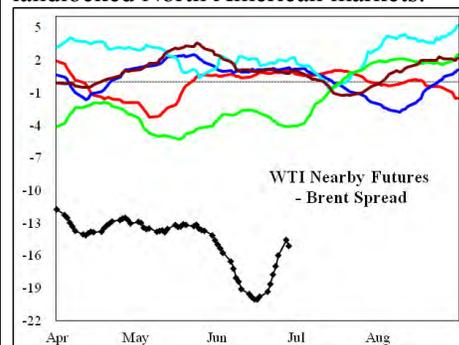


WTI crude oil prices decreased -\$1/bbl for the week ending 28Jun11. Gulf Coast conventional gasoline prices declined -\$2/bbl while distillates declined were -\$0.50/bbl lower. These trends caused the Gulf refining margin to trend lower, although the level remains above the historic range.

The forward crude oil price curve (1st to 4th month calendar spread) trended lower on the week, ending at a level that matched the 5-year mid range.

The WTI - Brent crude oil price trended higher in favor of WTI last week, but the differential remains

exceptionally wide on tight global supplies and excess production within landlocked North American markets.



Global Crude Price Differentials

The WTI price differential compared to major global crude oil grades decreased last week in favor of foreign grades. WTI prices remain well below the historic range compared to other global crude oil grades. Excess supplies of landlocked domestic crude oil and release of strategic reserves continues to depress relative WTI prices.

Refined Product Trends

Transport fuel demand continues at a lackluster rate for the latest 4-wk period; with gasoline down -31,000 bpd, distillate -176,000 bpd and jet fuel up +46,000 bpd compared to a year ago.

Gasoline imports have dropped to record low levels recently, which risk a supply squeeze in PADD 1 during the summer quarter. Production from the restart of local refineries has not offset the drop in imports.

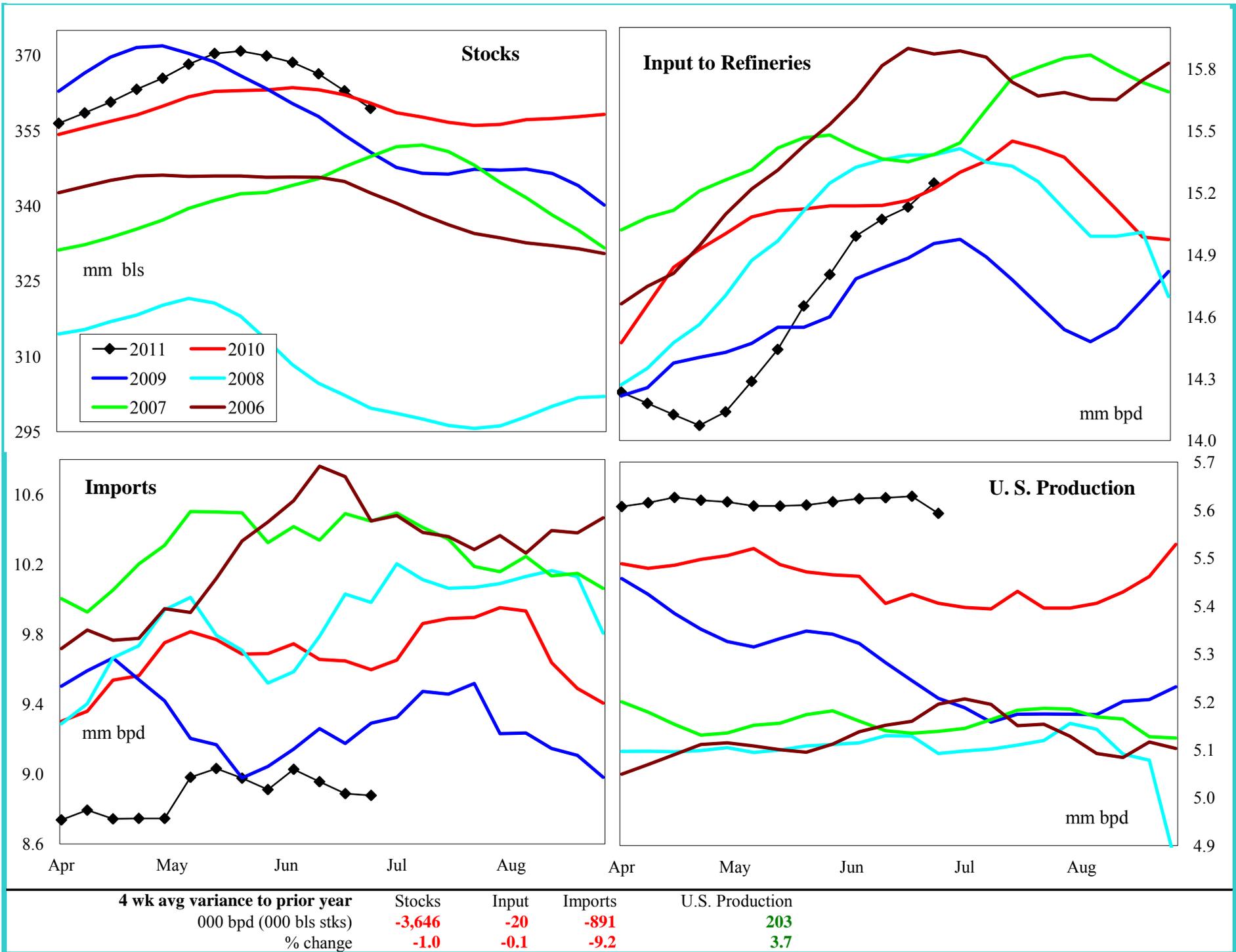
Robust exports and record low imports of distillate has limited seasonal stock building to record low rates. As a result the distillate supply balance has not improved during the current quarter of low seasonal demand.

Emerging Crude Oil Trends

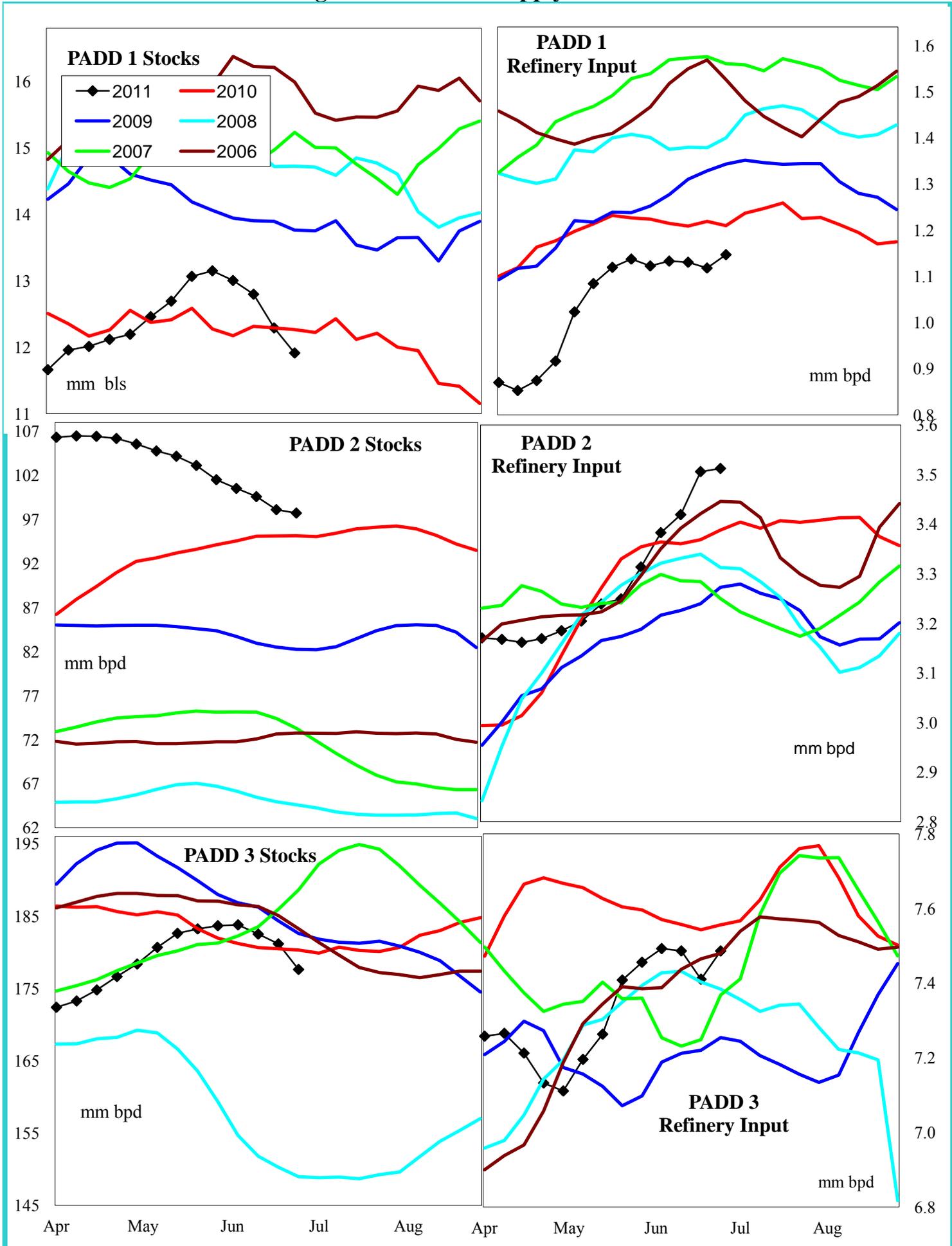
The WTI forward price curve risk further declines as strategic reserves are released during the next 6-wks into the Gulf market. While the release should impact imports, there may be a spillover impact on demand for inland domestic supply.

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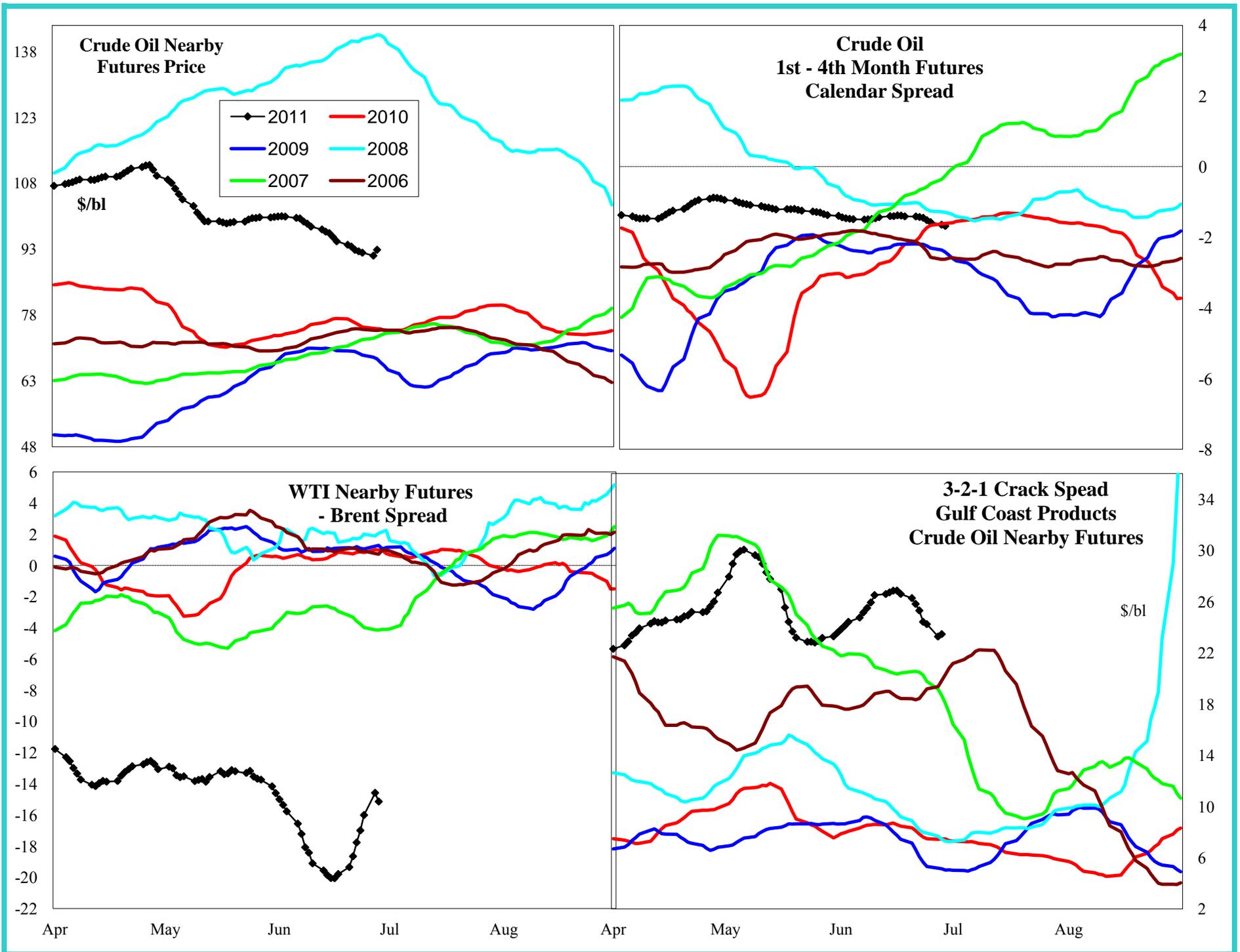
United States Crude Oil Supply and Demand Balance



Regional Crude Oil Supply / Demand



Crude Oil Price and Margin Trends



WTI Price Spread to Global Crude Oil Grades

