

JUNE 2011

## MACROECONOMIC INDICATORS

- ISM Manufacturing ↑
- Fed Reserve Manufacturing Index ↑
- Rig Counts ↑

## PETROLEUM DEMAND INDICATORS

- Total Deliveries ↑
- Gasoline ↑
- Distillates ↑
- Jet Fuel ↑

## RETAIL PRICING INDICATORS

- Regular Gasoline ↓
- On-highway Diesel ↓

## PETROLEUM DELIVERIES

Petroleum deliveries in the first half of this year were up by 1.9 percent compared with the first half of last year. Total domestic deliveries were up in June compared with the prior month and the prior year, and were up for the second quarter of this year compared with last year. Despite weak consumer spending and a rising unemployment rate, economic activity in the manufacturing sector expanded in June for the 23<sup>rd</sup> consecutive month (Purchasing Managers Index up by 1.8 percent) and the overall economy grew for the 25<sup>th</sup> consecutive month, according to the latest Institute of Supply Management Manufacturing Survey. The modest economic expansion was reflected in the increase in total domestic petroleum deliveries.

Distillate fuel deliveries strengthened further in June driven by strong demand (as measured by deliveries) in ultra-low sulfur distillate fuel. At 3.6 million barrels per day, ULSD deliveries were at record high and were up by 7.9 percent from last year driving total distillate demand higher by 7.2 percent. ULSD prices slipped from \$4.047 in May to \$3.933 in June. High sulfur distillate deliveries remained strong, up by 20.8 percent compared with last year. Second quarter distillate fuel deliveries were higher from the same period last year by 6.5 percent. Jet fuel deliveries were up in June by 1.2 percent from last year as air travel recovered modestly. Residual fuel deliveries were down by 9.8 percent in June from last year, possibly reflecting increased fuel substitution.

After year-over-year declines in April and May, motor gasoline deliveries recovered in June but were nearly flat compared with last year. Regular gasoline prices slipped from an average of \$3.906 in May to \$3.680 in June following a decline in crude oil costs. At 9.3 million barrels, gasoline deliveries in June 2011 were up from May 2011 deliveries by 130 thousand barrels but were up from June 2010 only by a thousand barrels per day. The previous high for gasoline deliveries in June were in 2007. Gasoline deliveries in the second quarter and the first half of this year were both down by 0.6 percent compared with the corresponding periods in 2010. Exports of petroleum products remained strong for the month and the quarter and were at a record-high for any June.

Exports were up by 11.2 percent compared with last year and were up 3.7 percent compared with May of this year. Second quarter exports of petroleum products were up by 11.8 percent from last year.

## PETROLEUM SUPPLY

Crude oil production fell to a two-year low and showed year-over-year declines this month, the second in a row. At 5.4 million barrels per day, crude oil production was down by 2.0 percent from June 2010. For the second quarter, crude production was slightly down by 0.1 percent. The preliminary reported data to API on offshore oil wells drilled show an 82.0 percent decline in the second quarter of this year compared with last year. Despite the offshore drilling decline, API estimates for the number of oil wells completions (6,595) onshore were at the highest levels for the second quarter since 1985 and up by 32.0 percent from last year. According to Baker Hughes Inc., the total number of oil and gas rigs jumped from May to June, up by 27 to 1863, a three-year high. Natural gas liquids (NGL) production, a co-product of natural gas production, continued to remain above two million barrels per day, the seventh month in a row and showed an increase of 4.9 percent in June compared with last year. NGL production currently accounts for nearly one quarter of all U.S petroleum liquids production.

Total imports of petroleum products were down for the month and for the second quarter compared with last year. At 11.1 million barrels per day, total imports in June were down 10 percent from last year driven by the declines in both crude imports (-4.8 percent) and product imports (-30.6 percent). With the exception of 2009, crude oil imports were at their lowest levels since 2002 for June.

Refinery inputs jumped over 15 thousand barrels per day for the first time this year. At 15.2 million barrels per day, inputs were 4.2 percent lower than last year. For the second quarter, refinery inputs were at 14.9 million barrels per day and 4.8 percent lower than the second quarter of 2010. Refinery production of all key petroleum products were higher in June 2011 compared with last year. Gasoline production was at a record high for the month and for the year. Distillate production was at a three-year high while jet fuel production was at a six-year high, for the month of June.

With a decline in crude oil imports and an increase in crude oil inputs, compared with the prior year, crude oil stocks showed year-over-year declines. Stocks of crude oil (excluding SPR) fell by 2.9 percent from the prior month and 1.5 percent from the prior year. This stock level was however still the second highest for any June since 1990, after June 2010. With the exception of jet fuel stocks and residual fuel stocks, all key refined products' stock level showed declines in June compared with May. When compared with last year, crude and refined products showed stock declines, with the exception of unfinished oils. Total stocks of oil and products were down 7.8 percent from last year and up 0.2 percent from May levels.

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**ESTIMATED UNITED STATES PETROLEUM BALANCE<sup>1</sup>**  
(Daily average in thousands of 42 gallon barrels)

Disposition and Supply	June			Year-to-Date		
	2011 <sup>2</sup>	2010	% Change	2011 <sup>3</sup>	2010	% Change
<b>Disposition:</b>						
Total motor gasoline.....	9,285	9,284	0.0	8,877	8,929	(0.6)
Finished reformulated.....	3,071	3,140	(2.2)	3,007	3,075	(2.2)
Finished conventional.....	6,214	6,144	1.1	5,869	5,854	0.3
Kerosine-jet.....	1,525	1,507	1.2	1,397	1,413	(1.1)
Distillate fuel oil.....	4,030	3,759	7.2	3,943	3,742	5.4
≤ 500 ppm sulfur.....	3,627	3,425	5.9	3,431	3,262	5.2
≤ 15 ppm sulfur.....	3,627	3,362	7.9	3,355	3,052	9.9
> 500 ppm sulfur.....	403	334	20.8	512	481	6.6
Residual fuel oil.....	455	505	(9.8)	570	547	4.3
All other oils (including crude losses) .....	4,396	4,239	3.7	4,474	4,242	5.5
Reclassified <sup>4</sup> .....	(39)	(1)	na	15	39	na
Total domestic product supplied.....	19,652	19,291	1.9	19,276	18,913	1.9
Exports.....	2,527	2,273	11.2	2,632	2,174	21.1
Total disposition.....	22,179	21,564	2.9	21,908	21,087	3.9
<b>Supply:</b>						
Domestic liquids production						
Crude oil (including condensate).....	5,358	5,465	(2.0)	5,509	5,473	0.6
Natural gas liquids.....	2,082	1,985	4.9	2,066	1,979	4.4
Other supply <sup>5</sup> .....	801	1,023	(21.8)	1,017	889	14.5
Total domestic supply.....	8,241	8,362	(1.5)	8,591	8,341	3.0
Imports:						
Crude oil (excluding SPR imports).....	9,397	9,872	(4.8)	8,844	9,281	(4.7)
From Canada.....	2,018	2,143	(5.8)	2,091	1,971	6.1
All other.....	7,379	7,729	(4.5)	6,753	7,310	(7.6)
Products.....	1,711	2,466	(30.6)	2,349	2,543	(7.7)
Total motor gasoline (incl. blend.comp)....	766	976	(21.5)	885	871	1.7
All other.....	945	1,491	(36.6)	1,463	1,673	(12.5)
Total imports.....	11,108	12,339	(10.0)	11,193	11,824	(5.3)
Total supply.....	19,349	20,701	(6.5)	19,784	20,165	(1.9)
Stock change, all oils.....	(2,831)	(863)	na	(2,124)	(921)	na
<b>Refinery Operations:</b>						
Input to crude distillation units.....	15,203	15,872	(4.2)	14,561	14,989	(2.9)
Gasoline production.....	9,518	9,299	2.4	9,069	8,964	1.2
Distillate fuel production.....	4,478	4,416	1.4	4,267	4,004	6.6
Kerosine-jet production.....	1,614	1,495	8.0	1,454	1,412	3.0
Residual fuel production.....	575	556	3.3	542	598	(9.5)
Operable capacity.....	17,699	17,584	0.7	17,941	17,586	2.0
Refinery utilization <sup>6</sup> .....	85.9%	90.3%	na	81.2%	85.2%	na
Crude oil runs.....	14,646	15,389	(4.8)	14,523	14,615	(0.6)

1. Total supply, i.e., production plus imports adjusted for net stock change is equal to total disposition from primary storage. Total disposition from primary storage less exports equals total domestic products supplied. Information contained in this report is derived from information published in the API *Weekly Statistical Bulletin* and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2. Based on API estimated data converted to a monthly basis.

3. Data for most current two months are API estimates. Other data come from U.S. Energy Information Administration (including any adjustments).

4. An adjustment to avoid double counting resulting from differences in product classifications among different refineries and blenders.

5. Includes unaccounted-for crude oil, withdrawals from the SPR when they occur, processing gain, field production of other hydrocarbons and alcohol, and downstream blending of ethanol.

6. Represents "Input to crude oil distillation units" as a percent of "Operable capacity".

R: Revised. na: Not available.

**ESTIMATED UNITED STATES PETROLEUM BALANCE<sup>1</sup>**  
(Daily average in thousands of 42 gallon barrels)

	June 2011	May 2011	June 2010	% Change From	
				Month Ago	Year Ago
<b>Stocks (at month-end, in millions of barrels):</b>					
Crude oil (excluding SPR stocks).....	357.1	367.6	362.7	(2.9)	(1.5)
Unfinished oils.....	86.5	86.9	83.4	(0.5)	3.7
Total motor gasoline.....	209.9	212.5	214.8	(1.2)	(2.3)
Finished reformulated.....	0.0	0.2	1.8	(100.0)	(100.0)
Finished conventional.....	55.9	56.9	70.1	(1.8)	(20.2)
Blending components.....	154.0	155.4	143.0	(0.9)	7.7
Kerosine-jet.....	42.5	40.9	44.9	3.9	(5.3)
Distillate fuel oil.....	140.6	143.6	157.9	(2.1)	(11.0)
≤ 500 ppm sulfur.....	107.6	111.5	113.4	(3.5)	(5.1)
≤ 15 ppm sulfur.....	98.2	101.6	100.4	(3.4)	(2.2)
> 500 ppm sulfur.....	33.0	32.2	44.6	2.5	(26.0)
Residual fuel oil.....	37.9	37.1	42.3	2.2	(10.4)
All other oils.....	79.1	63.2	128.5	25.2	(38.4)
Total all oils.....	953.6	951.8R	1,034.4	0.2	(7.8)

R: Revised. na: Not available.

**QUARTERLY ESTIMATED UNITED STATES PETROLEUM BALANCE<sup>1</sup>**  
(Daily average in thousands of 42 gallon barrels)

Disposition and Supply	Second Quarter		
	2011 <sup>2</sup>	2010	% Change
<b>Disposition</b>			
Total motor gasoline.....	9,149	9,201	(0.6)
Finished reformulated.....	3,039	3,125	(2.7)
Finished conventional.....	6,109	6,076	0.5
Kerosine-jet.....	1,430	1,440	(0.7)
Distillate fuel oil.....	3,940	3,700	6.5
≤ 0.05 percent sulfur.....	3,531	3,321	6.3
≤ 15 ppm sulfur.....	3,427	3,228	6.2
> 0.05 percent sulfur.....	409	378	8.2
Residual fuel oil.....	543	532	2.2
All other oils (including crude losses) .....	4,432	4,101	8.1
Reclassified <sup>5</sup> .....	(30)	33	na
Total domestic product supplied.....	19,464	19,007	2.4
Exports.....	2,620	2,344	11.8
Total disposition.....	22,085	21,351	3.4
<b>Supply:</b>			
Domestic liquids production			
Crude oil (including condensate).....	5,443	5,450	(0.1)
Natural gas liquids.....	2,091	1,995	4.8
Other supply <sup>4</sup> .....	1,063	1,099	(3.3)
Total domestic supply.....	8,598	8,544	0.6
Imports:			
Crude oil (excluding SPR imports).....	8,959	9,744	(8.1)
From Canada.....	2,033	2,007	1.3
All other.....	6,926	7,736	(10.5)
Products.....	2,189	2,570	(14.8)
Total motor gasoline (incl. blend.comp).....	941	955	(1.4)
All other.....	1,248	1,615	(22.7)
Total imports.....	11,148	12,313	(9.5)
Total supply.....	19,746	20,857	(5.3)
Stock change, all oils.....	(2,339)	(494)	na
<b>Refinery Operations:</b>			
Input to crude distillation units.....	14,889	15,647	(4.8)
Operable capacity.....	17,703	17,587	0.7
Refinery utilization <sup>5</sup> .....	84.1%	89.0%	na
Crude oil runs.....	14,396	15,243	(5.6)
	<b>Second Quarter</b>		
	<b>2011<sup>2</sup></b>	<b>2010</b>	<b>% Change</b>
<b>Stocks (at end of quarter, in millions of barrels):</b>			
Crude oil (excluding SPR stocks).....	357.1	362.7	(1.5)
Unfinished oils.....	86.5	83.4	3.7
Total motor gasoline.....	209.9	214.8	(2.3)
Finished reformulated.....	0.0	1.8	(100.0)
Finished conventional.....	55.9	70.1	(20.2)
Blending components.....	154.0	143.0	7.7
Kerosine-jet.....	42.5	44.9	(5.3)
Distillate fuel oil.....	140.6	157.9	(11.0)
≤ 0.05 percent sulfur.....	107.6	113.4	(5.1)
≤ 15 ppm sulfur.....	100.4	93.9	6.9
> 0.05 percent sulfur.....	33.0	44.6	(26.0)
Residual fuel oil.....	37.9	42.3	(10.4)
All other oils.....	79.1	128.5	(38.4)
Total all oils.....	953.6	1,034.4	(7.8)

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