



DOE Inventory Change from prior Week:

Crude: + 0.8 MB
Distillate: + 2.8 MB
Gasoline: - 0.1 MB

Days of Supply:

Distillate:
This Year 29.4
Last Year 29.0
Gasoline:
This Year 22.5
Last Year 21.2

Demand Compared to same week last Year:

Distillate:
Down 351,000 BPD
Gasoline:
Down 241,000 BPD

**Toll Free
Market Update
866-889-8901**

Look Back at One Year Ago:

Crude: \$68.97
Heat: \$2.0246
RBOB: \$2.2546

Distillate Talk

NYMEX trades last week (HON)
High: \$3.9827 Low: \$3.6870
Final: \$3.9066

There is a great deal of talk in the papers and news around the price of heating oil for next winter and it does not appear there is going to be any quick relief. Many dealers have been waiting for the price to fall but they may have to wait until fall! The average retail price of on-highway diesel fuel in New England fell over the past week, dropping 1.1 cents per gallon. The price is now (as of 06/30/08) \$4.822. The price is currently \$1.892 per gallon higher than last year at this time according to the EIA.

Crude Oil Talk

NYMEX trades last week (CLQ)
High: \$142.99 Low: \$131.95
Final: \$140.21

The latest Medium-Term Oil Market Report from the International Energy Agency (IEA) shows world oil supply and demand fundamentals remaining tight for the next 5 years.

Market Moving Stories

- Continued comments from OPEC and trade analysts forecasting higher crude oil prices this year
- The meeting in Saudi Arabia of consumers and producers seemed to accomplish very little

Gasoline Talk

NYMEX trades last week (RBN)
High: \$3.5850 Low: \$3.3255
Final: \$3.5012

Gasoline demand has been falling. Over the last 4 weeks the EIA report shows the demand is down almost 2.7% compared to the same 4 week period last year. The average retail price of gasoline in New England stayed steady with no change over the last week. The price is currently (as of 06/30/08) \$4.120. That is currently \$1.132 per gallon higher than at this time last year according to the EIA.

Kevin's Neck

Here we are getting ready to roll into the Fourth of July weekend. Time just keeps flying by and the market just keeps staying strong. Another new high for crude oil was hit on Monday (\$143.67). I think it will be a while before we will see any significant decrease to the current market levels. If it does have a sizeable drop I do not think it will happen until after hurricane season and the Olympics in China are over. It takes time for the slowdown in demand to show enough to ease perception of future supply and demand balance. Perception of the future is what is helping keep prices at these high levels. Reality isn't always as important as perception as far as the market trading is concerned. This week it will take a bearish inventory report on Wednesday to see any good down days in the market, otherwise the market should be up for the week.

The Northeast Home Heating Oil Reserve was established in 2000.

The Reserve is not considered in the weekly inventory reports.

The condition of when the heating oil reserve may be sold is set by the Energy Policy and Conservation Act.



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This Weeks Question

“I have heard that requests are being made to release heating oil from the Northeast Home Heating Oil Reserve due to the high prices. Where is the reserve located and who can release it for use?”

The Northeast Home Heating Oil Reserve was established in 2000. The Reserve was established for use in the event of severe winter weather or serious heating oil supply disruptions. It was set up in the Northeast because the majority of homes heating with oil are located in the northeast (estimates range from 69% to 78%). The reserve is set at 2 million barrels, but currently has 1,965,000 barrels. 35,000 barrels were sold by the DOE during June 2007 in order to supplement available funds for the new storage contracts effective October 1, 2007 (the storage costs are now higher than the expiring contracts). Currently the oil is in three terminals:

- 965,000 bbls held by Hess at the Amerada Hess terminal in Woodbridge, NJ
- 250,000 bbls held by Hess at their terminal in Groton, CT
- 750,000 bbls held by Morgan Stanley at the Magellan Terminal in New Haven, CT

If you have any questions you would like answered about petroleum (the market, product quality, fixed pricing, etc.) in a future edition of **Petroleum Street Talk** please email to: kevin.mikoski@irvingoil.com (all responders will remain anonymous). Remember the only dumb question is the one not asked!

The Energy Policy and Conservation Act, as amended, sets conditions for release at the discretion of the President. The President may make the requisite finding of a “severe energy supply interruption” for the sale of product under two conditions.

1. If there is a dislocation in the heating oil market.

A dislocation is deemed by law to have occurred only when:

“The price differential between crude oil... and No. 2 heating oil... increases by more than 60% over its five year rolling average for the months of mid-October through March (considered as a heating season average).” and “The price differential continues to increase during the most recent week for which price information is available.”

2. If a circumstance exists (other than the defined dislocation) that is a regional supply shortage of significant scope and duration and the Reserve’s release would significantly reduce its adverse impact.

In other words the reserve isn’t set up to be released just because of high prices. Although there have been many requests to use the Reserve they have not met the criteria as set and therefore it has not been used. Recently many have been asking for a release to help ease the price situation but that is not likely to happen without changes to the policy.