



## WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

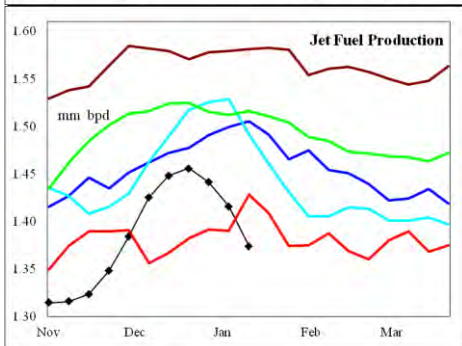
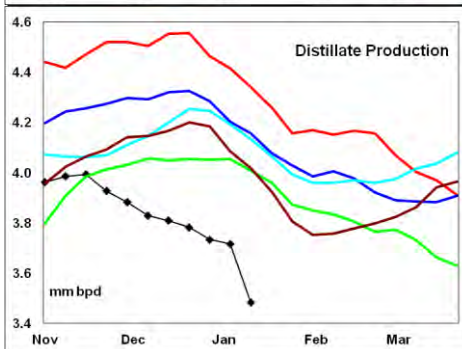
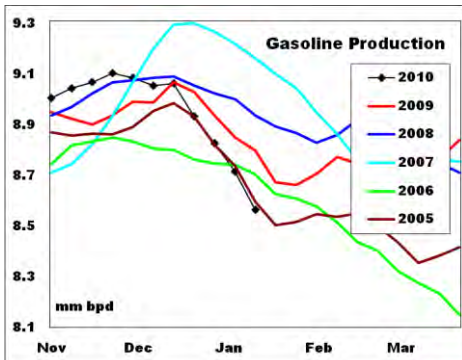
### A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com) Thursday, January 21, 2010



#### Major Fundamental Trends<sup>1</sup>

Refiners have responded to the ongoing weak transport fuel demand by cutting output to five year weekly lows for this time.



Imports of gasoline and distillate have also been sharply reduced. Total gasoline imports (blend stocks plus finished product) fell -200,000 bpd below a year ago for the latest 4-wk period. Distillate imports fell -265,000 bpd on the week to match five year lows for this time of year.

Transport fuel demand remains very weak; gasoline demand was -85,000 bpd below last years' record low for the most 4-wk period.

Distillate demand was -431,000 bpd lower for the same period while jet fuel demand was nearly unchanged from a year ago after running +50,000 bpd higher during the 4th quarter.

Expect the refiners to experience higher than normal maintenance during the next quarter in response to continued weak demand and excess product supplies. The very sharp drop in production last week indicates downstream units are all ready offline.

Continued low crude oil run rates combined with higher than normal maintenance likely underlies recent stock draws on the West Coast and in the Midwest.

Looking forward; seasonal gasoline demand likely reached a low last week and should trend higher by month end. Colder weather forecast during the next 2-wks should lift distillate demand.

**Demand** for distillate increased last week, while other transport fuels fell.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline decreased -1%; distillate down -10%; jet fuel up +1.4% while residual fuel oil decreased -22%.

**Stocks forward coverage:** Gasoline demand coverage reached a new five year season high on a +4 million barrel stock build and record low demand.

Distillate demand coverage extended the downtrend on a -3.3 million barrel drop in stocks. Coverage remains very high on extremely low demand.

Jet fuel coverage climbed to a new all time high on a +1.3 million barrel stock build and record low demand.

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

**Refinery utilization** rates decreased last week on a -181,000 bpd decline in crude oil runs. Runs were -486,000 bpd below last years' record low rate.

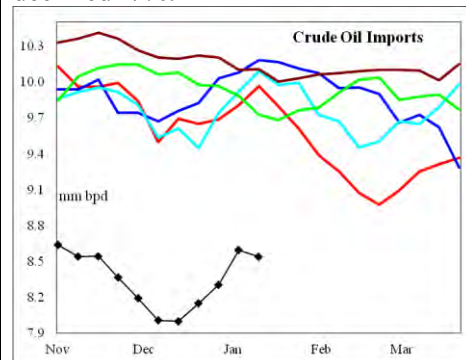
Gasoline yield % on crude oil runs extended the recent downtrend on a -

162,000 bpd declined in production. Yield % remains at the upper end of the historic range.

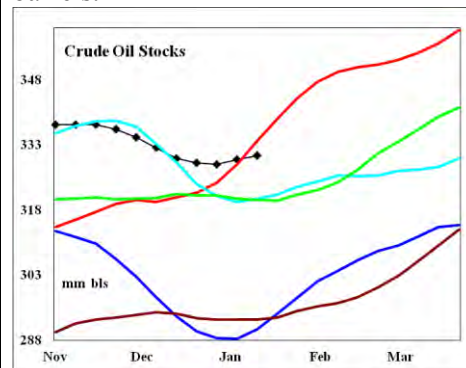
Distillate yield % on crude oil runs declined last week on a -372,000 bpd drop in production. Yield % fell below the five year range.

**Petroleum Imports** of transport fuels declined -406,000 bpd last week while crude oil imports were -355,00 bpd lower.

During the latest 4-wk period distillate imports increased +29% compared to last year; finished gasoline imports increased +23%; gasoline blend stock imports decreased -29%; jet fuel imports were +91% higher while residual fuel oil imports declined -7%.



**Crude oil** stocks declined -0.5 million barrels last week, driven by large declines in PADDs 5 and 2. Draws in these regional markets point toward an early start to spring refinery maintenance. Stocks in Cushing, Oklahoma decreased -1.2 million barrels.



Cushing stock levels now match year ago levels. Domestic production has recently declined -150,000 bpd, to within the historic range.

<sup>1</sup> Source is latest EIA Weekly Statistics



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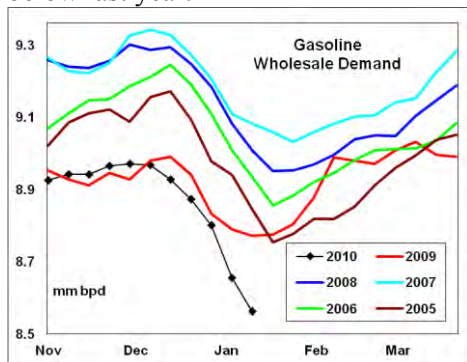
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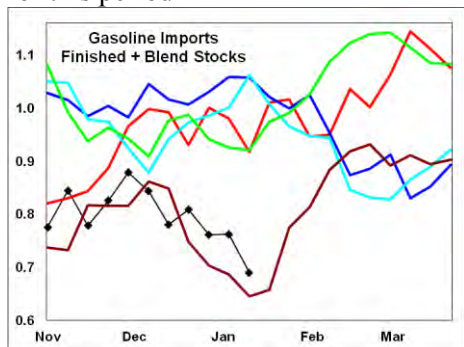
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#### Product Supply-Demand Trends

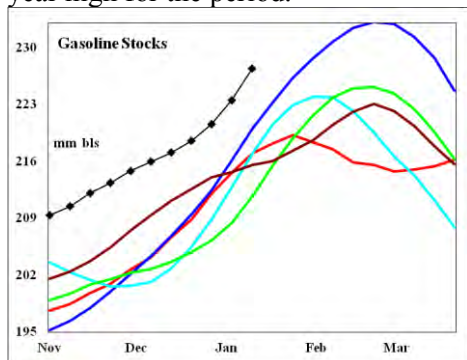
**Gasoline** demand decreased -138,000 bpd last week, as the winter quarter decline approaches a low. The latest 4-wk average demand was -85,000 bpd below last year.



Gasoline production increased just +54,000 bpd last week, following the -560,000 bpd drop a week ago. Production and imports of finished product each matched the five year low for this period



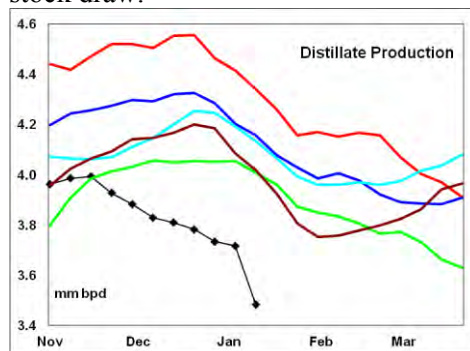
Seasonally low demand offset very low supply, leading to a +4 million barrel stock build. Stock levels were at a five year high for the period.



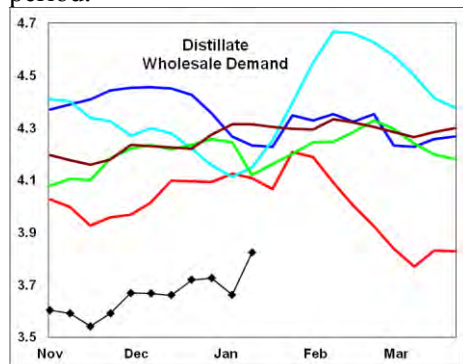
Expect an upturn in seasonal demand to occur by month end. Combined with very low production and imports, stock levels should peak earlier than normal, avoiding extreme over supply.

**Distillate** demand increased +209,000 bpd last week, on improved transport demand following the very inclement weather. The latest 4-wk demand average was -431,000 bpd below last year.

Imports reversed the prior week surge, falling -265,000 bpd to the low end of the five year range. Refiners in PADDs 2 and 3 cut output sharply leading to a -372,000 bpd drop in production. The record low level of production led to a -3.3 million barrel stock draw.



Supply was -689,000 bpd below a year ago for the most recent 4-wk period.



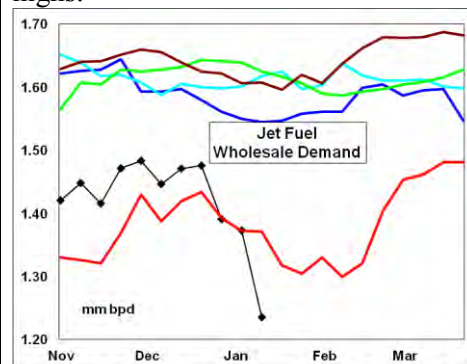
The distillate supply balance continues to improve as stocks trend lower, due largely to record low production.

The market remains very well supplied; however, low refining margins are likely to drive higher than normal refinery maintenance during the next quarter, further improving the supply balance.

**Jet Fuel** demand has declined -304,000 bpd during the last two weeks; falling to a record low level.

Jet fuel supply decreased -31,000 bpd with production falling below the

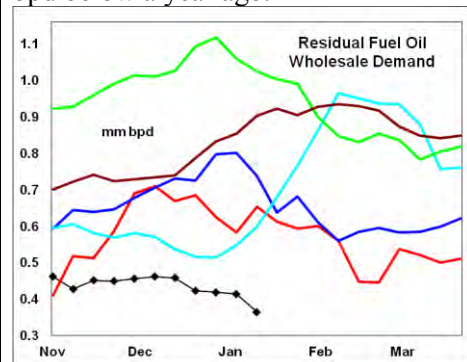
historic range. Stocks increased +1.3 million barrels to near five year record highs.



The seasonal decline in demand continued last week, and should extend through the next 60-days. Stock levels are very high in all major markets except the East Coast where stock levels are near the mid range.

Expect relatively weak jet fuel prices compared to the overall complex during the 1st quarter.

**Residual fuel oil** demand, including exports, decreased -55,000 bpd on the week, with the 4-wk average -133,000 bpd below a year ago.



Supply increased +67,000 bpd on the week, with the 4-wk average -16,000 bpd below a year ago. Stocks increased +1.4 million barrels, including a +2 million barrel build in the Gulf region.

Residual fuel oil supplies remain very low compared to prior years in all regions except the Gulf where stocks are at all time highs; driven by a +415 increase in production over last year.

Expect prices in the Gulf region to exhibit weakness compared to the overall energy complex on excess supply.





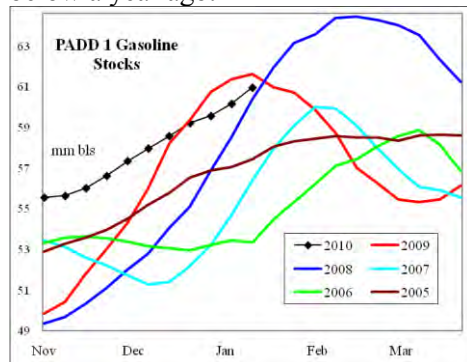
## WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

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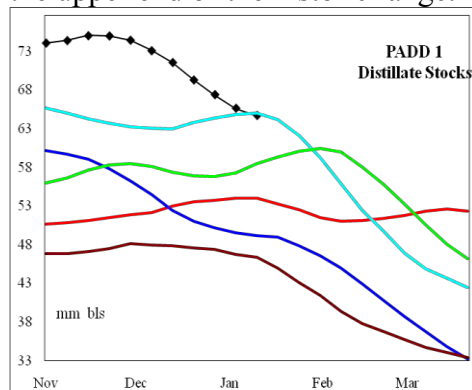
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#### PADD Supply Trends

**PADD 1** refinery crude oil runs decreased -9,000 bpd, with the 4-wk average -266,000 bpd below last year's record low level. Crude oil imports declined -91,000 bpd and remain -13% below a year ago.



Gasoline production increased +93,000 bpd on the week, with the 4-wk average +75,000 bpd above a year ago. Stocks increased +0.3 million barrels to a level that was at the upper end of the historic range.



Distillate imports fell -252,000 bpd on the week, matching the five year low for the period. Low demand limited the stock draw last week to -0.2 million barrels. Stock levels are now within the five year range.

Jet fuel stocks remain above the mid range even with output below the historic range.

**PADD 2** crude oil refinery runs decreased -55,000 bpd last week, near the mid range. The latest 4-wk average was +183,000 bpd above a year ago. Crude oil imports increased +45,000 bpd last week, but remains below the mid range. Stocks decreased -1.4 million barrels on reduced

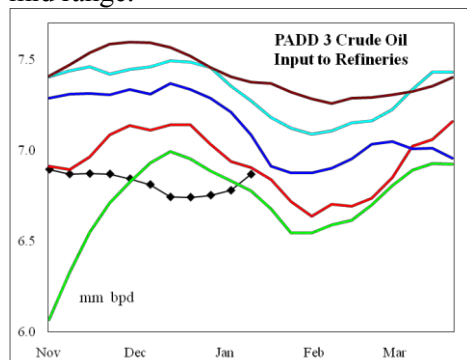
imports, including a -0.7 million barrel stock draw at Cushing. Stock levels are slightly above last year's record level in the mid west and Cushing.

Gasoline production was nearly unchanged at a level above the mid range. Low demand and increased receipts from the Gulf led to a +2.5 million barrel stock build, lifting the stock level above the mid range for the period.

Distillate production fell -91,000 bpd to a level below the historic range. The sharp drop in supply and lower receipts from the Gulf led to a -1.2 million barrel stock draw. Stock levels were above four of the last five years.

Jet fuel production and stocks each remain at five year highs.

**PADD 3** refinery crude oil runs decreased -88,000 bpd on the week, to below the historic mid range. Crude oil imports decreased -409,000 bpd with the latest 4-wk average -0.9 million bpd below a year ago. Stocks increased +3.5 million barrels to the mid range.



Gasoline production declined -126,000 bpd last week, with the latest 4-wk average -299,000 bpd below last year. Stocks increased +0.3 million barrels to a new five year season high.

Distillate production declined -279,000 bpd last week, falling to a new five year low. Stocks decreased -1.4 million barrels on the week, but remain +13% above the prior five year high.

Jet fuel production declined -66,000 bpd on the week, falling to a five year low for the period. Weak demand led to a +0.6 million barrel stock build, a level that matches the

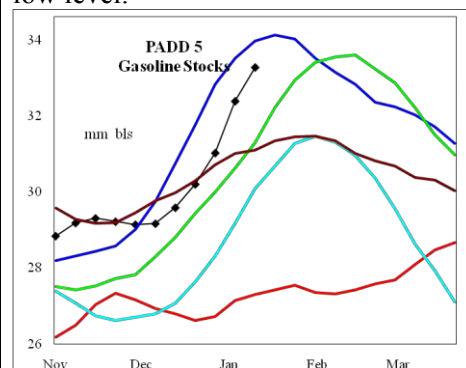
five year high.

Residual fuel oil stocks jumped +2 million barrels to a new all time high. **PADD 4** refinery crude oil runs increased +14,000 bpd on the week with the latest 4-wk average -53,000 bpd below year ago levels. Imports declined to match the five year low. Stock levels remain exceptionally high.

Gasoline production increased +10,000 bpd last week, but remains at five year lows. Stock levels remain at a five year low.

Distillate production extended a 60-day downtrend to a fresh five year low. Weak demand lifted stock levels to match the historic high for the period.

**PADD 5** crude oil refinery runs decreased -43,000 bpd on the week, with the latest 4-wk average -132,000 bpd below last year. Crude oil imports increased +176,000 bpd last week, to near the mid range. Stocks fell -2.6 million barrels on the week, to a record low level.



Gasoline production increased +64,000 bpd last week, but remains at the low end of the historic range. Weak demand led to a +0.8 million barrel stock build, with the level near the five year high.

Distillate supply was nearly unchanged on the week, with imports higher while production remains below the five year range. Stocks declined -0.5 million barrels to match the mid range.

Jet fuel supply decreased on a -40,000 bpd drop in imports. Very weak demand led to a +0.9 million barrel stock build.


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# PETROLEUM: Graph Link and Weekly Summary

A Fundamental Petroleum Trends Weekly Report

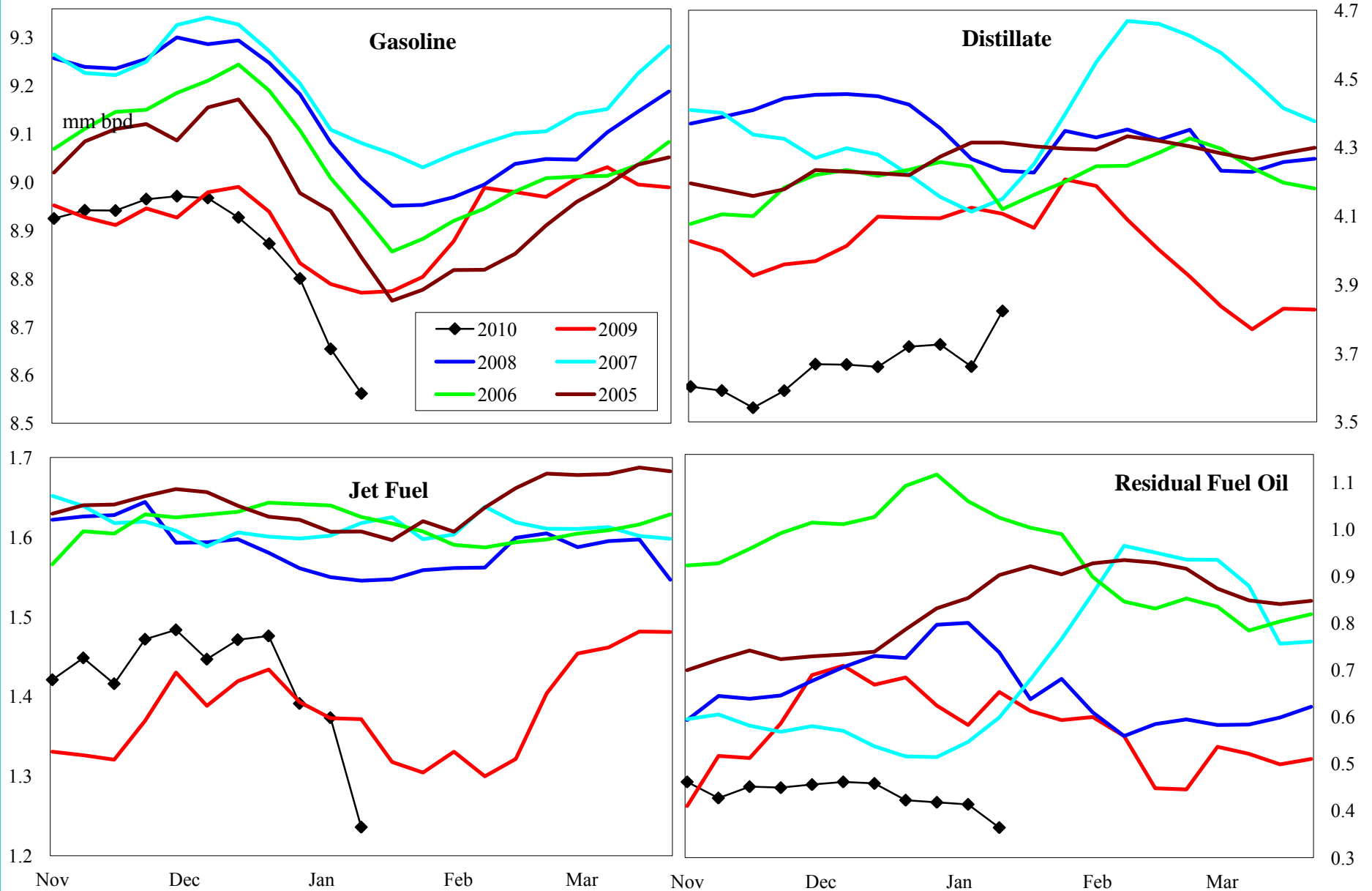
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Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization</u> <u>Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	15-Jan-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	-471	100	-1,367	3,497	-146	-2,555
	Imports	-355	-91	47	-409	-78	176
	Input	-181	-9	-55	-88	14	-43
	% Utilization	-2.92					
<u>Gasoline</u>	Stocks	3,950	290	2,528	250	70	812
	Production	54	93	13	-126	10	64
	Imports	-162	-43	0	-57	0	-62
	Supplied	-138					
<u>Distillate</u>	Stocks	-3,263	-183	-1,223	-1,447	58	-468
	Production	-372	14	-91	-279	-7	-9
	Imports	-265	-252	-13	-16	3	13
	Supplied	209					
<u>Jet Fuel</u>	Stocks	1,307	0	-90	575	-62	884
	Production	-52	2	-1	-66	0	13
	Imports	21	46	0	15	0	-40
	Supplied	-108					
<u>Residual Fuel Oil</u>	Stocks	1,359	-544	-57	2,009	-14	-35
	Production	19	-4	7	9	-1	8
	Imports	48	139	-1	-9	0	-81
	Supplied	-55					

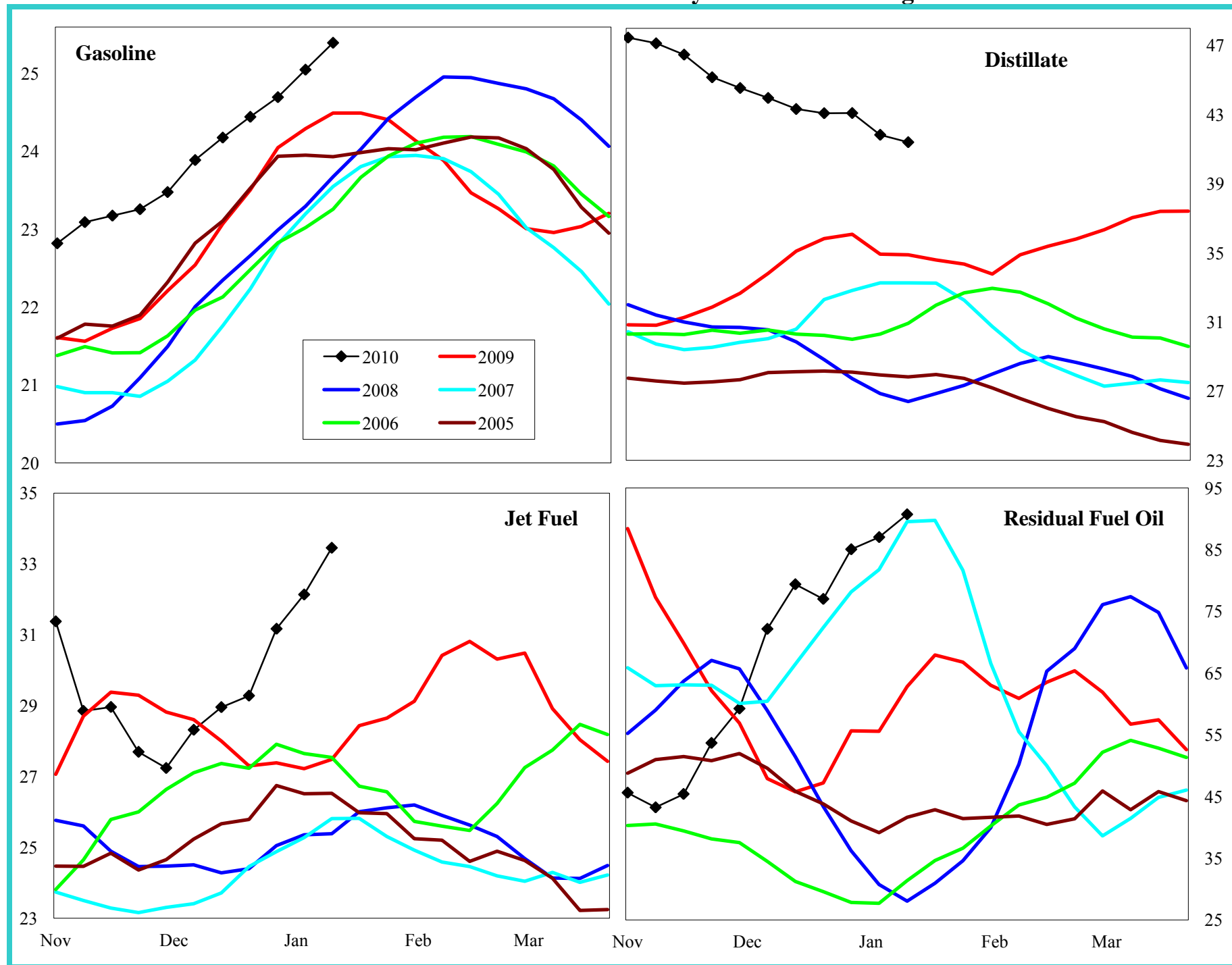
# United States Wholesale Petroleum Demand



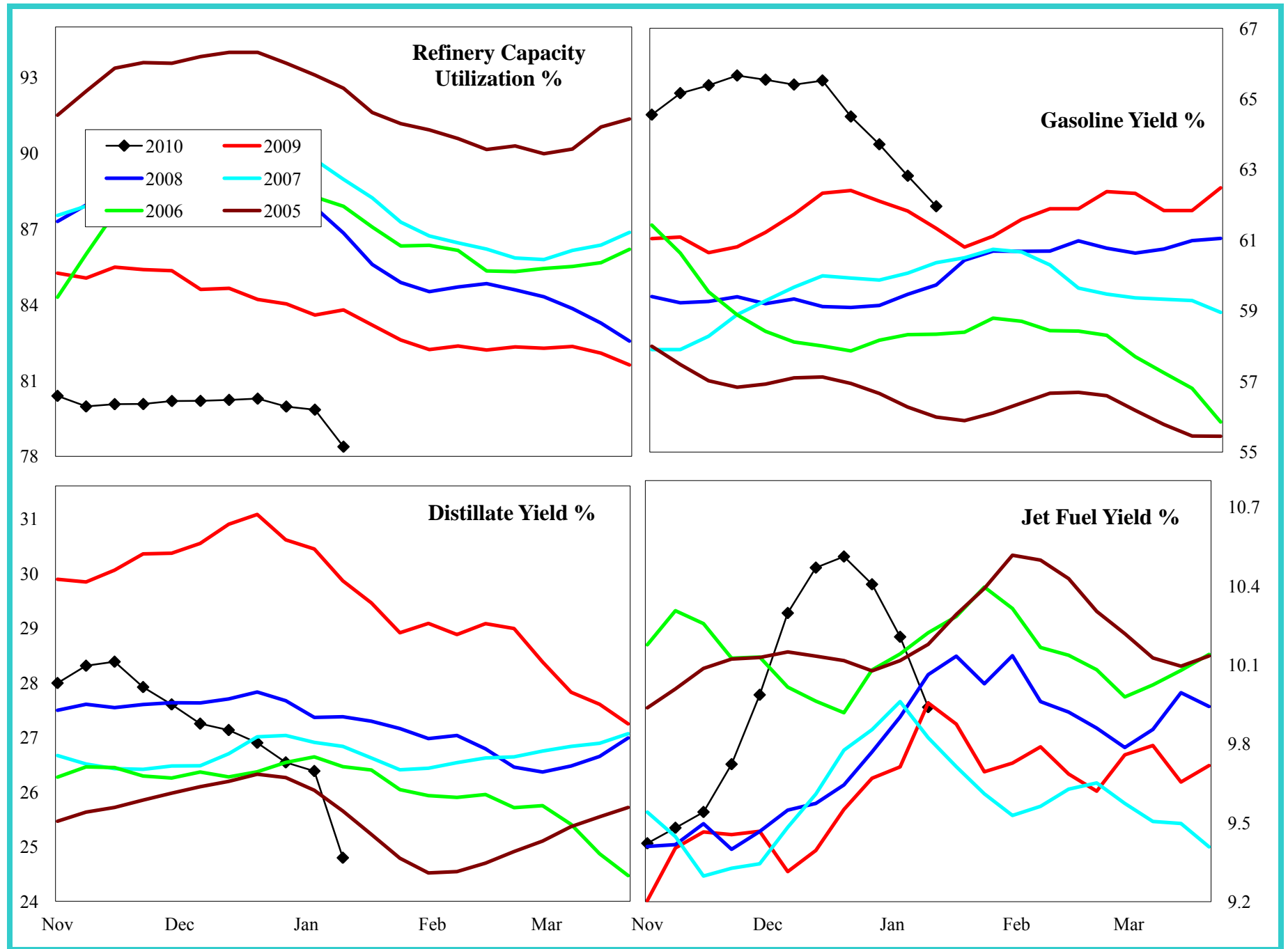
	000 bpd change from prior year				% change from prior year			
	4wk avg	Dec	Nov	Jan	4wk avg	Dec	Nov	Oct
<b>Gasoline</b>	-85	34	83	-46	-1.0	0.4	0.9	-0.5
<b>Distillate</b>	-431	-79	-309	-622	-10.5	-2.1	-8.0	-14.9
<b>Jet Fuel</b>	19	96	-12	-42	1.4	6.9	-0.8	-3.0
<b>Resid</b>	-133	-273	-41	-4	-22.0	-36.3	-7.9	-0.7



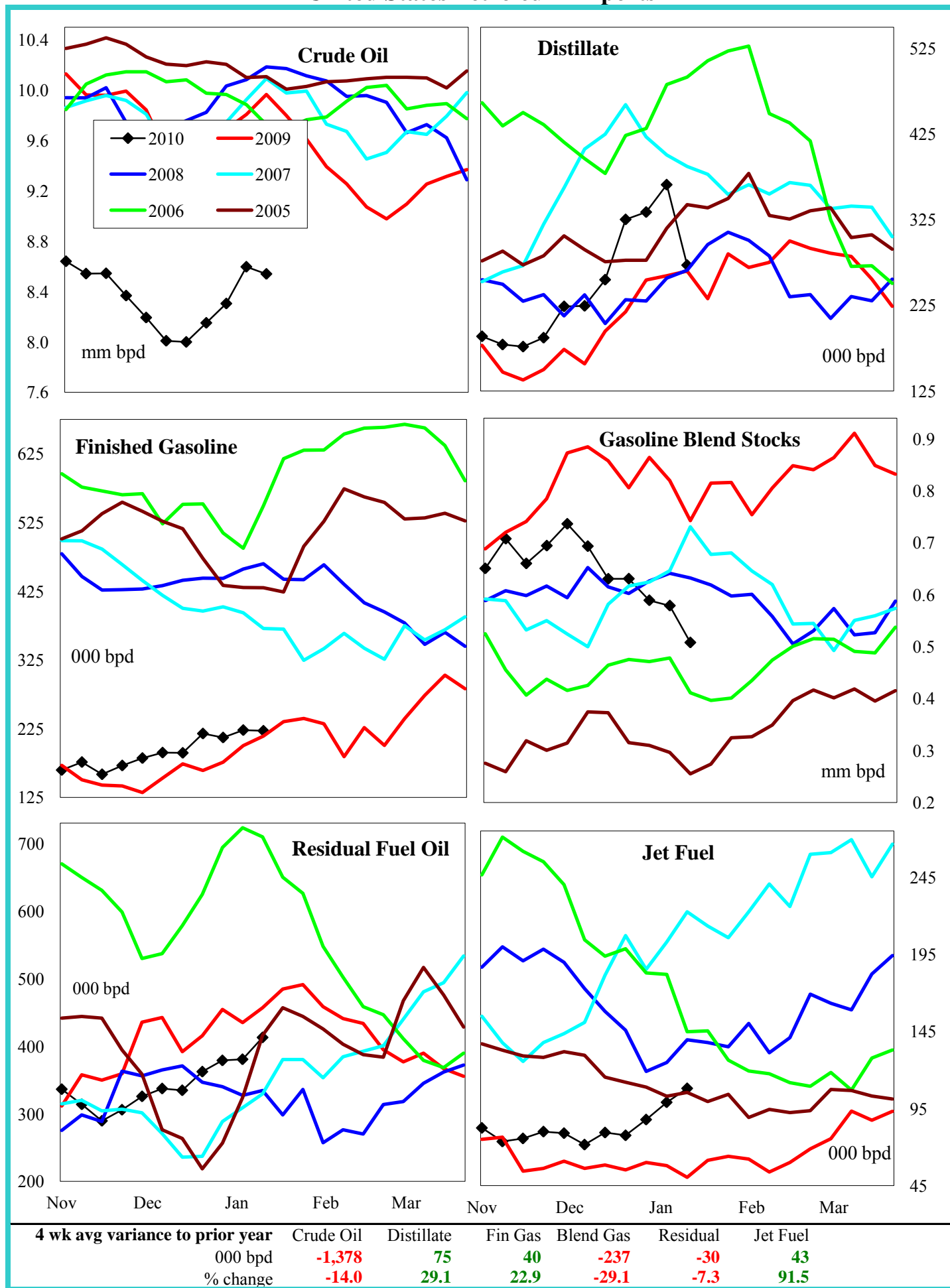
# United States Product Stocks: Days Forward Coverage



## United States Refinery Percent Utilization Rate and Product Yields

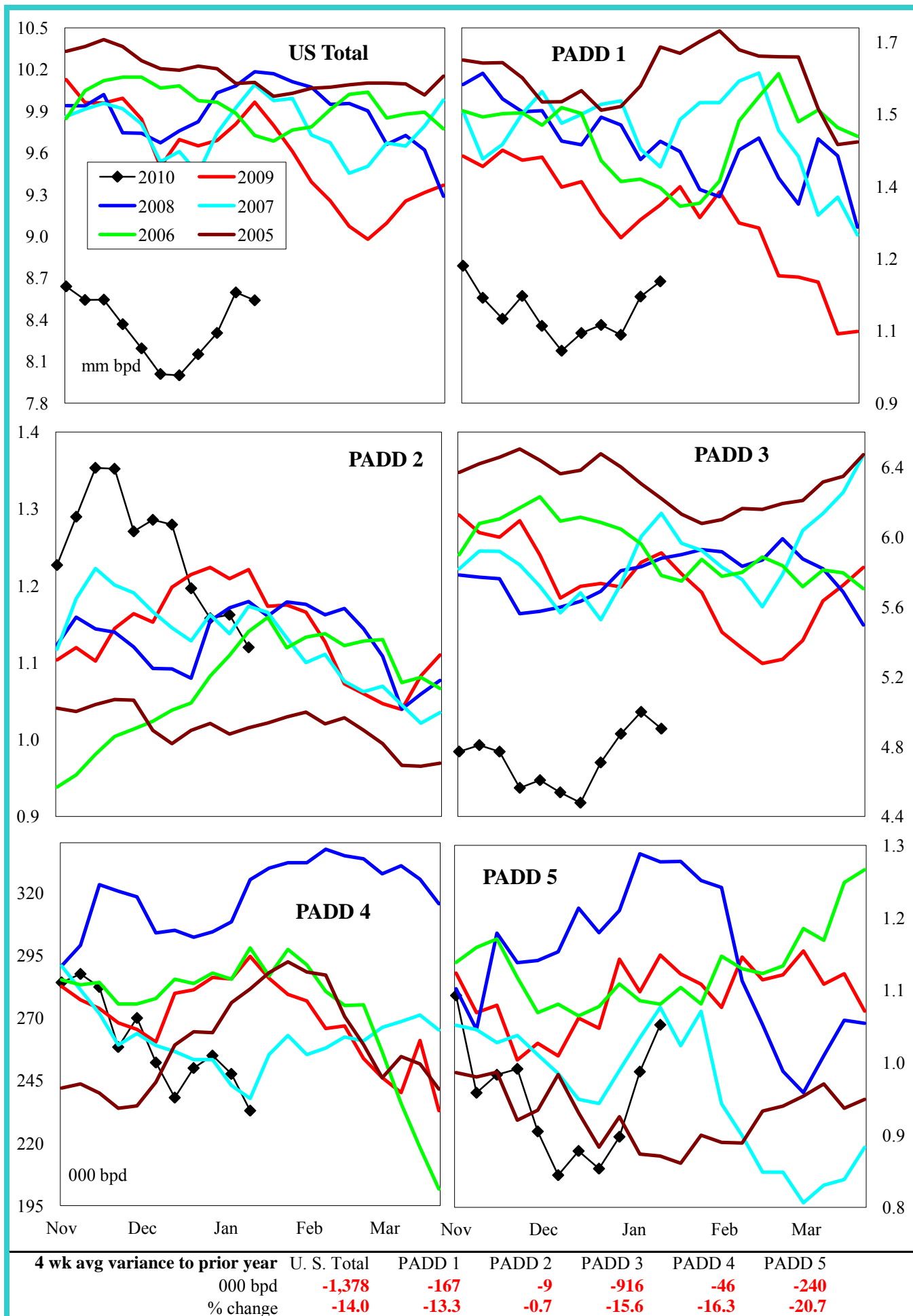


# United States Petroleum Imports

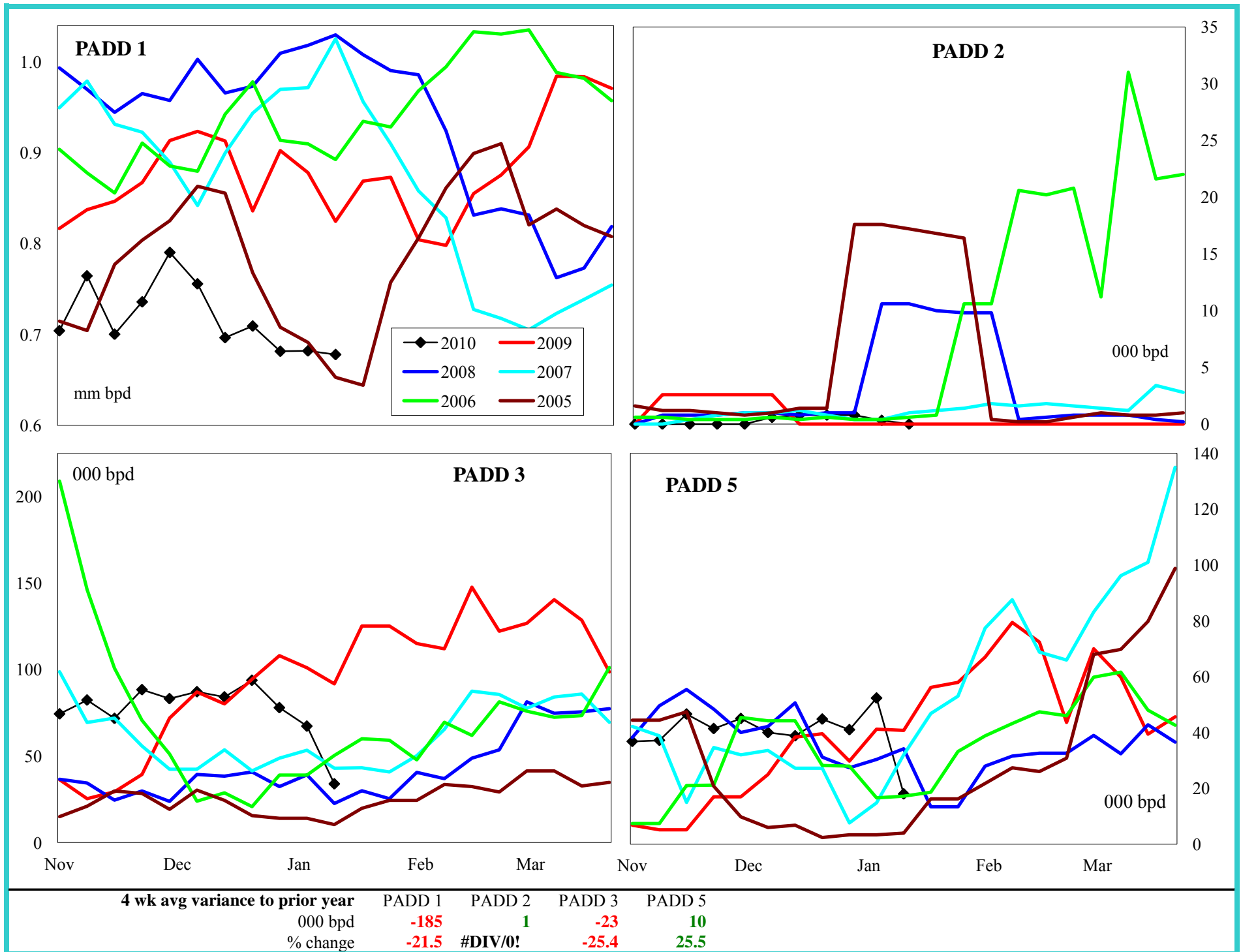




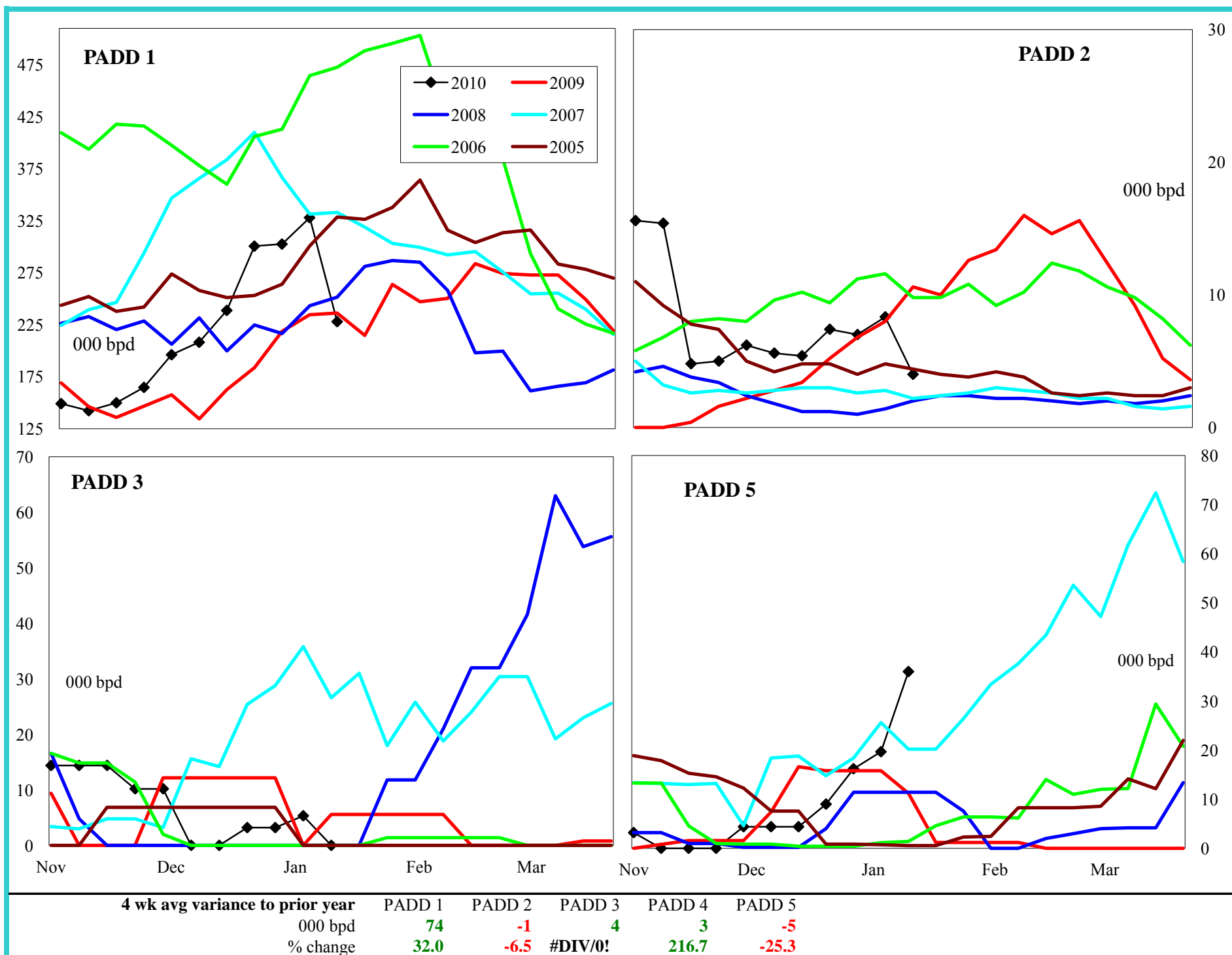
## Crude Oil Imports by PADD



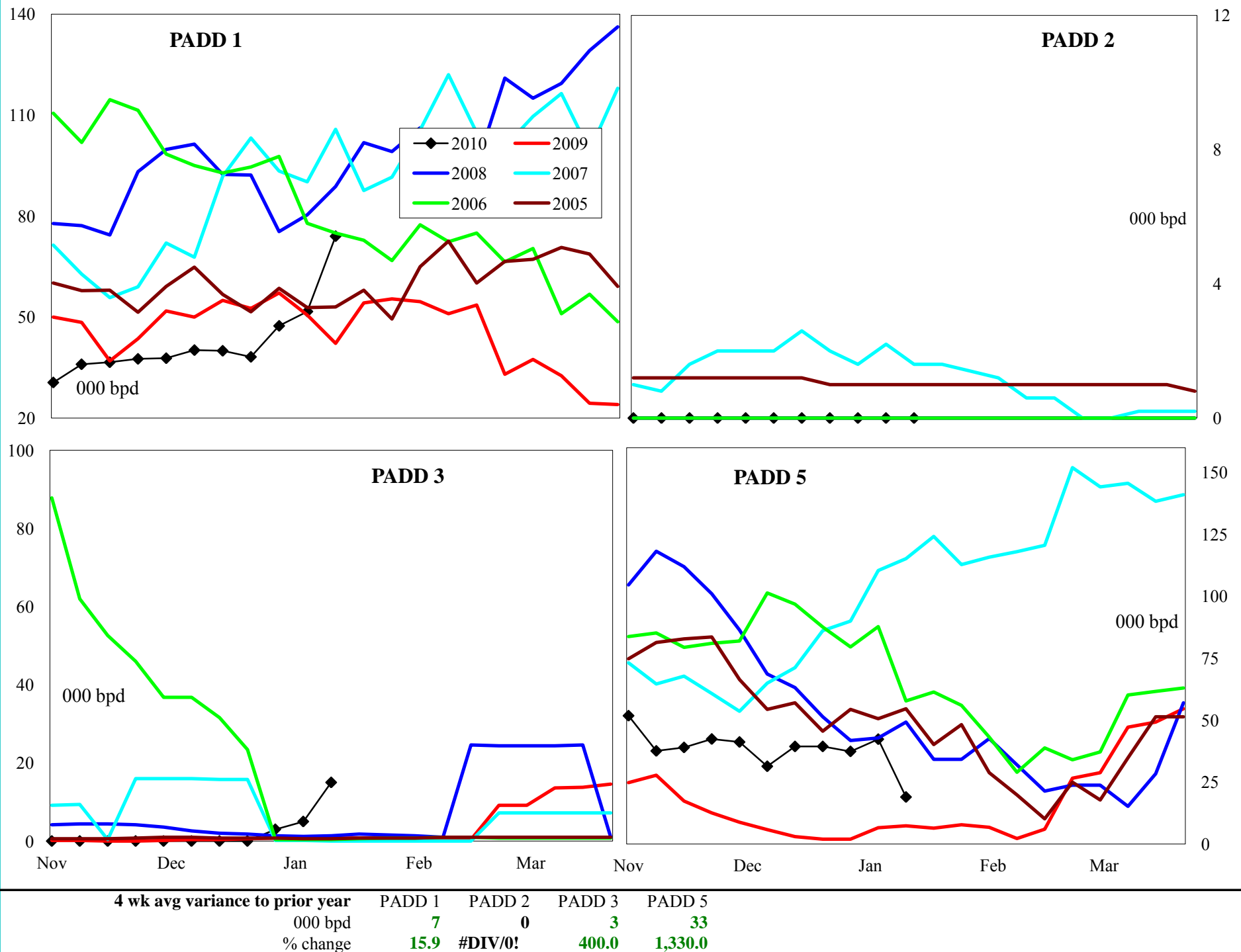
# Gasoline Imports by PADD (Finished + Blend Stocks)



# Distillate Imports by PADD

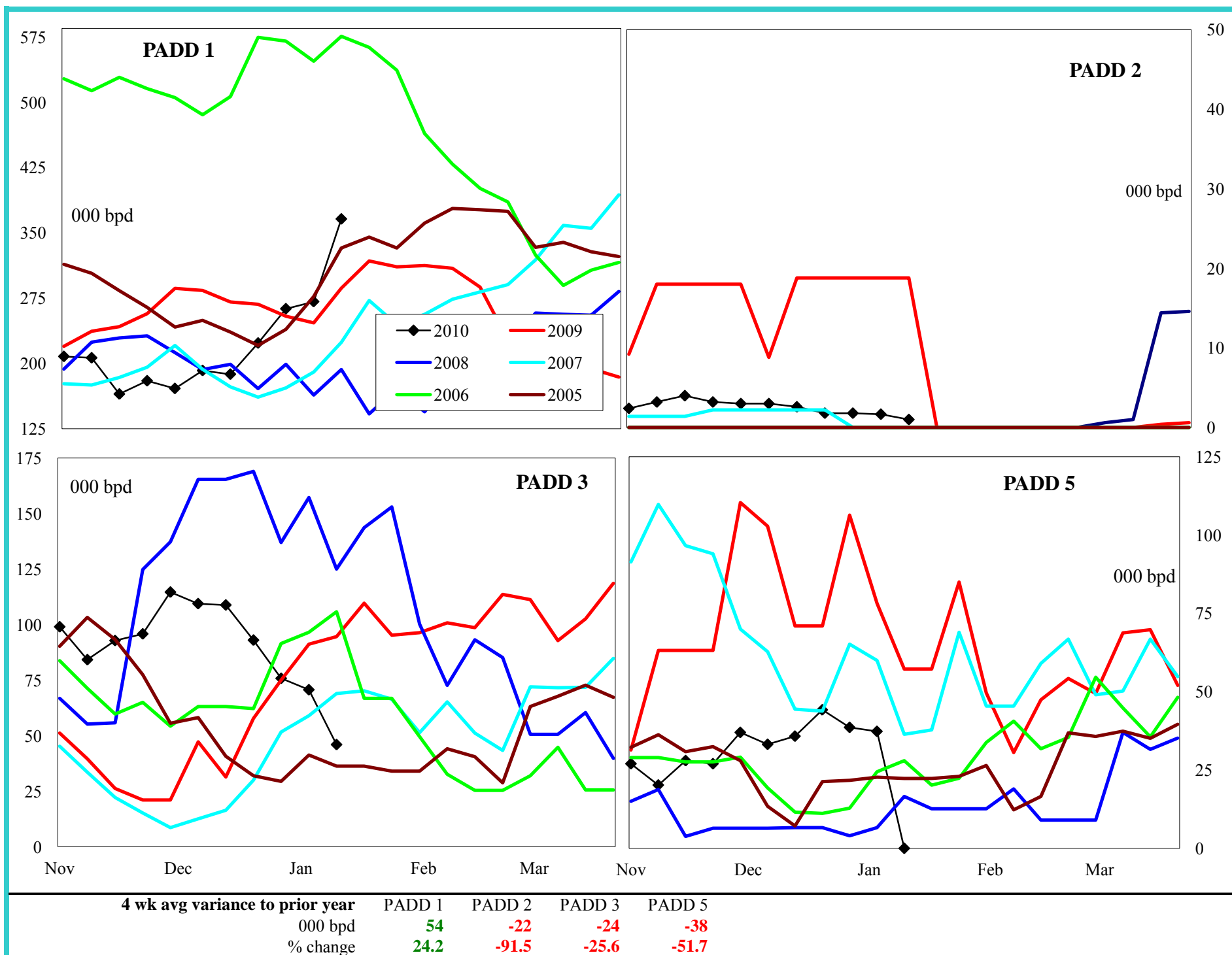


# Jet Fuel Imports by PADD

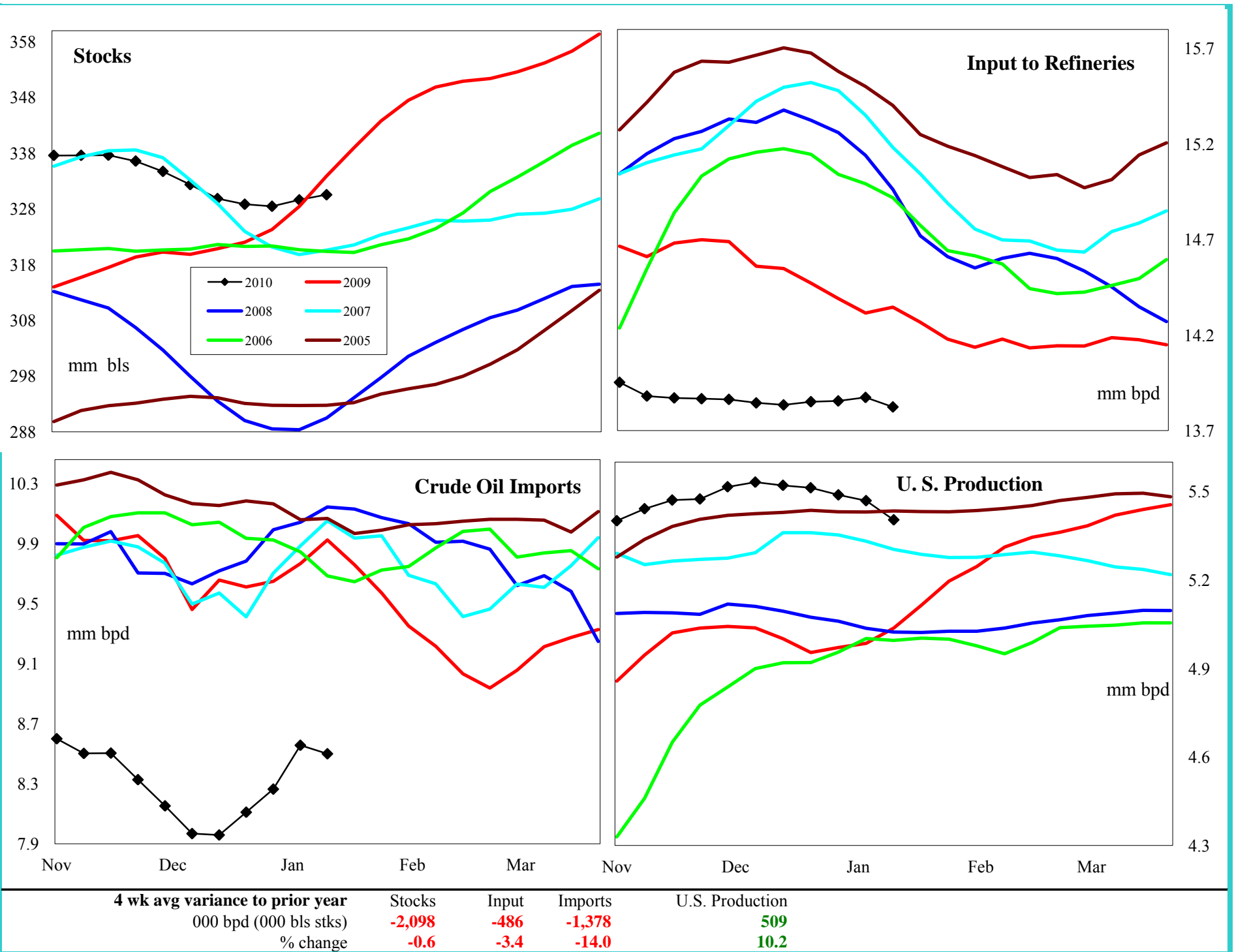




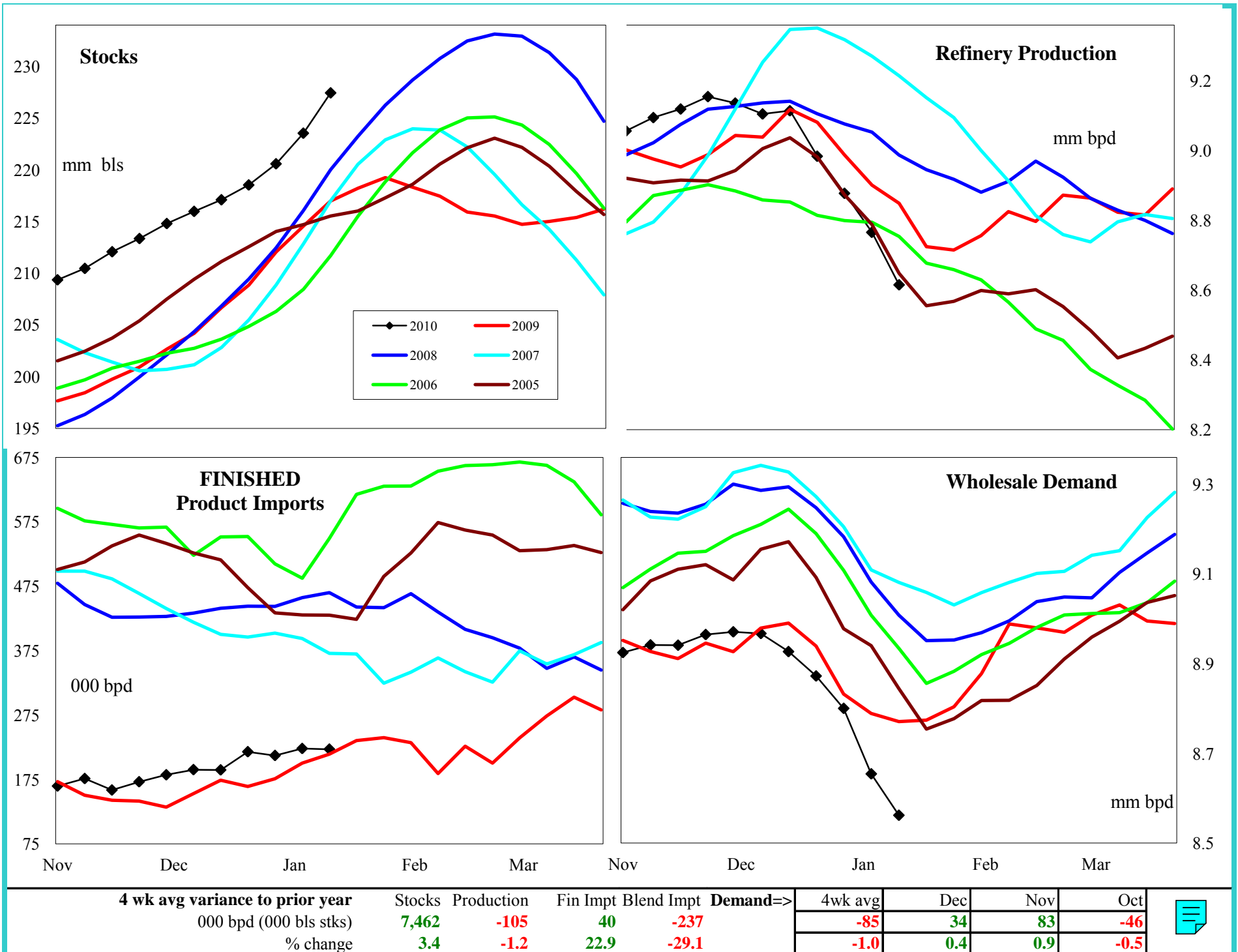
## Residual Fuel Oil Imports by PADD



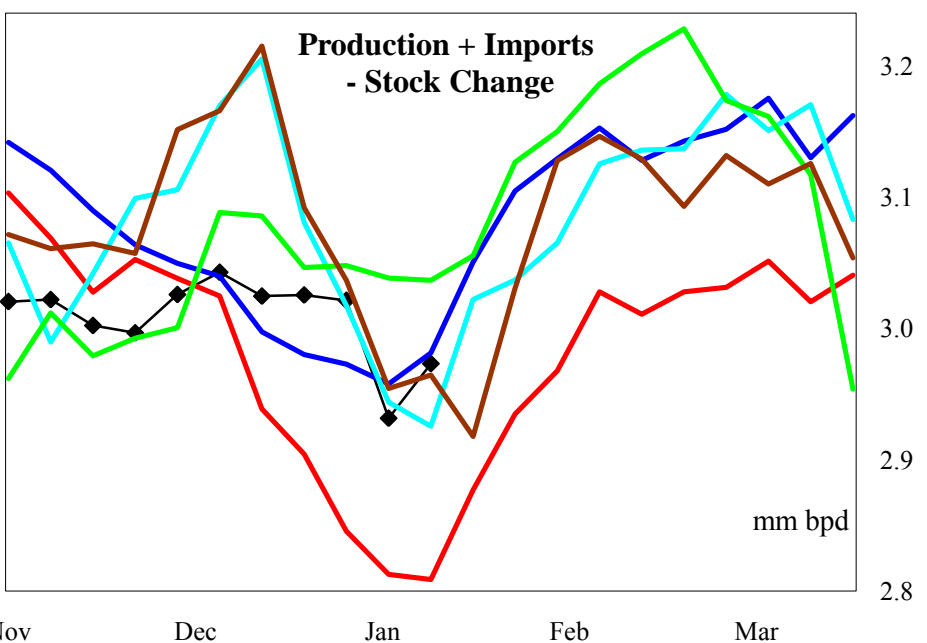
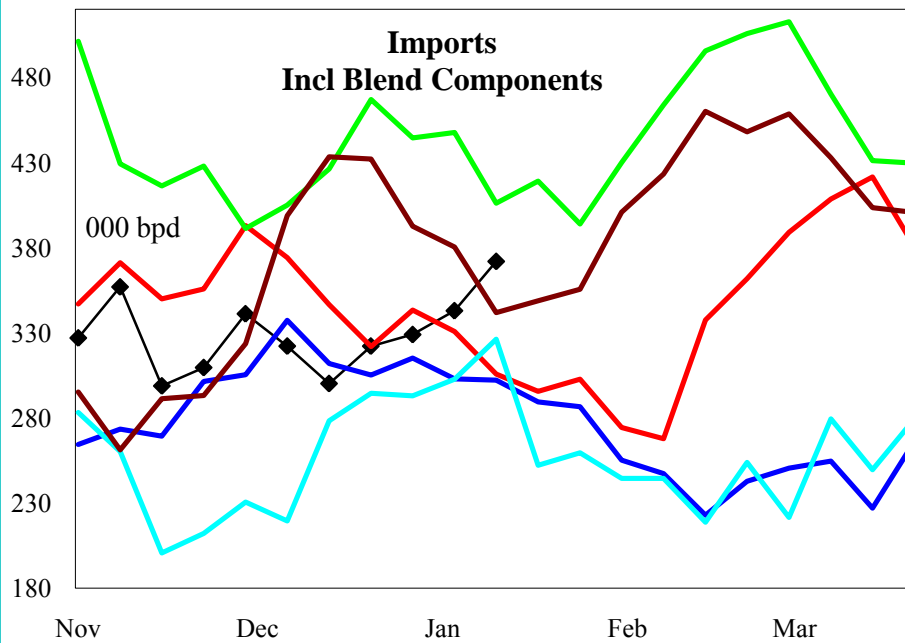
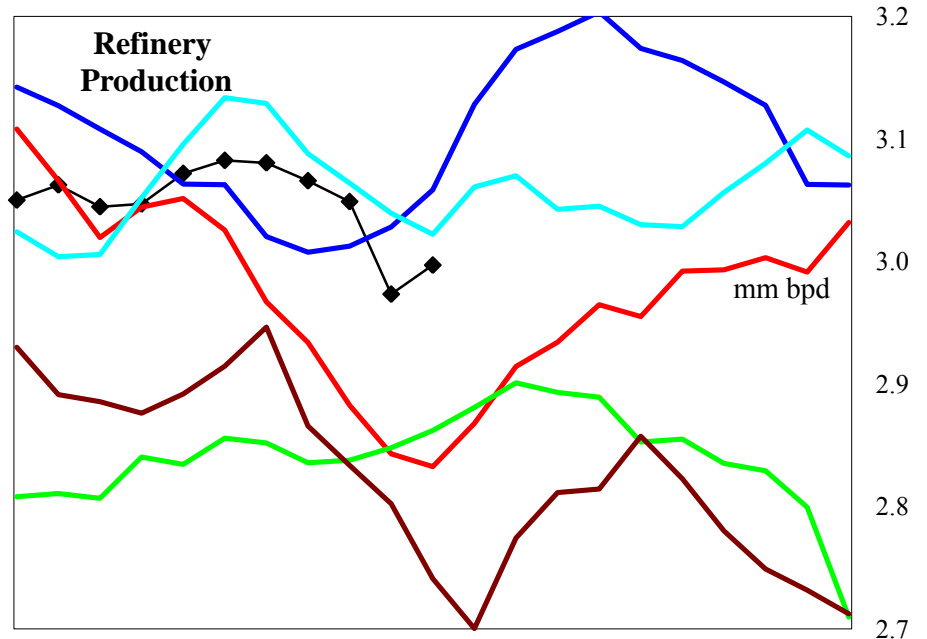
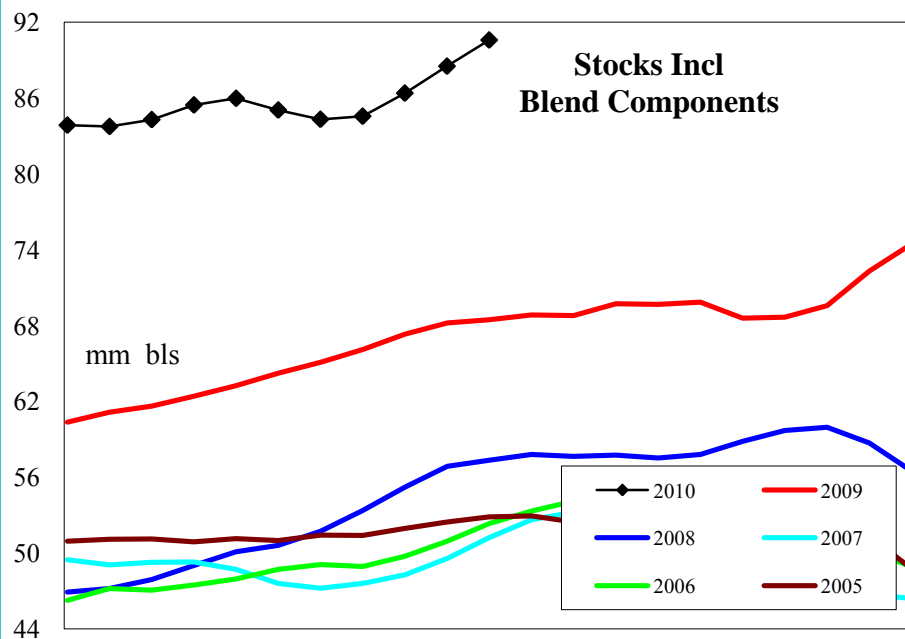
# United States Crude Oil Supply and Demand Balance



# United States Gasoline Supply and Demand Balance



# United States Reformulated Gasoline Supply

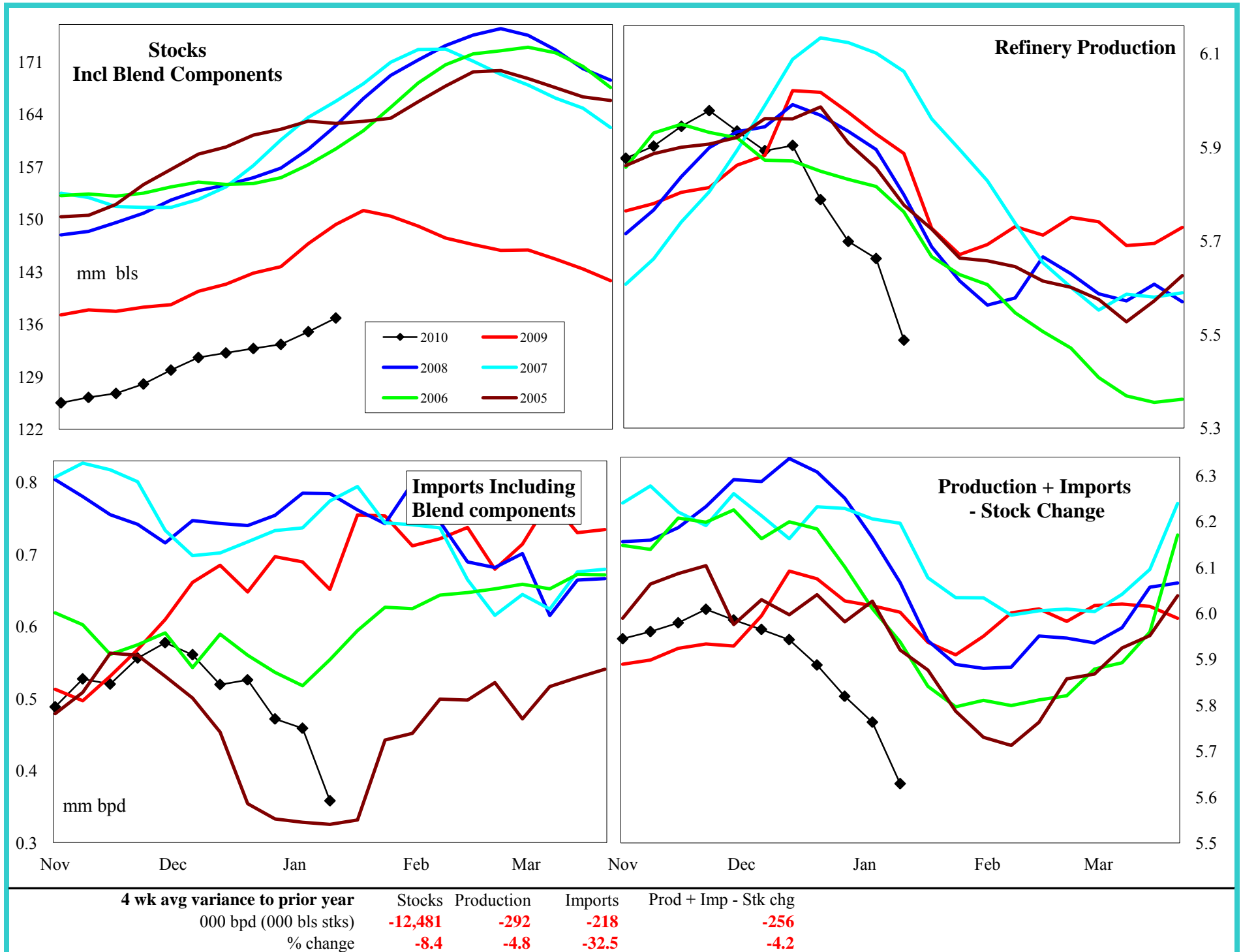


**4 wk avg variance to prior year**  
000 bpd (000 bls stks)  
% change

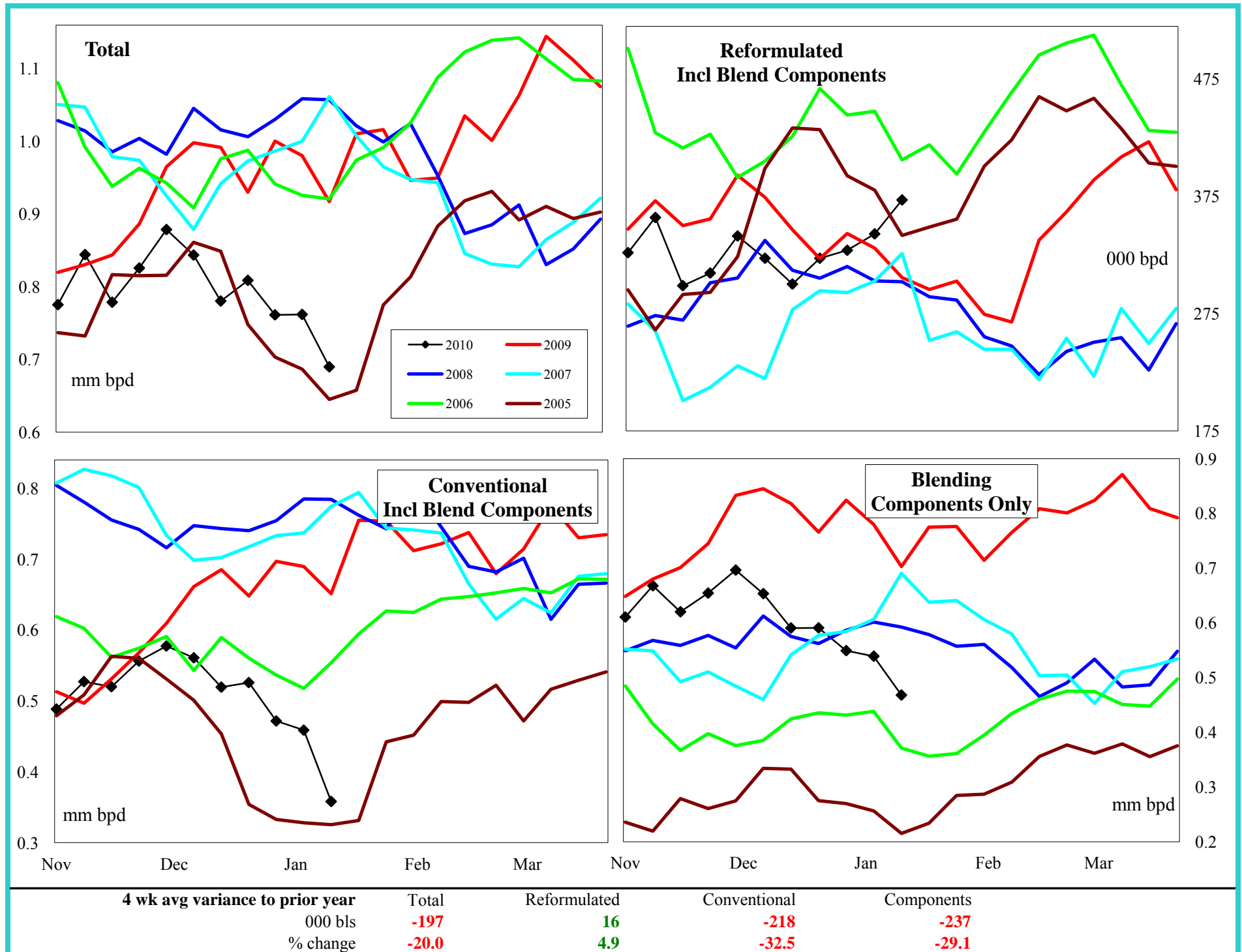
Stocks	Production	Imports	Prod + Imp - Stk chg
22,141	187	16	145
32.3	6.5	4.9	5.1



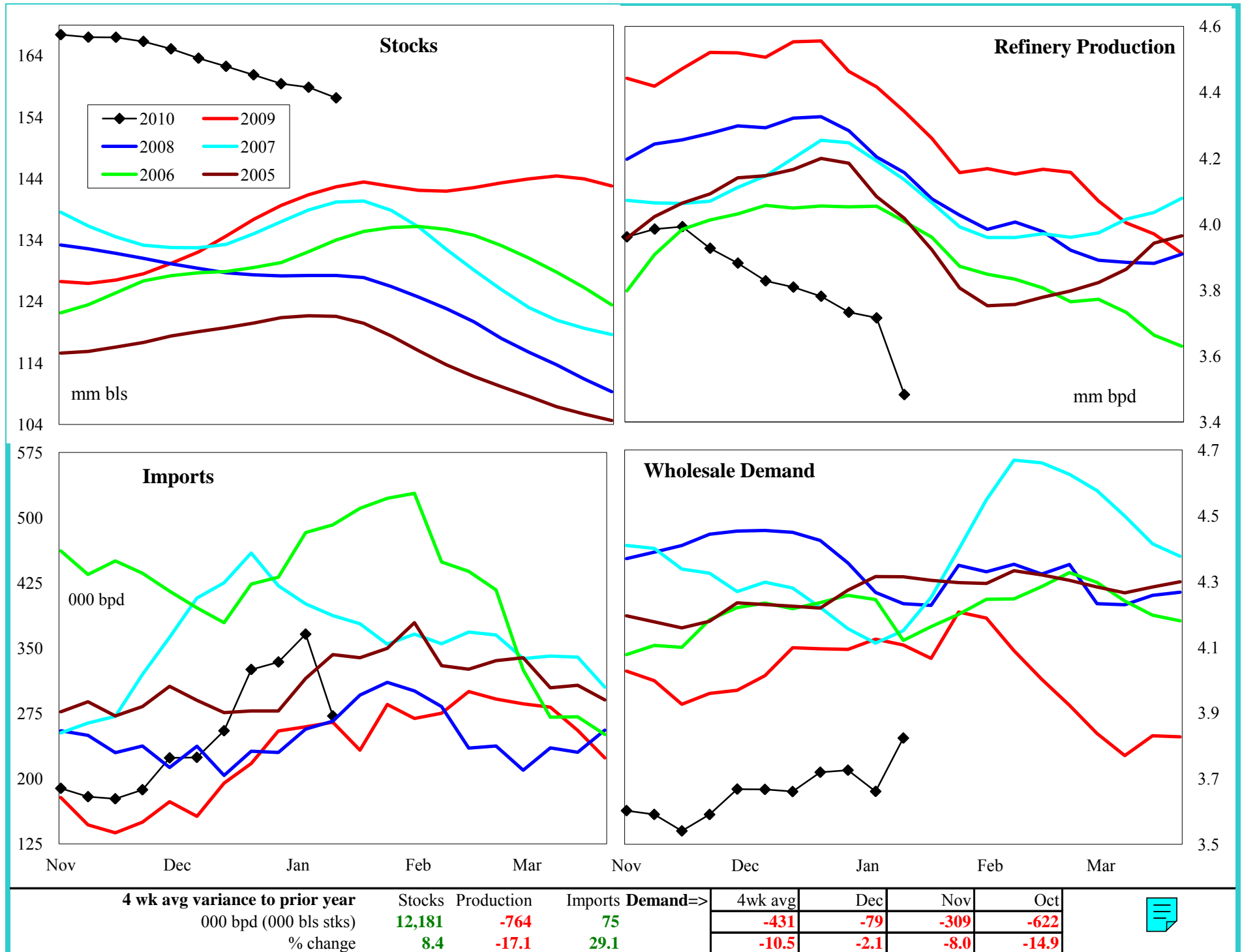
# United States Conventional Gasoline Supply



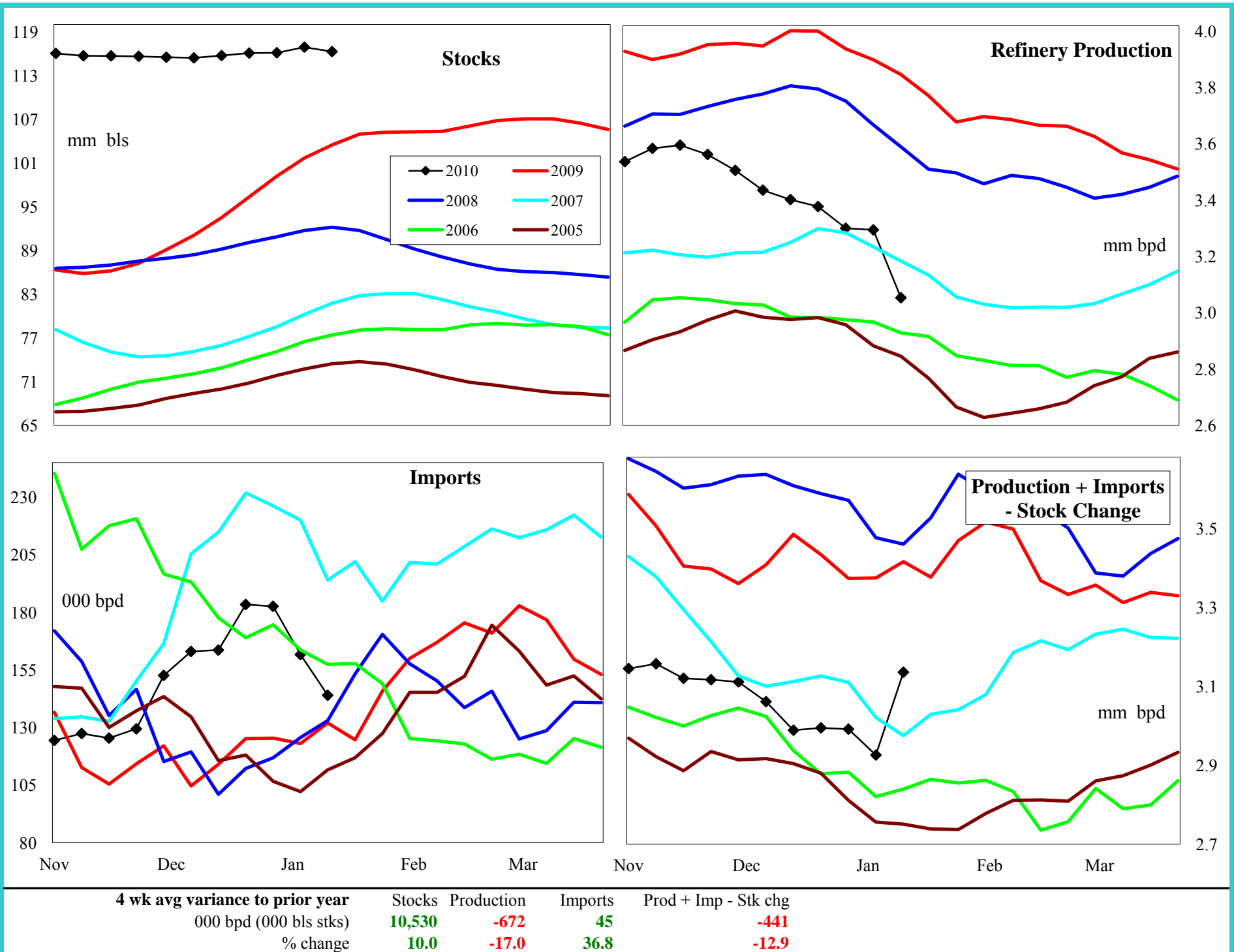
# United States Gasoline Imports by Type



# United States Distillate Supply and Demand Balance

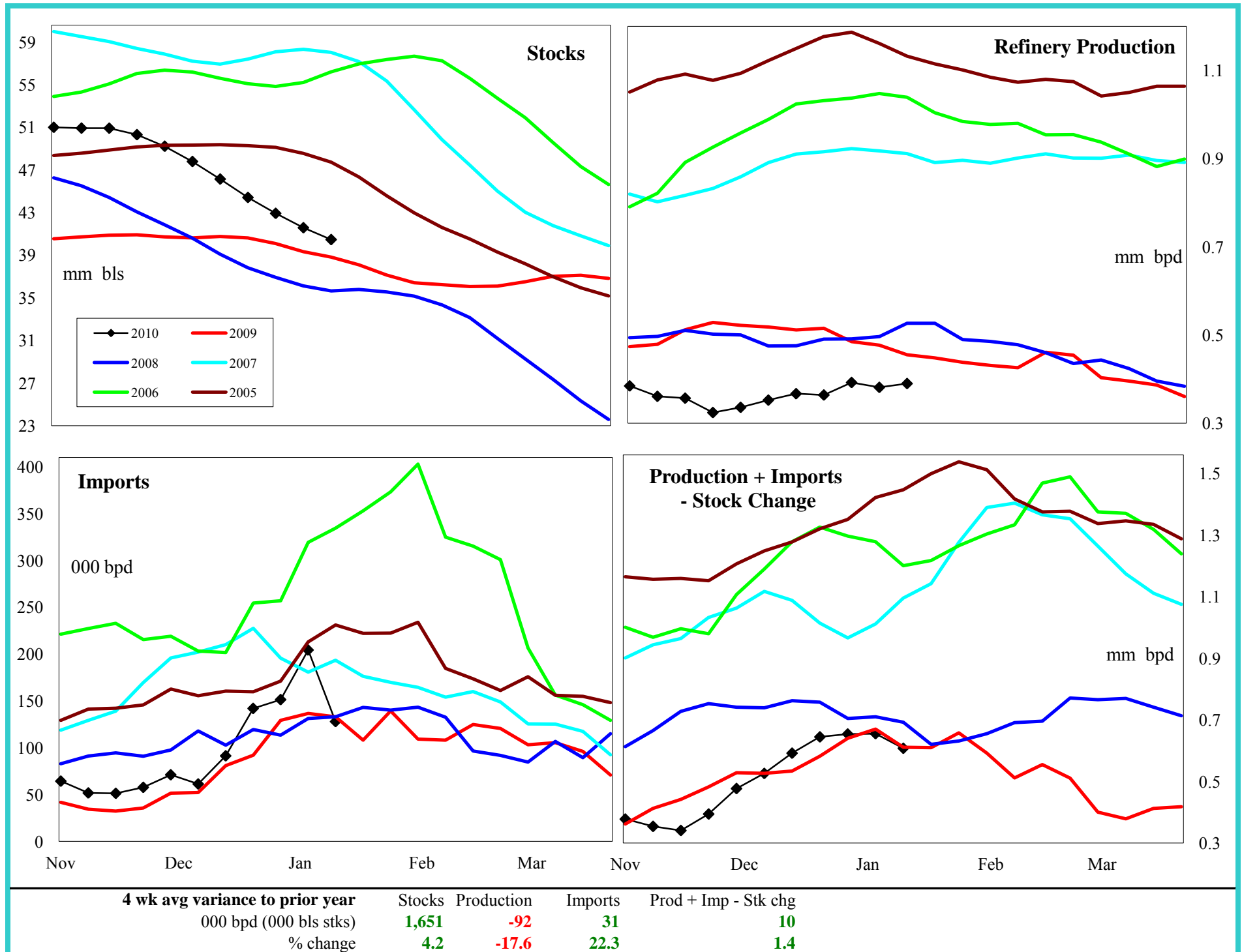


# United States Low Sulfur Distillate Supply

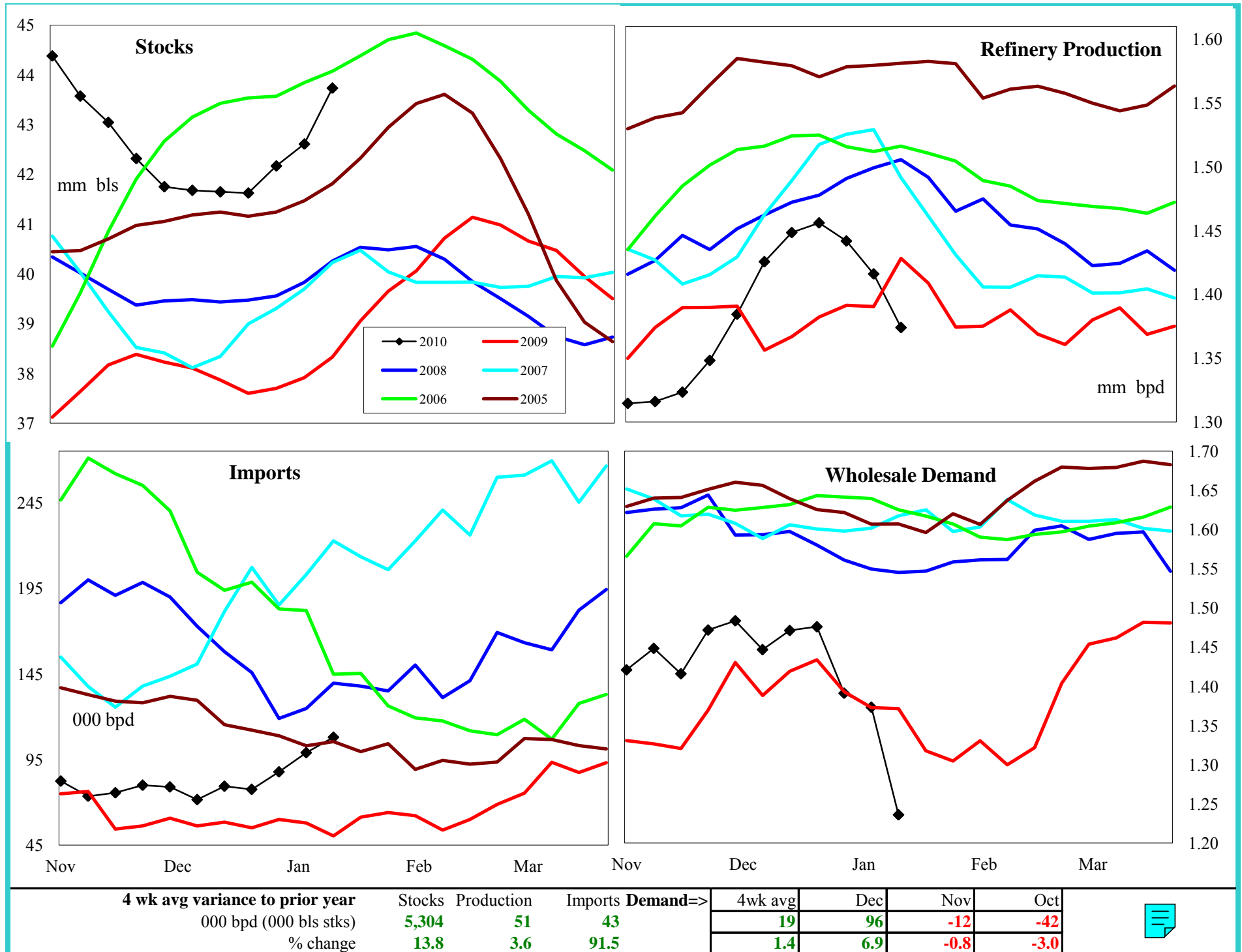




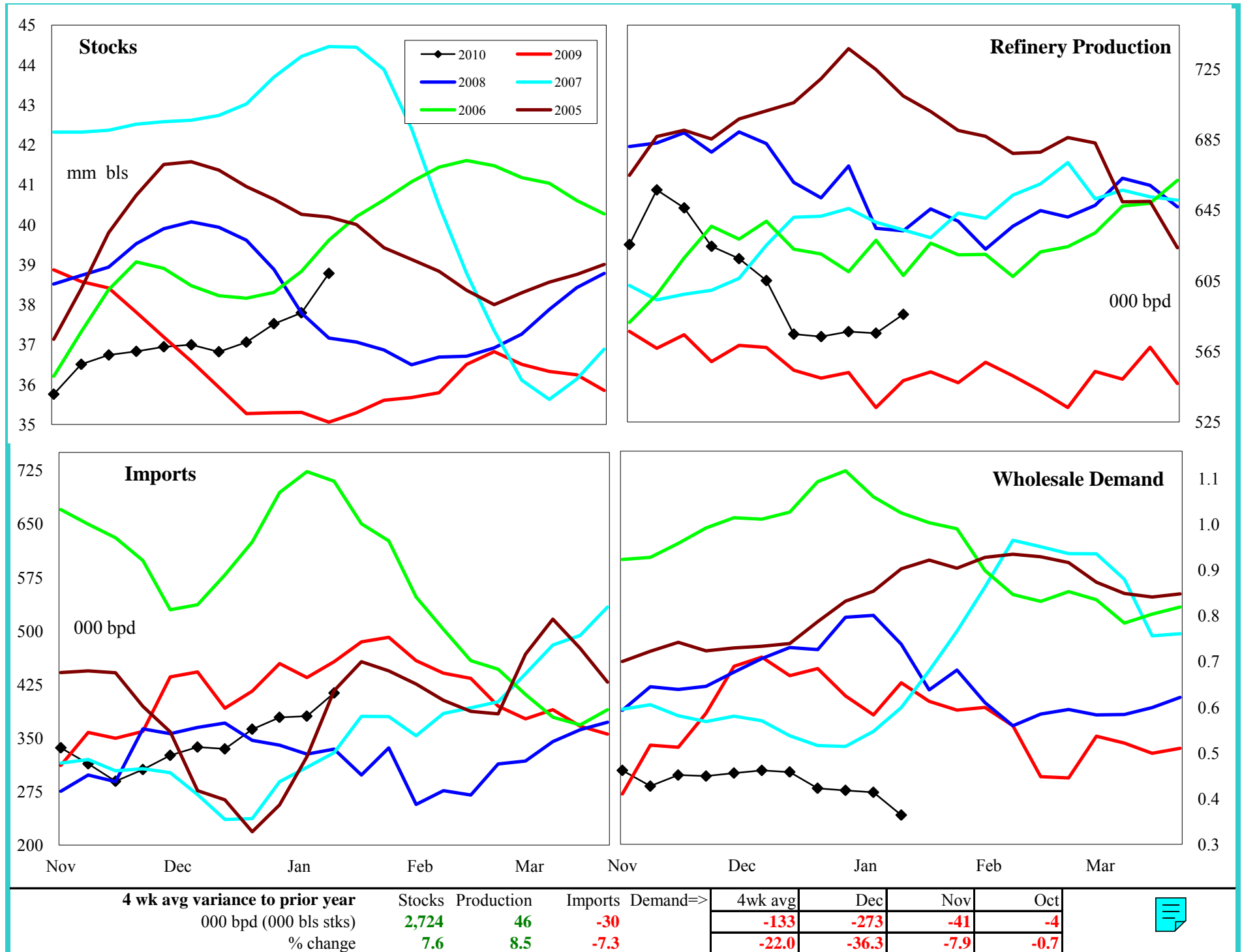
# United States High Sulfur Distillate Supply



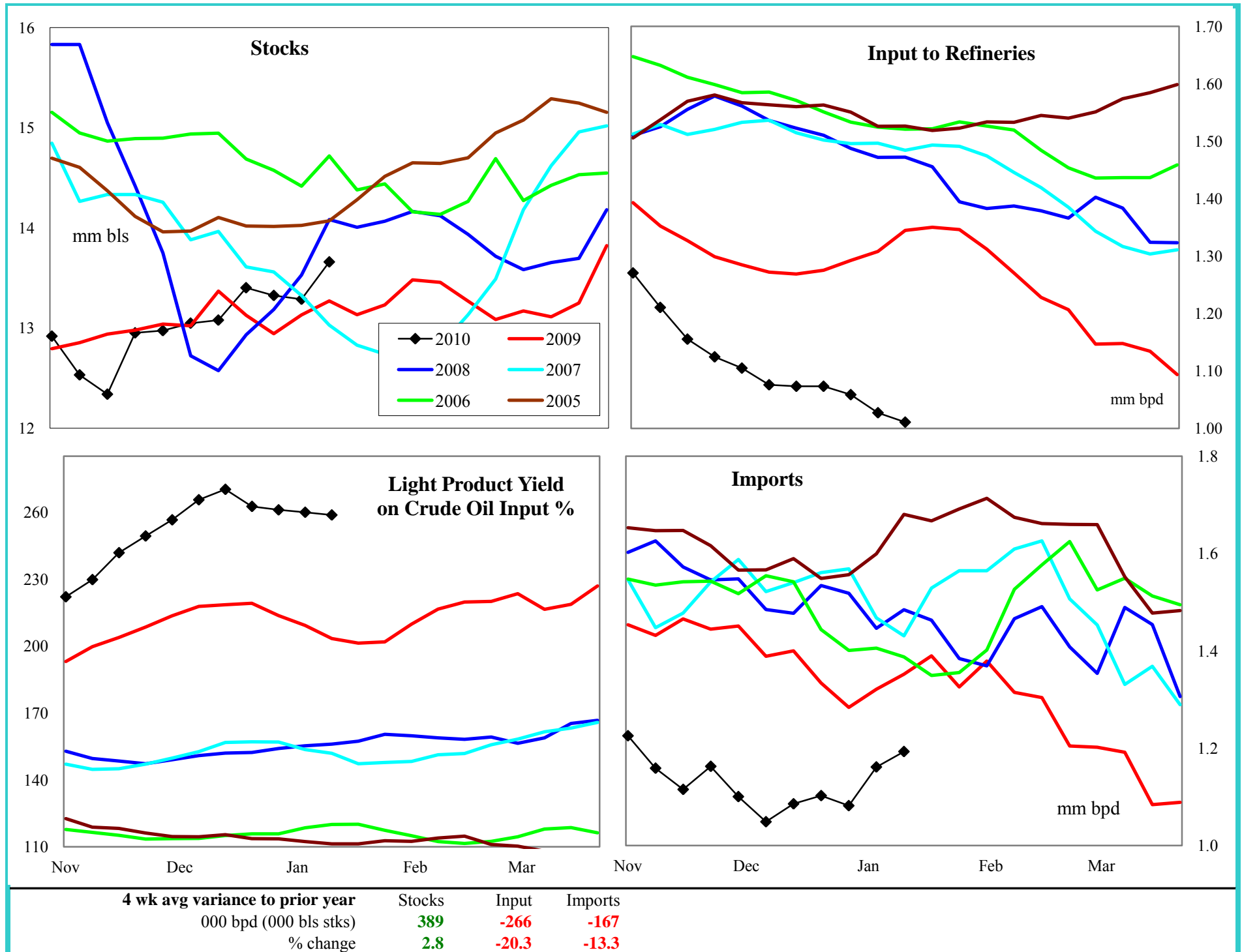
# United States Jet Fuel Supply and Demand Balance



# United States Residual Fuel Oil Supply and Demand Balance

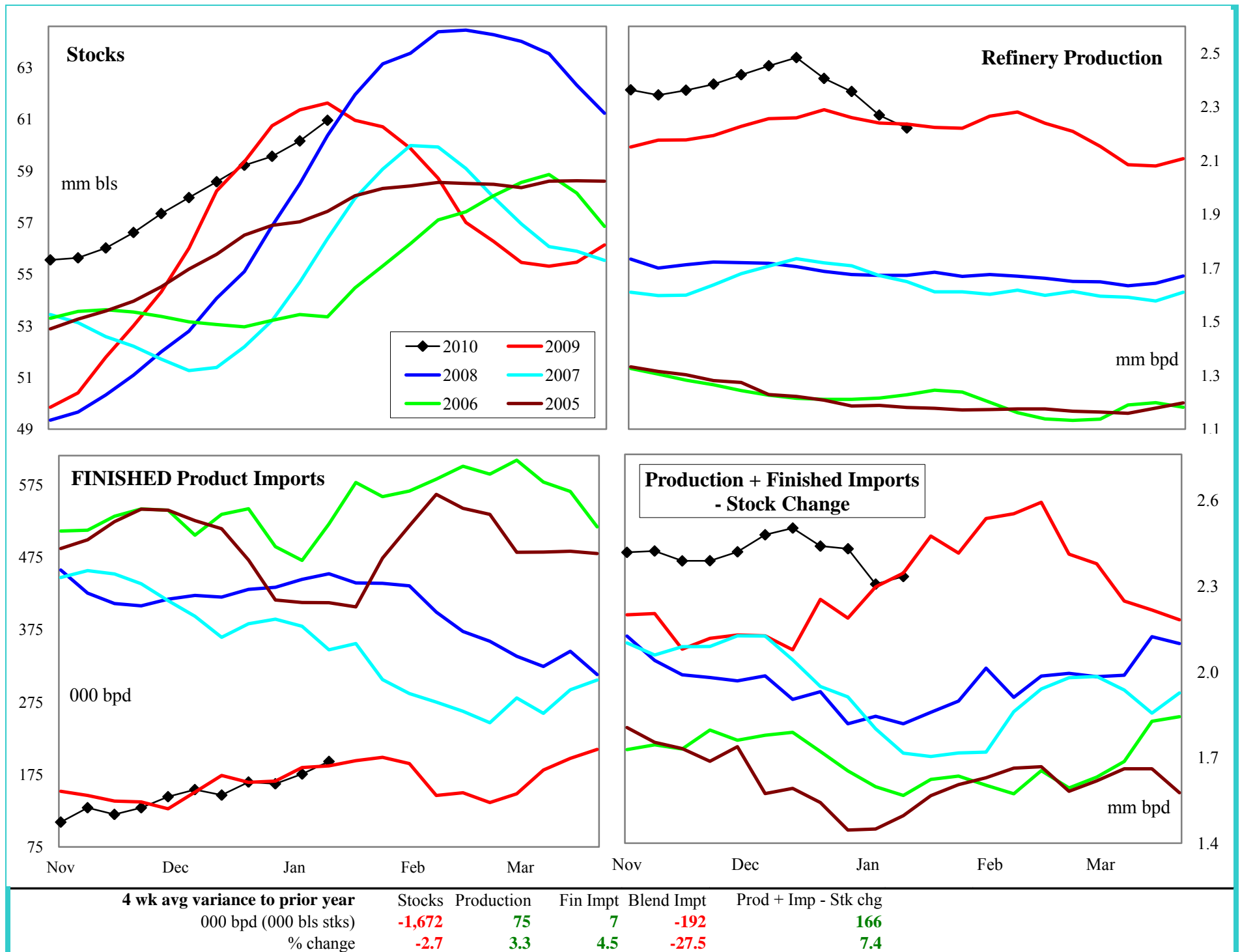


# PADD 1 Crude Oil Supply and Refining

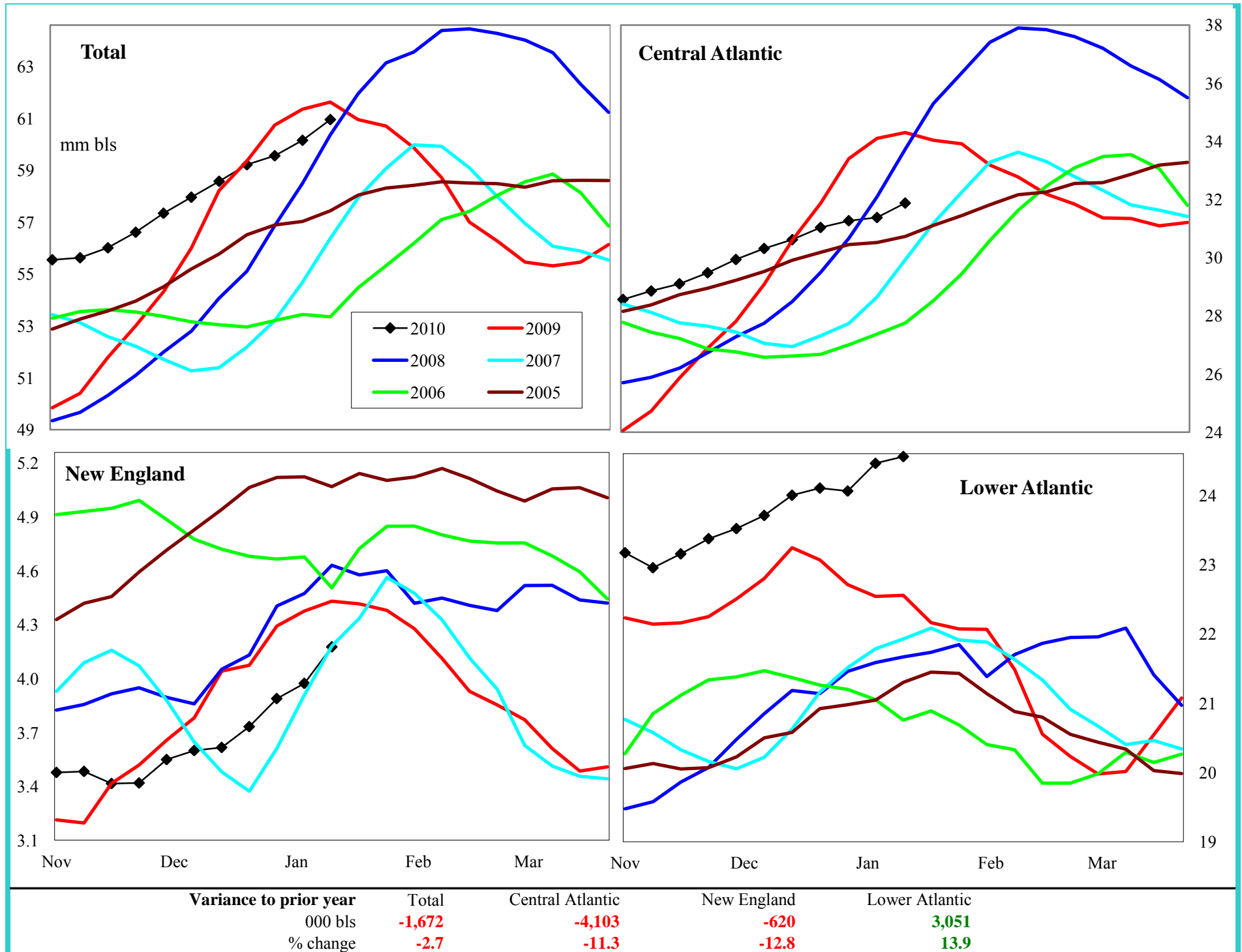




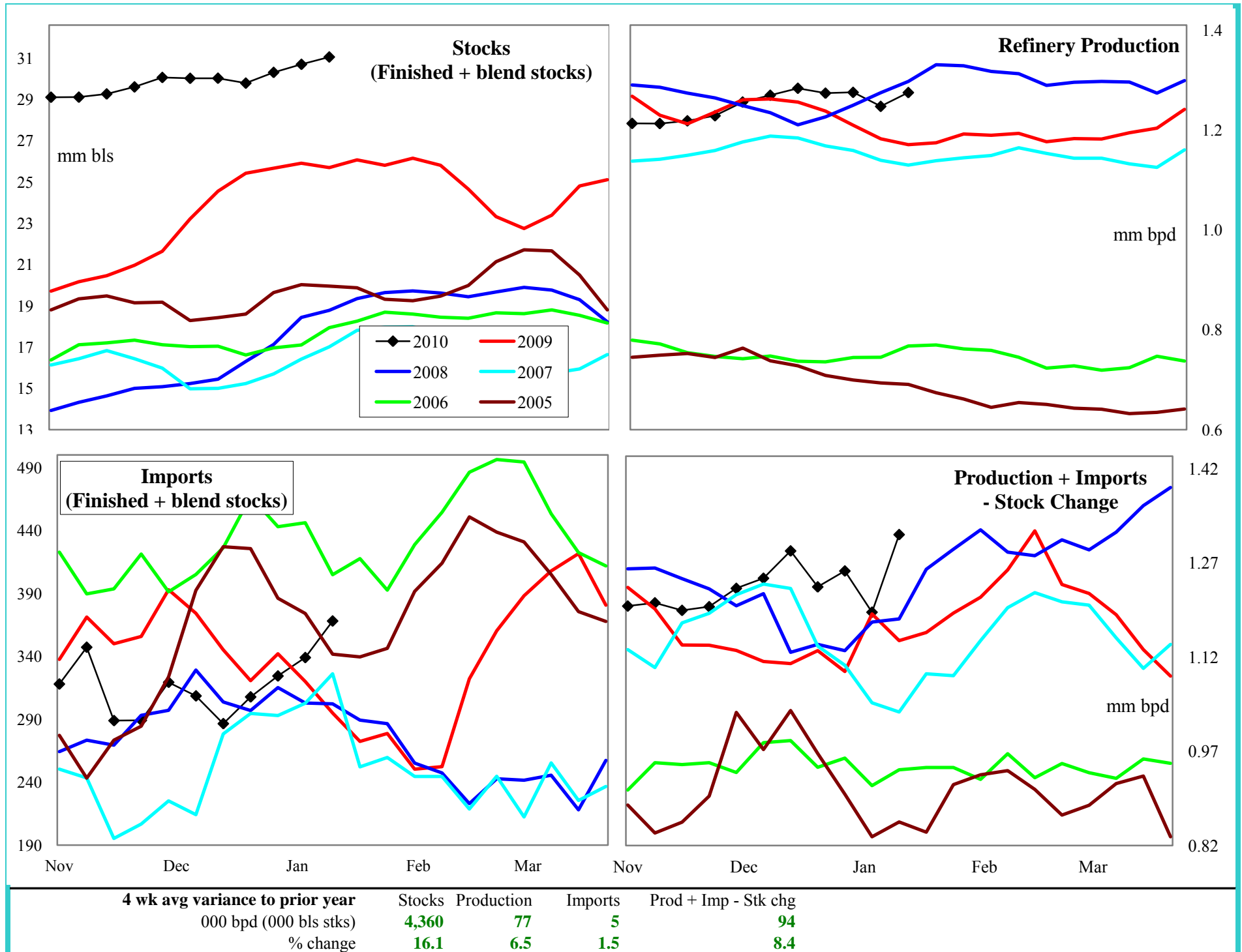
# PADD 1 Gasoline Supply



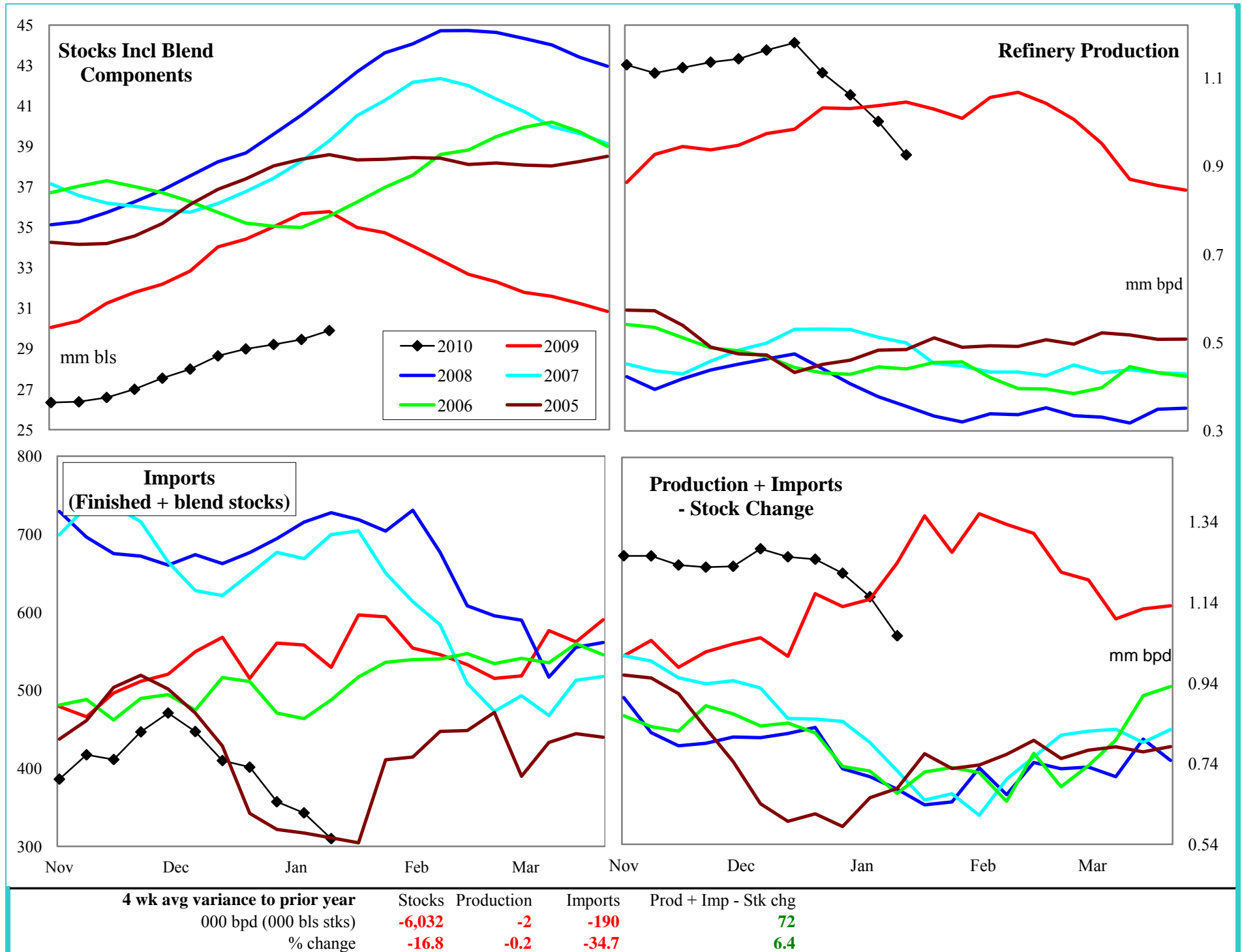
# PADD 1 Gasoline Stocks by Region



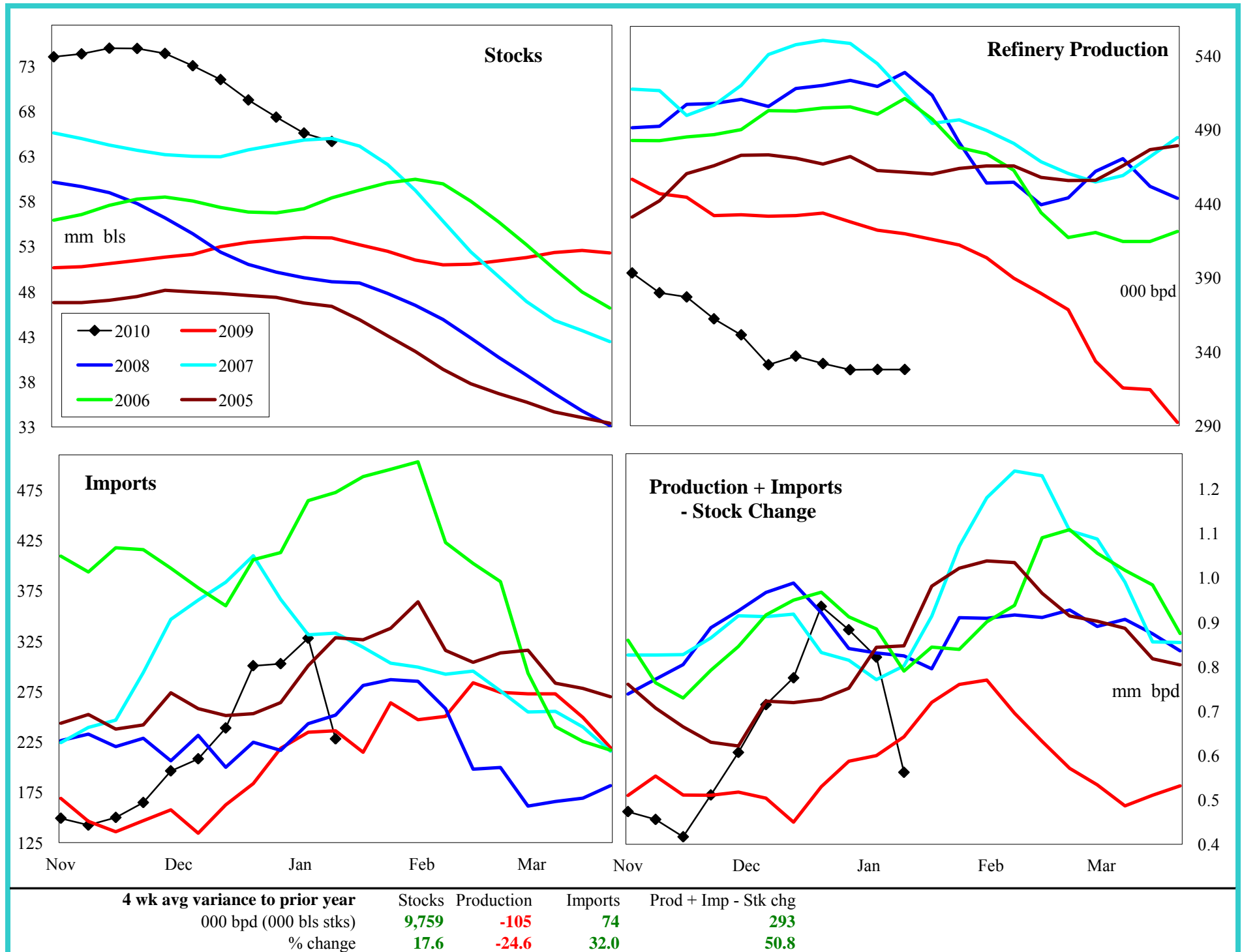
# PADD 1 Reformulated Gasoline Supply



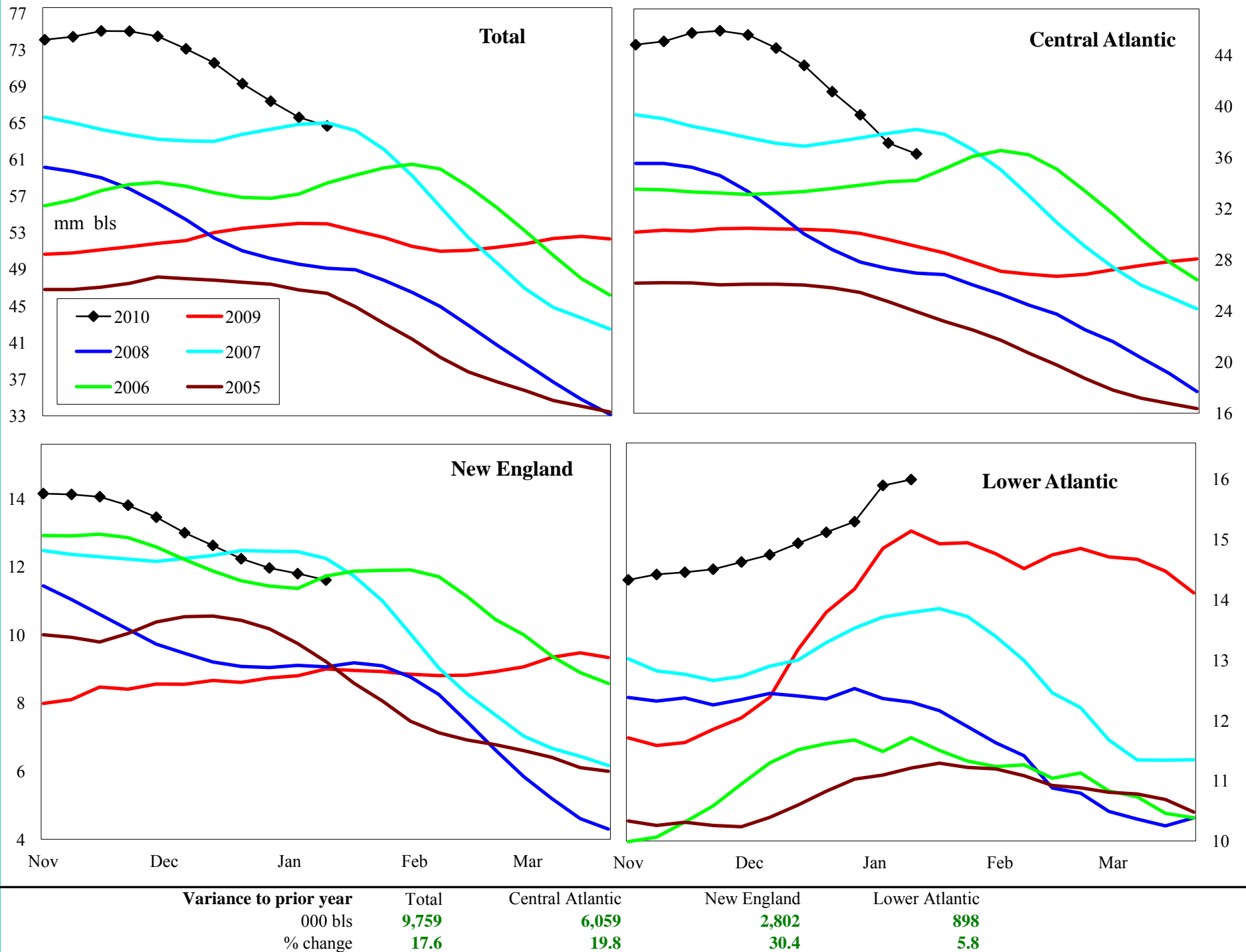
# PADD 1 Conventional Gasoline Supply



# PADD 1 Distillate Supply

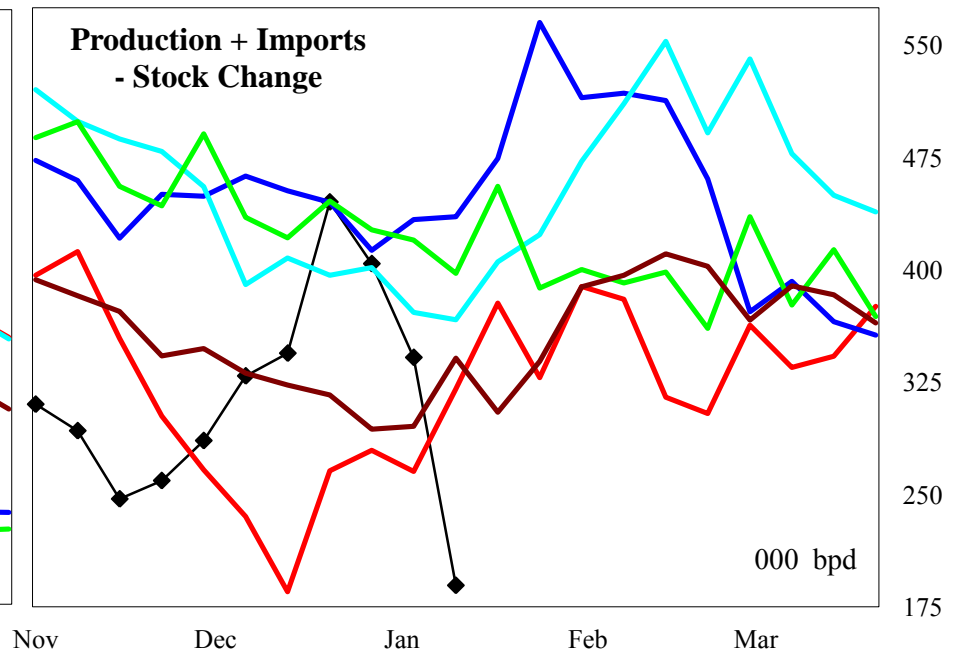
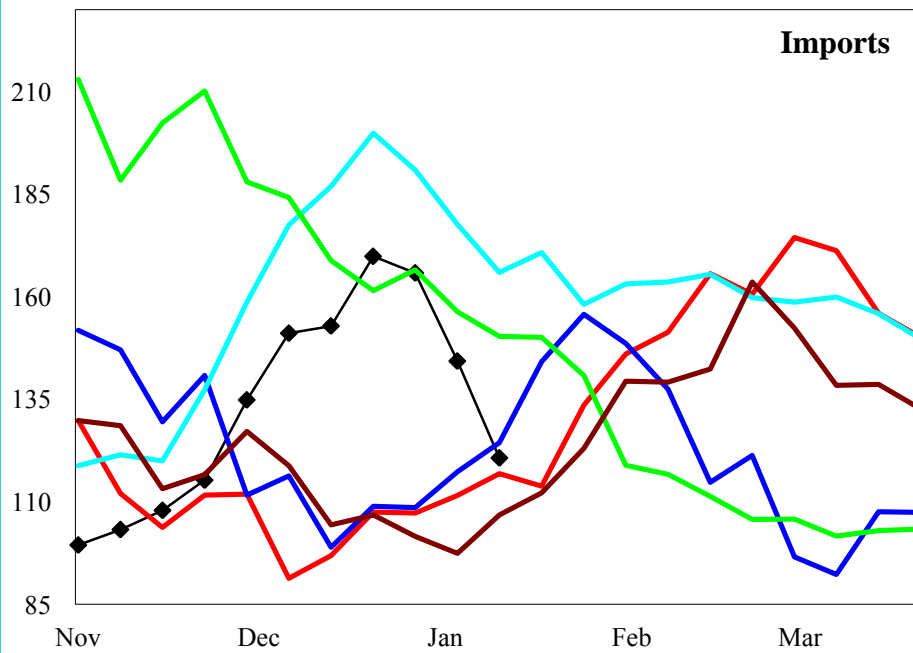
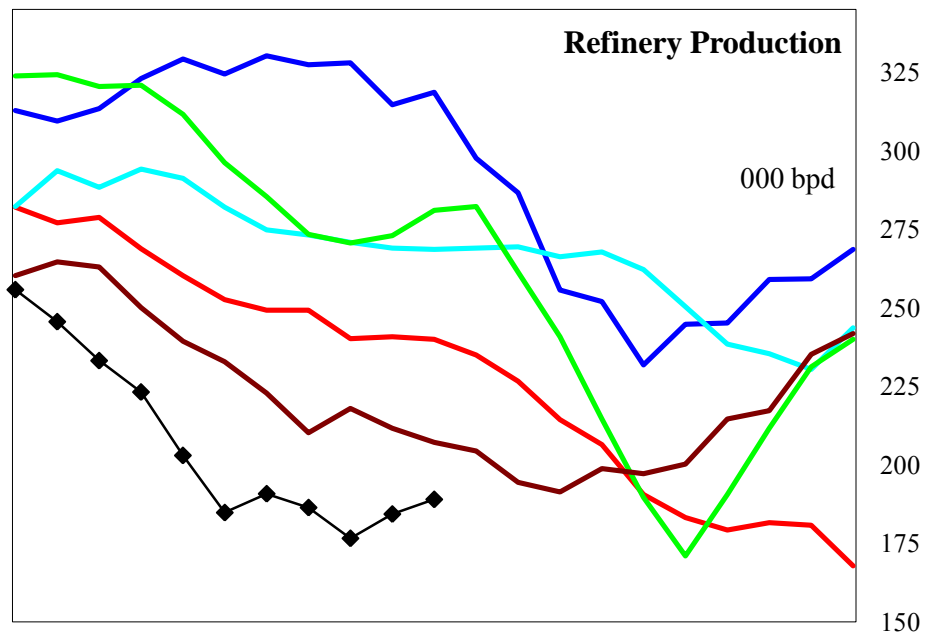
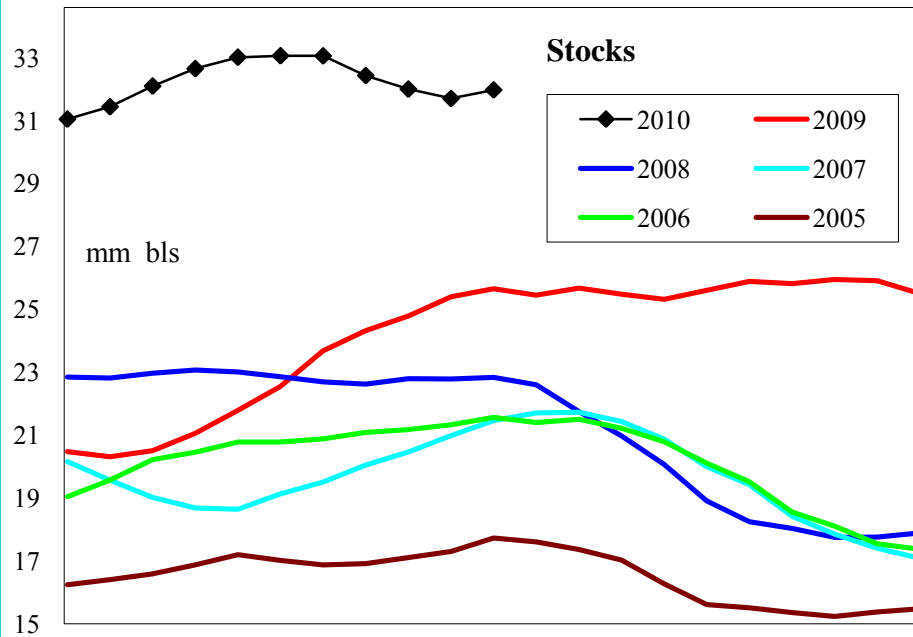


# PADD 1 Distillate Stocks by Region





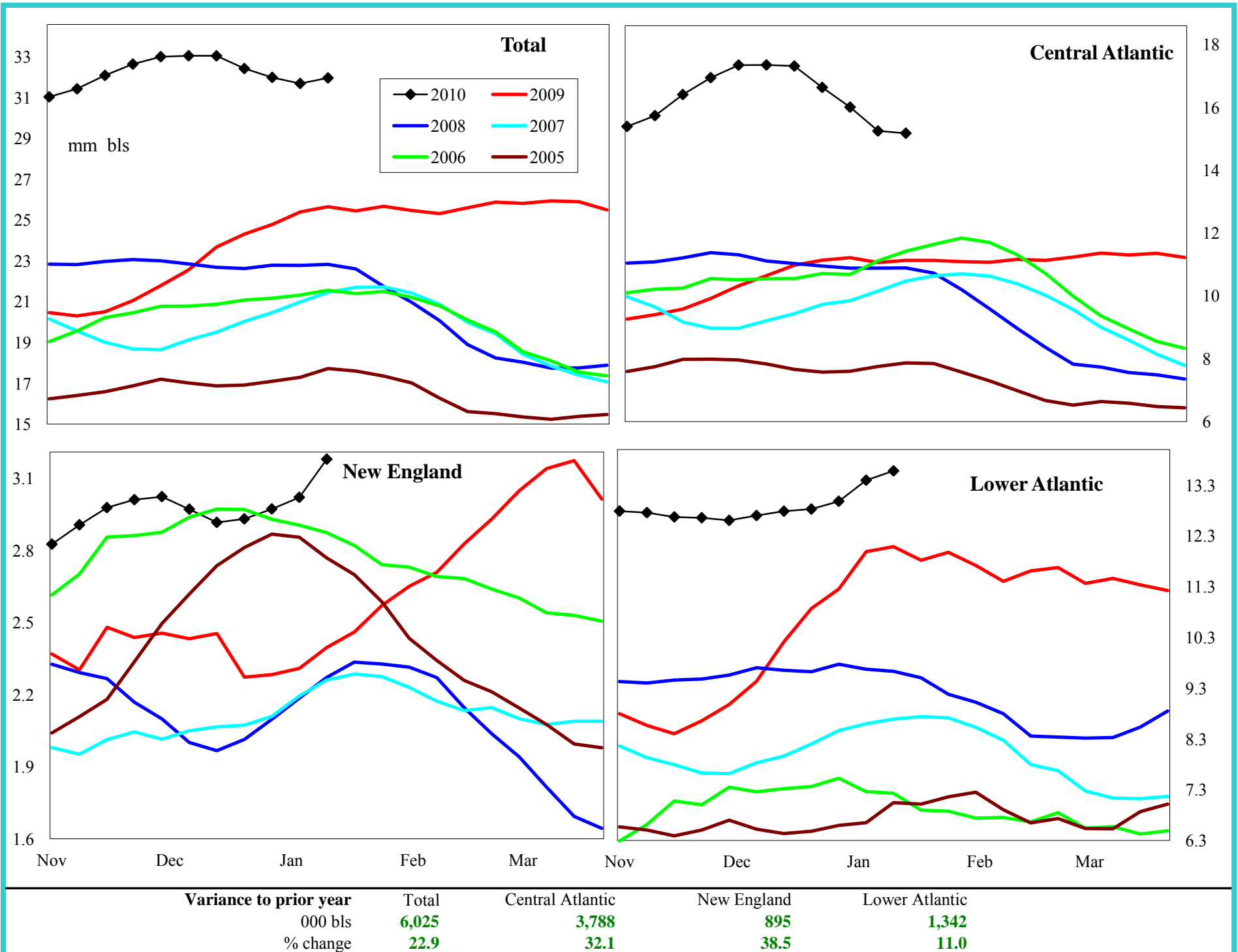
# PADD 1 Low Sulfur Distillate Supply



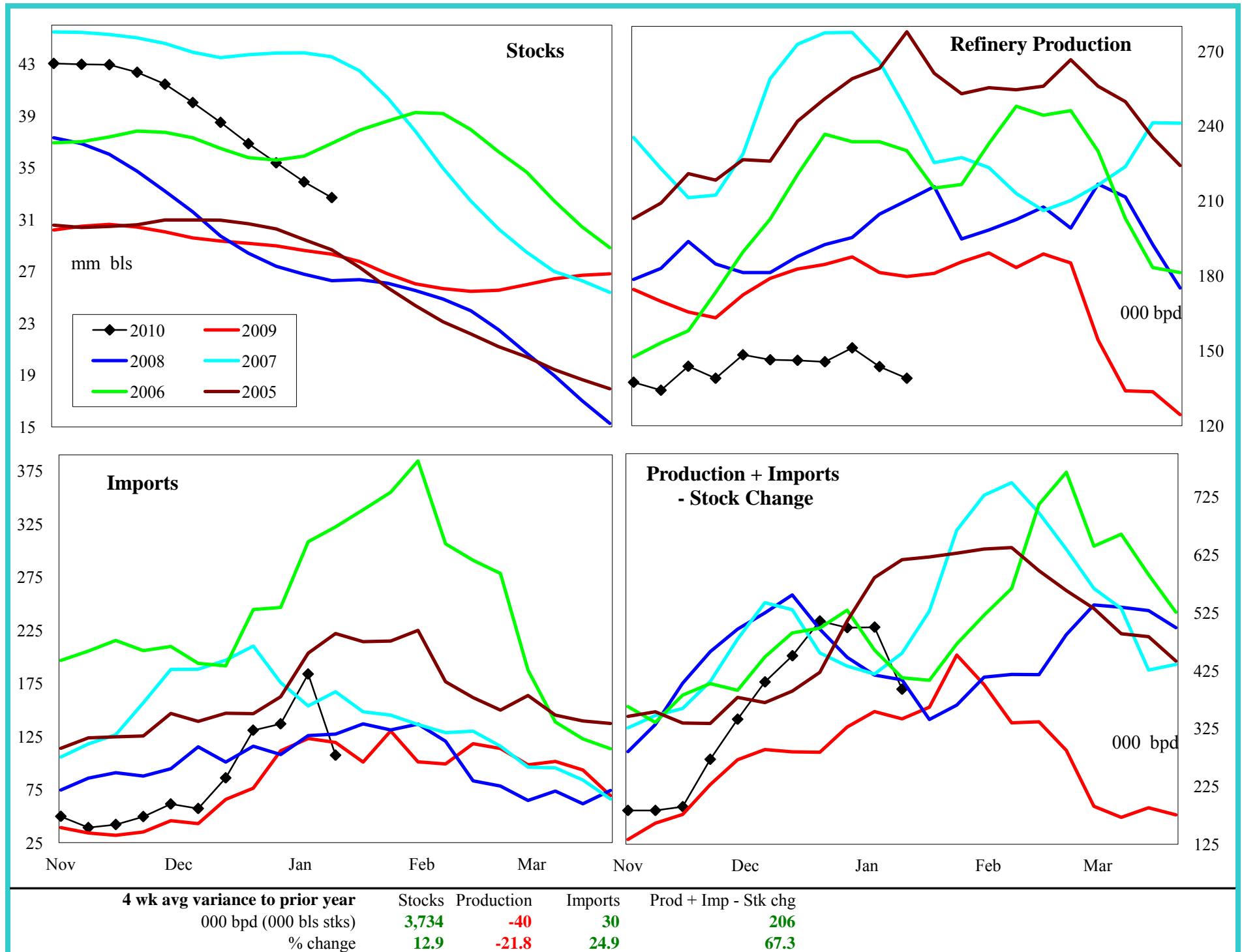
**4 wk avg variance to prior year**  
000 bpd (000 bbls stks)  
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
6,025	-66	43	86
22.9	-26.7	40.0	32.1

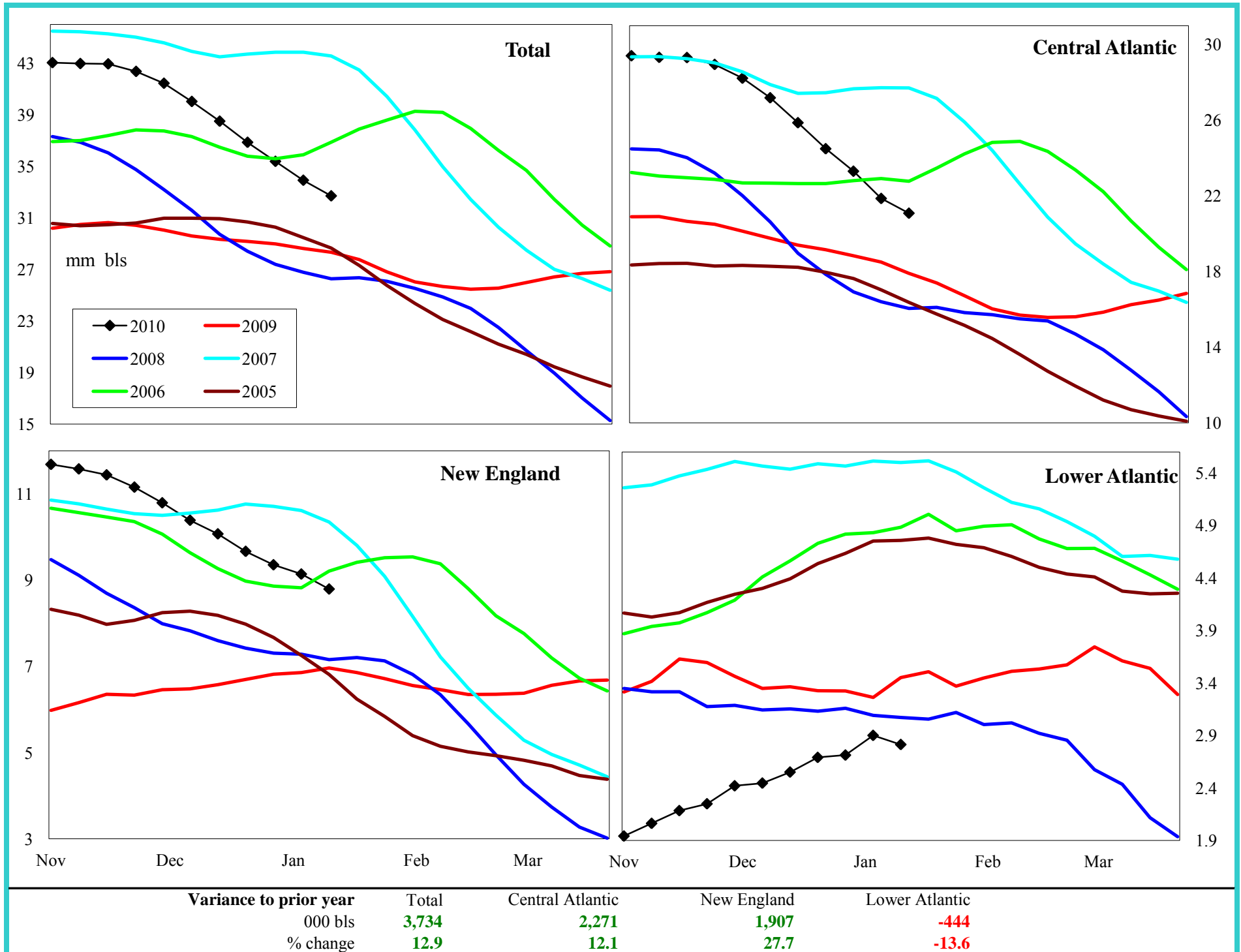
# PADD 1 Low Sulfur Distillate Stocks by Region



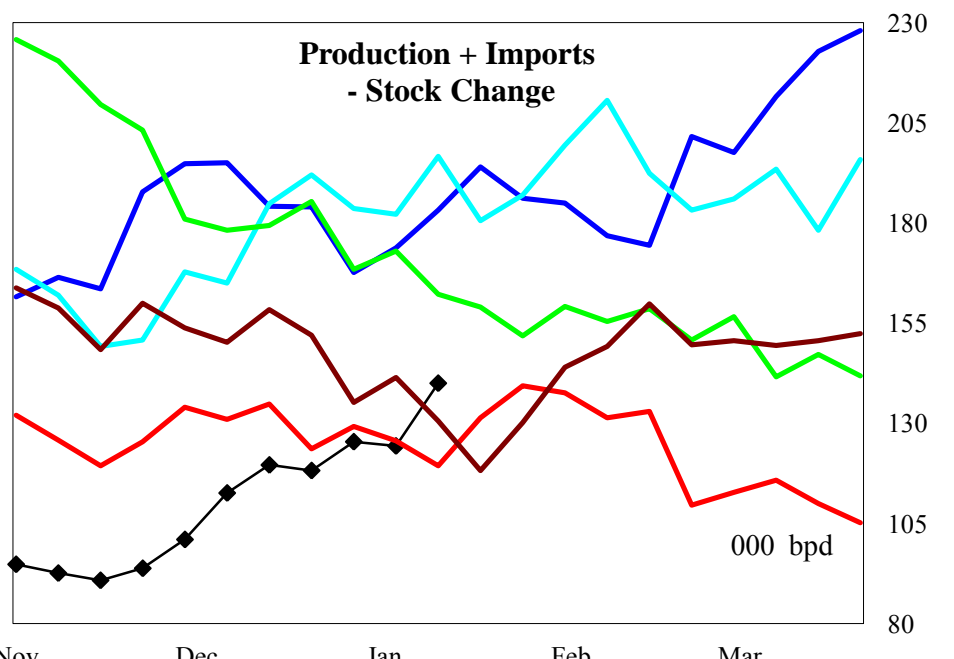
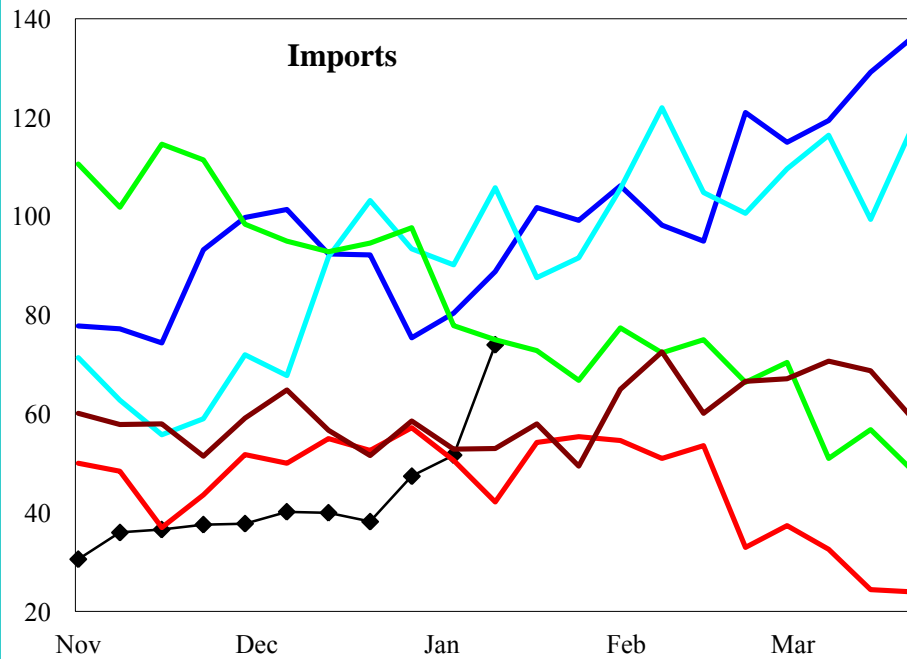
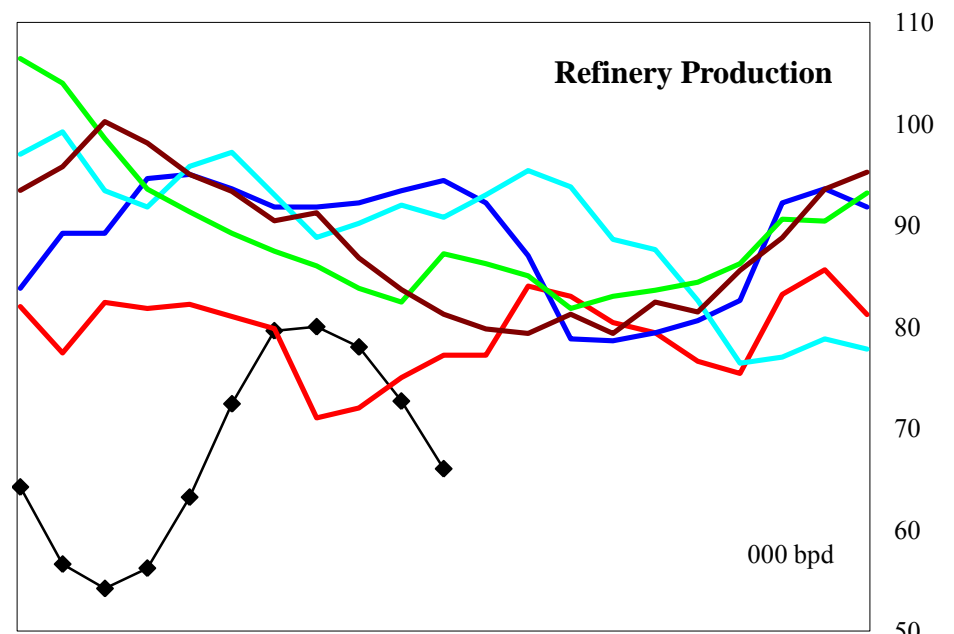
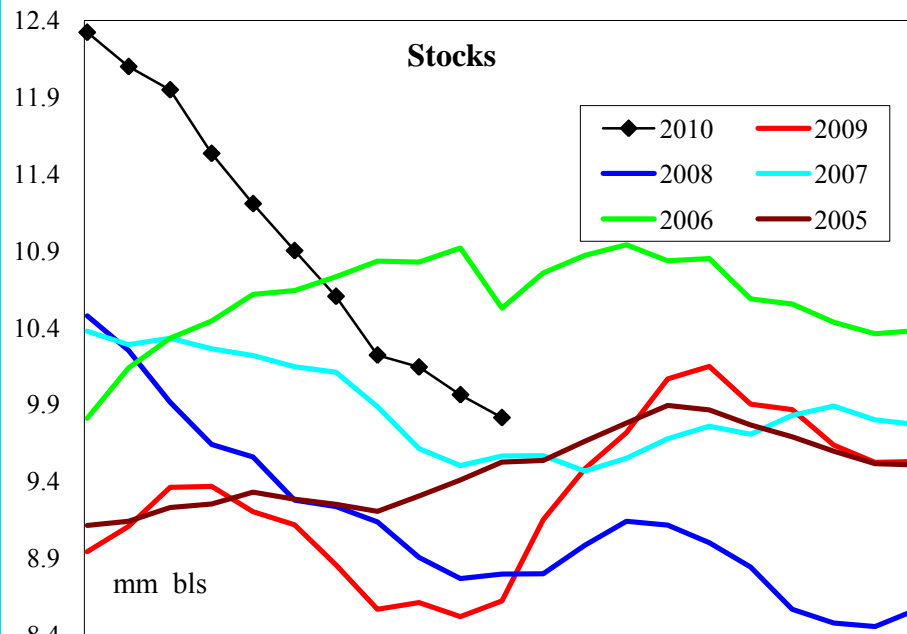
# PADD 1 High Sulfur Distillate Supply



# PADD 1 High Sulfur Distillate Stocks by Region



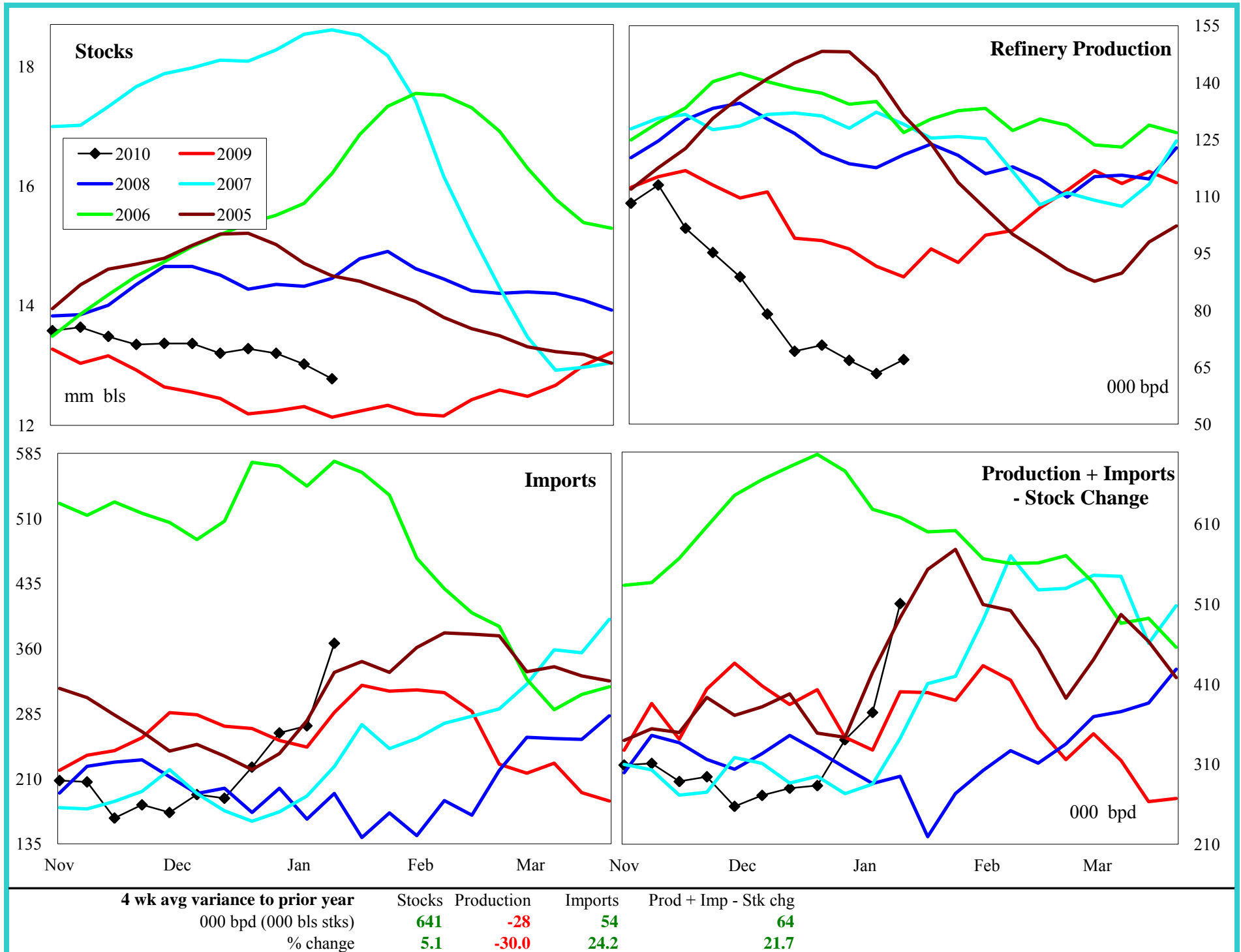
# PADD 1 Jet Fuel Supply



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

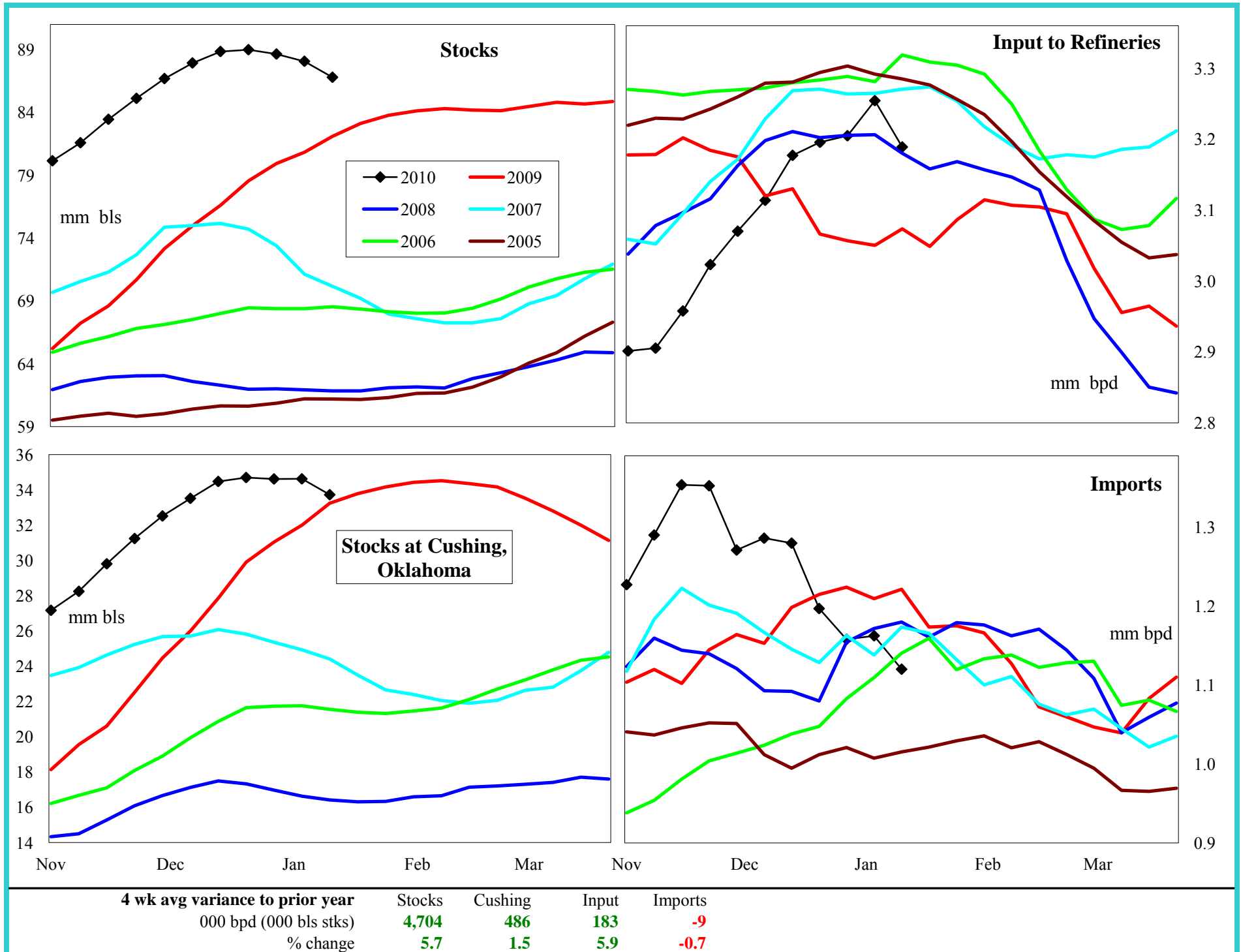
Stocks	Production	Imports	Prod + Imp - Stk chg
1,194	0	7	12
13.8	0.5	15.9	10.1

# PADD 1 Residual Fuel Oil Supply

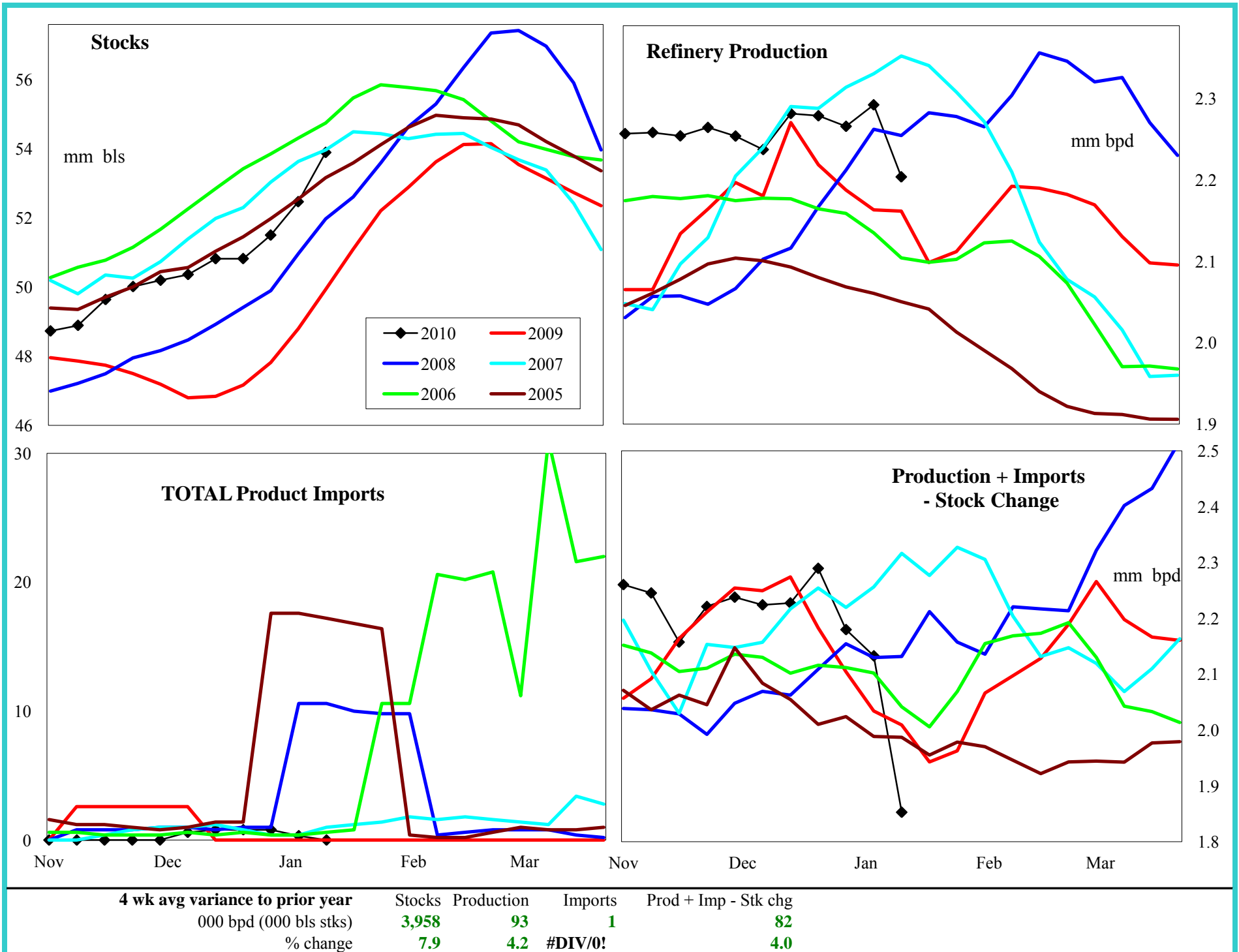




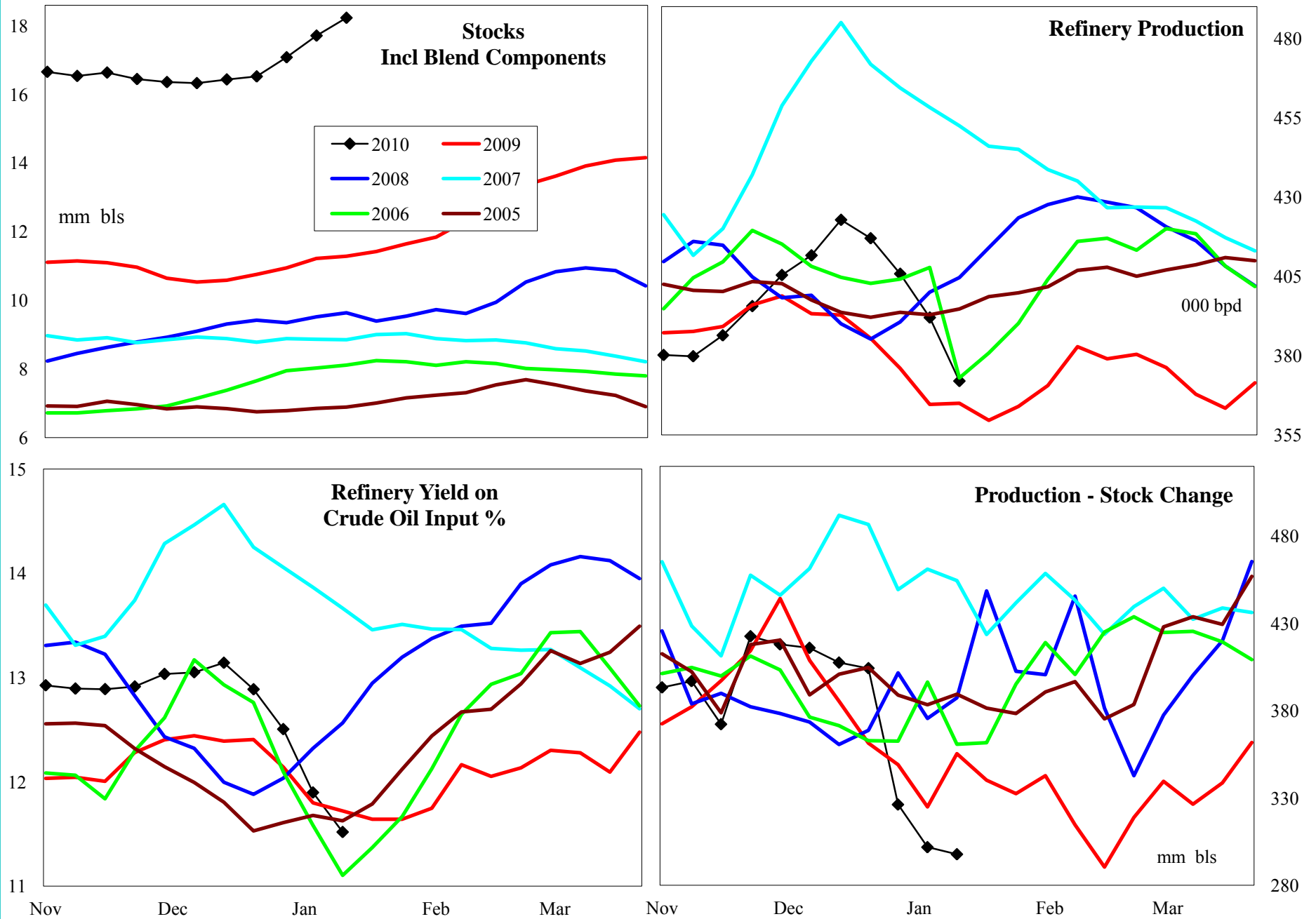
# PADD 2 Crude Oil Supply and Refining



# PADD 2 Gasoline Supply



## PADD 2 Reformulated Gasoline Supply

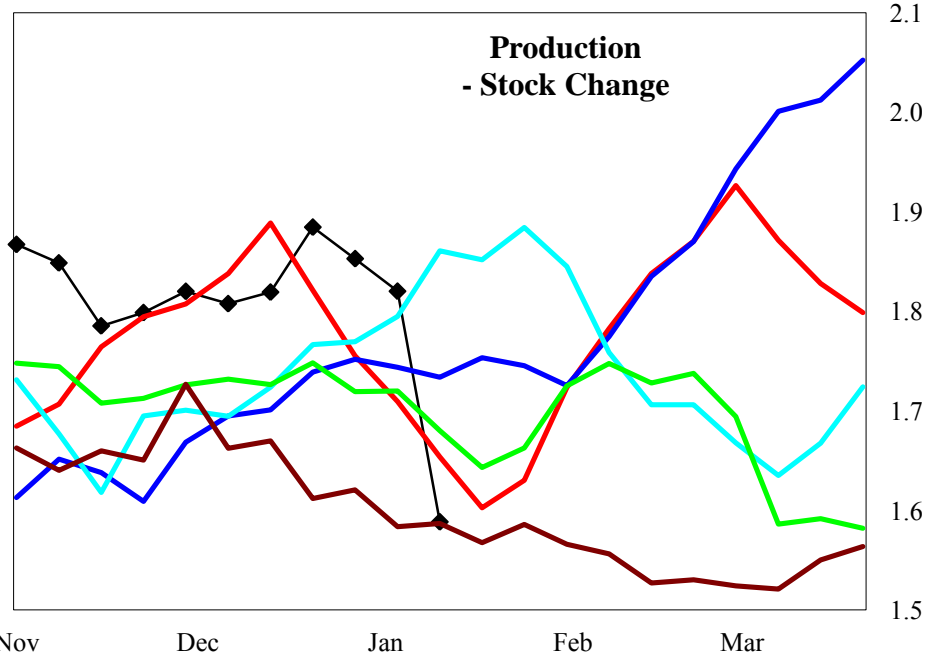
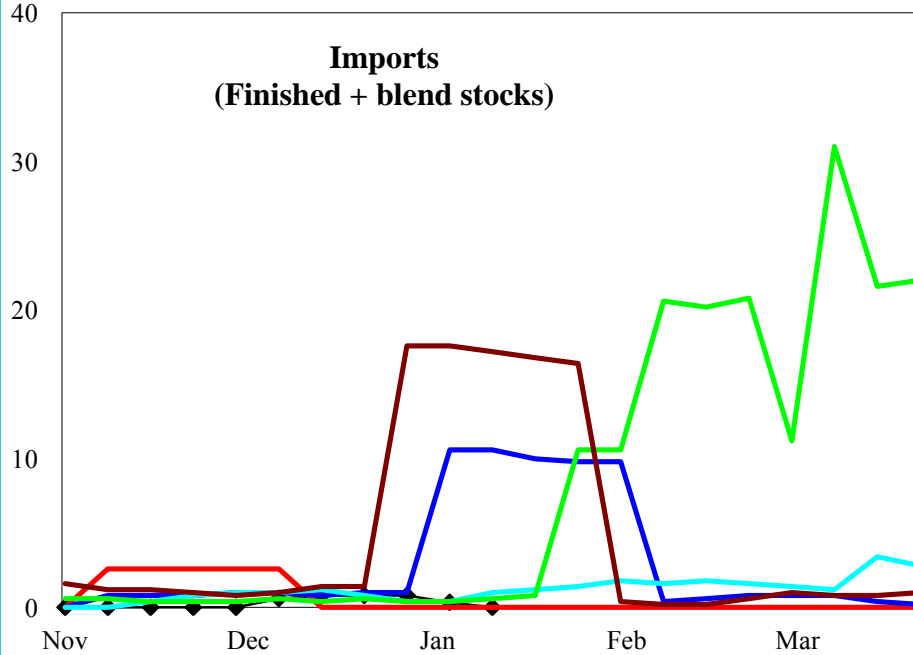
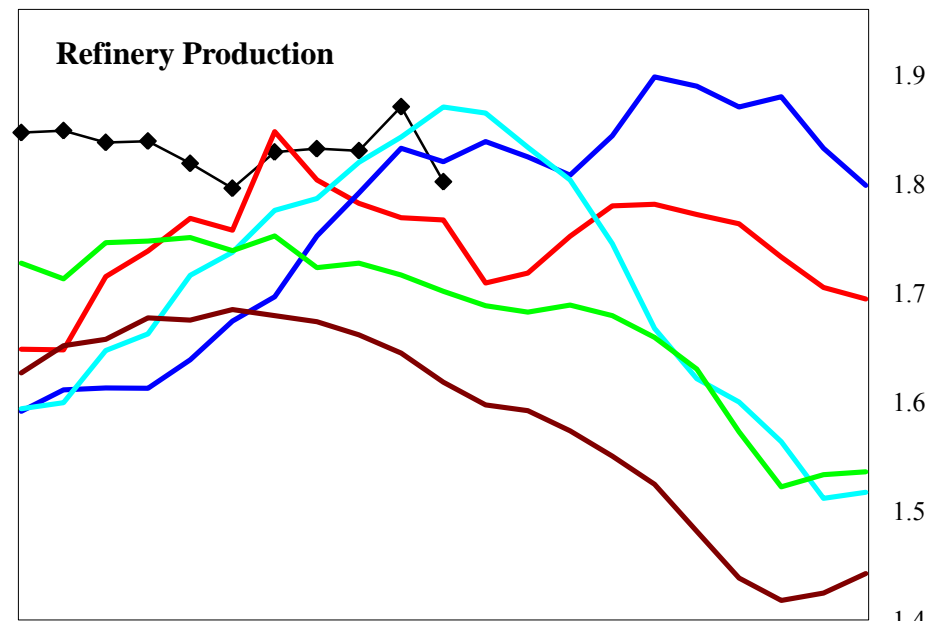
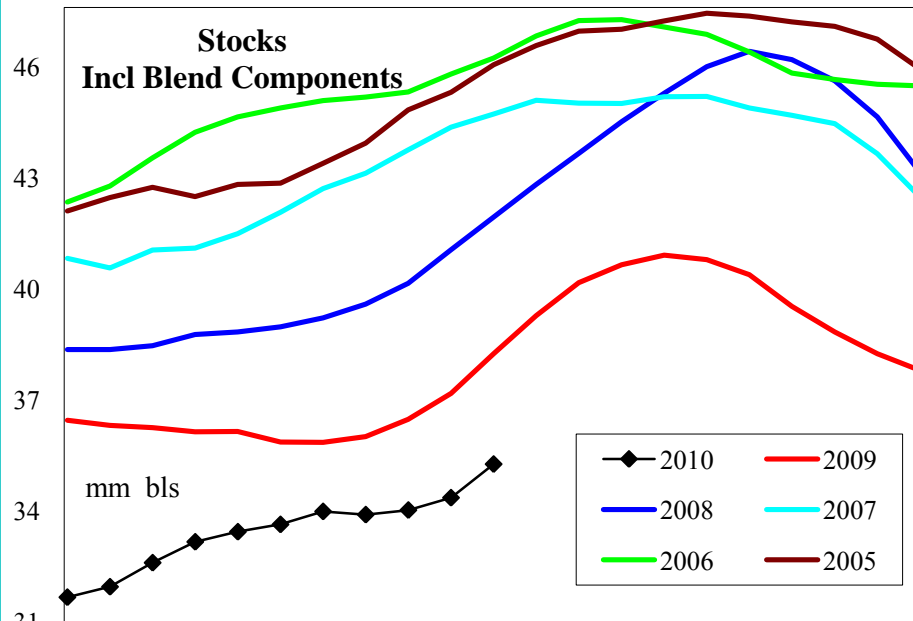


**4 wk avg variance to prior year**  
 000 bpd (000 bls stks)  
 % change

	Stocks	Production
000 bpd (000 bls stks)	6,943	24
% change	59.4	6.4

	Prod - Stk chg
000 bpd (000 bls stks)	-15
% change	-4.4

# PADD 2 Conventional Gasoline Supply

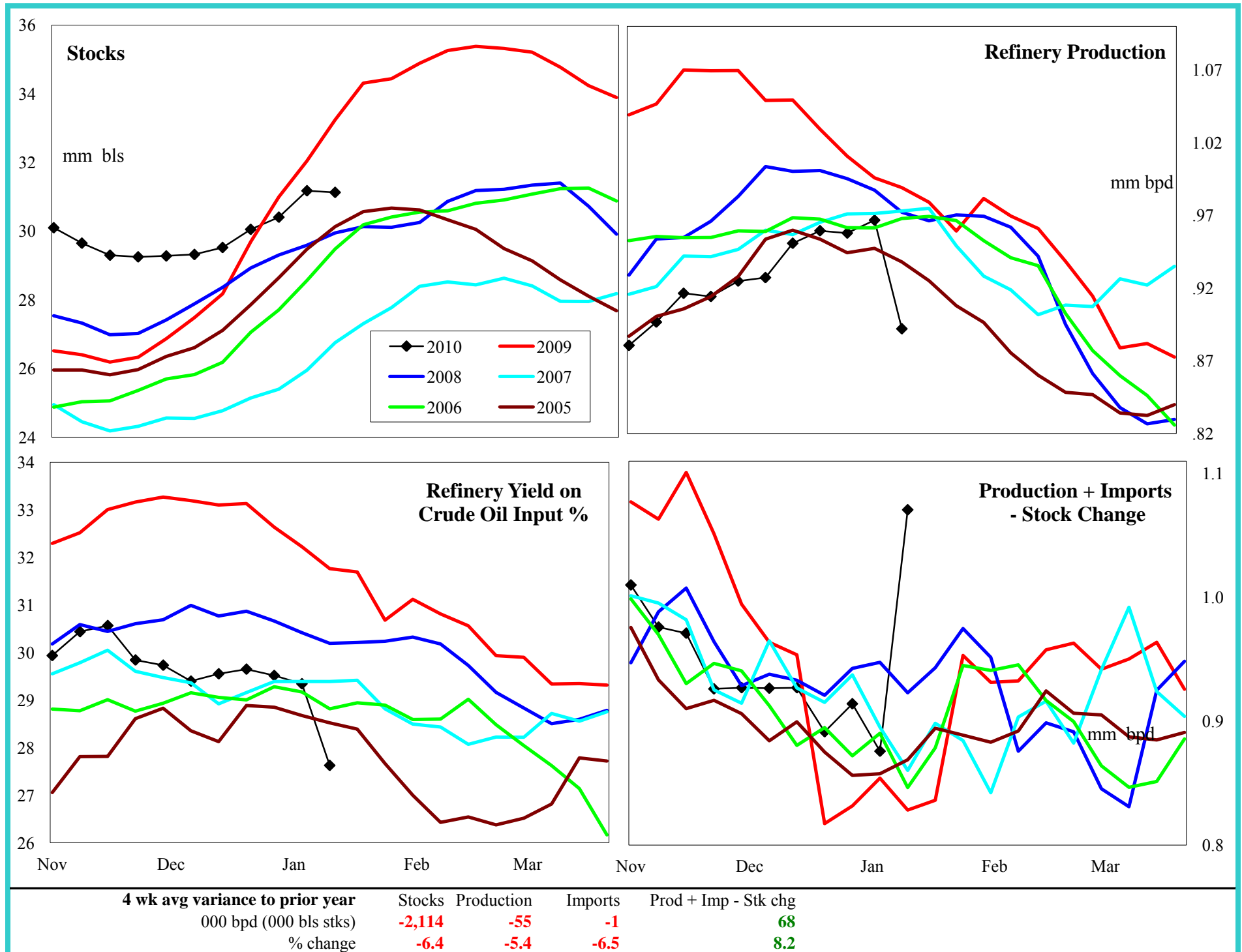


**4 wk avg variance to prior year**  
000 bpd (000 bbls stks)  
% change

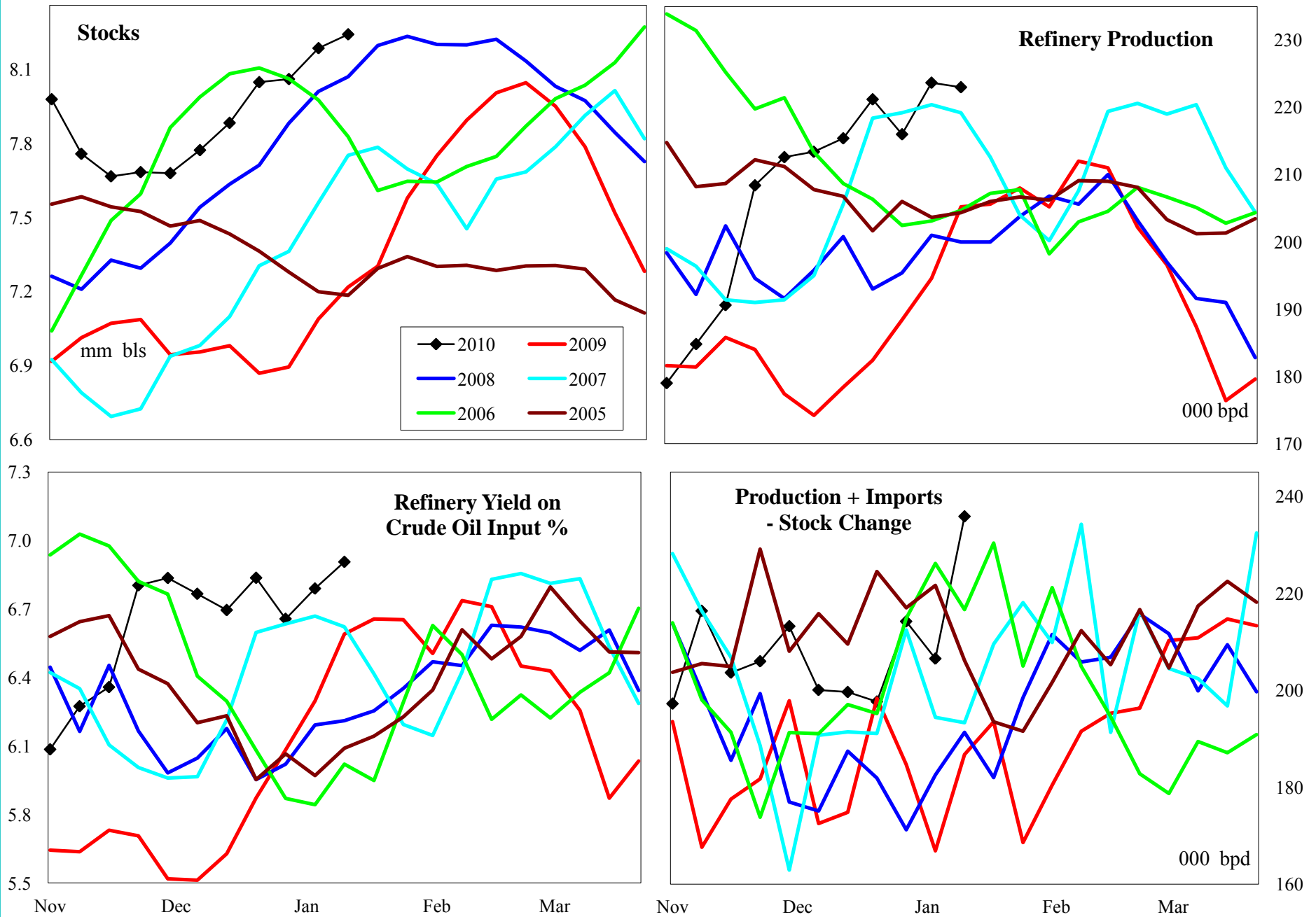
	Stocks	Production
000 bpd (000 bbls stks)	-2,849	62
% change	-7.4	3.4

	Prod - Stk chg
	91
	5.2

# PADD 2 Distillate Supply



# PADD 2 Jet Fuel Supply

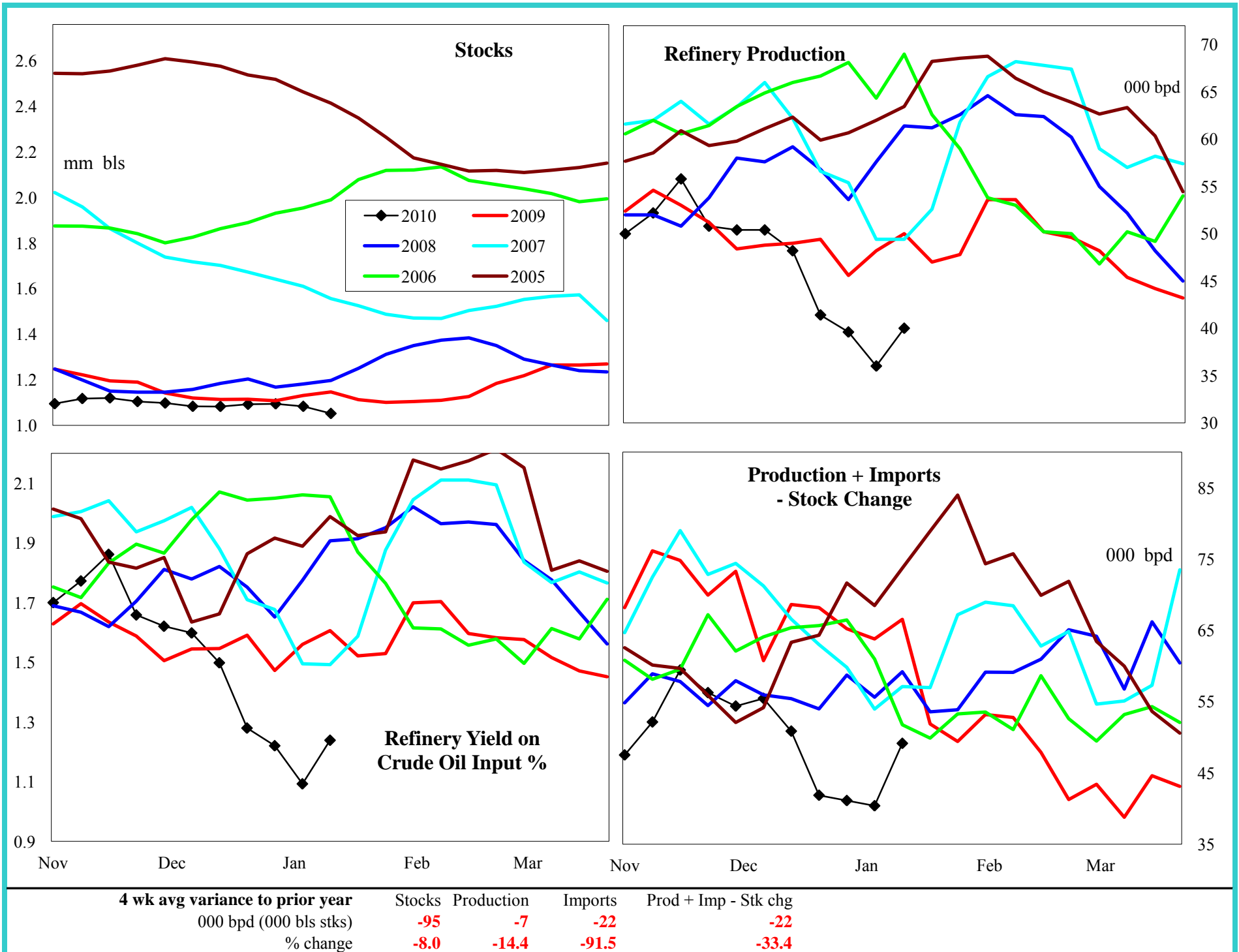


**4 wk avg variance to prior year**  
 000 bpd (000 bbls stks)  
 % change

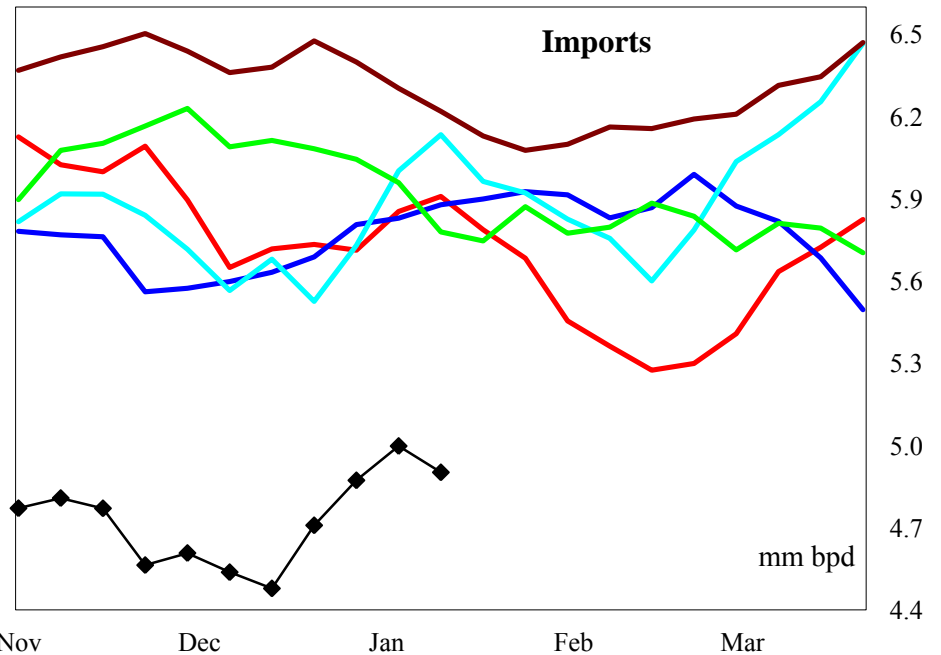
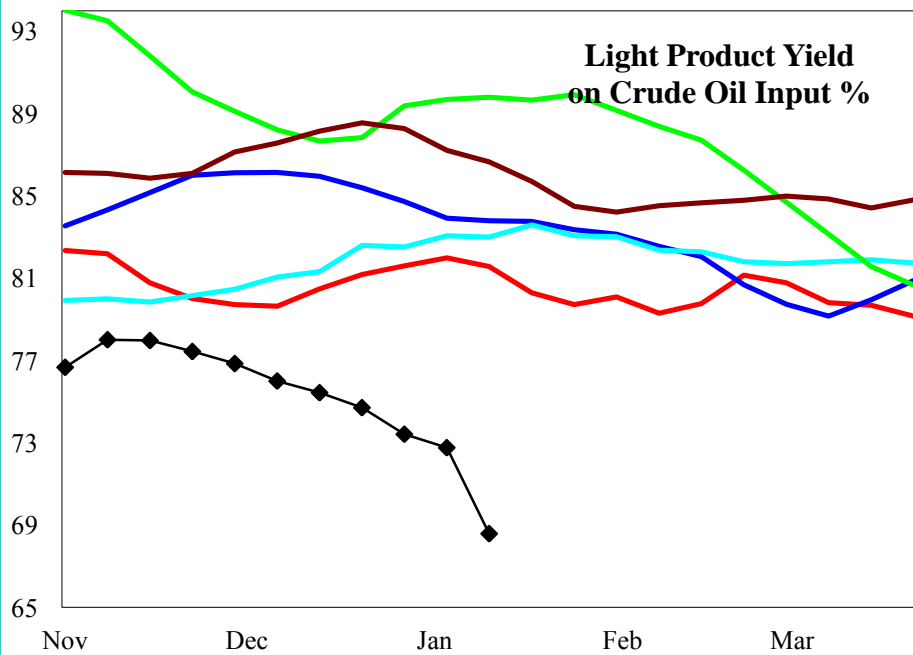
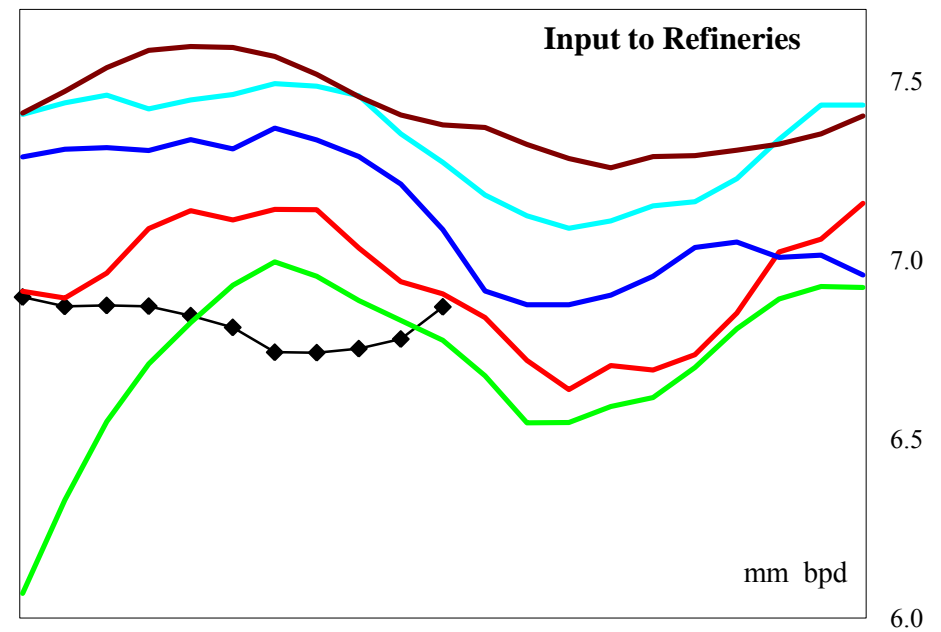
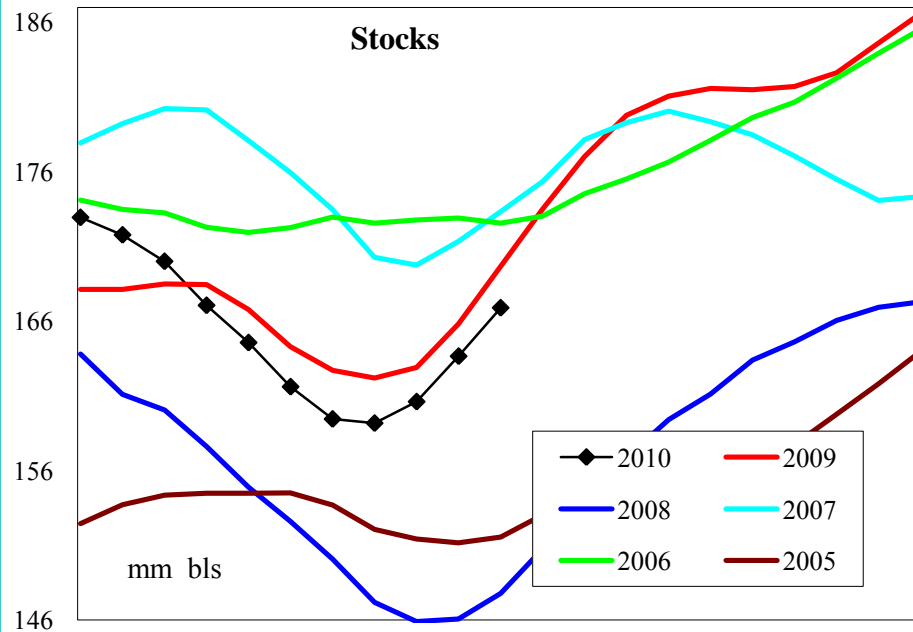
Stocks	Production	Imports	Prod + Imp - Stk chg
1,024	23	0	36
14.1	11.9	#DIV/0!	20.9



# PADD 2 Residual Fuel Oil Supply



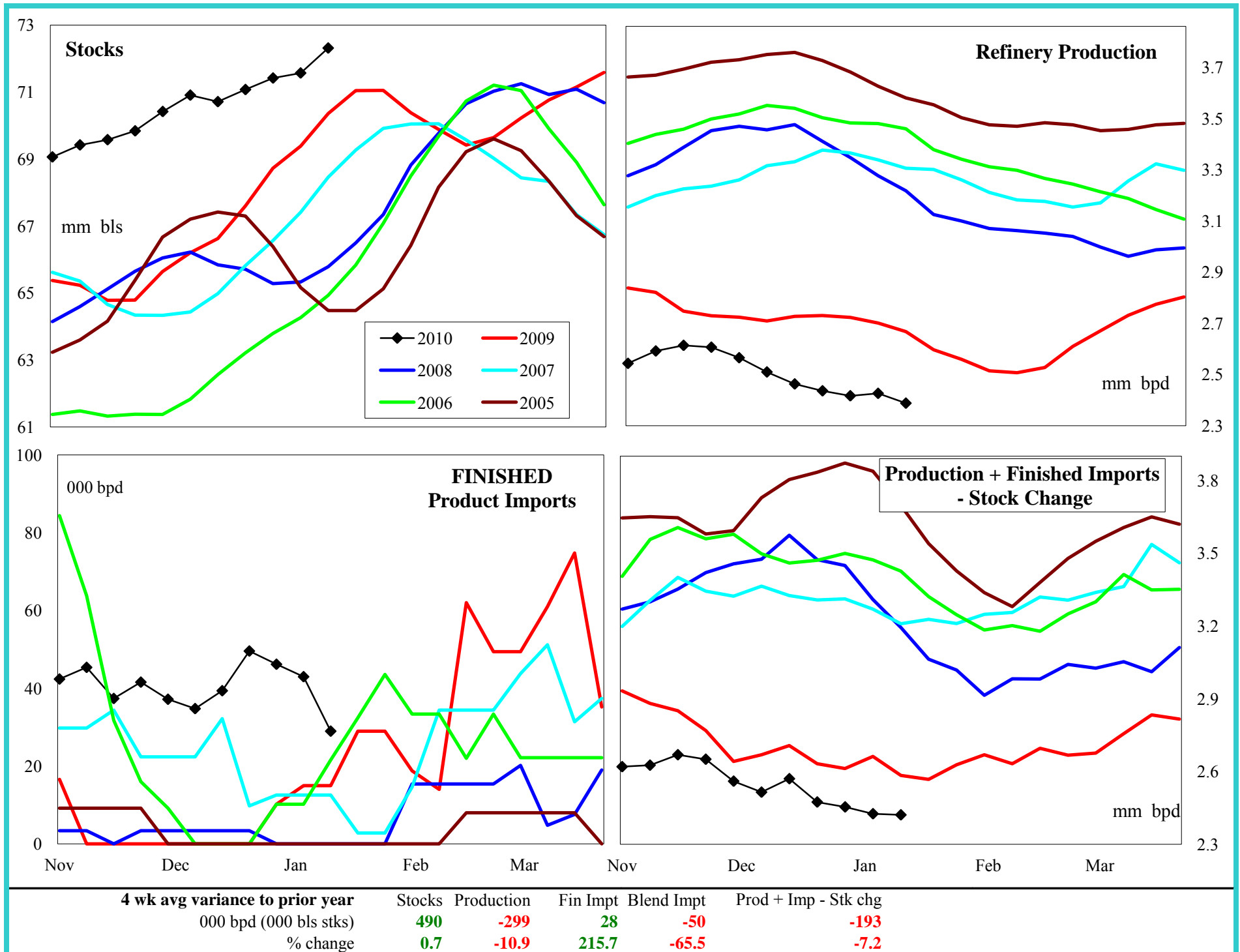
# PADD 3 Crude Oil Supply and Refining



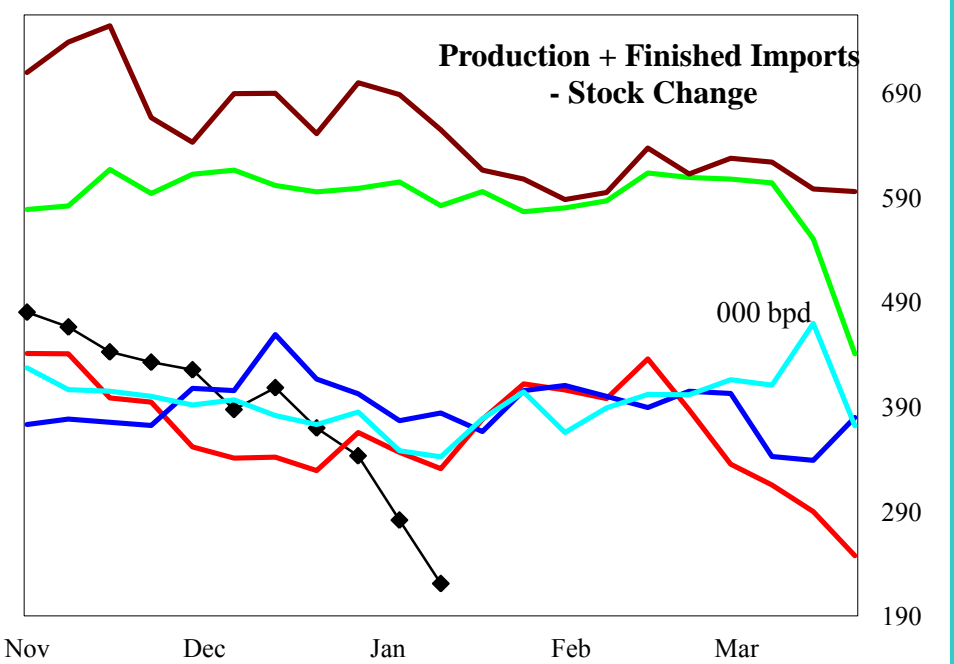
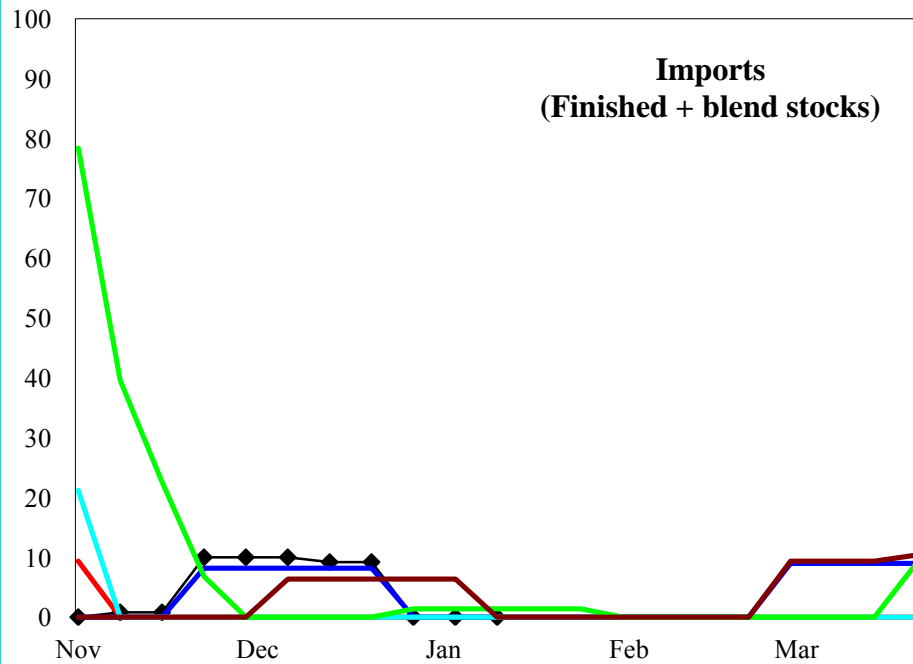
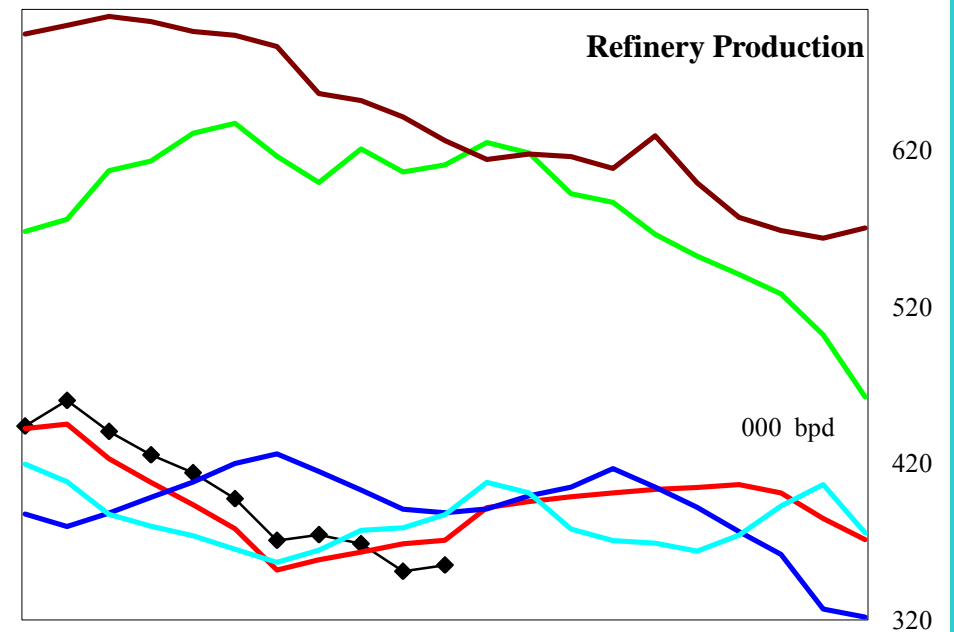
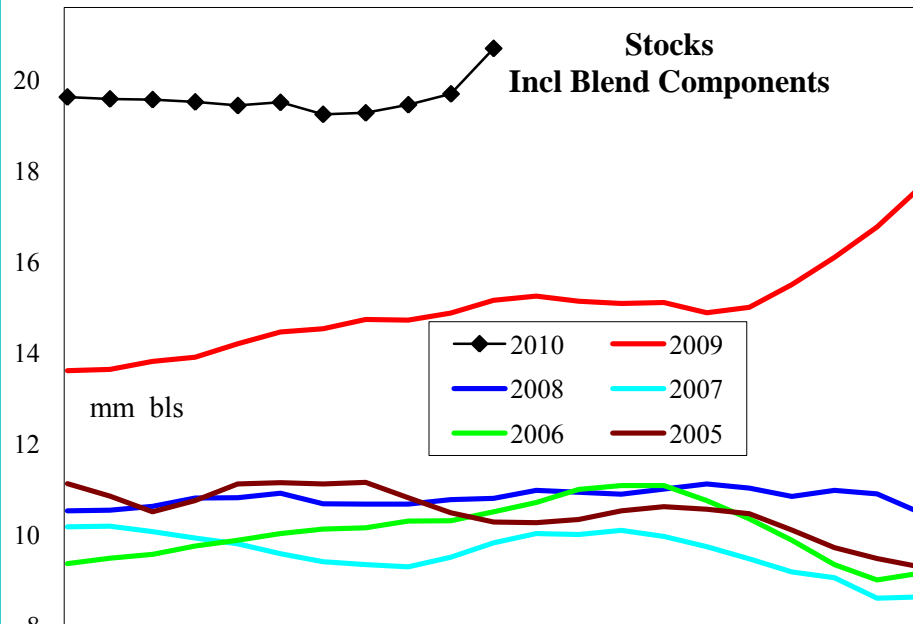
**4 wk avg variance to prior year**  
000 bpd (000 bbls stks)  
% change

	Stocks	Input	Imports
000 bpd (000 bbls stks)	-2,779	-219	-916
% change	-1.6	-3.1	-15.6

# PADD 3 Gasoline Supply



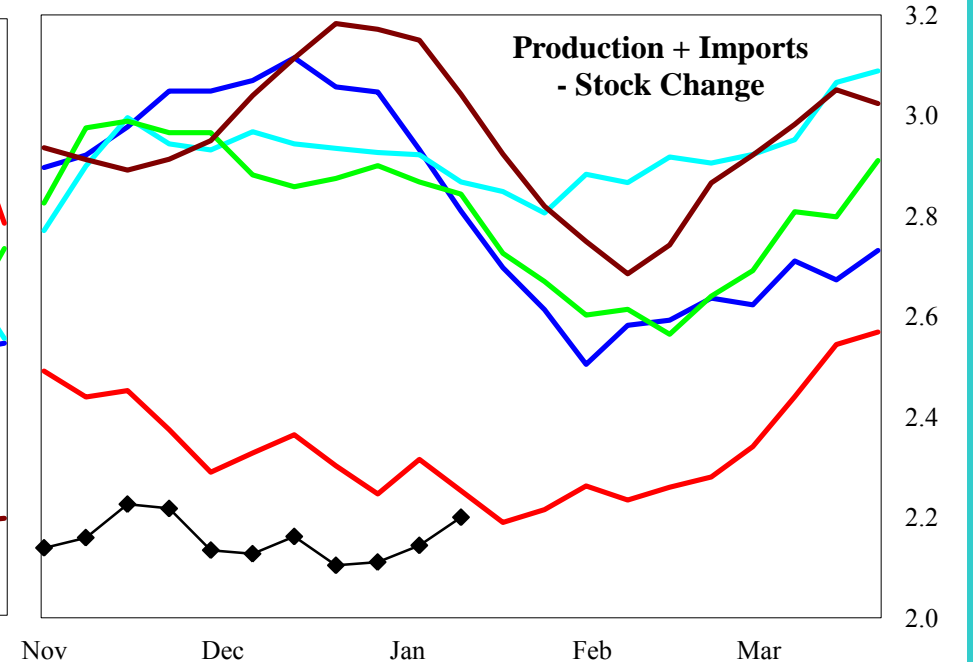
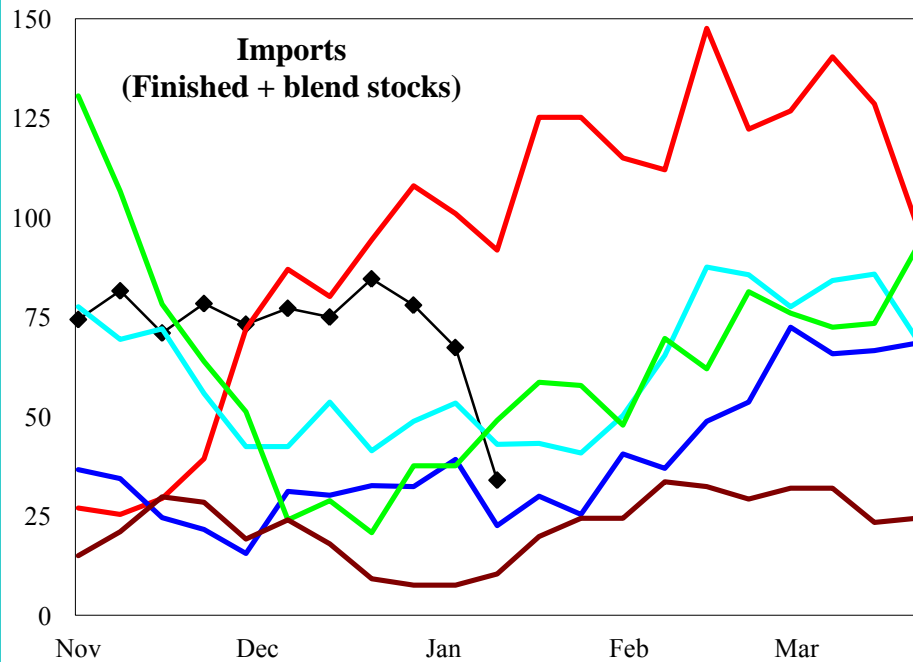
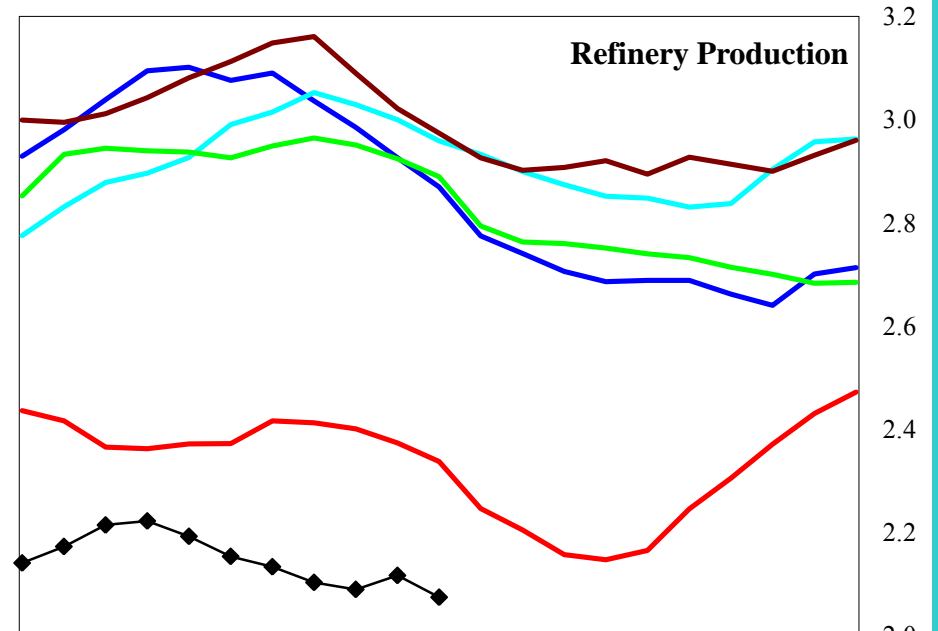
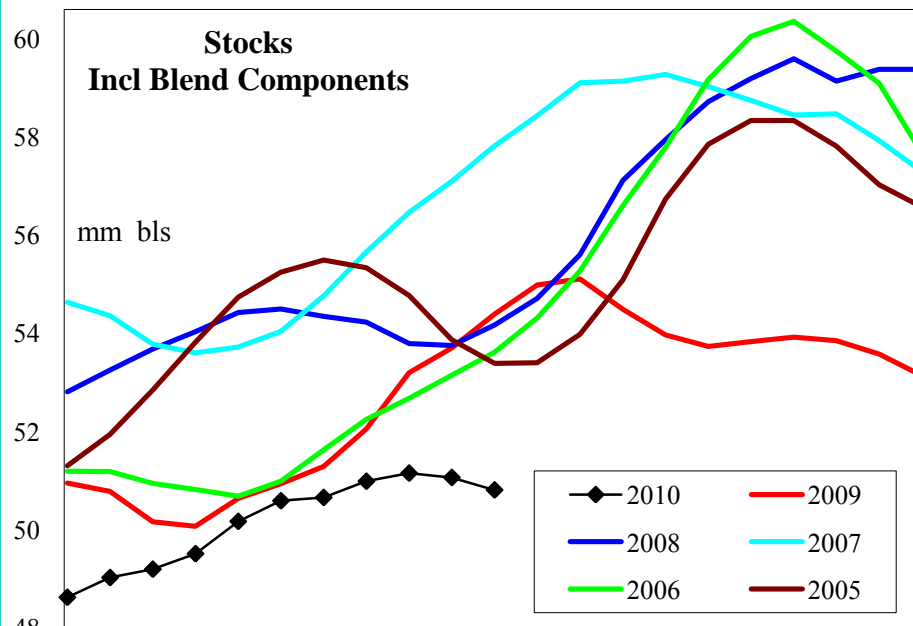
# PADD 3 Reformulated Gasoline Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
6,134	0	0	-65
41.0	0.0	#DIV/0!	-17.8

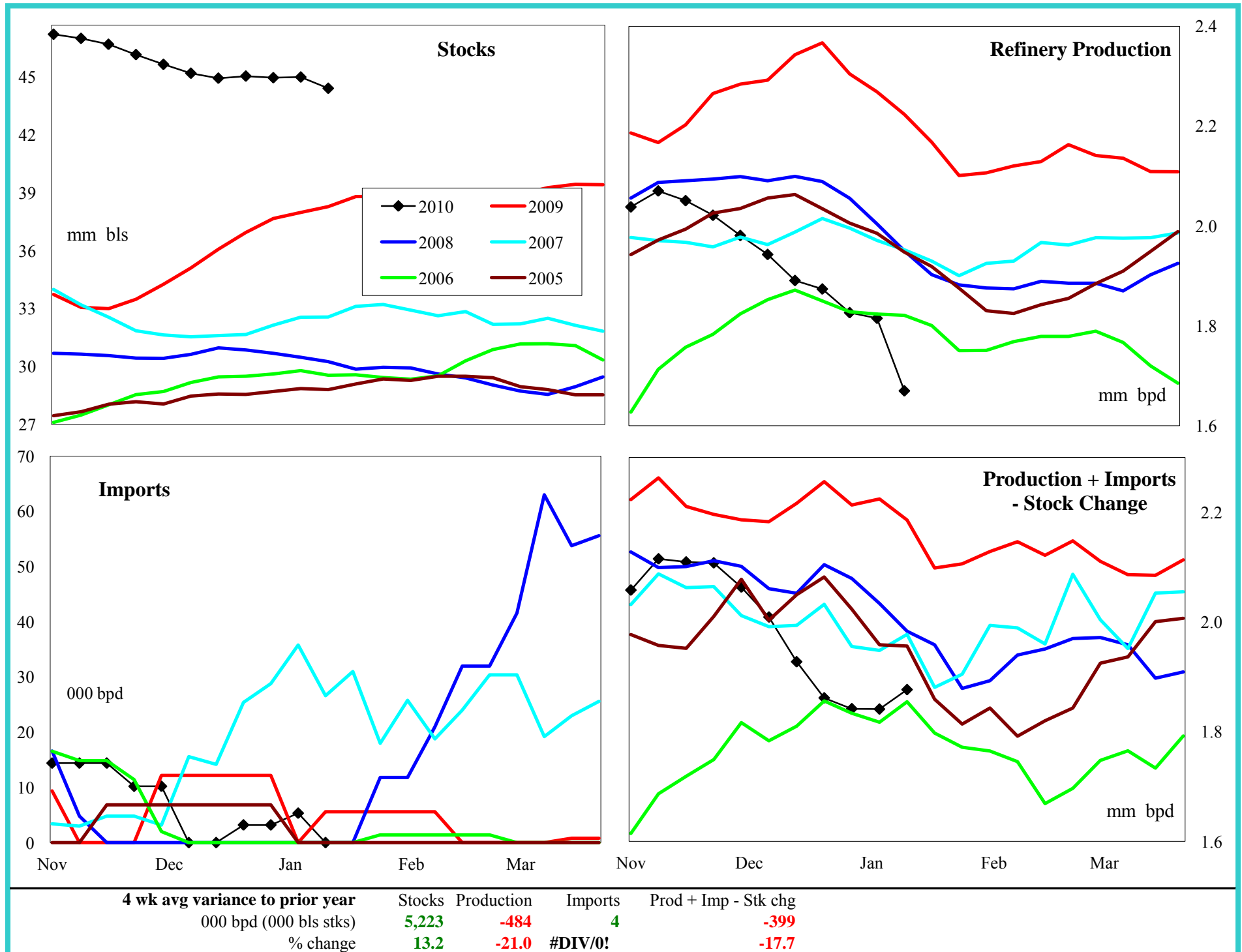
# PADD 3 Conventional Gasoline Supply



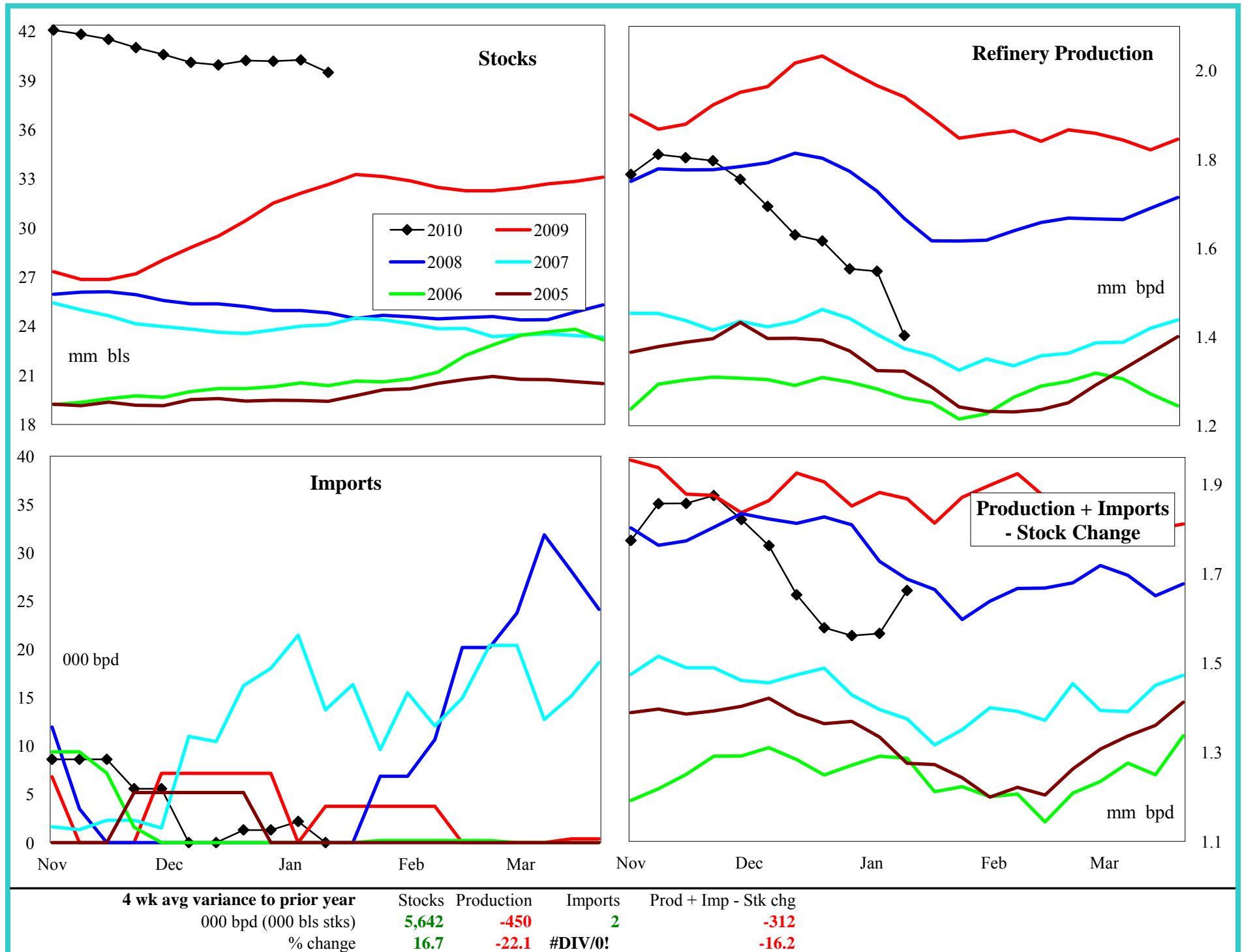
**4 wk avg variance to prior year**  
 000 bpd (000 bls stks)  
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
-5,644	-299	-23	-129
-9.9	-12.5	-25.4	-5.6

# PADD 3 Distillate Supply

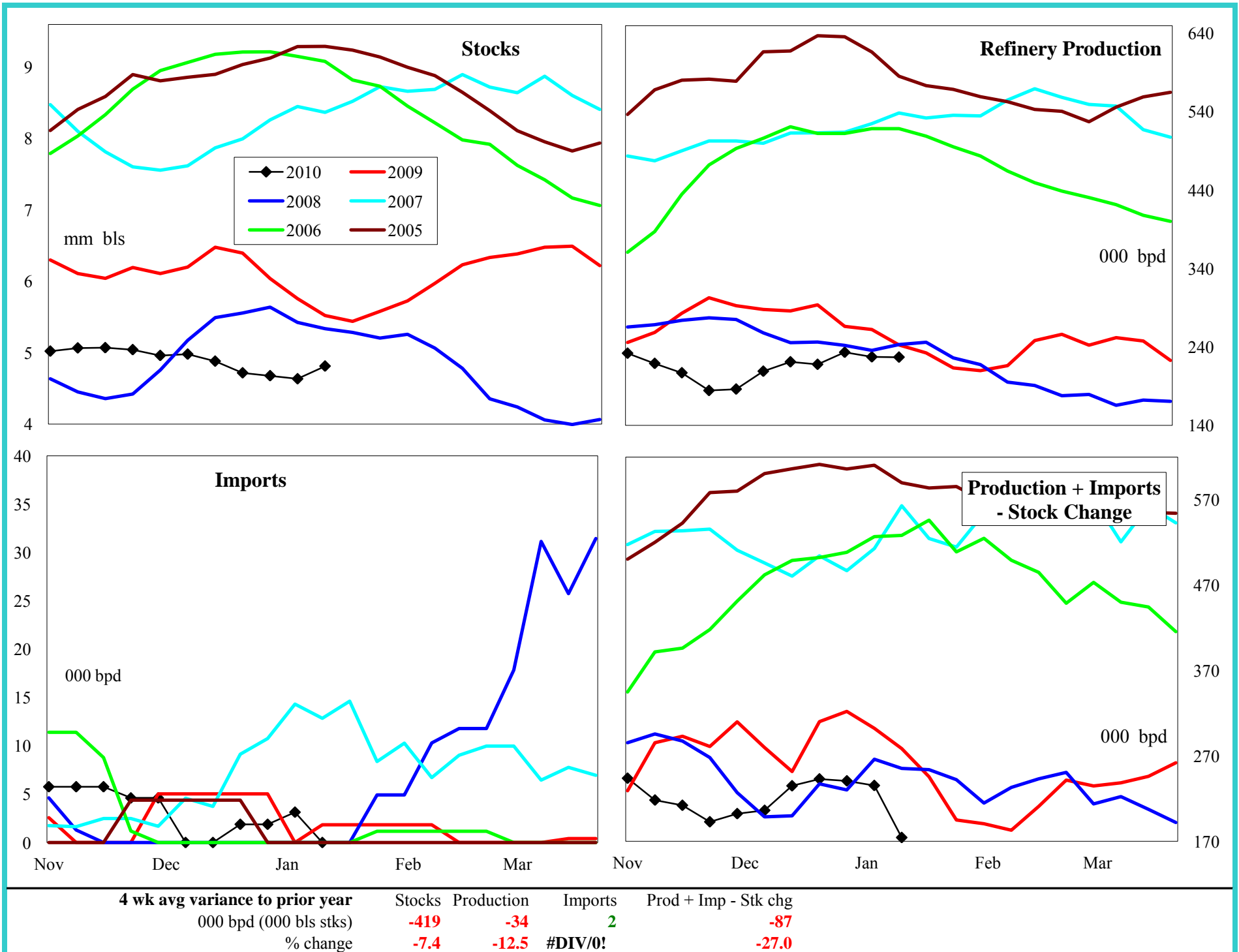


# PADD 3 Low Sulfur Distillate Supply

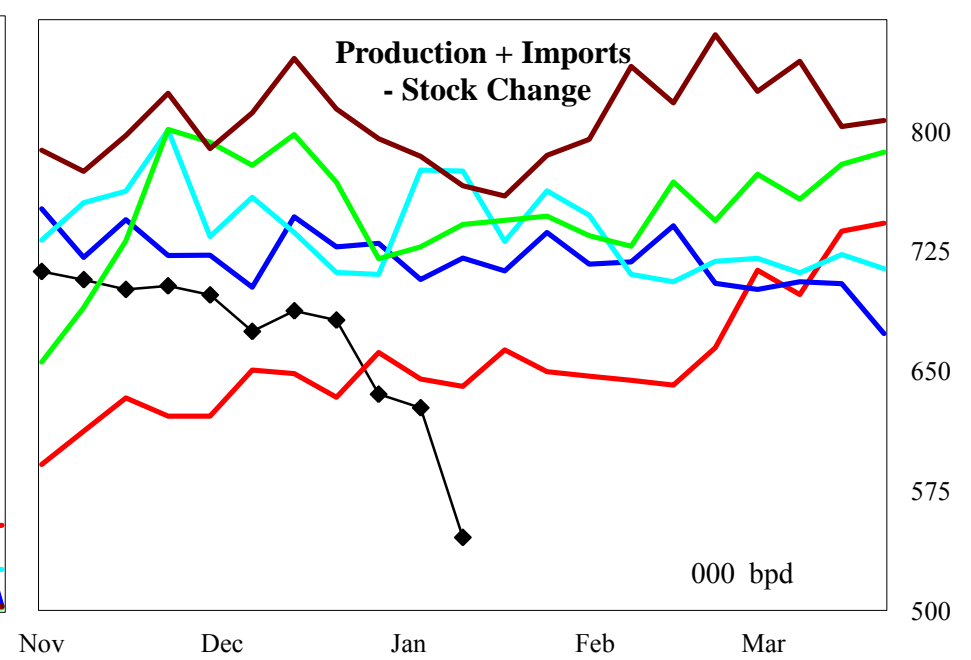
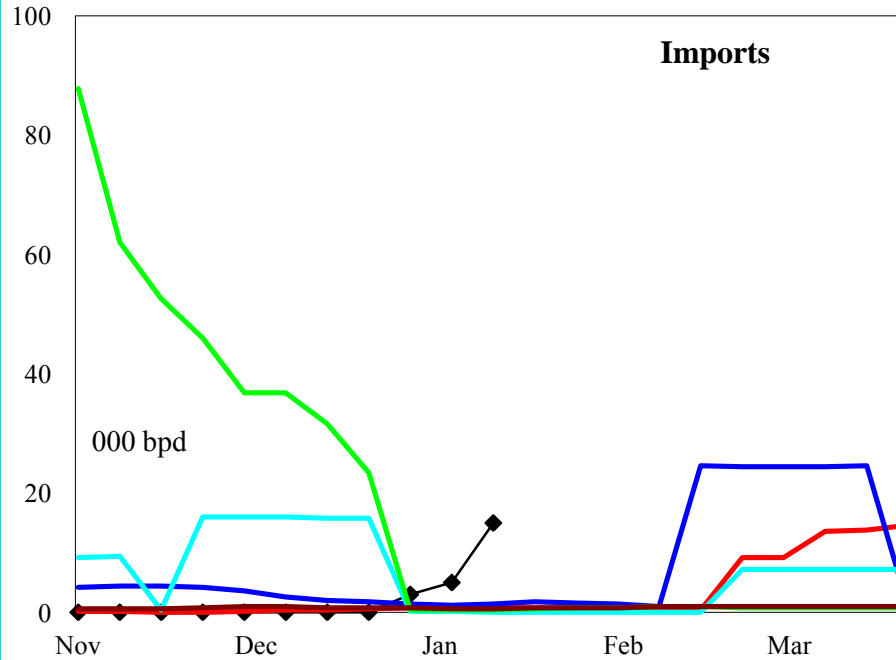
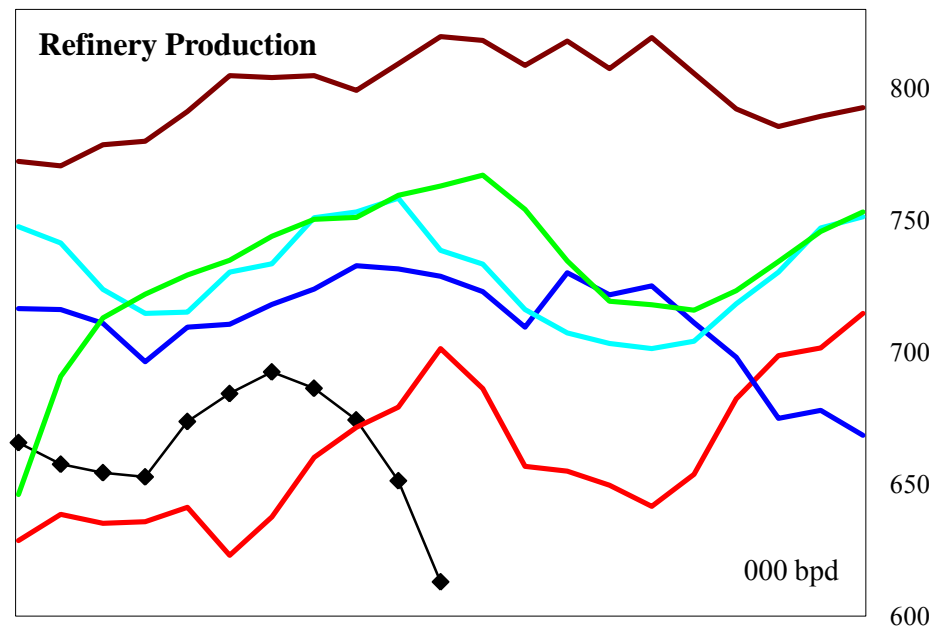
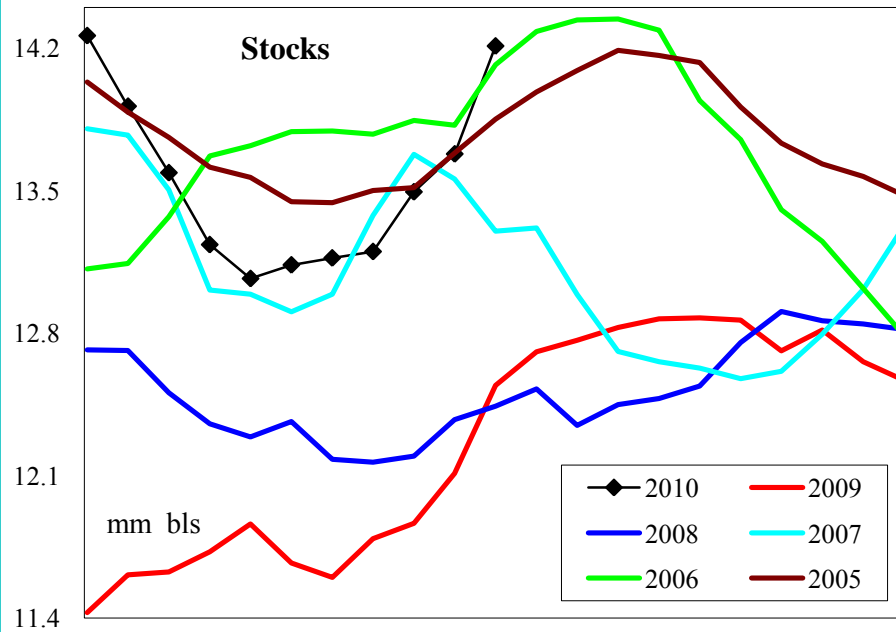




# PADD 3 High Sulfur Distillate Supply



# PADD 3 Jet Fuel Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

1,668

-5

3

-37

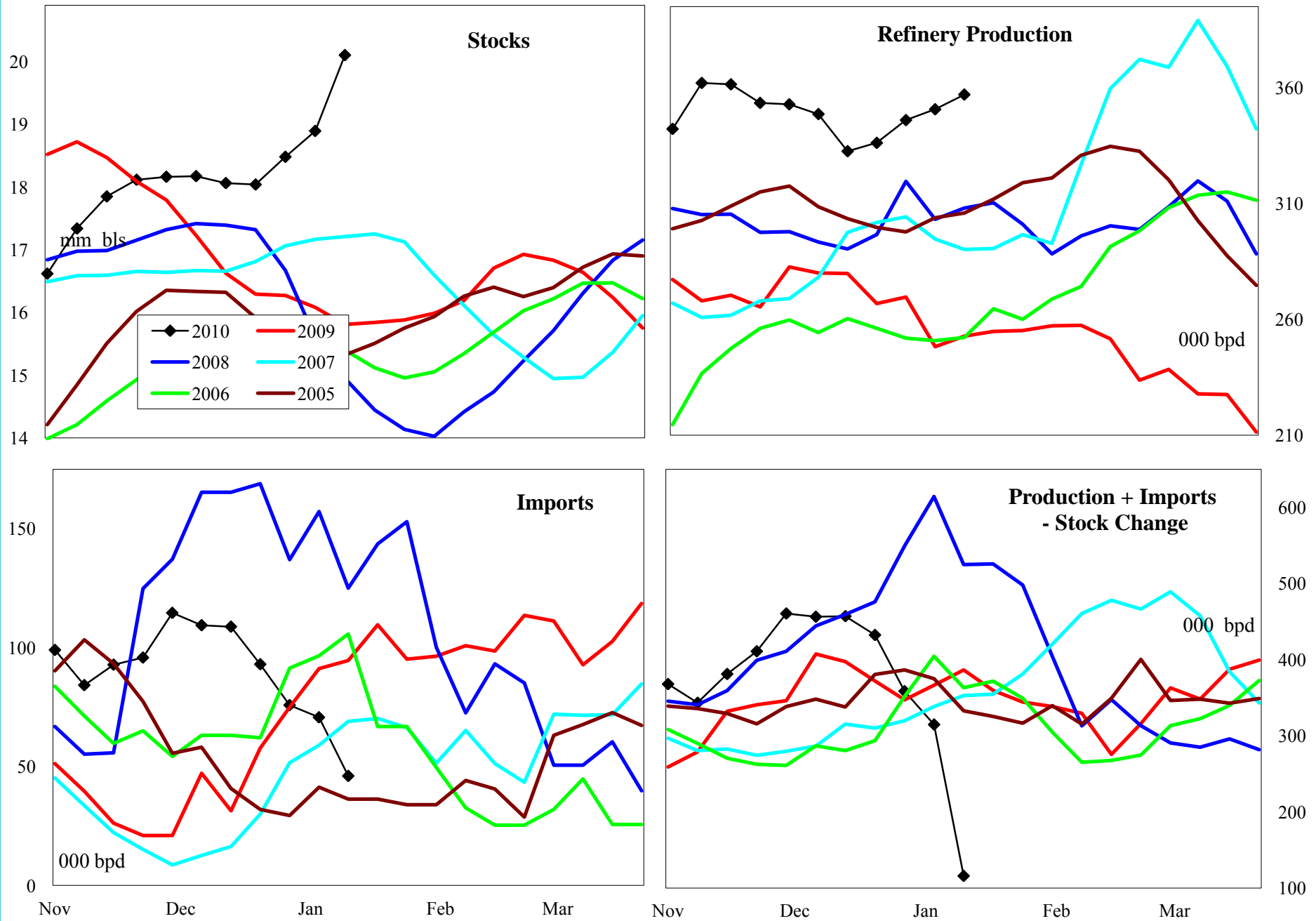
13.3

-0.7

400.0

-5.7

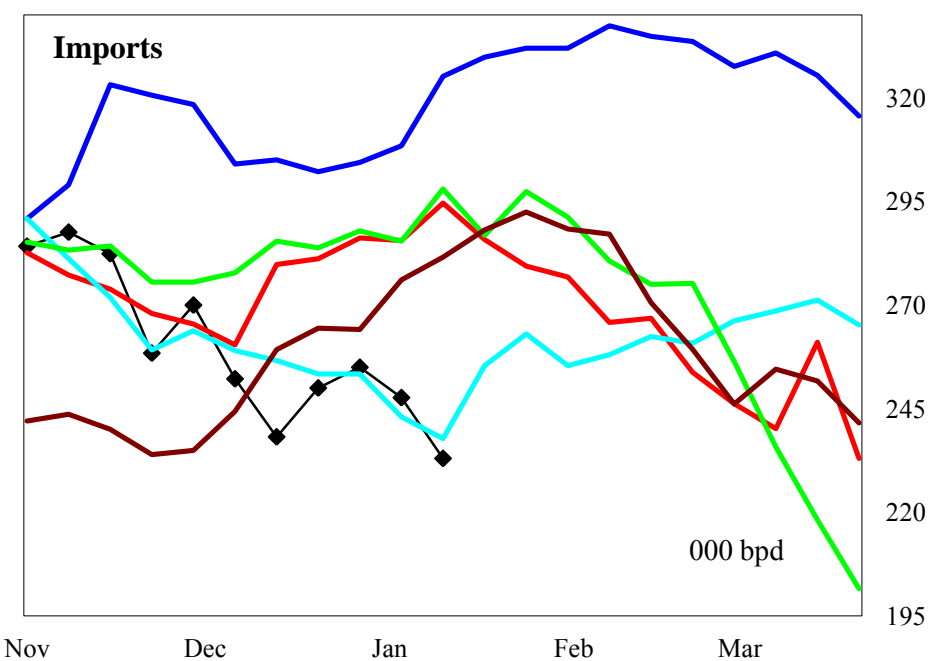
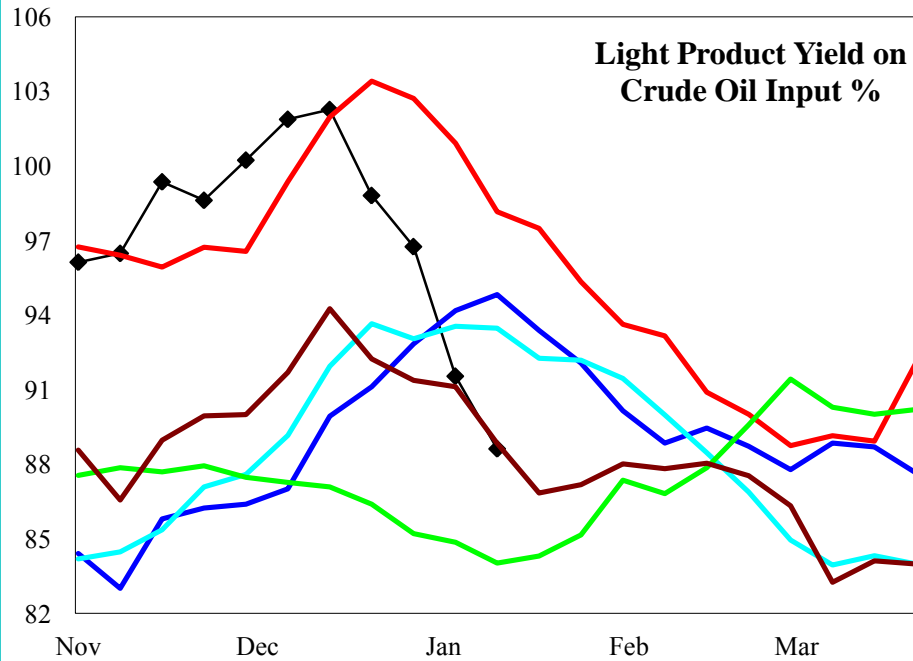
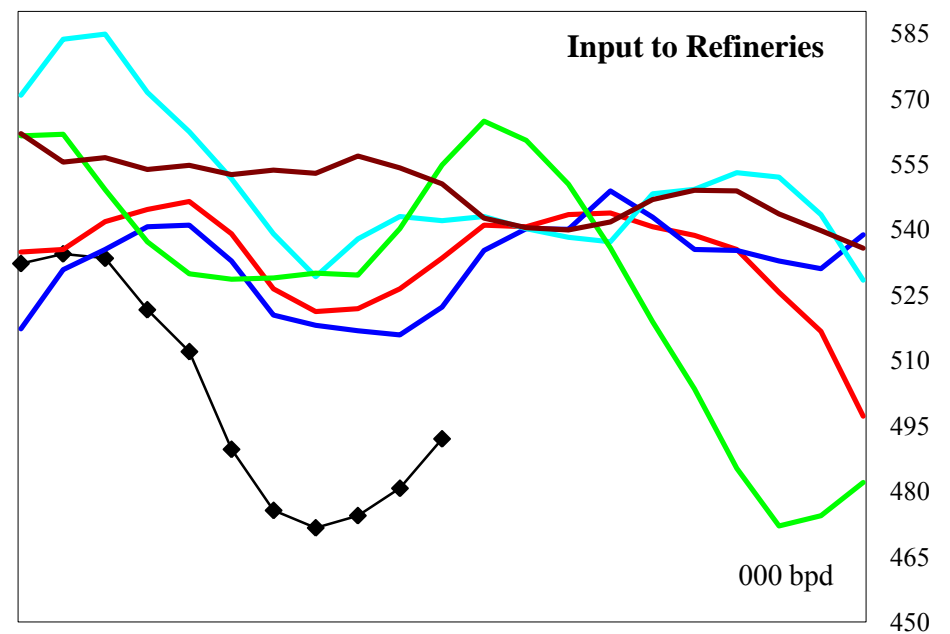
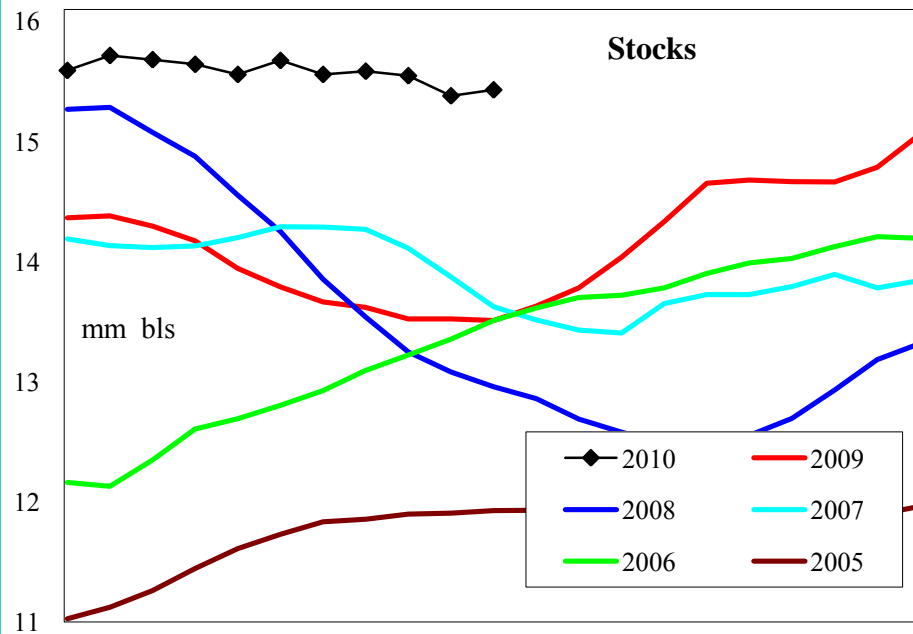
# PADD 3 Residual Fuel Oil Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
4,295	103	-24	-32
27.0	41.2	-25.6	-8.7

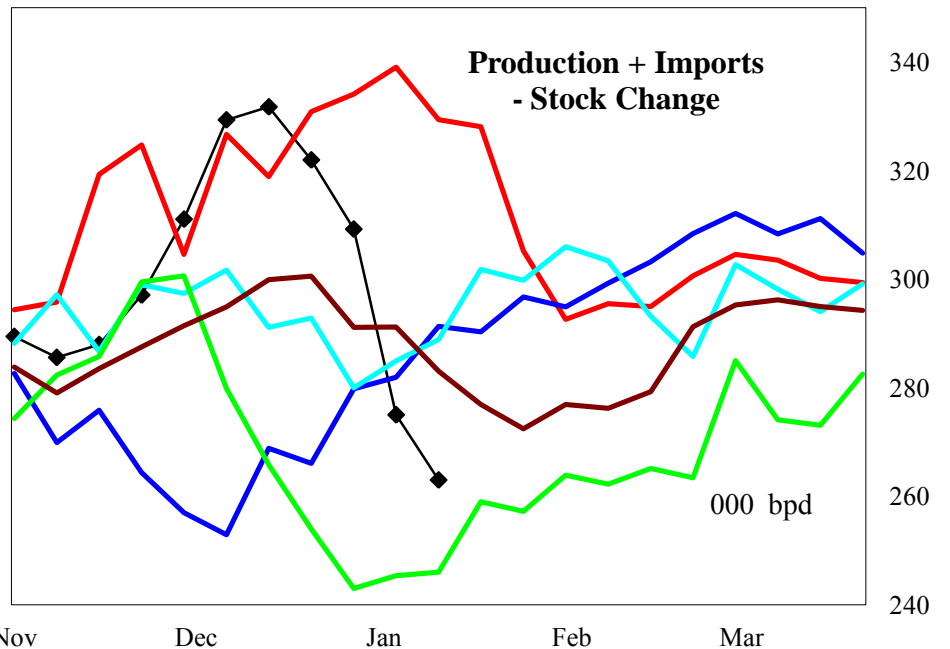
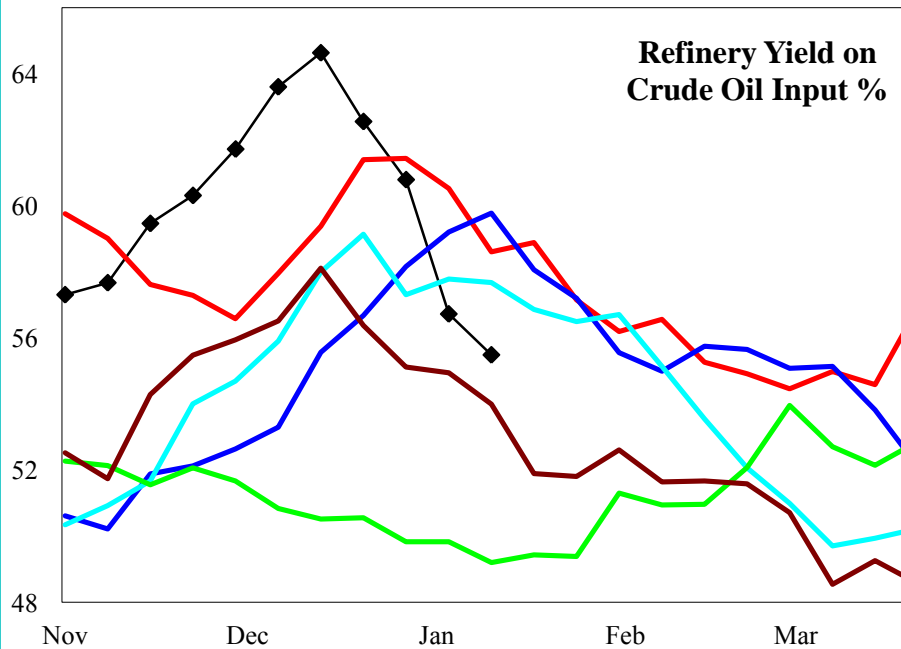
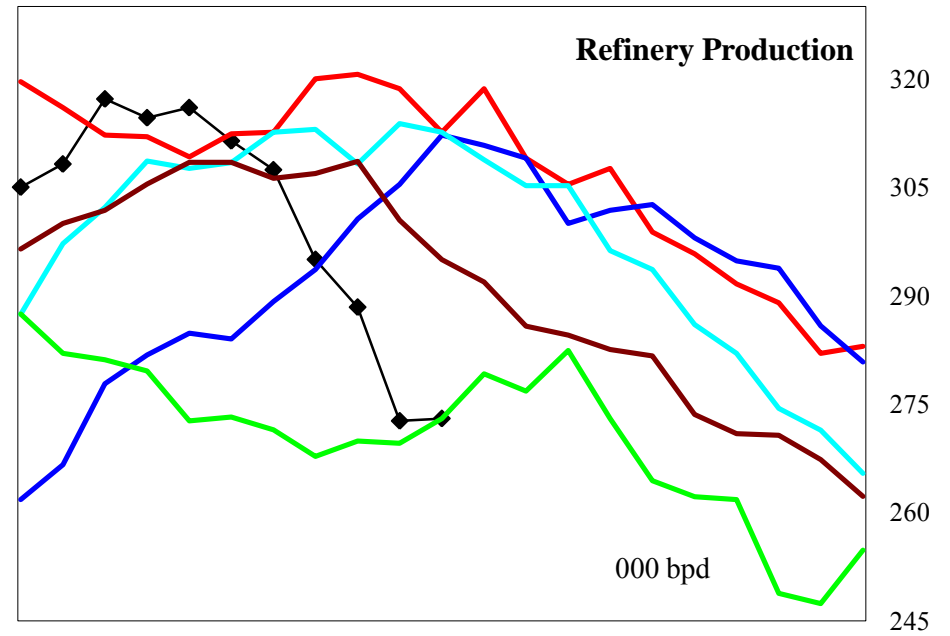
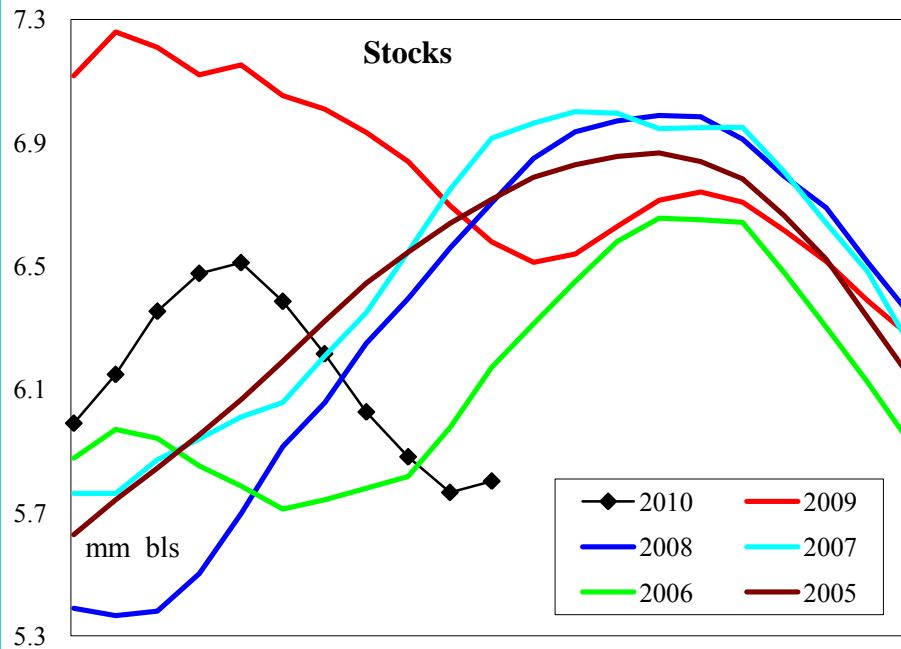
# PADD 4 Crude Oil Supply and Refining



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

	Stocks	Input	Imports
000 bpd (000 bls stks)	1,922	-53	-46
% change	13.9	-10.1	-16.3

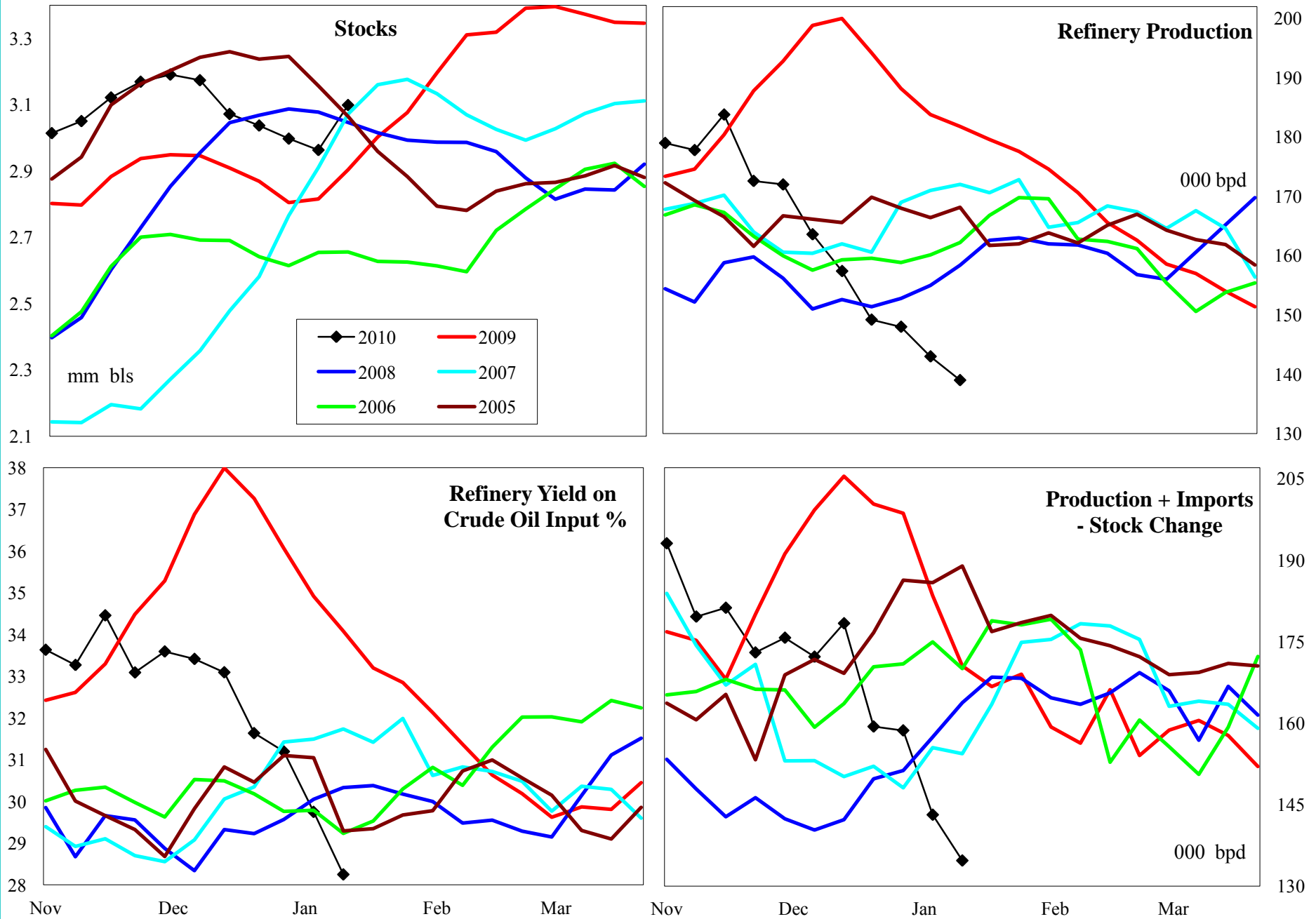
# PADD 4 Gasoline Supply



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

	Stocks	Production	Prod + Imp - Stk chg
	-776	-40	-46
	-11.8	-12.5	-13.3

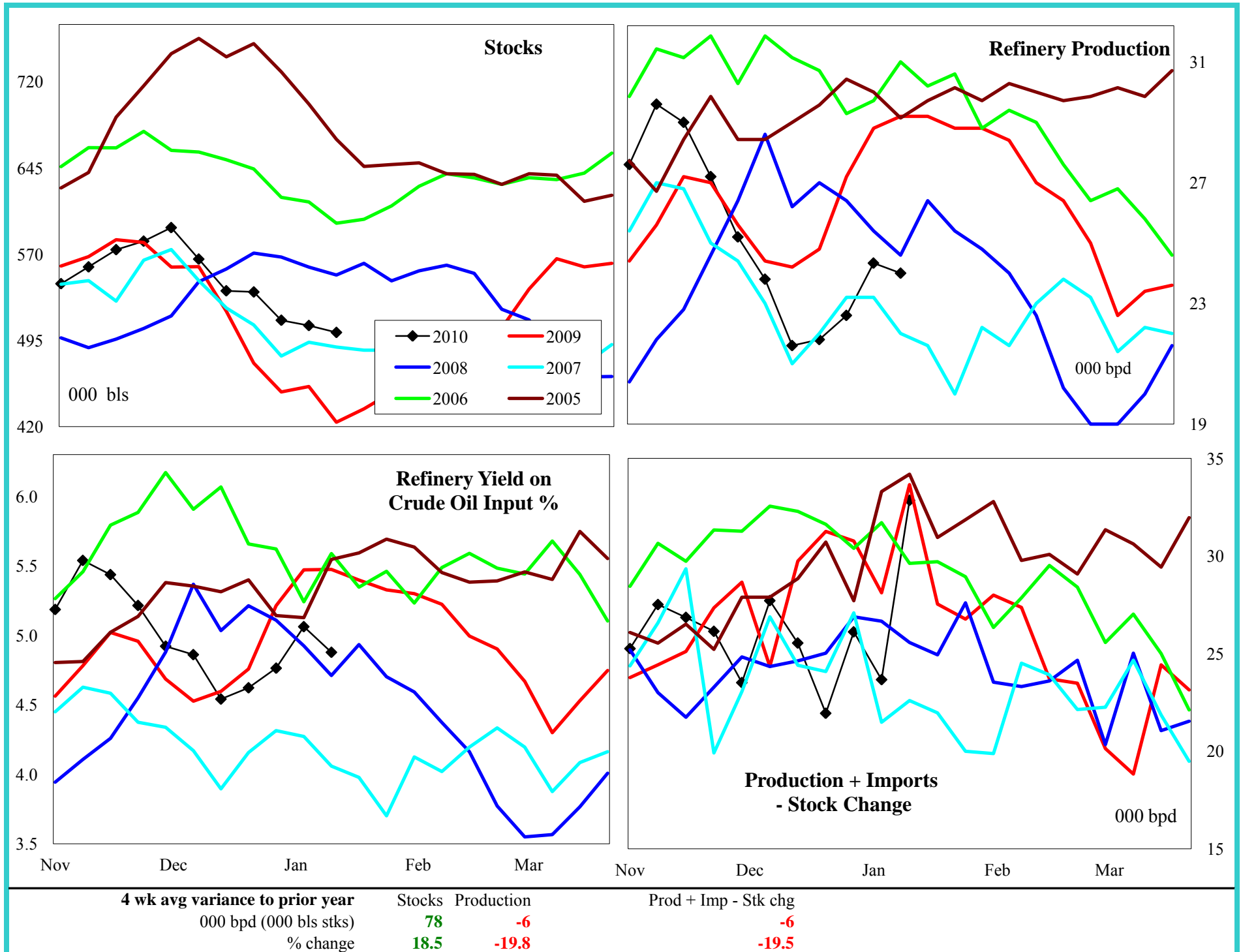
# PADD 4 Distillate Supply



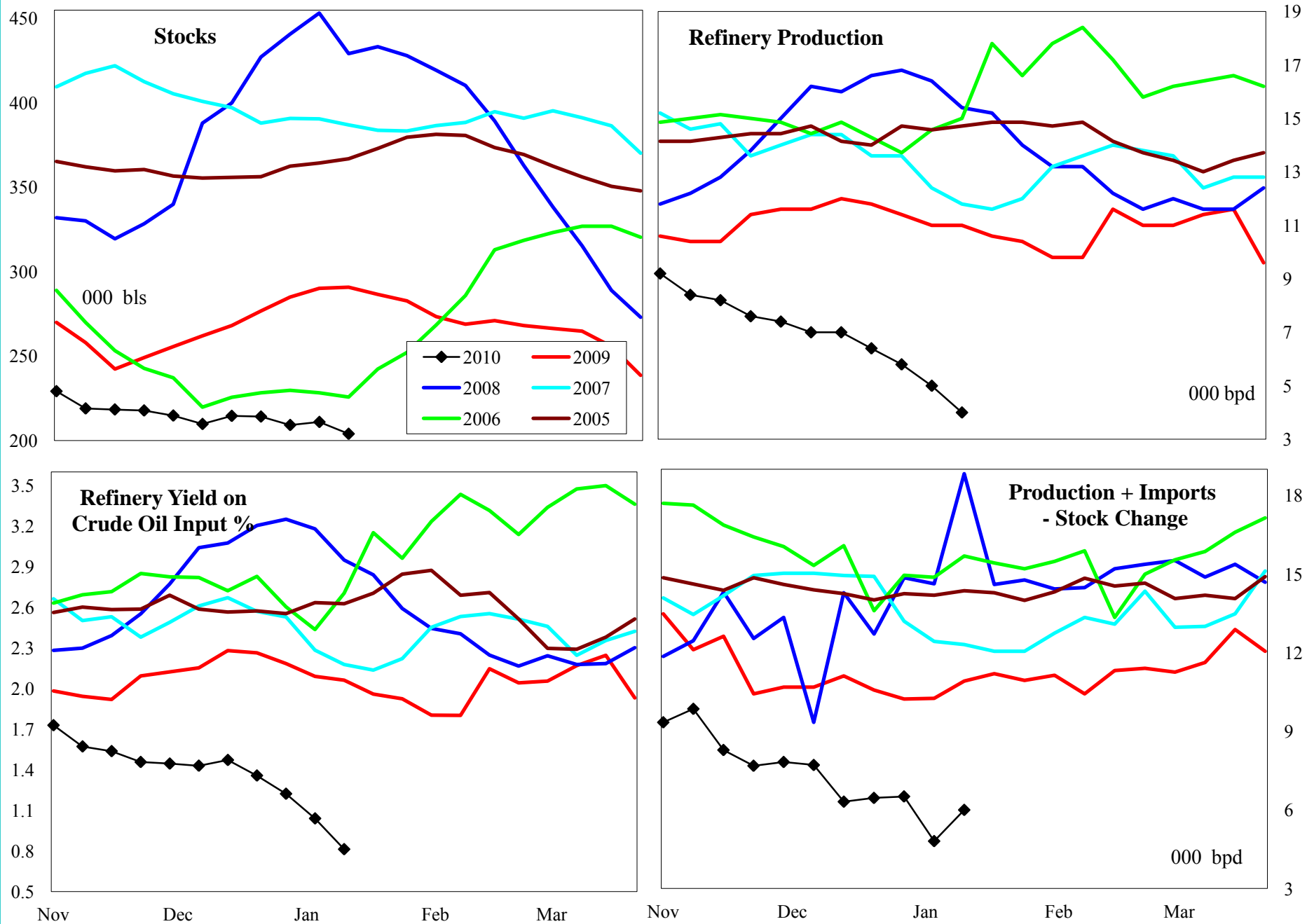
**4 wk avg variance to prior year**  
 000 bpd (000 bls stks)  
 % change

	Stocks	Production	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	195	-43	3	-37
% change	6.6	-23.1	216.7	-18.3

# PADD 4 Jet Fuel Supply



# PADD 4 Residual Fuel Oil Supply

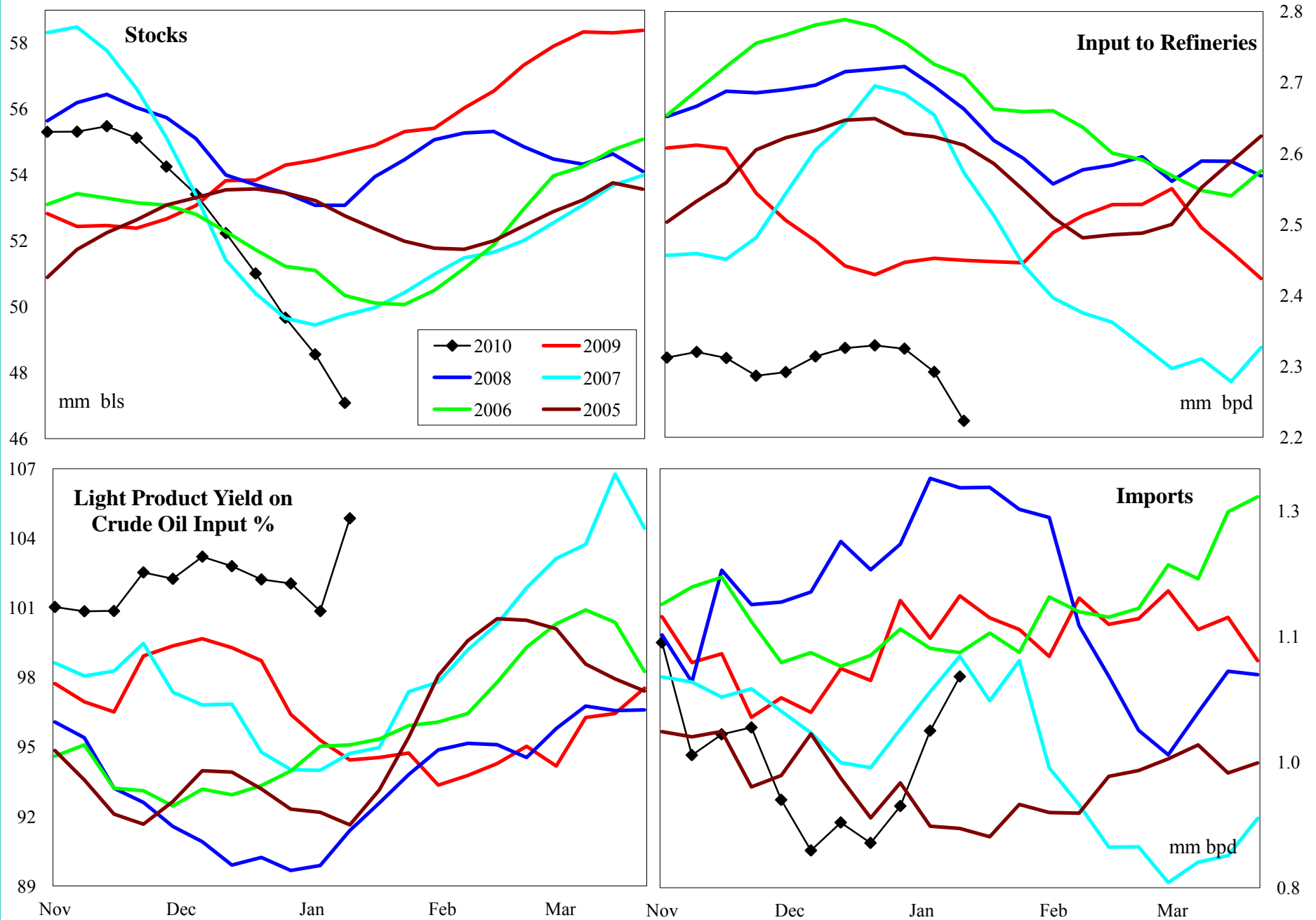


**4 wk avg variance to prior year**  
 000 bpd (000 bbls stks)  
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
-87	-6	0	-4
-29.8	-52.2	#DIV/0!	-38.2



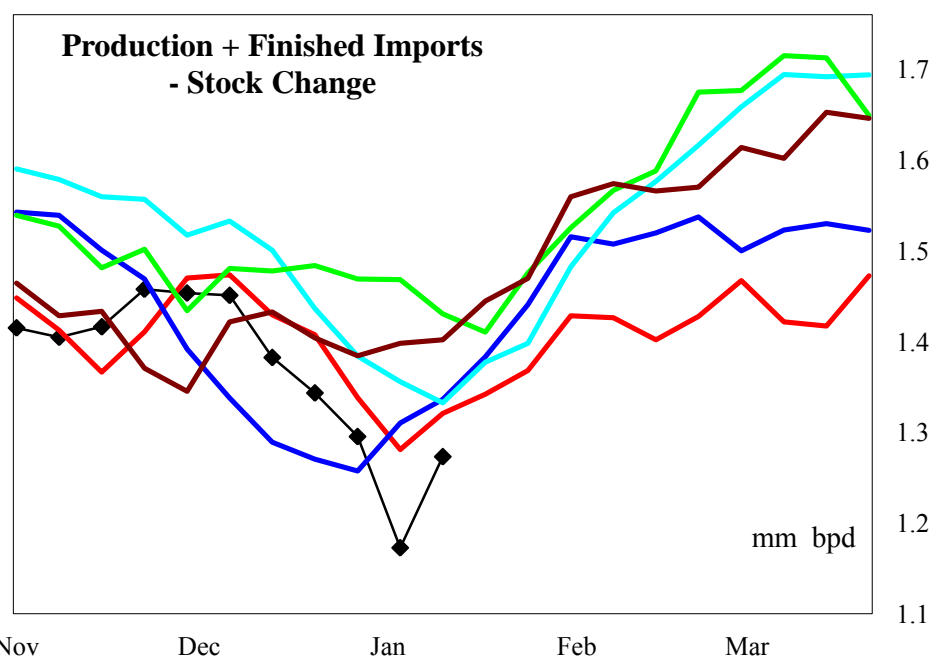
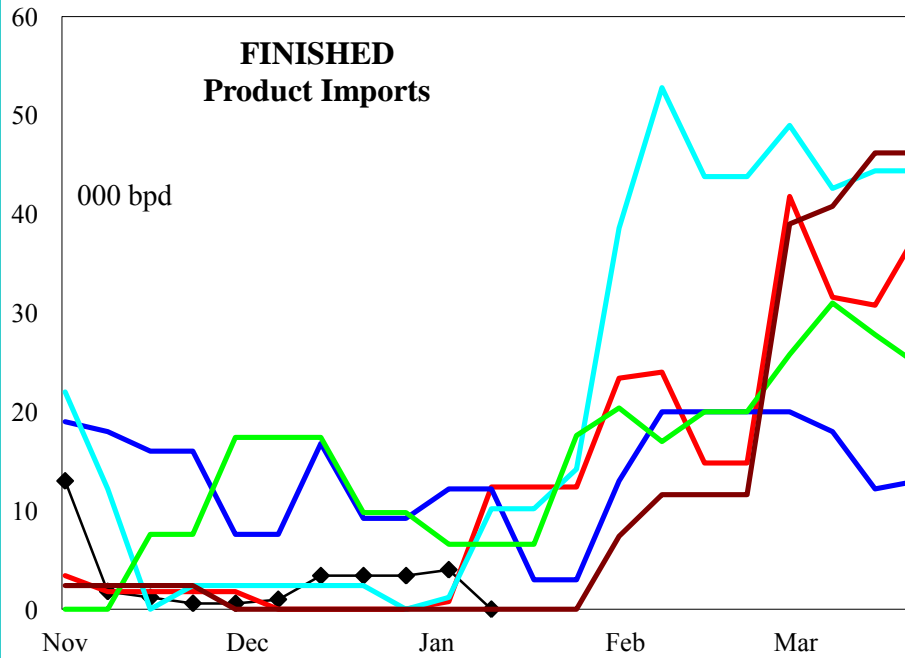
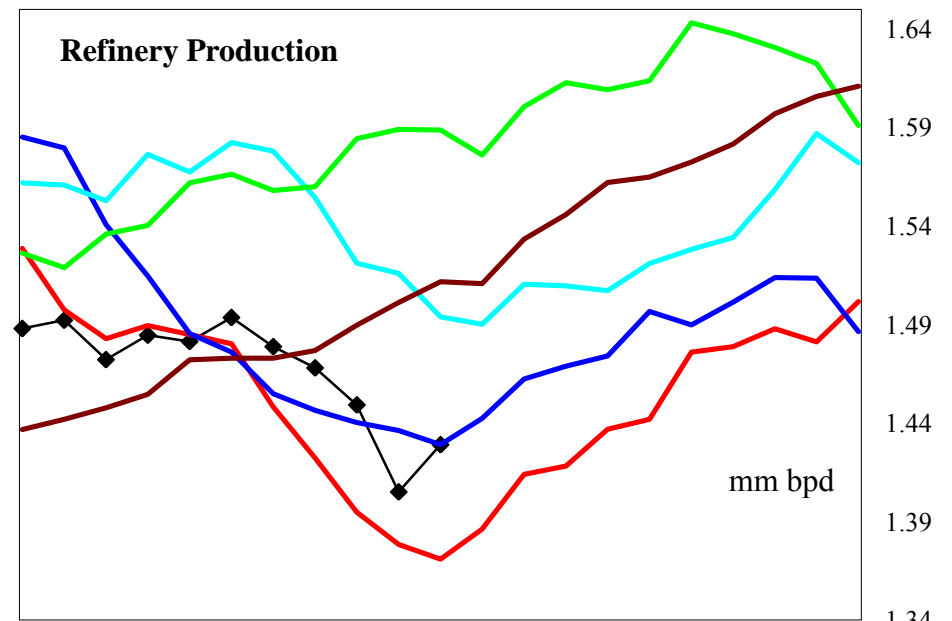
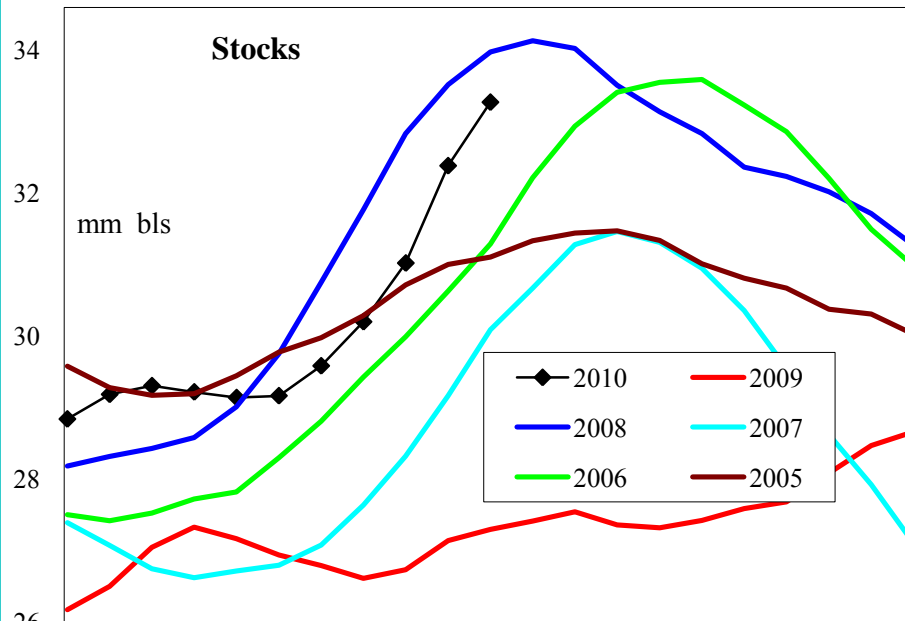
# PADD 5 Crude Oil Supply and Refining



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

	Stocks	Input	Imports
000 bpd (000 bls stks)	-7,586	-132	-240
% change	-13.9	-5.4	-20.7

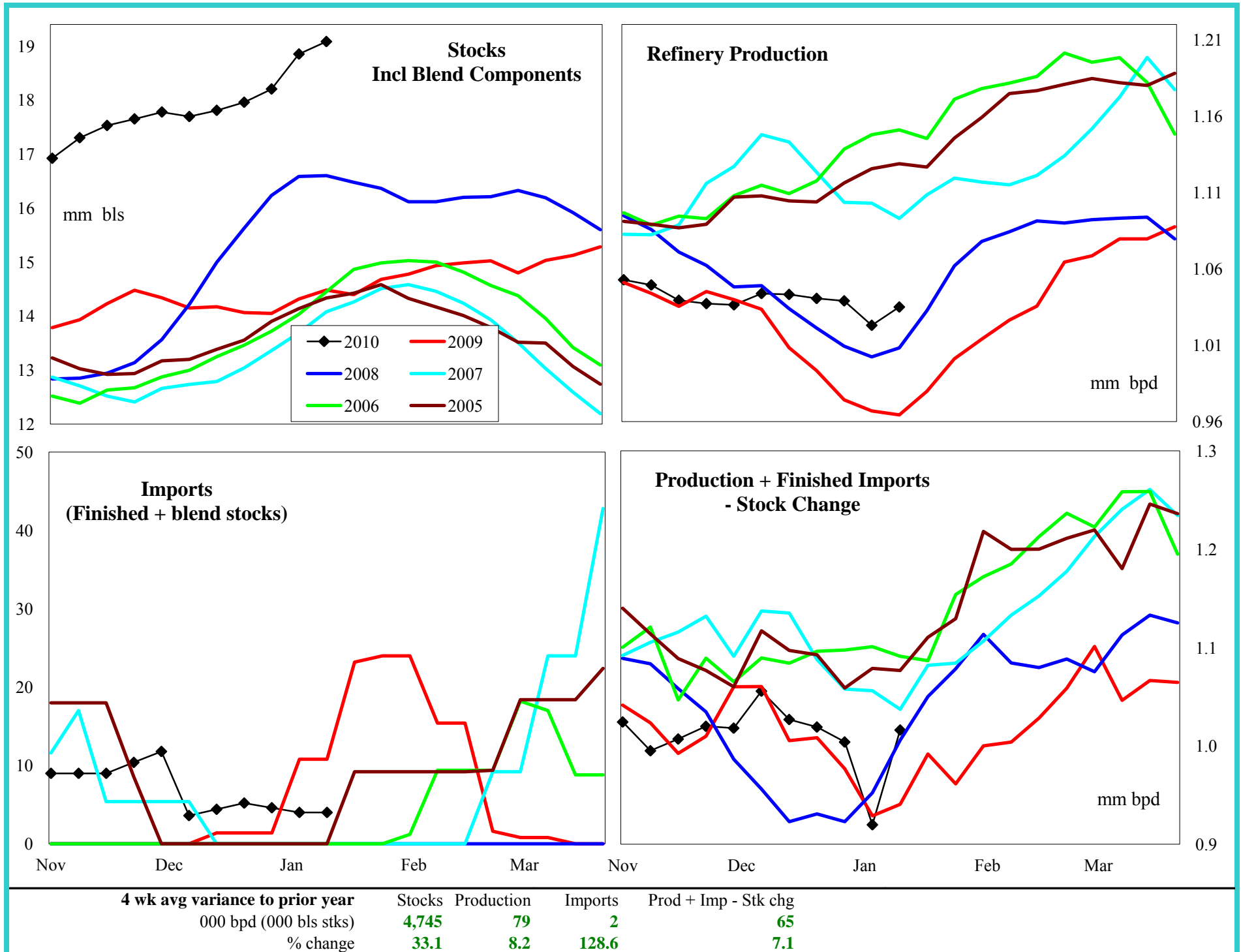
# PADD 5 Gasoline Supply



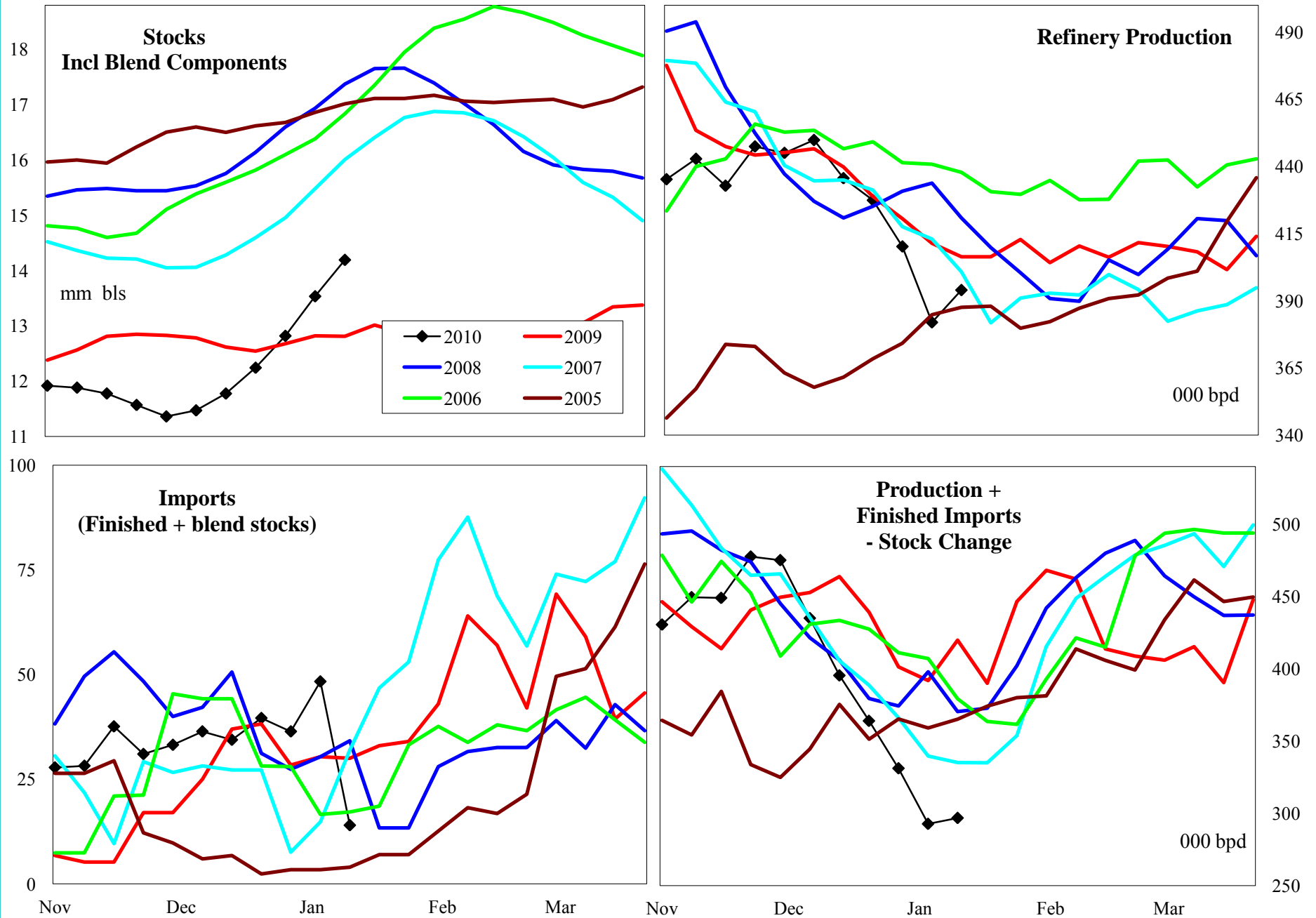
**4 wk avg variance to prior year**  
 000 bpd (000 bls stks)  
 % change

Stocks	Production	Fin Impt	Blend Impt	Prod + Imp - Stk chg
5,566	67	4	5	-18
19.8	4.9	#DIV/0!	14.1	-1.4

# PADD 5 Reformulated Gasoline Supply



# PADD 5 Conventional Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

821

6.0

Production

-12

-3.0

Imports

7

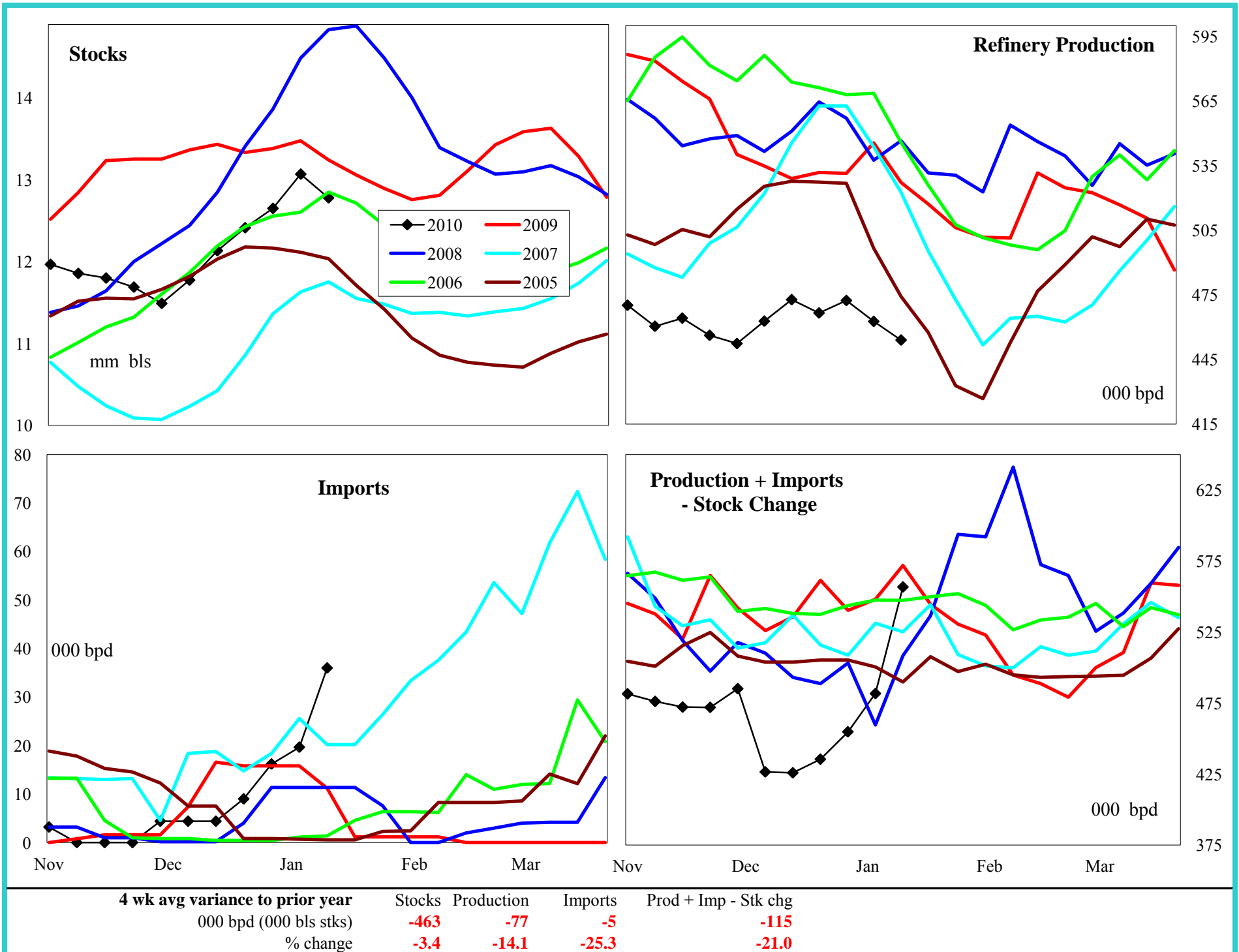
20.4

Prod + Imp - Stk chg

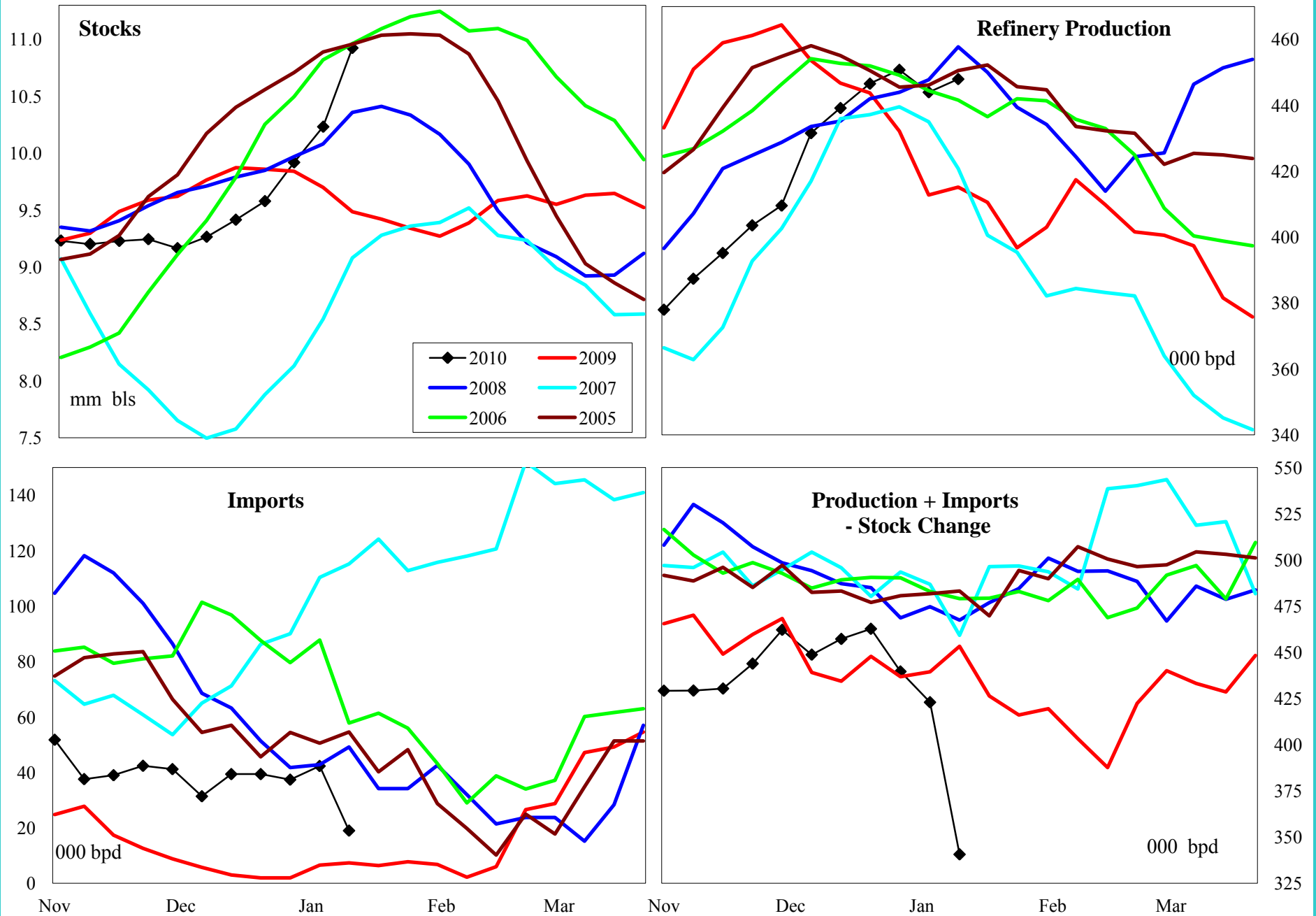
-83

-21.6

# PADD 5 Distillate Supply



# PADD 5 Jet Fuel Supply



**4 wk avg variance to prior year**

000 bpd (000 bbls stks)

% change

Stocks

1,224

12.6

Production

34

8.0

Imports

33

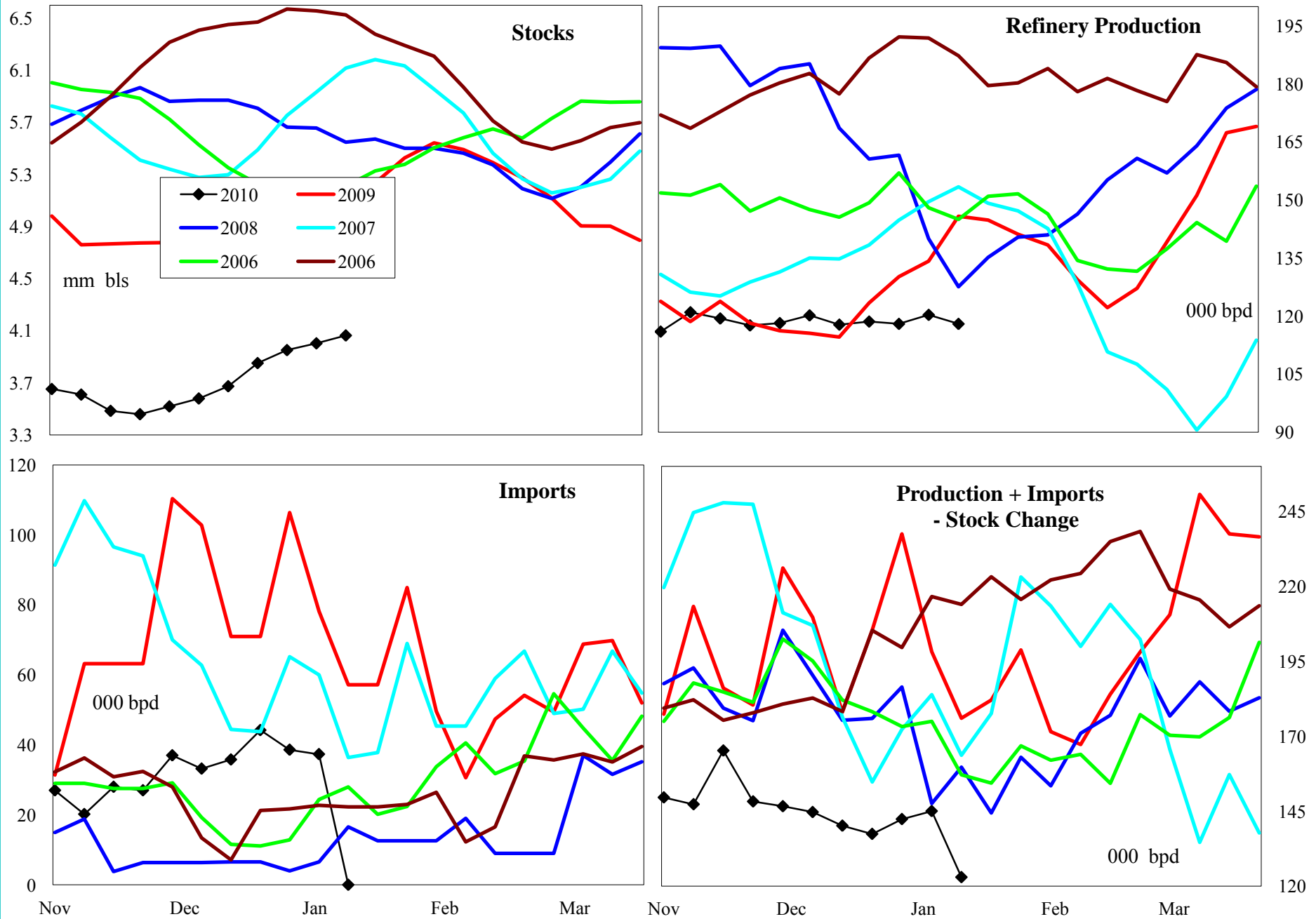
1,330.0

Prod + Imp - Stk chg

-1

-0.2

# PADD 5 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

-1,032

-20.1

Production

-17

-12.3

Imports

-38

-51.7

Prod + Imp - Stk chg

-50

-24.9