



## WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

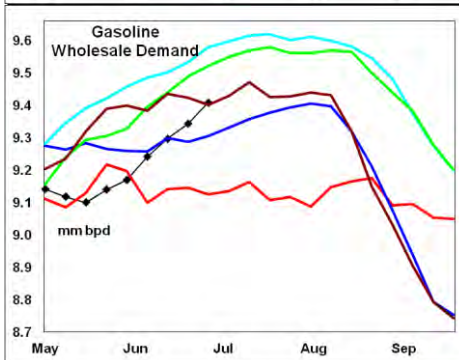
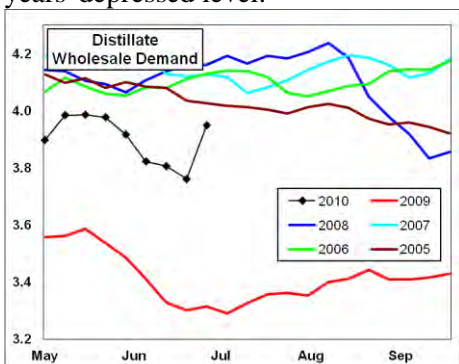
### A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com) Thursday, July 08, 2010



#### Major Fundamental Trends<sup>1</sup>

Volatility in distillate exports is a key driver in the sharp drop in wholesale demand two weeks ago and the surge of +399,000 bpd this week. Distillate demand is again pointing toward robust growth of +16% over last years' record low level during the last 60-days. Gasoline demand has also shown modest growth over last year, up +2% during the most recent 4-wk period. By comparison, jet fuel demand remains comparable to last years' depressed level.



The distillate market remains well supplied with stock levels slightly above last years' record highs, production above four of the last five years and heating oil imports at the upper end of the historic range.

The gasoline market continues to exhibit large regional imbalances with the supplies on the West Coast and Midwest relatively tight while the Gulf and East Coast report record stock levels. Given the persistent over supply in PADDs 1 and 3, there exist a

significant risk of price weakness by the end of July.

Restructuring within the commercial airline industry appears to have reduced the overall level of demand for jet fuel, leading to exceptionally high stock levels in all regional markets except the West Coast.

Crude oil stocks experienced a -5 million barrel stock draw last week. While draws occurred in all regional markets, this represents a seasonal decline that occurs during the summer months in nearly all prior years.

**Demand** for distillate surged last week while both gasoline and jet fuel decreased.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline +2%; distillate up +16%; jet fuel down -0.5% while residual fuel oil fell -35%.

**Stocks forward coverage:** Gasoline demand coverage increased on the week with a +1.3 million barrel stock build and demand flat on the week. Coverage remains above the historic range.

Distillate demand coverage trended lower on a +399,000 bpd jump in demand that offset a +0.3 million barrel stock build. Coverage levels were below last years' record high.

Jet fuel coverage remains extremely high on a +1.6 million barrel stock build and lower demand. Coverage levels were above the historic range.

Residual fuel oil coverage also remains above the historic range on weak demand and high stock levels.

**Refinery utilization** rates increased last week on a +135,000 bpd rise in crude oil runs. Crude thru put remains below four of the last 5-years.

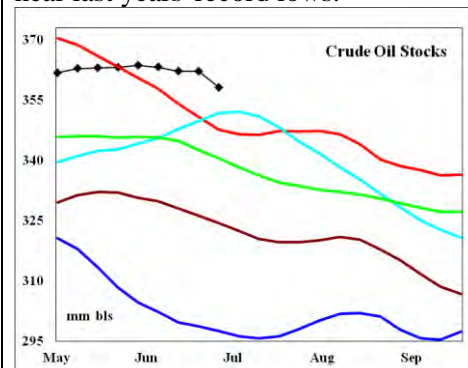
Gasoline yield % on crude oil runs decreased slightly last week on a +28,000 bpd rise in production compared to the +135,000 bpd increase in crude oil runs. Yield % was above the historic range.

Distillate yield % on crude oil runs decreased on a -20,000 bpd decline in output. Yield % was above four of the last five years.

Jet fuel yield % on crude oil runs spiked on a +120,000 bpd jump in production, which lifted the yield % to the upper end of the historic range.

**Petroleum Imports** of the four major finished products were each higher last week, up a combined +440,000 bpd. Crude oil imports decreased less than -100,000 bpd after the -600,000 bpd decline the prior week.

During the latest 4-wk period distillate imports increased +14,000 bpd over last year; finished gasoline imports decreased -135,000 bpd, gasoline blend stock imports increased +65,000 bpd; jet fuel imports decreased -6,000 bpd, while residual fuel oil imports decreased -59,000 bpd. **Crude Oil** stocks decreased -5 million barrels, with draws in all regions. The stock level remains +10.9 million barrels above last year and a 5-year high for the period. Import levels were near last years' record lows.



A meaningful draw down in crude oil stocks during the June - September period has occurred in four of the last five years. The draw is driven by peak refinery runs for the summer gasoline driving season, and in anticipation of fall maintenance that begins in early September.

<sup>1</sup> Source is latest EIA Weekly Statistics



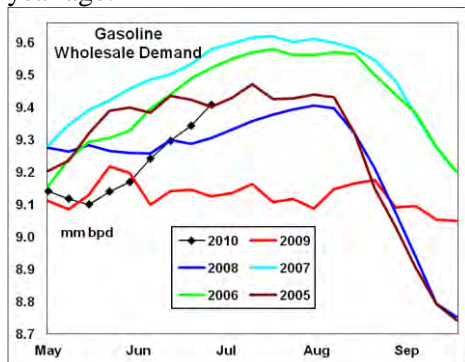
## WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

### A Fundamental Petroleum Trends Weekly Report

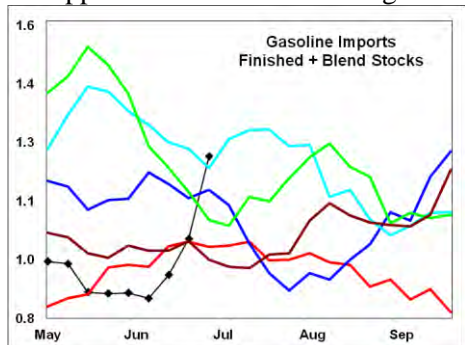
Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com) Thursday, July 08, 2010

#### Product Supply-Demand Trends

**Gasoline** demand was nearly unchanged last week, following the prior week surge. The latest 4-wk average was +181,000 bpd above a year ago.



Gasoline production increased +28,000 bpd on the week, to a record high for this period. The most recent 4-wk average was +105,000 bpd above last year. Imports jumped +223,000 bpd to the upper end of the historic range.



Record supply led to a +1.3 million barrel stock build last week. Stock levels were +6 million barrels above the prior historic high. Stock levels are particularly high in PADDs 1, 3 & 4. Supplies are relatively tight on the West Coast and in the Midwest.

*Expect the large imbalances between the West Coast and Midwest versus other regions to drive meaningful price differentials during the next 45-days.*

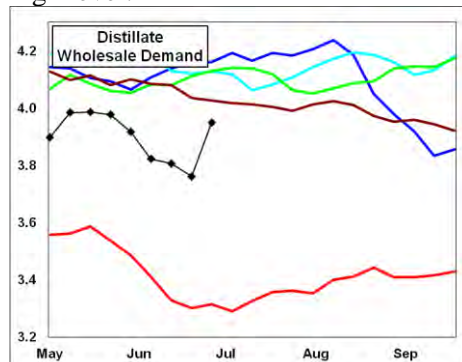
*A persistent overhang in supply on the East Coast and Gulf should place downward pressure on prices by the end of July.*

**Distillate** demand reversed the prior week collapse, rising +399,000 bpd. Demand for the latest 4-wk period averaged +516,000 bpd above last

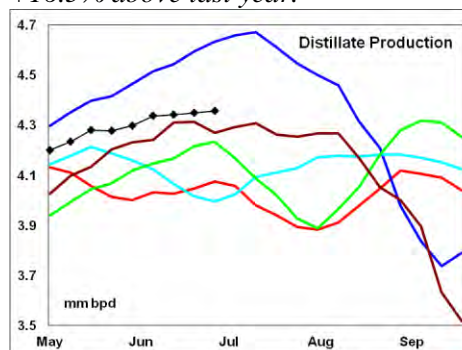
year. The volatility in demand points toward week-to-week variance in export shipments.

Production decreased -20,000 bpd, while imports (primarily heating oil) increased +114,000 bpd.

Stocks increased +0.3 million barrels on the week. Stock levels are nearly unchanged from last years' record high level.



*The +400,000 bpd jump in demand last week, which occurred during a period of seasonally low domestic usage, points to volatility in exports as the key driver in the prior week collapse. Over the past 60-days demand (including exports) has averaged +16.5% above last year.*



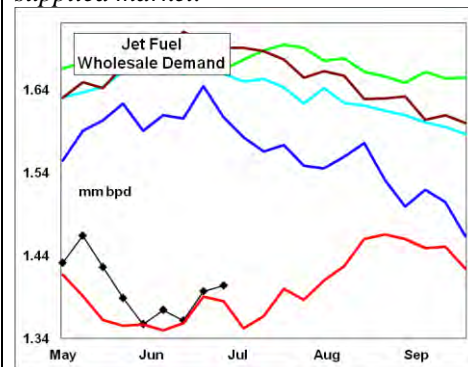
*The market remains well supplied with stock levels matching last years' record high and output above four of the last five years. Prices should trade within the recent range as supplies peak during the quarter.*

**Jet Fuel** demand declined -69,000 bpd last week, with the latest 4-wk average -8,000 bpd below last years' record low level.

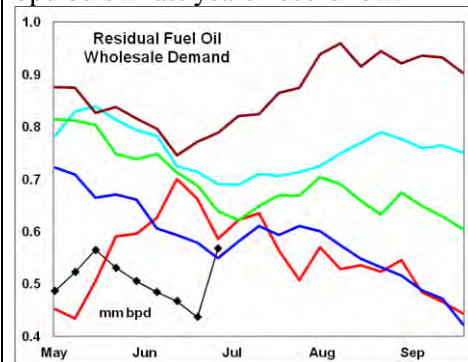
Supply increased +184,000 bpd on the week, on higher imports and production. The latest 4-wk average

supply was +88,000 bpd above a year ago. Stocks increased +1.6 million barrels on the week, to record highs.

*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, increased +206,000 bpd last week, with the 4-wk average -234,000 bpd below last years' record low.



Supply (production + imports) increased +46,000 bpd on the week, with the latest 4-wk average -159,000 bpd below a year ago. Stocks decreased -0.7 million barrels, but remain above the historic range.

*Including last weeks' jump in demand (primarily exports) the level remains lackluster. Refiners have cut output -17% below the prior years' record low. The low output has allowed stock levels to be drawn down -4 million barrels during the last 2-months; although supplies remain excessive in the Gulf and East Coast regions.*

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





## WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

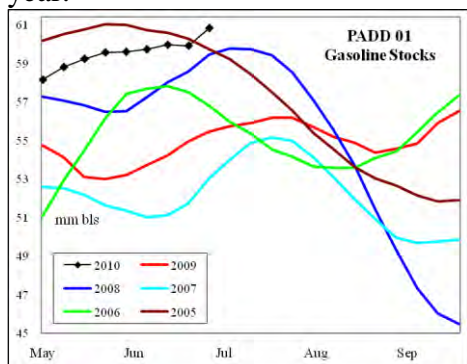
### A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com) Thursday, July 08, 2010

#### PADD Supply Trends

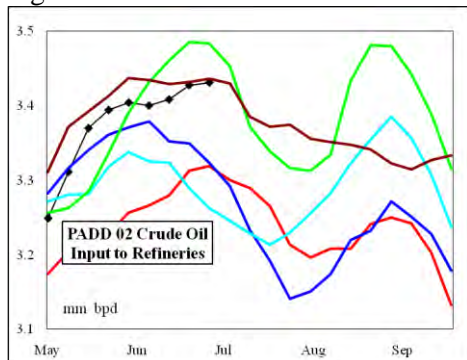
**PADD 1** refinery crude oil runs increased +53,000 bpd last week, with the 4-wk average -147,000 bpd below last years' record low rate.

Gasoline production increased +85,000 bpd on the week, with the latest 4-wk average +400,000 bpd above a year ago, and at a new 5-year high. Imports increased +115,000 bpd on the week, with the level above the mid range. Stocks increased +0.6 million barrels to a new 5-year high for this time of year.



Distillate supply increased +102,000 bpd last week, with lower output offset by increased imports (primarily heating oil). Stocks increased +0.8 million barrels, with the level -6% below last years' record high.

Jet fuel supply increased +47,000 bpd on higher imports. Stocks increased +0.8 million barrels with the level +23% above the prior historic high



**PADD 2** crude oil refinery runs increased +40,000 bpd, to a level +125,000 bpd above the prior 3-year range was above each of the last three

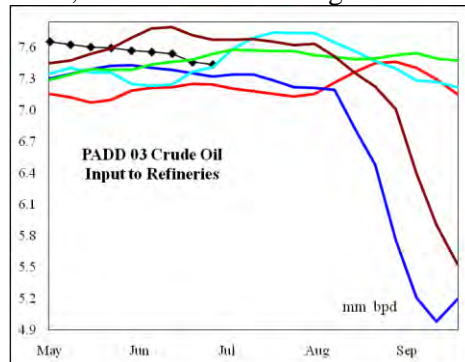
years. Crude oil stocks declined -0.9 million barrels, but are still +12 million barrels above the prior record high. Imports remain above the prior 5-year range with the latest 4-wk average up +213,000 bpd over last year.

Gasoline production increased +28,000 bpd last week, the highest level of the prior quarter. Stocks declined -0.3 million barrels to the low end of the historic range.

Distillate production decreased -8,000 bpd on the week, to a level above the mid range. Stocks jumped +1.8 million barrels to the mid range.

Jet fuel production increased +13,000 bpd to a new record high. Stocks are +11% above the prior record level.

**PADD 3** refinery crude oil runs were unchanged on the week, at the mid range. The latest 4-wk average was +294,000 bpd above a year ago. Crude imports increased +346,000 bpd last week but remain at the low end of the historic range. Crude oil stocks declined -1 million barrels on the week, to match the mid range.



Gasoline production decreased -22,000 bpd on the week. Blend stock imports jumped +147,000 bpd, a record for this time of year in the Gulf. Stocks increased +0.8 million barrels, with the level a record high for this time of year.

Distillate production was nearly unchanged last week, matching the record high of 2008. Stocks decreased -1.2 million barrels, although the level remains +14% above the prior record high.

Jet fuel production climbed

+64,000 bpd to above the mid range. Stock levels are now +20% above the prior record high.

Residual fuel oil supply increased +41,000 bpd on the week, to a level near the mid range. Stocks decreased -0.6 million barrels but remain well above the historic range.

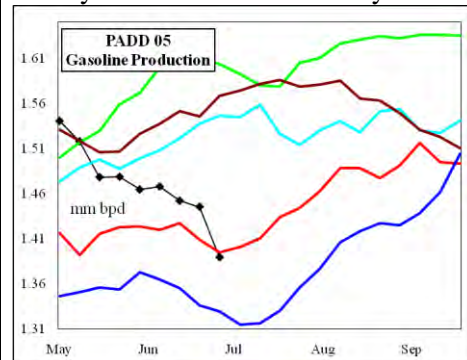
**PADD 4** refinery crude runs declined -14,000 bpd to a level below the mid range. The latest 4-wk average thru put was -13,000 bpd below last year.

Gasoline production increased +26,000 bpd to a fresh 5-year high for the period. Stock levels remain +11% above the prior record high.

Distillate production increased +13,000 bpd last week, to a new weekly high for the period. Stocks decreased -0.2 million barrels to match the prior historic high.

**PADD 5** crude oil refinery runs increased +56,000 bpd on the week, to the highest level of the last quarter. The latest 4-wk average run rate was 7,000 bpd below last year. Crude oil stocks fell -2 million barrels, matching last years' lows.

Gasoline supply (production + imports) fell -129,000 bpd last week, to the mid range of the last three years. The latest 4-wk average supply was +37,000 bpd above last year. Stocks increased +0.5 million barrels to match the 5-year low for this time of year.



Distillate production decreased -6,000 bpd on the week, to the low end of the historic range. Stocks fell -0.9 million barrels to the 5-year mid range.

Jet fuel supply increased +67,000 bpd last week, with both imports and production well above the mid range.


**FUNDAMENTAL  
PETROLEUM  
TRENDS**


# PETROLEUM: Graph Link and Weekly Summary

A Fundamental Petroleum Trends Weekly Report

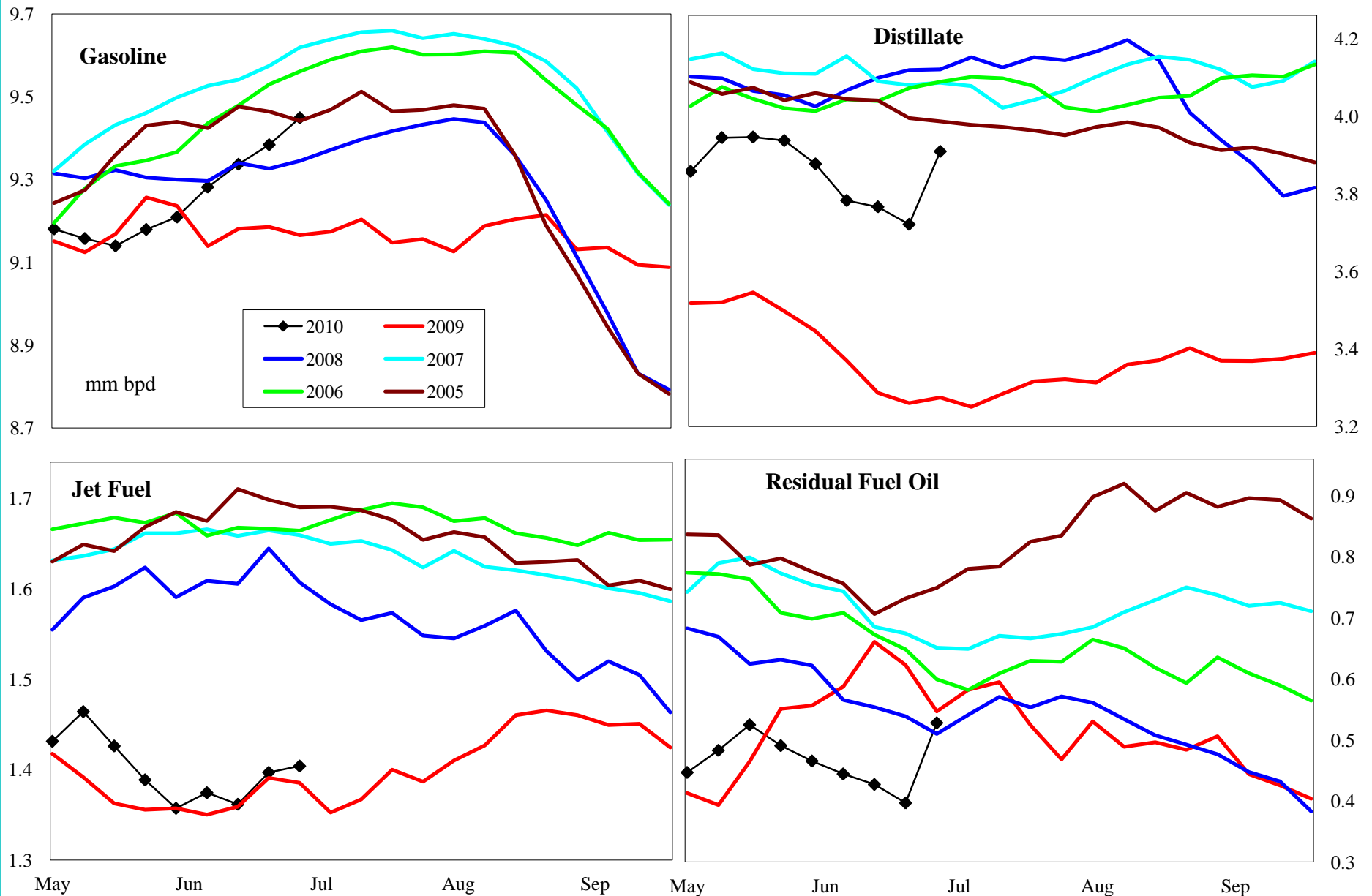
July 8, 2010

Lehi German Tel: 816.505.0980

[www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com)

Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	2-Jul-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	-4,961	-870	-877	-952	-291	-1,971
	Imports	-68	-158	22	346	-3	-275
	Input	135	53	40	0	-14	56
	% Utilization	1.40					
<u>Gasoline</u>	Stocks	1,320	602	-336	812	45	195
	Production	28	85	28	-22	26	-89
	Imports	223	115	0	147	0	-40
	Supplied	-13					
<u>Distillate</u>	Stocks	321	817	1,766	-1,139	-247	-876
	Production	-20	-22	-8	4	13	-6
	Imports	114	124	-10	0	-1	0
	Supplied	399					
<u>Jet Fuel</u>	Stocks	1,578	824	443	348	31	-69
	Production	120	3	13	64	-7	47
	Imports	64	44	0	0	0	20
	Supplied	-69					
<u>Residual Fuel Oil</u>	Stocks	-697	-32	154	-584	9	-244
	Production	7	14	-3	13	-2	-15
	Imports	39	-67	-1	28	0	78
	Supplied	206					

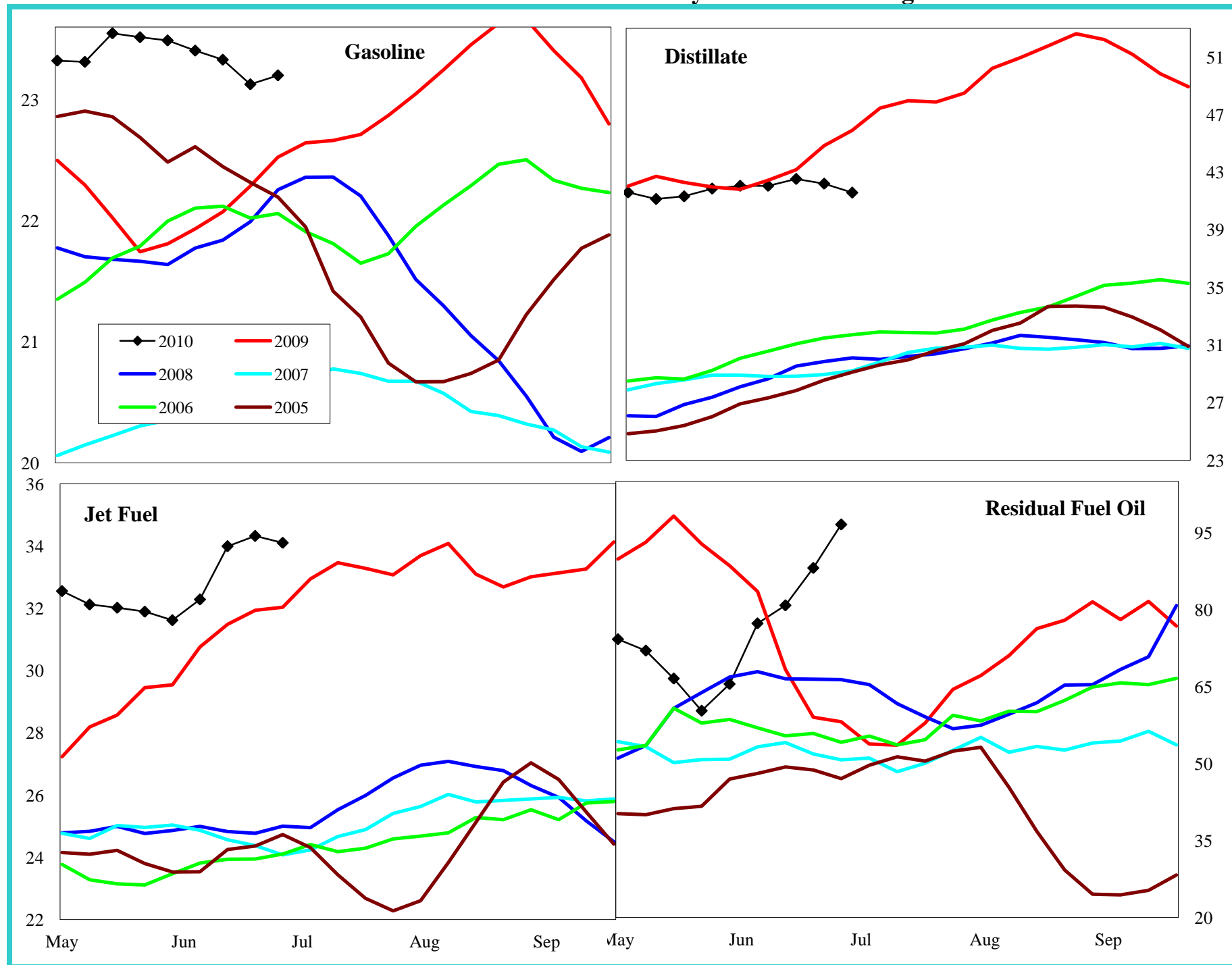
# United States Wholesale Petroleum Demand



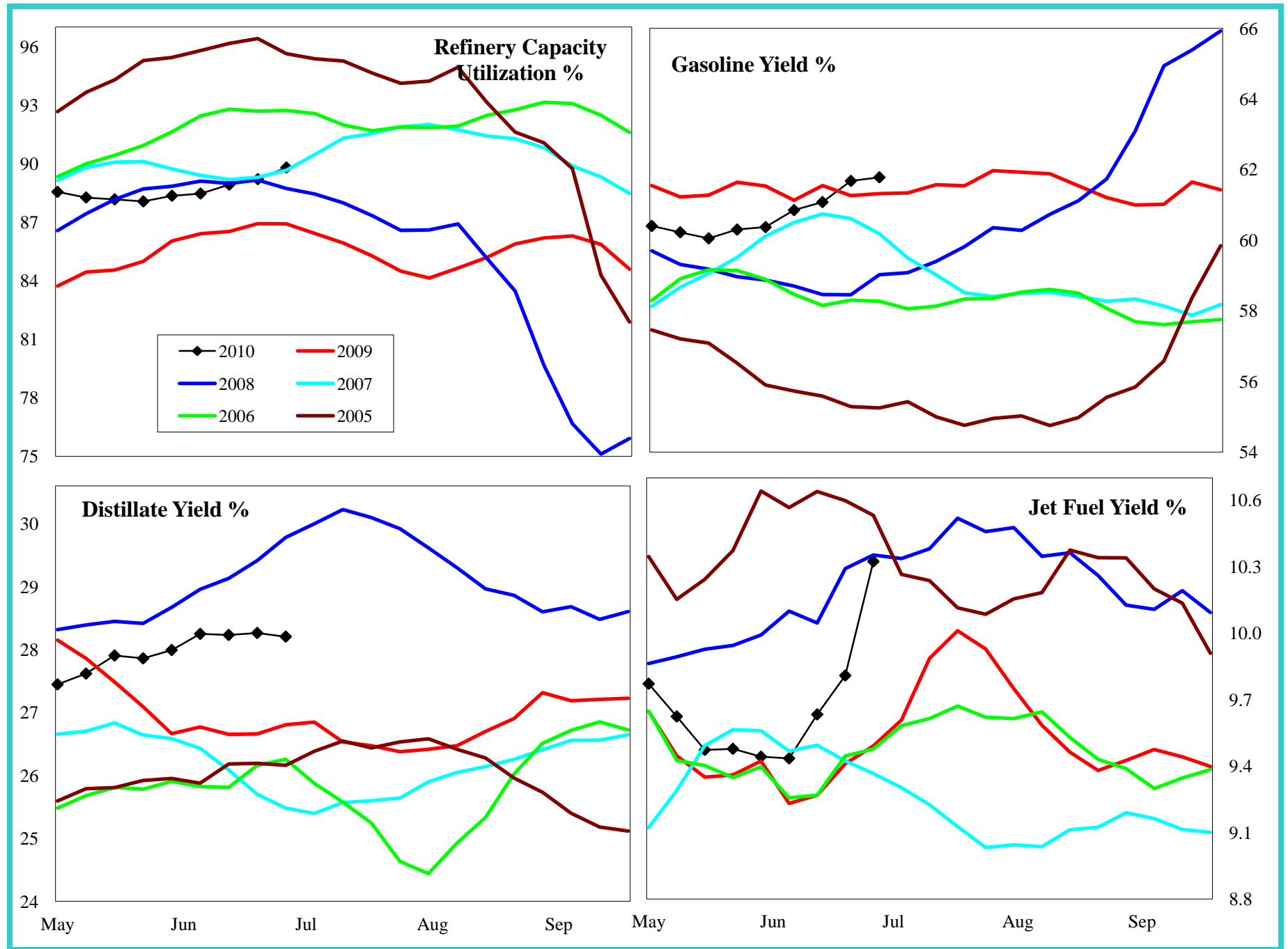
	000 bpd change from prior year				% change from prior year				
	4wk avg	May	Apr	Mar	4wk avg	May	Apr	Mar	
Gasoline	181	39	314	-79	2.0	0.4	3.5	-0.9	
Distillate	516	589	175	110	15.8	17.2	5.1	2.9	
Jet Fuel	-8	111	-16	5	-0.5	8.3	-1.1	0.3	
Resid	-234	59	-212	-60	-35.4	12.0	-31.5	-9.9	



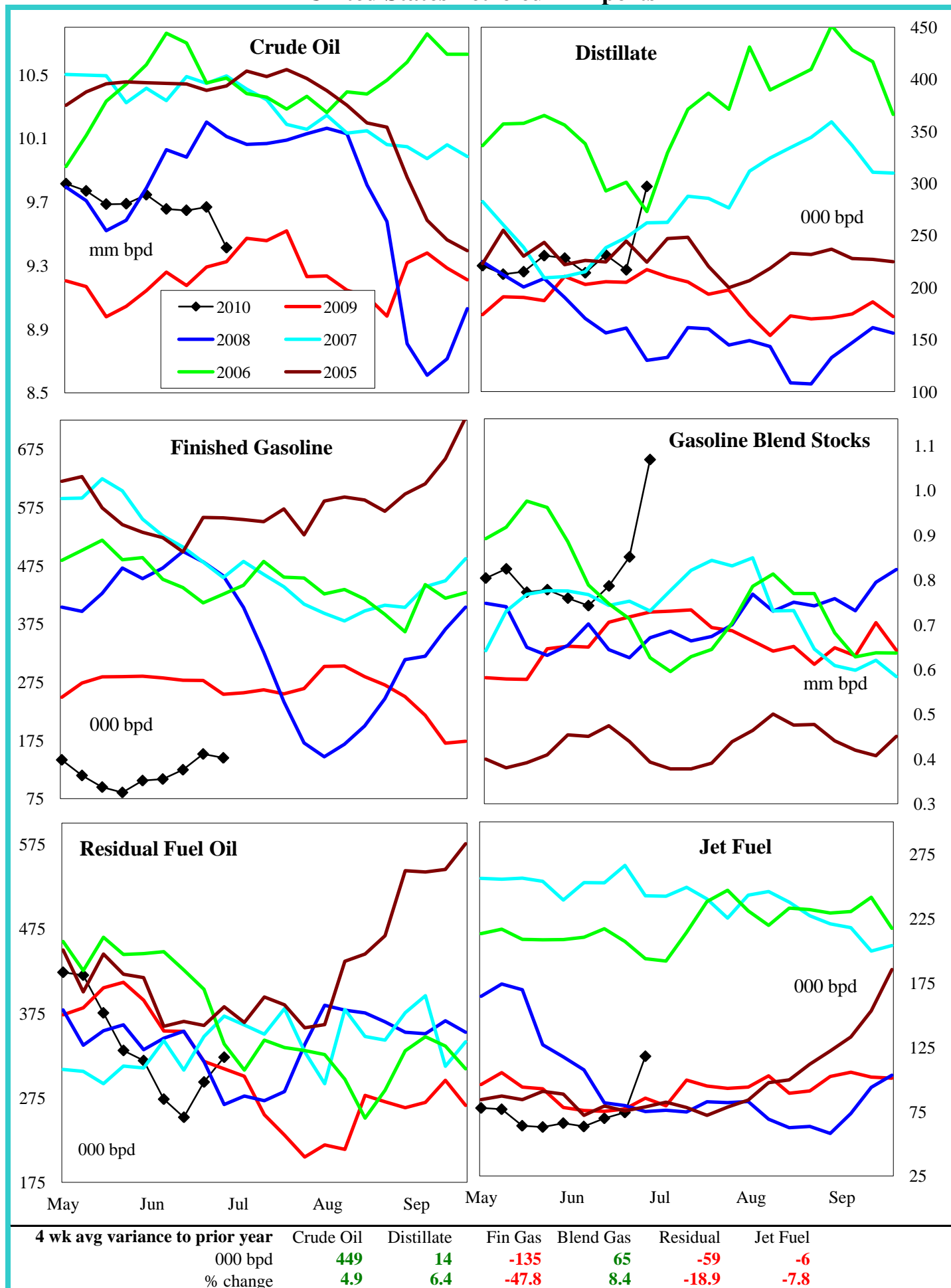
# United States Product Stocks: Days Forward Coverage



## United States Refinery Percent Utilization Rate and Product Yields

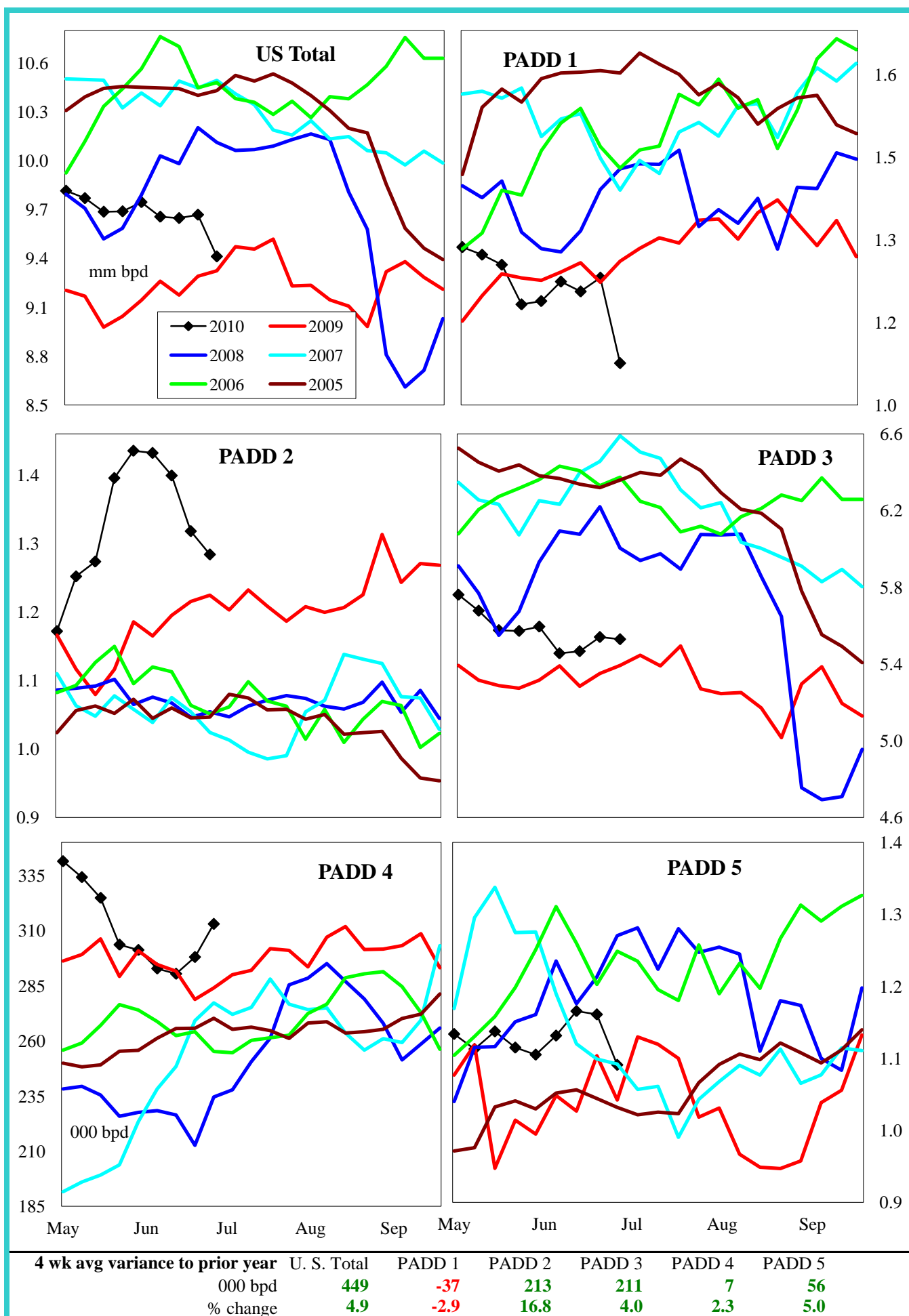


# United States Petroleum Imports

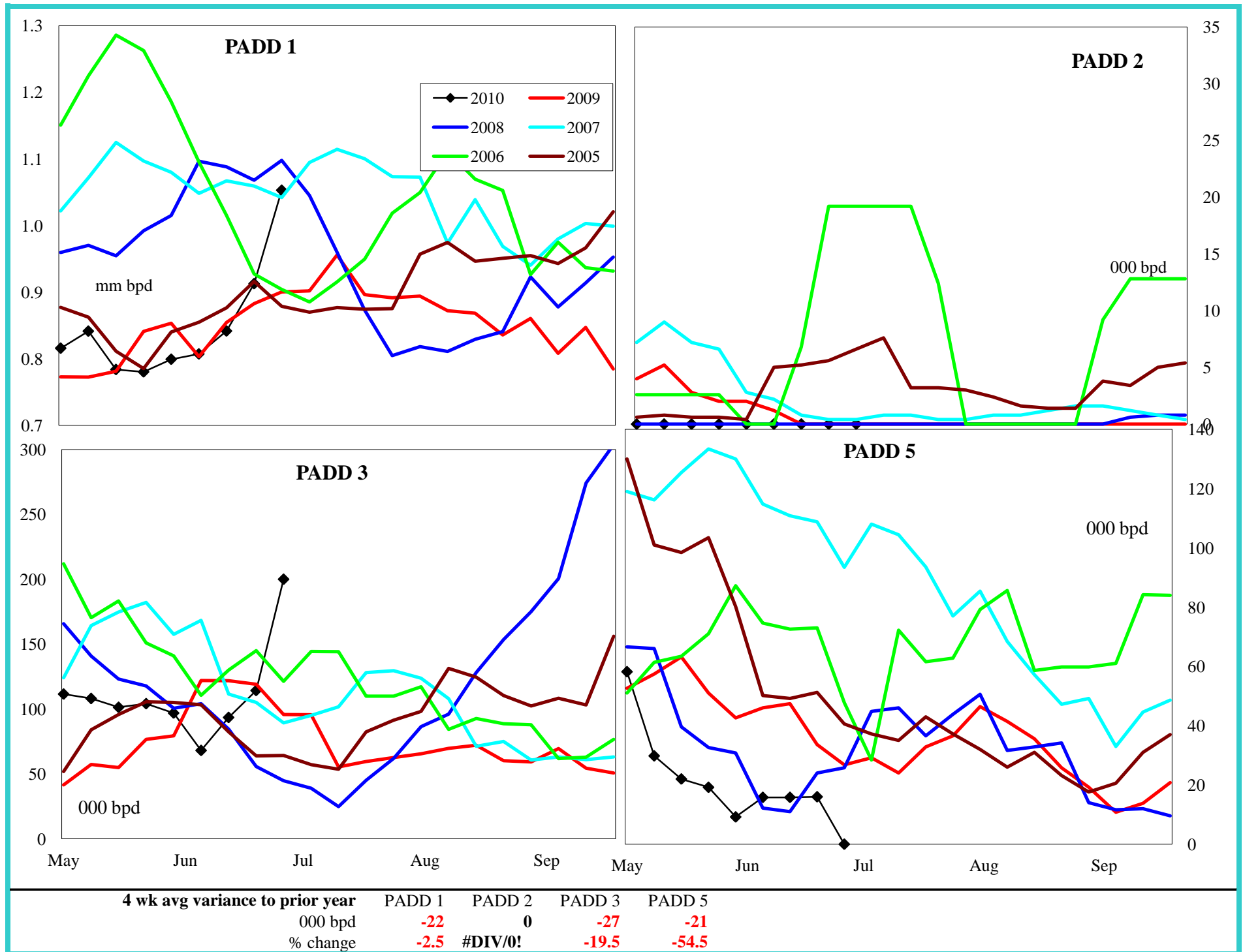




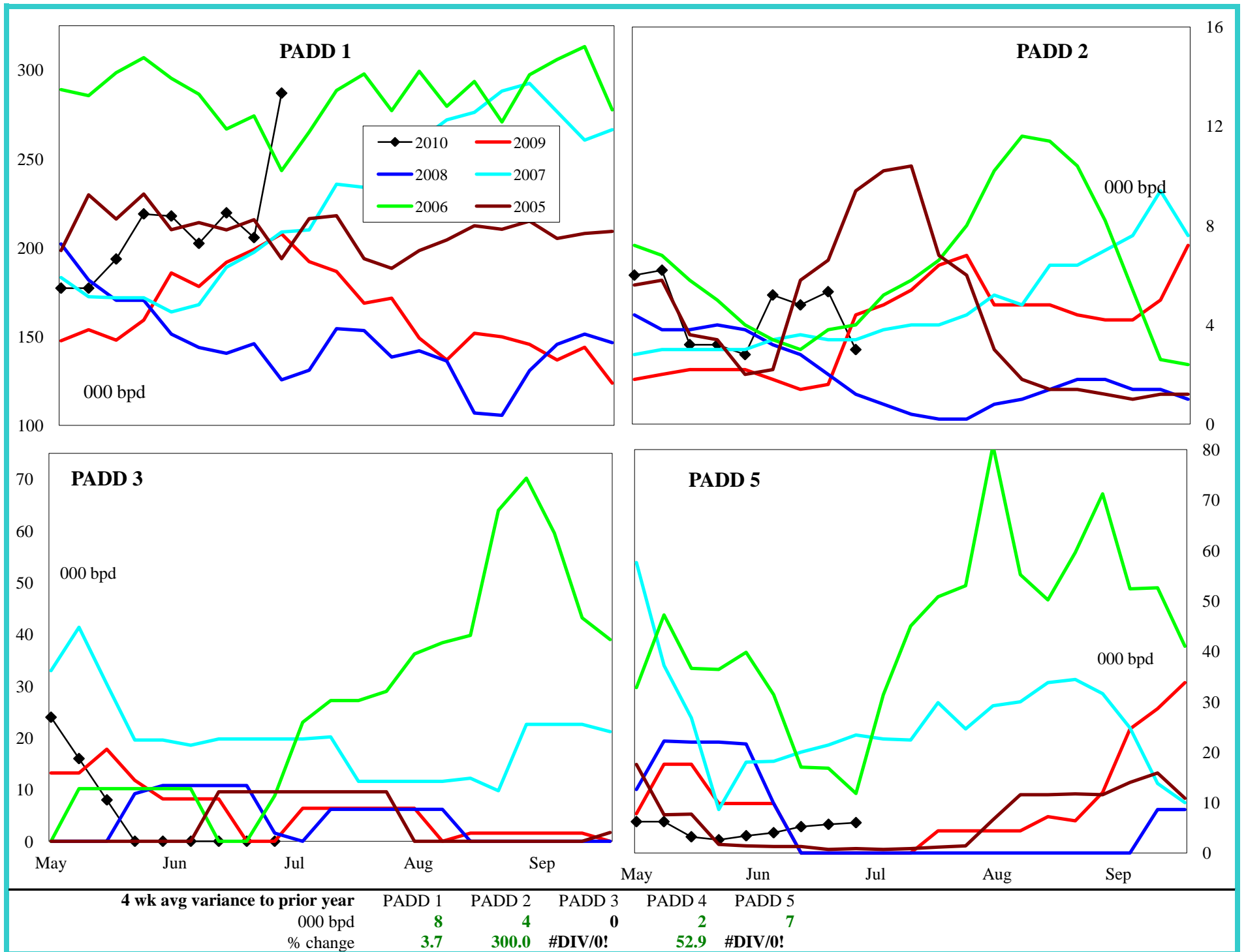
## Crude Oil Imports by PADD



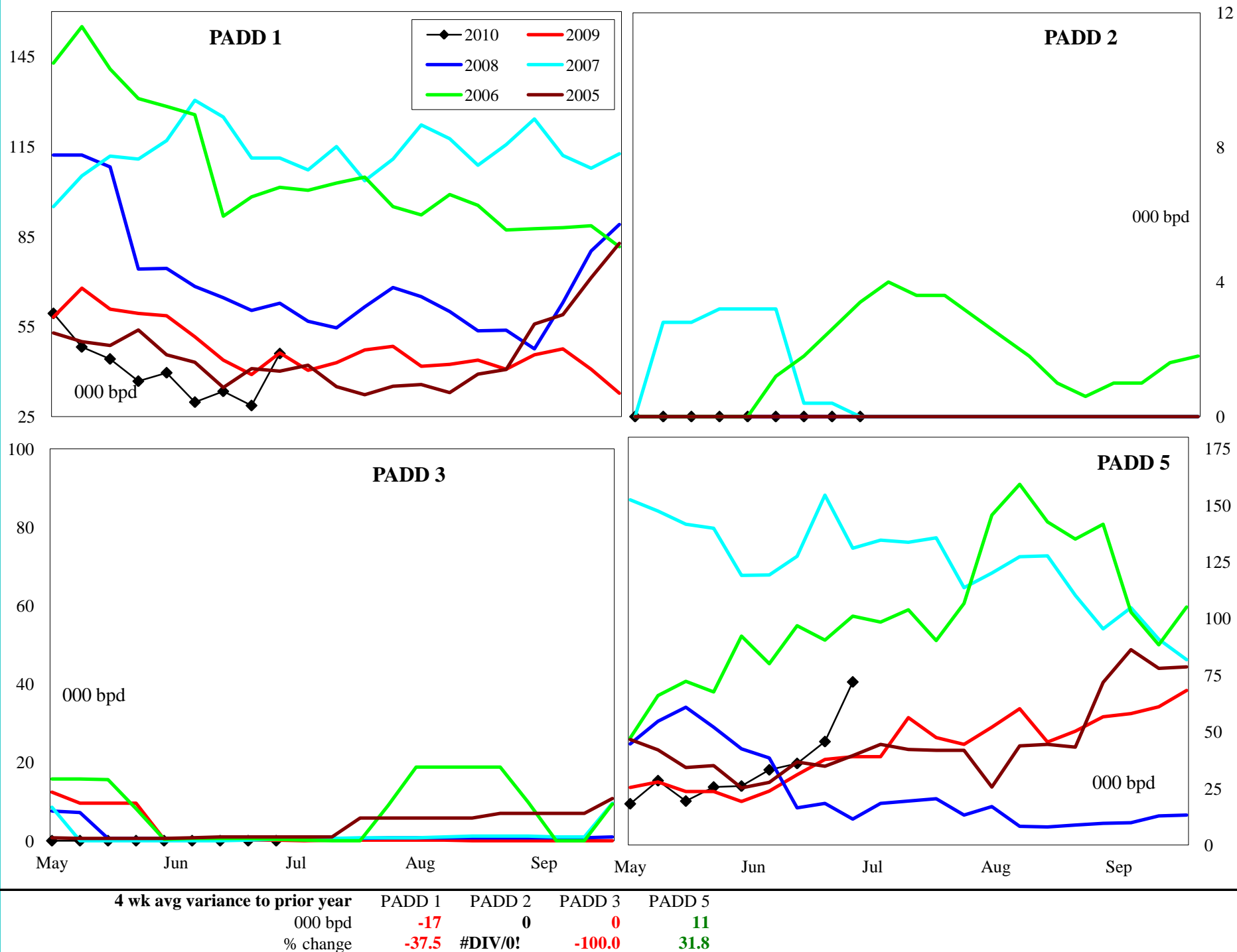
# Gasoline Imports by PADD (Finished + Blend Stocks)



# Distillate Imports by PADD

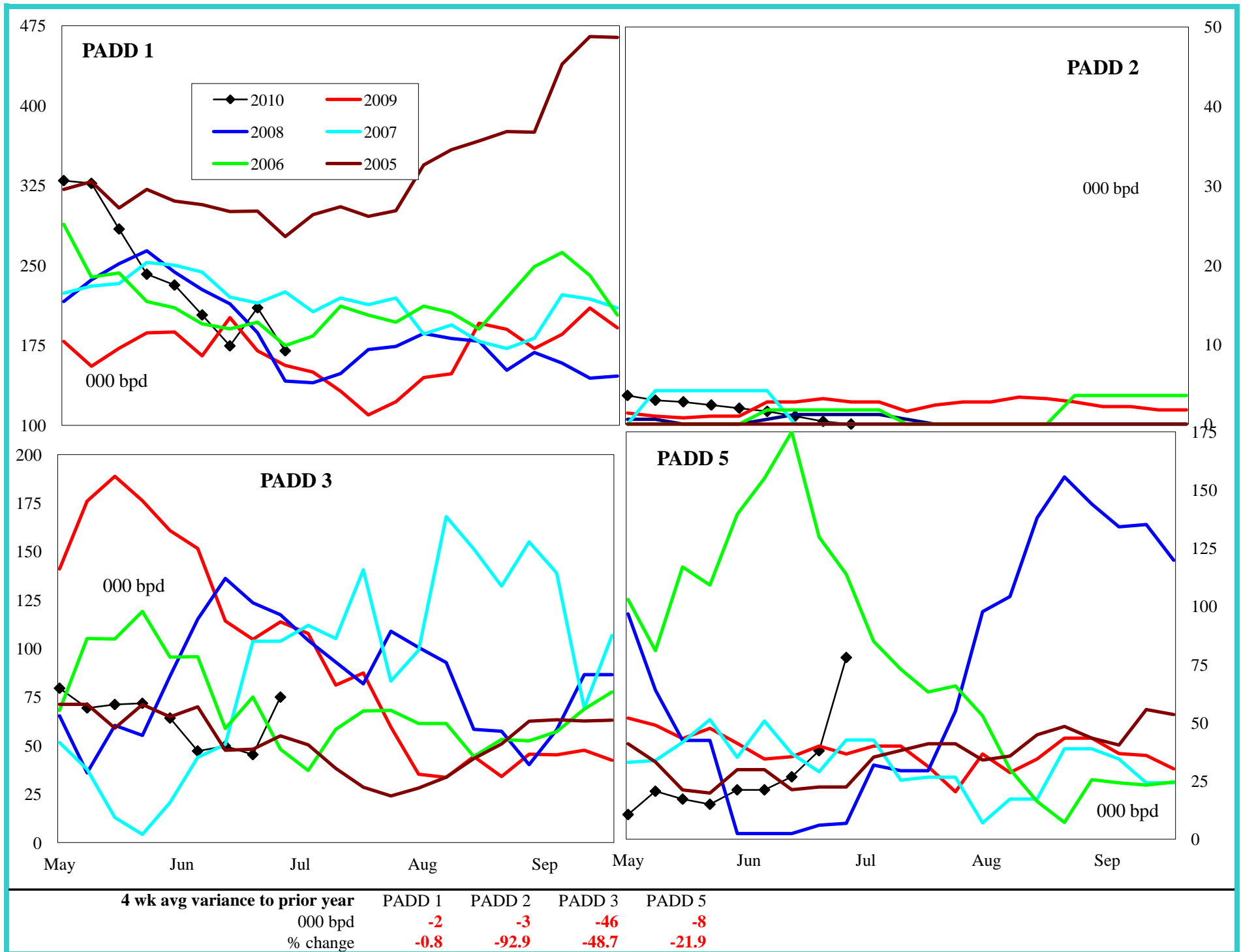


# Jet Fuel Imports by PADD

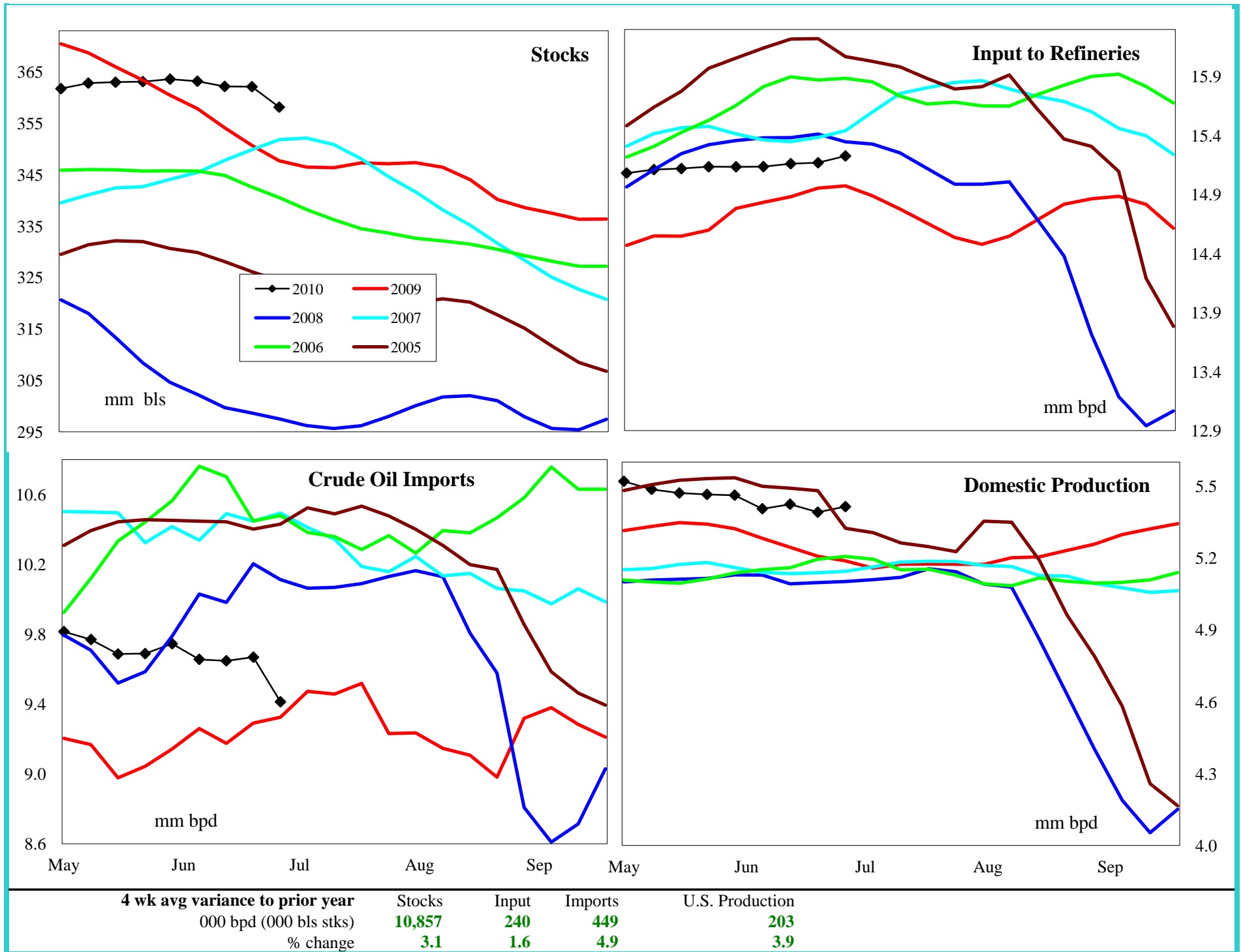




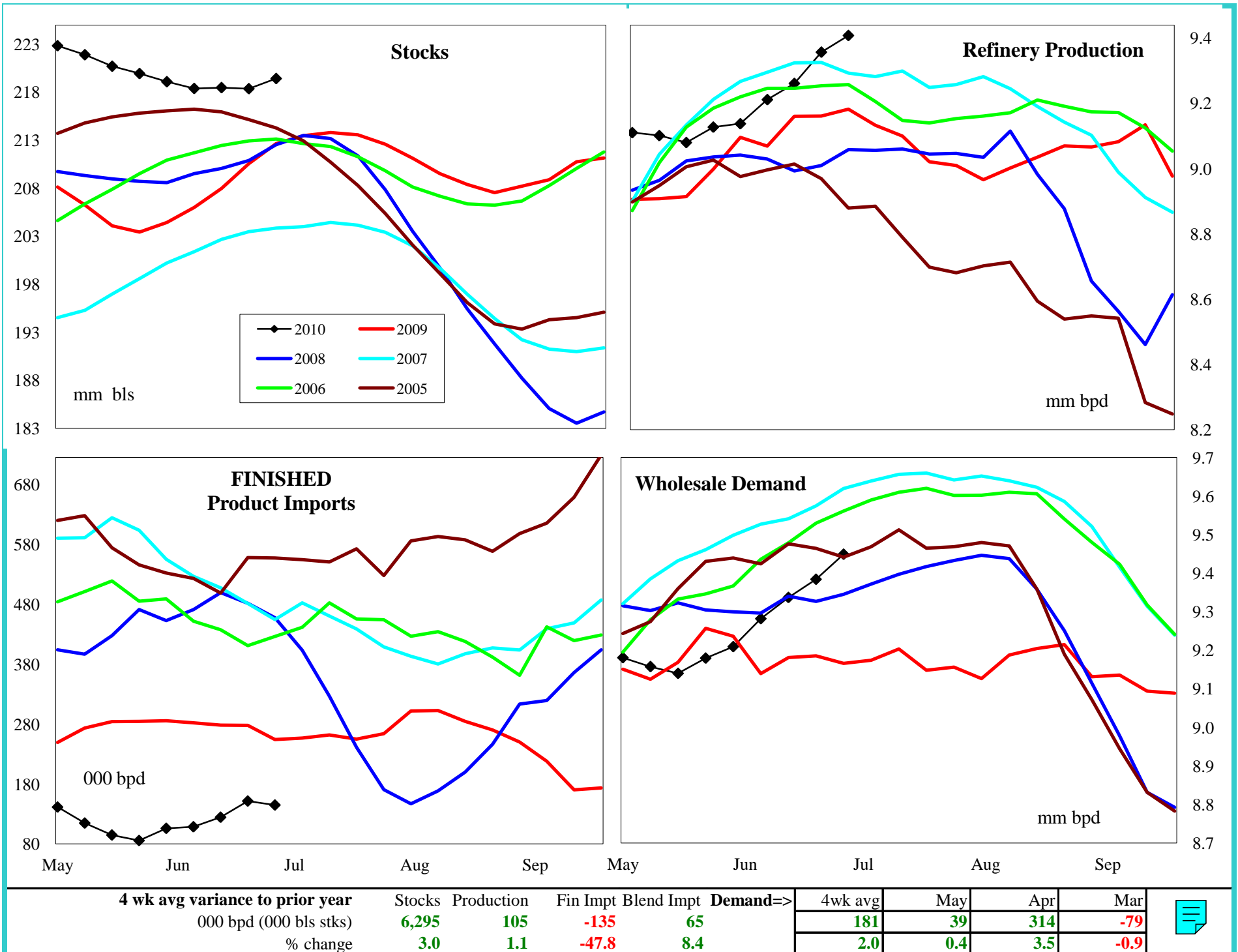
## Residual Fuel Oil Imports by PADD



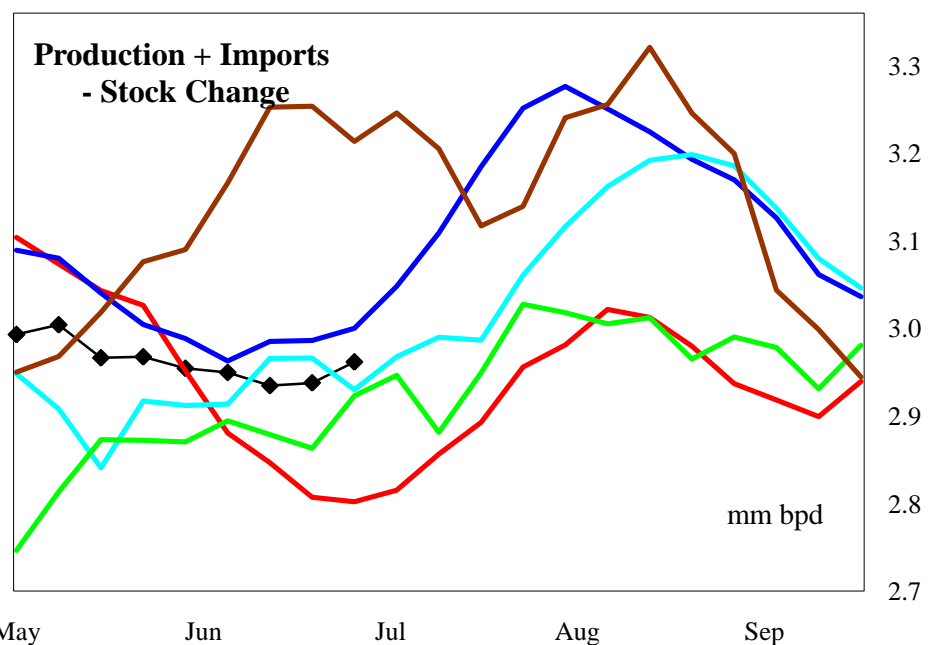
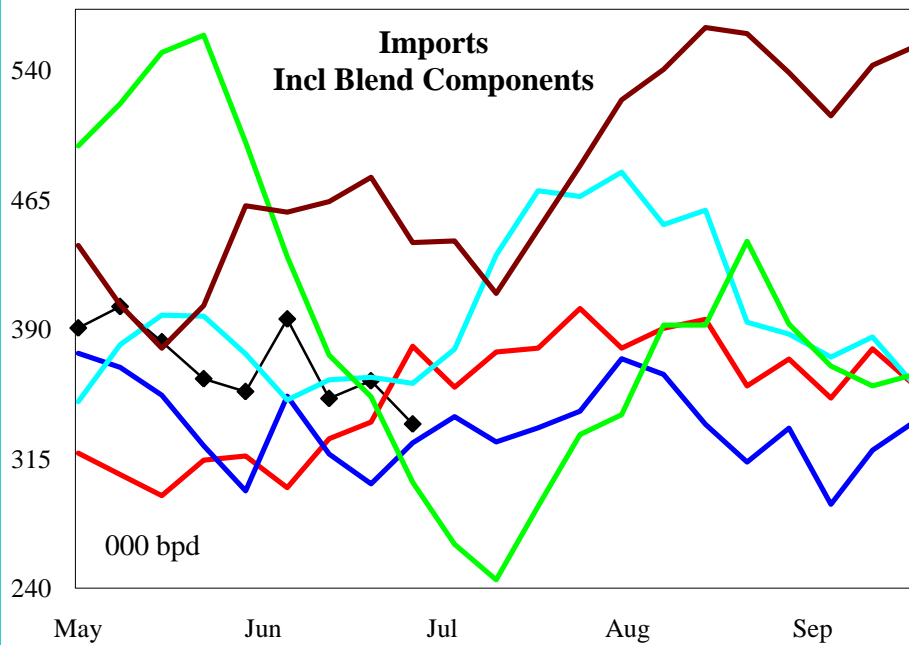
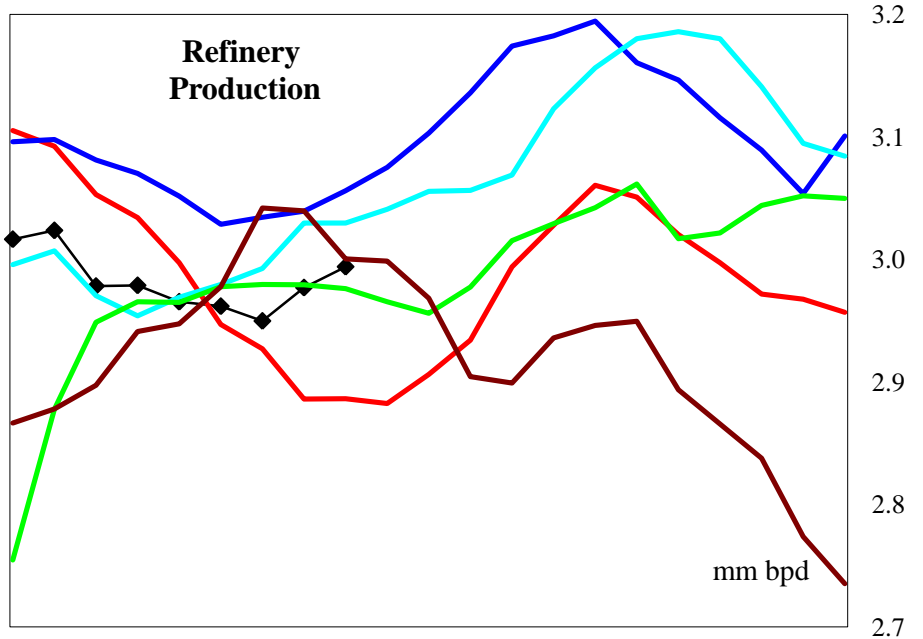
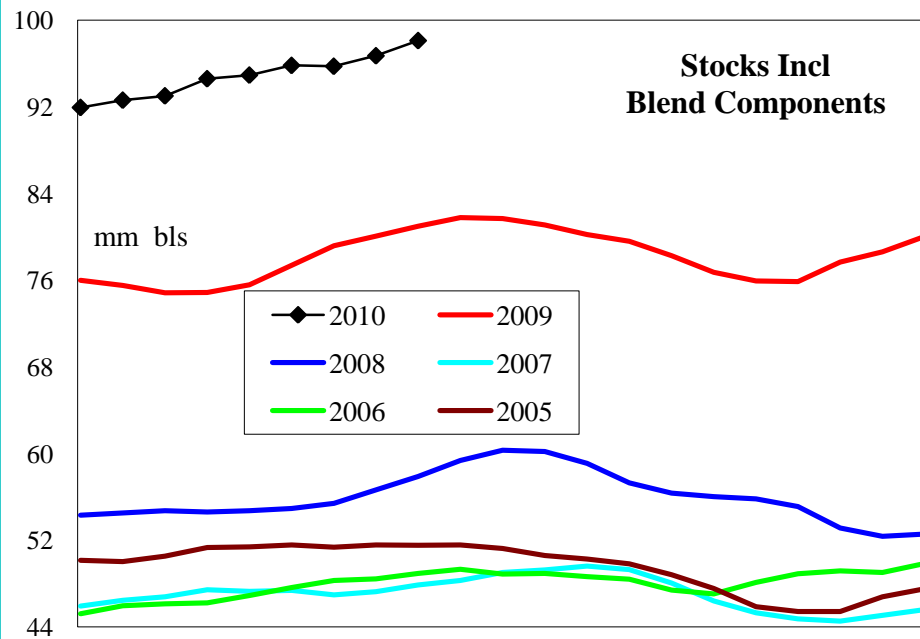
# United States Crude Oil Supply and Demand Balance



# 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

17,128

52

25

112

21.1

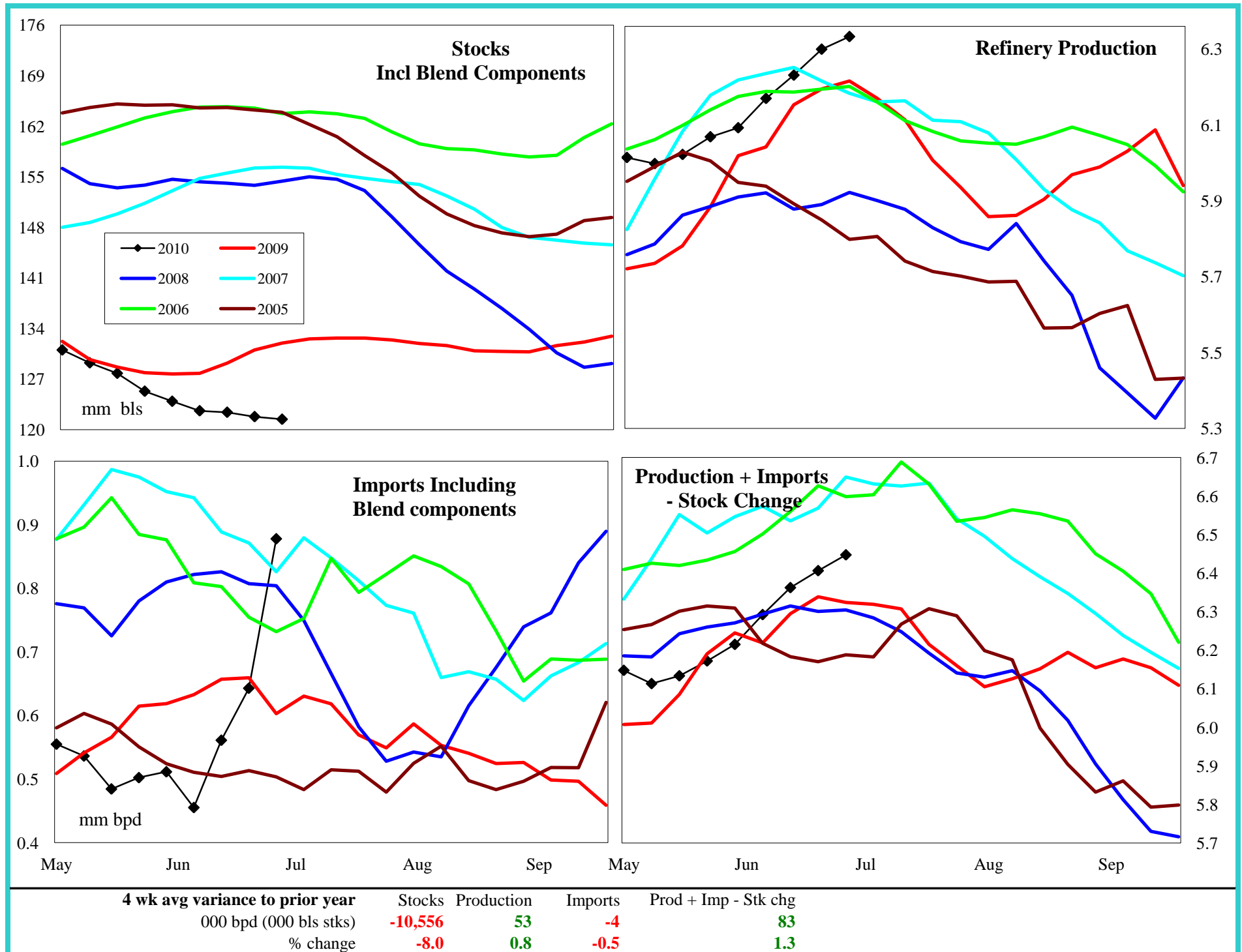
1.7

7.4

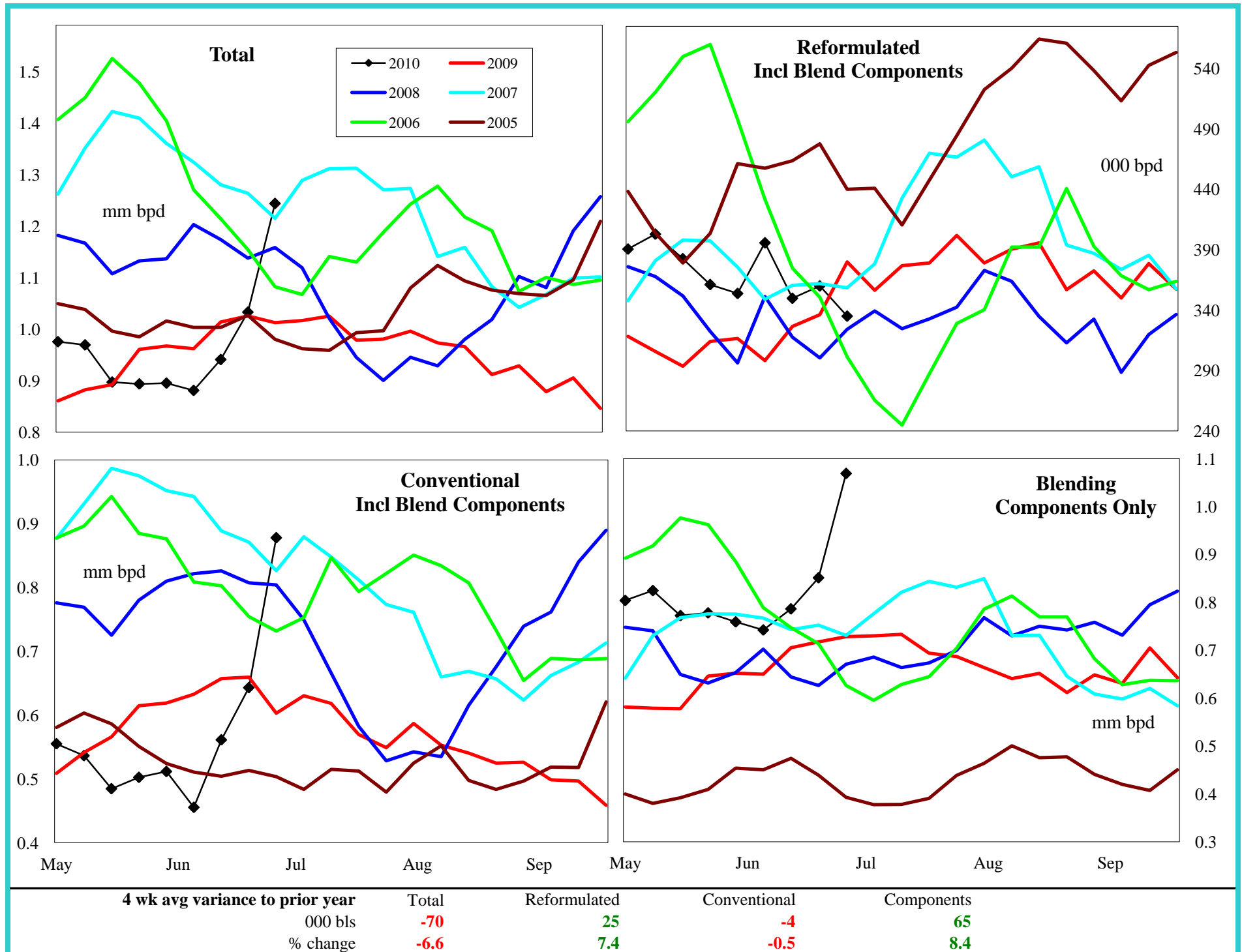
3.9



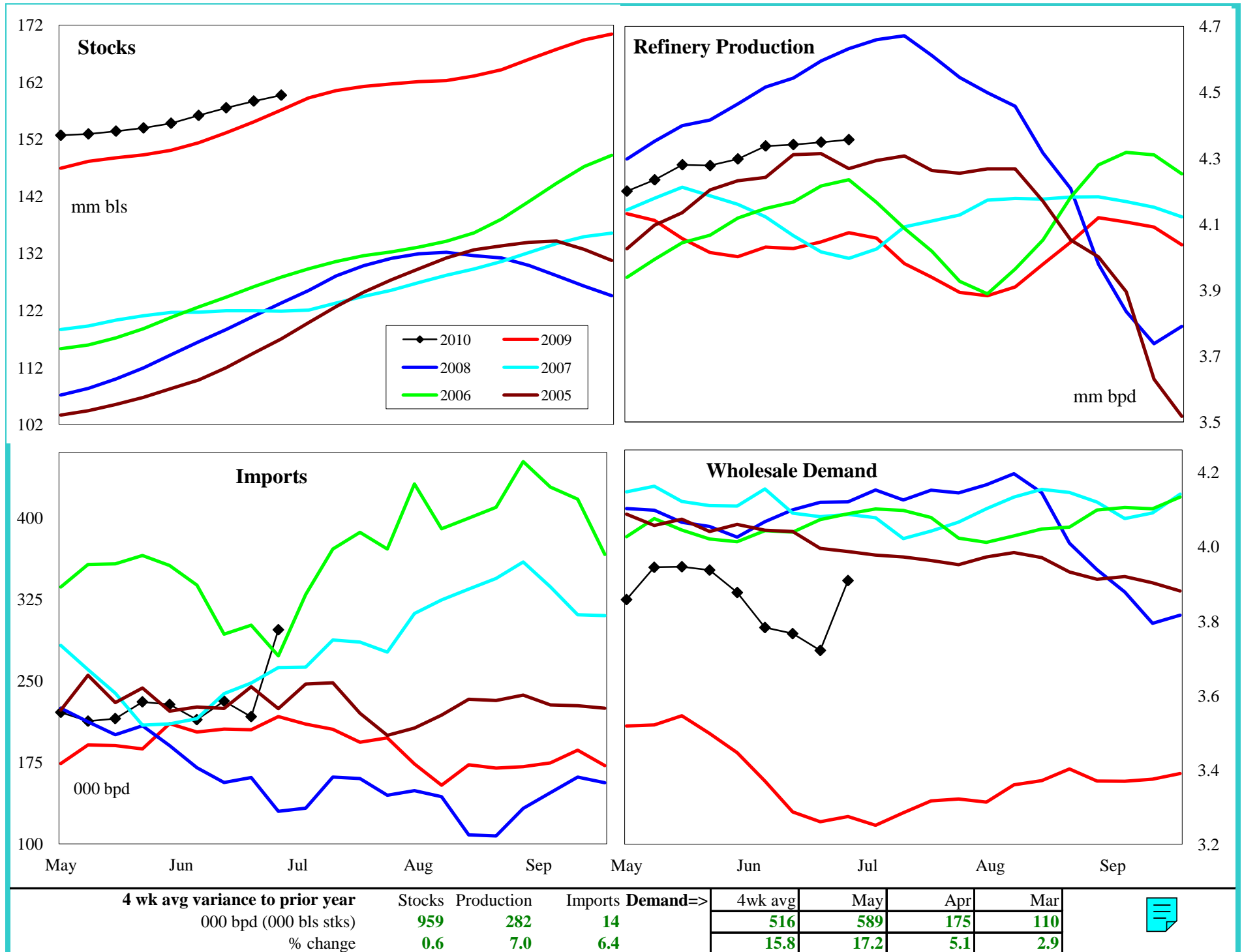
# United States Conventional Gasoline Supply



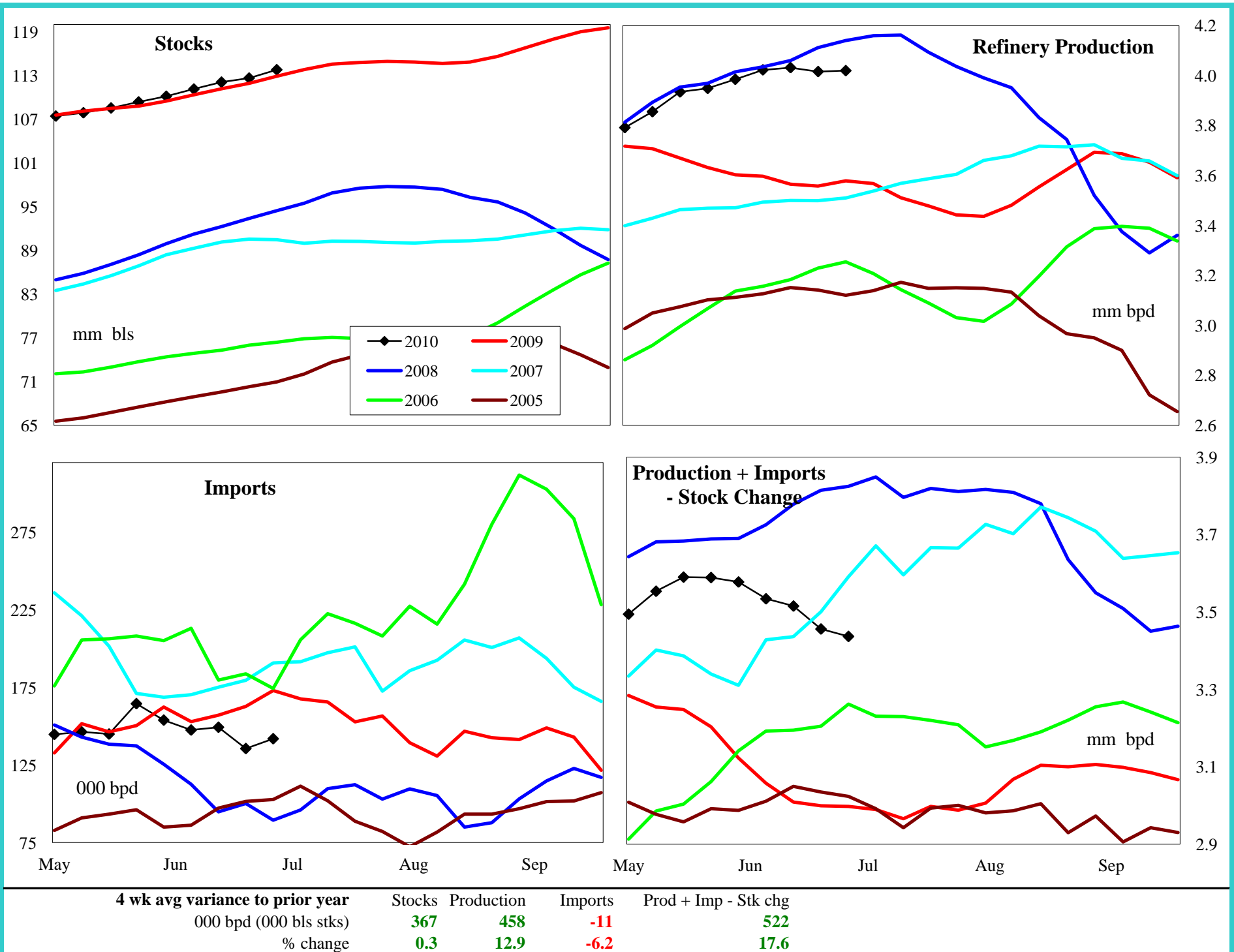
# United States Gasoline Imports by Type



# United States Distillate Supply and Demand Balance

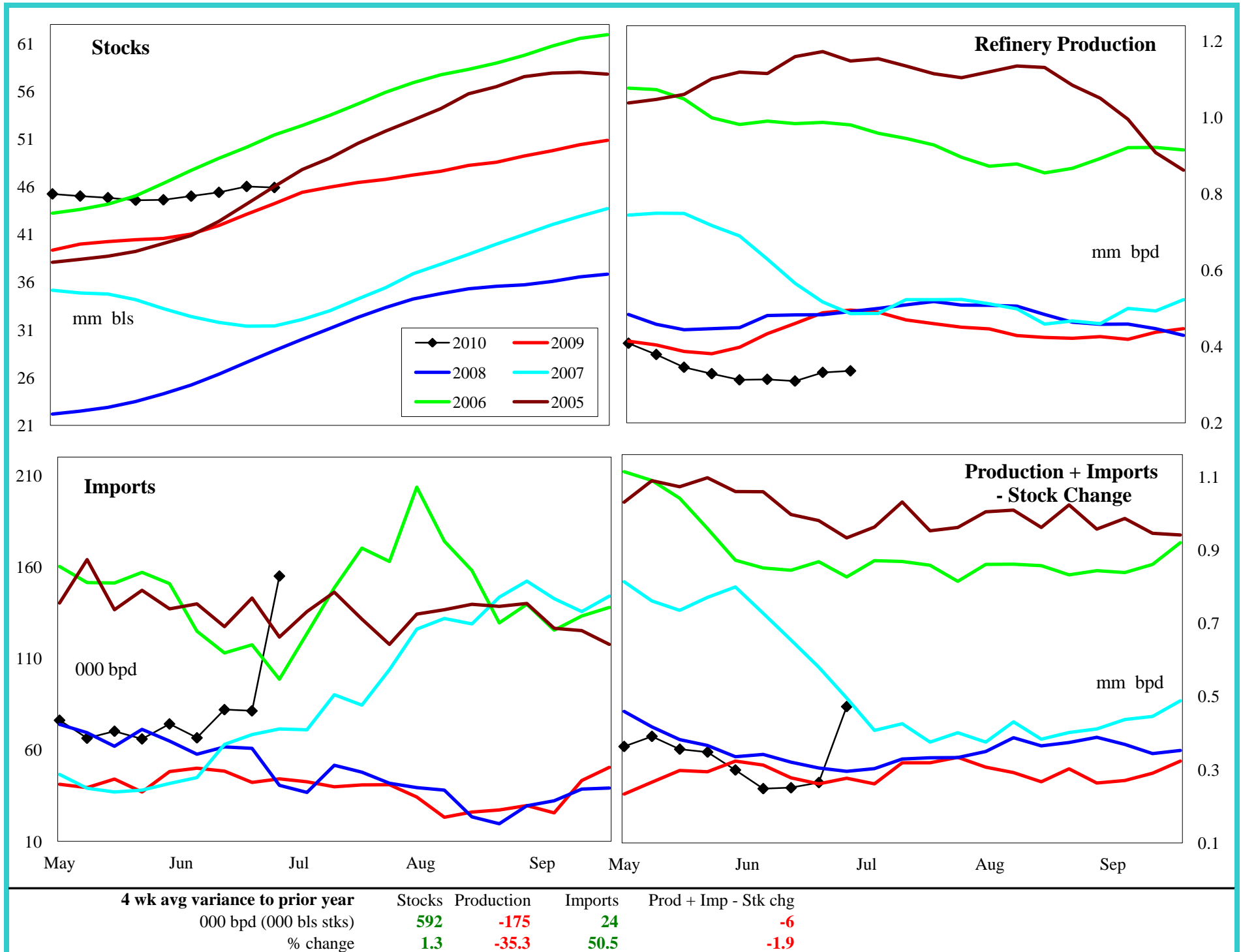


# United States Low Sulfur Distillate Supply

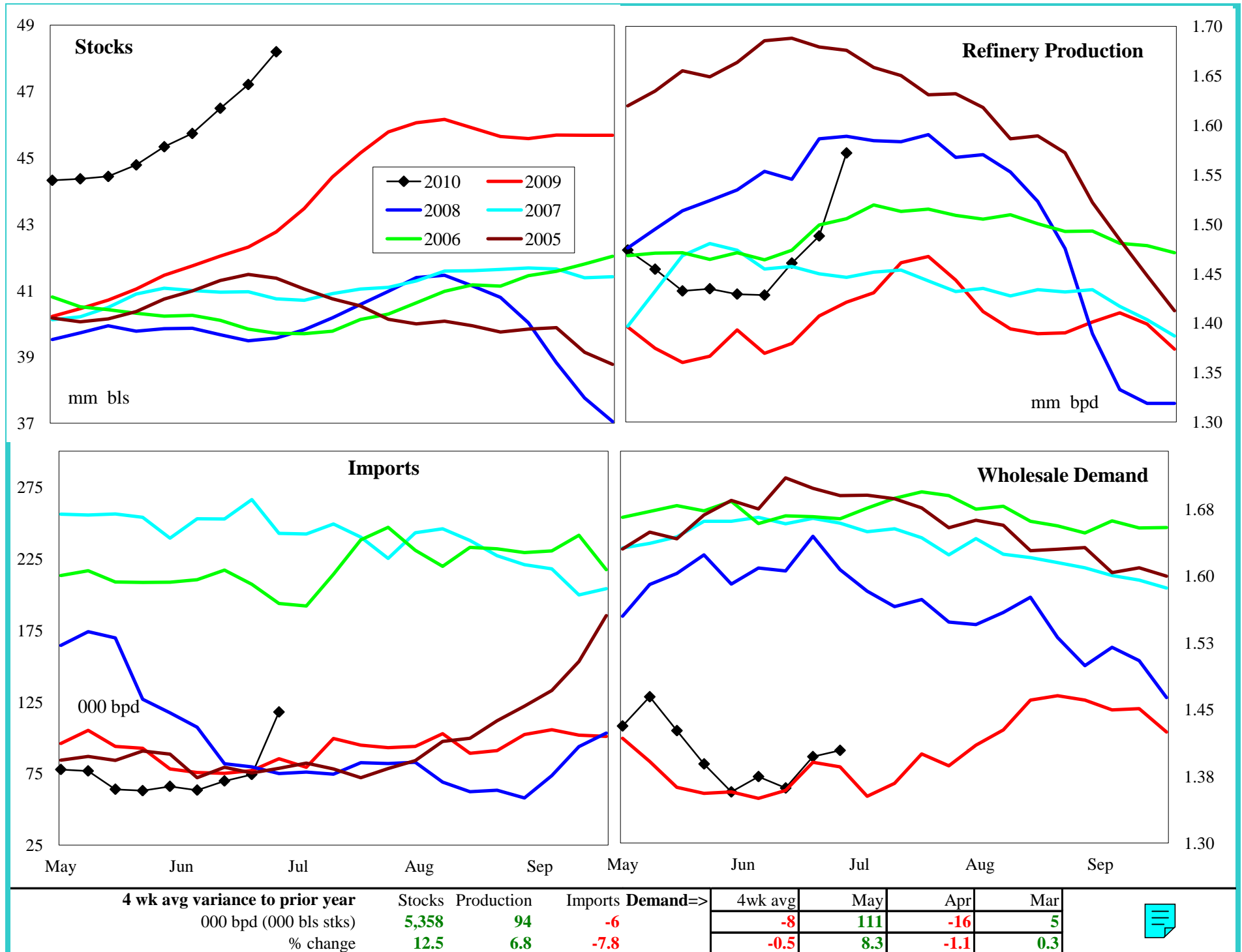




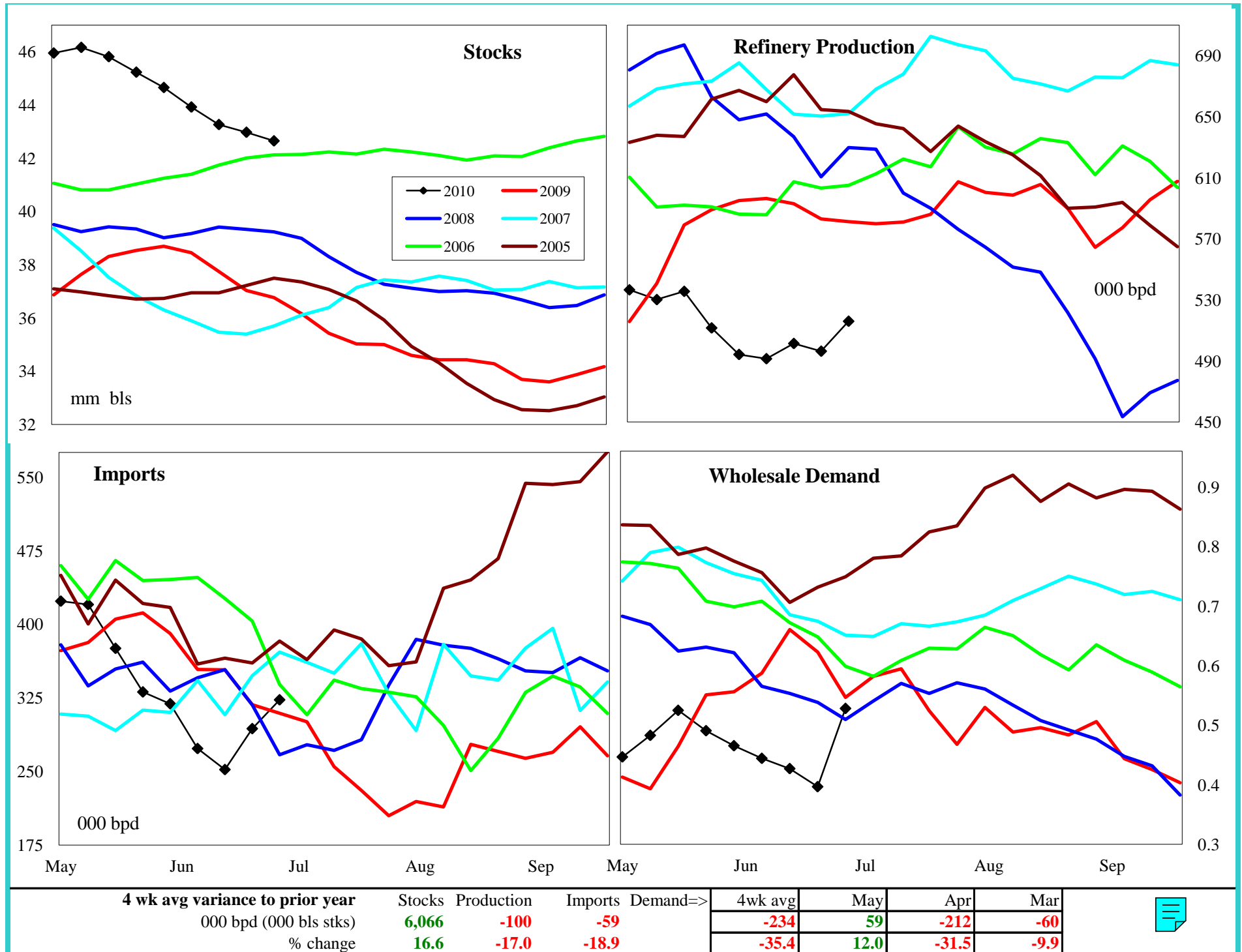
# United States High Sulfur Distillate Supply



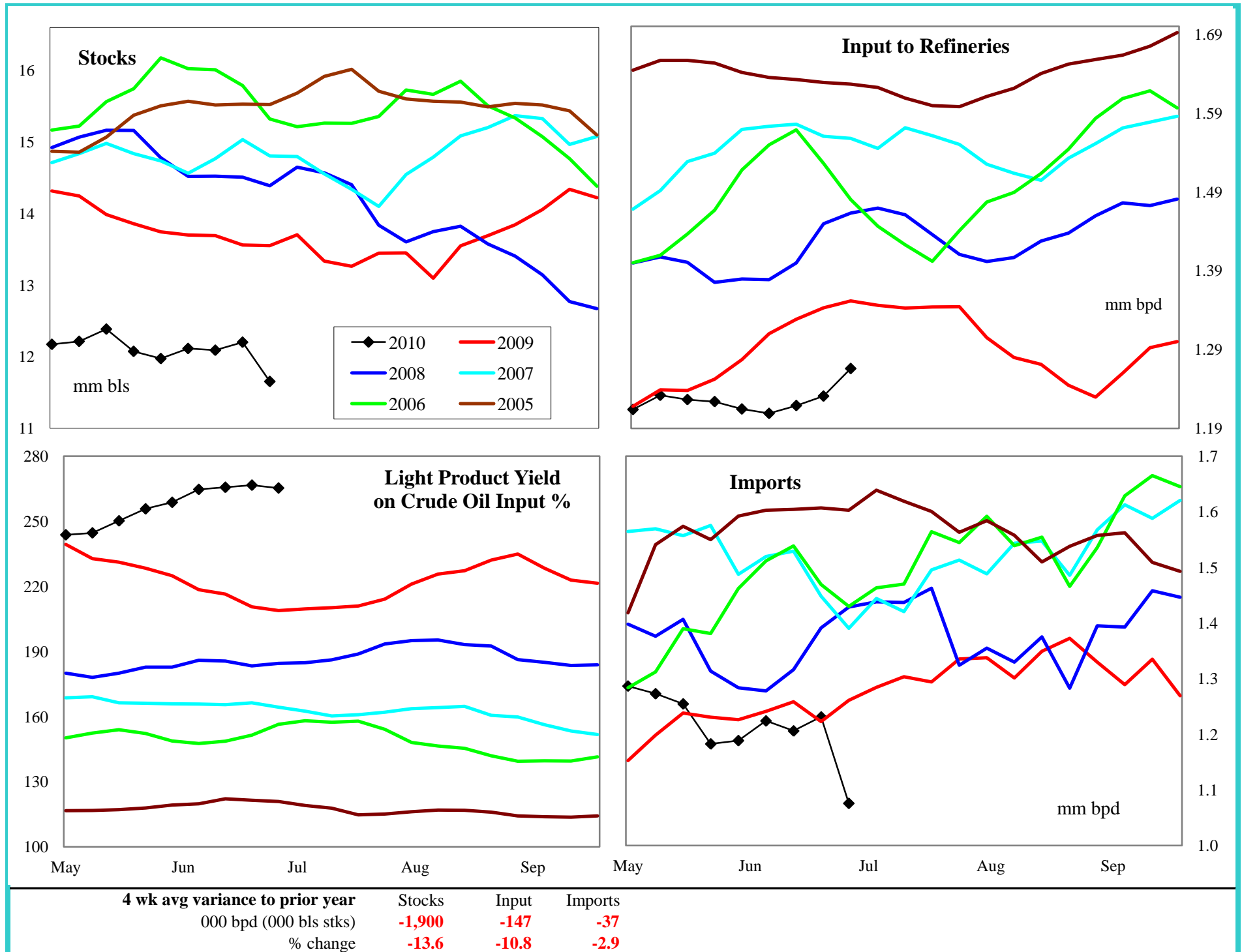
# United States Jet Fuel Supply and Demand Balance



# United States Residual Fuel Oil Supply and Demand Balance

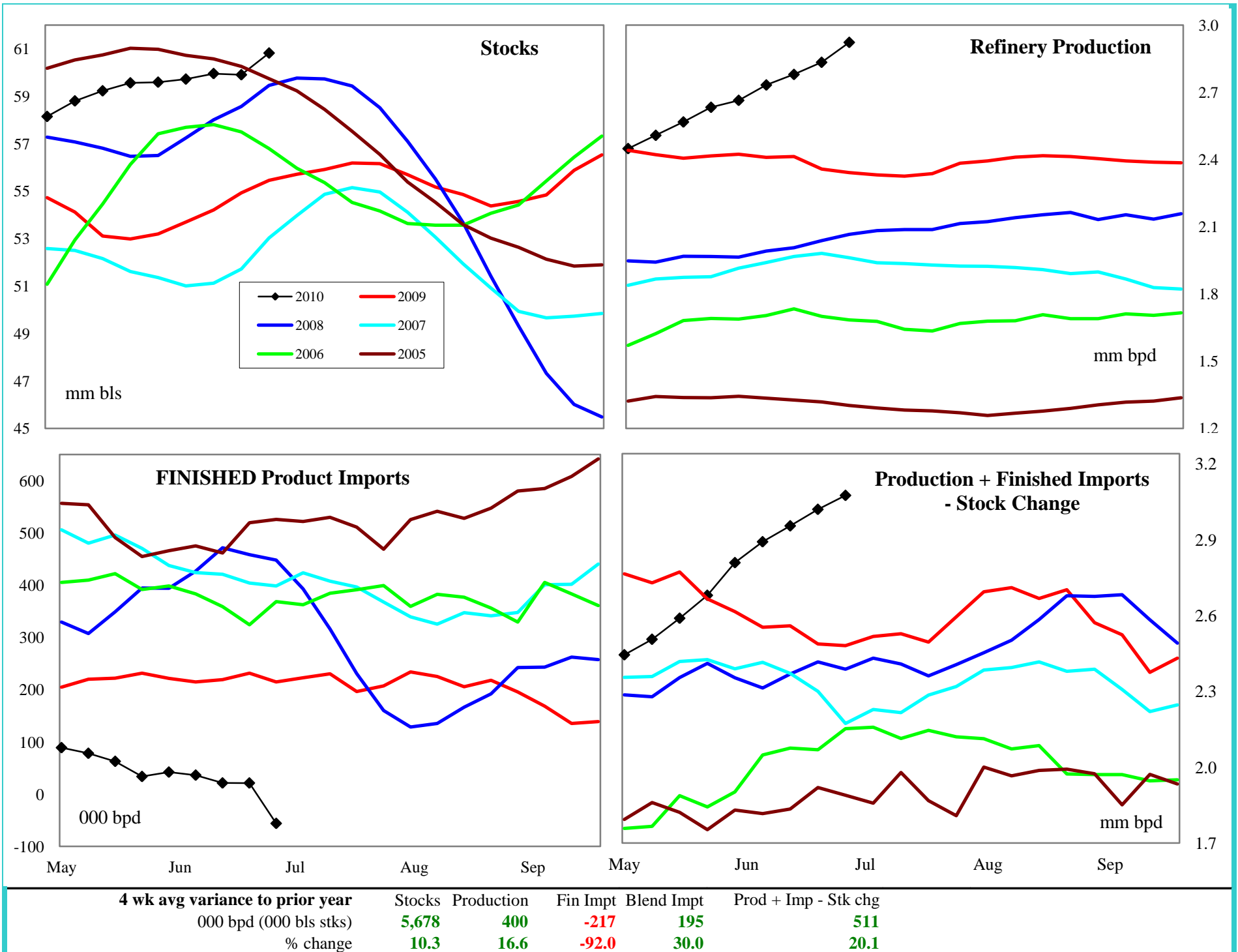


# PADD 1 Crude Oil Supply and Refining

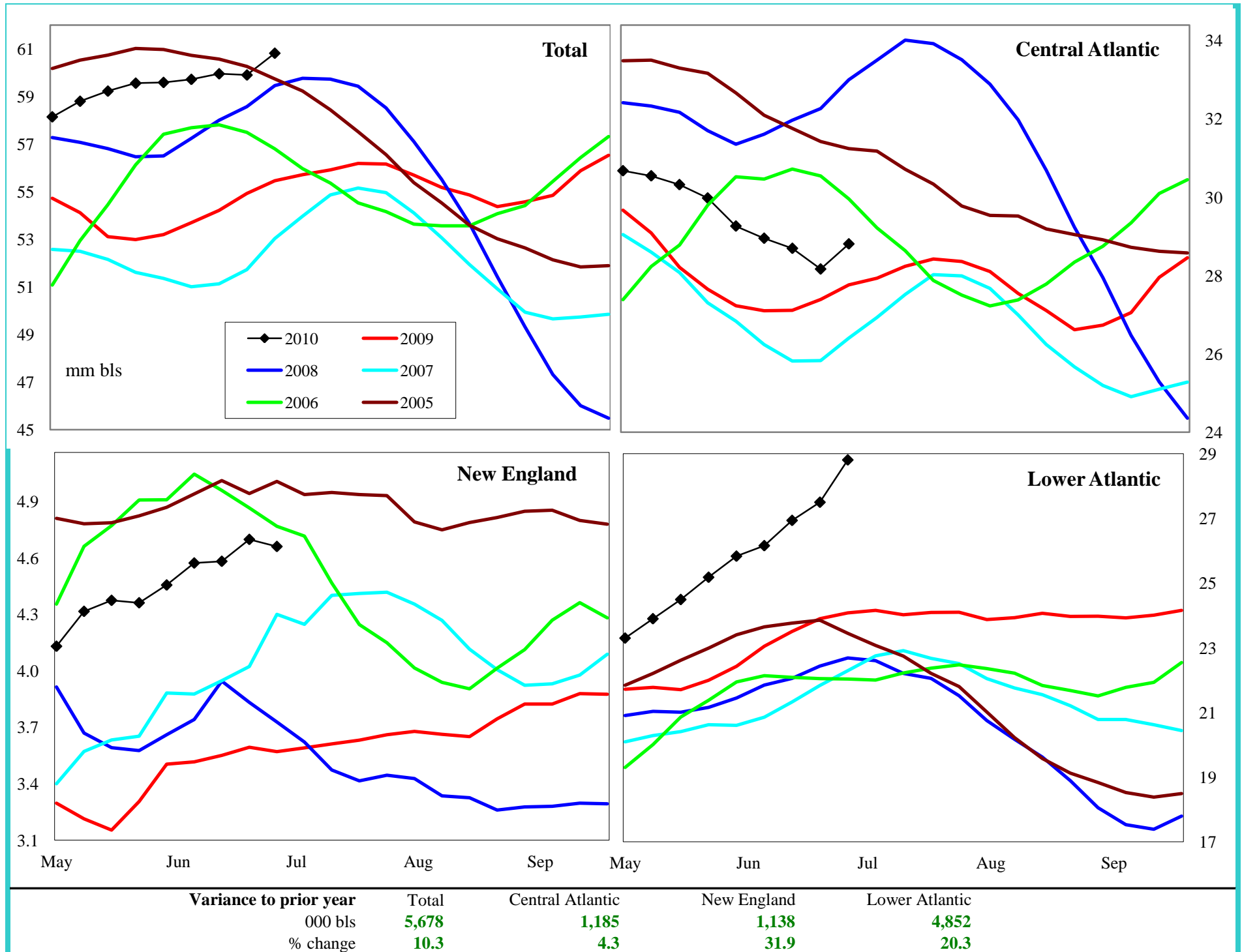




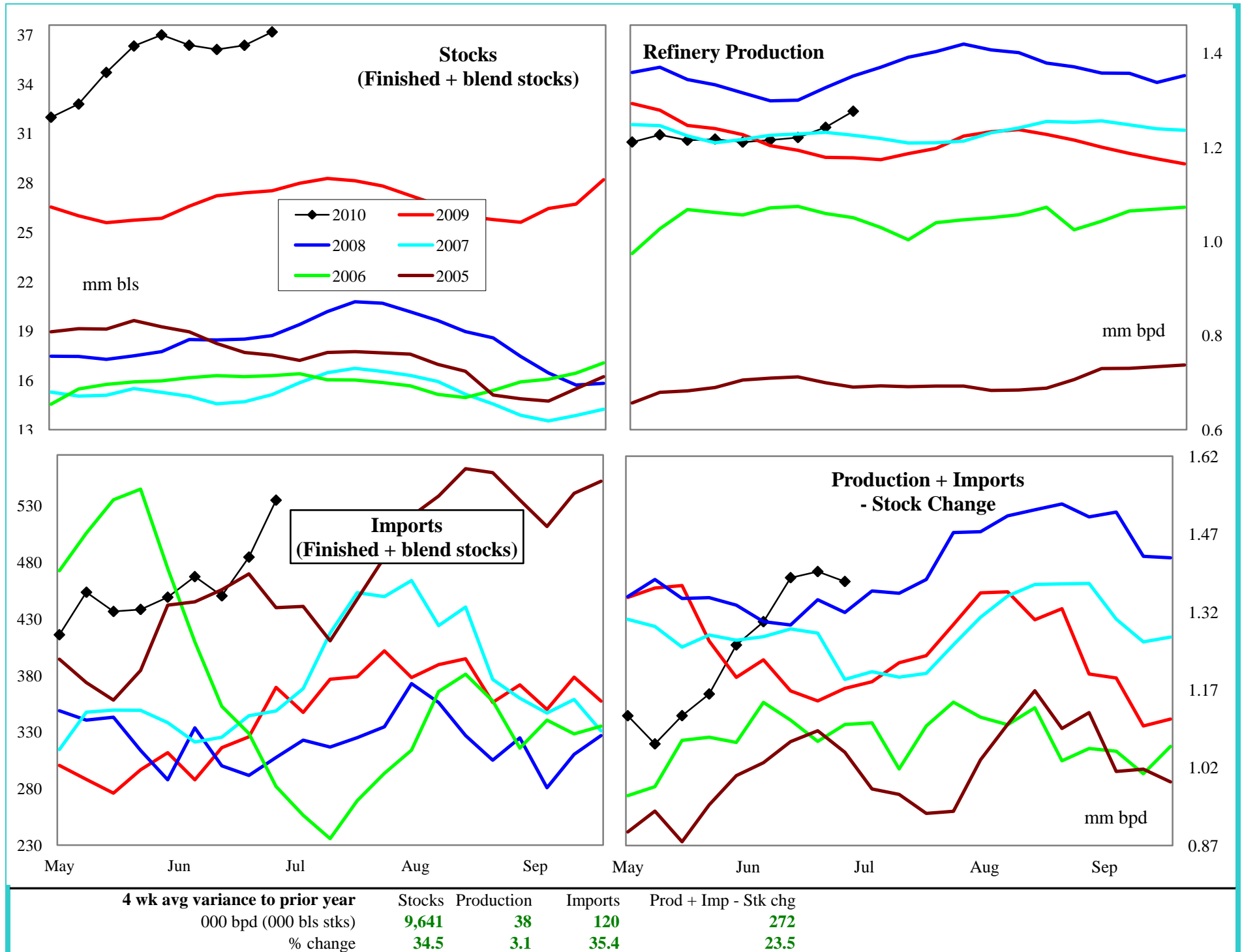
# PADD 1 Gasoline Supply



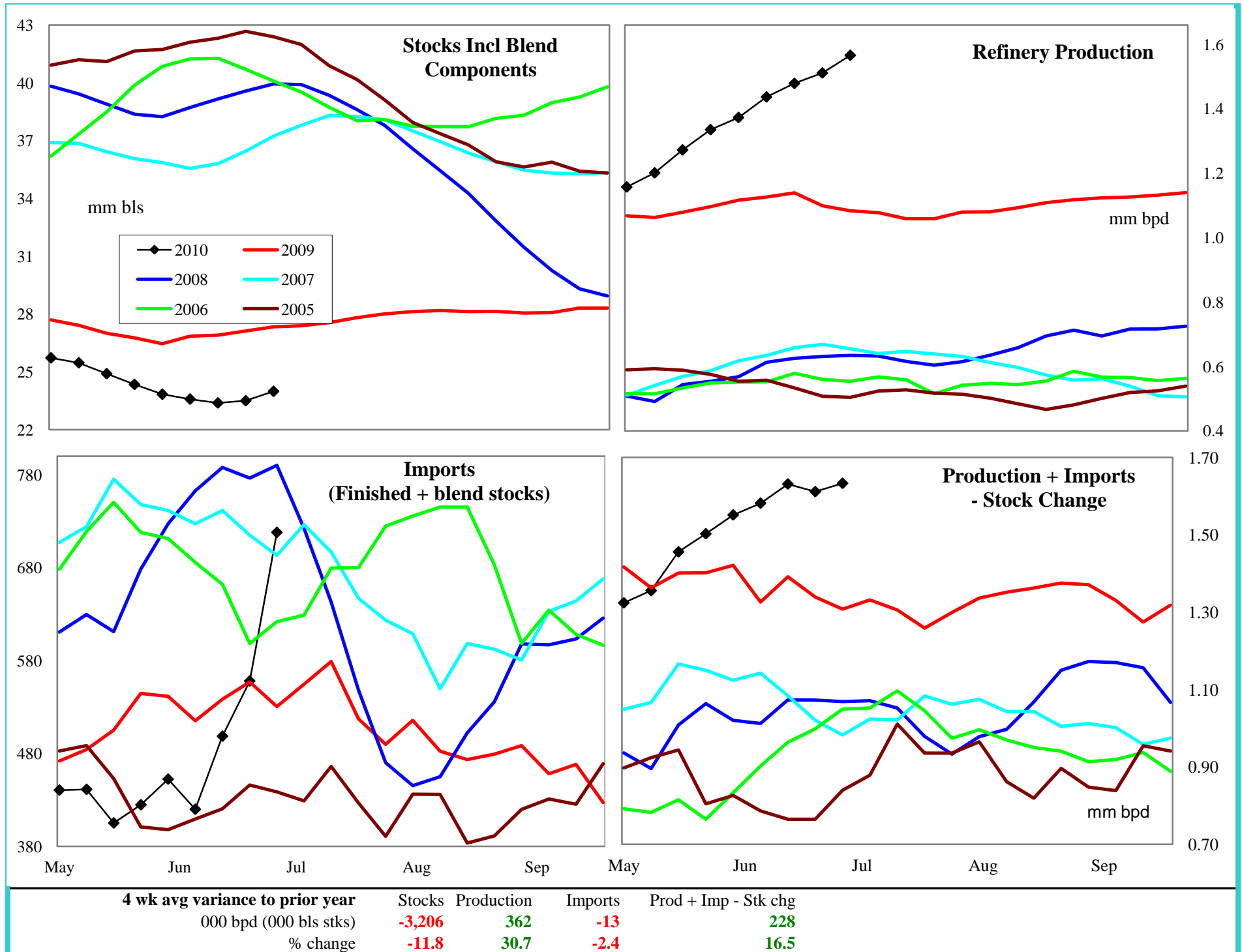
# PADD 1 Gasoline Stocks by Region



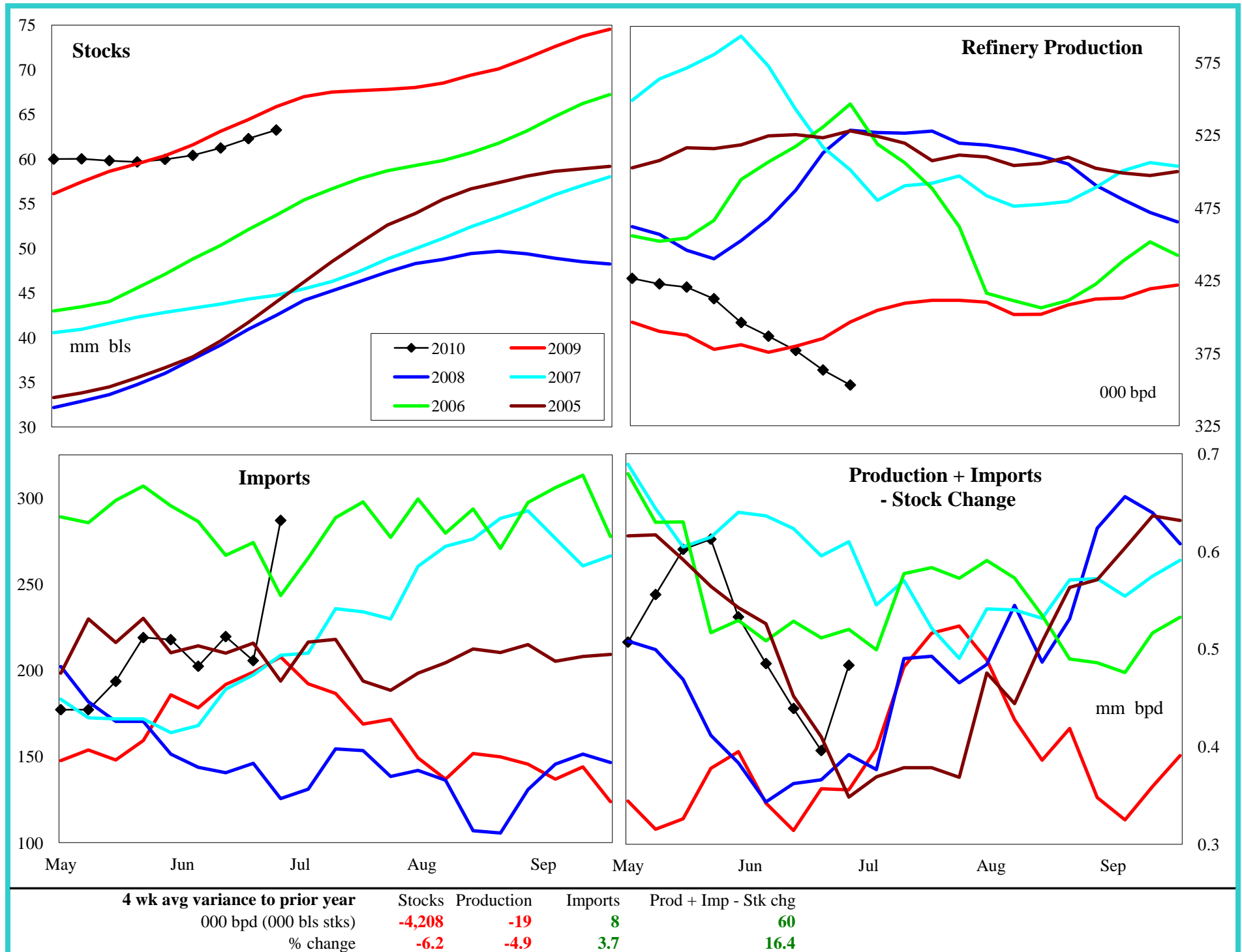
# PADD 1 Reformulated Gasoline Supply



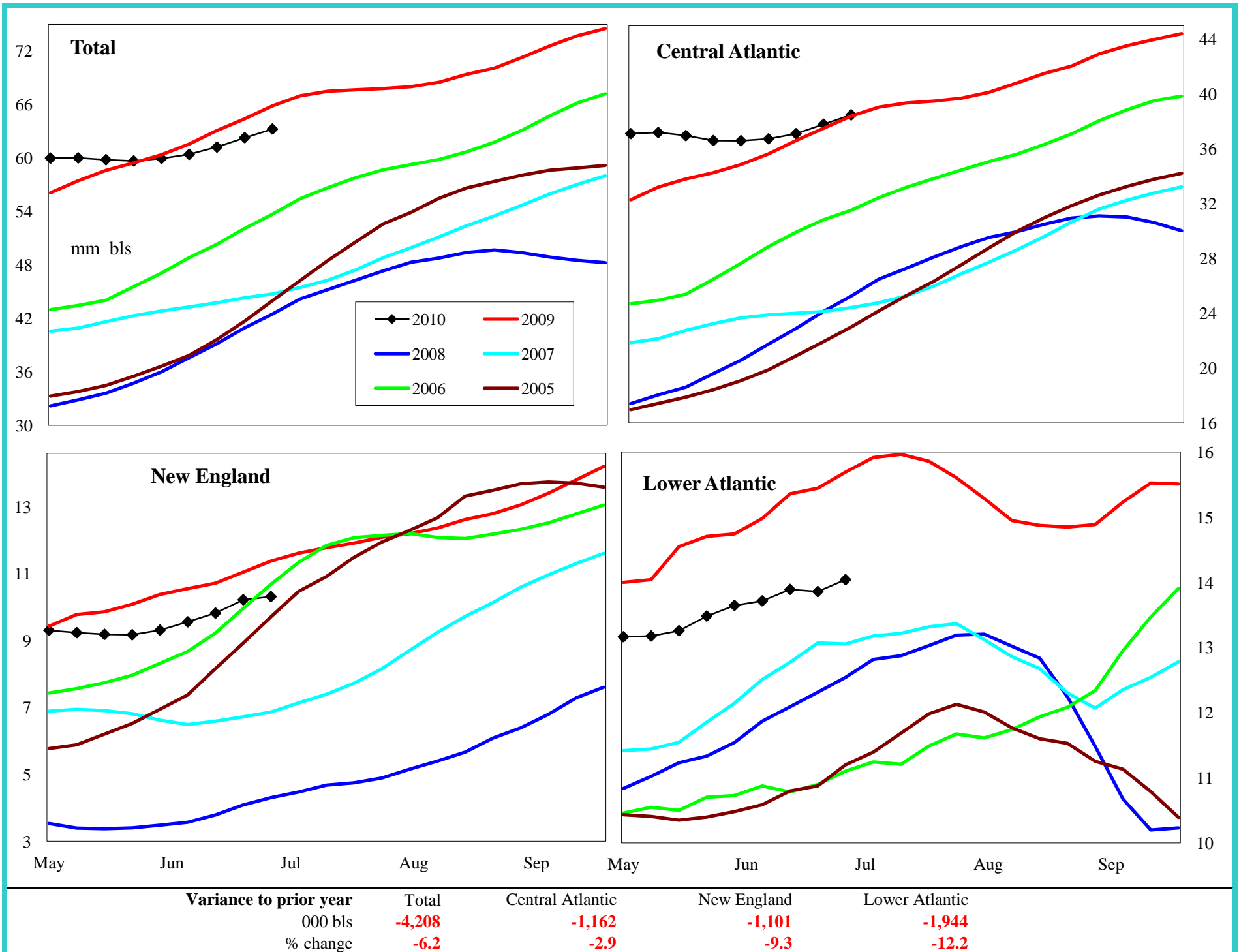
# PADD 1 Conventional Gasoline Supply



# PADD 1 Distillate Supply

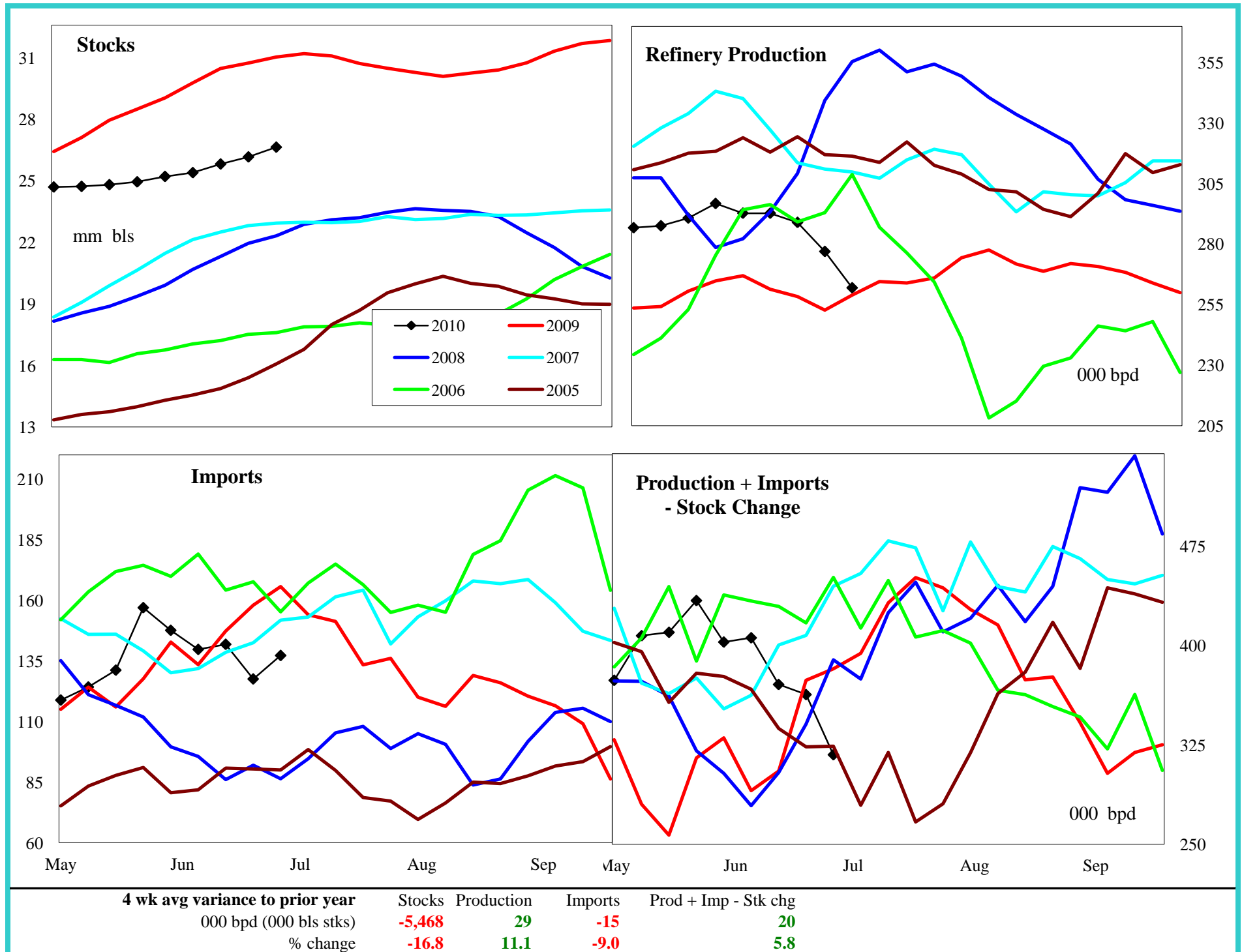


## PADD 1 Distillate Stocks by Region

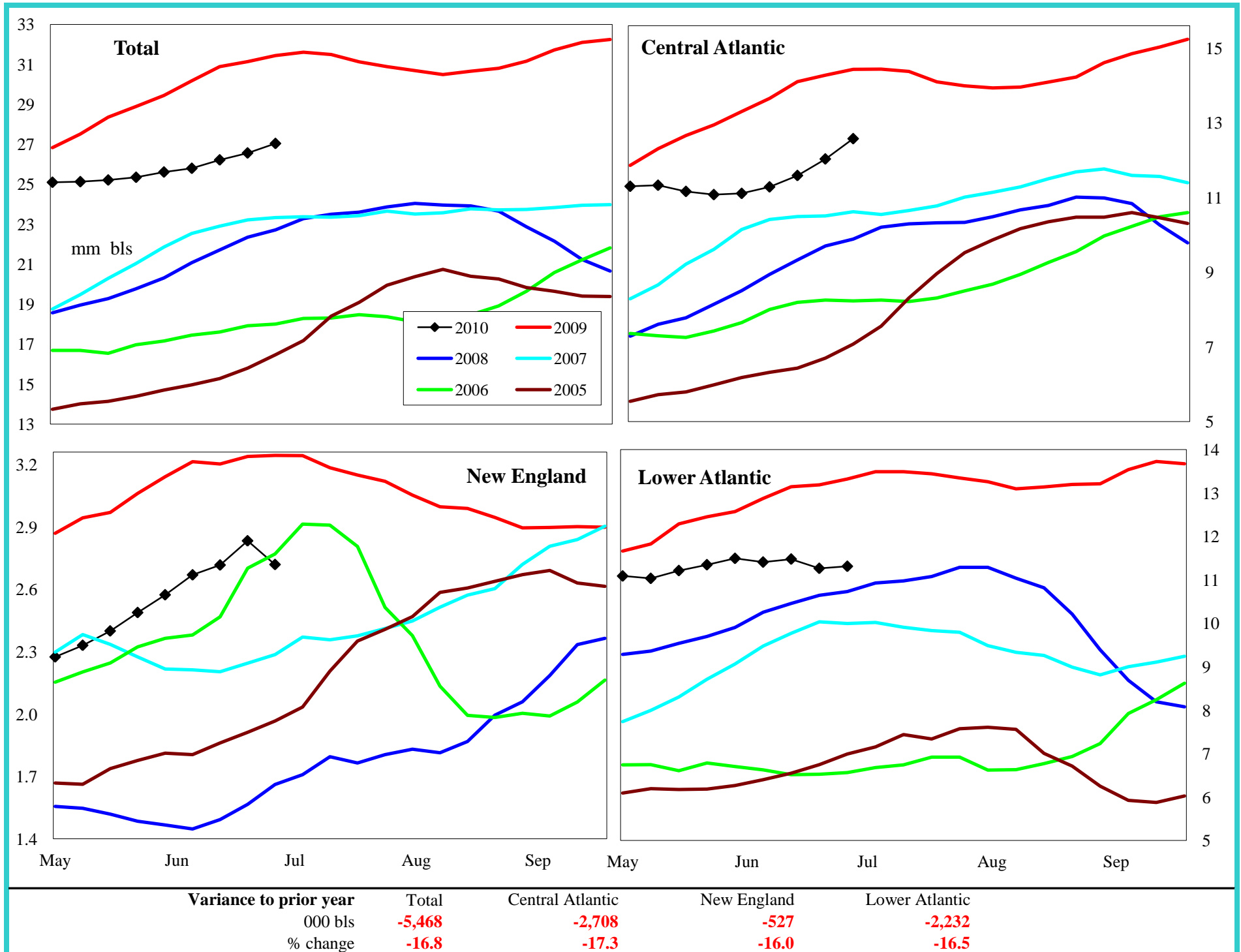




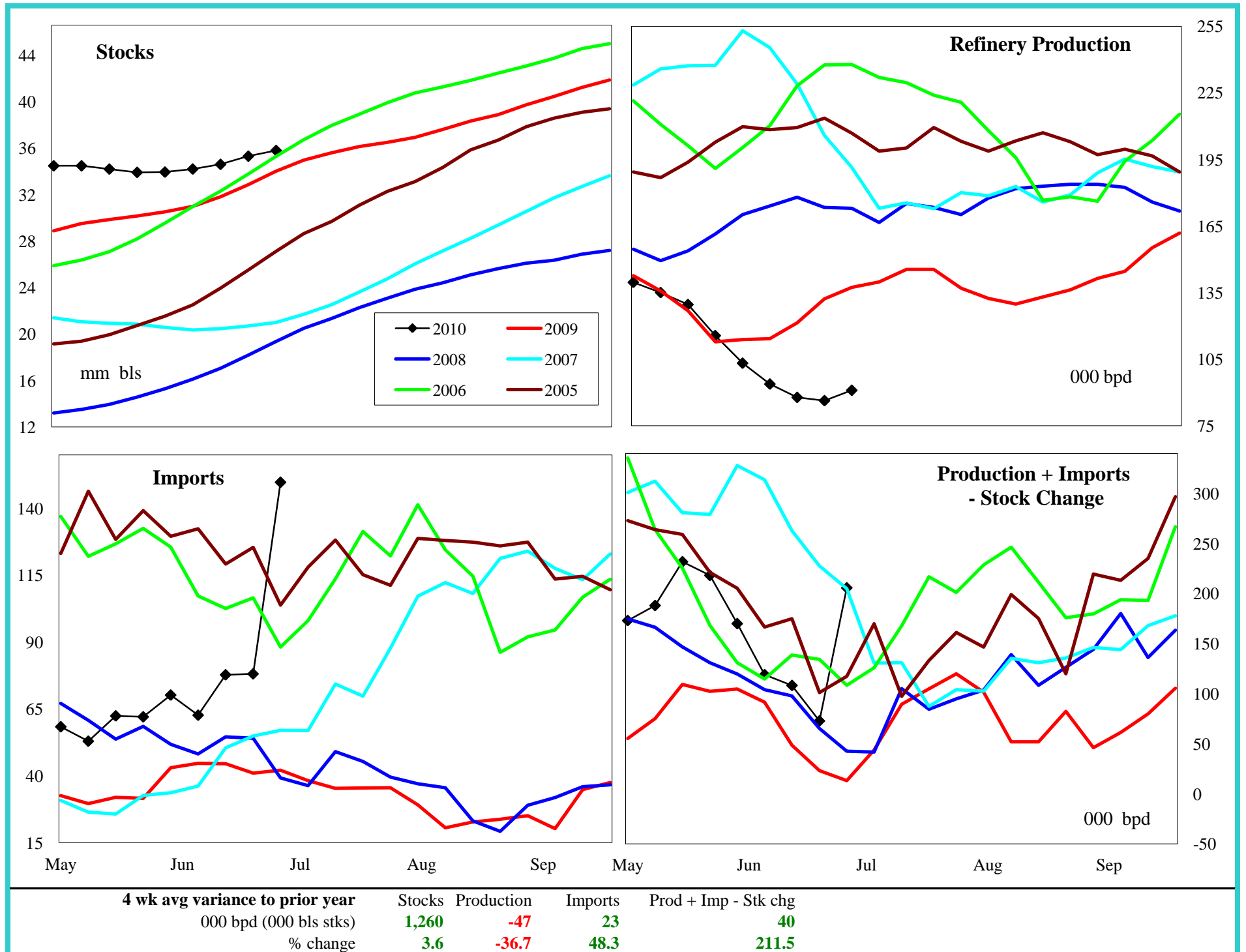
# PADD 1 Low Sulfur Distillate Supply



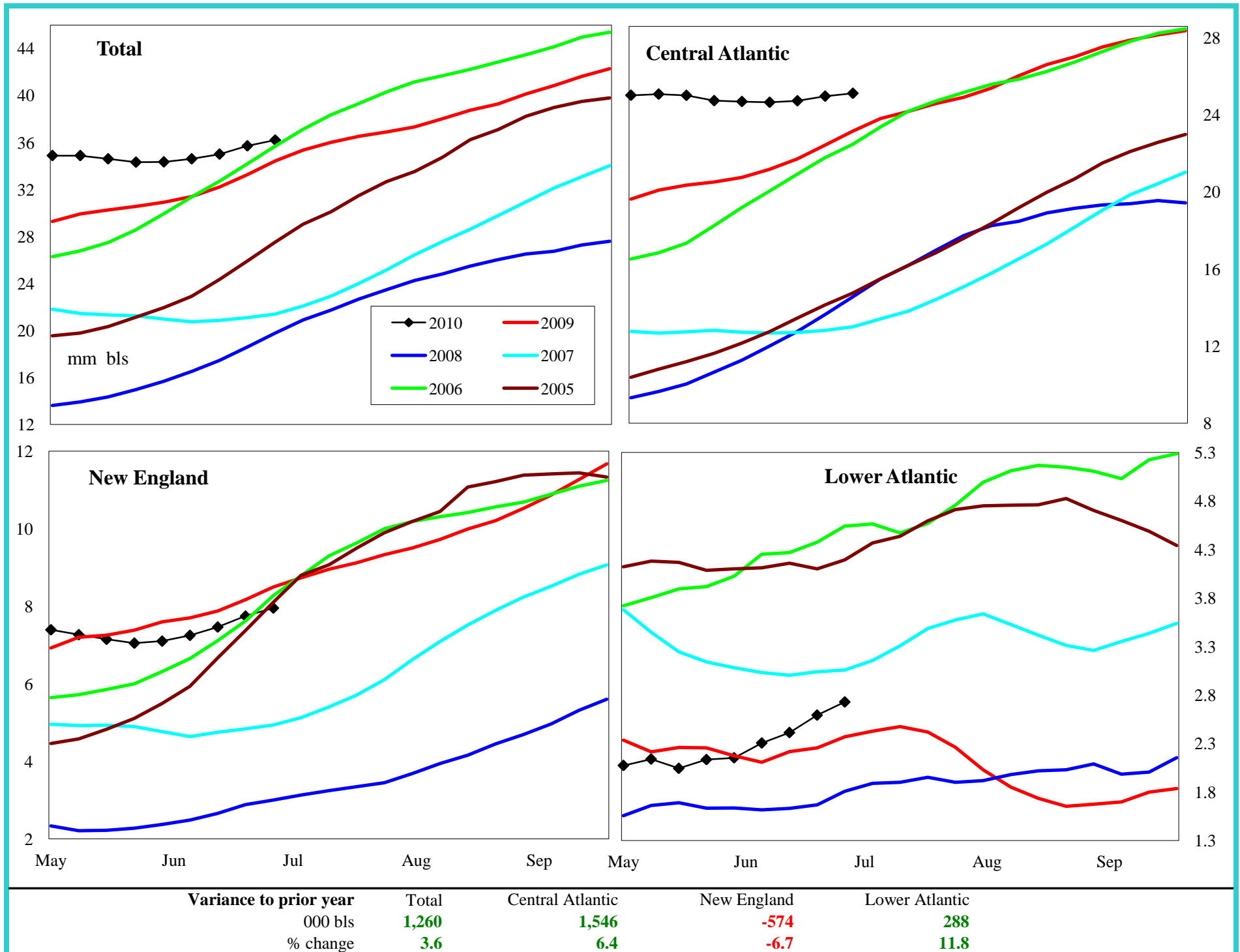
# PADD 1 Low Sulfur Distillate Stocks by Region



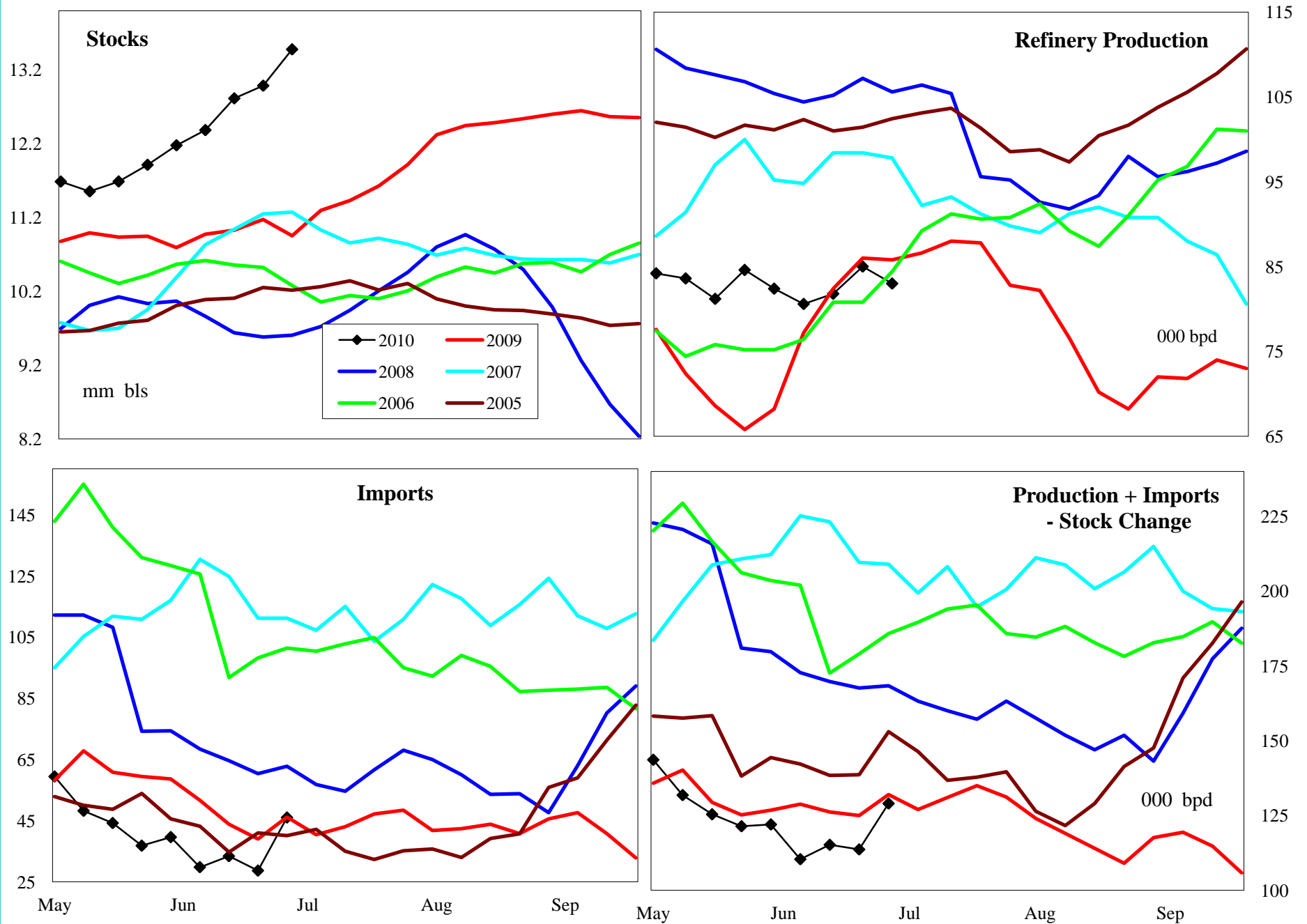
# PADD 1 High Sulfur Distillate Supply



## PADD 1 High Sulfur Distillate Stocks by Region



# PADD 1 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

2,523

23.0

Production

0

-0.3

Imports

-17

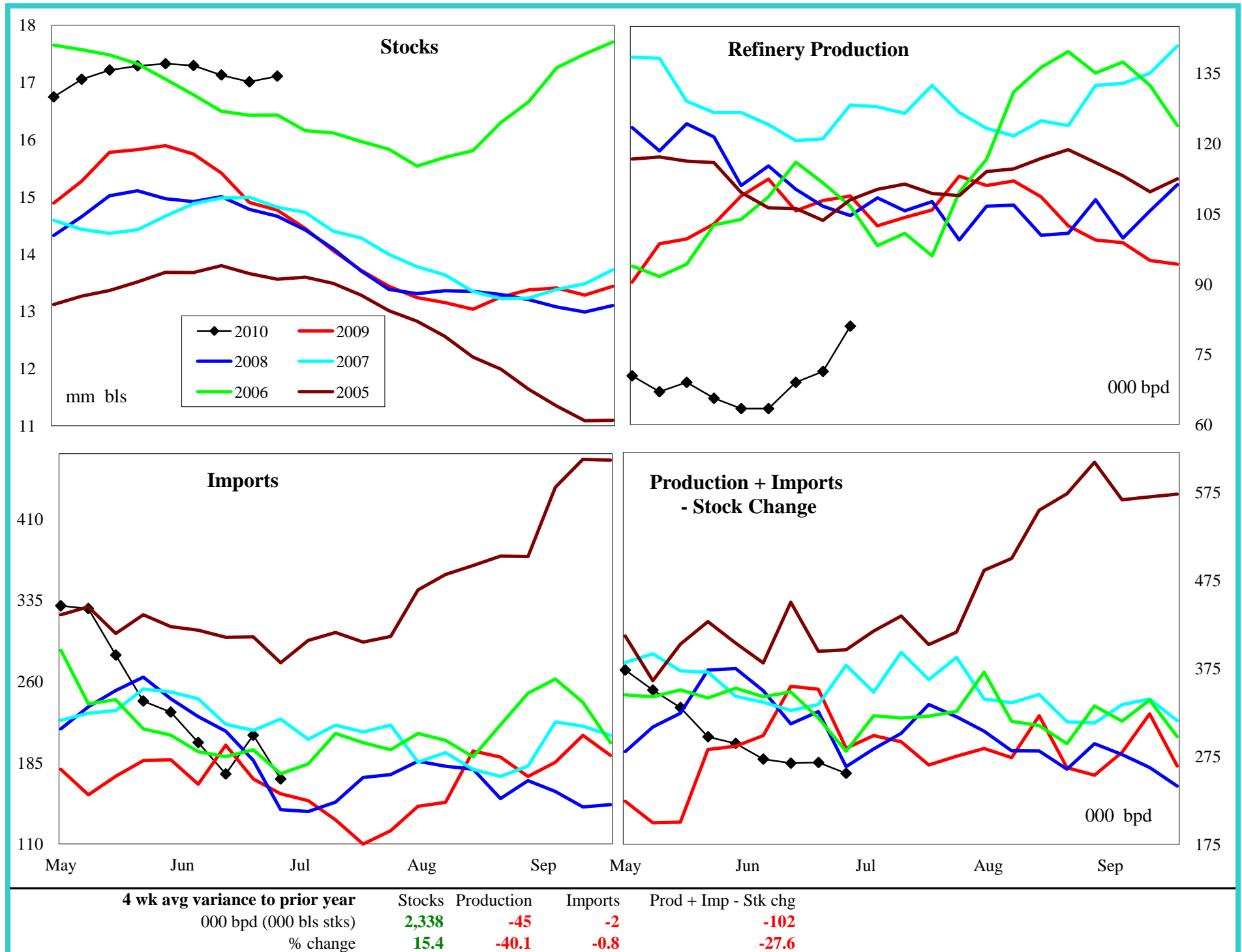
-37.5

Prod + Imp - Stk chg

-19

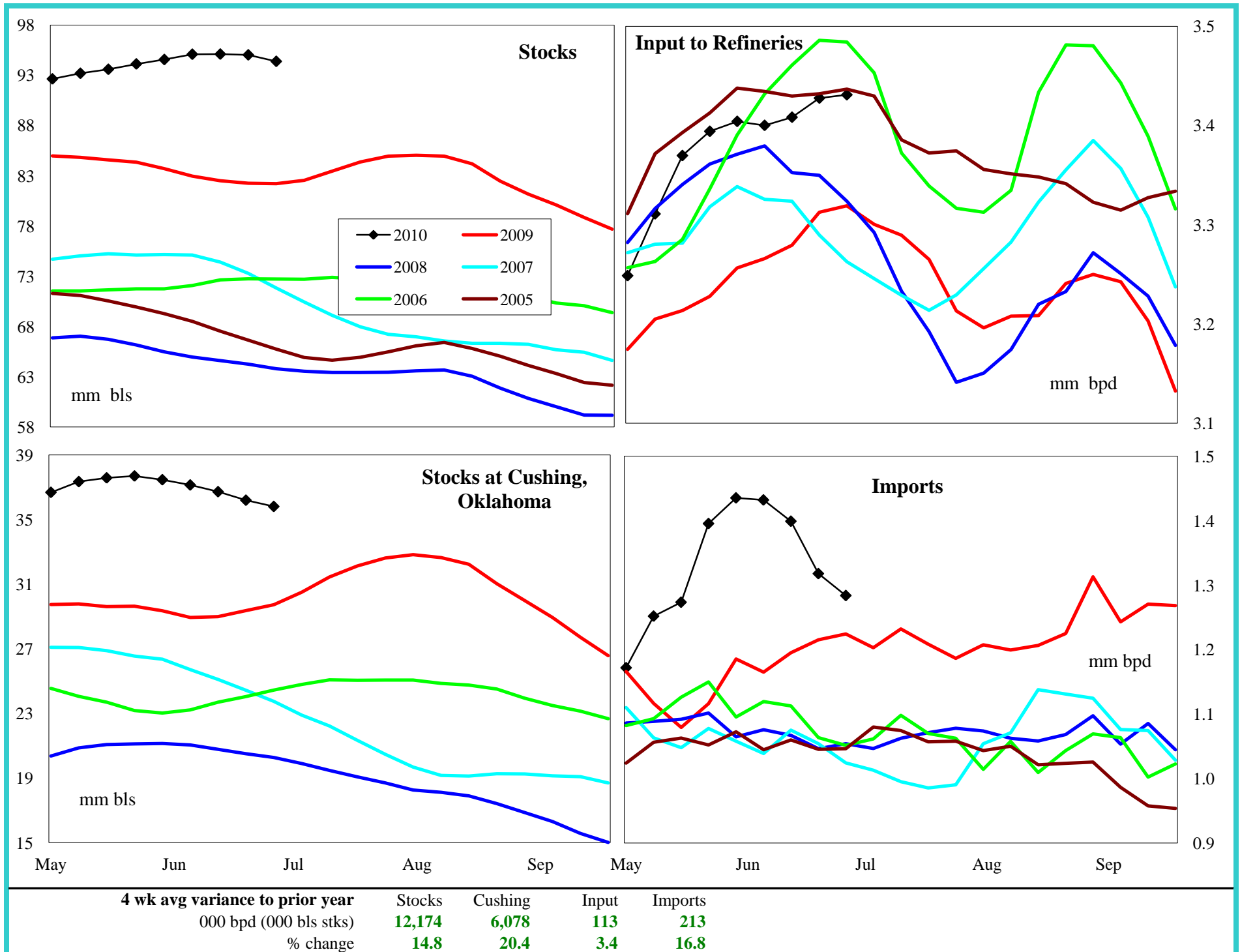
-14.5

# PADD 1 Residual Fuel Oil Supply

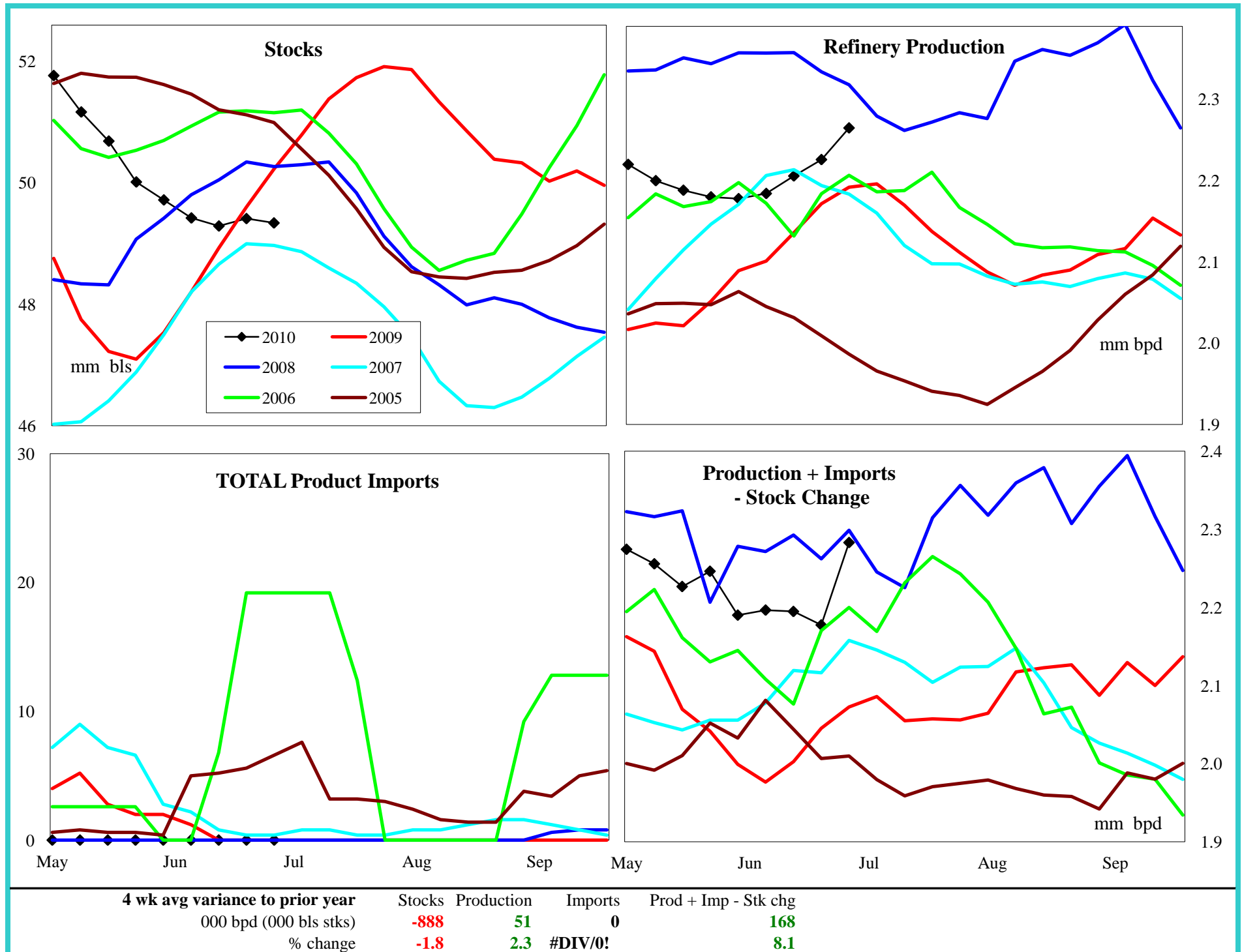




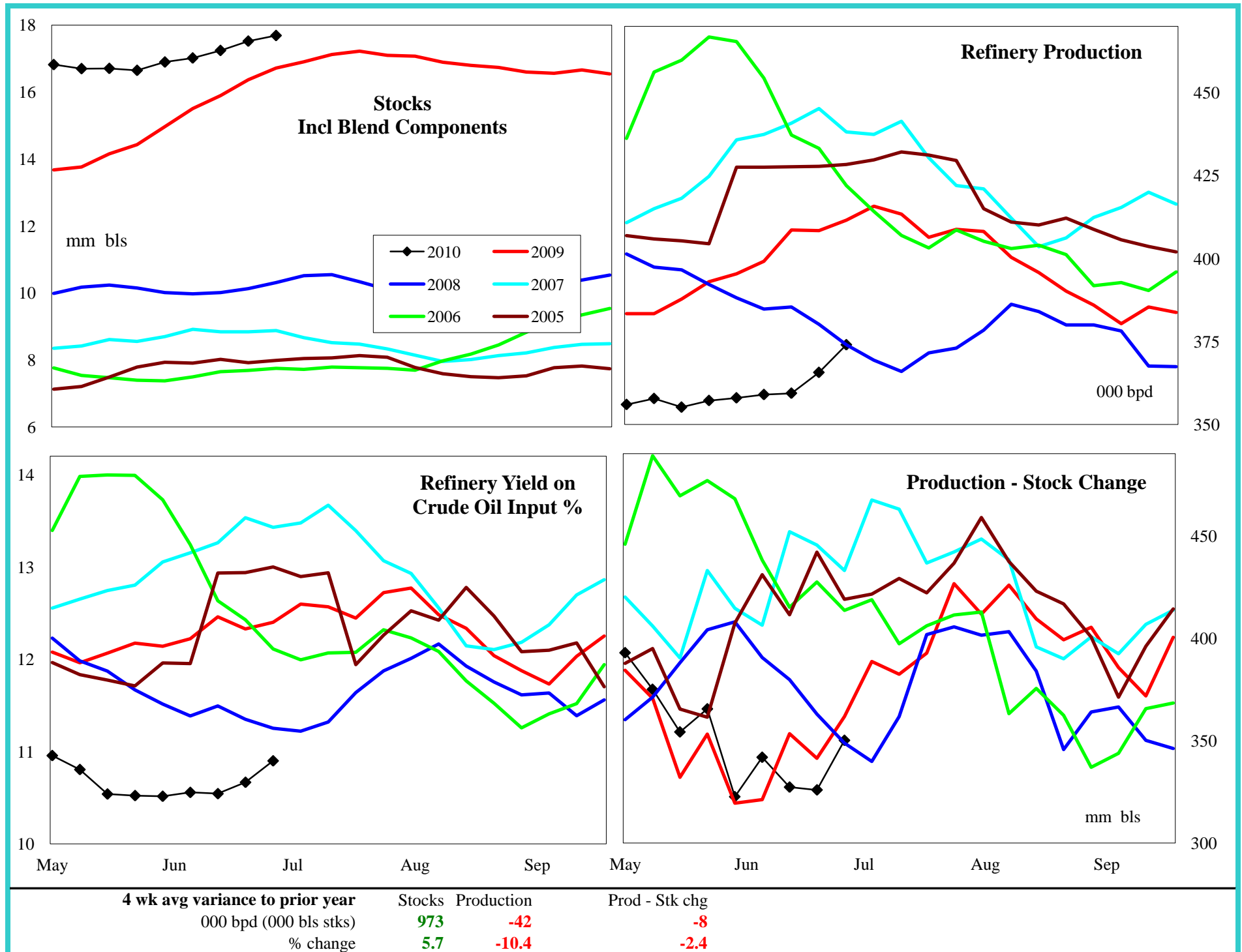
# PADD 2 Crude Oil Supply and Refining



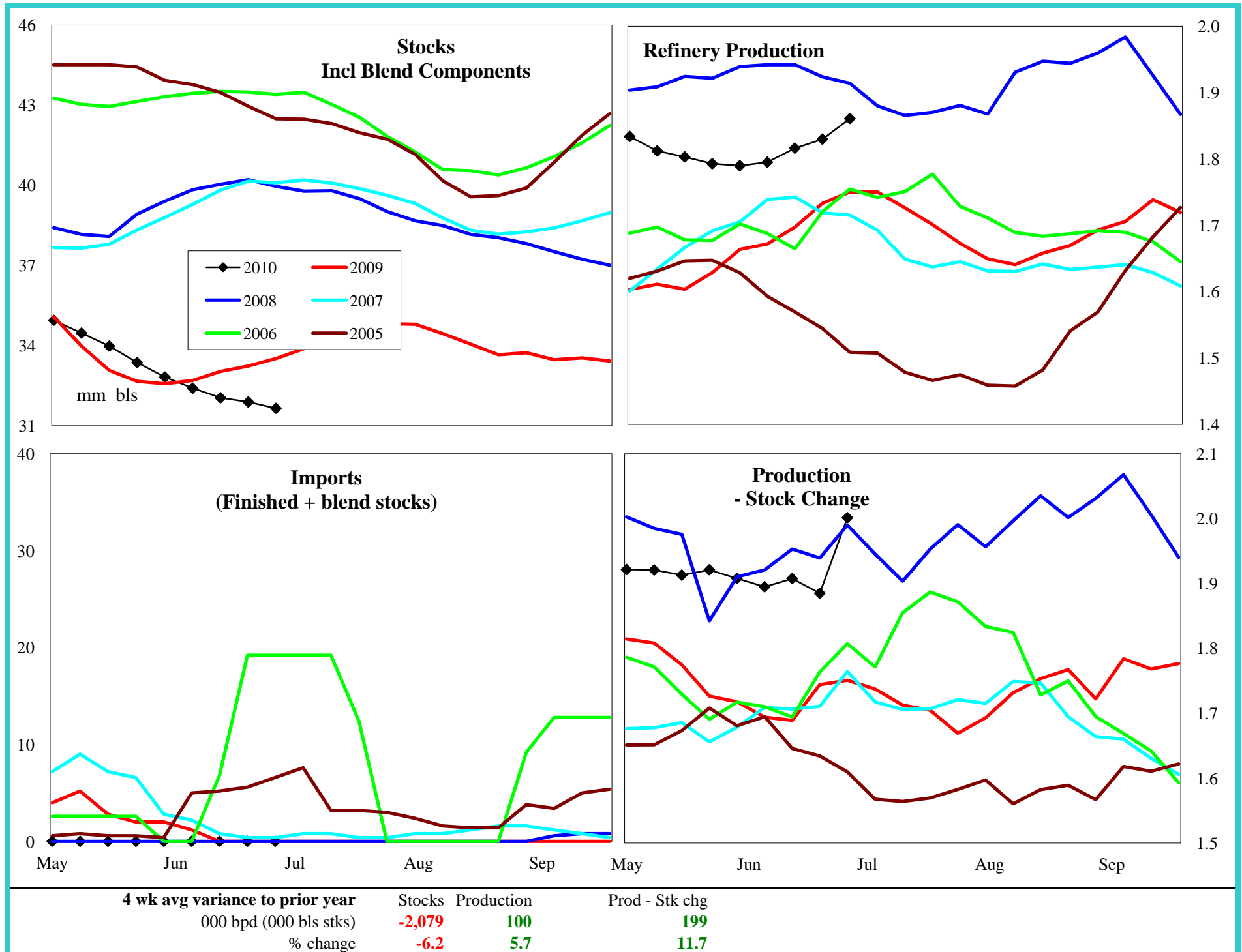
# PADD 2 Gasoline Supply



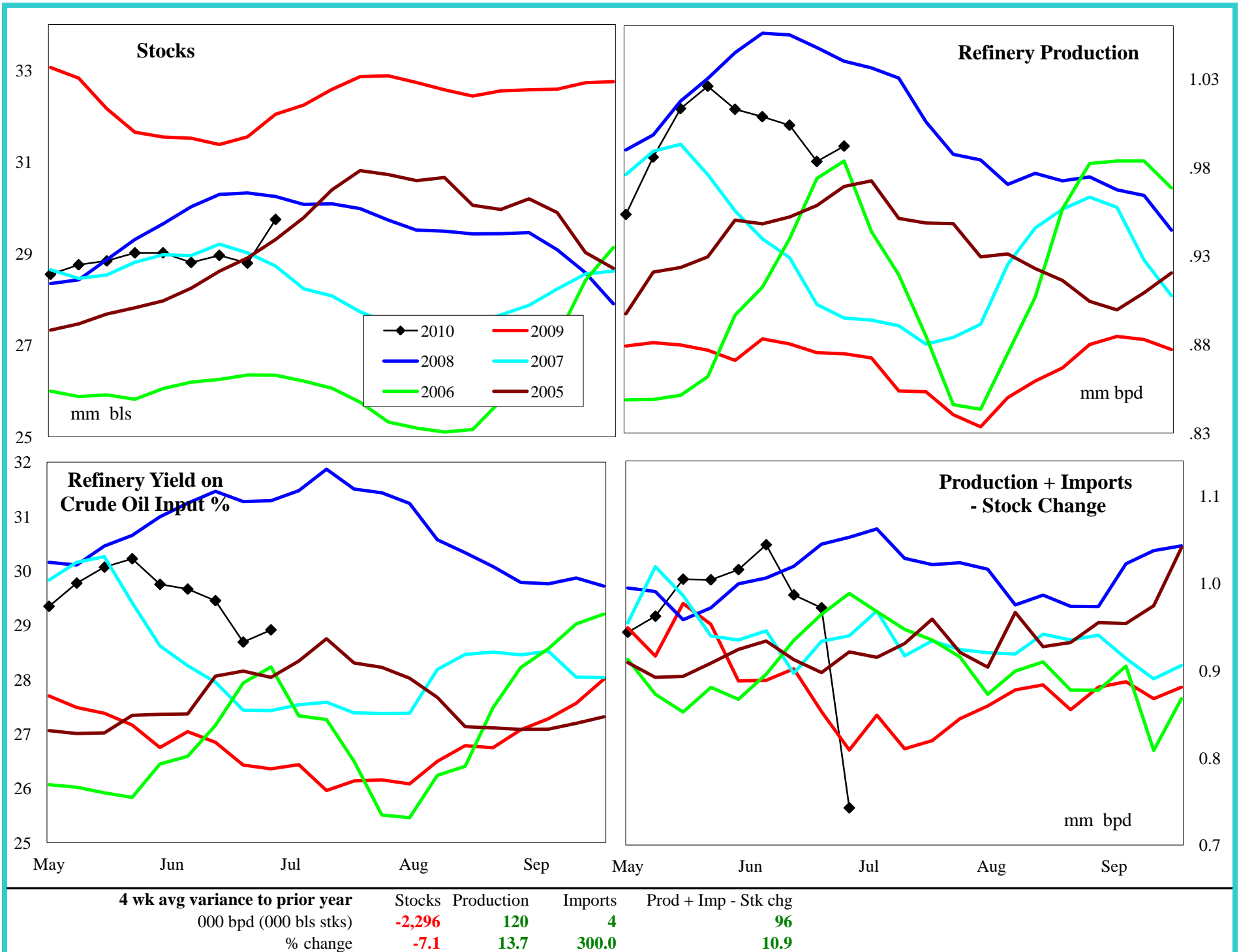
# PADD 2 Reformulated Gasoline Supply



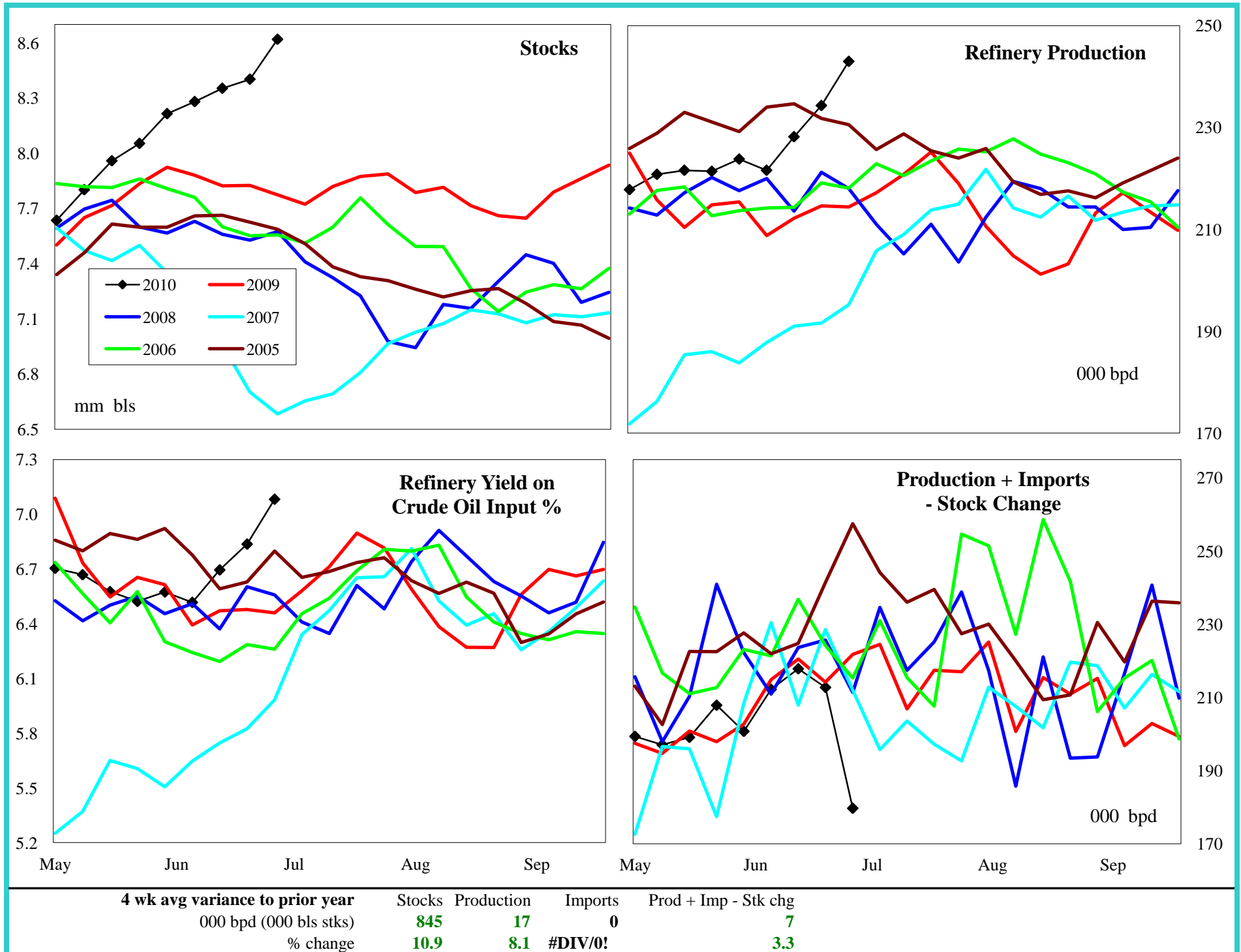
# PADD 2 Conventional Gasoline Supply



# PADD 2 Distillate Supply

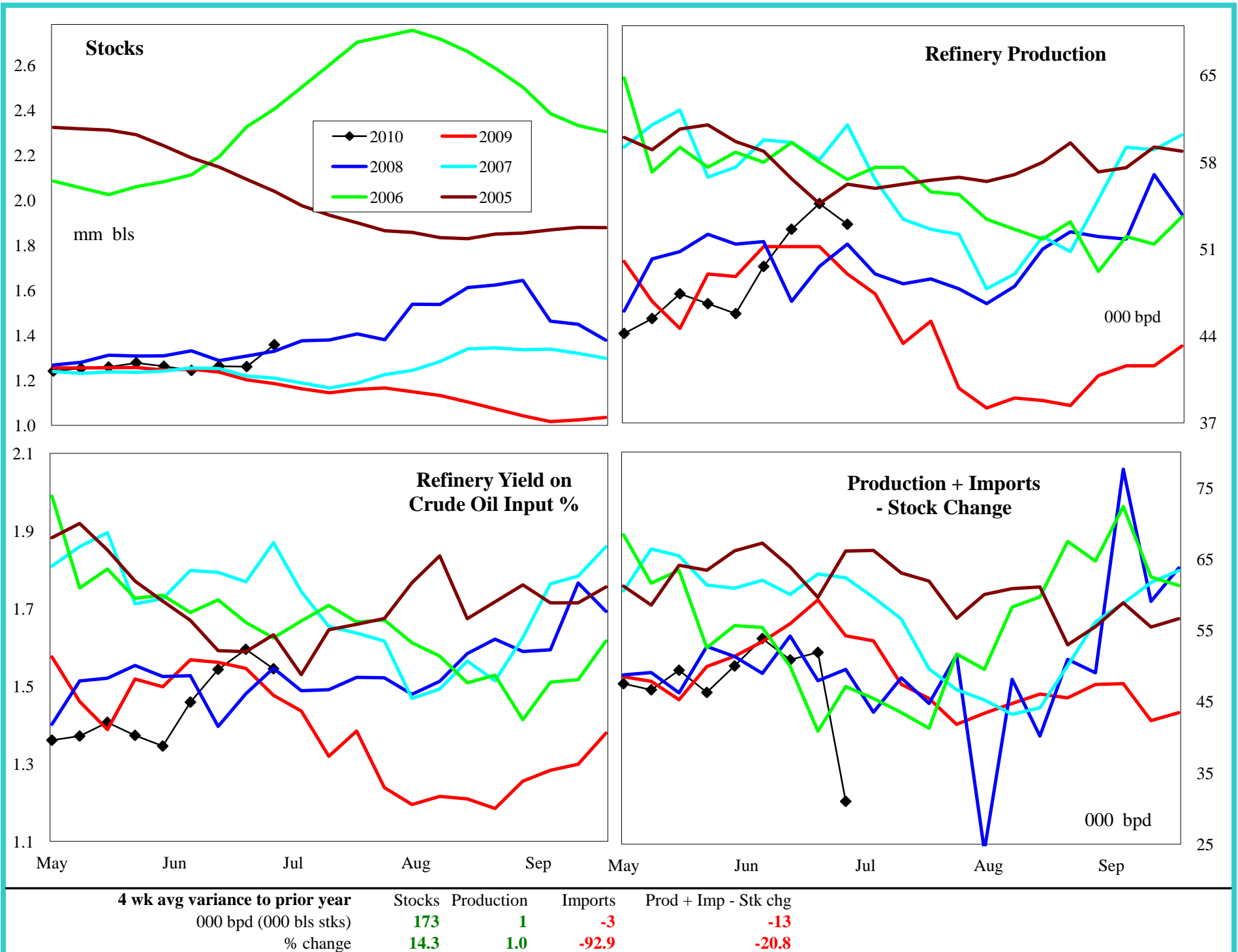


# PADD 2 Jet Fuel Supply

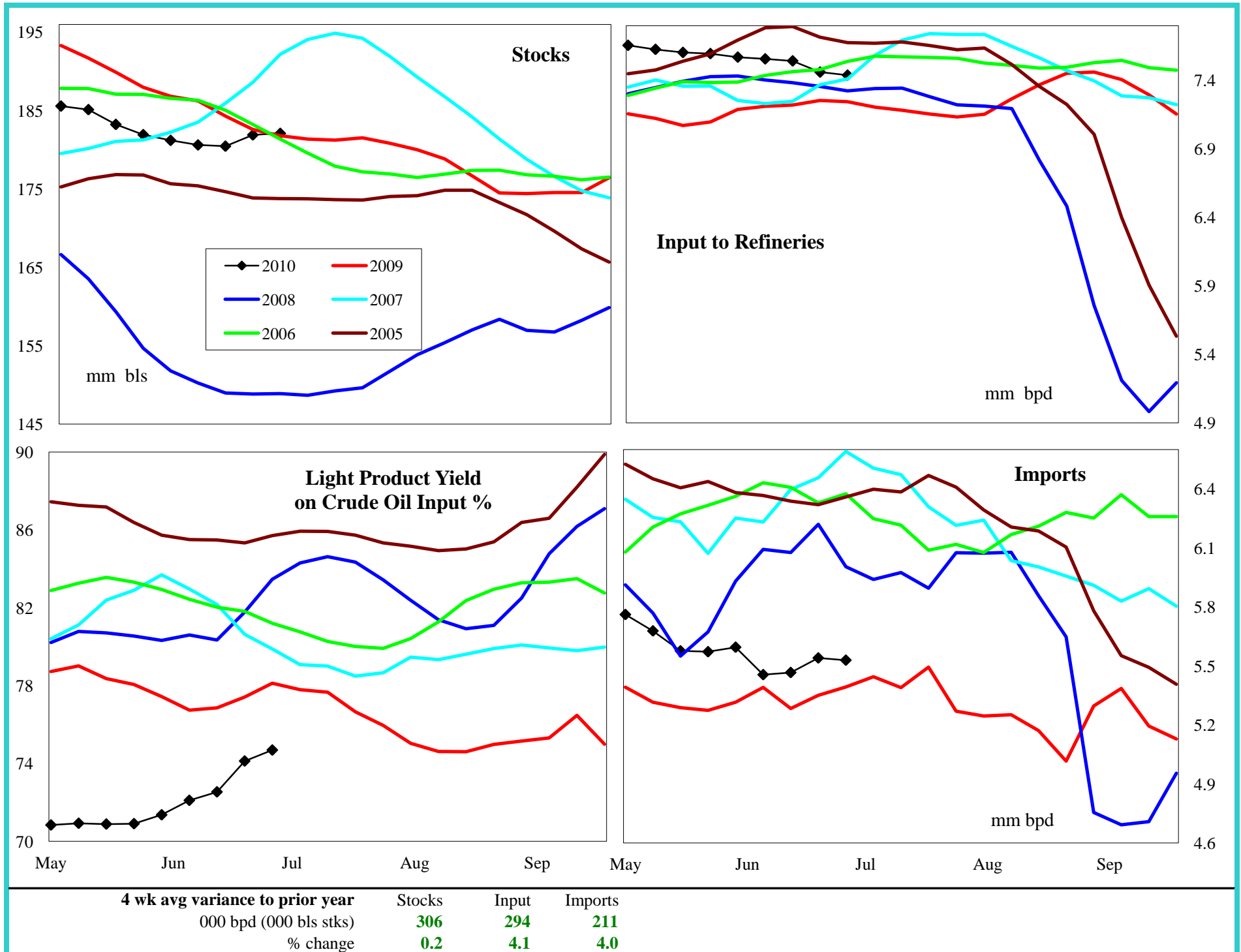




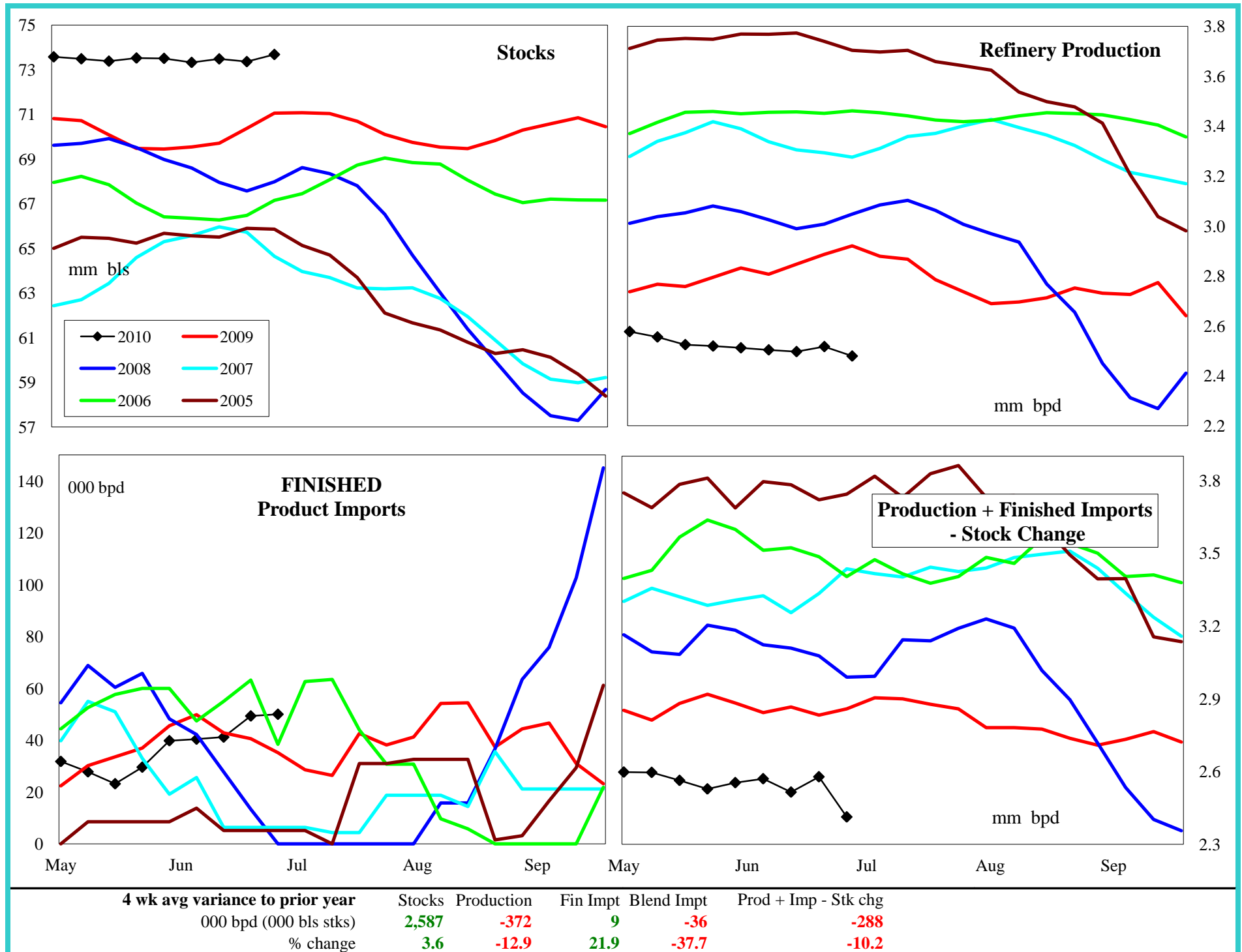
# PADD 2 Residual Fuel Oil Supply



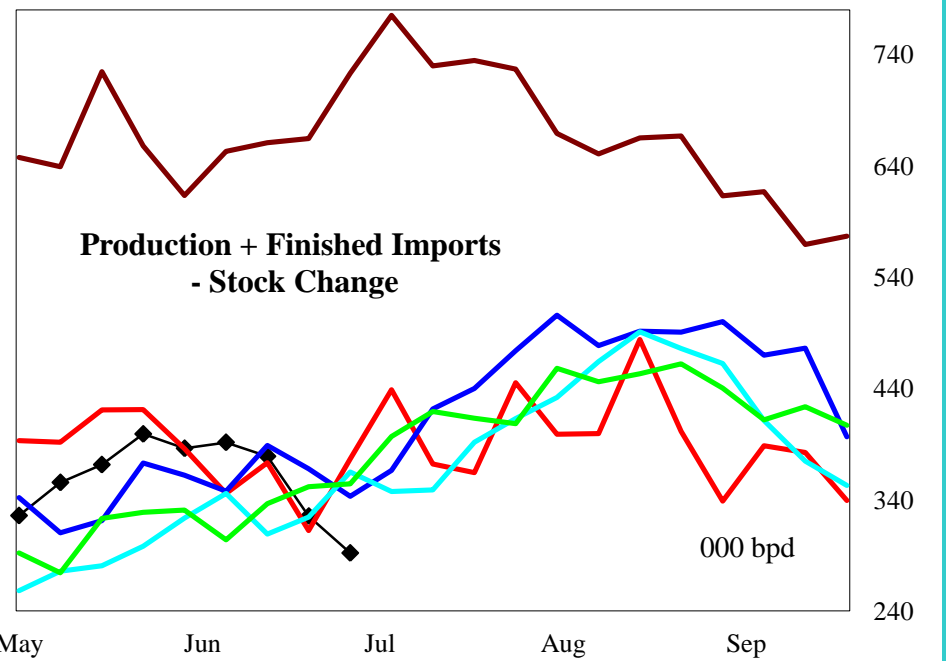
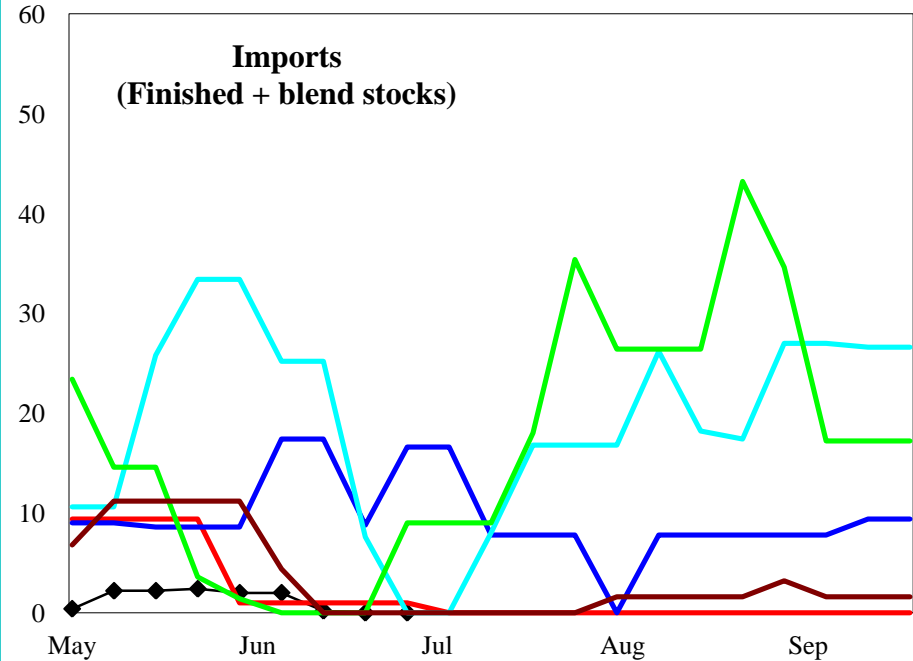
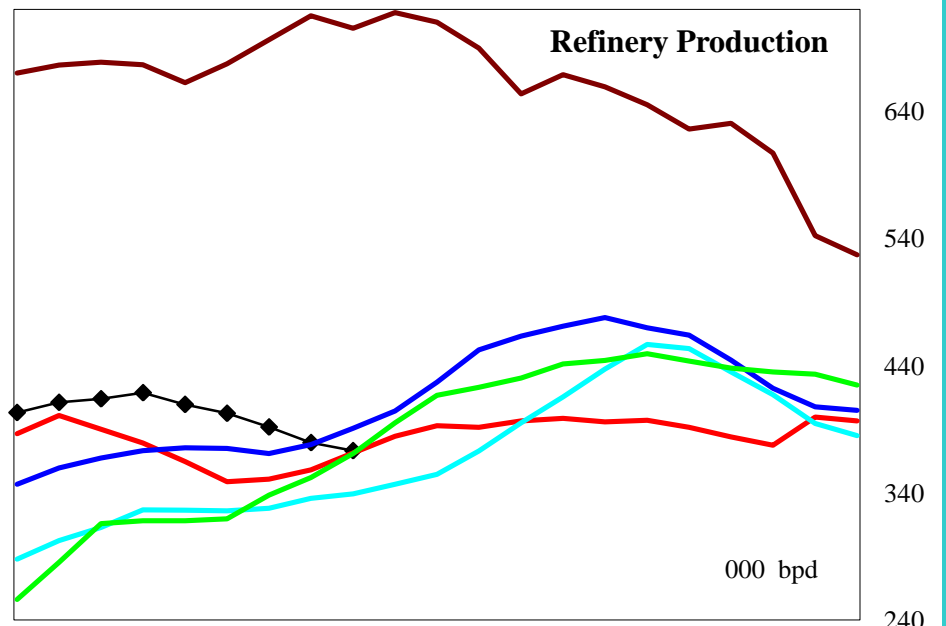
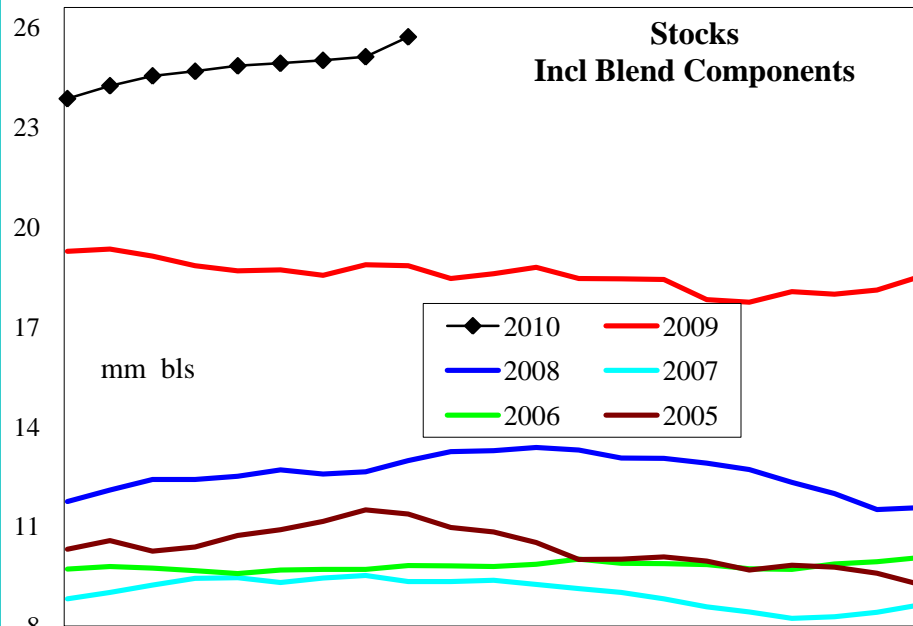
# PADD 3 Crude Oil Supply and Refining



# PADD 3 Gasoline Supply



# PADD 3 Reformulated Gasoline Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

7,747

33

-1

14

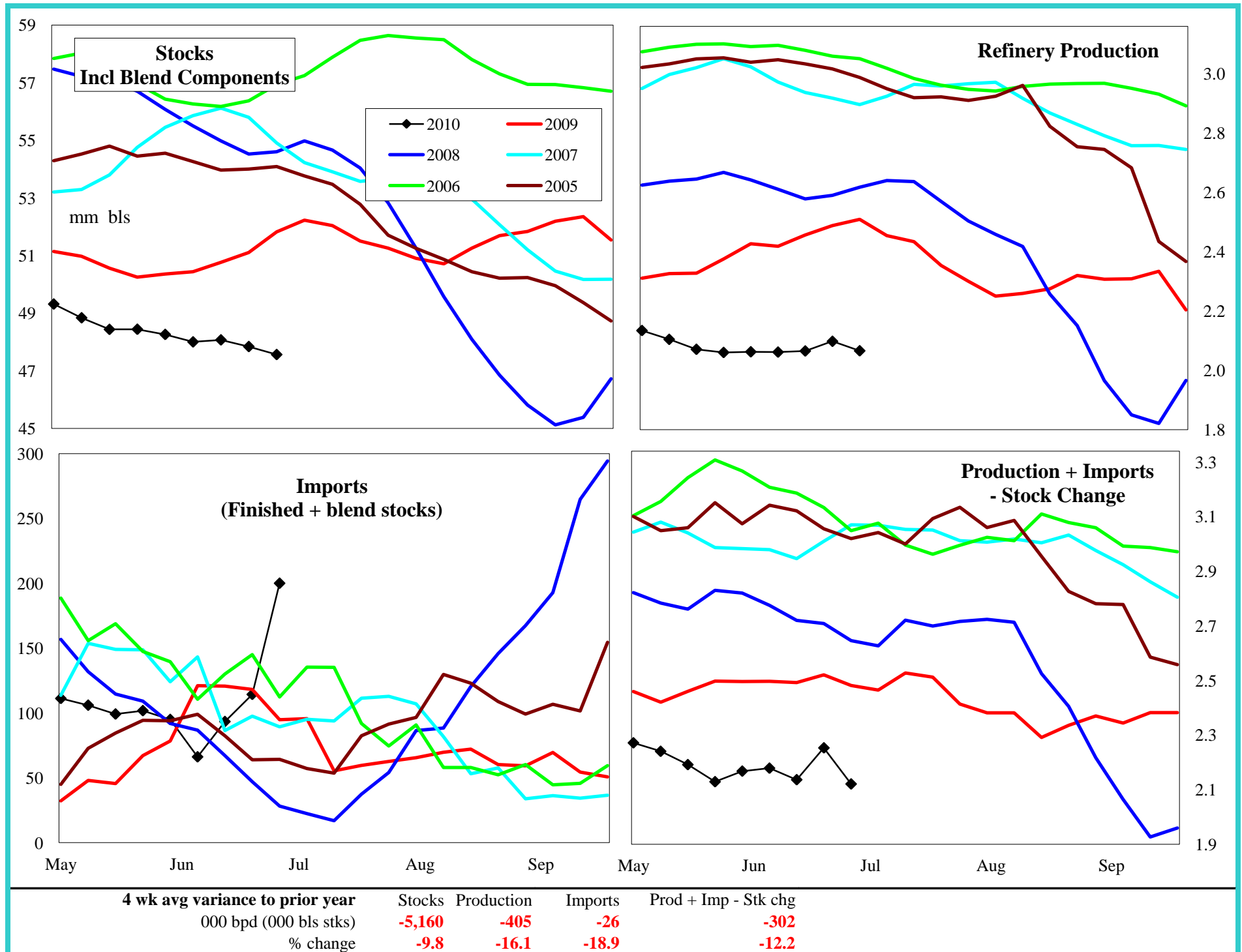
42.2

9.4

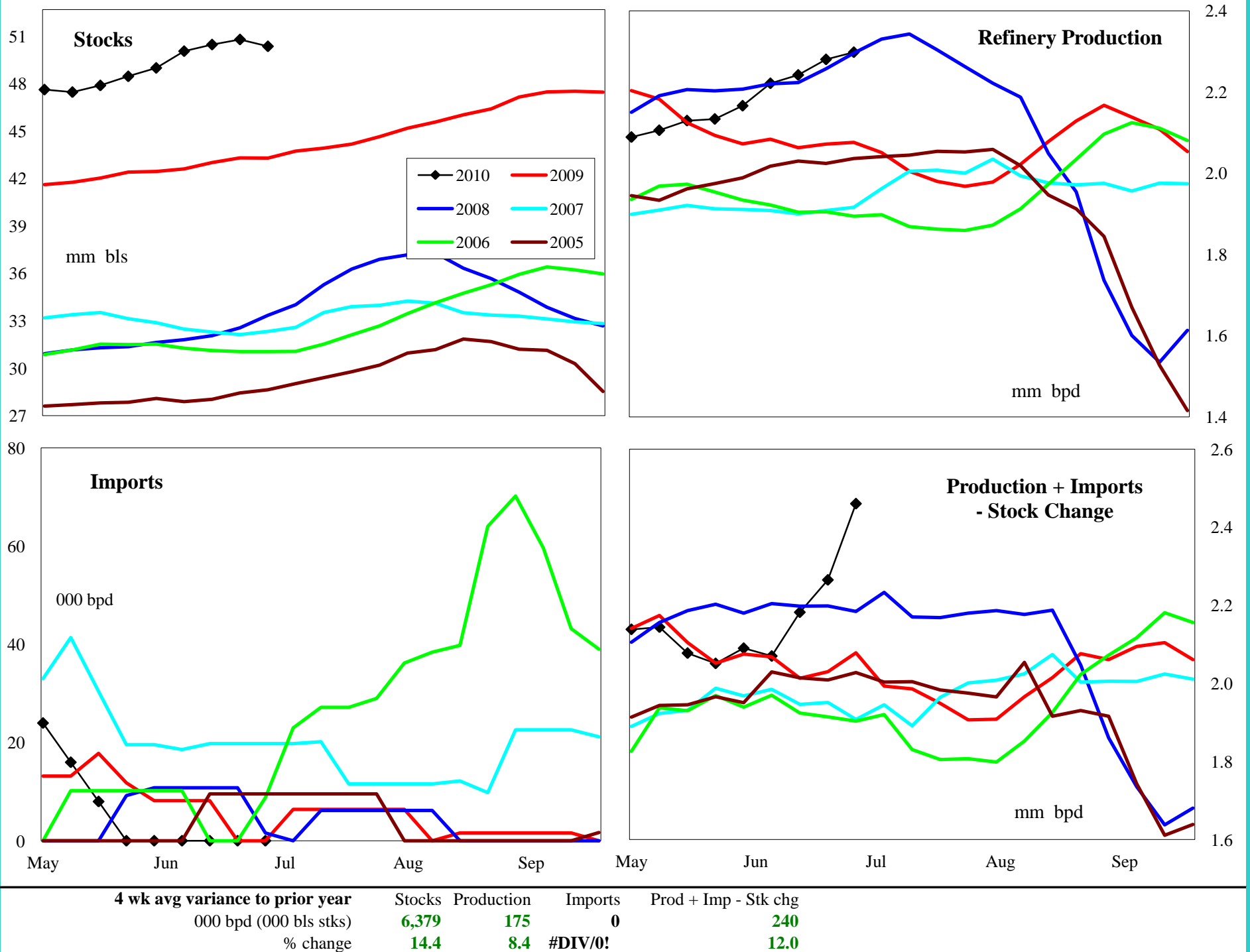
-80.0

4.1

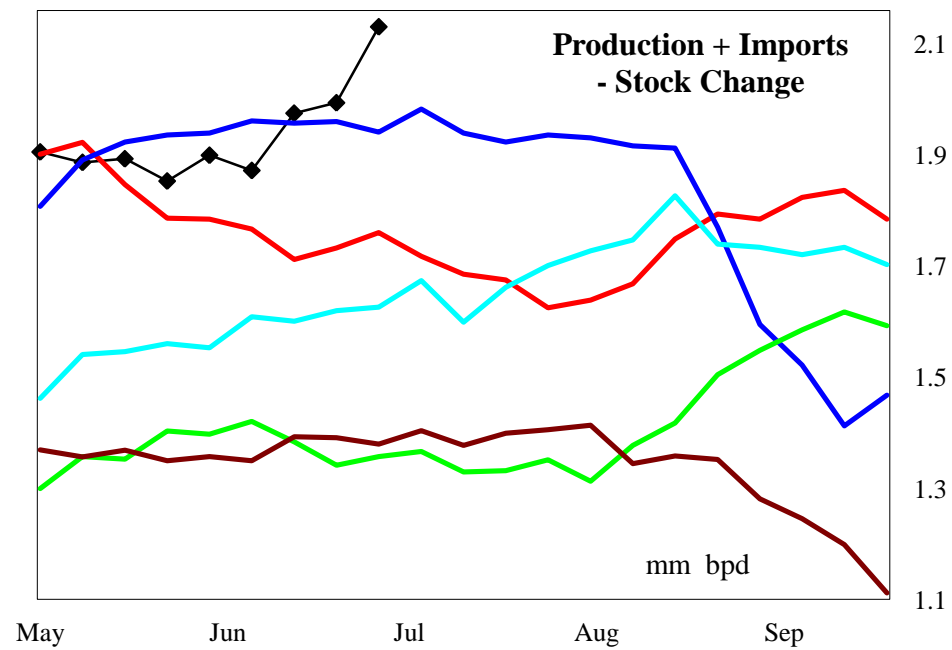
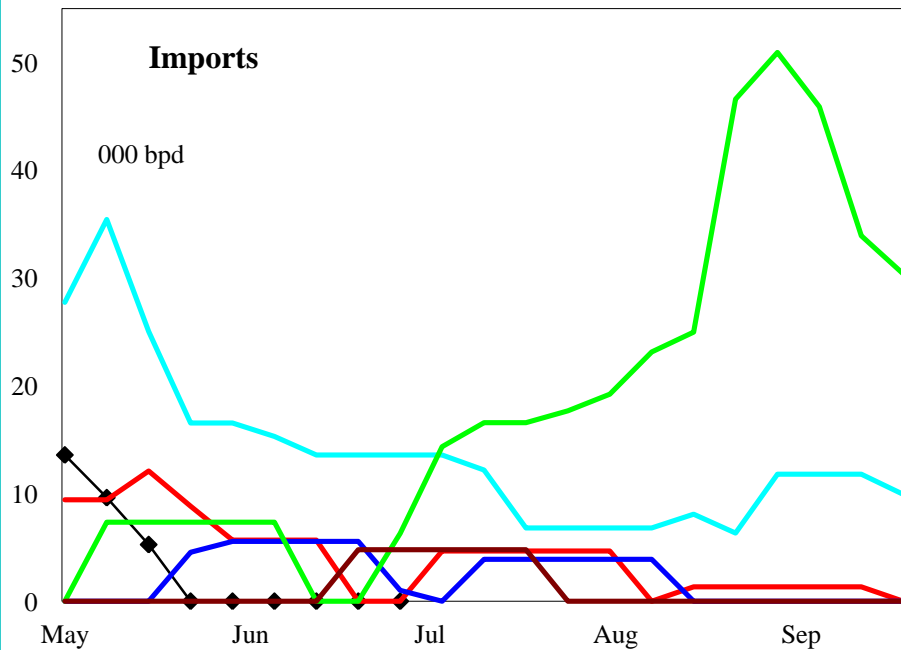
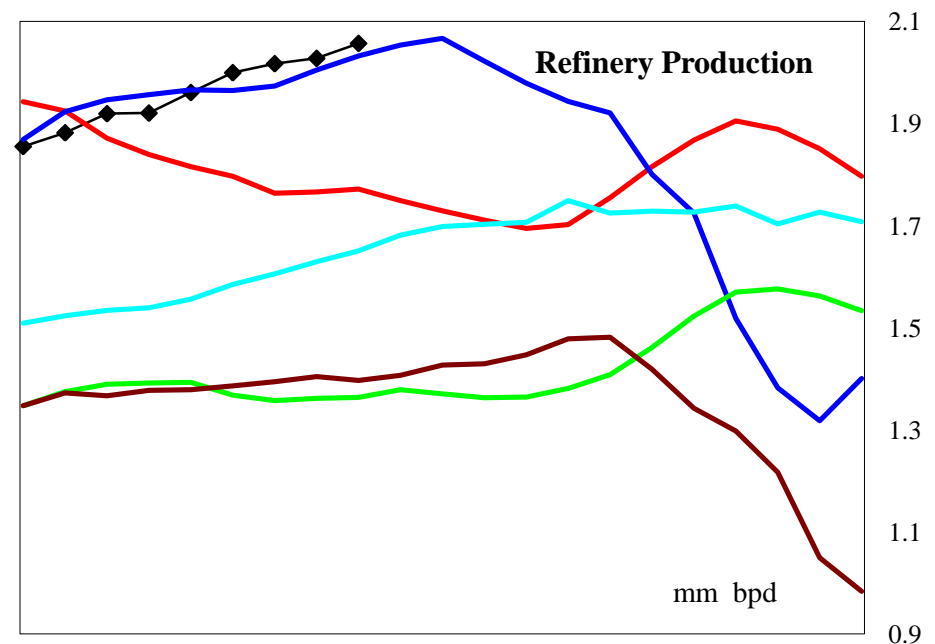
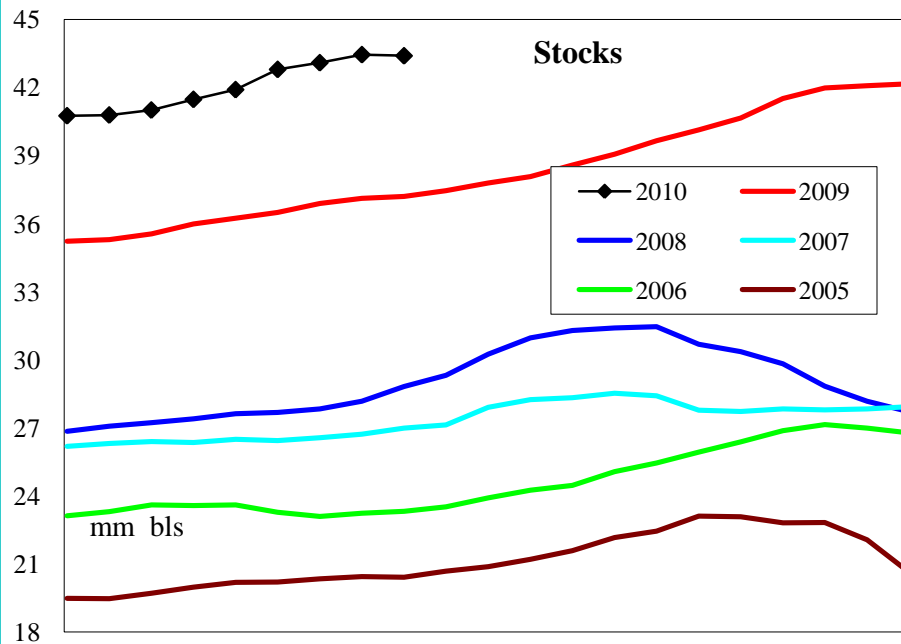
# PADD 3 Conventional Gasoline Supply



# PADD 3 Distillate Supply



# PADD 3 Low Sulfur Distillate Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

**Stocks**

**5,922**

**15.8**

**Production**

**248**

**13.8**

**Imports**

**0**

**#DIV/0!**

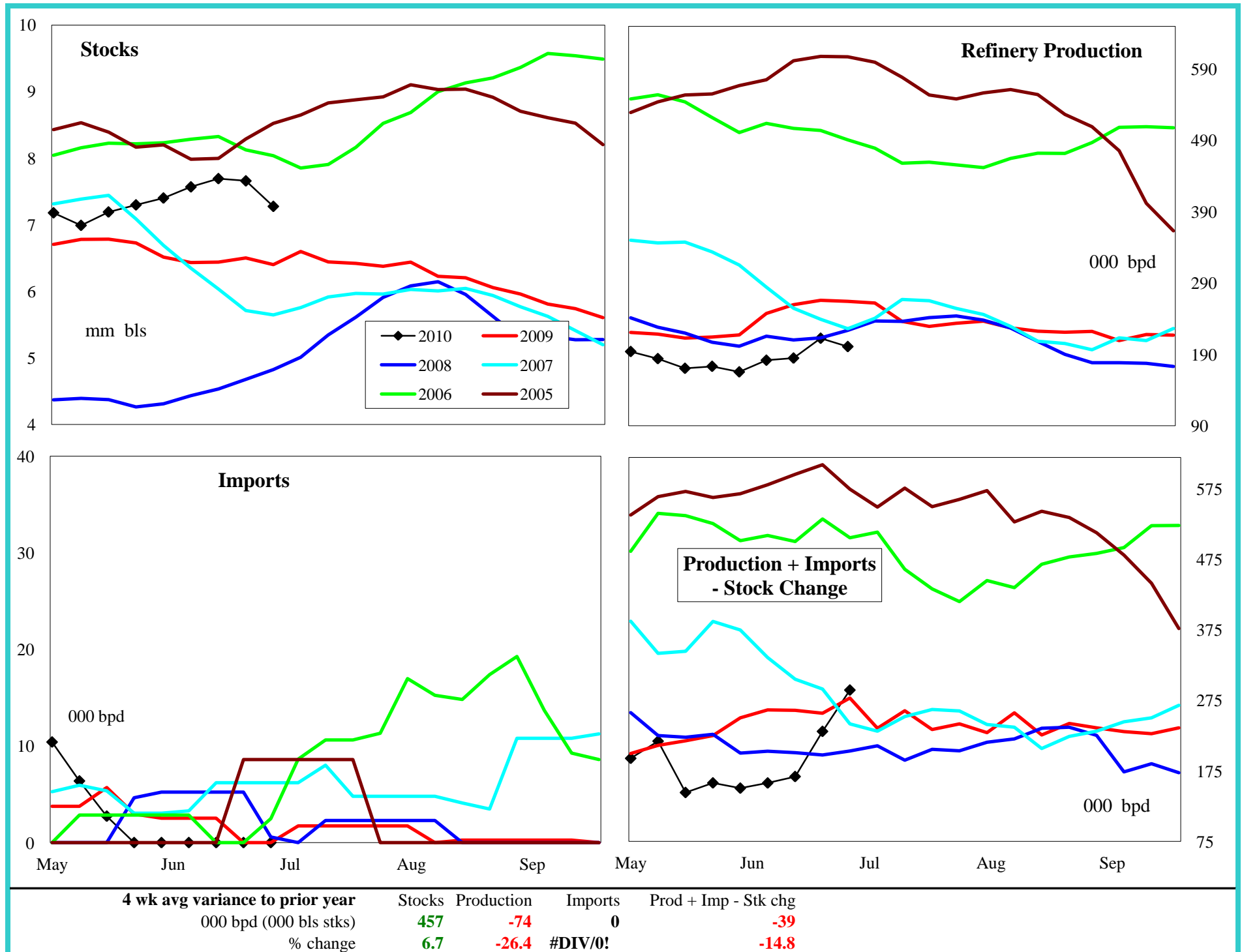
**Prod + Imp - Stk chg**

**279**

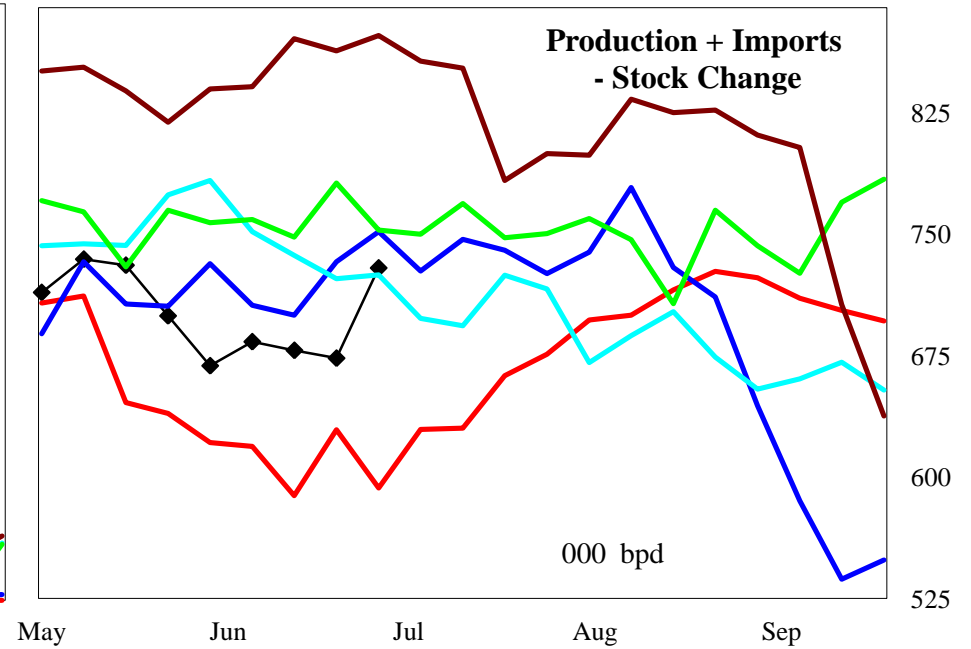
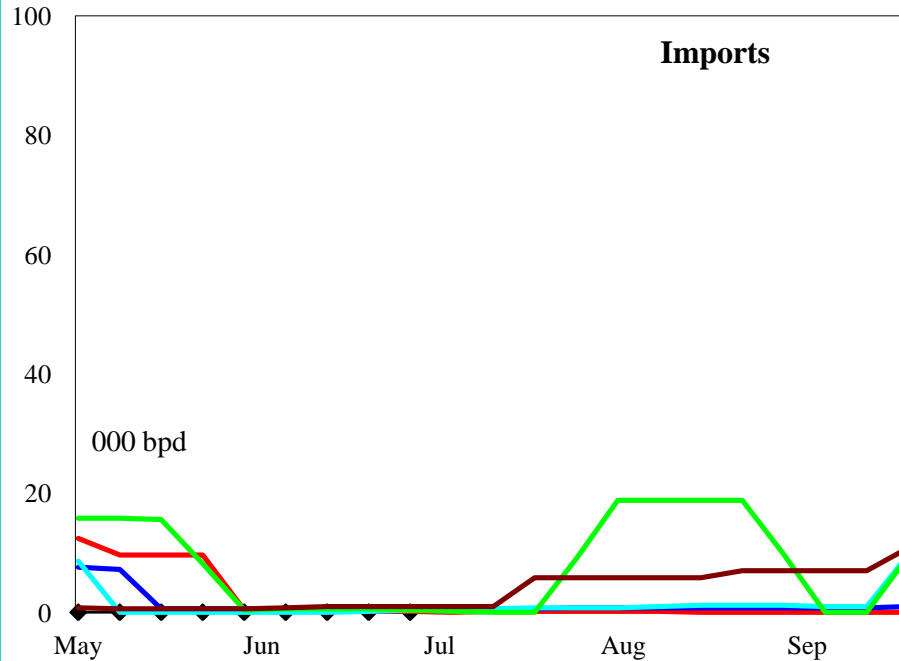
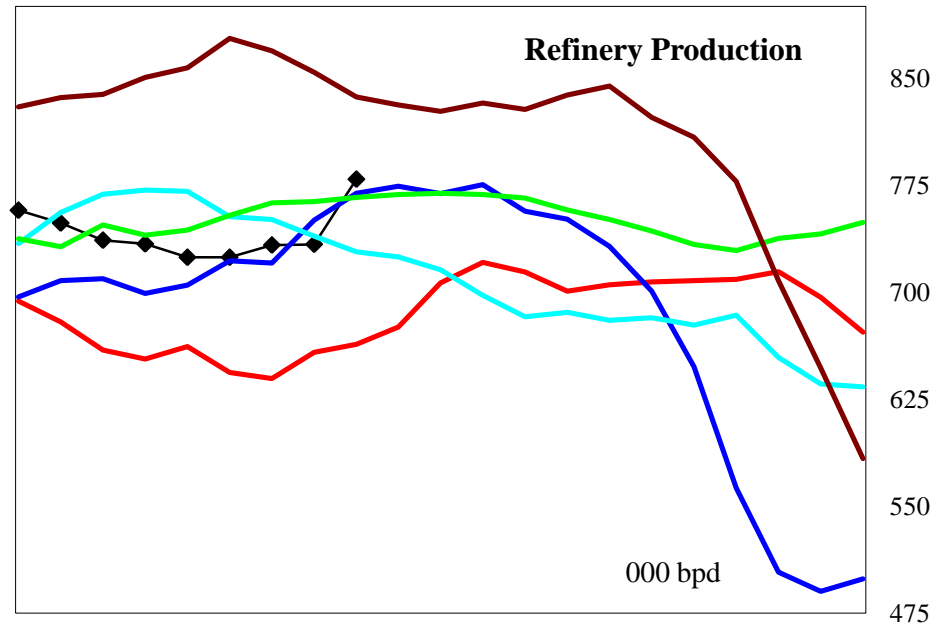
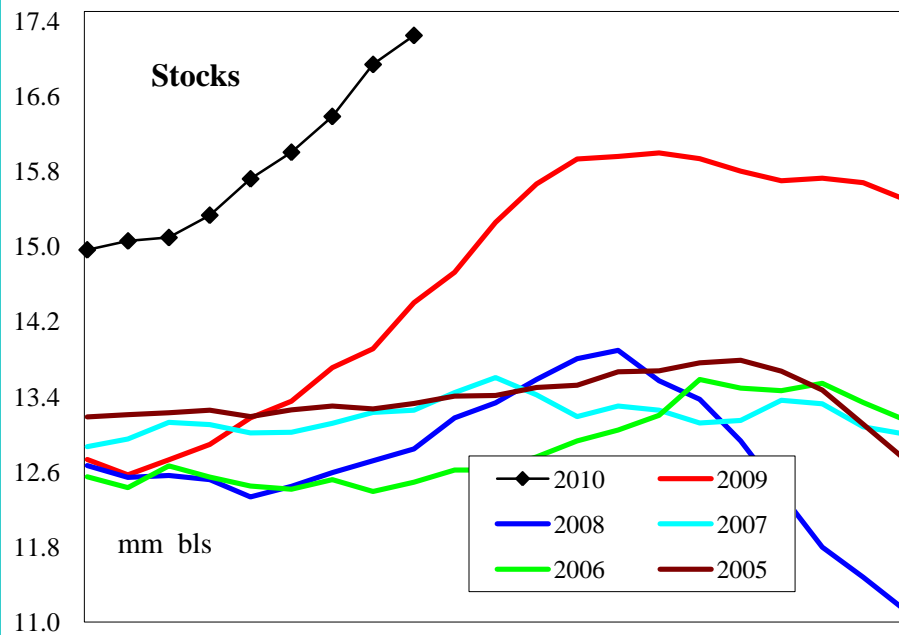
**16.1**



# 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

**2,845**

**19.8**

Production

**97**

**15.2**

Imports

**0**

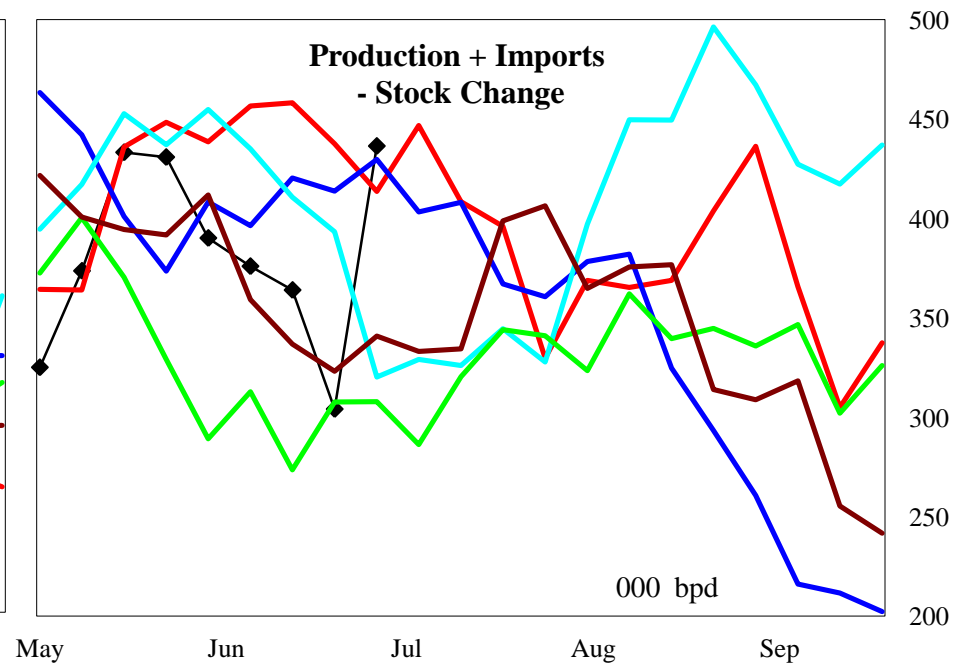
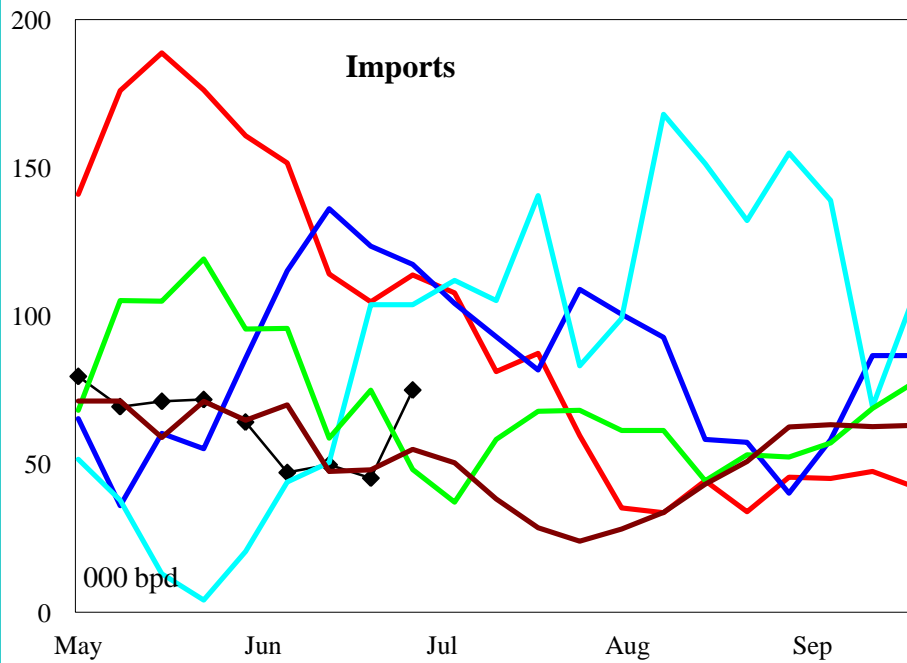
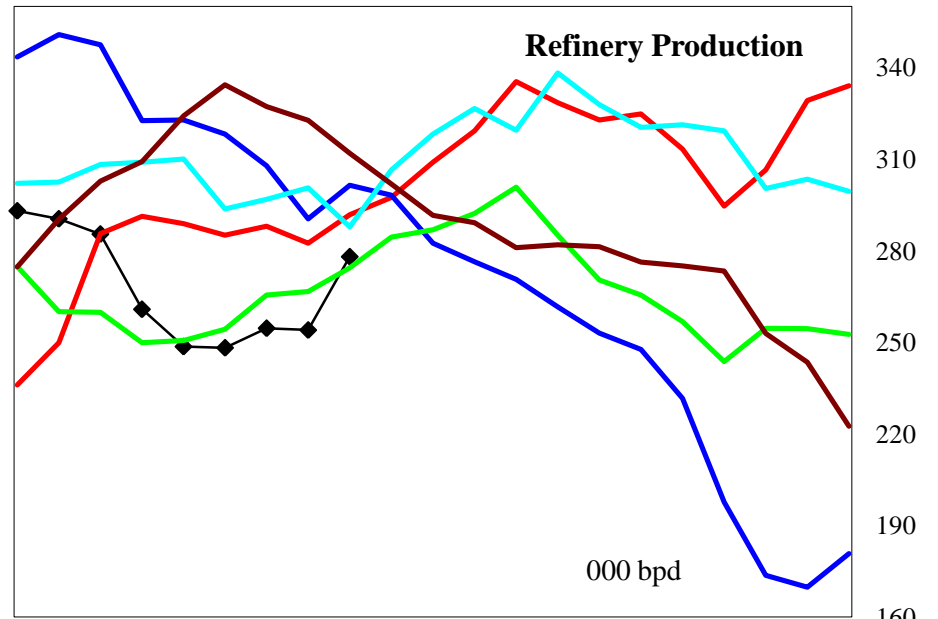
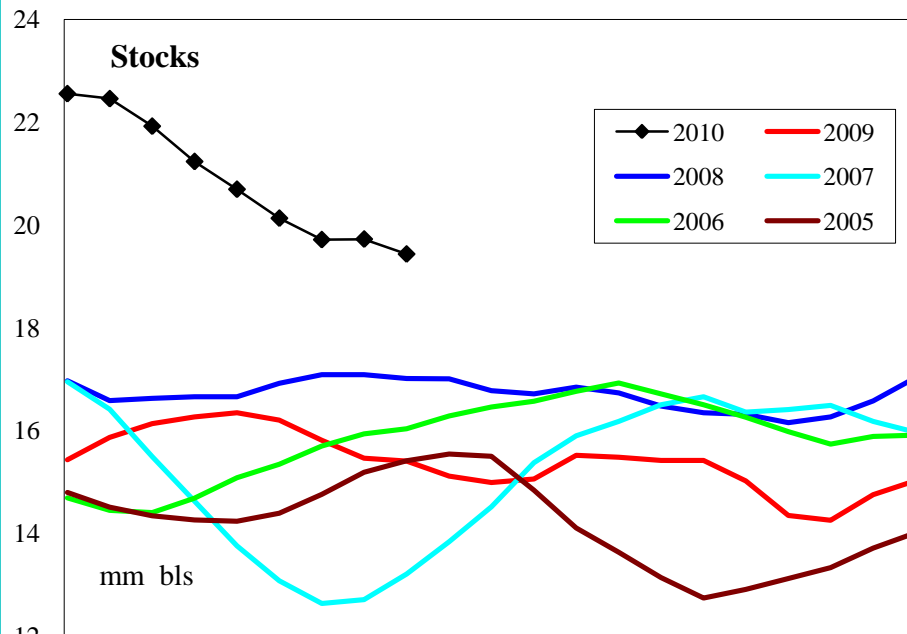
**-100.0**

Prod + Imp - Stk chg

**35**

**5.6**

# 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

4,029

-32

-46

-94

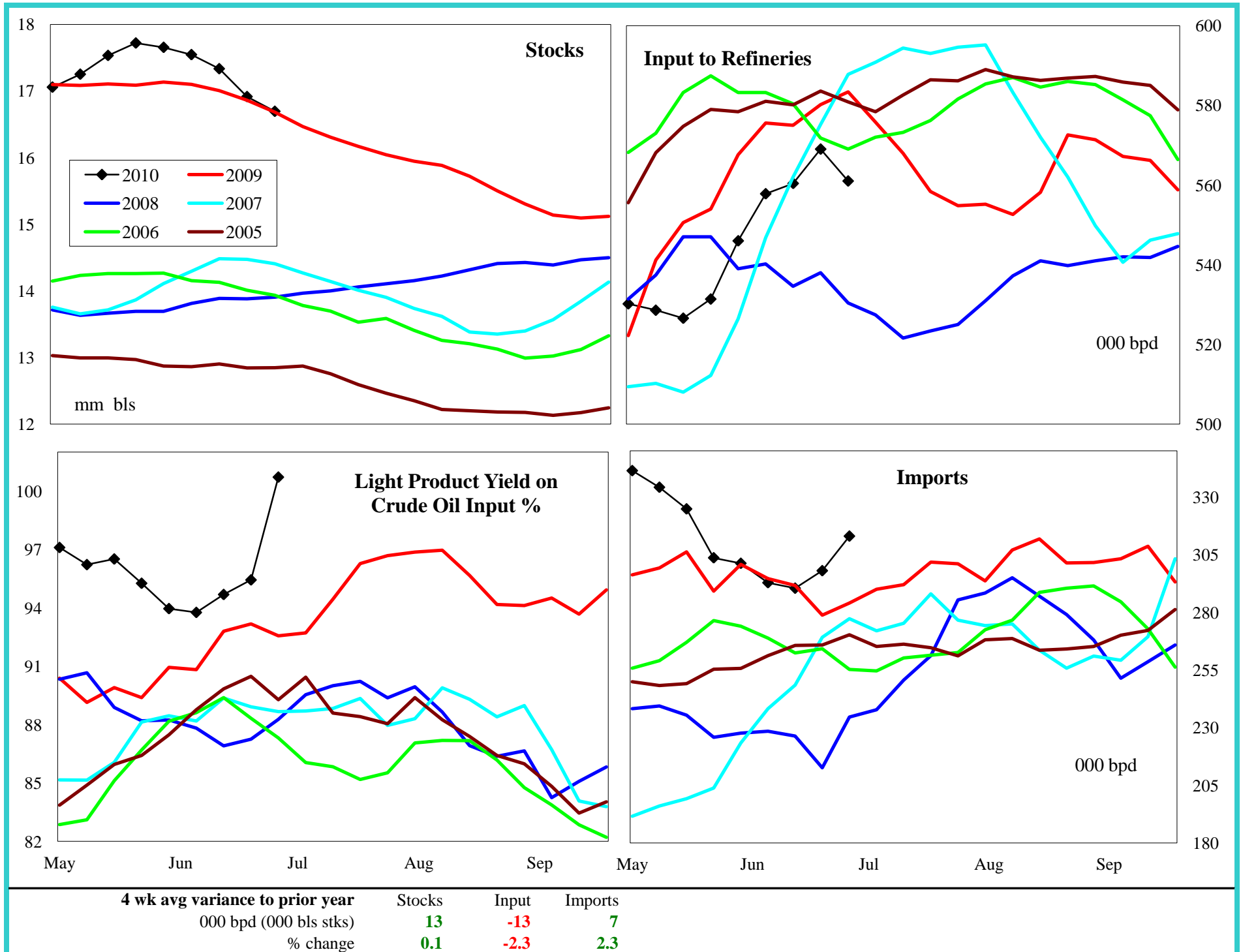
26.2

-11.3

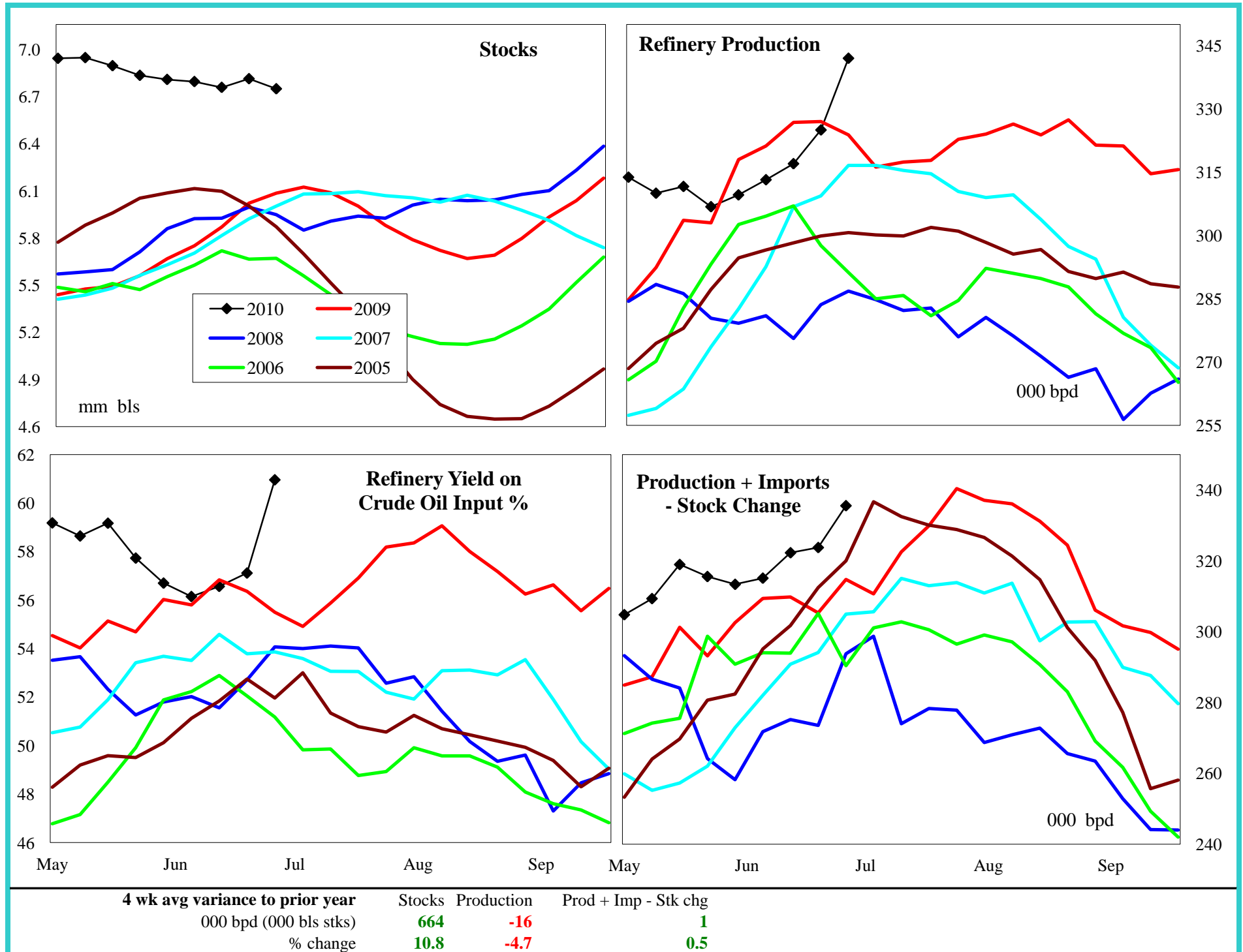
-48.7

-23.1

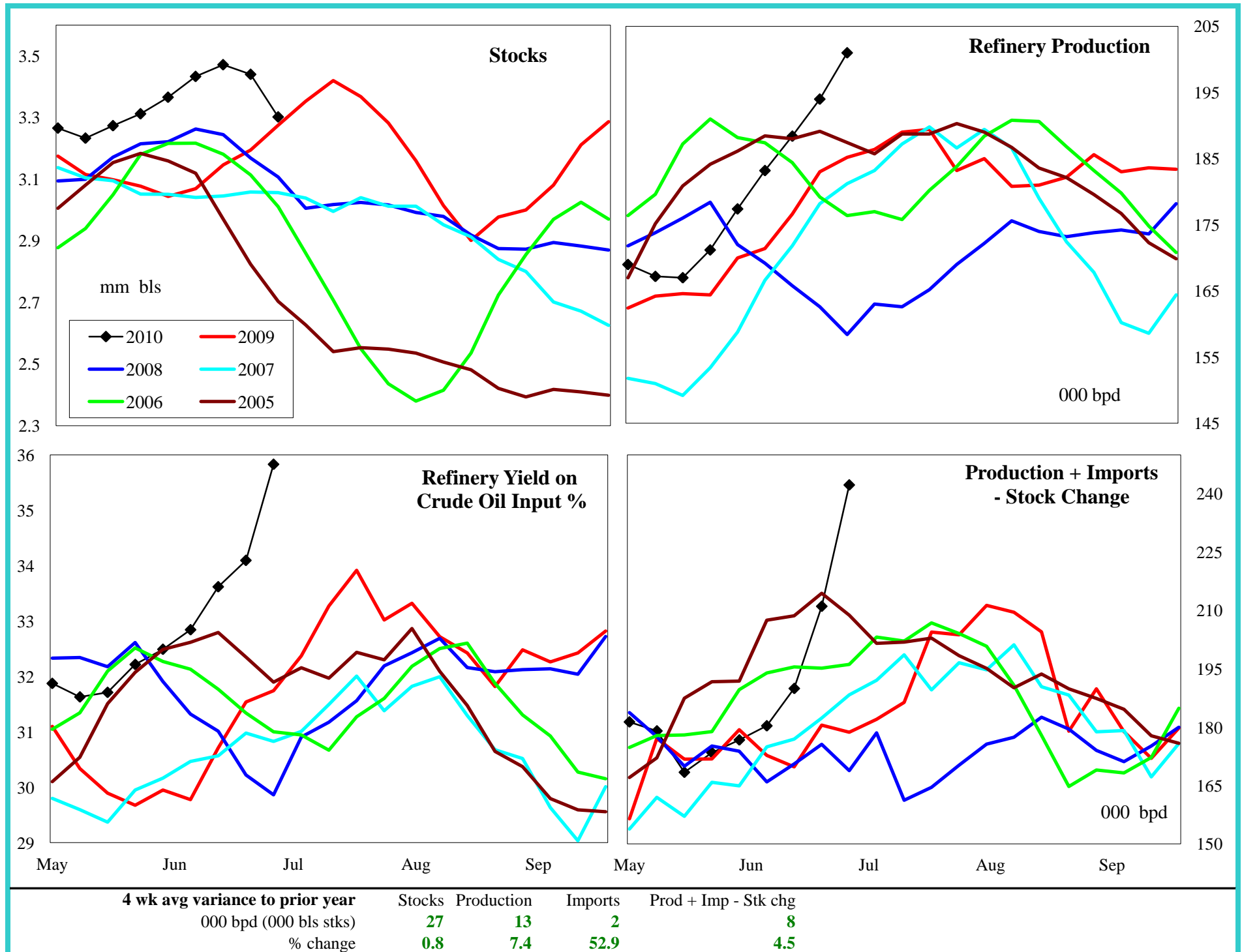
# PADD 4 Crude Oil Supply and Refining



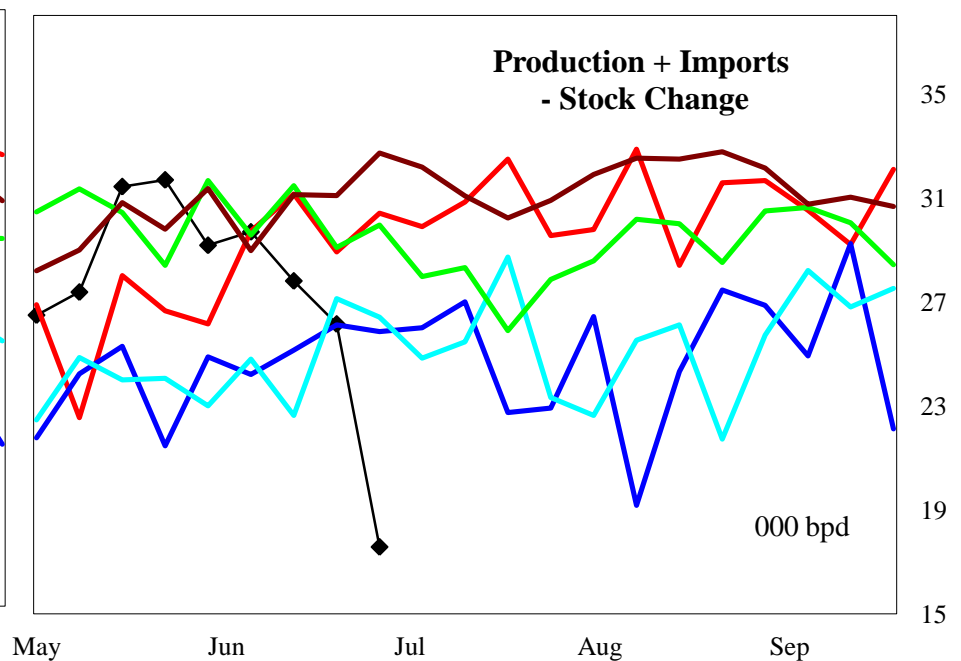
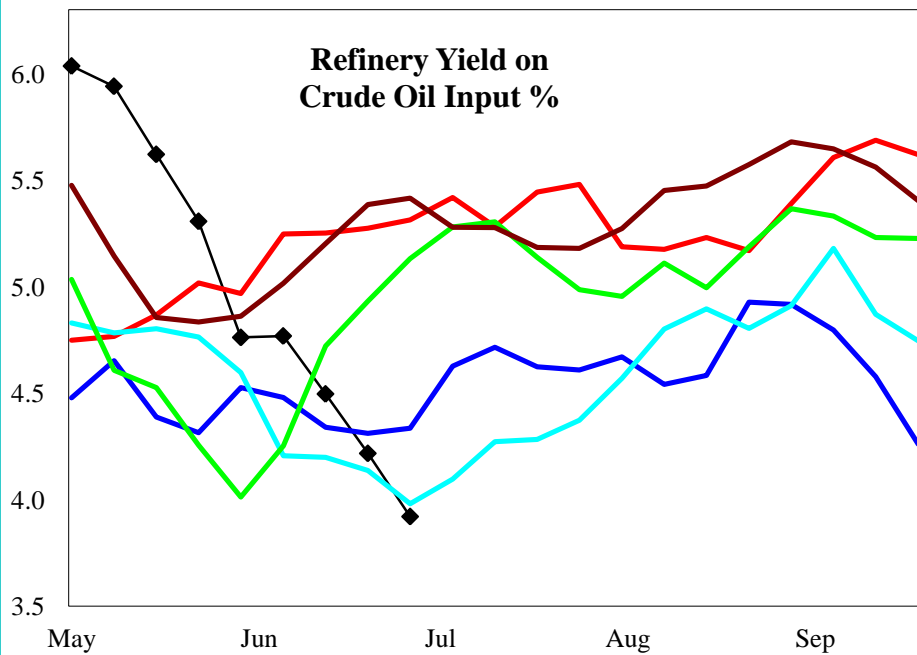
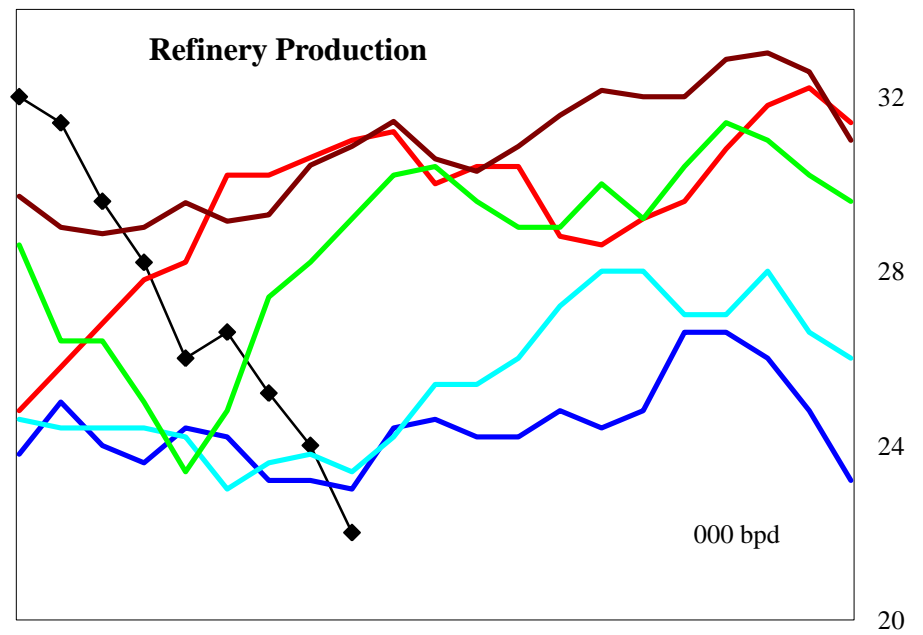
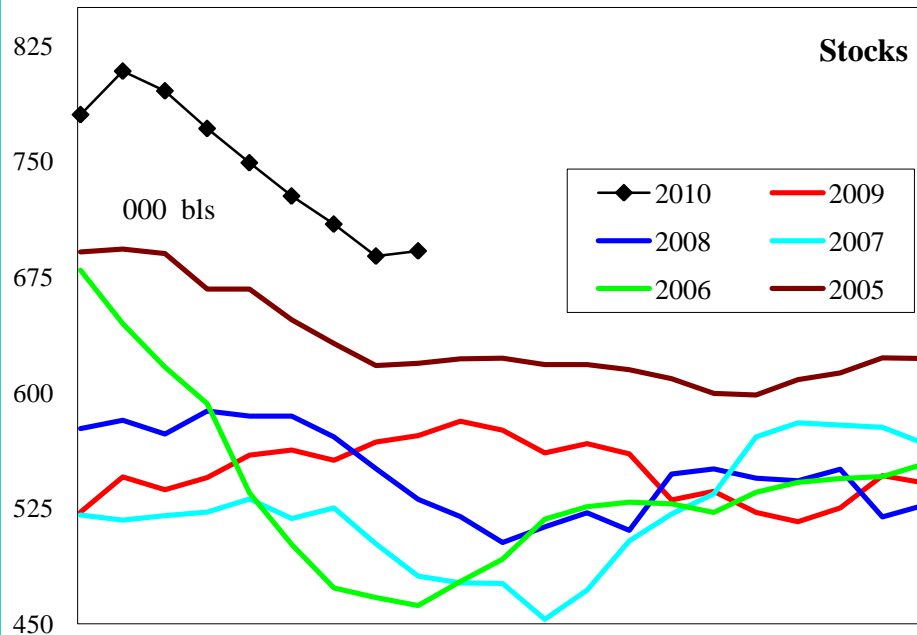
# PADD 4 Gasoline Supply



# PADD 4 Distillate Supply



# PADD 4 Jet Fuel Supply

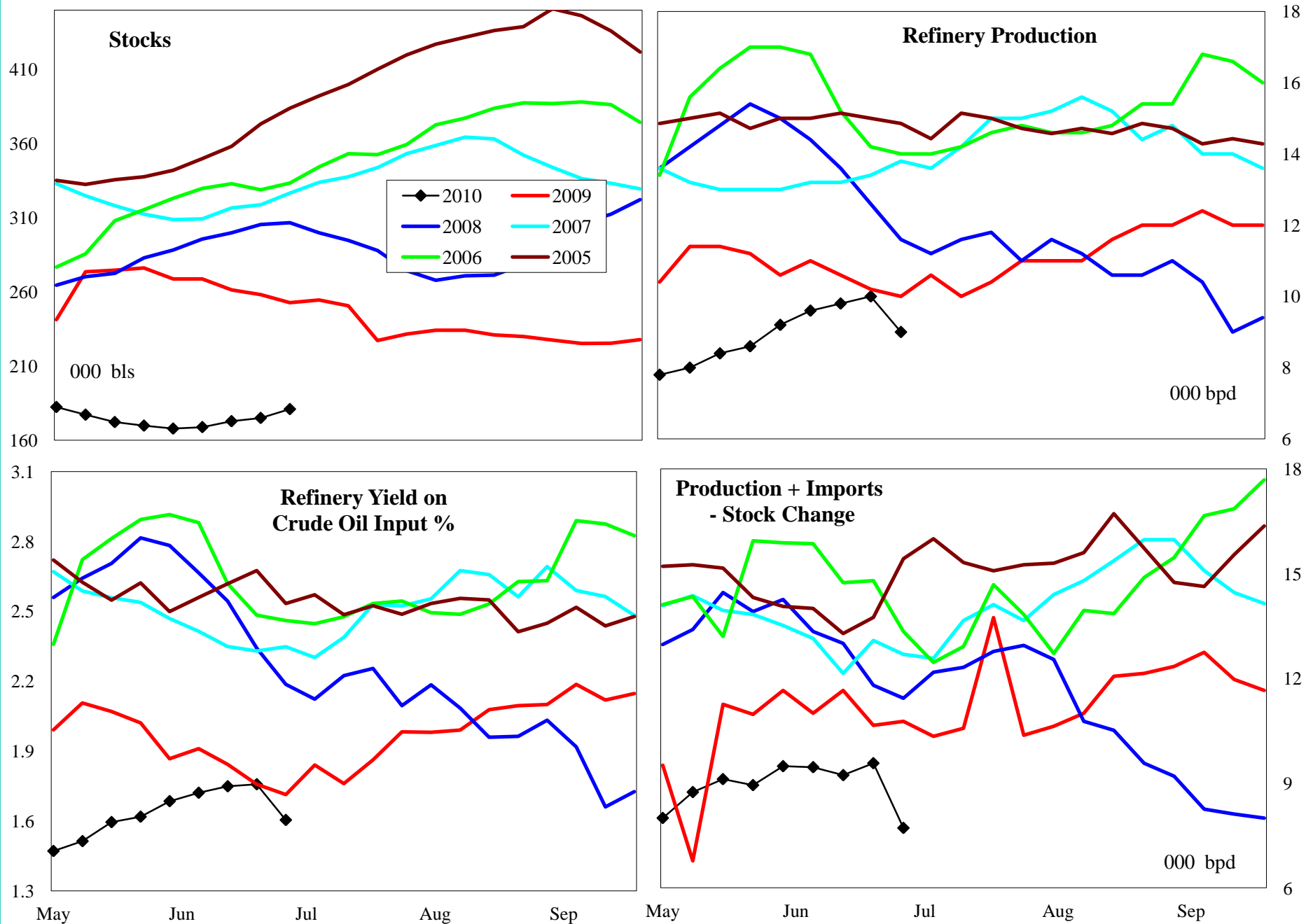


**4 wk avg variance to prior year**  
 000 bpd (000 bls stks)  
 % change

	Stocks	Production
	120	-6
	20.9	-18.2

	Prod + Imp - Stk chg
	1
	1.9

# PADD 4 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

-72

-1

0

12

-28.4

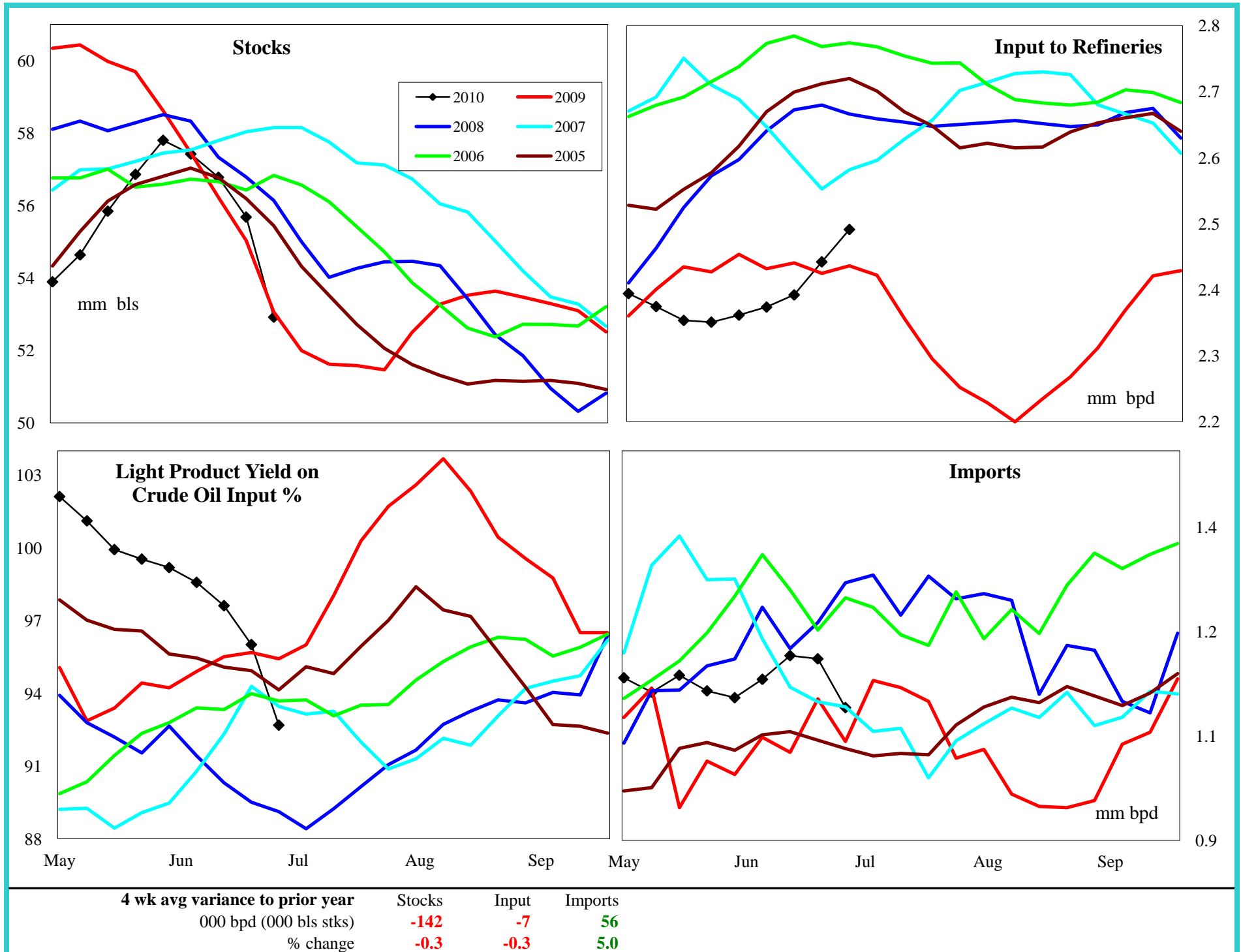
-7.1

#DIV/0!

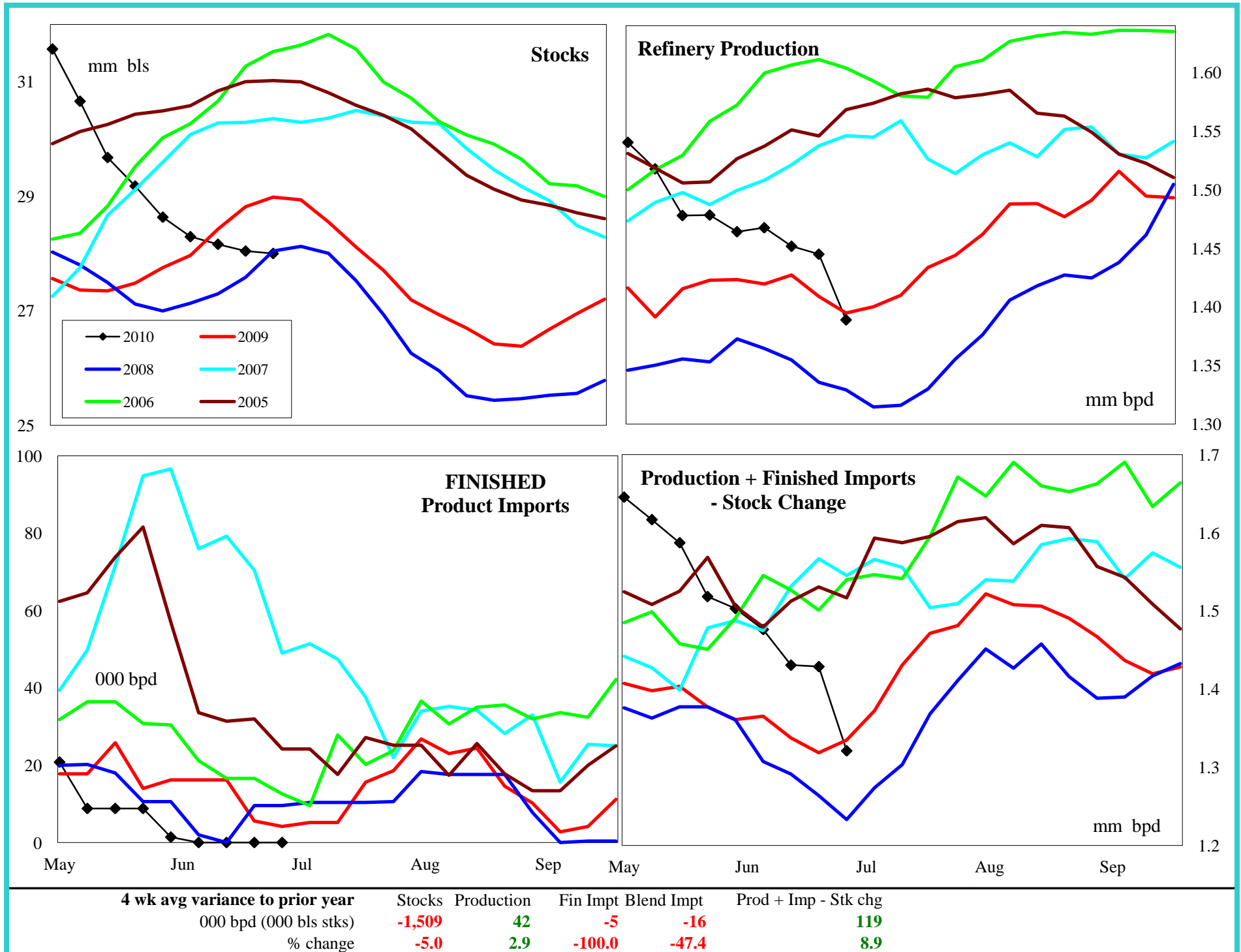
-300.0



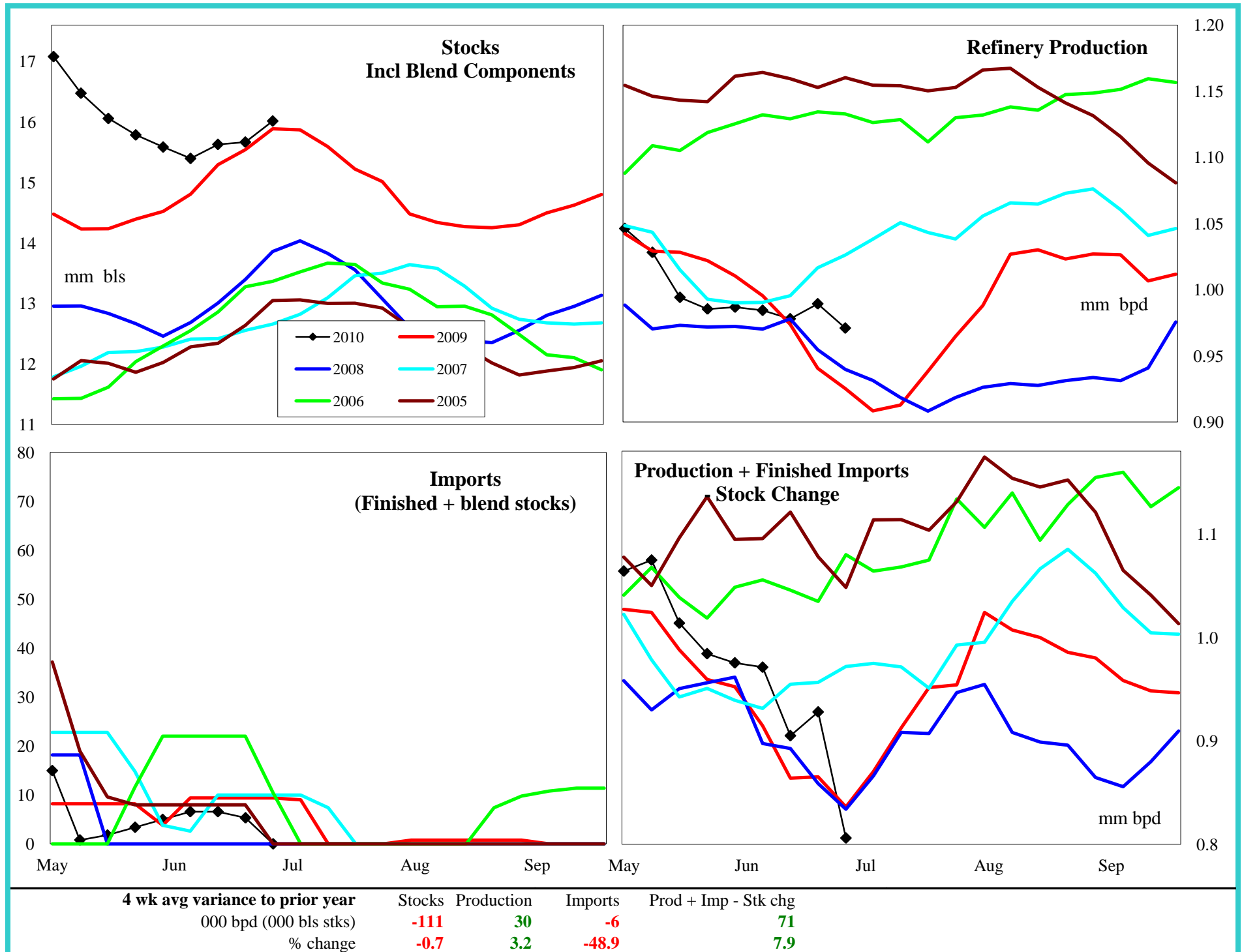
# PADD 5 Crude Oil Supply and Refining



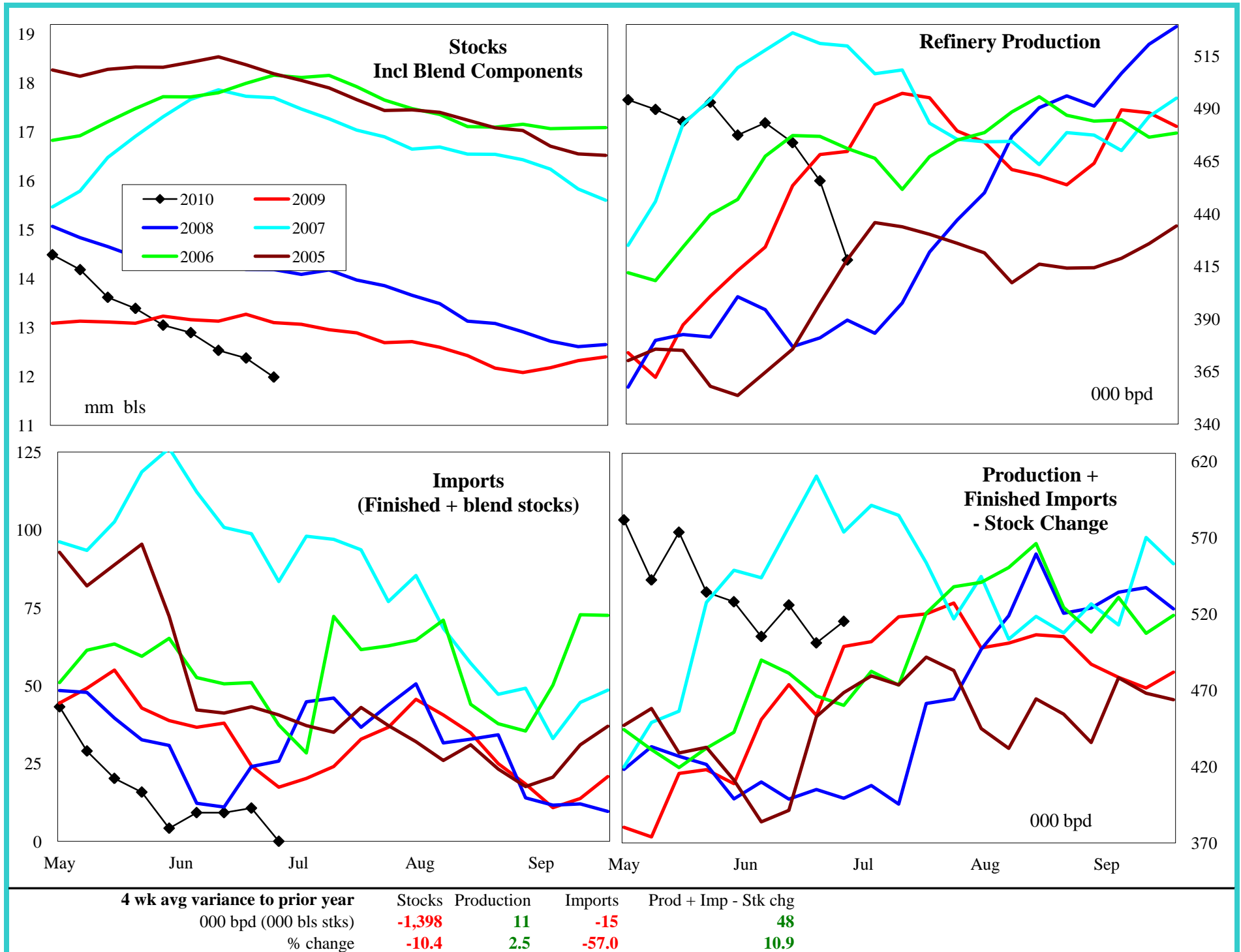
# PADD 5 Gasoline Supply



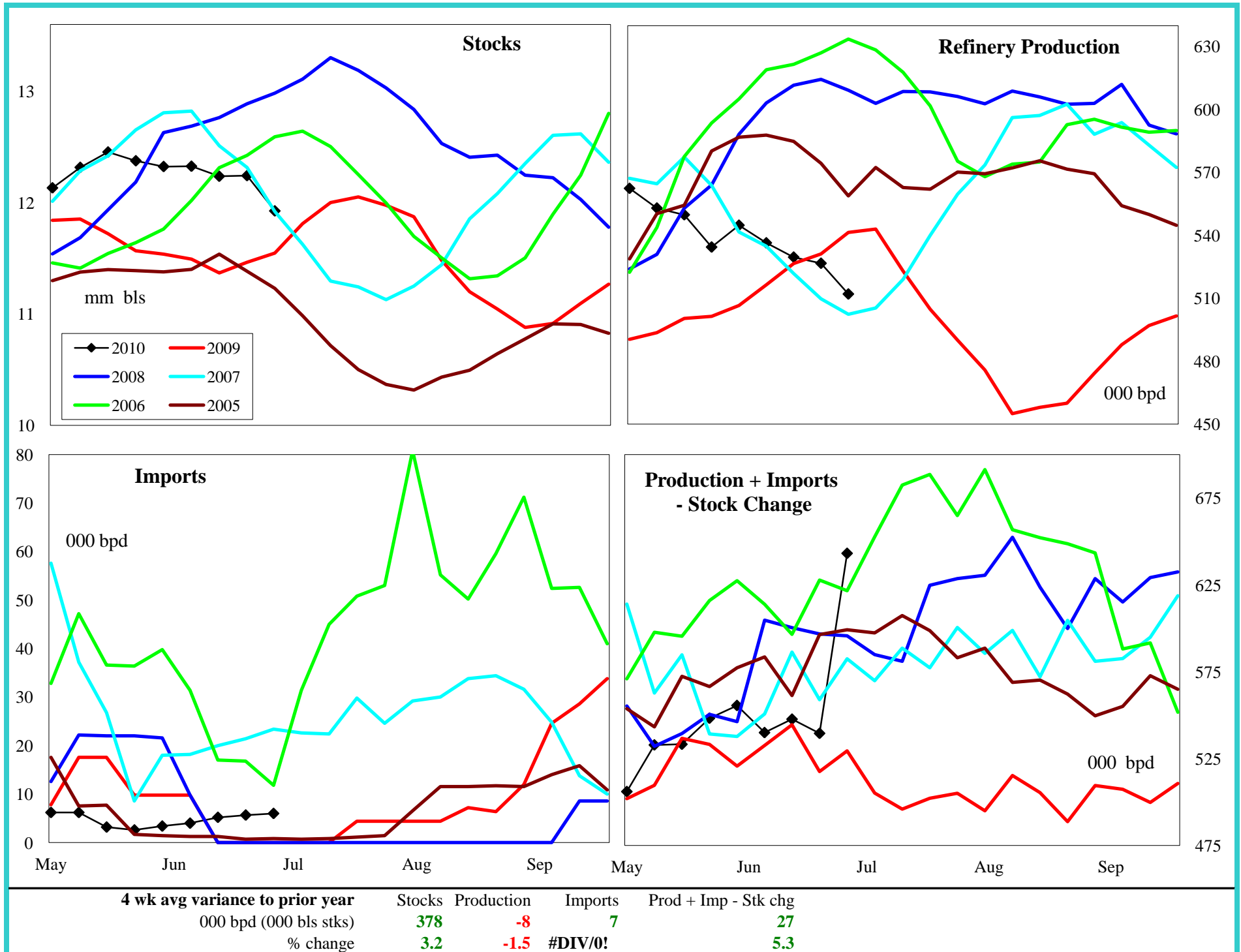
# PADD 5 Reformulated Gasoline Supply



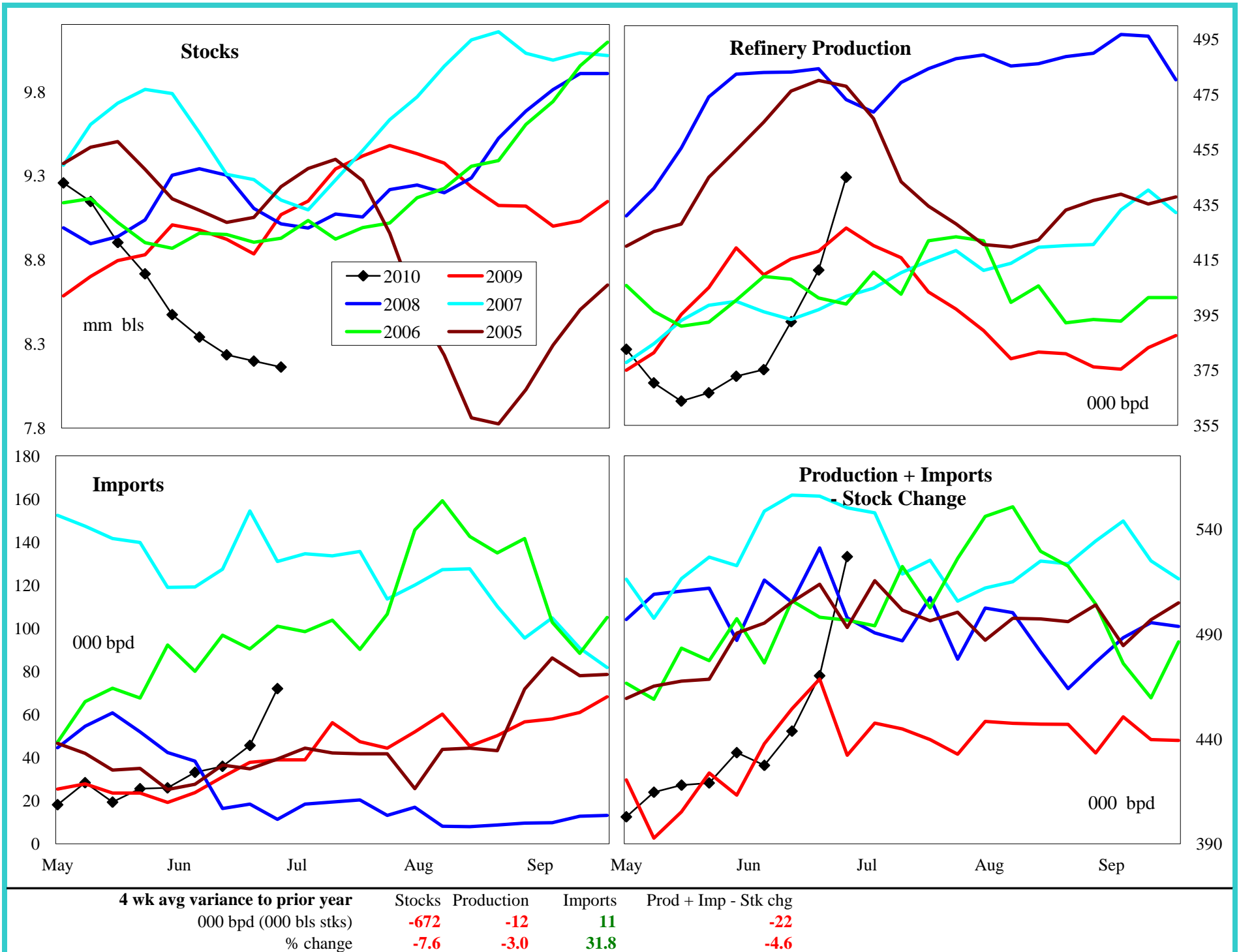
# PADD 5 Conventional Gasoline Supply



# PADD 5 Distillate Supply



# PADD 5 Jet Fuel Supply



# PADD 5 Residual Fuel Oil Supply

