



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

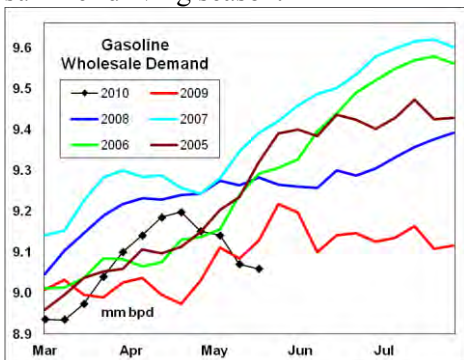
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, May 26, 2010

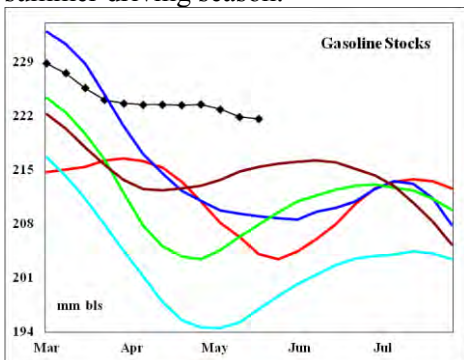


Major Fundamental Trends¹

Gasoline wholesale demand was 9.1 million bpd last week, down from 9.3 million bpd 3-wks ago. This was the first seasonal decline from mid April through the 3rd week of May in the last 5-years. The -50 cts/gallon collapse in wholesale prices contributed to weakness as the downstream supply chain minimized purchases to draw stocks. However, persistent high unemployment in the economy has limited consumer driving. The impact of high unemployment will continue constrain gasoline demand throughout the peak summer driving season.

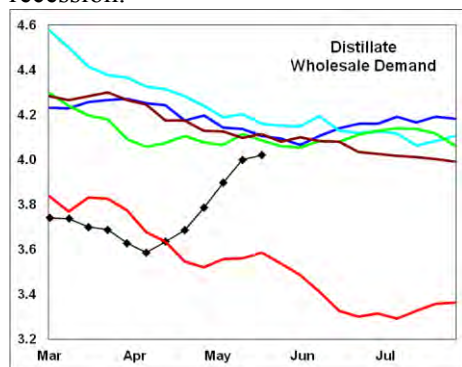


Weak demand and record production during the past 60-days has kept stock levels at record high levels for this time of year. Based on these fundamental trends the gasoline market will be very well supplied during the summer driving season.

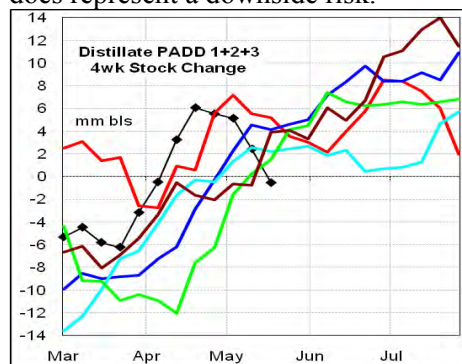


Increased domestic industrial activity that drives demand for transport diesel and strong exports during the latest 4-

wk period has lifted diesel demand +10.8% above year ago levels. Demand for the most recent week was near historic levels prior to the recession.



Strong demand and production rates near the 5-year mid range has led to a counter seasonal stock draw in markets East of the Rockies. Further tightening of the distillate supply balance is likely during the next quarter. Although weak growth in the European market does represent a downside risk.



Demand for distillate decreased last week but remains very robust. Gasoline demand has been exceptionally weak for each of the past three weeks.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline was unchanged from the prior year; distillate up +10.8%; jet fuel up +2.5% while residual fuel oil increased +11.2%.

Stocks forward coverage: Gasoline demand coverage increased last week on continued very soft demand while stocks were nearly unchanged.

Coverage remains at a record high for this time of year.

Distillate demand coverage trended lower on the week with robust demand leading to a small counter seasonal stock draw. Coverage levels were at the upper end of the range.

Jet fuel coverage was extremely high with stocks increasing +0.5 million barrels, a new record high.

Residual fuel oil coverage also remains very high.

Refinery utilization rates decreased last week on a -107,000 bpd decline in crude oil runs. Crude thru put fell below four of the last 5-years.

Gasoline yield % on crude oil runs decreased last week on a -220,000 bpd drop in production compared to the +107,000 bpd decline in crude oil runs. Yield % was above the mid range.

Distillate yield % on crude oil runs remains above the mid range, with a -33,000 bpd drop in output last week in line with lower crude oil input.

Jet fuel yield % on crude oil runs was above the historic mid range with production nearly unchanged.

Petroleum Imports of crude oil and all refined products increased last week.

During the latest 4-wk period distillate imports increased +27,000 bpd; finished gasoline imports decreased -144,000 bpd, gasoline blend stock imports increased +252,000 bpd; jet fuel imports decreased -32,000 bpd, while residual fuel oil imports increased +48,000 bpd. **Crude Oil** stocks increased +2.5 million barrels, including a +2.3 million barrel build on the West Coast. Stocks decreased -0.6 million barrels in PADD 2, with Cushing stocks declining -0.3 million barrels, the first recent weekly draw, albeit small.

Weak WTI prices compared to Gulf sour crude oil grades should cause refiners to switch from sour to sweet domestic grades; combined with high run rates in PADD 2, will cause continued stock draws in Cushing.

¹ Source is latest EIA Weekly Statistics



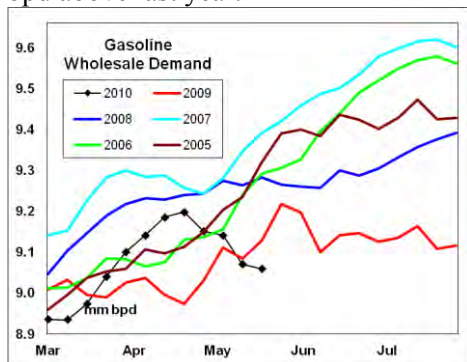
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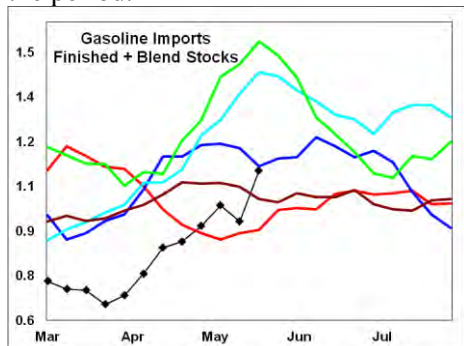
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Product Supply-Demand Trends

Gasoline demand increased +7,000 bpd last week, extending the recent weak trend for three consecutive weeks. The latest 4-wk average was +2,000 bpd above last year.



Gasoline production fell -220,000 bpd on the week, with the 4-wk average +152,000 bpd above a year ago. Weekly output has slipped to the 5-year mid range. Imports of finished + blend stocks increased +266,000 bpd last week to the historic mid range for the period.



Stocks decreased -0.2 million barrels last week, with builds in all regions except PADD 3. Stock levels remain well above the historic range.

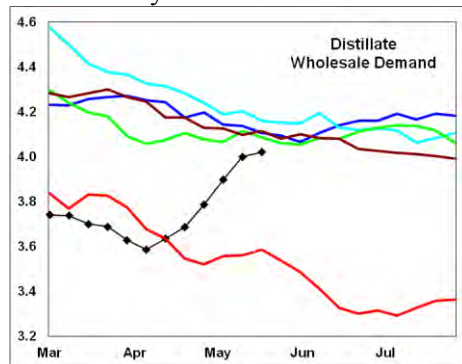
Weak demand has more than offset a recent downtrend in output; driving stock levels to record highs for this time of year.

Expect prices to exhibit weakness compared to the overall energy complex for the balance of the quarter. **Distillate** demand decreased -65,000 bpd last week. Demand for the latest 4-wk period averaged +386,000 bpd above last year; driven in part by very robust exports and increased domestic industrial activity.

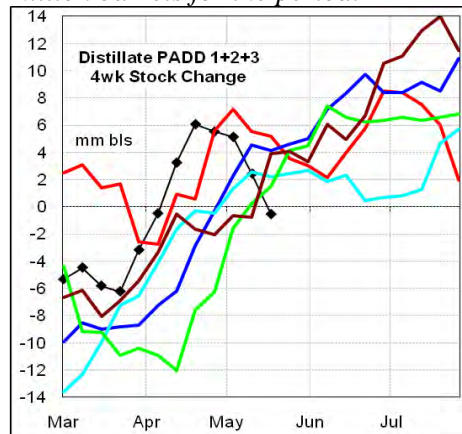
Production decreased -33,000 bpd

last week, to a level near the mid range. Imports are running near the historic mid range.

Stocks decreased -0.3 million barrels on the week, a second consecutive weekly counter seasonal draw. Stock levels are +4.2 million barrels above last years' record high for this time of year.



Demand continues at a very robust rate; driven by increased industrial activity and strong exports. Combined with flat production over the past 4-wks, stock levels East of the Rockies have experienced a marginal decline compared to an average build of +4 million barrels for the period.



Robust demand should support prices relative to the overall energy complex for the summer quarter.

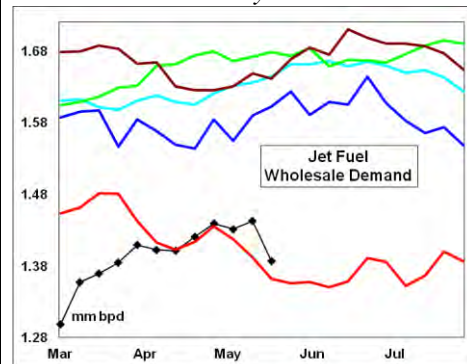
Jet Fuel demand decreased -84,000 bpd on the week, with the latest 4-wk average +36,000 bpd above last years' record low level.

Supply increased +21,000 bpd on the week, with higher imports offset by lower production. The latest 4-wk average supply was +49,000 bpd above a year ago. Stocks increased +0.5

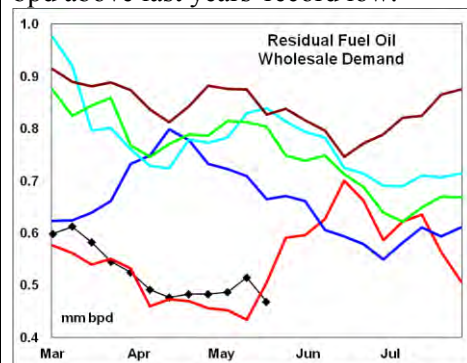
million barrels, to a new record high for the period.

Demand has not increased significantly above last years' record lows. Production has increased during the last 6-wks to the historic mid range; driving imports to record low levels. The increased supply has pushed stock levels to extremely high levels

Expect jet prices to track a strong distillate market, although with very weak cash basis in key markets..



Residual fuel oil demand, including exports, decreased -38,000 bpd last week, with the 4-wk average +49,000 bpd above last years' record low.



Supply (production + imports) increased +150,000 bpd on the week, with the latest 4-wk average +69,000 bpd above a year ago. Stocks increased +1.2 million barrels to a new all time high.

The residual fuel oil market remains exceptionally over supplied; concentrated in PADDs 3 and 1. These fundamental trends should lead to relative price weakness for residual fuel compared to the overall energy complex.



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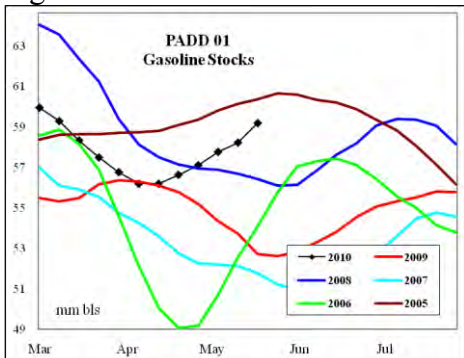
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PADD Supply Trends

PADD 1 refinery crude oil runs decreased -20,000 bpd last week, with the 4-wk average +8,000 bpd below last year. (Accounting for refinery closures last year, run rates were above the mid range).

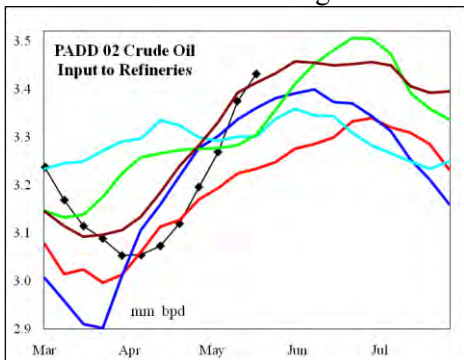
Gasoline production decreased -91,000 bpd last week, with the latest 4-wk average +12,000 bpd above a year ago, and at a 5-year high. Imports jumped +246,000 bpd on the week, to match the historic mid range.

Stocks increased +1 million barrels to a level near the 5-year high.



Distillate supply increased +45,000 bpd last week, with higher imports offset by lower production. Stocks increased +0.5 million barrels, and remain above the 5-year range.

Jet fuel supply increased +13,000 bpd last week, but remains well below the mid range. Stock levels remain well above the historic range.



PADD 2 crude oil refinery runs were unchanged last week, matching the 5-year high rate for this time of year. Crude oil stocks decreased -0.6 million

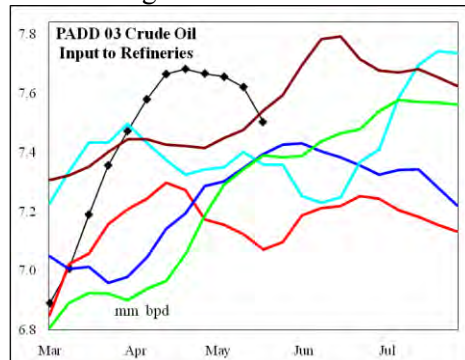
barrels, including a -0.3 million barrel draw in Cushing. This represents the 2nd consecutive weekly draw, albeit small, at Cushing.

Gasoline production increased +18,000 bpd last week, with the level well above the mid range. Stocks increased +0.5 million barrels, to a level near the upper end of the historic range.

Distillate production was unchanged on the week, matching the record high level set in 2008. Stocks increased +0.5 million barrels, to a level above the mid range.

Jet fuel production and stocks each increased last week to a level above the historic range.

PADD 3 refinery crude oil runs decreased -132,000 bpd last week. The latest 4-wk average was +531,000 bpd above a year ago and above the 5-year range. Imports increased +87,000 bpd last week, to a level below the mid range. Crude oil stocks increased +1.8 million barrels, to the upper end of the historic range.



Gasoline production decreased -64,000 bpd on the week, with the 4-wk average -188,000 bpd below a year ago. Stocks were nearly unchanged last week, with the level +3.7 million barrels above the prior record high.

Distillate production decreased -68,000 bpd on the week to a level near the mid range. Stocks fell -1.7 million barrels, although the level remains +3.6 million barrels above the prior high.

Jet fuel stocks increased +0.8 million barrels to an extremely high level. Stocks are now +22% above the

prior record for this time of year.

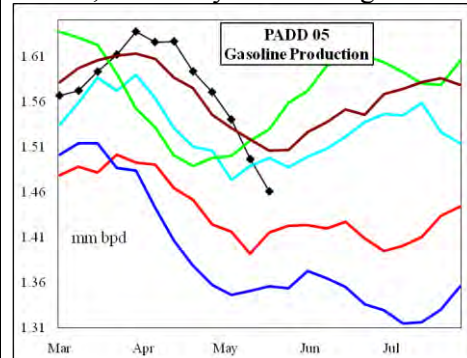
Residual fuel oil stocks were +42% above last year and remain extremely high. Production dropped to the low end of the 5-year range.

PADD 4 refinery crude oil runs increased +18,000 bpd on the week, but remains at the low end of the historic range. The latest 4-wk average was -13,000 bpd below last year.

Gasoline production decreased -5,000 bpd on the week, matching the historic high for this time of year. Stock levels remain extremely high, up +23% above last year.

Distillate production decreased -3,000 bpd last week, to the low end of the 5-year range. Stock levels remain above the 5-year range.

PADD 5 crude oil refinery runs increased +27,000 bpd on the week, but remain at a level below the historic range. The latest 4-wk average run rate was -8,000 bpd below last year. Crude oil stocks increased +2.3 million barrels, to the 5-year mid range.



Gasoline supply (production + imports) fell -129,000 bpd last week, with production below the mid range. The latest 4-wk average supply was +118,000 bpd above last year. Stocks fell -1.5 million barrels to the upper end of the historic range.

Distillate production increased +62,000 bpd to the mid range. Stocks increased +0.5 million barrels to above the historic range.

Jet fuel supply increased +30,000 bpd last week, although imports and production are below the historic range. Stocks fell -0.5 million barrels to the low end of the historic range.


**FUNDAMENTAL
PETROLEUM
TRENDS**


PETROLEUM: Graph Link and Weekly Summary

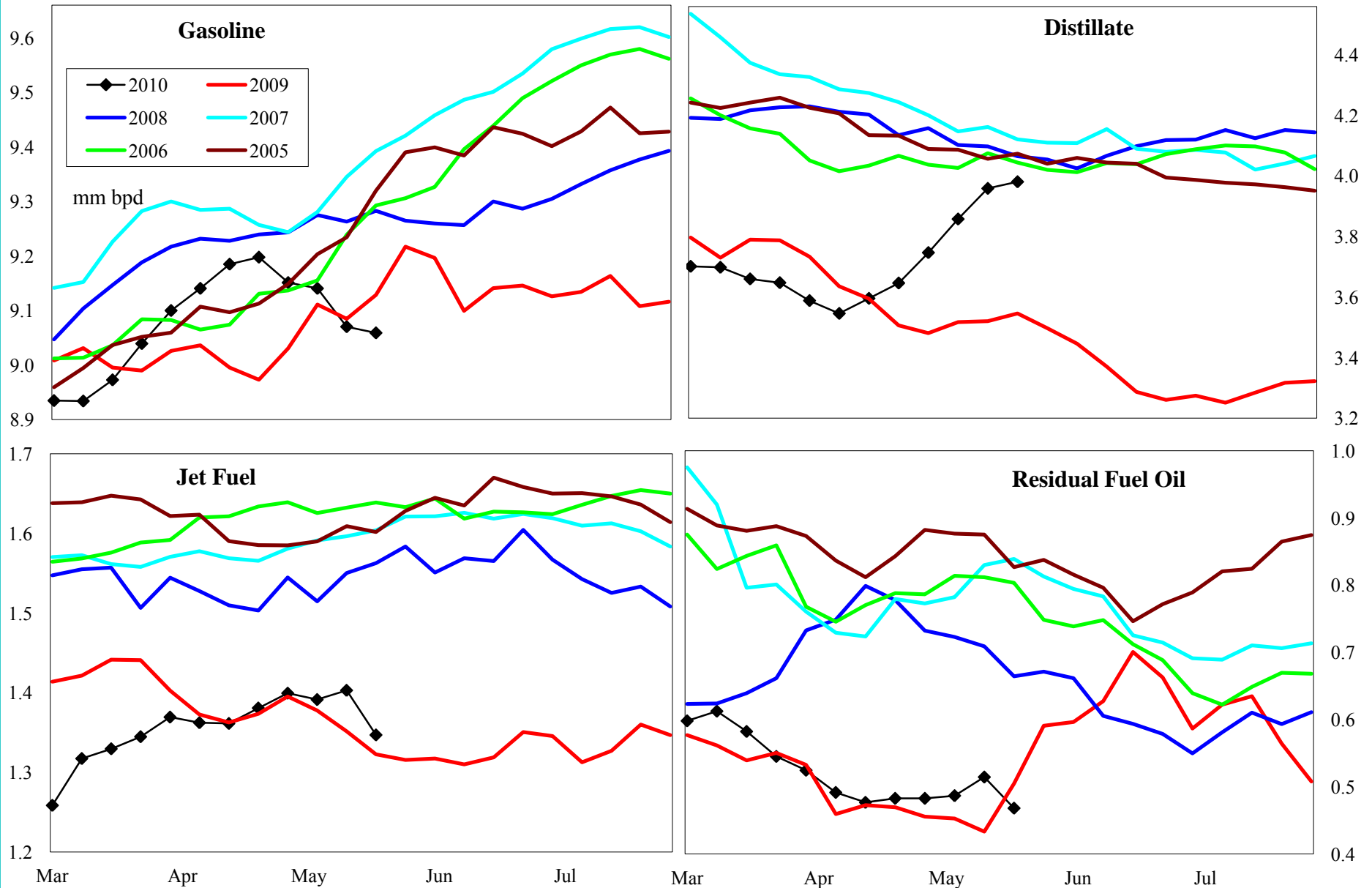
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Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization</u> <u>Product Yield %</u>			<u>Imports</u>	
Supply/Demand Trends	21-May-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	2,460	-1,117	-611	1,788	145	2,255
	Imports	99	-297	69	87	81	159
	Input	-107	-20	0	-132	18	27
	% Utilization	-0.10					
<u>Gasoline</u>	Stocks	-203	1,048	459	167	-348	-1,529
	Production	-220	-91	18	-64	-5	-78
	Imports	266	246	0	71	0	-51
	Supplied	7					
<u>Distillate</u>	Stocks	-267	464	386	-1,656	11	528
	Production	-33	-22	-2	-68	-3	62
	Imports	70	67	-1	0	0	4
	Supplied	-65					
<u>Jet Fuel</u>	Stocks	543	119	244	751	-55	-516
	Production	-10	-14	23	-38	-6	25
	Imports	31	27	0	0	-1	5
	Supplied	-84					
<u>Residual Fuel Oil</u>	Stocks	1,204	718	0	407	-15	94
	Production	-28	-10	-22	-13	2	15
	Imports	178	102	1	80	0	-5
	Supplied	-38					

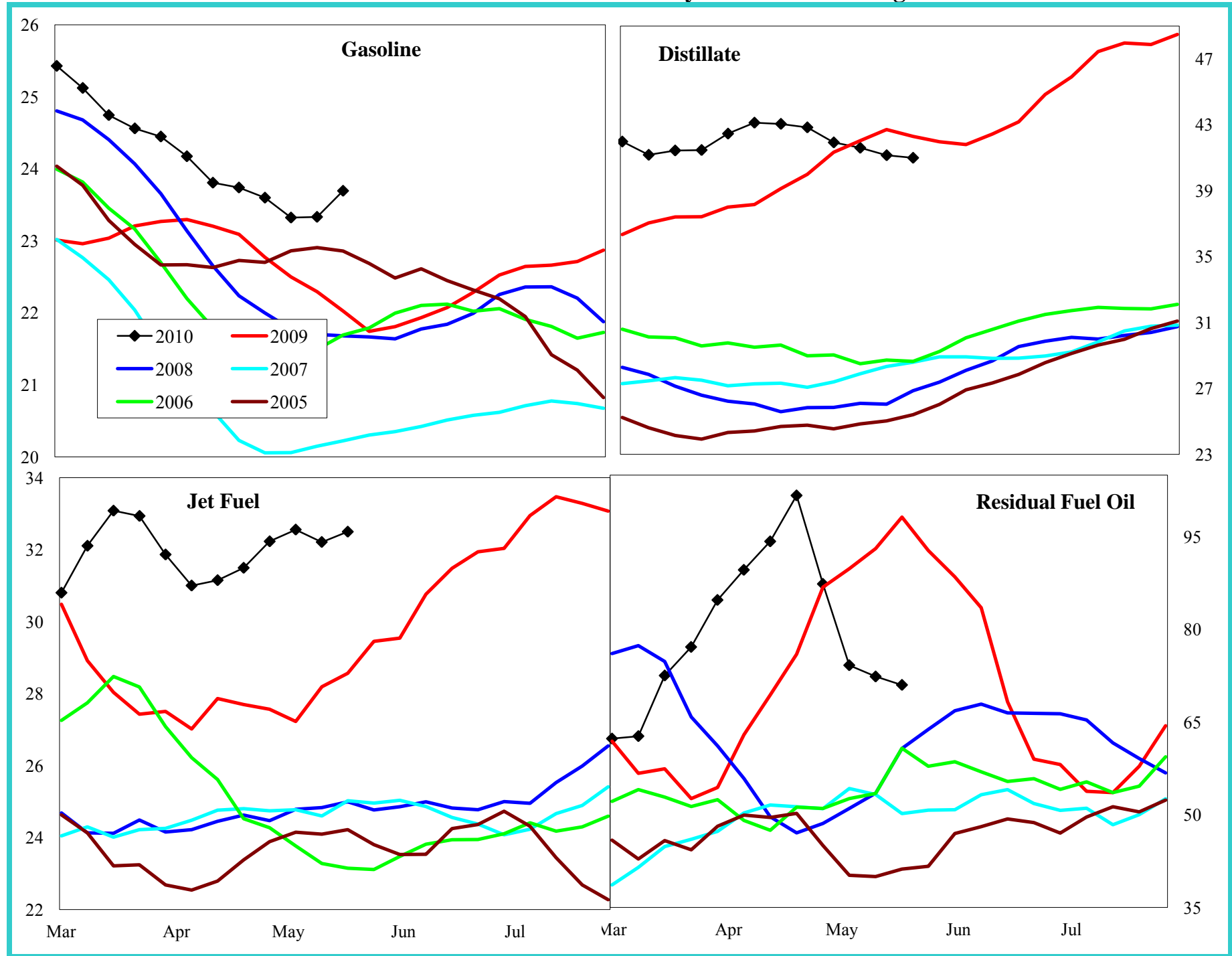
United States Wholesale Petroleum Demand



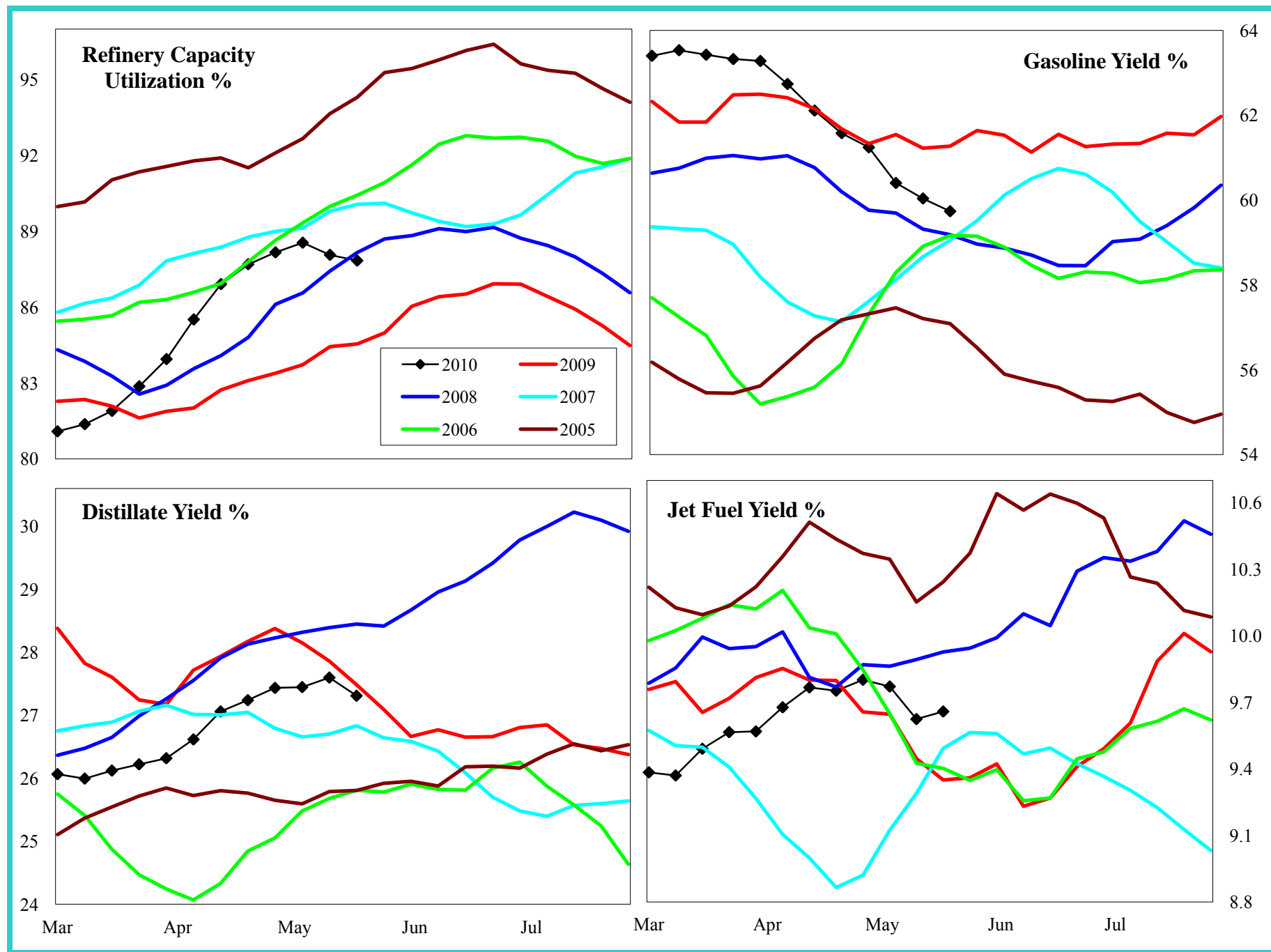
	000 bpd change from prior year				% change from prior year			
	4wk avg	Apr	Jan	Feb	4wk avg	Apr	Mar	Feb
Gasoline	2	304	147	-165	0.0	3.4	1.7	-1.9
Distillate	386	184	-25	-49	10.8	5.3	-0.7	-1.3
Jet Fuel	36	-15	-65	1	2.5	-1.1	-4.5	0.1
Resid	49	-206	-32	7	11.2	-30.6	-5.3	1.4



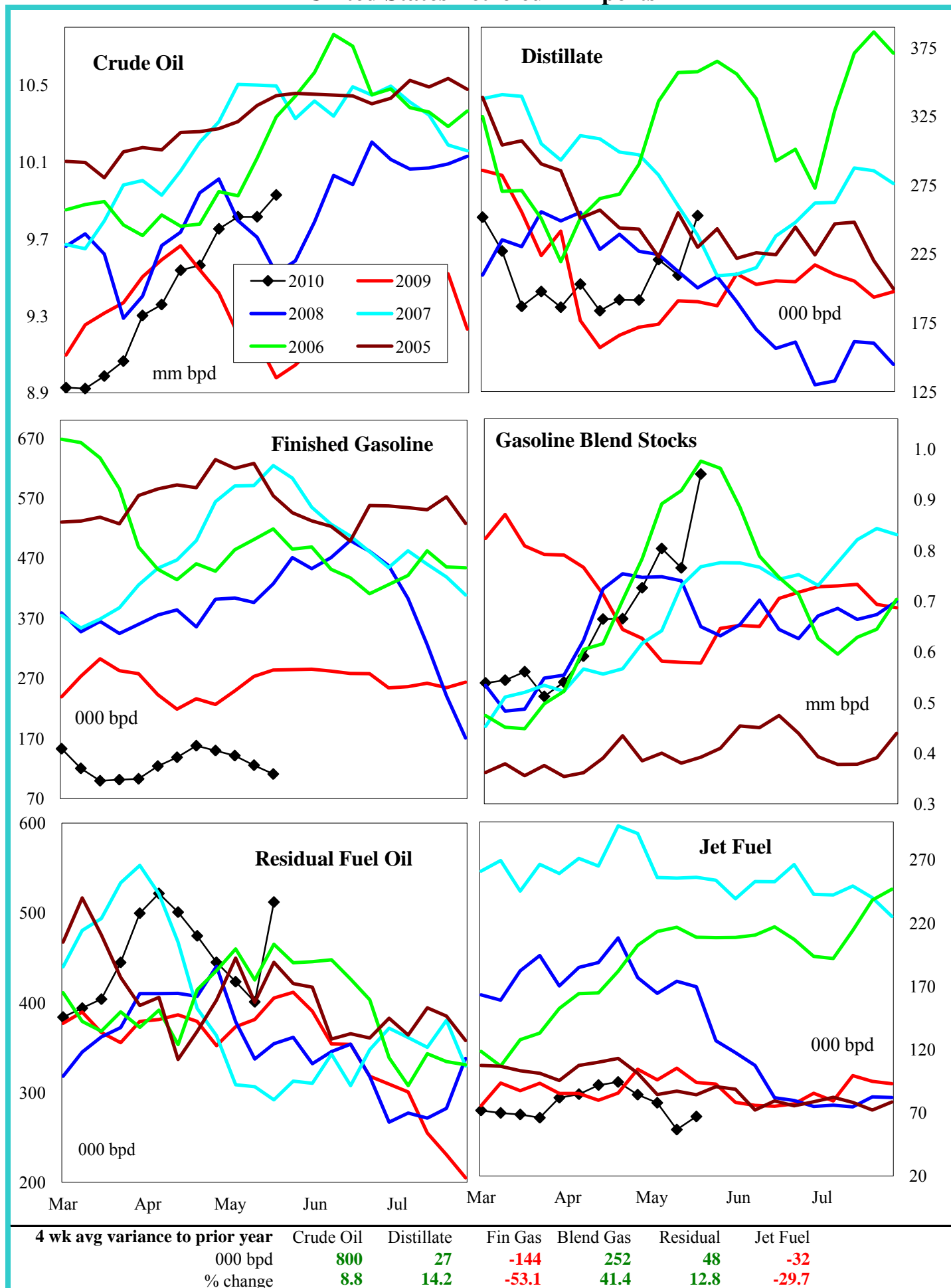
United States Product Stocks: Days Forward Coverage



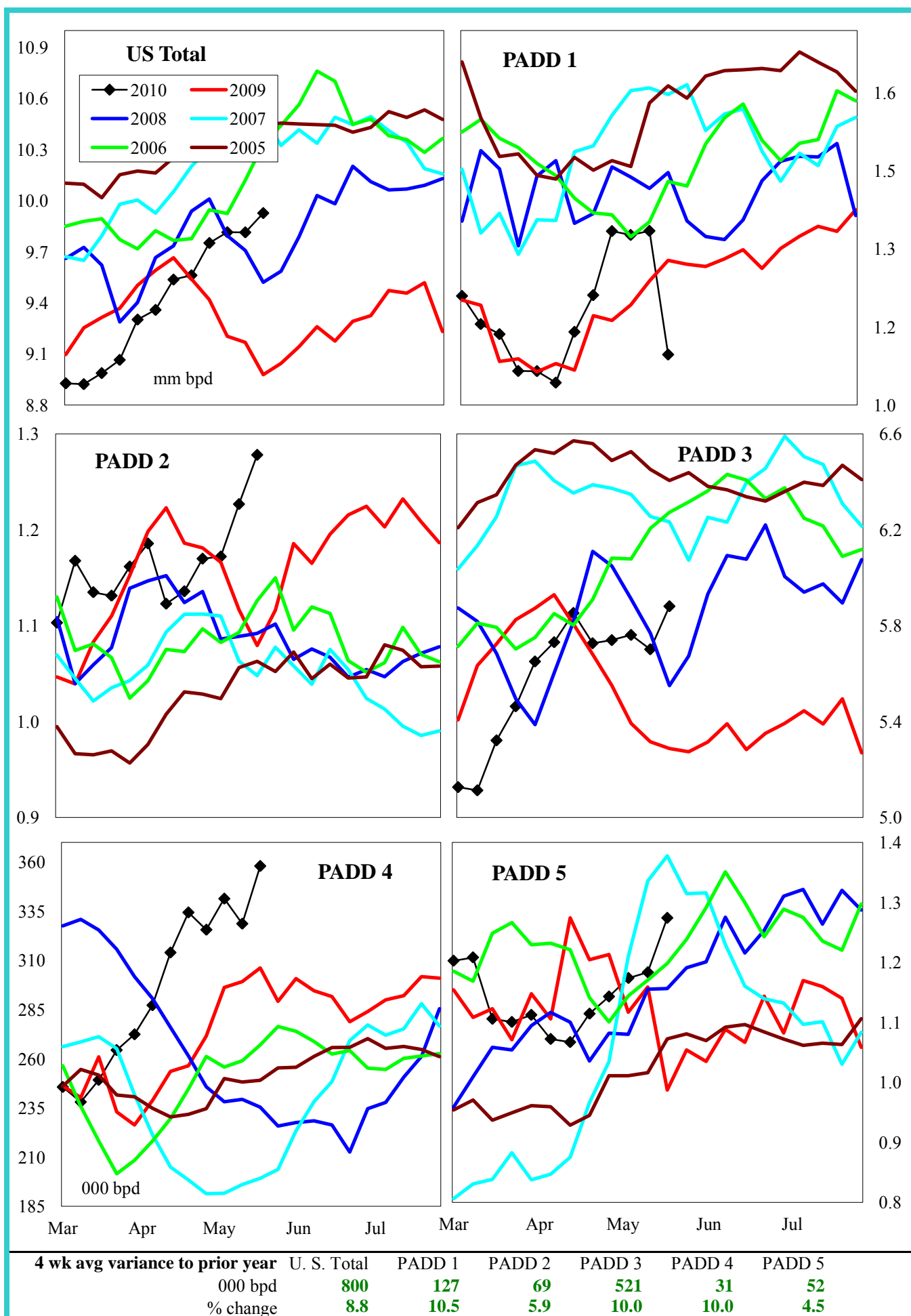
United States Refinery Percent Utilization Rate and Product Yields



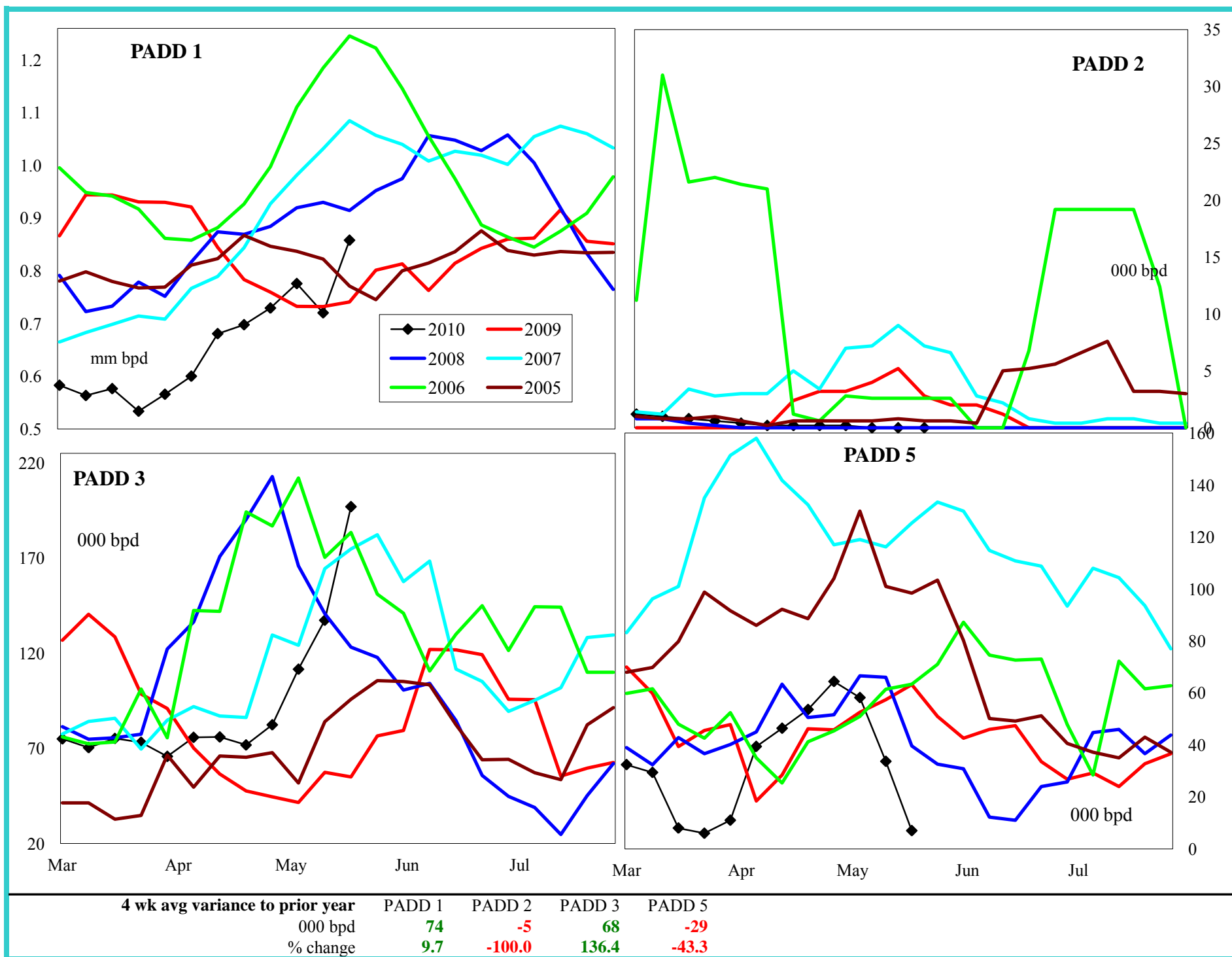
United States Petroleum Imports



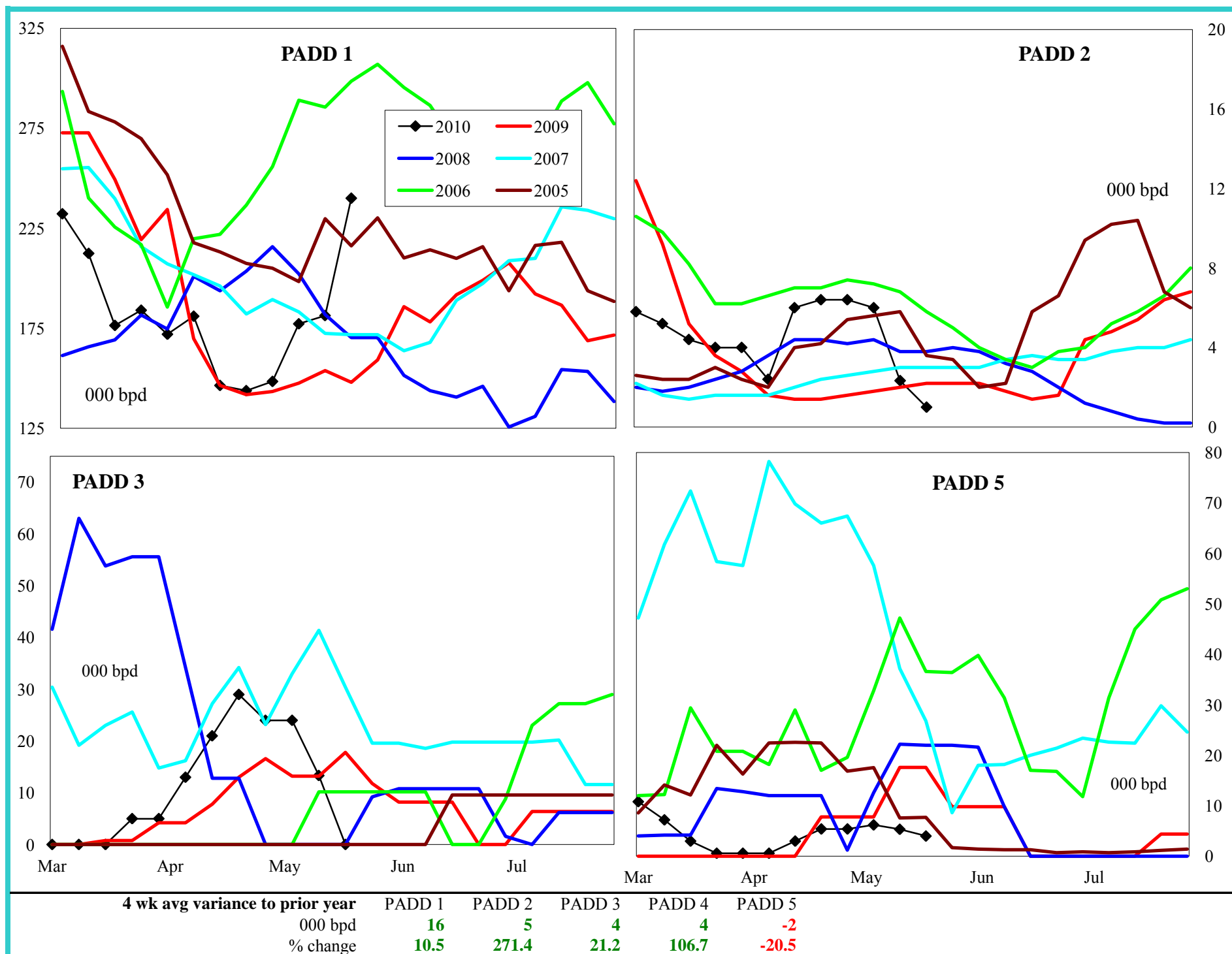
Crude Oil Imports by PADD



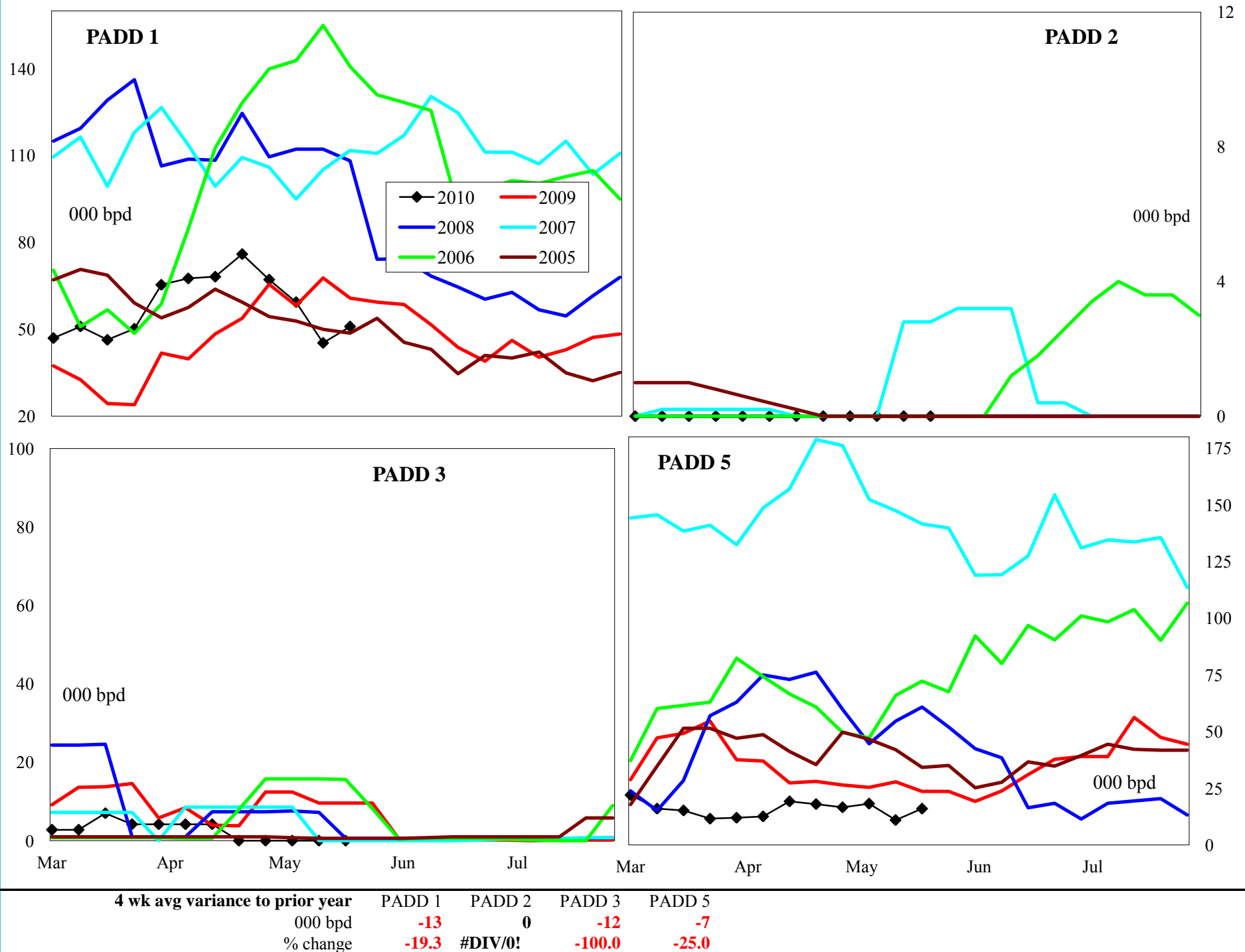
Gasoline Imports by PADD (Finished + Blend Stocks)



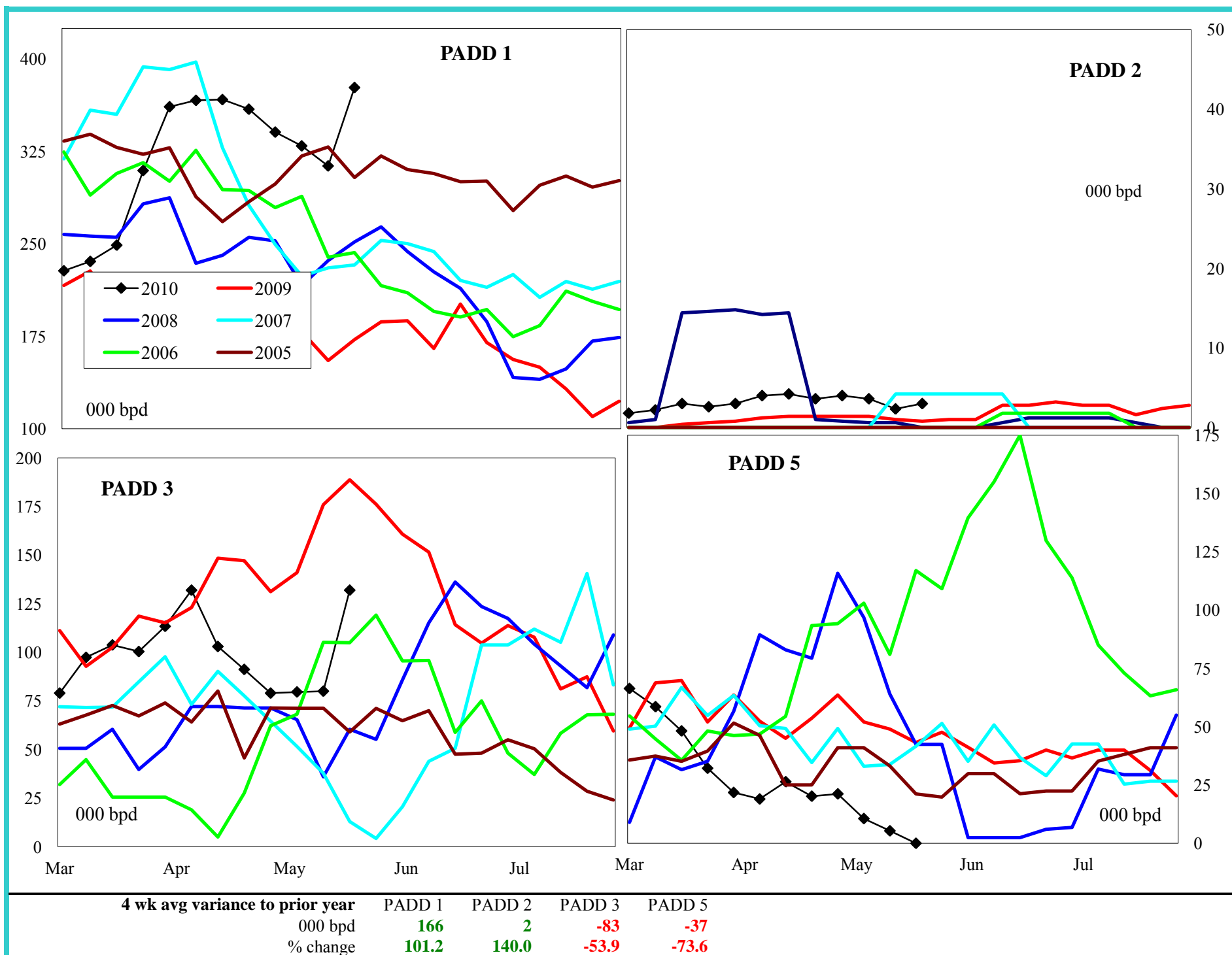
Distillate Imports by PADD



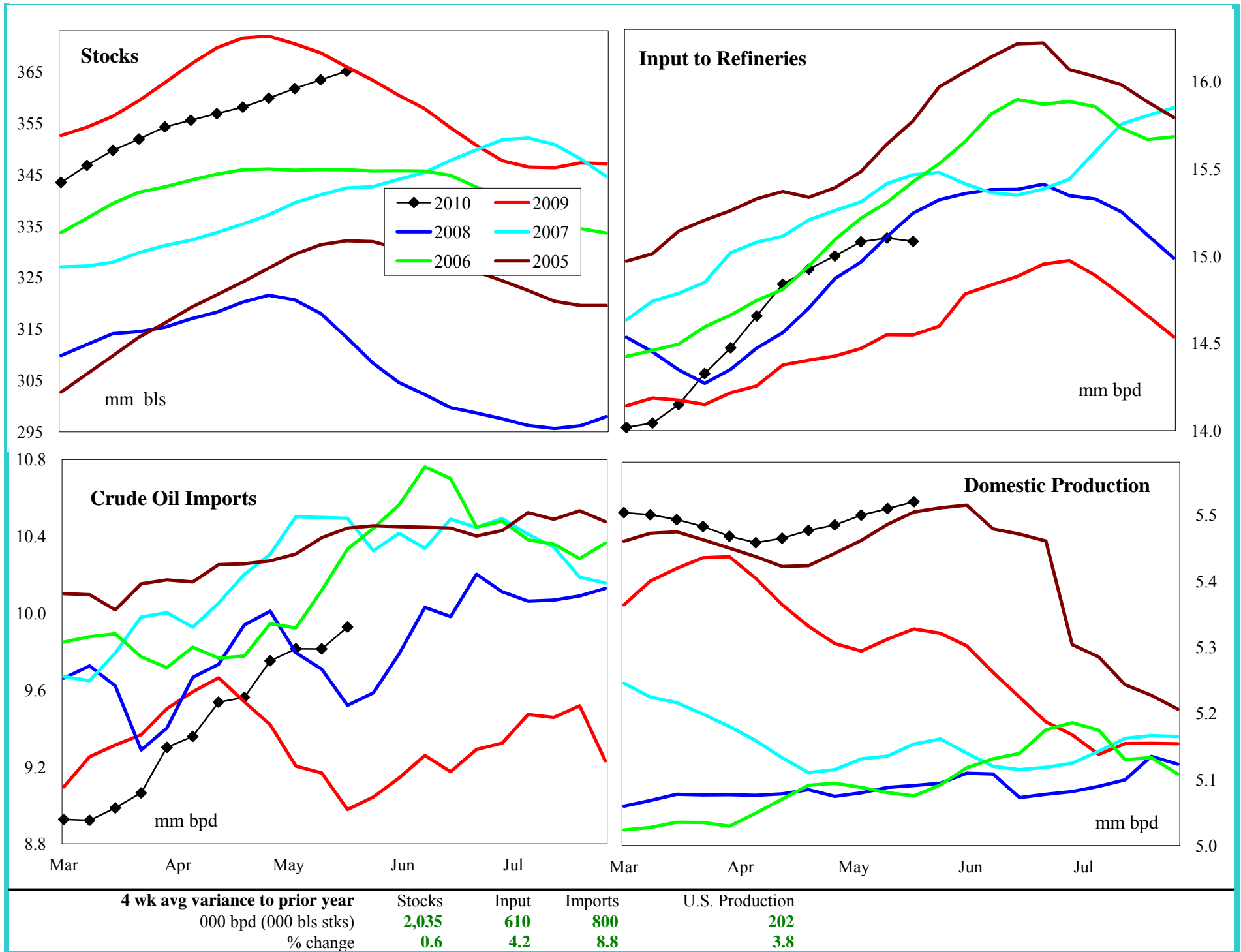
Jet Fuel Imports by PADD



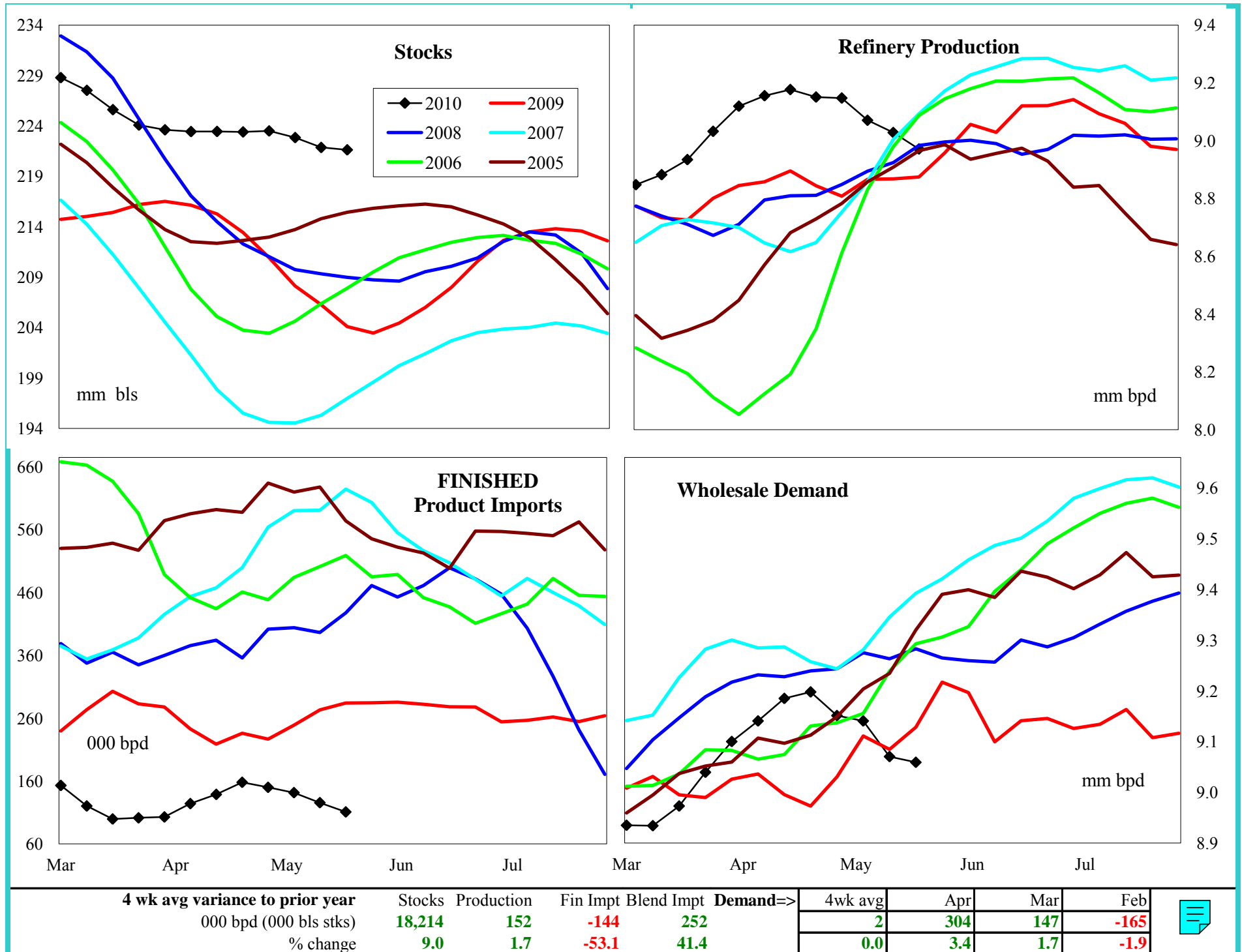
Residual Fuel Oil Imports by PADD



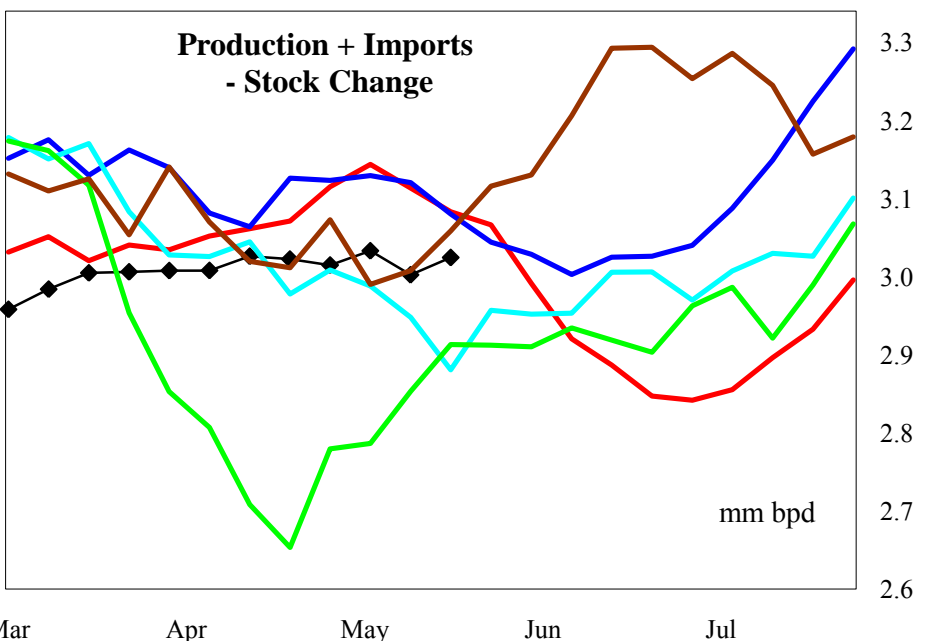
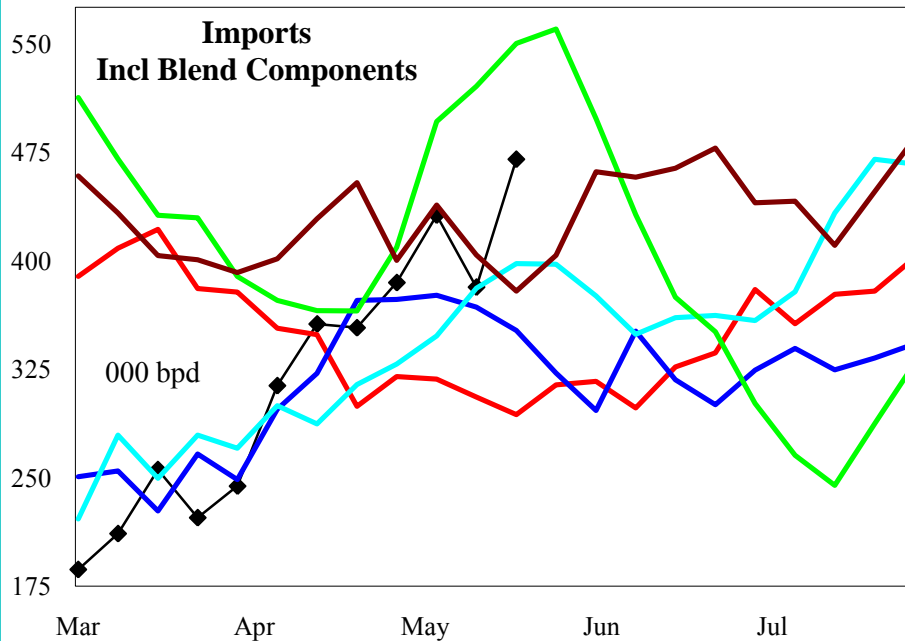
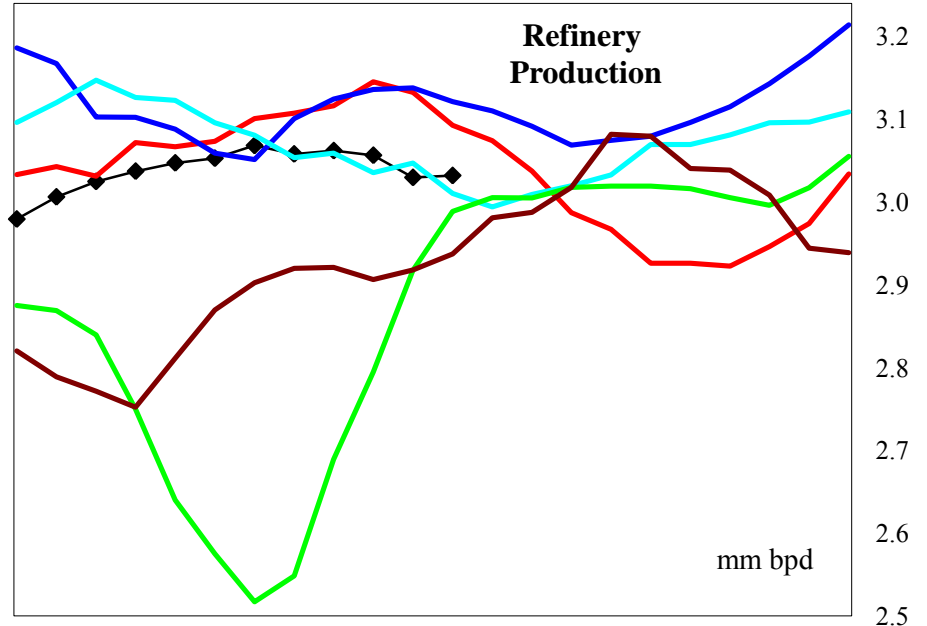
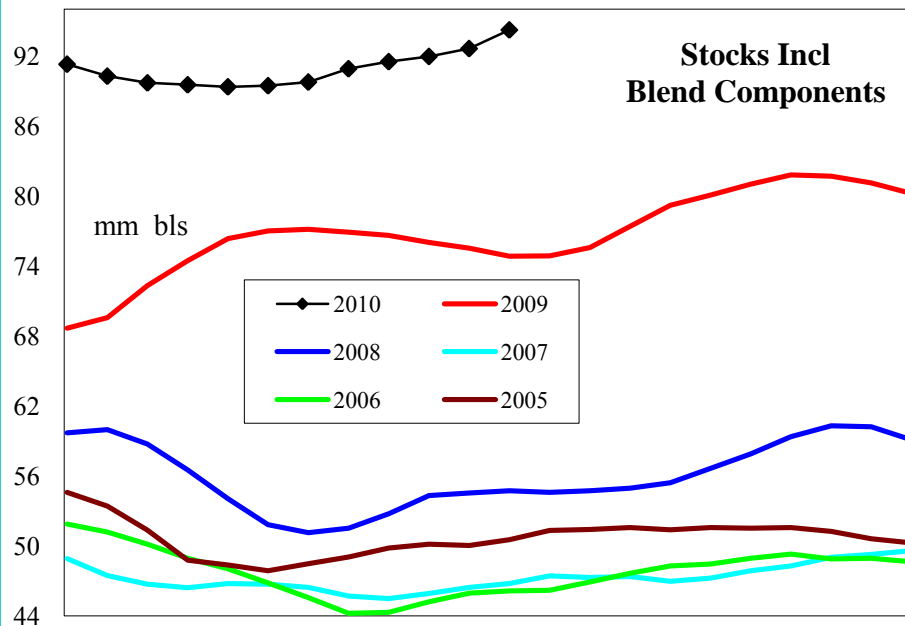
United States Crude Oil Supply and Demand Balance



United States Gasoline Supply and Demand Balance



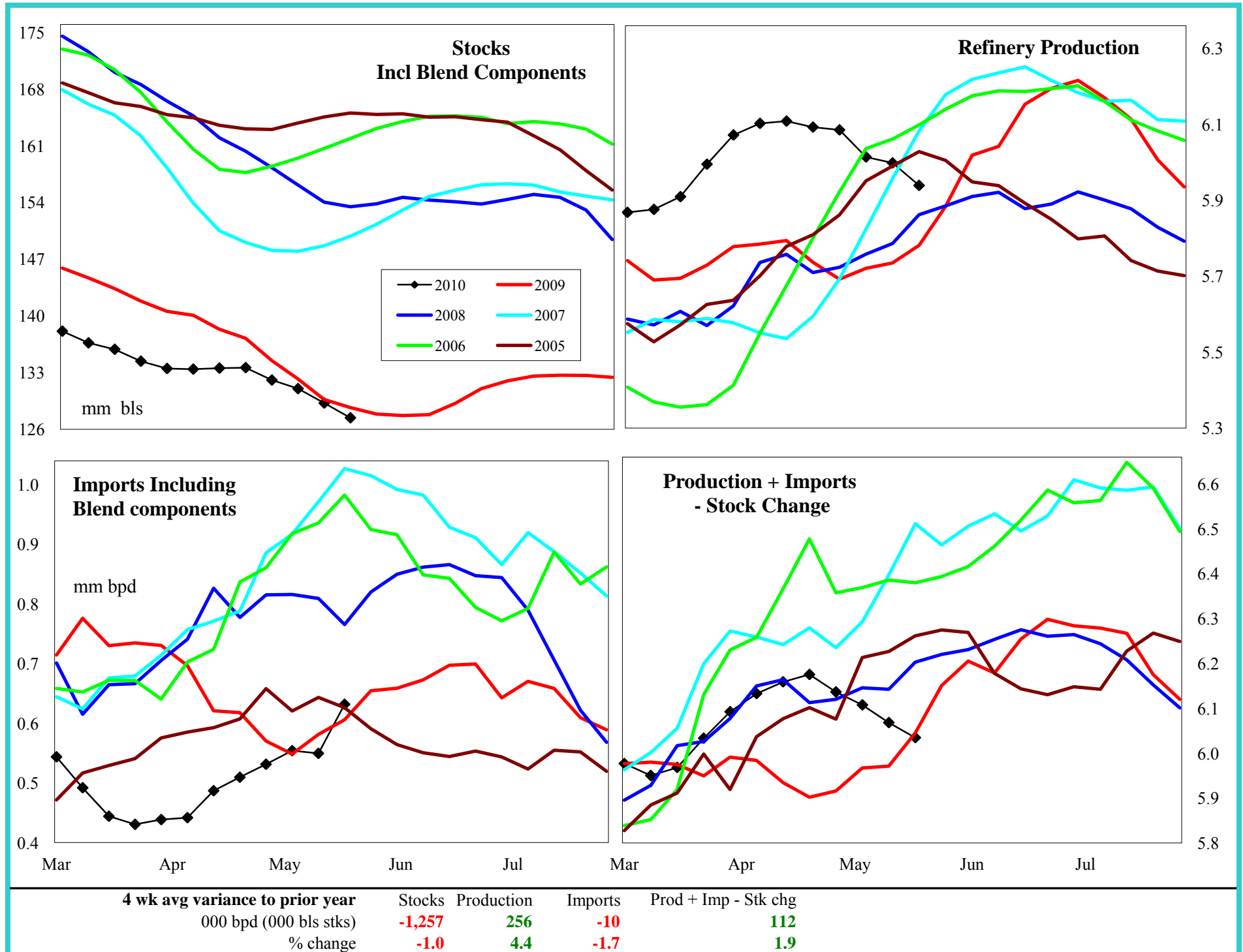
United States Reformulated Gasoline Supply



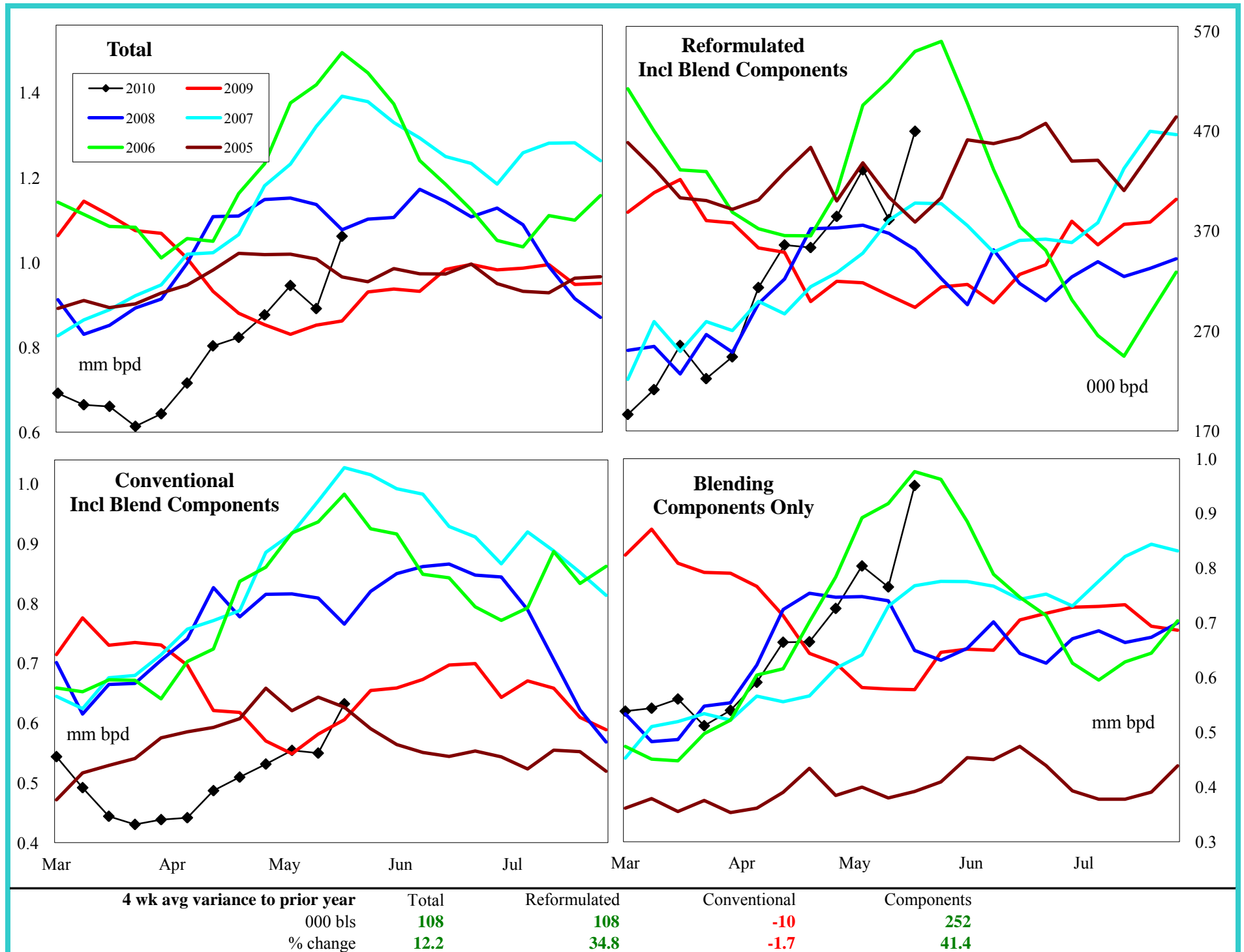
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
19,364	-104	108	-95
25.9	-3.3	34.8	-3.1

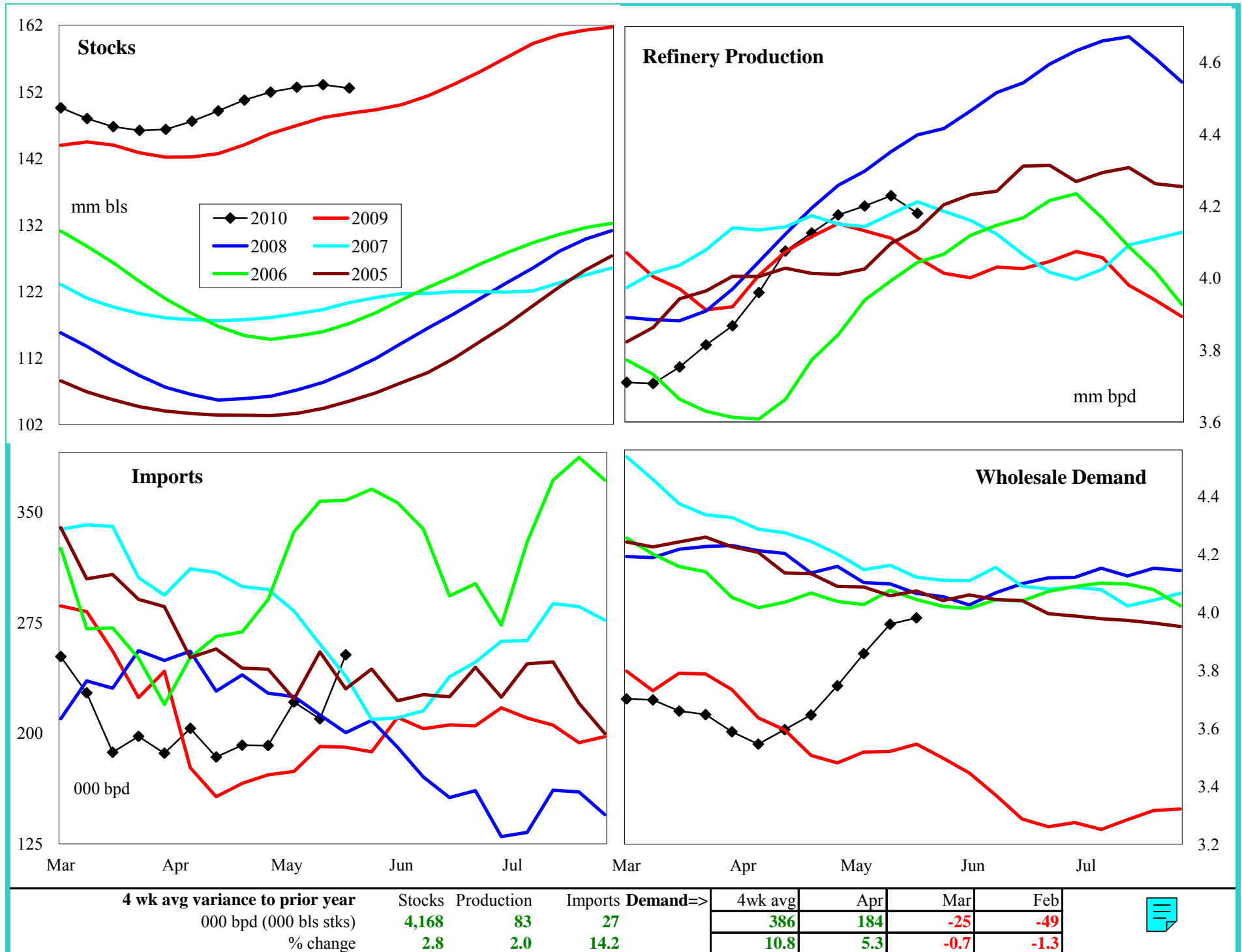
United States Conventional Gasoline Supply



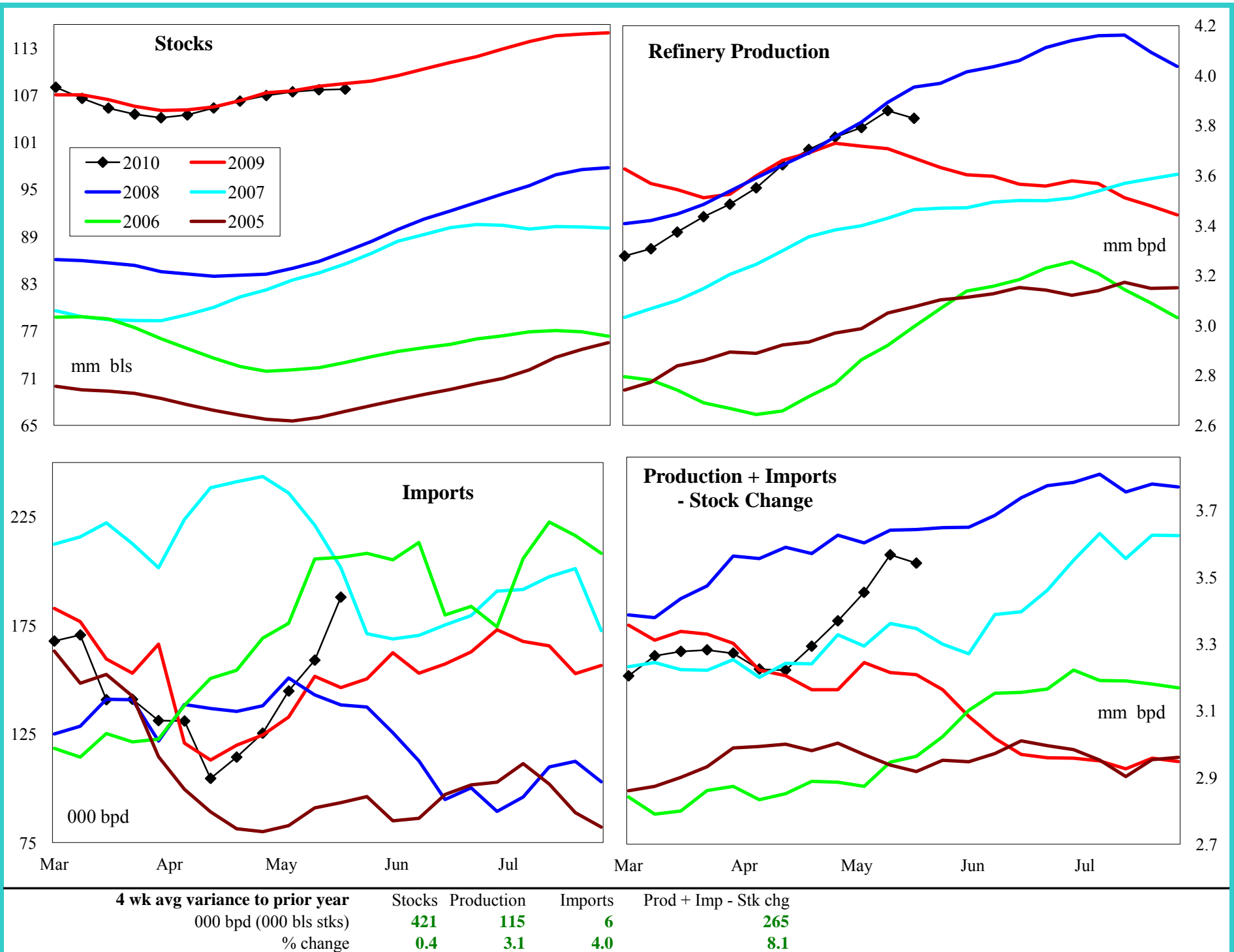
United States Gasoline Imports by Type



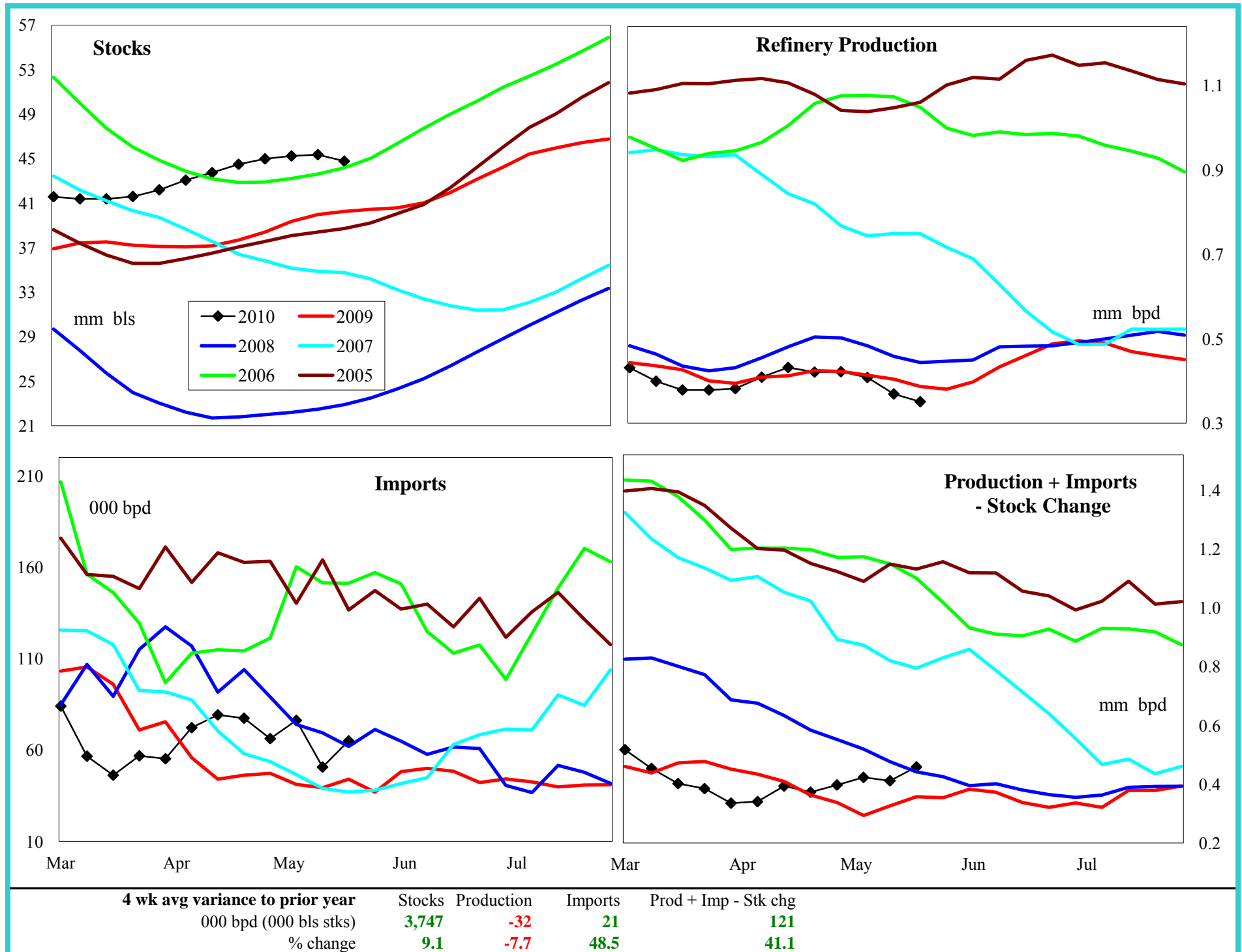
United States Distillate Supply and Demand Balance



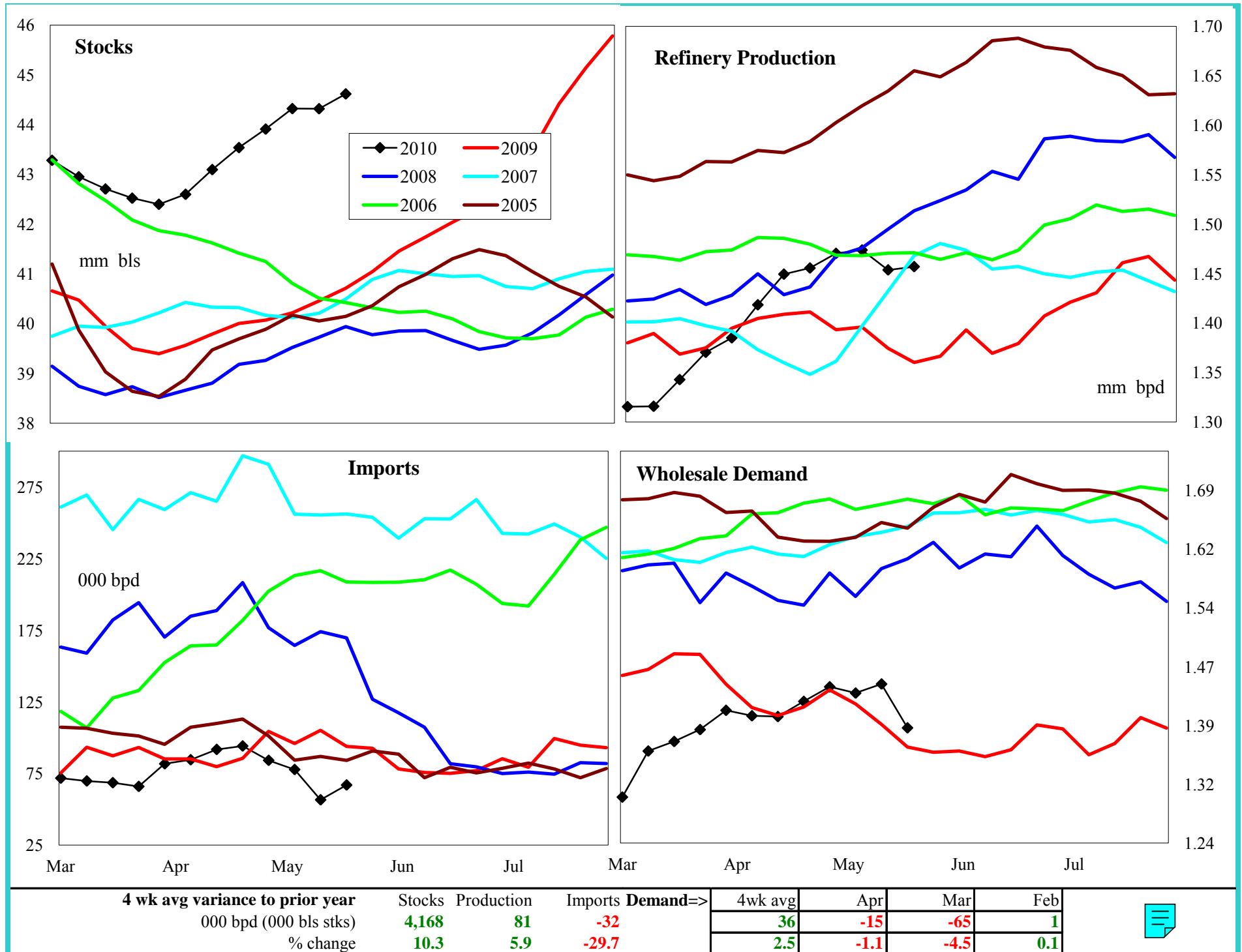
United States Low Sulfur Distillate Supply



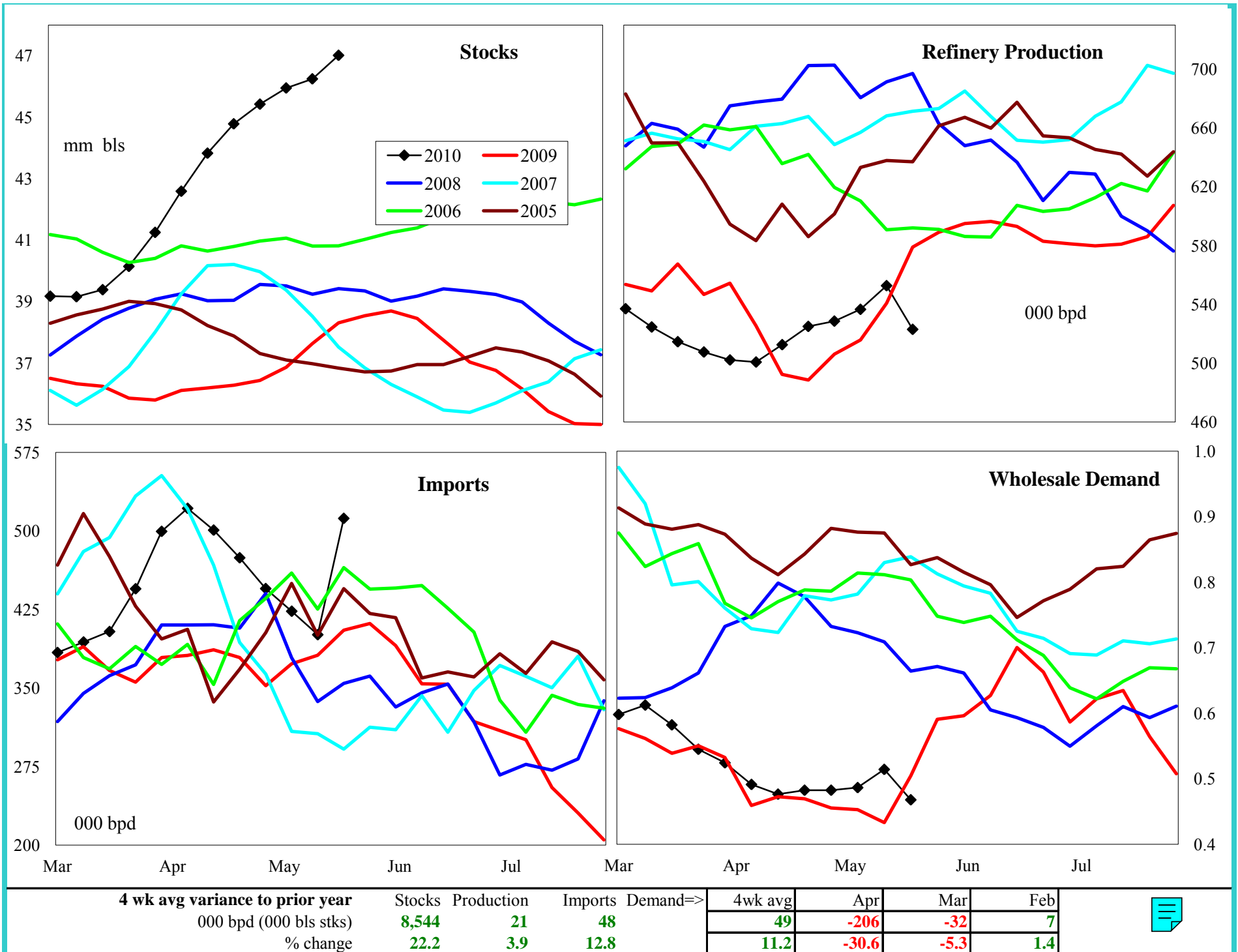
United States High Sulfur Distillate Supply



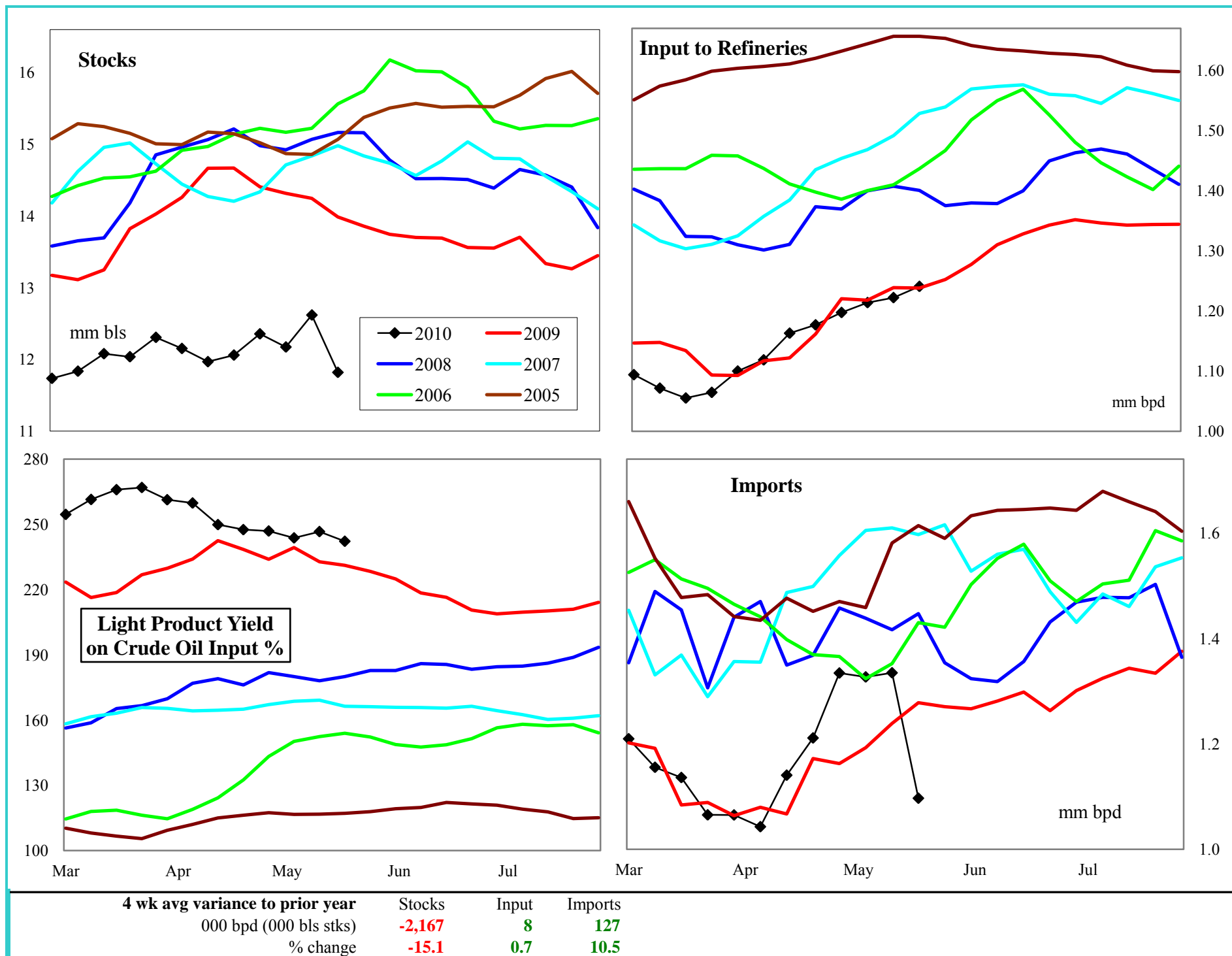
United States Jet Fuel Supply and Demand Balance



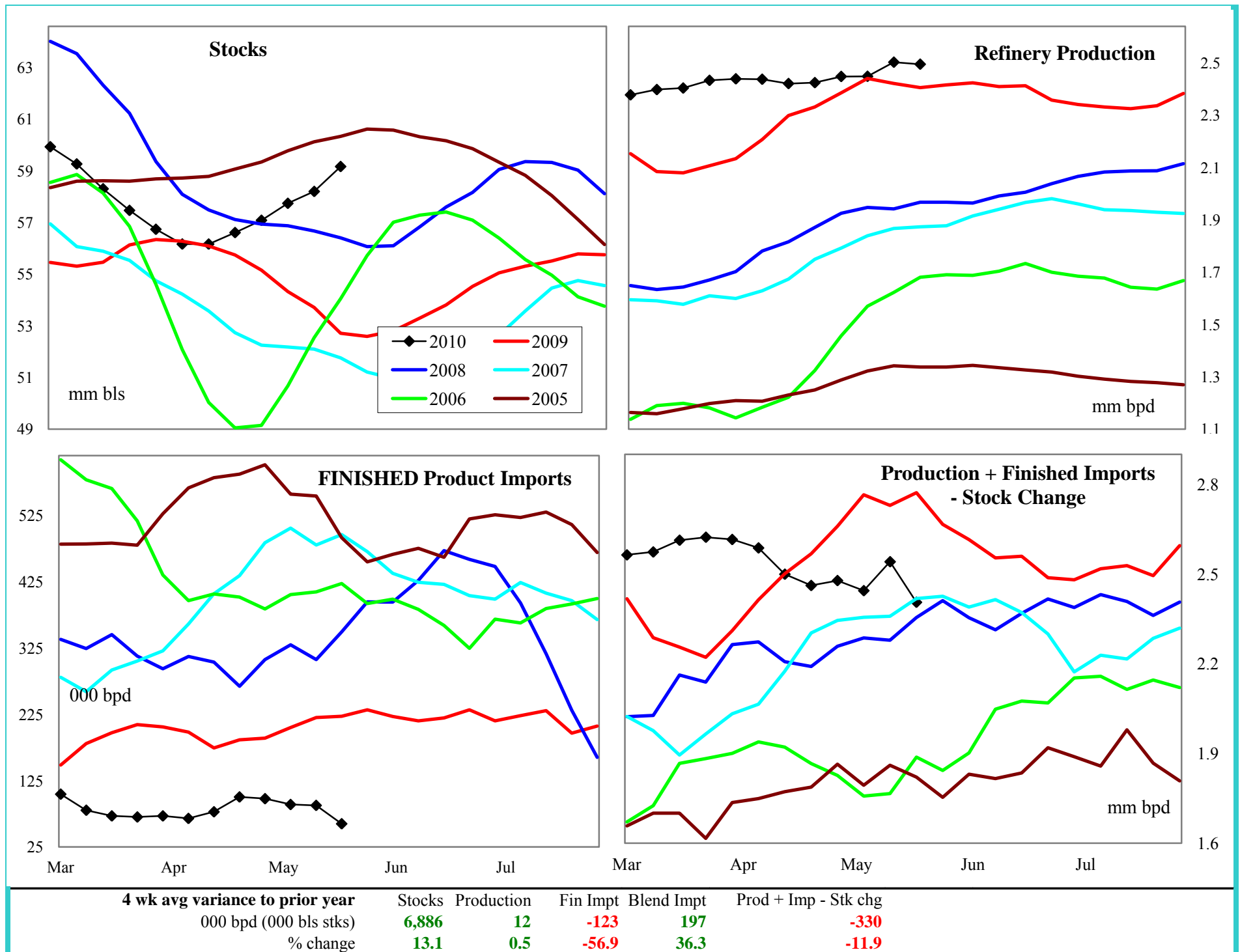
United States Residual Fuel Oil Supply and Demand Balance



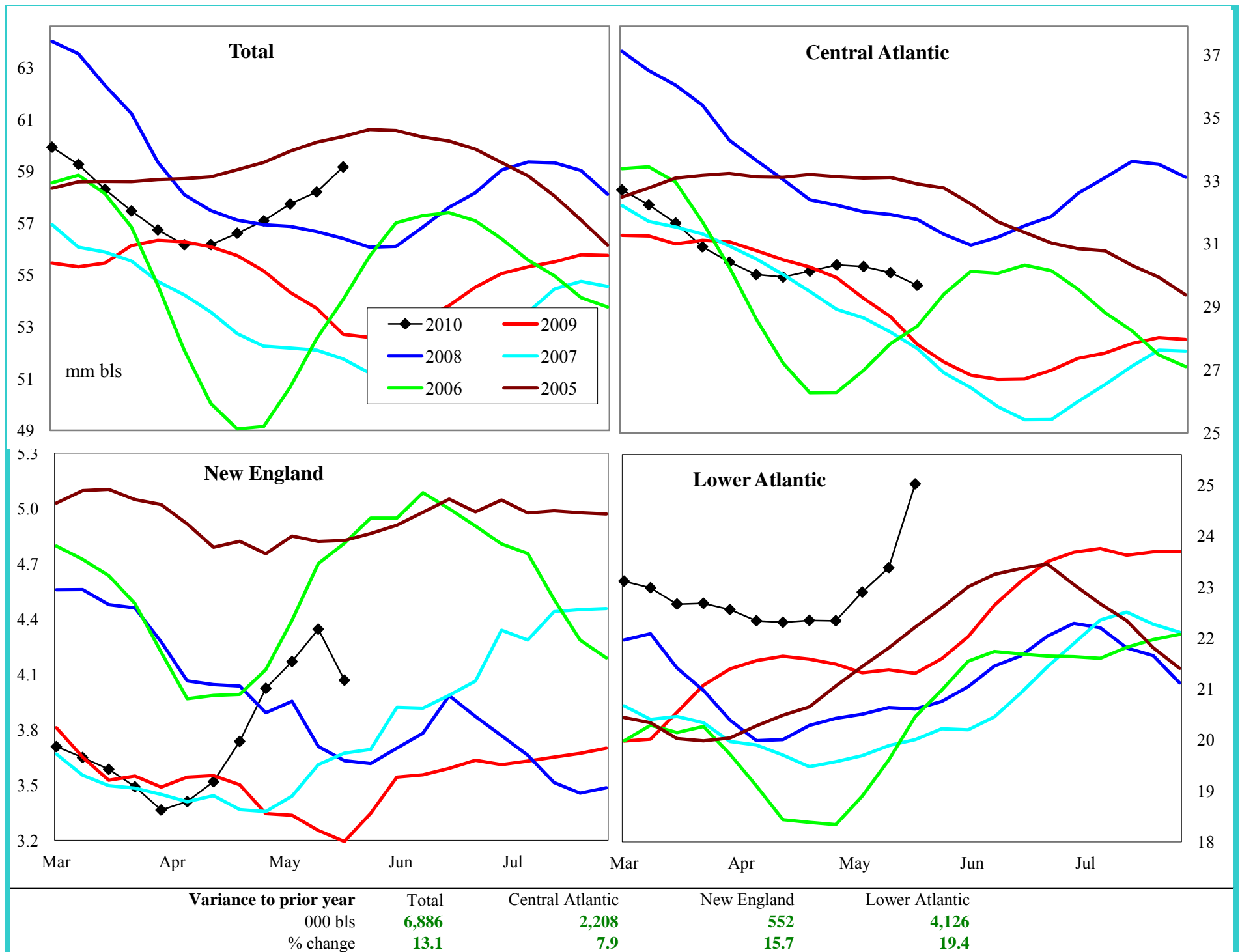
PADD 1 Crude Oil Supply and Refining



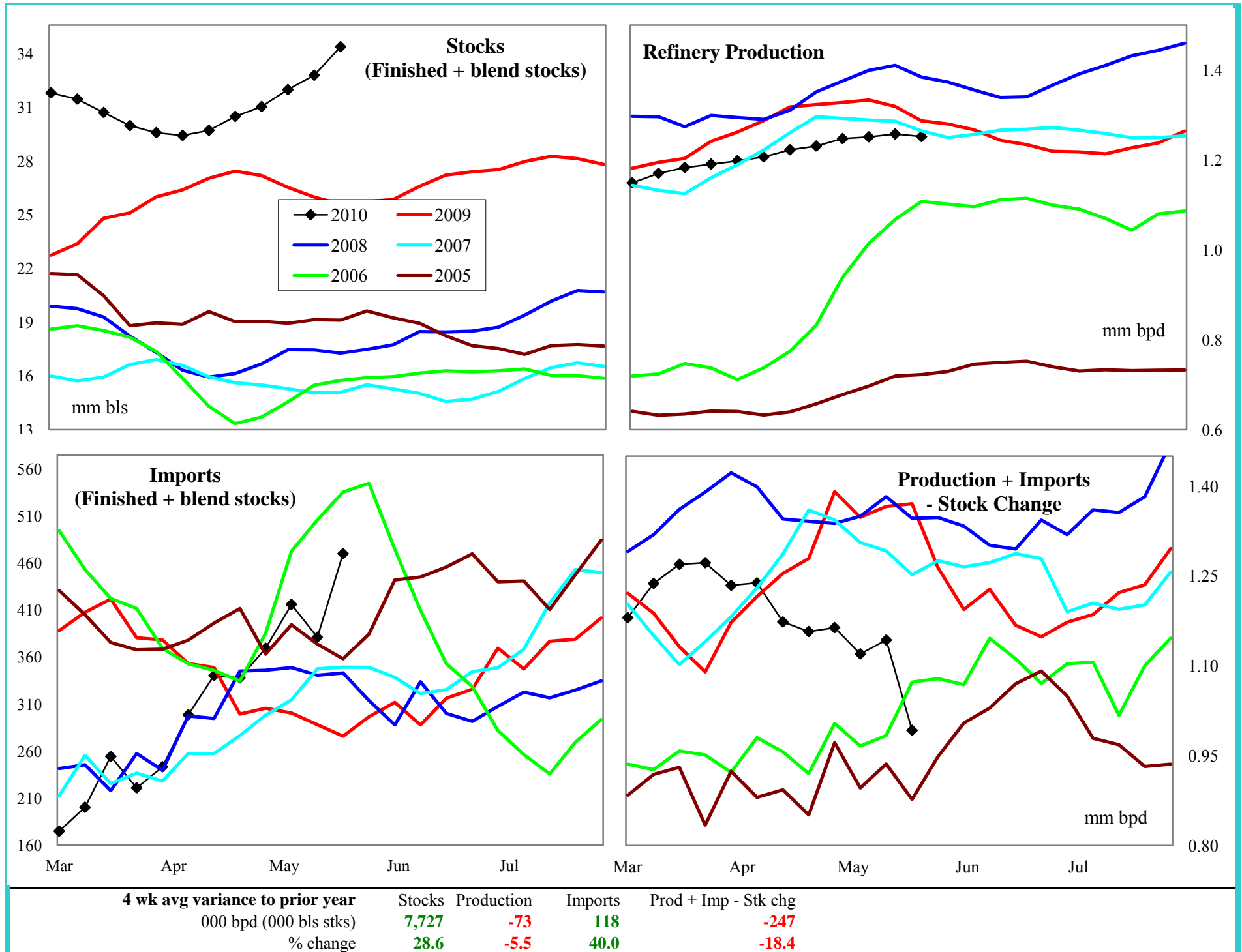
PADD 1 Gasoline Supply



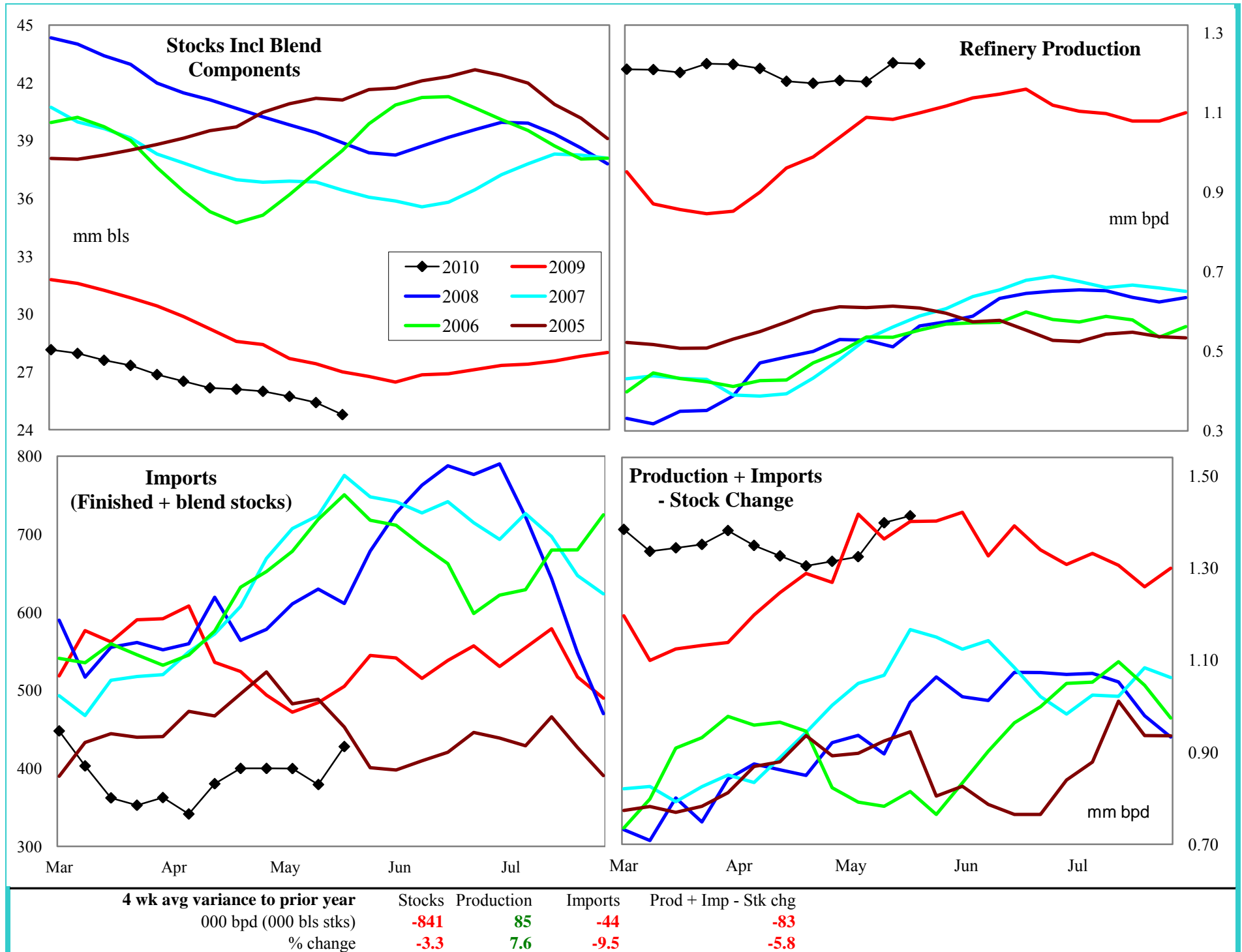
PADD 1 Gasoline Stocks by Region



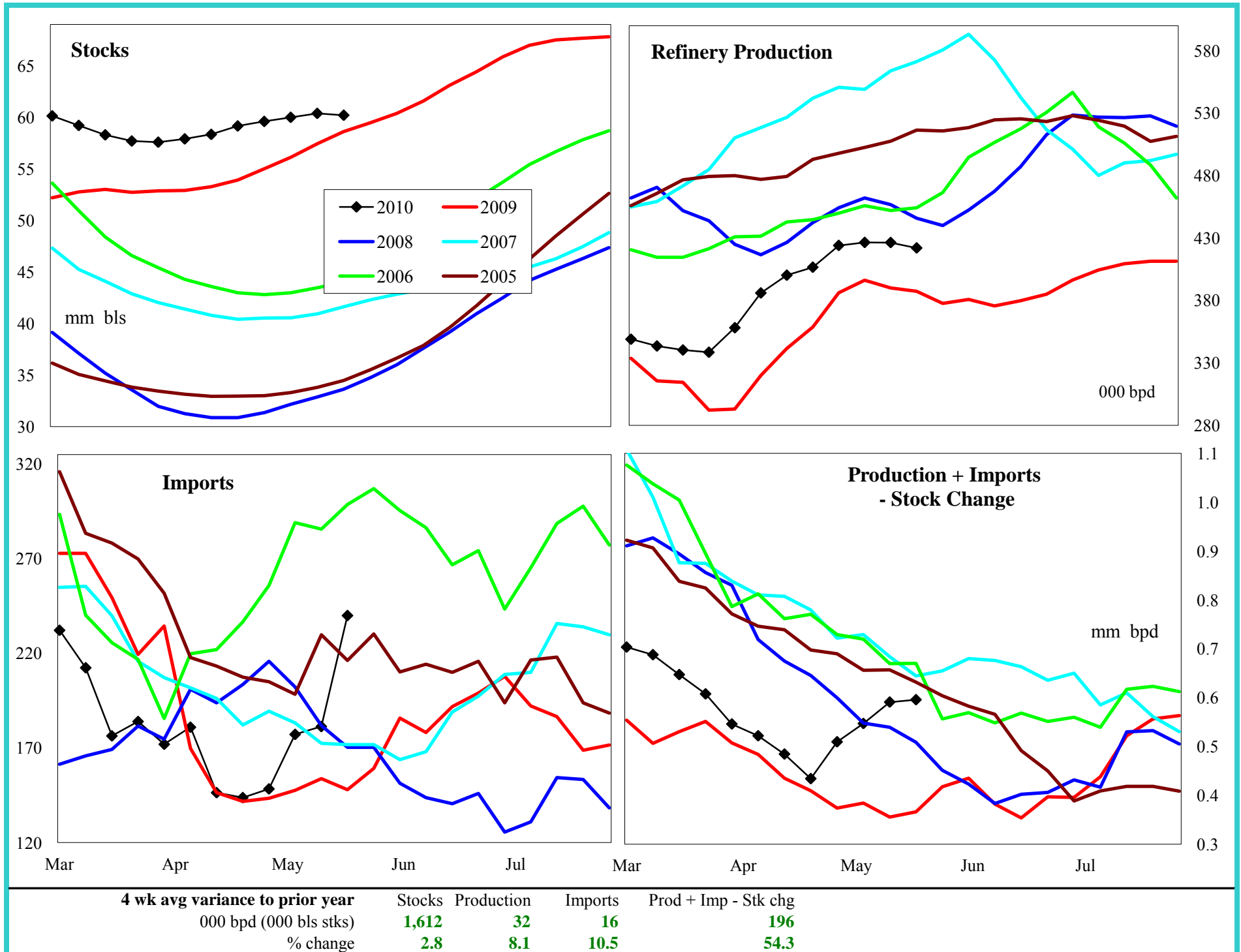
PADD 1 Reformulated Gasoline Supply



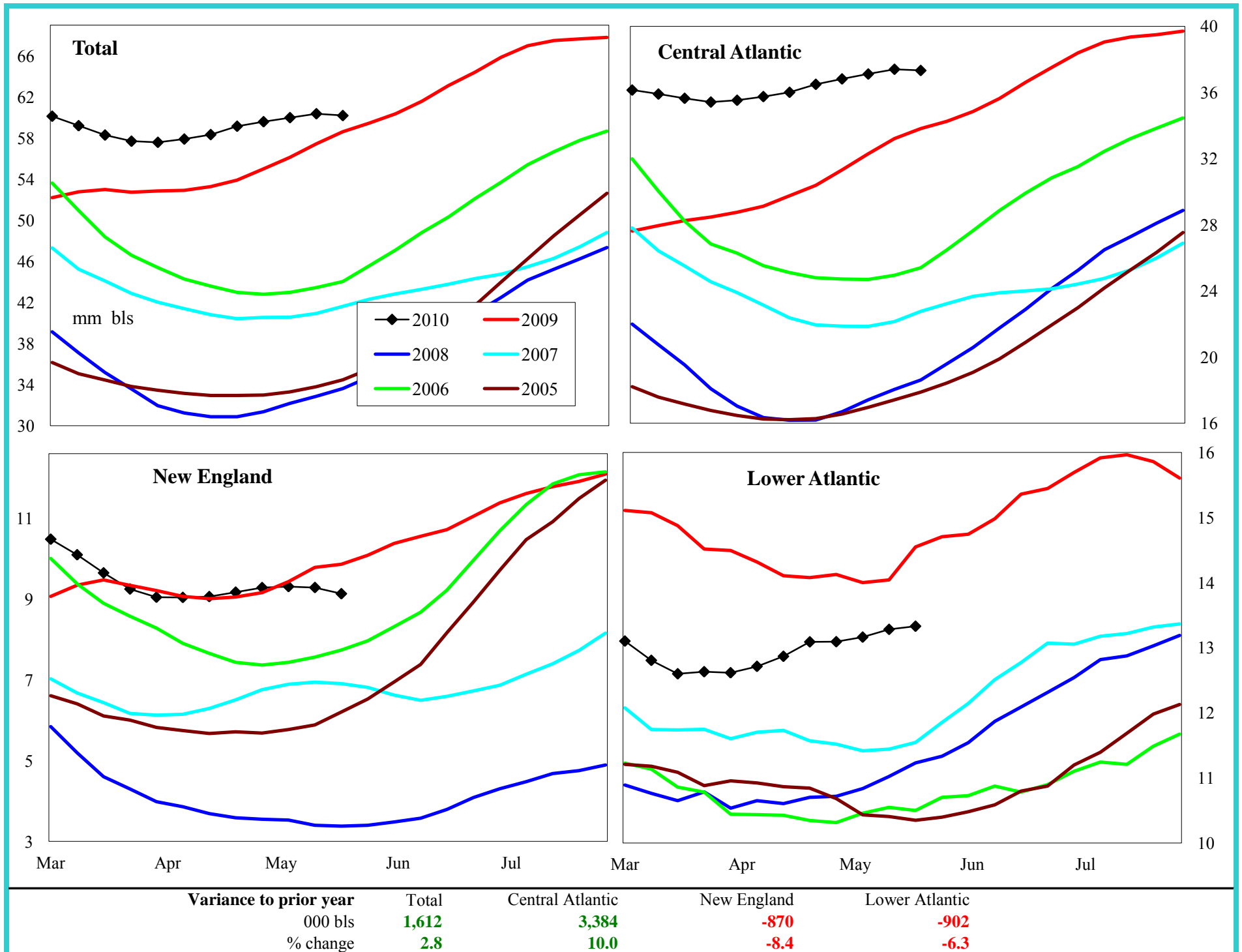
PADD 1 Conventional Gasoline Supply



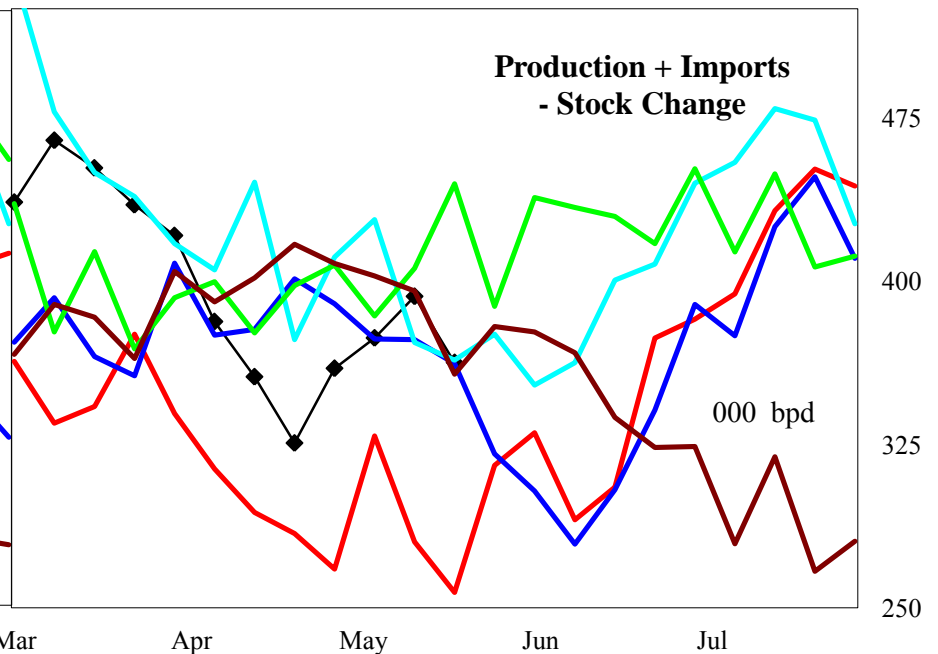
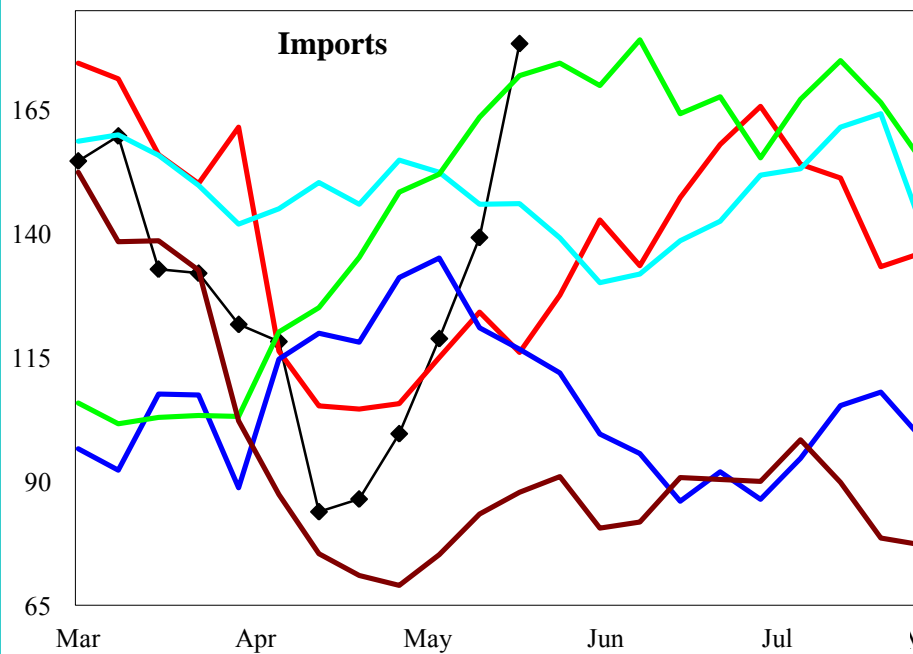
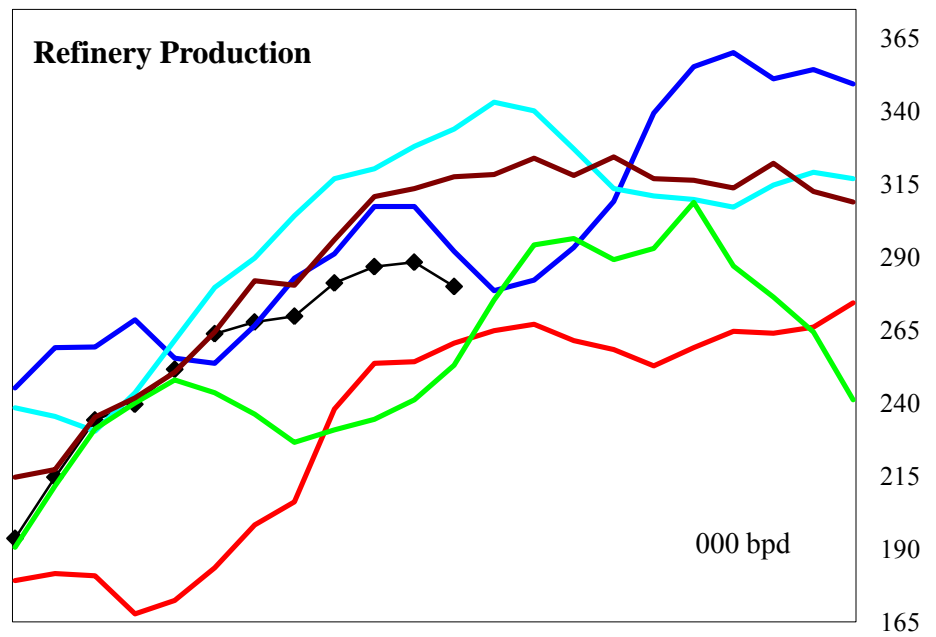
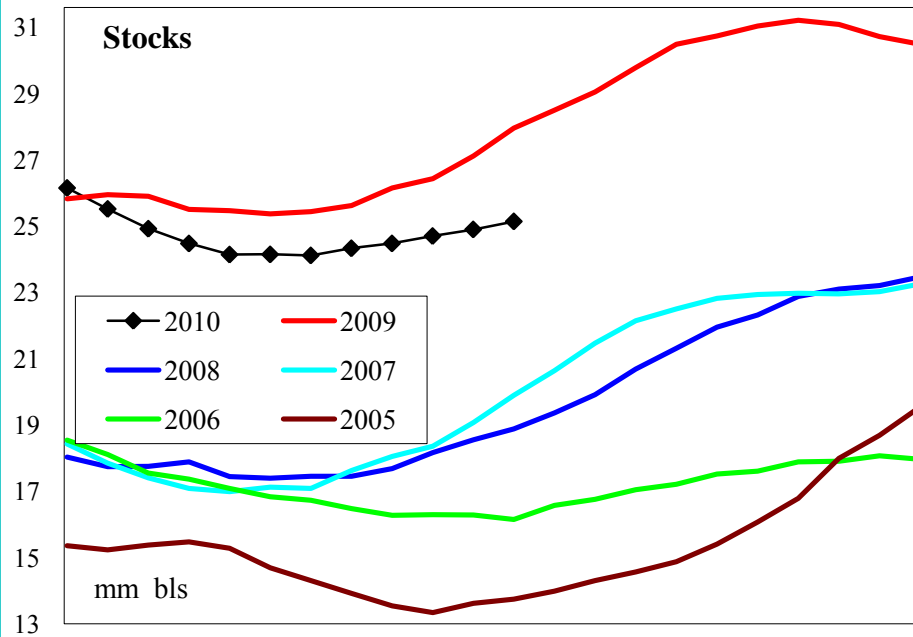
PADD 1 Distillate Supply



PADD 1 Distillate Stocks by Region



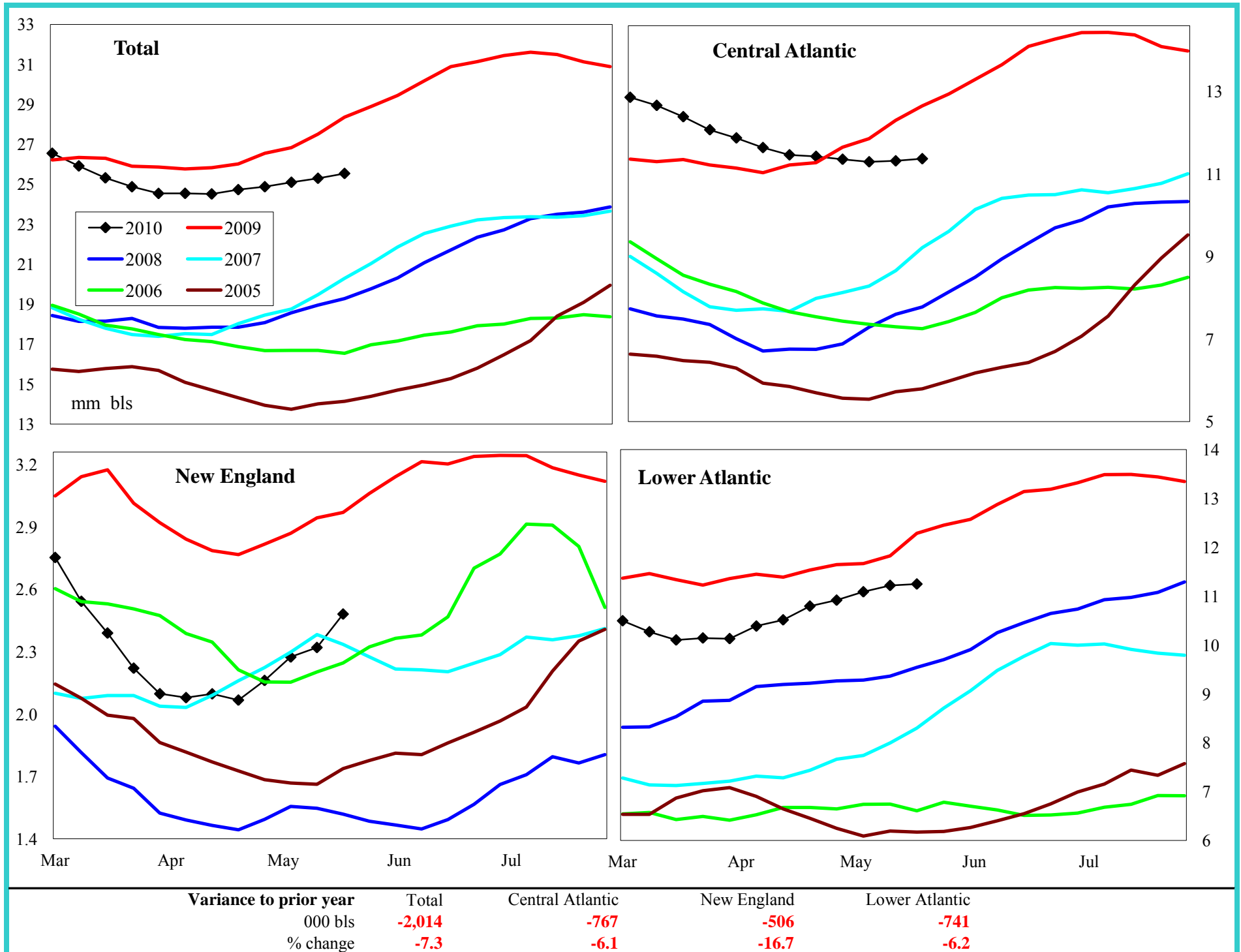
PADD 1 Low Sulfur Distillate Supply



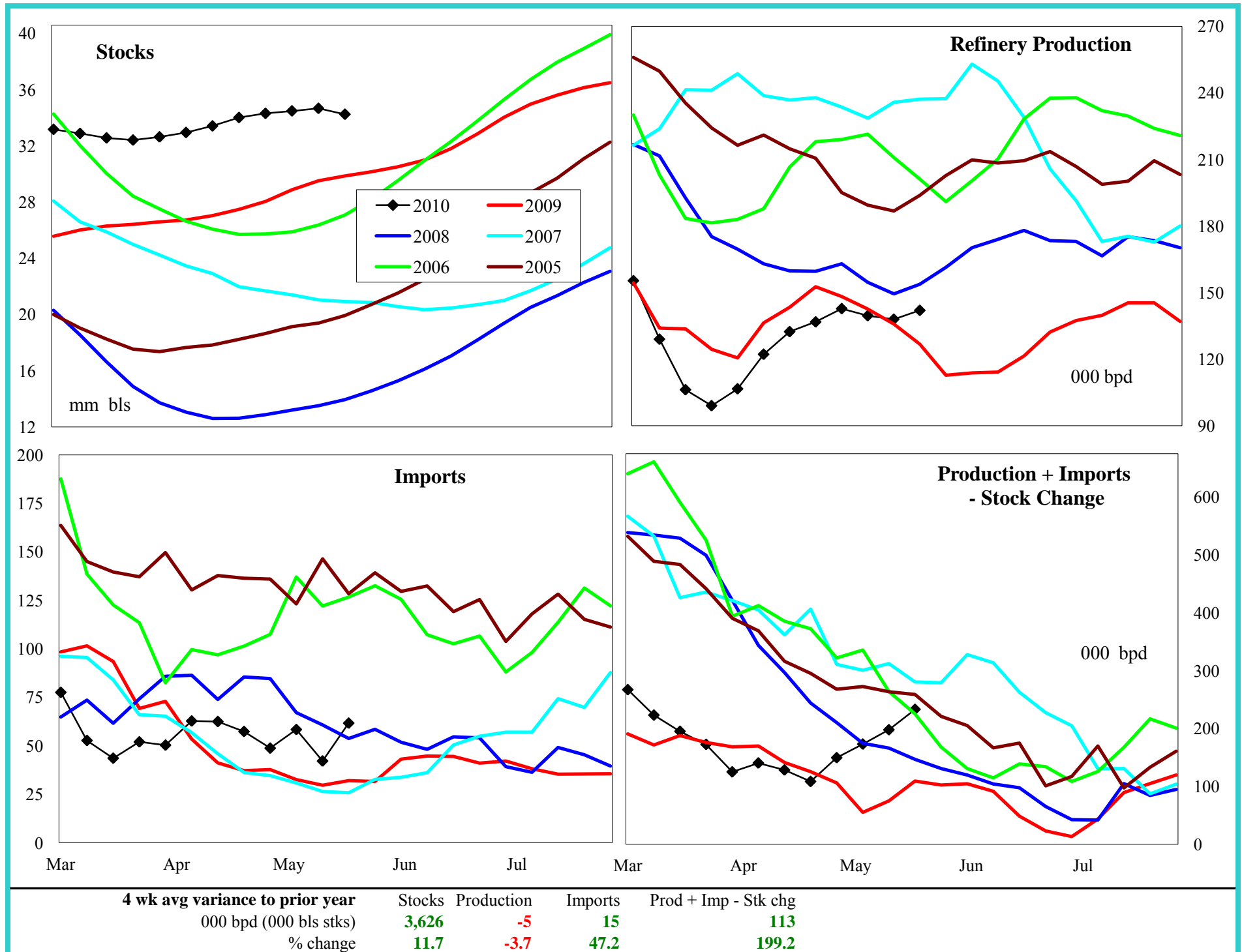
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
-2,014	37	1	82
-7.3	14.8	0.8	27.1

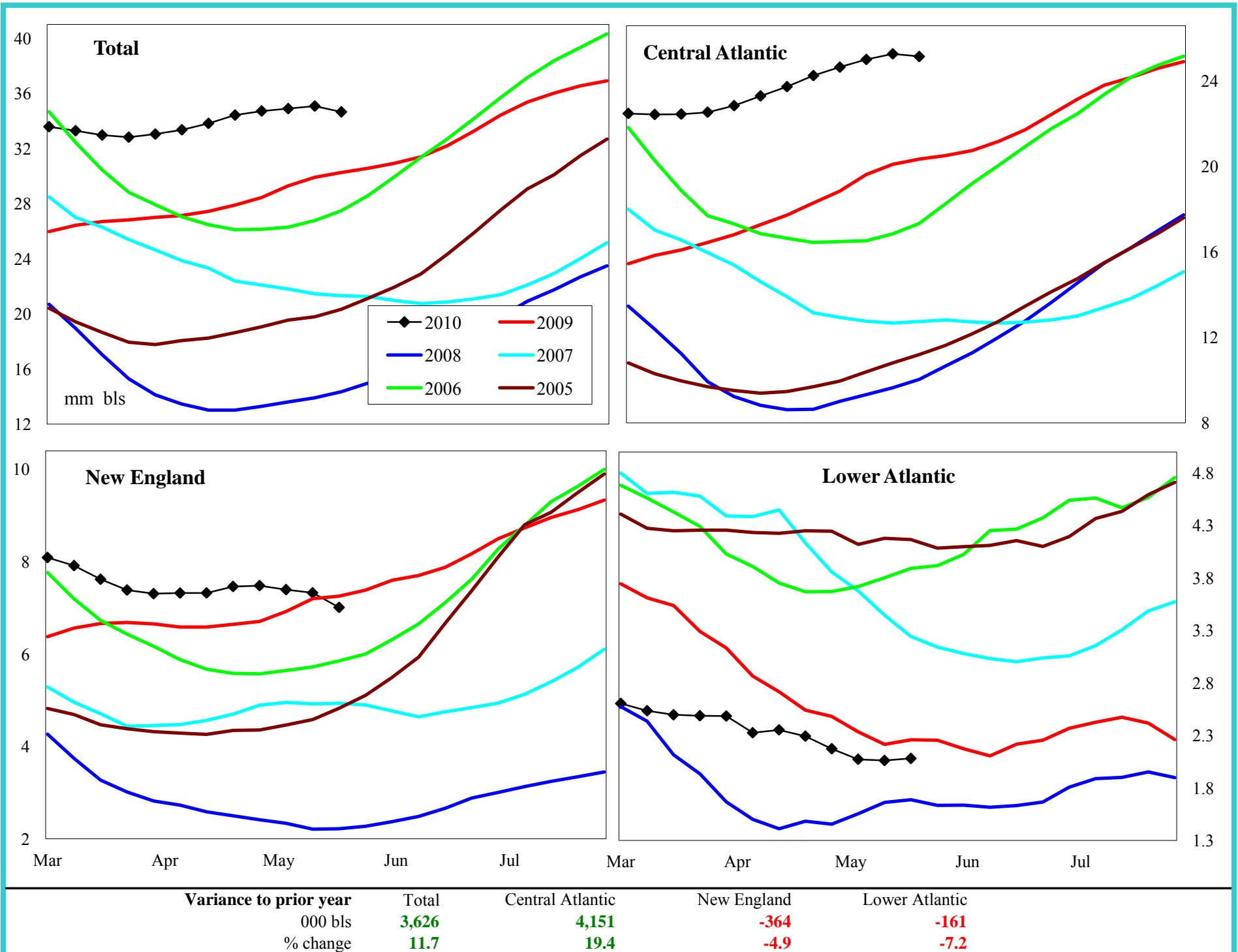
PADD 1 Low Sulfur Distillate Stocks by Region



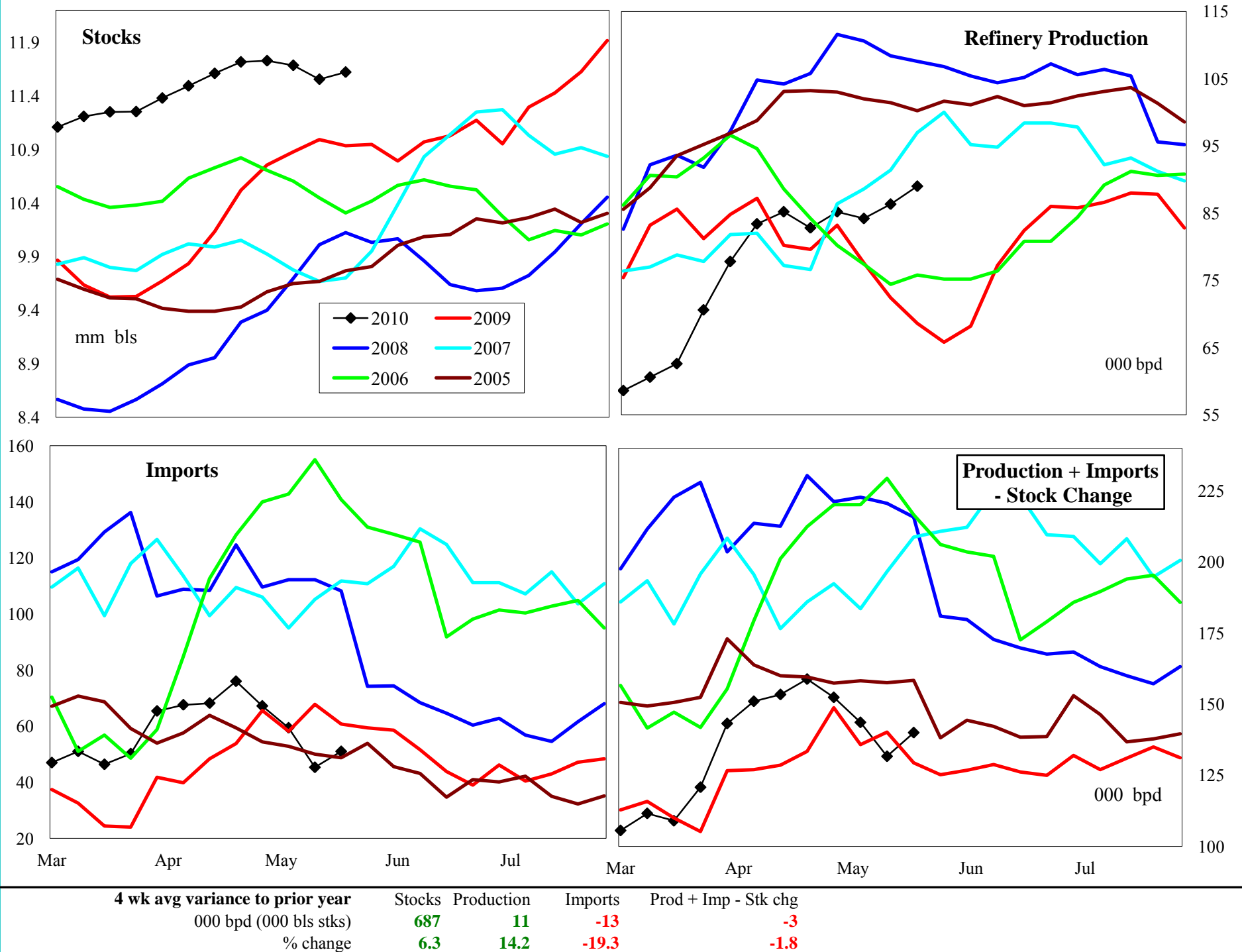
PADD 1 High Sulfur Distillate Supply



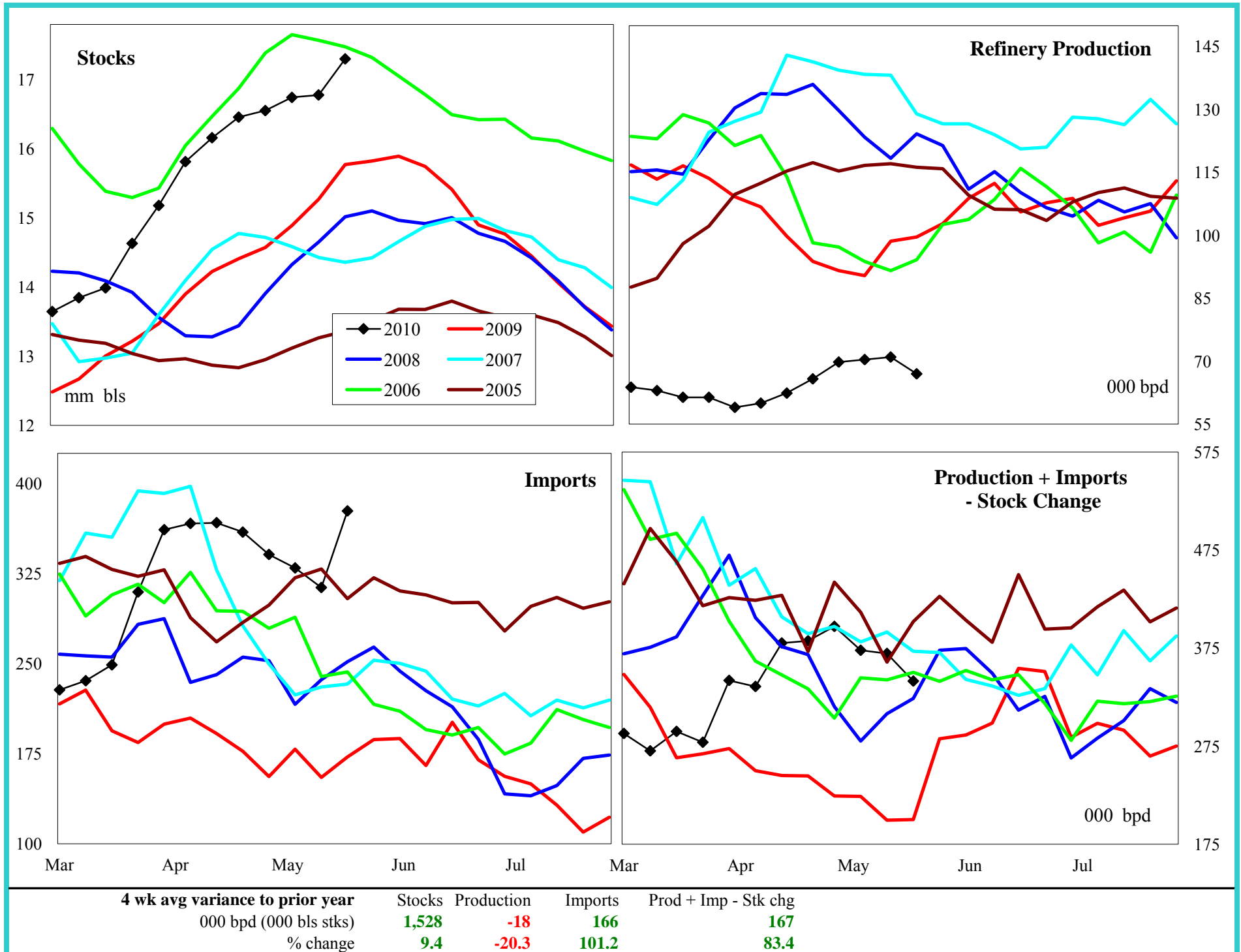
PADD 1 High Sulfur Distillate Stocks by Region



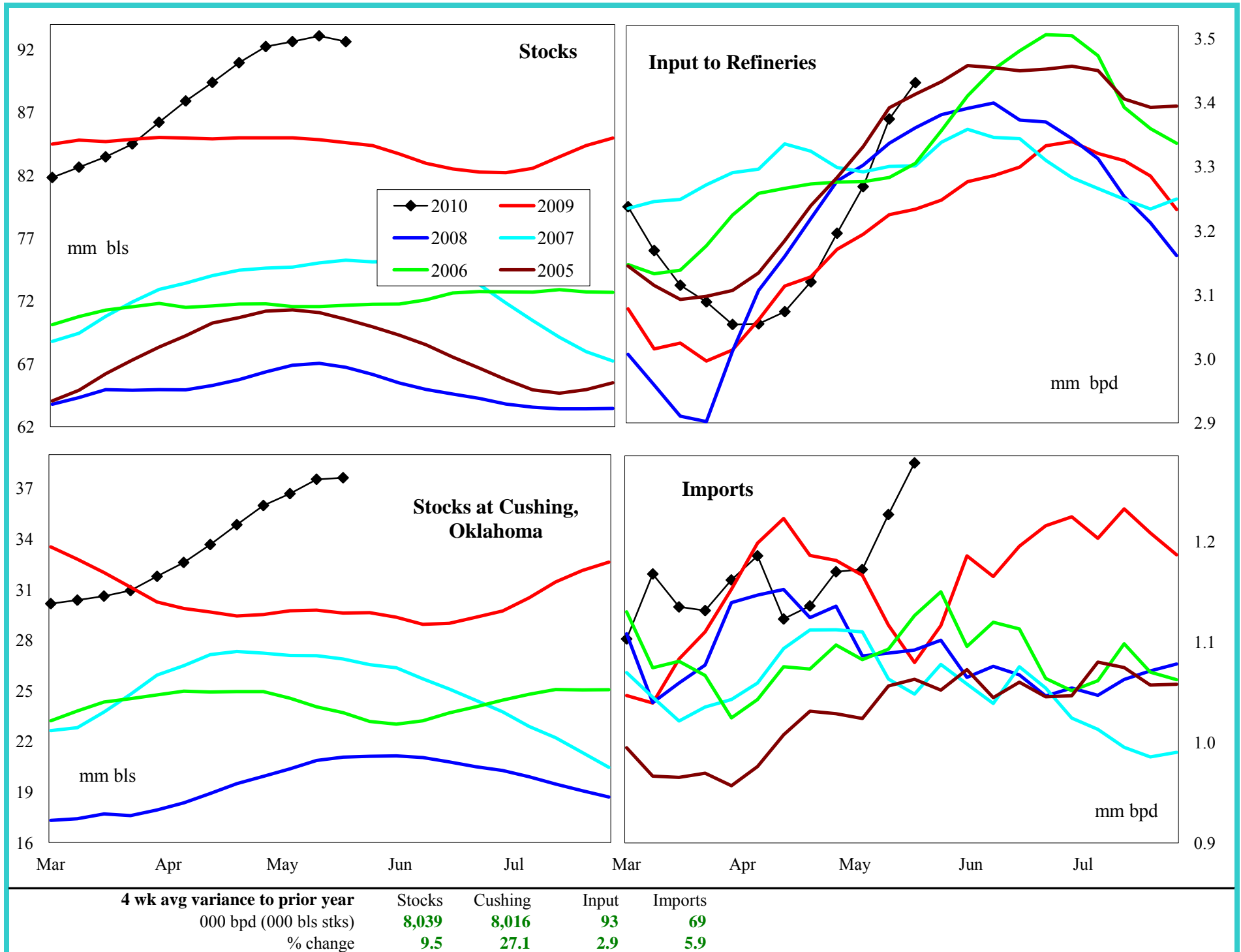
PADD 1 Jet Fuel Supply



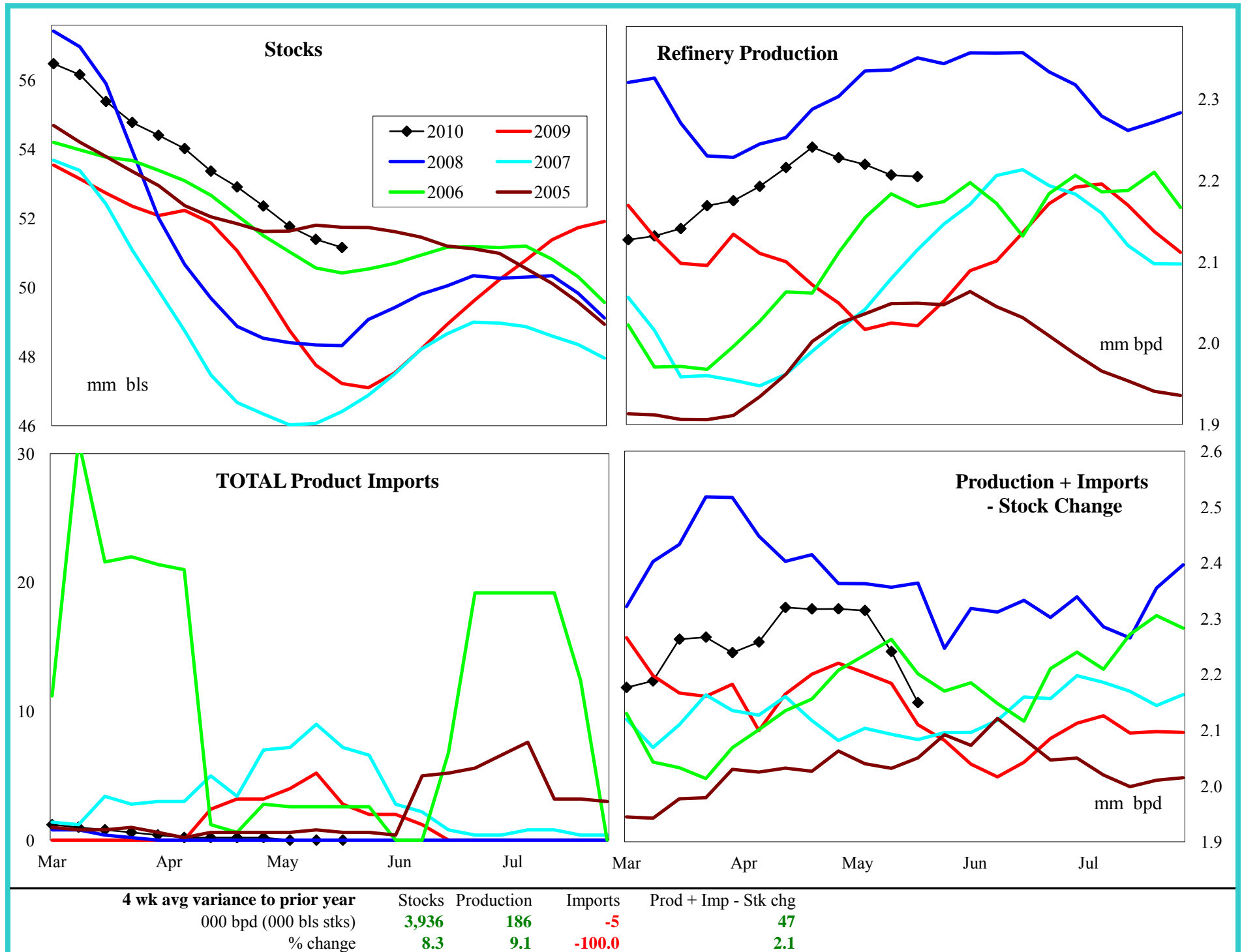
PADD 1 Residual Fuel Oil Supply



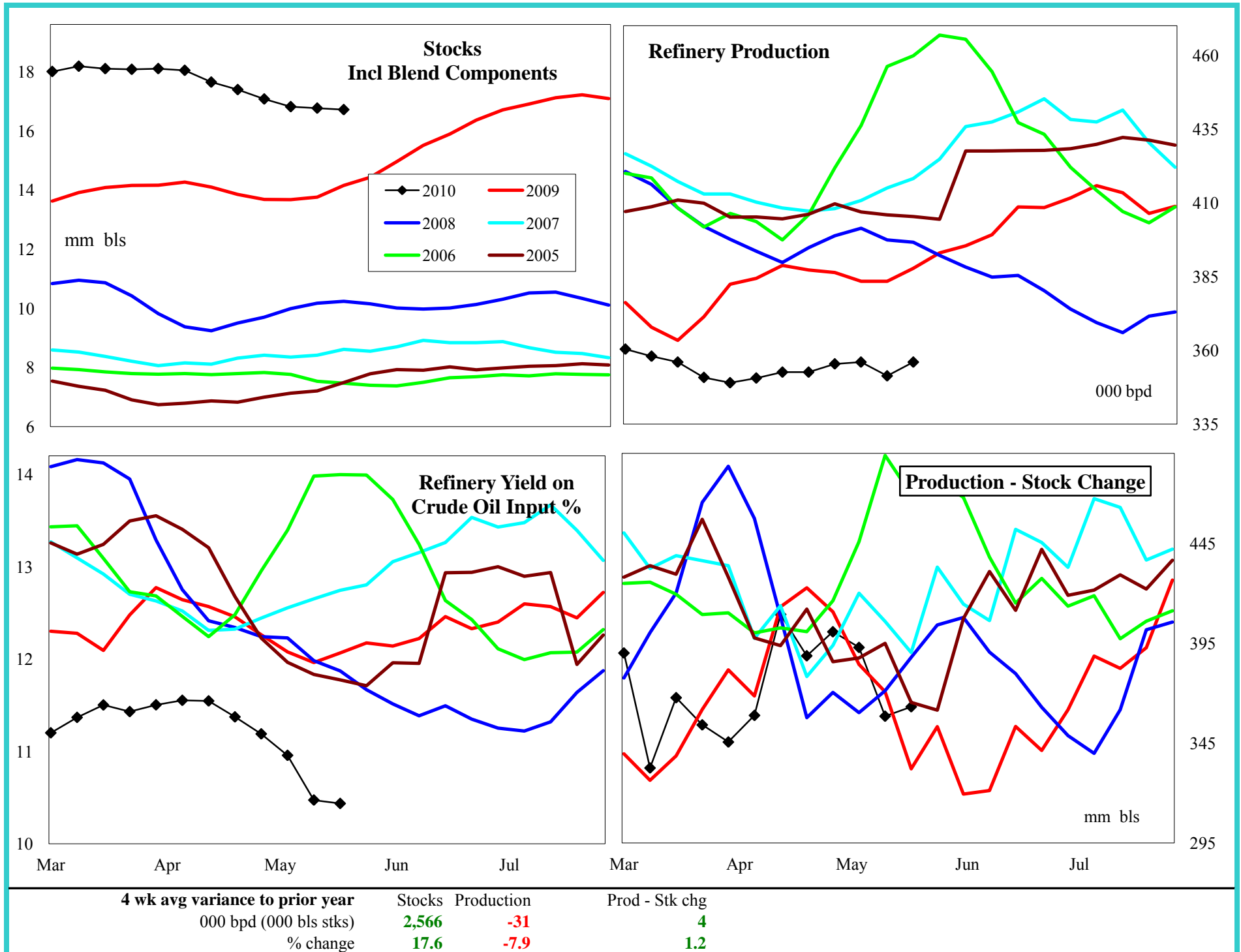
PADD 2 Crude Oil Supply and Refining



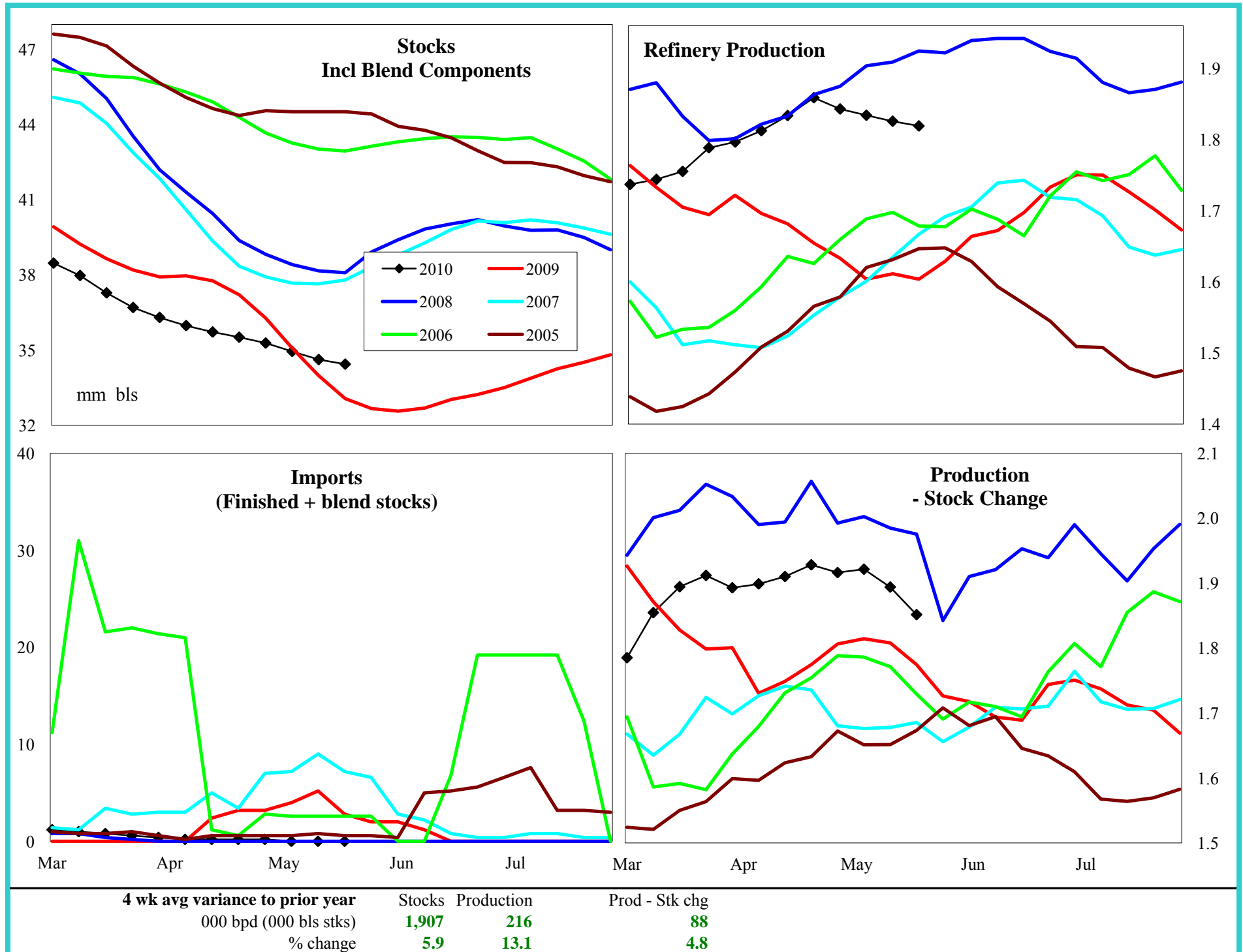
PADD 2 Gasoline Supply



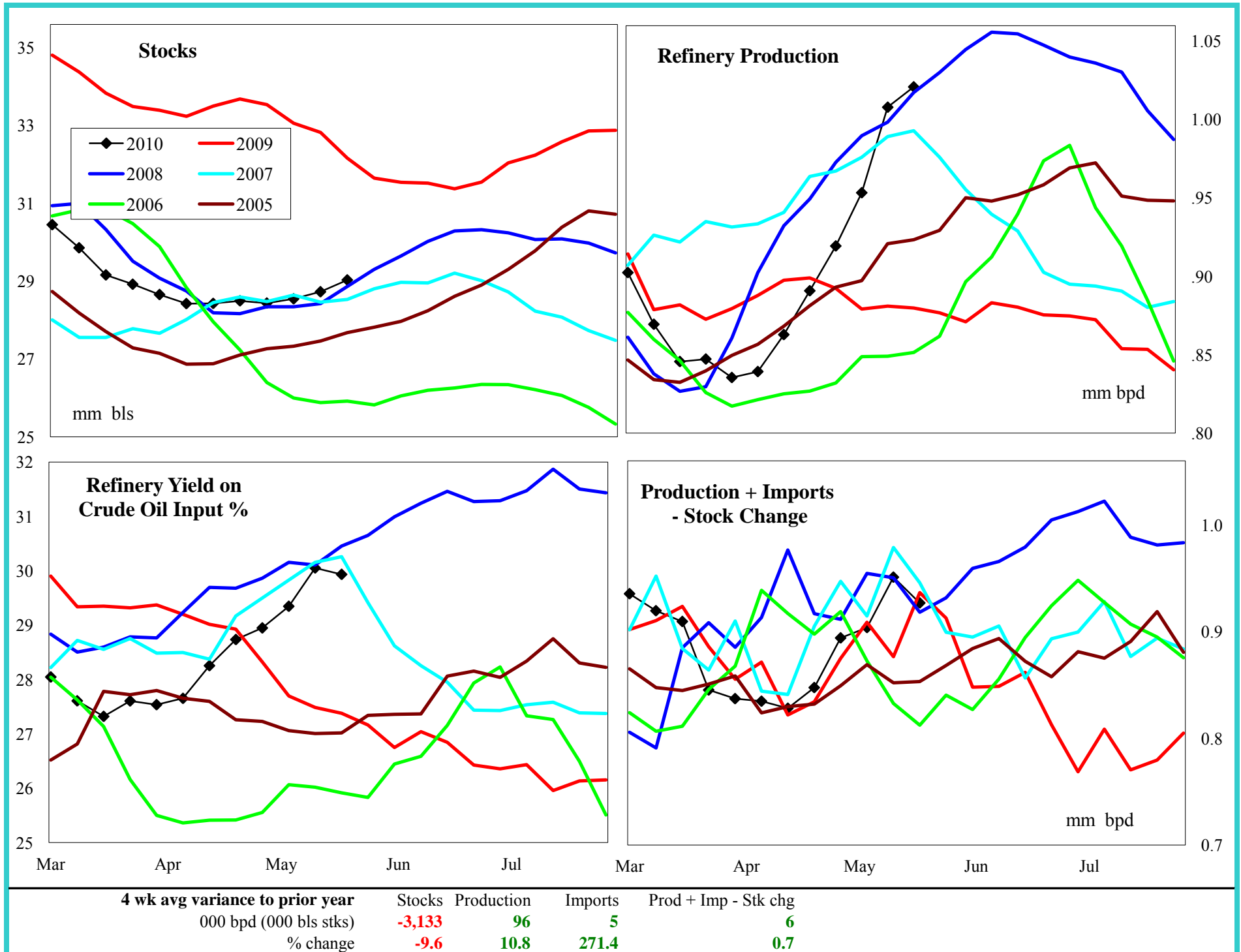
PADD 2 Reformulated Gasoline Supply



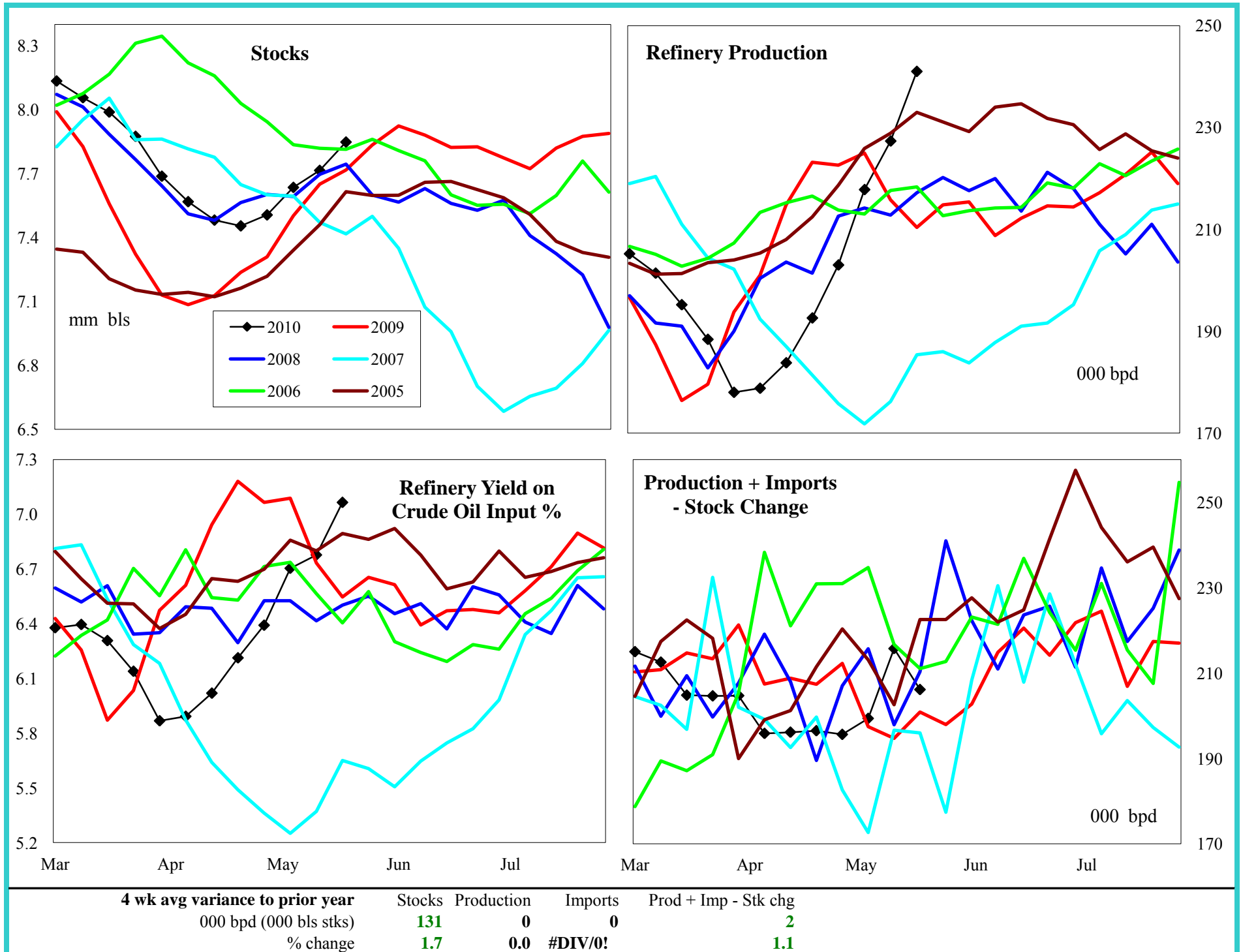
PADD 2 Conventional Gasoline Supply



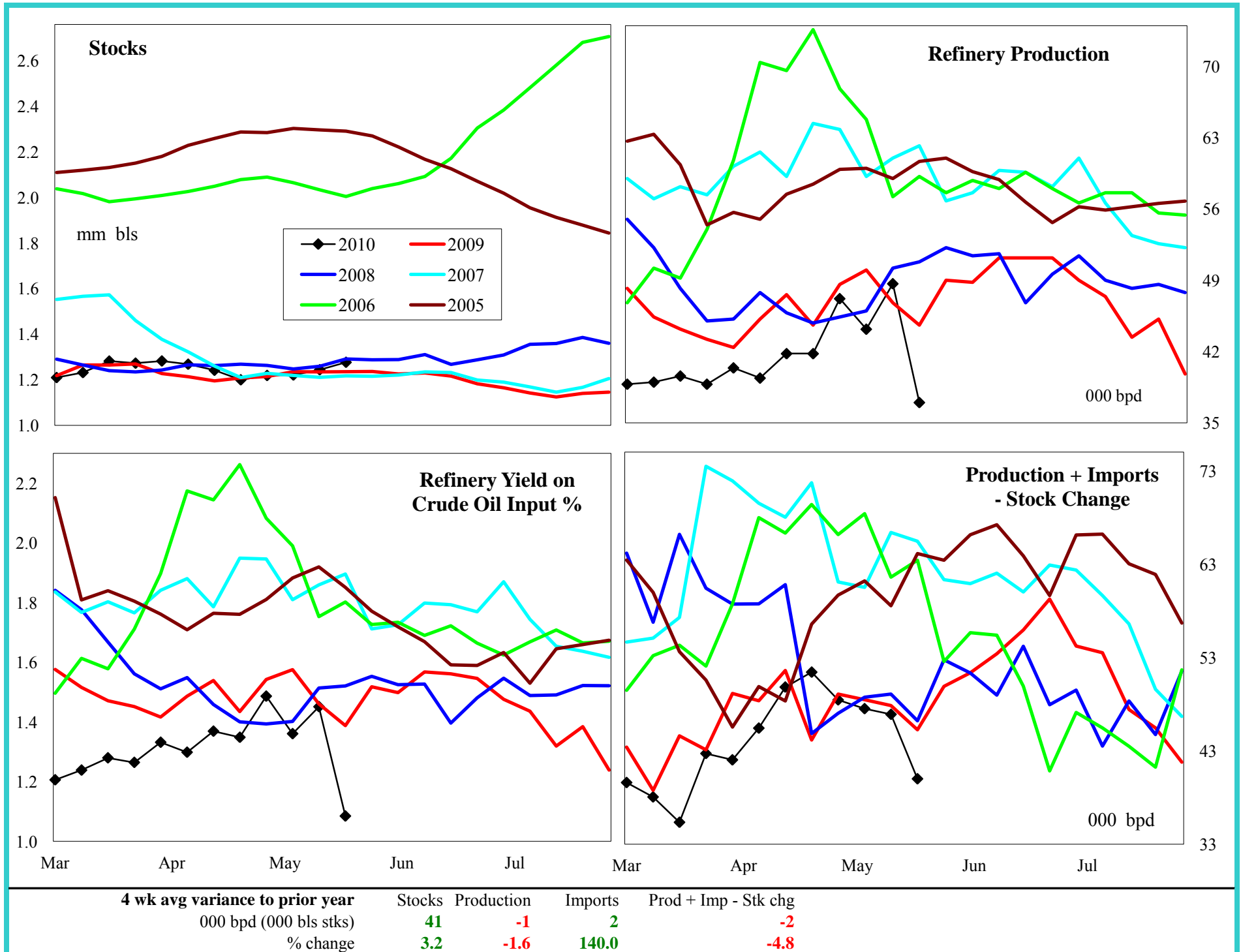
PADD 2 Distillate Supply



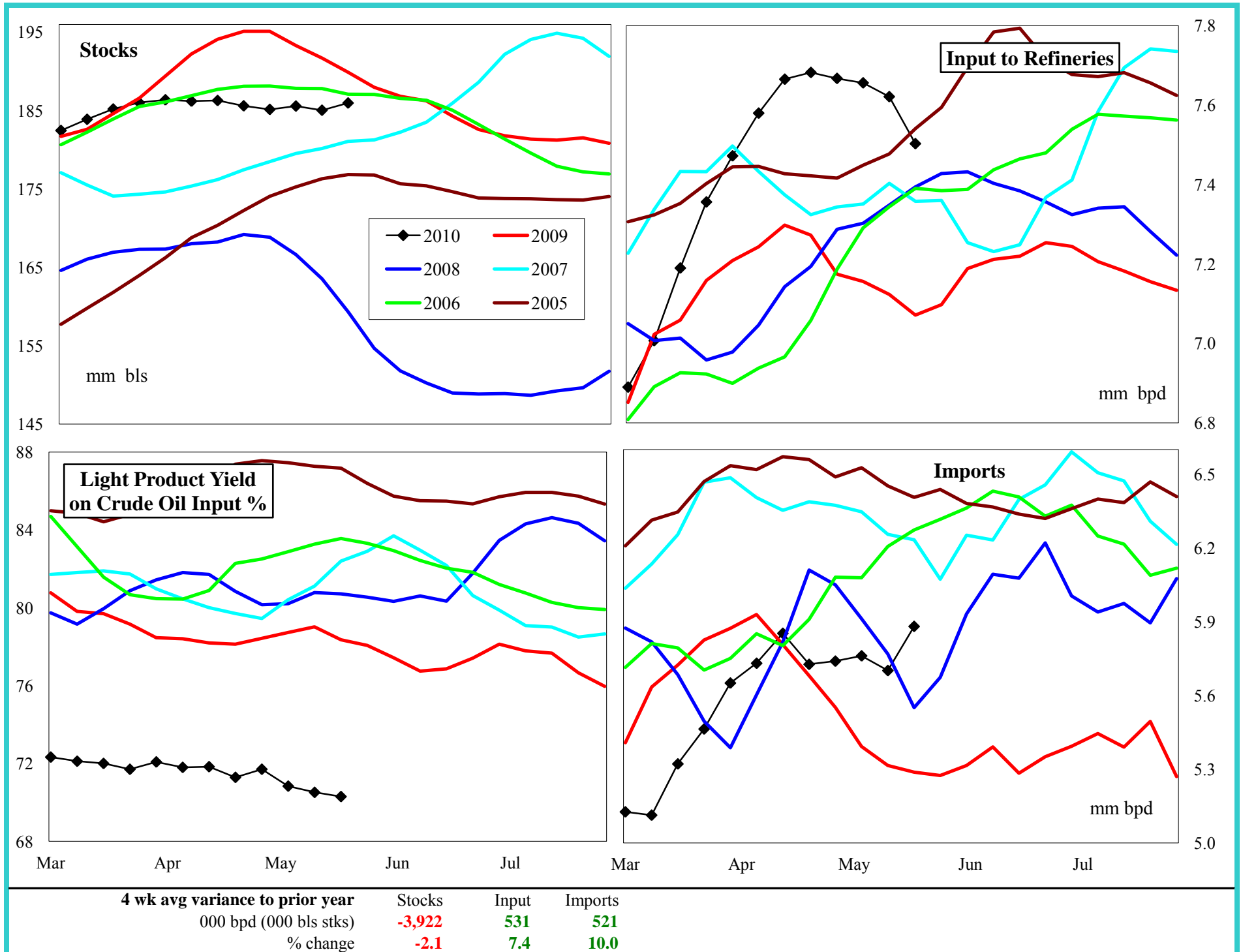
PADD 2 Jet Fuel Supply



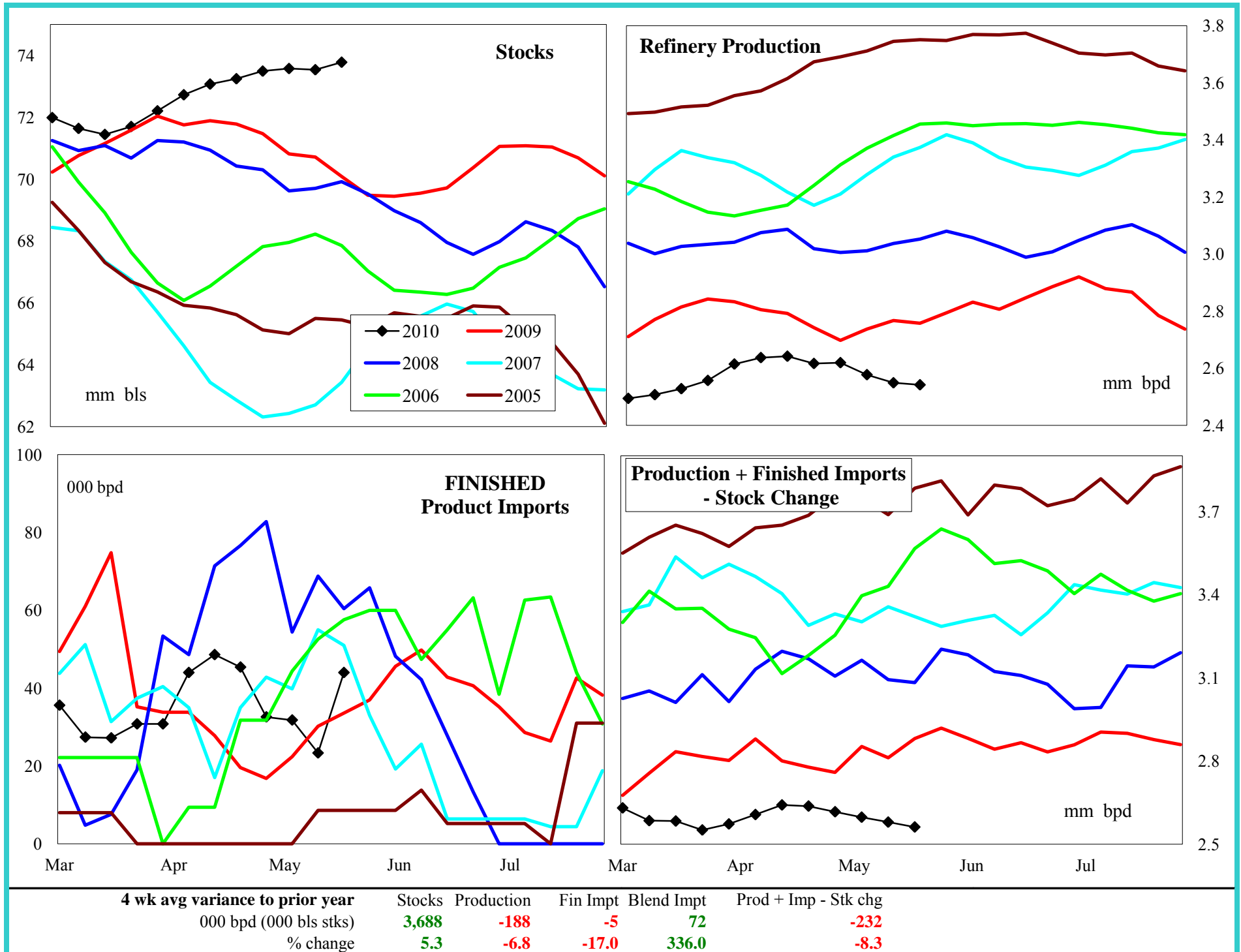
PADD 2 Residual Fuel Oil Supply



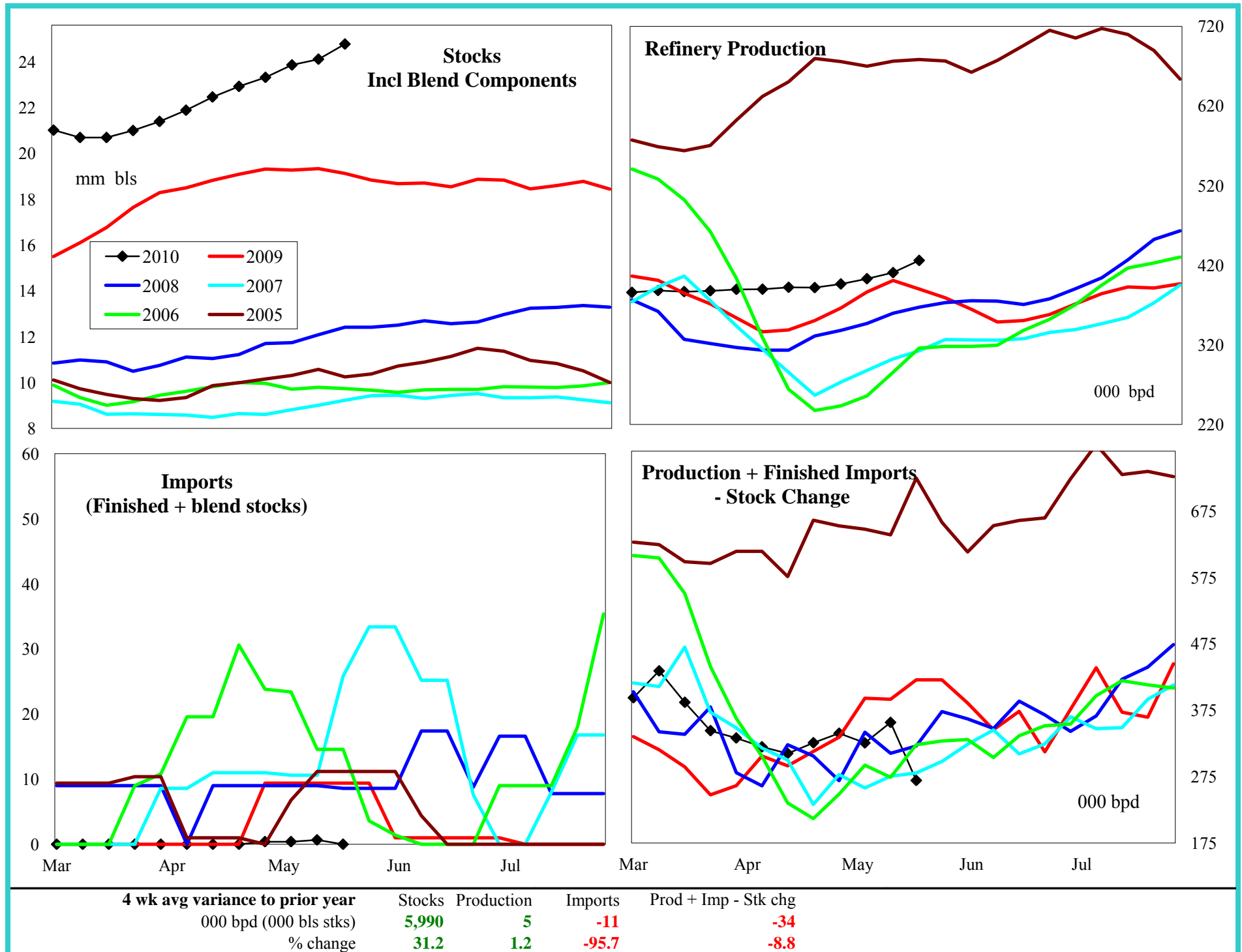
PADD 3 Crude Oil Supply and Refining



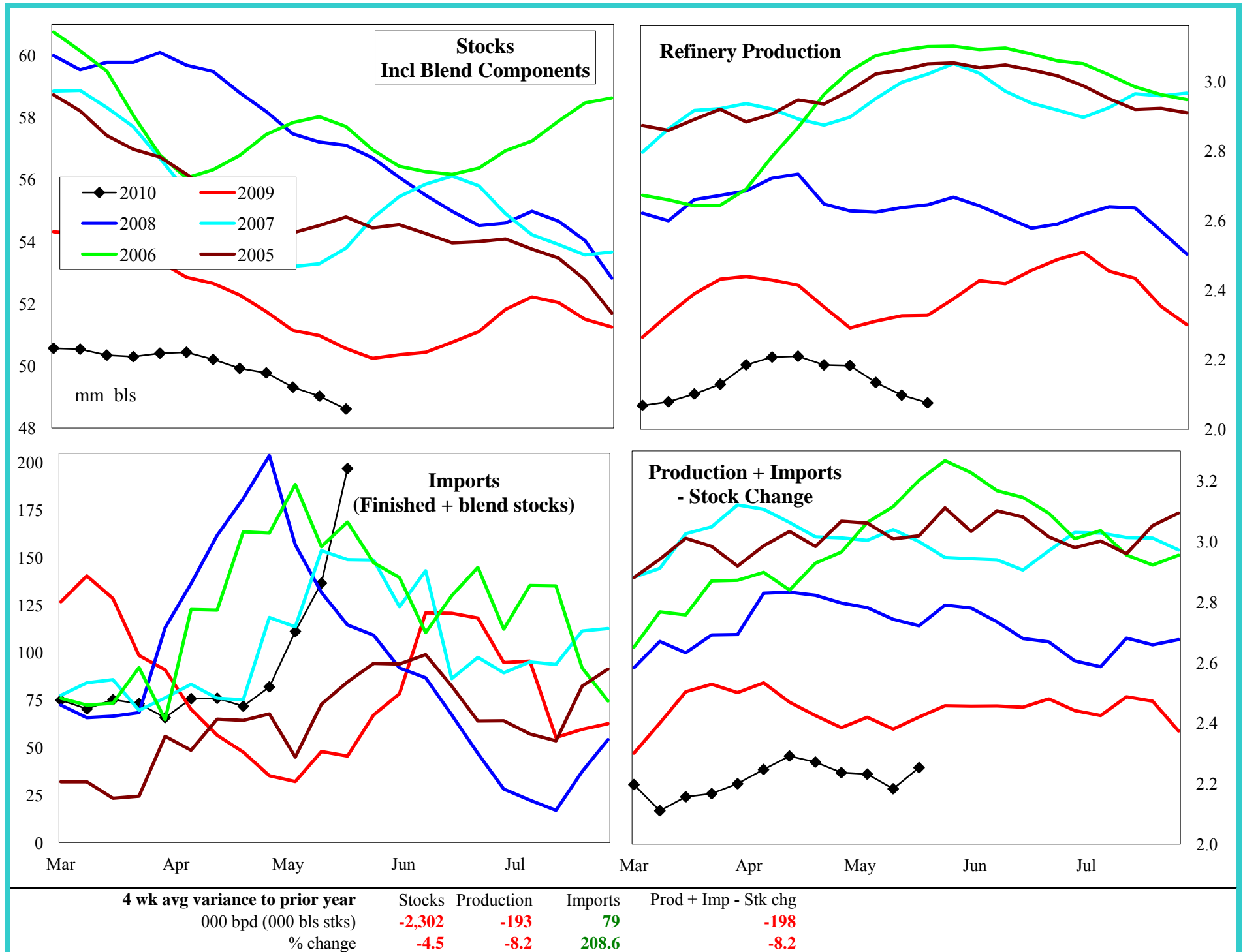
PADD 3 Gasoline Supply



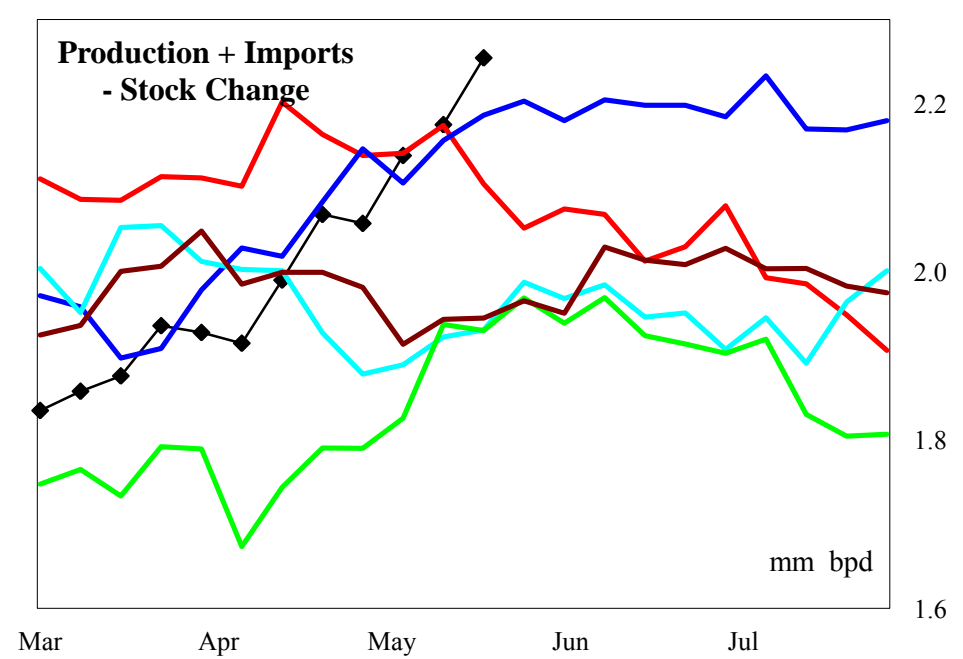
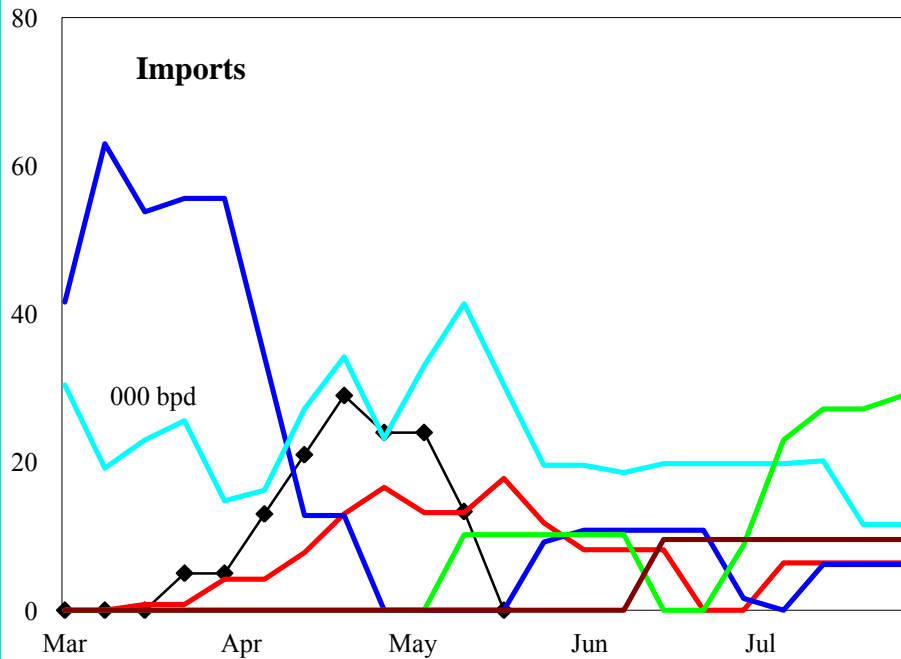
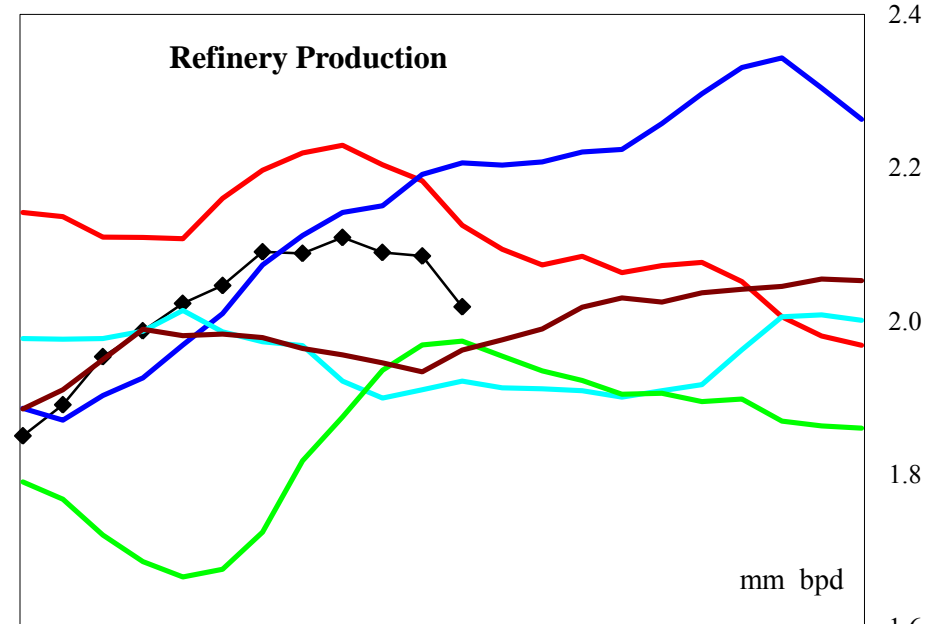
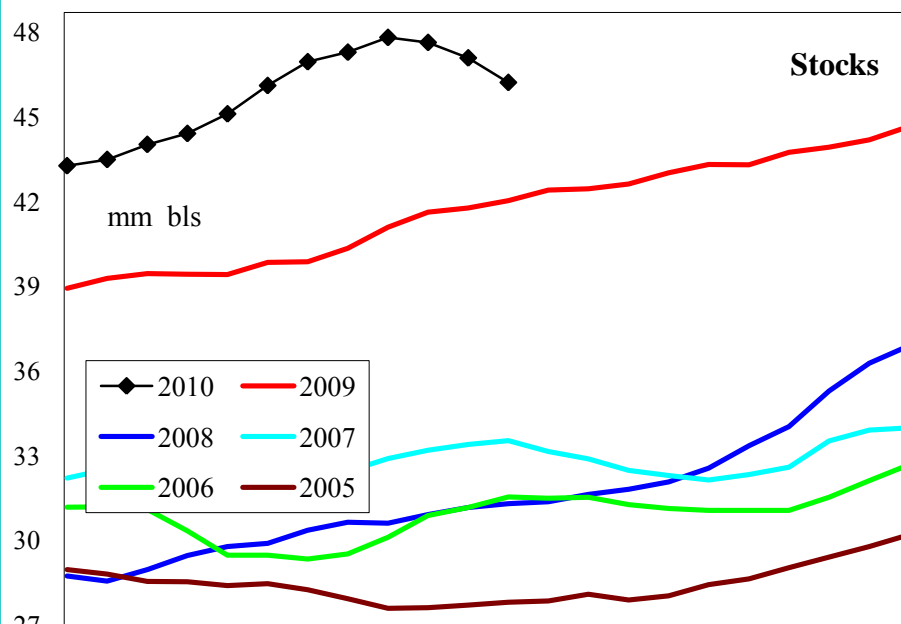
PADD 3 Reformulated Gasoline Supply



PADD 3 Conventional Gasoline Supply



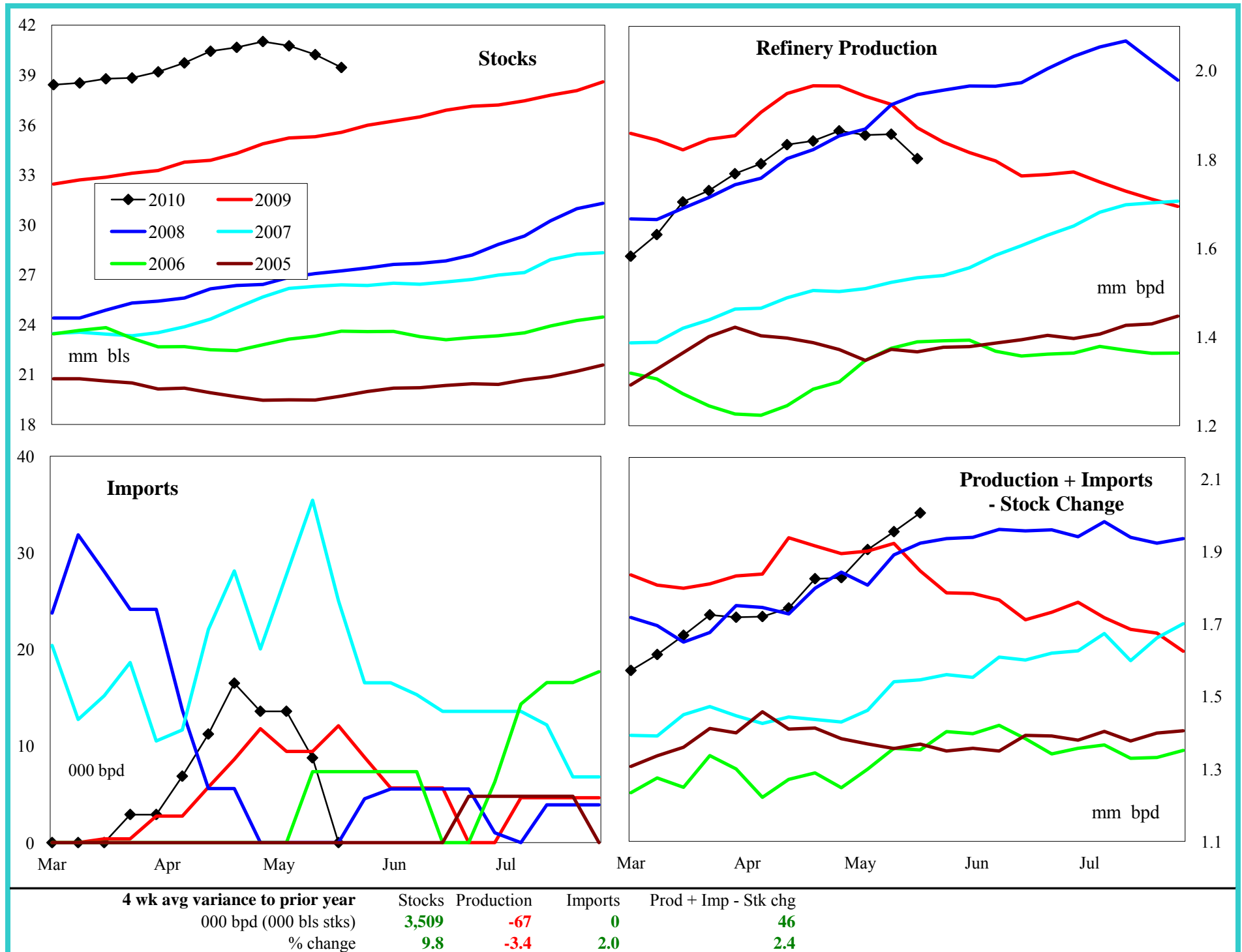
PADD 3 Distillate Supply



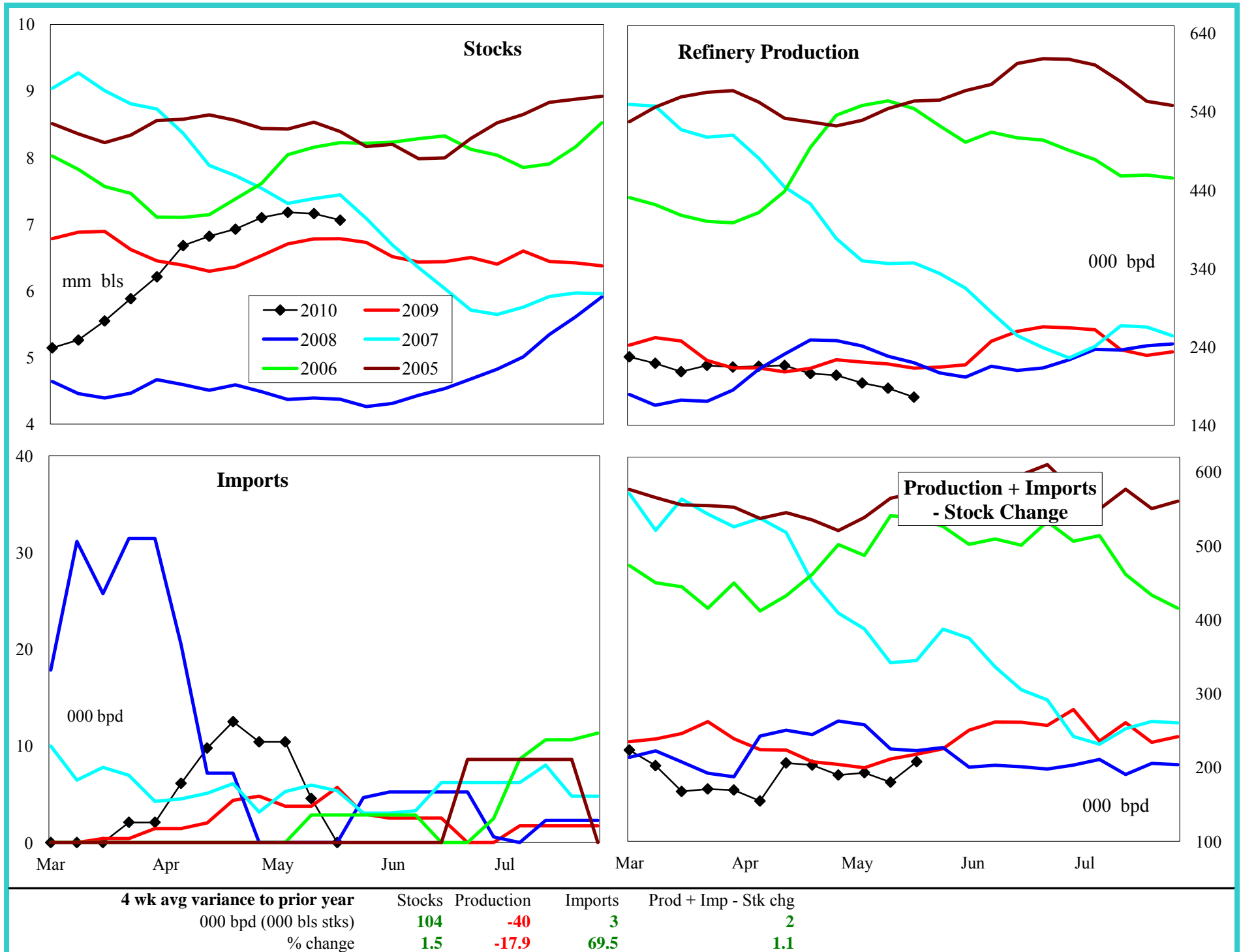
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

	Stocks	Production	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	3,613	-107	4	49
% change	8.4	-4.9	21.2	2.3

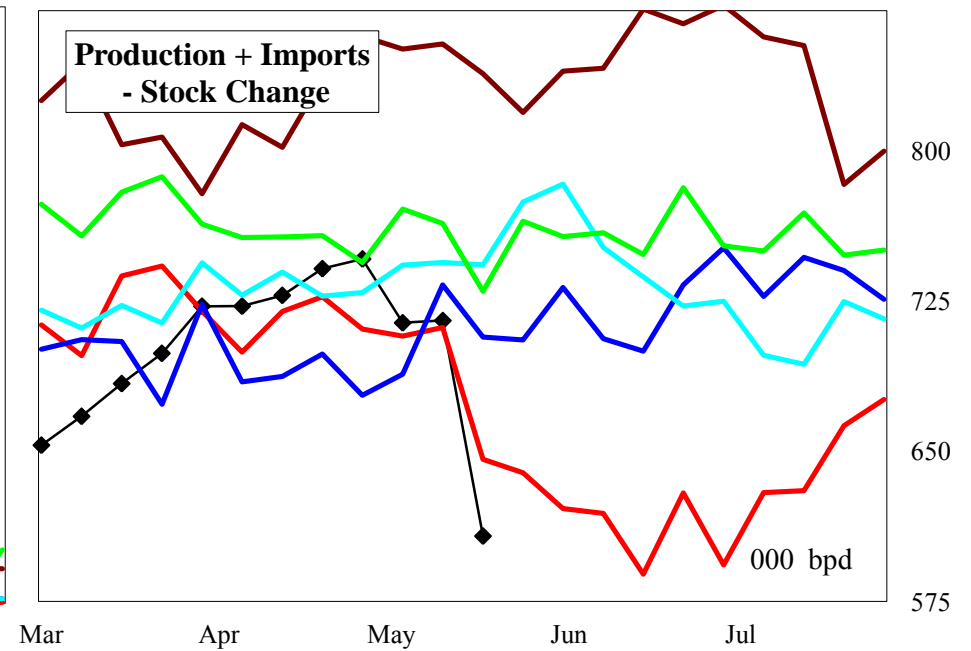
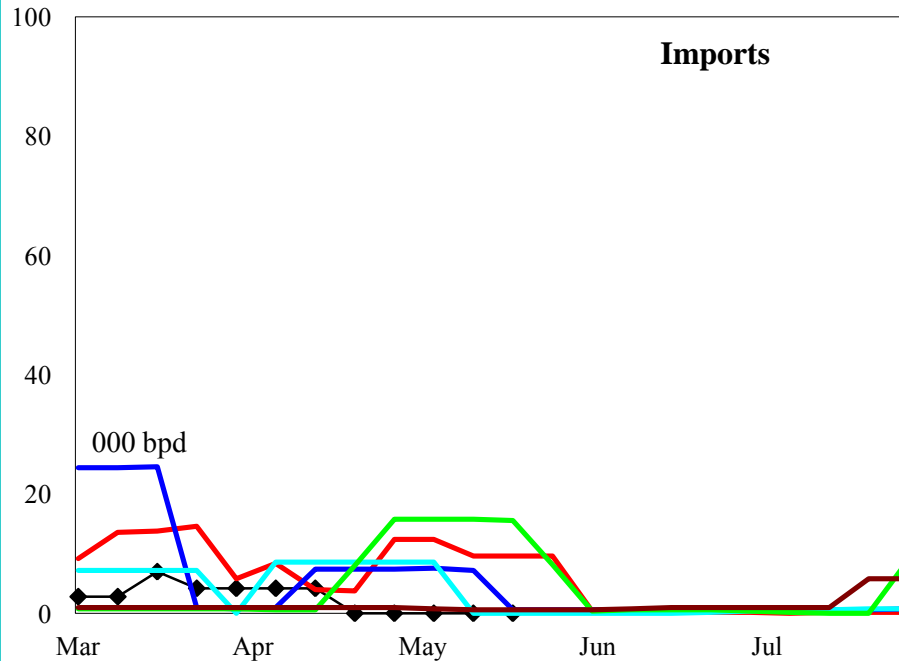
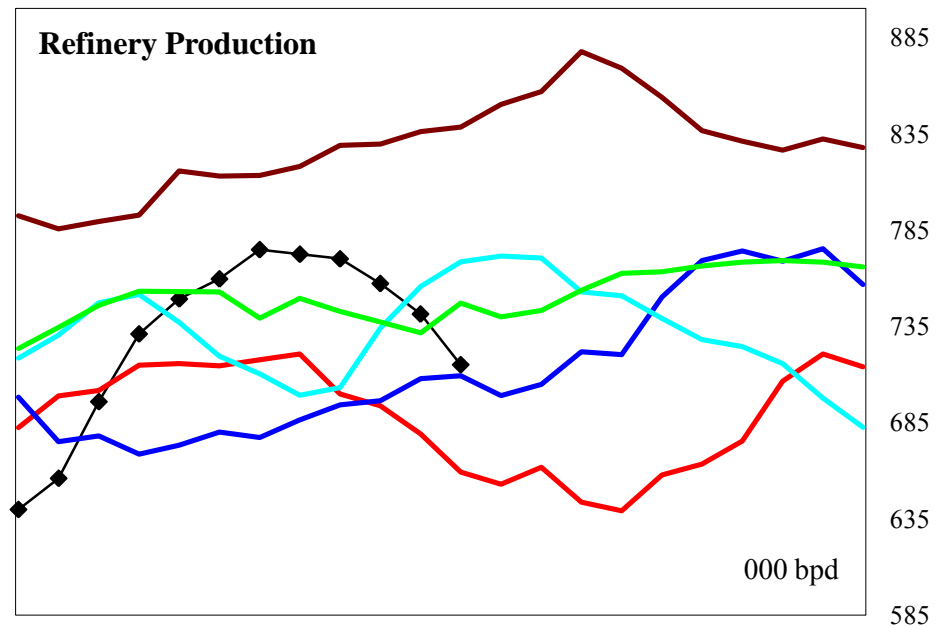
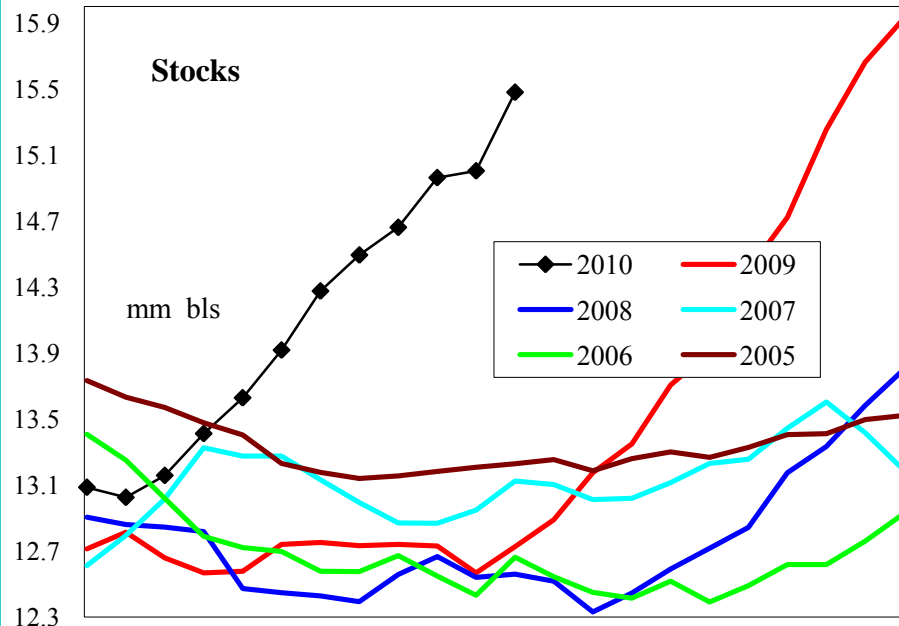
PADD 3 Low Sulfur Distillate Supply



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

2,753

21.6

Production

64

9.3

Imports

-12

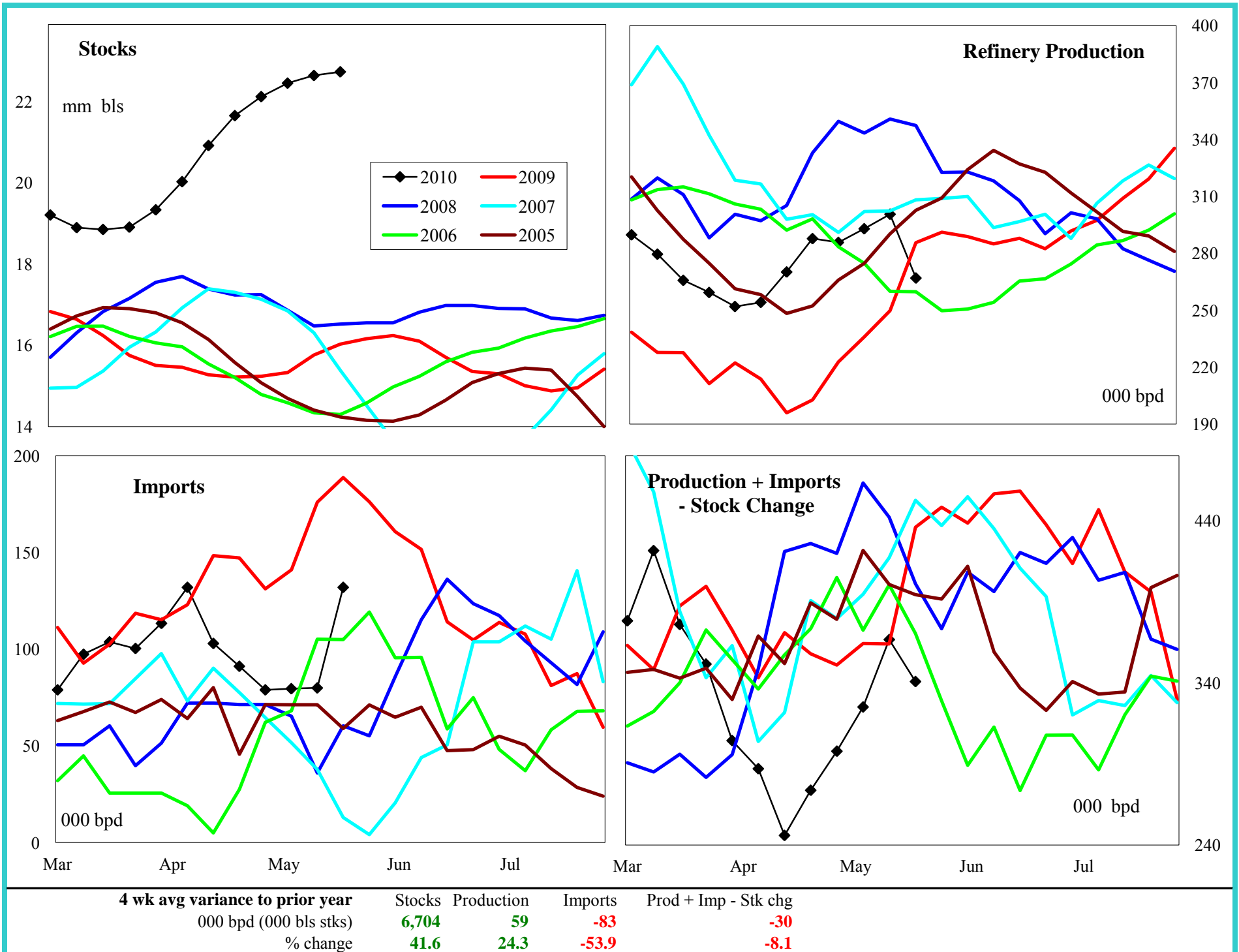
-100.0

Prod + Imp - Stk chg

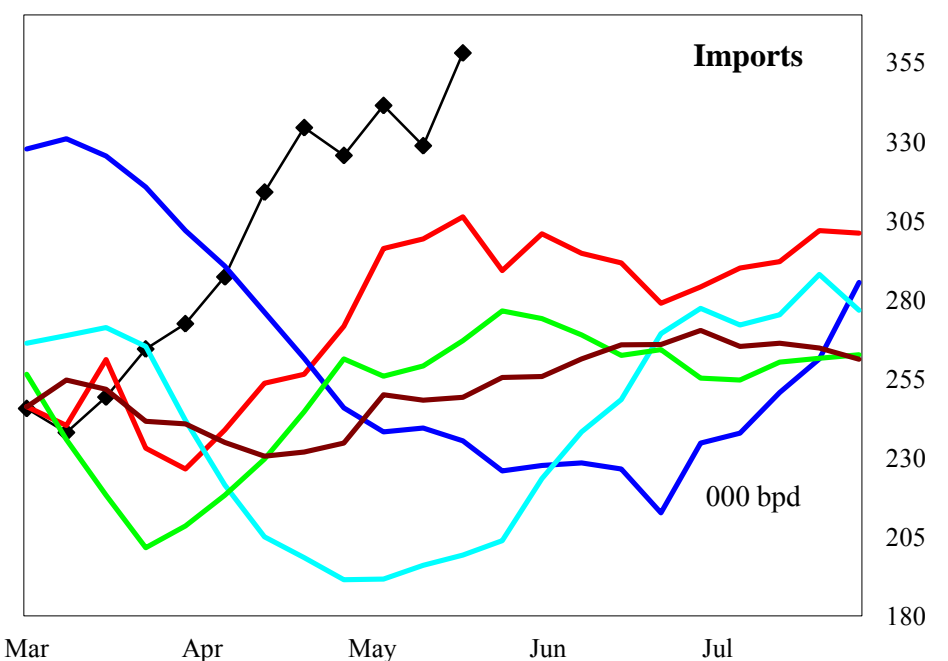
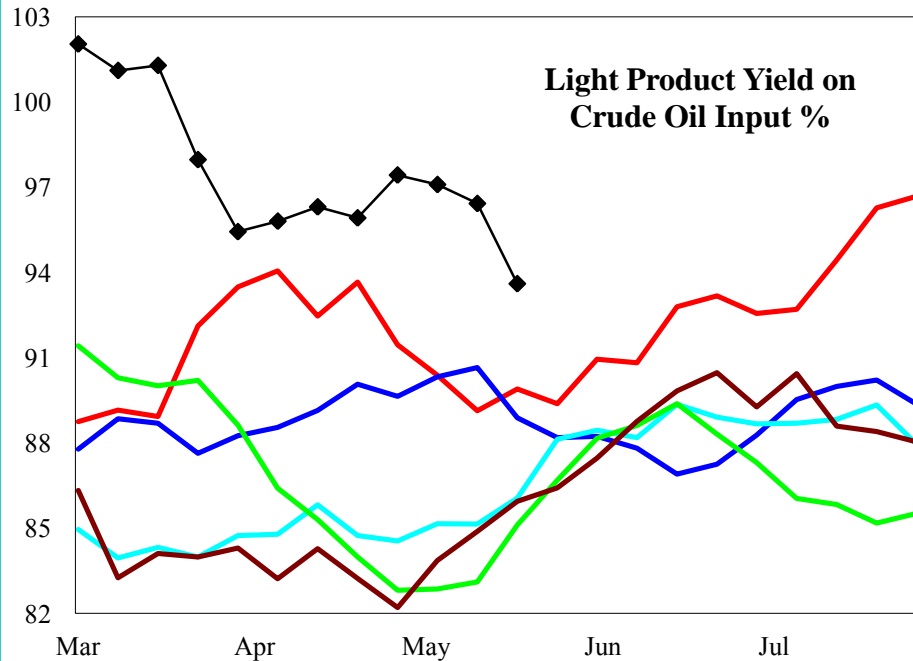
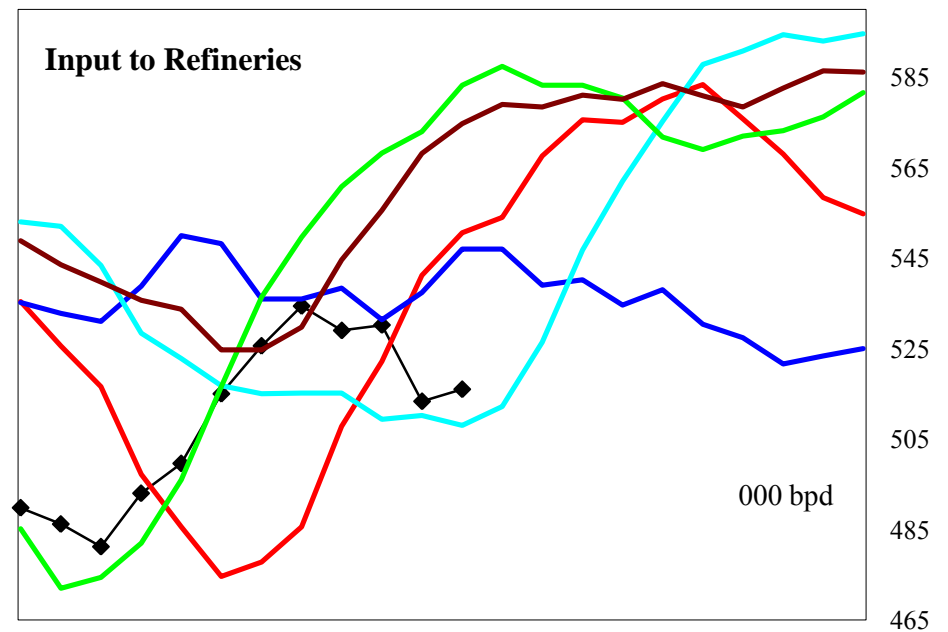
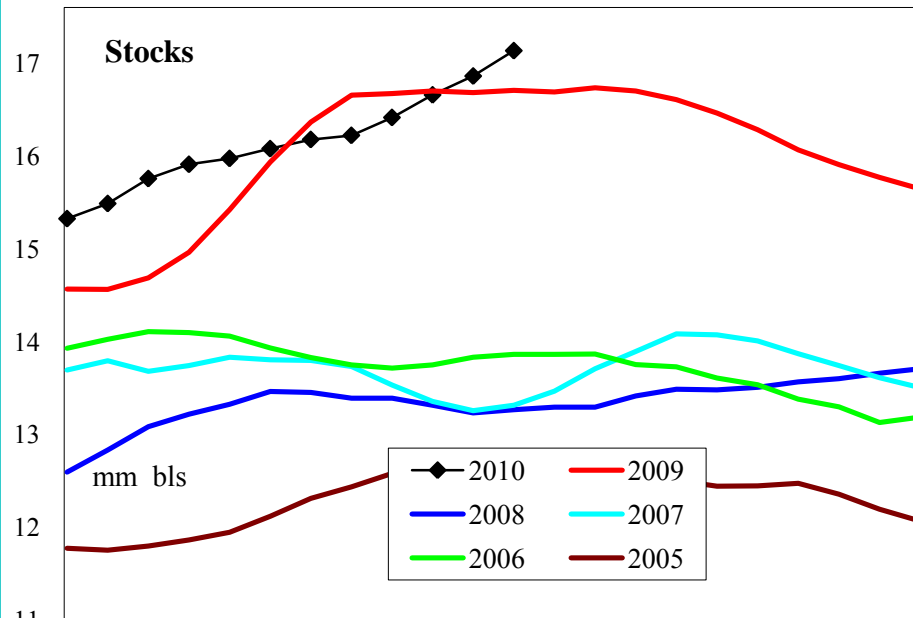
13

1.8

PADD 3 Residual Fuel Oil Supply



PADD 4 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

427

2.5

Input

-13

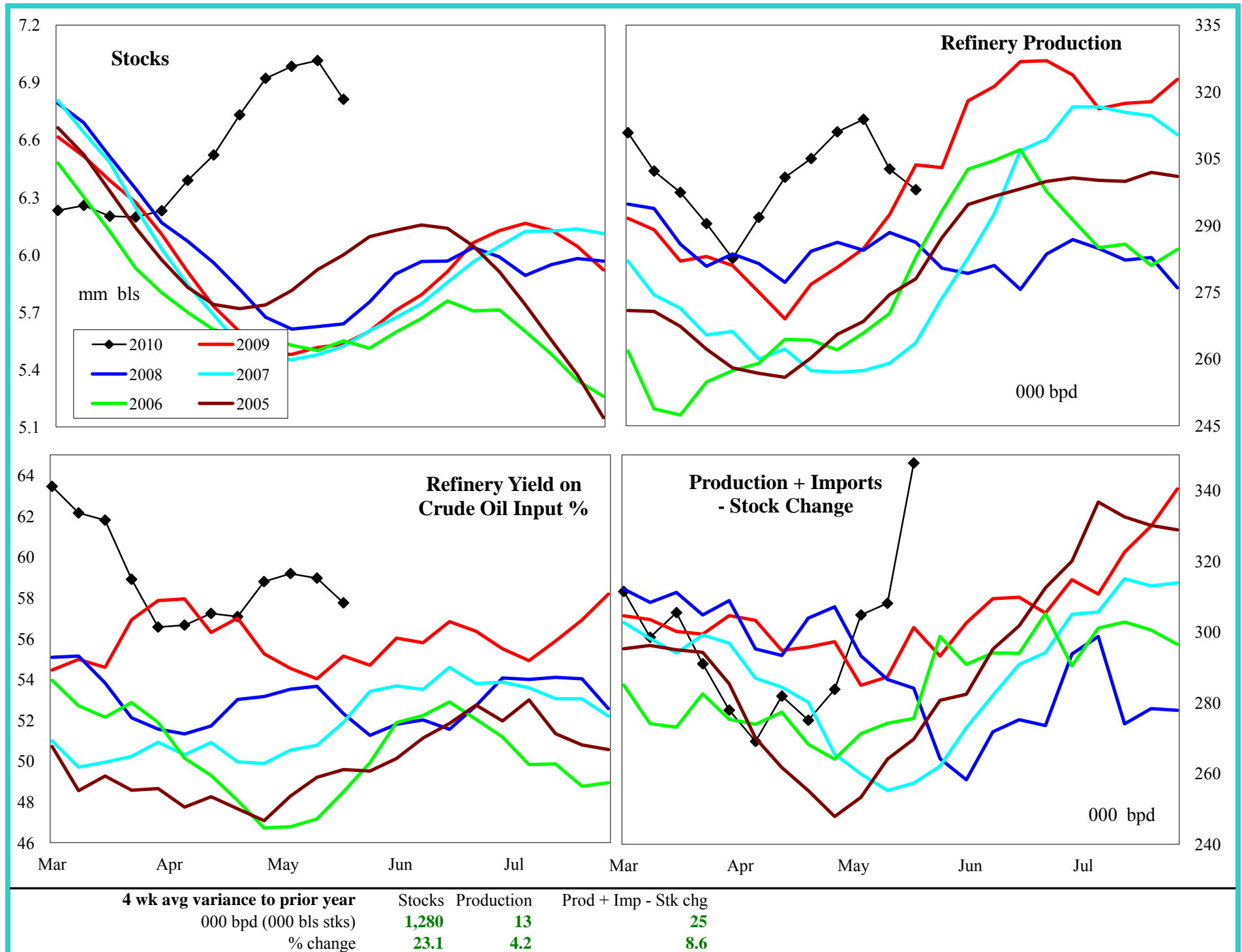
-2.5

Imports

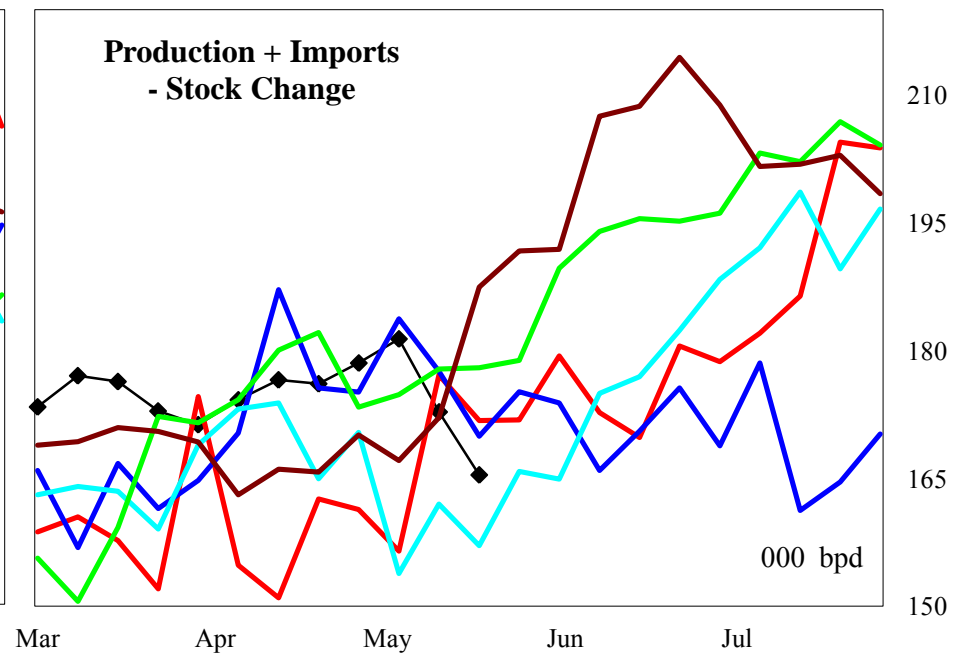
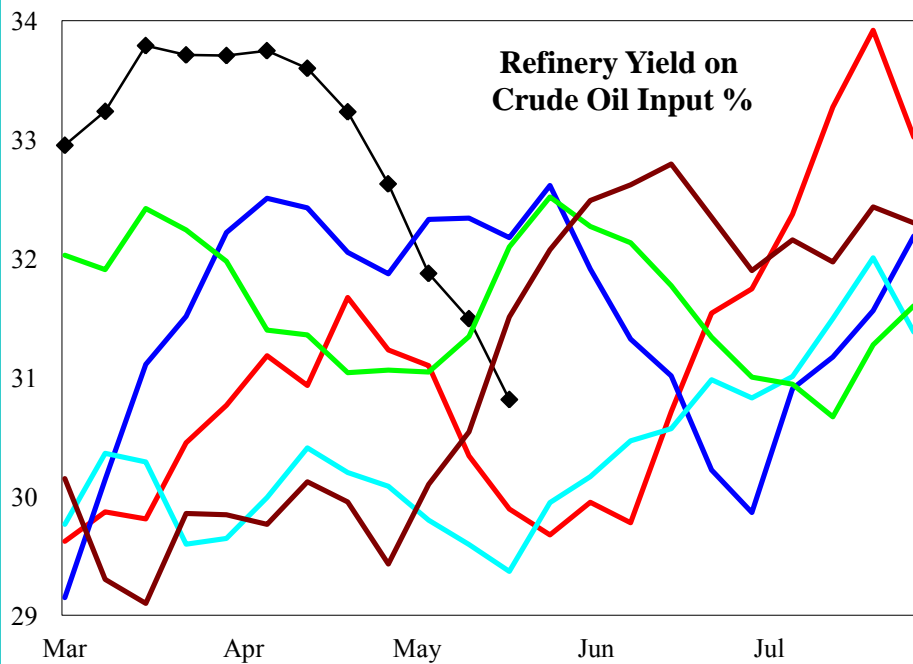
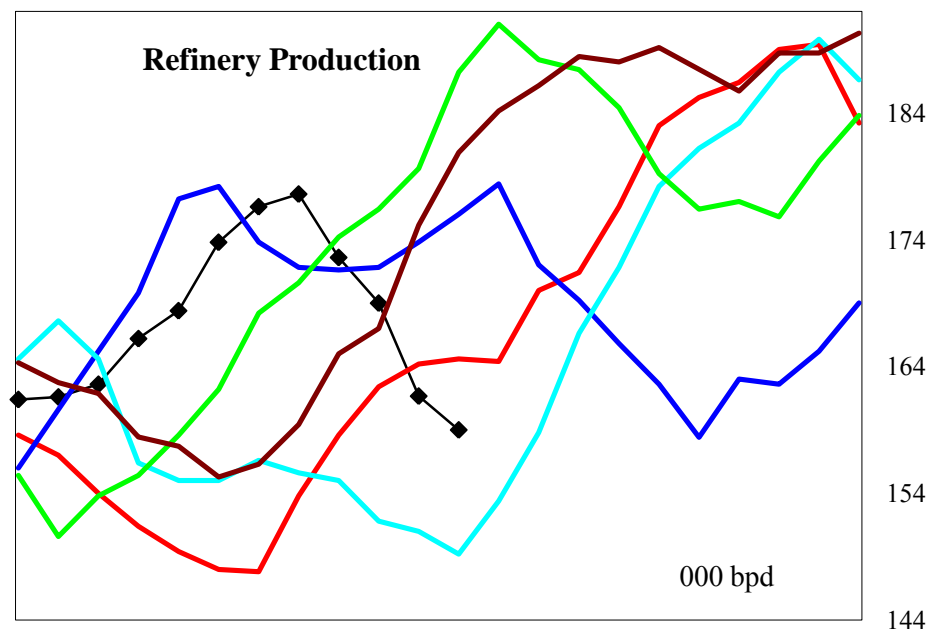
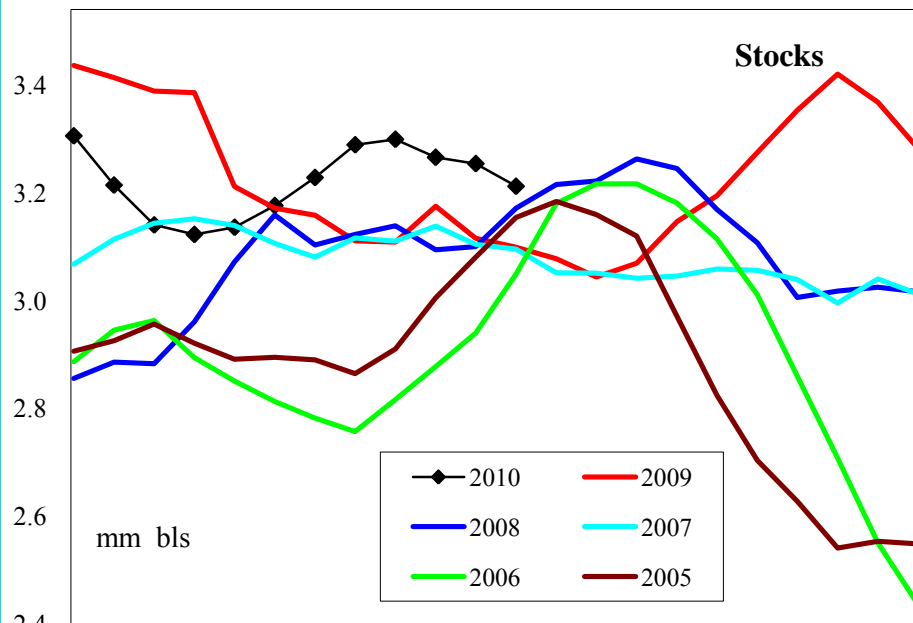
31

10.0

PADD 4 Gasoline Supply



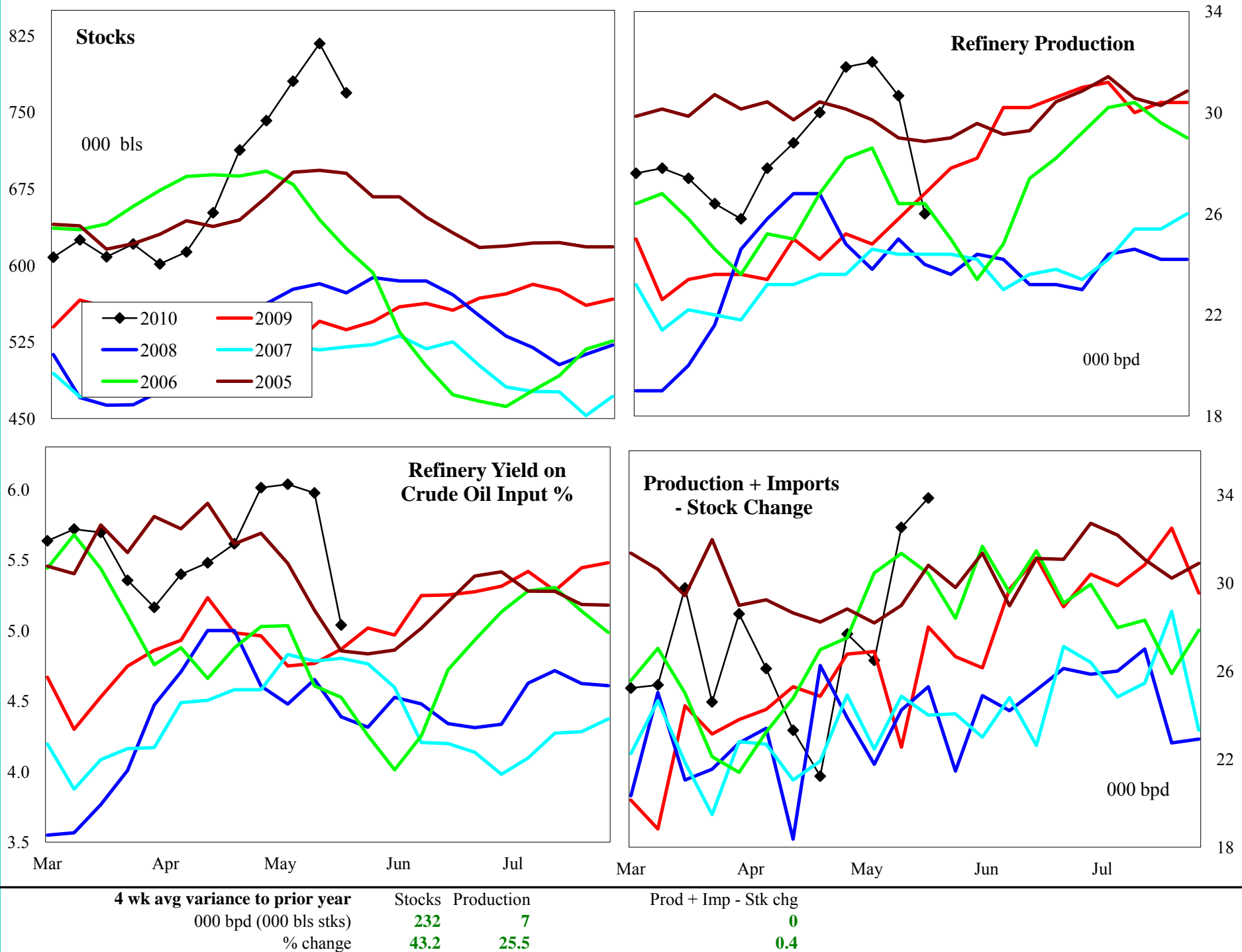
PADD 4 Distillate Supply



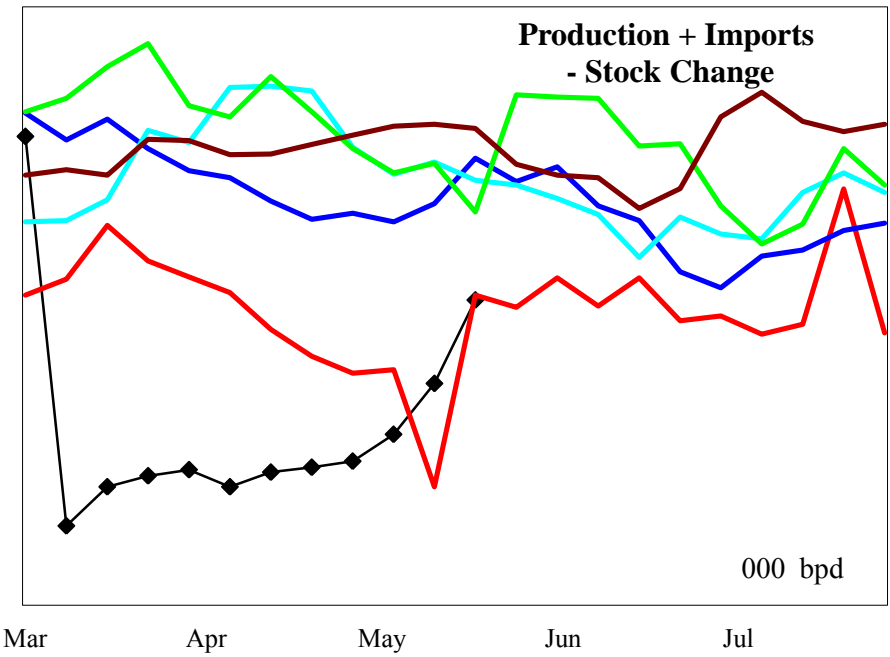
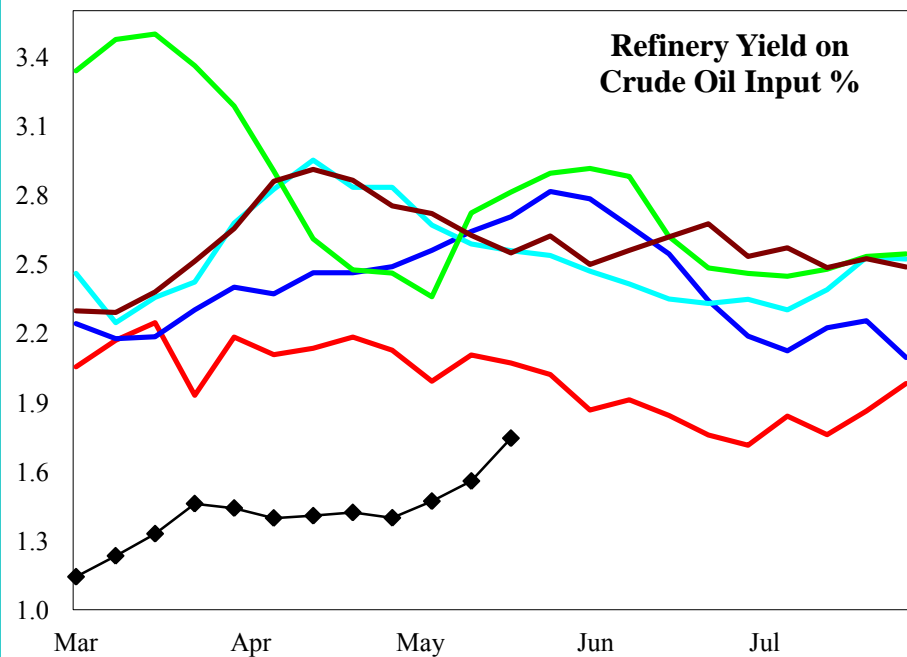
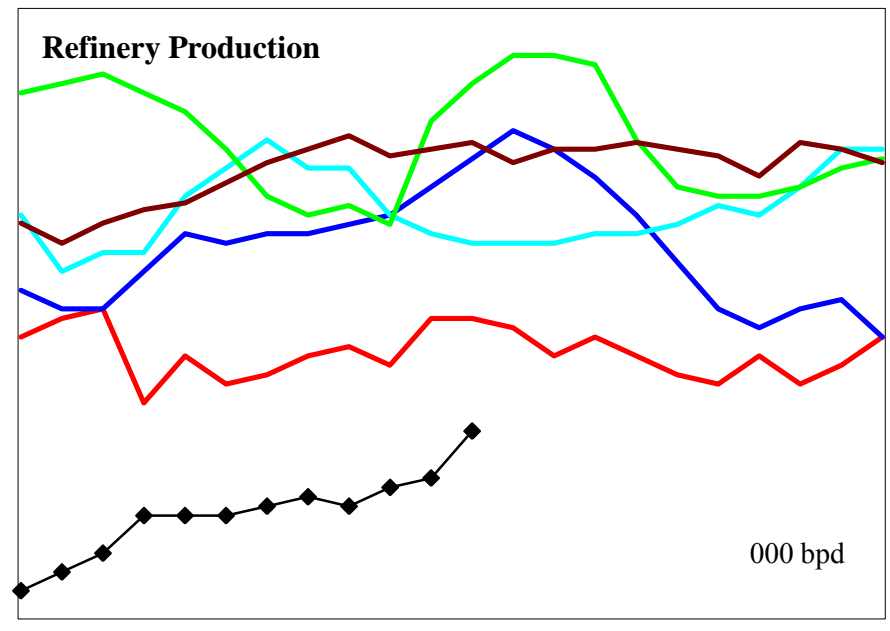
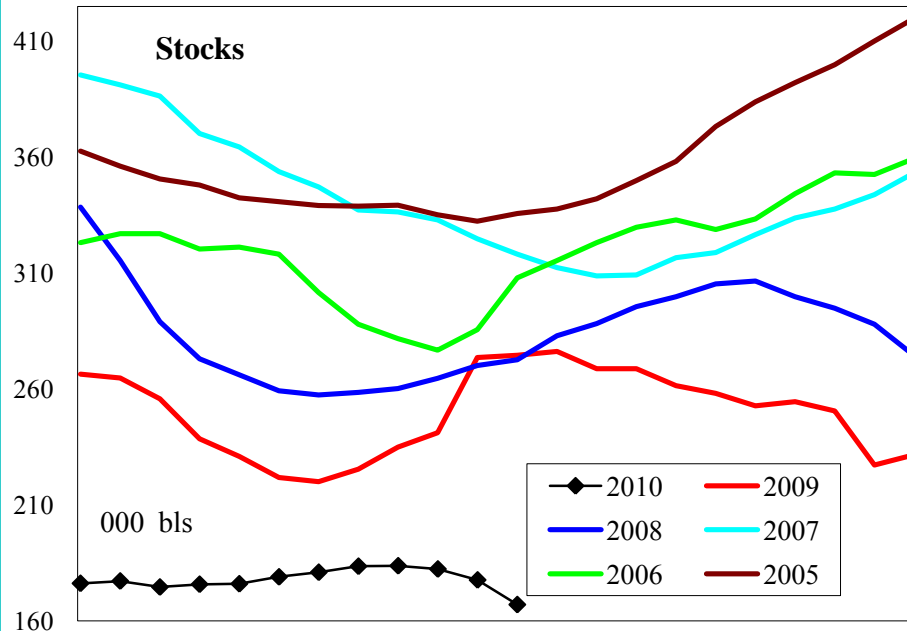
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

	Stocks	Production	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	113	-2	4	19
% change	3.7	-1.0	106.7	11.6

PADD 4 Jet Fuel Supply



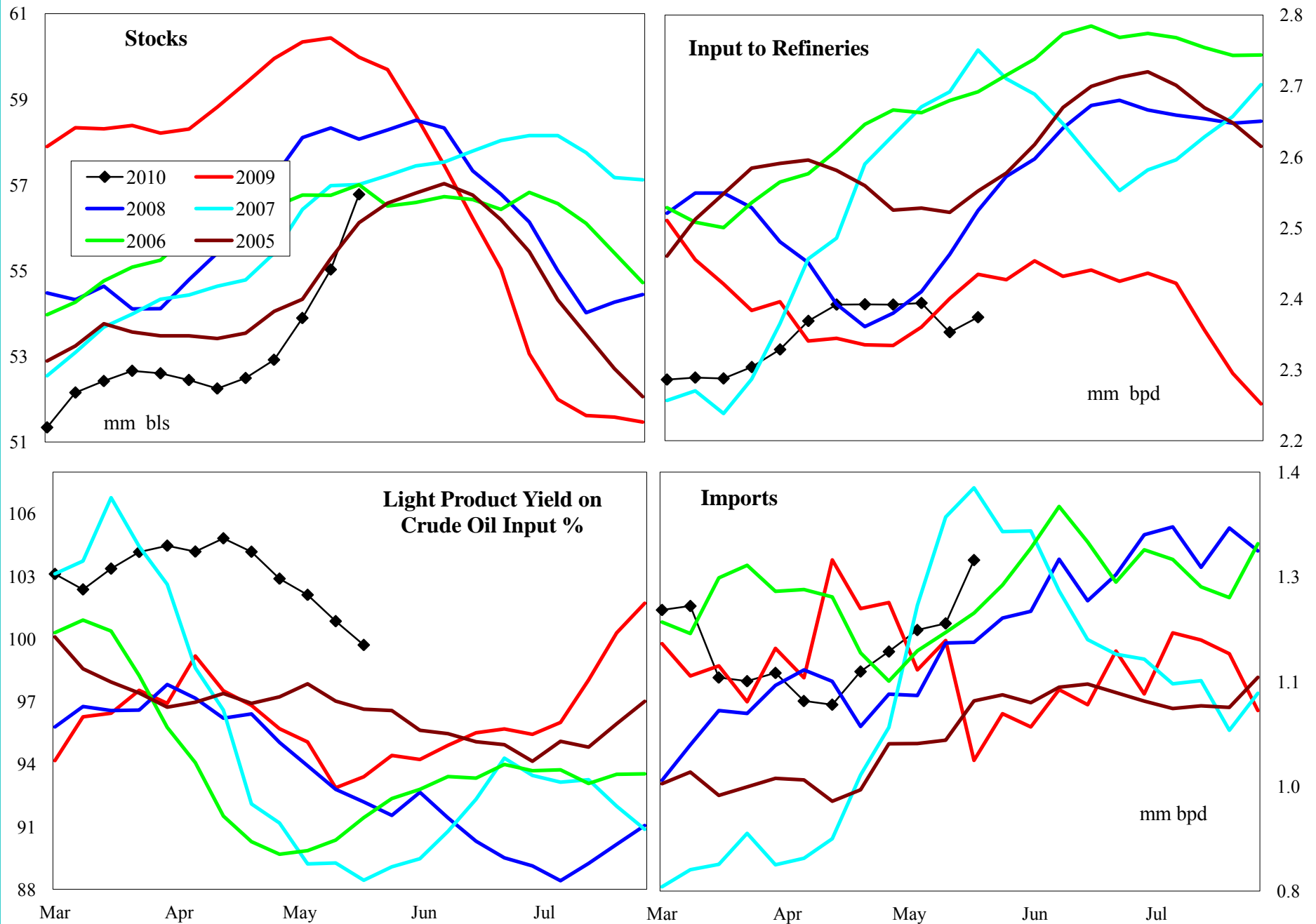
PADD 4 Residual Fuel Oil Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
-108	-3	0	1
-39.2	-28.9	#DIV/0!	5.4

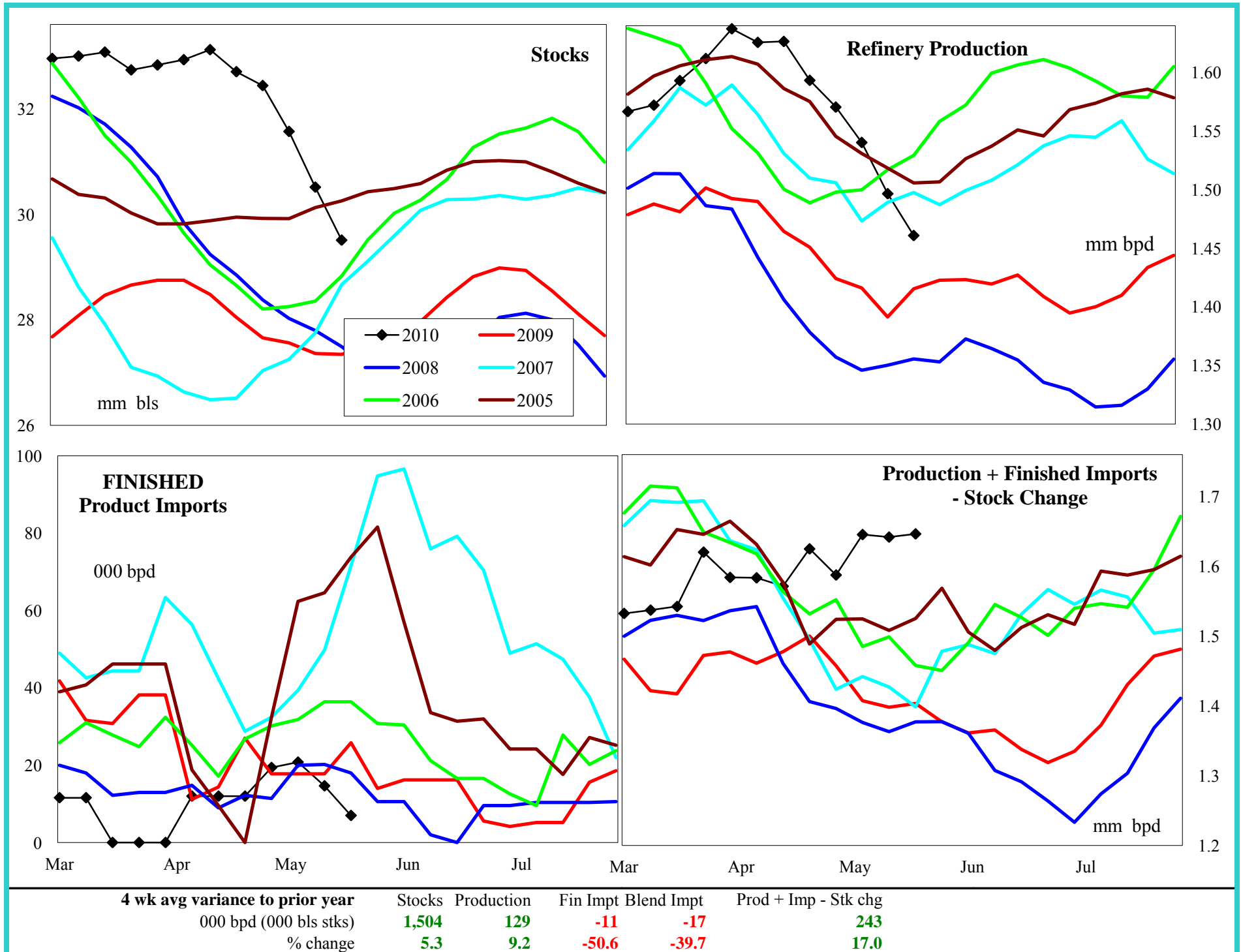
PADD 5 Crude Oil Supply and Refining



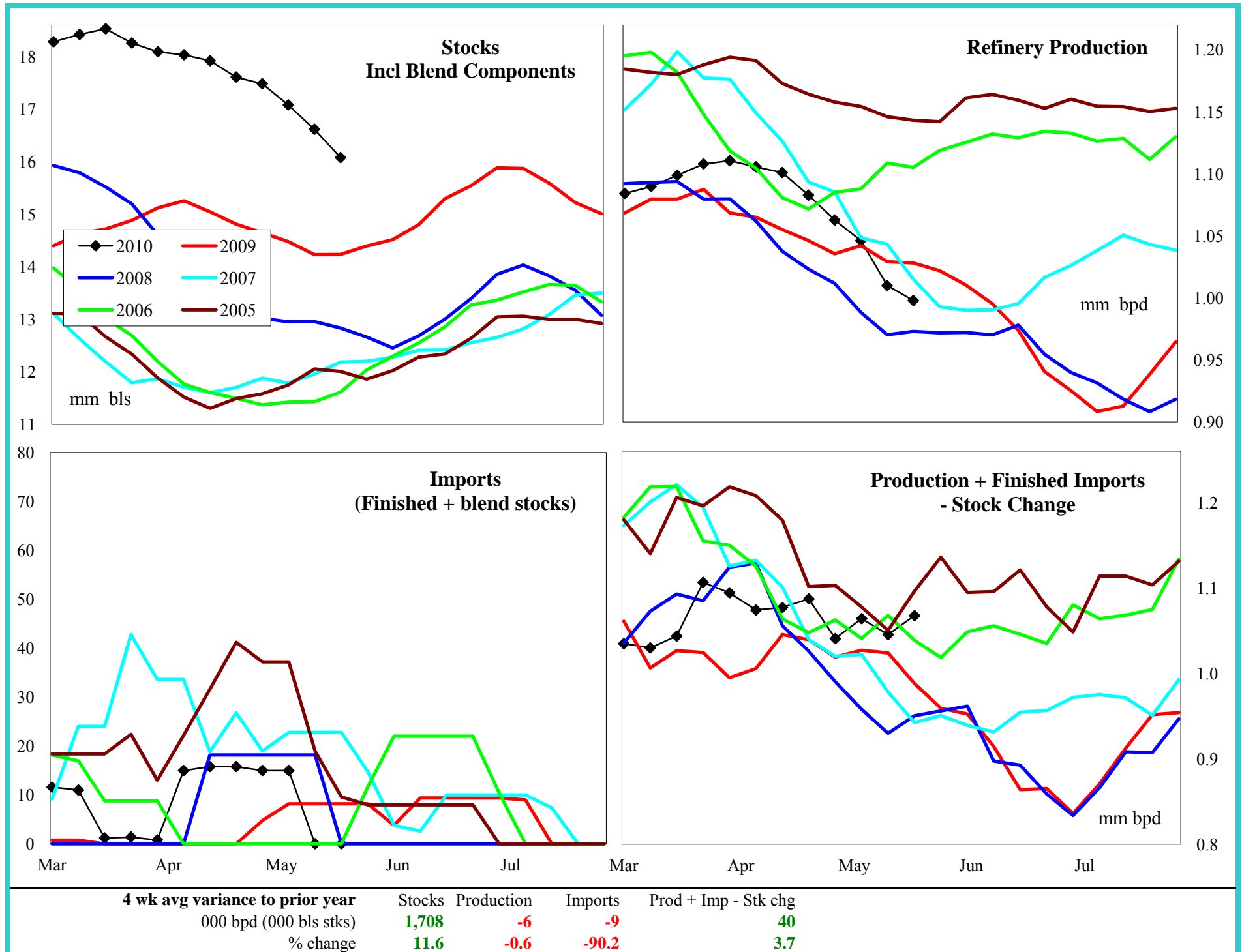
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

	Stocks	Input	Imports
000 bpd (000 bbls stks)	-3,199	-8	52
% change	-5.3	-0.3	4.5

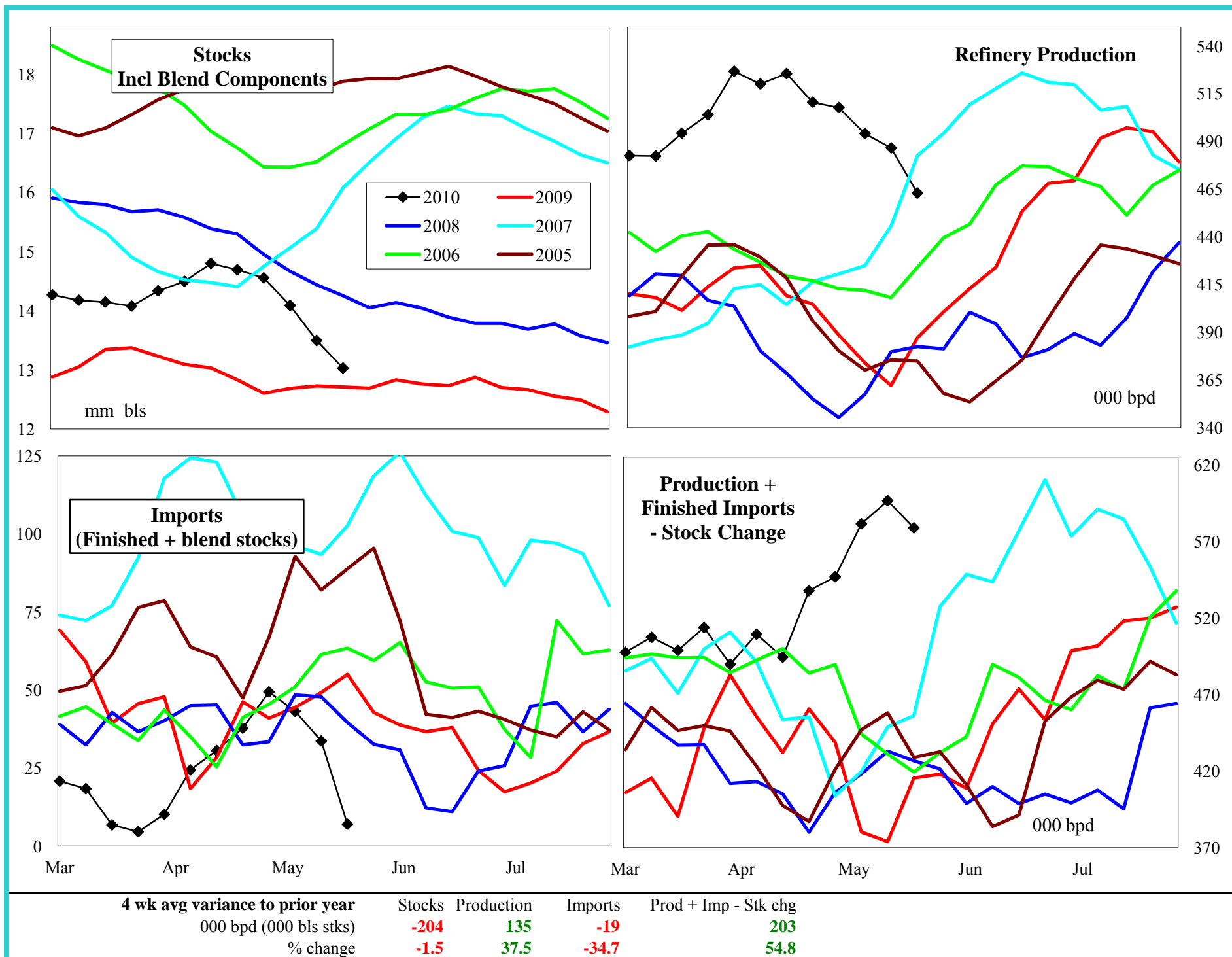
PADD 5 Gasoline Supply



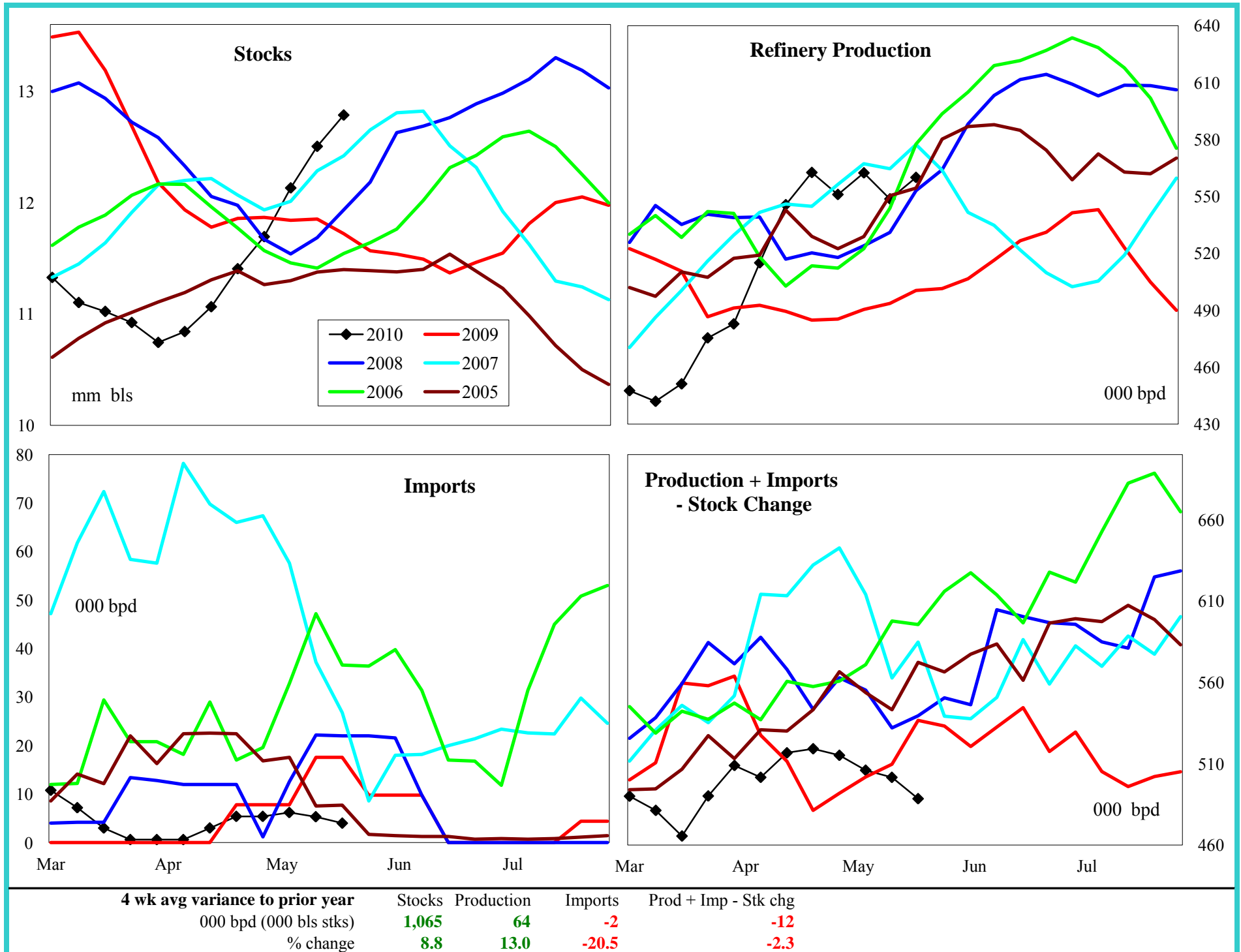
PADD 5 Reformulated Gasoline Supply



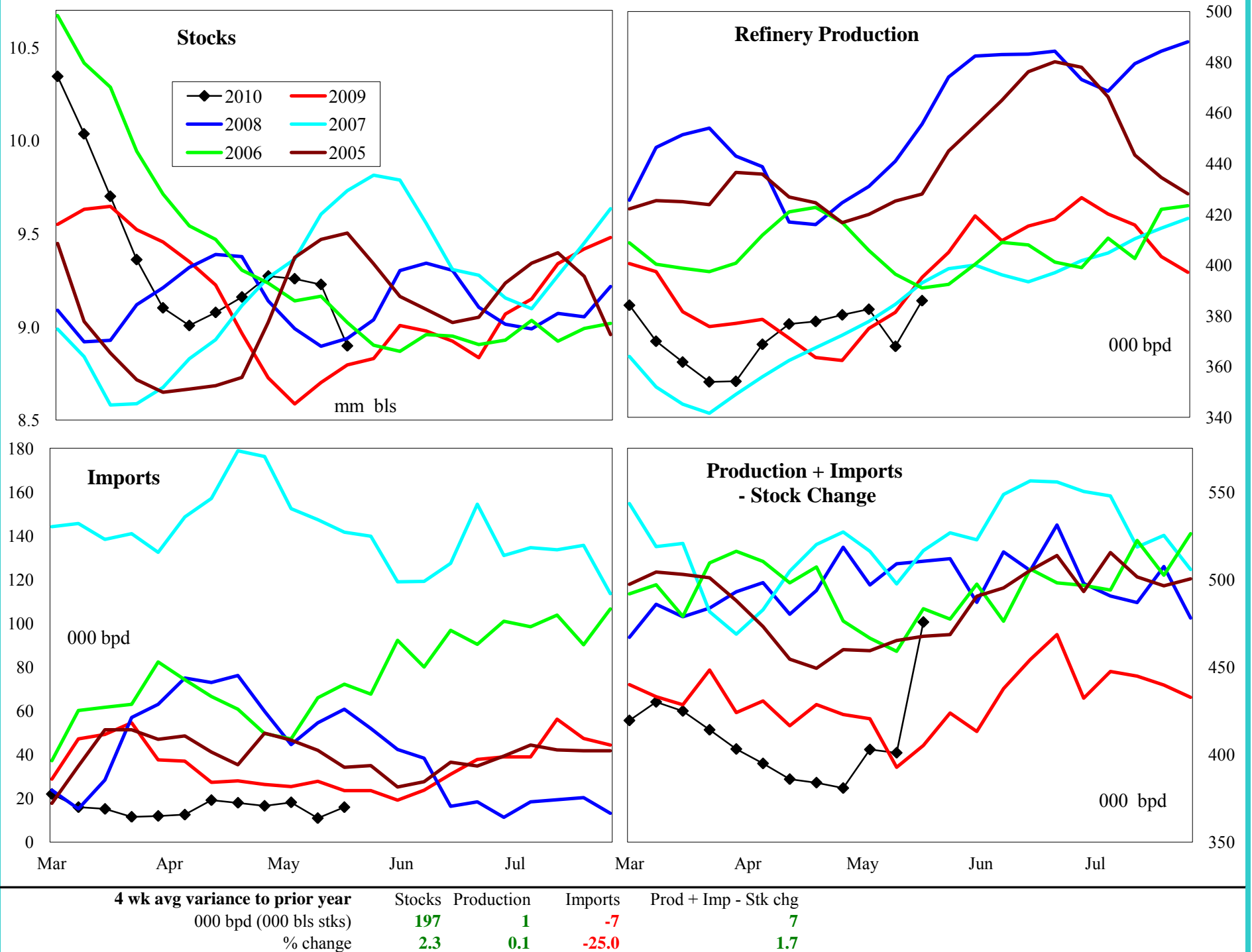
PADD 5 Conventional Gasoline Supply



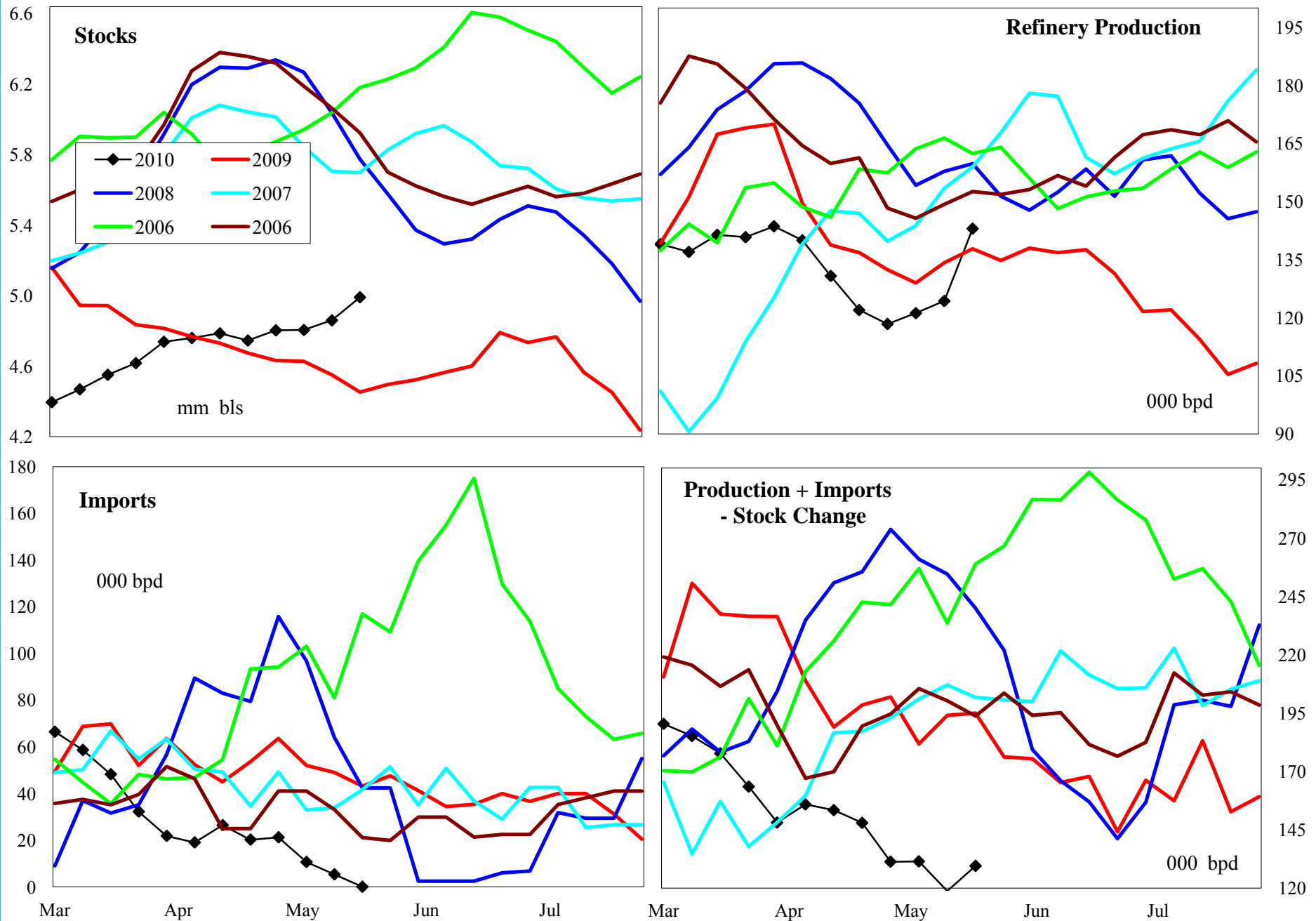
PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

539

12.1

Production

-17

-12.2

Imports

-37

-73.6

Prod + Imp - Stk chg

-63

-34.3