

WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

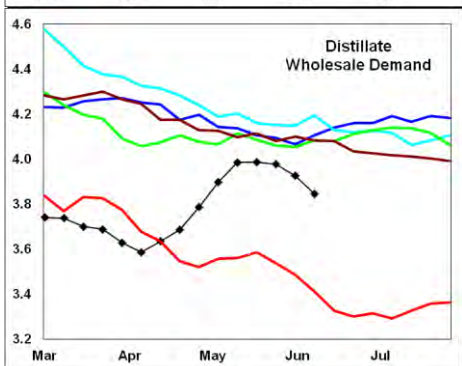
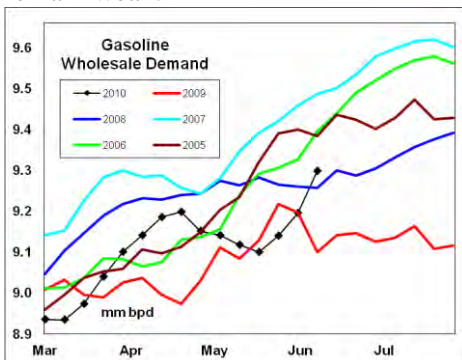
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, June 16, 2010



Major Fundamental Trends¹

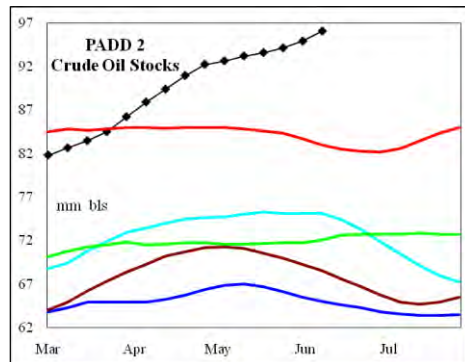
Gasoline demand turned higher last week, rising +144,000 bpd after 6-wks of very lackluster growth. Both distillate and jet fuel demand declined. During the latest 4-wk period demand for distillate continues to exhibit robust growth versus a year ago while gasoline, jet and residual fuel oil remain weak.



Regional supply imbalances for gasoline are emerging with extremely high stock levels in the Gulf, and relatively low stock in the Midwest and West Coast markets. PADD 1 supplies are very ample with extremely high production in the region, driven by blending of unfinished receipts from the Gulf. These supply imbalances should lead to significant regional price differentials during the peak driving season.

Imports of Canadian crude oil into PADD 2 increased +600,000 bpd over last year. This increase is changing the supply balance between the Gulf and Midwest. Stocks of crude oil in PADD

2 are now +13 million barrels above last years' record level, with +8.7 million barrels of the increase stored in Cushing, Oklahoma. Concurrently, crude oil stock levels in the Gulf have dropped to -7.8 million barrels below year ago levels. Imports in the region have dropped to match last years record low rates.



Continued over supply in the Midwest may drive ongoing weakness in the forward price curve for crude oil and depress the differential between heavier Canadian grades and light sweet domestic grades.

Demand for gasoline increased last week, while other major fuels saw declines.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline -0.7%; distillate up +12.5%; jet fuel up +3.5% while residual fuel oil fell -14%.

Stocks forward coverage: Gasoline demand coverage decreased on the week with a stock draw of -0.6 million barrels and increased demand. Coverage remains above the historic range.

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

Jet fuel coverage surged higher on a +1.2 million barrel stock build and lower weekly demand. Coverage remains extremely high.

Residual fuel oil coverage also increased on a sharp drop in demand that more than offset a -1.4 million barrel stock draw.

Refinery utilization rates declined last week on a -73,000 bpd drop in crude oil runs. Crude thru put was below four of the last 5-years.

Gasoline yield % on crude oil runs increased last week on a +161,000 bpd rise in production compared to the -73,000 bpd decrease in crude oil runs. Yield % was at the upper end of the historic range.

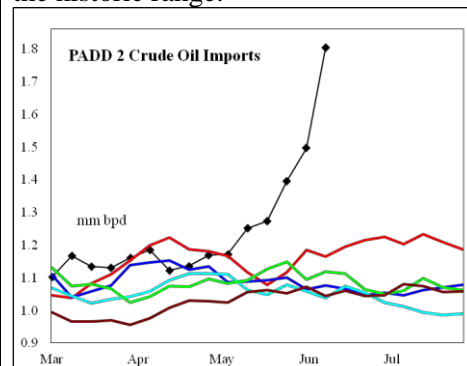
Distillate yield % on crude oil runs decreased due to a -97,000 bpd decrease in output. Yield % was near the 2008 record high level.

Jet fuel yield % on crude oil runs increased on a +57,000 bpd rise production.

Petroleum Imports of gasoline and distillate increased last week while crude oil and other products declined.

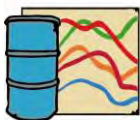
During the latest 4-wk period distillate imports increased +52,000 bpd over last year; finished gasoline imports decreased -192,000 bpd, gasoline blend stock imports increased +134,000 bpd; jet fuel imports decreased -4,000 bpd, while residual fuel oil imports decreased -107,000 bpd.

Crude Oil stocks increased +1.7 million barrels last week. The build was concentrated in PADD 2 where imports spiked to +500,000 bpd above the historic range.



Stocks in Cushing increased +0.2 million barrels. The surge in Canadian imports has kept stock levels extremely high in the midwest.

¹ Source is latest EIA Weekly Statistics



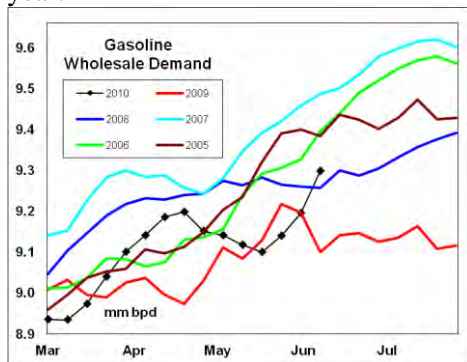
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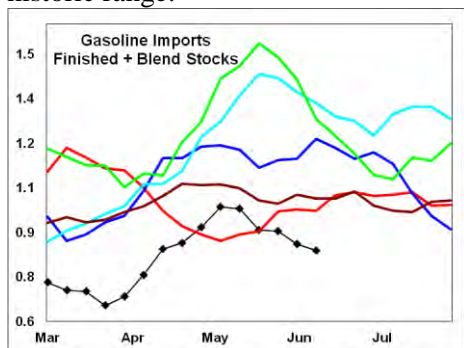
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Product Supply-Demand T20ends

Gasoline demand increased +144,000 bpd last week, to a level above last years' record lows. The latest 4-wk average was -62,000 bpd below last year.



Gasoline production increased +161,000 bpd on the week, with the 4-wk average +37,000 bpd above a year ago. Weekly output was above the historic mid range. Imports increased +50,000 bpd, but remain below the historic range.



Stocks declined -0.6 million barrels with the decrease concentrated in PADD 1. Stock levels remain above the historic range.

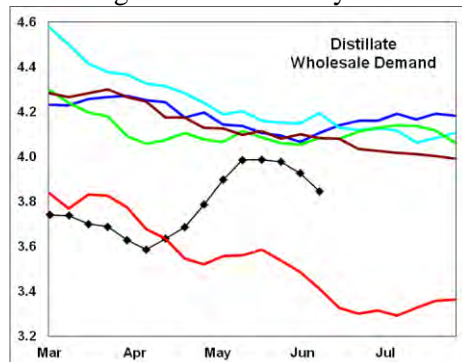
Last weeks' demand increase was the first meaningful upturn of the past 6-weeks. The industry has reduced imports to balance supplies, although stock levels in the Gulf and East Coast remain extremely high. A seasonal increase in demand should allow the industry to avoid extreme over supply in regional markets other than the Gulf Coast.

Distillate demand decreased -58,000 bpd last week. Demand for the latest 4-wk period averaged +438,000 bpd above last year. Robust domestic demand and strong exports continue to

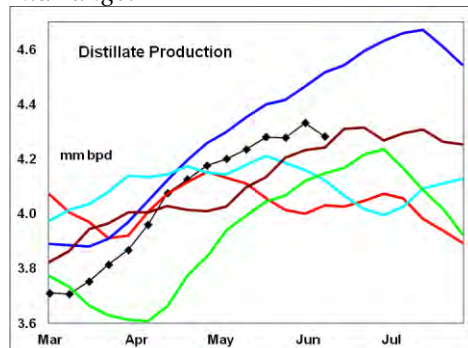
support the distillate market.

Production decreased -97,000 bpd last week, partially offset by a +34,000 bpd rise in imports. Imports reached the highest level of the quarter.

Stocks increased +1.8 million barrels on the week. Stock levels are +6.6 million barrels above last years' record high for this time of year.



Very high production and increased imports have offset the robust demand growth so that stock levels remain above last years' record highs. The rate of stock building has also increased, though it remains below the mid range.



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

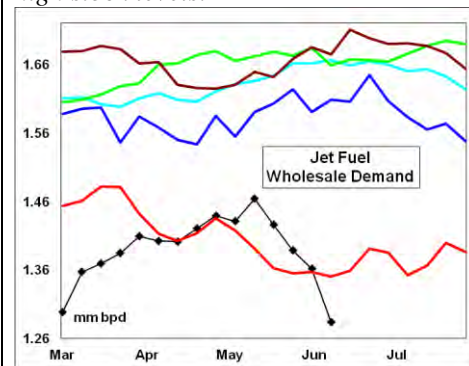
Jet Fuel demand decreased -50,000 bpd on the week, with the latest 4-wk average +46,000 bpd above last years' record low level.

Supply increased +55,000 bpd on the week, with production near the mid range. The latest 4-wk average supply was +42,000 bpd above a year ago. Stocks increased +1.2 million barrels, to a new record high for the period.

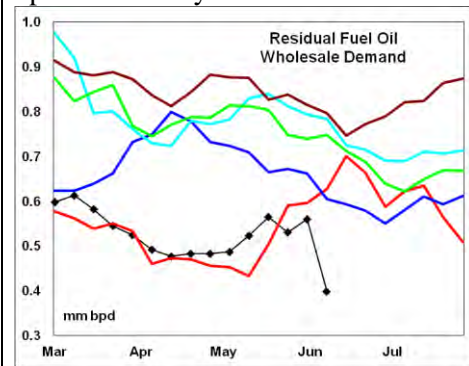
Demand remains extremely weak such that even with very low imports and

reduced level of production, stocks continue to build. Stock levels are now +10% above last years' record level.

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



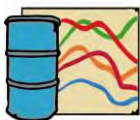
Residual fuel oil demand, including exports, decreased -229,000 bpd last week, with the 4-wk average -89,000 bpd below last years' record low.



Supply (production + imports) decreased -199,000 bpd on the week, with the latest 4-wk average -200,000 bpd below a year ago. Stocks decreased -1.4 million barrels but remain well above the historic range.

The residual fuel oil market supply balance is improving on extremely low imports and production. However, weak demand and stock levels still above the historic range point toward a very well supplied market.

These fundamental trends should lead to relative price weakness for residual fuel compared to the overall energy complex.



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

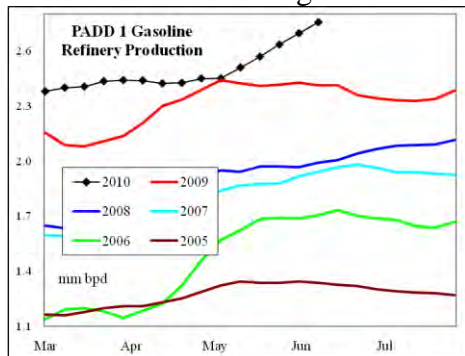
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PADD Supply Trends

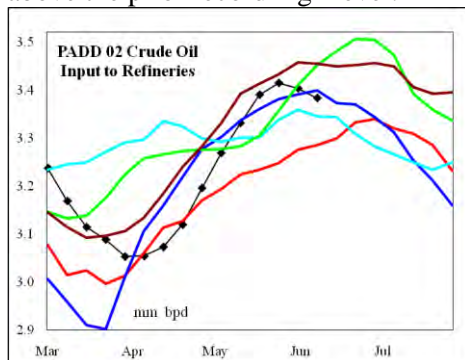
PADD 1 refinery crude oil runs fell -98,000 bpd last week, with the 4-wk average -35,000 bpd below last years' record low rate.

Gasoline production increased +113,000 bpd on the week, with the latest 4-wk average +231,000 bpd above a year ago, and at a new 5-year high. Imports declined 44,000 bpd on the week, to a level below the historic range. Stocks declined -1.3 million barrels but remain near historic highs.



Distillate supply decreased -14,000 bpd last week, with lower production more than offsetting higher imports. Imports were near record levels. Stocks increased +1.6 million barrels, to match last years' record high.

Jet fuel supply increased +12,000 bpd last week, but remains near historic lows. Stocks increased 0.2 million barrels on the week, +16% above the prior record high level.



PADD 2 crude oil refinery runs decreased -33,000 bpd last week, to the historic mid range. Crude oil stocks increased +1.7 million barrels, to a new record level. Imports surged

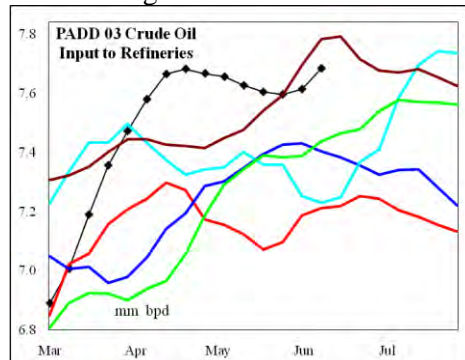
+564,000 bpd an extremely high level. Stocks in Cushing increased +0.2 million barrels, and remains +30% above the previous record level.

Gasoline production increased +25,000 bpd last week, to the mid range. Stocks extended a longer term downtrend, ending the week below the mid range for this period.

Distillate production increased +17,000 bpd to match the record level set in 2008. Stock levels were above the mid range.

Jet fuel stocks decreased last week, but remain above the historic range.

PADD 3 refinery crude oil runs increased +38,000 bpd last week, near the 5-year high. The latest 4-wk average was +410,000 bpd above a year ago. Crude imports remain extremely low as Canadian imports offset imports through the Gulf. Crude oil stocks increased +0.3 million barrels last week, with the level below the mid range.



Gasoline production was nearly unchanged on the week at a level -333,000 bpd below last year (note unfinished gasoline is reported in PADDs receiving this product from the Gulf). Stocks increased +0.5 million barrels to a new record high level.

Distillate production decreased -31,000 bpd last week, although output remains near the 2008 record high level. Stocks were +15% above last years' record high level.

Jet fuel production increased +22,000 bpd on the week, to a level near the mid range. Stocks jumped +0.9 million barrels on the week and are now +20% above the prior record

level.

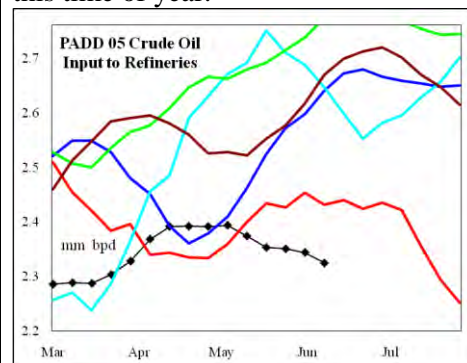
Residual fuel oil supply fell -51,000 bpd on the week. stocks decreased but remain +21% above last year.

PADD 4 refinery crude oil runs increased +5,000 on the week, but the level was still at the low end of the 5-year range. The latest 4-wk average thru put was -16,000 bpd below last year.

Gasoline production fell -44,000 bpd on the week, to the low end of the historic range. Stock levels remain extremely high.

Distillate production increased +10,000 bpd last week, to a level at the upper end of the historic range. Stock levels increased to a new record high.

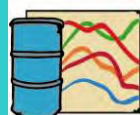
PADD 5 crude oil refinery runs increased +16,000 bpd on the week, but remain well below the historic range. The latest 4-wk average run rate was -109,000 bpd below last year. Crude oil stocks increased +0.8 million barrels, to above the historic range for this time of year.



Gasoline supply (production + imports) increased +73,000 bpd last week, to a level that near the 5-year mid range. The latest 4-wk average supply was +19,000 bpd above last year. Stocks increased +0.3 million barrels to a level marginally above the last two years.

Distillate production fell -46,000 bpd on the week, to the low end of the historic range. Stock levels match the mid range.

Jet fuel stocks and production levels each remain below the historic range, reflecting very weak demand.


**FUNDAMENTAL
PETROLEUM
TRENDS**


PETROLEUM: Graph Link and Weekly Summary

A Fundamental Petroleum Trends Weekly Report

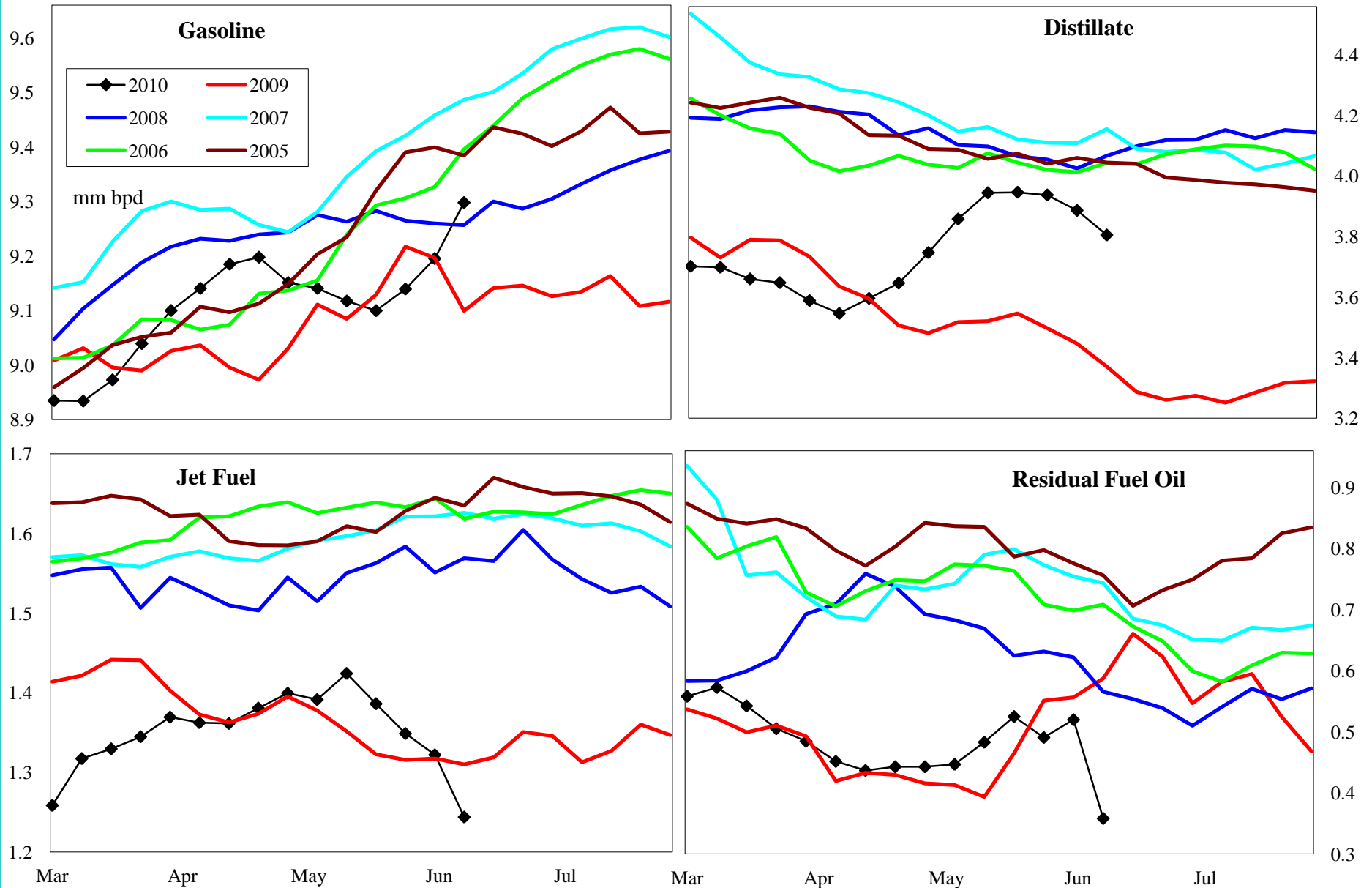
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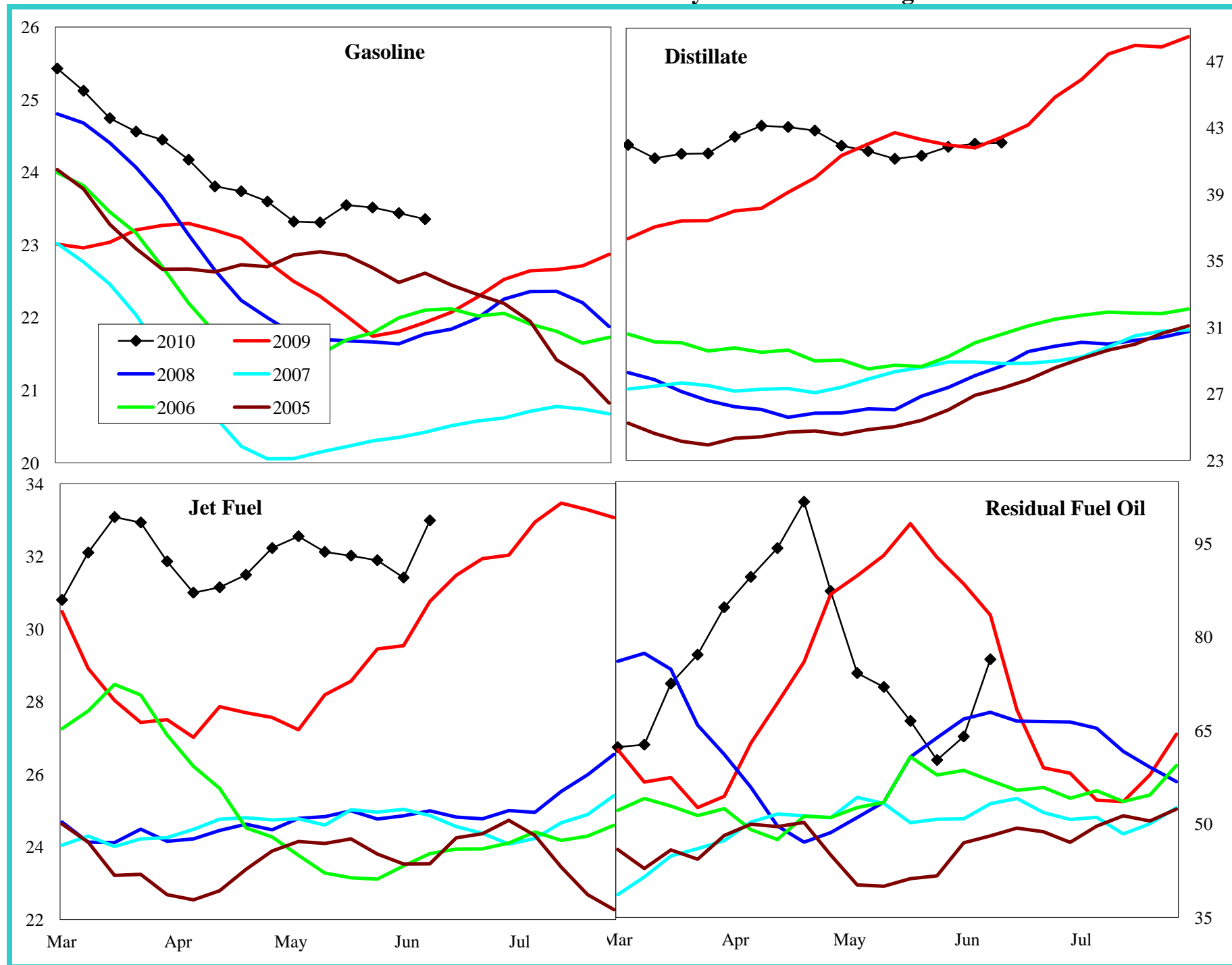
Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization</u> <u>Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	11-Jun-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	1,690	-753	1,689	252	-342	843
	Imports	164	-111	564	105	-68	-327
	Input	-73	-98	-33	38	5	16
	% Utilization	-1.20					
<u>Gasoline</u>	Stocks	-636	-1,273	-309	527	96	323
	Production	161	113	25	7	-44	60
	Imports	50	-44	0	81	0	13
	Supplied	144					
<u>Distillate</u>	Stocks	1,798	1,593	346	111	48	-301
	Production	-97	-48	17	-31	10	-46
	Imports	34	35	0	0	0	0
	Supplied	-58					
<u>Jet Fuel</u>	Stocks	1,170	233	-226	873	-7	296
	Production	57	14	6	22	0	15
	Imports	-2	-33	0	0	0	31
	Supplied	-50					
<u>Residual Fuel Oil</u>	Stocks	-1,357	-979	54	-327	5	-111
	Production	-90	-27	-7	-47	-1	-9
	Imports	-109	-90	-4	5	0	-20
	Supplied	-229					

United States Wholesale Petroleum Demand

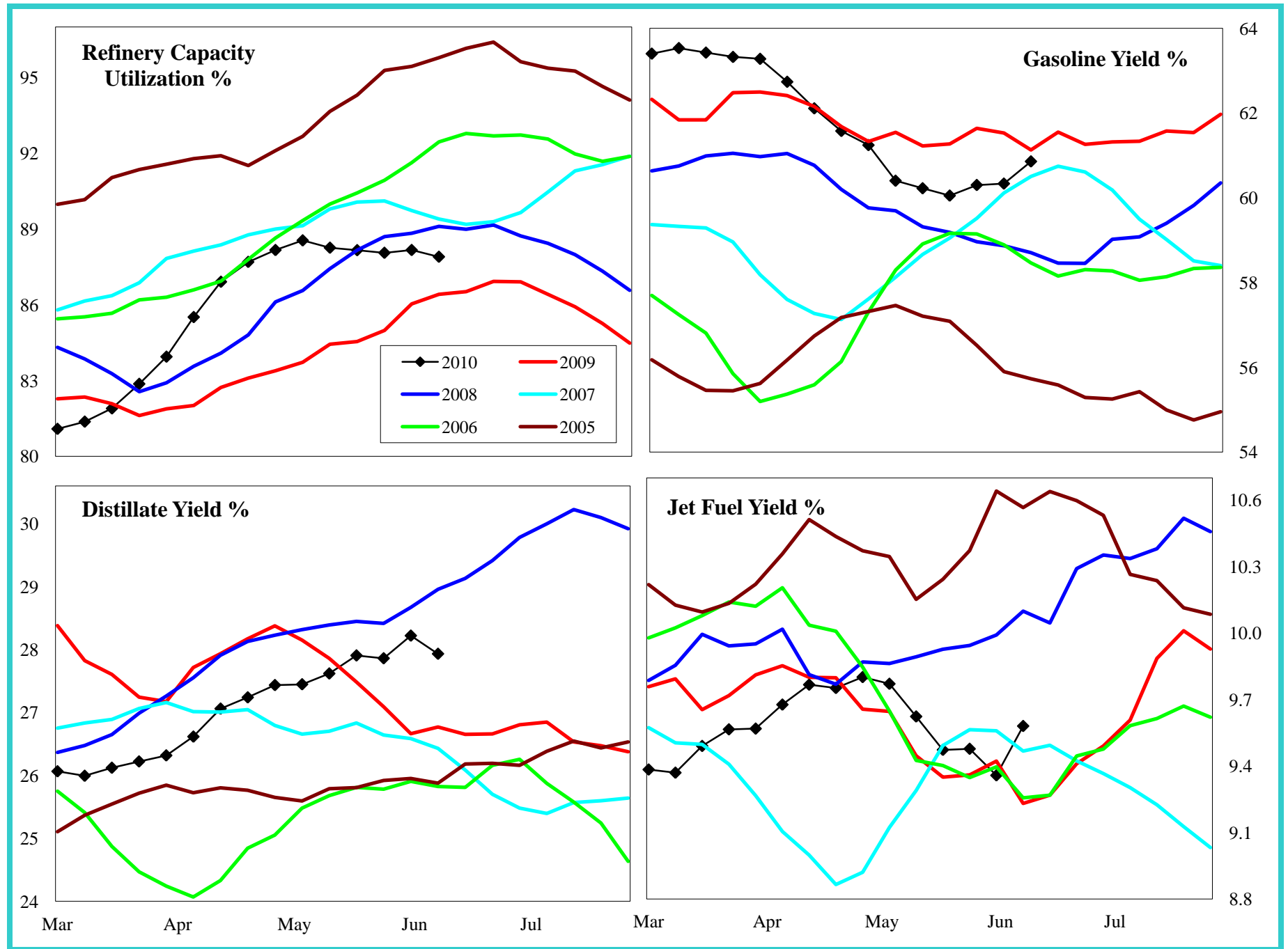


	000 bpd change from prior year				% change from prior year			
	4wk avg	May	Apr	Mar	4wk avg	May	Apr	Mar
Gasoline	-62	39	314	-79	-0.7	0.4	3.5	-0.9
Distillate	438	589	175	110	12.5	17.2	5.1	2.9
Jet Fuel	46	111	-16	5	3.5	8.3	-1.1	0.3
Resid	-89	59	-212	-60	-14.2	12.0	-31.5	-9.9

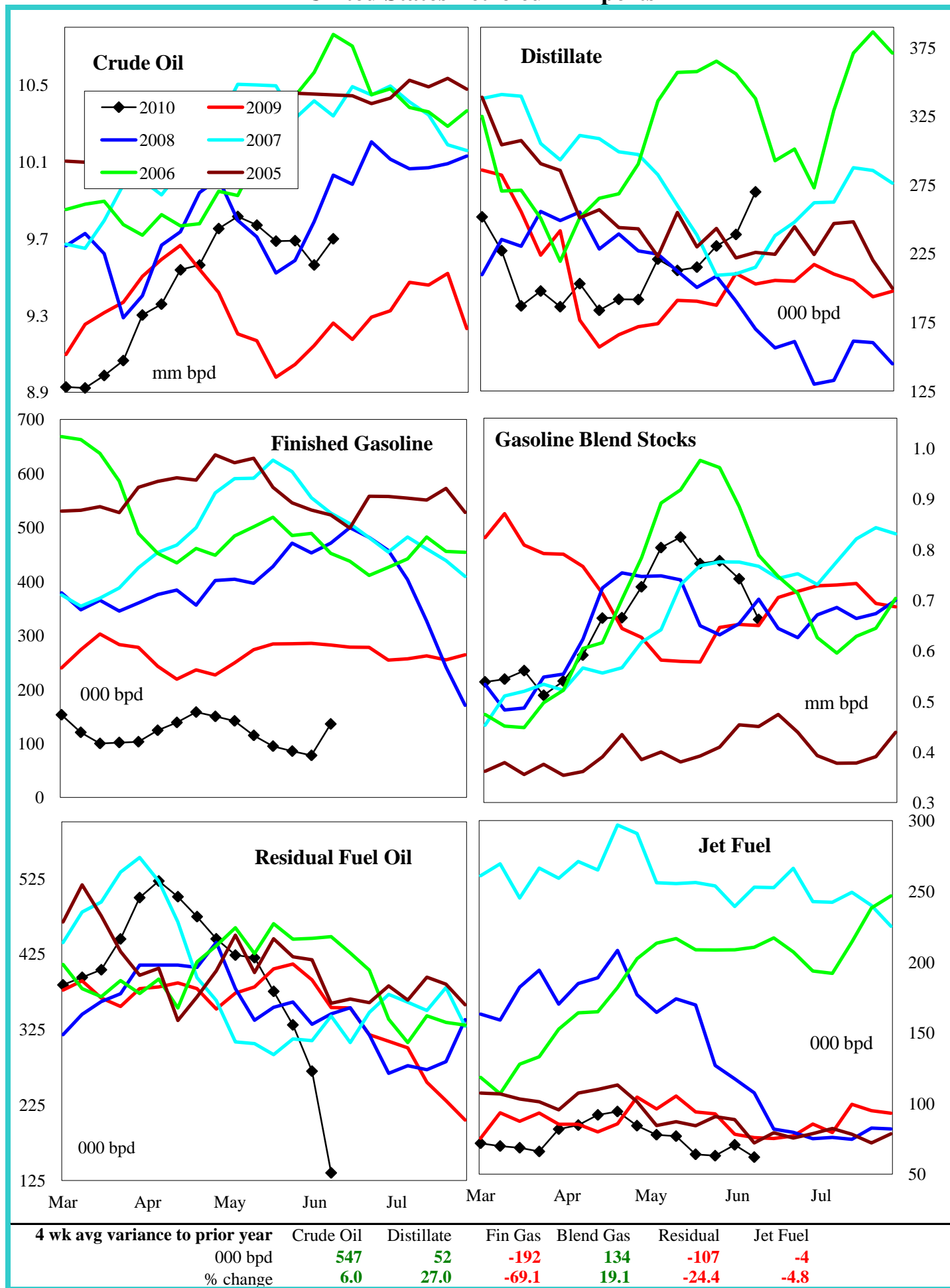


United States Product Stocks: Days Forward Coverage

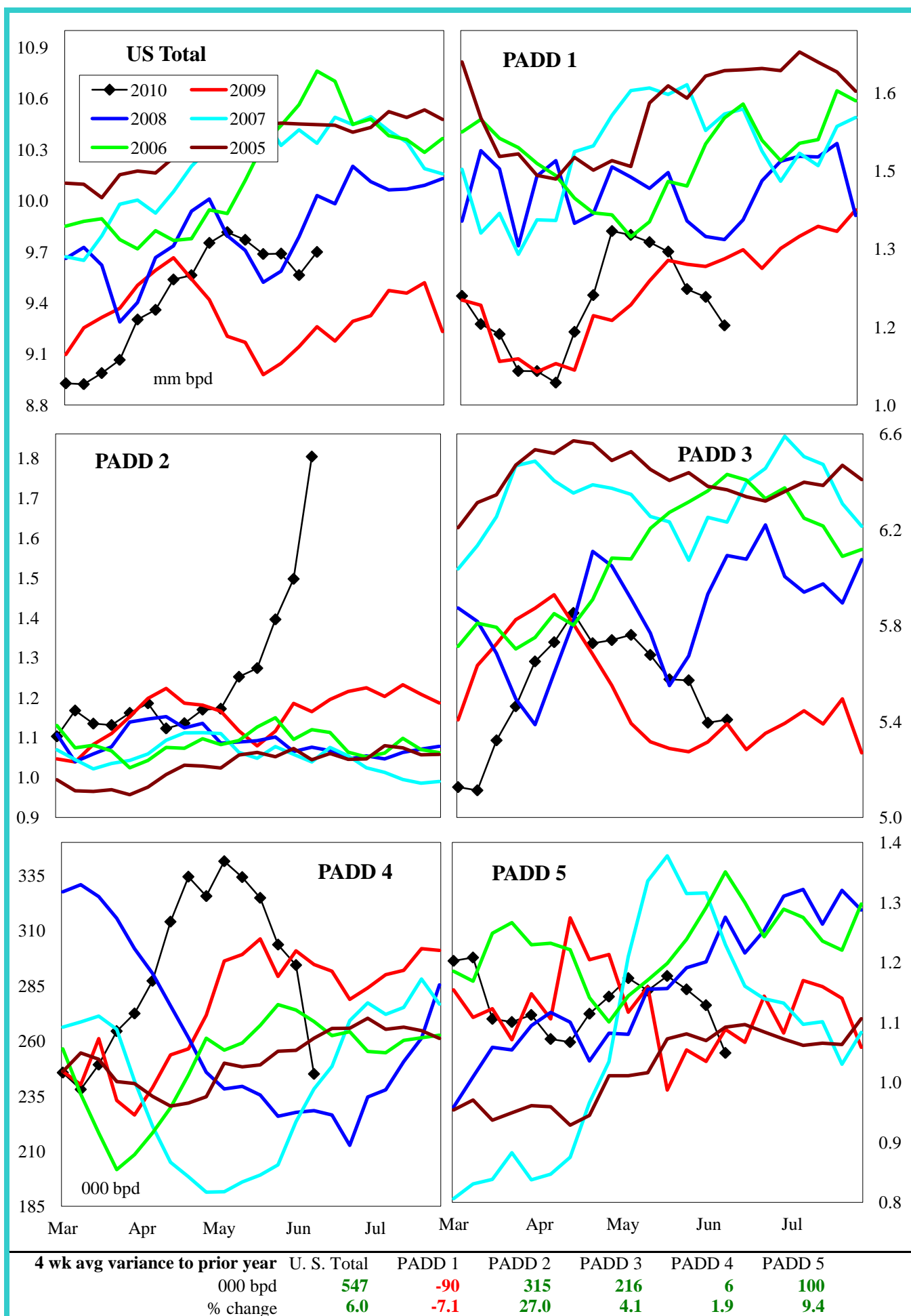
United States Refinery Percent Utilization Rate and Product Yields



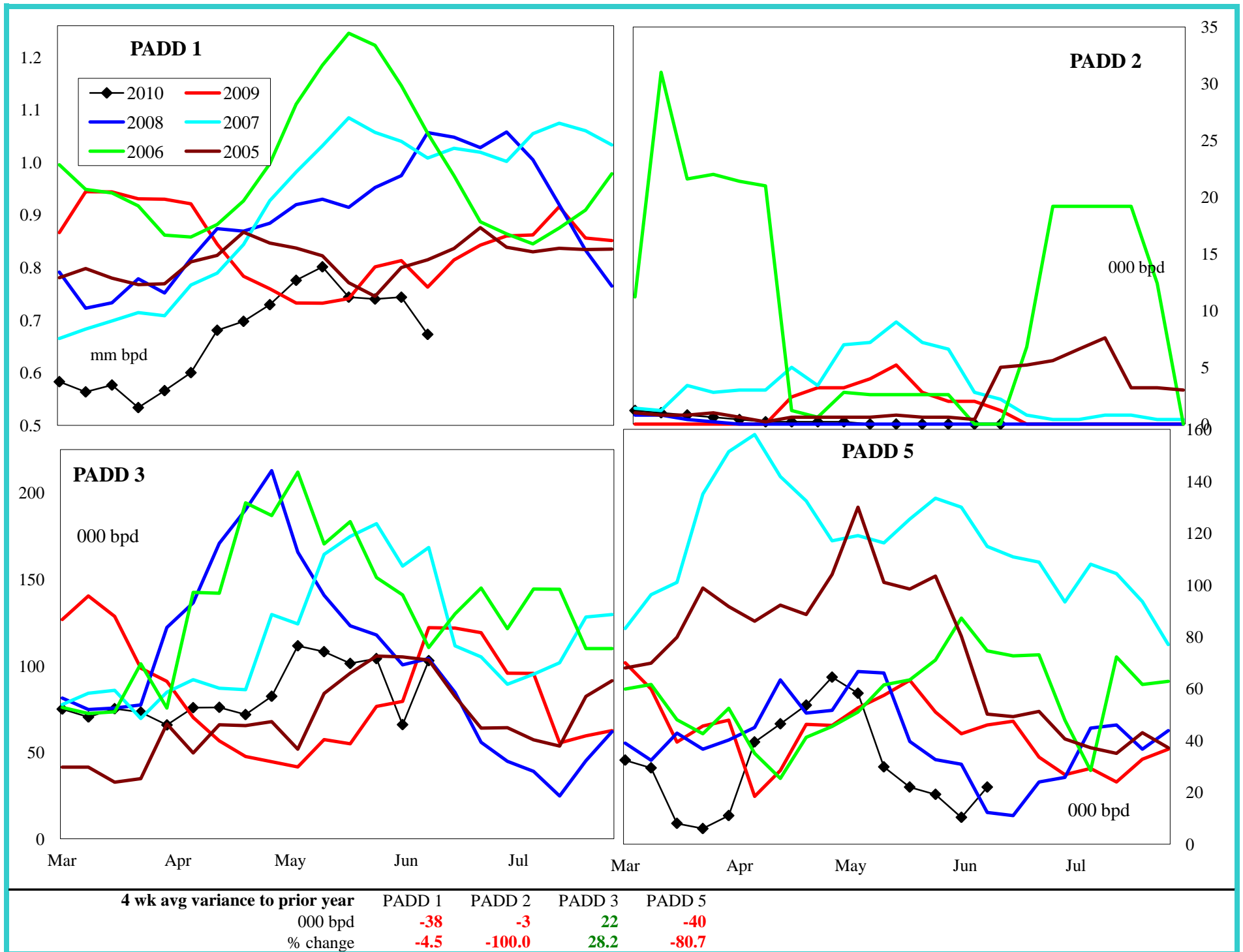
United States Petroleum Imports



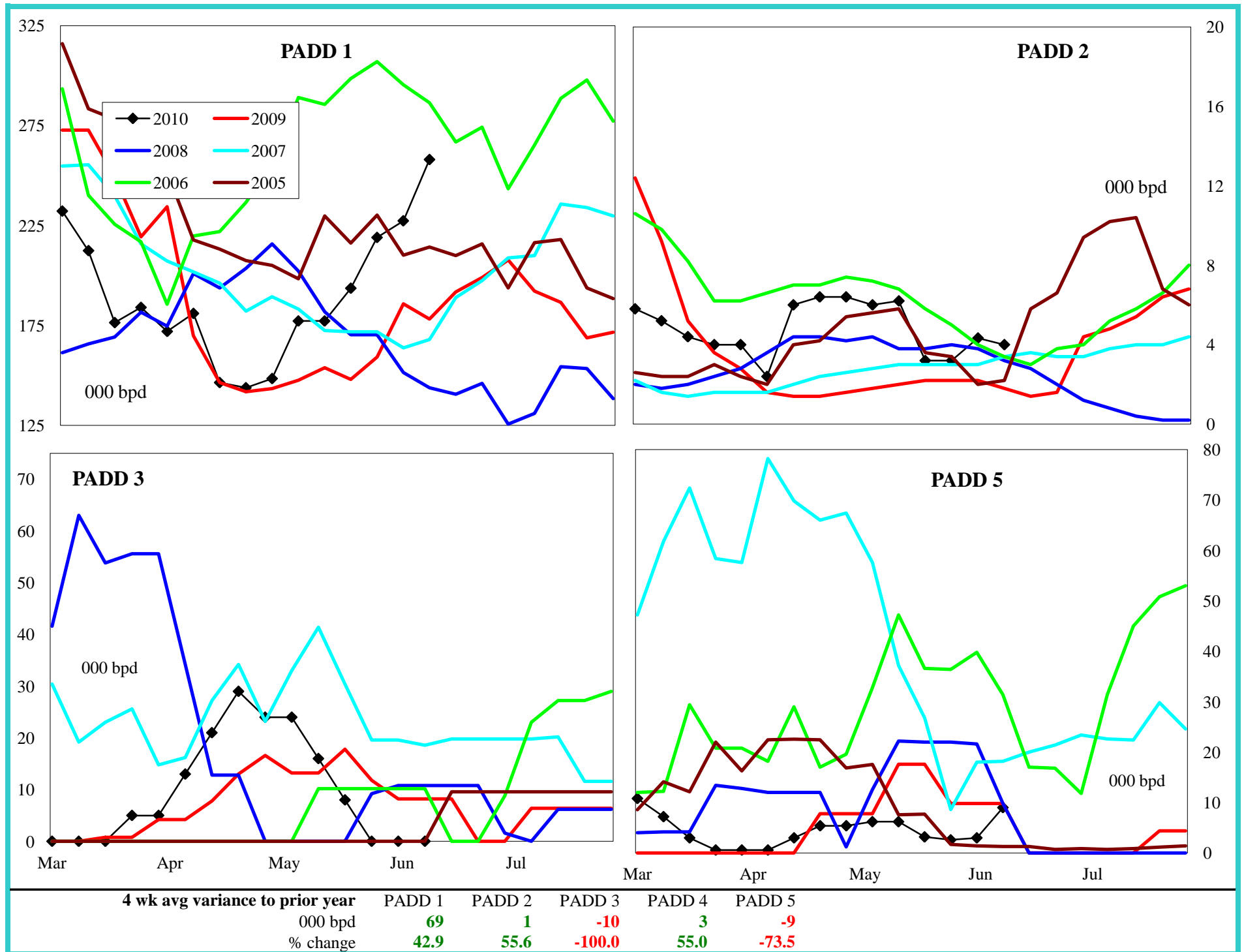
Crude Oil Imports by PADD



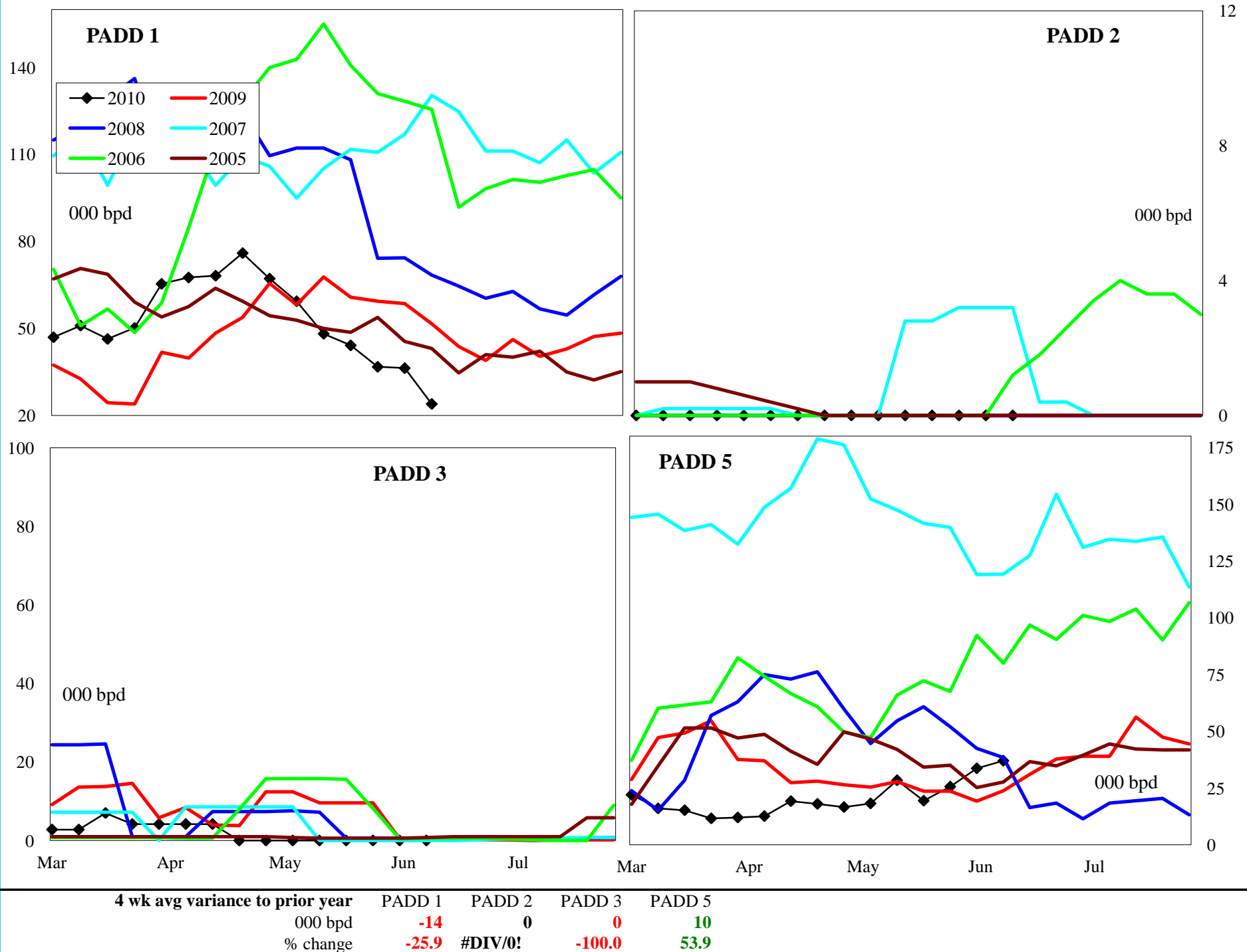
Gasoline Imports by PADD (Finished + Blend Stocks)



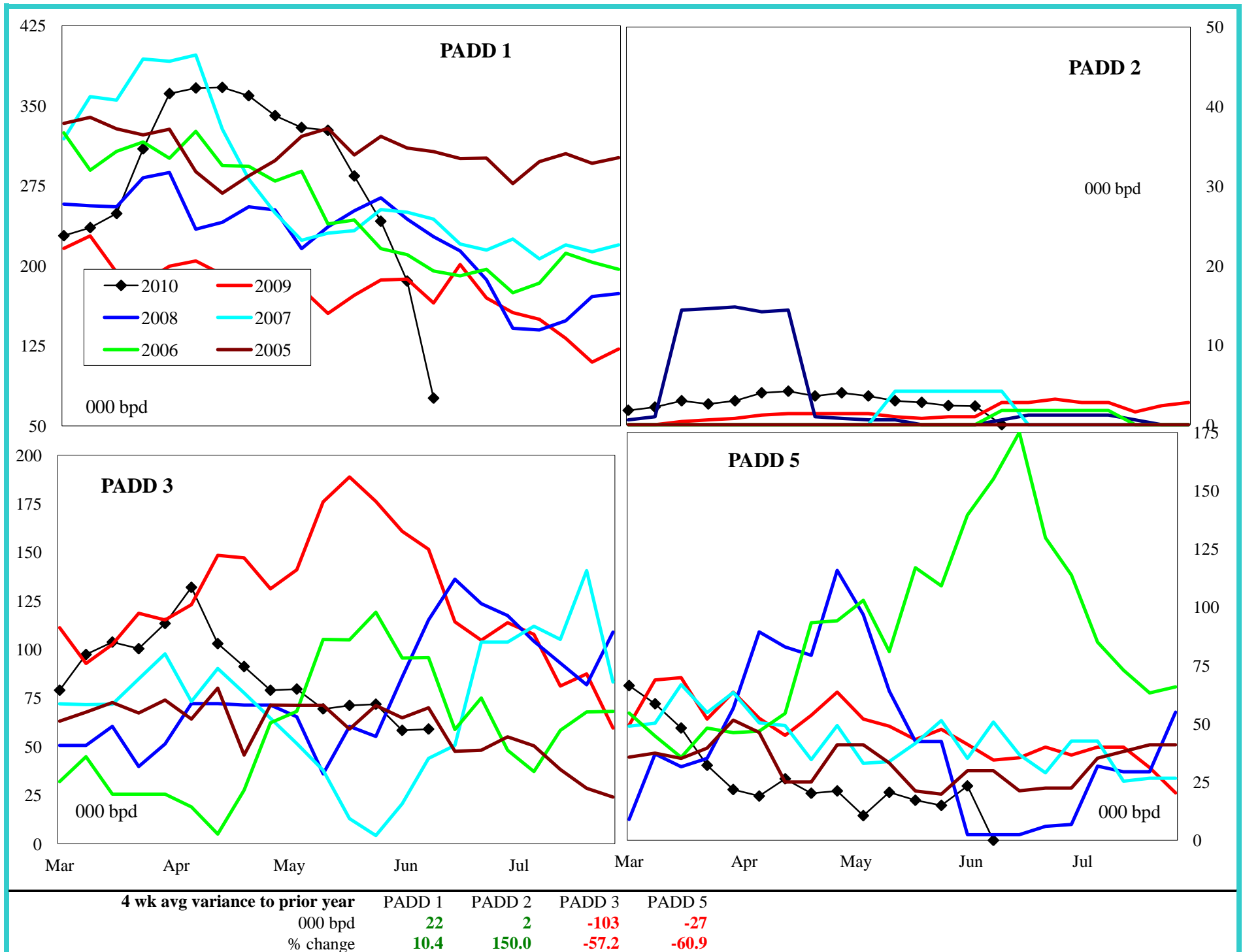
Distillate Imports by PADD



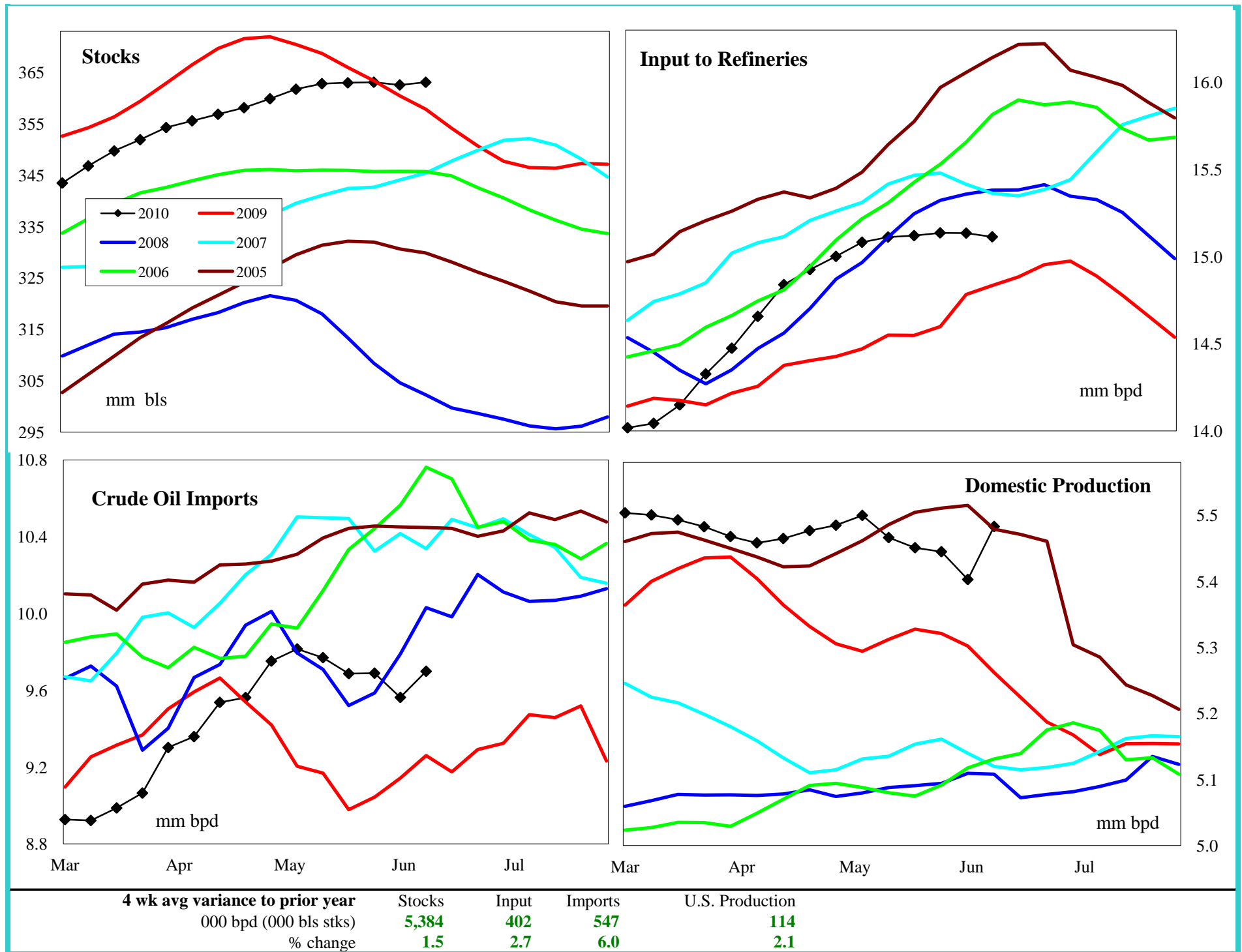
Jet Fuel Imports by PADD



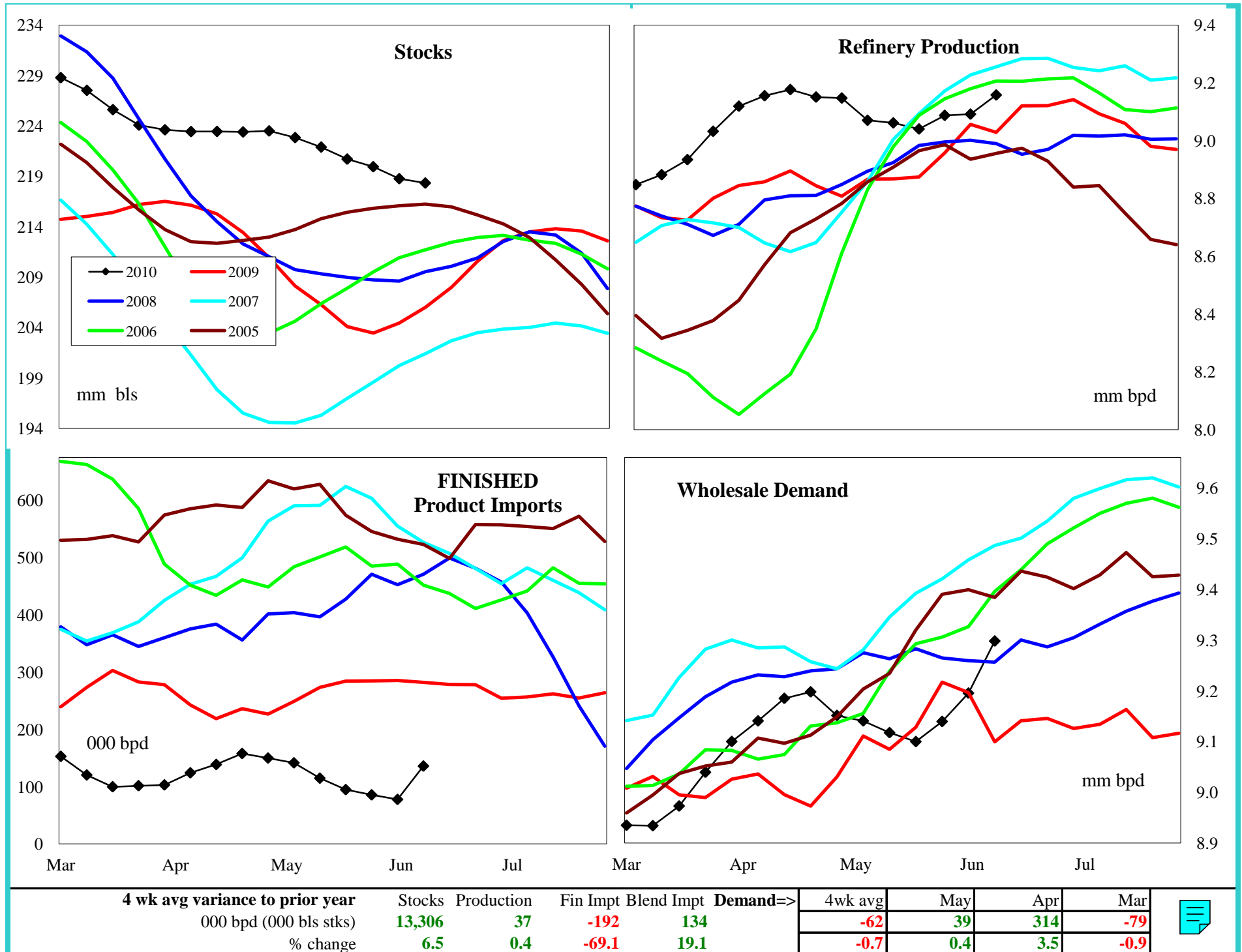
Residual Fuel Oil Imports by PADD



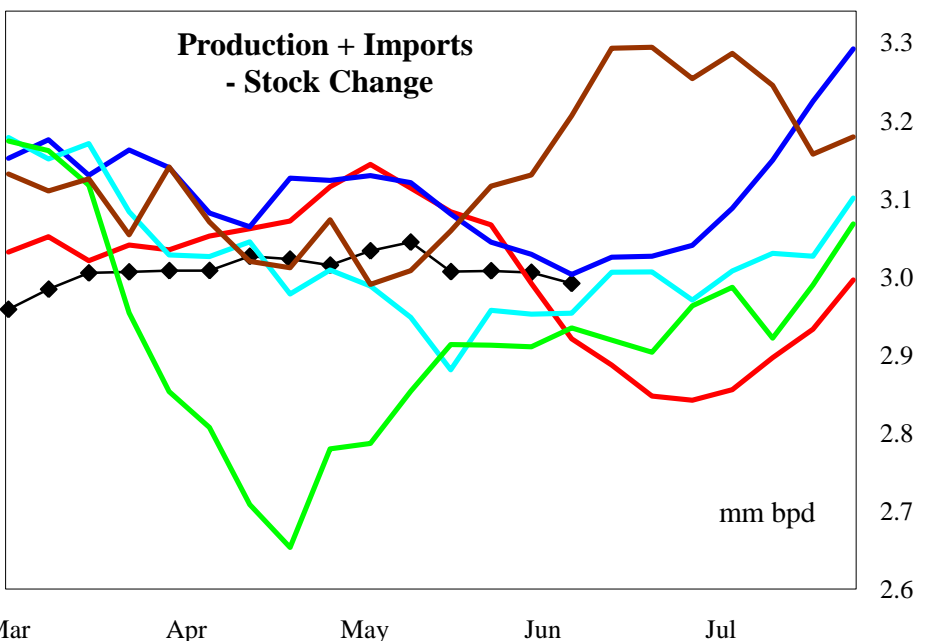
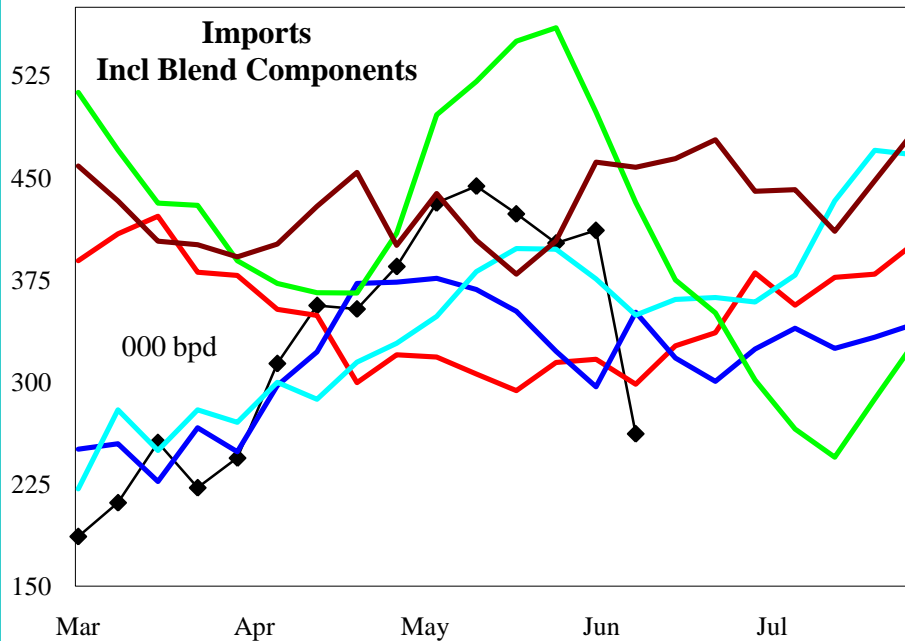
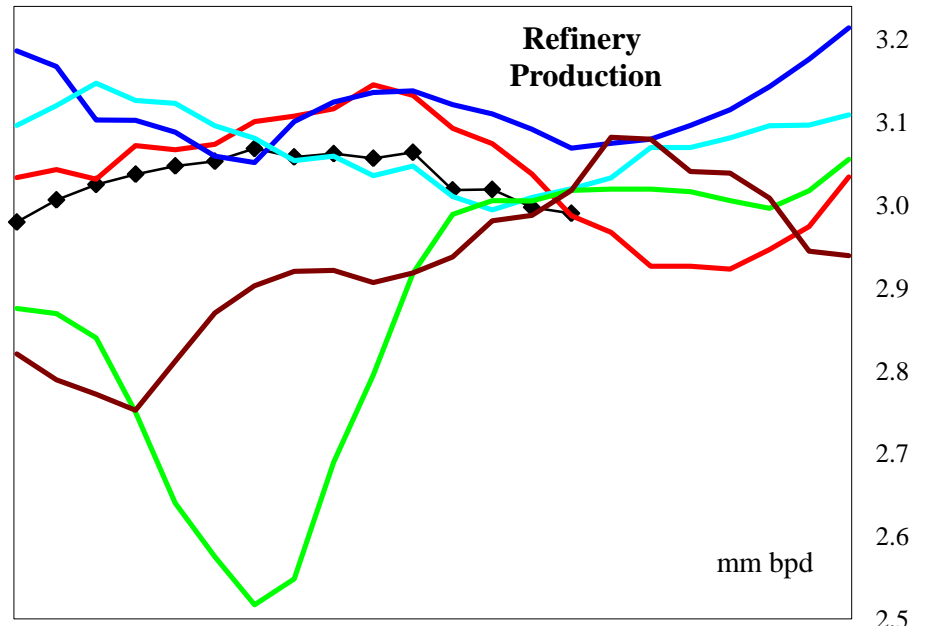
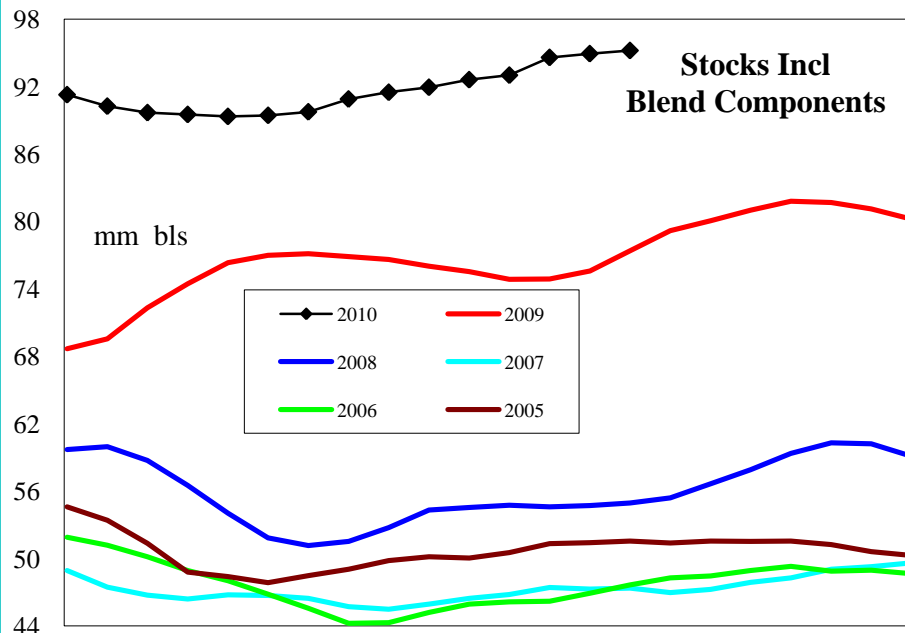
United States Crude Oil Supply and Demand Balance



United States Gasoline Supply and Demand Balance



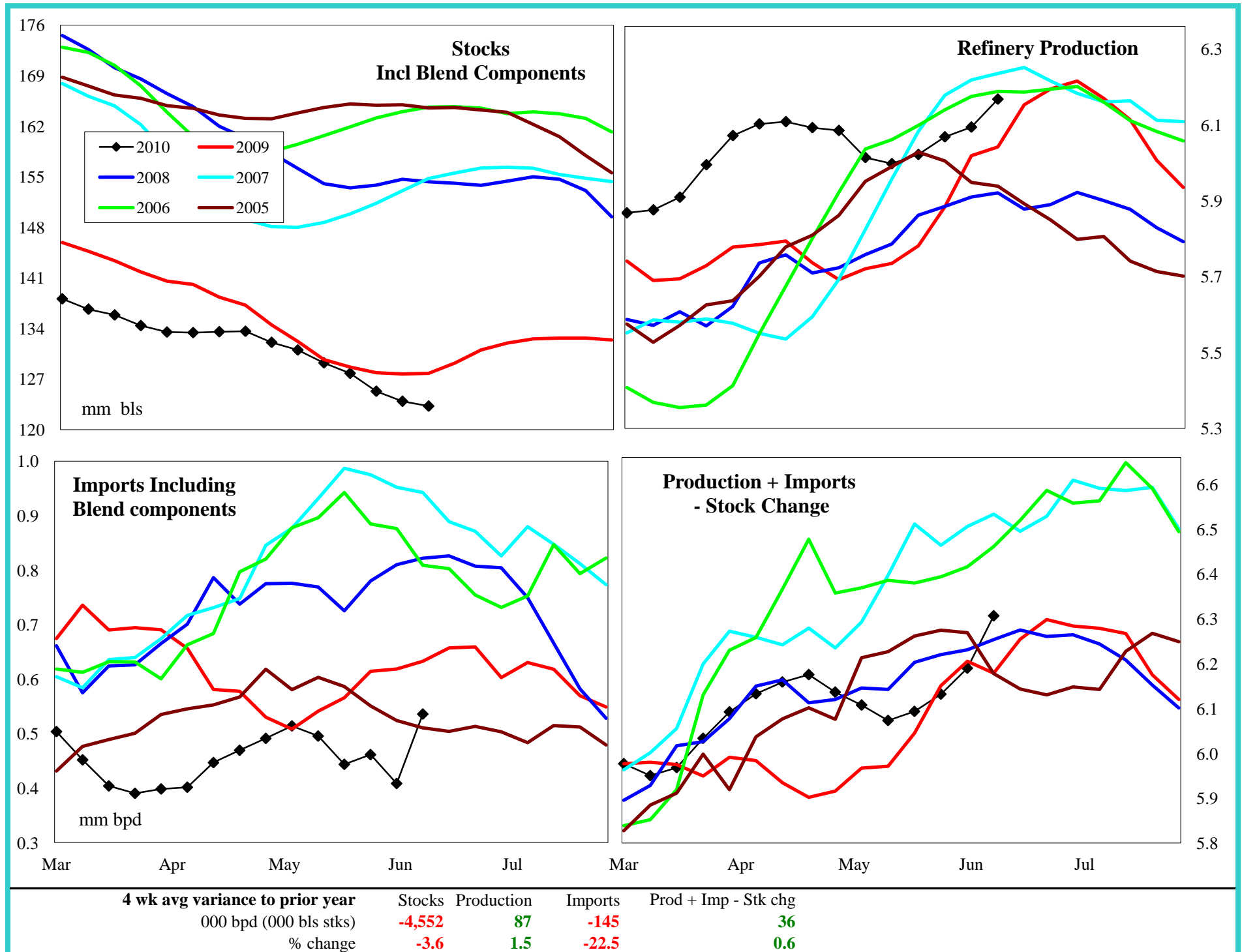
United States Reformulated Gasoline Supply



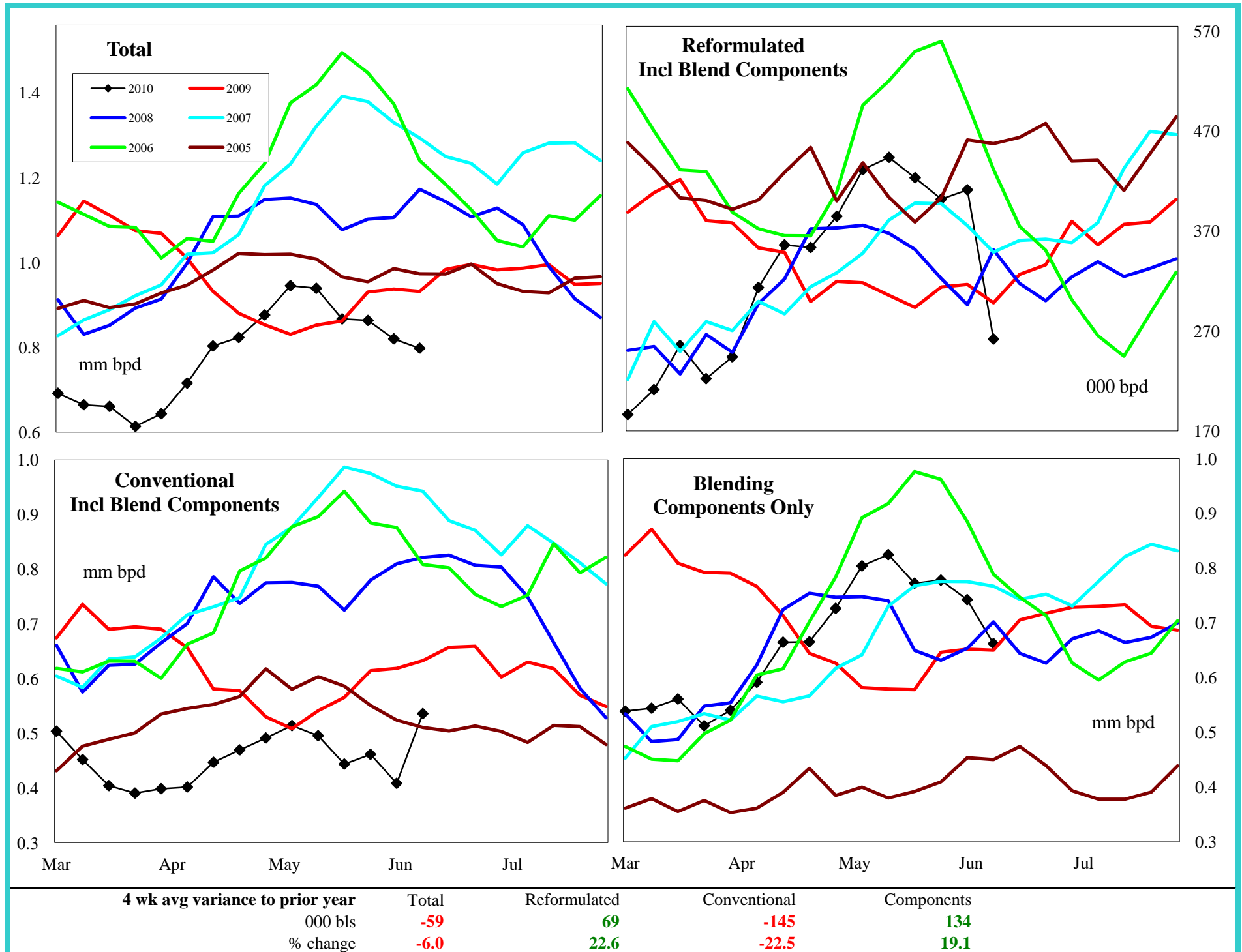
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
17,821	-50	69	-13
23.0	-1.6	22.6	-0.4

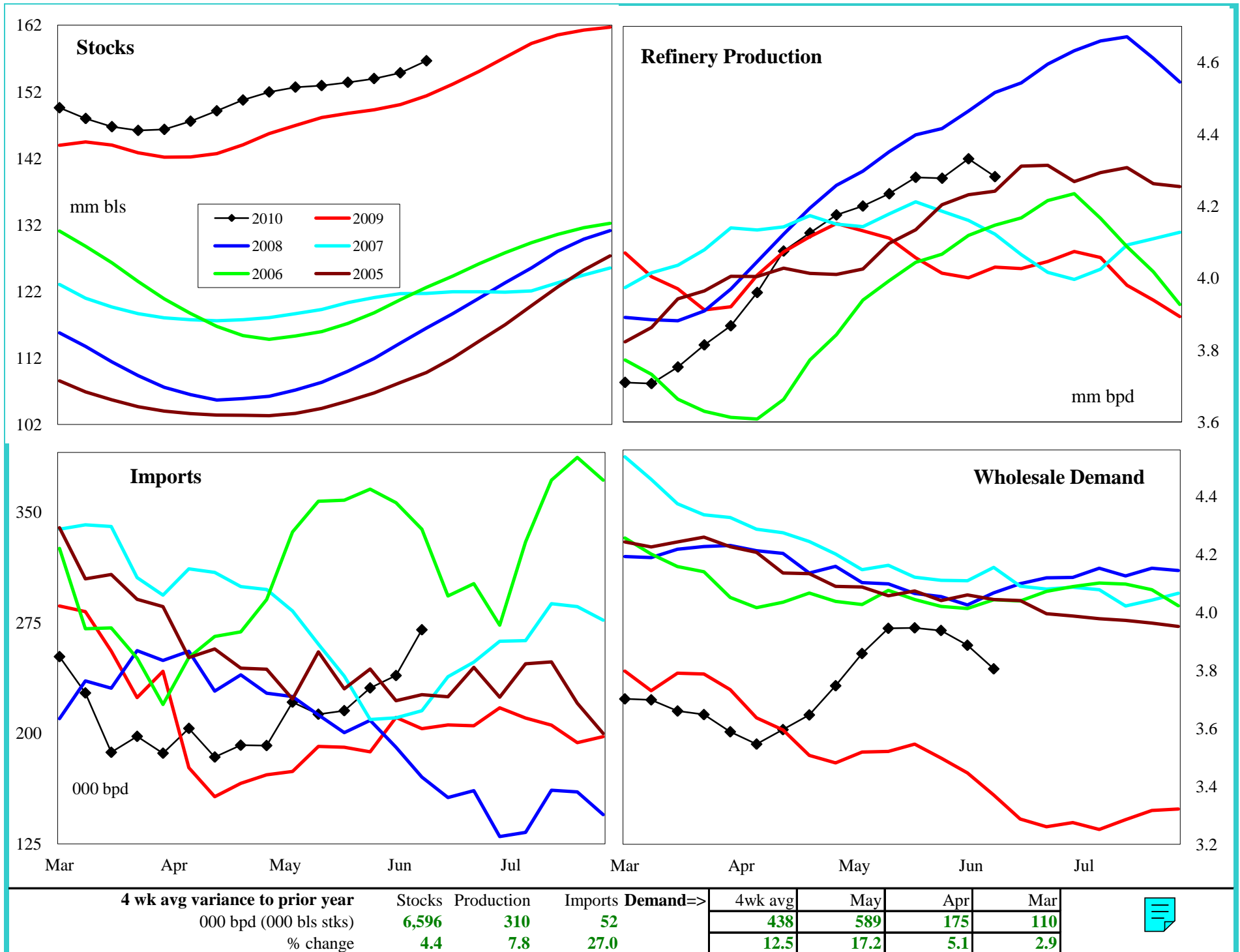
United States Conventional Gasoline Supply



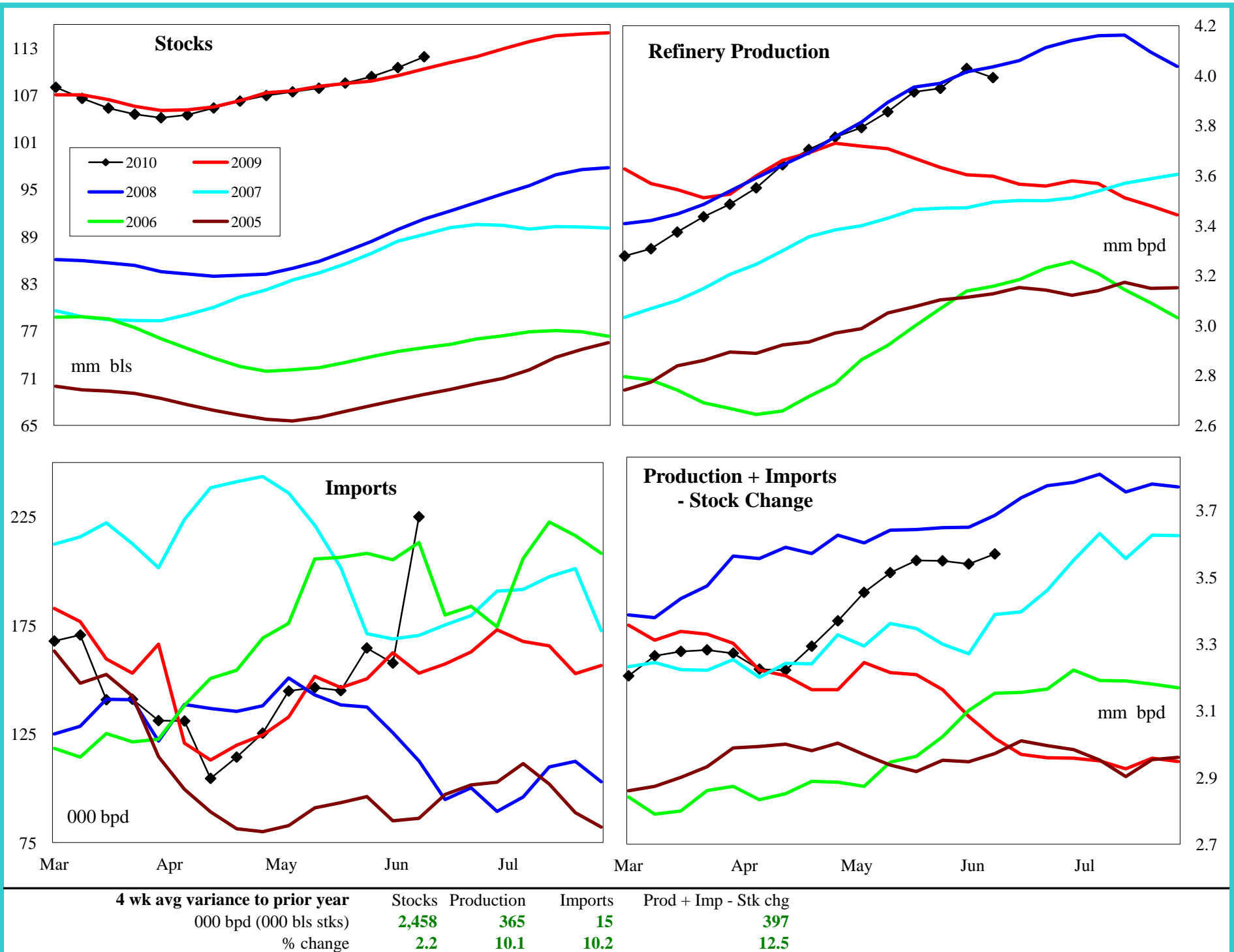
United States Gasoline Imports by Type



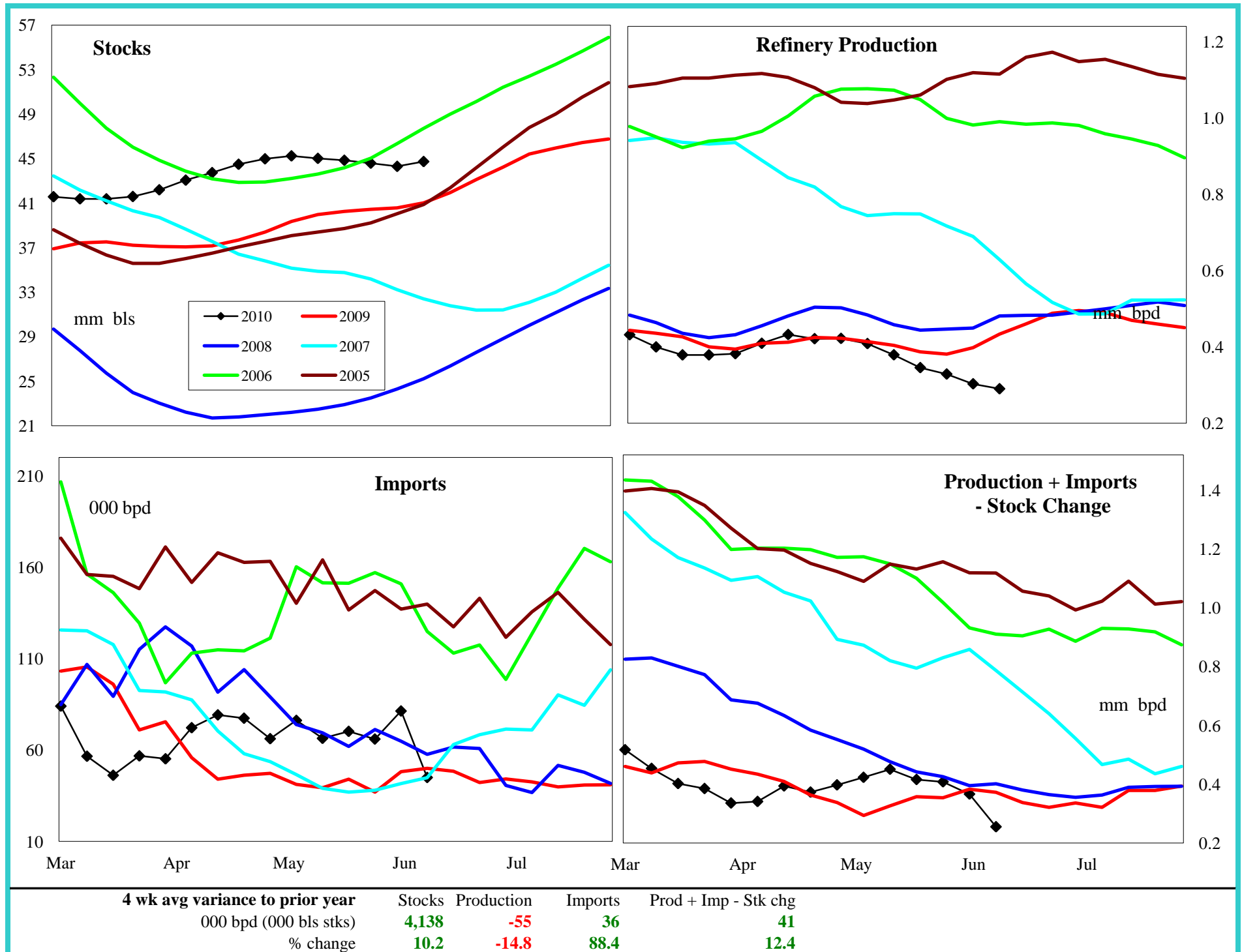
United States Distillate Supply and Demand Balance



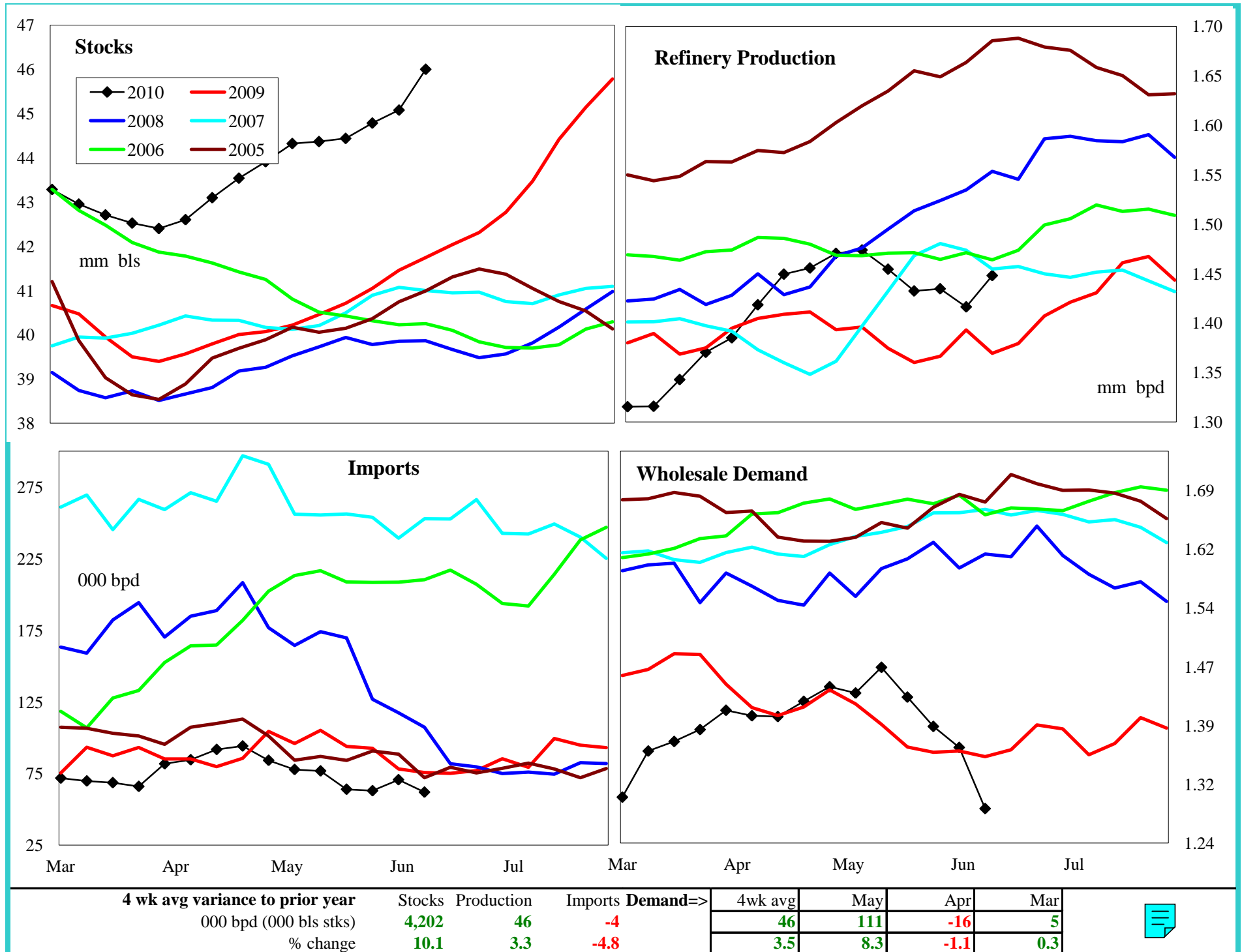
United States Low Sulfur Distillate Supply



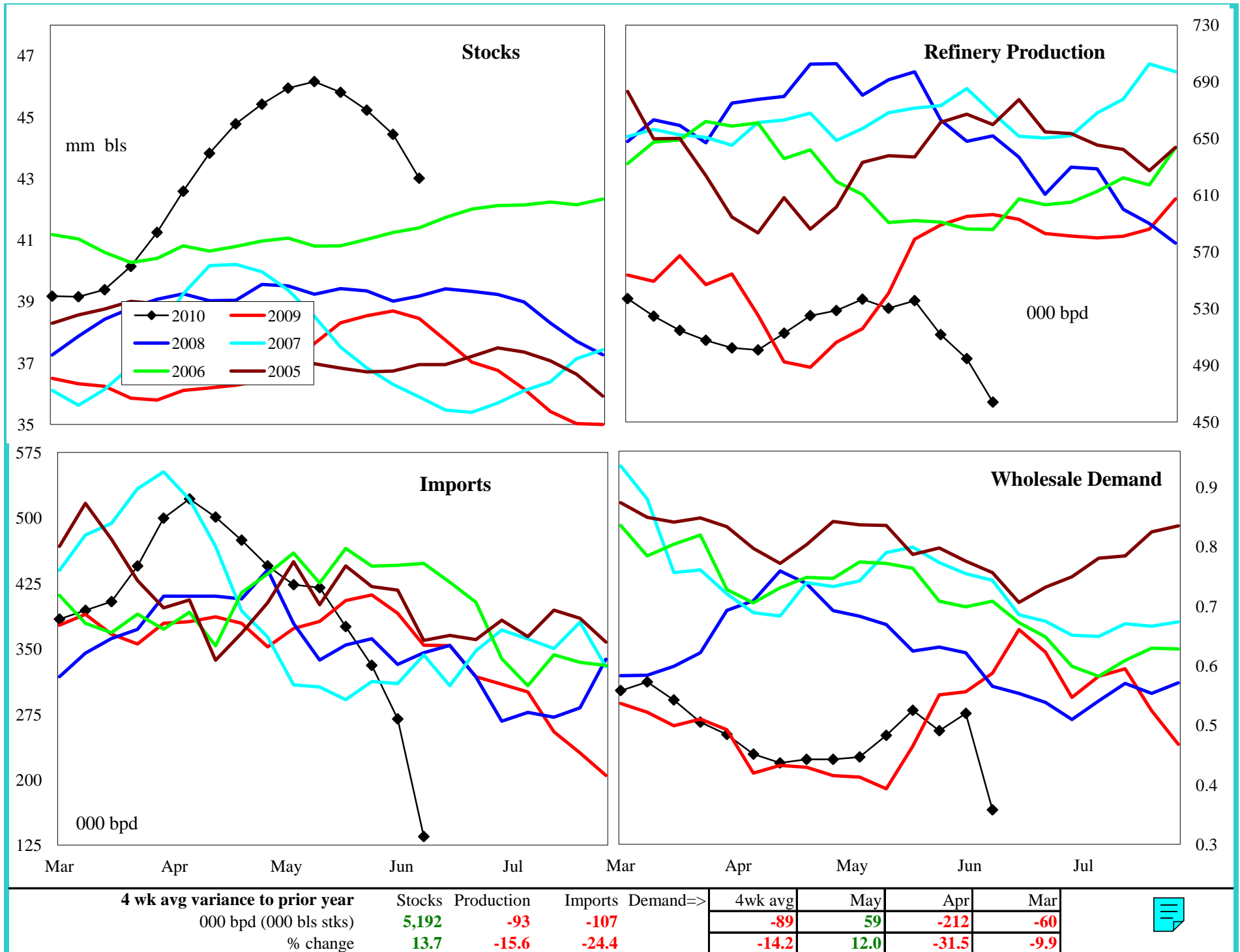
United States High Sulfur Distillate Supply



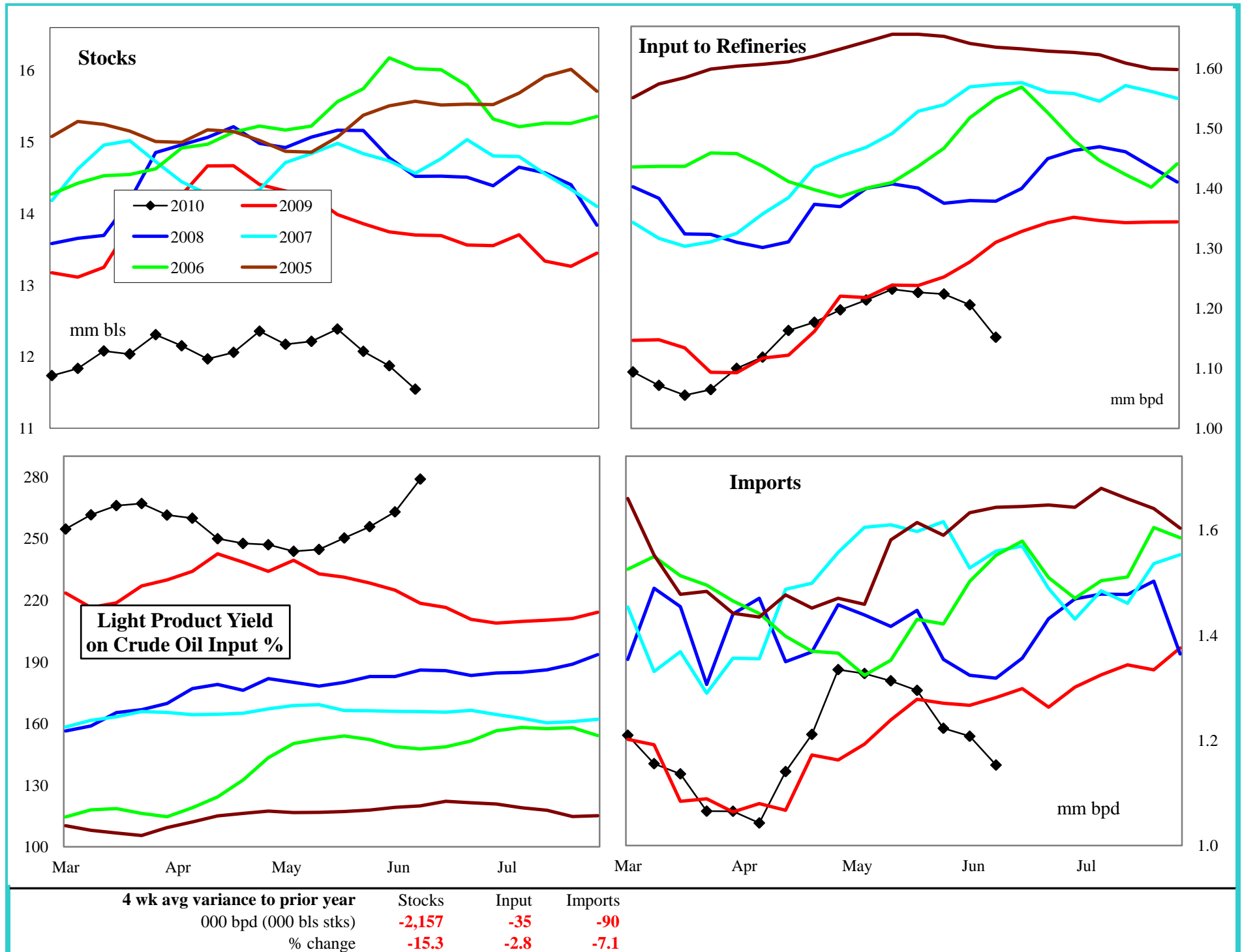
United States Jet Fuel Supply and Demand Balance



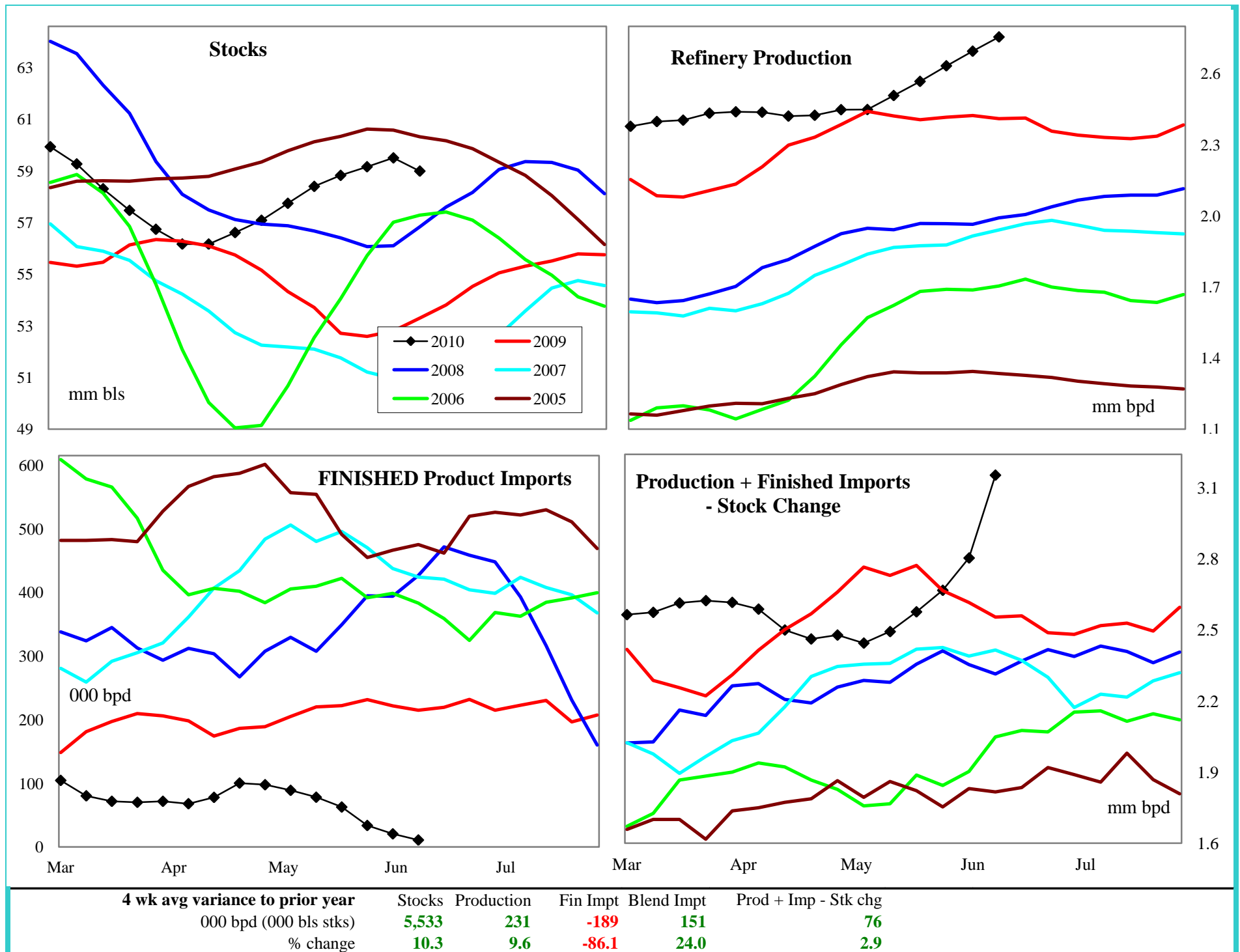
United States Residual Fuel Oil Supply and Demand Balance



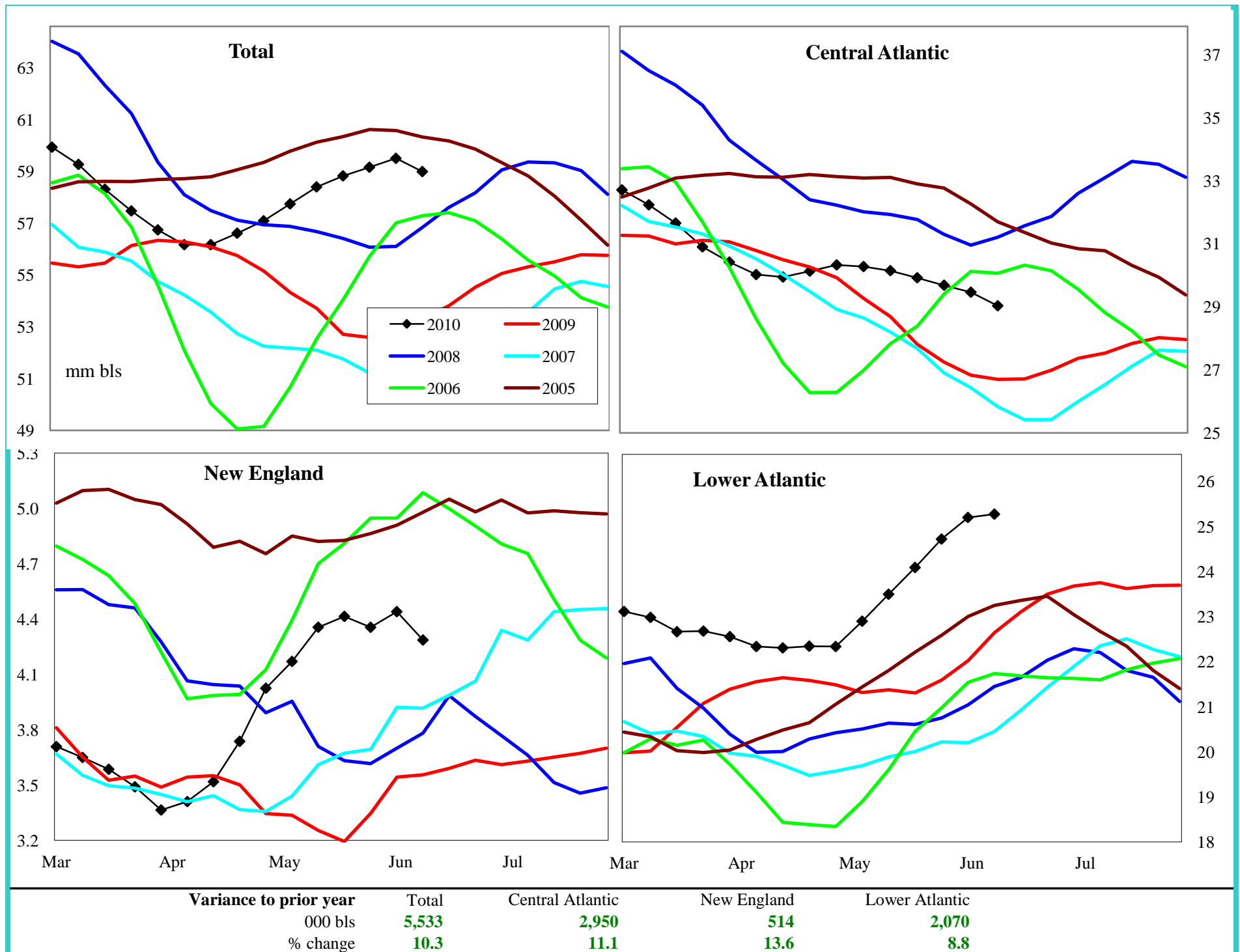
PADD 1 Crude Oil Supply and Refining



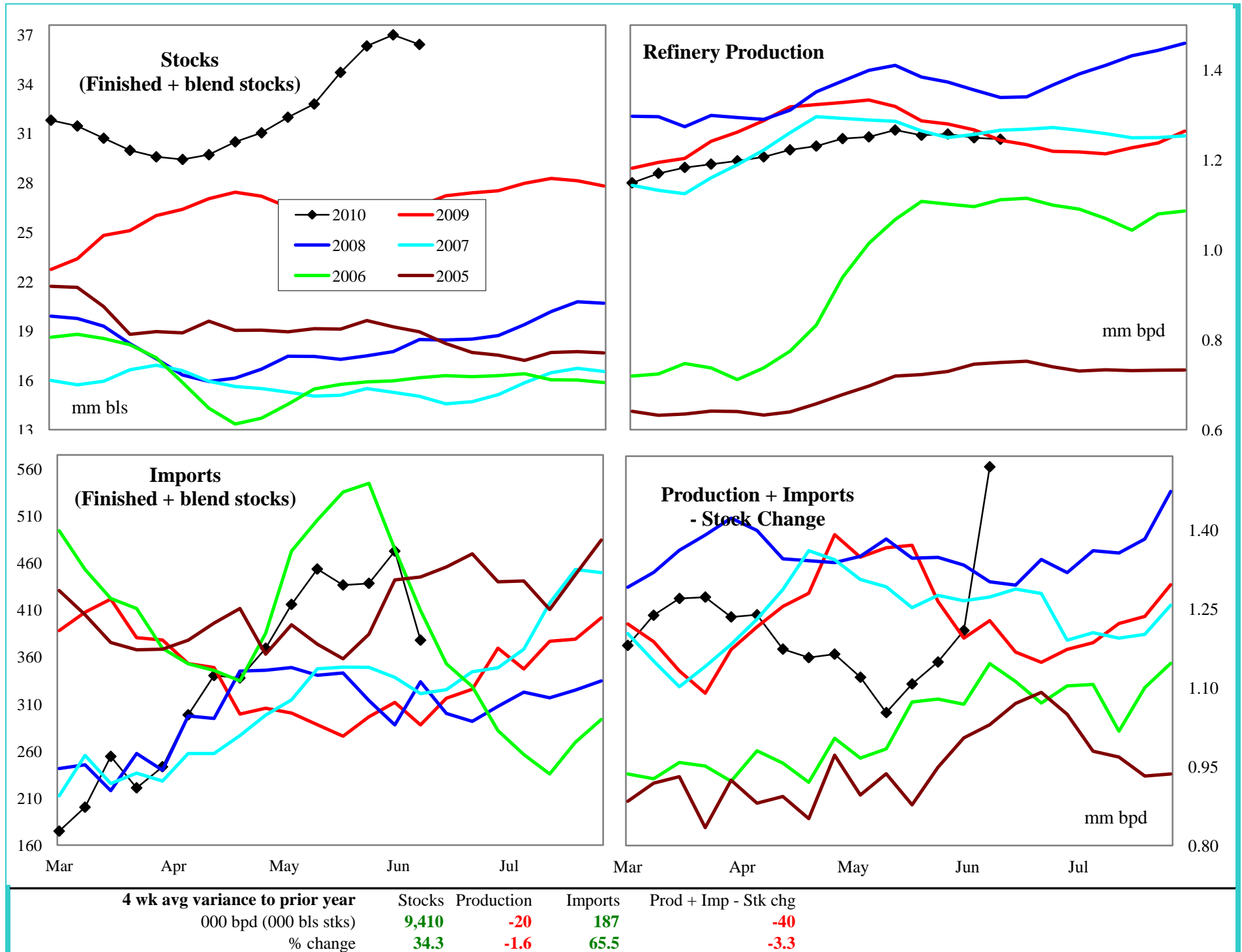
PADD 1 Gasoline Supply



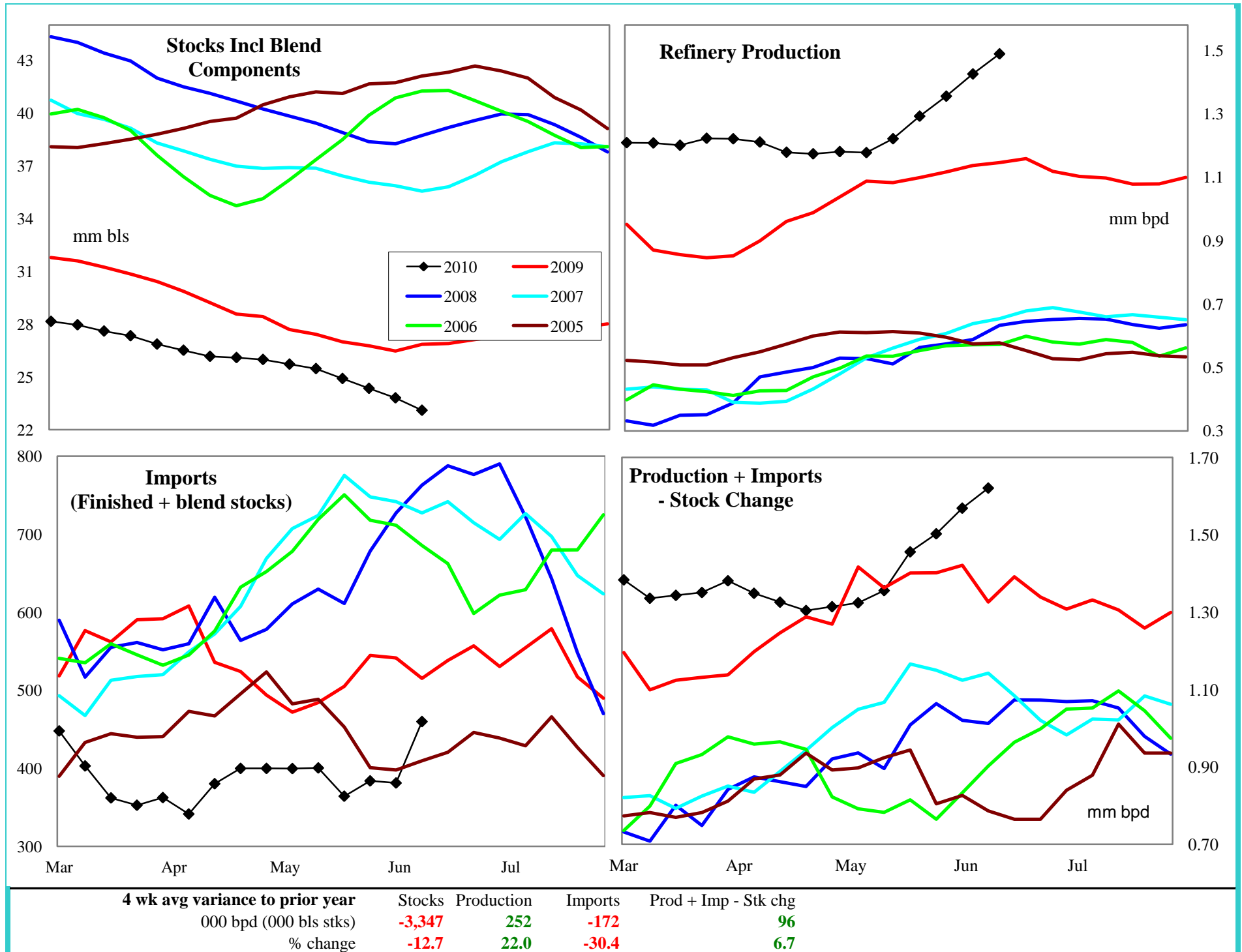
PADD 1 Gasoline Stocks by Region



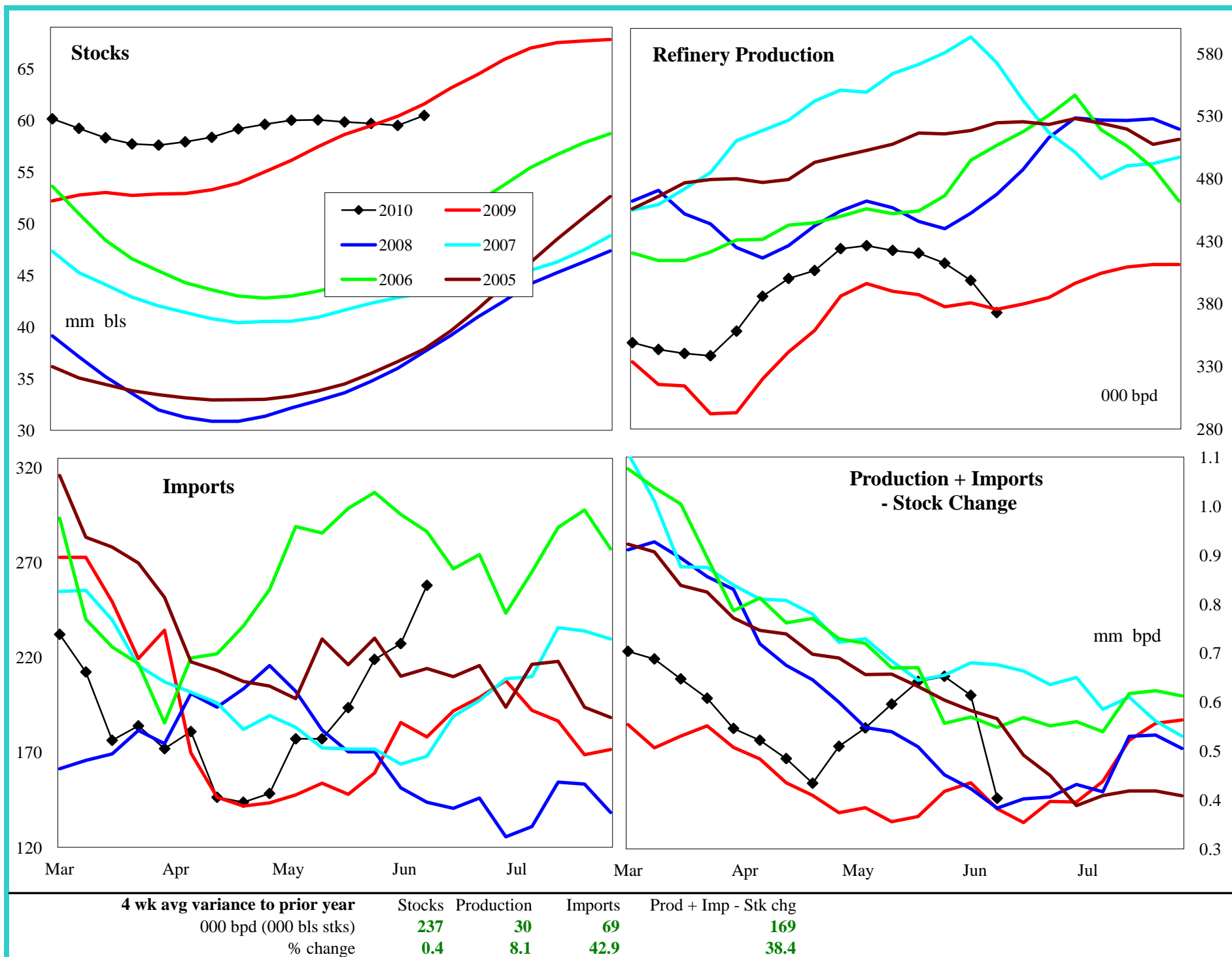
PADD 1 Reformulated Gasoline Supply



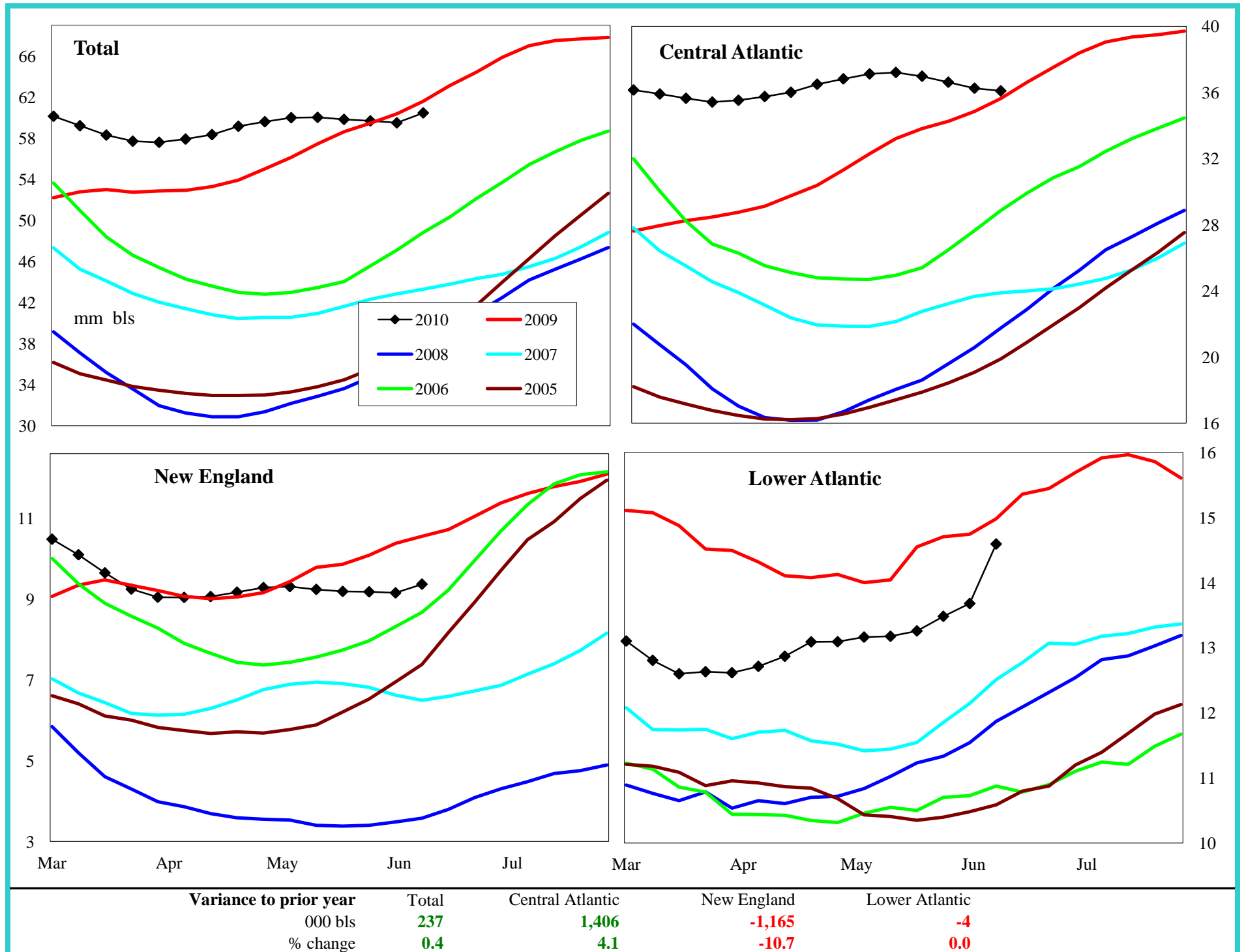
PADD 1 Conventional Gasoline Supply



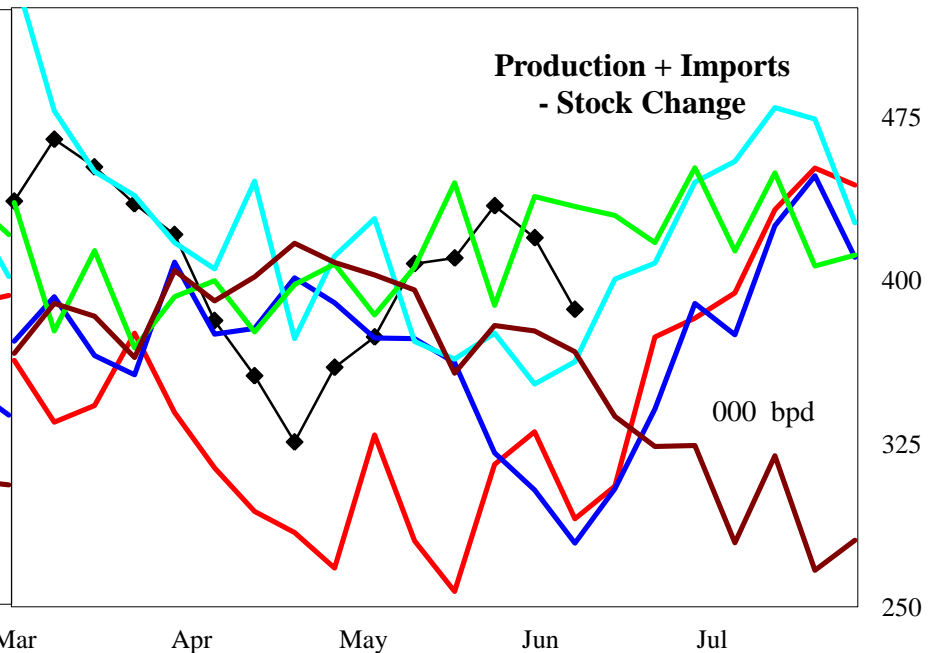
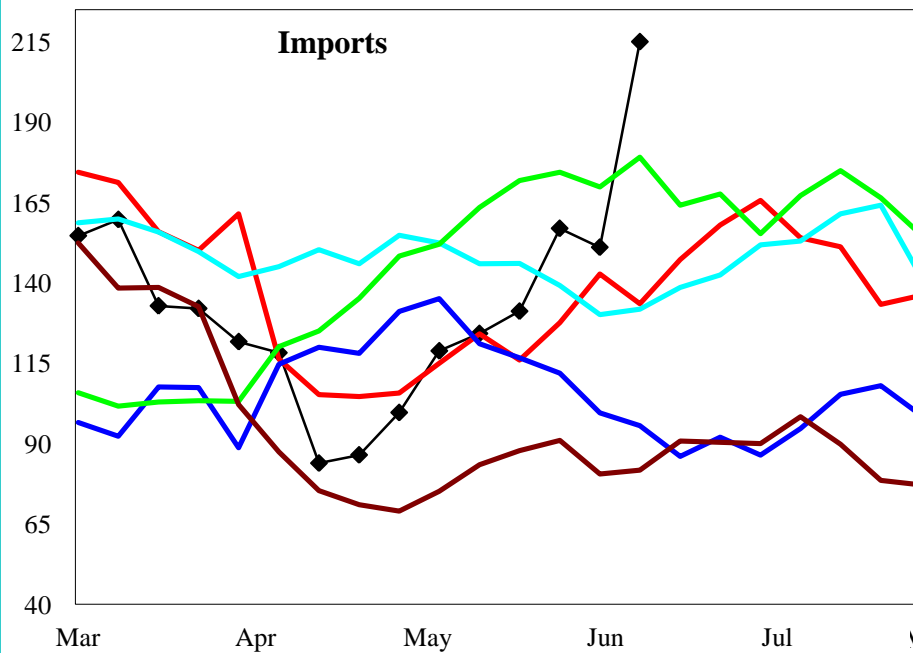
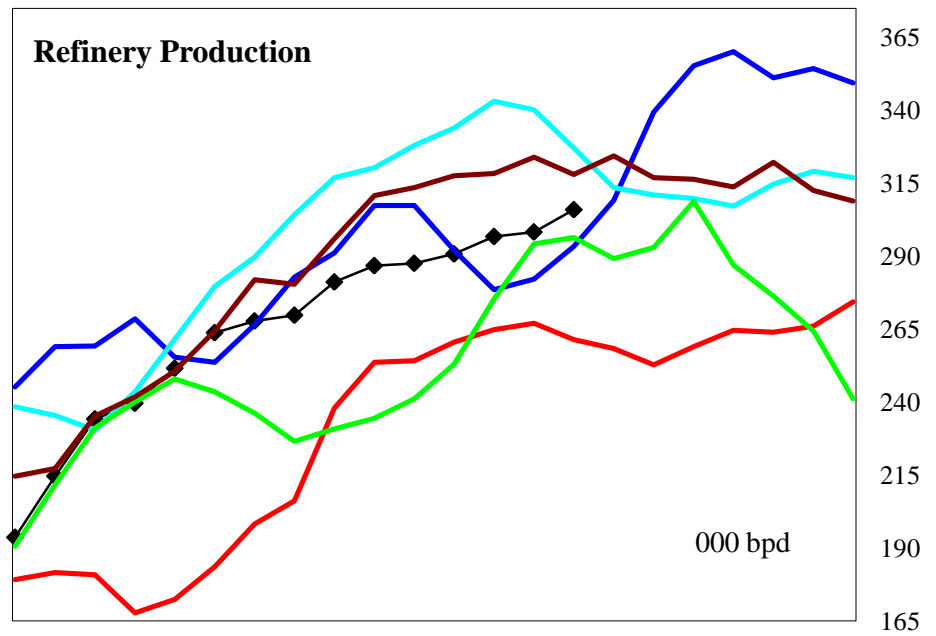
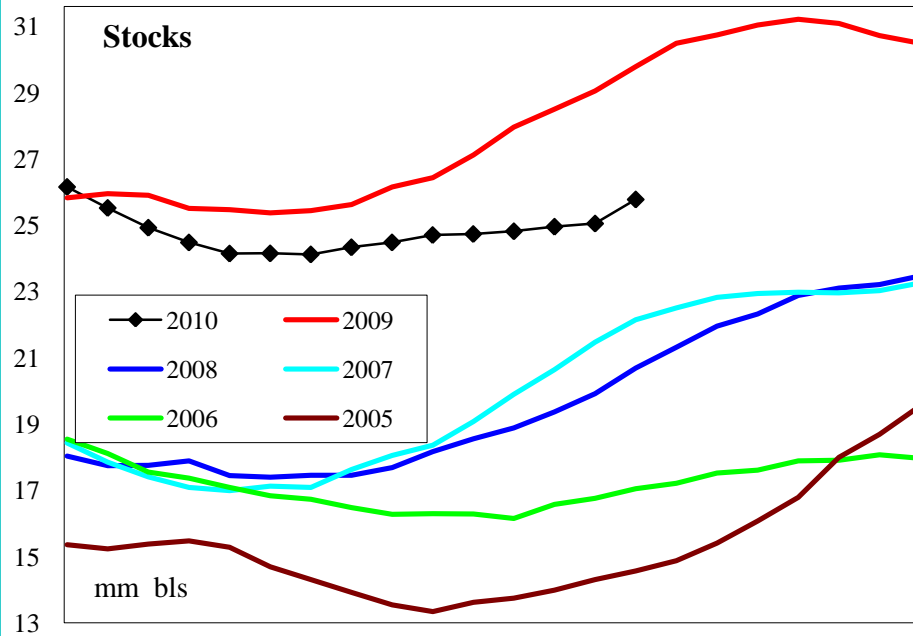
PADD 1 Distillate Supply



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

-3,497

27

32

81

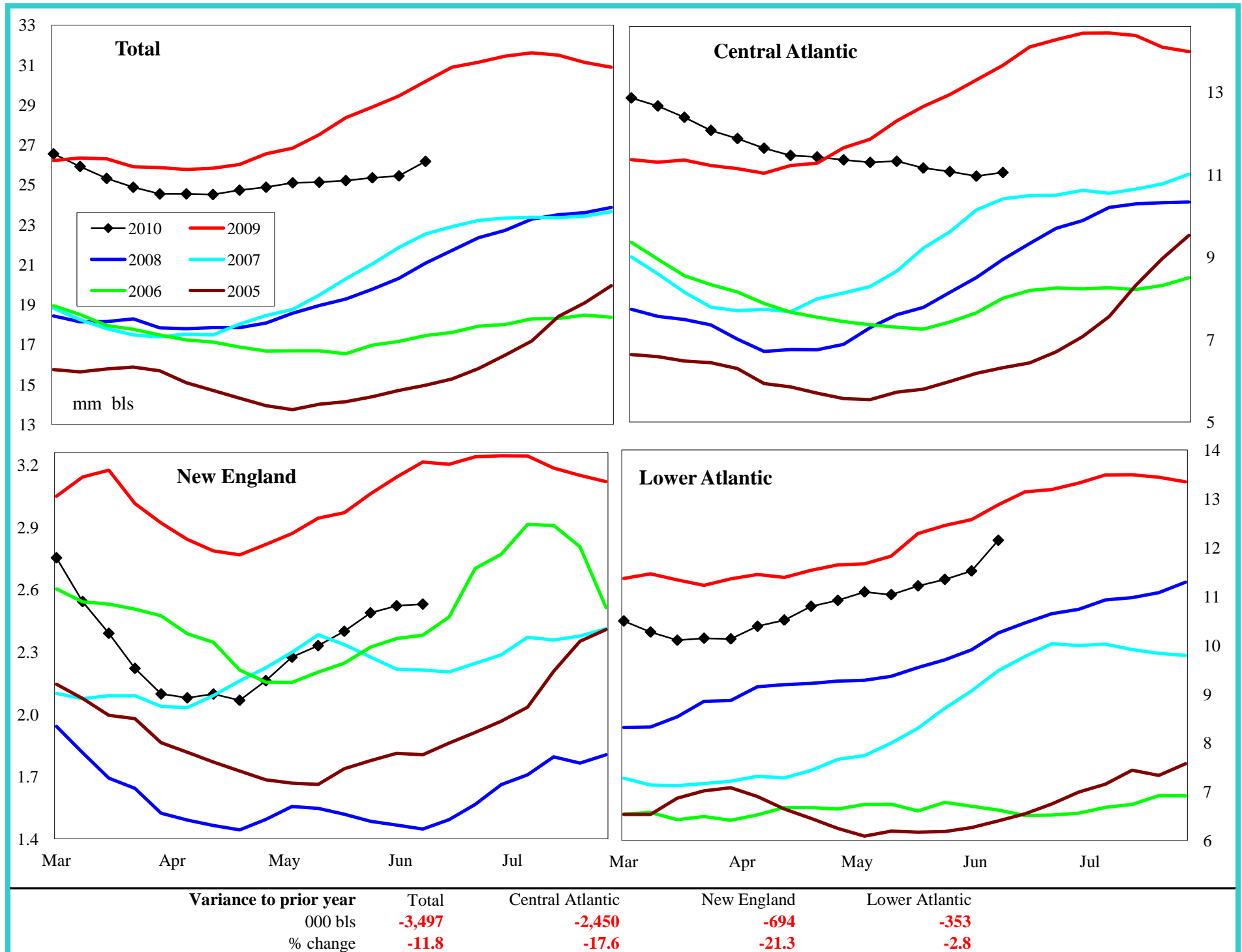
-11.8

10.0

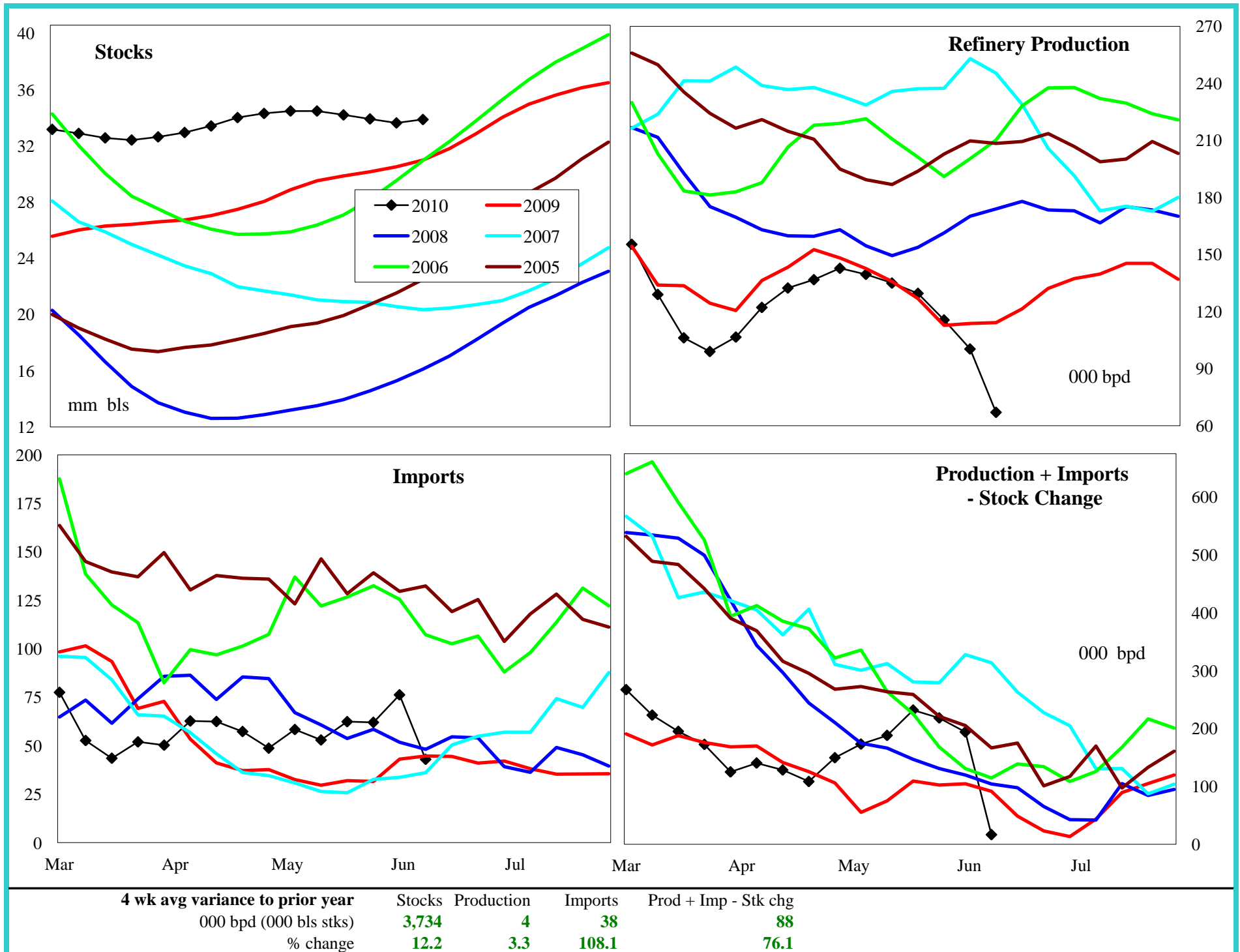
25.0

25.0

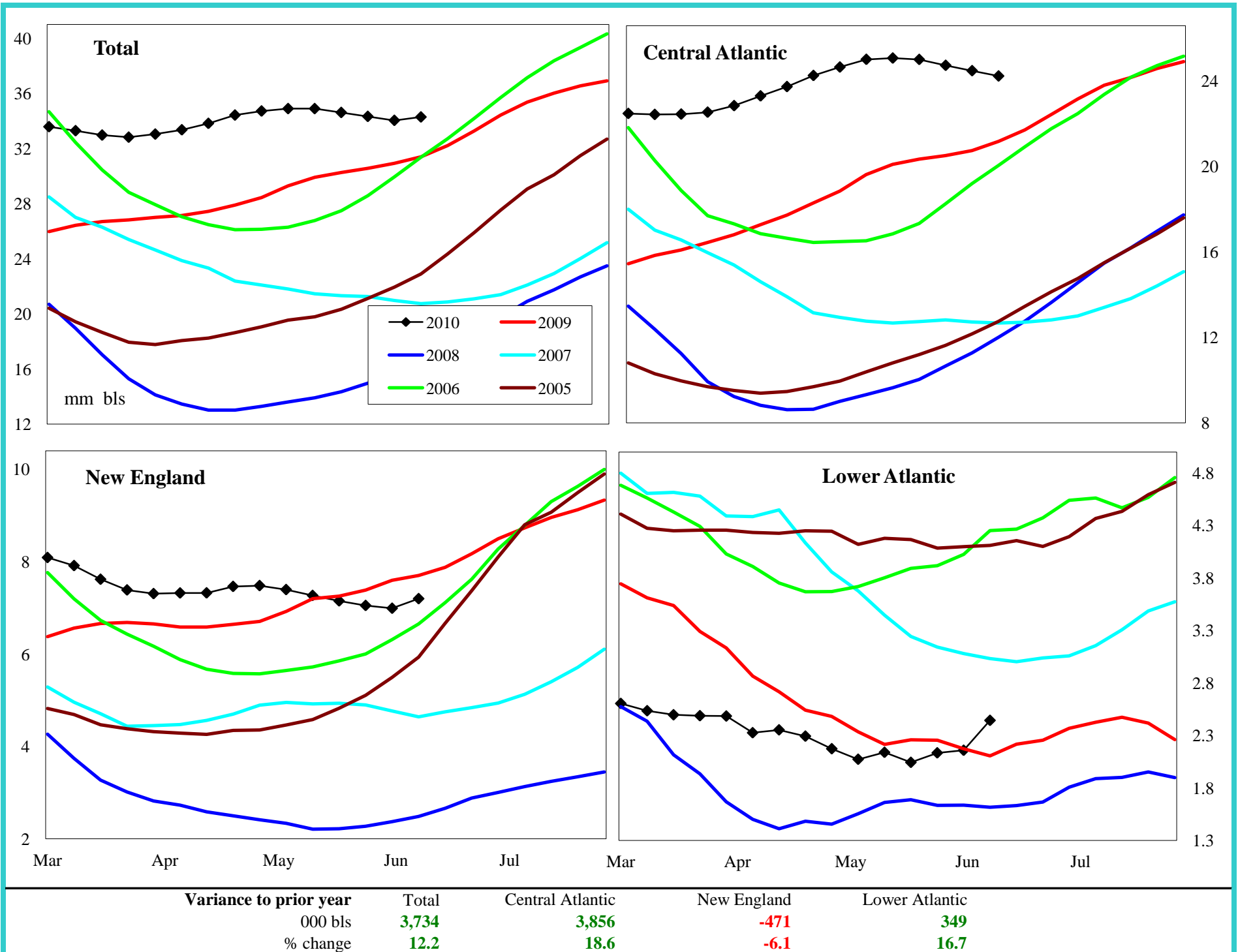
PADD 1 Low Sulfur Distillate Stocks by Region



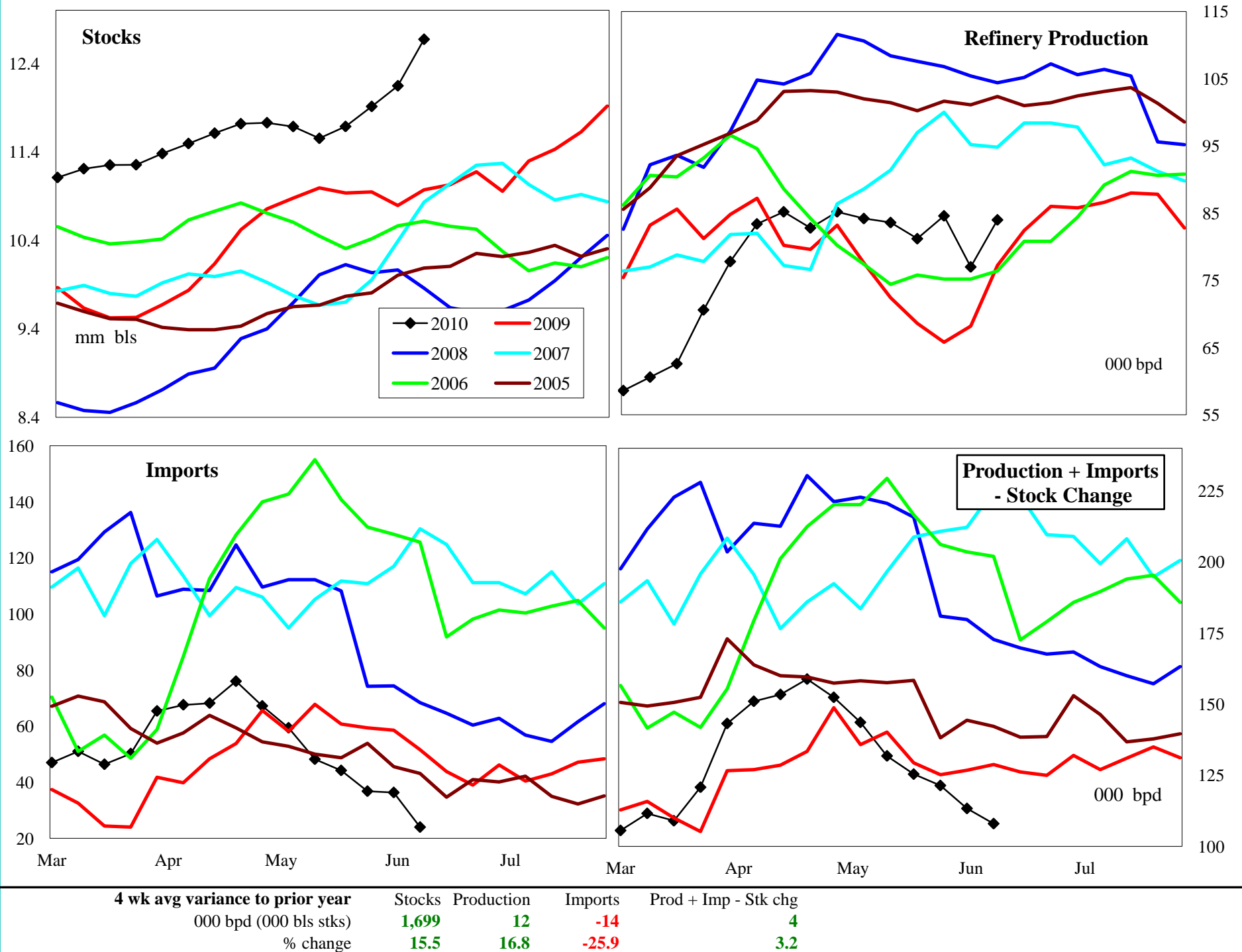
PADD 1 High Sulfur Distillate Supply



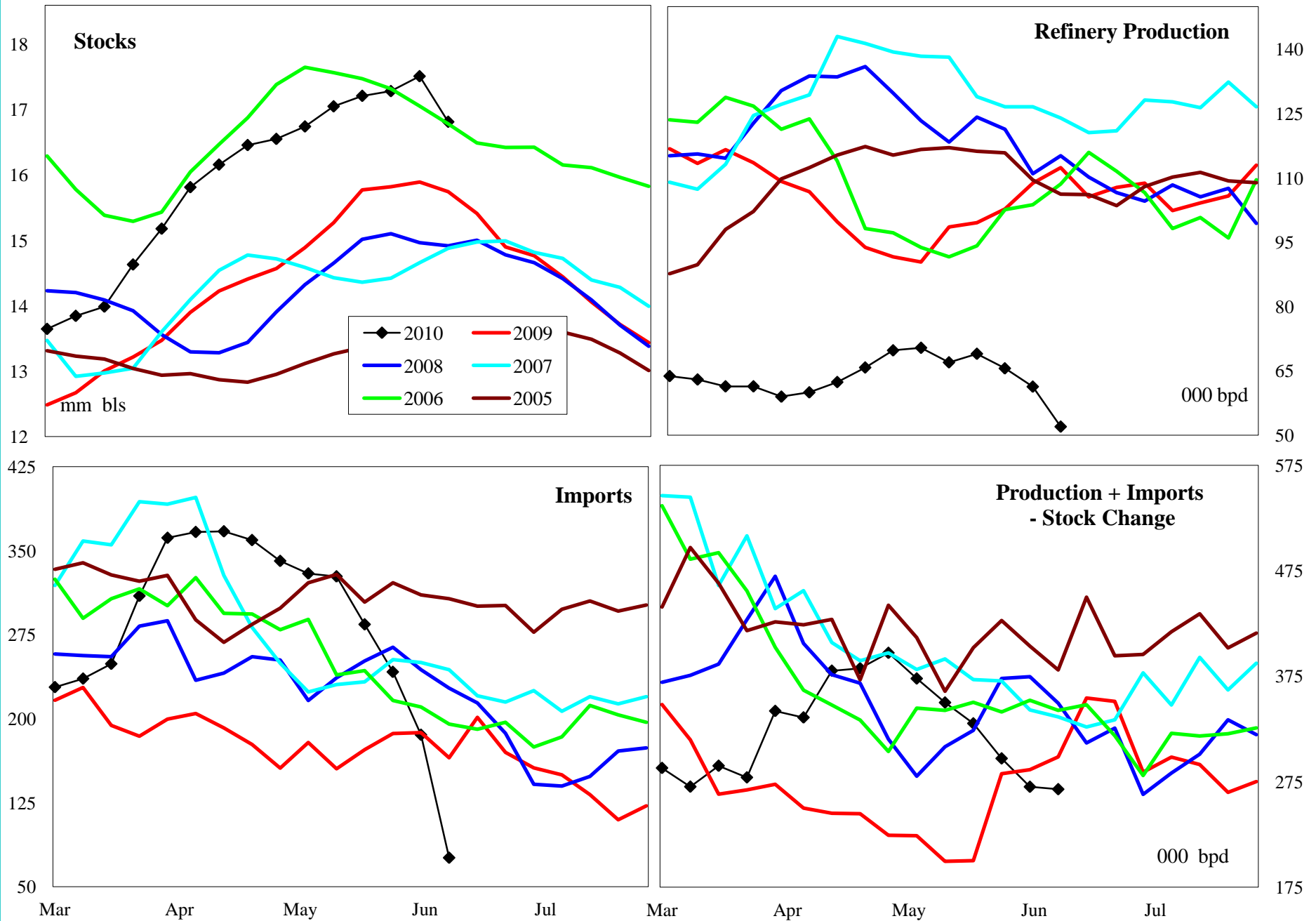
PADD 1 High Sulfur Distillate Stocks by Region



PADD 1 Jet Fuel Supply



PADD 1 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

1,069

6.6

Production

-40

-39.1

Imports

22

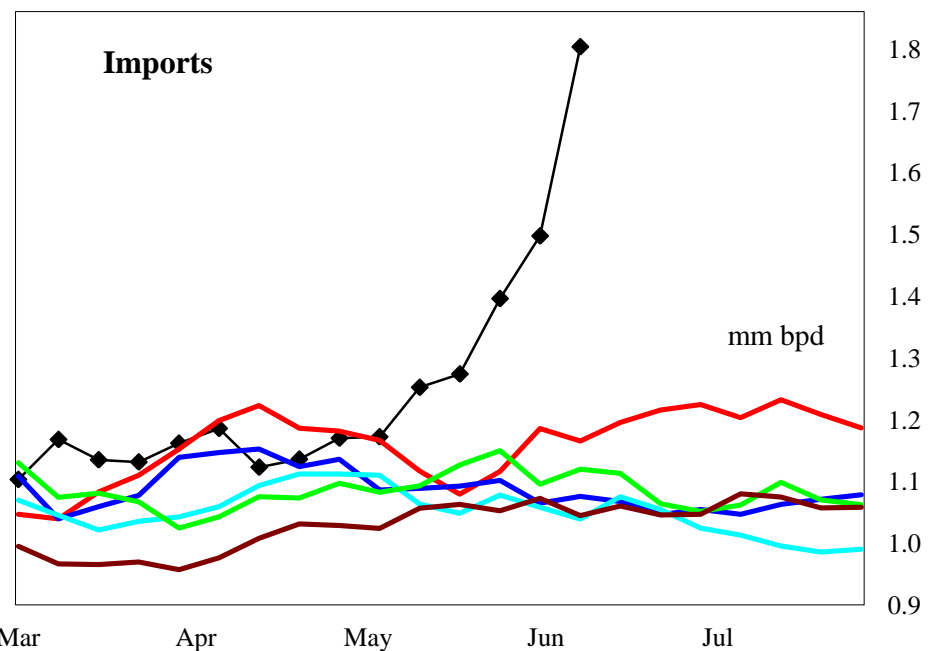
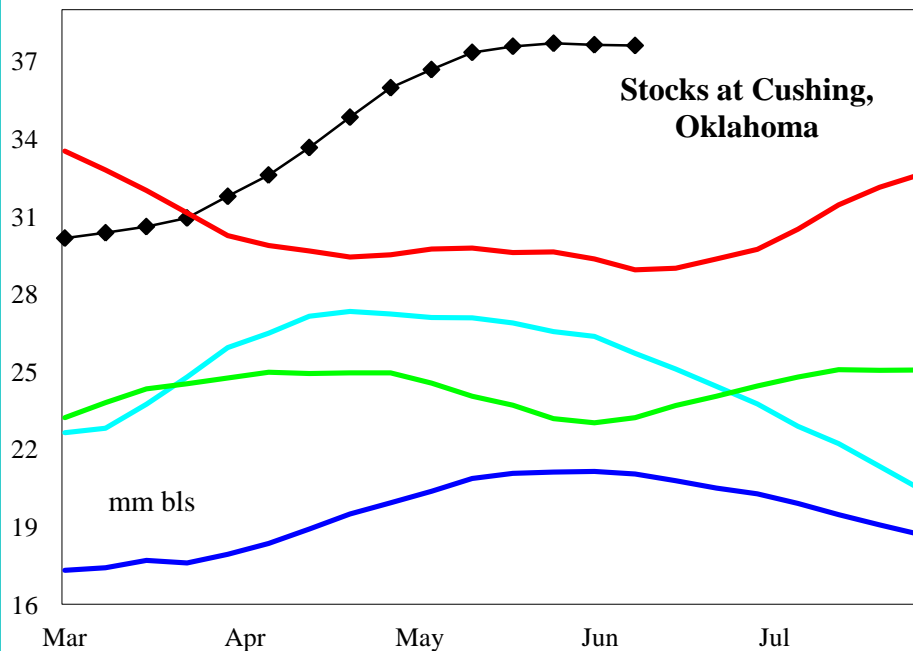
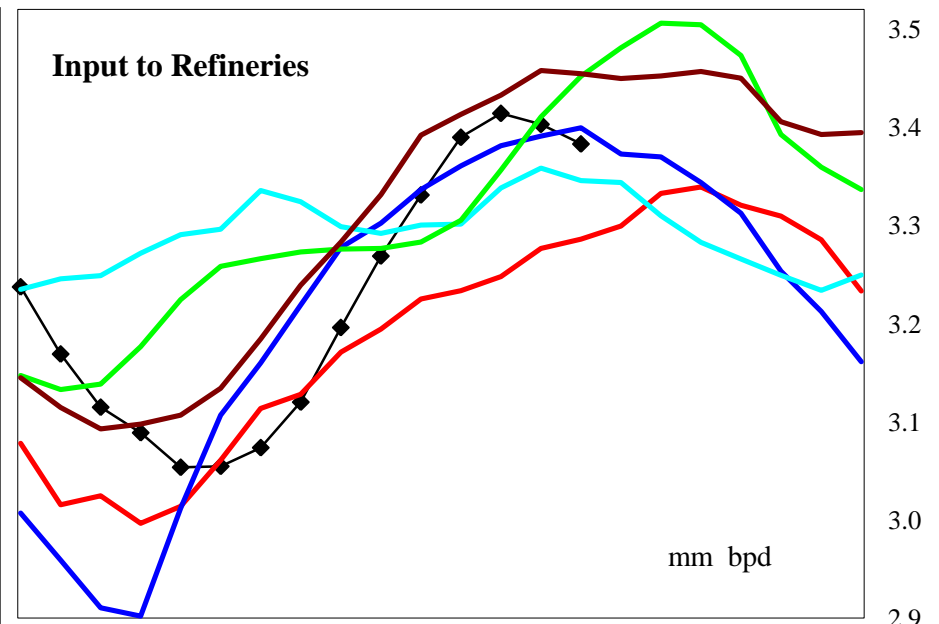
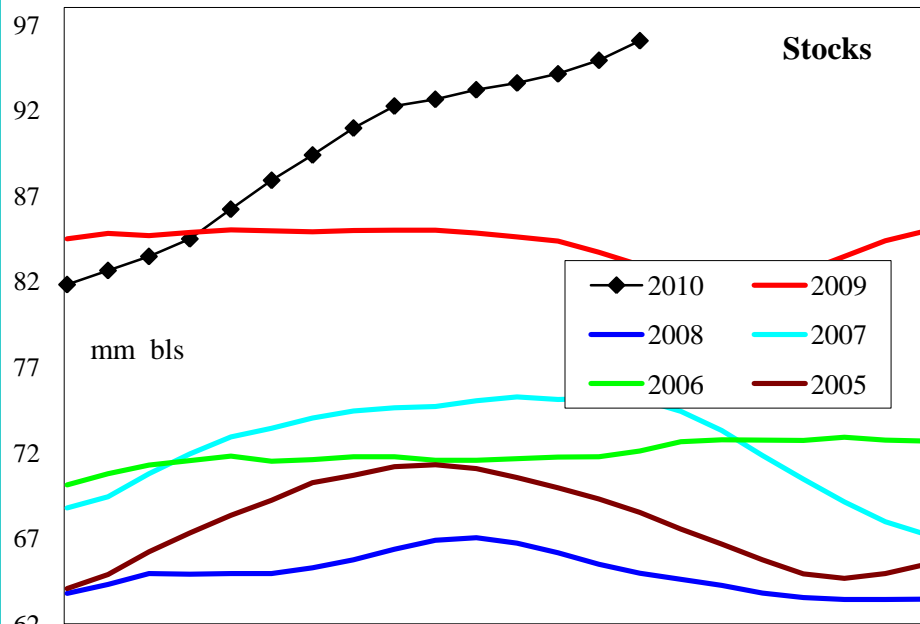
10.4

Prod + Imp - Stk chg

-24

-7.8

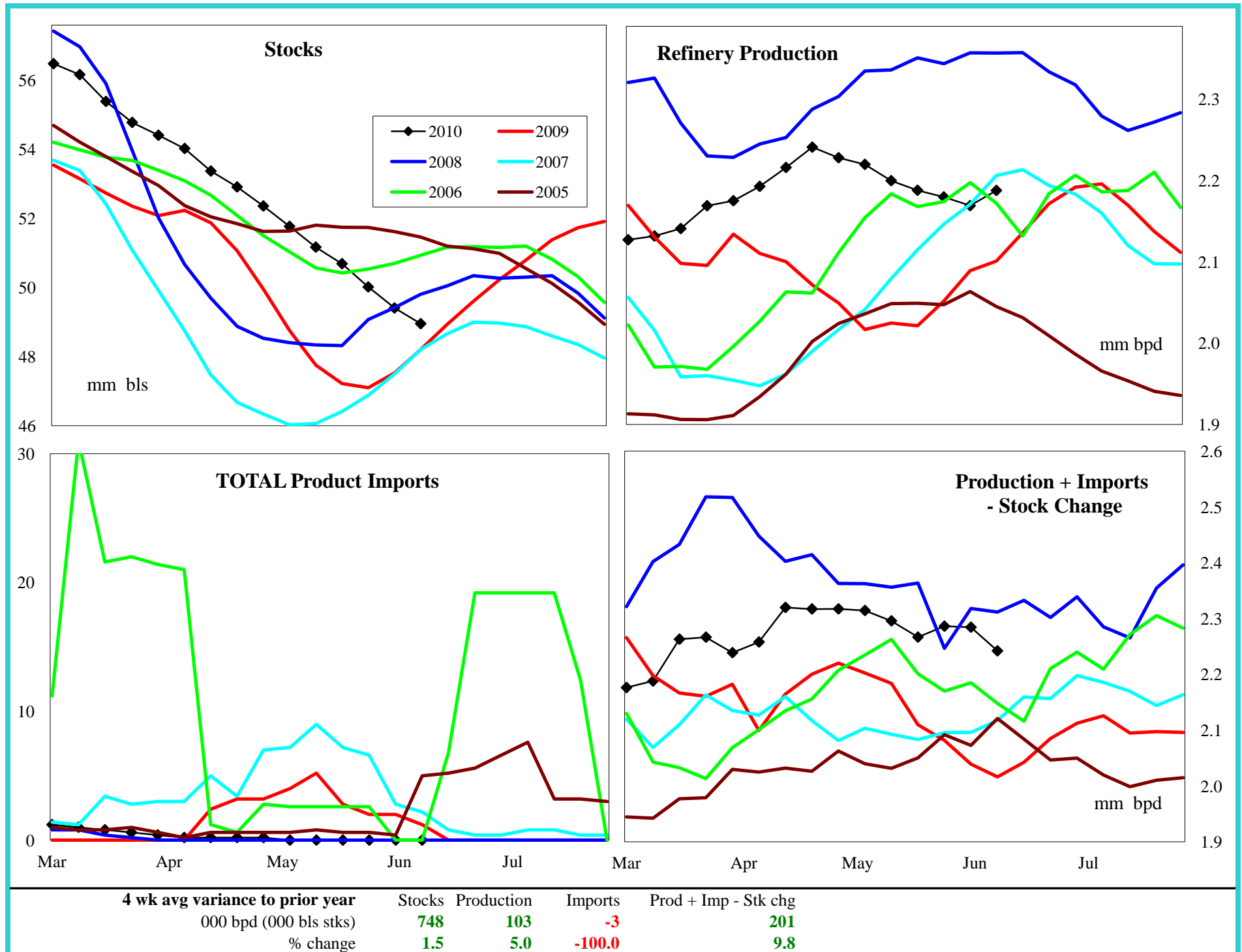
PADD 2 Crude Oil Supply and Refining



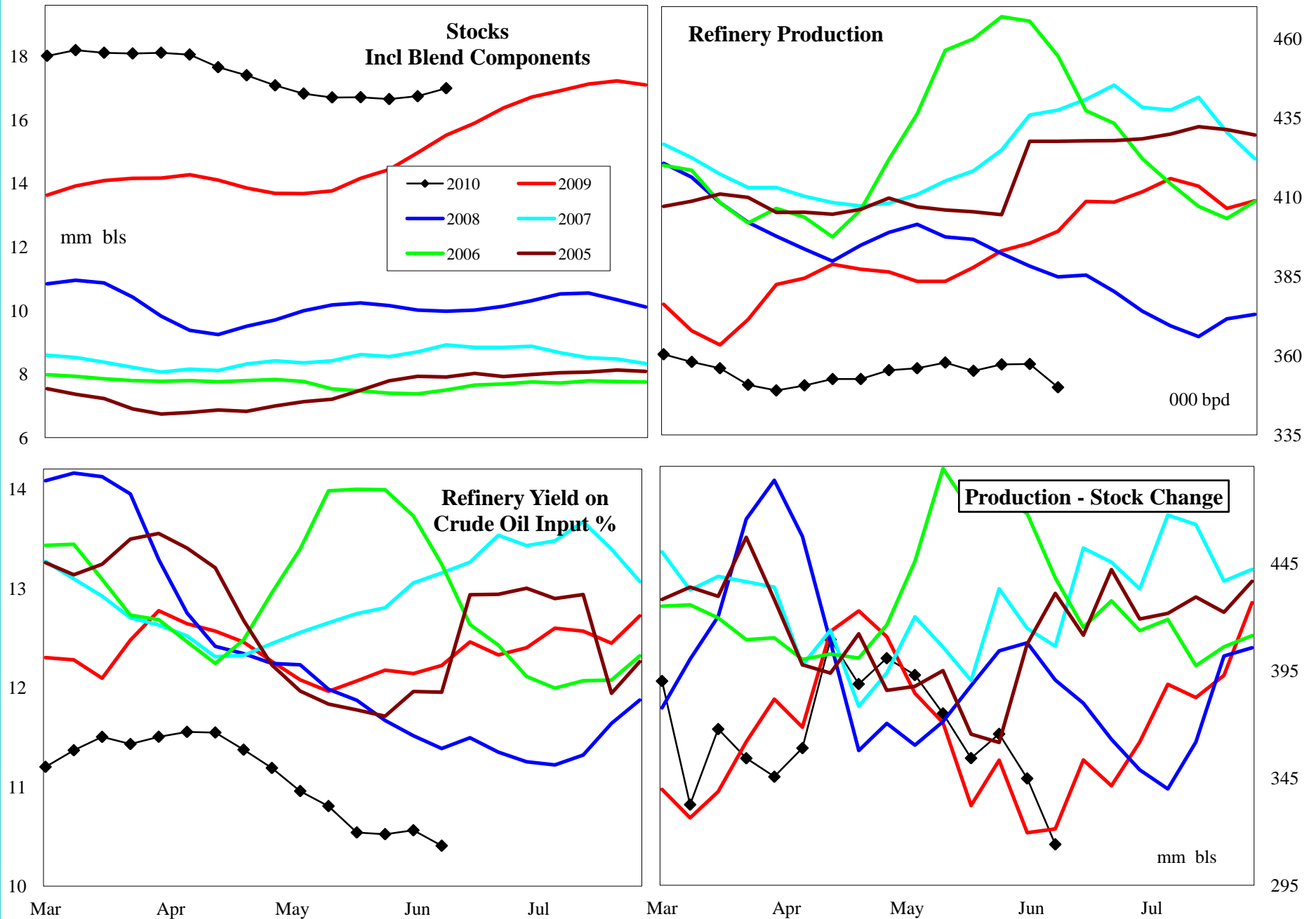
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

	Stocks	Cushing	Input	Imports
000 bpd (000 bbls stks)	13,106	8,669	151	315
% change	15.8	30.0	4.7	27.0

PADD 2 Gasoline Supply



PADD 2 Reformulated Gasoline Supply



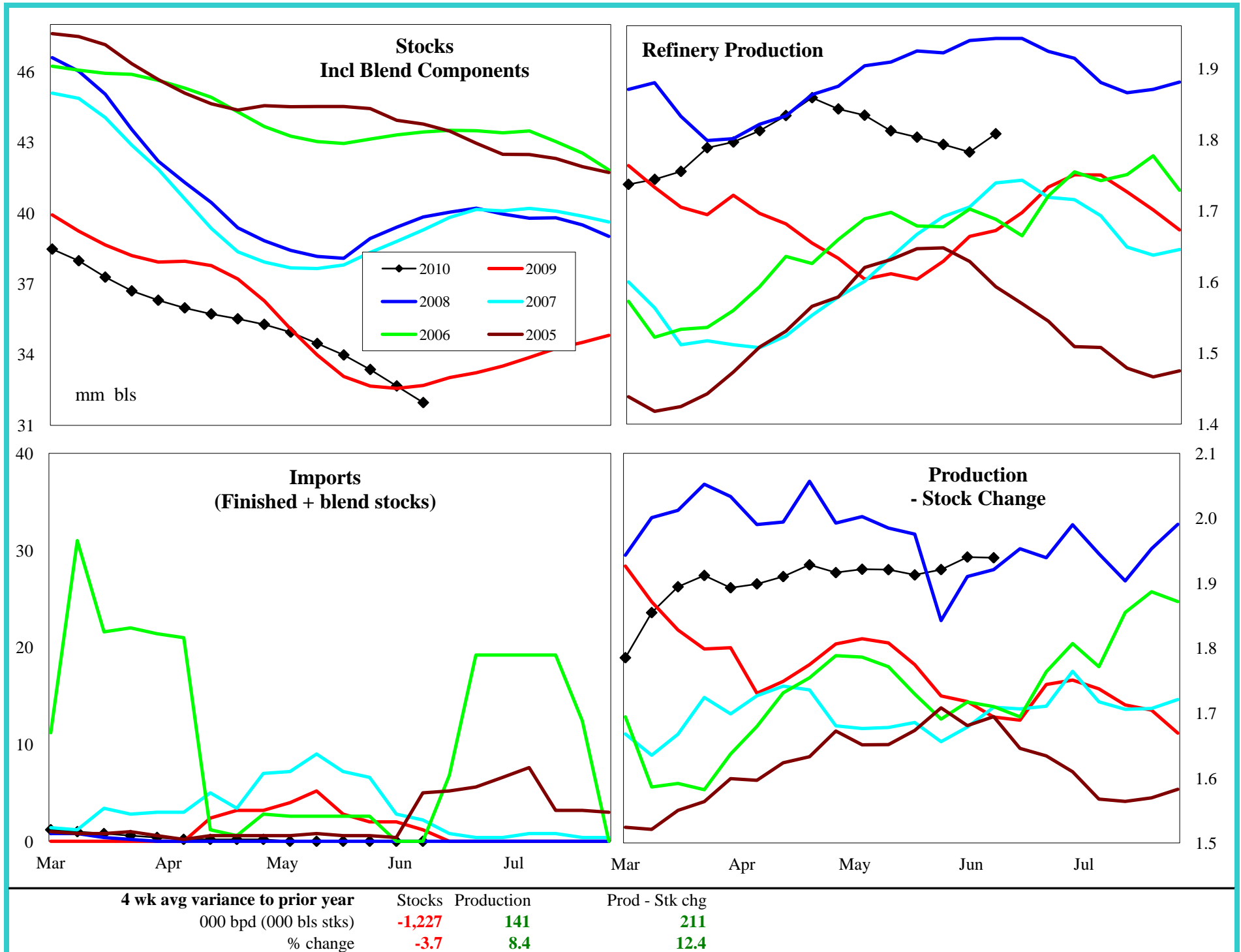
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks
1,479
9.3

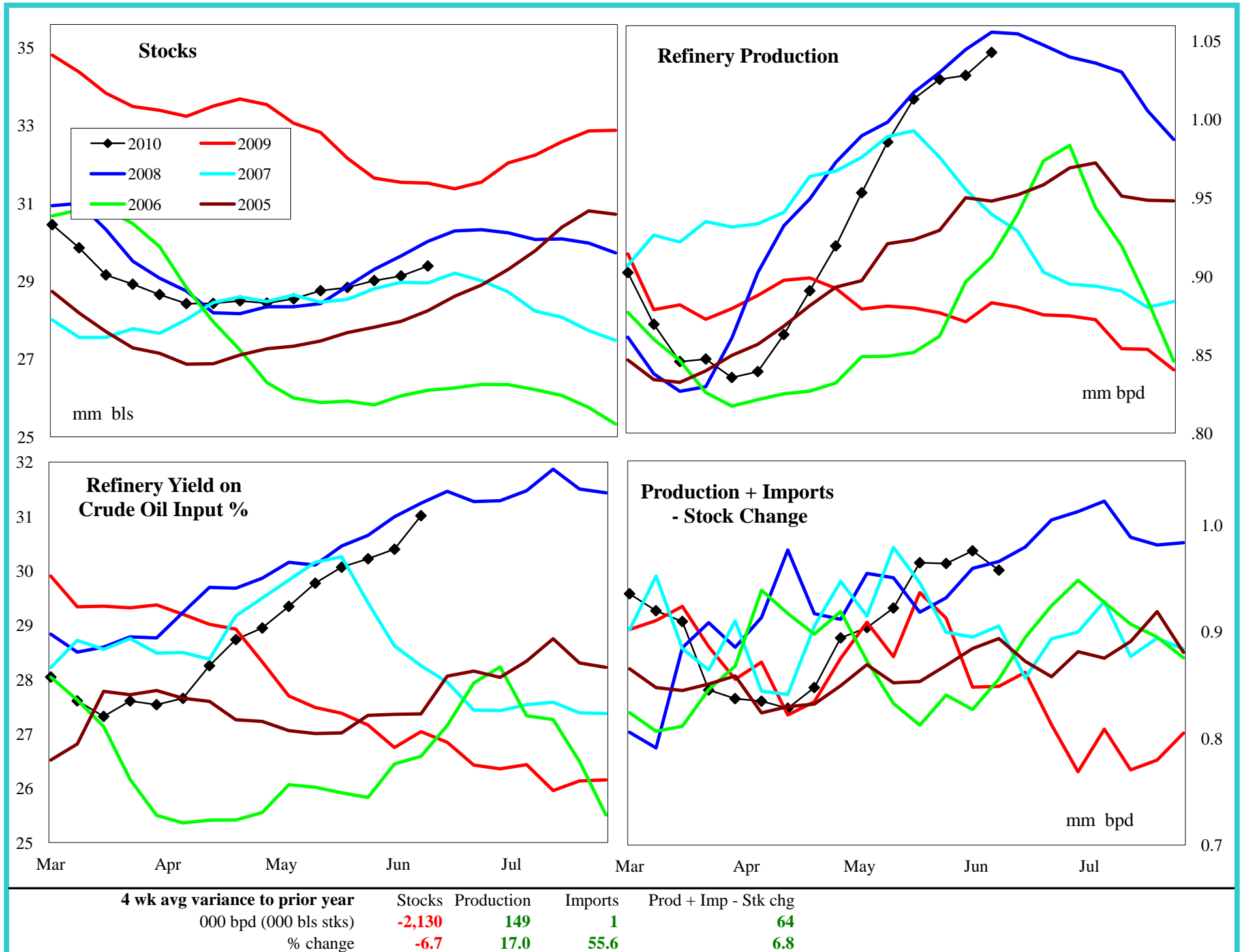
Production
-39
-9.9

Prod - Stk chg
13
4.0

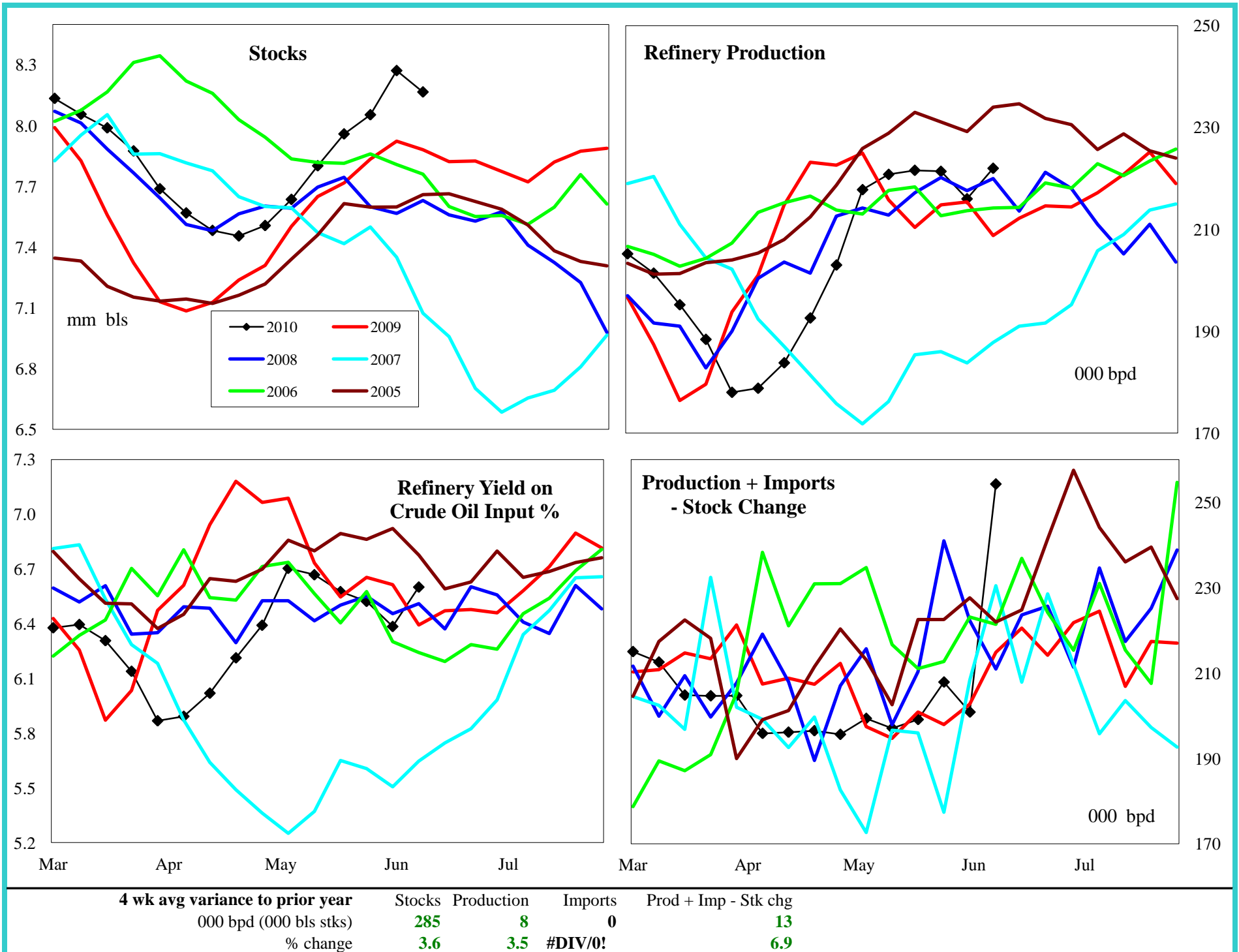
PADD 2 Conventional Gasoline Supply



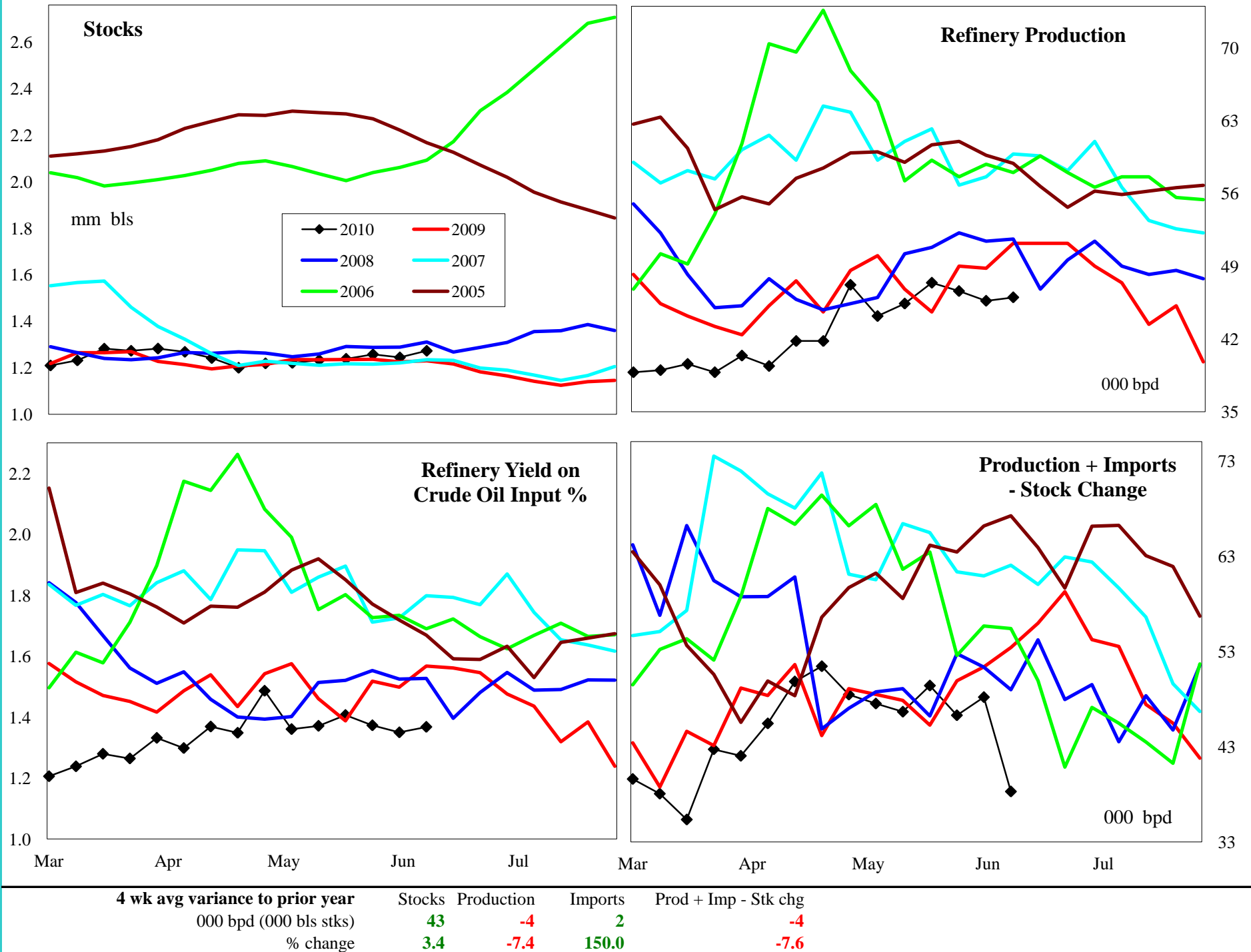
PADD 2 Distillate Supply



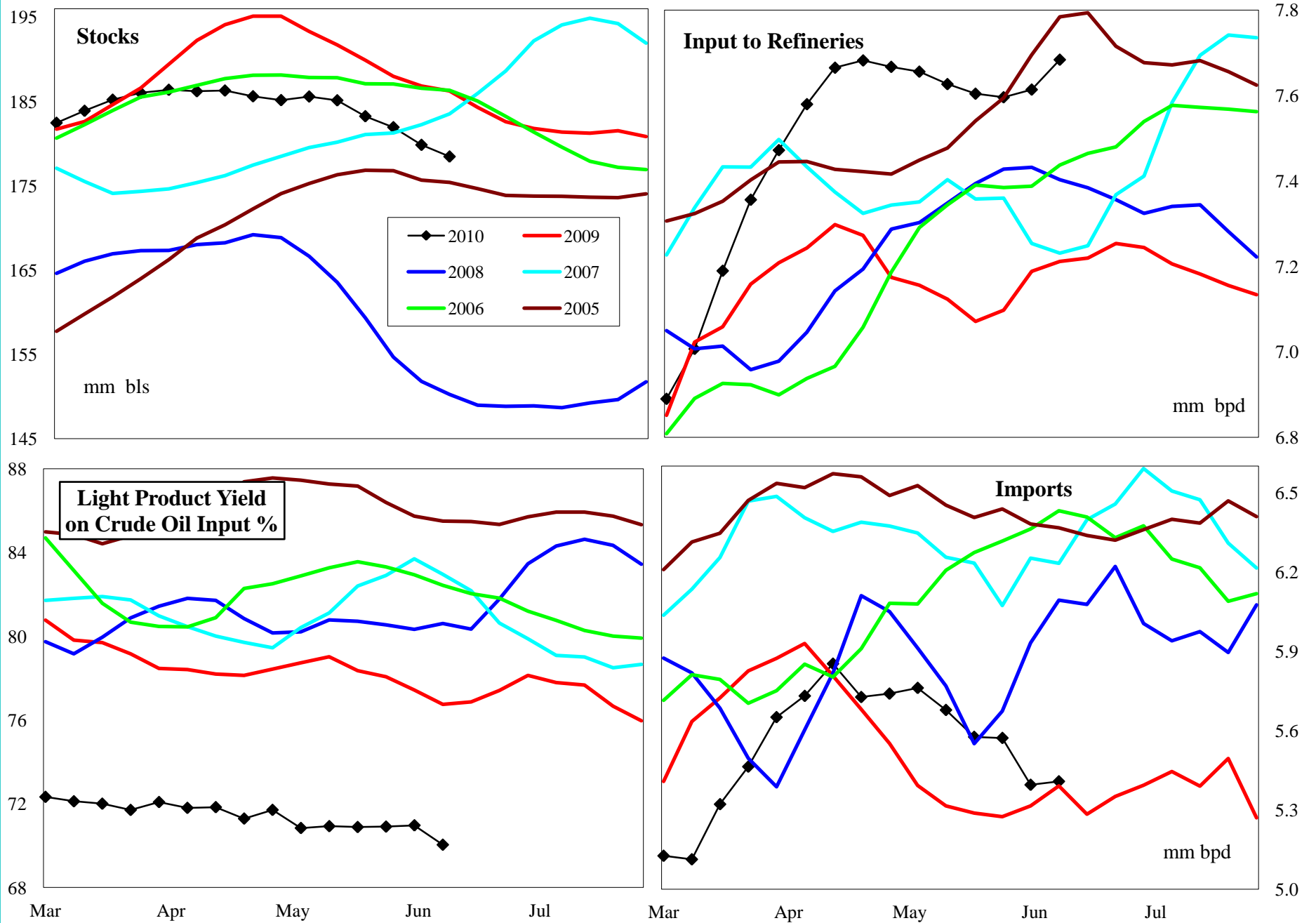
PADD 2 Jet Fuel Supply



PADD 2 Residual Fuel Oil Supply



PADD 3 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-7,790

-4.2

Input

410

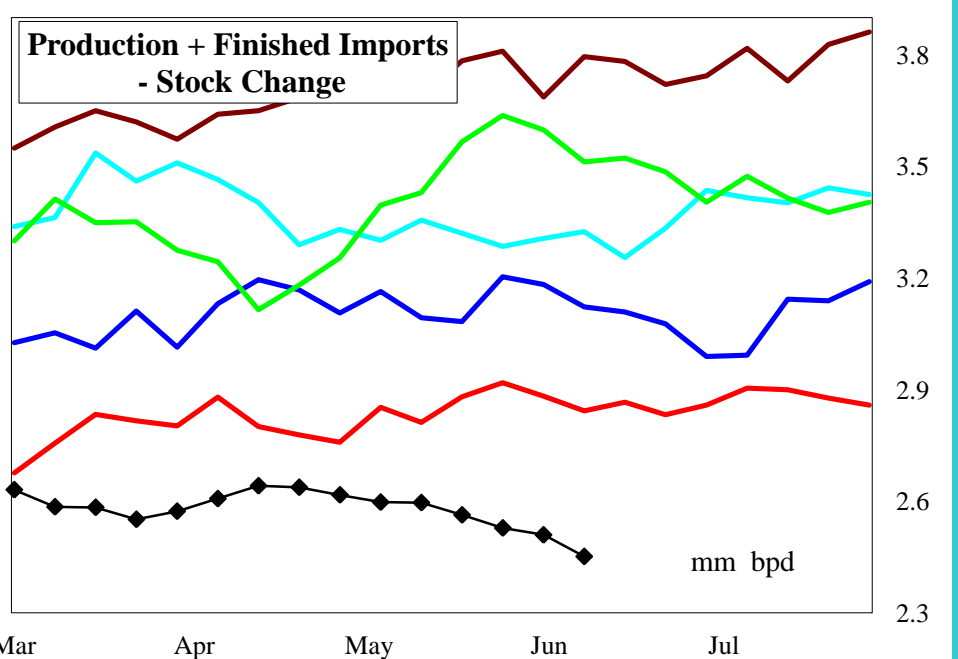
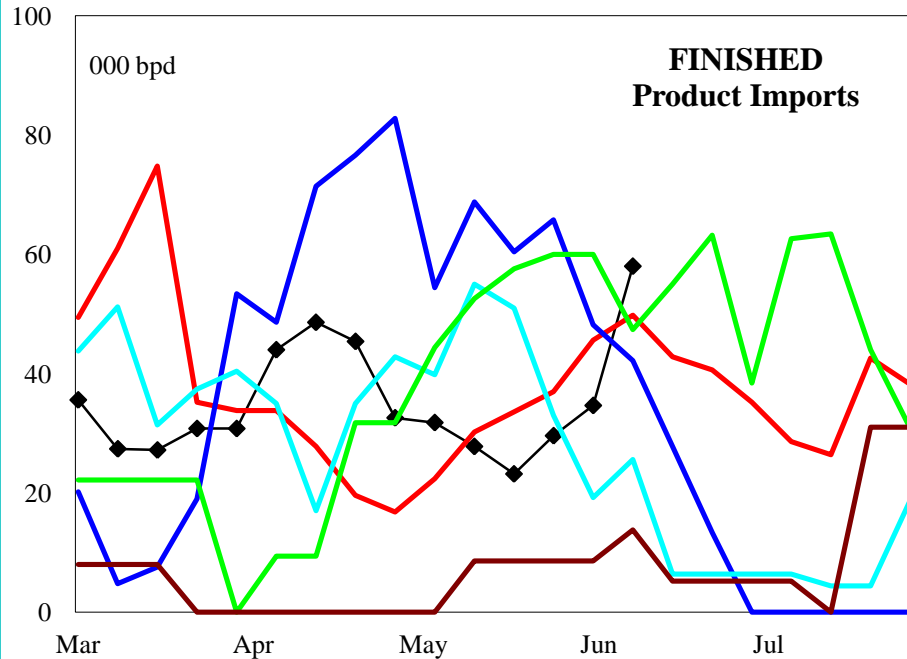
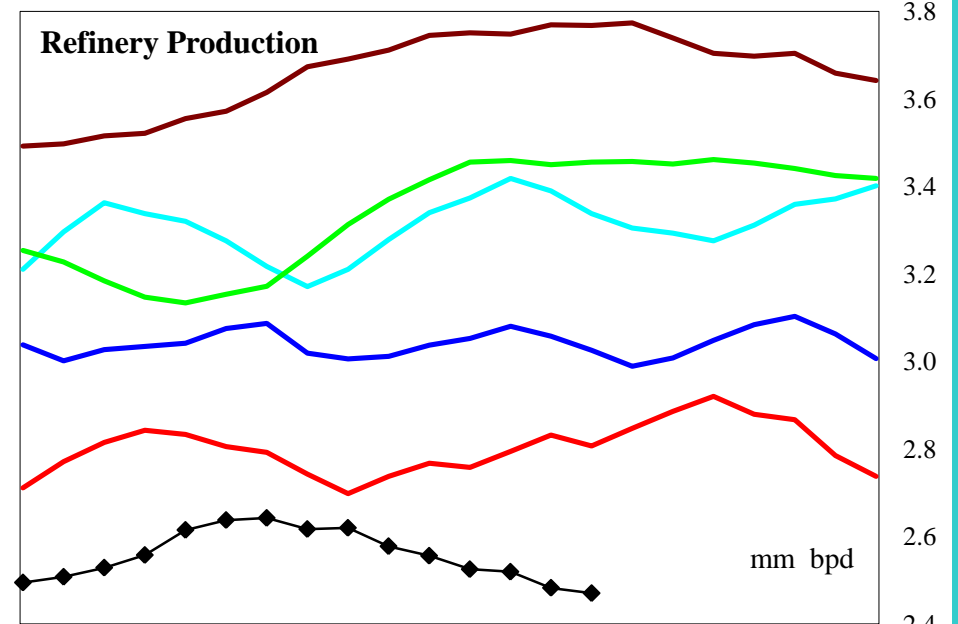
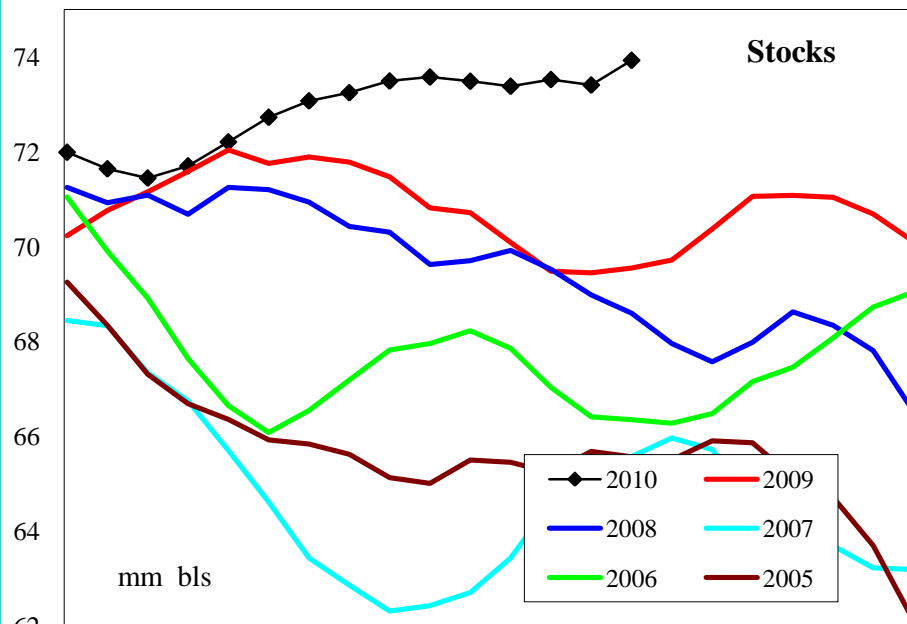
5.7

Imports

216

4.1

PADD 3 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

5,640

8.3

Production

-333

-11.8

Fin Impt

-2

-5.7

Blend Impt

24

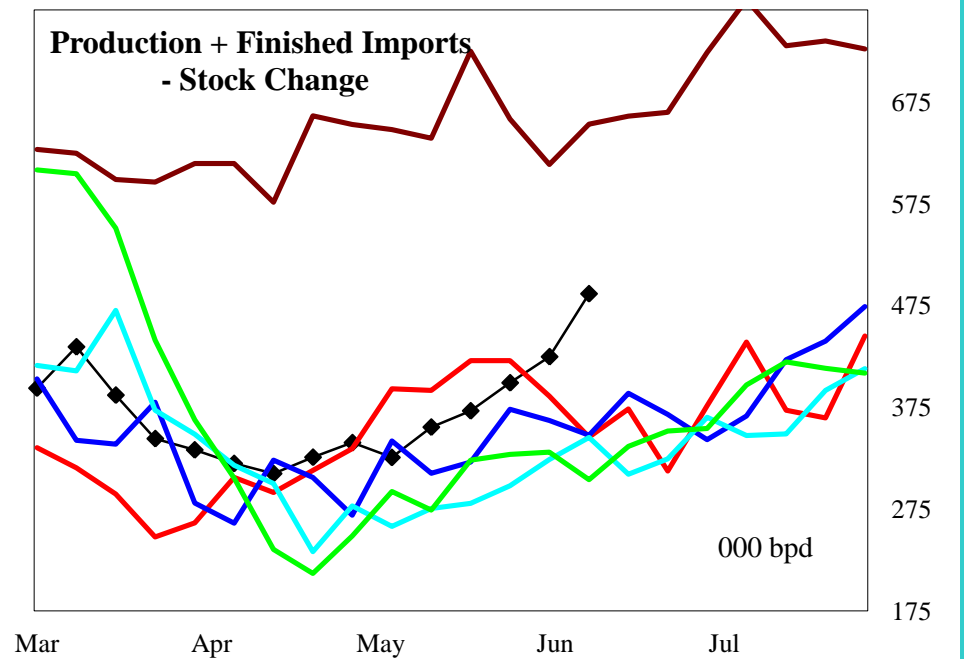
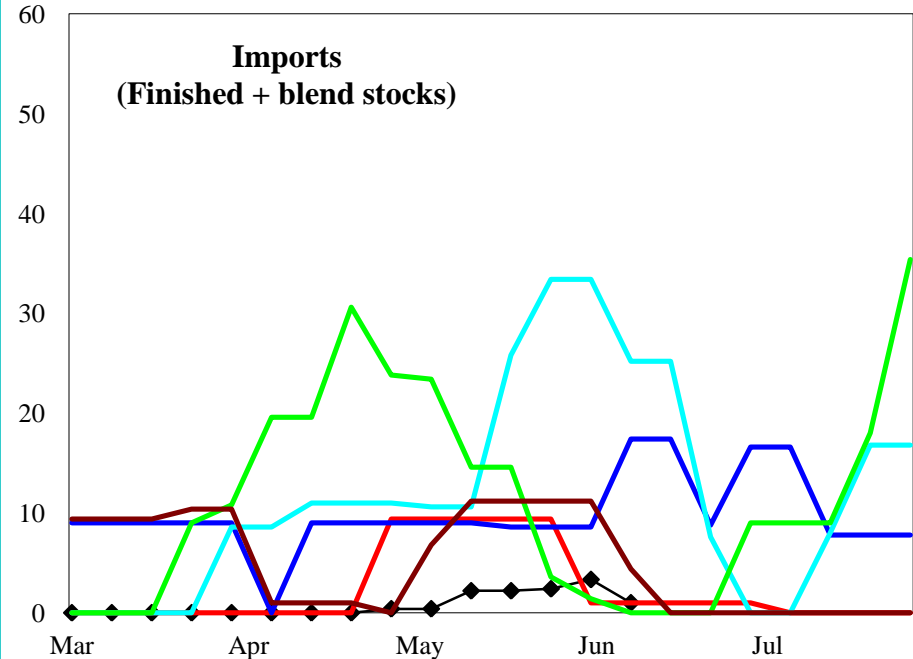
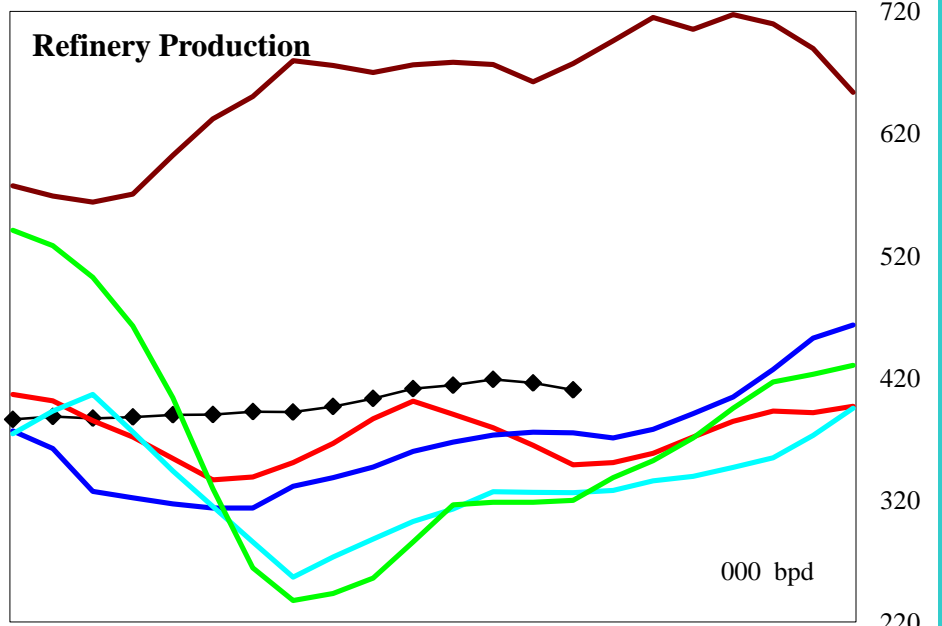
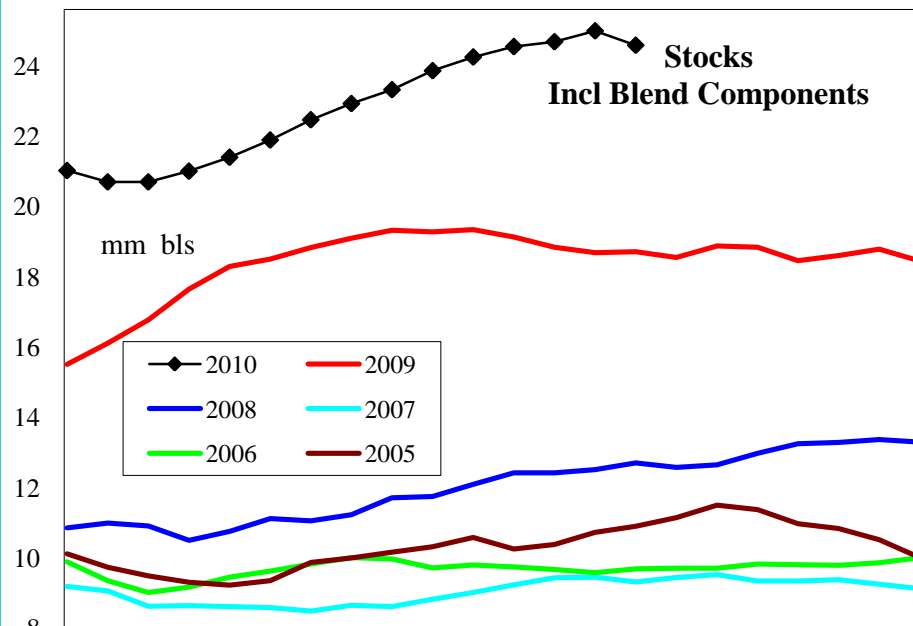
63.6

Prod + Imp - Stk chg

-410

-14.0

PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

5,855

30.6

Production

46

12.4

Imports

3

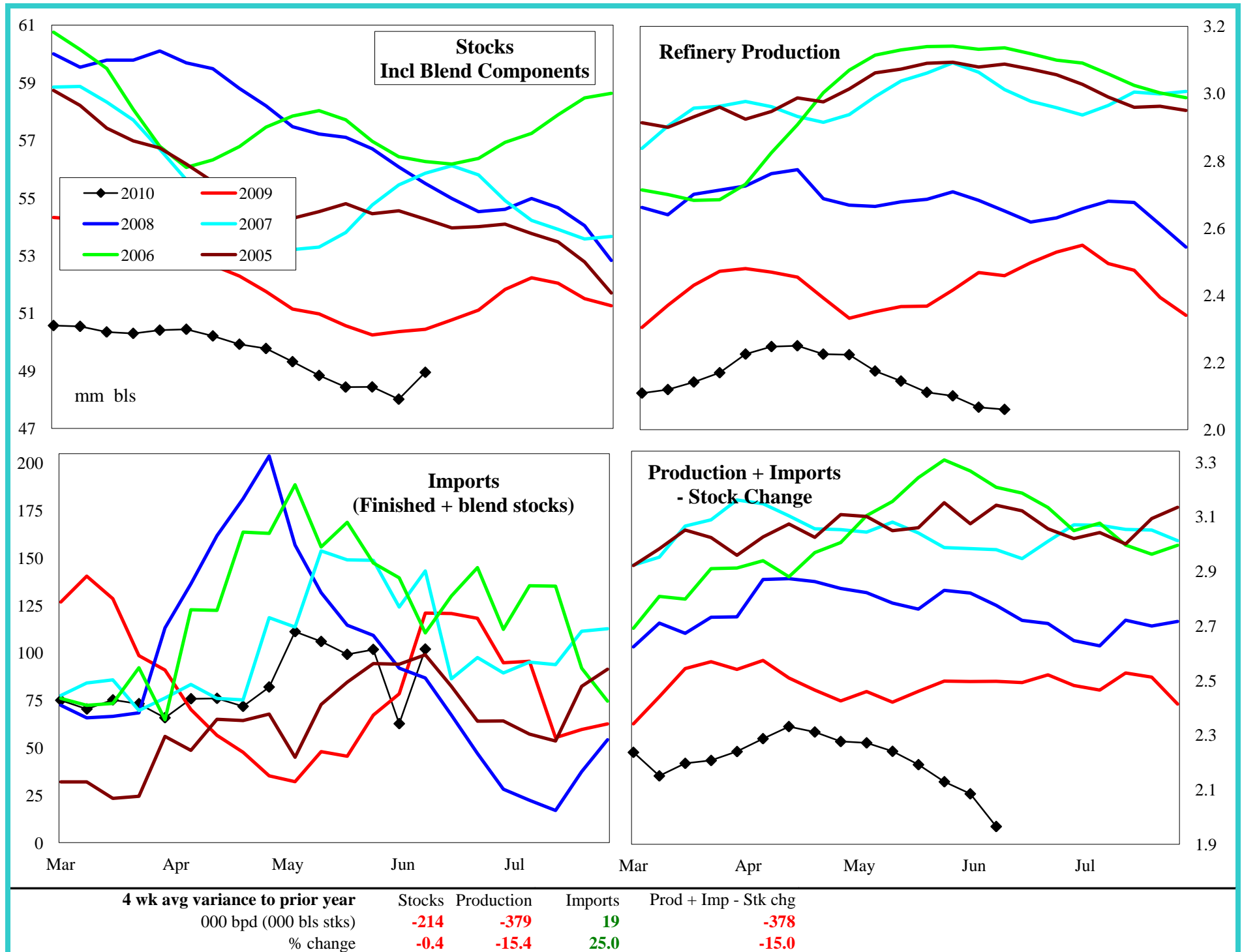
#DIV/0!

Prod + Imp - Stk chg

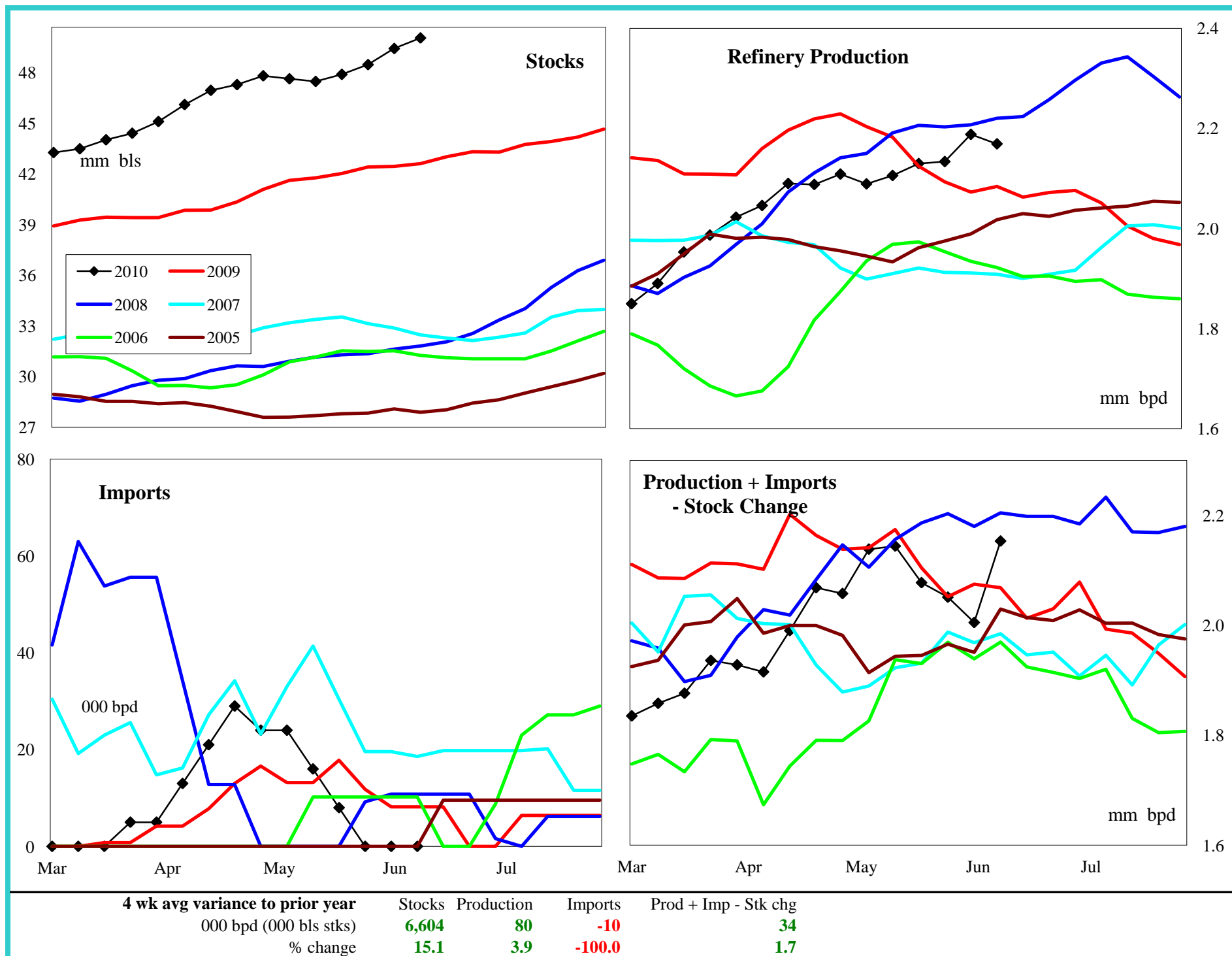
-32

-7.6

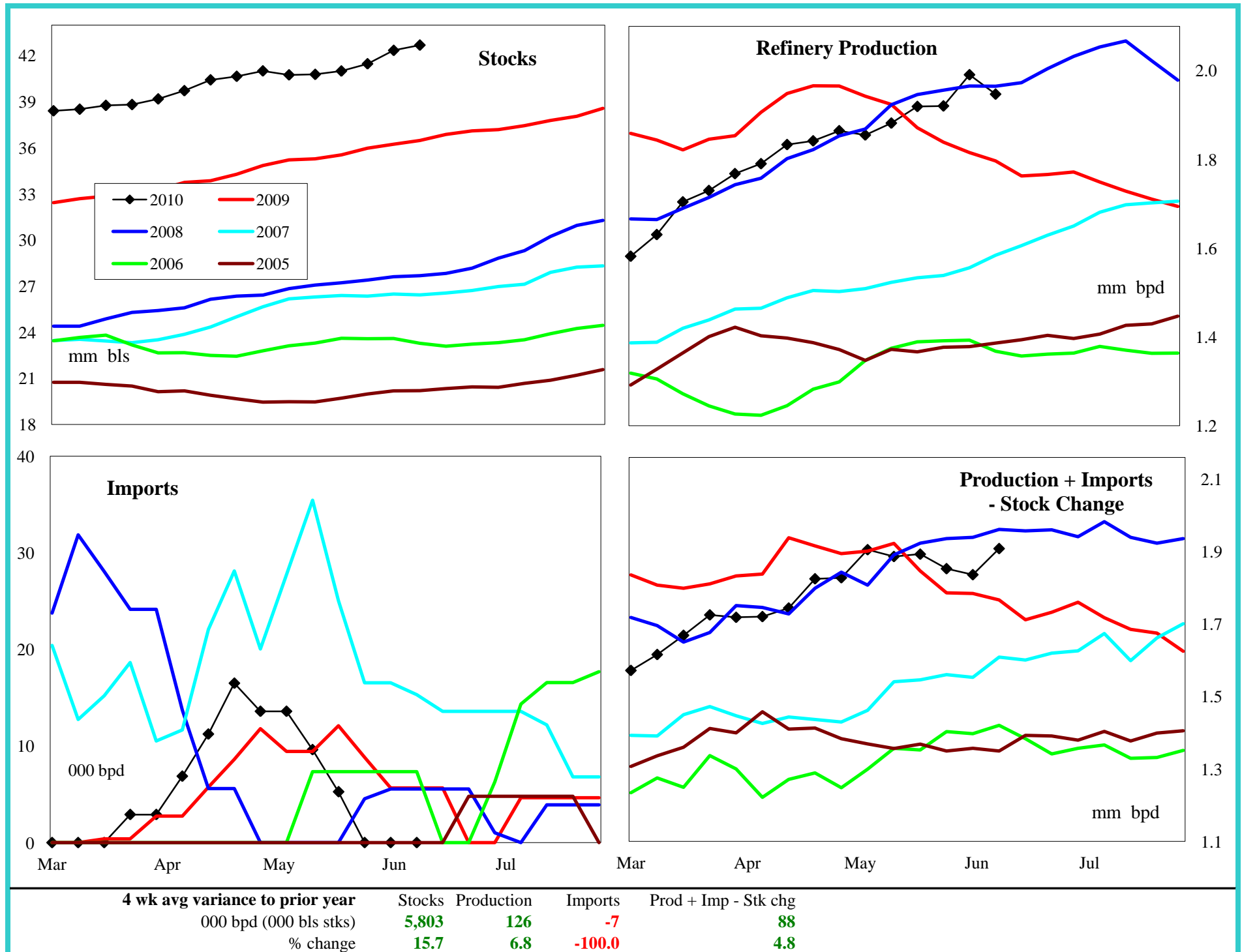
PADD 3 Conventional Gasoline Supply



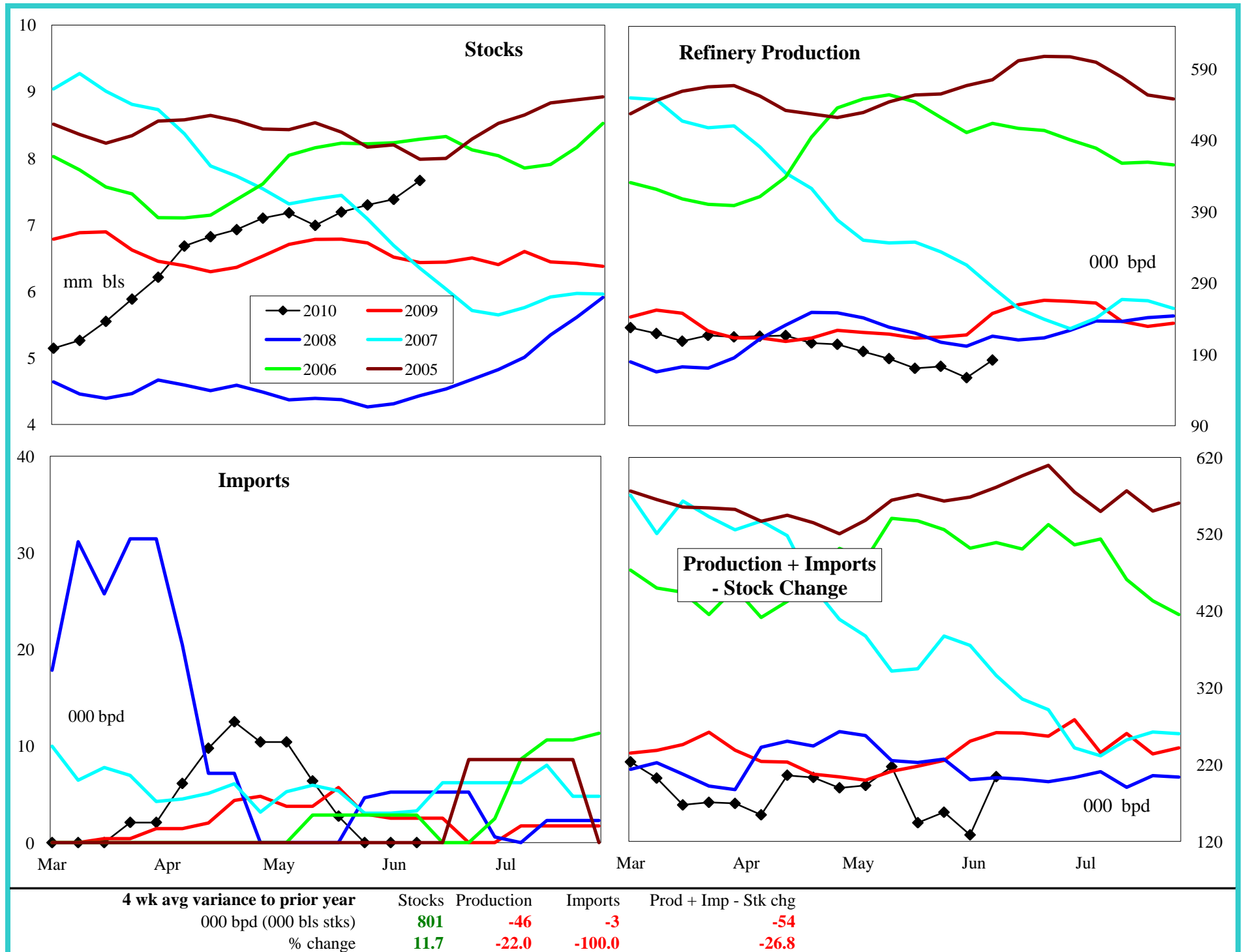
PADD 3 Distillate Supply



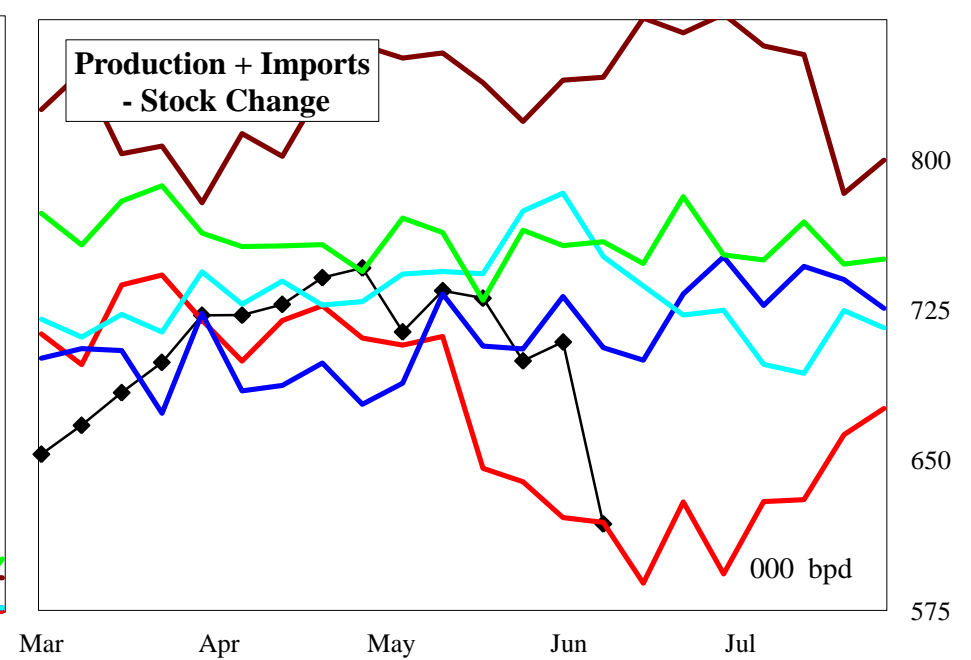
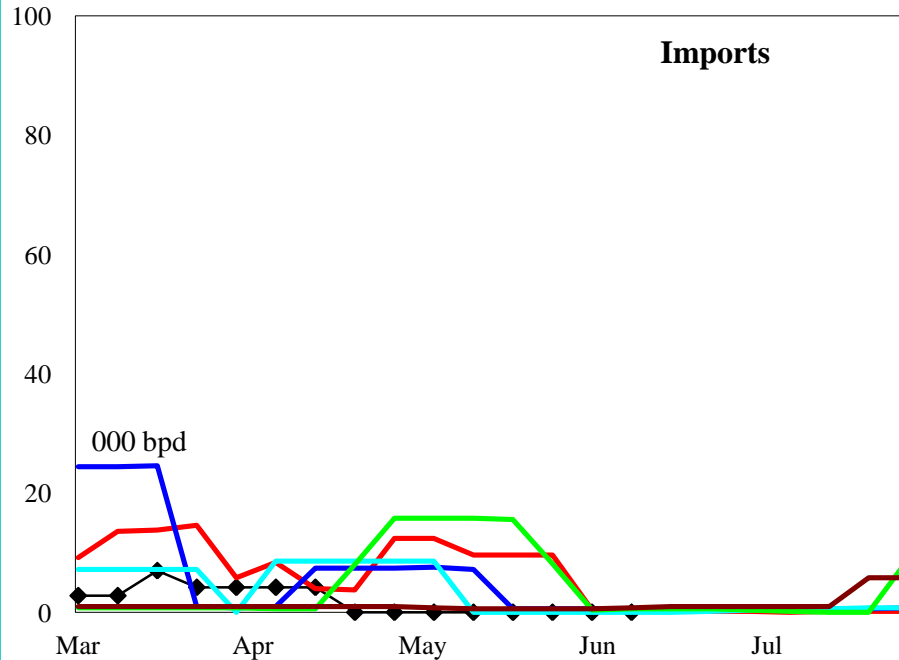
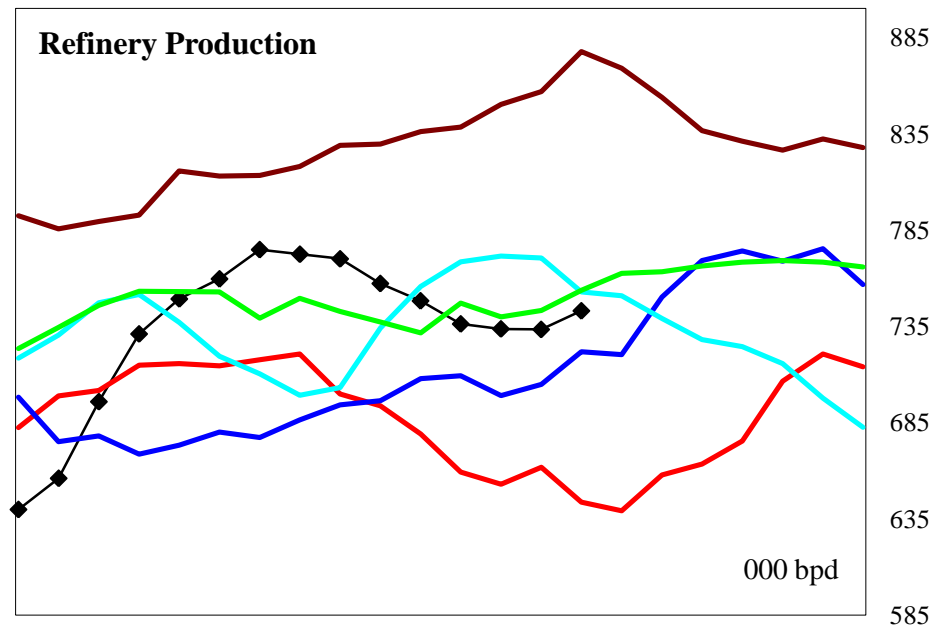
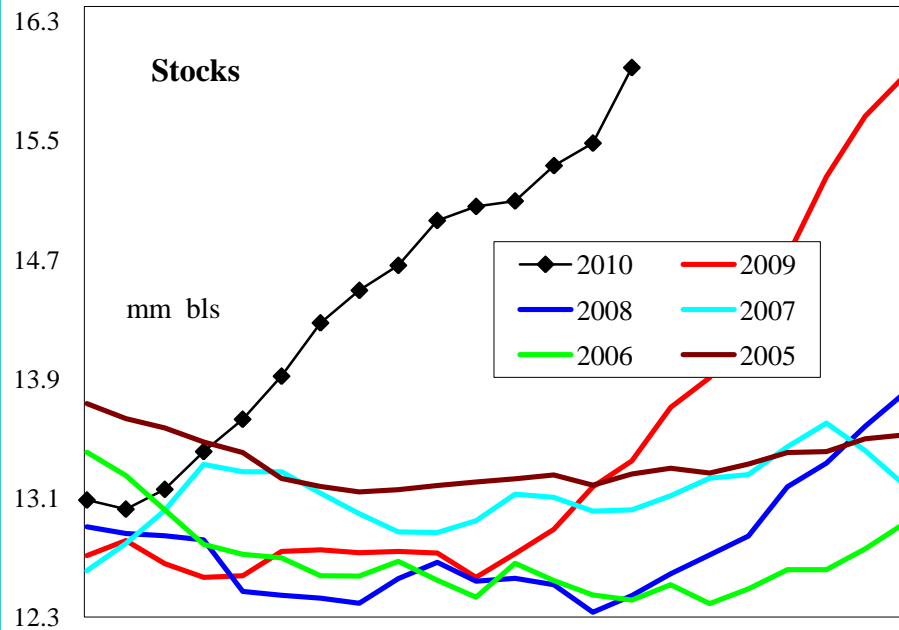
PADD 3 Low Sulfur Distillate Supply



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

2,639

19.8

Production

68

10.2

Imports

0

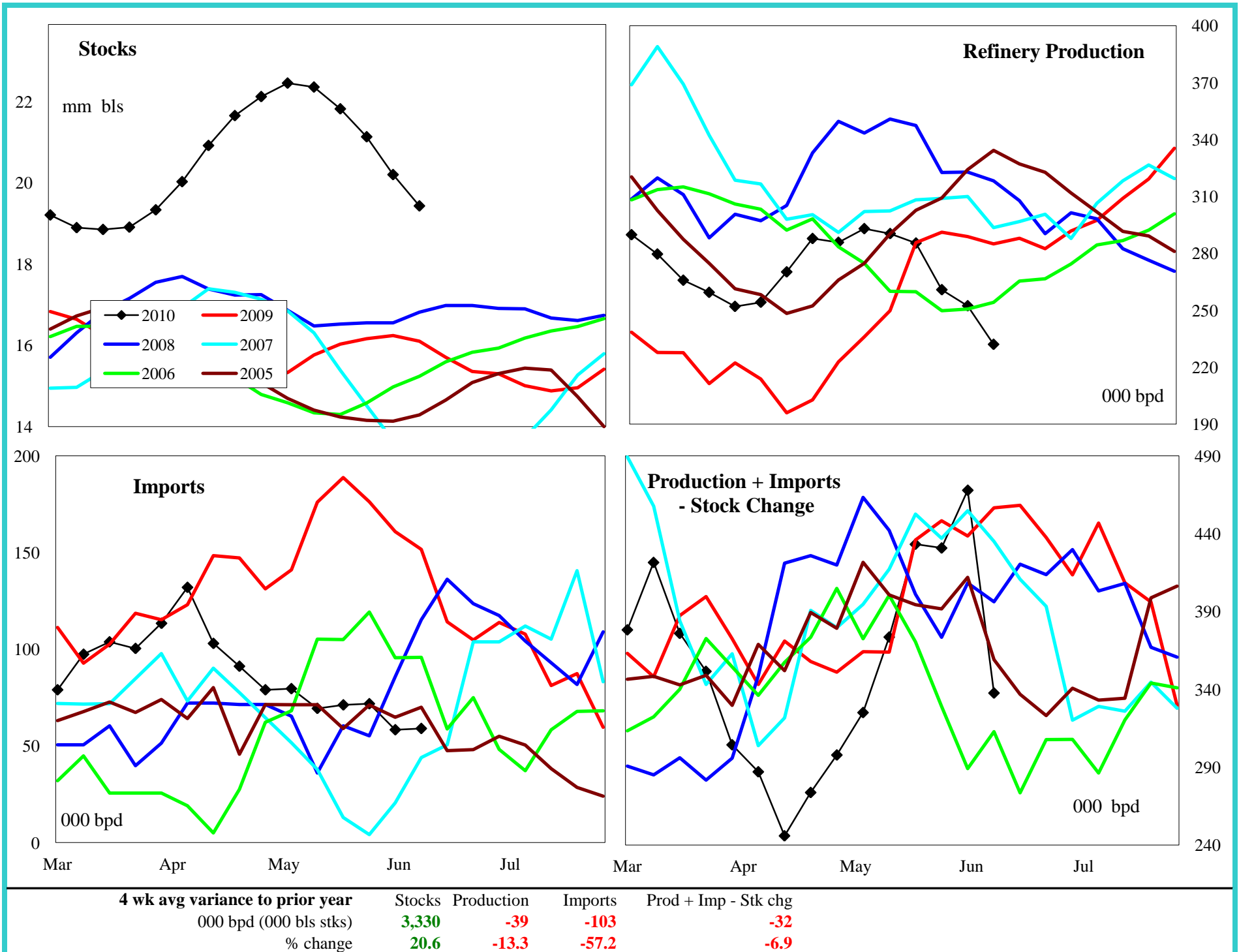
-100.0

Prod + Imp - Stk chg

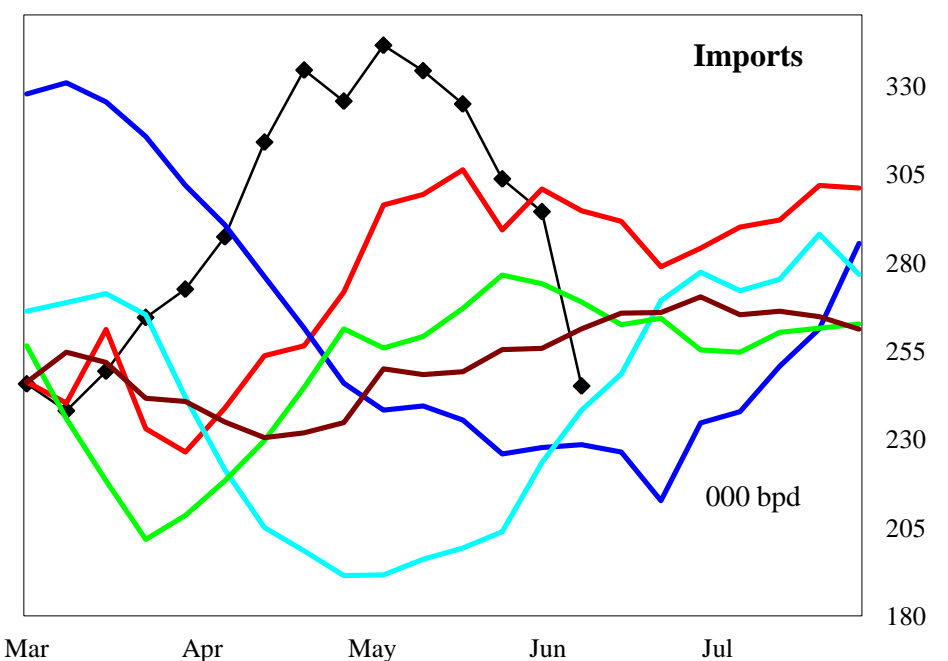
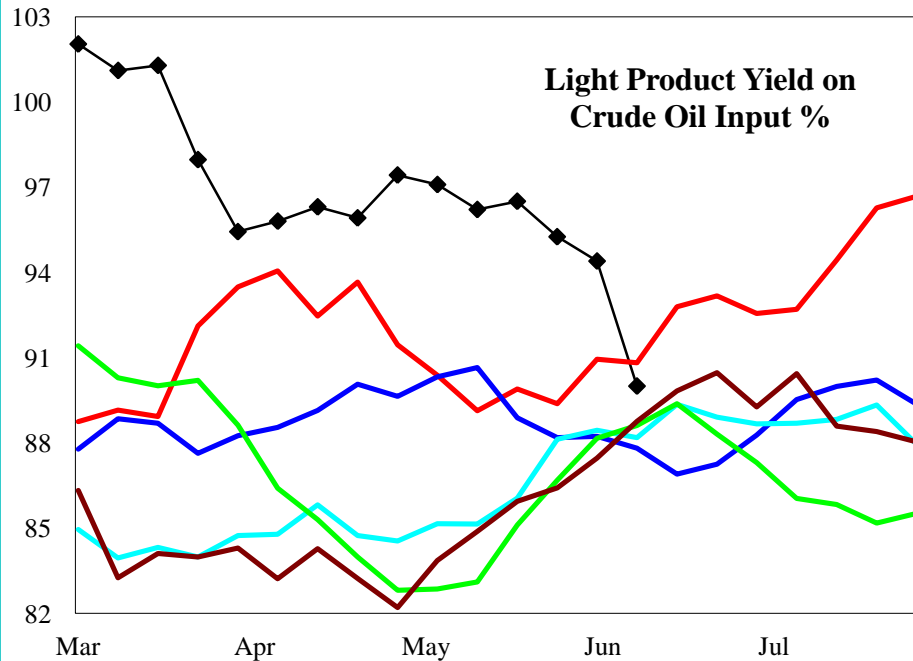
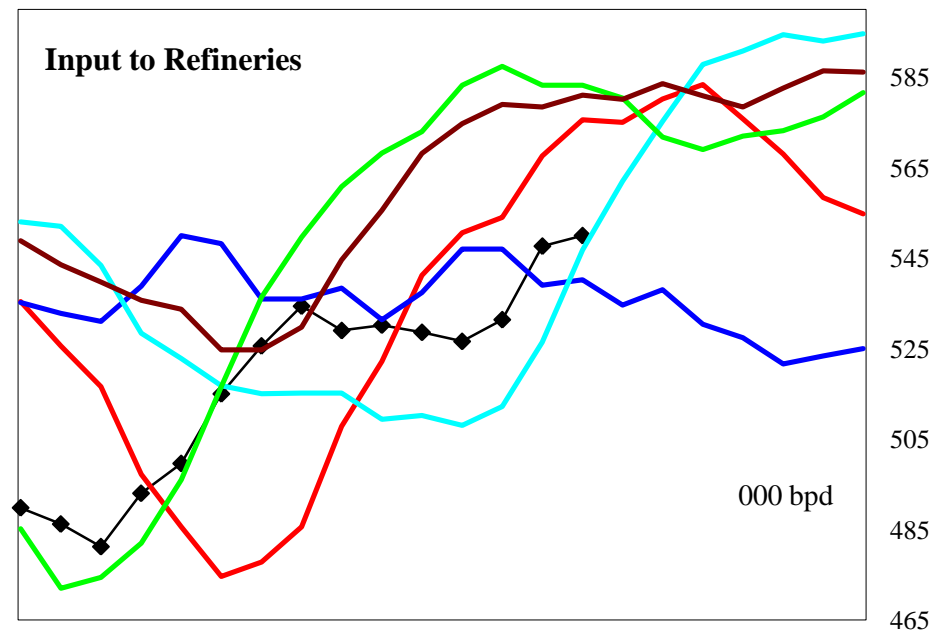
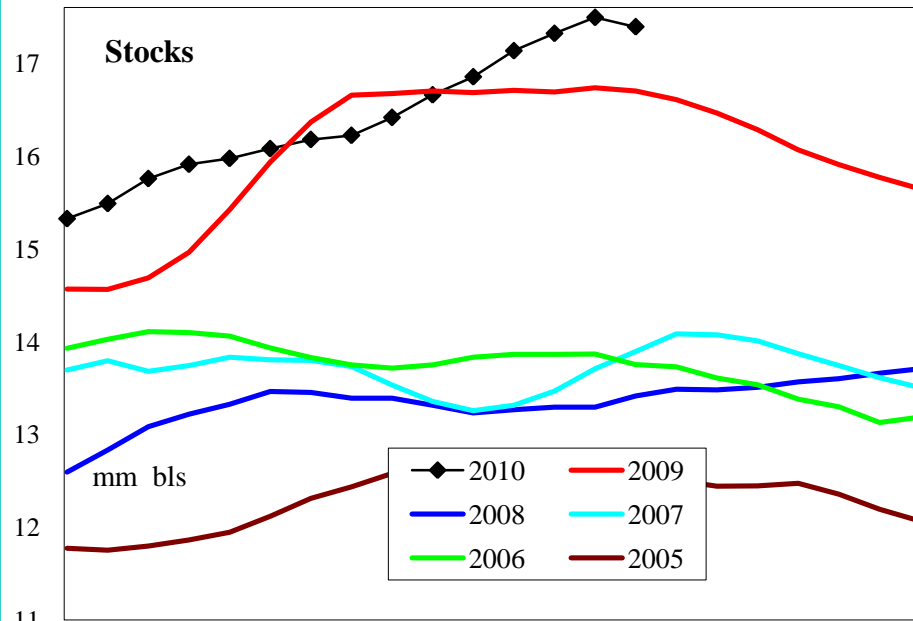
36

5.6

PADD 3 Residual Fuel Oil Supply



PADD 4 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

691

4.0

Input

-16

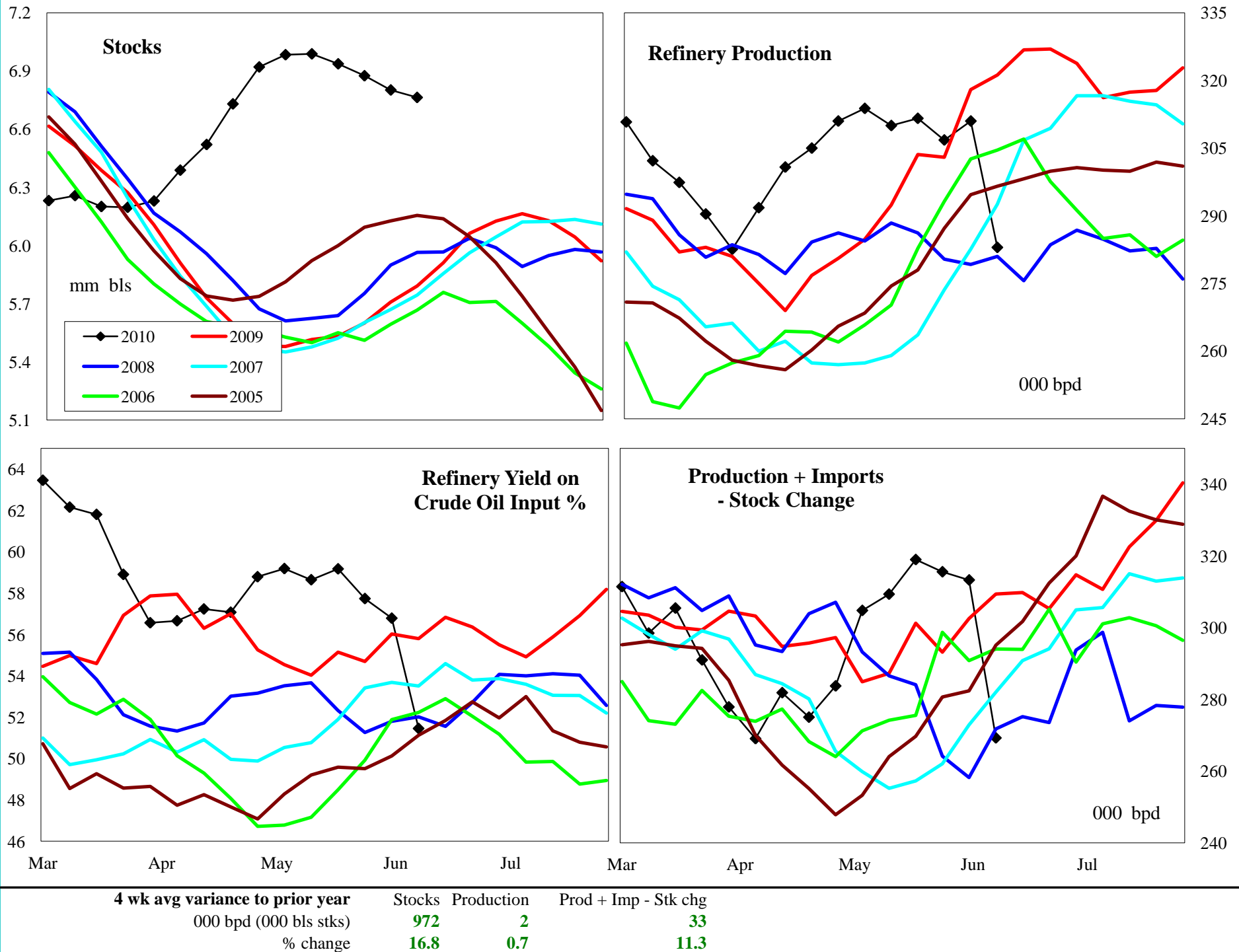
-2.8

Imports

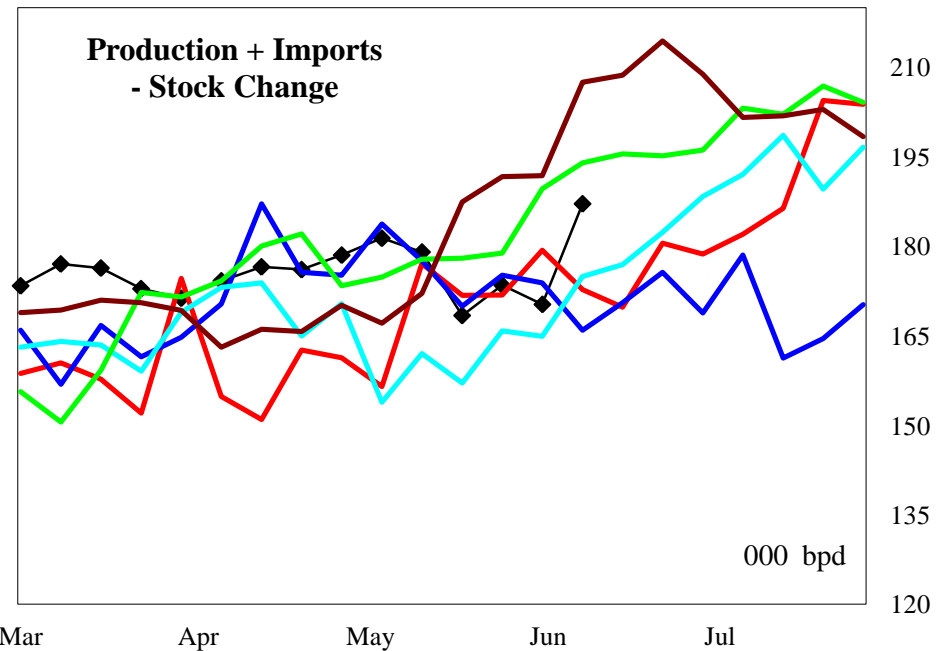
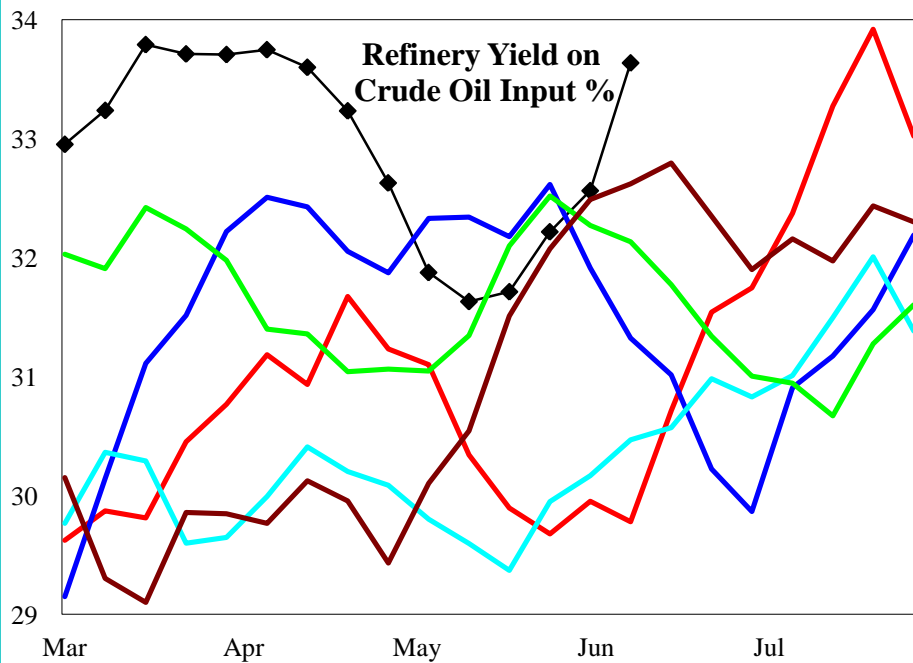
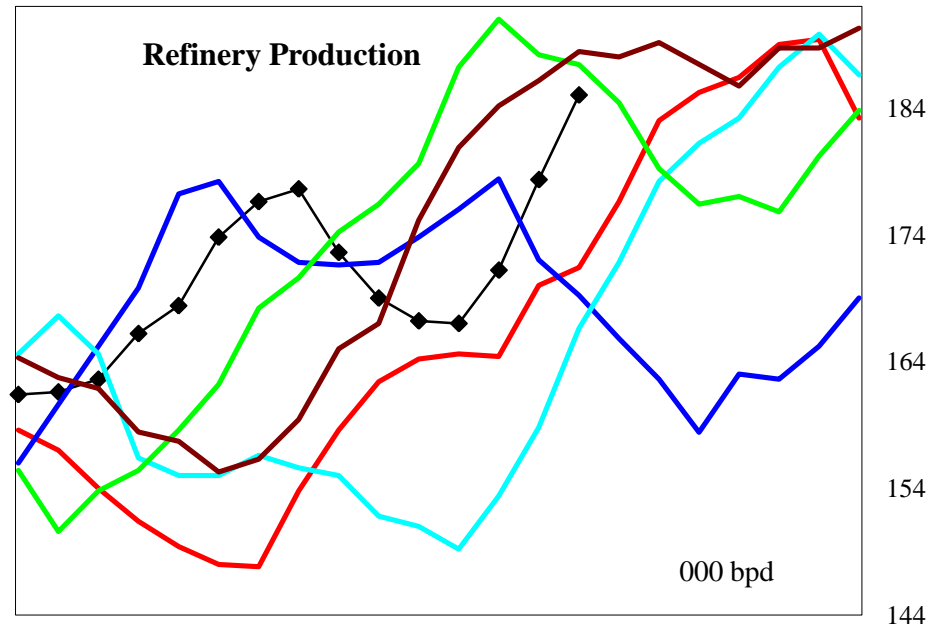
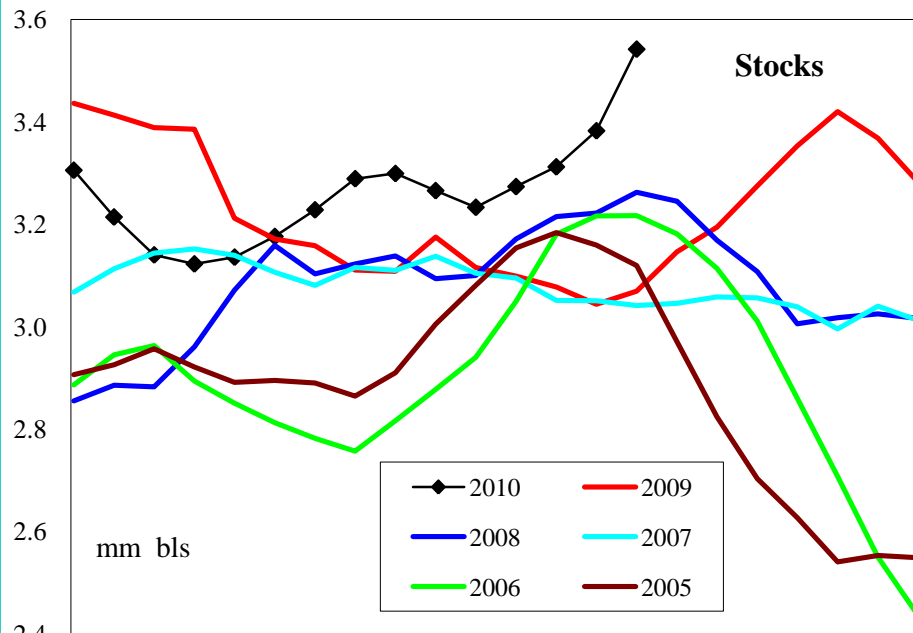
6

1.9

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

473

10

3

-2

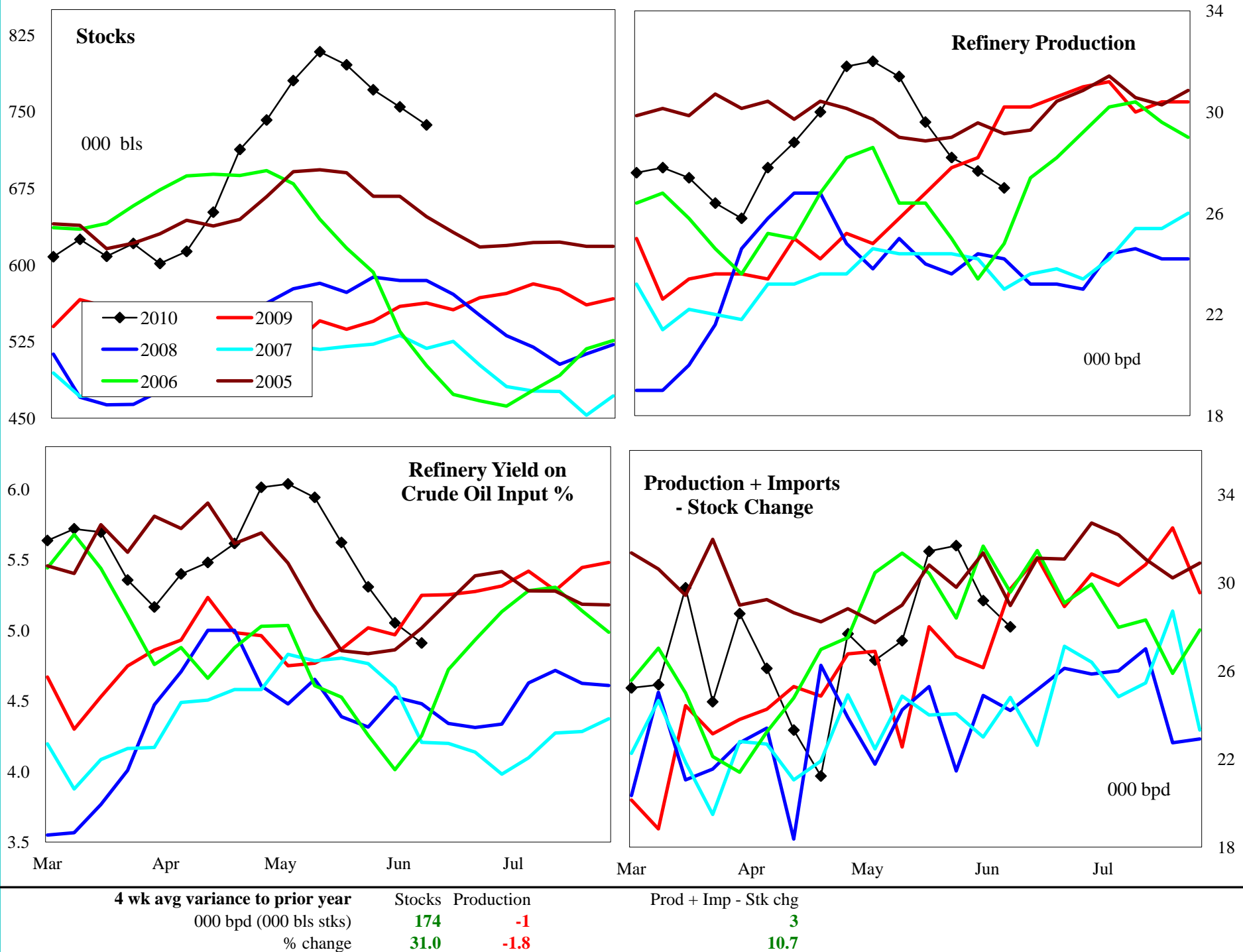
15.4

5.8

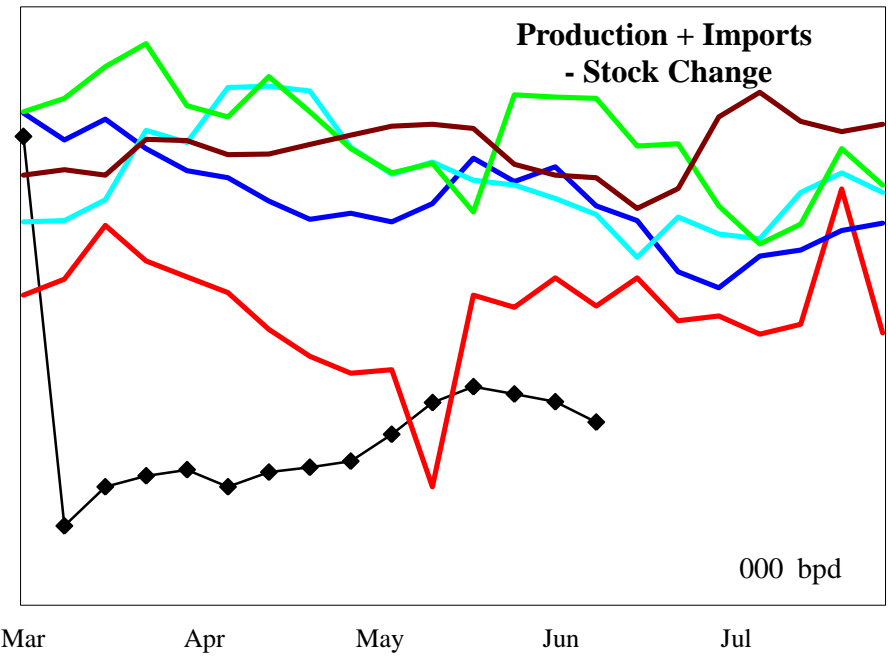
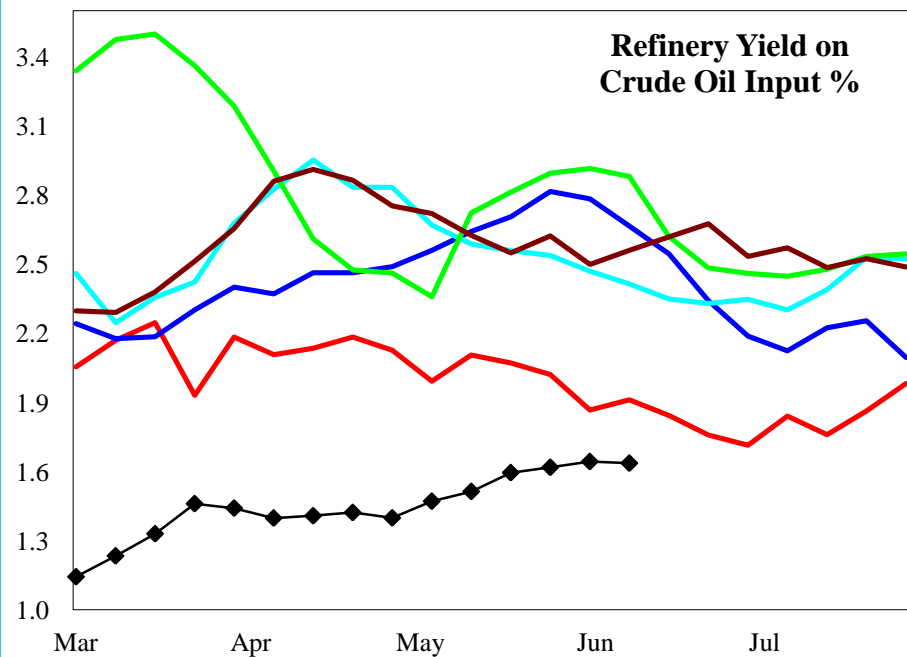
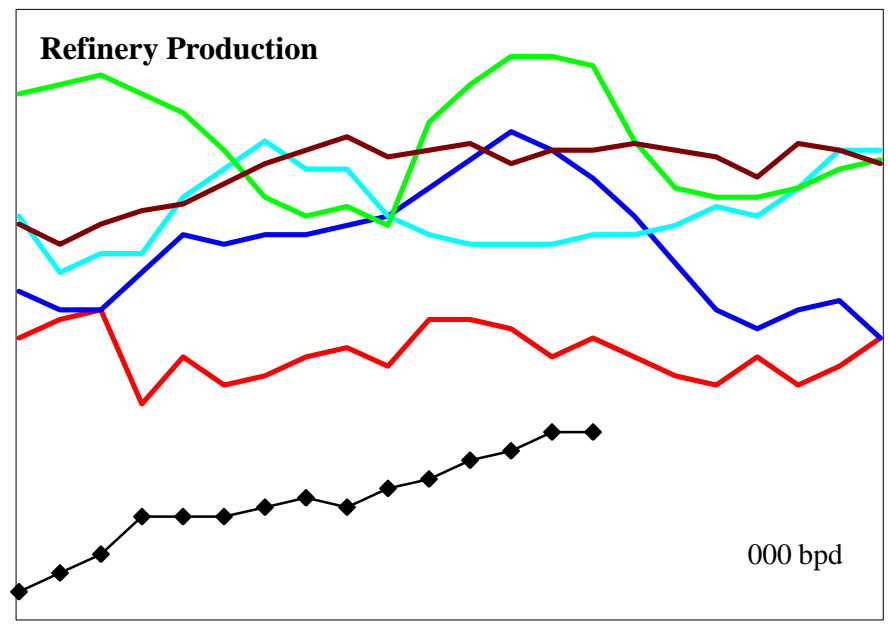
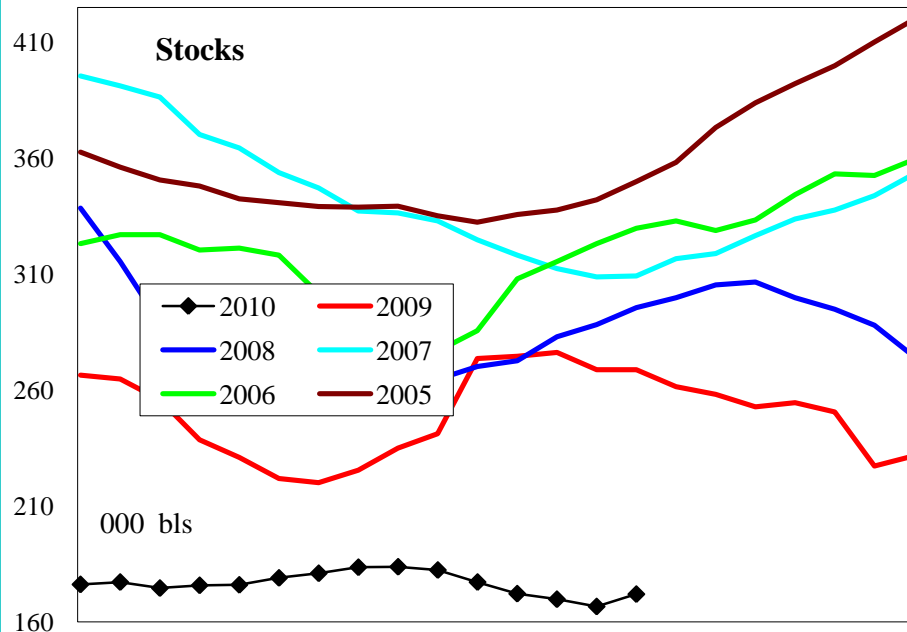
55.0

-1.2

PADD 4 Jet Fuel Supply



PADD 4 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

-97

-2

0

-1

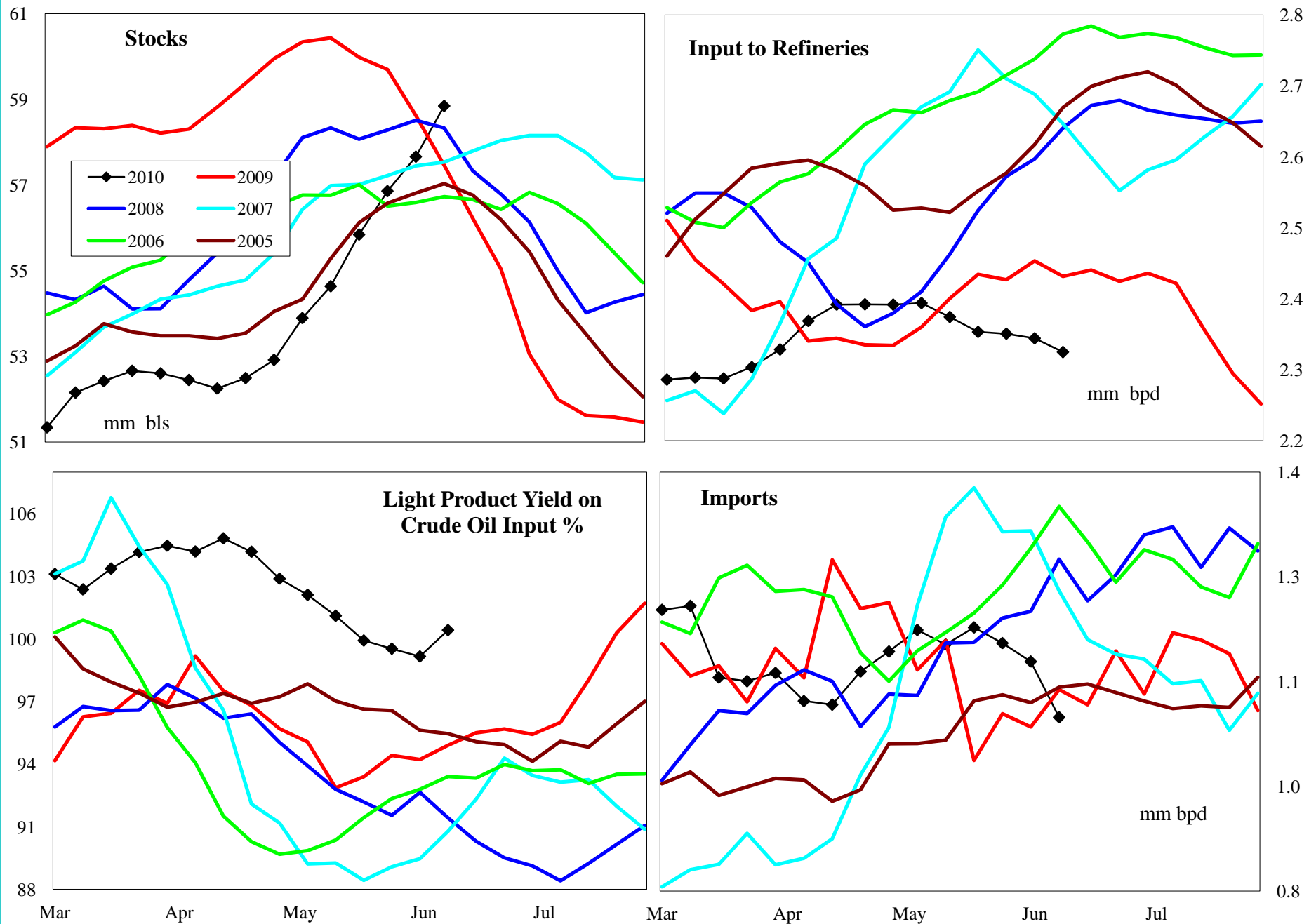
-36.0

-18.2

#DIV/0!

-12.1

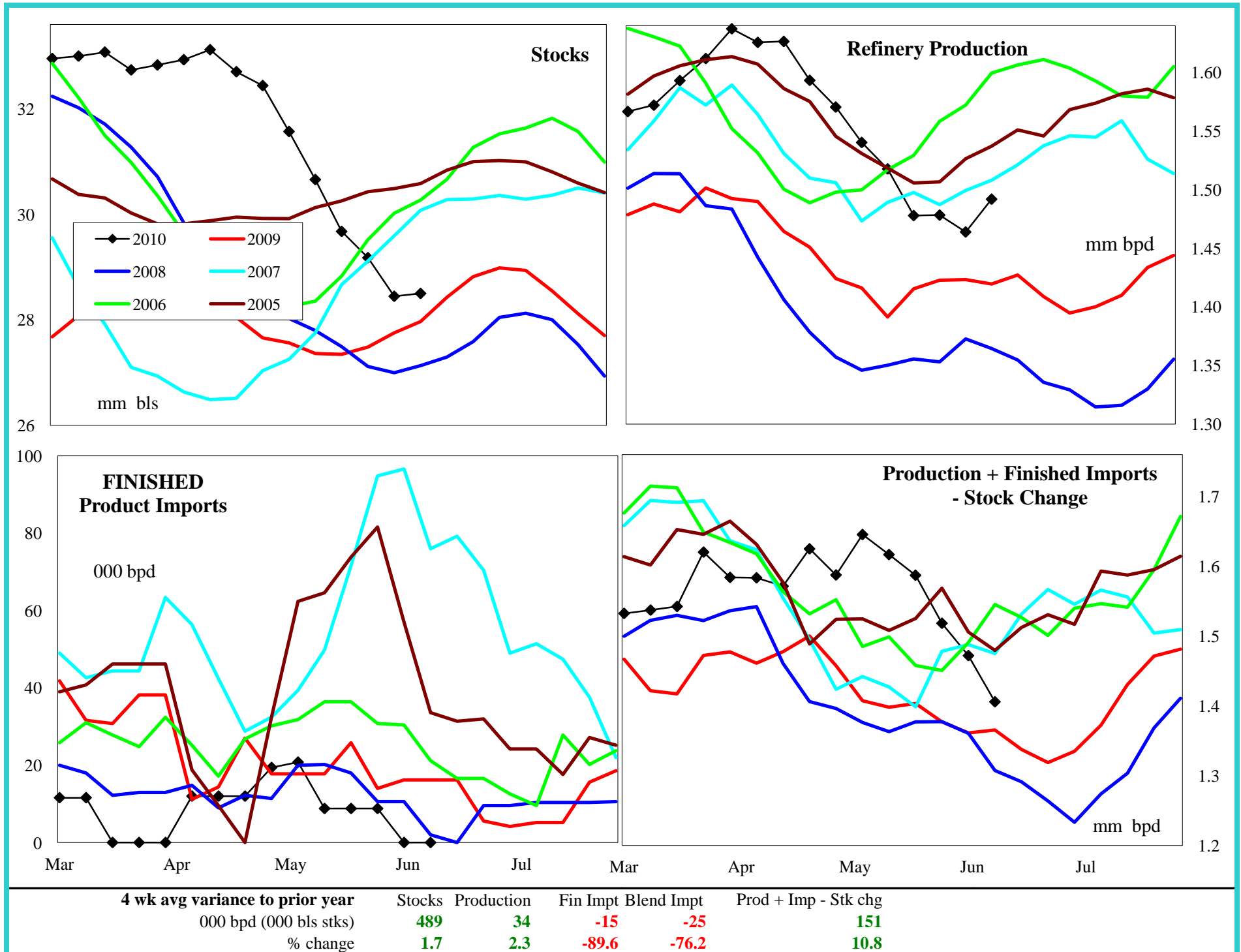
PADD 5 Crude Oil Supply and Refining



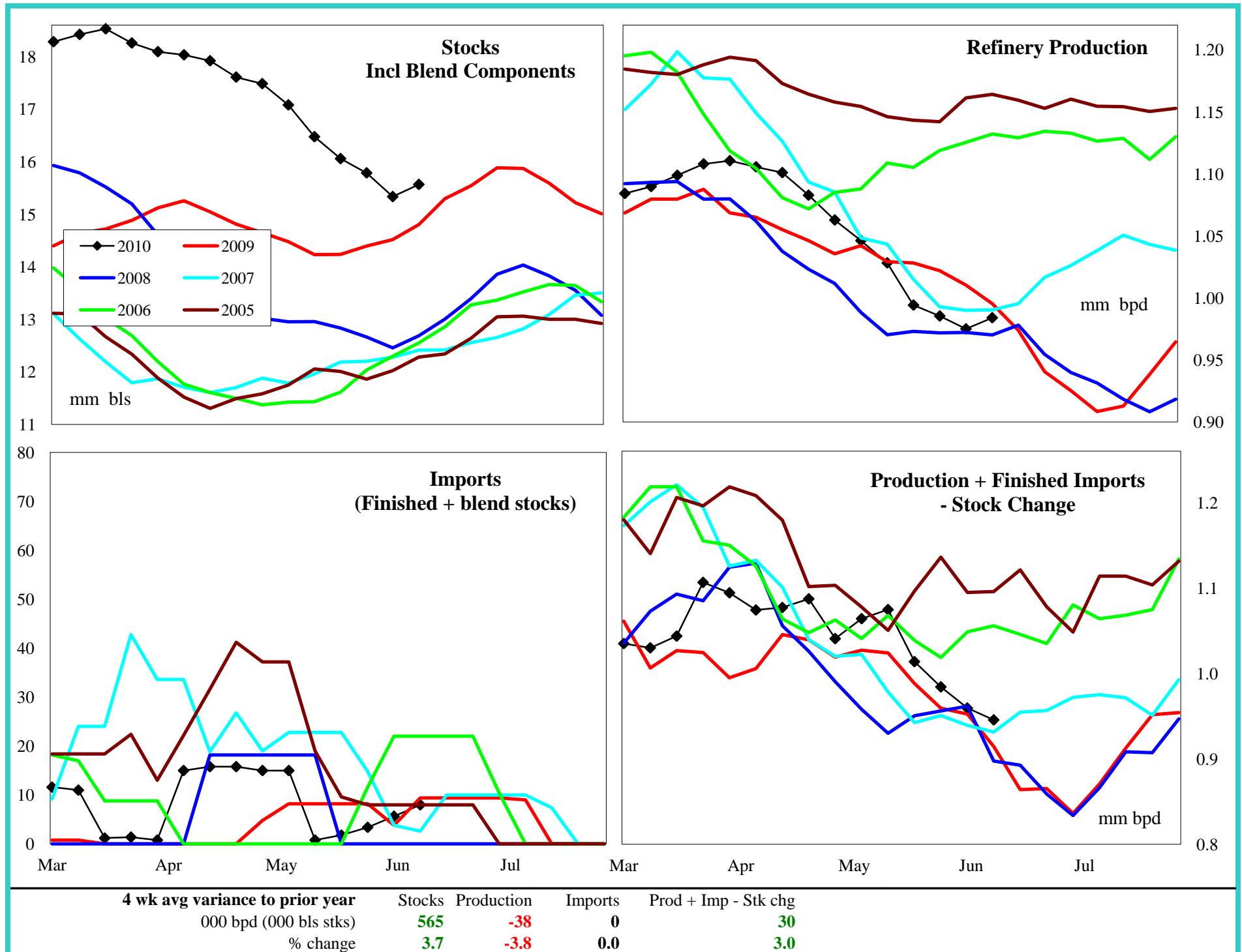
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

	Stocks	Input	Imports
000 bpd (000 bls stks)	1,386	-109	100
% change	2.4	-4.3	9.4

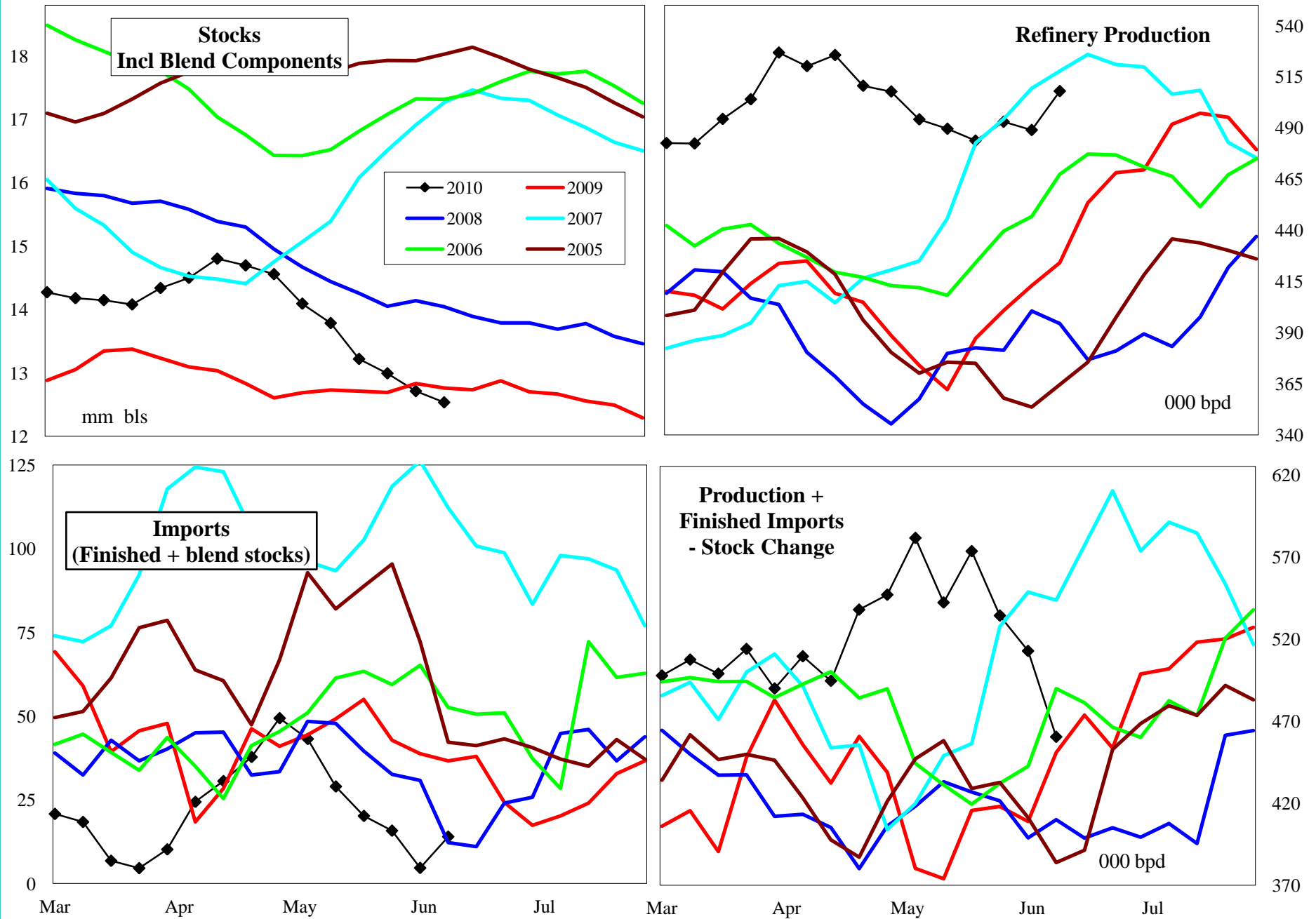
PADD 5 Gasoline Supply



PADD 5 Reformulated Gasoline Supply



PADD 5 Conventional Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-76

-0.6

Production

72

17.5

Imports

-40

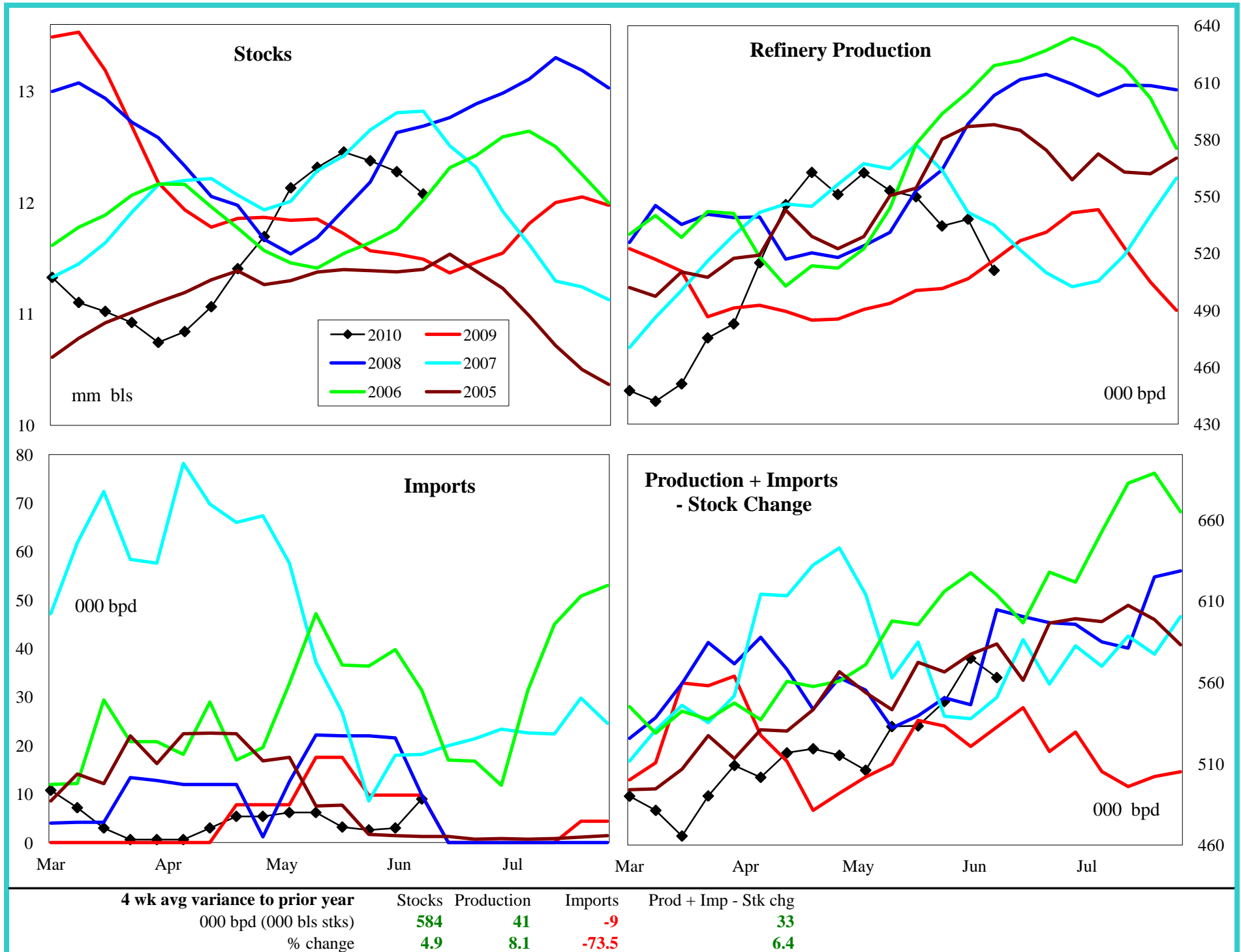
-88.3

Prod + Imp - Stk chg

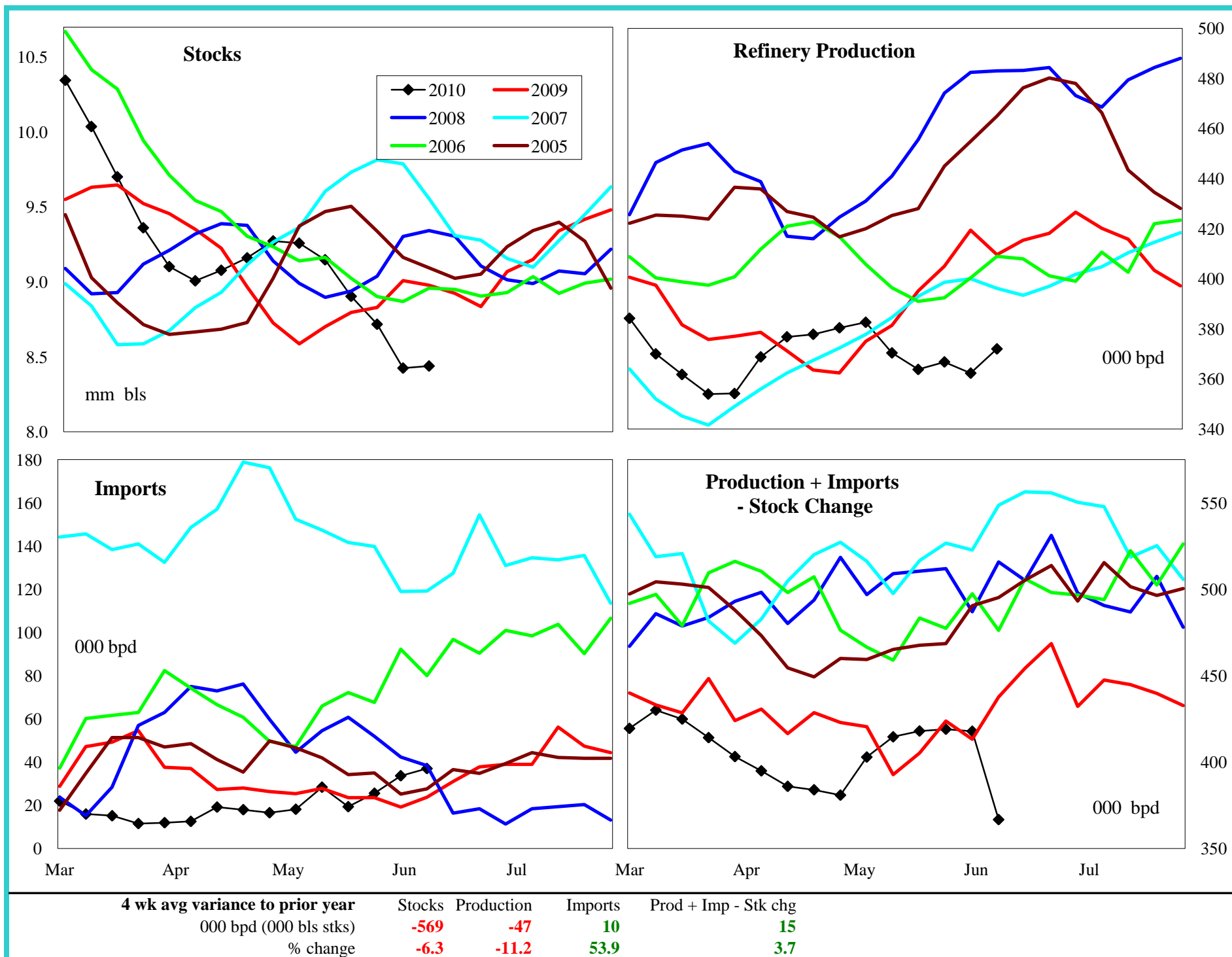
122

29.8

PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

