



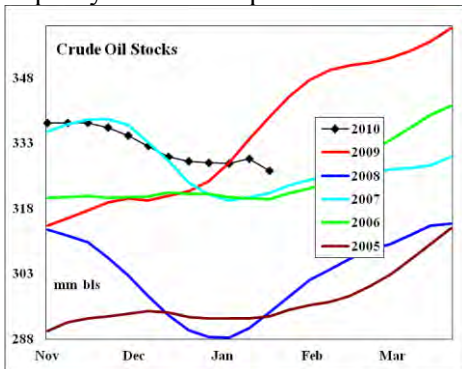
## WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

### A Fundamental Petroleum Trends Weekly Report

 Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com) Wednesday, January 27, 2010

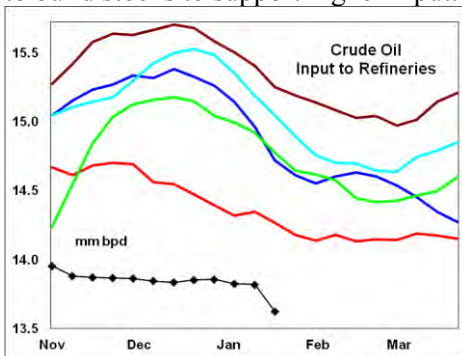

#### Major Fundamental Trends<sup>1</sup>

Refiners are avoiding crude oil stock builds, compared to the seasonal builds in past years for this period.



Imports are -17% to -19% lower than a year ago in all major regions except PADD 2. PADD 2 imports are comparable to last year because of the shift to Canadian imports and increased domestic production that has displaced imports through the Gulf.

Lack of a significant carry in the forward price curve is a key factor underlying the lack of crude oil stock building. However, low refinery run rates, driven by weak transport fuel demand, has signaled refiners that run rates will likely remain low into the 2nd quarter, thereby reducing the need to build stocks to support higher input.



Wholesale transport fuel demand remains very weak, with the latest 4-wk average below year ago levels for each fuel (gasoline - 84,000 bpd, distillate - 401,000 bpd and jet fuel - 8,000 bpd).

Refiner closures on the East Coast and

extremely low run rates have contributed to a surge in imports of middle distillates into PADD 1 (driven by the recent spike in cold weather). Combined distillate and jet fuel imports were +500,000 bpd higher last week compared to a year ago. Readily available imports are depressing distillate refining margins, even though domestic refiners have cut output to record low levels.

Expect refinery production of transport fuels to remain low in response to weak demand and winter plant maintenance. Rising seasonal gasoline demand should begin in the very near term, providing support to gasoline values compared to the overall energy complex. Immediate availability of middle distillates should keep markets on each Coast well supplied.

**Demand** for jet fuel jumped +194,000 bpd following earlier sharp declines.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline decreased -1%; distillate down -10%; jet fuel down -0.6% while residual fuel oil decreased -20%.

**Stocks forward coverage:** Gasoline demand coverage increased on a +2 million barrel stock build last week, reaching a new record high.

Distillate demand coverage increased slightly on a +0.4 million barrel stock build last week. Coverage remains very high on extremely low demand.

Jet fuel coverage remains extremely high on low demand and near record stock levels.

Residual fuel oil coverage was at the upper end of the historic range on low demand levels.

**Refinery utilization** rates decreased last week on a -200,000 bpd decline in crude oil runs. Runs were -536,000 bpd below last years' record low rate.

Gasoline yield % on crude oil runs increased on a +71,000 bpd increase in production. Yield % was above the 5-

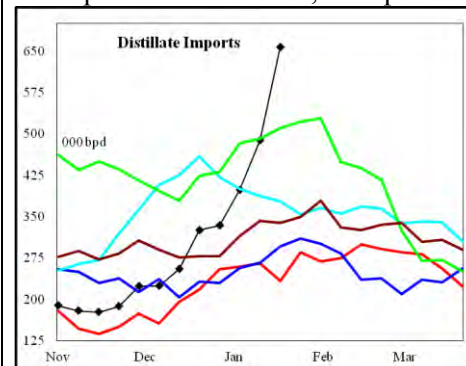
year range.

Distillate yield % on crude oil runs matched the 5-year low set in 2005 on production that was -16% below last year.

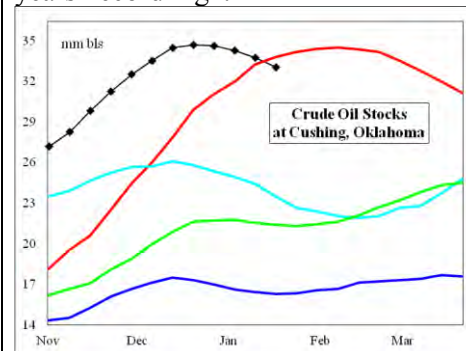
Jet fuel yield % on crude oil runs remains extremely high on output that was comparable to a year ago.

**Petroleum Imports** of transport fuels reversed the prior week decline, rising +511,000 bpd last week. Crude oil imports fell -673,000 bpd to record low levels.

During the latest 4-wk period distillate imports increased +152,000 bpd compared to last year; finished gasoline imports increased 6,000 bpd, gasoline blend stock imports decreased -188,000 bpd; jet fuel imports were +50,000 bpd higher while residual fuel oil imports declined -103,000 bpd.



**Crude oil** stocks declined -3.9 million barrels last week, the result of a -673,000 bpd drop in imports. Stocks decreased -0.7 million barrels in Cushing, driving levels to below last years' record high.



Exceptionally low imports, which were -15% below last year, are preventing normal seasonal stock builds.

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



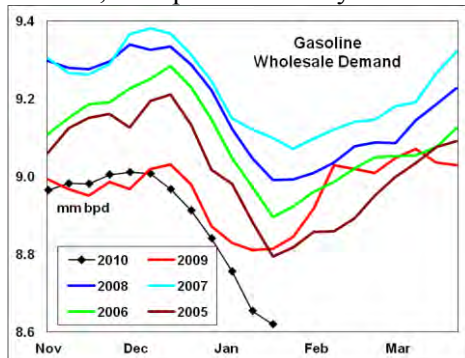
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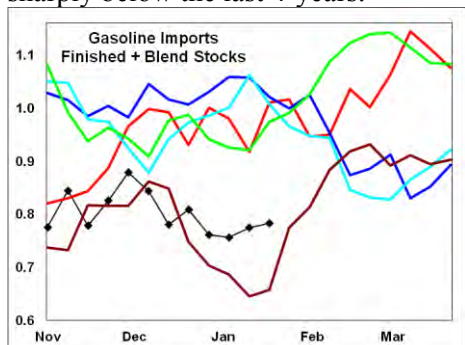
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#### Product Supply-Demand Trends

**Gasoline** demand increased +17,000 bpd last week, at a seasonally low level. The latest 4-wk average demand was -84,000 bpd below last year.



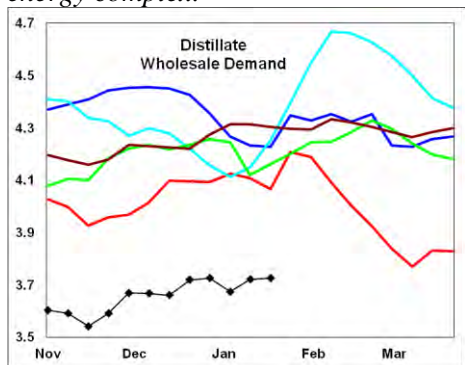
Gasoline production increased +71,000 bpd last week, to a level at the low end of the historic range. Imports increased +93,000 bpd on the week, although the 4-wk average remains sharply below the last 4-years.



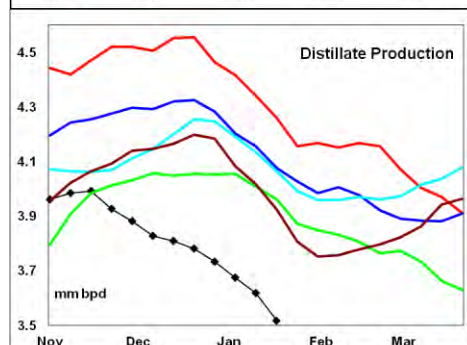
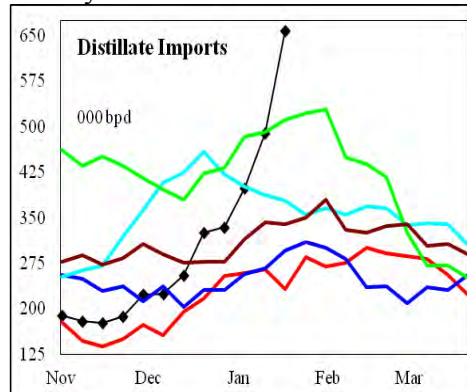
Stocks increased +2 million barrels, on low seasonal demand. Stock levels remain well above the five year high for the period.

*Seasonal demand should trend higher in the very near term, slowing the rate of stock building.*

*Expect gasoline prices to exhibit strength compared to the overall energy complex.*



**Distillate** demand declined -98,000 bpd last week, with the latest 4-wk demand average -401,000 bpd below last year. Imports spiked +386,000 bpd on the week, to a record level. Production increased +33,000 bpd last week, but remains over -700,000 bpd below year ago levels. Output was below the historic range in every region of the country.



Stocks increased +0.4 million barrels on the week, including a -2.1 million barrel draw in PADD 1.

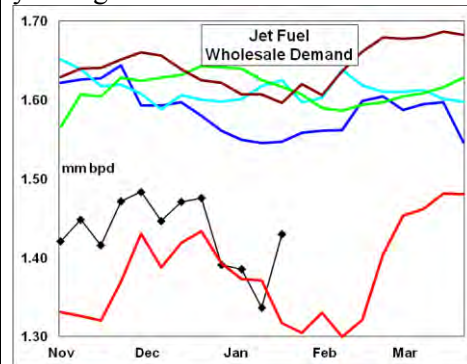
*The spike last week in imports, offset record low production for the period. Refiners will need to severely limit output in order to realize further improvement in the supply balance.*

*Immediately available imports should keep the market very well supplied during the next quarter. Expect distillate prices to remain very weak compared to the overall energy complex.*

**Jet Fuel** demand jumped +194,000 bpd last week, with the latest 4-wk average -8,000 bpd below a year ago.

Jet fuel supply was unchanged on the week. Stocks were nearly unchanged, with the level near the five

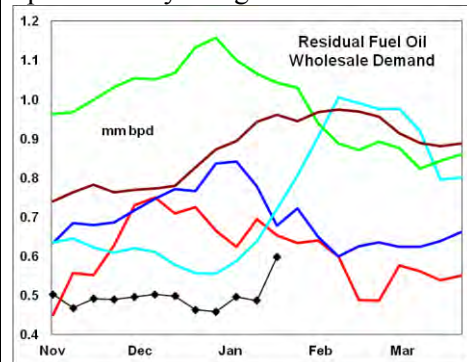
year high.



The latest 4-wk average demand level matched last years' record low. Supply for the period was +28,000 bpd above a year ago. Stock levels remain near the five year high; measured in days of supply, stock levels are exceptionally high.

*Jet fuel prices should remain weak during the current quarter compared to the overall energy complex.*

**Residual fuel oil** demand, including exports, increased +193,000 bpd on the week, with the 4-wk average -122,000 bpd below a year ago.



Supply decreased -143,000 bpd on the week, with the 4-wk average -35,000 bpd below a year ago. Stocks declined -1 million barrels on the week, to a level below the mid range.

*Residual fuel oil markets remain tight in all regions except the Gulf. Sharply higher exports from the Gulf and record low imports partially offset the record production in that region for the week. These trends point toward some improvement in the.*

*Expect relative strength in residual fuel prices compared to the overall energy complex.*





## WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

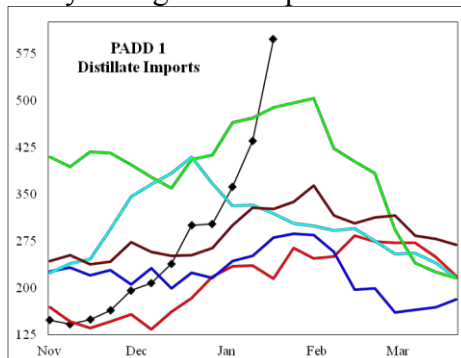
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#### PADD Supply Trends

**PADD 1** refinery crude oil runs increased +87,000 bpd, with the 4-wk average -289,000 bpd below last years' record low level. Crude oil imports declined -262,000 bpd and remains -18% below a year ago.

Gasoline production increased +21,000 bpd on the week, with the 4-wk average +25,000 bpd above a year ago. Stocks increased +0.3 million barrels to a level near the five year high for the period.



Distillate imports spiked +370,000 bpd last week, to a record weekly level. The surge in imports was offset by lower receipts from the Gulf and local production, so that stocks decreased -2.1 million barrels. Stock levels are at the upper end of the historic range.

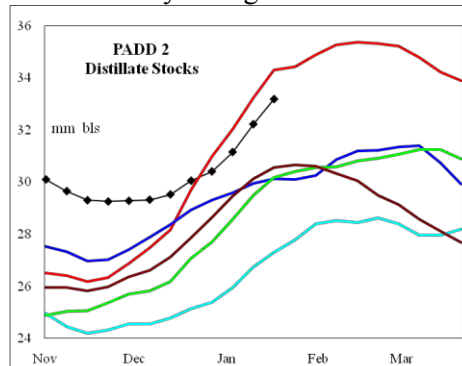
Jet fuel stocks and imports are each at the upper end of the five year range.

**PADD 2** crude oil refinery runs decreased -21,000 bpd last week, to a level near the mid range. The latest 4-wk average was +161,000 bpd above a year ago. Crude oil imports increased +298,000 bpd last week, to a record weekly high. Stocks decreased -0.7 million barrels, including a -0.7 million barrel decline in Cushing.

Gasoline production declined -48,000 bpd last week, to a level above the mid range. Stocks increased +0.5 million barrels, to a level at the upper end of the five year range.

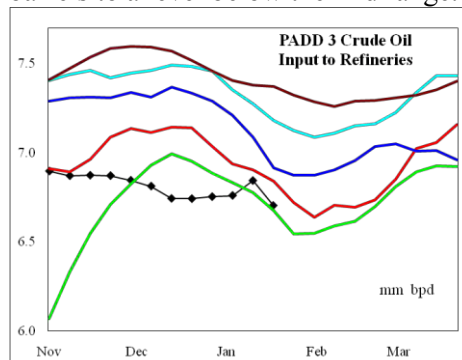
Distillate production was unchanged on the week, at a level below the historic range. High receipts from the Gulf led to a +2.1 million

barrel stock build. Stock levels were near the five year high.



Jet fuel production increased +34,000 bpd to a record high, lifting stocks +0.5 million barrels, also a record high.

**PADD 3** refinery crude oil runs decreased -166,000 bpd on the week, to a level that matched the five year low. Crude oil imports decreased -638,000 bpd with the latest 4-wk average -1.1 million bpd below a year ago. Stocks decreased -1 million barrels to a level below the mid range.



Gasoline production increased +108,000 bpd last week, with the latest 4-wk average -244,000 bpd below last year. Stocks increased +1.4 million barrels to a new all time record high.

Distillate production increased +83,000 bpd and imports jumped to 45,000 bpd on the week. Stocks increased +0.2 million barrels, with the level +14% above the prior record high for the period.

Jet fuel supply was a record weekly low last week. Very low supply led to a -0.5 million stock draw on the week. The stock level remains at the upper end of the range.

Residual fuel oil stocks and production remain well above the

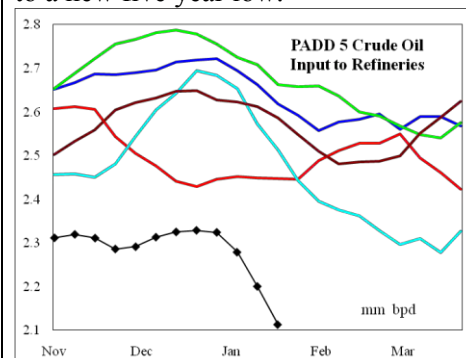
historic range.

**PADD 4** refinery crude oil runs increased +10,000 bpd on the week with the latest 4-wk average -43,000 bpd below year ago levels. Imports remain at the low end of the historic range. Stock levels remain well above the historic range.

Gasoline production decreased -5,000 bpd, and remains below the historic range. Stock levels remain below the historic range.

Distillate production increased +15,000 bpd last week, with the level below the five year range. Stock levels were near historic highs.

**PADD 5** crude oil refinery runs decreased -110,000 bpd on the week, with the latest 4-wk average -203,000 bpd below last year; the result of winter maintenance. Crude oil imports remain -10% below last year, more than offsetting the low run rates. Stocks decreased -0.9 million barrels to a new five year low.



Gasoline production was nearly unchanged last week, at a level in line with the last two years. Stocks decreased -0.3 million barrels, with the level near historic highs for the period.

Distillate supply declined -79,000 bpd last week, to a five year low. Low supply was offset by weak demand, so that stock levels remain above the mid range.

Jet fuel supply decreased -56,000 bpd last week, due to record low production. Stocks decreased -0.4 million barrels last week, with the level above the mid range.


**FUNDAMENTAL  
PETROLEUM  
TRENDS**


# PETROLEUM: Graph Link and Weekly Summary

A Fundamental Petroleum Trends Weekly Report

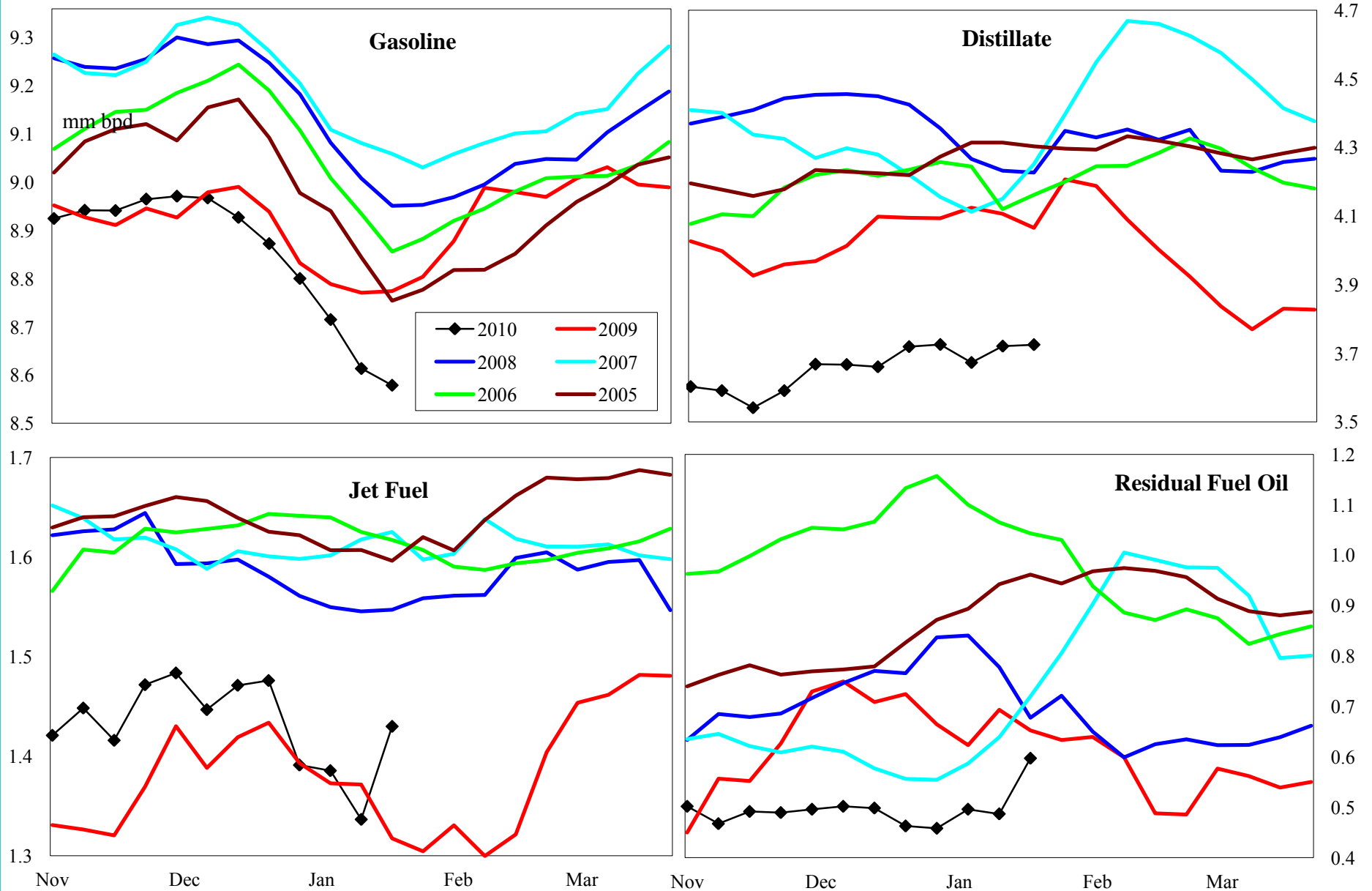
January 27, 2010

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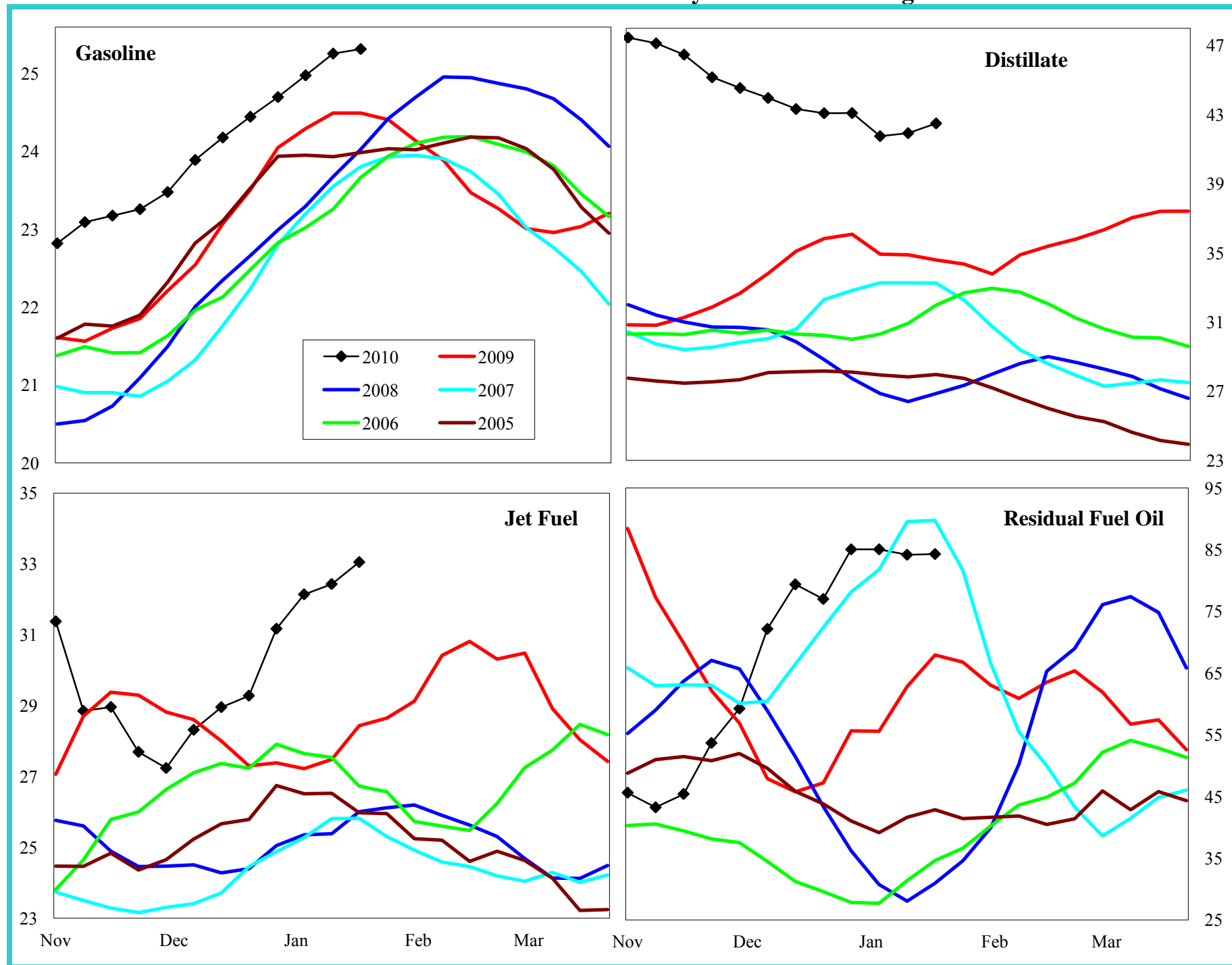
Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization</u> <u>Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	22-Jan-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	-3,888	-1,129	-677	-982	-153	-947
	Imports	-673	-262	298	-638	7	-78
	Input	-200	87	-21	-166	10	-110
	% Utilization	0.07					
<u>Gasoline</u>	Stocks	1,985	309	457	1,372	175	-328
	Production	71	21	-48	108	-5	-5
	Imports	93	27	0	25	0	41
	Supplied	17					
<u>Distillate</u>	Stocks	358	-2,128	2,053	212	42	179
	Production	33	-17	0	83	15	-48
	Imports	386	370	2	45	0	-31
	Supplied	-98					
<u>Jet Fuel</u>	Stocks	-43	282	499	-485	33	-372
	Production	-31	13	34	3	1	-82
	Imports	32	21	0	-15	0	26
	Supplied	194					
<u>Residual Fuel Oil</u>	Stocks	-992	631	-3	-1,432	-9	-179
	Production	76	10	-2	62	0	6
	Imports	-219	-180	0	-39	0	0
	Supplied	193					

# United States Wholesale Petroleum Demand

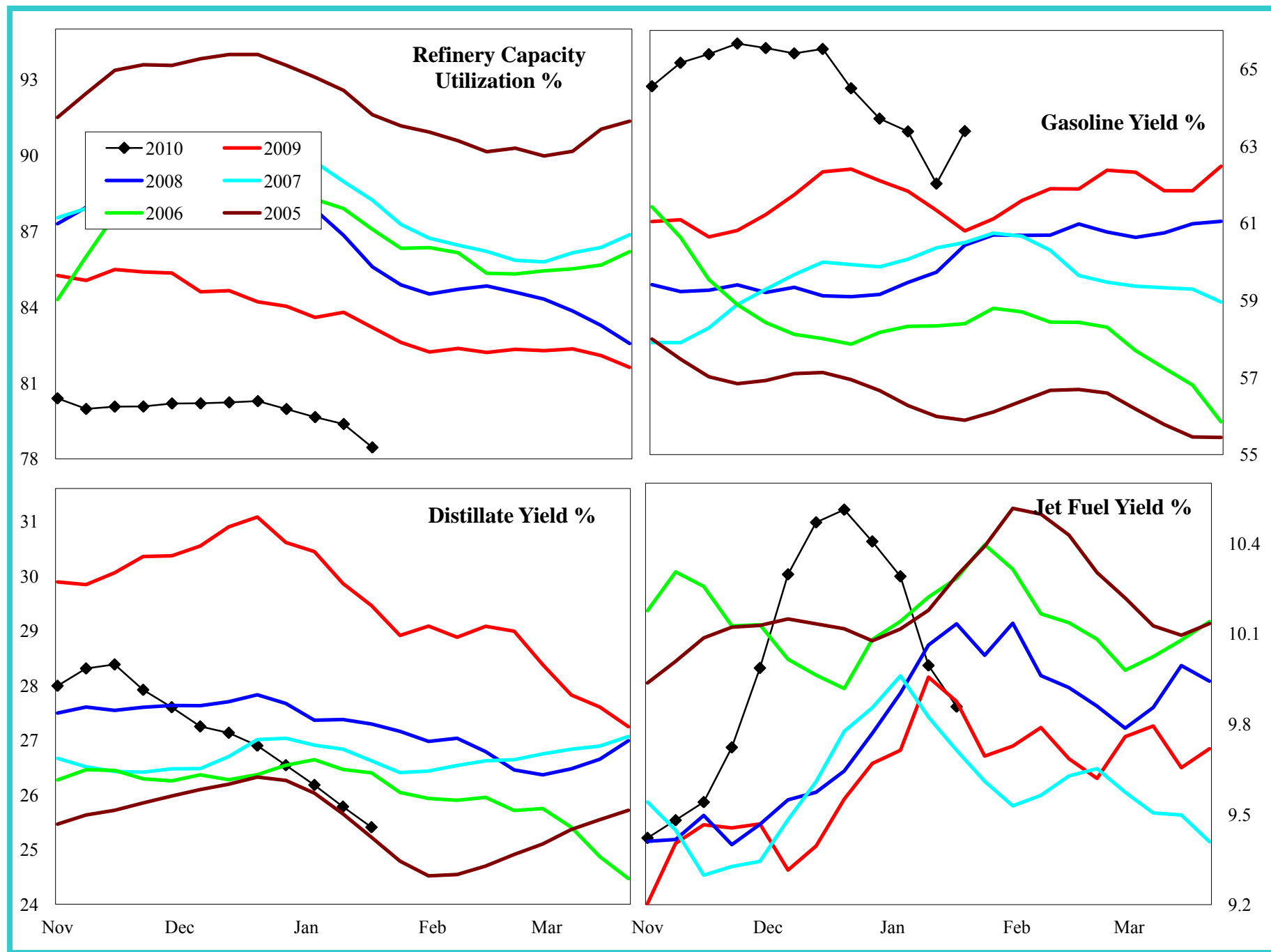


	000 bpd change from prior year				% change from prior year				
	4wk avg	Dec	Nov	Jan	4wk avg	Dec	Nov	Oct	
Gasoline	-84	34	83	-46	-1.0	0.4	0.9	-0.5	
Distillate	-401	-79	-309	-622	-9.8	-2.1	-8.0	-14.9	
Jet Fuel	-8	96	-12	-42	-0.6	6.9	-0.8	-3.0	
Resid	-122	-273	-41	-4	-19.9	-36.3	-7.9	-0.7	

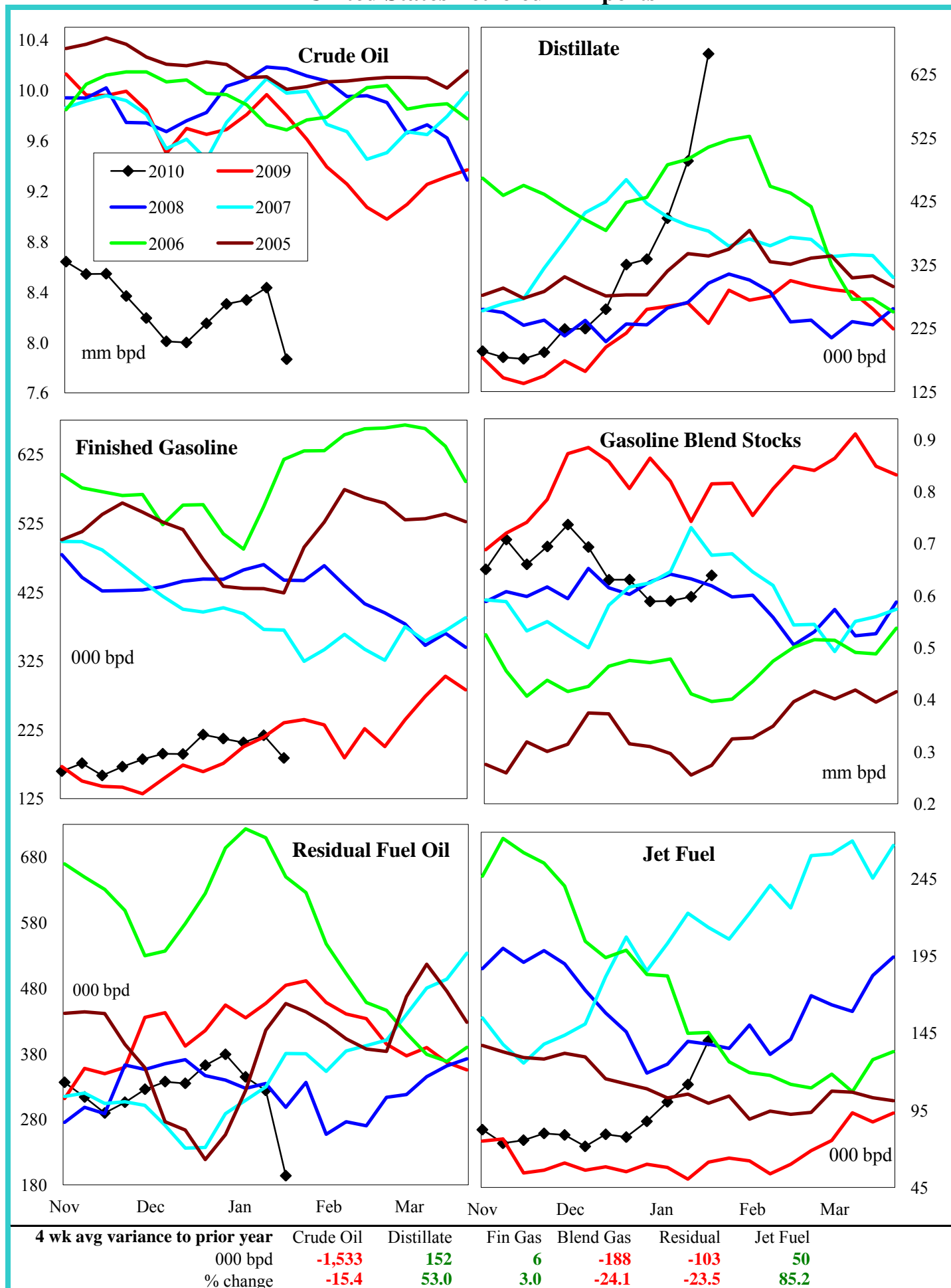


**United States Product Stocks: Days Forward Coverage**

## United States Refinery Percent Utilization Rate and Product Yields

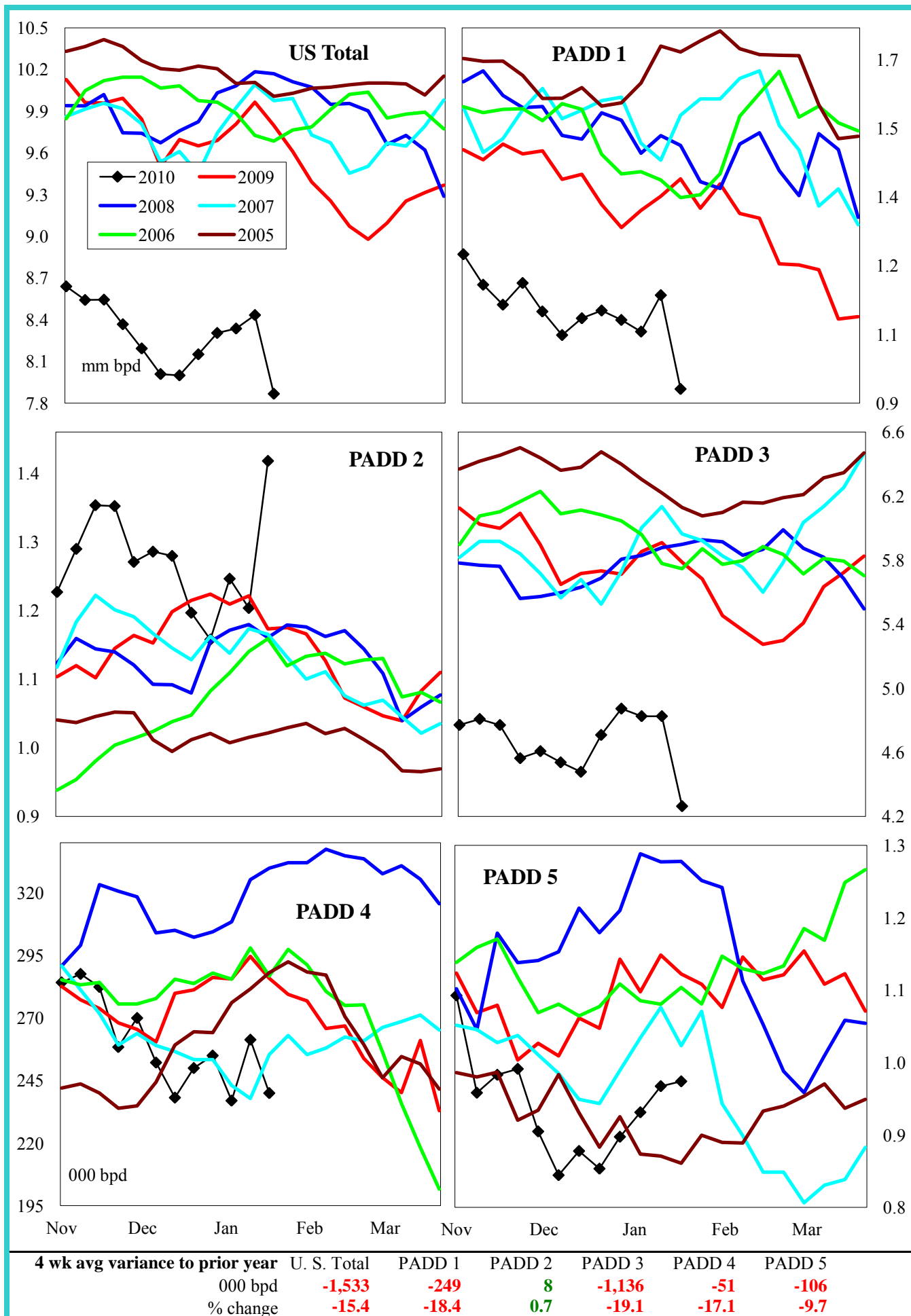


# United States Petroleum Imports

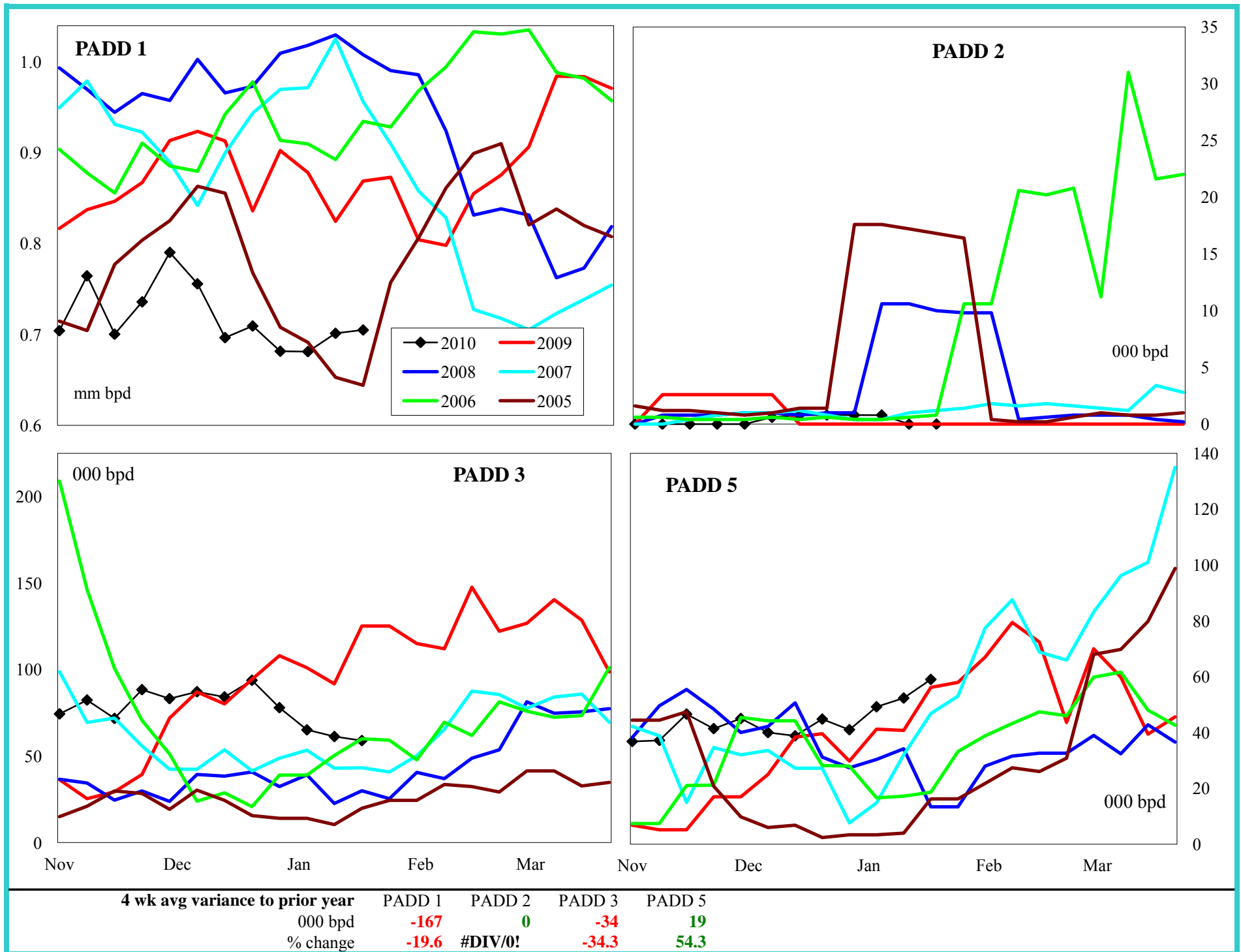




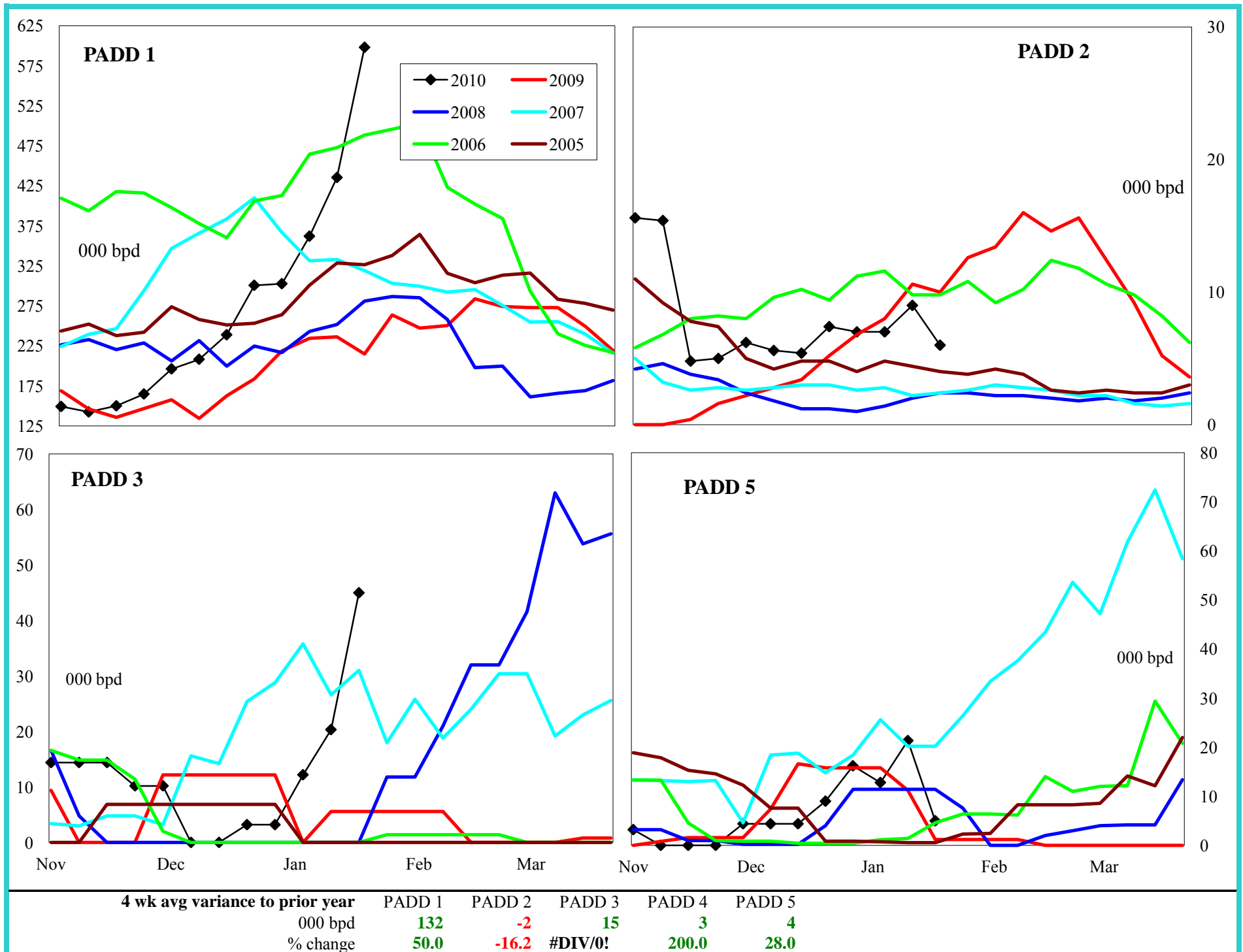
## Crude Oil Imports by PADD



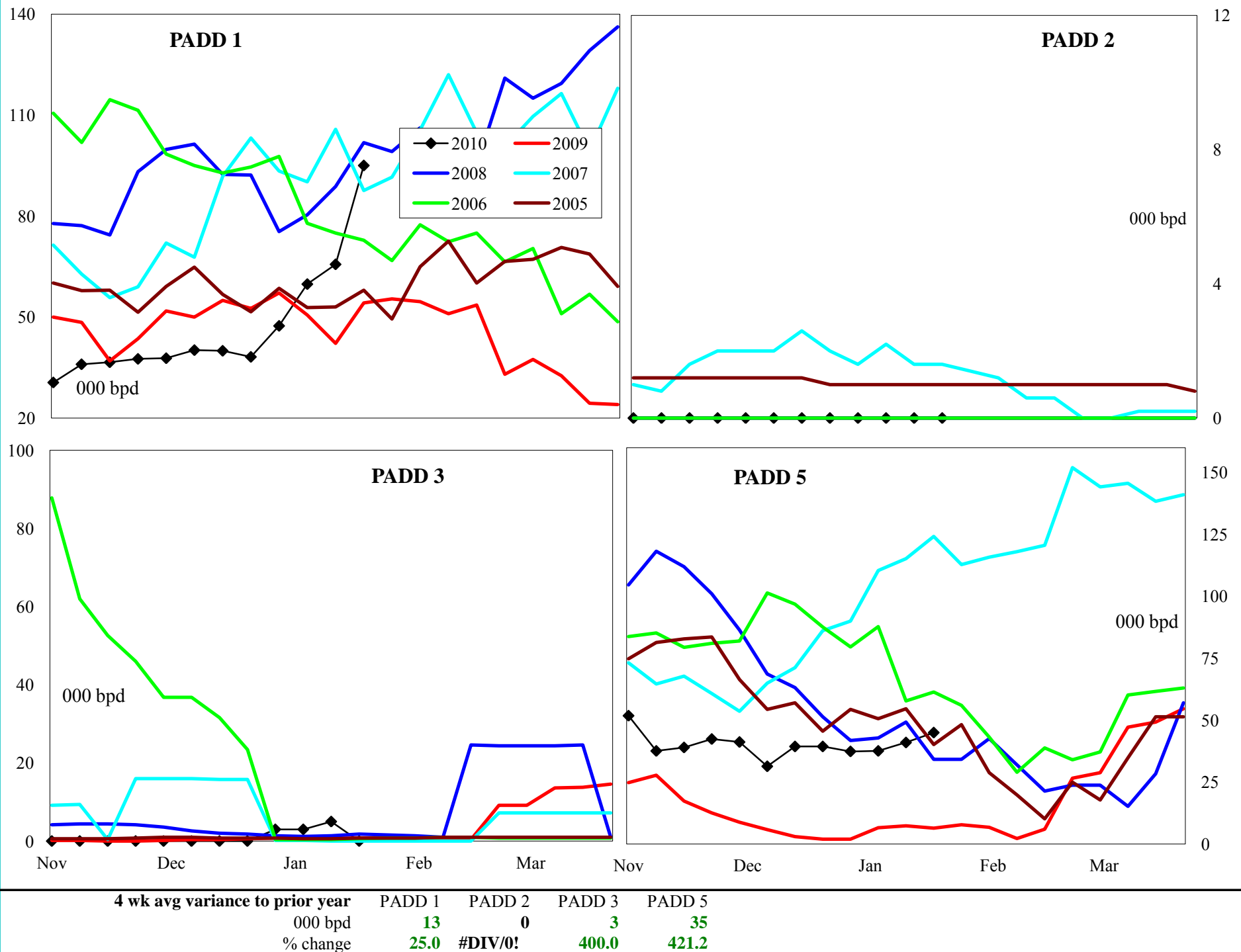
# Gasoline Imports by PADD (Finished + Blend Stocks)



# Distillate Imports by PADD

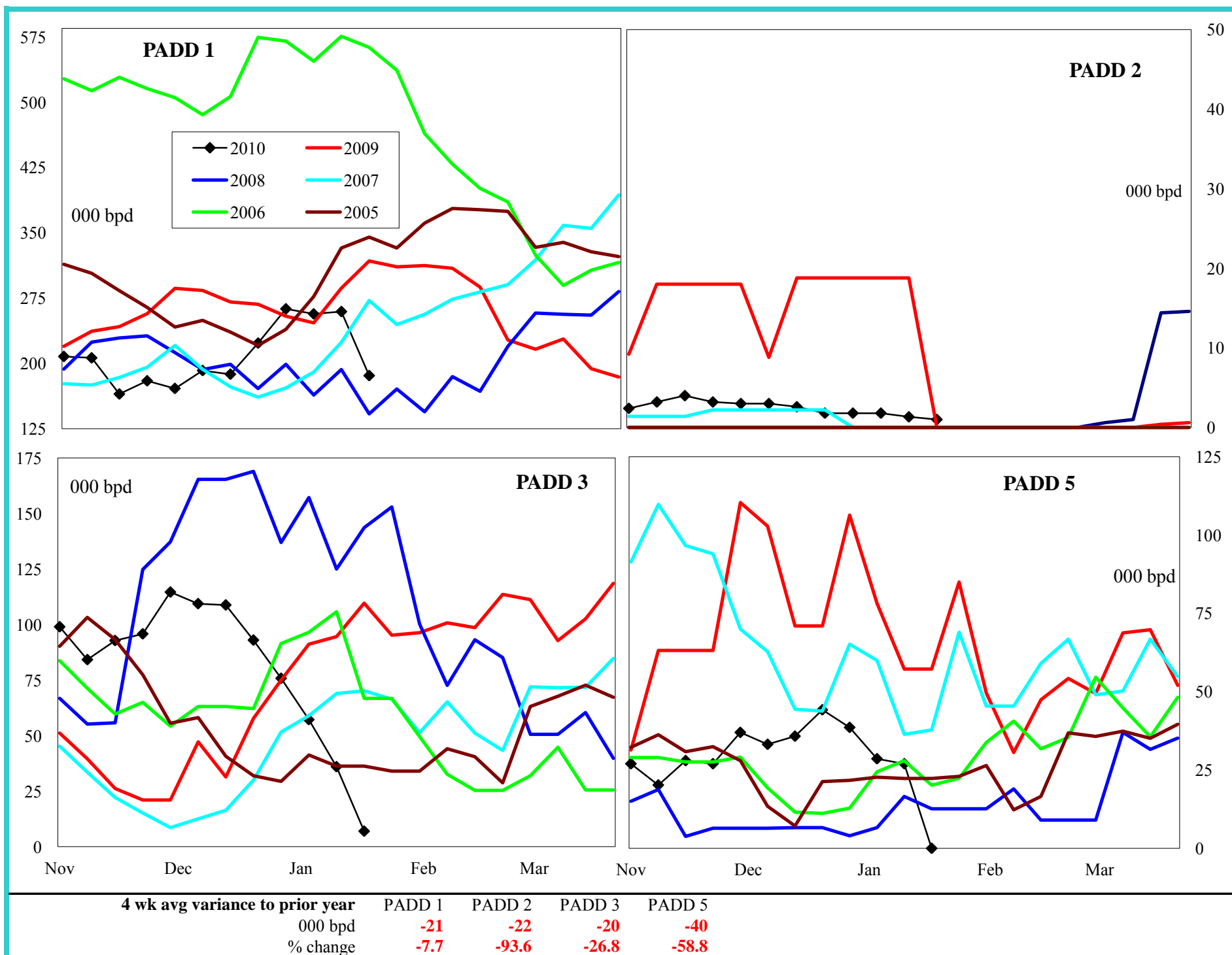


# Jet Fuel Imports by PADD

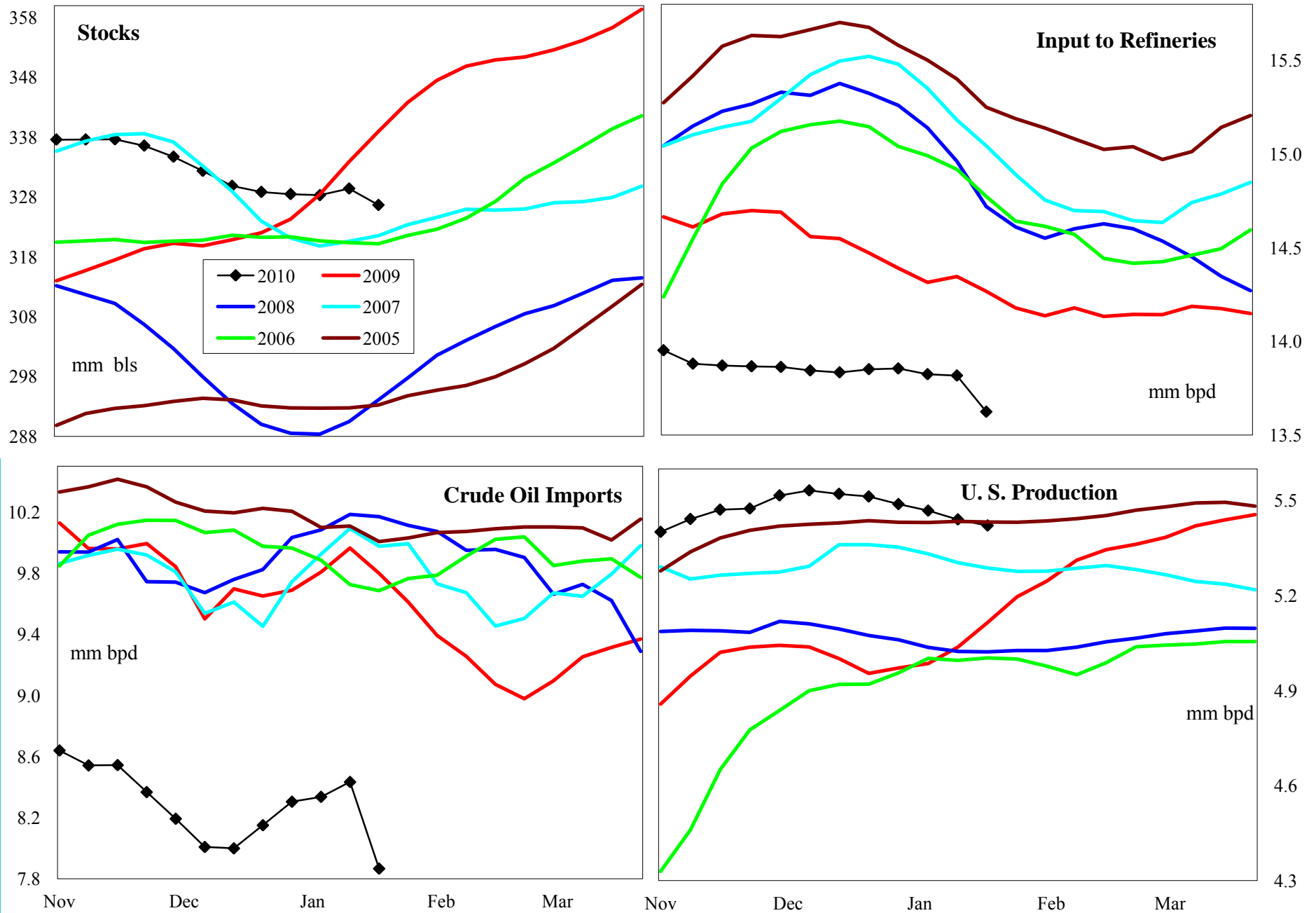




## Residual Fuel Oil Imports by PADD



# United States Crude Oil Supply and Demand Balance



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

**-12,204**

**-3.6**

Input

**-536**

**-3.7**

Imports

**-1,533**

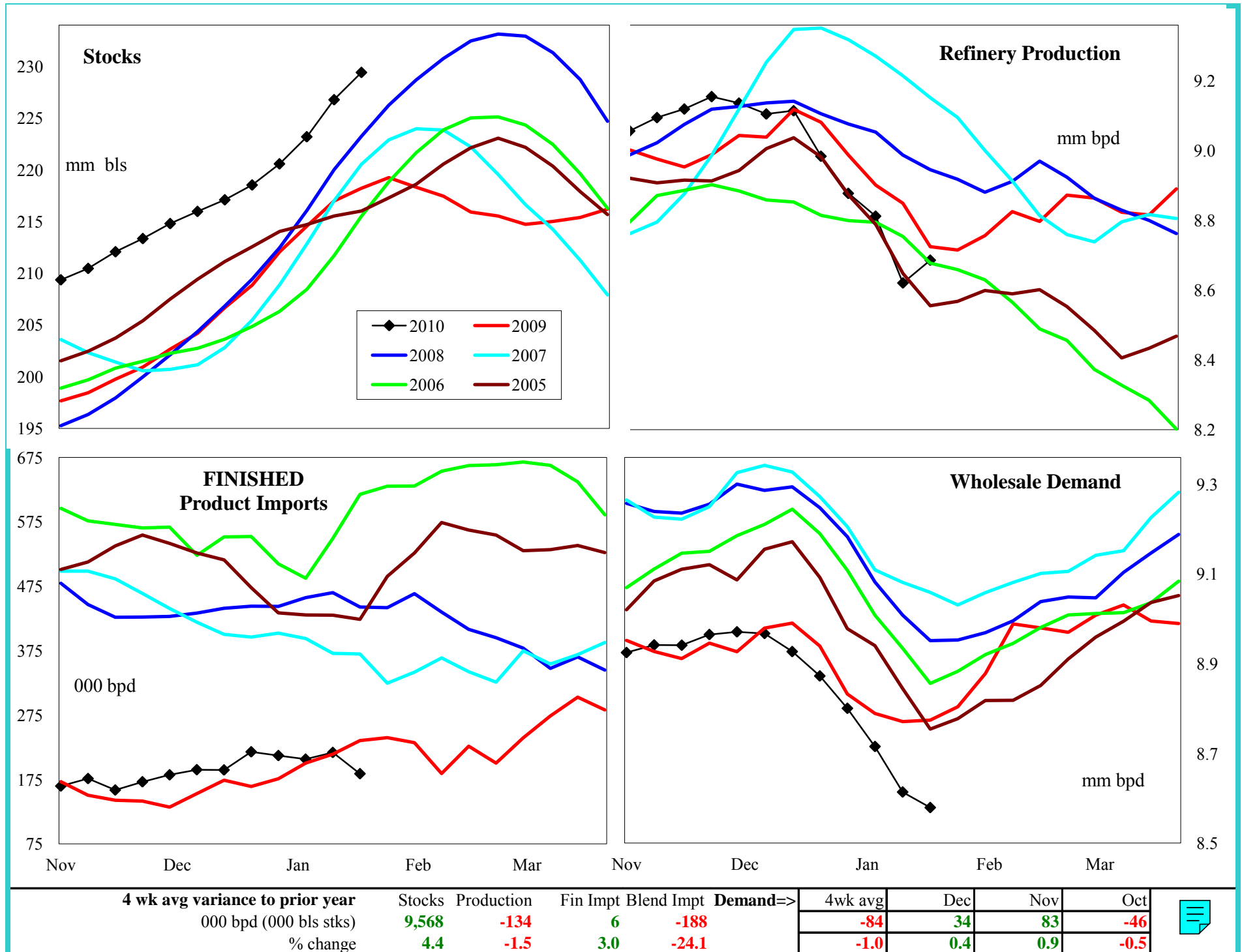
**-15.4**

U.S. Production

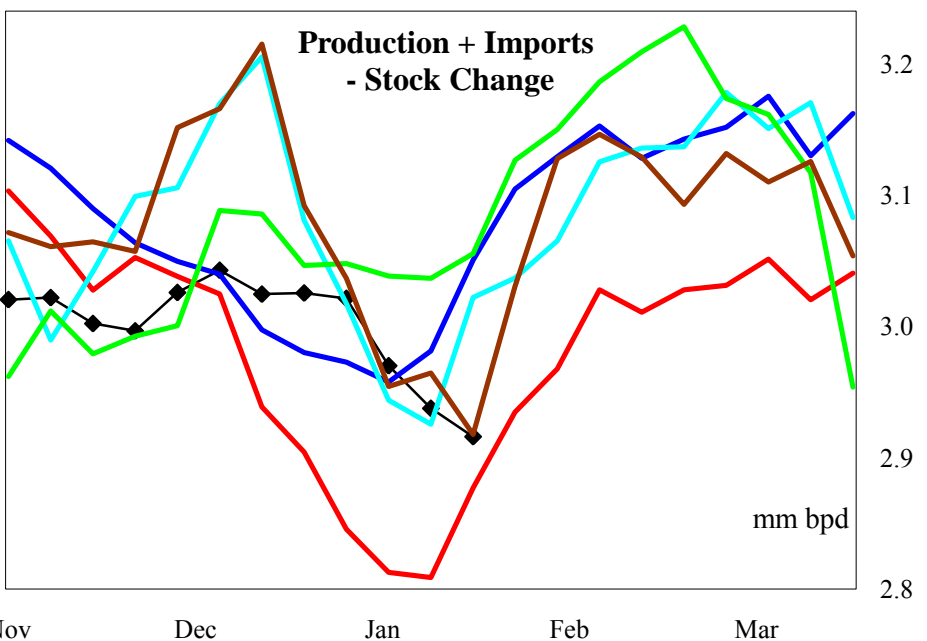
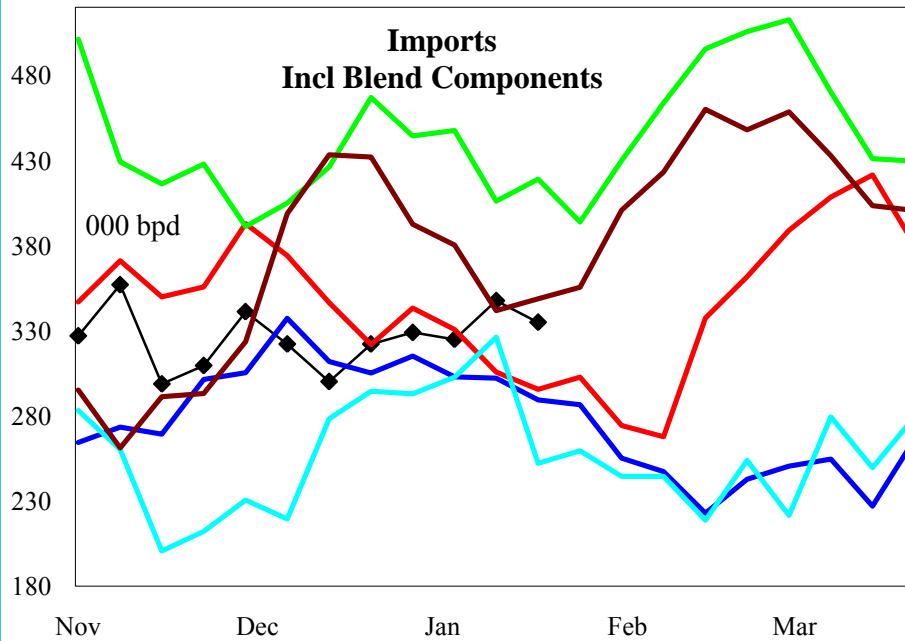
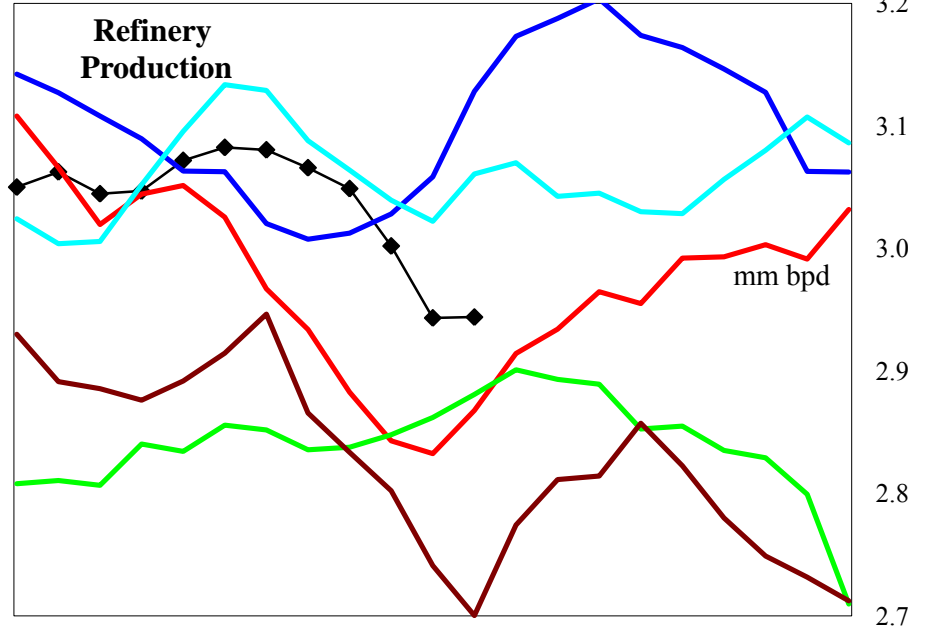
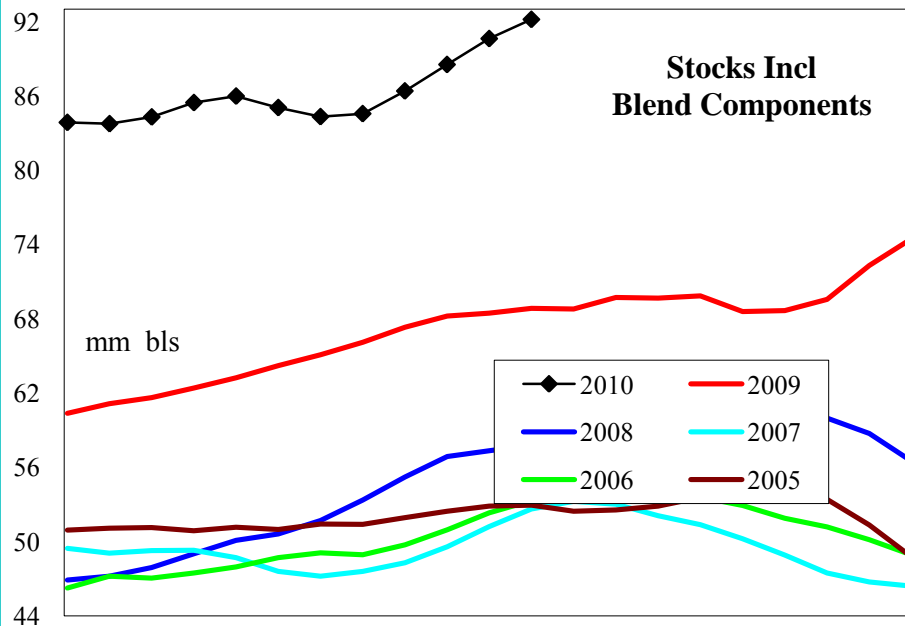
**470**

**9.4**

# United States Gasoline Supply and Demand Balance



# United States Reformulated Gasoline Supply

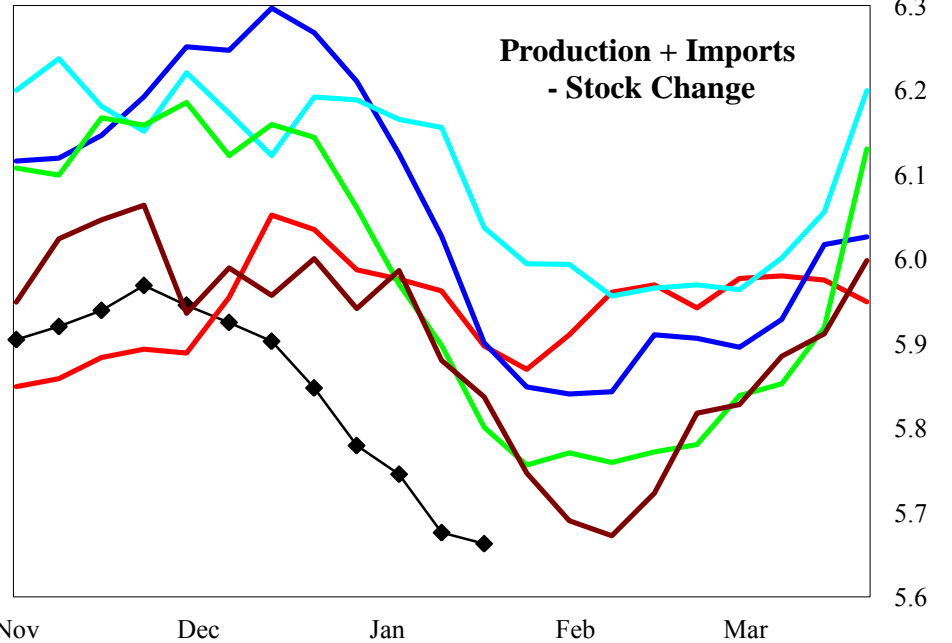
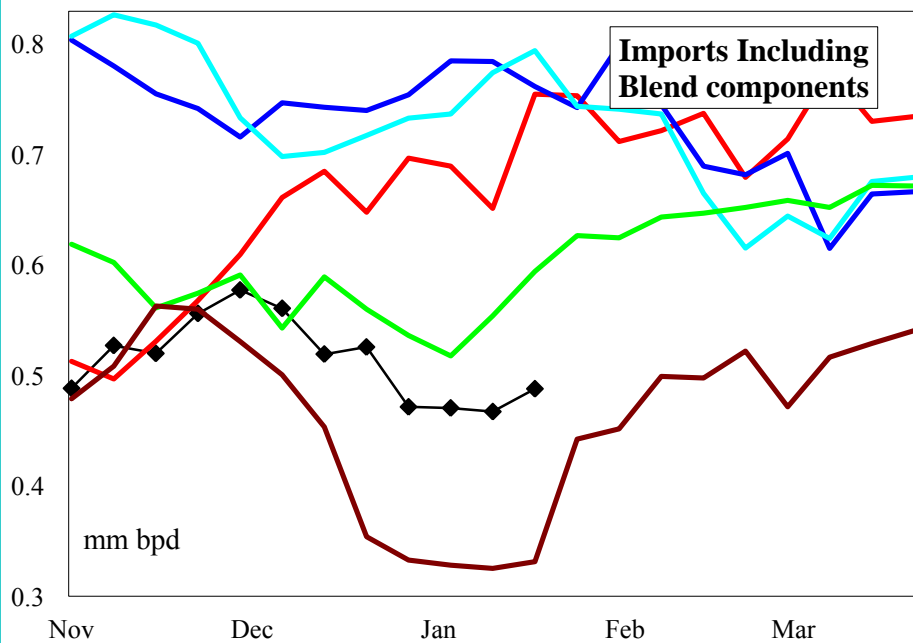
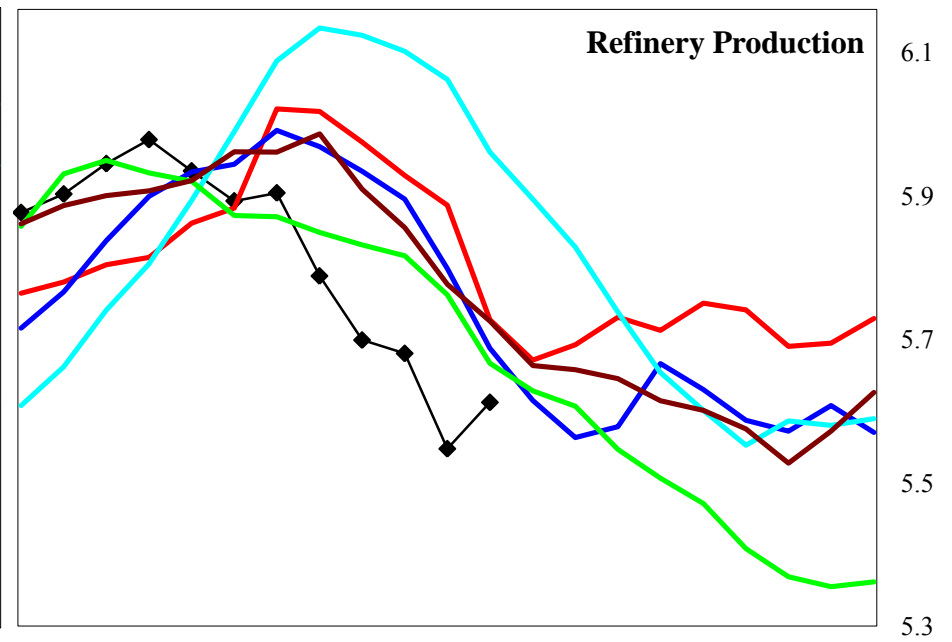
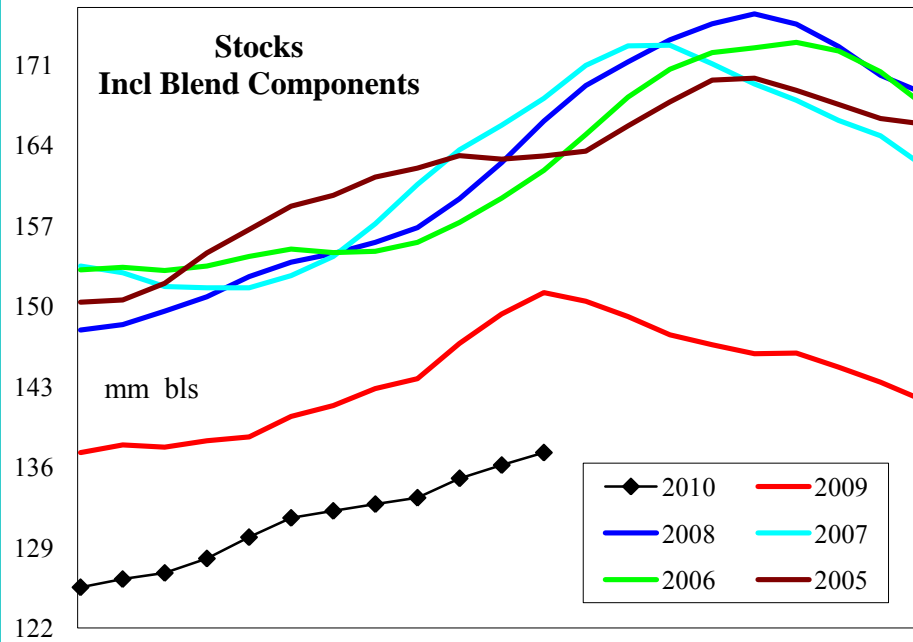


**4 wk avg variance to prior year**  
 000 bpd (000 bls stks)  
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
23,333	152	15	125
33.9	5.3	4.8	4.4



# United States Conventional Gasoline Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

-13,926

-9.2

Production

-286

-4.8

Imports

-224

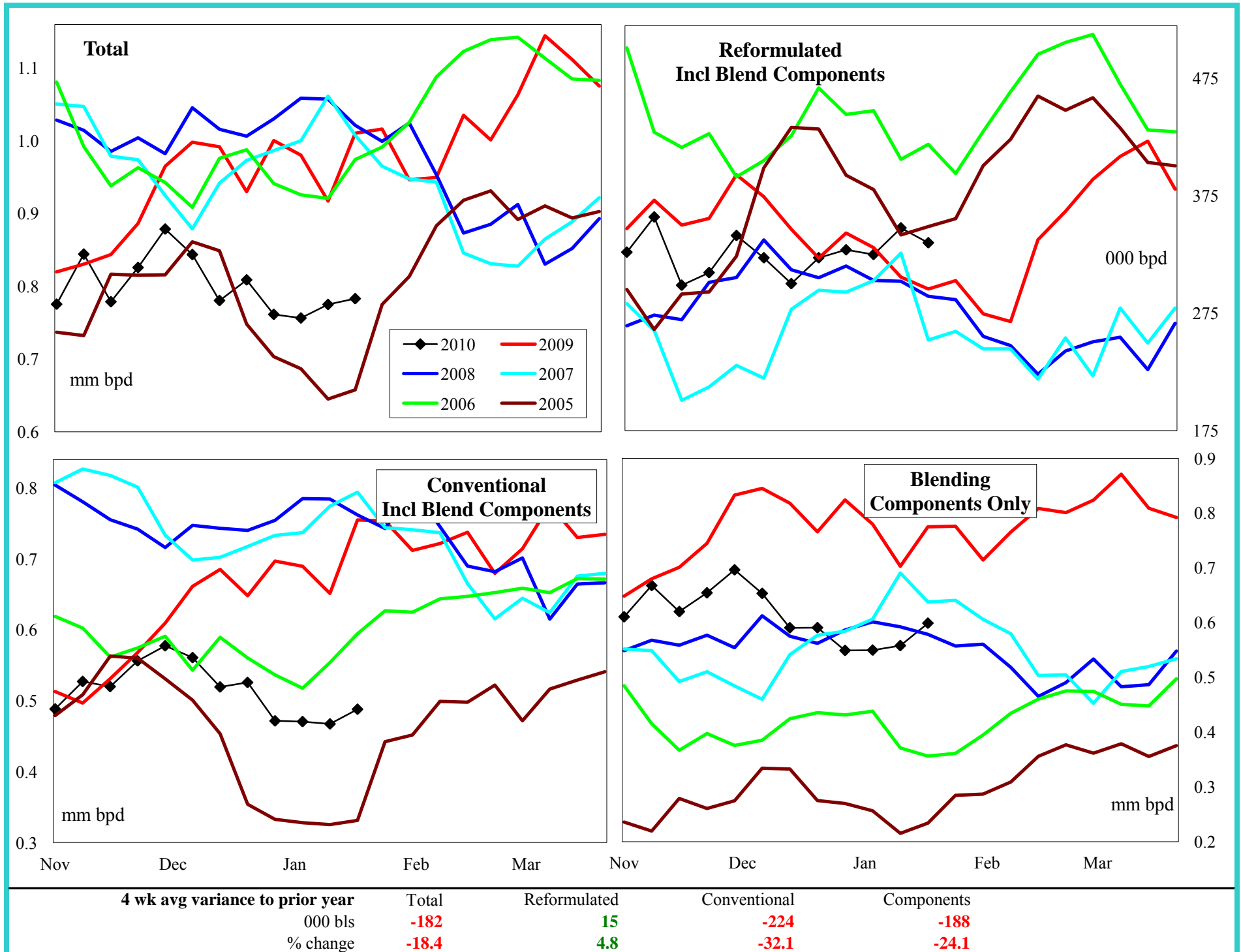
-32.1

Prod + Imp - Stk chg

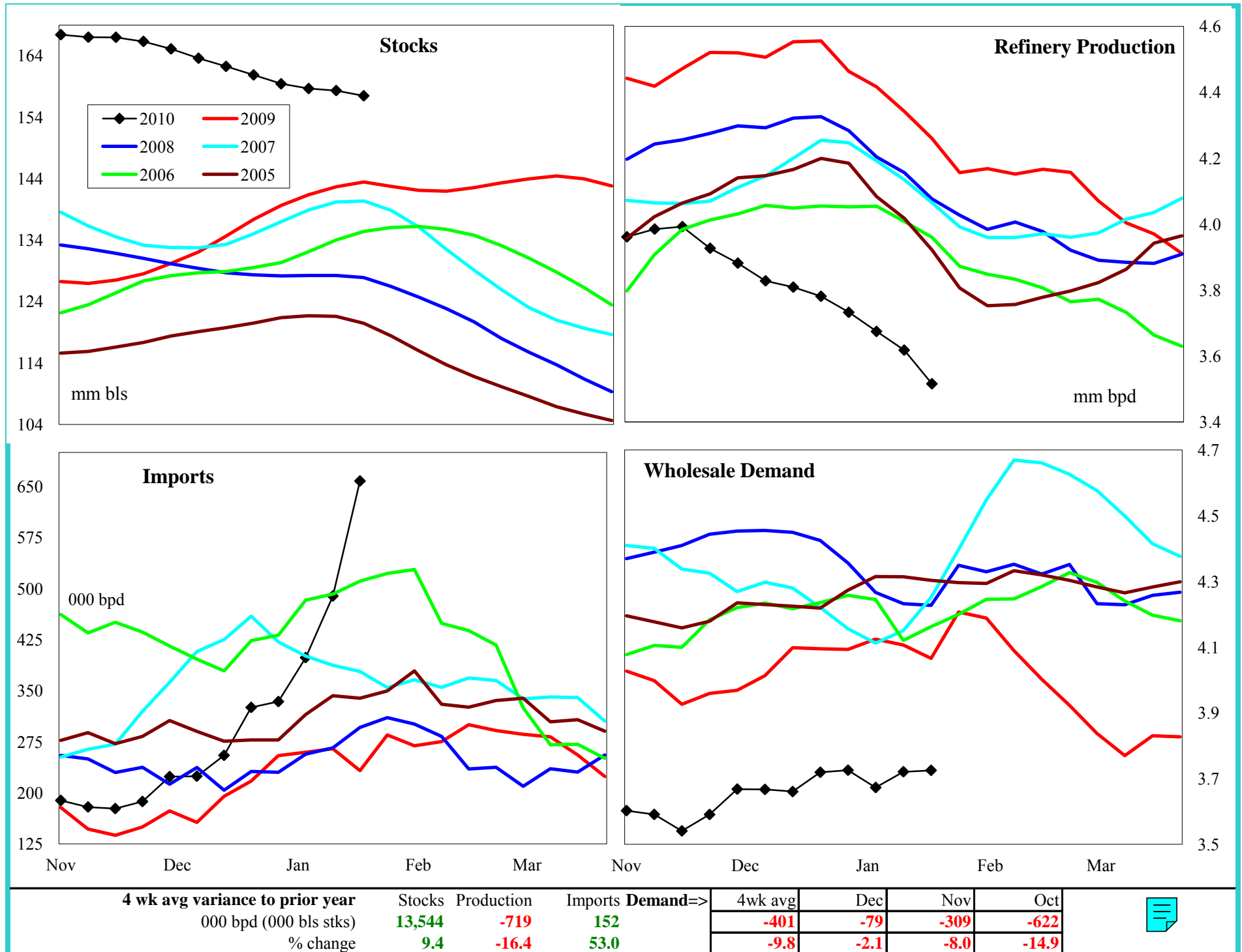
-240

-4.0

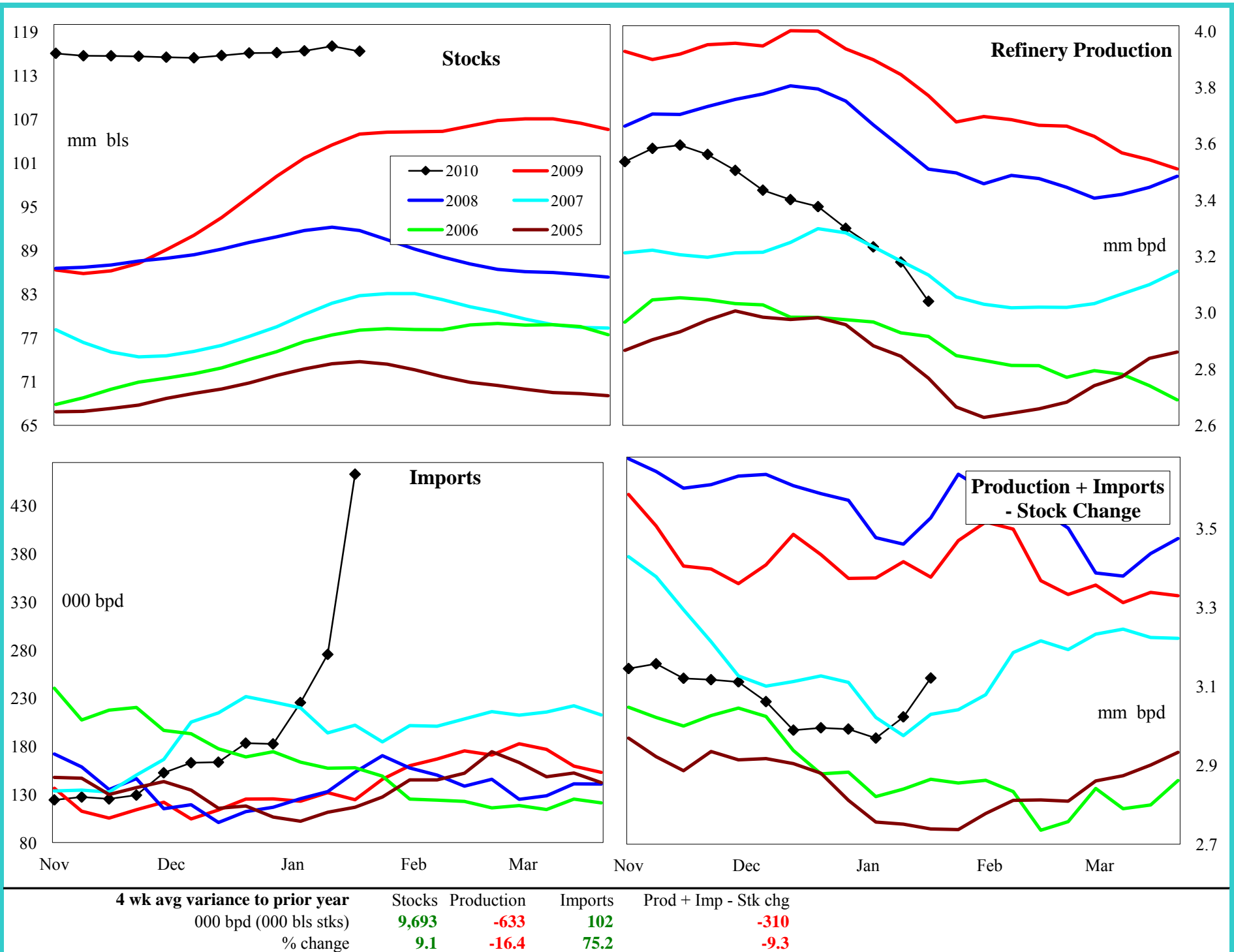
# United States Gasoline Imports by Type



# United States Distillate Supply and Demand Balance

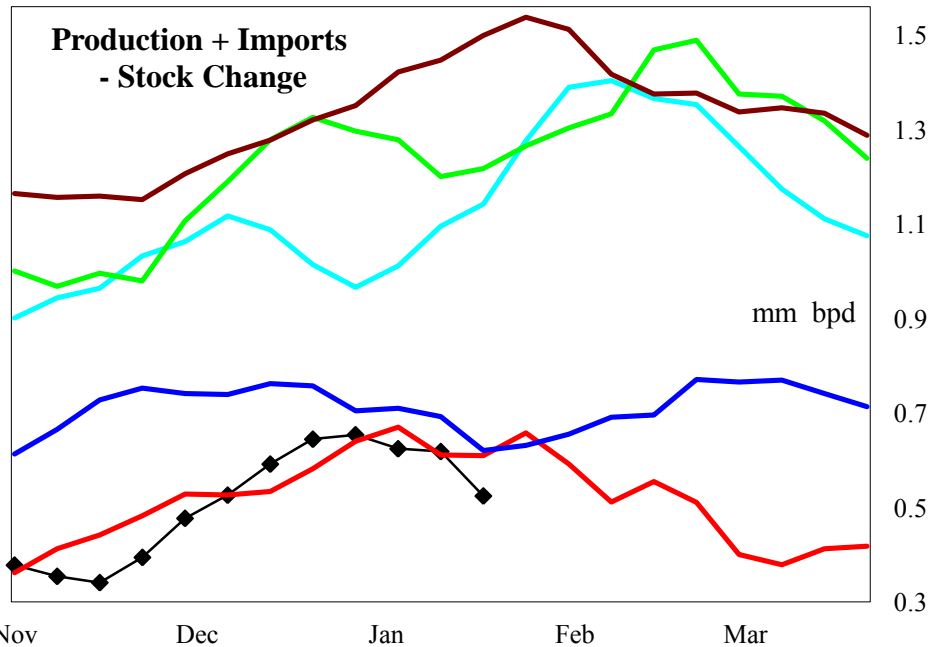
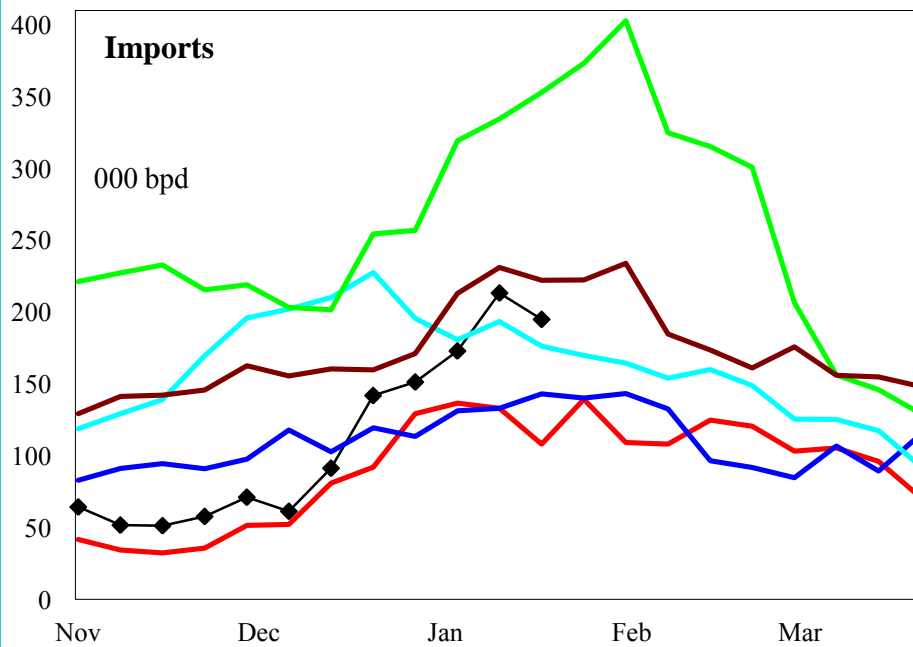
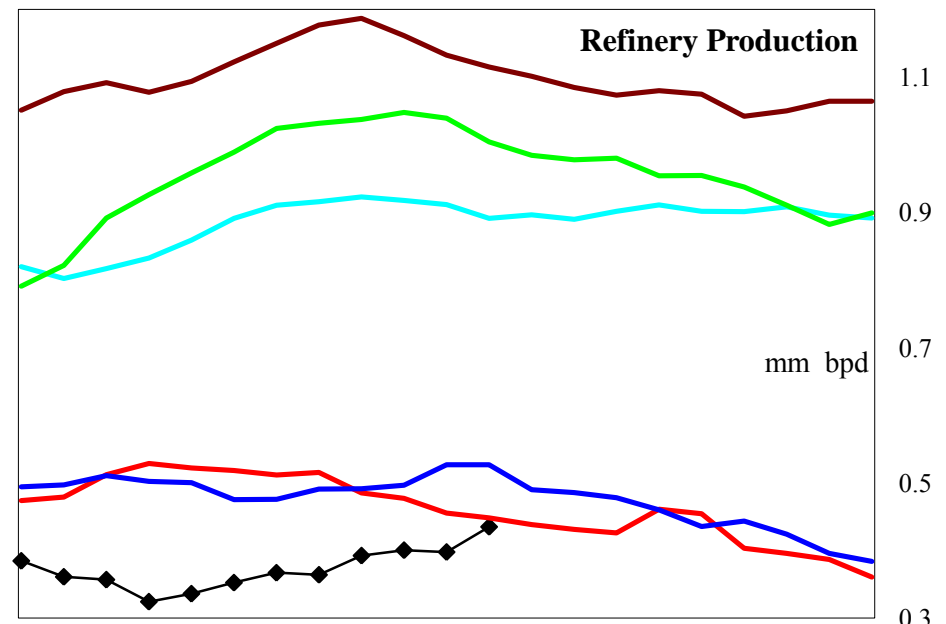
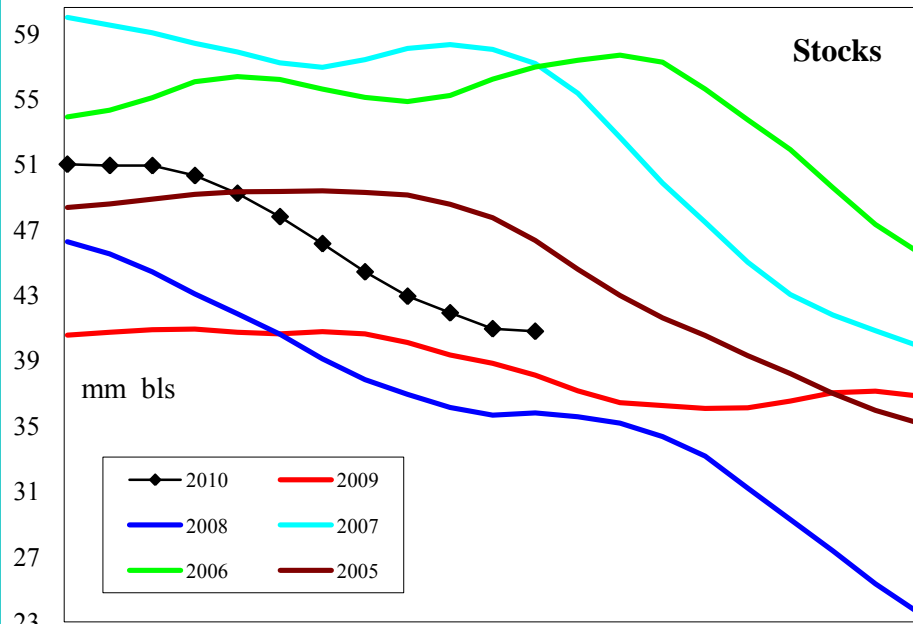


# United States Low Sulfur Distillate Supply





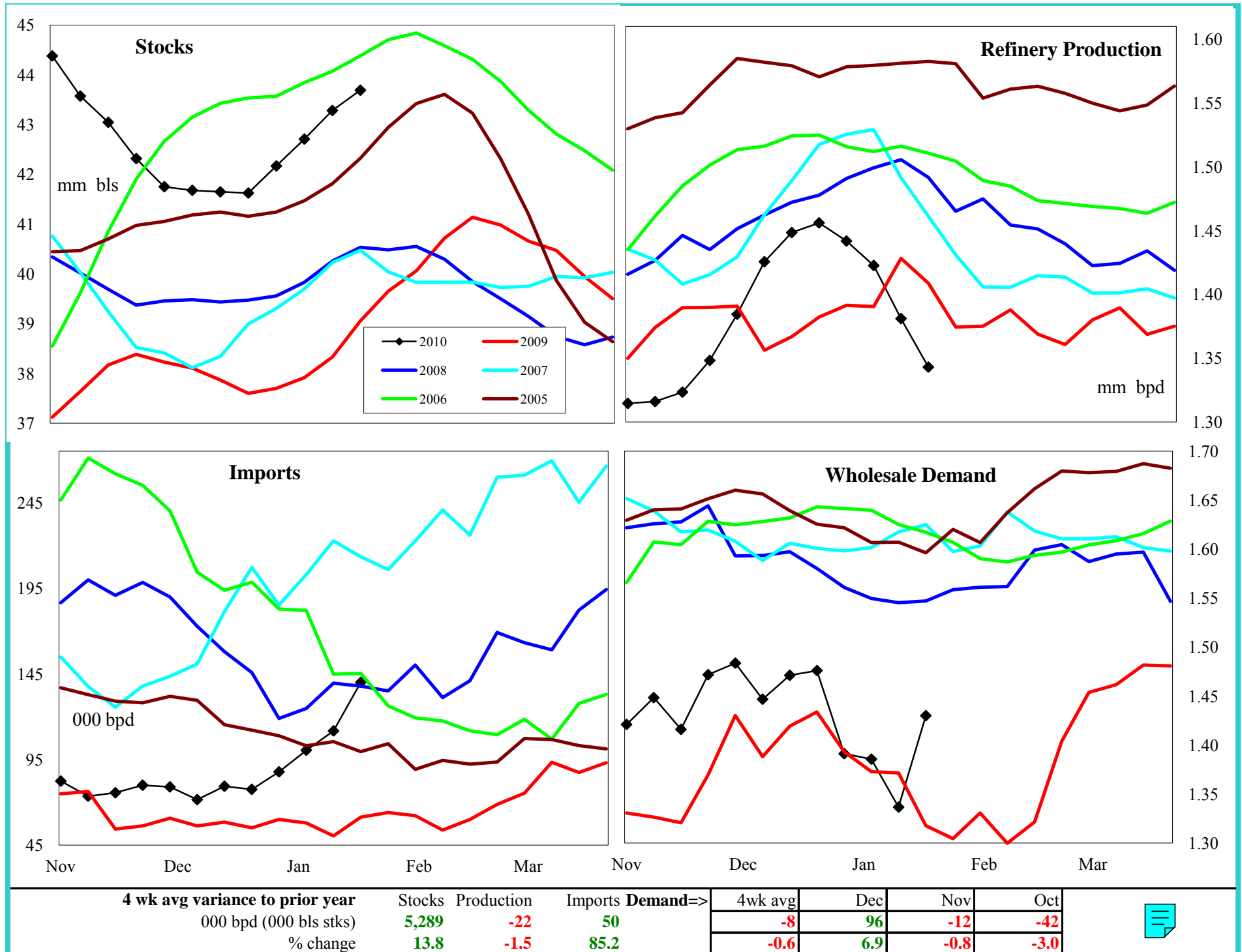
# United States High Sulfur Distillate Supply



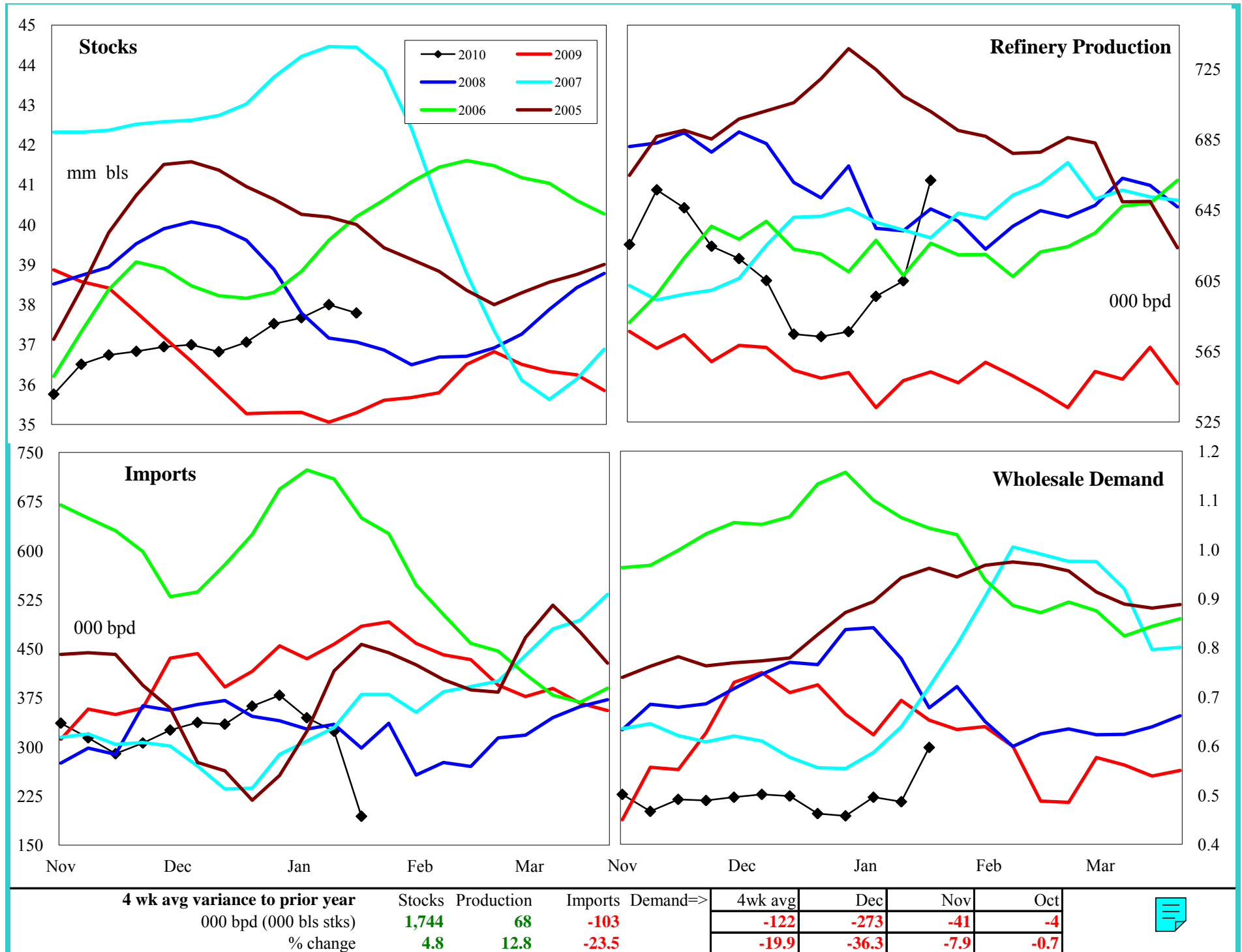
**4 wk avg variance to prior year**  
 000 bpd (000 bls stks)  
 % change

	Stocks	Production	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	3,851	-86	50	-91
% change	10.3	-16.5	33.1	-12.1

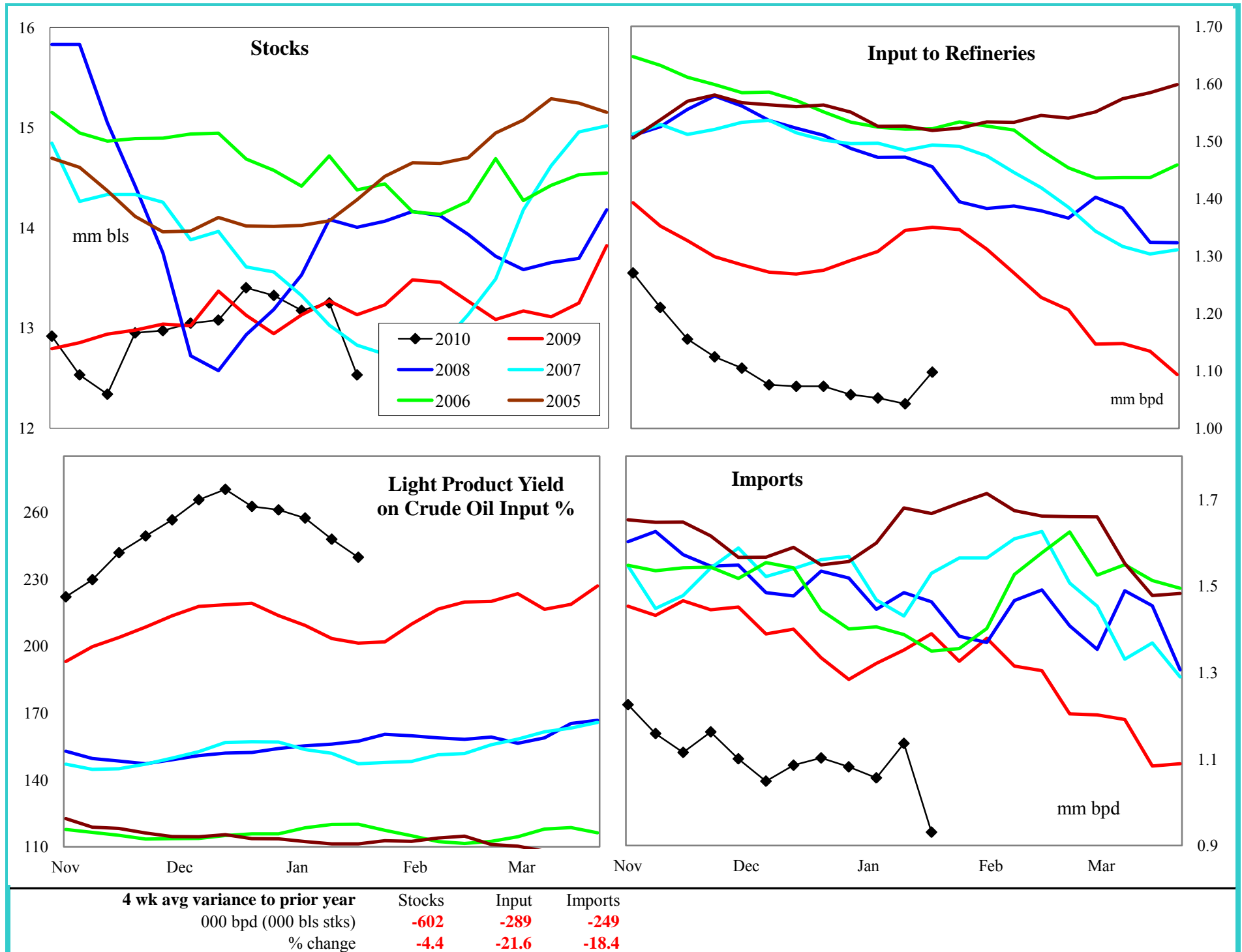
# United States Jet Fuel Supply and Demand Balance



# United States Residual Fuel Oil Supply and Demand Balance

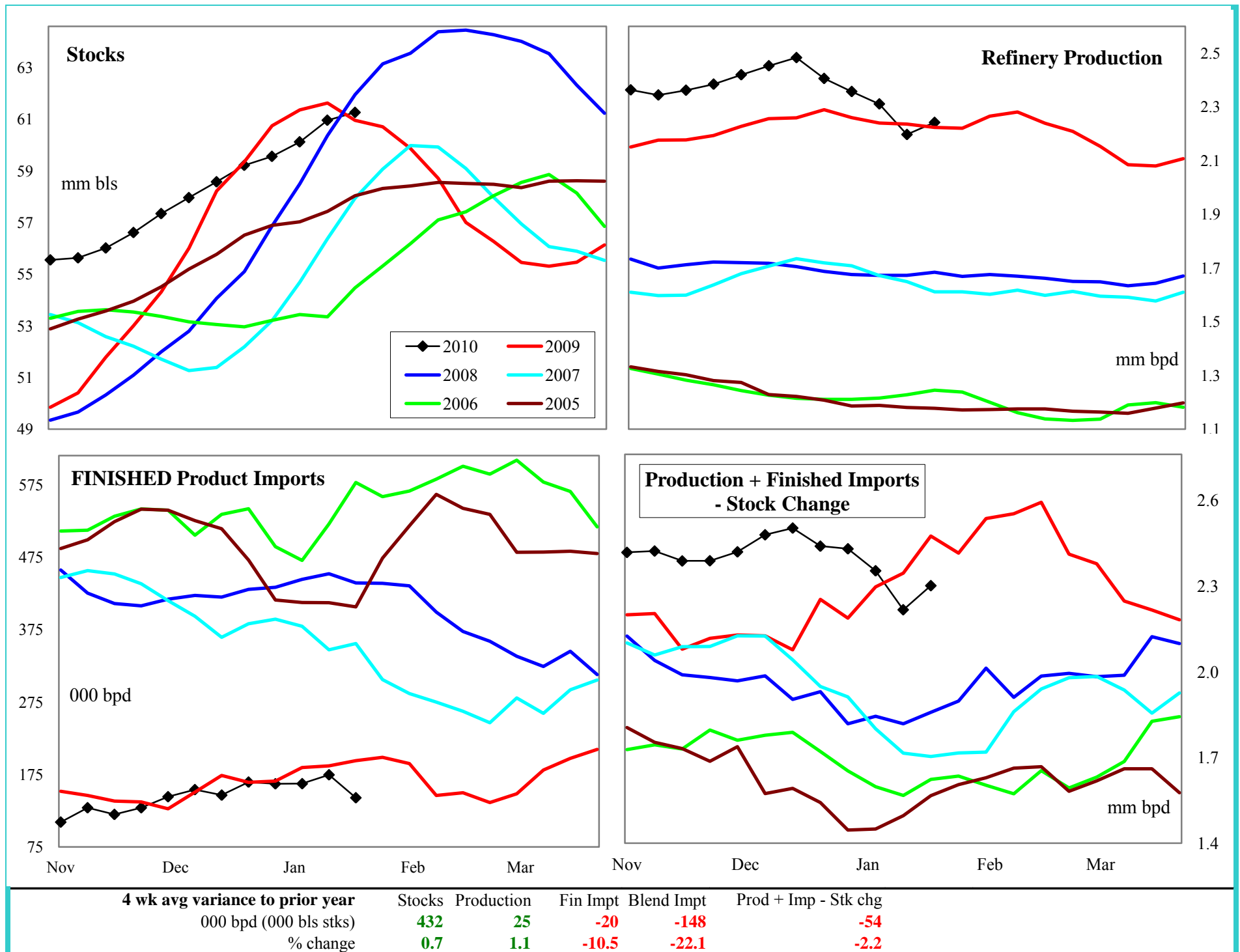


# PADD 1 Crude Oil Supply and Refining

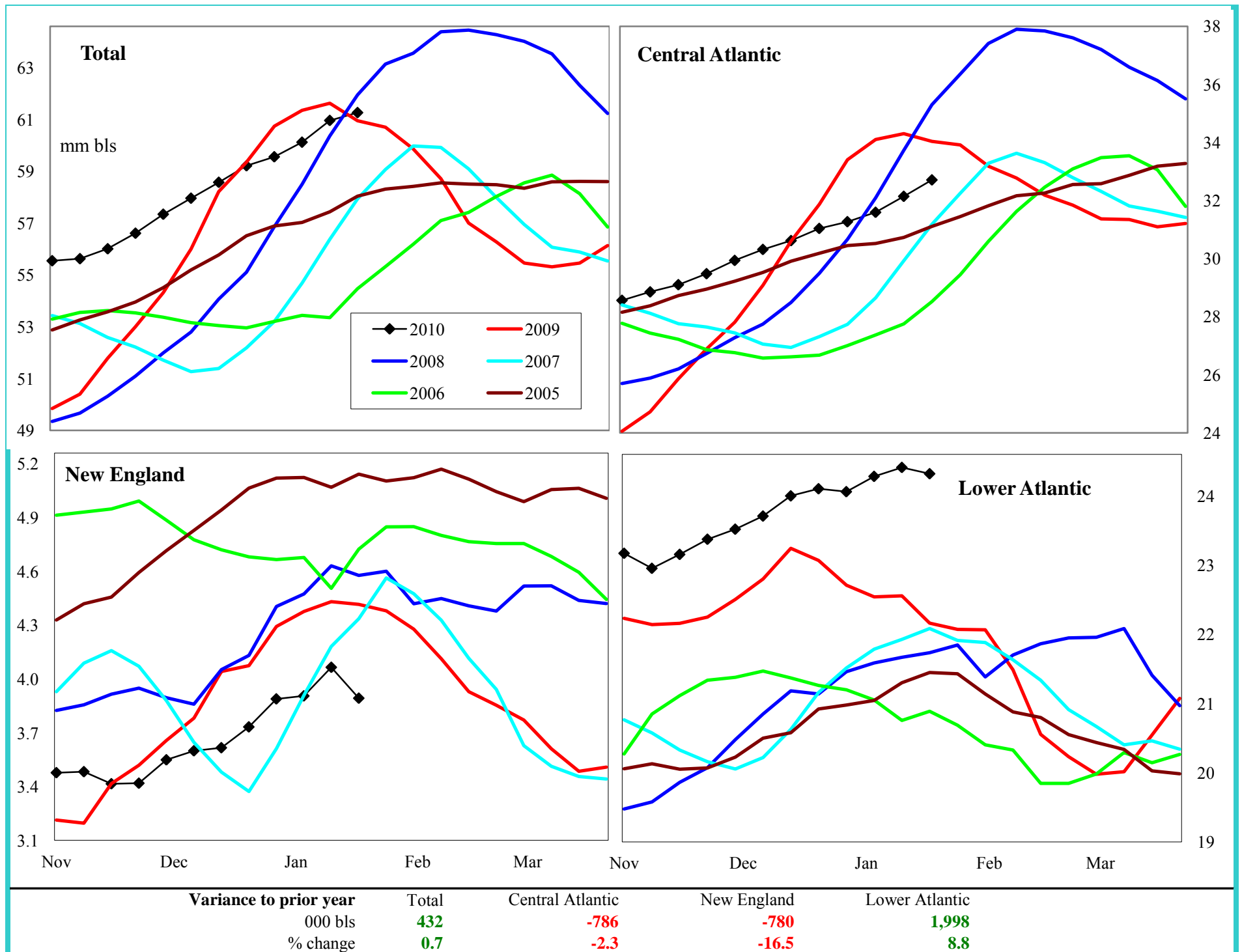




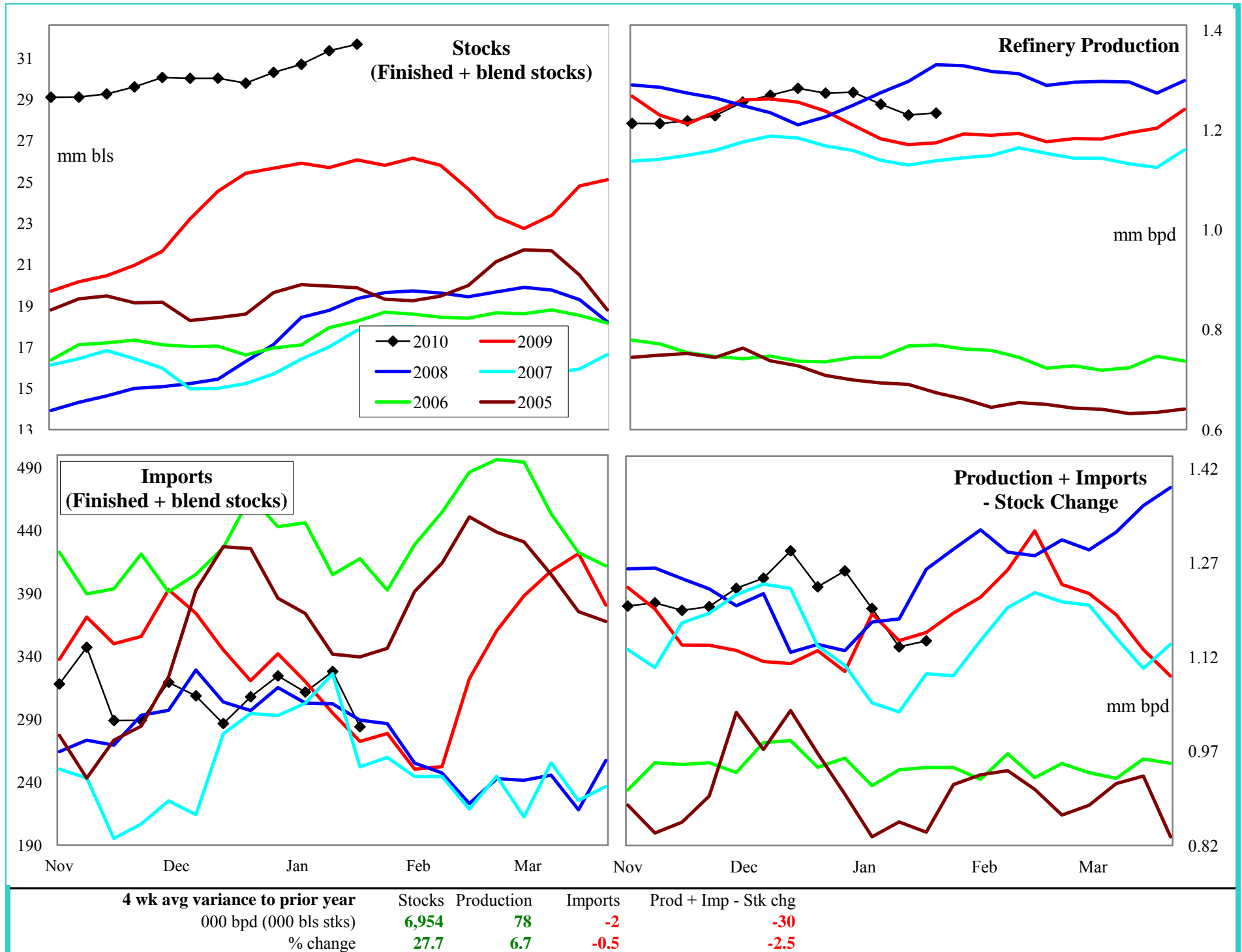
# PADD 1 Gasoline Supply



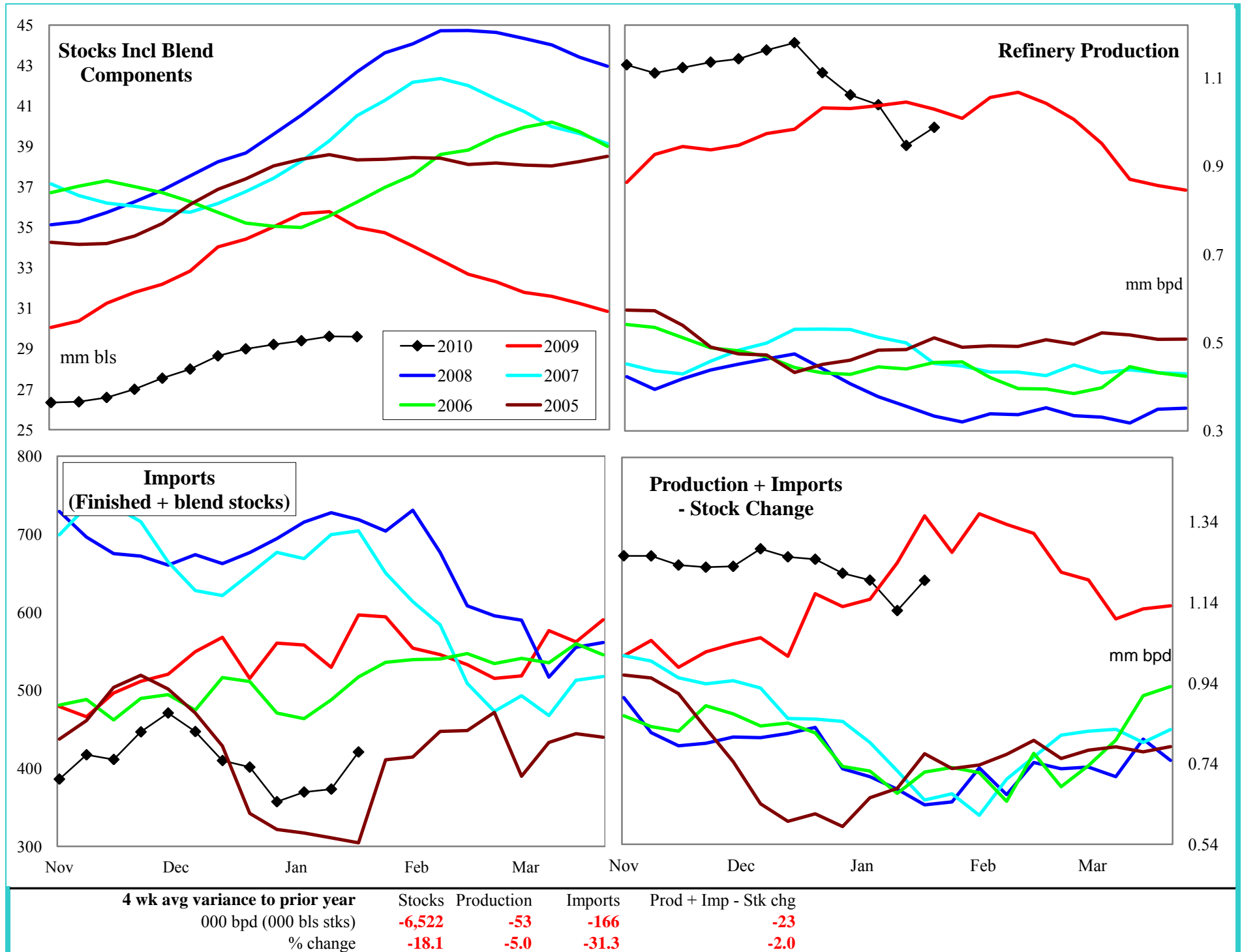
# PADD 1 Gasoline Stocks by Region



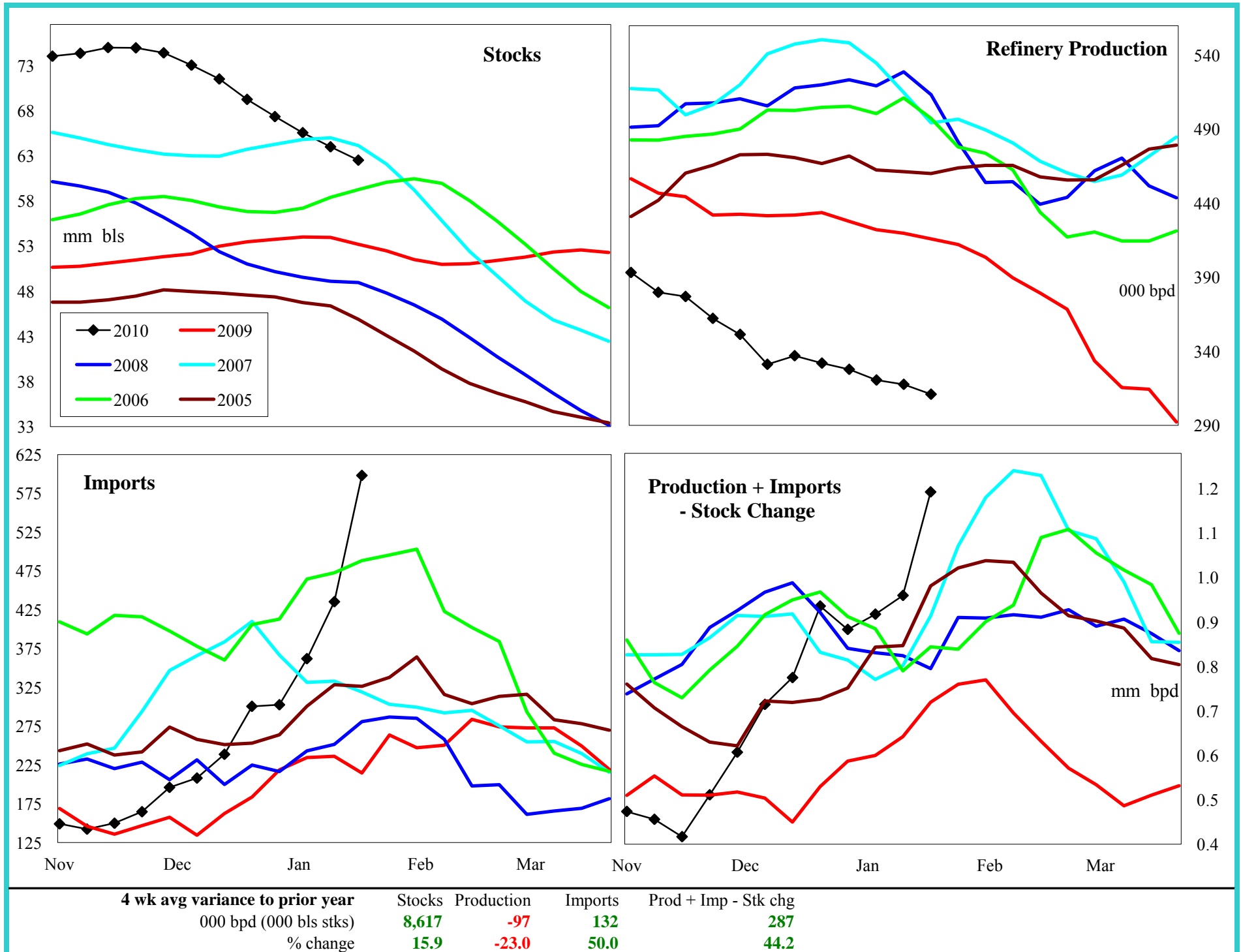
# PADD 1 Reformulated Gasoline Supply



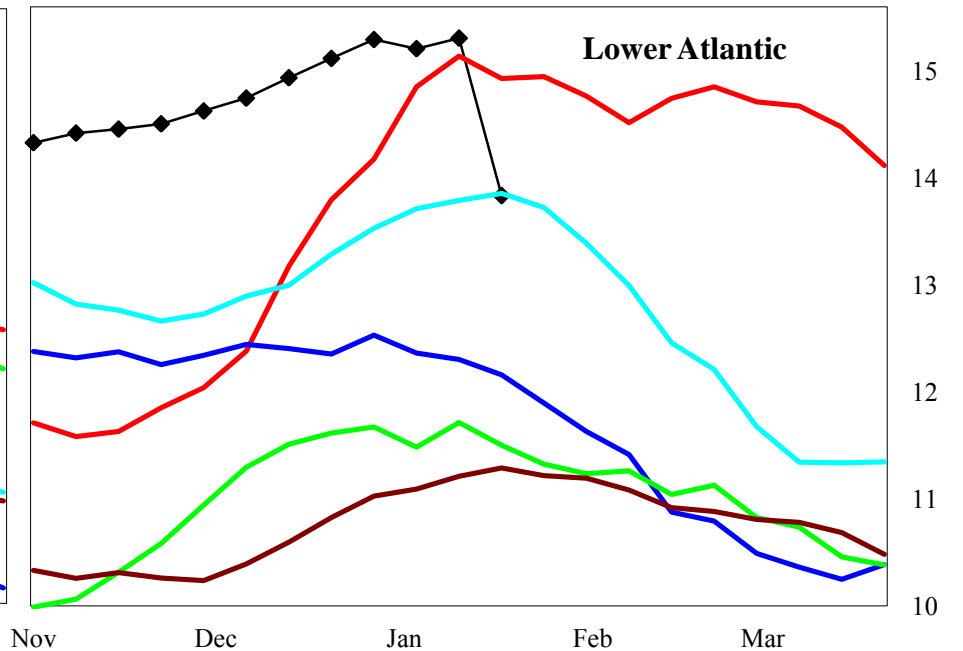
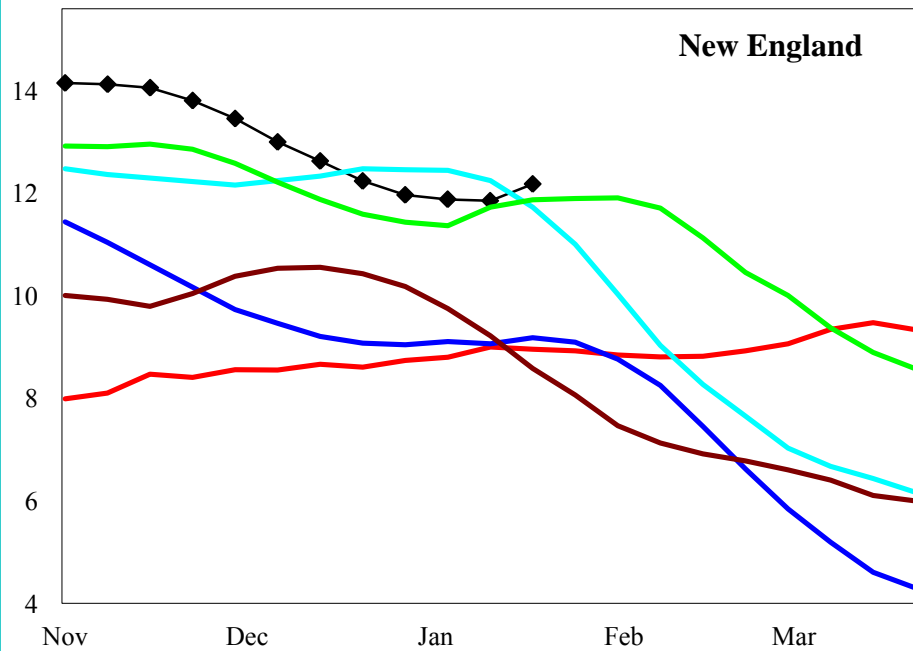
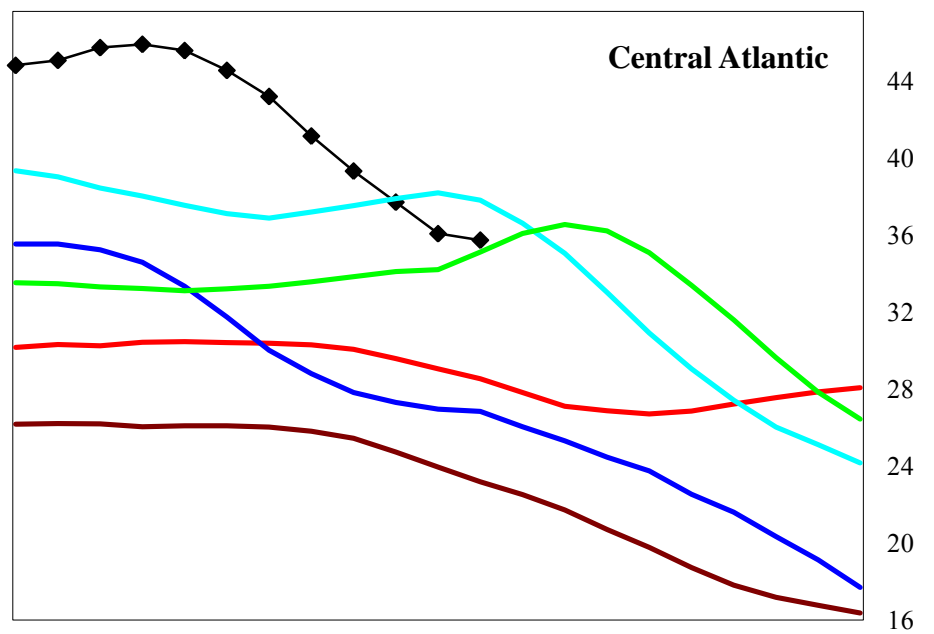
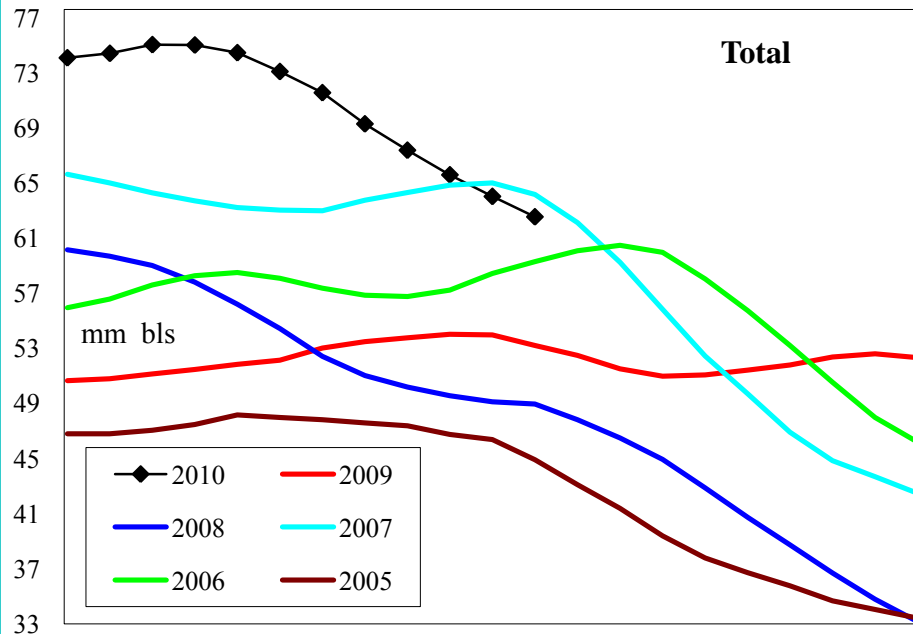
# PADD 1 Conventional Gasoline Supply



# PADD 1 Distillate Supply



# PADD 1 Distillate Stocks by Region



**Variance to prior year**

000 bls

% change

**Total**

**8,617**

**15.9**

**Central Atlantic**

**7,132**

**24.6**

**New England**

**3,428**

**37.5**

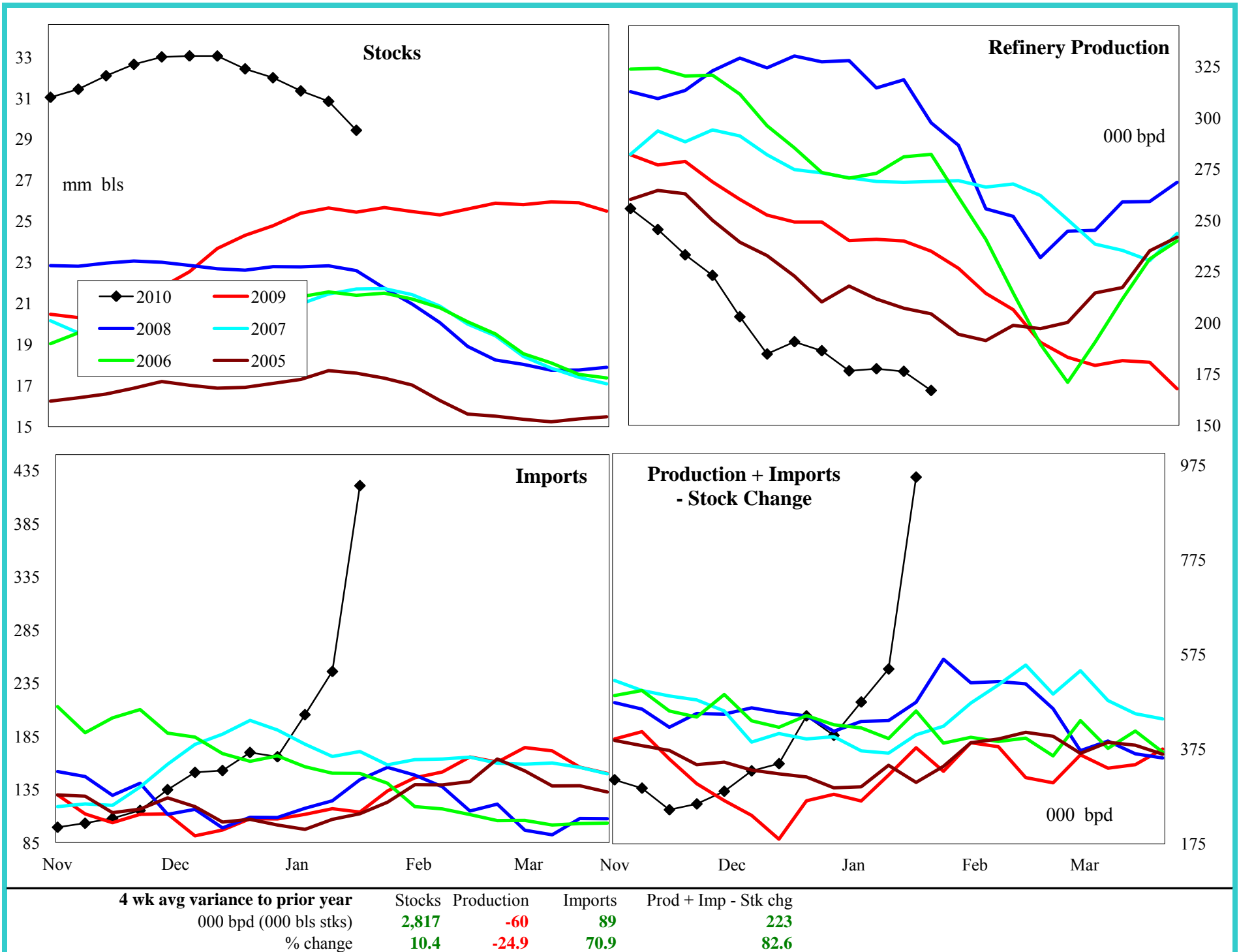
**Lower Atlantic**

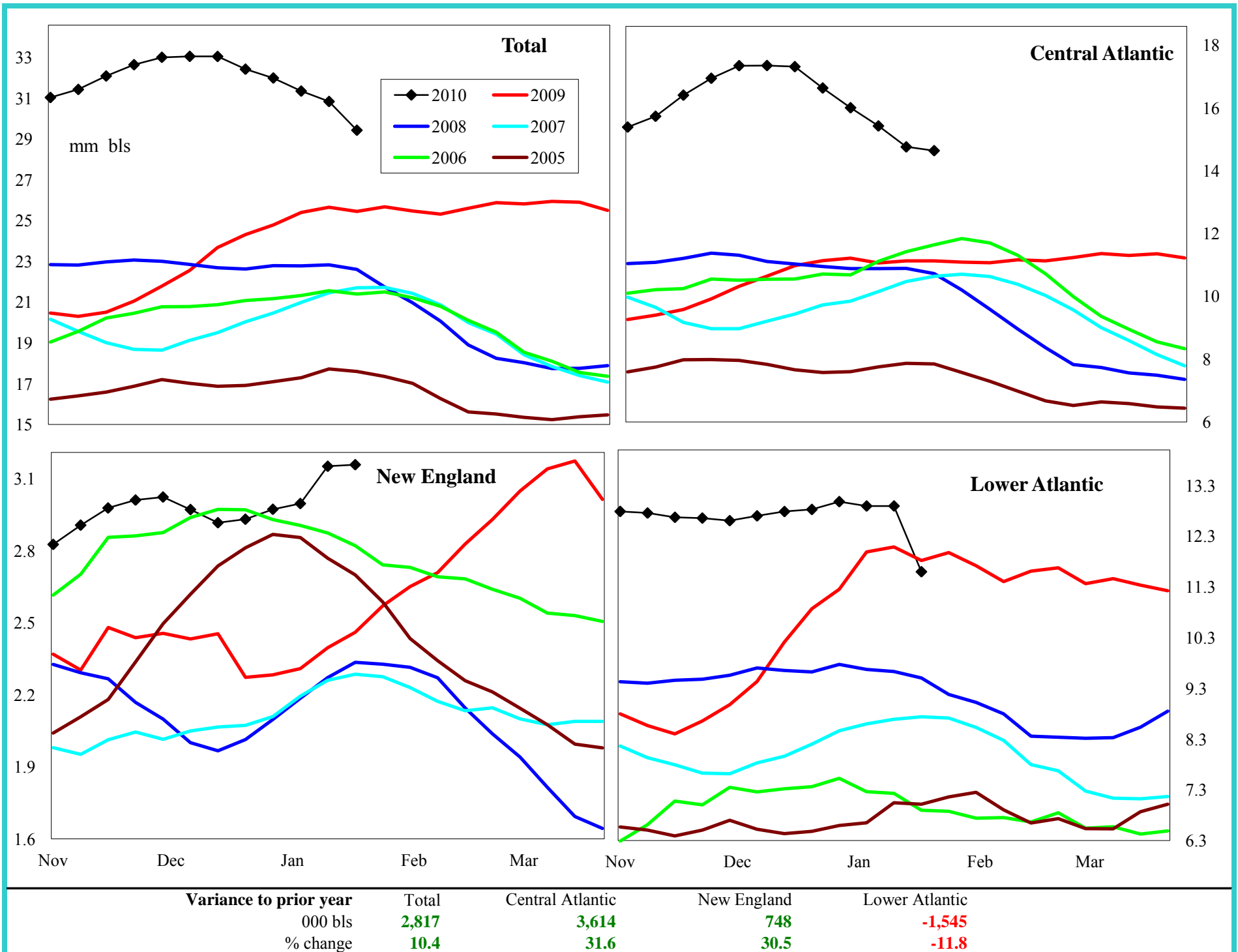
**-1,943**

**-12.0**

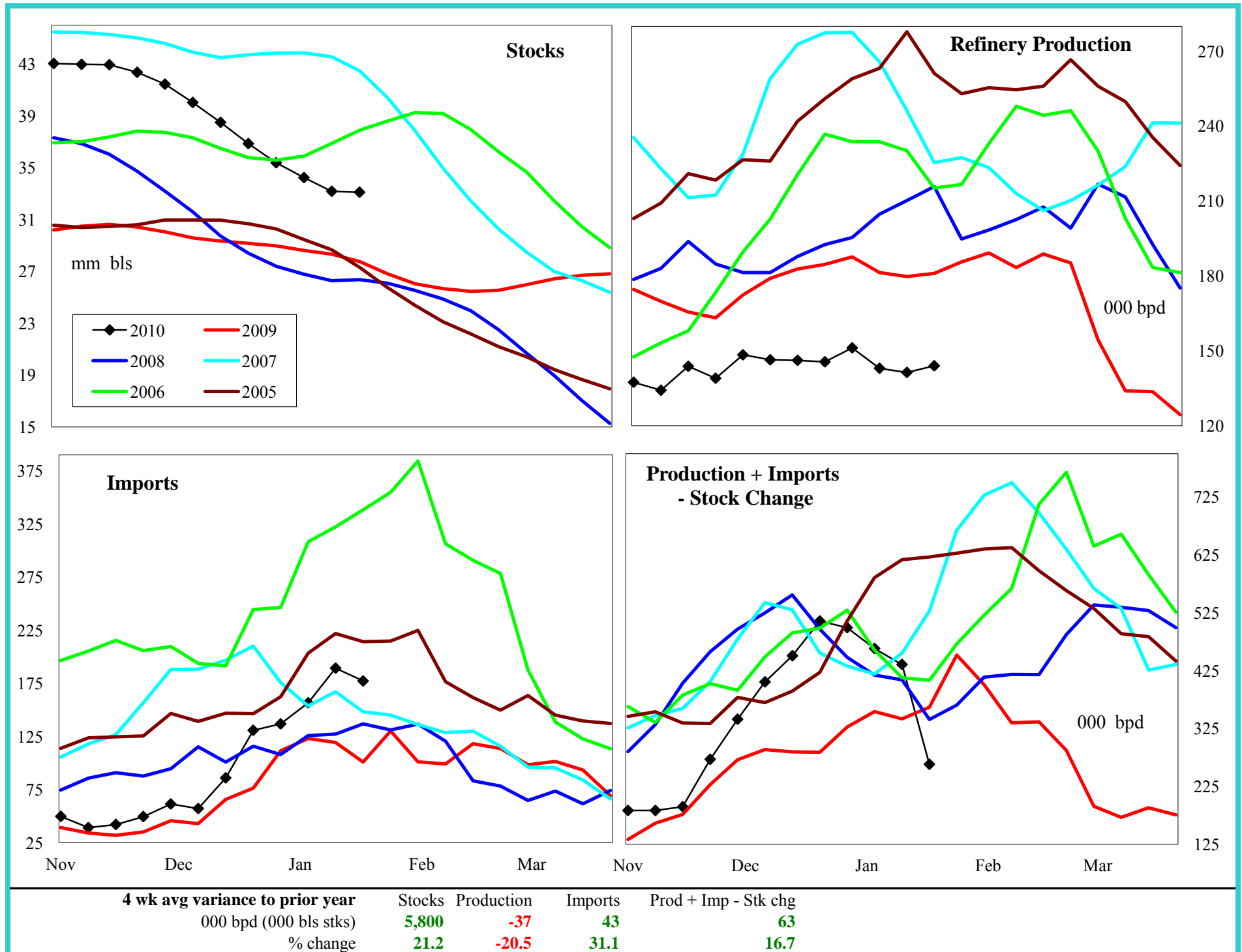


# PADD 1 Low Sulfur Distillate Supply

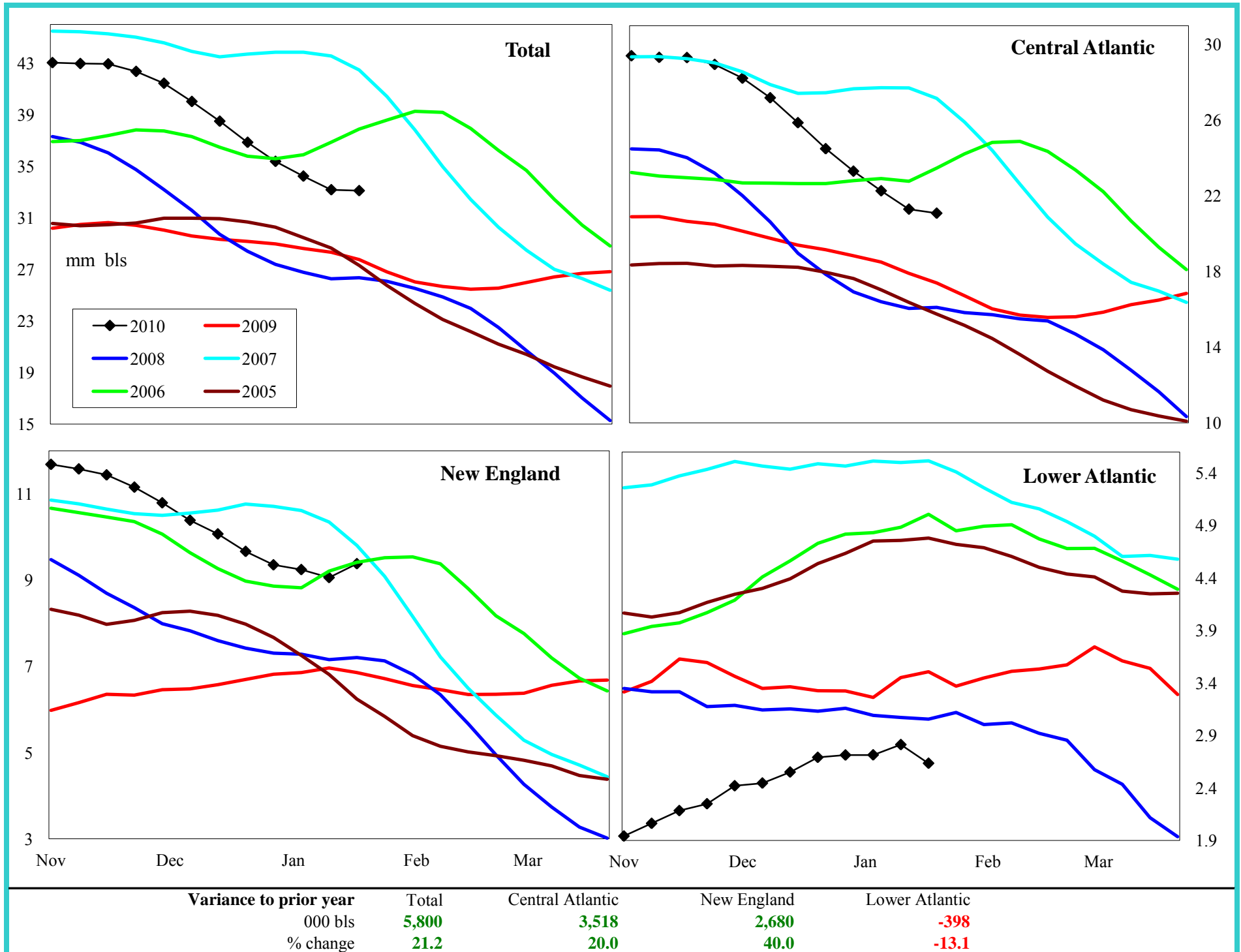


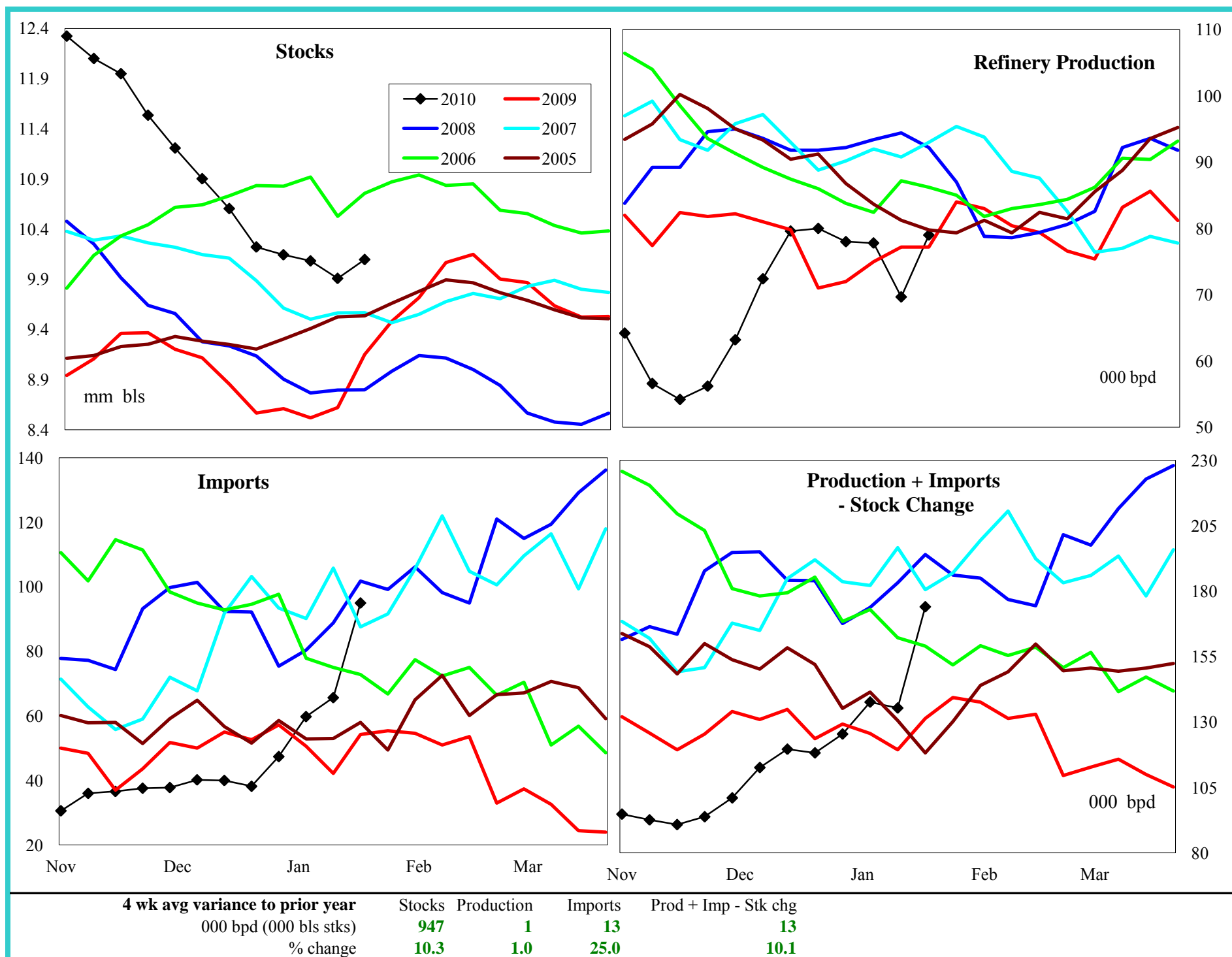


# PADD 1 High Sulfur Distillate Supply

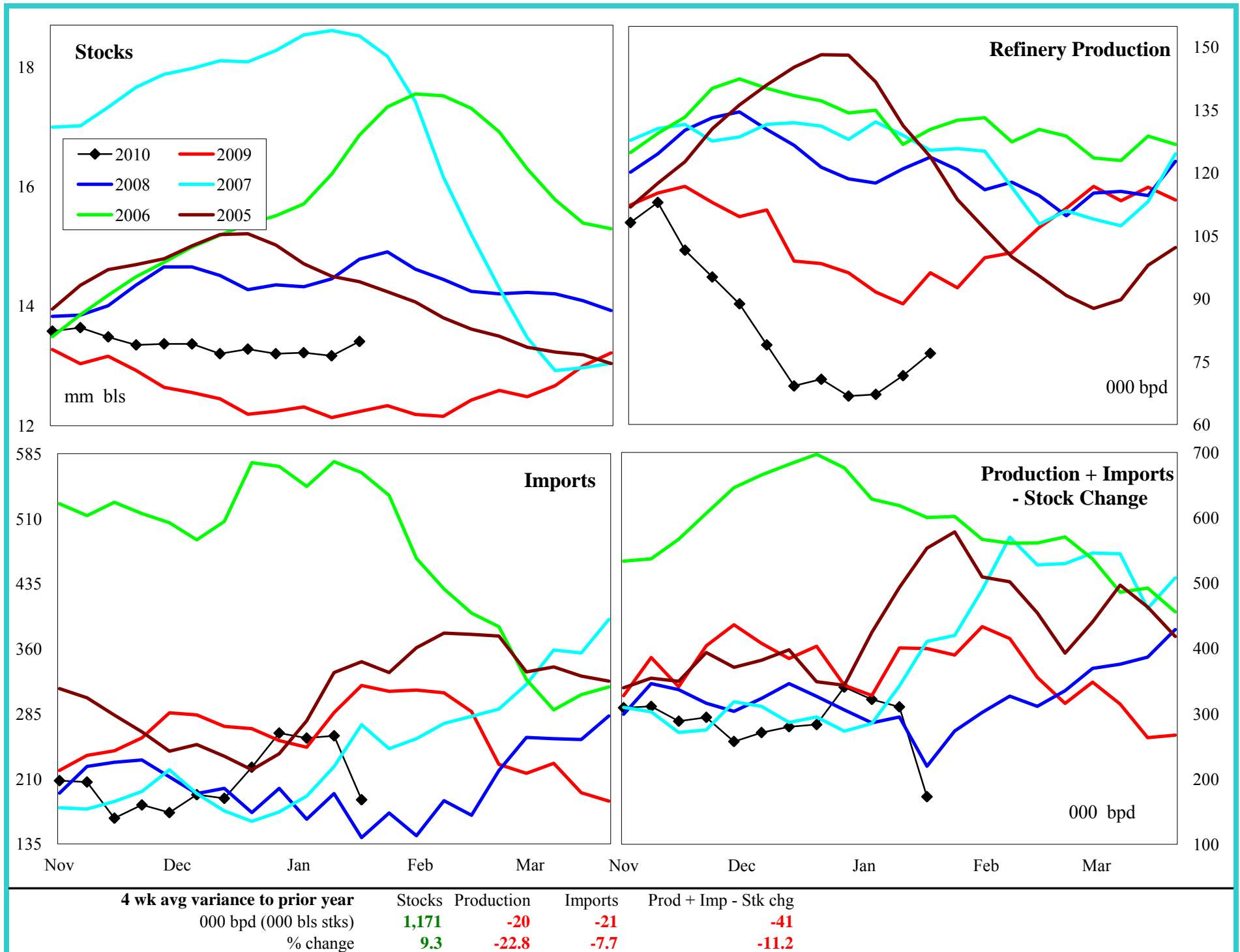


# PADD 1 High Sulfur Distillate Stocks by Region



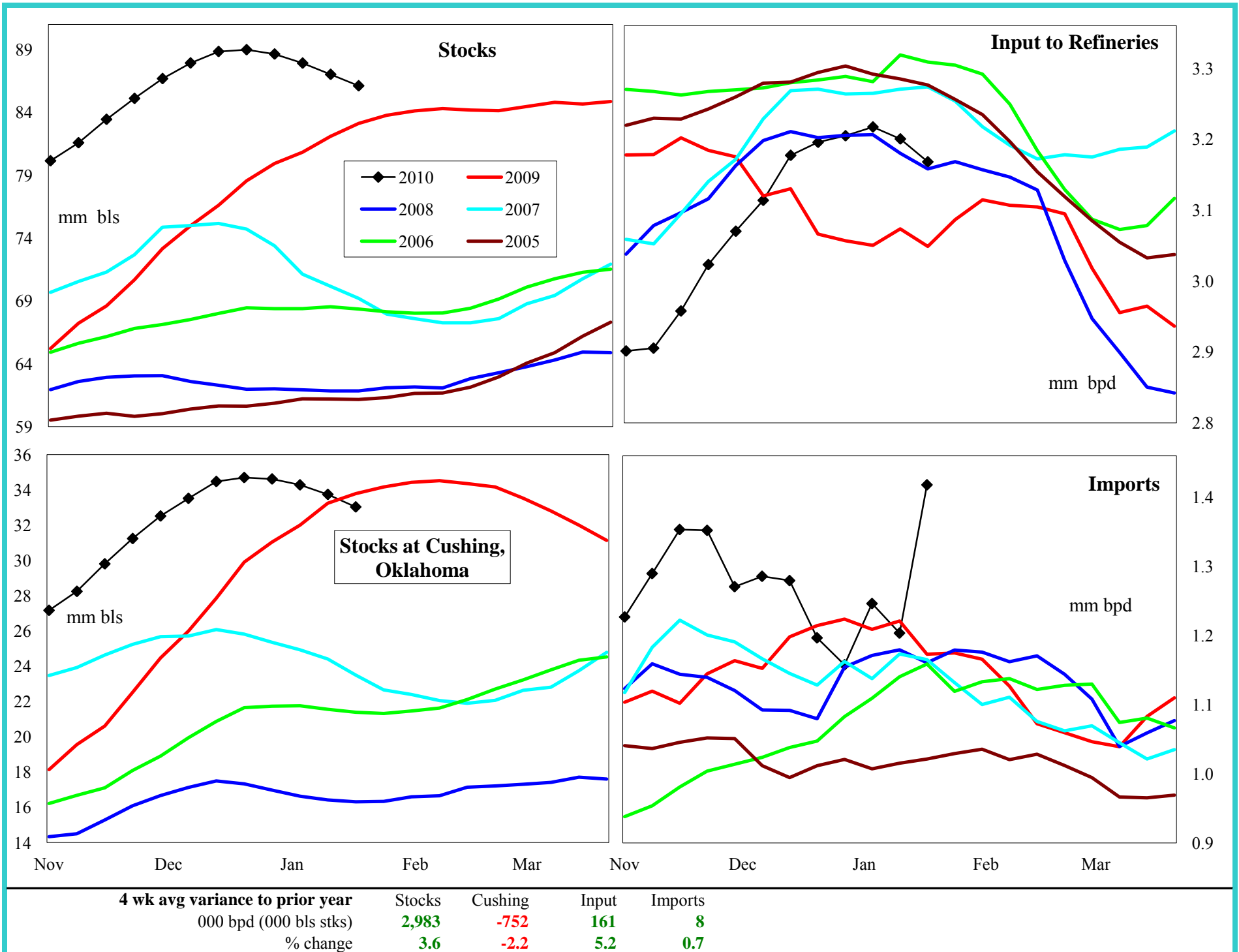


# PADD 1 Residual Fuel Oil Supply

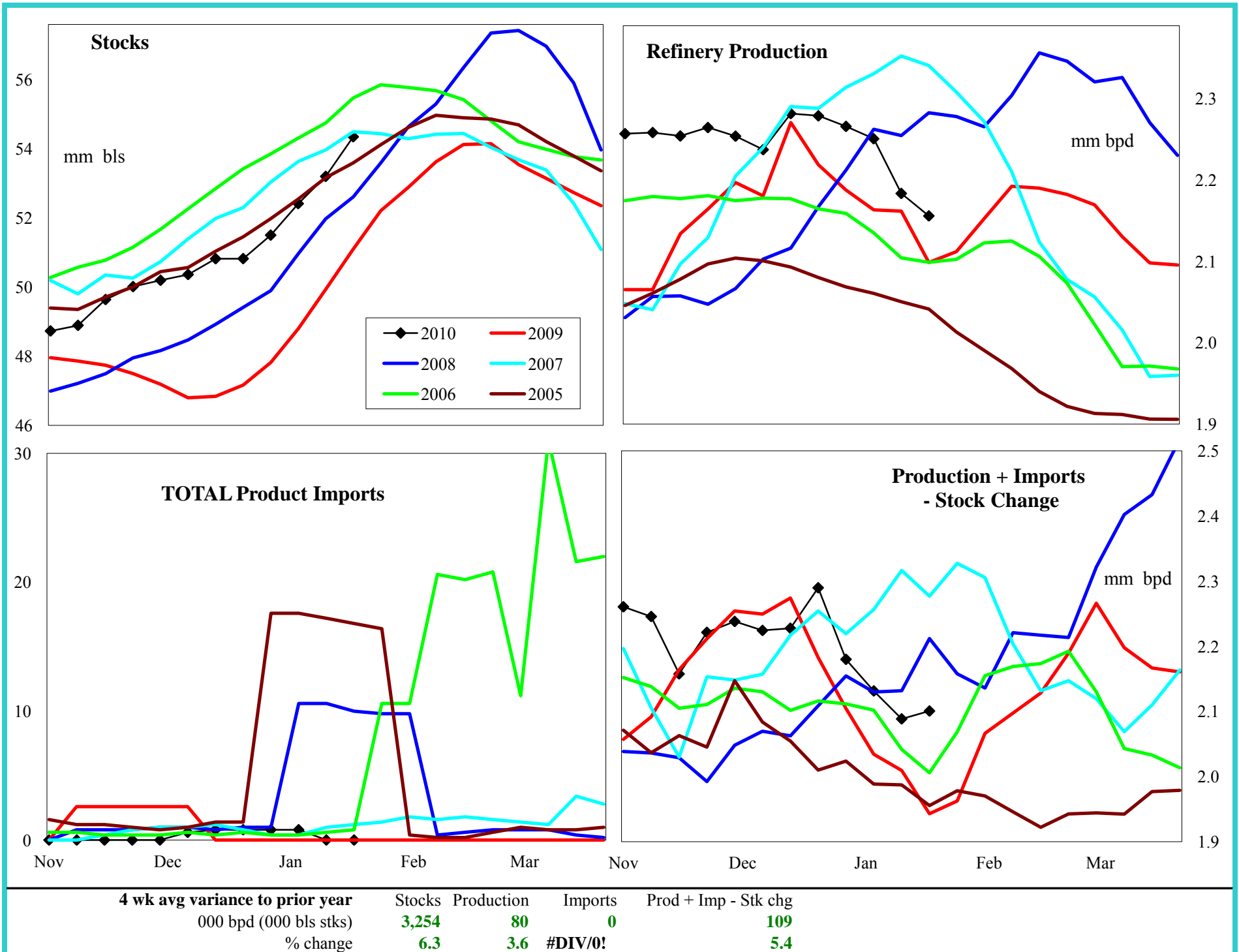




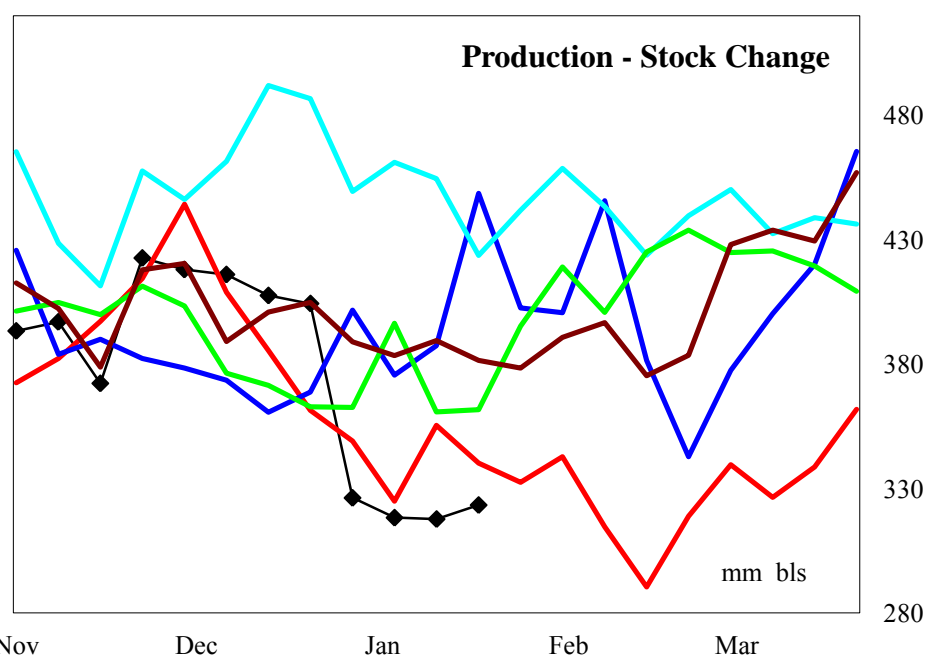
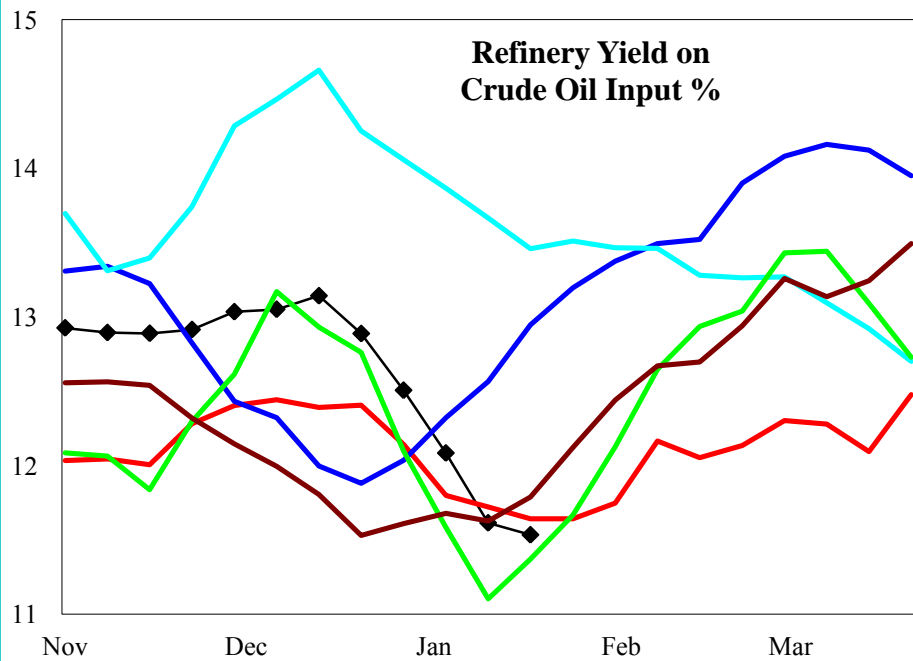
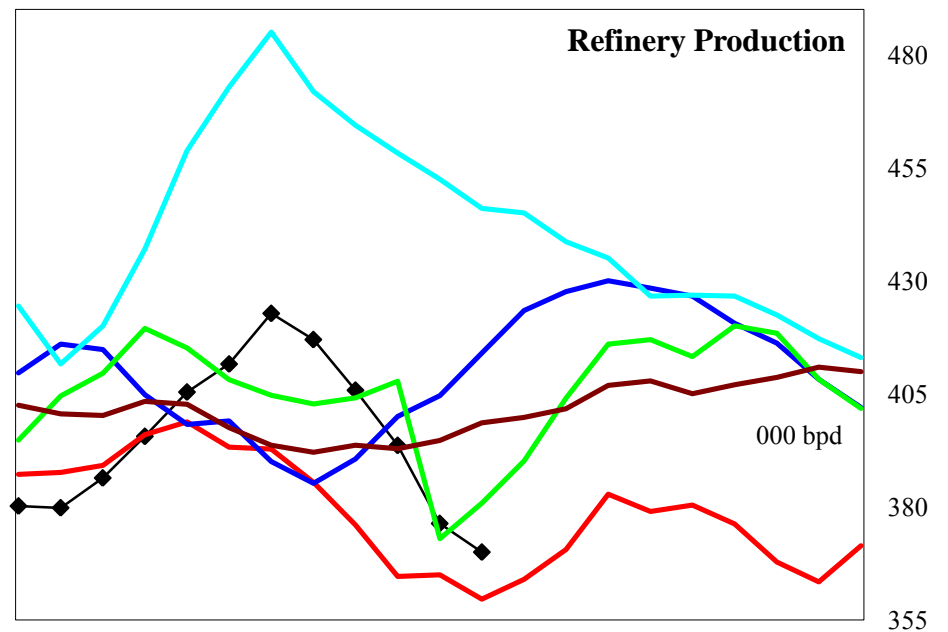
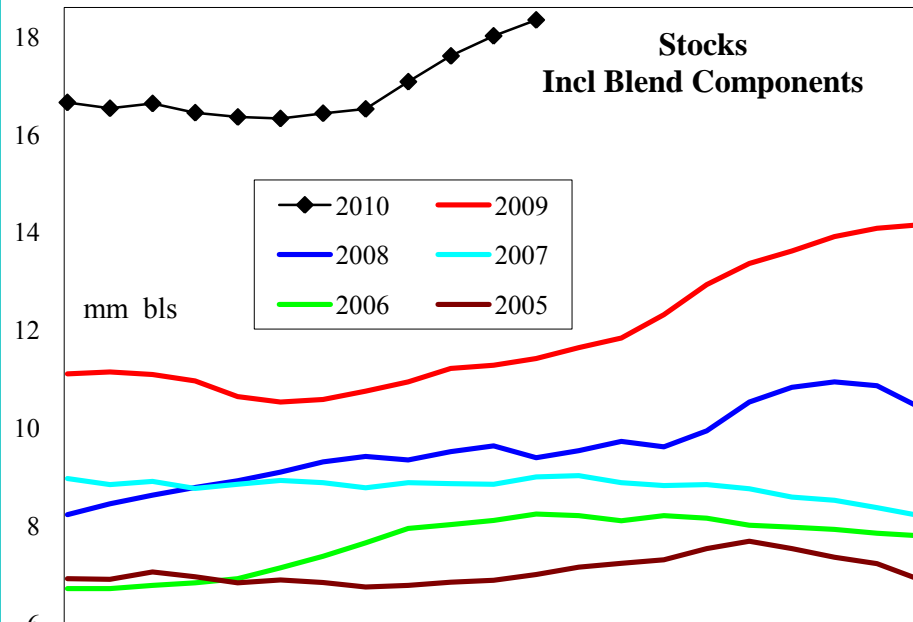
# PADD 2 Crude Oil Supply and Refining



# PADD 2 Gasoline Supply



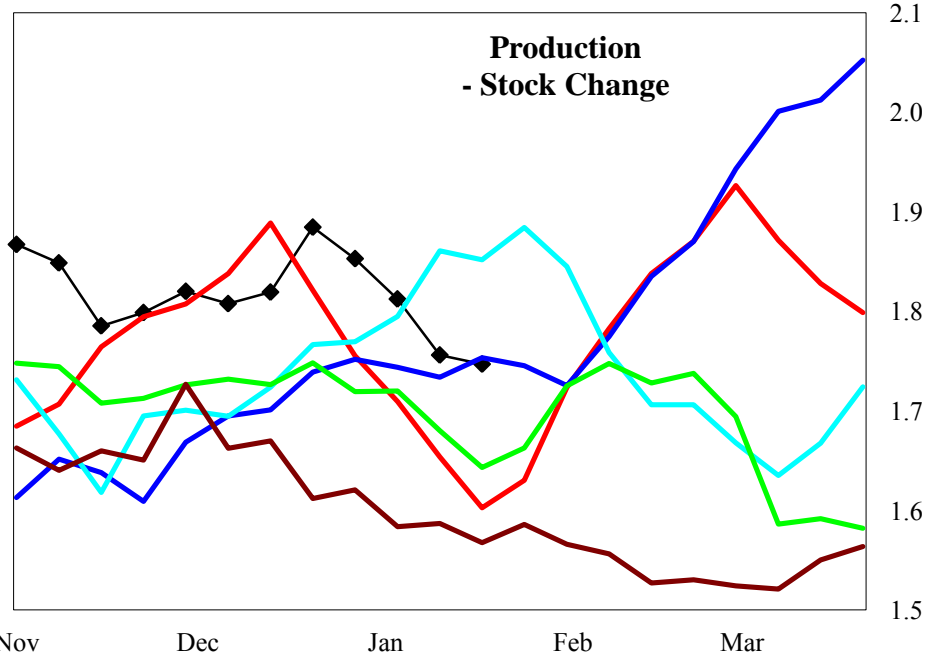
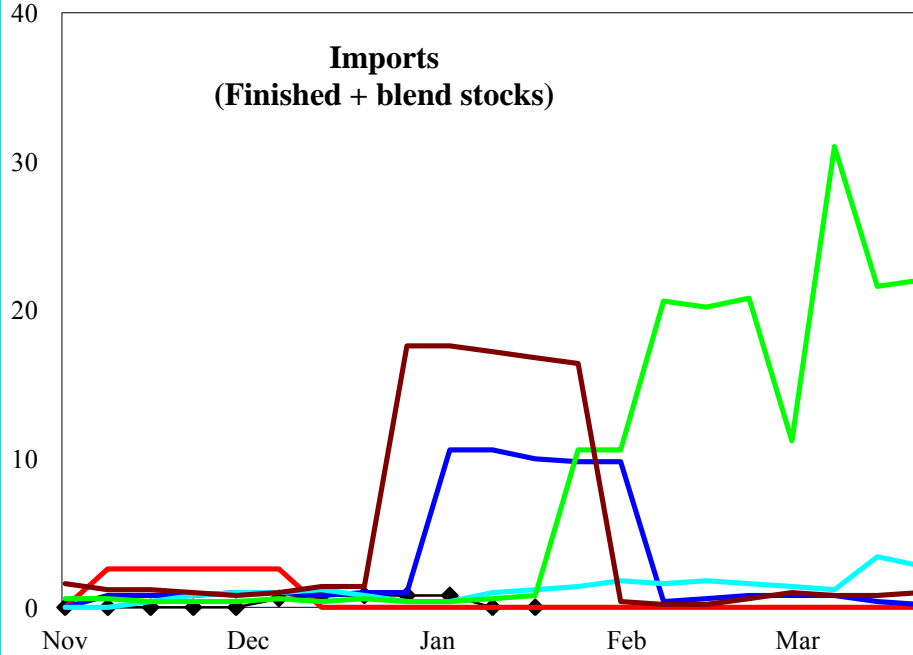
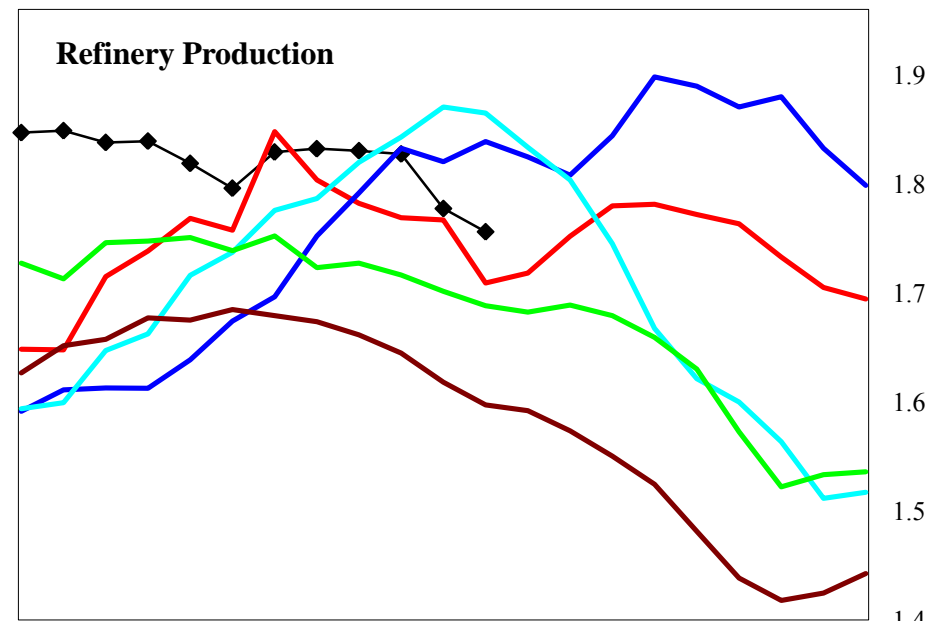
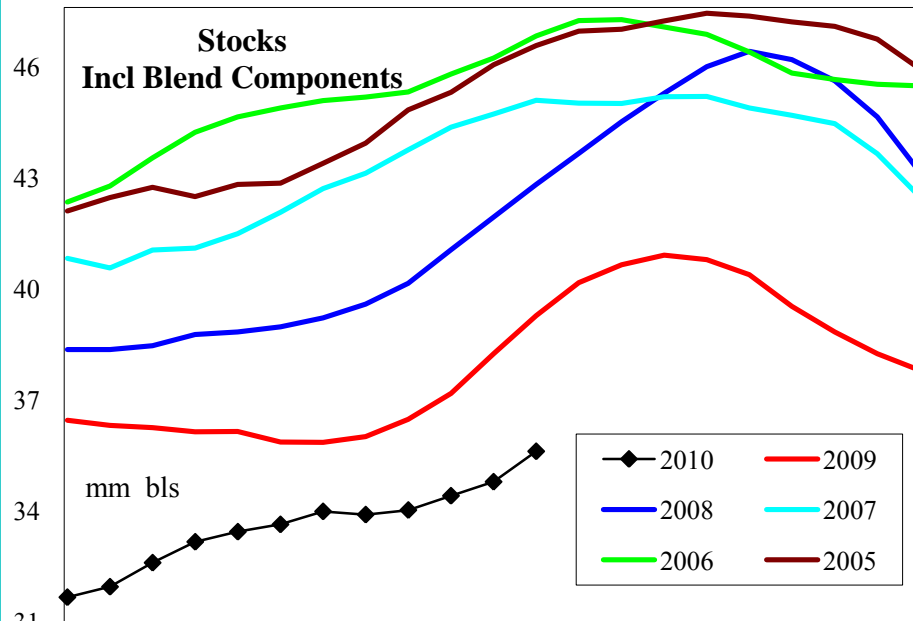
## PADD 2 Reformulated Gasoline Supply



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

	Stocks	Production	Prod - Stk chg
000 bpd (000 bls stks)	6,920	20	-21
% change	58.5	5.5	-6.1

# PADD 2 Conventional Gasoline Supply

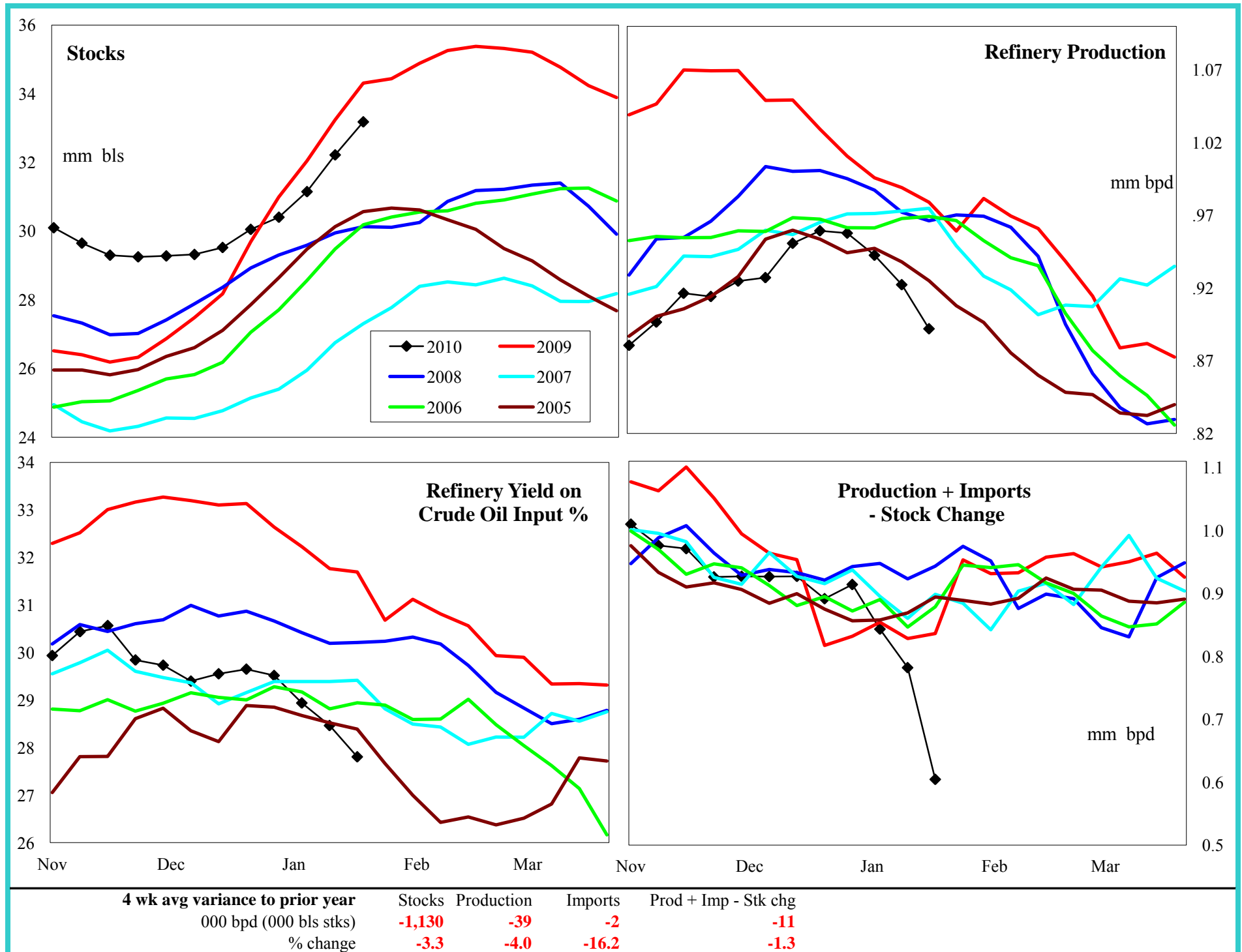


**4 wk avg variance to prior year**  
000 bpd (000 bbls stks)  
% change

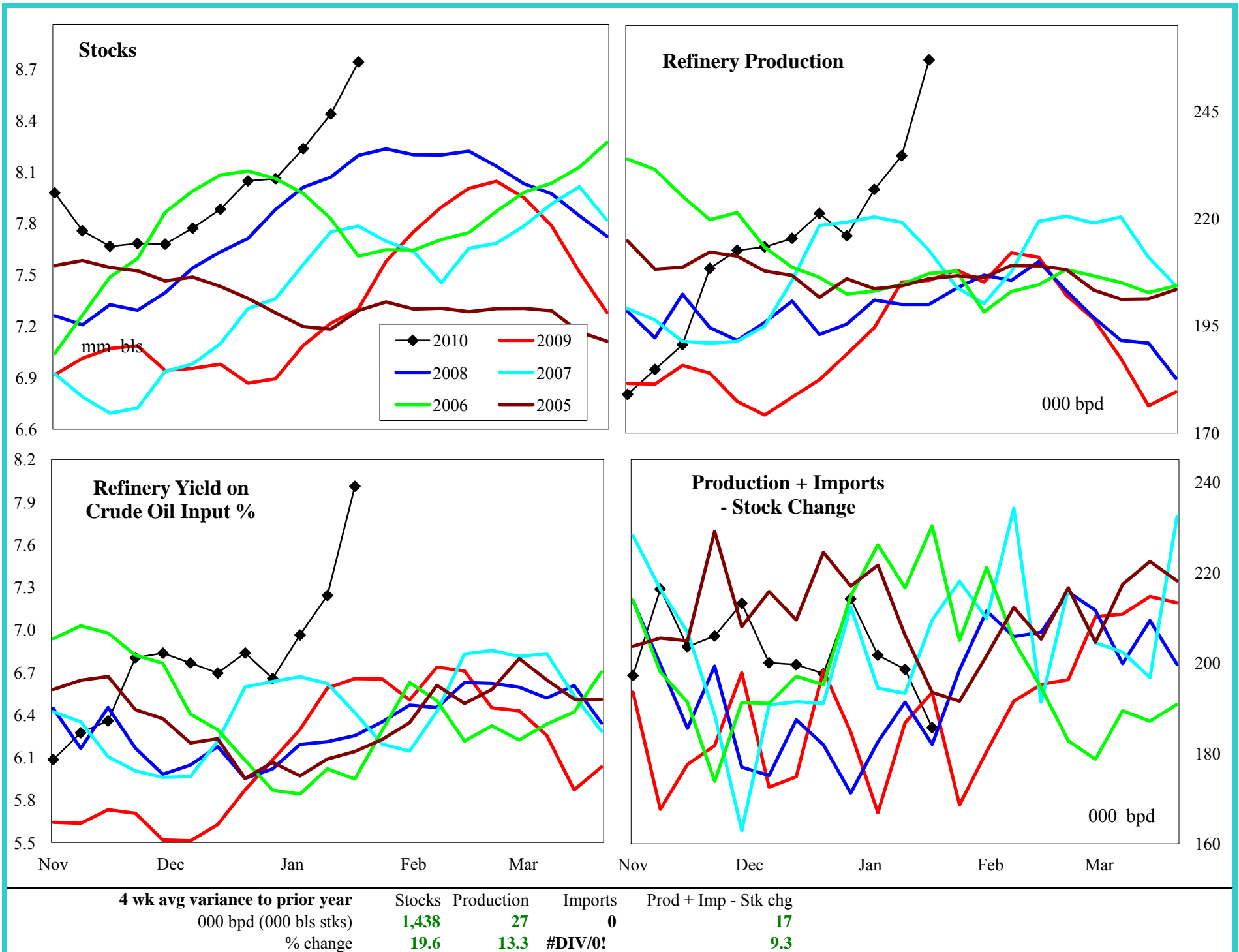
	Stocks	Production
	-3,611	57
	-9.1	3.1

	Prod - Stk chg
	113
	6.7

# PADD 2 Distillate Supply

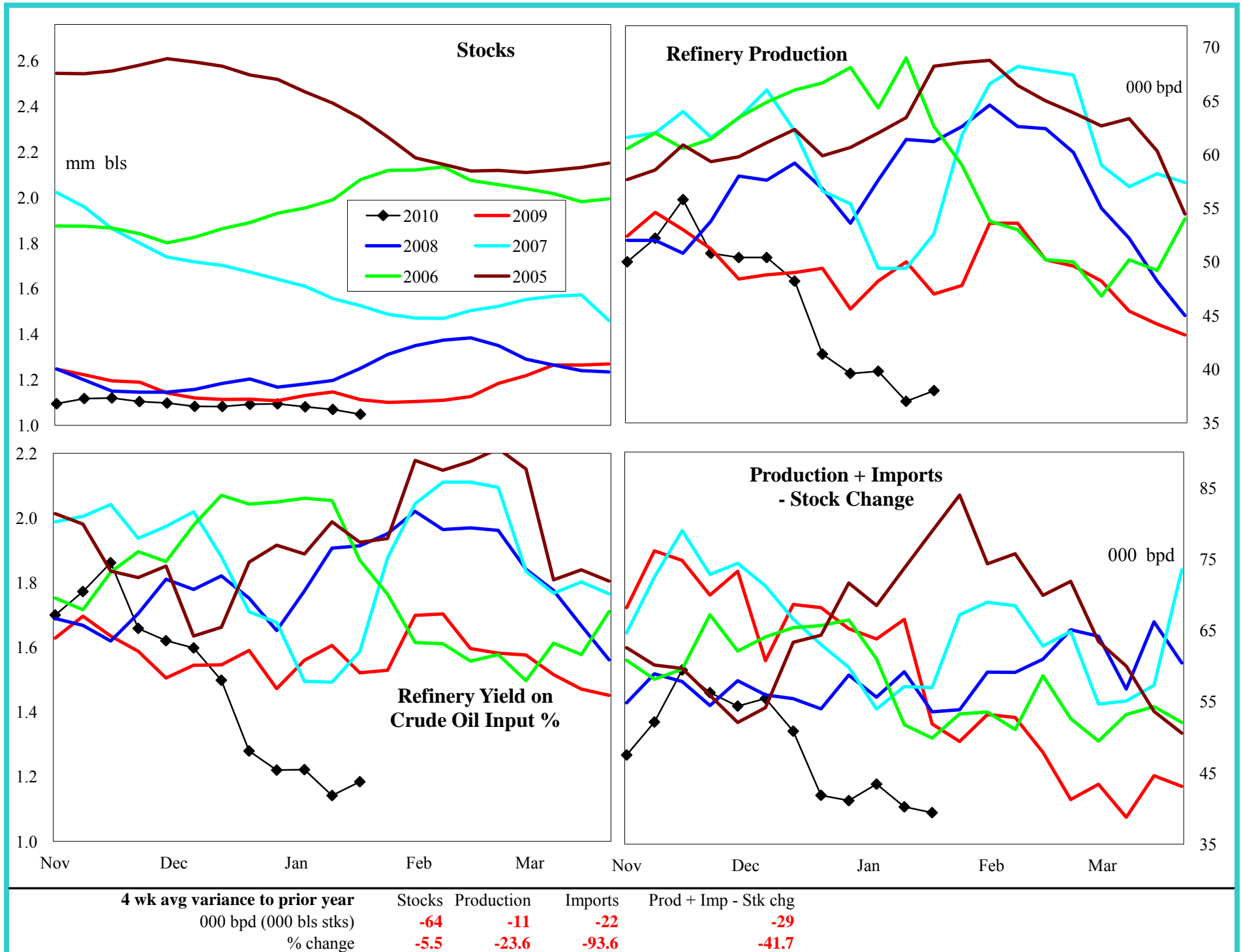


# PADD 2 Jet Fuel Supply

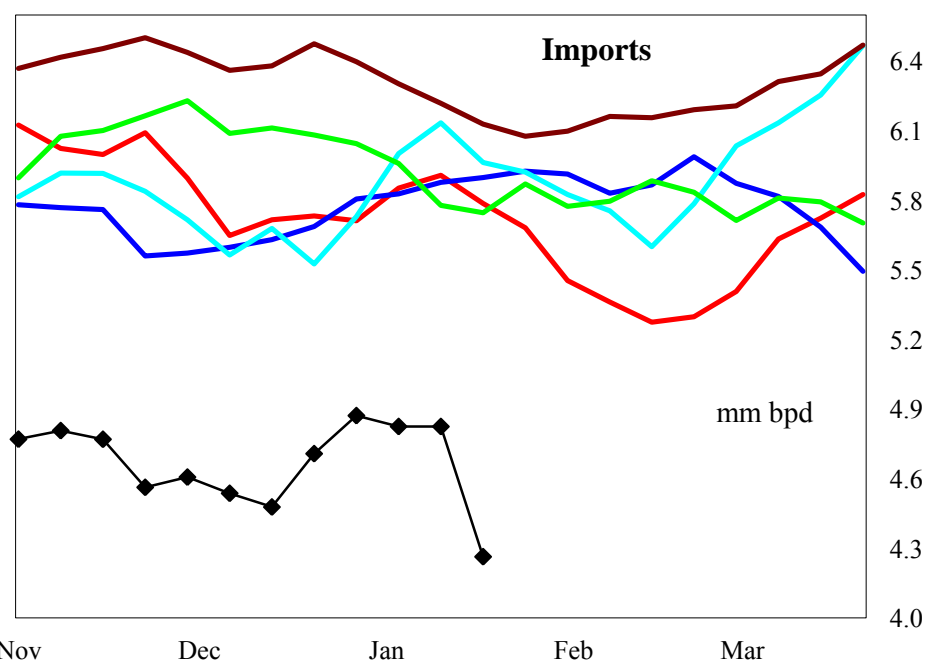
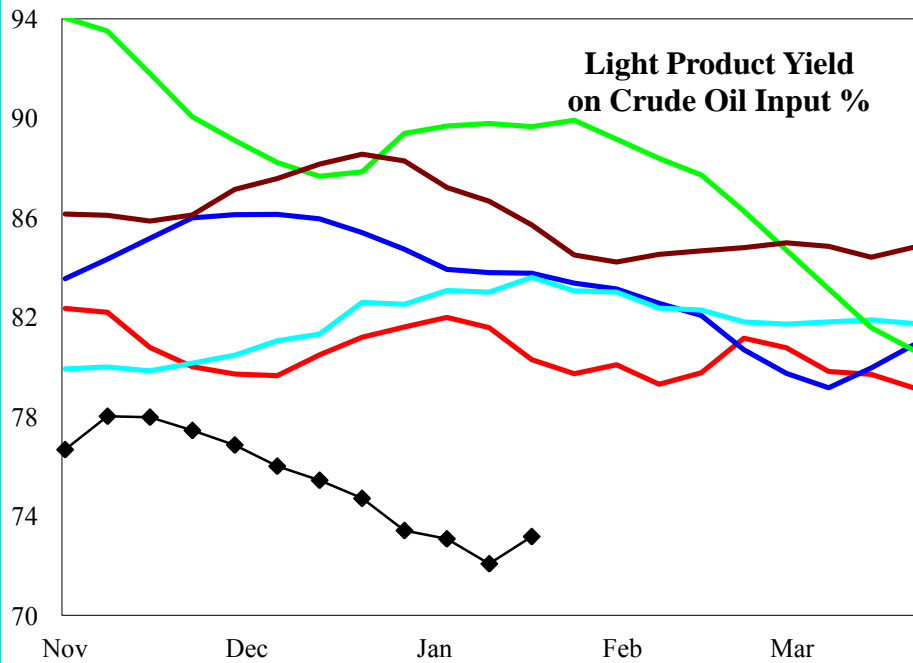
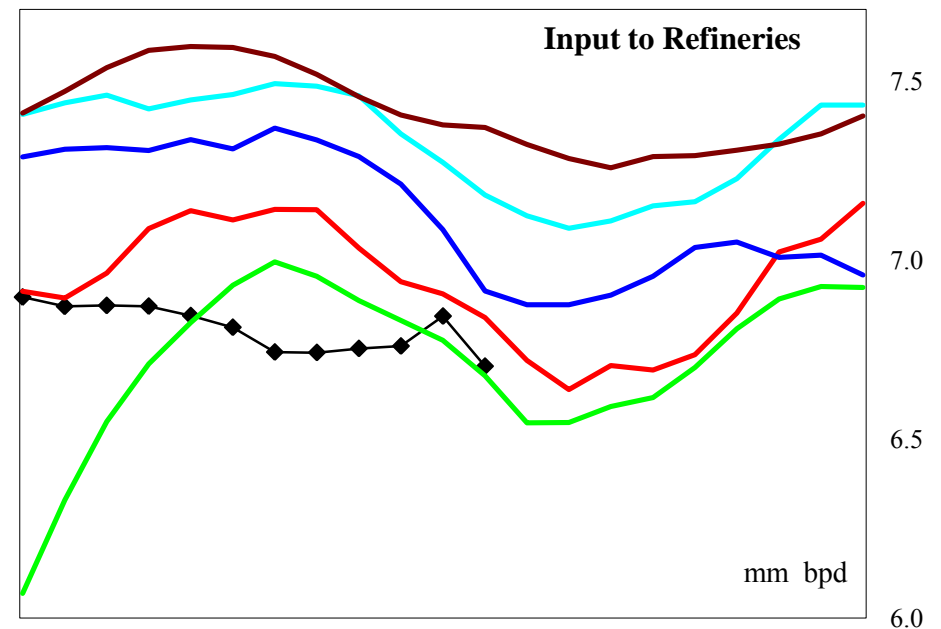
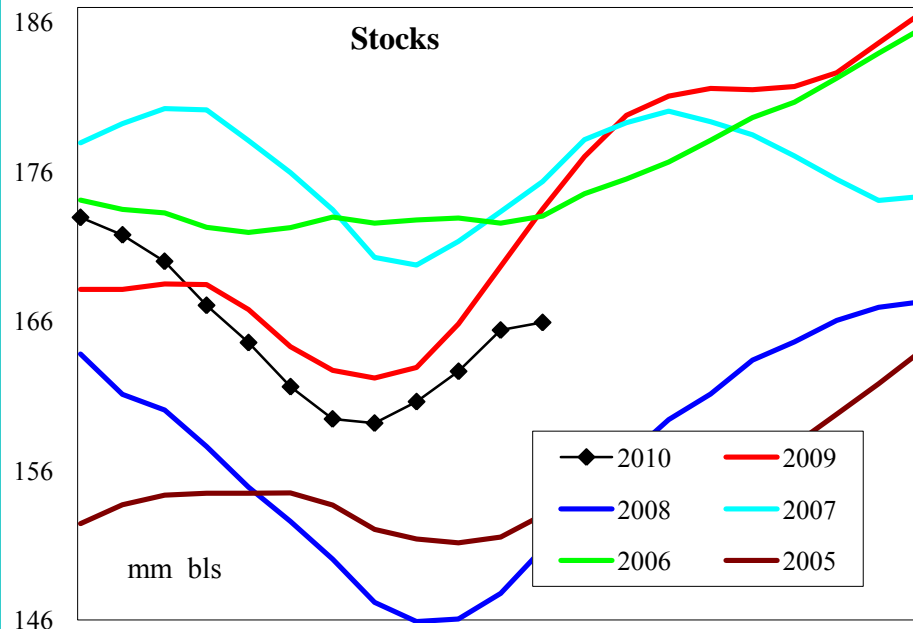




# PADD 2 Residual Fuel Oil Supply



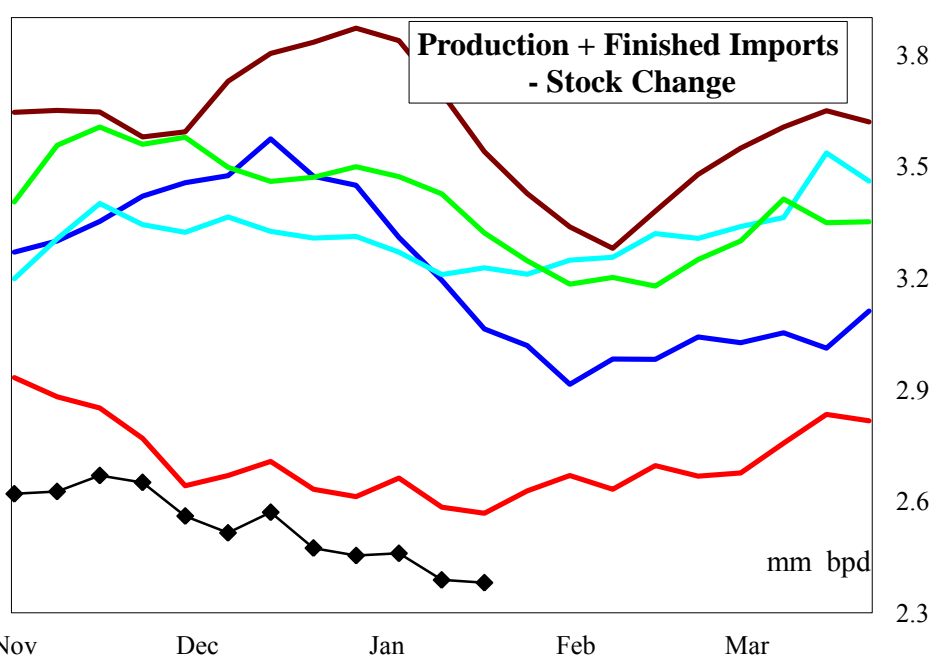
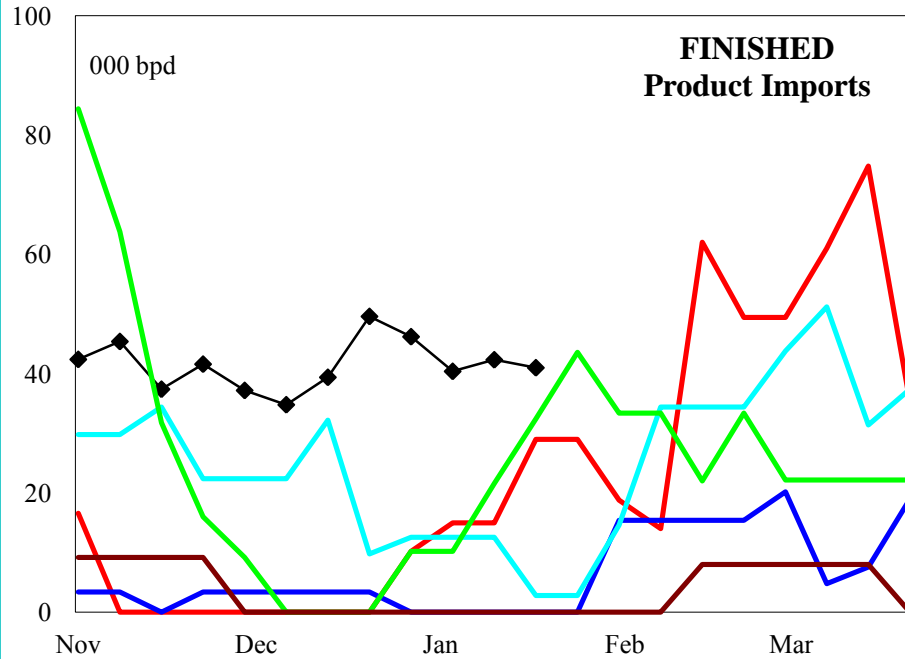
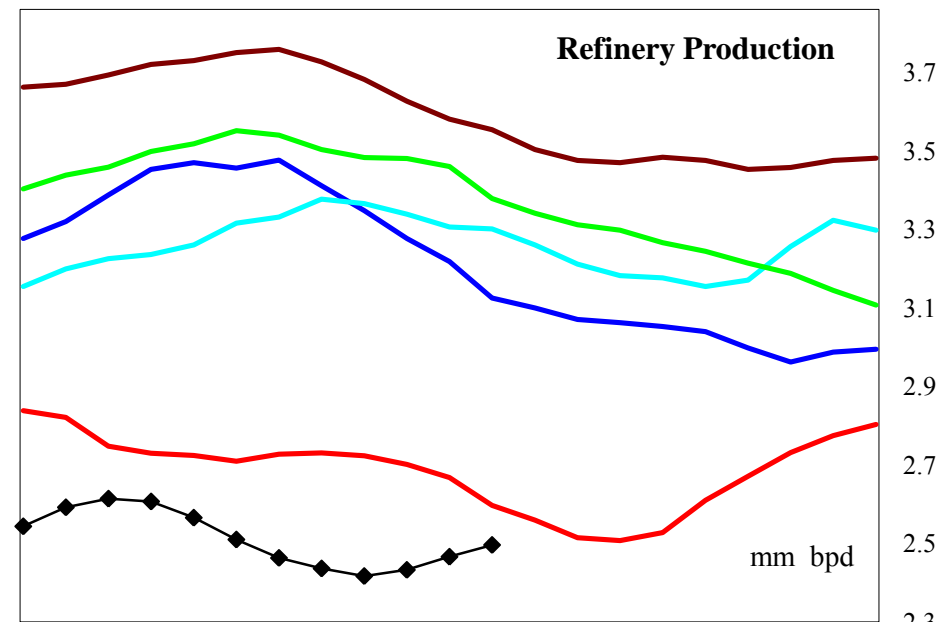
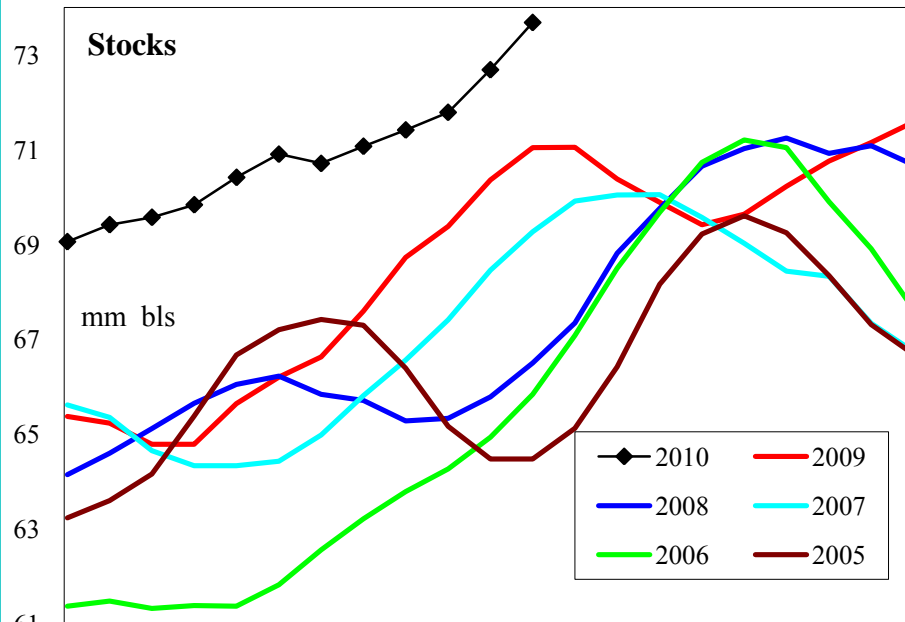
# PADD 3 Crude Oil Supply and Refining



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

	Stocks	Input	Imports
000 bpd (000 bls stks)	-7,582	-162	-1,136
% change	-4.4	-2.3	-19.1

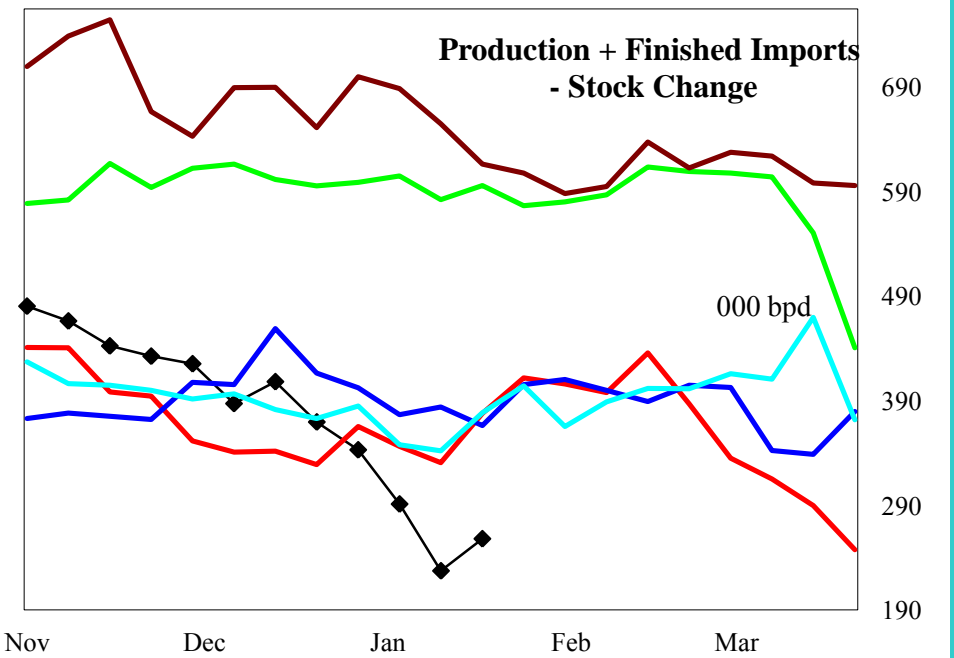
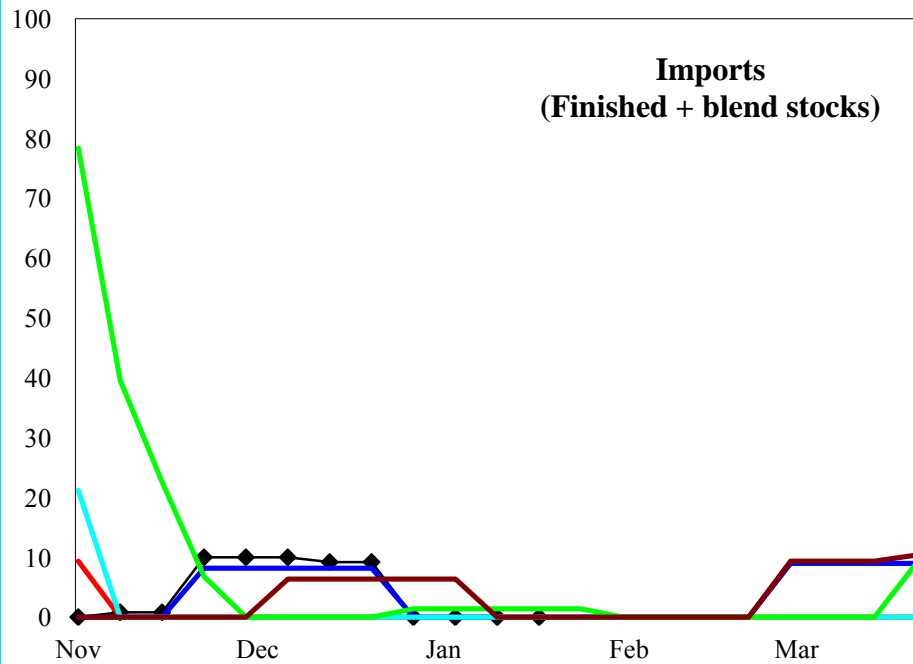
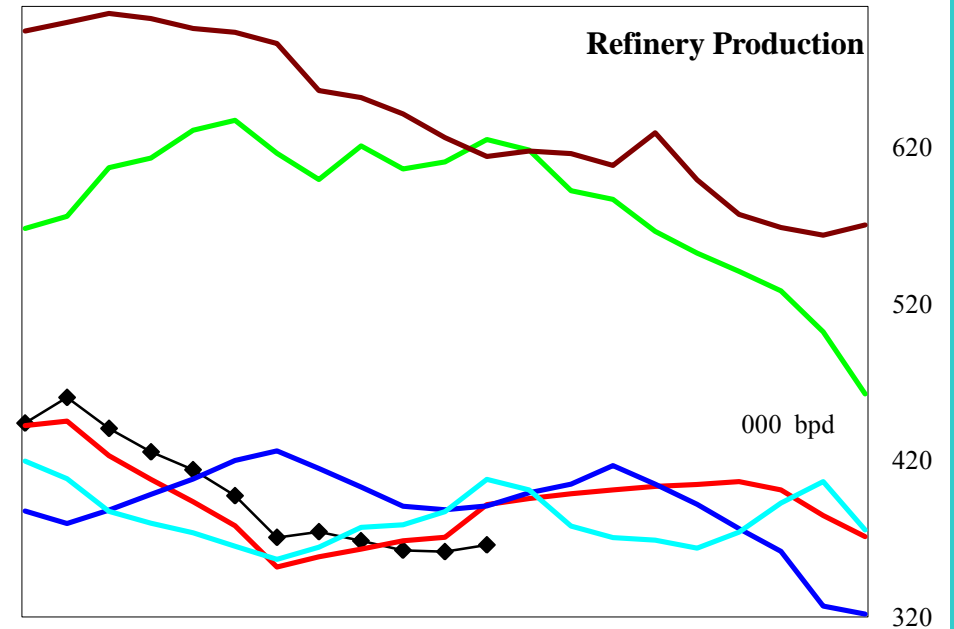
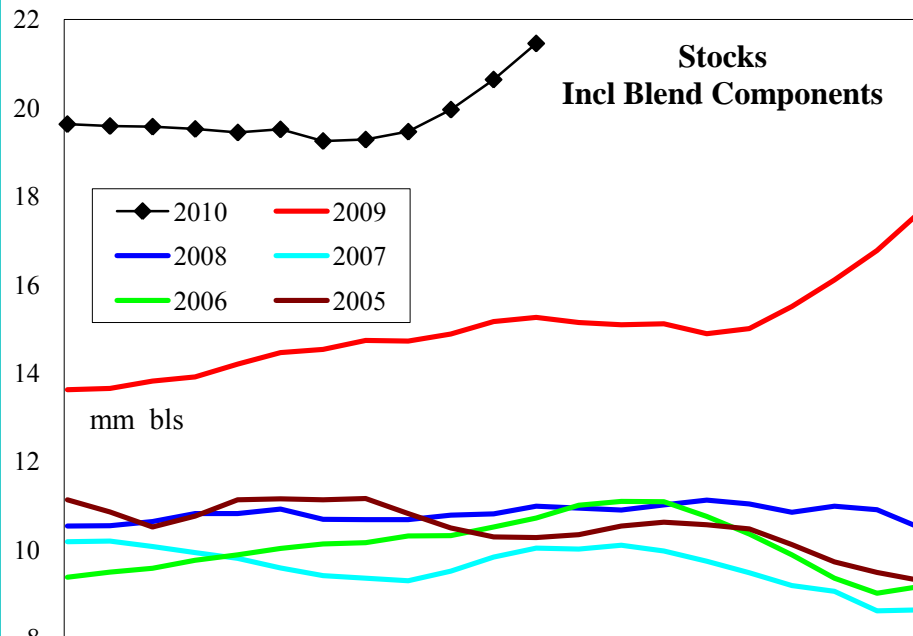
# PADD 3 Gasoline Supply



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

Stocks	Production	Fin Impt	Blend Impt	Prod + Imp - Stk chg
1,248	-244	24	-58	-134
1.7	-8.9	126.7	-71.7	-5.3

# PADD 3 Reformulated Gasoline Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

6,037

38.2

Production

-13

-3.4

Imports

0

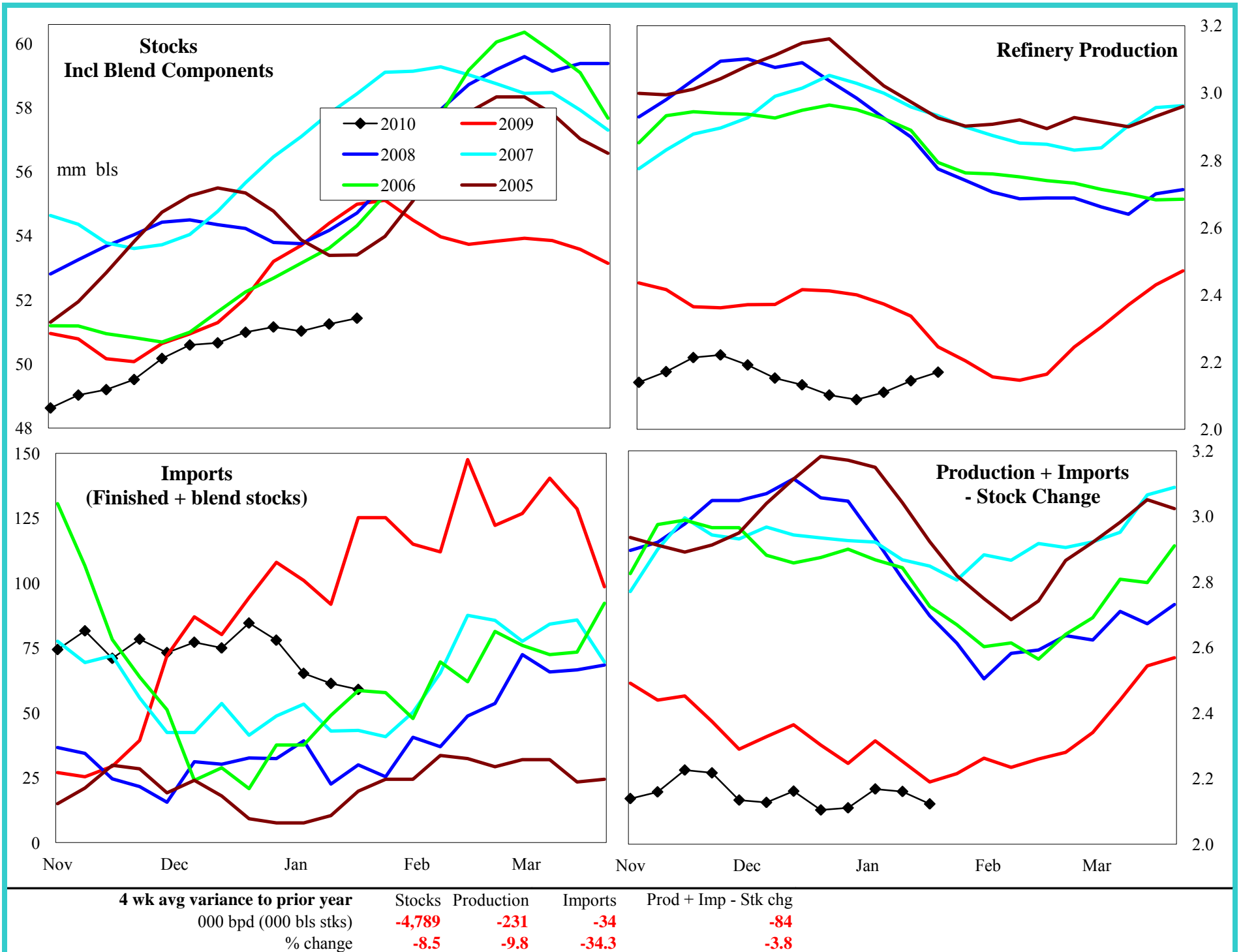
#DIV/0!

Prod + Imp - Stk chg

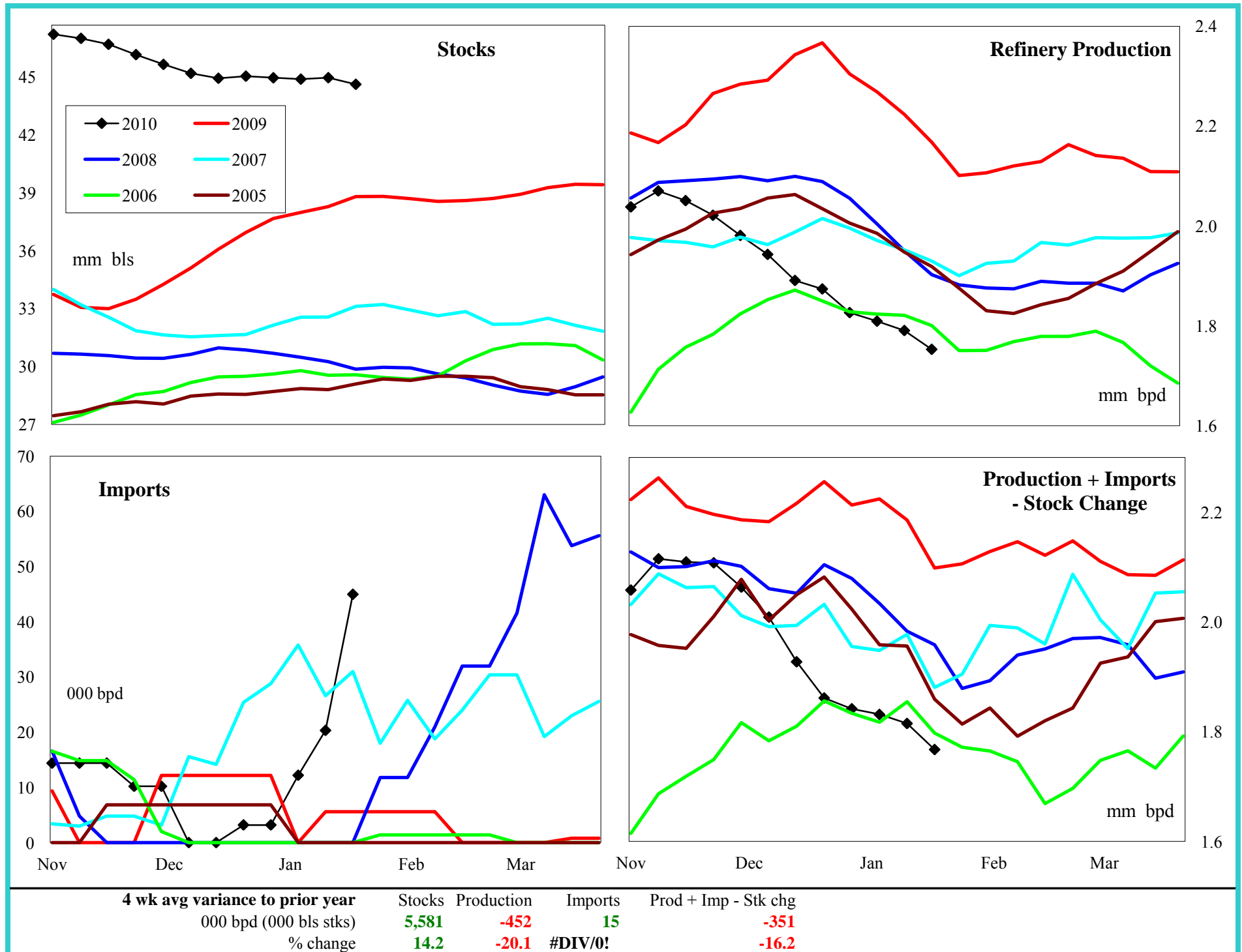
-50

-15.5

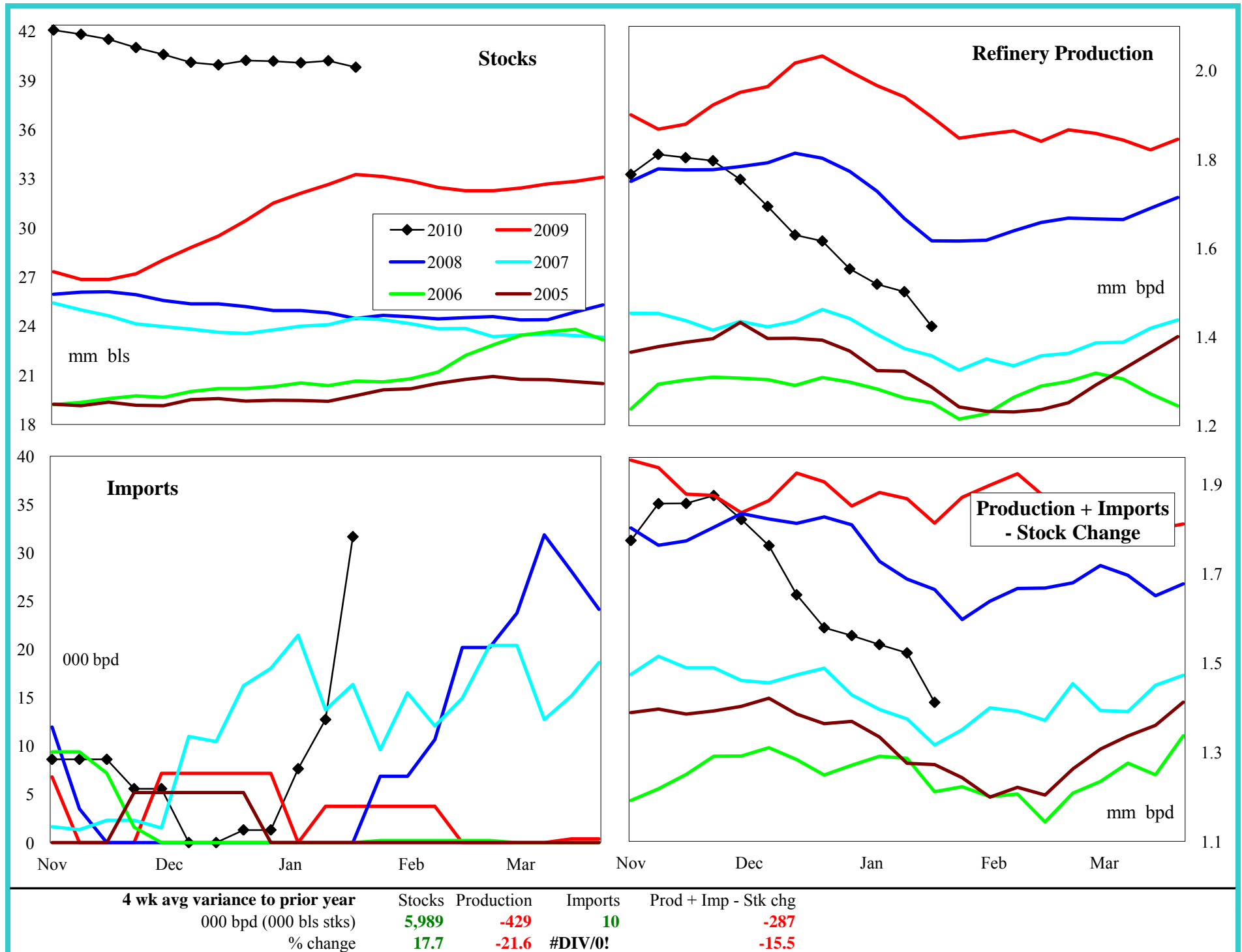
# PADD 3 Conventional Gasoline Supply



# PADD 3 Distillate Supply

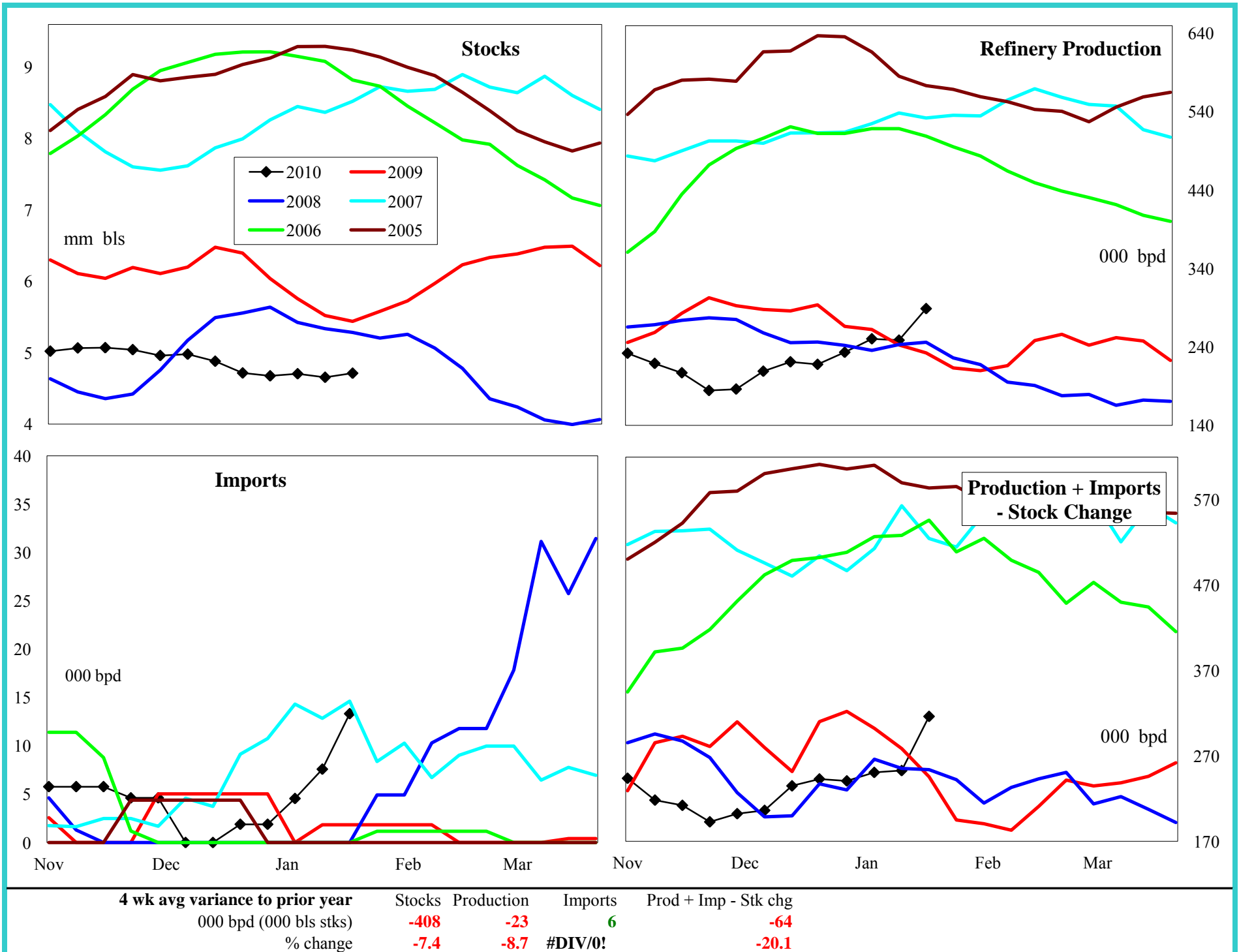


# PADD 3 Low Sulfur Distillate Supply

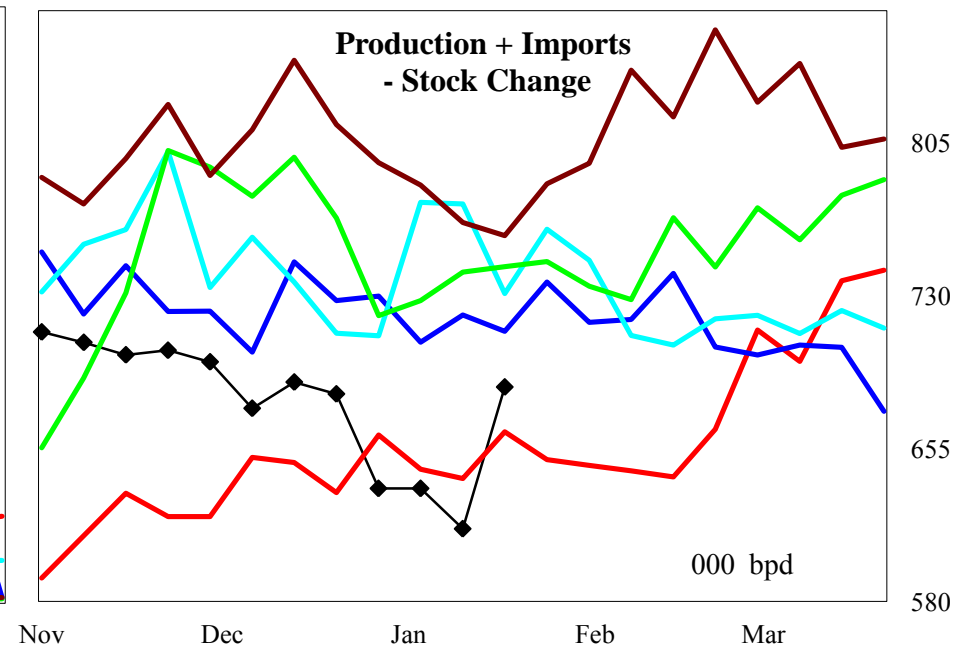
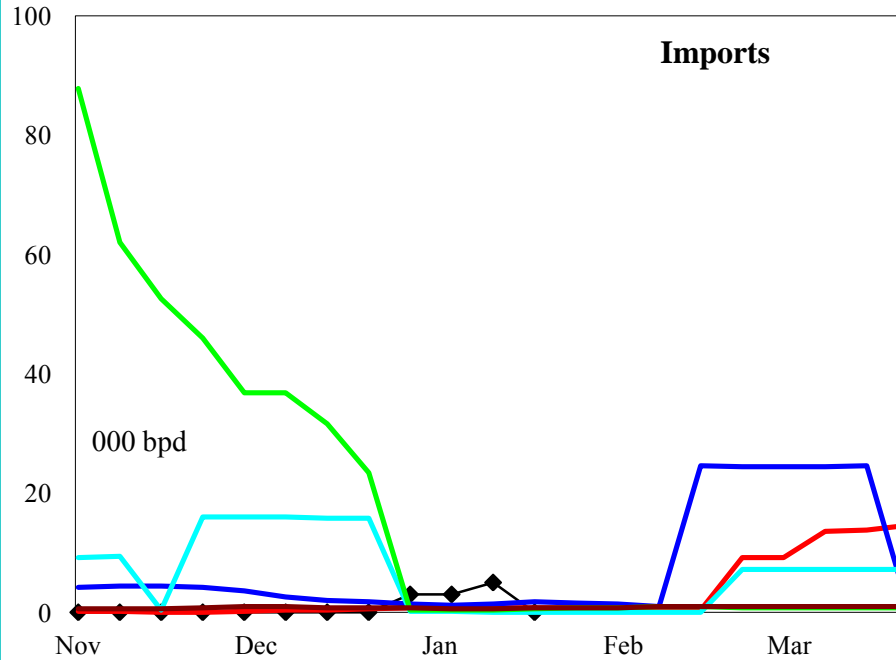
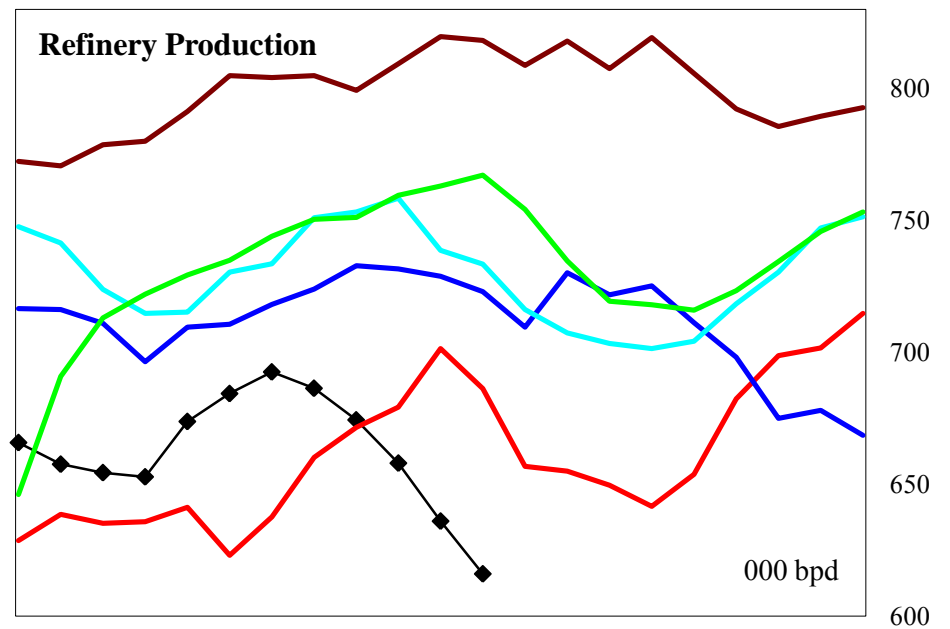
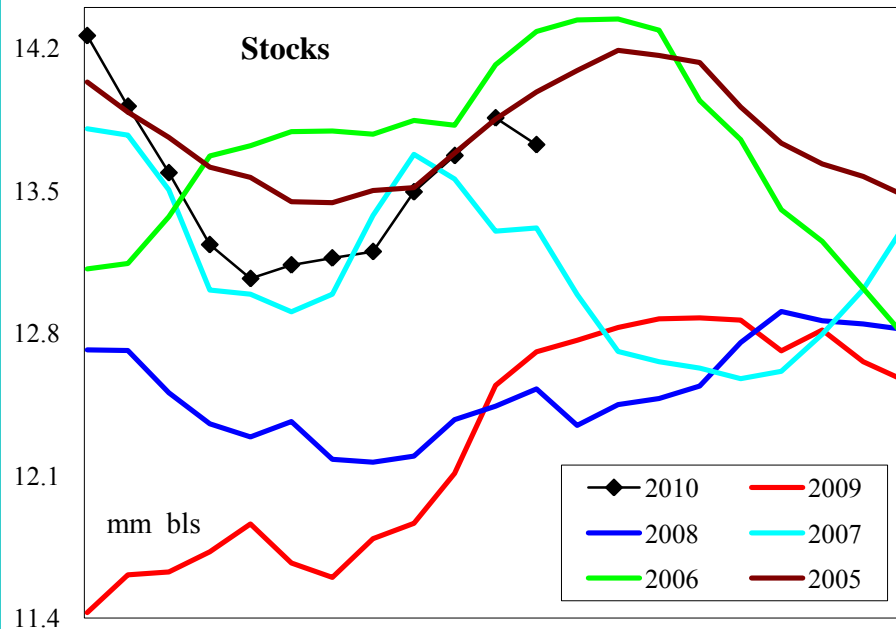




# PADD 3 High Sulfur Distillate Supply



# 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

1,017

-60

3

10

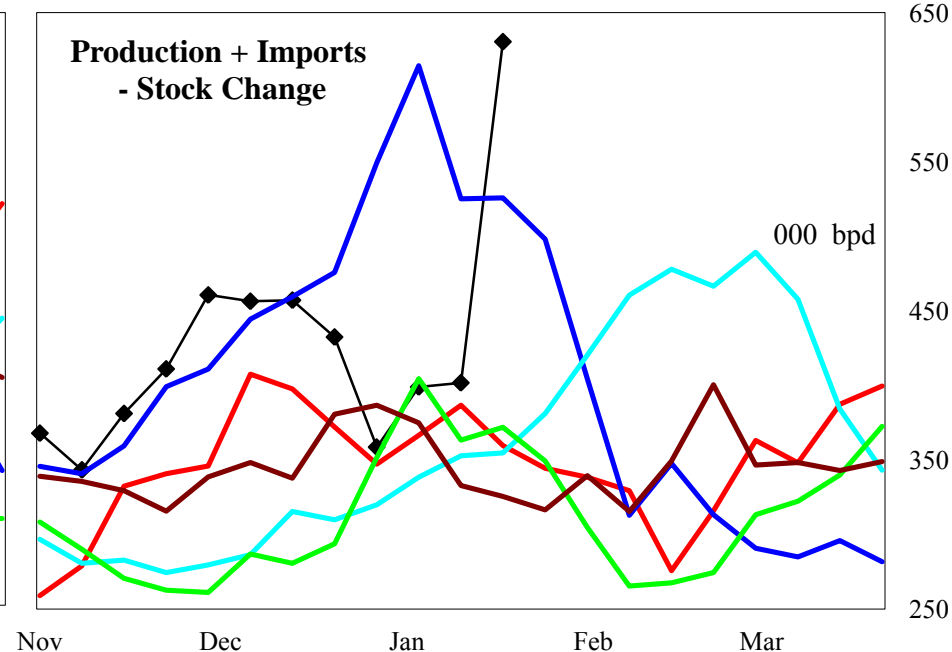
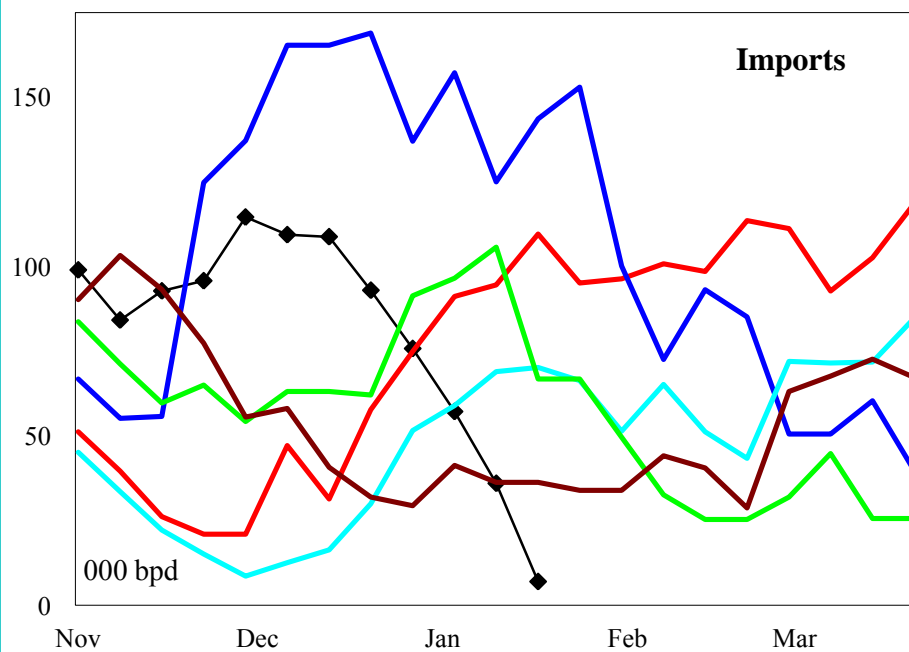
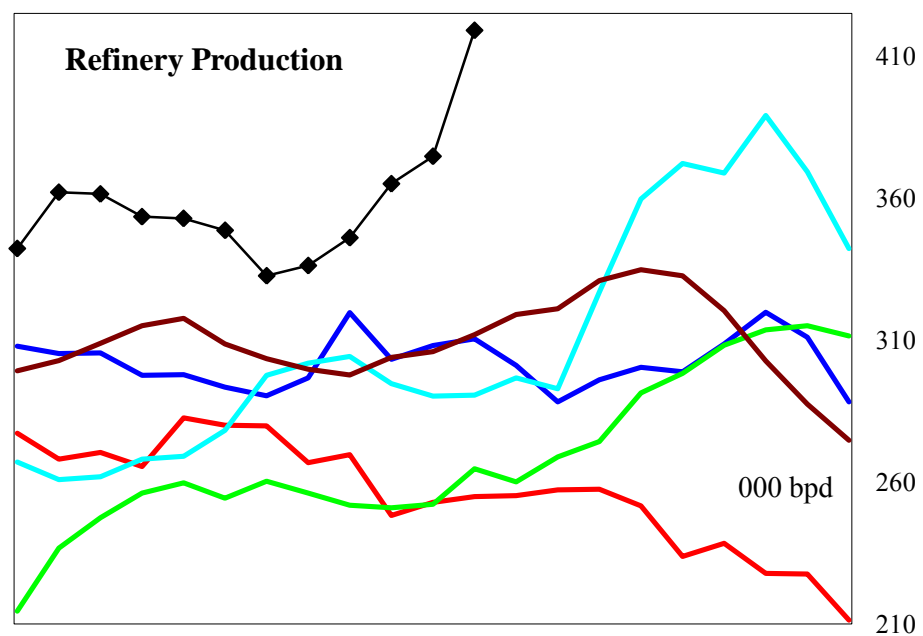
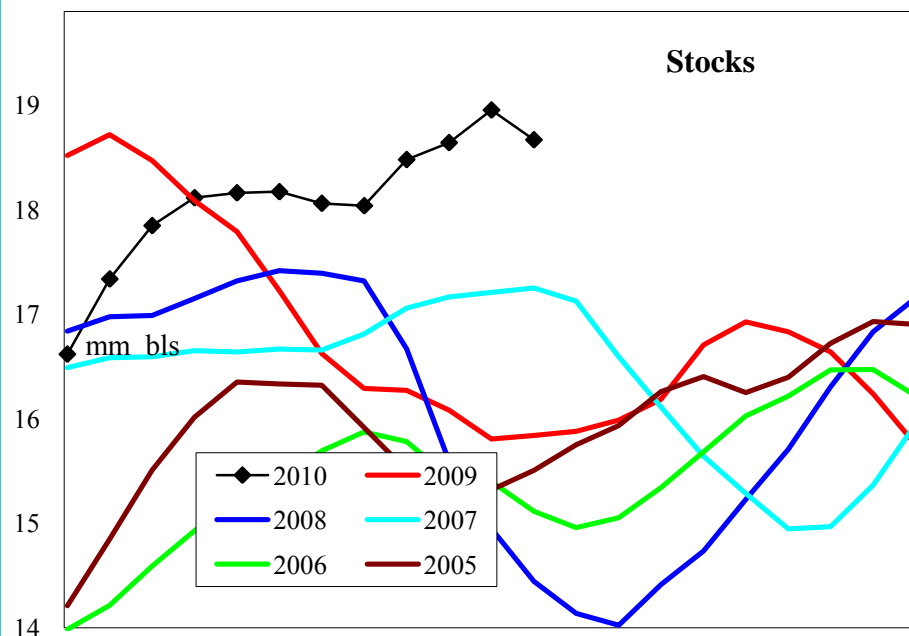
8.0

-8.5

400.0

1.6

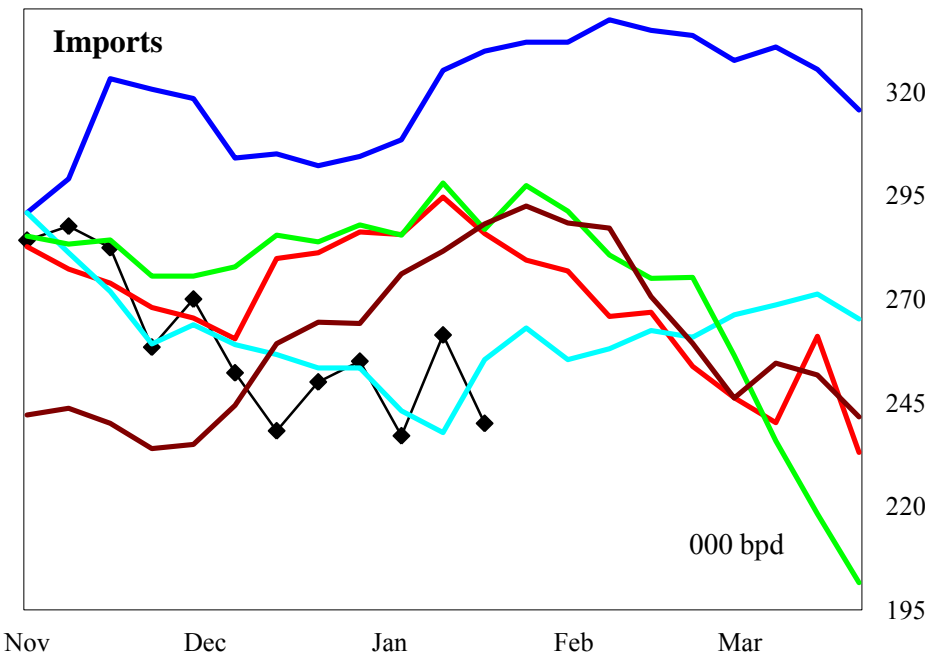
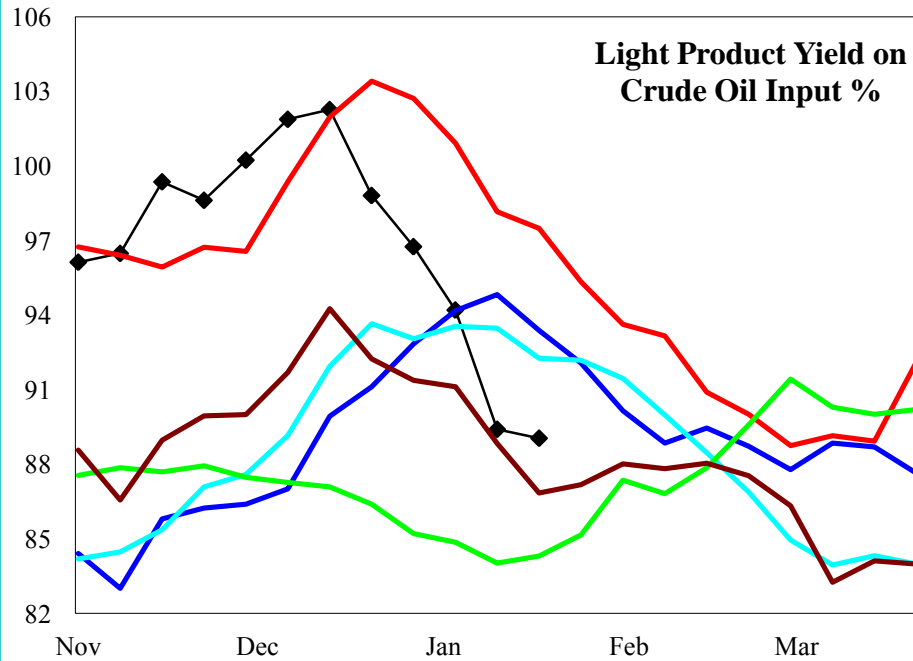
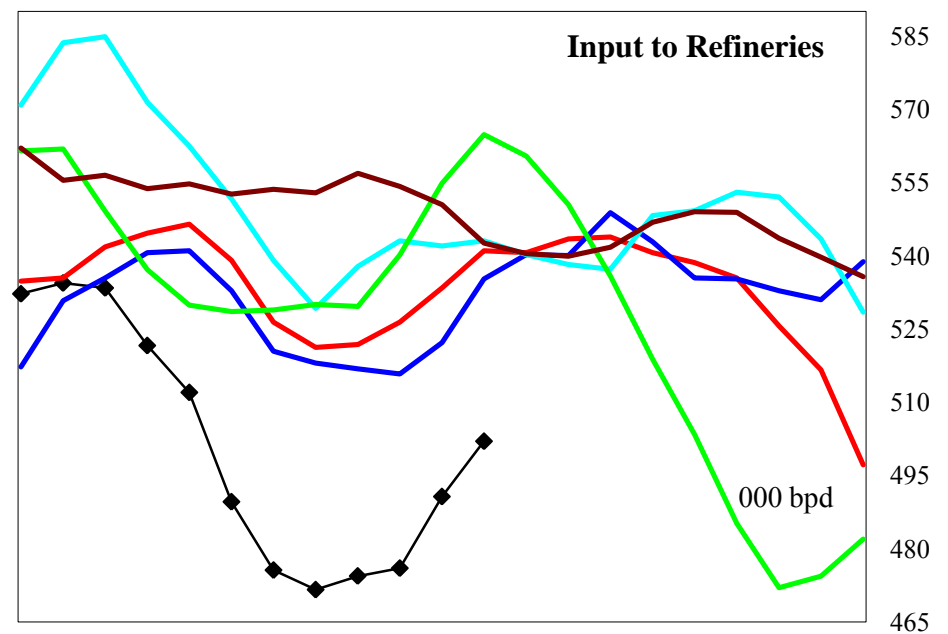
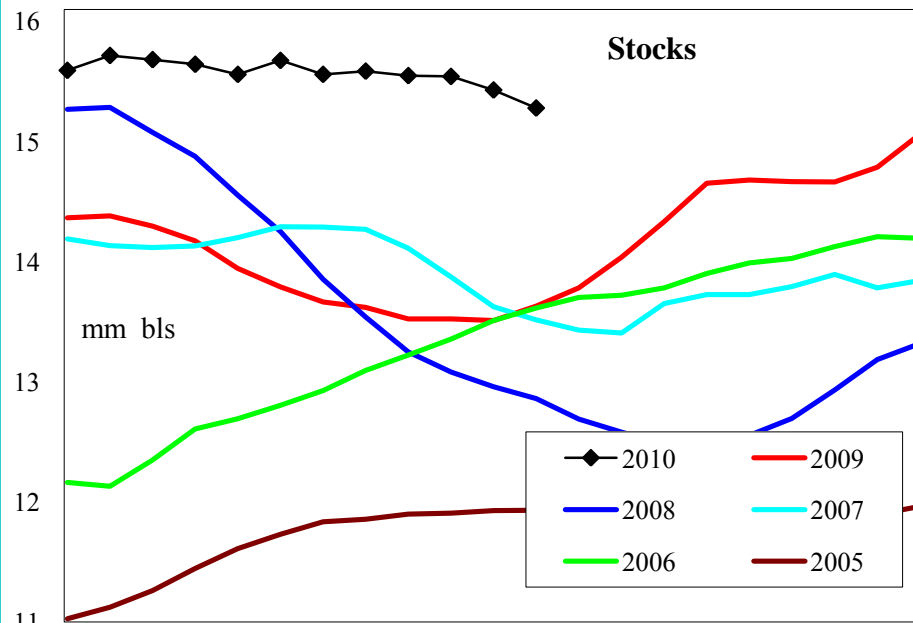
# PADD 3 Residual Fuel Oil Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
2,831	123	-20	63
17.8	50.3	-26.8	19.2

# PADD 4 Crude Oil Supply and Refining



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

**1,649**

**11.8**

Input

**-43**

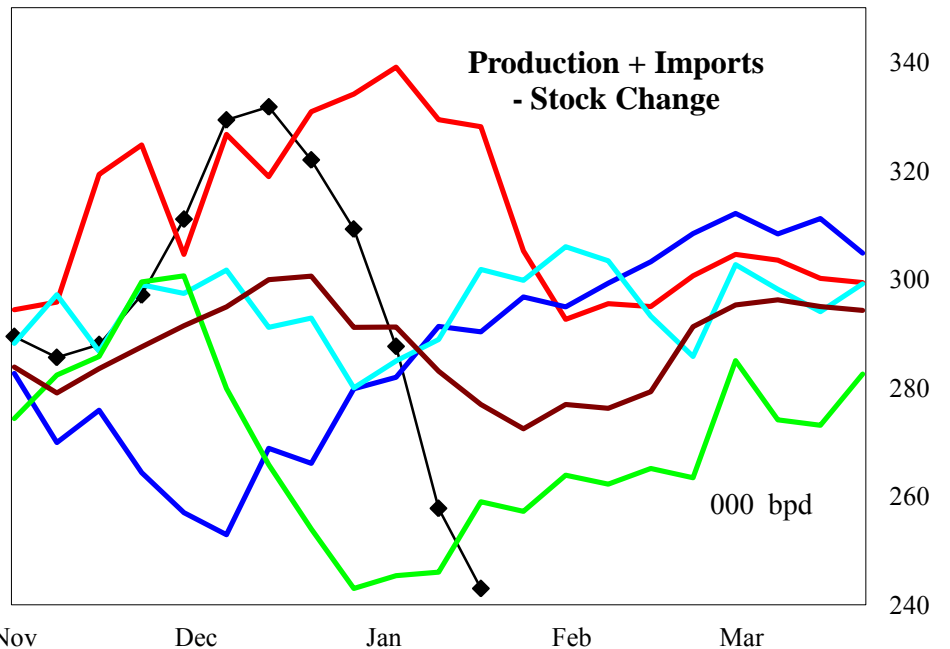
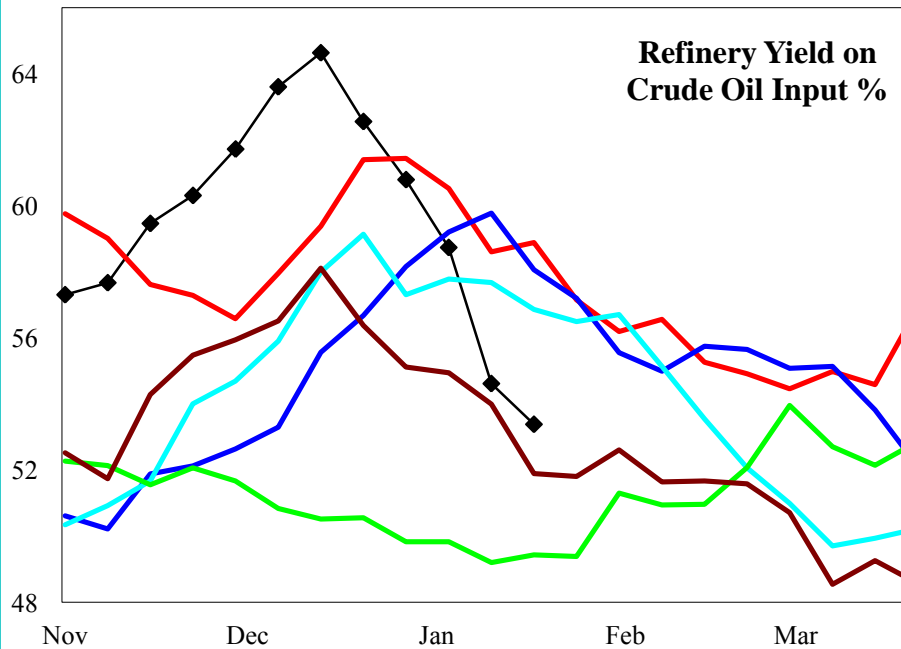
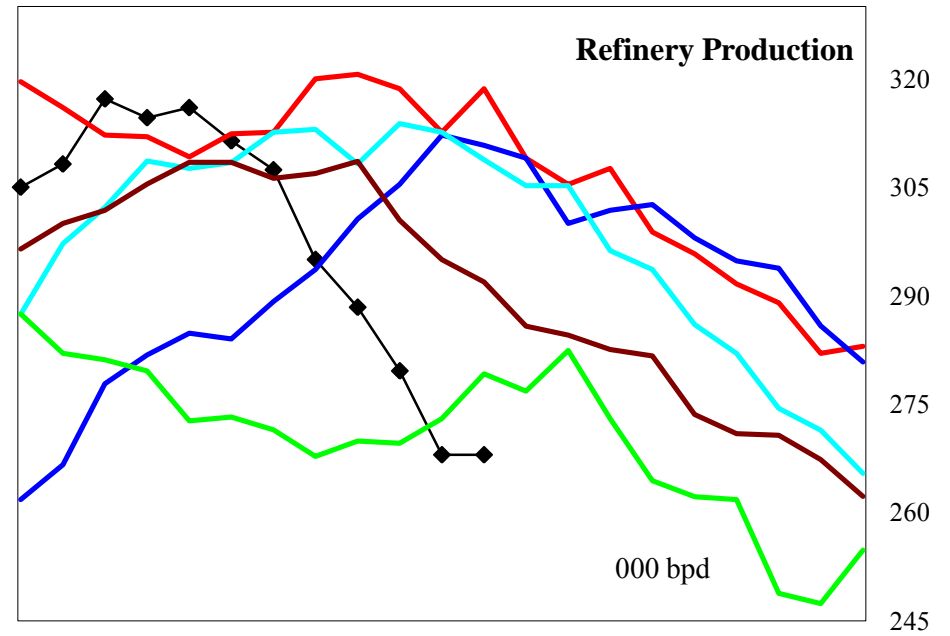
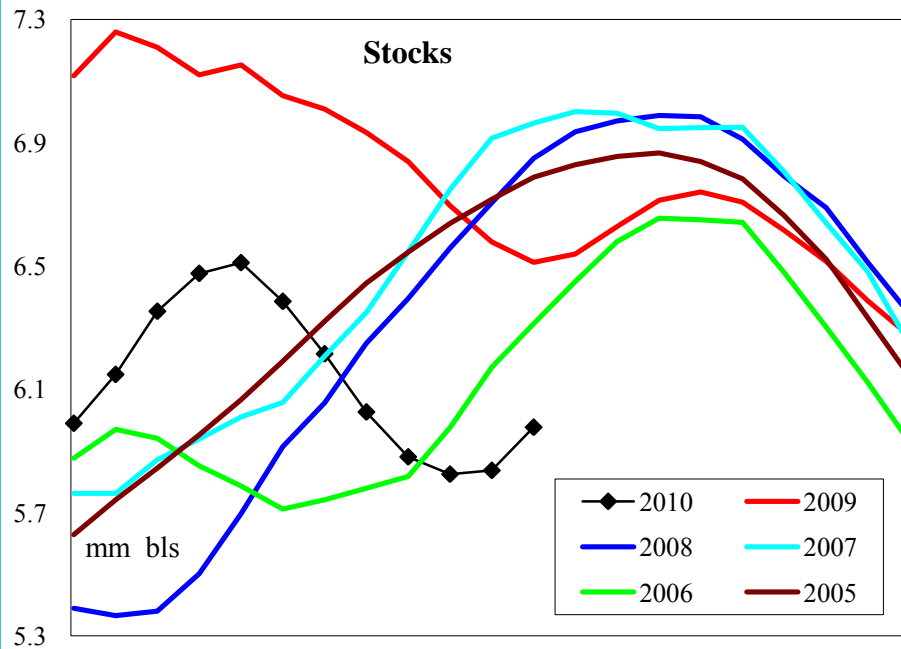
**-8.2**

Imports

**-51**

**-17.1**

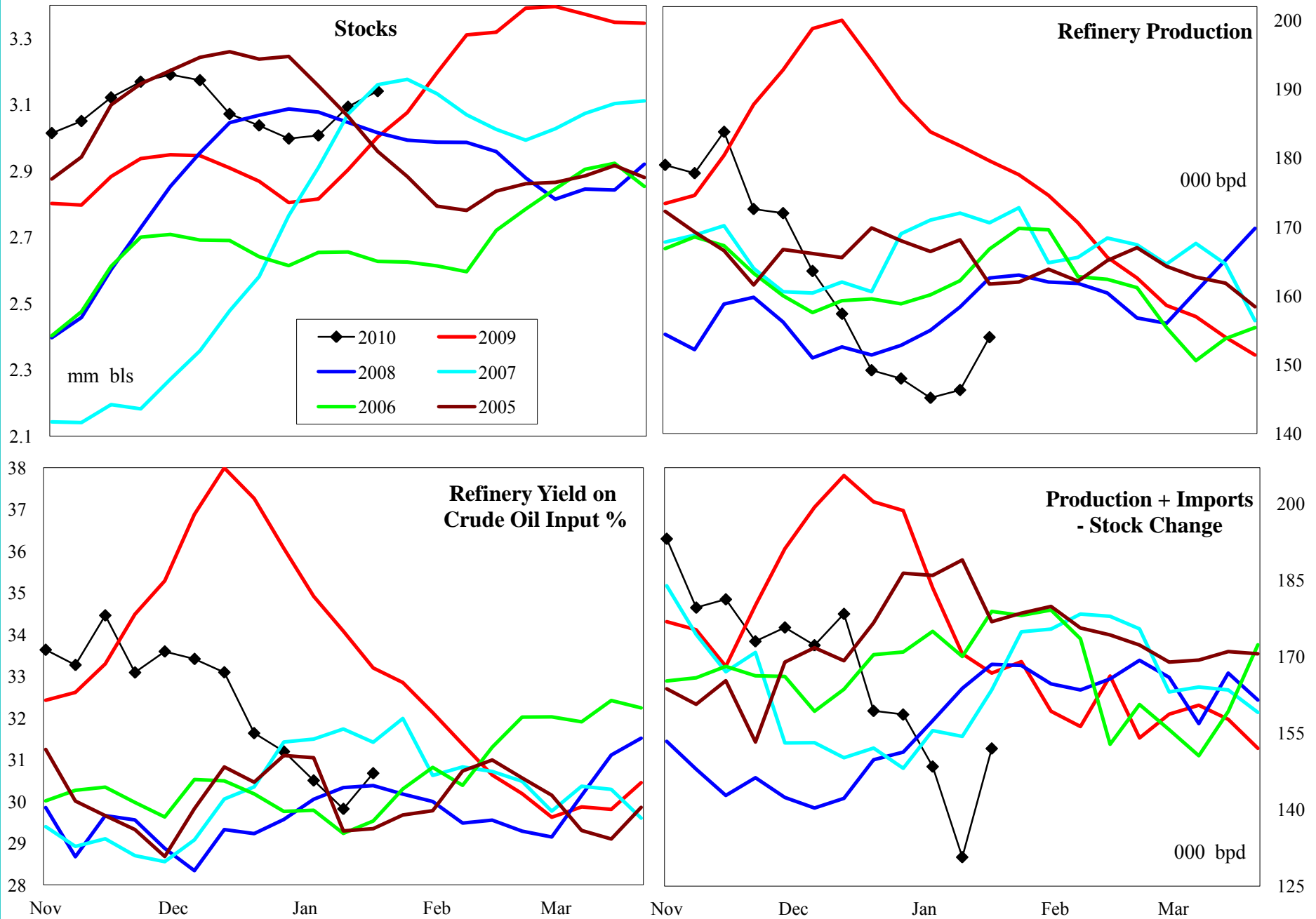
# PADD 4 Gasoline Supply



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

	Stocks	Production	Prod + Imp - Stk chg
	-535	-41	-68
	-8.2	-13.1	-20.2

# PADD 4 Distillate Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

139

-37

3

-36

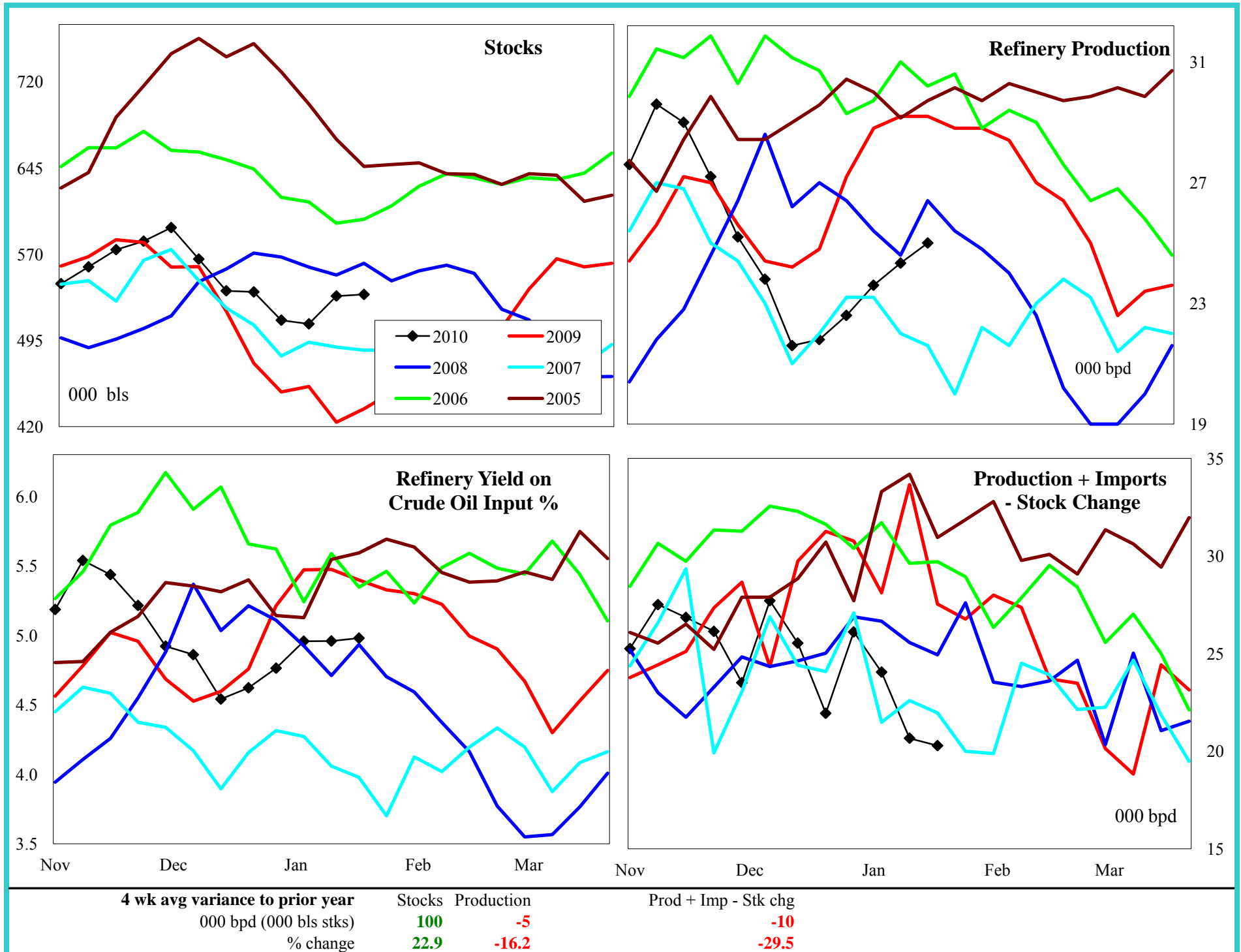
4.6

-20.0

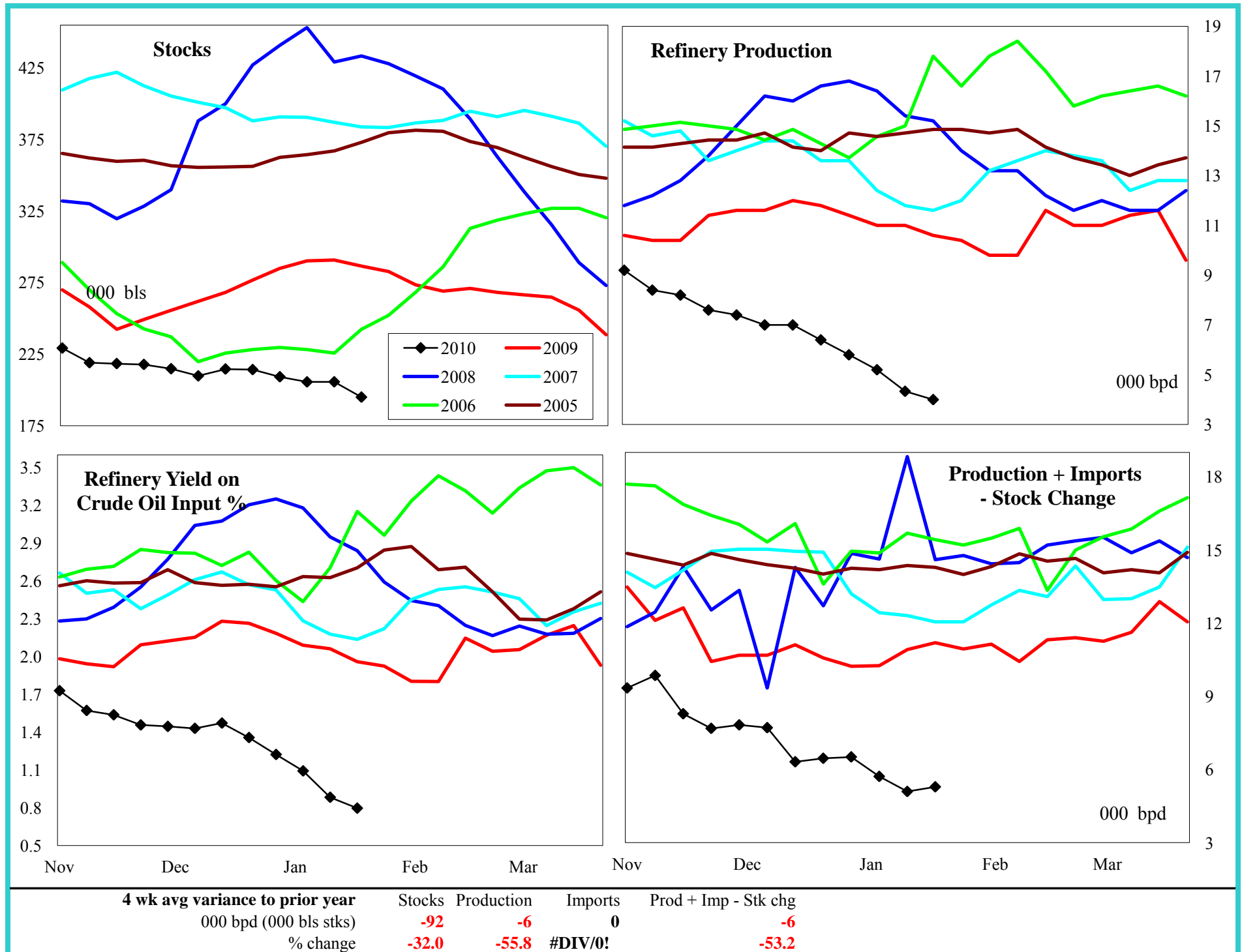
200.0

-18.7

# PADD 4 Jet Fuel Supply

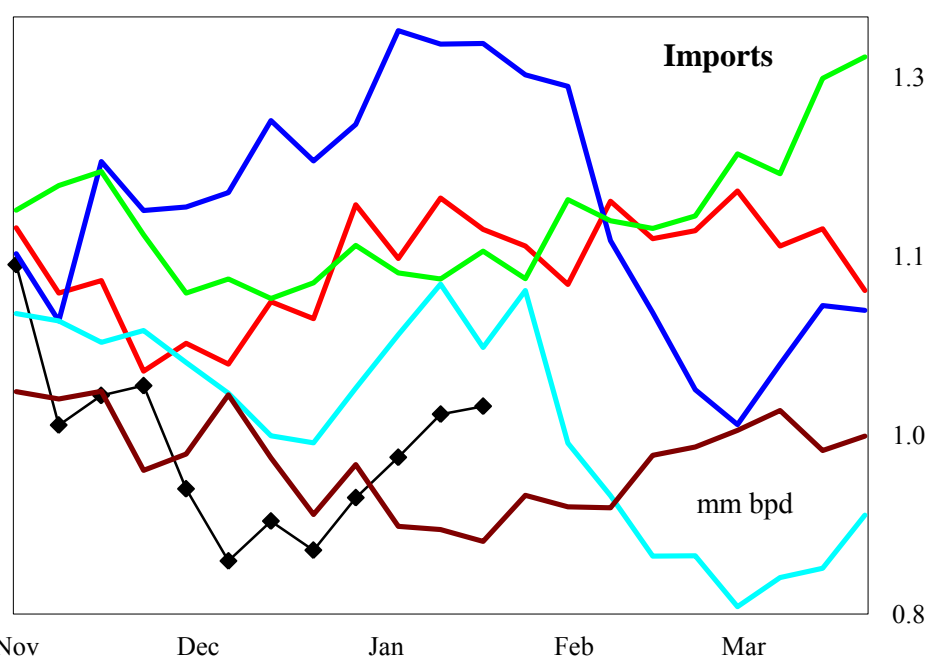
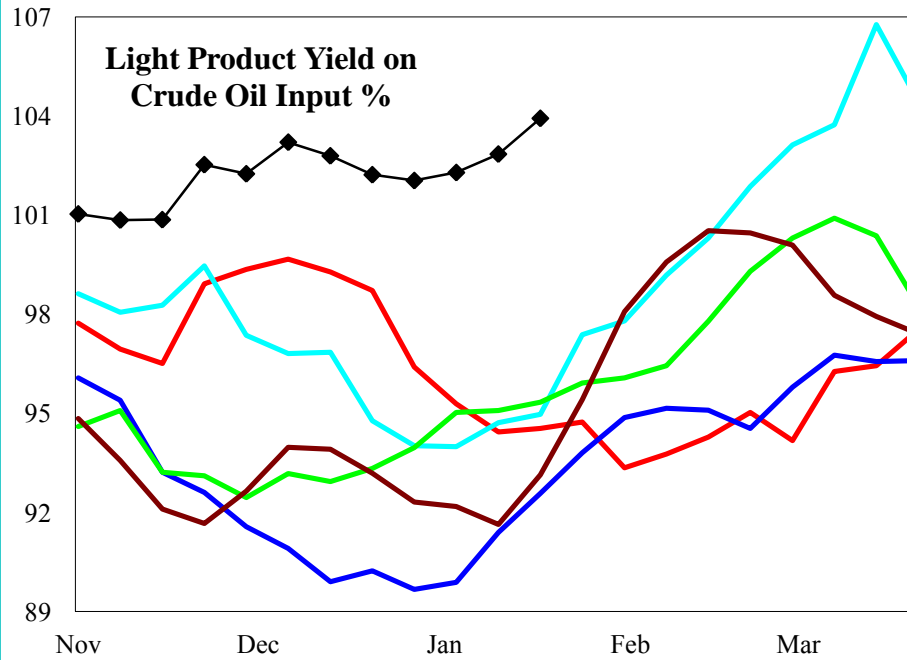
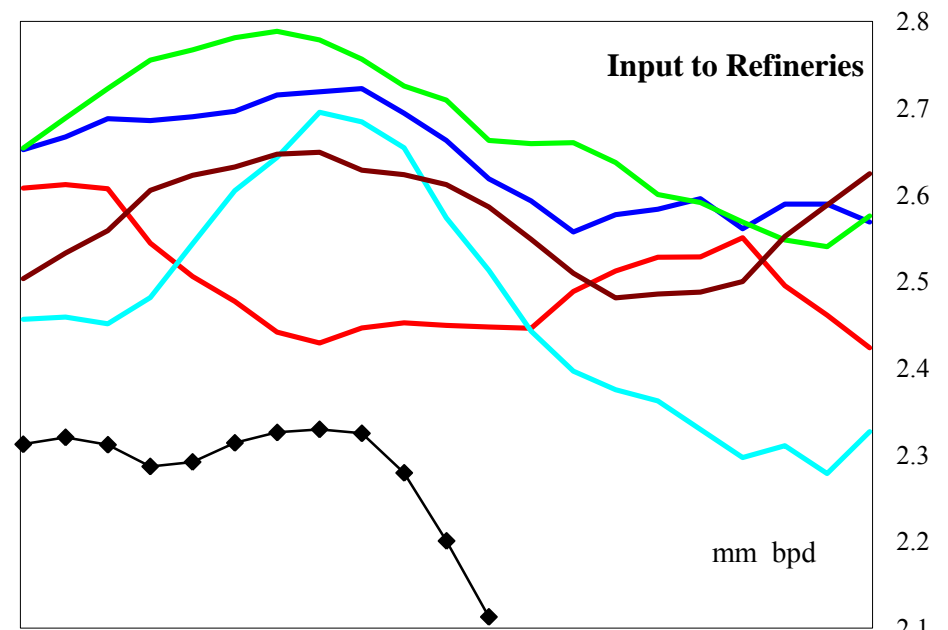
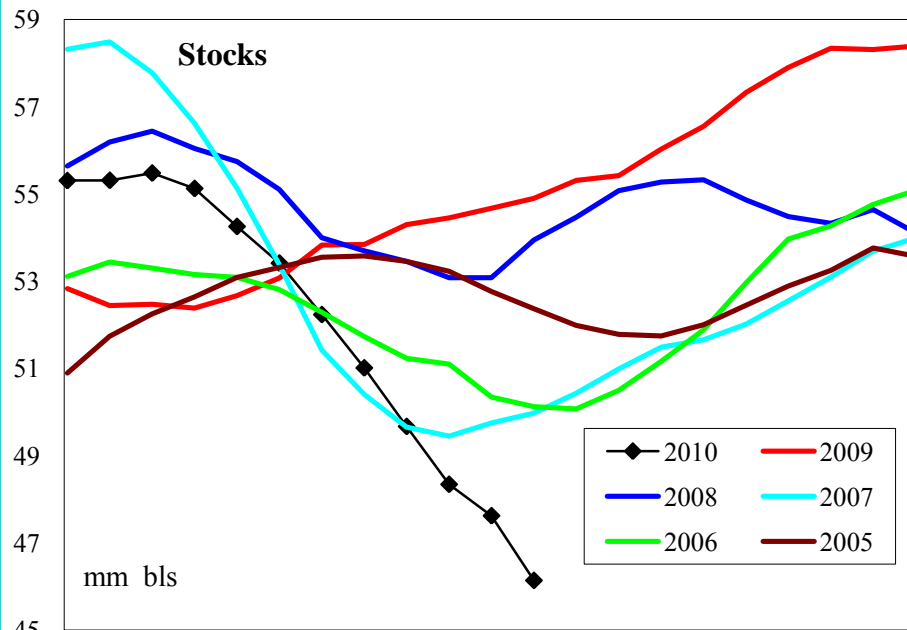


# PADD 4 Residual Fuel Oil Supply





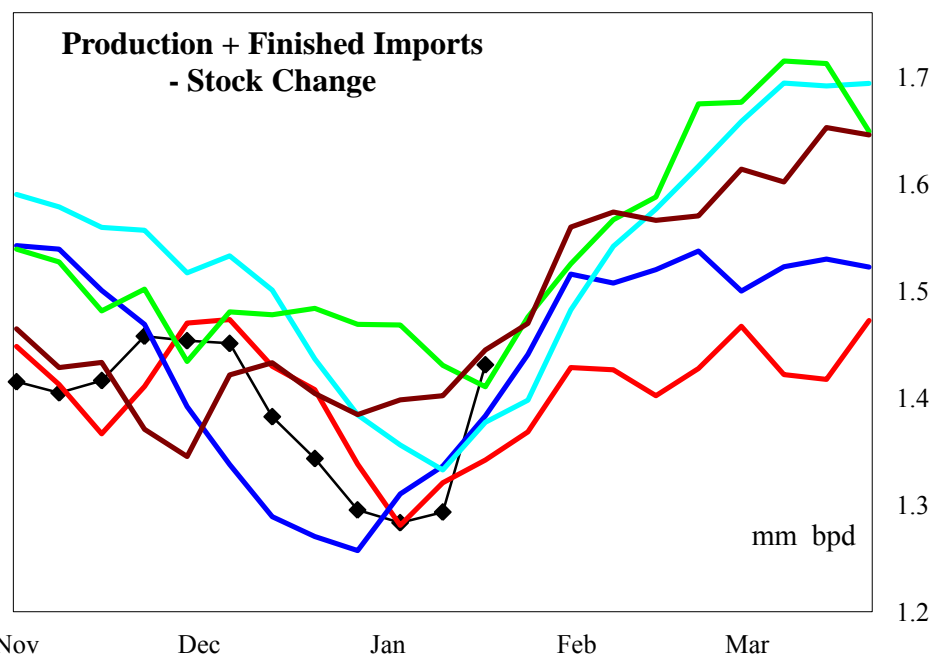
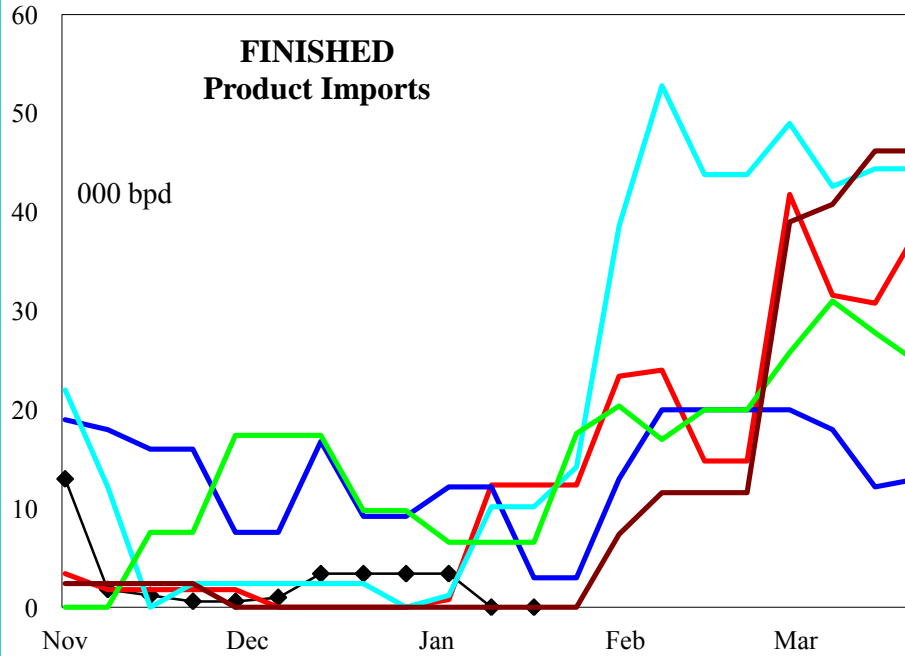
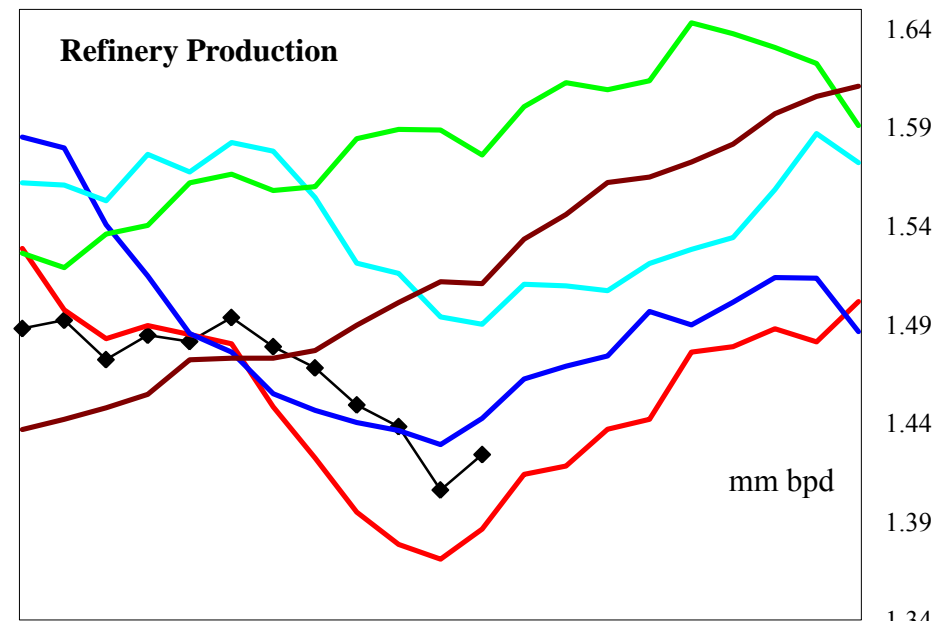
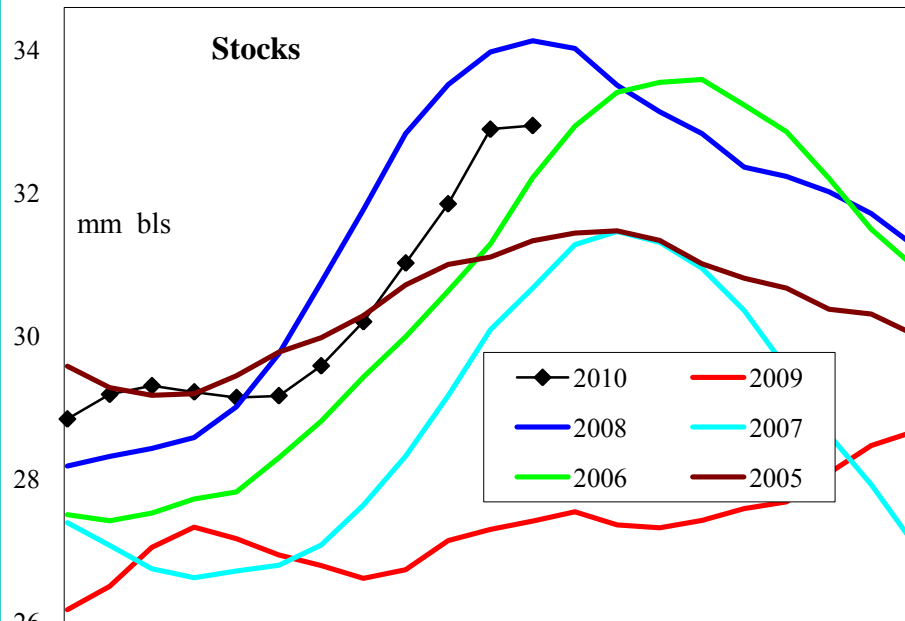
# PADD 5 Crude Oil Supply and Refining



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

	Stocks	Input	Imports
000 bpd (000 bls stks)	-8,756	-203	-106
% change	-16.0	-8.3	-9.7

# PADD 5 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

5,184

18.4

Production

47

3.4

Fin Impt Blend Impt

2

200.0

17

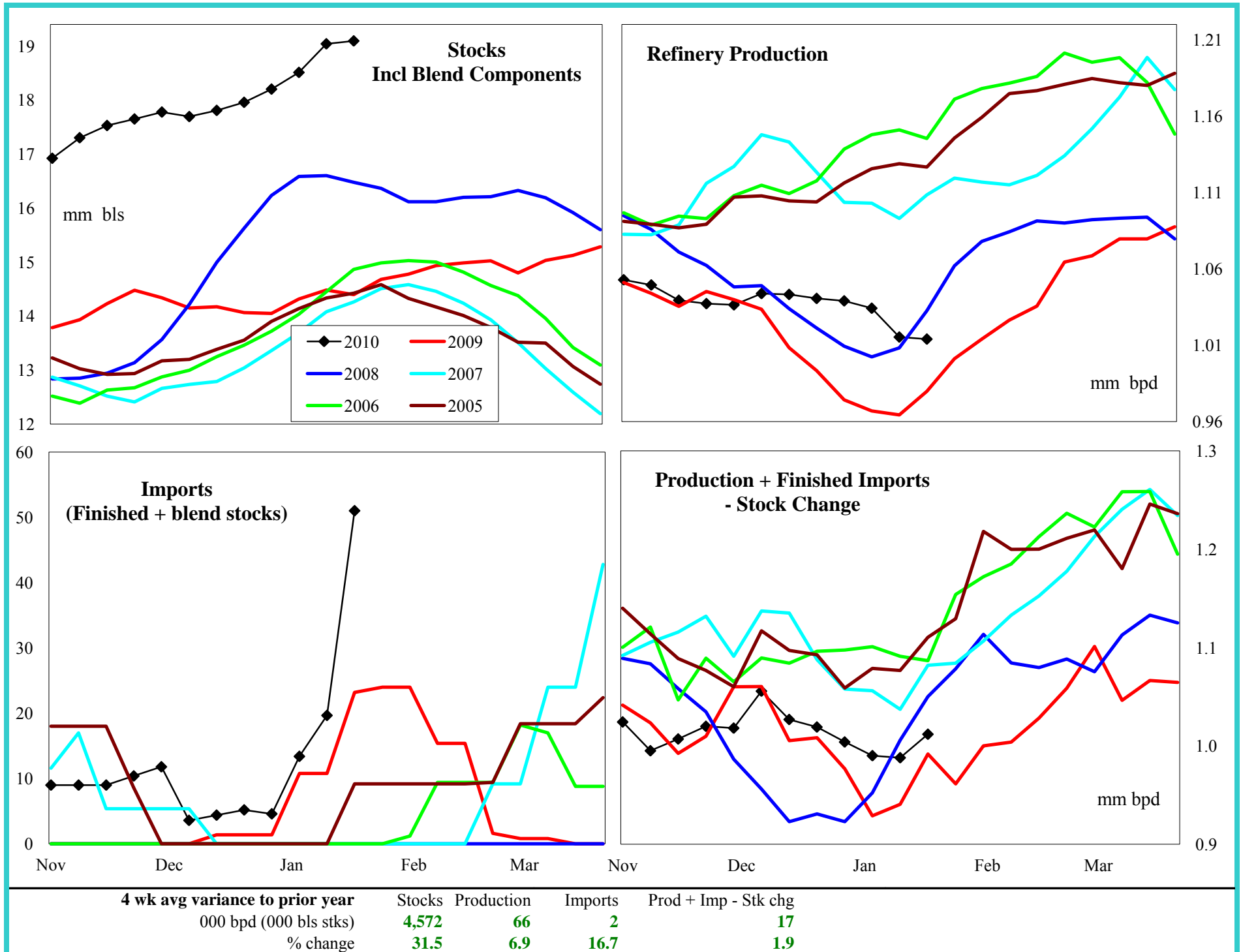
50.0

Prod + Imp - Stk chg

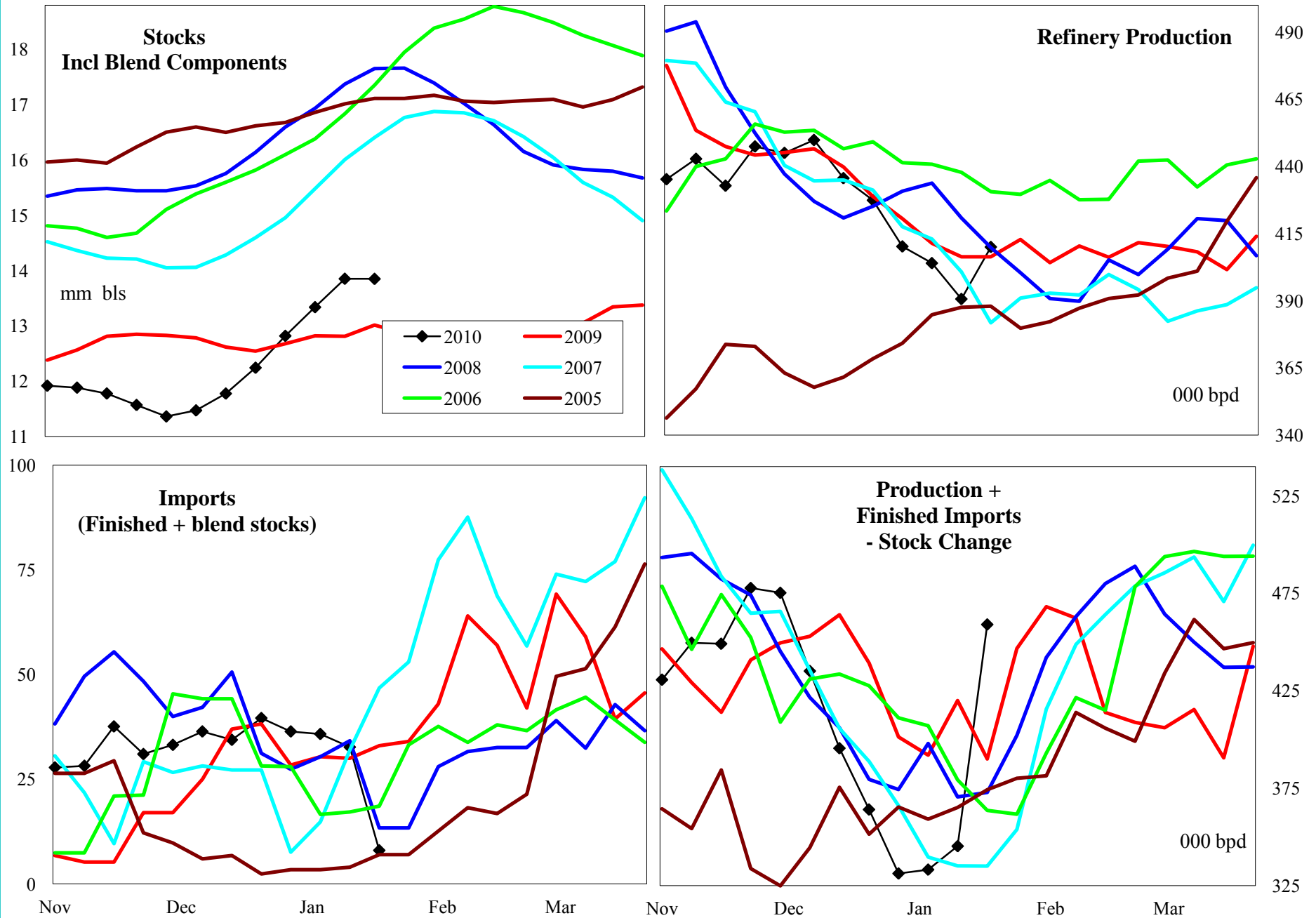
-42

-3.2

# PADD 5 Reformulated Gasoline Supply



# PADD 5 Conventional Gasoline Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

612

4.5

Production

-19

-4.6

Imports

17

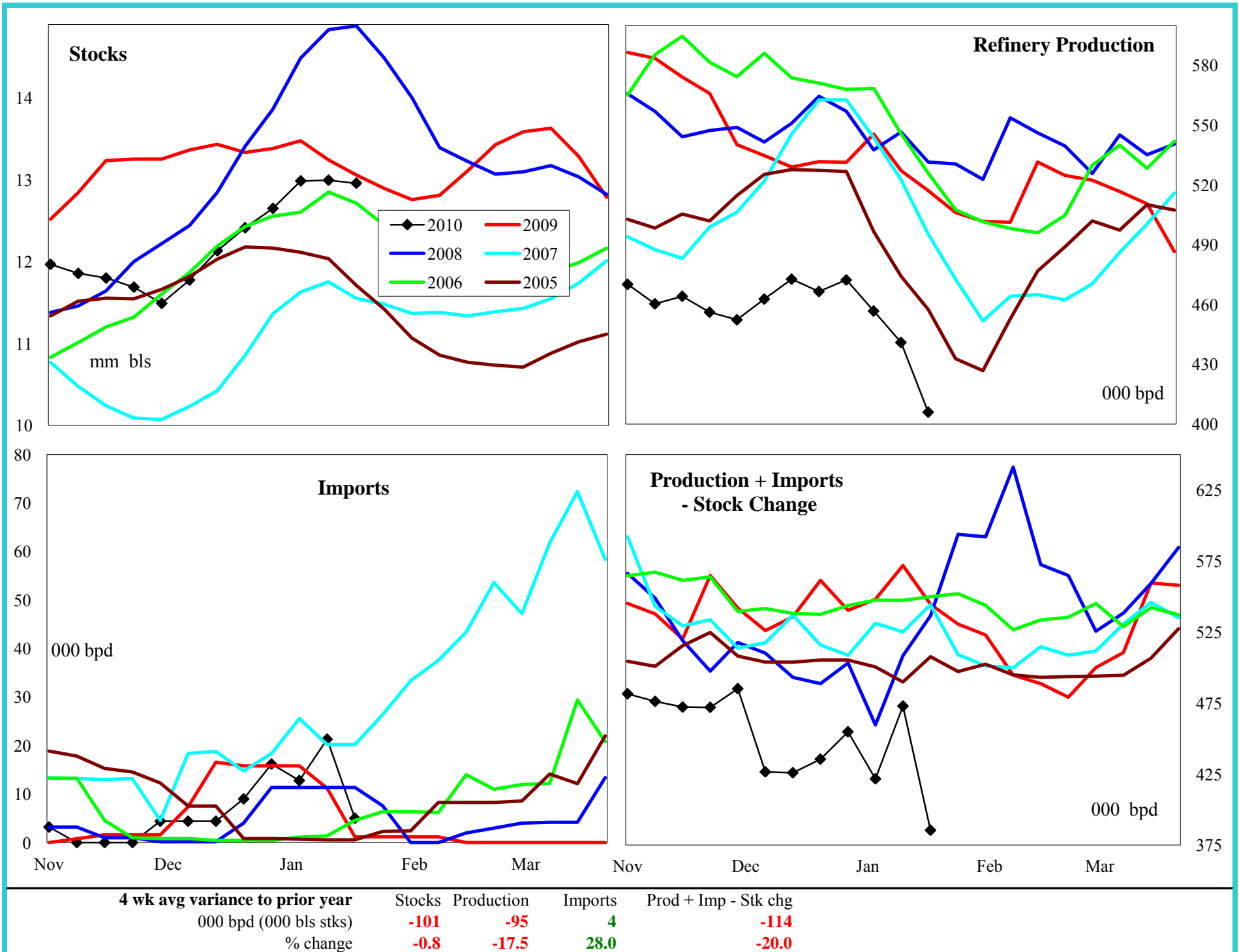
77.9

Prod + Imp - Stk chg

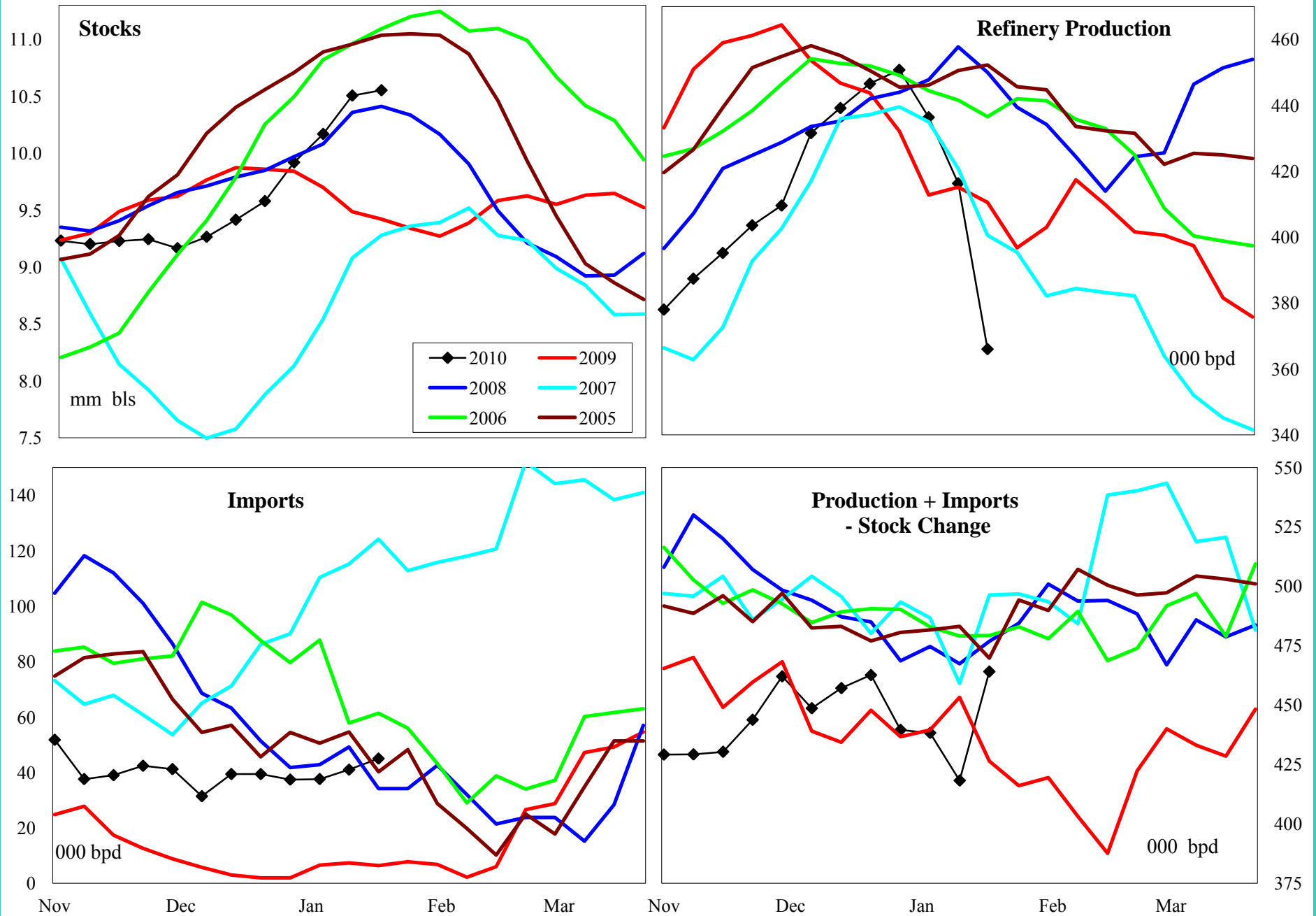
-60

-15.1

# PADD 5 Distillate Supply



# PADD 5 Jet Fuel Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

**1,066**

**11.2**

Production

**15**

**3.7**

Imports

**35**

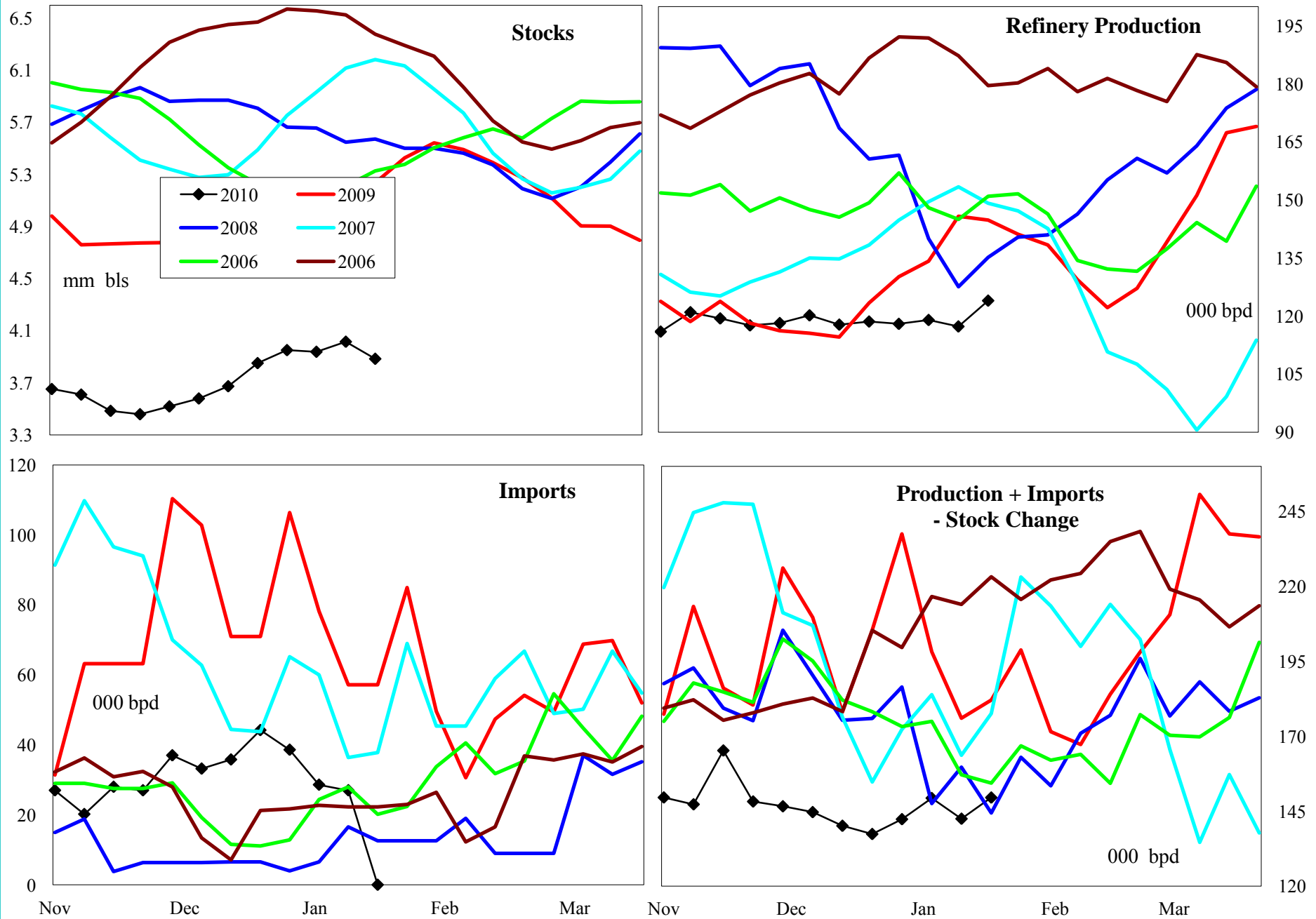
**421.2**

Prod + Imp - Stk chg

**-19**

**-4.2**

# PADD 5 Residual Fuel Oil Supply



**4 wk avg variance to prior year**

000 bpd (000 bbls stks)

% change

Stocks

-1,350

-25.6

Production

-18

-13.1

Imports

-40

-58.8

Prod + Imp - Stk chg

-37

-20.0