



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

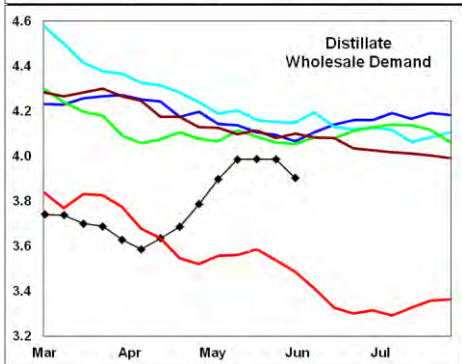
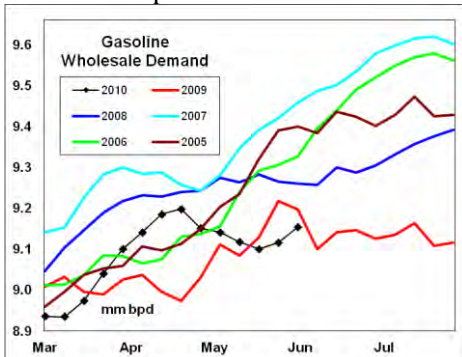
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, June 10, 2010



Major Fundamental Trends¹

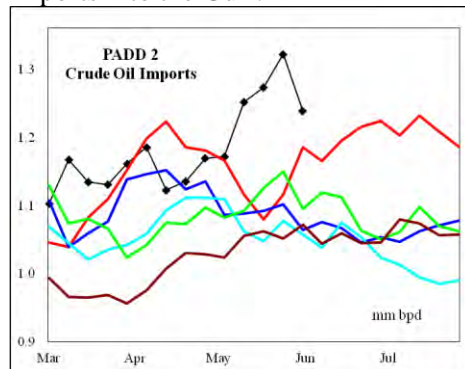
Demand trends for the key transport fuels clearly reflect broad economic conditions in the U.S. High unemployment is reflected in gasoline demand which was -1% below last years' record lows for the most recent 4-wk period. Growth in exports of manufactured products and related increased transportation activity; combined with robust exports of diesel has lifted distillate demand +12% above the depressed levels of 2009.



Refiners have responded to weak gasoline demand by reducing output from earlier record levels and limiting imports to record low rates. However, these supply reductions have not fully offset the low demand so that stock levels are extremely high in the East, Gulf and Rocky Mountain regions. Supplies are much tighter on the West Coast and Midwest. These regional imbalances may lead to large price differentials between regional markets during the peak summer driving season.

Refiners have increased distillate output to near all time high rates in response to robust demand, at the expense of both gasoline and jet fuel. Imports were also above average levels. The increased supply has offset demand growth so that stock levels are at/or above historic highs in all markets except the Midwest.

Crude oil stocks have begun the seasonal decline, driven by high refinery run rates and low import levels. Differences in relative stock levels between the Midwest (record highs) and the Gulf (below the mid range) are driven by increased imports from Canada and higher domestic production that has reduced the rate of imports into the Gulf.



Demand for gasoline continues to be very weak while distillate exhibits robust growth.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline -1.0%; distillate up +12.1%; jet fuel up +5.4% while residual fuel oil increased +4.8%.

Stocks forward coverage: Gasoline demand coverage was unchanged on the week with stocks down just -8,000 bbls. Coverage remains well above the prior 5-year high.

Distillate demand coverage trended higher on a +1.8 million barrel stock build and lower weekly demand. Coverage levels match last years' record high.

Jet fuel coverage remains extremely high with a +0.4 million barrel stock build and sharply lower weekly demand.

Residual fuel oil coverage declined on a -1.6 million barrel stock draw for the week. Coverage remains above the mid range.

Refinery utilization rates increased last week on a +82,000 bpd rise in crude oil runs. Crude thru put was below four of the last 5-years.

Gasoline yield % on crude oil runs decreased last week on a -123,000 bpd drop in production compared to the +82,000 bpd rise in crude oil runs. Yield % was above the mid range.

Distillate yield % on crude oil runs extended the counter seasonal uptrend, on a +45,000 bpd rise in output. Yield % was near the 2008 record high level.

Jet fuel yield % on crude oil runs fell to a record low on a -19,000 bpd drop in production.

Petroleum Imports of gasoline and residual fuel oil fell last week while crude oil and middle distillates were nearly unchanged.

During the latest 4-wk period distillate imports increased +34,000 bpd; finished gasoline imports decreased -206,000 bpd, gasoline blend stock imports increased +185,000 bpd; jet fuel imports decreased -40,000 bpd, while residual fuel oil imports decreased -55,000 bpd.

Crude Oil stocks decreased -1.8 million barrels last week; in line with seasonal draws this time of year. Very high runs on the Gulf and record low imports led to a -4.7 million barrel draw in PADD 3. Stocks in Cushing decreased -0.5 million barrels. Stock levels in PADD 2 and 5 are extremely high; the former on high Canadian imports and the latter on very low refinery runs.

Very high run rates in the Midwest and Gulf regions should lead to further seasonal crude oil stock draws.

¹ Source is latest EIA Weekly Statistics



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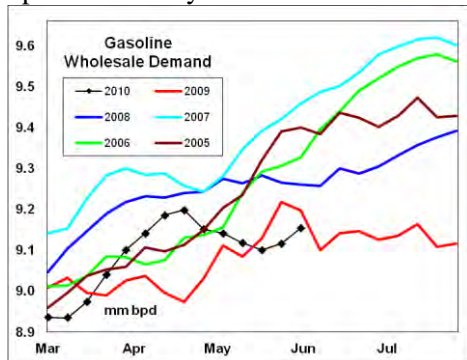
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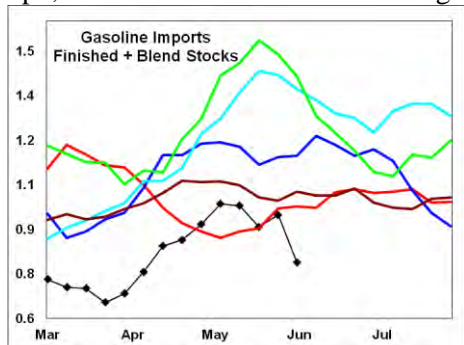
Product Supply-Demand T20ends

Gasoline demand increased +20,000 bpd last week, but the level remains below last years' record low.

The latest 4-wk average was -93,000 bpd below last year.



Gasoline production decreased -123,000 bpd on the week, with the 4-wk average +145,000 bpd above a year ago. Weekly output fell below the mid range. Imports decreased -166,000 bpd, to a level below the historic range.



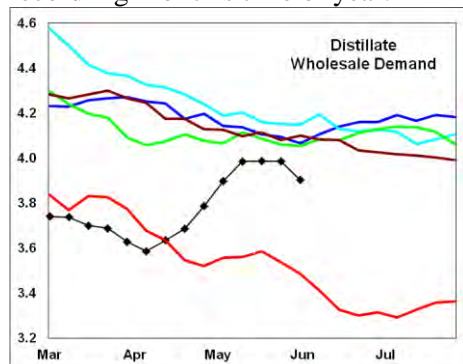
Stocks were unchanged on the week, including a +1 million barrel build on the east coast. Stock levels remain well above the historic range.

Very poor demand during Memorial Week points to flat year-on-year demand this summer. Combined with record stock levels, refiners will need to restrain production and limit imports to avoid extreme excess supply conditions. Expect prices to exhibit weakness compared to the overall energy complex for the summer quarter.

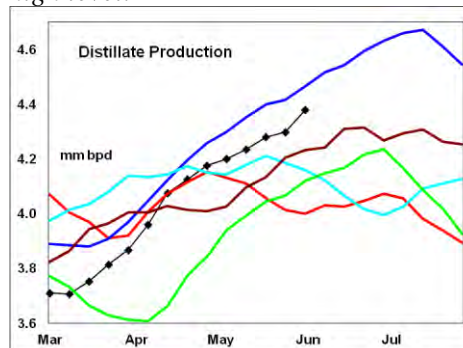
Distillate demand decreased -128,000 bpd last week. Demand for the latest 4-wk period averaged +434,000 bpd above last year. Higher exports and increased domestic industrial activity are driving the demand growth.

Production increased +45,000 bpd last week, to a level near the 5-year high. Imports have also increased to above the mid range.

Stocks increased +1.8 million barrels on the week. Stock levels are +5 million barrels above last years' record high for this time of year.



Demand remains robust, supported by strong exports and increased industrial activity. Production has increased to near historic highs, offsetting the jump in demand. The rate of stock building remains very low, but overall stock levels remain above last years' record high level.



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

Jet Fuel demand fell -134,000 bpd on the week, with the latest 4-wk average +72,000 bpd above last years' record low level.

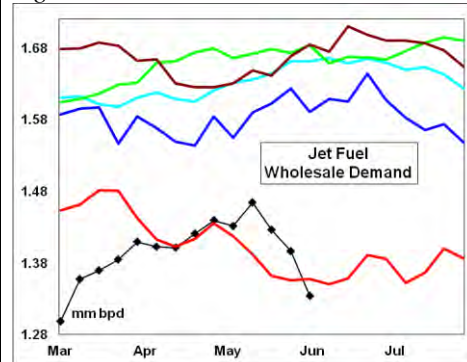
Supply declined -41,000 bpd on the week, with both production and imports at 5-year lows. The latest 4-wk average supply was +30,000 bpd above a year ago. Stocks increased +0.4 million barrels, to a new record high for the period.

Demand continues to hold at near

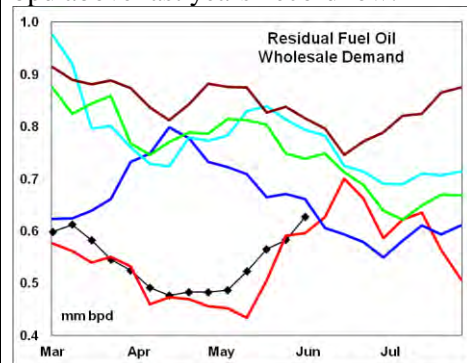
year ago levels, which is sharply below levels seen before the recession.

While refiners have recently cut output, earlier increases in the prior 60-days have driven stocks to extremely high levels.

Expect relative weakness in jet fuel prices, particularly, cash basis in most major markets on weak demand and very high stock levels.



Residual fuel oil demand, including exports, decreased -27,000 bpd last week, with the 4-wk average +26,000 bpd above last years' record low.



Supply (production + imports) decreased -98,000 bpd on the week, with the latest 4-wk average +115,000 bpd above a year ago. Stocks fell -1.6 million barrels but remain well above the historic range.

The residual fuel oil market is extremely over supplied even with record low production and import rates. Weak demand has caused stock levels to exceed +3 million barrels above the prior record high. These fundamental trends should lead to relative price weakness for residual fuel compared to the overall energy complex.



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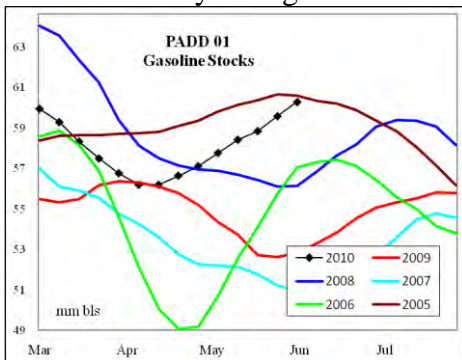
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PADD Supply Trends

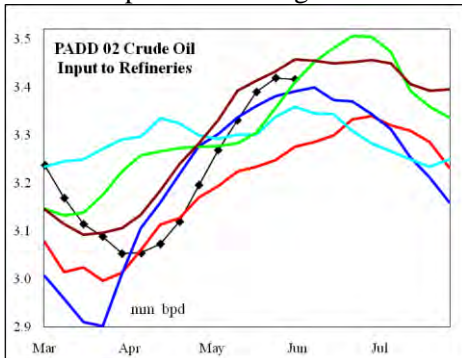
PADD 1 refinery crude oil runs increased +34,000 bpd last week, with the 4-wk average nearly unchanged from last years' record low rate.

Gasoline production decreased -46,000 bpd last week, with the latest 4-wk average +196,000 bpd above a year ago, and at a 5-year high. Imports declined 124,000 bpd on the week, to a level below the historic range. Stocks increased +1 million barrels to a level that matched the 5-year high.



Distillate supply increased +41,000 bpd last week, with imports above the mid range for the 2nd consecutive week. Stocks decreased -0.3 million barrels, to a level below last years' record high.

Jet fuel supply increased +22,000 bpd last week, but remains near historic lows. Stocks increased +1.1 million barrels on the week, +15% above the prior record high level.



PADD 2 crude oil refinery runs were nearly unchanged last week, at a level near the 5-year. Crude oil stocks were unchanged on the week, +13% above the previous record high level. Stocks

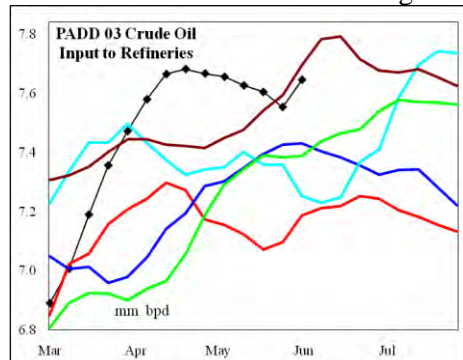
in Cushing decreased -0.5 million barrels, but remain +27% above the previous record level.

Gasoline production was nearly unchanged on the week, with the level at the mid range. Stocks extended a 90-day seasonal downtrend, to a level below the mid range.

Distillate production was near the highs of 2008, up +17% from a year ago. Stock levels were unchanged on the week at the mid range.

Jet fuel stocks climbed to a new record high level on weak demand and production at the mid range.

PADD 3 refinery crude oil runs increased +134,000 bpd last week, near the 5-year high. The latest 4-wk average was +513,000 bpd above a year ago. Imports extended a 60-day downtrend, matching last years' record low level. Extremely high runs and very low imports led to a -4.7 million barrel stock draw last week. Stock levels are now below the mid range.



Gasoline production decreased -51,000 bpd on the week, with the 4-wk average -263,000 bpd below a year ago. Stocks increased +0.5 million barrels on the week, to a level +7% above the prior record high.

Distillate production was nearly unchanged on the week, at a level matching the 5-year record for the period. Stocks increased +1.7 million barrels, +20% above the prior year record high.

Jet fuel production was below the mid range. Stock levels remain +15% above the previous 5-year record high.

Residual fuel oil production and import levels were below the mid

range on the week. Stocks fell -1.7 million barrels on an export surge. Stock levels remain +22% above the prior year.

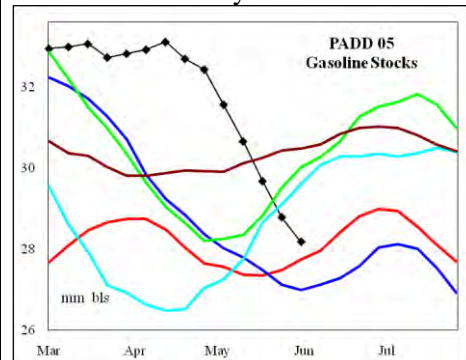
PADD 4 refinery crude oil runs were nearly unchanged on the week, at a level near the low end of the range. The latest 4-wk average was -27,000 bpd below last year.

Gasoline production increased +4,000 bpd on the week, at a level +13,000 bpd above the historic high. Stocks extended a recent downtrend, but the level was +15% above the historic high for the period.

Distillate production was unchanged last week, with the level at the mid range. Stocks increased +0.4 million barrels to a new record high.

PADD 5 crude oil refinery runs decreased -90,000 bpd on the week, to a record low level for this time of year. The latest 4-wk average run rate was -108,000 bpd below last year. Crude oil stocks increased +1.9 million barrels, to the upper end of the historic range.

Gasoline supply (production + imports) decreased -27,000 bpd last week, to a level that was slightly above the last two years. The latest 4-wk average supply was +47,000 bpd above last year. Stocks decreased -0.5 million barrels to a level marginally above the last two years.



Distillate production increased +11,000 bpd, on the week, to near the mid range. Stock levels remain at the upper end of the 5-year range.

Jet fuel supply declined -53,000 bpd last week, with both imports and production well below the historic range.


**FUNDAMENTAL
PETROLEUM
TRENDS**


PETROLEUM: Graph Link and Weekly Summary

A Fundamental Petroleum Trends Weekly Report

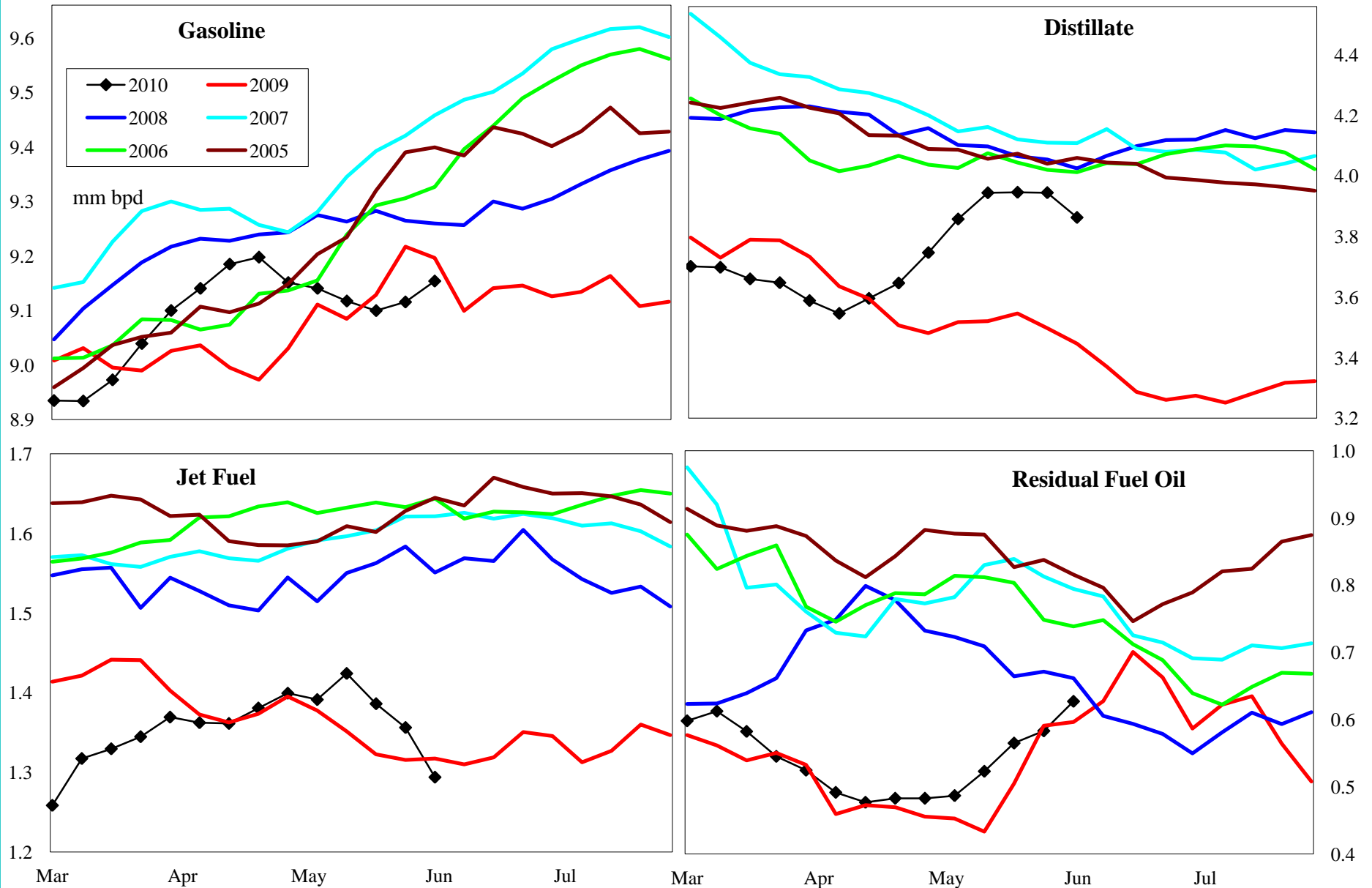
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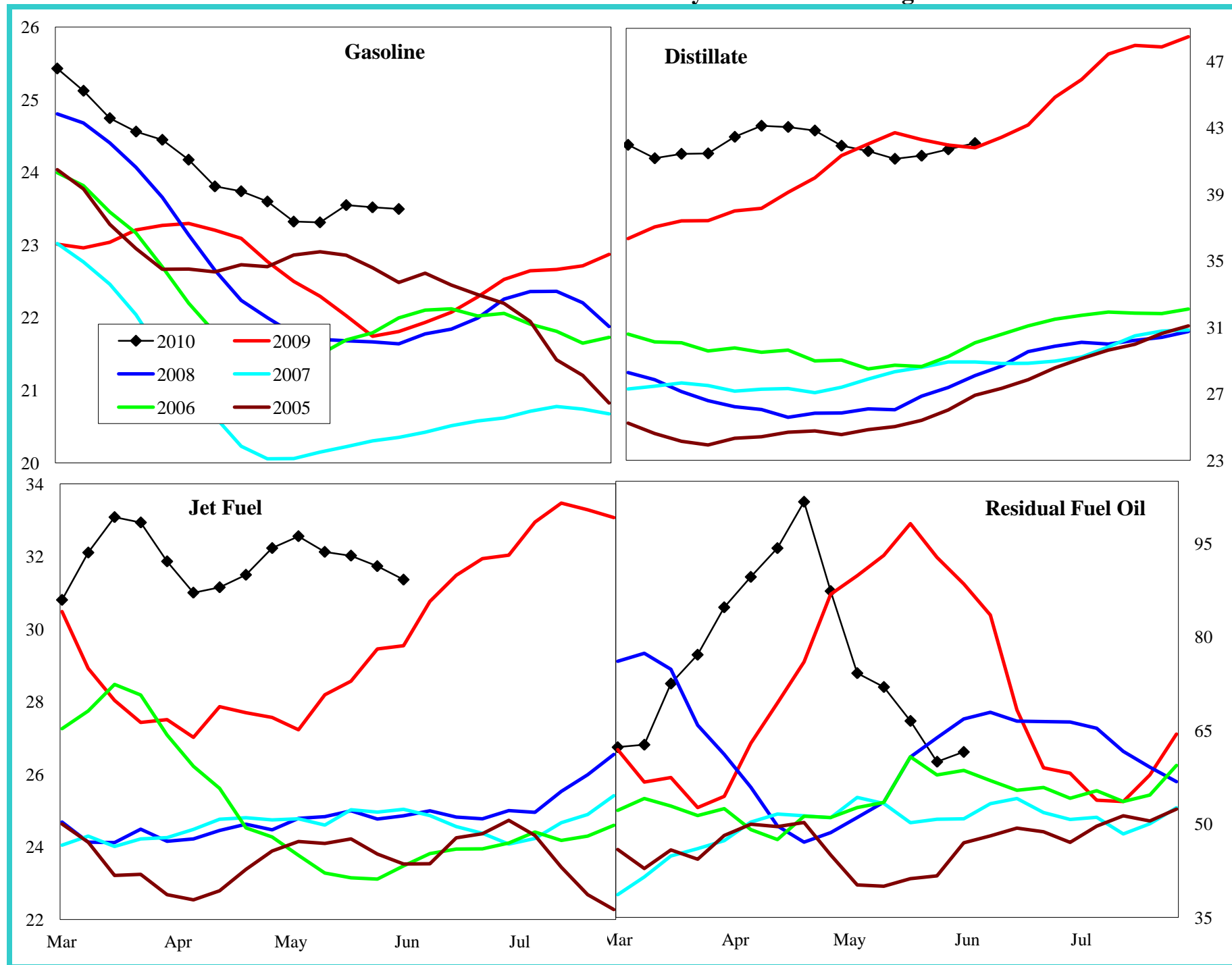
| Fundamental Trends | <u>Wholesale Demand</u> | <u>Stocks Days Fwd Coverage</u> | <u>Refinery Utilization</u> <u>Product Yield %</u> | | | | <u>Imports</u> |
|--------------------------|---------------------------|---------------------------------|---|------|--------|------|----------------|
| Supply/Demand Trends | 4-Jun-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 | -1,829 | 524 | 60 | -4,663 | 382 | 1,868 |
| | Imports | 80 | 58 | -210 | -171 | -12 | 415 |
| | Input | 82 | 34 | 6 | 134 | -3 | -90 |
| | % Utilization | 1.60 | | | | | |
| <u>Gasoline</u> | Stocks | -8 | 1,013 | -743 | 513 | -307 | -484 |
| | Production | -123 | -46 | 6 | -51 | 4 | -36 |
| | Imports | -166 | -124 | 0 | -51 | 0 | 9 |
| | Supplied | 20 | | | | | |
| <u>Distillate</u> | Stocks | 1,836 | -279 | 73 | 1,659 | 382 | 1 |
| | Production | 45 | 19 | 10 | 5 | 0 | 11 |
| | Imports | 25 | 22 | -1 | 0 | 4 | 0 |
| | Supplied | -128 | | | | | |
| <u>Jet Fuel</u> | Stocks | 431 | 1,110 | 135 | -224 | -39 | -550 |
| | Production | -19 | -7 | 6 | -15 | -2 | -1 |
| | Imports | -22 | 29 | 0 | 0 | 0 | -52 |
| | Supplied | -134 | | | | | |
| <u>Residual Fuel Oil</u> | Stocks | -1,569 | -134 | -23 | -1,658 | 6 | 241 |
| | Production | 88 | 26 | 15 | 33 | 2 | 13 |
| | Imports | -186 | -149 | 1 | -8 | 0 | -30 |
| | Supplied | -27 | | | | | |

United States Wholesale Petroleum Demand

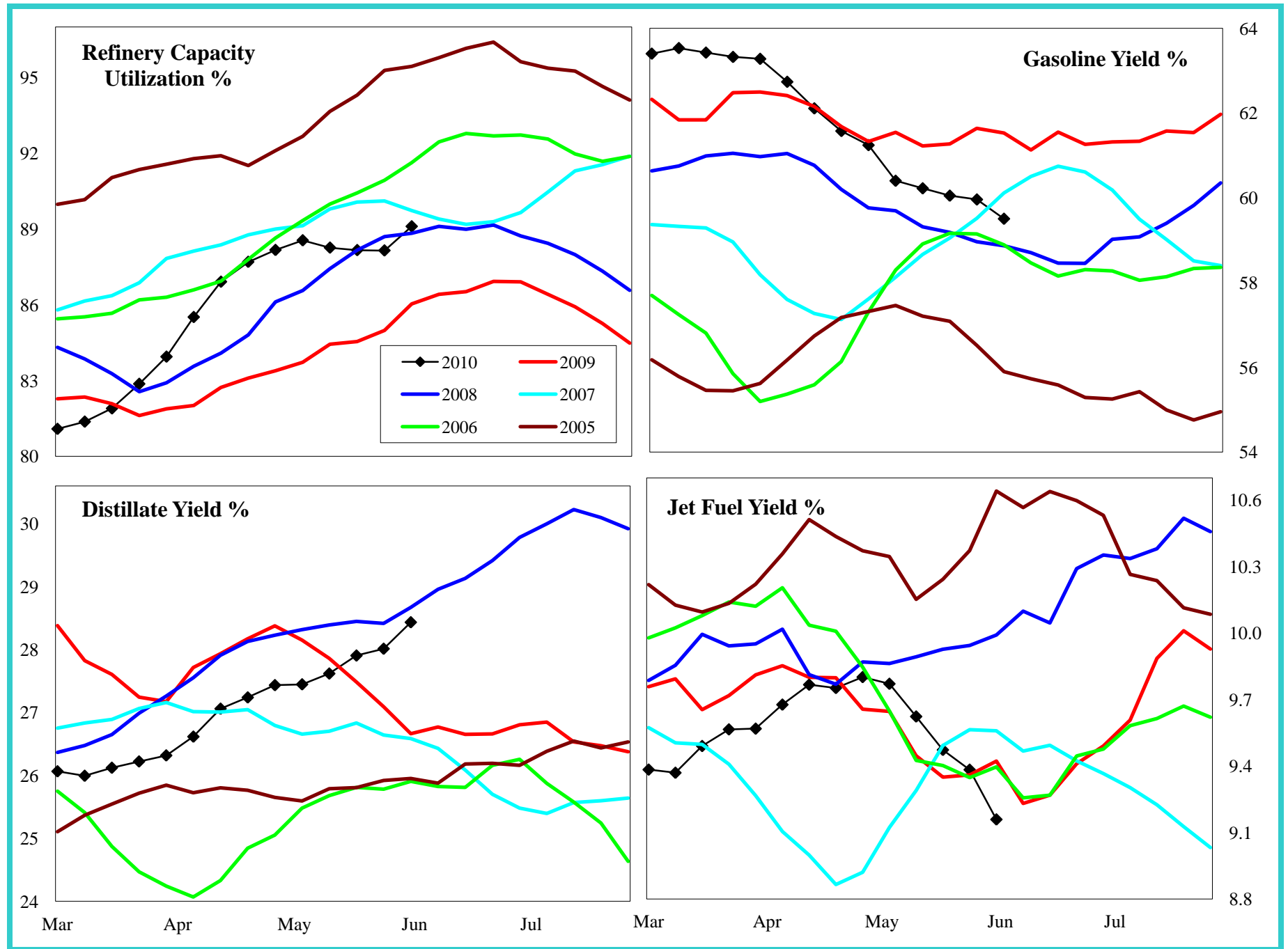


| | 000 bpd change from prior year | | | | % change from prior year | | | |
|-------------------|--------------------------------|------|-----|------|--------------------------|-------|------|------|
| | 4wk avg | Apr | Jan | Feb | 4wk avg | Apr | Mar | Feb |
| Gasoline | -93 | 304 | 147 | -165 | -1.0 | 3.4 | 1.7 | -1.9 |
| Distillate | 434 | 184 | -25 | -49 | 12.1 | 5.3 | -0.7 | -1.3 |
| Jet Fuel | 72 | -15 | -65 | 1 | 5.4 | -1.1 | -4.5 | 0.1 |
| Resid | 26 | -206 | -32 | 7 | 4.8 | -30.6 | -5.3 | 1.4 |

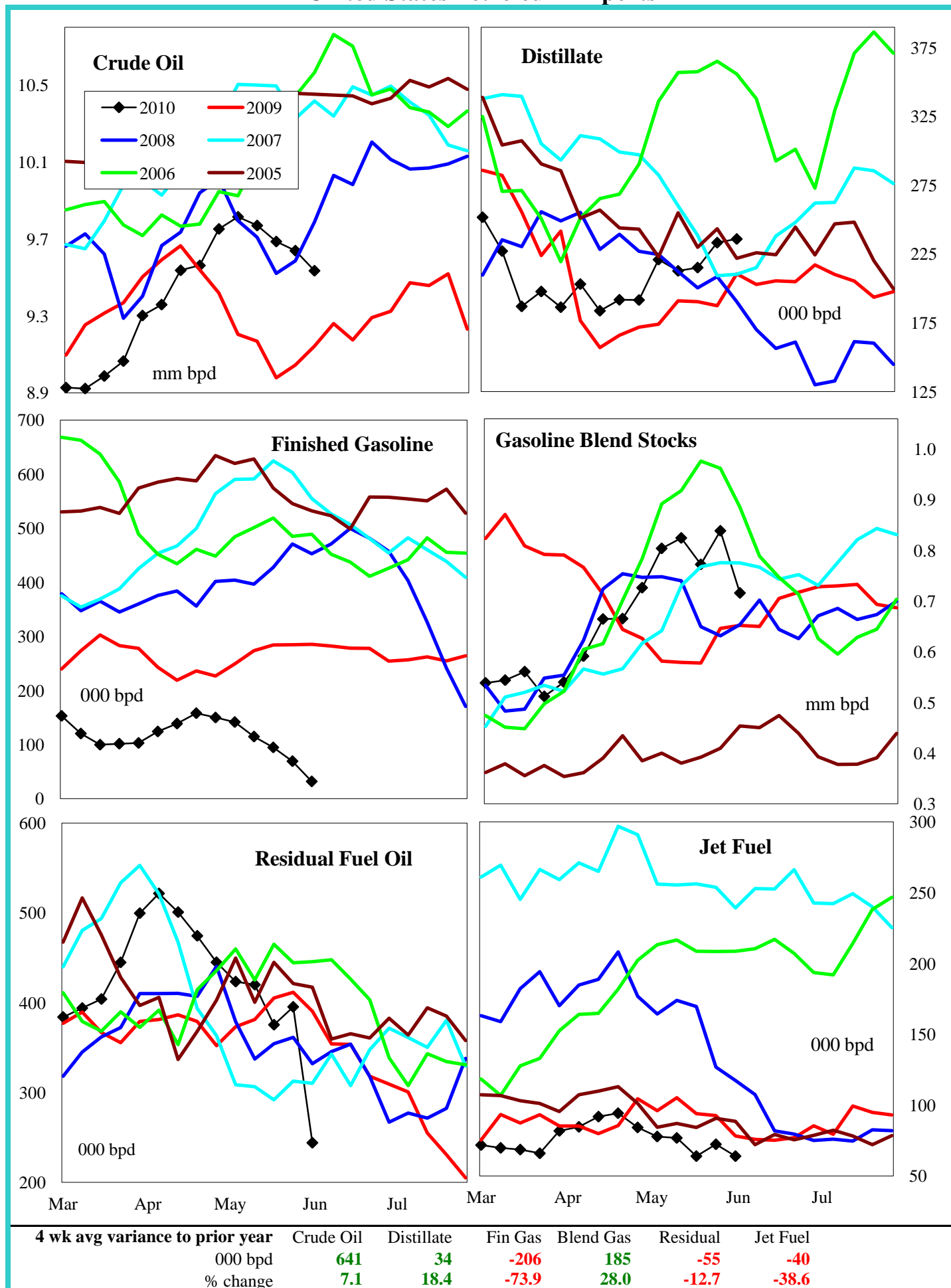


United States Product Stocks: Days Forward Coverage

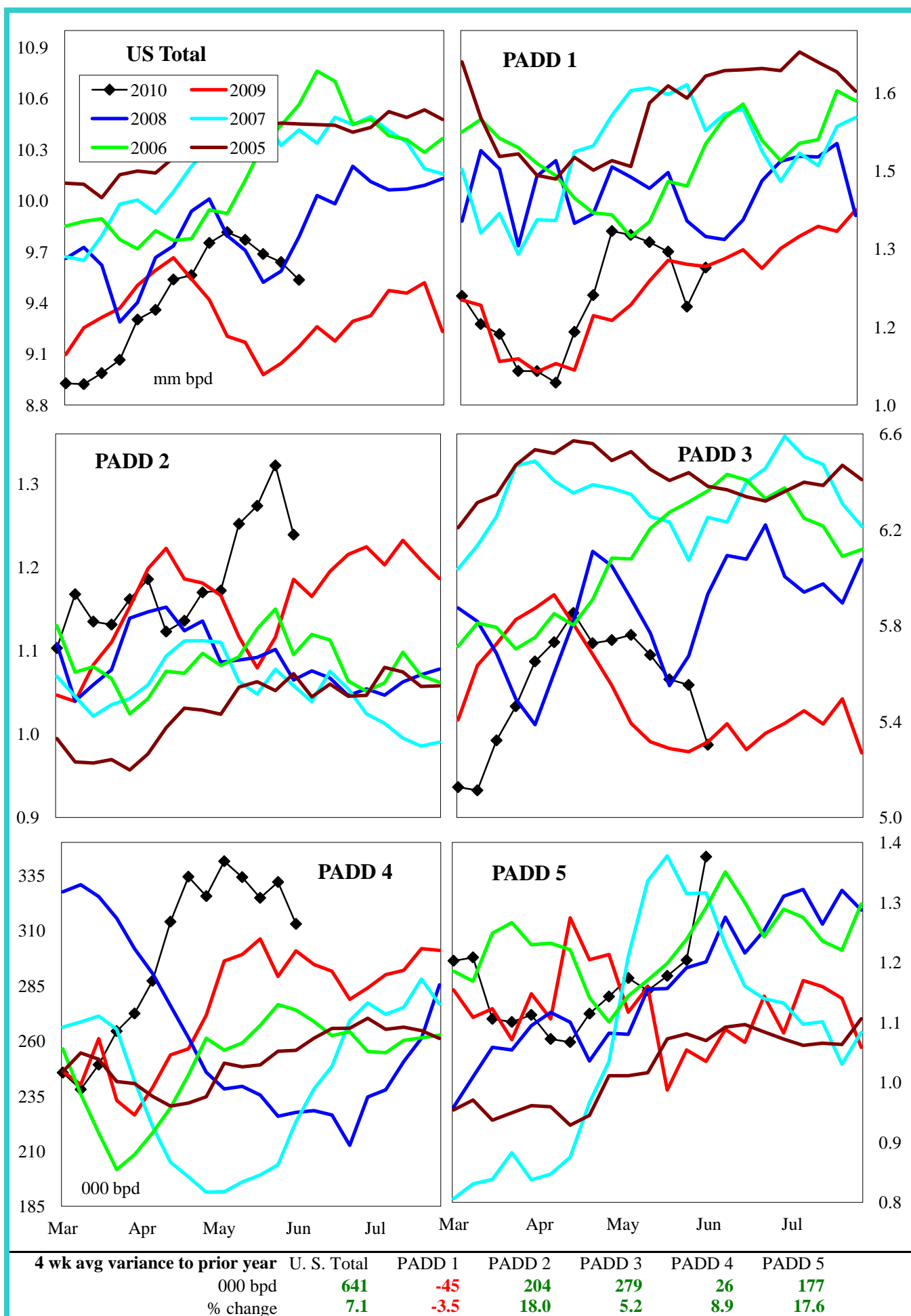
United States Refinery Percent Utilization Rate and Product Yields



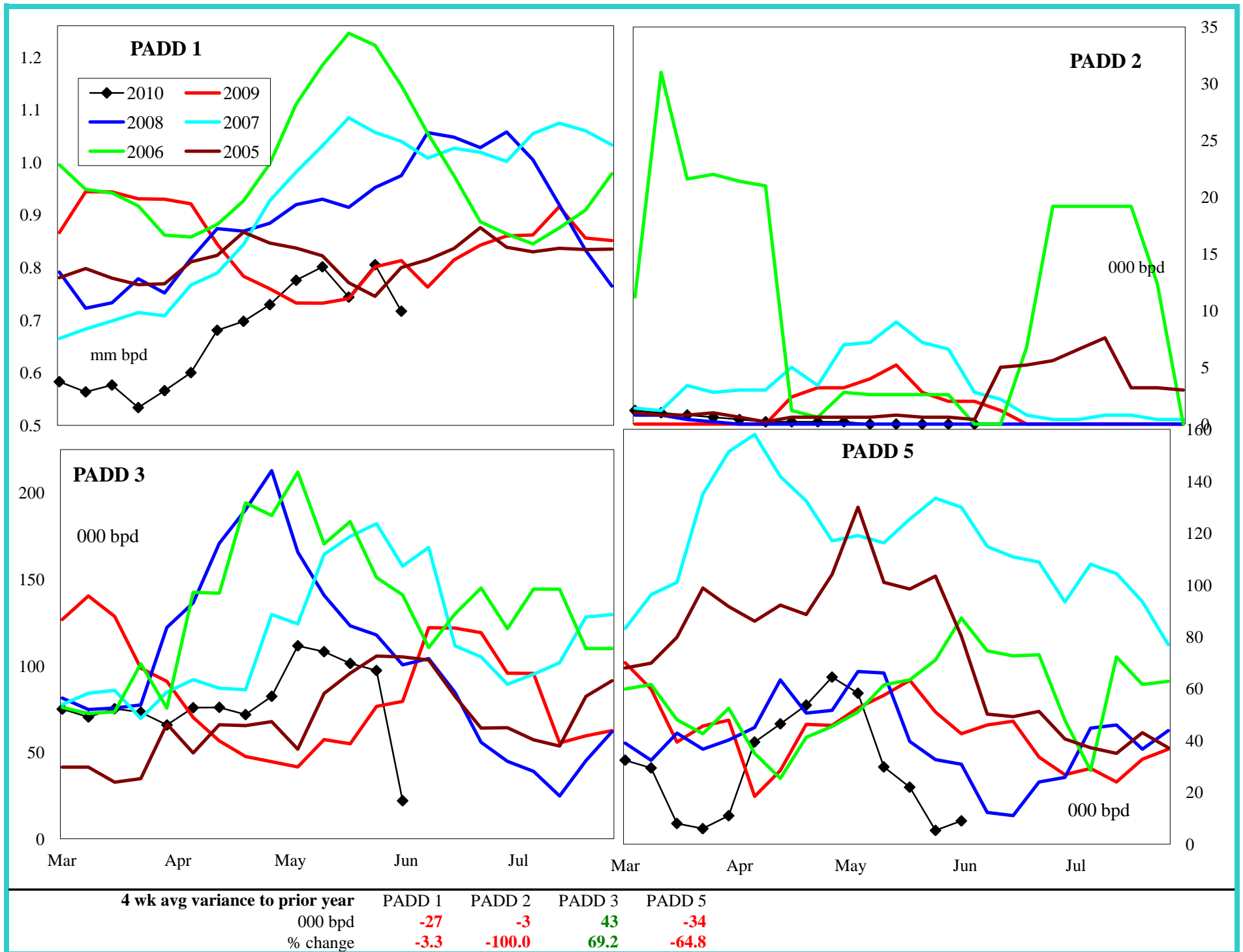
United States Petroleum Imports



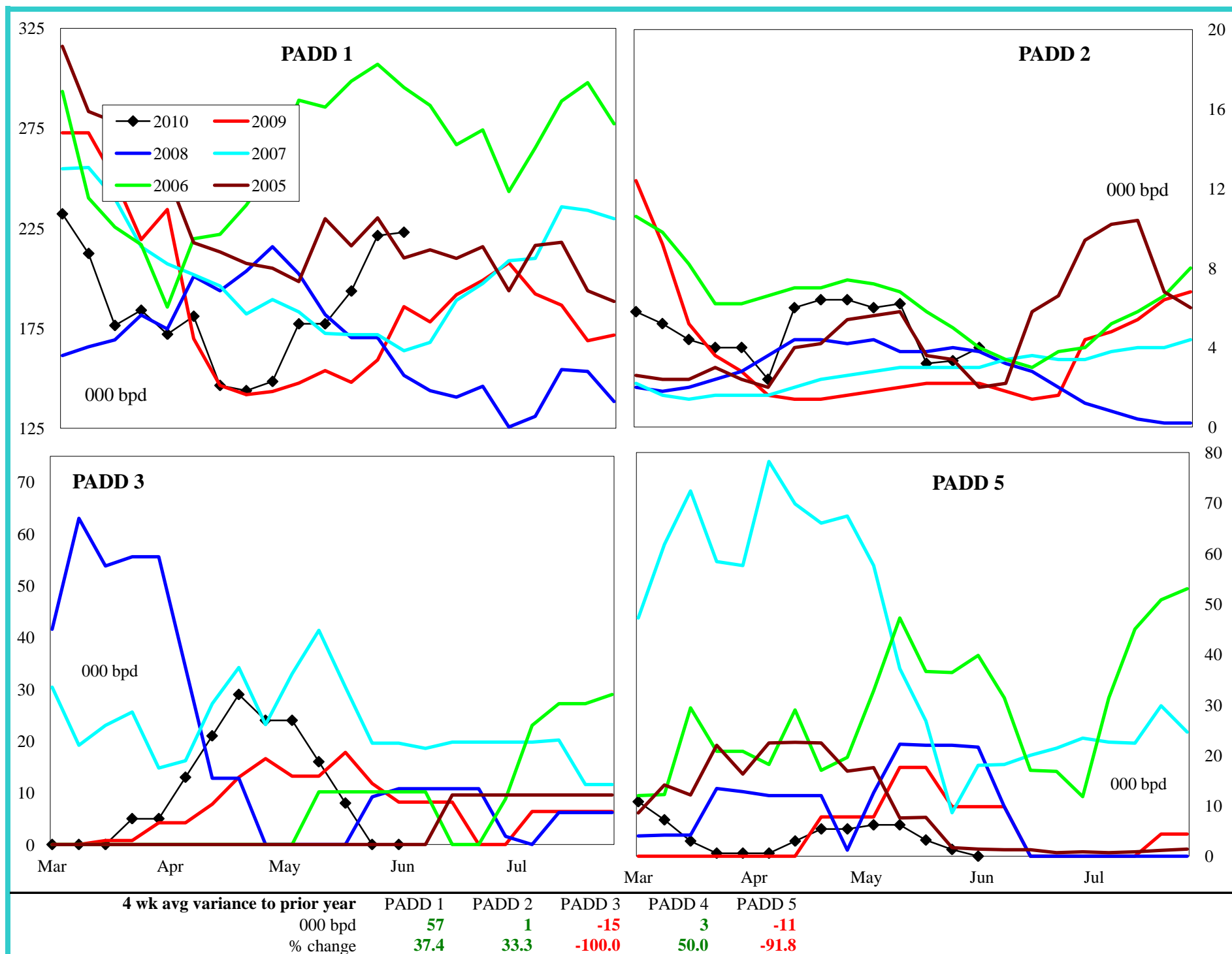
Crude Oil Imports by PADD



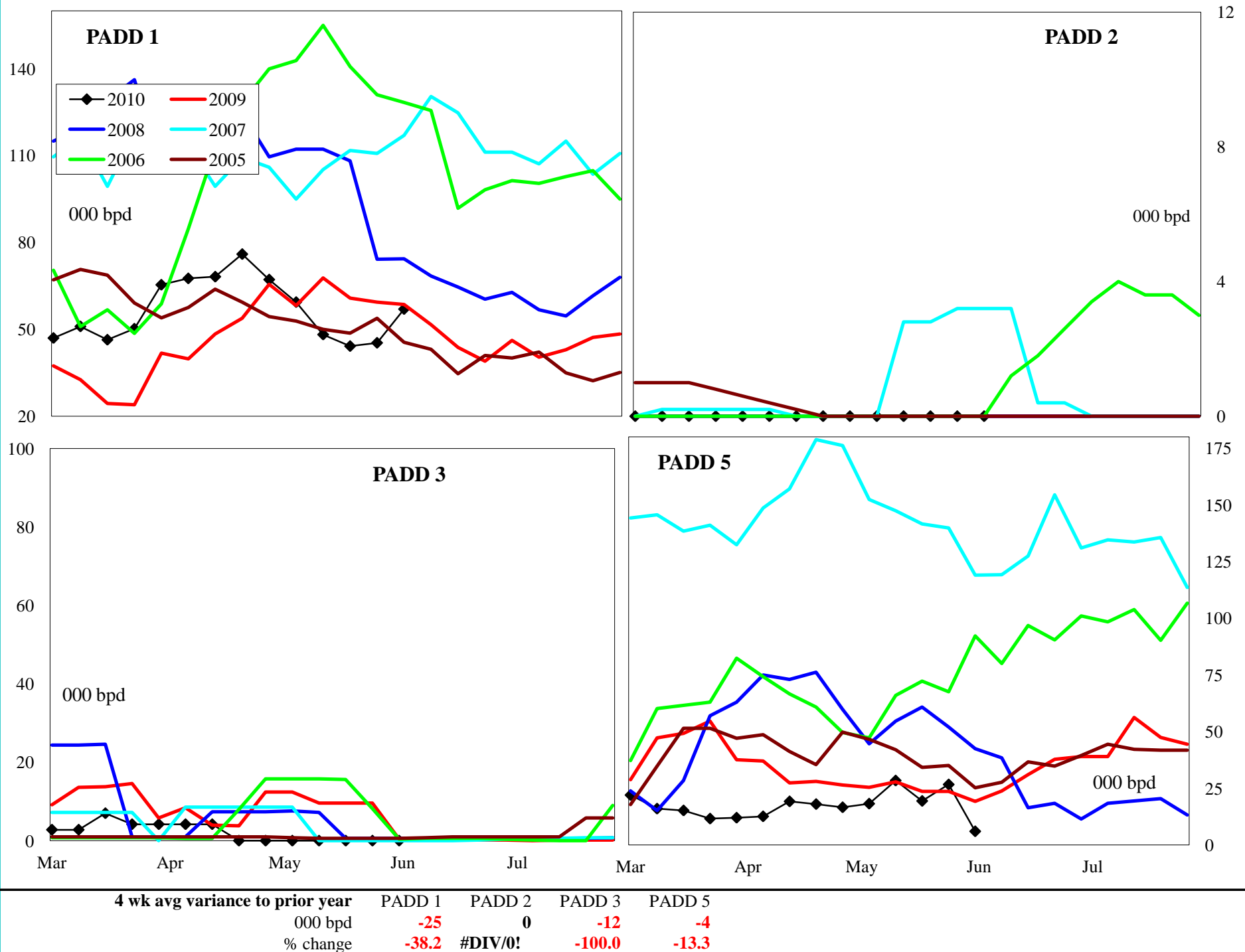
Gasoline Imports by PADD (Finished + Blend Stocks)



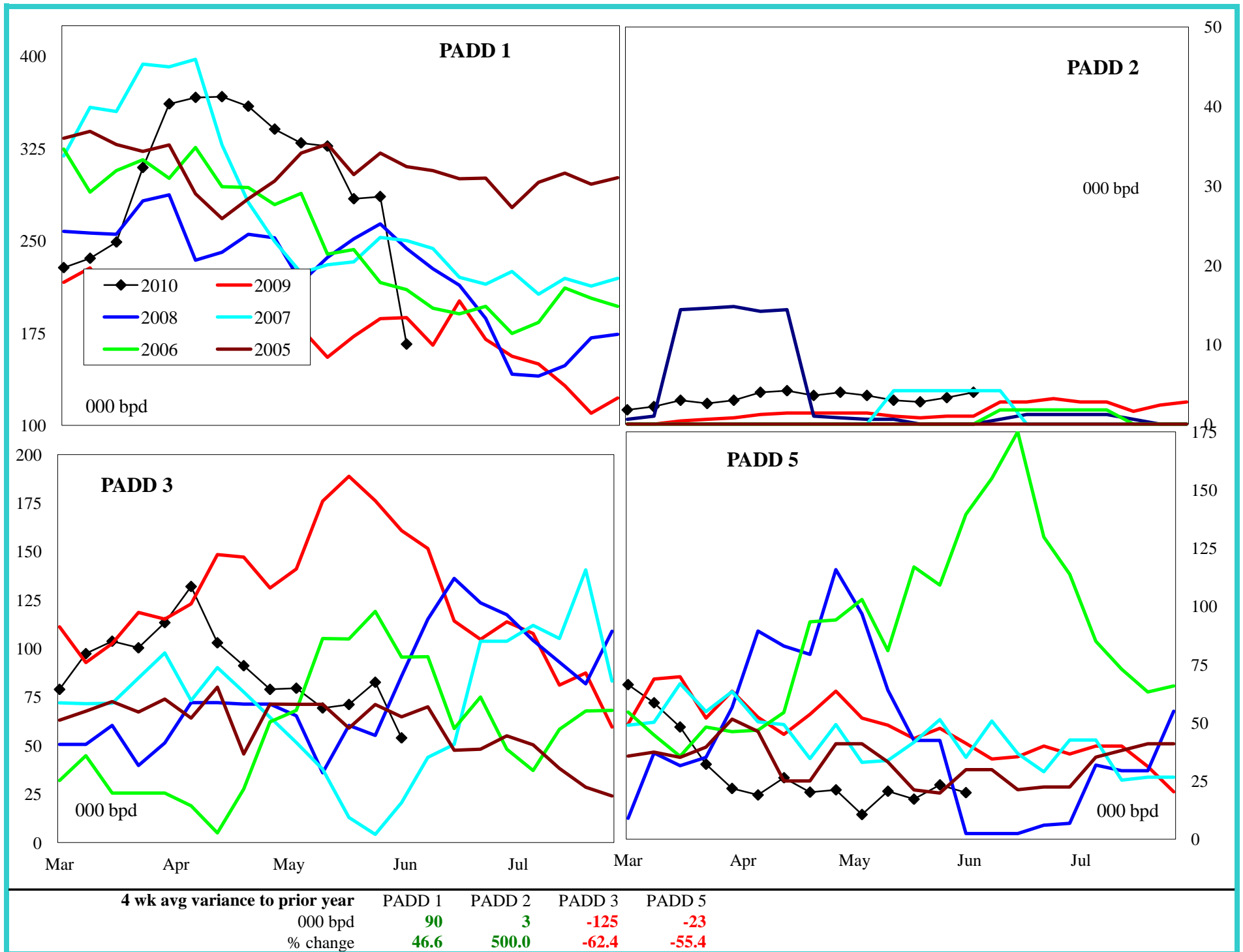
Distillate Imports by PADD



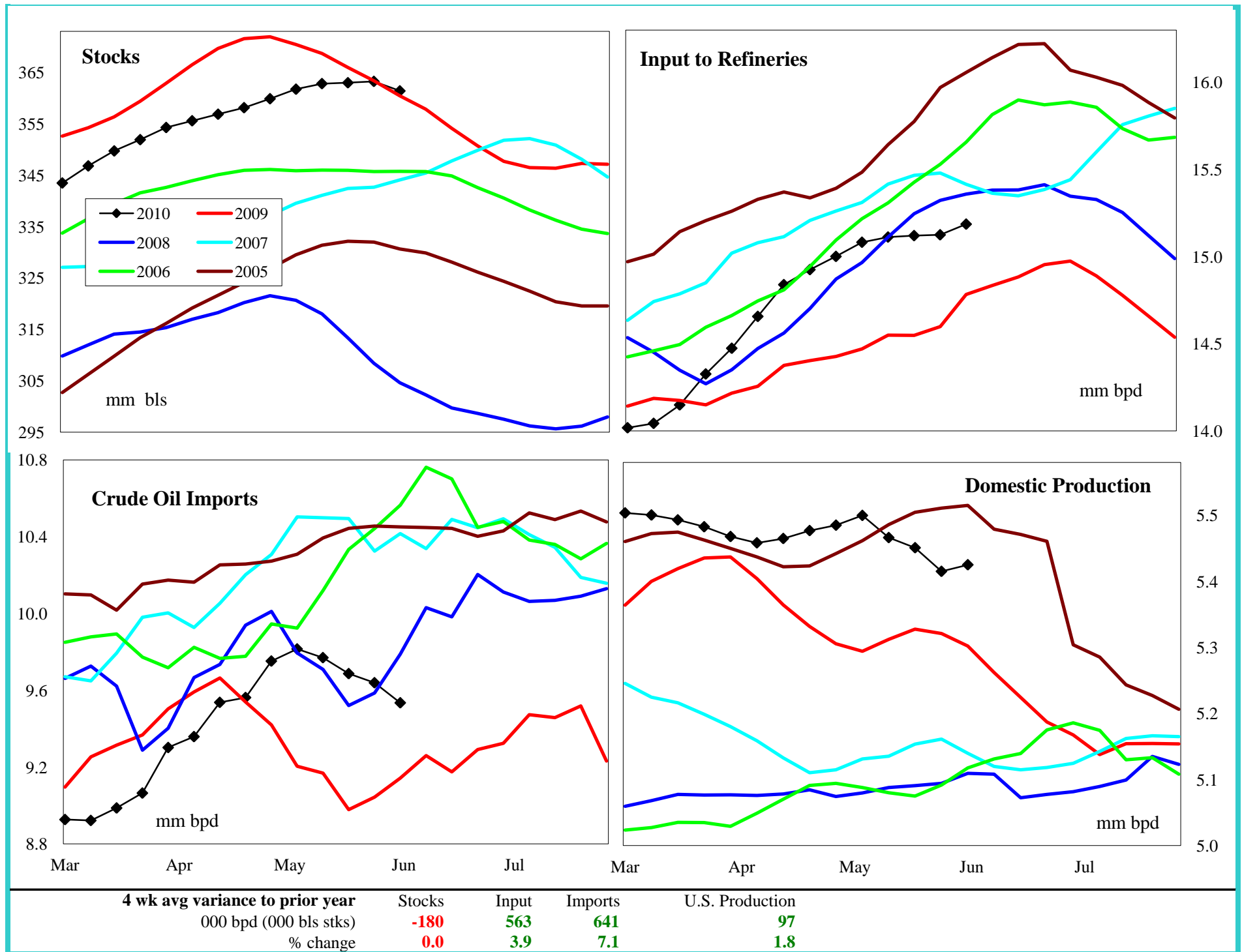
Jet Fuel Imports by PADD



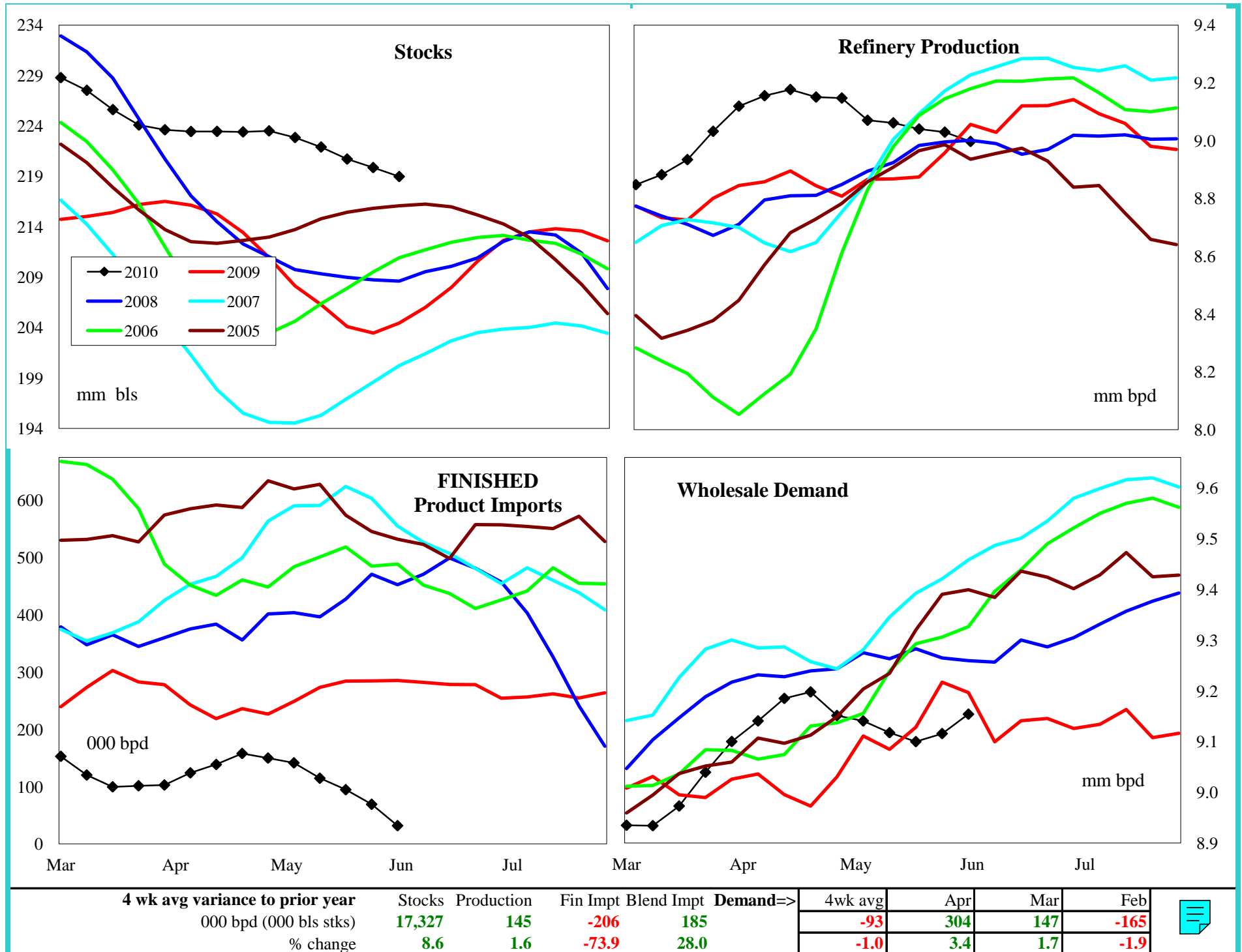
Residual Fuel Oil Imports by PADD



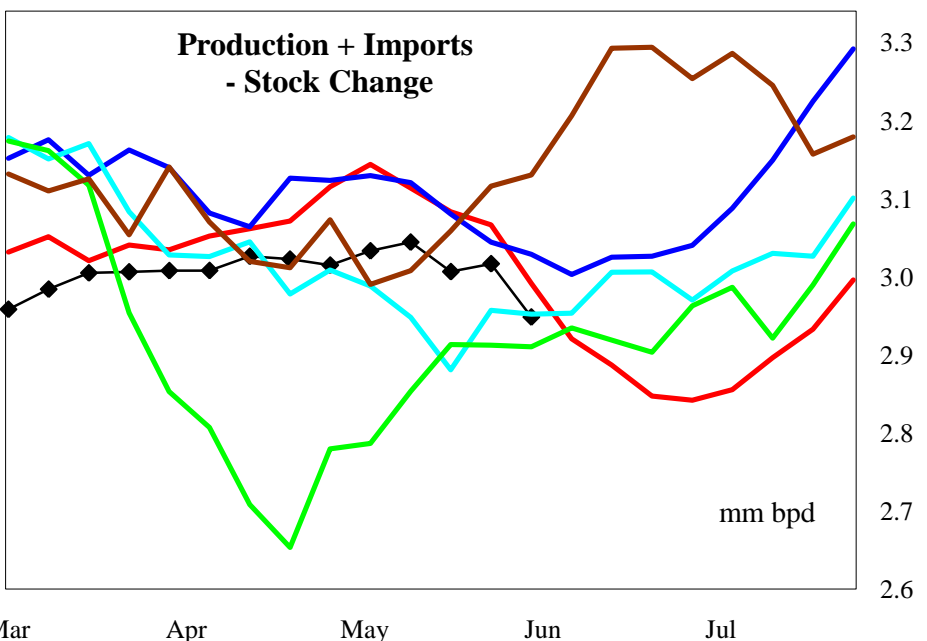
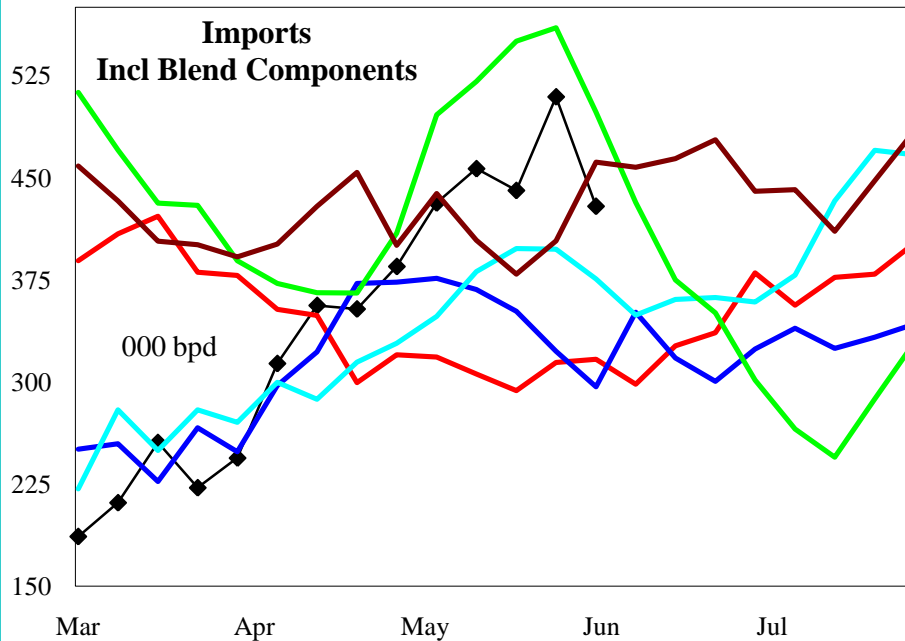
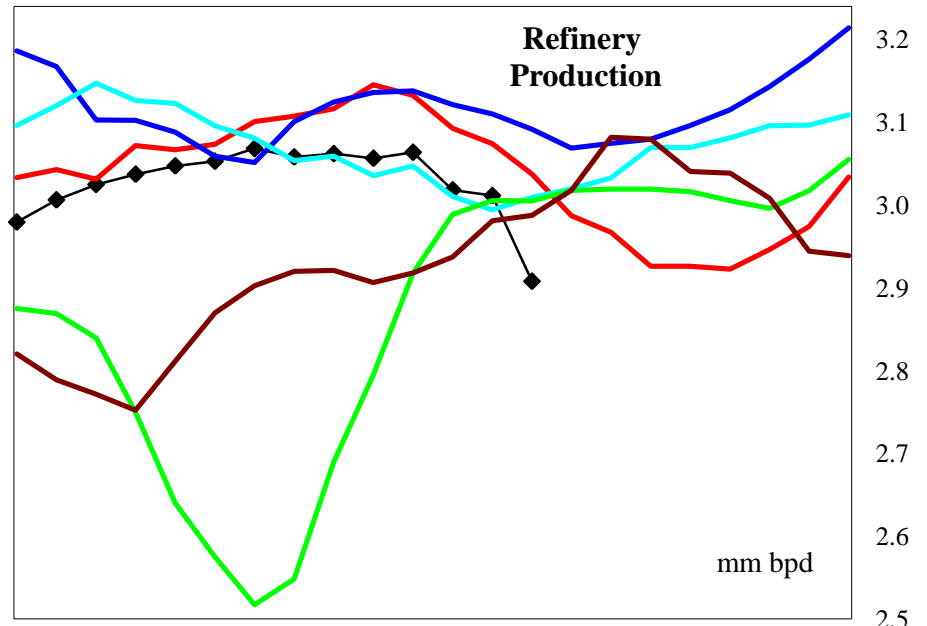
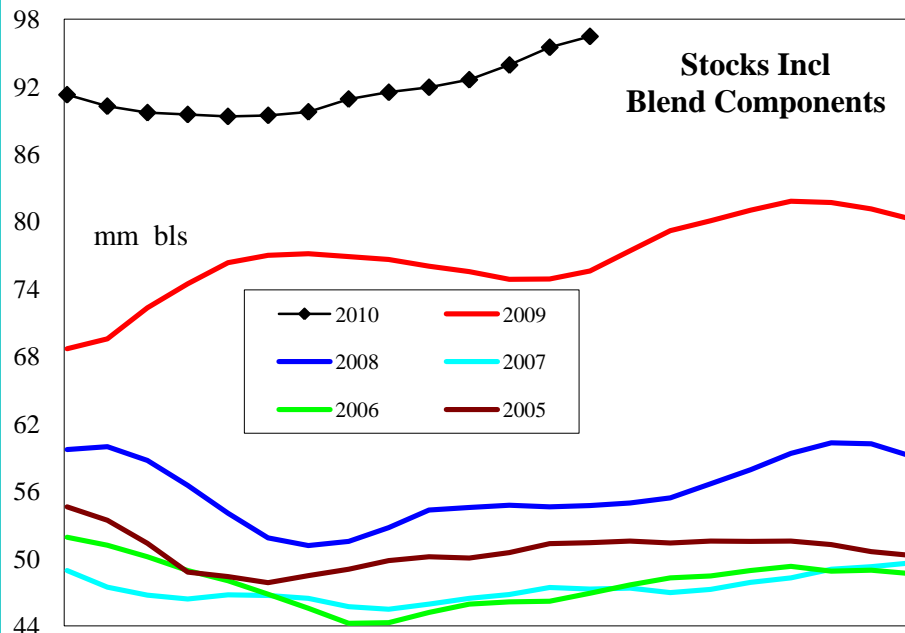
United States Crude Oil Supply and Demand Balance



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

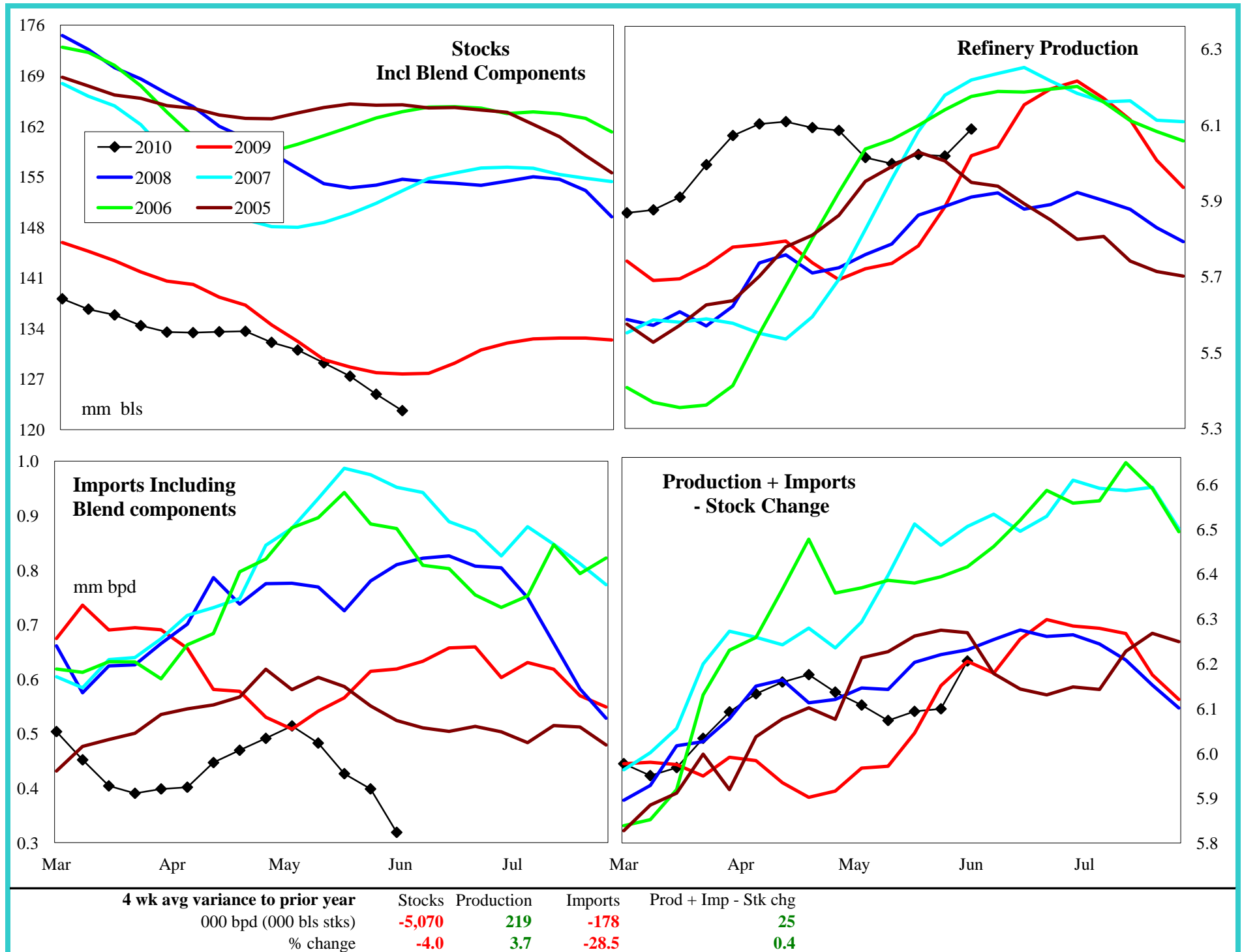
Stocks
20,890
27.6

Production
-75
-2.4

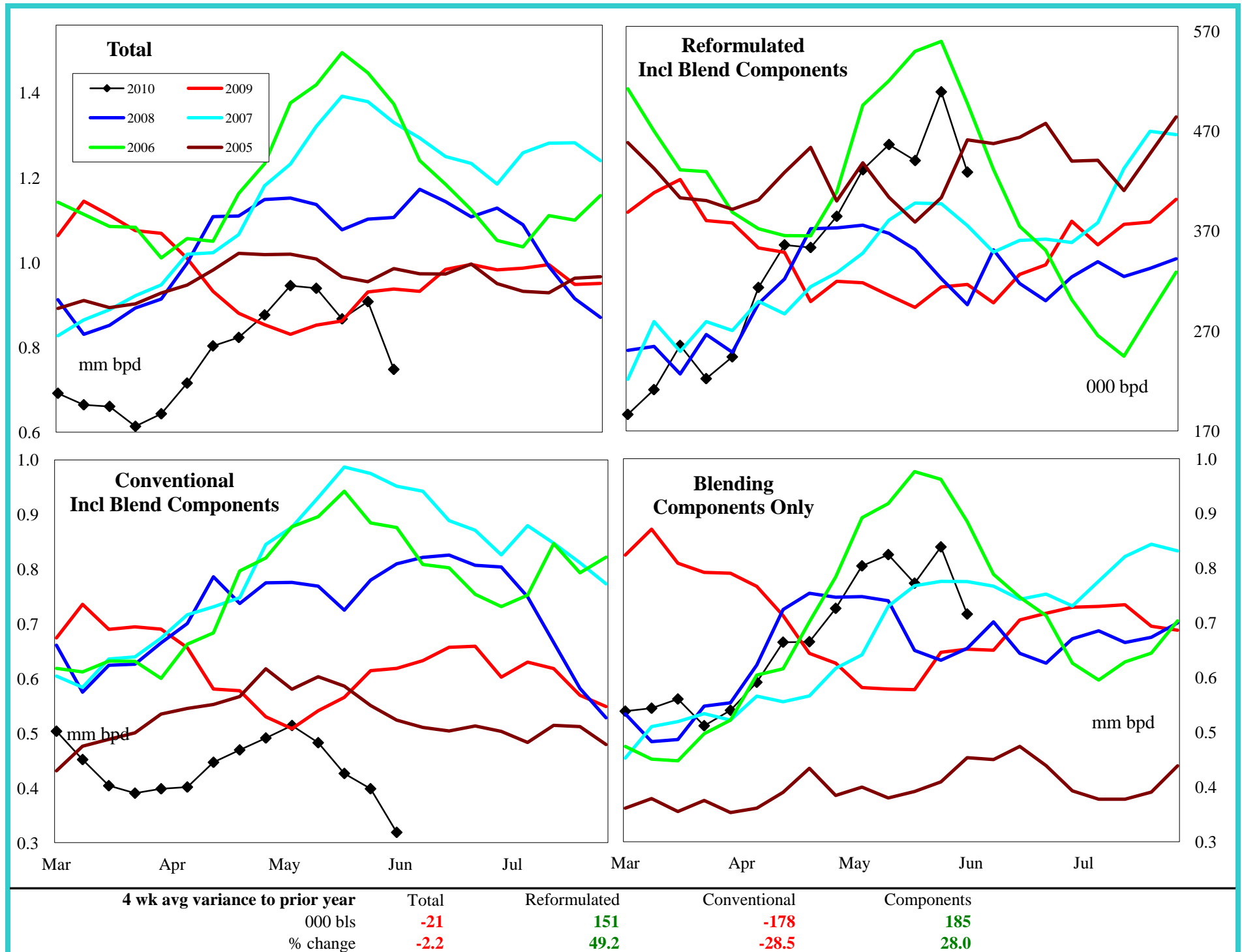
Imports
151
49.2

Prod + Imp - Stk chg
-60
-2.0

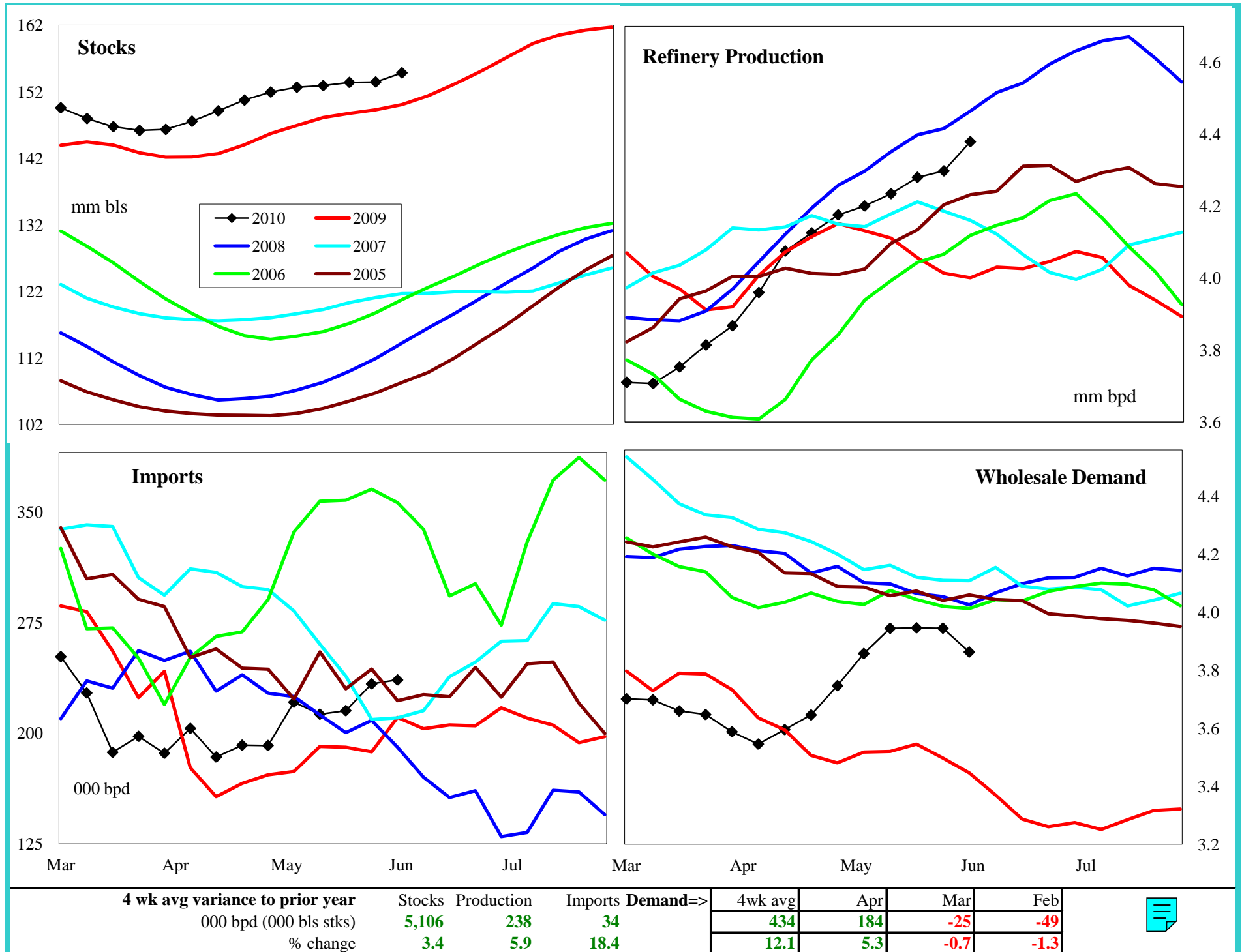
United States Conventional Gasoline Supply



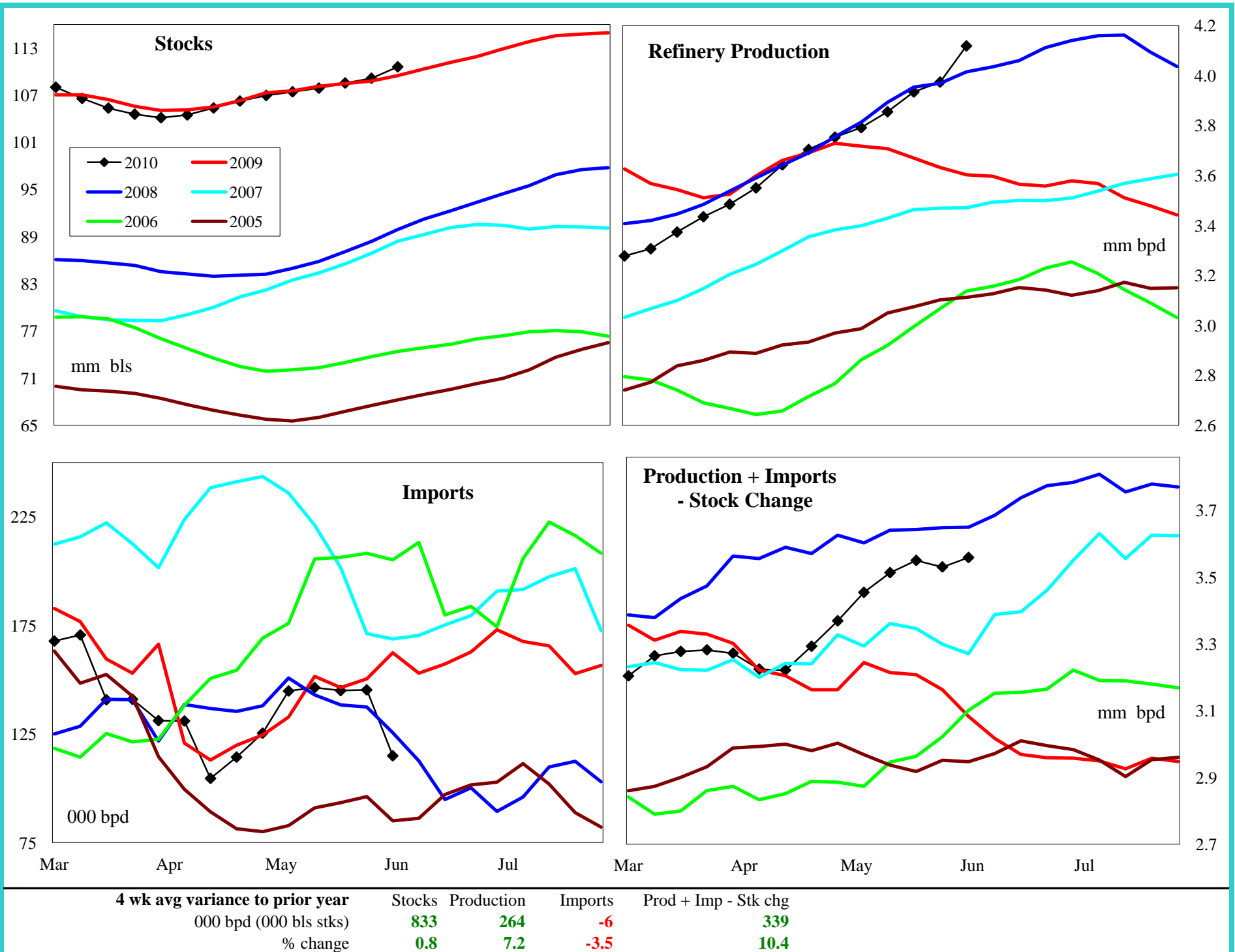
United States Gasoline Imports by Type



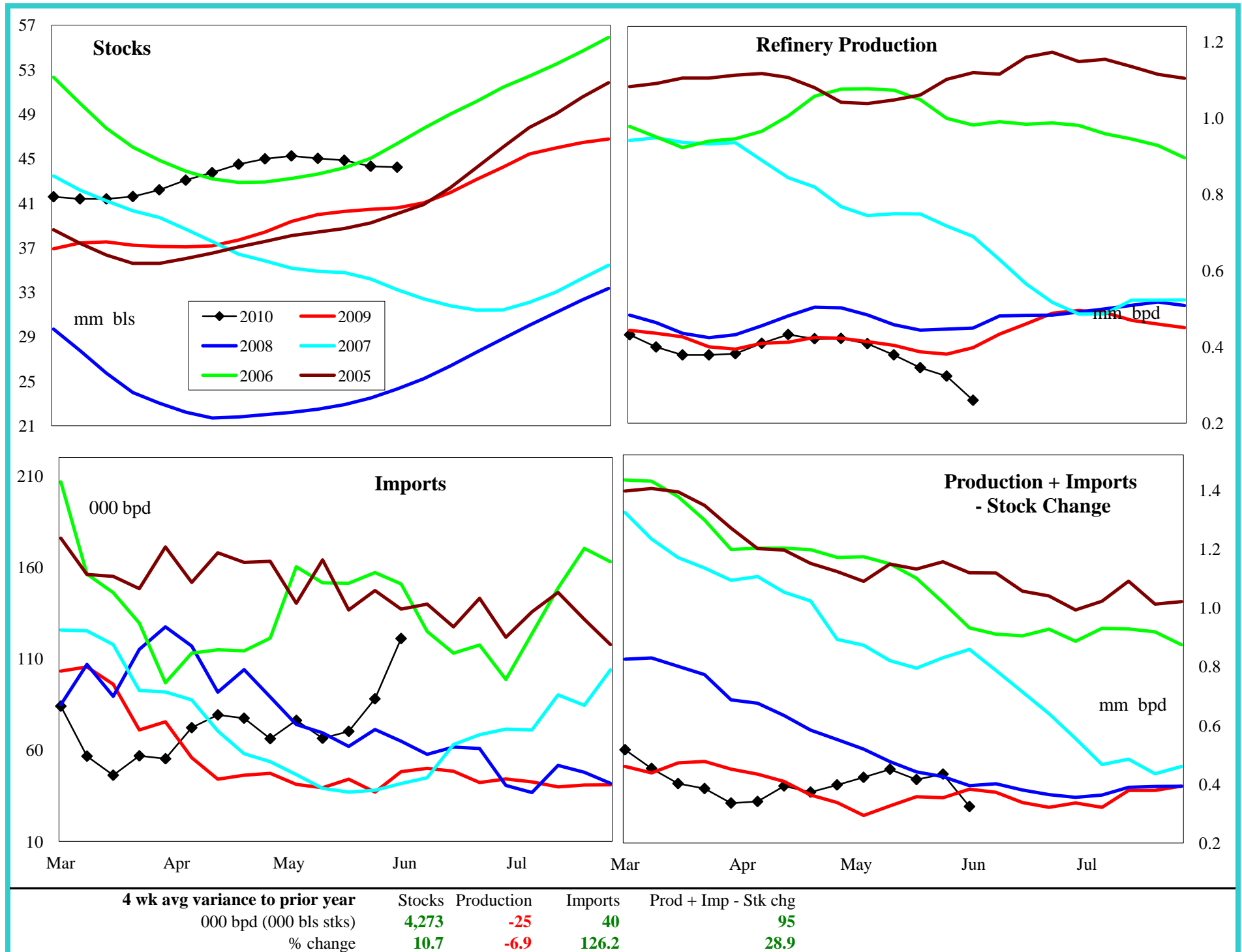
United States Distillate Supply and Demand Balance



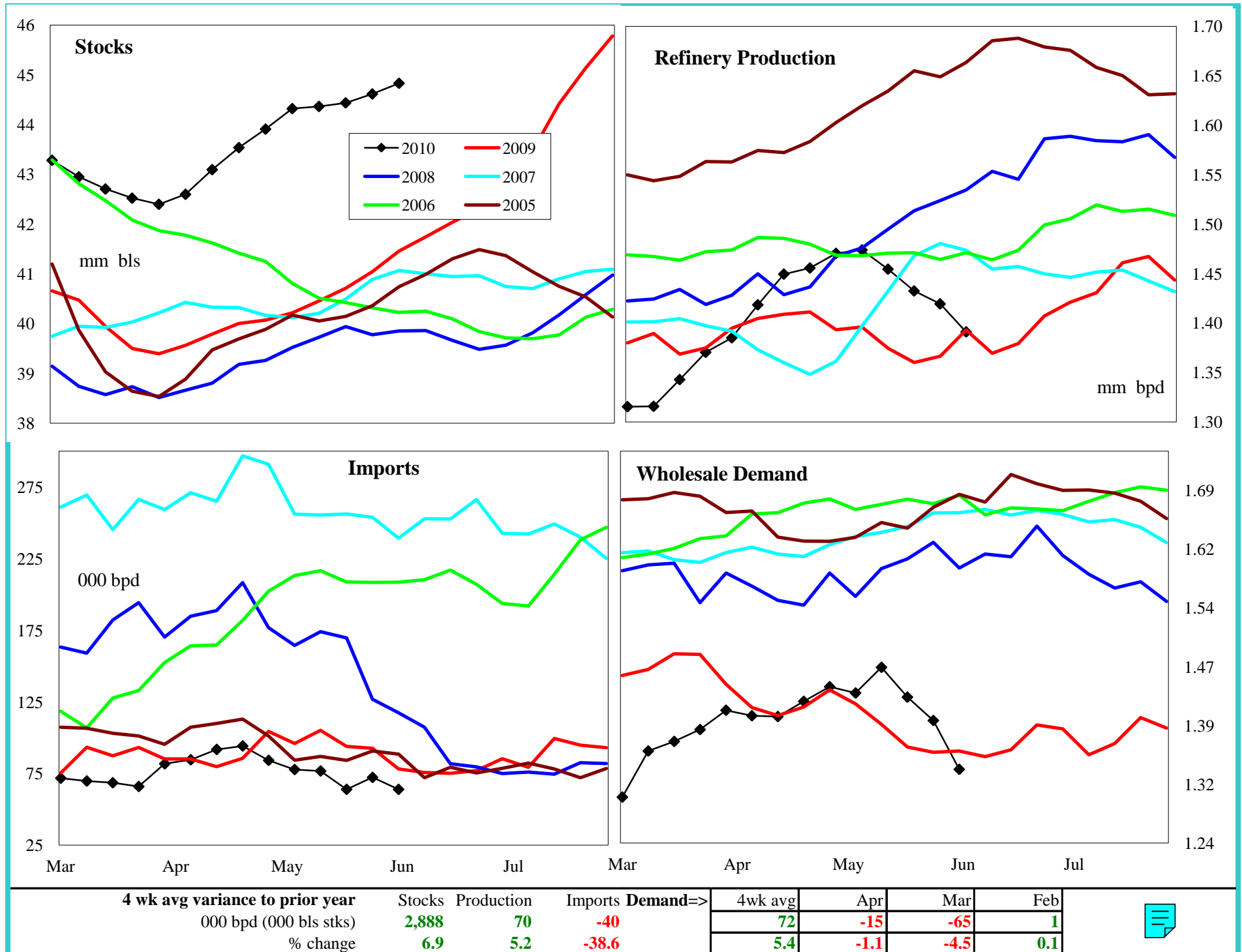
United States Low Sulfur Distillate Supply



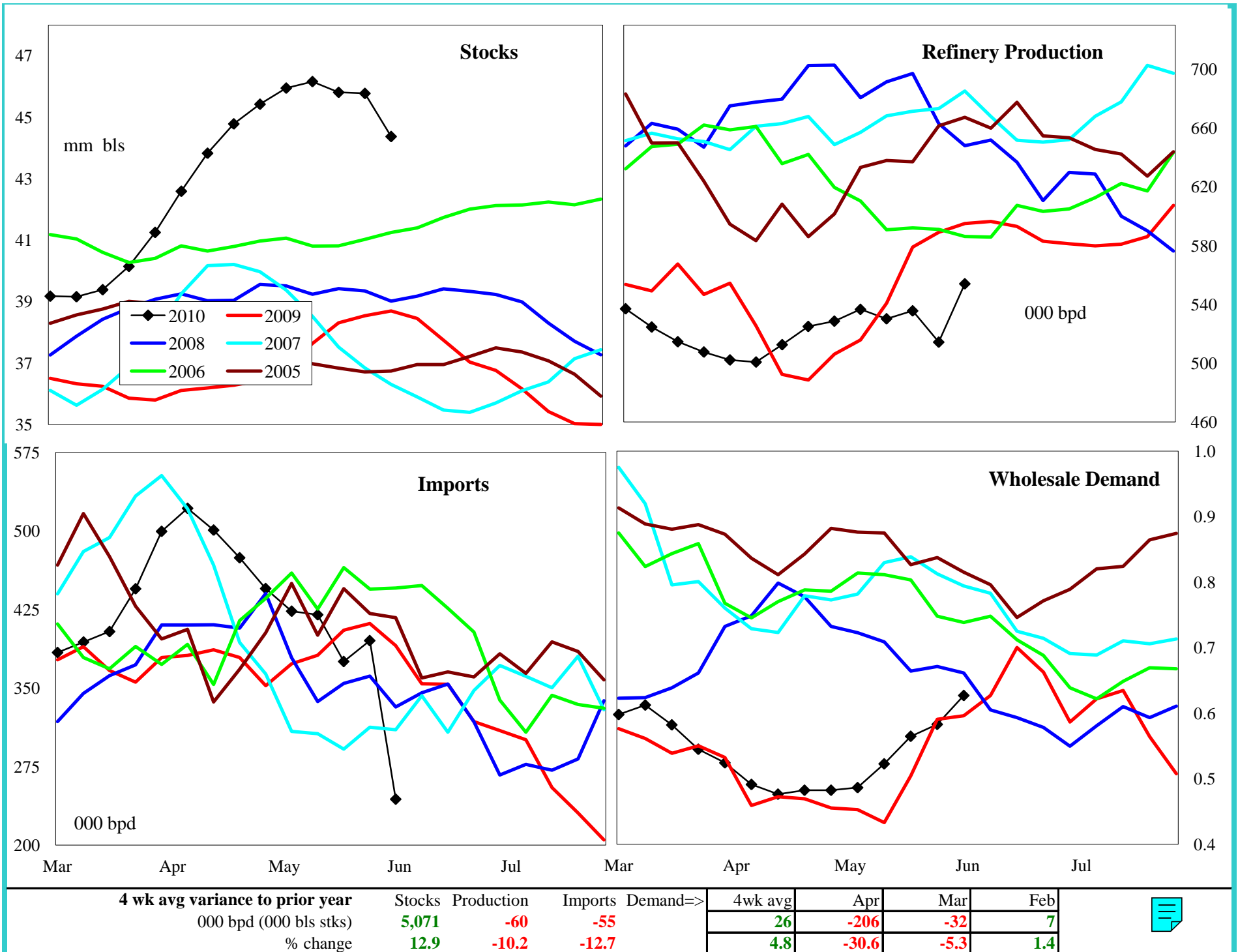
United States High Sulfur Distillate Supply



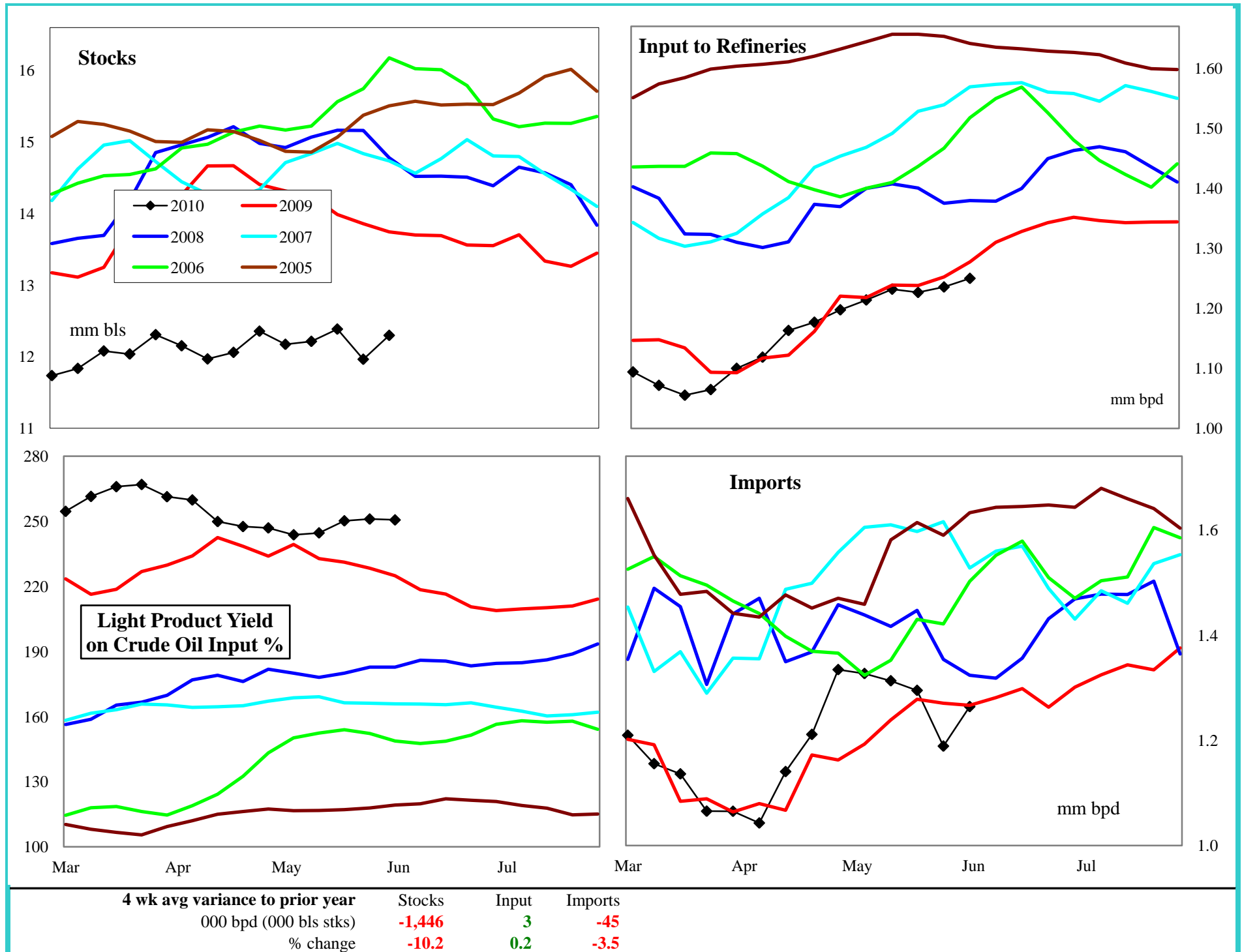
United States Jet Fuel Supply and Demand Balance



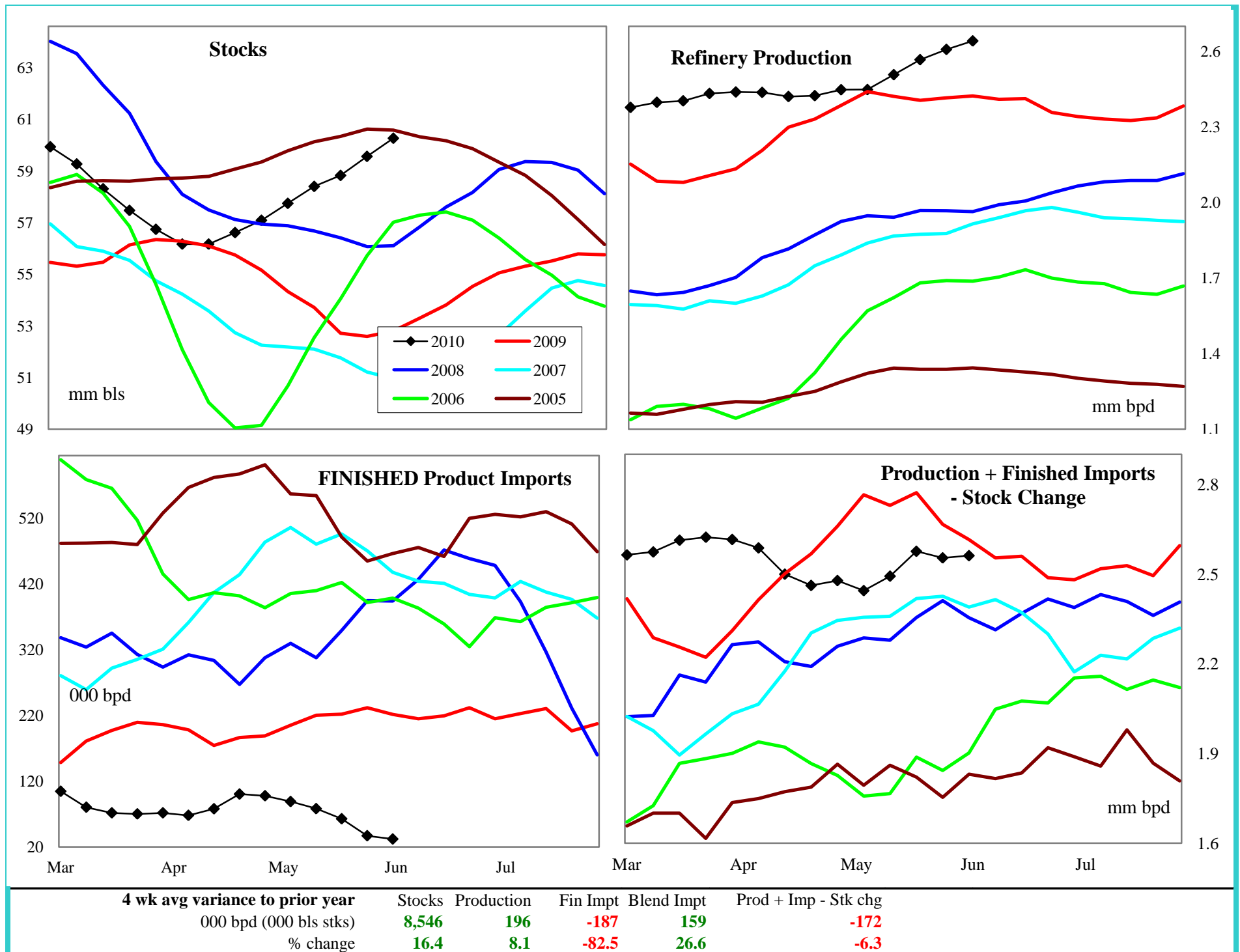
United States Residual Fuel Oil Supply and Demand Balance



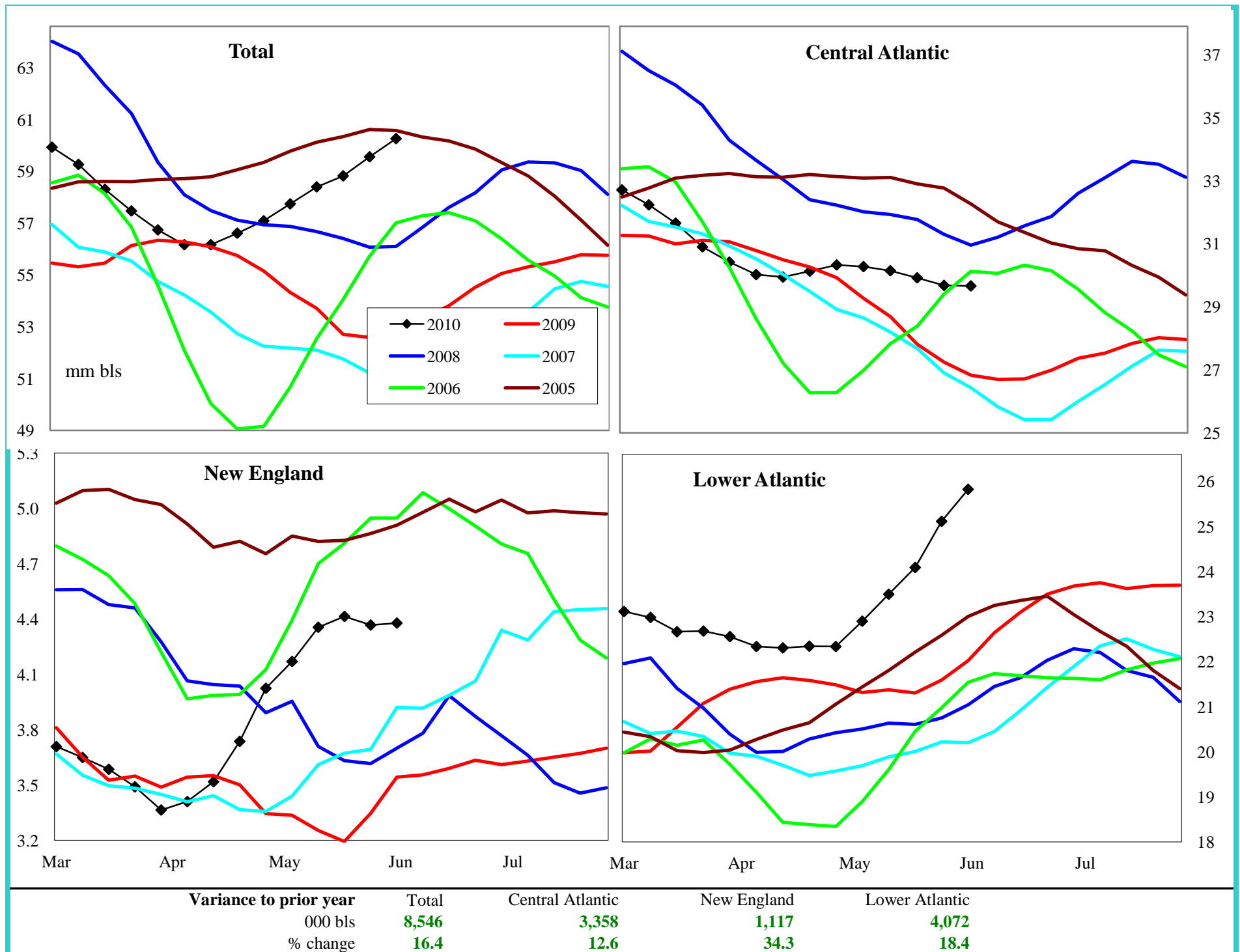
PADD 1 Crude Oil Supply and Refining



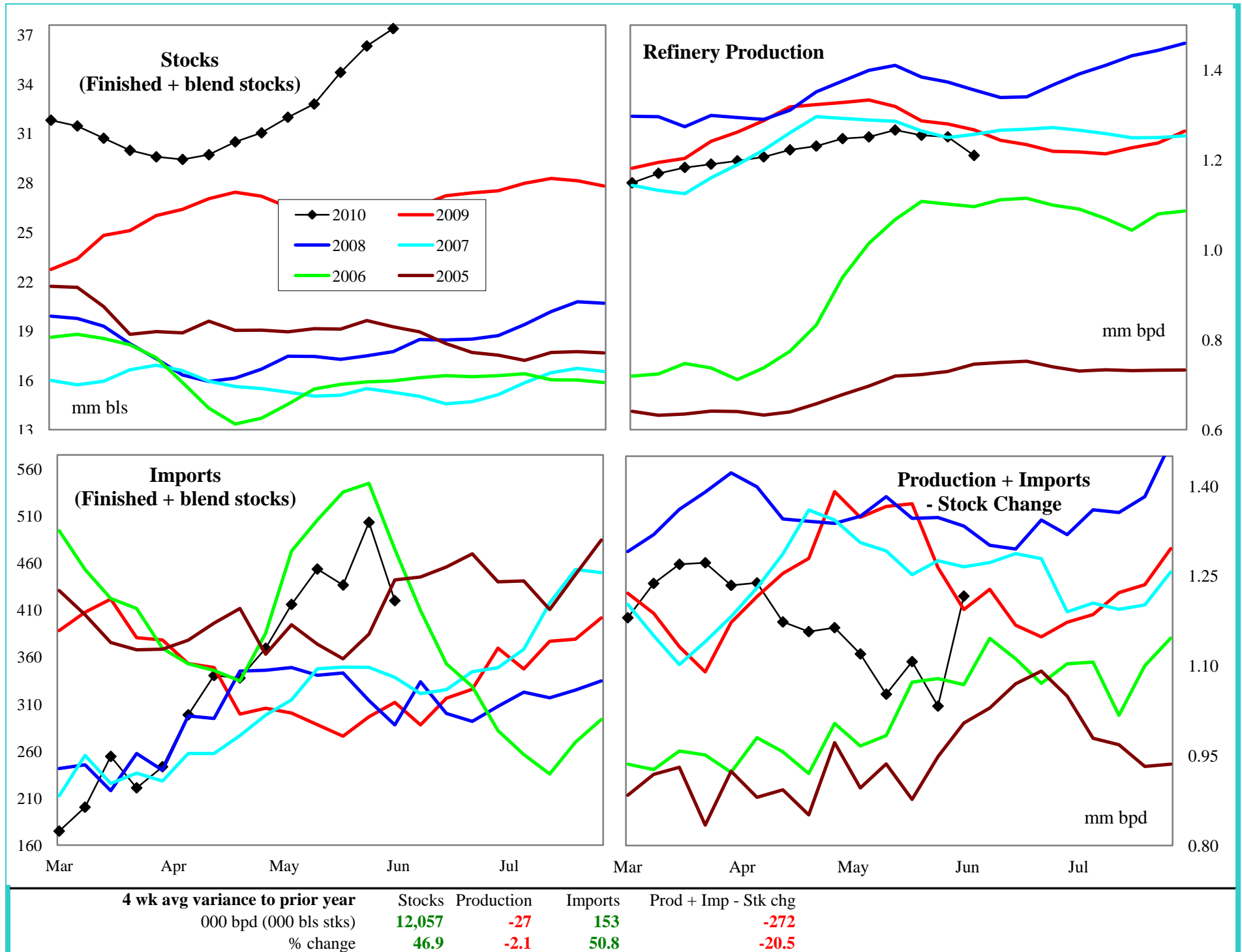
PADD 1 Gasoline Supply



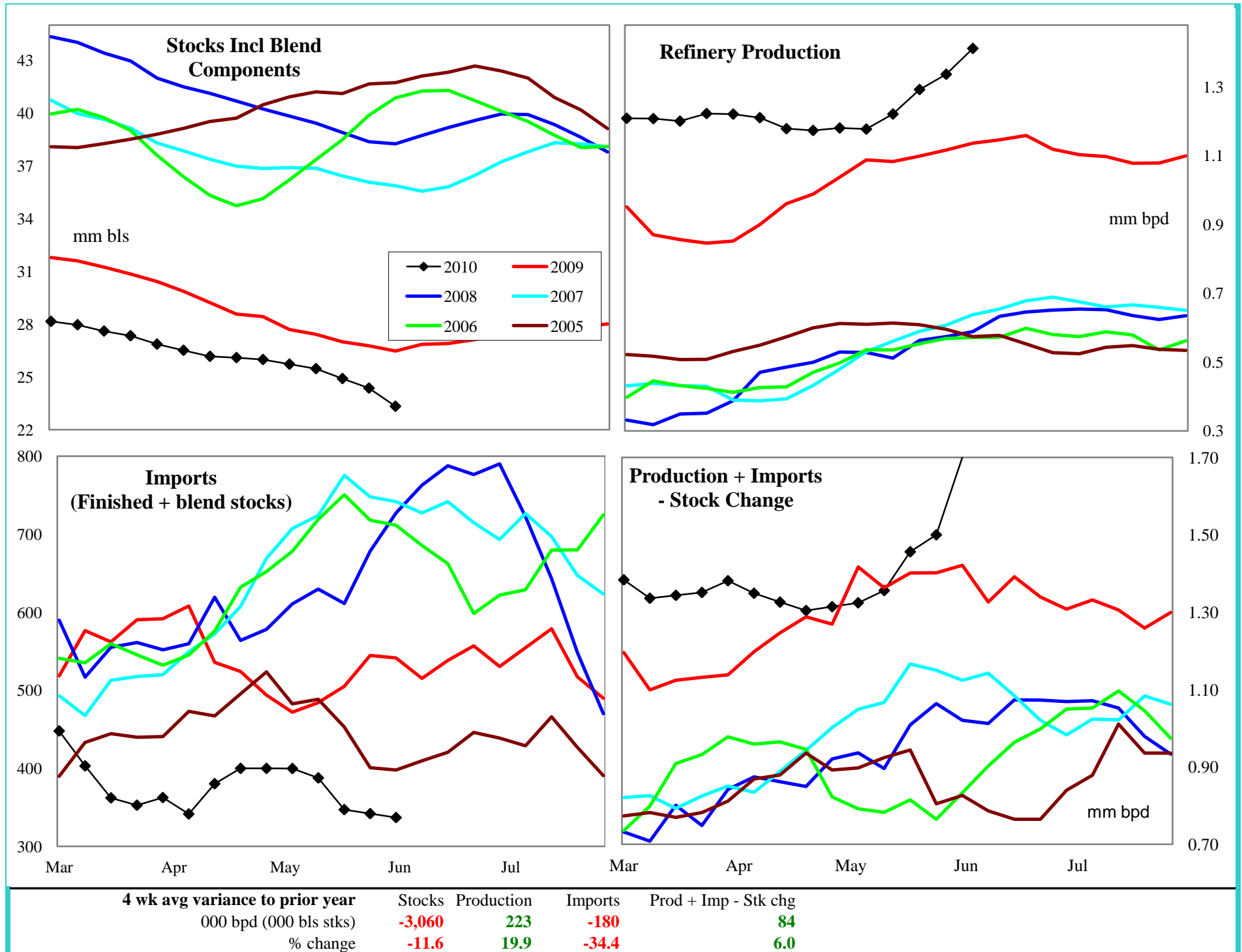
PADD 1 Gasoline Stocks by Region



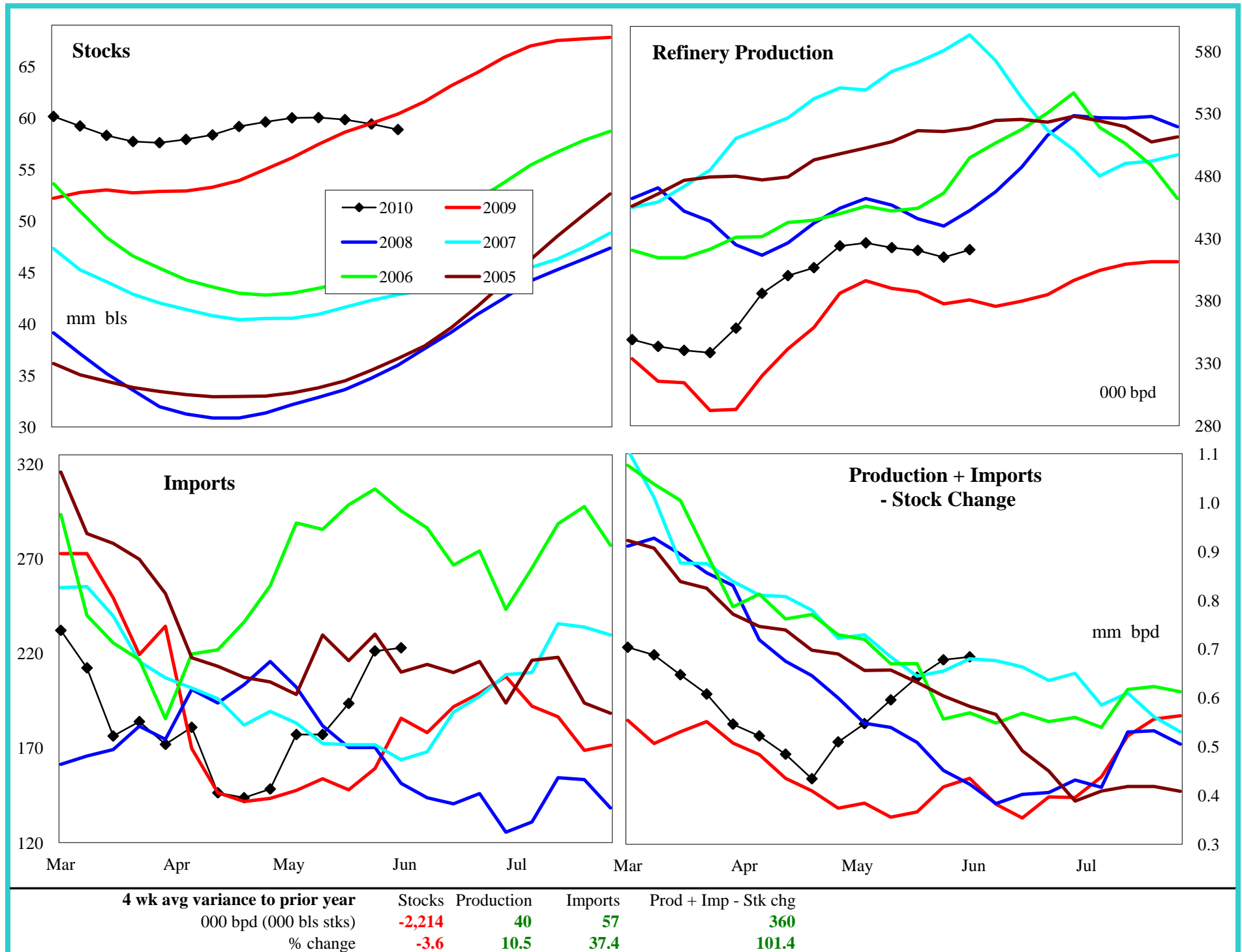
PADD 1 Reformulated Gasoline Supply



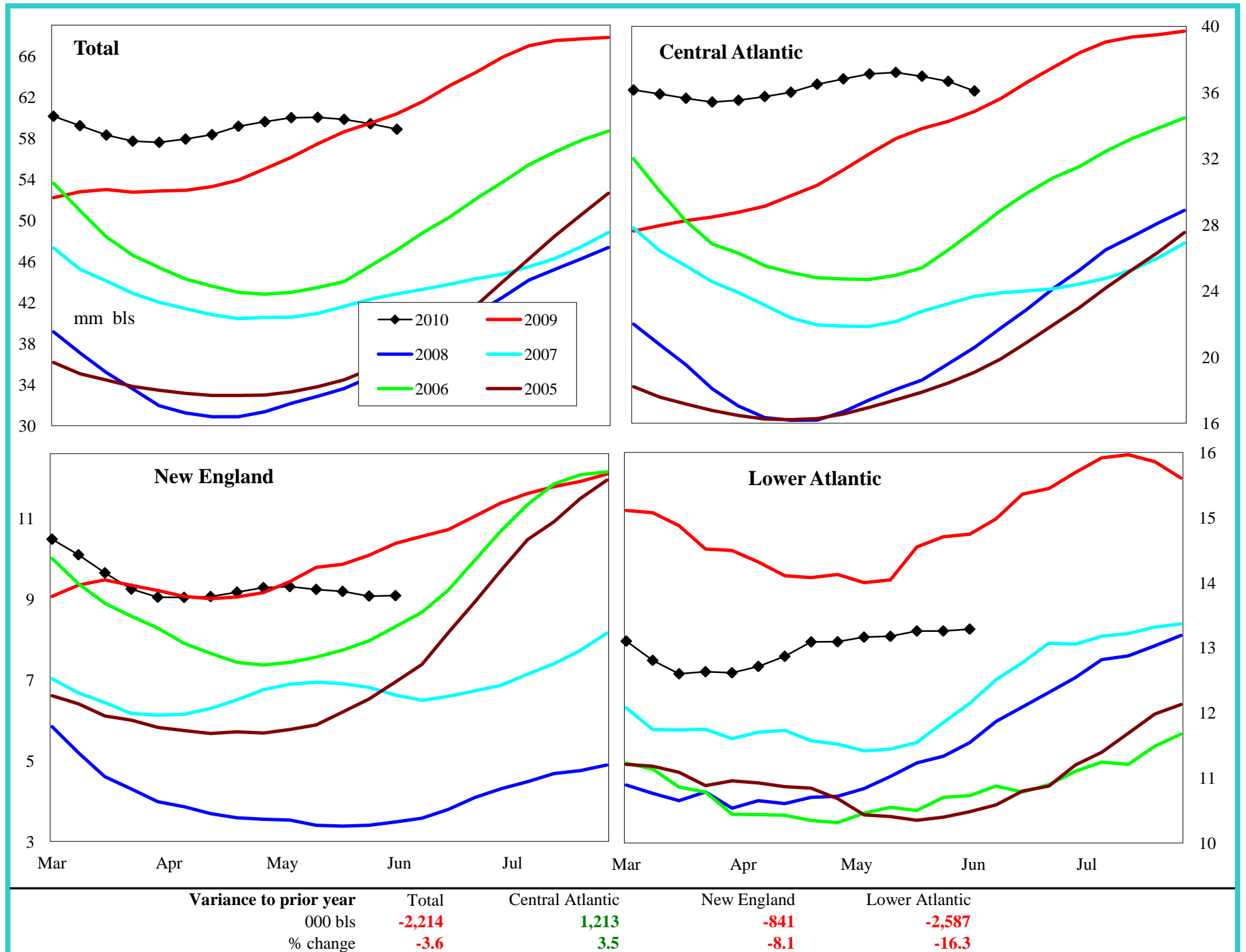
PADD 1 Conventional Gasoline Supply



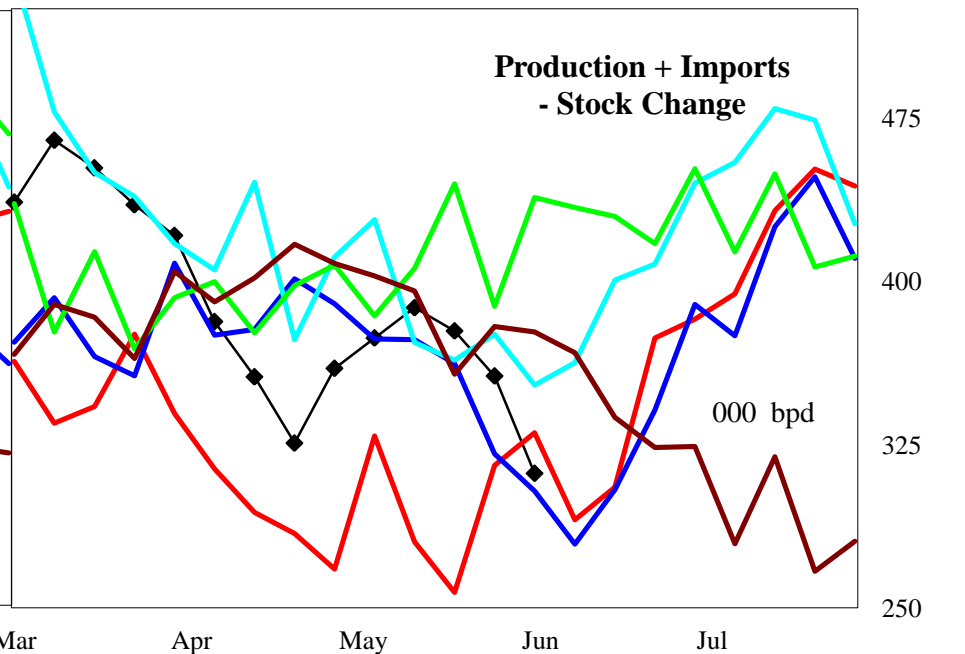
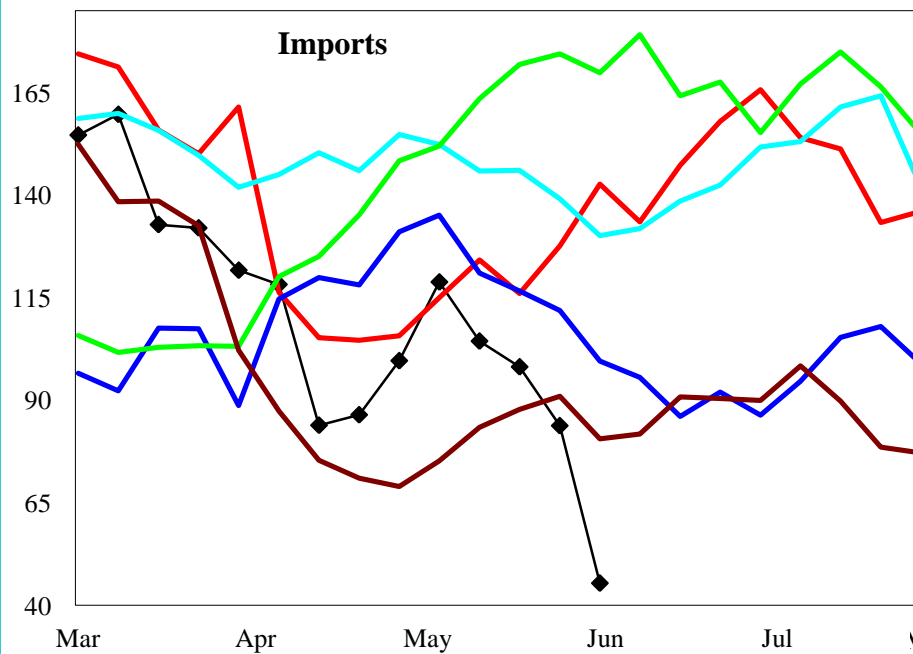
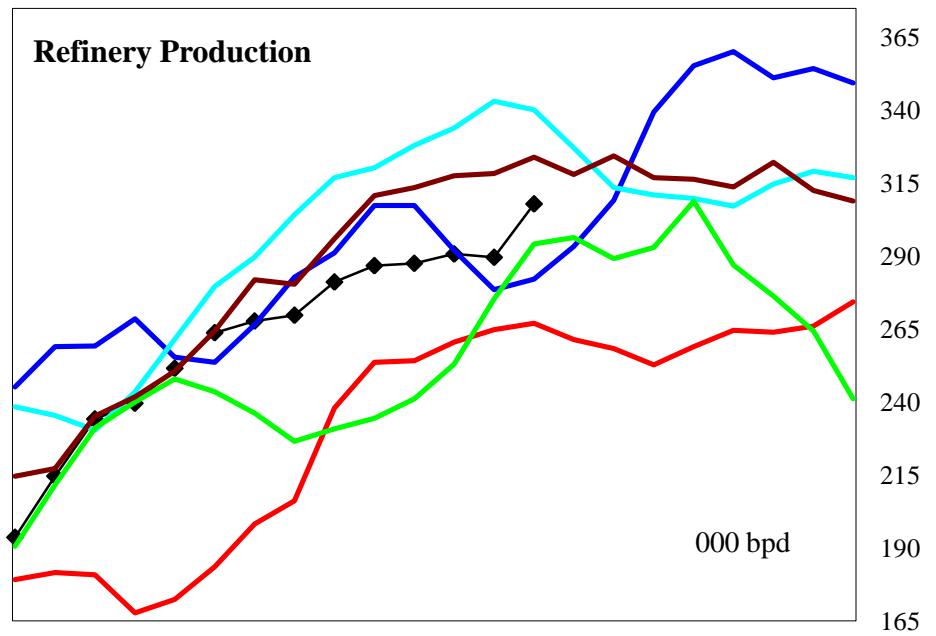
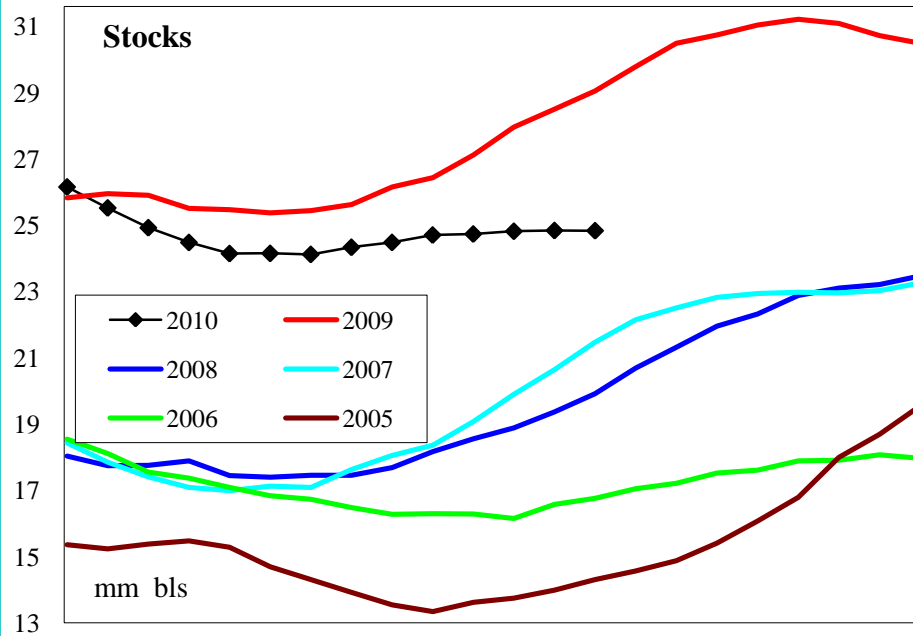
PADD 1 Distillate Supply



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

-5,283

-17.3

Production

23

8.5

Imports

-26

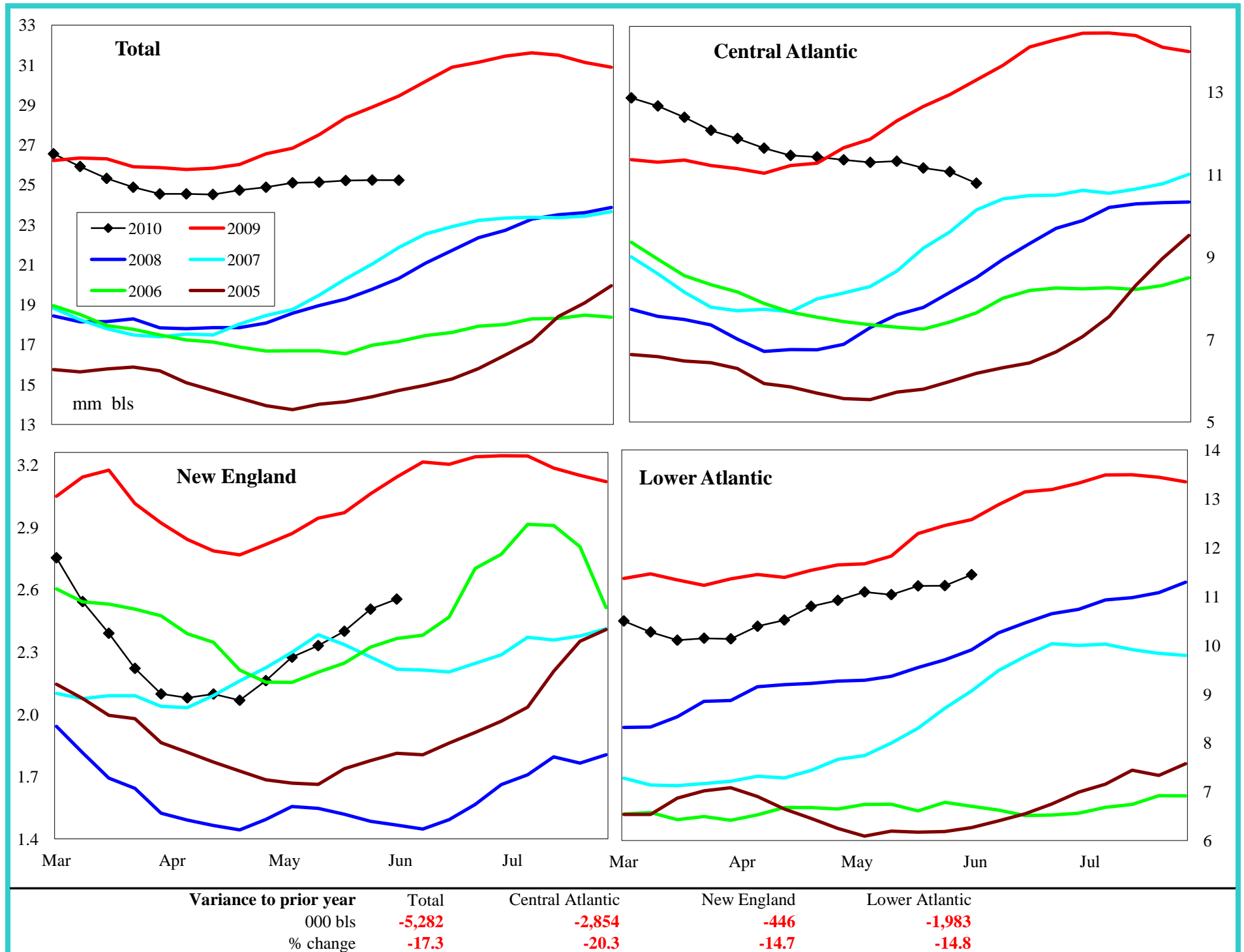
-20.5

Prod + Imp - Stk chg

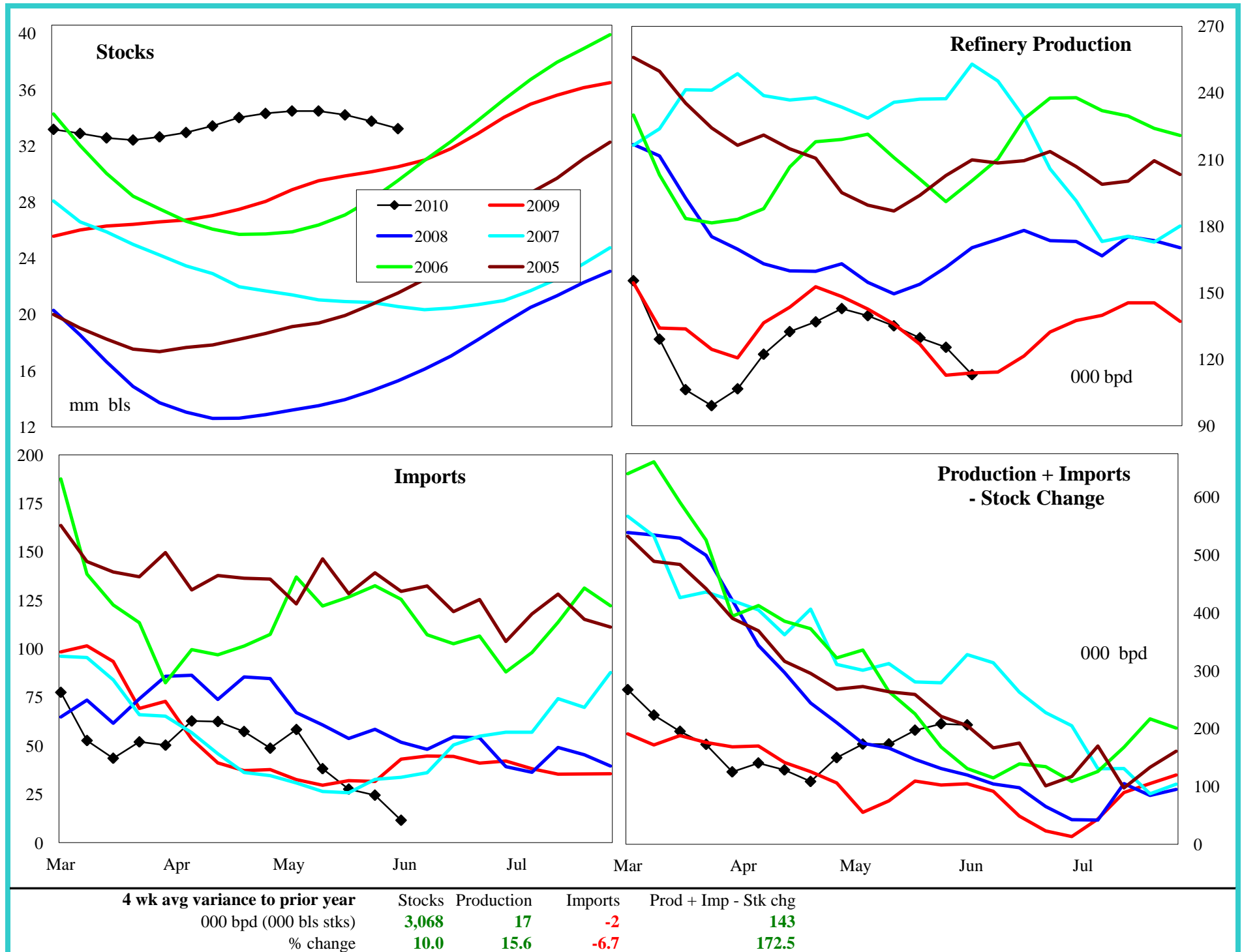
133

48.7

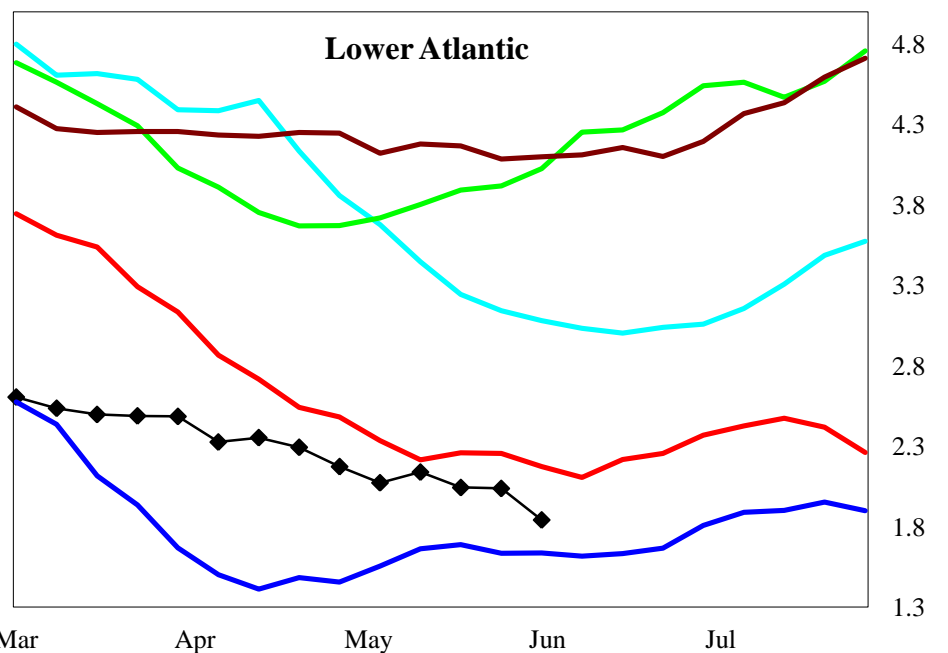
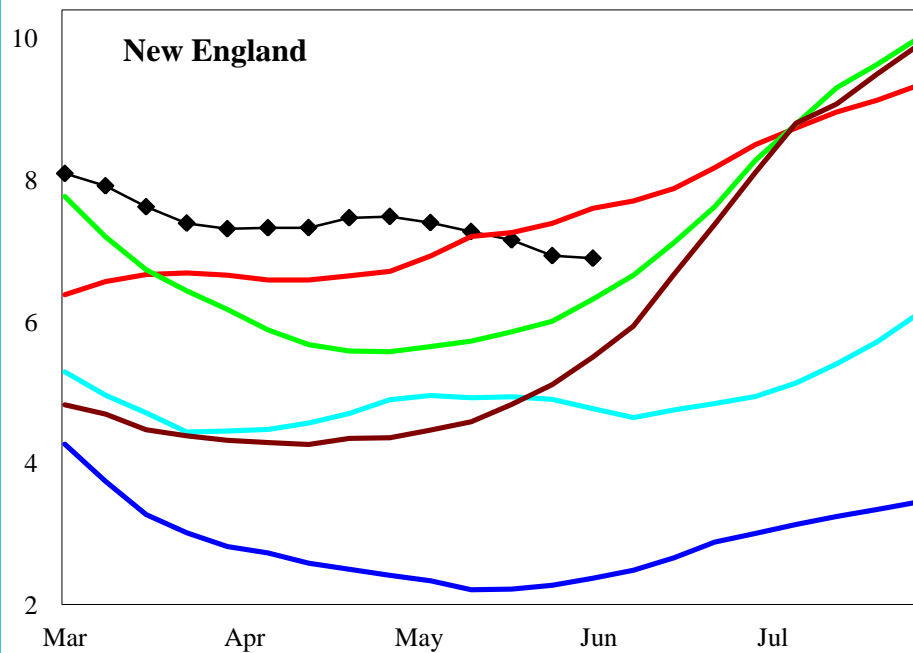
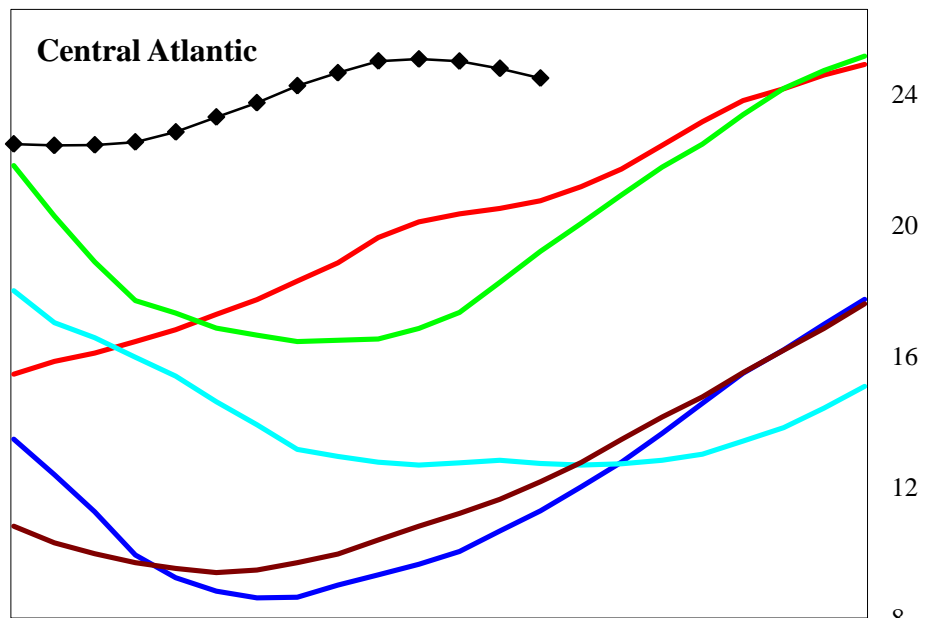
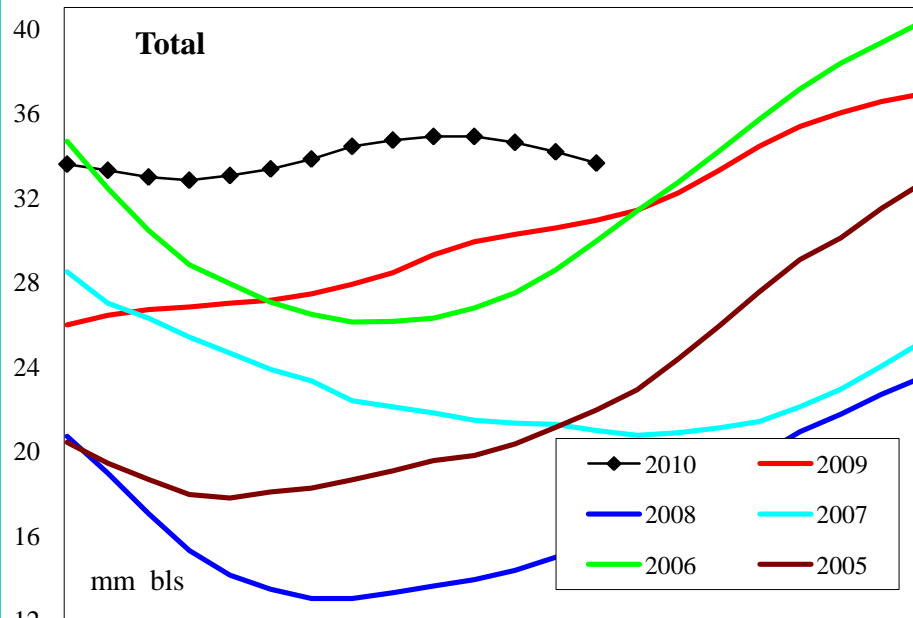
PADD 1 Low Sulfur Distillate Stocks by Region



PADD 1 High Sulfur Distillate Supply



PADD 1 High Sulfur Distillate Stocks by Region



Variance to prior year

000 bbls

% change

Total

3,068

10.0

Central Atlantic

4,067

19.5

New England

-395

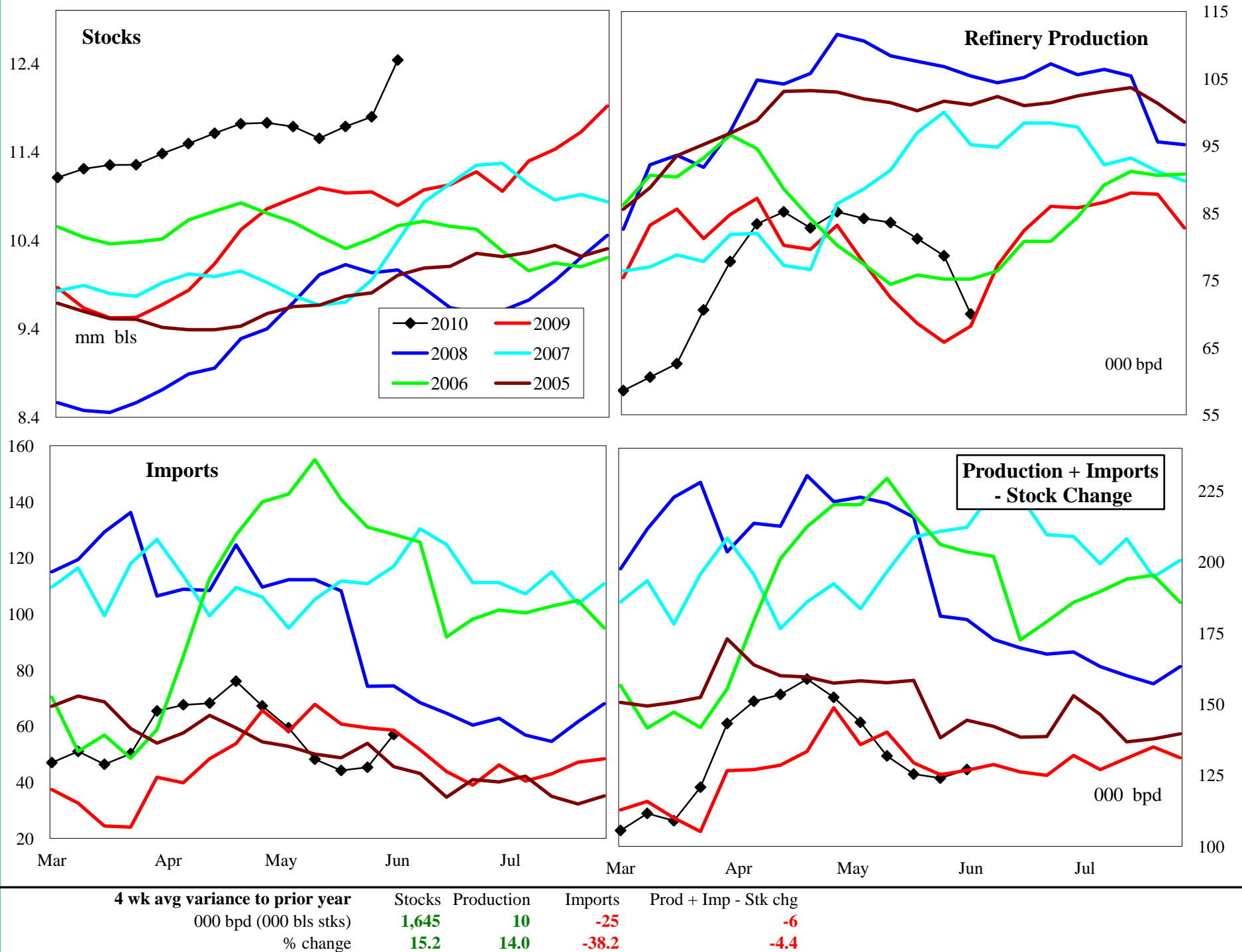
-5.4

Lower Atlantic

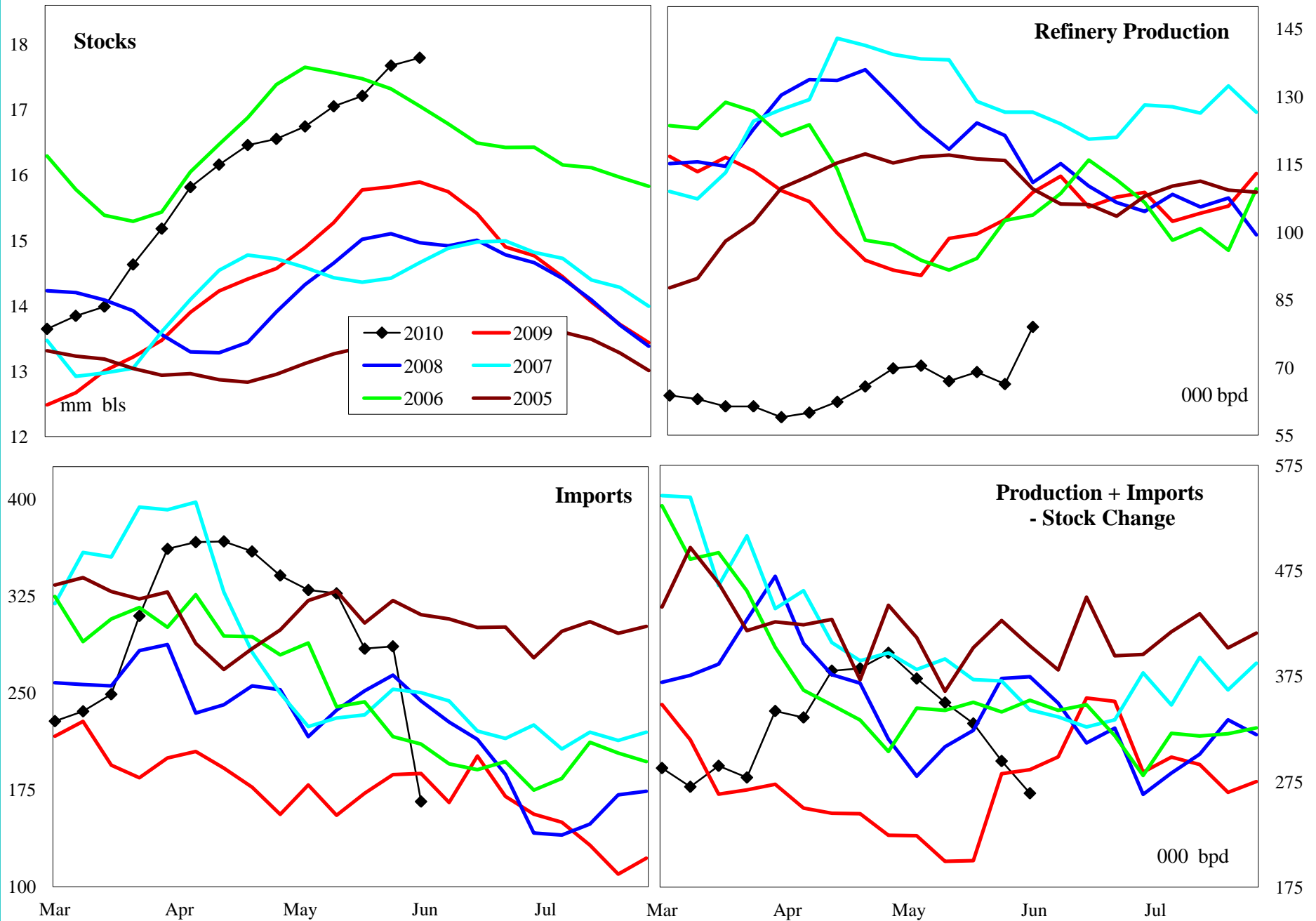
-604

-24.7

PADD 1 Jet Fuel Supply



PADD 1 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

1,901

11.7

Production

-36

-34.0

Imports

90

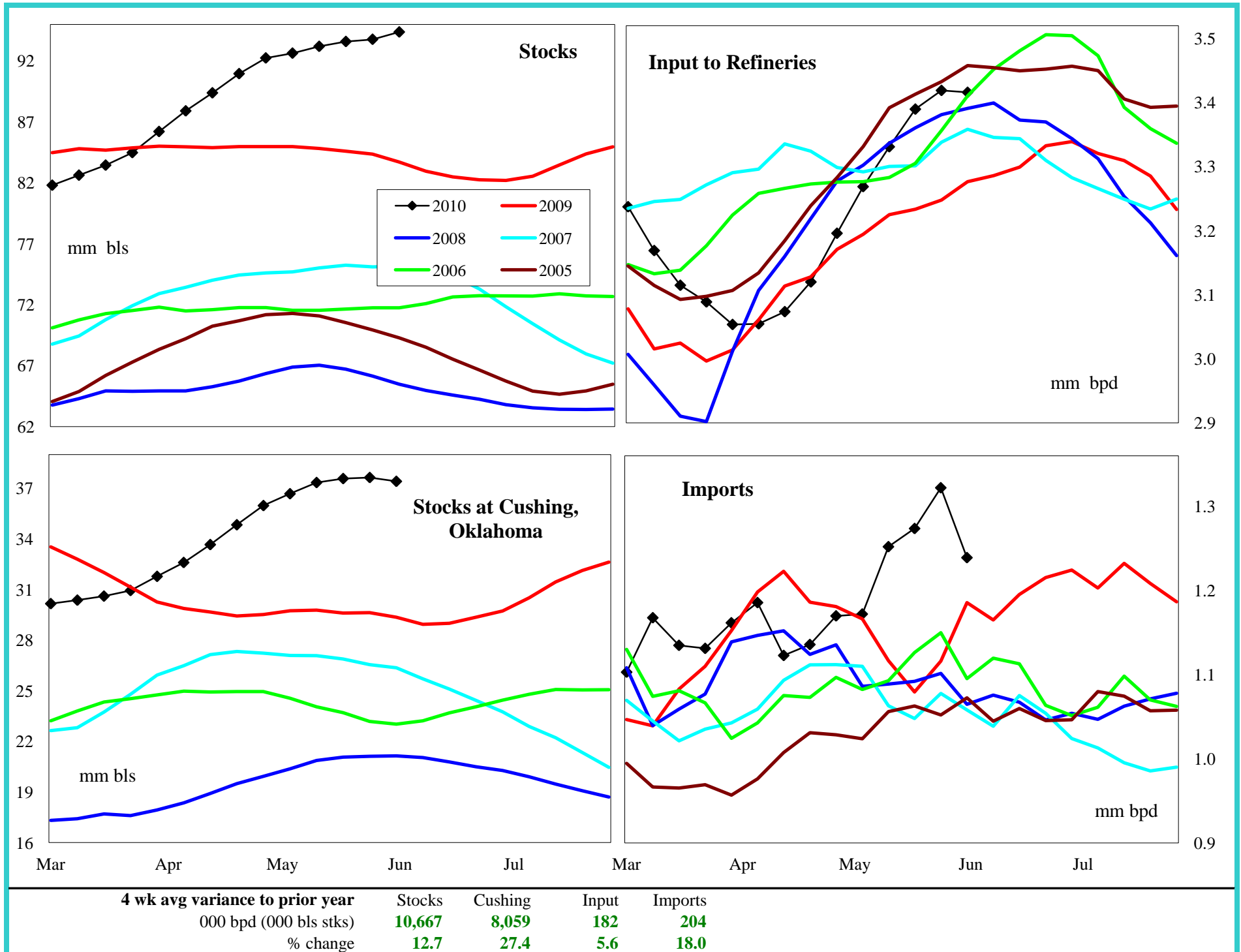
46.6

Prod + Imp - Stk chg

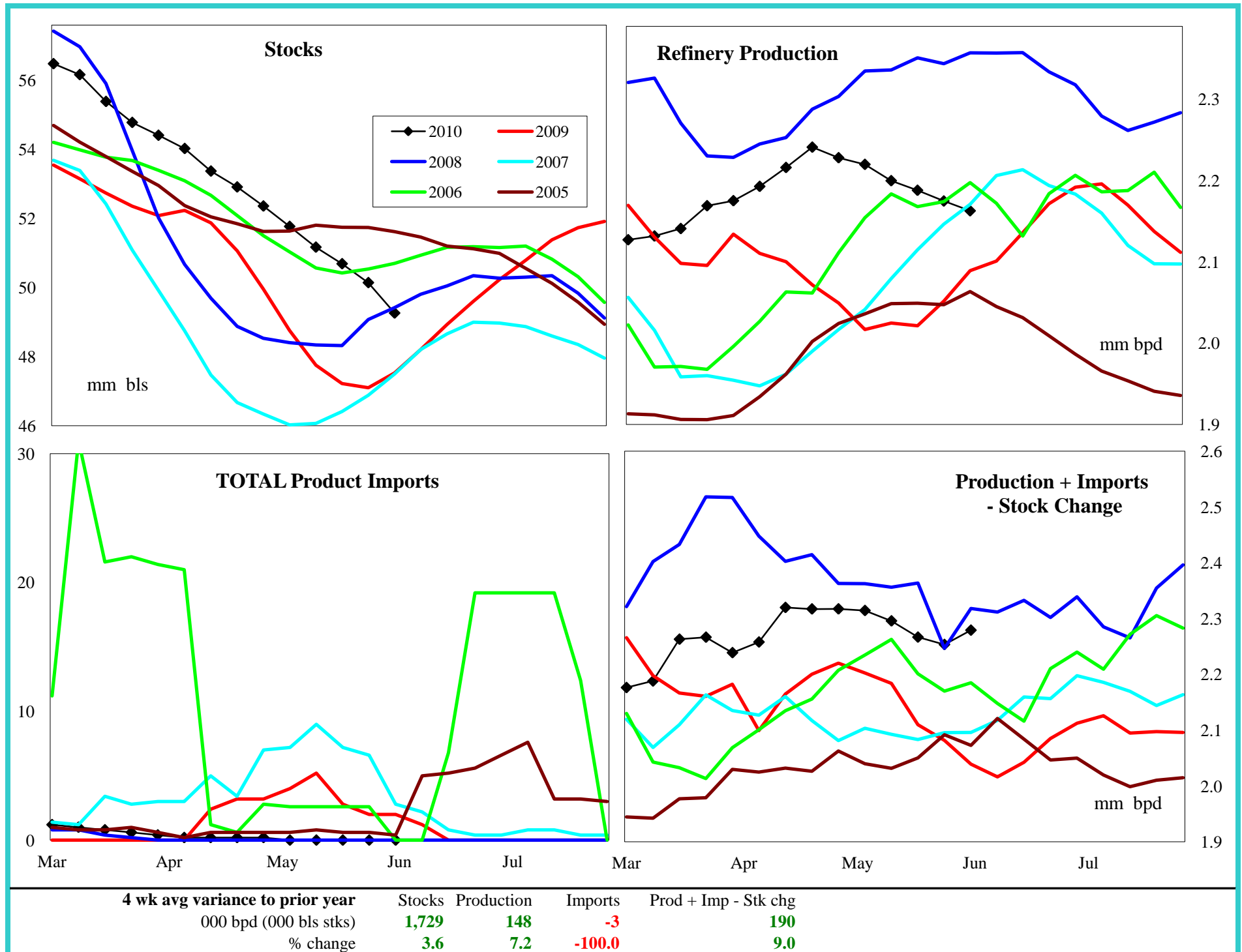
81

36.3

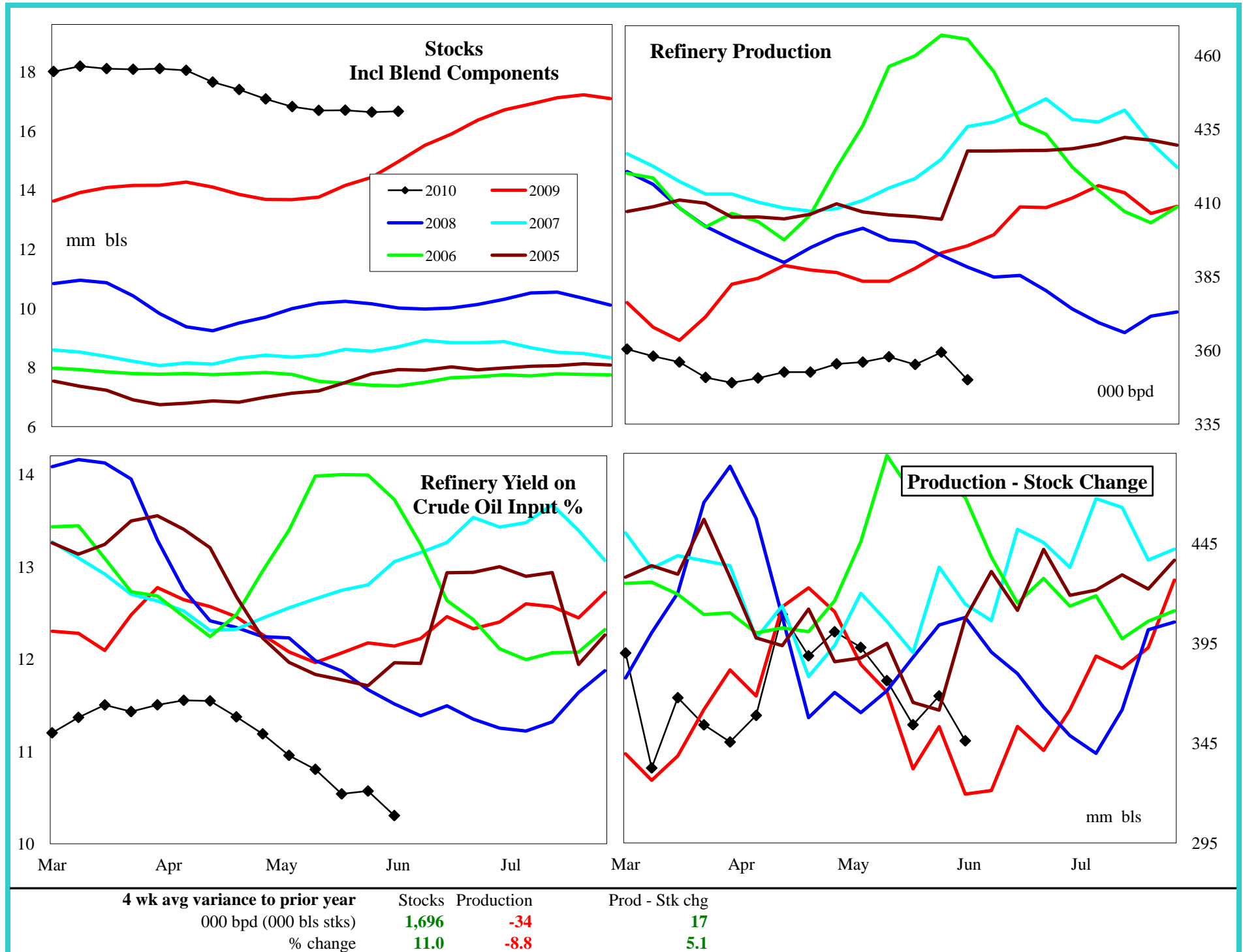
PADD 2 Crude Oil Supply and Refining



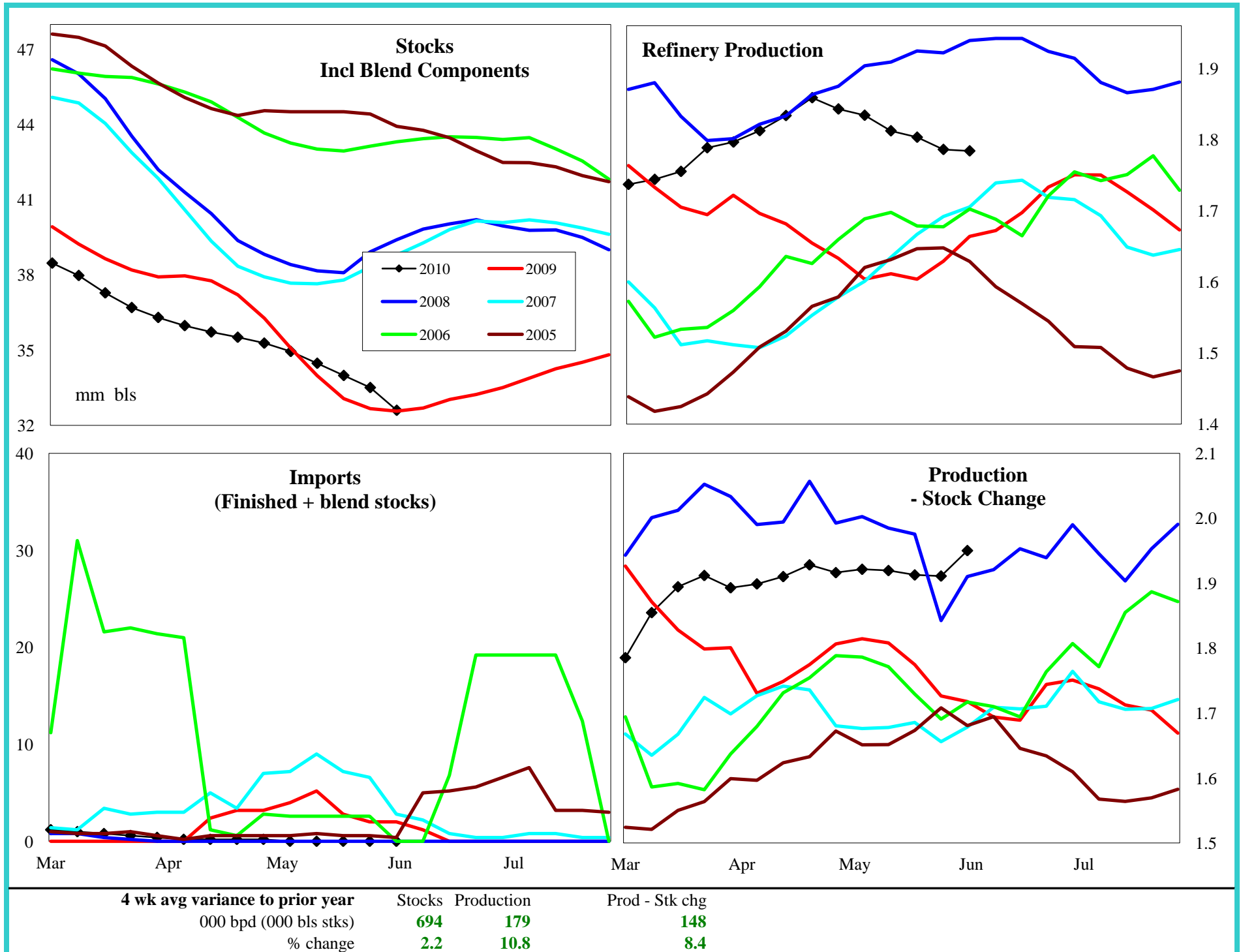
PADD 2 Gasoline Supply



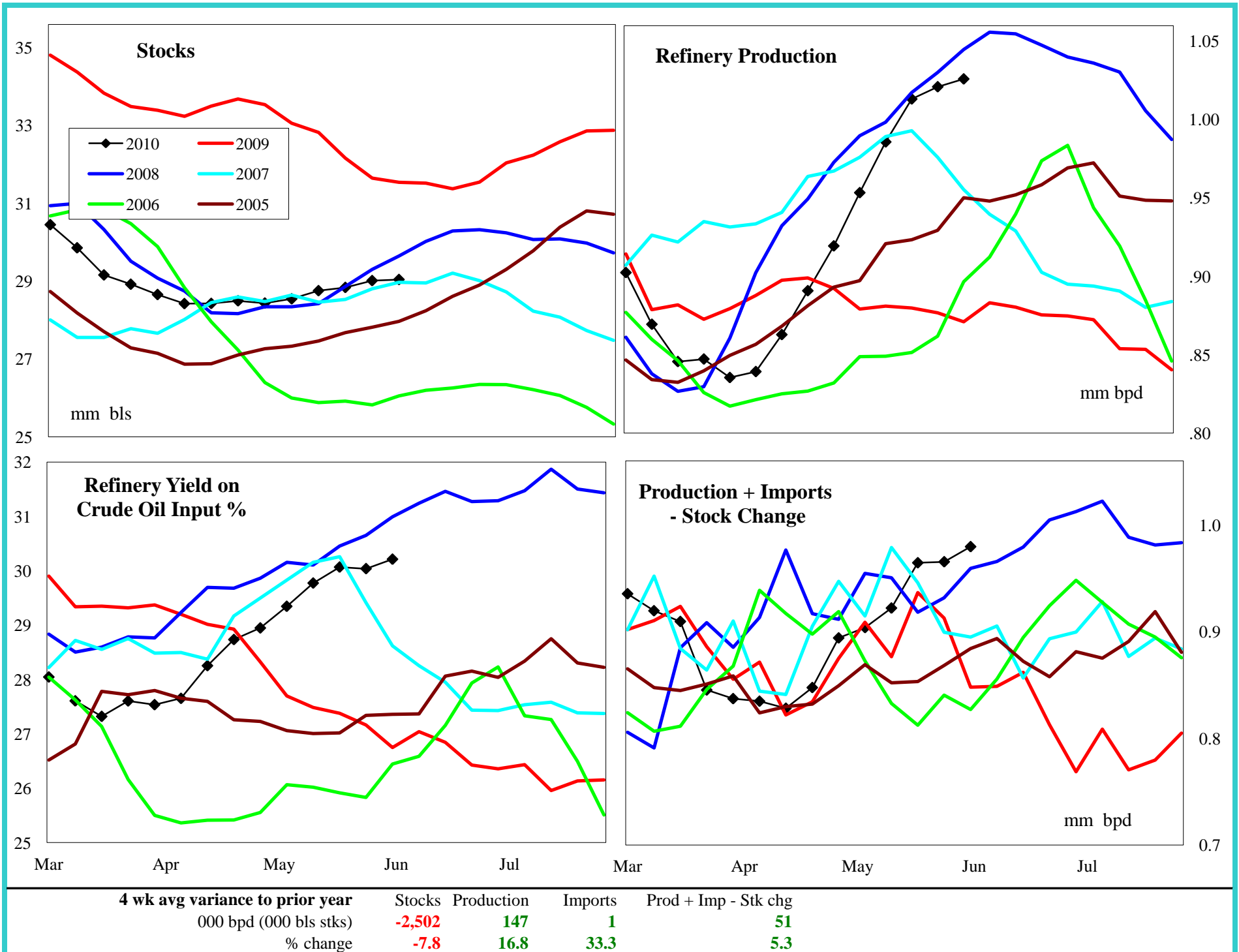
PADD 2 Reformulated Gasoline Supply



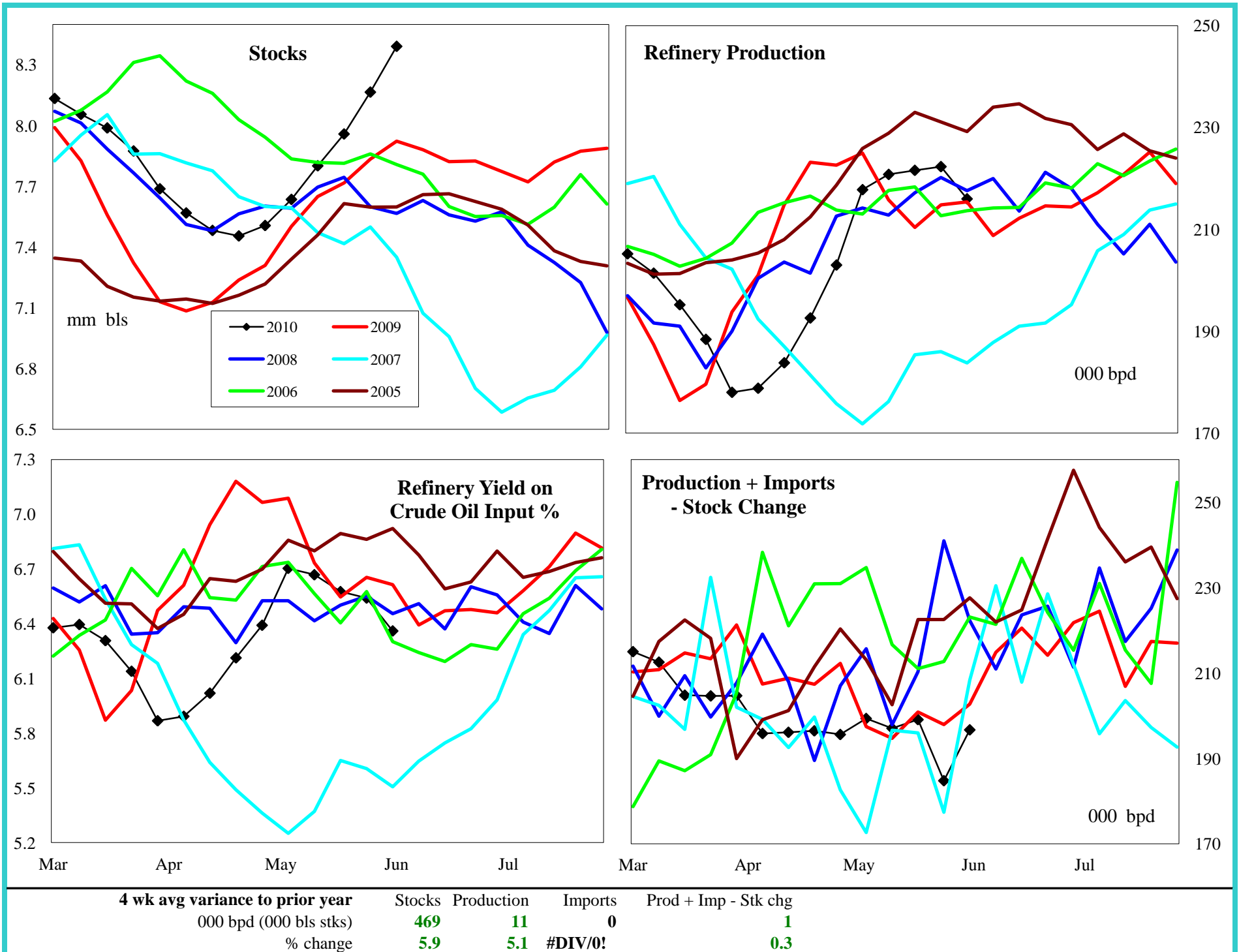
PADD 2 Conventional Gasoline Supply



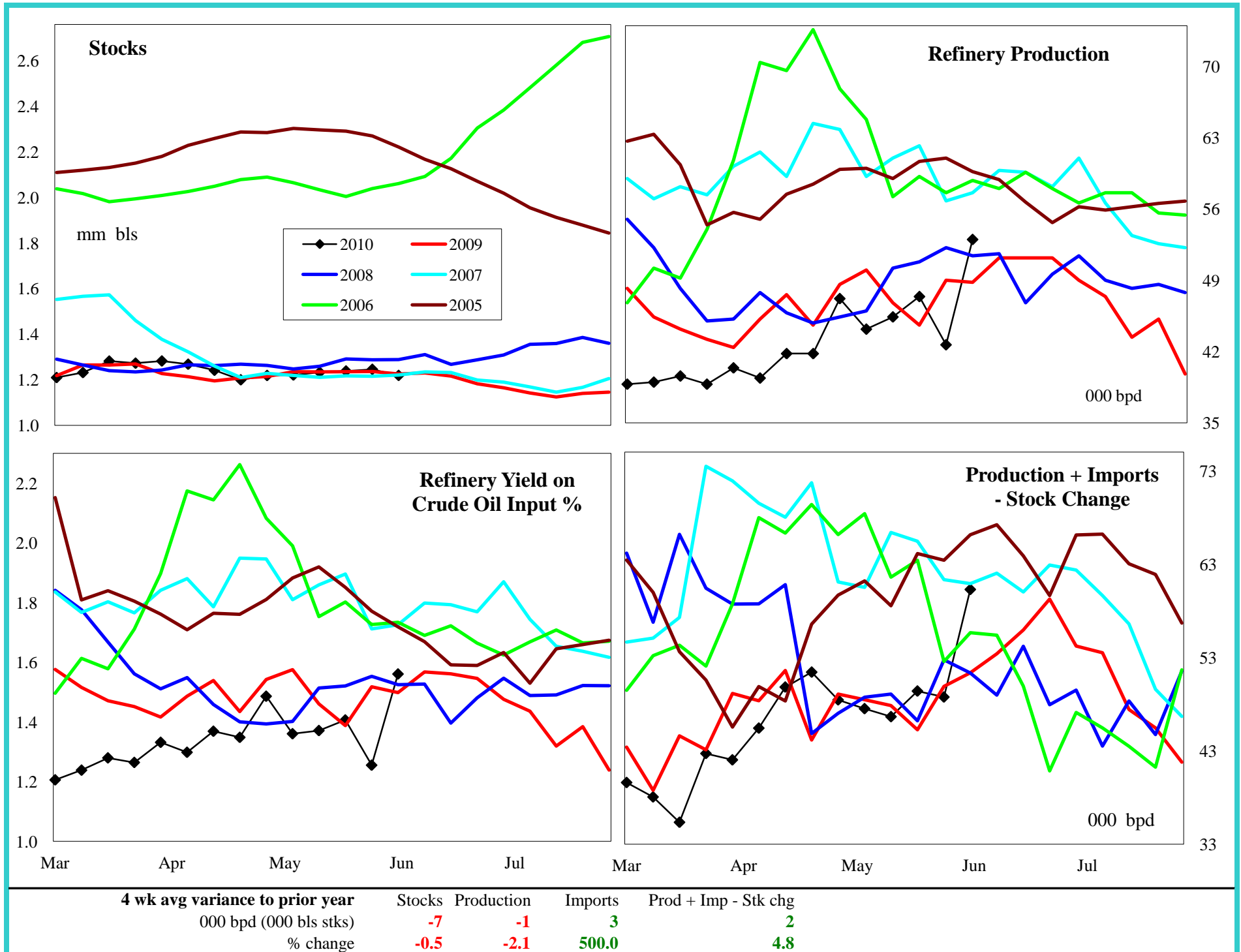
PADD 2 Distillate Supply



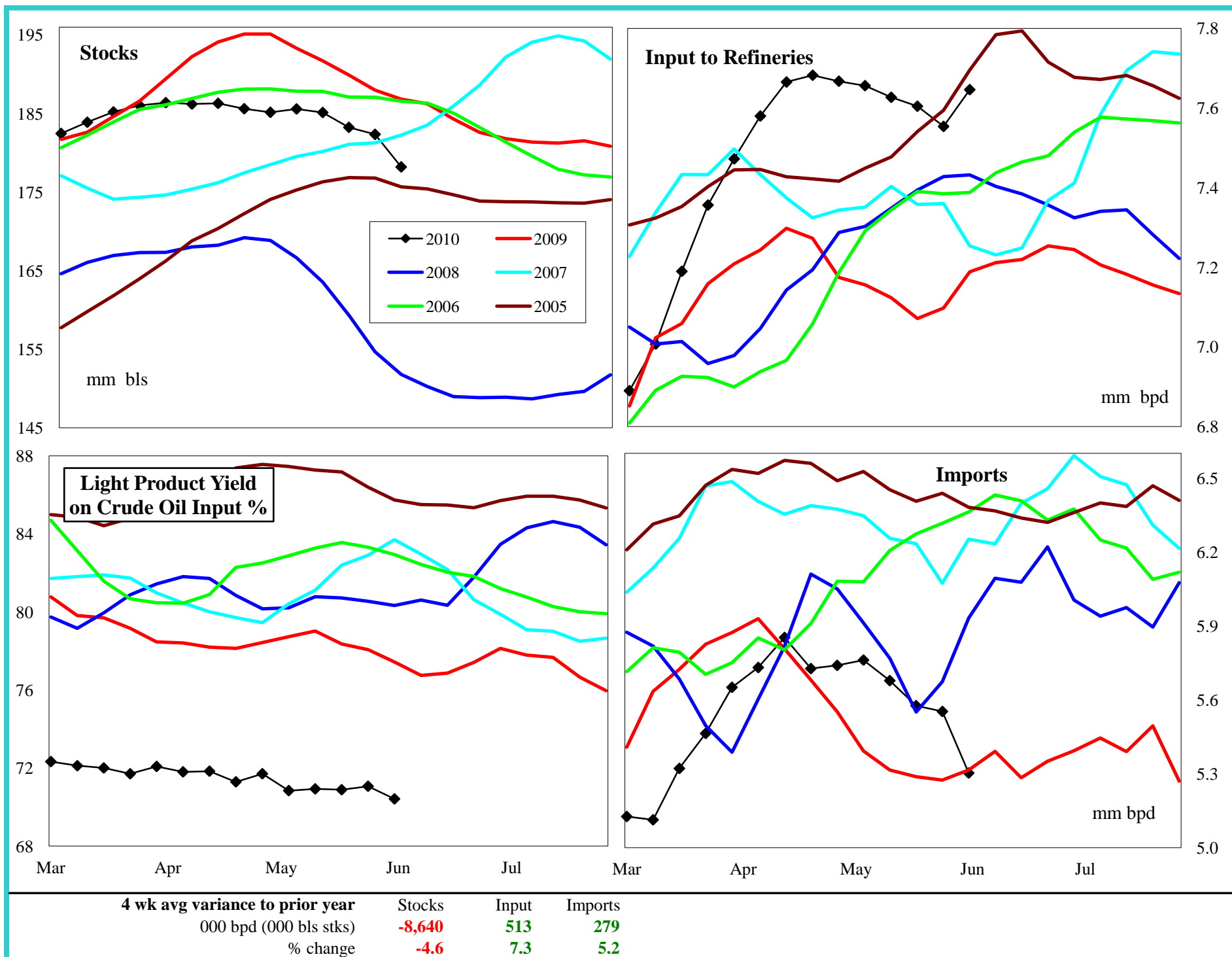
PADD 2 Jet Fuel Supply



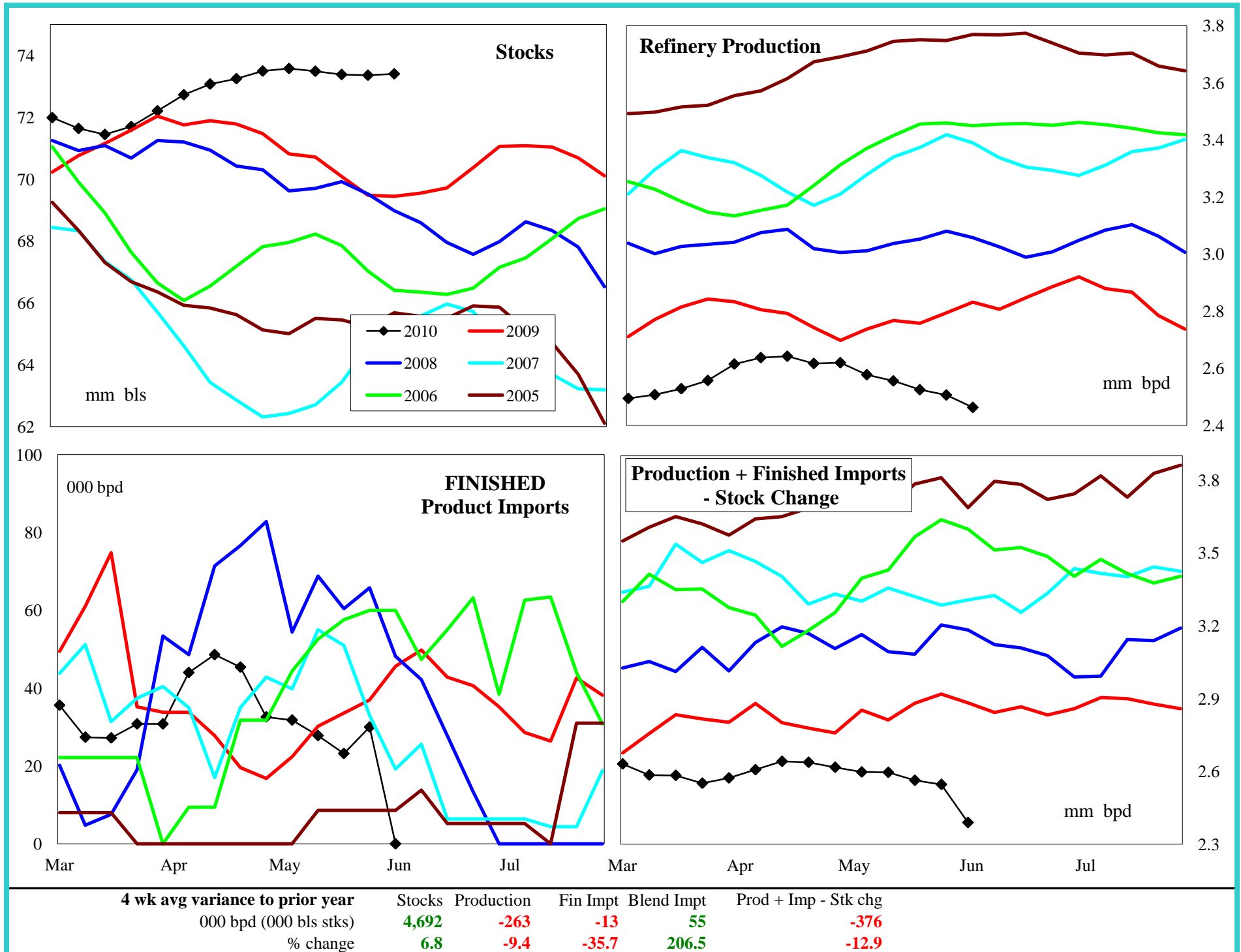
PADD 2 Residual Fuel Oil Supply



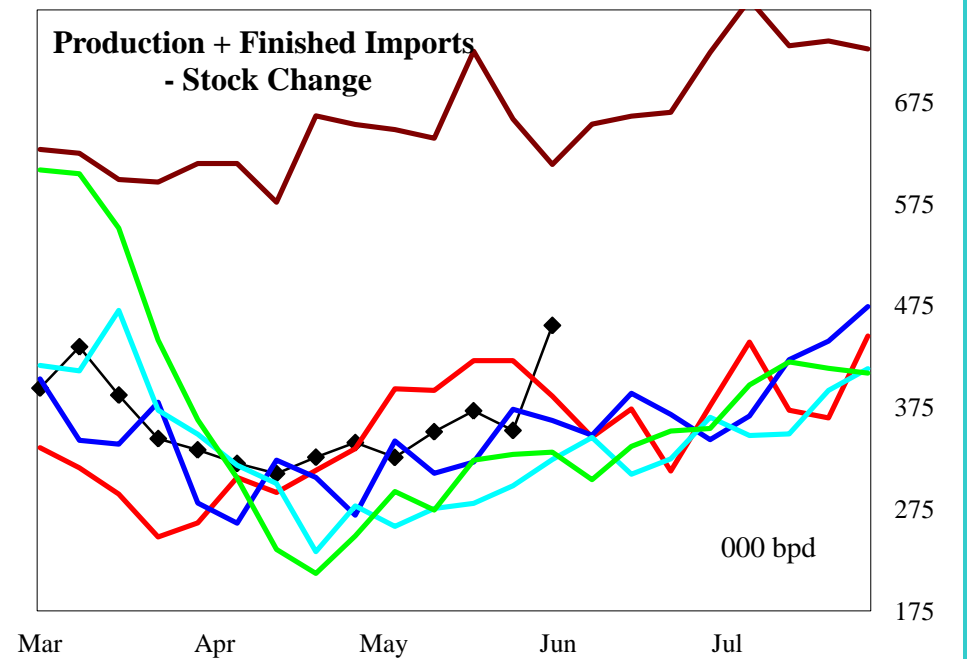
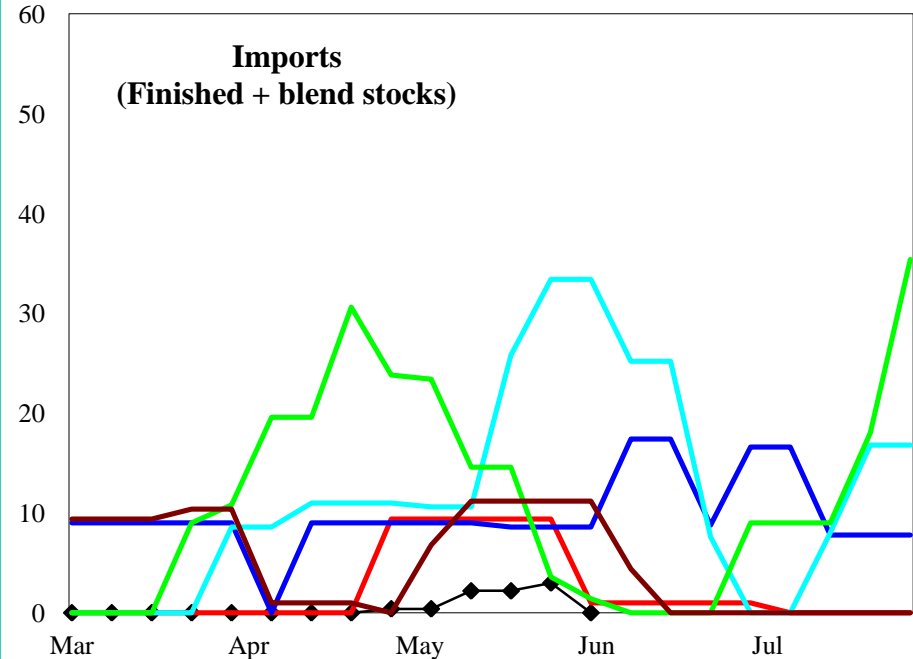
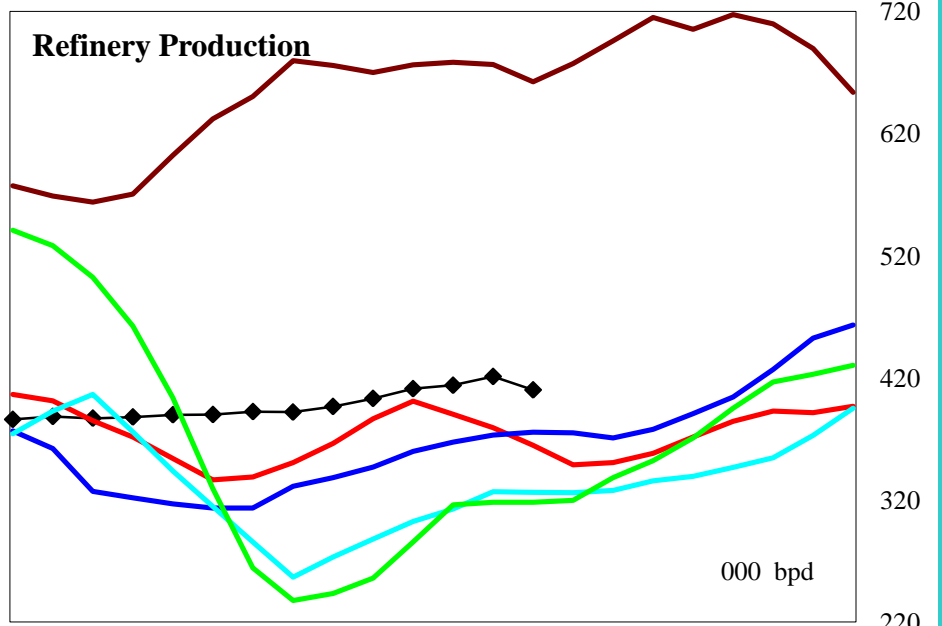
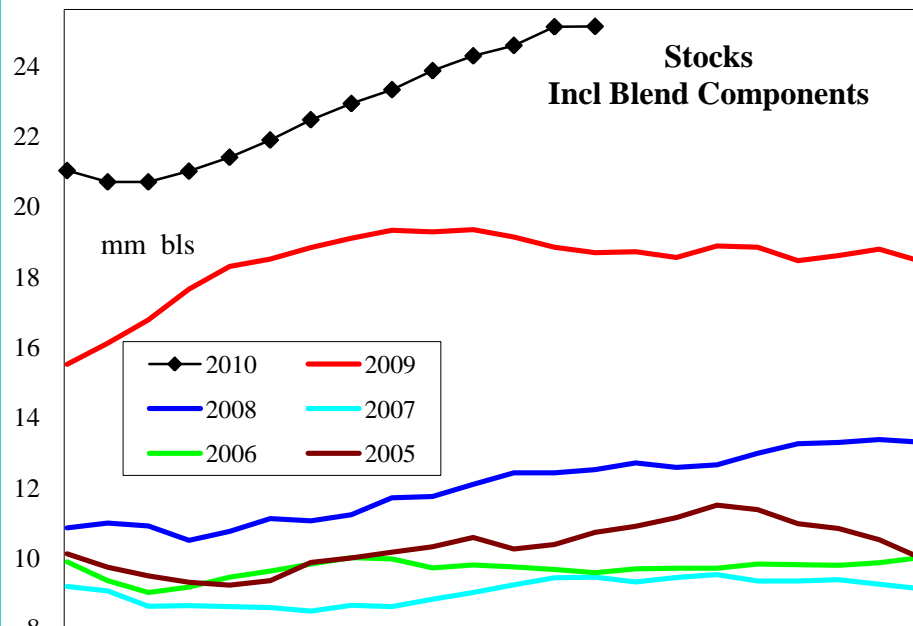
PADD 3 Crude Oil Supply and Refining



PADD 3 Gasoline Supply



PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

7,217

39.4

Production

30

7.6

Imports

-9

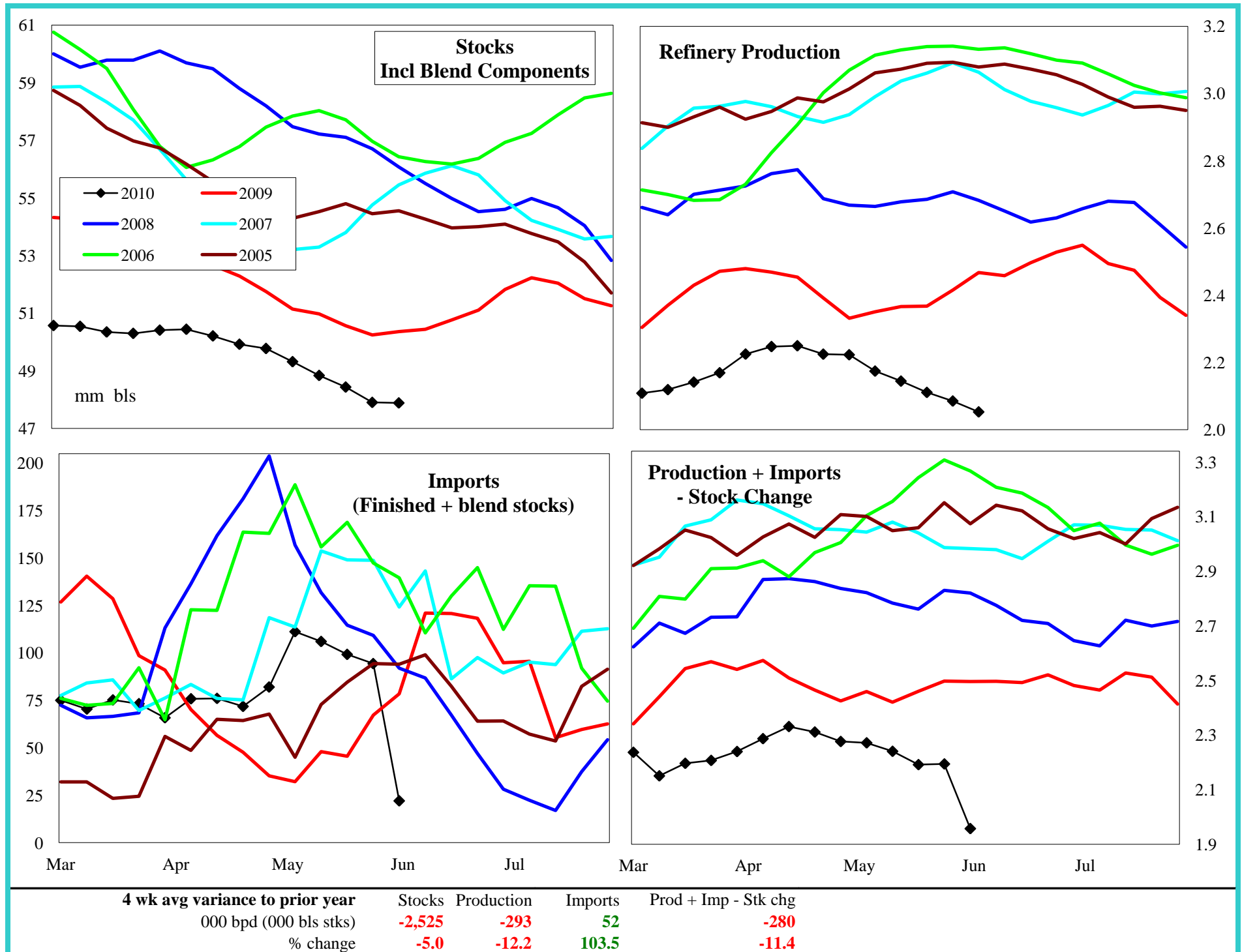
-76.6

Prod + Imp - Stk chg

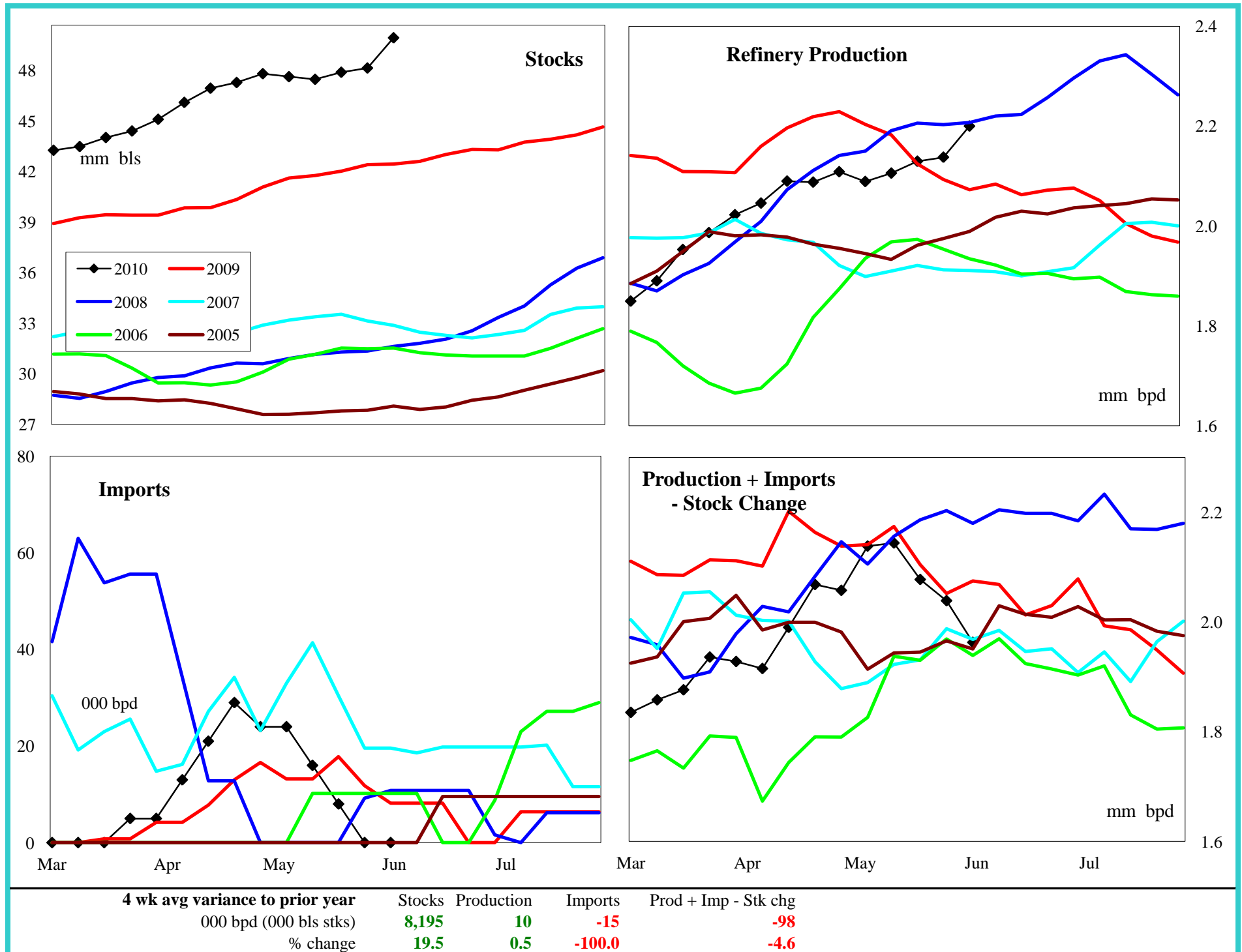
-96

-20.2

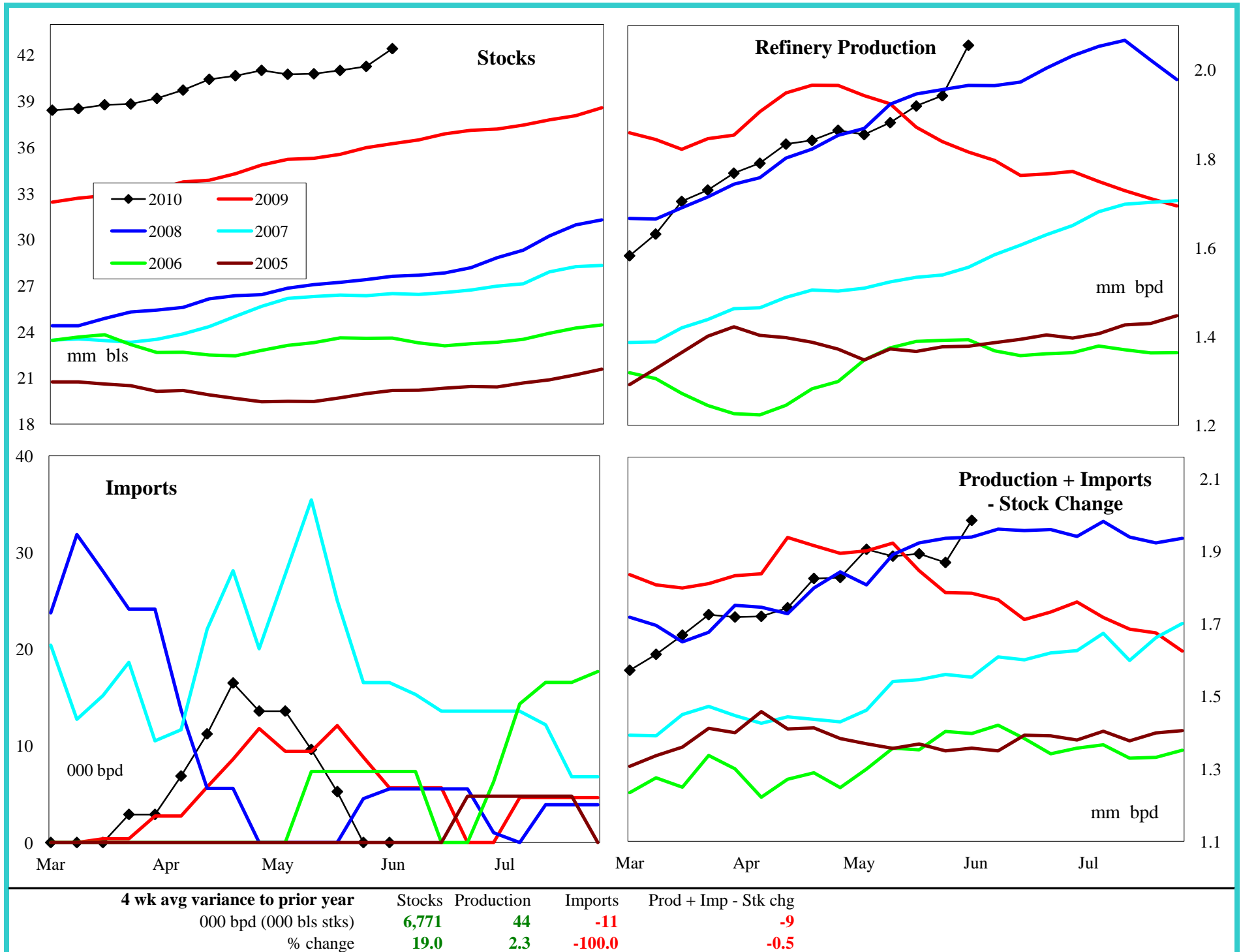
PADD 3 Conventional Gasoline Supply



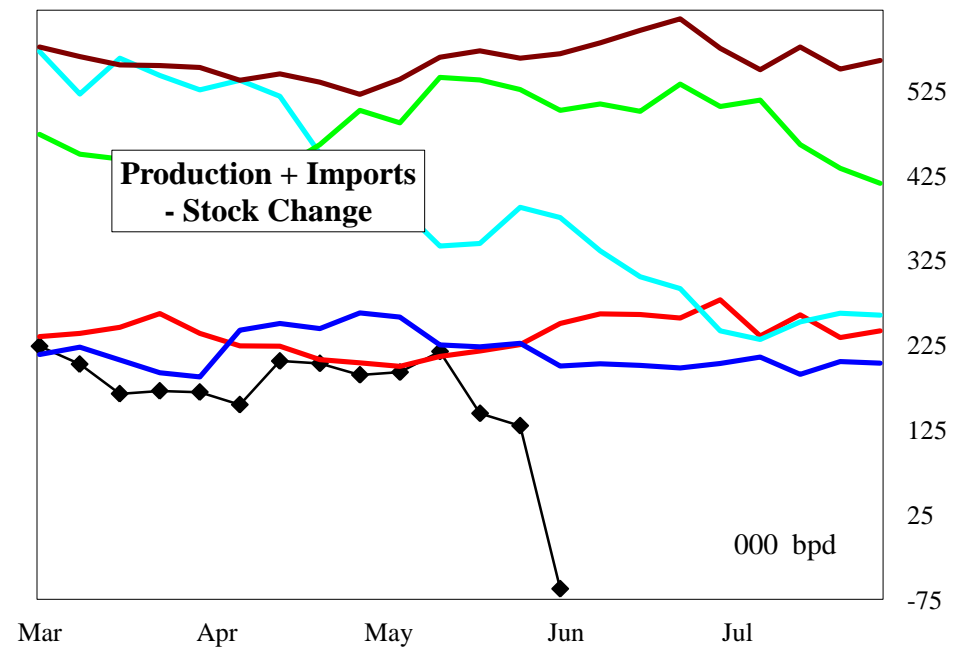
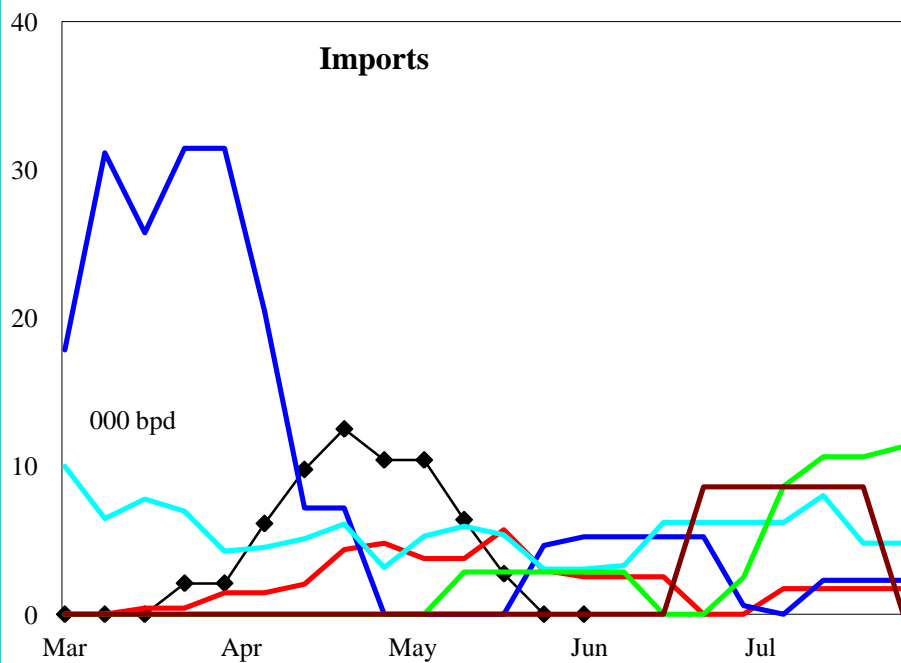
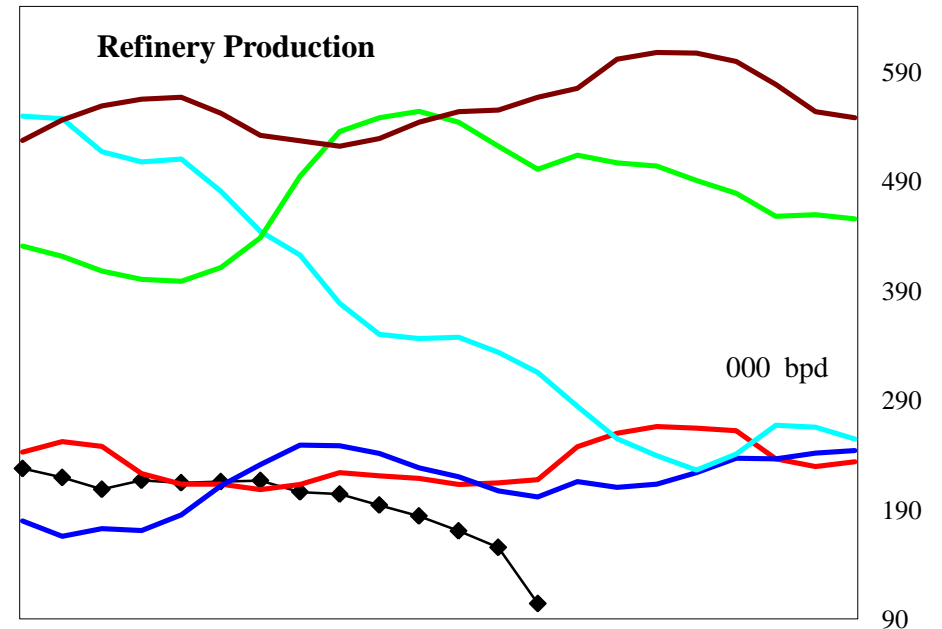
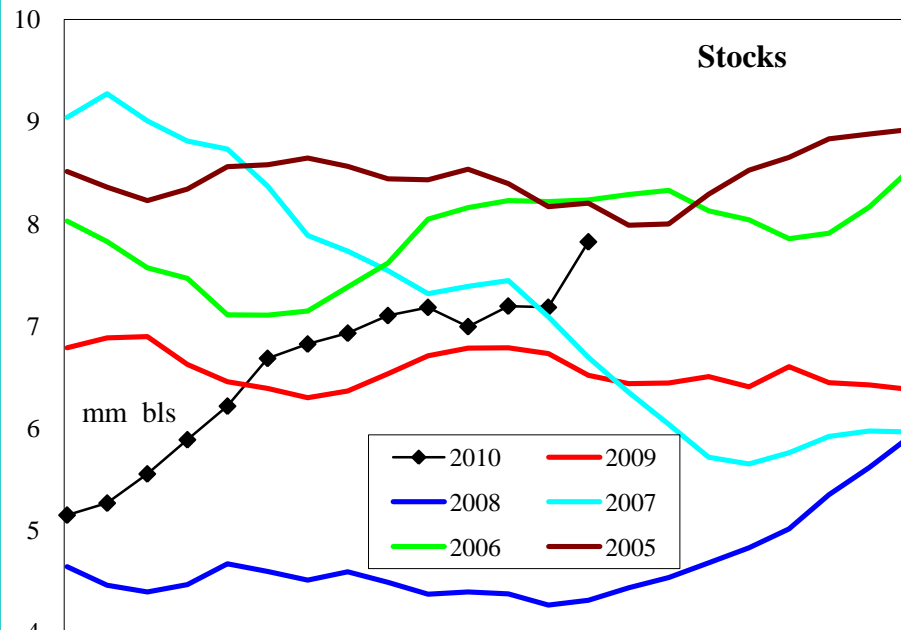
PADD 3 Distillate Supply



PADD 3 Low Sulfur Distillate Supply



PADD 3 High Sulfur Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

1,423

22.2

Production

-34

-16.6

Imports

-4

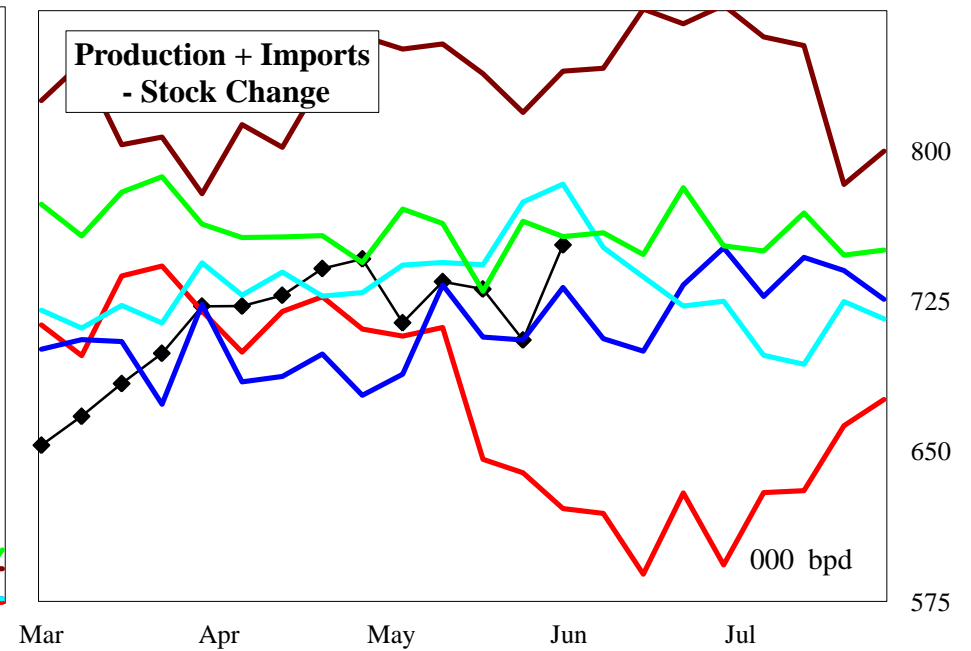
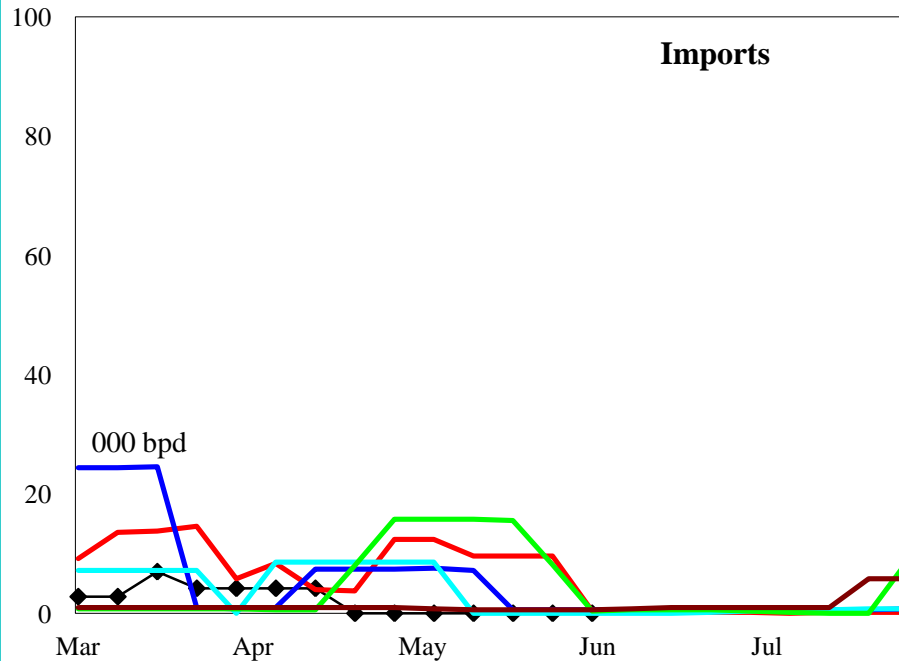
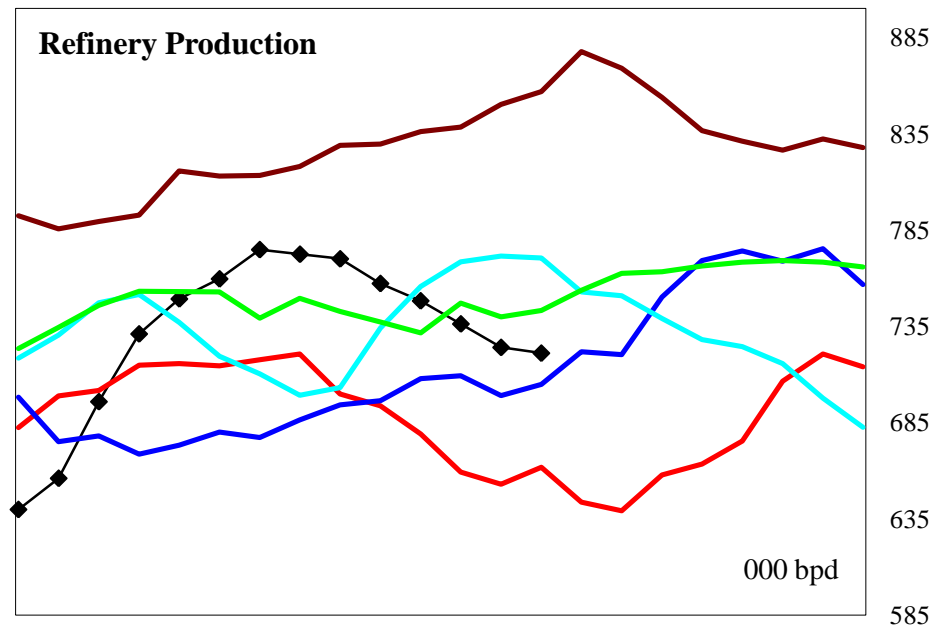
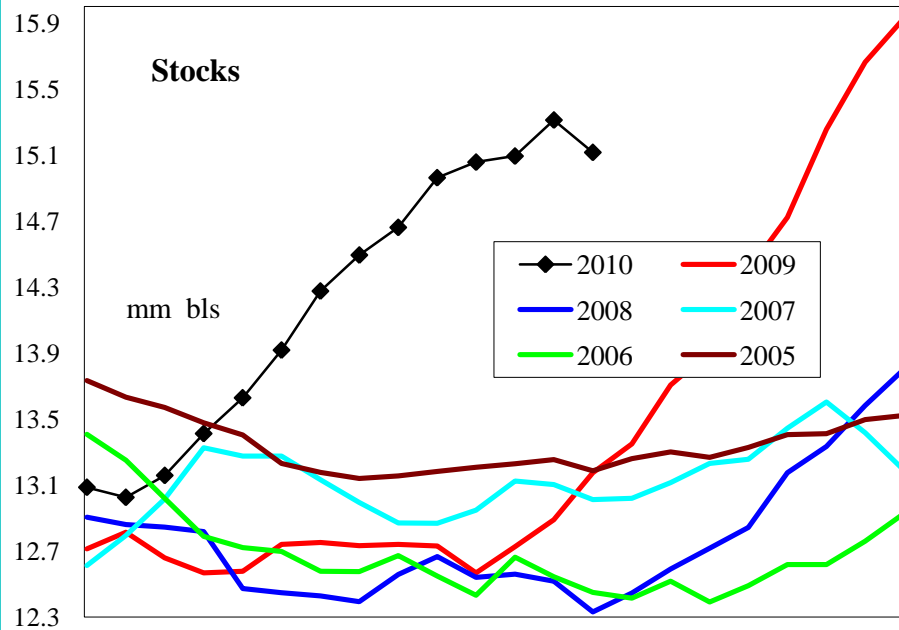
-100.0

Prod + Imp - Stk chg

-89

-37.8

PADD 3 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

1,941

14.7

Production

83

12.8

Imports

-12

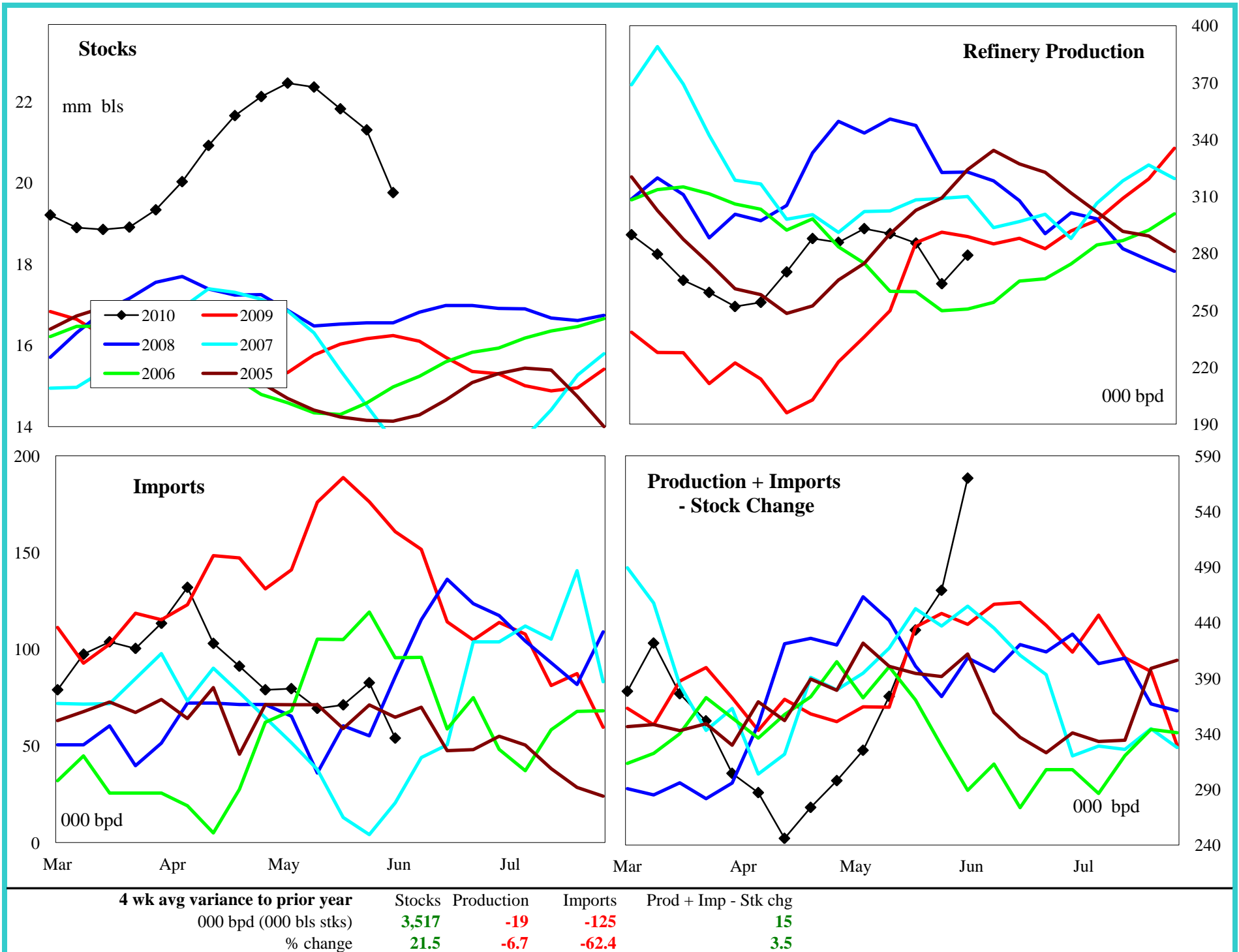
-100.0

Prod + Imp - Stk chg

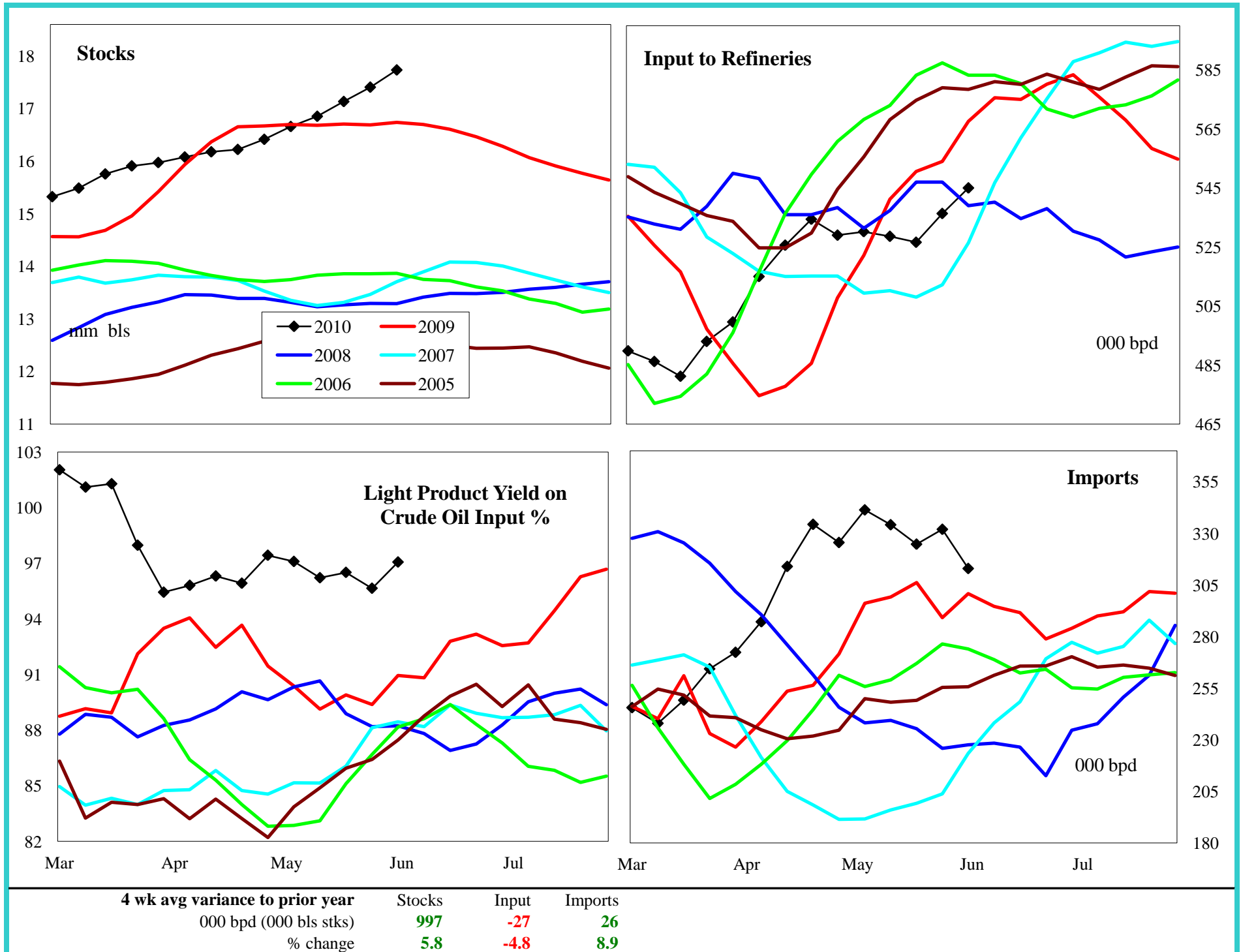
113

18.7

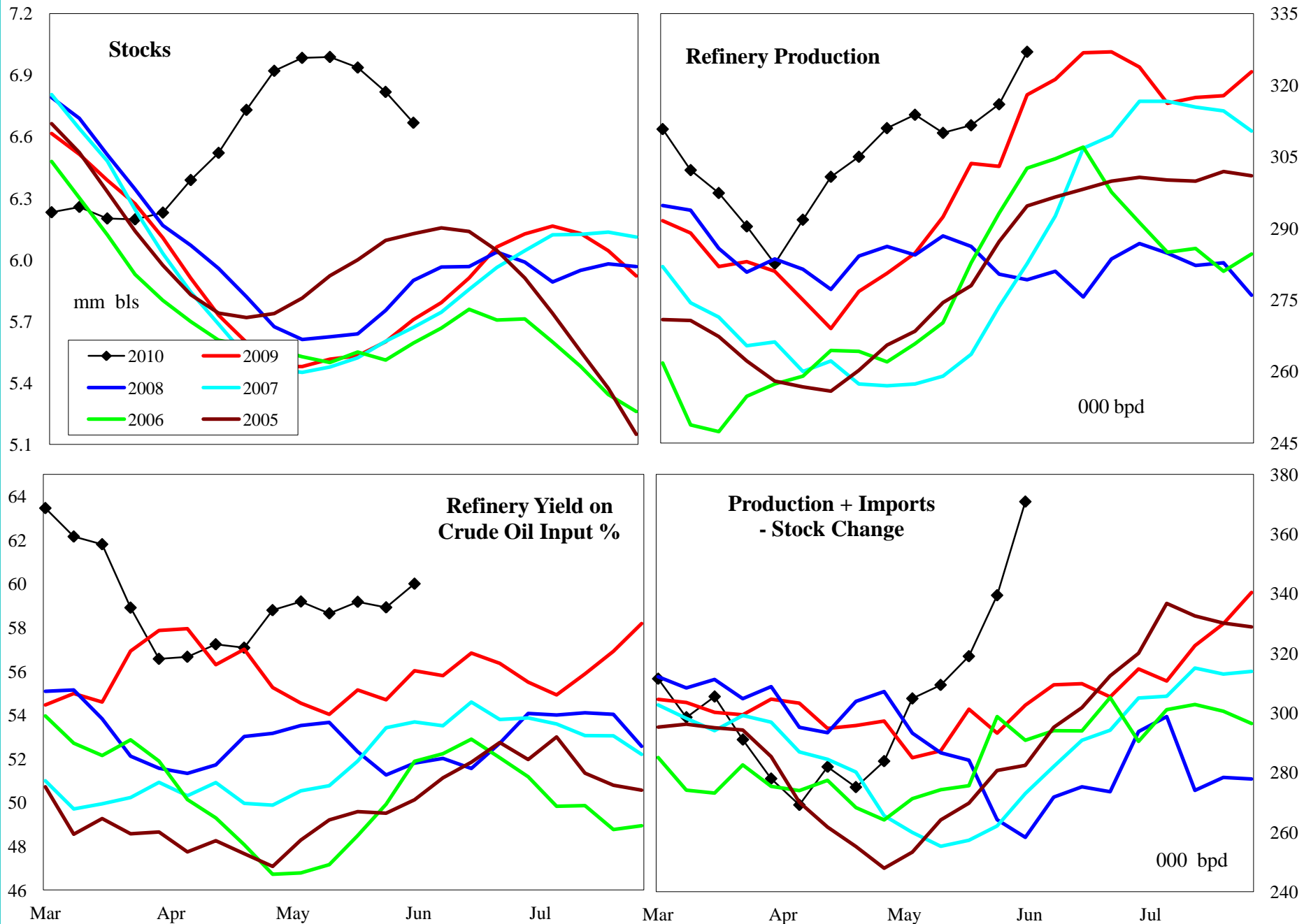
PADD 3 Residual Fuel Oil Supply



PADD 4 Crude Oil Supply and Refining



PADD 4 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Prod + Imp - Stk chg

959

13

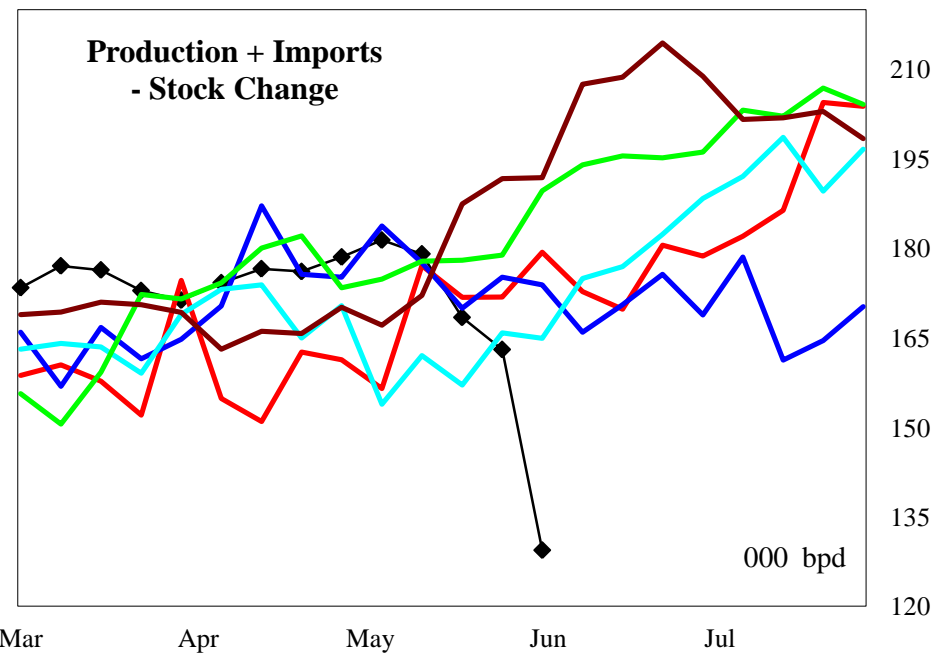
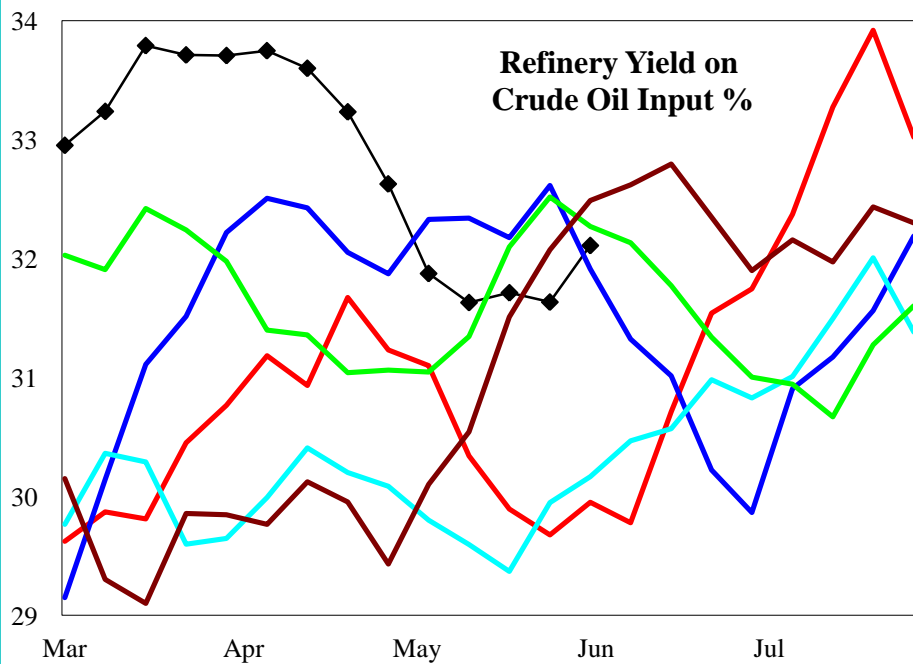
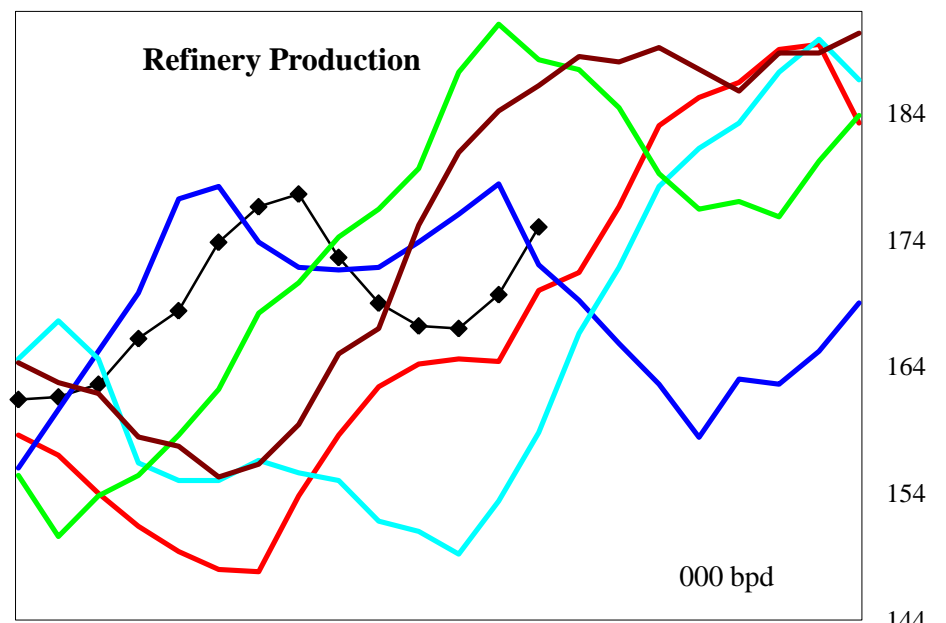
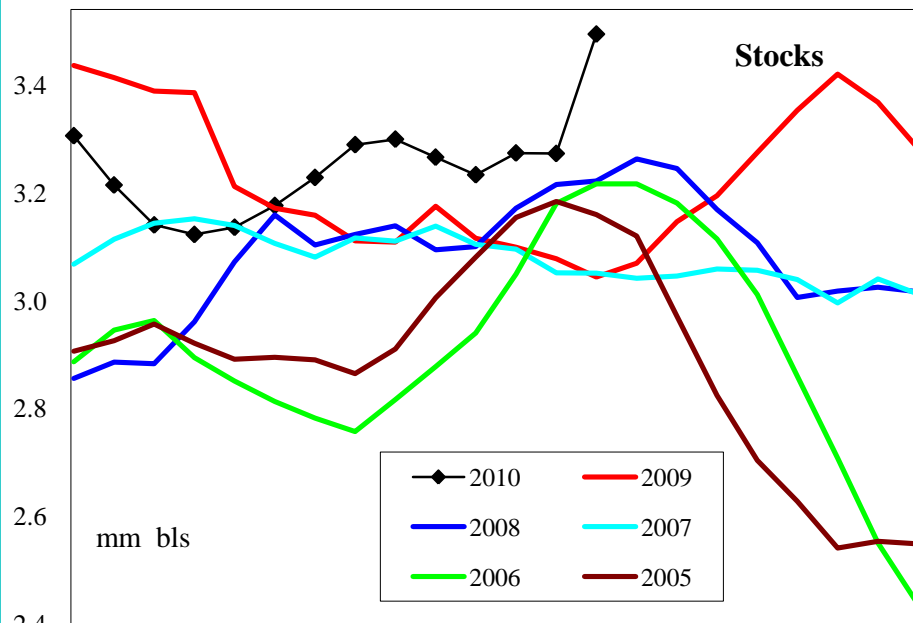
31

16.8

4.2

10.3

PADD 4 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

450

5

3

9

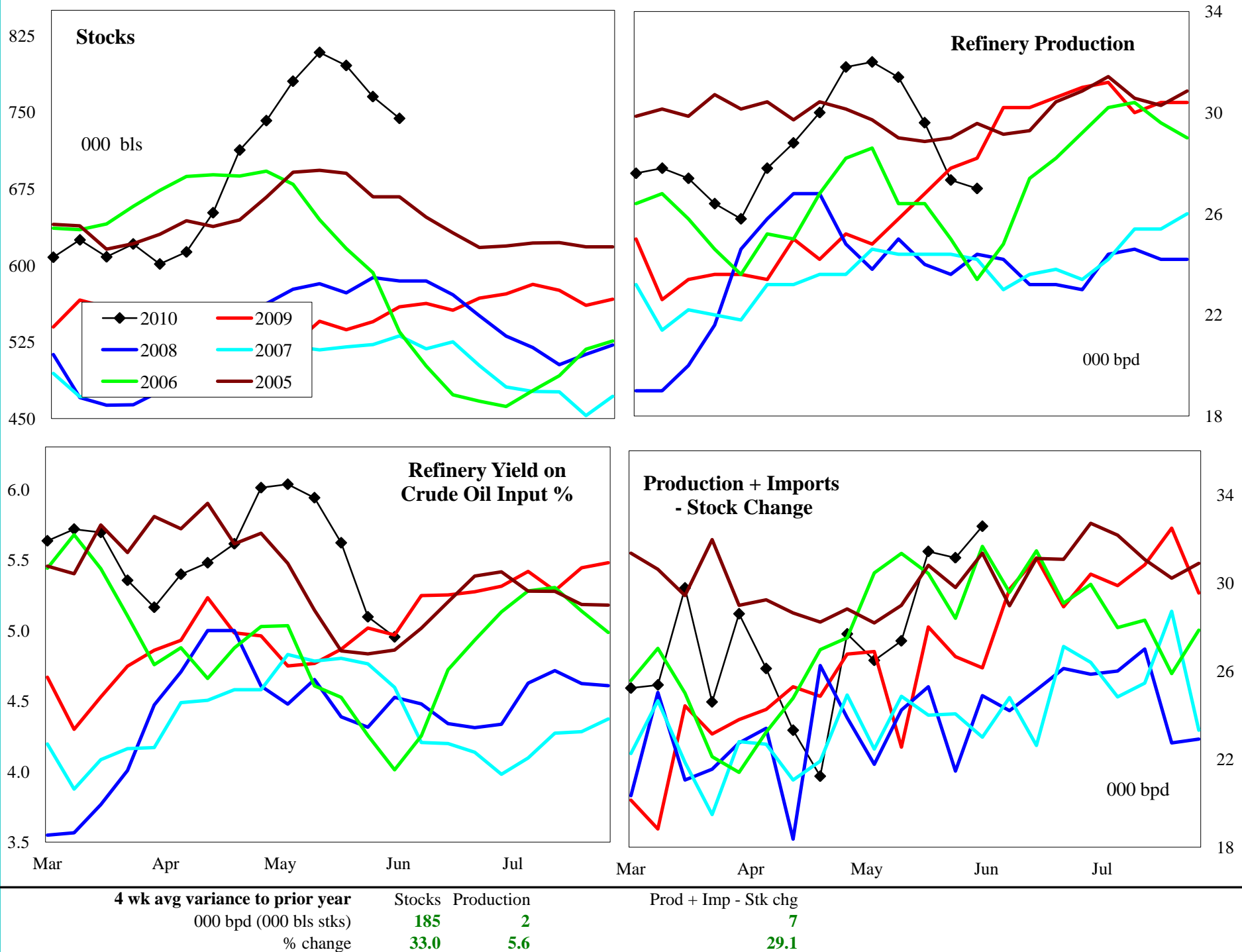
14.8

2.8

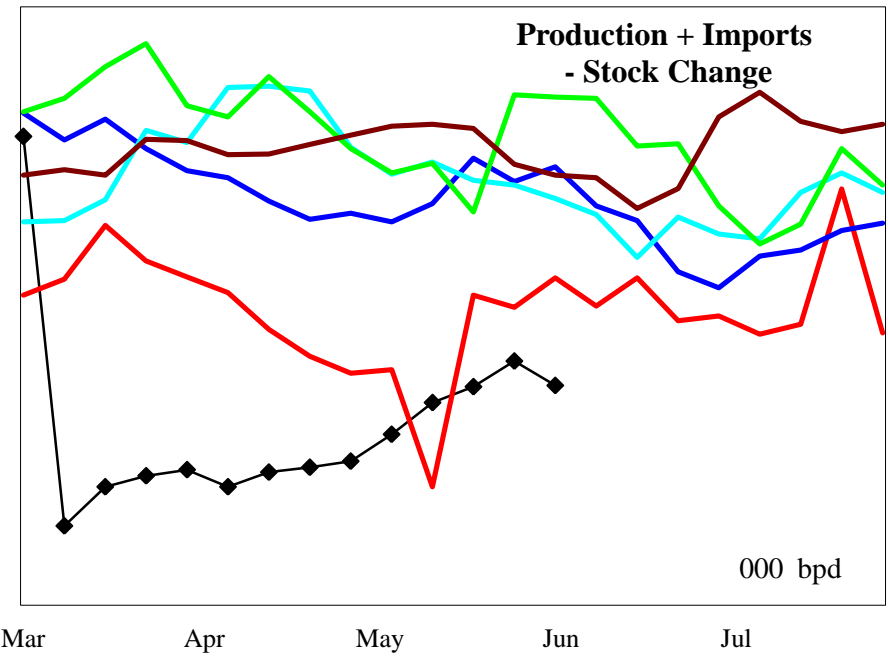
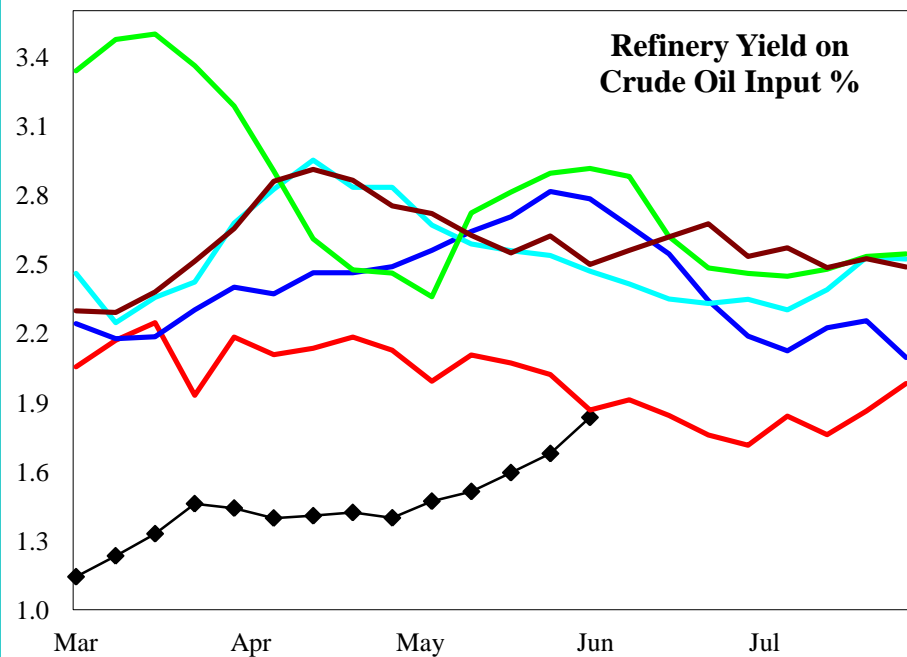
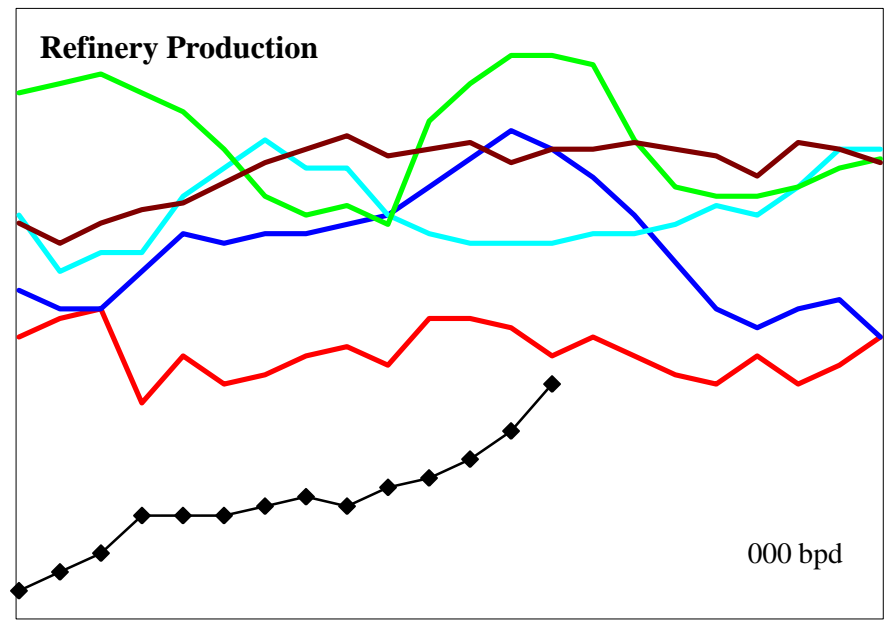
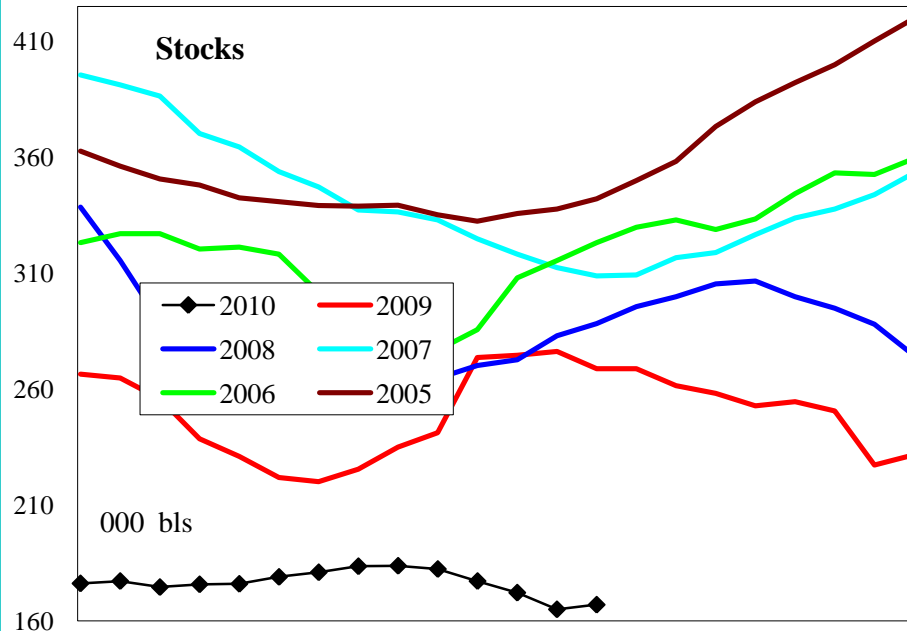
50.0

5.4

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

-102

-37.9

Production

-3

-24.4

Imports

0

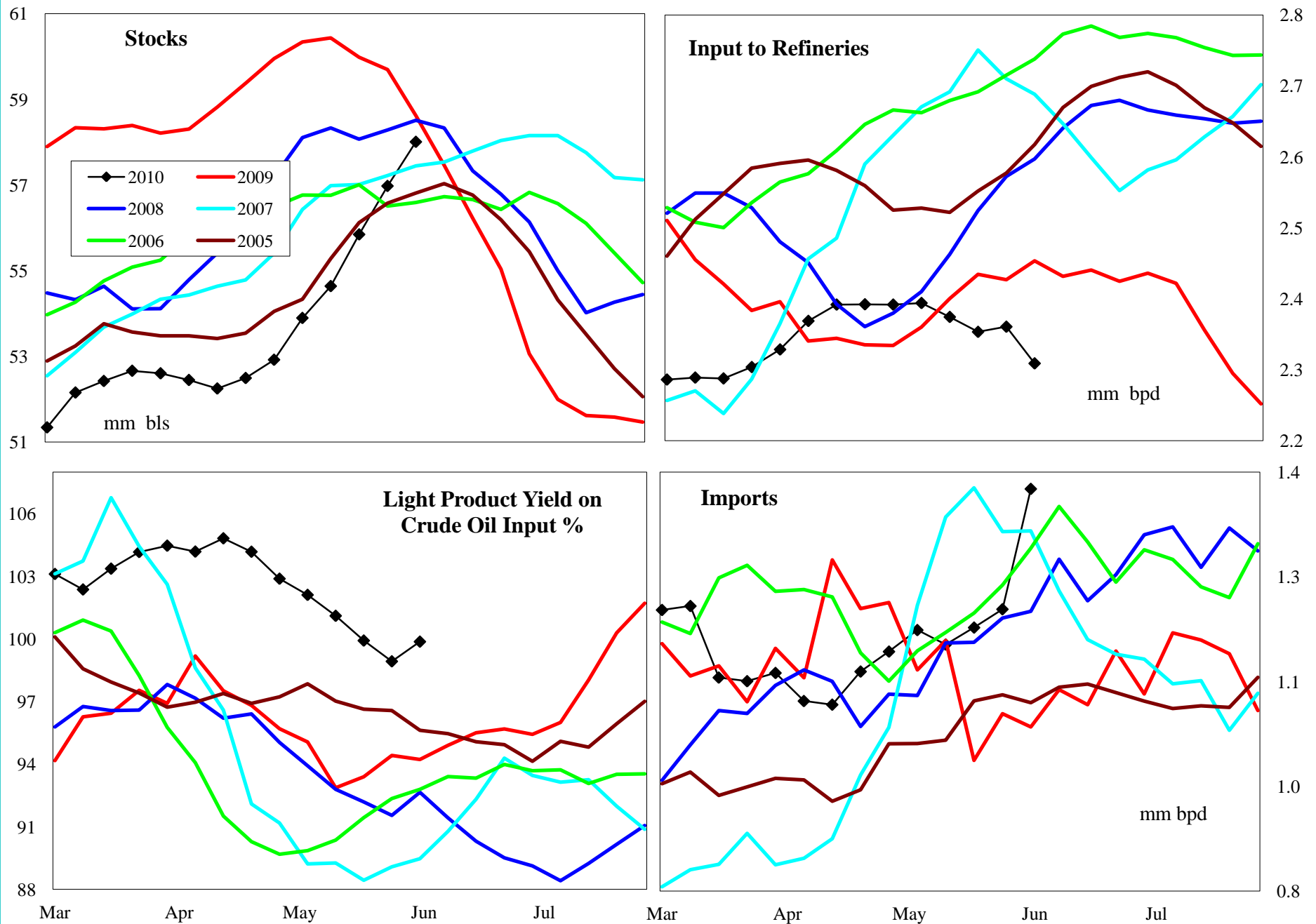
#DIV/0!

Prod + Imp - Stk chg

-22

-70.2

PADD 5 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-615

-1.0

Input

-108

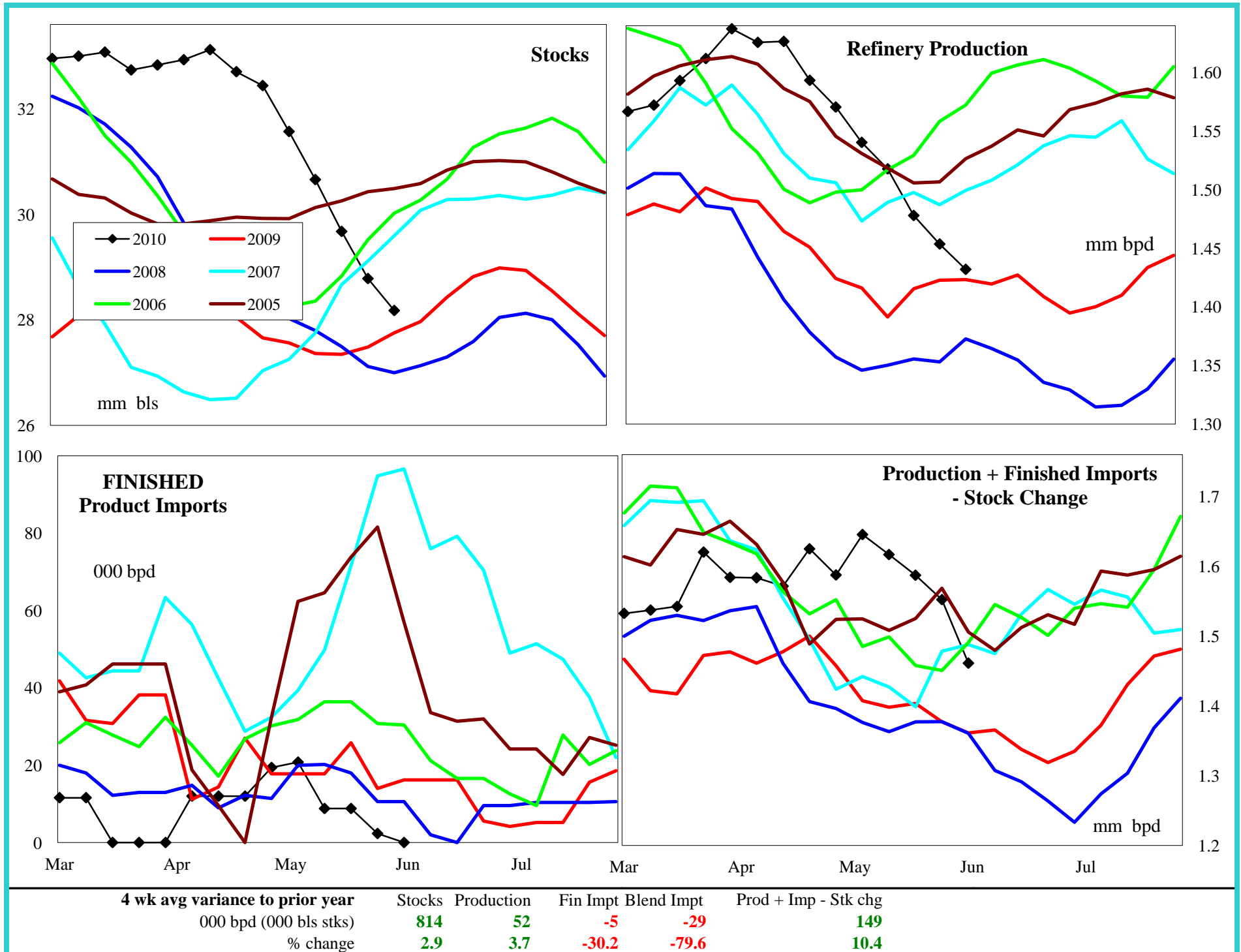
-4.3

Imports

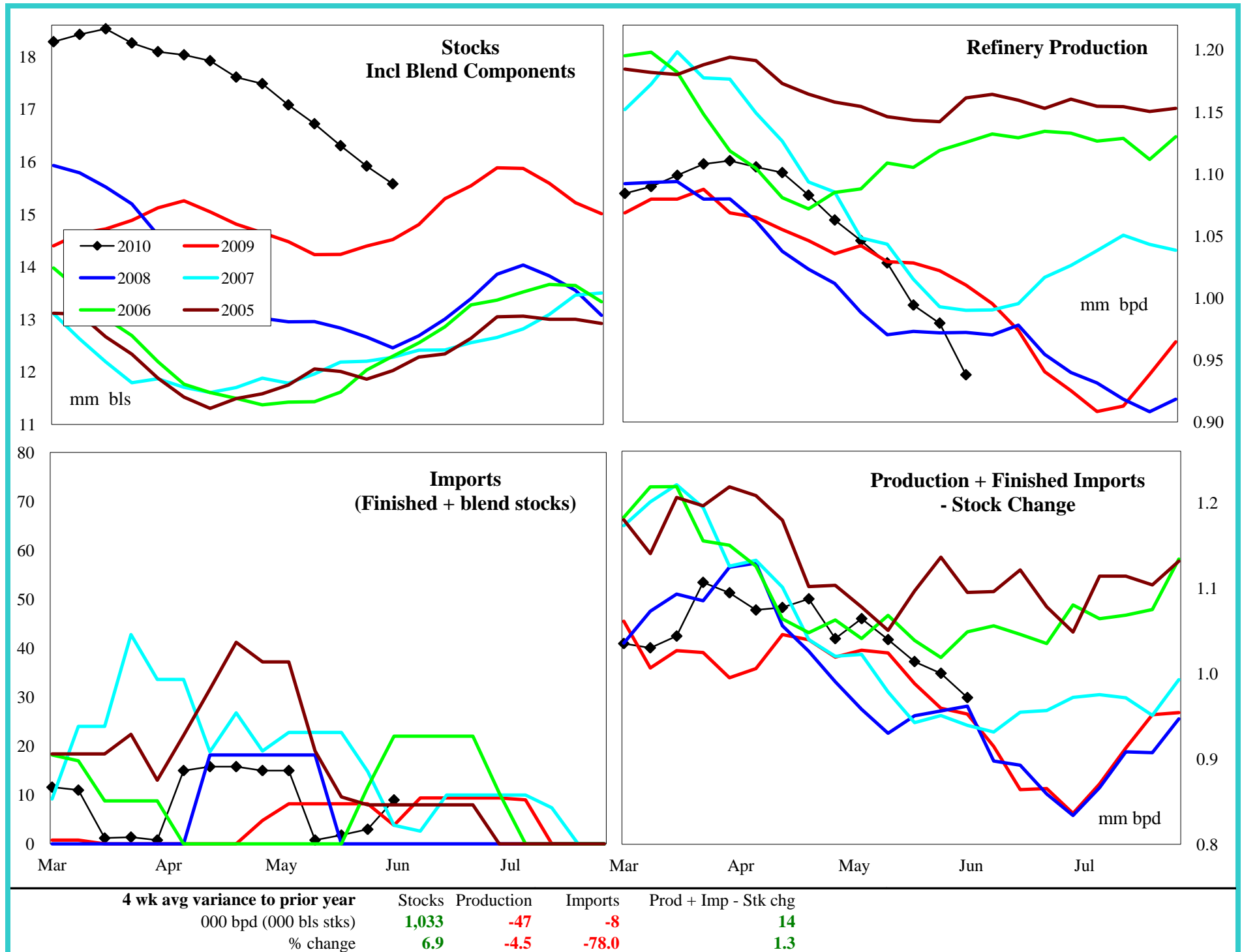
177

17.6

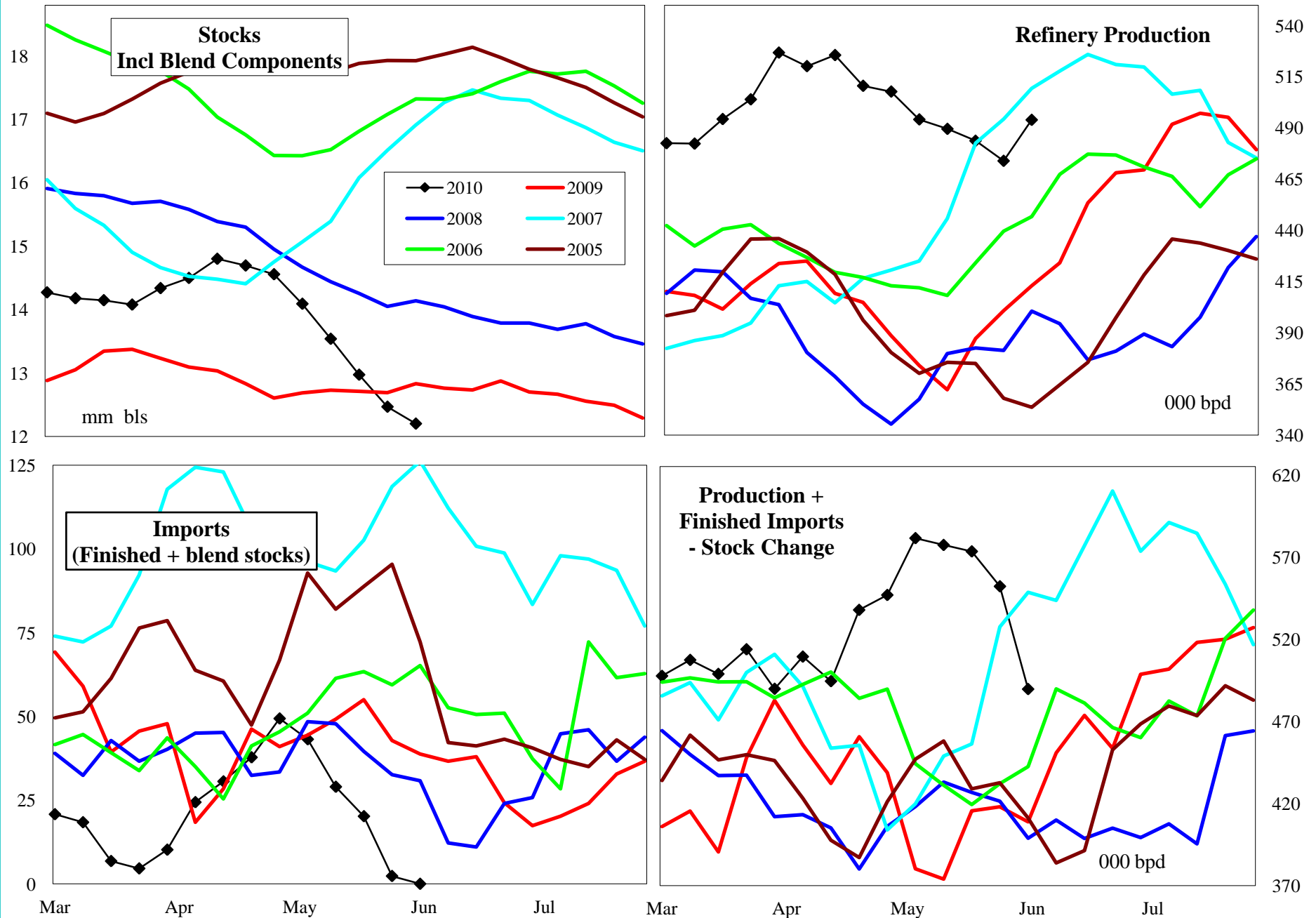
PADD 5 Gasoline Supply



PADD 5 Reformulated Gasoline Supply



PADD 5 Conventional Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-219

-1.7

Production

99

25.3

Imports

-26

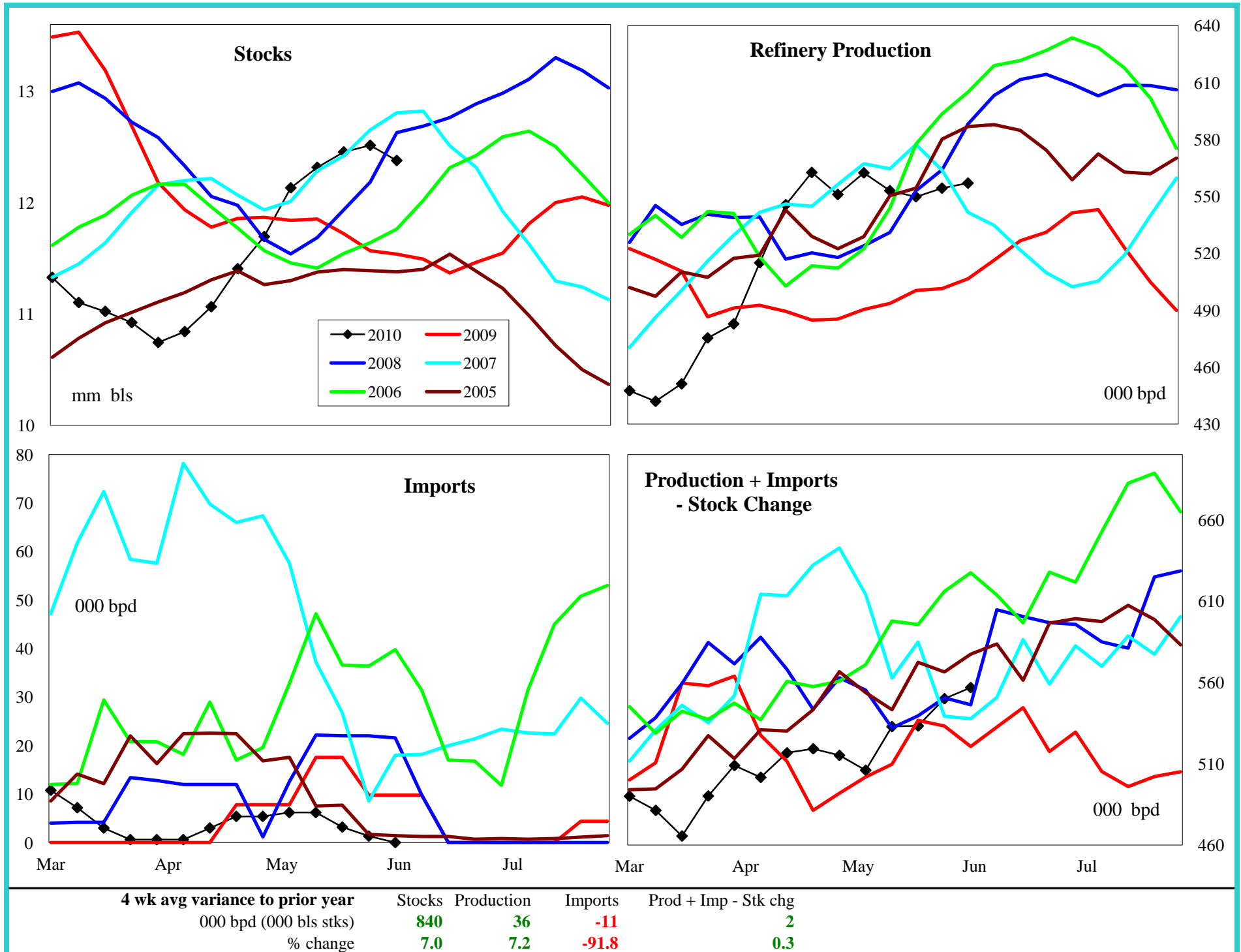
-61.5

Prod + Imp - Stk chg

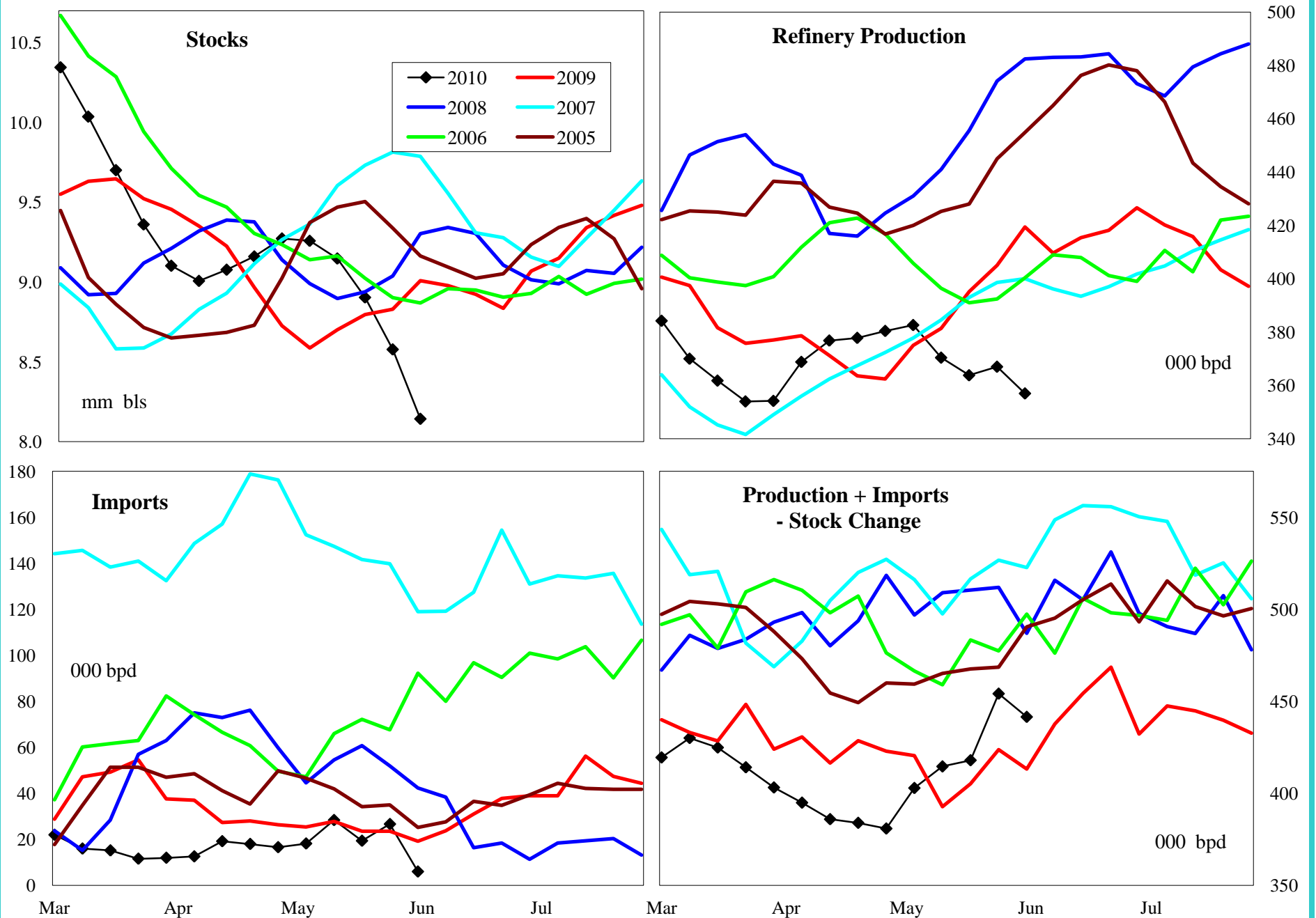
136

32.5

PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-687

-7.8

Production

-44

-10.8

Imports

-4

-13.3

Prod + Imp - Stk chg

31

7.9

PADD 5 Residual Fuel Oil Supply

