

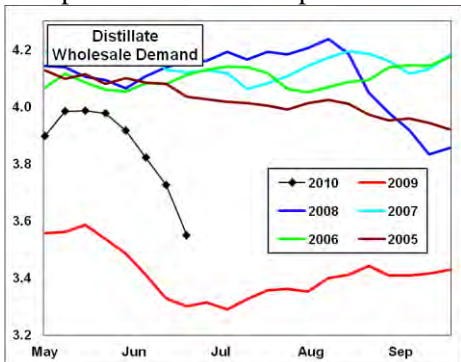
WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Weekly Report

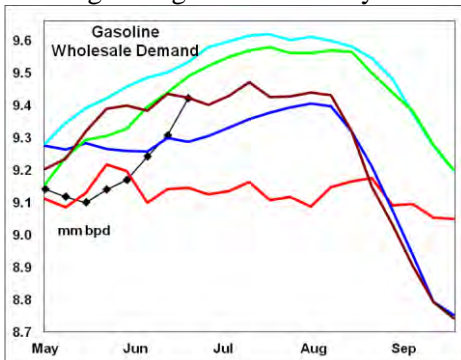
 Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, June 30, 2010


Major Fundamental Trends¹

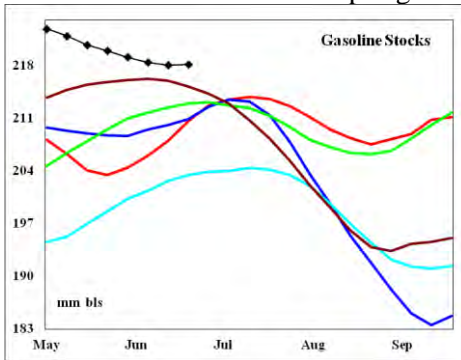
Wholesale distillate demand has experienced declines for each of the last 4-wks; falling -500,000 bpd in the last month. This represents an unusually large seasonal decline, pointing toward some slowing in transportation use and exports.



Relatively high production and seasonally low demand should lead to above average rate of distillate stock building during the next 60-days.



Gasoline wholesale demand jumped +221,000 bpd last week, the largest week-on-week increase this spring.



Offsetting the increase in demand has

been a sharp rise in imports of blend stocks that has lifted production to a new 5-year high. As a result stocks increased +0.5 million barrels last week, driving the stock level to a new 5-year high for the period.

Jet fuel demand increased +159,000 bpd last week, but remains below last year for the most recent 4-wk period. The jet market remains very oversupplied.

Crude oil stocks fell -4.3 million barrels on the West Coast last week, even with a +340,000 bpd rise in imports. This counter trend points to a stock adjustment by the EIA. Stocks increased +2.5 million barrels in the Gulf. U.S. crude oil stock levels continue to increase compared to the historic range and are now +13 million barrels above the prior record for this time of year.

Demand for gasoline and jet fuel increased last week while distillate demand experienced a sharp drop.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline +1.5%; distillate up +11%; jet fuel down -1.8% while residual fuel oil fell -35%.

Stocks forward coverage: Gasoline demand coverage decreased on the week with a +221,000 bpd jump in demand that offset a +0.5 million barrel stock build. Coverage remains above the historic range.

Distillate demand coverage trended higher on a +2.5 million barrel stock build and a -234,000 bpd drop in demand. Coverage levels were near last years' record high.

Jet fuel coverage decreased on a +159,000 bpd jump in demand. Coverage levels remain above the historic range.

Residual fuel oil coverage increased on exceptionally weak demand. Coverage reached a new record high for this time of year.

Refinery utilization rates decreased last week on a -98,000 bpd drop in crude

oil thru put. Crude thru put remains below four of the last 5-years.

Gasoline yield % on crude oil runs increased last week on a +97,000 bpd rise in production compared to the -98,000 bpd decline in crude oil runs. Yield % was above the historic range.

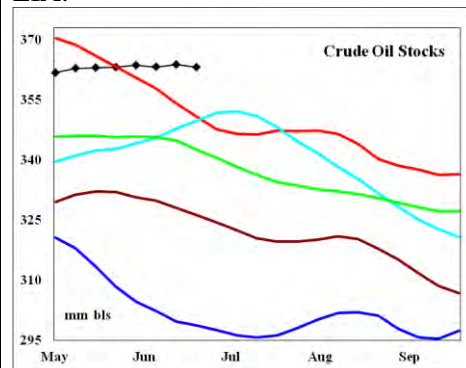
Distillate yield % on crude oil runs increased on a +63,000 bpd rise in output. Yield % was above four of the last five years.

Jet fuel yield % on crude oil runs increased on a +12,000 bpd rise in production.

Petroleum Imports of crude oil fell -0.6 million bpd last week. Gasoline imports were higher while middle distillates were nearly unchanged.

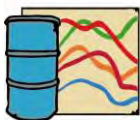
During the latest 4-wk period distillate imports increased +13,000 bpd over last year; finished gasoline imports decreased -163,000 bpd, gasoline blend stock imports increased +60,000 bpd; jet fuel imports decreased -12,000 bpd, while residual fuel oil imports decreased -102,000 bpd.

Crude Oil stocks decreased -2 million barrels, including a -4.3 million barrel draw on the West Coast. The large draw on the West Coast occurred even with a +340,000 bpd rise in imports; pointing to a likely data 'reset' by the EIA.



Stock levels are now +13 million barrels above the prior record high for the period. Stocks in Cushing have decreased -1.6 million barrels during the last two weeks.

¹ Source is latest EIA Weekly Statistics



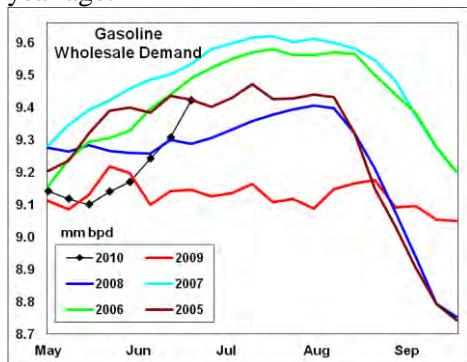
WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

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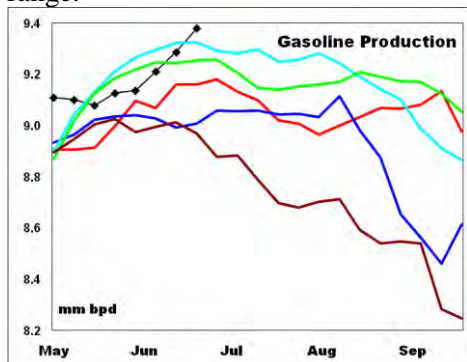
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Product Supply-Demand Trends

Gasoline demand jumped +221,000 bpd last week, the highest weekly increase this spring. The latest 4-wk average was +140,000 bpd above a year ago.



Gasoline production increased +97,000 bpd on the week, to a level above the historic range. The most recent 4-wk average was +88,000 bpd above last year. Imports also increased last year to match the low end of the historic range.



Stocks increased +0.5 million barrels with large builds in PADDs 1 and 3.

Demand has exhibited the strongest growth since late winter. However high production and record stock levels assure a well supplied market. There are significant imbalances between regions with the West Coast and Midwest relatively tight while the Gulf and East Coast are extremely over supplied.

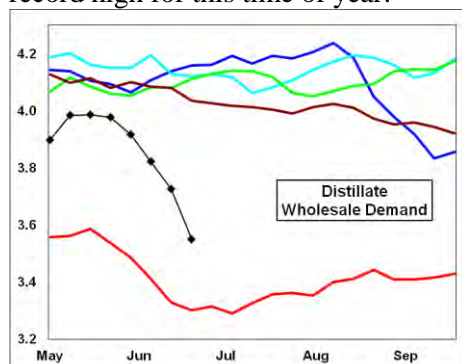
Higher blend stock imports are limiting improvement in the supply balance, keeping prices under downward pressure.

Distillate demand fell -234,000 bpd last week, and has declined -500,000 bpd during the last 4-wks. Demand for

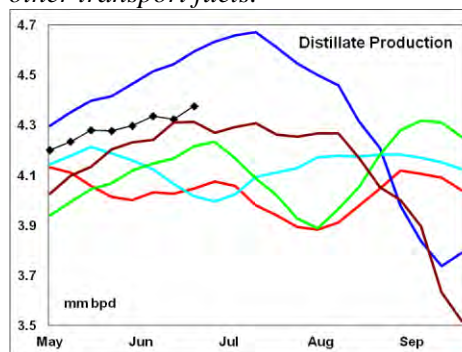
the latest 4-wk period averaged +372,000 bpd above last year. A sharp drop in demand points toward a slowing of transportation activity following inventory rebuilding within the broader economy

Production increased +63,000 bpd last week, while imports were +12,000 bpd higher.

Stocks climbed +2.5 million barrels on the week. Stock levels are +4.4 million barrels above last years' record high for this time of year.



Production remains above 4 of the last five years, even though crude oil runs are below 4 of the last five years as refiners maximize output compared to other transport fuels.



The distillate market is at risk of significant over supply if output remains high and demand extends the current weak trend. Prices should exhibit weakness as supplies peak during the quarter.

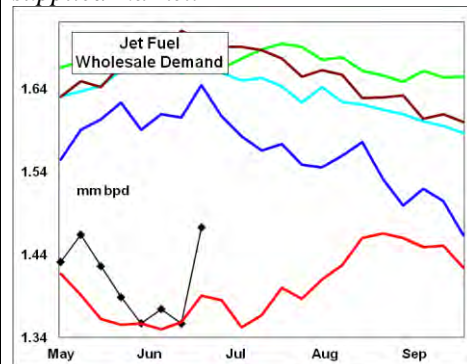
Jet Fuel demand increased +159,000 bpd on the week, with the latest 4-wk average -25,000 bpd below last years' record low level.

Supply increased +15,000 bpd on the week, but remains at the low end of the historic range. The latest 4-wk

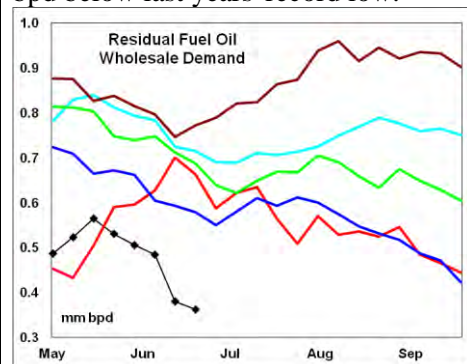
average supply was +43,000 bpd above a year ago. Stock levels were +11% above the prior 5-year high.

Weak demand, has led to extremely high stock levels and record low imports.

Expect continued weakness in jet fuel prices, particularly, cash basis in most major markets on a very over supplied market.



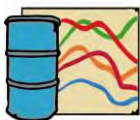
Residual fuel oil demand, including exports, decreased -18,000 bpd last week, with the 4-wk average -242,000 bpd below last years' record low.



Supply (production + imports) increased +55,000 bpd on the week, with the latest 4-wk average -200,000 bpd below a year ago. Stocks increased +0.4 million barrels, with the level above the 5-year range.

Demand has been unusually weak during June, -30% below the prior 5-year low for this time of year. Nearly 2/3rds of demand is for exports so this trend points to particularly soft exports. Refiners have cut production to record lows, yet stock levels remain above the historic range.

These fundamental trends should continue to depress prices compared to the overall energy complex.



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

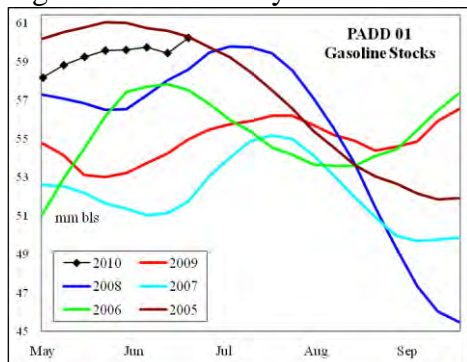
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PADD Supply Trends

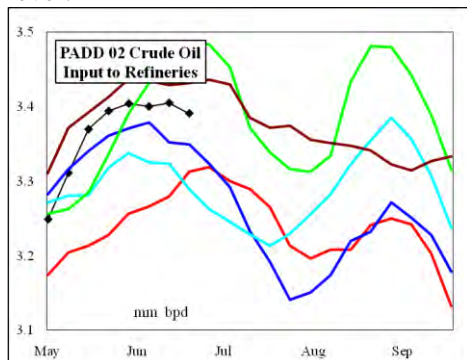
PADD 1 refinery crude oil runs were unchanged last week, with the 4-wk average -110,000 bpd below last years' record low rate.

Gasoline production increased +97,000 bpd on the week, with the latest 4-wk average +308,000 bpd above a year ago, and at a new 5-year high. Imports increased +191,000 bpd on the week, with the level matching the low end of the 5-year range. Stocks increased +1.5 million barrels to match the 5-year high for this time of year.



Distillate supply increased +9,000 bpd last week, with the level at the low end of the historic range. Stocks increased +1.3 million barrels, to a level near last years' record high.

Jet fuel supply fell -48,000 bpd last week, with both production and imports at record lows. Stocks levels were +13% above last years' record level.



PADD 2 crude oil refinery runs decreased -70,000 bpd last week, to a level that was above each of the last three years. Crude oil imports fell -146,000 bpd, (down -0.5 million bpd in

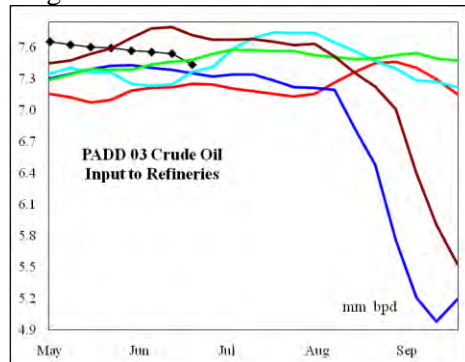
the last two weeks). Imports remain above the historic range. Crude oil stocks were nearly unchanged, including a -0.8 million barrel decline in Cushing, OK.

Gasoline production increased +61,000 bpd last week, to a level above 4 of the last 5 years. Stocks increased +0.5 million barrels, with the level matching the 3-year mid range.

Distillate production increased +42,000 bpd on the week, to a level near the mid range. Stocks decreased -0.7 million barrels.

Jet fuel supply and stock levels remain extremely high.

PADD 3 refinery crude oil runs decreased -67,000 bpd last week, to the mid range. The latest 4-wk average was +334,000 bpd above a year ago. Crude imports fell -726,000 bpd last week to below the historic range. Crude oil stocks increased +2.5 million barrels on the week, to match the mid range.



Gasoline production decreased -70,000 bpd on the week, below the historic range (note unfinished gasoline is reported in PADDs receiving this product from the Gulf). Stocks declined -0.7 million barrels but the level remains above prior years.

Distillate production increased +45,000 bpd last week, exceeding the 5-year high for this time of year. Stocks increased +1 million barrels, +19% above last years' record level.

Jet fuel output increased +9,000 bpd, a level that was at the low end of the historic range. Stocks increased +0.2 million barrels, to a new all time record high.

Residual fuel oil supply increased +79,000 bpd on the week. Stocks increased +0.3 million barrels on the week, and remain +25% above the prior record high for this time of year.

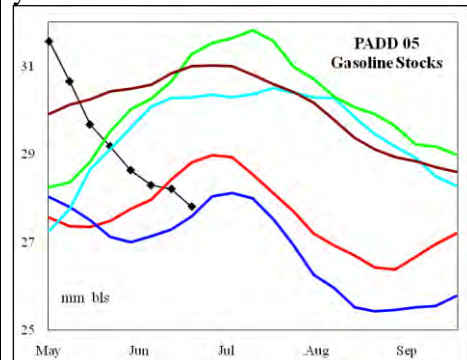
PADD 4 refinery crude runs increased +4,000 on the week, to the mid range. The latest 4-wk average thru put was -20,000 bpd below last year.

Gasoline production was nearly unchanged at the upper end of the 5-year range. Stocks decreased -0.3 but remain well above the historic range.

Distillate production decreased -5,000 bpd last week, to match the historic high for the period. Stock levels remain well above the 5-year high for the period.

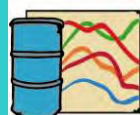
PADD 5 crude oil refinery runs increased +35,000 bpd on the week, to match last years' low for the period. The latest 4-wk average run rate was -48,000 bpd below last year. Crude oil stocks fell -4.3 million barrels, to the low end of the historic range.

Gasoline supply (production + imports) increased +42,000 bpd last week, to the upper end of the last three years. The latest 4-wk average supply was +11,000 bpd above last year. Stocks decreased -0.5 million barrels to match the 5-year low for this time of year.



Distillate production decreased -32,000 bpd on the week, to the low end of the historic range. Stocks increased +0.8 million barrels to a level that matched the 5-year high for the period.

Jet fuel supply increased +46,000 bpd last week, to near the mid range. Stock levels remain well below the historic range.


**FUNDAMENTAL
PETROLEUM
TRENDS**


PETROLEUM: Graph Link and Weekly Summary

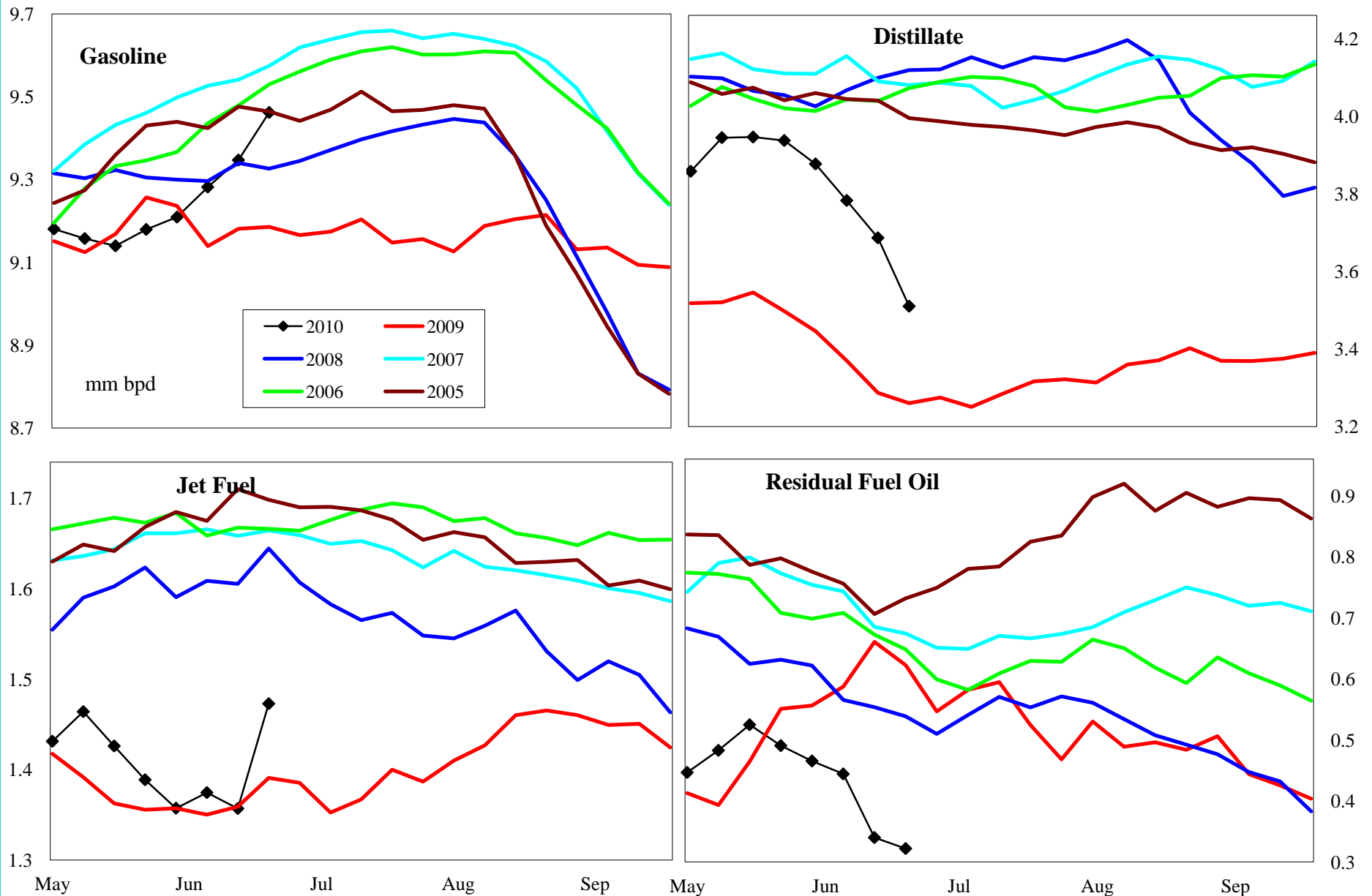
A Fundamental Petroleum Trends Weekly Report

June 30, 2010

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| Fundamental Trends | Wholesale Demand | Stocks Days Fwd Coverage | Refinery Utilization Product Yield % | | | | Imports |
|-----------------------------------|----------------------------------|--|--|------|-------|------|-------------------------|
| Supply/Demand Trends | 25-Jun-10 | EIA-DOE CHANGE FROM PRIOR WEEK | | | | | |
| | 000 bpd stocks 000 bls | U. S. Total | PADD | | | | |
| | | | 1 | 2 | 3 | 4 | 5 |
| Crude Oil | Stocks | -2,007 | 91 | -174 | 2,498 | -80 | -4,343 |
| | Imports | -631 | -150 | -146 | -726 | 51 | 340 |
| | Input | -98 | -1 | -70 | -67 | 4 | 35 |
| | % Utilization | -1.00 | | | | | |
| Gasoline | Stocks | 537 | 1,542 | 456 | -661 | -283 | -516 |
| | Production | 97 | 97 | 61 | -70 | -1 | 10 |
| | Imports | 187 | 191 | 0 | -37 | 0 | 32 |
| | Supplied | 221 | | | | | |
| Distillate | Stocks | 2,457 | 1,268 | -671 | 978 | 80 | 801 |
| | Production | 63 | 13 | 42 | 45 | -5 | -32 |
| | Imports | 12 | -4 | 13 | 0 | 3 | -1 |
| | Supplied | -234 | | | | | |
| Jet Fuel | Stocks | -195 | -170 | -235 | 231 | -52 | 32 |
| | Production | 12 | -12 | 0 | 9 | 8 | 7 |
| | Imports | 3 | -36 | 0 | 0 | 0 | 39 |
| | Supplied | 159 | | | | | |
| Residual Fuel Oil | Stocks | 421 | 362 | -16 | 294 | 0 | -220 |
| | Production | 45 | 1 | 1 | 46 | 1 | -4 |
| | Imports | 10 | 13 | 1 | 33 | 0 | -36 |
| | Supplied | -18 | | | | | |

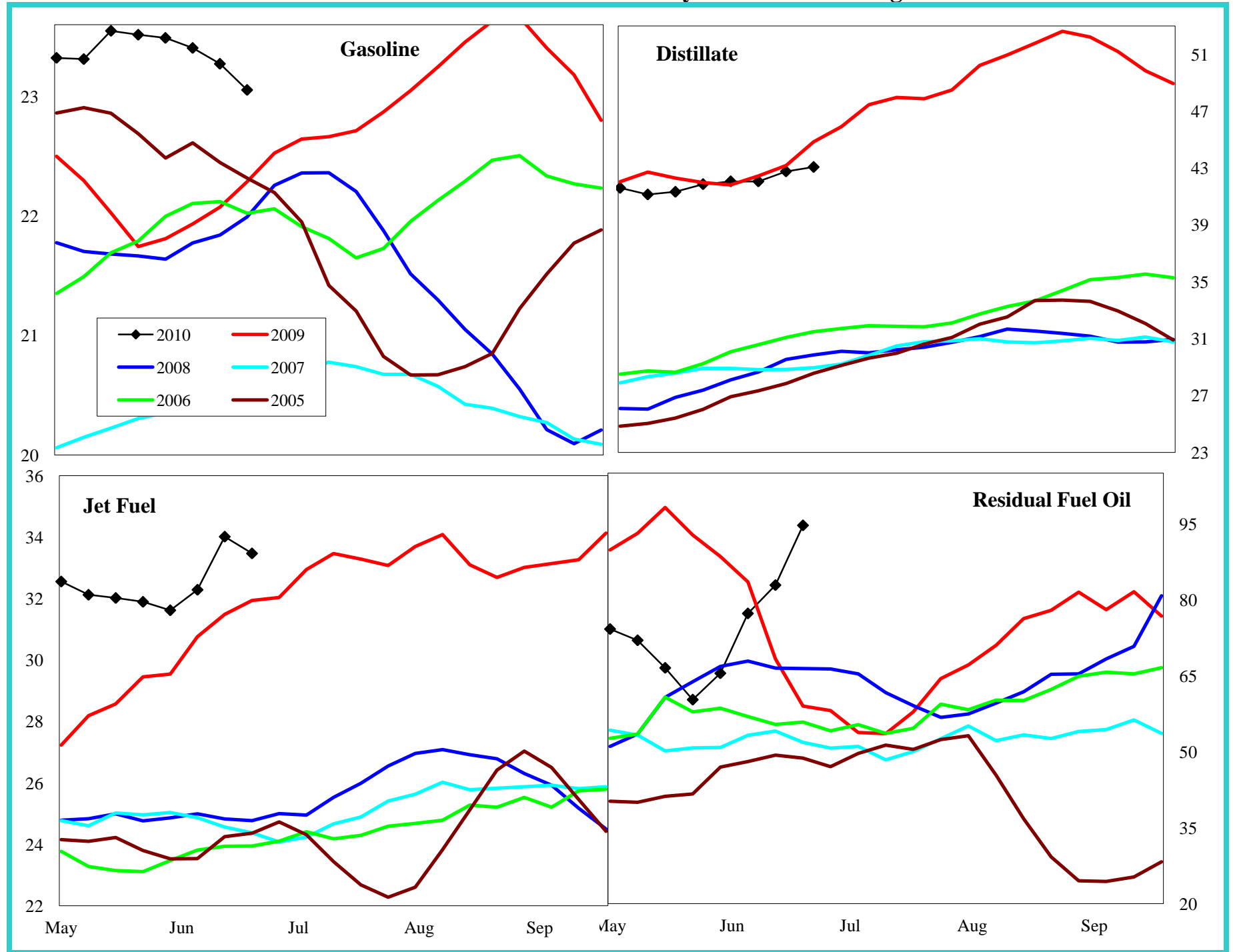
United States Wholesale Petroleum Demand



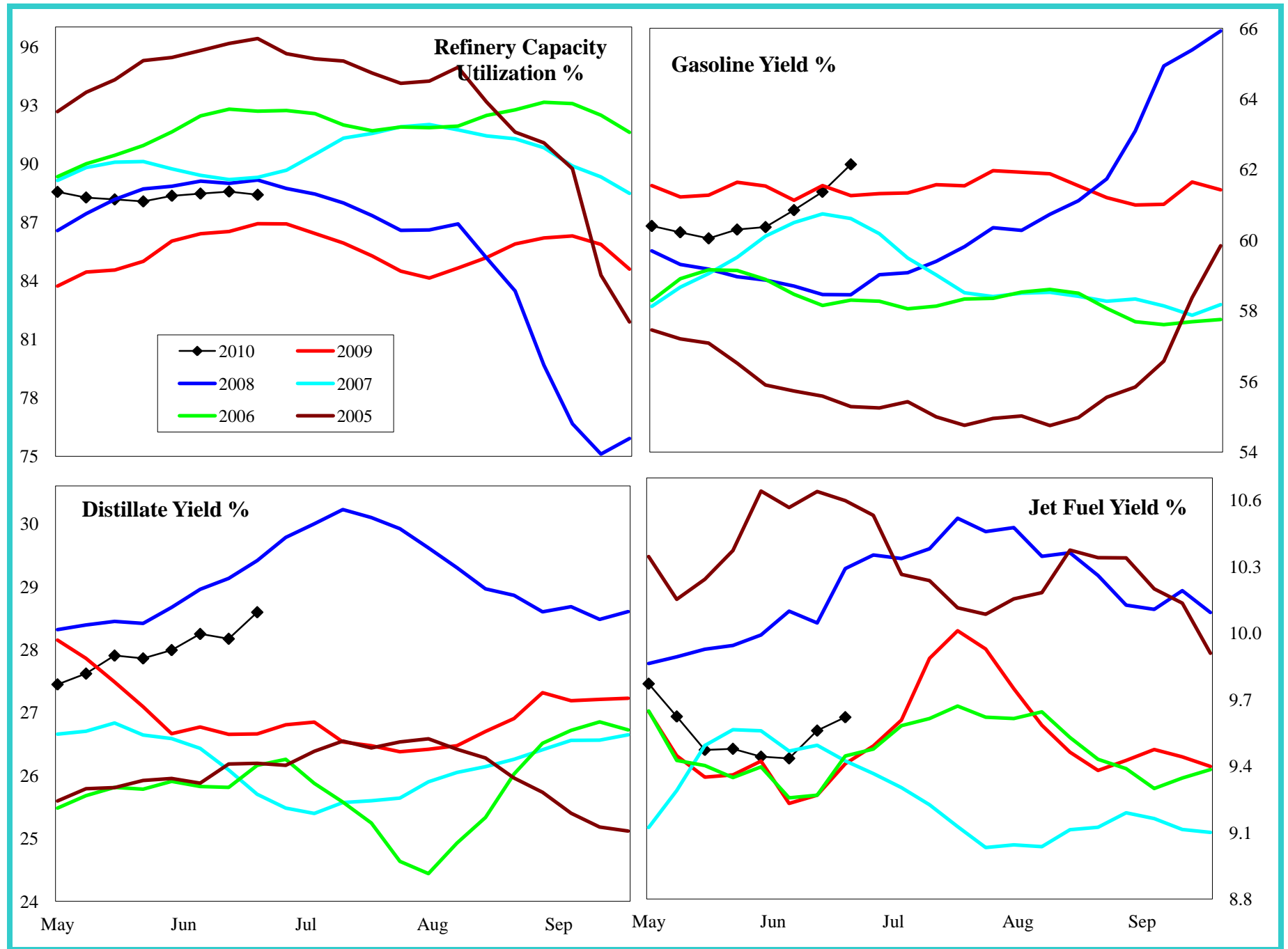
| | 000 bpd change from prior year | | | | % change from prior year | | | |
|------------|--------------------------------|-----|------|-----|--------------------------|------|-------|------|
| | 4wk avg | May | Apr | Mar | 4wk avg | May | Apr | Mar |
| Gasoline | 140 | 39 | 314 | -79 | 1.5 | 0.4 | 3.5 | -0.9 |
| Distillate | 372 | 589 | 175 | 110 | 10.9 | 17.2 | 5.1 | 2.9 |
| Jet Fuel | -25 | 111 | -16 | 5 | -1.8 | 8.3 | -1.1 | 0.3 |
| Resid | -242 | 59 | -212 | -60 | -35.3 | 12.0 | -31.5 | -9.9 |



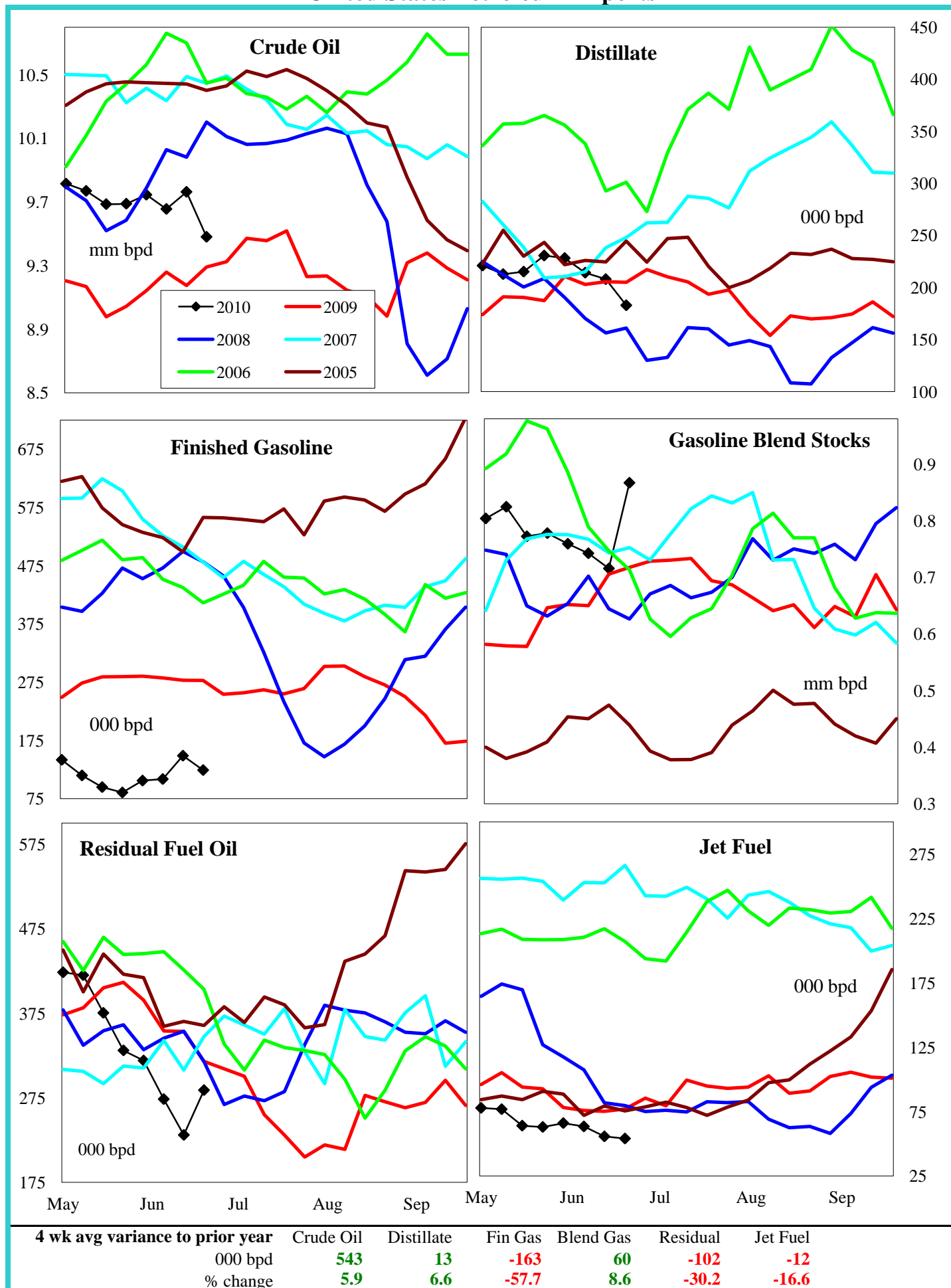
United States Product Stocks: Days Forward Coverage



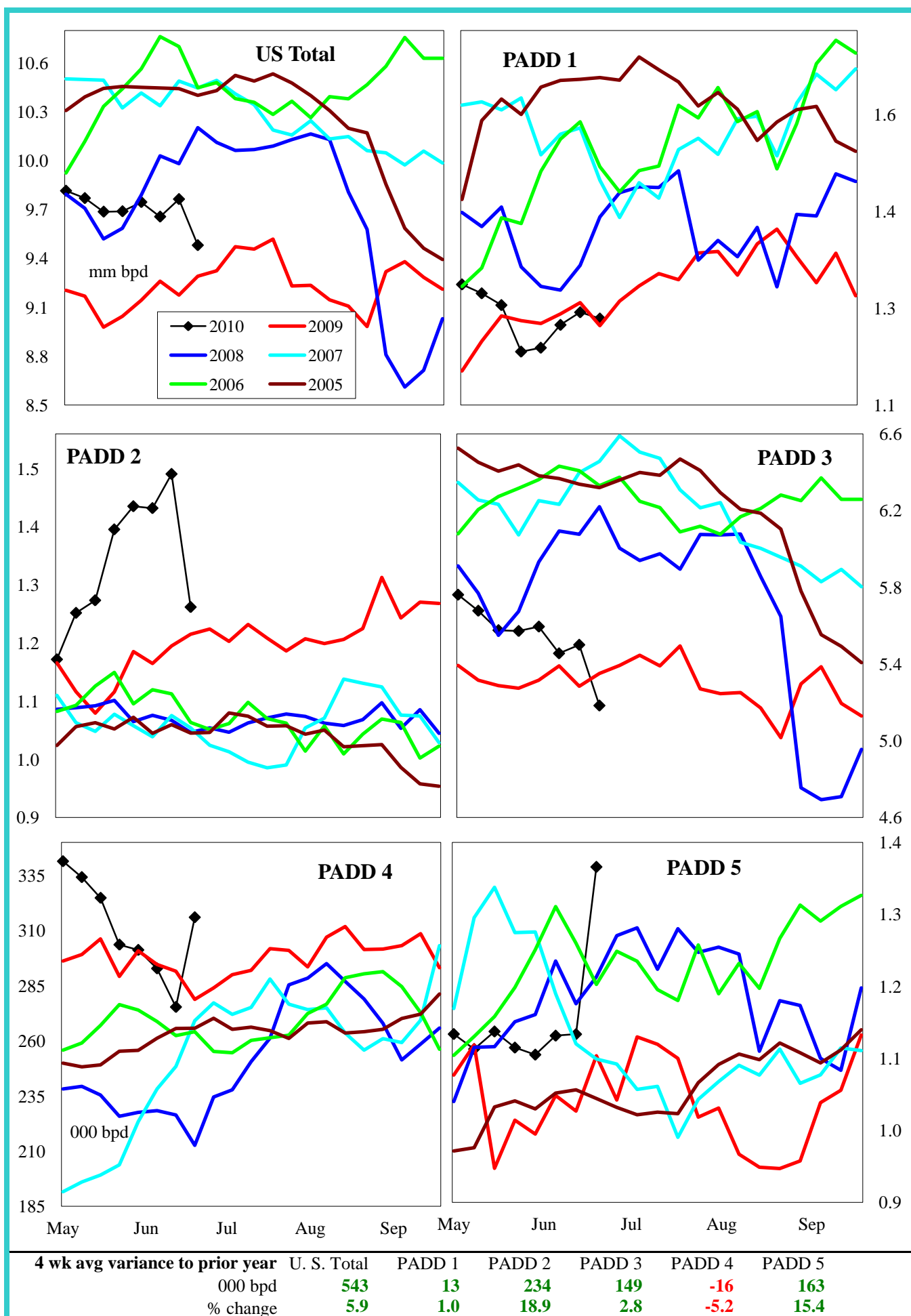
United States Refinery Percent Utilization Rate and Product Yields



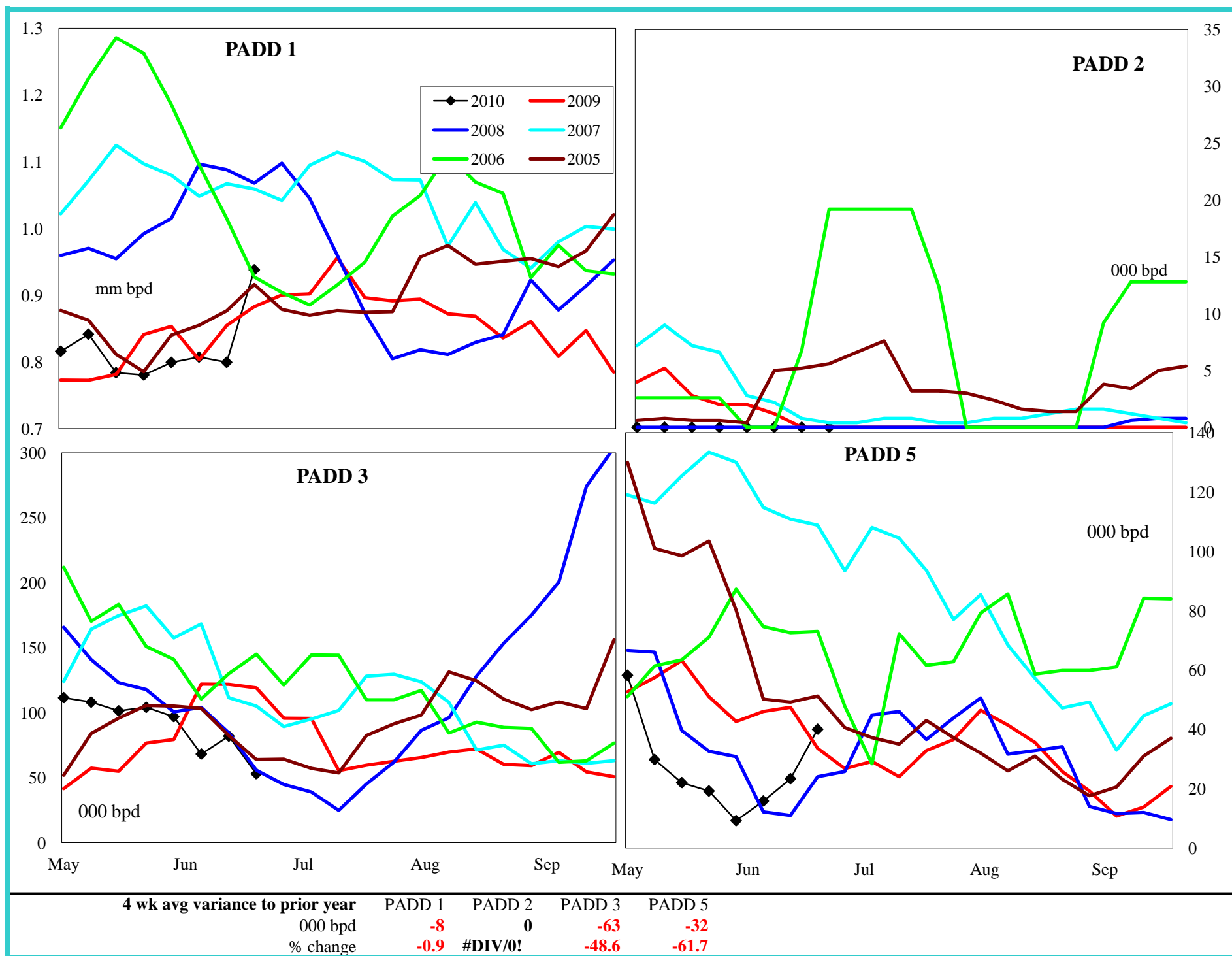
United States Petroleum Imports



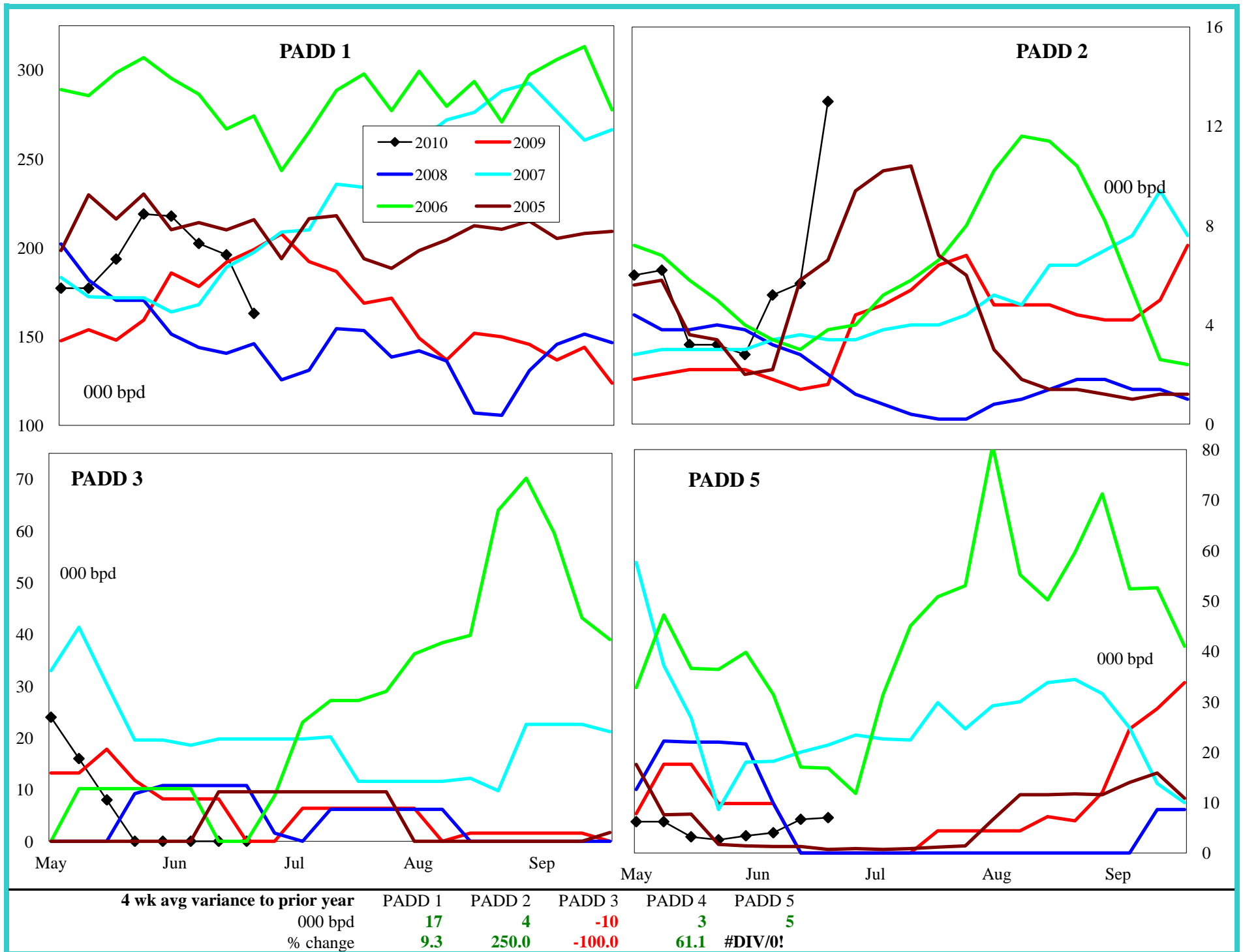
Crude Oil Imports by PADD



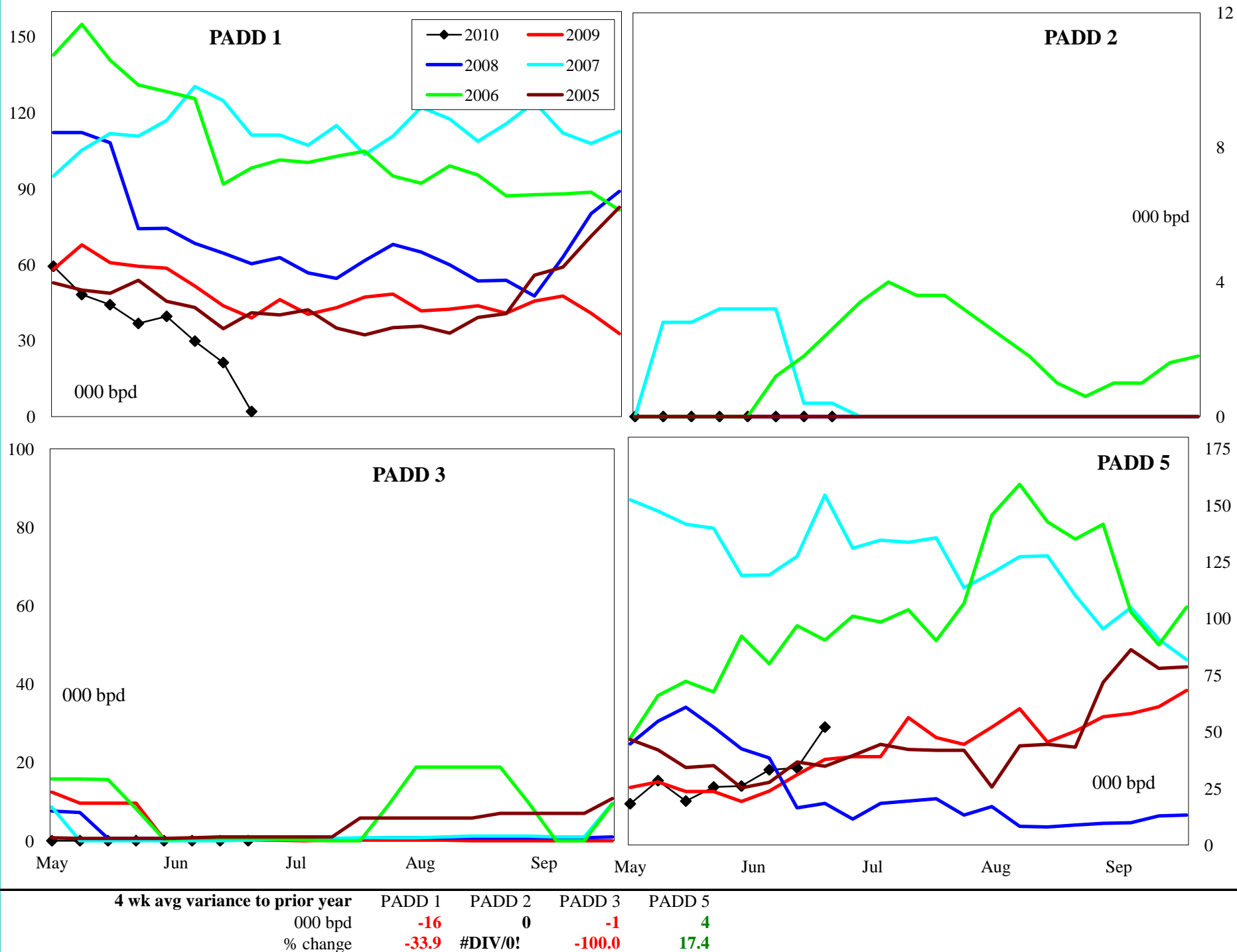
Gasoline Imports by PADD (Finished + Blend Stocks)



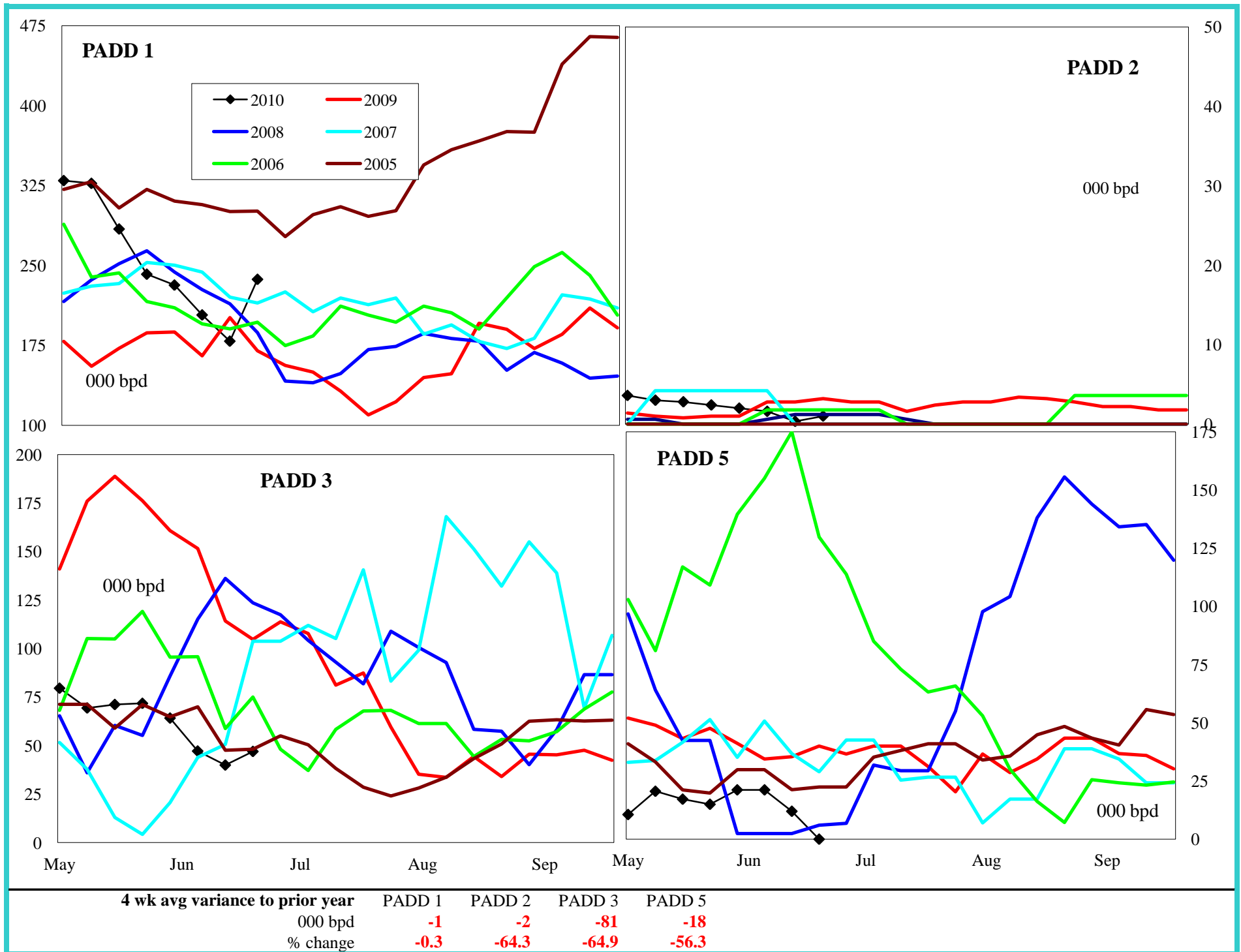
Distillate Imports by PADD



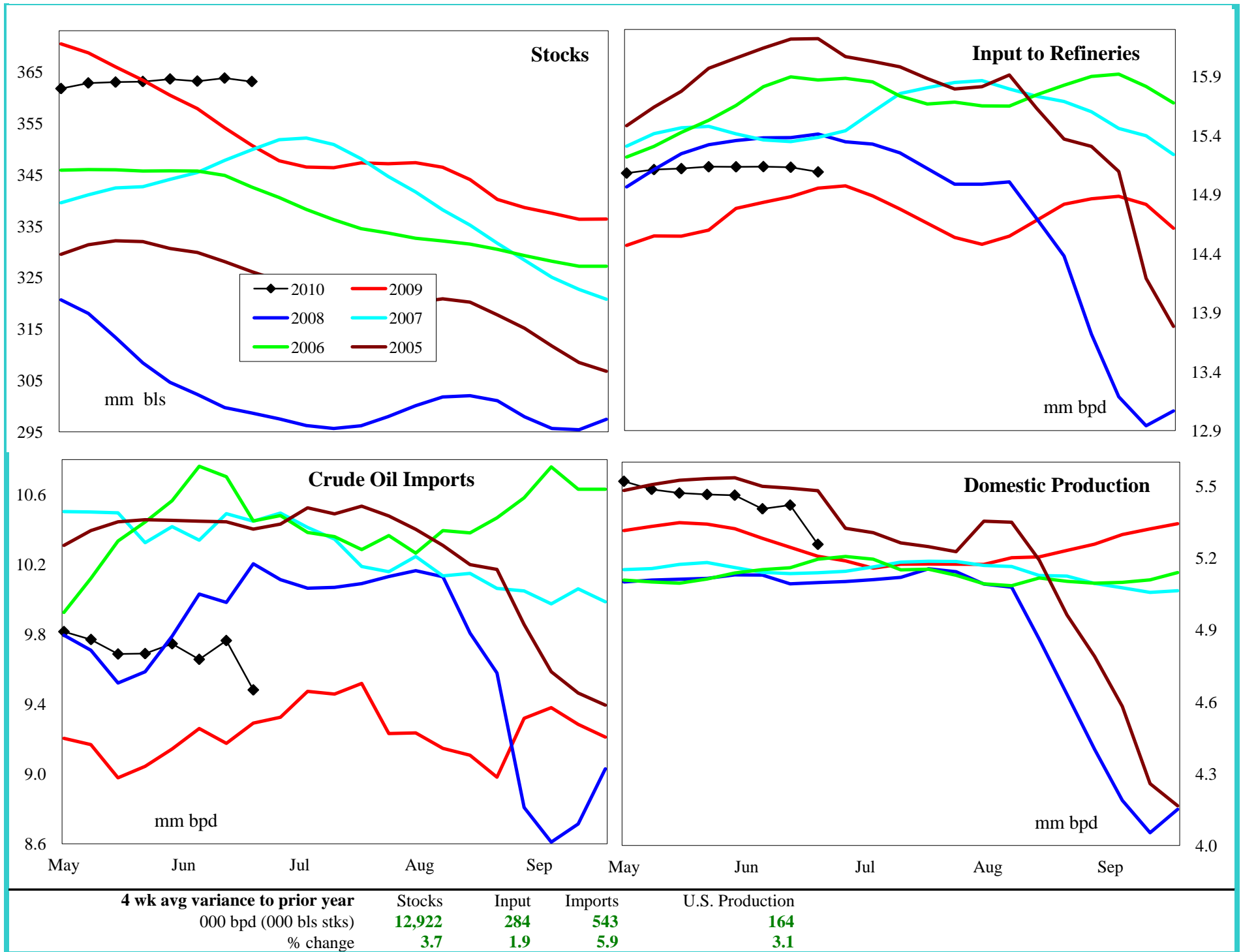
Jet Fuel Imports by PADD



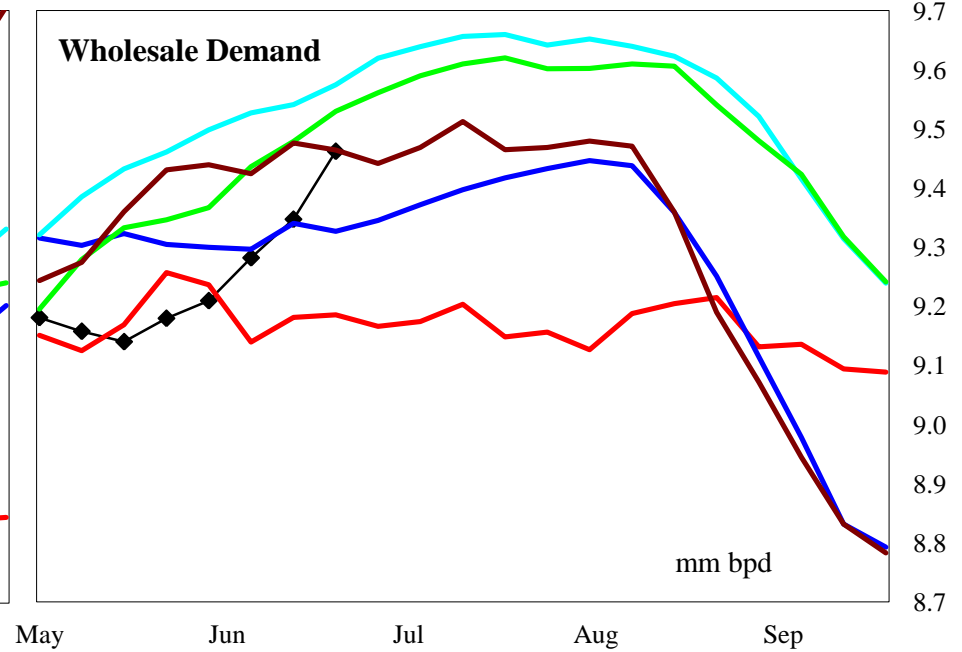
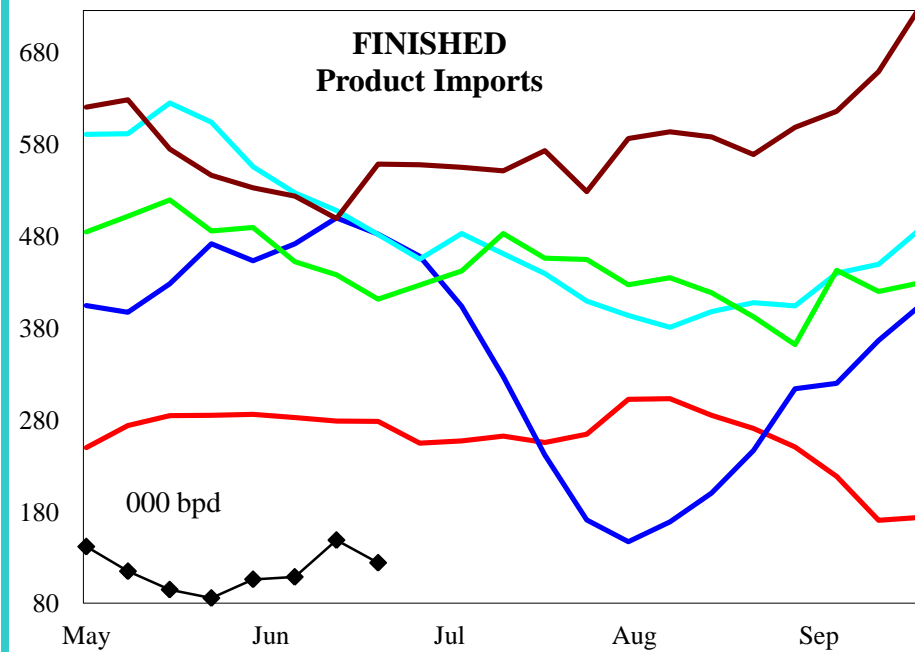
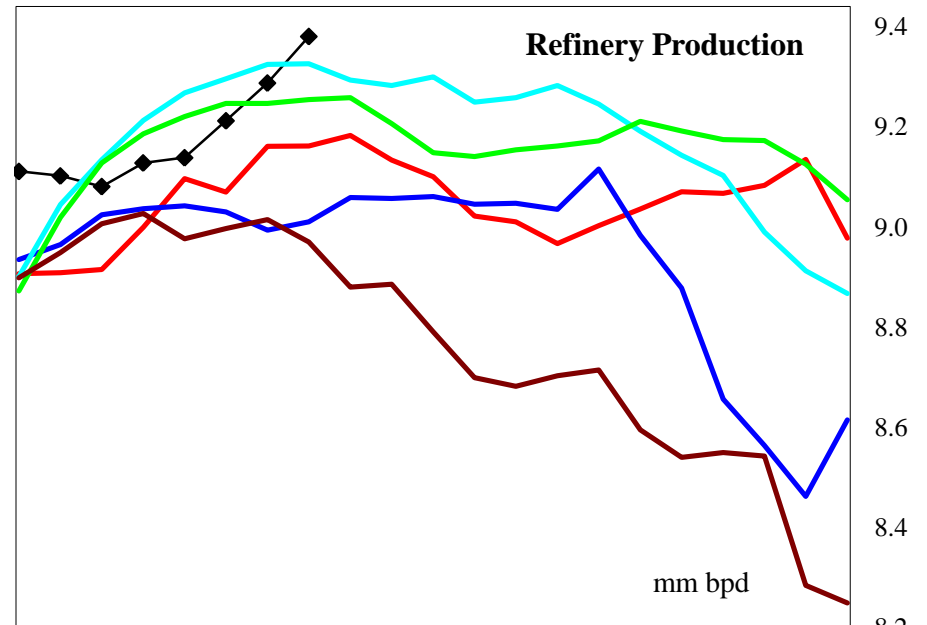
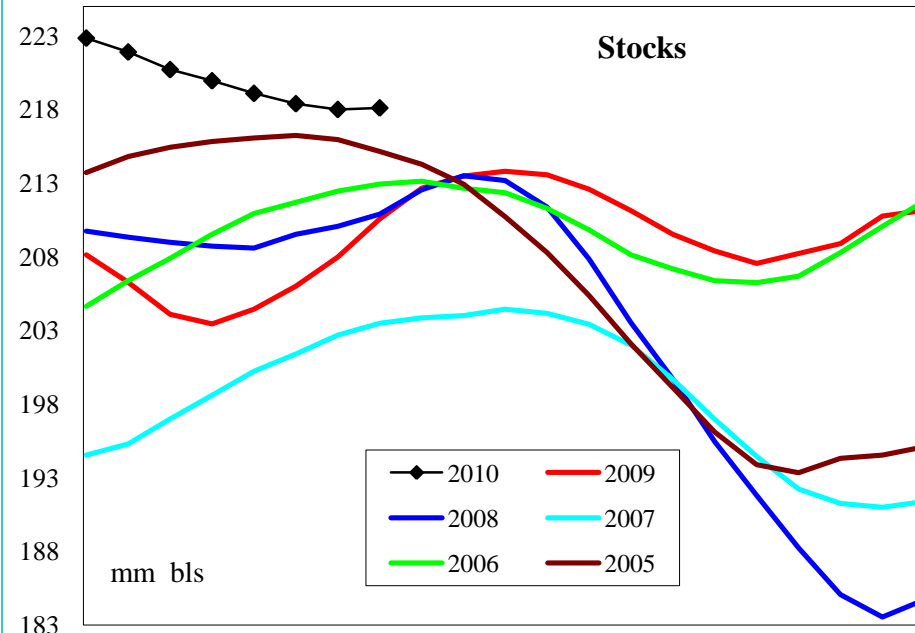
Residual Fuel Oil Imports by PADD



United States Crude Oil Supply and Demand Balance



United States Gasoline Supply and Demand Balance

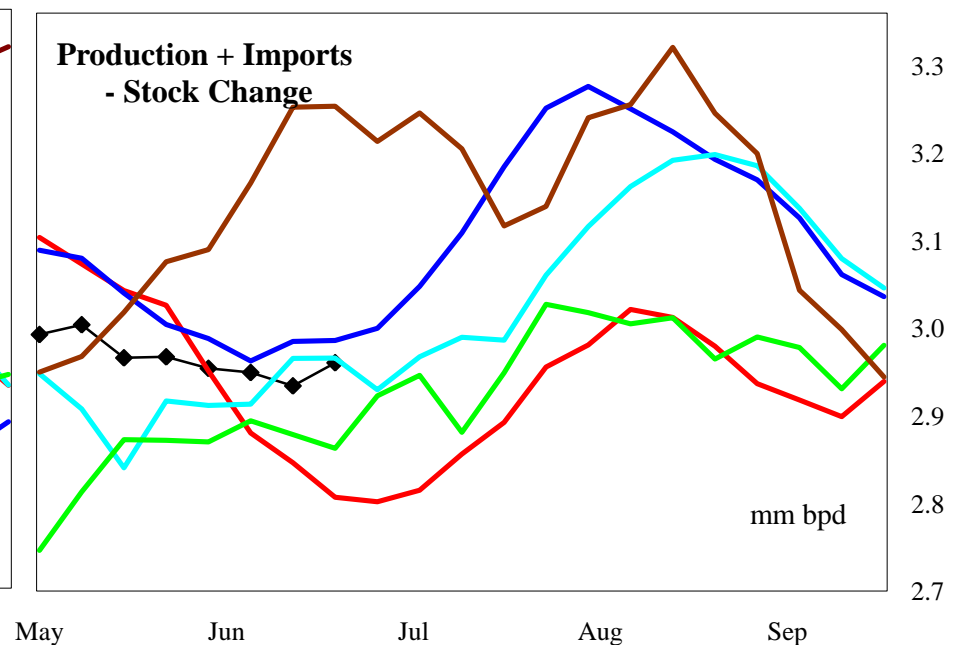
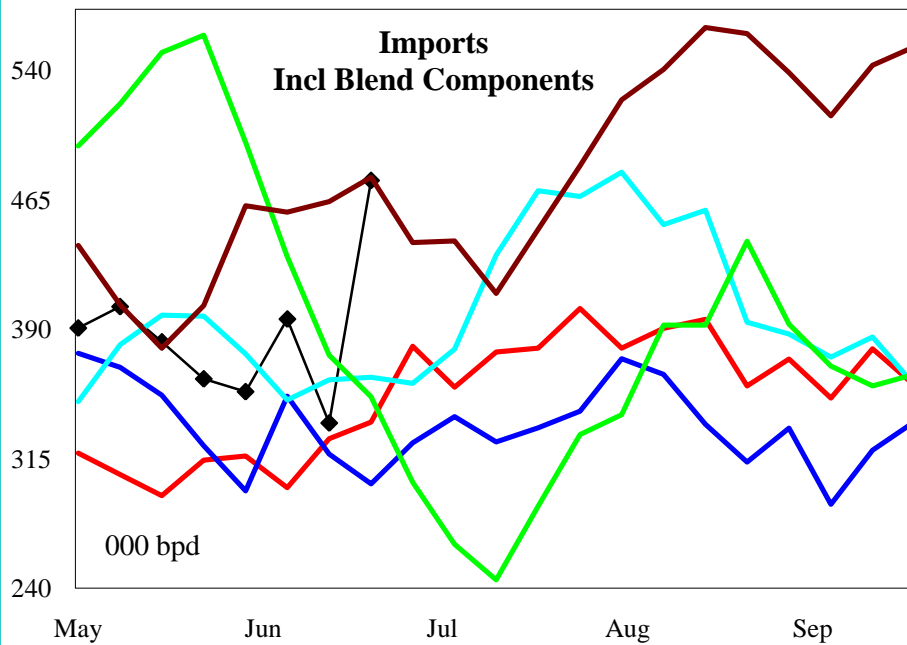
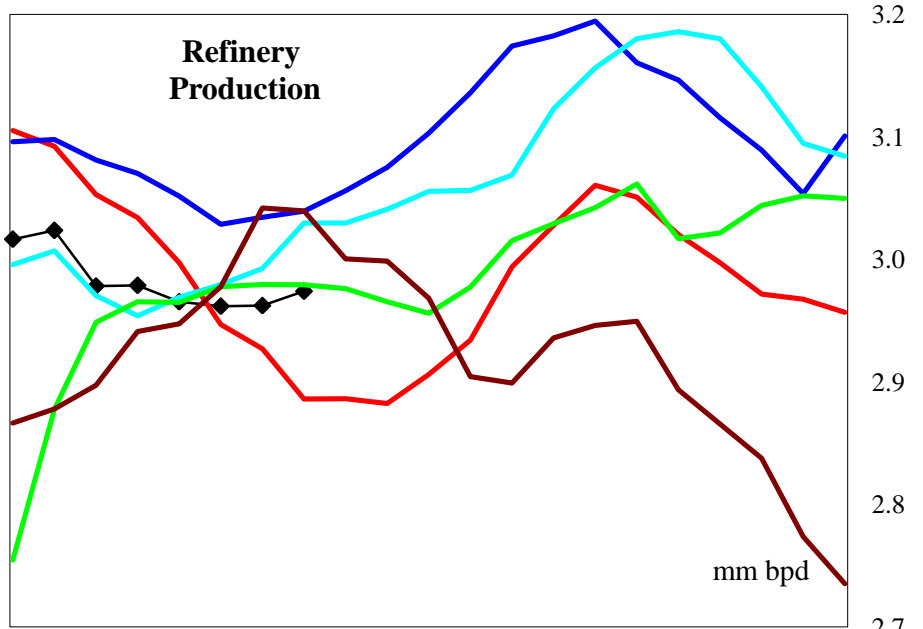
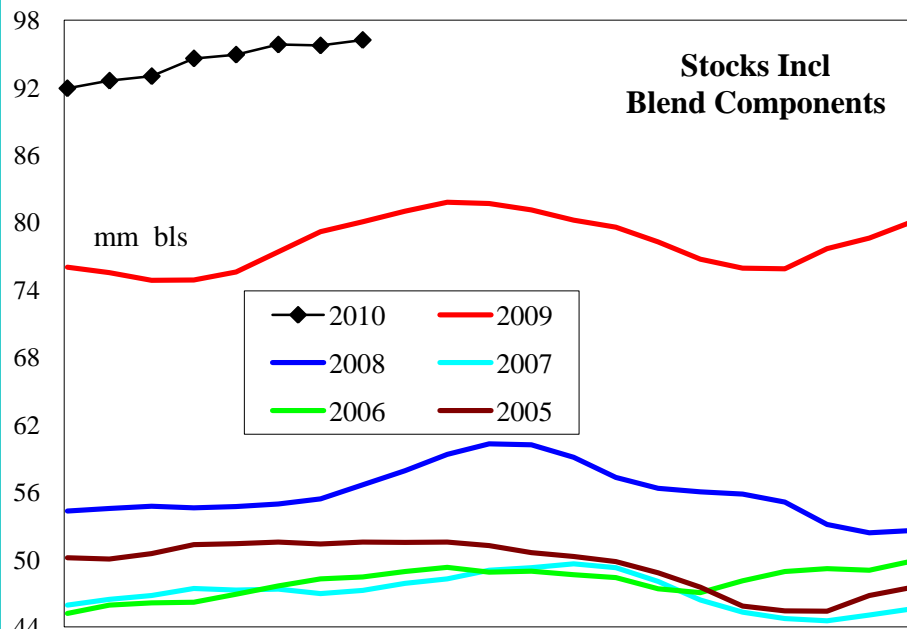

4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks
6,877
3.3
Production
88
1.0
Fin Impt Blend Impt Demand=>
-163
-57.7
60
8.6
4wk avg
140
1.5
May
39
0.4
Apr
314
3.5
Mar
-79
-0.9

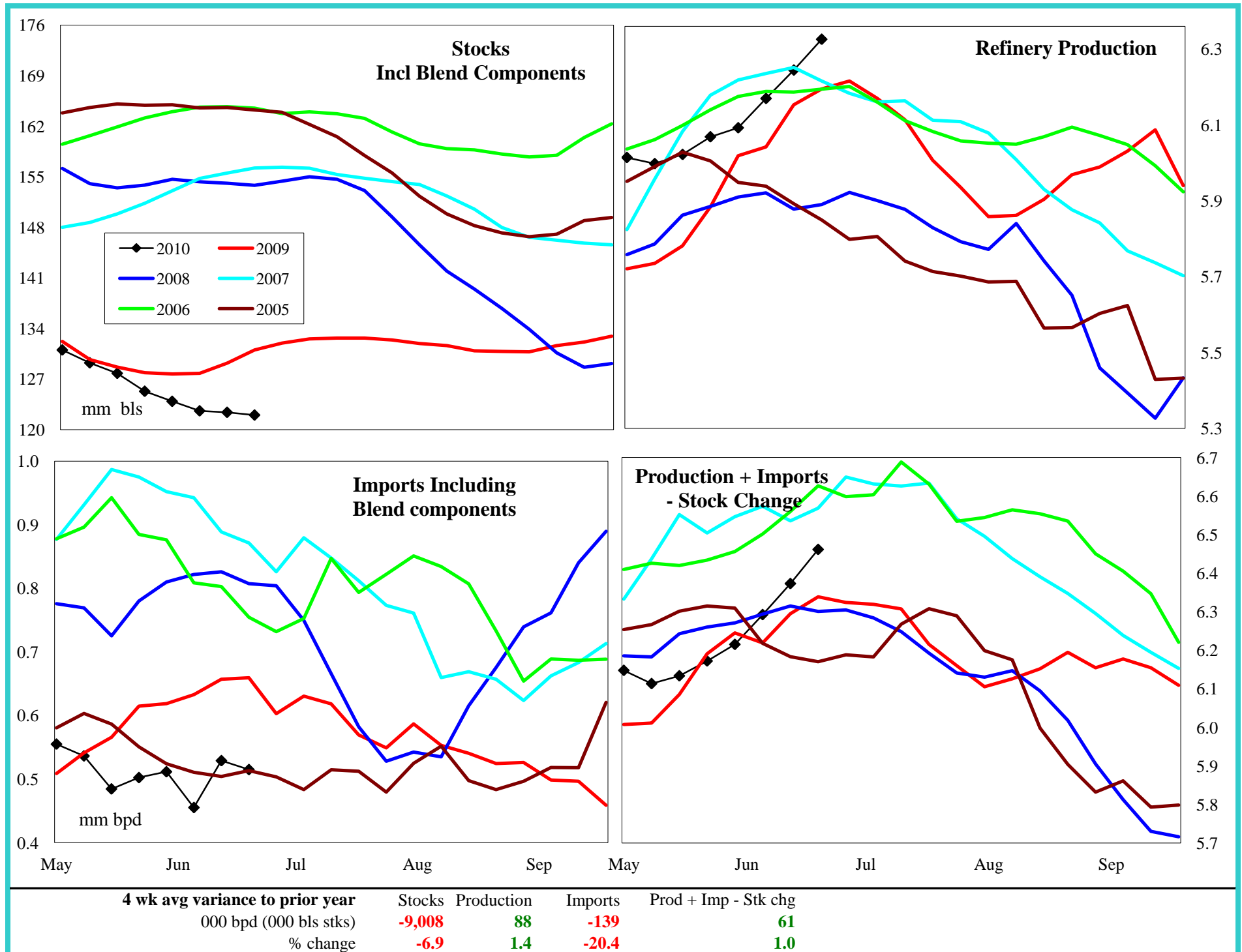

United States Reformulated Gasoline Supply



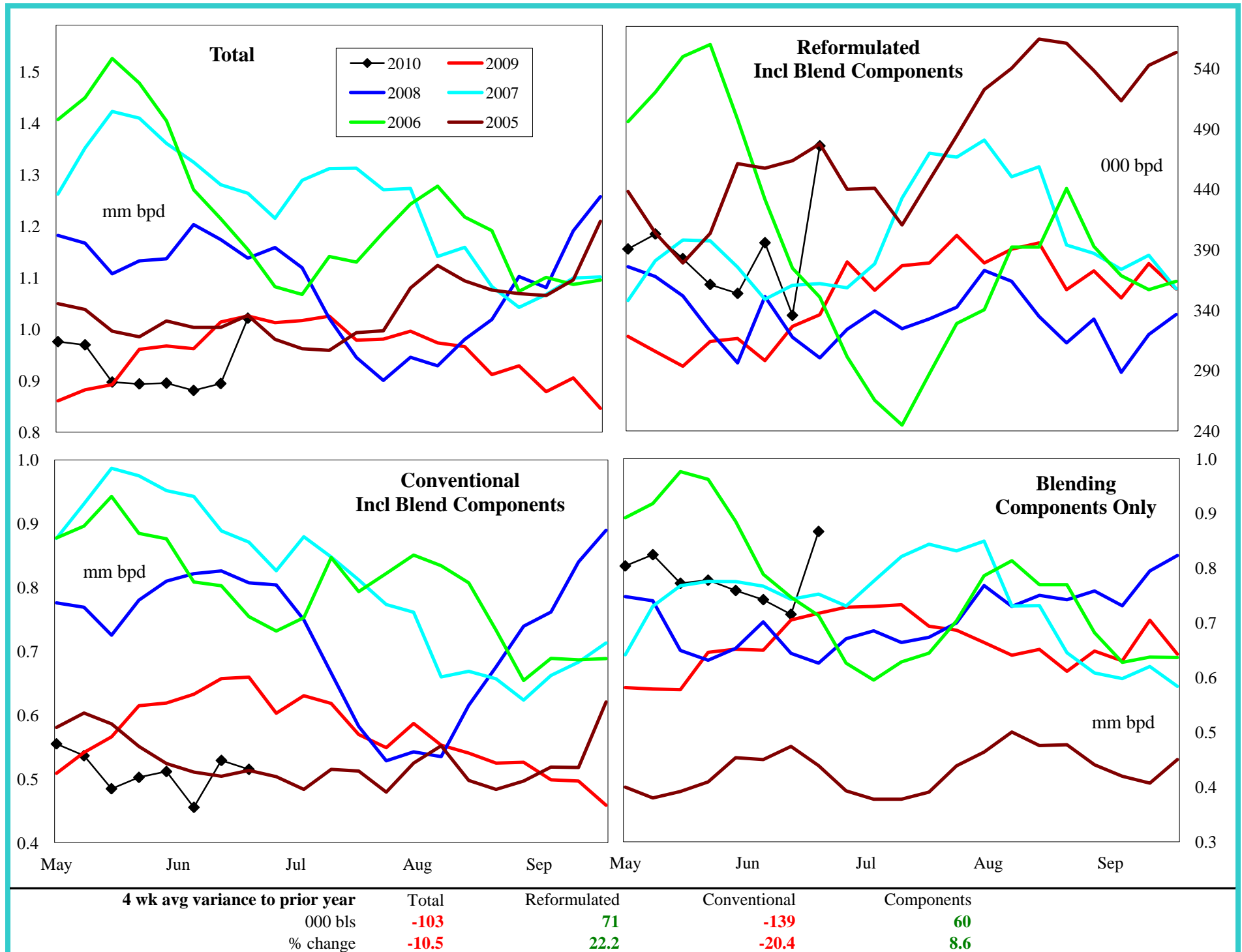
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

| Stocks | Production | Imports | Prod + Imp - Stk chg |
|--------|------------|---------|----------------------|
| 16,177 | 0 | 71 | 78 |
| 20.2 | 0.0 | 22.2 | 2.7 |

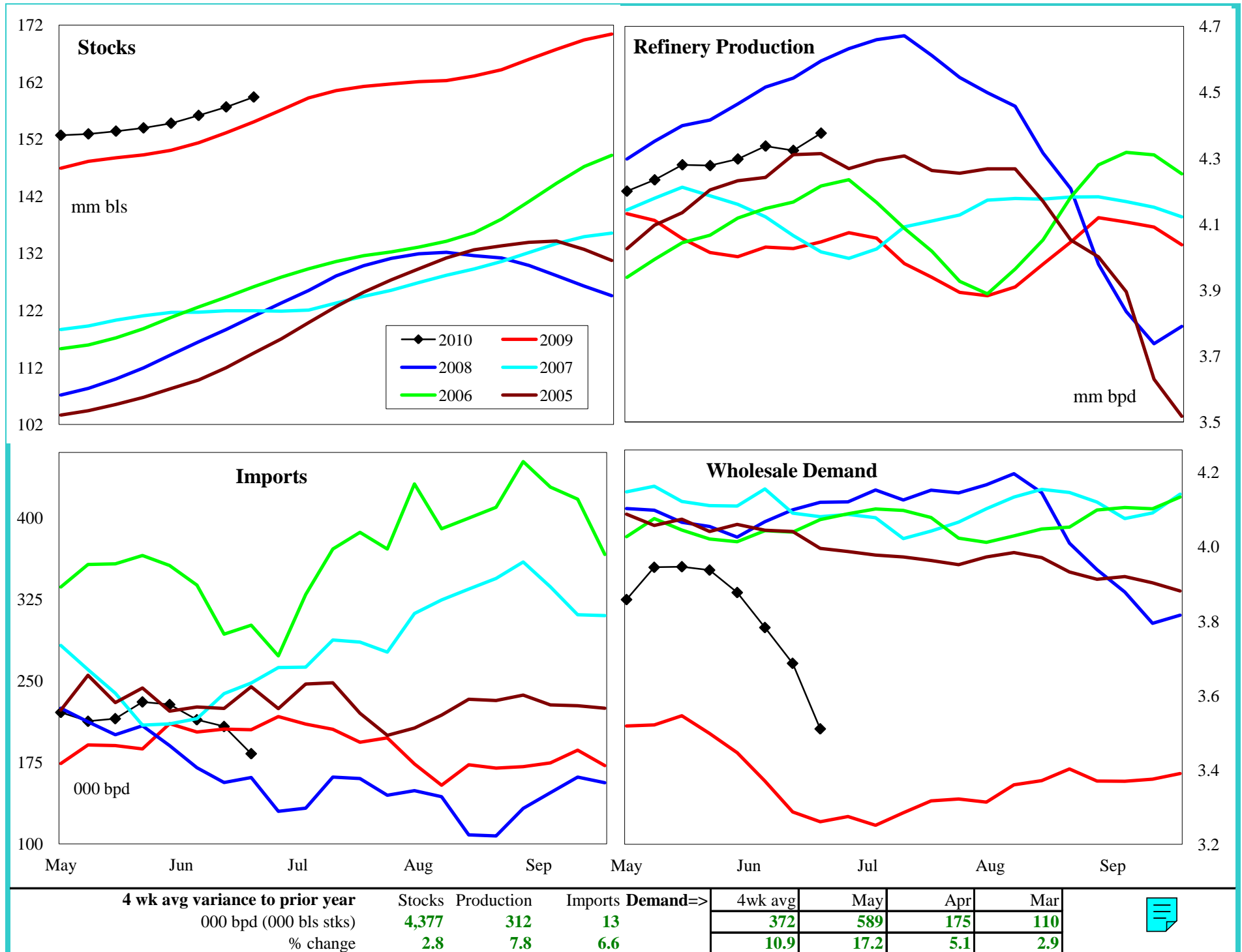
United States Conventional Gasoline Supply



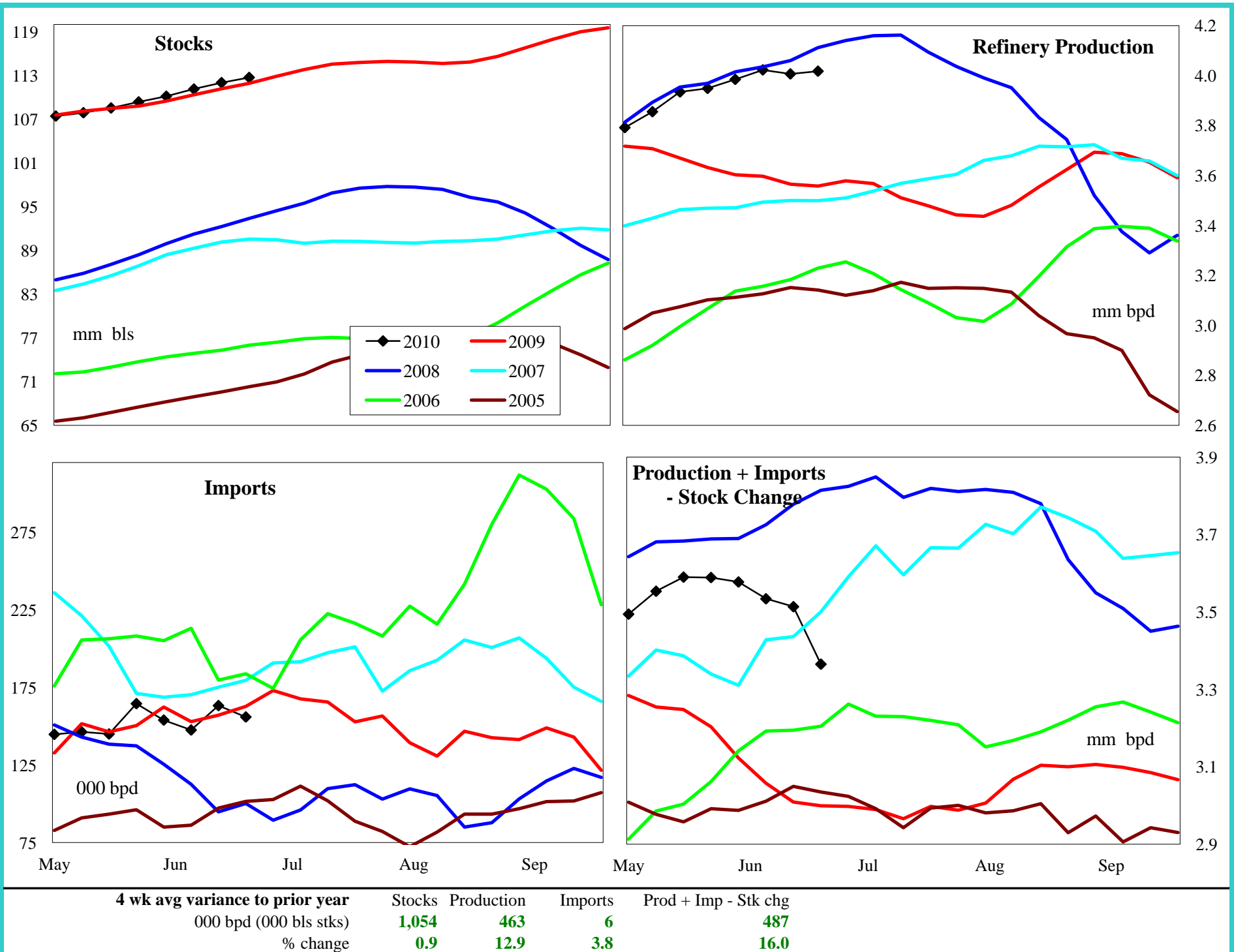
United States Gasoline Imports by Type



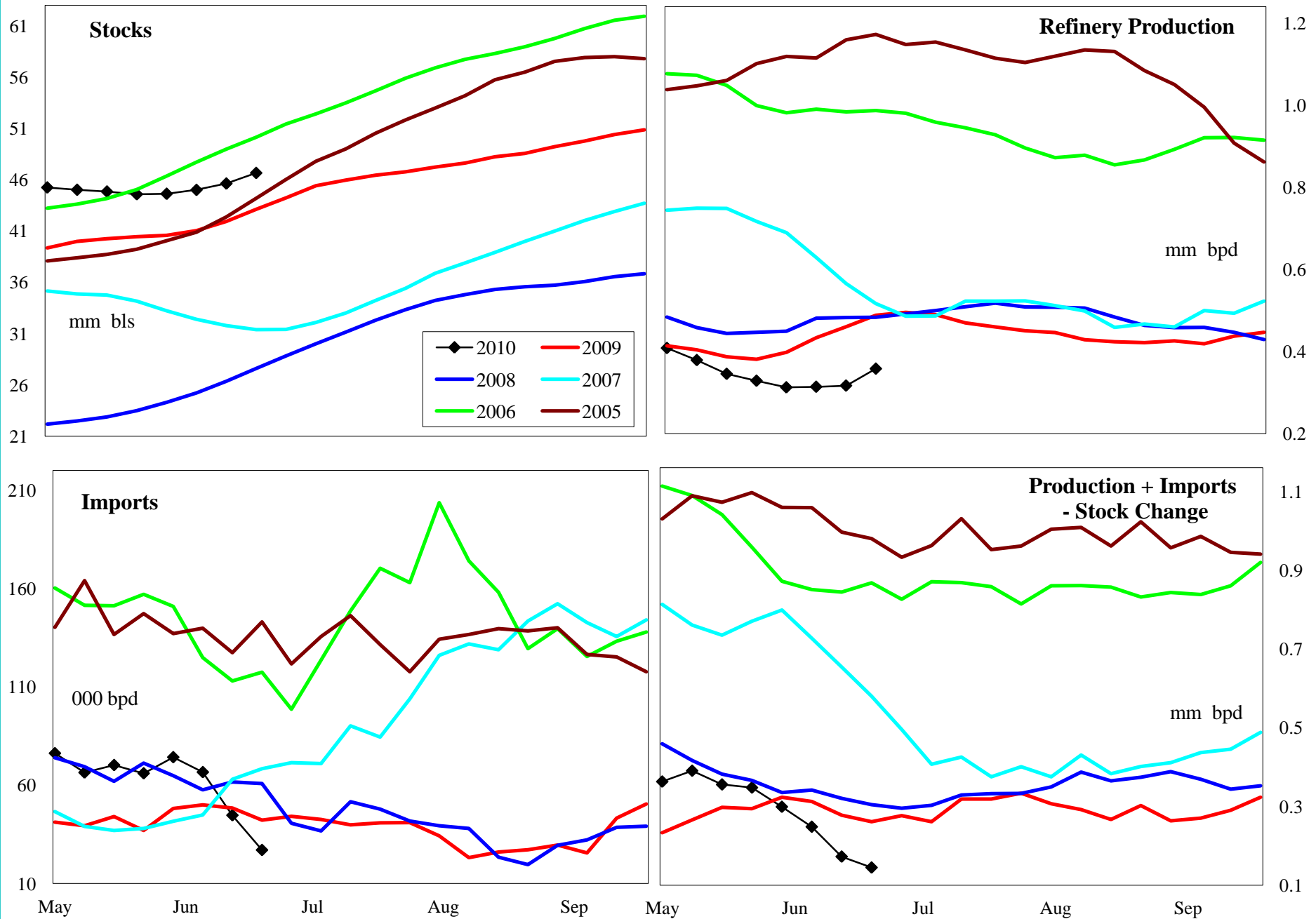
United States Distillate Supply and Demand Balance



United States Low Sulfur Distillate Supply



United States High Sulfur Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

3,323

7.7

Production

-150

-33.2

Imports

8

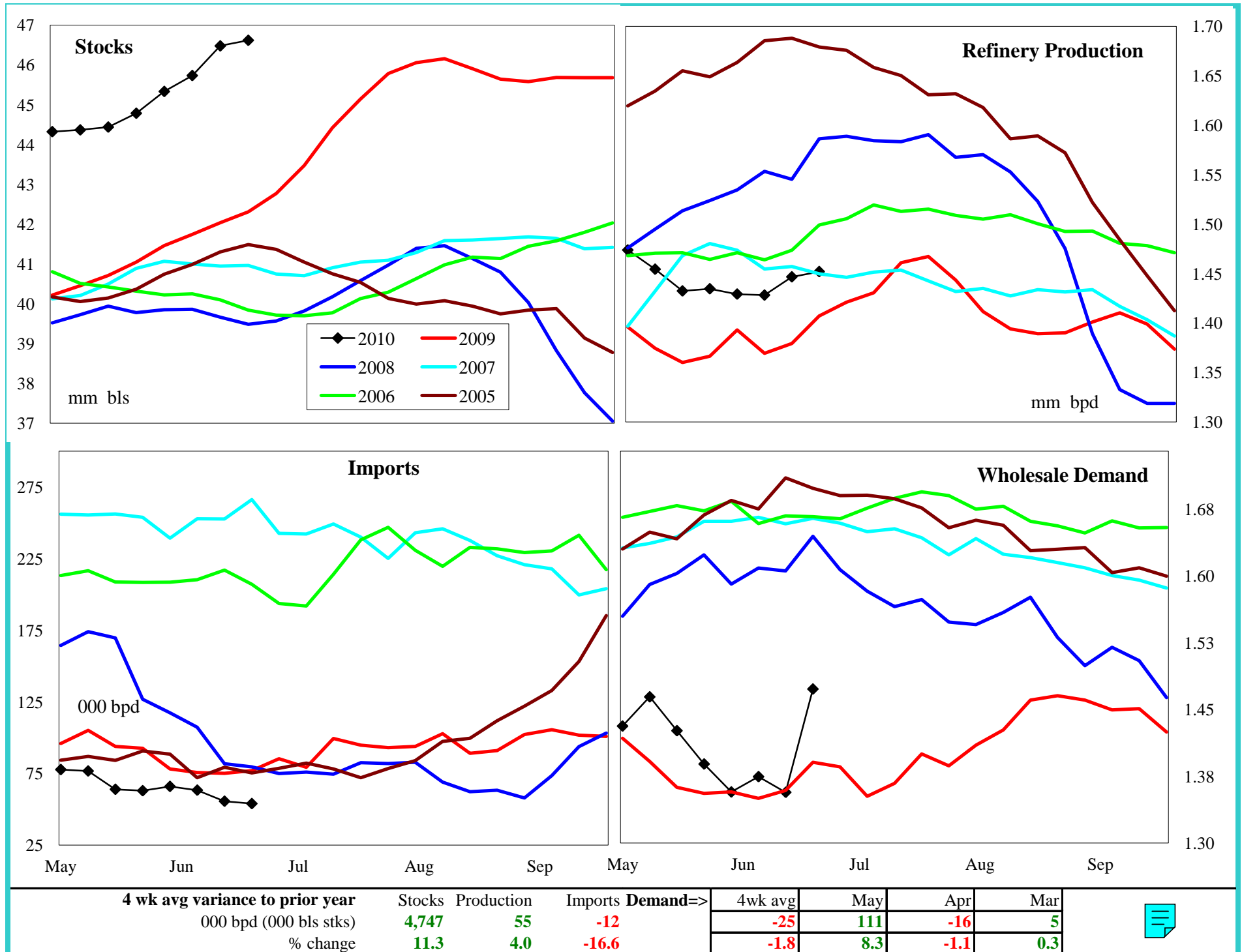
13.8

Prod + Imp - Stk chg

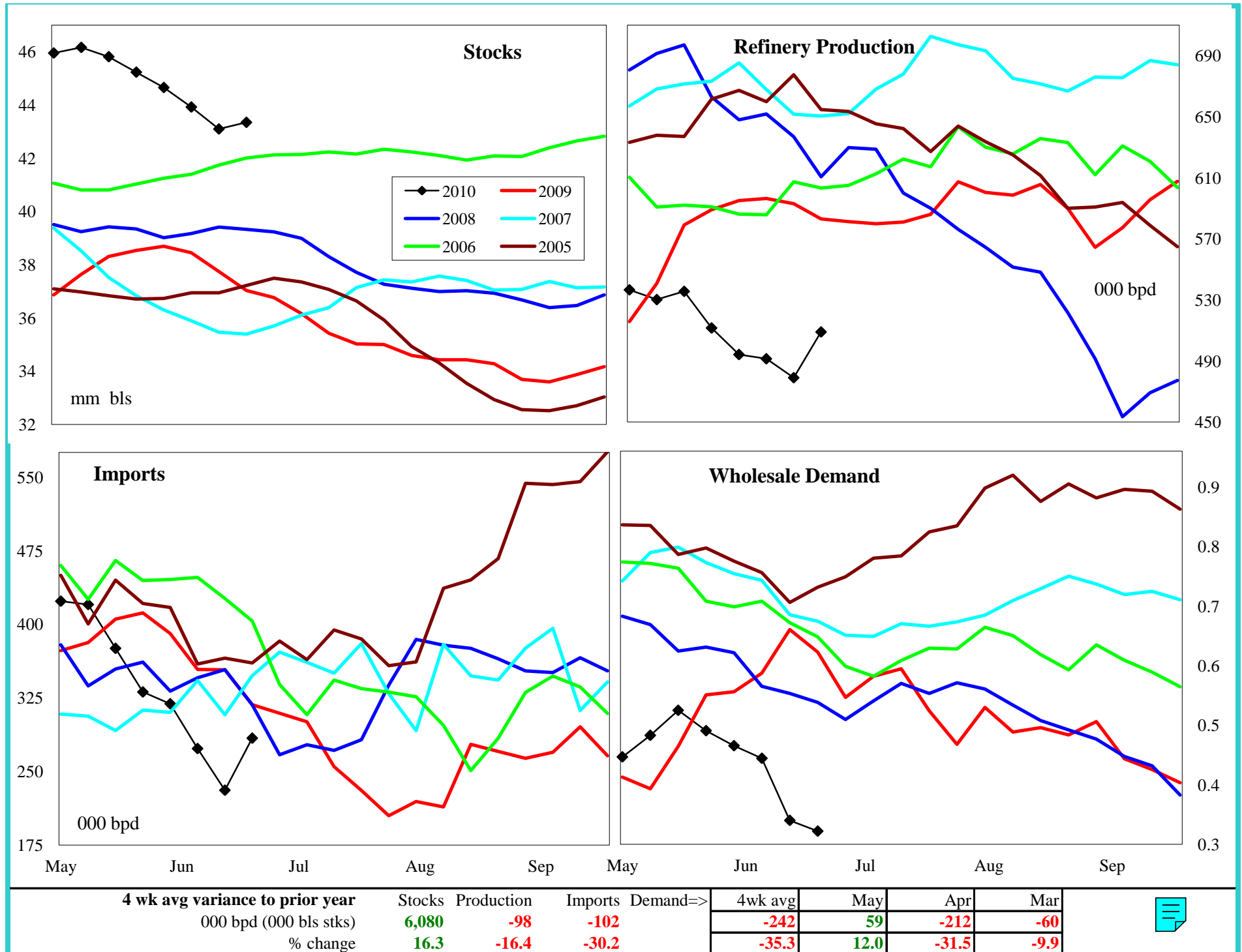
-116

-33.0

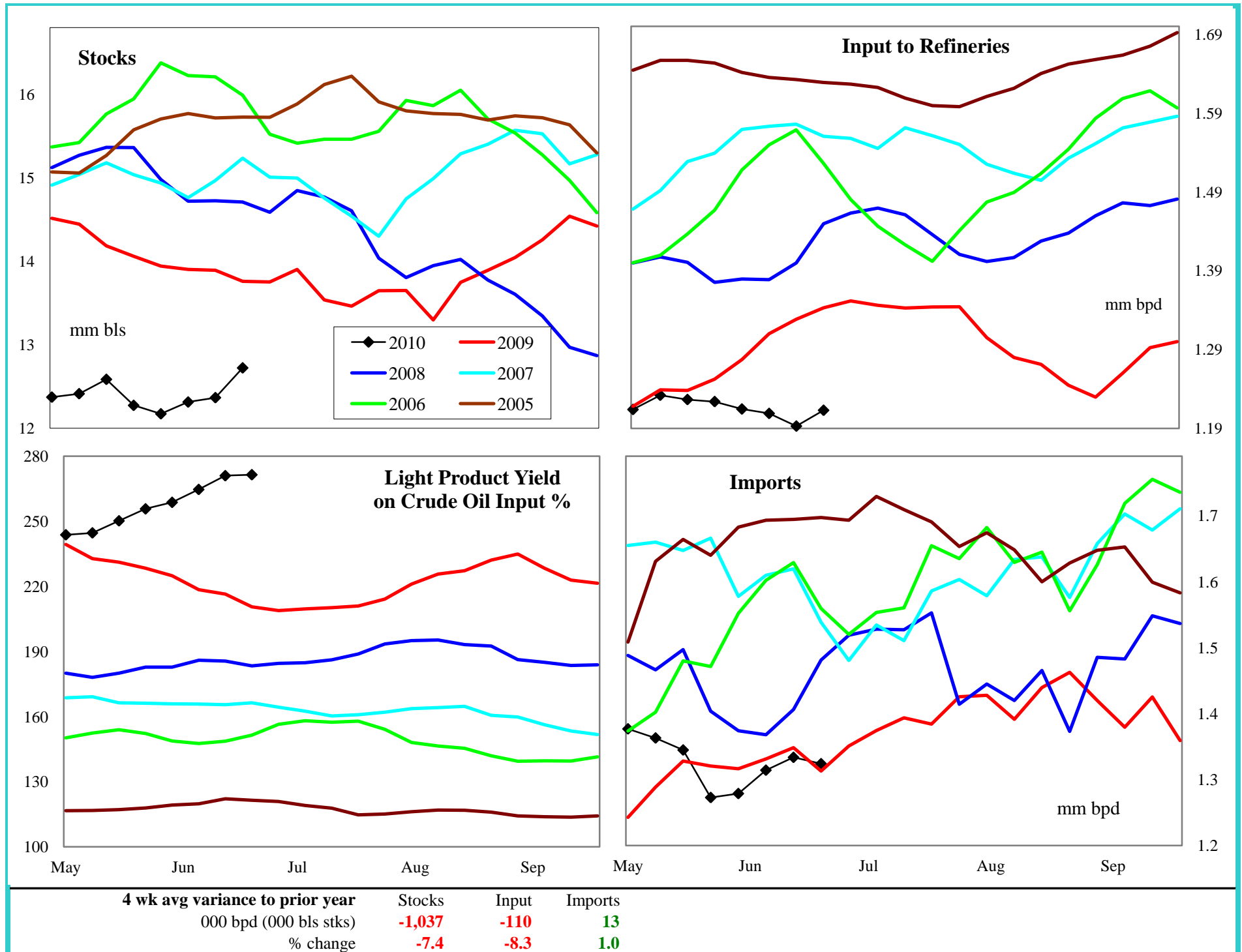
United States Jet Fuel Supply and Demand Balance



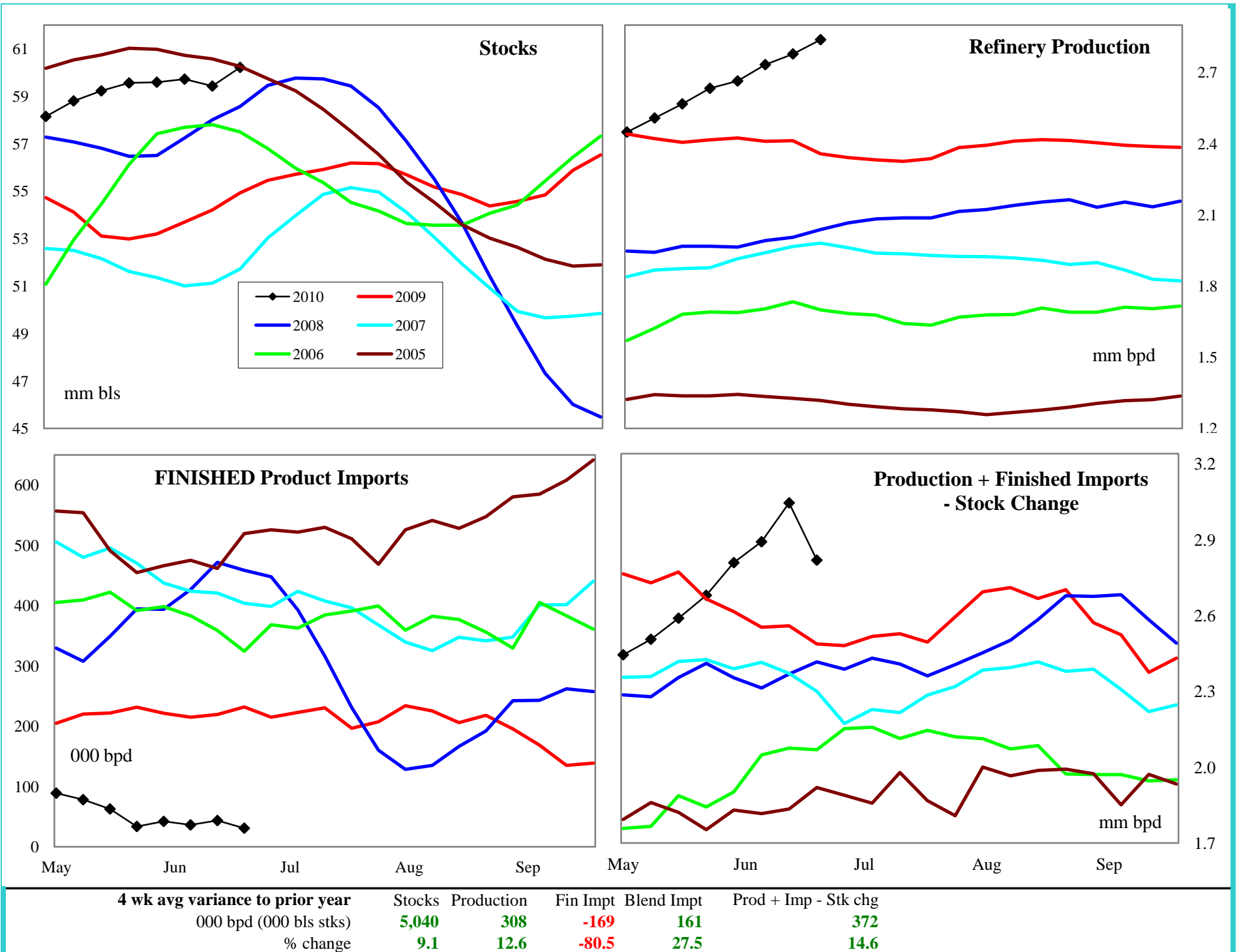
United States Residual Fuel Oil Supply and Demand Balance



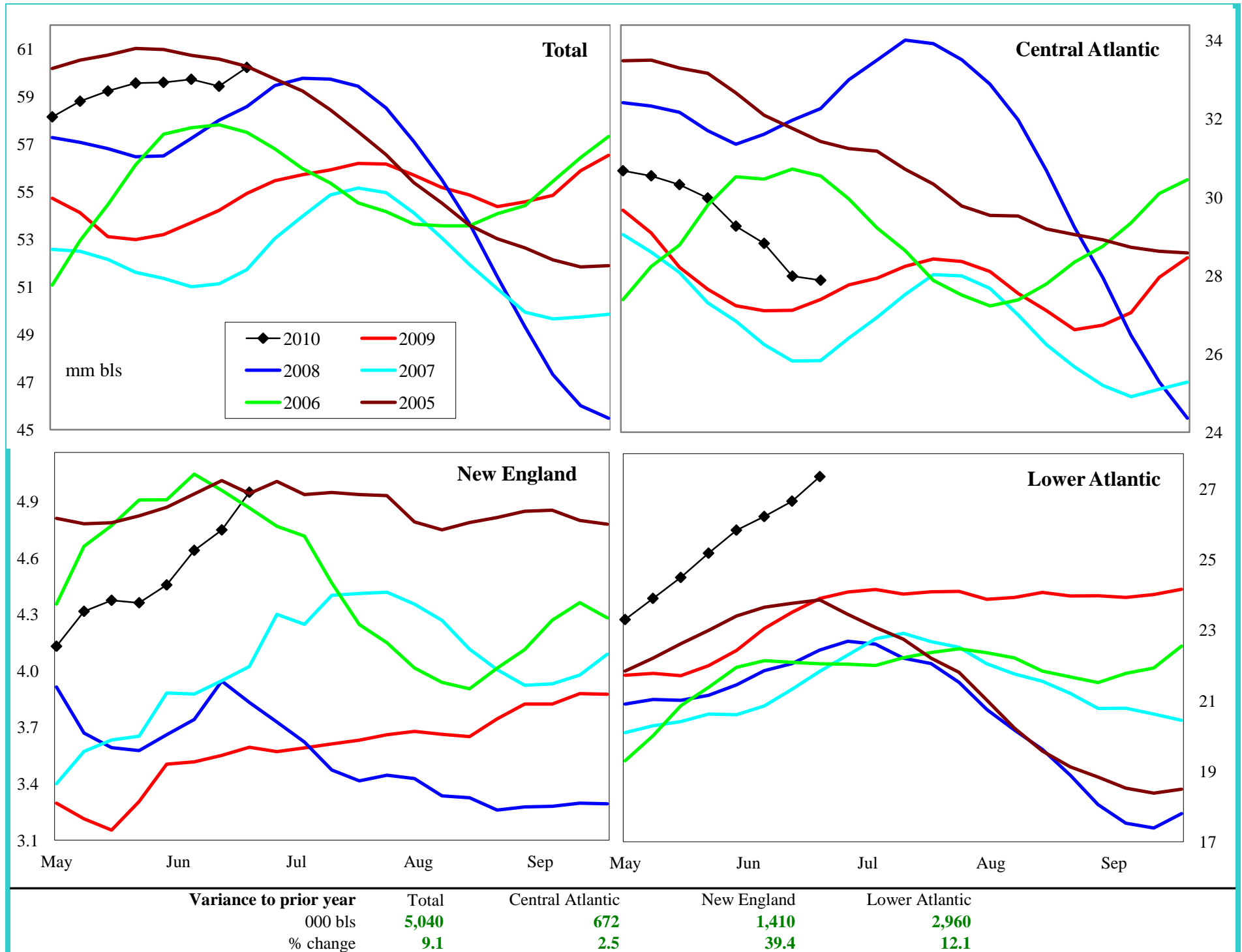
PADD 1 Crude Oil Supply and Refining



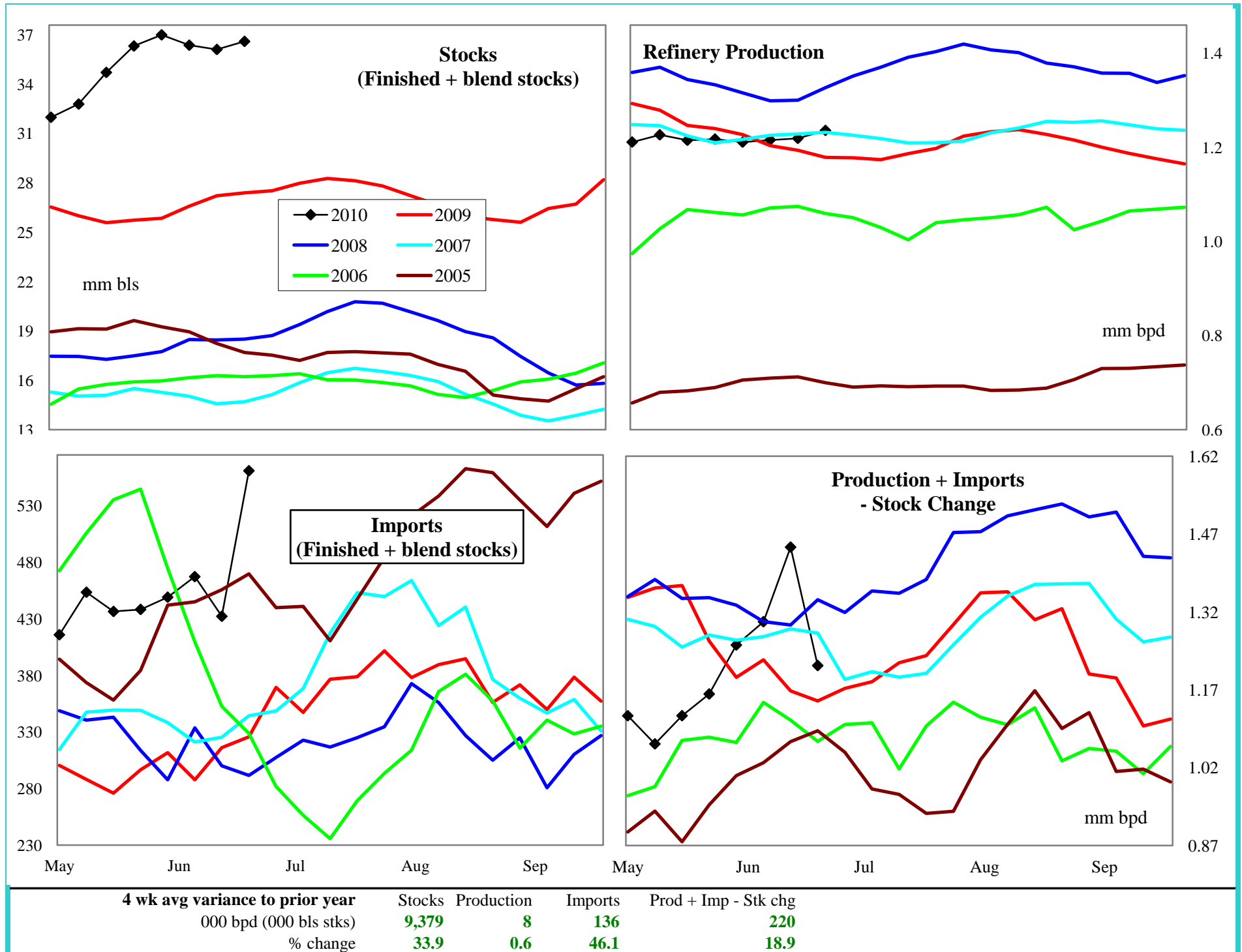
PADD 1 Gasoline Supply



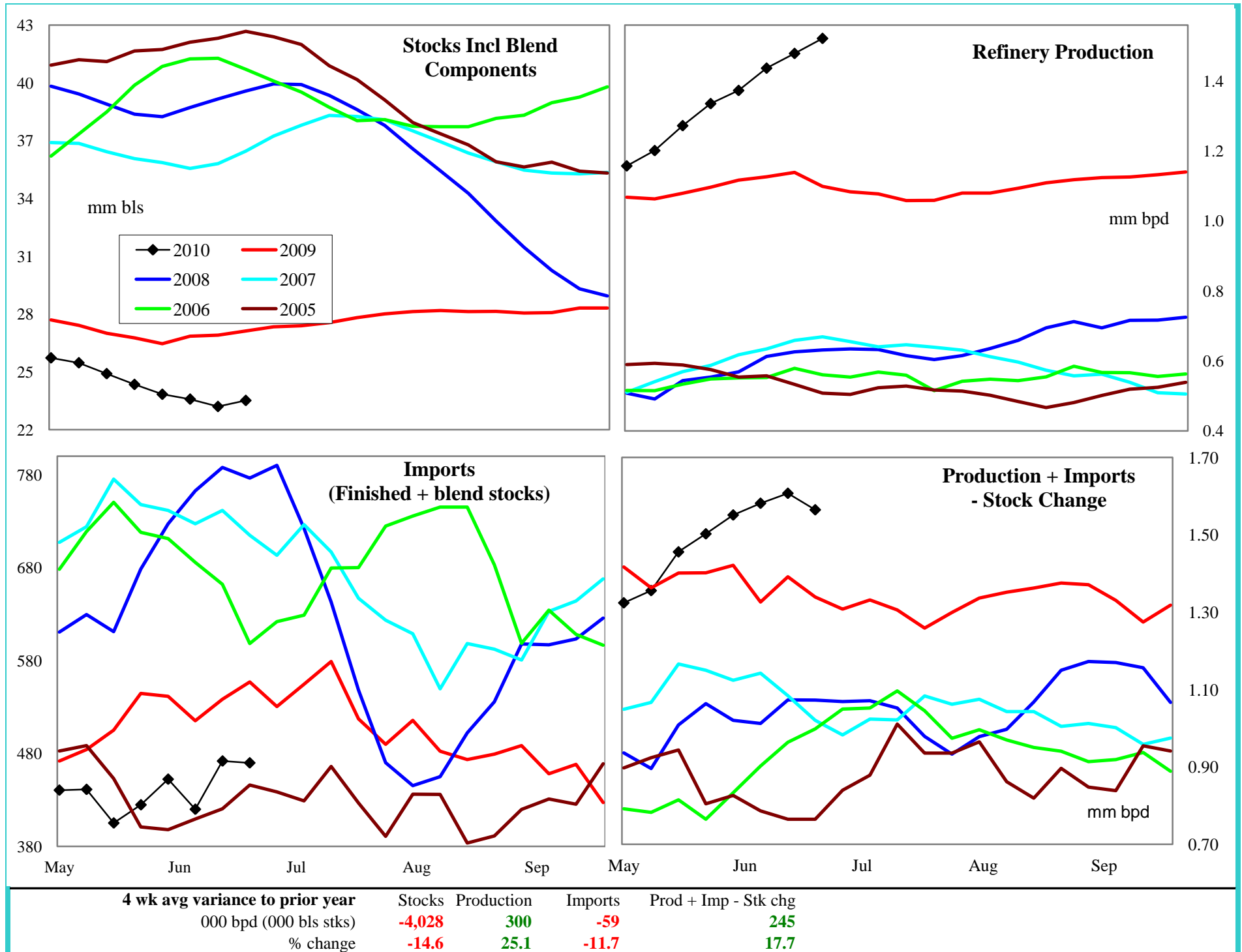
PADD 1 Gasoline Stocks by Region



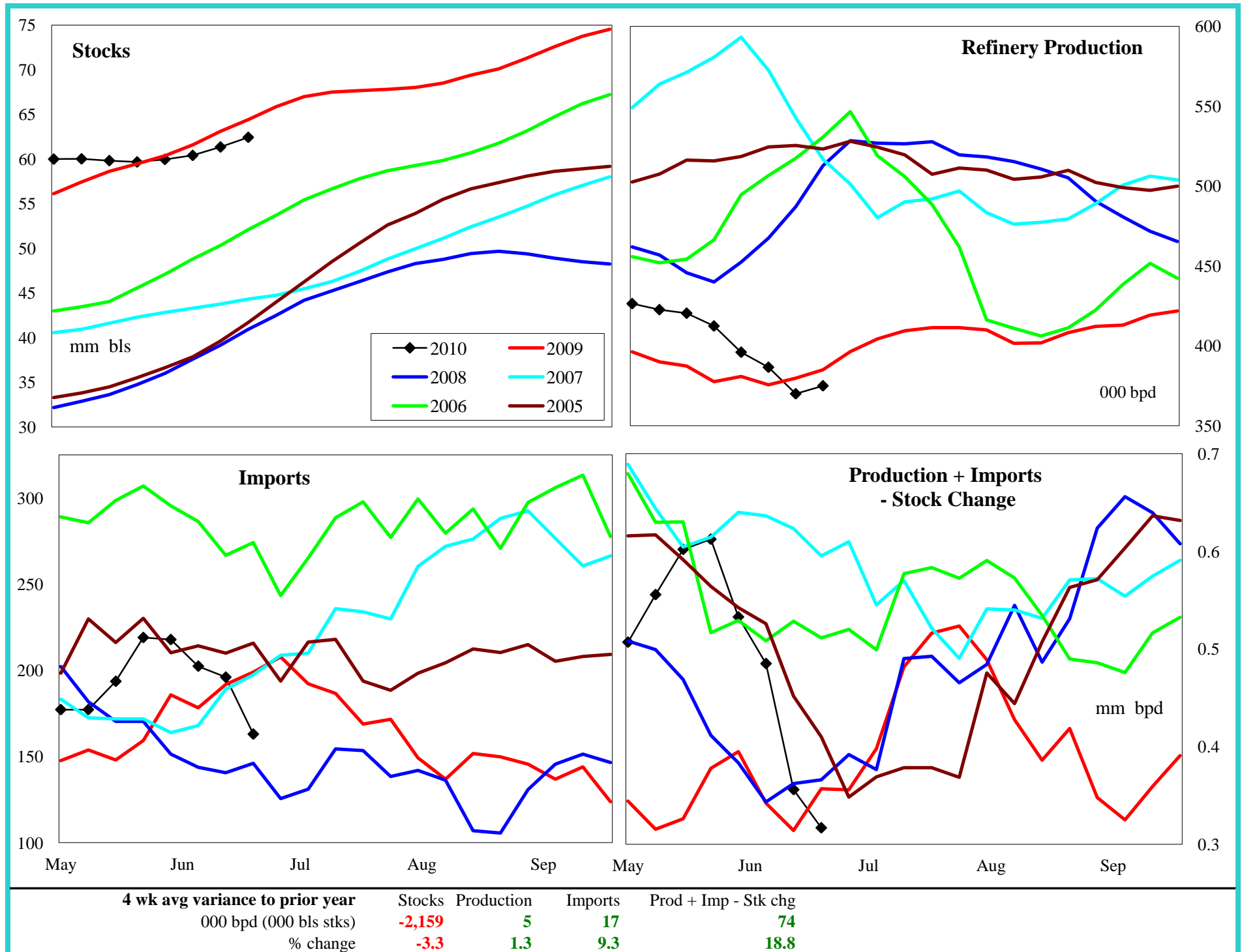
PADD 1 Reformulated Gasoline Supply



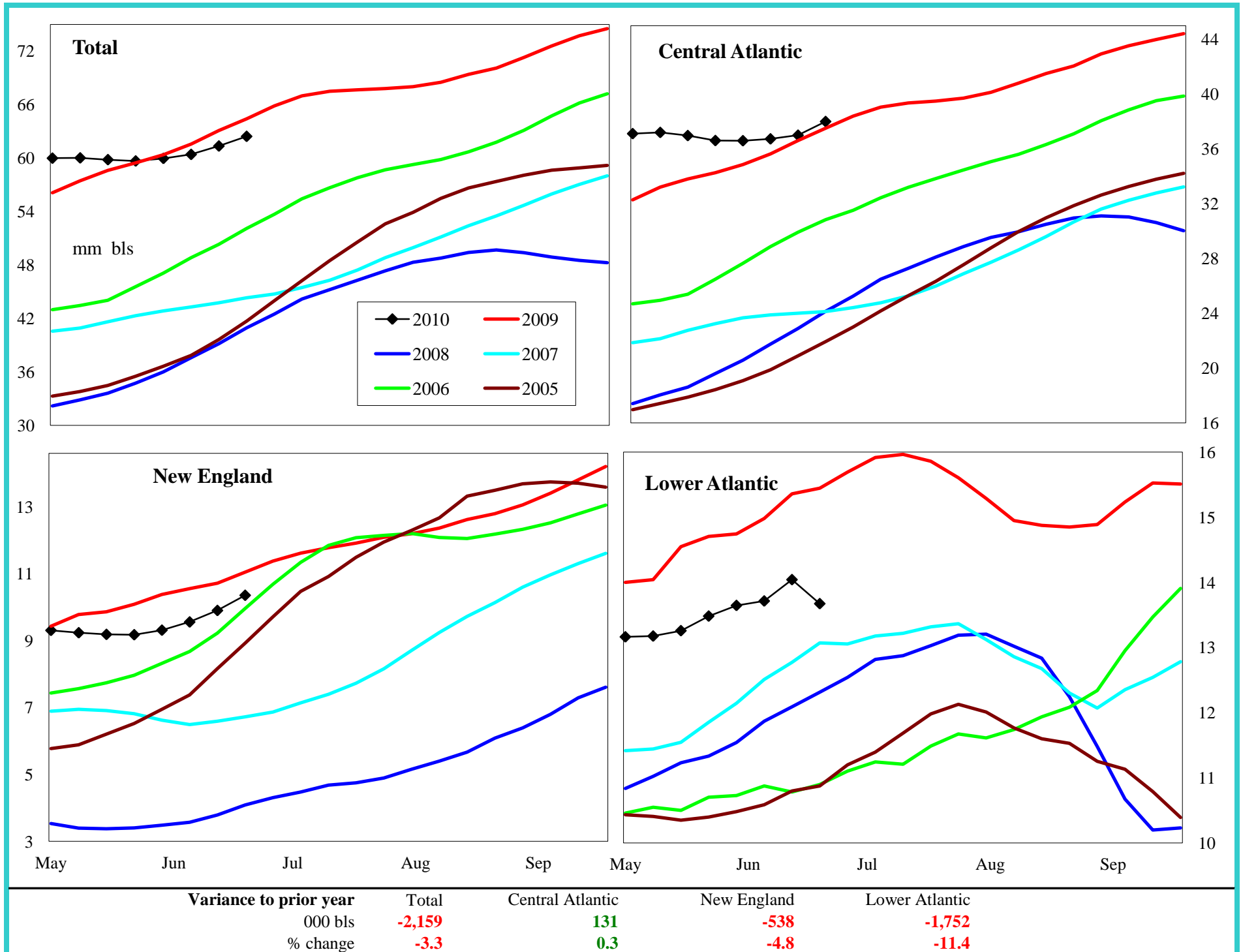
PADD 1 Conventional Gasoline Supply



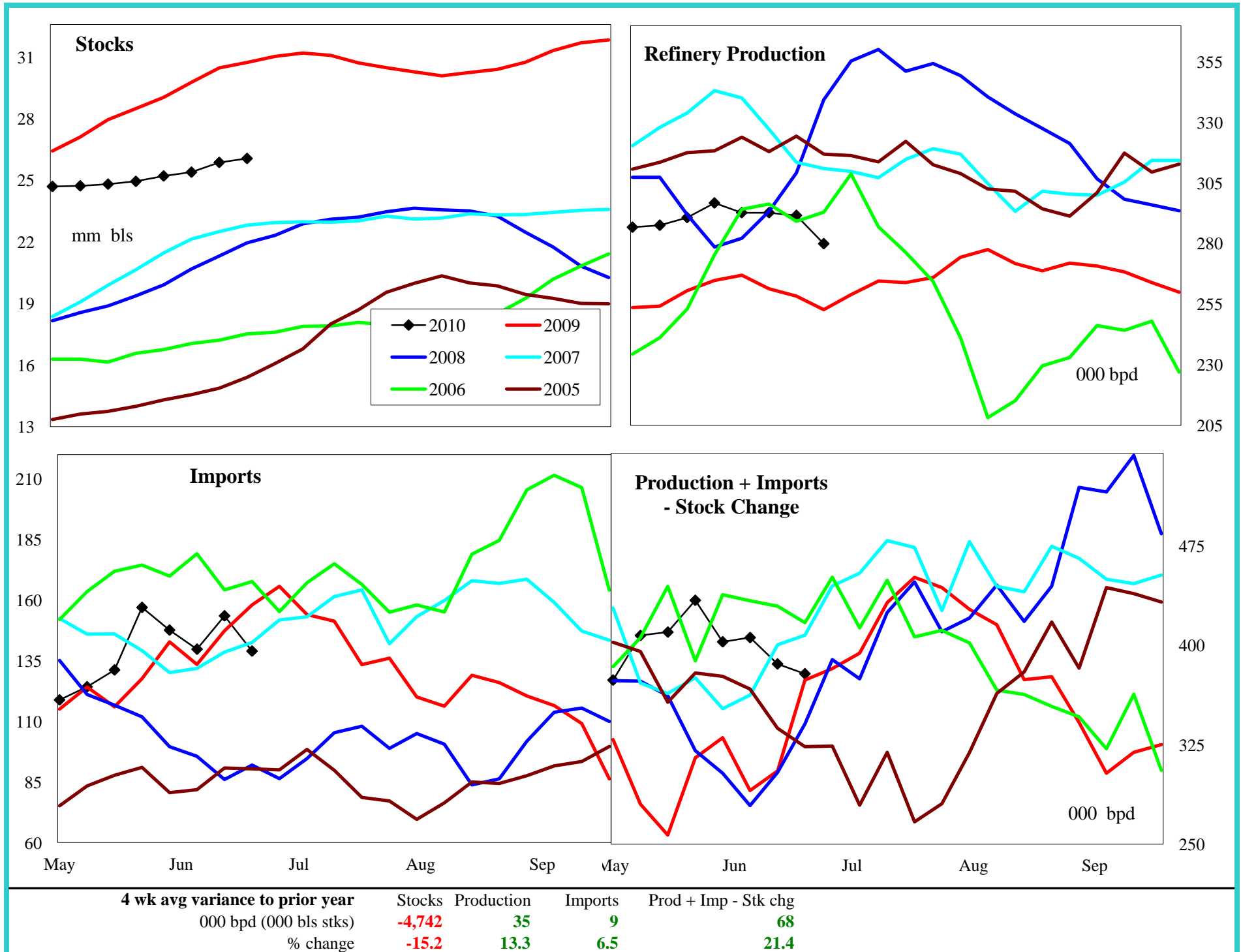
PADD 1 Distillate Supply



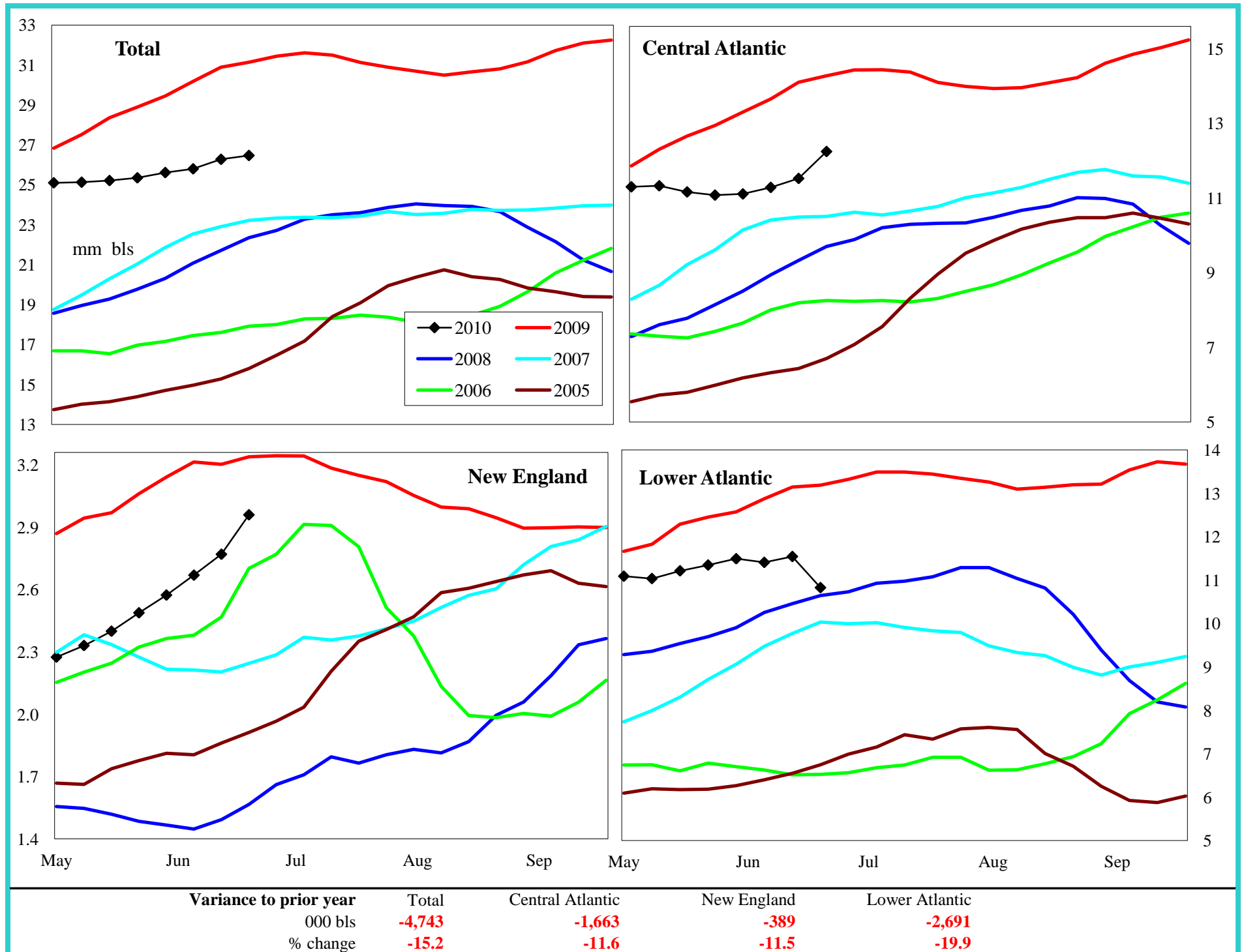
PADD 1 Distillate Stocks by Region



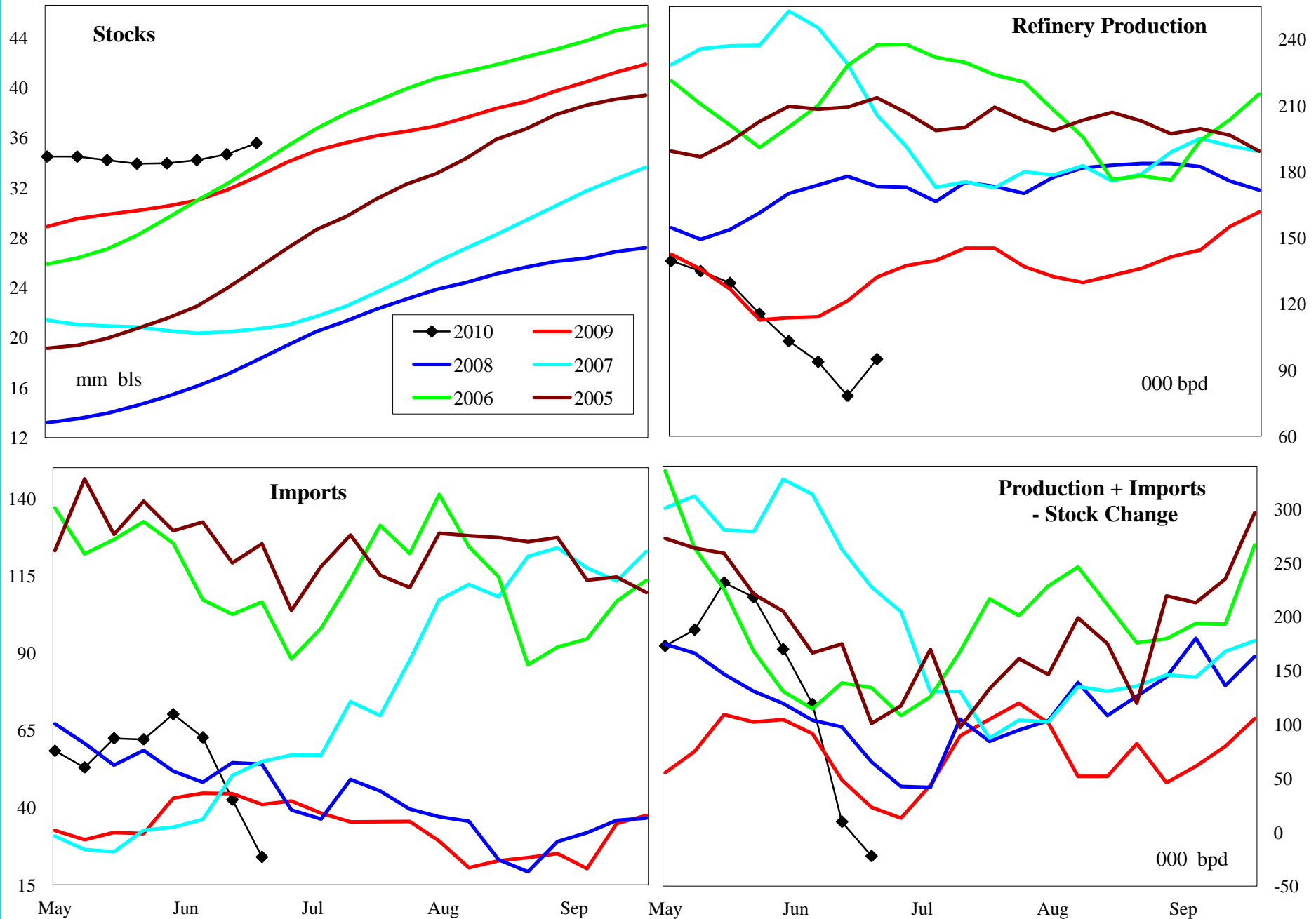
PADD 1 Low Sulfur Distillate Supply



PADD 1 Low Sulfur Distillate Stocks by Region



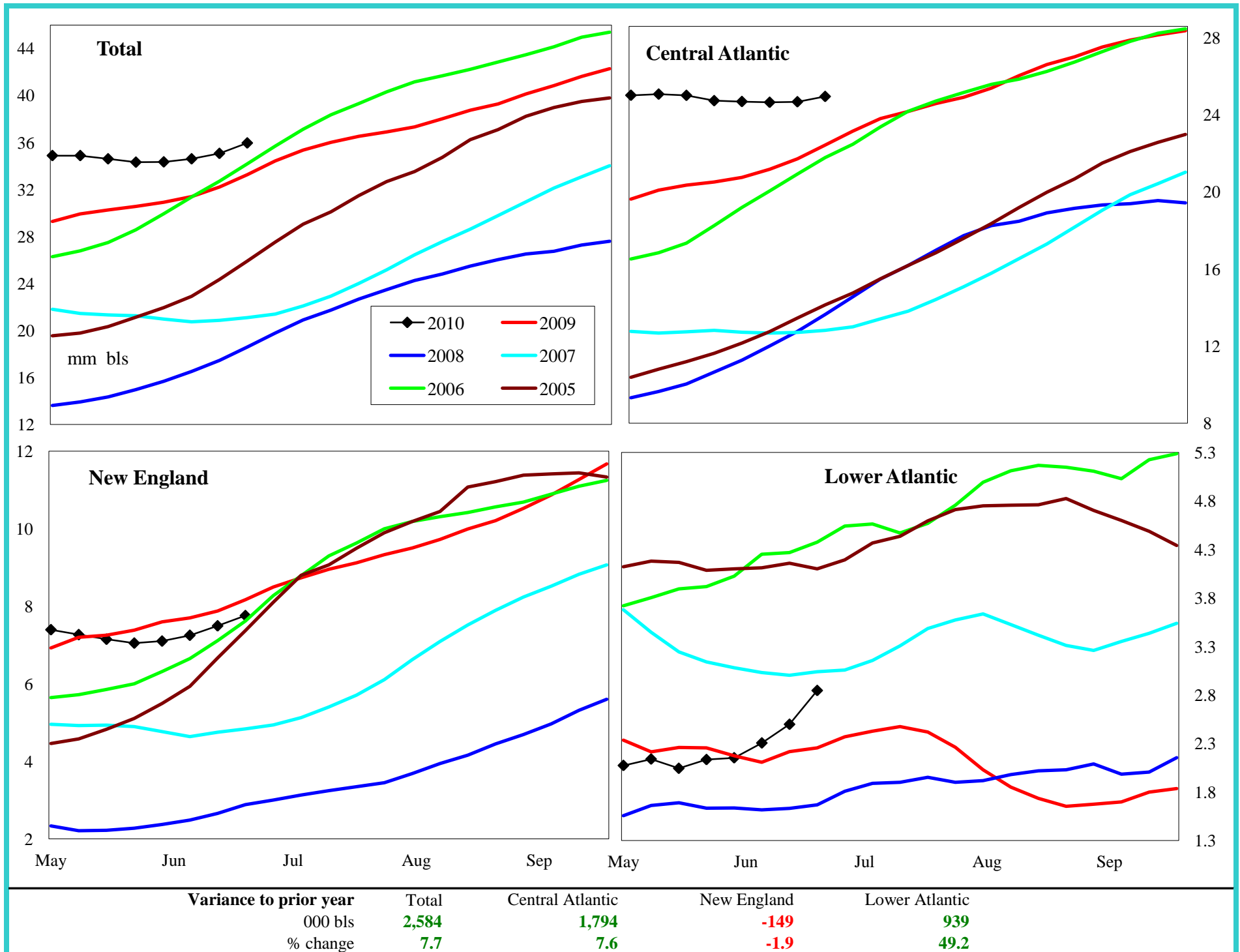
PADD 1 High Sulfur Distillate Supply



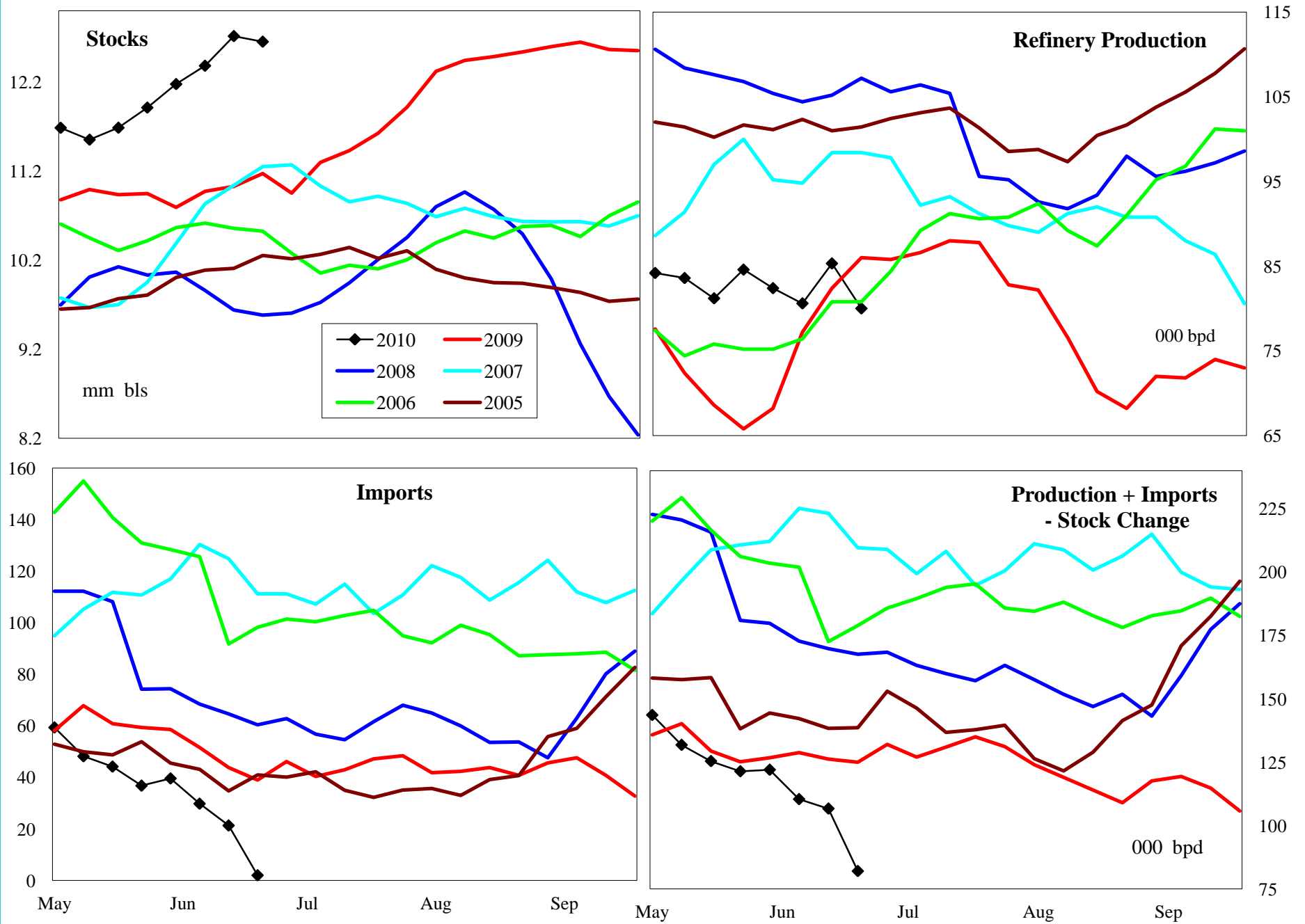
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

| Stocks | Production | Imports | Prod + Imp - Stk chg |
|--------|------------|---------|----------------------|
| 2,584 | -30 | 9 | 6 |
| 7.7 | -25.5 | 16.7 | 8.2 |

PADD 1 High Sulfur Distillate Stocks by Region



PADD 1 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

1,479

13.2

Production

4

4.6

Imports

-16

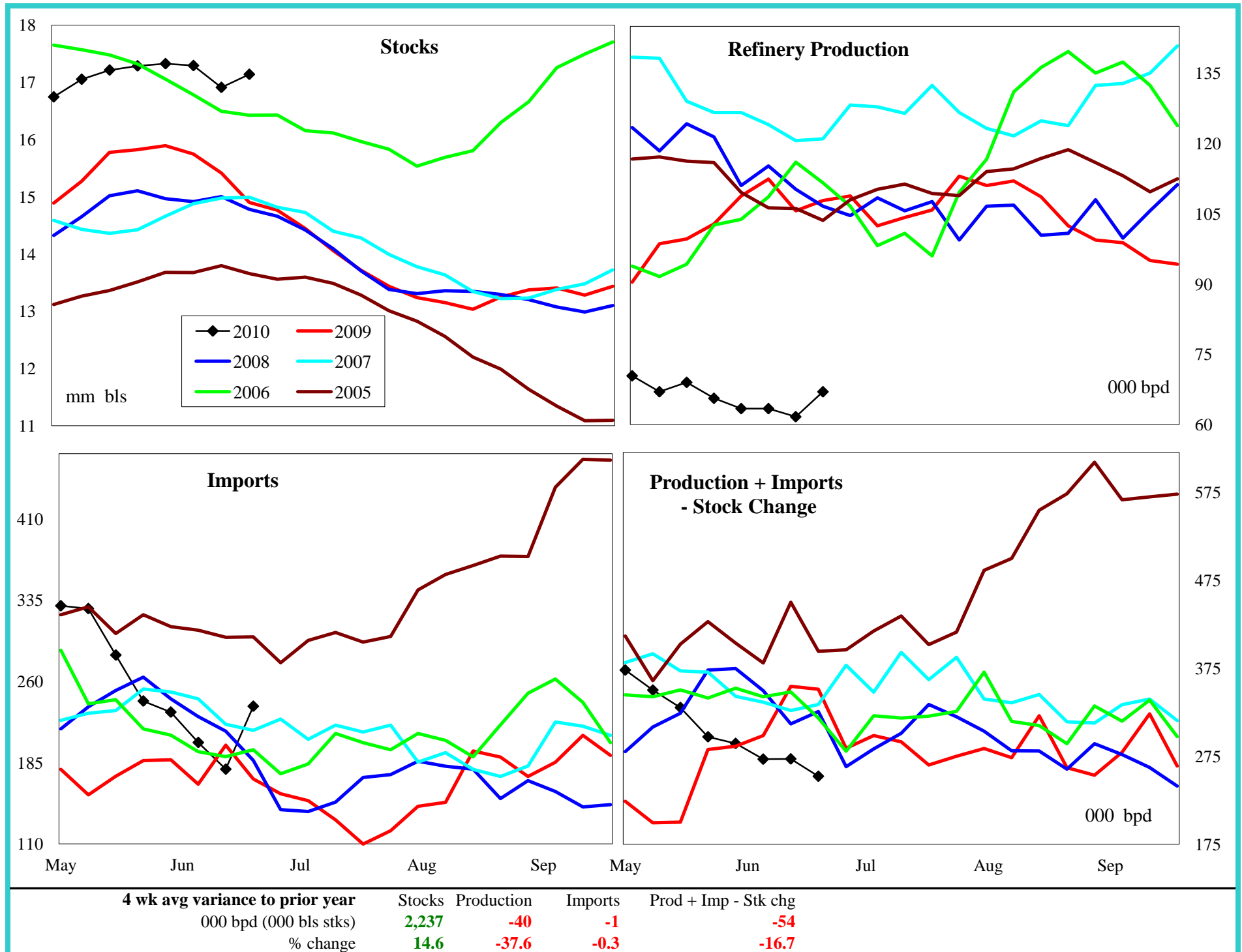
-33.9

Prod + Imp - Stk chg

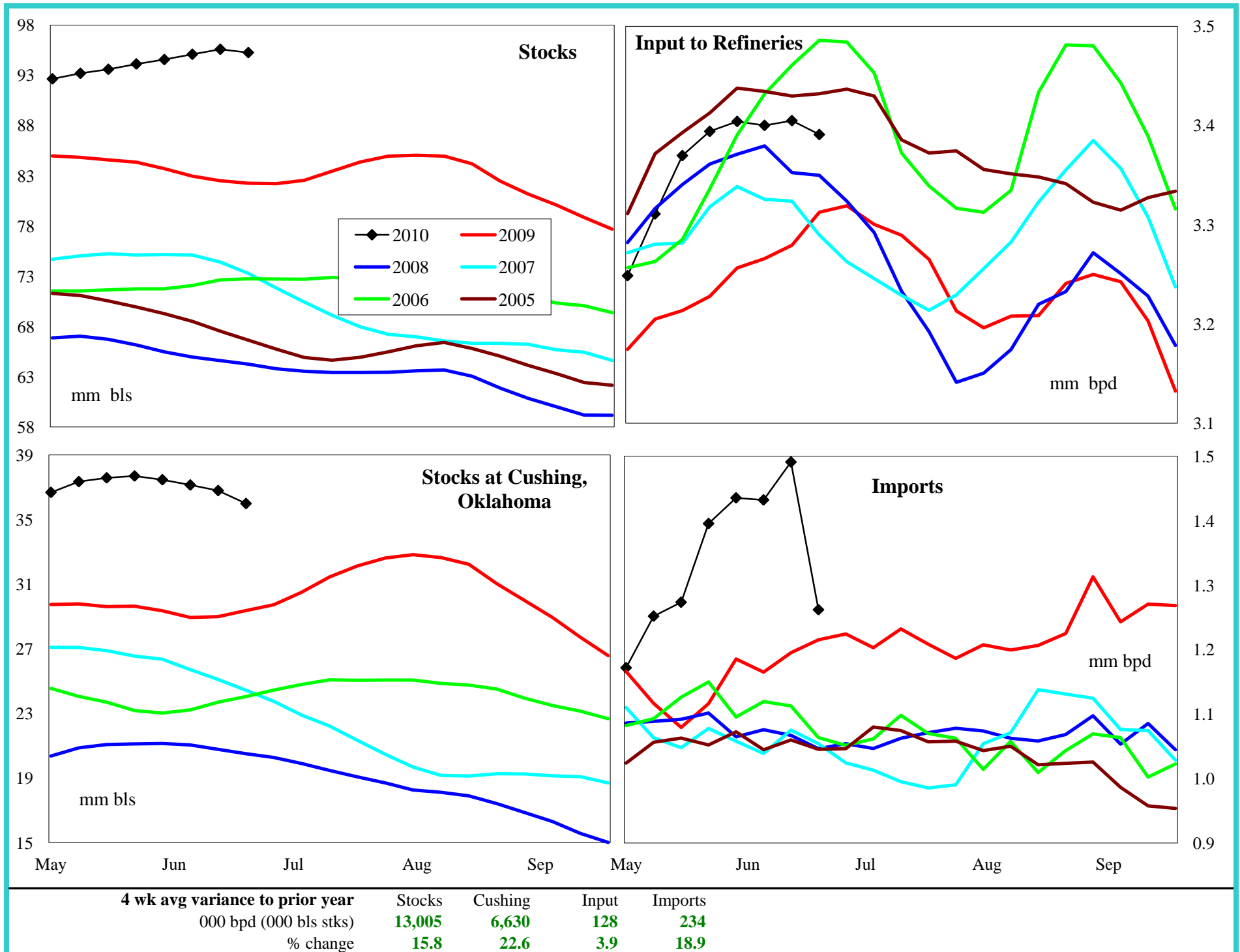
-15

-11.8

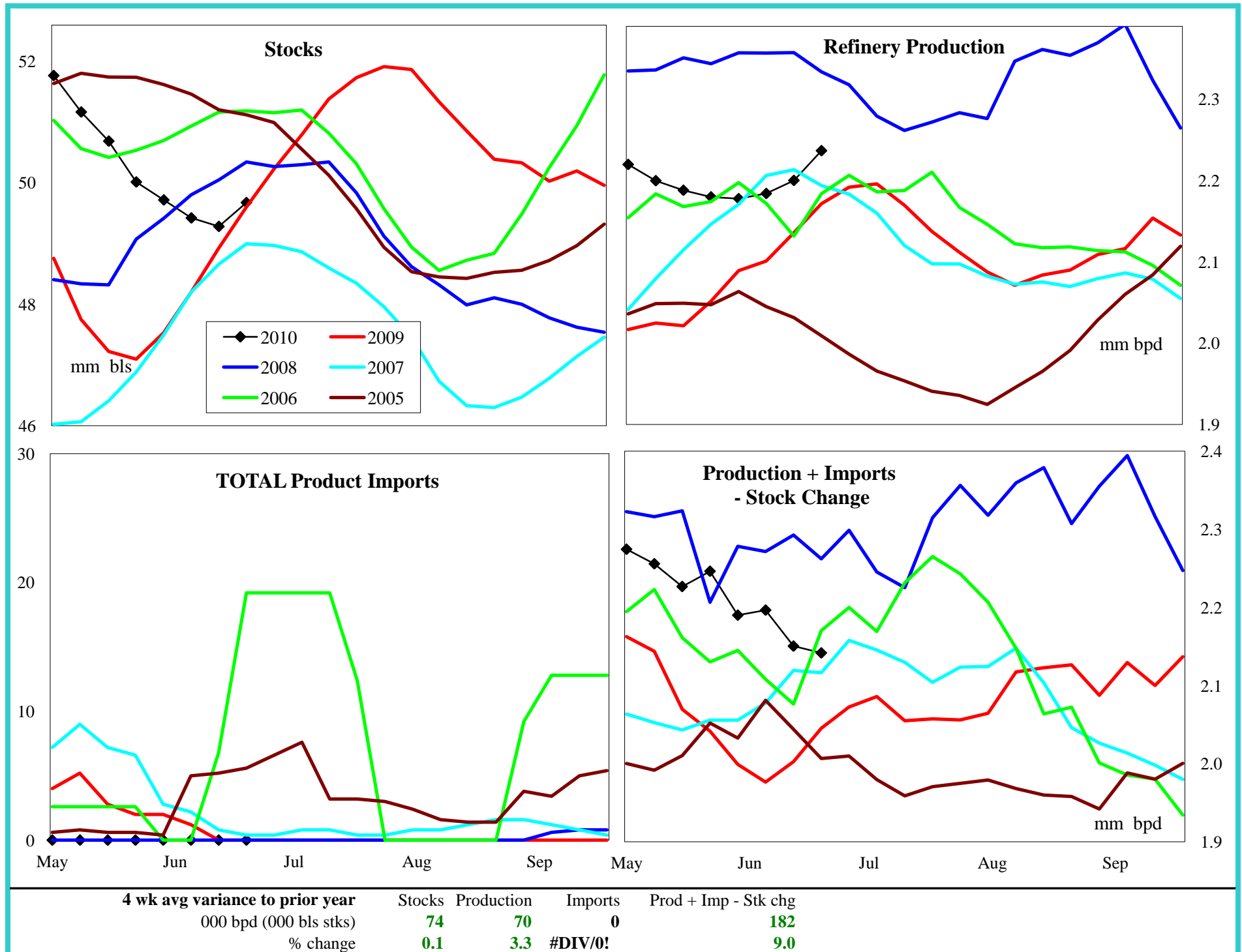
PADD 1 Residual Fuel Oil Supply



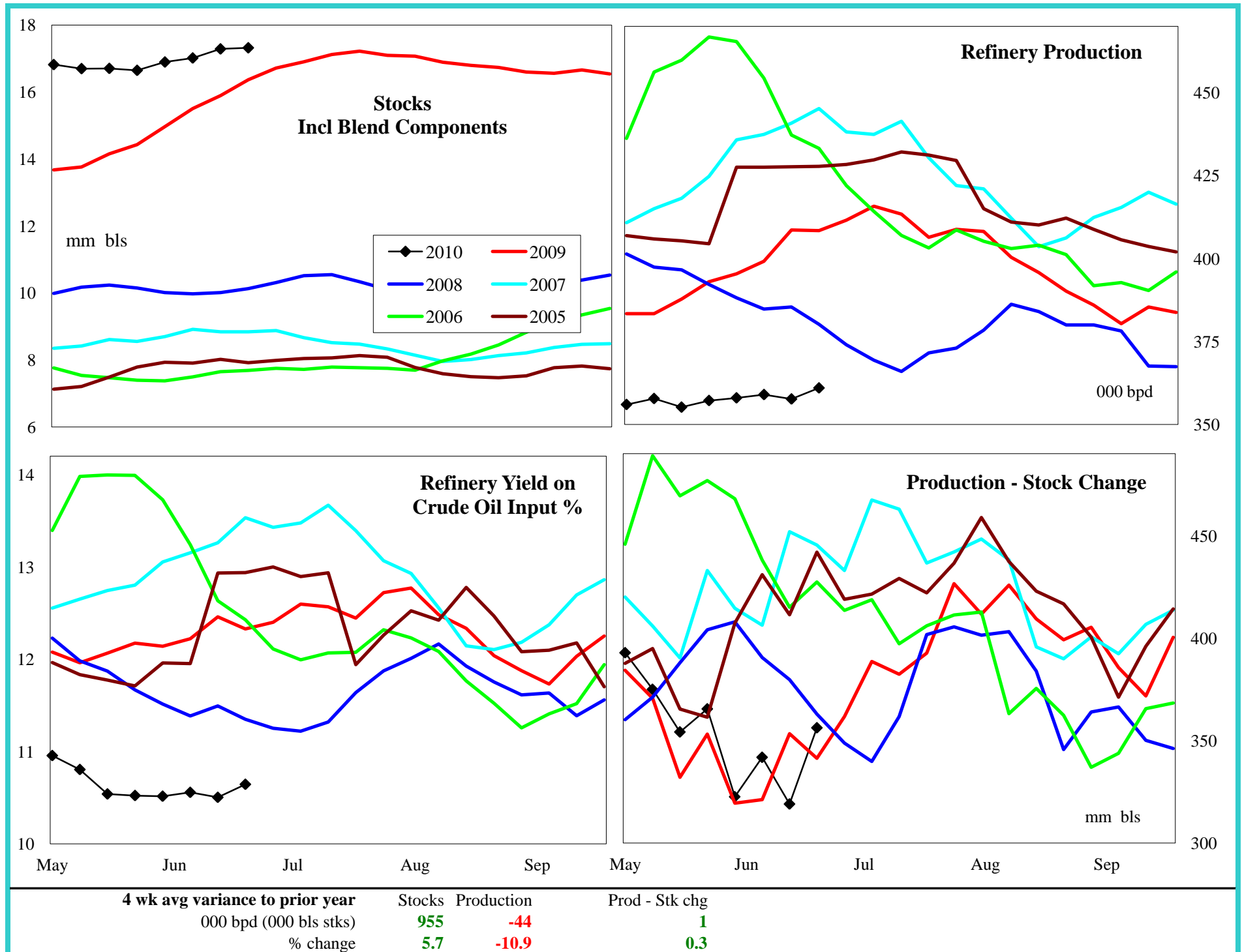
PADD 2 Crude Oil Supply and Refining



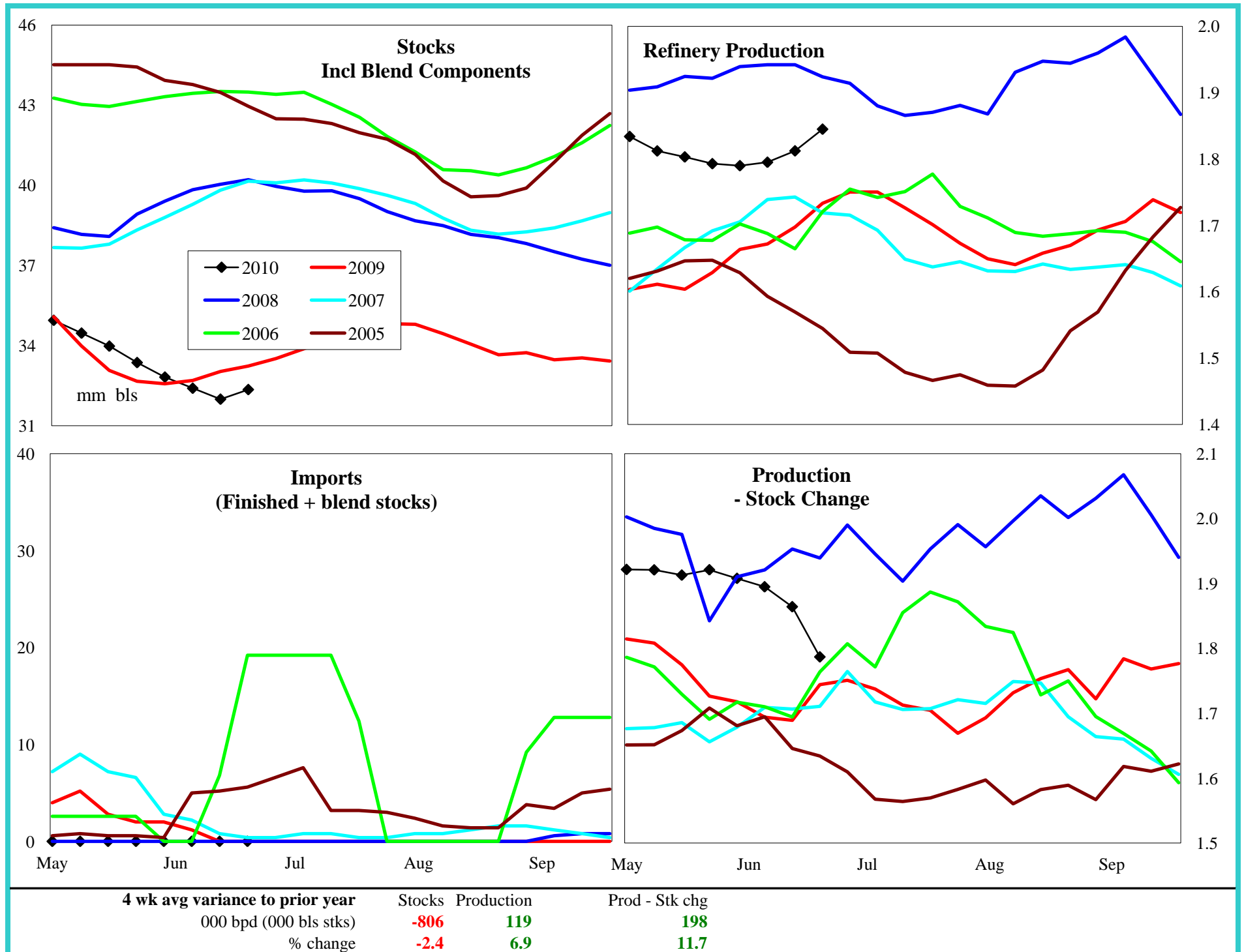
PADD 2 Gasoline Supply



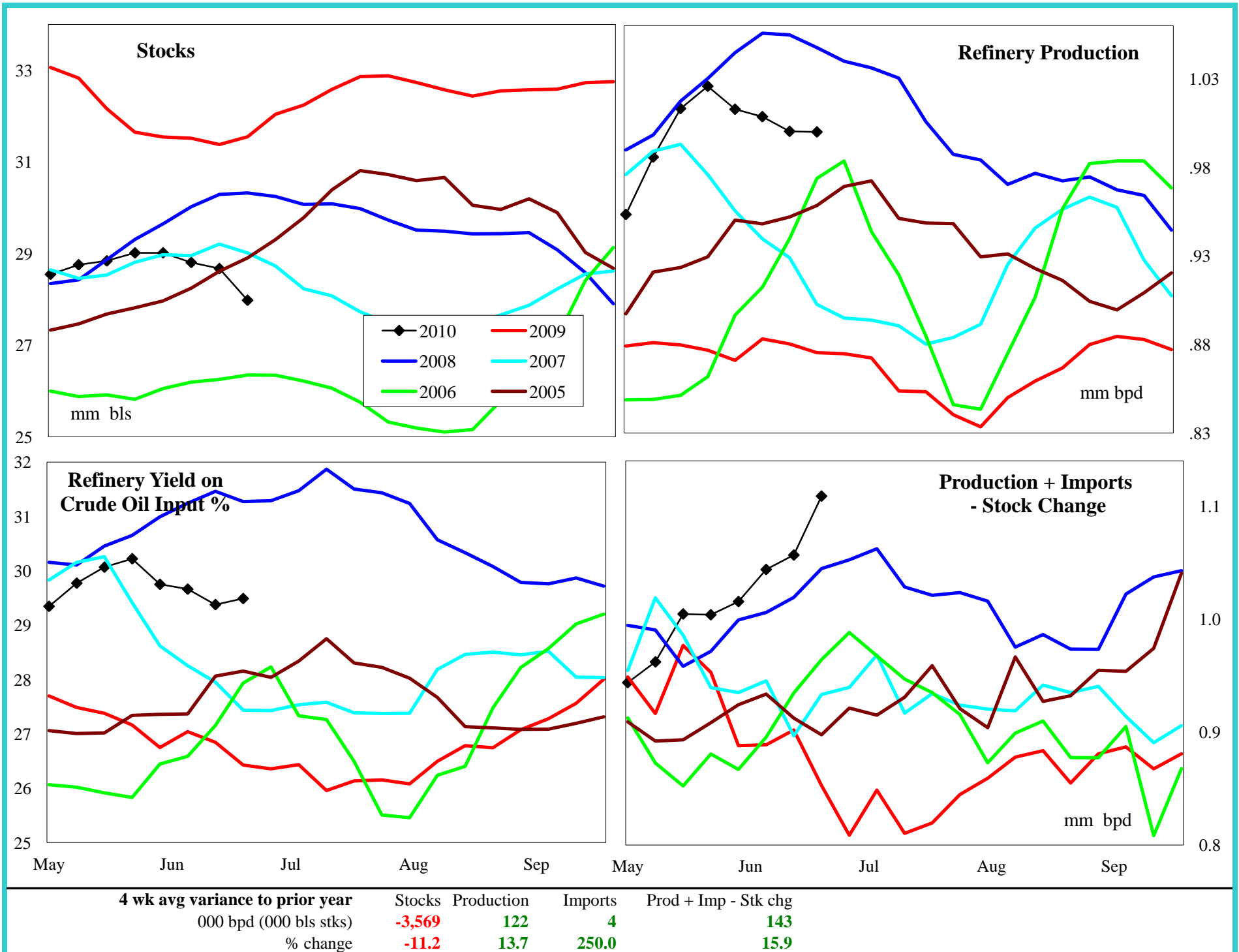
PADD 2 Reformulated Gasoline Supply



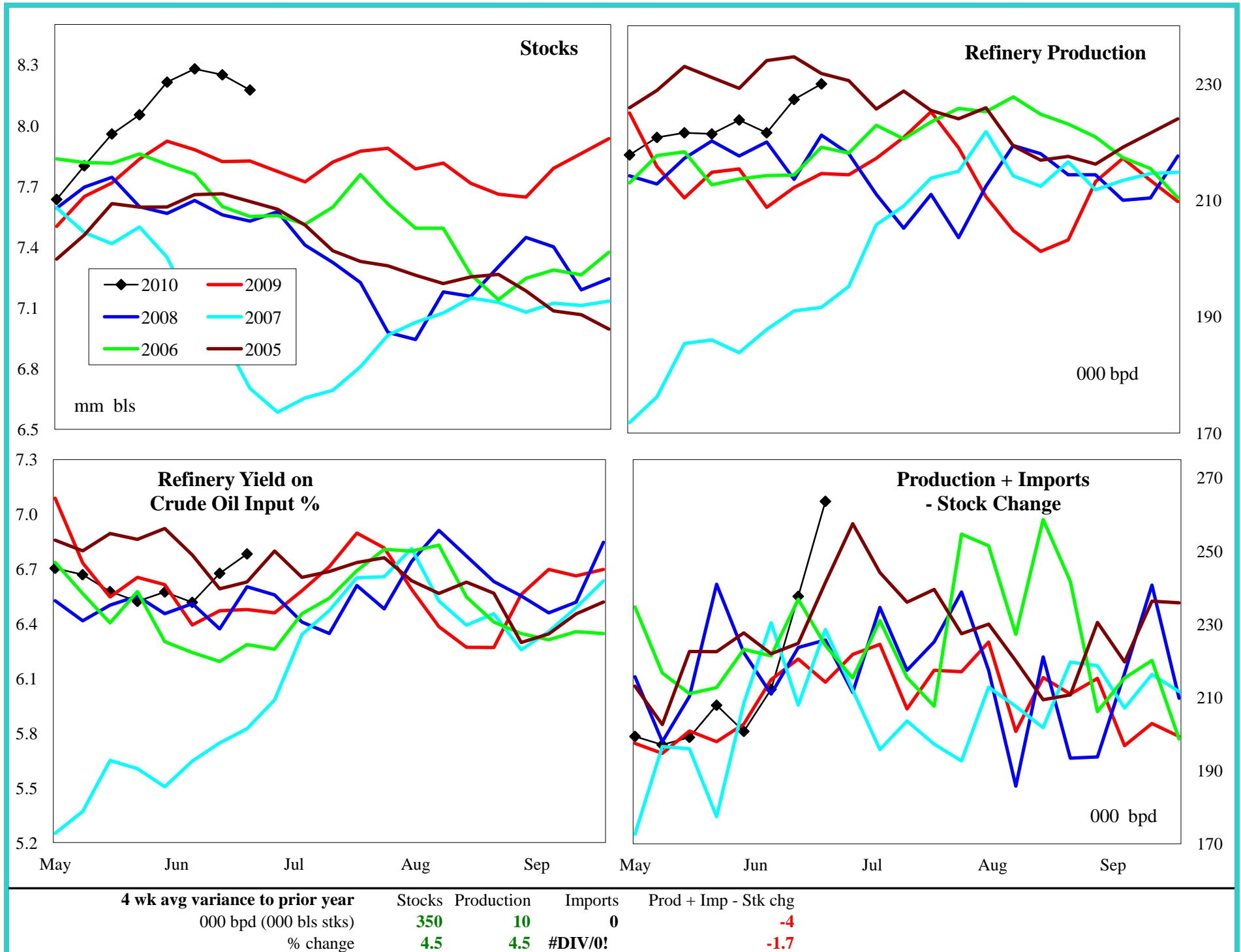
PADD 2 Conventional Gasoline Supply



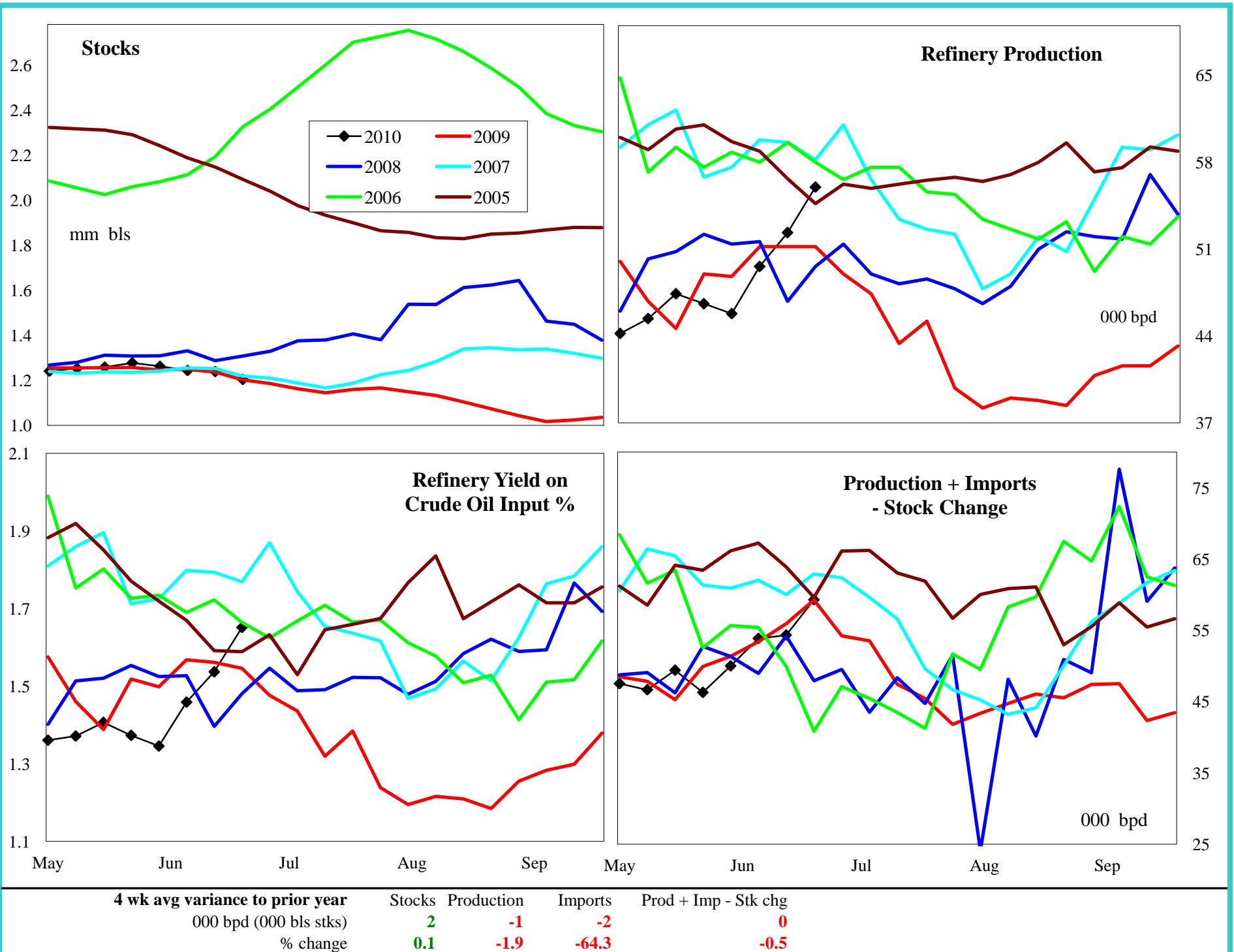
PADD 2 Distillate Supply



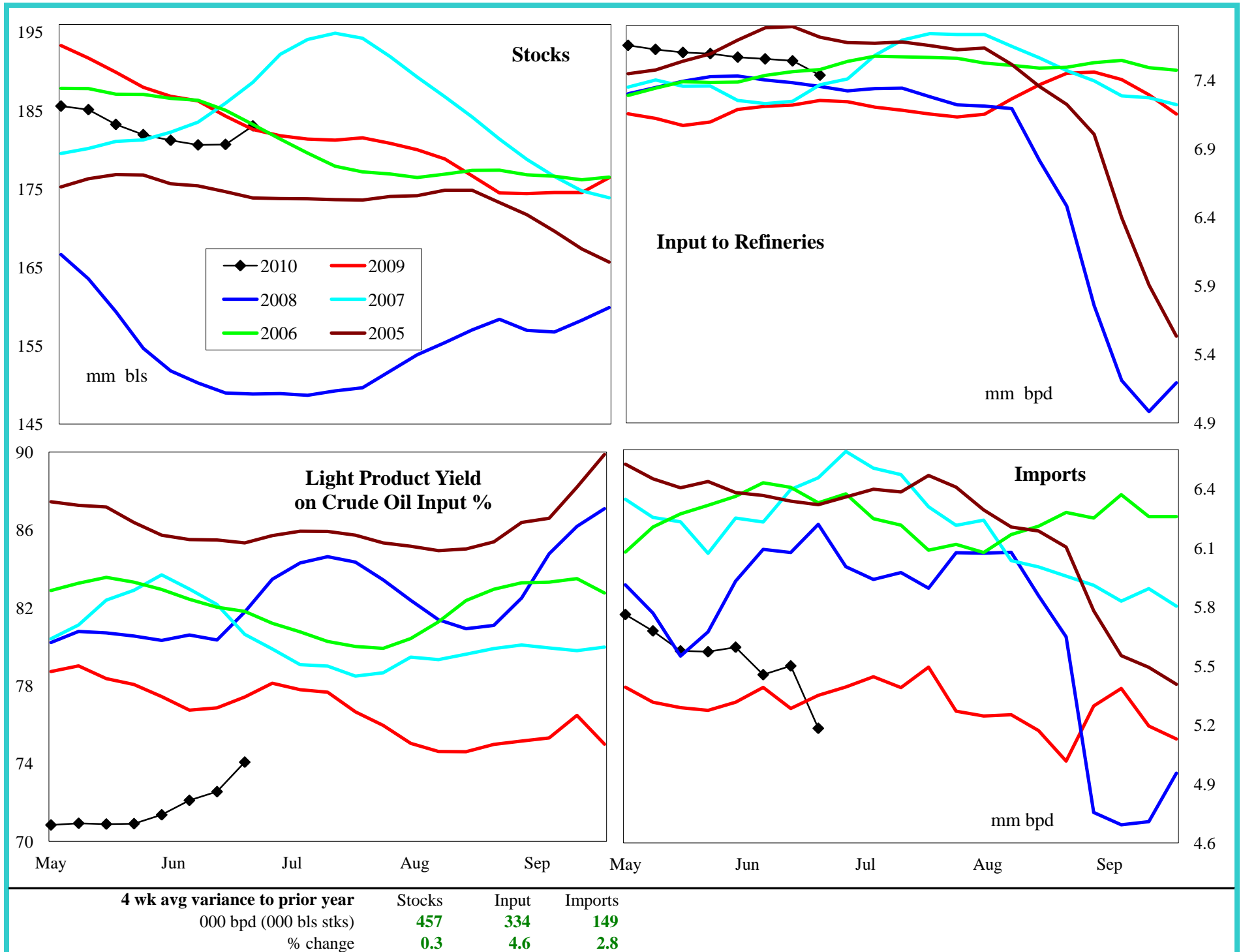
PADD 2 Jet Fuel Supply



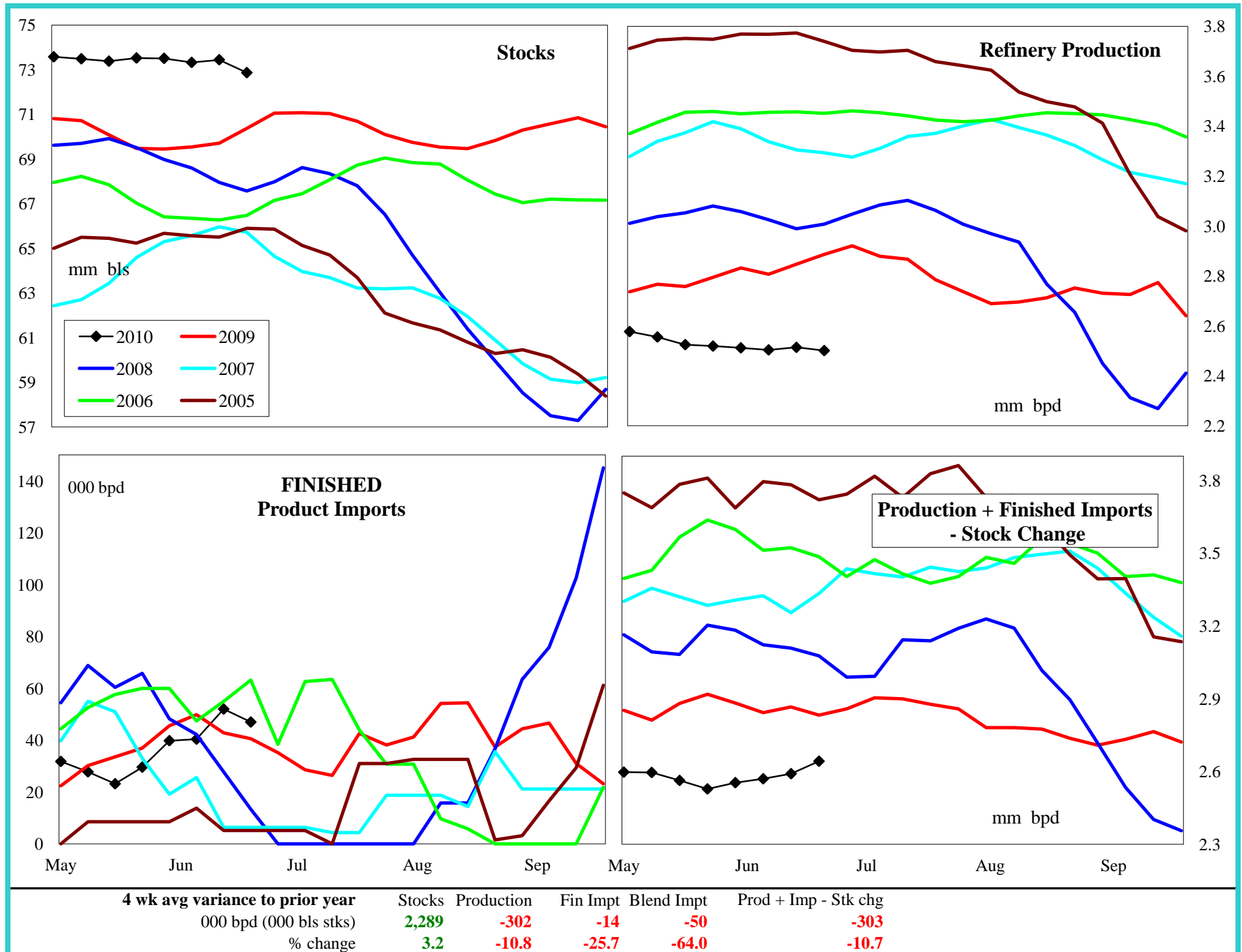
PADD 2 Residual Fuel Oil Supply



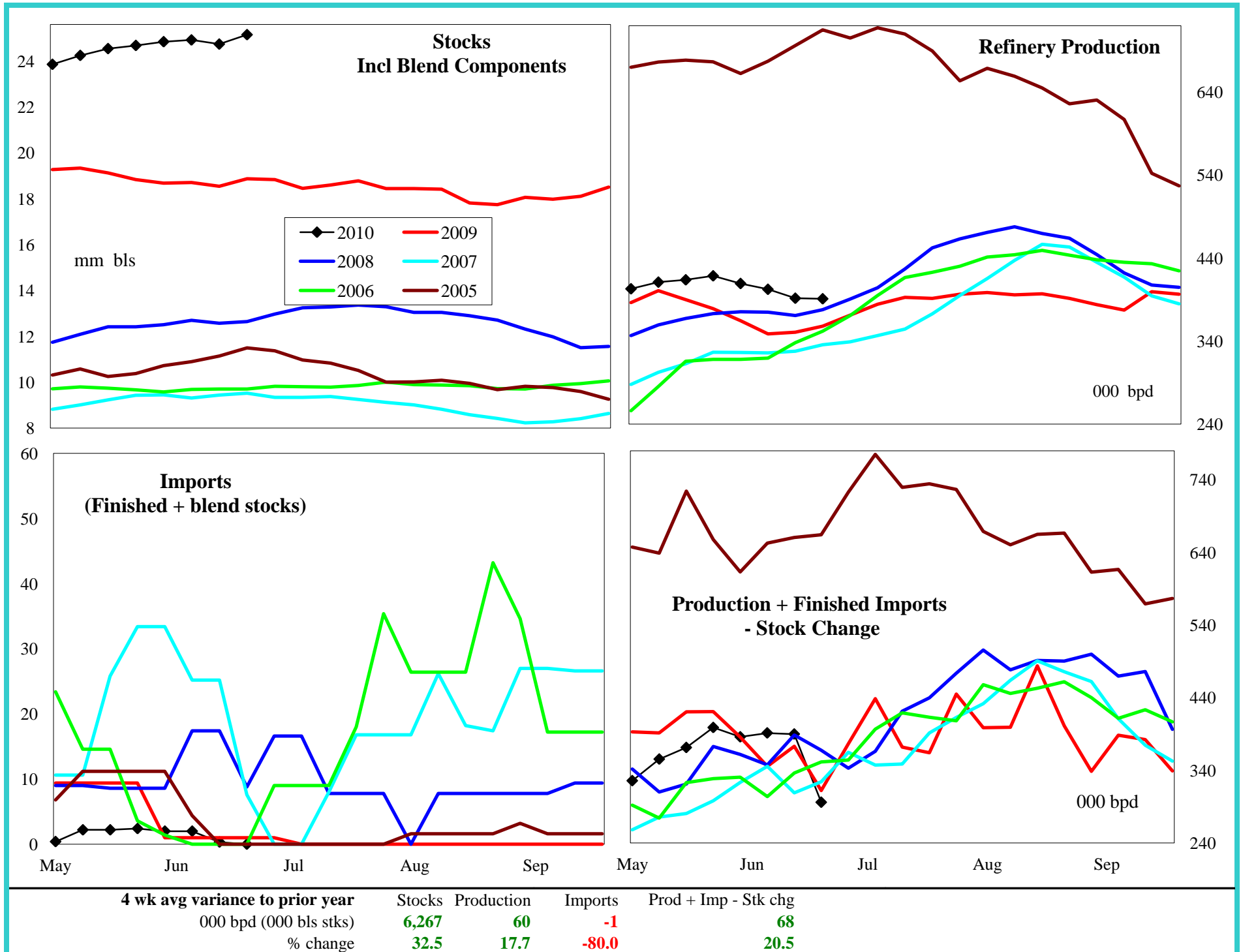
PADD 3 Crude Oil Supply and Refining



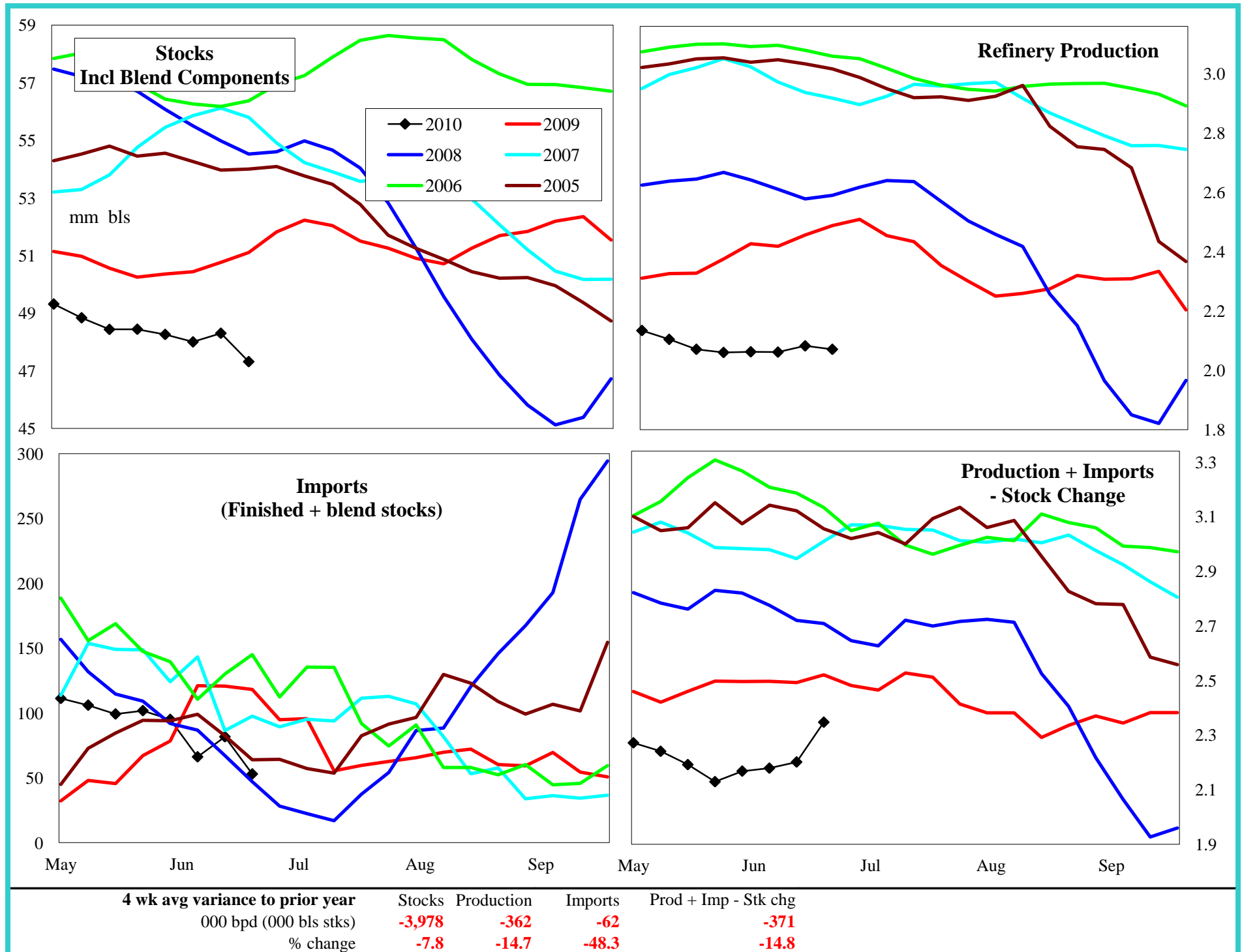
PADD 3 Gasoline Supply



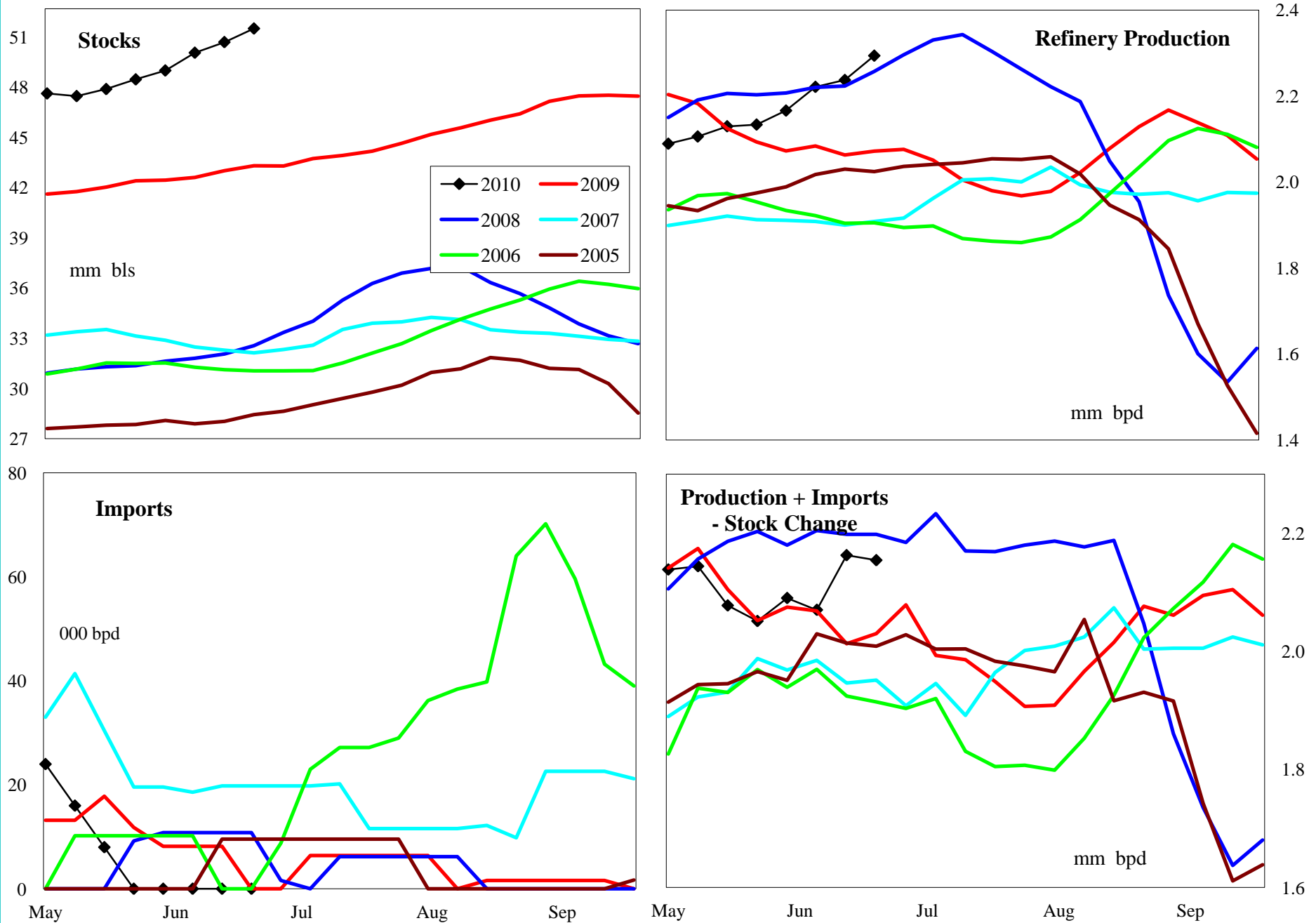
PADD 3 Reformulated Gasoline Supply



PADD 3 Conventional Gasoline Supply



PADD 3 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

8,071

18.5

Production

161

7.8

Imports

-10

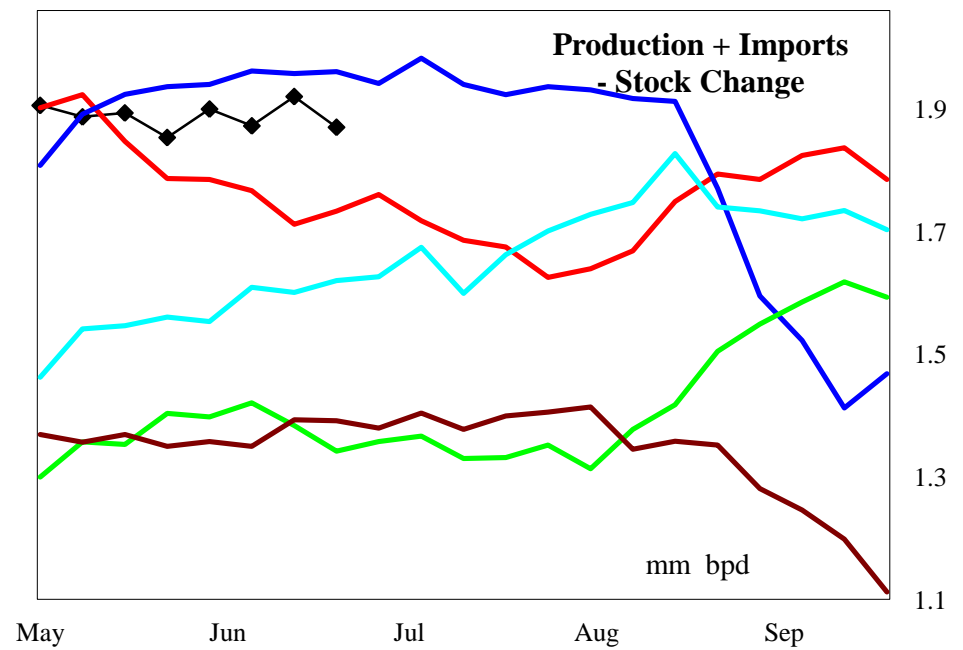
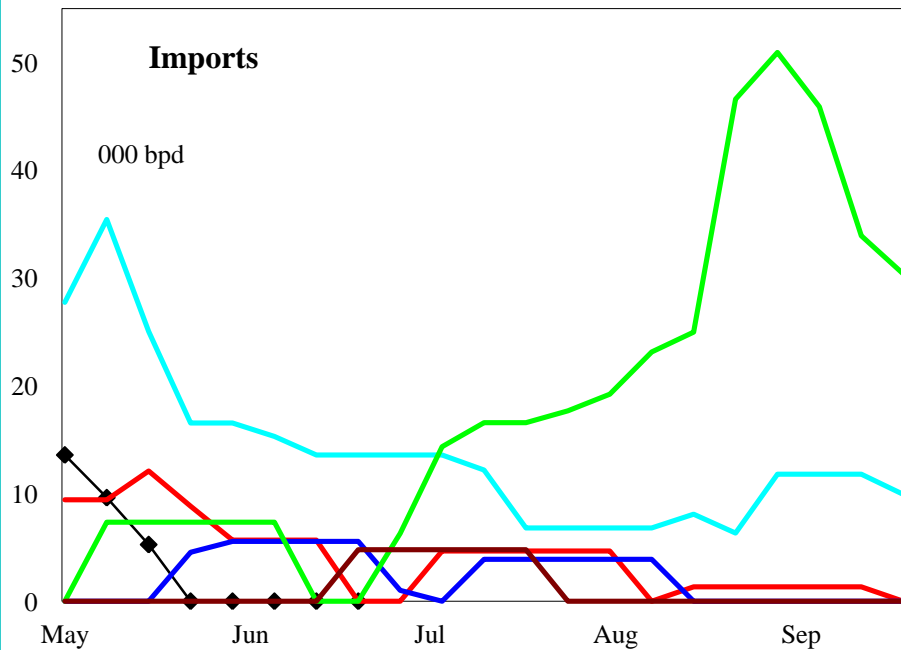
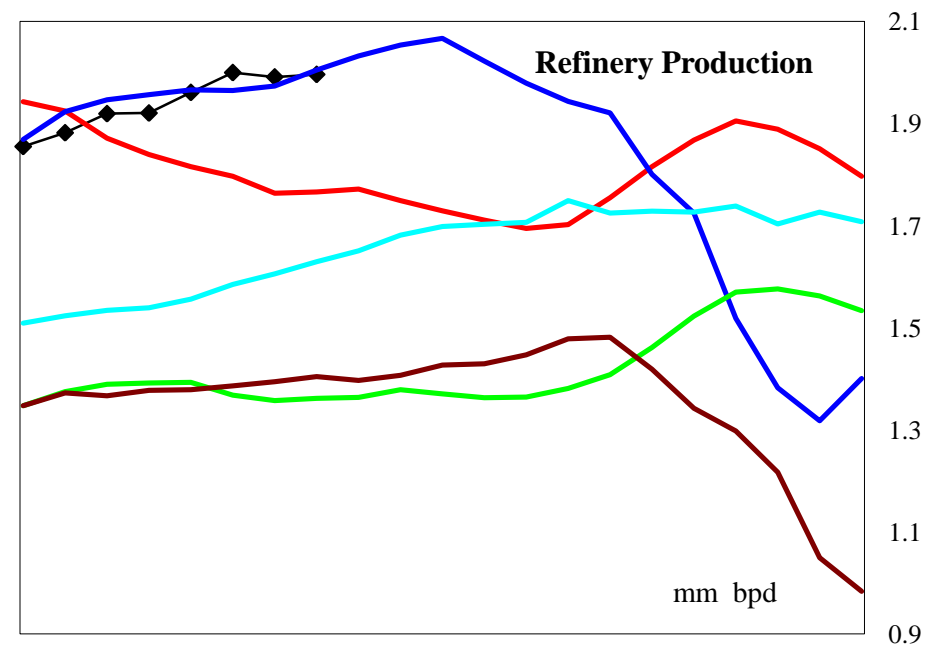
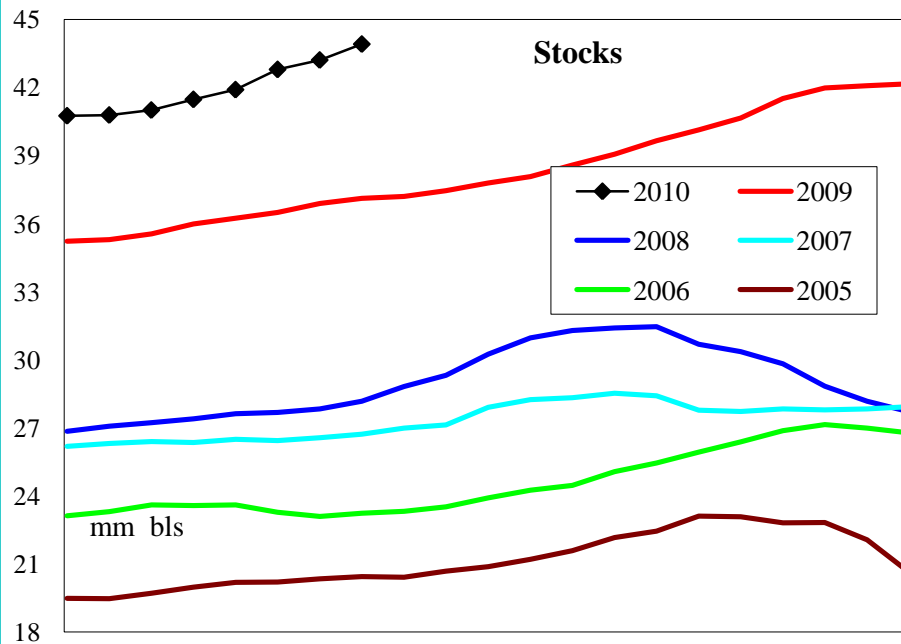
-100.0

Prod + Imp - Stk chg

89

4.4

PADD 3 Low Sulfur Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

6,722

18.1

Production

240

13.3

Imports

-7

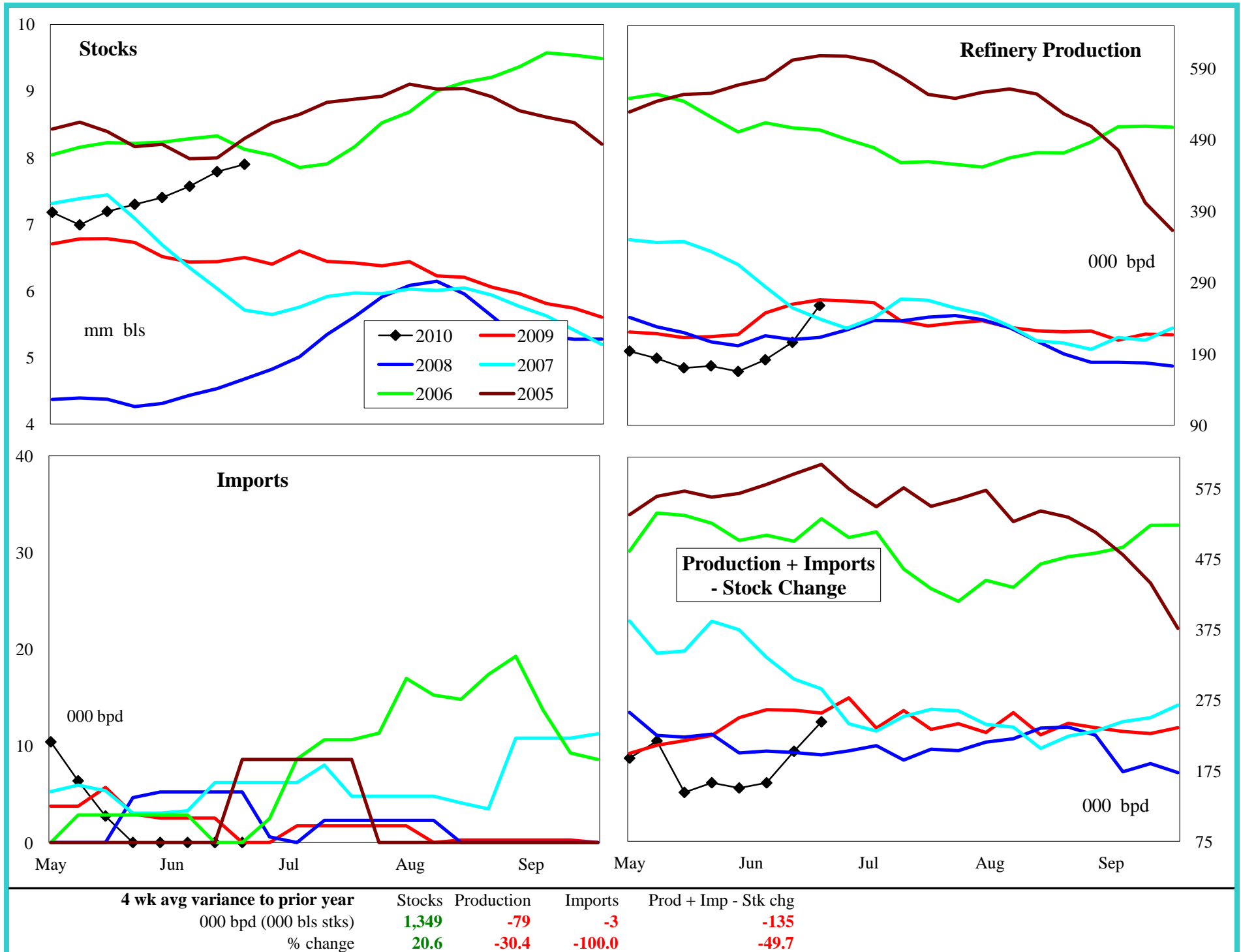
-100.0

Prod + Imp - Stk chg

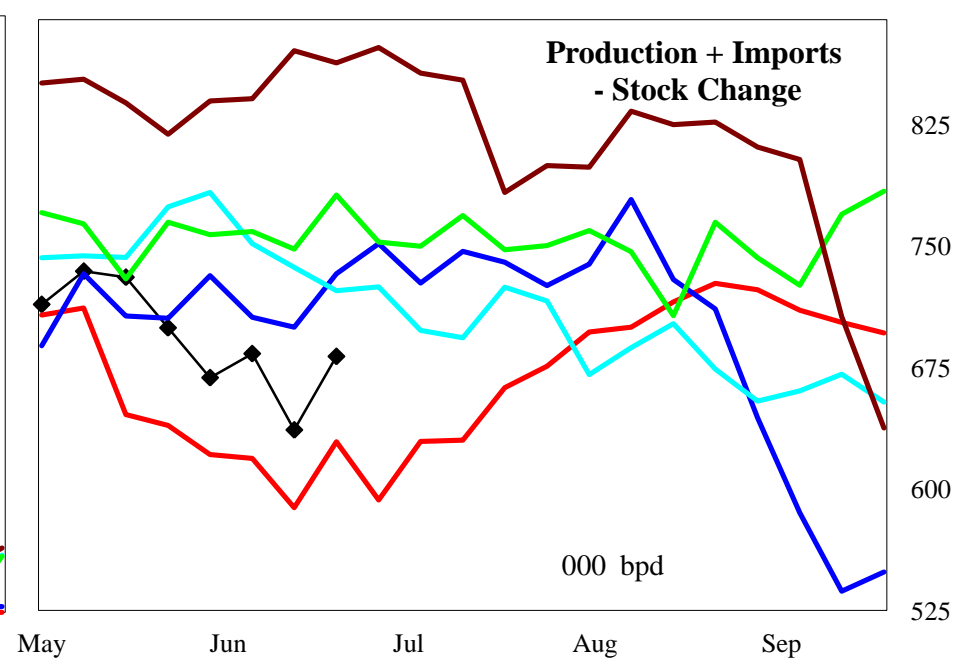
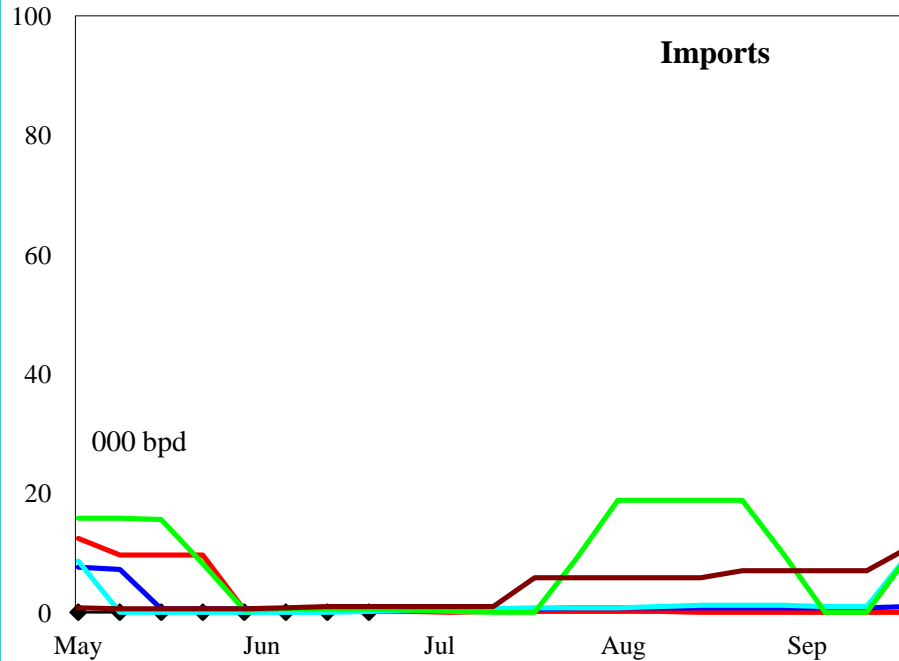
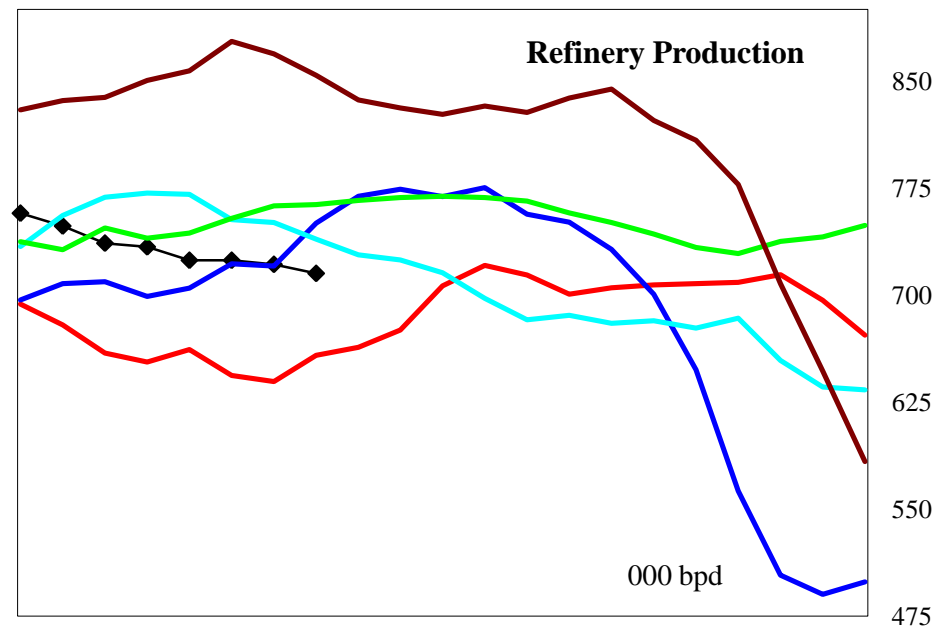
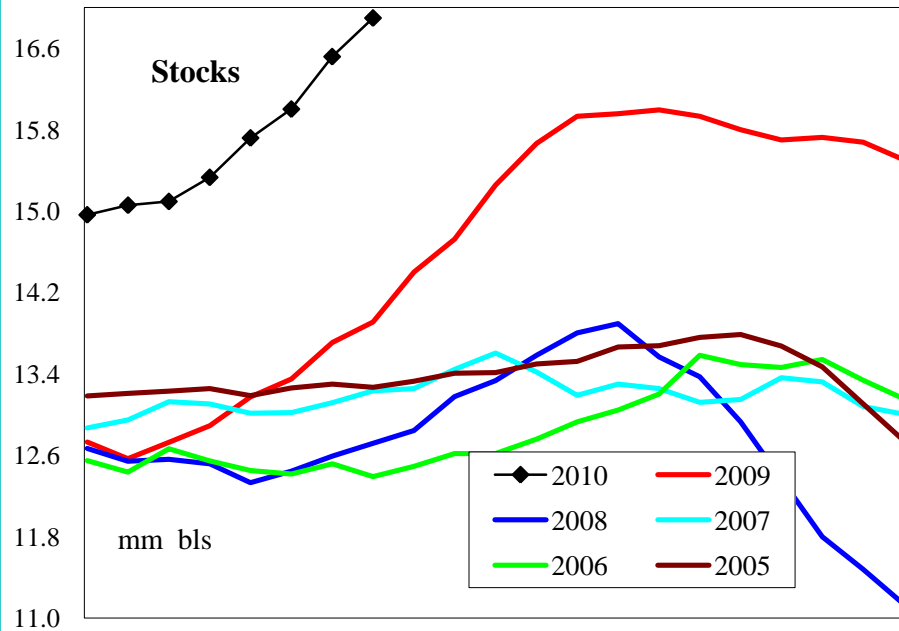
223

12.7

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

Production

Imports

Prod + Imp - Stk chg

2,989

78

-1

65

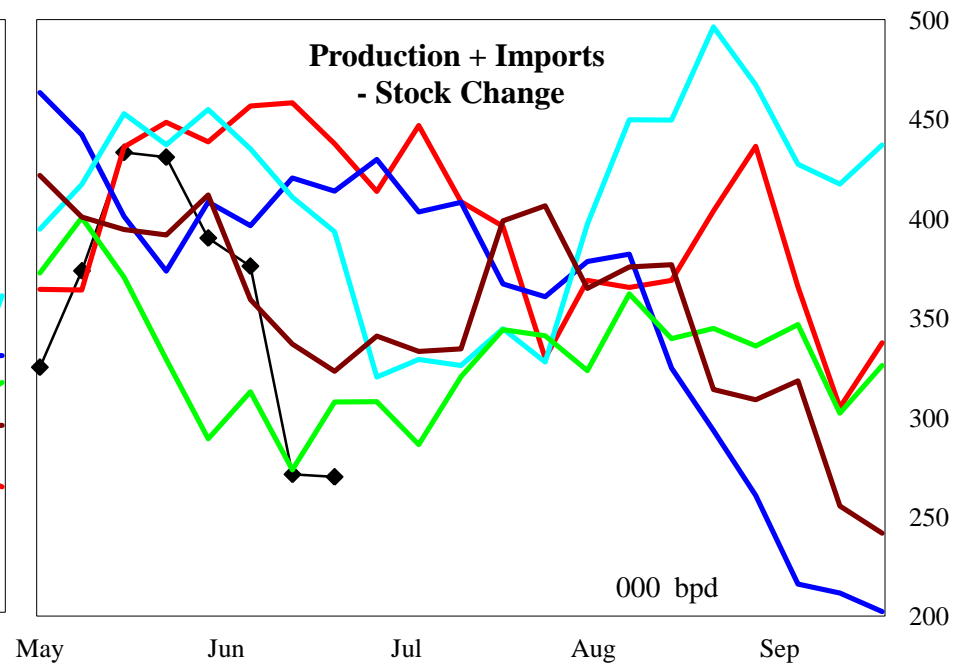
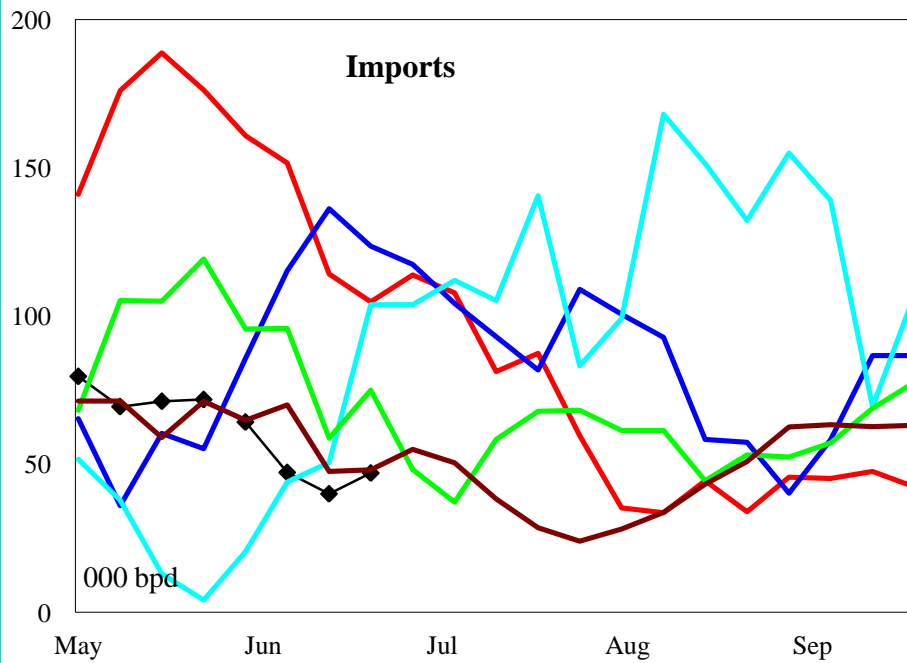
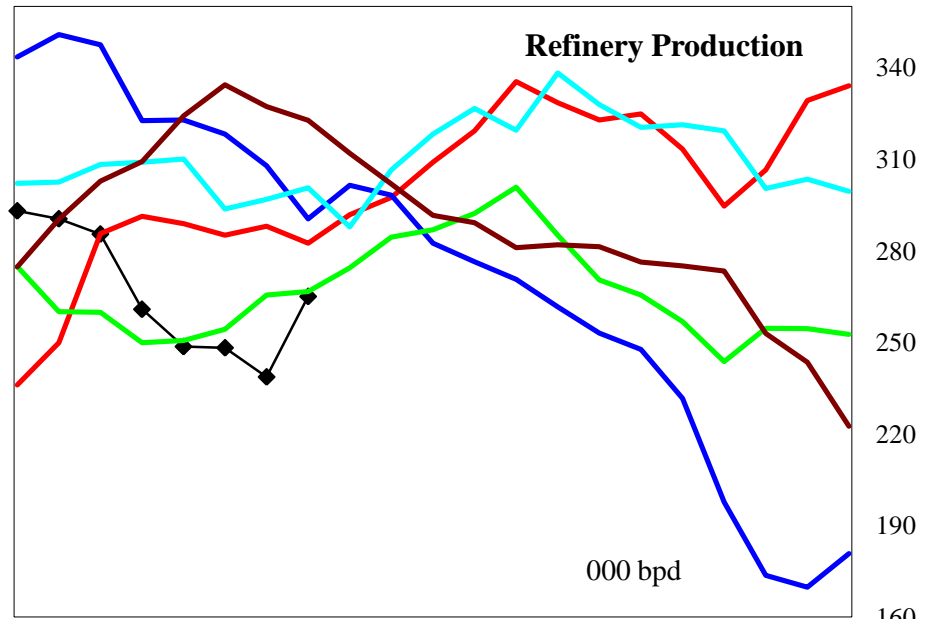
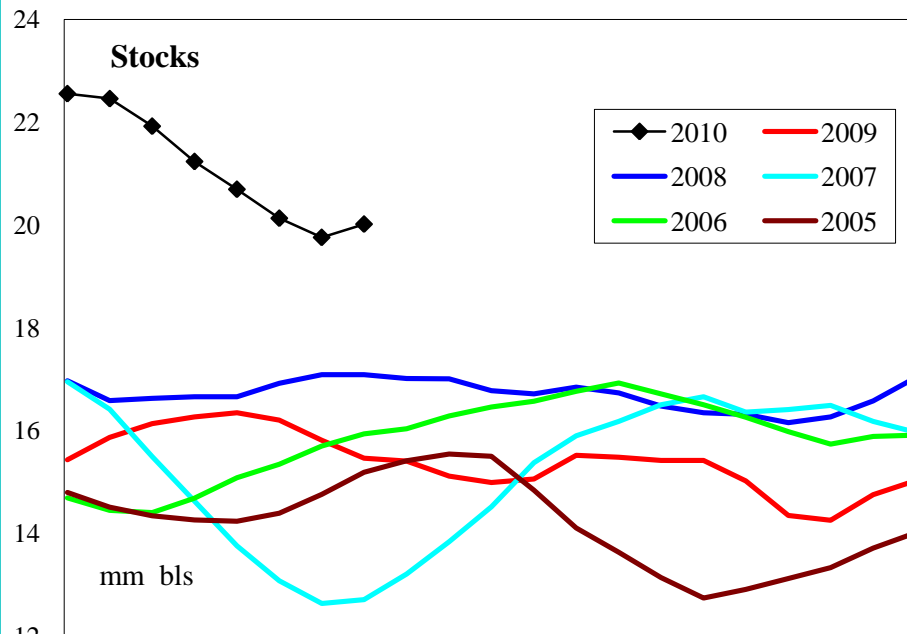
21.5

12.1

-100.0

10.9

PADD 3 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

4,557

-38

-81

-143

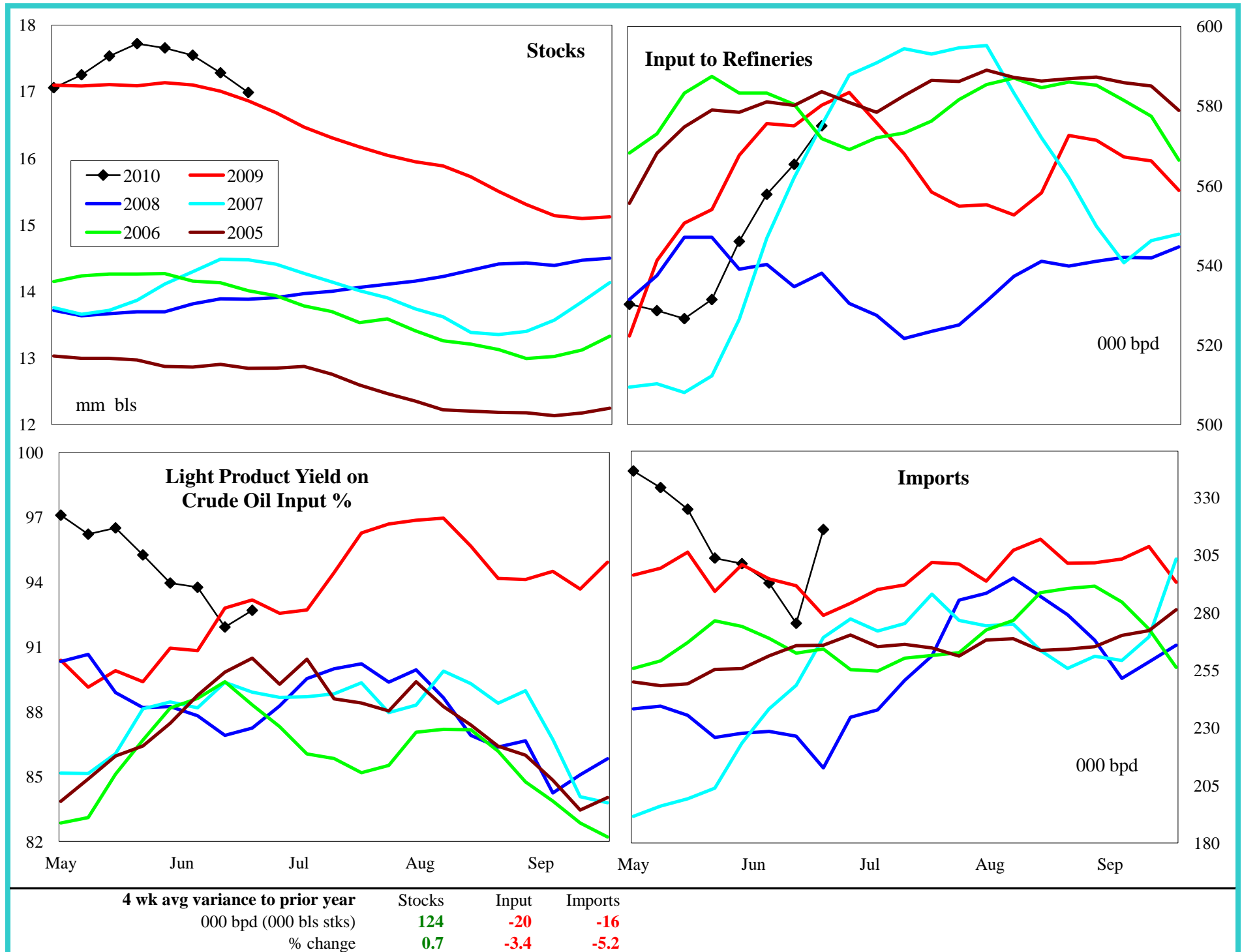
29.5

-13.2

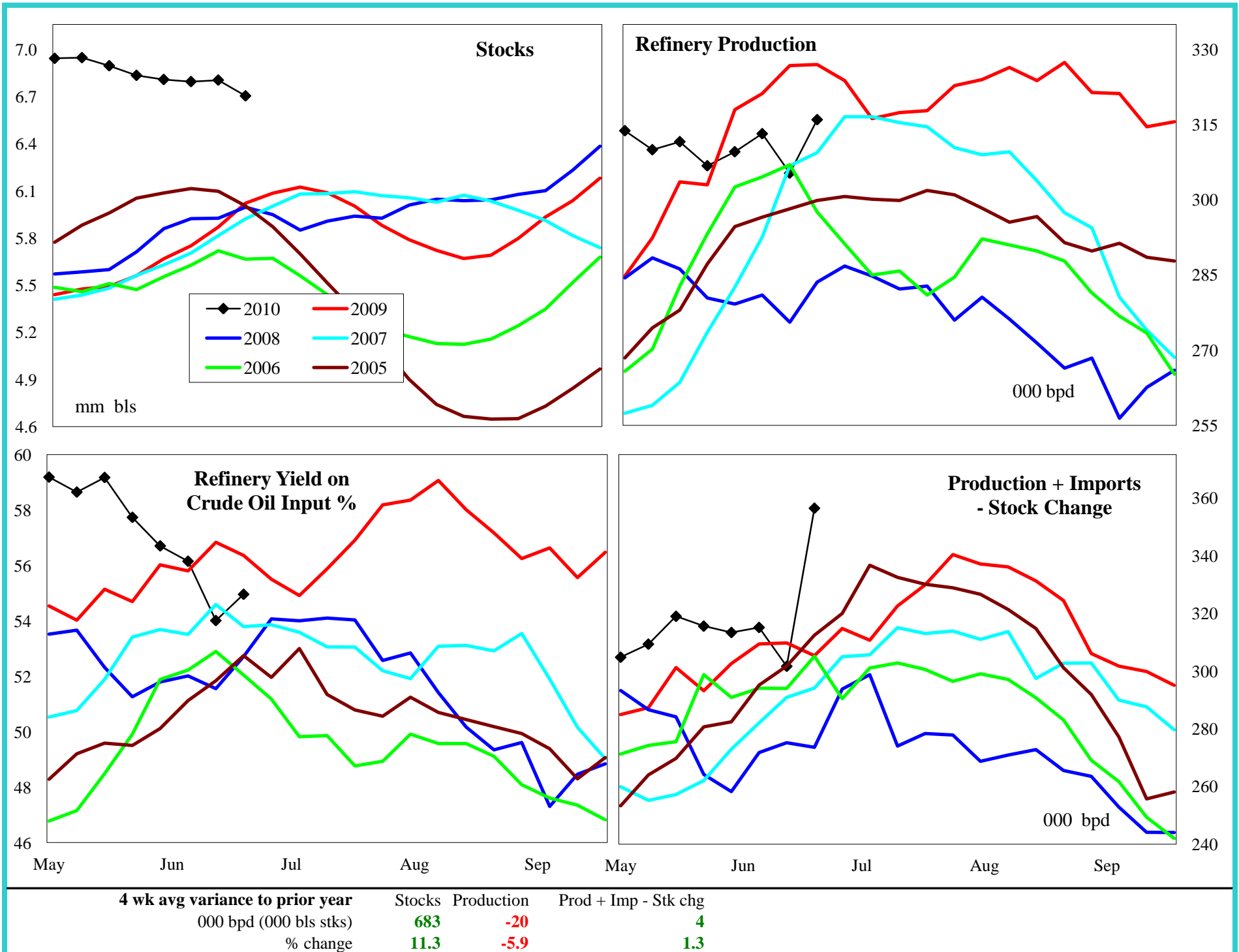
-64.9

-29.2

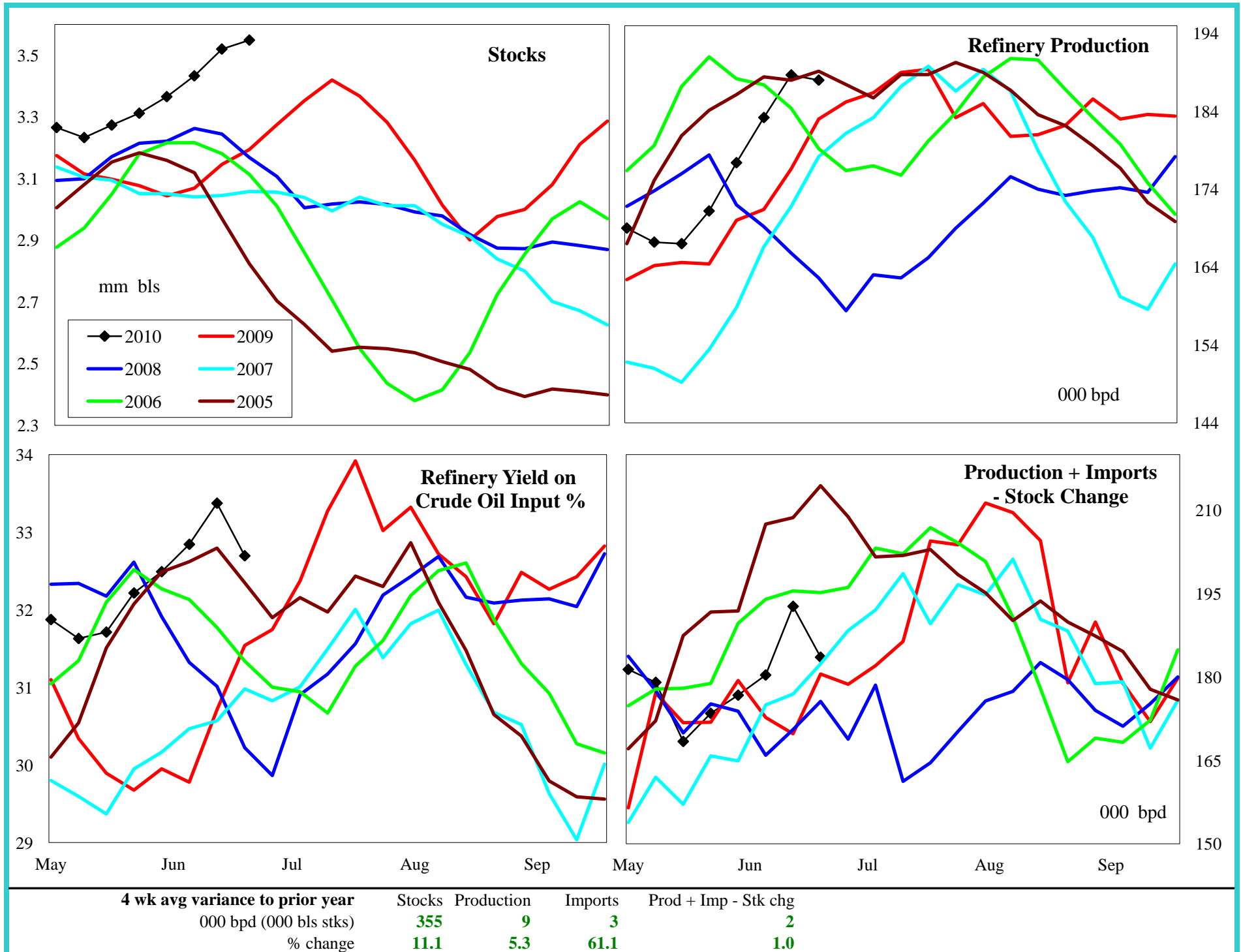
PADD 4 Crude Oil Supply and Refining



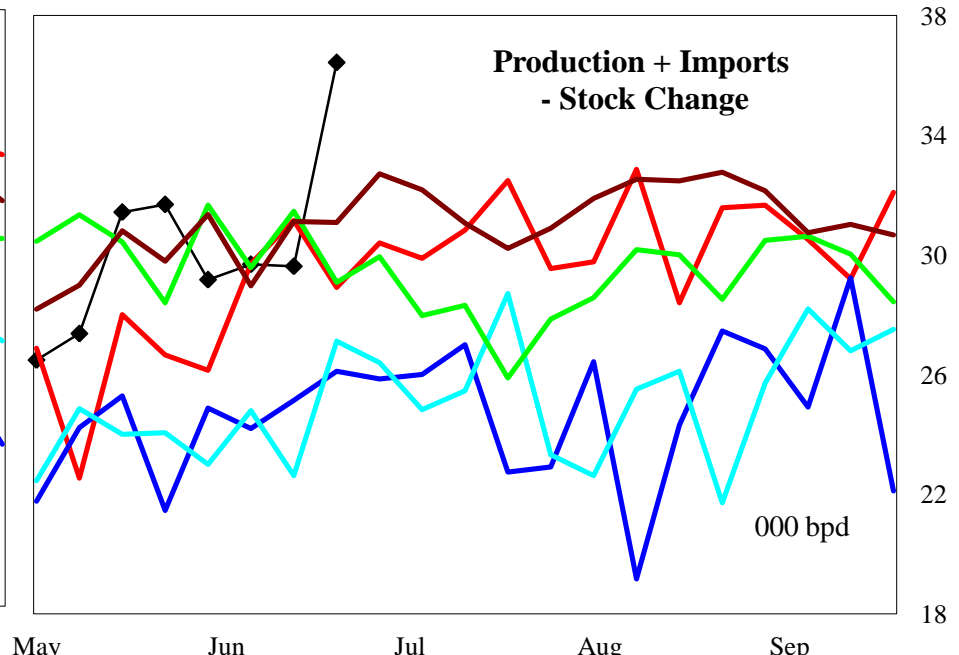
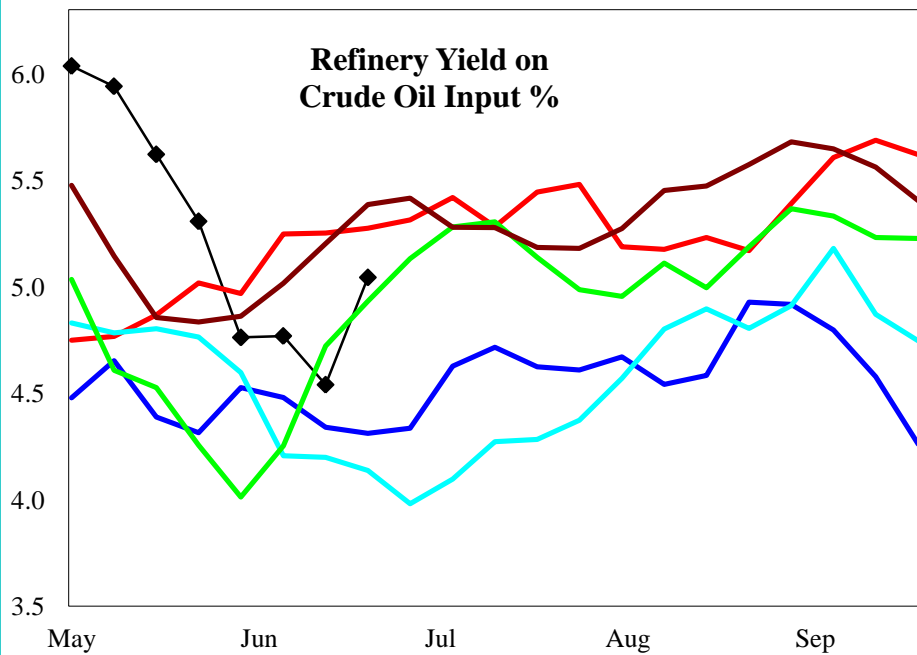
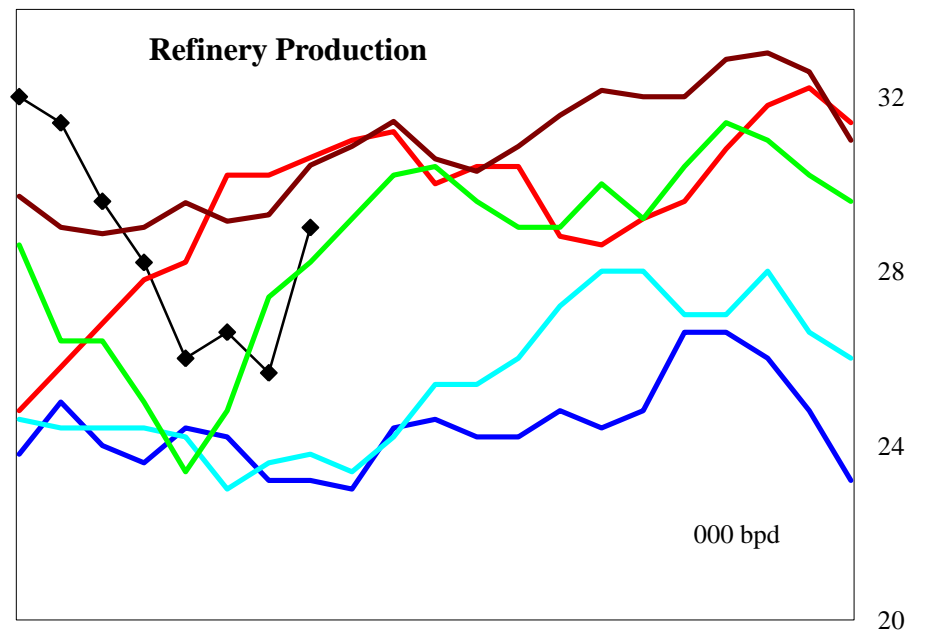
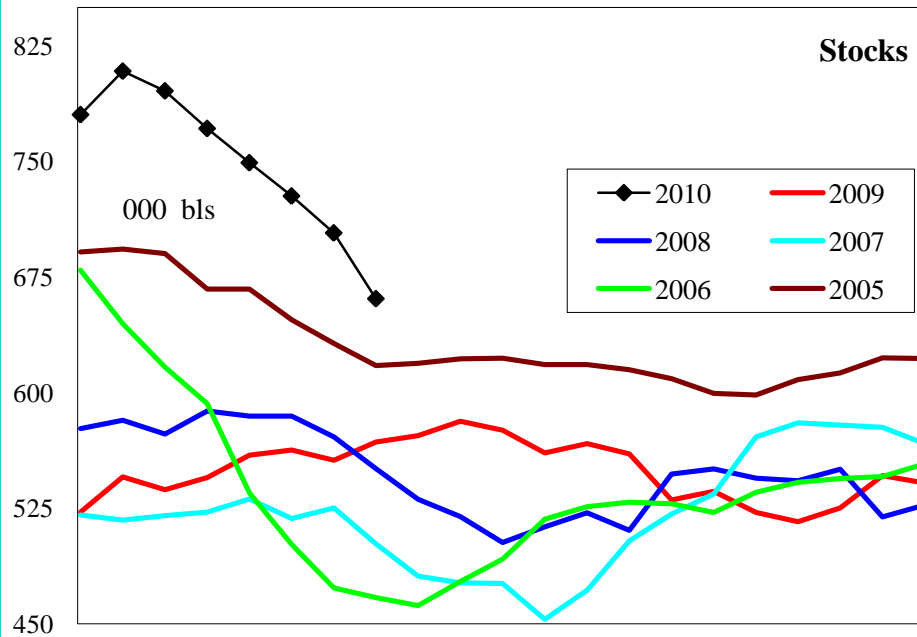
PADD 4 Gasoline Supply



PADD 4 Distillate Supply



PADD 4 Jet Fuel Supply

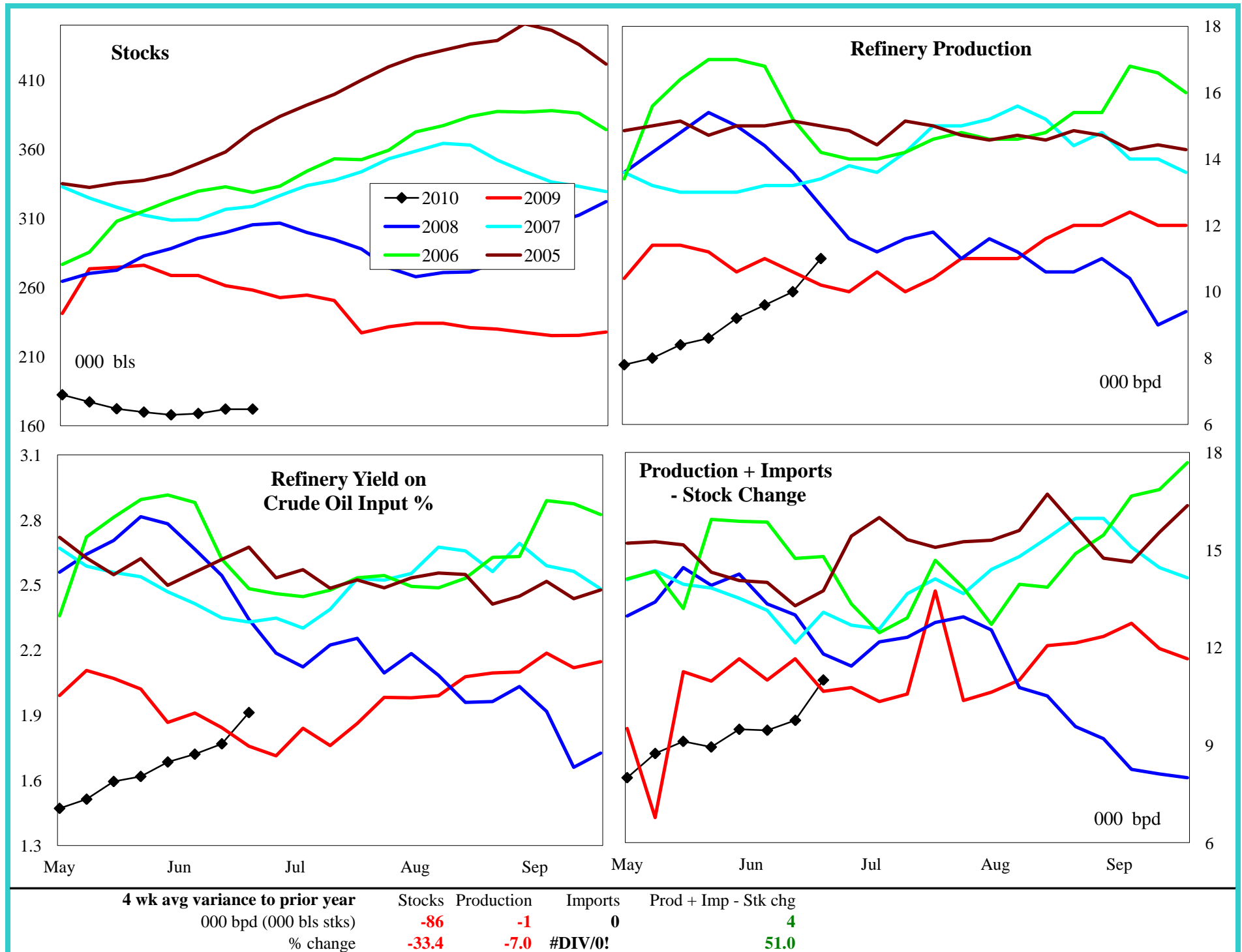


4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

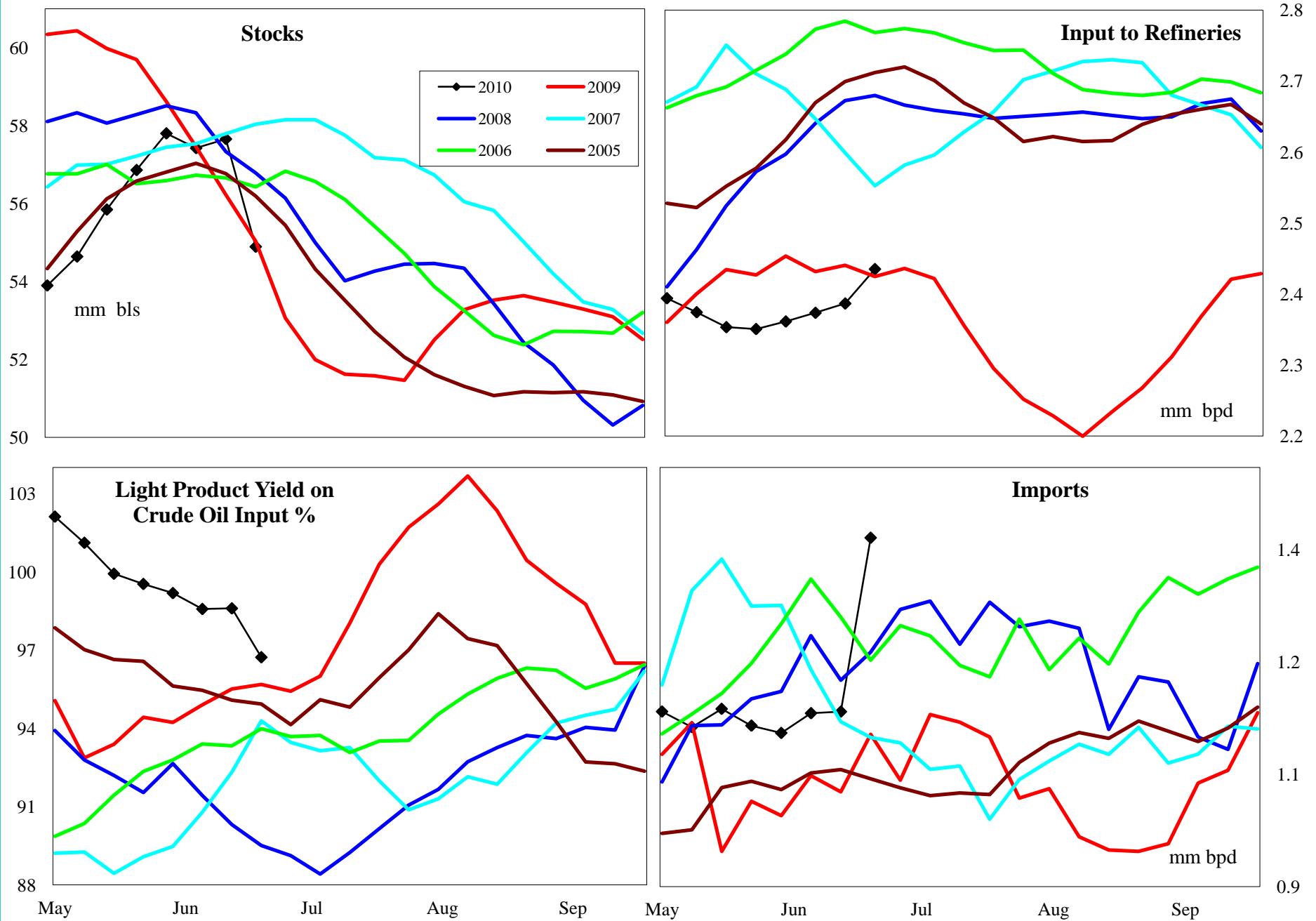
Stocks Production
93 **-5**
16.4 **-16.1**

Prod + Imp - Stk chg
-6
-16.4

PADD 4 Residual Fuel Oil Supply



PADD 5 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-144

-0.3

Input

-48

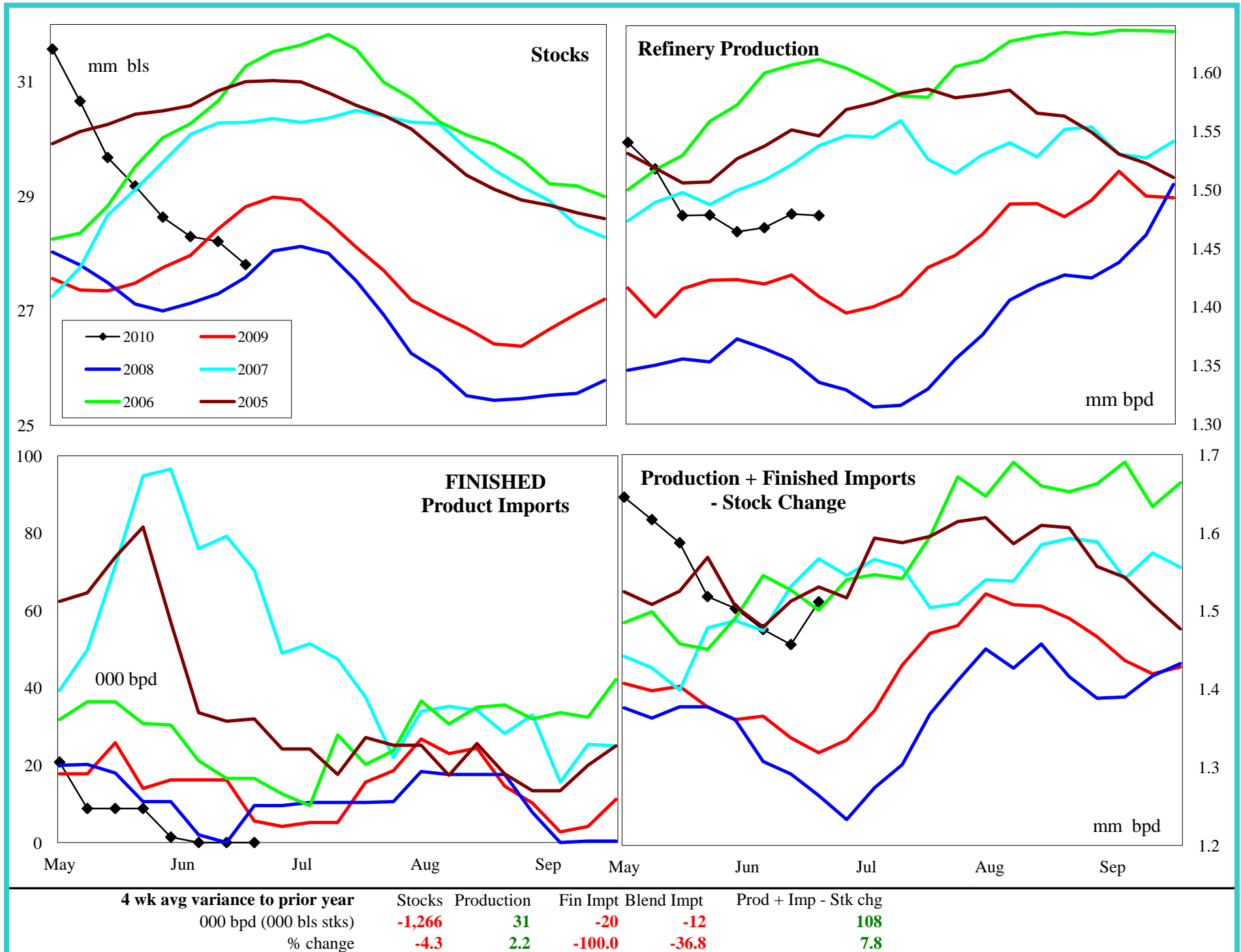
-2.0

Imports

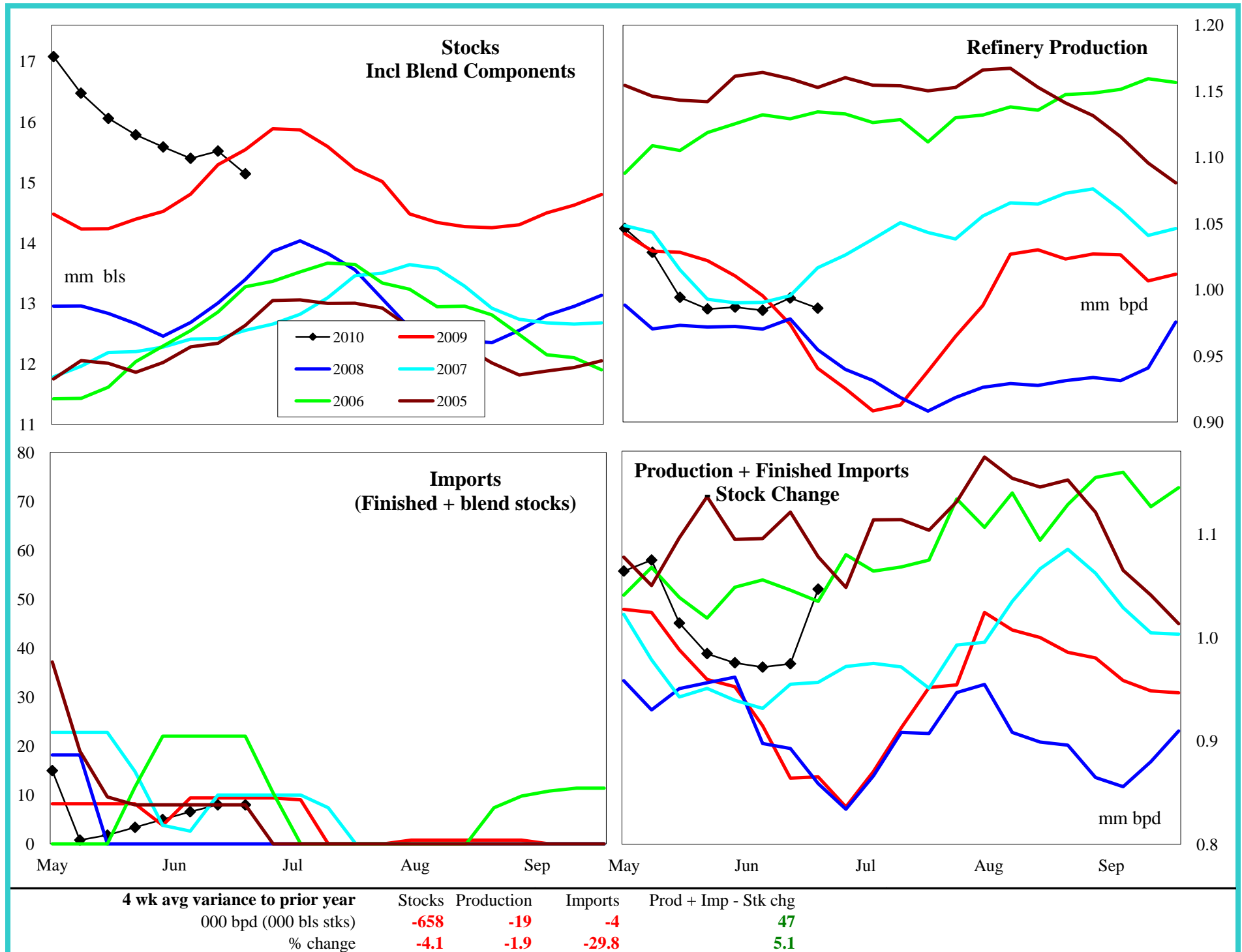
163

15.4

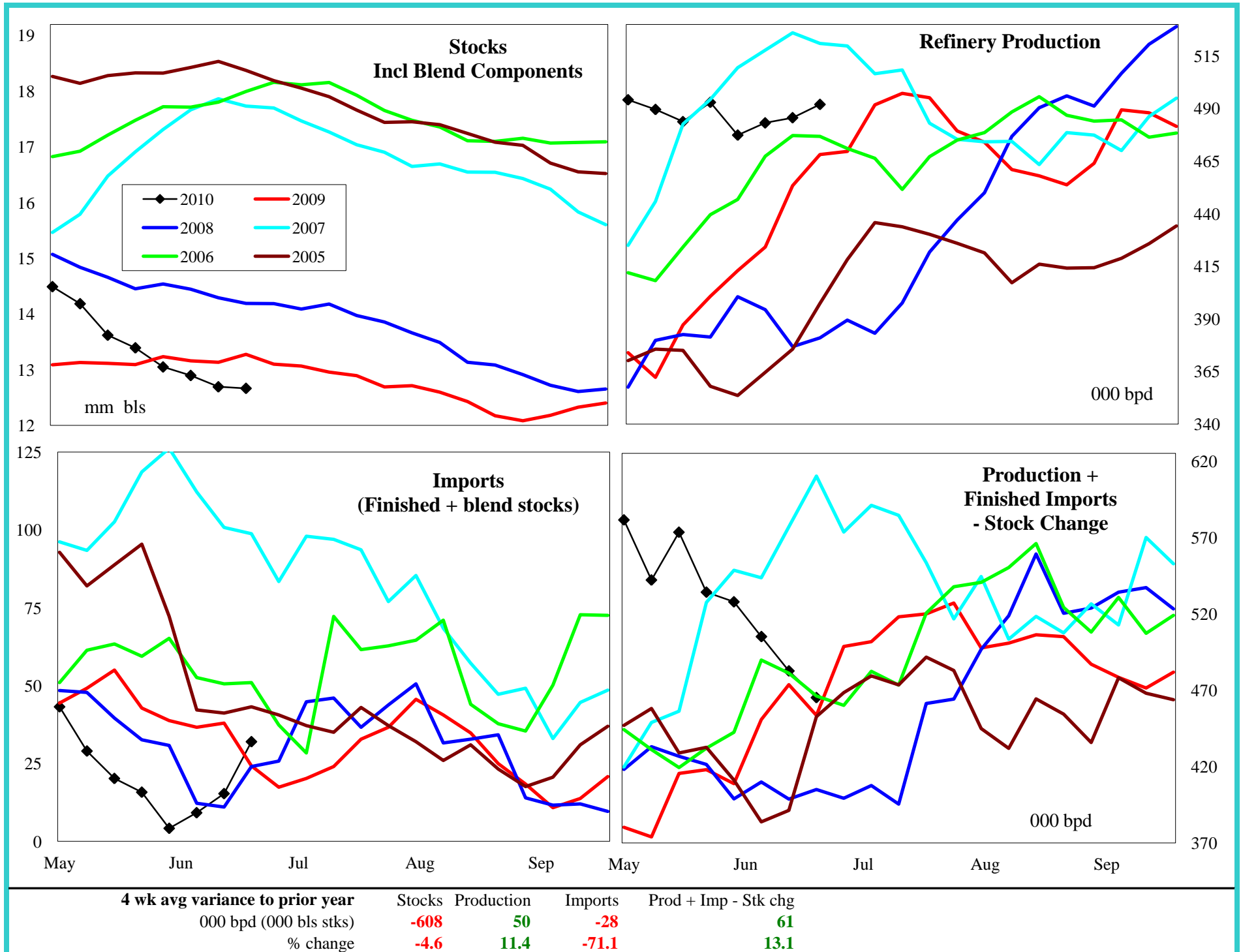
PADD 5 Gasoline Supply



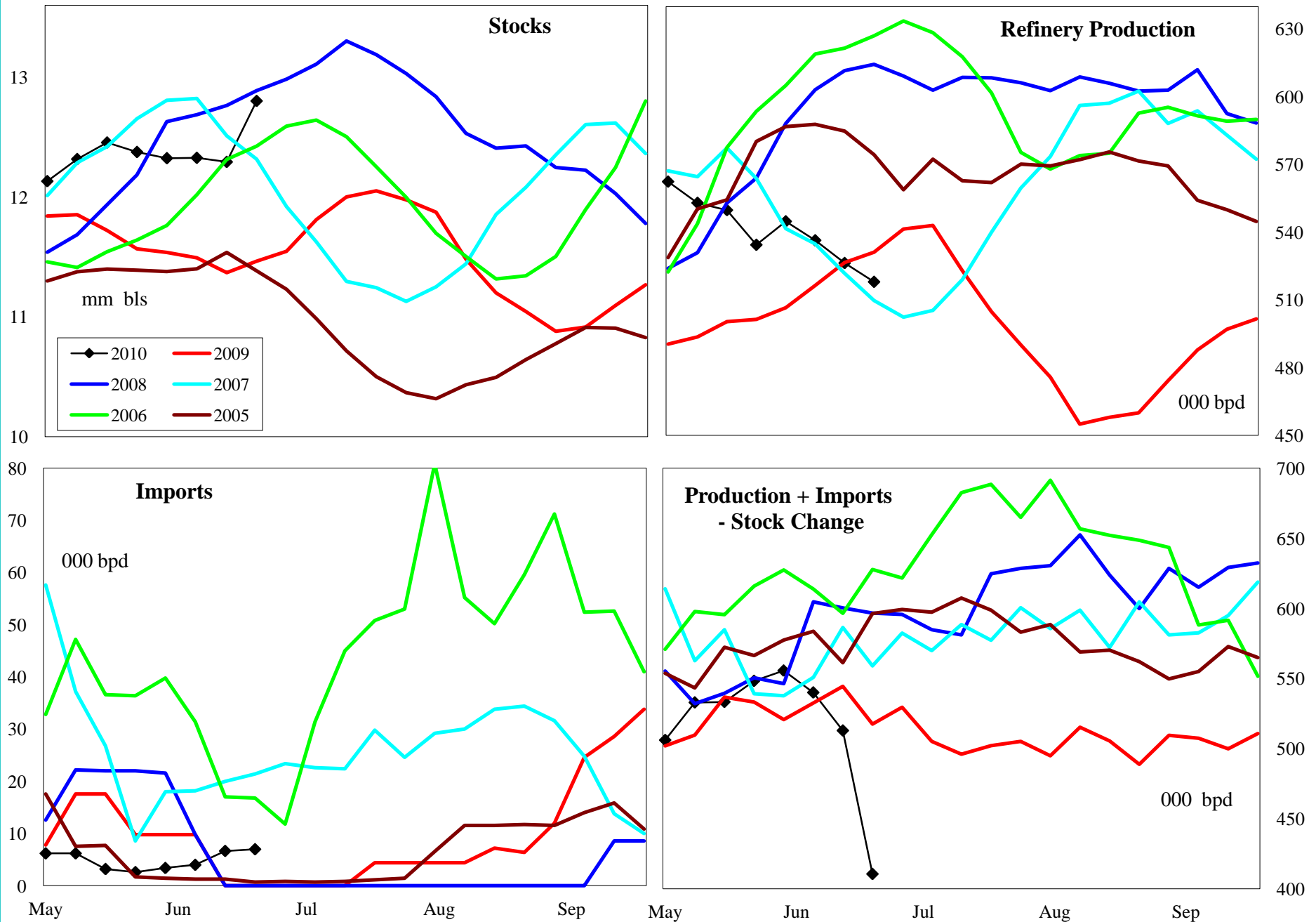
PADD 5 Reformulated Gasoline Supply



PADD 5 Conventional Gasoline Supply



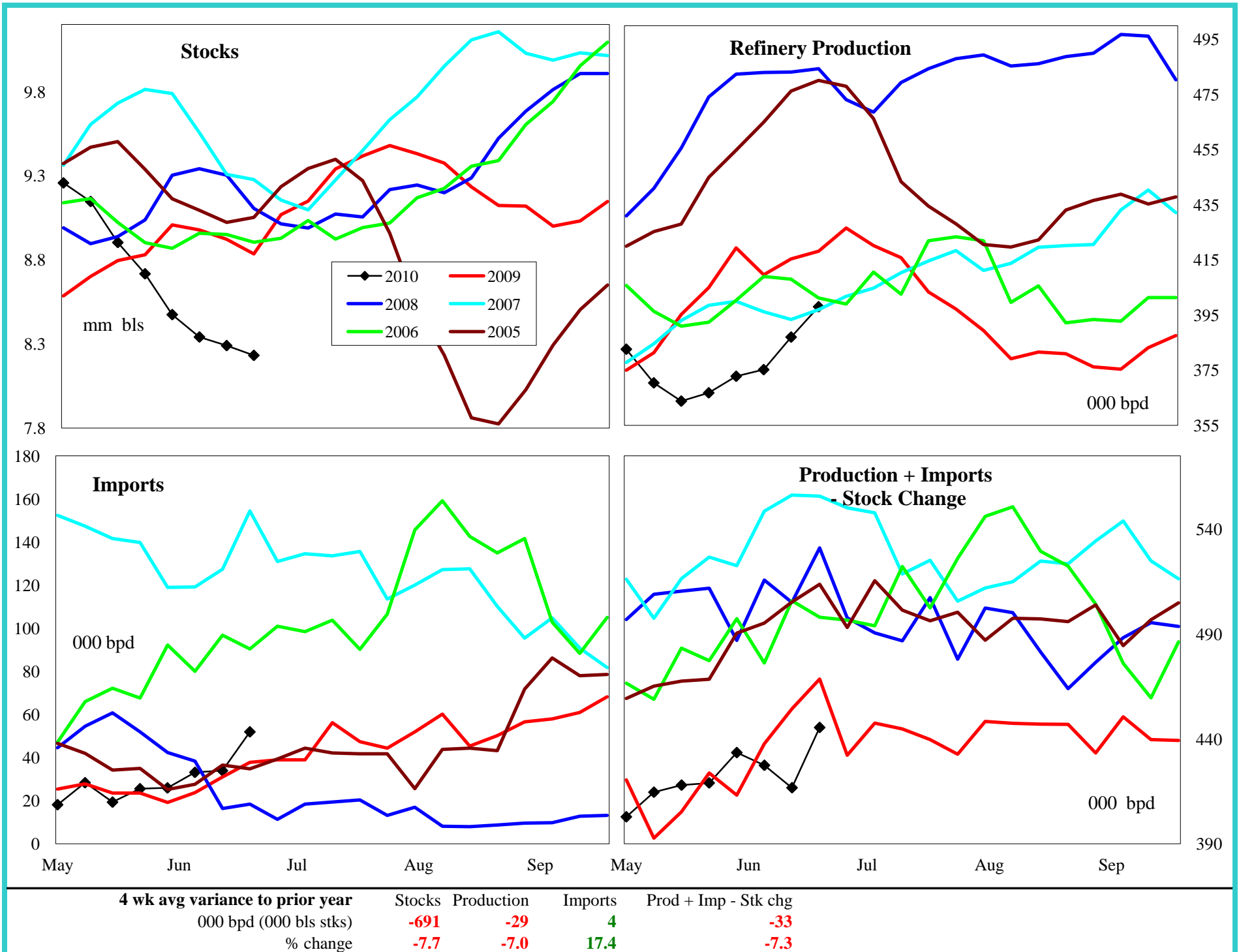
PADD 5 Distillate Supply



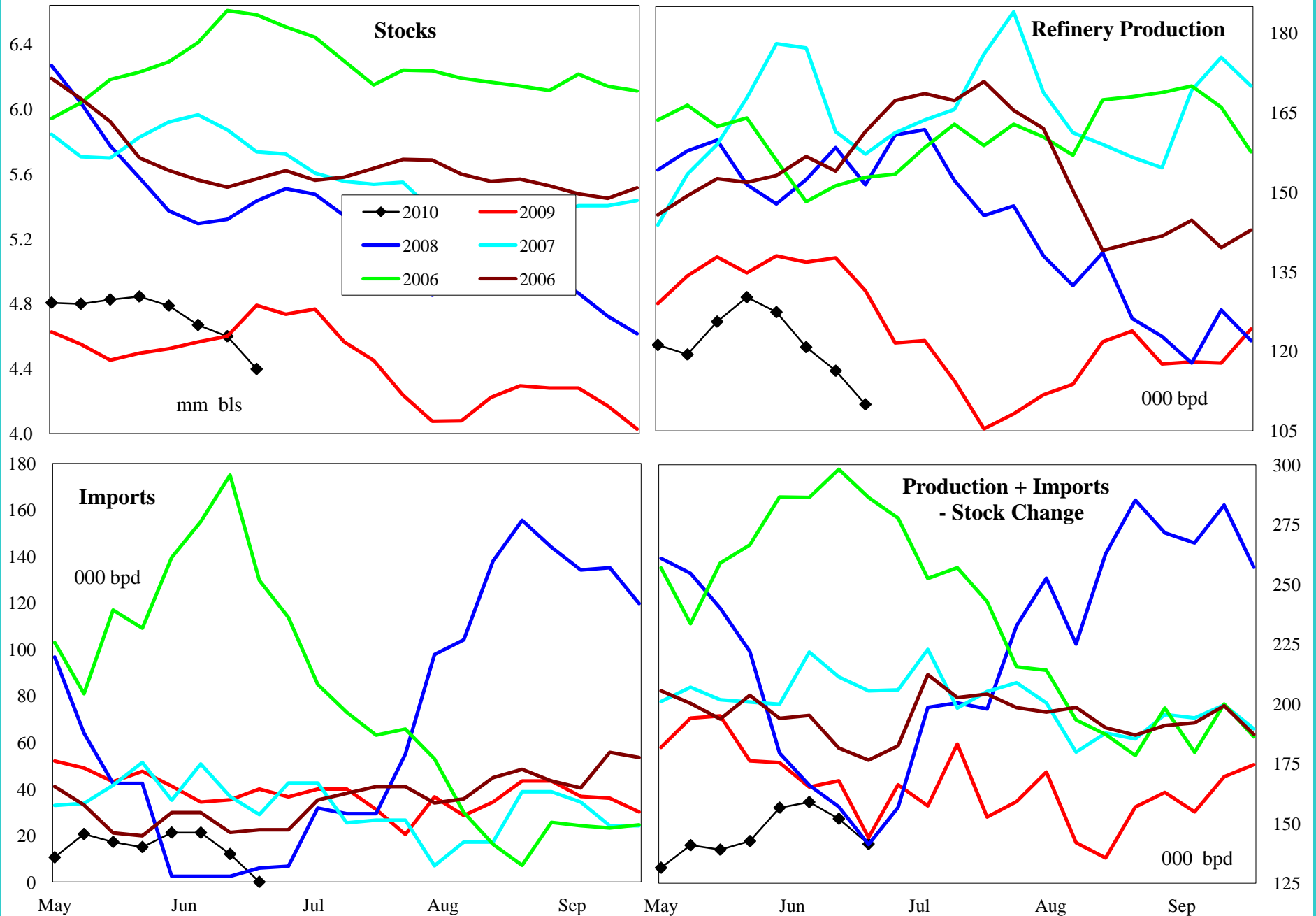
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

| Stocks | Production | Imports | Prod + Imp - Stk chg |
|--------|------------|---------|----------------------|
| 1,337 | 15 | 5 | -32 |
| 11.3 | 2.8 | #DIV/0! | -5.7 |

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

-394

-8.2

Production

-18

-13.0

Imports

-18

-56.3

Prod + Imp - Stk chg

-5

-3.1