



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

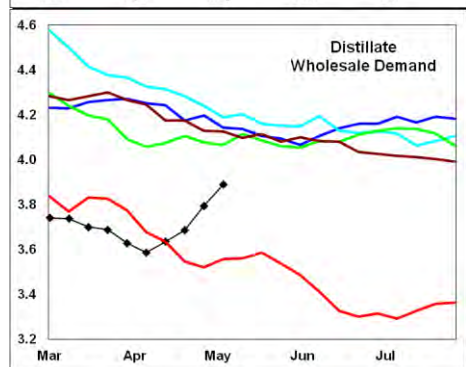
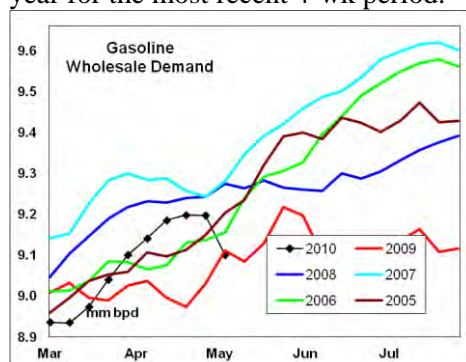
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, May 12, 2010



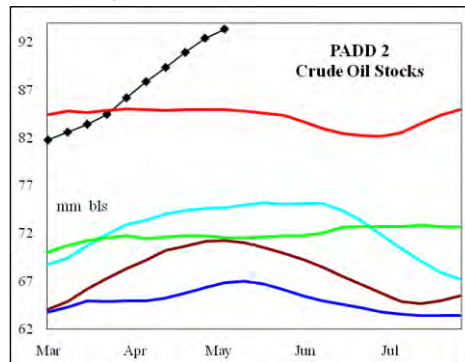
Major Fundamental Trends¹

The sharp drop in wholesale prices last week was a key factor in the -143,000 bpd drop in gasoline wholesale demand as the downstream supply chain pulled down stocks. Distillate demand remains robust, off only -5,000 bpd on the week and +221,000 bpd above a year ago. Jet fuel demand was up only +10,000 bpd from last year for the most recent 4-wk period.



Gasoline stocks decreased -2.8 million barrels last week on a sharp drop in both production and imports; although stock levels remain extremely high. Distillate production increased +143,000 bpd last week on favorable refining margins compared to gasoline; lifting output to match the record high set in 2008 for this period. Stock levels also increased to new highs. Crude oil stocks in PADD 2 climbed +1 million barrels on the week, including a +0.8 million barrel build in Cushing, Oklahoma. PADD 2 crude oil runs climbed +139,000 bpd last week, with another 100,000 bpd increase

likely as refiners return from maintenance. This increase in demand for crude oil in the region should end the stock building in Cushing. However, increased imports from Canada and very high domestic production in markets supplying Cushing may keep stock levels at the upper end of the historic range in PADD 2.



Demand for transport fuels pulled back modestly last week as the downstream supply chain pulled down inventories in response to the sharp drop in wholesale prices.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline increased +2.1%; distillate up +6.3%; jet fuel up +0.7% while residual fuel oil increased +4.4%.

Stocks forward coverage: Gasoline demand coverage remains above the 5-year range; even on a -2.8 million barrel stock draw last week.

Distillate demand coverage trended modestly lower on continued robust demand that offset a +1.4 million barrel stock build. Coverage matched the historic high for the period.

Jet fuel coverage remains extremely high on very high stock levels and a -53,000 bpd drop in weekly demand.

Residual fuel oil coverage also remains very high.

Refinery utilization rates decreased last week on a -110,000 bpd decline in crude oil runs. Runs were below the 5-year mid range for the period.

Gasoline yield % on crude oil runs

decreased last week on a -181,000 bpd decline in production compared to the -110,000 bpd decrease in crude oil runs. Yield % fell to near the historic mid range.

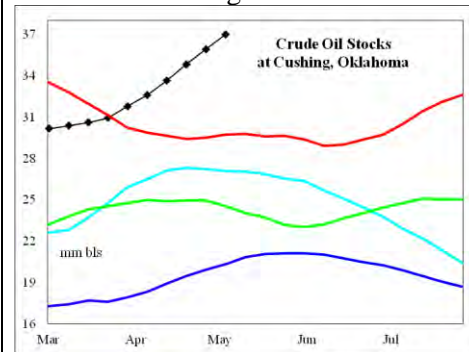
Distillate yield % on crude oil runs increased on a +143,000 bpd rise in output compared to the decrease in crude oil runs. The yield % on crude oil runs was near the 5-year for the period.

Jet fuel yield % on crude oil runs was near the historic mid range.

Petroleum Imports of crude oil, and all products decreased last week. Gasoline and crude oil imports were sharply lower.

During the latest 4-wk period distillate imports increased +22,000 bpd; finished gasoline imports decreased -40,000 bpd, gasoline blend stock imports increased +94,000 bpd; jet fuel imports increased +8,000 bpd, while residual fuel oil imports increased +110,000 bpd.

Crude Oil imports decreased -264,000 bpd last week, to below the mid range. Stocks increased +1.9 million barrels with the increase concentrated in PADDs 5 and 2. Stocks fell -2.7 million barrels in the Gulf. Stocks in Cushing climbed +0.8 million barrels to a new record high.



¹ Source is latest EIA Weekly Statistics



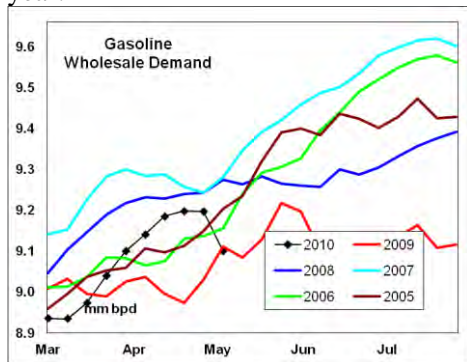
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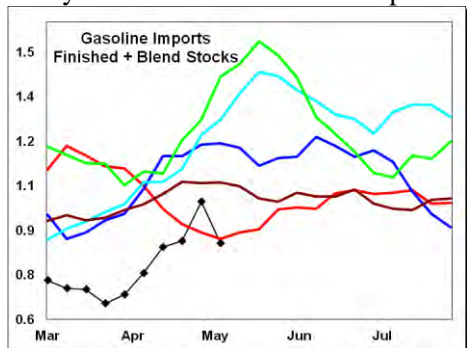
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Product Supply-Demand Trends

Gasoline demand fell -142,000 bpd last week, due in part to the steep slide in prices that cause distributors to run down inventories. The latest 4-wk average was +186,000 bpd above last year.



Gasoline production declined -181,000 bpd on the week; but remains +300,000 bpd above the prior 5-year high for this period. Imports fell -293,000 bpd on the week, matching last years' record low for the period.



Stocks decreased -2.8 million barrels last week, concentrated on the west coast. Stock levels remain extremely high for the period.

The sharp drop in wholesale prices last week, was a key contributor to the weekly decline in demand. Expect a return to robust wholesale demand next week and for the balance of the quarter. Continued high production and record stock levels are burdensome to the gasoline market in the run up to peak summer driving season.

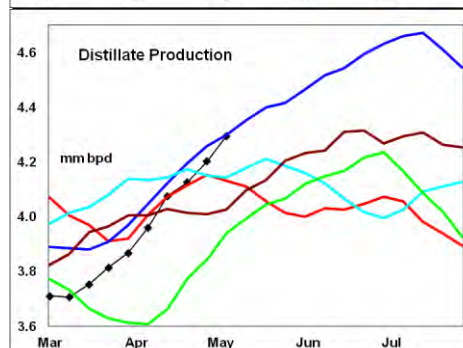
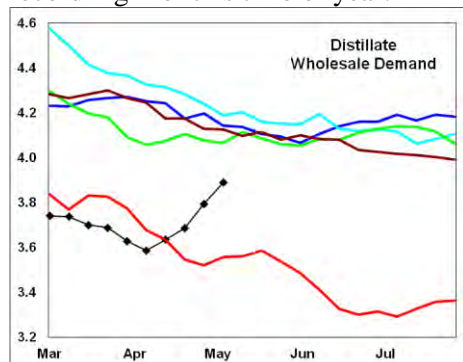
Expect prices to show modest strength relative to the overall energy complex for the balance of the quarter.

Distillate demand decreased -5,000 bpd last week, even in the face of the

steep wholesale price decline. The latest 4-wk average demand was +221,000 bpd above last years' extremely low levels. This represents the strongest year-on-year growth since the recession began.

Production climbed +143,000 bpd on the week, to match the record level of 2008 for this time of year.

Stocks increased +1.4 million barrels last week. Stock levels are +6.3 million barrels above last years' record high for this time of year.



The recent uptrend in demand continued this week. However, production has also surged so that stocks extended the seasonal build at an above average rate.

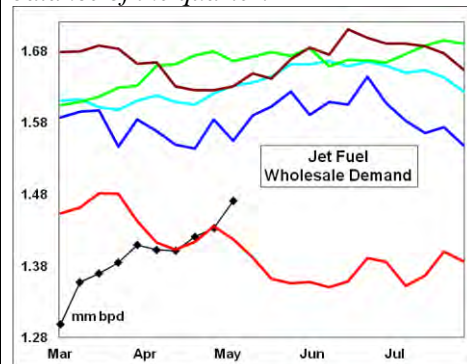
Strength in distillate demand continues to support prices relative to the overall energy complex; a trend which should continue during the 2nd quarter.

Jet Fuel demand decreased -53,000 bpd last week, with the latest 4-wk average +10,000 bpd above a year ago.

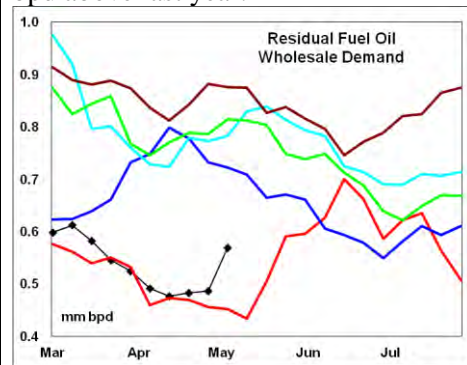
Supply decreased -125,000 bpd last week with imports and production lower. The latest 4-wk average supply was +65,000 bpd above a year ago. Stocks decreased -0.2 million barrels

last week, but remain extremely high.

Demand continues in line with last years' record low level. The recent upturn in supply lifted stock levels to record levels. This over supplied market should depress jet prices compared to the overall energy complex for the balance of the quarter.



Residual fuel oil demand, including exports, increased +152,000 bpd last week, with the 4-wk average +20,000 bpd above last year.



Production increased +57,000 bpd on the week; offset by a -110,000 bpd drop in imports. Supply was +142,000 bpd above last year for the most recent 4-wk period. Stock levels remain exceptionally high.

These fundamentals should pressure prices lower in markets East of the Rockies compared to the overall energy complex.



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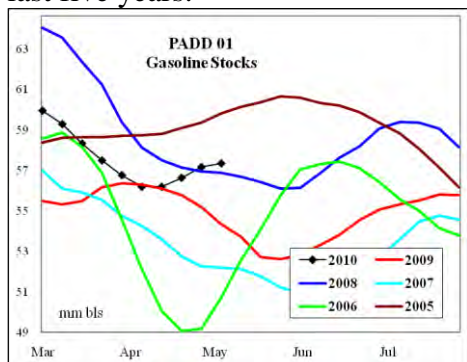
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PADD Supply Trends

PADD 1 refinery crude oil runs decreased -112,000 bpd last week, with the 4-wk average -28,000 bpd below last year. (Accounting for refinery closures last year, run rates were above the mid range).

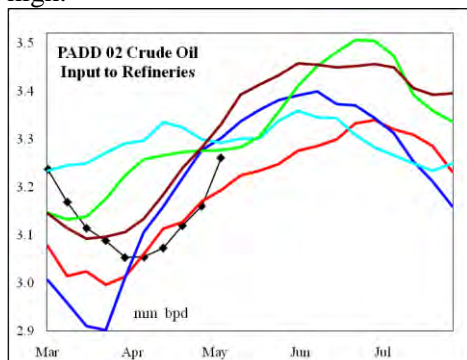
Gasoline production increased +83,000 bpd last week, with the latest 4-wk average +38,000 bpd above a year ago. Imports fell -314,000 bpd to the low end of the historic range.

Stocks decreased -0.8 million barrels but remain above four of the last five years.



Distillate supply decreased -29,000 bpd last week, with both production and imports lower. Stocks increased +1.3 million barrels last week and remain at record highs for the period.

Jet fuel supply decreased -31,000 bpd on the week. Stocks decreased -0.2 million barrels but remain very high.



PADD 2 crude oil refinery runs increased +139,000 bpd last week, with the 4-wk average -26,000 bpd below last years' record low rate. Stocks increased +1 million barrels last

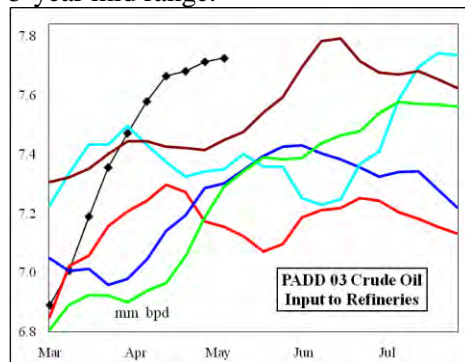
week, including a +0.8 million barrel build in Cushing. PADD 2 and Cushing stock levels are each at new all time highs.

Gasoline production increased +7,000 bpd last week, with the level just below the 2008 record high. Stocks increased +0.7 million barrels, to a level above the historic high.

Distillate production increased +91,000 bpd last week, to a level near the historic high for the period. Stock levels ended the week at the mid range.

Jet fuel production and stocks each increased last week, to the upper end of the historic range.

PADD 3 refinery crude oil runs decreased -32,000 bpd last week. The latest 4-wk average was +403,000 bpd above a year ago and well above the 5-year range. Imports declined -382,000 bpd last week, to the low end of the historic range. Crude oil stocks fell -2.7 million barrels, to a level above the 5-year mid range.



Gasoline production declined -118,000 bpd on the week, with the 4-wk average -87,000 bpd below a year ago. Stocks decreased -0.7 million barrels but remain above the 5-year range.

Distillate production increased +68,000 bpd on the week to the upper end of the historic range. Stocks decreased -0.7 million barrels, but remains +13% above the prior record high.

Jet fuel stock levels remain extremely high with production above four of the last five years.

Residual fuel oil stocks increased +0.4 million barrels last week, reaching a new record high, up +49%

over last year. Production also matched the 5-year high.

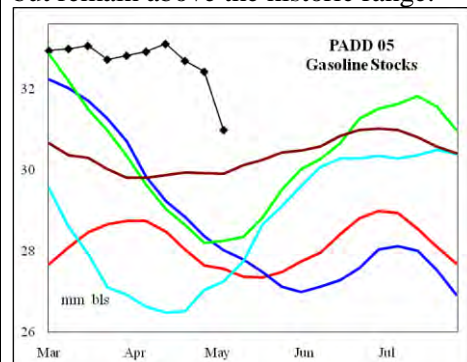
PADD 4 refinery crude oil runs declined -29,000 bpd on the week, with the 4-wk average +39,000 bpd above a year ago and near mid range.

Gasoline production decreased -12,000 bpd on the week, but remains +36,000 bpd above the prior 5-year high. Stock levels remain extremely high, up +29% above last year.

Distillate production decreased -12,000 bpd last week, to a level below the mid range. Stock levels also remain above the 5-year range.

PADD 5 crude oil refinery runs decreased -73,000 bpd on the week, to below the historic range. The latest 4-wk average run rate was +58,000 bpd above a year ago. Crude oil stocks increased +1.8 million barrels, to a level just below the historic range.

Gasoline production decreased -141,000 bpd last week, to near the mid range. Imports decreased -12,000 bpd on the week. The latest 4-wk average supply was +140,000 bpd above last year. Stocks fell -2.1 million bbls, but remain above the historic range.



Distillate production increased +15,000 bpd on the week, and remains above the historic range. Stocks increased +0.8 million barrels to a level above the historic range.

Jet fuel supply fell -78,000 bpd last week, with both production and imports down. Stock levels were above the mid range.


**FUNDAMENTAL
PETROLEUM
TRENDS**


PETROLEUM: Graph Link and Weekly Summary

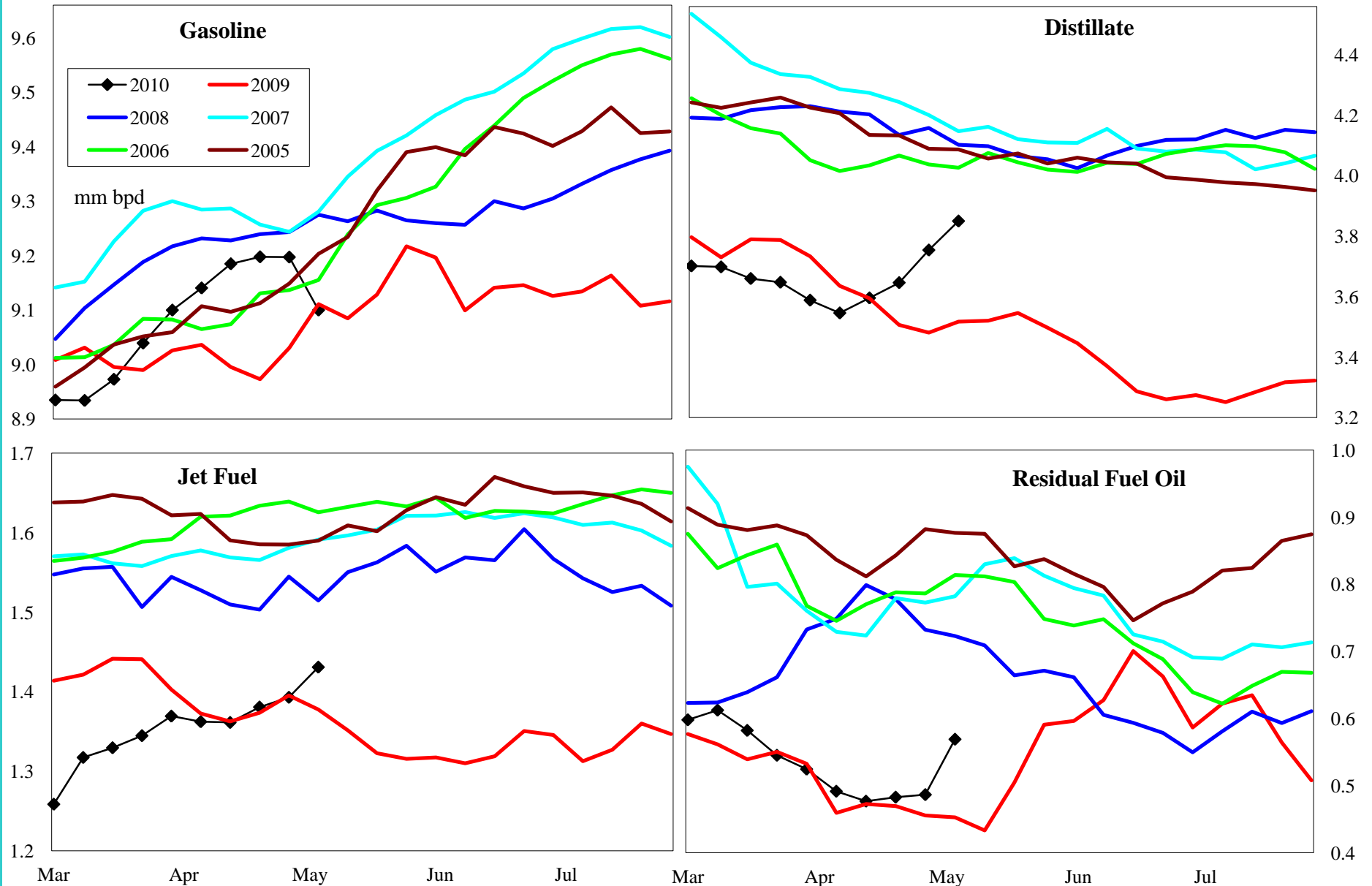
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Fundamental Trends	Wholesale Demand	Stocks Days Fwd Coverage	Refinery Utilization Product Yield %				Imports
Supply/Demand Trends	7-May-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
Crude Oil	Stocks	1,949	1,662	1,006	-2,651	130	1,802
	Imports	-264	158	62	-382	-9	-93
	Input	-110	-112	139	-32	-29	-76
	% Utilization	-1.17					
Gasoline	Stocks	-2,814	-809	661	-714	145	-2,097
	Production	-181	83	7	-118	-12	-141
	Imports	-293	-314	0	33	0	-12
	Supplied	-142					
Distillate	Stocks	1,396	1,349	-119	-674	57	783
	Production	143	-19	91	68	-12	15
	Imports	-31	-10	-15	0	-3	-3
	Supplied	-5					
Jet Fuel	Stocks	-208	-226	88	-131	51	10
	Production	-64	-15	11	-25	-2	-33
	Imports	-61	-16	0	0	0	-45
	Supplied	-53					
Residual Fuel Oil	Stocks	-201	-538	-13	429	-8	-71
	Production	57	0	7	51	0	-1
	Imports	-110	-92	-3	11	0	-26
	Supplied	152					

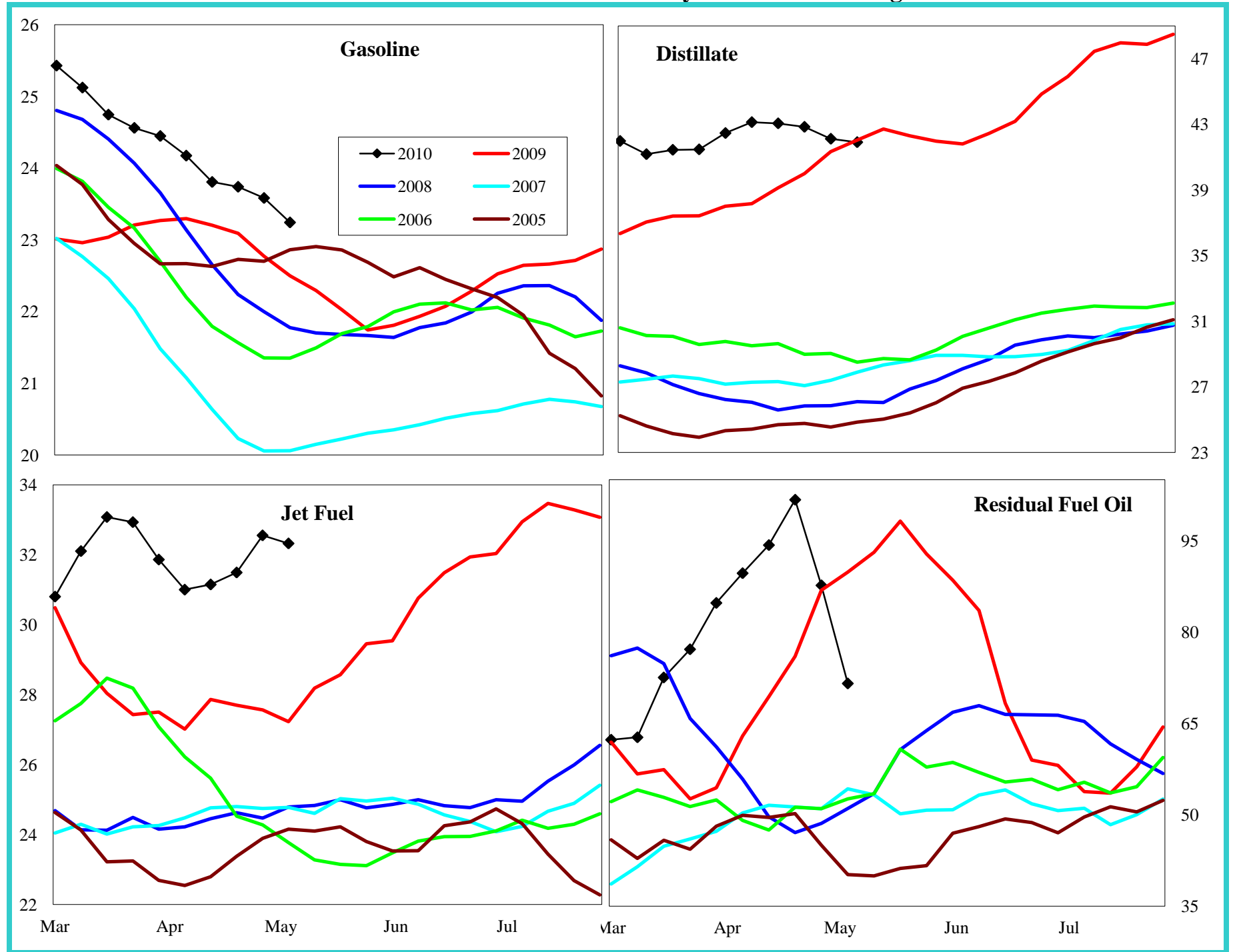
United States Wholesale Petroleum Demand



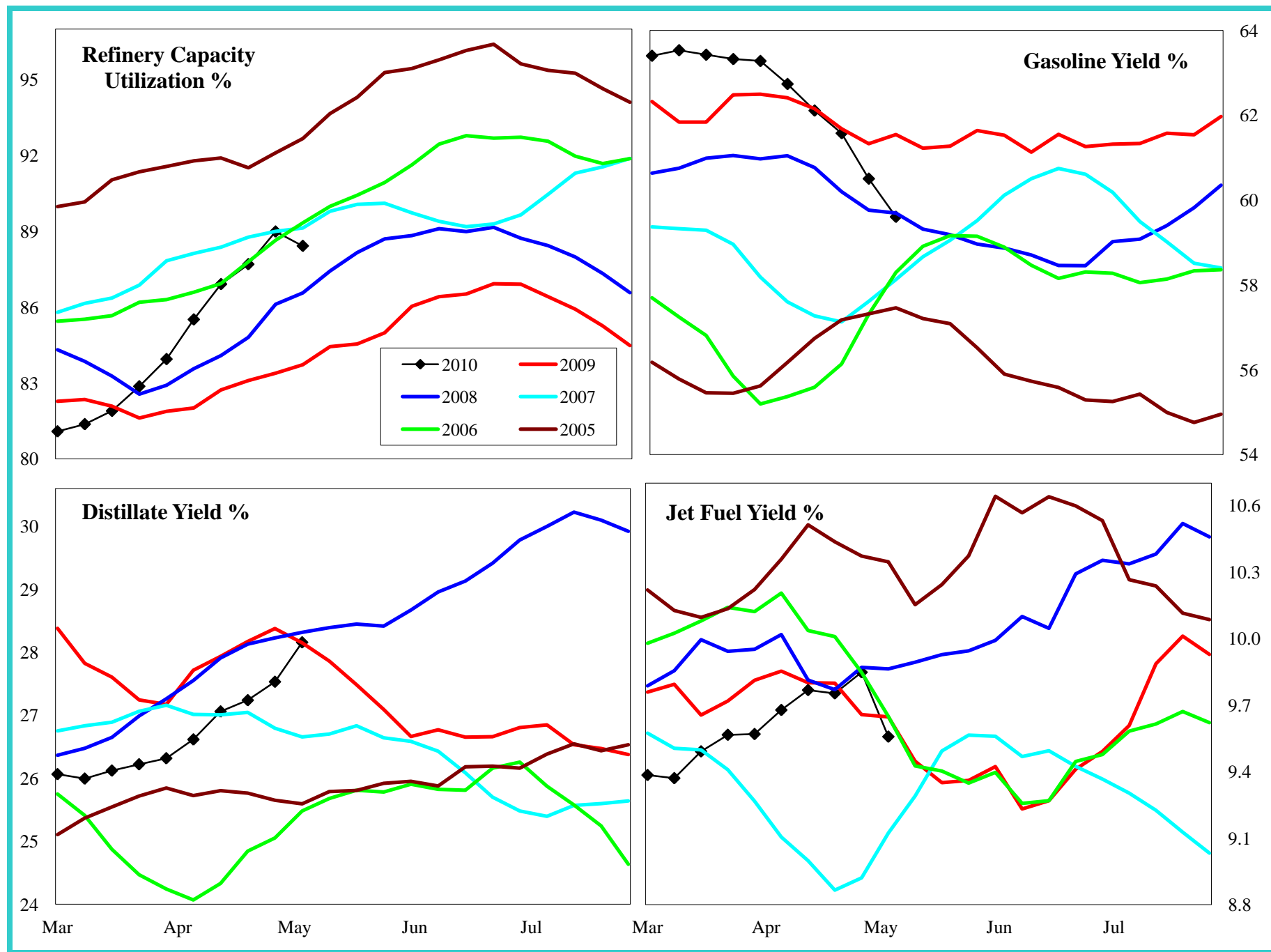
	000 bpd change from prior year				% change from prior year			
	4wk avg	Mar	Feb	Jan	4wk avg	Mar	Feb	Jan
Gasoline	186	147	16	-35	2.1	1.7	0.2	-0.4
Distillate	221	-25	-177	-371	6.3	-0.7	-4.5	-9.1
Jet Fuel	10	-65	-59	6	0.7	-4.5	-4.4	0.4
Resid	20	-32	162	-207	4.4	-5.3	32.0	-29.6



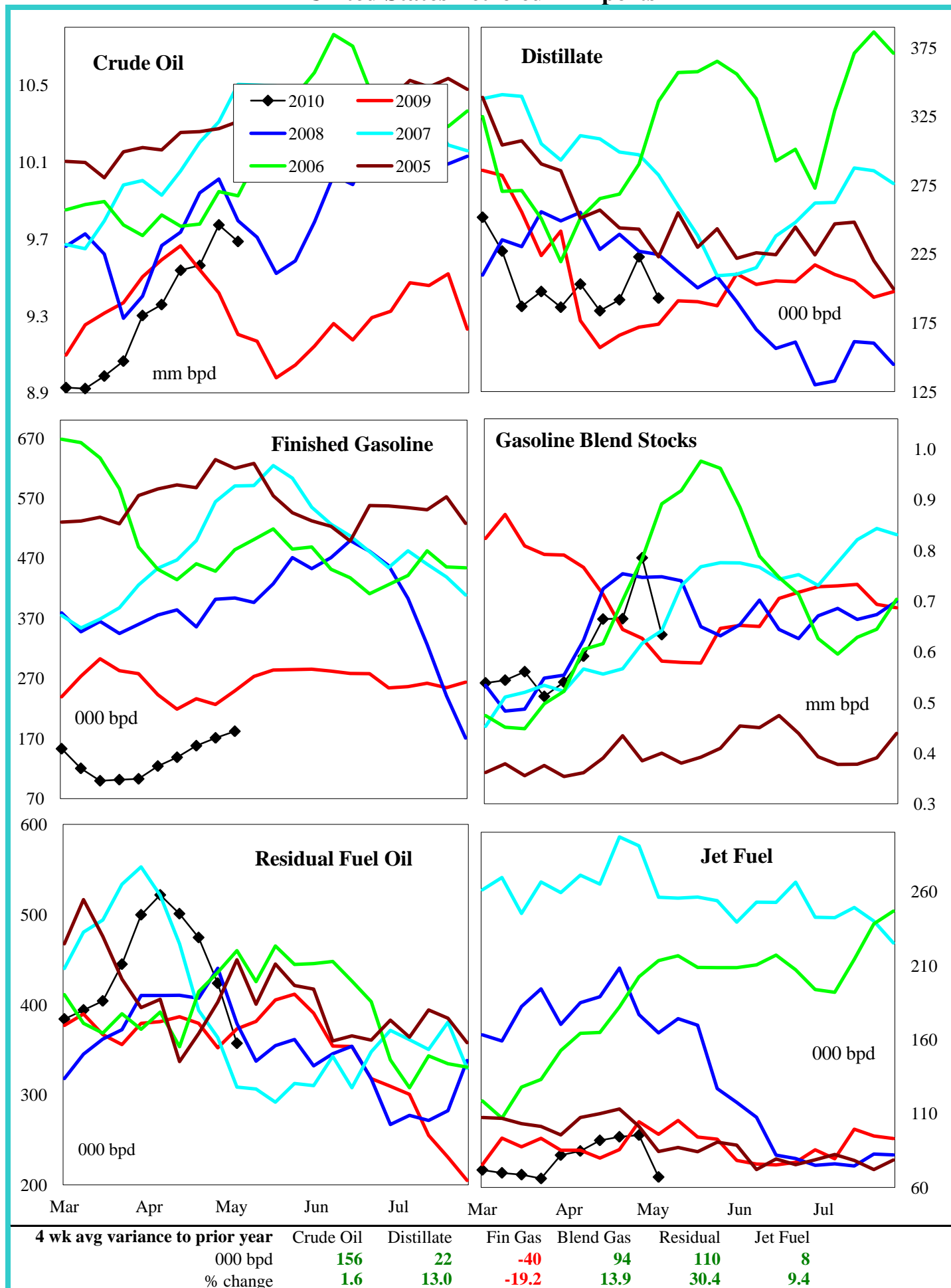
United States Product Stocks: Days Forward Coverage



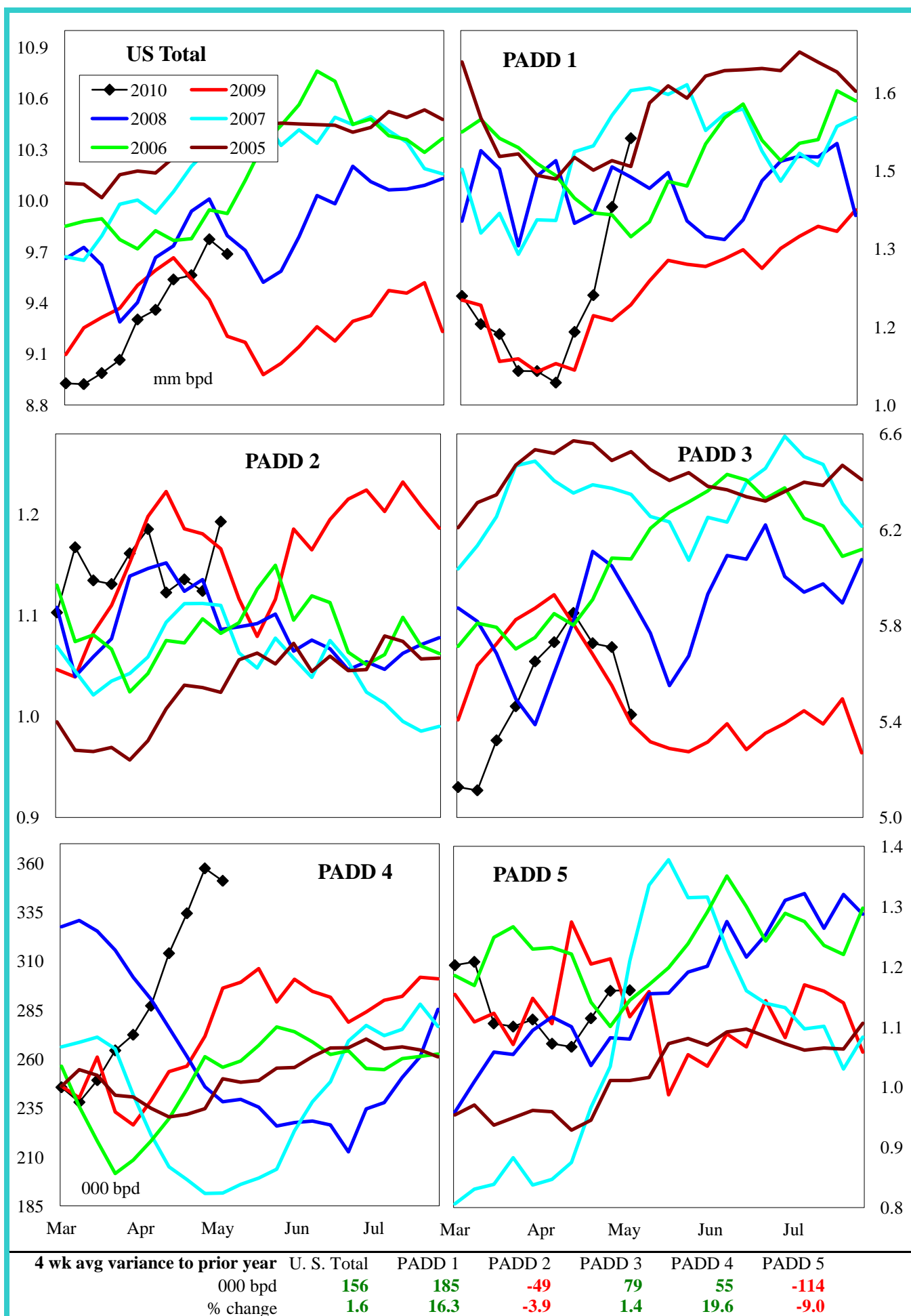
United States Refinery Percent Utilization Rate and Product Yields



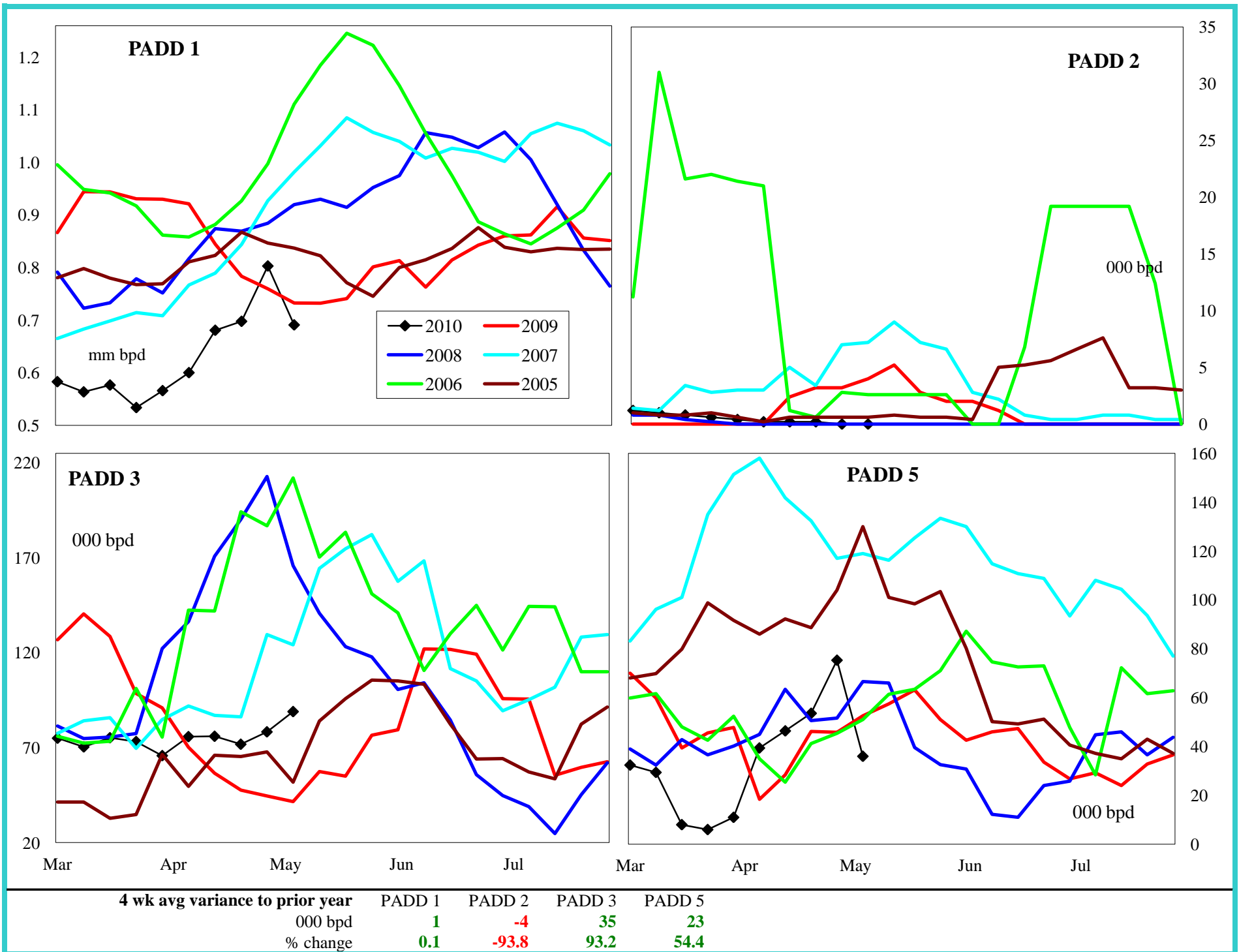
United States Petroleum Imports



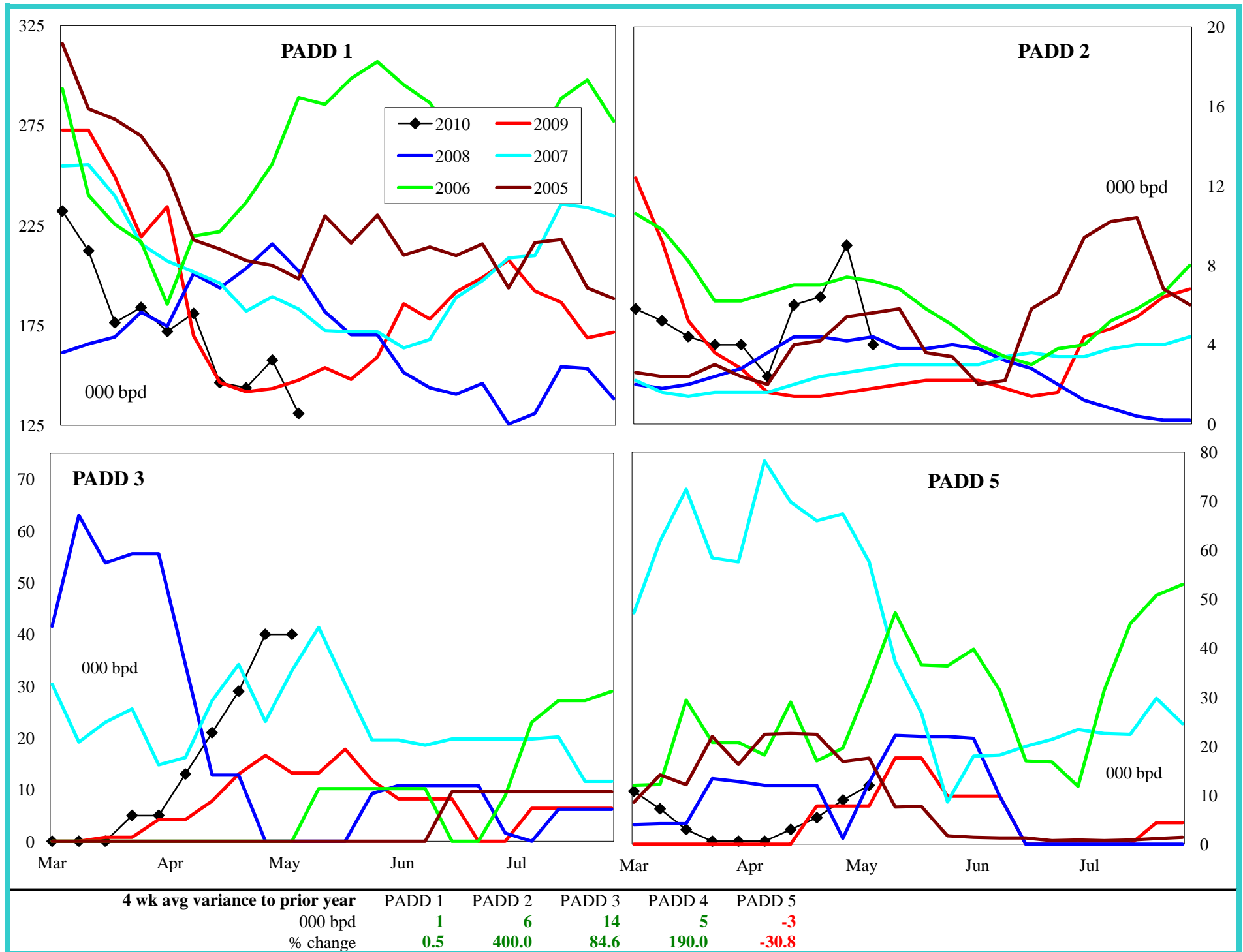
Crude Oil Imports by PADD



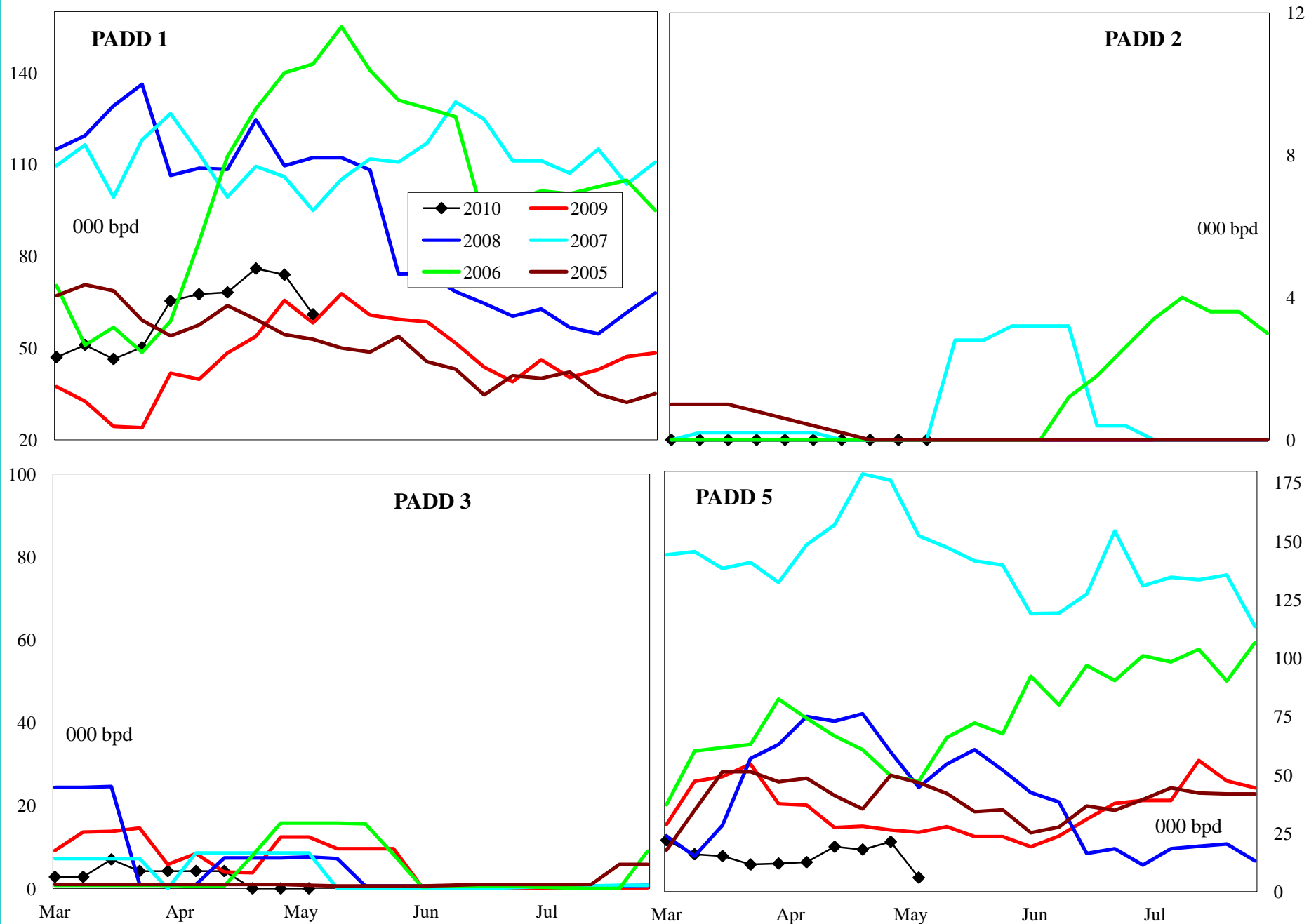
Gasoline Imports by PADD (Finished + Blend Stocks)



Distillate Imports by PADD



Jet Fuel Imports by PADD



4 wk avg variance to prior year

000 bpd

% change

PADD 1

16

26.3

PADD 2

0

#DIV/0!

PADD 3

-4

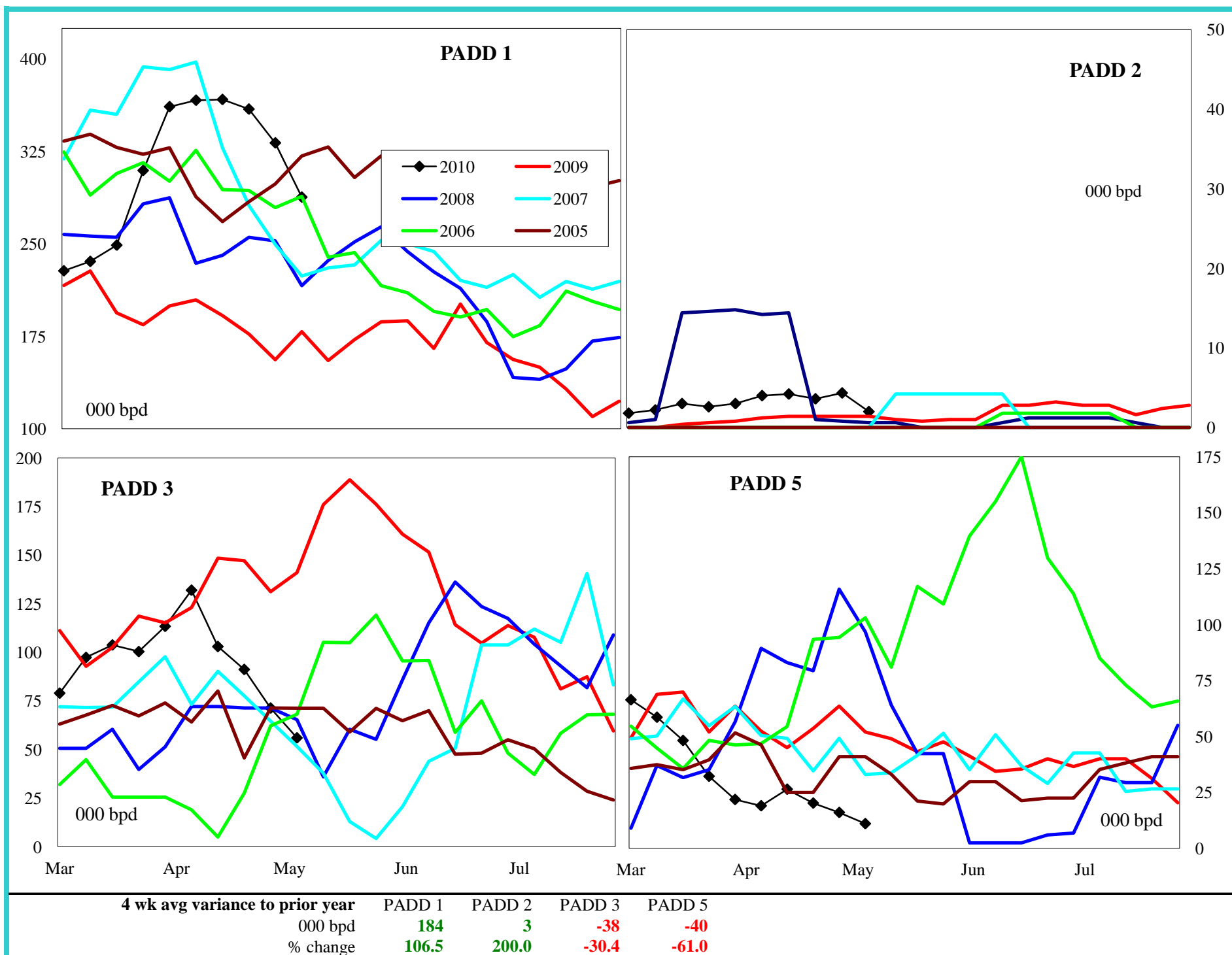
-100.0

PADD 5

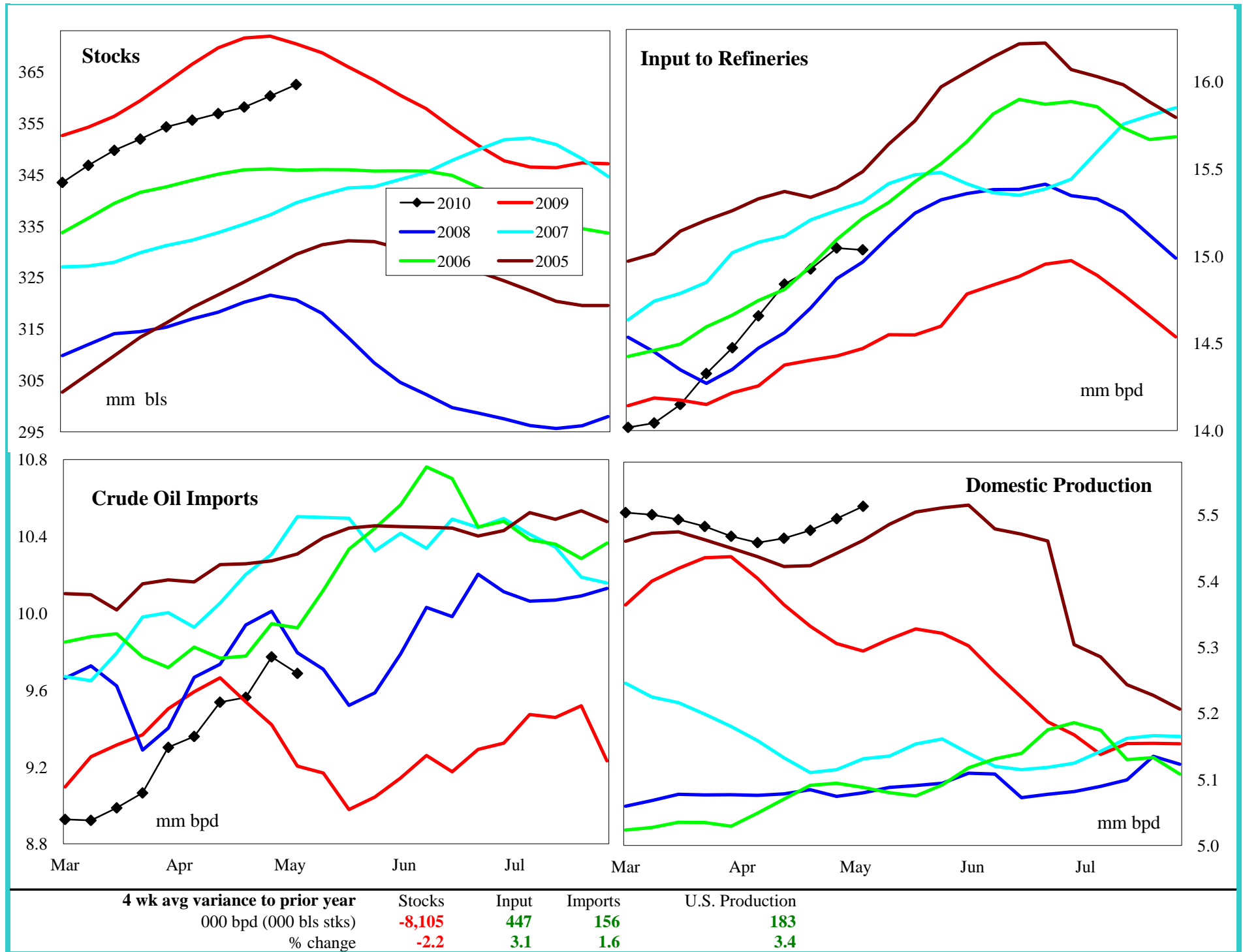
-5

-20.0

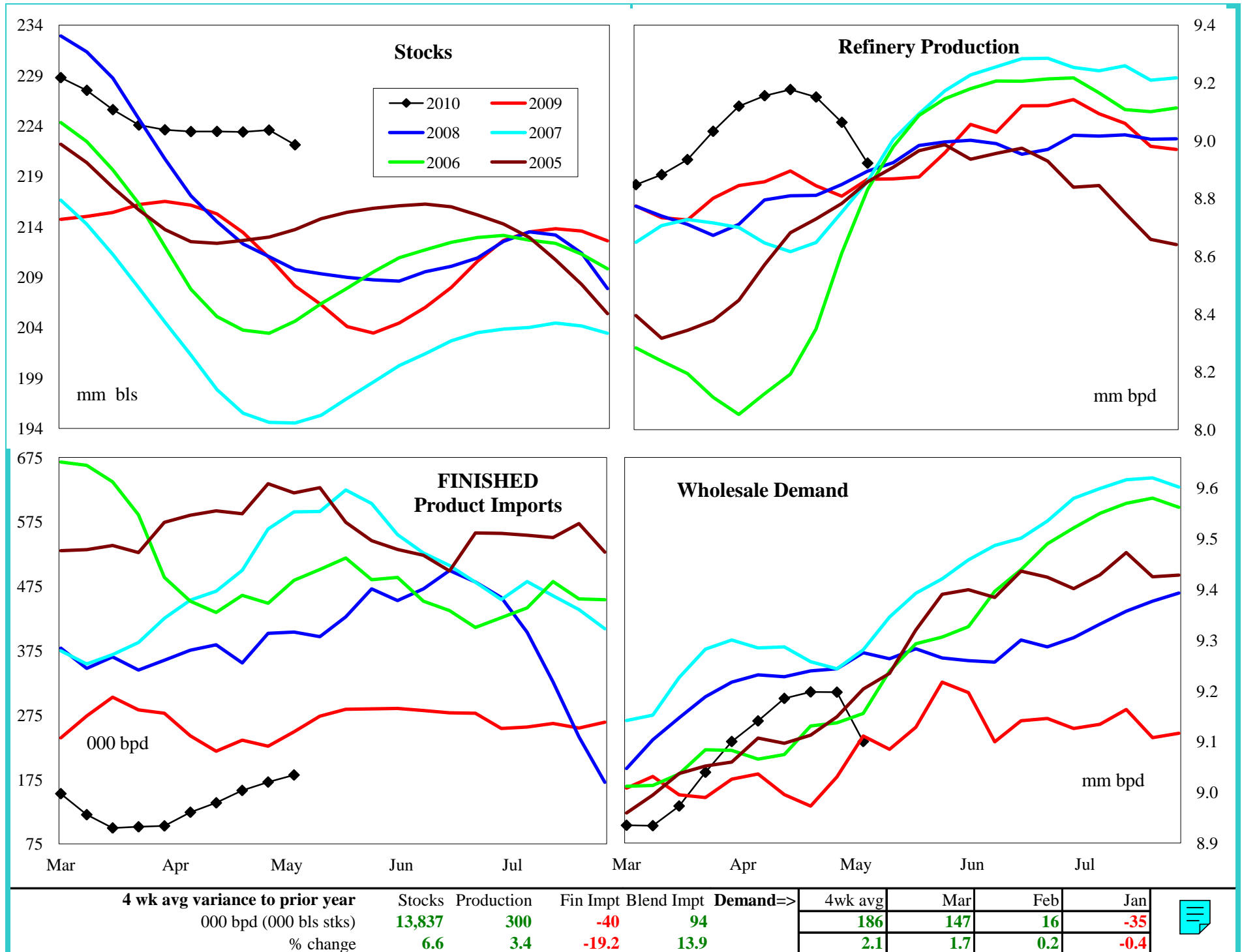
Residual Fuel Oil Imports by PADD



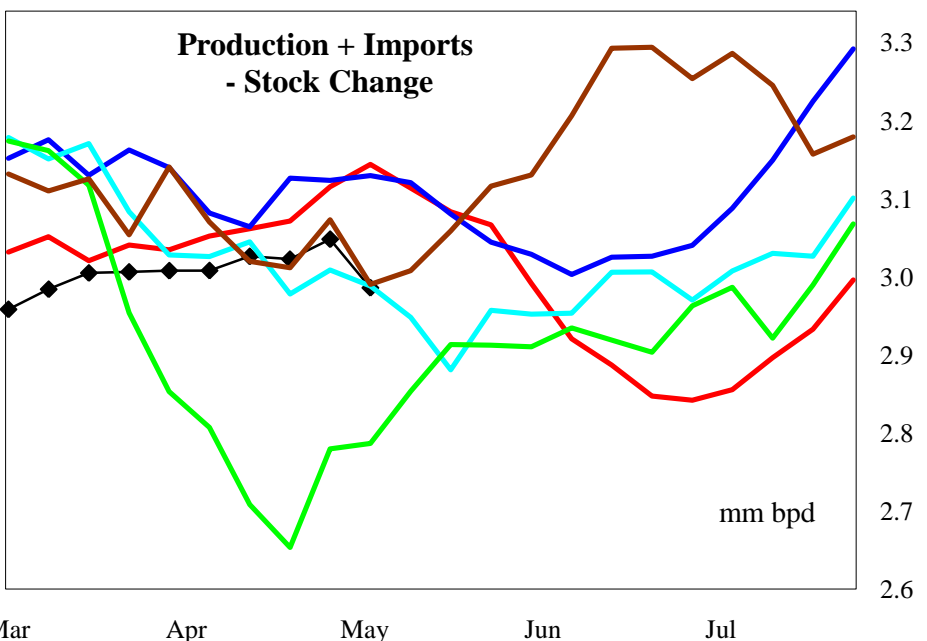
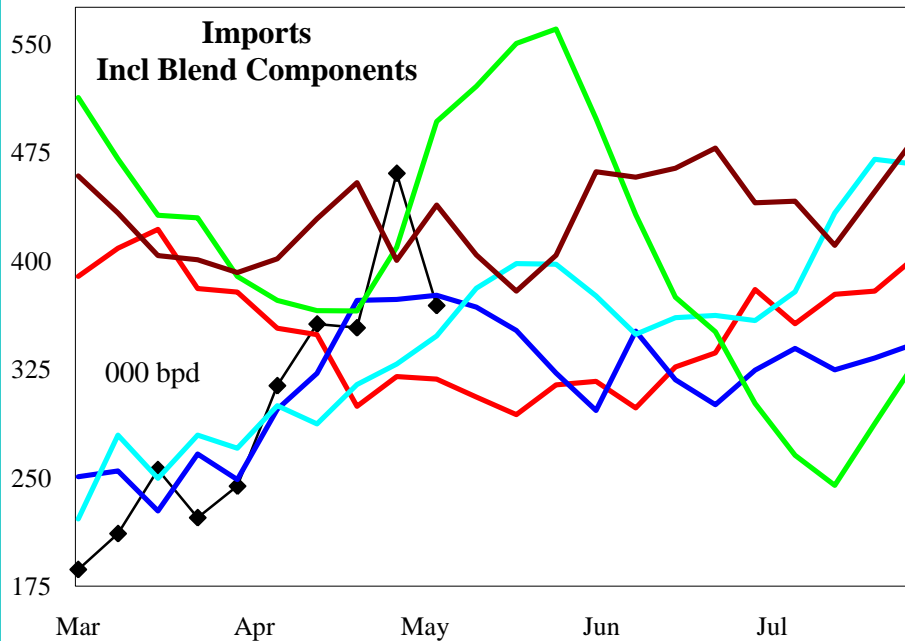
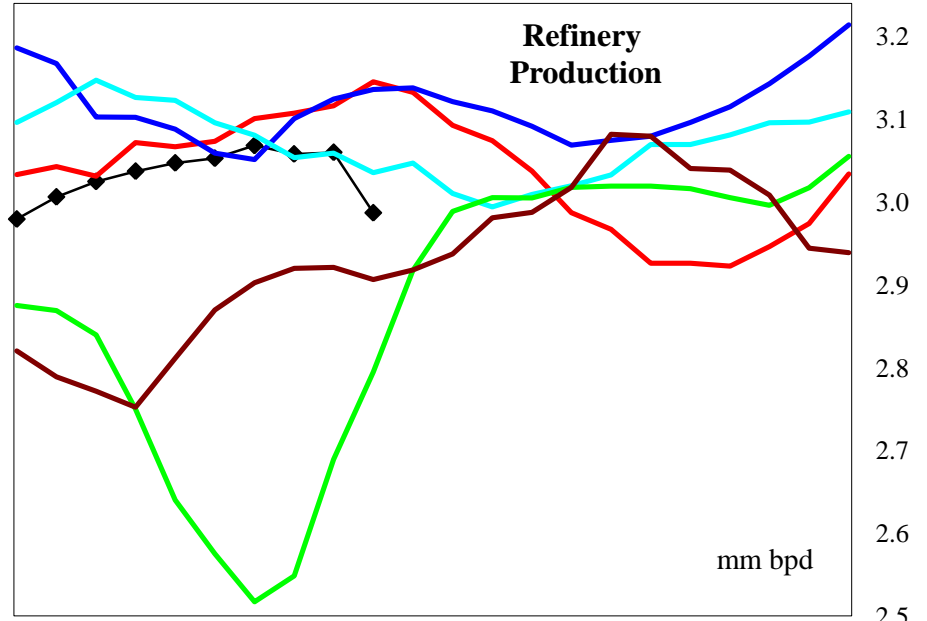
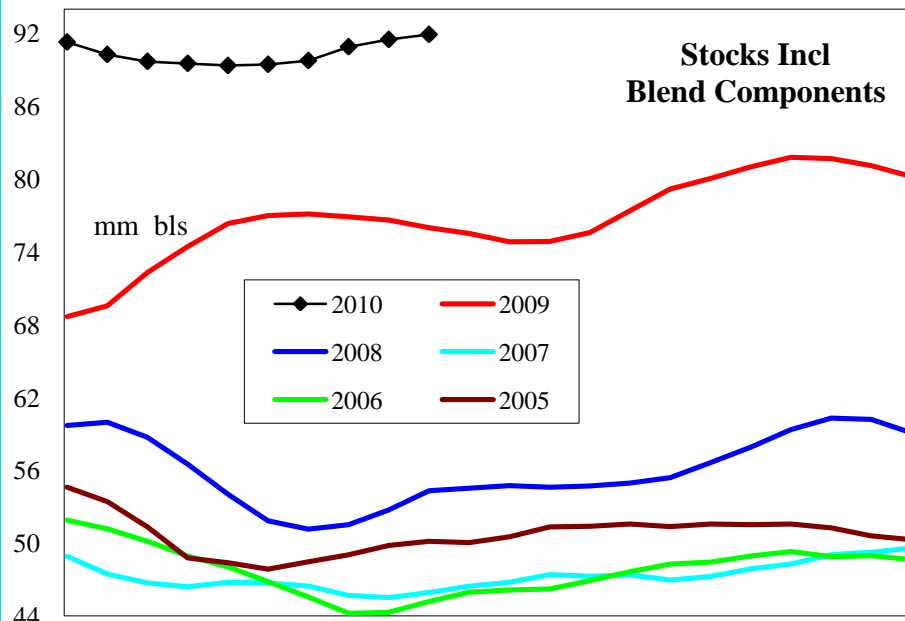
United States Crude Oil Supply and Demand Balance



United States Gasoline Supply and Demand Balance



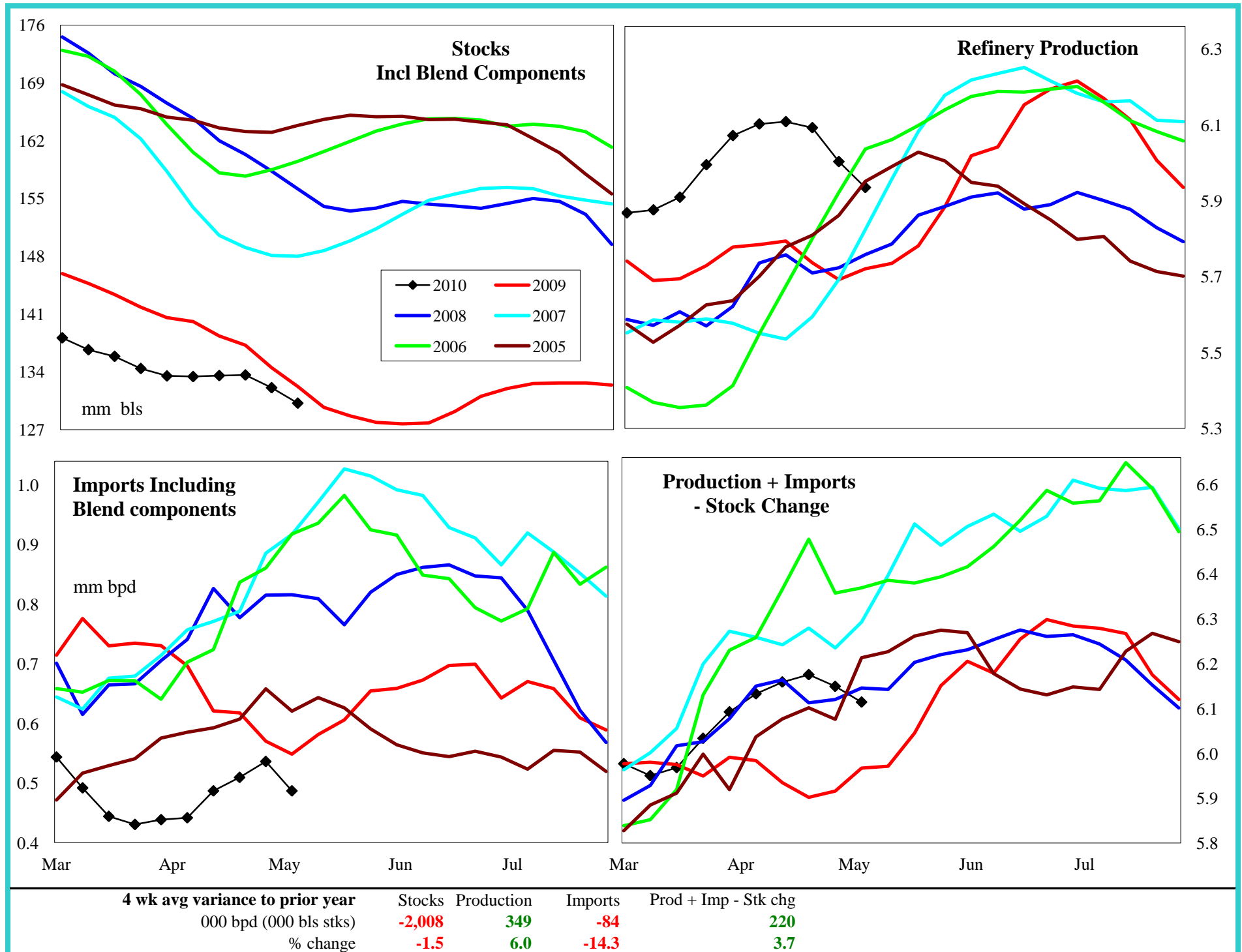
United States Reformulated Gasoline Supply



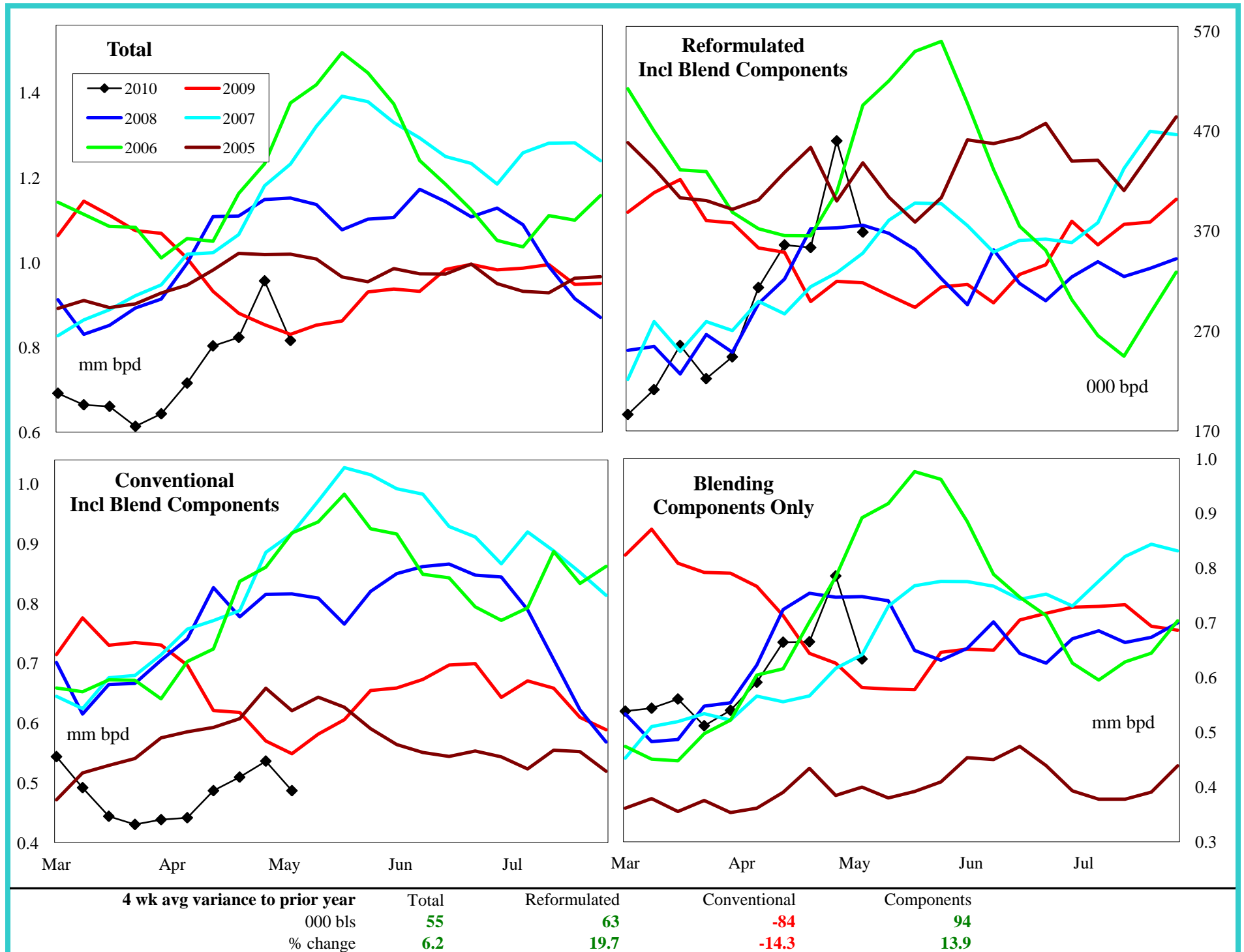
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
15,906	-49	63	-77
20.9	-1.6	19.7	-2.5

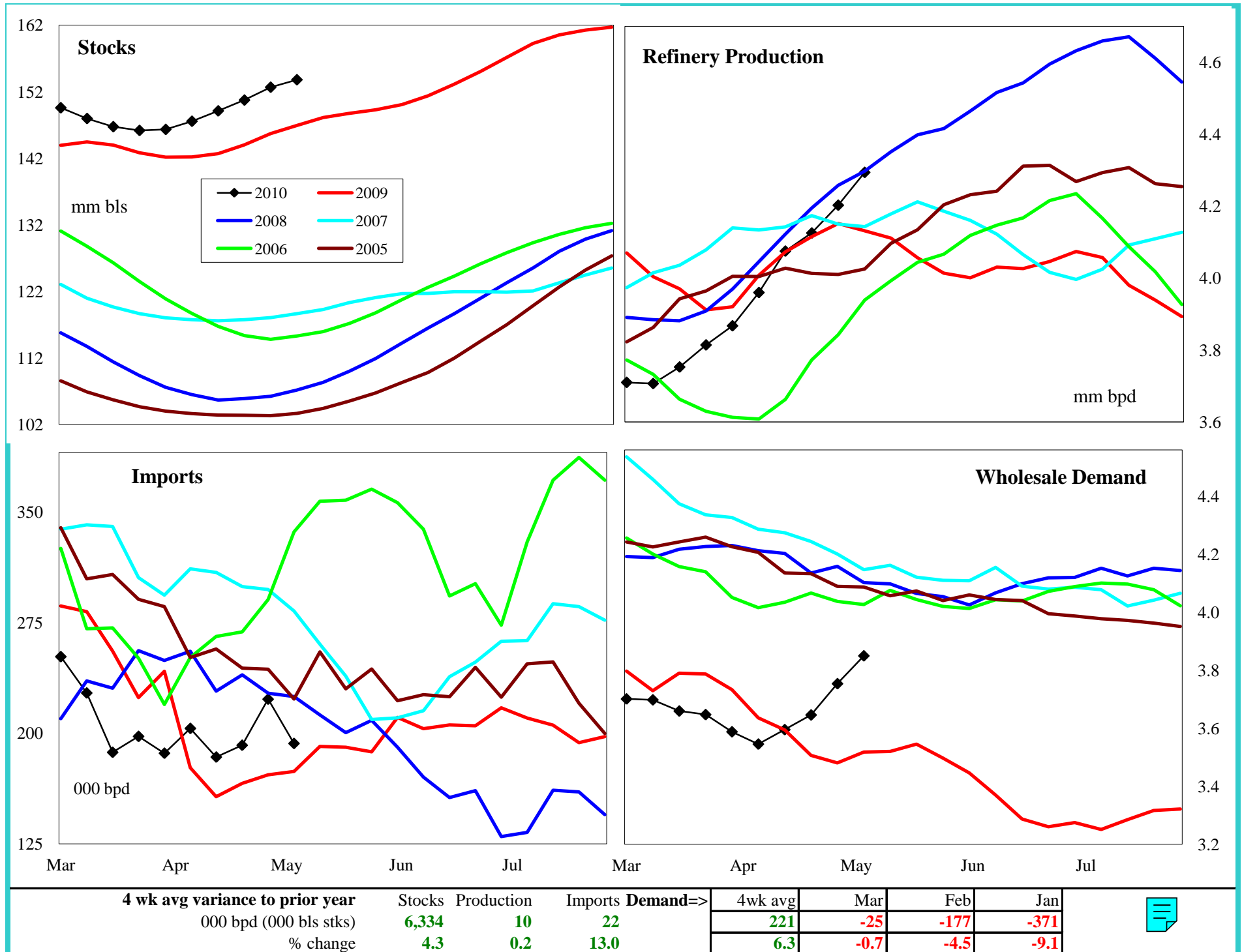
United States Conventional Gasoline Supply



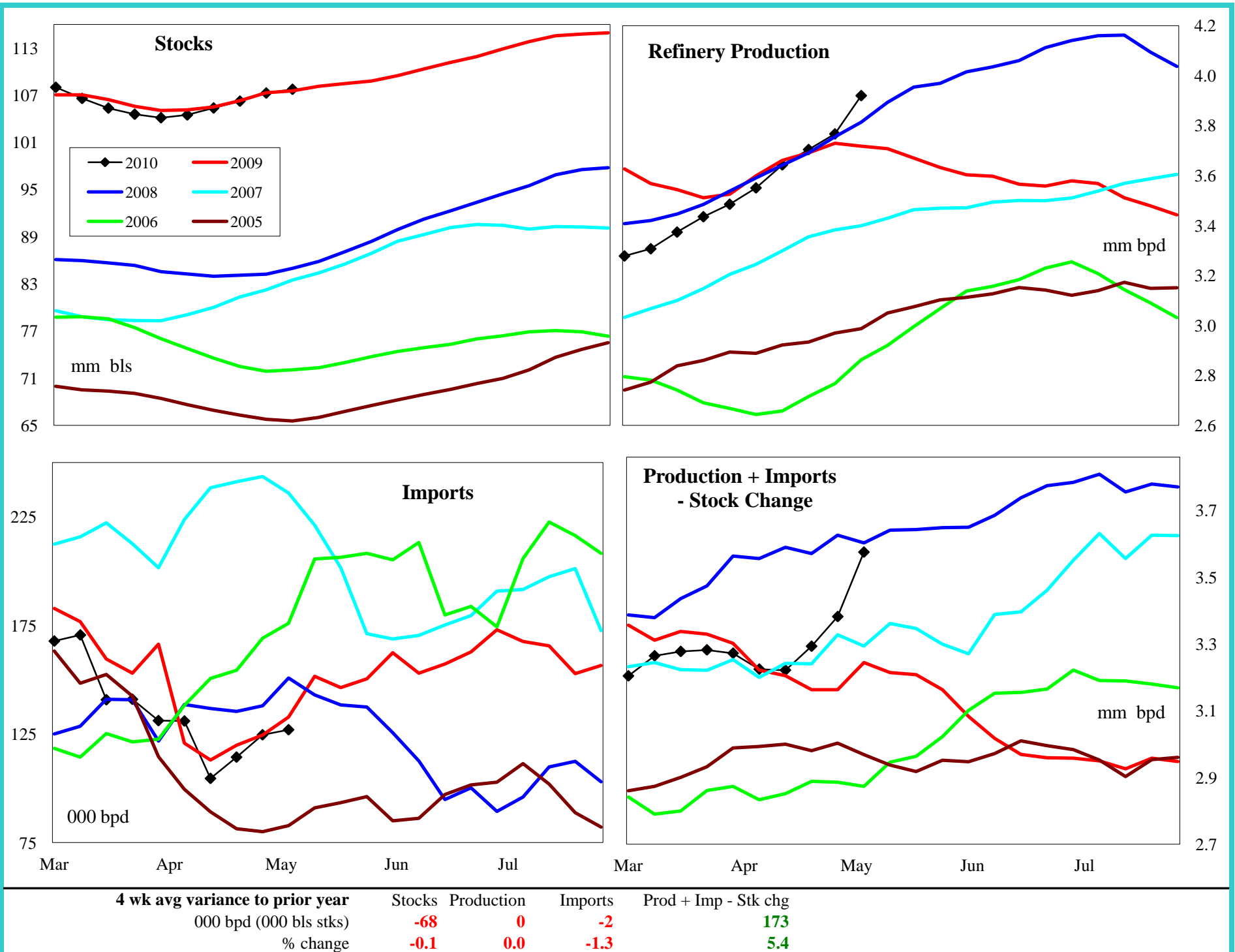
United States Gasoline Imports by Type



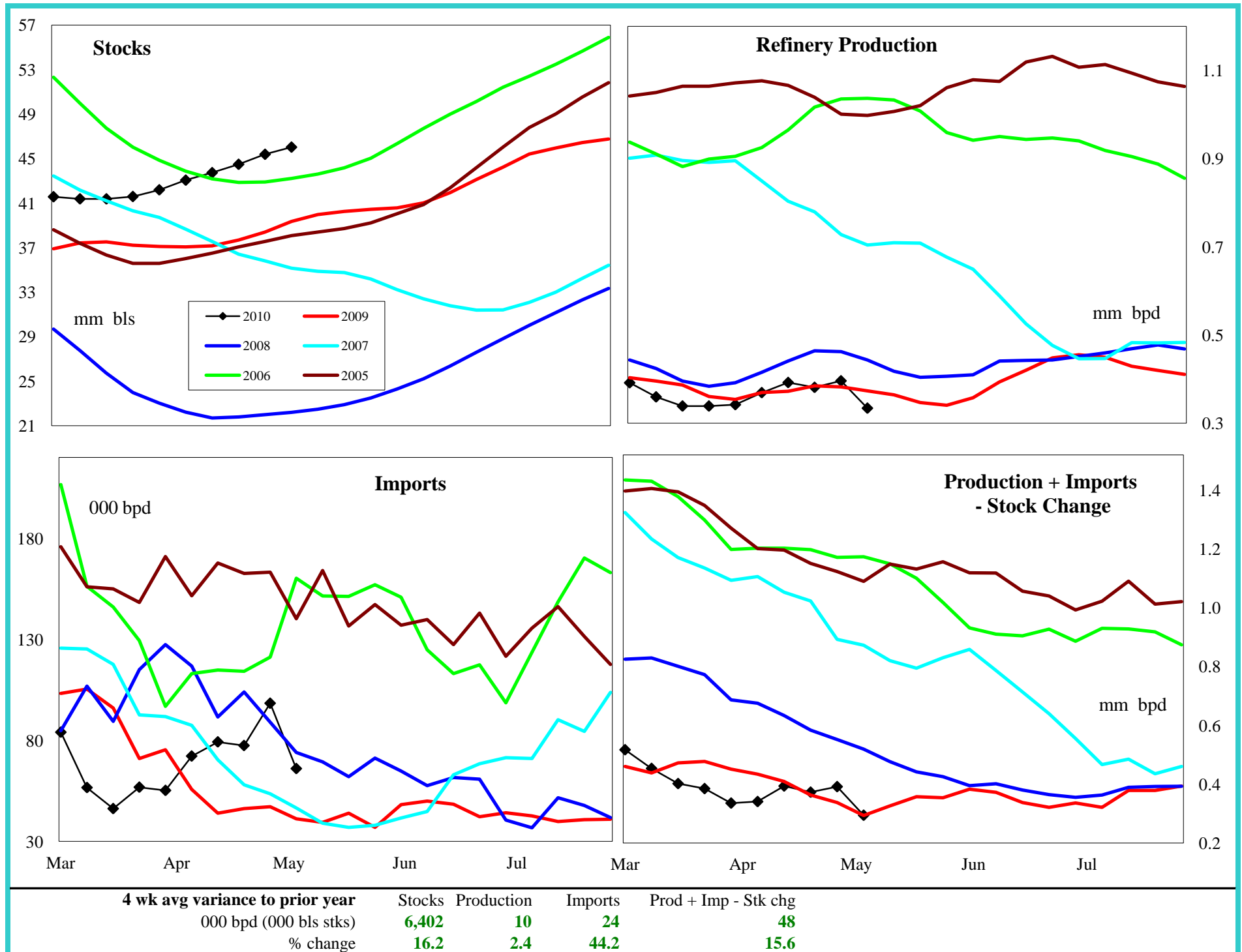
United States Distillate Supply and Demand Balance



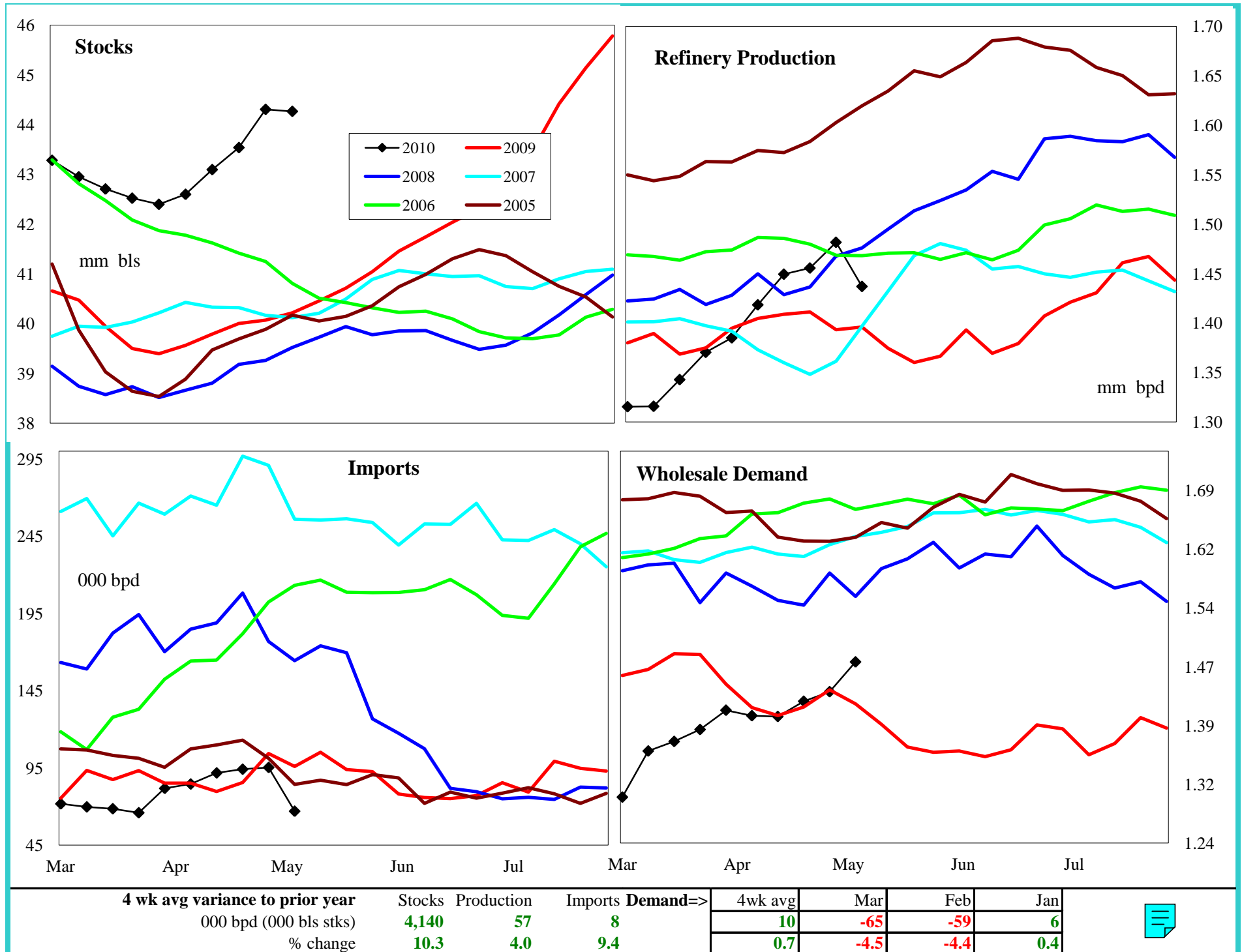
United States Low Sulfur Distillate Supply



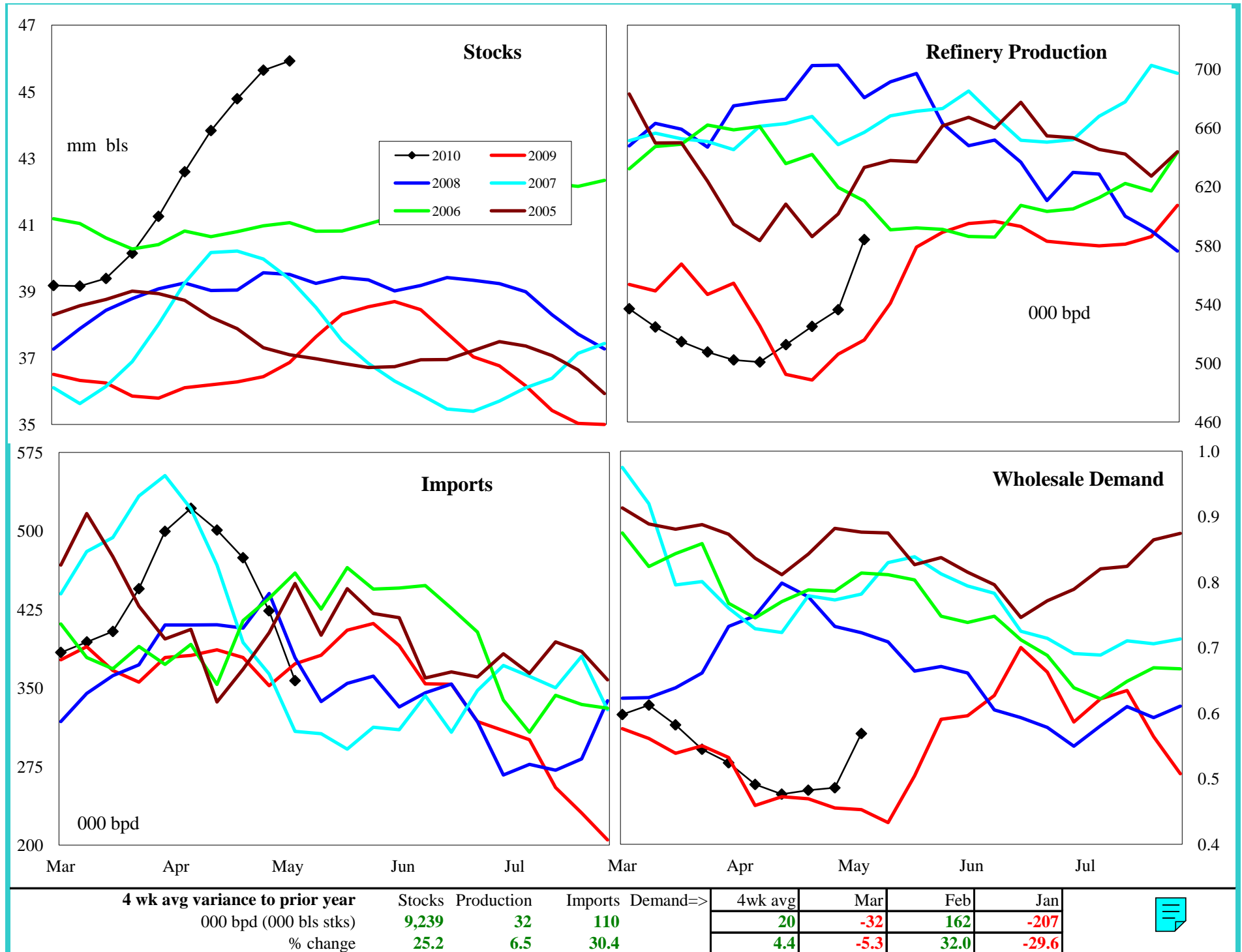
United States High Sulfur Distillate Supply



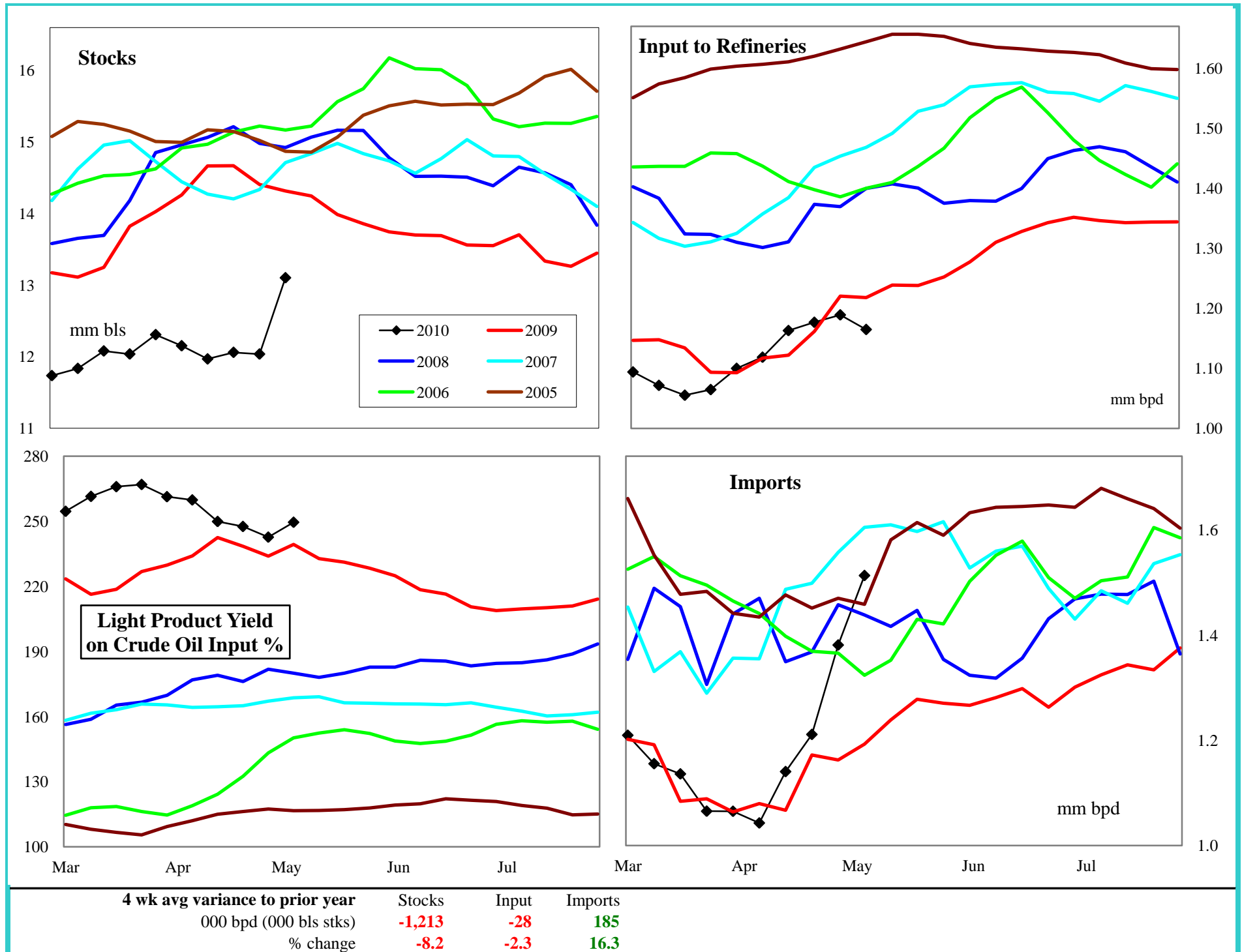
United States Jet Fuel Supply and Demand Balance



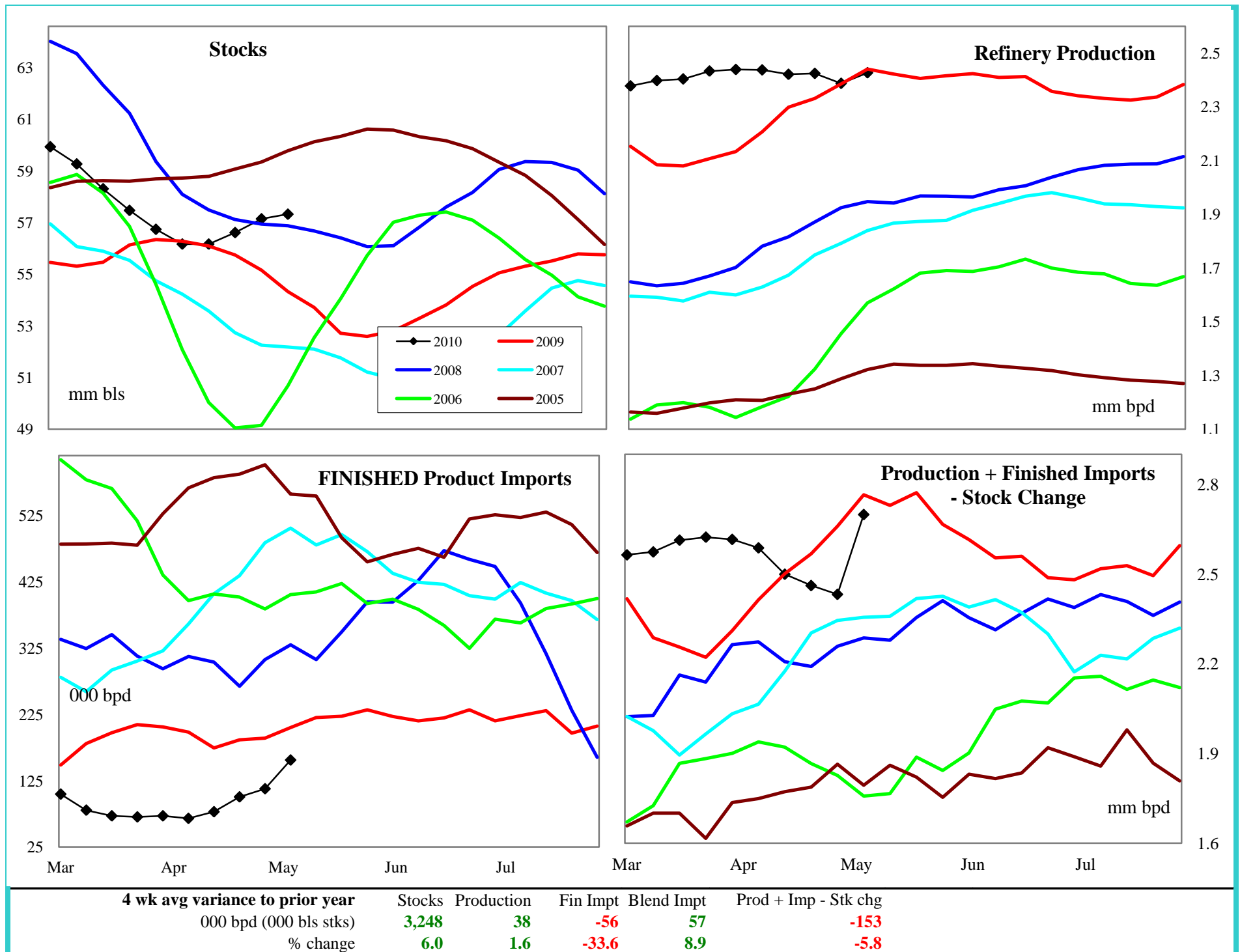
United States Residual Fuel Oil Supply and Demand Balance



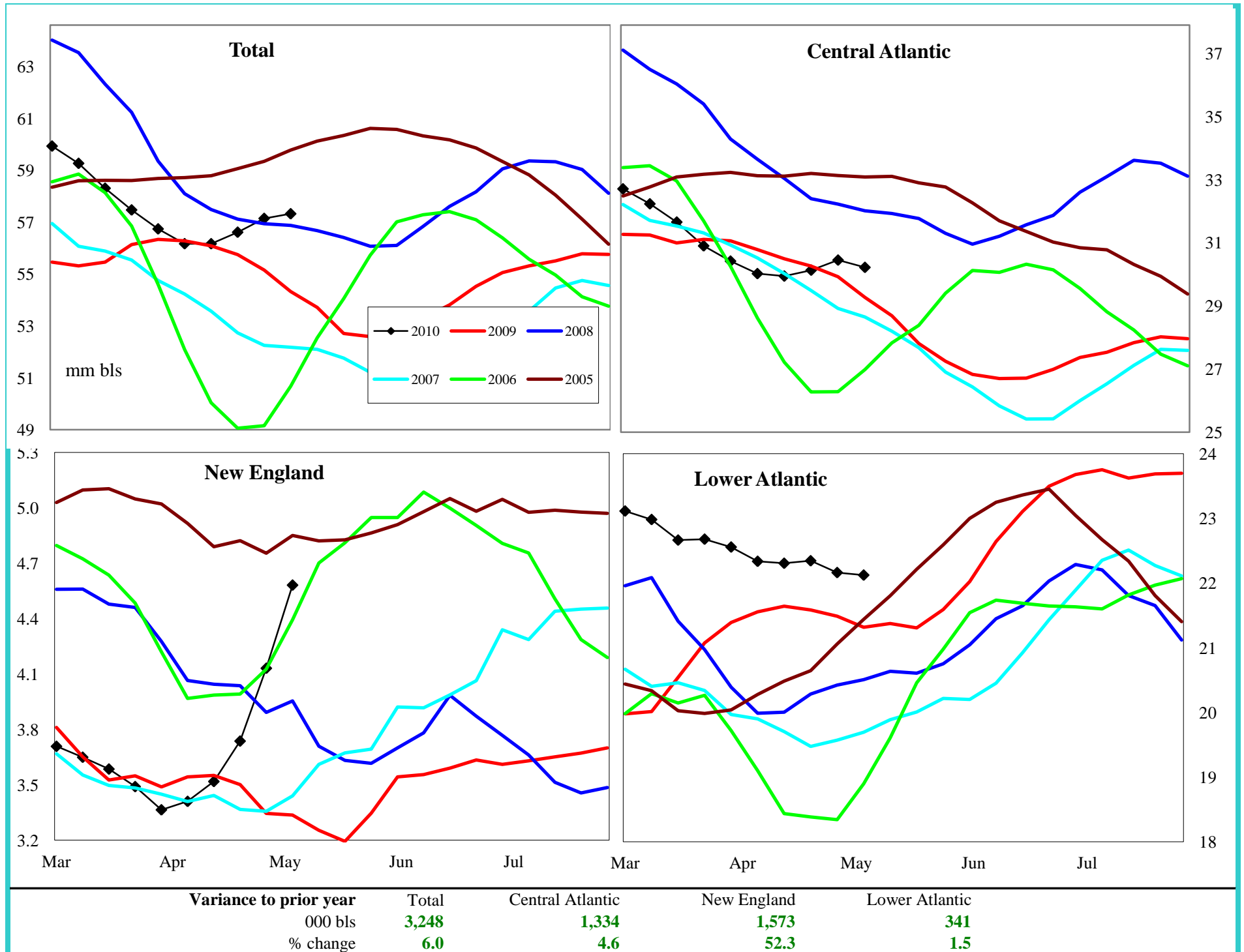
PADD 1 Crude Oil Supply and Refining



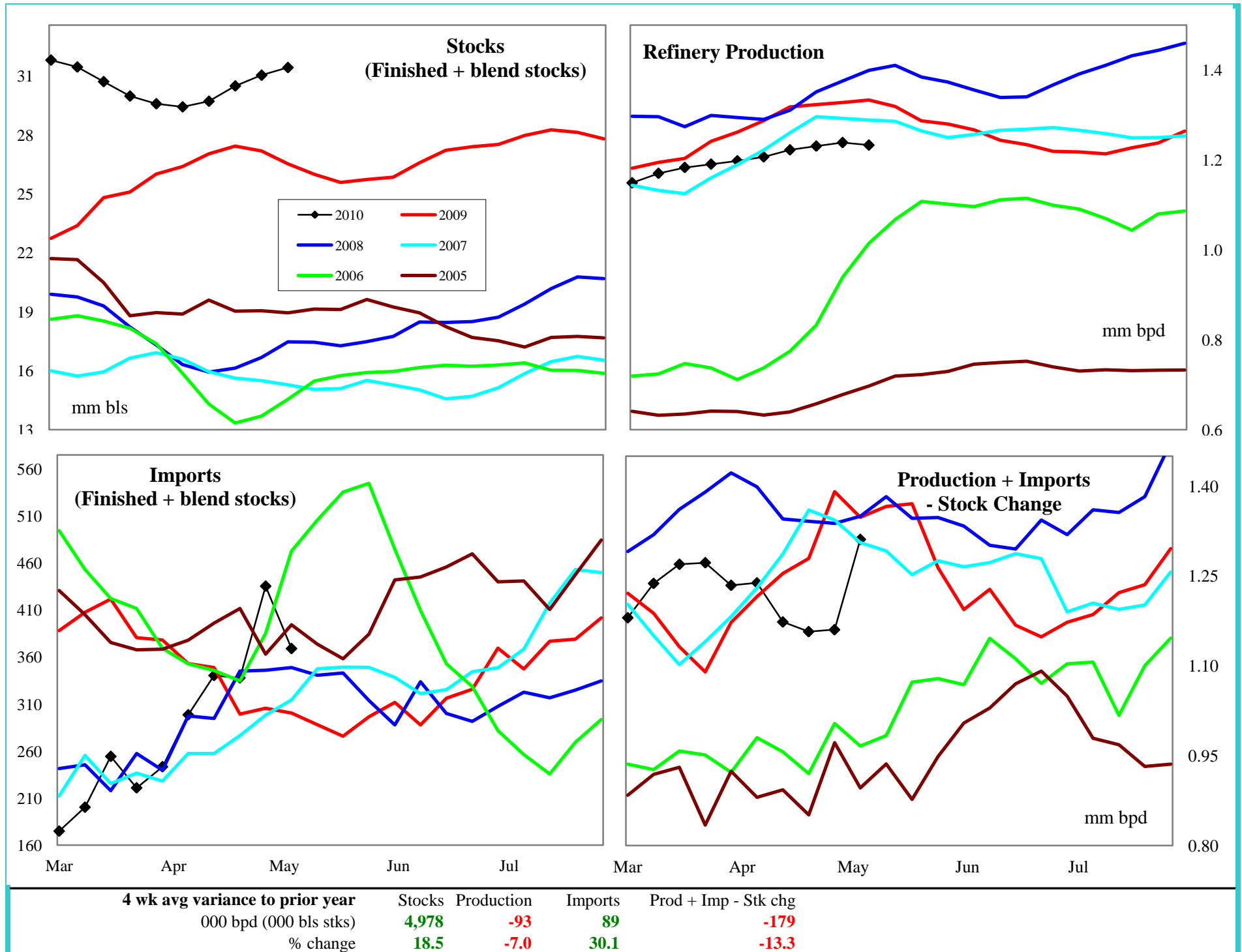
PADD 1 Gasoline Supply



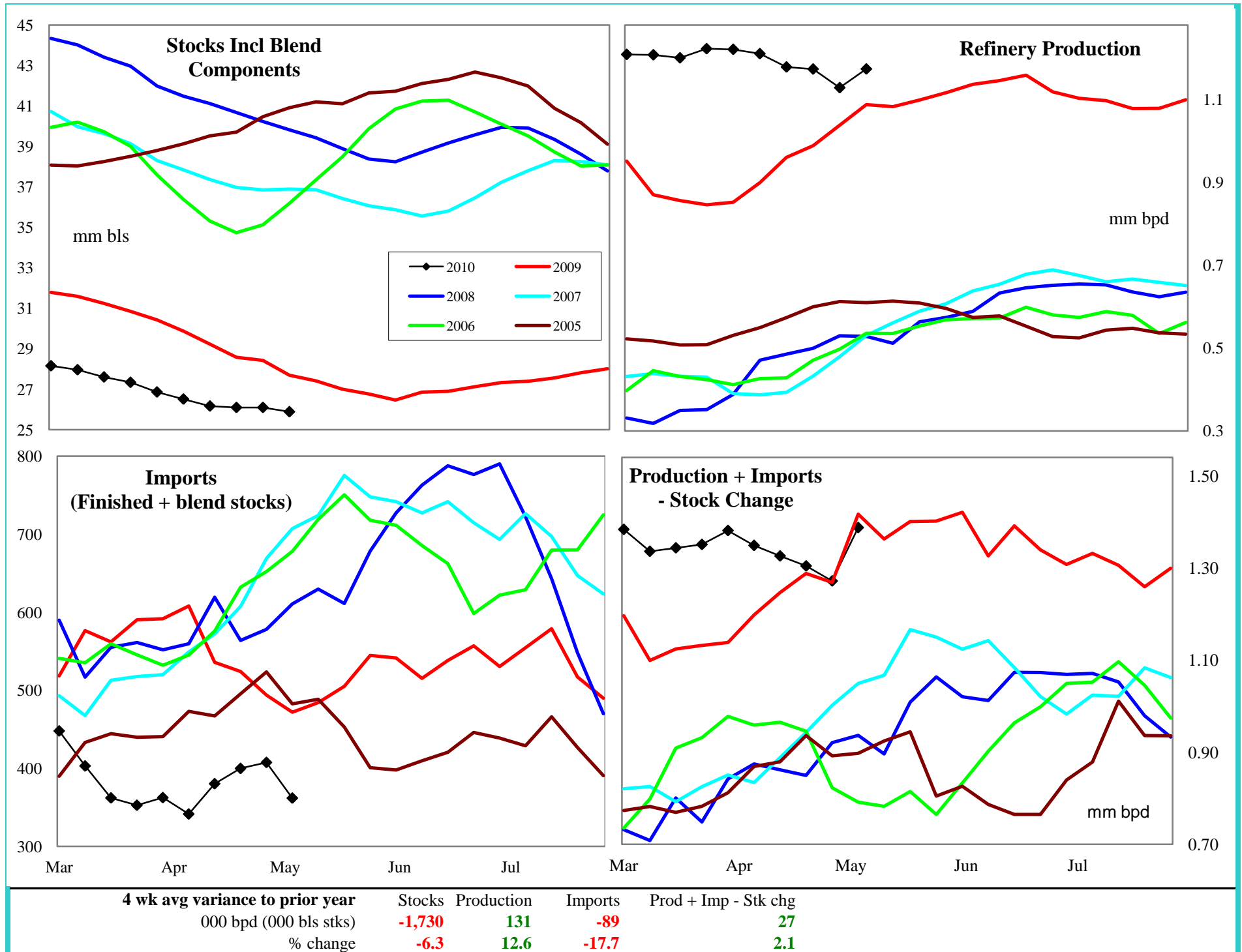
PADD 1 Gasoline Stocks by Region



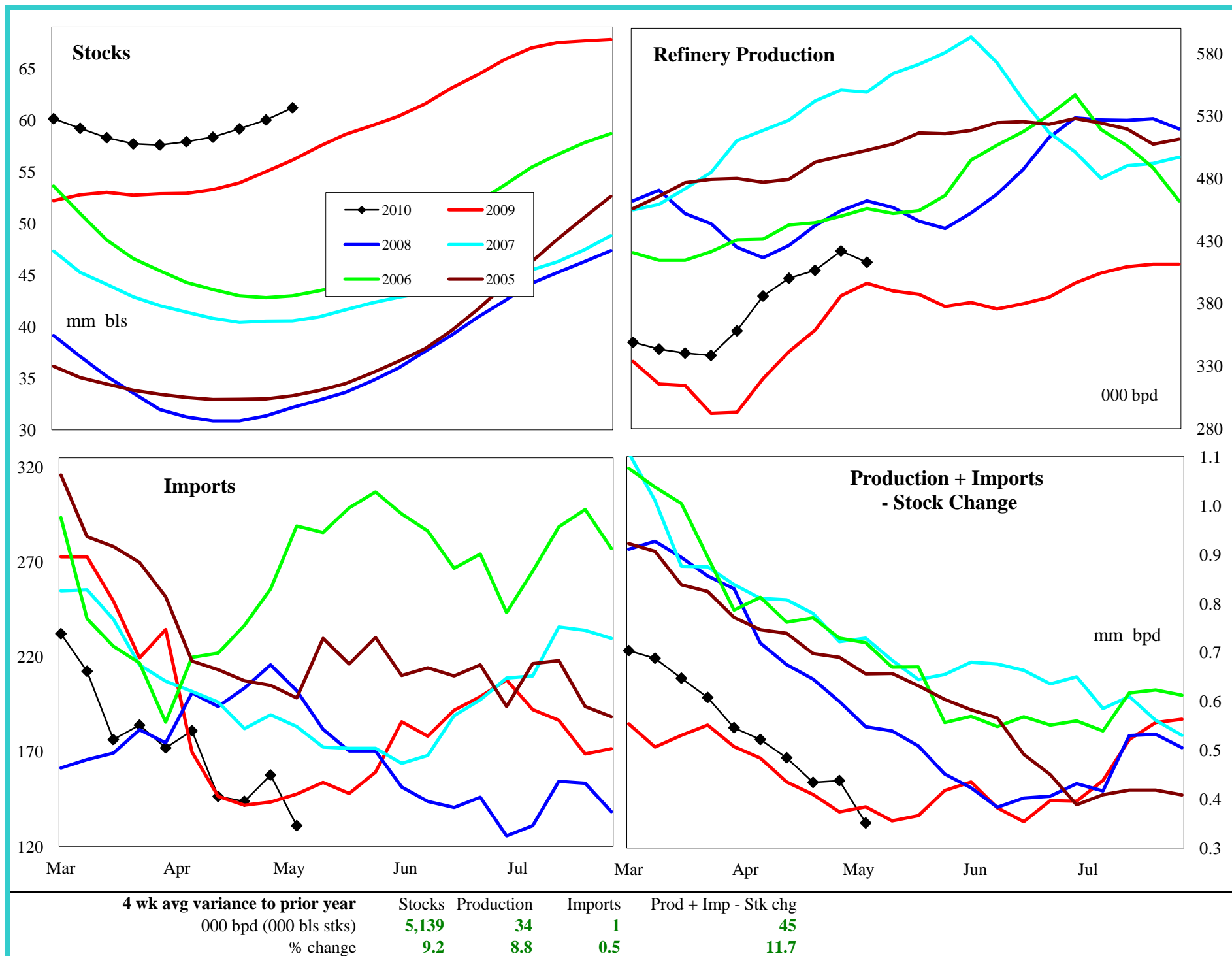
PADD 1 Reformulated Gasoline Supply



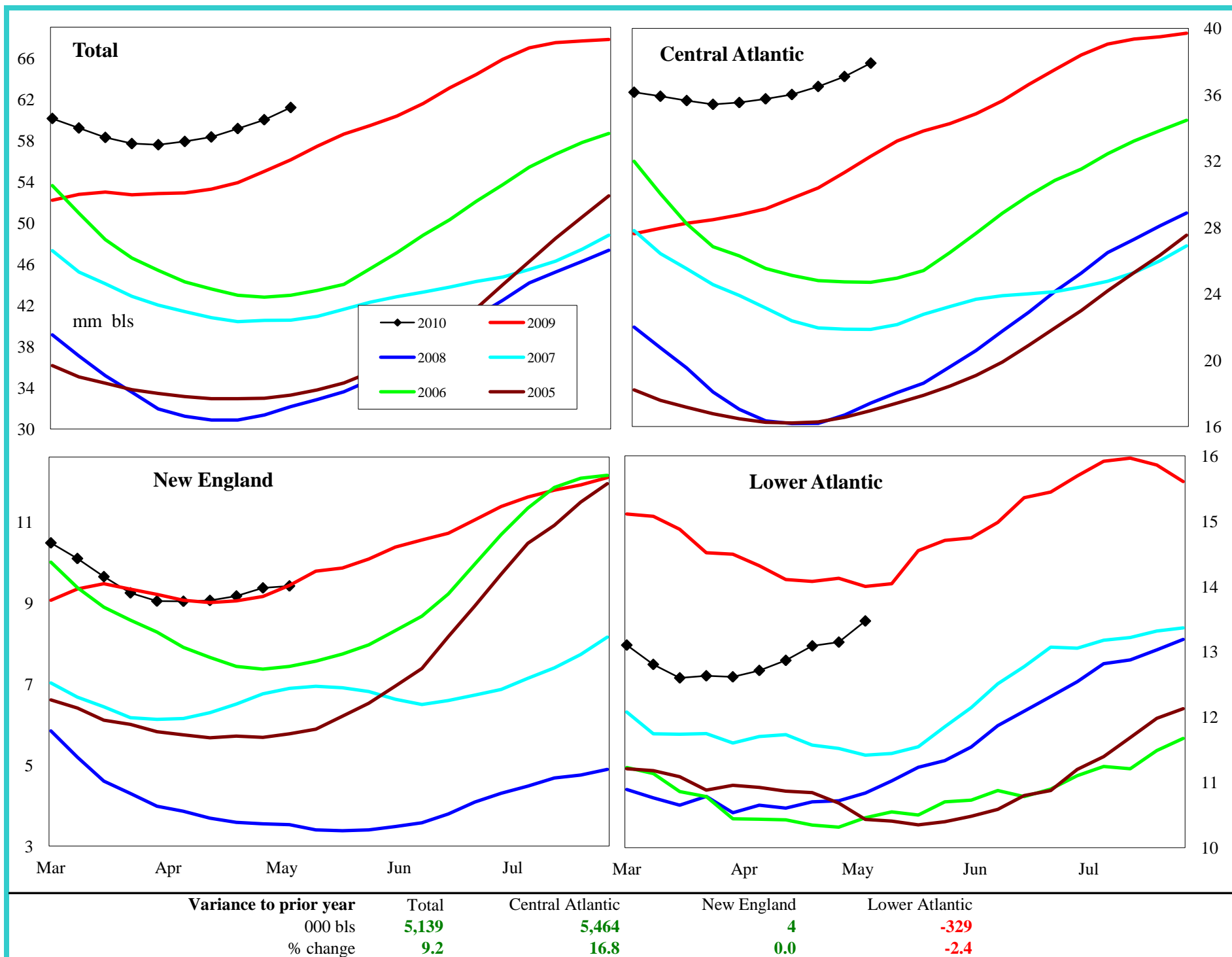
PADD 1 Conventional Gasoline Supply



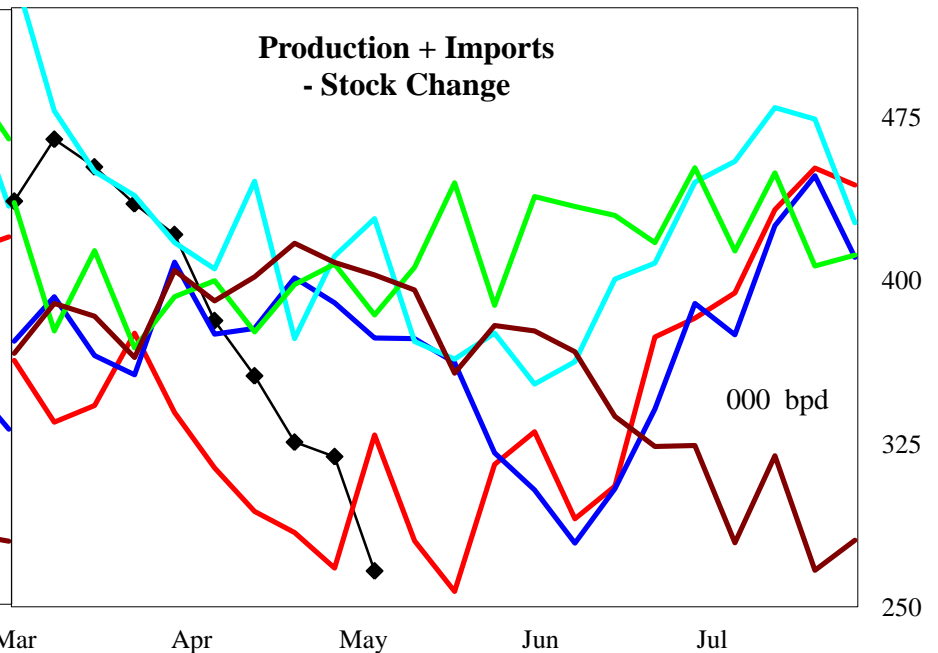
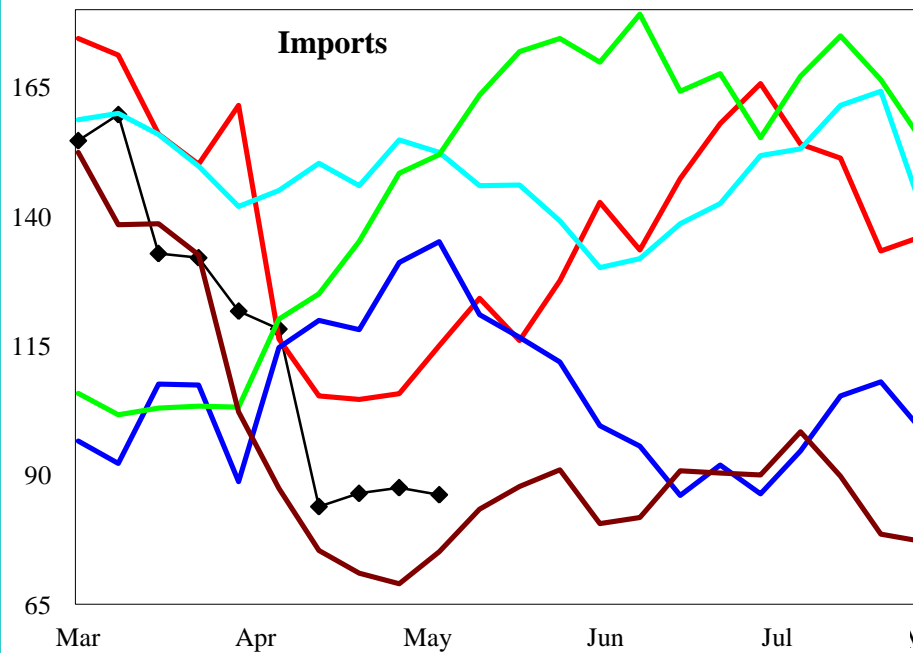
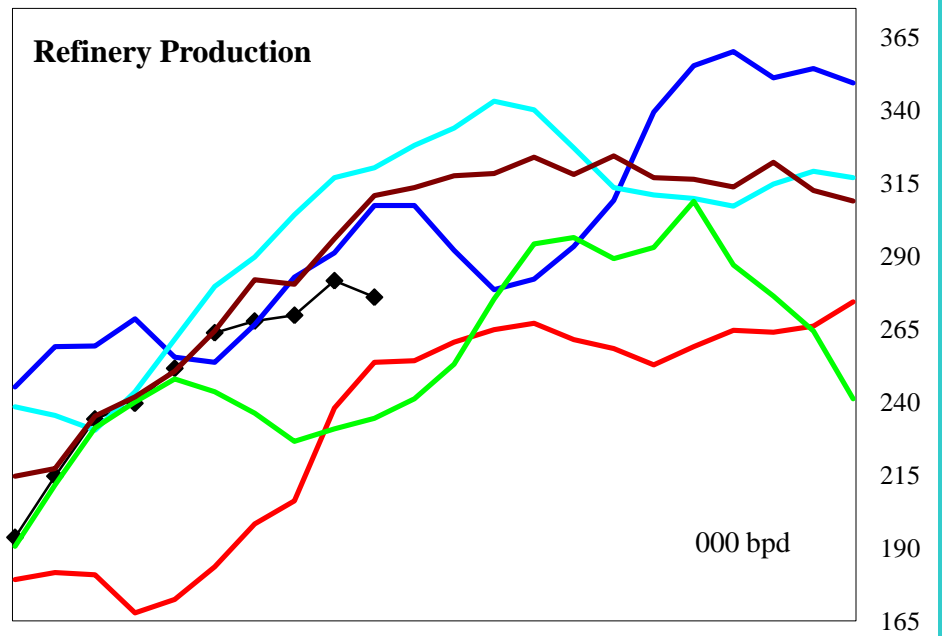
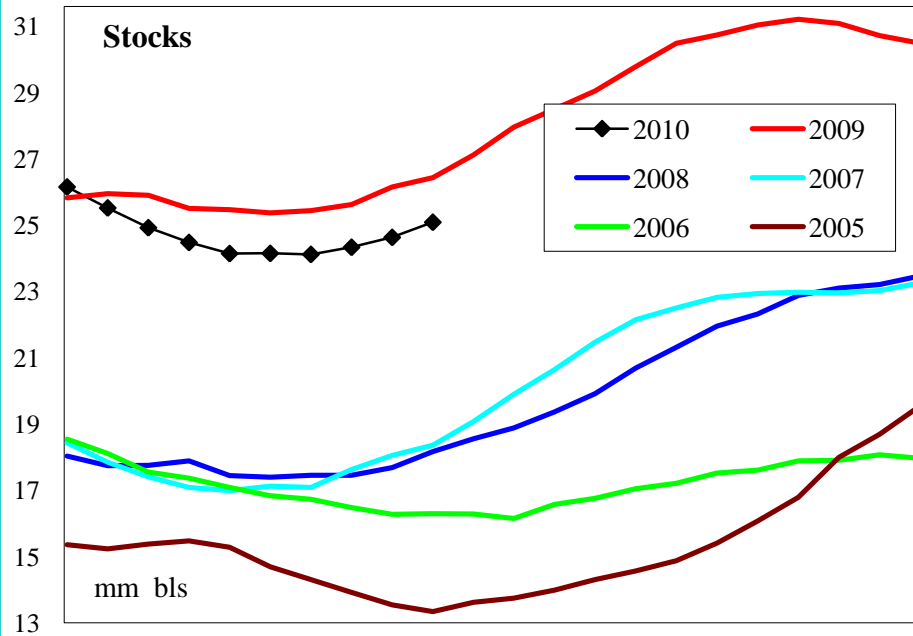
PADD 1 Distillate Supply



PADD 1 Distillate Stocks by Region



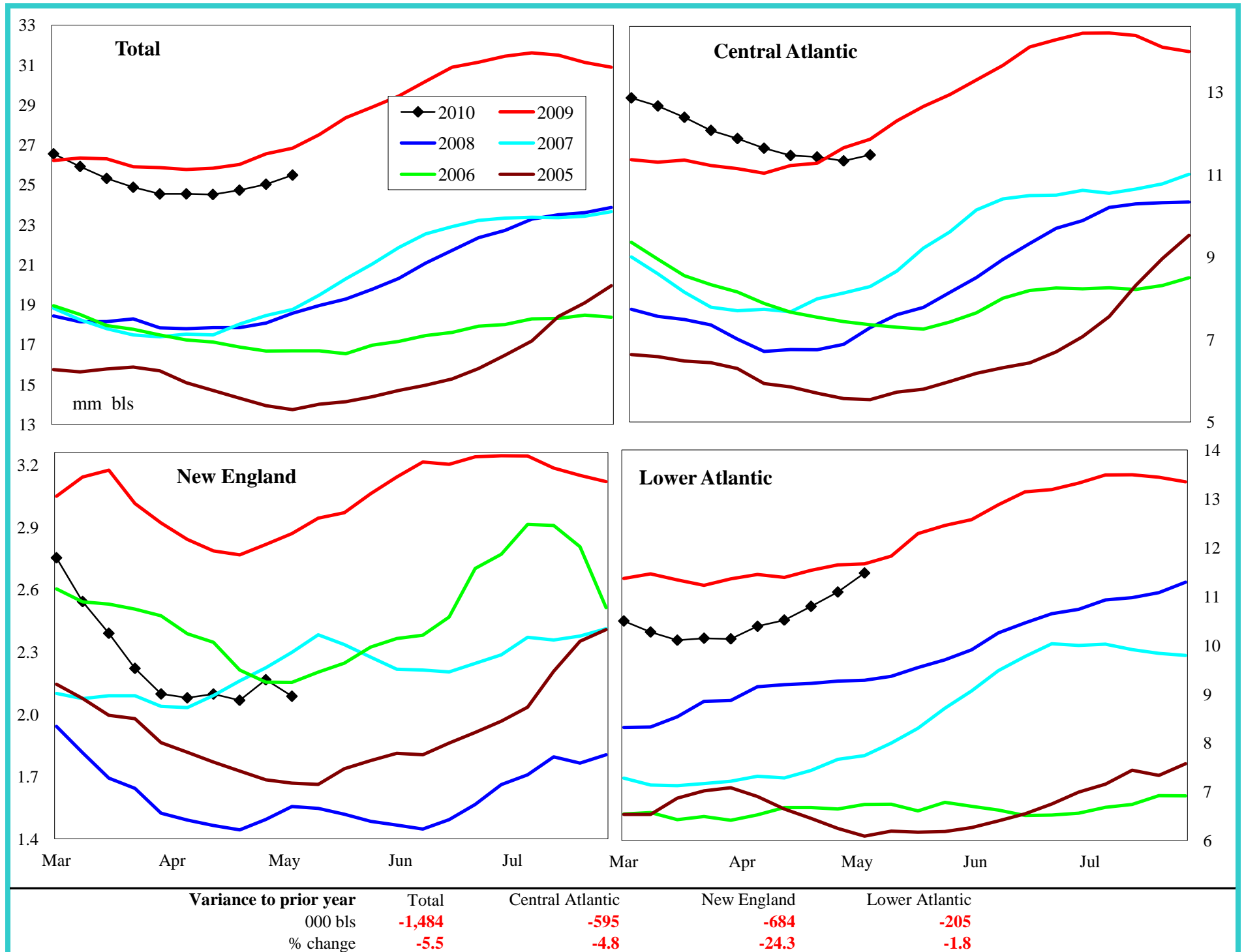
PADD 1 Low Sulfur Distillate Supply



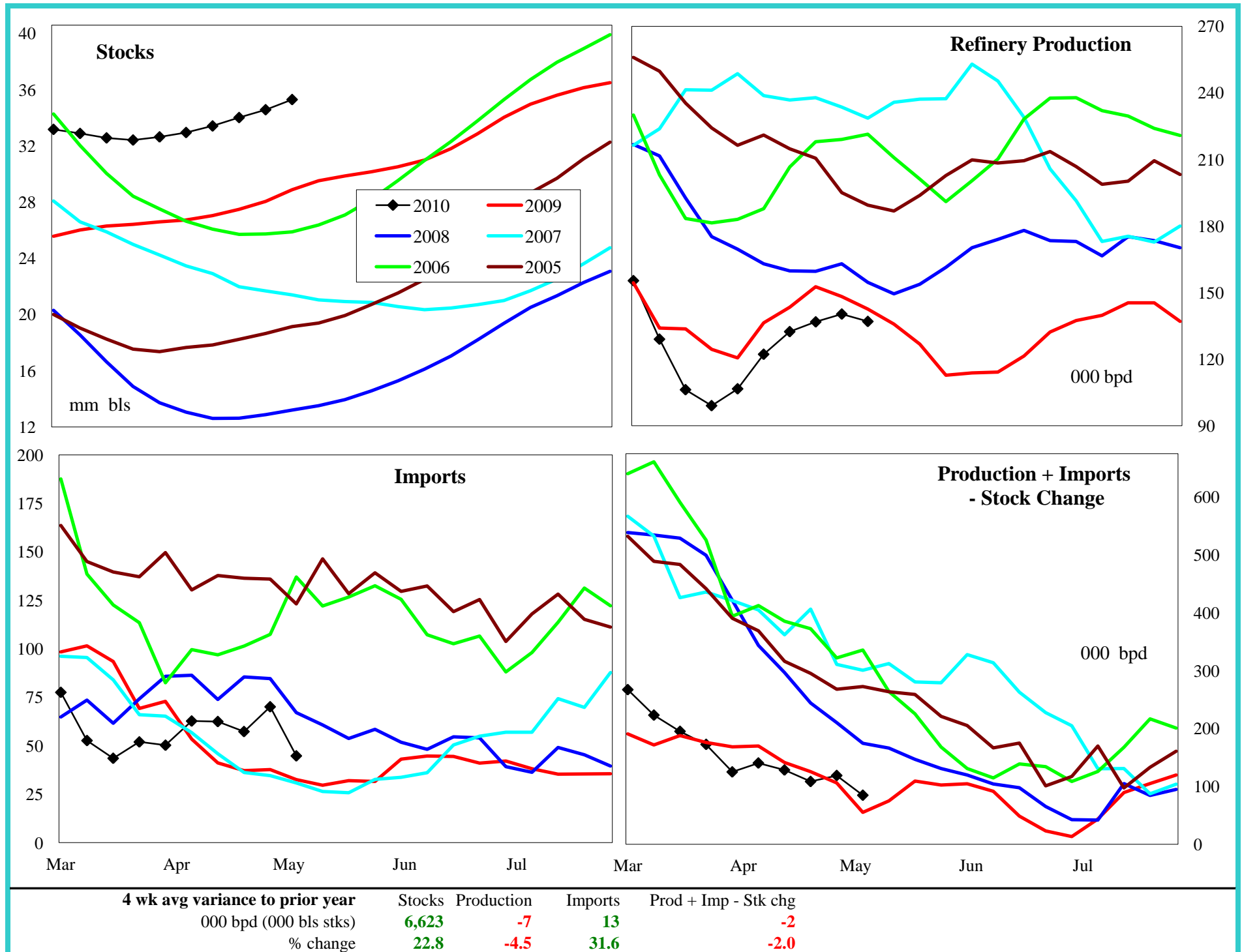
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
-1,484	41	-13	48
-5.5	17.5	-12.8	17.9

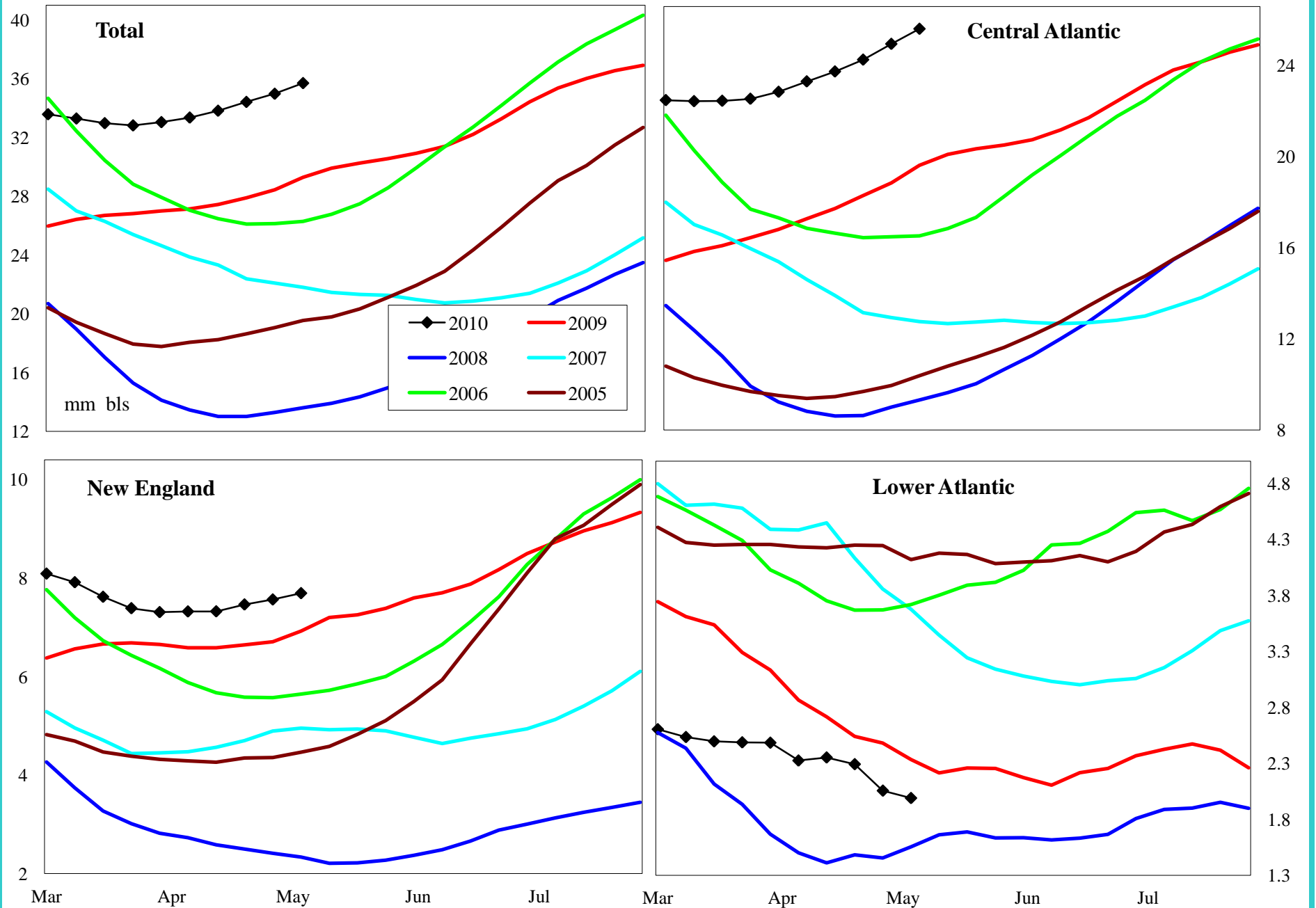
PADD 1 Low Sulfur Distillate Stocks by Region



PADD 1 High Sulfur Distillate Supply



PADD 1 High Sulfur Distillate Stocks by Region



Variance to prior year

000 bbls

% change

Total

6,623

22.8

Central Atlantic

6,059

30.4

New England

688

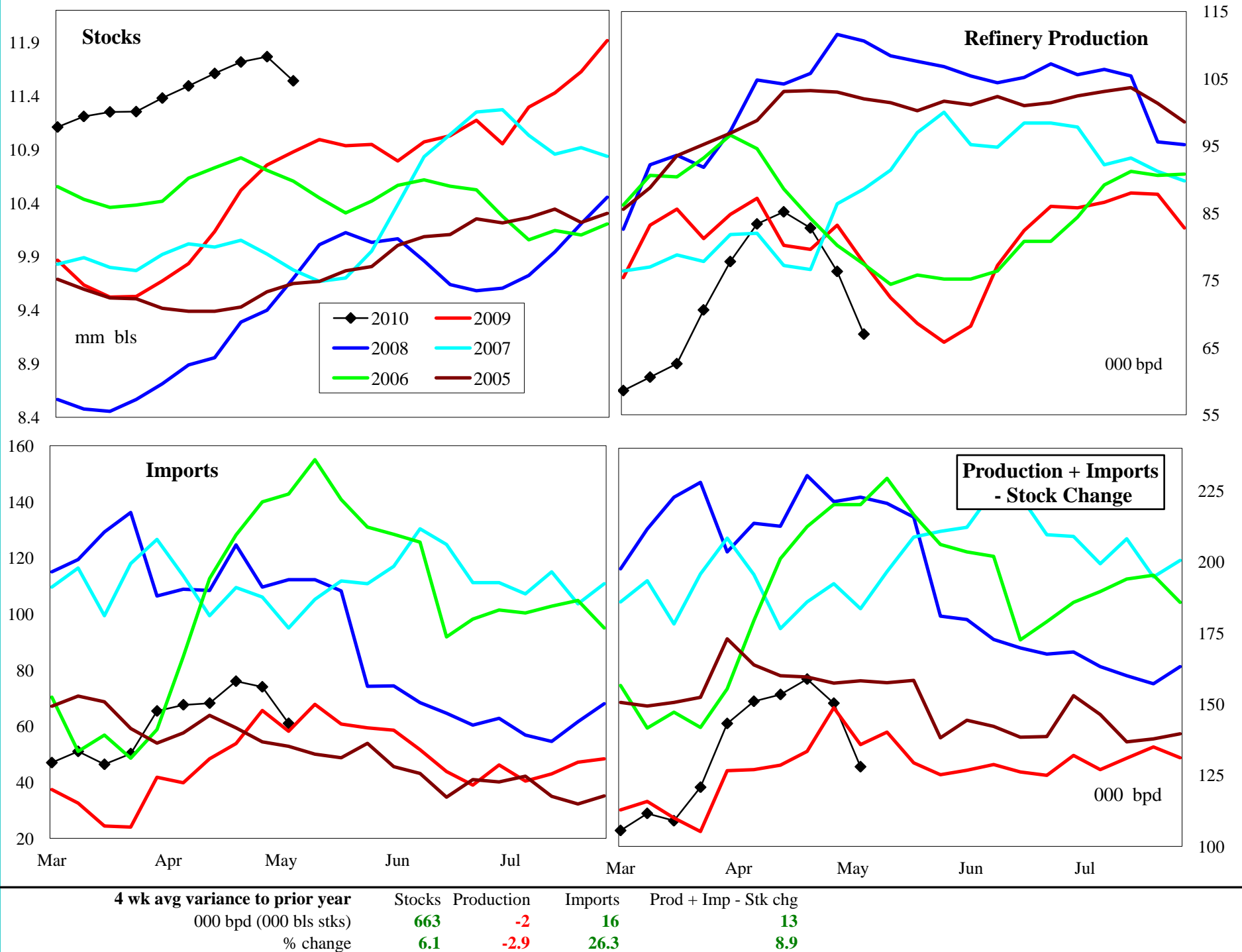
9.8

Lower Atlantic

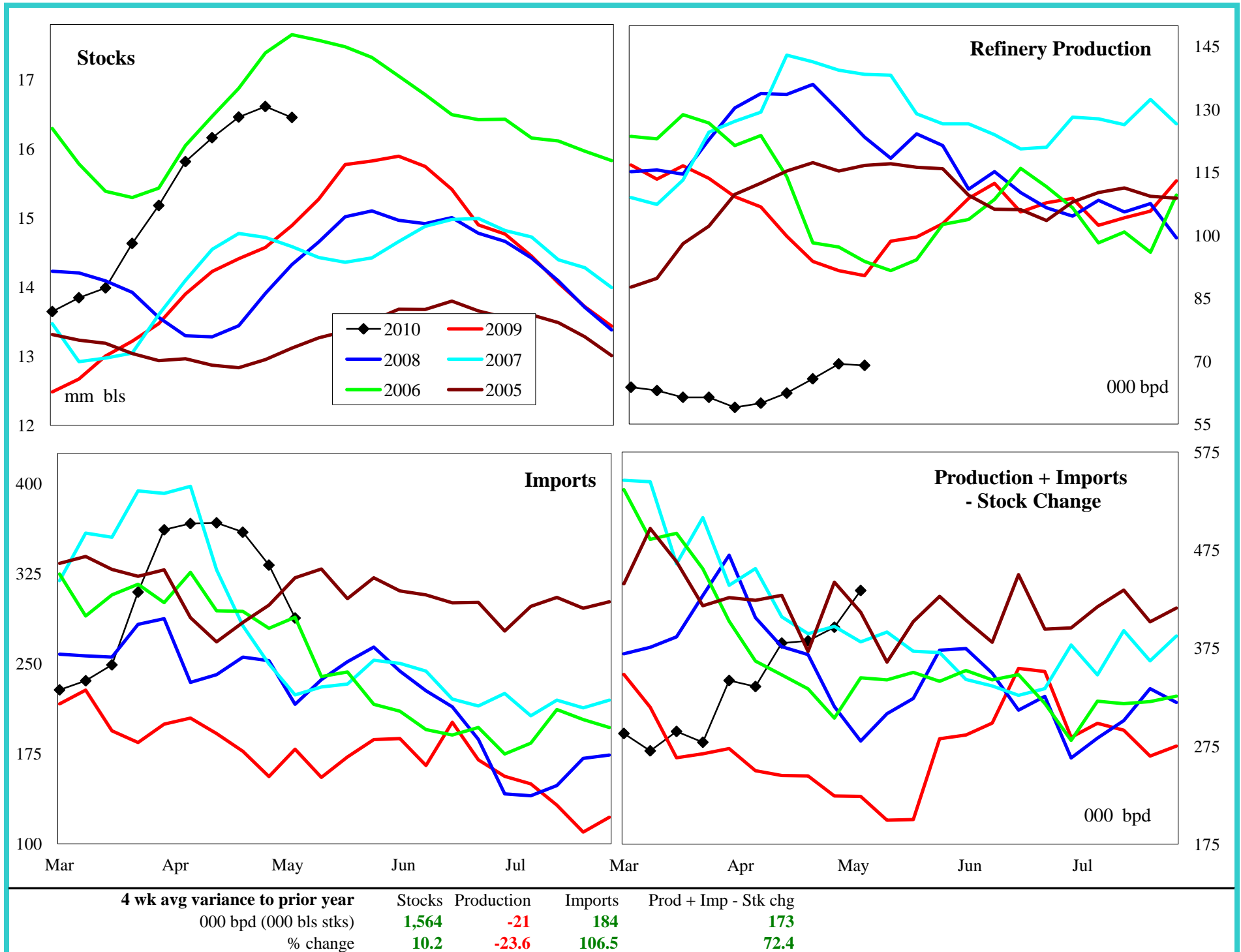
-124

-5.9

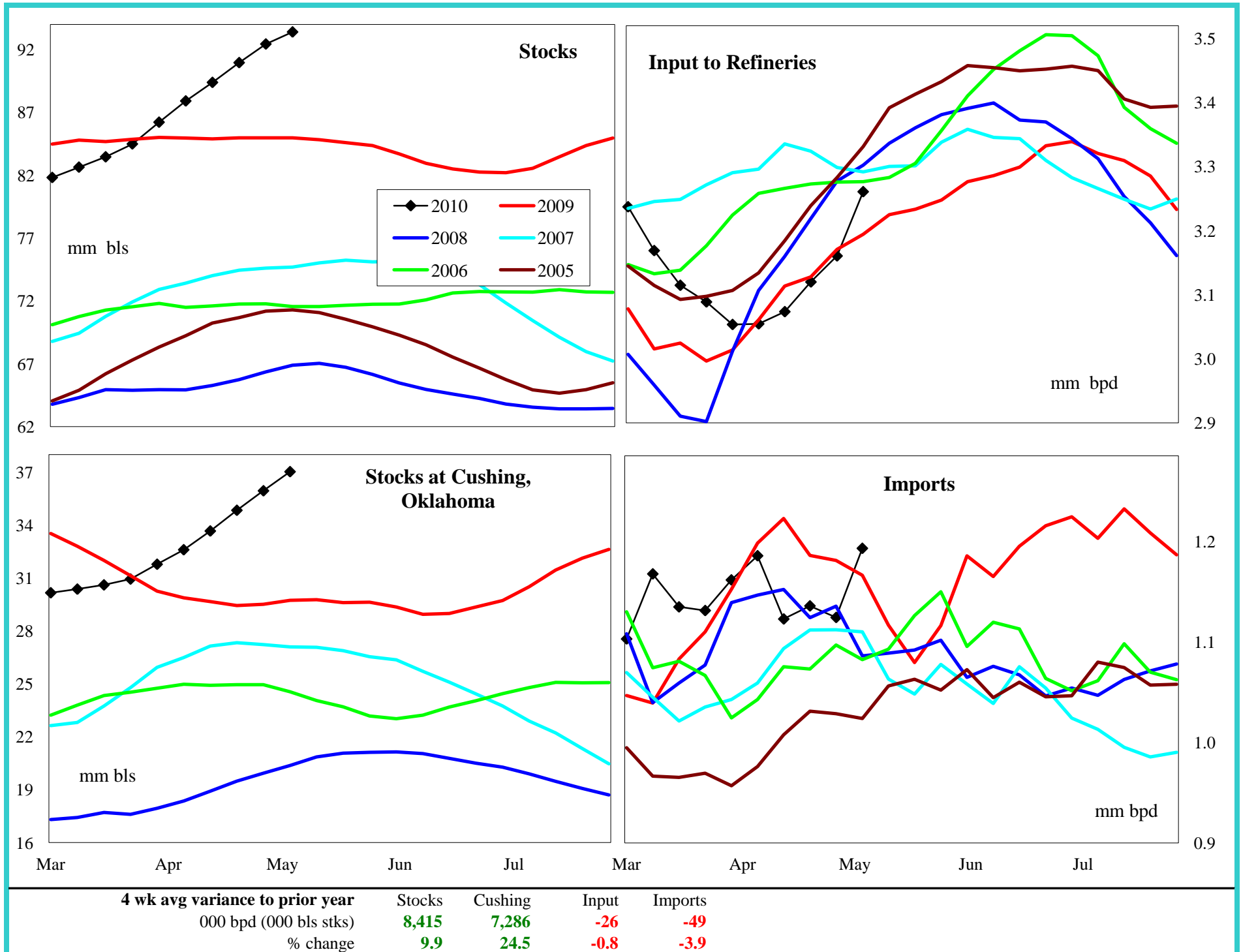
PADD 1 Jet Fuel Supply



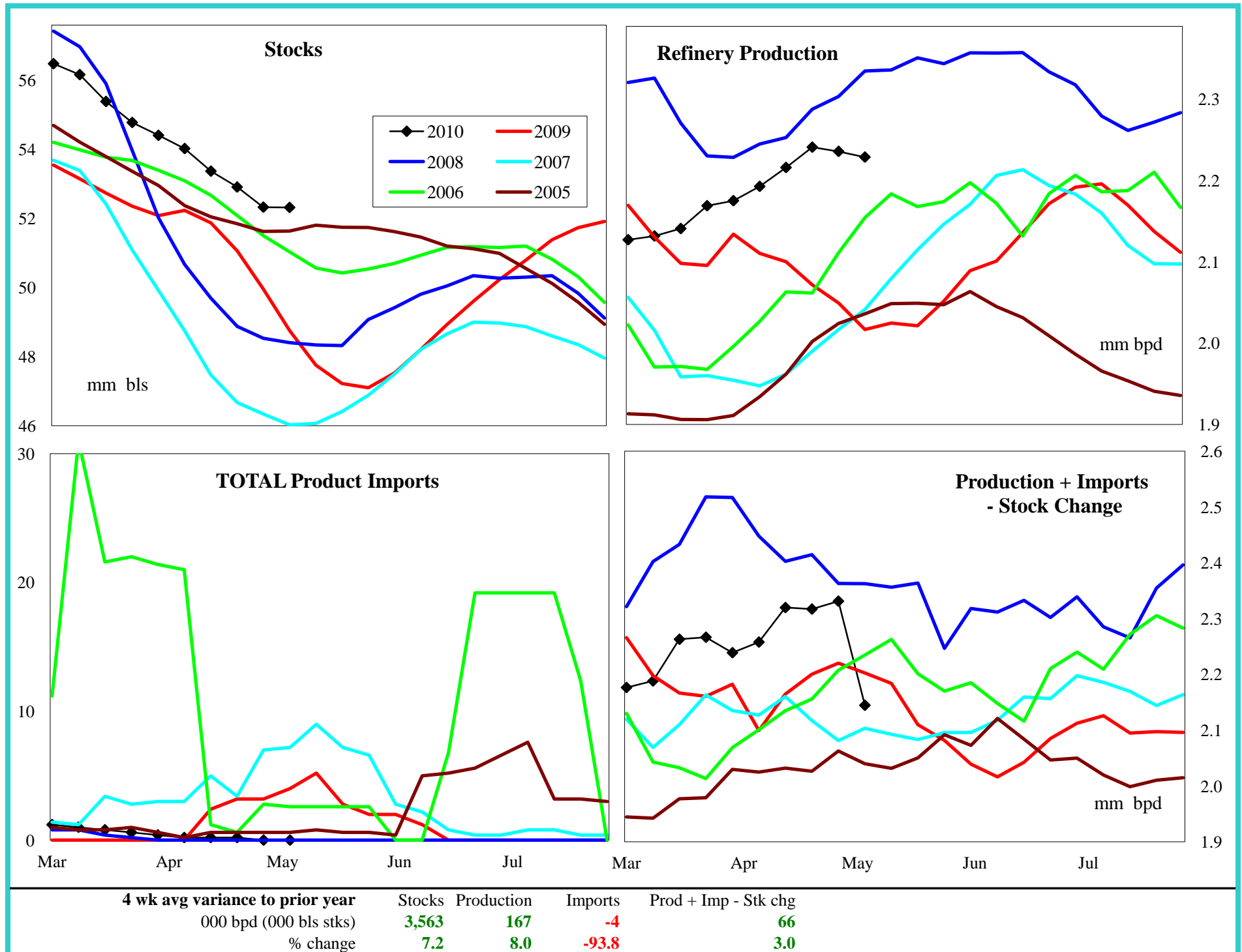
PADD 1 Residual Fuel Oil Supply



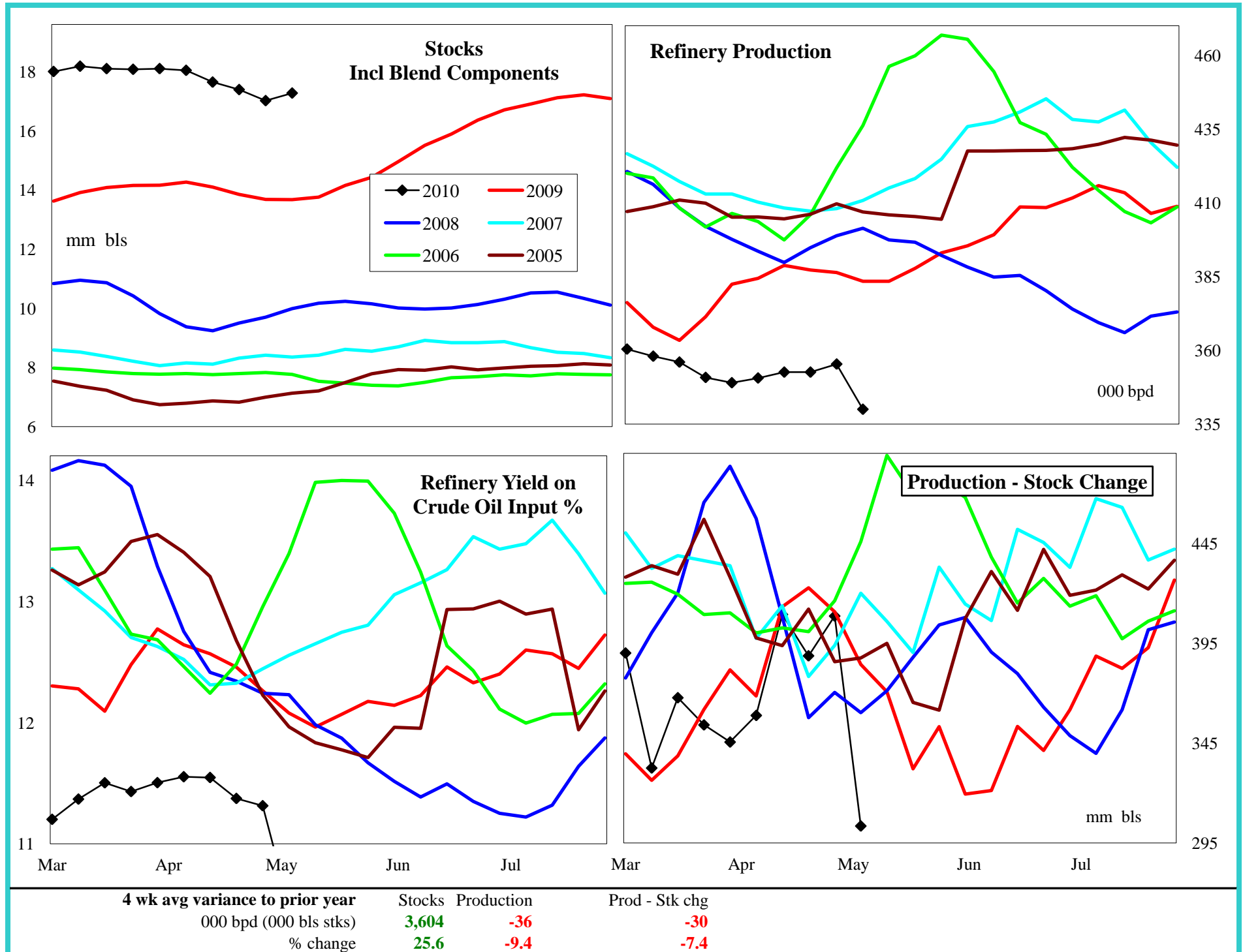
PADD 2 Crude Oil Supply and Refining



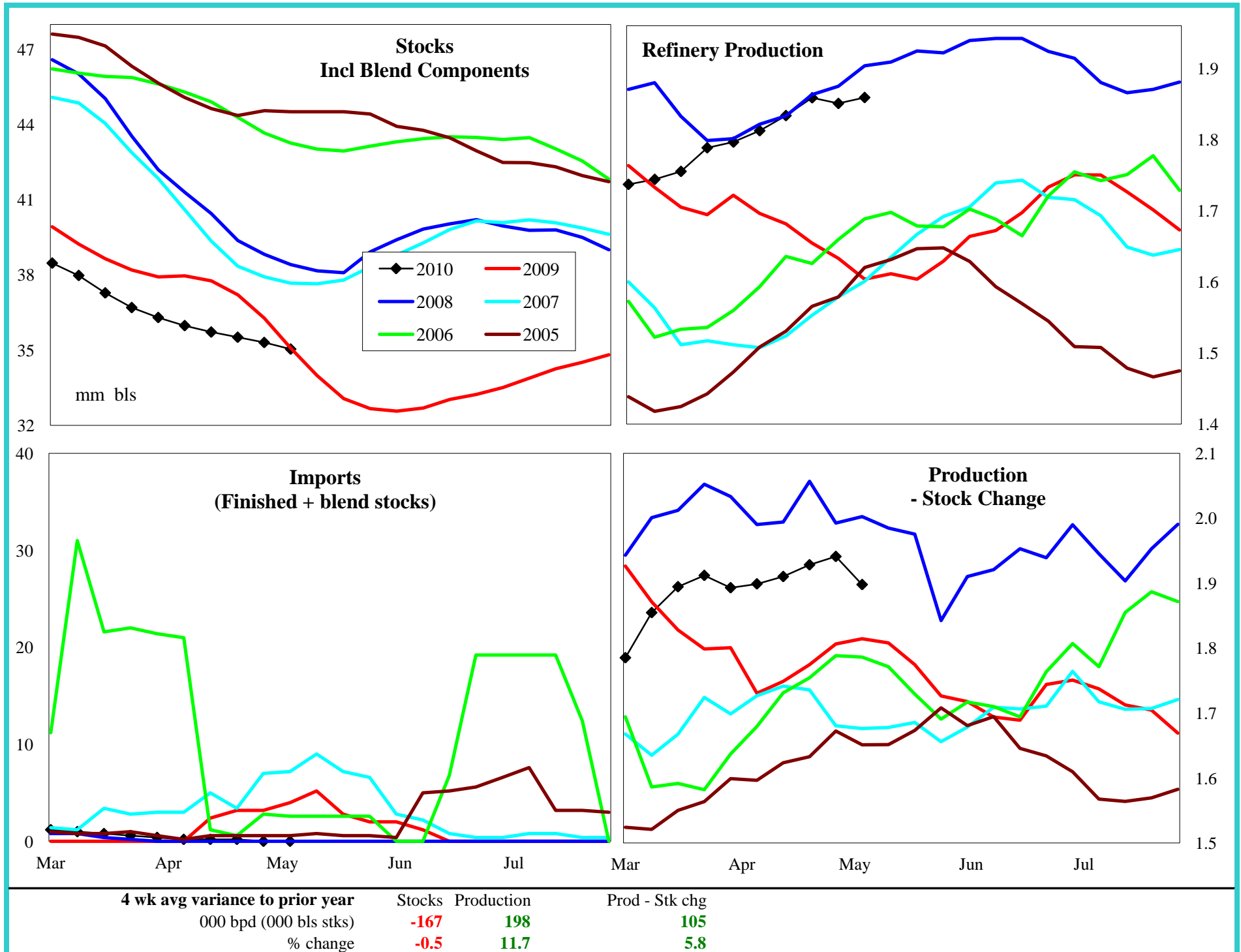
PADD 2 Gasoline Supply



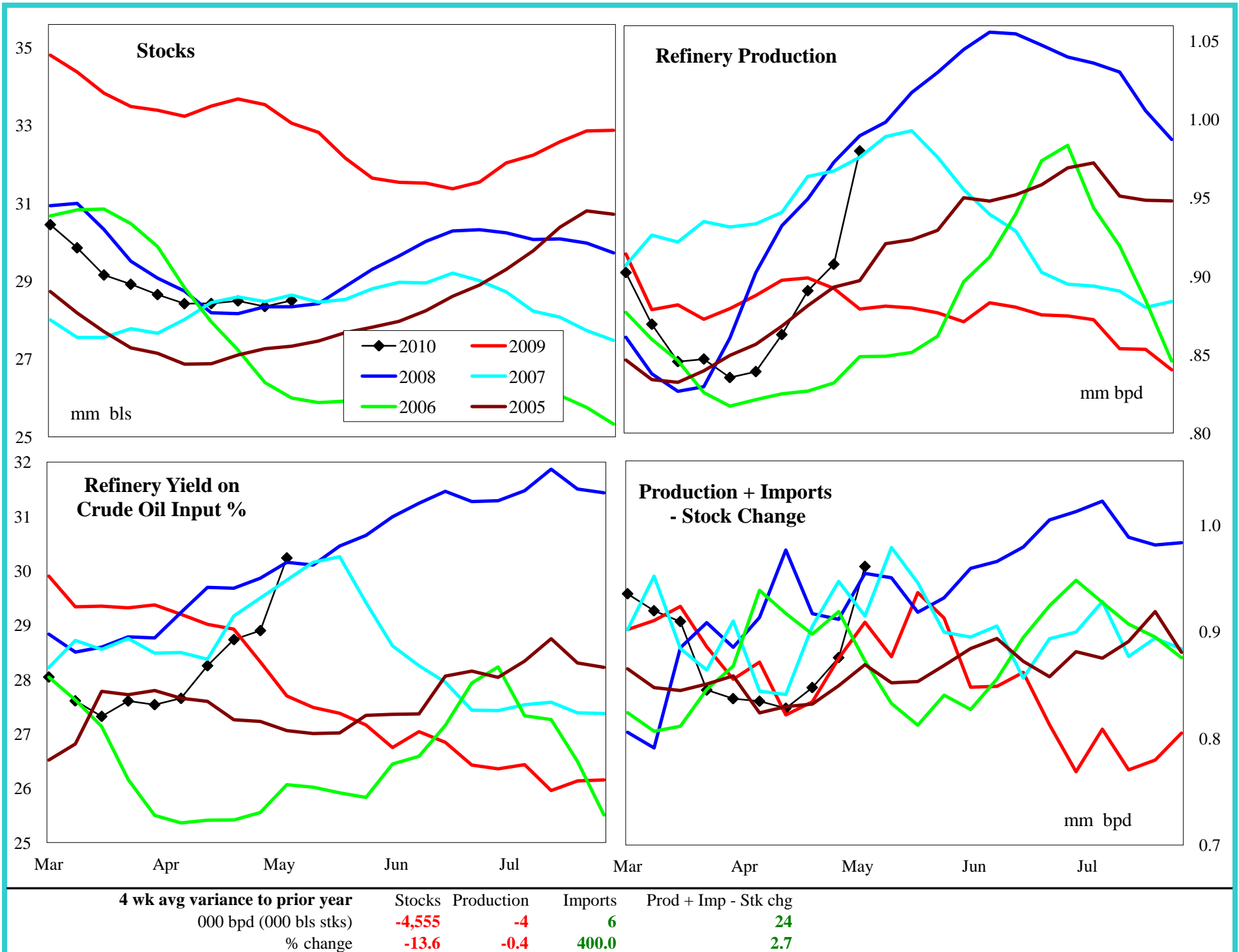
PADD 2 Reformulated Gasoline Supply



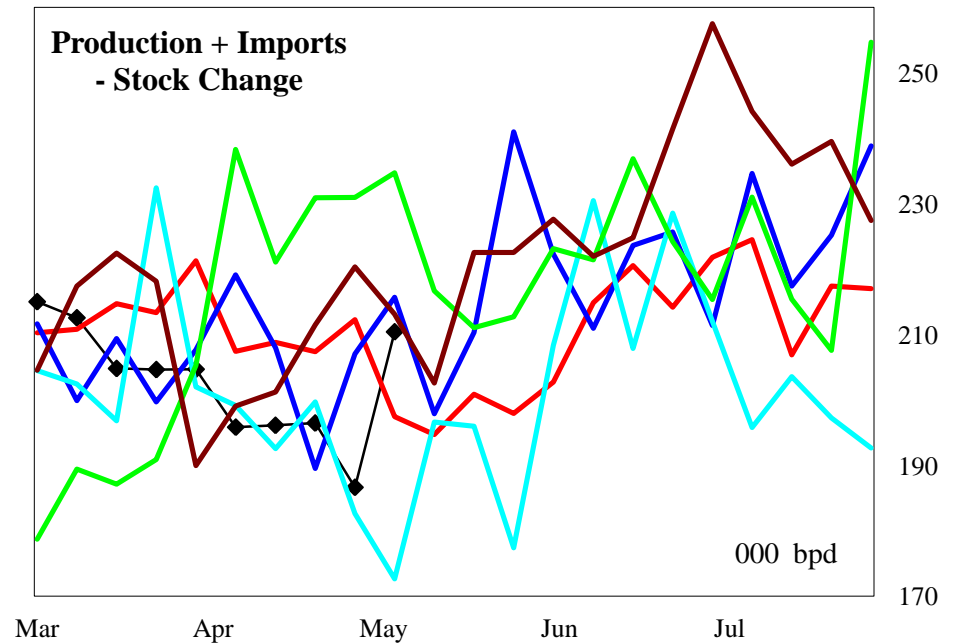
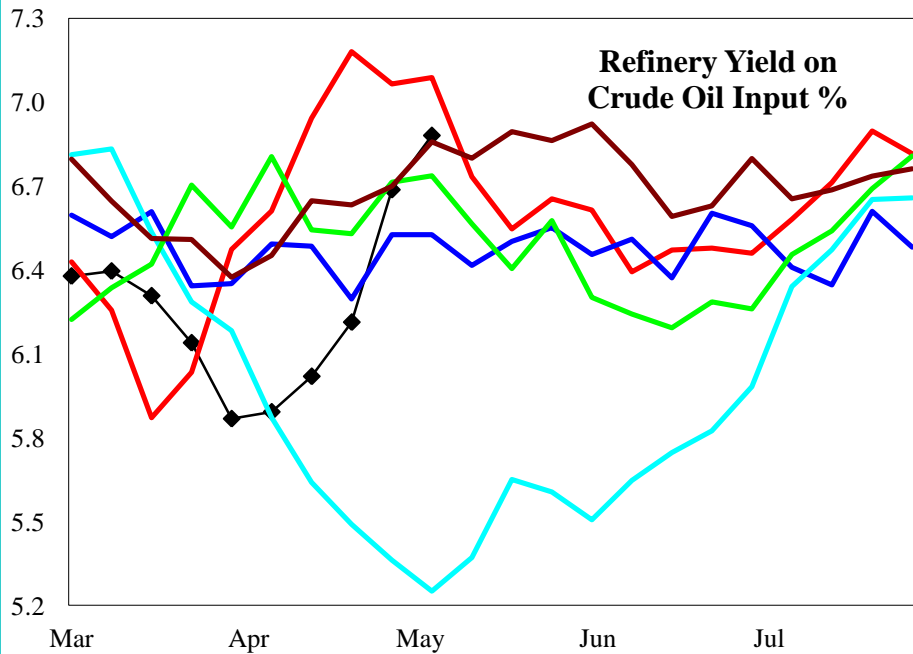
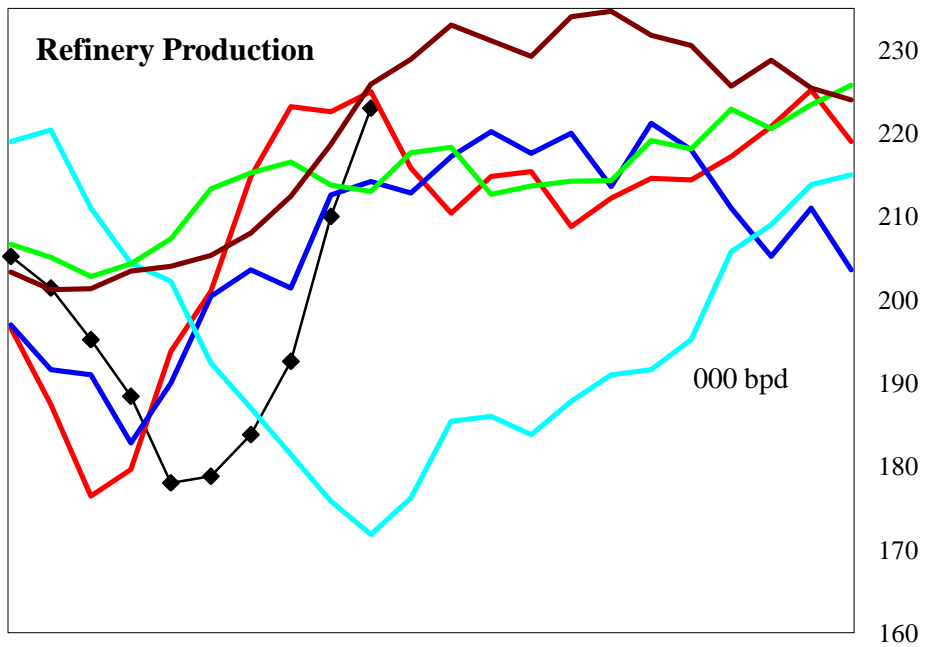
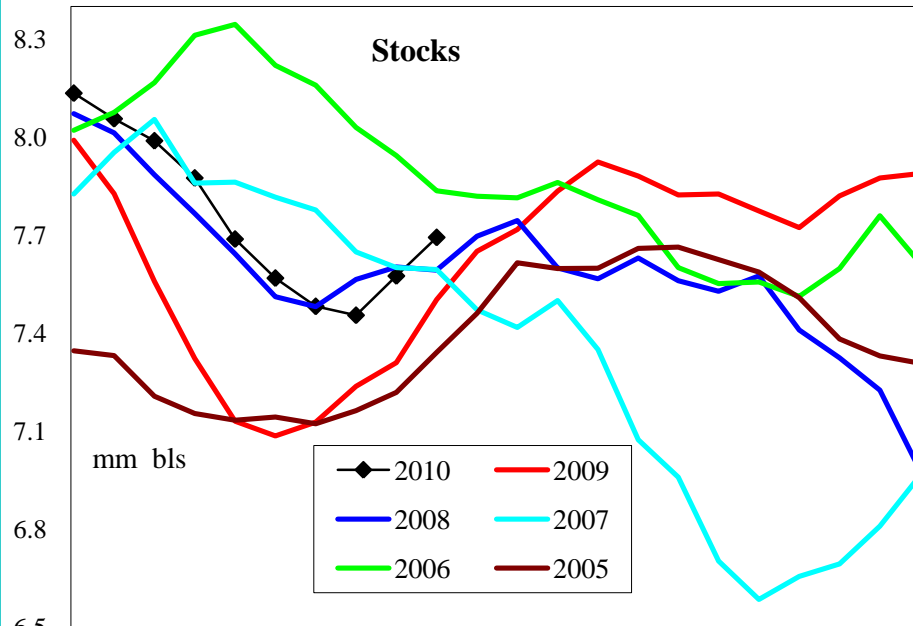
PADD 2 Conventional Gasoline Supply



PADD 2 Distillate Supply



PADD 2 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

191

2.5

Production

-25

-11.2

Imports

0

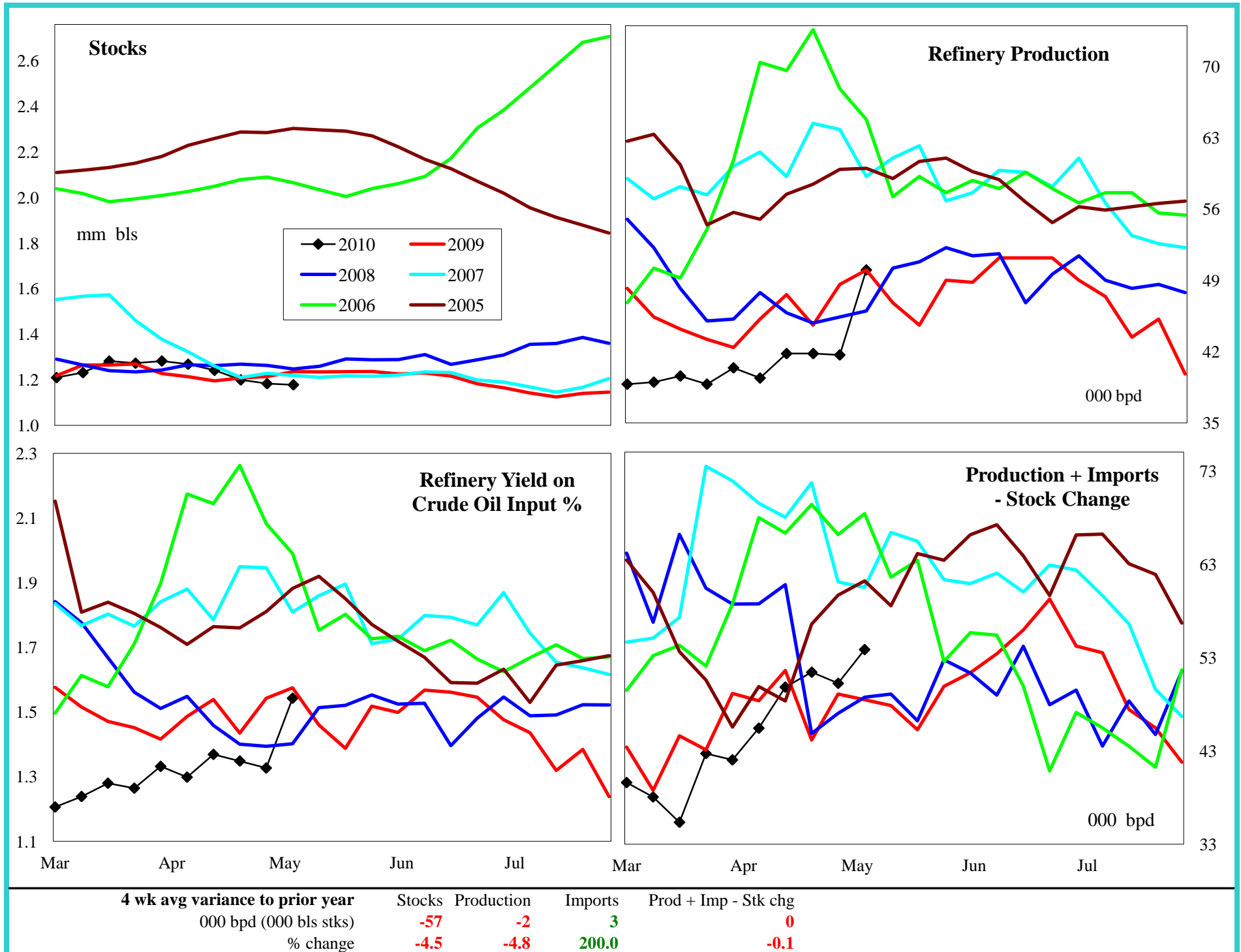
#DIV/0!

Prod + Imp - Stk chg

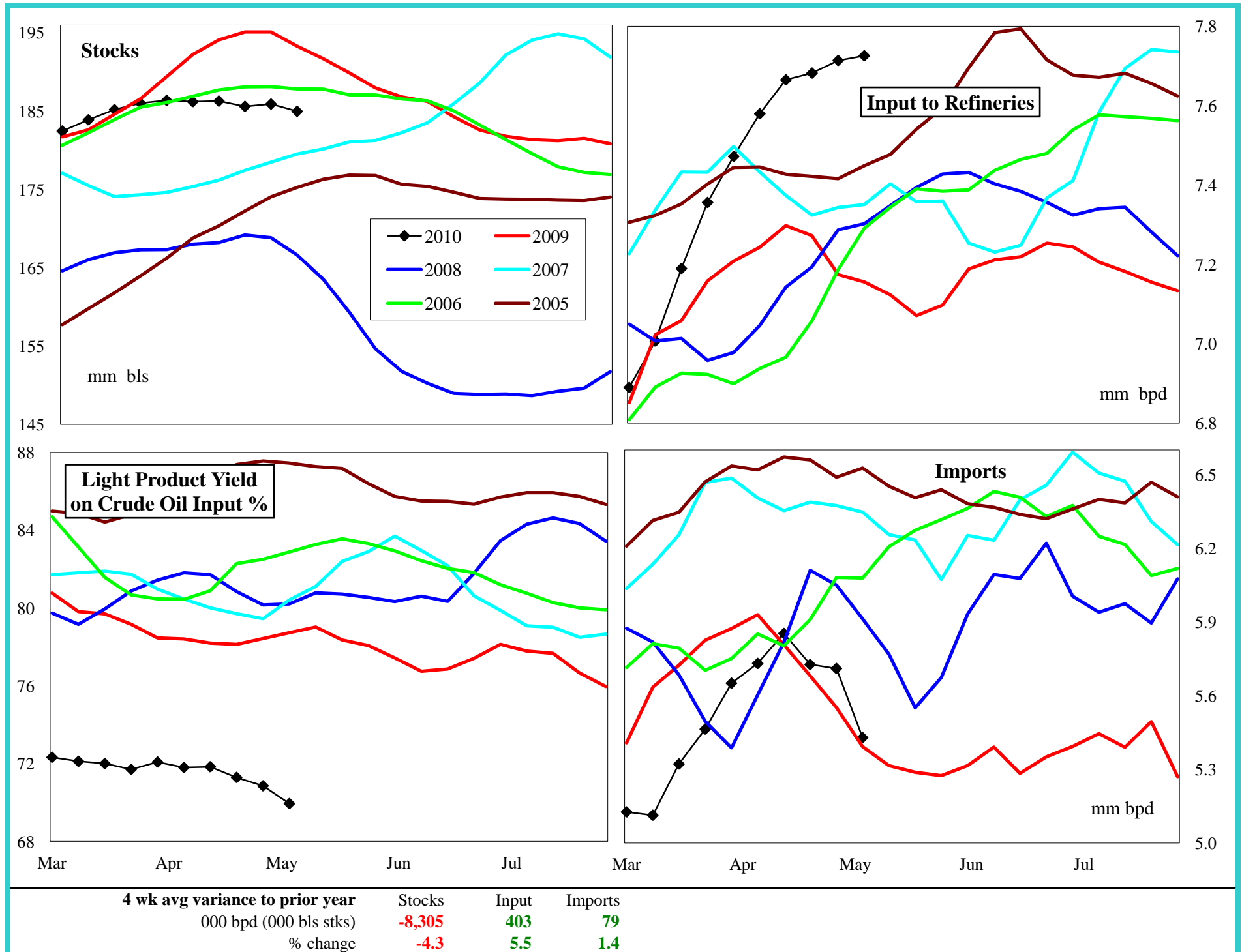
-20

-9.8

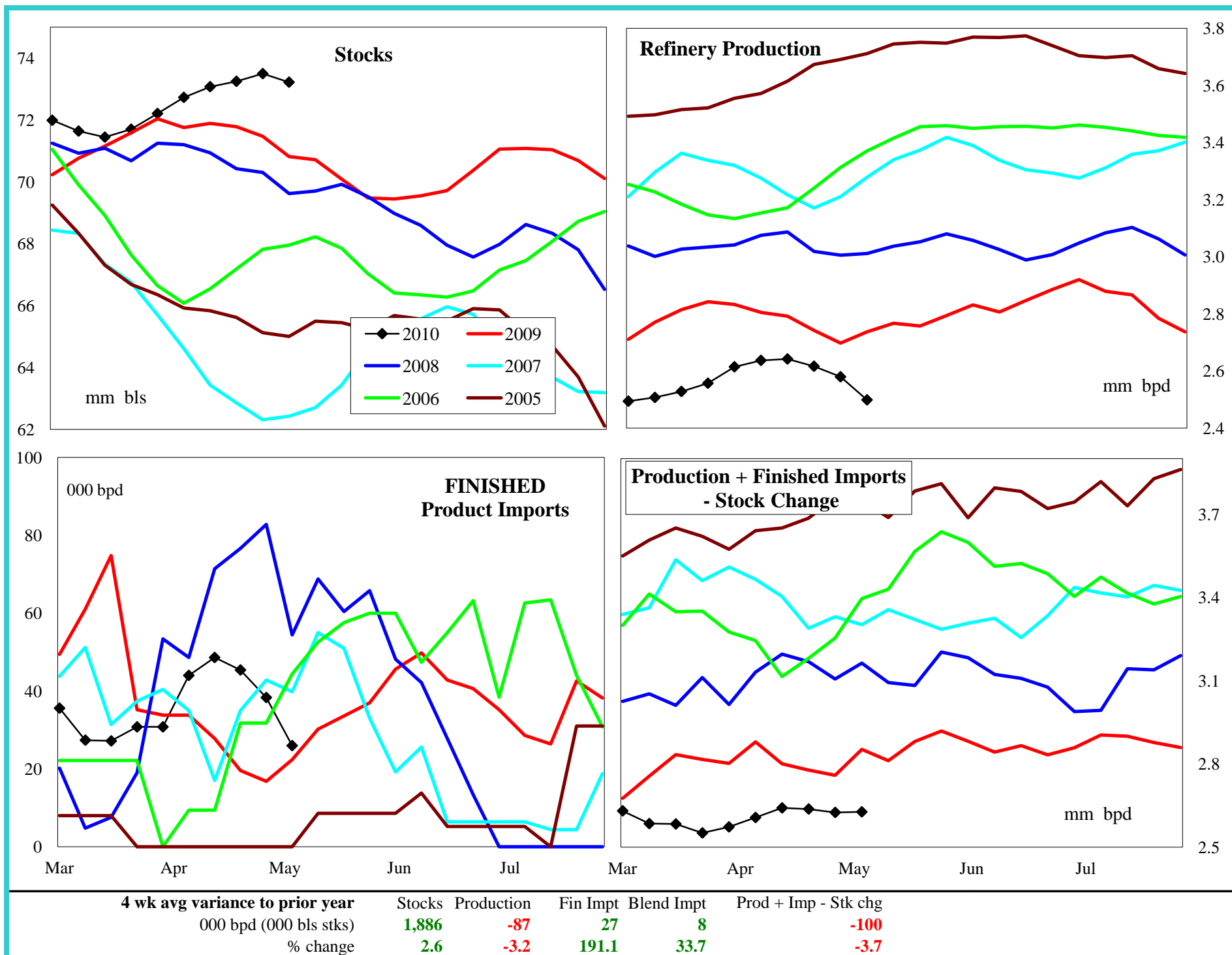
PADD 2 Residual Fuel Oil Supply



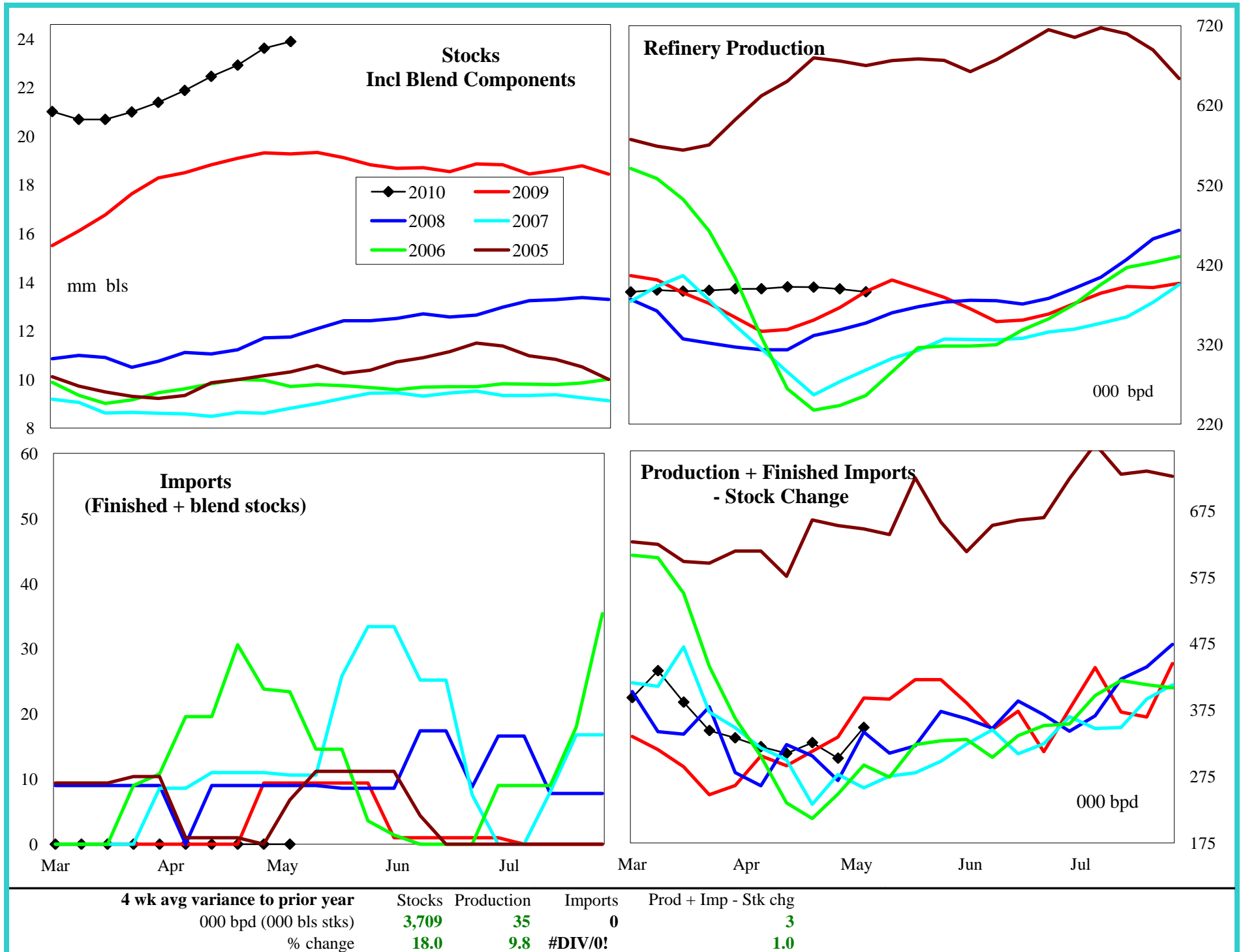
PADD 3 Crude Oil Supply and Refining



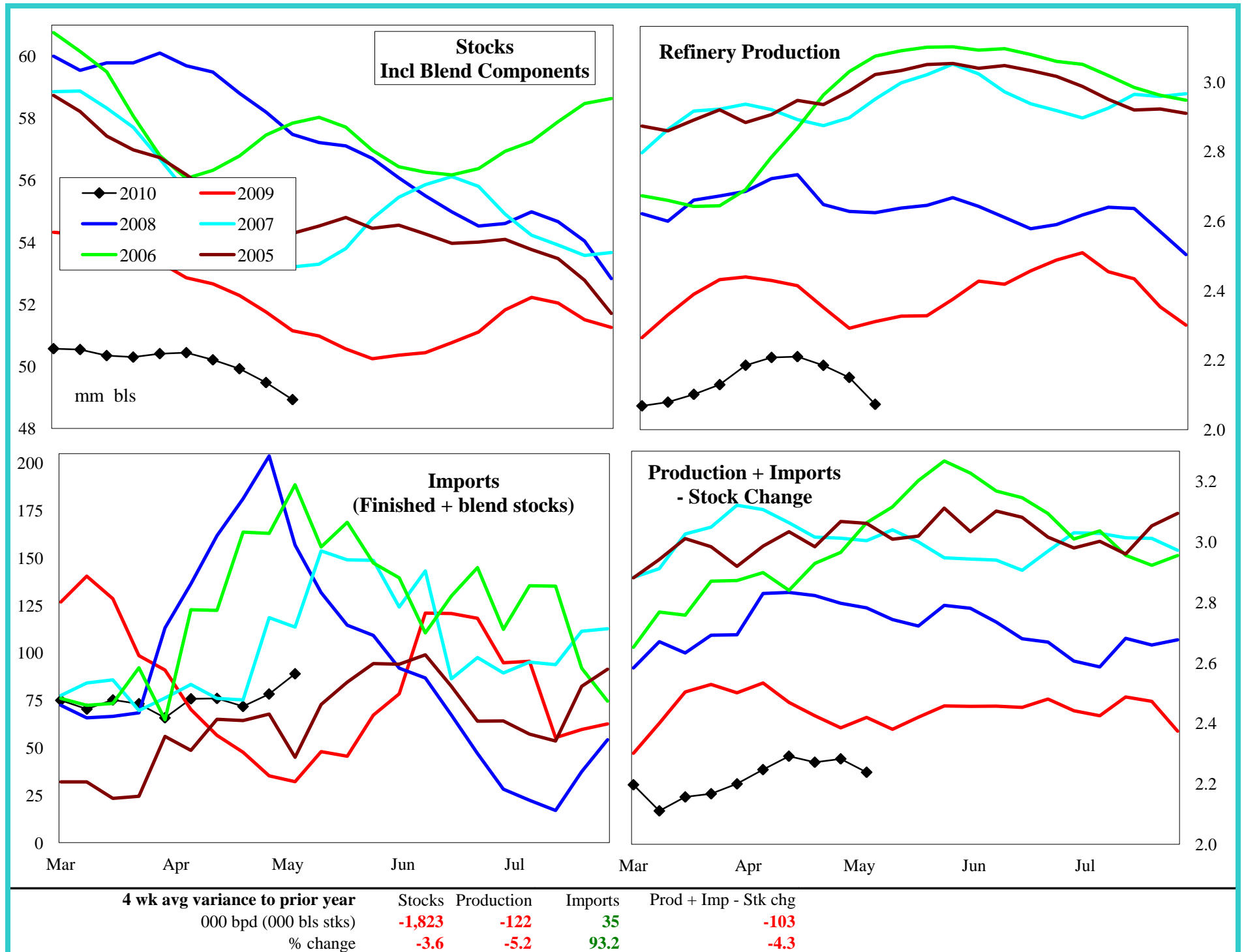
PADD 3 Gasoline Supply



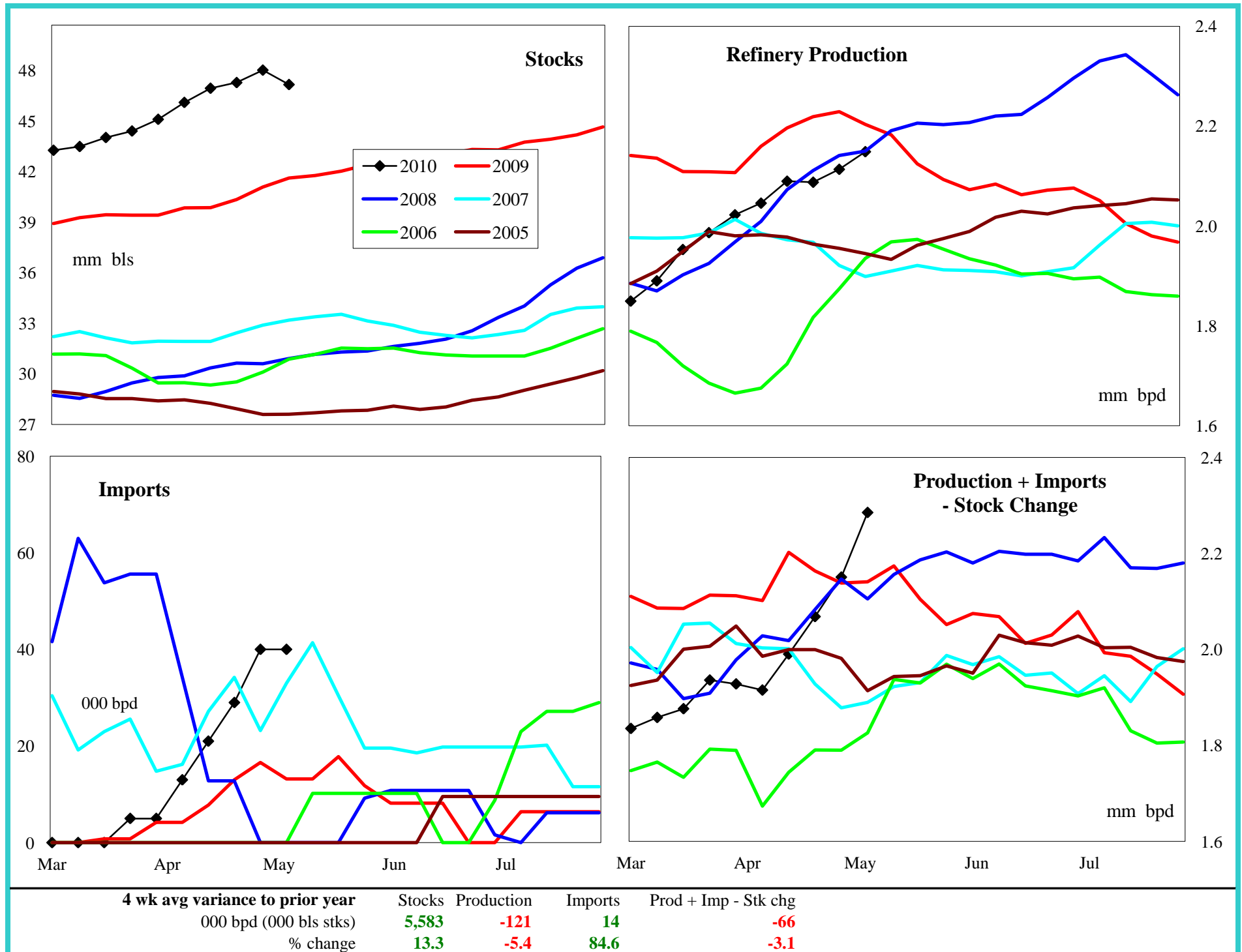
PADD 3 Reformulated Gasoline Supply



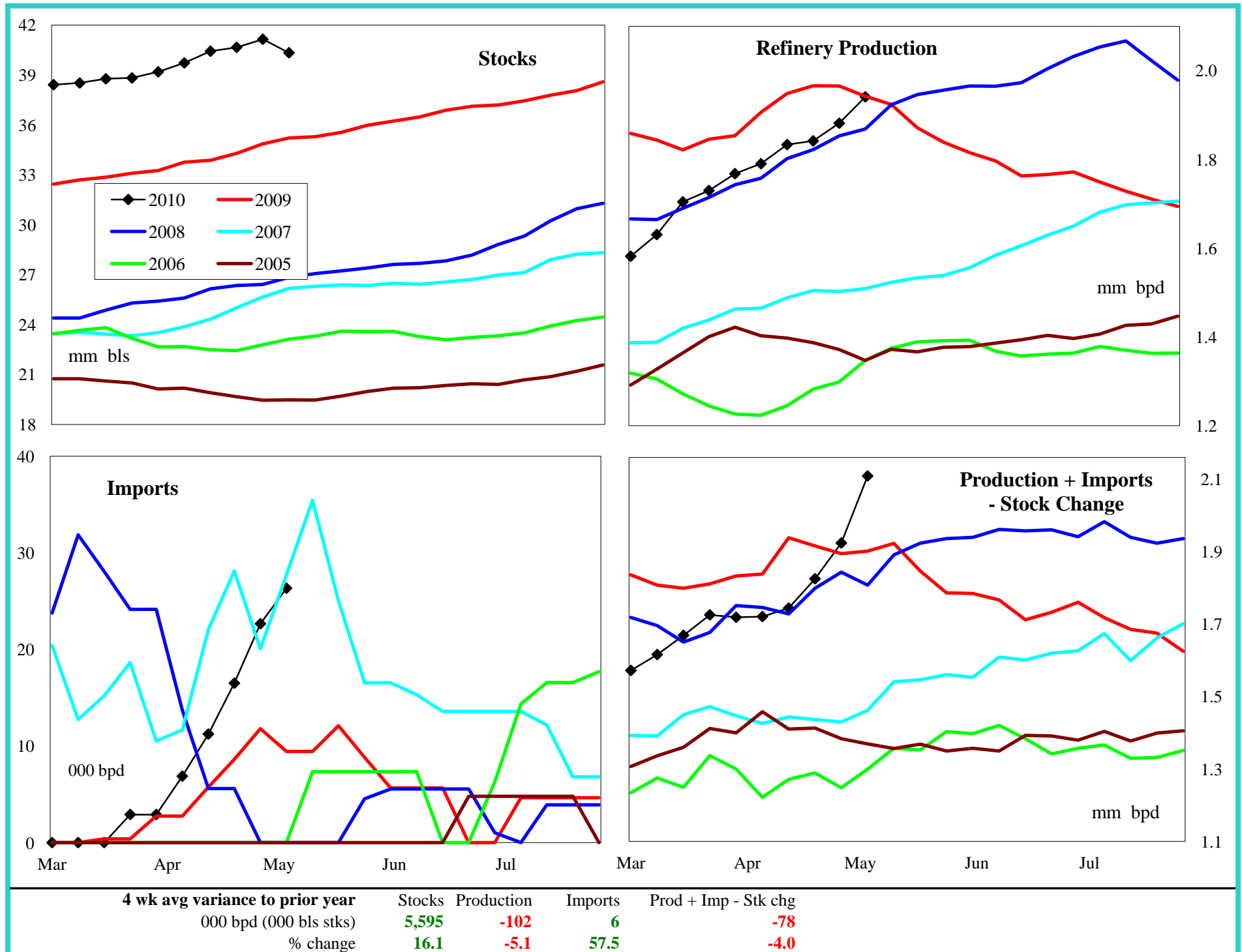
PADD 3 Conventional Gasoline Supply



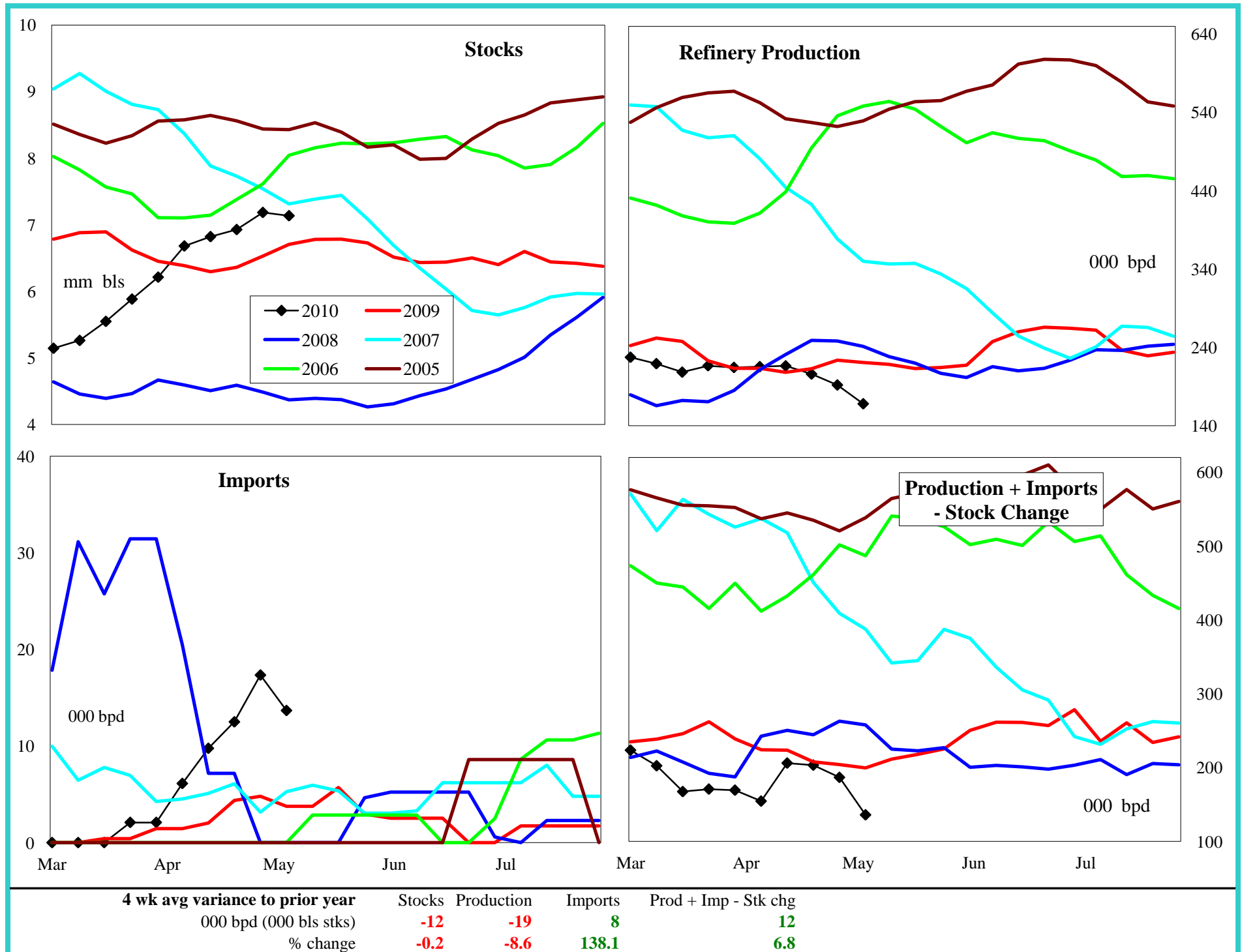
PADD 3 Distillate Supply



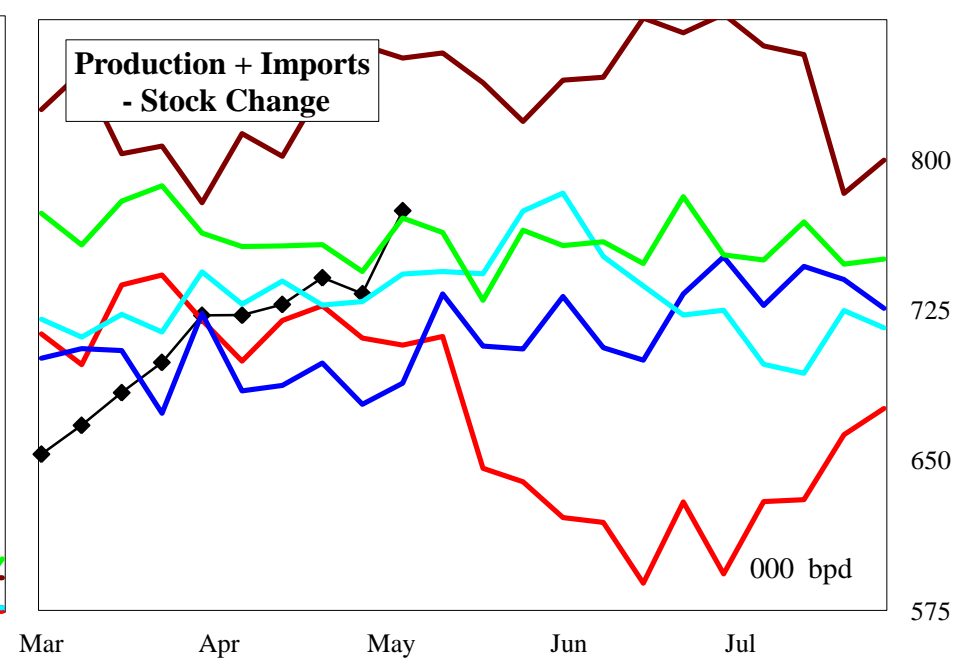
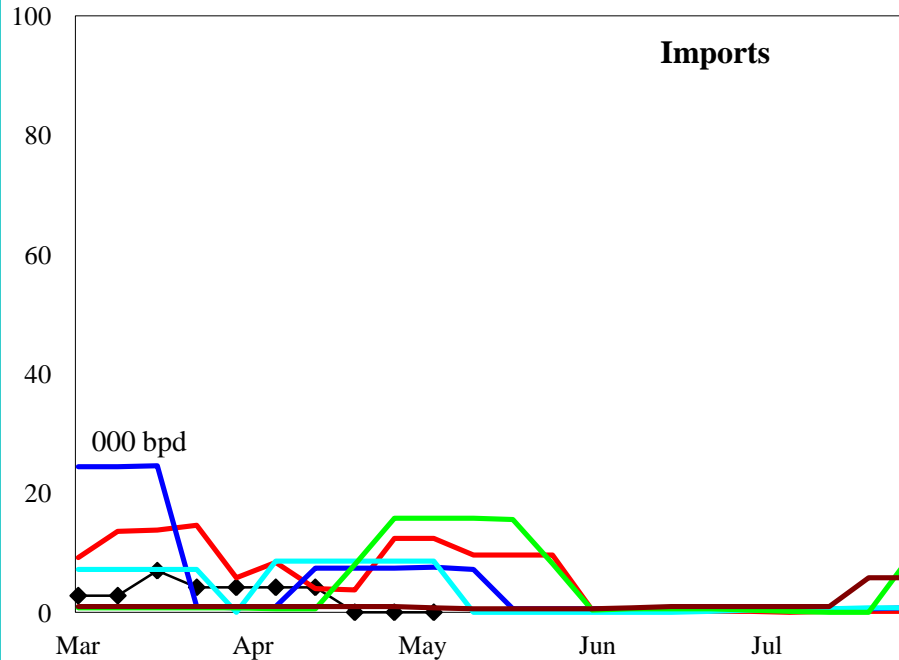
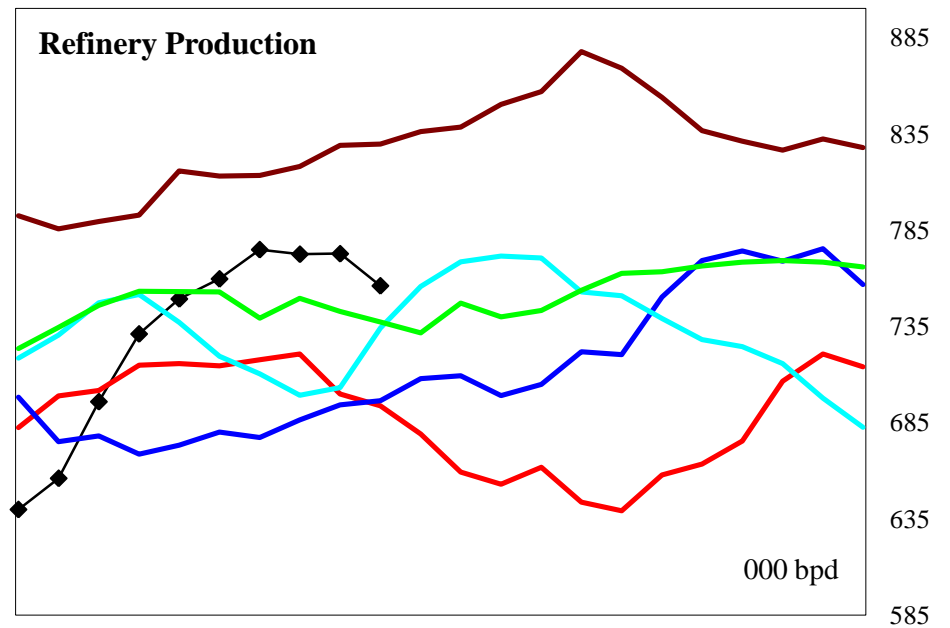
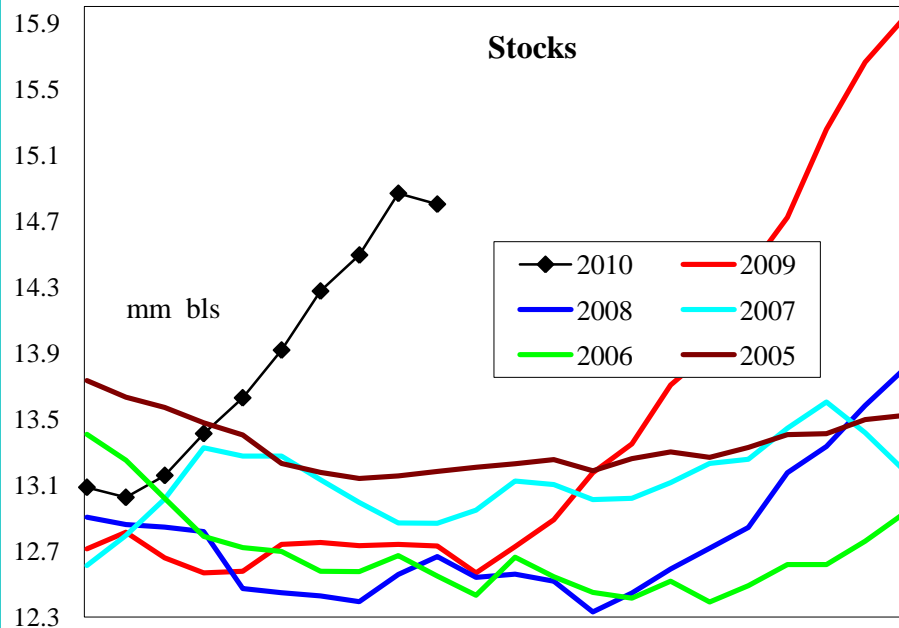
PADD 3 Low Sulfur Distillate Supply



PADD 3 High Sulfur Distillate Supply



PADD 3 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

2,072

16.3

Production

55

7.6

Imports

-4

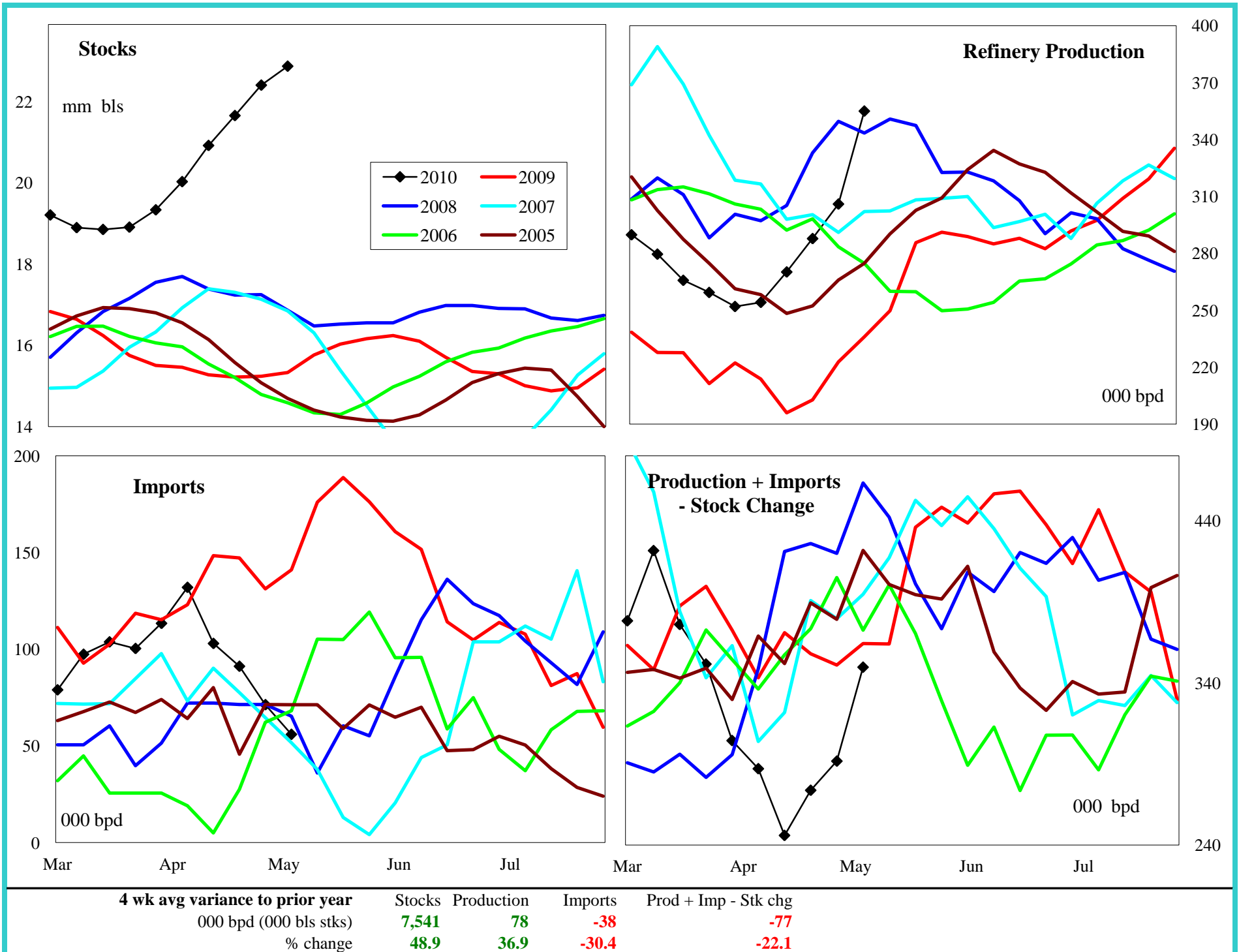
-100.0

Prod + Imp - Stk chg

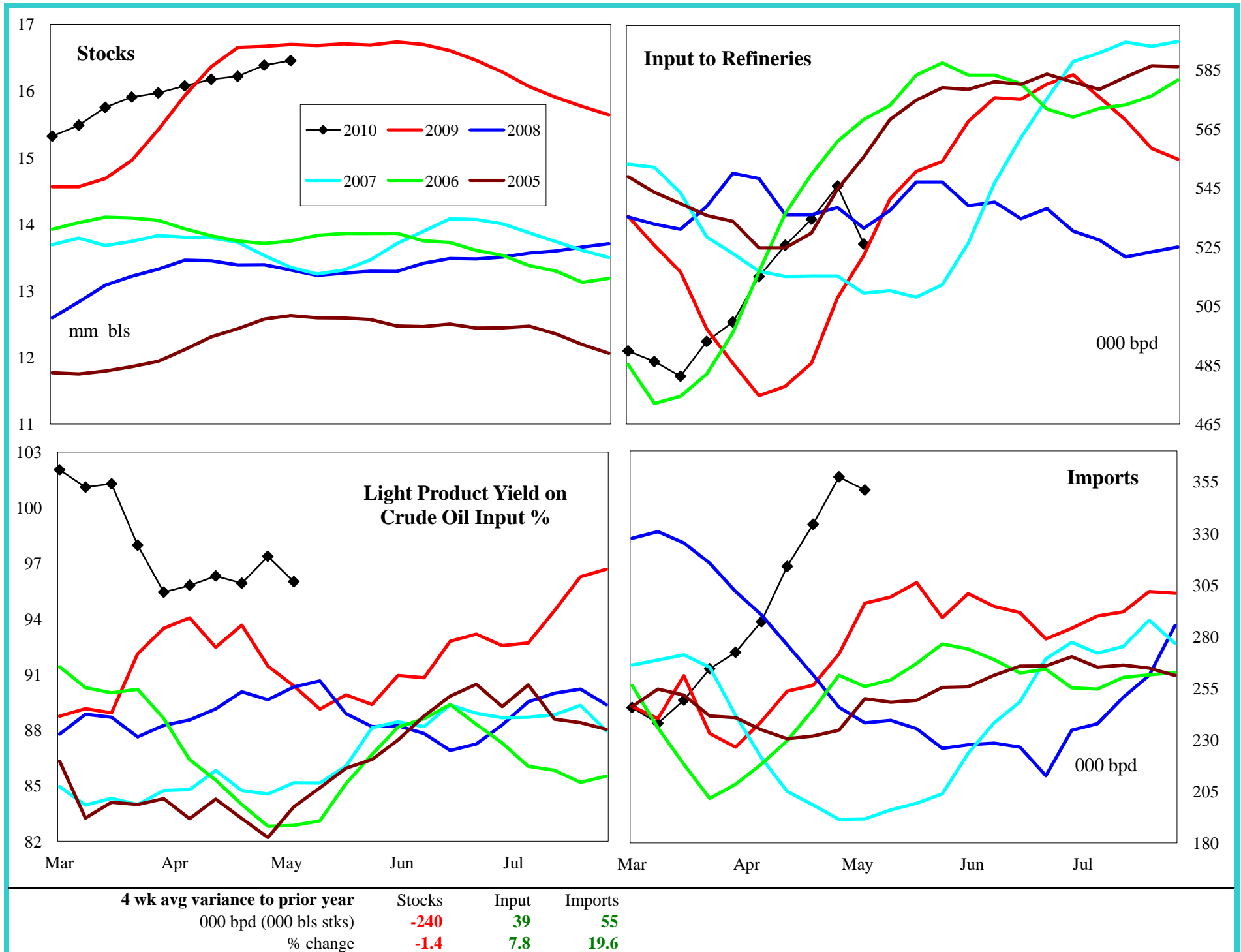
5

0.6

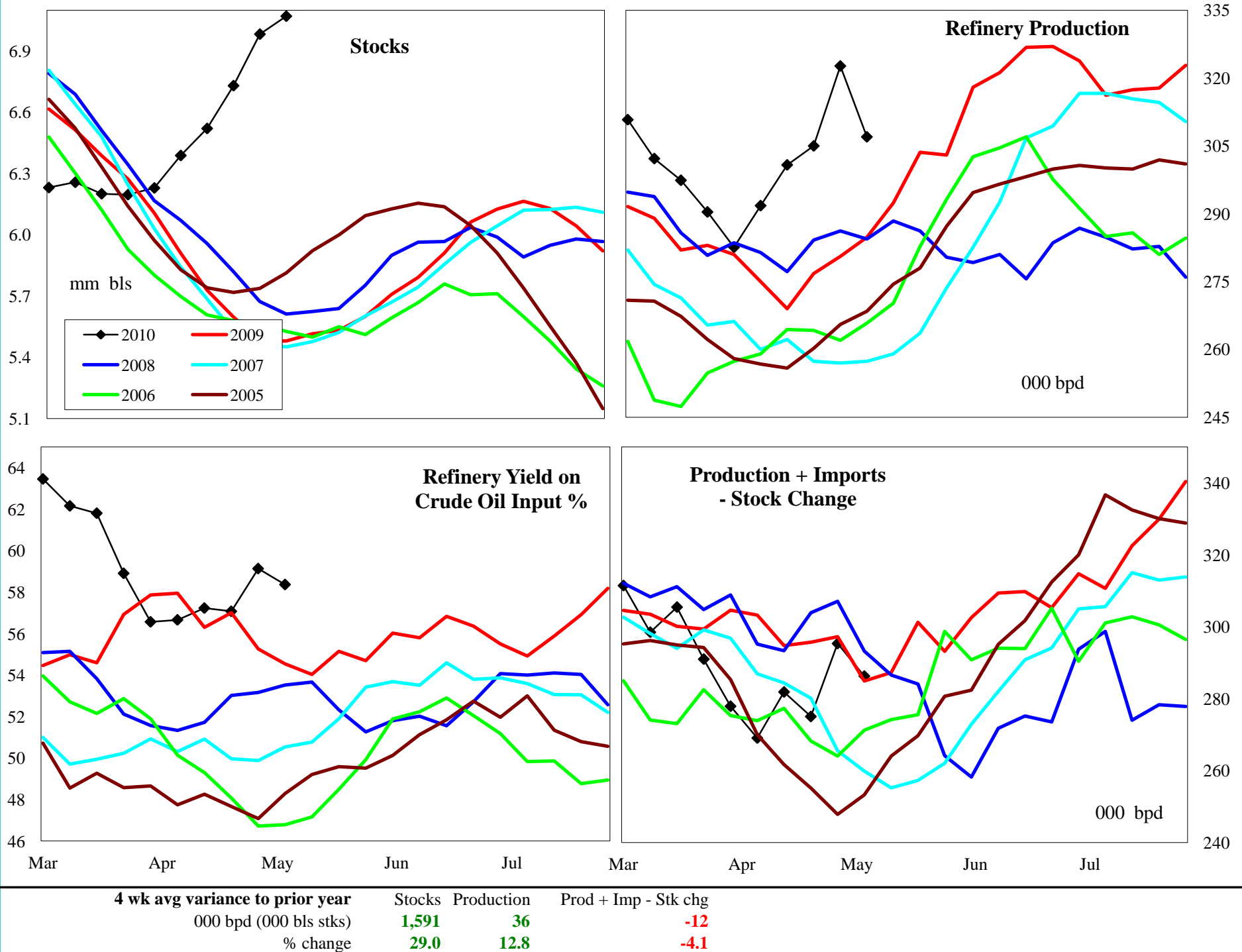
PADD 3 Residual Fuel Oil Supply



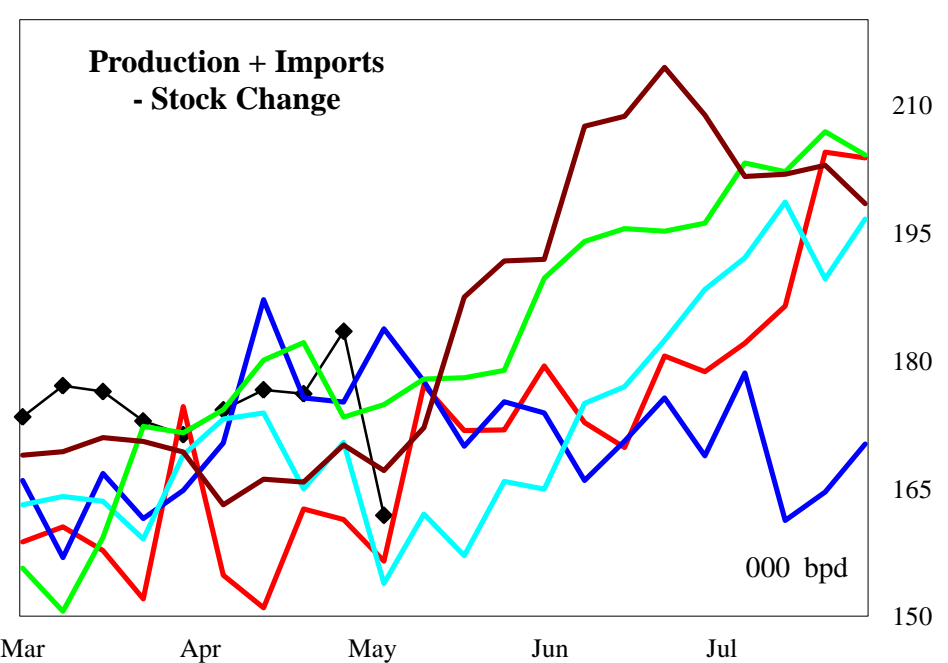
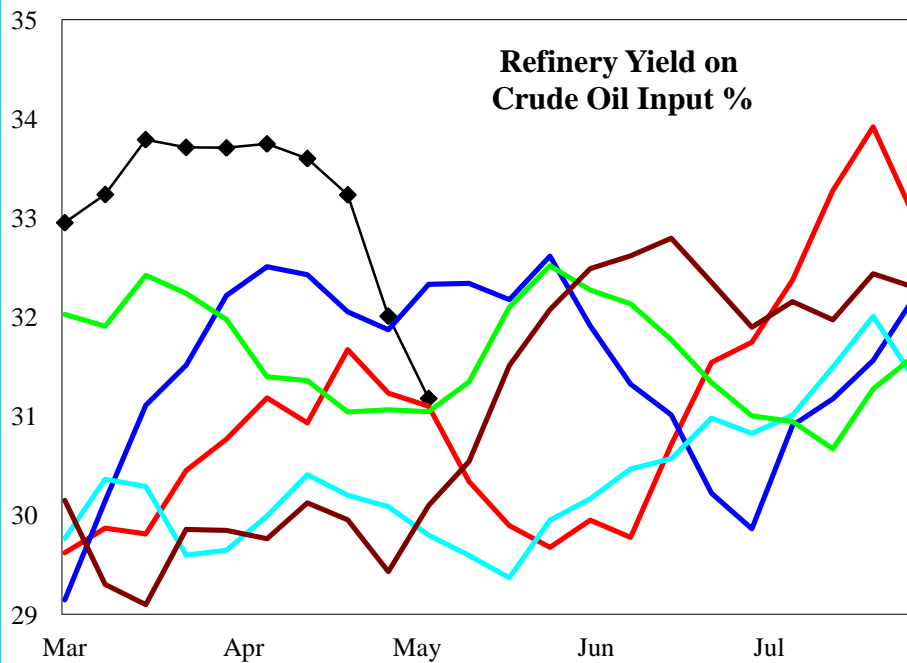
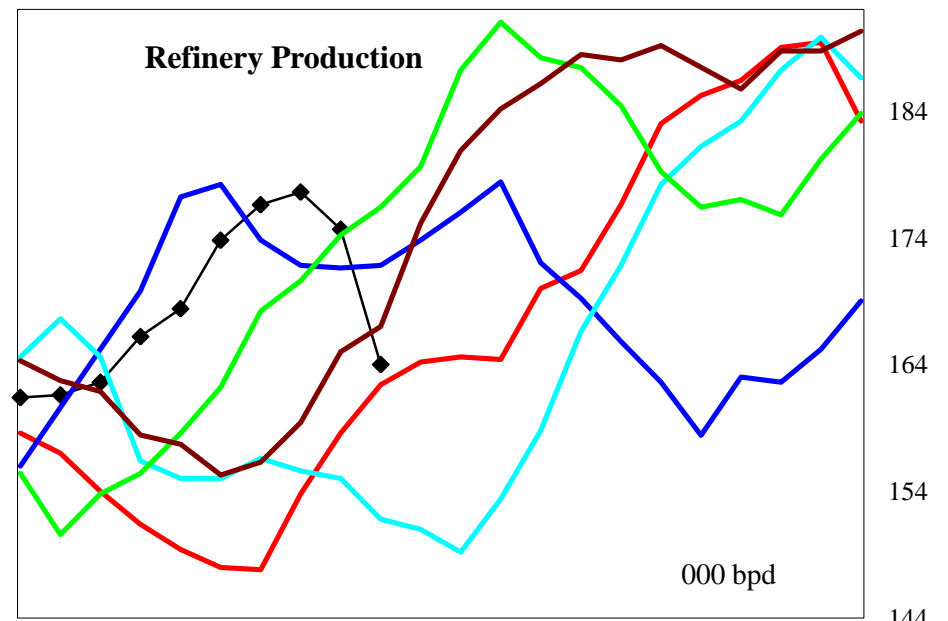
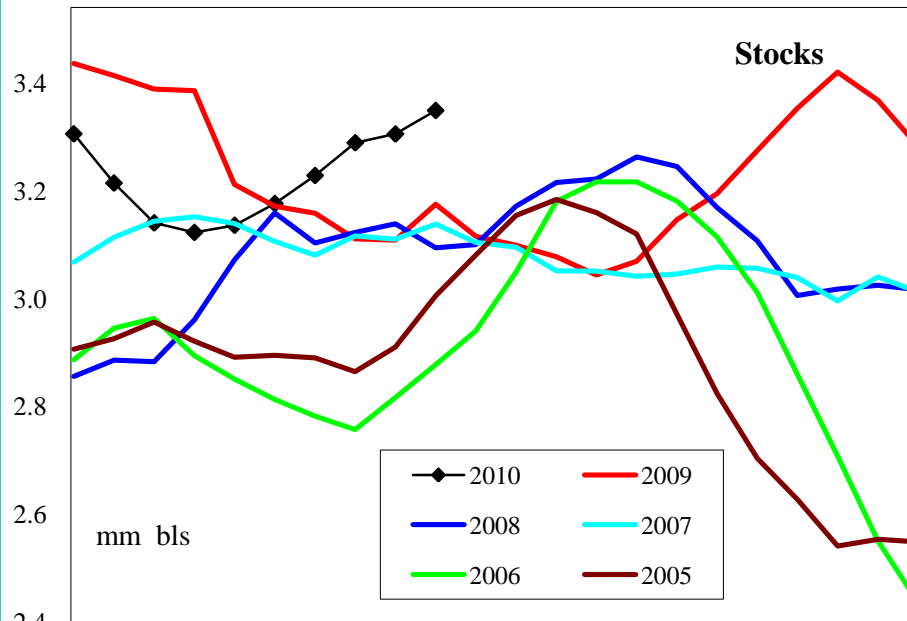
PADD 4 Crude Oil Supply and Refining



PADD 4 Gasoline Supply



PADD 4 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

174

19

5

14

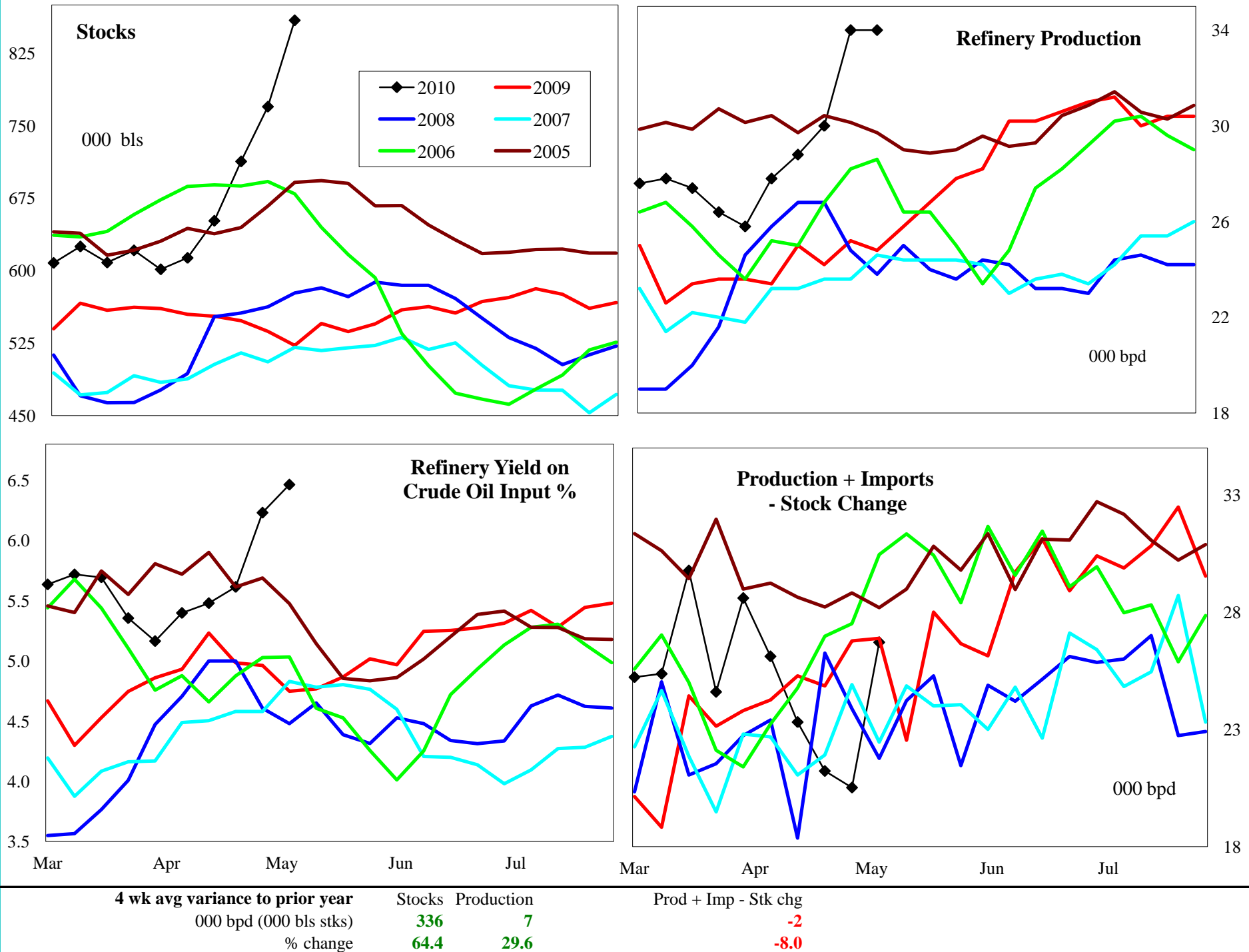
5.5

11.8

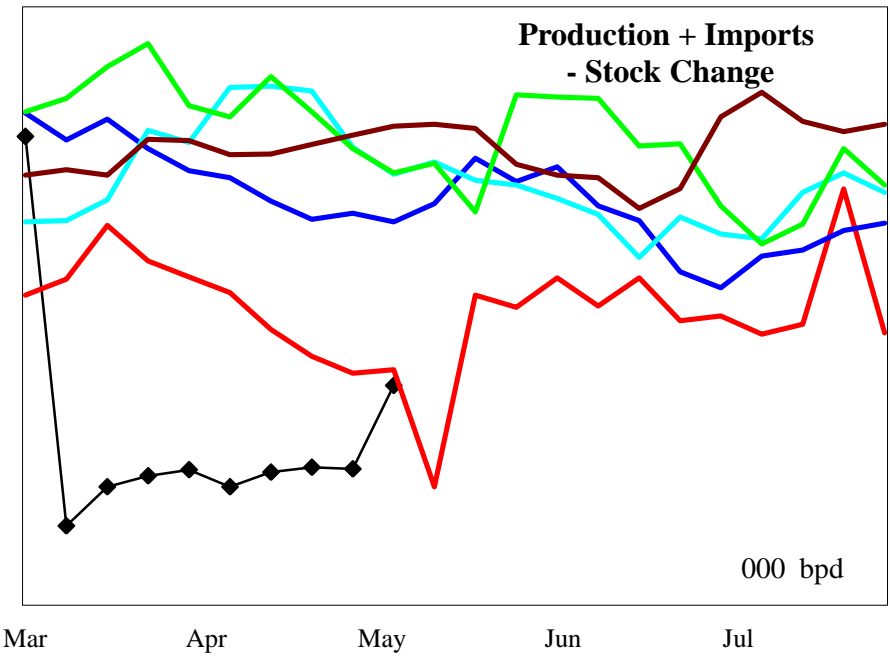
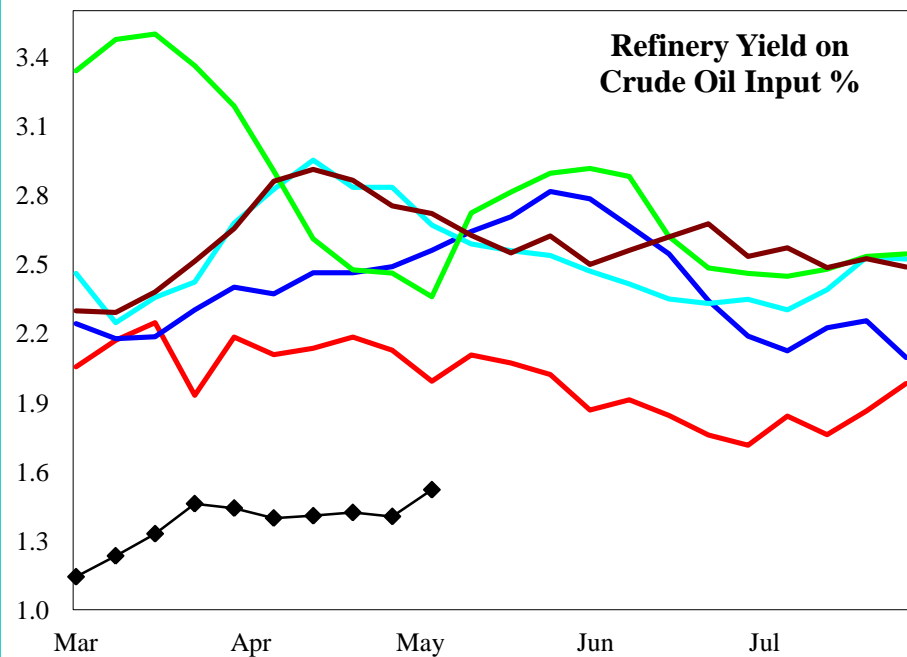
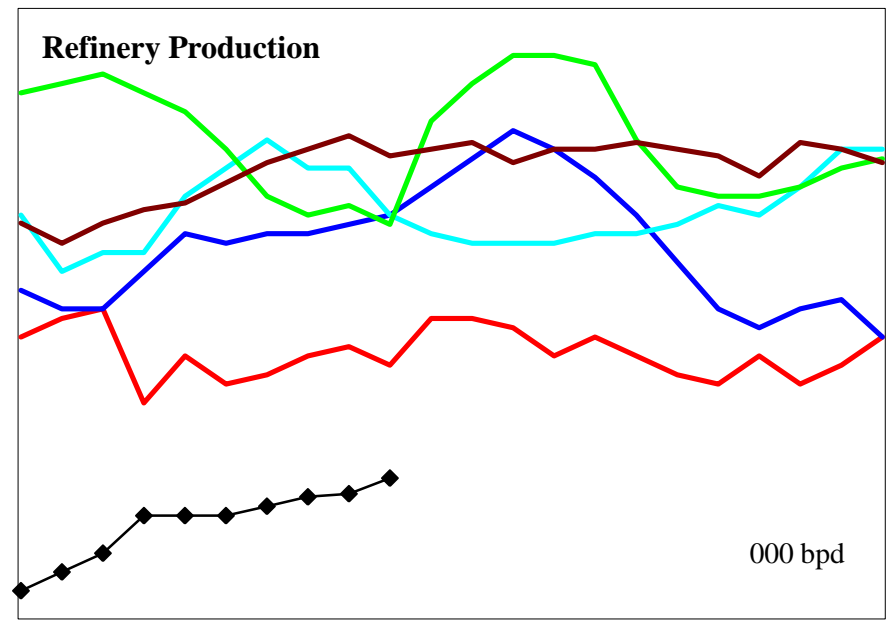
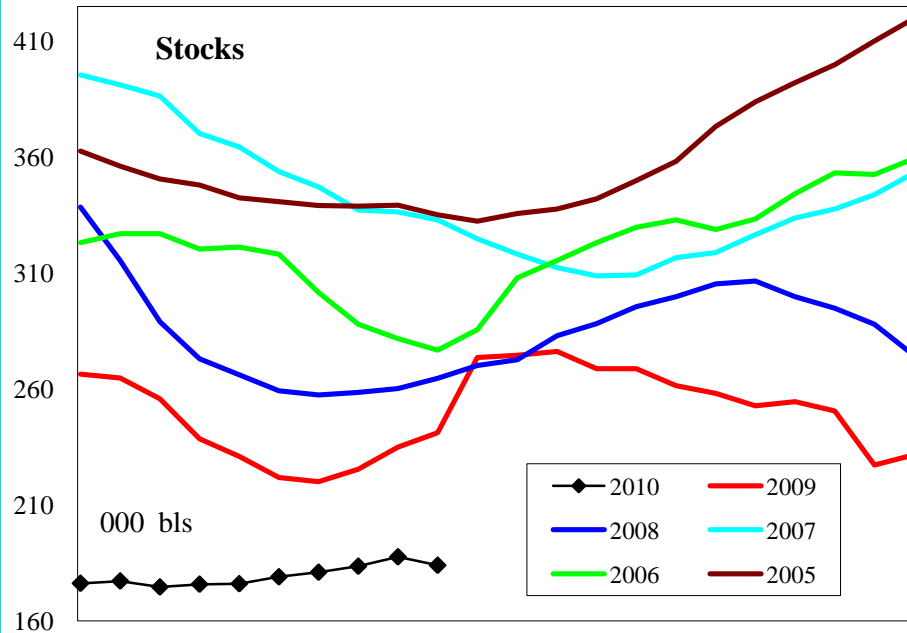
190.0

8.6

PADD 4 Jet Fuel Supply



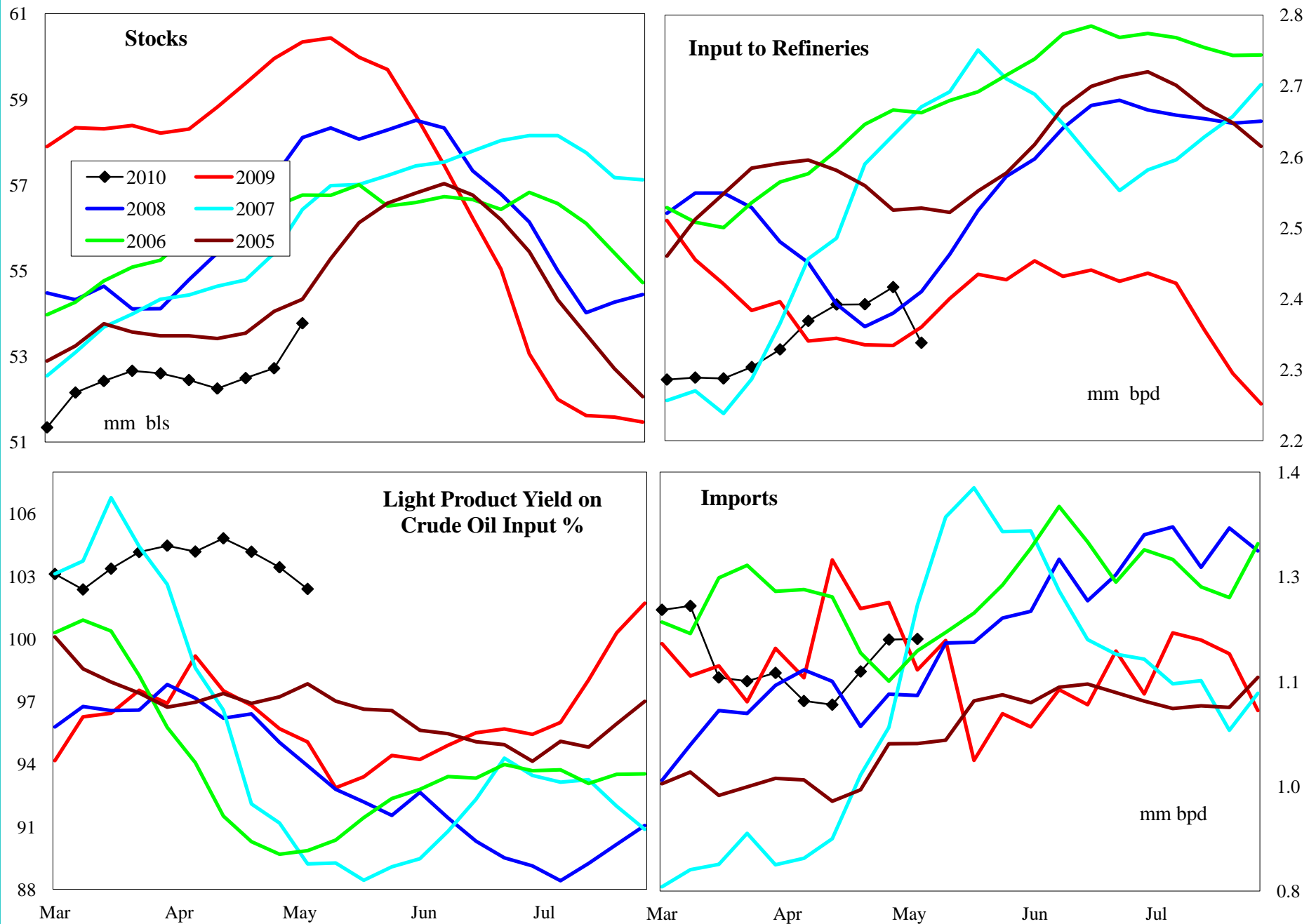
PADD 4 Residual Fuel Oil Supply



4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
-57	-3	0	-2
-23.7	-28.6	#DIV/0!	-15.8

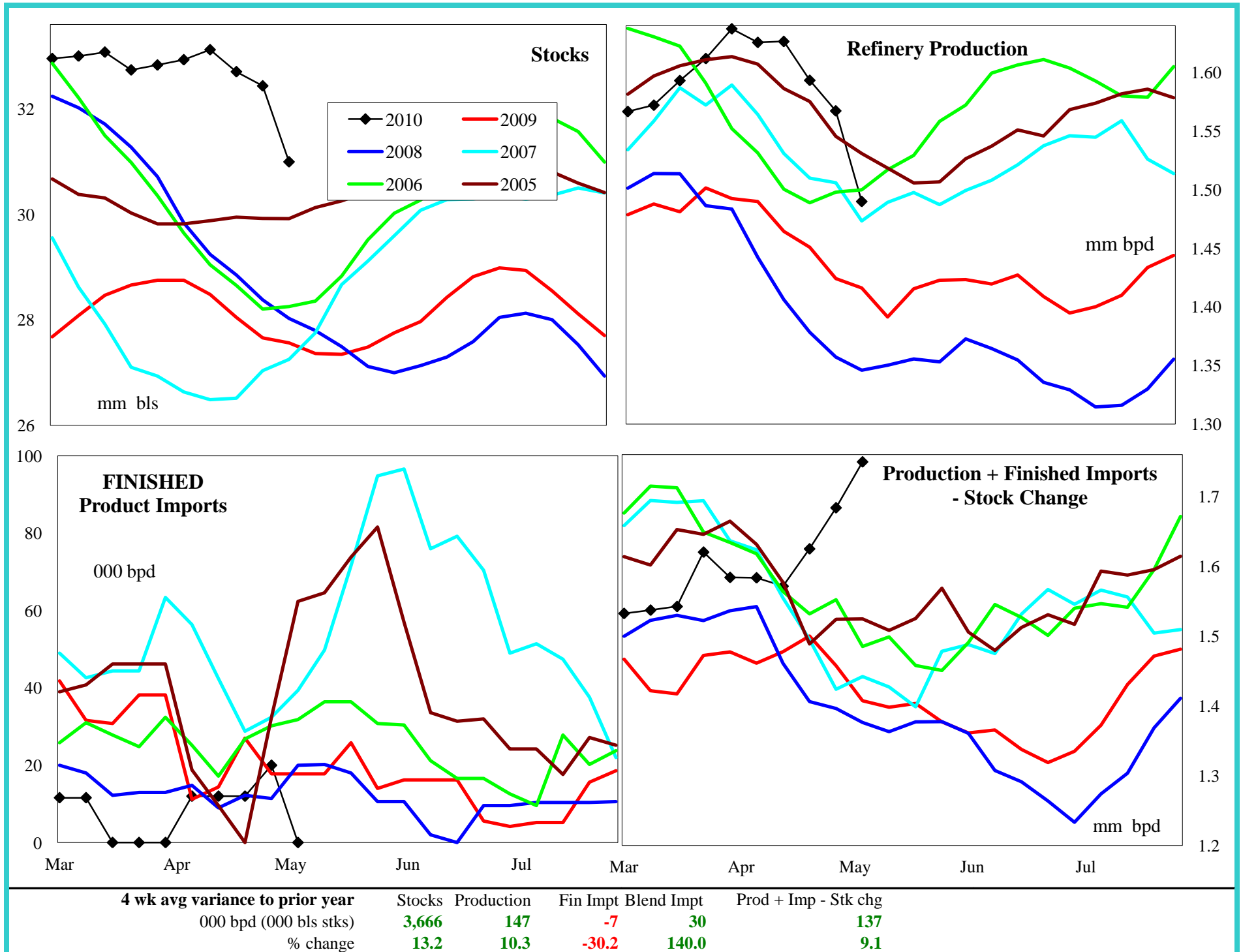
PADD 5 Crude Oil Supply and Refining



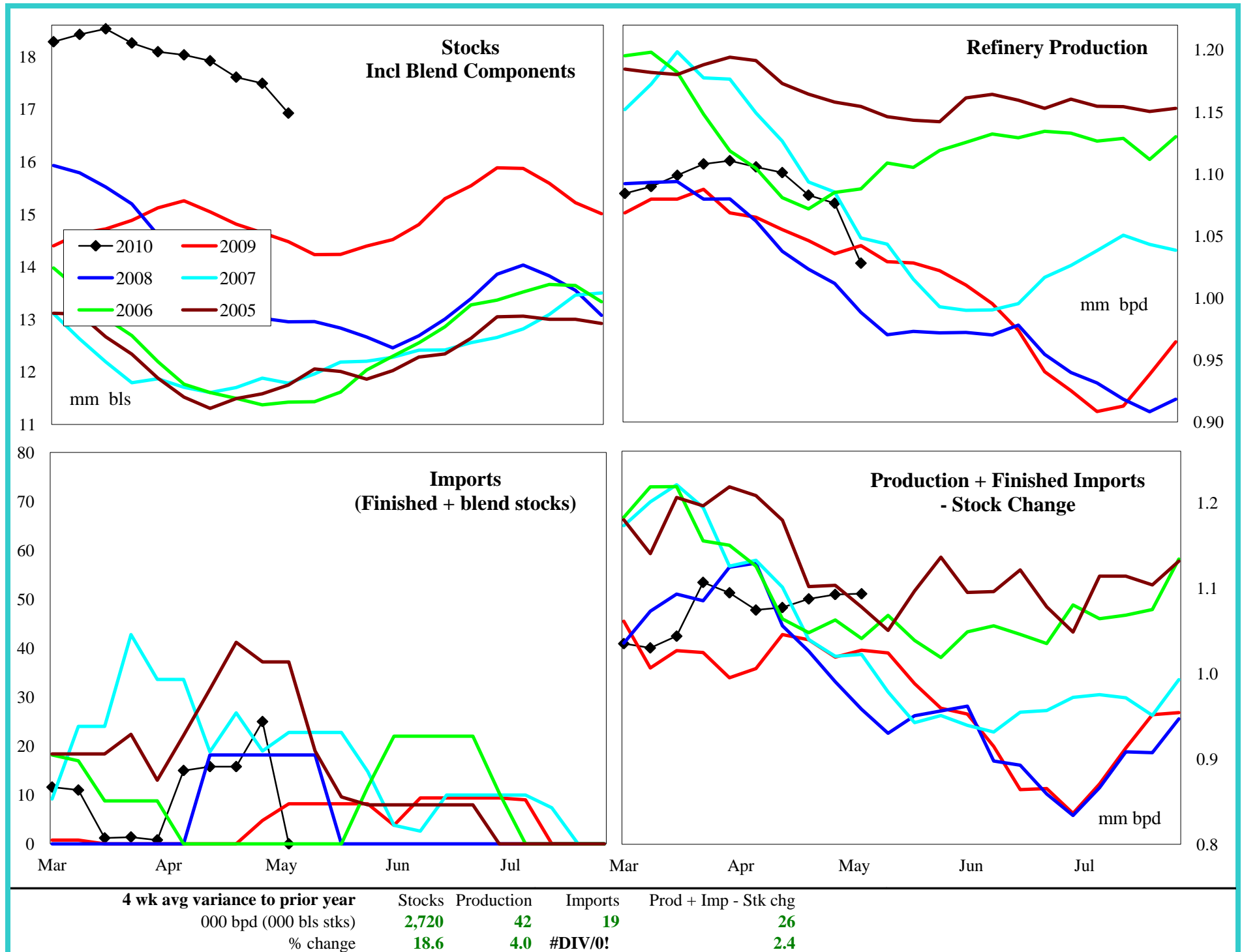
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

	Stocks	Input	Imports
000 bpd (000 bls stks)	-6,567	58	-114
% change	-10.9	2.4	-9.0

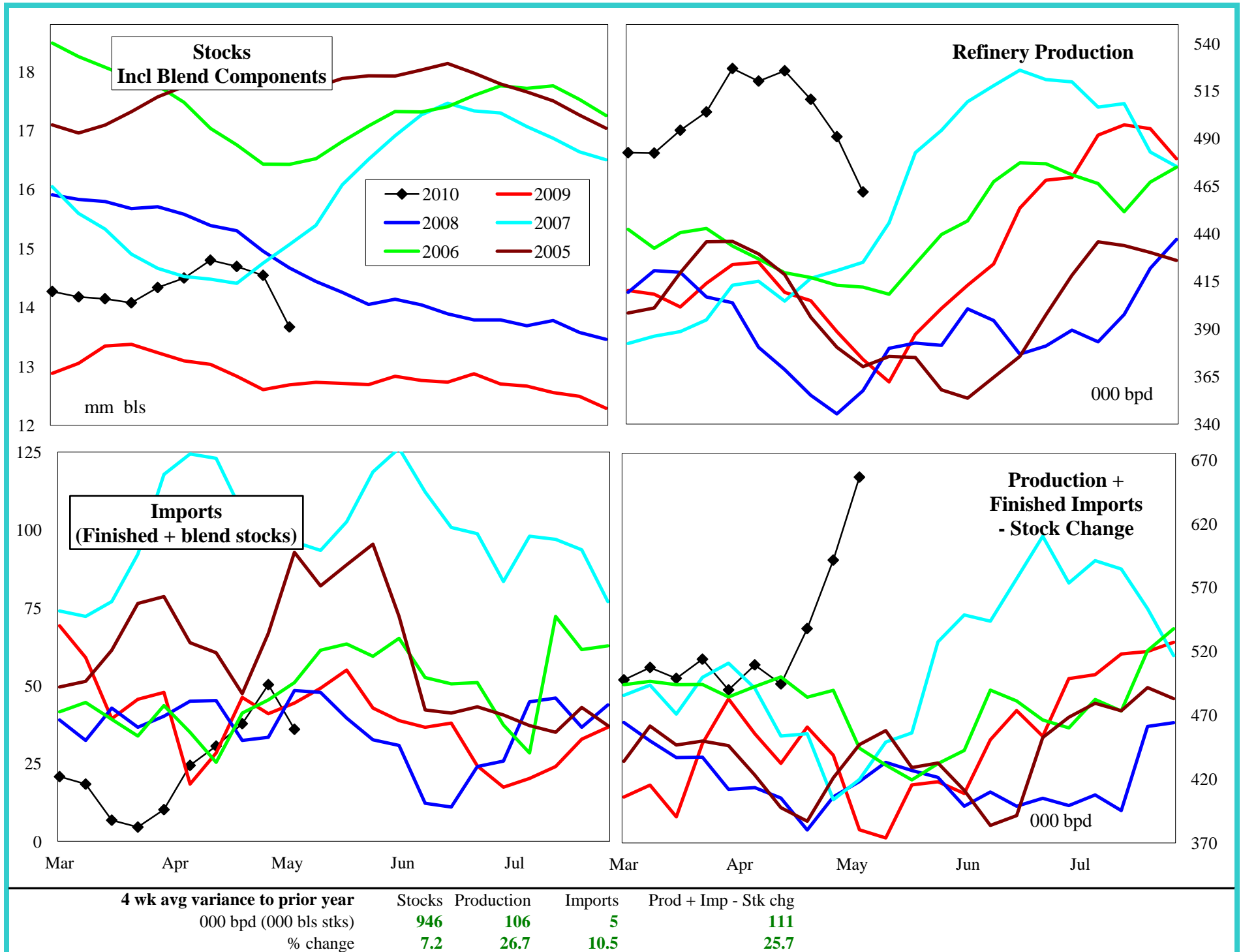
PADD 5 Gasoline Supply



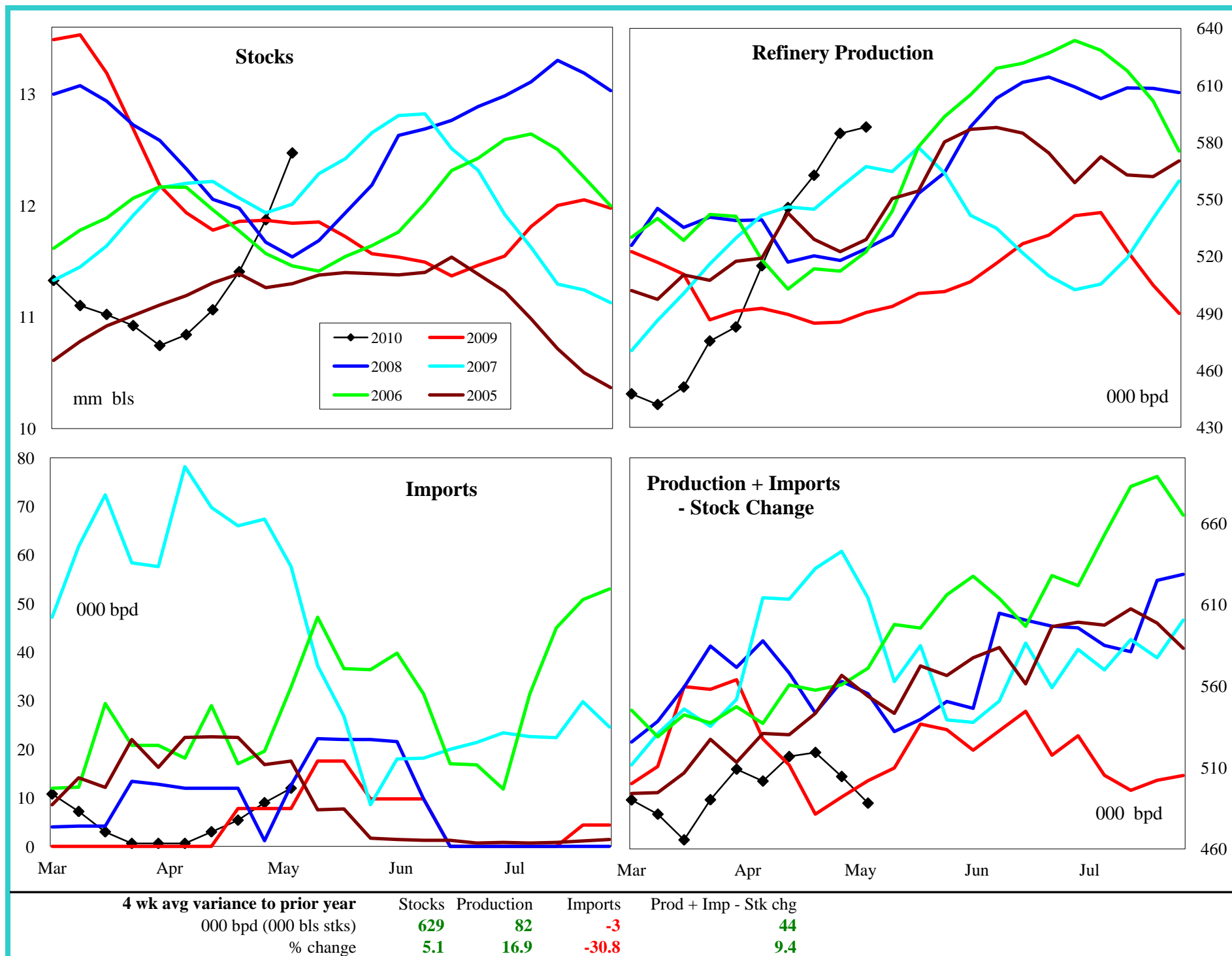
PADD 5 Reformulated Gasoline Supply



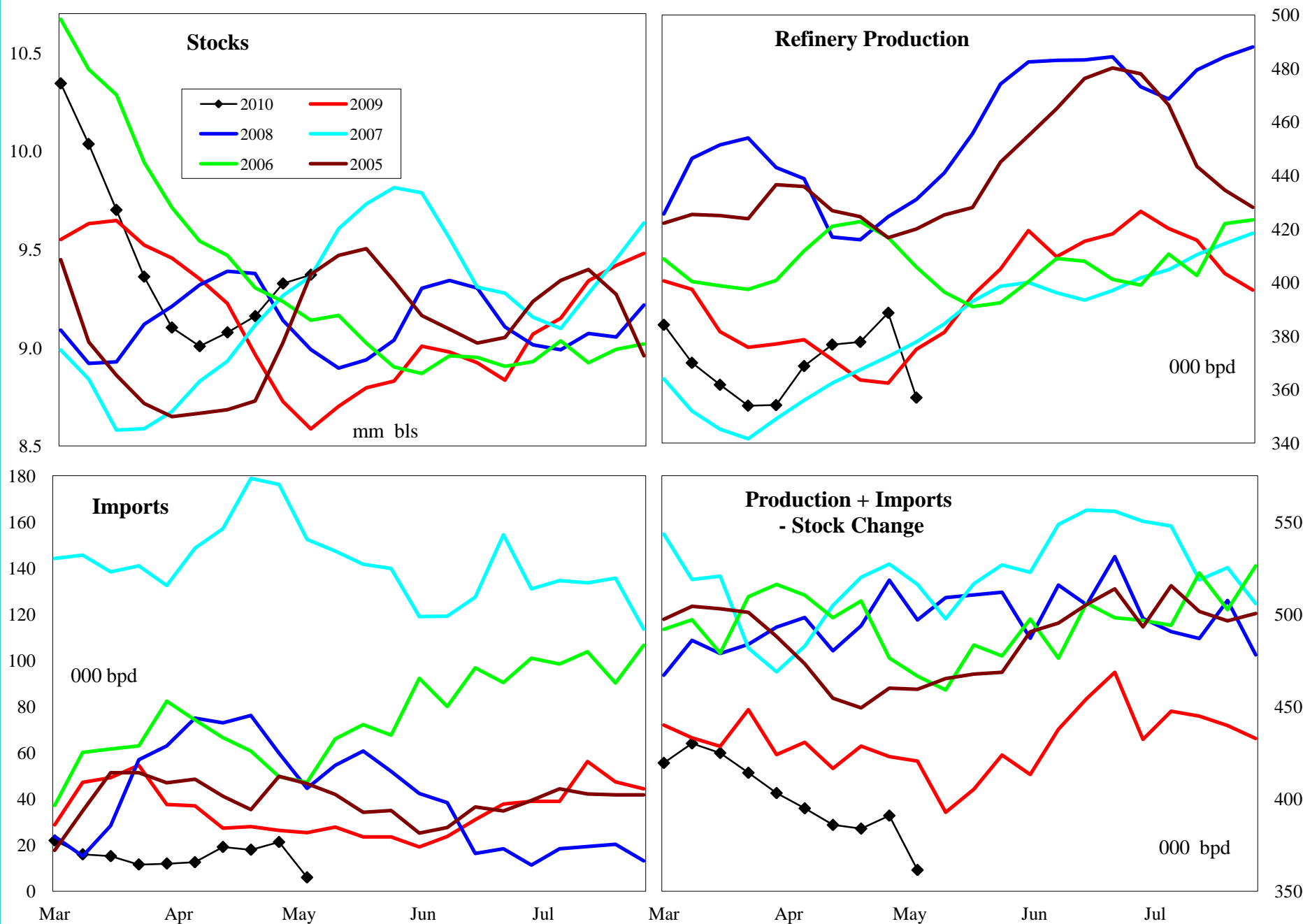
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

644

24

-5

-31

7.4

6.6

-20.0

-7.5

PADD 5 Residual Fuel Oil Supply

