

WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

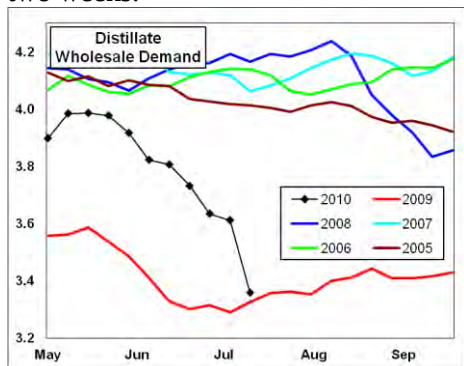
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, July 21, 2010

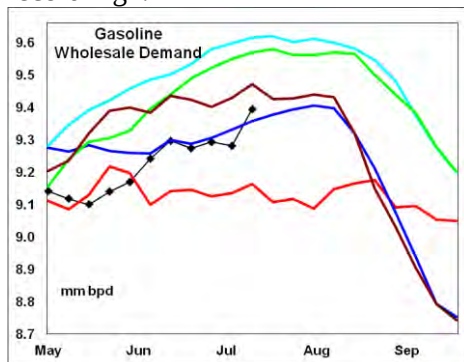


Major Fundamental Trends¹

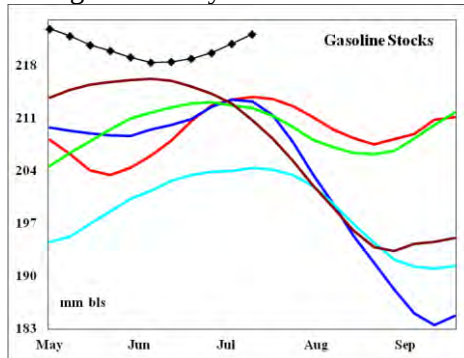
Wholesale distillate weekly demand approached last years' record lows, on a -592,000 bpd decline during the last two weeks.



Near record production and extremely weak demand led to meaningful stock builds in all regional markets except the Gulf. Stocks increased +3.9 million barrels on the week to a level +6 million barrels above the prior record high.



Gasoline demand surged +355,000 bpd last week, recovering after the dip during the holiday week.



However, high levels of production

and blend stock imports led to a +1.1 counter seasonal stock build; driving stock levels to new record season highs.

The transport fuels markets (gasoline, distillate and jet) are becoming extremely over supplied. Very weak distillate demand points to continued slowing of the general economy.

A spike in crude oil imports into PADDs 5 and 2 led to a counter seasonal U.S. stock build of +0.4 million barrels last week.

Demand for gasoline spiked higher last week while distillate extended the recent downtrend.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline +2%; distillate up +9%; jet fuel up +11% while residual fuel oil fell -20%.

Stocks forward coverage: Gasoline demand coverage increased on the week with a +1.1 million barrel stock build offsetting higher weekly demand. Coverage remains well above the historic range.

Distillate demand coverage jumped on a +3.9 million barrel stock build and sharp drop in weekly demand. Coverage levels were near last years' record high.

Jet fuel coverage extended the recent downtrend on continued higher demand while stocks were nearly unchanged. Coverage levels were near historic highs.

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

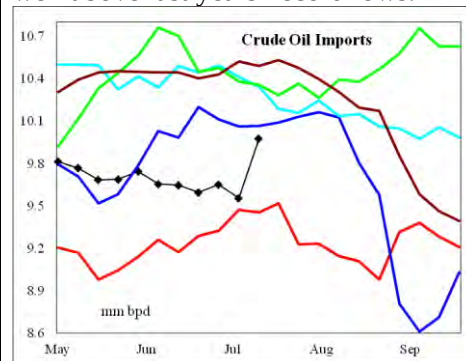
Refinery utilization rates increased last week on a +48,000 bpd rise in crude oil runs. Crude thru put was near the 5-year mid range.

Gasoline yield % on crude oil runs decreased last week on a -243,000 bpd fall in production compared to the +48,000 bpd increase in crude oil runs. Yield % matched the historic mid range for the period.

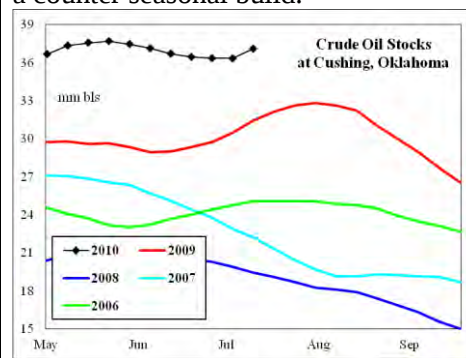
Distillate yield % on crude oil runs increased on a +50,000 bpd increase in output. Yield % was above four of the last five years.

Jet fuel yield % on crude oil runs increased on a +64,000 bpd rise in production, with the yield % above the mid range.

Petroleum Imports of crude oil and major refined products increased +1 million bpd on the week, 'catching' up after the decline of the previous holiday week. Crude oil imports were well above last years' record lows.

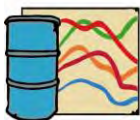


During the latest 4-wk period distillate imports increased +1,000 bpd over last year; finished gasoline imports decreased -123,000 bpd, gasoline blend stock imports increased +182,000 bpd; jet fuel imports decreased -5,000 bpd, while residual fuel oil imports decreased -30,000 bpd. **Crude Oil** imports surged in PADDs 5 and 2 last week, up +1 million bpd, which led to stock builds in these regional markets. As a result U.S. stocks increased +0.4 million barrels in a counter seasonal build.



Stocks increased +1 million barrels in Cushing, with the level +15% above the prior record high.

¹ Source is latest EIA Weekly Statistics



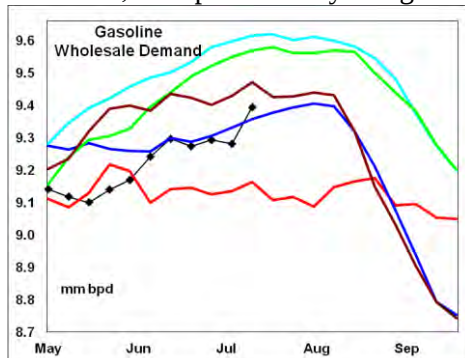
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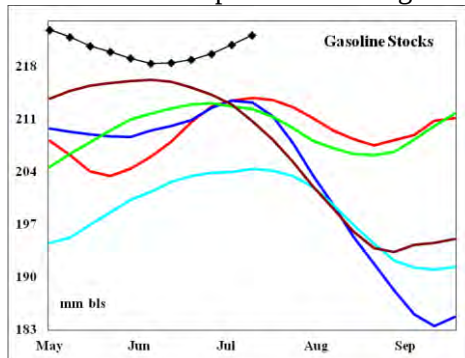
Product Supply-Demand Trends

Gasoline demand surged +355,000 bpd last week, to a level near the 5-year mid range. The latest 4-wk average was +182,000 bpd above a year ago.



Gasoline production fell -243,000 bpd on the week, a level at the upper end of the historic range. The most recent 4-wk average was +192,000 bpd above last year. Imports increased +254,000 bpd to the upper end of the historic range.

Very high supply offset the increased demand, leading to a +1.1 million barrel counter seasonal stock build. Stock levels were +6.8 million barrels above the prior historic high.



PADDs 5 and 2 remain relatively tight with stock levels at the low end of the historic range. Supply has reached excessive levels in PADDs 1 and 3 with high production rates and imports of blend stocks.

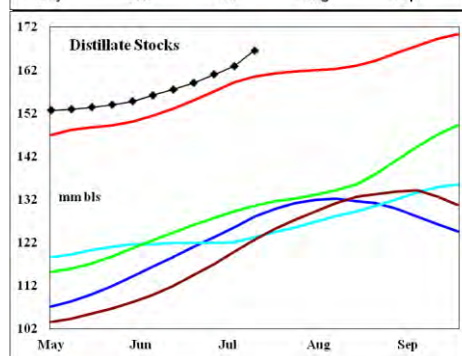
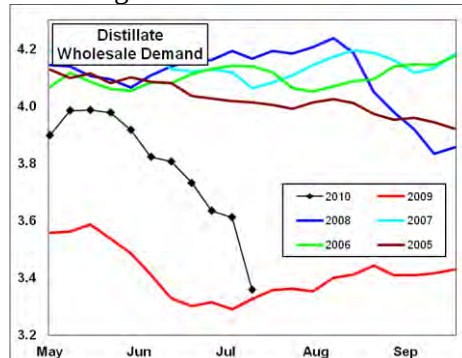
The persistent overhang in supply on the East Coast and Gulf should place downward pressure on prices during the next 30-days.

Distillate demand decreased -169,000 bpd last week for a -592,000 bpd drop in the last two weeks. Demand levels are once again approaching the

extreme lows of last year.

Production increased +50,000 bpd, while imports were +28,000 bpd higher on the week. Production remains at the upper end of the historic range.

Stocks increased +3.9 million barrels on the week. Stock levels are +6.1 million barrels above last years' record highs.



The supply balance continues to shift to excess supply with stock levels near record highs in all five regional markets. Production has also approached record levels set in 2008. Expect significant price weakness relative to the overall energy complex.

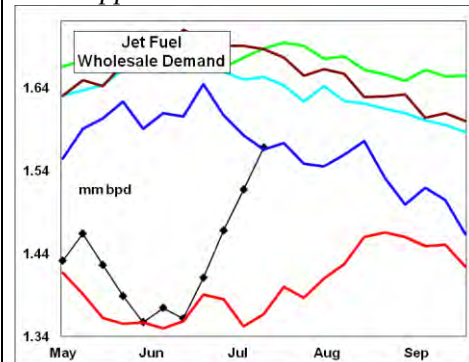
Jet Fuel demand decreased -12,000 bpd on the week. The latest 4-wk average demand was +149,000 bpd above last year.

Supply increased +83,000 bpd on the week, largely offsetting the prior week decline. Production was at the upper end of the historic range.

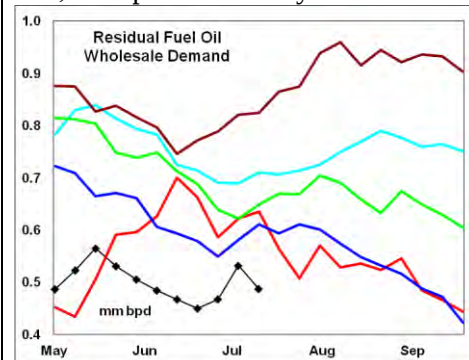
The latest 4-wk average supply was +111,000 bpd above a year ago. Stocks increased +0.2 million barrels on the week, and remains +3.9 million barrels above the prior record high.

Jet fuel prices should remain weak

on high stock levels, and extremely over supplied distillate market.



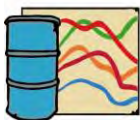
Residual fuel oil demand, including exports, declined -53,000 bpd last week, with the 4-wk average -125,000 bpd below last year.



Supply (production + imports) increased +33,000 bpd on the week, with the latest 4-wk average -133,000 bpd below a year ago. Stocks extended a longer term downtrend, falling -0.8 million barrels on the week. The level is now at the upper end of the 5-year range.

Production has declined to a record season low. Imports have increased recently to near the mid range. Reduced supply has more than offset extremely low demand, leading to a -6 million barrel stock draw during the last 60-days. However stock levels in days supply remain extremely high.

Expect further improvement in the supply balance to provide modest price support compared to the energy complex.



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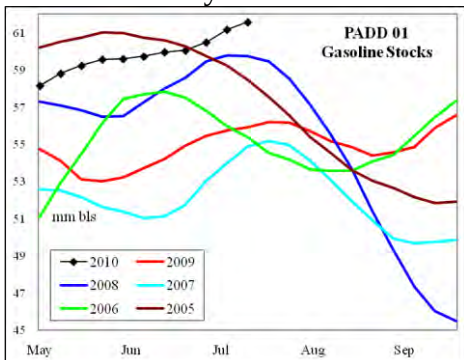
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PADD Supply Trends

PADD 1 refinery crude oil runs increased +83,000 bpd last week, with the 4-wk average -100,000 bpd below last years' record low rate.

Gasoline production decreased -89,000 bpd on the week, with the latest 4-wk average +548,000 bpd above a year ago. Imports (blend stocks) jumped +223,000 bpd on the week, to a record level for the period. Stocks increased +0.5 million barrels to a new 5-year high for this time of year.



Distillate supply increased +7,000 bpd last week, with lower output offset by a +21,000 bpd increase in imports. Stocks increased +2.8 million barrels, matching last years' record level.

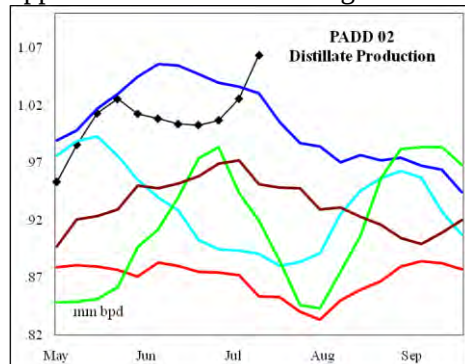
Jet fuel supply increased +33,000 bpd on increases in both imports and production. Stocks declined -0.8 million barrels but remain above the prior historic high

PADD 2 crude oil refinery runs decreased -49,000 bpd, but remains above the historic range. Crude oil stocks increased +1 million barrels; and remain +12 million barrels above the prior record high. Imports increased +111,000 bpd and remain well above the historic range.

Gasoline production decreased -76,000 bpd last week, but remains at the upper end of the historic range. Stocks increased +0.2 million barrels and remain at the low end of the historic range.

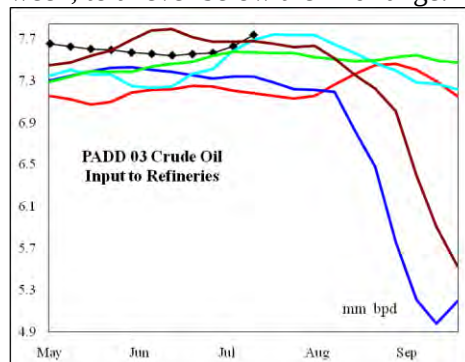
Distillate production increased +42,000 bpd on the week, to a new season record high. Stocks increased

+1.1 million barrels to a level at the upper end of the historic range.



Jet fuel production was +16% above last year and a season record high. Stocks decreased -0.4 million barrels, but remain well above the historic range.

PADD 3 refinery crude oil runs increased +28,000 bpd, matching the historic high for the period. The latest 4-wk average was +336,000 bpd above a year ago. Crude imports were nearly unchanged, at a level that matched last years' record lows. Crude oil stocks declined -1 million barrels on the week, to a level below the mid range.



Gasoline production decreased -65,000 bpd on the week. Stocks increased +1.3 million barrels, to a new record high for the season.

Distillate production increased +28,000 bpd to match the 5-year season high. Stocks decreased -1 million barrels, with the level +15% above the prior record high.

Jet fuel production increased +36,000 bpd to a level above the mid range. Stock levels are now +16% above the prior record high.

Residual fuel oil supply was nearly unchanged on the week. Production

fell to a new record low. Stocks decreased -0.8 million barrels but remain above the historic range.

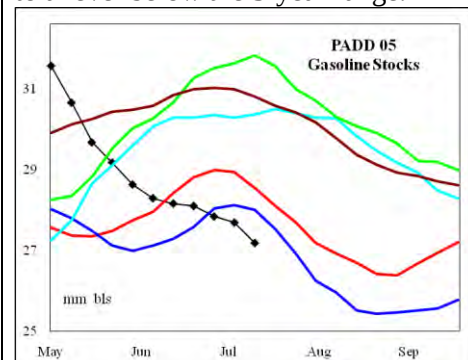
PADD 4 refinery crude runs decreased -7,000 bpd to a level above the mid range. The latest 4-wk average throughput was comparable to last year. Imports fell -94,000 bpd to below the historic range.

Gasoline production increased +14,000 bpd to a new record season high. Stock levels were +9% above the prior record high.

Distillate production increased +20,000 bpd last week, to a new record season high. Stock levels reached a new record season high.

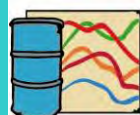
PADD 5 crude oil refinery runs decreased -6,000 bpd on the week, to match last years' level. The latest 4-wk average run rate was +8,000 bpd above last year. Crude oil stocks climbed +1.3 million barrels, on a +0.9 million bpd spike in imports.

Gasoline supply (production + imports) decreased -17,000 bpd last week, to a level above the prior two years. The latest 4-wk average supply was +52,000 bpd above last year. Stocks decreased -0.7 million barrels, to a level below the 5-year range.



Distillate production decreased -25,000 bpd on the week, to a level matching the historic low for the period. Stocks increased +0.8 million barrels to match the 5-year high.

Jet fuel supply increased +13,000 bpd last week, with both imports and production above the mid range. Stocks increased +0.8 million barrels to above the 5-year mid range.


**FUNDAMENTAL
PETROLEUM
TRENDS**


PETROLEUM: Graph Link and Weekly Summary

A Fundamental Petroleum Trends Weekly Report

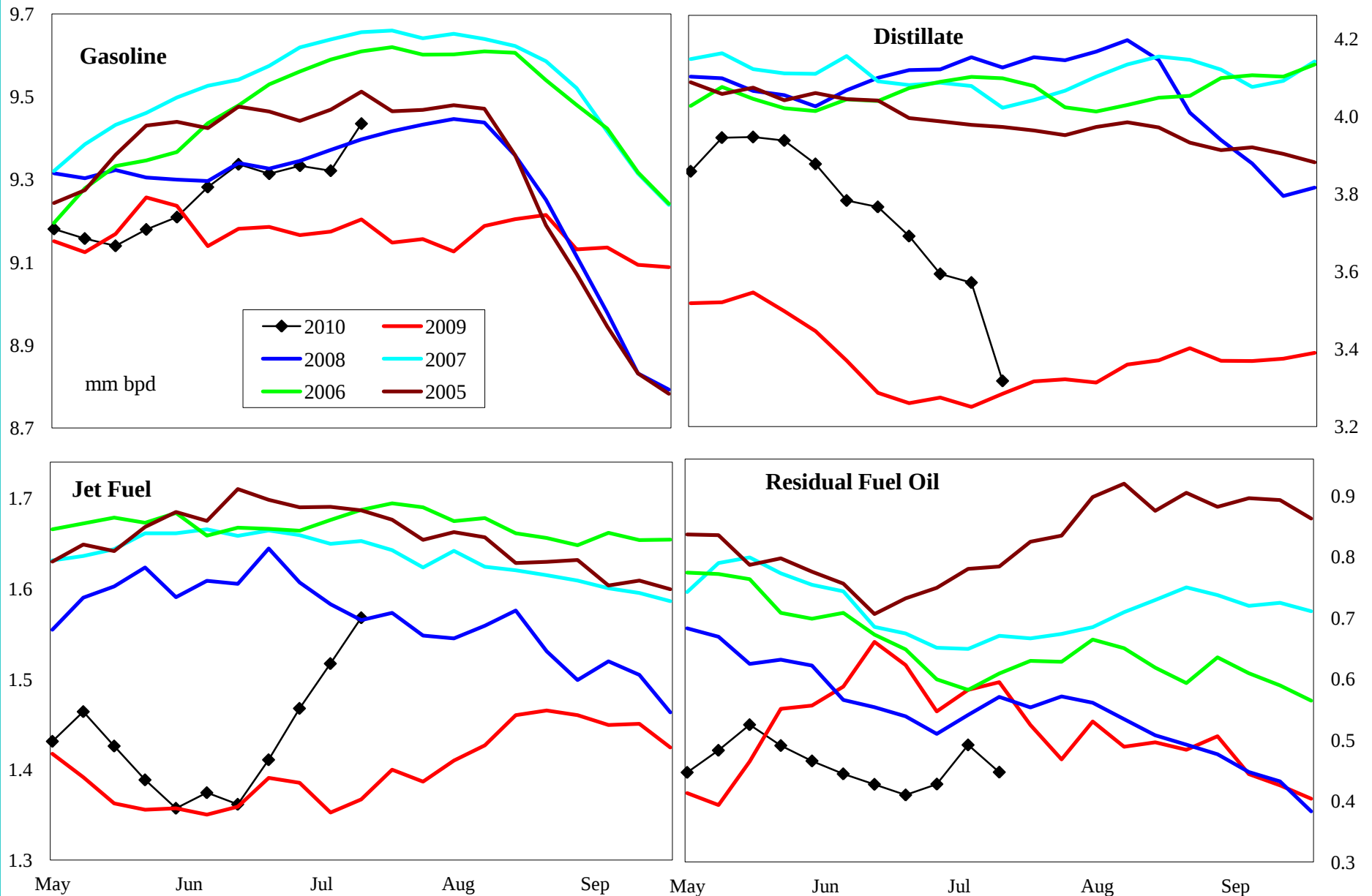
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Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization</u> <u>Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	16-Jul-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	360	-843	984	-955	-173	1,347
	Imports	696	-145	111	-30	-94	856
	Input	48	83	-49	28	-7	-6
	% Utilization	1.00					
<u>Gasoline</u>	Stocks	1,118	450	213	1,261	-106	-701
	Production	-243	-89	-76	-65	14	-27
	Imports	254	223	0	19	0	11
	Supplied	355					
<u>Distillate</u>	Stocks	3,935	2,759	1,062	-972	238	849
	Production	50	-14	42	28	20	-25
	Imports	28	21	0	9	-3	0
	Supplied	-169					
<u>Jet Fuel</u>	Stocks	234	-752	-386	699	-99	773
	Production	64	25	-1	36	1	3
	Imports	19	8	0	1	1	10
	Supplied	-12					
<u>Residual Fuel Oil</u>	Stocks	-786	-250	-38	-795	17	280
	Production	-13	-2	11	-28	-2	7
	Imports	49	-51	-1	32	0	68
	Supplied	-53					

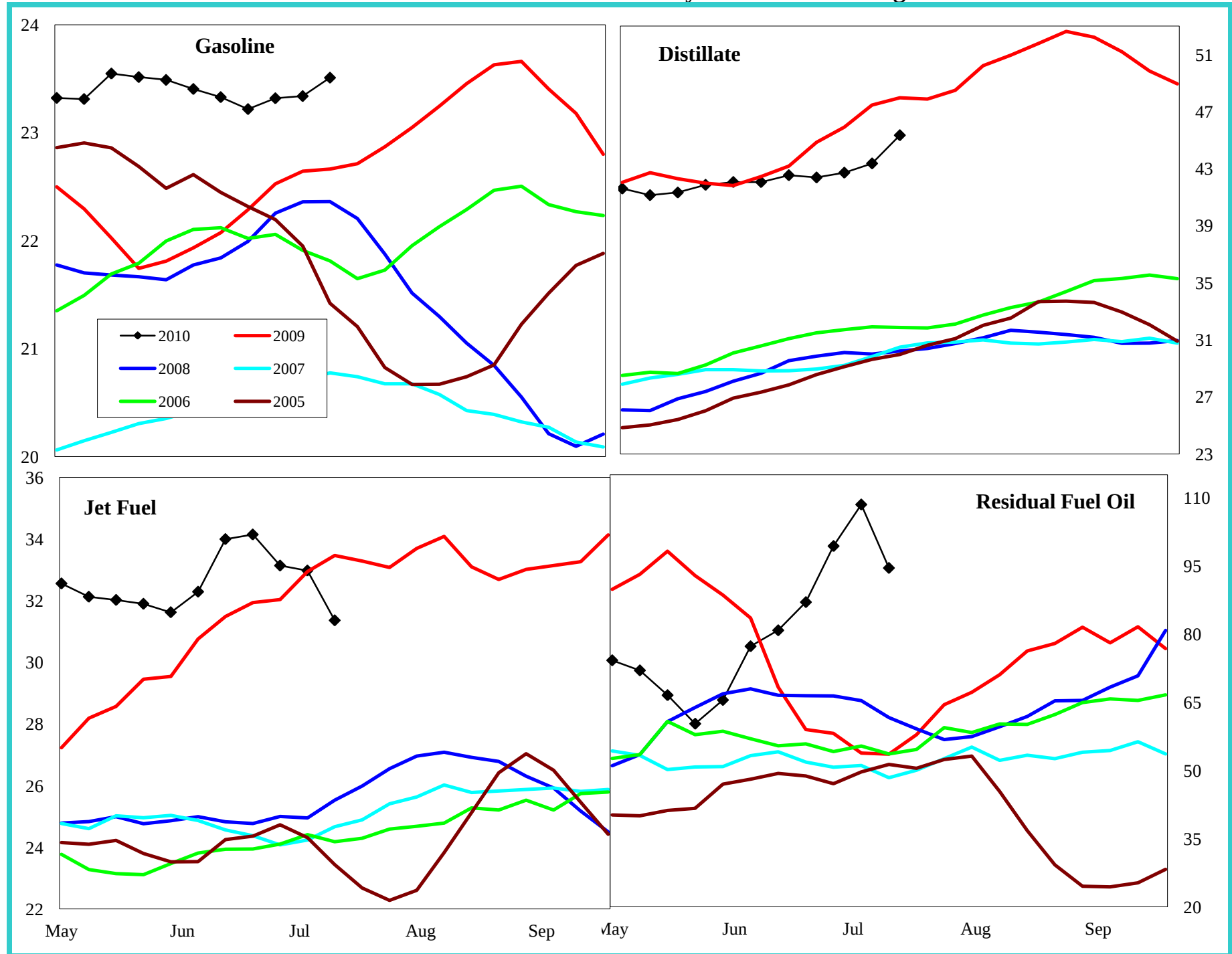
United States Wholesale Petroleum Demand



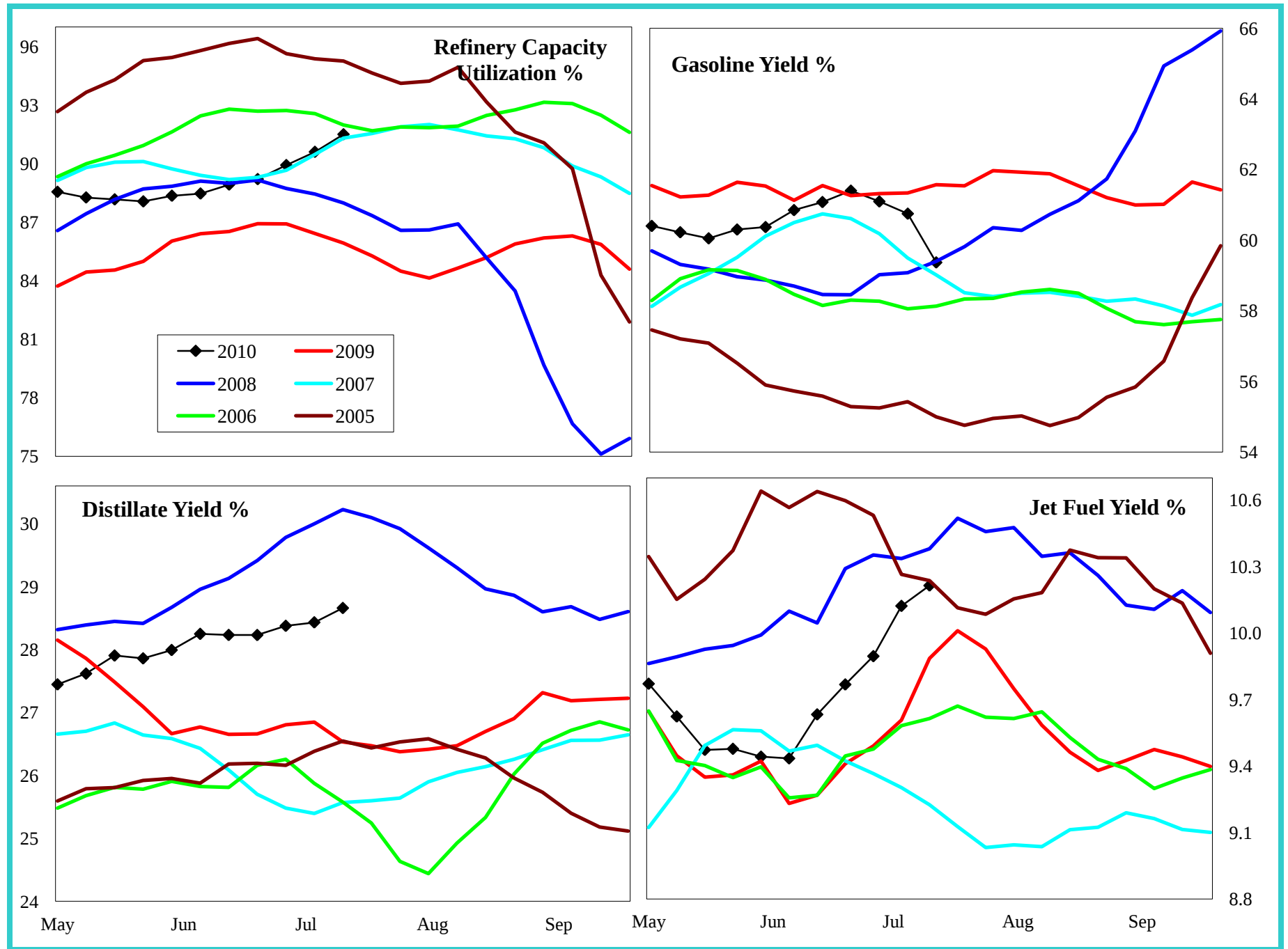
	000 bpd change from prior year				% change from prior year				
	4wk avg	Jun	May	Jan	4wk avg	Jun	May	Apr	
Gasoline	182	149	53	155	2.0	1.6	0.6	1.7	
Distillate	299	232	589	247	9.1	6.5	17.2	7.1	
Jet Fuel	149	-34	77	-33	11.0	-2.4	5.8	-2.3	
Resid	-125	-173	74	-95	-20.3	-28.8	15.1	-14.1	



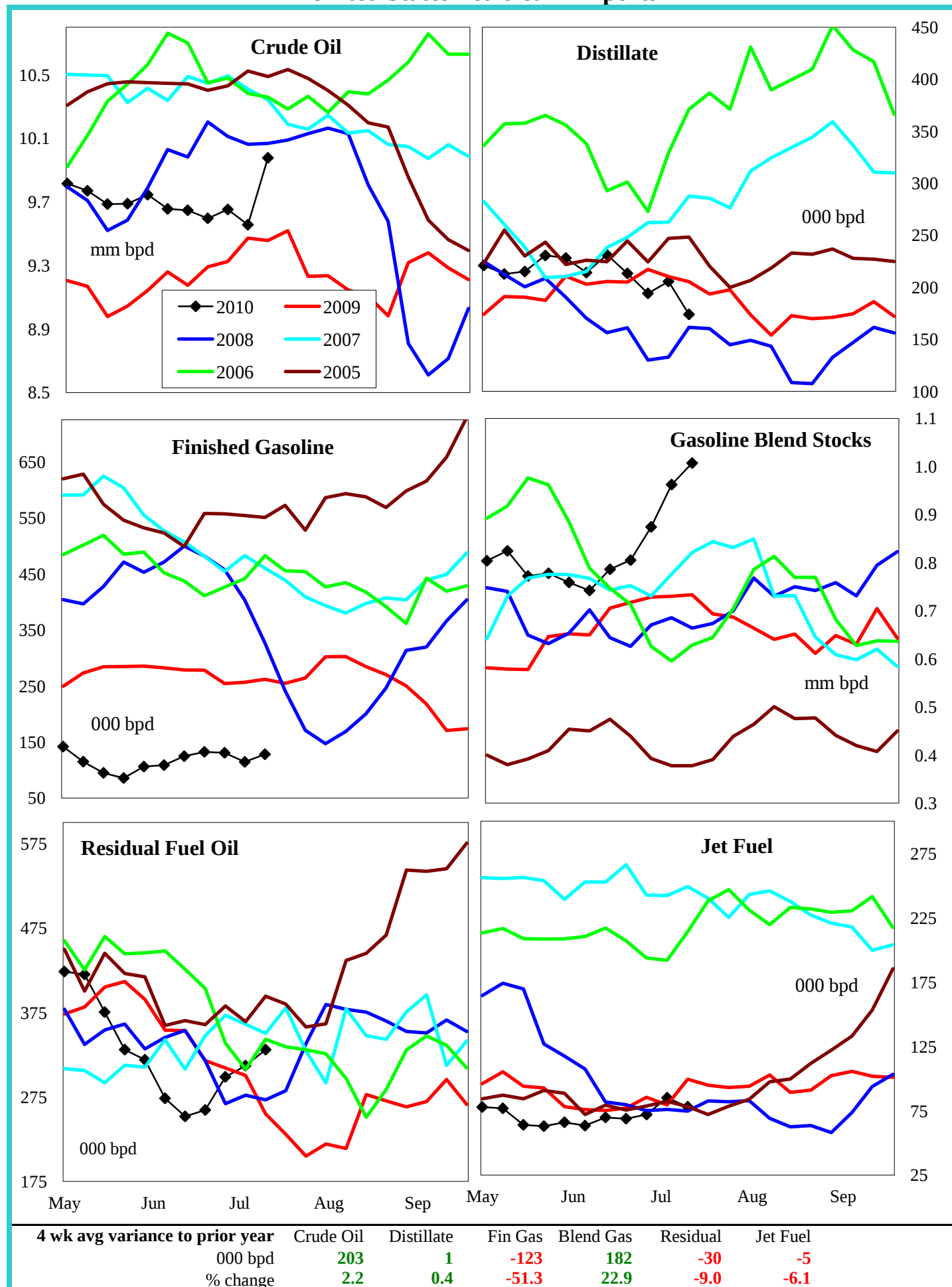
United States Product Stocks: Days Forward Coverage



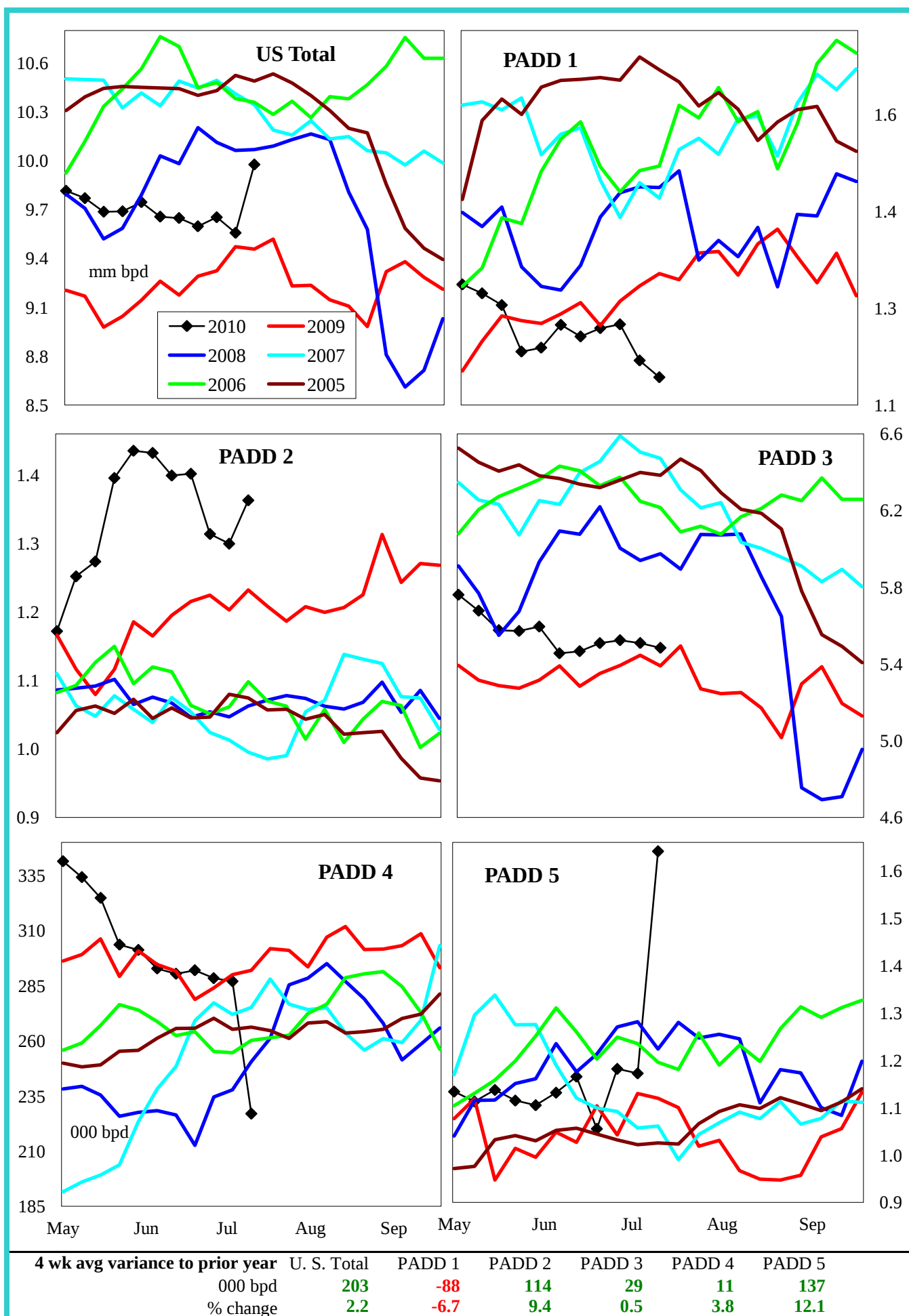
United States Refinery Percent Utilization Rate and Product Yields



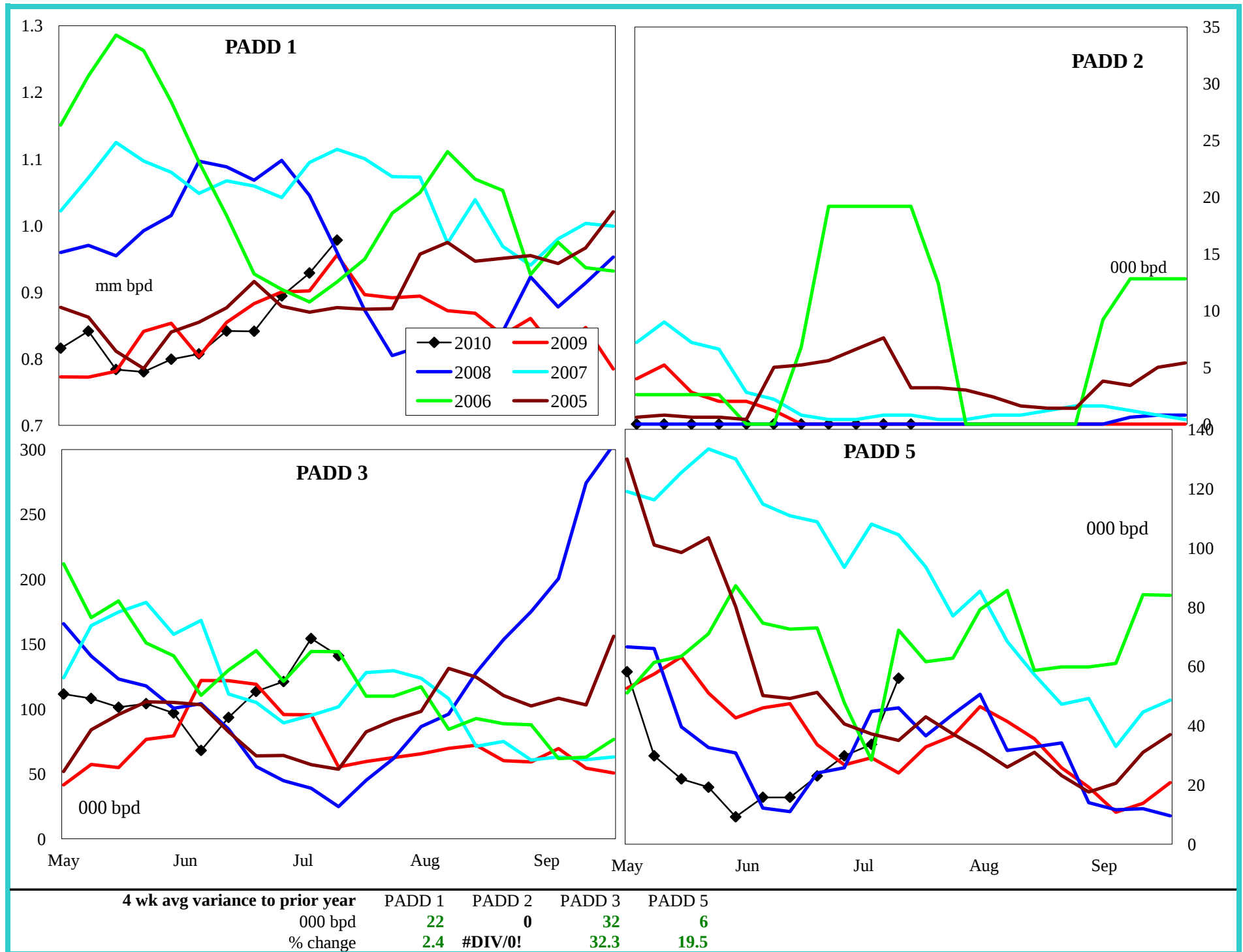
United States Petroleum Imports



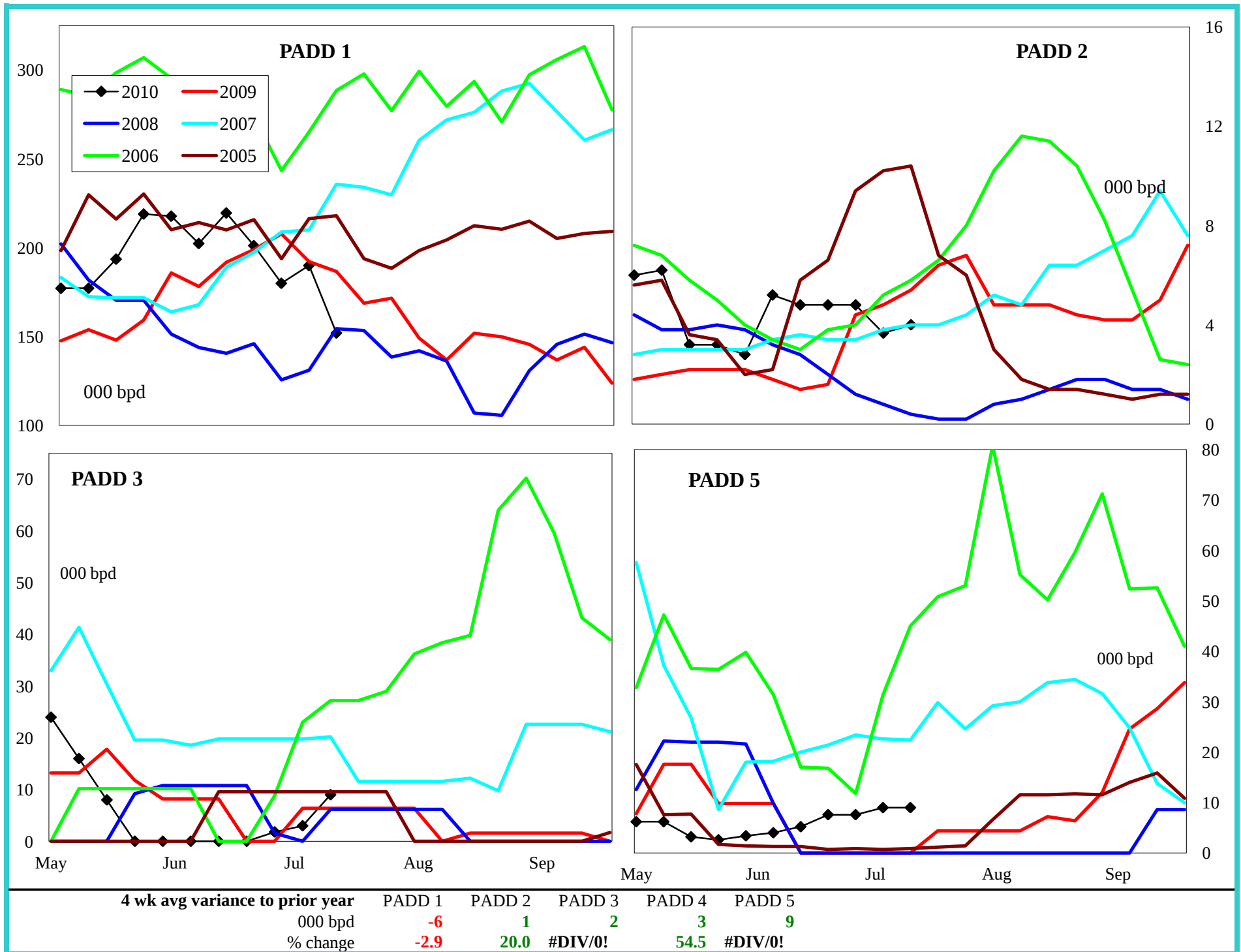
Crude Oil Imports by PADD



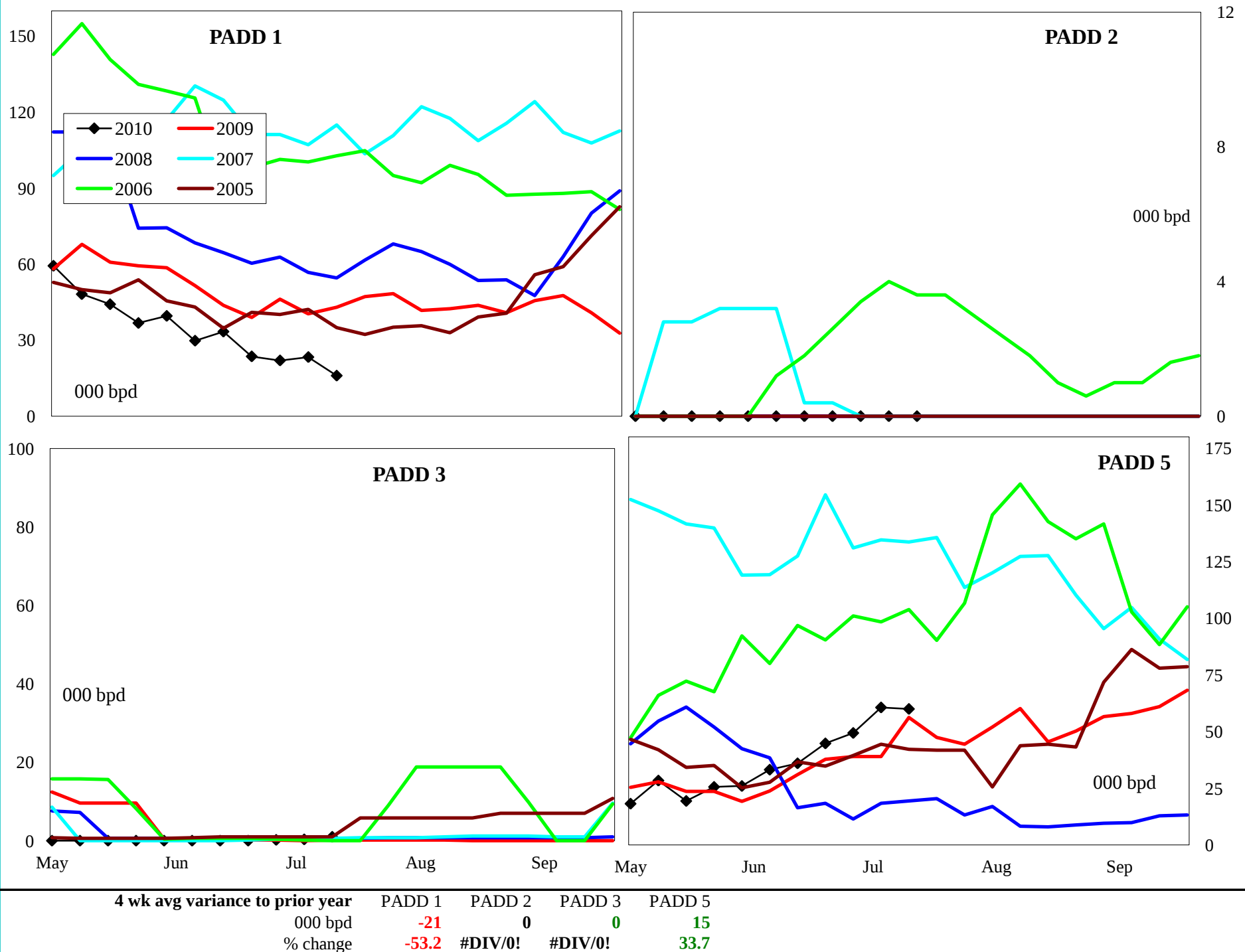
Gasoline Imports by PADD (Finished + Blend Stocks)



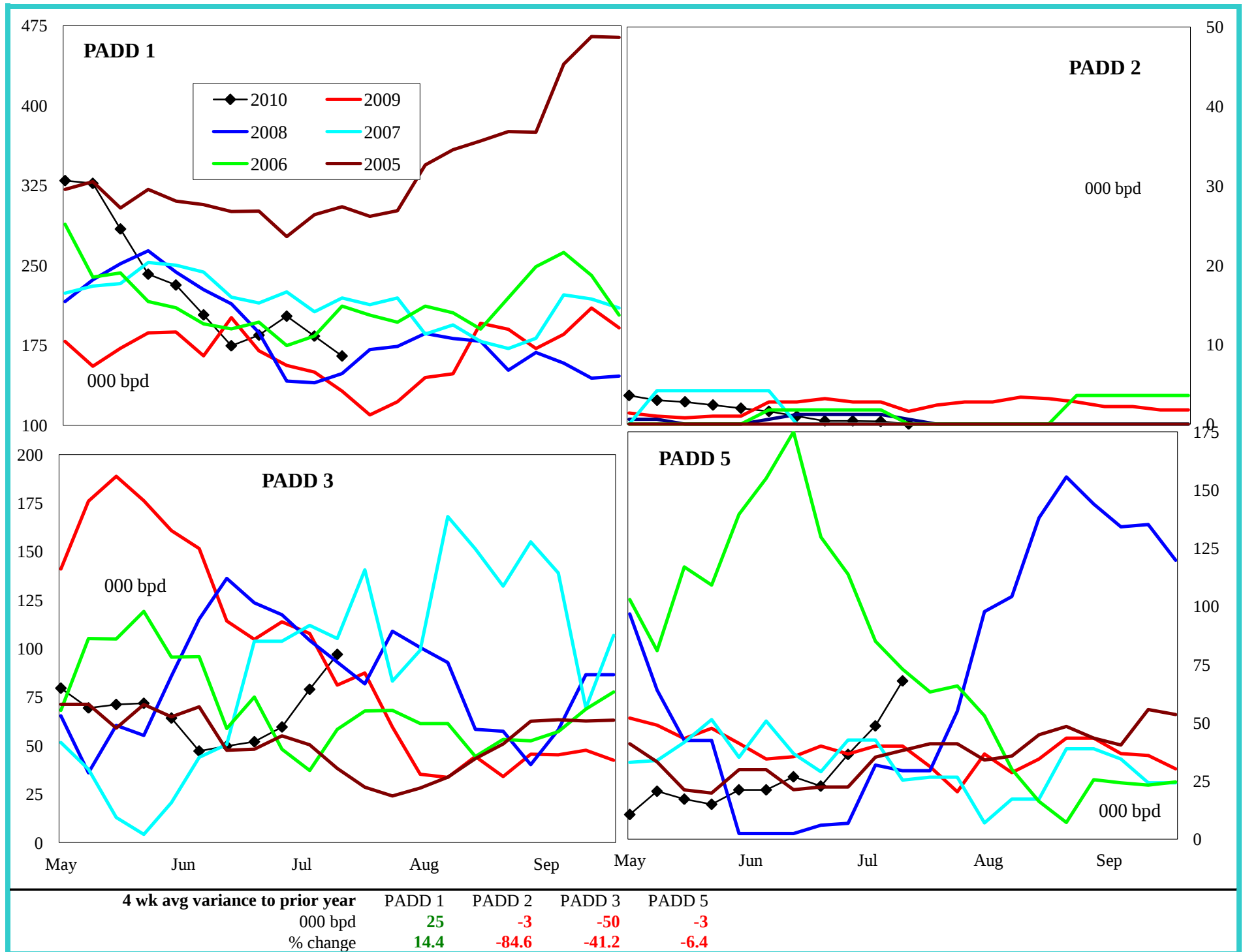
Distillate Imports by PADD



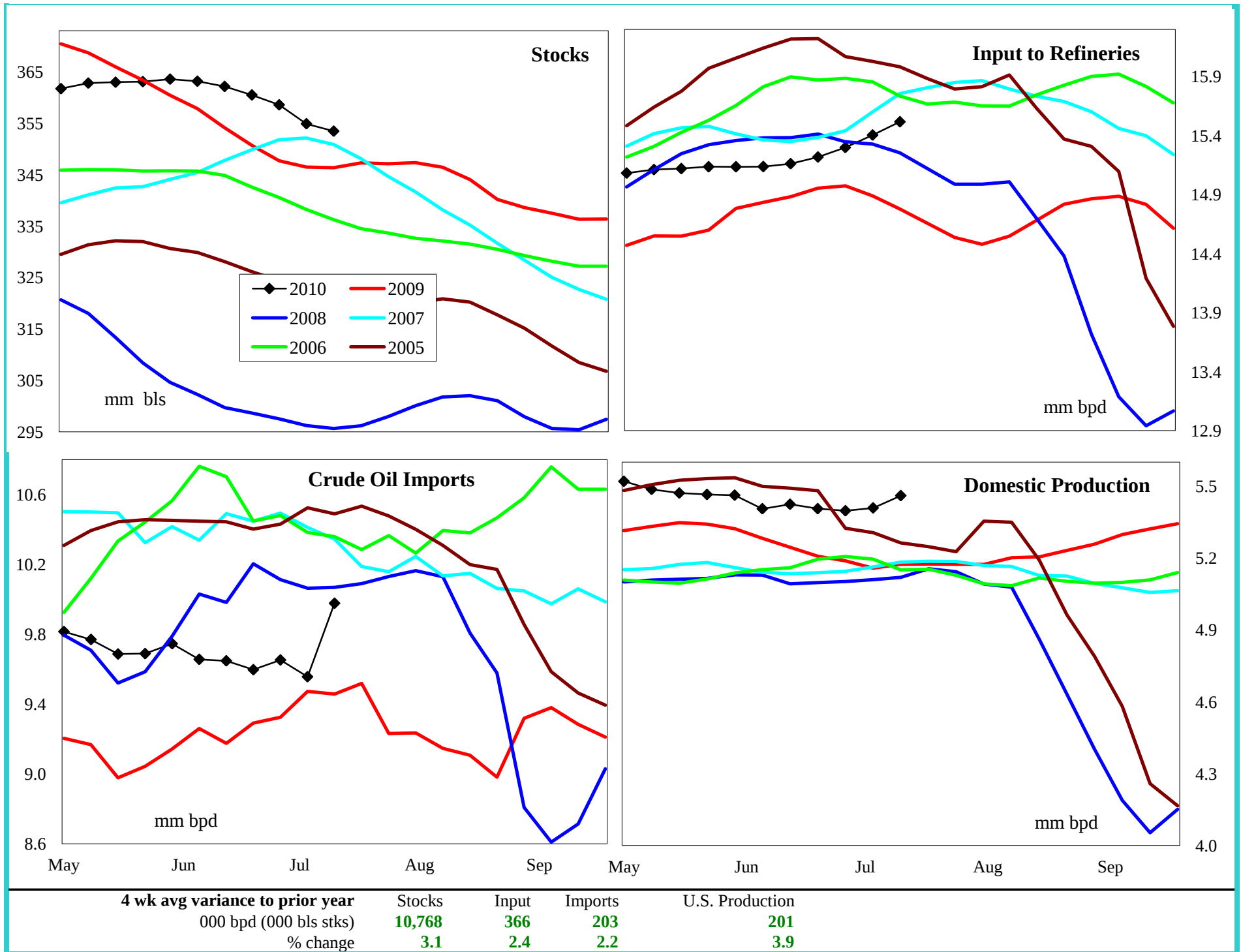
Jet Fuel Imports by PADD



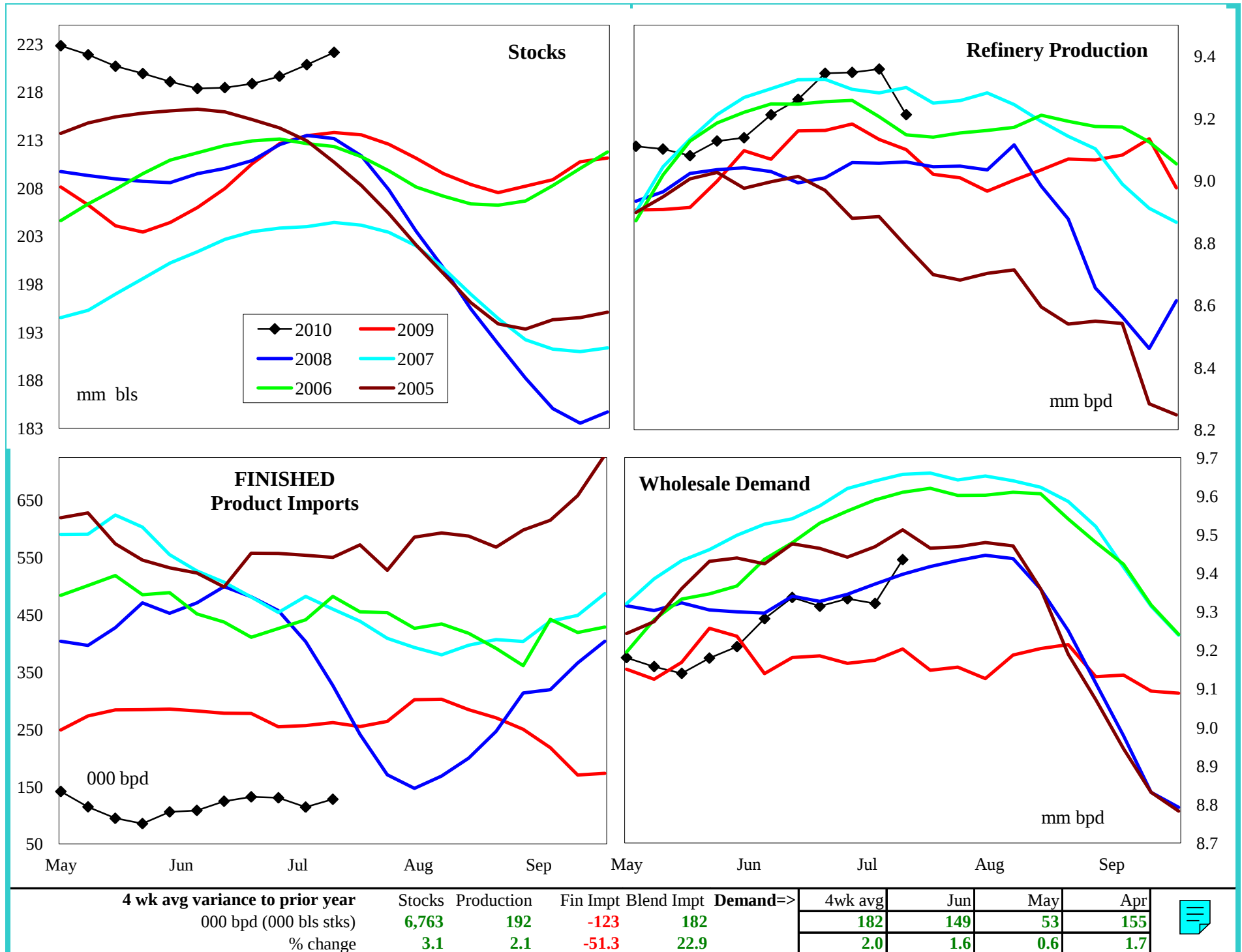
Residual Fuel Oil Imports by PADD



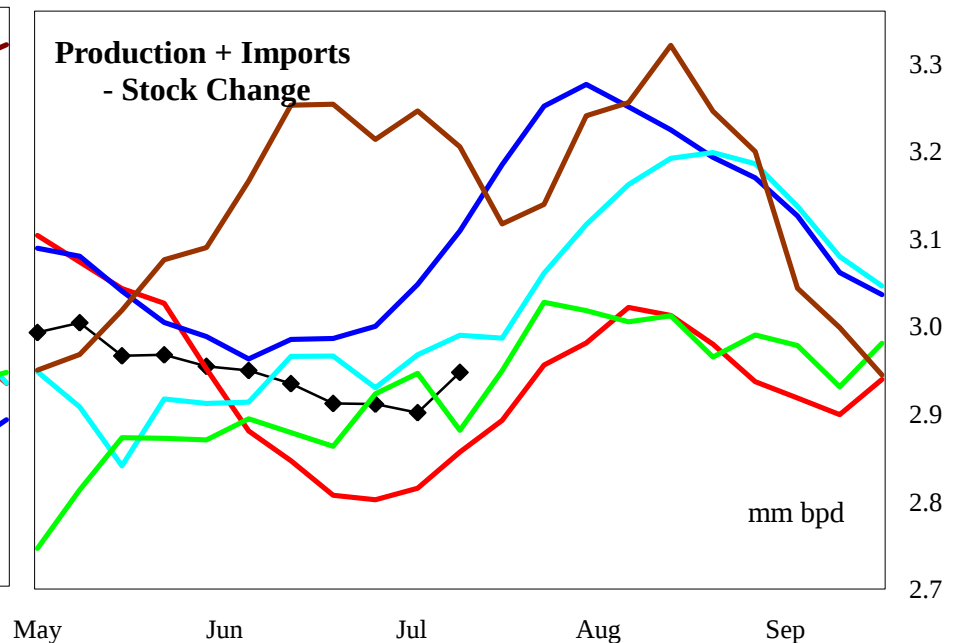
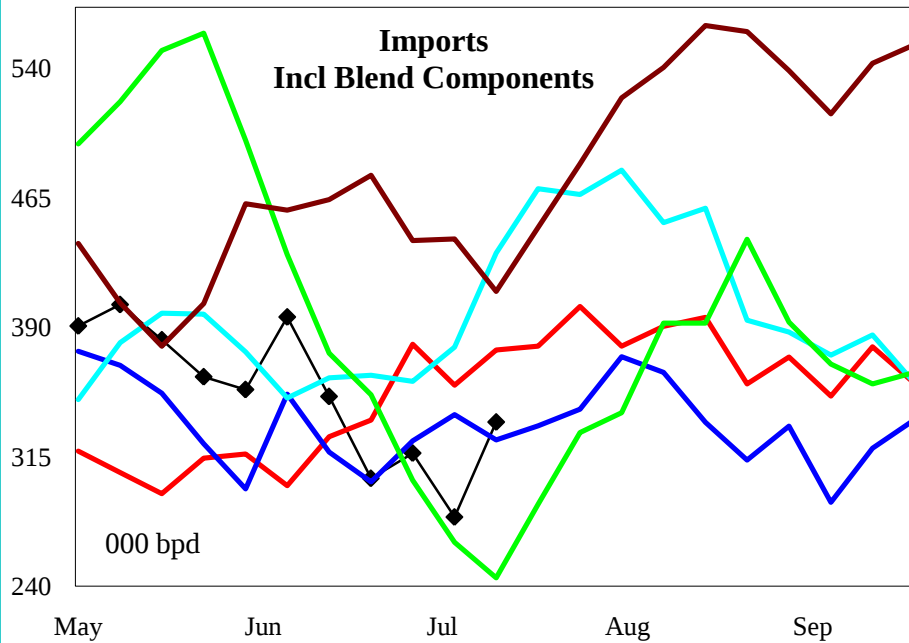
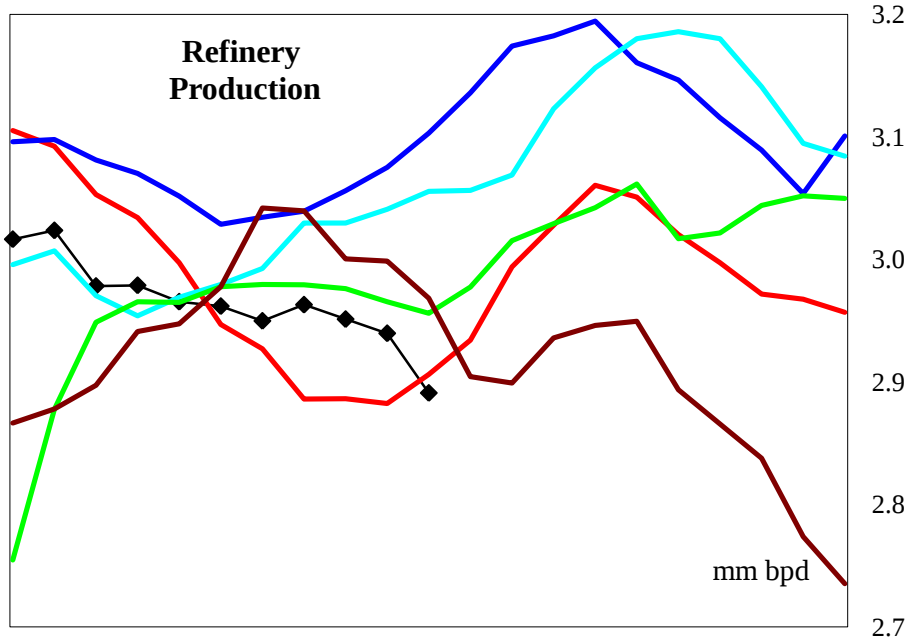
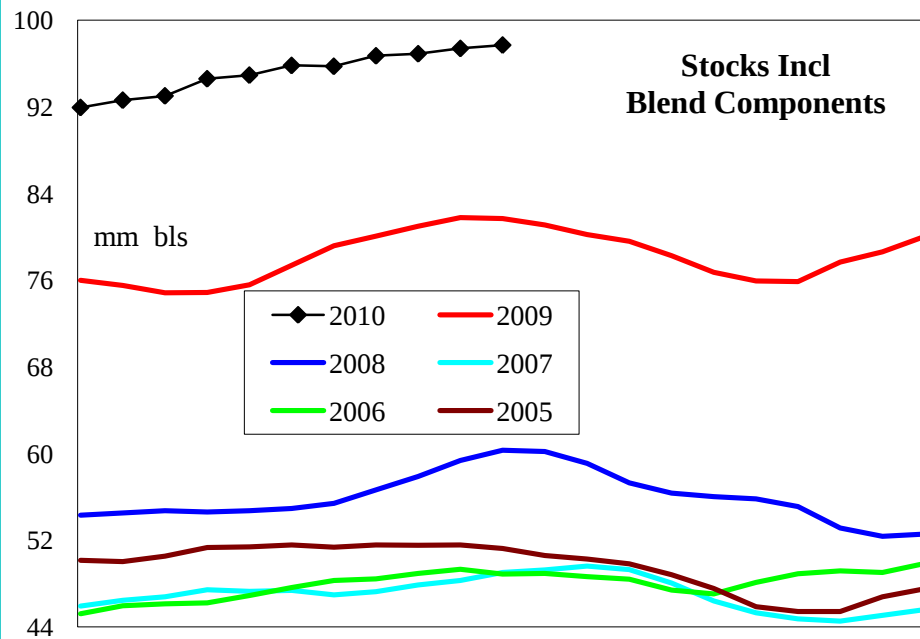
United States Crude Oil Supply and Demand Balance



United States Gasoline Supply and Demand Balance



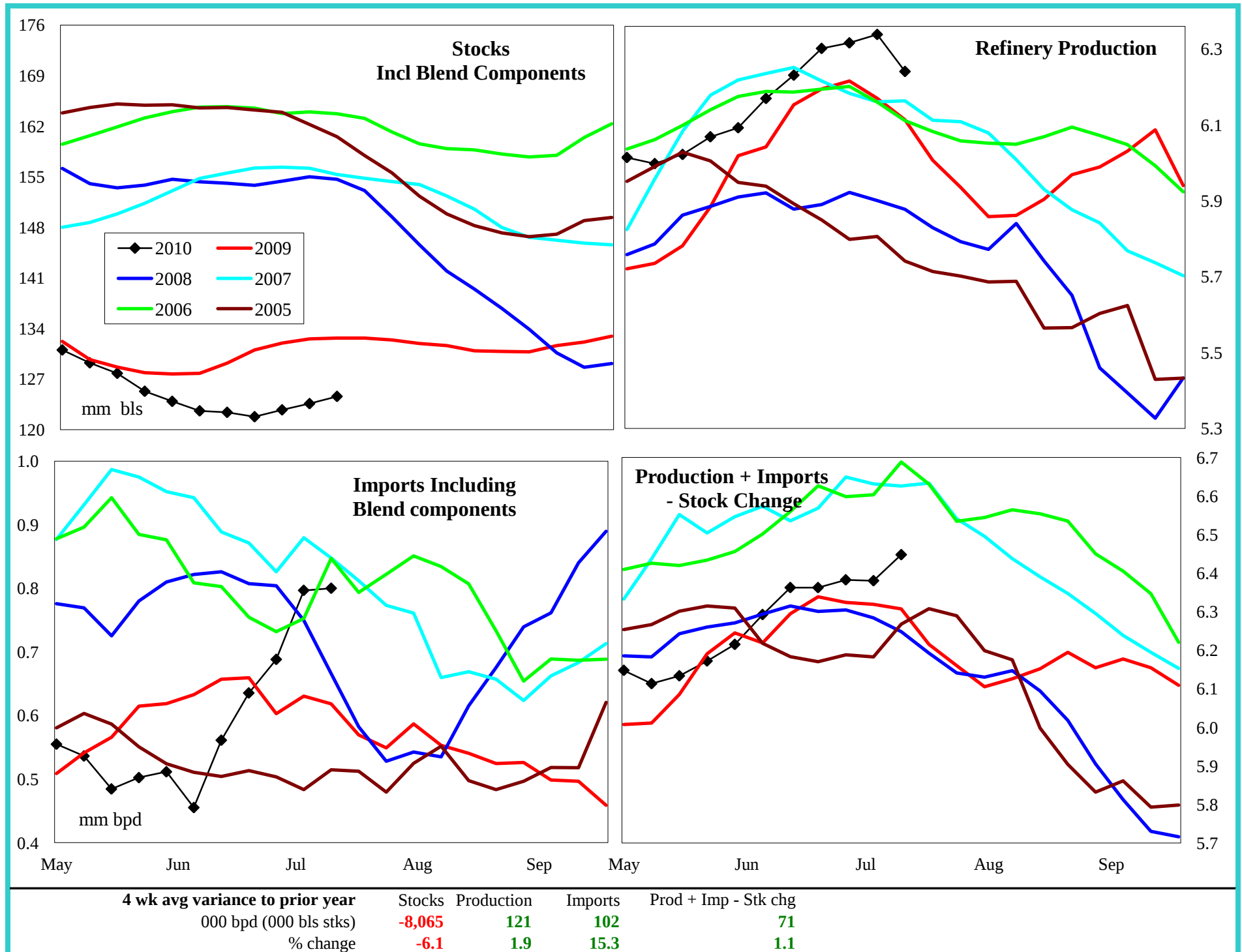
United States Reformulated Gasoline Supply



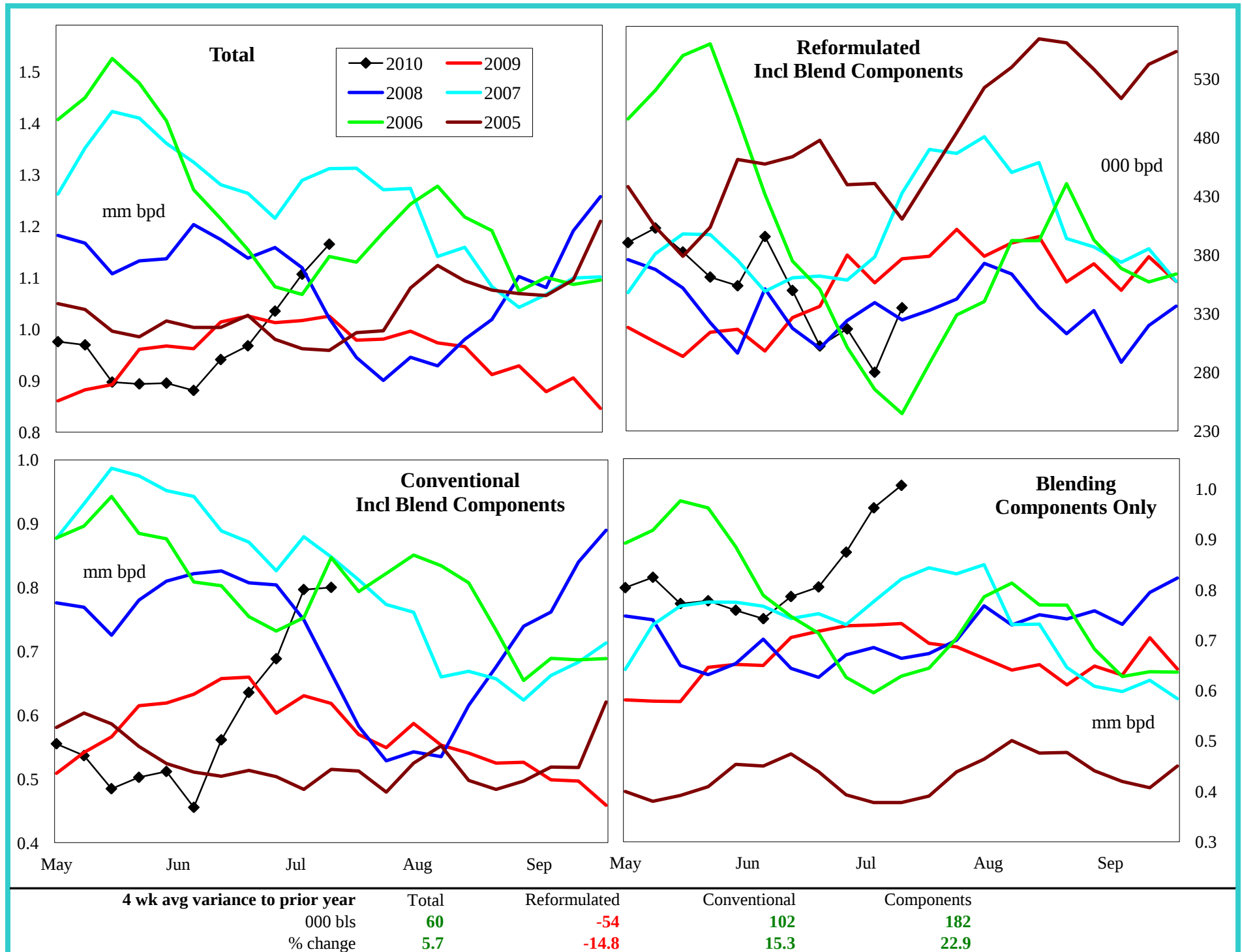
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
16,034	71	-54	98
19.6	2.4	-14.8	3.4

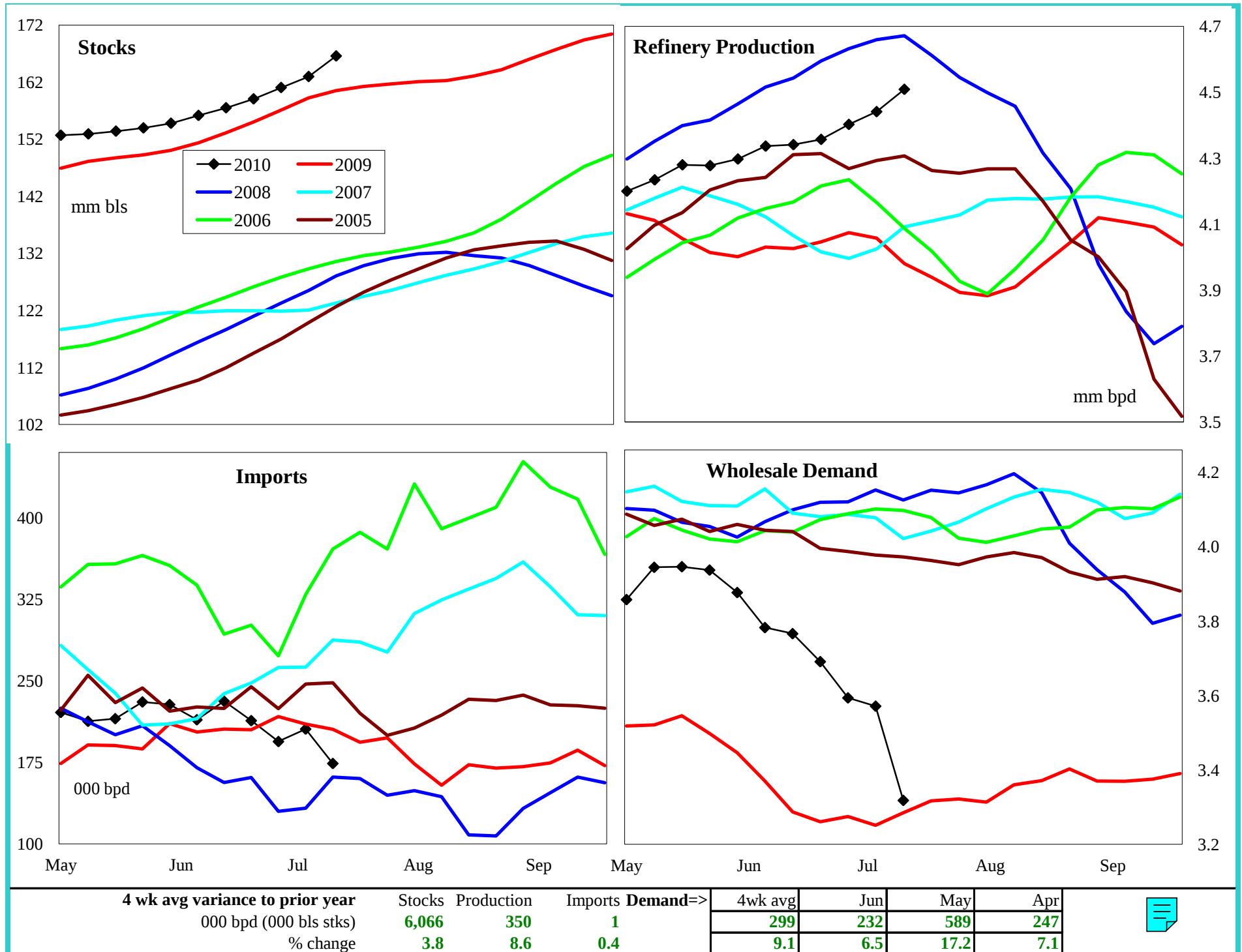
United States Conventional Gasoline Supply



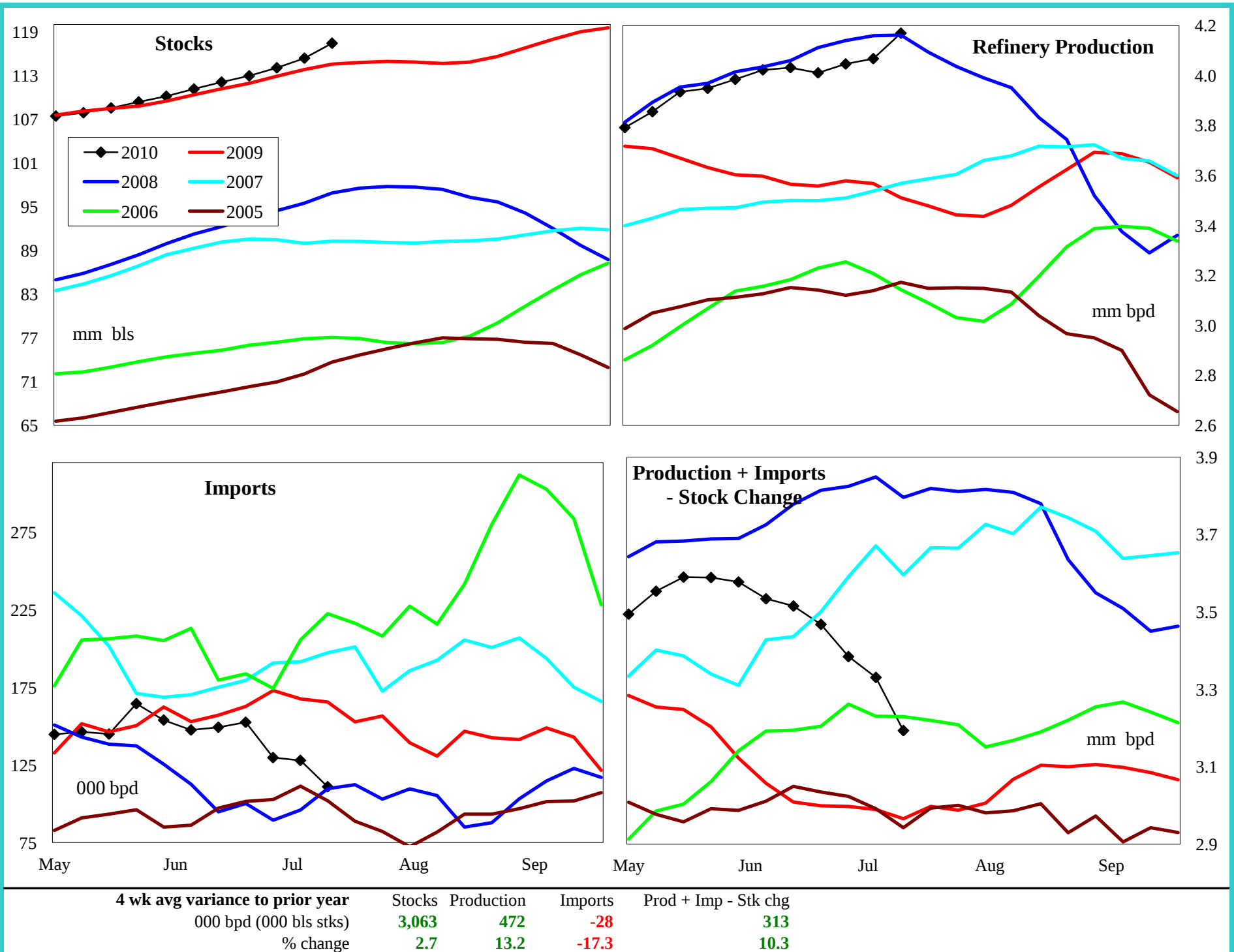
United States Gasoline Imports by Type



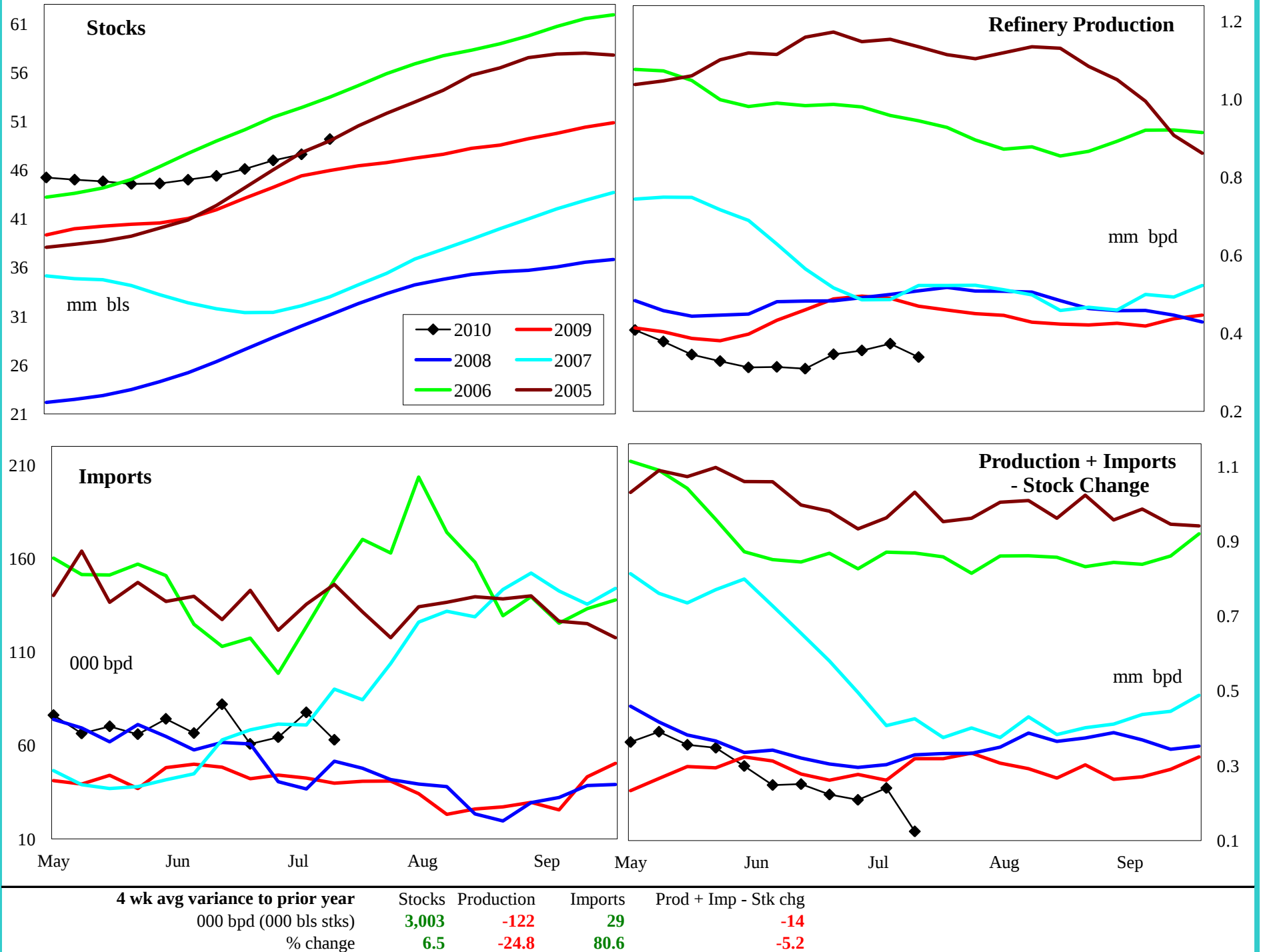
United States Distillate Supply and Demand Balance



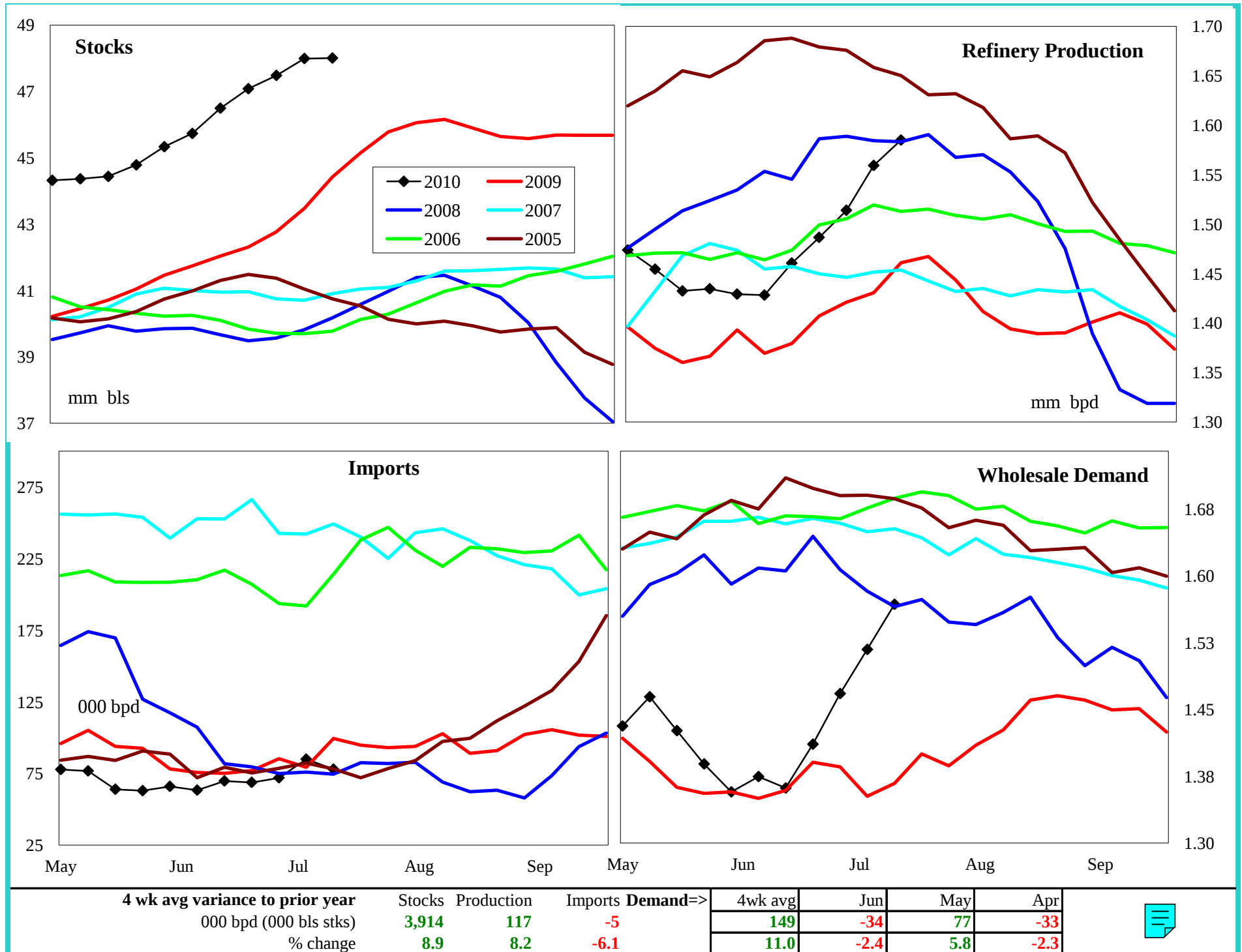
United States Low Sulfur Distillate Supply



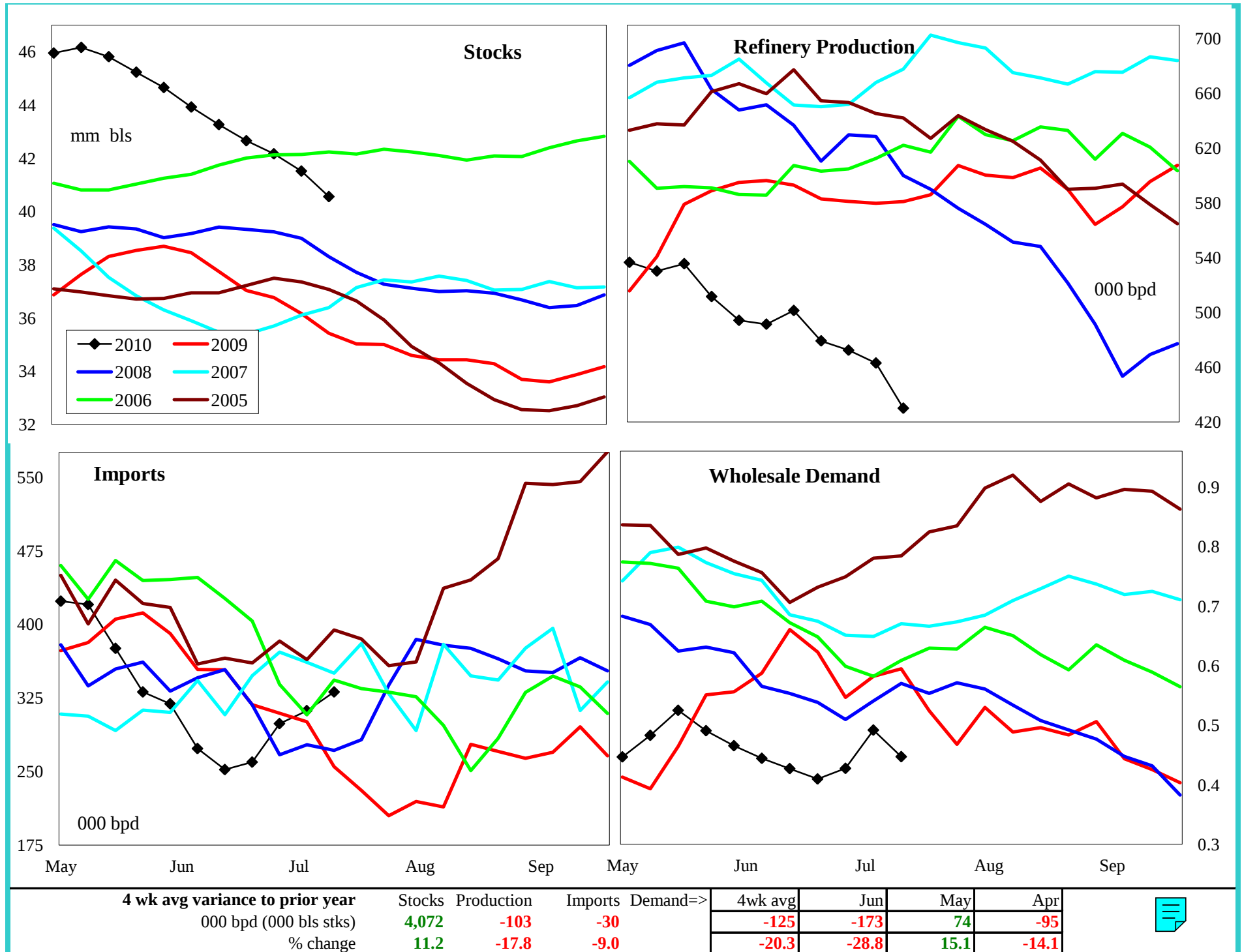
United States High Sulfur Distillate Supply



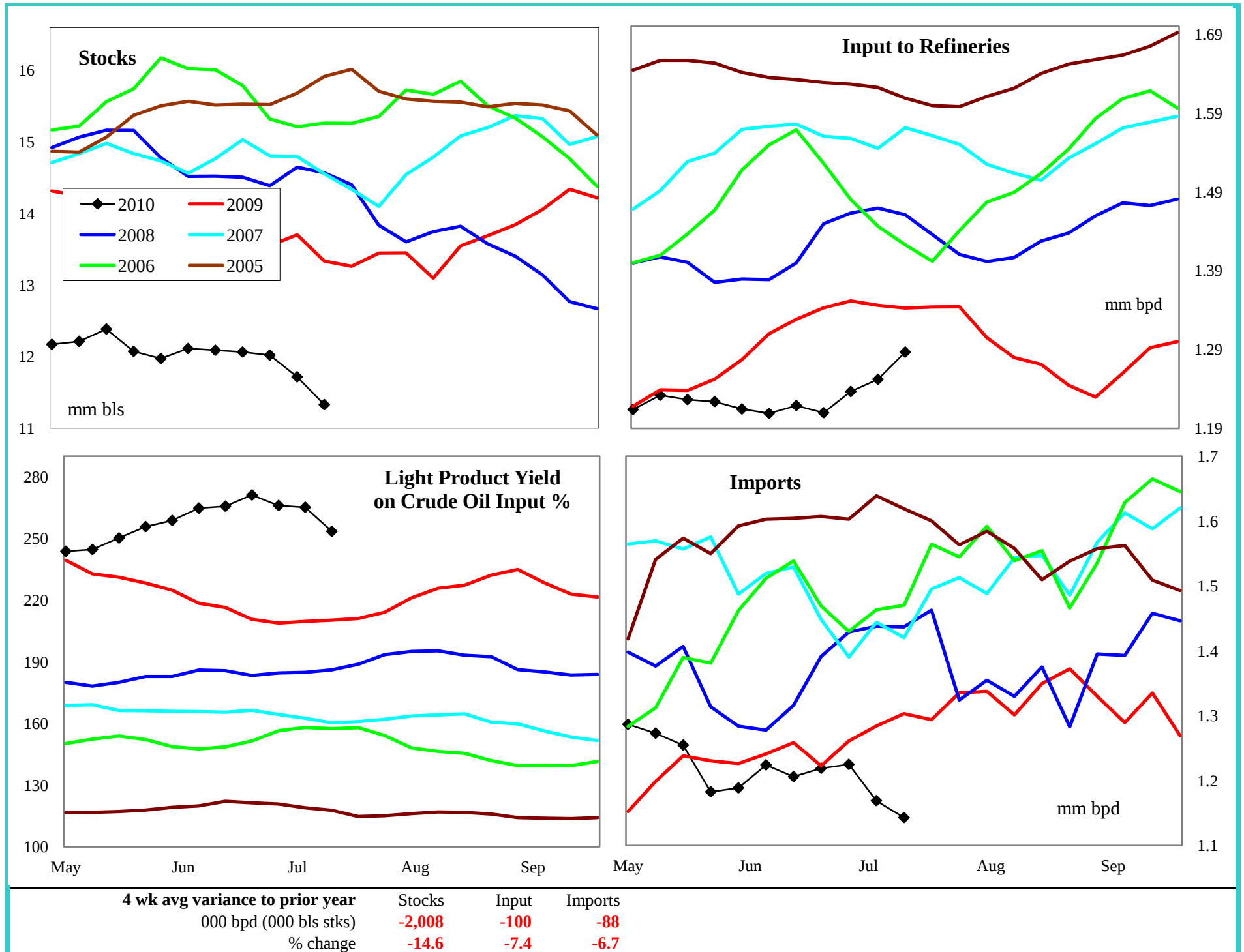
United States Jet Fuel Supply and Demand Balance



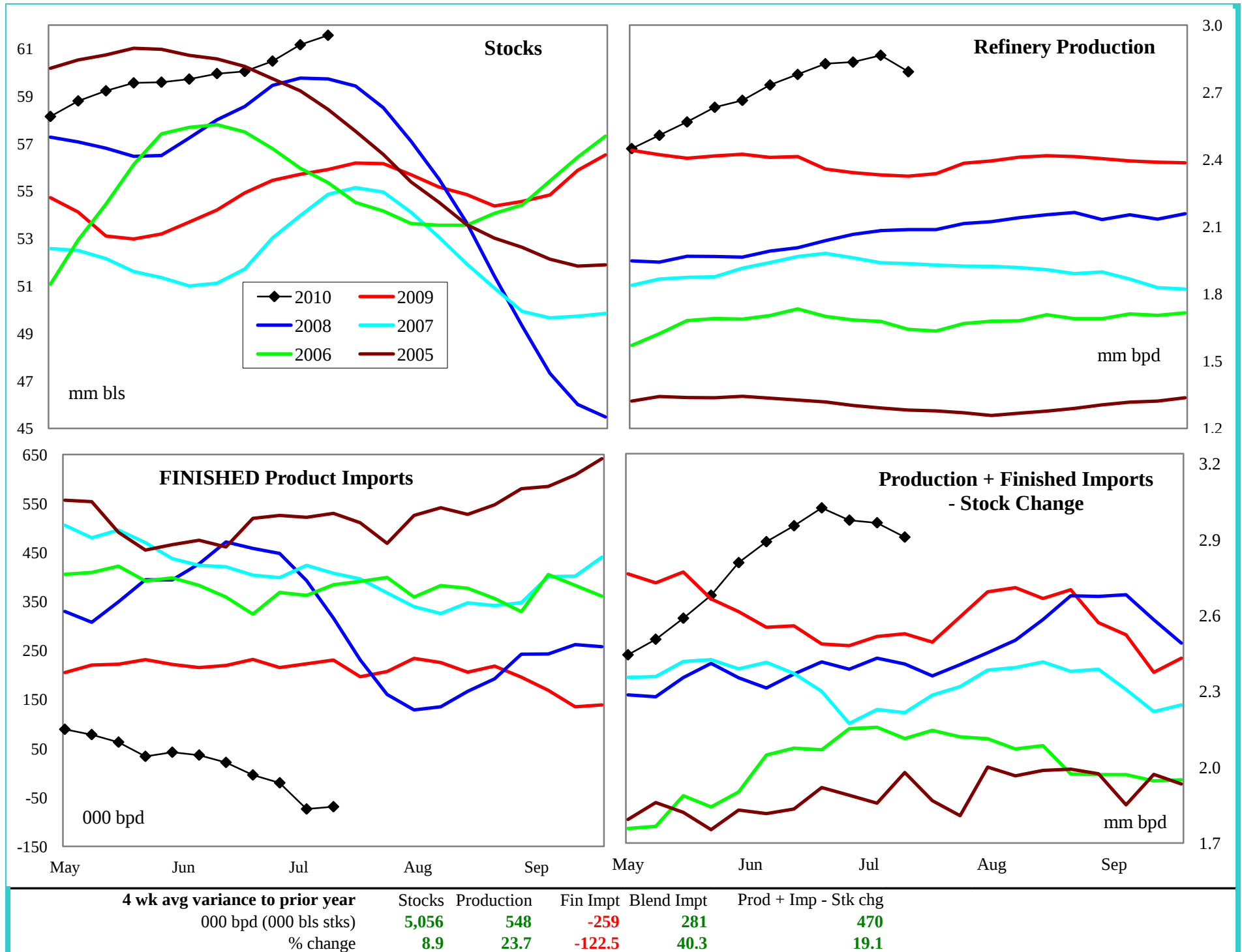
United States Residual Fuel Oil Supply and Demand Balance



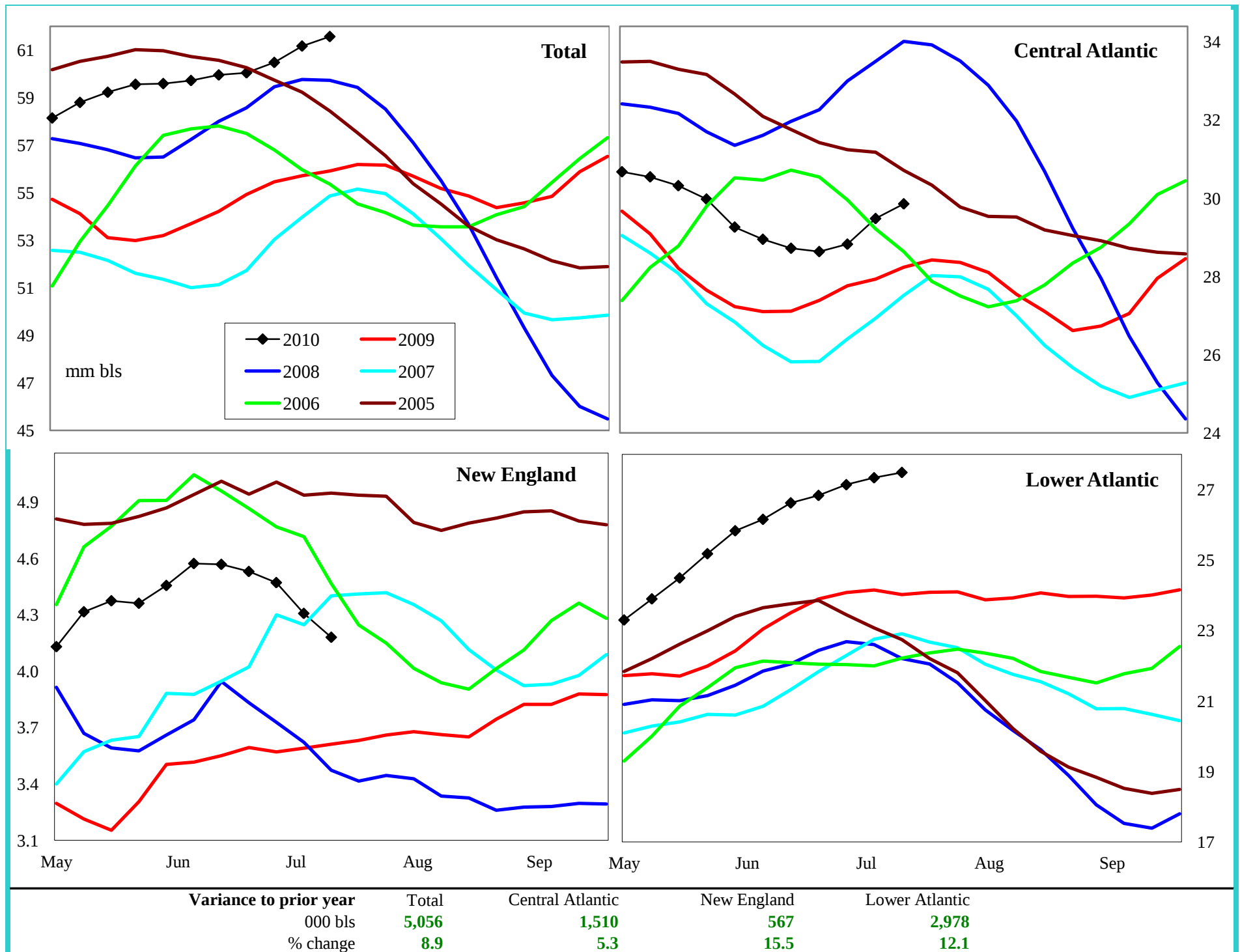
PADD 1 Crude Oil Supply and Refining



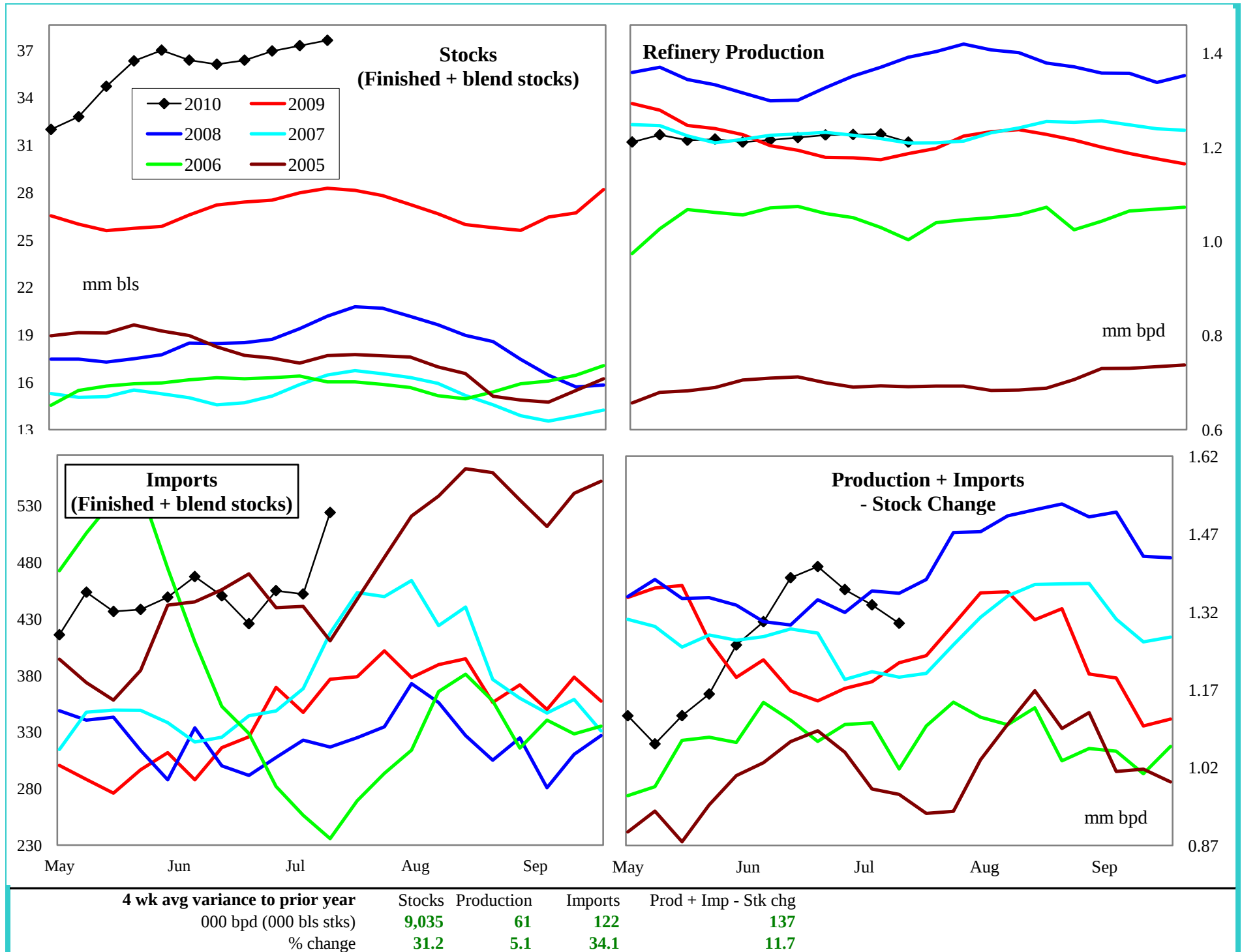
PADD 1 Gasoline Supply



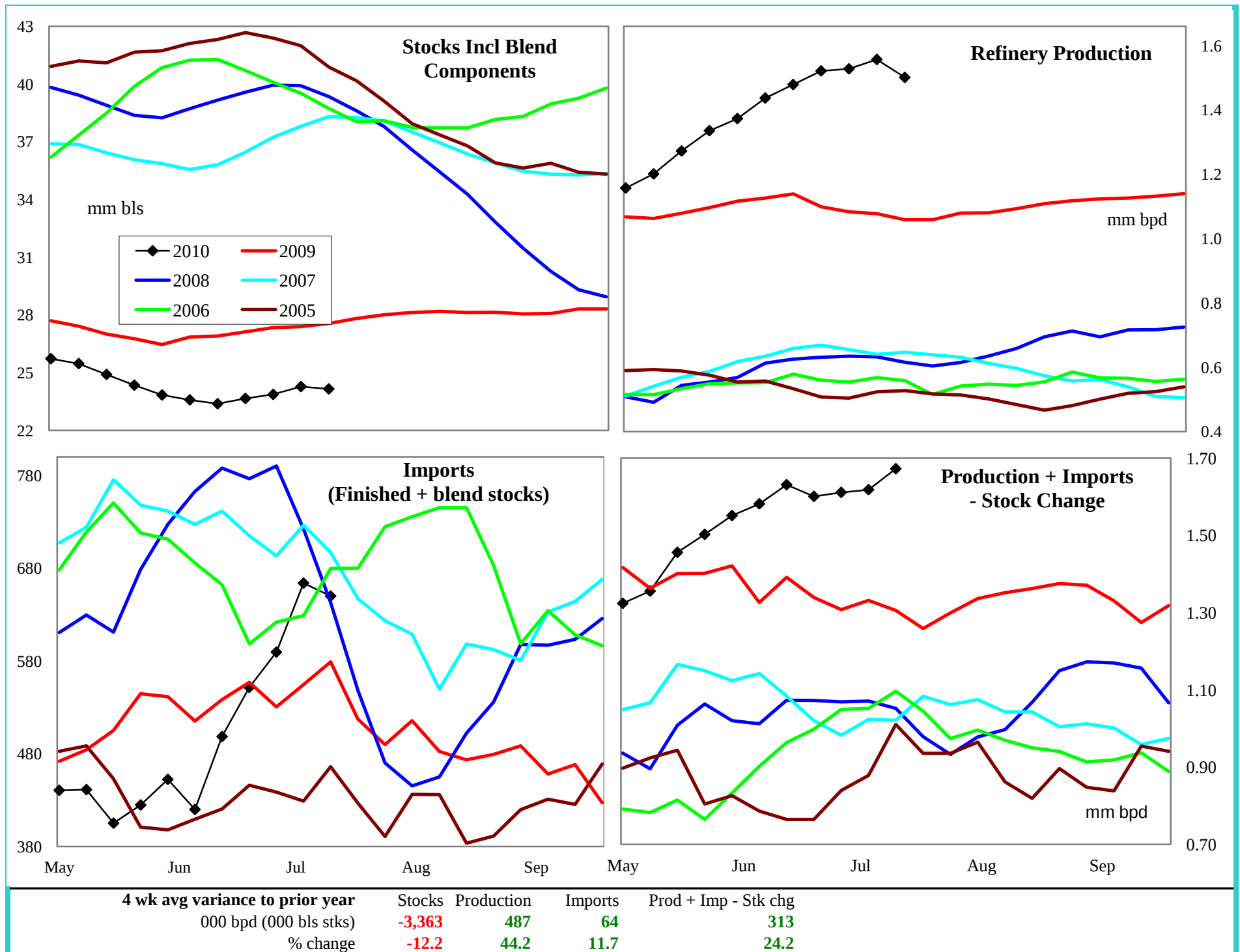
PADD 1 Gasoline Stocks by Region



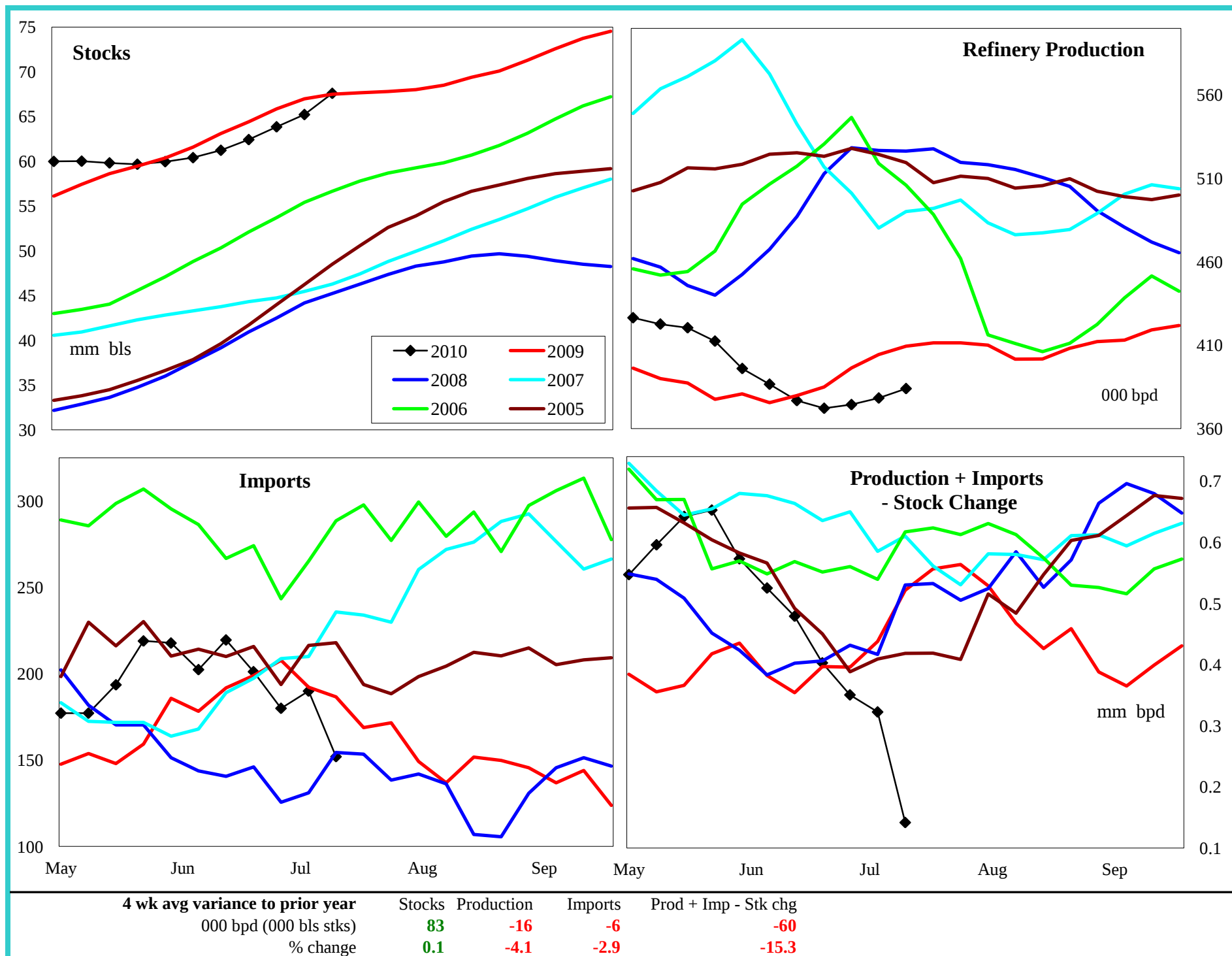
PADD 1 Reformulated Gasoline Supply



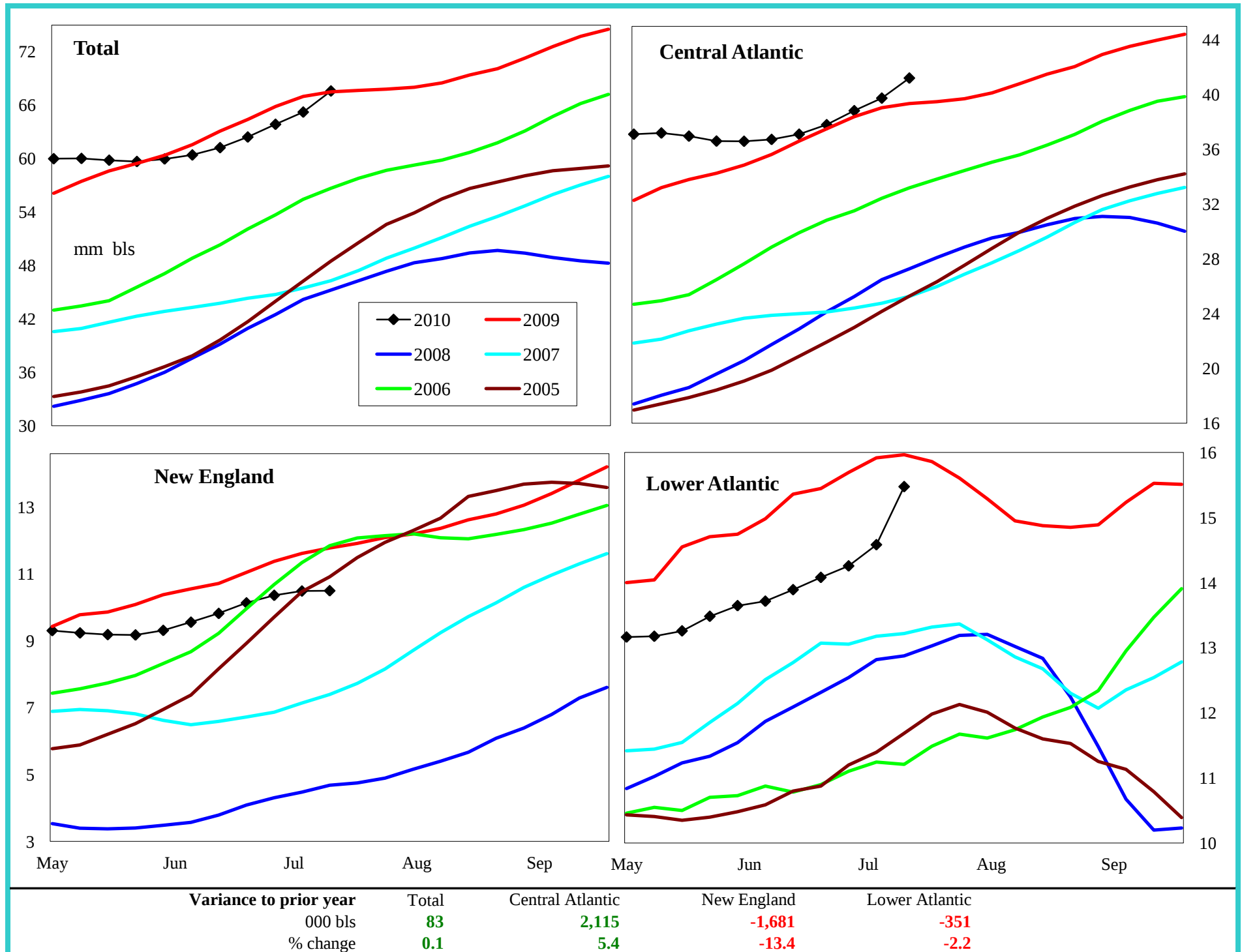
PADD 1 Conventional Gasoline Supply



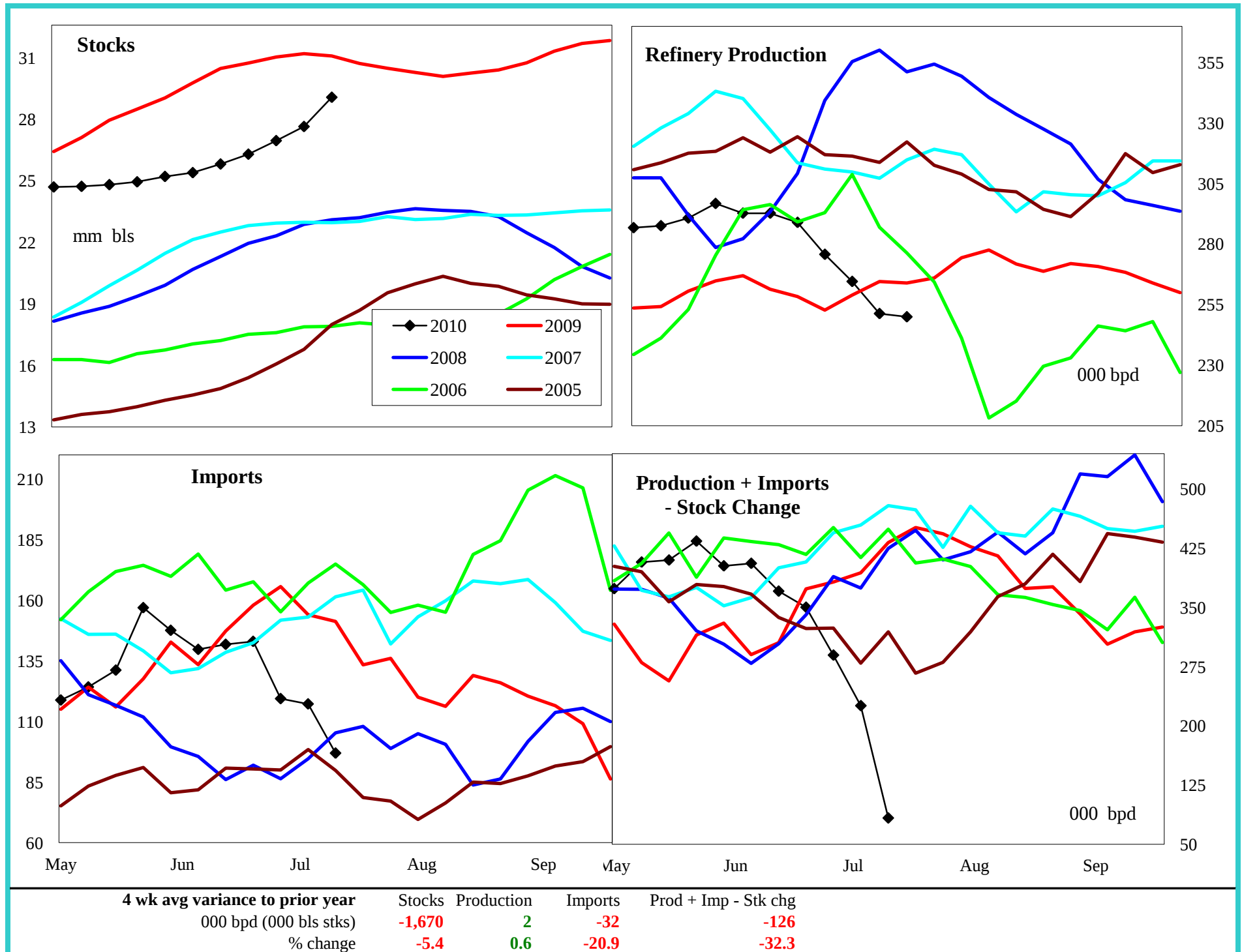
PADD 1 Distillate Supply



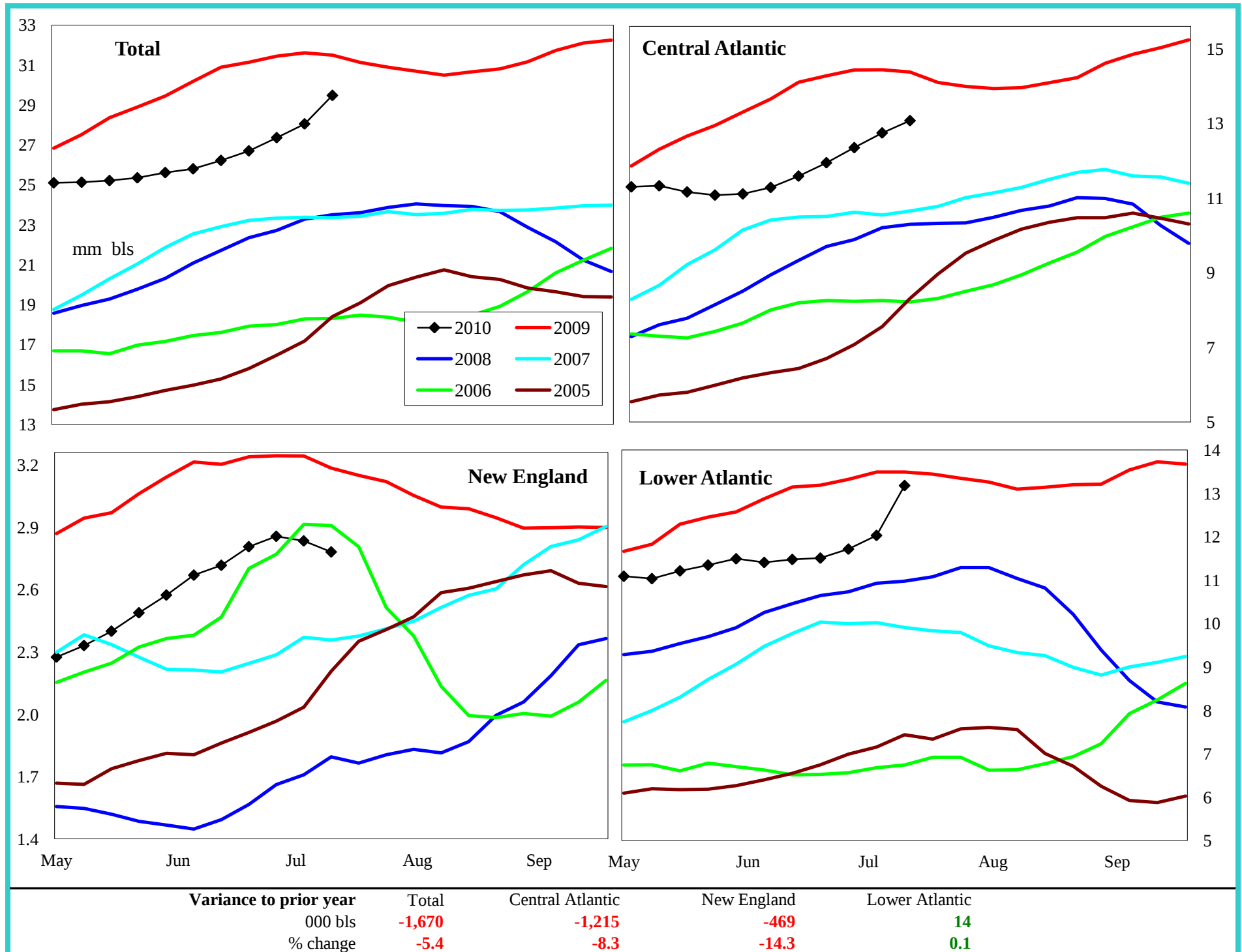
PADD 1 Distillate Stocks by Region



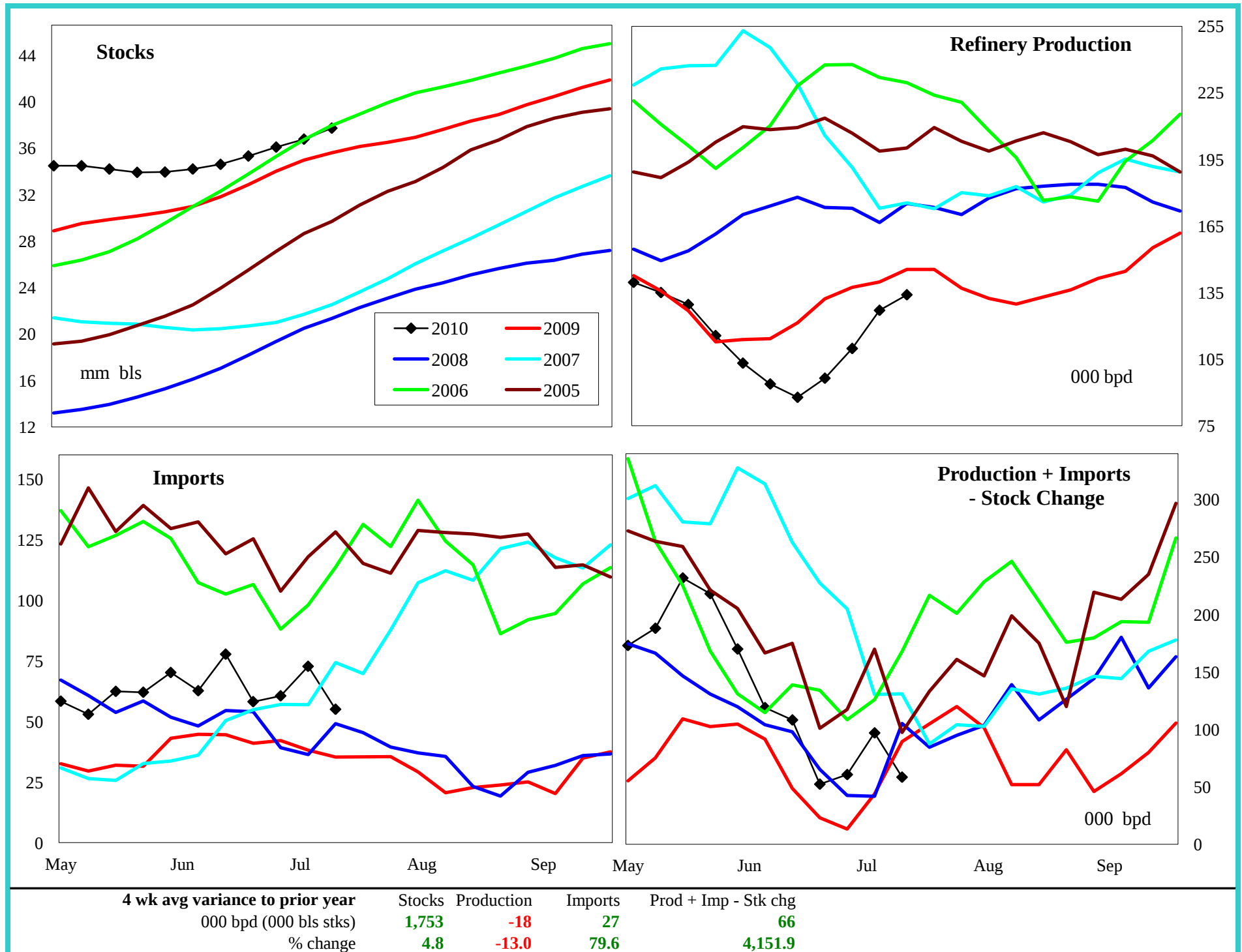
PADD 1 Low Sulfur Distillate Supply



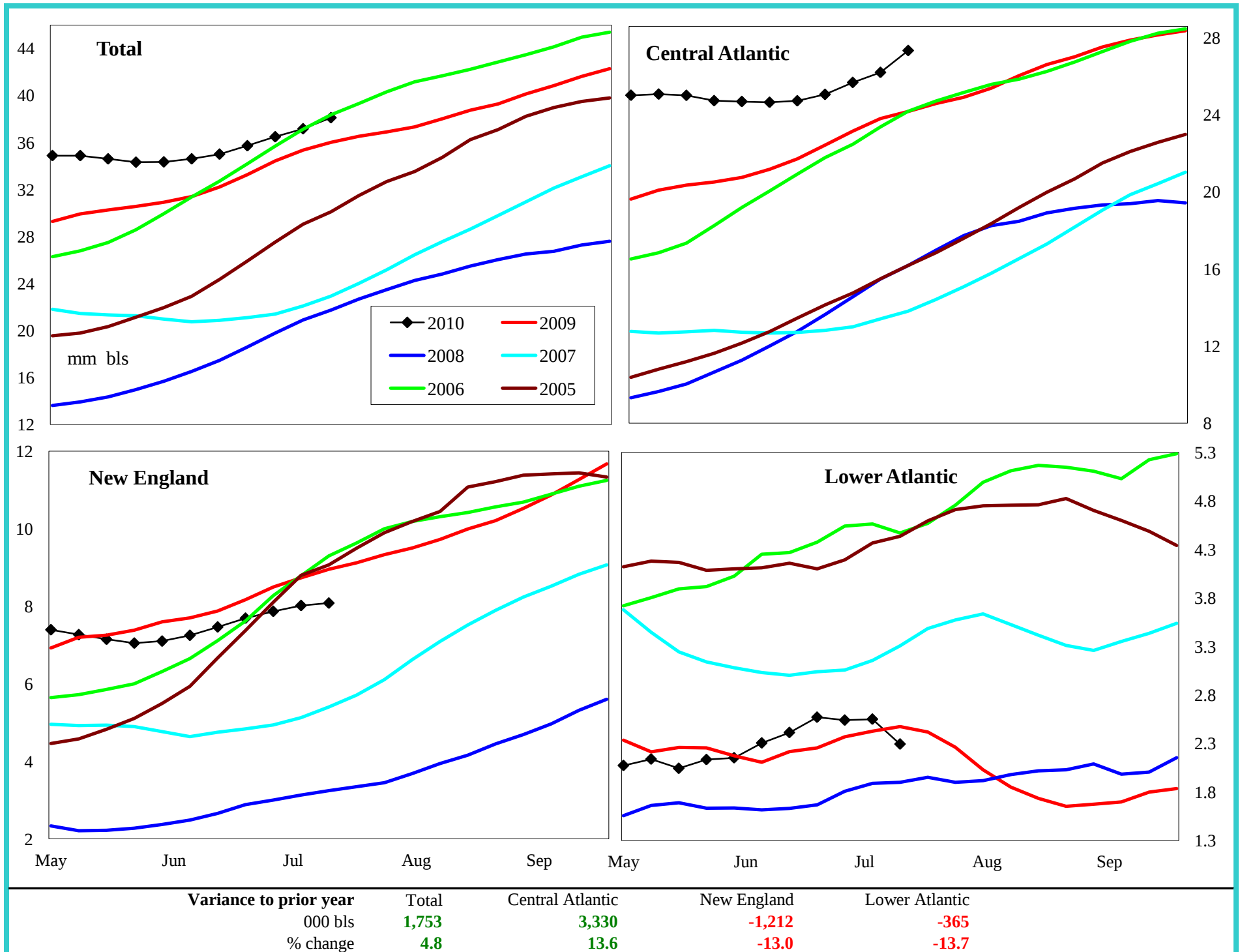
PADD 1 Low Sulfur Distillate Stocks by Region



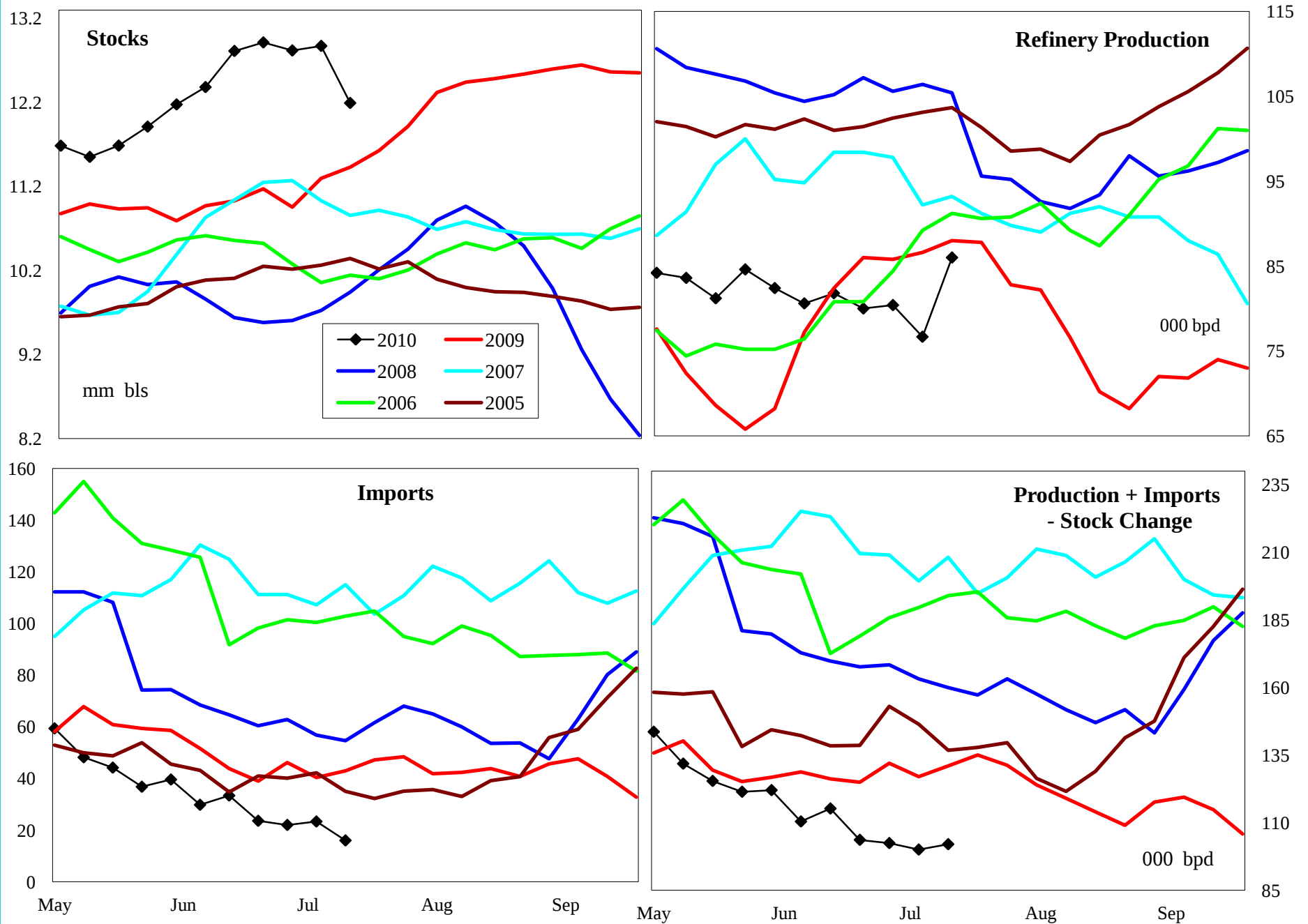
PADD 1 High Sulfur Distillate Supply



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

Production

Imports

Prod + Imp - Stk chg

765

-6

-21

-27

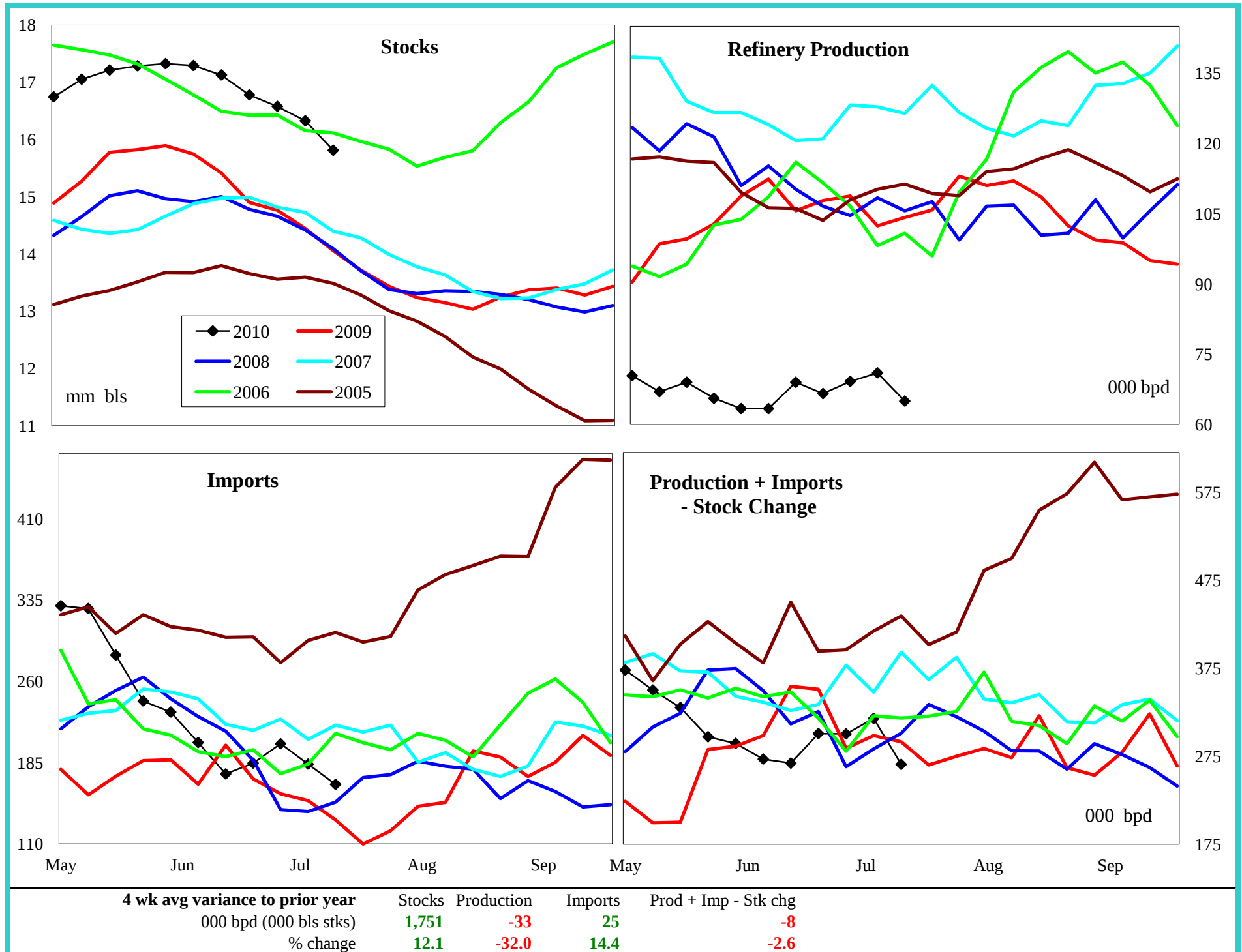
6.7

-6.7

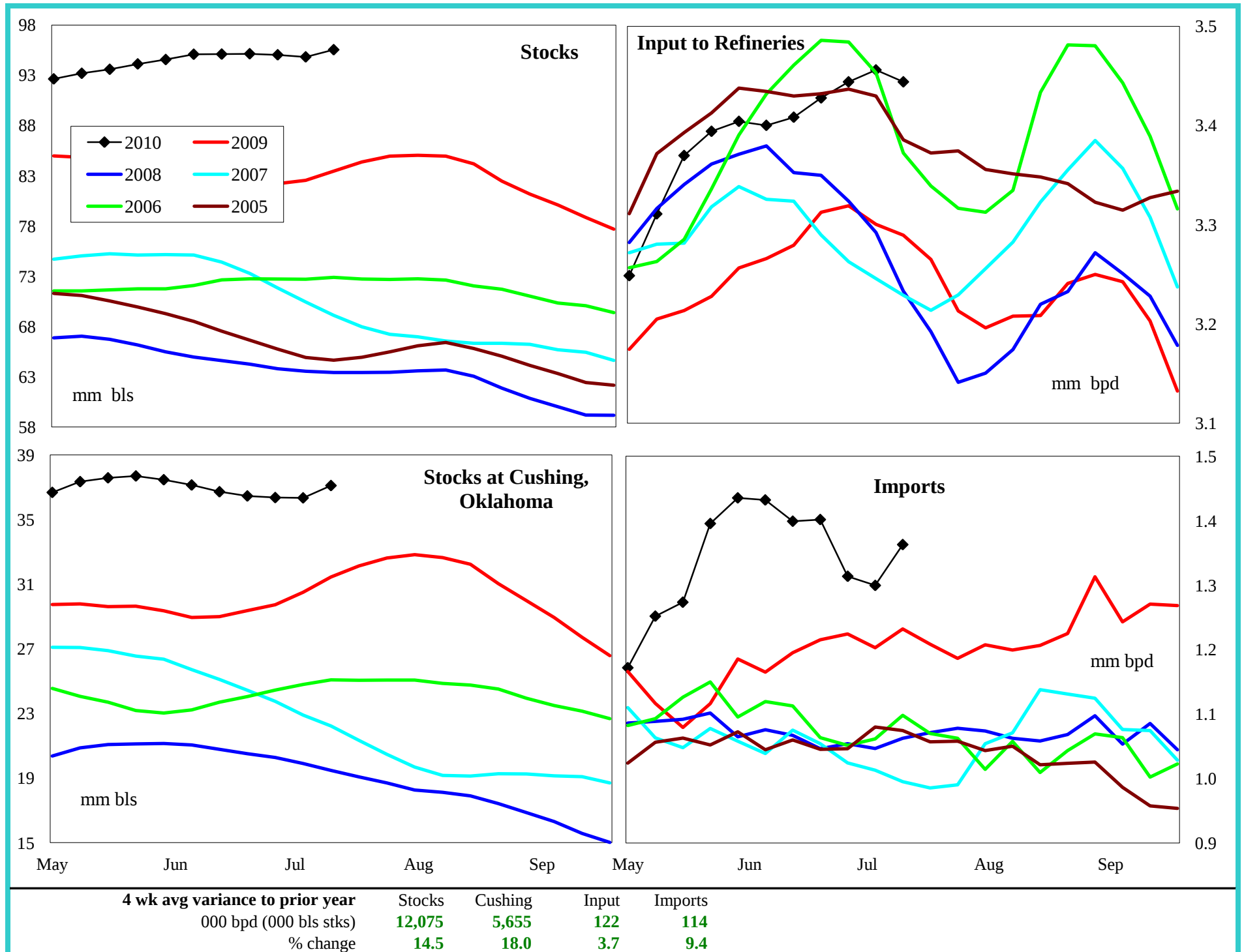
-53.2

-22.2

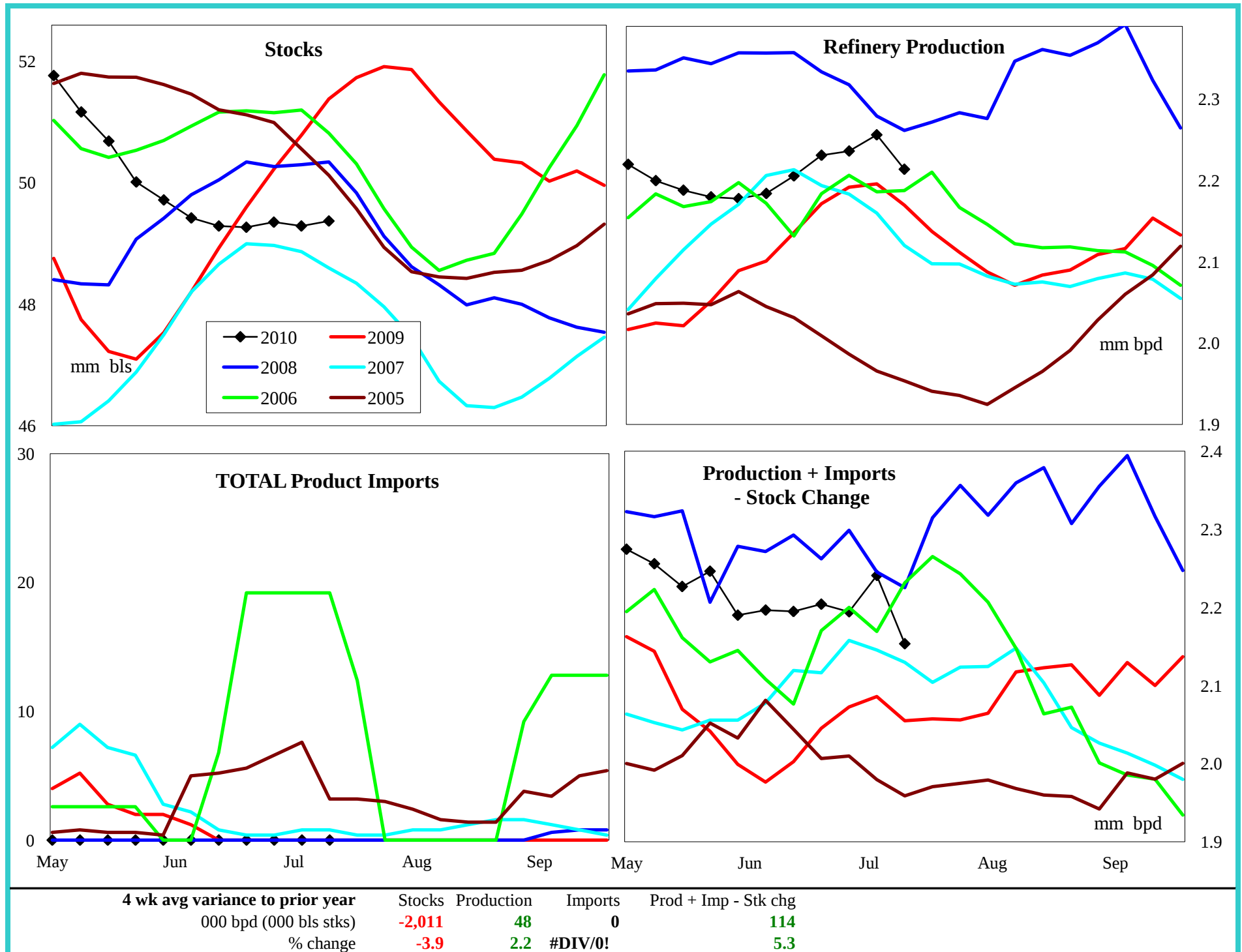
PADD 1 Residual Fuel Oil Supply



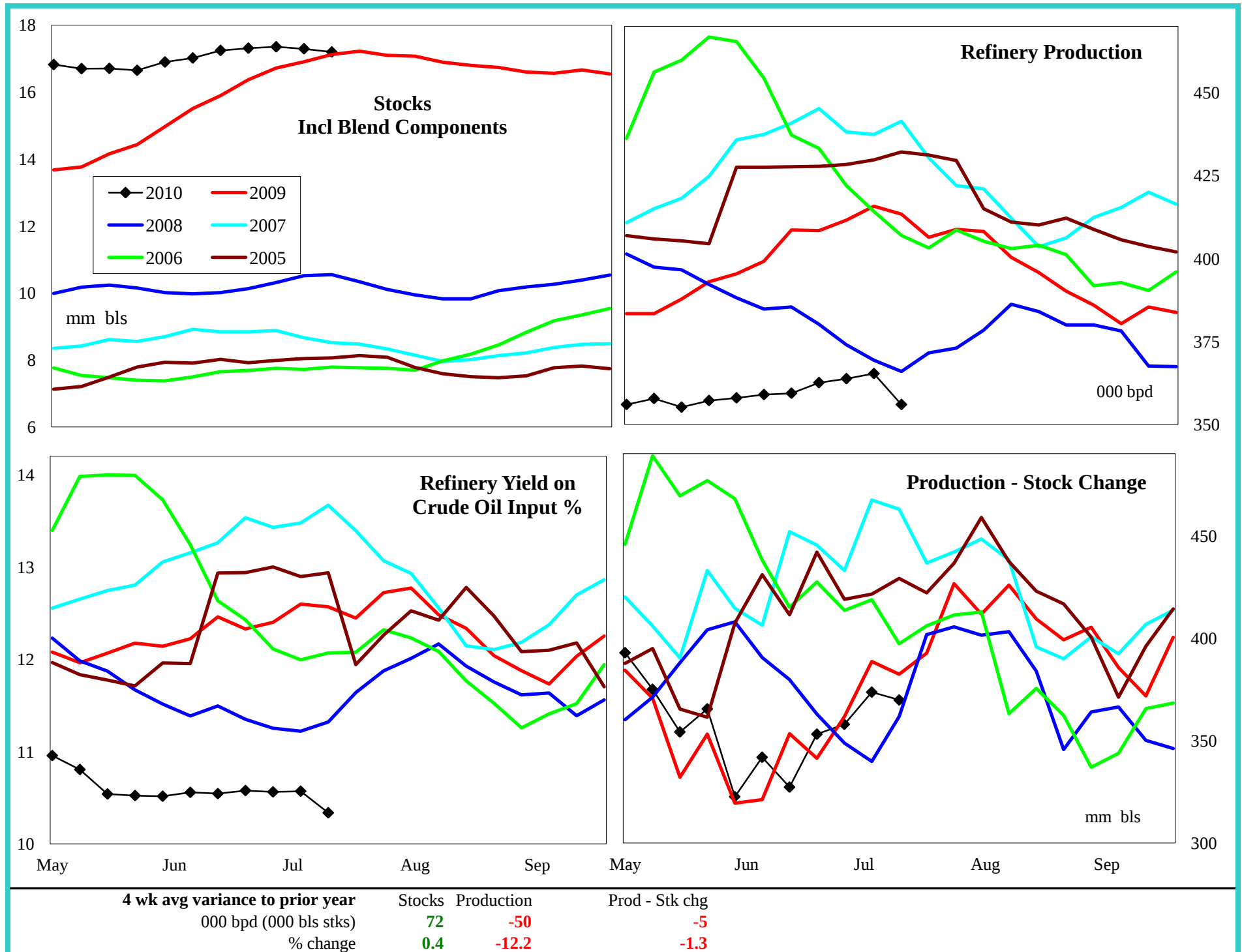
PADD 2 Crude Oil Supply and Refining



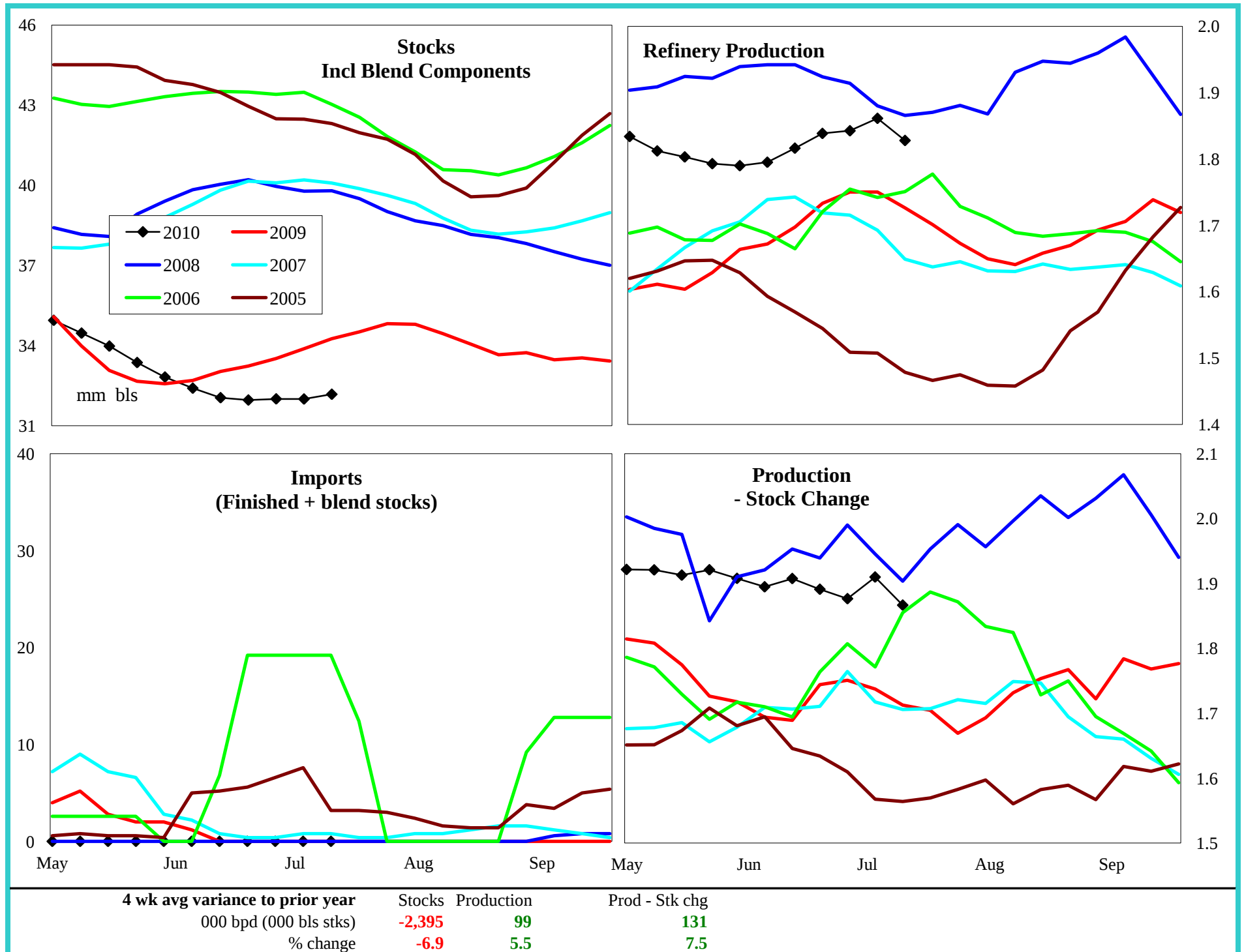
PADD 2 Gasoline Supply



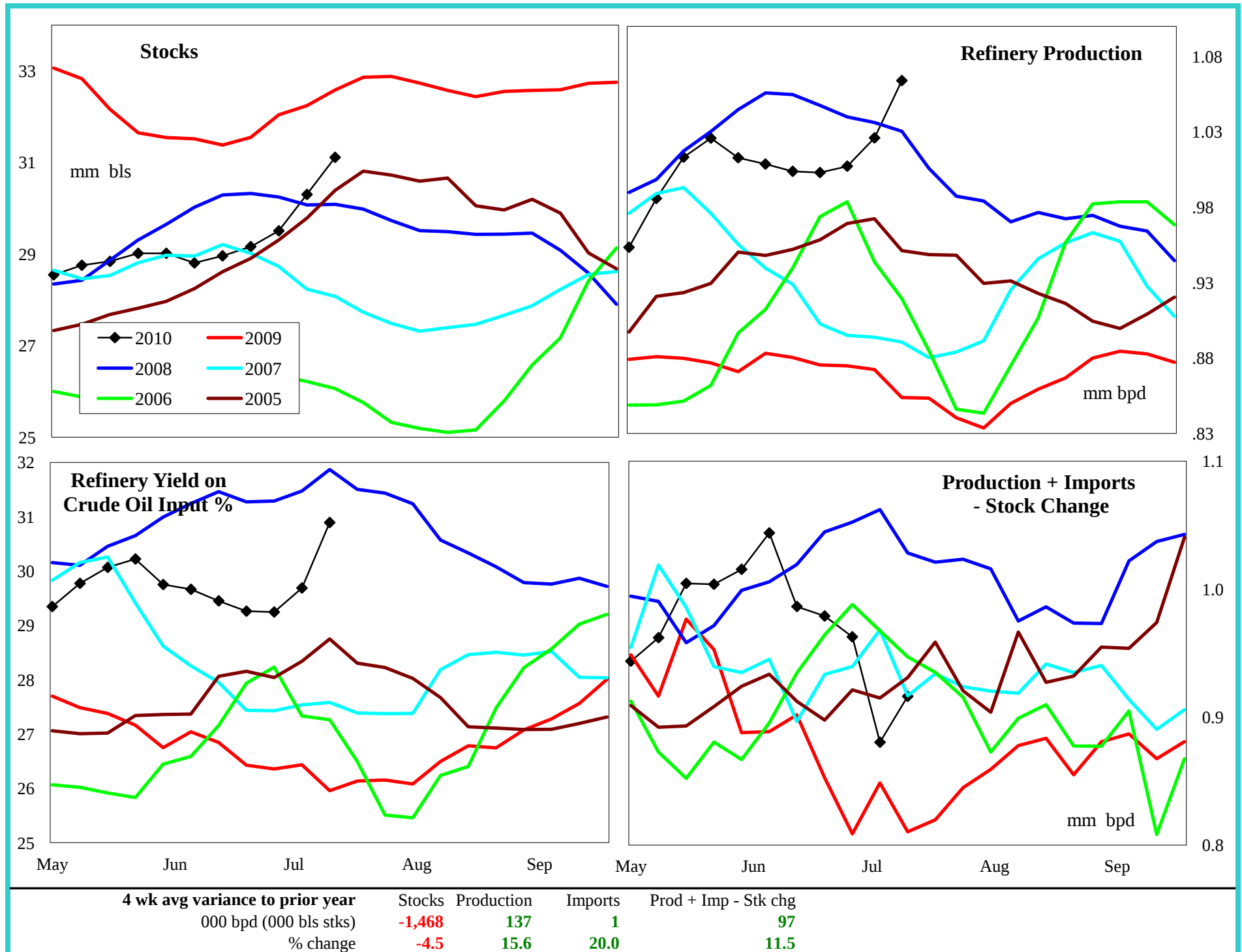
PADD 2 Reformulated Gasoline Supply



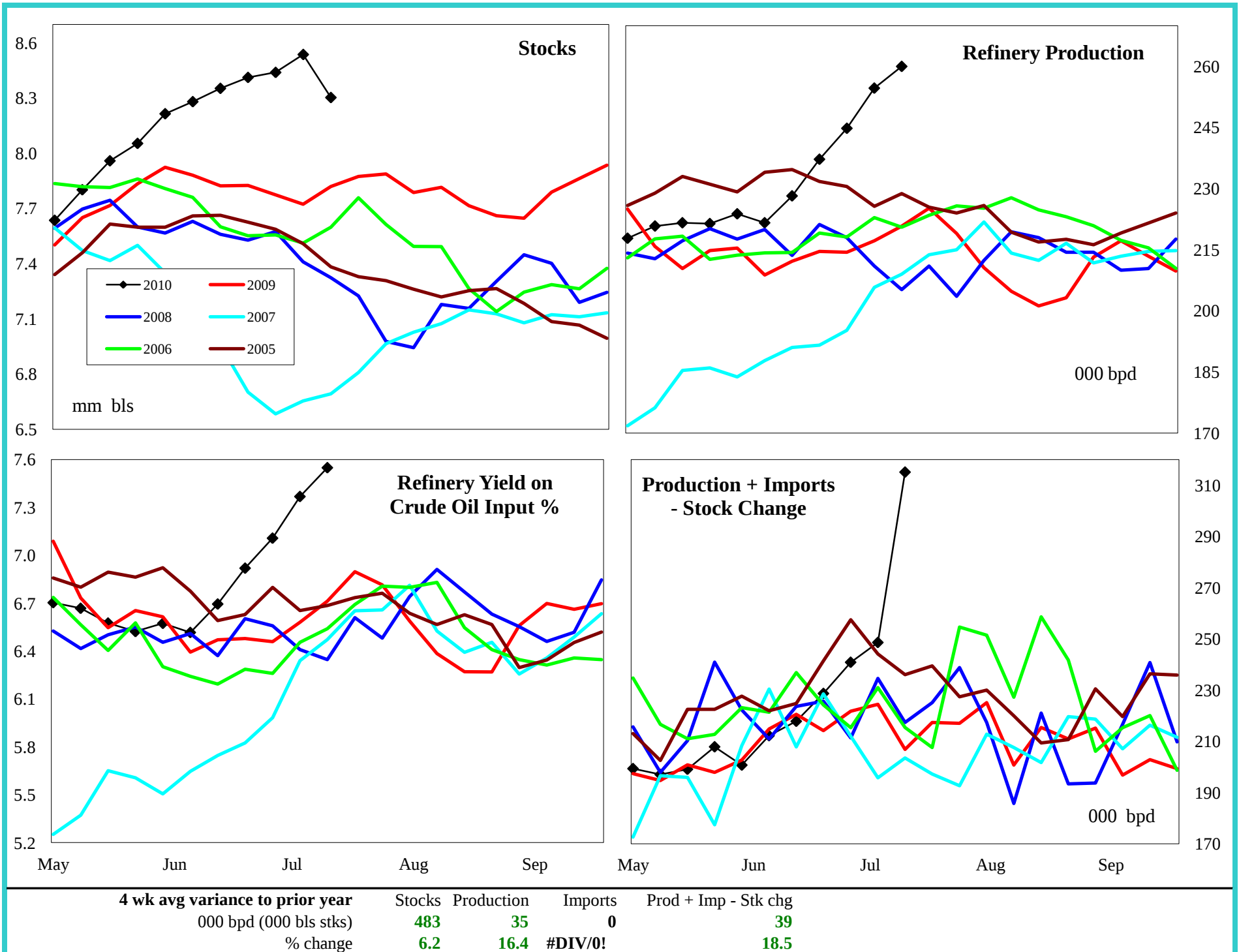
PADD 2 Conventional Gasoline Supply



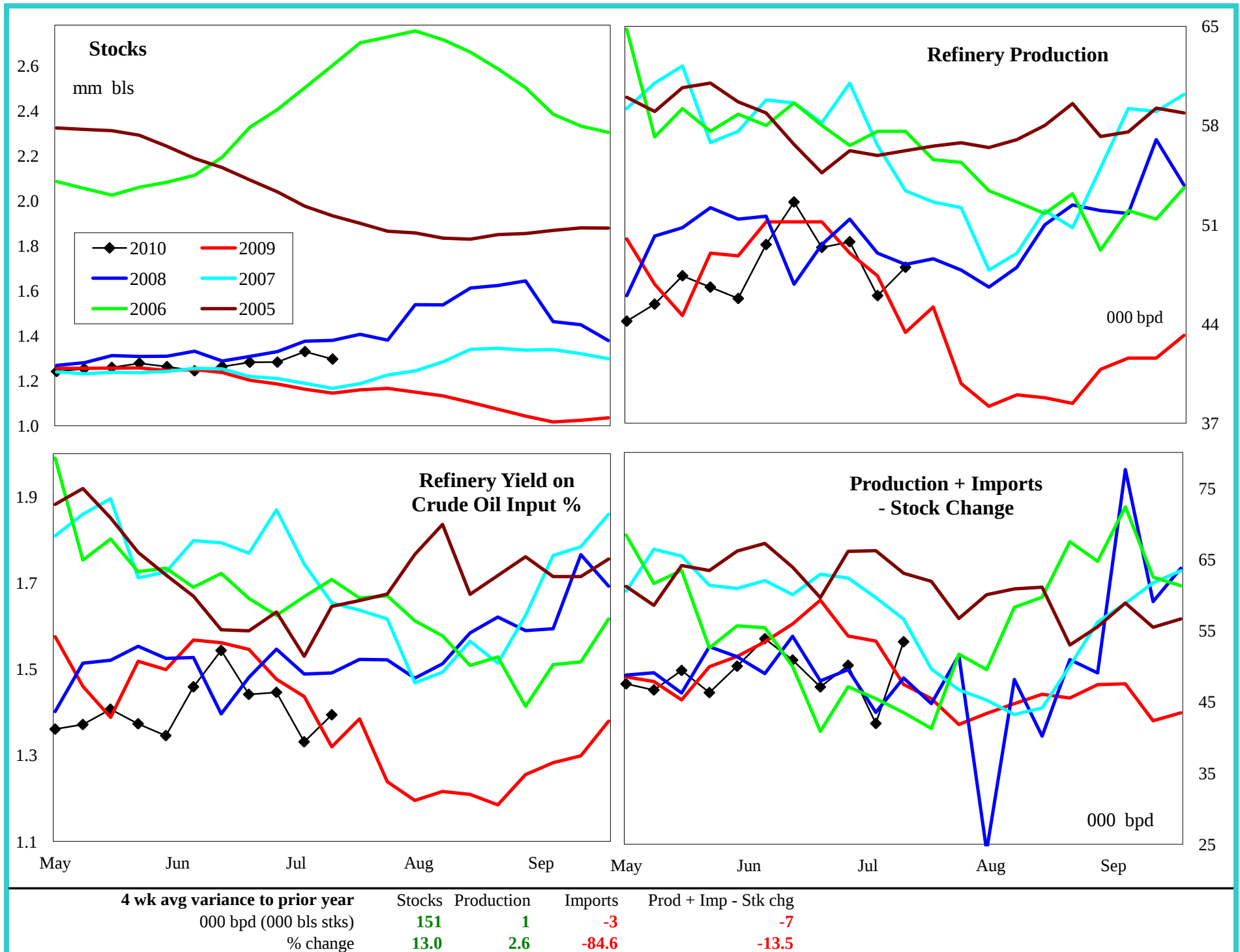
PADD 2 Distillate Supply



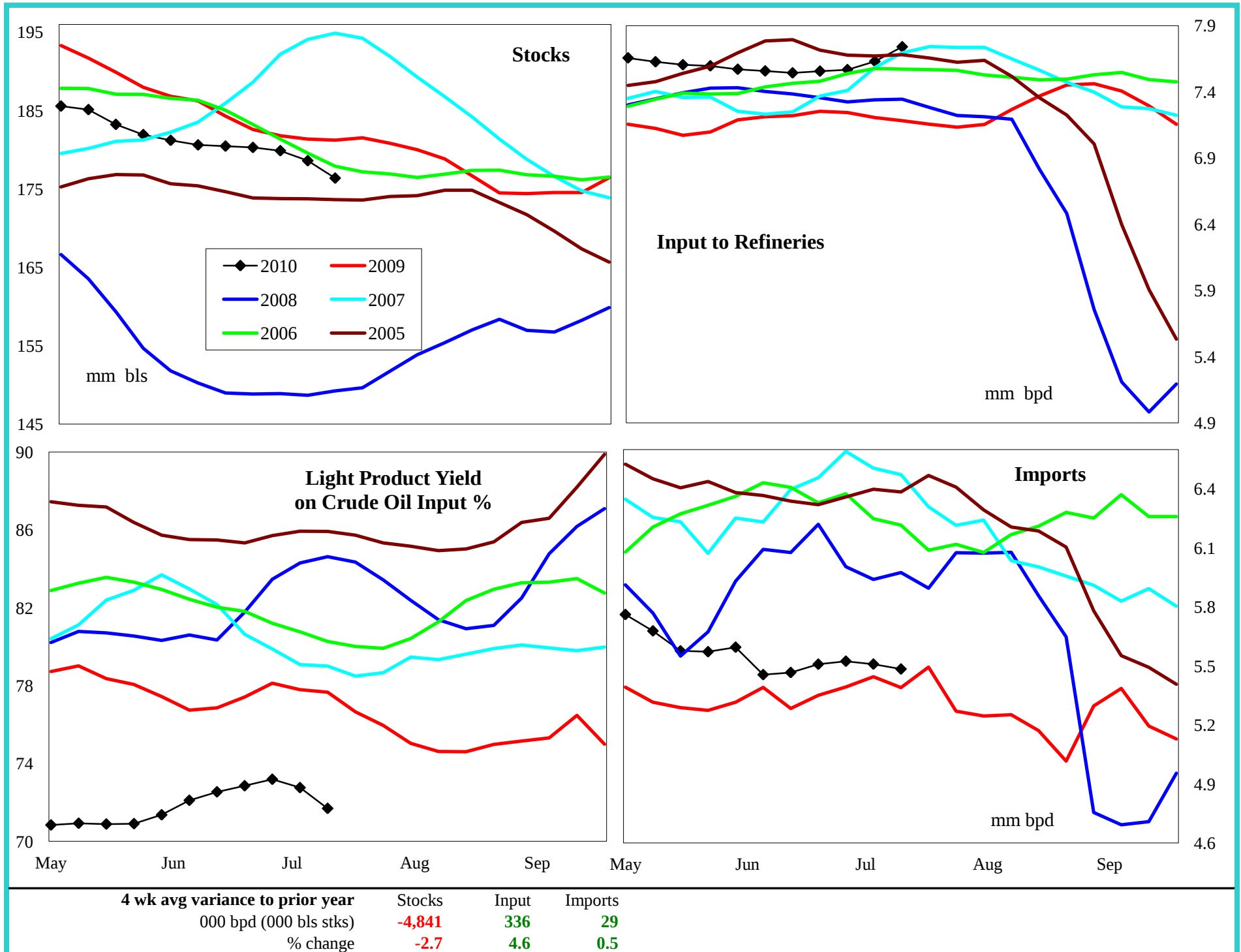
PADD 2 Jet Fuel Supply



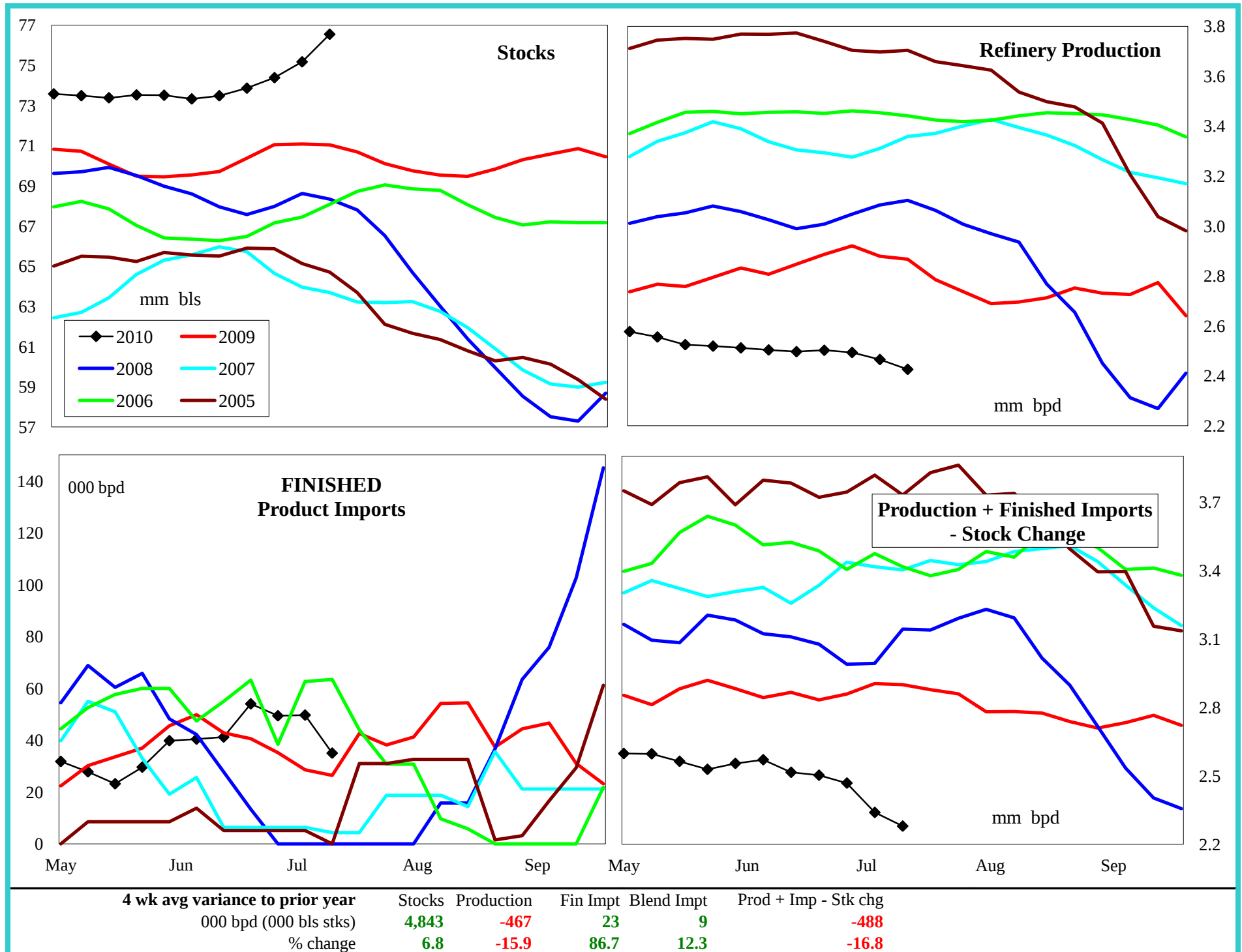
PADD 2 Residual Fuel Oil Supply



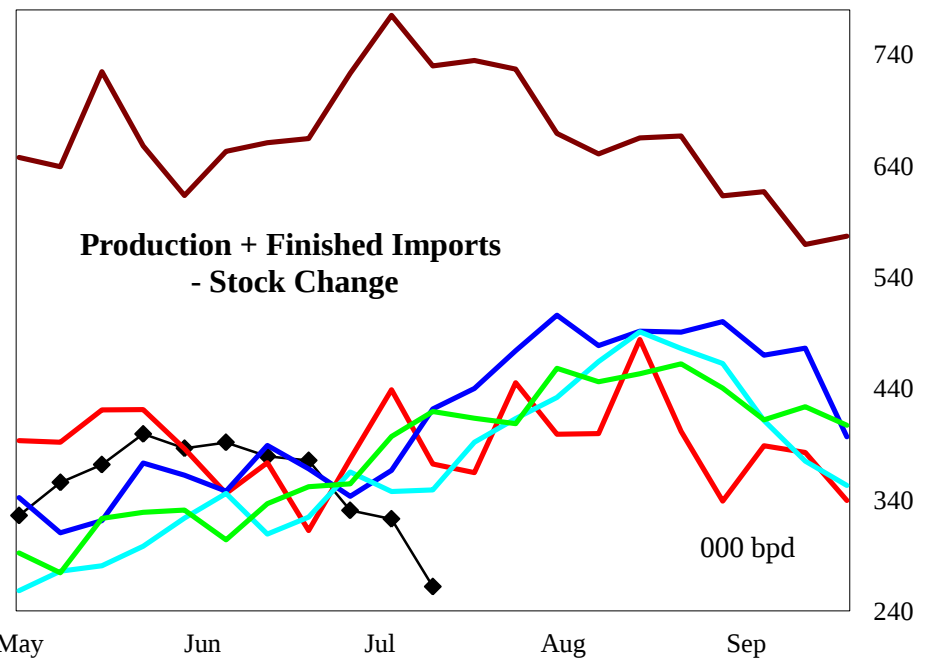
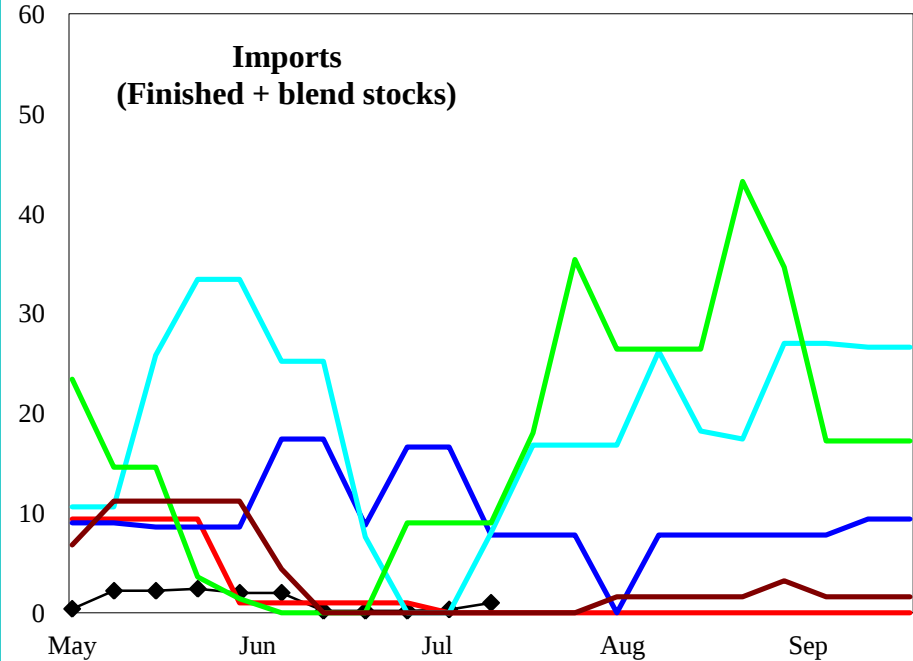
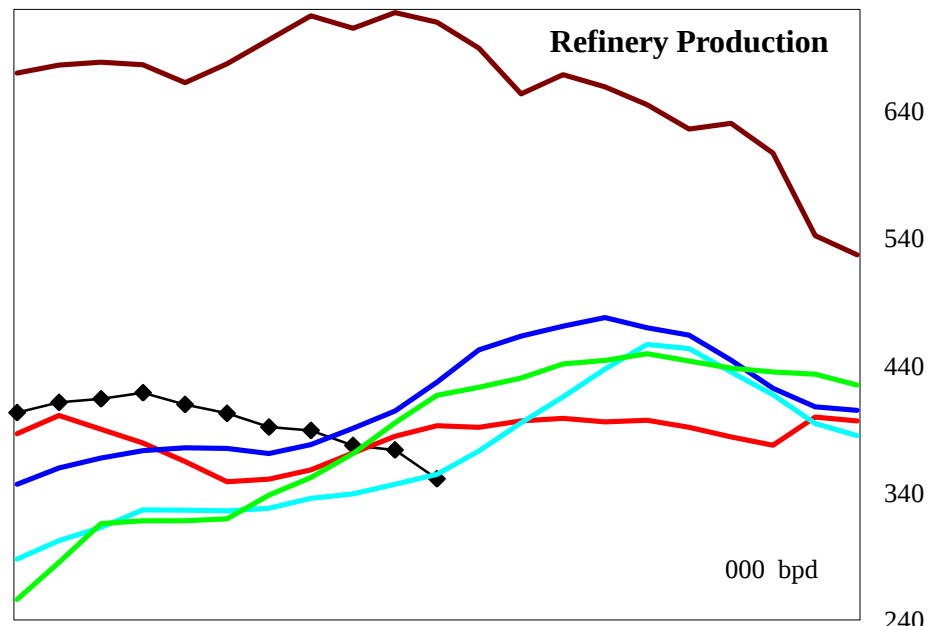
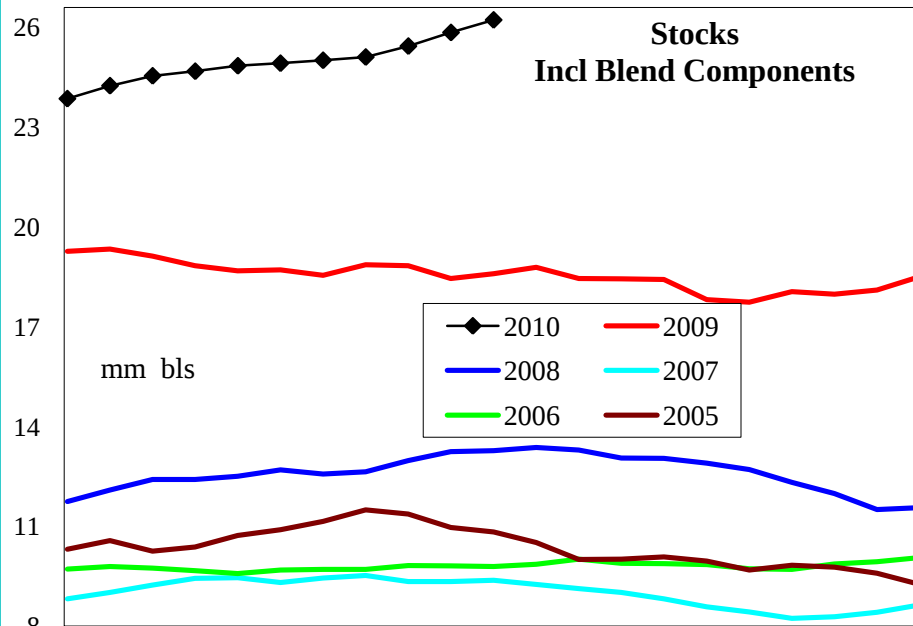
PADD 3 Crude Oil Supply and Refining



PADD 3 Gasoline Supply



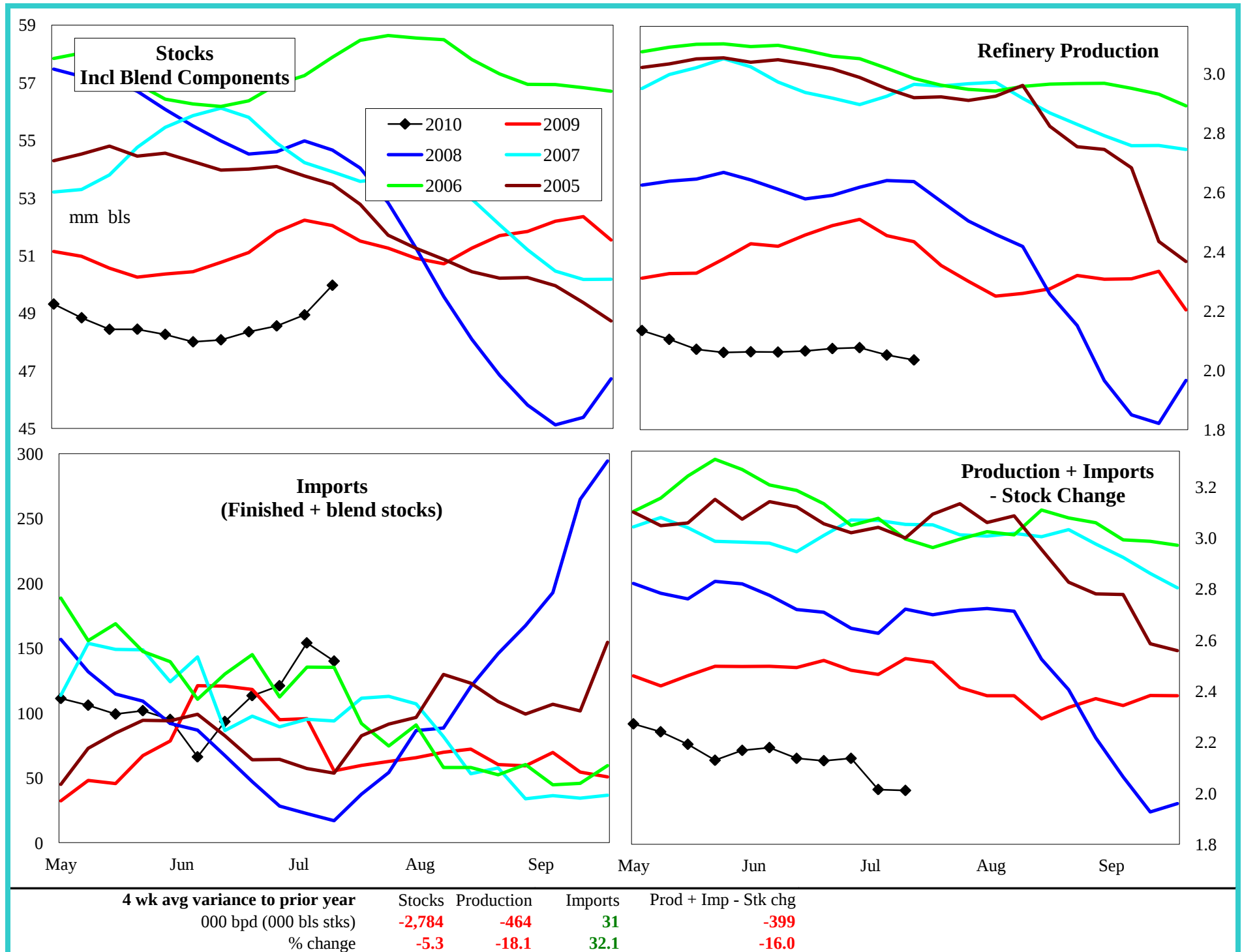
PADD 3 Reformulated Gasoline Supply



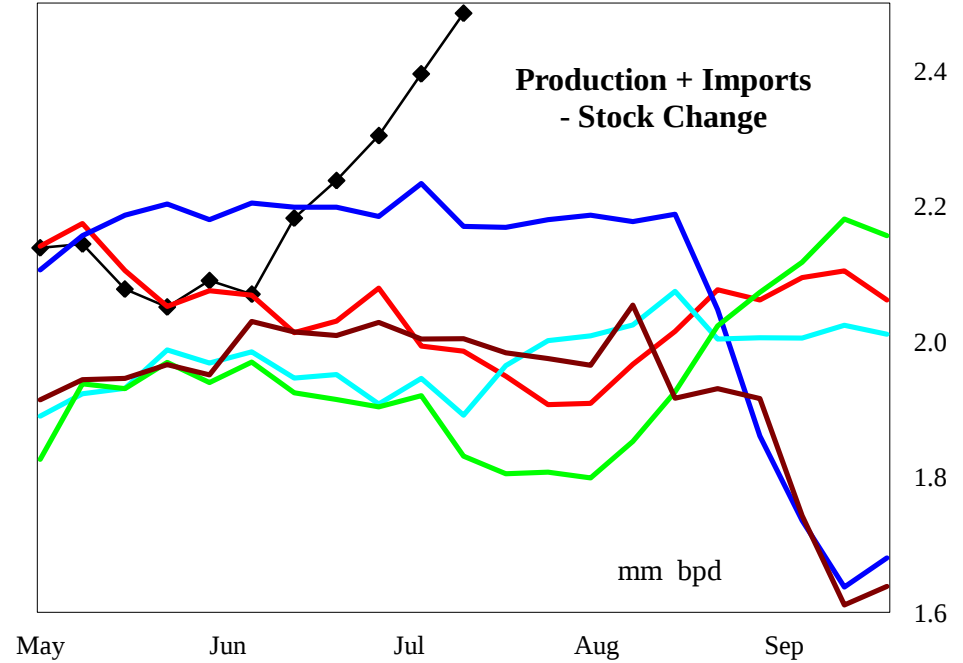
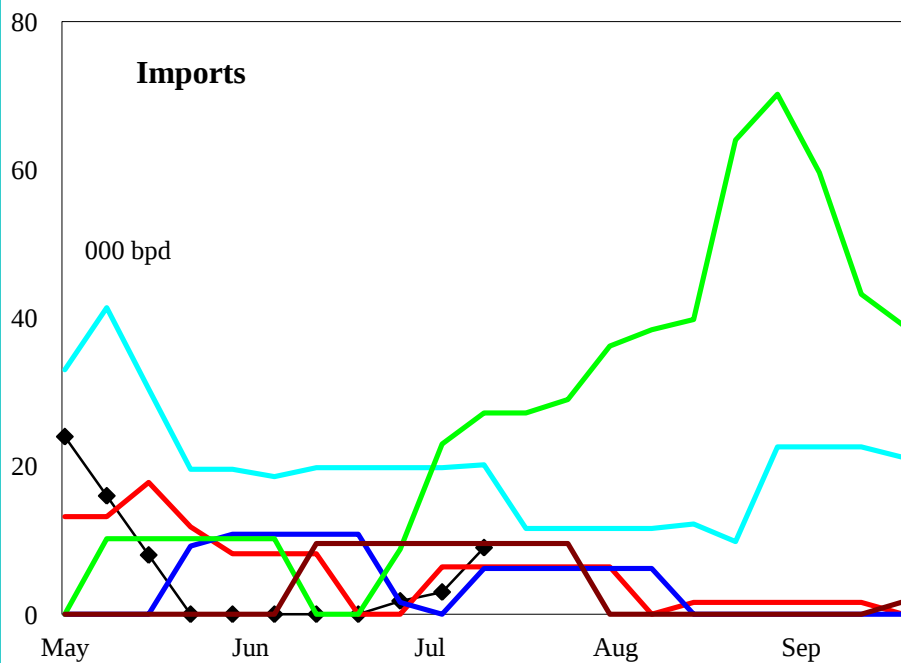
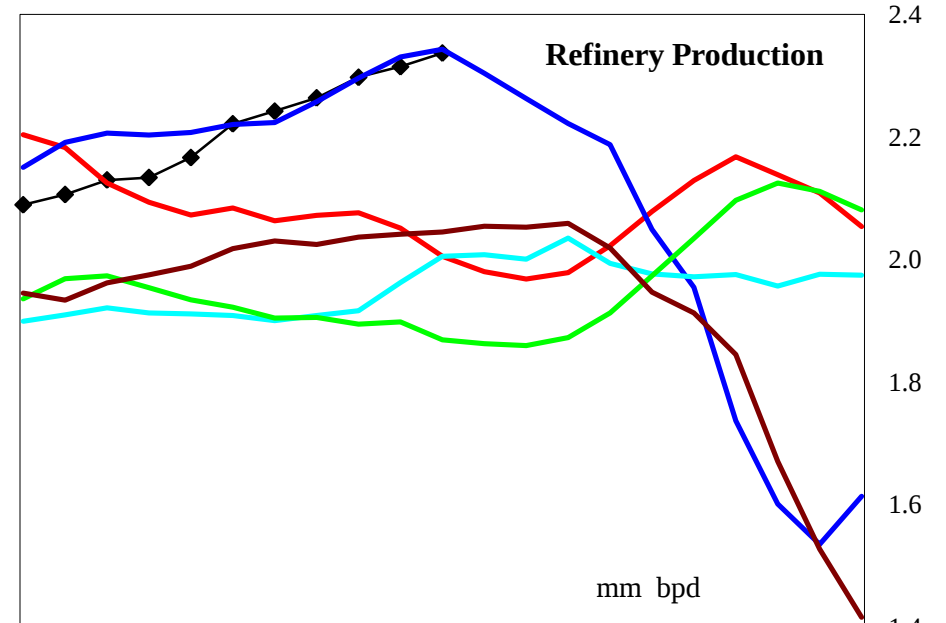
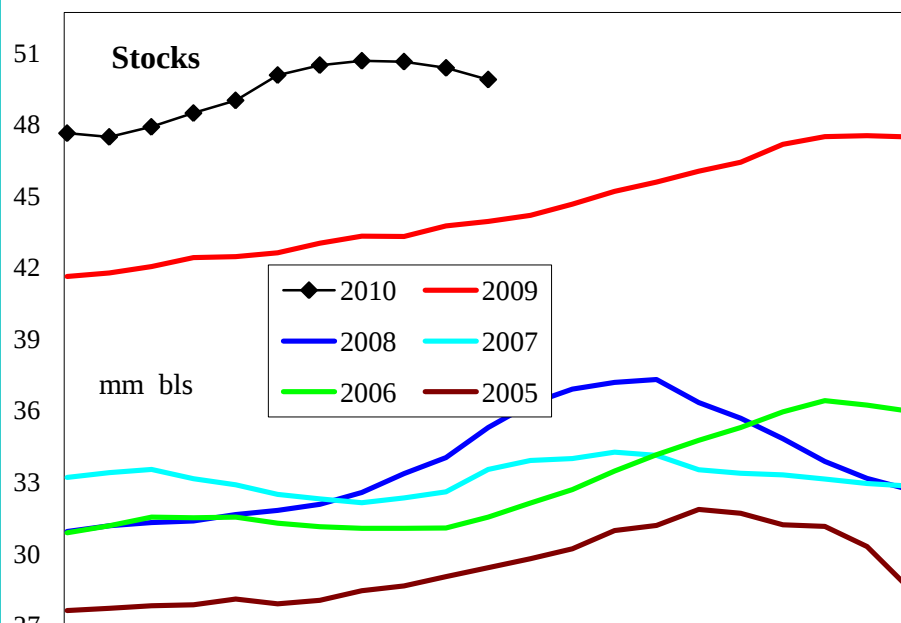
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
7,676	-3	0	-90
40.5	-0.7	#DIV/0!	-22.1

PADD 3 Conventional Gasoline Supply



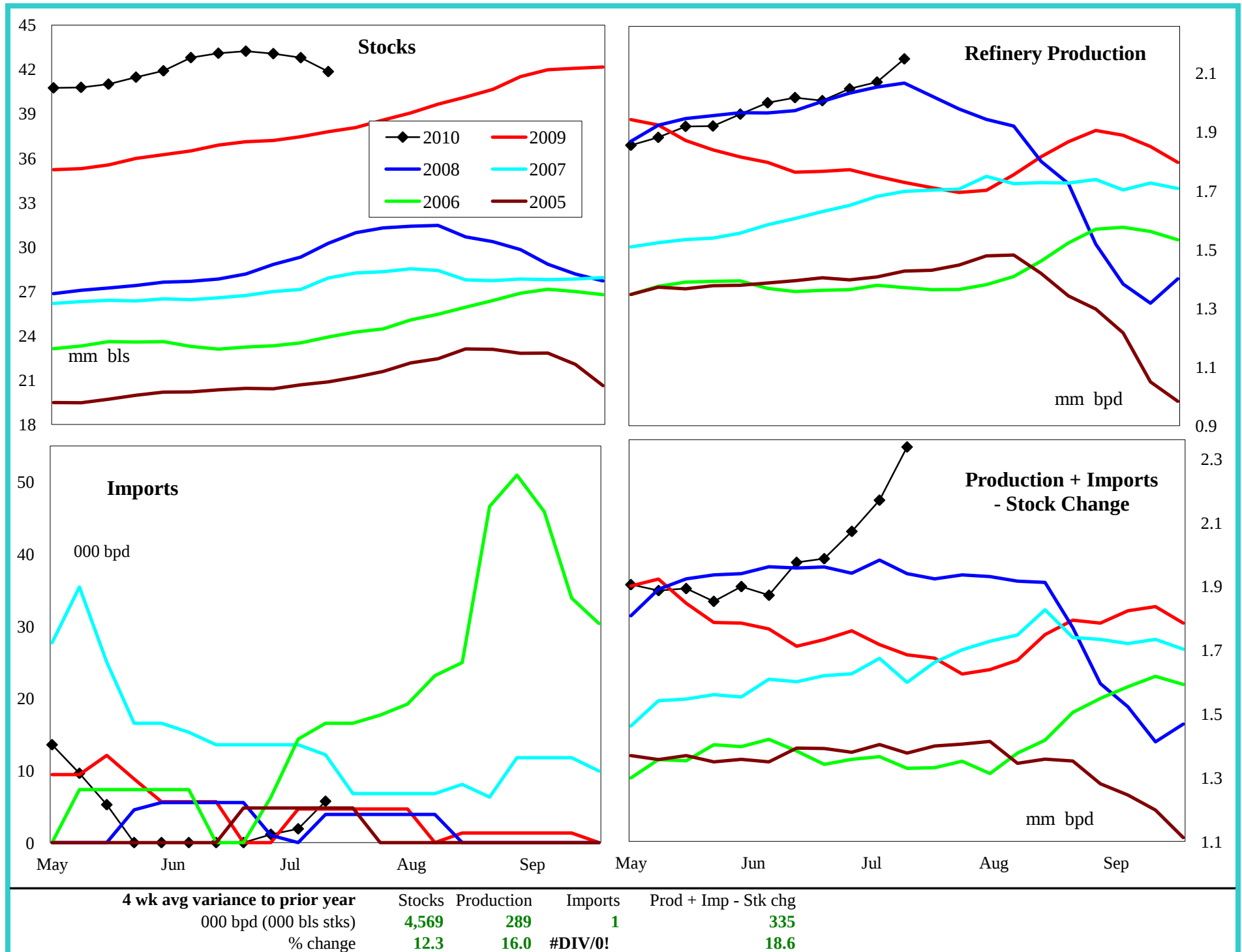
PADD 3 Distillate Supply



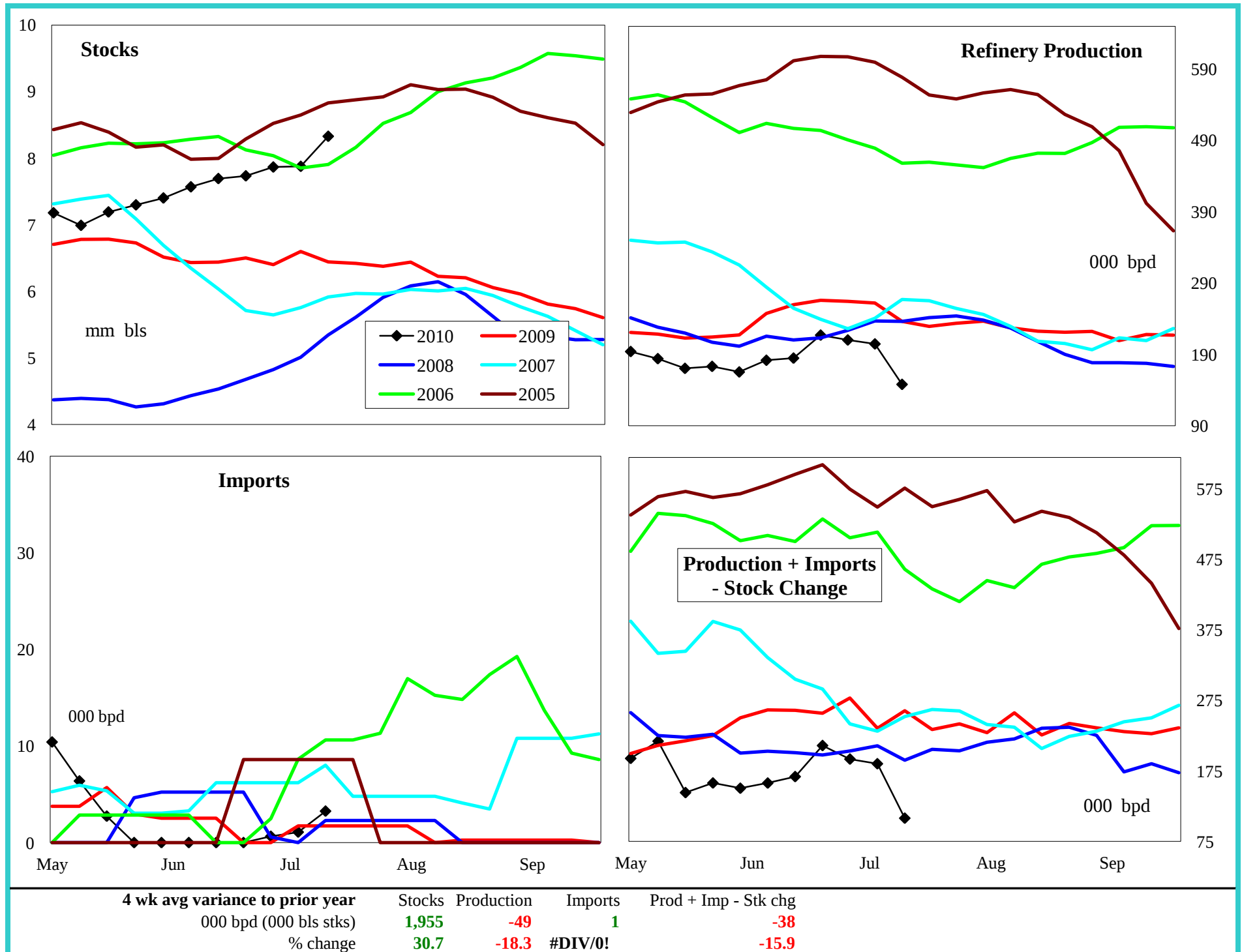
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
6,524	240	2	297
14.9	11.6	#DIV/0!	14.6

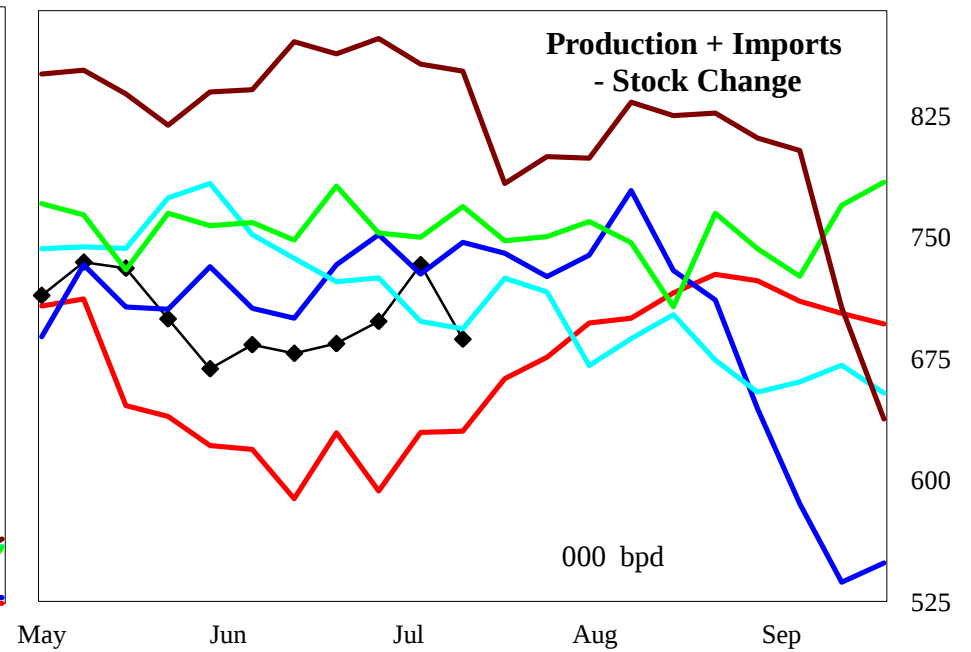
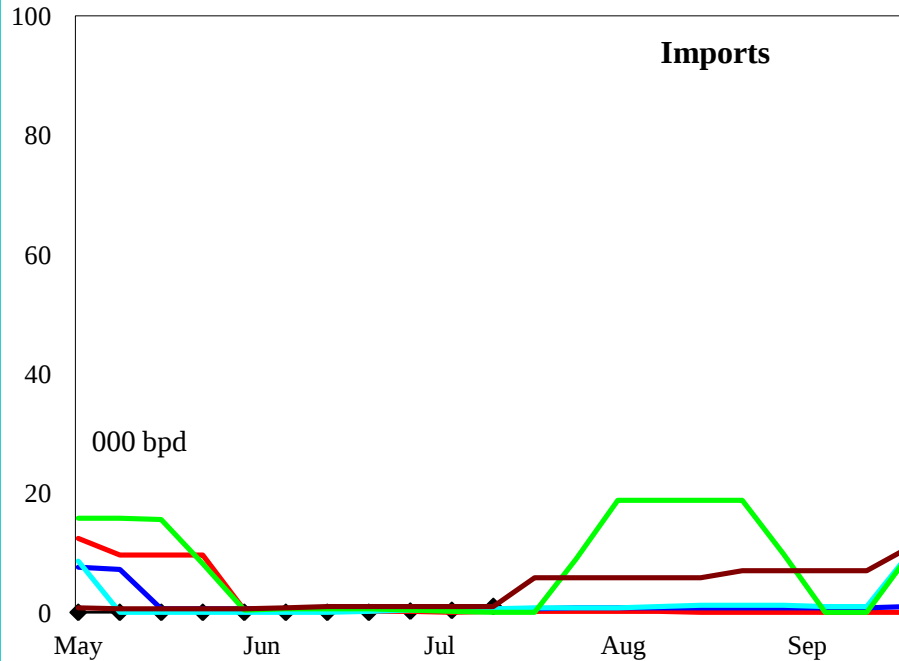
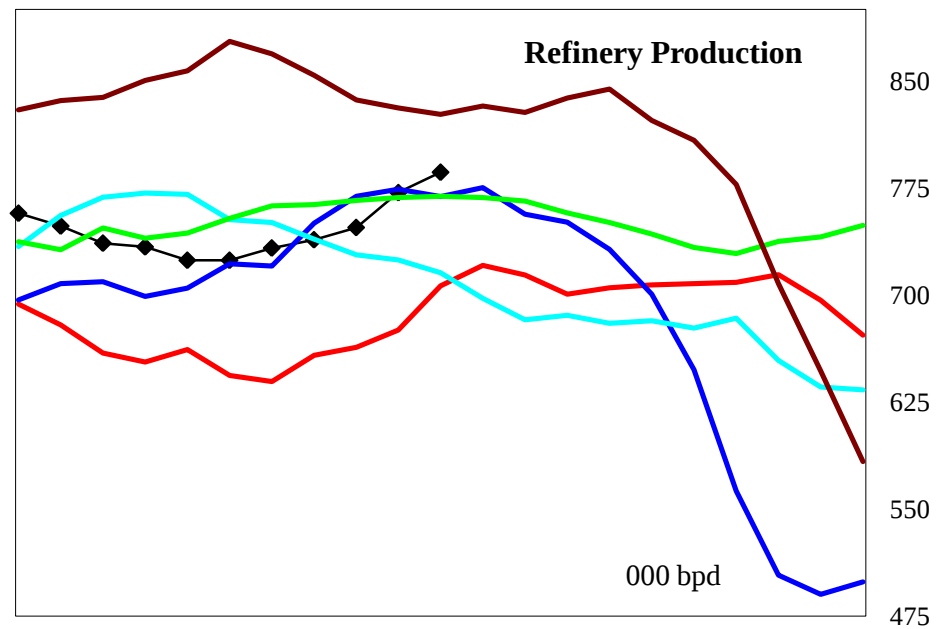
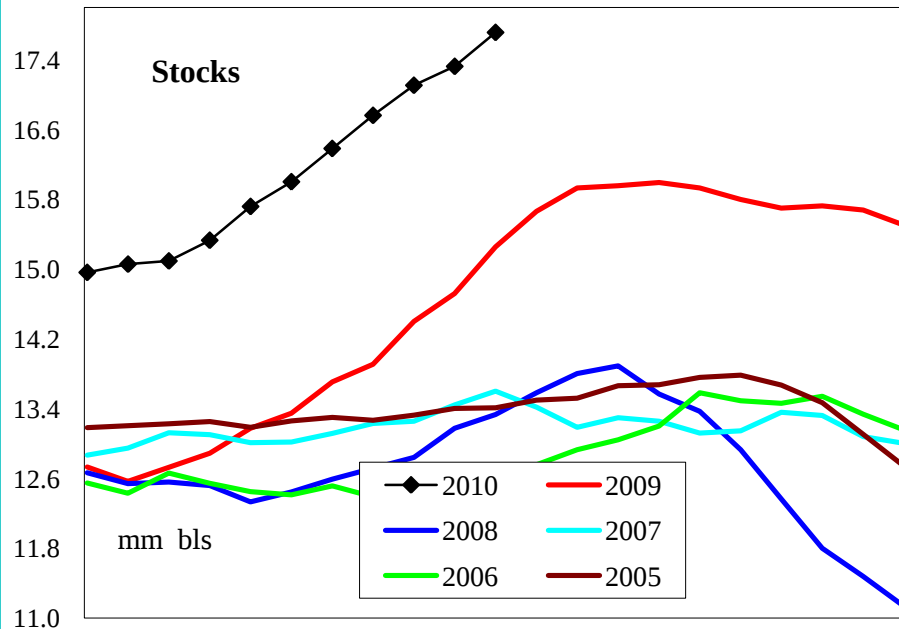
PADD 3 Low Sulfur Distillate Supply



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

2,457

16.1

Production

95

14.3

Imports

0

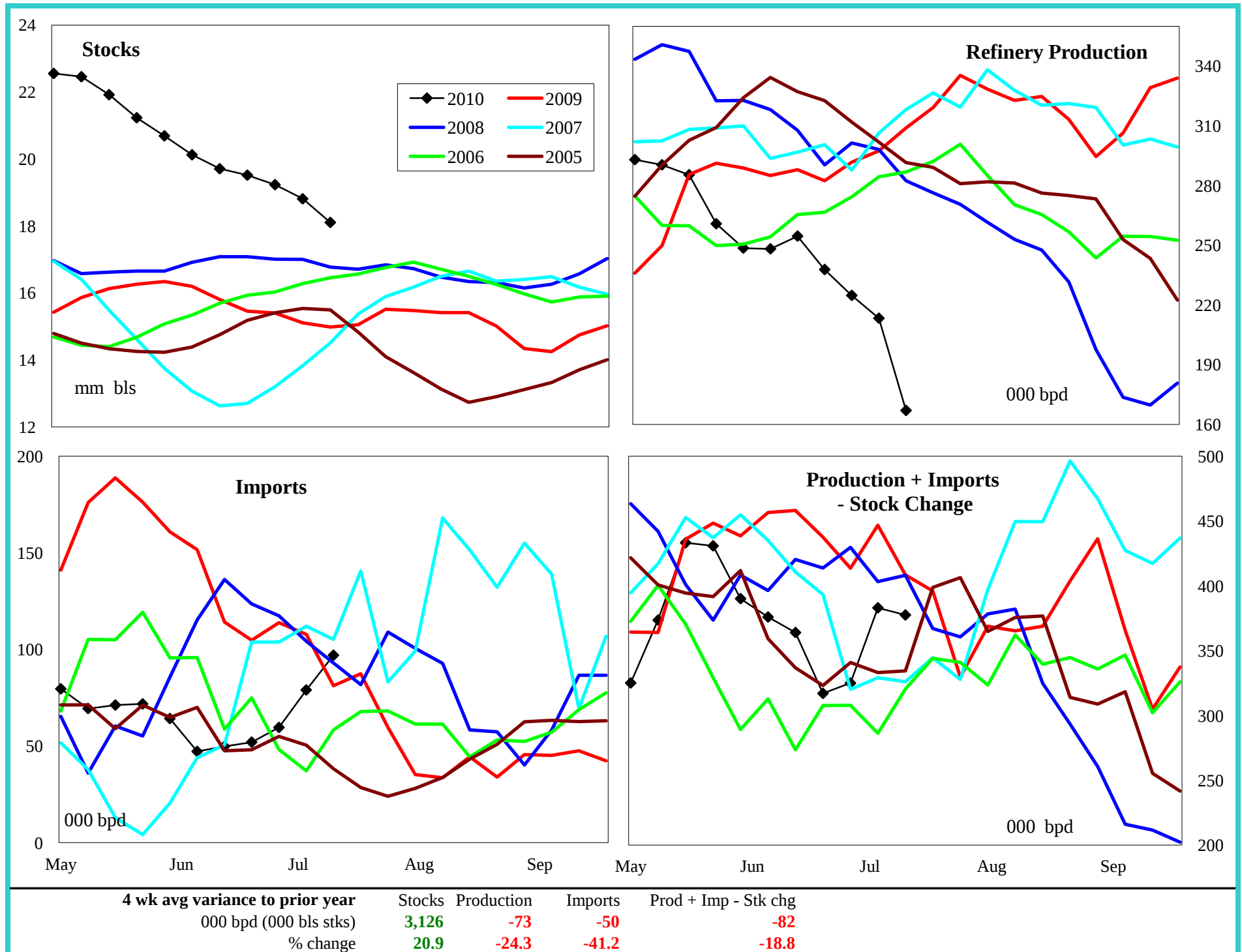
#DIV/0!

Prod + Imp - Stk chg

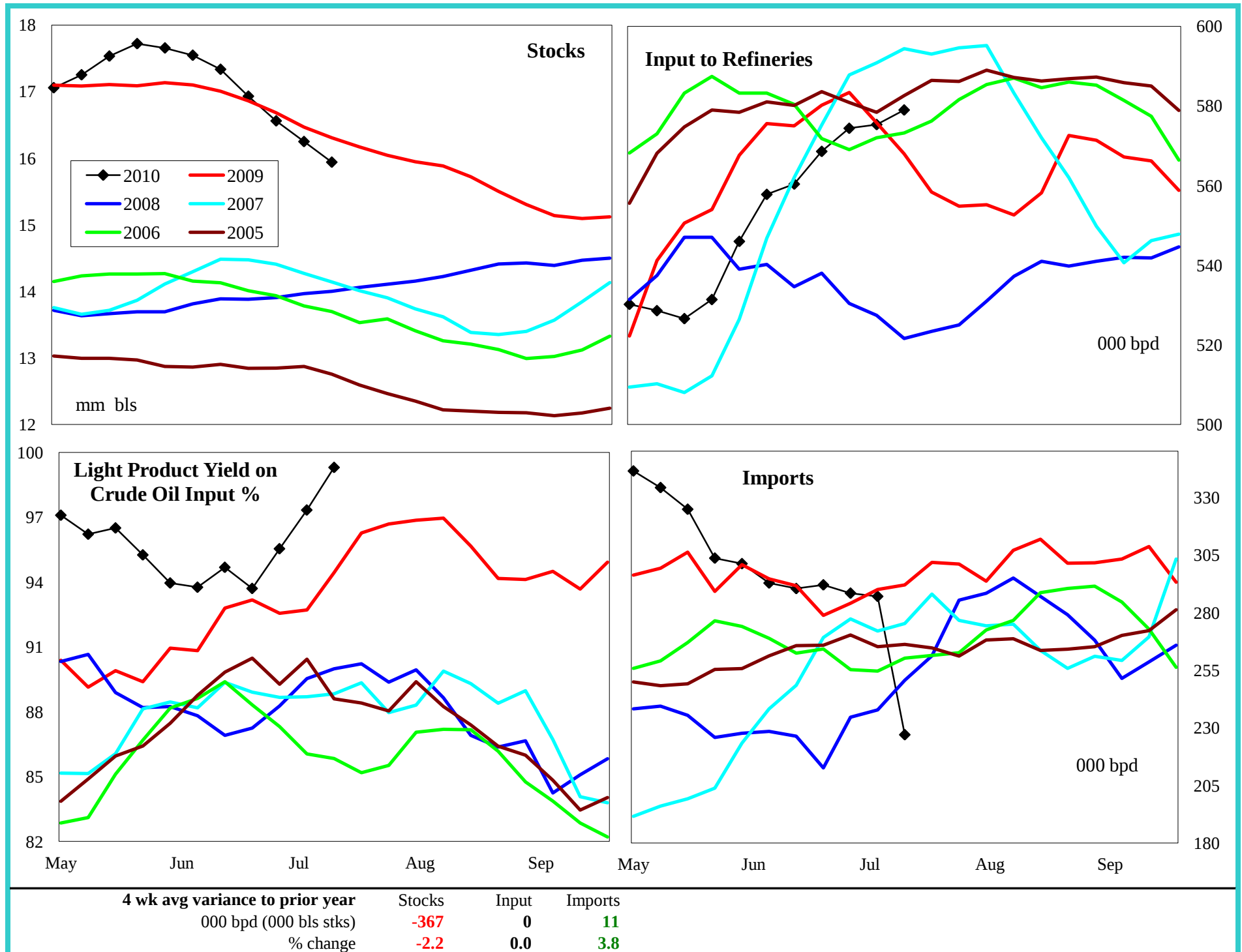
108

17.6

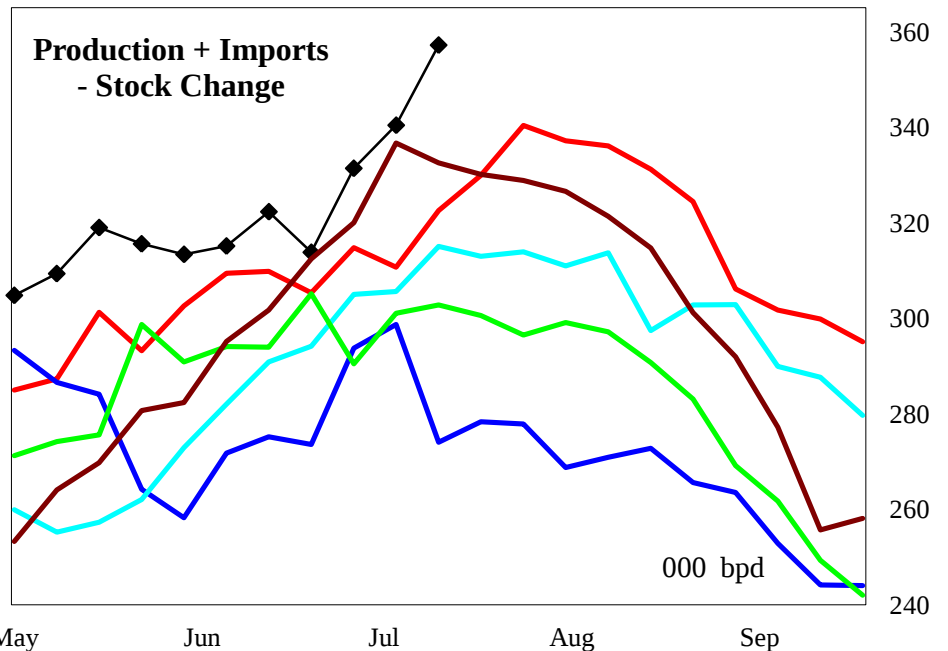
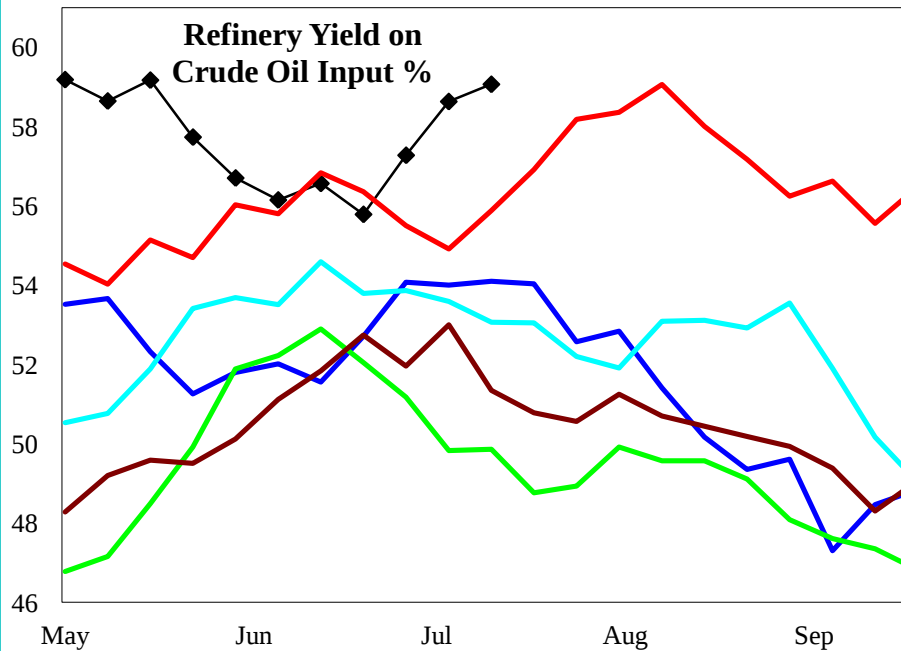
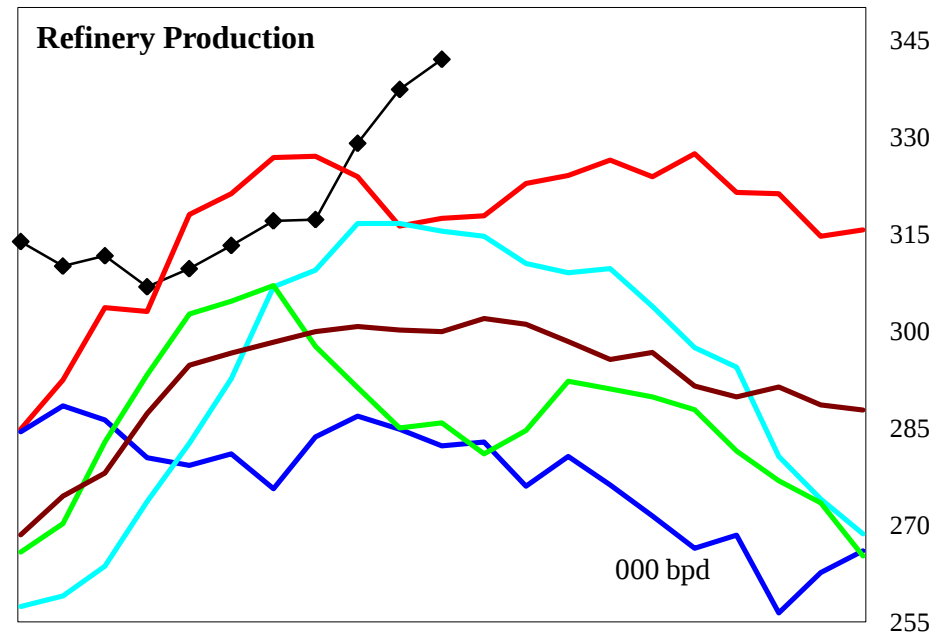
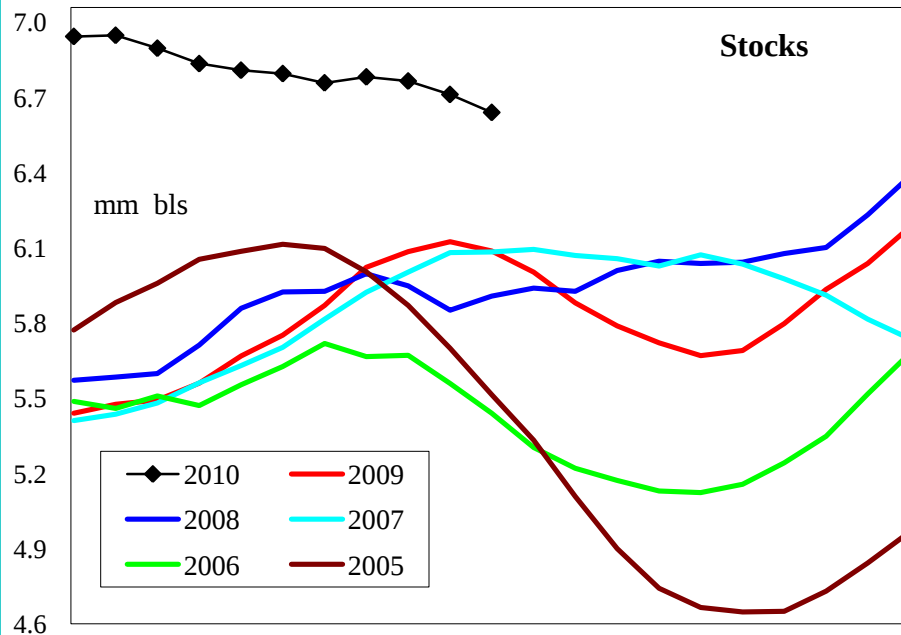
PADD 3 Residual Fuel Oil Supply



PADD 4 Crude Oil Supply and Refining



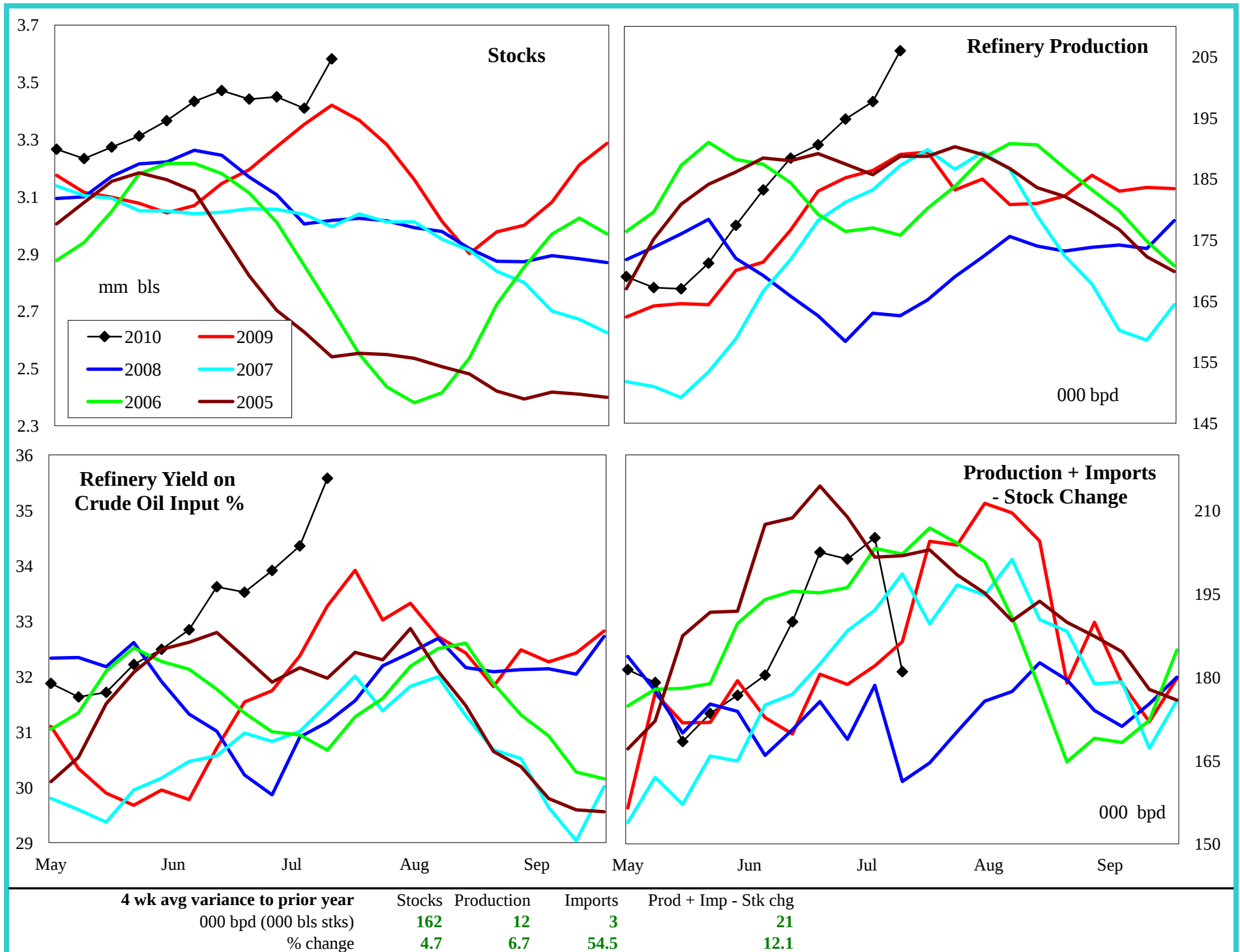
PADD 4 Gasoline Supply



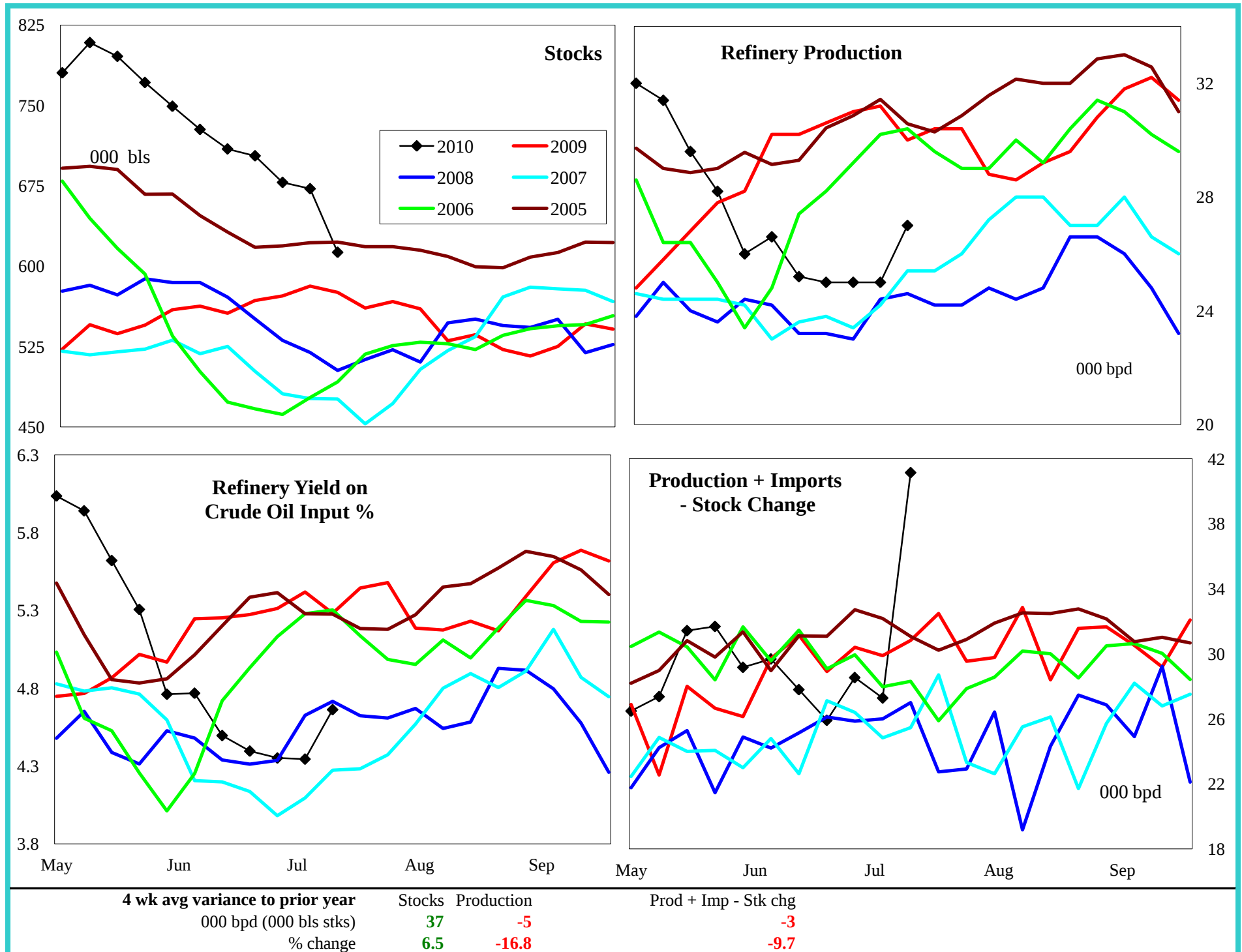
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

	Stocks	Production	Prod + Imp - Stk chg
000 bpd (000 bbls stks)	552	19	40
% change	9.0	6.2	13.2

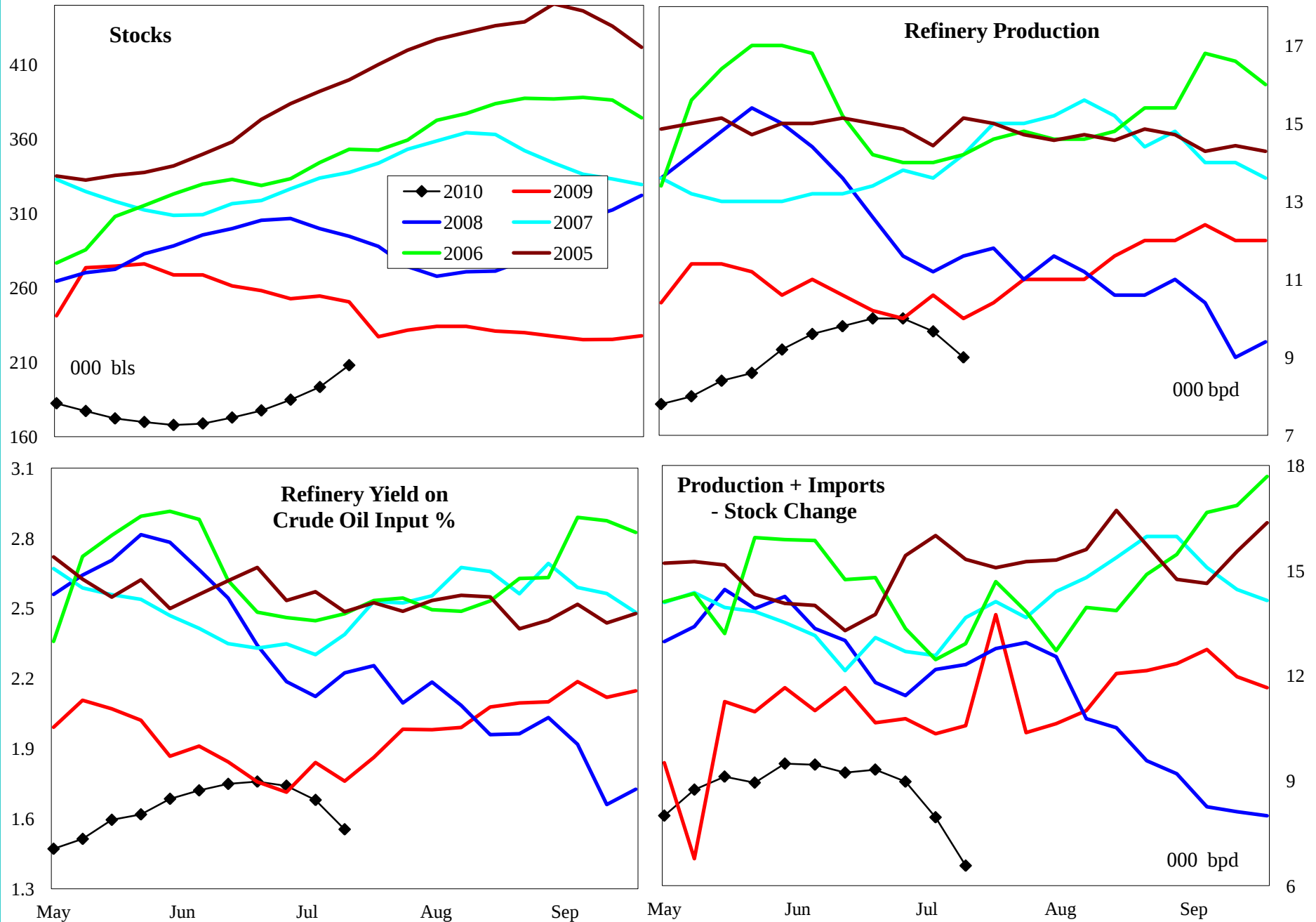
PADD 4 Distillate Supply



PADD 4 Jet Fuel Supply



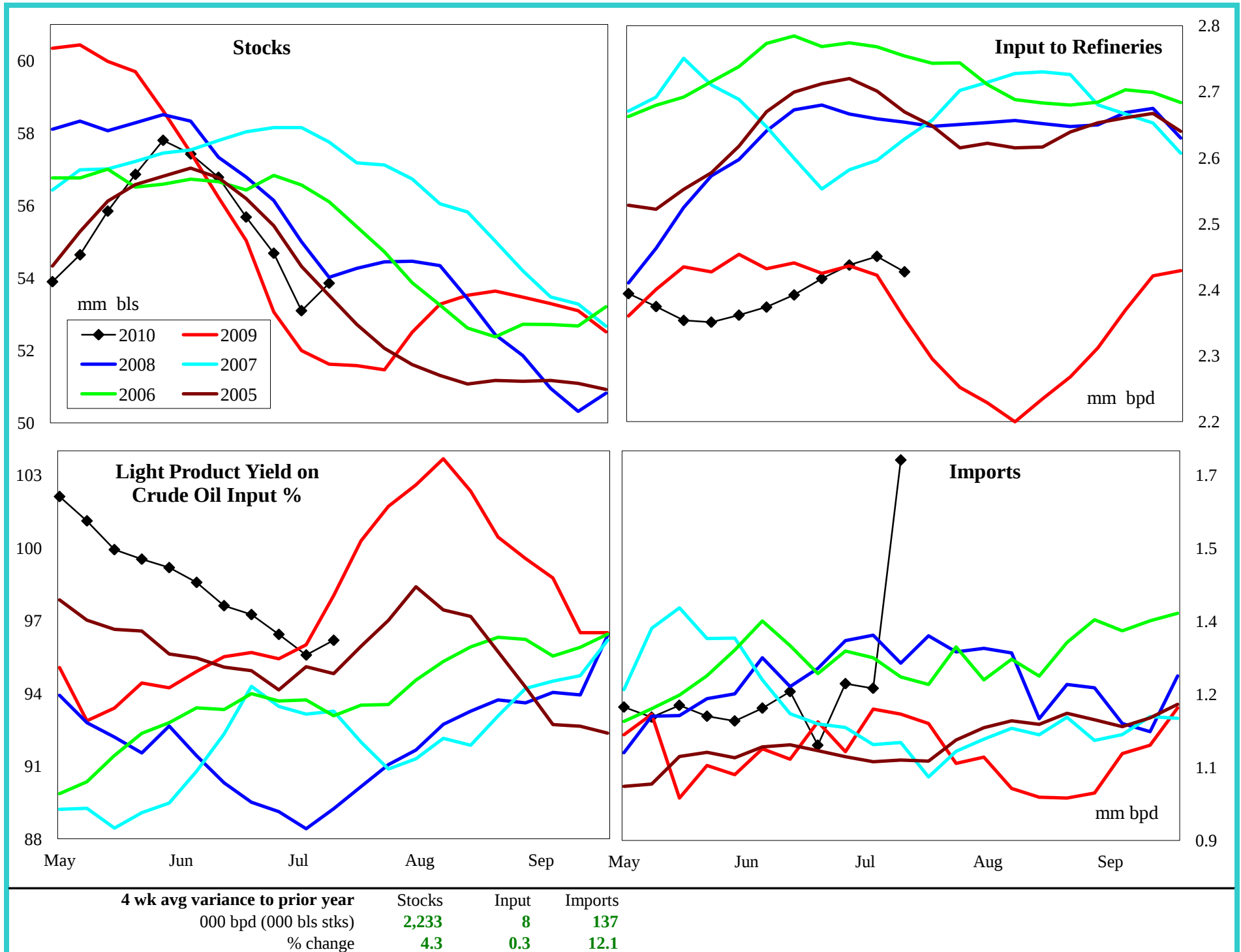
PADD 4 Residual Fuel Oil Supply



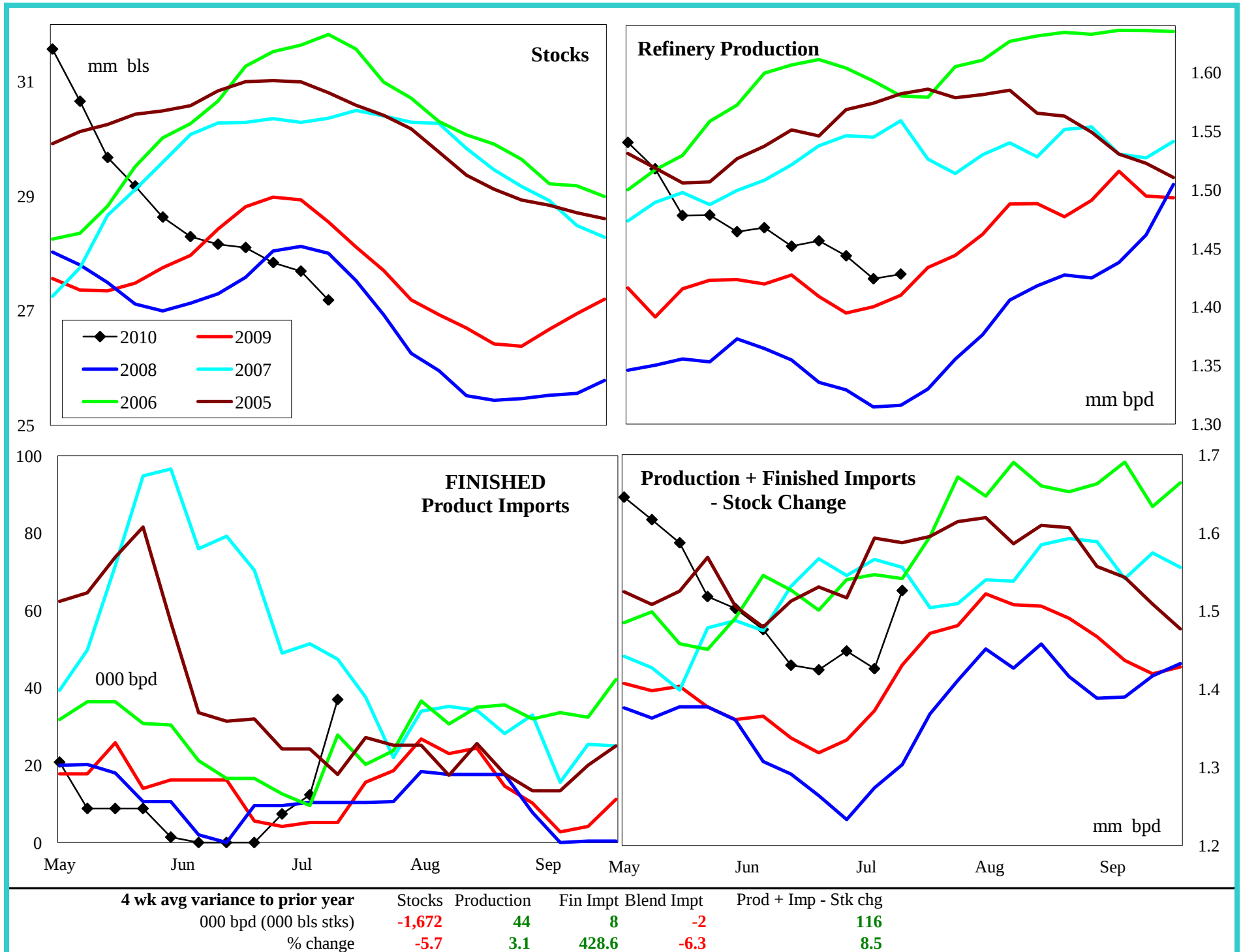
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
-43	0	0	-3
-17.0	-2.4	#DIV/0!	-34.3

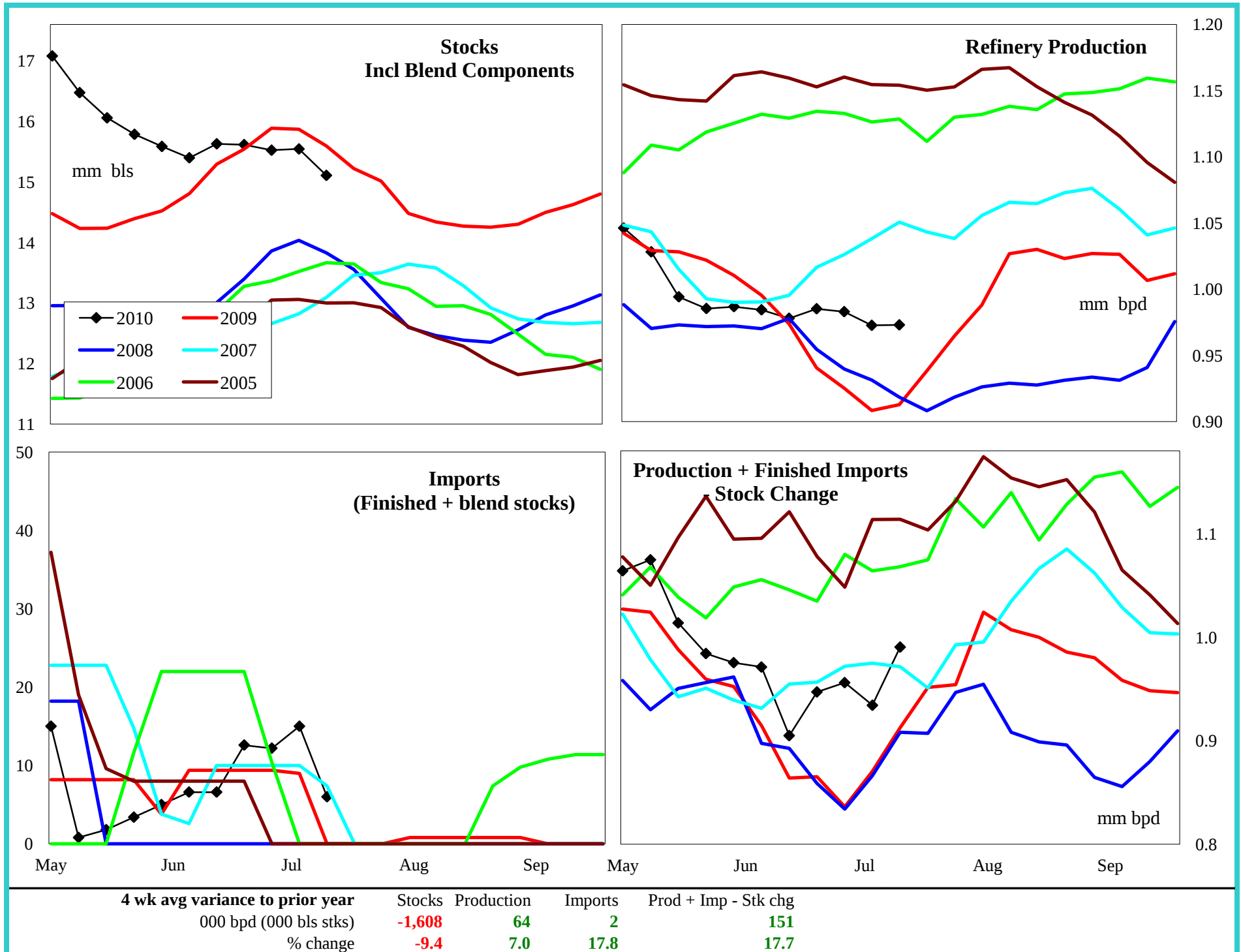
PADD 5 Crude Oil Supply and Refining



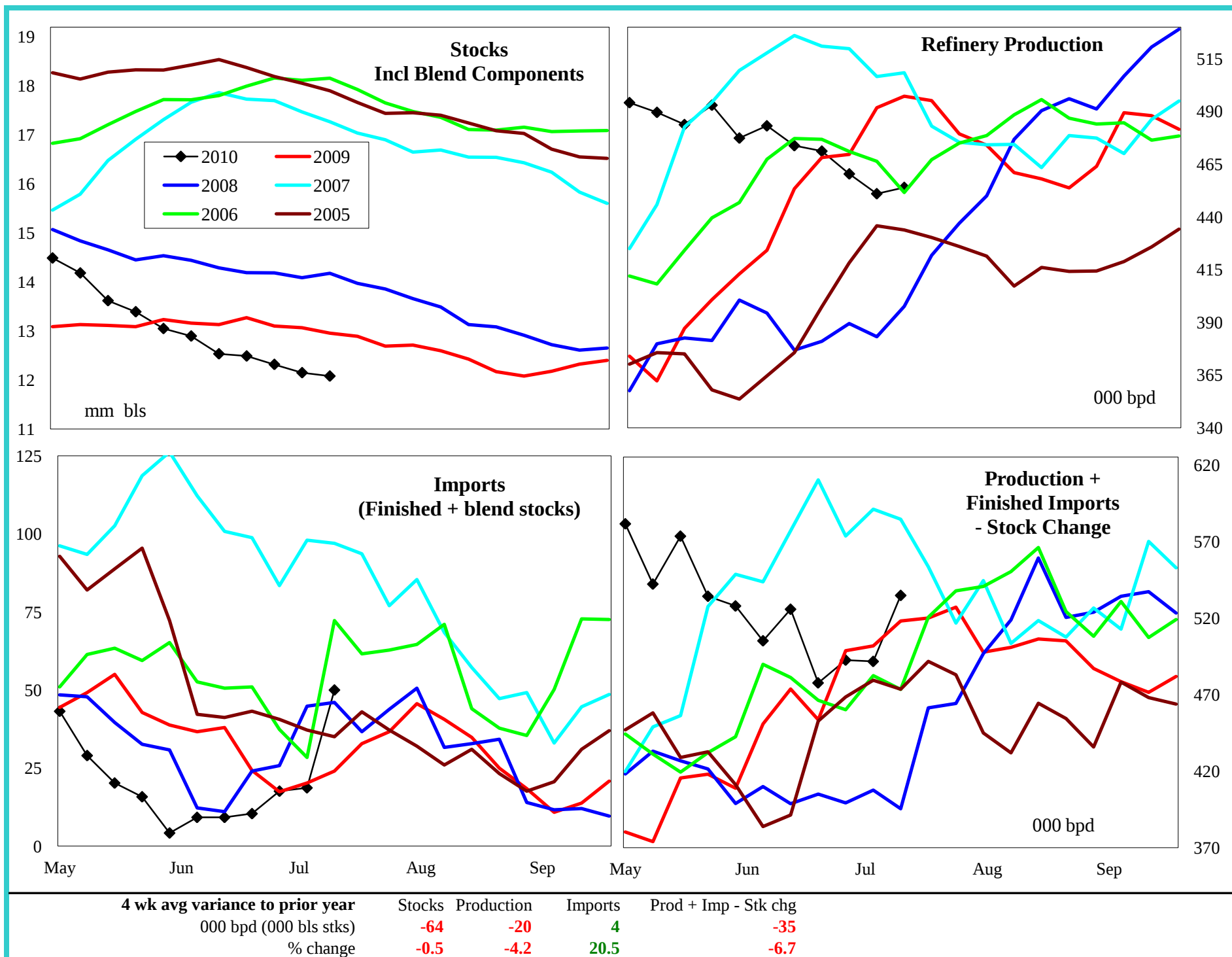
PADD 5 Gasoline Supply



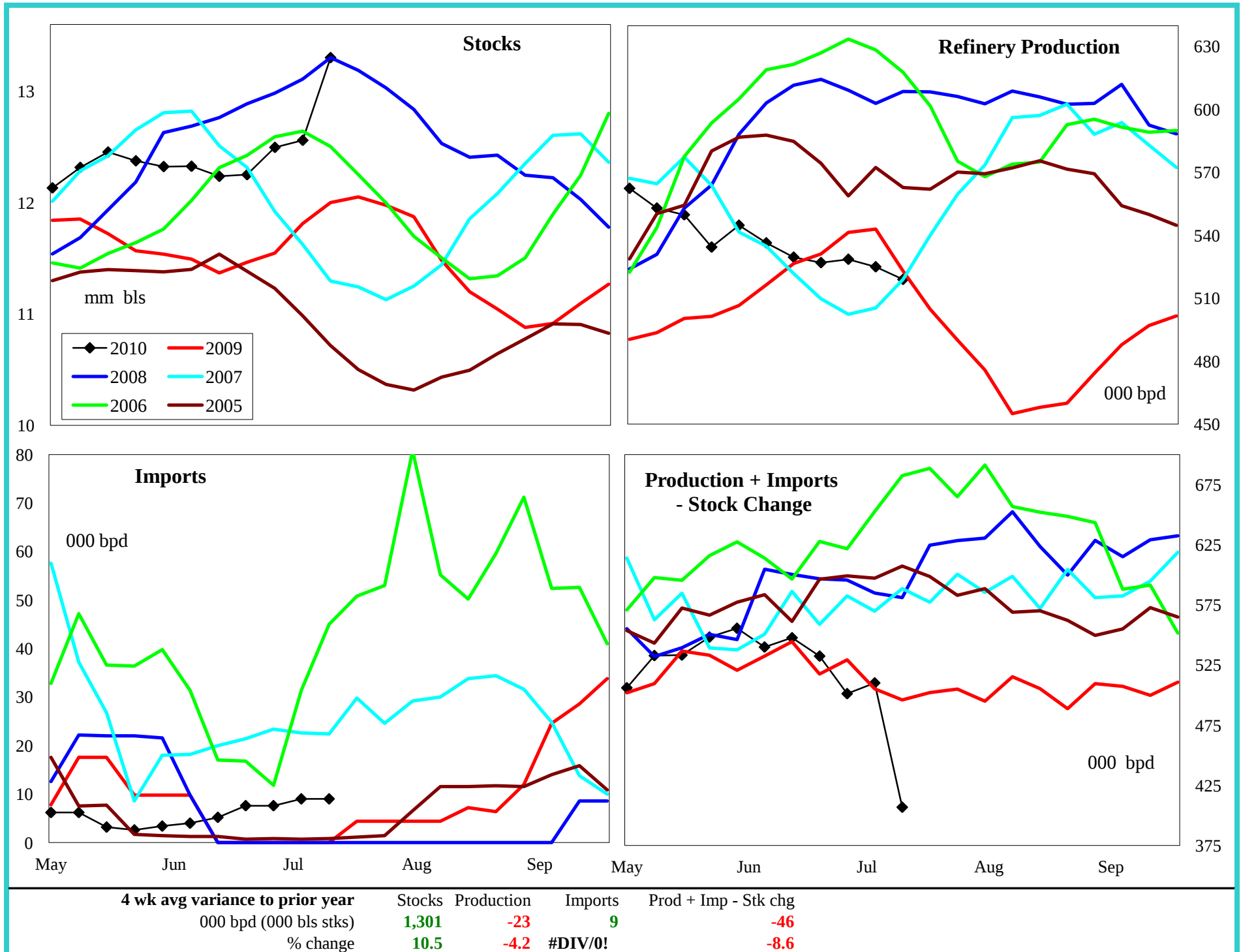
PADD 5 Reformulated Gasoline Supply



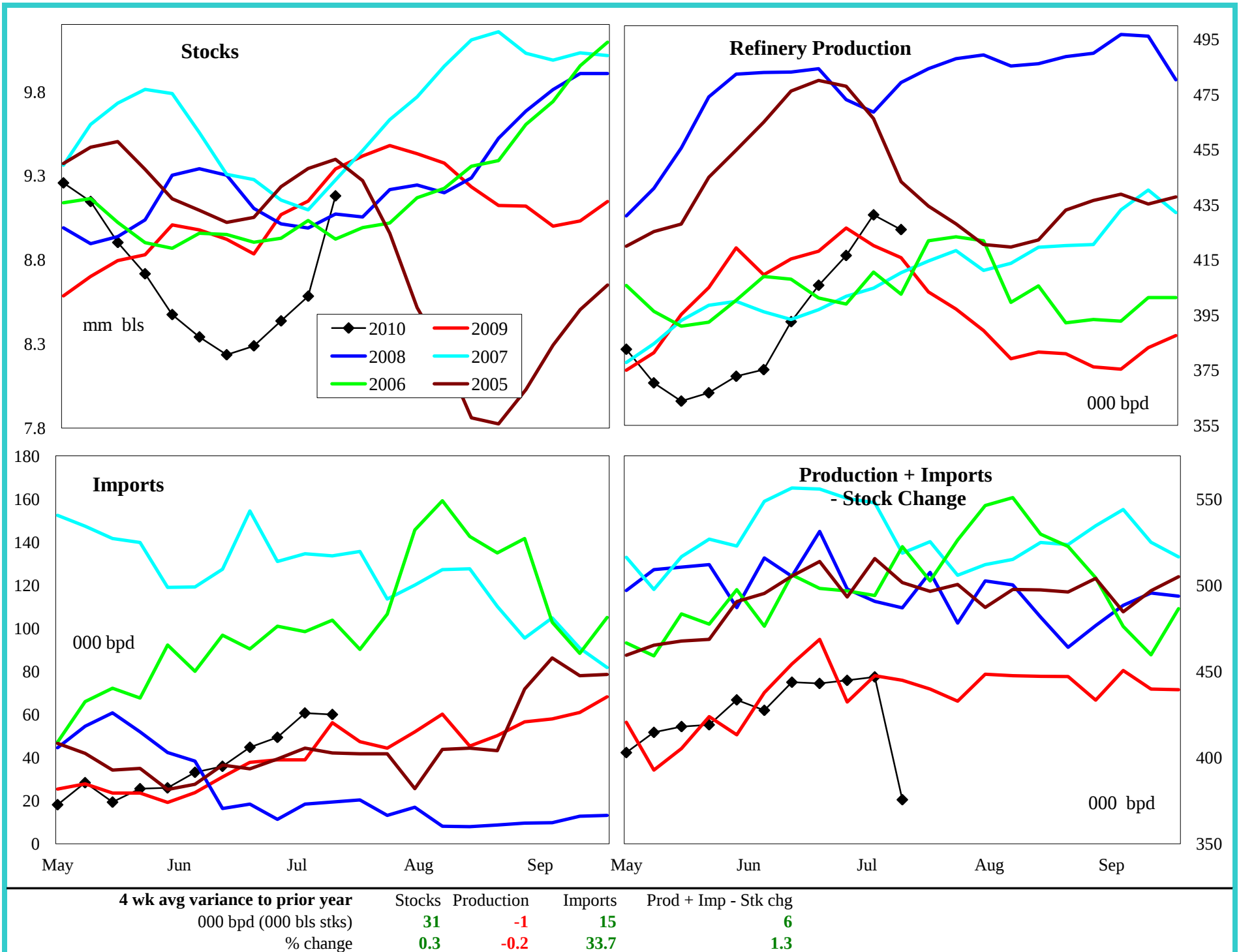
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

