



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

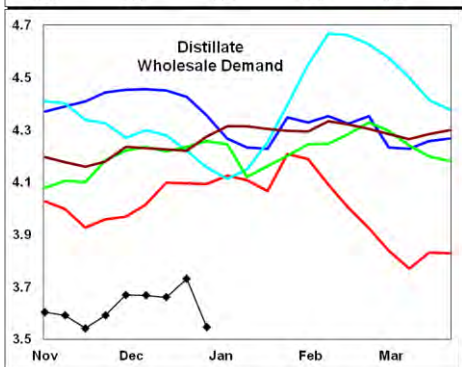
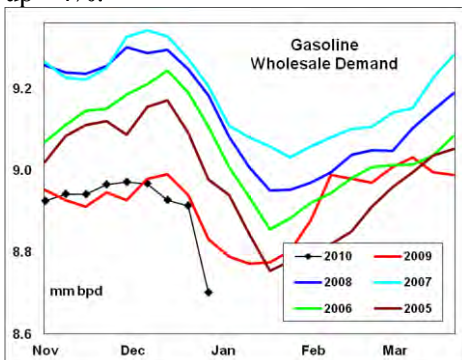
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, January 06, 2010



Major Fundamental Trends¹

Widespread inclement weather likely disrupted deliveries of gasoline and diesel to downstream sectors as well as reducing holiday week travel, leading to the combined -443,000 bpd drop in demand last week. However, refined fuel demand remains very weak. Wholesale demand, including exports, for the major four refined fuels was -802,000 bpd below a year ago during December. Double digit percentage declines in distillate and residual fuel accounted for most of the decline with gasoline off less than -1% and jet fuel up +4%.



The return to operation of one or more refineries in the midwest last week following an extended period of maintenance led to a spike in gasoline and distillate production which lifted stocks for these two fuels by nearly +3 million barrels.

High gasoline production and the seasonal decline in demand has offset very low imports. Record seasonal stock levels remain a risk.

The recent strength in distillate heating oil demand has led to a +100,000 bpd rise in imports during December and collapse in the forward price curve for heating oil futures. Further increases in imports are likely as waterborne inventory in the Atlantic Basin is delivered to the northeast in response to a lack of storage economics and high heating demand. These trends should mitigate the very rapid drawdown in PADD 1 distillate stocks later in the 1st quarter.

Demand for gasoline and distillate declined a combined -443,000 bpd on the week; due in part to inclement weather and reduced deliveries to the downstream sector during the holiday week.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline decreased -0.9%; distillate down -11%; jet fuel up +4% while residual fuel oil decreased -41%.

Stocks forward coverage: Gasoline demand coverage surged on a -333,000 drop in demand and +3.7 million barrel stock build. Coverage was a record high for the period.

Distillate demand coverage was nearly unchanged on a -0.2 million barrel stock draw. Coverage remains extremely high.

Jet fuel coverage remains above the five year range on high stock levels and relatively weak.

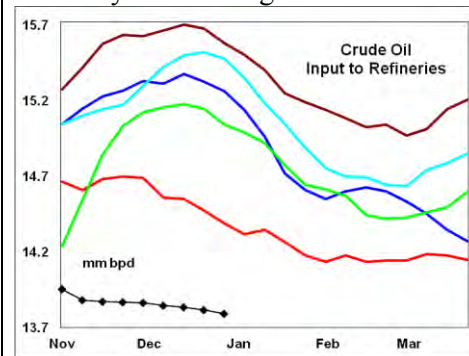
Residual fuel oil coverage remains above the historic range on record low demand.

Refinery utilization rates decreased last week on a -87,000 bpd drop in crude oil runs. Runs were -631,000 bpd below last years' record low rate.

Gasoline yield % on crude oil runs increased on a +43,000 bpd rise in output, driven by the return to operation of a midwest refinery. Yield % remains very high due to low crude oil run rates and offsetting imports of blend stocks.

Distillate yield % on crude oil runs

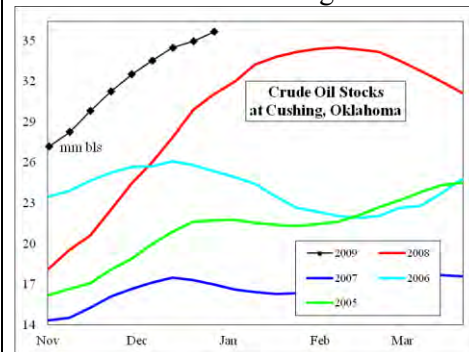
increased last week on a +99,000 bpd rise in production. Yield % was near the five year mid range.



Petroleum Imports of transport fuels gasoline and middle distillates increased +120,000 bpd last week. Crude oil imports climbed +328,000 bpd.

During the latest 4-wk period distillate imports increased +25% compared to last year; finished gasoline imports increased +20%; gasoline blend stock imports decreased -25%; jet fuel imports were +13% higher while residual fuel oil imports declined -12%.

Crude oil stocks increased +1.3 million barrels last week, including a +4.3 million barrel build on the Gulf and +1.2 million barrel increase in Cushing, Oklahoma. Cushing stocks are now at new all time highs.



Crude oil stock levels are at record lows on the East and West Coasts. Stock levels in PADDs 2 and 4 remain exceptionally high on increased imports from Canada during the 4th quarter. Expect stocks to build in the Gulf as winter refinery maintenance begins.

¹ Source is latest EIA Weekly Statistics



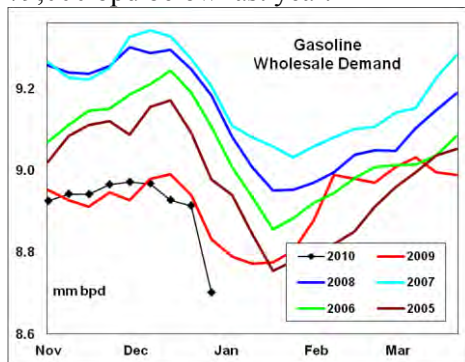
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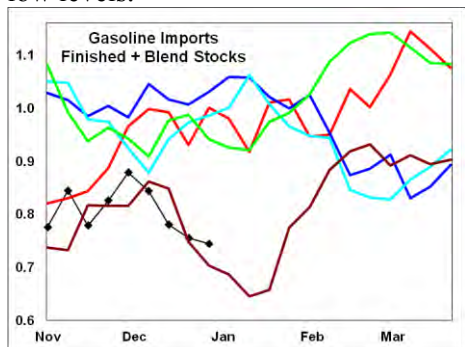
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Product Supply-Demand Trends

Gasoline demand declined -333,000 bpd last week, in line with normal seasonal decline for this time of year. The latest 4-wk average demand was -79,000 bpd below last year.



Gasoline production increased +43,000 bpd on the week, to a level near 5-year highs for the period. Imports of finished product remain near record low levels.



Stocks increased +3.7 million barrels on the week, with the builds concentrated in PADDs 2 and 5.

Production spiked +262,000 bpd last week in the mid west as a large refinery returned from maintenance and converted in process to finished gasoline. Expect output to decline from this peak in the midwest.

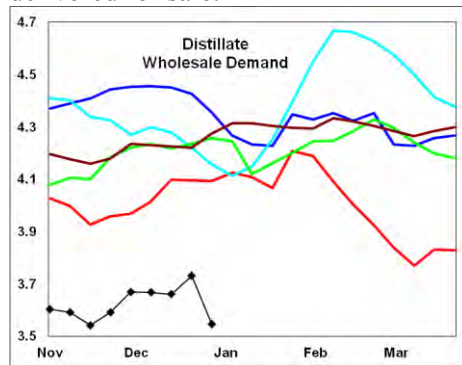
Weak demand and the seasonal decline should offset reduced imports and refinery maintenance on the Gulf, leading to stock builds over the next 60-days, starting from record levels. There remains a risk of extremely high stock builds that would depress prices and refining margins.

Distillate demand decreased -110,000 bpd last week, due in part to reduced deliveries to the downstream sector during the holiday week. The latest 4-

wk demand average was -460,000 bpd below last year.

Combined production and imports increased +151,000 bpd, offsetting much of the prior week increase. Production was -17% below year ago levels for the most recent 4-wk period.

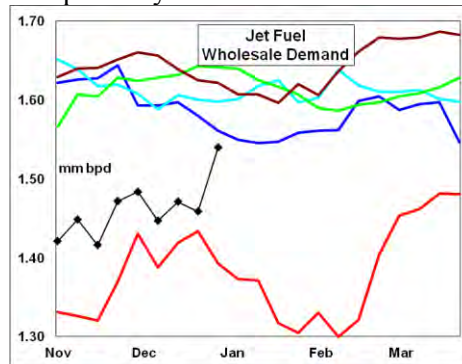
Distillate imports have increased +100,000 bpd during the last 6-wks, and should advance further on strength in the northeast heating oil market and collapse in the forward price curve which provides an incentive for product stored in tankers to be delivered for sale.



Stocks decreased -1.3 million barrels in PADD 1 last week, and are now marginally above the prior five year high. This years' stock drawdown over the past 6-wks has been a record.

Higher imports should offset reduced seasonal output during winter refinery maintenance and high heating oil demand, slowing the rate of stock draws during the balance of the 1st quarter.

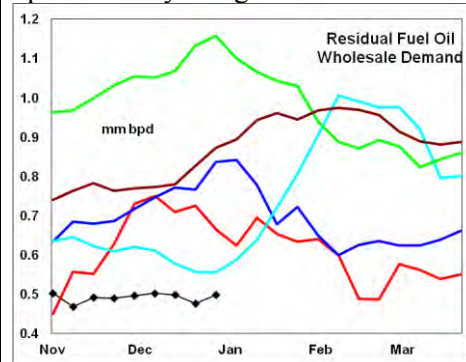
Jet Fuel demand increased +162,000 last week, during peak holiday travel. Demand during the latest 4-wk period increased +53,000 bpd over last years' exceptionally low level.



Production declined -74,000 bpd, partially offset by a +37,000 bpd rise in imports. Supply remains at the low end of the five year range. Stocks decreased -0.4 million barrels on higher demand and reduced supply. Stock levels remain above four of the last five years.

Demand trends continue to reflect modest year-over-year growth. However, excess refining capacity at current demand levels should assure very ample supply for the 1st quarter when seasonal demand declines offset reduced production due to winter refinery maintenance.

Residual fuel oil demand, including exports, decreased -23,000 bpd on the week, with the 4-wk average -316,000 bpd below a year ago.



Supply decreased -43,000 bpd last week on lower production and imports. During the latest 4-wk period, supply was -25,000 bpd below a year ago on reduced imports. Stocks were unchanged on the week at the low end of the historic range.

Residual fuel oil stocks and production are each extremely low in all regions except the Gulf Coast. The Gulf region accounts for nearly 2/3rds of U.S. production, and is experiencing record high stock and production levels.

Expect regional markets outside the Gulf to exhibit significant price strength compared to the overall energy complex.



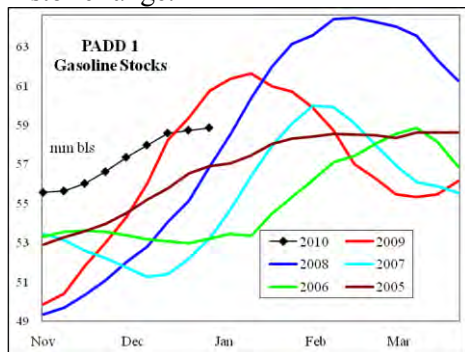
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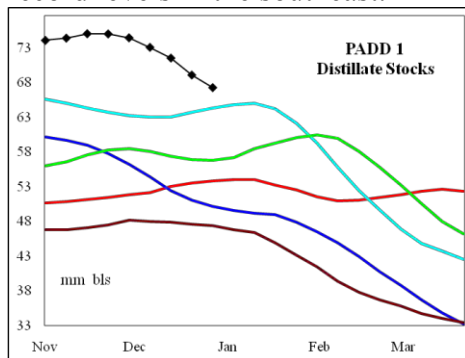
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PADD Supply Trends

PADD 1 refinery crude oil runs decreased -34,000 bpd, with the 4-wk average -163,000 bpd below last years' record low level. Crude oil imports remain -20% below last year while stocks declined to the low end of the historic range.



Gasoline production decreased -47,000 bpd. Stocks were unchanged on the week. Stock levels are at the mid range in the key Central Atlantic Region and record levels in the southeast.



Distillate supply increased +82,000 bpd. Stocks decreased -1.3 million barrels to a level slightly above the historic range.

Jet fuel supply was unchanged on the week with both stock levels and production at the upper end of the historic range.

PADD 2 crude oil refinery runs increased +175,000 bpd last week, to the upper end of the historic range, lifting the 4-wk average to +100,000 bpd above last. Crude oil imports remain above the historic range and stocks were nearly unchanged on the week. Stocks in Cushing increased +1.2 million barrels, a new record

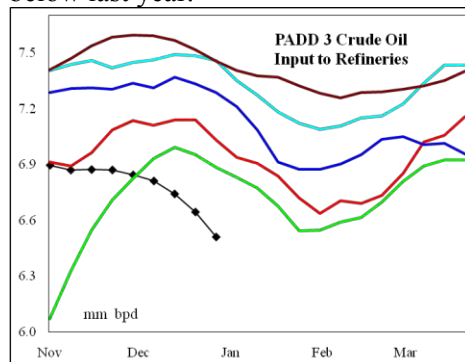
level.

Gasoline production surged +262,000 bpd on the week, to a new record level; the result of the refinery returning from maintenance and converting in process to finished gasoline. Stocks increased +1.8 million barrels to a level above the mid range.

Distillate production increased +104,000 bpd to match the five year high. Stocks increased +1 million barrels to near historic highs.

Jet fuel production and stocks each increased on the week to record levels.

PADD 3 refinery crude oil runs decreased -244,000 bpd last week, with the latest 4-wk average -456,000 bpd below last year. Crude oil imports decreased -90,000 bpd on the week, with the 4-wk average -1.2 million bpd below last year.



Low run rates led to a +4.3 million barrel crude oil stock build, lifting the level to near the mid range.

Gasoline production was nearly unchanged last week, with the latest 4-wk average -334,000 bpd below last year. Stocks decreased -0.2 million barrels but remain well above the prior record high.

Distillate production was decreased -21,000 bpd on the early unchanged last week, to match the five year low for the period.

Stock levels were +21% above last years' record high.

Jet fuel production decreased -58,000 bpd on the week, to the low end of the historic range. Stocks decreased -0.4 million barrels, but remain near the mid range.

Residual fuel oil stocks climbed

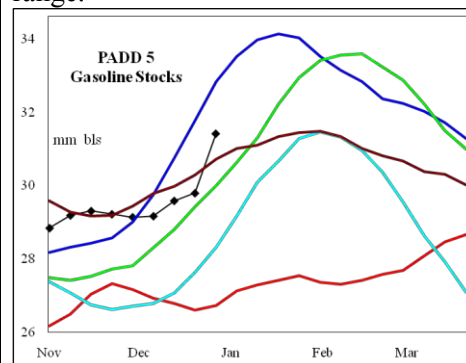
+0.6 million barrels to a new record high on very high production.

PADD 4 refinery crude oil runs increased +36,000 bpd on the week and -48,000 bpd below year ago levels. Imports declined to a new five year low for the period. Stocks decreased -1.2 million barrels on the week, but remain well above the historic range.

Gasoline production decreased -30,000 bpd to a level at the low end of the historic range. Stocks decreased to match the five year low for the period.

Distillate production was unchanged on the week at a level below the five year range. Stocks declined to the low end of the historic range.

PADD 5 crude oil refinery runs decreased -20,000 bpd on the week, with the latest 4-wk average -141,000 bpd below last year. Crude oil imports increased +314,000 bpd last week, reversing the down. Even with higher imports, stocks decreased -1 million barrels to a level below the five year range.



Gasoline production decreased -131,000 bpd last week to the low end of the historic range. Very weak demand led to a +2.3 million barrel stock build, lifting stock levels to the upper end of the historic range.

Distillate supply decreased -19,000 bpd last week and remains below the five year range. Stocks increased +0.4 million barrels to a level above the mid range.


**FUNDAMENTAL
PETROLEUM
TRENDS**

PETROLEUM: Graph Link and Weekly Summary

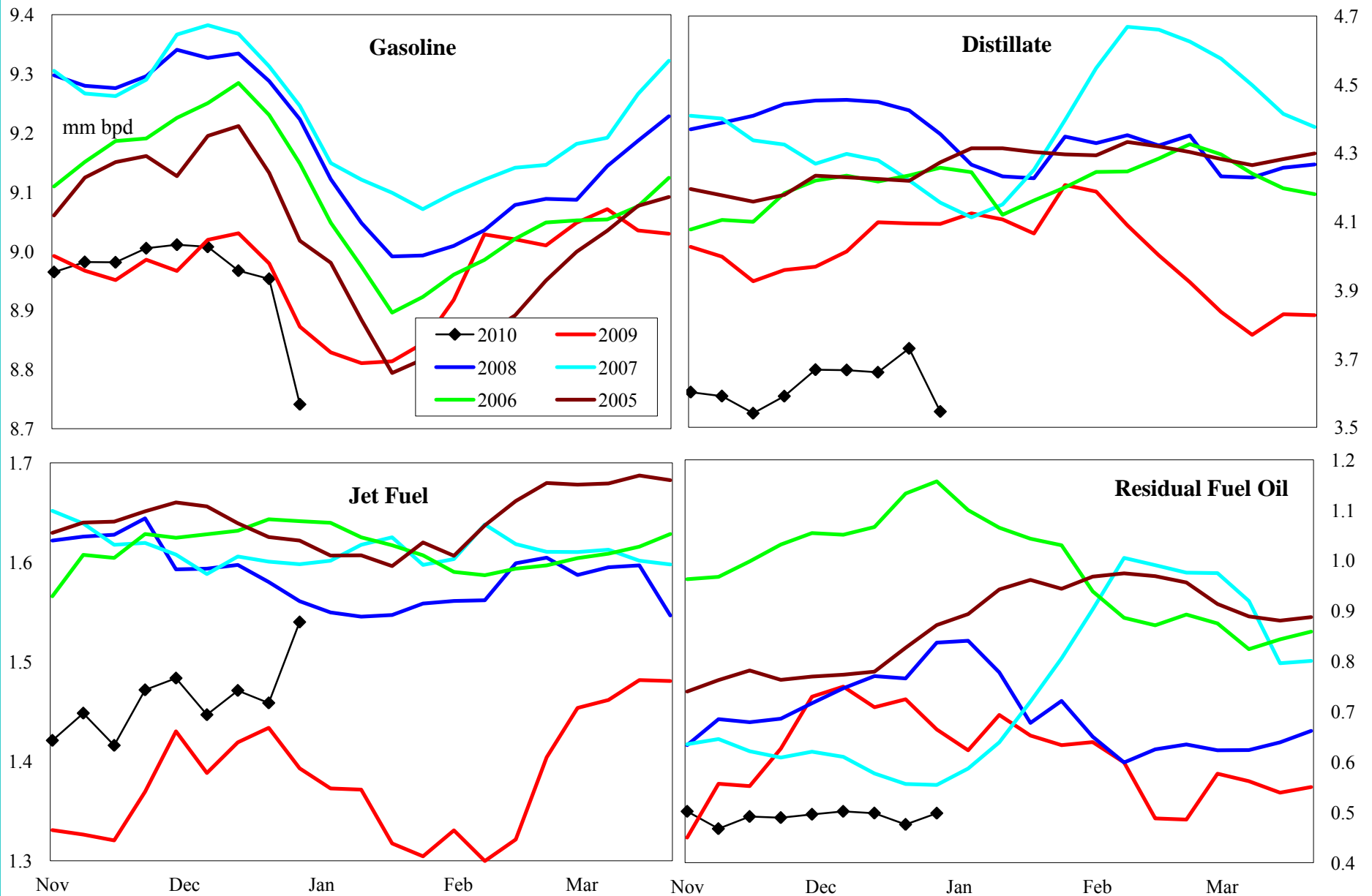
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January 6, 2010

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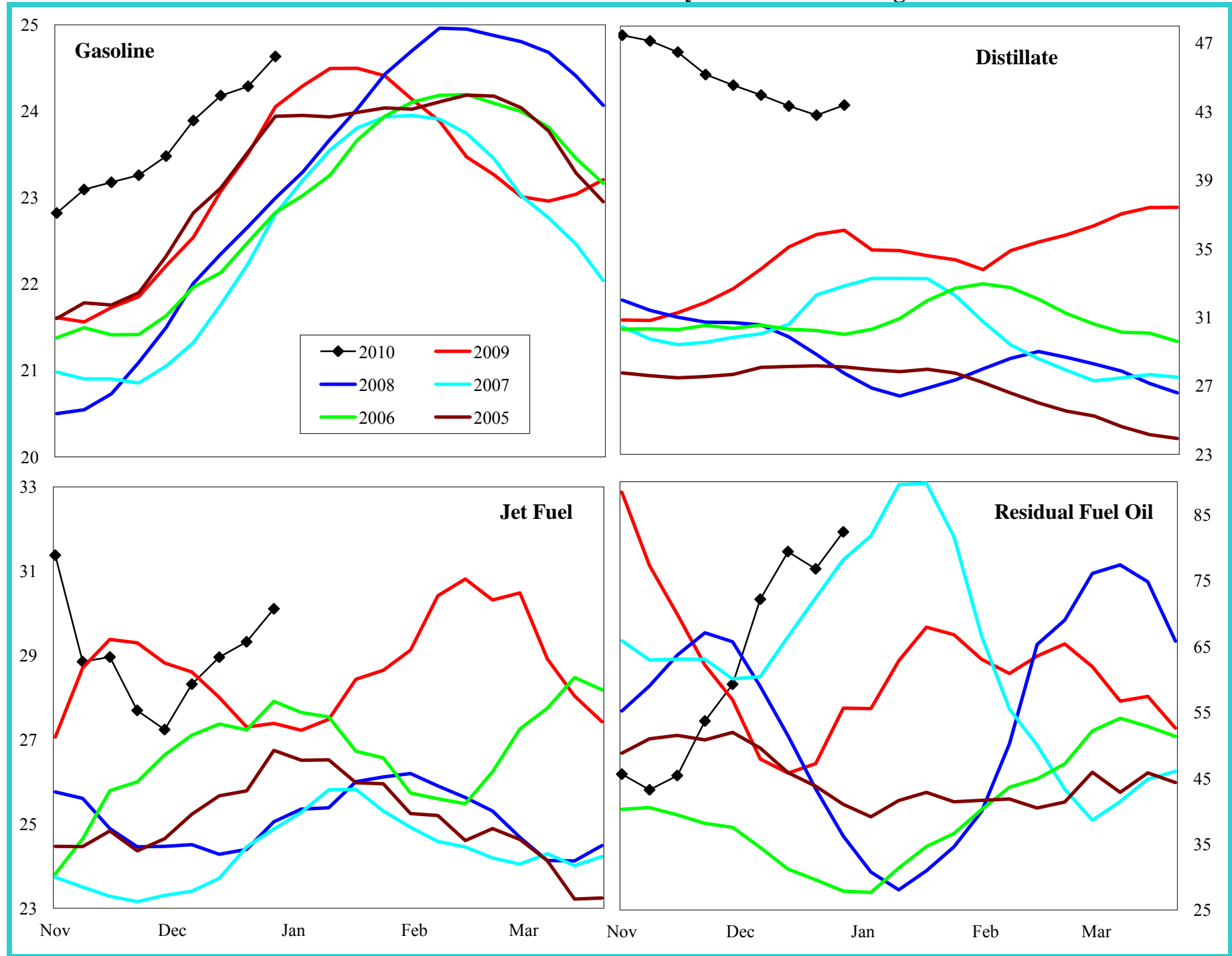
Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization</u> <u>Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	1-Jan-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	1,329	-844	-55	4,330	-1,151	-951
	Imports	328	140	-33	-90	-3	314
	Input	-87	-34	175	-244	36	-20
	% Utilization	-0.41					
<u>Gasoline</u>	Stocks	3,737	-33	1,824	-233	-89	2,268
	Production	43	-47	262	-11	-30	-131
	Imports	31	-8	-2	12	0	29
	Supplied	-333					
<u>Distillate</u>	Stocks	-233	-1,259	1,000	-133	-254	413
	Production	99	34	104	-21	1	-19
	Imports	52	48	0	0	4	0
	Supplied	-110					
<u>Jet Fuel</u>	Stocks	-357	-166	102	-401	-30	138
	Production	-74	-4	18	-58	5	-35
	Imports	37	4	0	0	0	33
	Supplied	162					
<u>Residual Fuel Oil</u>	Stocks	1	-656	-20	618	11	48
	Production	-20	-17	-18	-7	-1	23
	Imports	-23	-66	-1	44	0	0
	Supplied	-23					

United States Wholesale Petroleum Demand

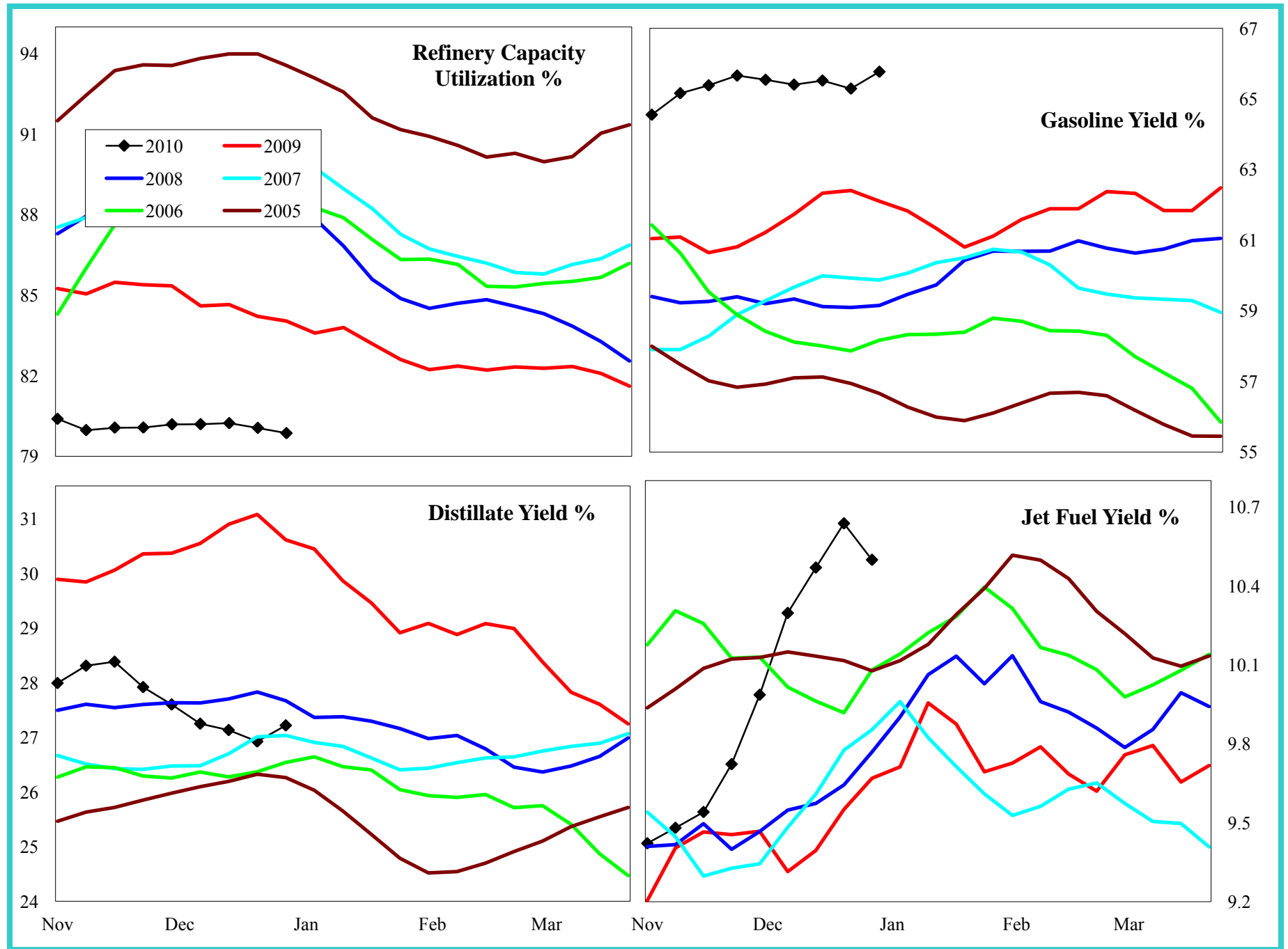


	000 bpd change from prior year				% change from prior year				
	4wk avg	Nov	Oct	Sep	4wk avg	Nov	Oct	Sep	
Gasoline	-79	83	-8	400	-0.9	0.9	-0.1	4.7	
Distillate	-460	-309	-622	-281	-10.9	-8.0	-14.9	-7.5	
Jet Fuel	53	-12	-42	-74	3.6	-0.8	-3.0	-5.0	
Resid	-316	-41	-4	-179	-40.5	-7.9	-0.7	-34.4	

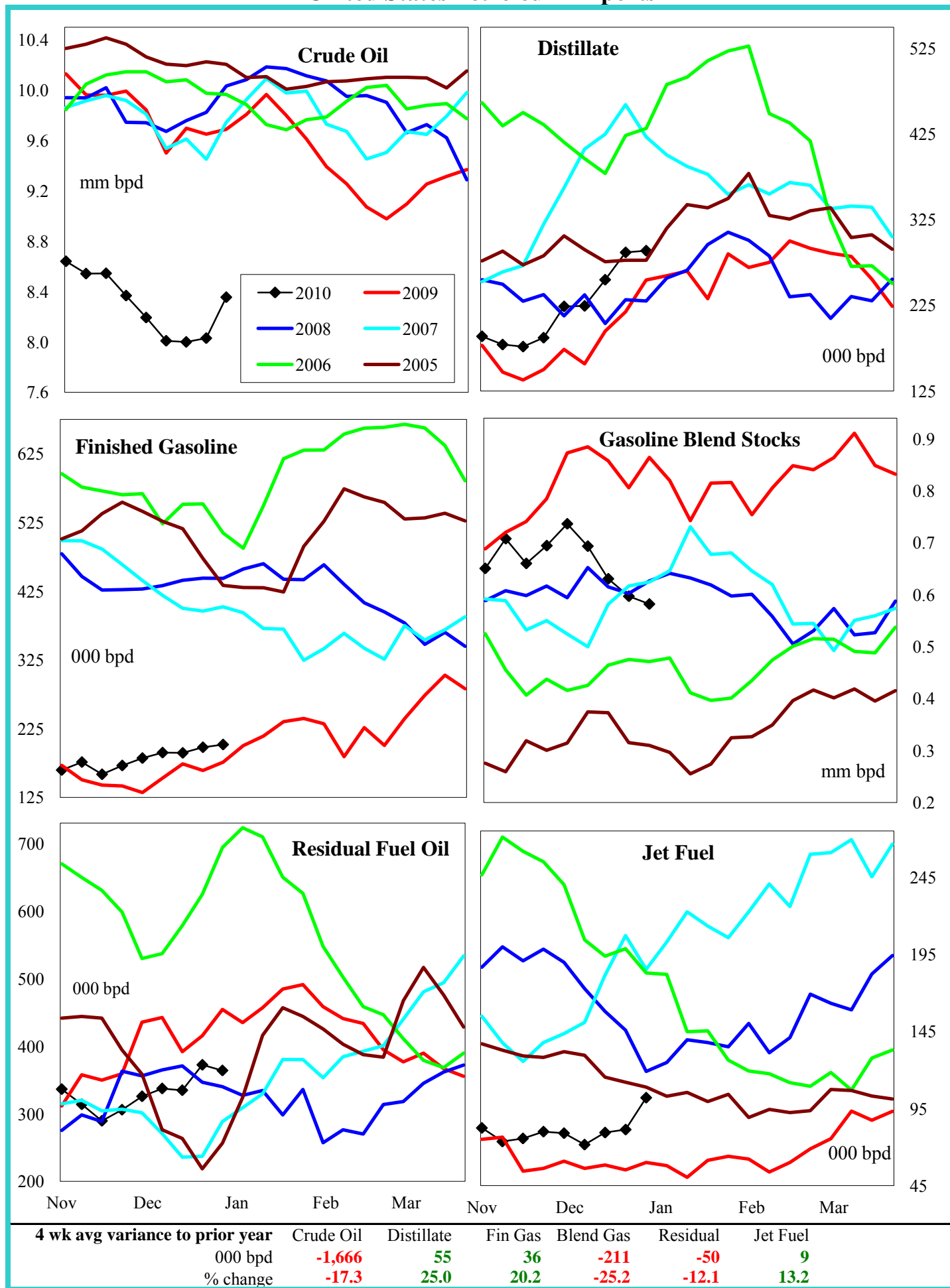
United States Product Stocks: Days Forward Coverage



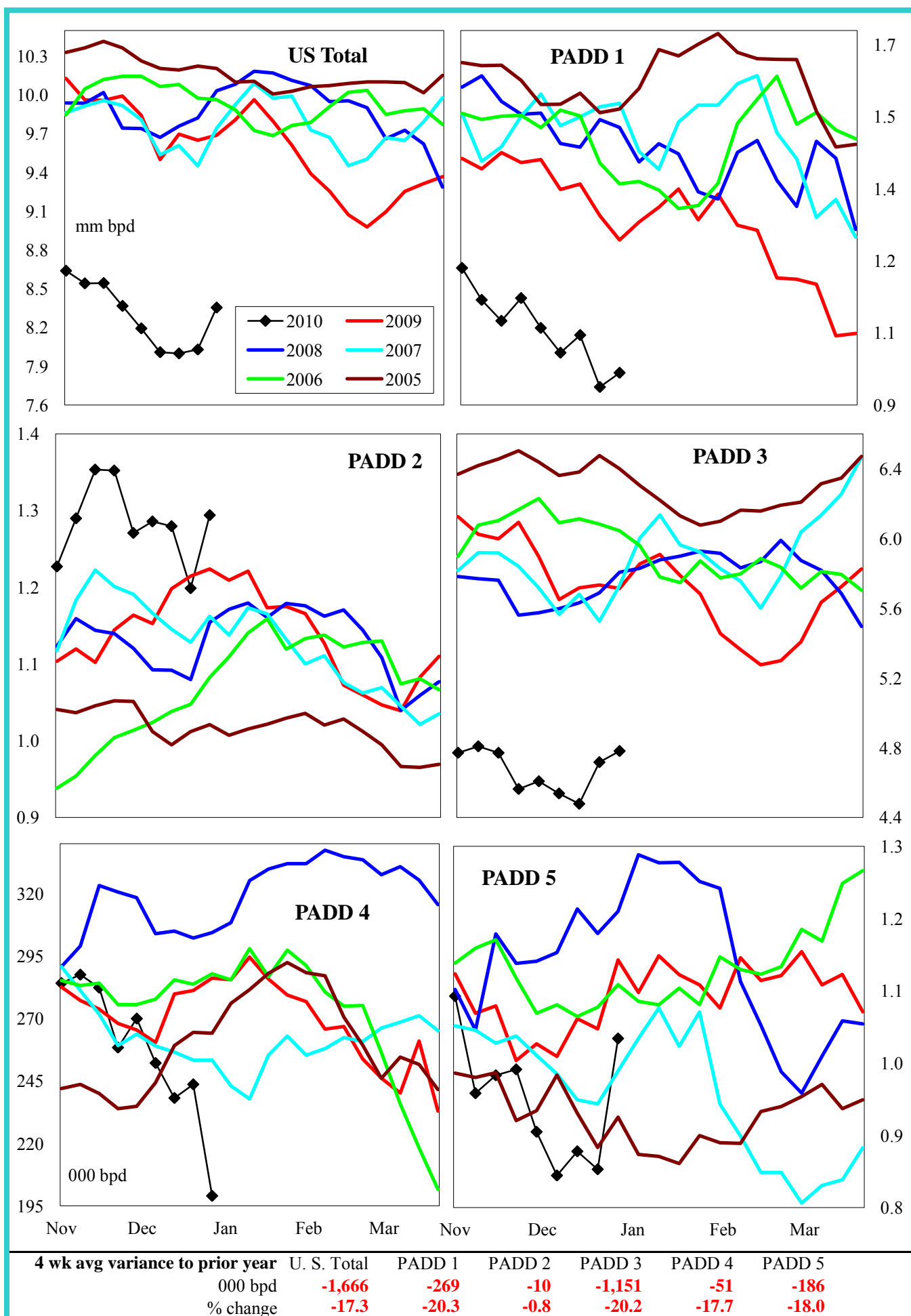
United States Refinery Percent Utilization Rate and Product Yields



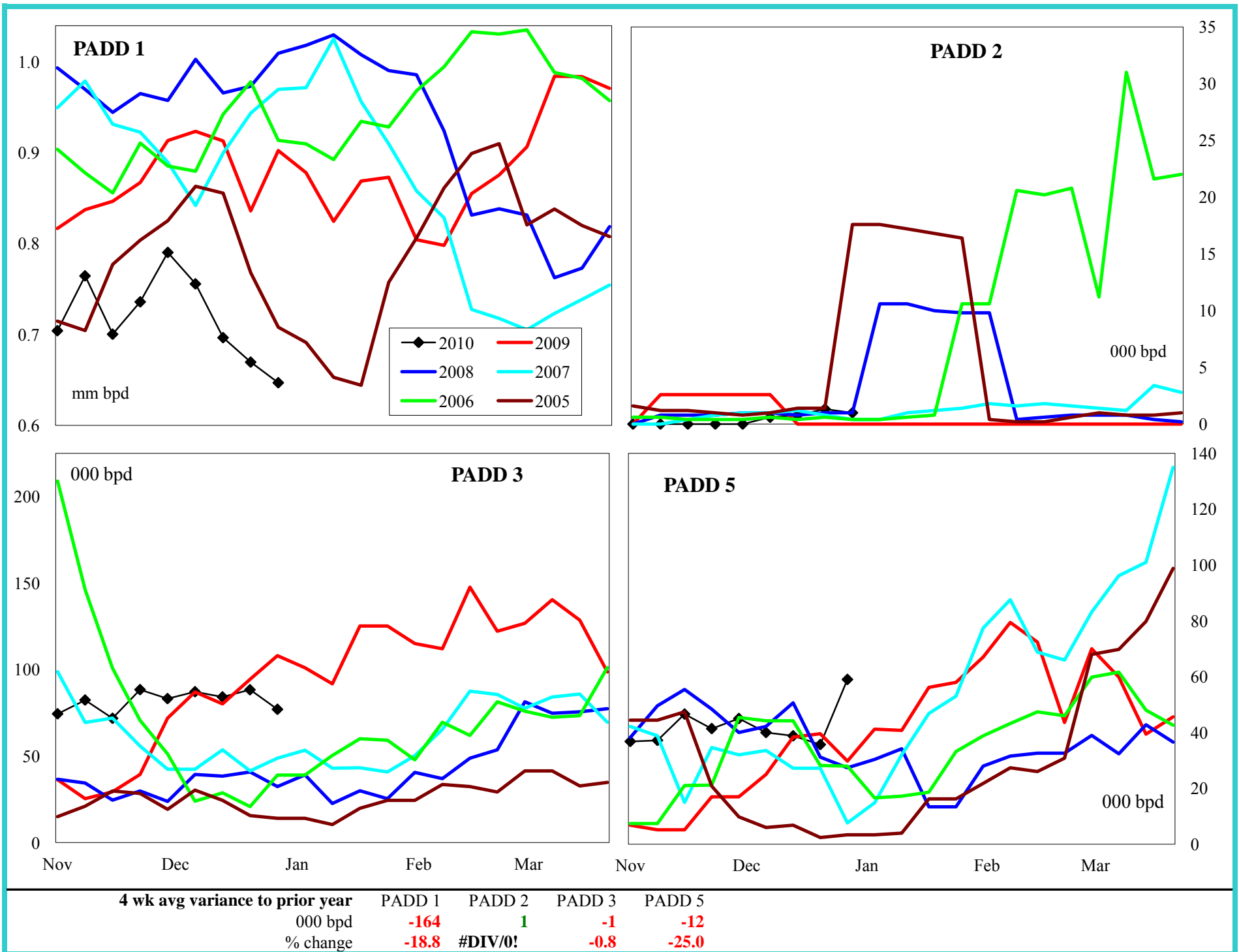
United States Petroleum Imports



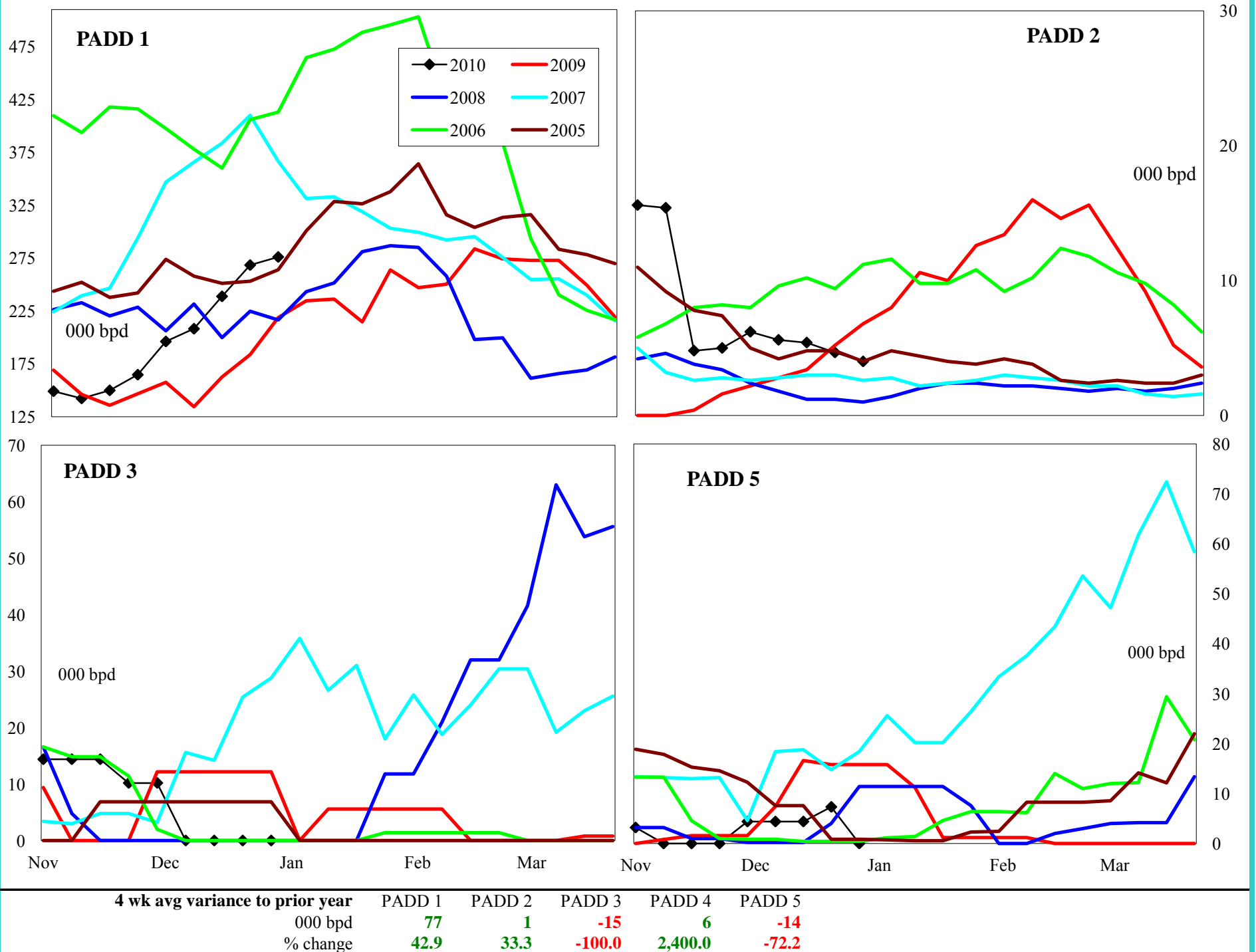
Crude Oil Imports by PADD



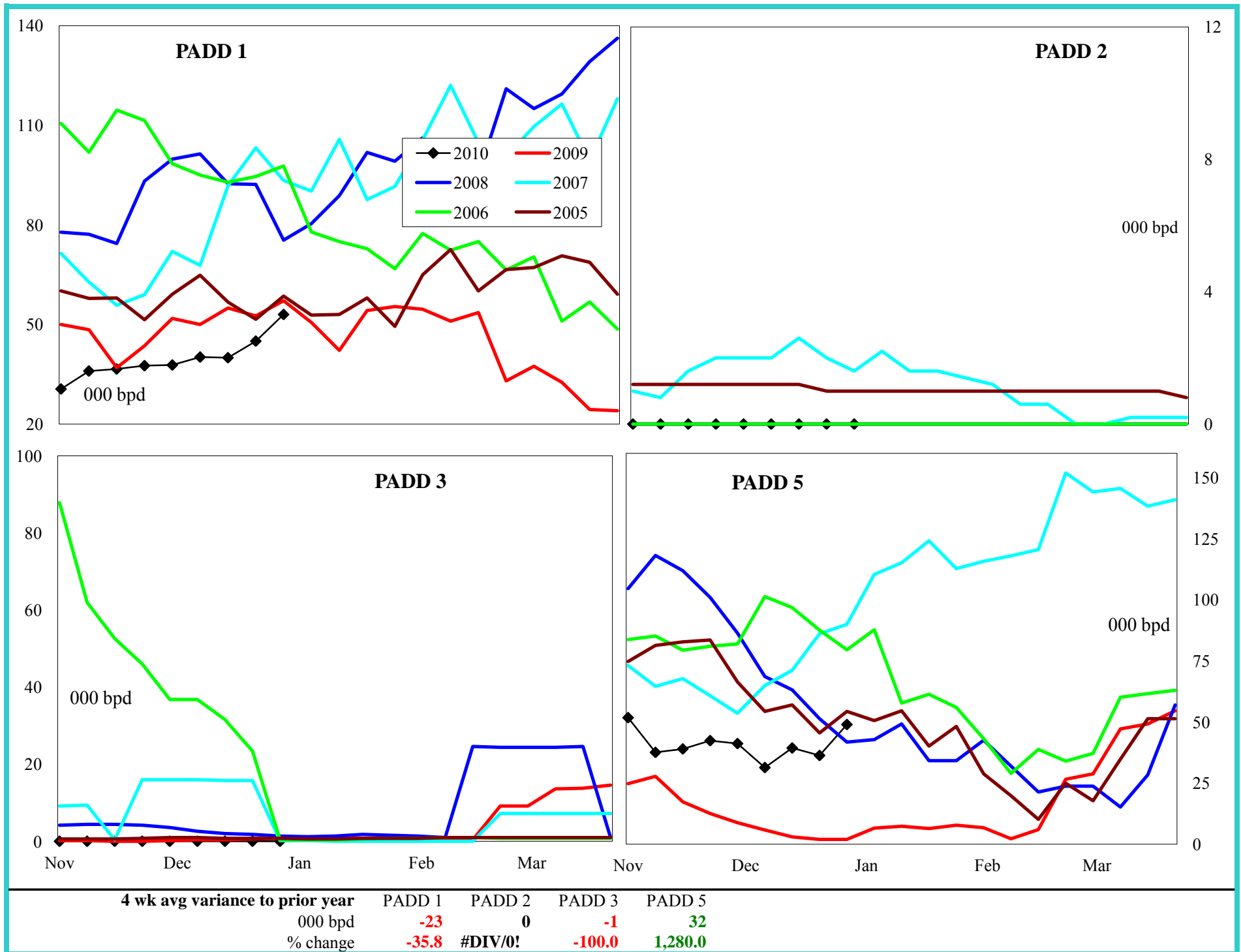
Gasoline Imports by PADD (Finished + Blend Stocks)



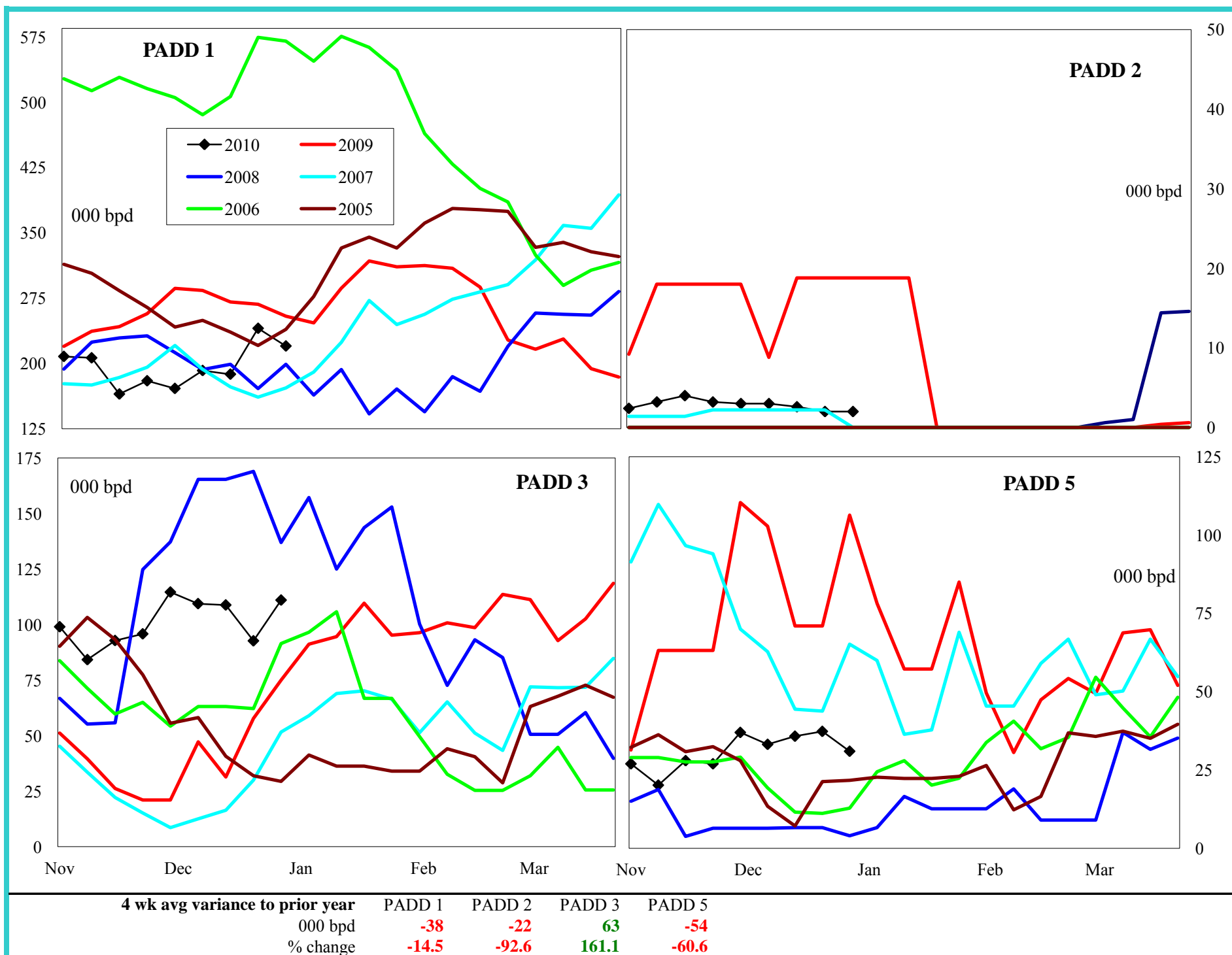
Distillate Imports by PADD



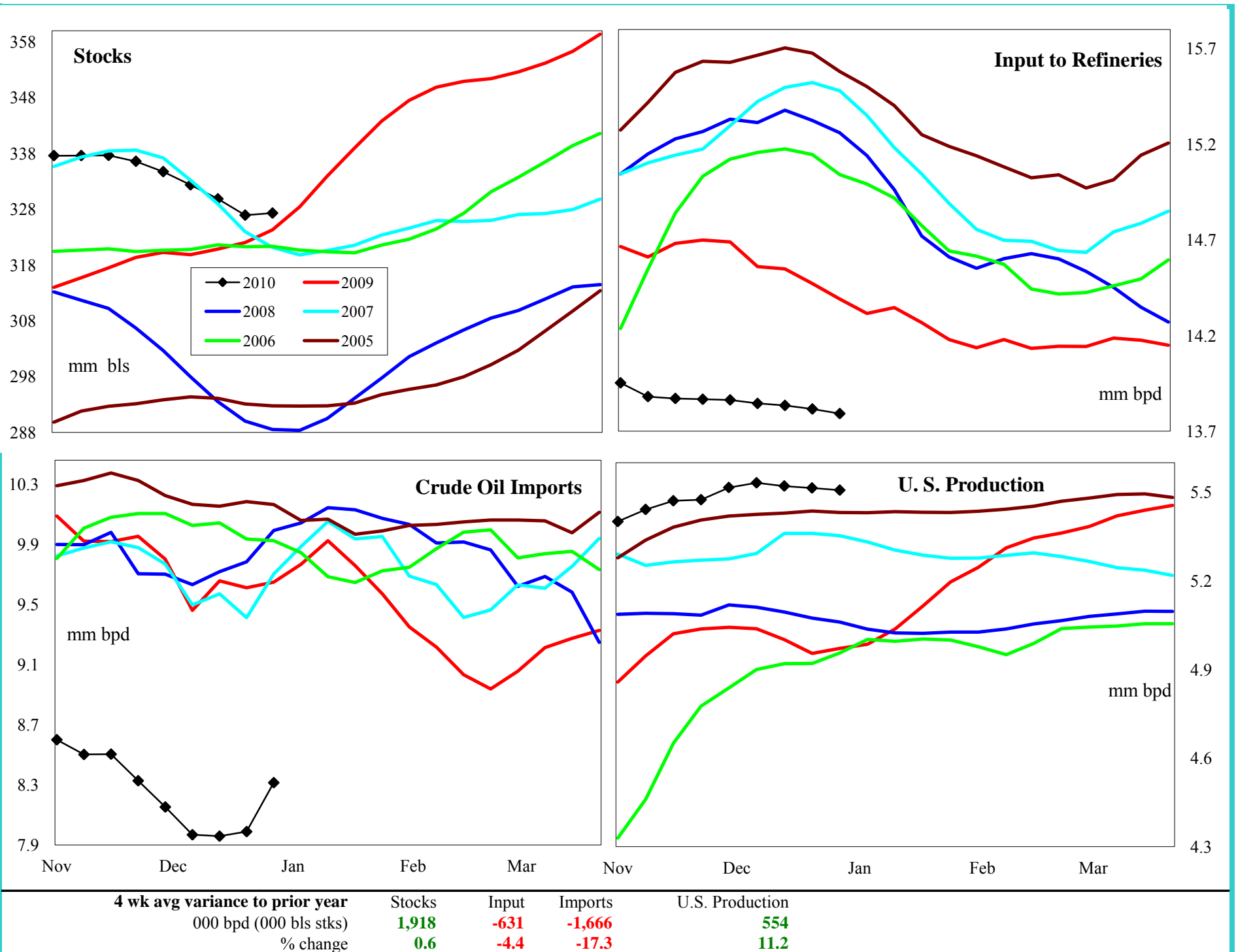
Jet Fuel Imports by PADD



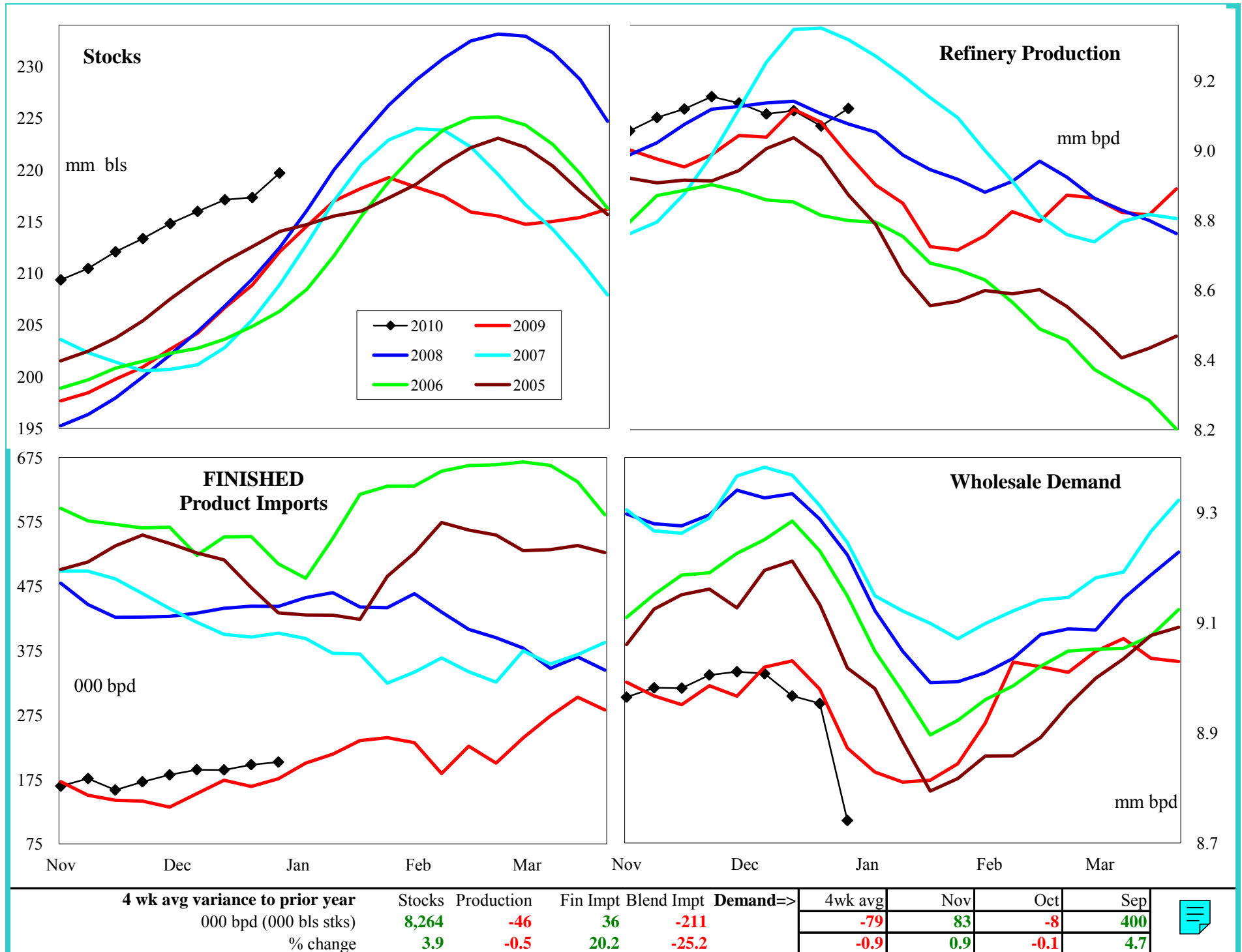
Residual Fuel Oil Imports by PADD



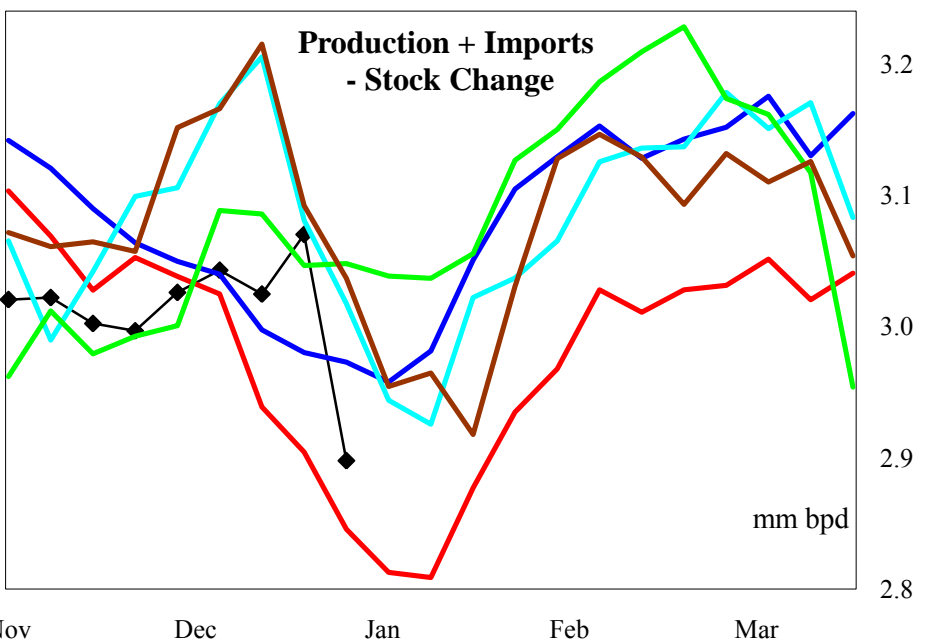
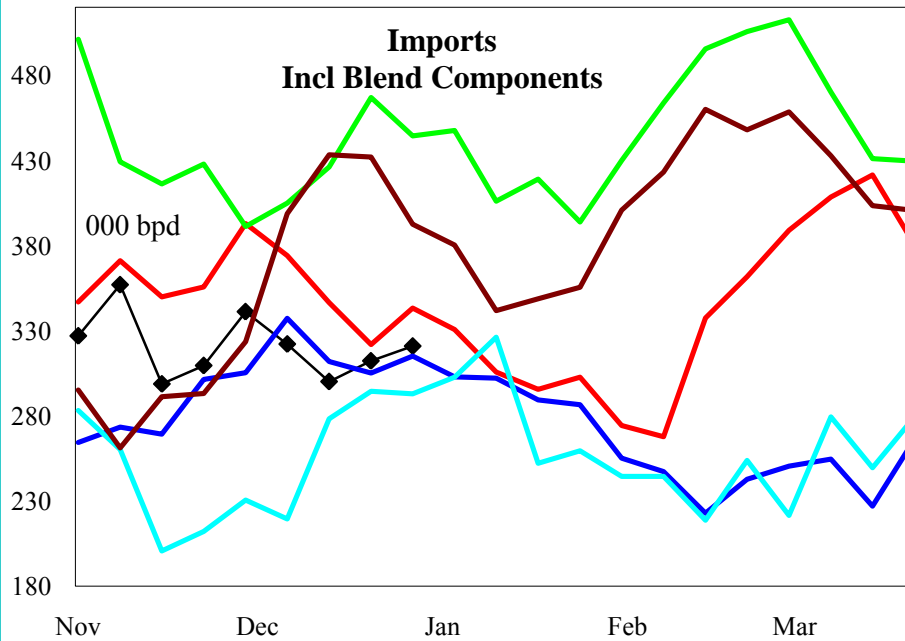
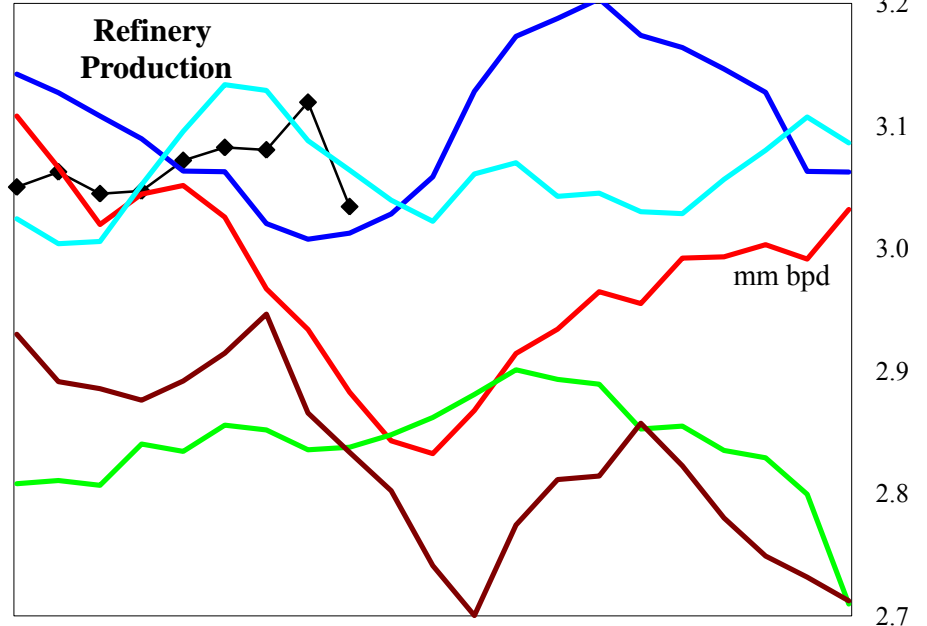
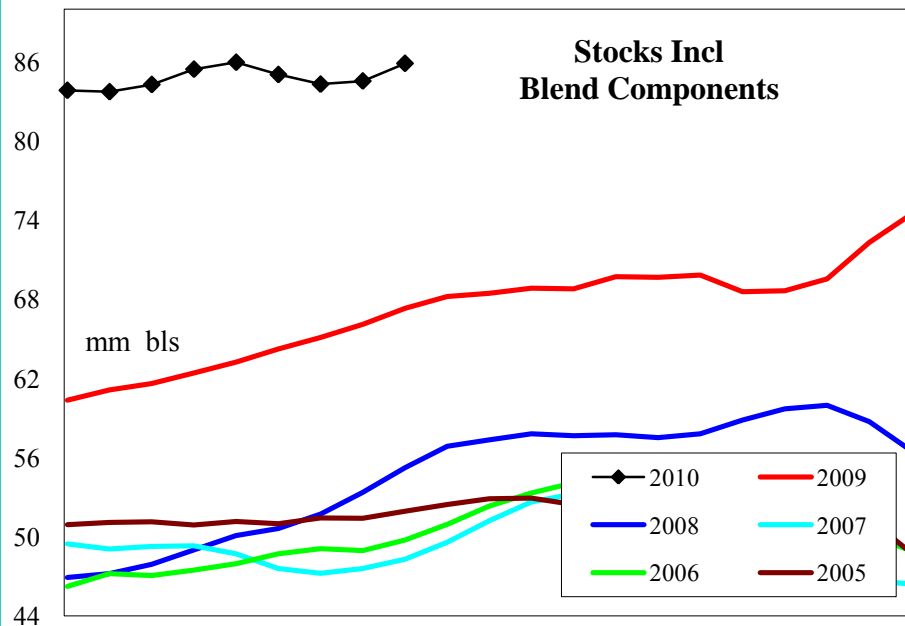
United States Crude Oil Supply and Demand Balance



United States Gasoline Supply and Demand Balance



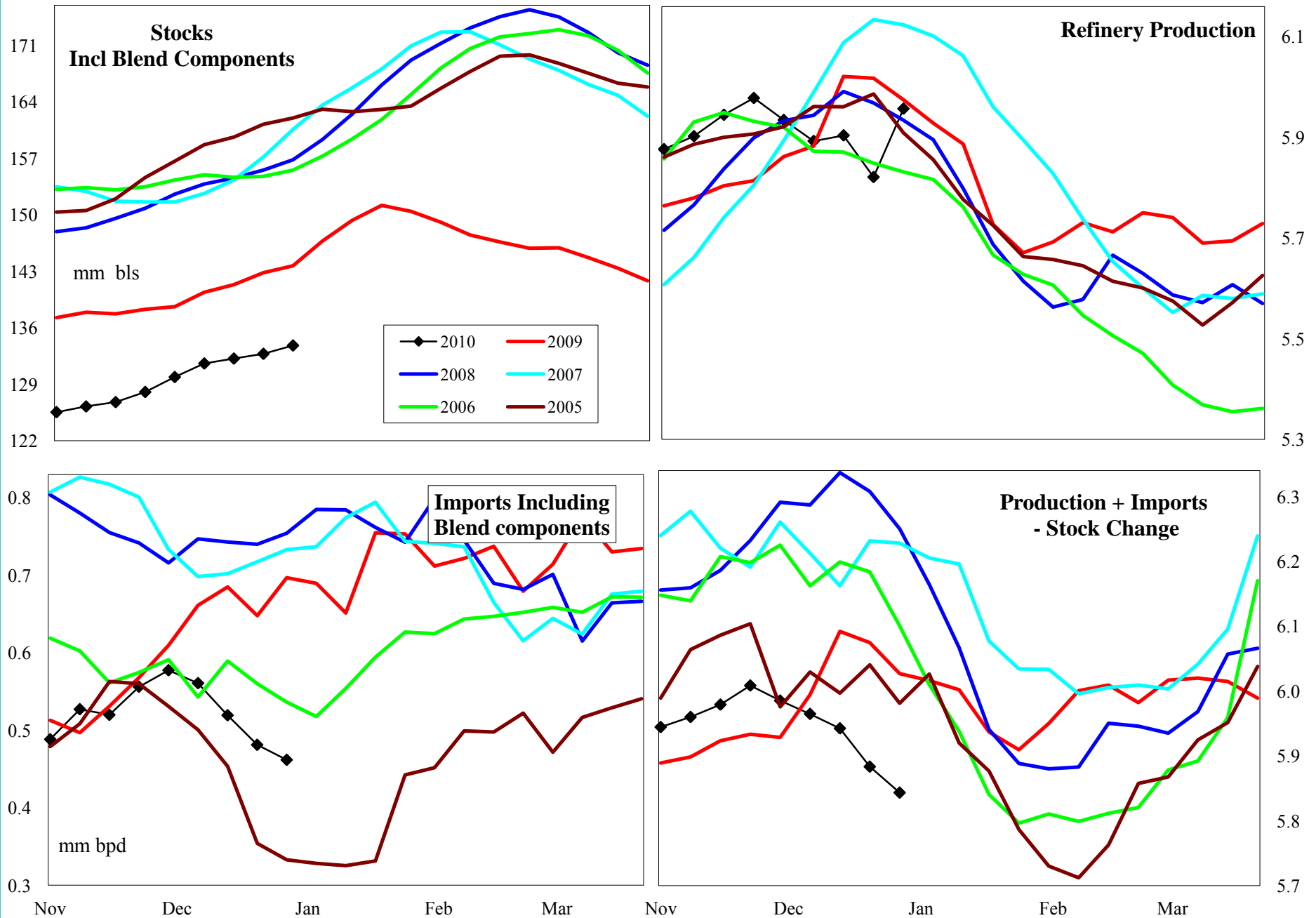
United States Reformulated Gasoline Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
18,567	136	-33	80
27.6	4.5	-9.4	2.7

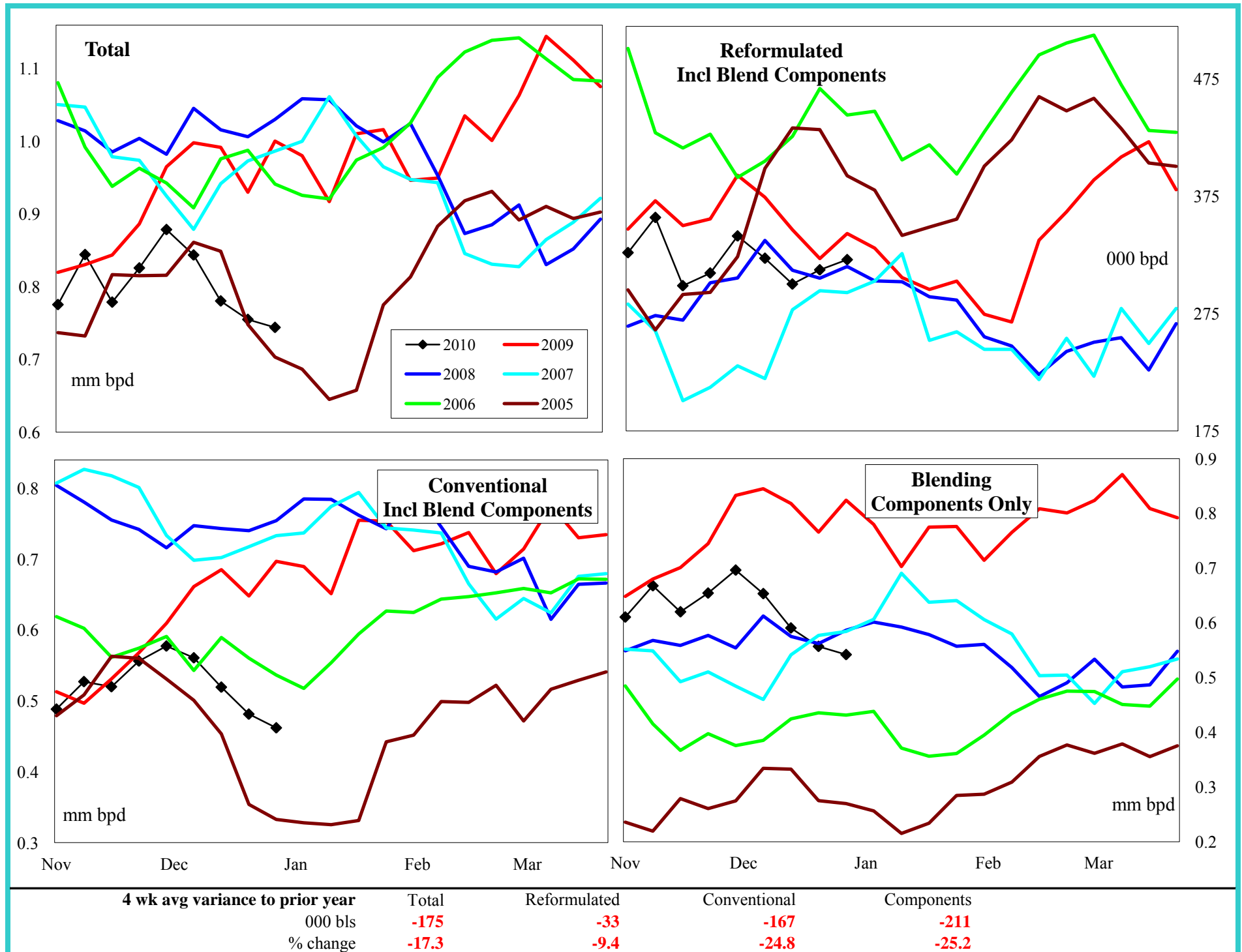
United States Conventional Gasoline Supply



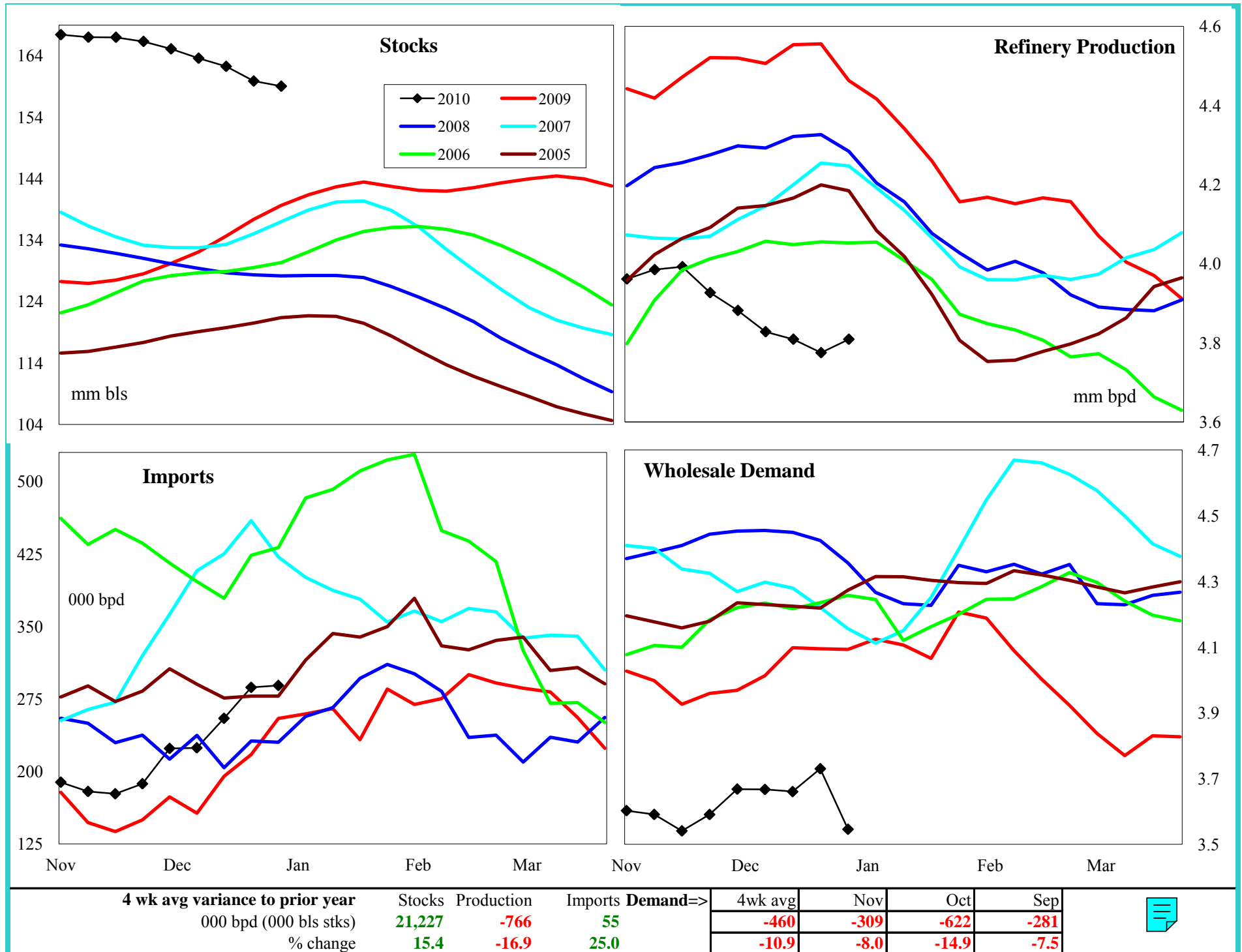
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
-9,881	-182	-167	-139
-6.9	-3.0	-24.8	-2.3

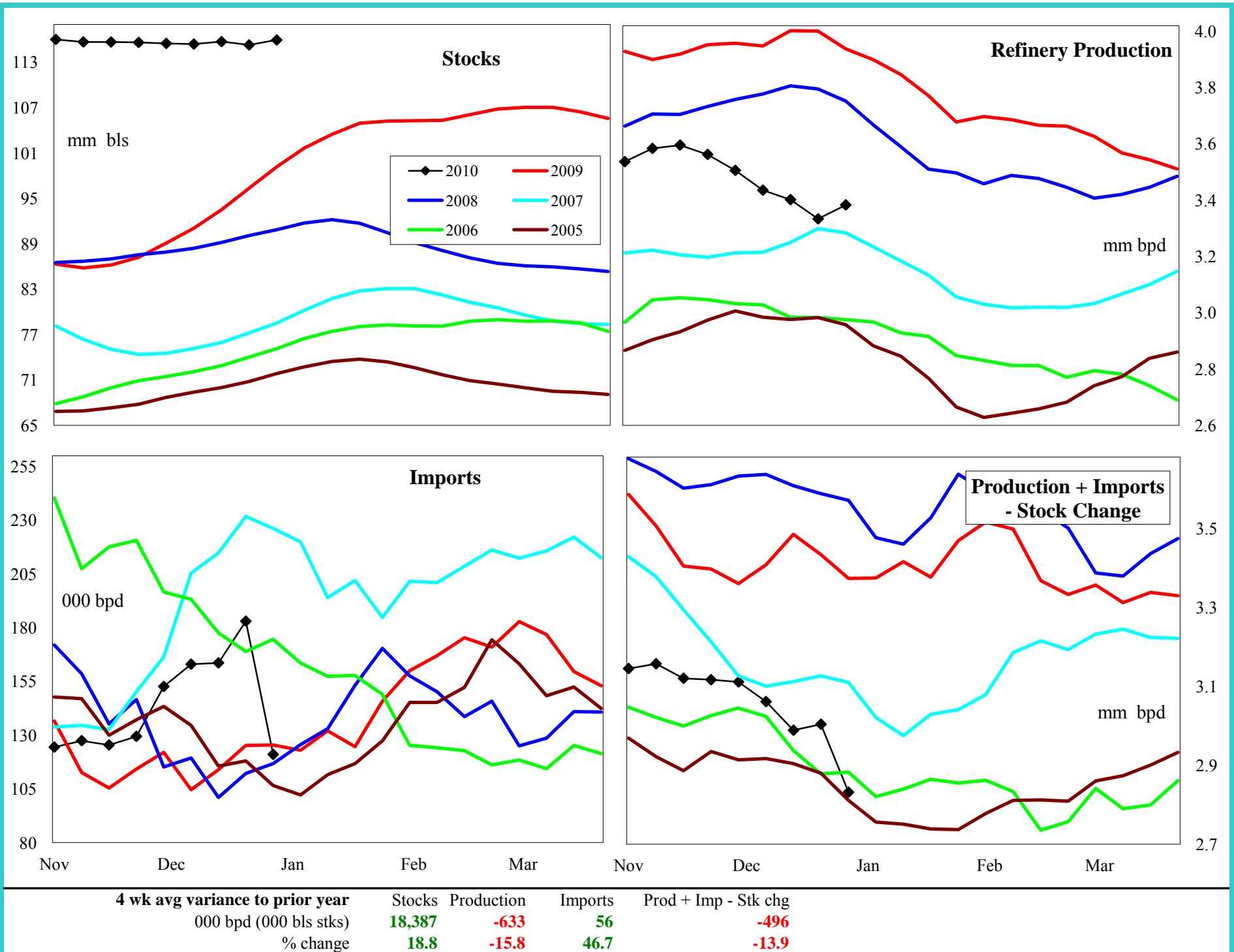
United States Gasoline Imports by Type



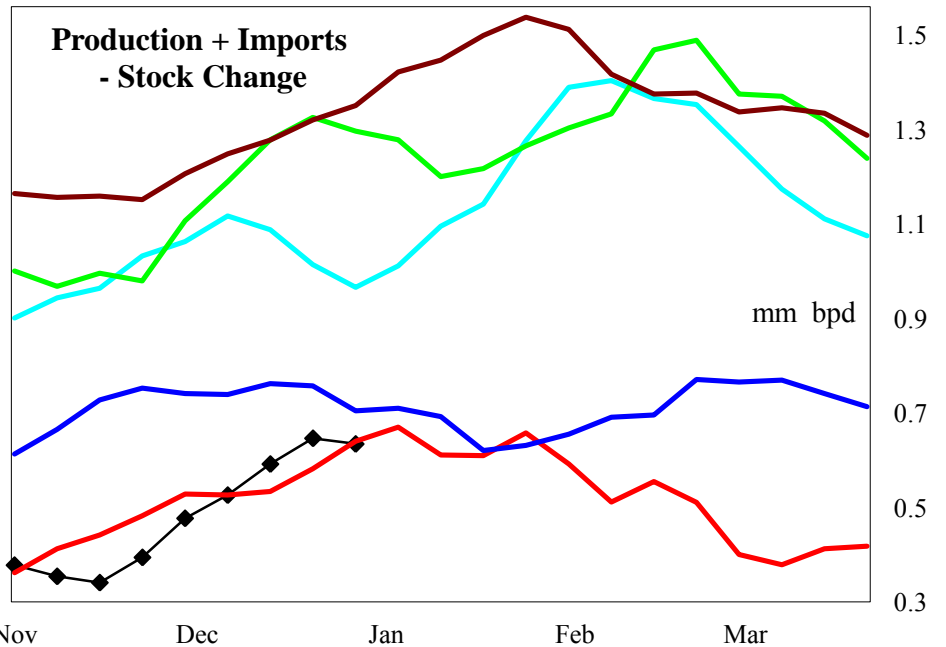
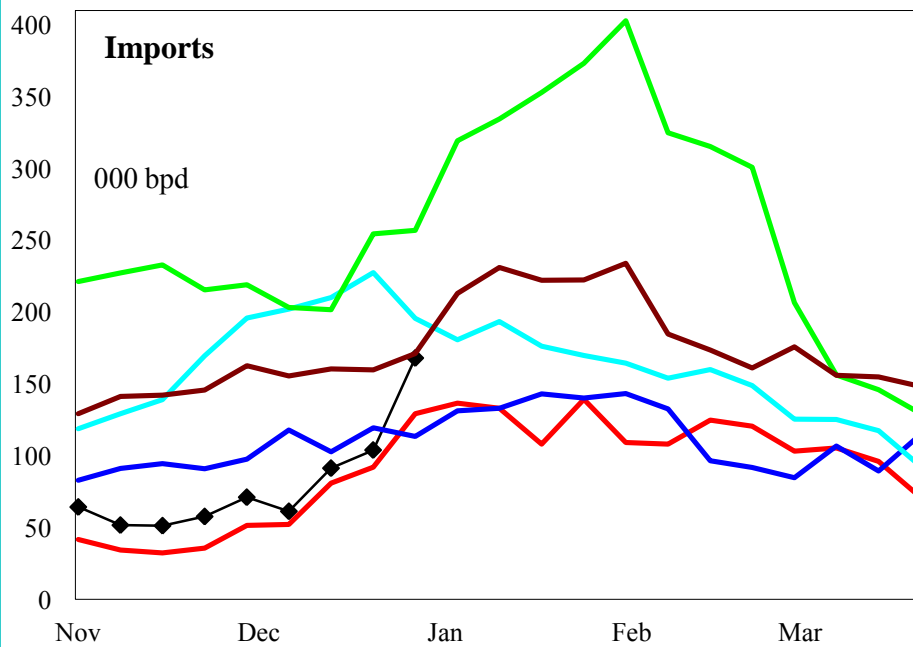
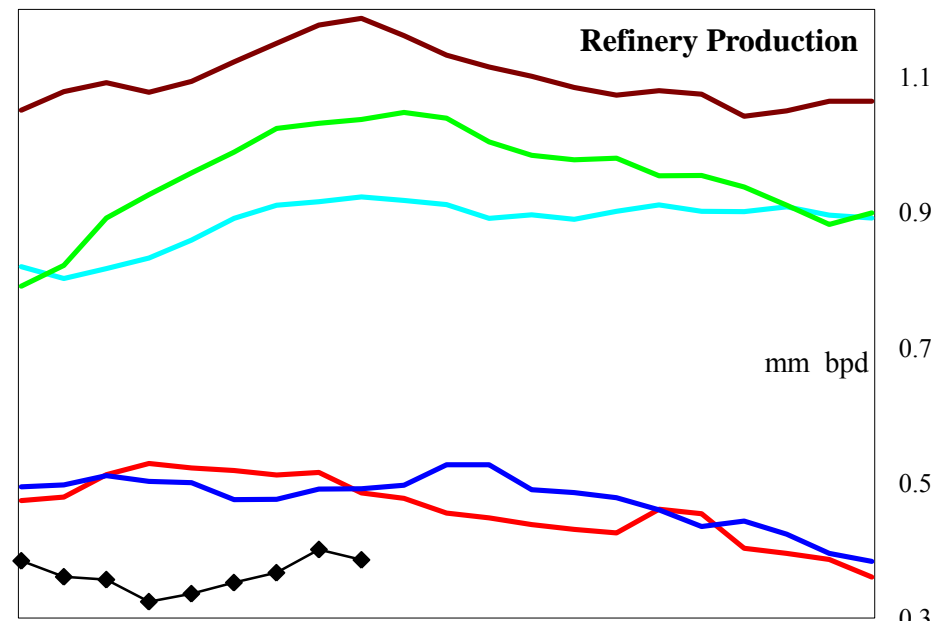
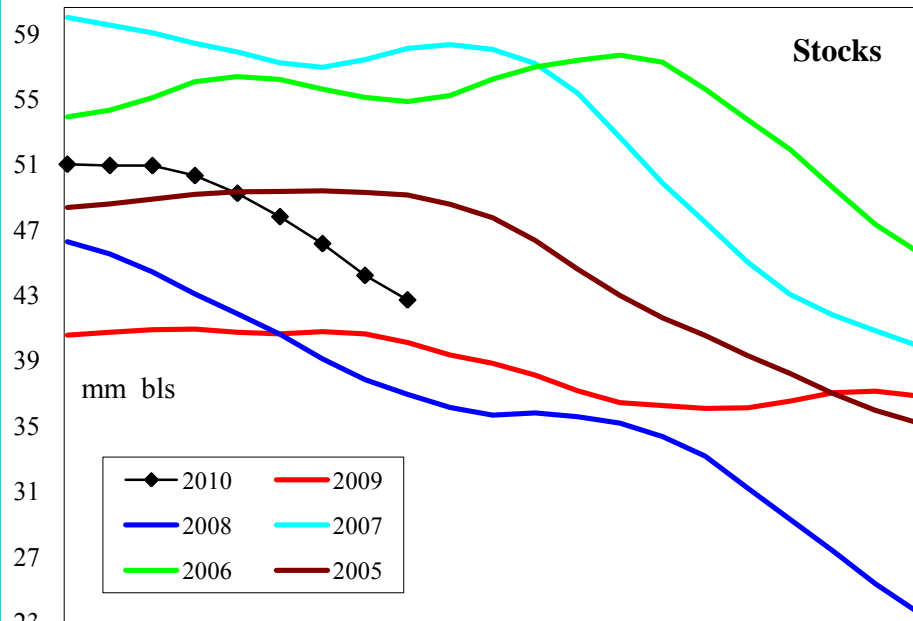
United States Distillate Supply and Demand Balance



United States Low Sulfur Distillate Supply



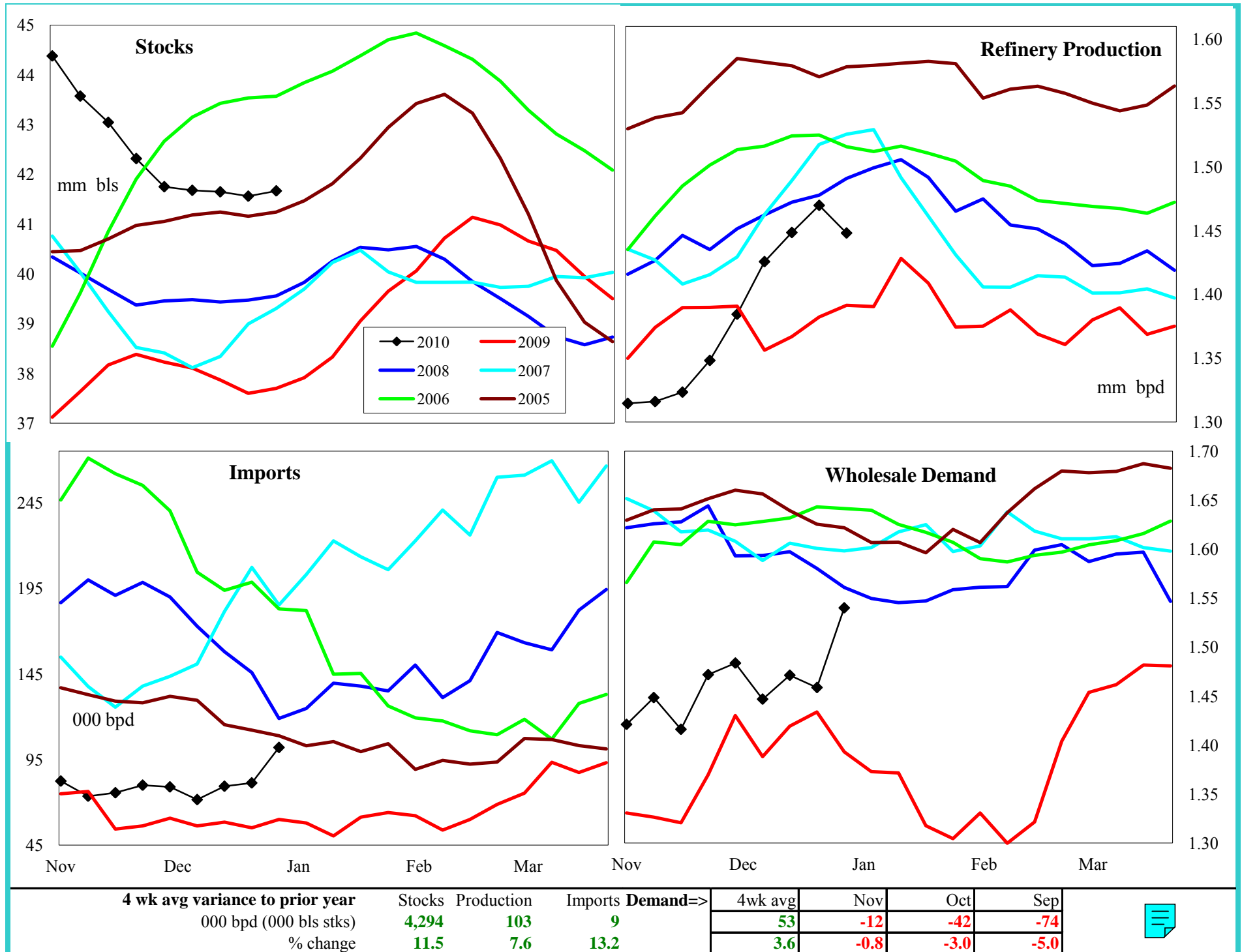
United States High Sulfur Distillate Supply

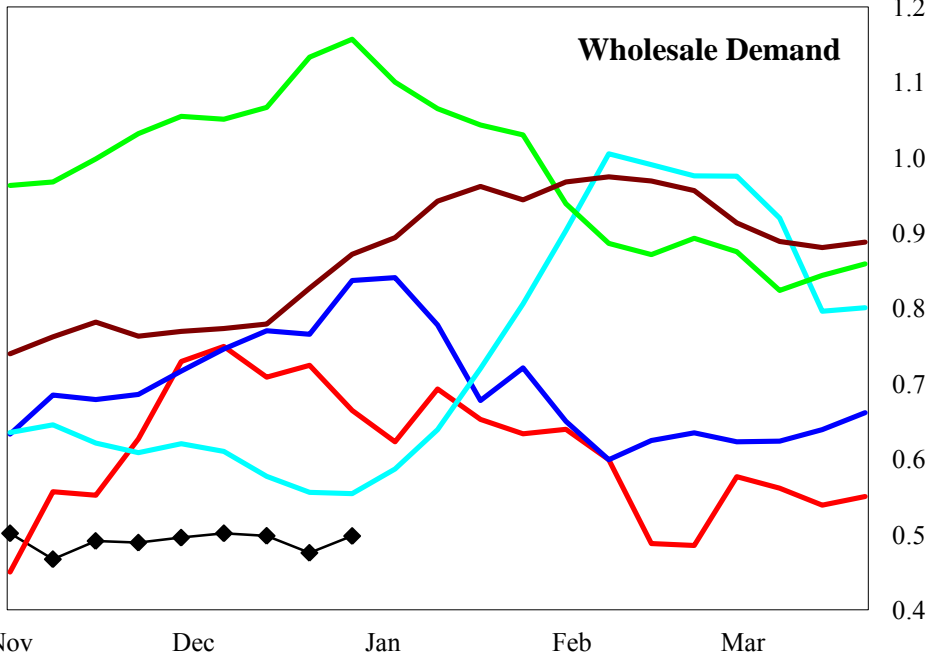
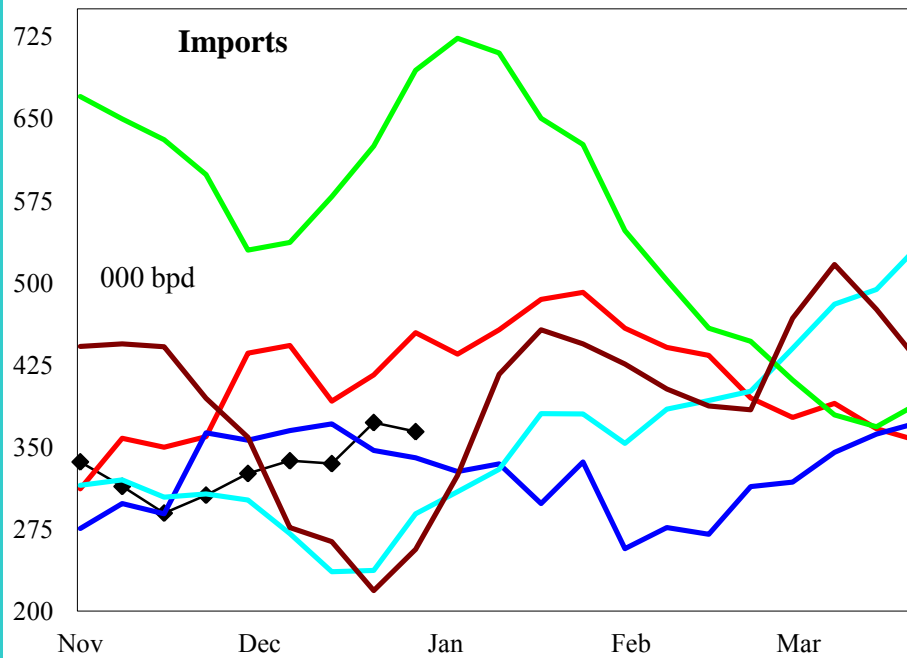
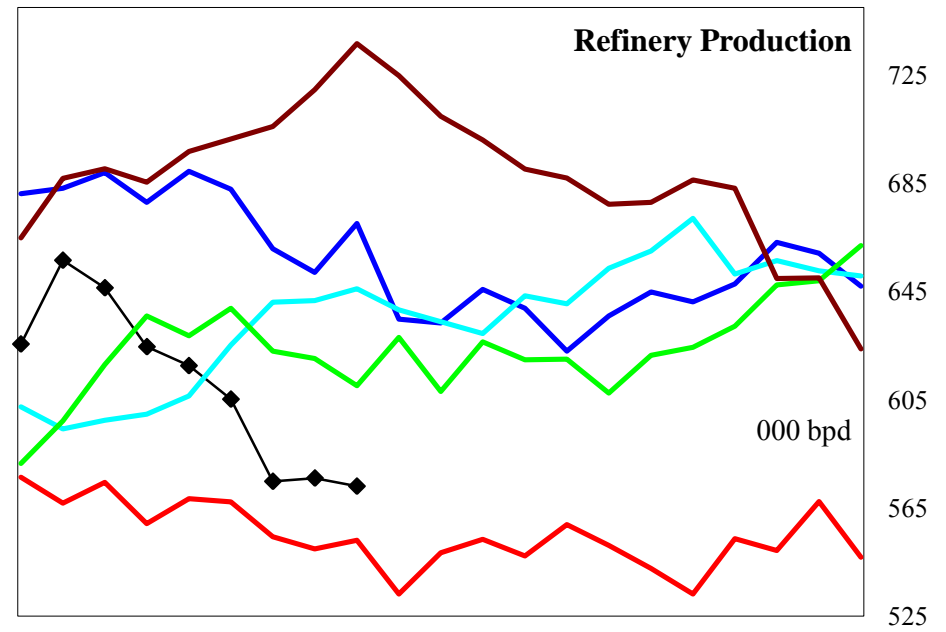
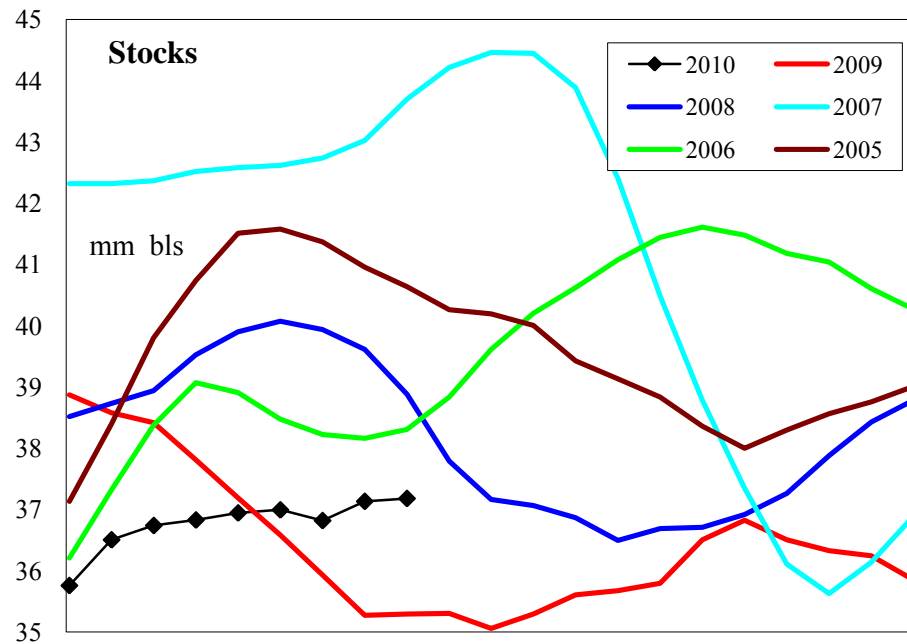


4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

	Stocks	Production	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	2,840	-133	-1	36
% change	7.1	-24.8	-1.0	5.8

United States Jet Fuel Supply and Demand Balance





4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

3,303

9.7

Production

25

4.6

Imports Demand=>

-50

-12.1

4wk avg

-316

-40.5

Nov

-41

-7.9

Oct

-4

-0.7

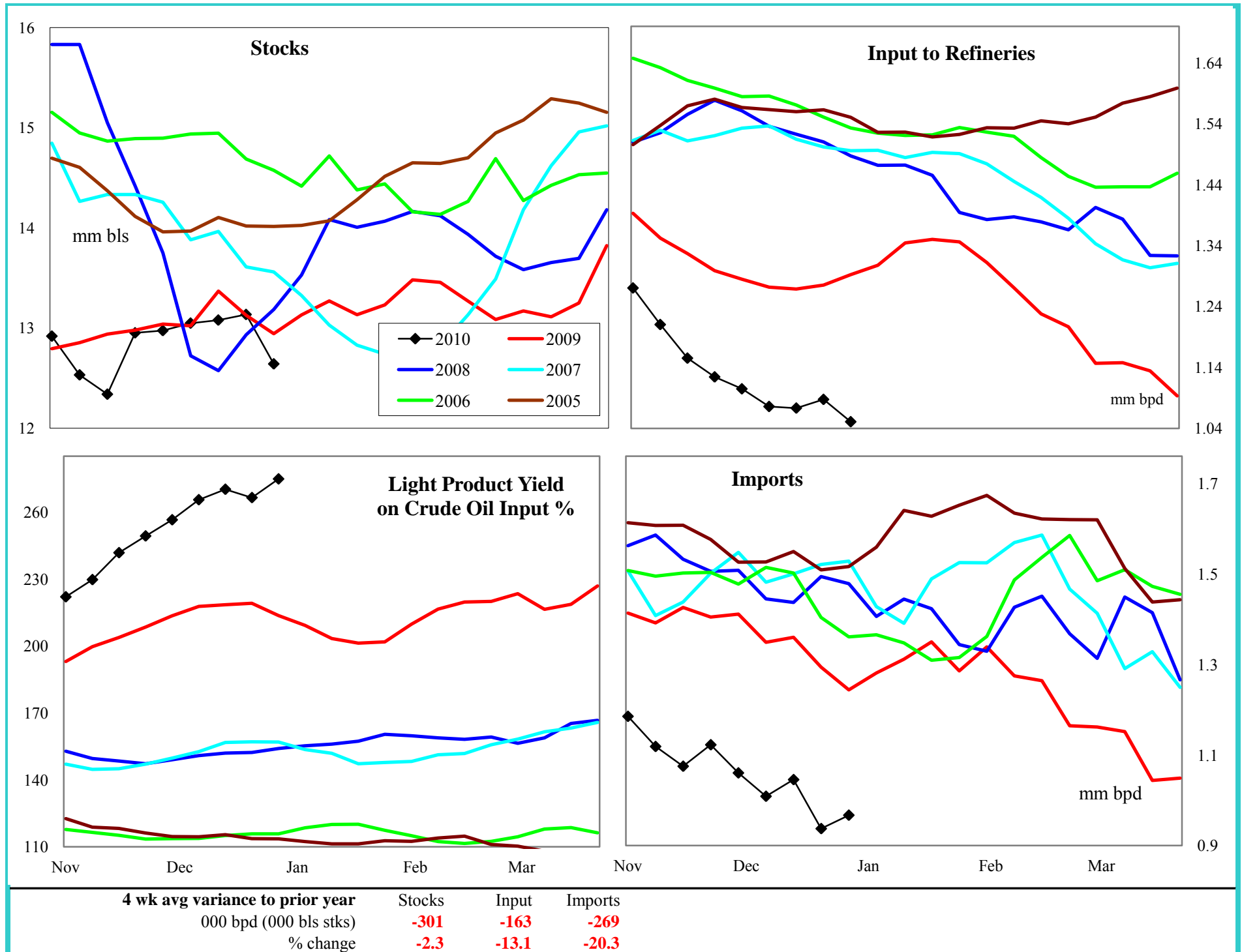
Sep

-179

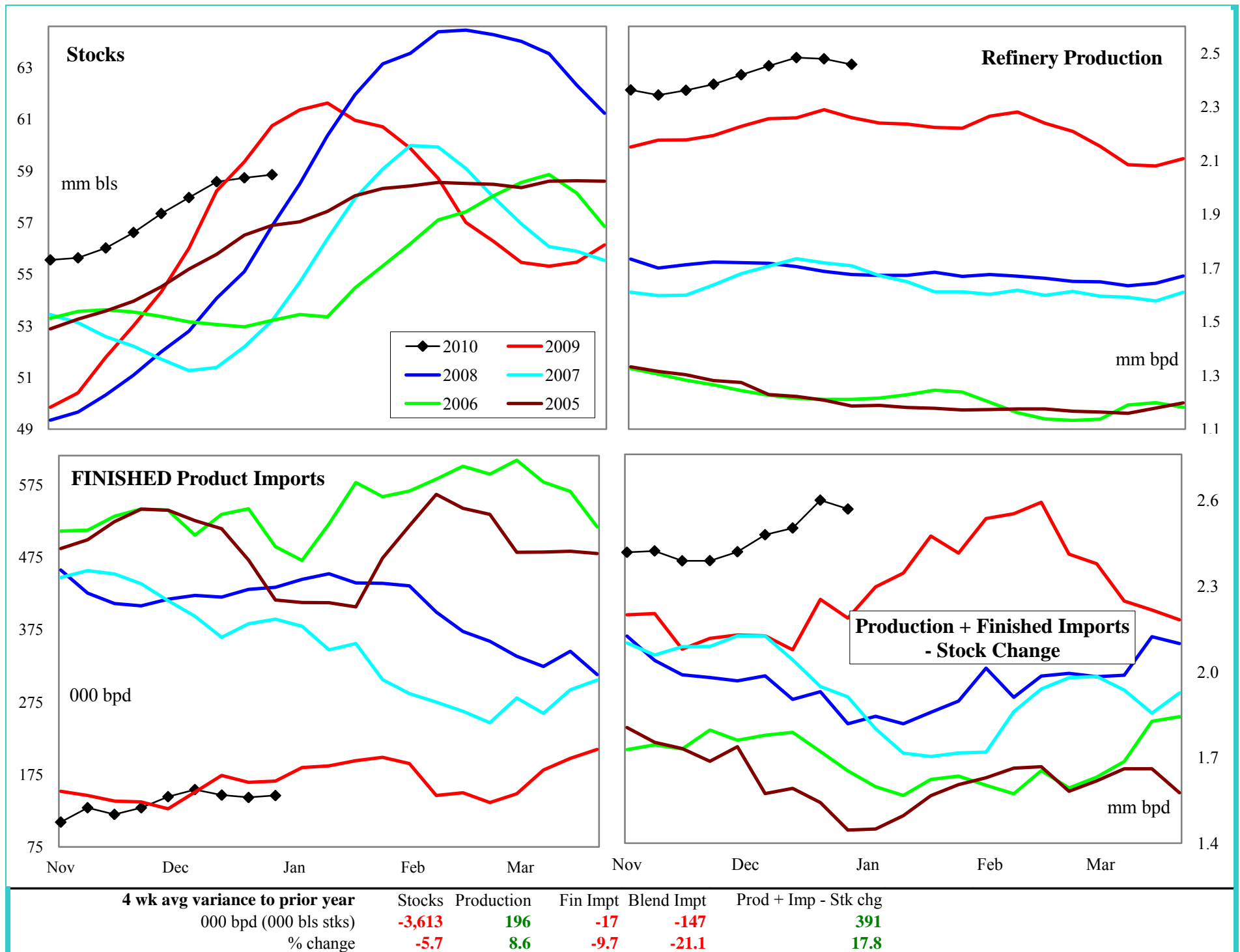
-34.4



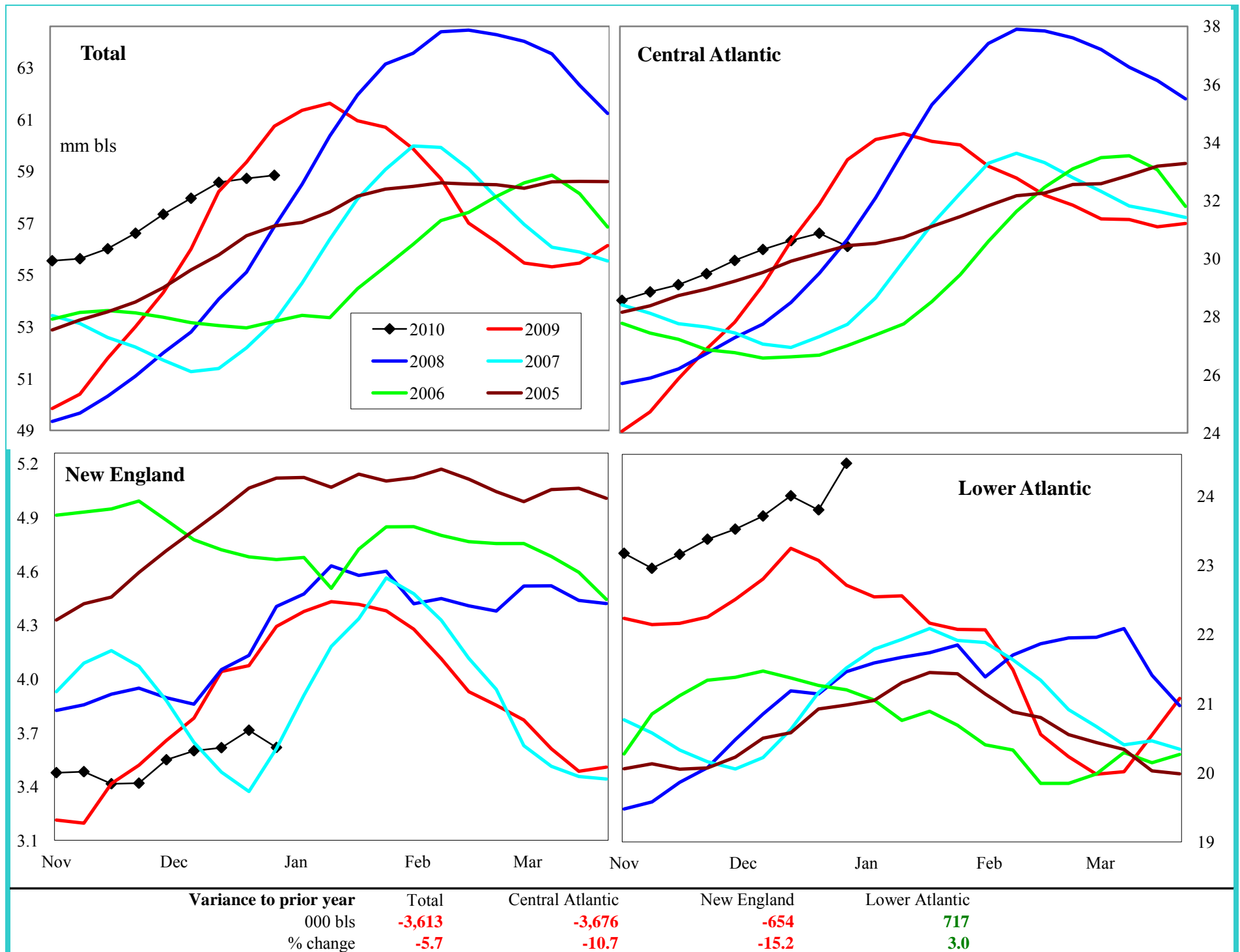
PADD 1 Crude Oil Supply and Refining



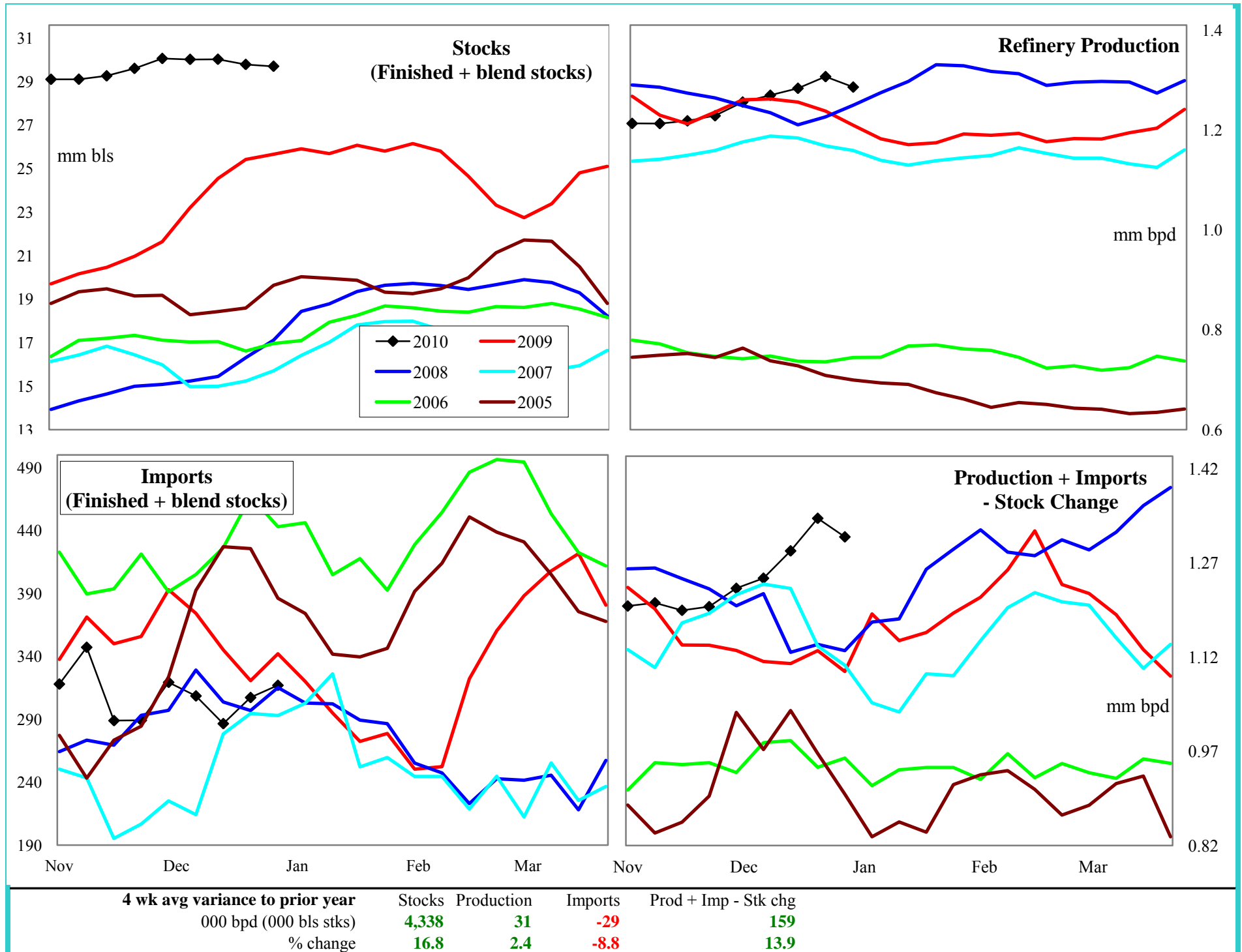
PADD 1 Gasoline Supply



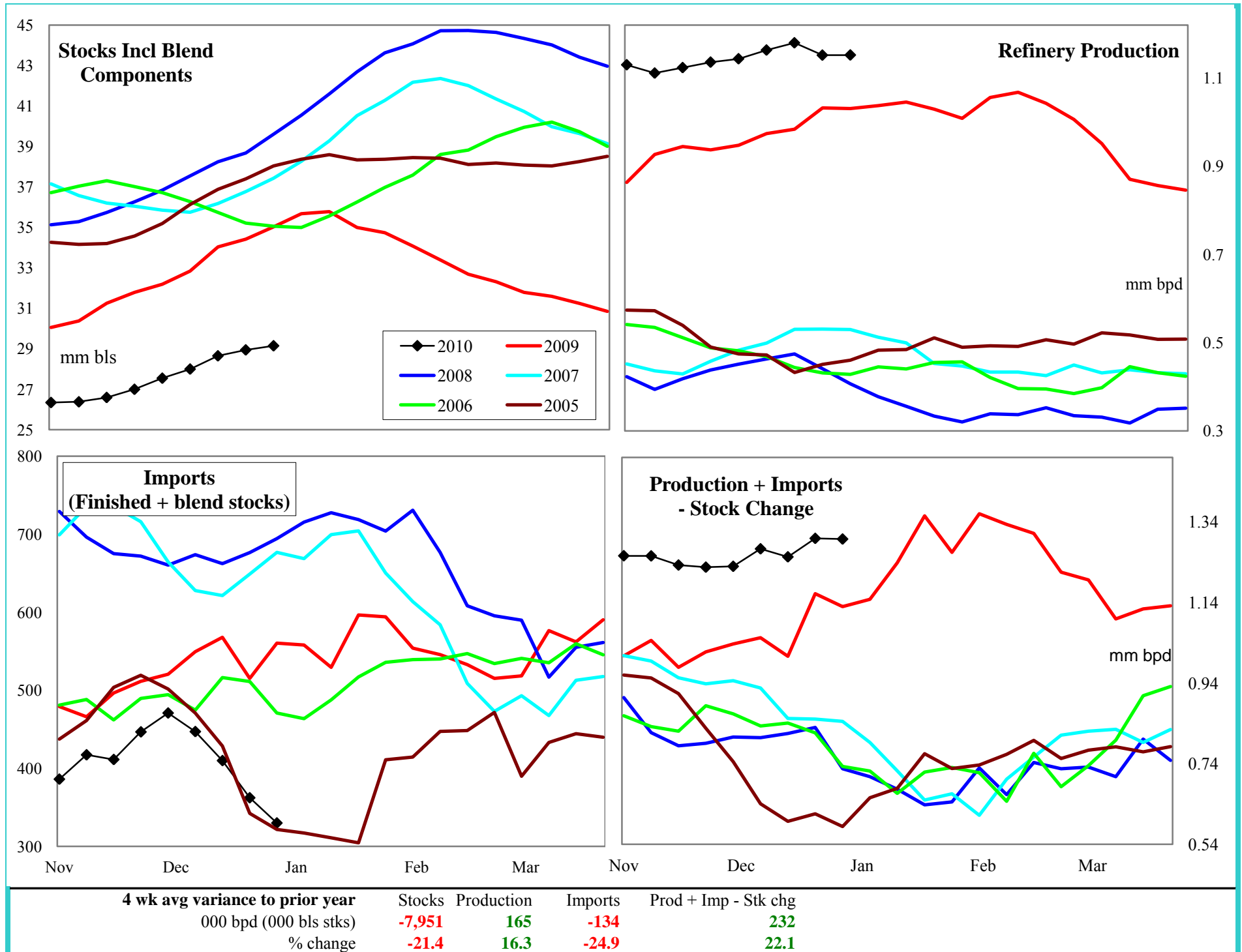
PADD 1 Gasoline Stocks by Region



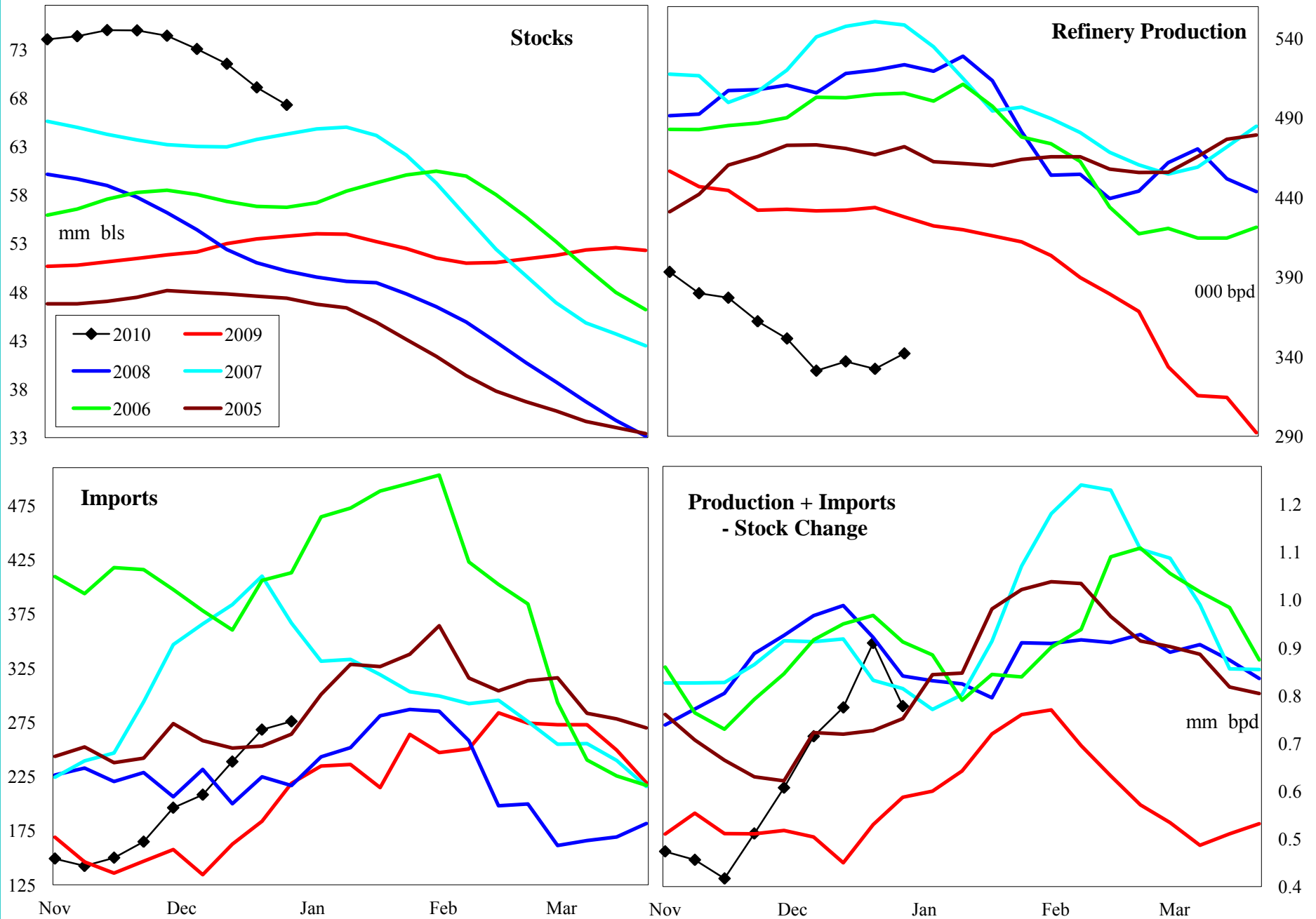
PADD 1 Reformulated Gasoline Supply



PADD 1 Conventional Gasoline Supply



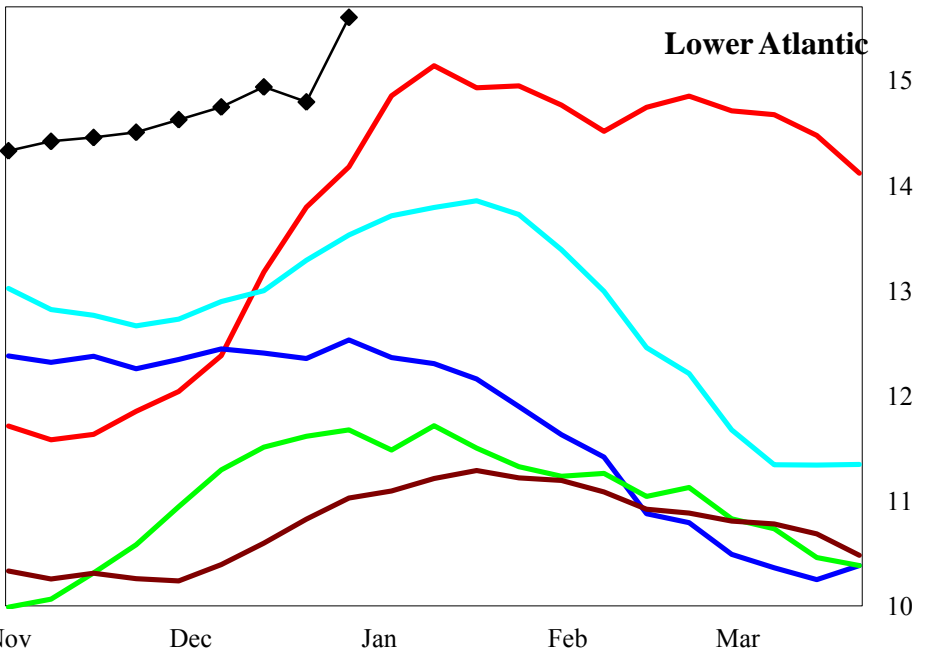
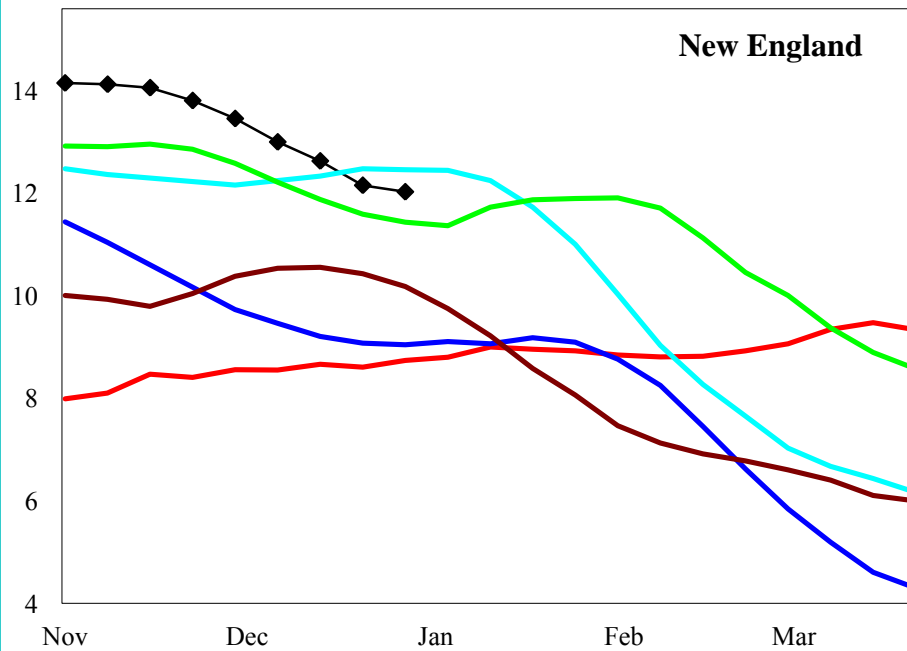
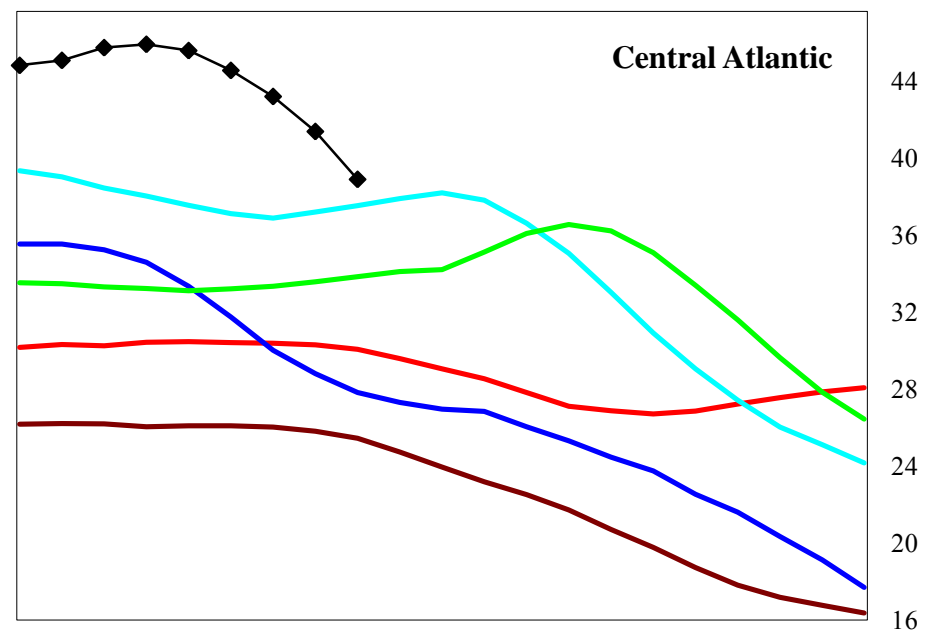
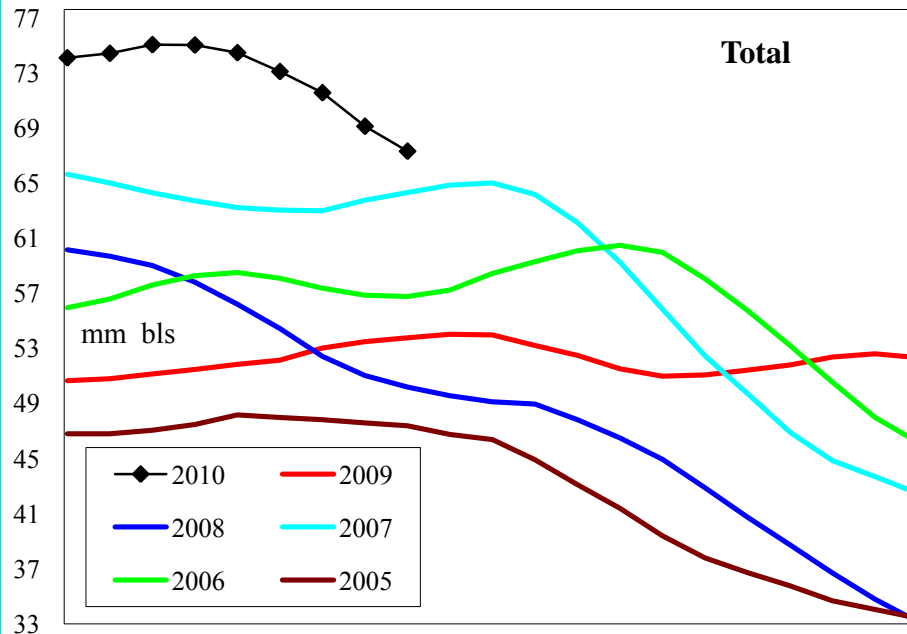
PADD 1 Distillate Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
13,389	-92	77	367
24.6	-21.4	42.9	67.7

PADD 1 Distillate Stocks by Region



Variance to prior year

000 bbls

% change

Total

13,389

24.6

Central Atlantic

9,809

33.3

New England

3,078

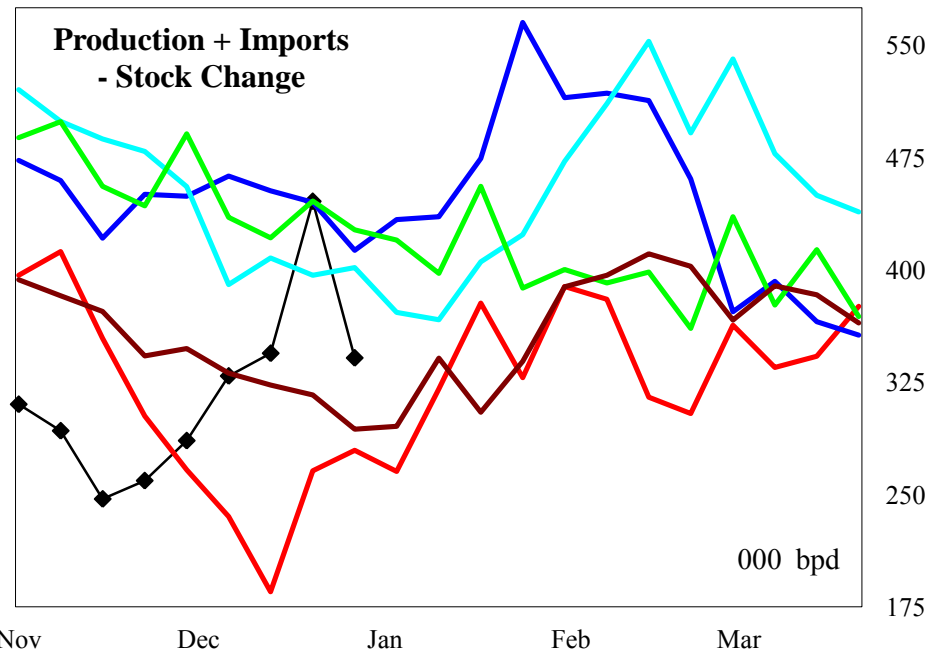
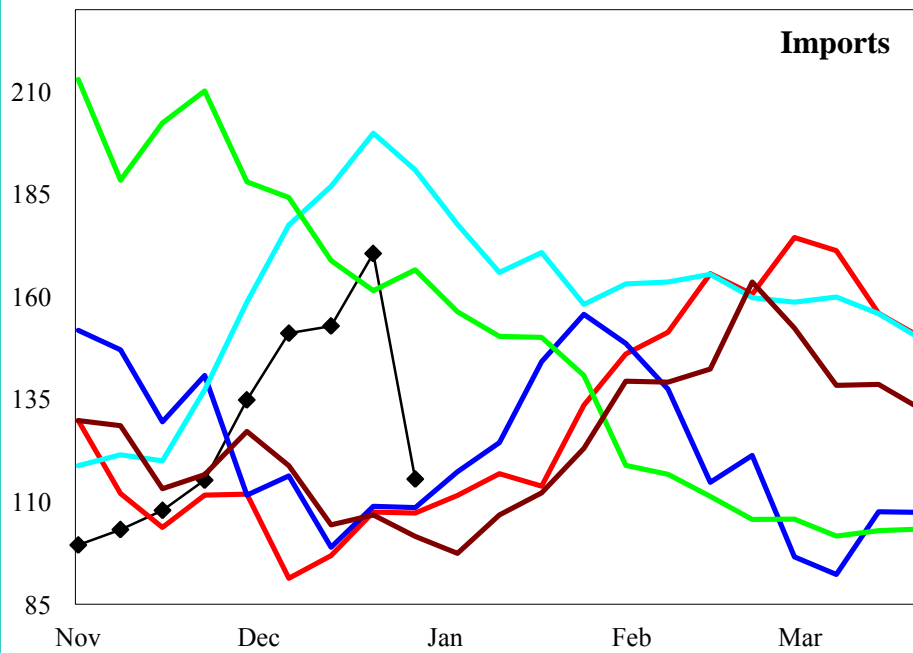
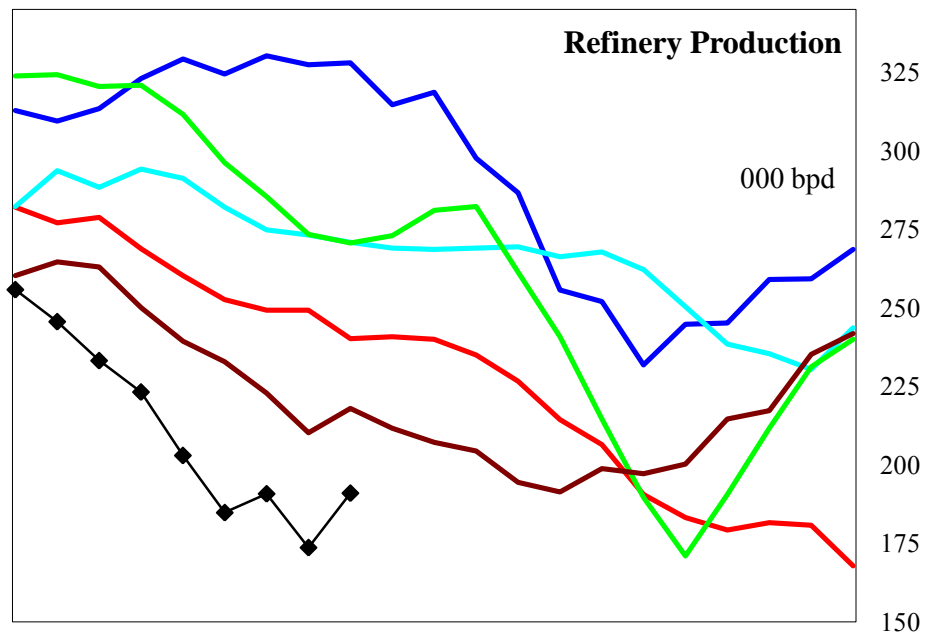
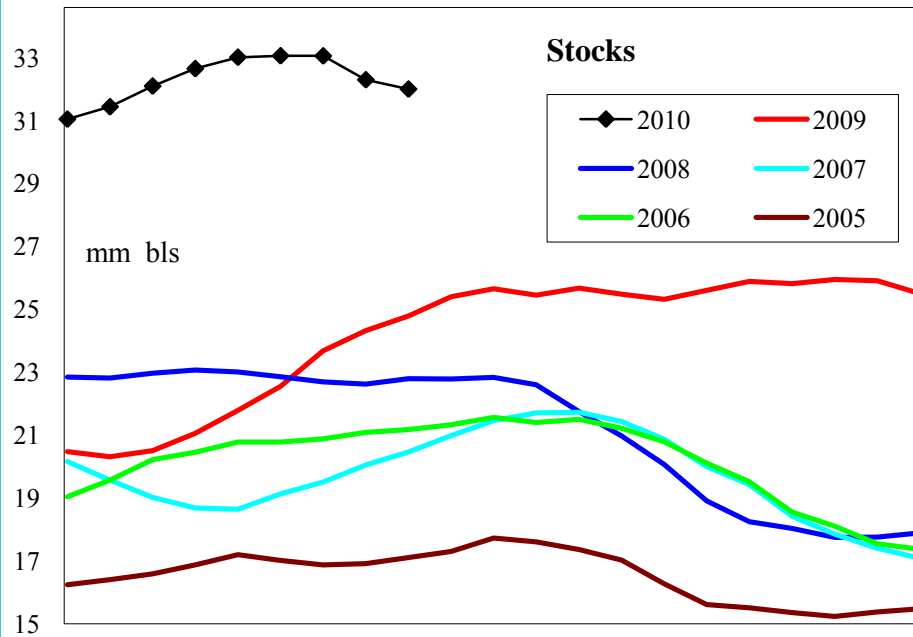
32.9

Lower Atlantic

502

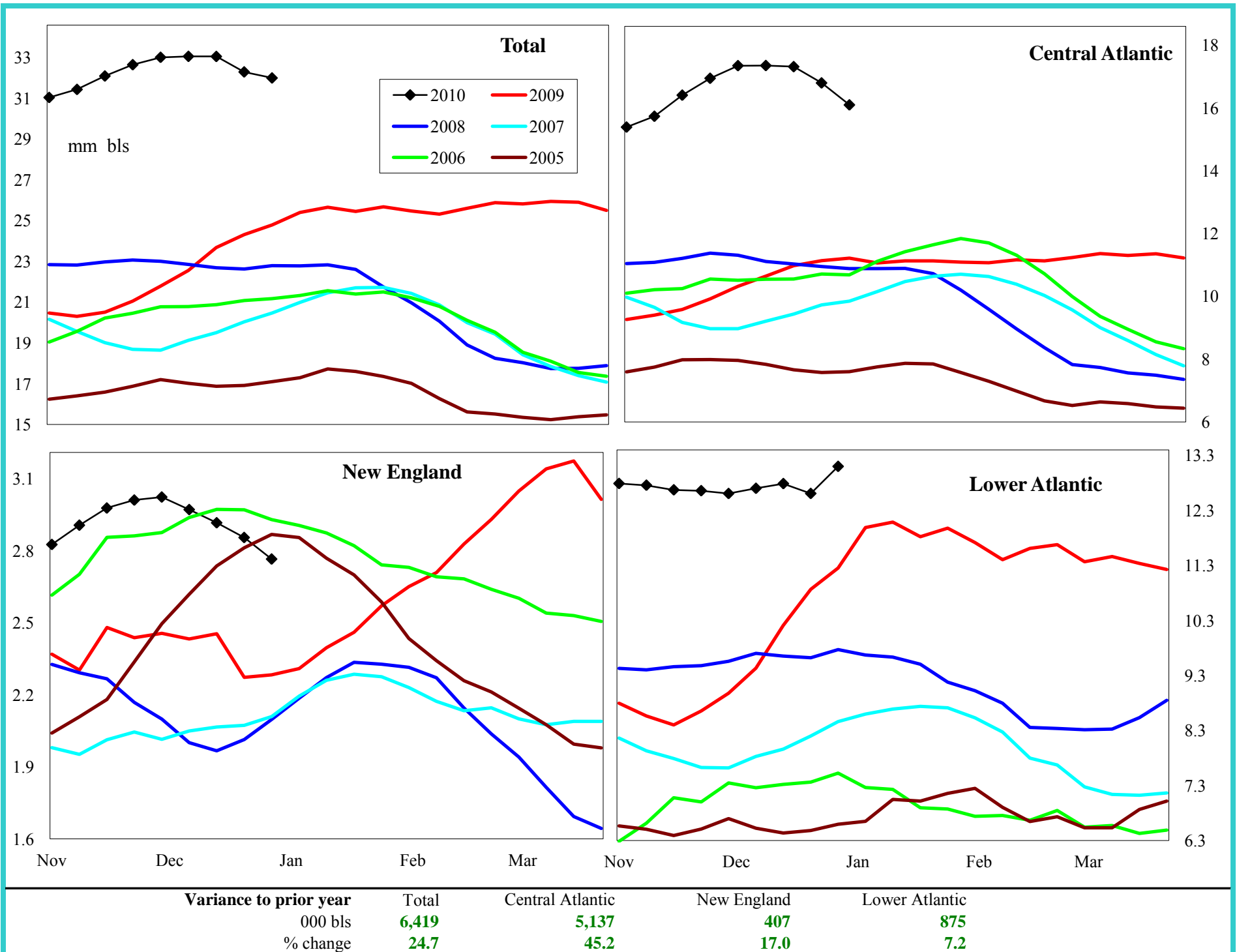
3.2

PADD 1 Low Sulfur Distillate Supply

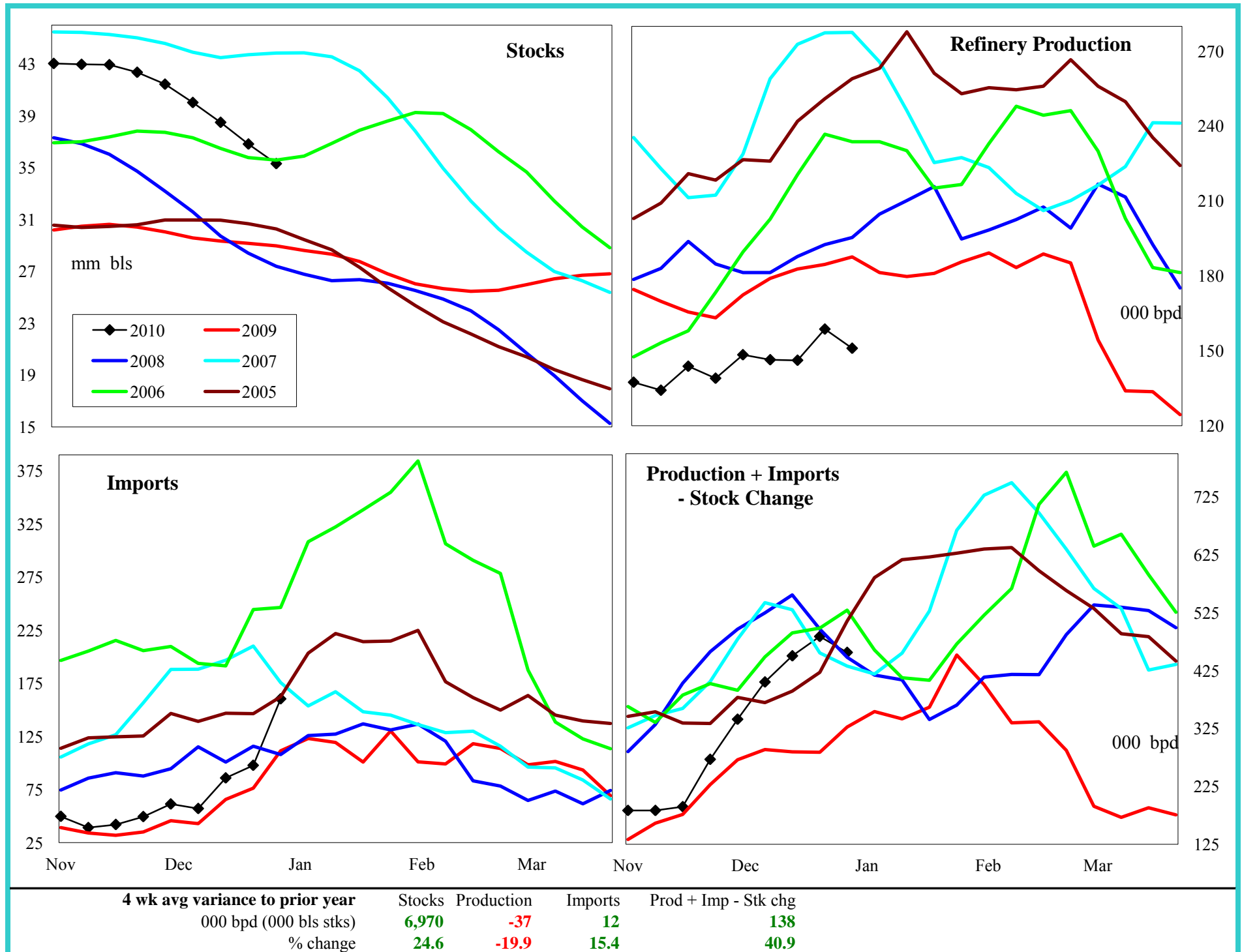


4 wk avg variance to prior year
000 bpd (000 bbls stks)
% change

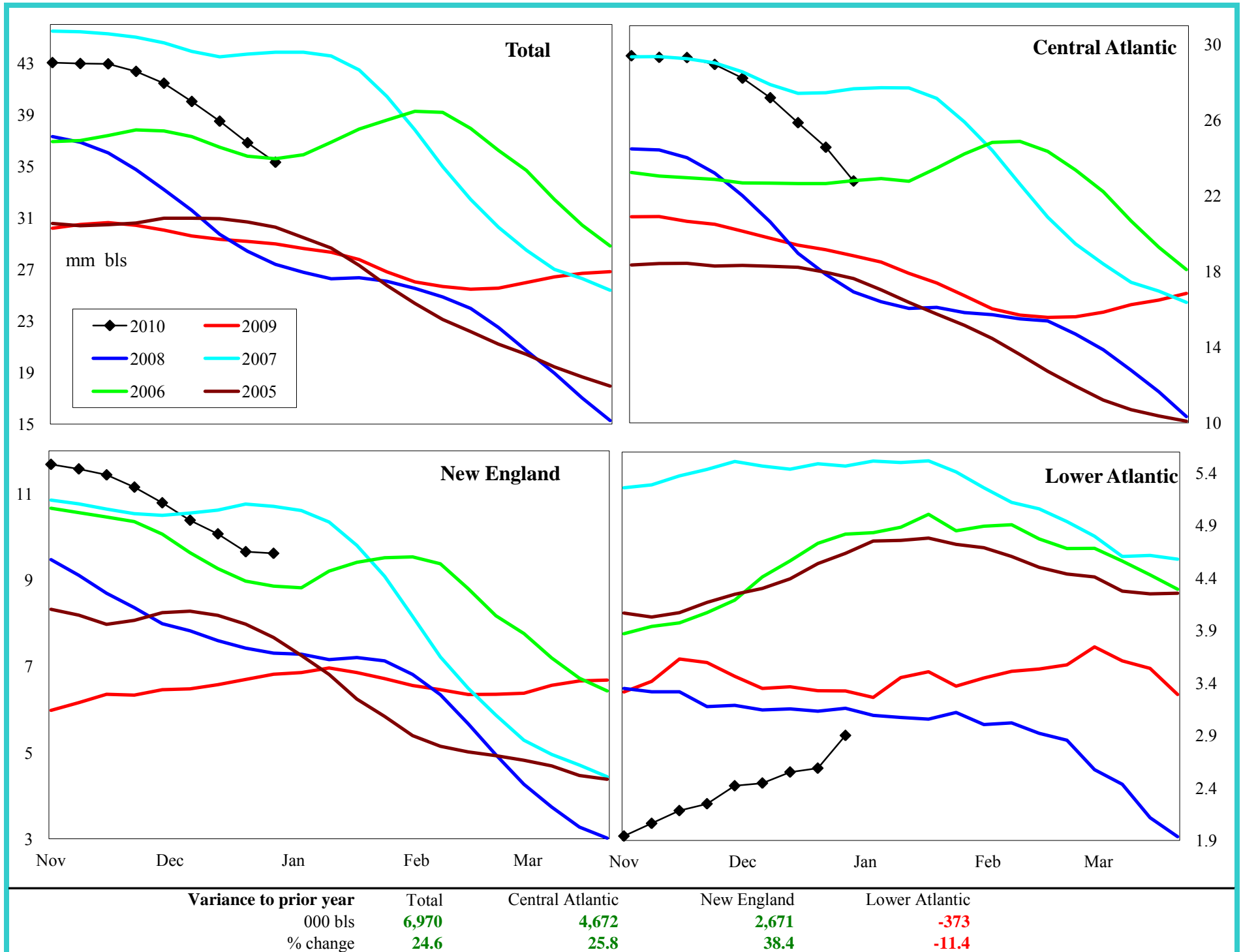
Stocks	Production	Imports	Prod + Imp - Stk chg
6,419	-55	64	229
24.7	-22.6	65.2	111.9



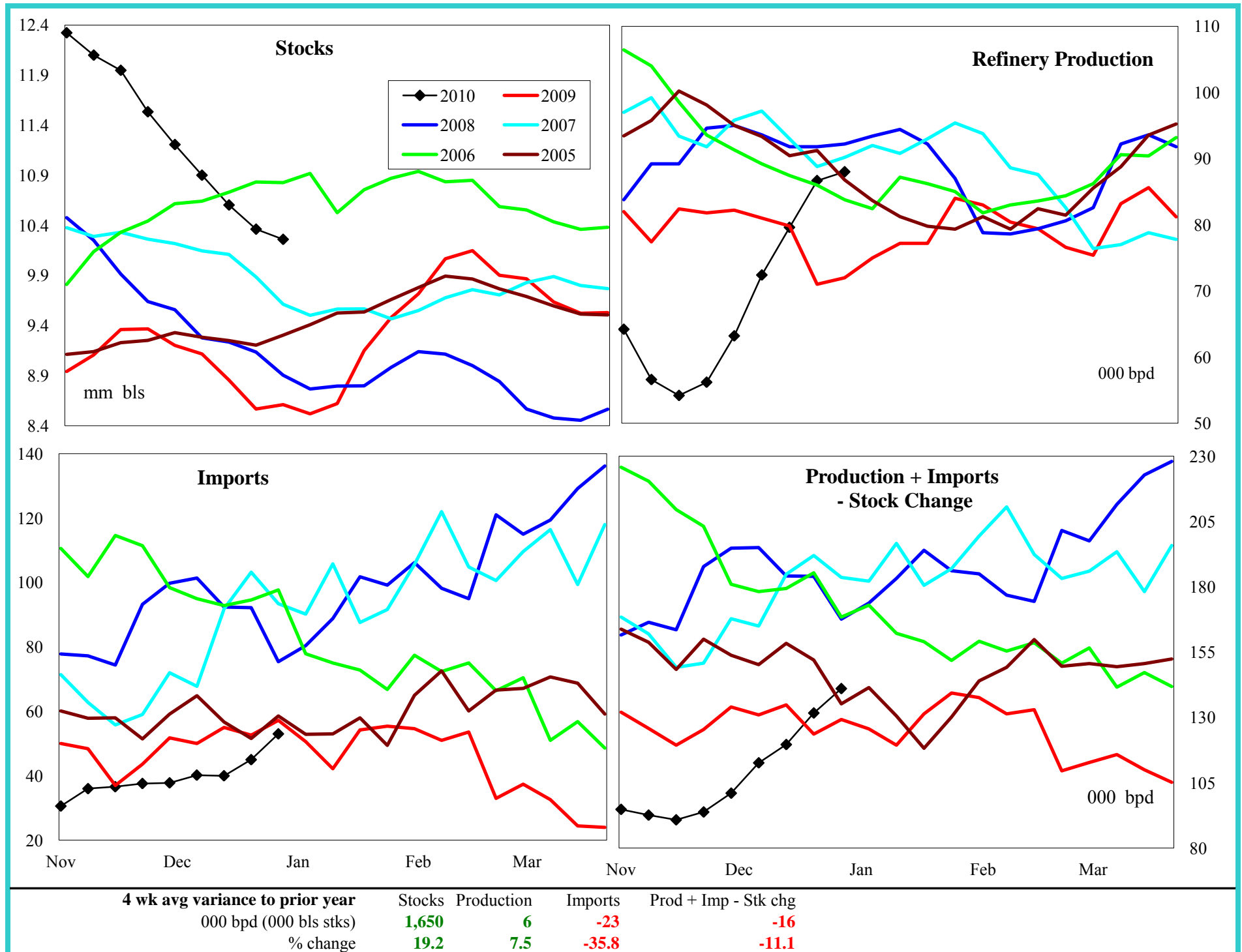
PADD 1 High Sulfur Distillate Supply



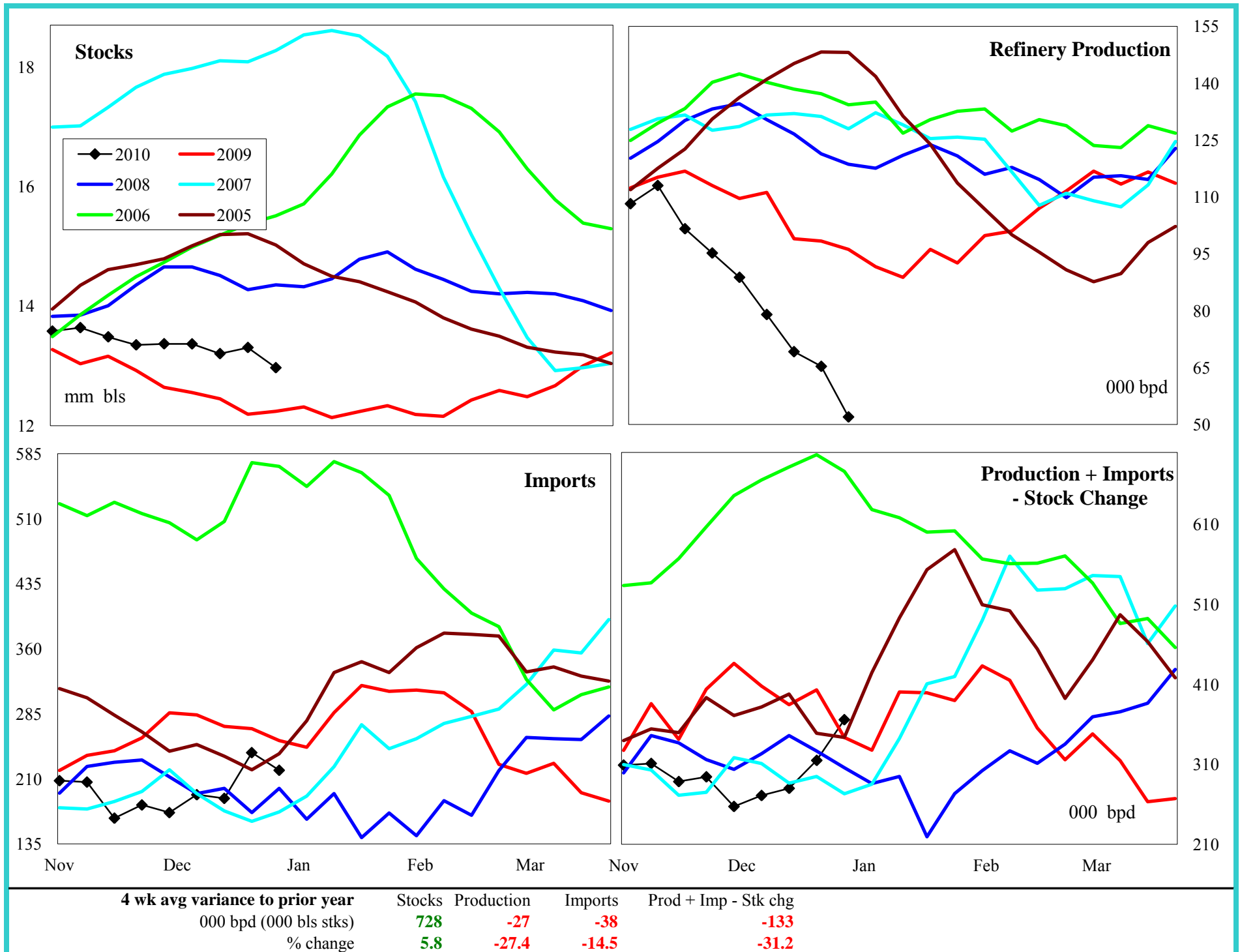
PADD 1 High Sulfur Distillate Stocks by Region



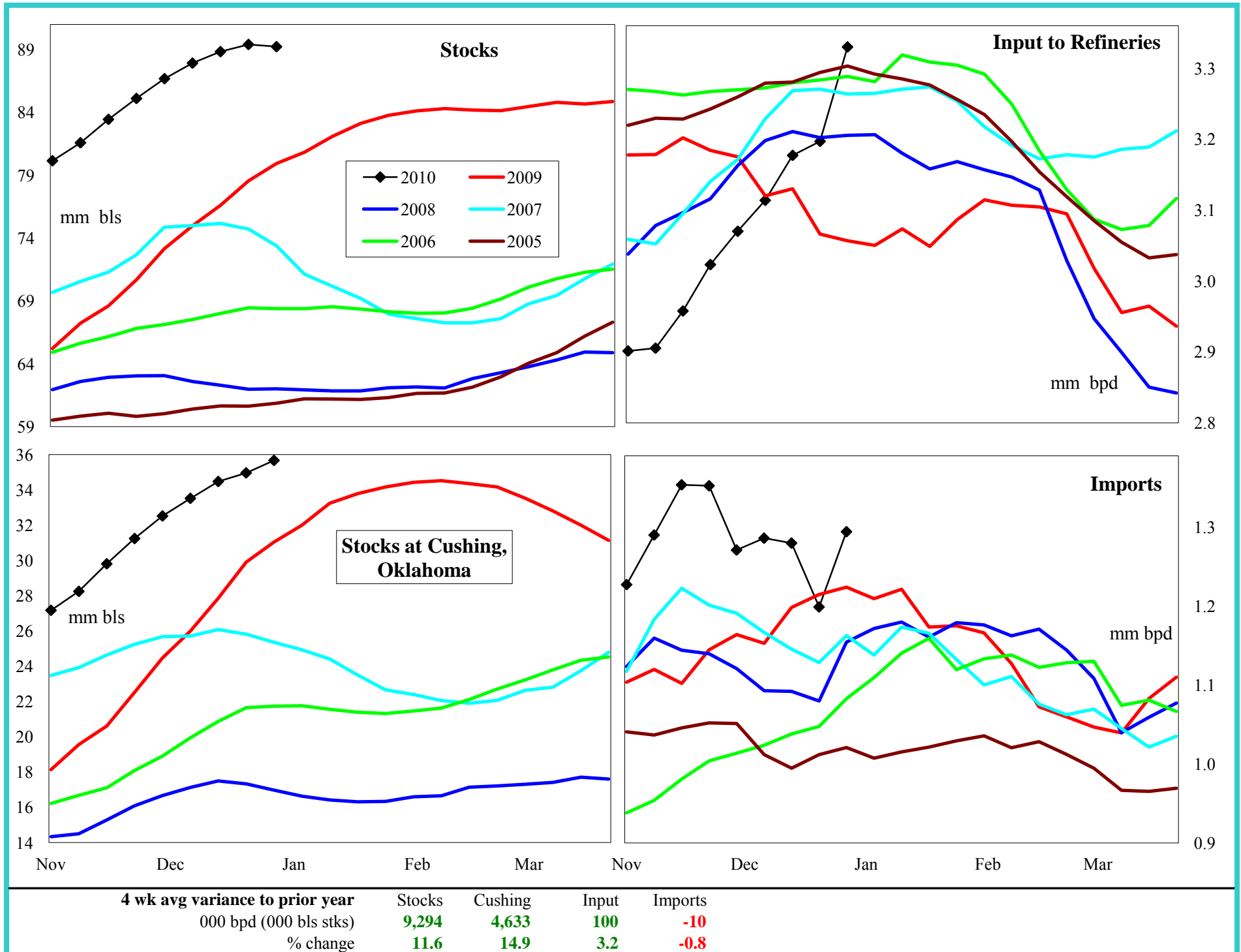
PADD 1 Jet Fuel Supply



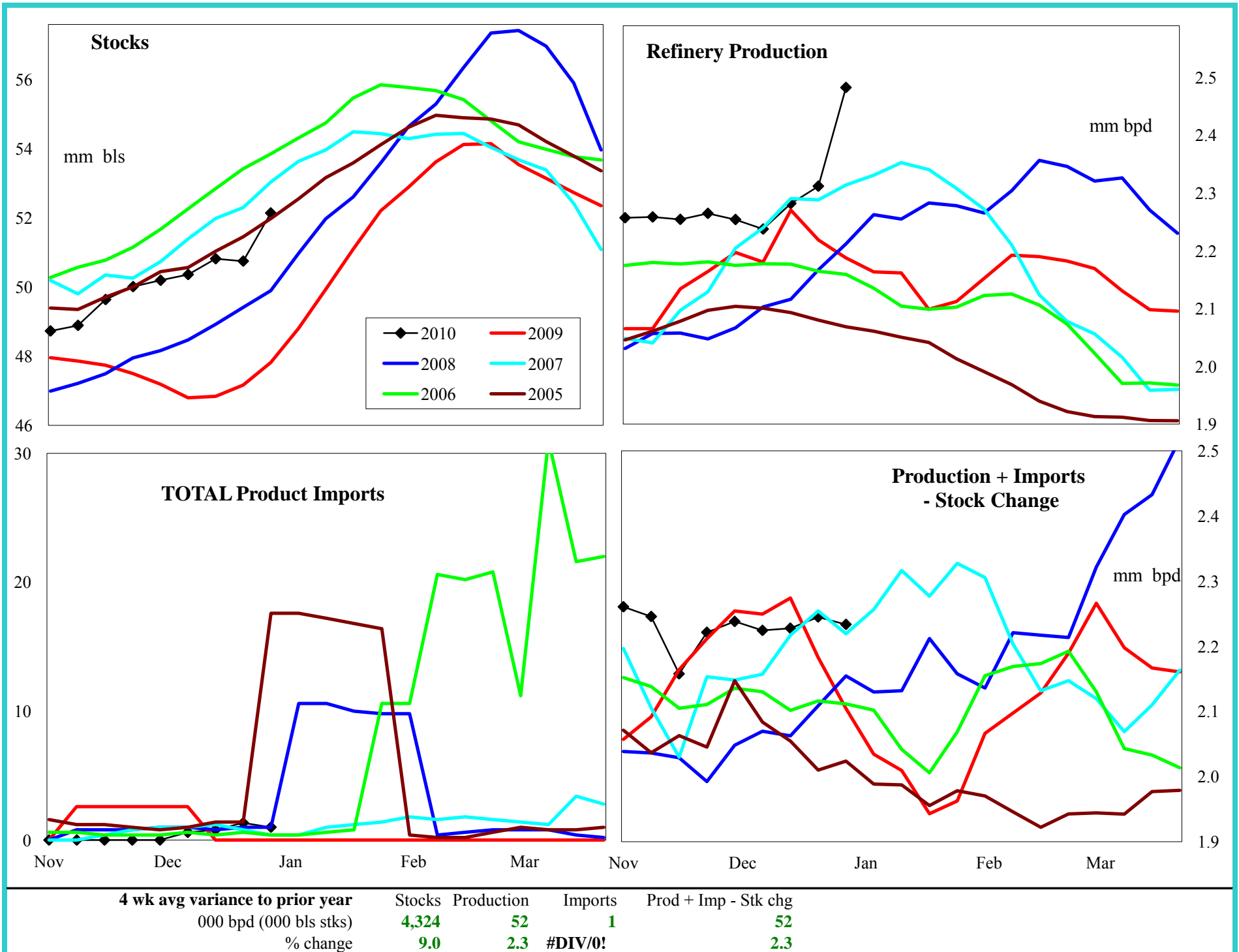
PADD 1 Residual Fuel Oil Supply



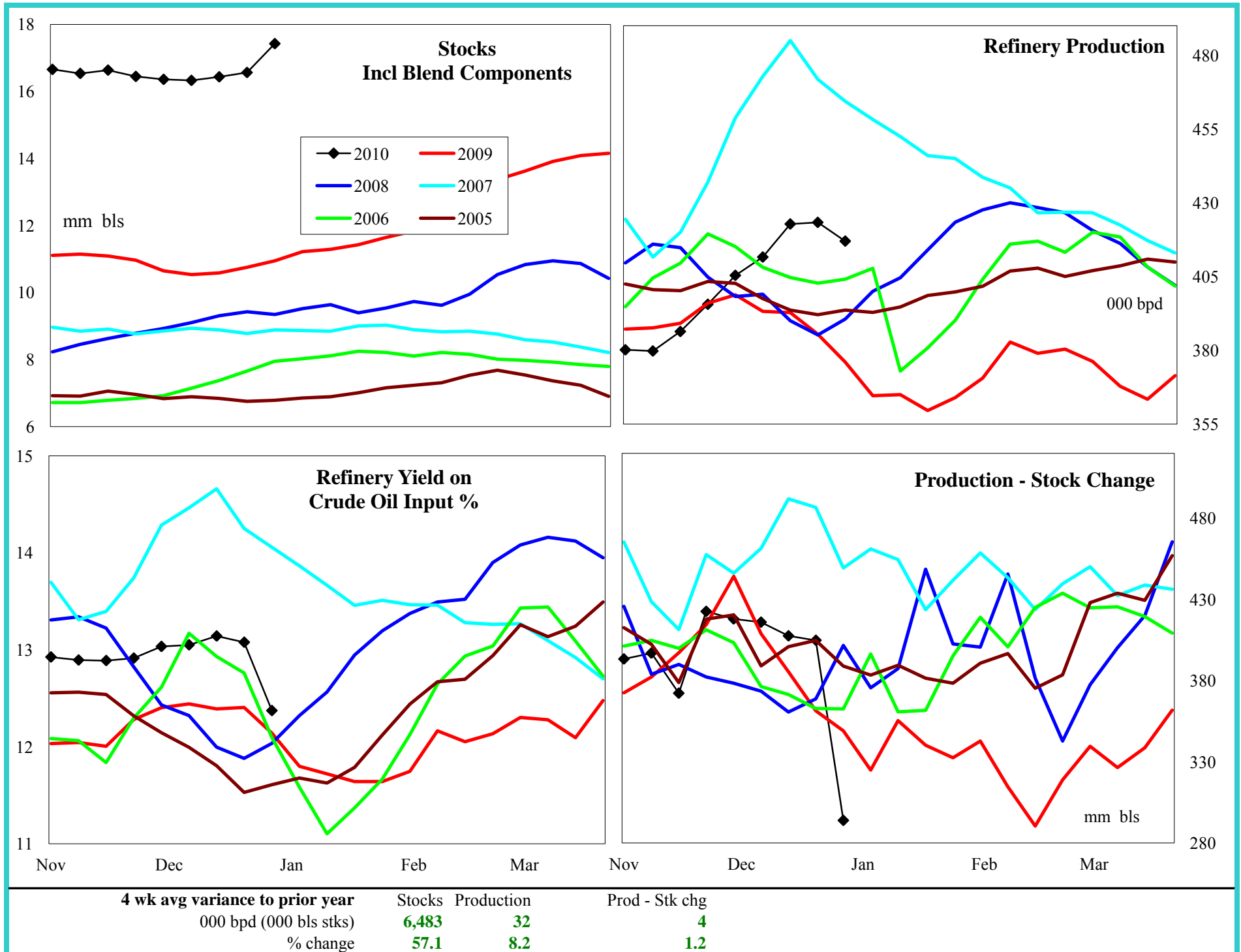
PADD 2 Crude Oil Supply and Refining



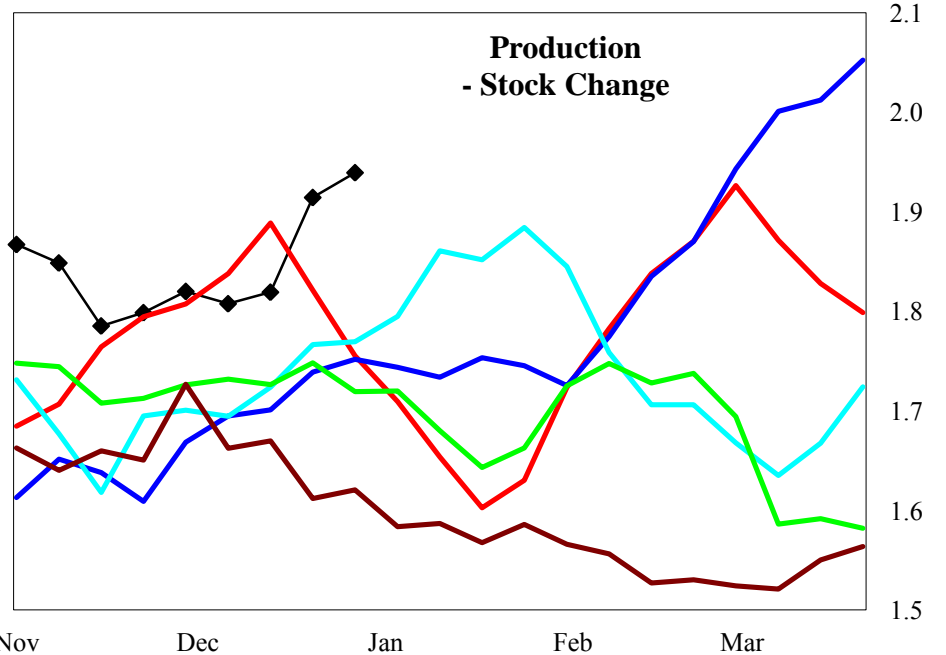
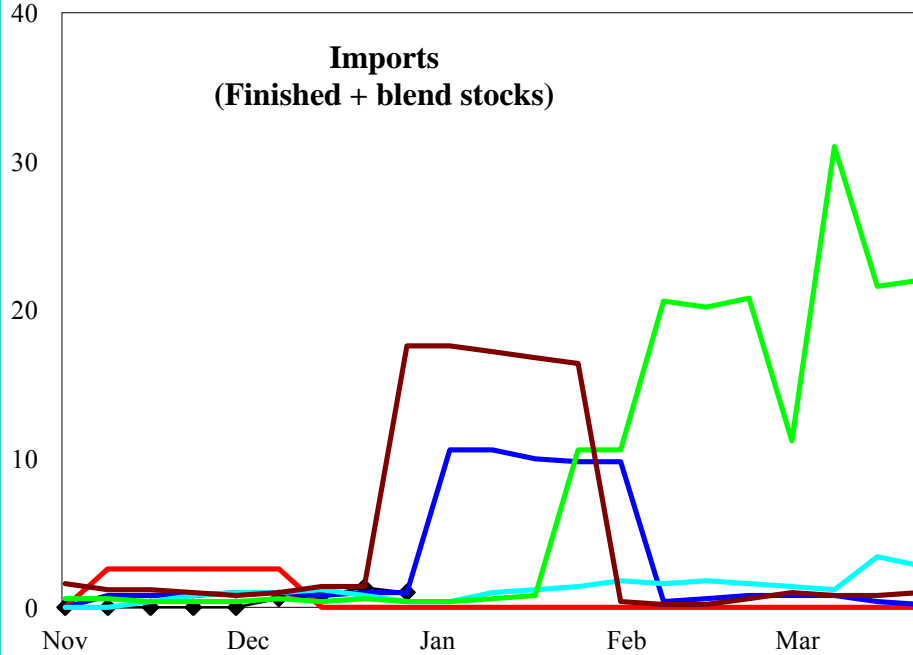
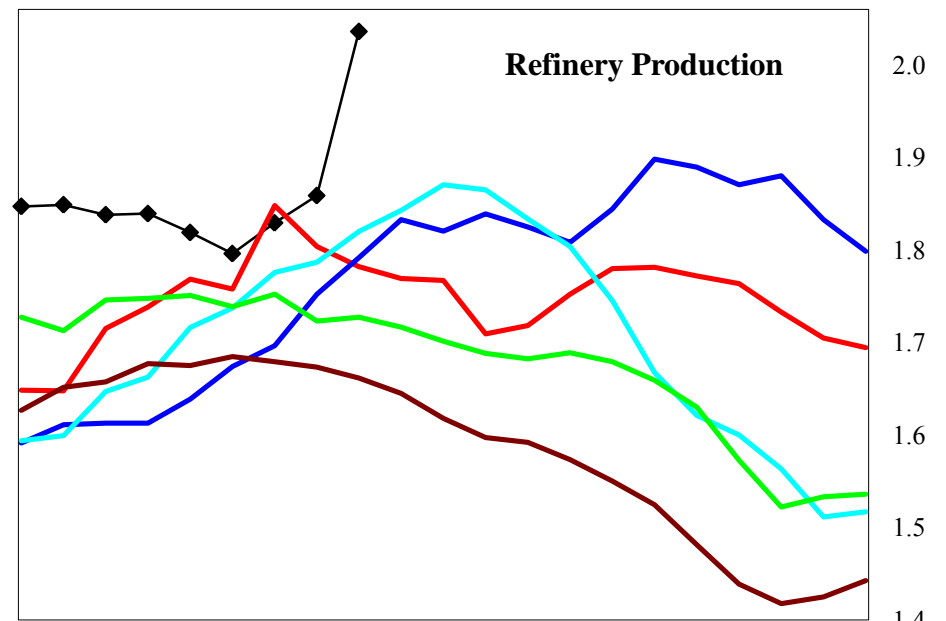
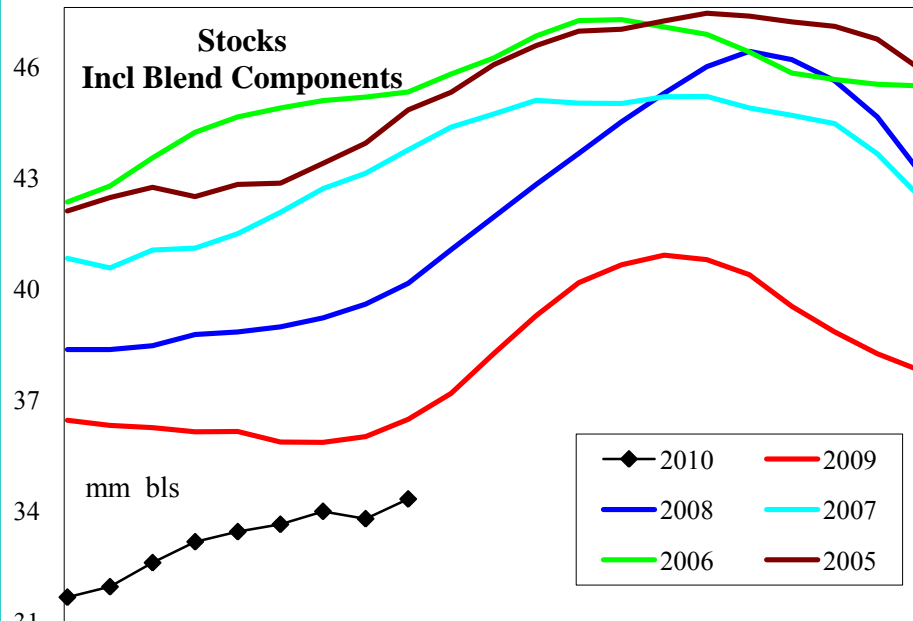
PADD 2 Gasoline Supply



PADD 2 Reformulated Gasoline Supply



PADD 2 Conventional Gasoline Supply



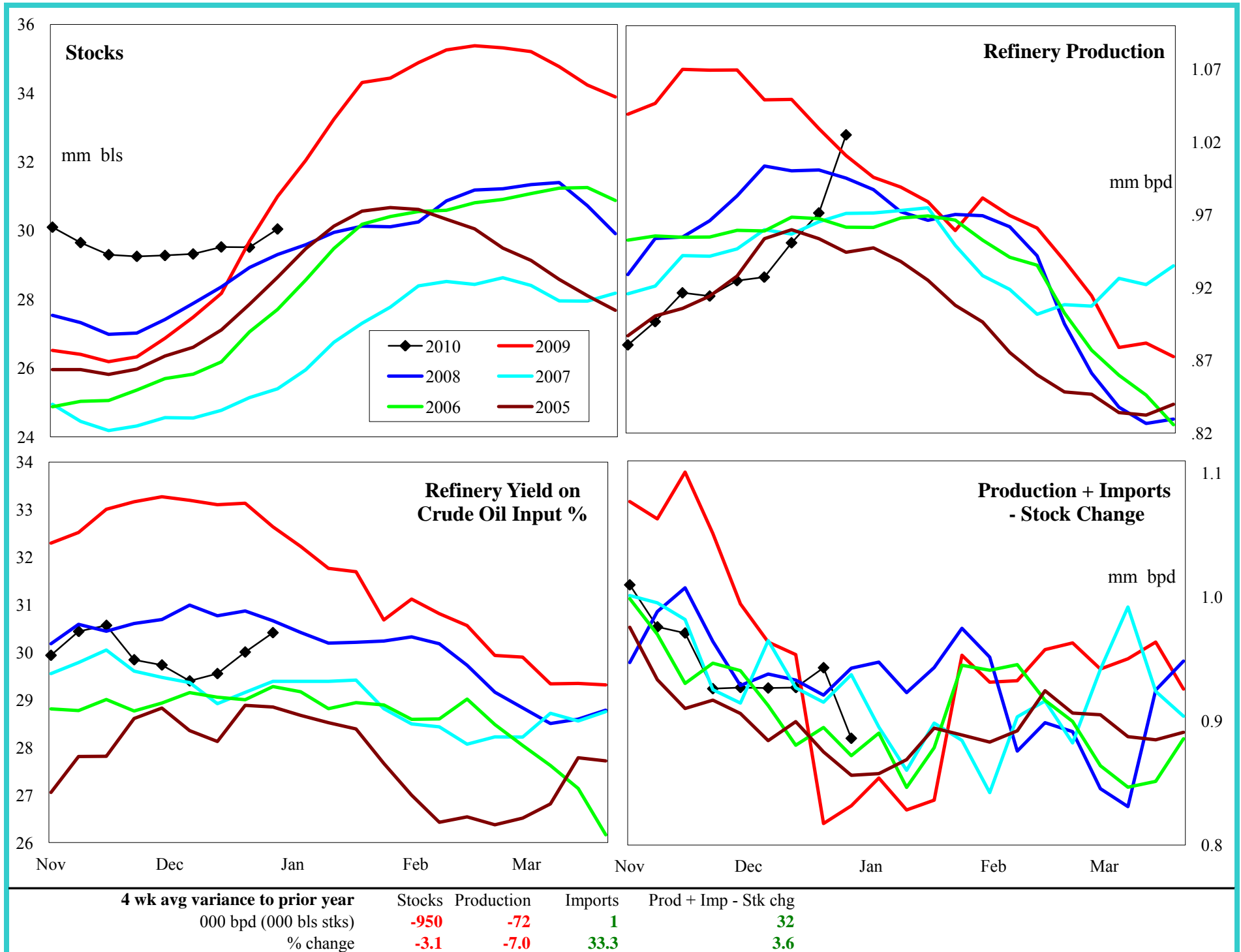
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

Stocks
-2,077
-5.6

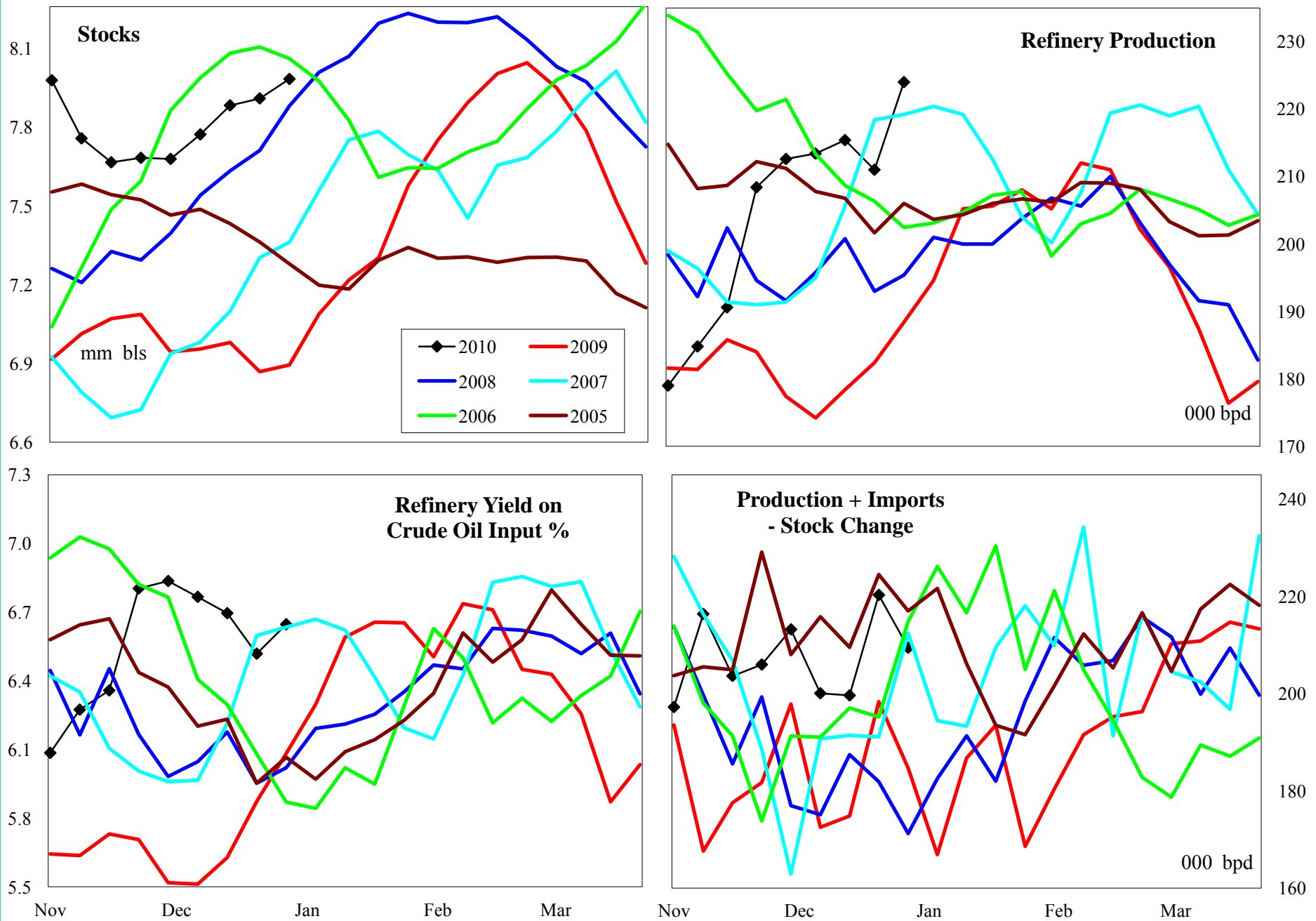
Production
18
0.9

Prod - Stk chg
19
1.0

PADD 2 Distillate Supply



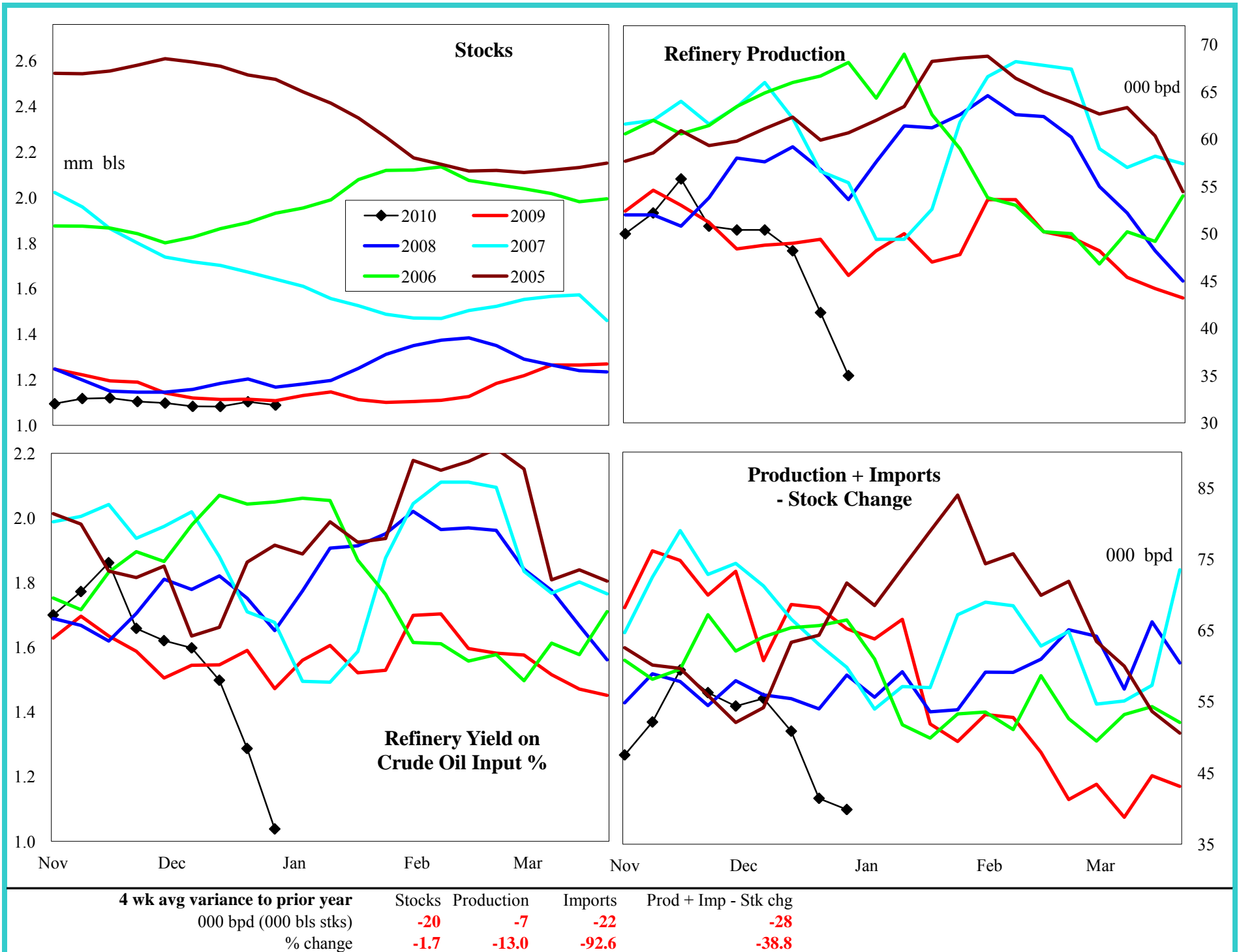
PADD 2 Jet Fuel Supply



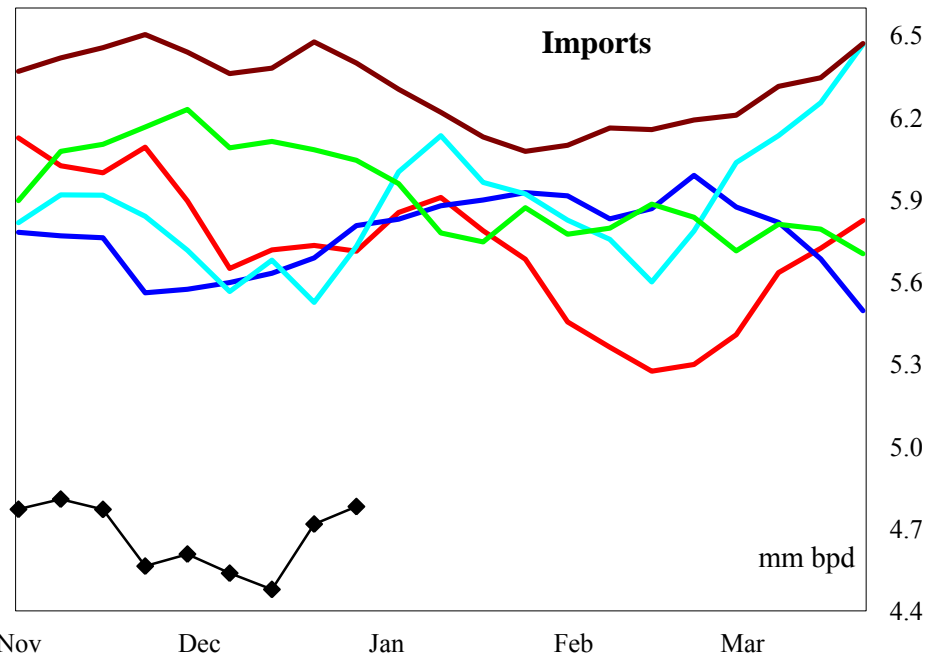
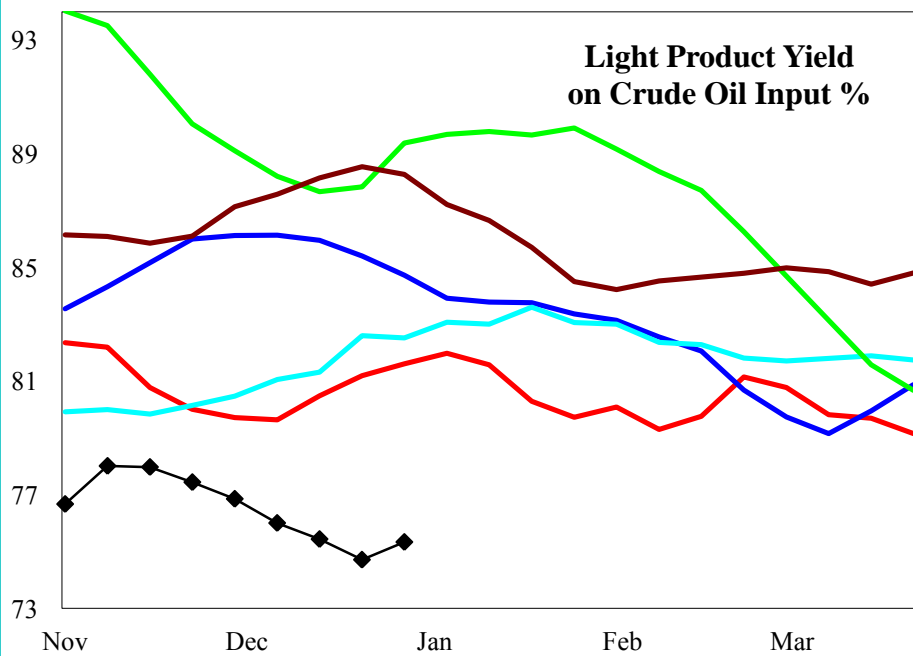
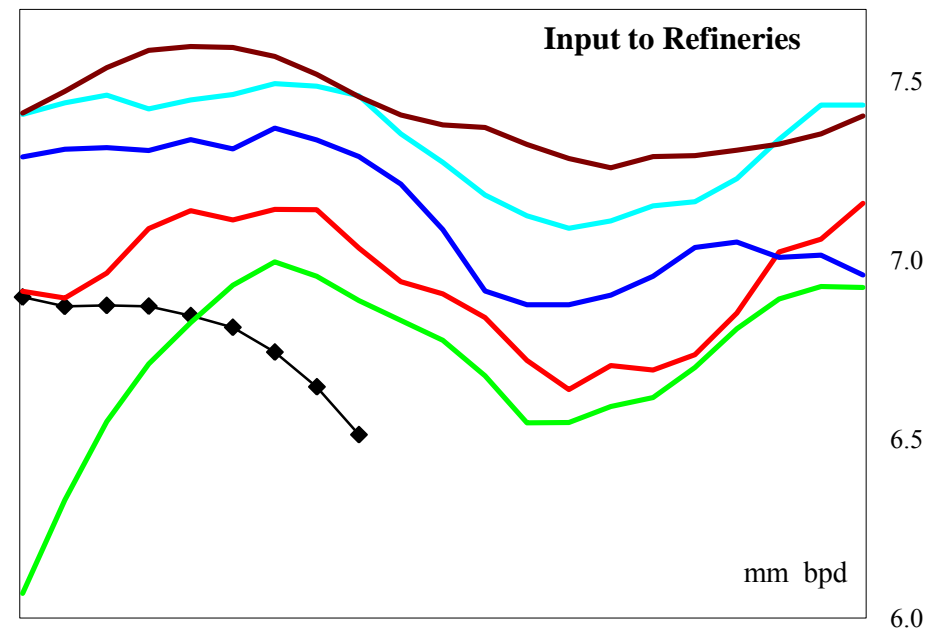
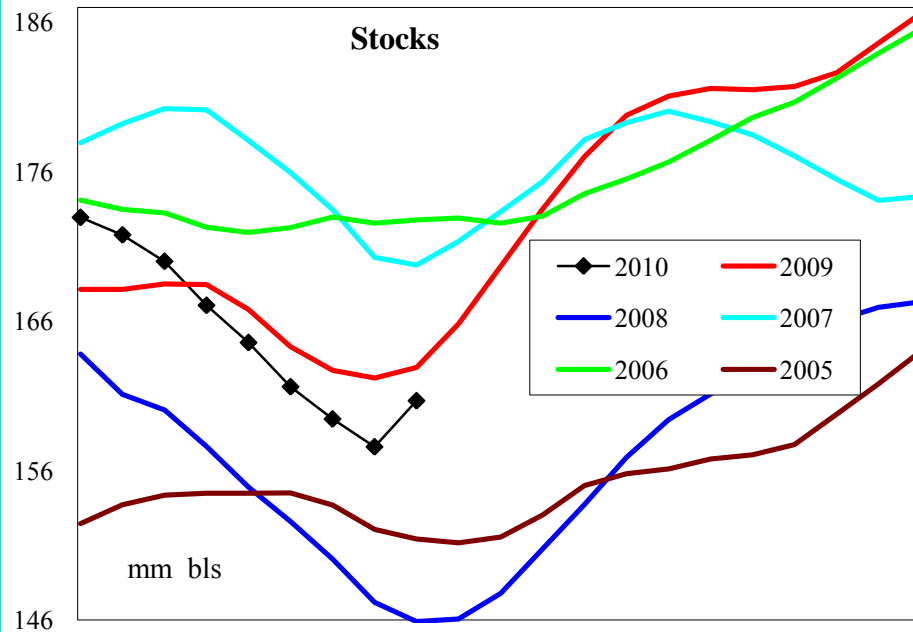
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
1,089	45	0	27
15.7	25.8	#DIV/0!	15.4

PADD 2 Residual Fuel Oil Supply



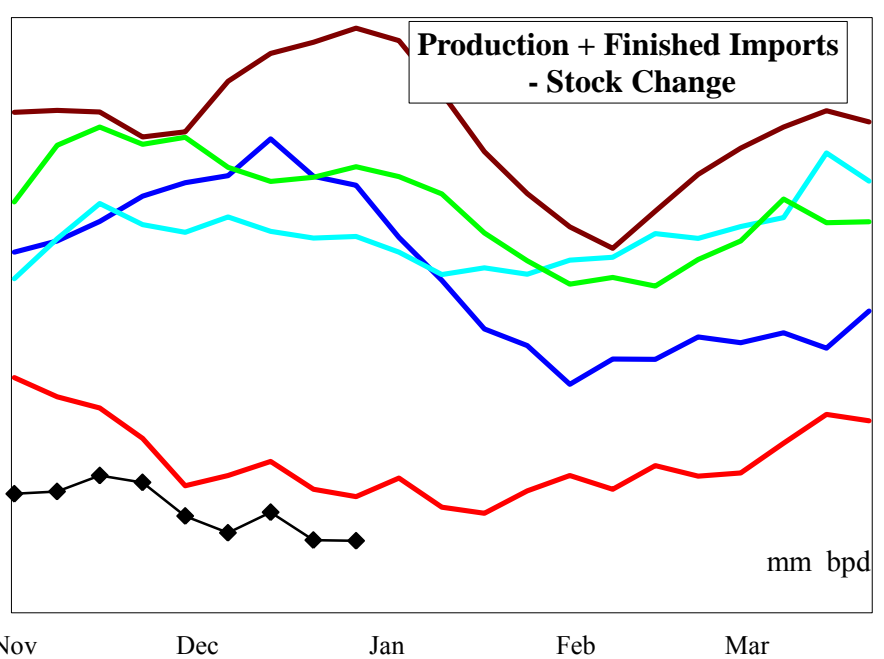
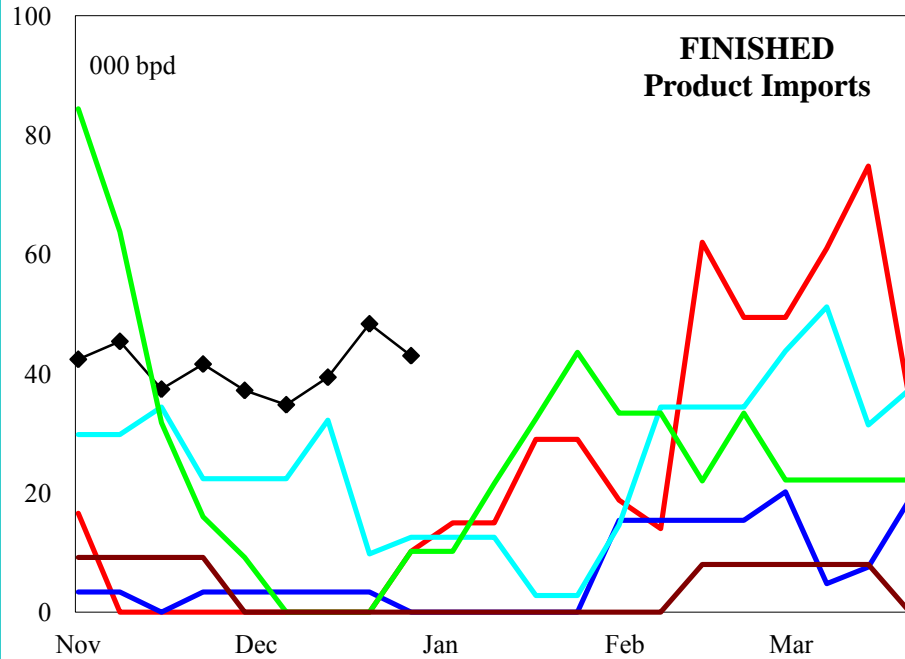
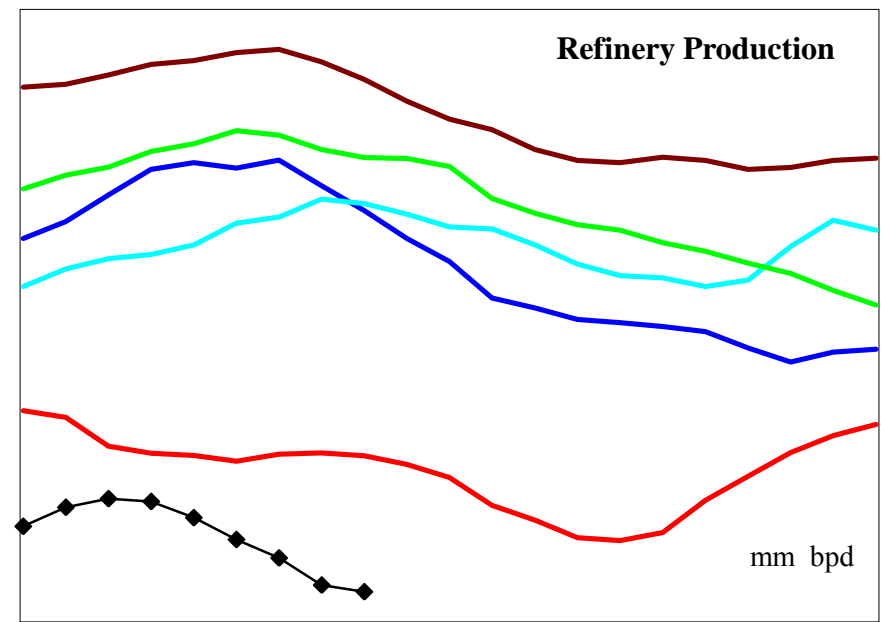
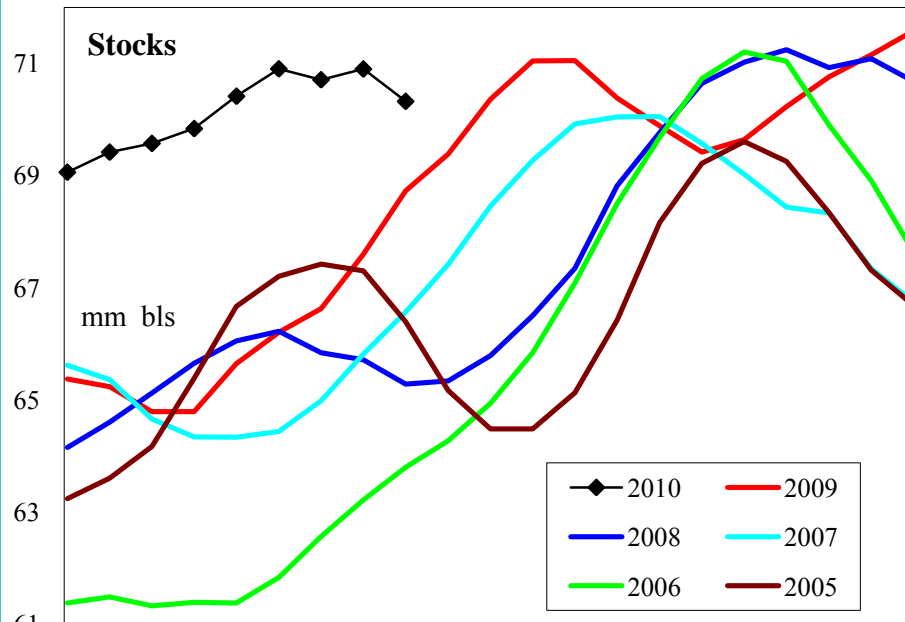
PADD 3 Crude Oil Supply and Refining



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

	Stocks	Input	Imports
000 bpd (000 bls stks)	-2,229	-456	-1,151
% change	-1.4	-6.4	-20.2

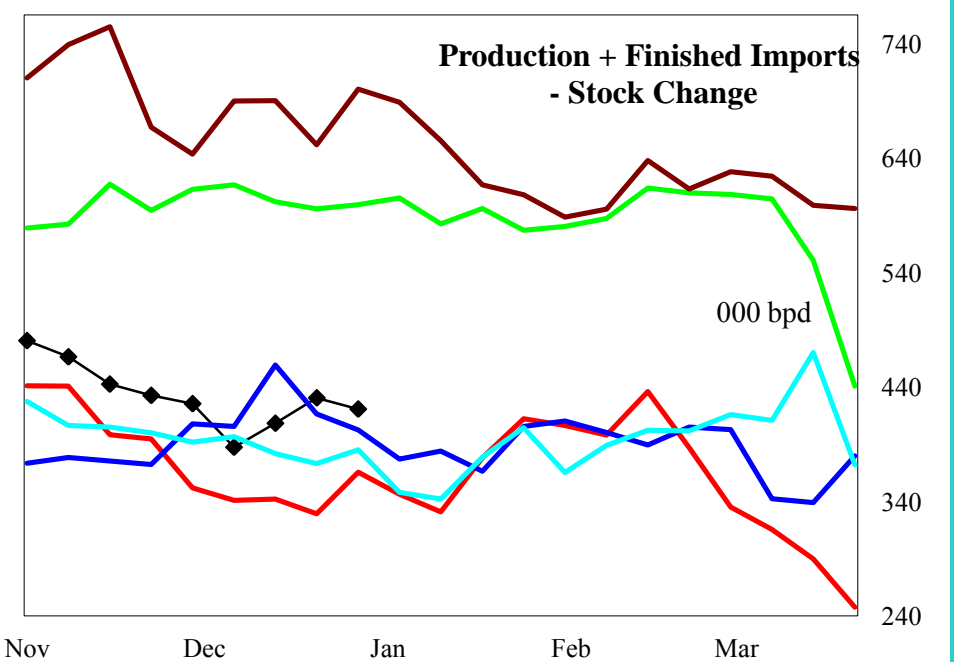
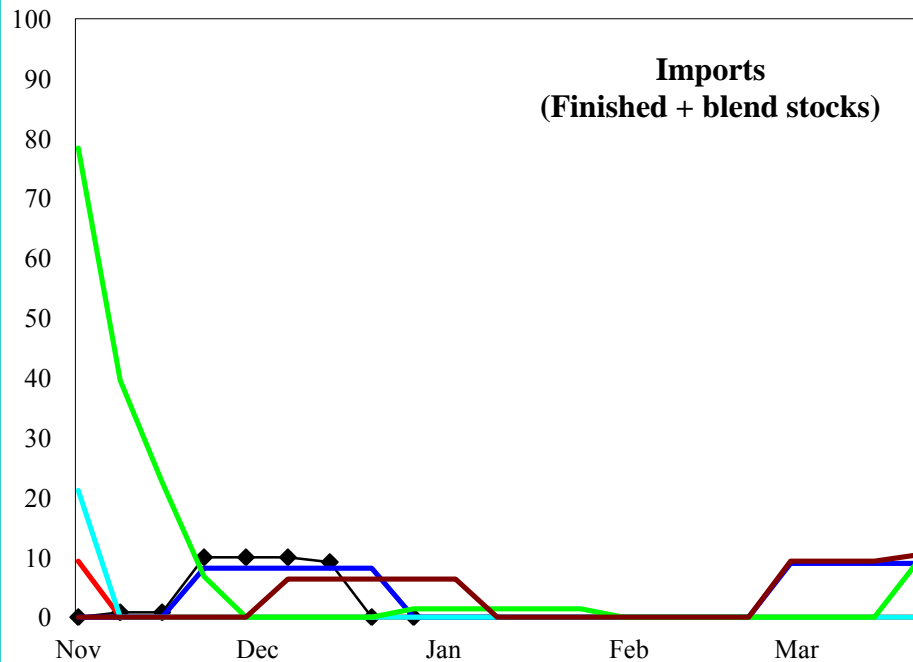
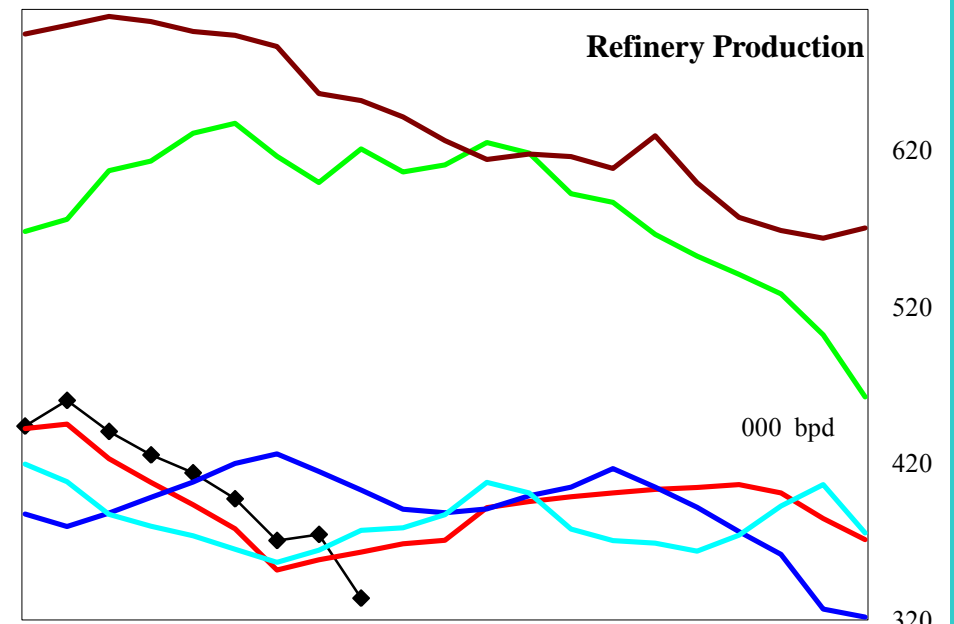
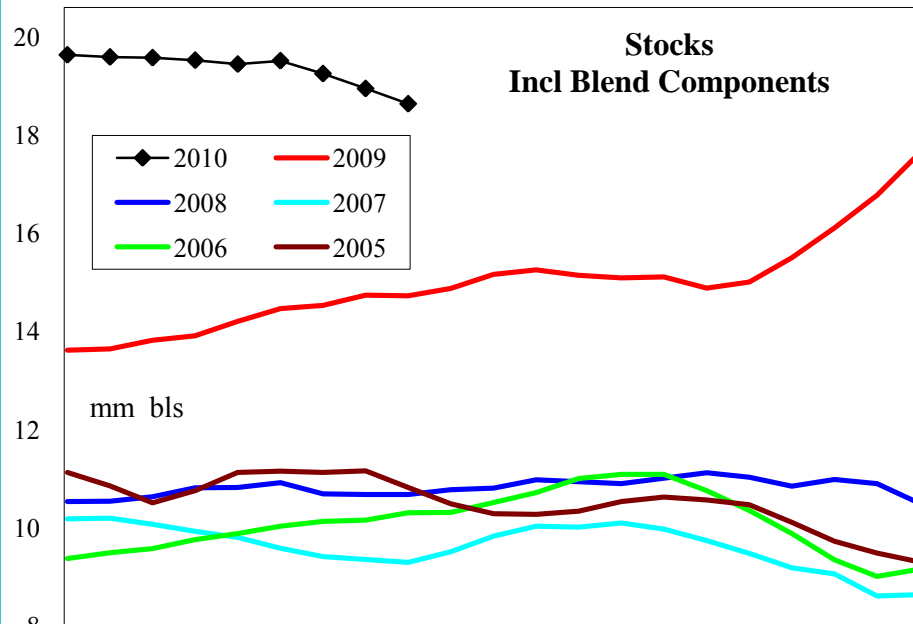
PADD 3 Gasoline Supply



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

Stocks	Production	Fin Impt	Blend Impt	Prod + Imp - Stk chg
3,760	-334	48	-49	-210
5.6	-12.0	#DIV/0!	-50.9	-7.7

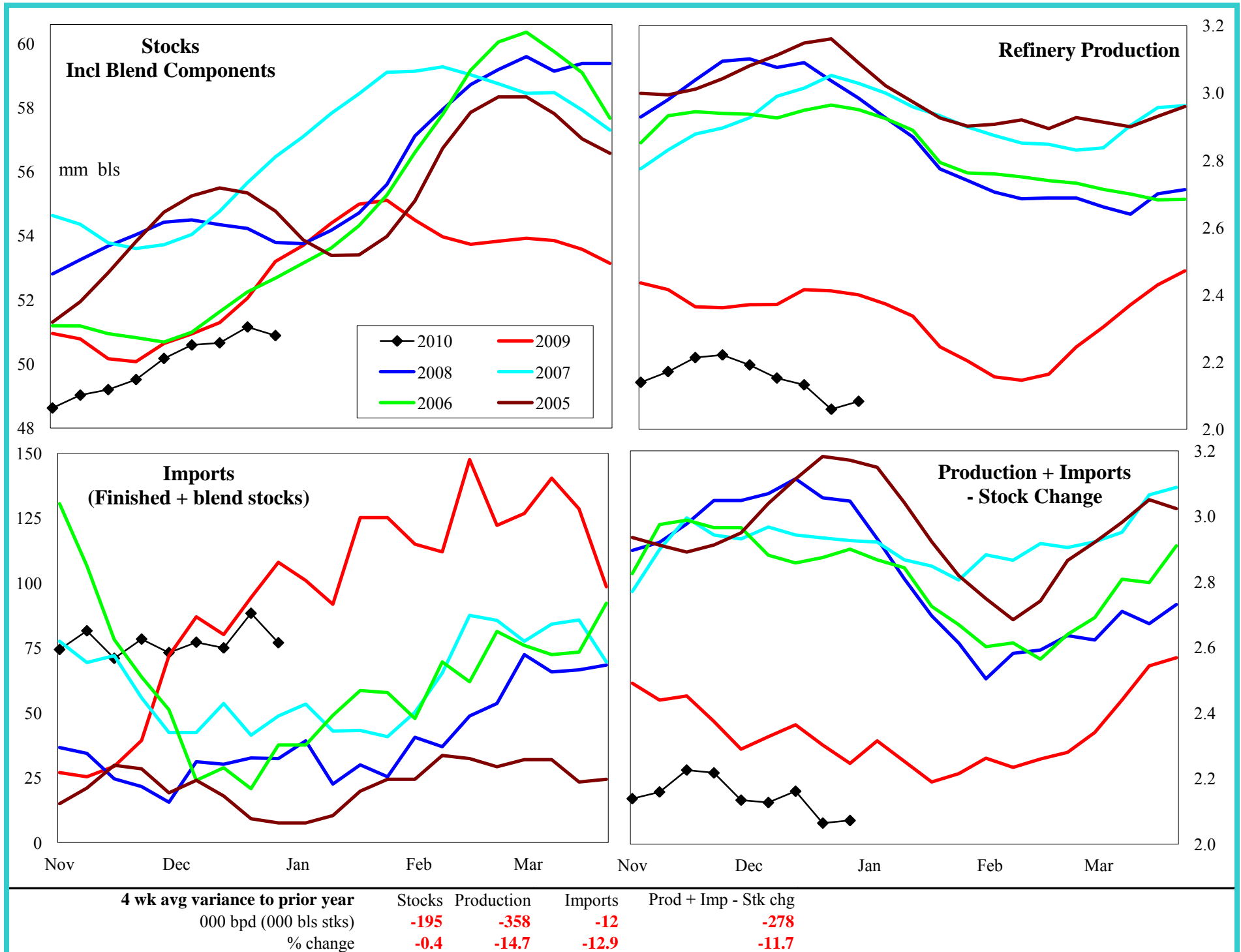
PADD 3 Reformulated Gasoline Supply



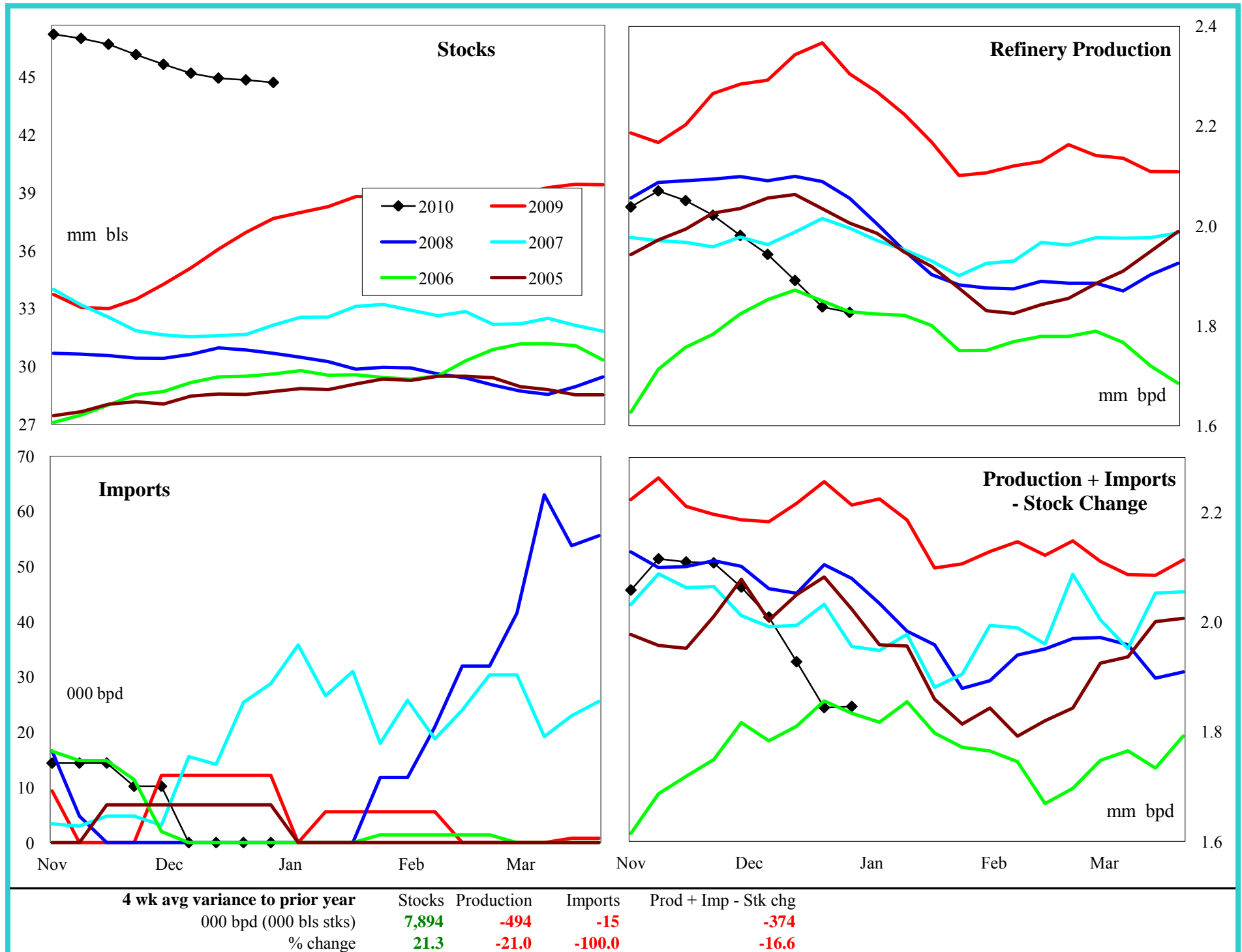
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
3,955	25	12	68
26.2	7.0	#DIV/0!	19.8

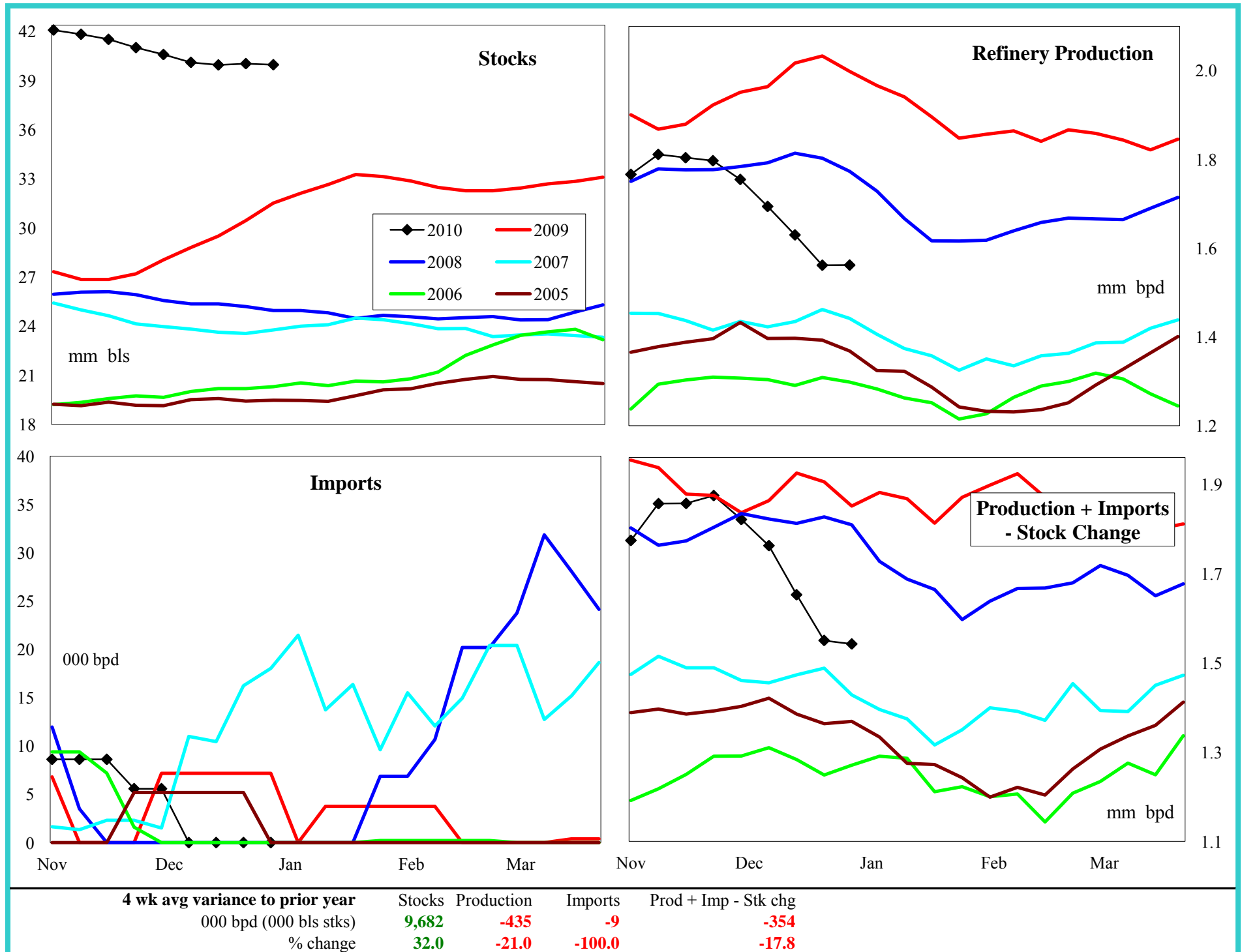
PADD 3 Conventional Gasoline Supply



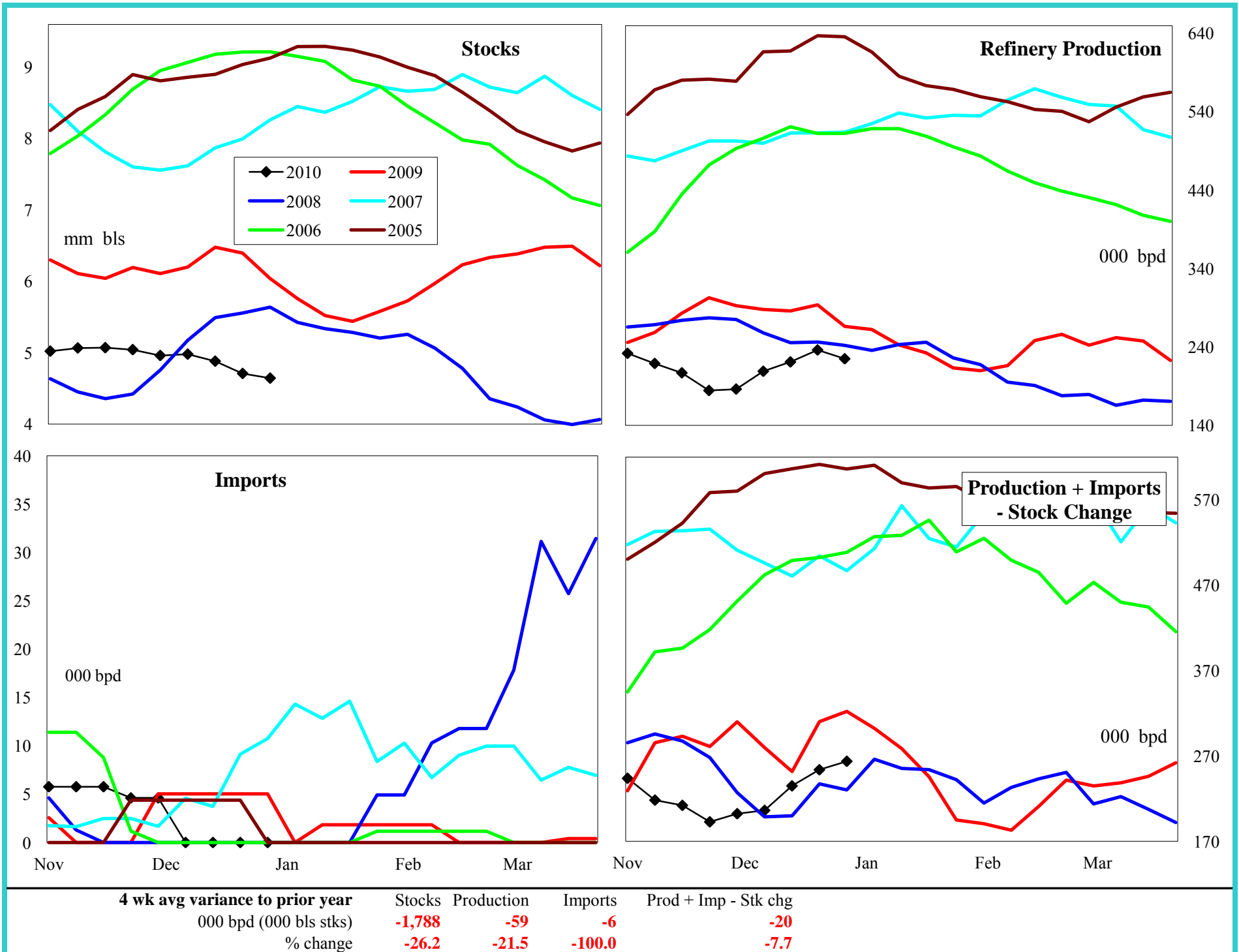
PADD 3 Distillate Supply



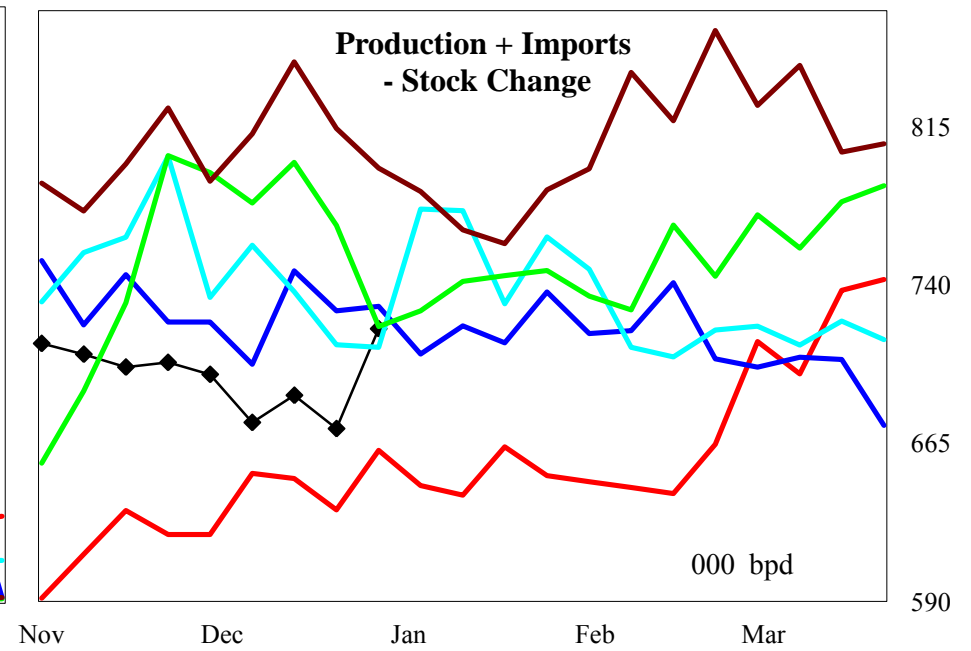
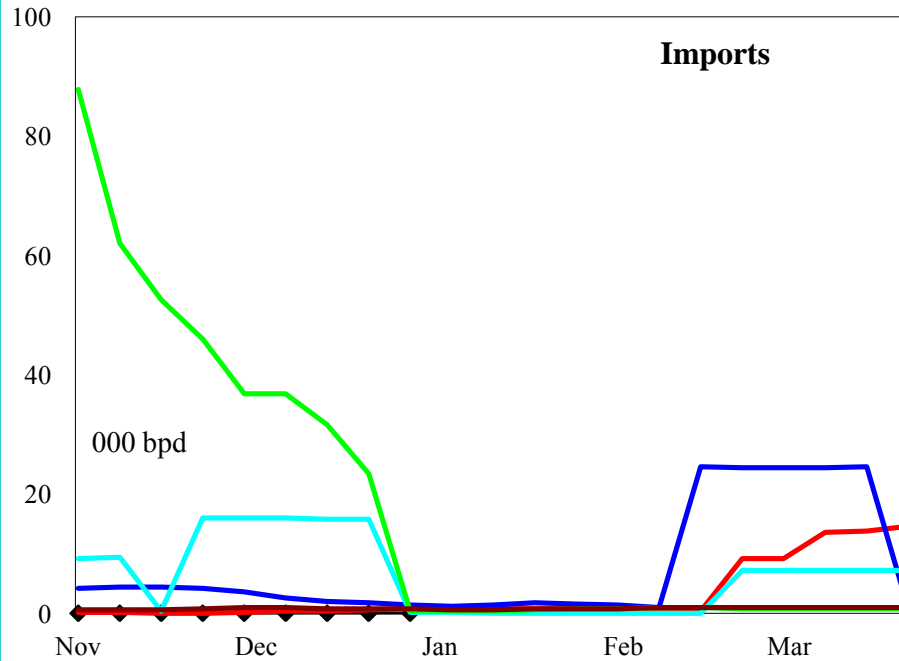
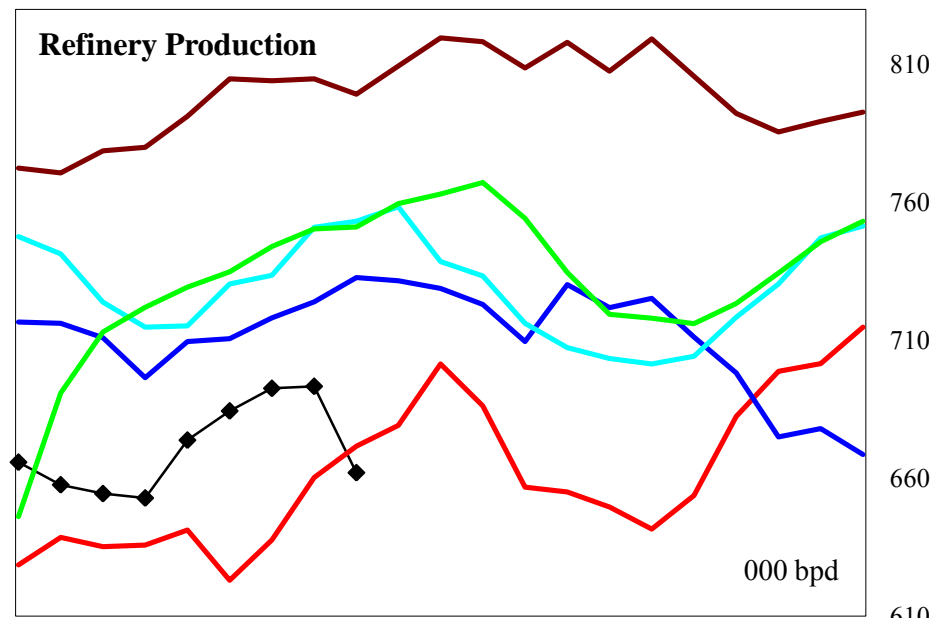
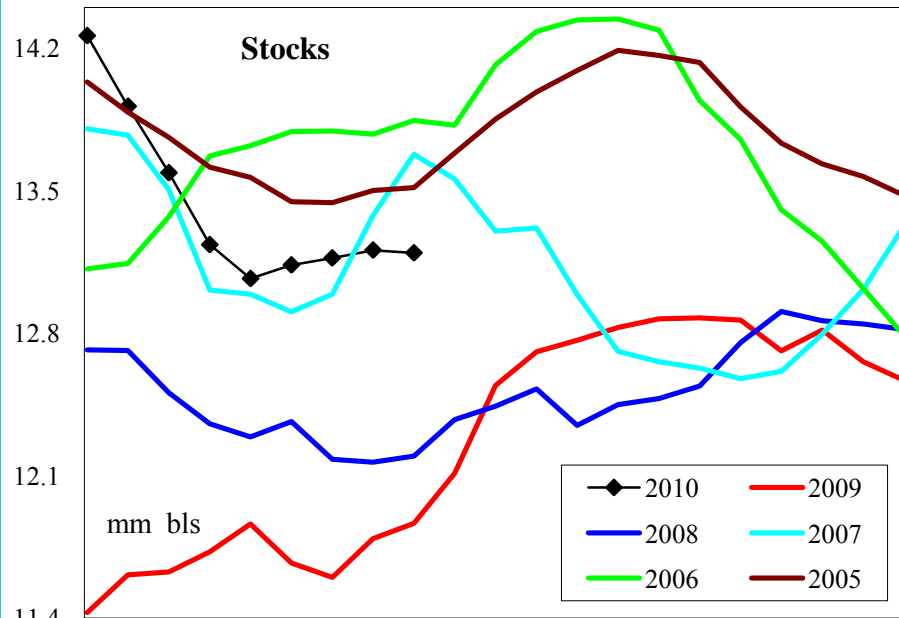
PADD 3 Low Sulfur Distillate Supply



PADD 3 High Sulfur Distillate Supply



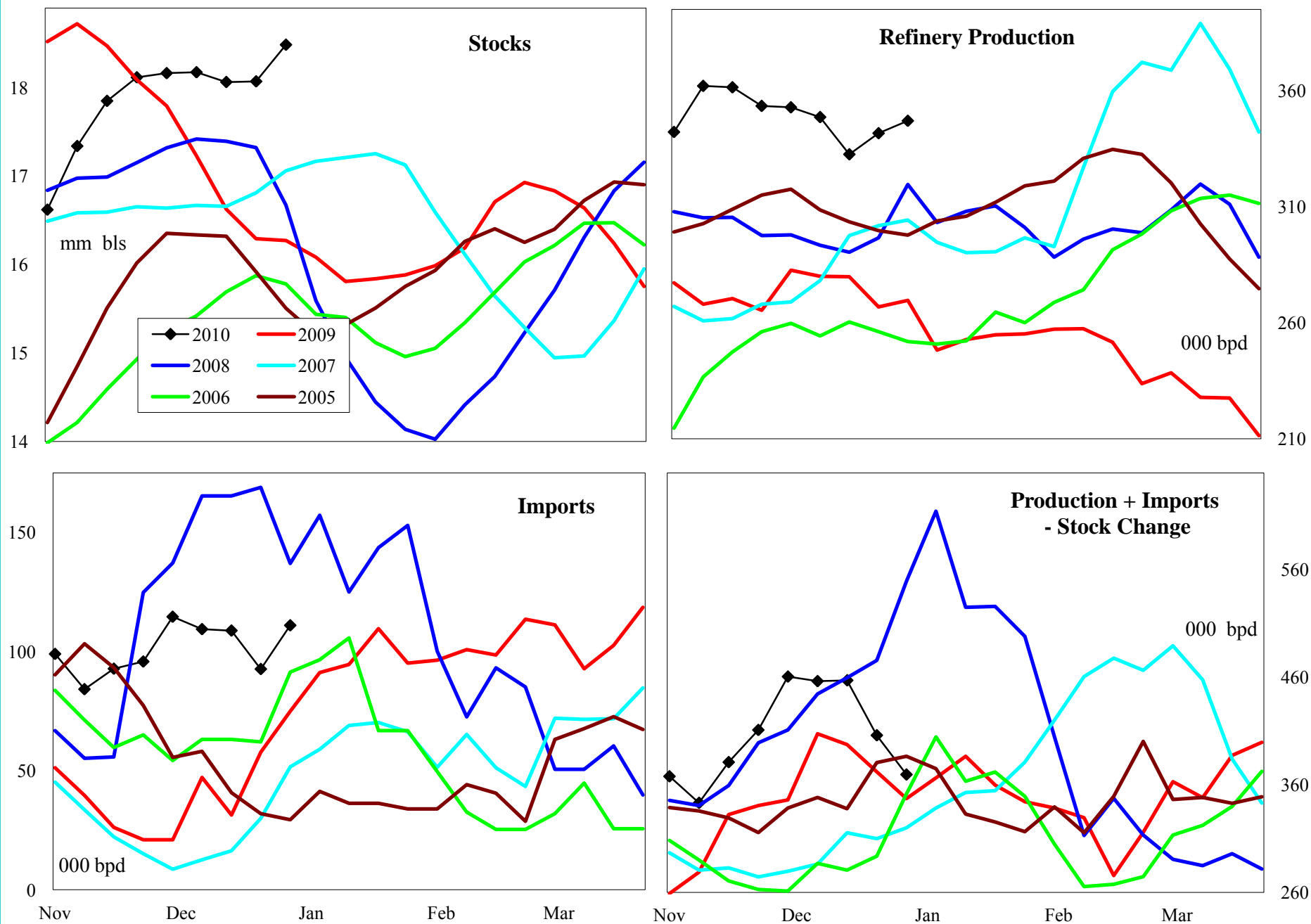
PADD 3 Jet Fuel Supply



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

	Stocks	Production	Imports	Prod + Imp - Stk chg
000 bpd (000 bbls stks)	1,329	45	-1	57
% change	11.2	7.0	-100.0	8.8

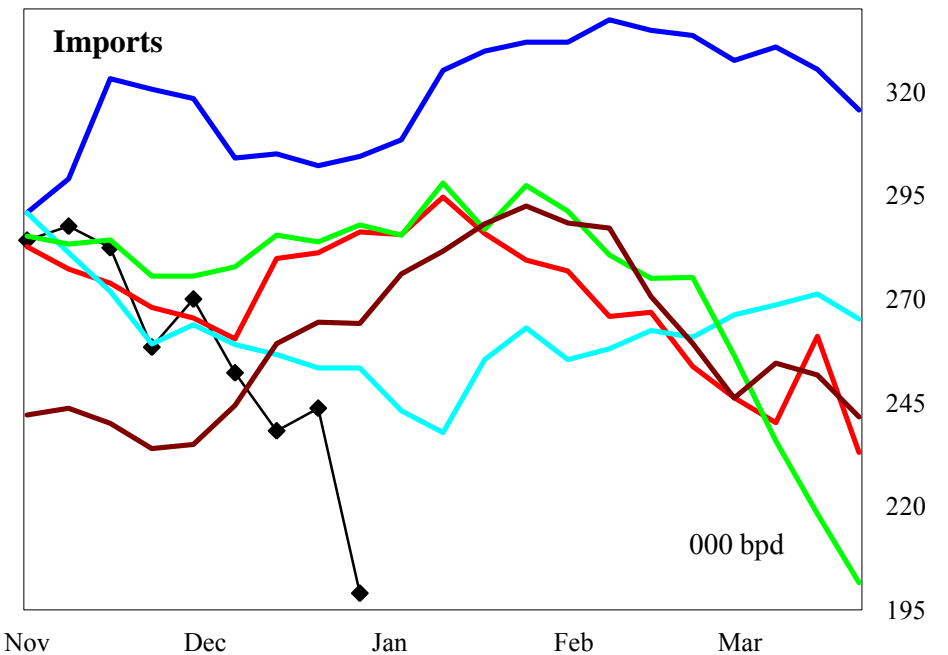
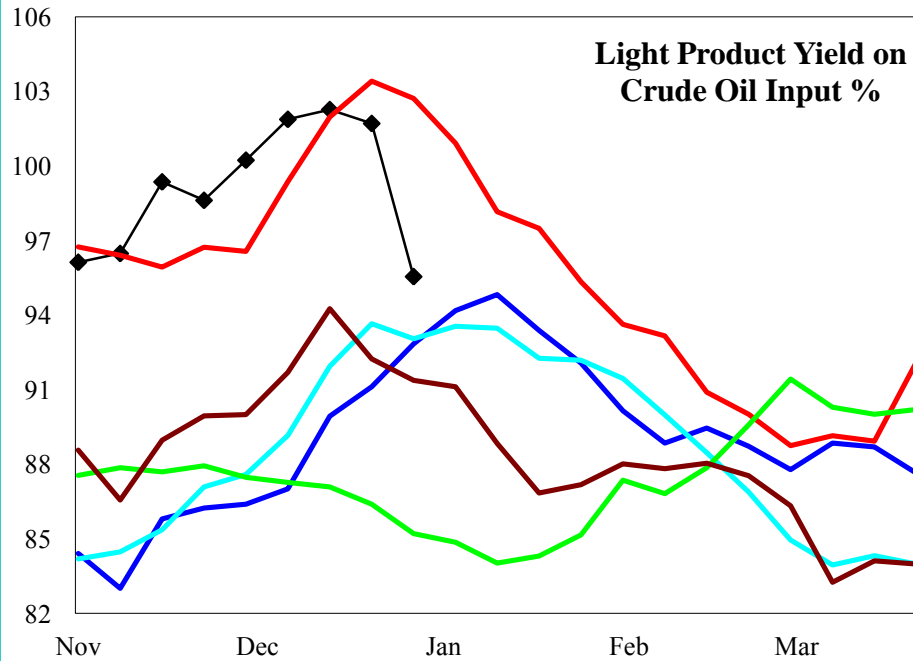
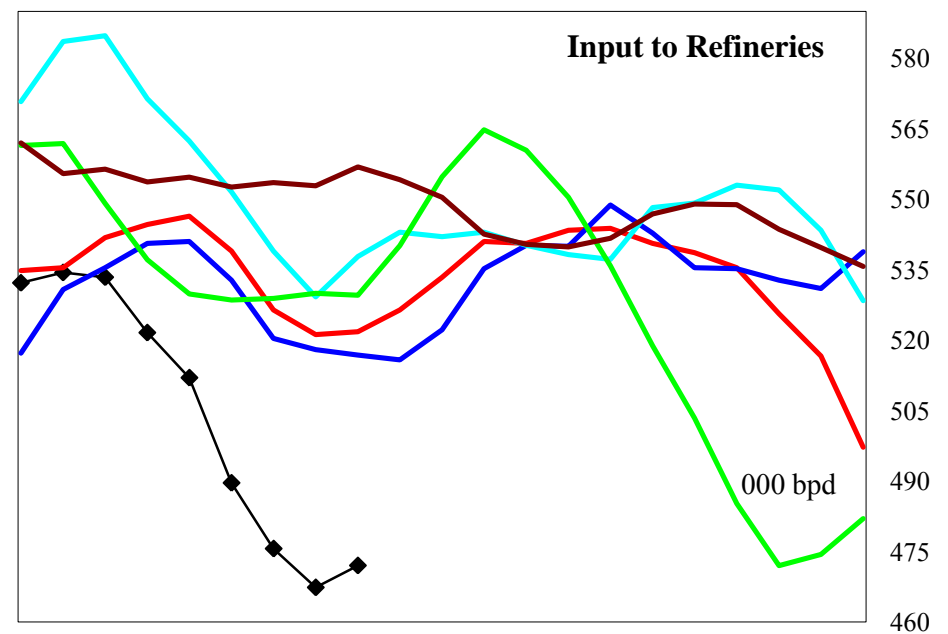
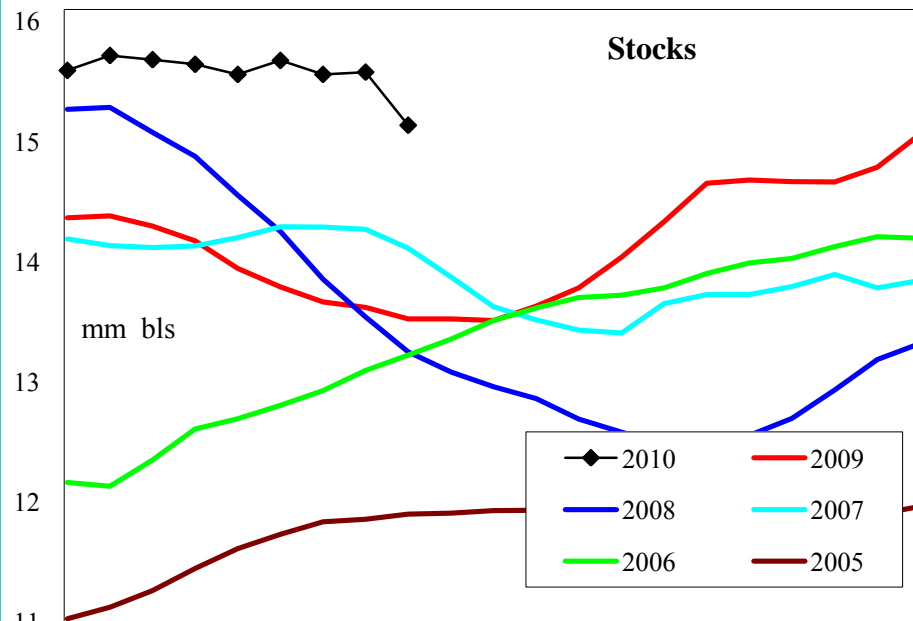
PADD 3 Residual Fuel Oil Supply



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

	Stocks	Production	Imports	Prod + Imp - Stk chg
	2,212	57	63	40
	13.5	20.4	161.1	10.3

PADD 4 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

1,611

11.7

Input

-48

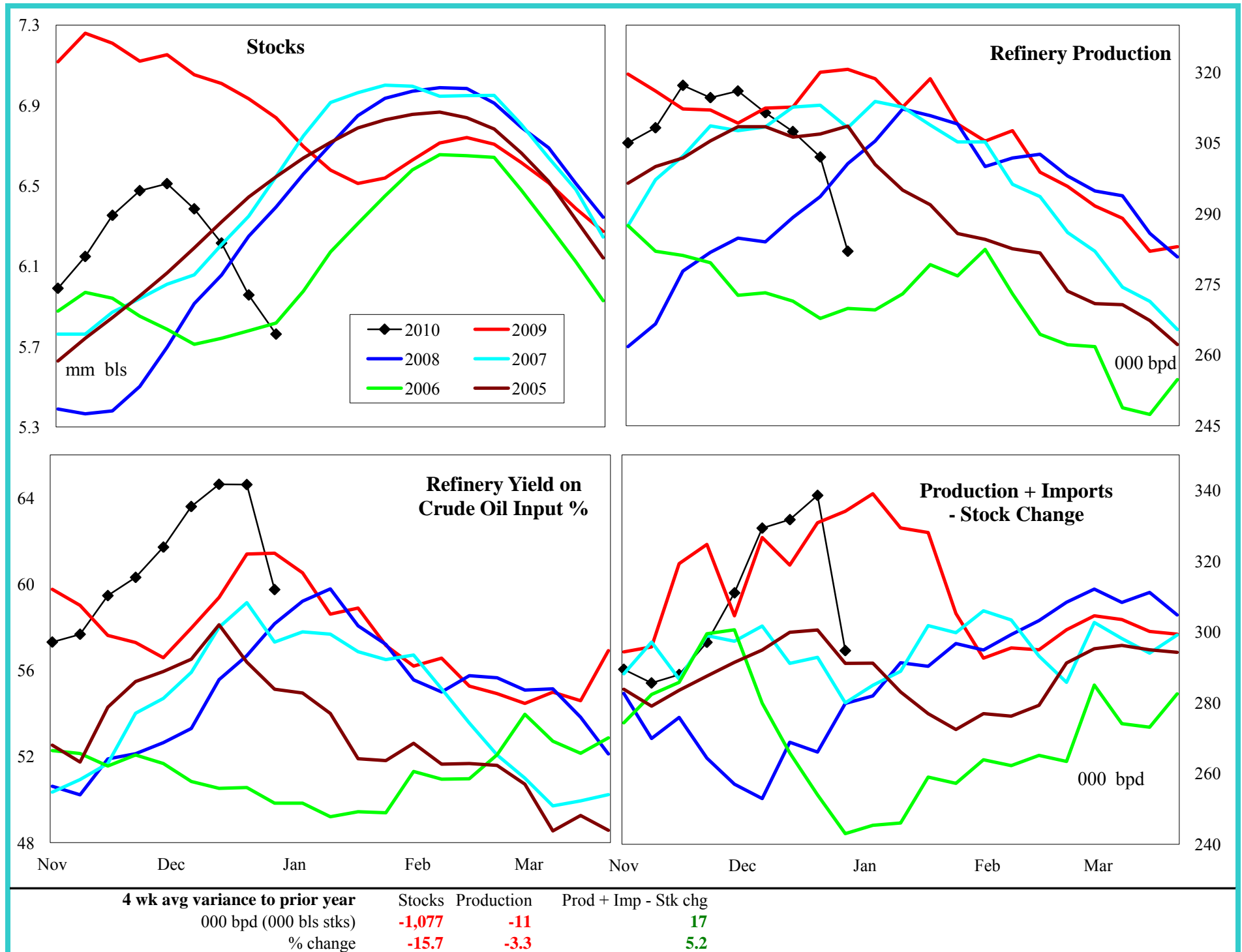
-9.2

Imports

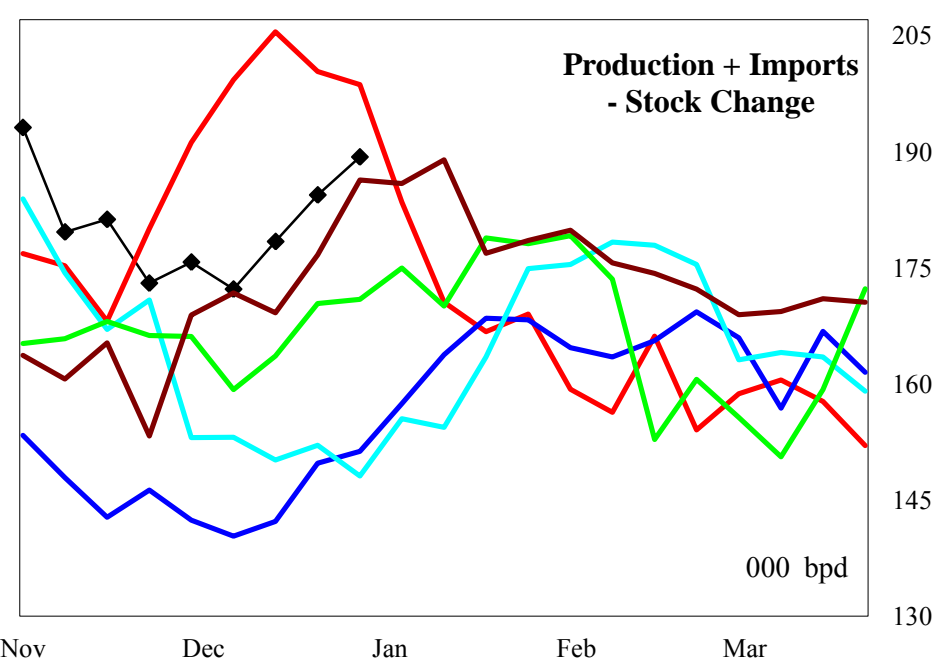
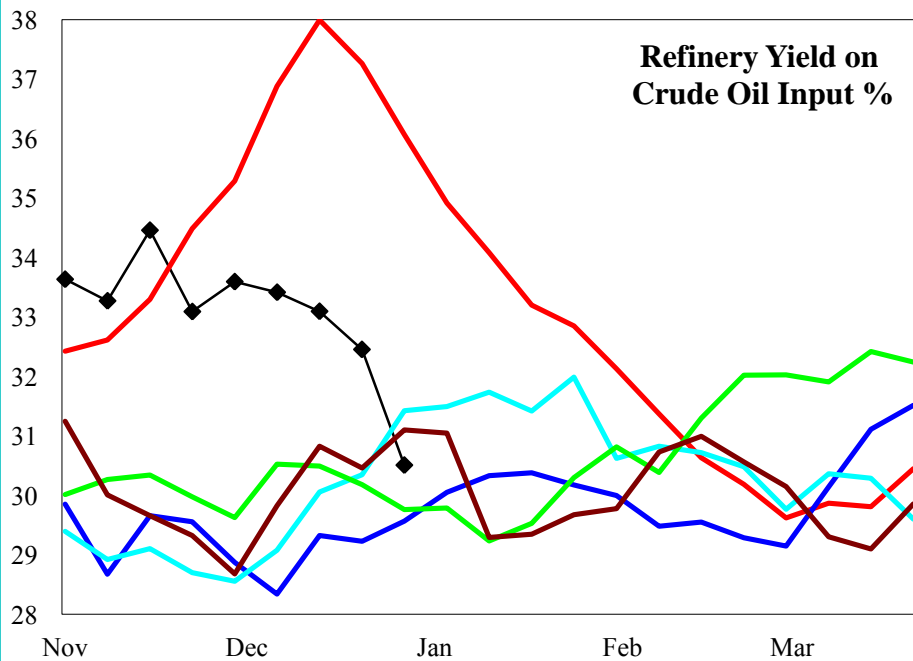
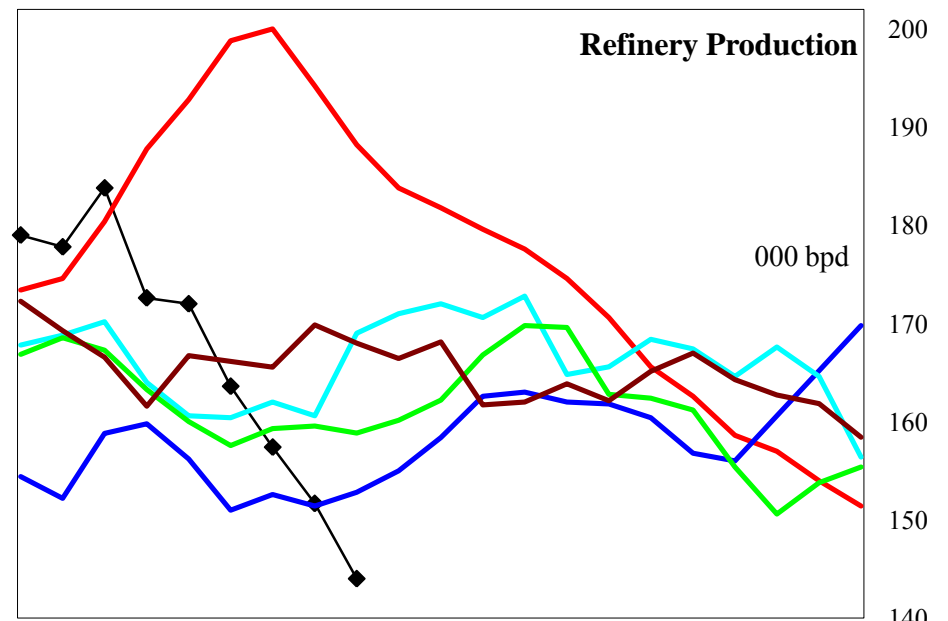
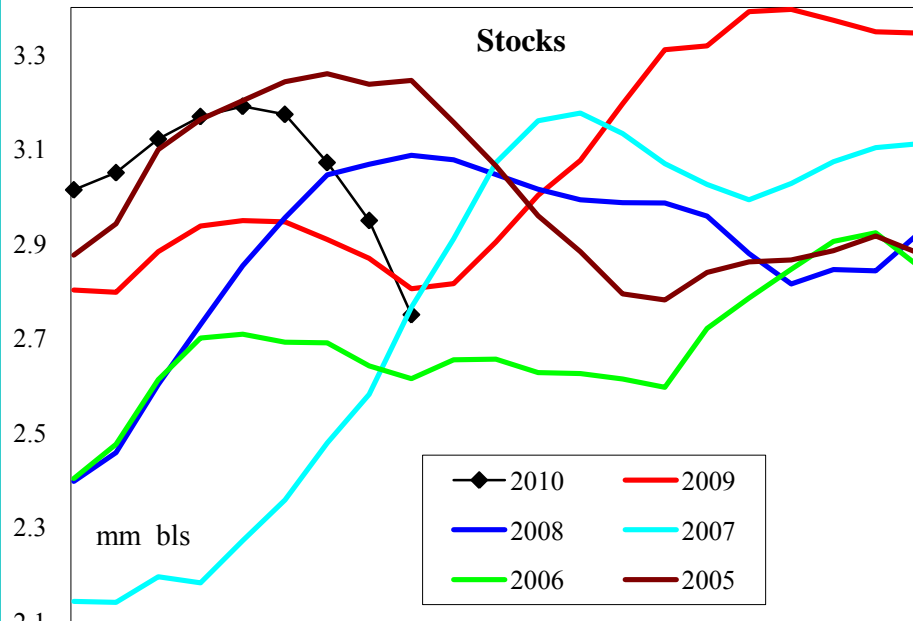
-51

-17.7

PADD 4 Gasoline Supply



PADD 4 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

-55

-48

6

-27

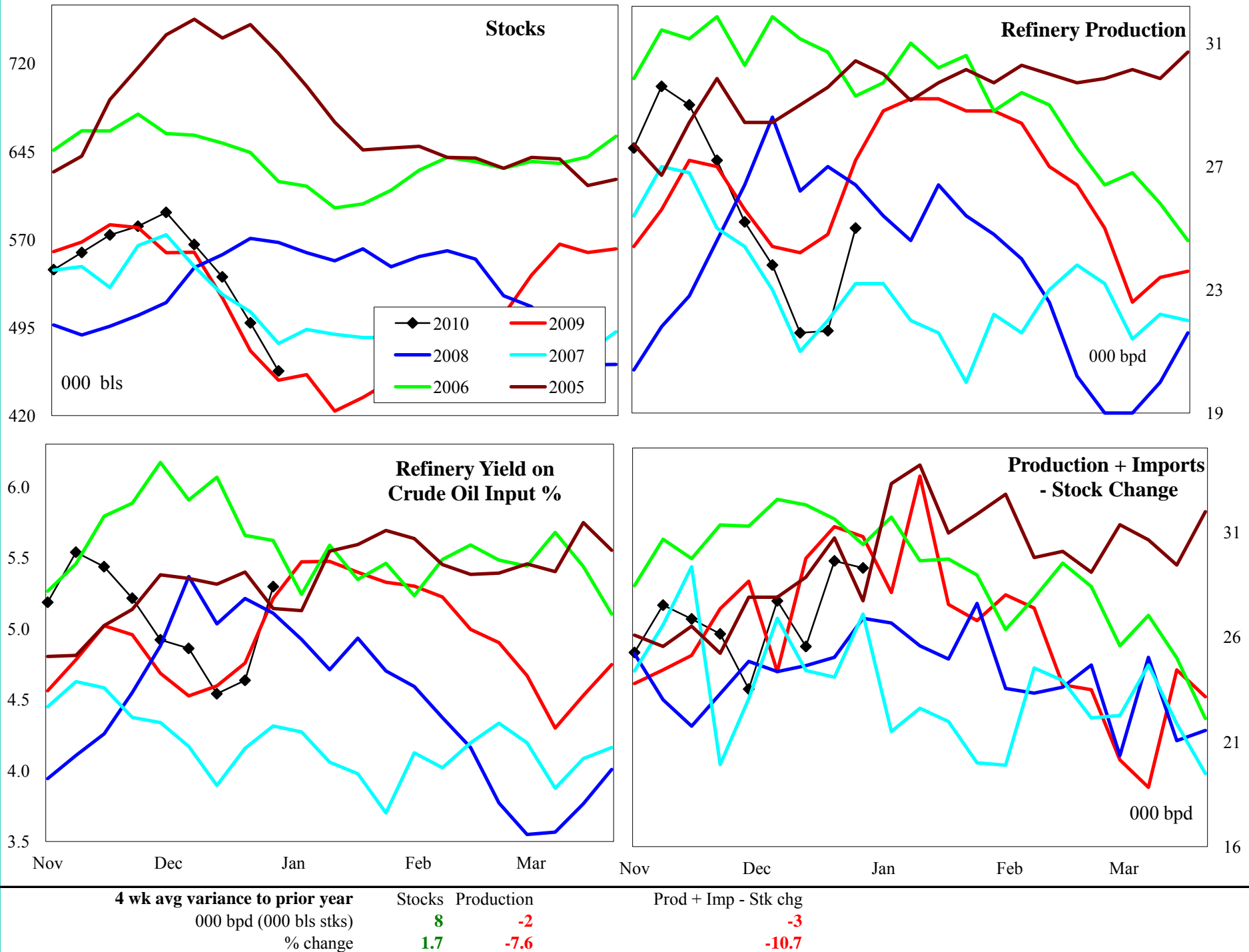
-1.9

-24.1

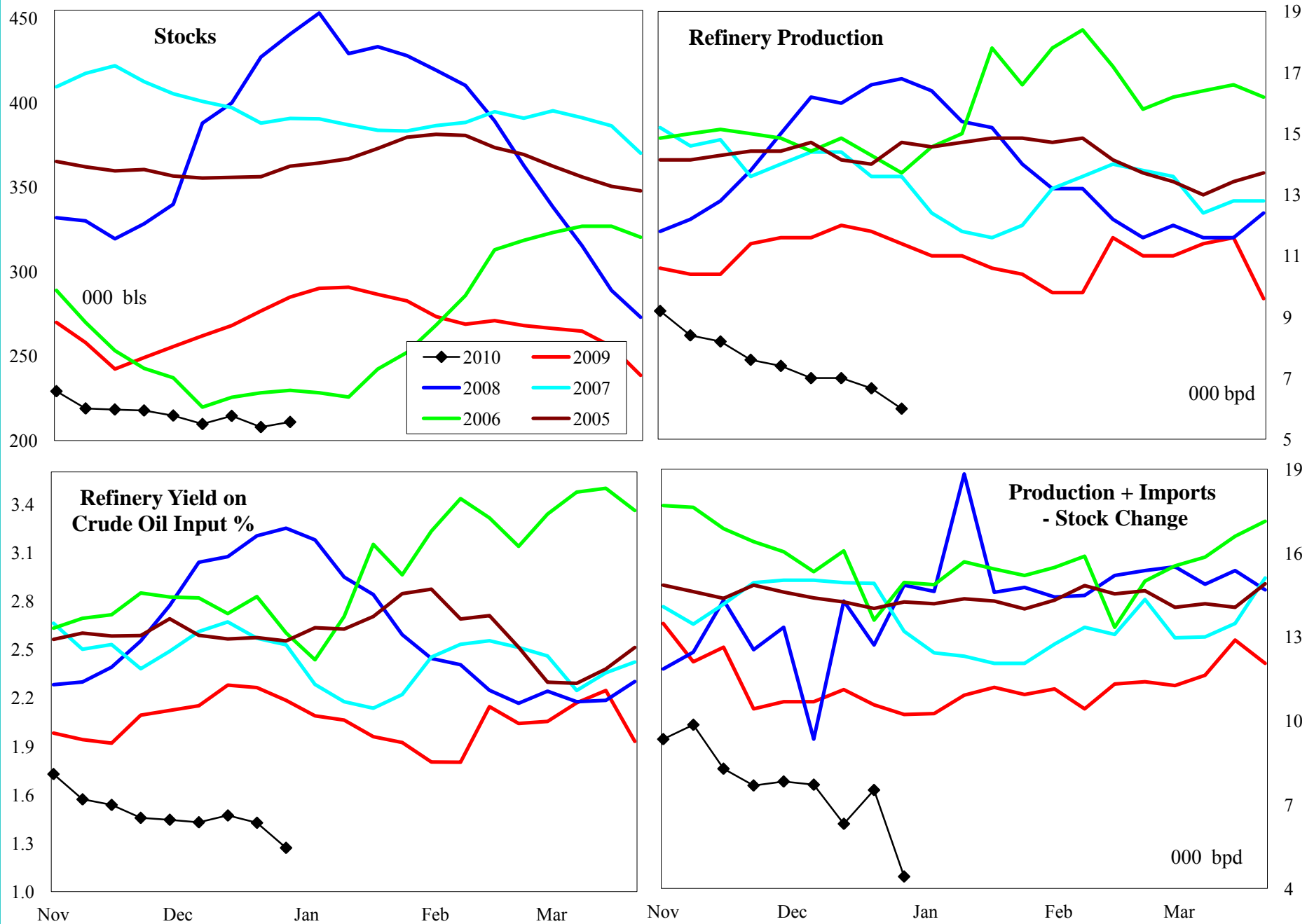
2,400.0

-13.7

PADD 4 Jet Fuel Supply



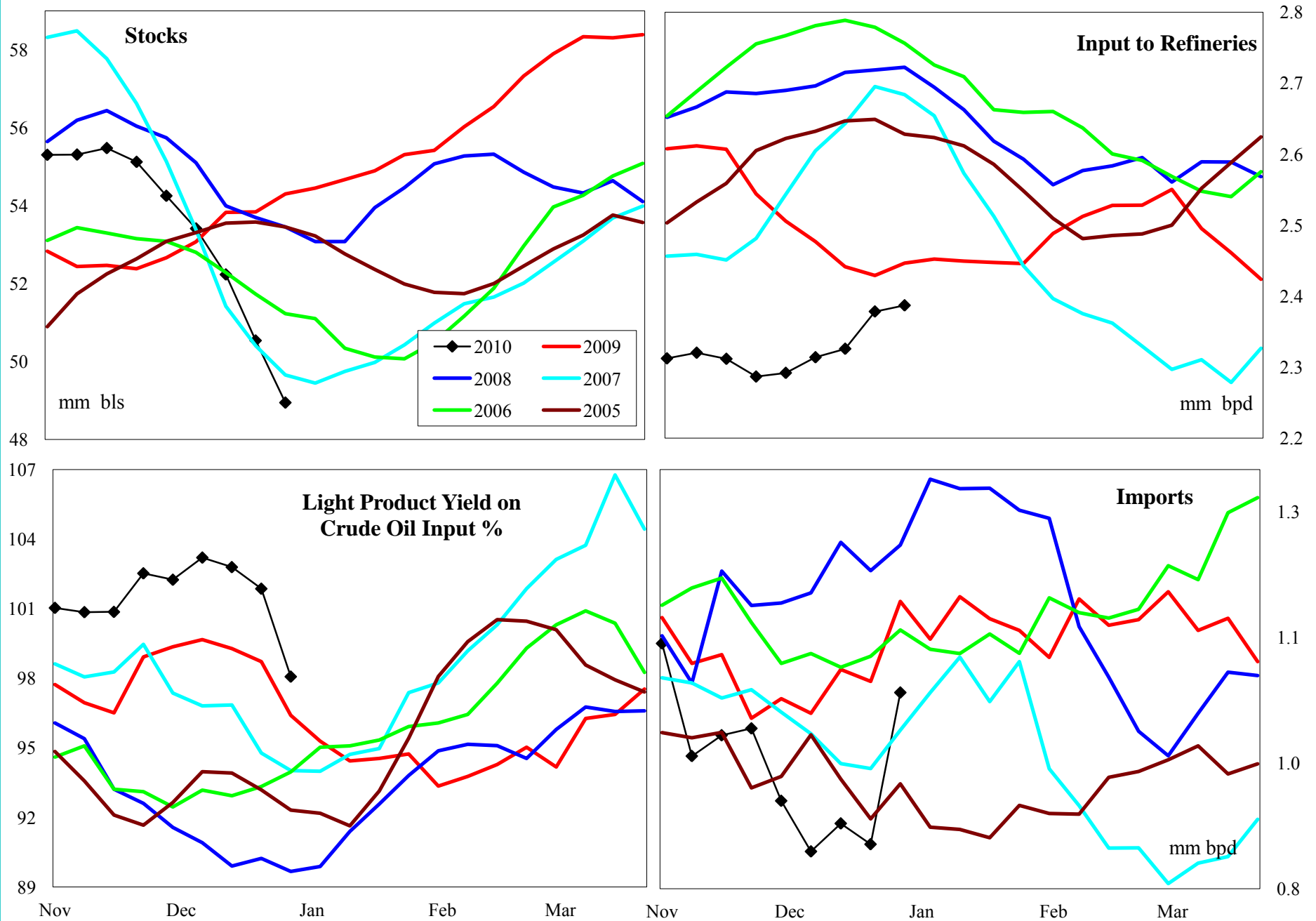
PADD 4 Residual Fuel Oil Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
-74	-5	0	-6
-26.0	-43.8	#DIV/0!	-56.3

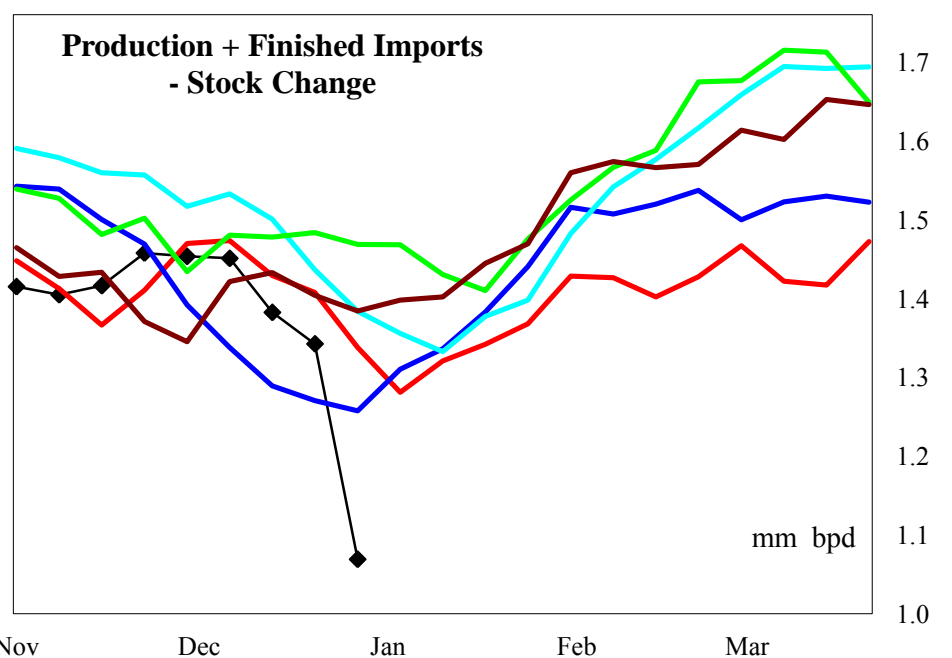
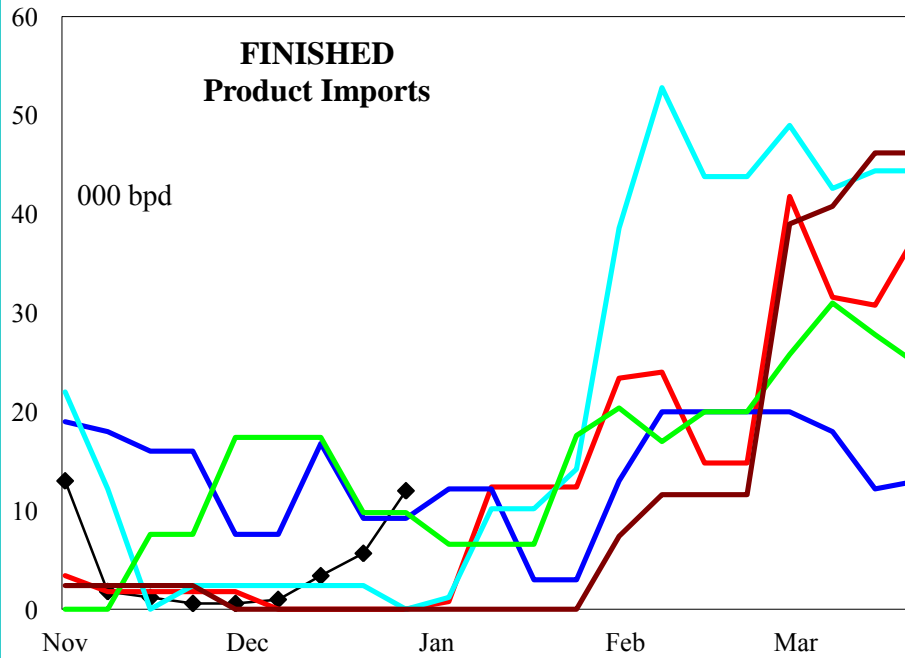
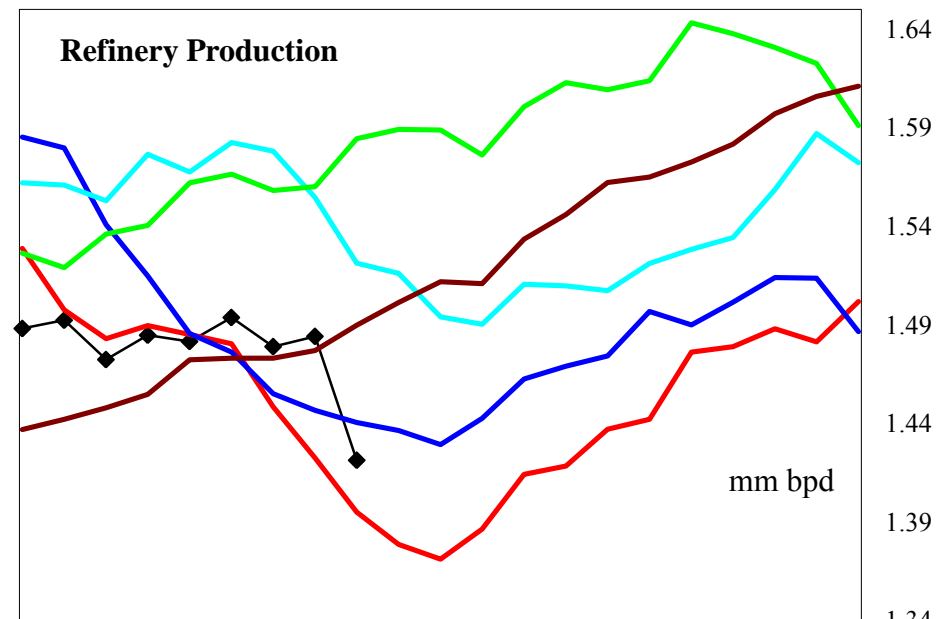
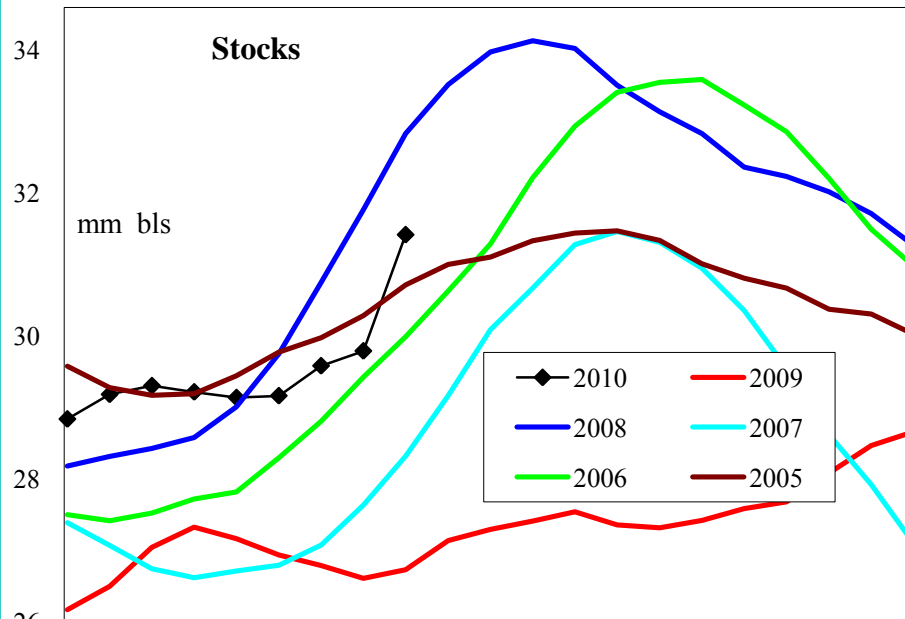
PADD 5 Crude Oil Supply and Refining



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

	Stocks	Input	Imports
000 bpd (000 bls stks)	-5,352	-64	-186
% change	-9.9	-2.7	-18.0

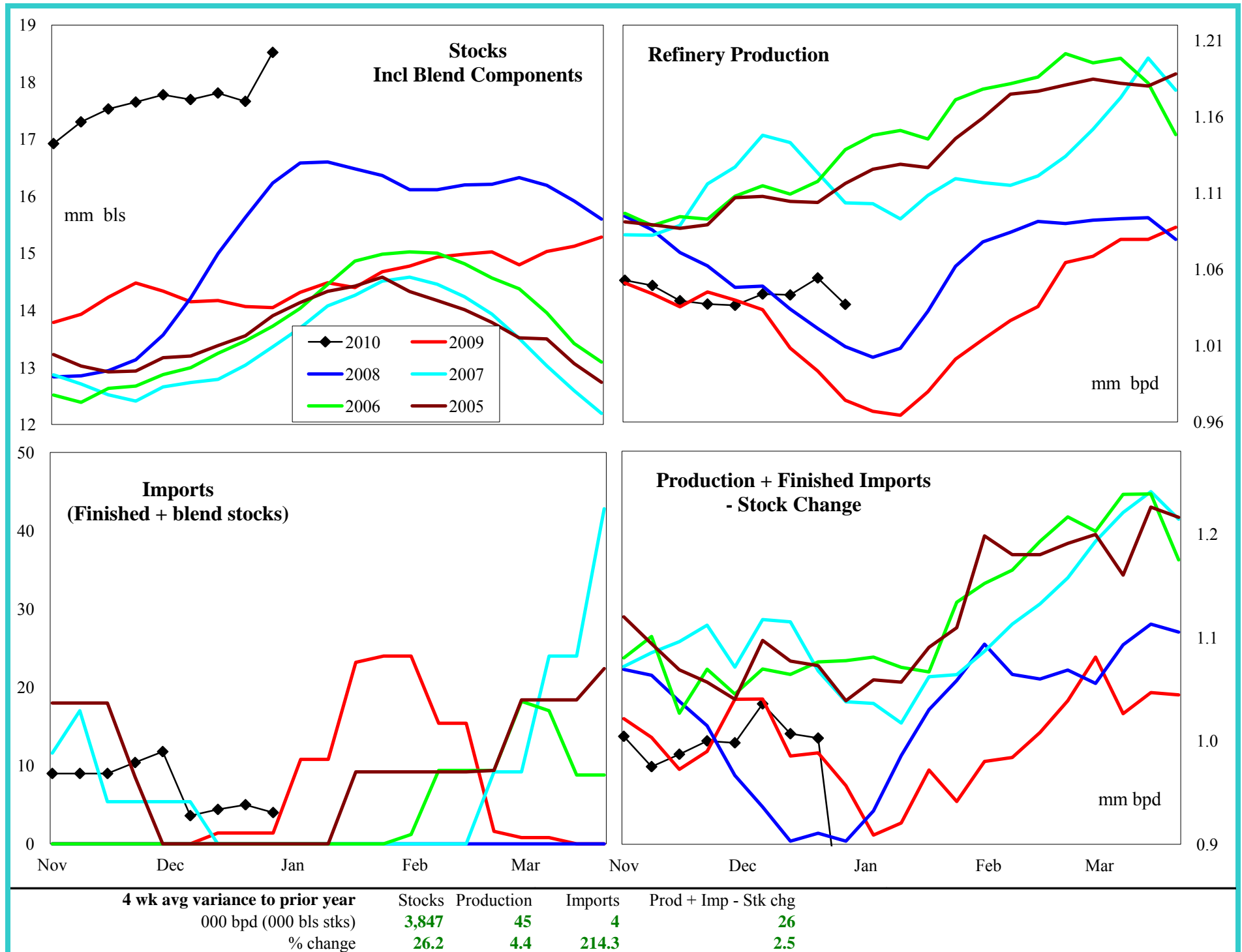
PADD 5 Gasoline Supply



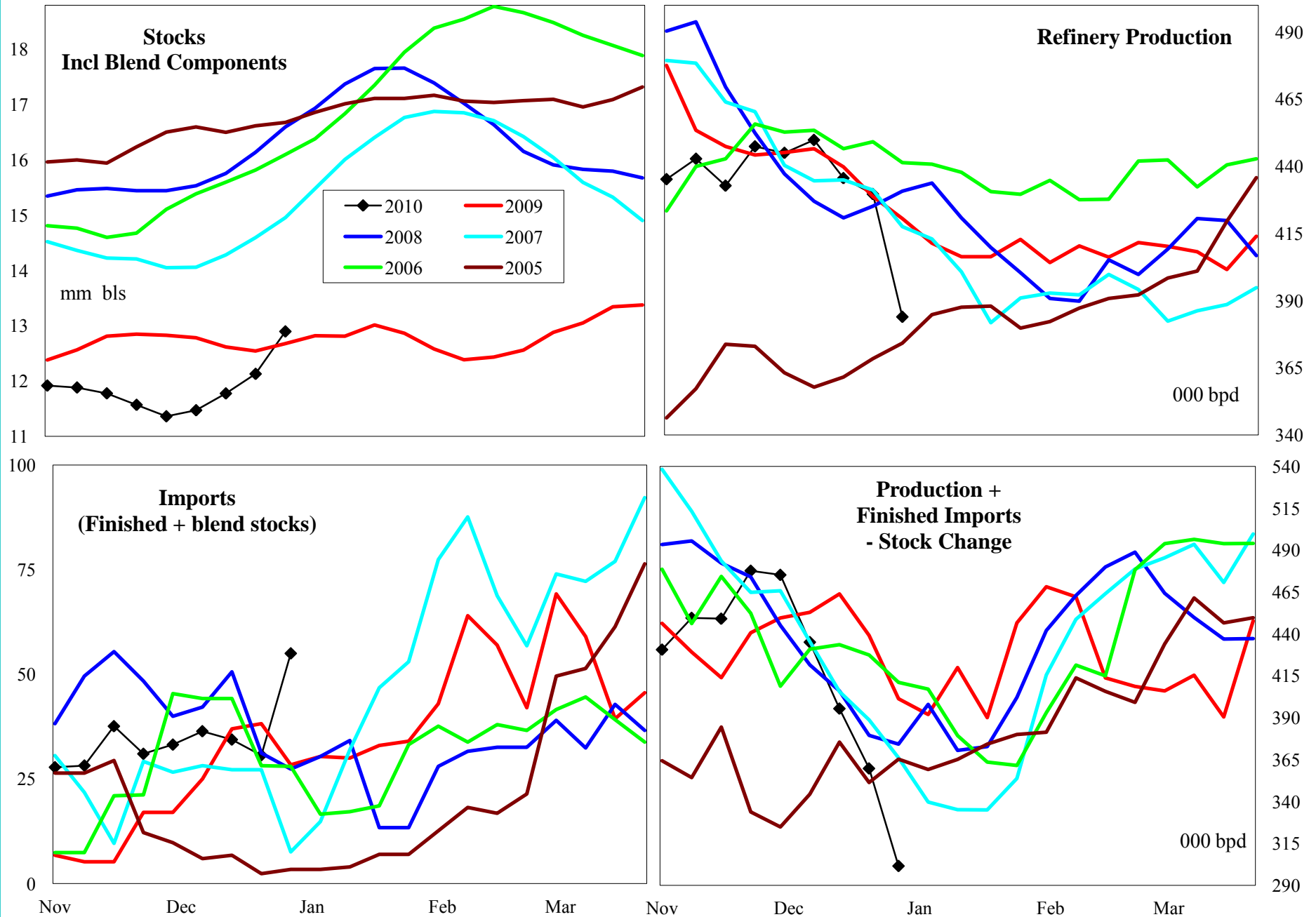
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Fin Impt	Blend Impt	Prod + Imp - Stk chg
4,811	50	4	-16	-68
17.8	3.5	#DIV/0!	-33.9	-4.5

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

964

6

-16

-93

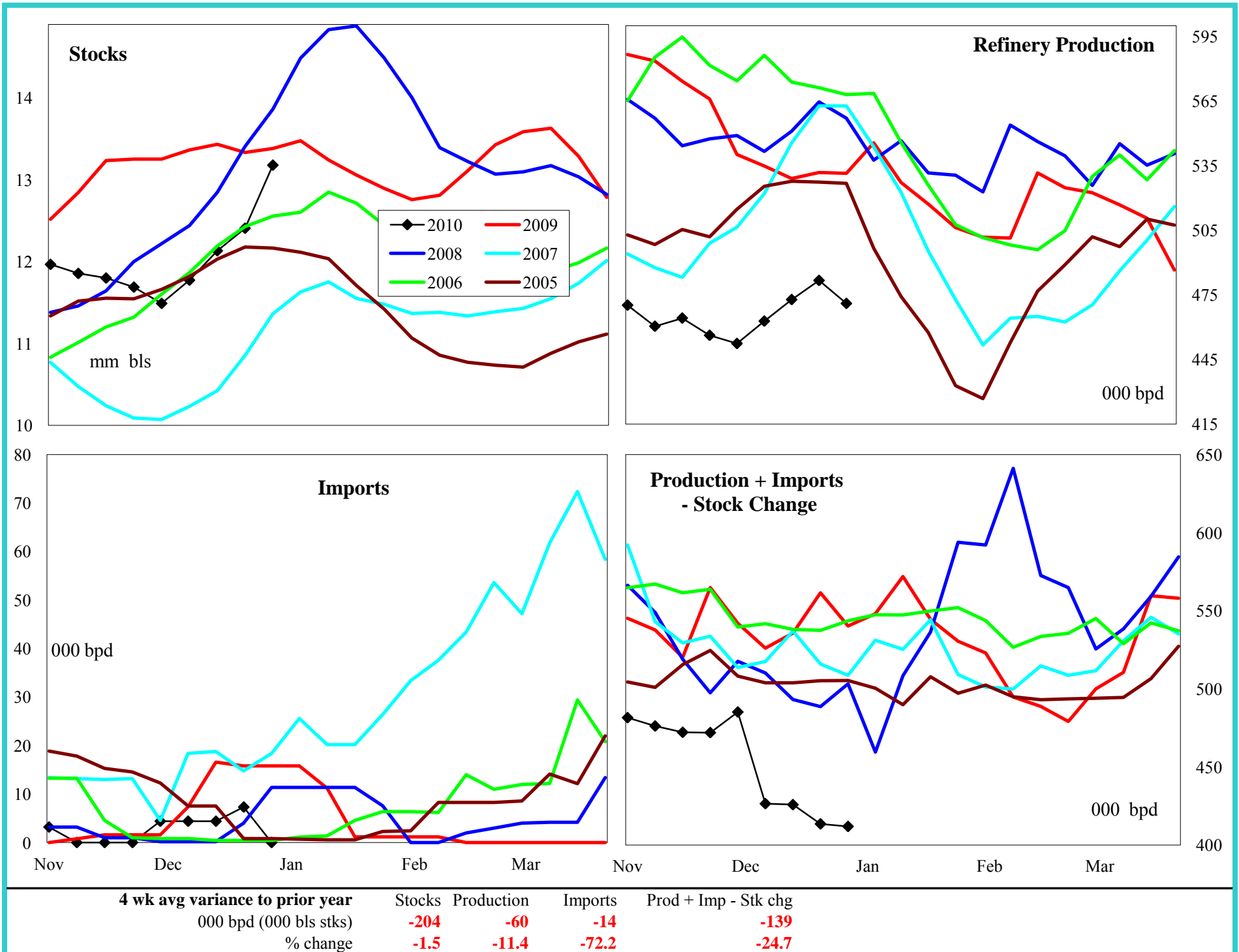
7.8

1.3

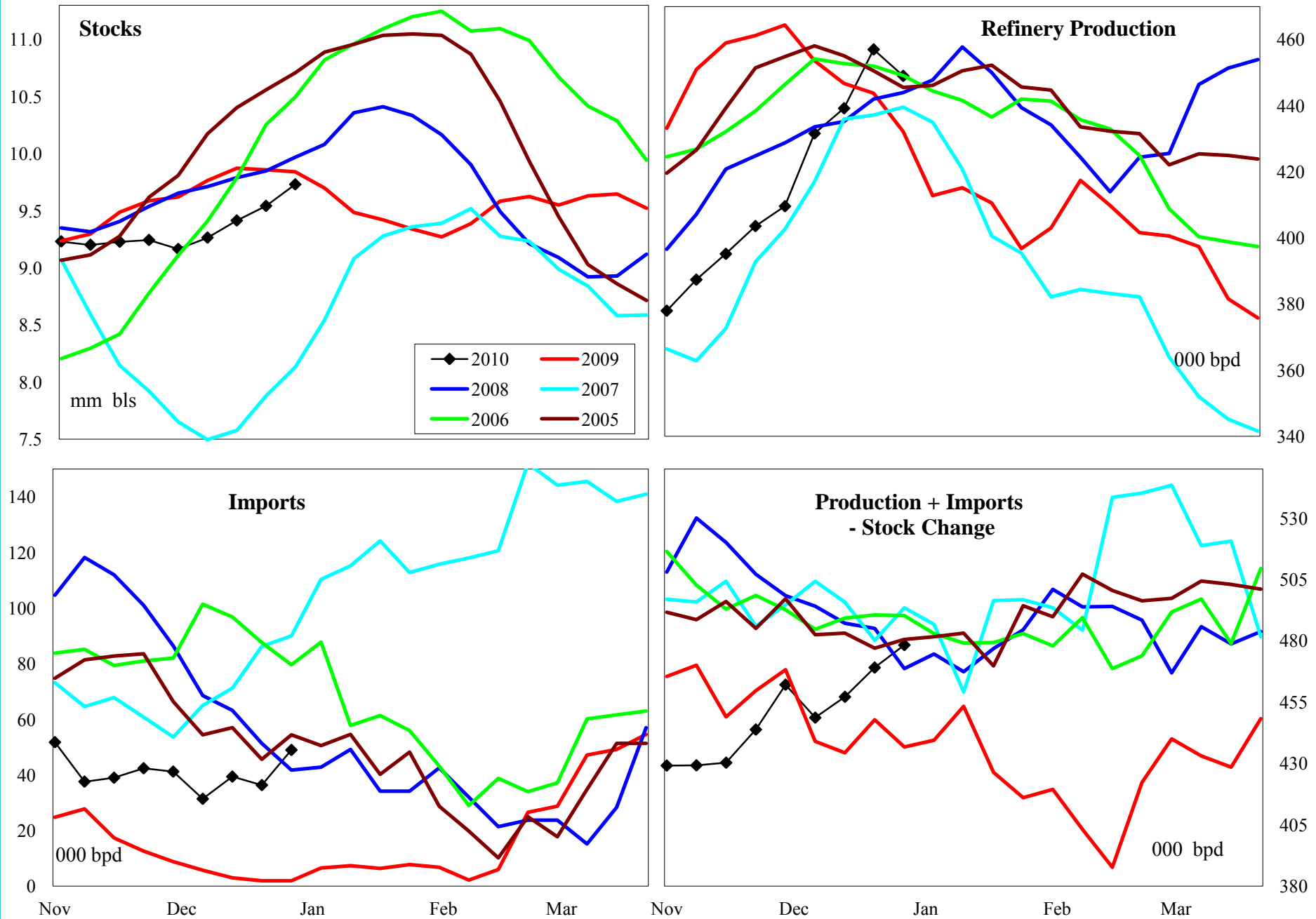
-34.1

-19.5

PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

-128

-1.3

Production

7

1.6

Imports

32

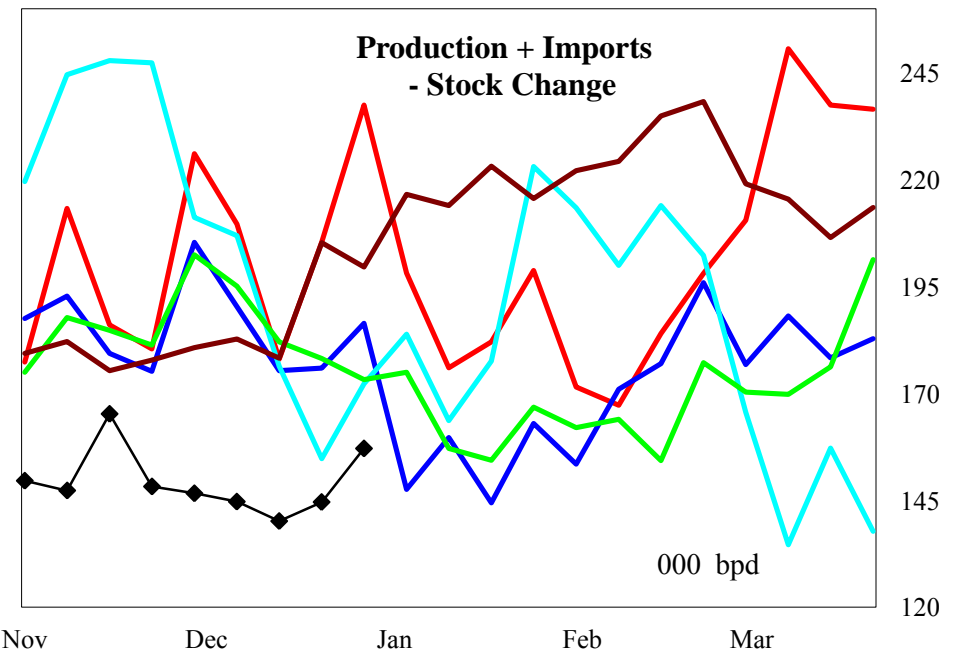
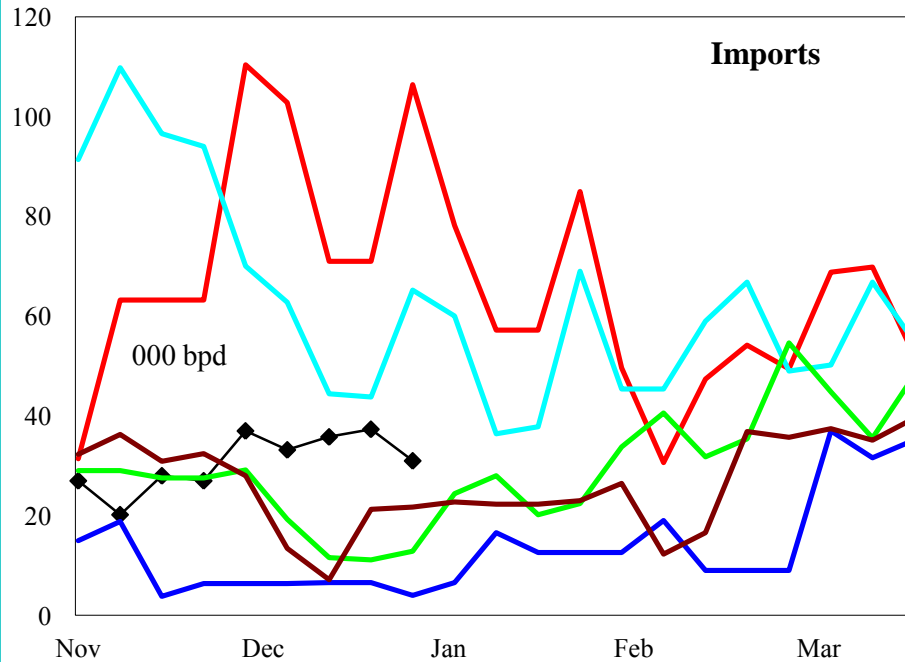
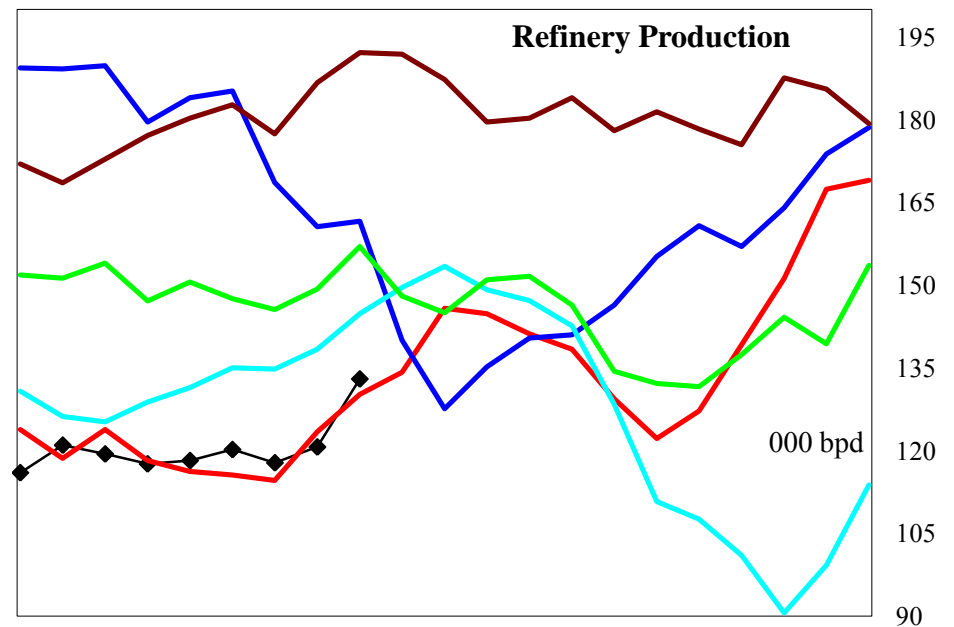
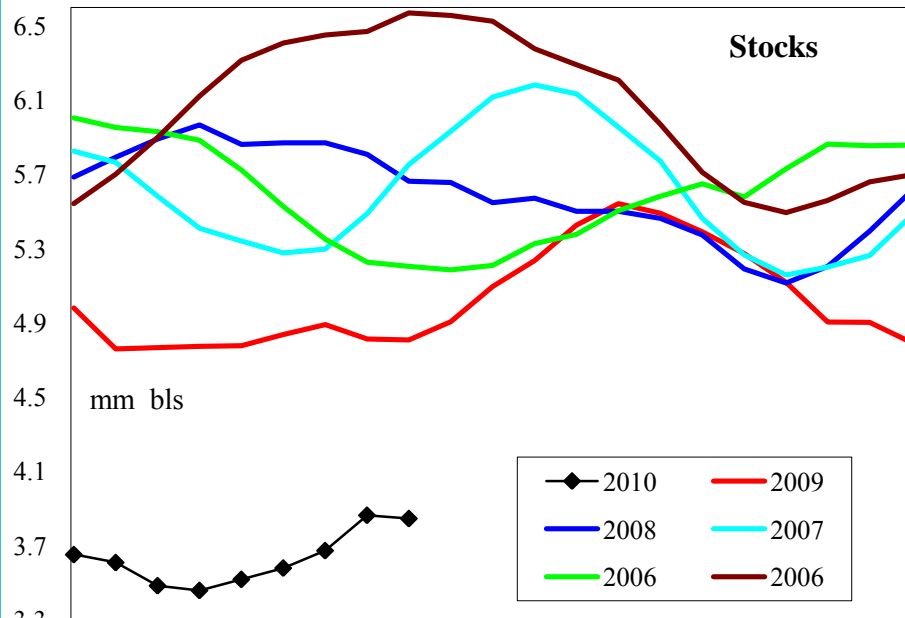
1,280.0

Prod + Imp - Stk chg

14

3.1

PADD 5 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

-961

-19.8

Production

7

6.4

Imports

-54

-60.6

Prod + Imp - Stk chg

-83

-38.4