

**FUNDAMENTAL
PETROLEUM
TRENDS**

WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

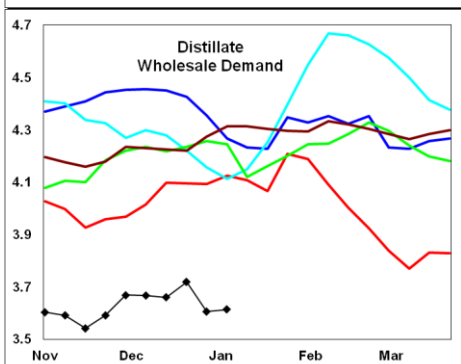
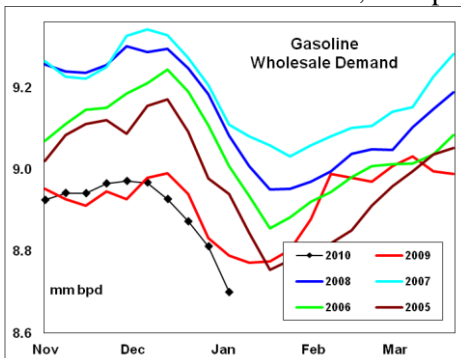
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, January 13, 2010



Major Fundamental Trends¹

Widespread winter storms depressed transport fuel (gasoline, distillate and jet fuel) demand for a second consecutive week. Gasoline wholesale demand was unchanged from the record low level of the prior week. Distillate demand increased just +68,000 bpd even with heating degree days at a five year high for the week. Jet fuel demand declined -196,000 bpd.

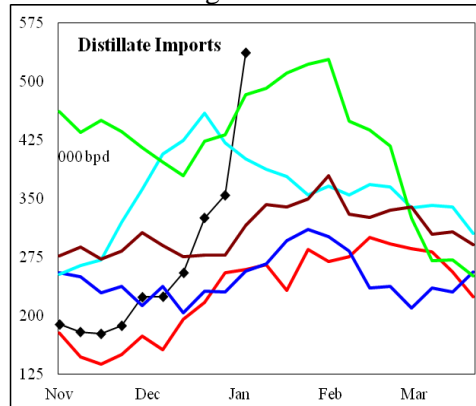


Very low demand led to a +5.9 million barrel stock build for the transport fuels. Stock builds this time of year are normal for gasoline and jet fuel, and occur about 1/2 of the time for distillate. The stock build is significant in light of low production for transport fuels.

Gasoline production fell -560,000 bpd last week, due to maintenance on the East Coast and an end to in process material upgrades in the mid west. Imports remain relatively low. Very low seasonal demand has offset the reduced supply, so that the gasoline market remains at risk of significant

over supply during the next 60-days.

Distillate imports spiked to a five year high last week in response to higher heating oil demand and the collapse in the forward price curve that has caused firms to begin delivery of waterborne storage to the East coast.



Demand for gasoline and distillate were nearly unchanged from the prior week sharp drop, while distillate demand fell -196,000 bpd. Inclement weather depressed transport fuel demand for the week.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline decreased -0.3%; distillate down -10%; jet fuel up +1.3% while residual fuel oil decreased -34%.

Stocks forward coverage: Gasoline demand coverage reached a new five year season high on a +3.8 million barrel stock build and very low demand.

Distillate demand coverage remains extremely high on low demand and a +1.4 million barrel stock build.

Jet fuel coverage climbed to a new record high for the winter quarter on a +0.8 million barrel stock build and low demand.

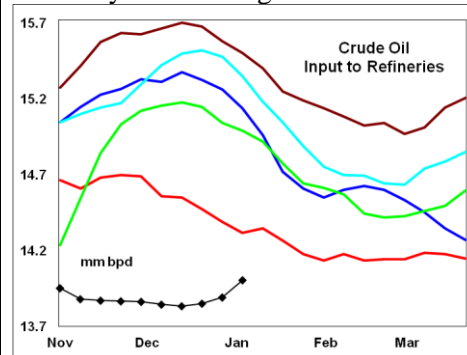
Residual fuel oil coverage remains above the historic range on record low demand.

Refinery utilization rates increased last week on a +213,000 bpd rise in crude oil runs. Runs were -589,000 bpd below last years' record low rate.

Gasoline yield % on crude oil runs

fell sharply on a -560,000 bpd drop in production. Yield % fell to within the historic range.

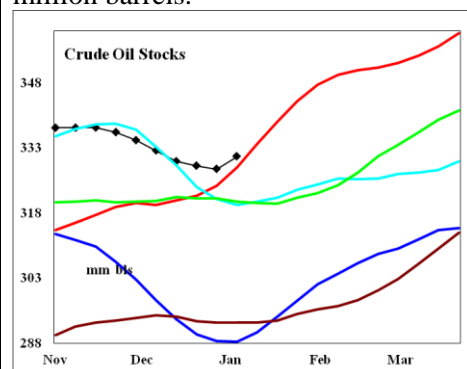
Distillate yield % on crude oil runs increased last week on a +46,000 bpd rise in production. Yield % was near the five year mid range.



Petroleum Imports of transport fuels increased +341,000 bpd last week. Crude oil imports climbed +540,000 bpd.

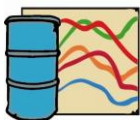
During the latest 4-wk period distillate imports increased +53% compared to last year; finished gasoline imports increased +23%; gasoline blend stock imports decreased -28%; jet fuel imports were +43% higher while residual fuel oil imports declined -18%.

Crude oil stocks increased +3.7 million barrels last week, with builds in all regions except the Midwest. Stocks in Cushing, Oklahoma decreased -1.2 million barrels.



Stocks normally build during the 1st quarter as refiners undertake refinery maintenance. Expect continued seasonal builds on low runs and start of maintenance, so that stock levels remain at/near last years' record highs.

¹ Source is latest EIA Weekly Statistics



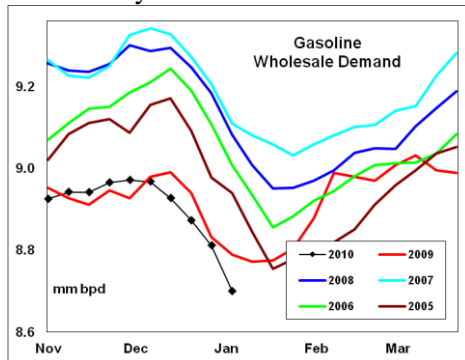
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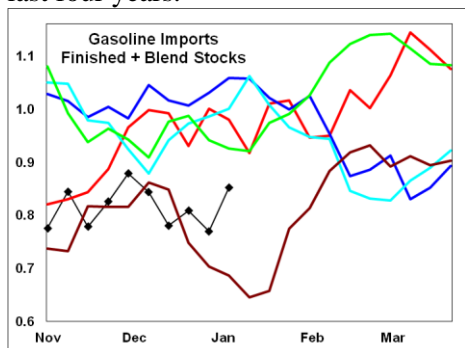
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Product Supply-Demand Trends

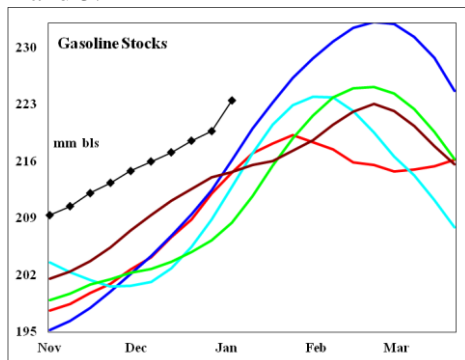
Gasoline demand was unchanged last week at an extremely low level, due in part to inclement weather. The latest 4-wk average demand was -30,000 bpd below last year.



Gasoline production fell -560,000 bpd on sharp declines in PADDs 1 and 2, with U.S. total production falling below the five year range for the period. Imports increased +108,000 bpd last week, but remains below the last four years.



Stocks increased +3.8 million barrels on the week, with +1 million barrel builds in each of the regions PADD 1, 2 and 5.



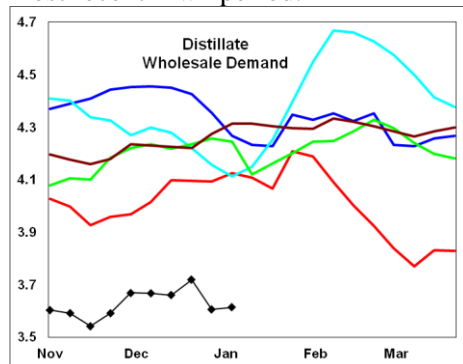
The drop in production reflects the anticipated decline in PADD 2 as refiners completed blend down of in process material the prior week.

PADD 1 declines reflect maintenance on gasoline process units.

Stock levels are at new five year highs for the period, even at low production rates. Risk of extreme over supply remains during the quarter.

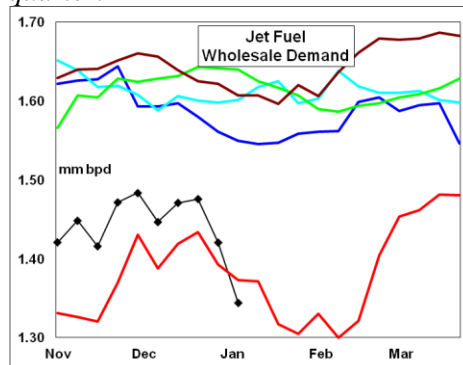
Distillate demand increased +68,000 bpd last week, with strong heating oil demand offset by very low transportation demand. The latest 4-wk demand average was -395,000 bpd below last year.

Imports surged +248,000 bpd last week to a record five year weekly high for the winter season. Production also increased +46,000 bpd. Supply was -624,000 bpd below a year ago for the most recent 4-wk period.



PADD 1 stocks decreased -2.5 million barrels on the week, even with record imports as a result of strong heating demand. Very weak transport demand led to stock builds in other regions.

Expect a short term increase in transport fuel demand ahead, although high stock levels should keep the market over supplied in the 1st quarter.



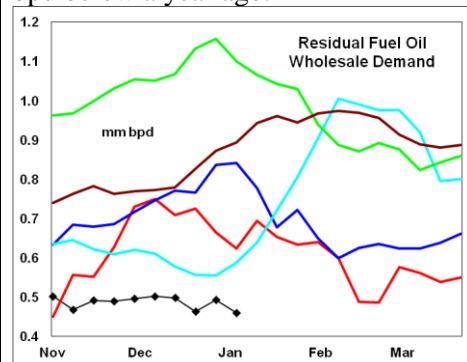
Jet Fuel demand fell -196,000 bpd last week, on an end to holiday travel, with the latest 4-wk average +18,000 bpd

over last year.

Jet supply decreased -49,000 bpd with both production and exports lower. Supply remains near last years' five year low. Stocks increased +0.8 million barrels on weak demand. Stock levels remain above four of the last five years.

The 1st quarter seasonal decline in demand is underway, with demand nearly unchanged from a year ago. With very ample stock levels, refiners will need to limit output to avoid excessive supply. Expect relatively weak jet fuel prices compared to the over all complex.

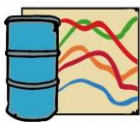
Residual fuel oil demand, including exports, decreased -39,000 bpd on the week, with the 4-wk average -239,000 bpd below a year ago.



Supply was nearly unchanged on the week with the 4-wk average -60,000 bpd below a year ago. The decline in the 4-wk average was due to lower imports. Stock levels remain at the low end of the historic range.

Residual fuel oil stocks and production are sharply below prior years in all regions except the Gulf Coast. Production and stock levels are at record levels on the Gulf.

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



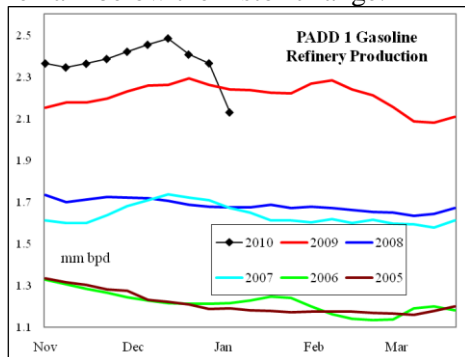
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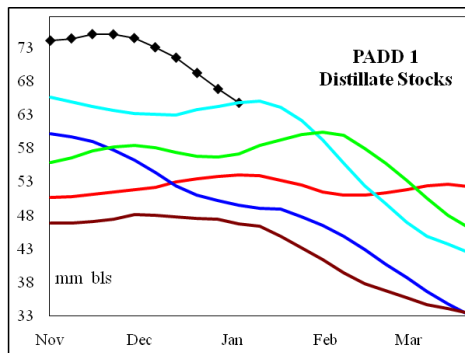
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PADD Supply Trends

PADD 1 refinery crude oil runs decreased -31,000 bpd, with the 4-wk average -206,000 bpd below last years' record low level. Crude oil imports increased +277,000 bpd last week, but remain below the historic range.



Gasoline production decreased -330,000 bpd as gasoline units were taken down for maintenance. Weak demand and increased imports led to a +1.8 million barrel stock build. Stock levels ended the week near record levels.



Distillate imports jumped +204,000 bpd on the week to match the five year high. High heating oil demand offset the increased imports, leading to -2.5 million barrel stock draw. Stock levels are now within the five year range.

Jet fuel stocks fell to near the mid range on record low imports and production for the week.

PADD 2 crude oil refinery runs decreased -86,000 bpd last week, to near the five year mid range. The latest 4-wk average was +145,000 bpd above a year ago. Crude oil imports decreased -221,000 bpd last week to the low end of the five year range. Low imports led to a -1.1 million

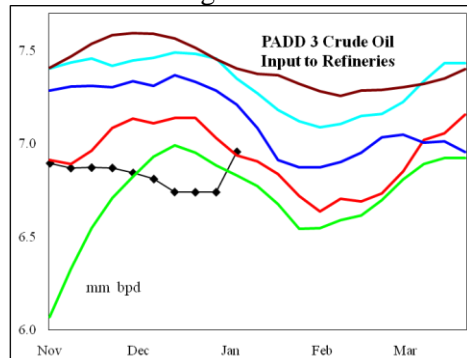
barrel stock draw. Stocks remain +9% above the prior record level. Stocks in Cushing decreased -1.2 million barrels on the week.

Gasoline production decreased -292,000 bpd on the week, reversing the prior week surge. The drop in production led to a -0.8 million barrel stock draw. Stock levels remain below the mid range.

Distillate production decreased -42,000 bpd last week, although, output remained at the upper end of the five year range. Extremely low demand led to a +2.3 million barrel stock build. Stock levels matched last years' record level.

Jet fuel production and stocks each were at new five year highs.

PADD 3 refinery crude oil runs jumped +445,000 bpd on the week a level slightly below the historic mid range for the period. Crude oil imports increased +530,000. Stock levels were near the mid range.



Gasoline production increased +137,000 bpd last week, with the latest 4-wk average -301,000 bpd below last year. Stocks increased +1.7 million barrels to a new five year season high.

Distillate production increased +122,000 bpd last week, to near the mid range for the period. Stocks increased +1.1 million barrels on the week, and were +21% above the prior five year high.

Jet fuel production increased +17,000 bpd on the week, but remains at the low end of the historic range. Stocks increased +0.4 million barrels to the upper end of the historic range.

Residual fuel oil stocks and

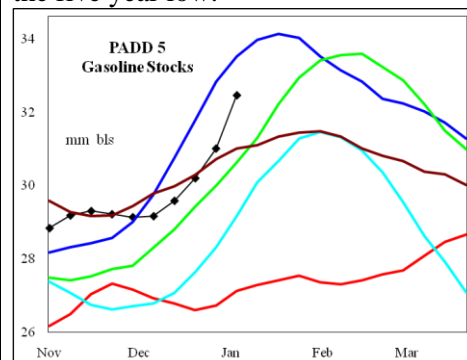
production each remain well above the historic range on weak demand.

PADD 4 refinery crude oil runs increased +6,000 bpd on the week with the latest 4-wk average -48,000 bpd below year ago levels. Imports increased +112,000 bpd to match the five year high. Stocks increased +0.4 million barrels and remain at a record level.

Gasoline production decreased -19,000 bpd to a record low for the week. Stock levels also were at a five year low for the period.

Distillate production was nearly unchanged on the week at a level below the five year range. Stocks increased +0.3 million barrels to above the mid range.

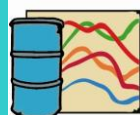
PADD 5 crude oil refinery runs decreased -121,000 bpd on the week, with the latest 4-wk average -98,000 bpd below last year. Crude oil imports decreased -158,000 bpd last week, matching the historic low level. Stocks increased +0.7 million barrels to match the five year low.



Gasoline production decreased -56,000 bpd last week to match the five year low. Weak demand led to a +1 million barrel stock build, with the stock level near a five year high.

Distillate supply increased +15,000 bpd last week, but remains below the five year range. Stocks were nearly unchanged, with the level above the mid range.

Jet fuel supply was at the upper end of the five year range. Weak demand led to a +0.3 million barrel stock build, with the stock level at the historic mid range.


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PETROLEUM: Graph Link and Weekly Summary

A Fundamental Petroleum Trends Weekly Report

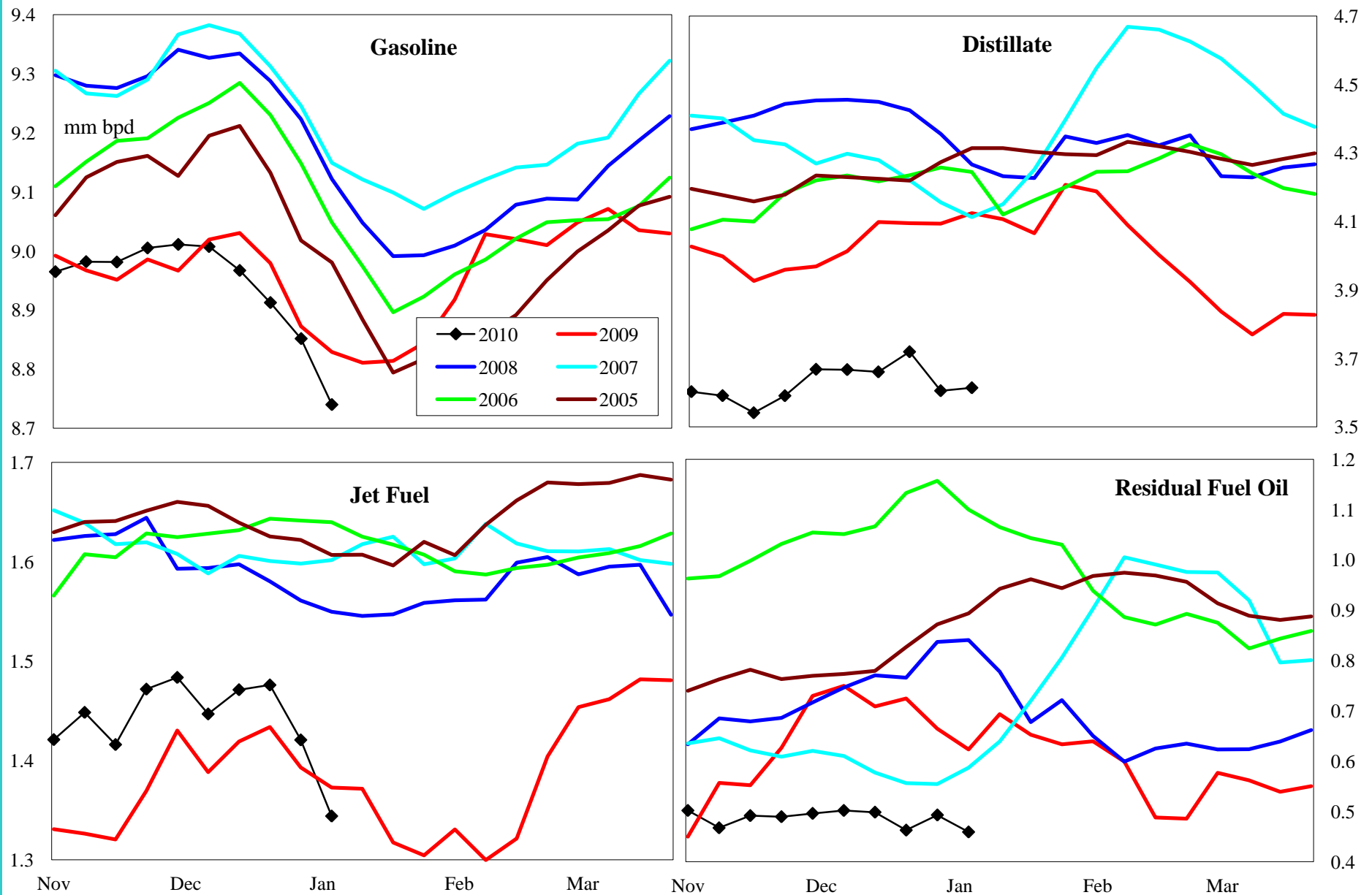
January 13, 2010

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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	8-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	3,699	919	-1,075	2,720	441	694
	Imports	540	277	-221	530	112	-158
	Input	213	-31	-86	445	6	-121
	% Utilization	1.44					
<u>Gasoline</u>	Stocks	3,791	1,817	-779	1,738	-30	1,045
	Production	-560	-330	-292	137	-19	-56
	Imports	108	74	-1	14	0	21
	Supplied	-1					
<u>Distillate</u>	Stocks	1,353	-2,457	2,304	1,148	291	67
	Production	46	-28	-42	122	2	-8
	Imports	248	204	13	16	-8	23
	Supplied	68					
<u>Jet Fuel</u>	Stocks	758	-447	348	442	106	309
	Production	-22	-24	0	17	-1	-14
	Imports	-15	-25	0	0	0	10
	Supplied	-196					
<u>Residual Fuel Oil</u>	Stocks	241	353	20	-391	7	252
	Production	-6	19	-2	1	-1	-23
	Imports	1	7	0	-56	0	50
	Supplied	-39					

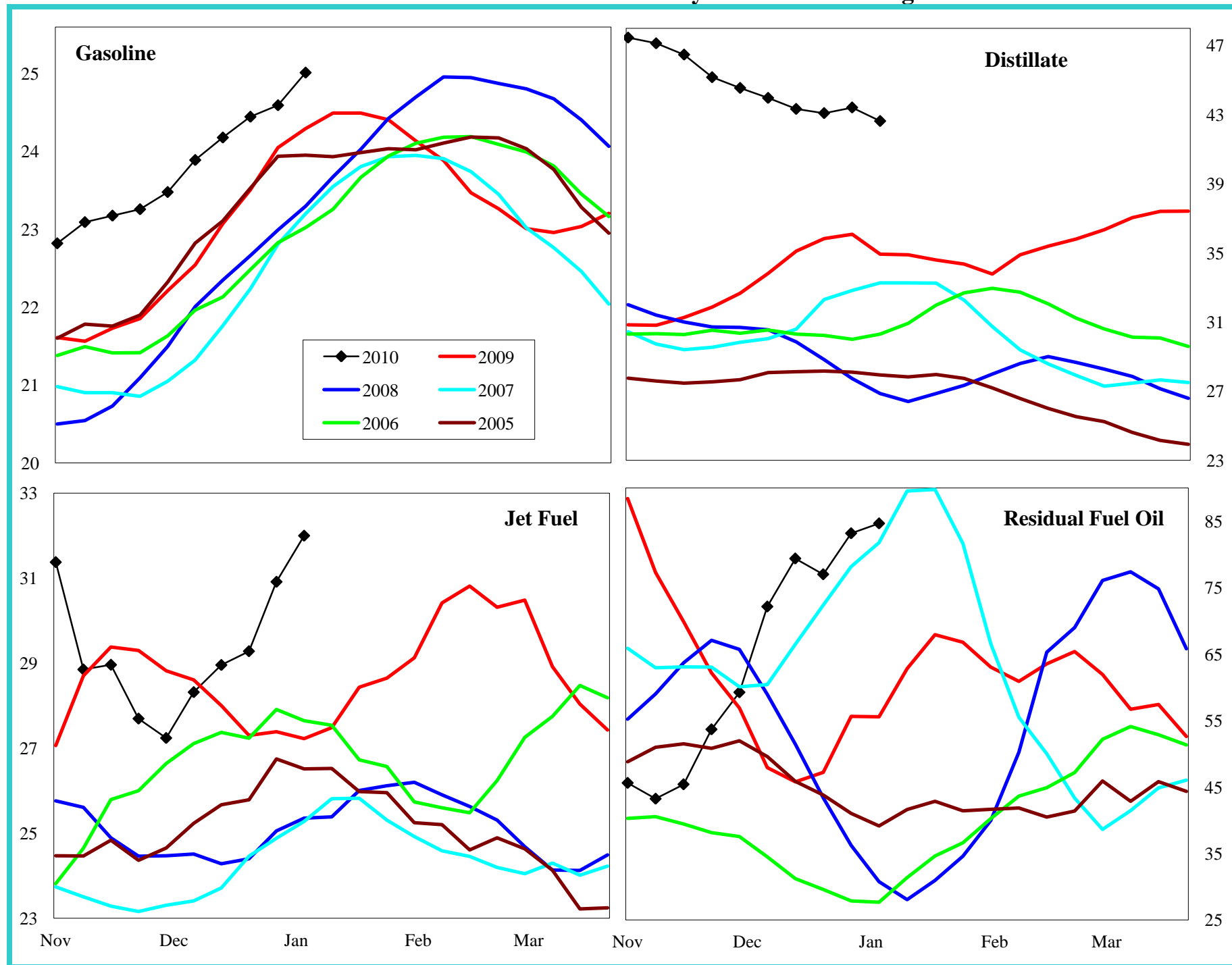
United States Wholesale Petroleum Demand



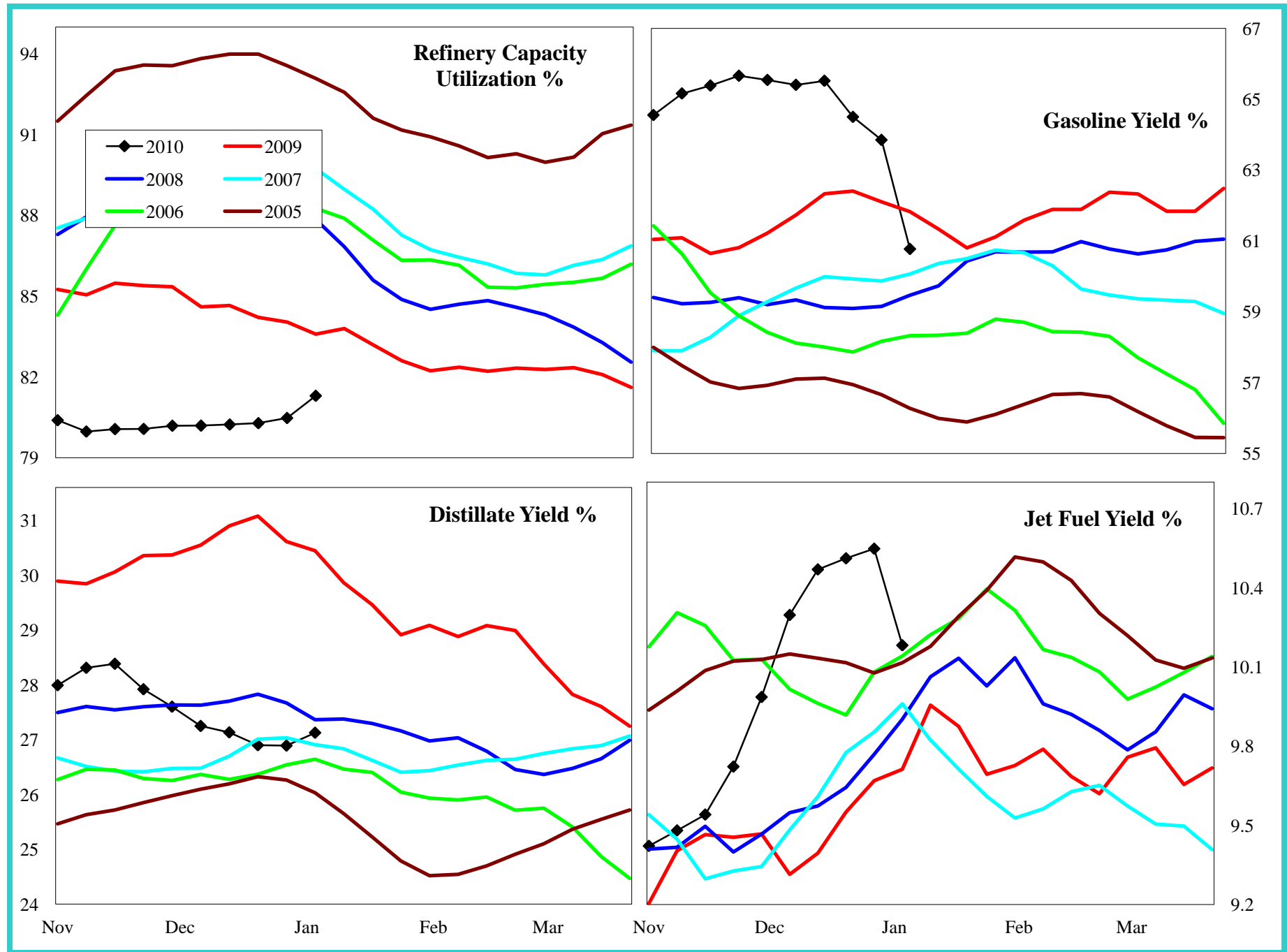
	000 bpd change from prior year				% change from prior year				
	4wk avg	Dec	Nov	Jan	4wk avg	Dec	Nov	Oct	
Gasoline	-30	34	83	-46	-0.3	0.4	0.9	-0.5	
Distillate	-395	-79	-309	-622	-9.6	-2.1	-8.0	-14.9	
Jet Fuel	18	96	-12	-42	1.3	6.9	-0.8	-3.0	
Resid	-239	-273	-41	-4	-33.6	-36.3	-7.9	-0.7	



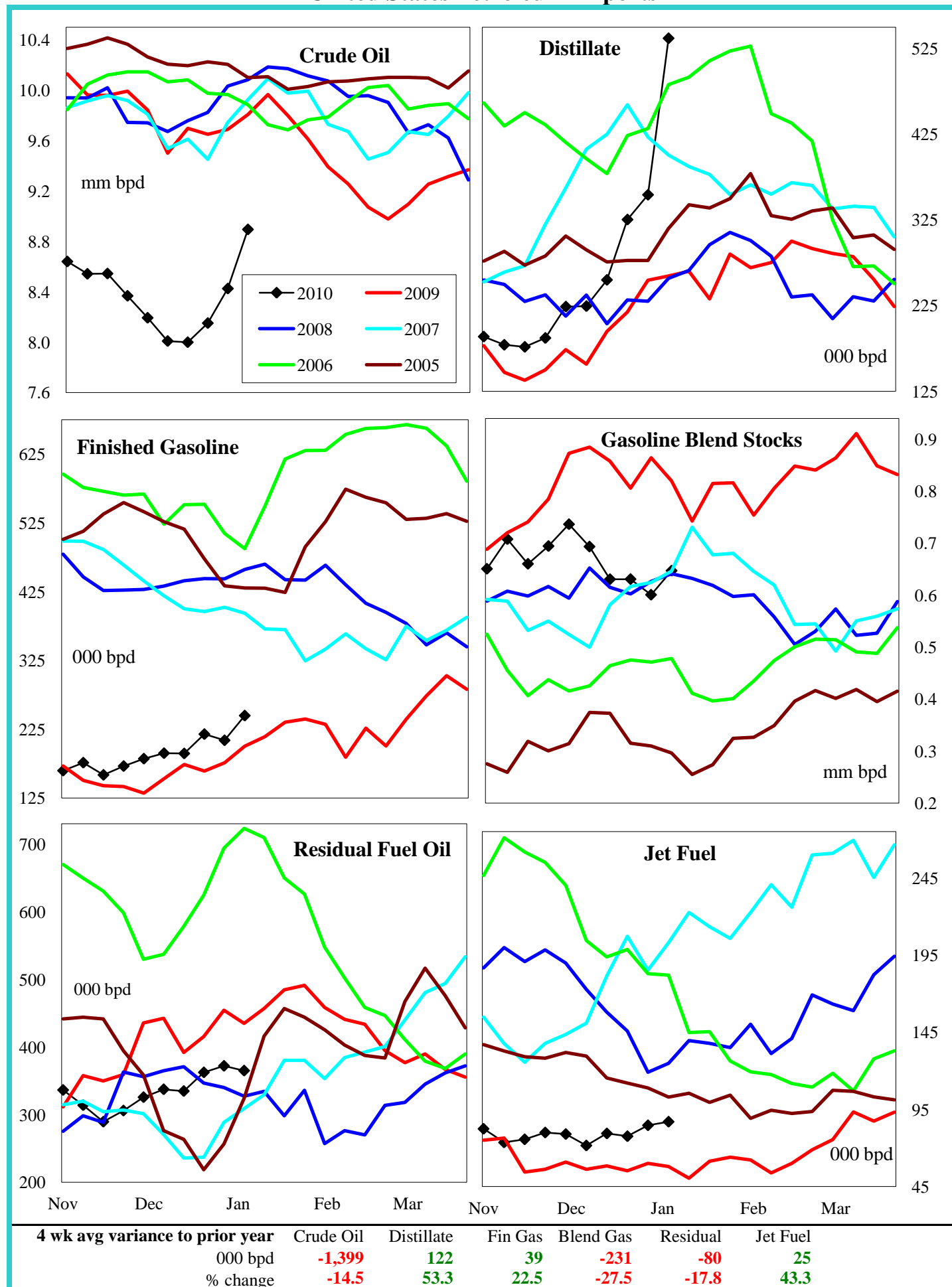
United States Product Stocks: Days Forward Coverage



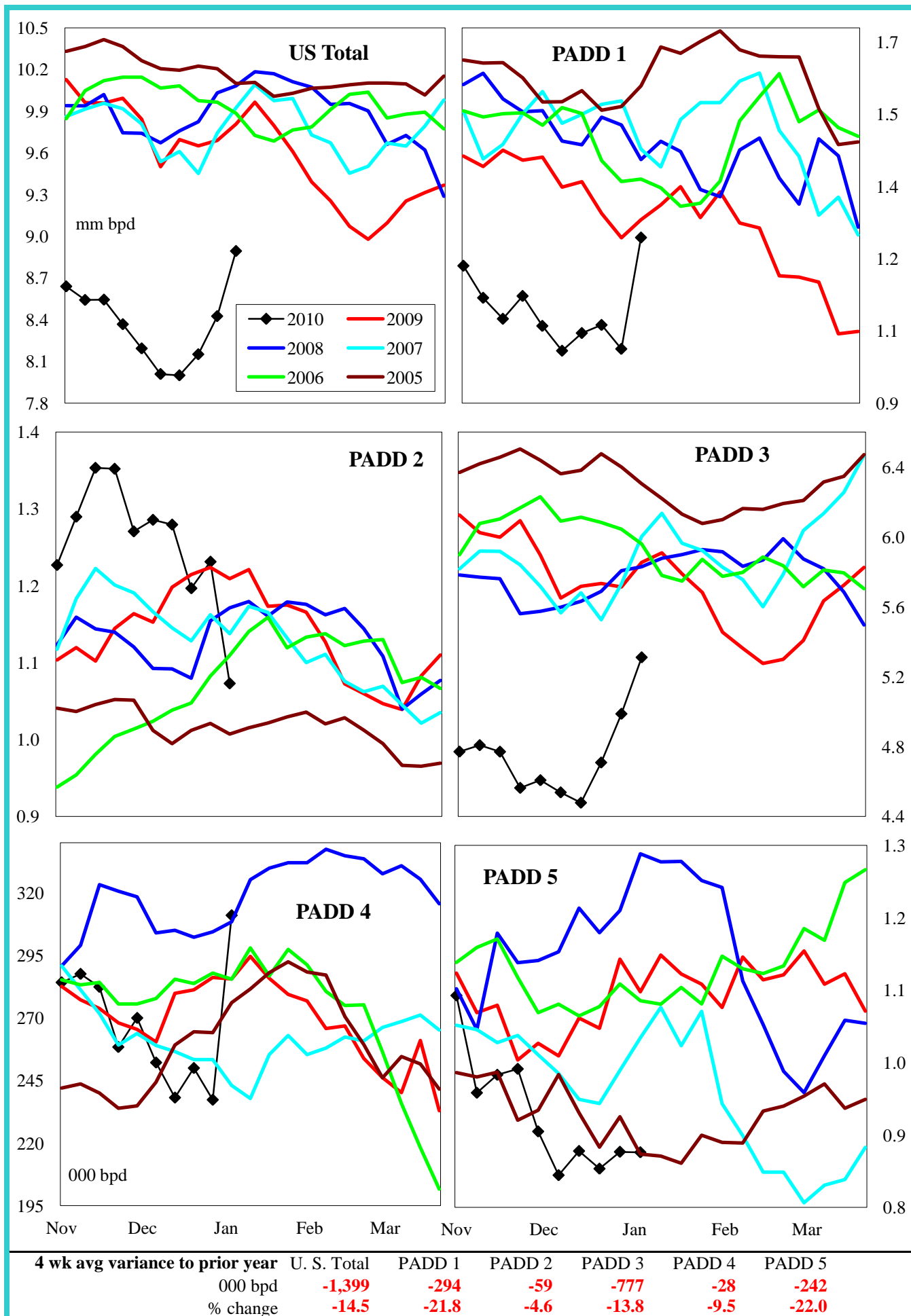
United States Refinery Percent Utilization Rate and Product Yields



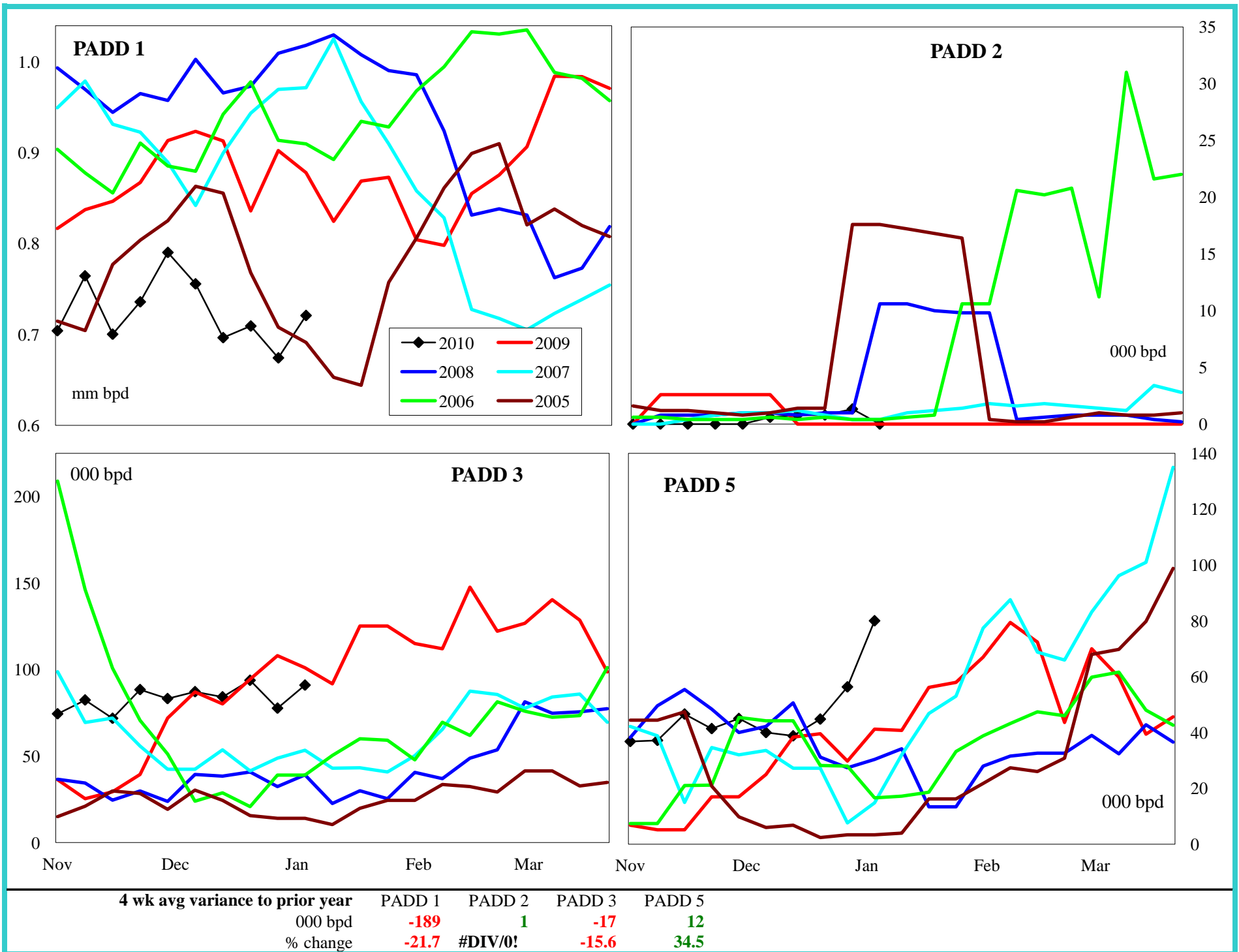
United States Petroleum Imports



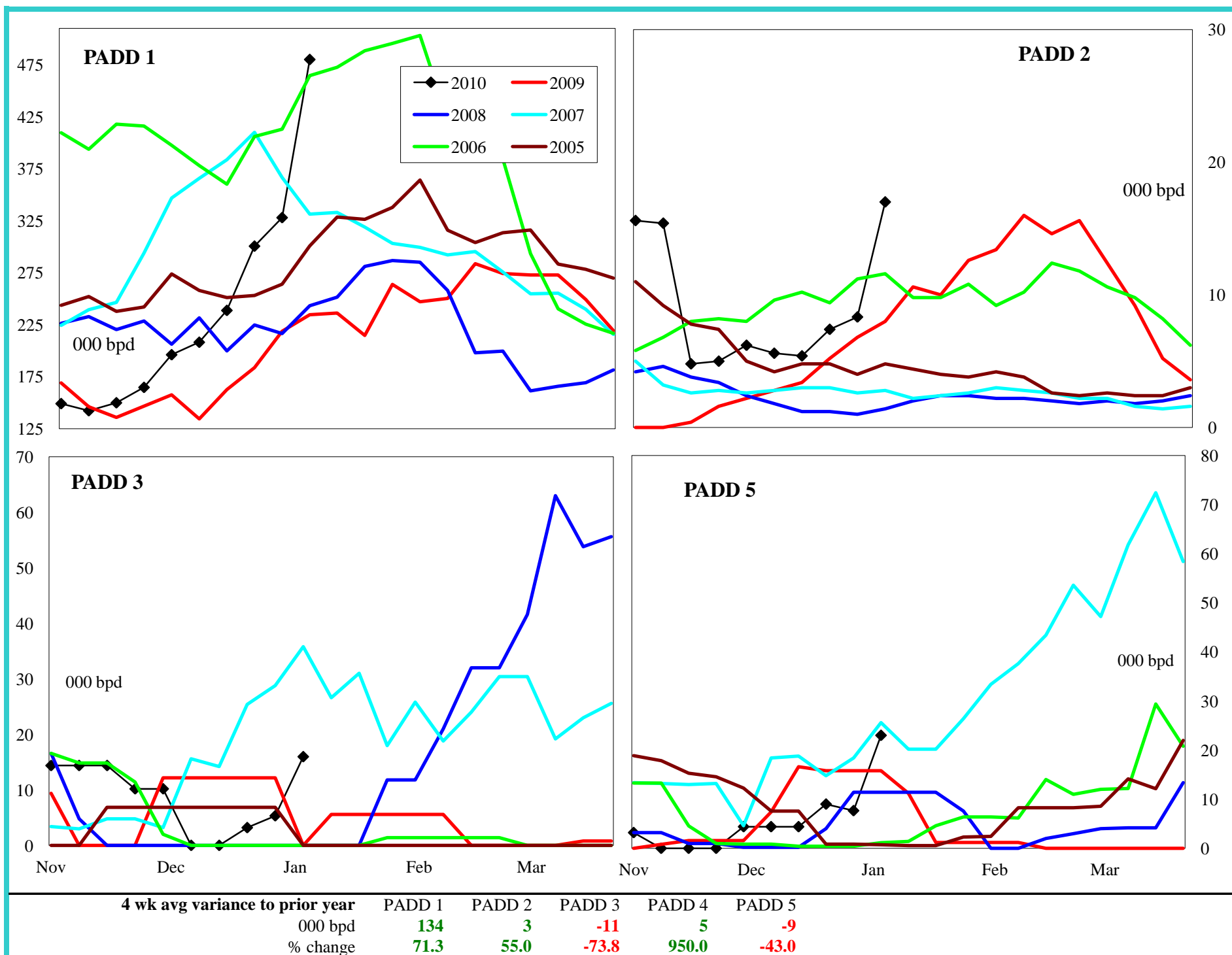
Crude Oil Imports by PADD



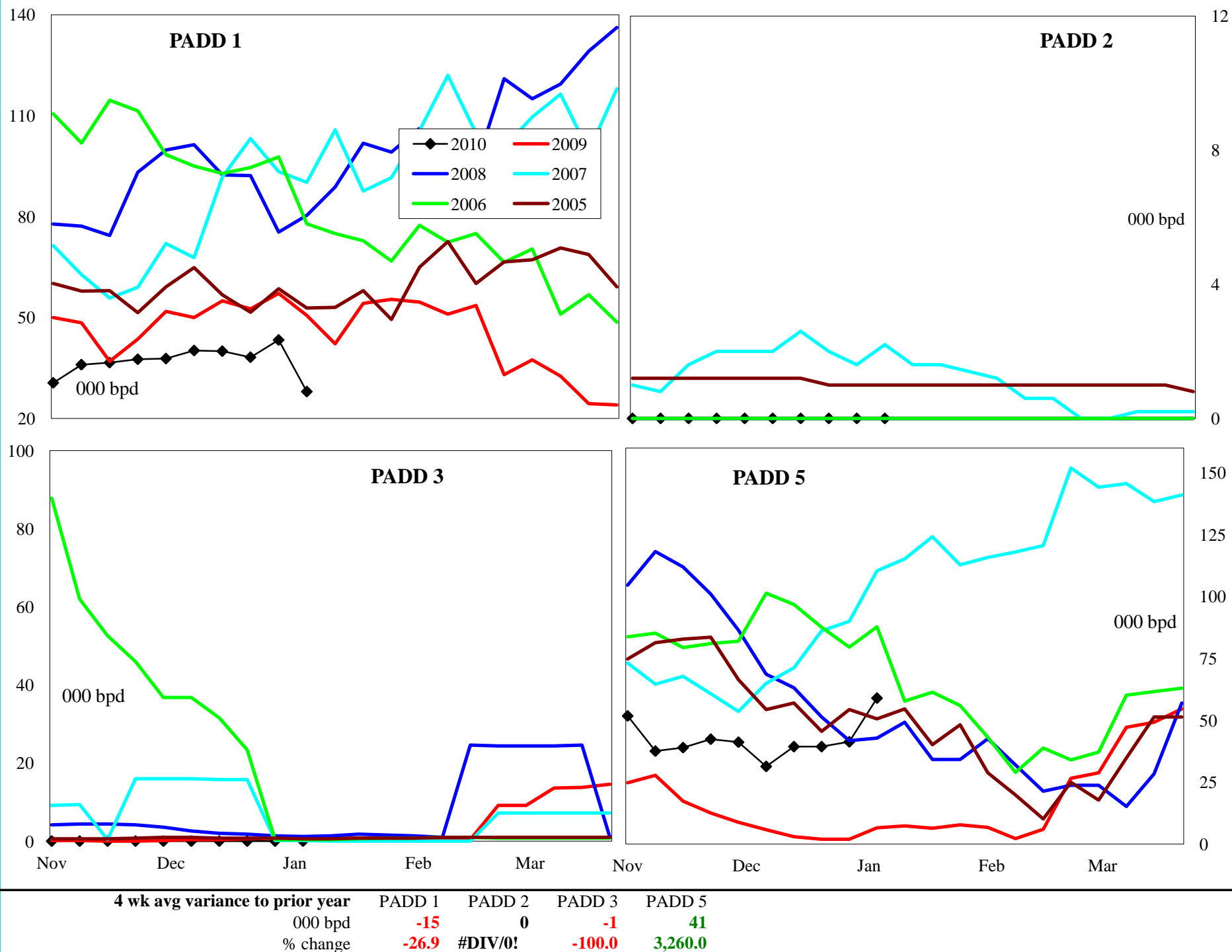
Gasoline Imports by PADD (Finished + Blend Stocks)



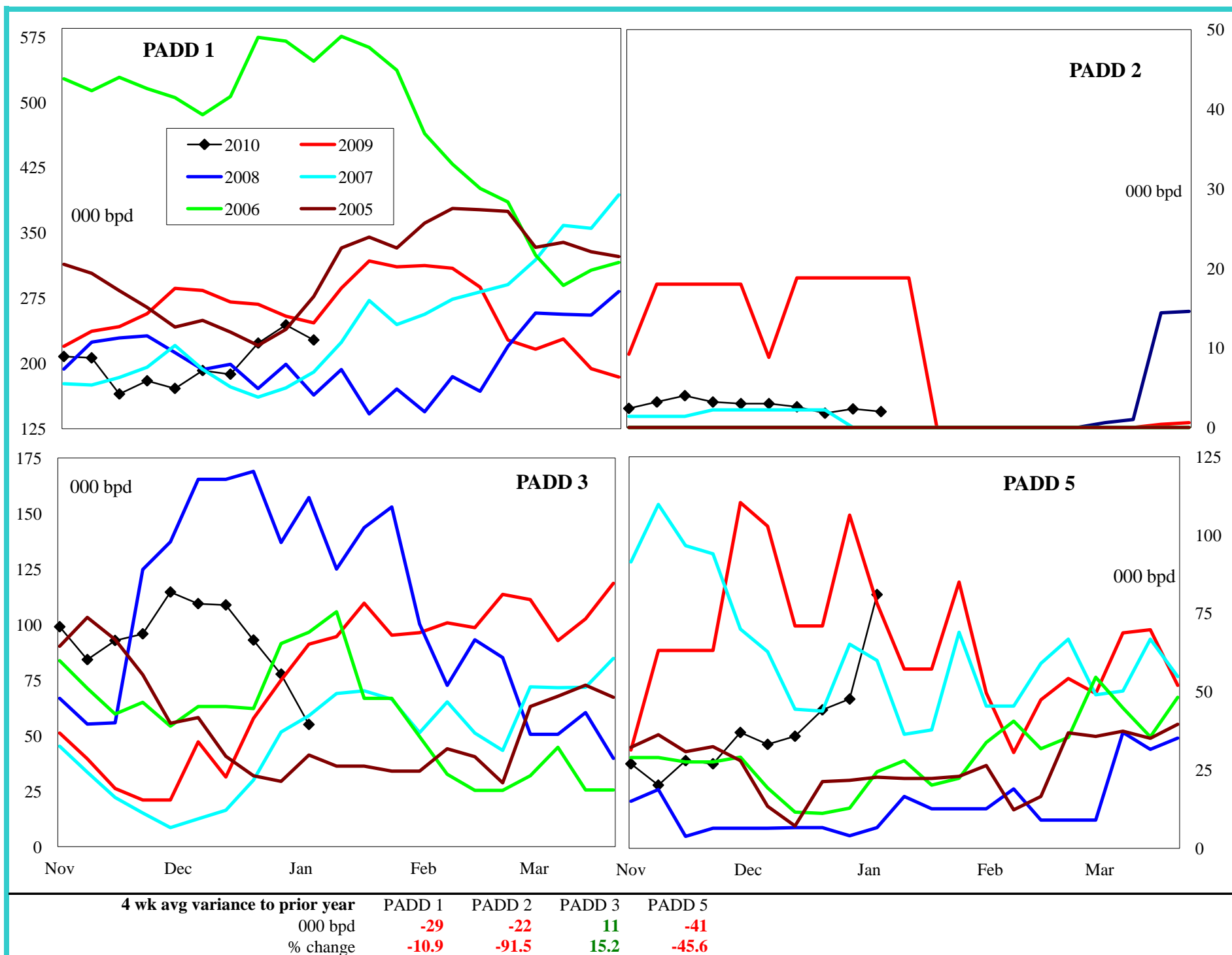
Distillate Imports by PADD



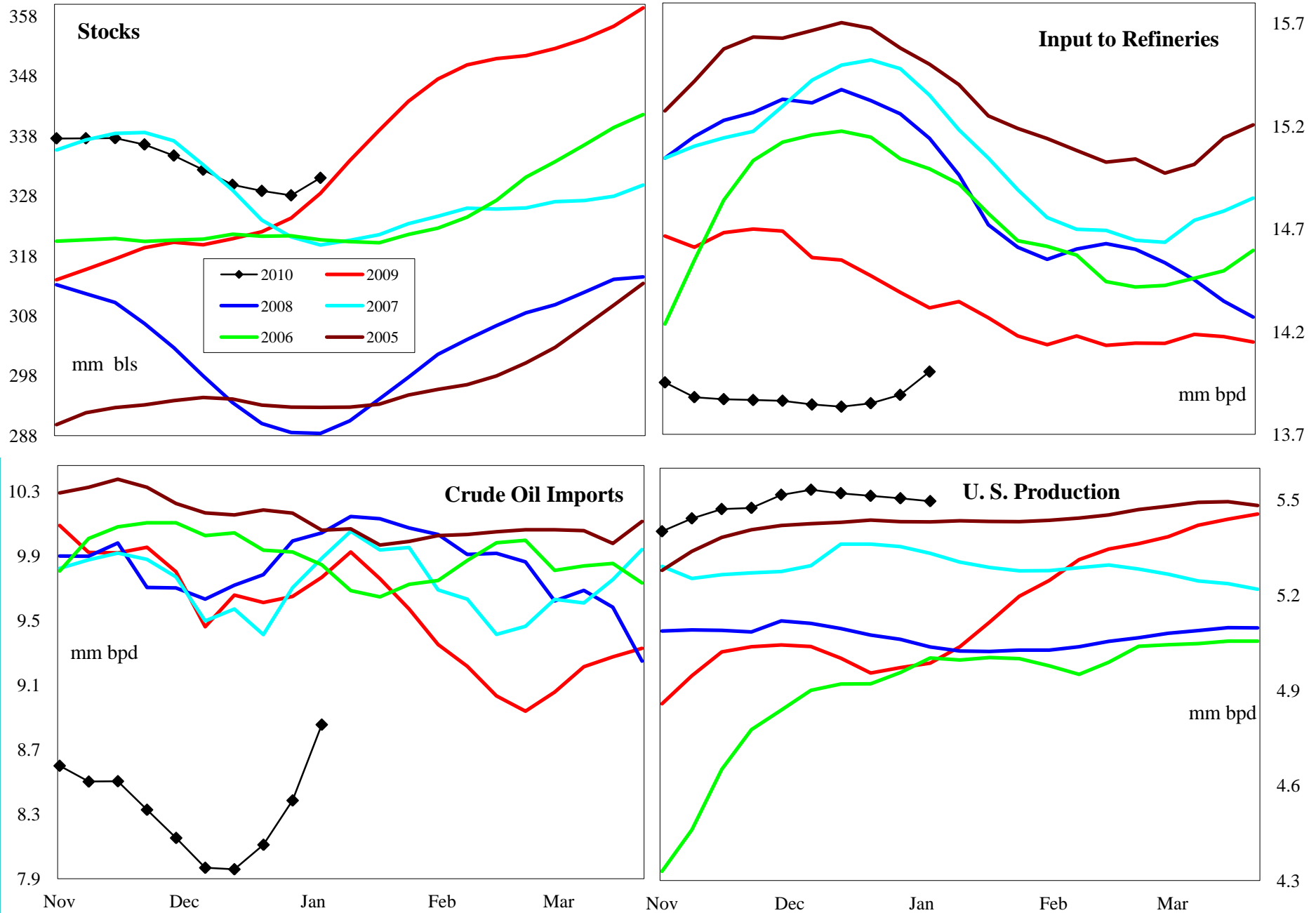
Jet Fuel Imports by PADD



Residual Fuel Oil Imports by PADD



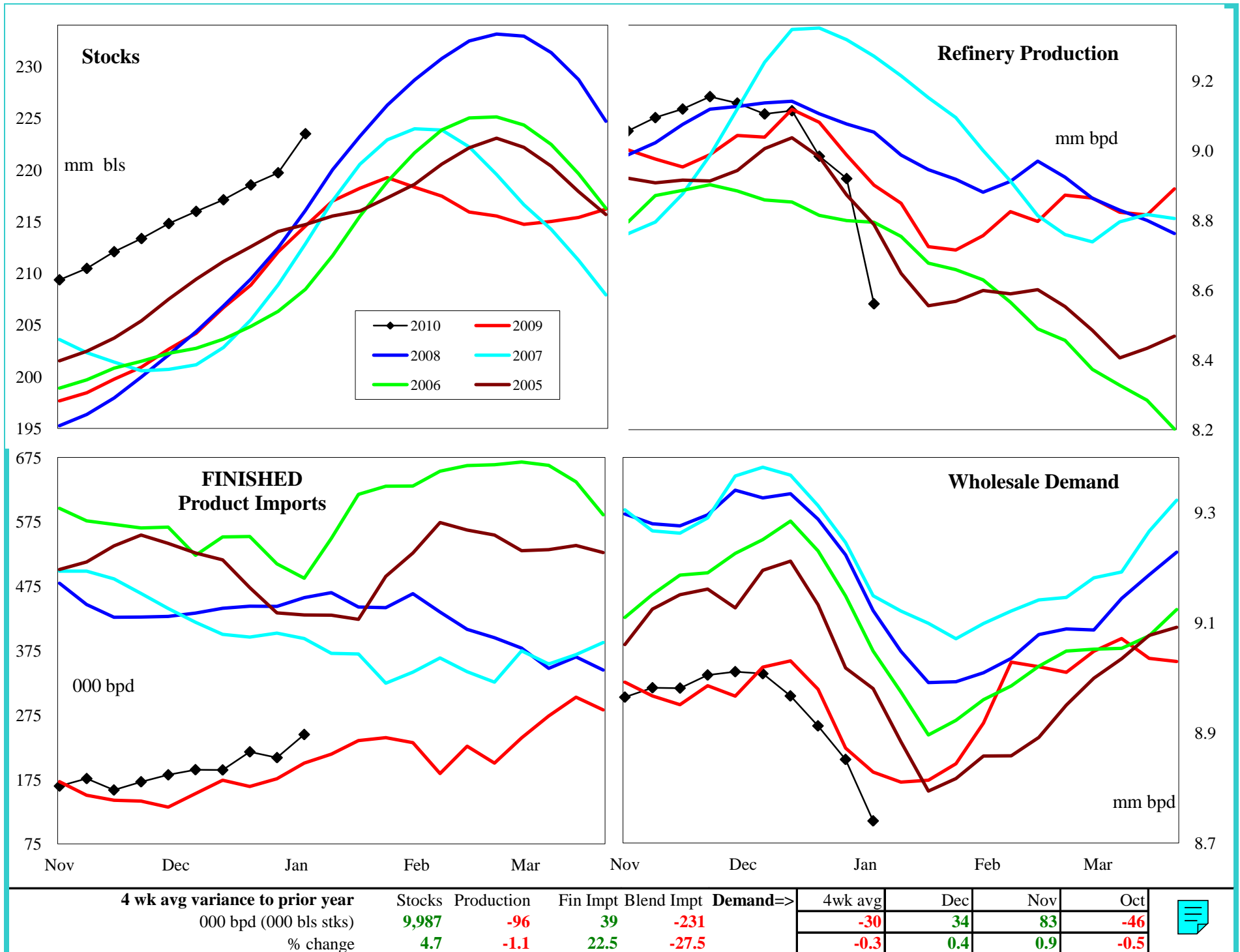
United States Crude Oil Supply and Demand Balance



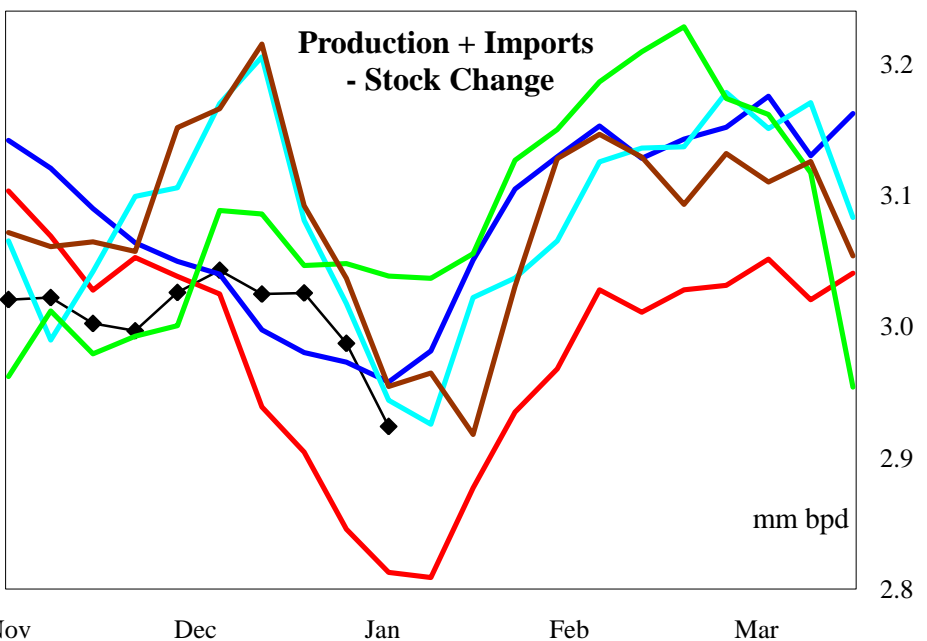
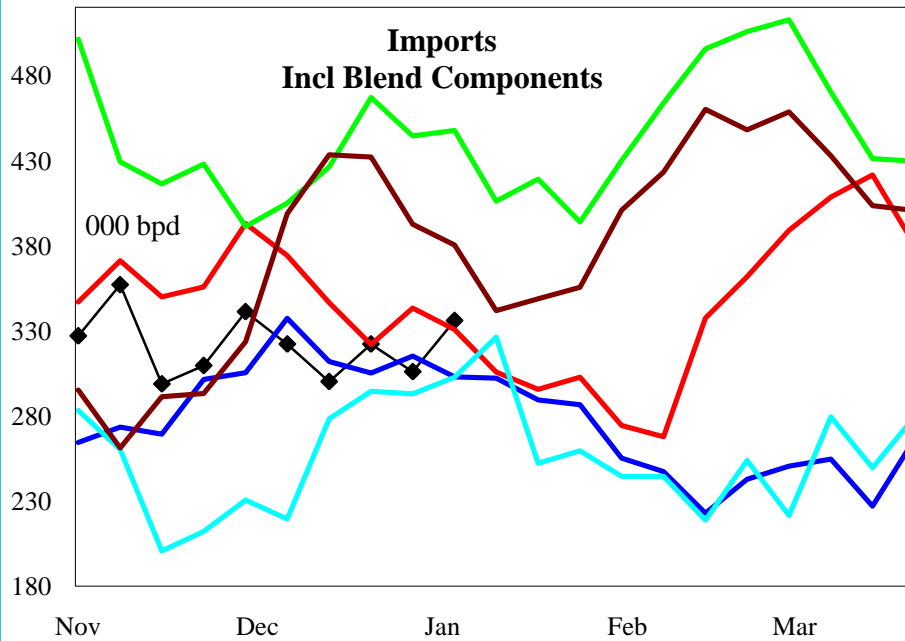
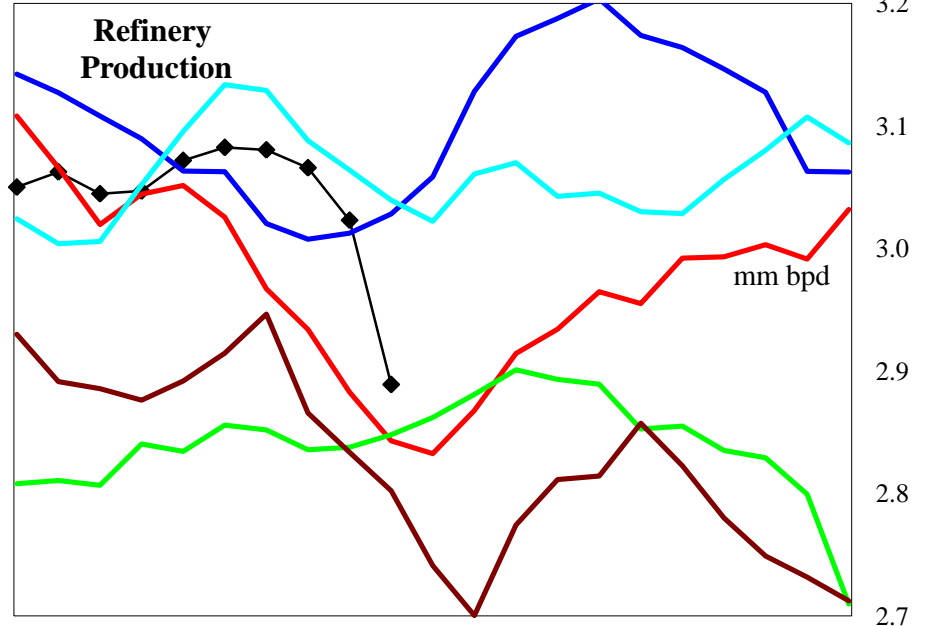
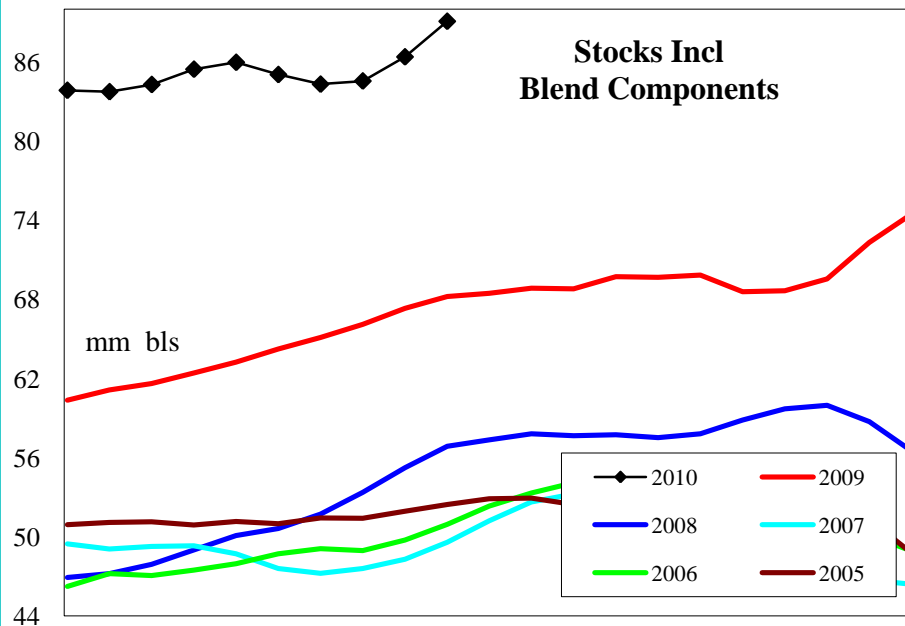
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

	Stocks	Input	Imports	U.S. Production
000 bpd (000 bls stks)	4,473	-589	-1,399	559
% change	1.4	-4.1	-14.5	11.3

United States Gasoline Supply and Demand Balance



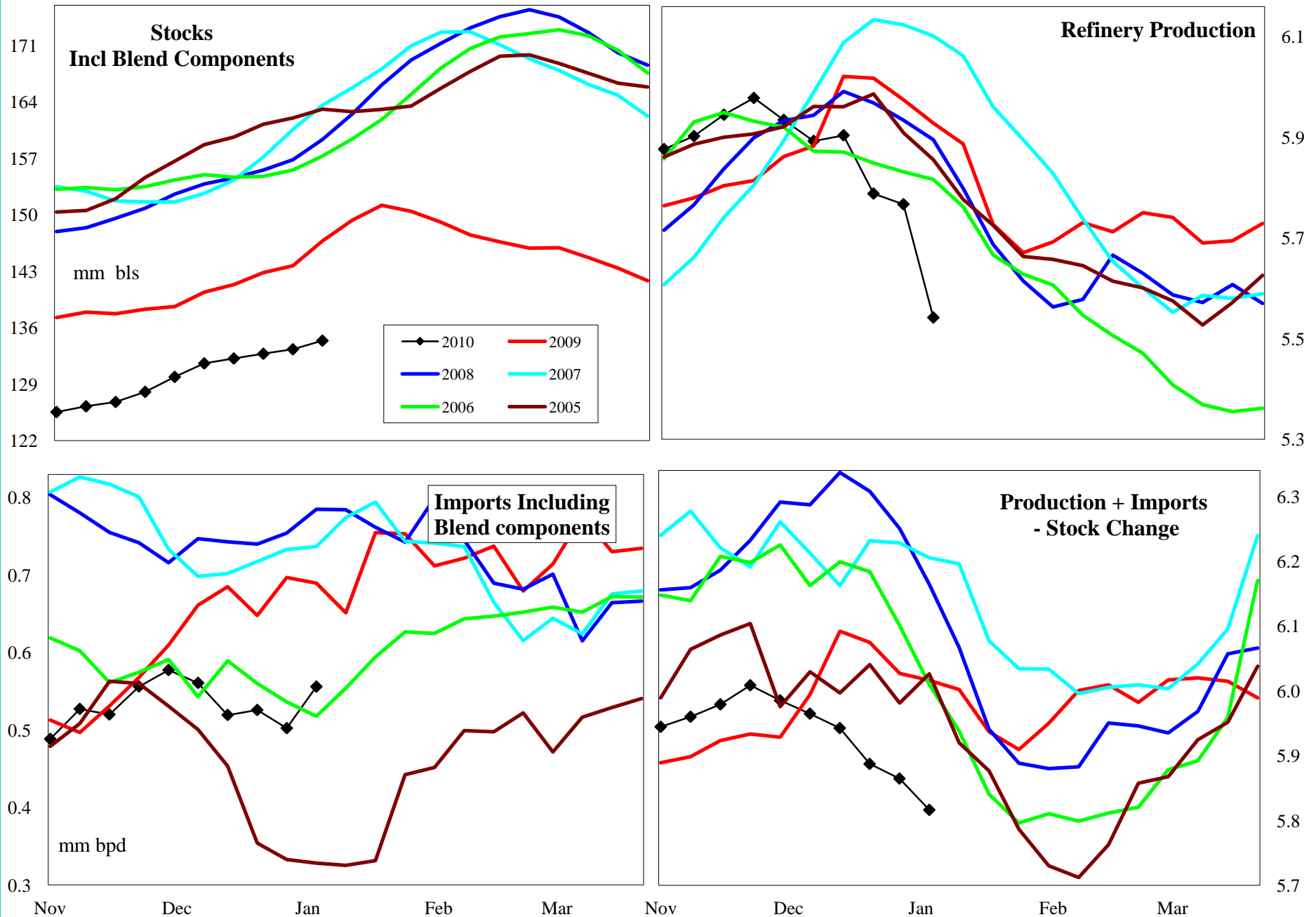
United States Reformulated Gasoline Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
20,880	176	-20	115
30.6	6.0	-5.8	4.0

United States Conventional Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-12,362

-8.4

Production

-272

-4.5

Imports

-154

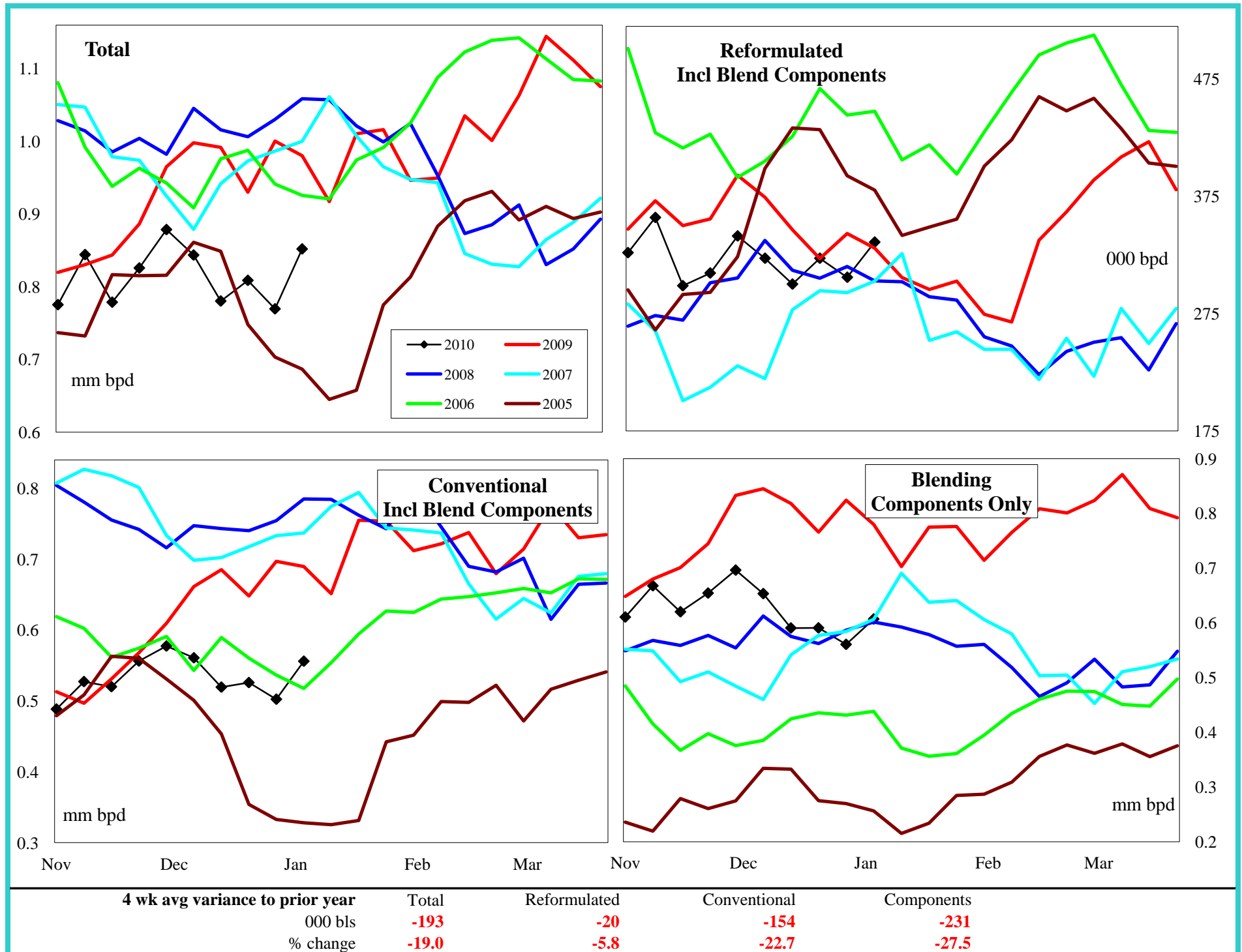
-22.7

Prod + Imp - Stk chg

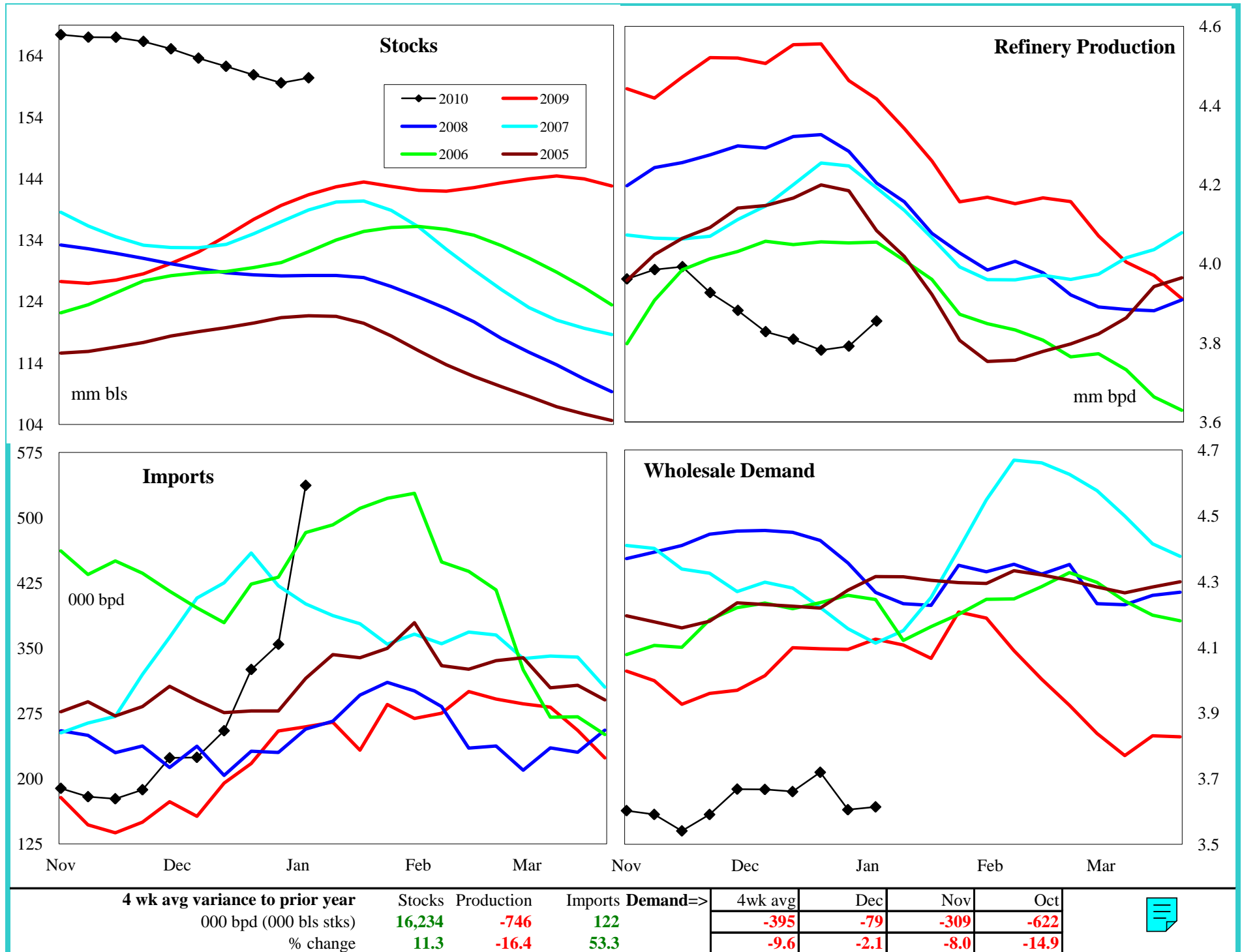
-175

-2.9

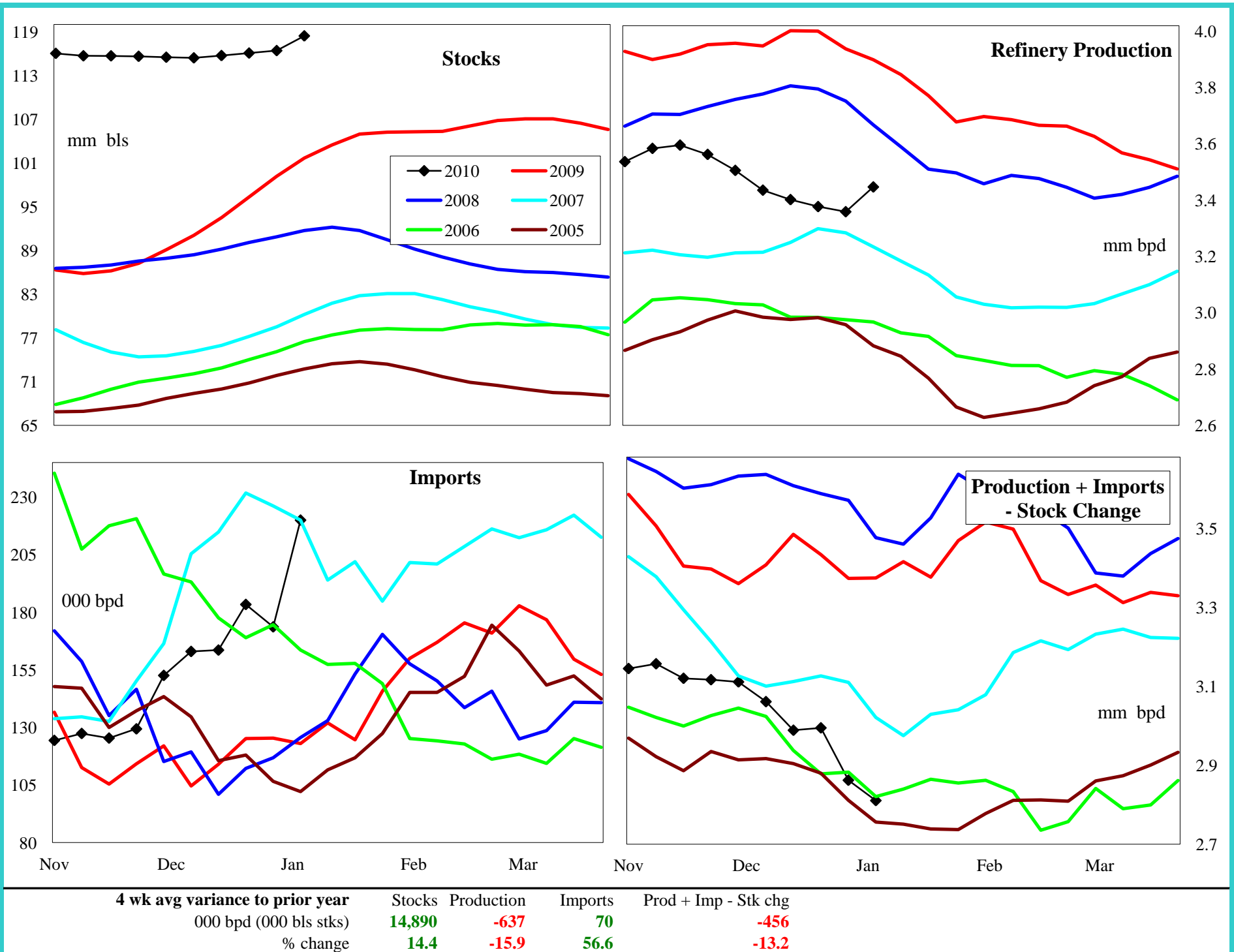
United States Gasoline Imports by Type



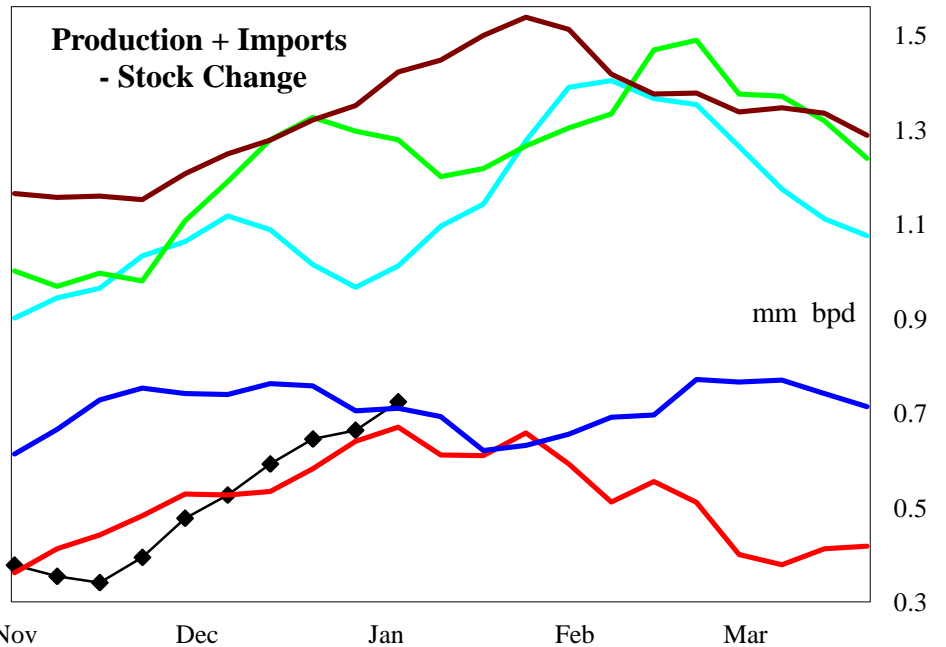
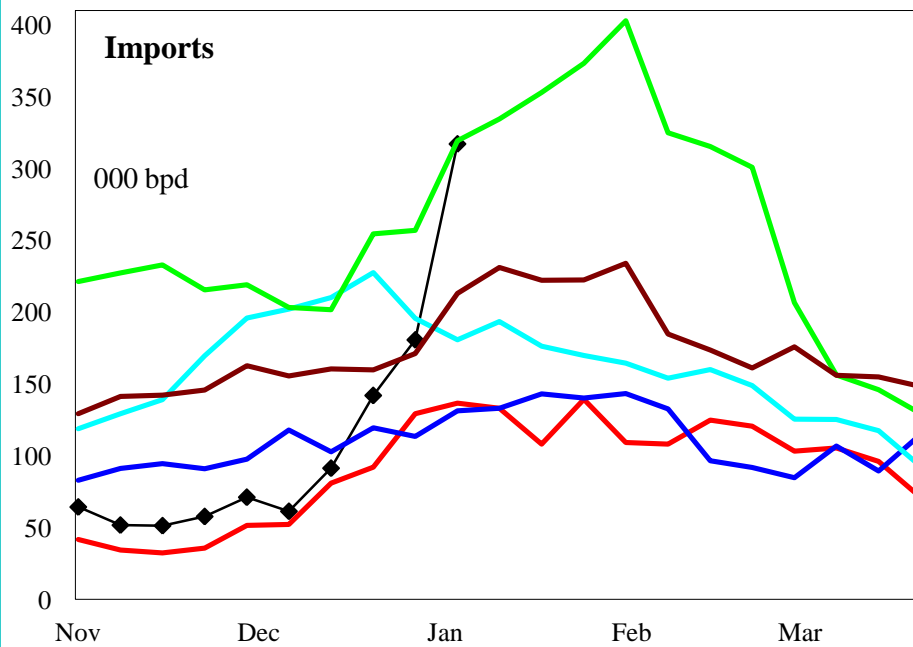
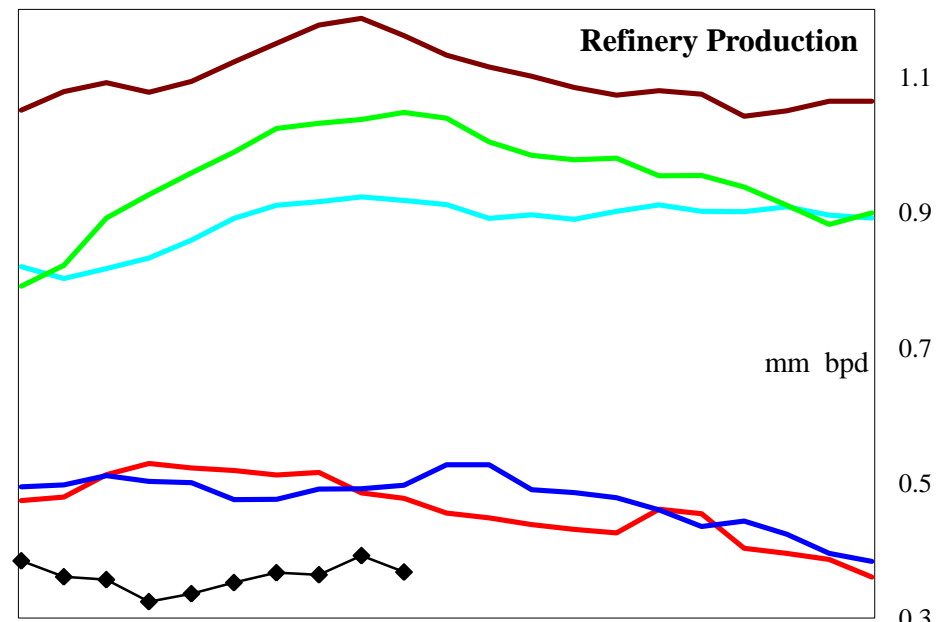
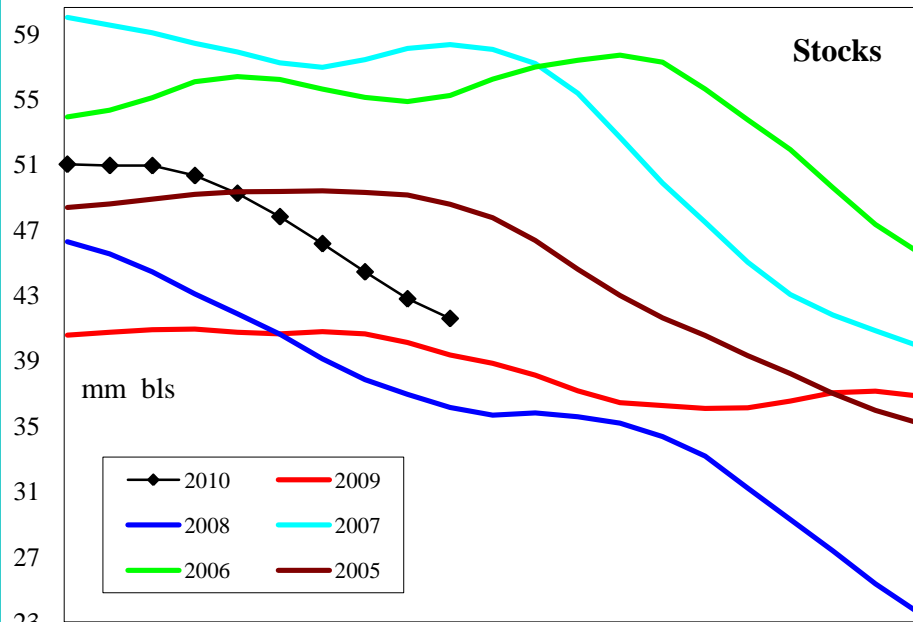
United States Distillate Supply and Demand Balance



United States Low Sulfur Distillate Supply



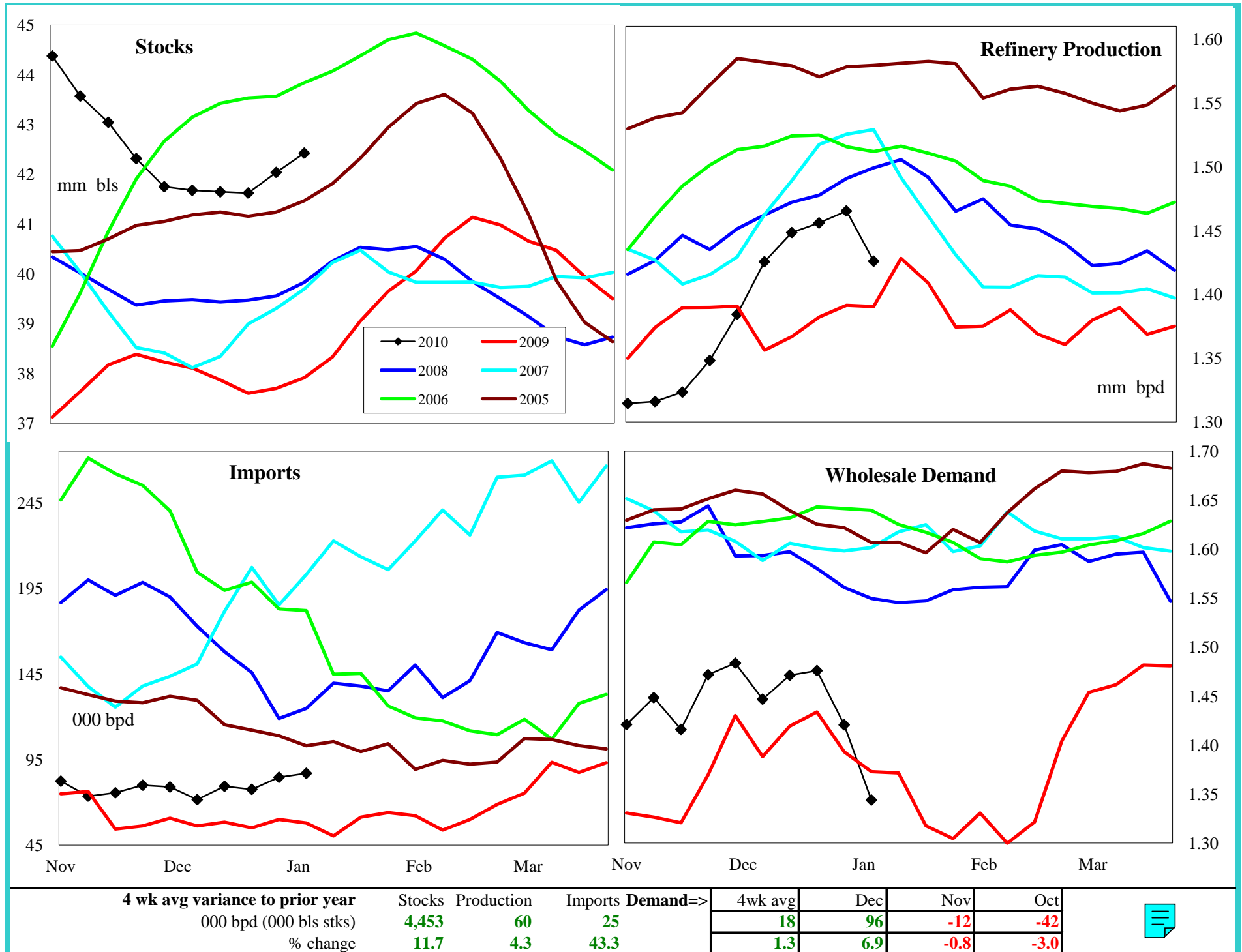
United States High Sulfur Distillate Supply



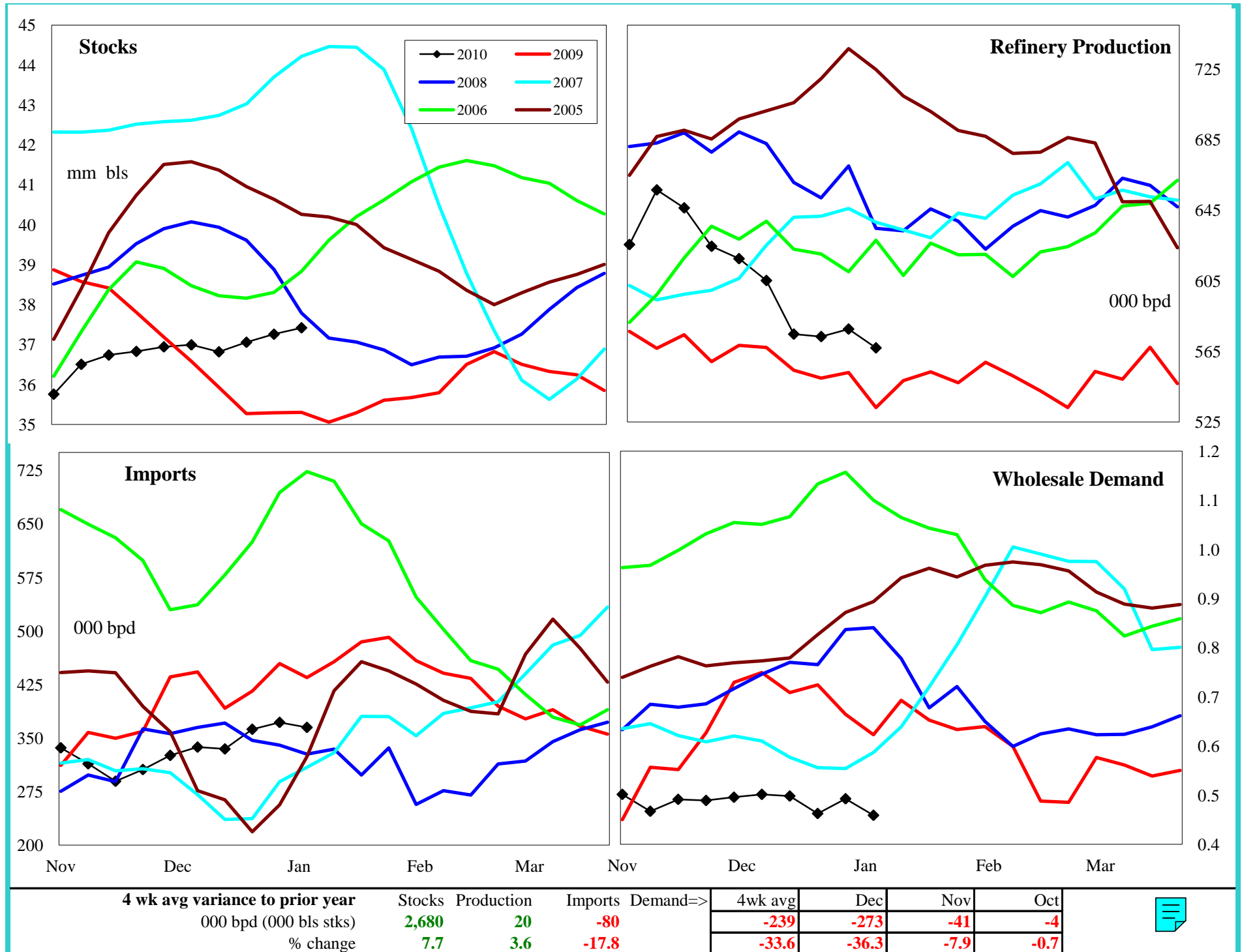
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

	Stocks	Production	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	1,344	-109	52	61
% change	3.3	-20.1	49.4	9.4

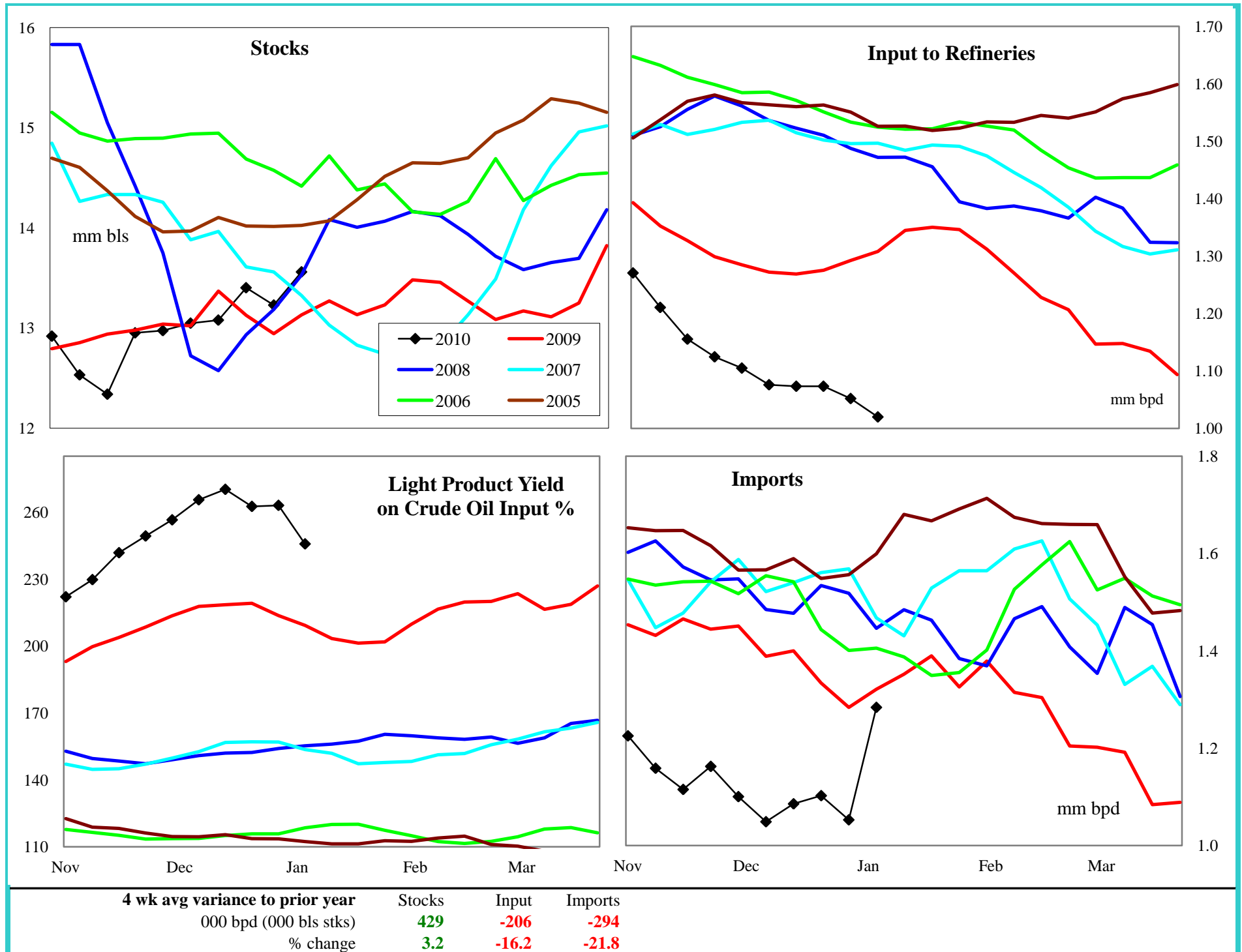
United States Jet Fuel Supply and Demand Balance



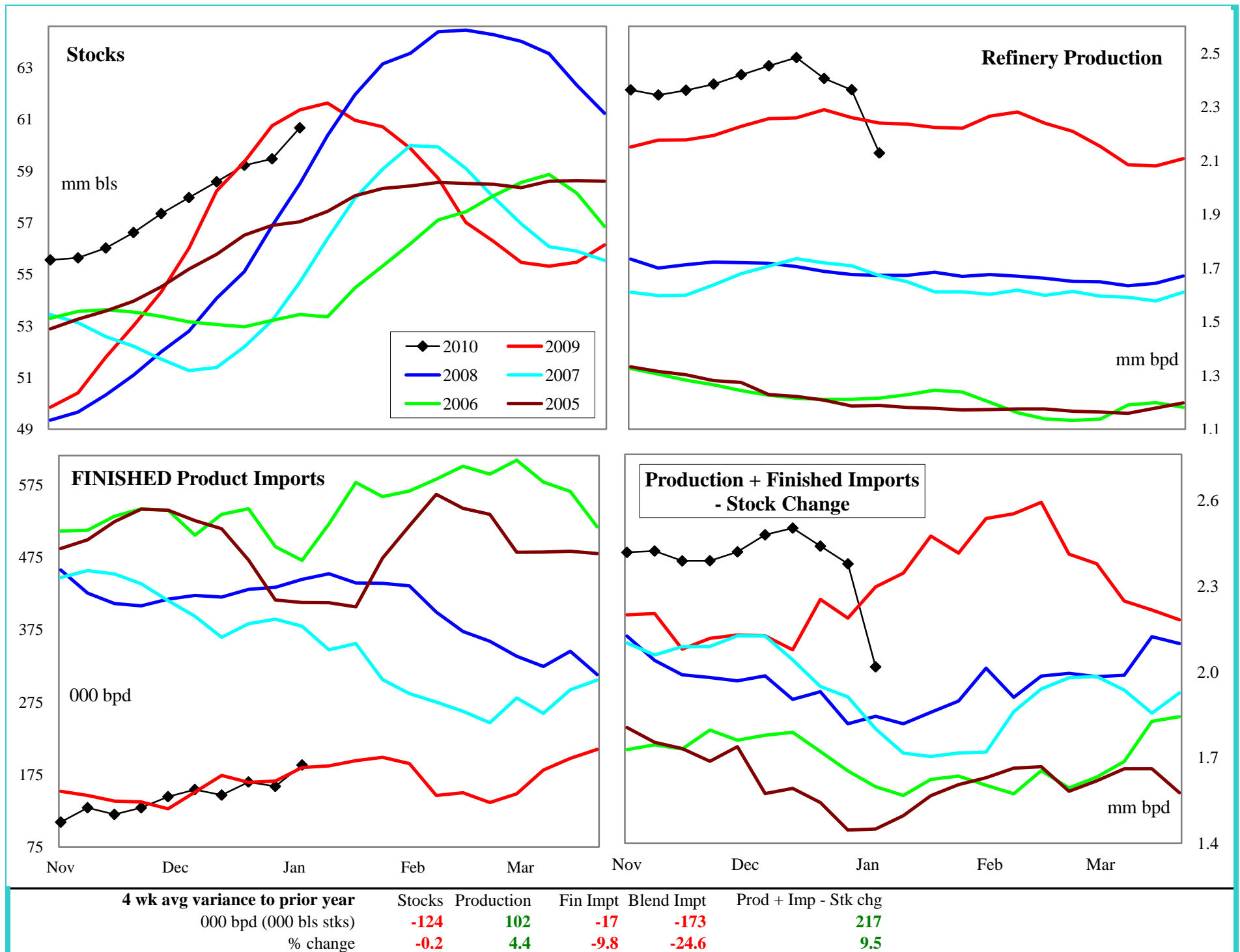
United States Residual Fuel Oil Supply and Demand Balance



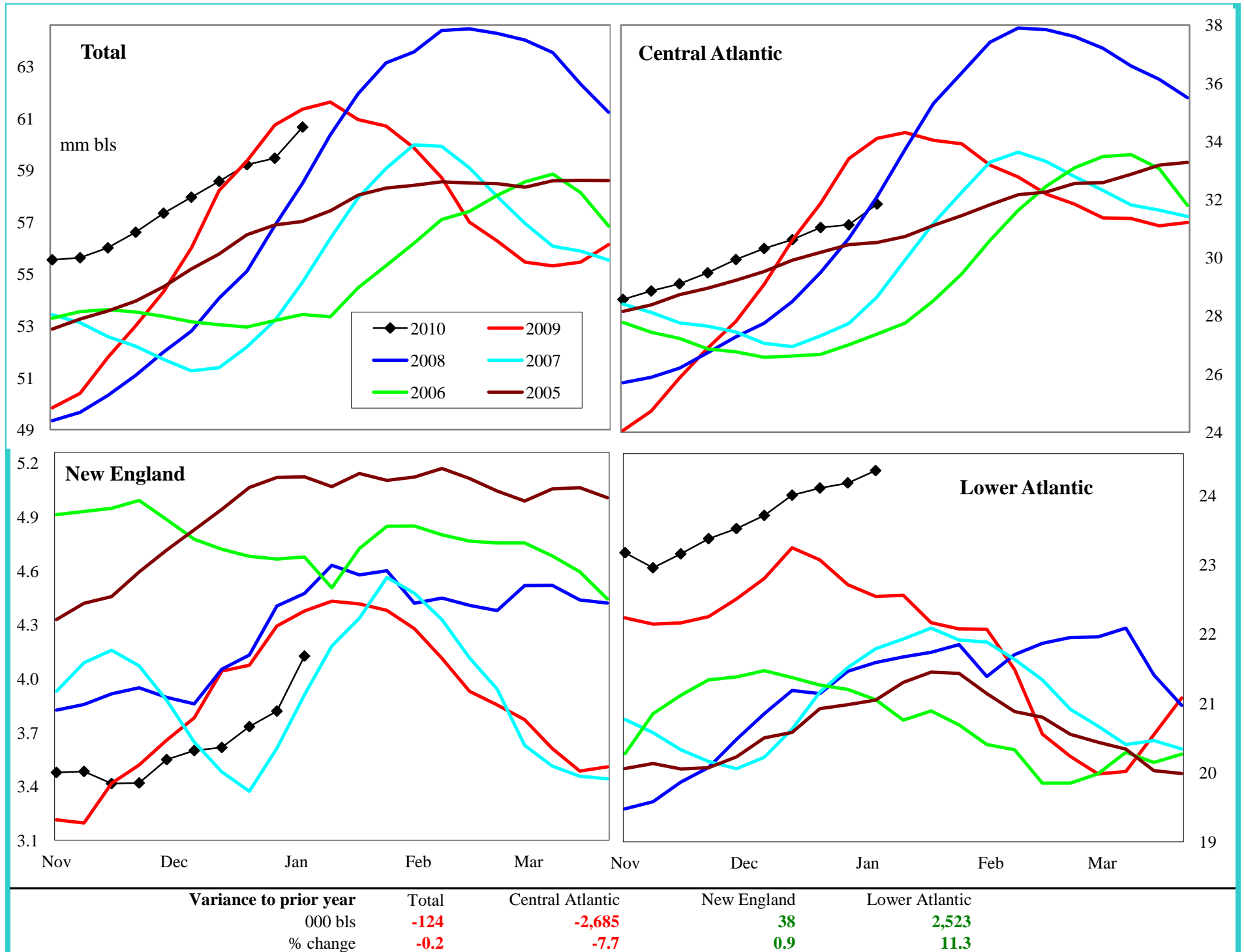
PADD 1 Crude Oil Supply and Refining



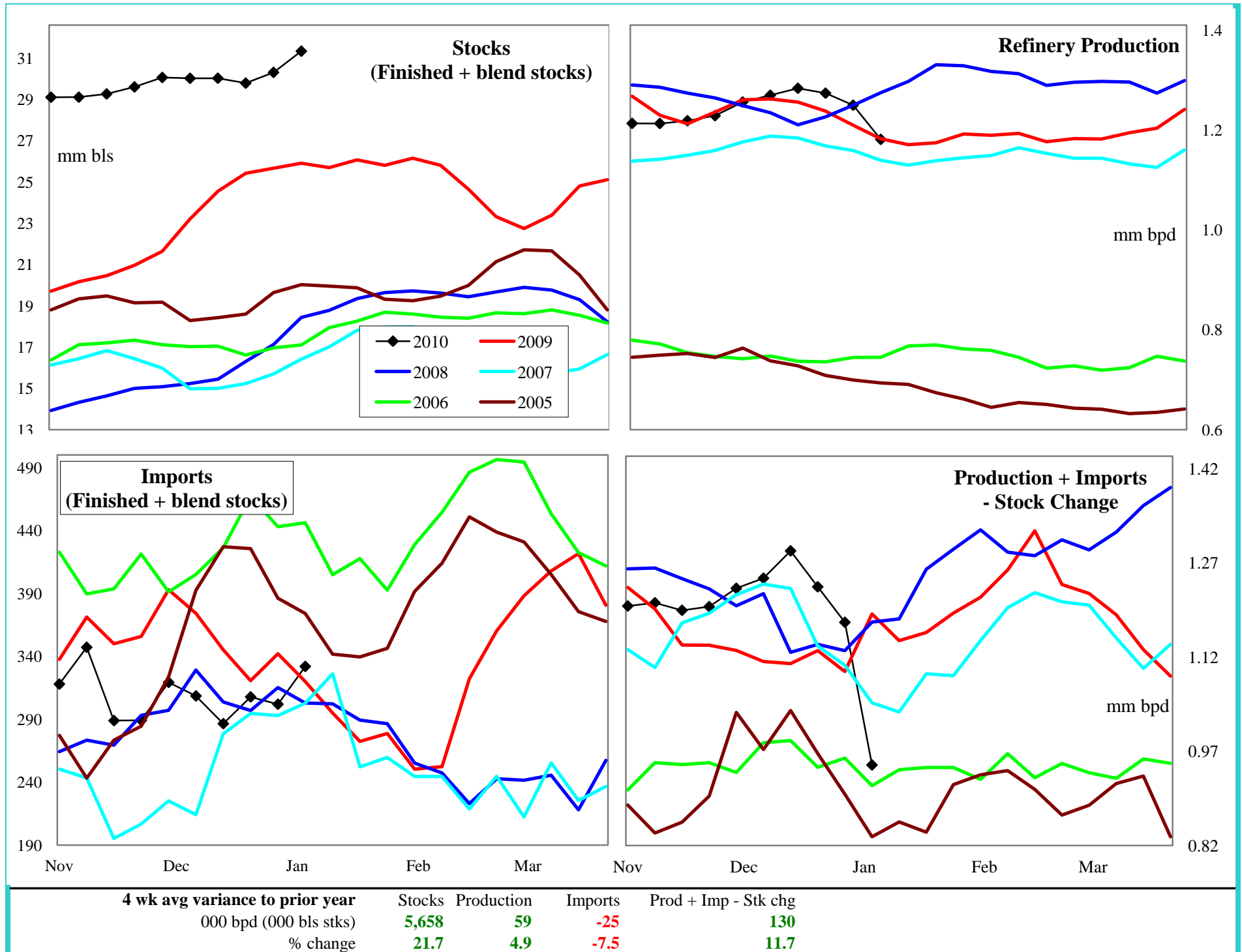
PADD 1 Gasoline Supply



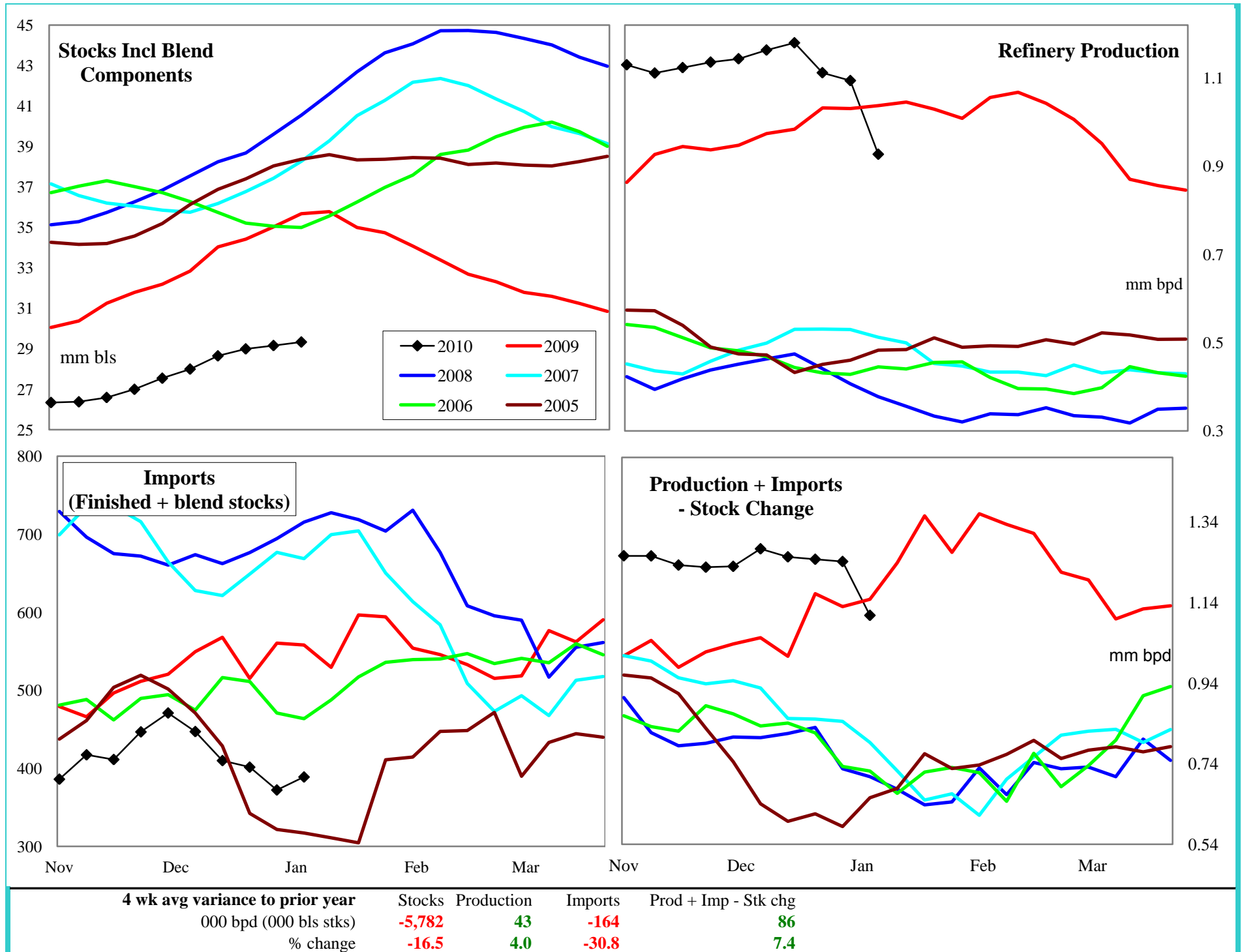
PADD 1 Gasoline Stocks by Region



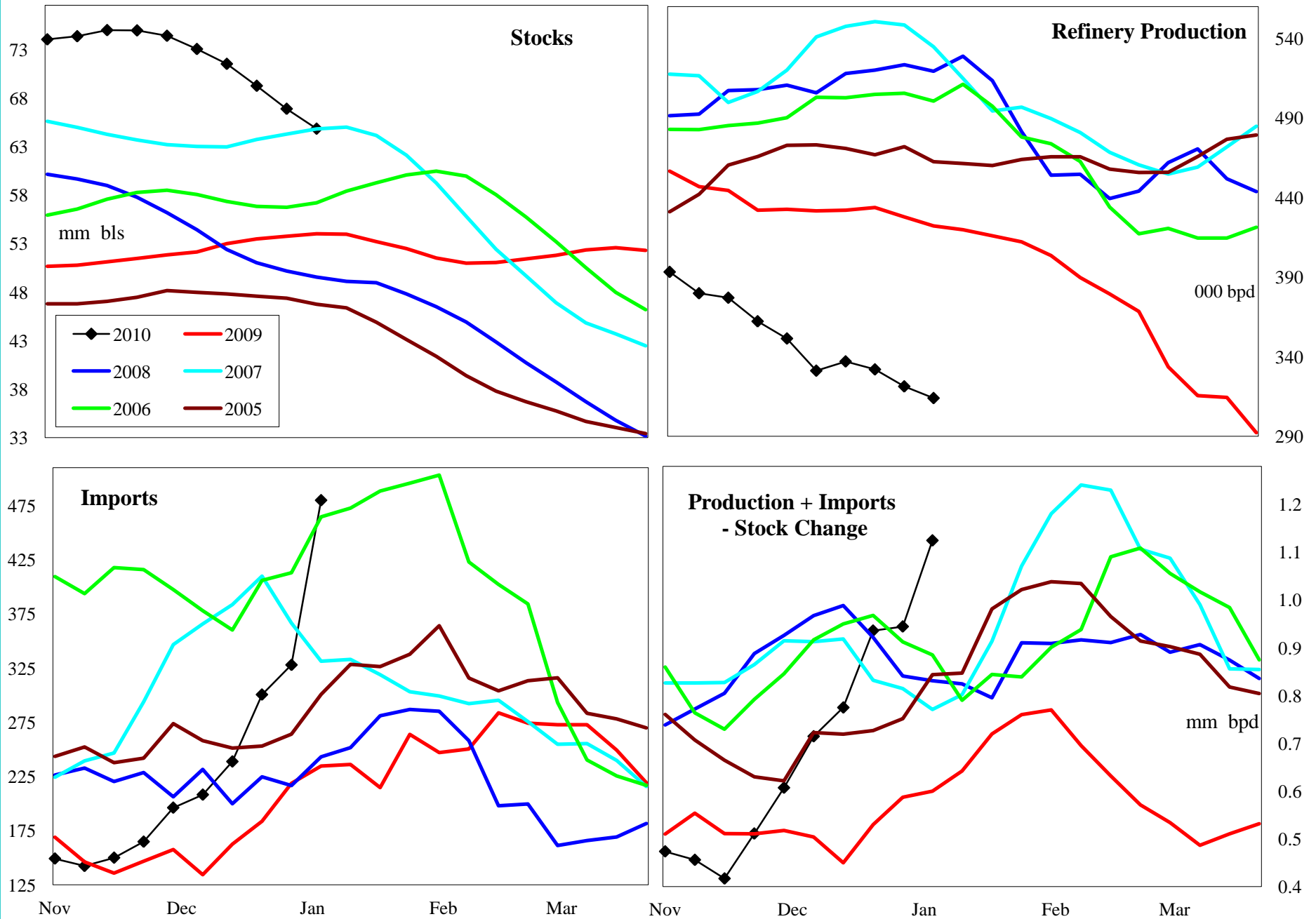
PADD 1 Reformulated Gasoline Supply



PADD 1 Conventional Gasoline Supply



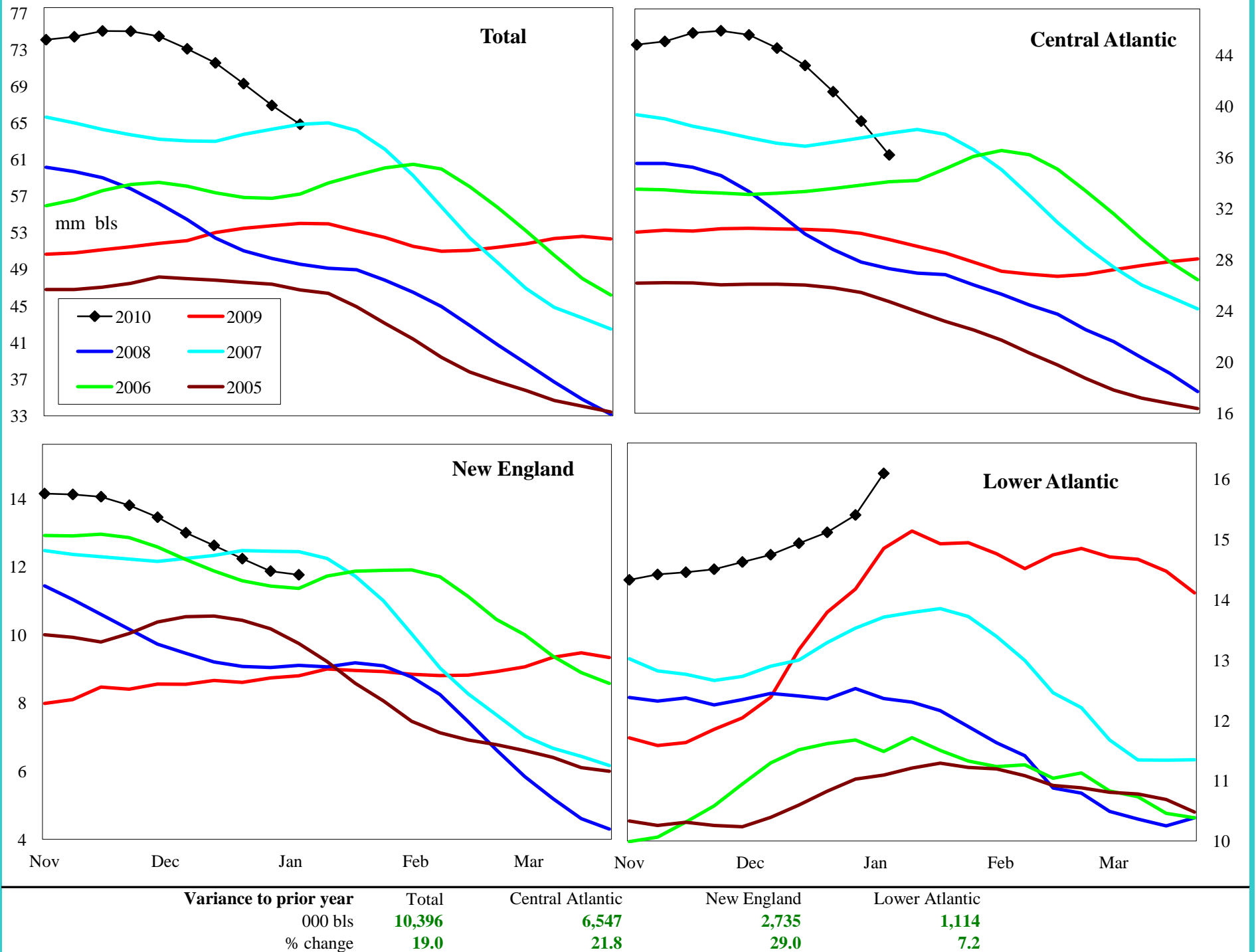
PADD 1 Distillate Supply



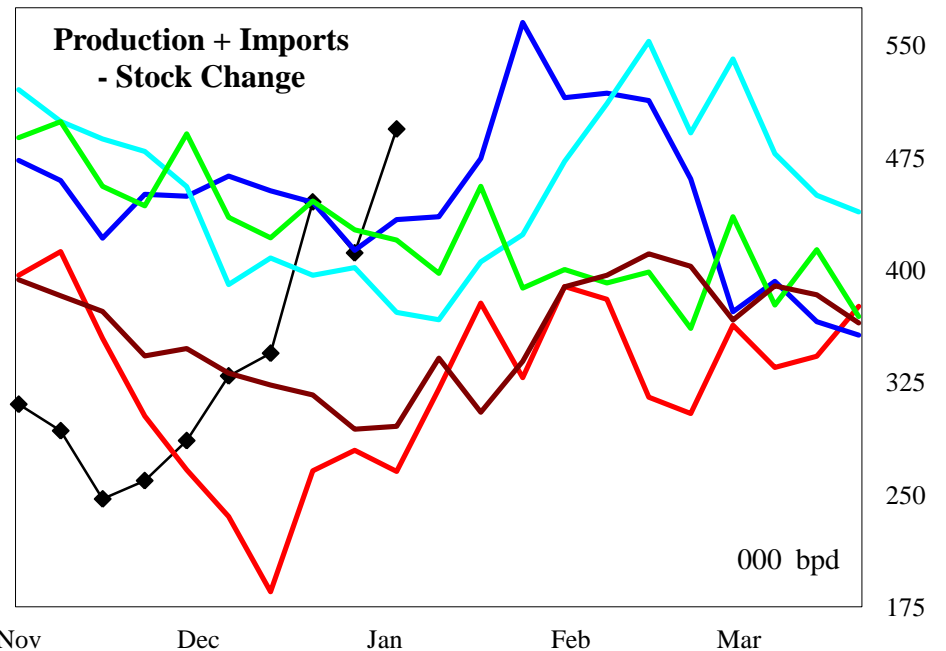
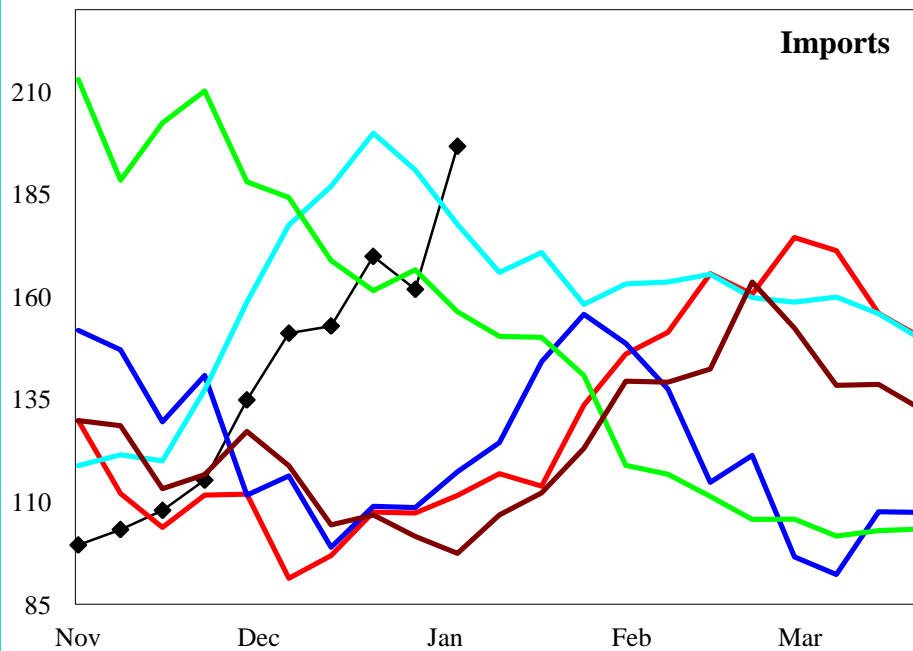
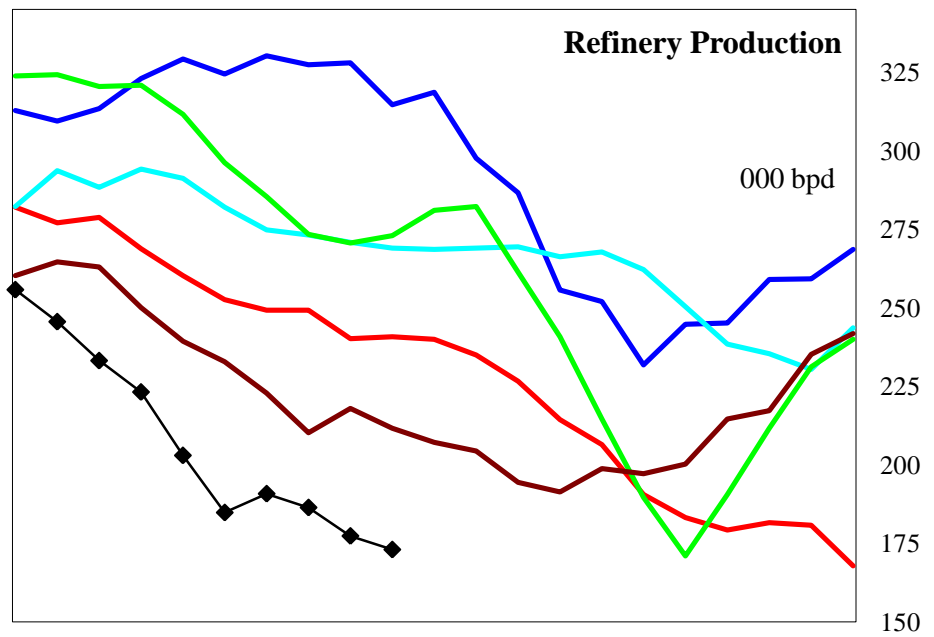
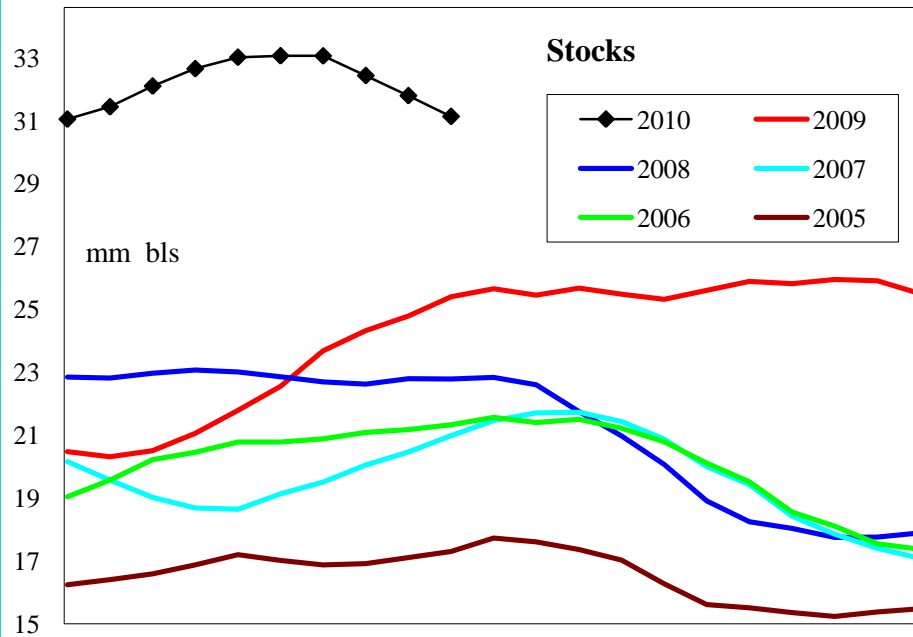
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
10,396	-107	134	394
19.0	-24.7	71.3	66.9

PADD 1 Distillate Stocks by Region



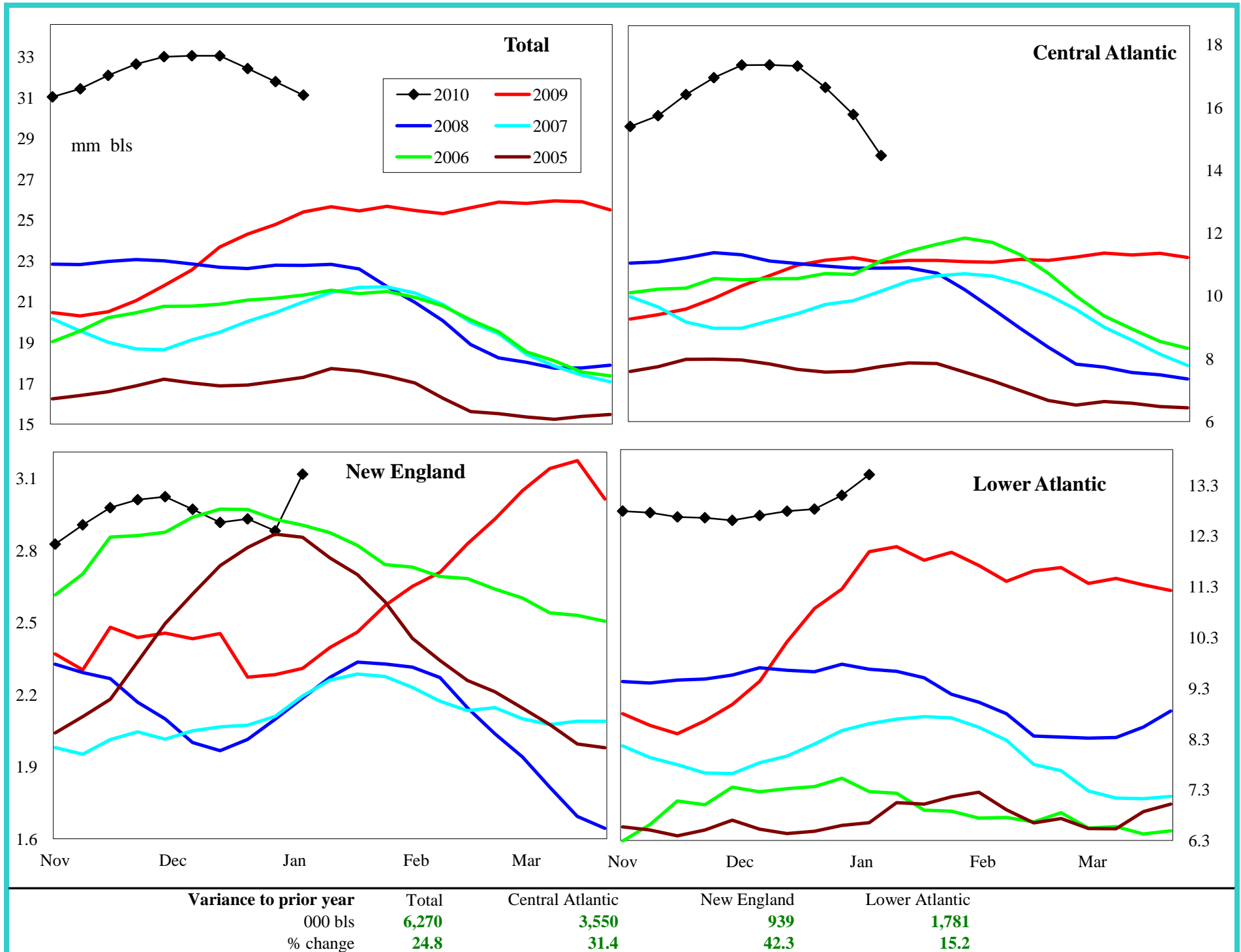
PADD 1 Low Sulfur Distillate Supply



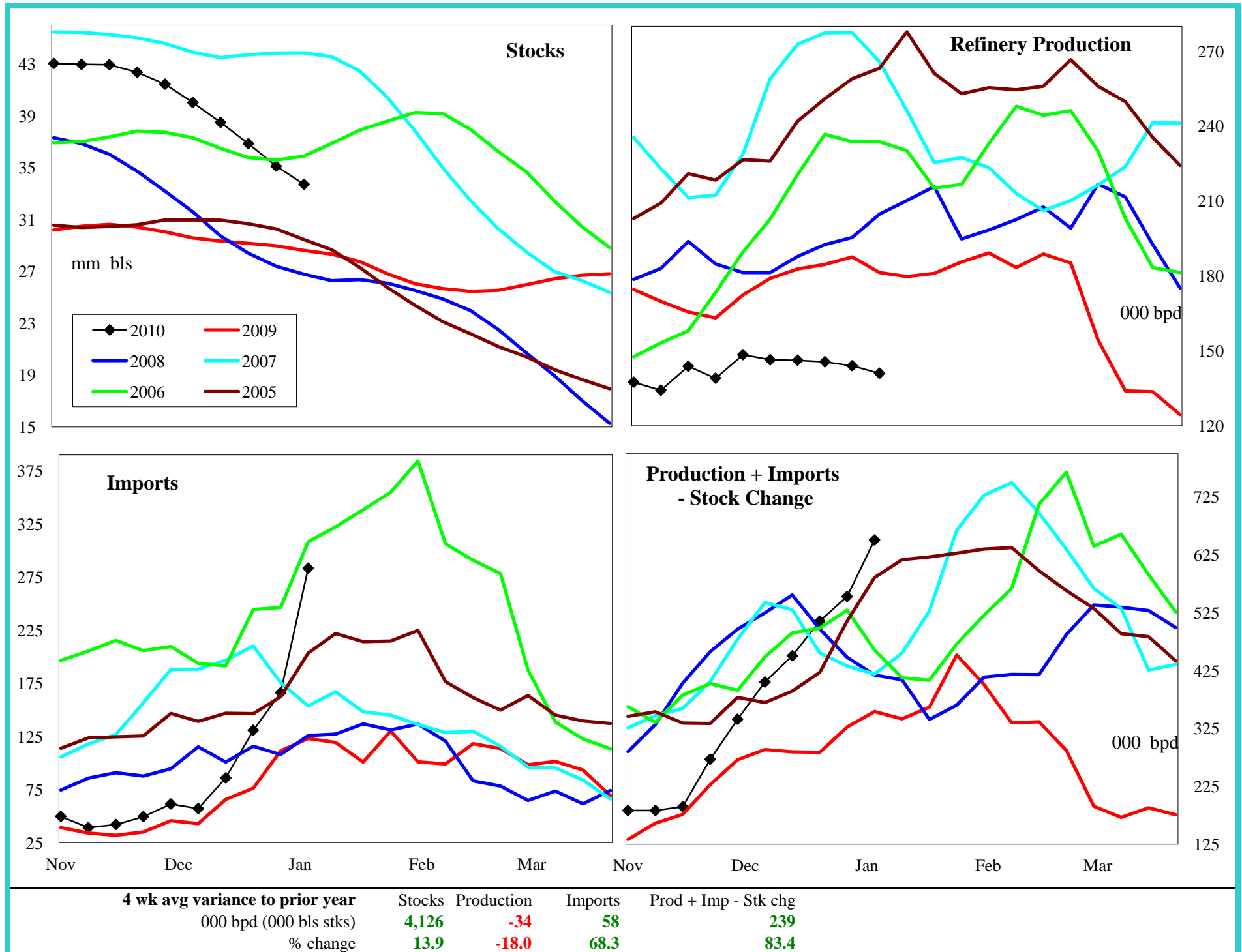
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
6,270	-74	75	155
24.8	-29.8	73.9	51.3

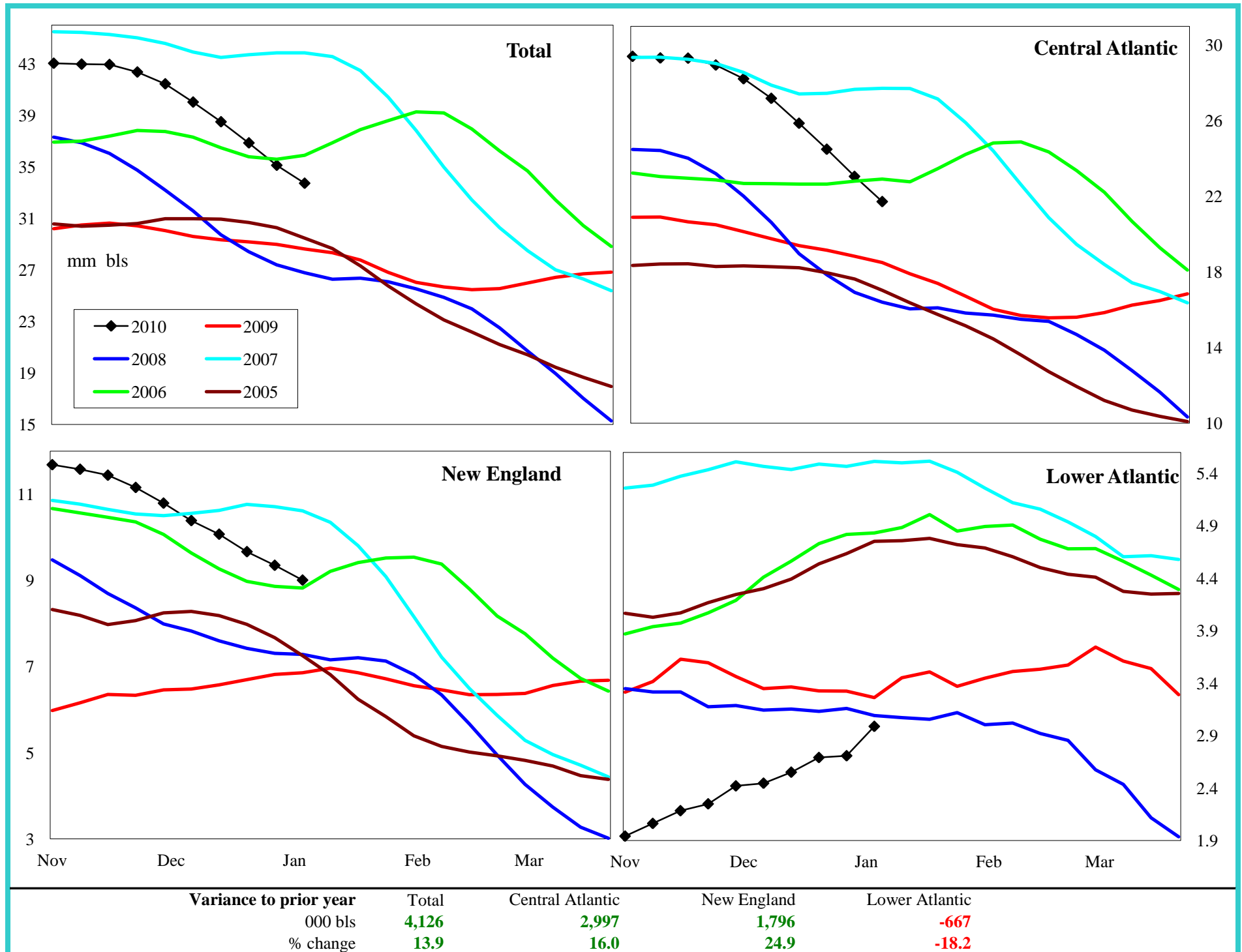
PADD 1 Low Sulfur Distillate Stocks by Region



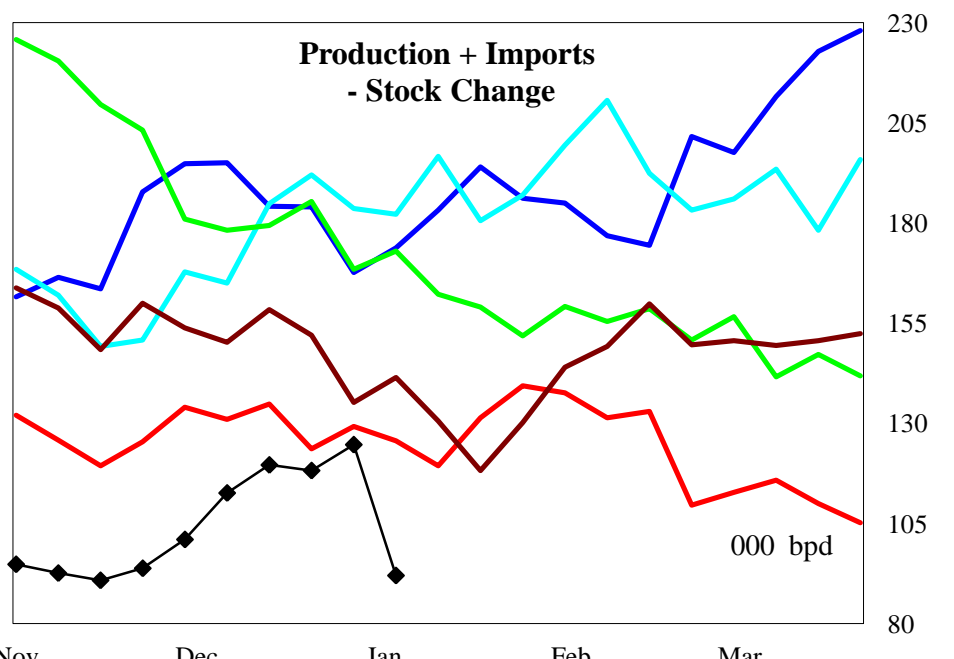
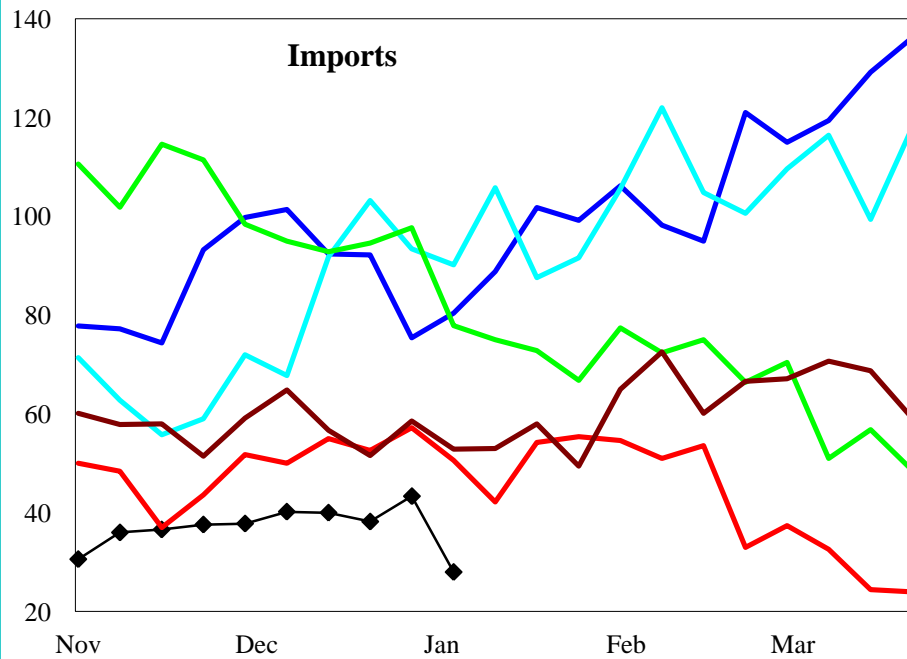
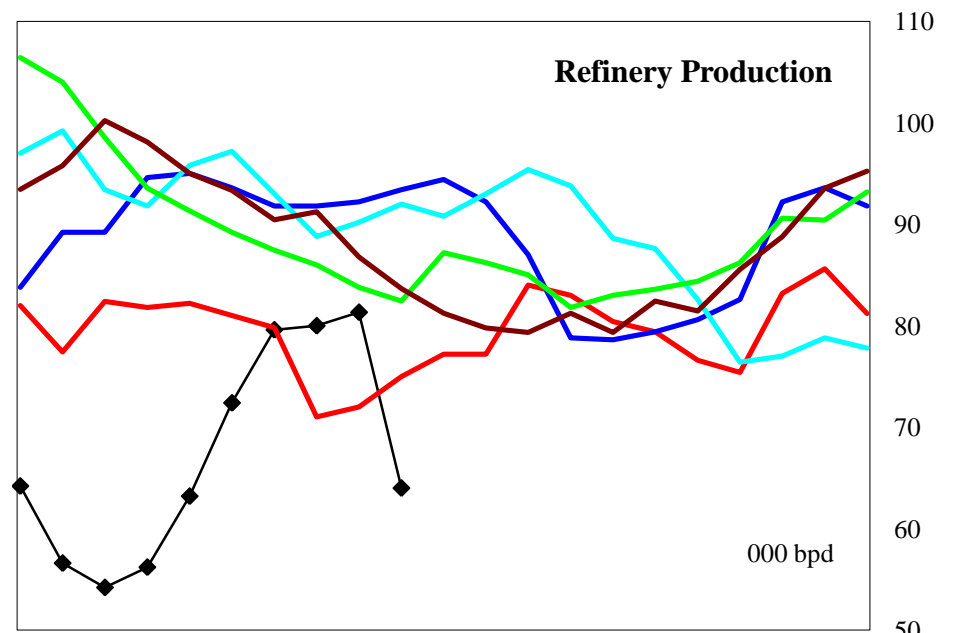
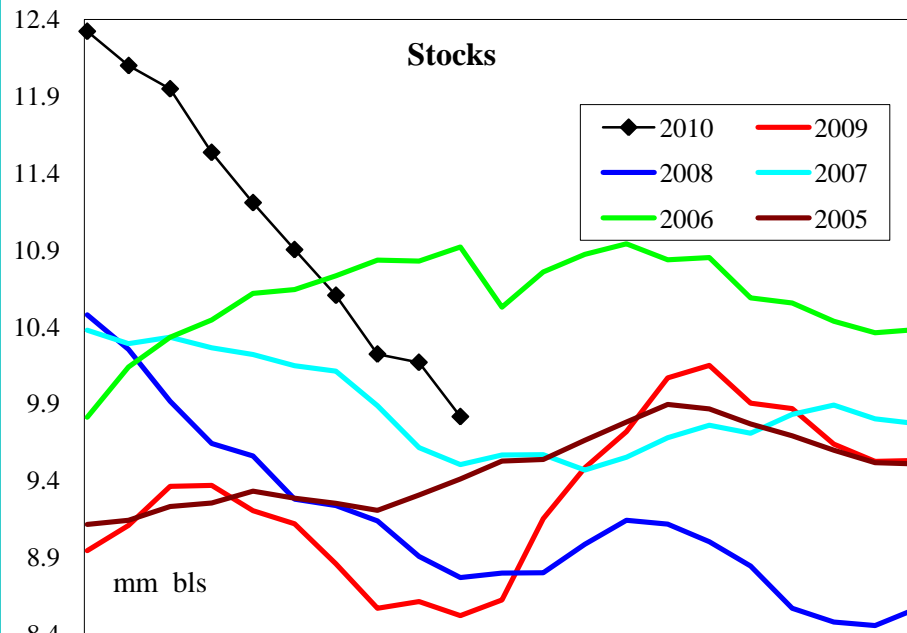
PADD 1 High Sulfur Distillate Supply



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

1,296

2

-15

-3

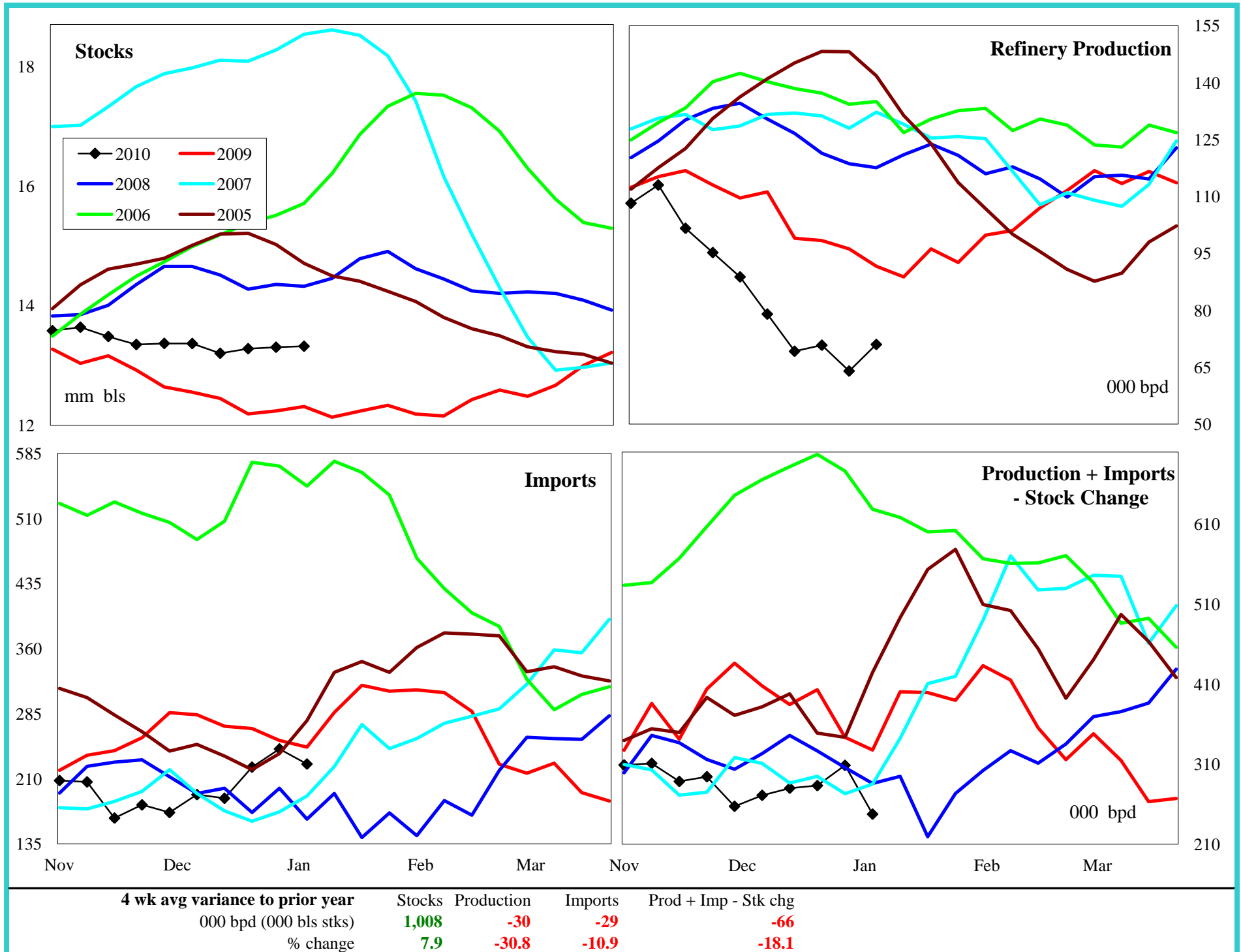
15.2

2.4

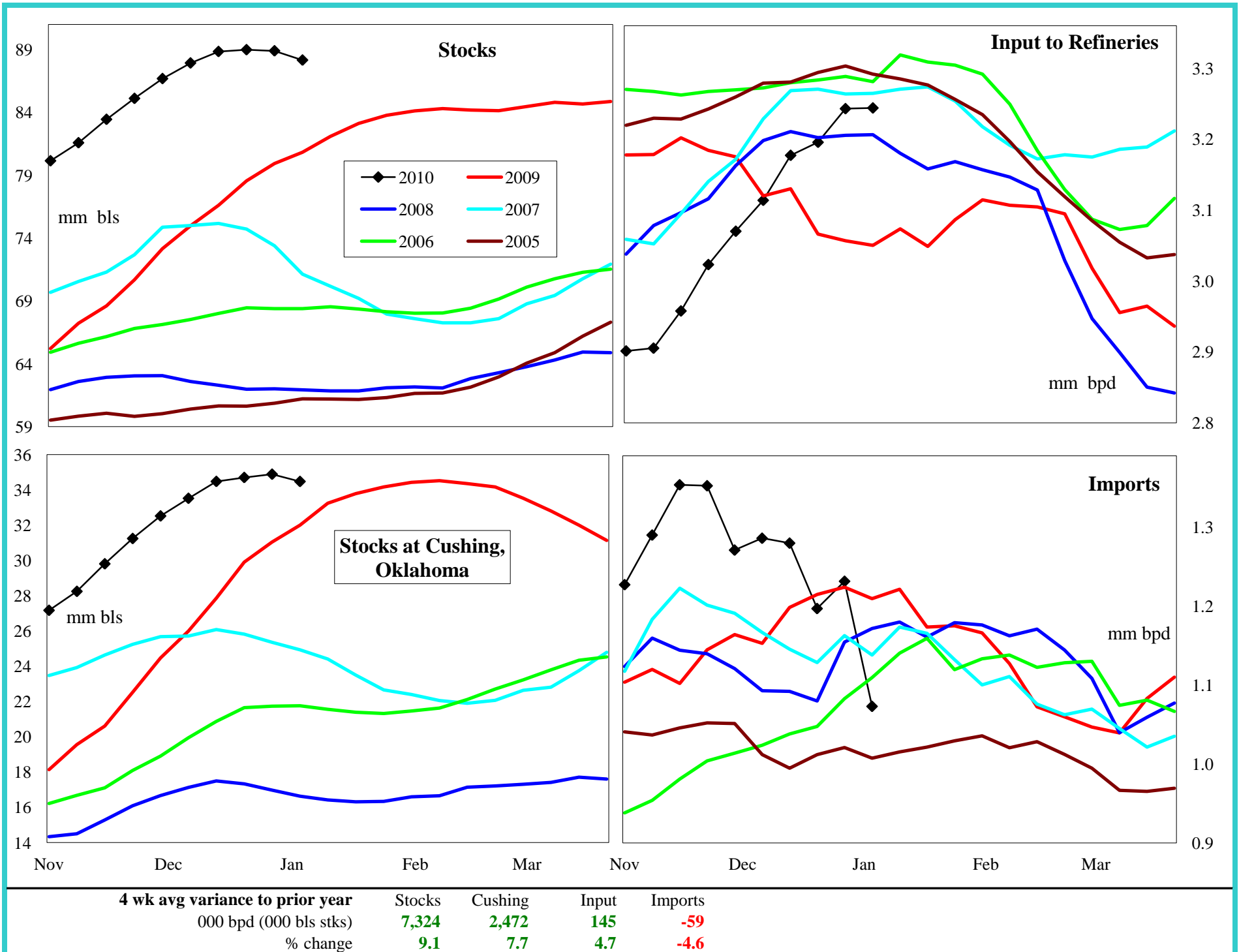
-26.9

-2.6

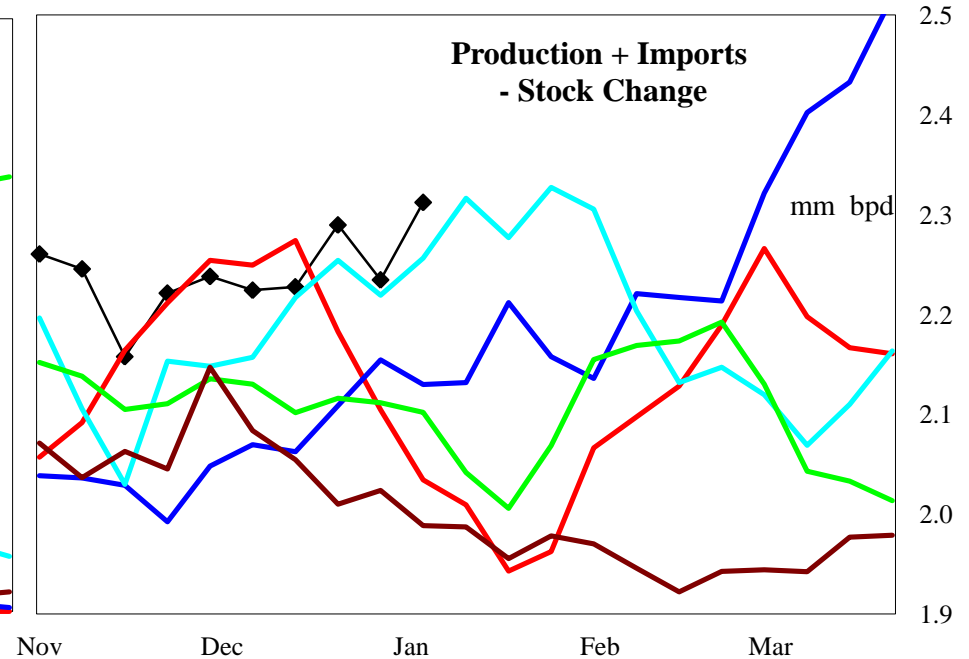
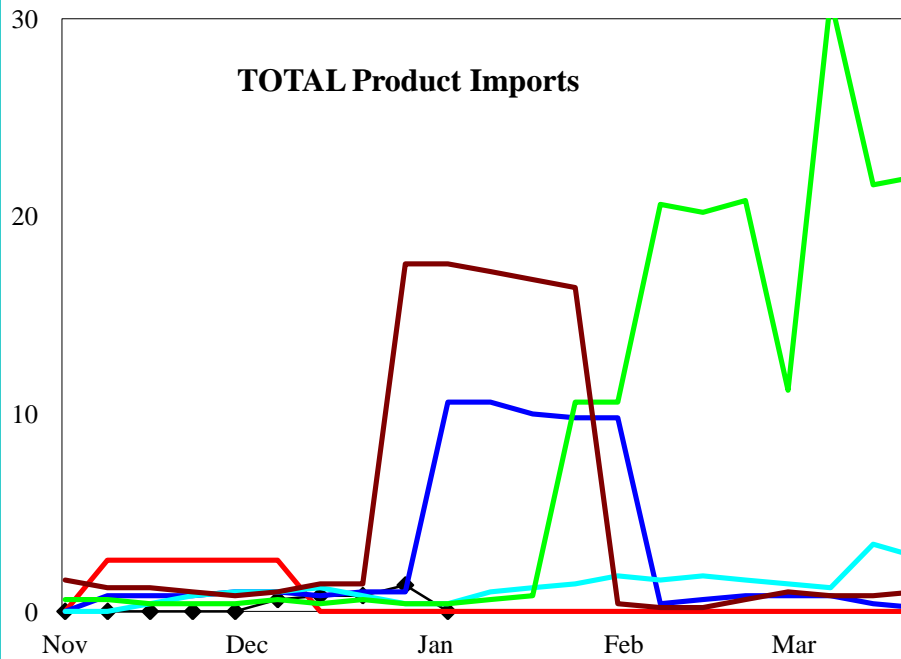
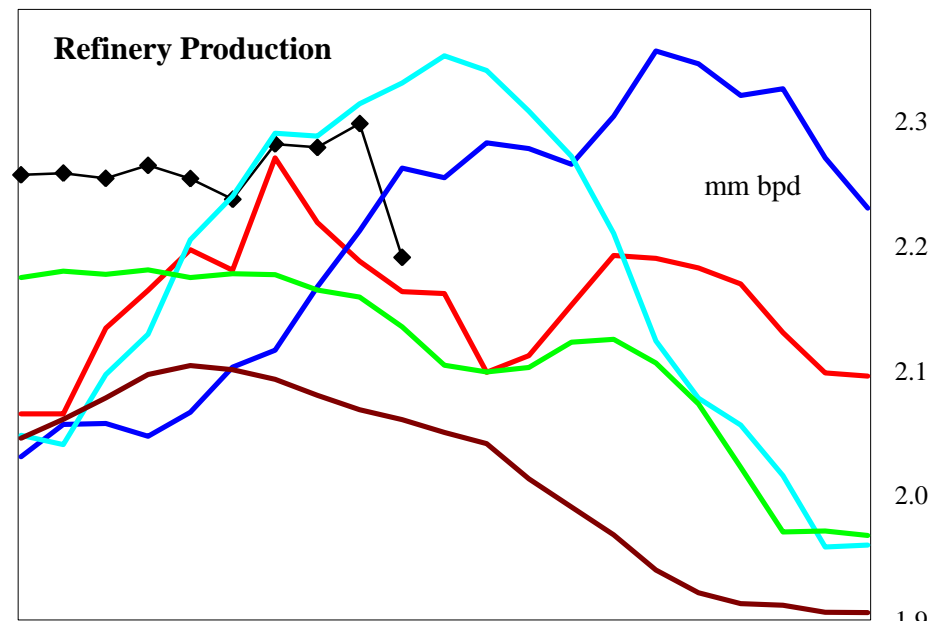
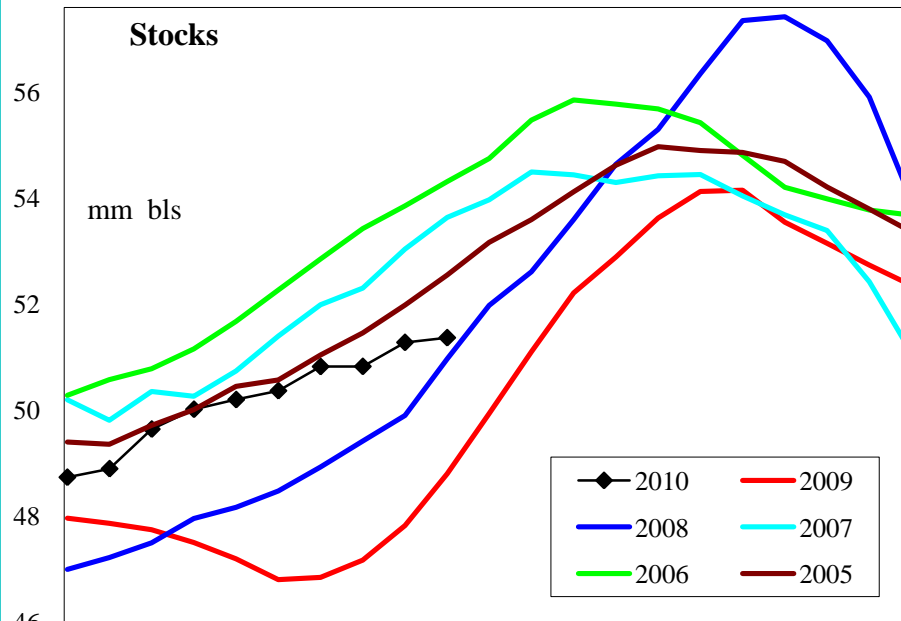
PADD 1 Residual Fuel Oil Supply



PADD 2 Crude Oil Supply and Refining



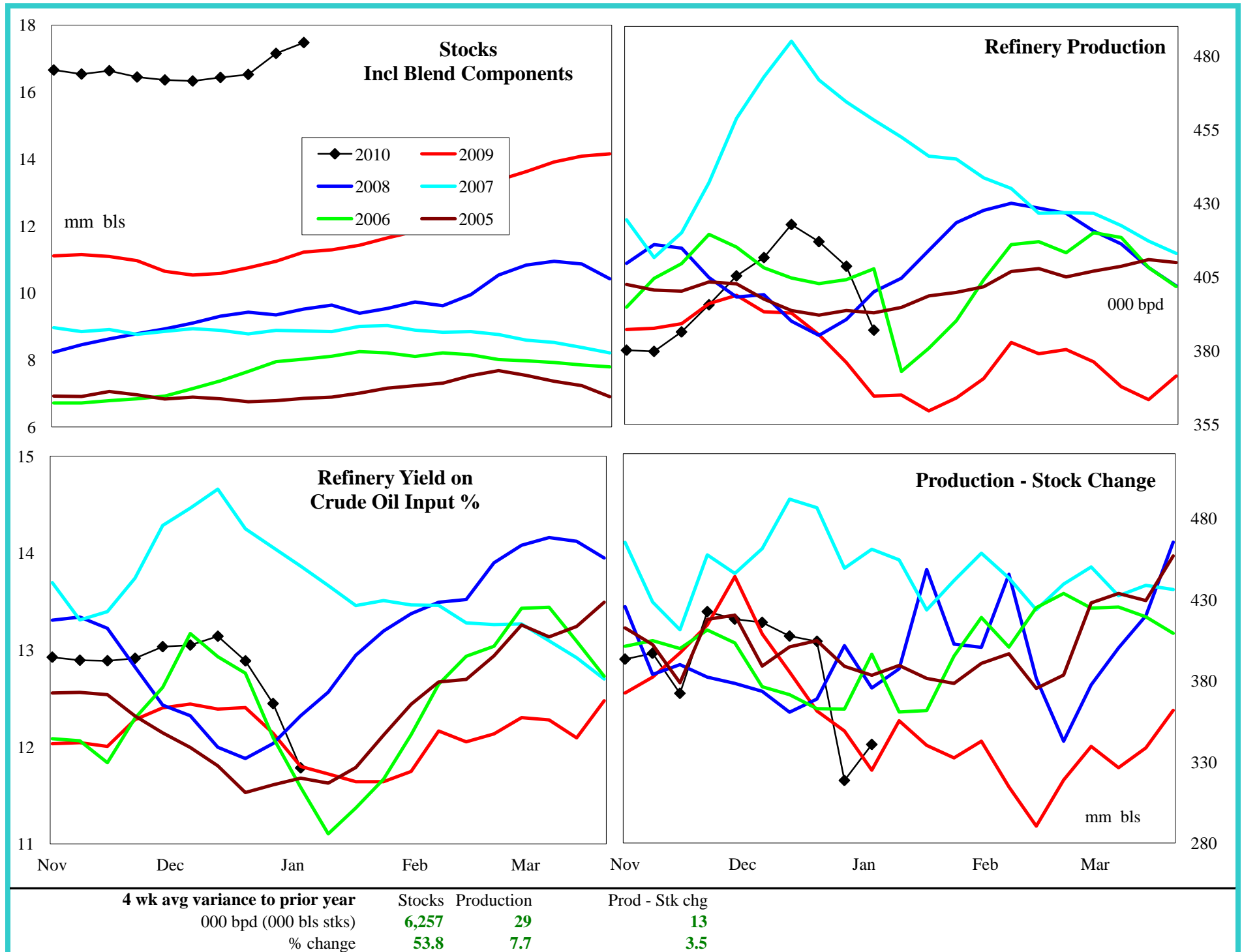
PADD 2 Gasoline Supply



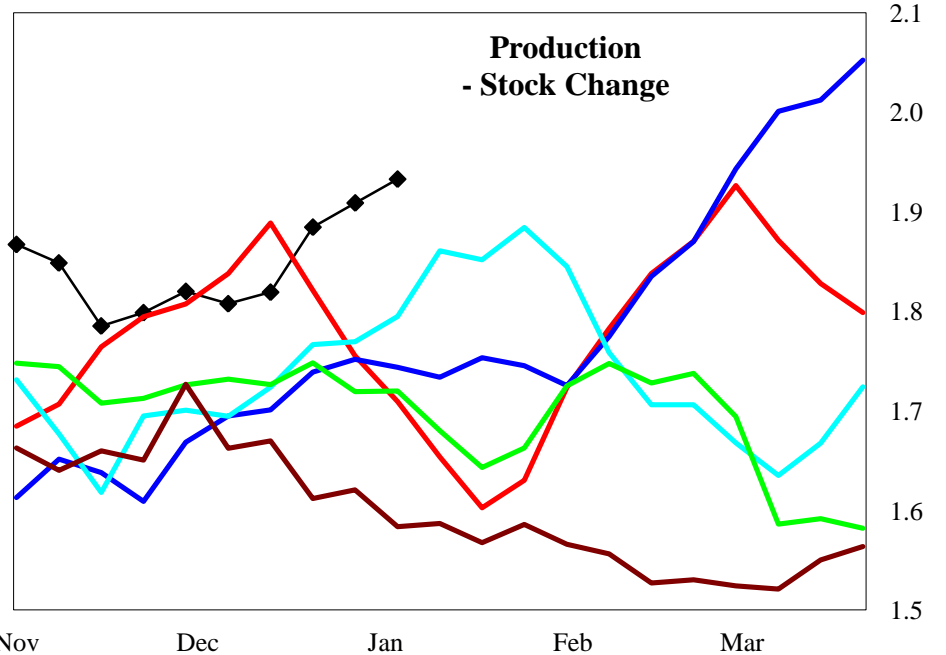
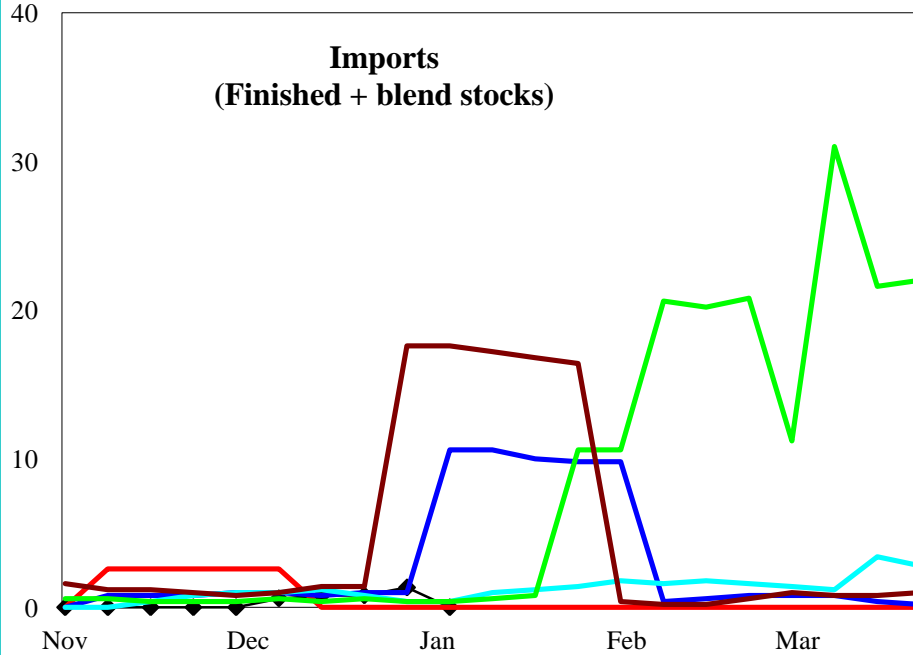
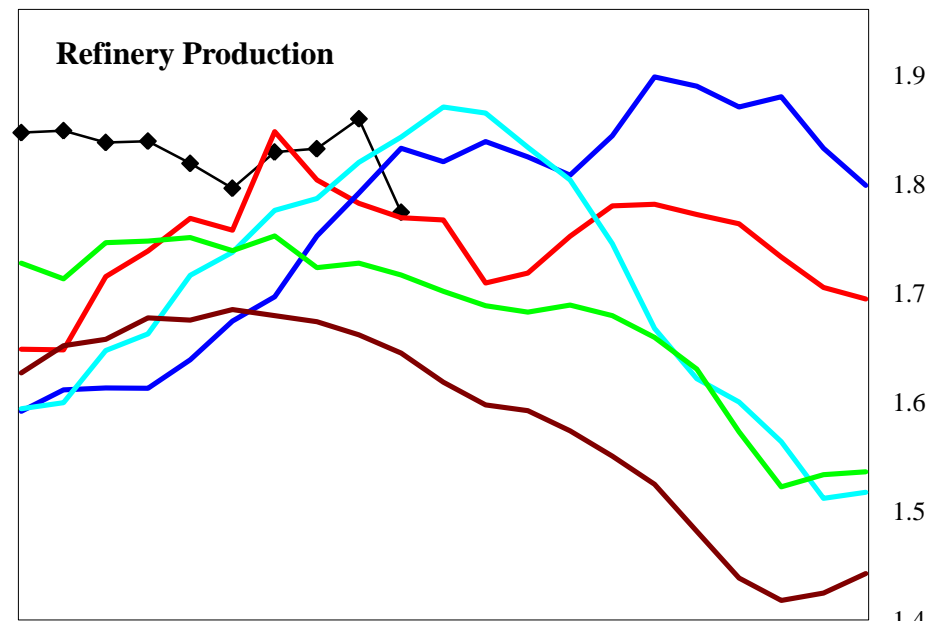
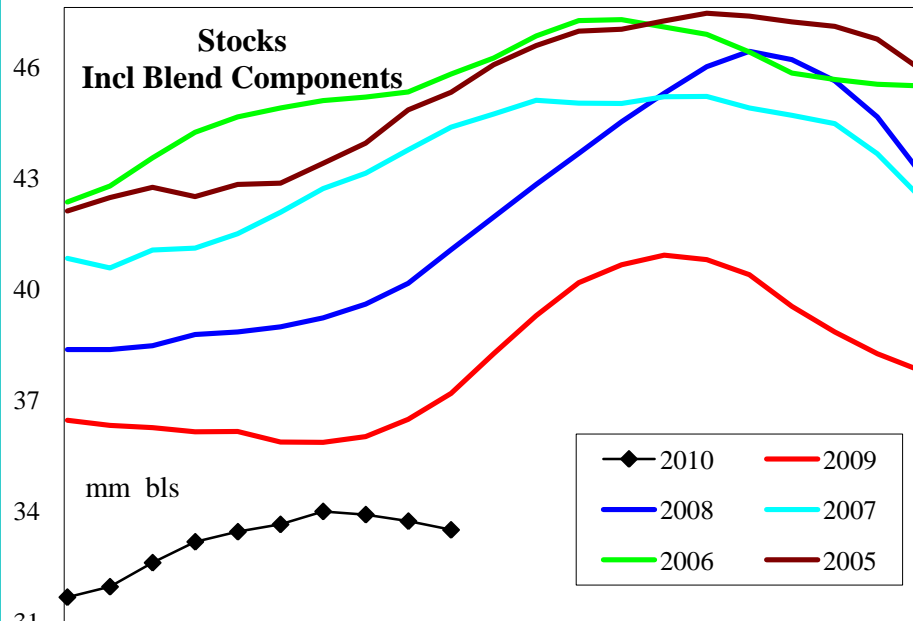
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
2,570	67	1	94
5.2	3.0	#DIV/0!	4.4

PADD 2 Reformulated Gasoline Supply



PADD 2 Conventional Gasoline Supply



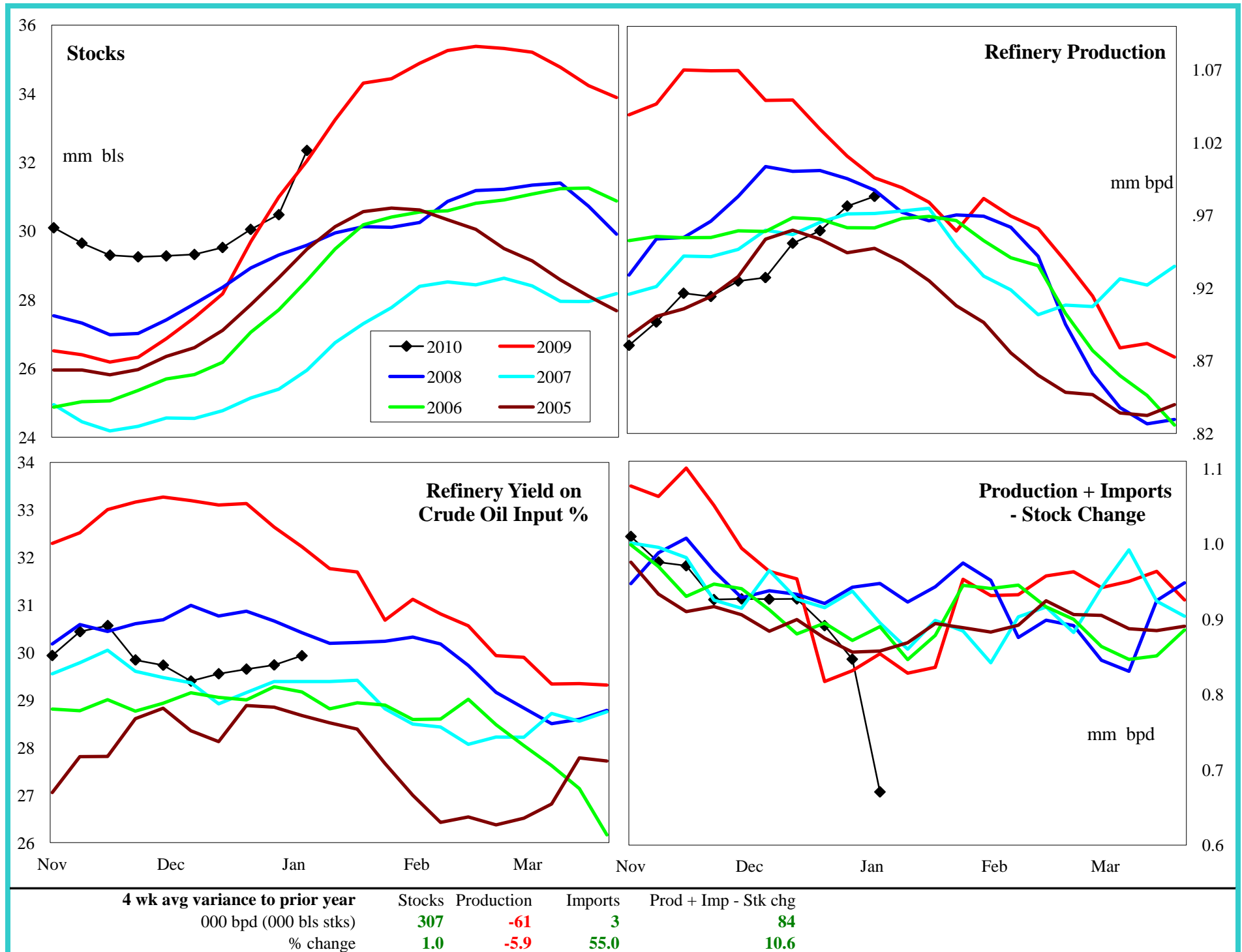
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

Stocks
-3,259
-8.8

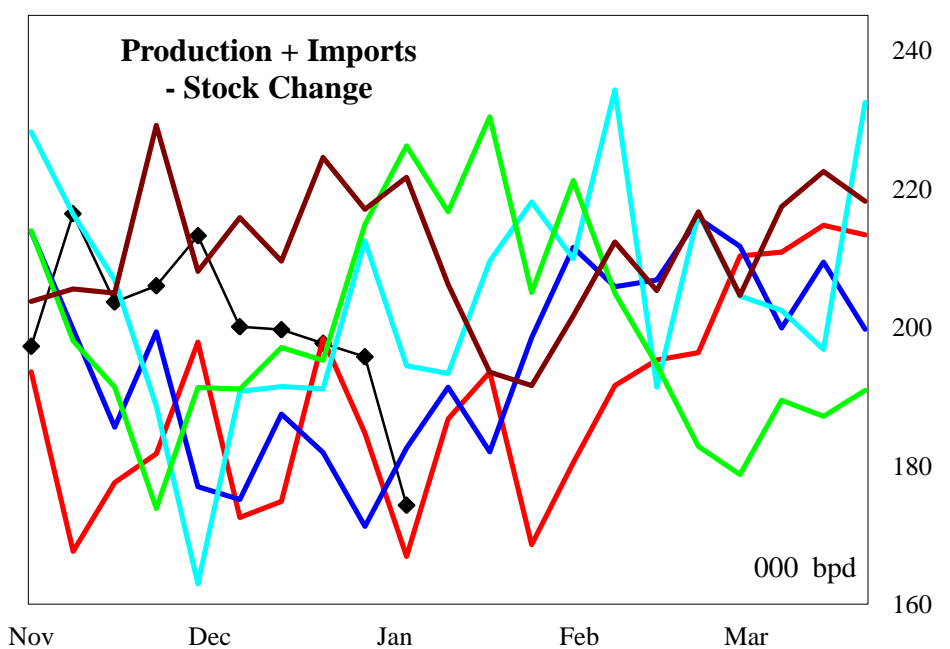
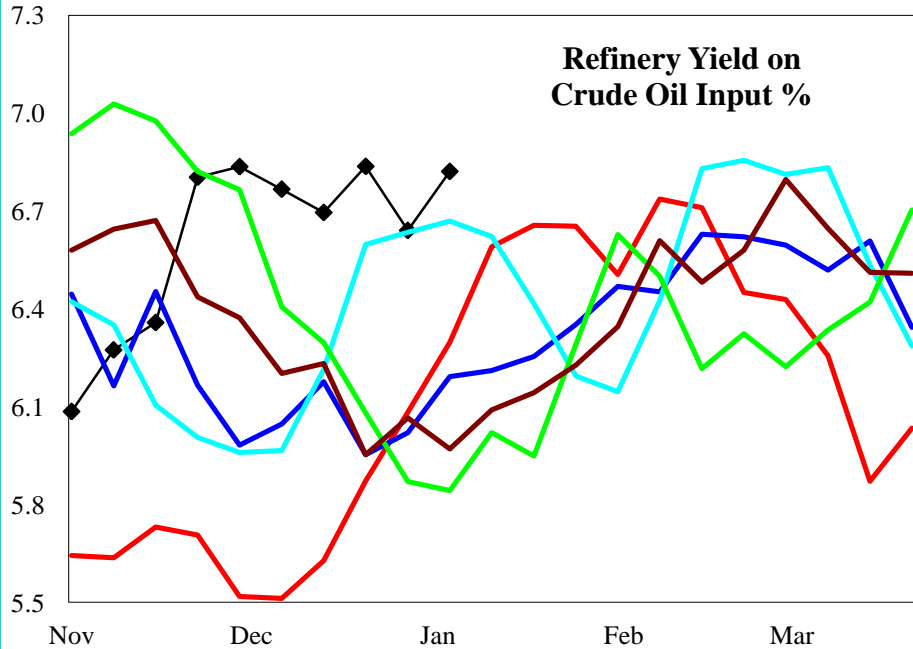
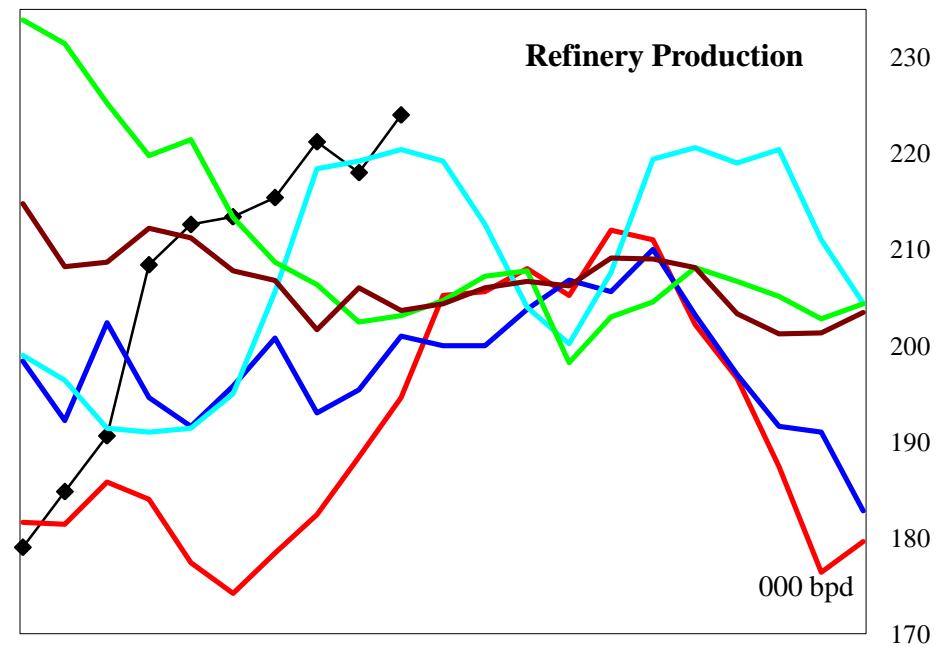
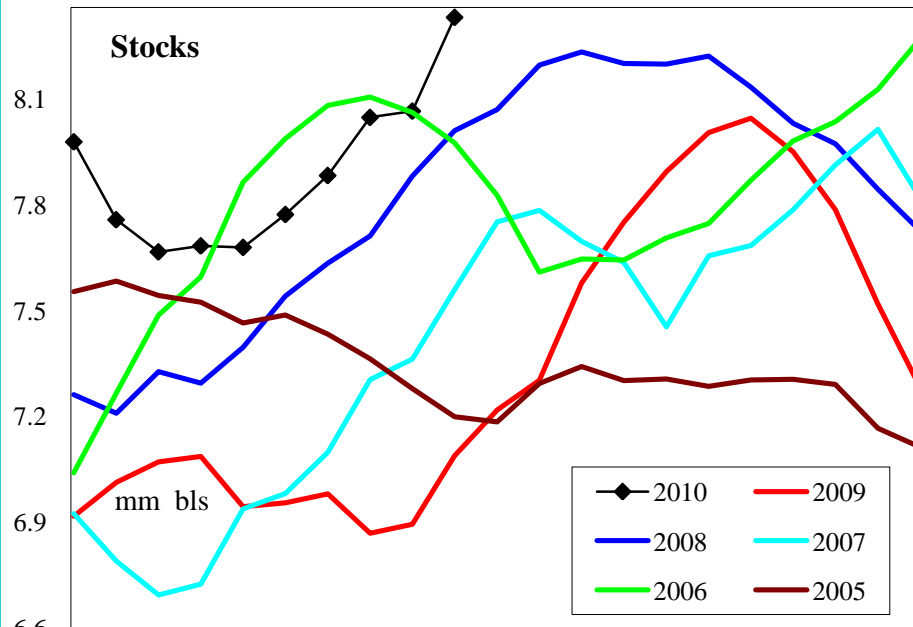
Production
32
1.7

Prod - Stk chg
107
5.9

PADD 2 Distillate Supply



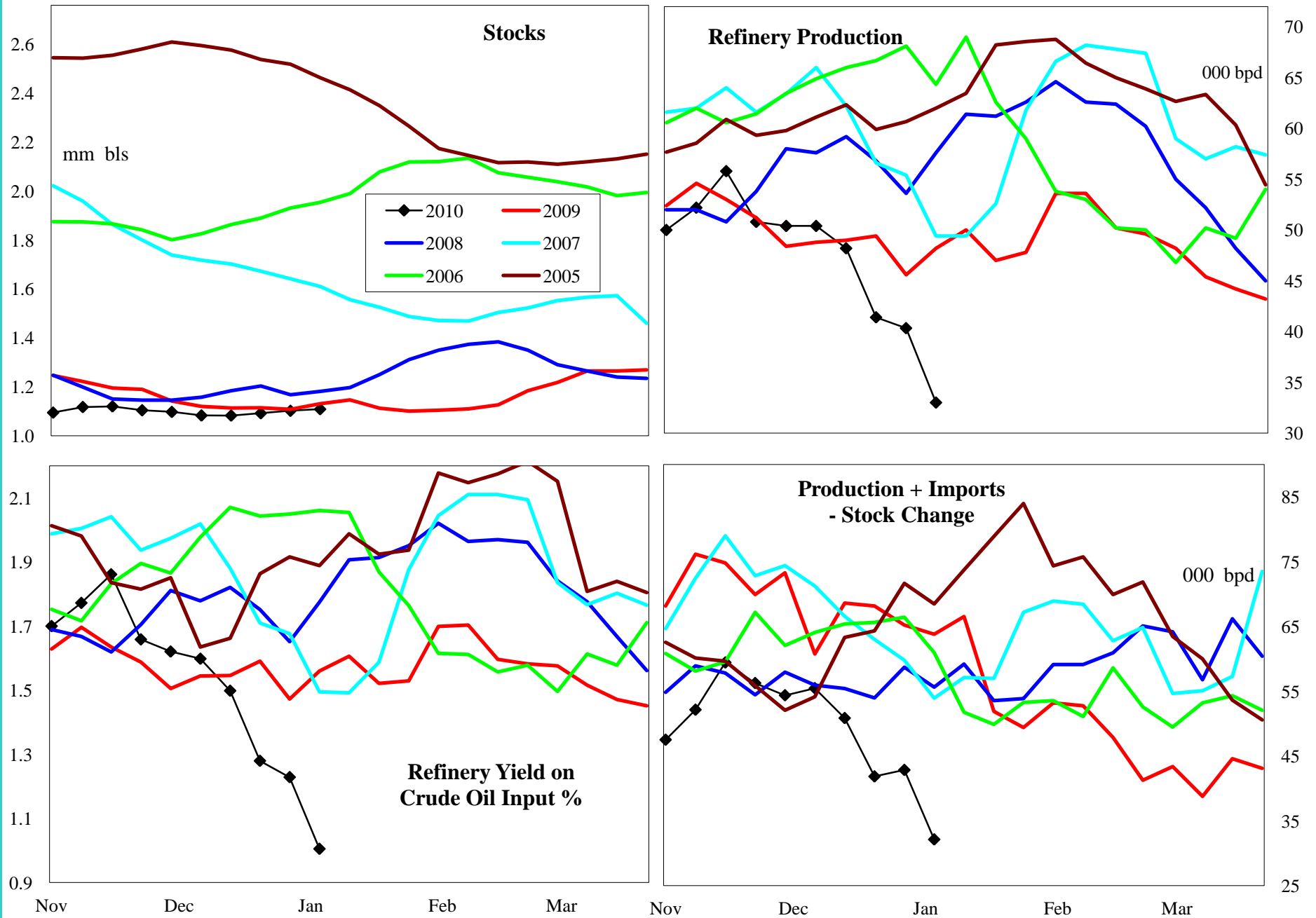
PADD 2 Jet Fuel Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
1,243	35	0	13
17.4	19.2	#DIV/0!	6.4

PADD 2 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

-22

-10

-22

-33

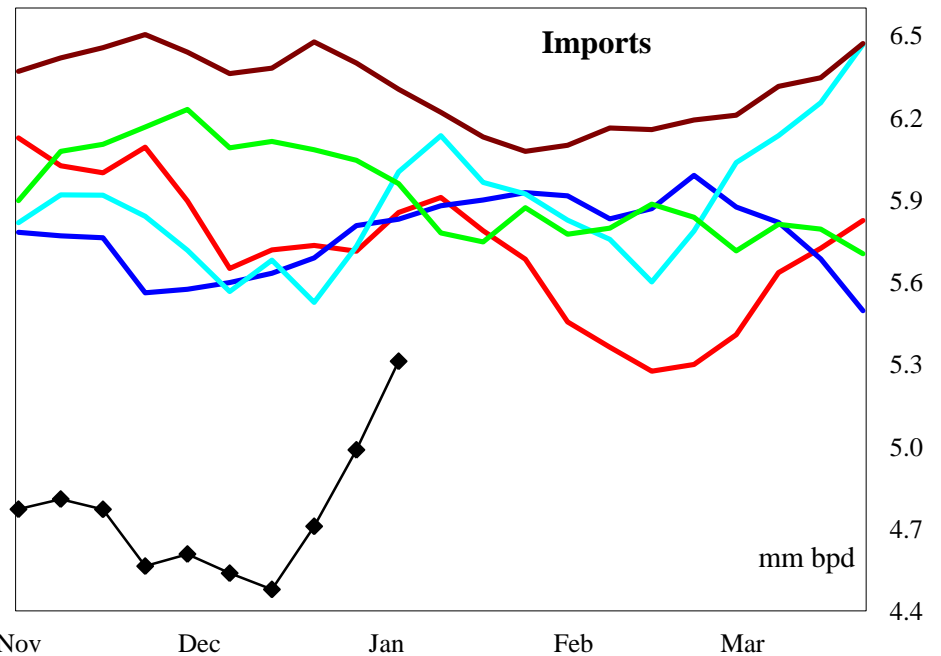
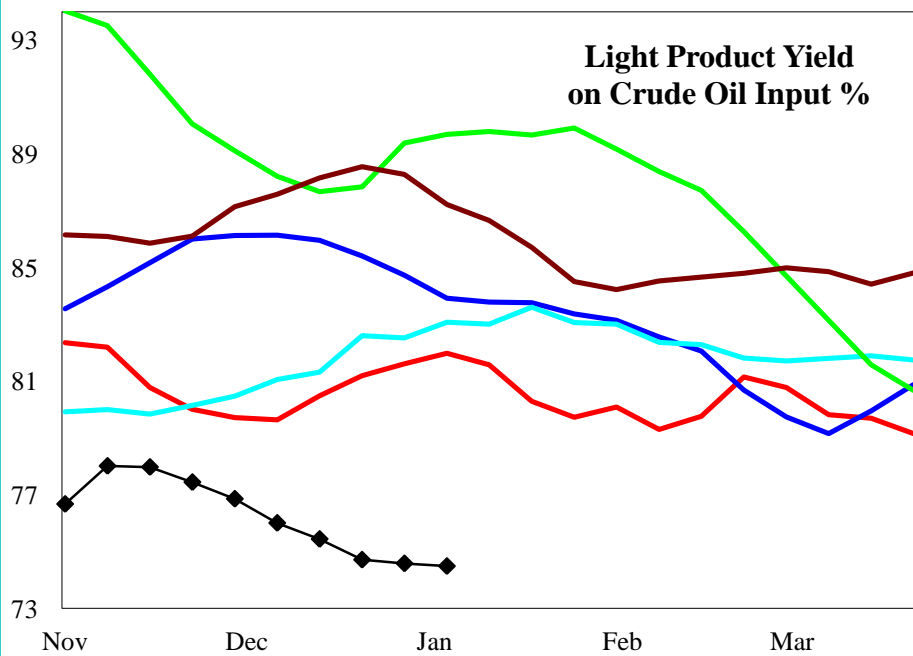
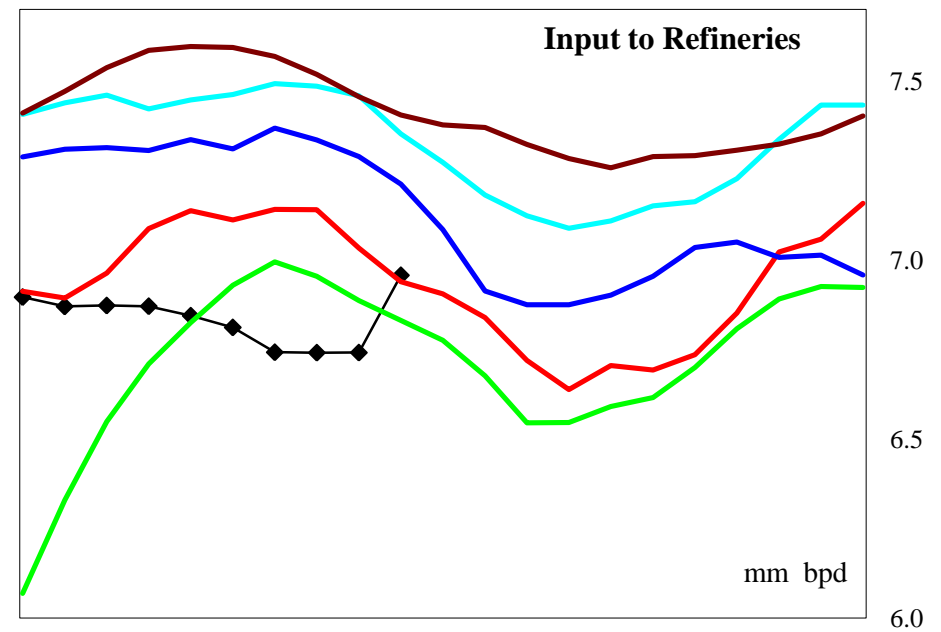
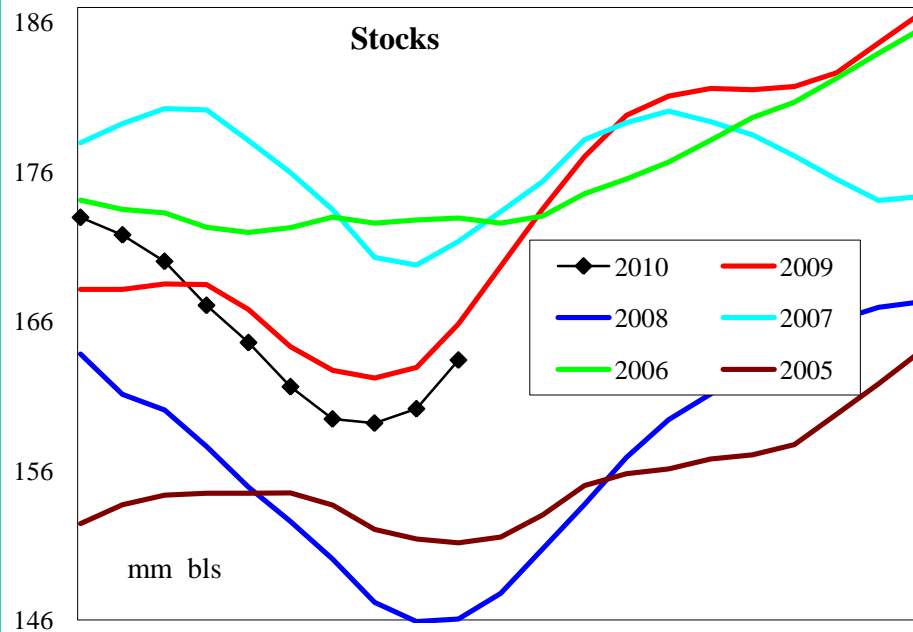
-1.9

-19.4

-91.5

-46.1

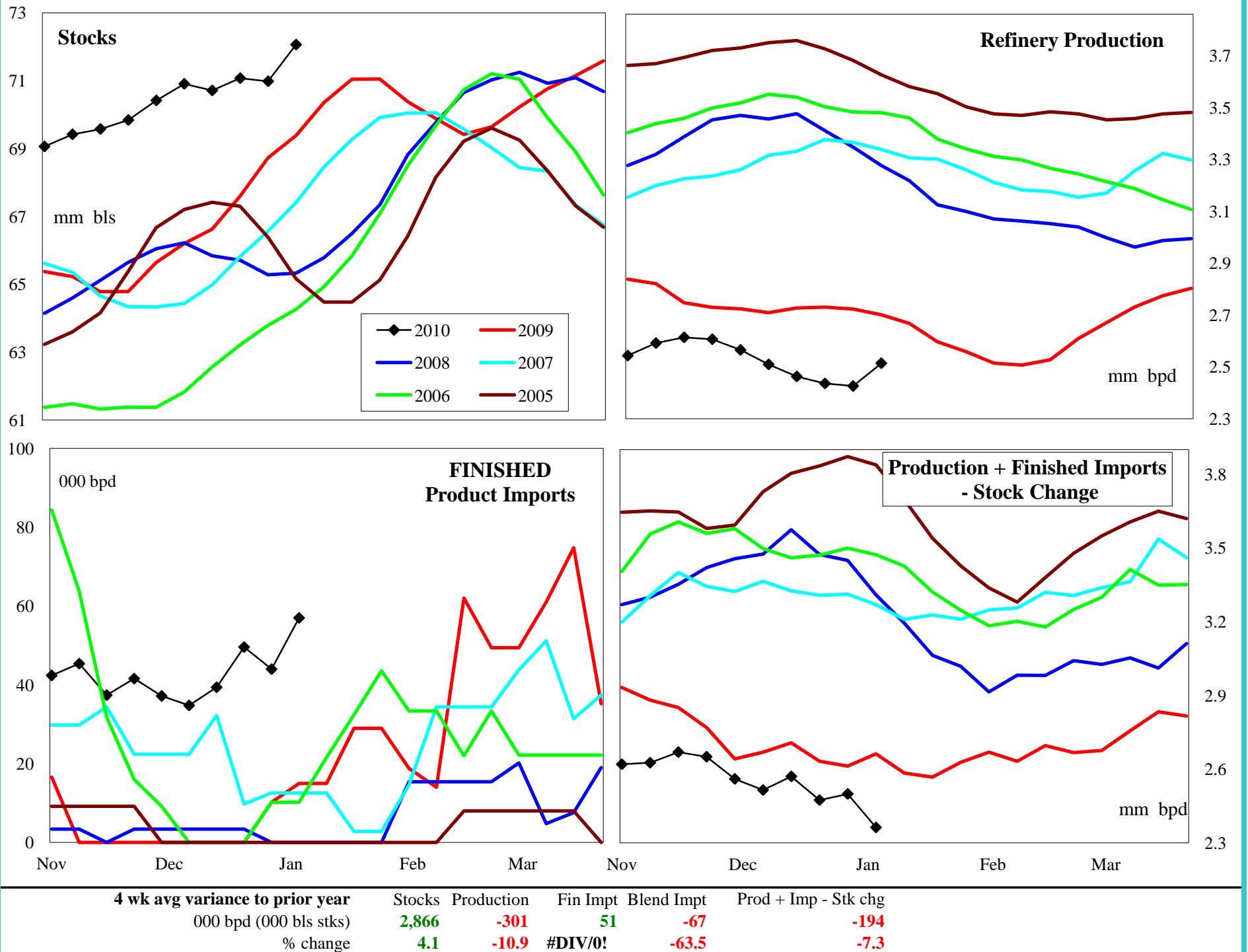
PADD 3 Crude Oil Supply and Refining



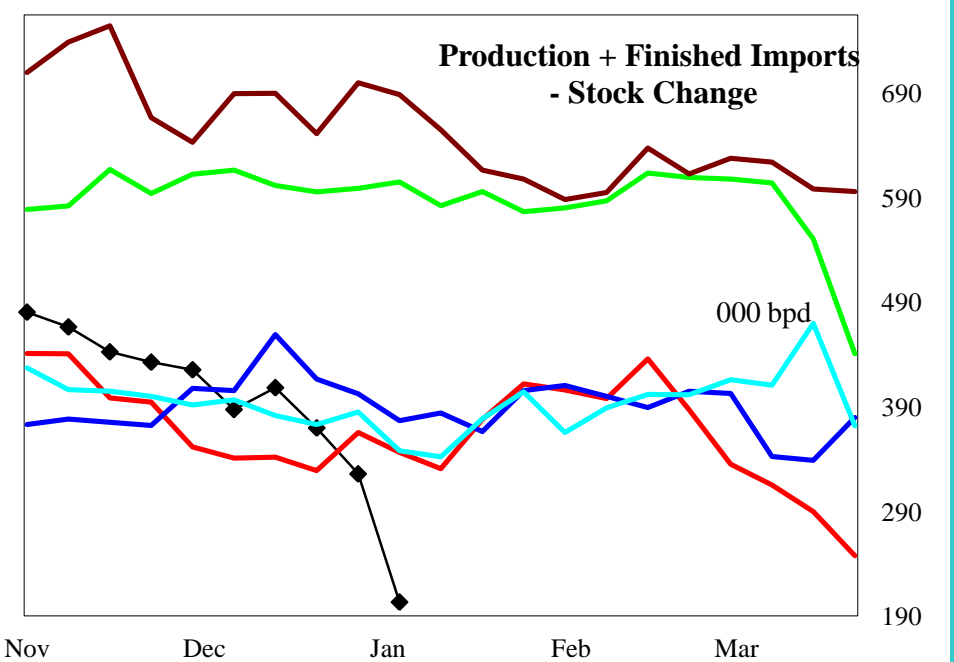
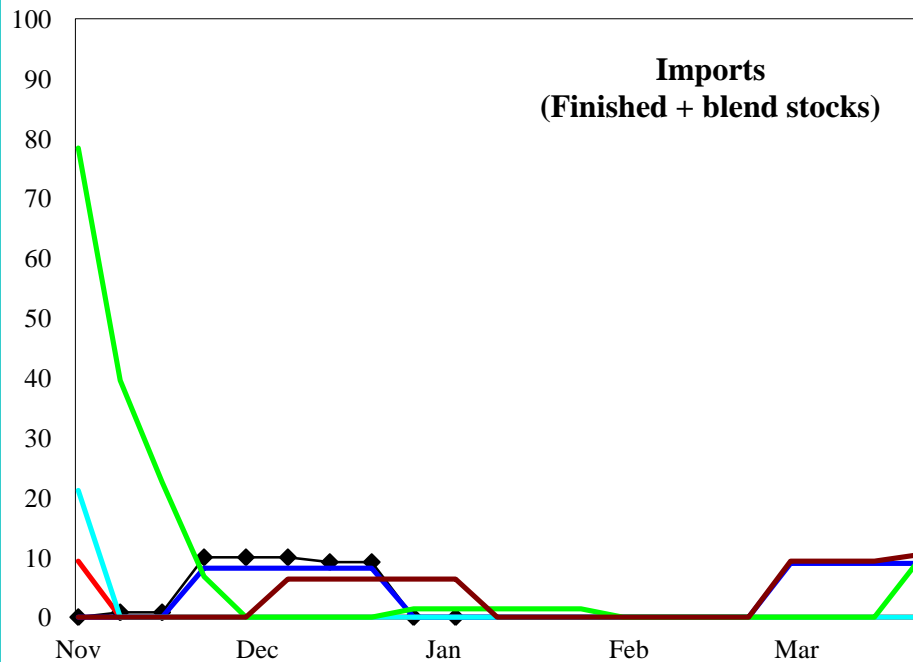
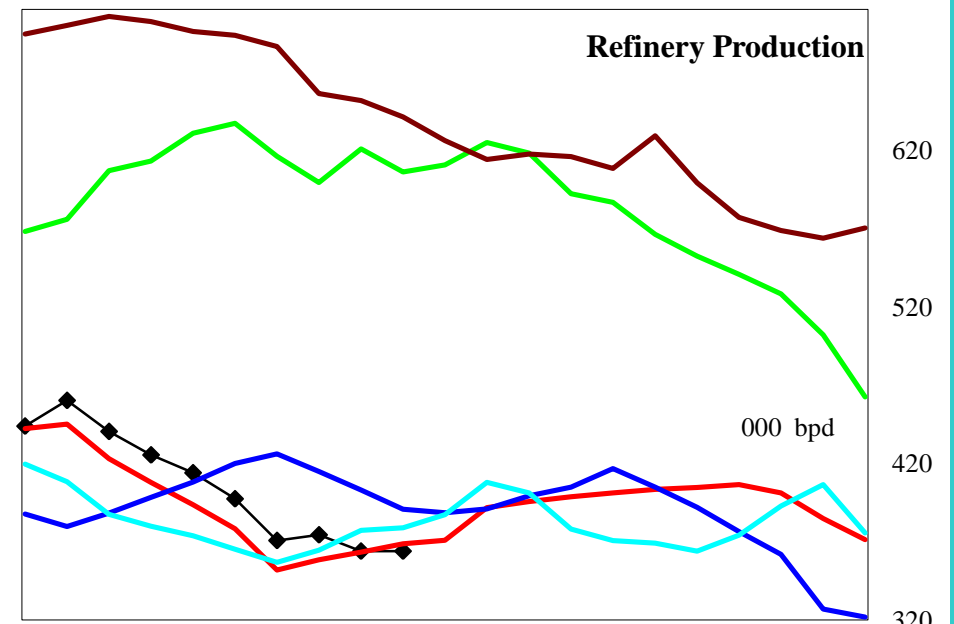
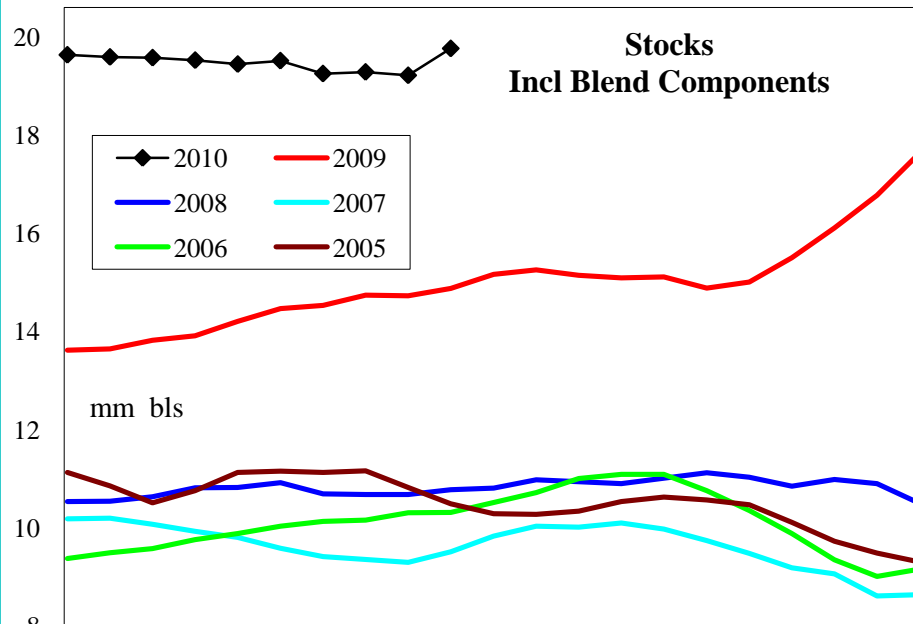
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

	Stocks	Input	Imports
000 bpd (000 bls stks)	-2,413	-382	-777
% change	-1.5	-5.4	-13.8

PADD 3 Gasoline Supply



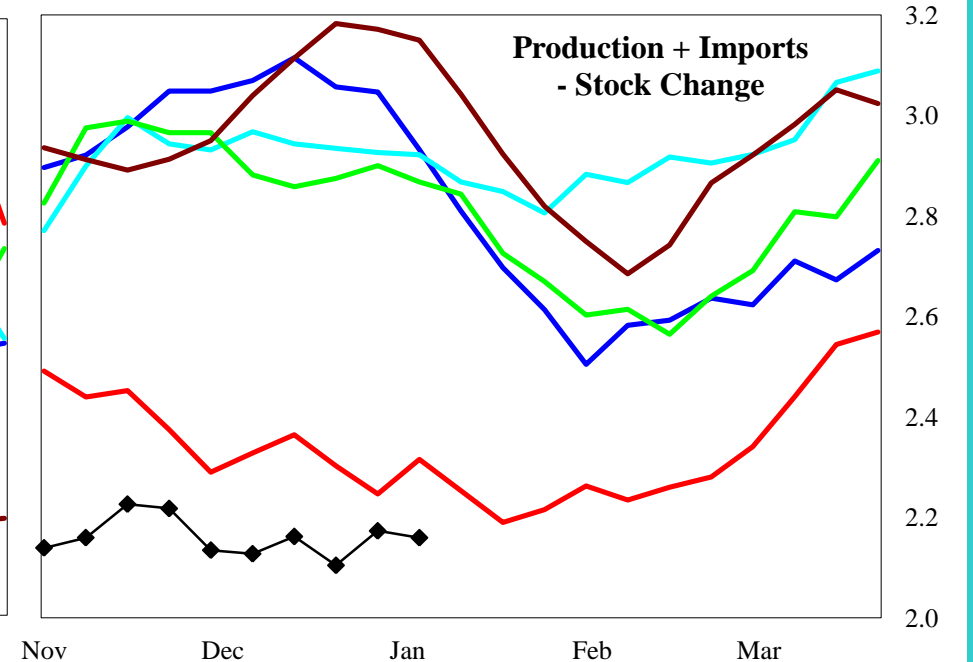
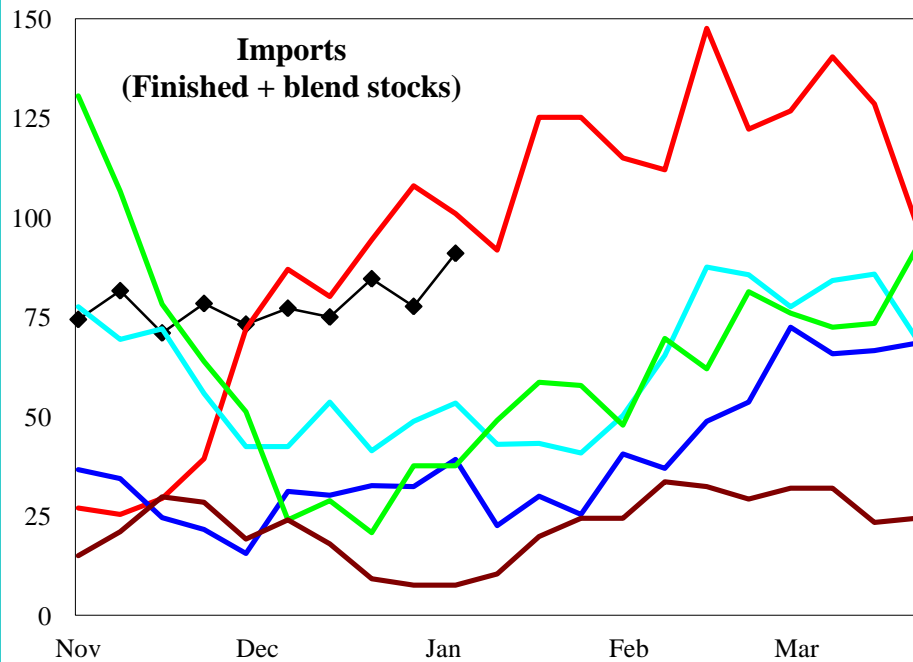
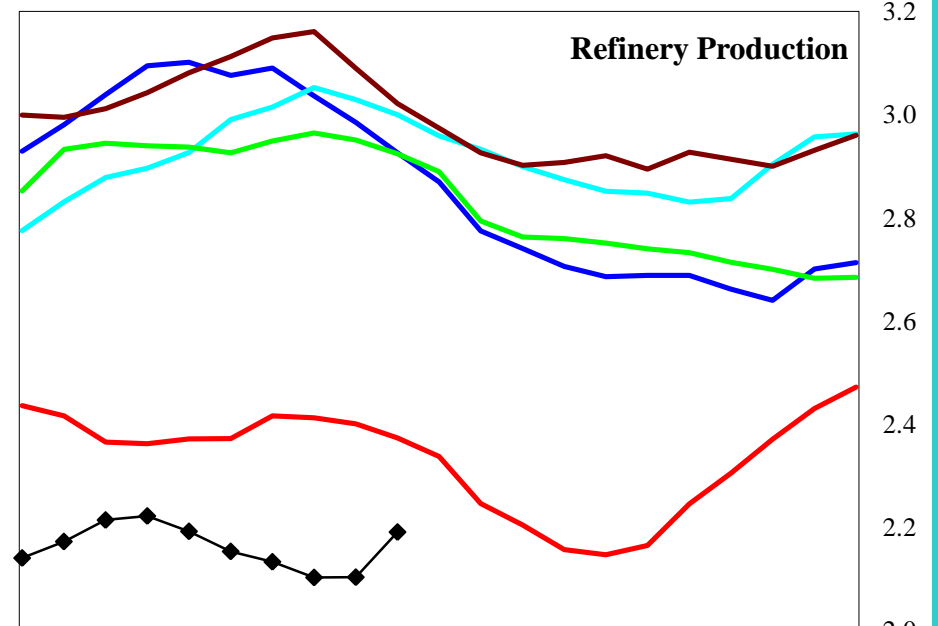
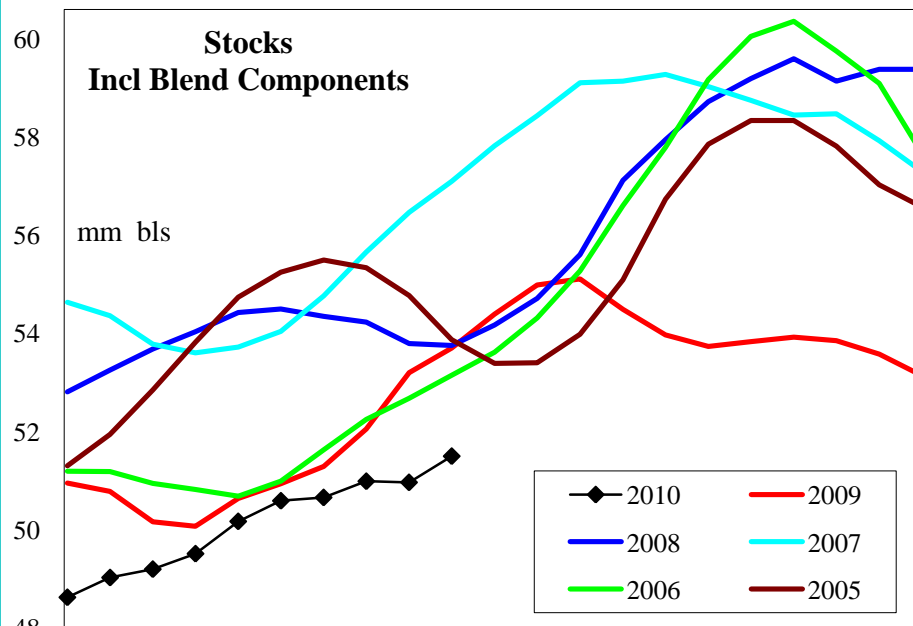
PADD 3 Reformulated Gasoline Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
4,302	16	0	47
27.1	4.3	#DIV/0!	14.2

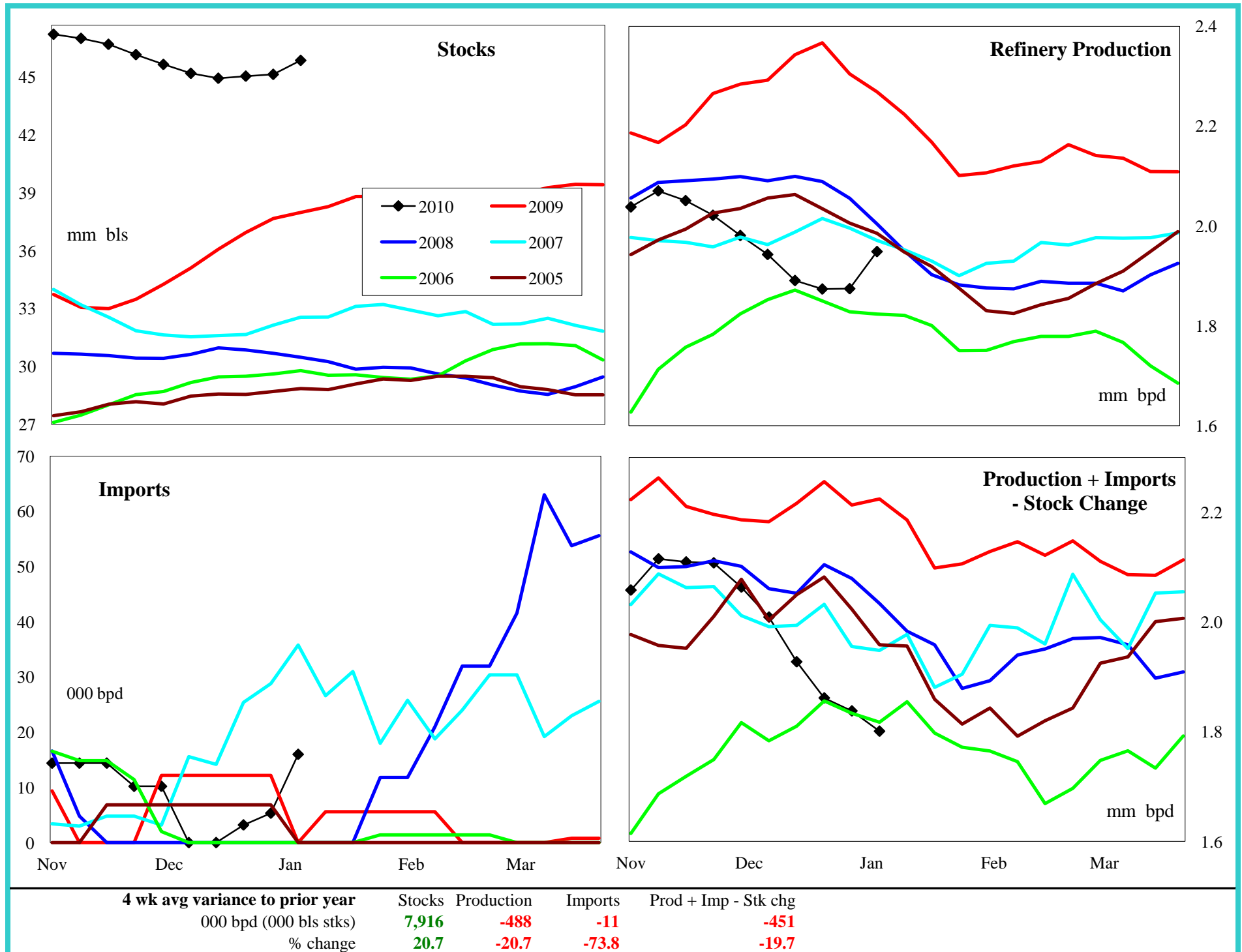
PADD 3 Conventional Gasoline Supply



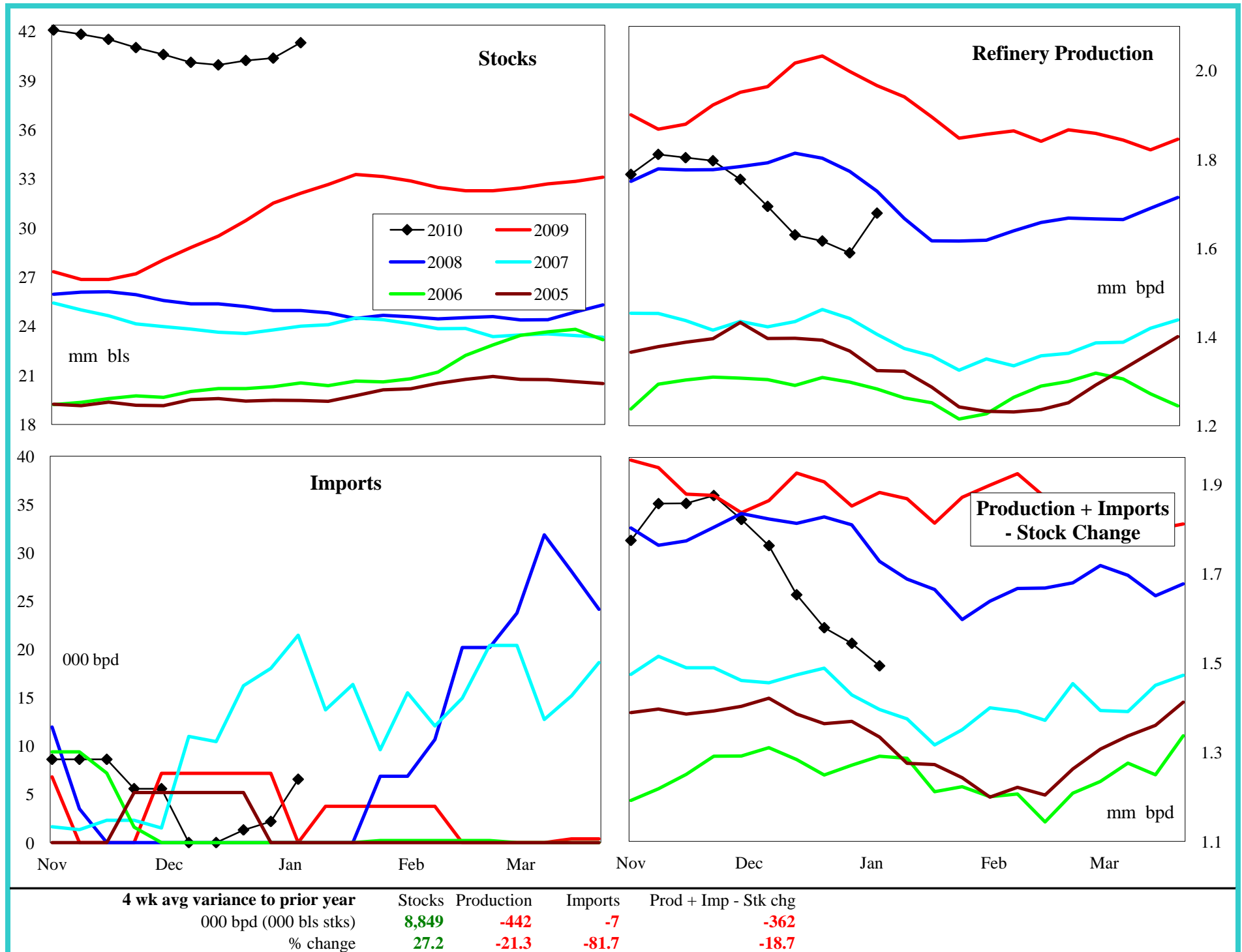
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
-1,436	-316	-17	-241
-2.7	-13.1	-15.6	-10.3

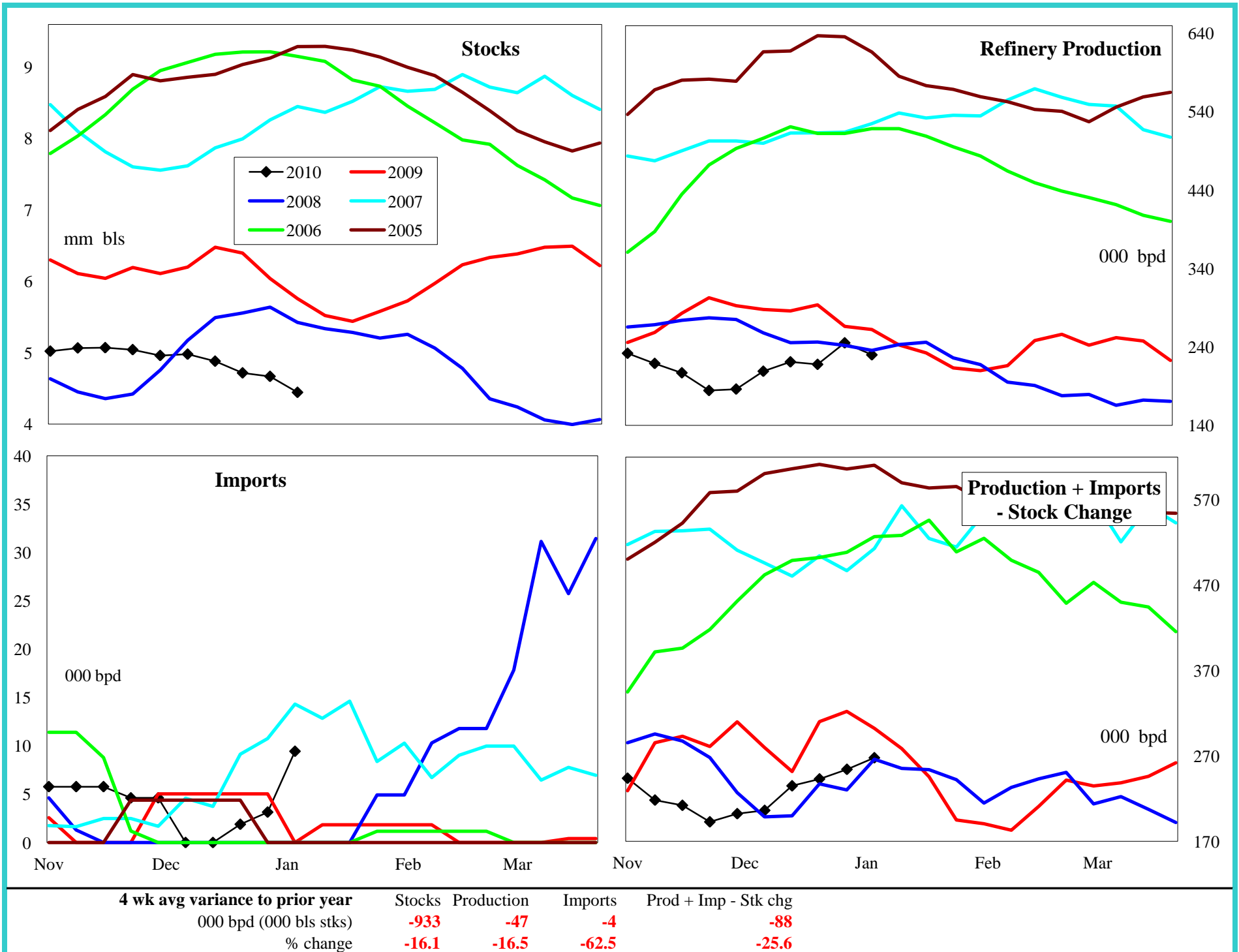
PADD 3 Distillate Supply



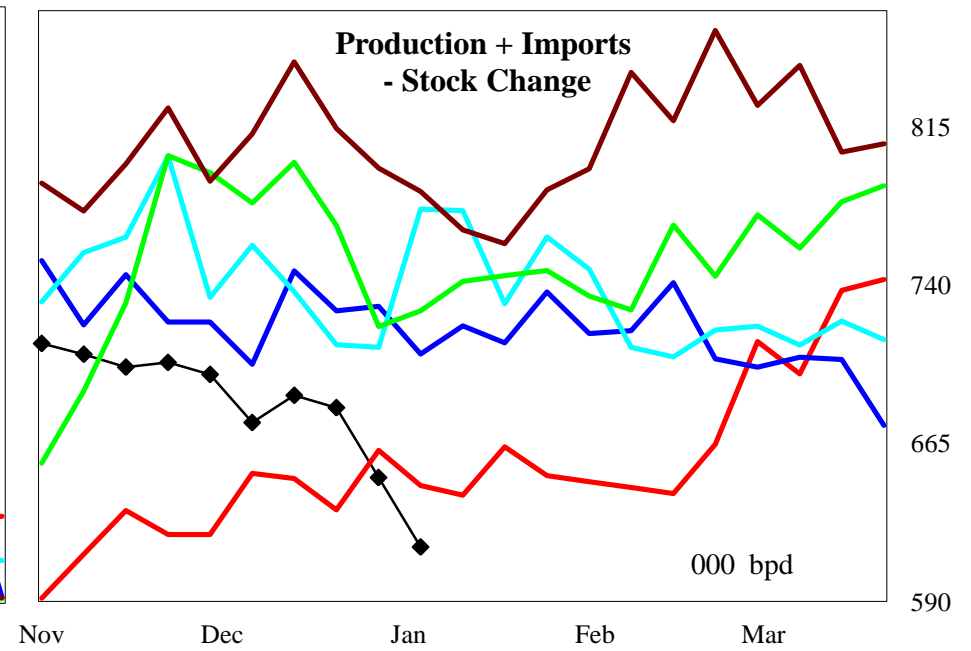
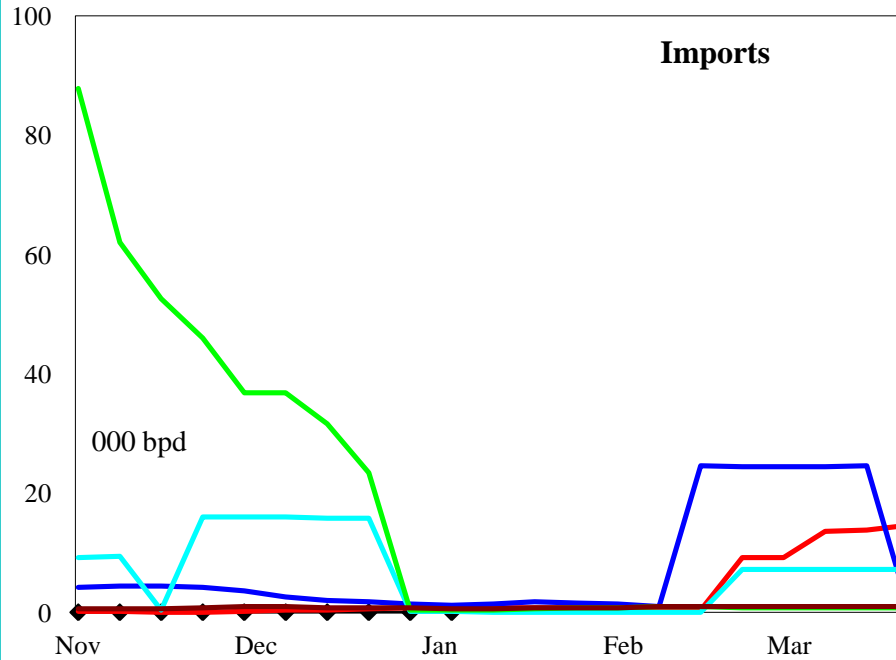
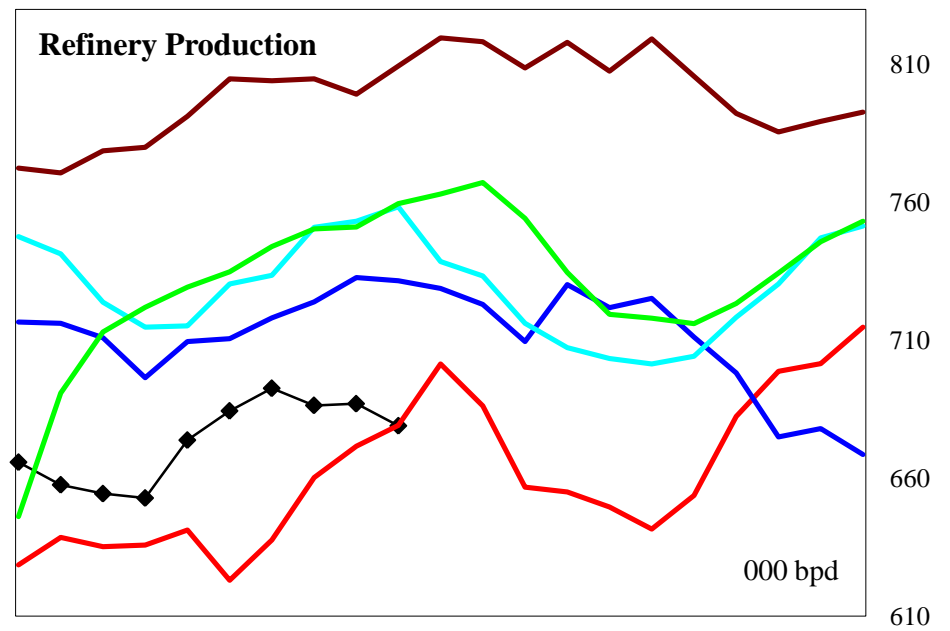
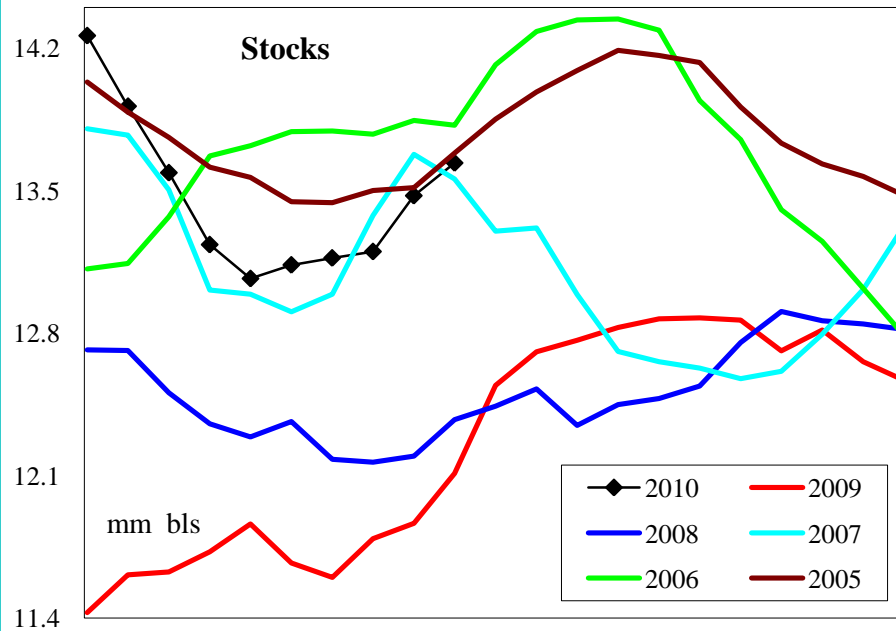
PADD 3 Low Sulfur Distillate Supply



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

1,525

13

-1

21

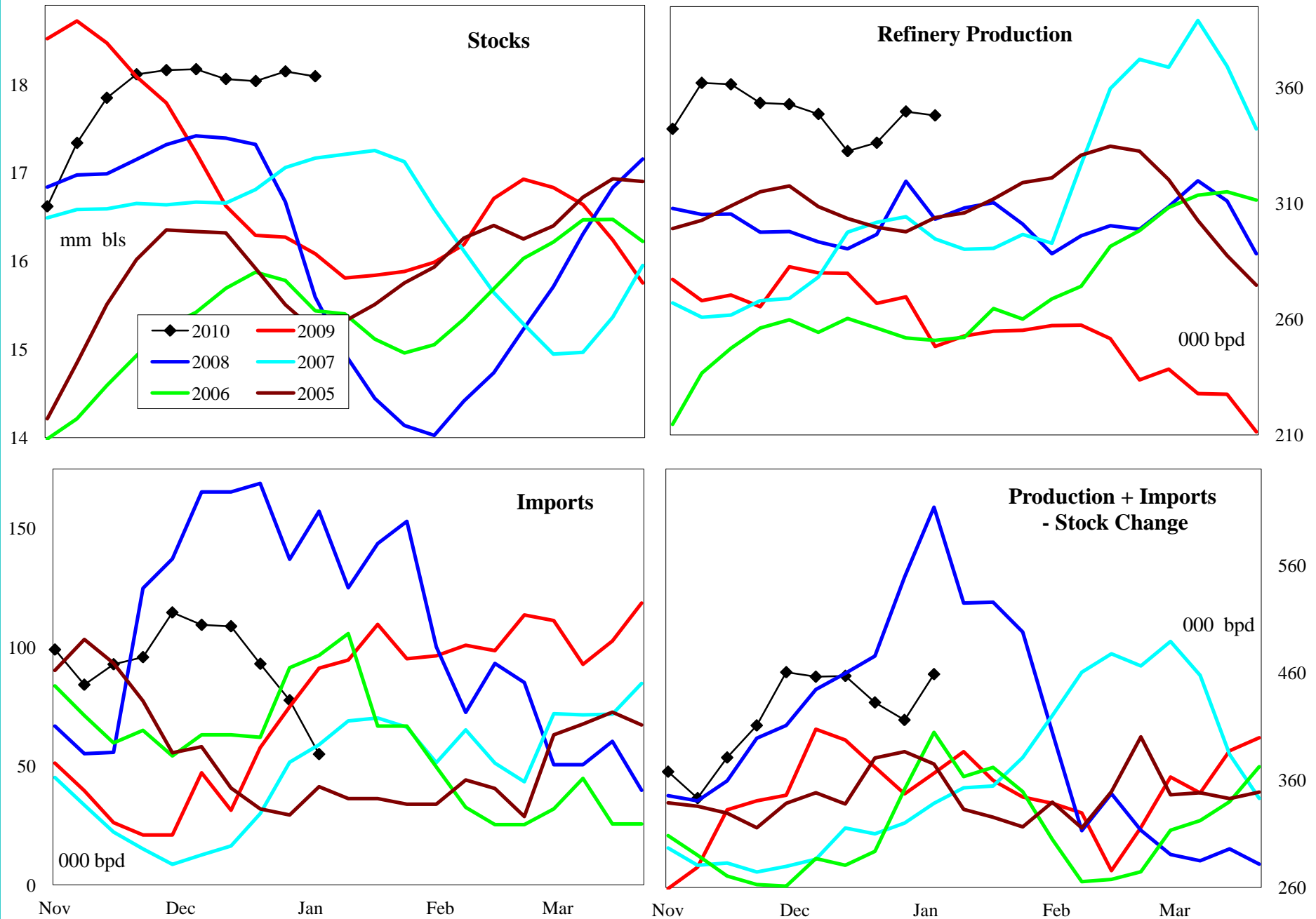
12.6

1.9

-100.0

3.3

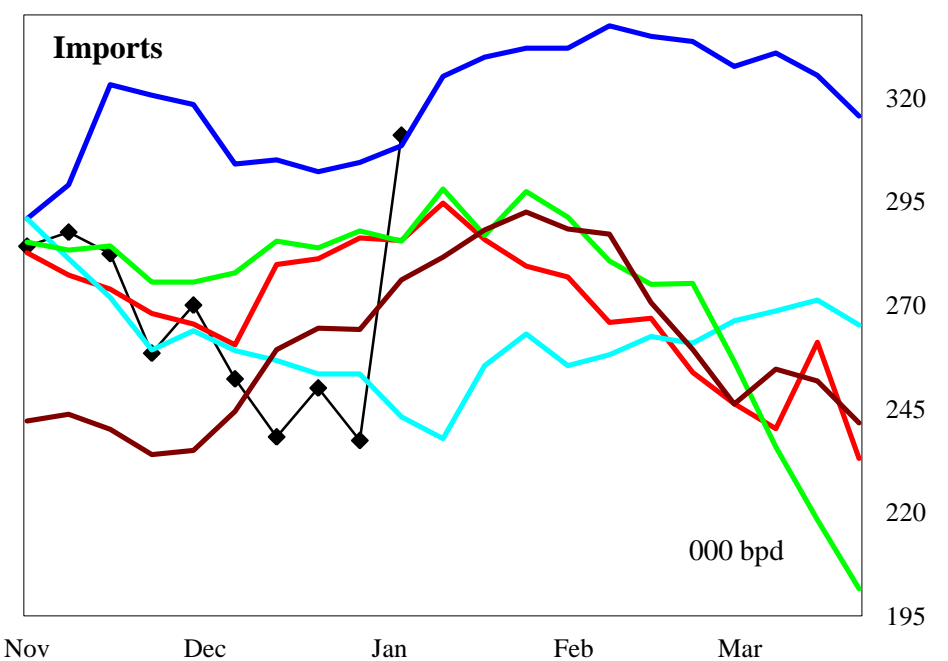
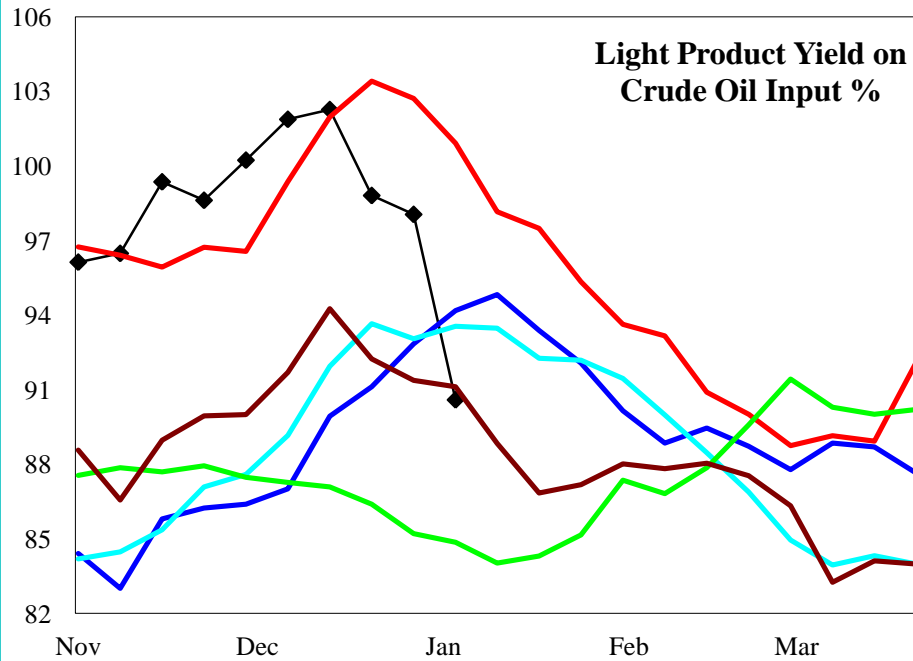
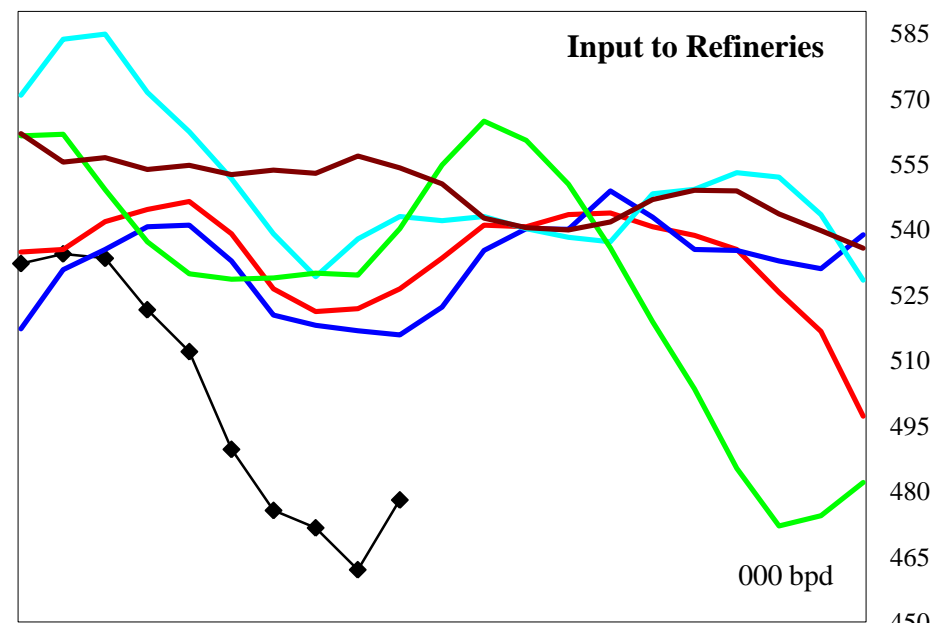
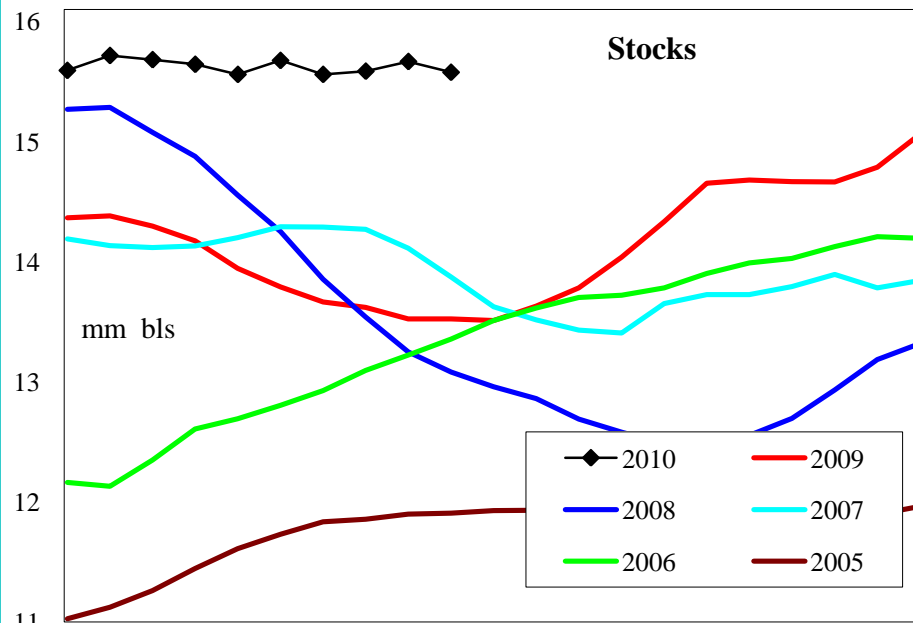
PADD 3 Residual Fuel Oil Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
2,011	75	11	53
12.4	27.7	15.2	14.4

PADD 4 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

2,054

14.9

Input

-48

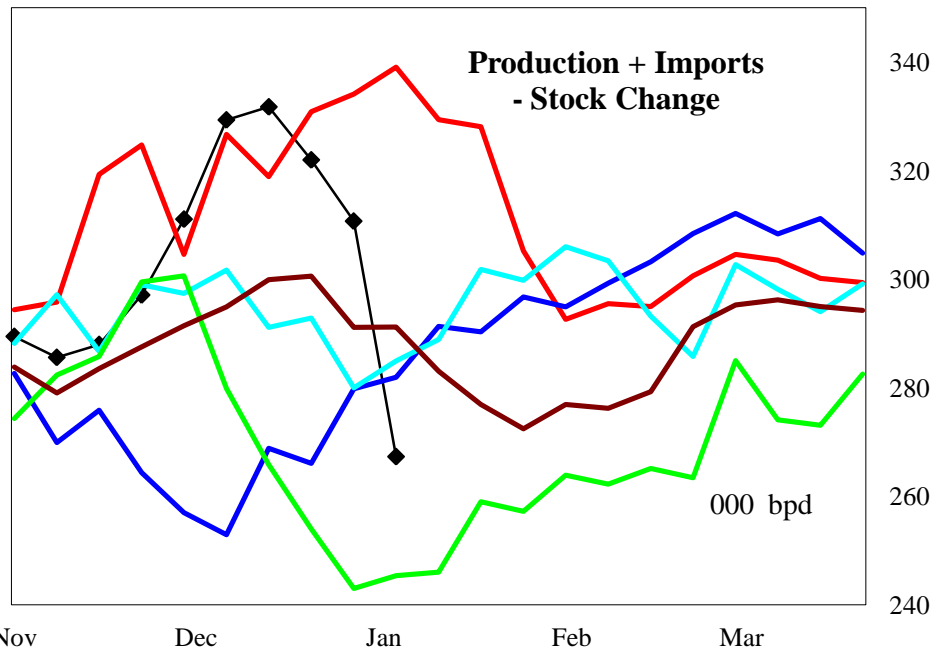
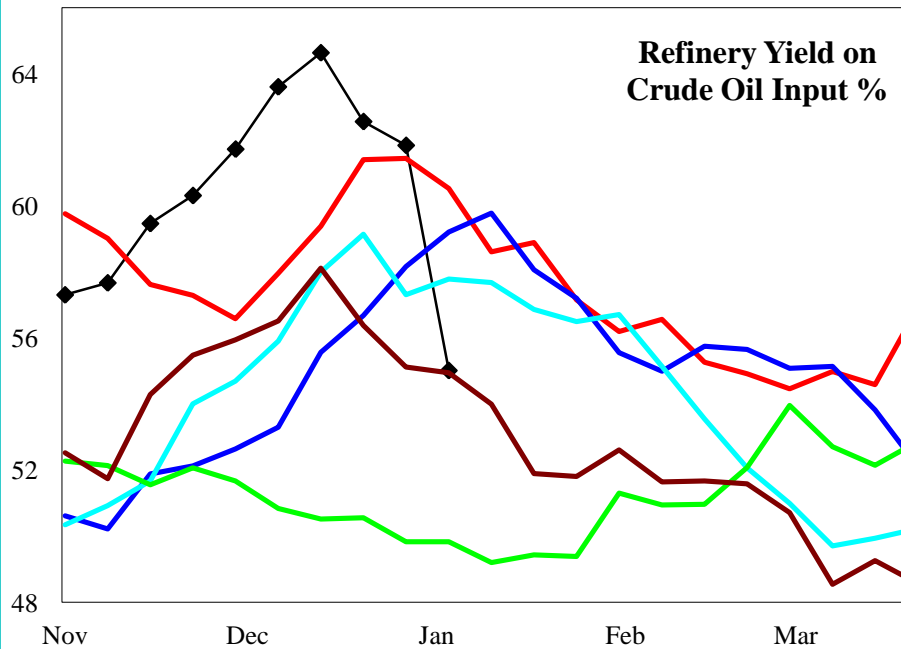
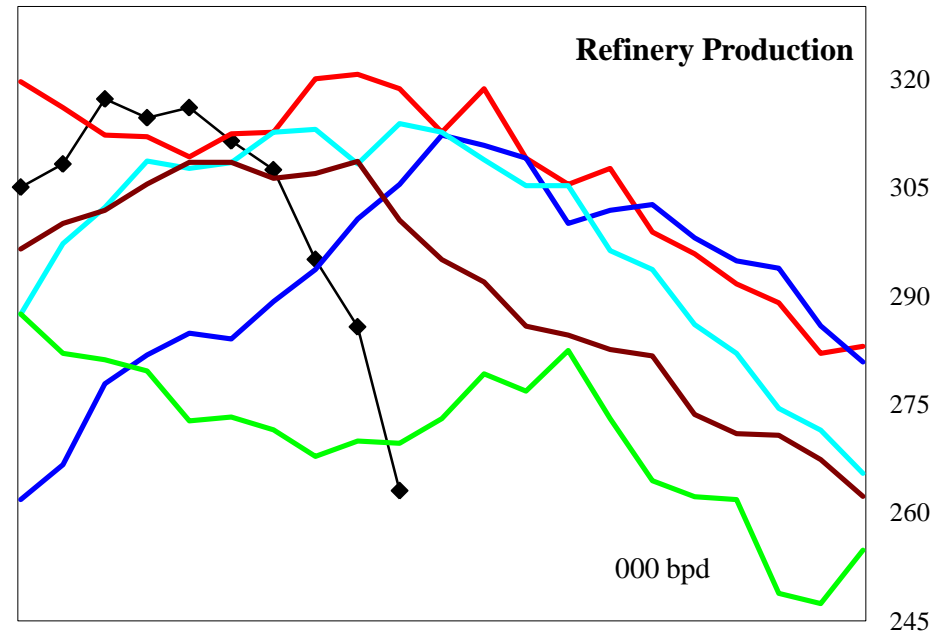
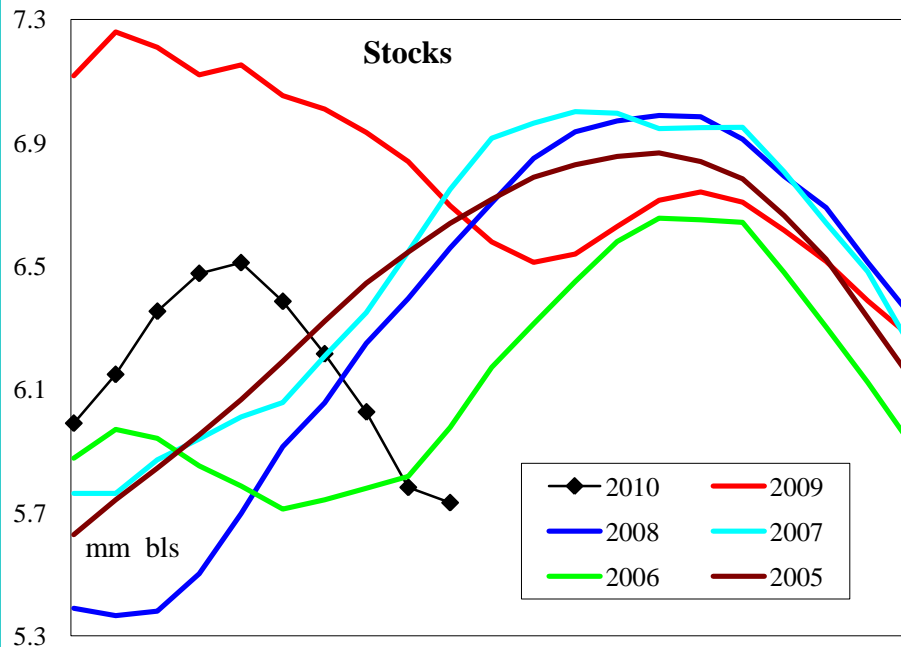
-9.3

Imports

-28

-9.5

PADD 4 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Prod + Imp - Stk chg

-964

-29

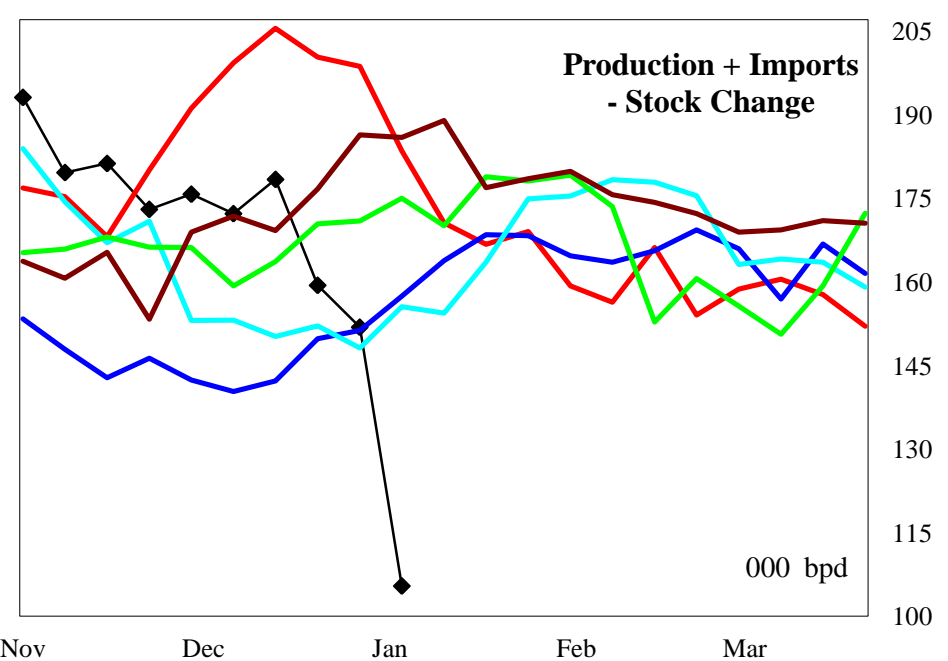
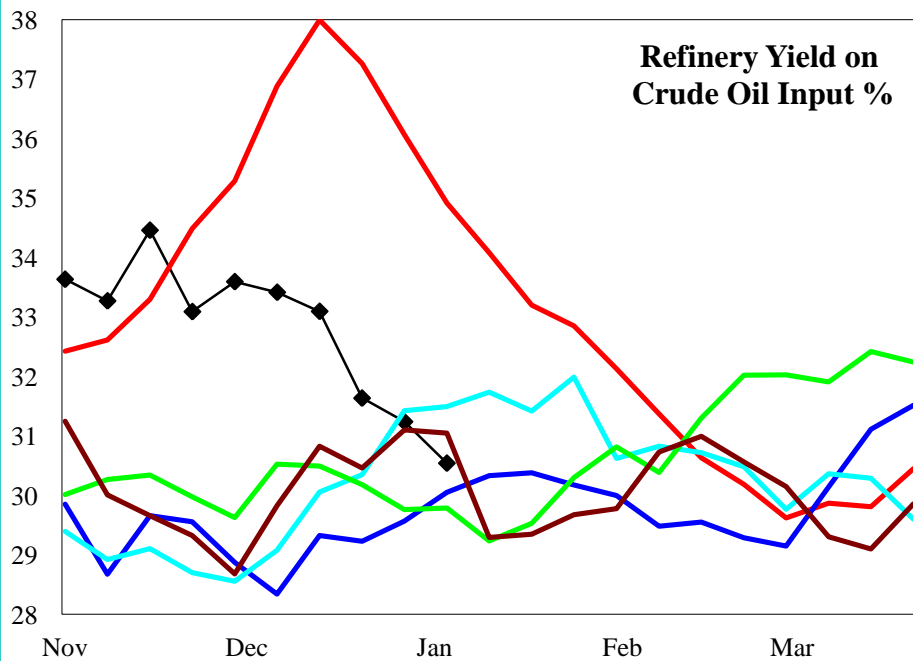
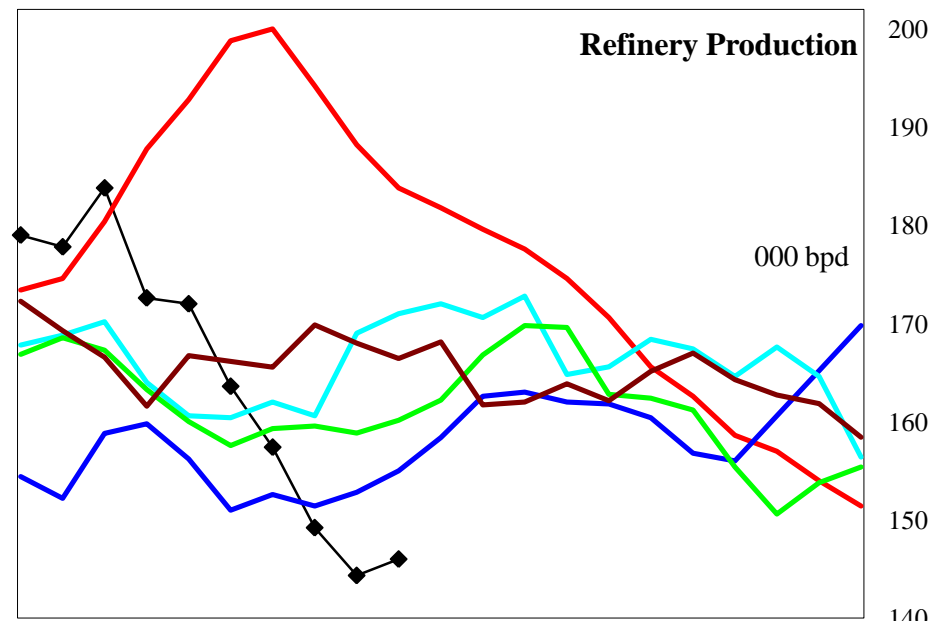
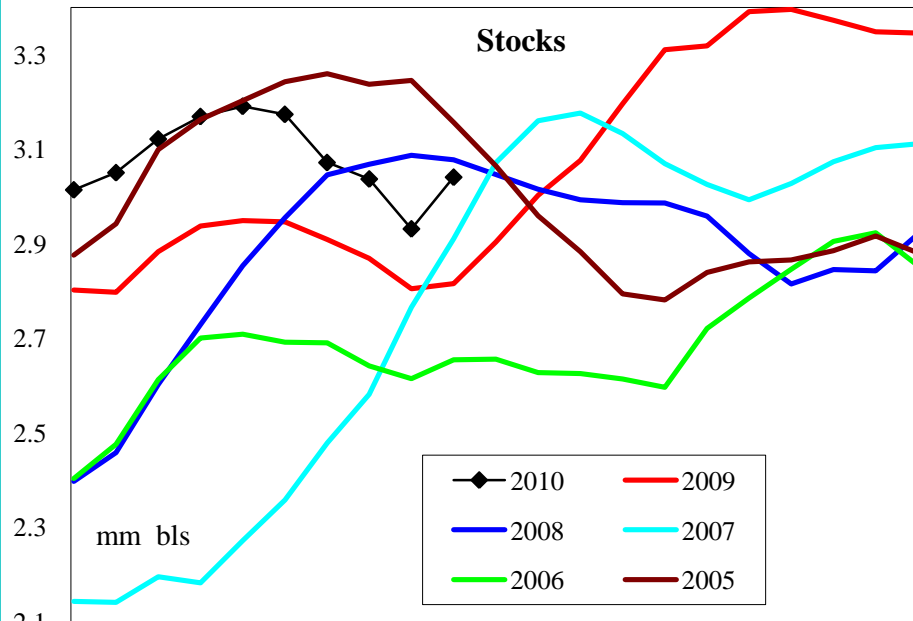
-8

-14.4

-9.0

-2.5

PADD 4 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

226

-37

5

-32

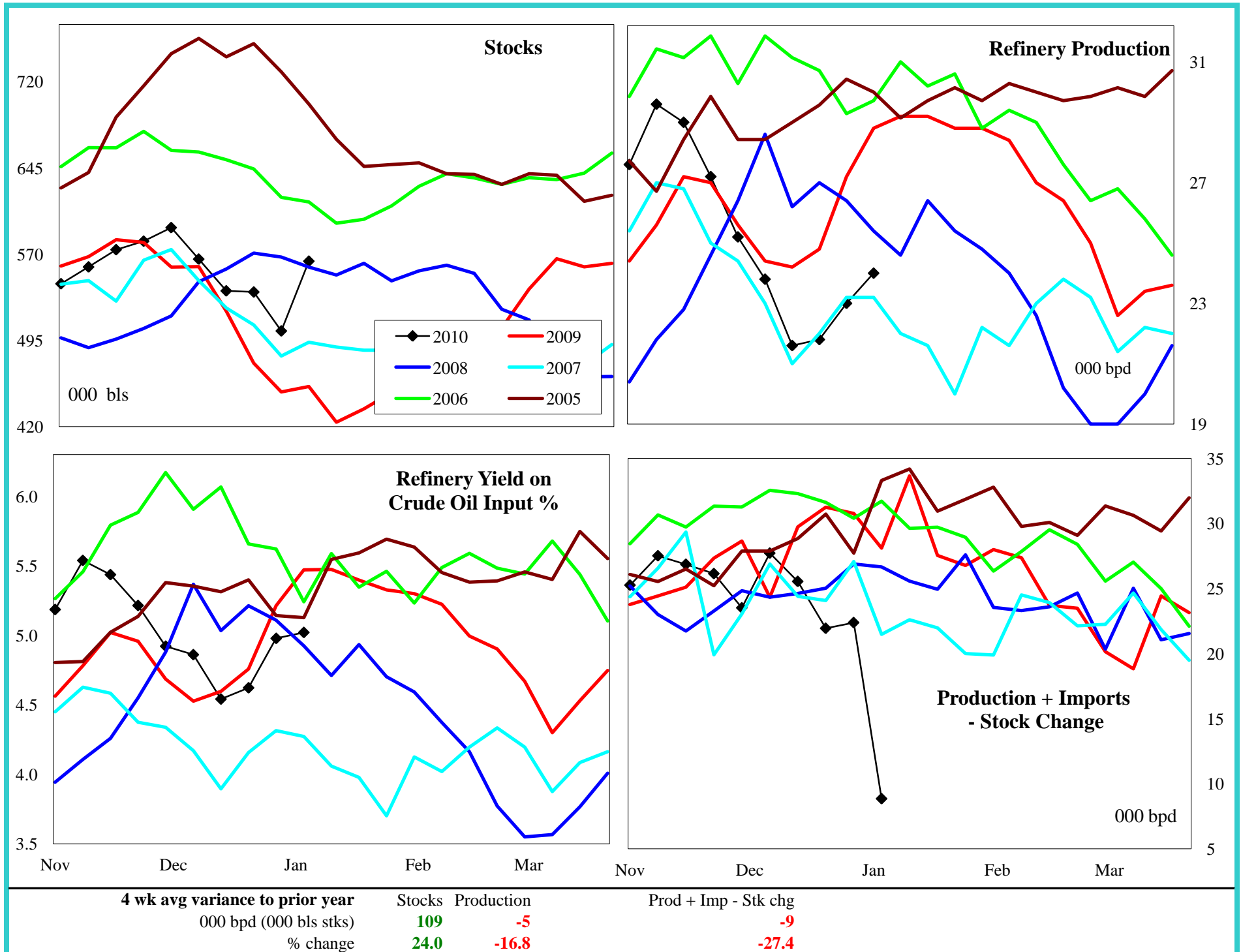
7.9

-19.9

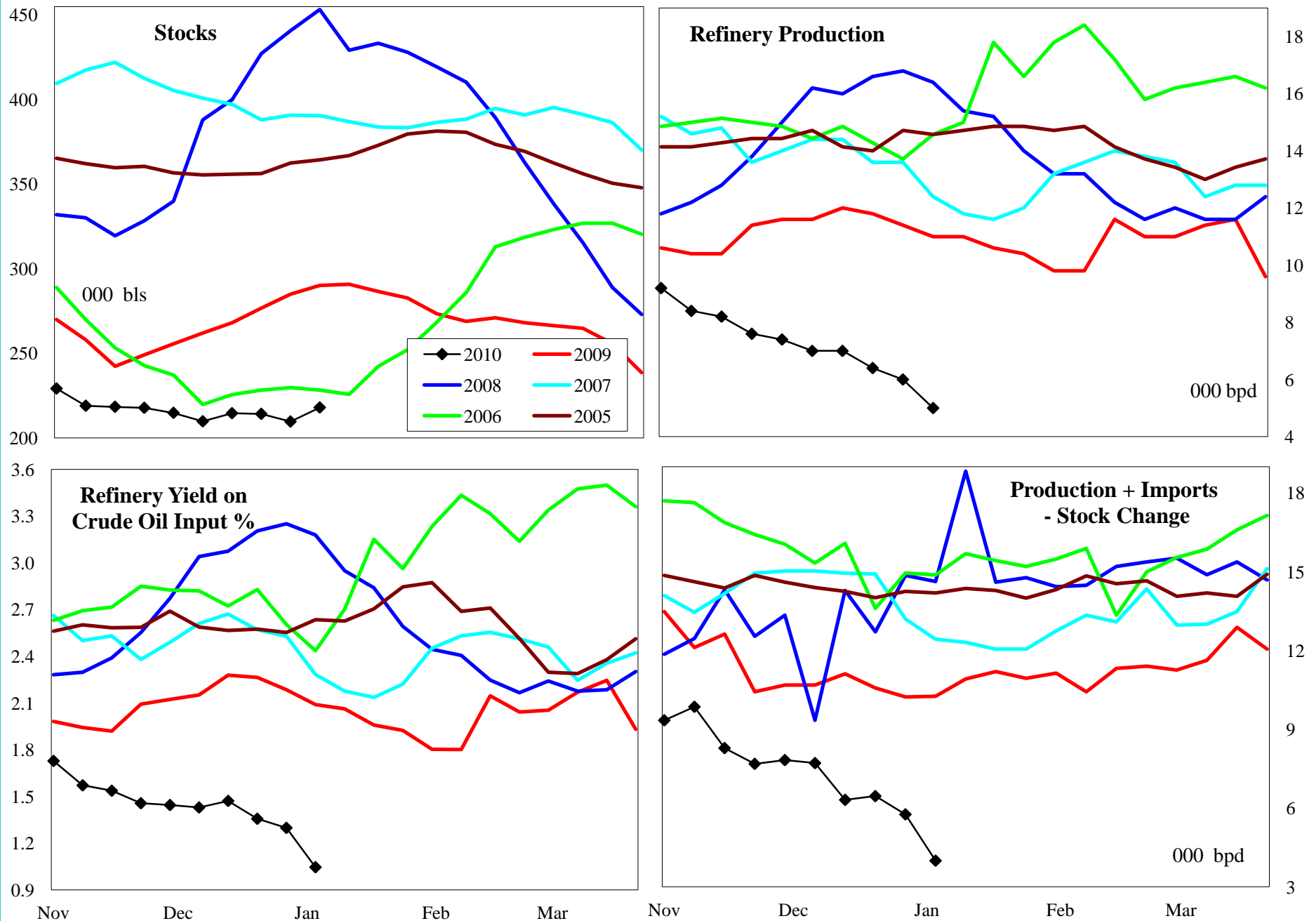
950.0

-15.5

PADD 4 Jet Fuel Supply



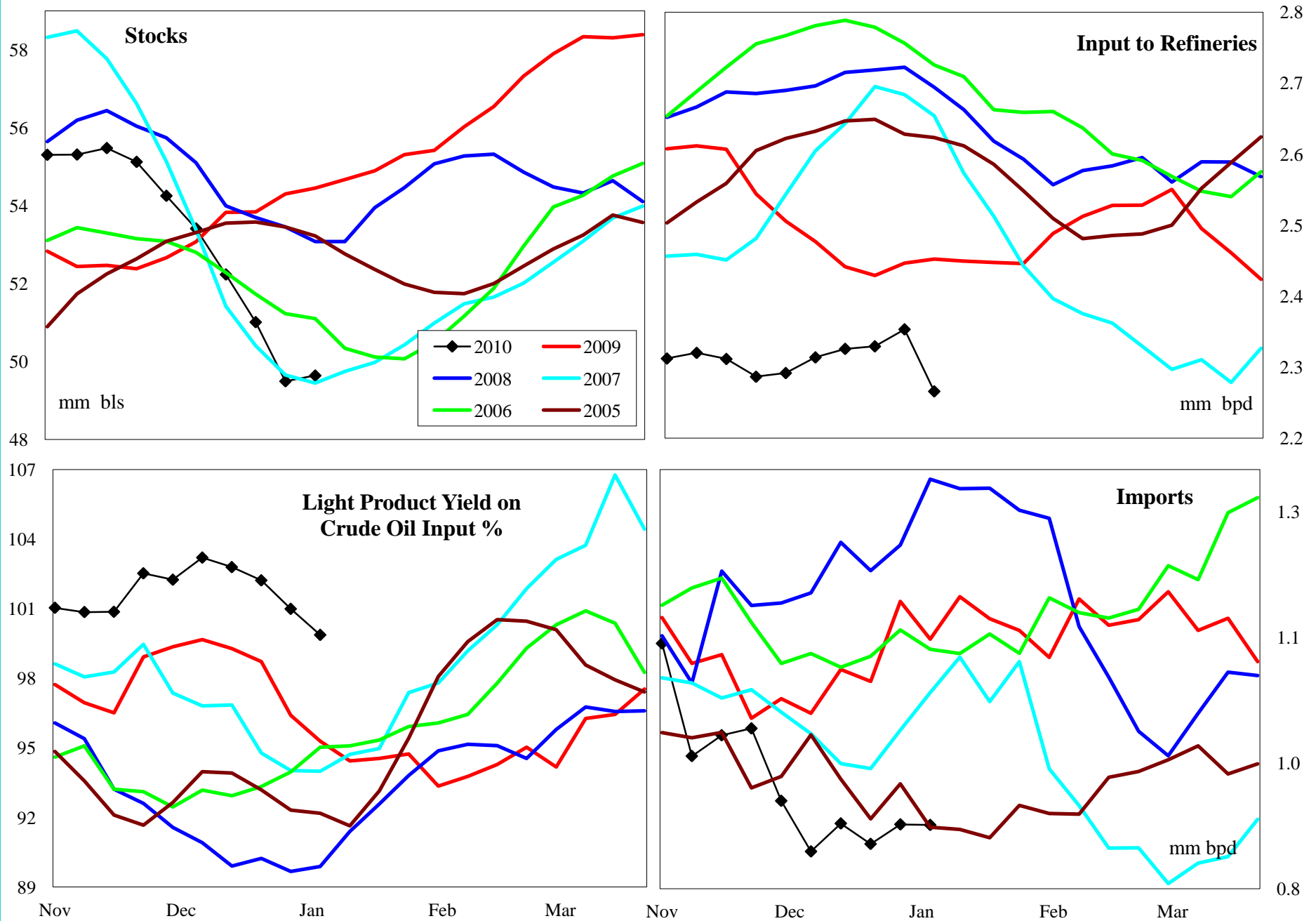
PADD 4 Residual Fuel Oil Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
-72	-5	0	-6
-24.9	-45.7	#DIV/0!	-61.6

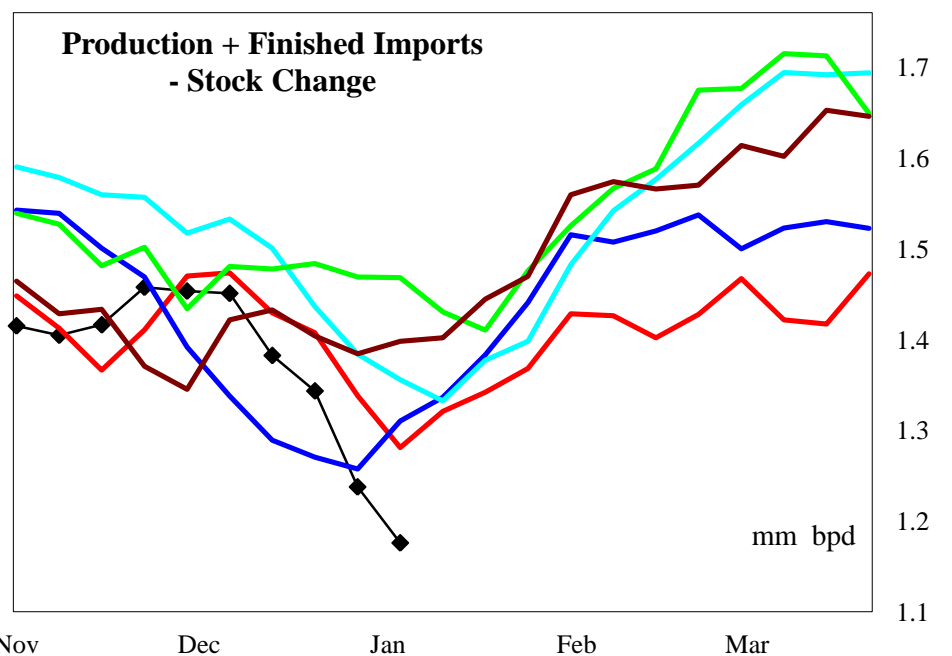
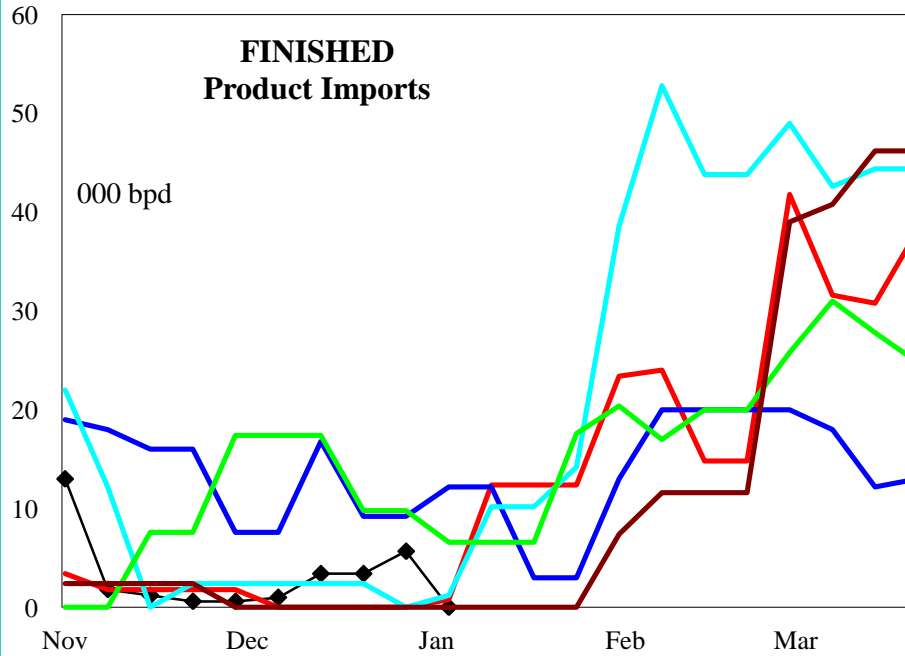
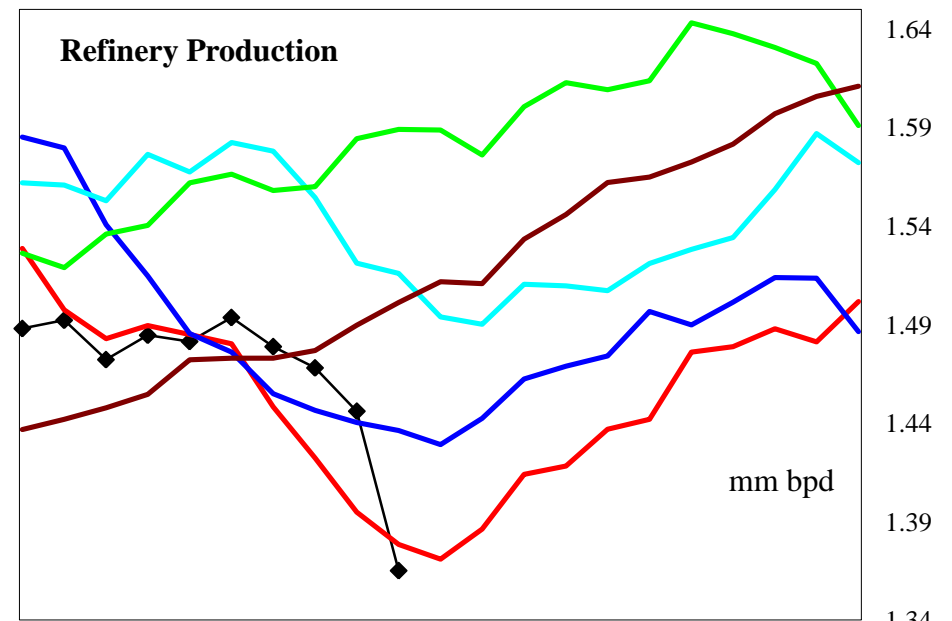
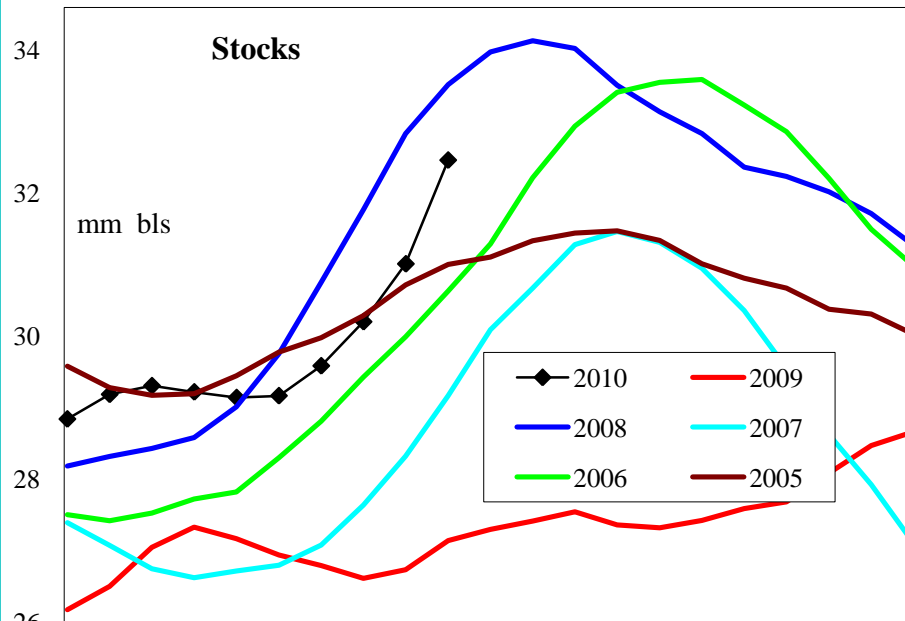
PADD 5 Crude Oil Supply and Refining



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

	Stocks	Input	Imports
000 bpd (000 bls stks)	-4,810	-98	-242
% change	-8.8	-4.0	-22.0

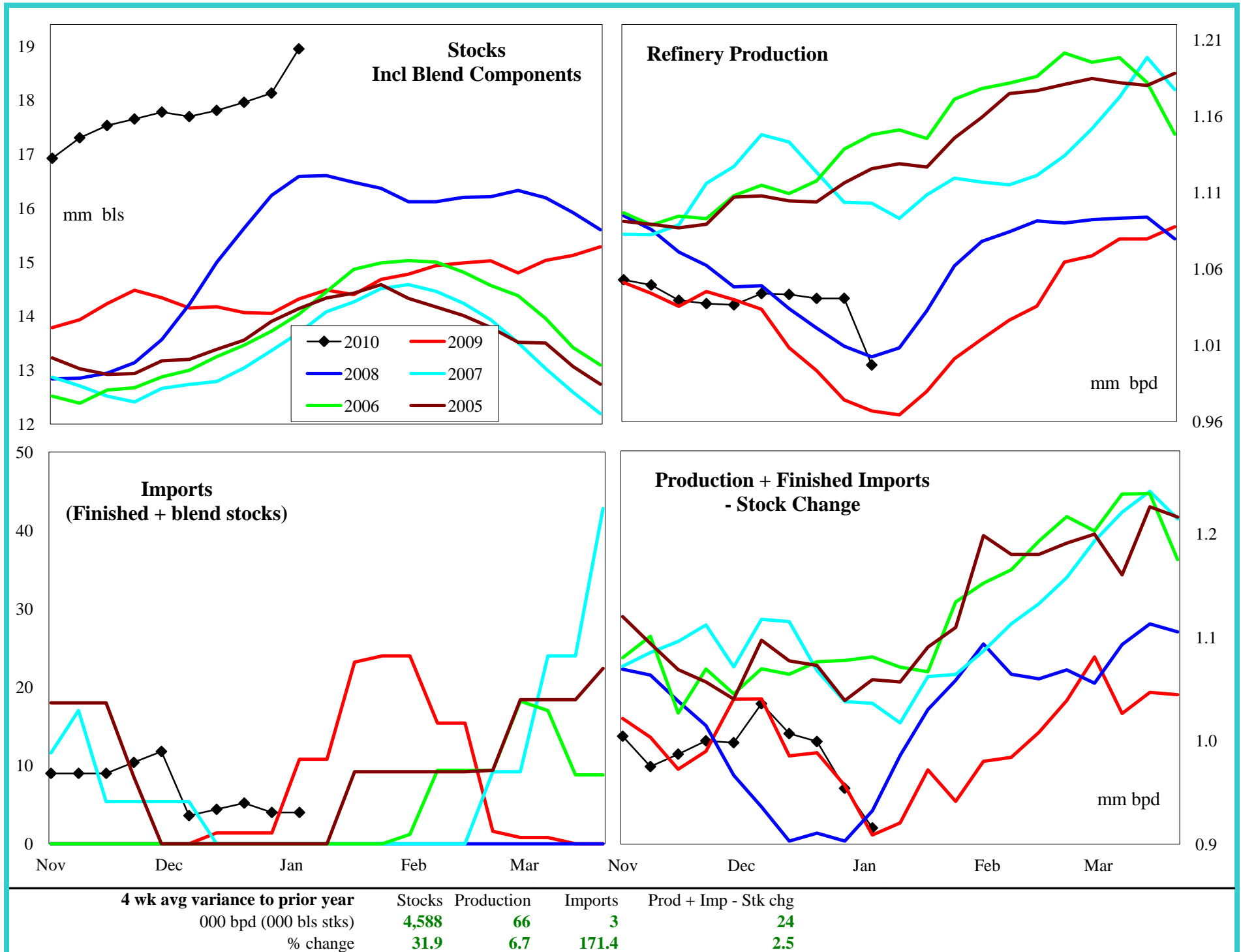
PADD 5 Gasoline Supply



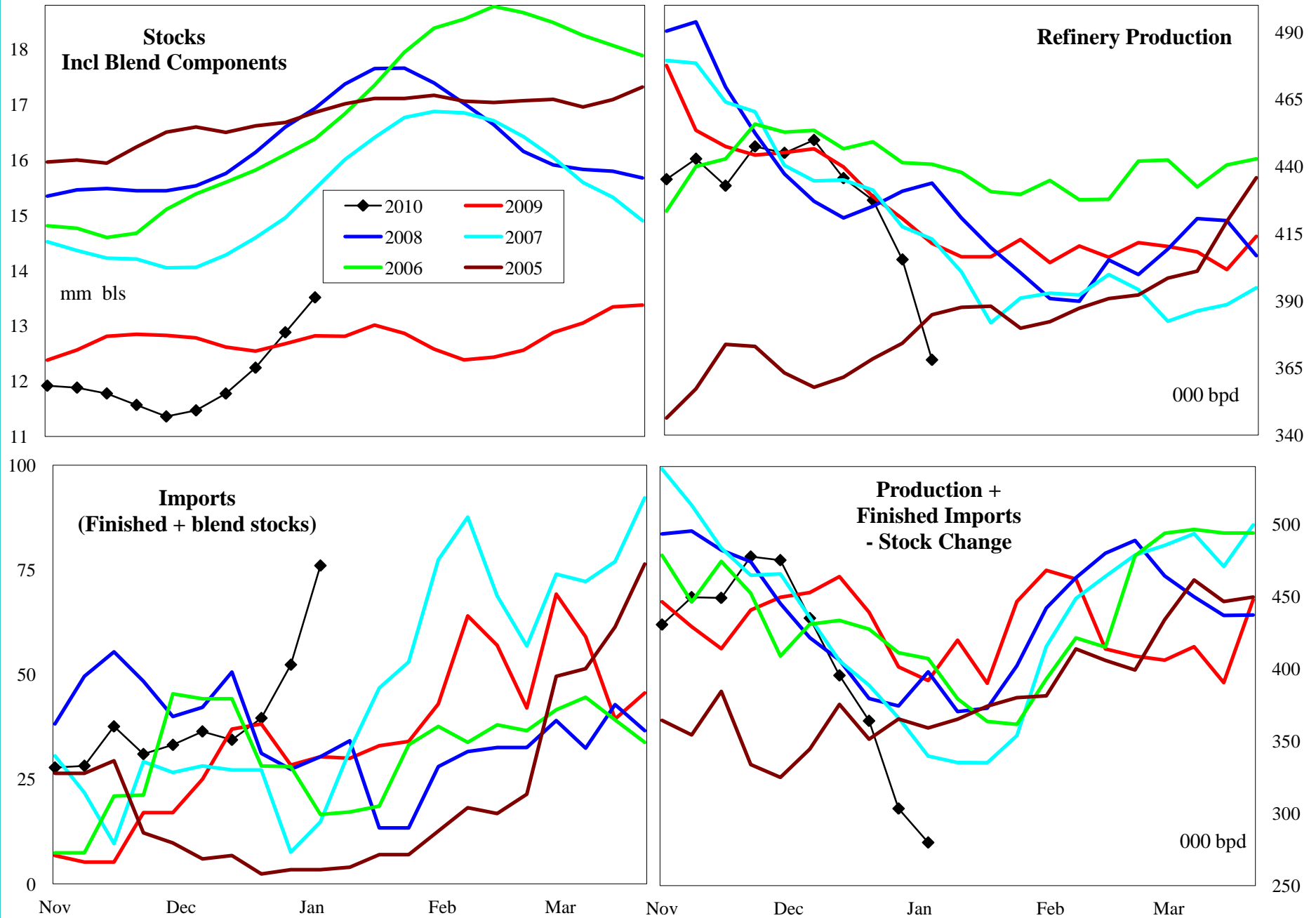
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Fin Impt	Blend Impt	Prod + Imp - Stk chg
5,371	65	4	8	-49
19.5	4.7	#DIV/0!	22.3	-3.6

PADD 5 Reformulated Gasoline Supply



PADD 5 Conventional Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

783

6.0

Production

-1

-0.1

Imports

9

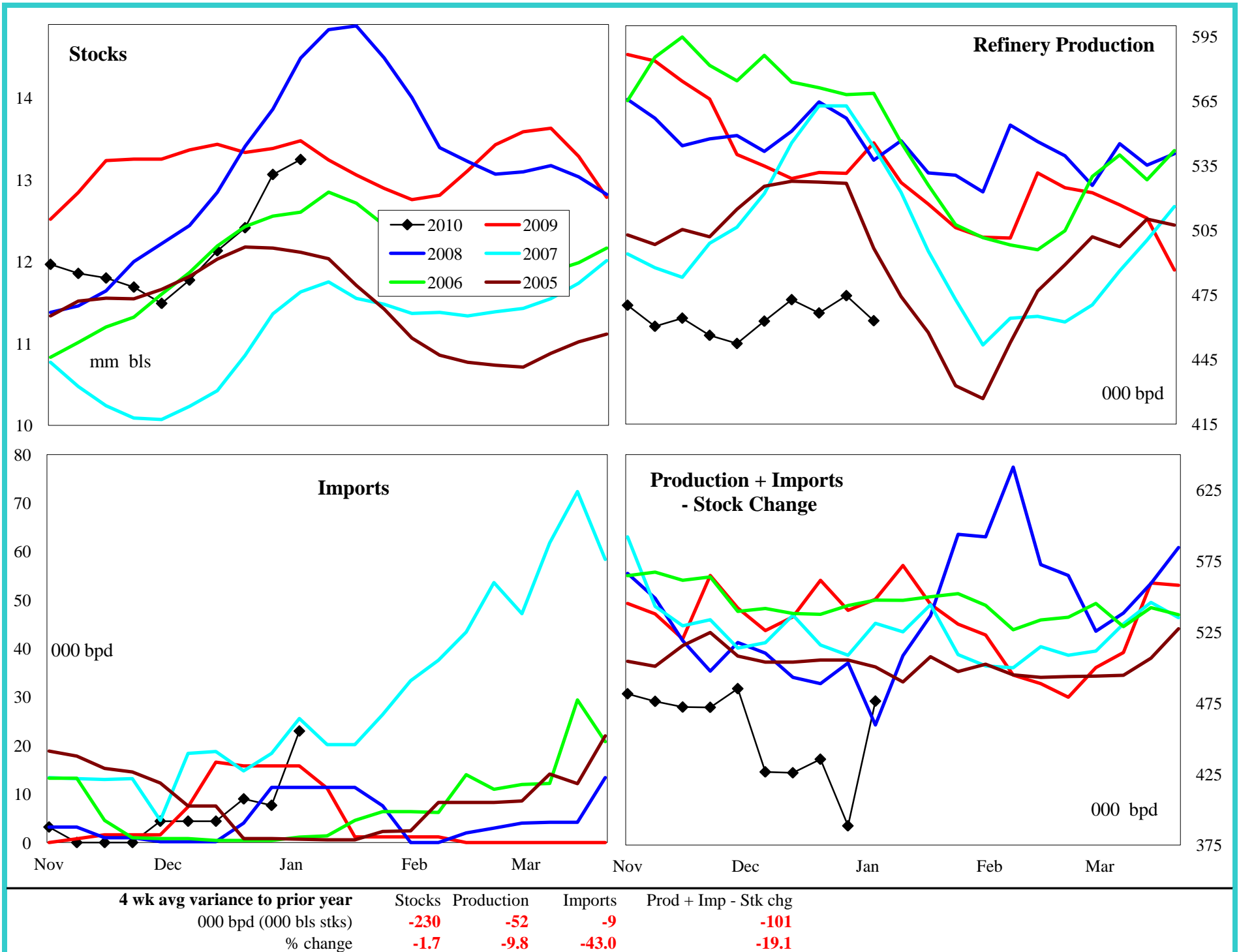
27.3

Prod + Imp - Stk chg

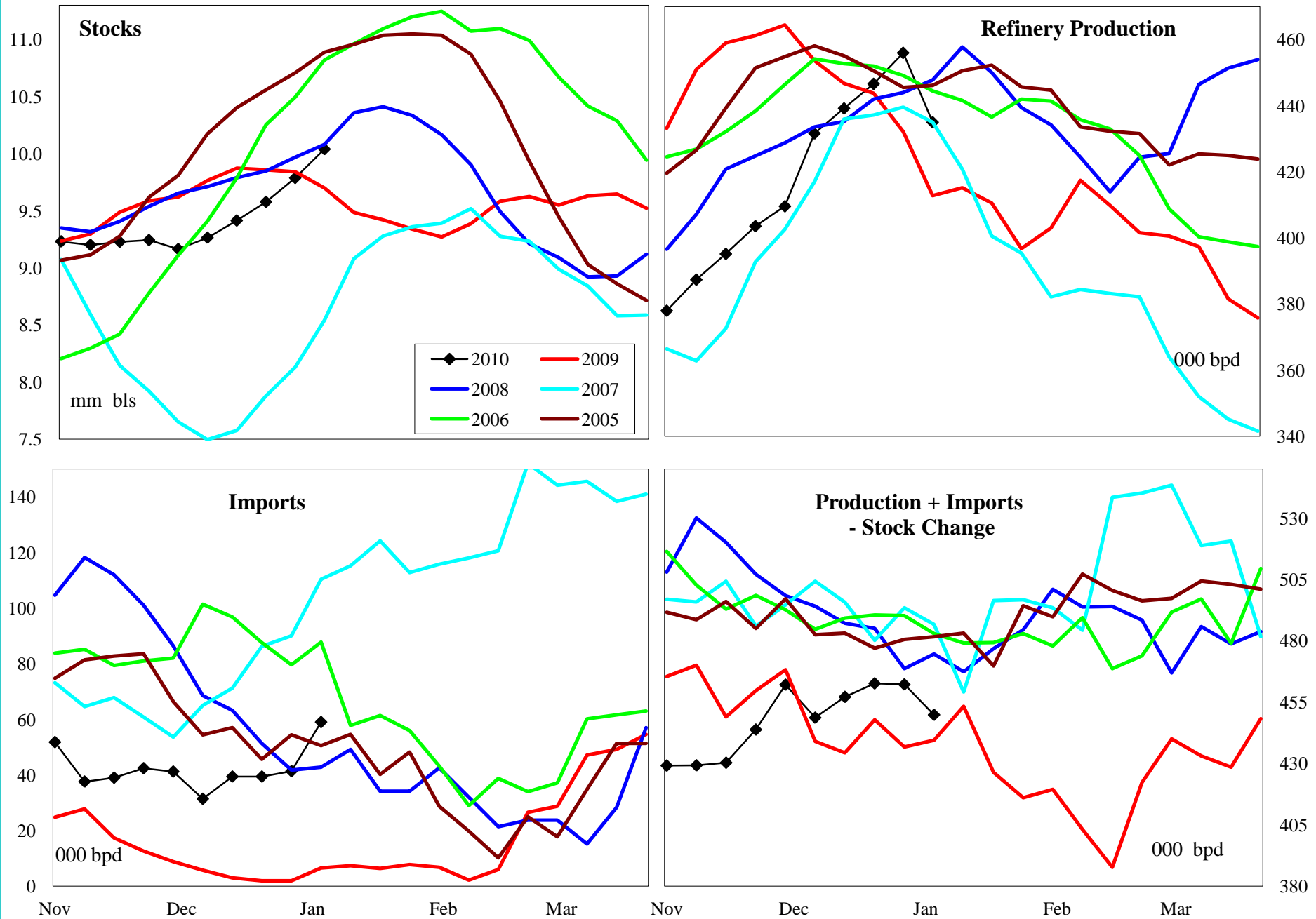
-74

-17.8

PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

199

2.0

Production

5

1.1

Imports

41

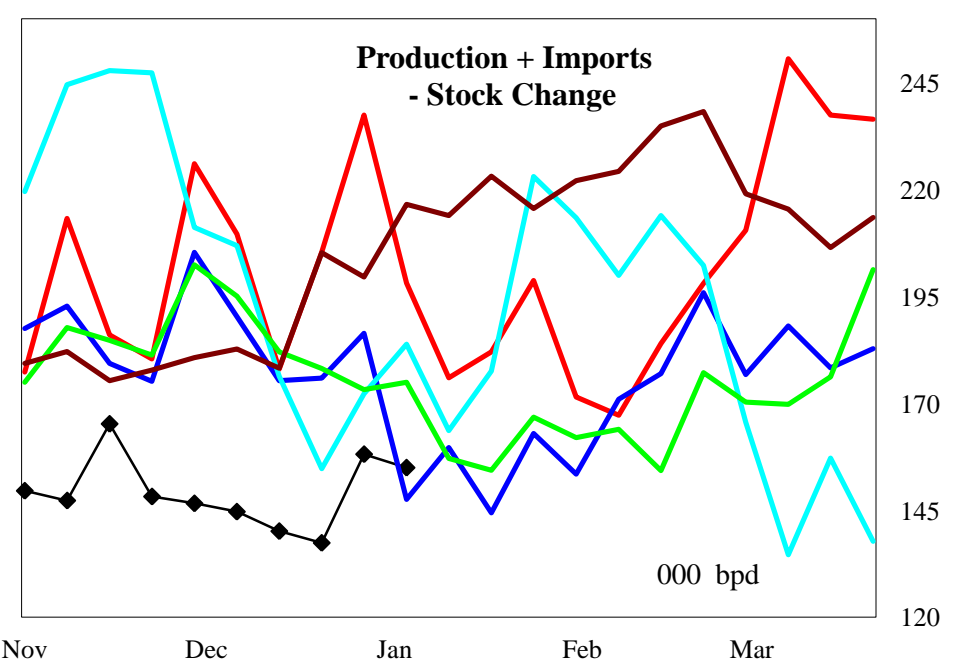
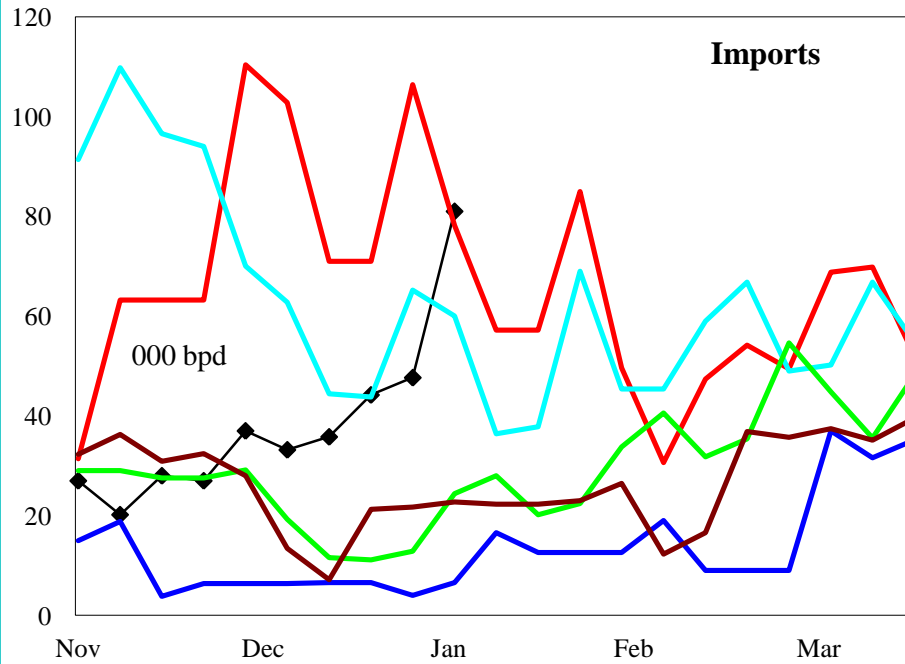
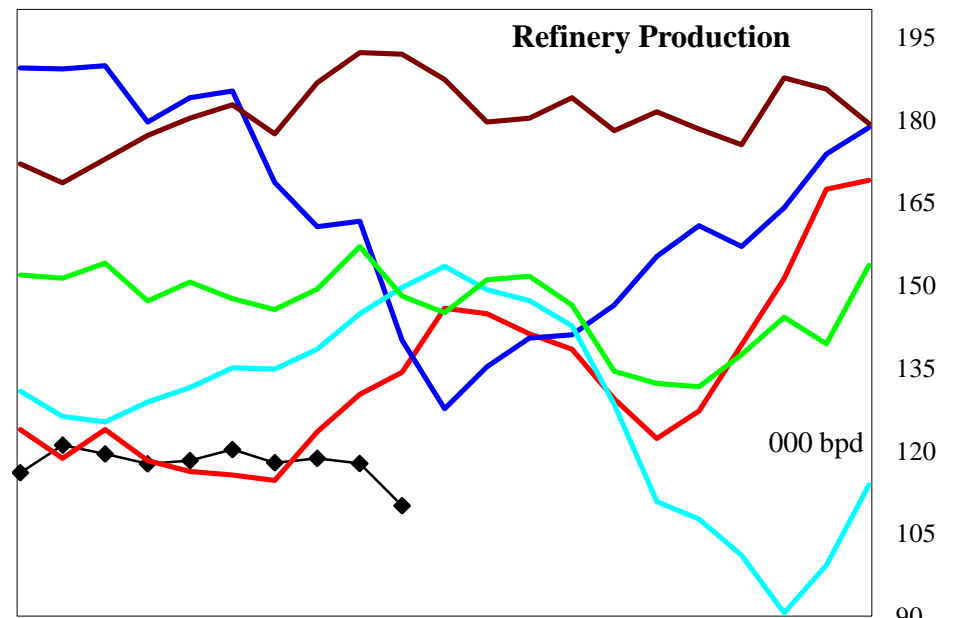
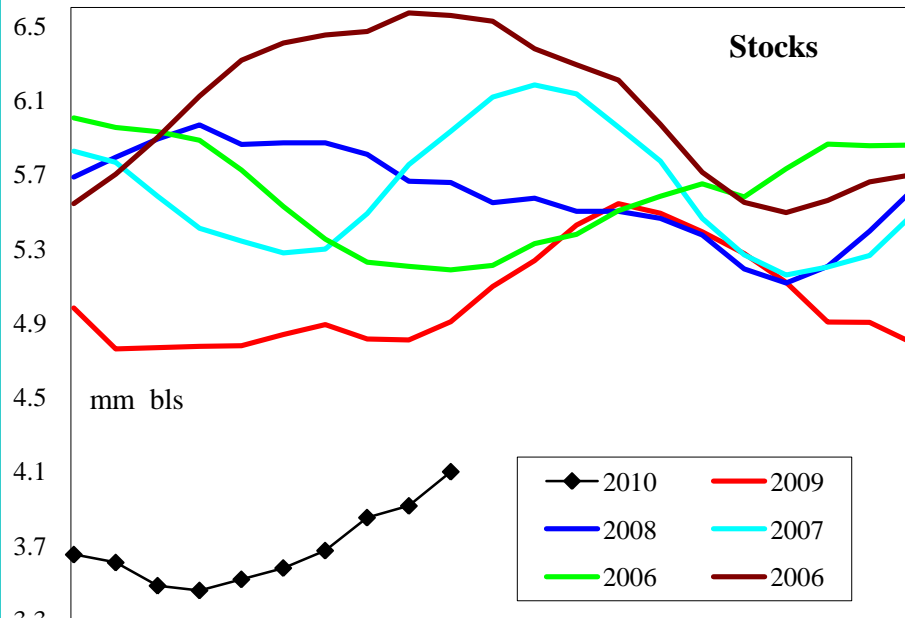
3,260.0

Prod + Imp - Stk chg

27

6.2

PADD 5 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

-808

-16.3

Production

-10

-7.8

Imports

-41

-45.6

Prod + Imp - Stk chg

-86

-36.9