



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

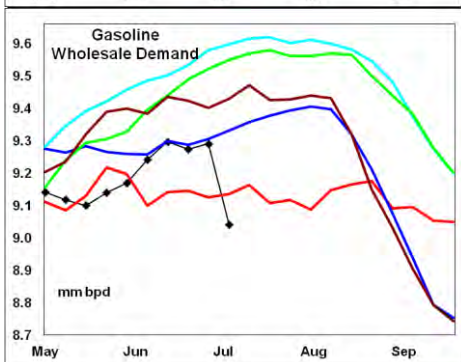
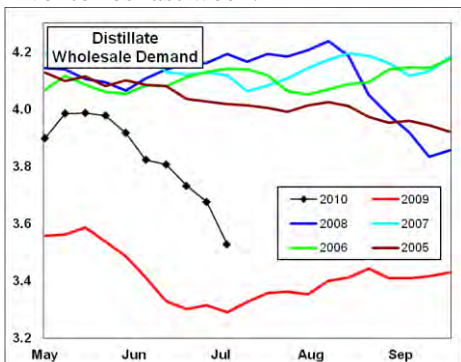
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, July 14, 2010



Major Fundamental Trends¹

Gasoline wholesale demand fell -369,000 bpd and distillate demand was off -422,000 bpd last week. Timing of the 4th of July holiday weekend had a significant impact on last weeks' wholesale demand, as the downstream supply chain stocked up in the 2-wks ahead of the holiday, then drew down inventories last week.



Both the gasoline and distillate markets are very well supplied, particularly in the key East and Gulf Coast markets. Production and stock levels are very high while demand is lackluster. In the absence of hurricanes during the next quarter, these product markets will face exceptional over supply.

Jet fuel demand jumped +176,000 bpd last week as airlines restock private storage. However, with output at the 5-year mid range, stock levels remain extremely high.

The seasonal draw in crude oil stocks continued last week with a 5.1 million barrel draw. The rate of stock draw for the most recent 4-wk period

has been slightly greater than the historic mid range for this time of year.

The key drivers in the draw are record low import levels and seasonally high refinery thru put.

Demand for distillate and gasoline each fell sharply last week; due in part to the timing of the 4th holiday. Sharply higher demand the previous week was offset by comparable declines this week.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline +1.8%; distillate up +13%; jet fuel up +4% while residual fuel oil fell -26%.

Stocks forward coverage: Gasoline demand coverage increased on the week with a +1.6 million barrel stock build and sharp drop in weekly demand. Coverage remains well above the historic range.

Distillate demand coverage trended higher on a -422,000 bpd drop in demand and a +2.9 million barrel stock build. Coverage levels were below last years' record high.

Jet fuel coverage decreased on a +176,000 bpd jump in demand and a -0.4 million barrel stock draw. Coverage levels matched the historic high for the period.

Residual fuel oil coverage remains extremely high on low demand and stock levels above the 5-year range.

Refinery utilization rates increased last week on a +241,000 bpd rise in crude oil runs. Crude thru put was near the 5-year mid range.

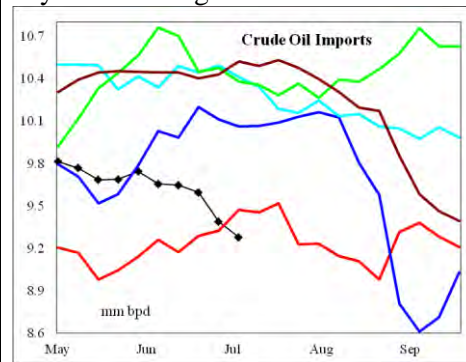
Gasoline yield % on crude oil runs decreased slightly last week on a +47,000 bpd rise in production compared to the +241,000 bpd increase in crude oil runs. Yield % matched the historic high for the period.

Distillate yield % on crude oil runs was nearly unchanged on a +103,000 bpd increase in output. Yield % was above four of the last five years.

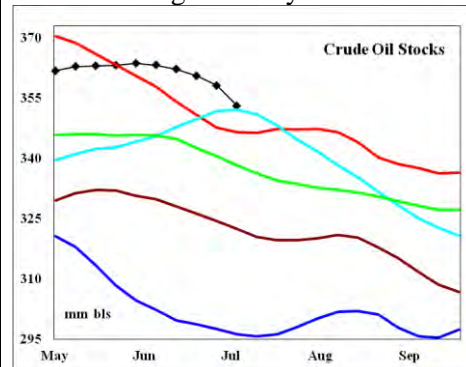
Jet fuel yield % on crude oil runs

decreased on a -51,000 bpd decrease in production, with the yield % near the mid range.

Petroleum Imports of crude oil and major refined products fell a combined -716,000 bpd; due in part to the holiday week that likely limited port deliveries. Crude oil imports have dropped to extremely low levels, particularly with record run rates in the key PADD 3 region.

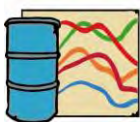


During the latest 4-wk period distillate imports decreased -9,000 bpd over last year; finished gasoline imports decreased -140,000 bpd, gasoline blend stock imports increased +130,000 bpd; jet fuel imports decreased -13,000 bpd, while residual fuel oil imports decreased -28,000 bpd. **Crude Oil** stocks decreased -5.1 million barrels, with draws in PADDs 3, 4 & 5. The seasonal stock draw is driven by exceptionally low imports and season high refinery runs.



Stocks increased +0.3 million barrels in Cushing, with the level +18% above the prior record high for this time of year.

¹ Source is latest EIA Weekly Statistics



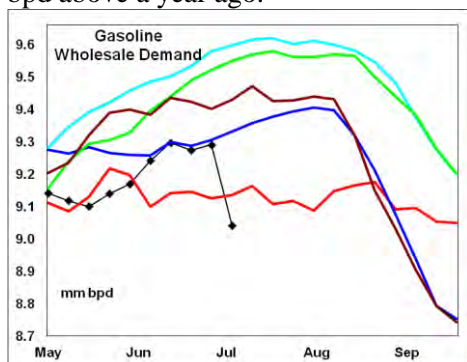
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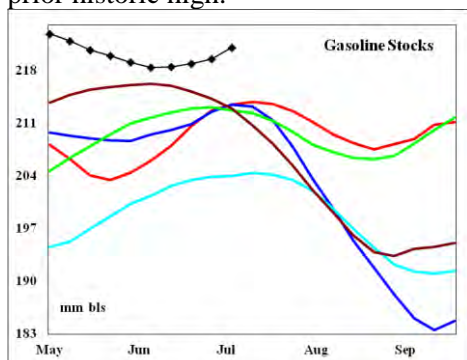
Product Supply-Demand Trends

Gasoline demand fell -369,000 bpd last week, to weekly level below last year. The latest 4-wk average was +165,000 bpd above a year ago.



Gasoline production increased +47,000 bpd on the week, to new record high for this period. The most recent 4-wk average was +213,000 bpd above last year. Imports fell -333,000 bpd to below the historic range.

Sharply lower demand and record production led to a +1.6 million barrel stock build for the week. Record supply led to a +1.3 million barrel stock build last week. Stock levels were +6.5 million barrels above the prior historic high.



Significant imbalances continue with stock levels in the Midwest and West Coasts at the low end of the historic range with other regions reporting exceptionally high stock levels and production.

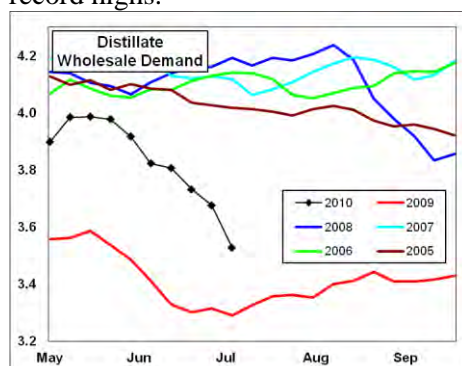
The persistent overhang in supply on the East Coast and Gulf should place downward pressure on prices by the end of July.

Distillate demand fell -422,000 bpd last week, completely reversing the prior week surge. Demand for the

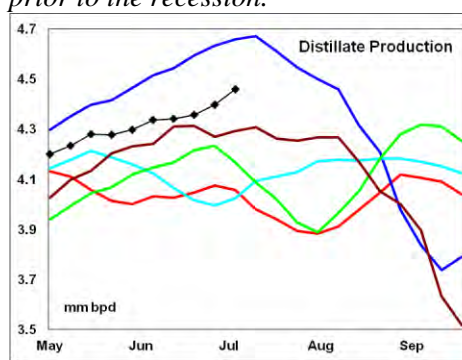
latest 4-wk period averaged +423,000 bpd above last year. Demand has declined -500,000 bpd since late May, a record seasonal decline

Production increased +103,000 bpd, while imports fell -151,000 bpd last week. Production remains at the upper end of the historic range while imports match 5-year lows.

Stocks increased +2.9 million barrels on the week. Stock levels are +3.3 million barrels above last years' record highs.



Demand fell -422,000 bpd last week, wiping out the prior week surge. Demand, while above last years' record lows, is sharply below levels prior to the recession.



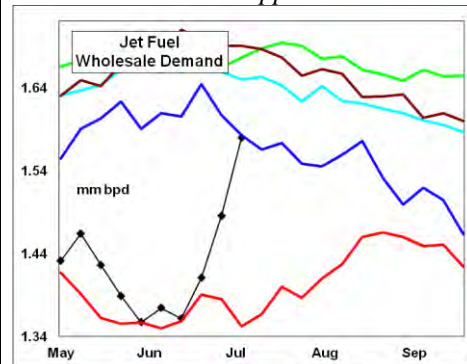
The supply balance remains weighted to excess supply with stock levels above the 5-year range and production near record highs of 2008. Prices should trade within the recent range as production peaks during the month.

Jet Fuel demand jumped +176,000 bpd last week as airlines built inventories. The latest 4-wk average demand was +56,000 bpd above last year.

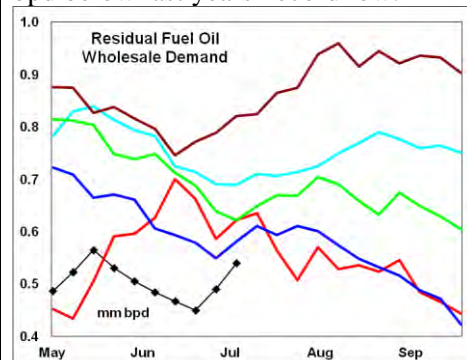
Supply fell -110,000 bpd on the week, partially reversing the prior week surge. Production matched the

historic mid range. The latest 4-wk average supply was +71,000 bpd above a year ago. Stocks decreased -0.4 million barrels on the week, but remain +4.5 million barrels above the prior record high.

Expect ongoing weak jet fuel prices, particularly, cash basis in most major markets on an over supplied market.

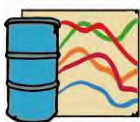


Residual fuel oil demand, including exports, declined -28,000 bpd last week, with the 4-wk average -165,000 bpd below last years' record low.



Supply (production + imports) declined -114,000 bpd on the week, with the latest 4-wk average -165,000 bpd below a year ago. Stocks extended a longer term downtrend, falling -1.3 million barrels on the week. The level is now at the upper end of the 5-year range.

The refining industry has cut production -93,000 bpd for the latest 4-wk period below last years' record low. This cut in output and record low imports has led to a -5 million barrel stock draw during the last 60-days. The resulting improvement in supply balance should provide modest price support compared to the overall energy complex.



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

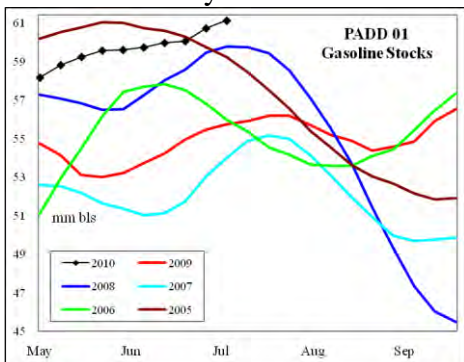
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PADD Supply Trends

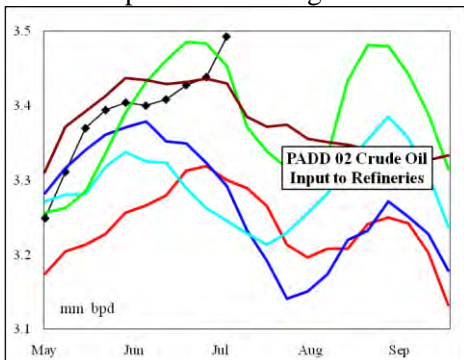
PADD 1 refinery crude oil runs declined -62,000 bpd last week, with the 4-wk average -129,000 bpd below last years' record low rate.

Gasoline production decreased -29,000 bpd on the week, with the latest 4-wk average +512,000 bpd above a year ago. Imports (blend stocks) fell -298,000 bpd on the week, pointing toward a likely decline in finished product output next week. Stocks increased +0.3 million barrels to a new 5-year high for this time of year.



Distillate supply increased +45,000 bpd last week, with higher output offset by a -156,000 bpd drop in imports. Stocks increased +1.6 million barrels, with the level -4% below last years' record high.

Jet fuel supply decreased -60,000 bpd on declines in both imports and production. Stocks declined -0.5 million barrels with the level +15% above the prior historic high



PADD 2 crude oil refinery runs increased +62,000 bpd, to record high for the season. Crude oil stocks increased +0.2 million barrels; and

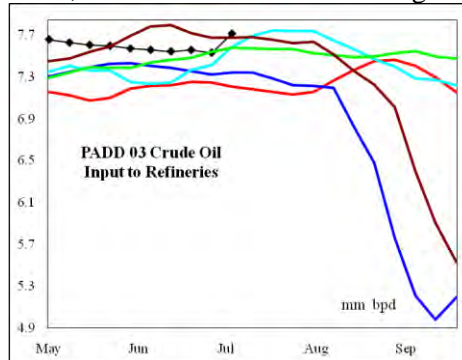
remain +12 million barrels above the prior record high. Imports were only slightly above a year ago, with the 4-wk average +87,000 bpd above last year.

Gasoline production increased +25,000 bpd last week, matching the 5-year high for the period. Stocks declined -0.2 million barrels to the low end of the historic range.

Distillate production increased +30,000 bpd on the week, to a level near the 5-year high set in 2008. Stocks increased +0.3 million barrels to the mid range.

Jet fuel production increased +18,000 bpd to a new record high. Stocks are +13% above the prior record level.

PADD 3 refinery crude oil runs jumped +273,000 bpd, matching the historic high for the period. The latest 4-wk average was +268,000 bpd above a year ago. Crude imports were nearly unchanged, at a level that matched last years' record lows. Crude oil stocks declined -4.8 million barrels on the week, to a level below the mid range.



Gasoline production increased +12,000 bpd on the week. Stocks increased +1.6 million barrels, to a new record high for the season.

Distillate production increased +11,000 bpd to match the 5-year season high. Stocks increased +0.5 million barrels, with the level +18% above the prior record high.

Jet fuel production declined -29,000 bpd to below the mid range. Stock levels are now +16% above the prior record high.

Residual fuel oil supply fell -

93,000 bpd on the week, to a new low for the period. Stocks decreased -0.5 million barrels but remain above the historic range.

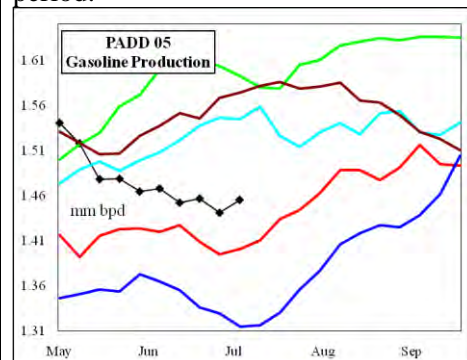
PADD 4 refinery crude runs increased +25,000 bpd to the upper end of the historic range. The latest 4-wk average thru put was -13,000 bpd below last year.

Gasoline production declined -14,000 bpd but remain above the historic range. Stock levels were +10% above the prior record high.

Distillate production decreased -15,000 bpd last week, matching historic weekly highs for the period. Stocks were nearly unchanged, matching the historic high for the period.

PADD 5 crude oil refinery runs decreased -58,000 bpd on the week, to match last years' level. The latest 4-wk average run rate was -22,000 bpd below last year. Crude oil stocks declined -0.4 million barrels, to match historic lows.

Gasoline supply (production + imports) increased +111,000 bpd last week, to a level above the prior two years. The latest 4-wk average supply was +37,000 bpd above last year. Stocks were nearly unchanged with the level matching 5-year lows for the period.



Distillate production increased +32,000 bpd on the week, to a level below the mid range. Stocks increased +0.5 million barrels to a level above the mid range.

Jet fuel supply declined -44,000 bpd last week, with both imports and production above the mid range.


**FUNDAMENTAL
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PETROLEUM: Graph Link and Weekly Summary

A Fundamental Petroleum Trends Weekly Report

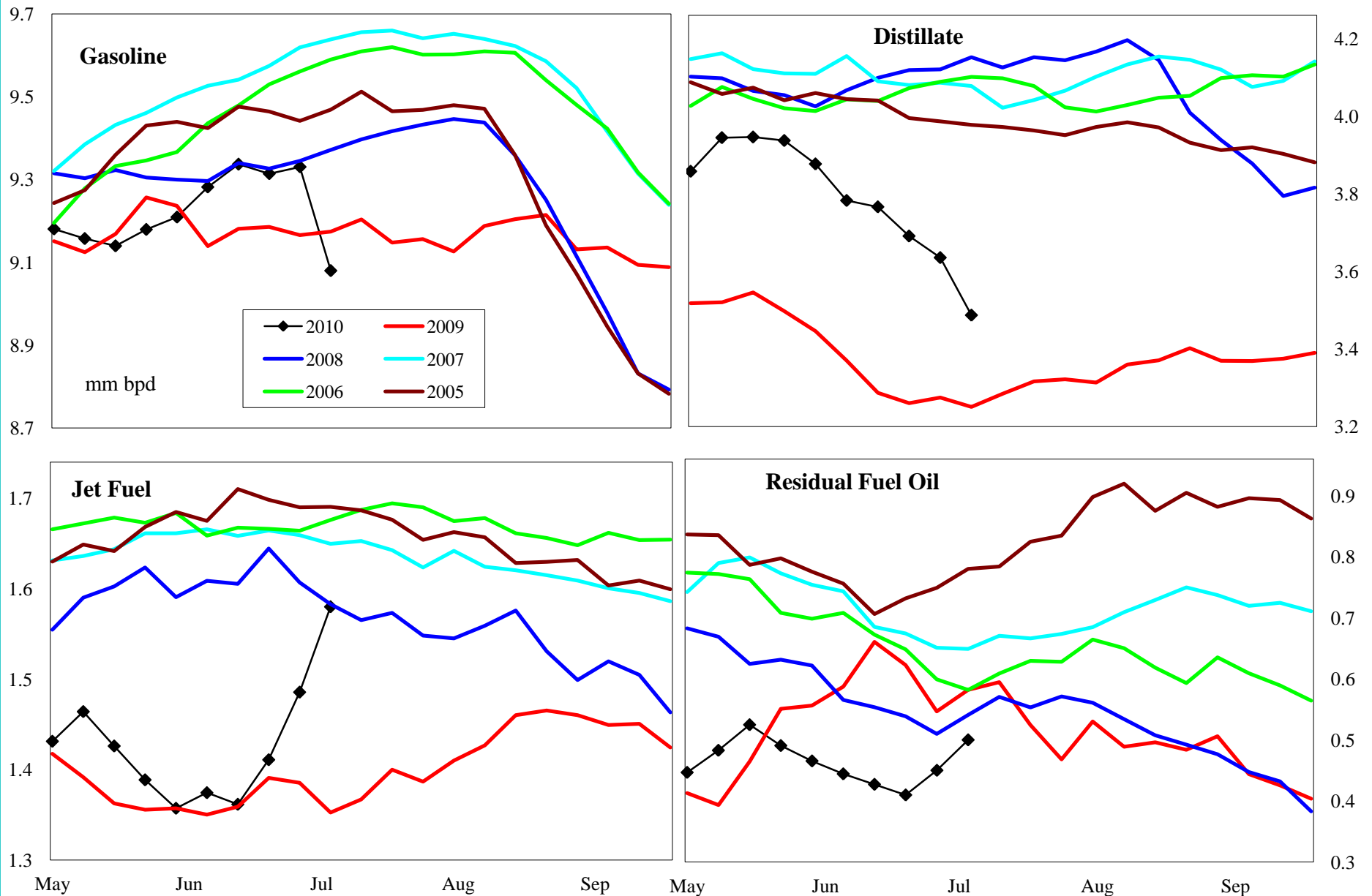
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Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization</u> <u>Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	9-Jul-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	-5,058	520	176	-4,759	-582	-413
	Imports	-132	212	-32	-15	8	-306
	Input	241	-62	62	273	25	-58
	% Utilization	0.70					
<u>Gasoline</u>	Stocks	1,601	298	-181	1,603	-3	-115
	Production	47	-42	25	12	-14	66
	Imports	-333	-298	0	-78	0	45
	Supplied	-369					
<u>Distillate</u>	Stocks	2,943	1,586	306	480	42	528
	Production	103	45	30	11	-15	32
	Imports	-151	-156	1	0	6	0
	Supplied	-422					
<u>Jet Fuel</u>	Stocks	-428	-531	70	-231	20	245
	Production	-51	-22	18	-29	4	-22
	Imports	-59	-38	0	0	0	-22
	Supplied	176					
<u>Residual Fuel Oil</u>	Stocks	-1,305	-1,044	-24	-527	10	280
	Production	-73	-14	-16	-83	2	39
	Imports	-41	46	1	-10	0	-78
	Supplied	-28					

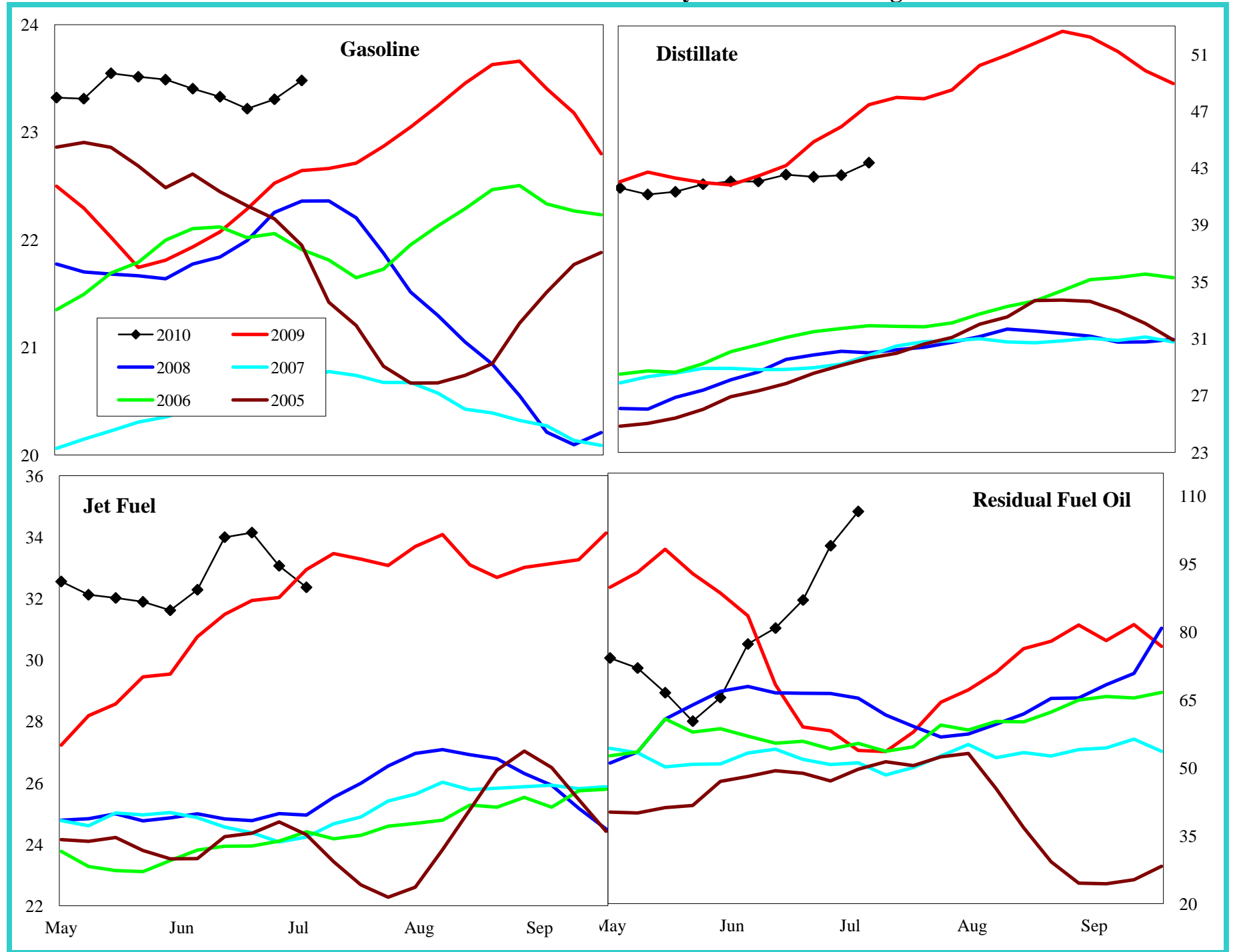
United States Wholesale Petroleum Demand



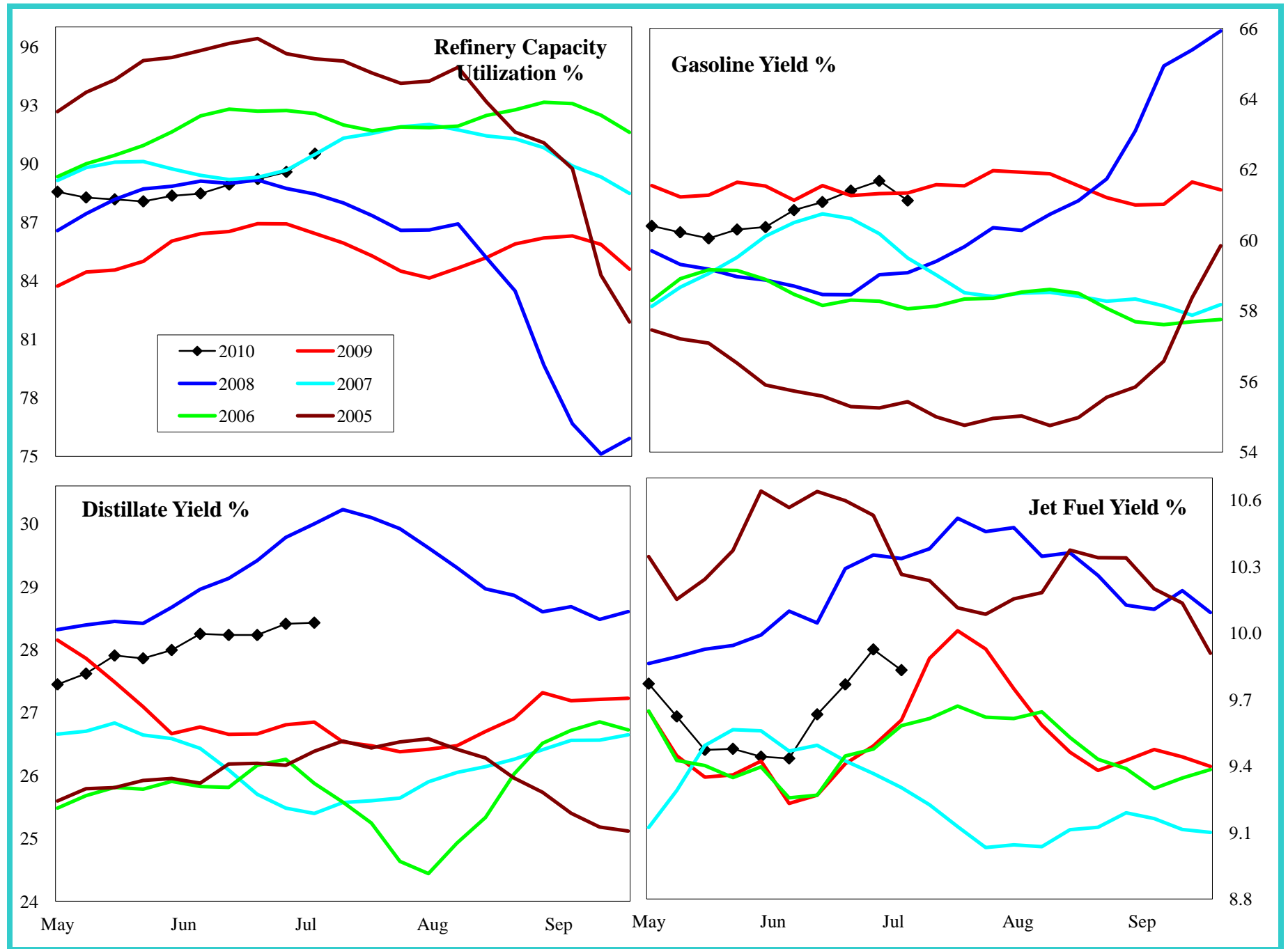
	000 bpd change from prior year				% change from prior year			
	4wk avg	May	Apr	Mar	4wk avg	May	Apr	Mar
Gasoline	165	39	314	-79	1.8	0.4	3.5	-0.9
Distillate	423	589	175	110	12.9	17.2	5.1	2.9
Jet Fuel	56	111	-16	5	4.0	8.3	-1.1	0.3
Resid	-165	59	-212	-60	-26.3	12.0	-31.5	-9.9



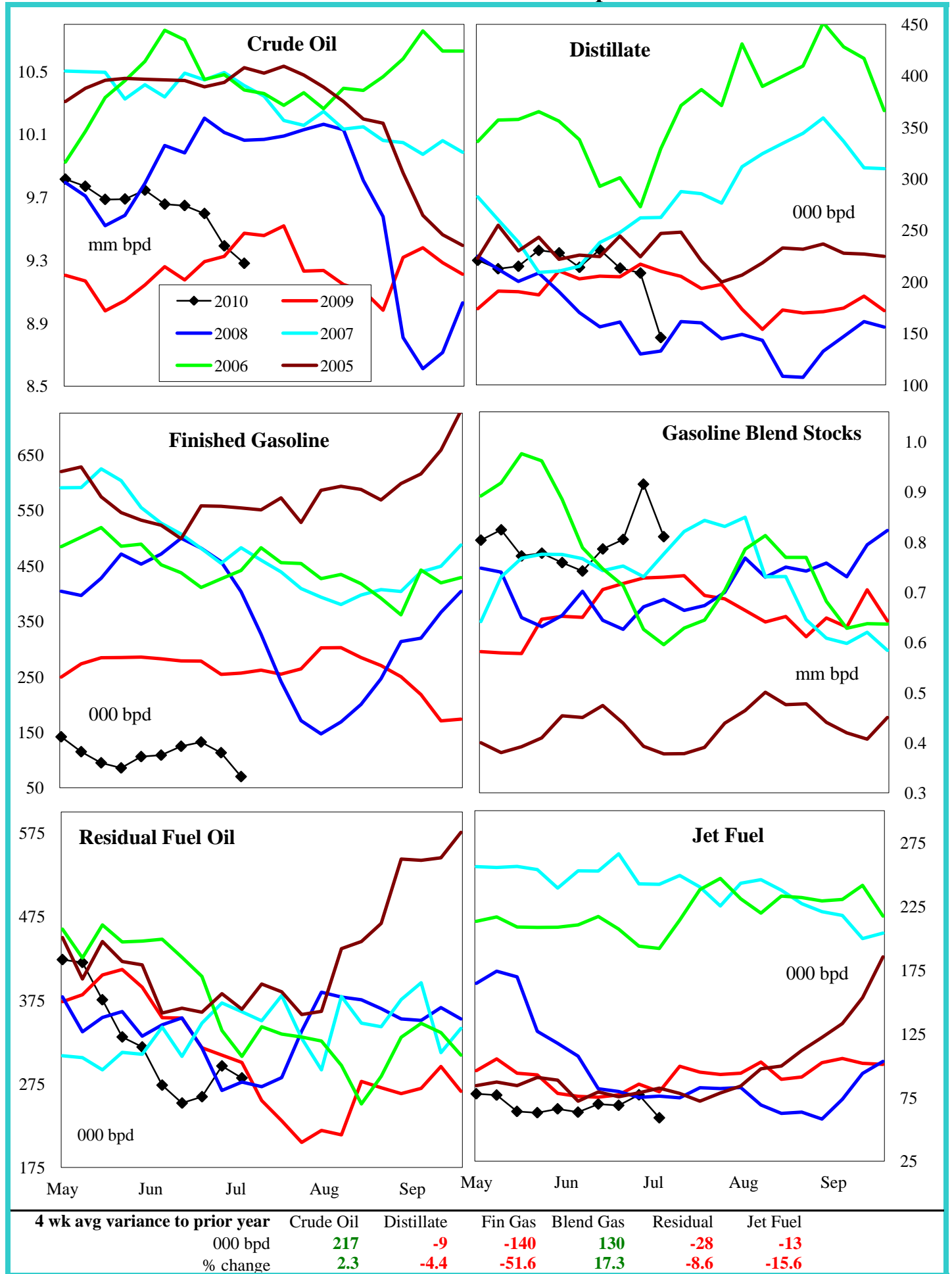
United States Product Stocks: Days Forward Coverage



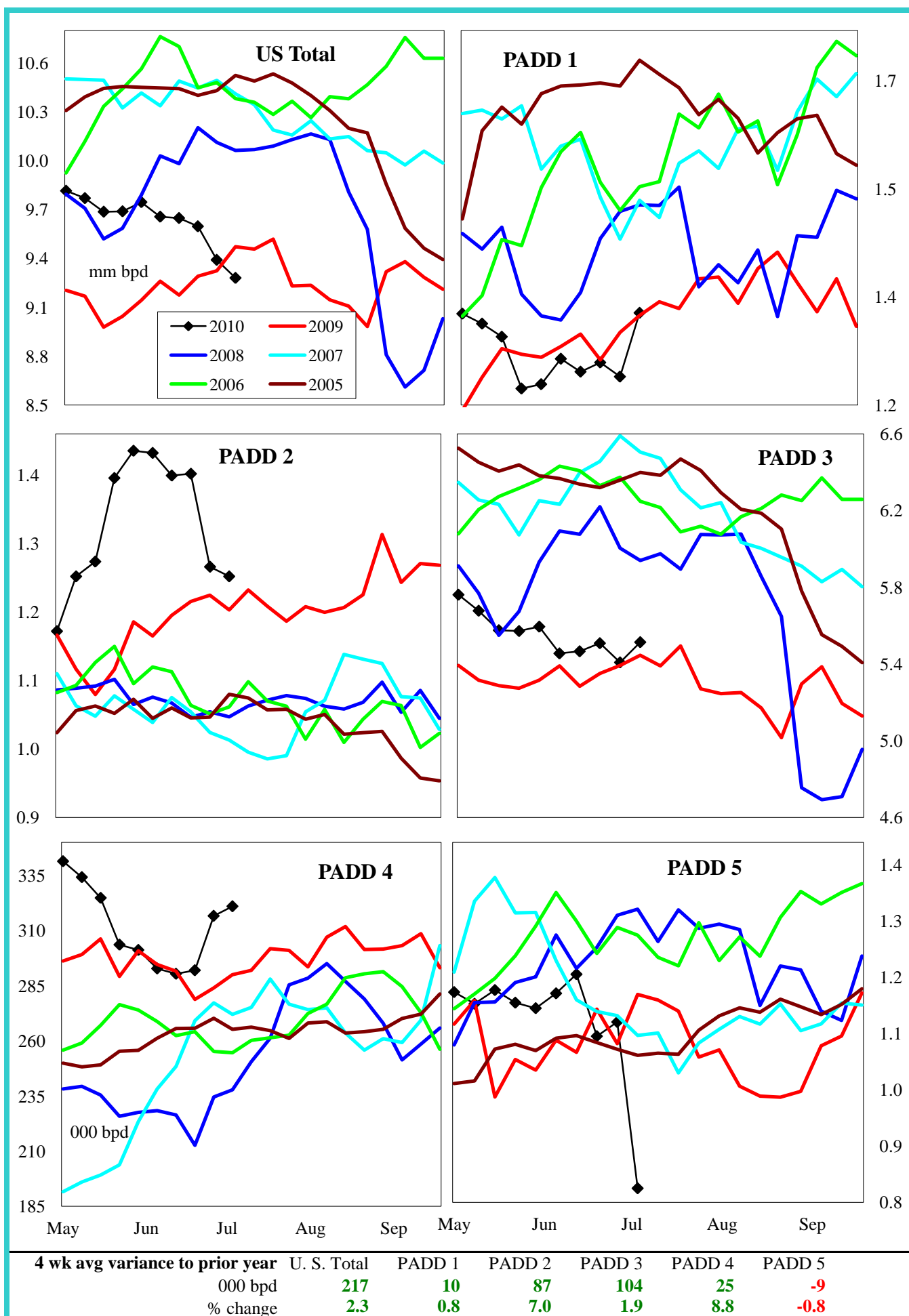
United States Refinery Percent Utilization Rate and Product Yields



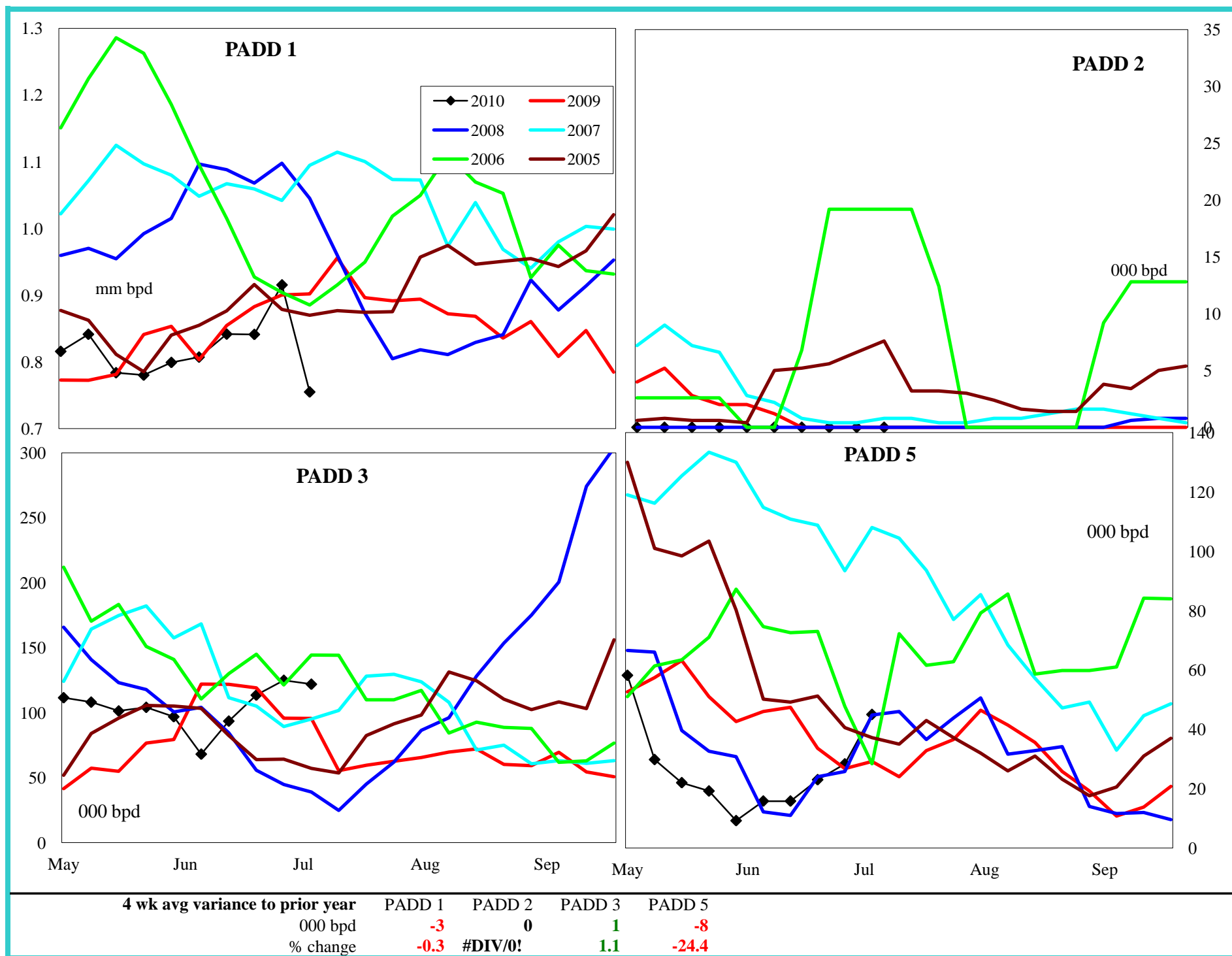
United States Petroleum Imports



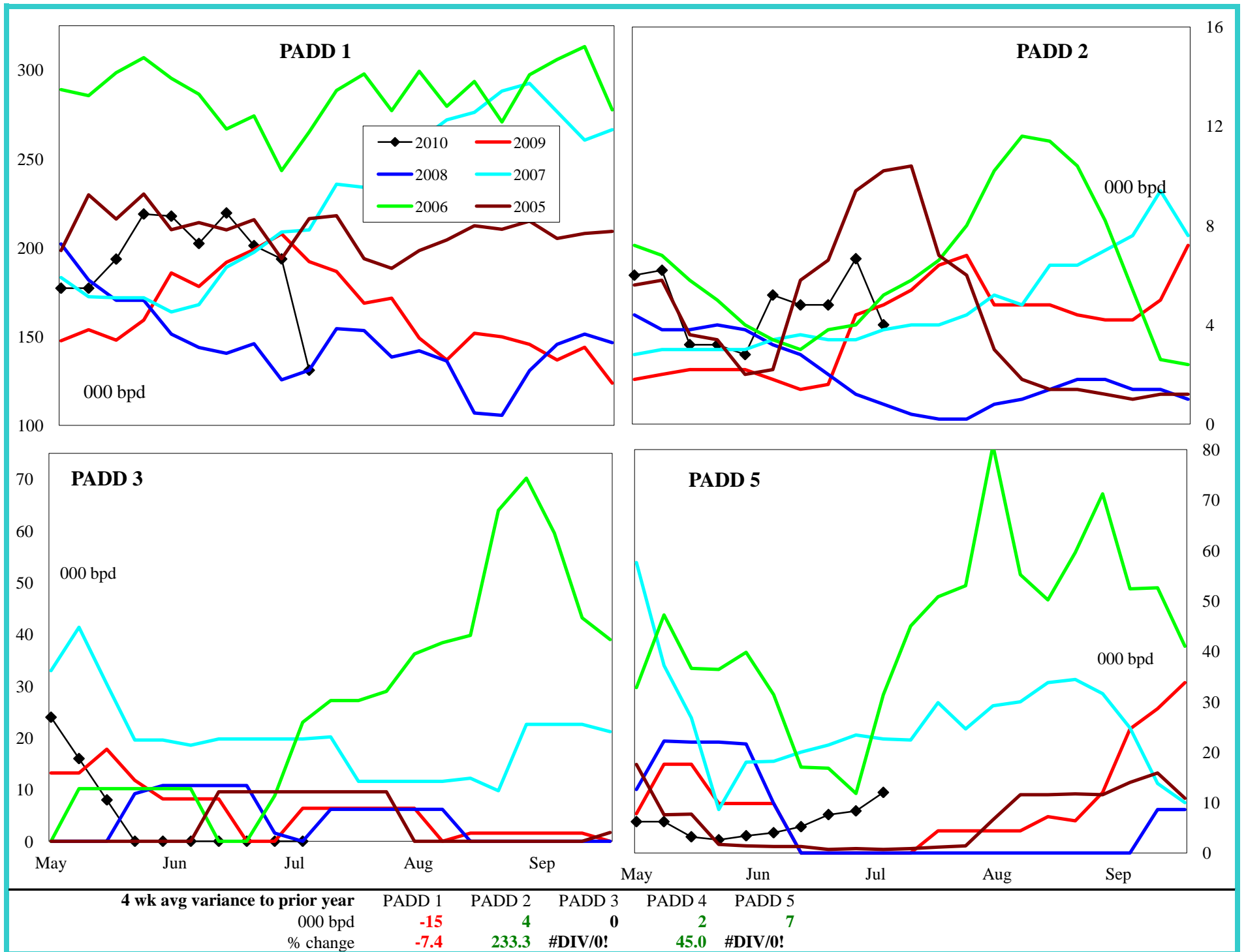
Crude Oil Imports by PADD



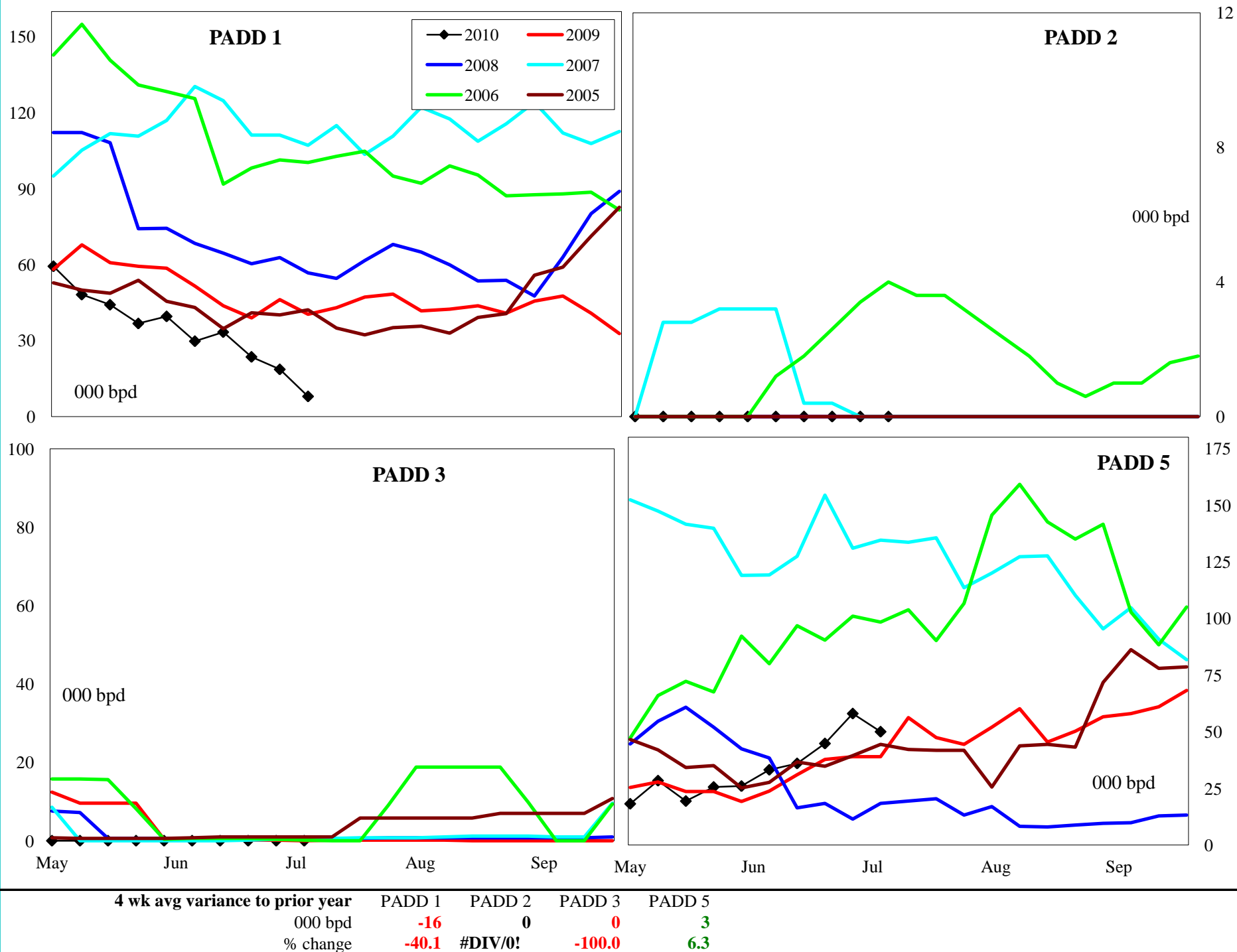
Gasoline Imports by PADD (Finished + Blend Stocks)



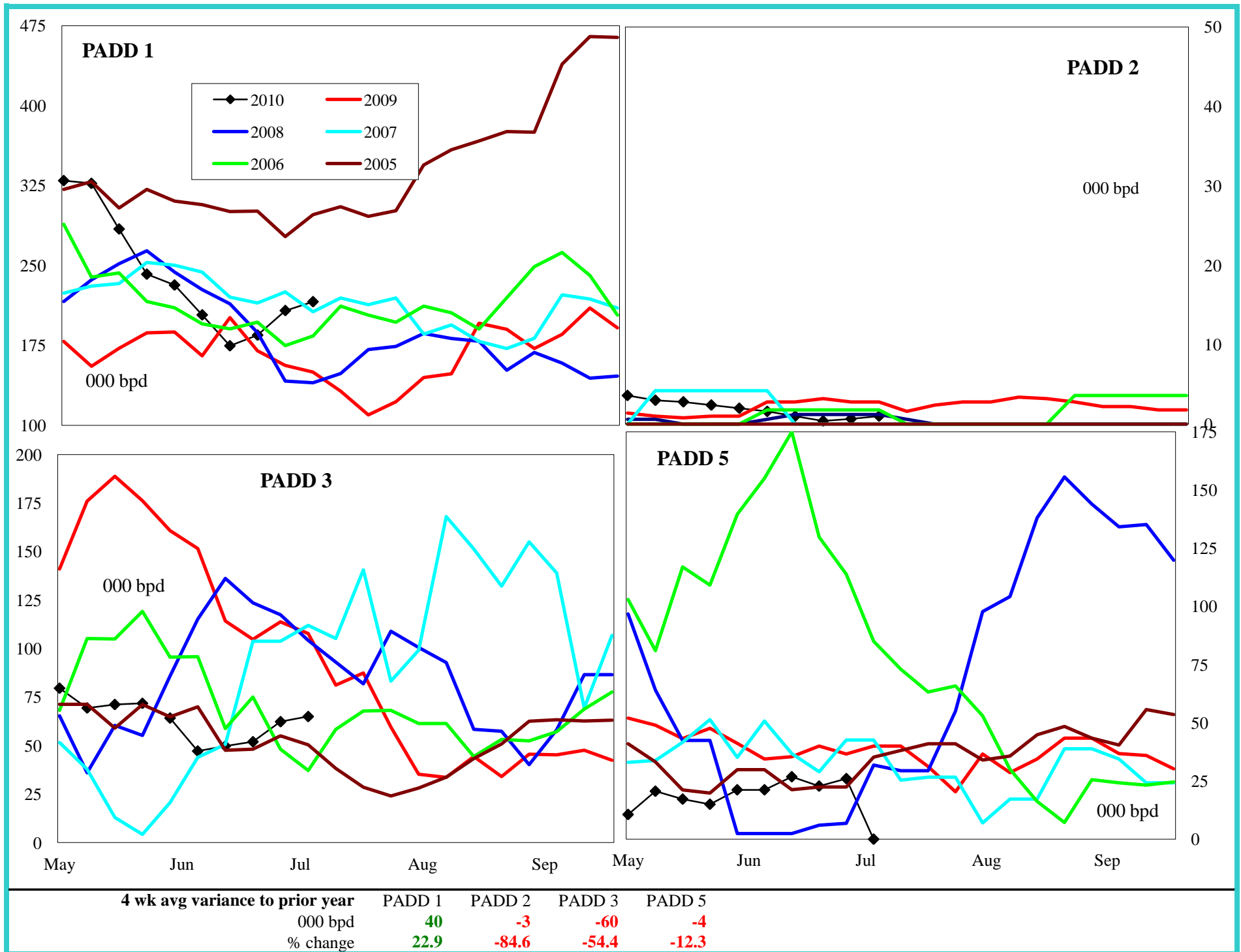
Distillate Imports by PADD



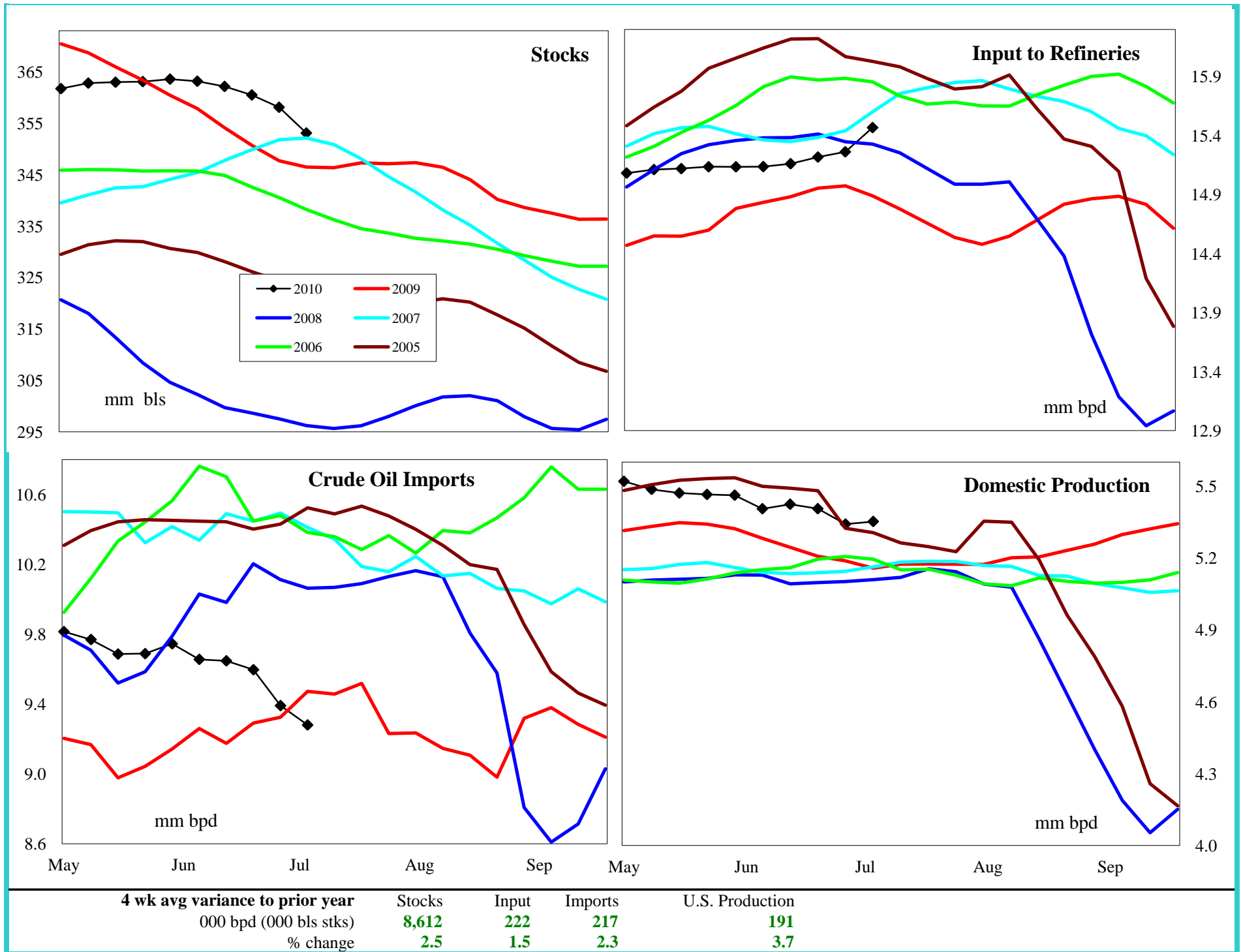
Jet Fuel Imports by PADD



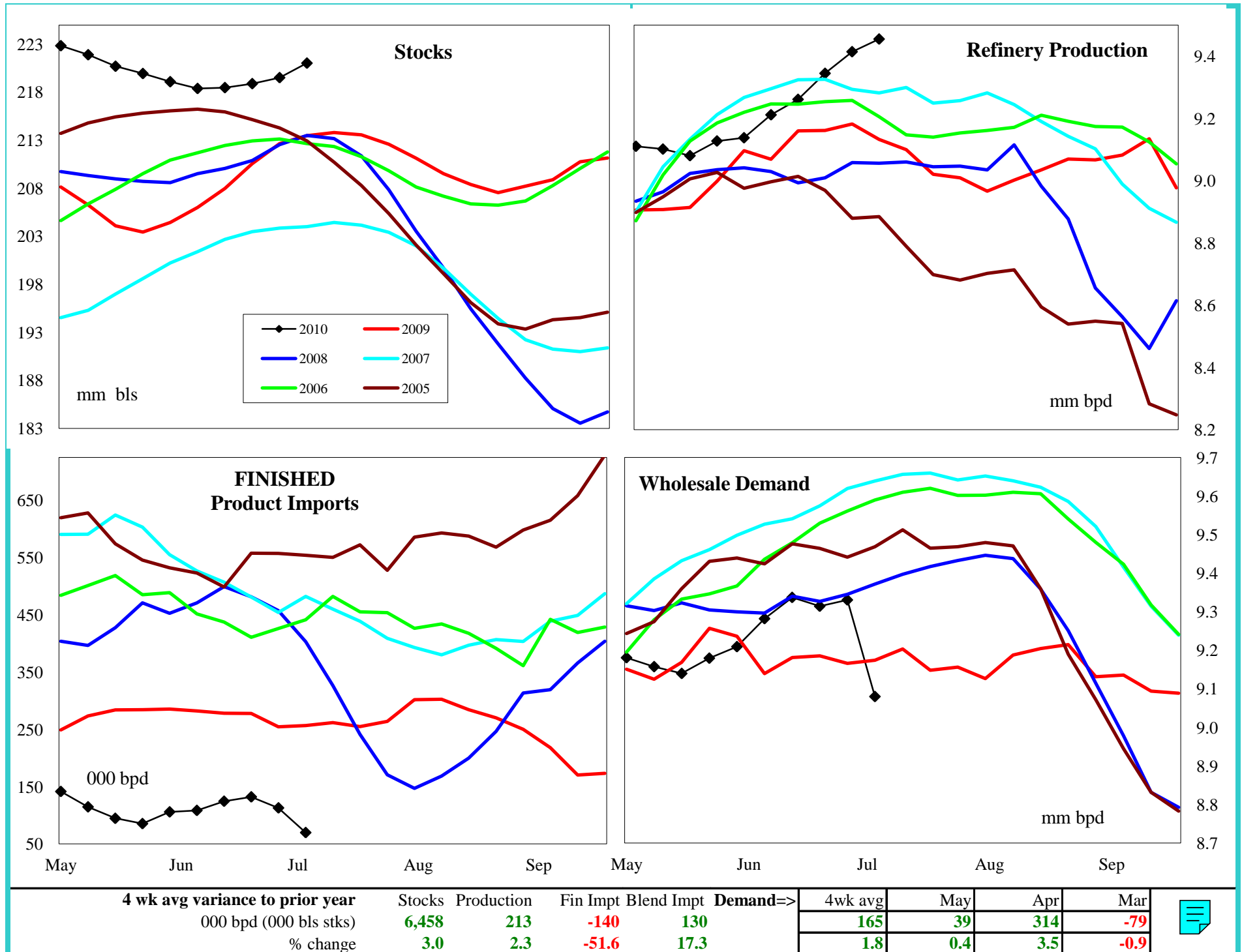
Residual Fuel Oil Imports by PADD



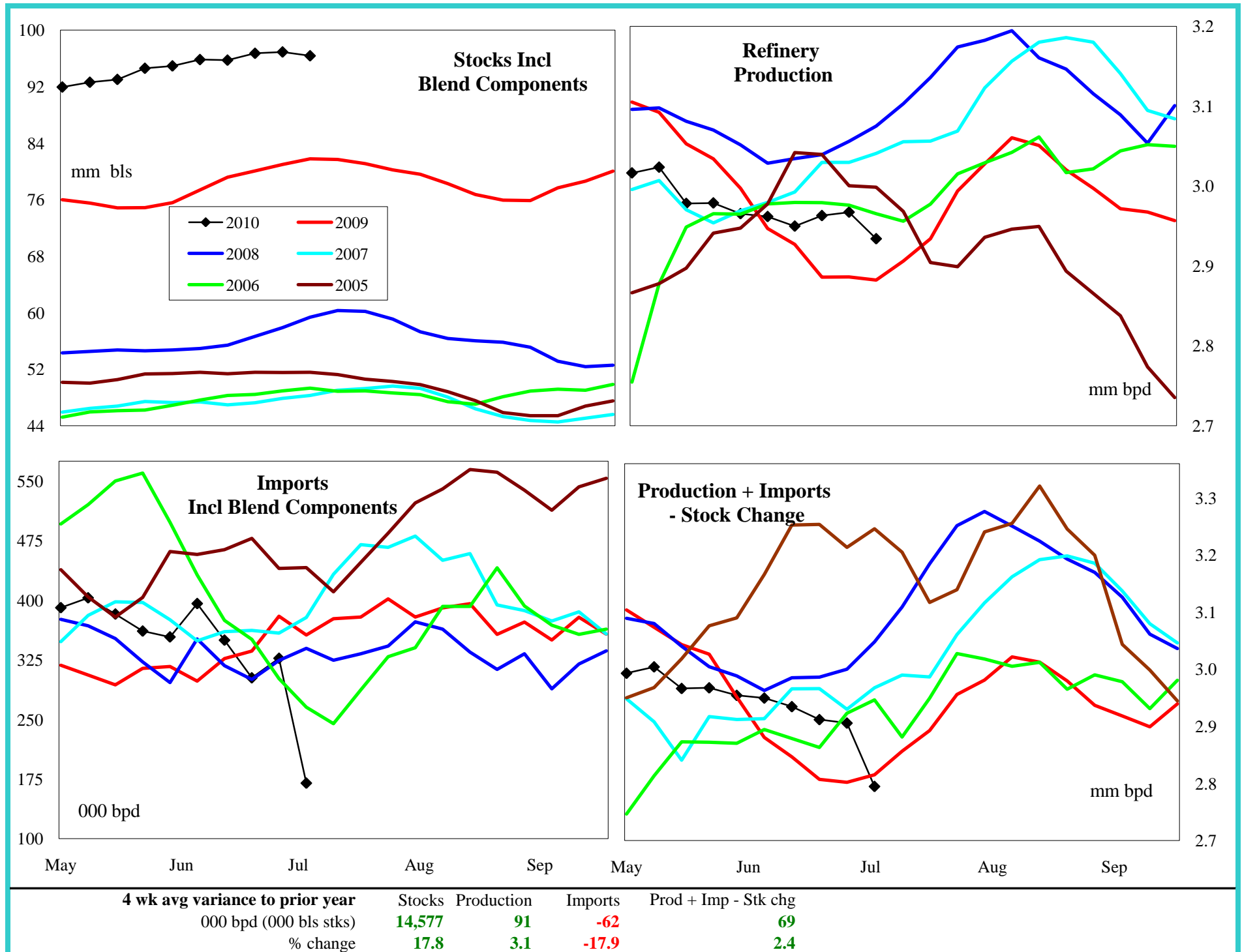
United States Crude Oil Supply and Demand Balance



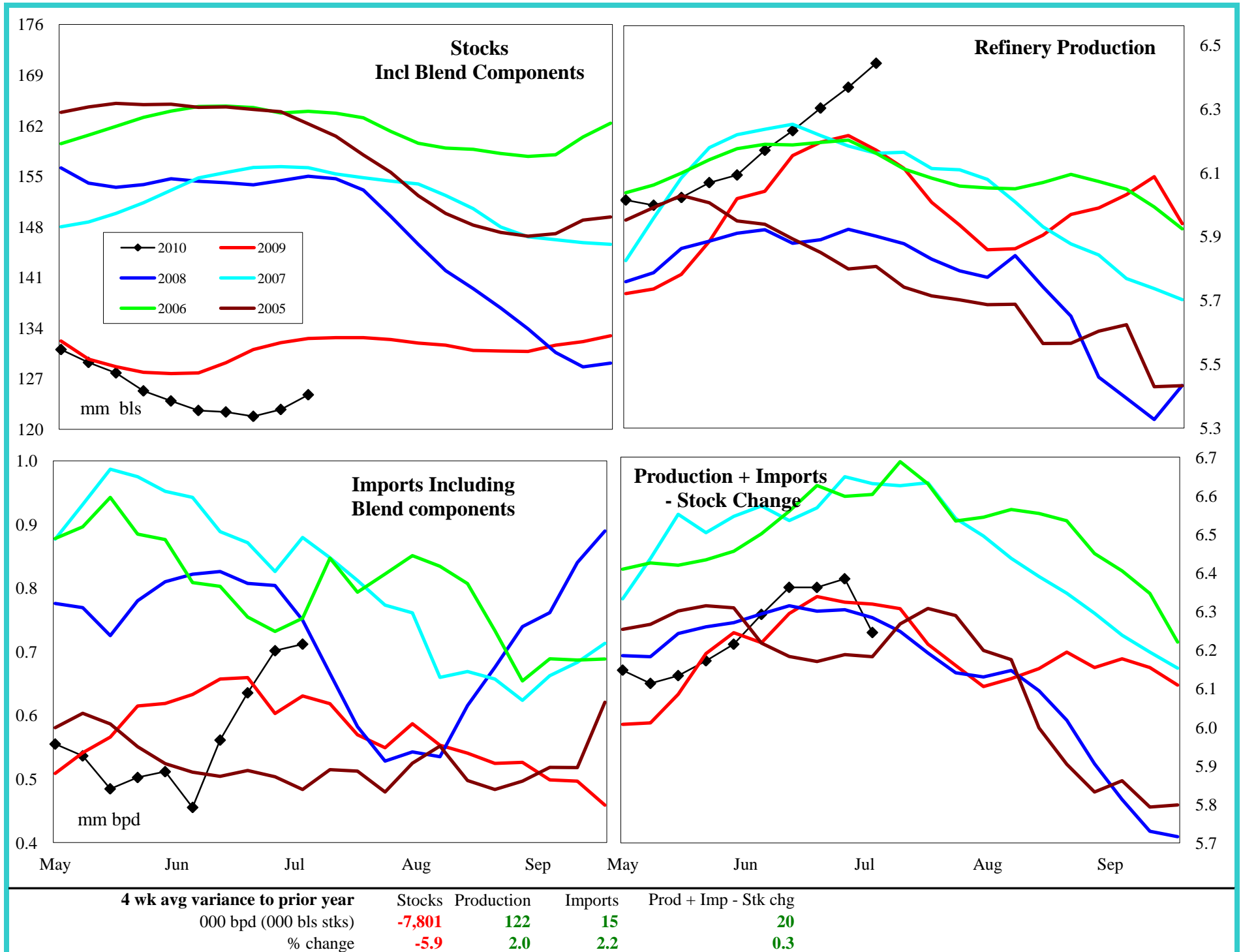
United States Gasoline Supply and Demand Balance



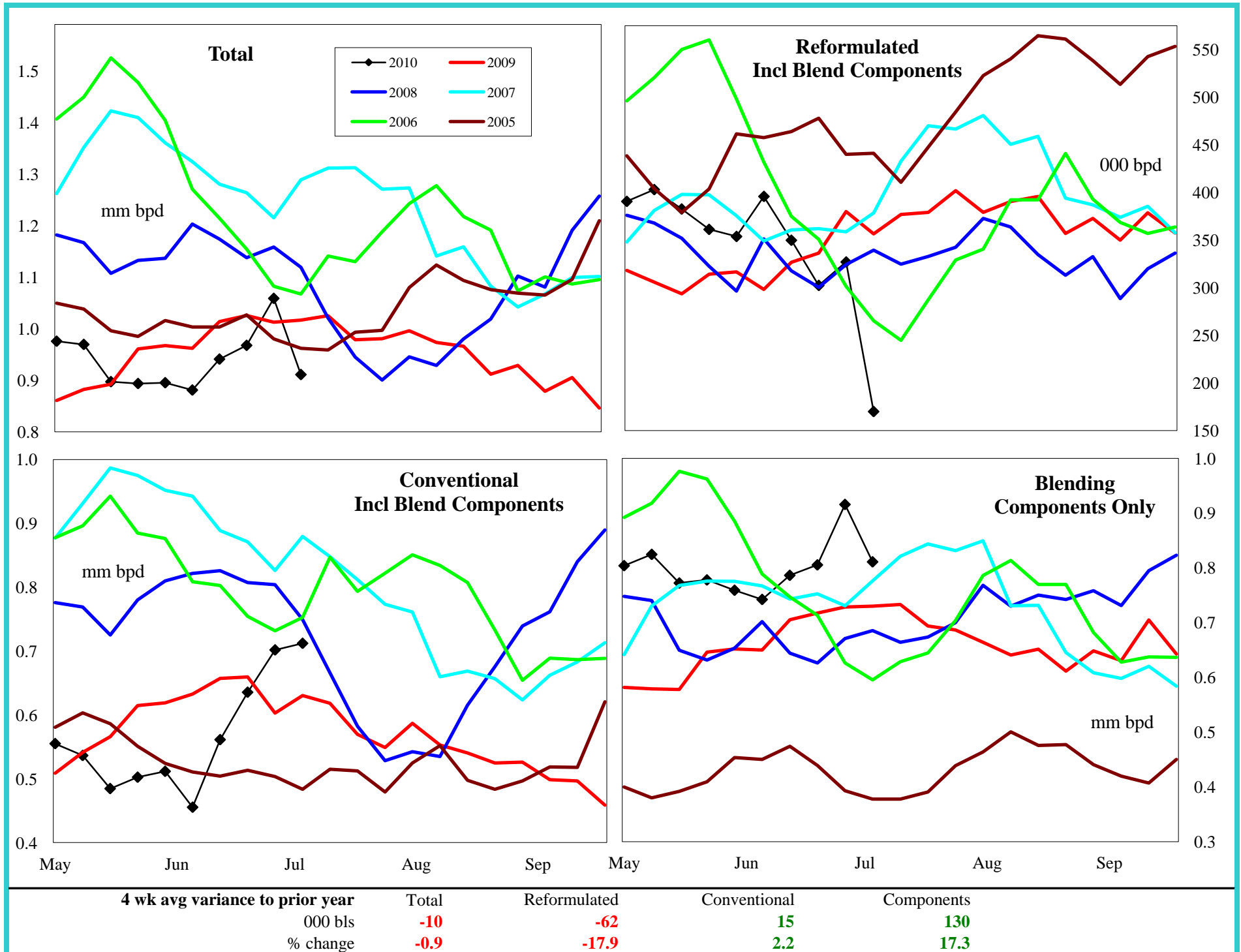
United States Reformulated Gasoline Supply



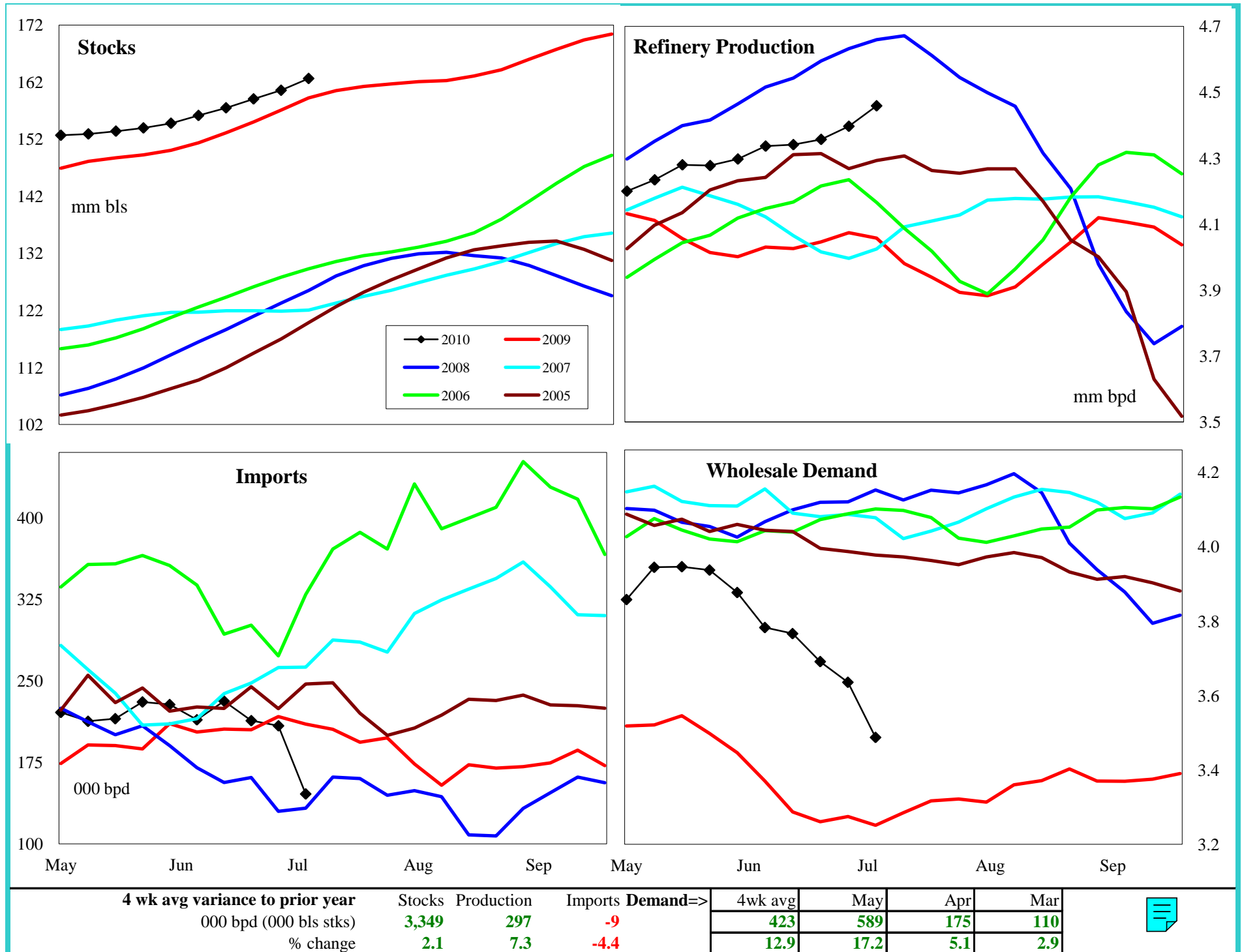
United States Conventional Gasoline Supply



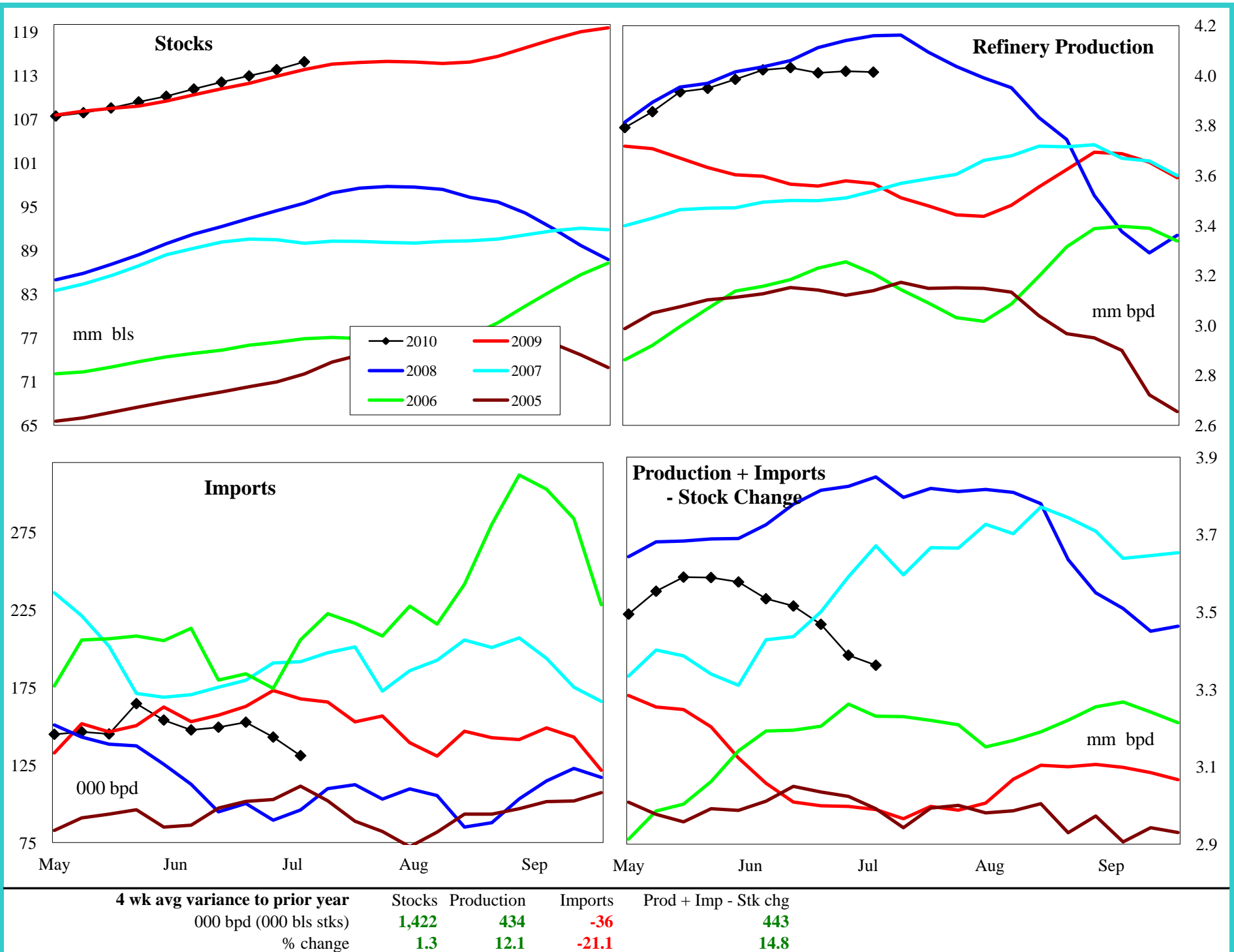
United States Gasoline Imports by Type



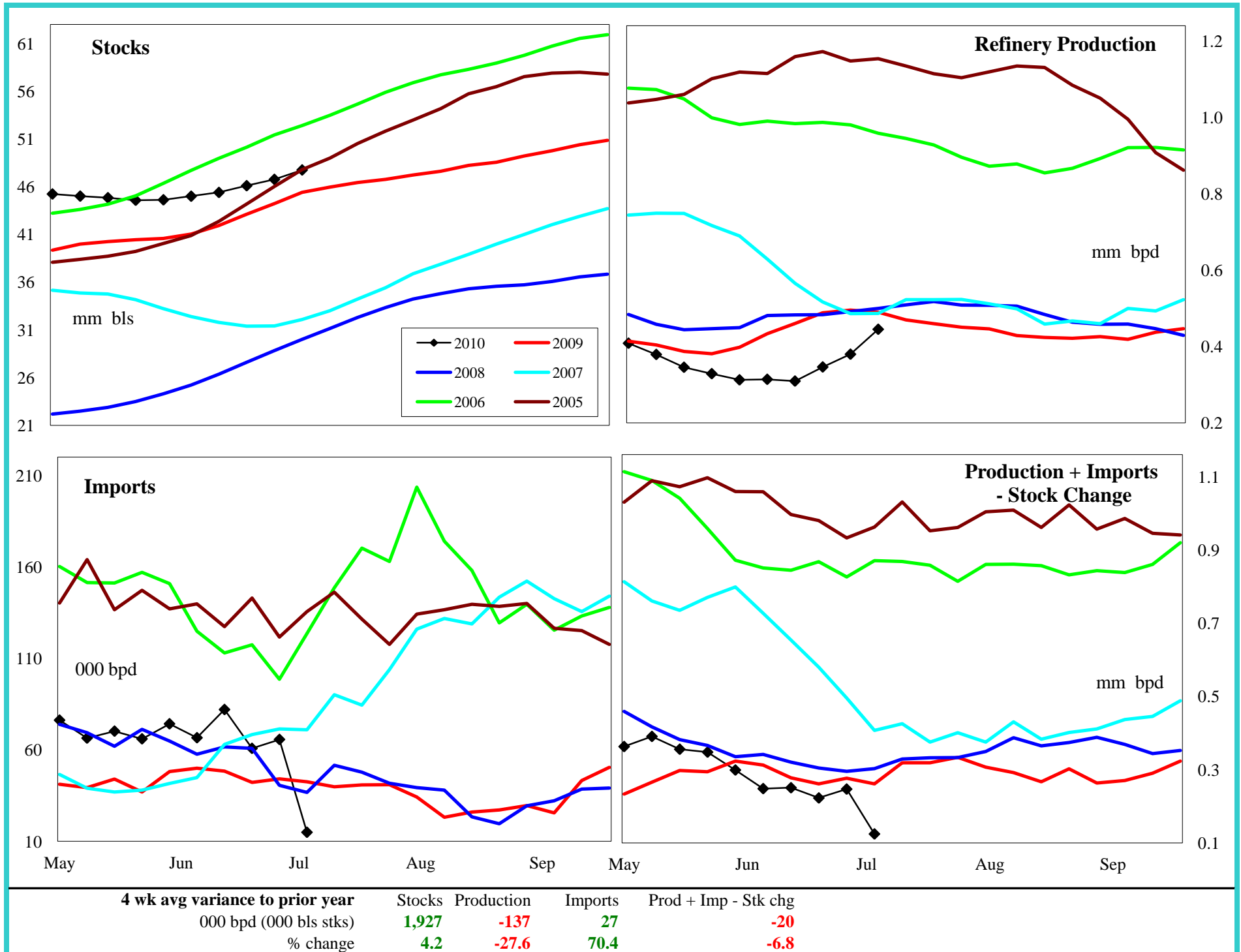
United States Distillate Supply and Demand Balance



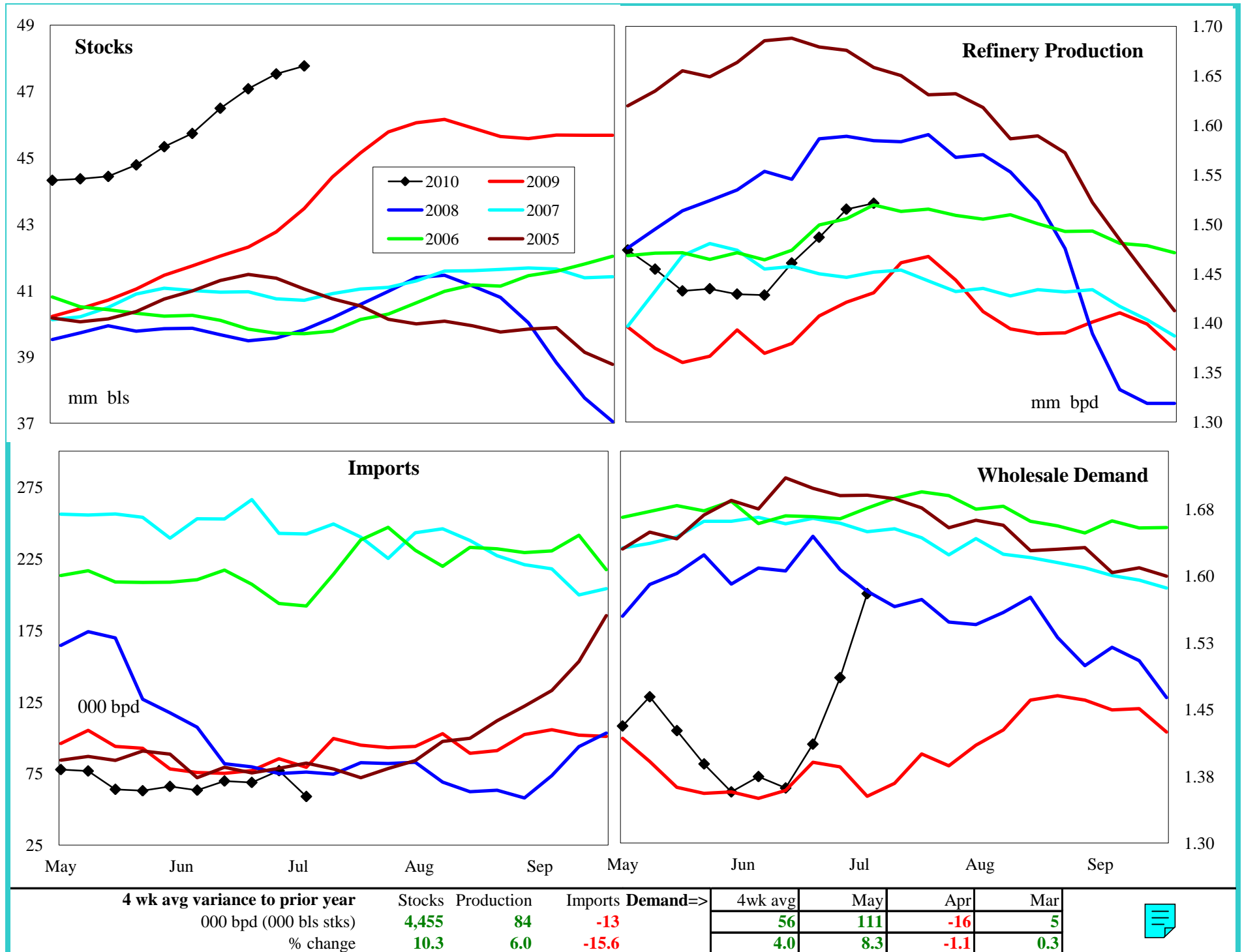
United States Low Sulfur Distillate Supply



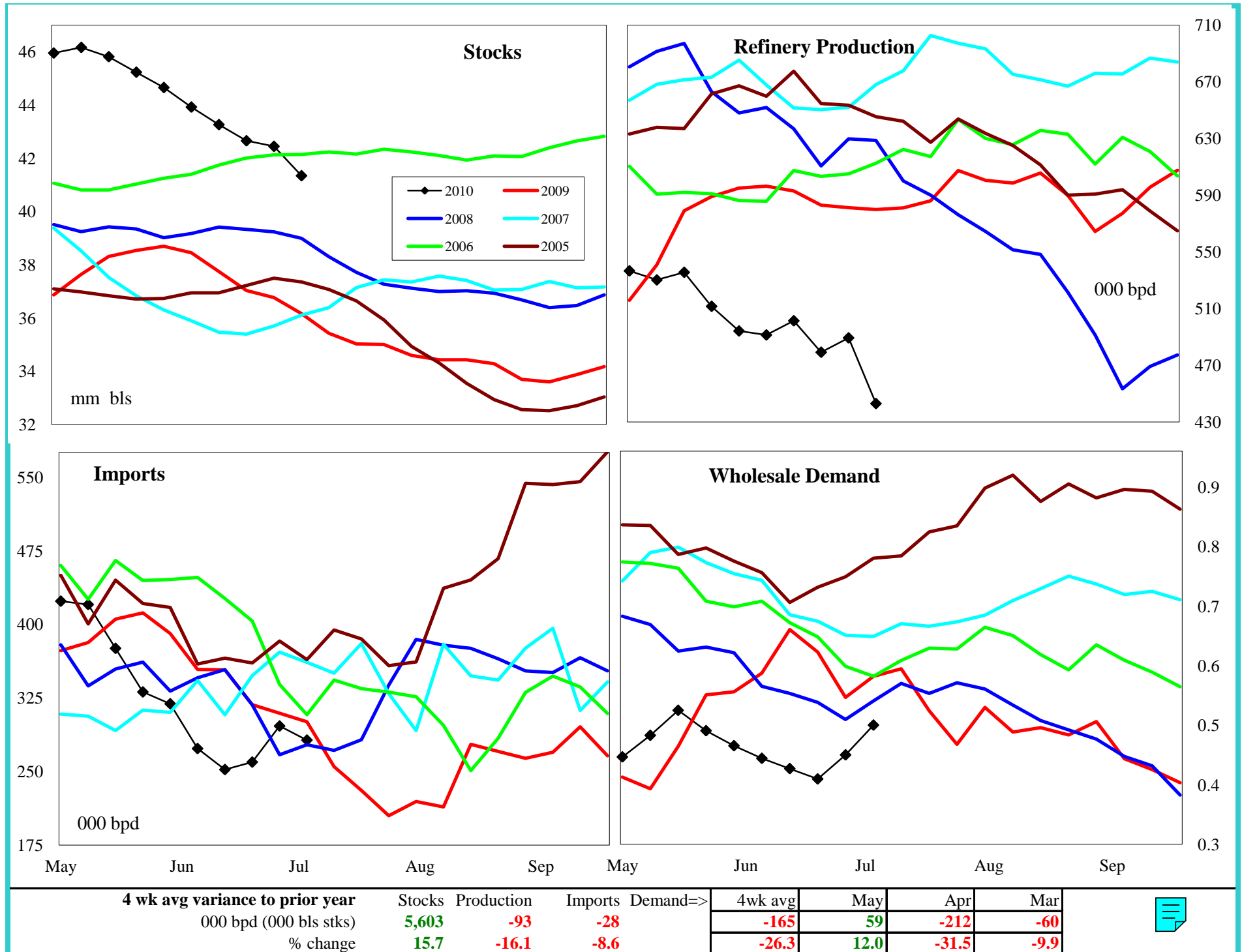
United States High Sulfur Distillate Supply



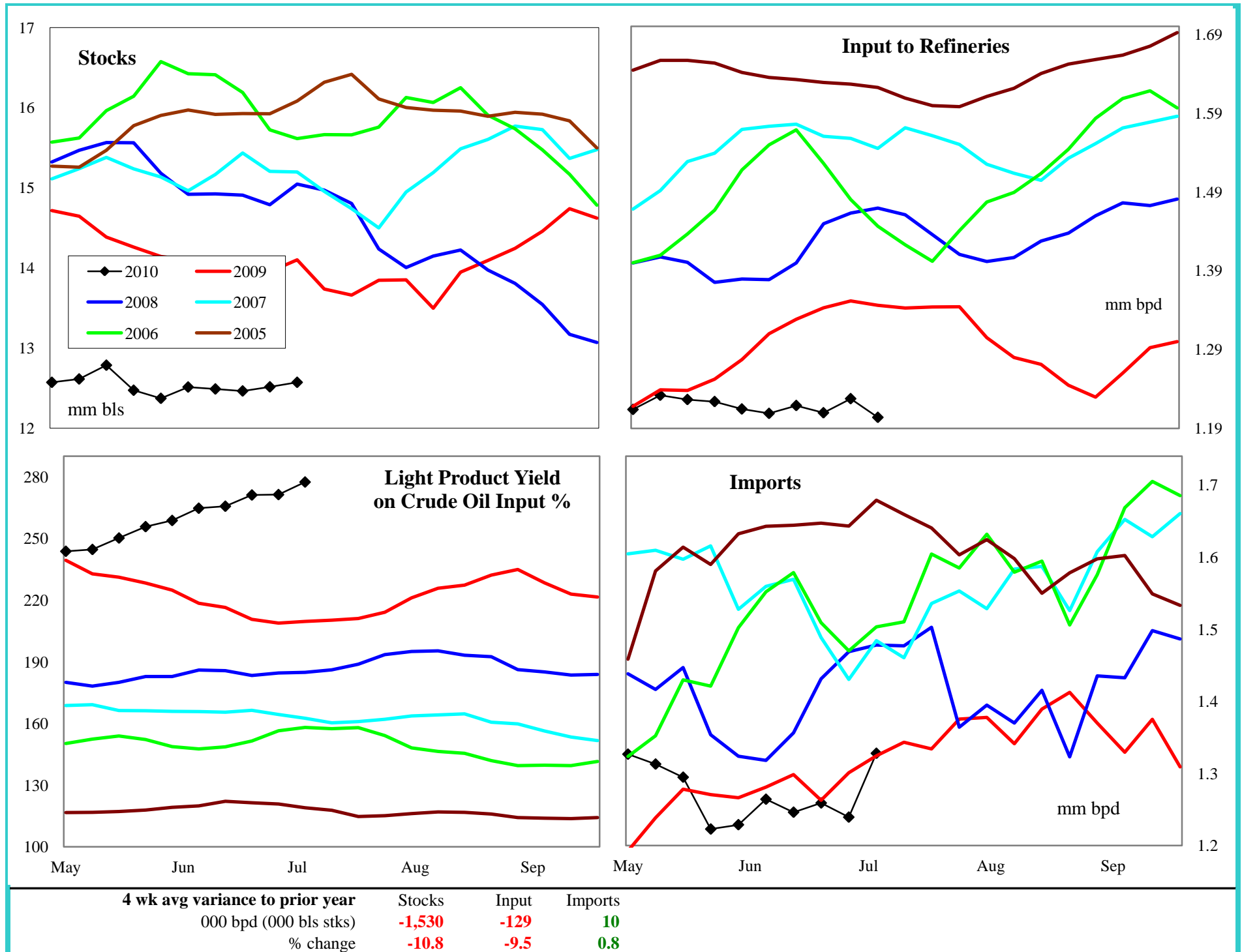
United States Jet Fuel Supply and Demand Balance



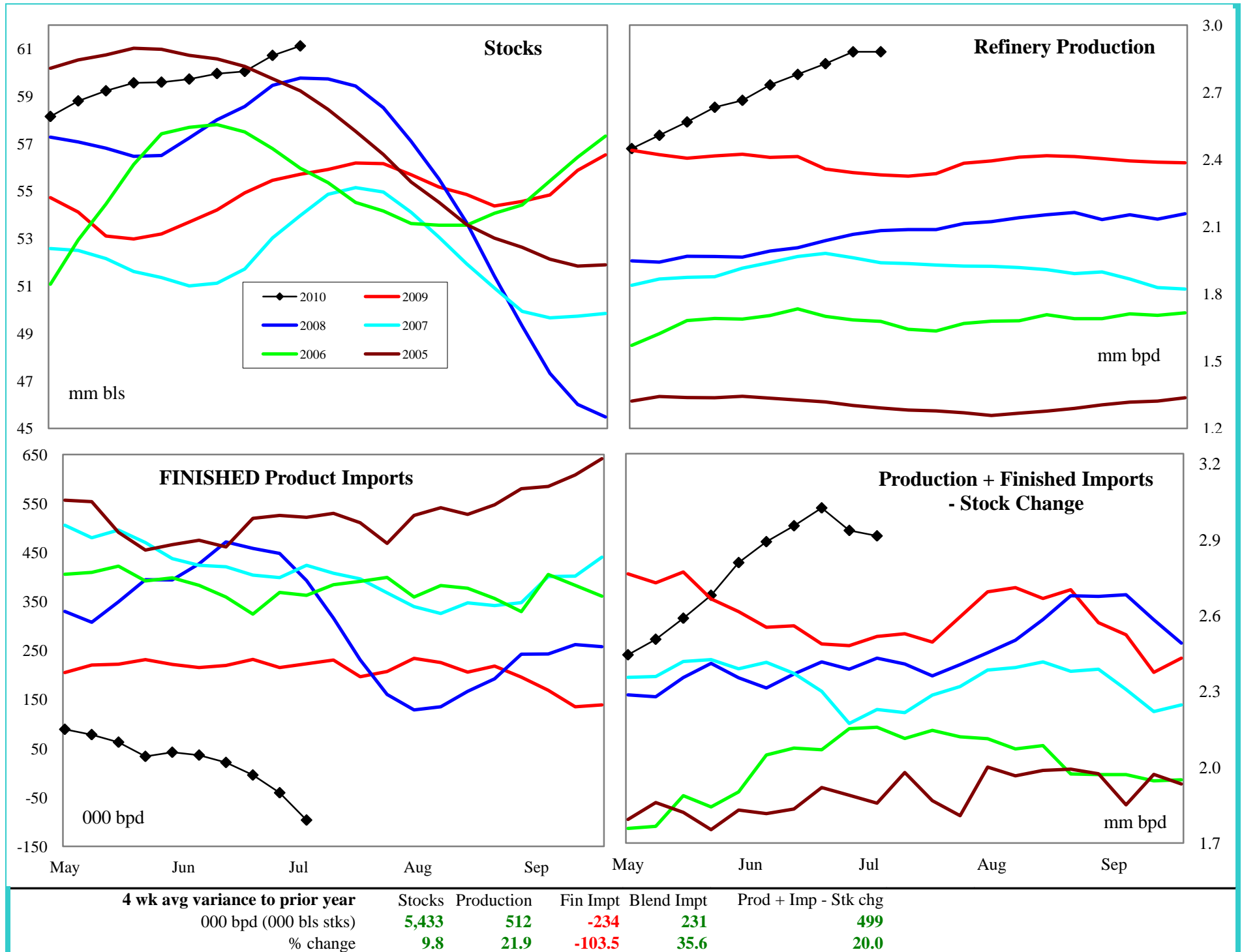
United States Residual Fuel Oil Supply and Demand Balance



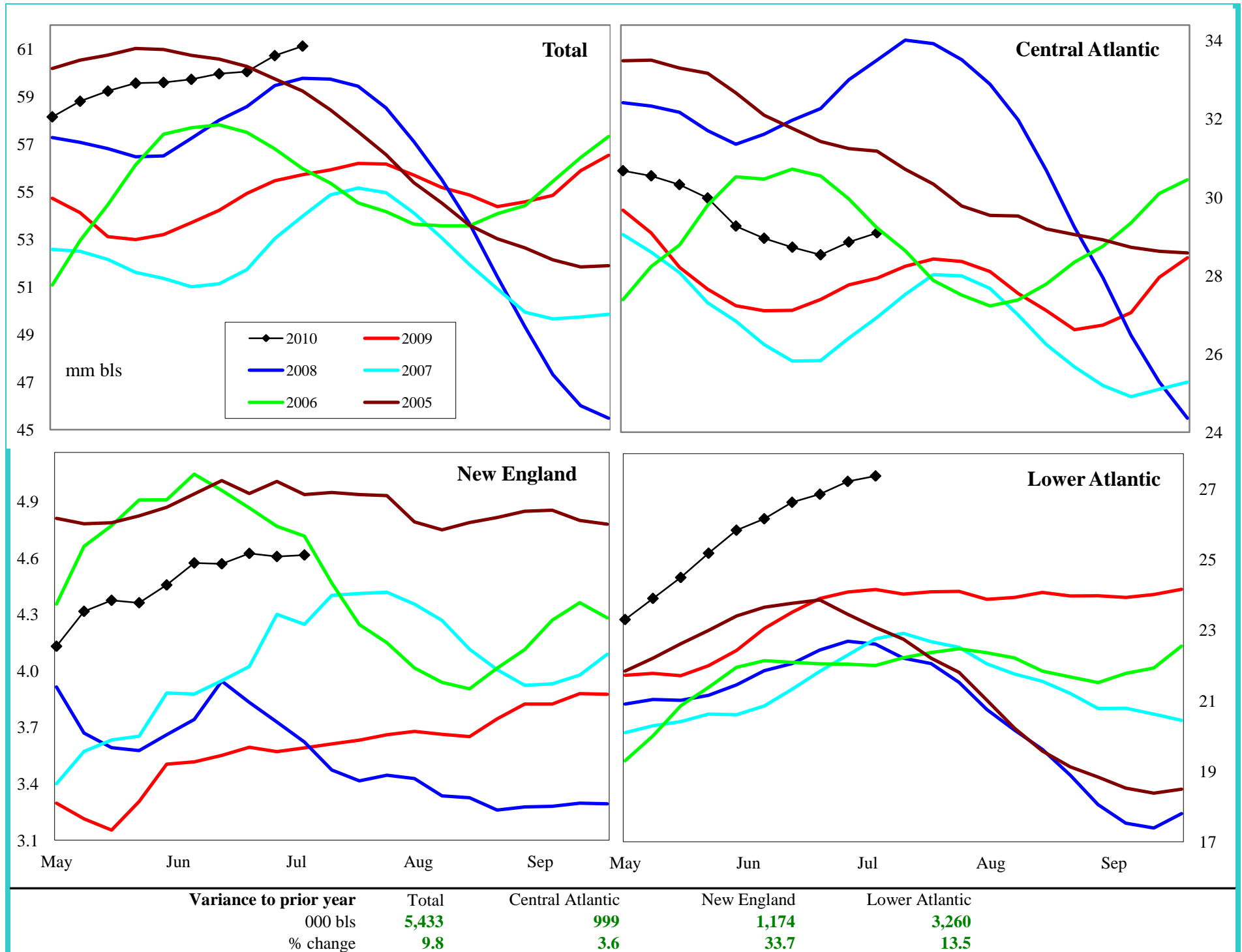
PADD 1 Crude Oil Supply and Refining



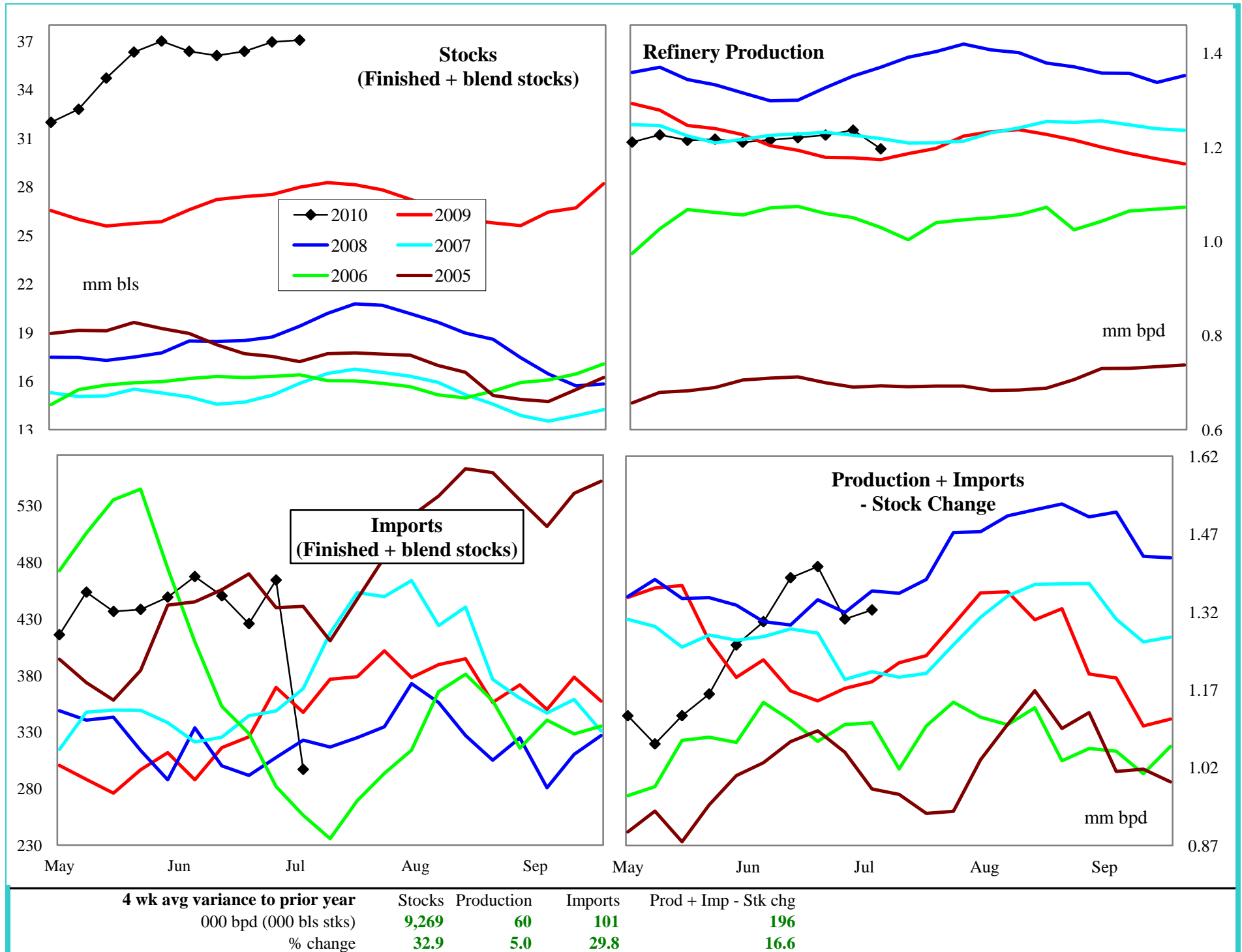
PADD 1 Gasoline Supply



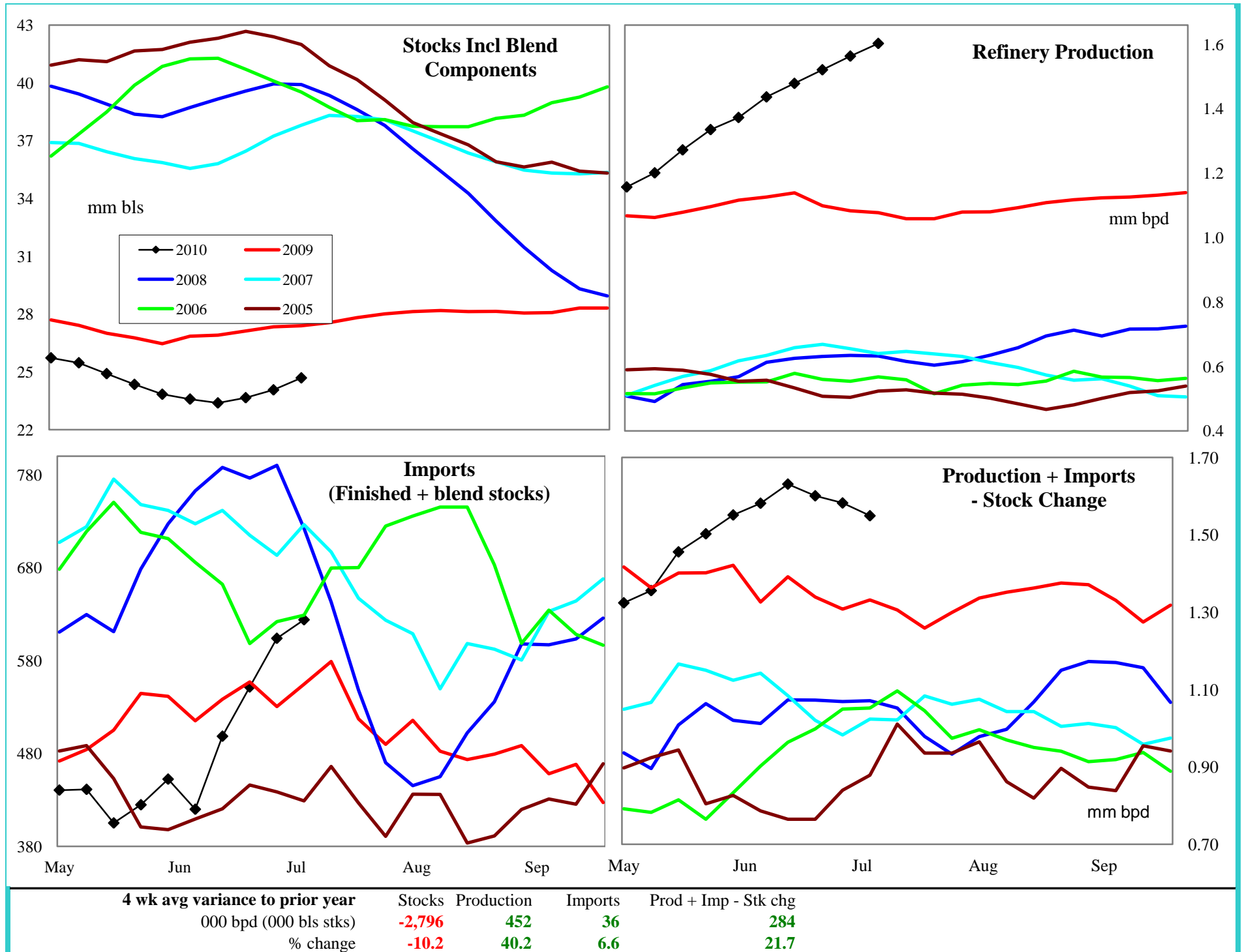
PADD 1 Gasoline Stocks by Region



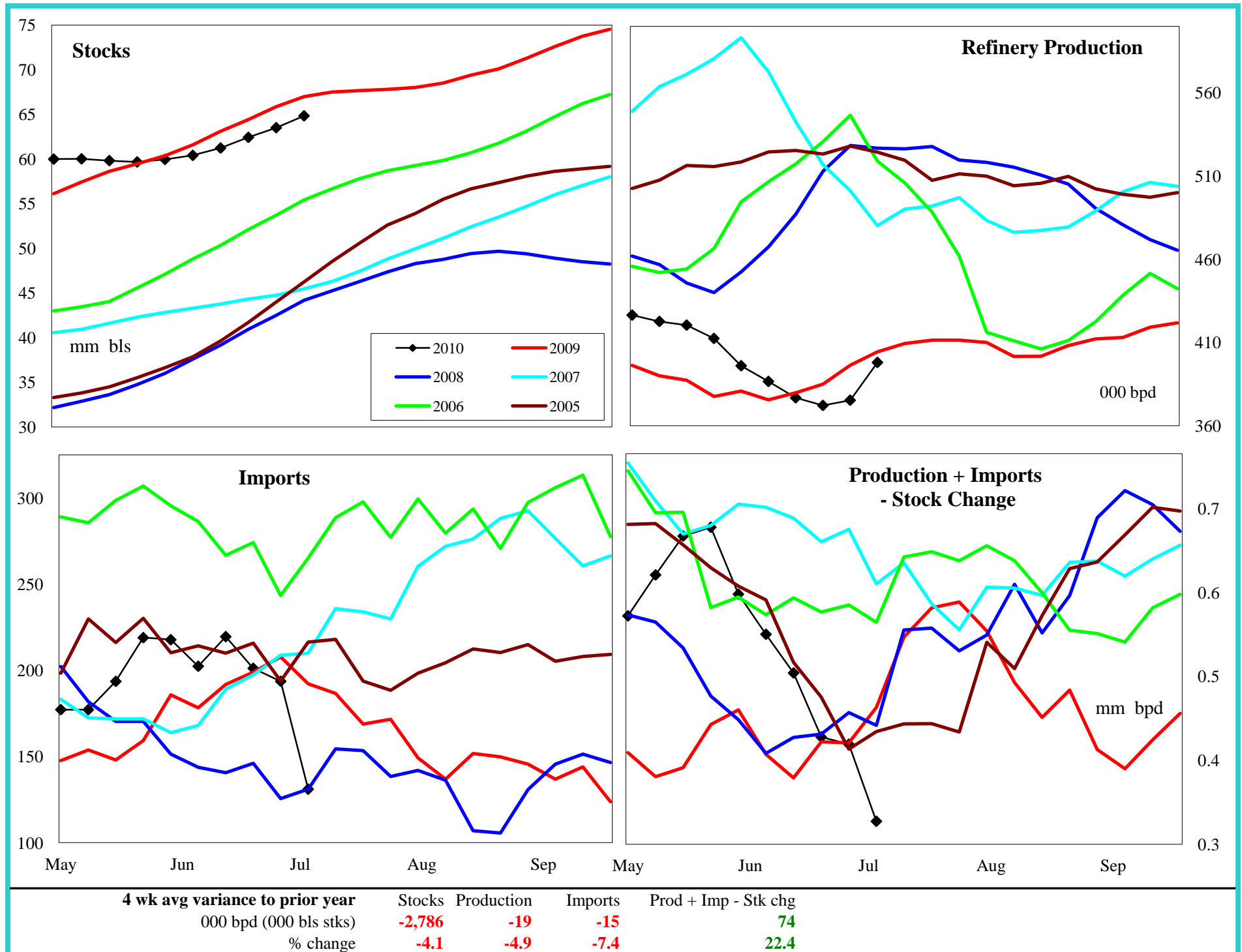
PADD 1 Reformulated Gasoline Supply



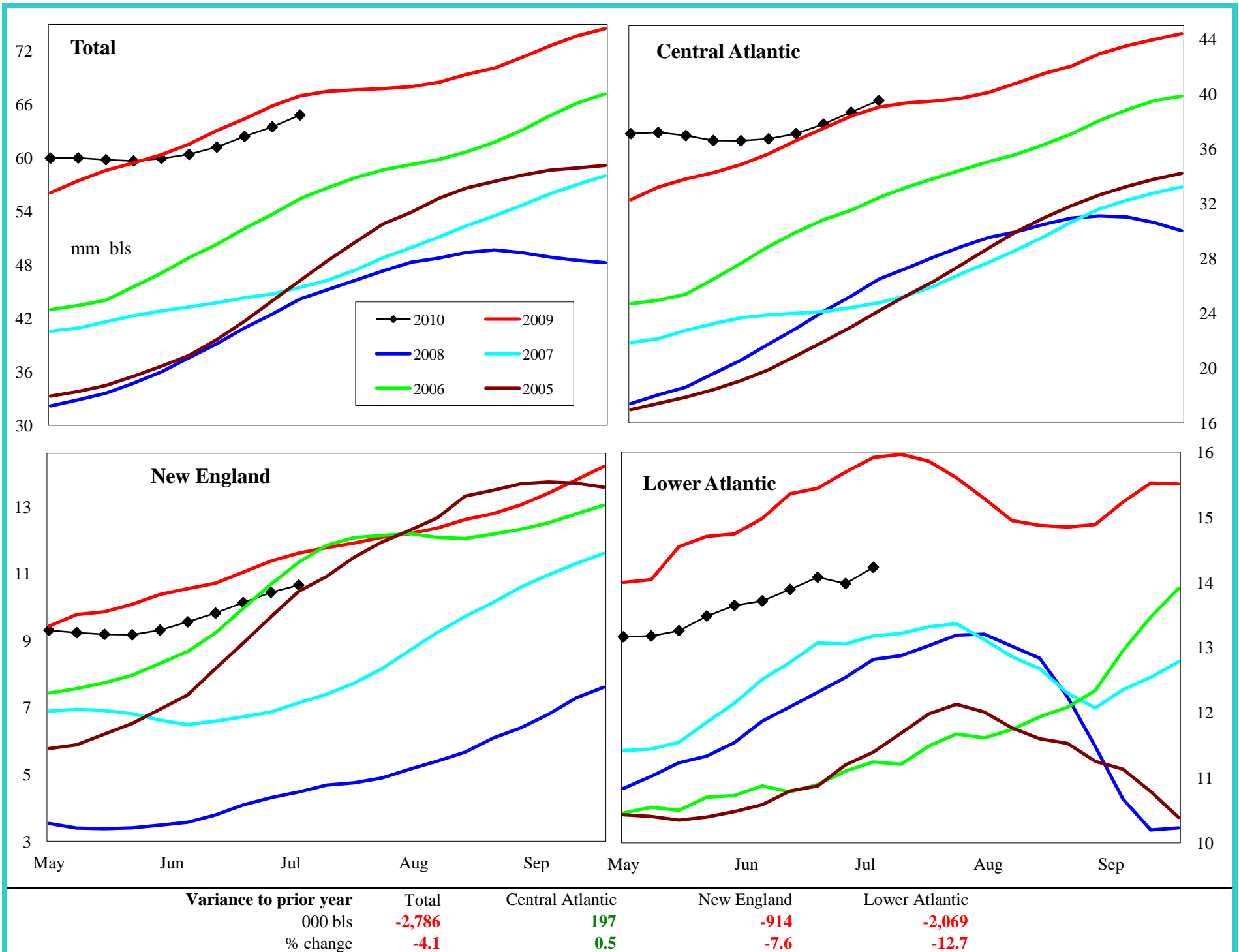
PADD 1 Conventional Gasoline Supply



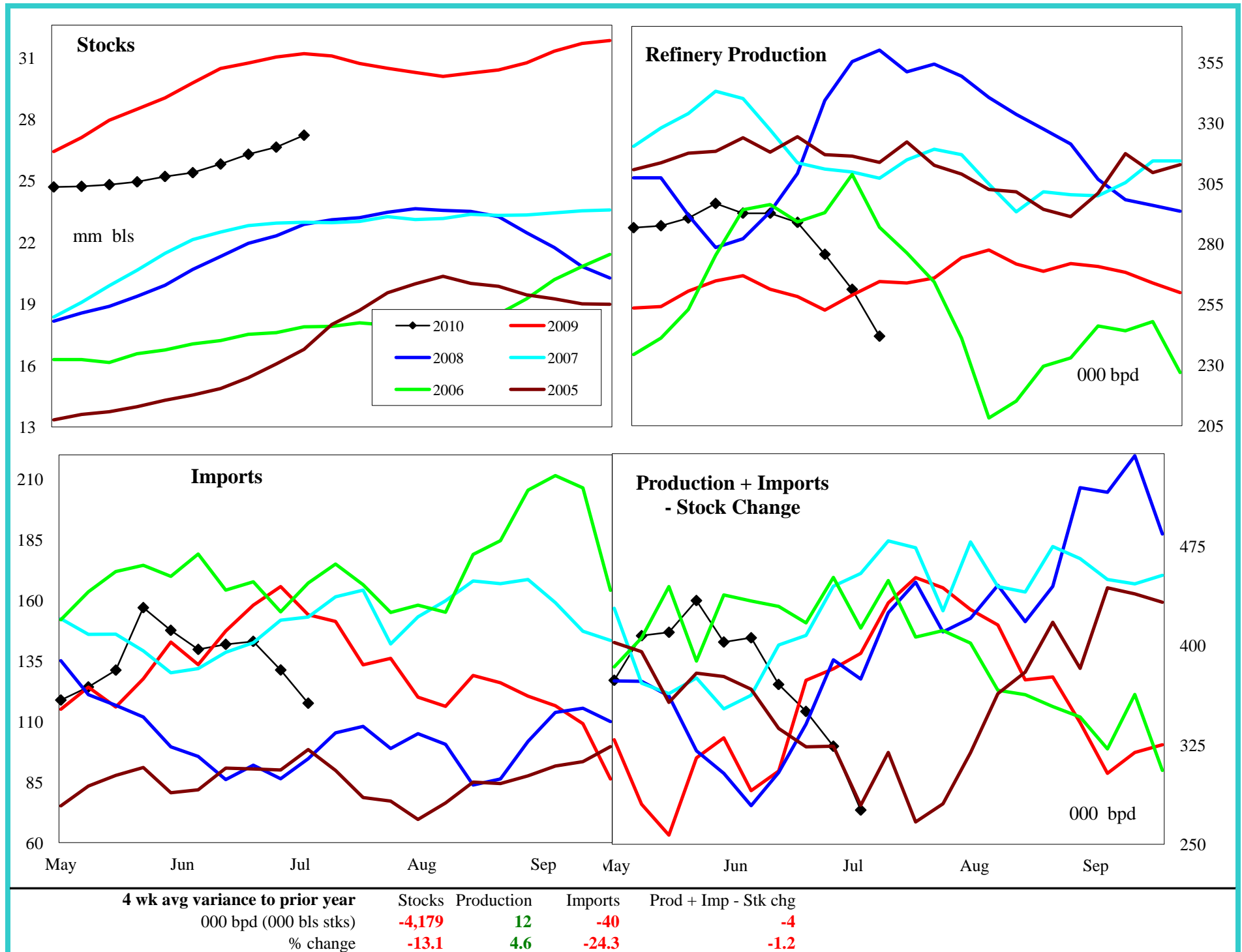
PADD 1 Distillate Supply



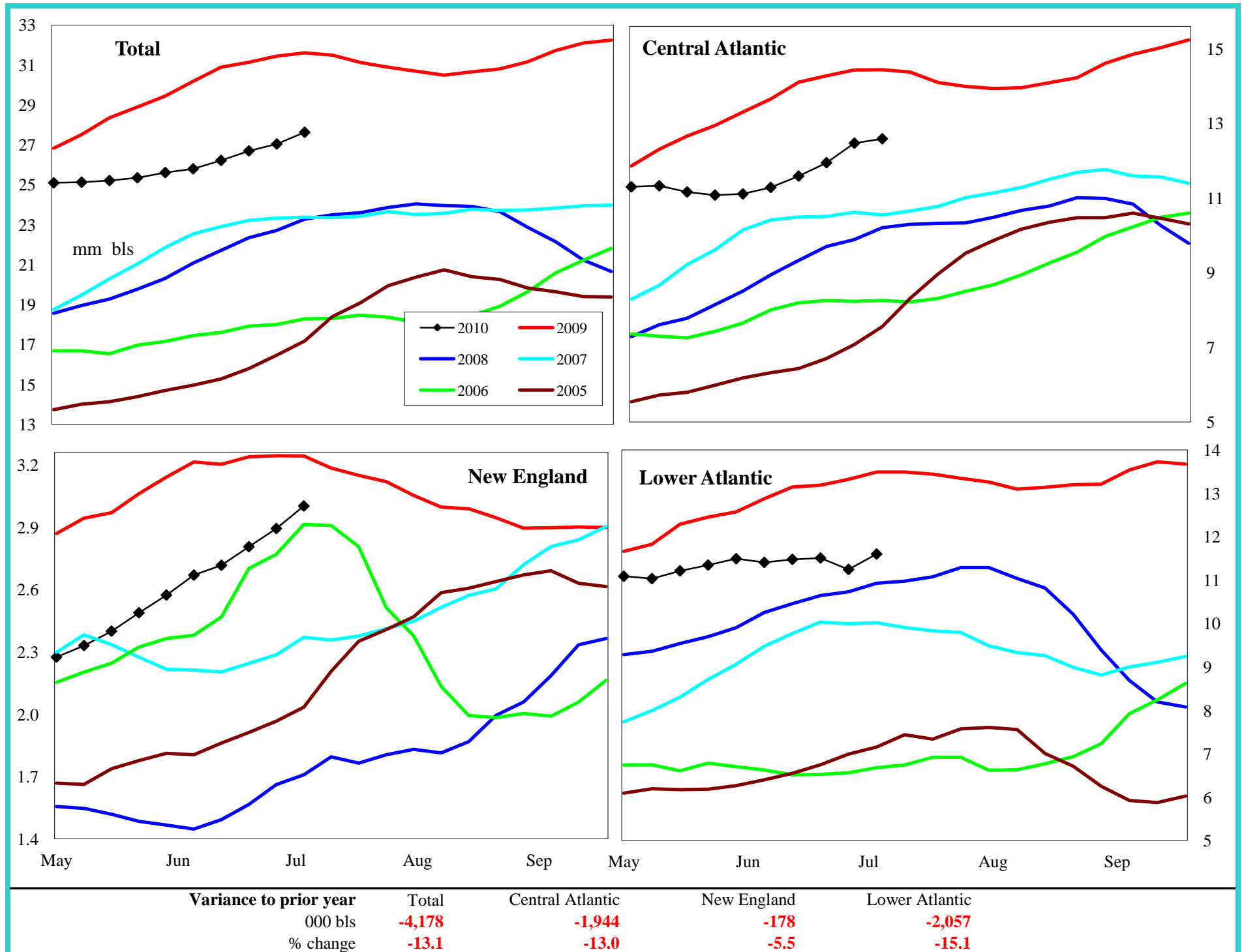
PADD 1 Distillate Stocks by Region



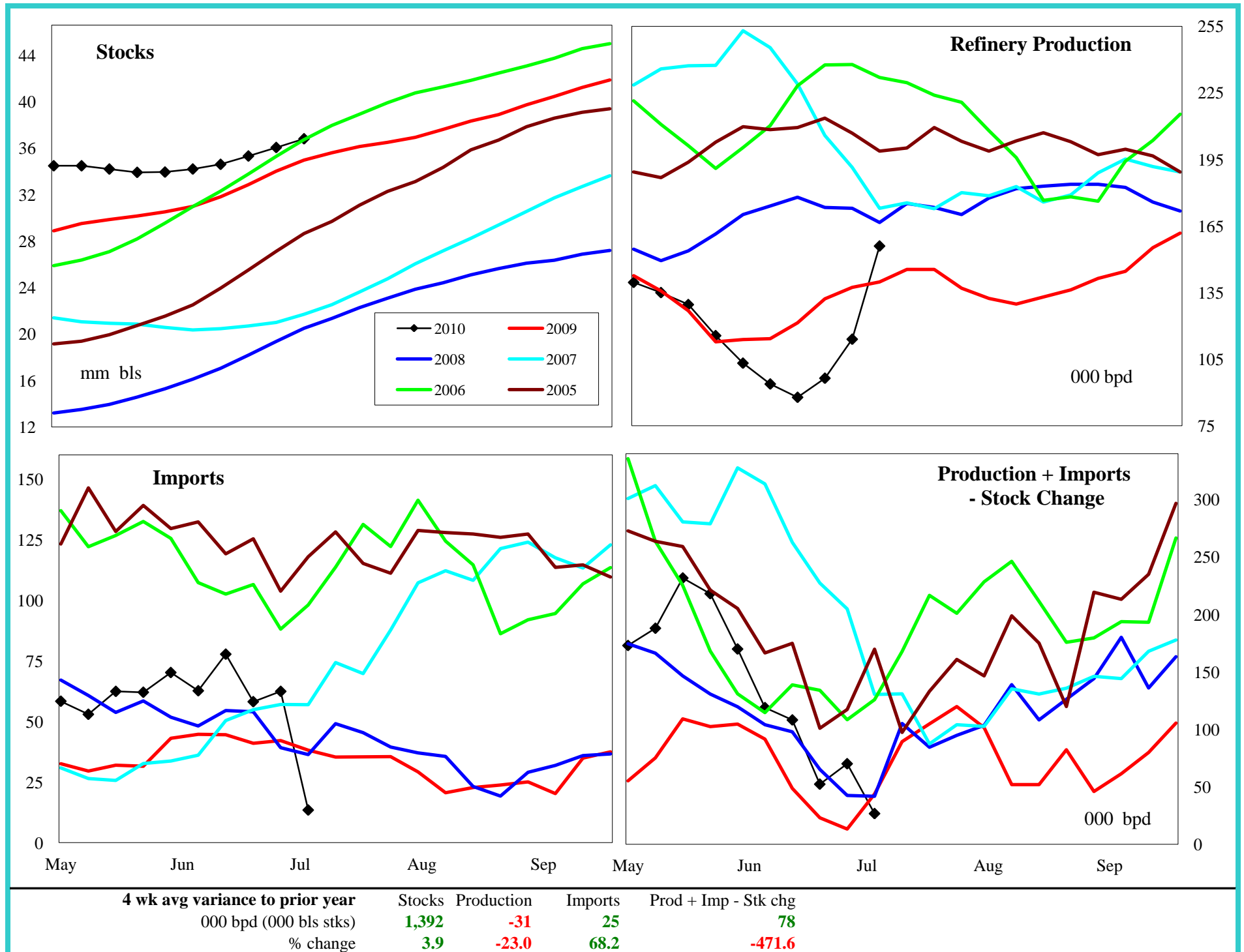
PADD 1 Low Sulfur Distillate Supply



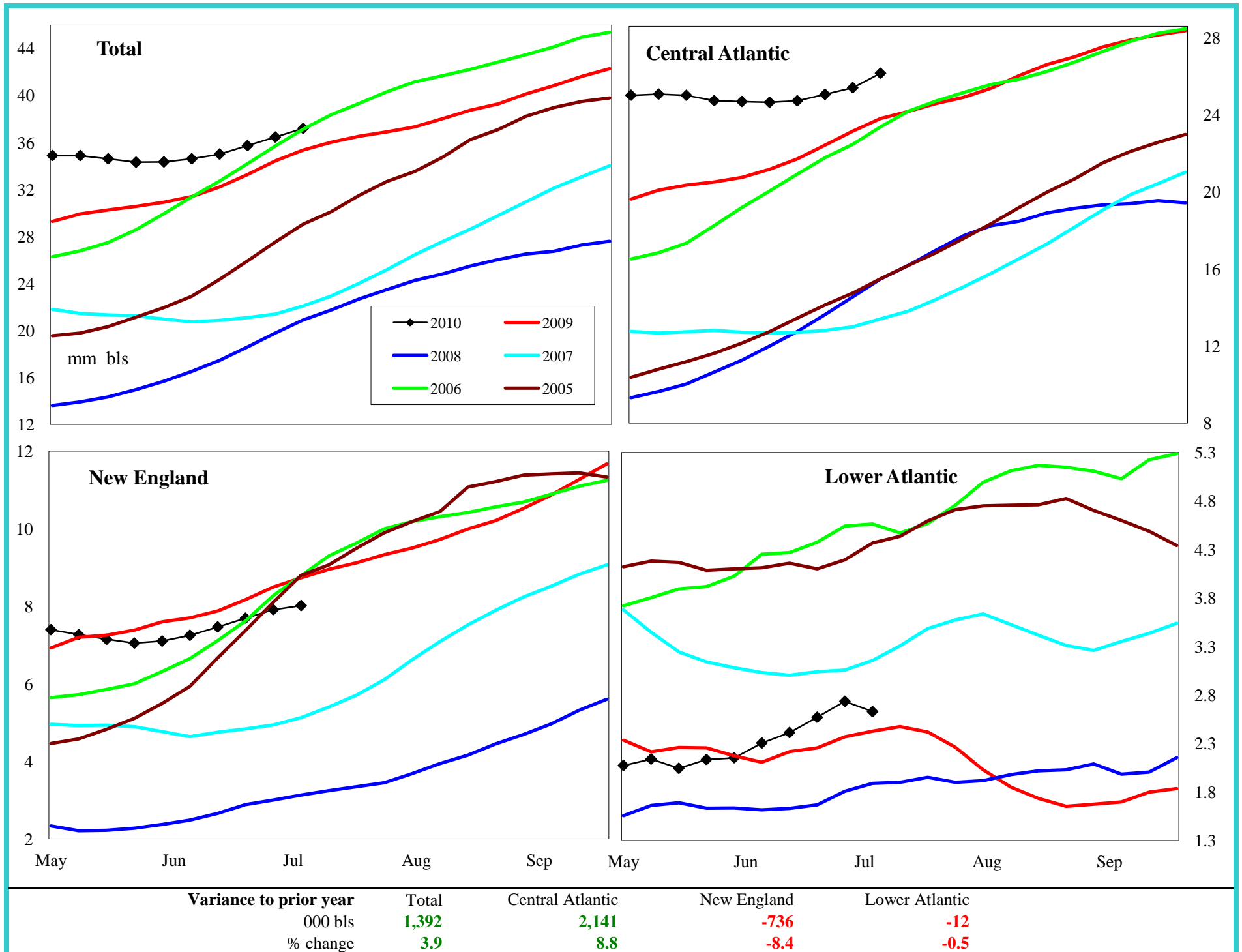
PADD 1 Low Sulfur Distillate Stocks by Region



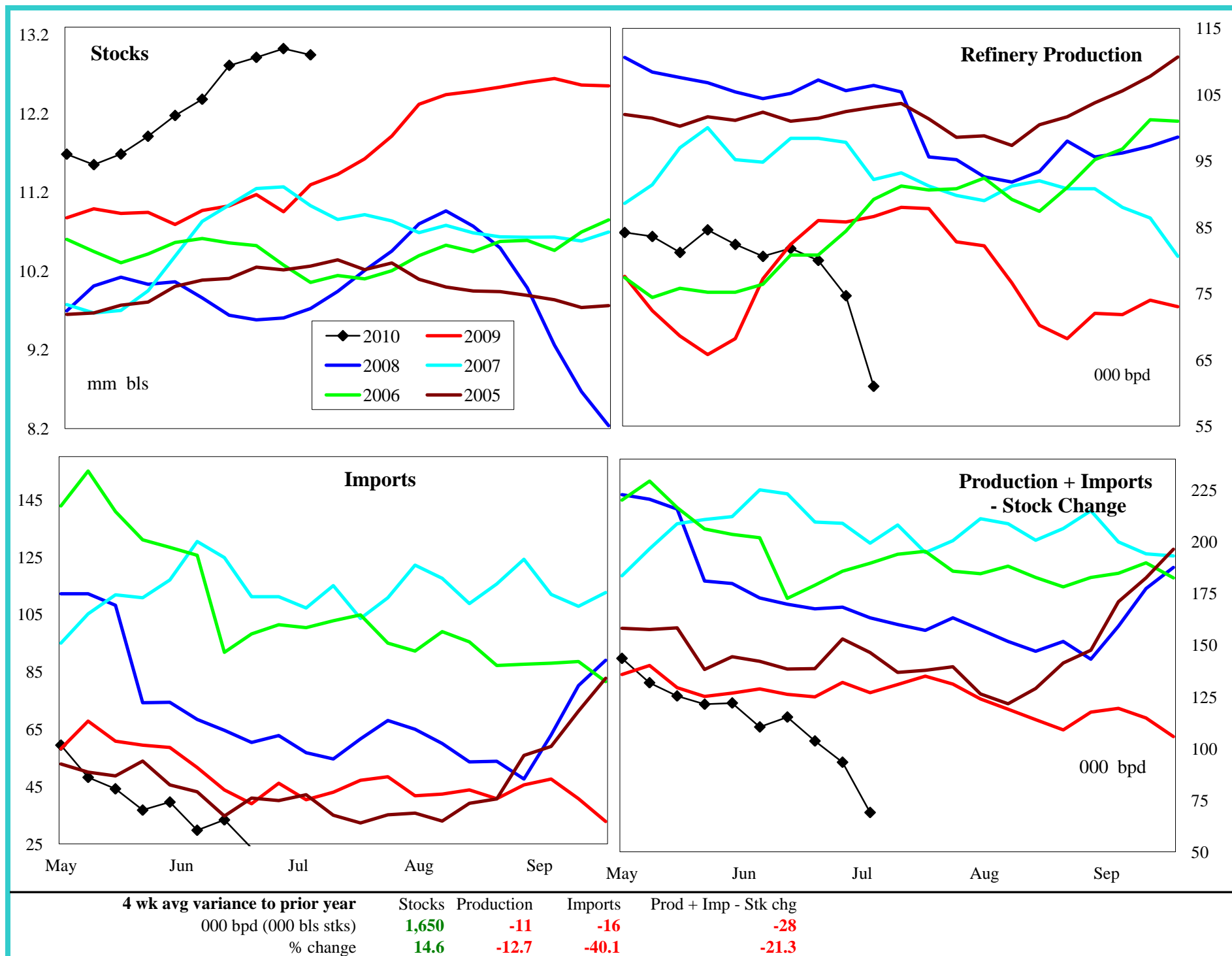
PADD 1 High Sulfur Distillate Supply



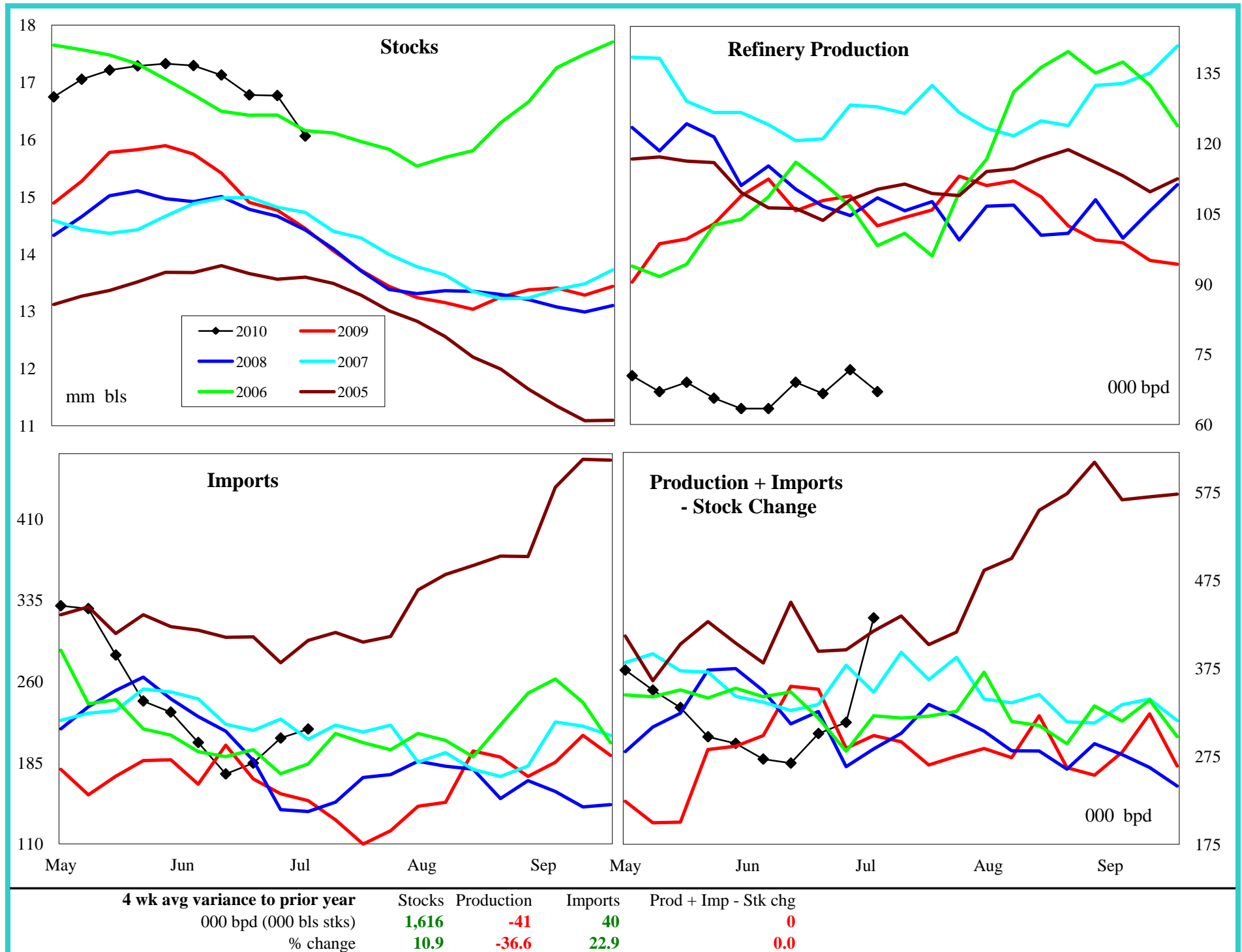
PADD 1 High Sulfur Distillate Stocks by Region



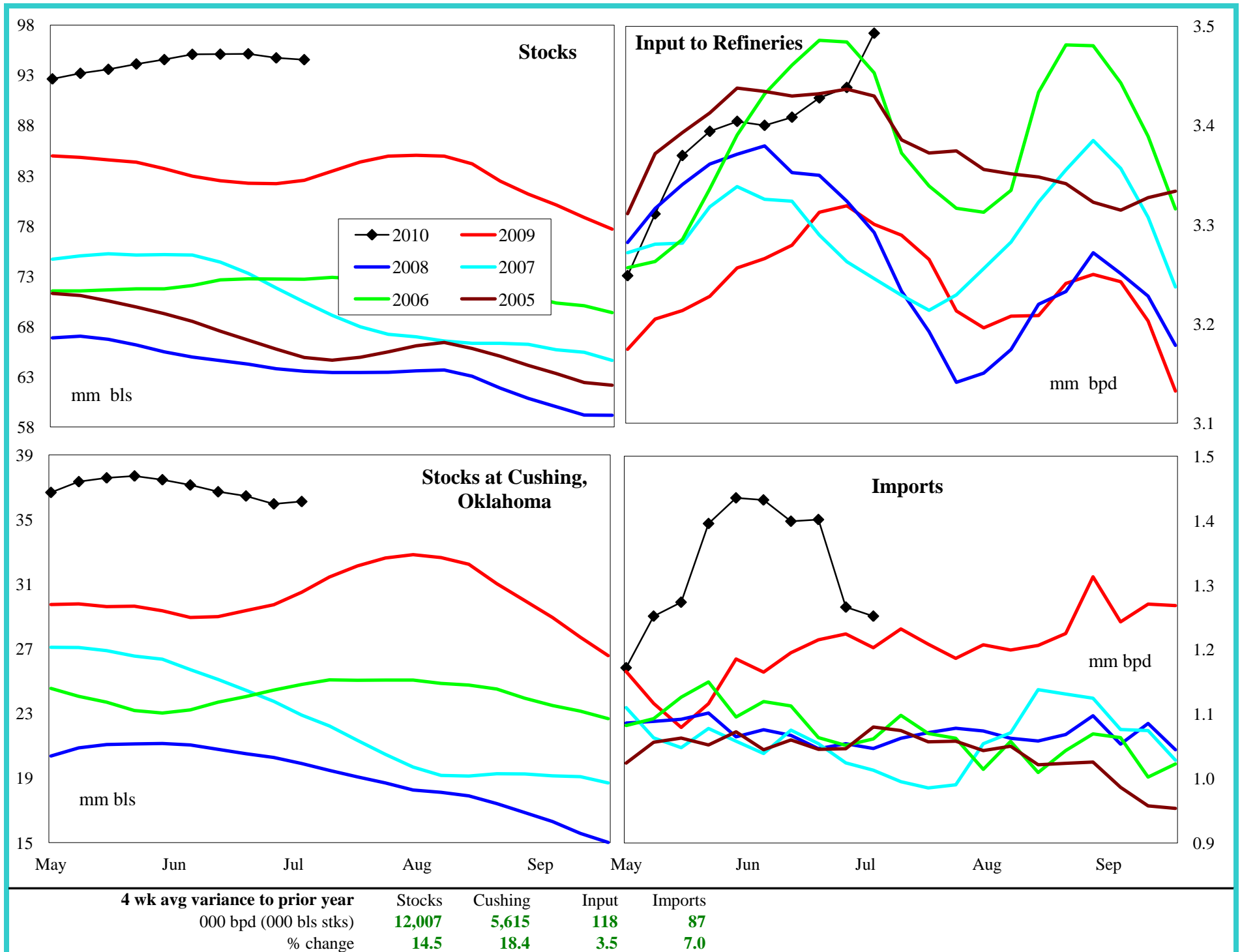
PADD 1 Jet Fuel Supply



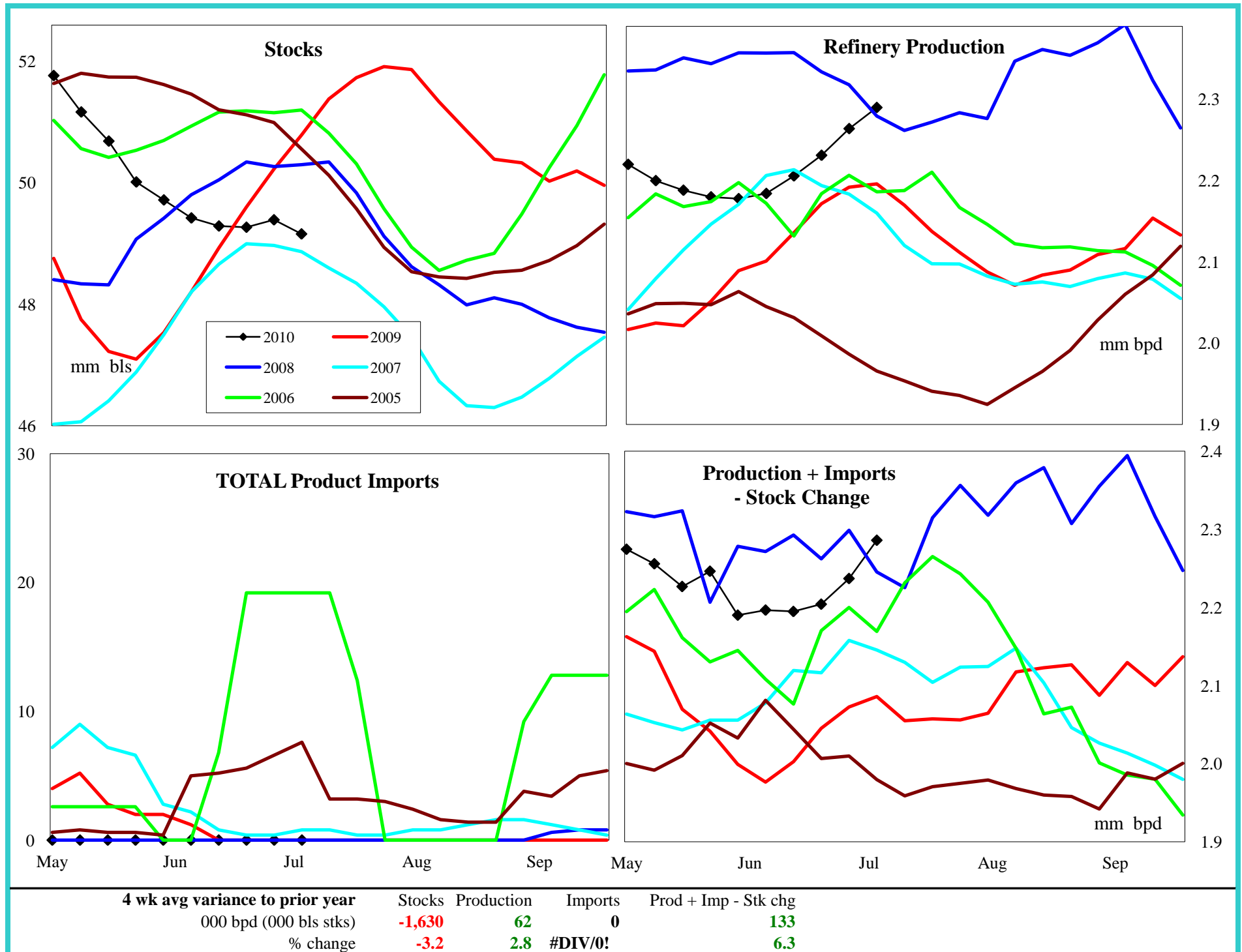
PADD 1 Residual Fuel Oil Supply



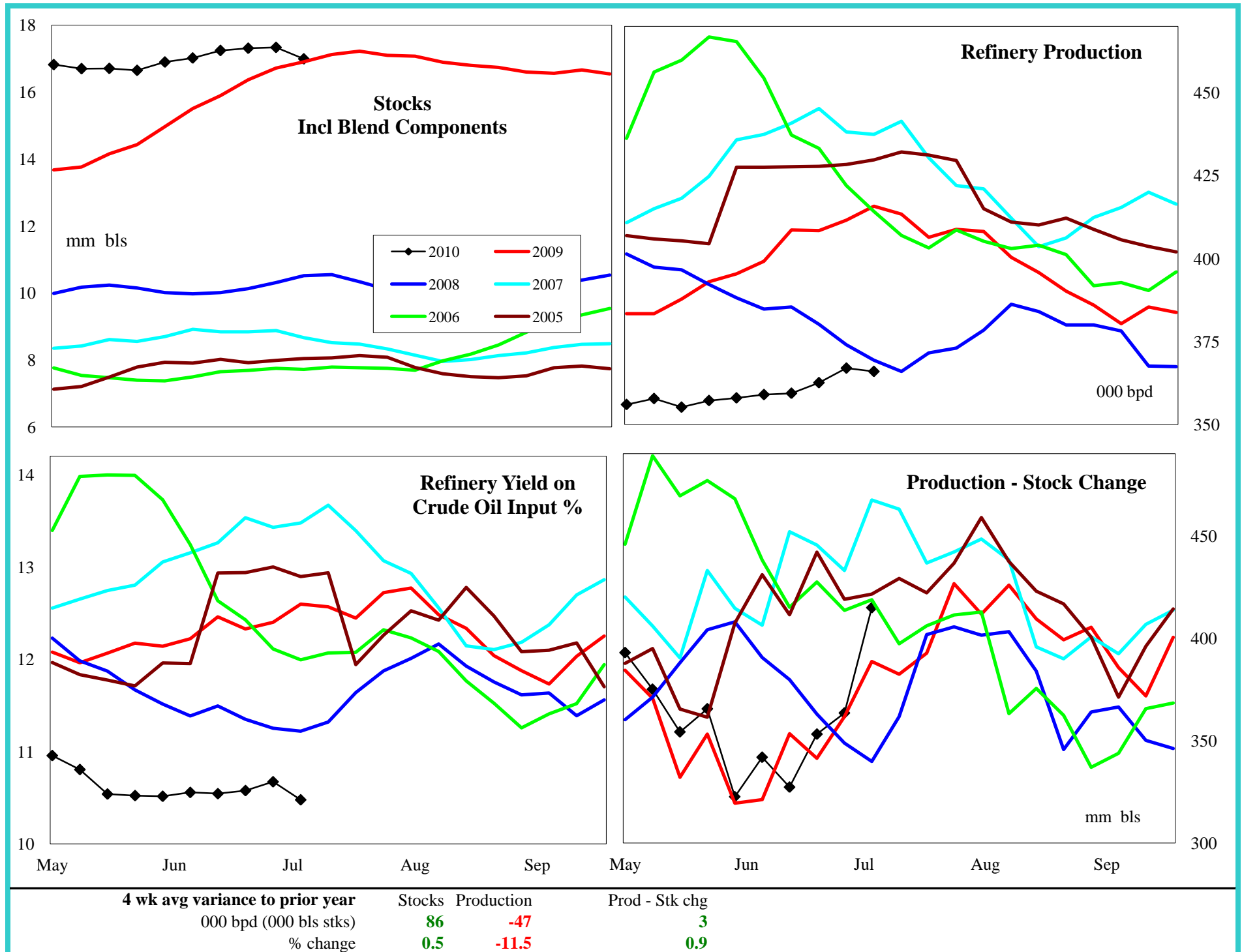
PADD 2 Crude Oil Supply and Refining



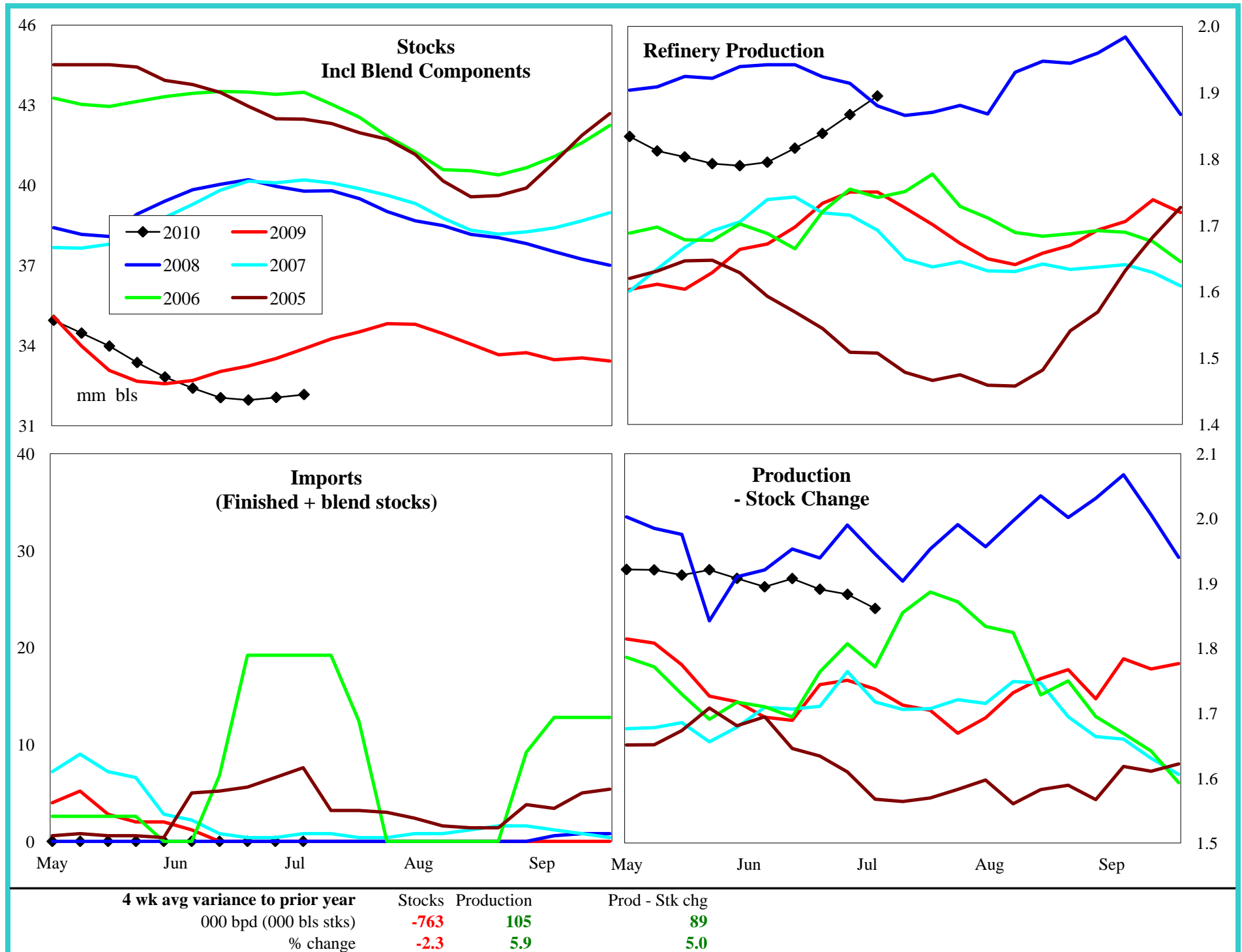
PADD 2 Gasoline Supply



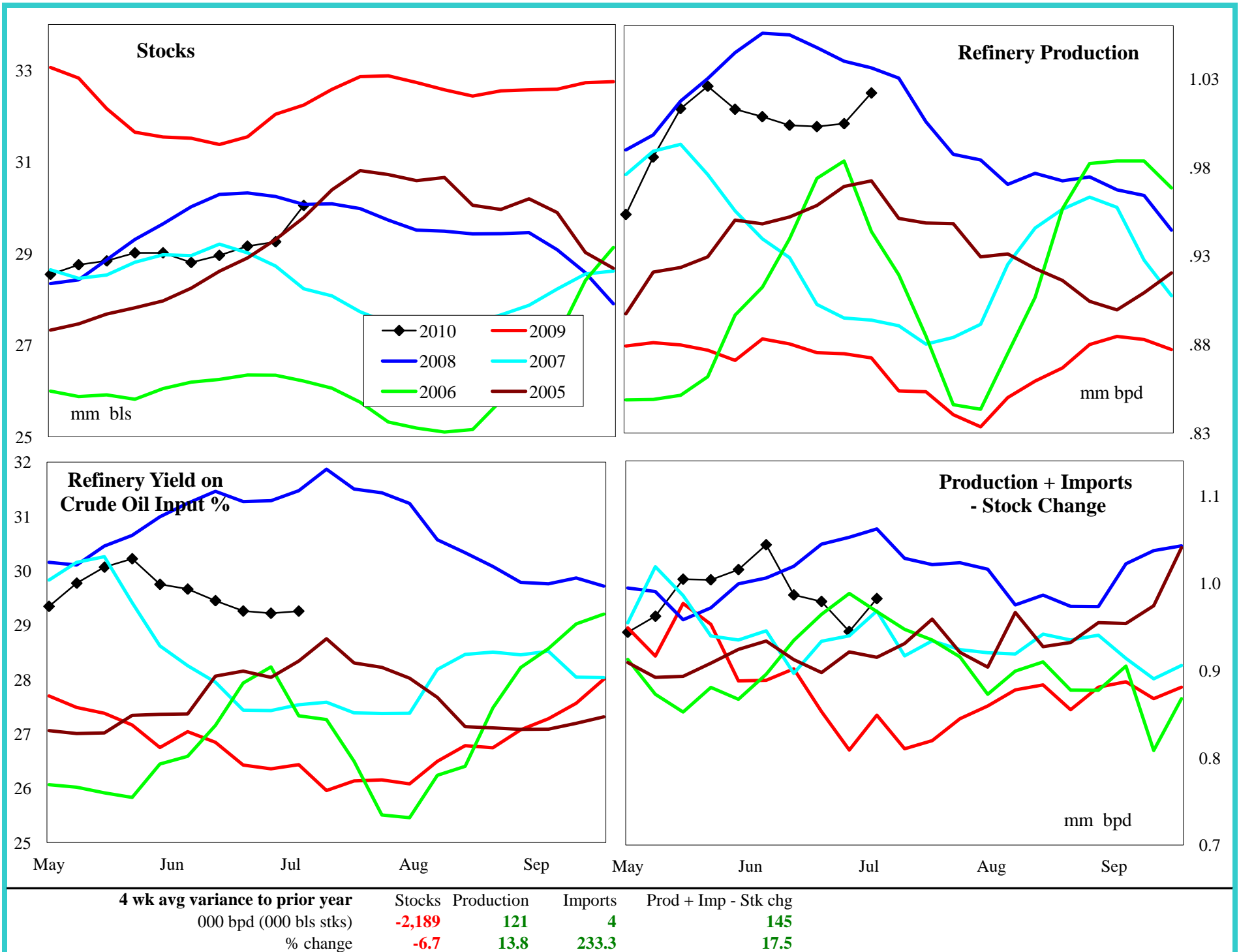
PADD 2 Reformulated Gasoline Supply



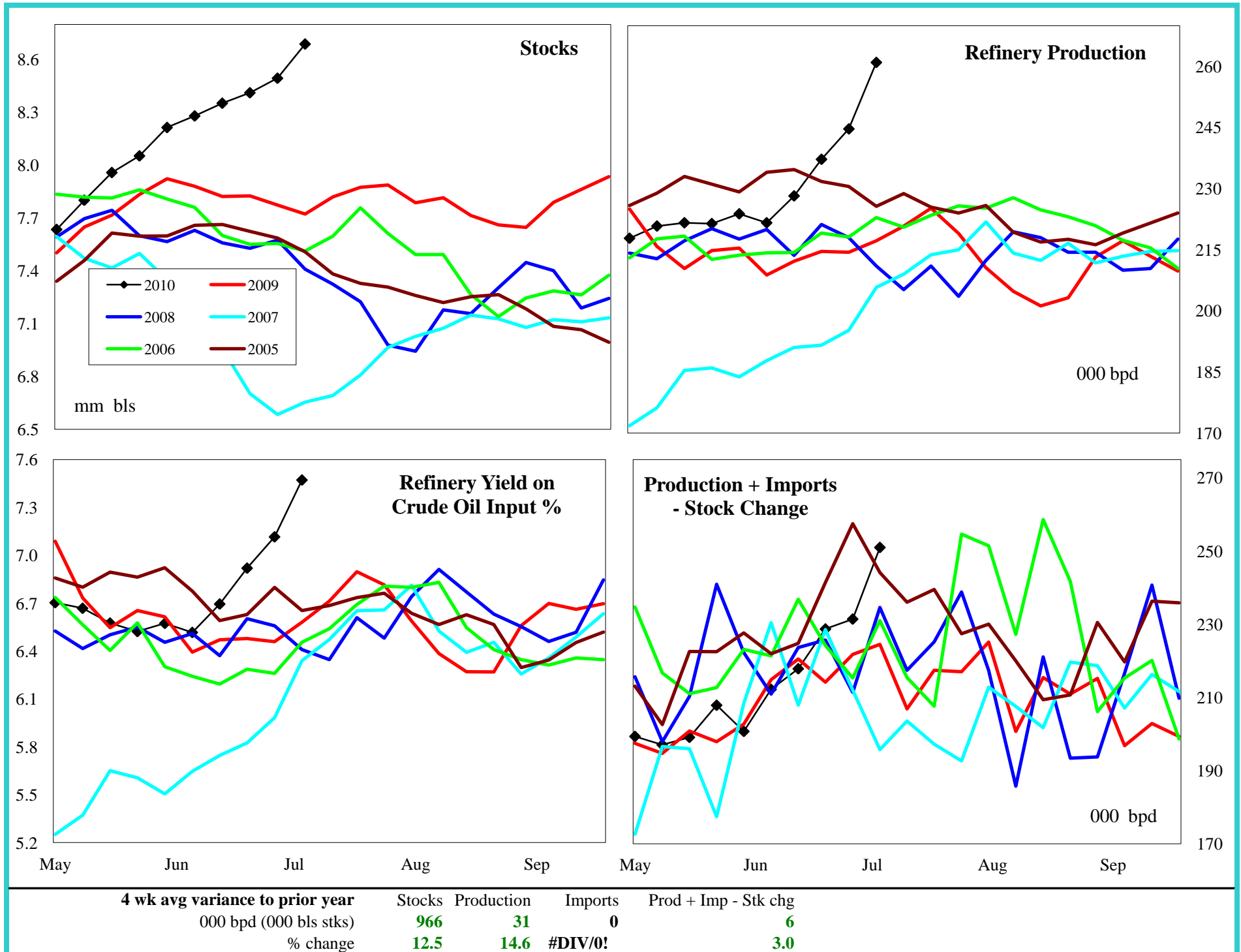
PADD 2 Conventional Gasoline Supply



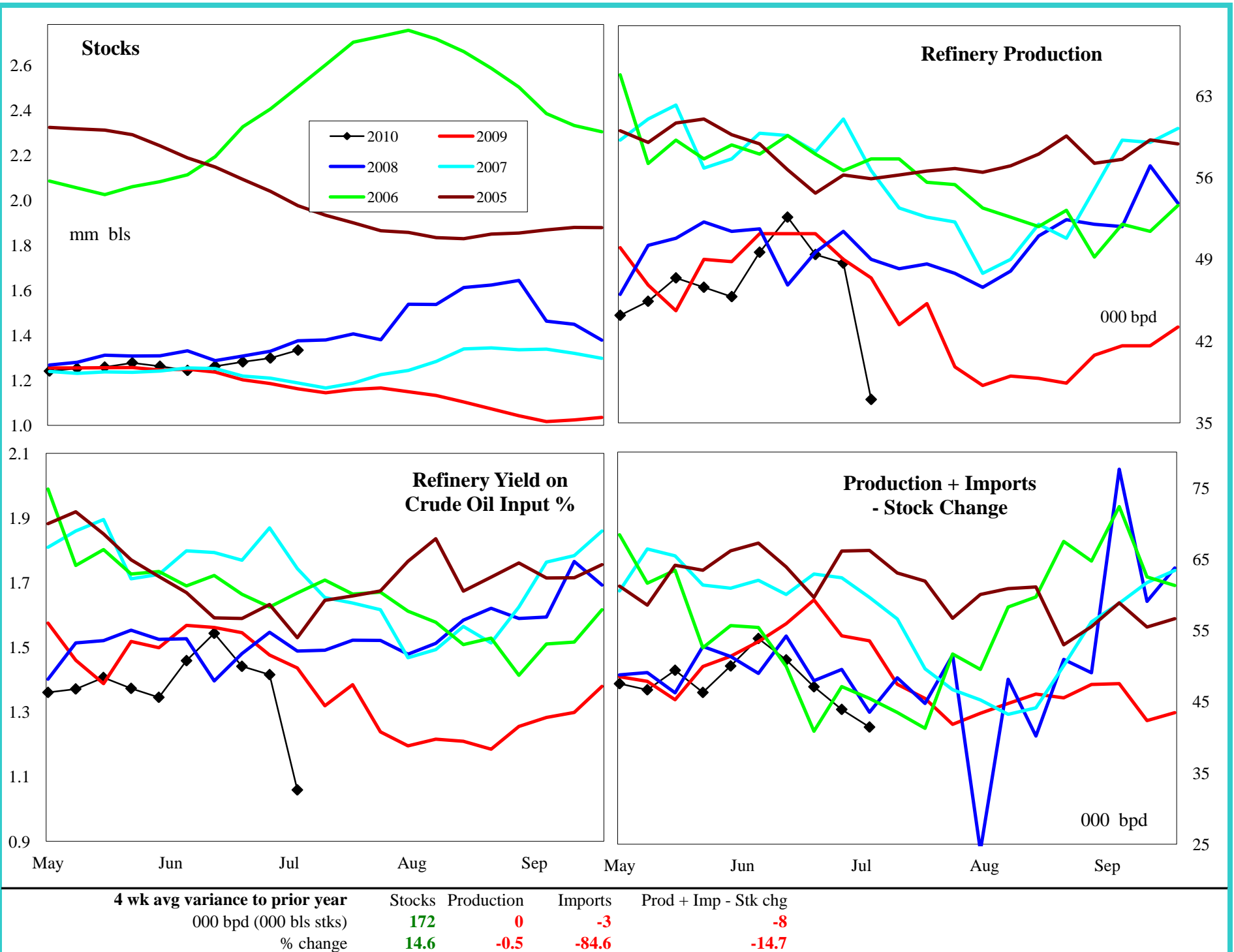
PADD 2 Distillate Supply



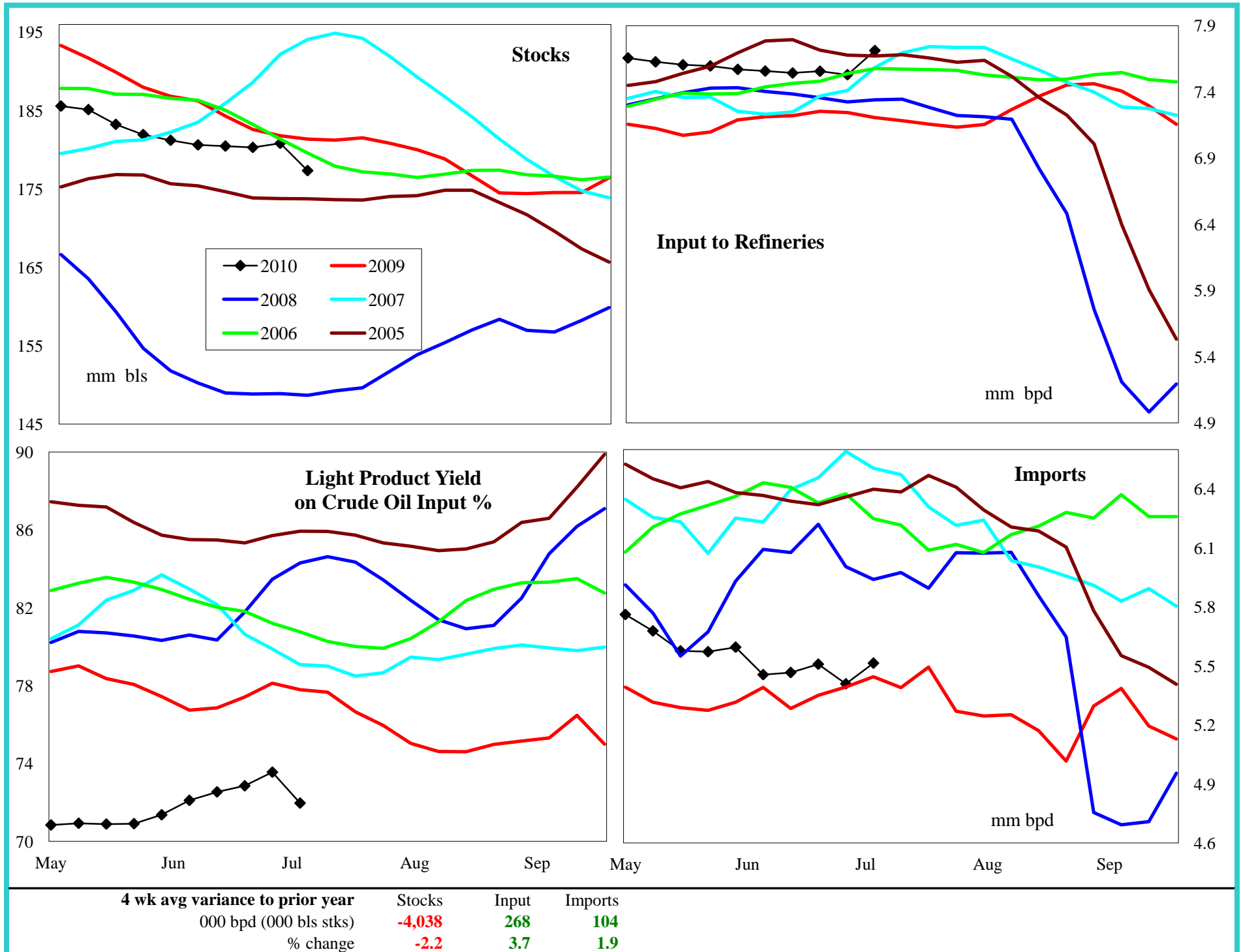
PADD 2 Jet Fuel Supply



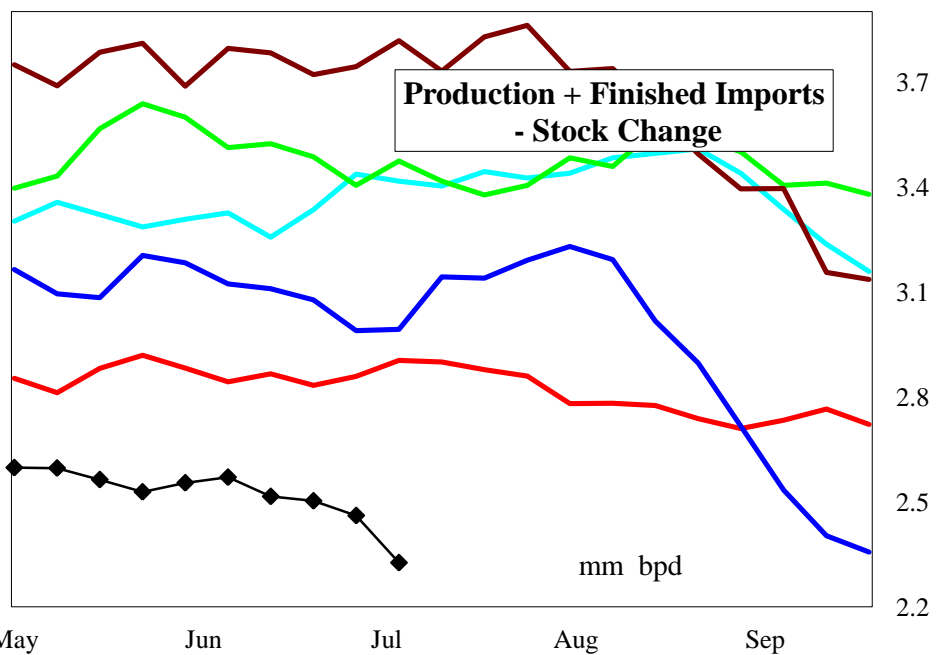
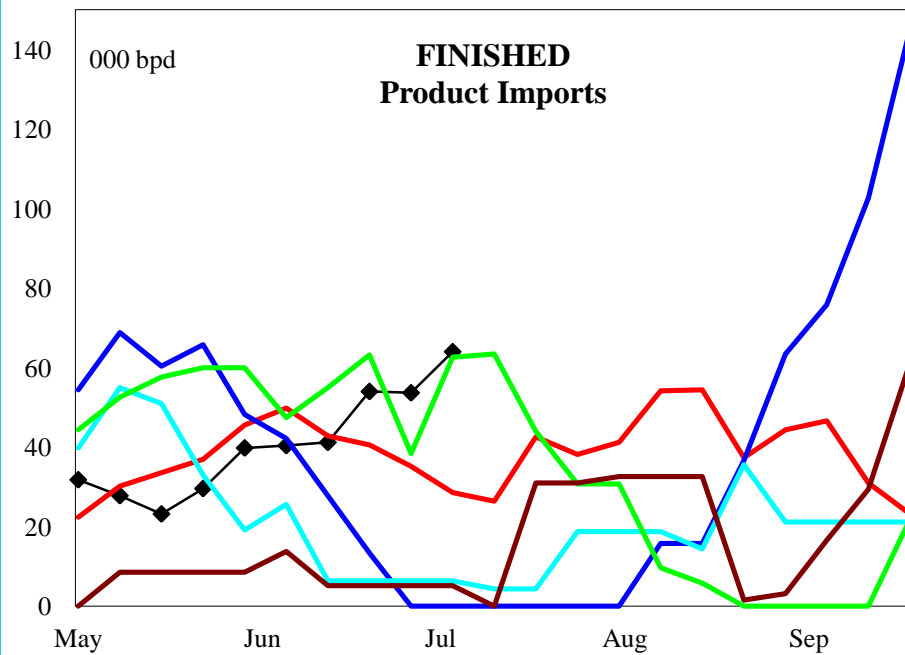
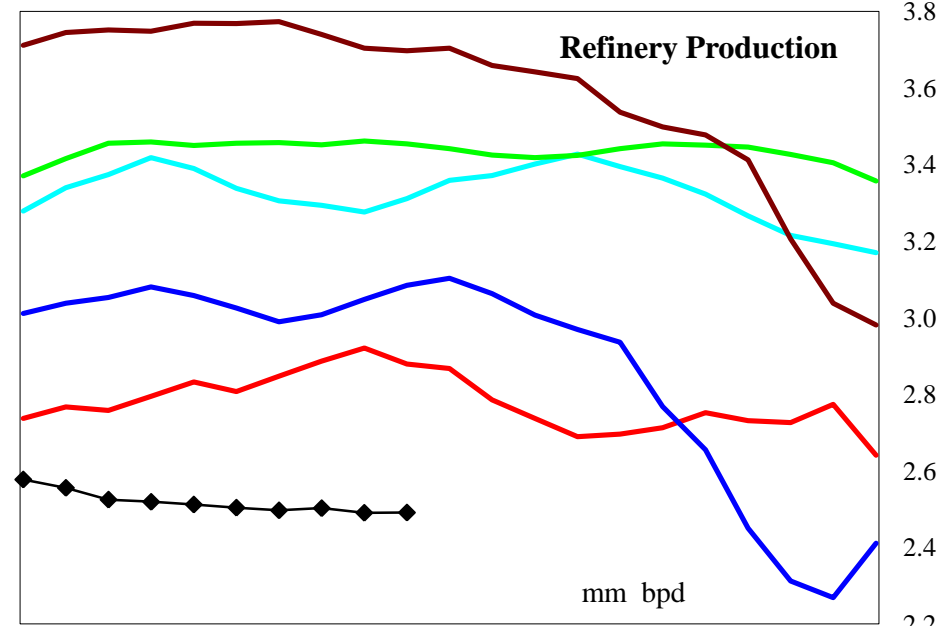
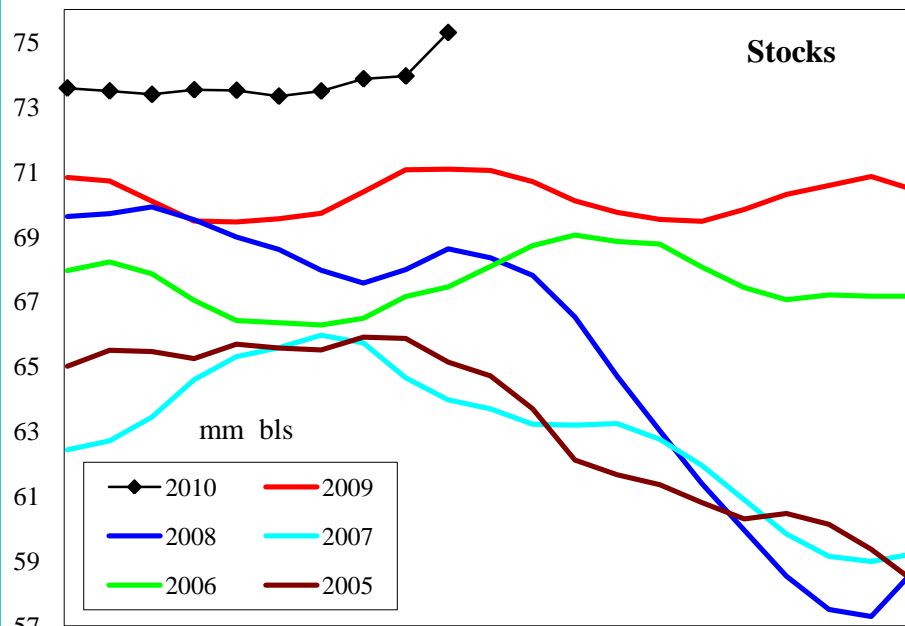
PADD 2 Residual Fuel Oil Supply



PADD 3 Crude Oil Supply and Refining



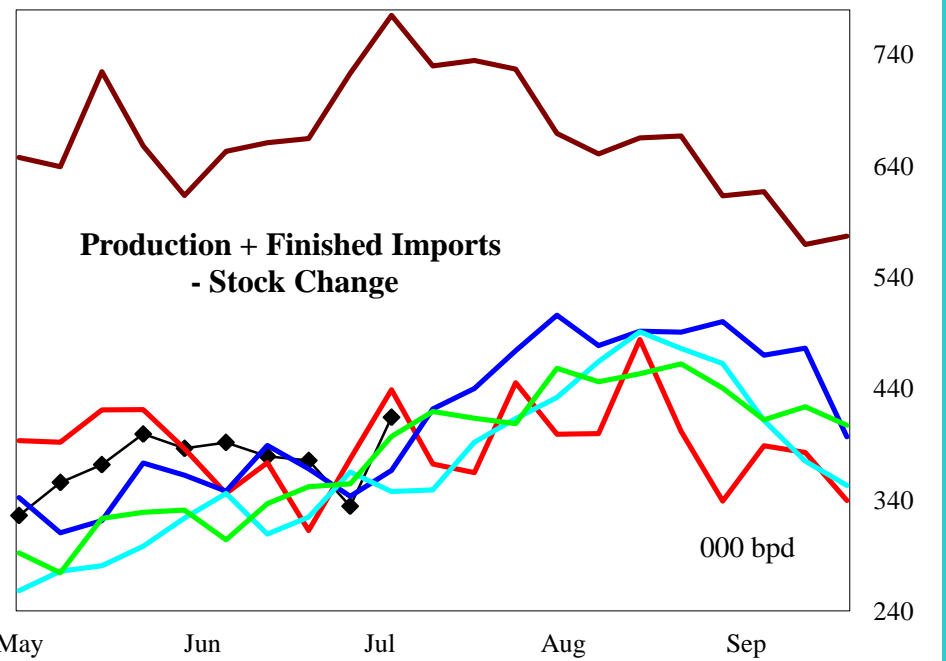
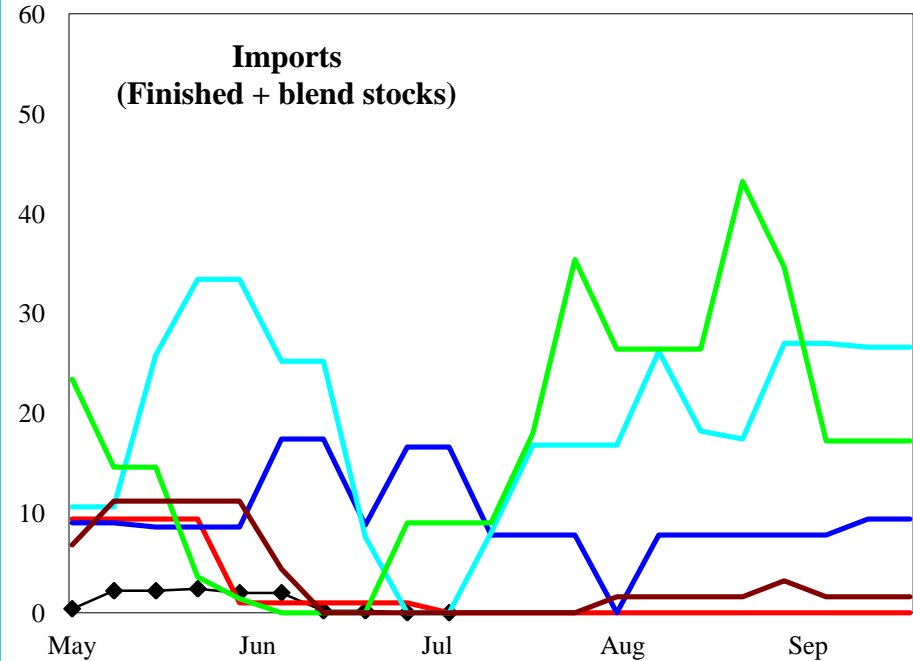
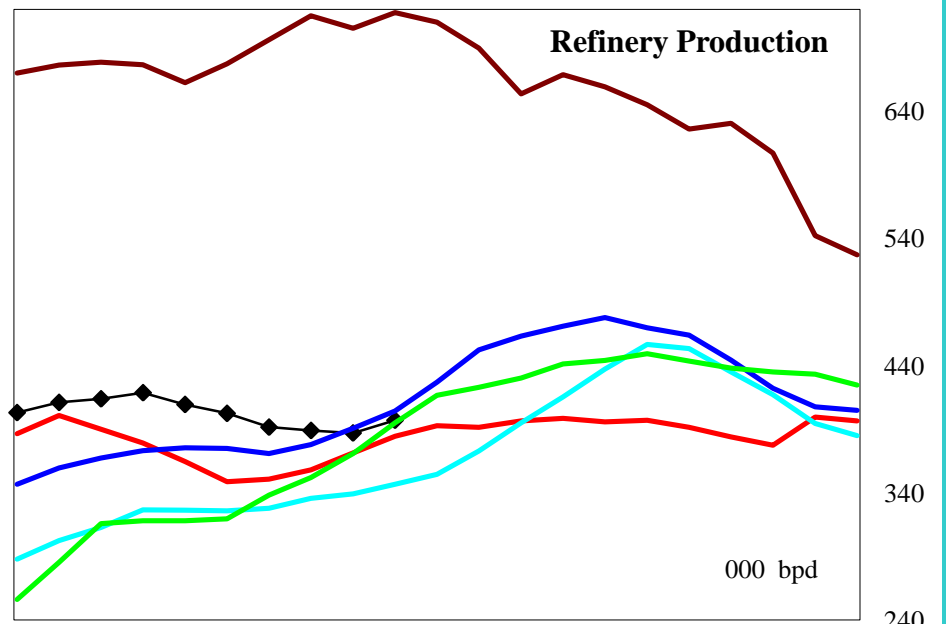
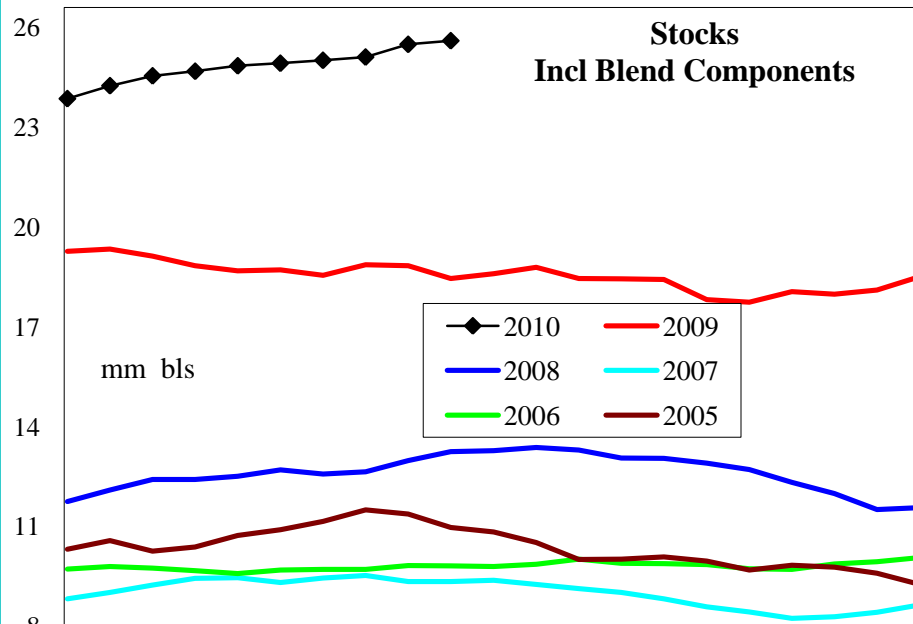
PADD 3 Gasoline Supply



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

Stocks	Production	Fin Impt	Blend Impt	Prod + Imp - Stk chg
3,289	-399	14	-12	-301
4.6	-13.7	34.2	-16.2	-10.7

PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

6,099

30.6

Production

19

5.3

Imports

-1

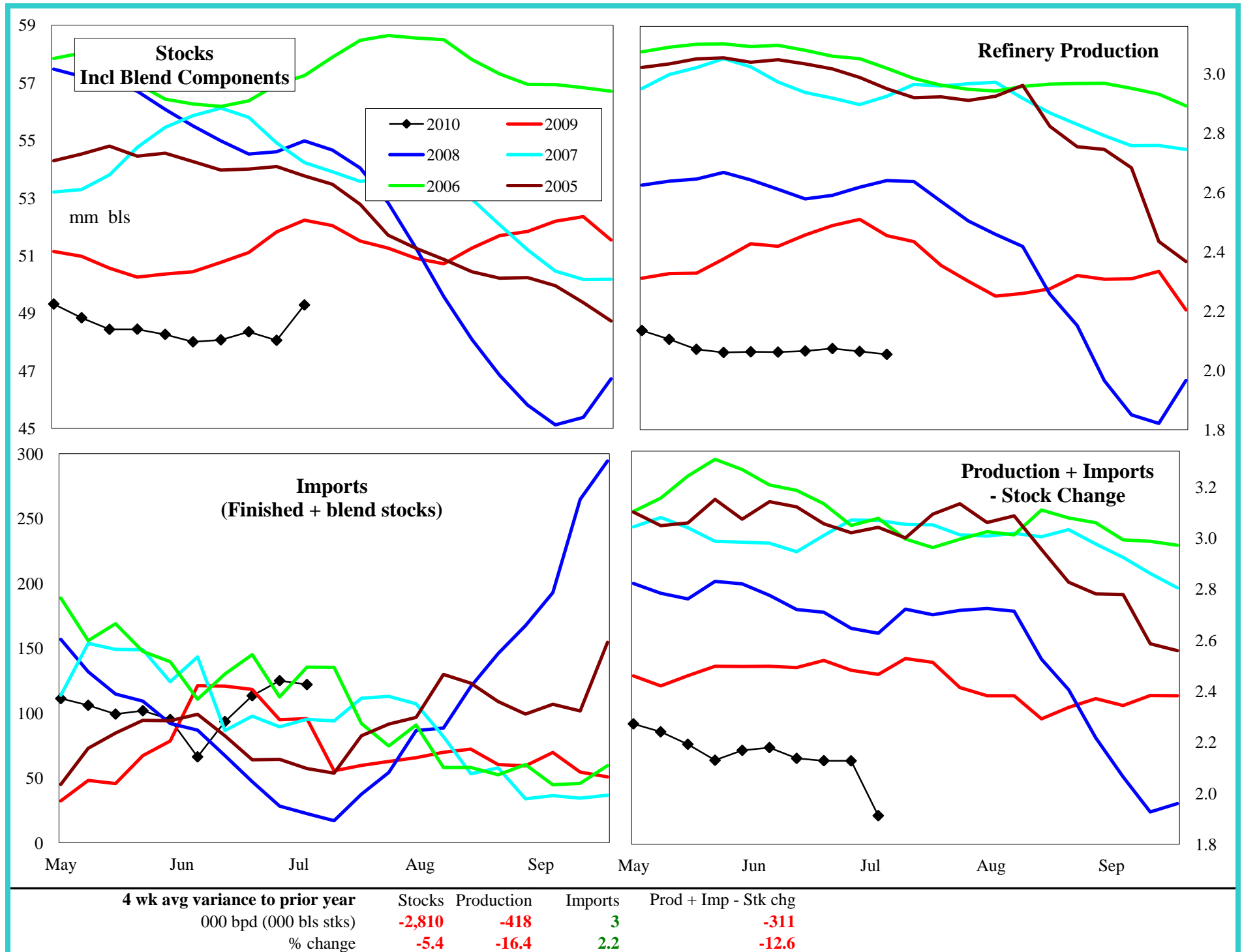
-100.0

Prod + Imp - Stk chg

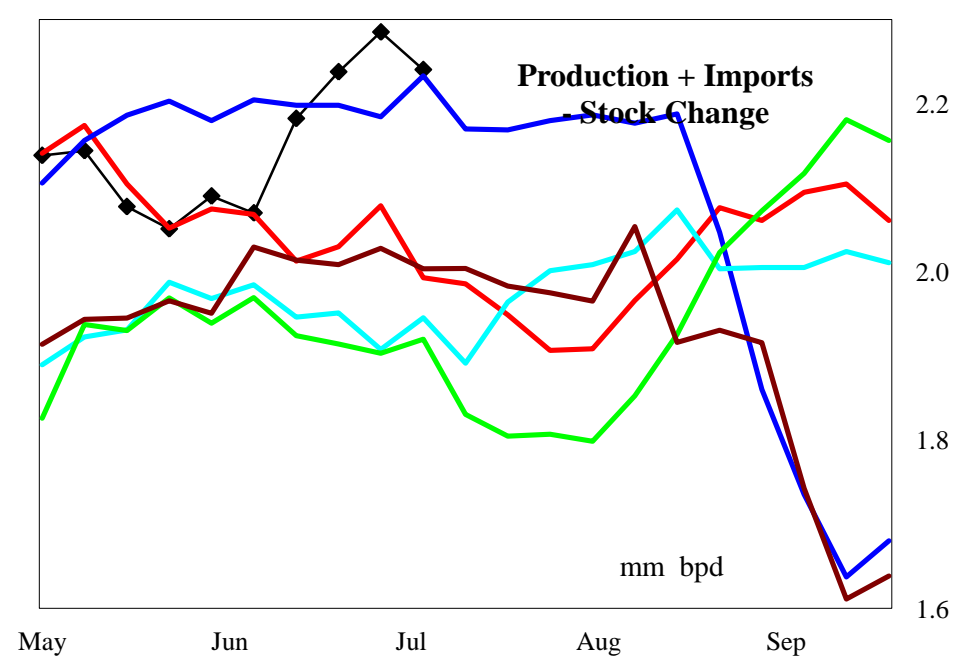
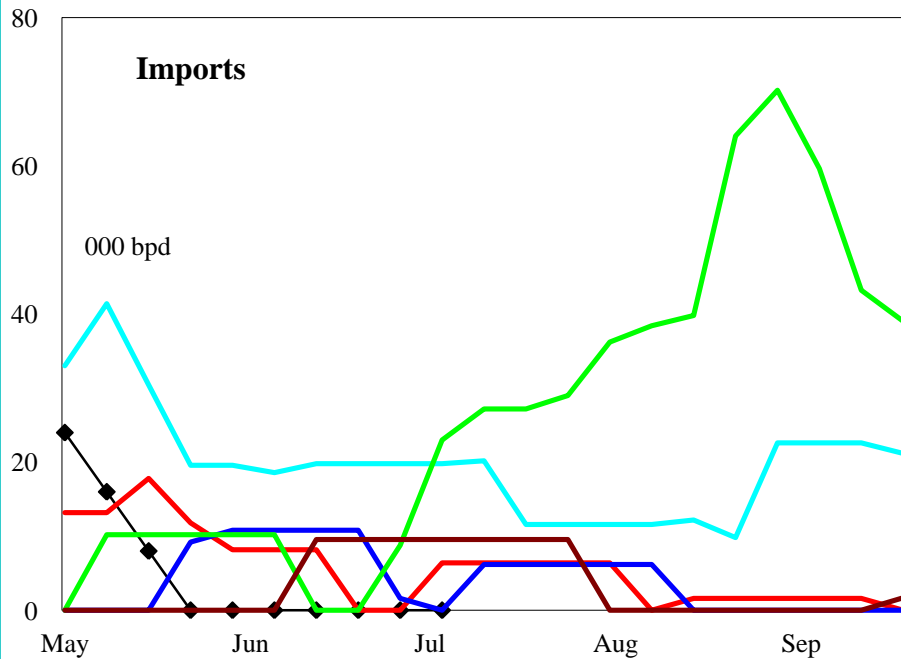
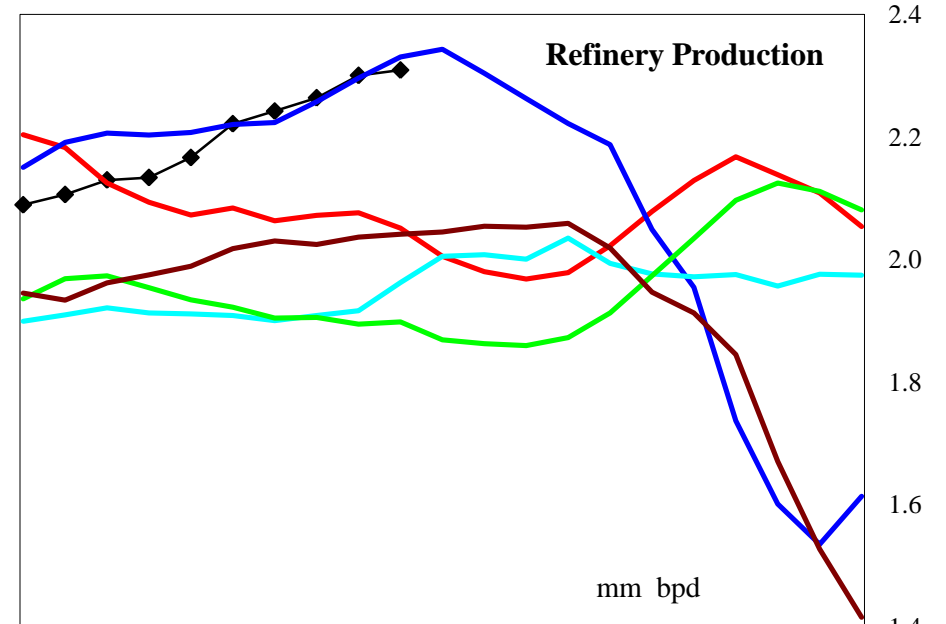
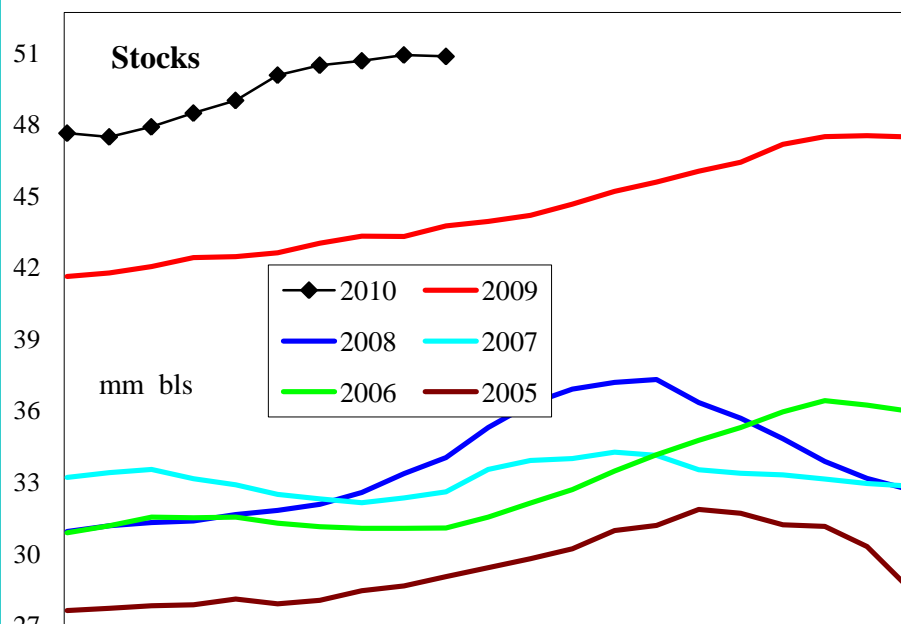
11

3.1

PADD 3 Conventional Gasoline Supply



PADD 3 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

7,640

17.6

Production

200

9.6

Imports

0

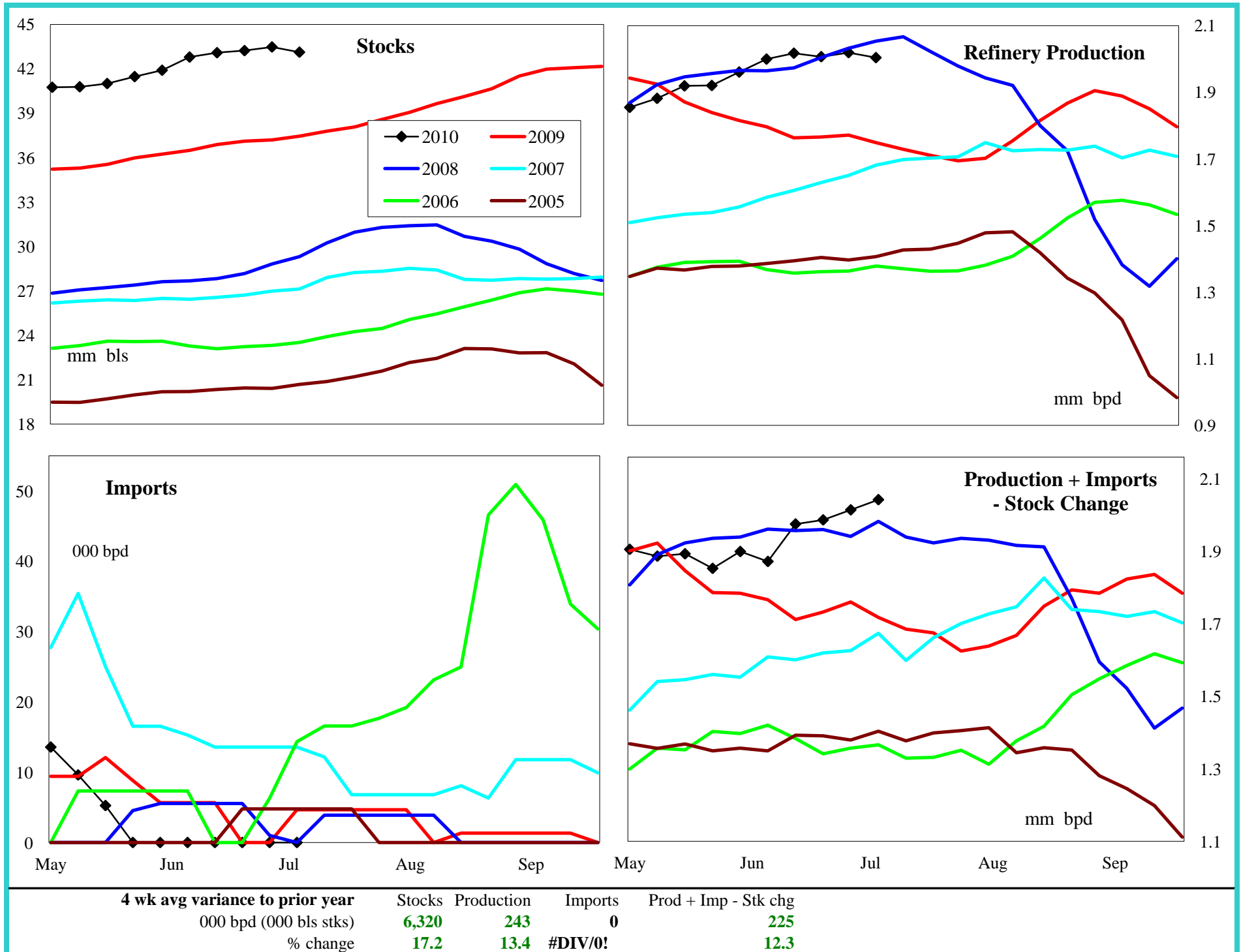
#DIV/0!

Prod + Imp - Stk chg

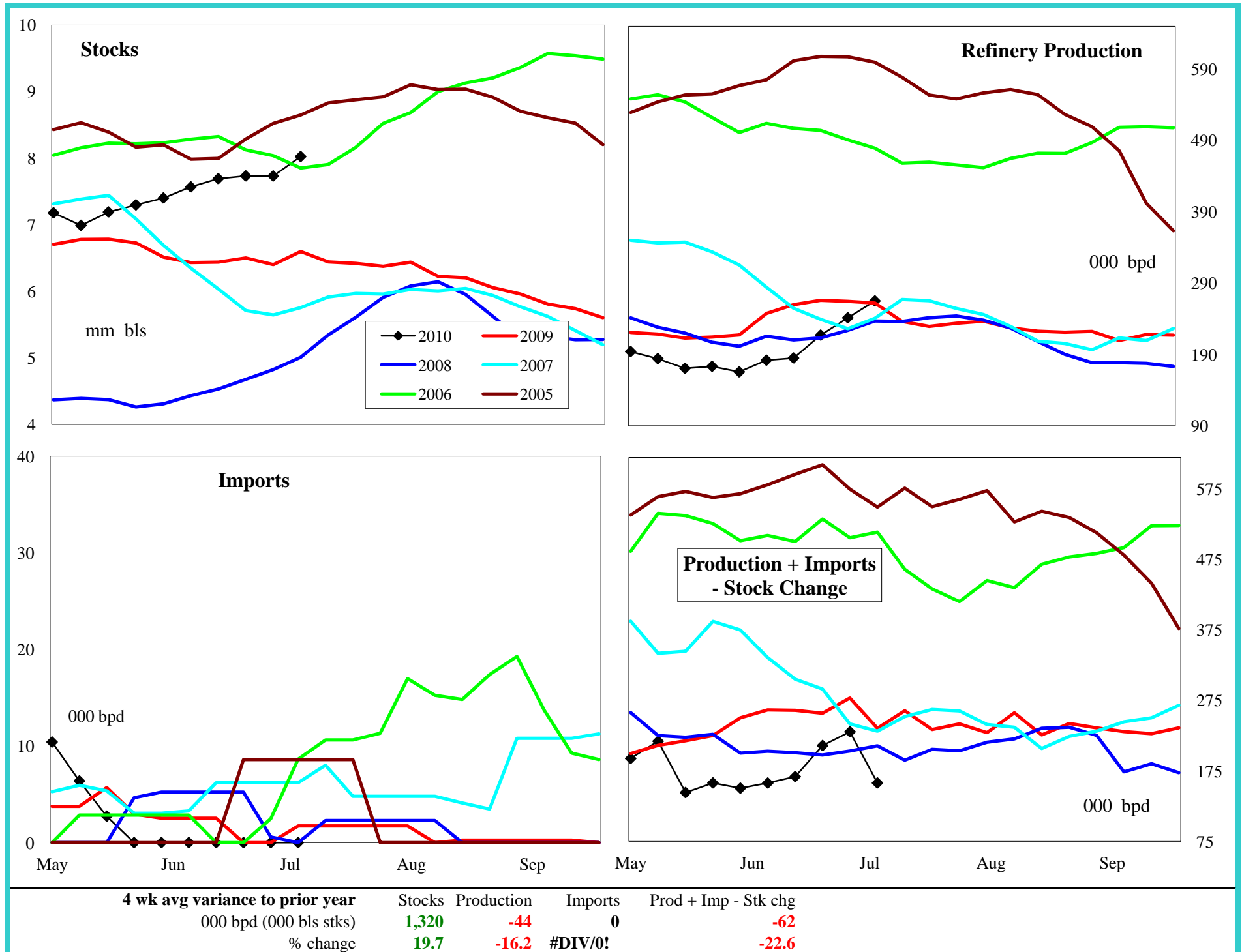
163

7.8

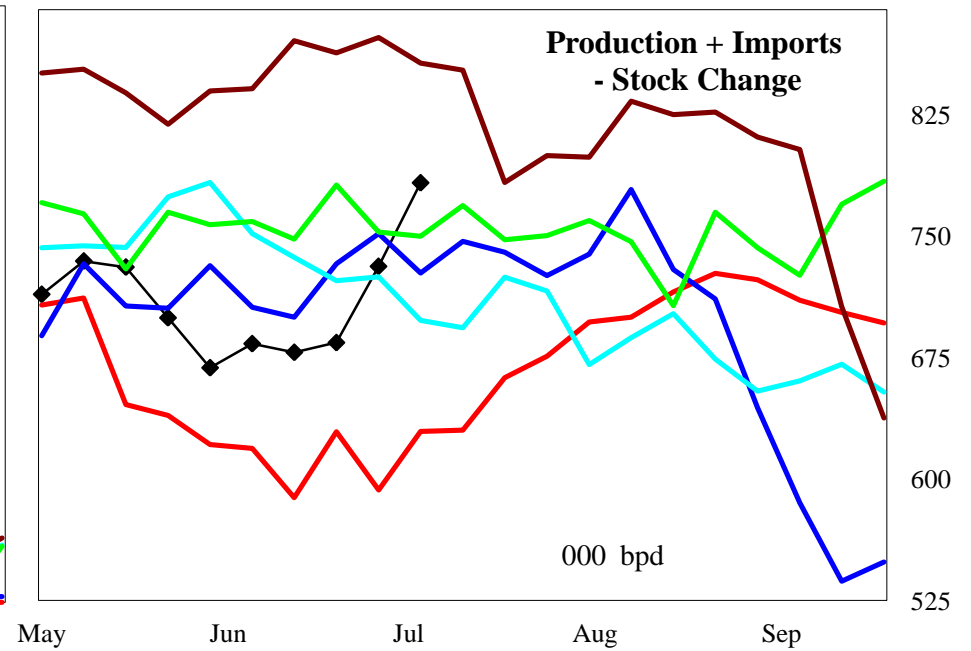
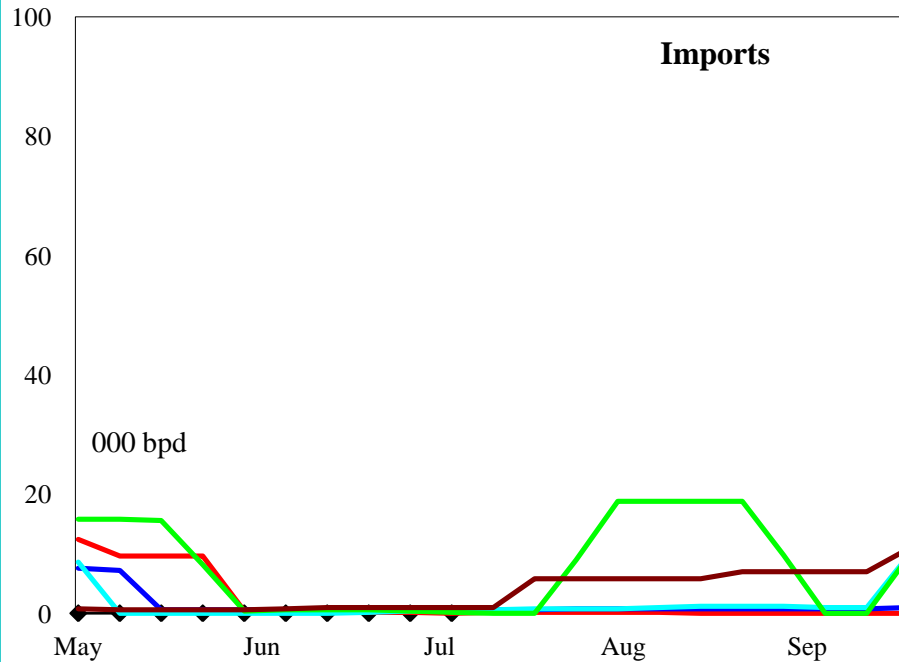
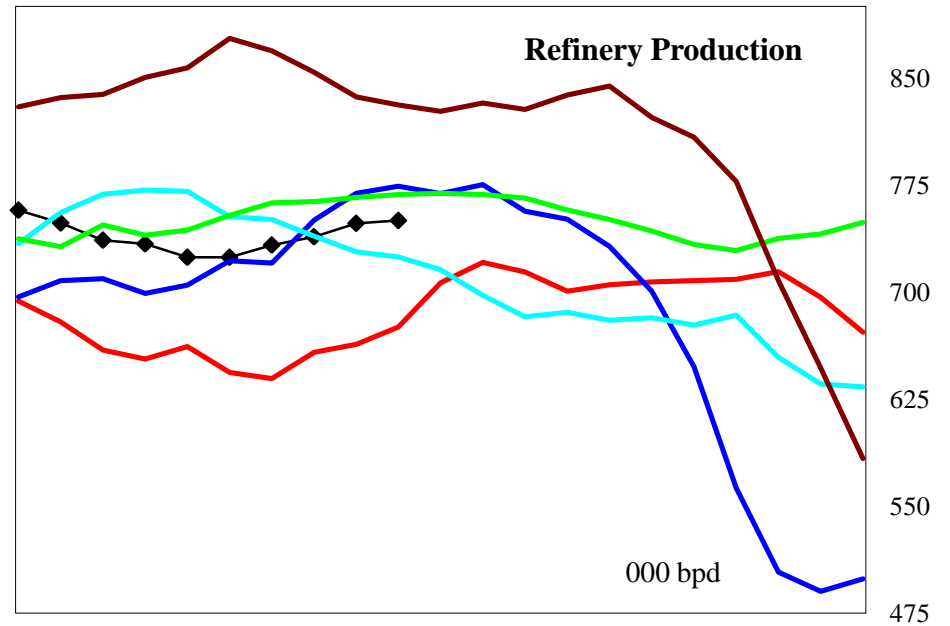
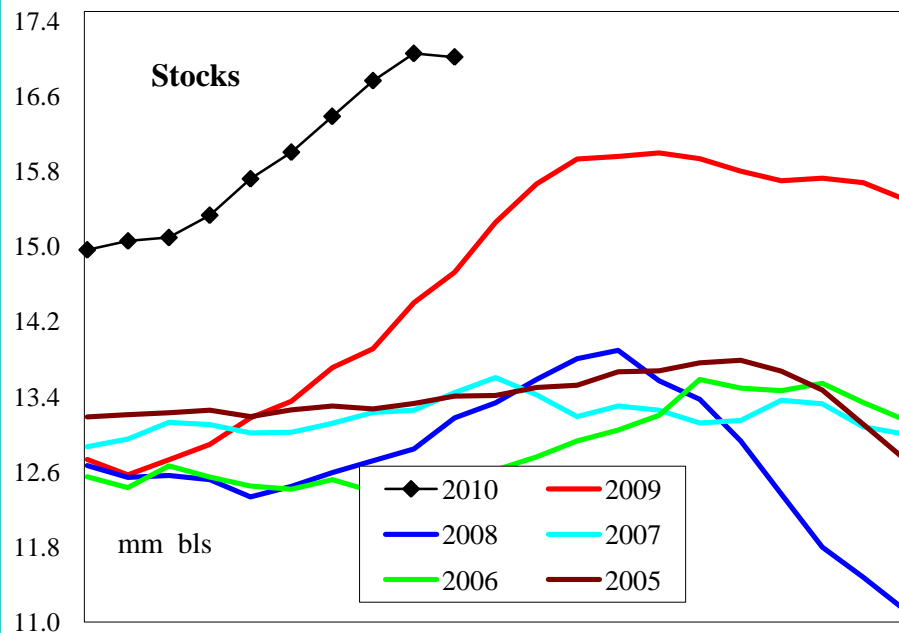
PADD 3 Low Sulfur Distillate Supply



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

2,292

15.6

Production

84

12.8

Imports

0

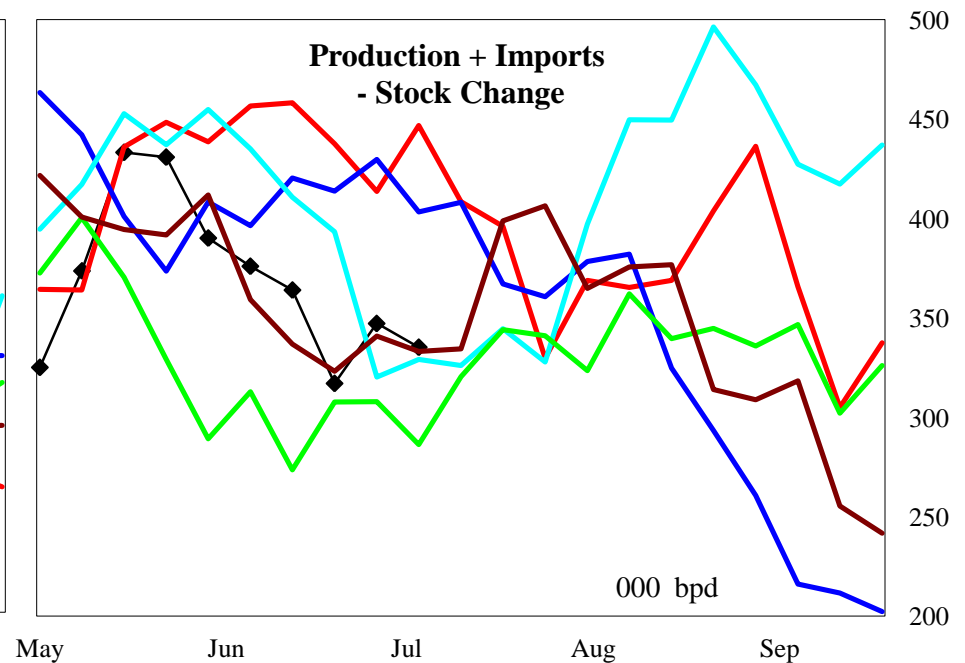
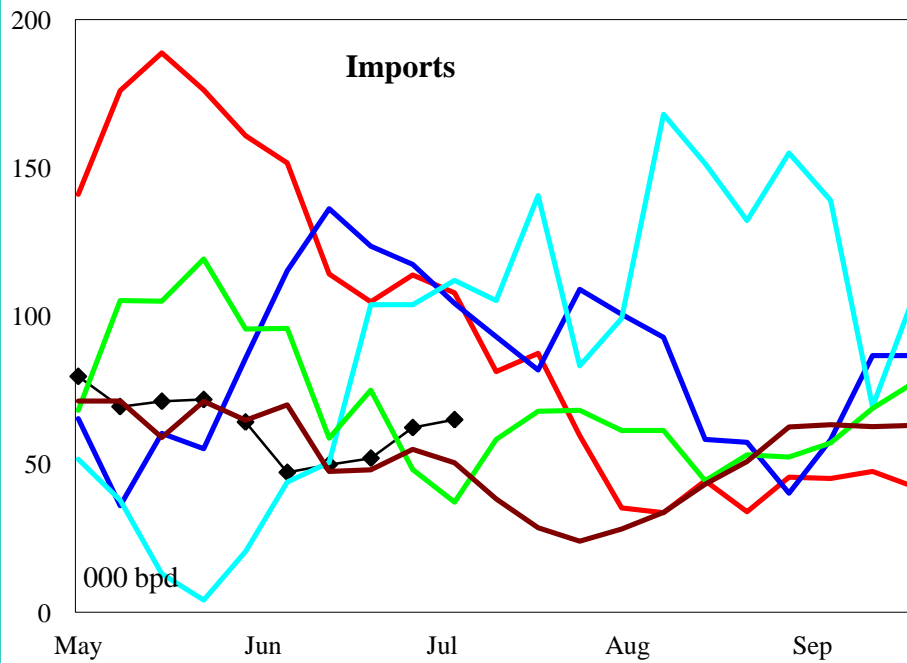
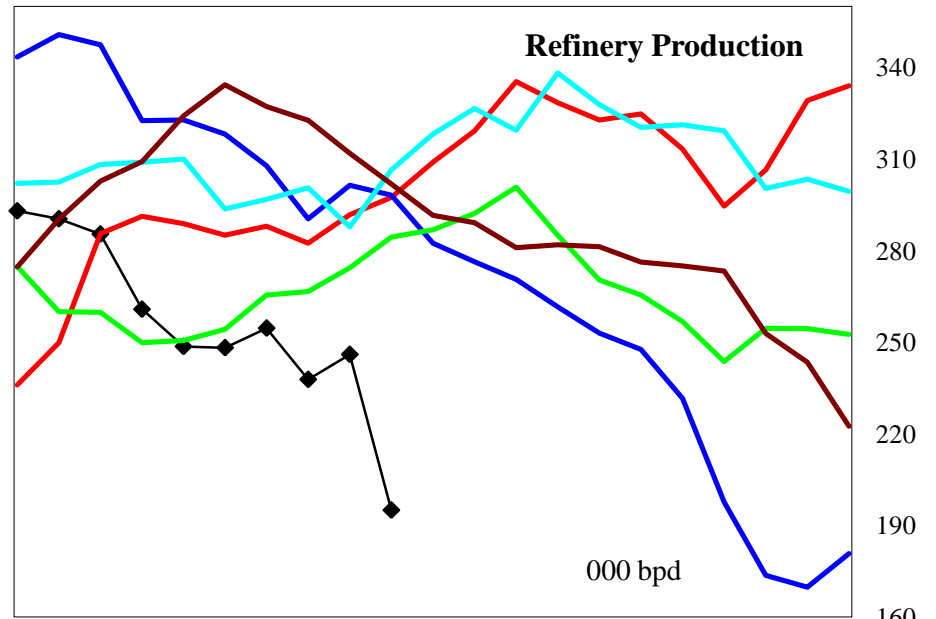
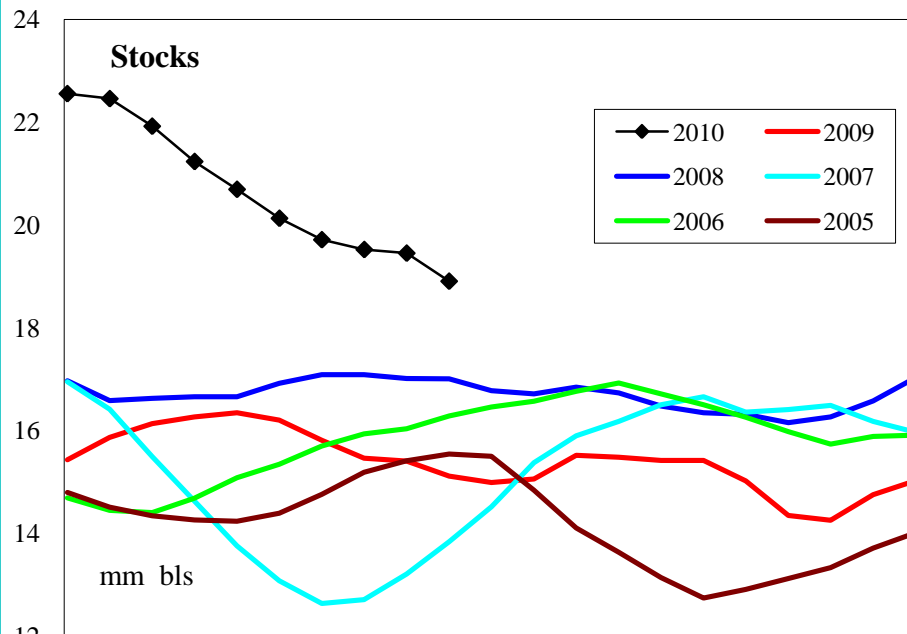
-100.0

Prod + Imp - Stk chg

107

18.0

PADD 3 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

3,793

25.1

Production

-37

-13.4

Imports

-60

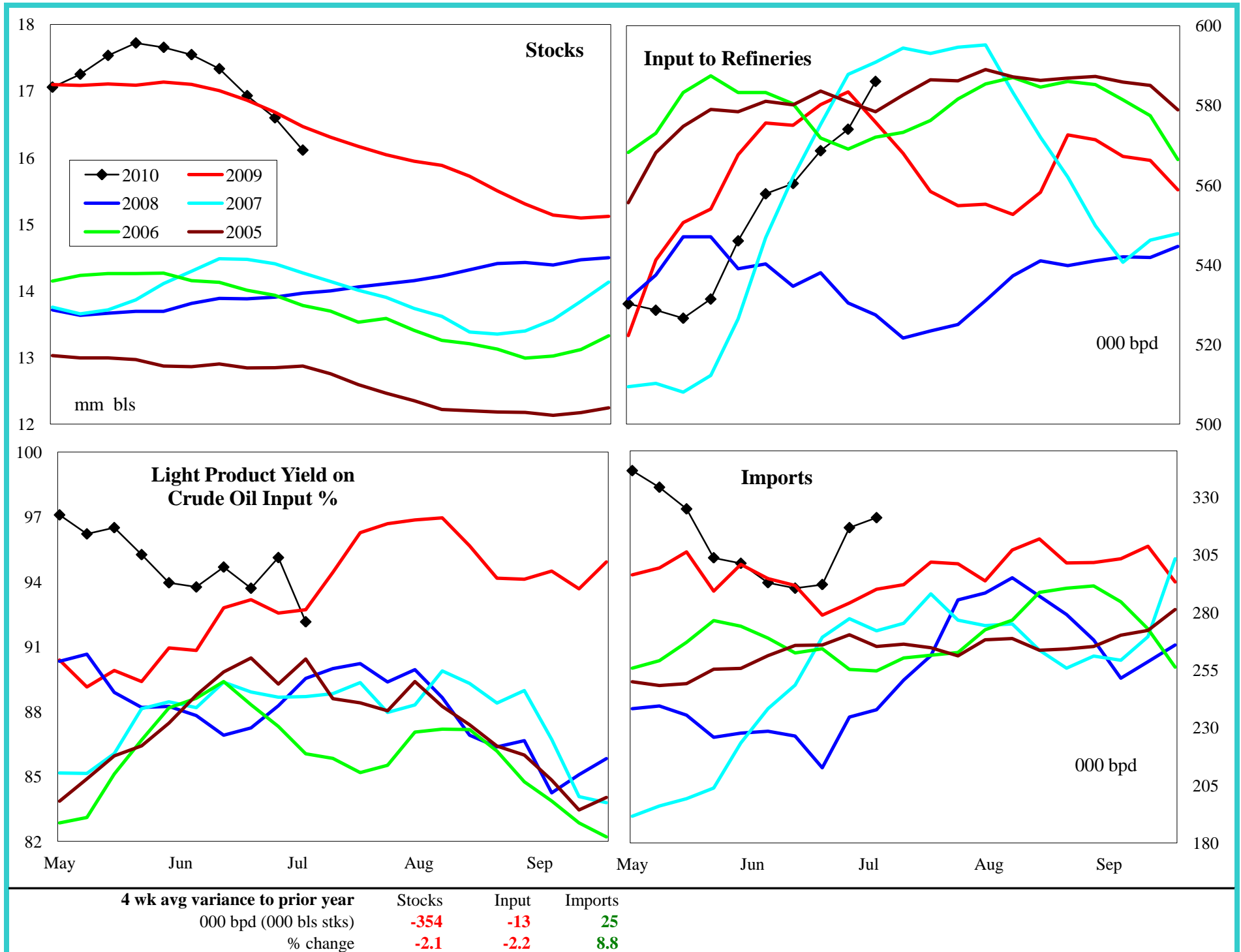
-54.4

Prod + Imp - Stk chg

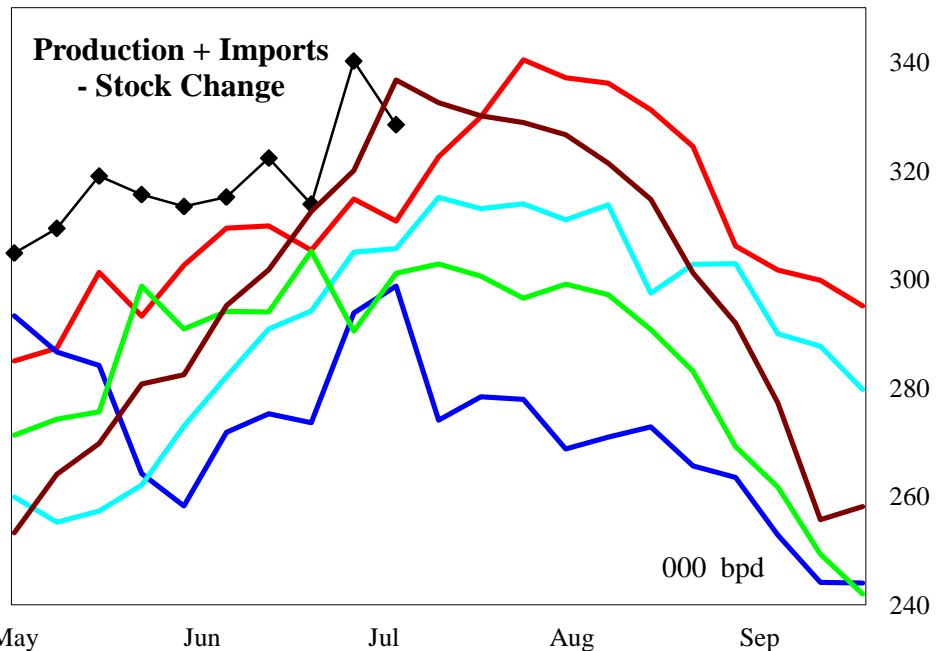
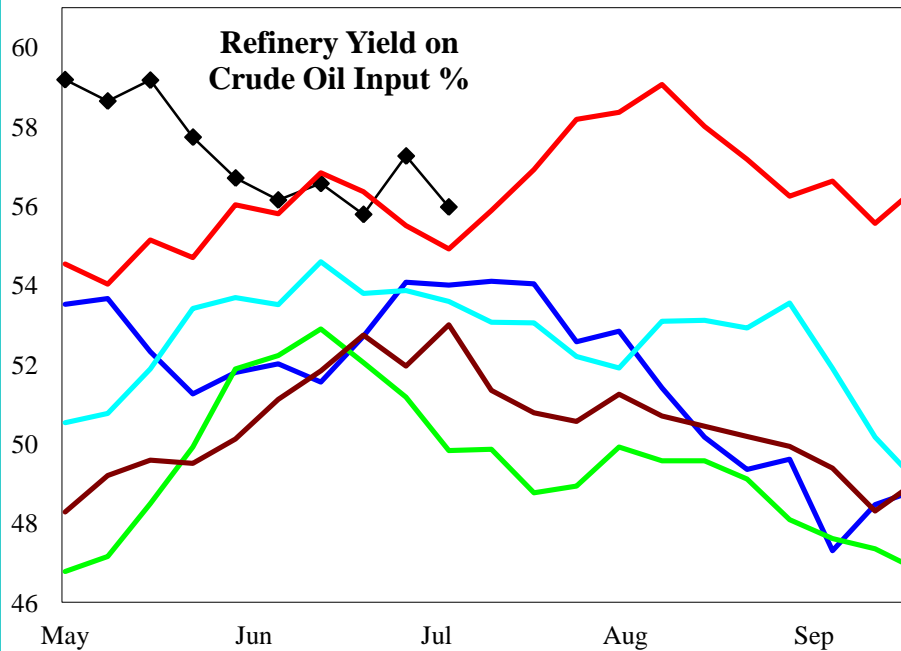
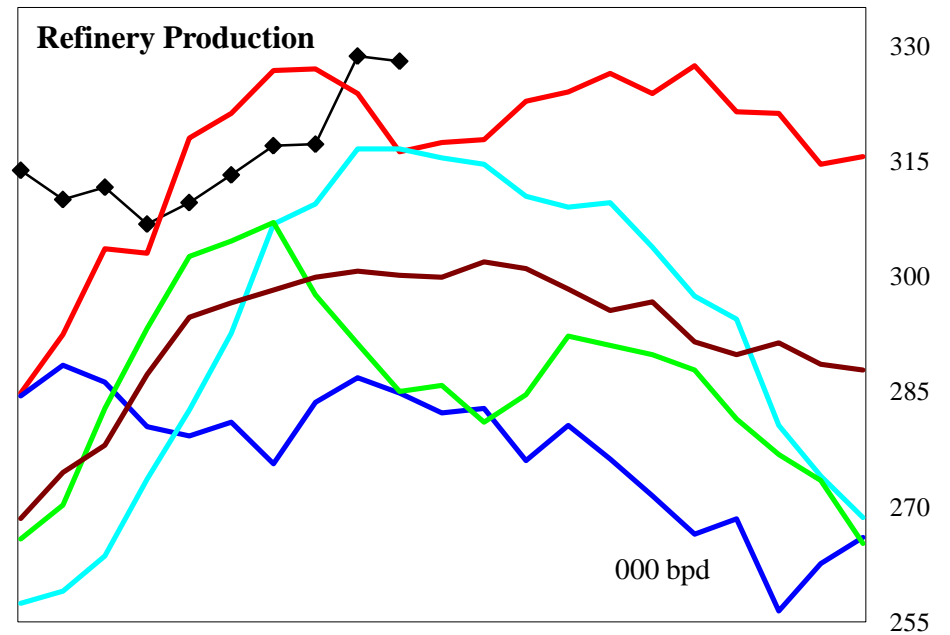
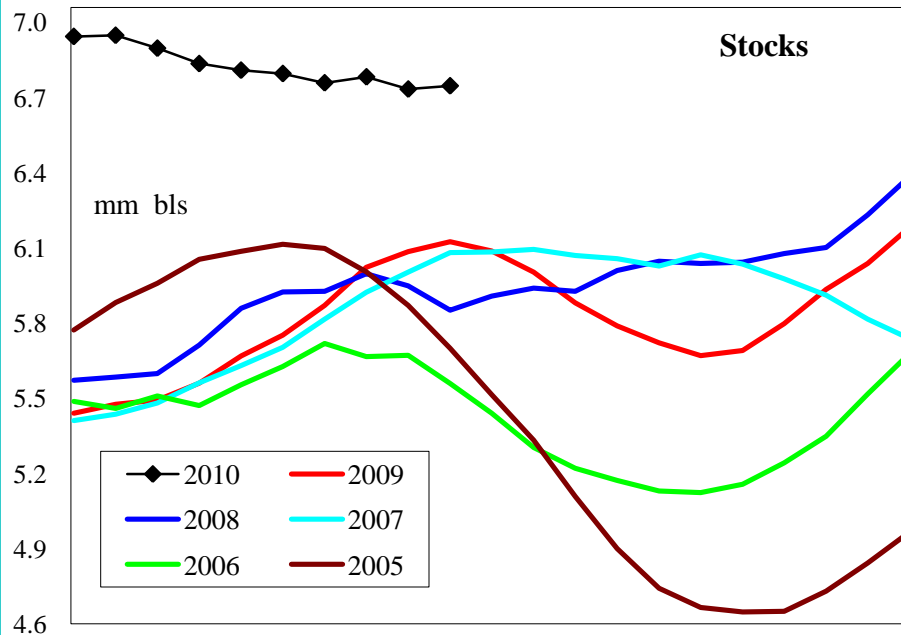
-114

-26.7

PADD 4 Crude Oil Supply and Refining



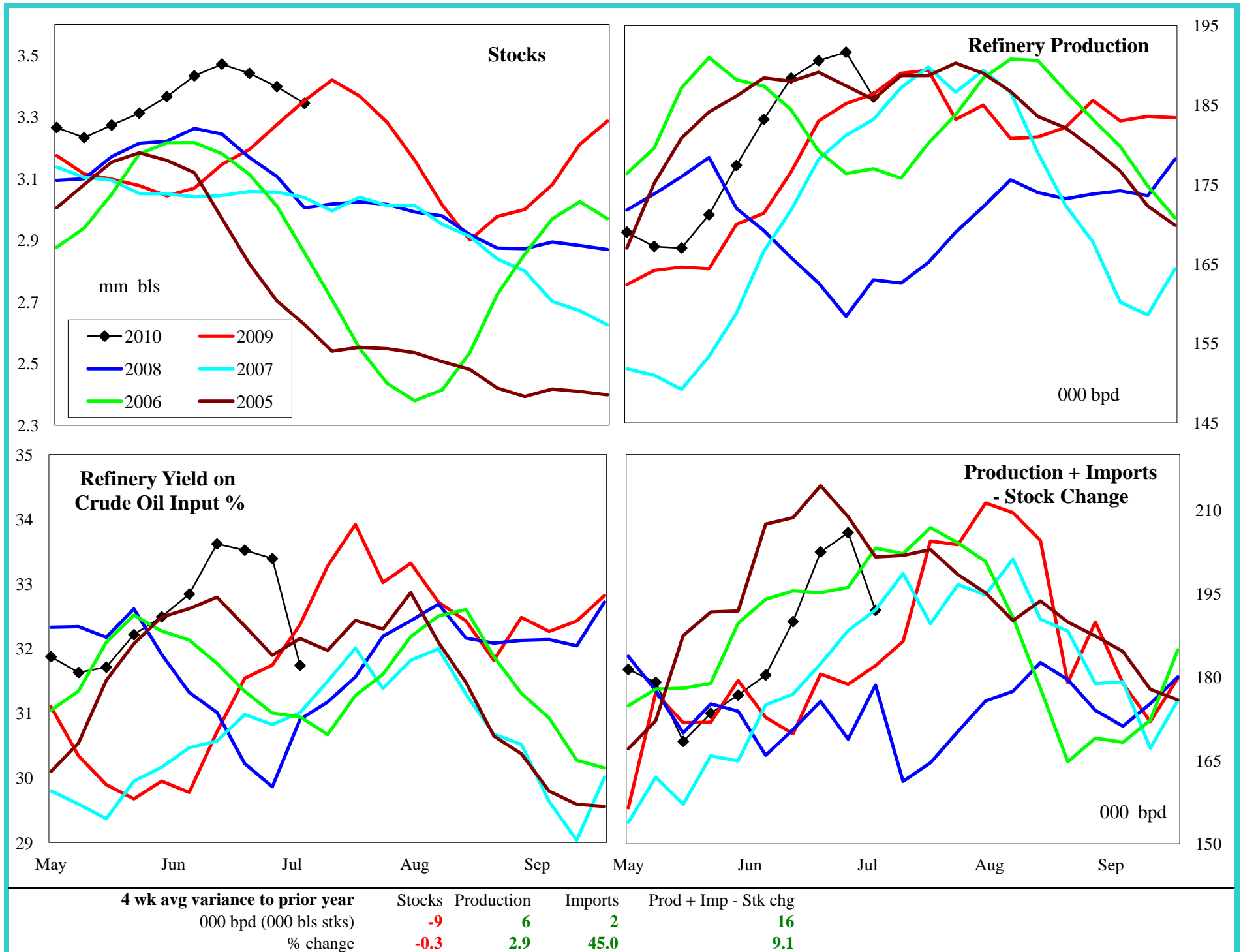
PADD 4 Gasoline Supply



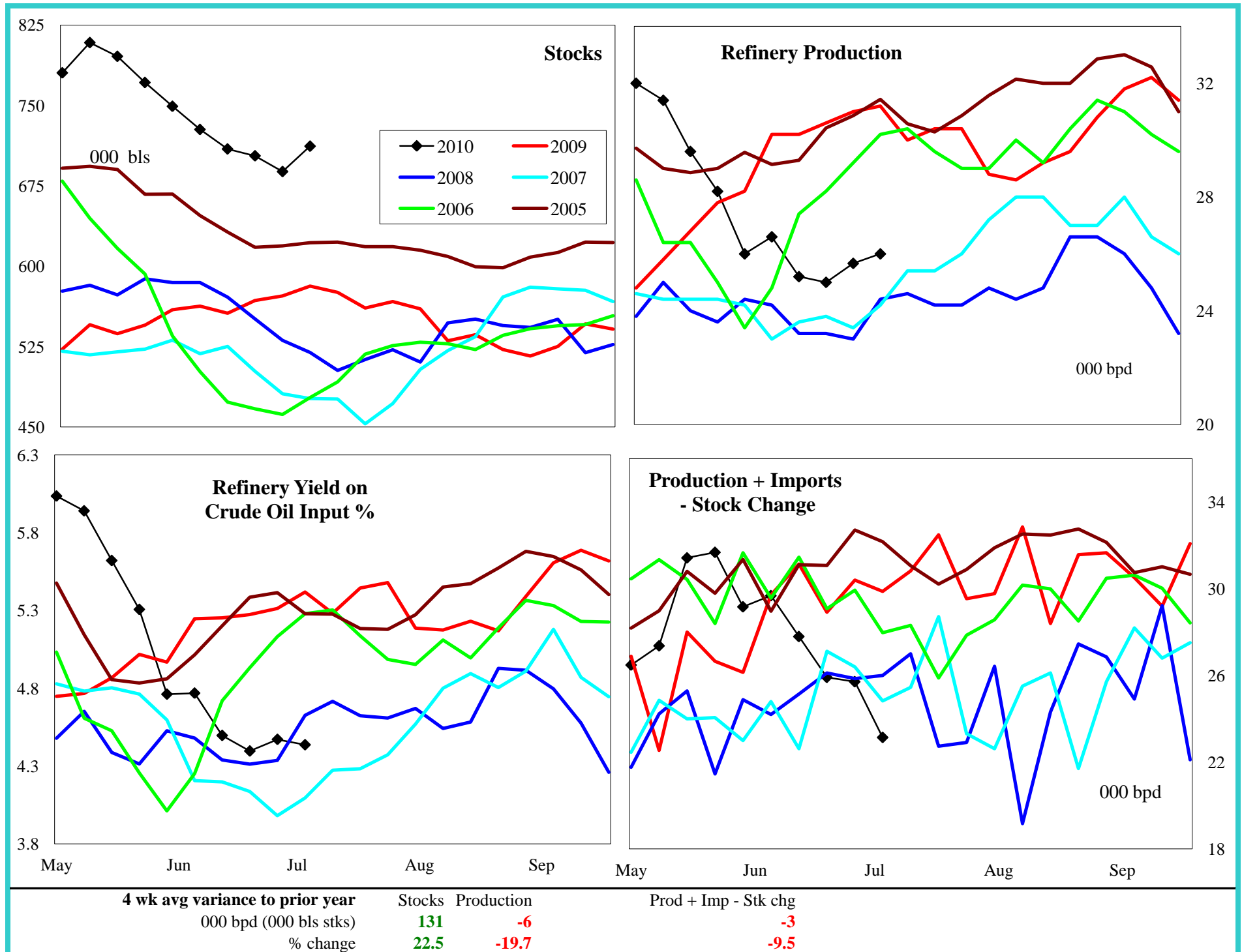
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Prod + Imp - Stk chg
622	-5	13
10.1	-1.4	4.2

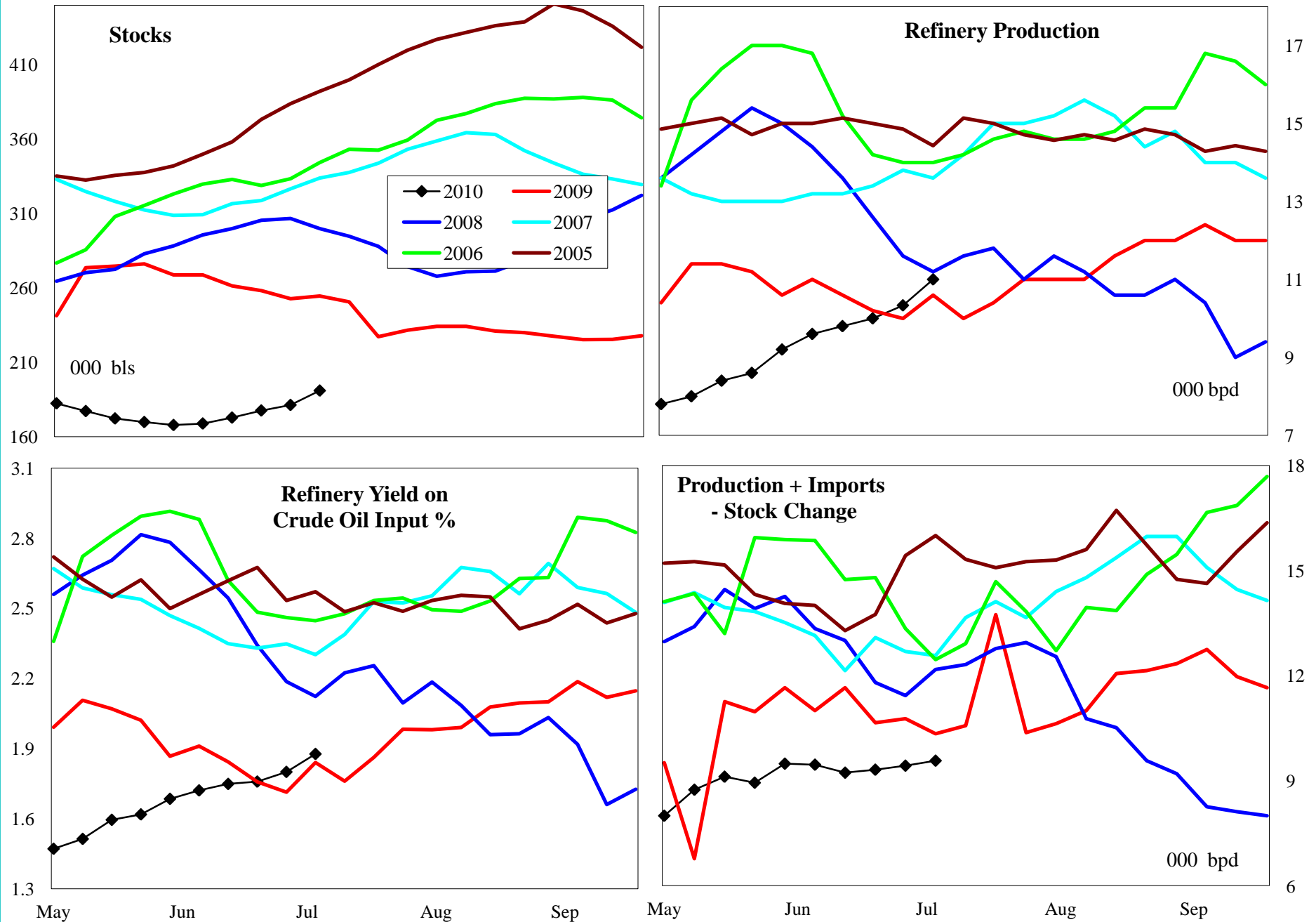
PADD 4 Distillate Supply



PADD 4 Jet Fuel Supply



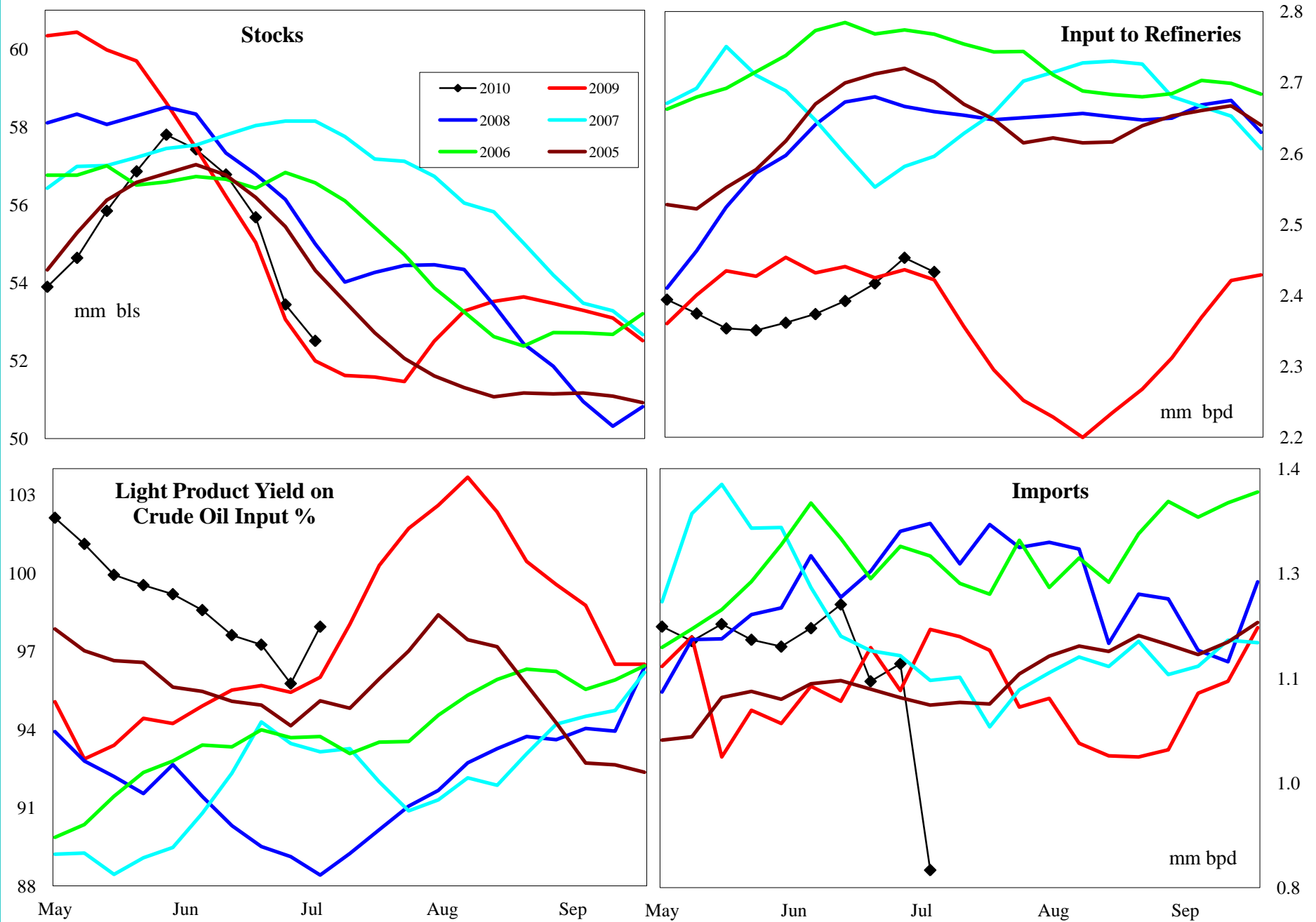
PADD 4 Residual Fuel Oil Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
-64	0	0	-16
-25.0	2.5	#DIV/0!	-62.8

PADD 5 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

509

1.0

Input

-22

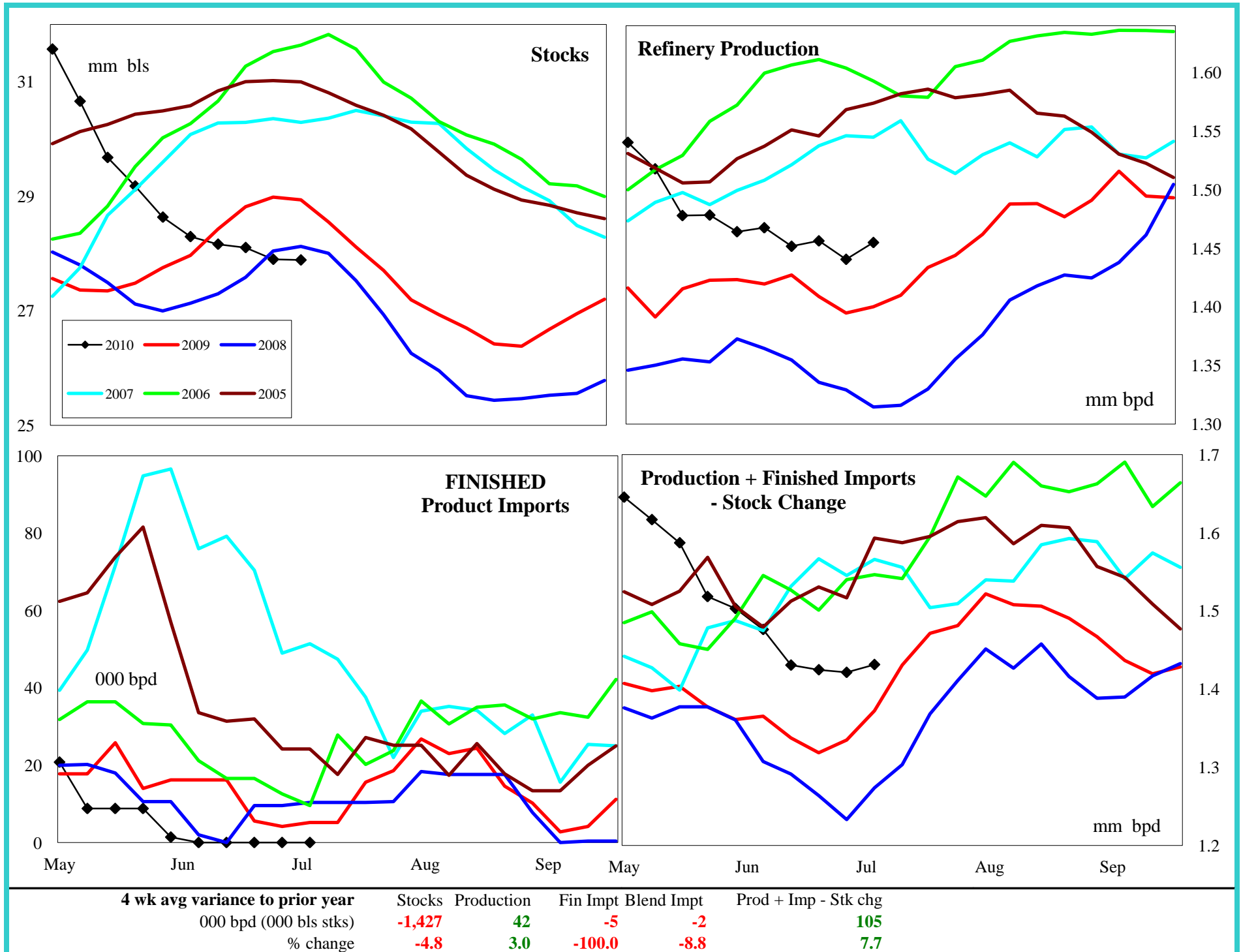
-0.9

Imports

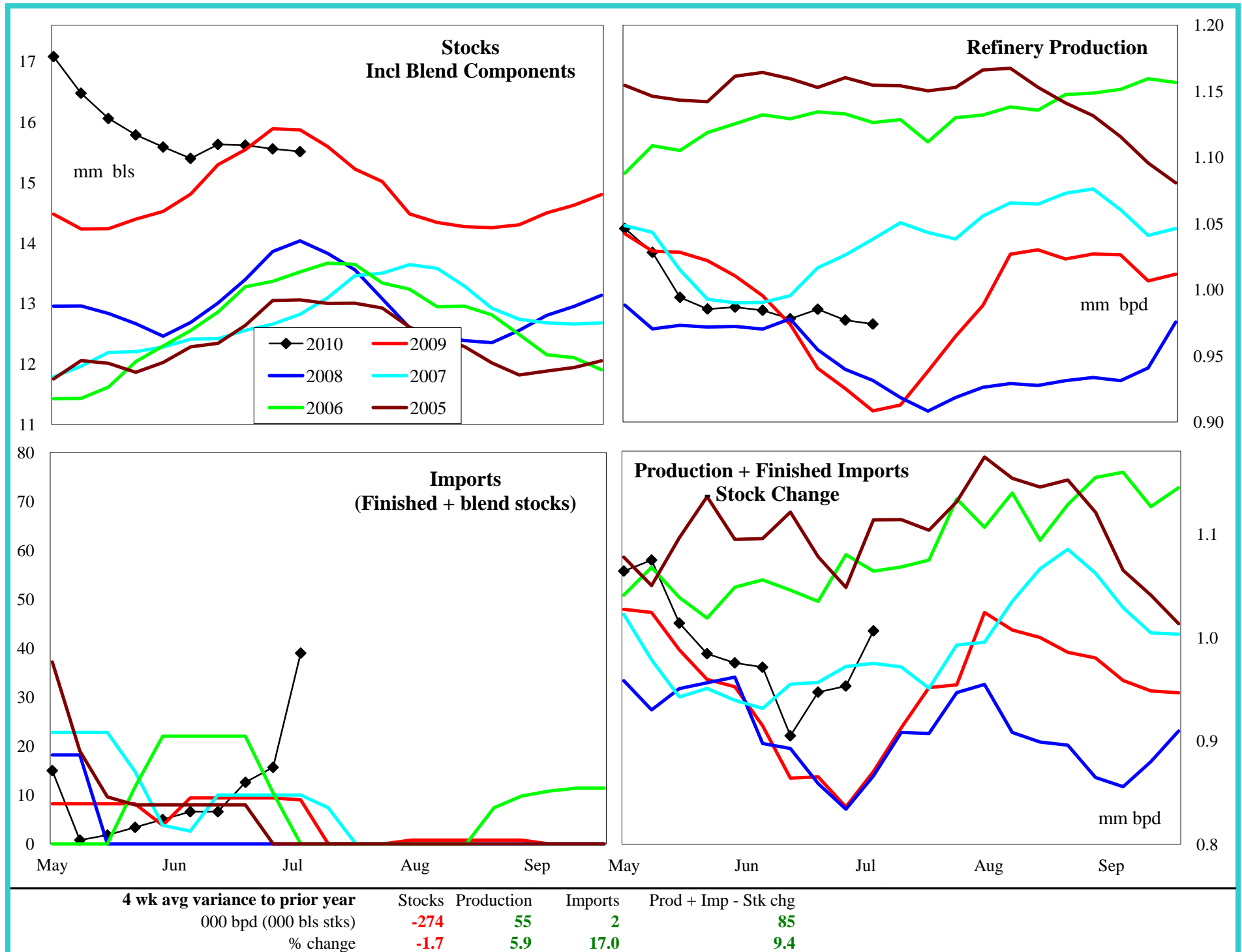
-9

-0.8

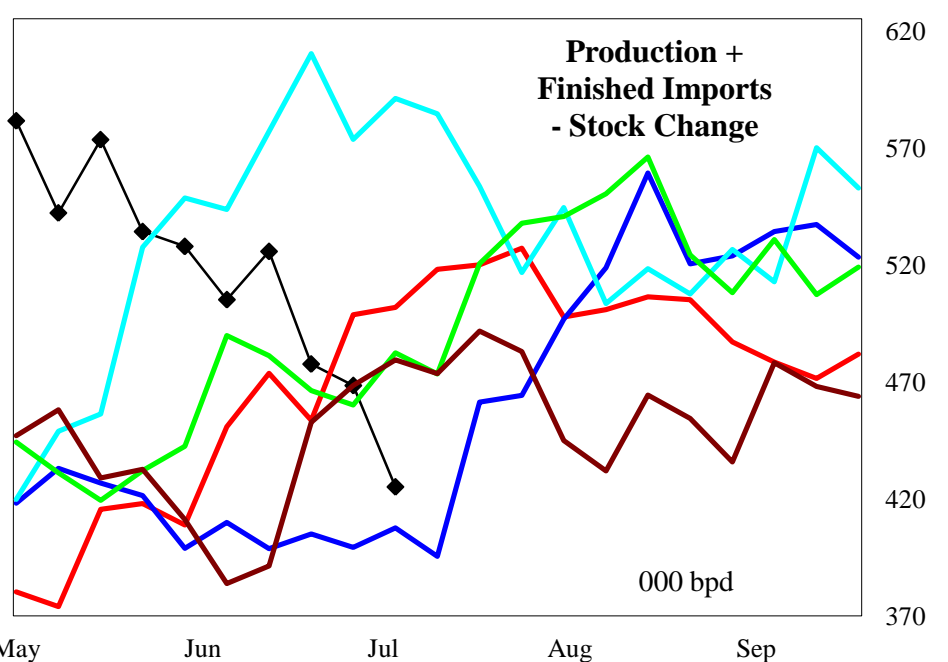
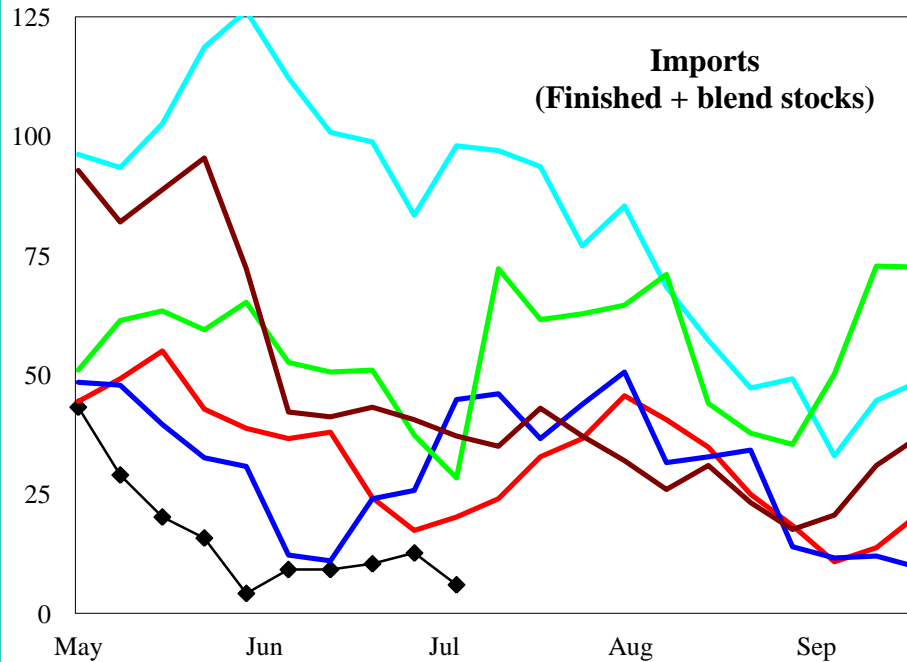
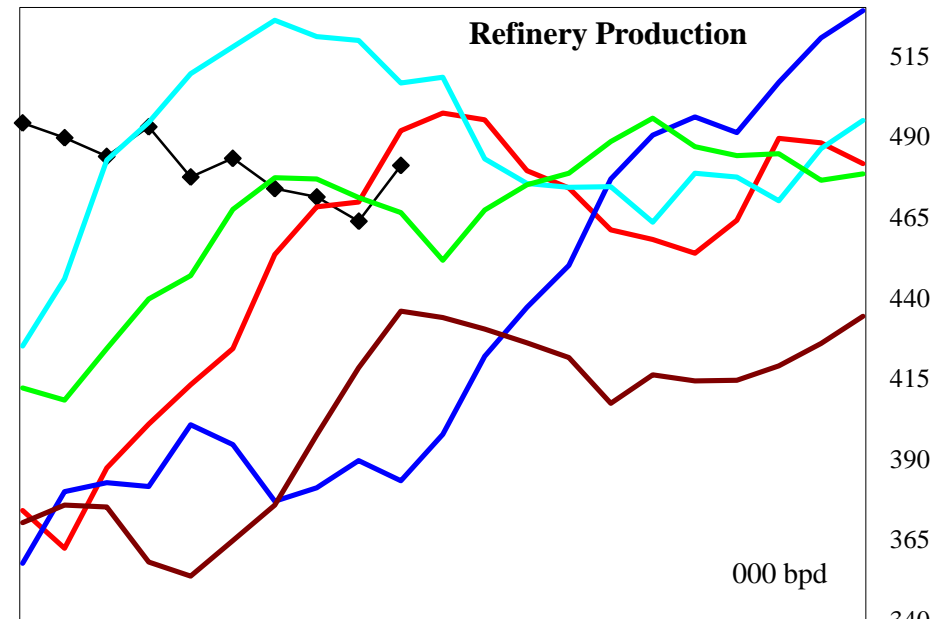
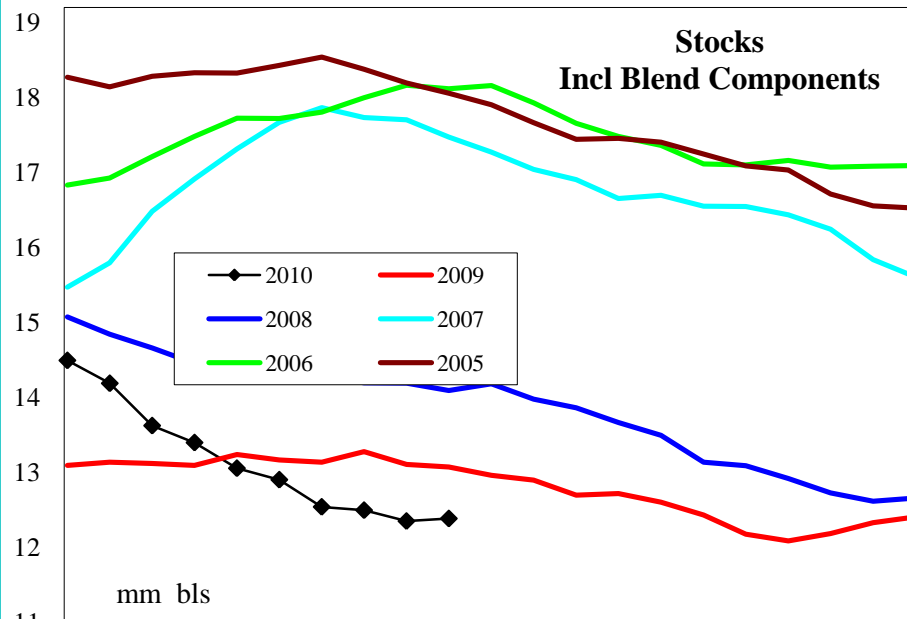
PADD 5 Gasoline Supply



PADD 5 Reformulated Gasoline Supply



PADD 5 Conventional Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

-1,153

-13

-10

20

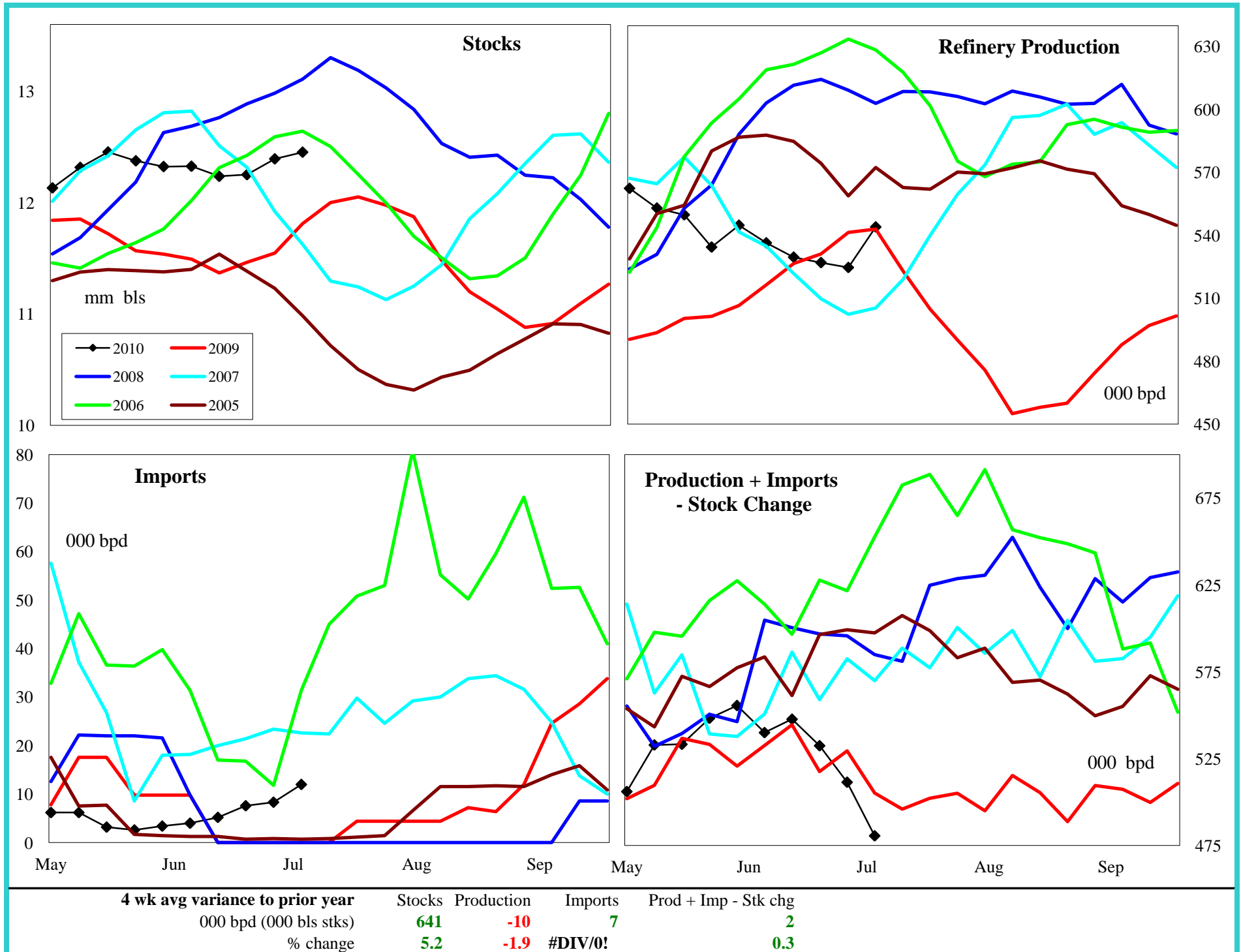
-8.5

-2.7

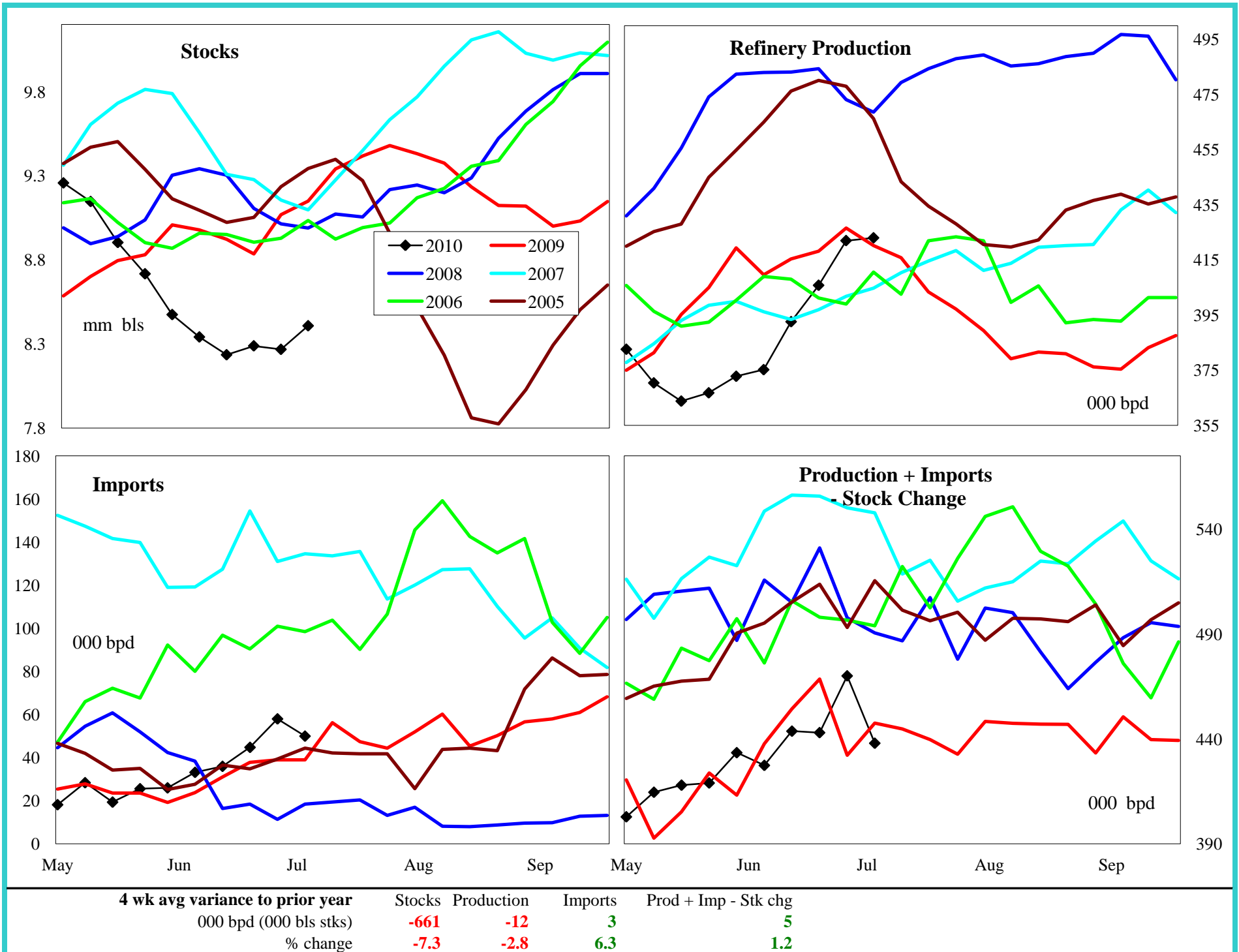
-50.0

4.4

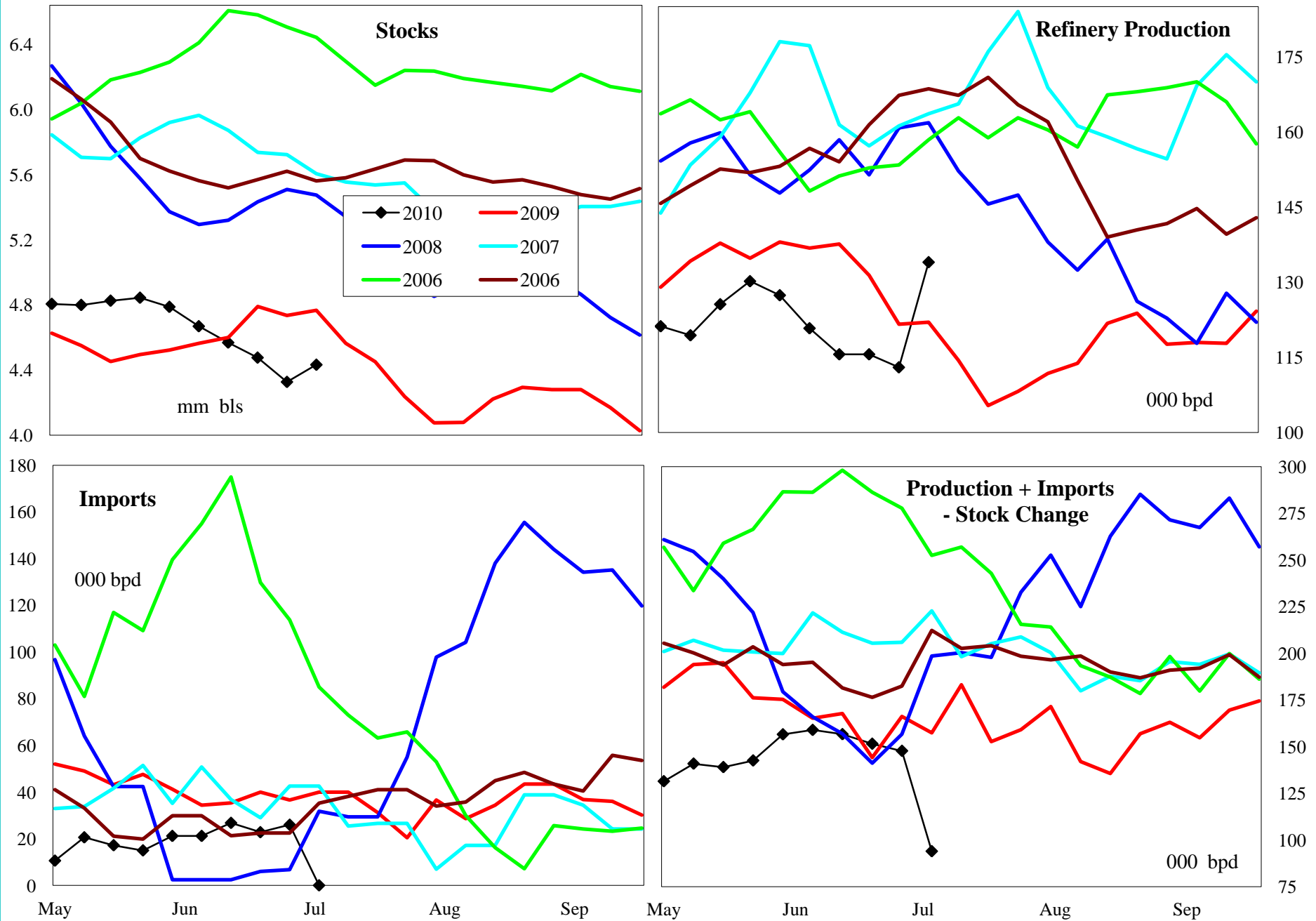
PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-333

-7.0

Production

-15

-11.5

Imports

-4

-12.3

Prod + Imp - Stk chg

-11

-6.5