

WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

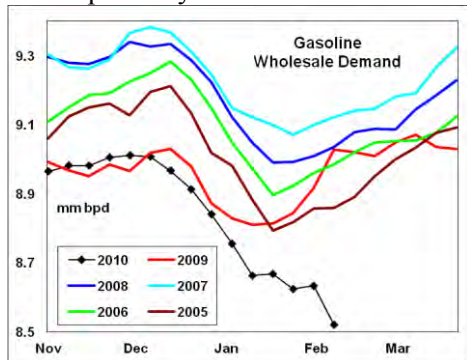
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, February 18, 2010

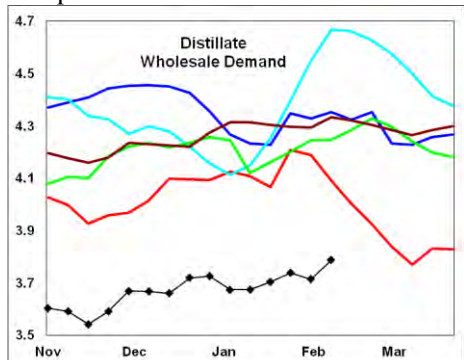


Major Fundamental Trends¹

Gasoline demand fell -245,000 bpd last week on inclement weather across much of the country. Note that demand for the 4-wk period prior to last week was -178,000 bpd below a year ago. Wholesale gasoline demand is exceptionally weak.



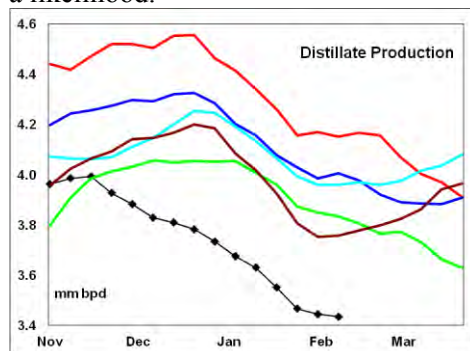
Inclement weather not only reduced gasoline demand, but also off loading of imports on the East Coast where imports fell -459,000 bpd. Refinery maintenance led to a -359,000 bpd drop in production, with declines in all major regions. Lower supply during the quarter should offset what now appears to be soft demand during the 1st quarter.



Distillate wholesale demand increased just +91,000 bpd last week, during a period of peak heating use. Compared to last year, demand was -521,000 bpd lower for the most recent 4-wk average. Strength in Gulf Coast diesel cash basis points toward healthy exports, indicating domestic demand remains very weak.

Distillate production was nearly unchanged on the week, down -696,000 bpd compared to a year ago. Imports have partially offset the drop in production, rising +263,000 bpd versus a year ago.

Refiners continue to cut distillate supply in the face of weak demand. Improving the supply balance will depend on an upturn in demand for the U.S. and Europe, with refiner closures a likelihood.



Demand for gasoline collapsed -245,000 bpd last week on inclement weather across much of the country. Residual fuel oil demand remains very strong on peak winter demand and exports.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline decreased -3%; distillate down -12%; jet fuel up +5% while residual fuel oil decreased -4%.

Stocks forward coverage: Gasoline demand coverage climbed to a new all time high on the sharp drop in demand (weather induced) and a +1.6 million barrel stock build

Distillate demand coverage remains exceptionally high on very weak demand and high stock levels.

Jet fuel coverage remains near prior record highs on very weak demand.

Residual fuel oil coverage declined on strong demand and a -1.6 million barrel stock draw. Coverage remains above the historic range.

Refinery utilization rates increased on

a +182,000 bpd increase in crude oil runs. Runs were 575,000 bpd below last years' record low rate.

Gasoline yield % on crude oil runs fell on a -379,000 bpd drop in production. The yield % remains fell below last years' record high rate.

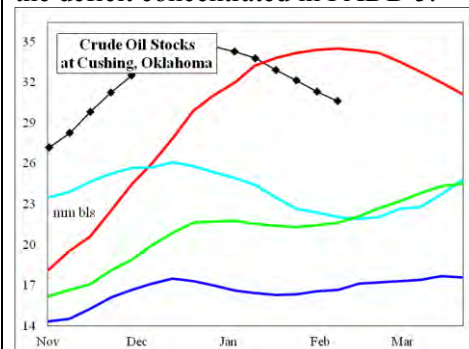
Distillate yield % on crude oil runs matched the 5-year low last week, with output rising just +20,000 bpd while crude oil runs climbed +182,000 bpd.

Jet fuel yield % on crude oil runs increased modestly on a +57,000 bpd rise in production, but remains well below the historic range.

Petroleum Imports of gasoline and distillate fell a combined -700,000 bpd last week, due in part to inclement weather at East Coast ports.

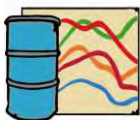
During the latest 4-wk period distillate imports increased +263,000 bpd compared to last year; finished gasoline imports decreased -35,000 bpd, gasoline blend stock imports decreased -91,000 bpd; jet fuel imports were +45,000 bpd higher while residual fuel oil imports declined -87,000 bpd.

Crude oil stocks increased +3.1 million barrels last week, including a +4.7 million barrel build in the Gulf. Stock levels were -16 million barrels below last years' record level, with over half the deficit concentrated in PADD 5.



Stock levels in Cushing continued a seasonal downtrend, and are now -4 million barrels below last years' record high.

¹ Source is latest EIA Weekly Statistics



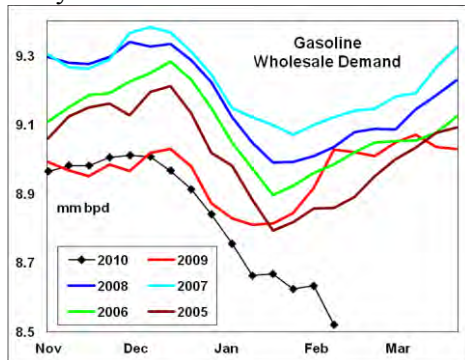
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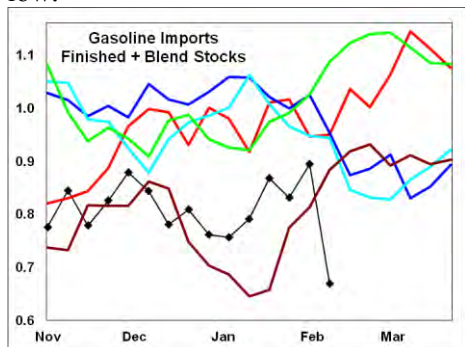
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Product Supply-Demand Trends

Gasoline demand was dramatically impacted by inclement weather last week, falling -245,000 bpd. The latest 4-wk average was -265,000 bpd below last year.

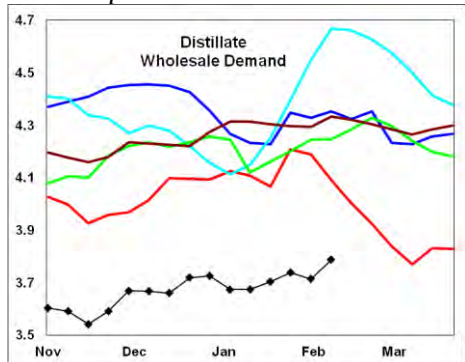


Gasoline production fell -379,000 bpd last week, with lower output across all major regional markets. Imports also fell -459,000 bpd to match the 5-year low.



The drop in supply was more than offset by weak demand, leading to a +1.6 million barrel stock build. Stock levels were above the 5-year range.

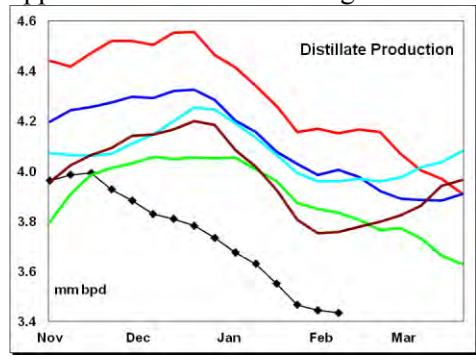
Expect seasonal demand to trend higher in the immediate term. Combined with lower supply, fundamentals should tighten during the current quarter.



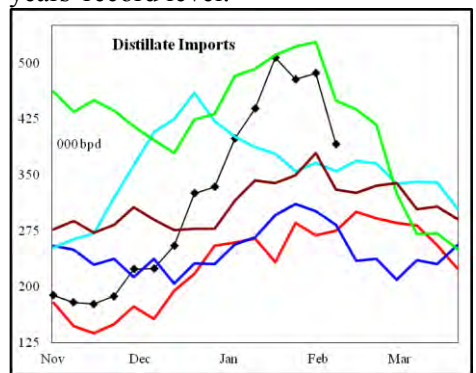
Distillate demand increased +91,000

bpd last week, with the latest 4-wk demand average -521,000 bpd below last year.

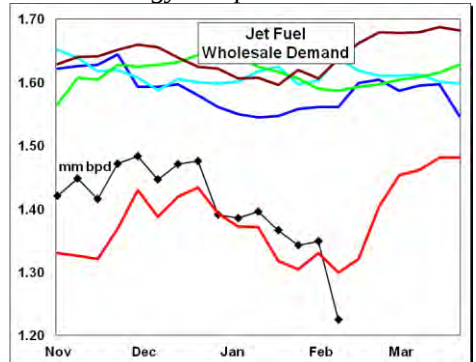
Imports fell -239,000 bpd on the week, although the level remains at the upper end of the historic range.



Stocks declined -2.9 million barrels on extremely low production and high seasonal heating demand. Stock levels are +13 million barrels above last years' record level.



Distillate demand is very weak even during peak heating season. The industry continues to limit output. Expect weak prices relative to the overall energy complex.



Jet Fuel demand fell -168,000 bpd on the week, with the latest 4-wk average +68,000 bpd above a year ago.

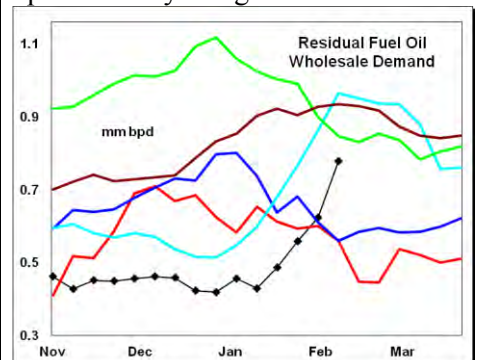
Jet fuel supply increased +12,000

bpd last week. Record low demand offset very low supply, leading to a +0.3 million barrel stock build. Stock levels are at the upper end of the historic range.

Wholesale demand, while above last year, remains very weak. Production is -7% below the prior record low. Measured in days of forward demand coverage, stock levels remain very ample.

Expect an uptrend in seasonal demand levels combined with low production should lead to an improving supply balance during the quarter.

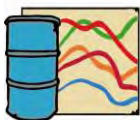
Residual fuel oil demand, including exports, increased +32,000 bpd last week, with the 4-wk average -32,000 bpd below a year ago.



Combined production and imports fell -240,000 bpd on the week. The drop in supply and strong demand led to a -1.6 million barrel stock draw. Stock levels slipped to below the mid range.

Residual fuel oil supplies tightened in PADD 1 last week. Supplies in PADDs 2, 4 and 5 remain tight. Supply in the Gulf are very ample.

Residual fuel prices should remain relatively weak in the Gulf compared to the overall energy complex.



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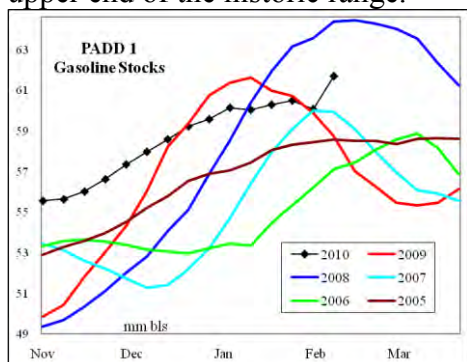
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PADD Supply Trends

PADD 1 refinery crude oil runs were nearly unchanged while rates for the latest 4-wk period were -215,000 bpd below a year ago. Stocks and imports remain at a 5-year low.

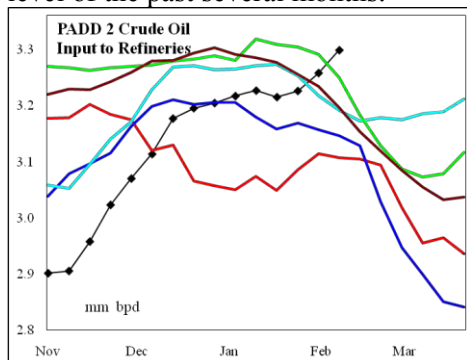
Gasoline imports fell -442,000 bpd on the week, to a level that matched the 5-year low. Very weak demand, driven by inclement weather, led to a +1.6 million barrel stock build. Stock levels were at the upper end of the historic range.



Distillate imports decreased -249,000 bpd last week, but remain at the upper end of the 5-year range. Production extended a counter seasonal uptrend, but the level is still below the historic range. Stock levels match the historic high.

Jet fuel supply was nearly unchanged with higher production offset by lower imports. Stock levels match the mid range.

PADD 2 crude oil refinery runs increased +27,000 bpd last week to above the 5-year range, the highest level of the past several months.



Imports remain above the historic range, while record weekly runs led to a -0.8 million barrel stock draw. Stock

levels were near last years' record level in PADD 2. However a -0.7 million barrel stock draw in Cushing pushed the level to -11% below a year ago.

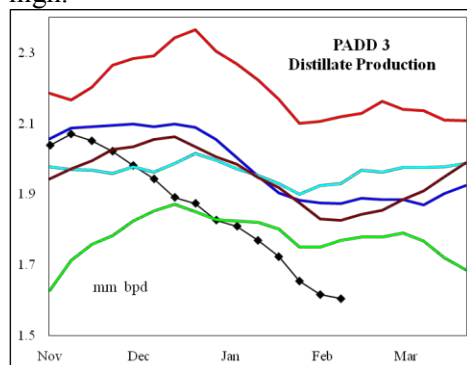
Gasoline production fell -193,000 bpd last week, falling to the low end of the historic range. Stocks were nearly unchanged, at a level that is above the five year range.

Distillate production was unchanged at the mid range. Low receipts from the Gulf led to a -0.5 million barrel stock draw. Stock levels are above four of the last five years.

Weak demand has lifted jet fuel stocks to above the 5-year range while output remains well below the historic range.

PADD 3 refinery crude oil runs increased +196,000 bpd last week, to the low end of the five year range. Crude oil imports climbed +400,000 bpd last week, lifting stock levels +4.7 million barrels. Stock levels are near the five year high.

Gasoline production declined -132,000 bpd. Finished gasoline imports were +80,000 bpd, a record high level. Stocks were nearly unchanged with the level at a record high.



Distillate supply was unchanged, off -21% from last year and a record low. Stocks increased +0.4 million barrels on the week, with the level +15% above last years' record high.

Jet fuel stock levels are at the upper end of the 5-year range, with production at a new record low.

Residual fuel oil production extended a recent downtrend, to the mid range. Imports remain at the upper end of the 5-year range. Stock

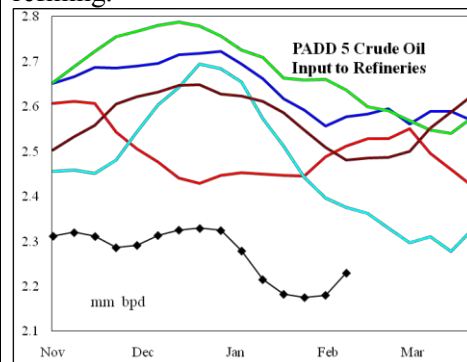
levels are well above the historic range.

PADD 4 refinery crude oil runs fell -41,000 bpd last week, with the latest 4-wk average -29,000 bpd below year ago levels.

Gasoline production climbed +35,000 bpd last week, to the upper end of the historic range. Stocks extended a seasonal build, but the level remains below the historic range.

Distillate production remains below the historic range while stock levels are slightly above the prior record high.

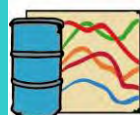
PADD 5 crude oil refinery runs increased +6,000 bpd on the week, with the latest 4-wk average -283,000 bpd below last year; driven by refinery closure in the last year, maintenance and low run rates on weak demand. Crude oil stocks remain at a record low on lack of crude oil demand for refining.



Gasoline production declined -36,000 bpd last week with the latest 4-wk average +37,000 bpd above last years' record low. Stock levels remain at the upper end of the 5-year range.

Distillate supply decreased slightly with the 4-wk average -92,000 bpd below a year ago, a new record low level. Stocks fell -0.5 million barrels, to a level near the 5-year mid range.

Jet fuel supply was nearly unchanged with a +20,000 bpd rise in output offset by a similar decline in imports. Stock levels remain above the mid range, while extending a seasonal downtrend.


**FUNDAMENTAL
PETROLEUM
TRENDS**

PETROLEUM: Graph Link and Weekly Summary

A Fundamental Petroleum Trends Weekly Report

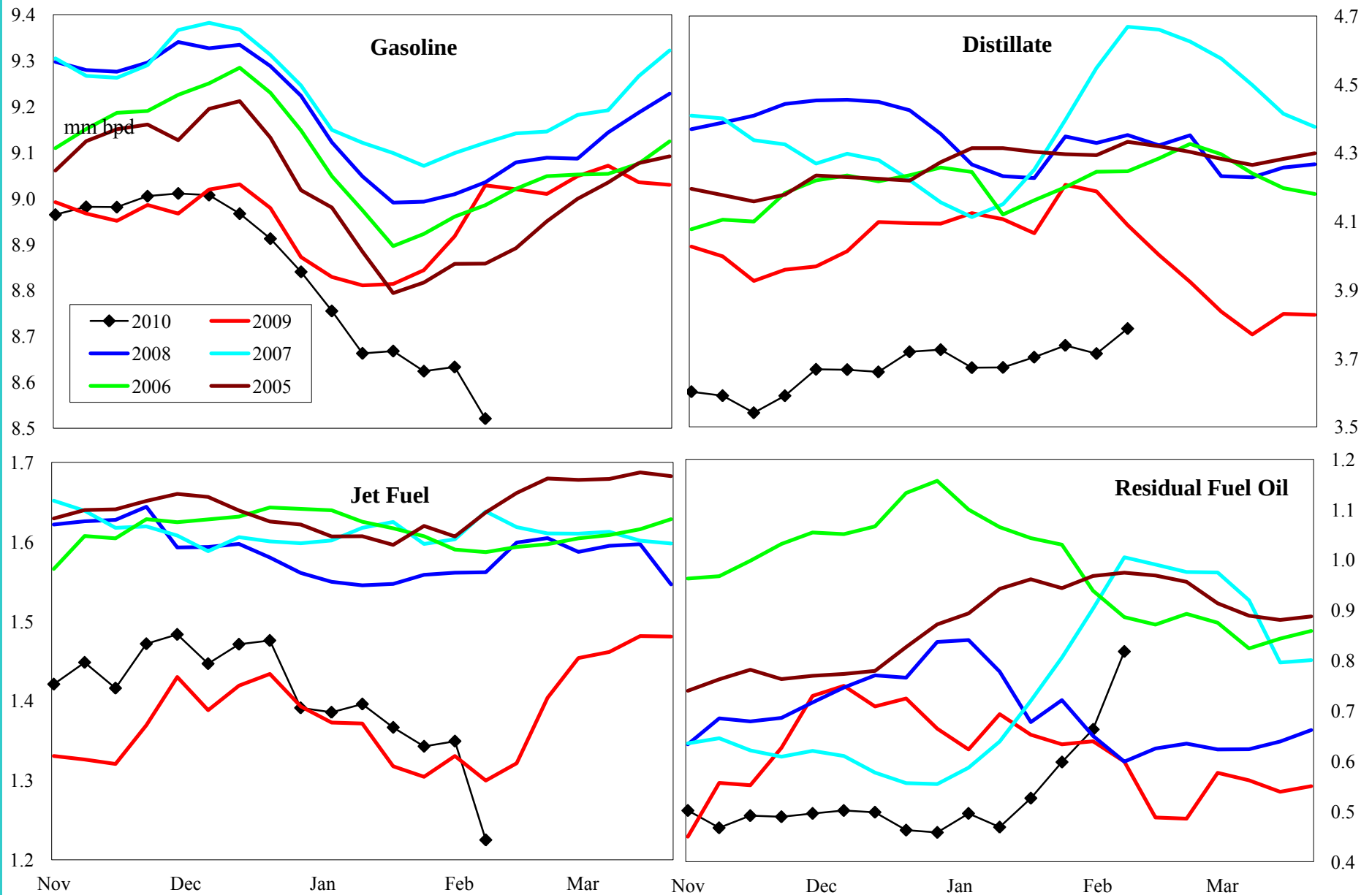
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Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	12-Feb-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	3,085	-275	-771	4,700	-188	-381
	Imports	206	-118	54	406	-53	-83
	Input	182	-6	27	196	-41	6
	% Utilization	0.64					
<u>Gasoline</u>	Stocks	1,620	1,592	-59	-234	131	190
	Production	-379	-43	-193	-142	35	-36
	Imports	-459	-442	1	-30	0	12
	Supplied	-245					
<u>Distillate</u>	Stocks	-2,937	-2,439	-531	368	137	-472
	Production	20	19	-4	7	6	-8
	Imports	-239	-249	10	0	0	0
	Supplied	91					
<u>Jet Fuel</u>	Stocks	302	110	149	232	-33	-156
	Production	57	18	12	0	7	20
	Imports	-45	-16	0	0	0	-29
	Supplied	-168					
<u>Residual Fuel Oil</u>	Stocks	-1,580	-1,390	111	147	2	-450
	Production	-37	-6	2	-40	0	7
	Imports	-203	-59	-1	15	0	-158
	Supplied	32					

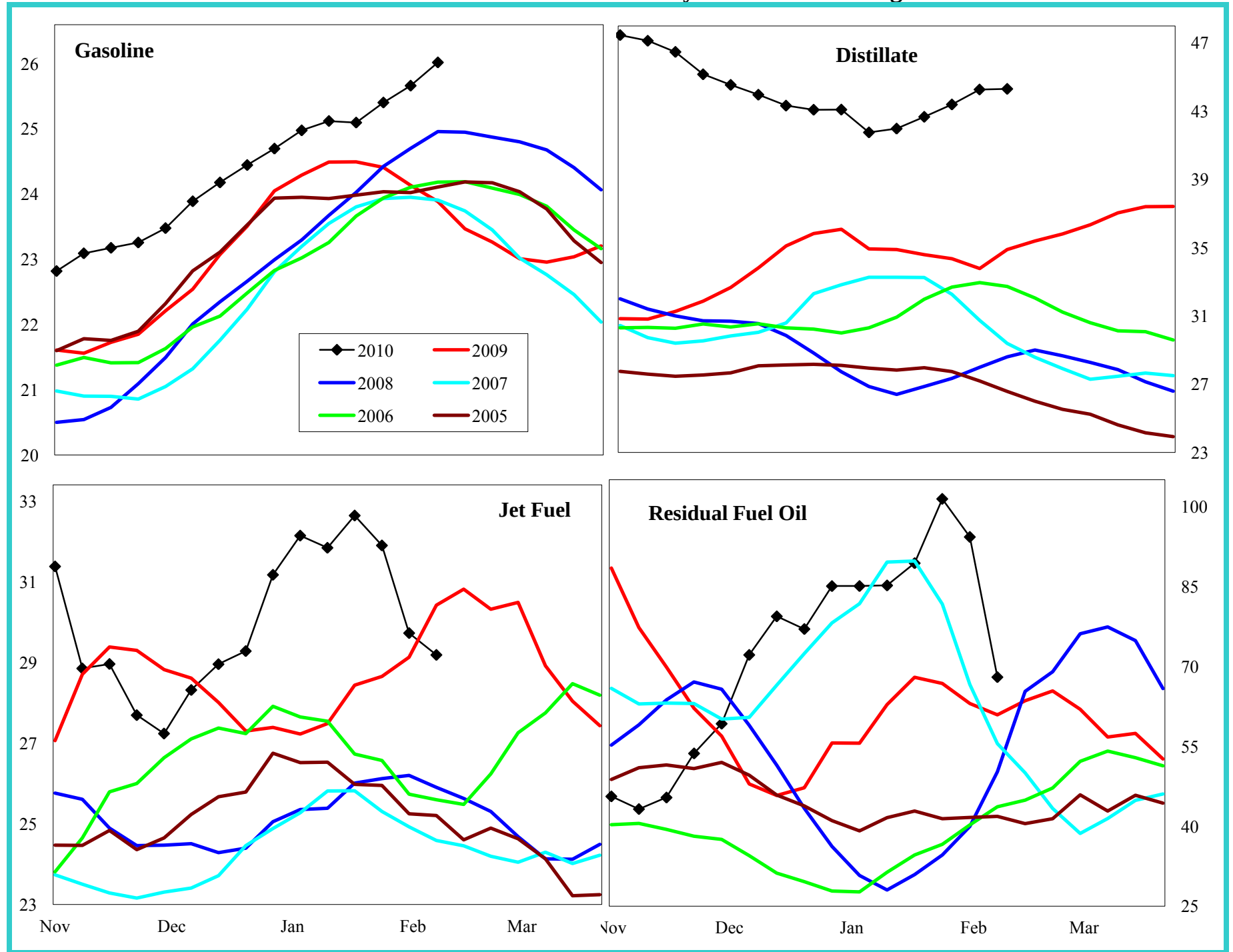
United States Wholesale Petroleum Demand



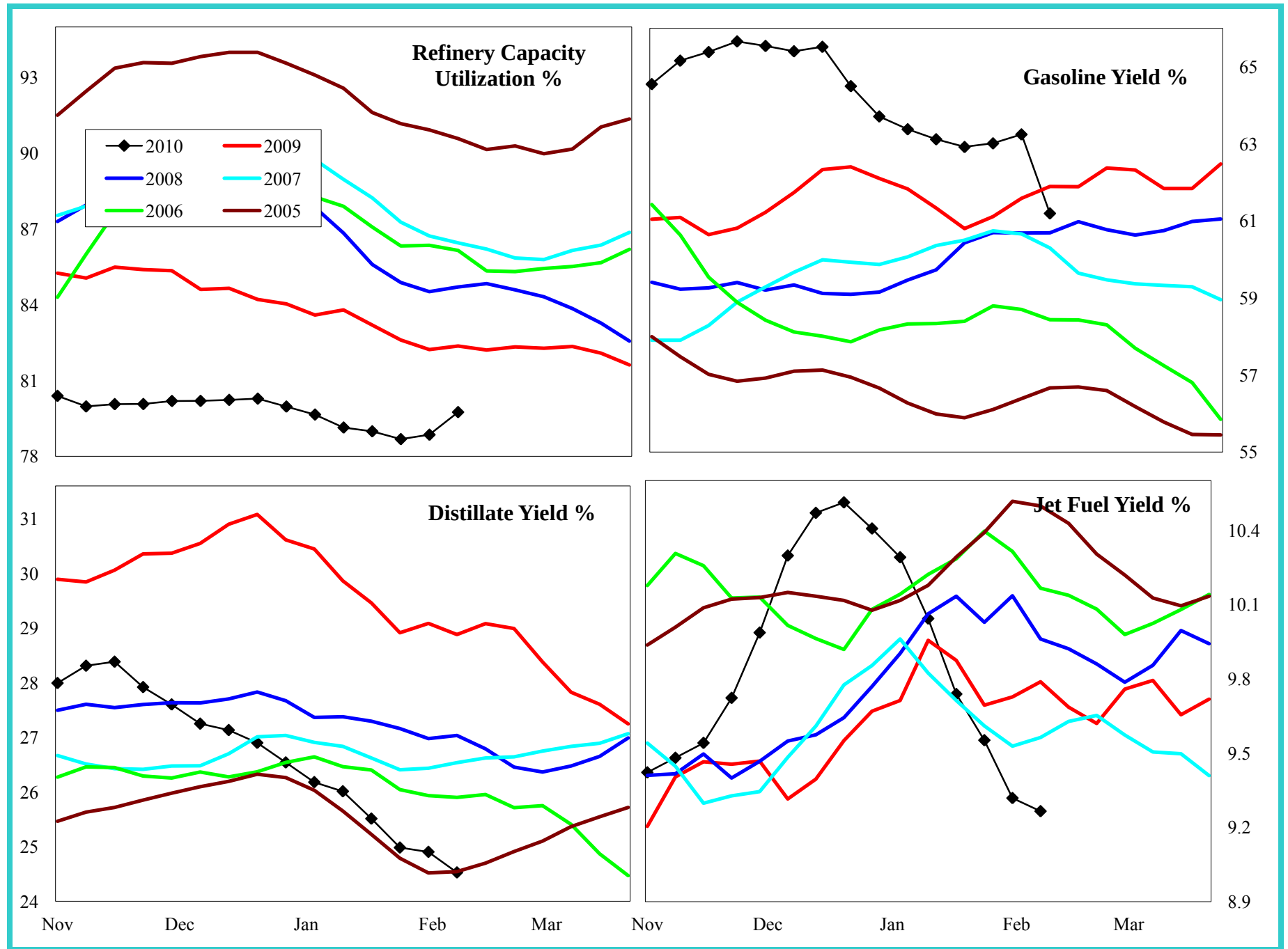
	000 bpd change from prior year				% change from prior year			
	4wk avg	Dec	Nov	Jan	4wk avg	Dec	Nov	Oct
Gasoline	-265	34	83	-46	-3.0	0.4	0.9	-0.5
Distillate	-521	-79	-309	-622	-12.3	-2.1	-8.0	-14.9
Jet Fuel	68	96	-12	-42	5.2	6.9	-0.8	-3.0
Resid	-25	-273	-41	-4	-3.8	-36.3	-7.9	-0.7



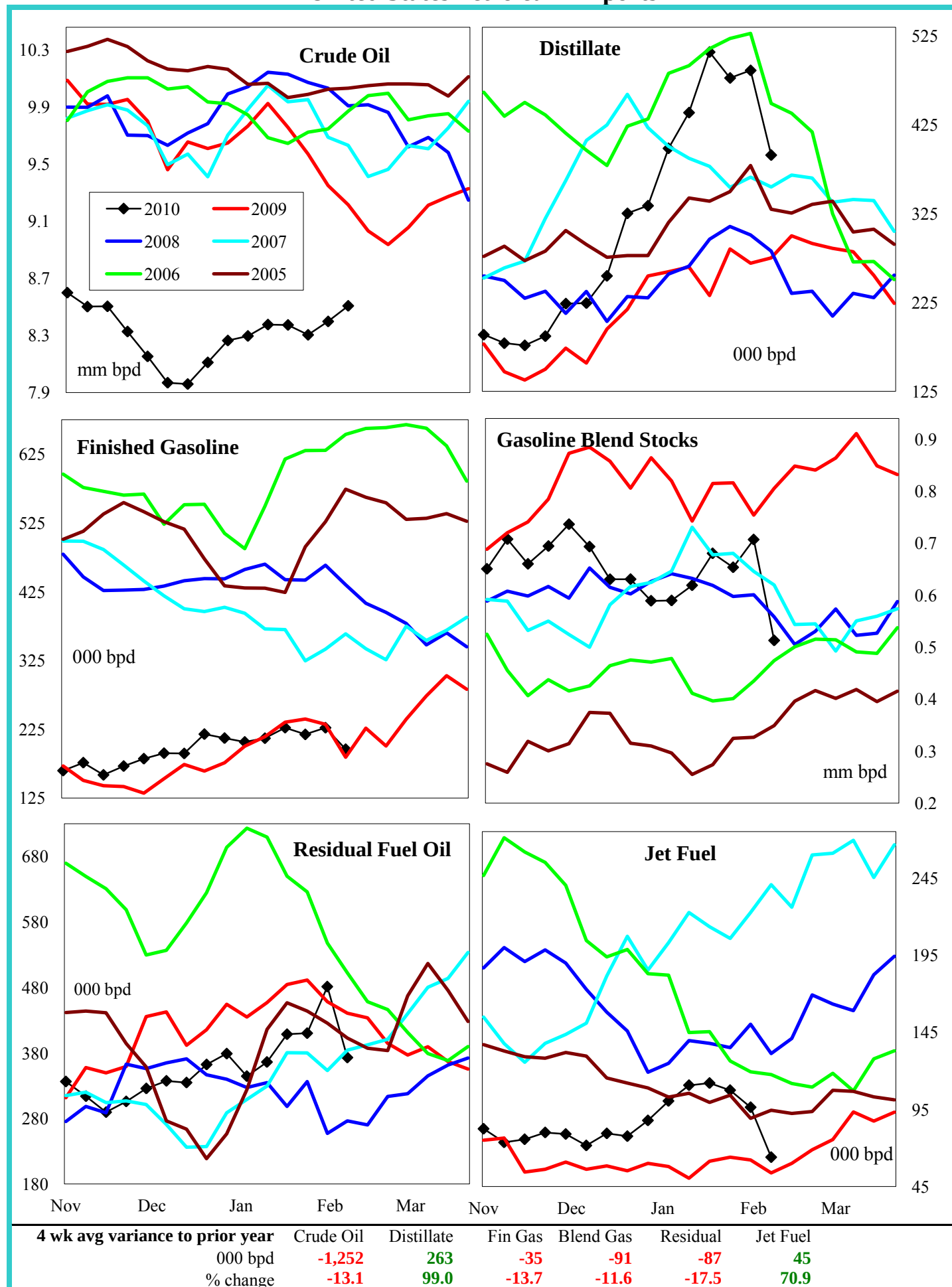
United States Product Stocks: Days Forward Coverage



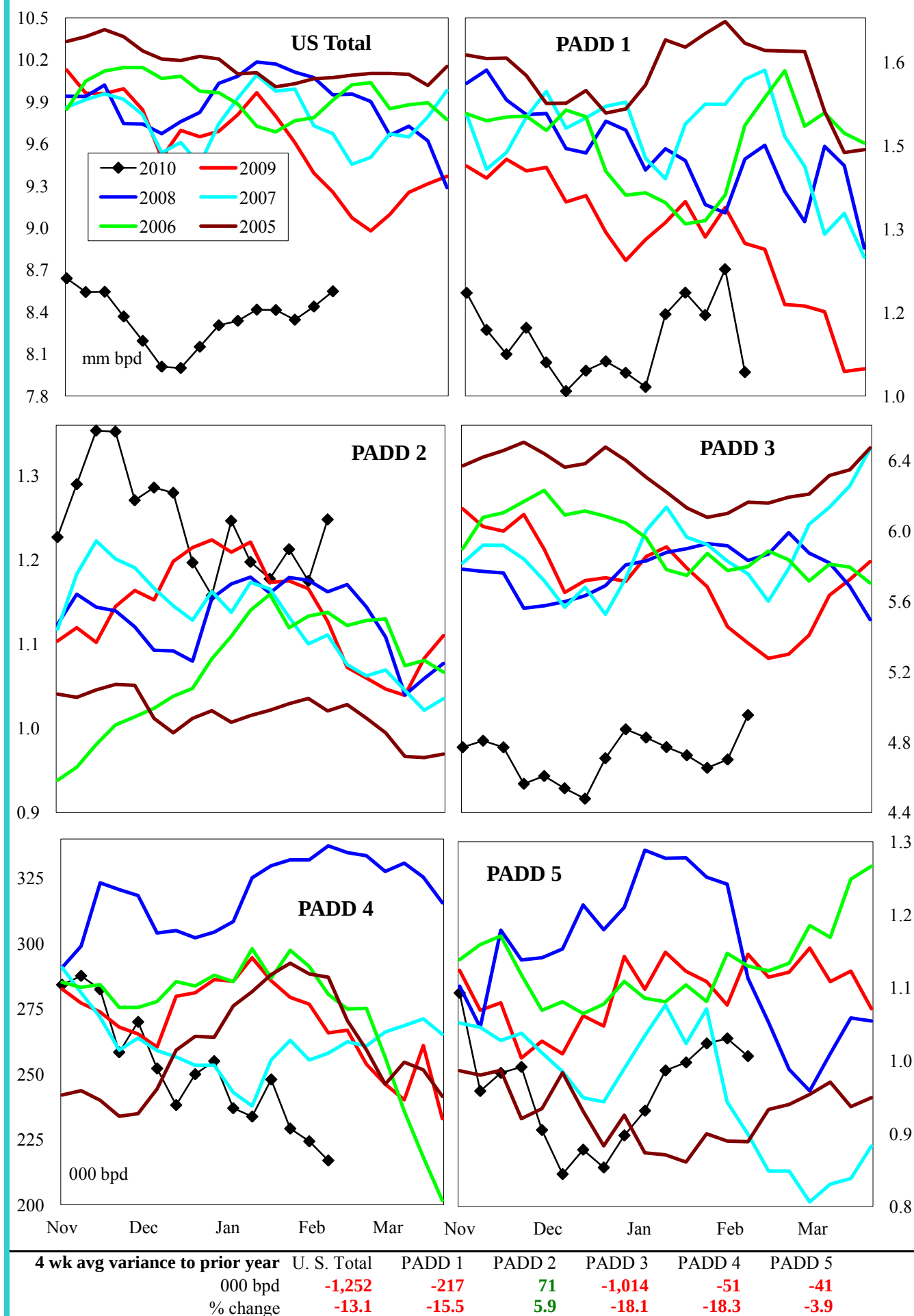
United States Refinery Percent Utilization Rate and Product Yields



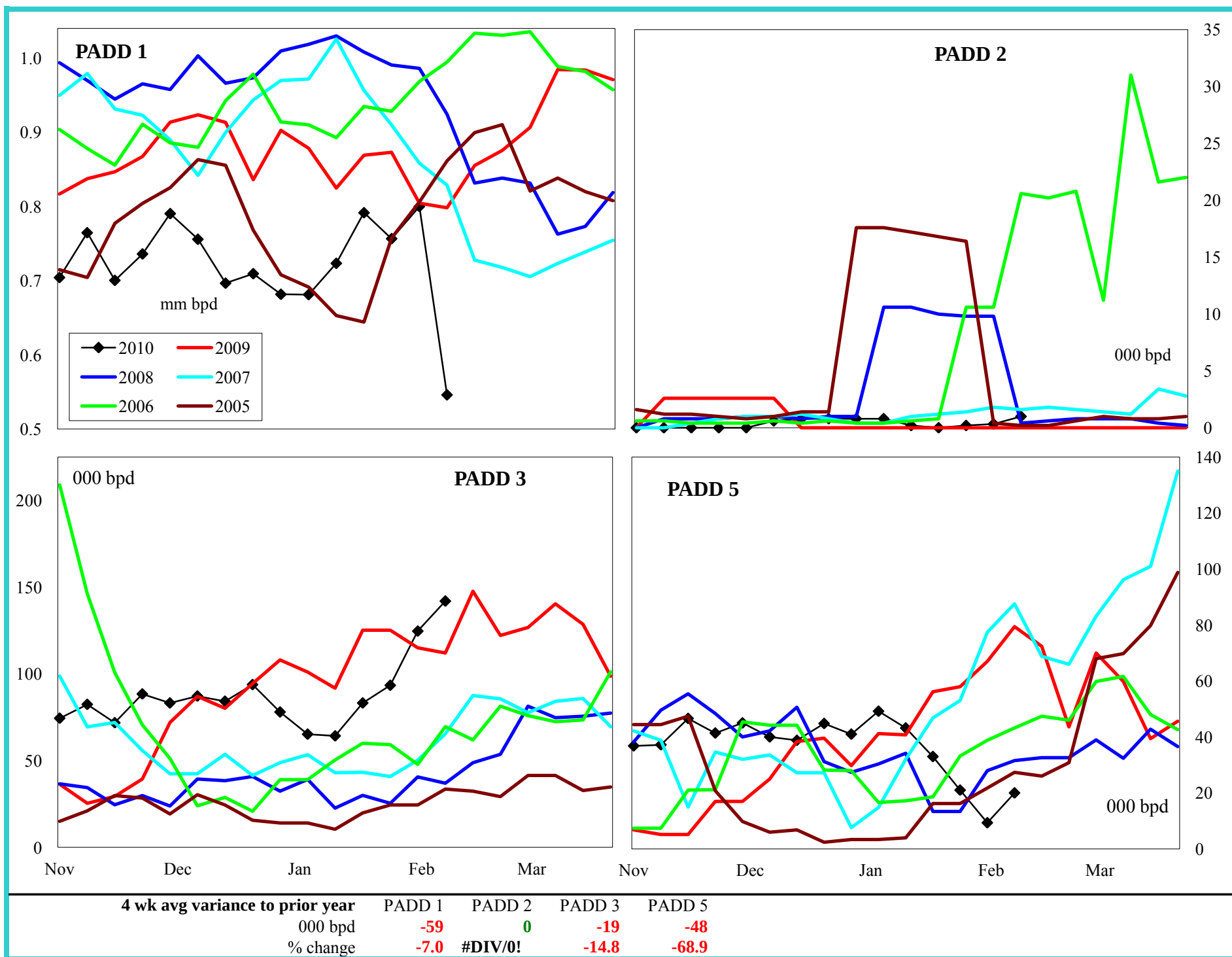
United States Petroleum Imports



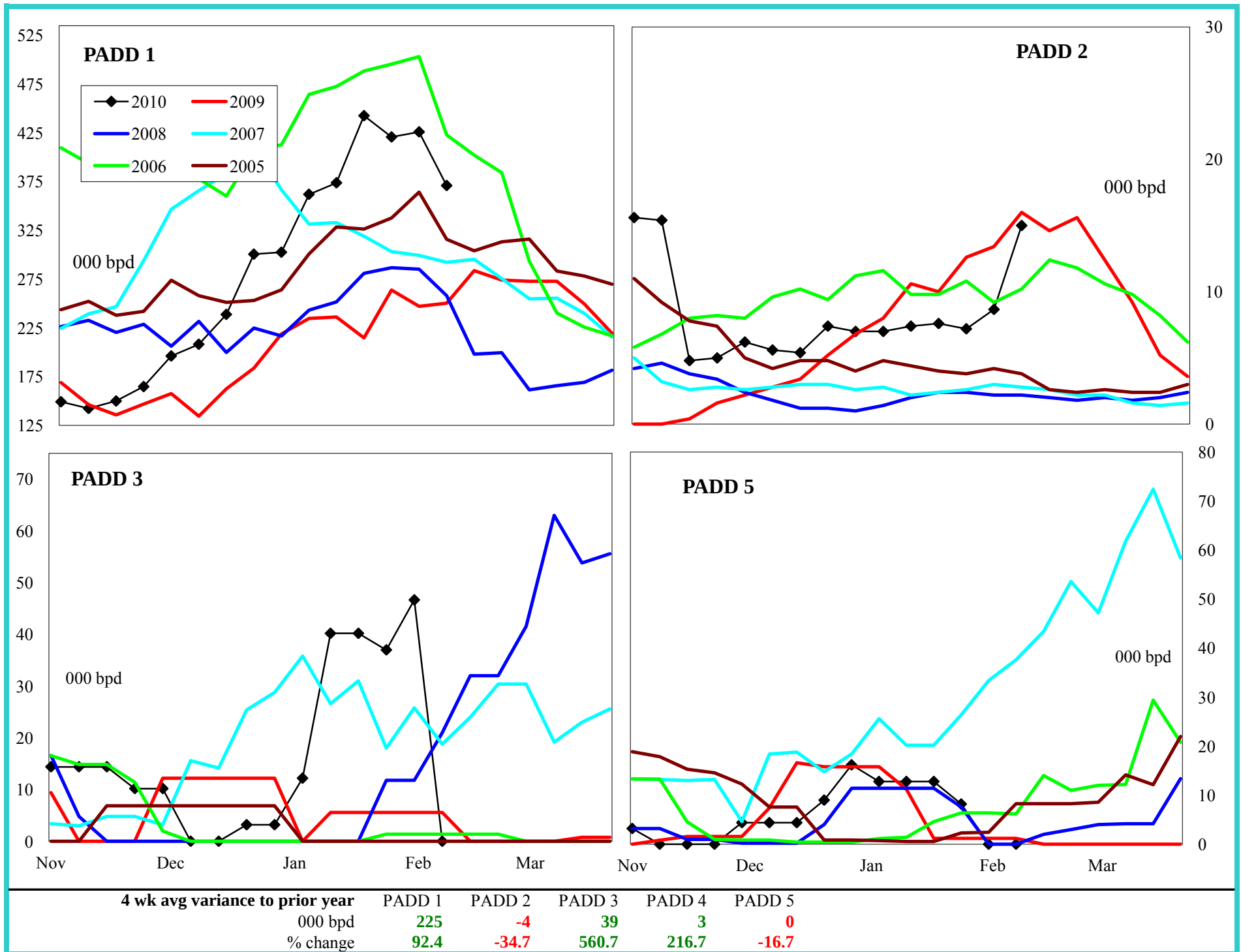
Crude Oil Imports by PADD



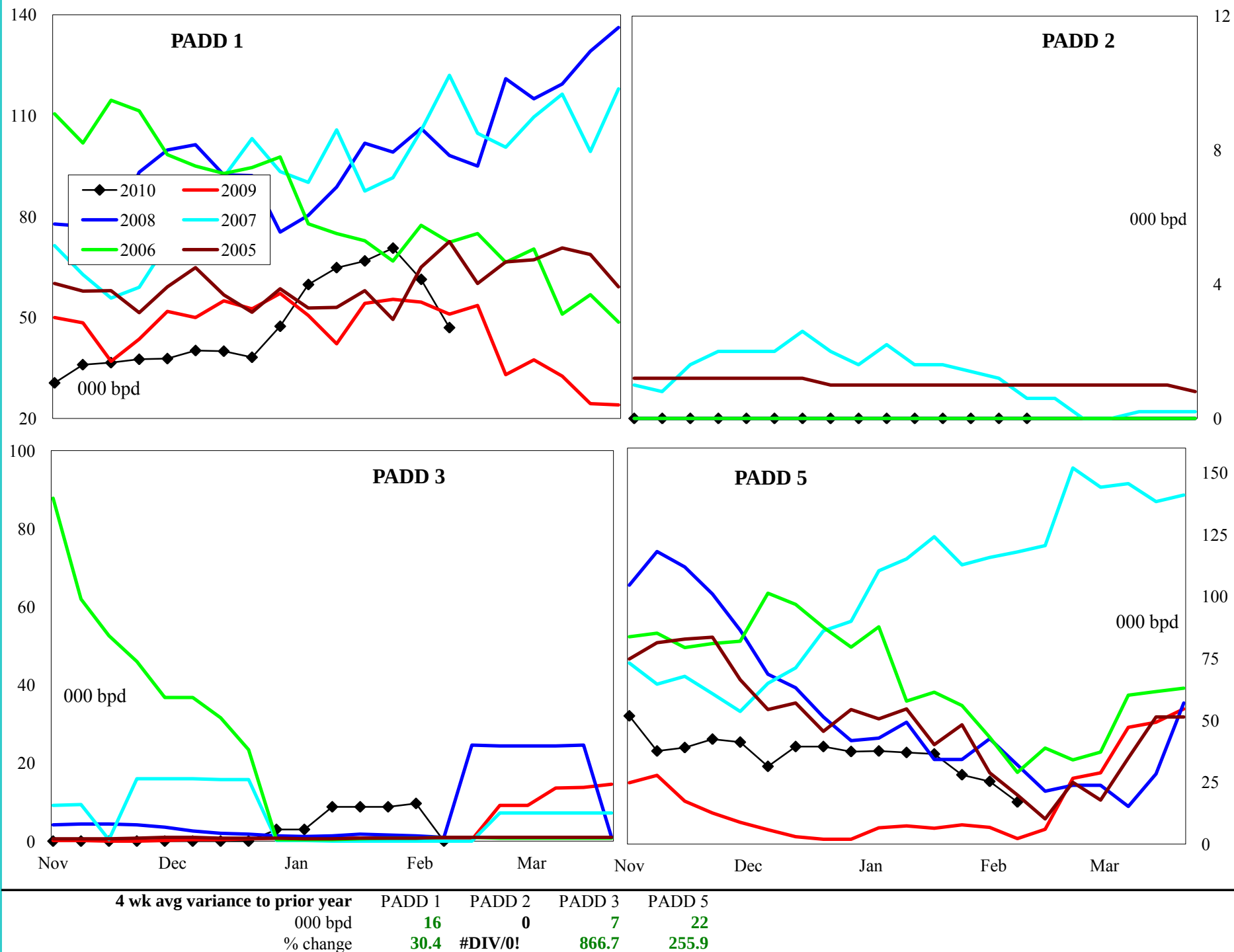
Gasoline Imports by PADD (Finished + Blend Stocks)



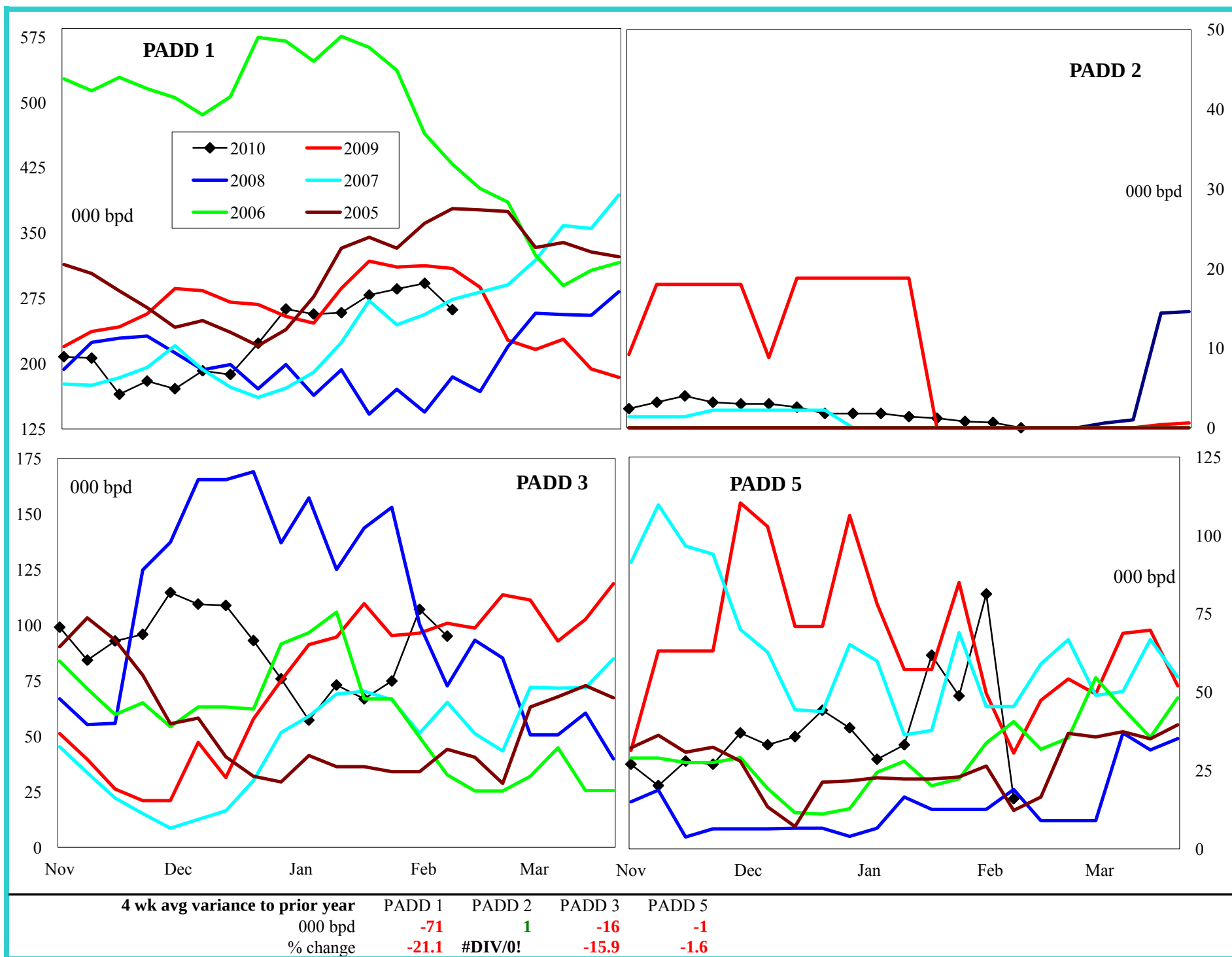
Distillate Imports by PADD



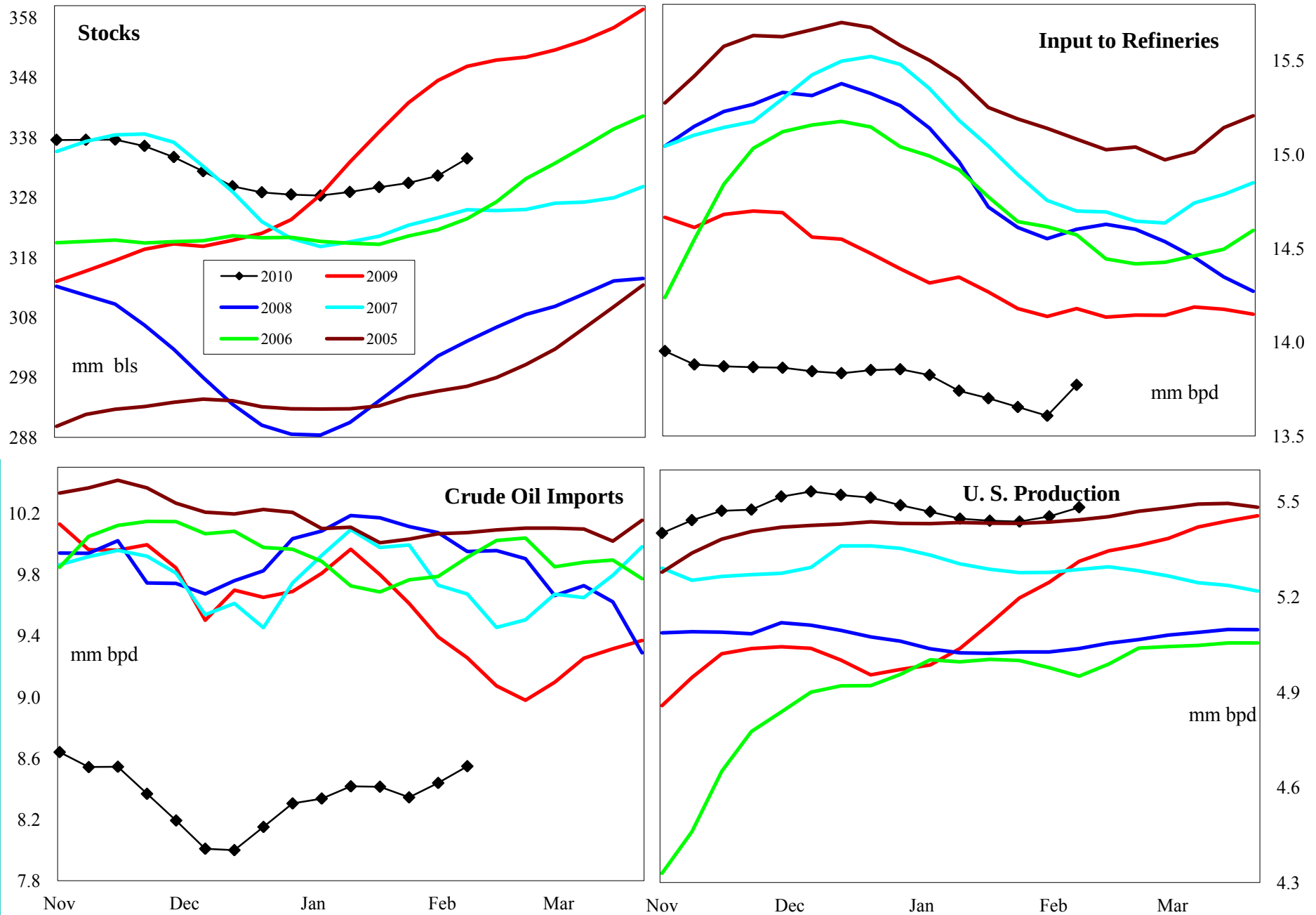
Jet Fuel Imports by PADD



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

-16,127

-4.6

Input

-575

-4.1

Imports

-1,252

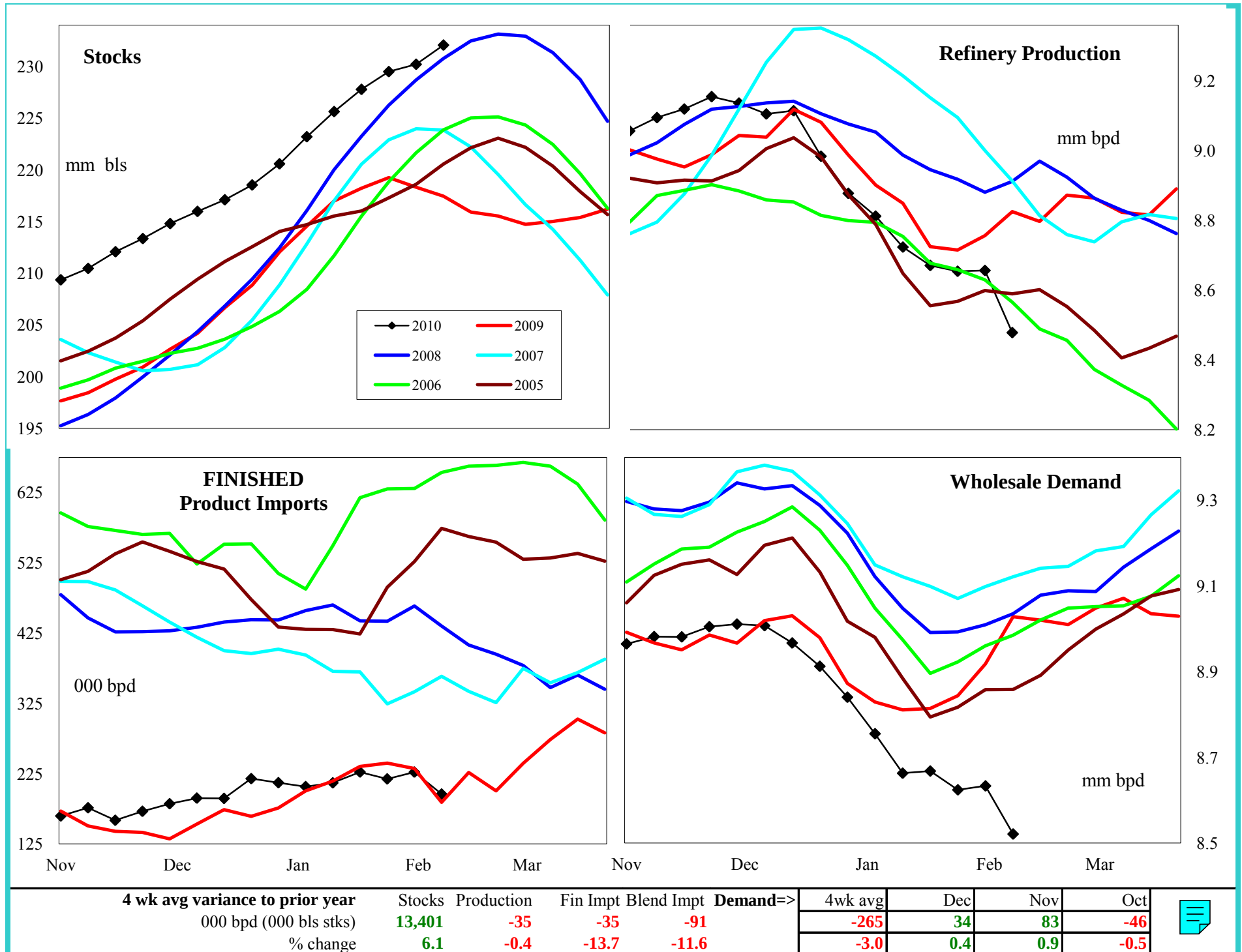
-13.1

U.S. Production

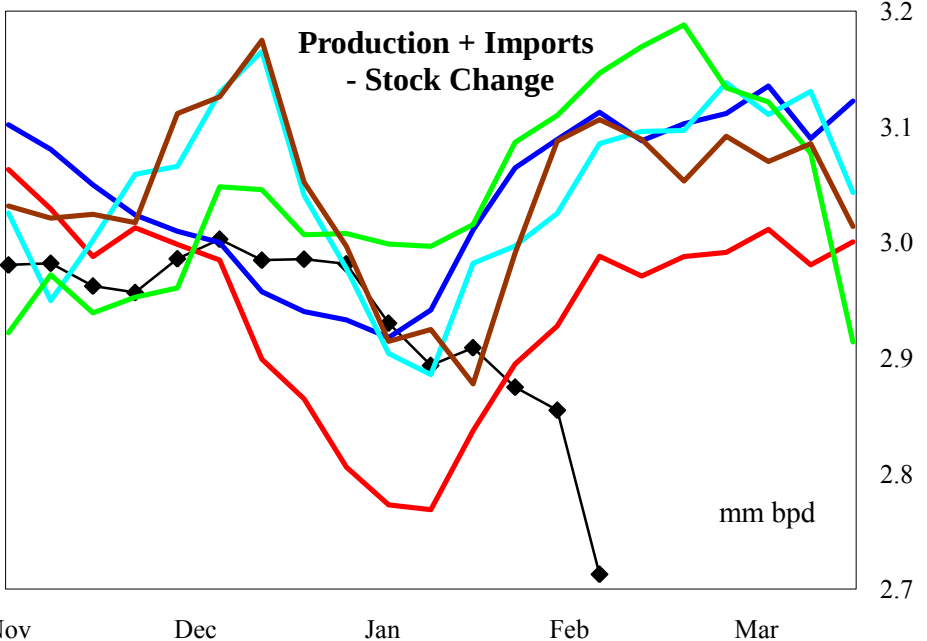
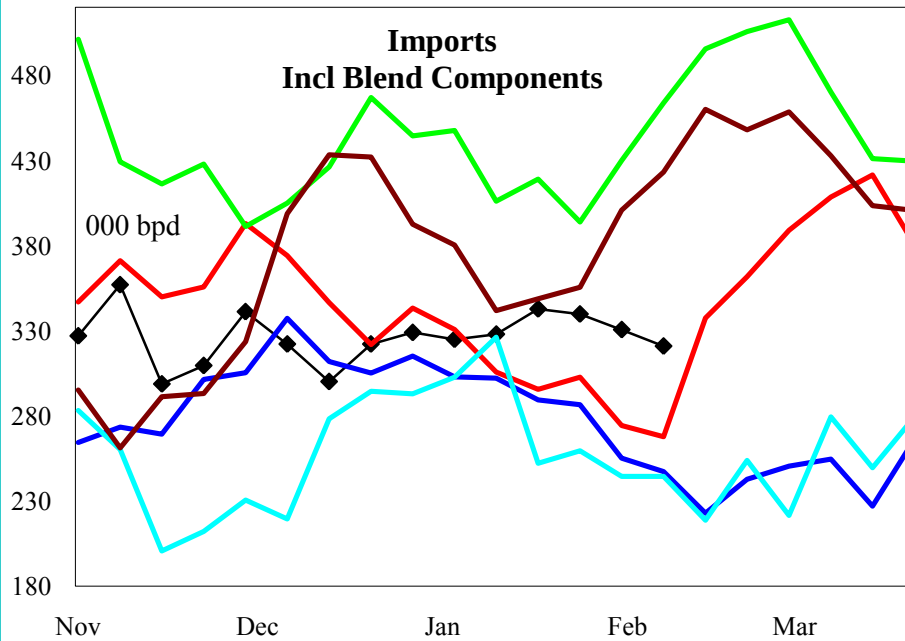
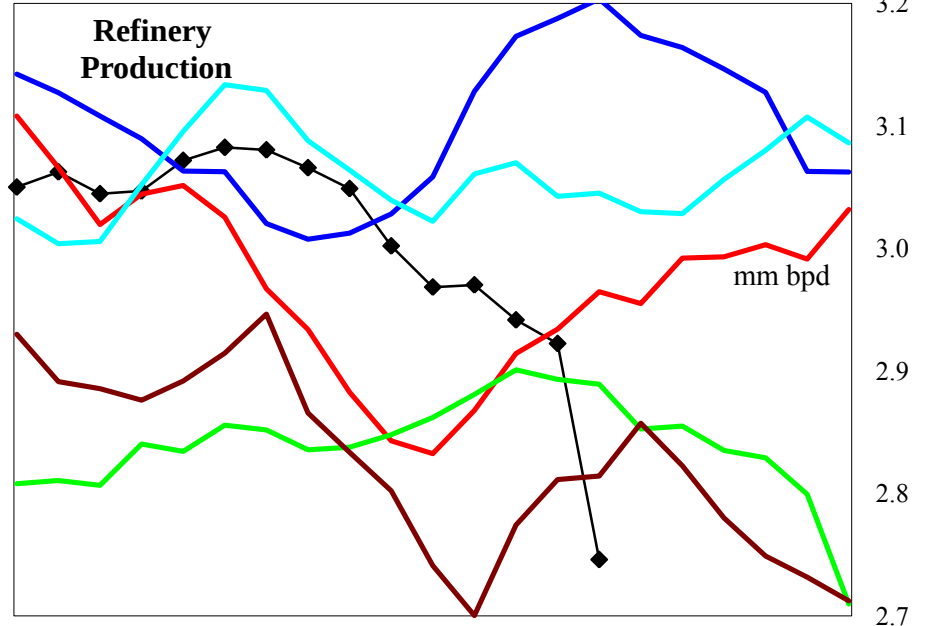
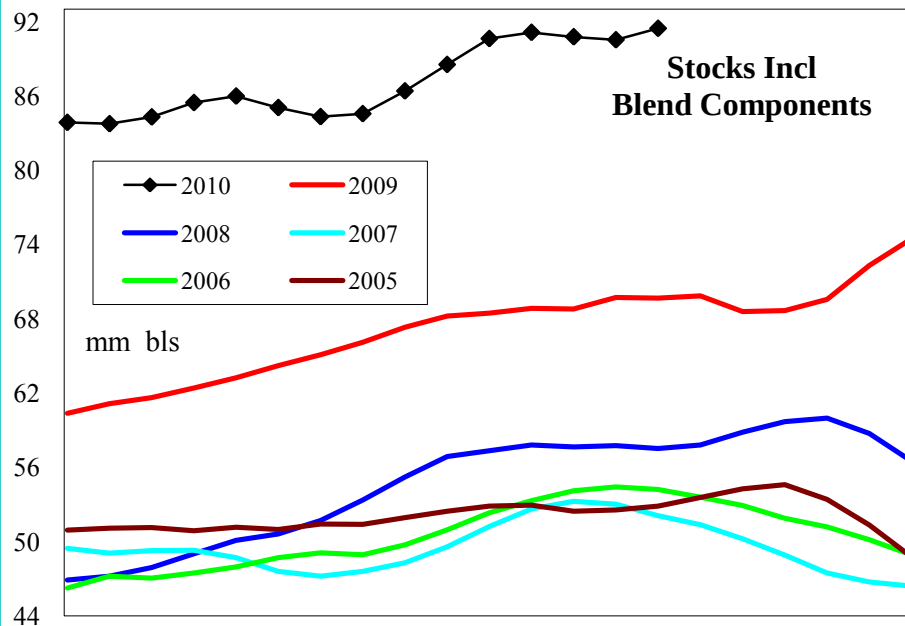
213

4.1

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

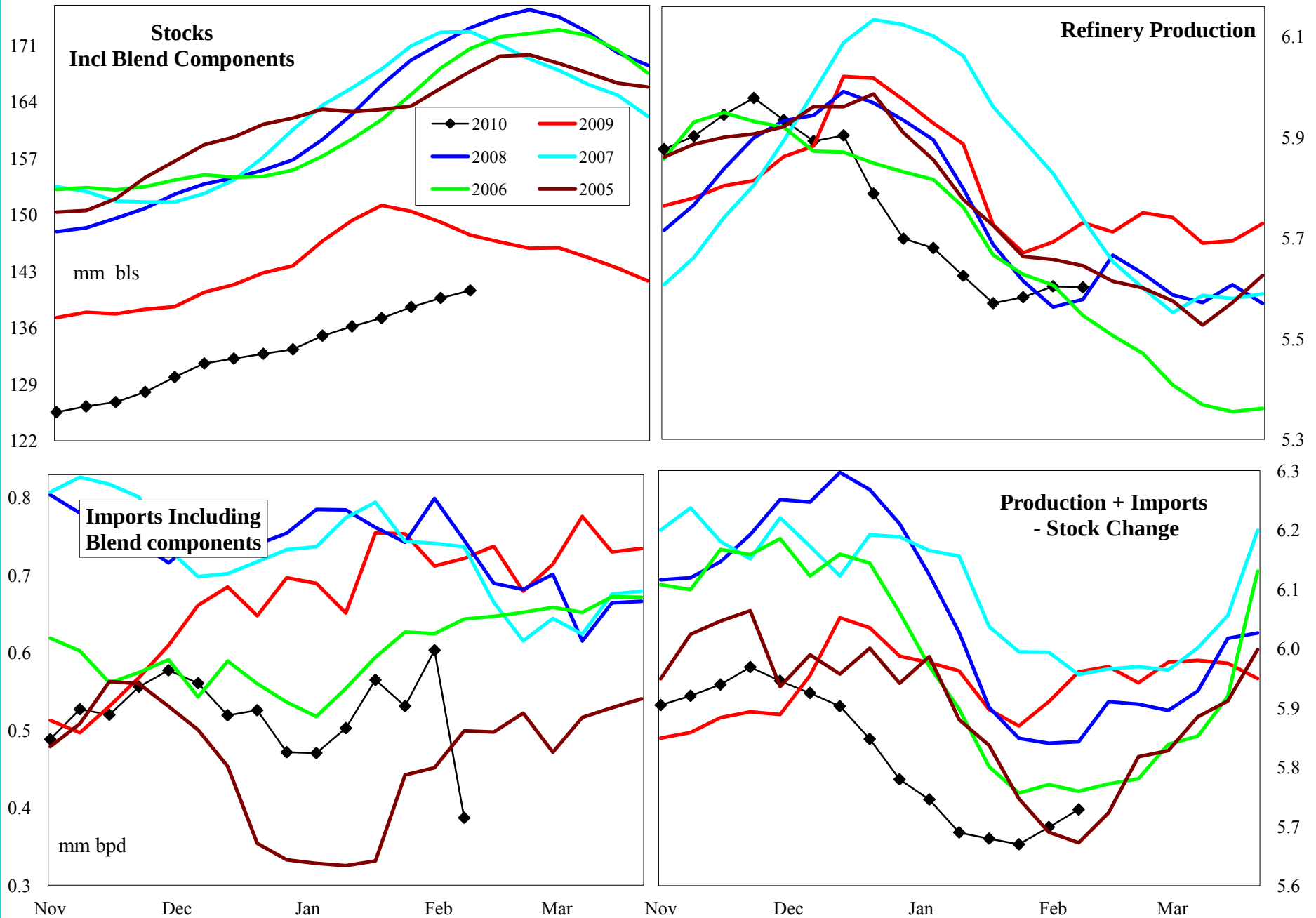
Stocks
21,763
31.2

Production
3
0.1

Imports
48
17.0

Prod + Imp - Stk chg
-74
-2.5

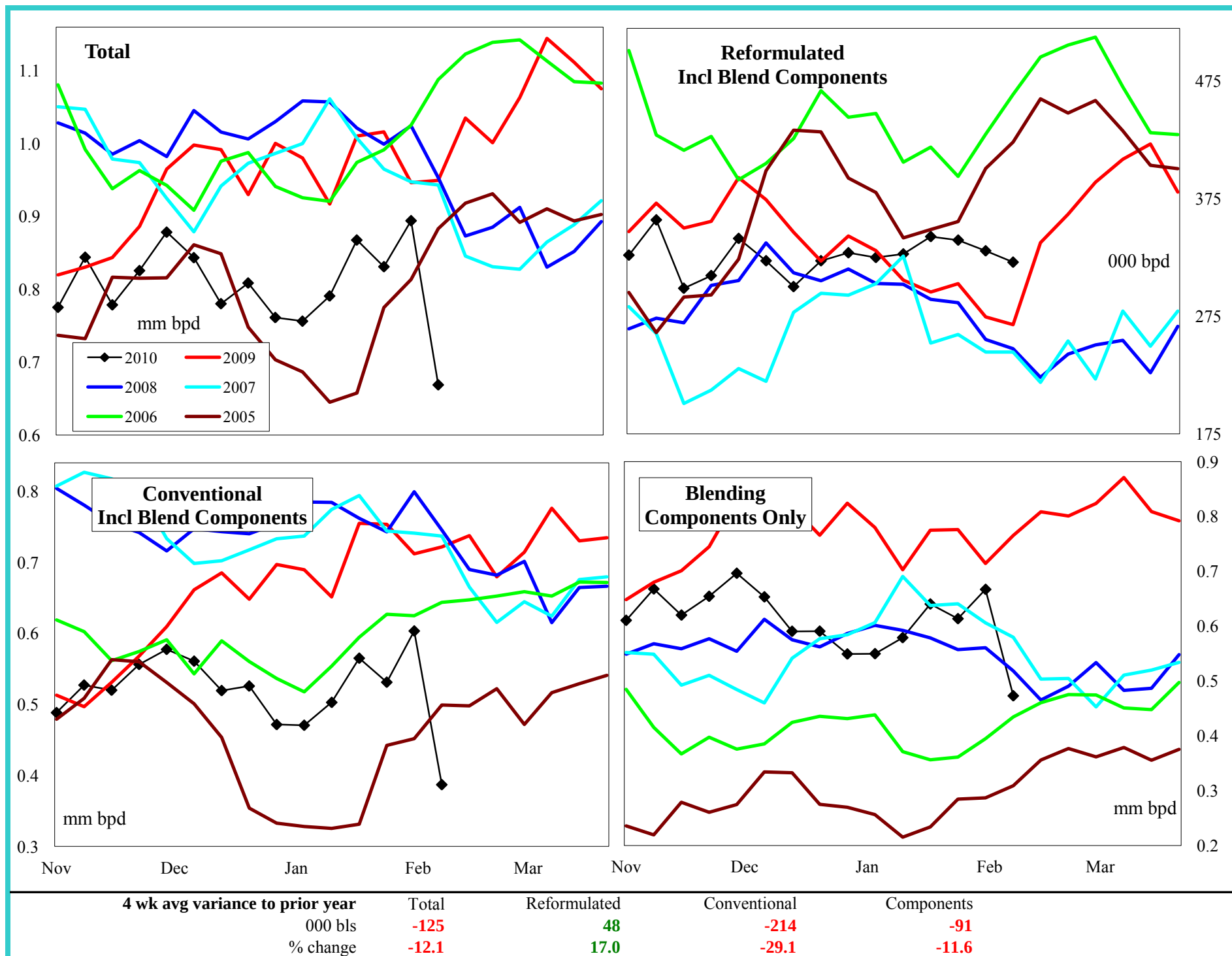
United States Conventional Gasoline Supply



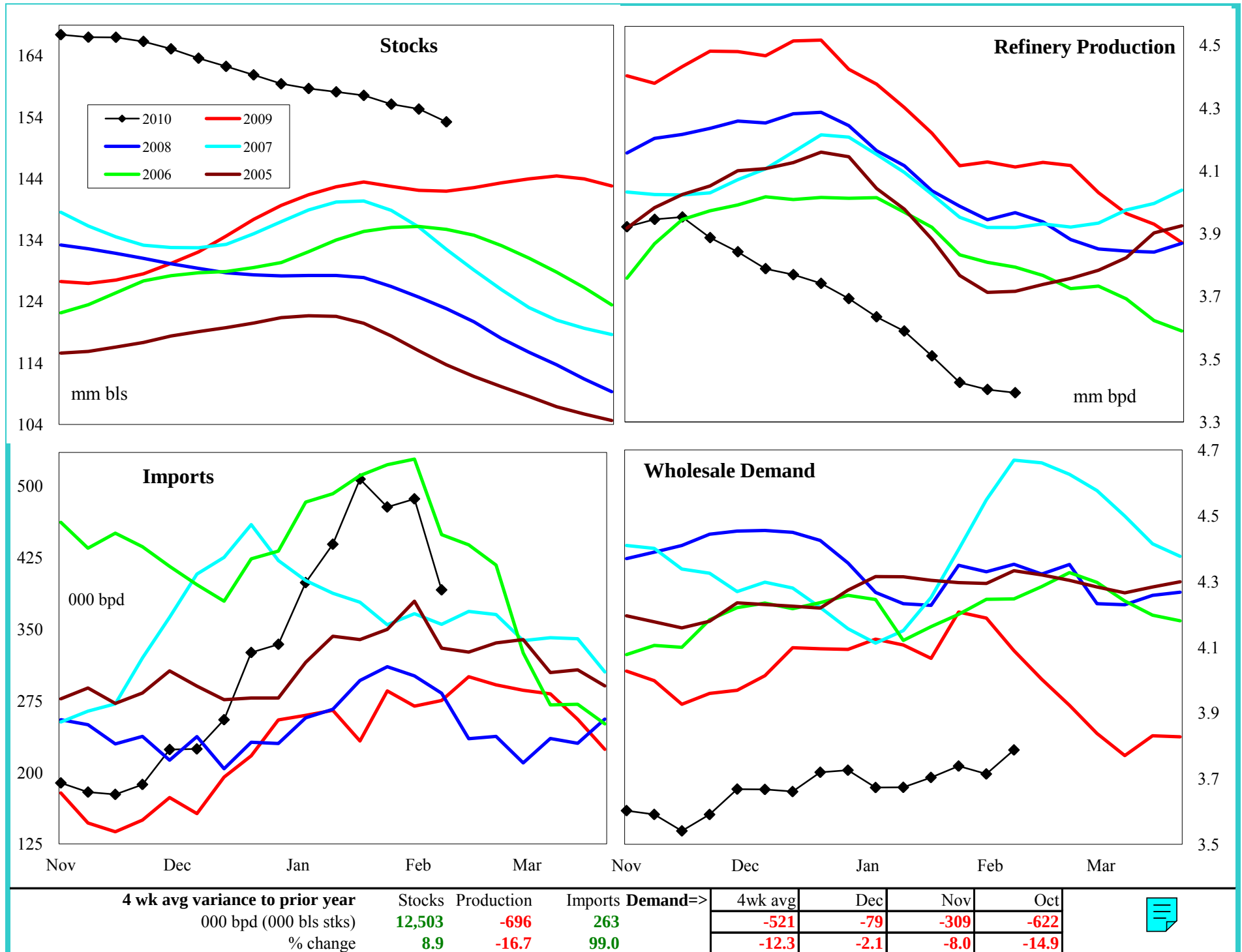
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
-6,886	-38	-214	-215
-4.7	-0.7	-29.1	-3.6

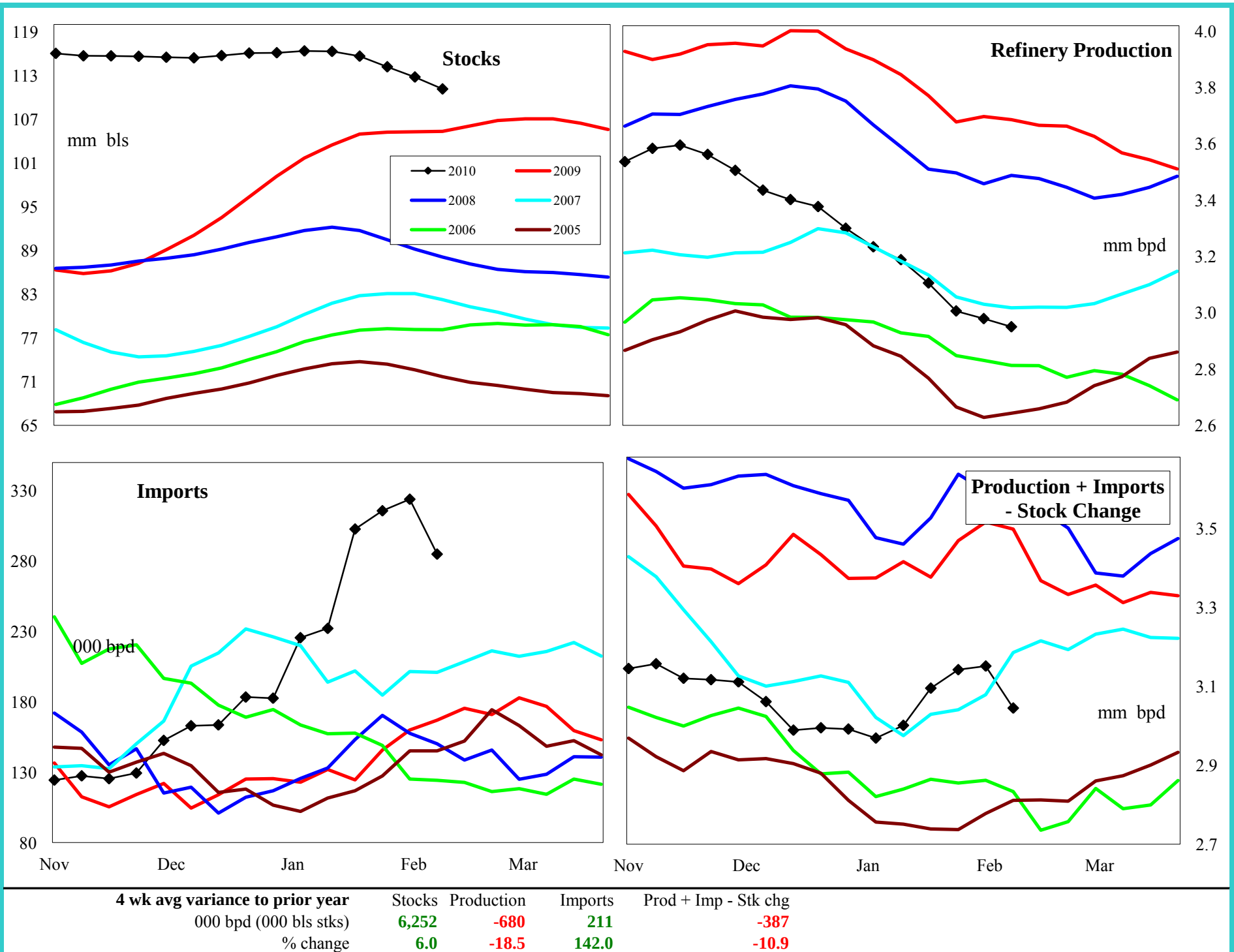
United States Gasoline Imports by Type



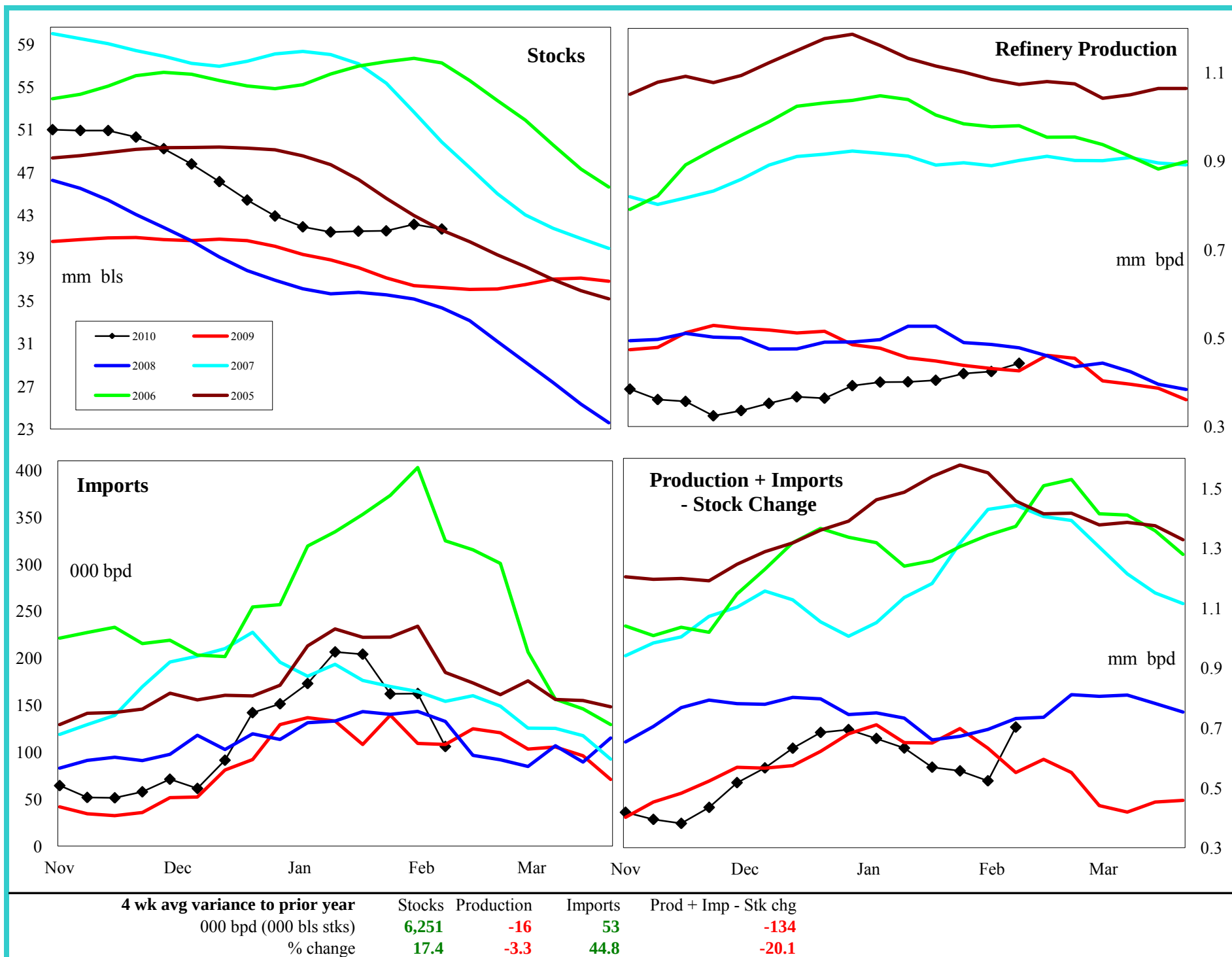
United States Distillate Supply and Demand Balance



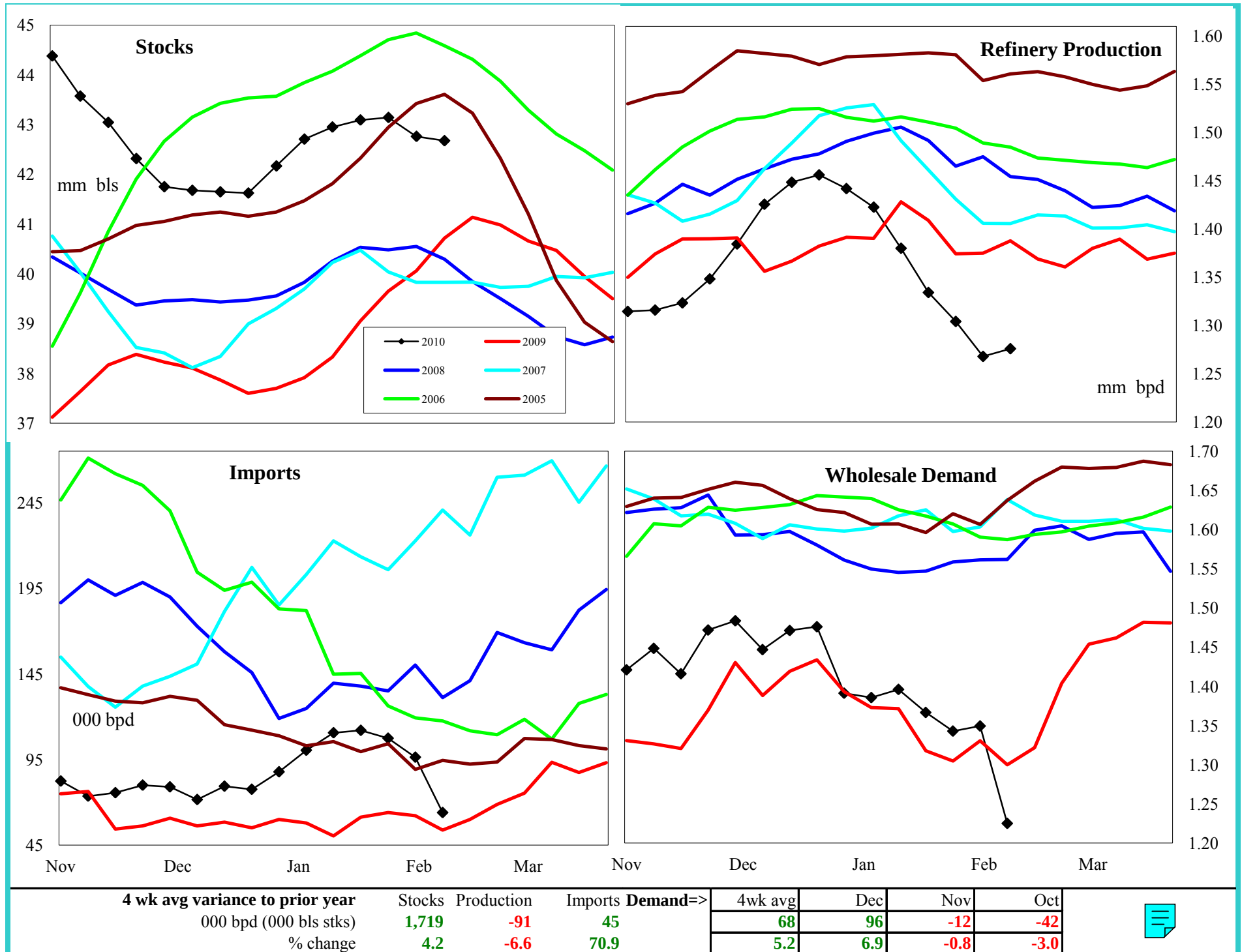
United States Low Sulfur Distillate Supply



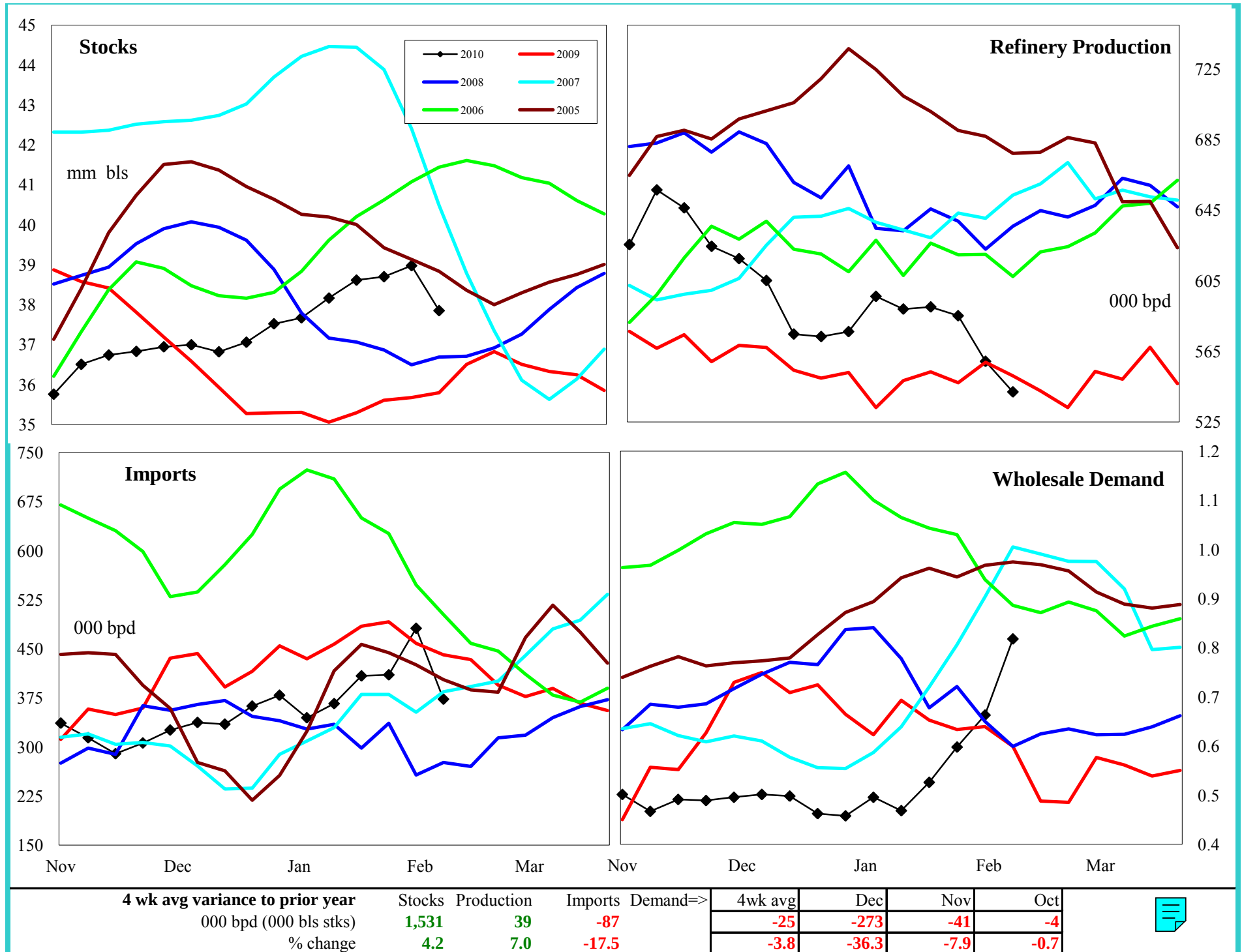
United States High Sulfur Distillate Supply



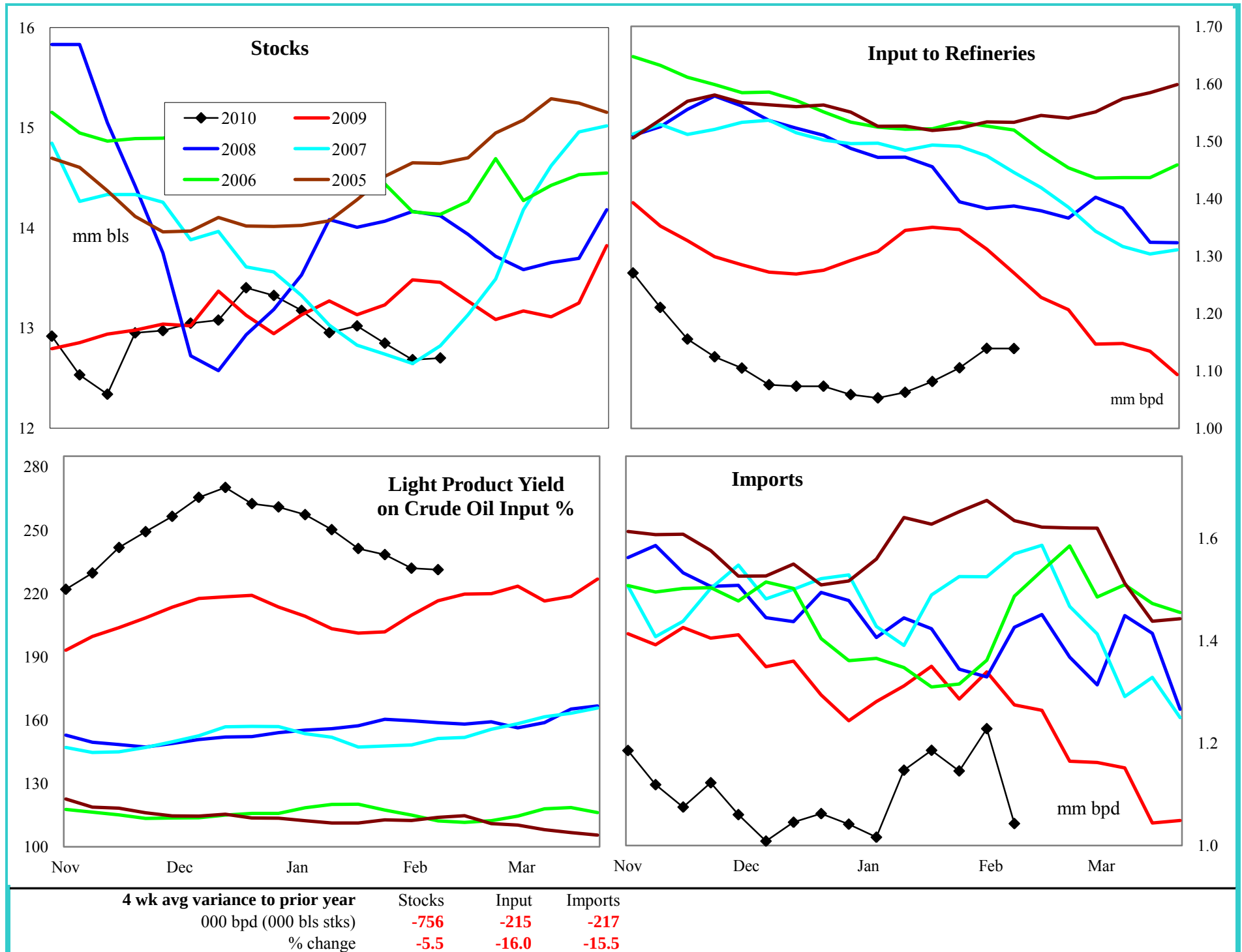
United States Jet Fuel Supply and Demand Balance



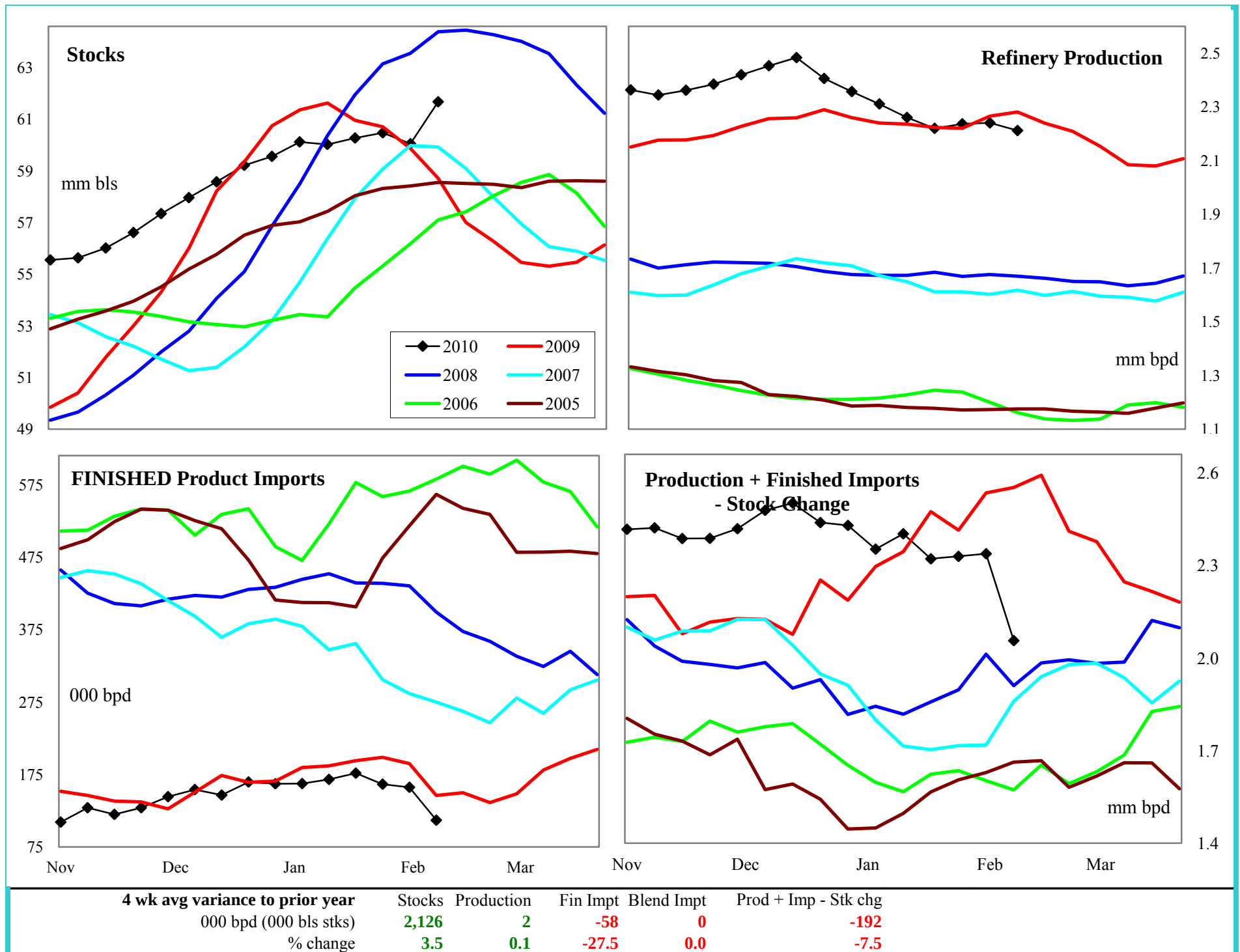
United States Residual Fuel Oil Supply and Demand Balance



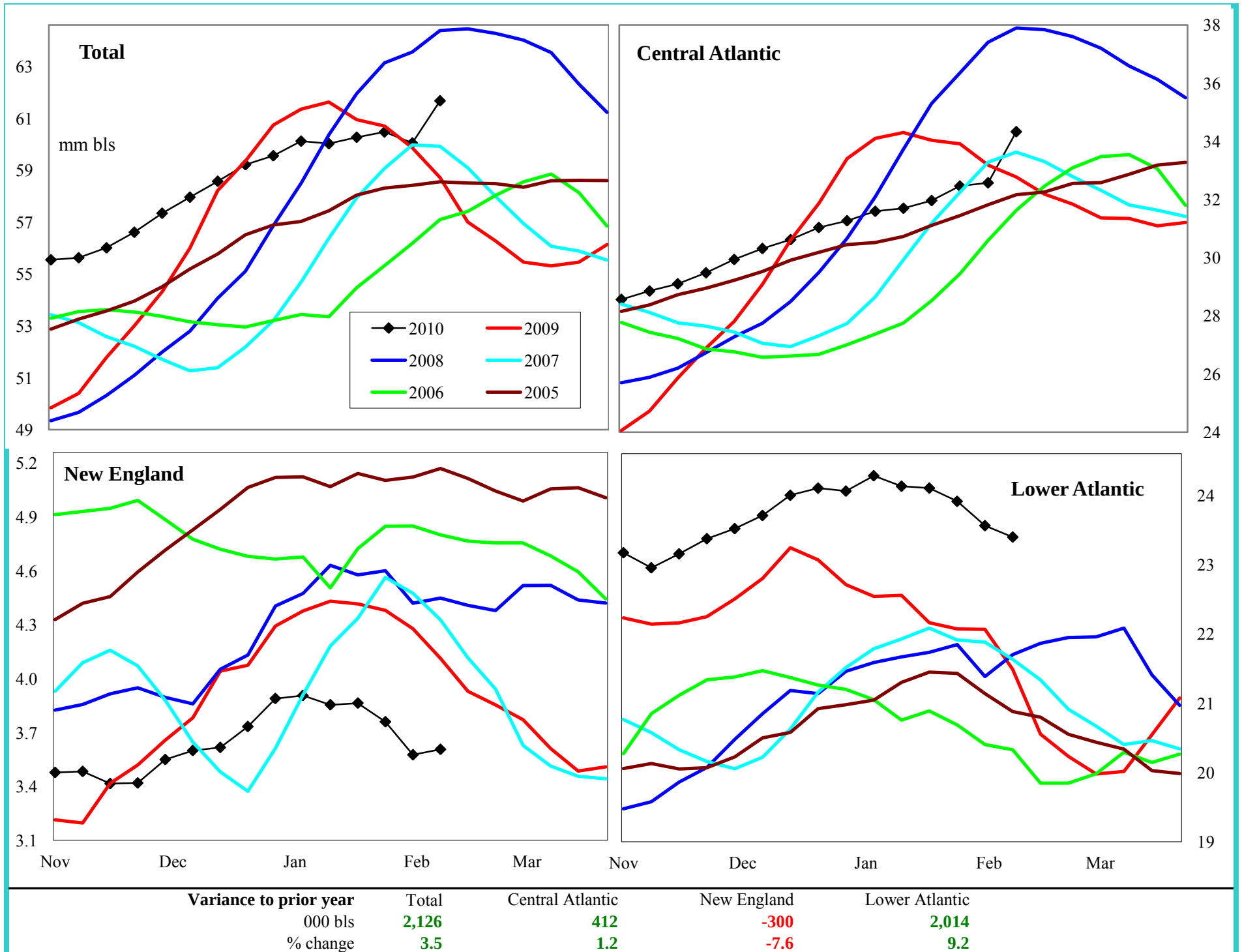
PADD 1 Crude Oil Supply and Refining



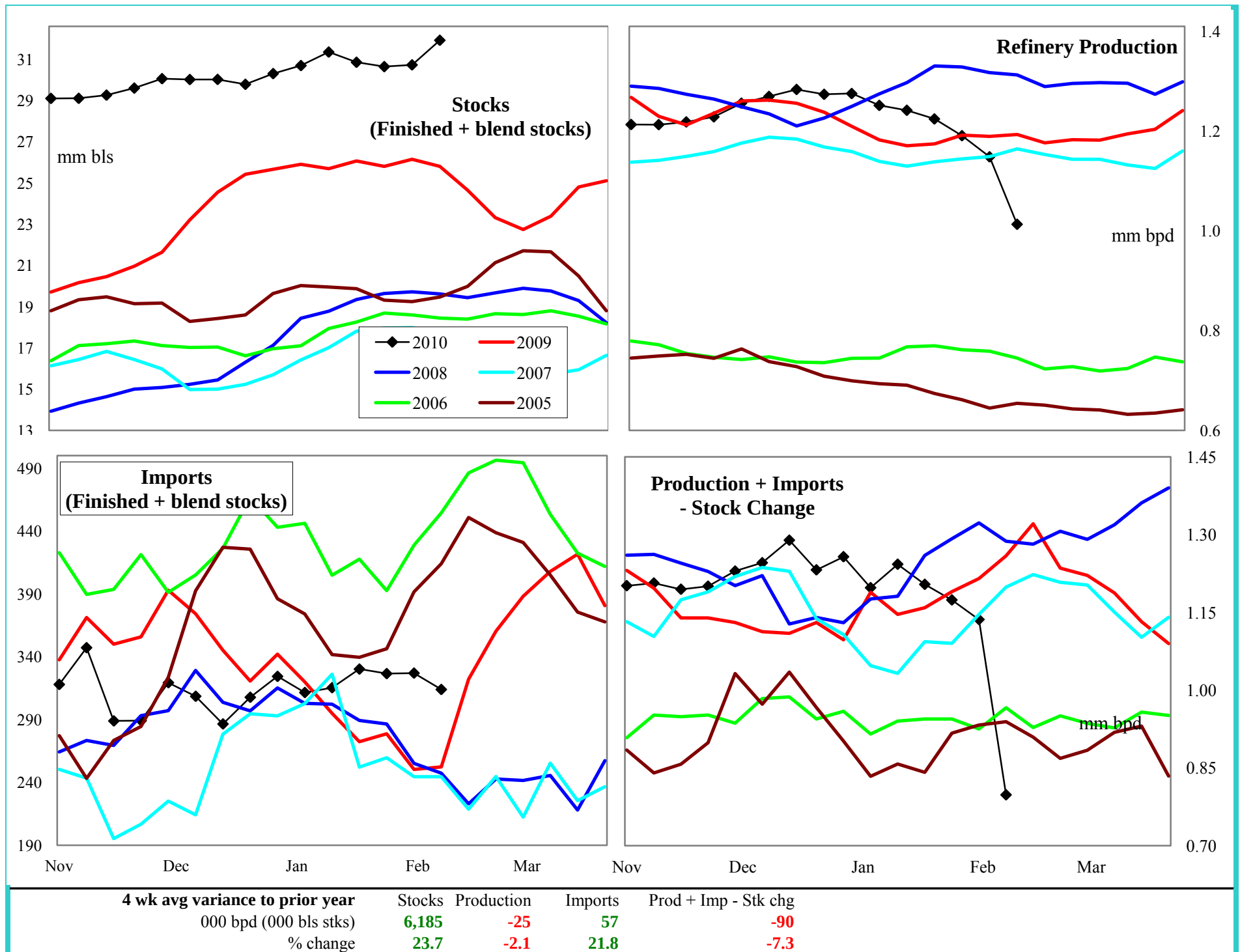
PADD 1 Gasoline Supply



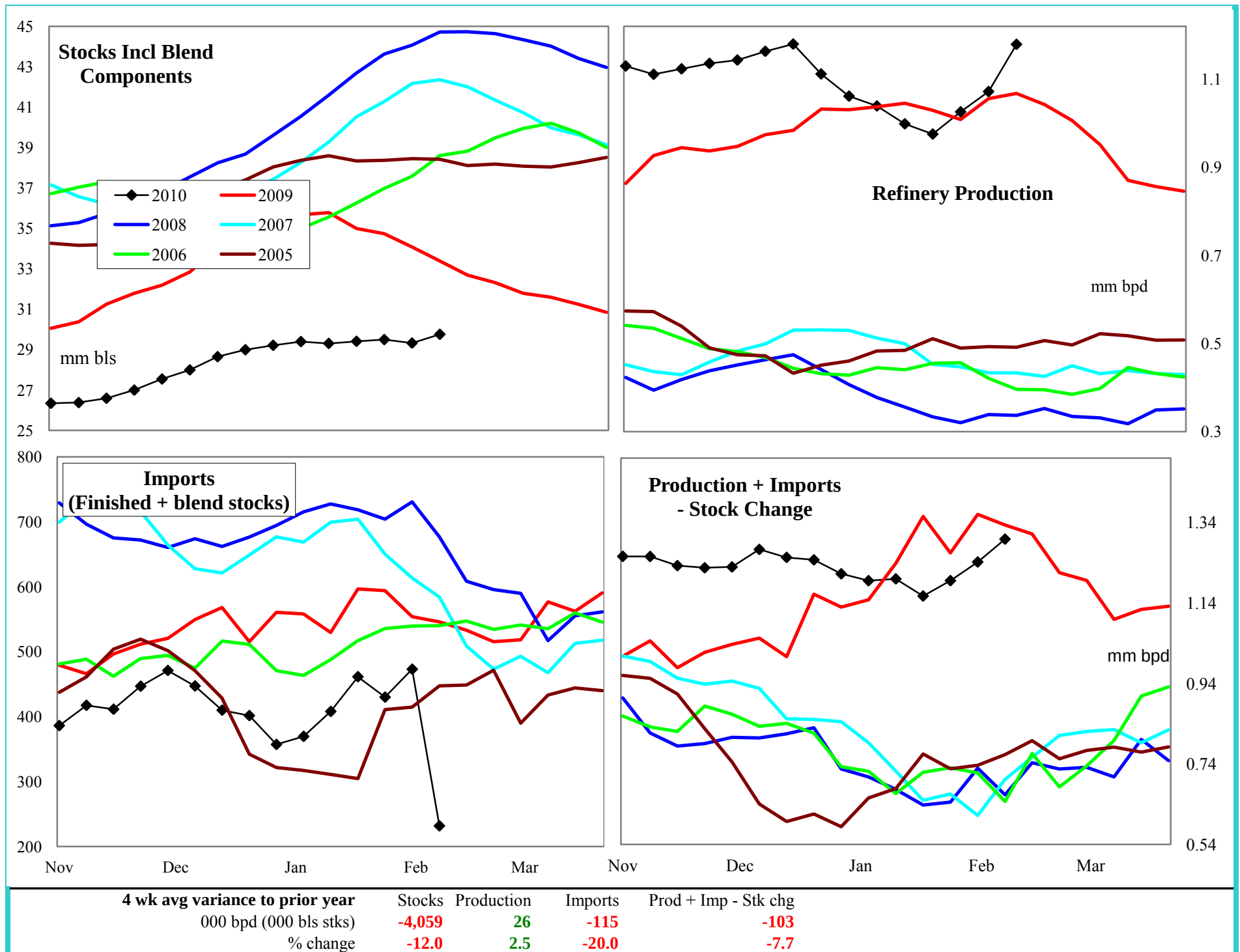
PADD 1 Gasoline Stocks by Region



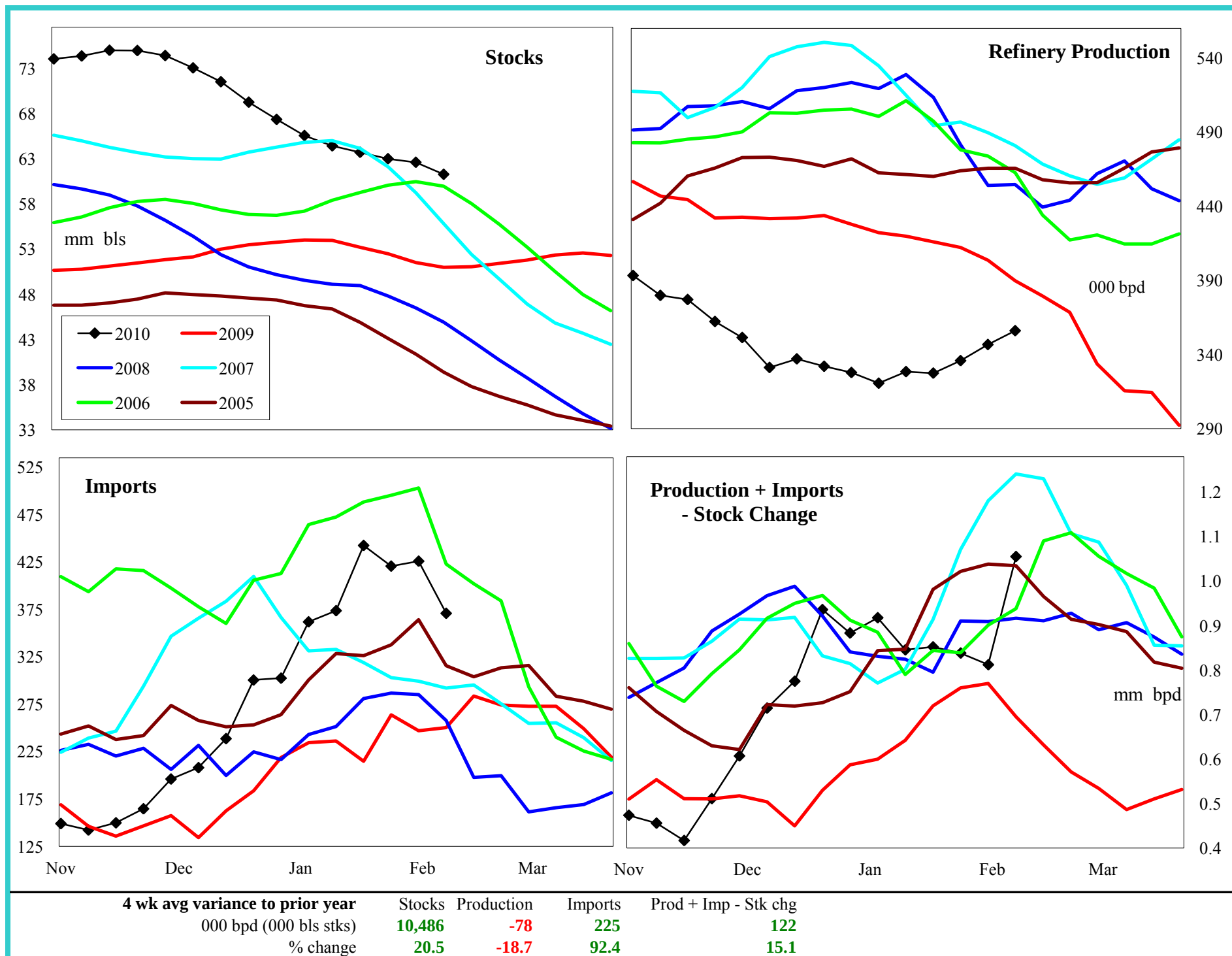
PADD 1 Reformulated Gasoline Supply



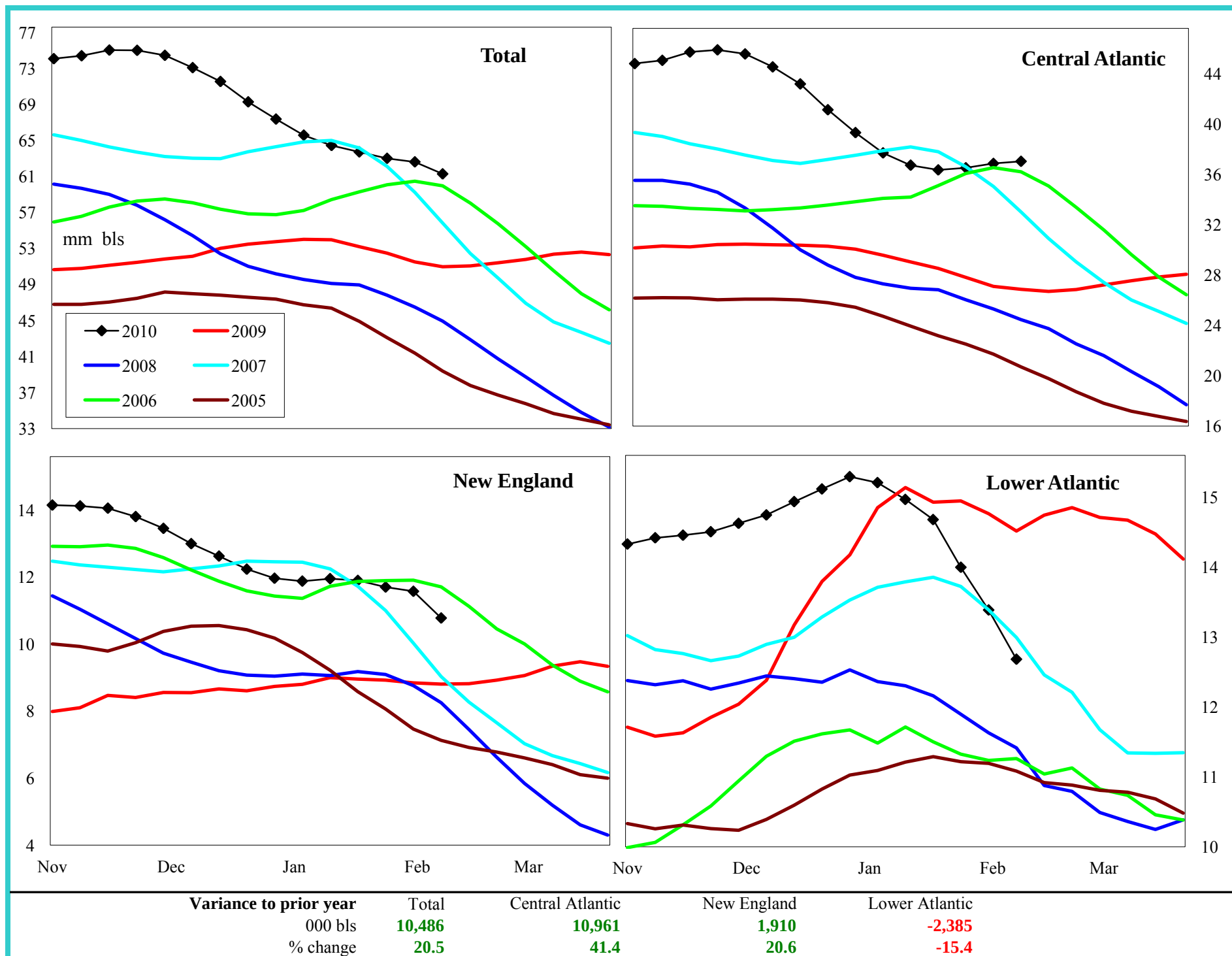
PADD 1 Conventional Gasoline Supply



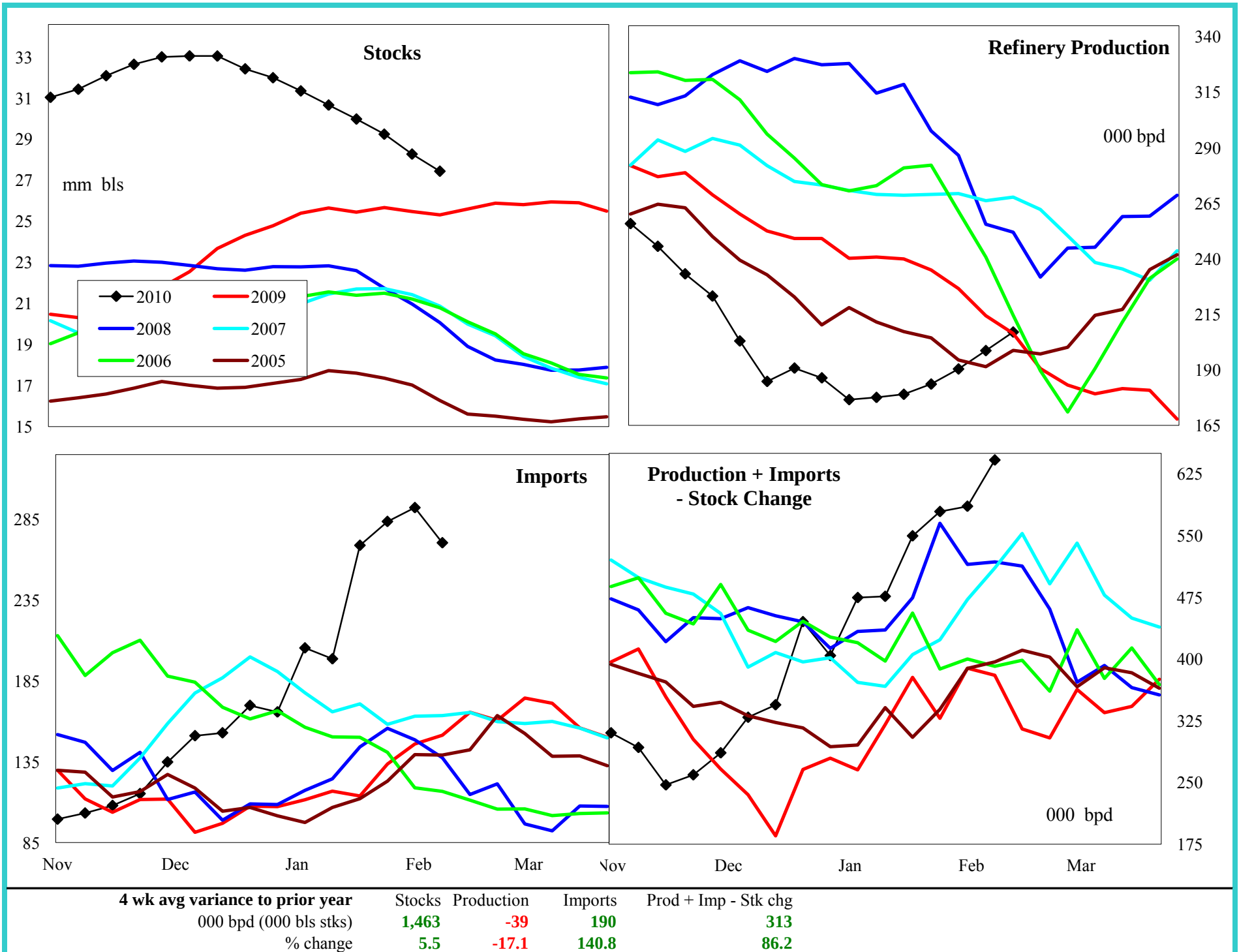
PADD 1 Distillate Supply



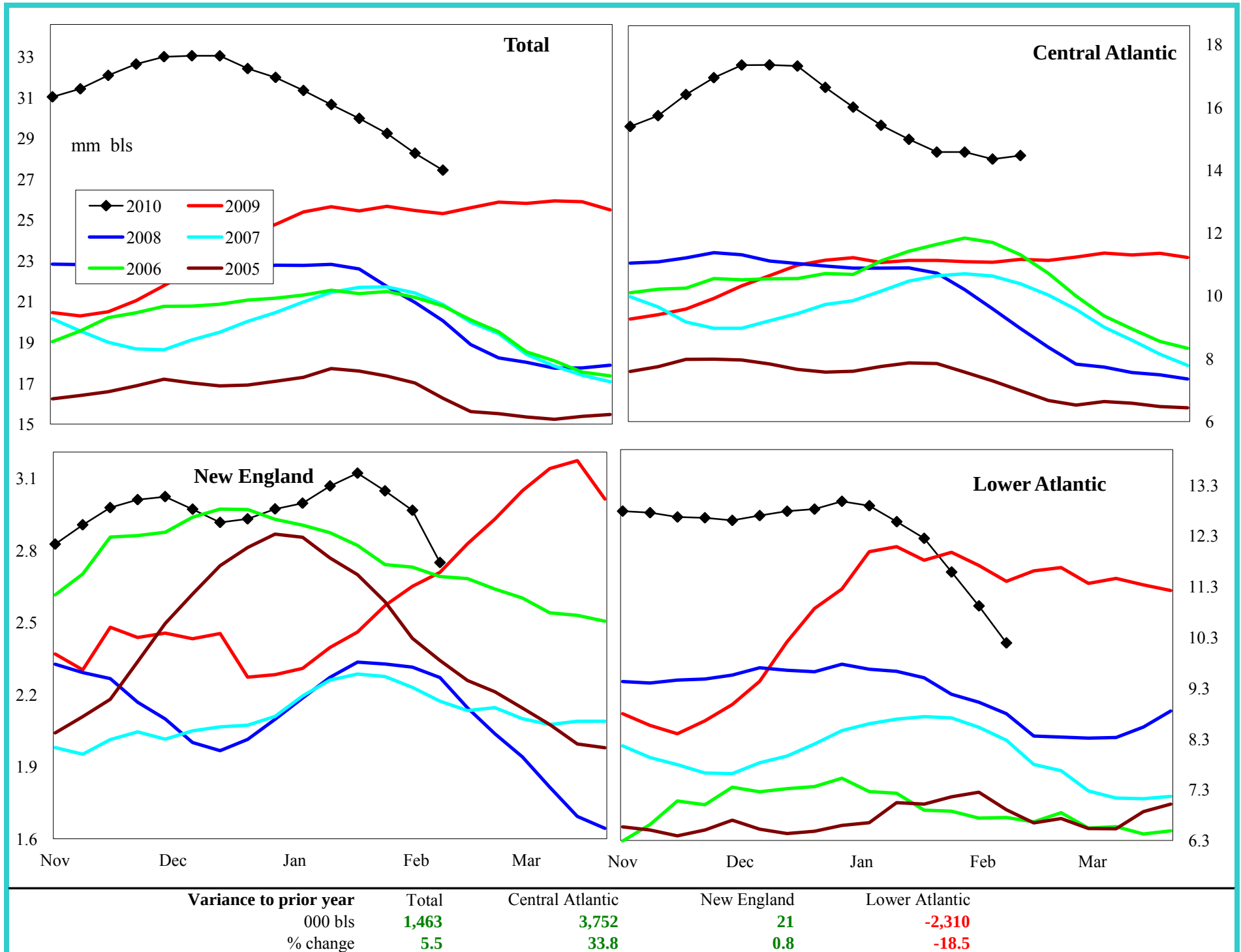
PADD 1 Distillate Stocks by Region



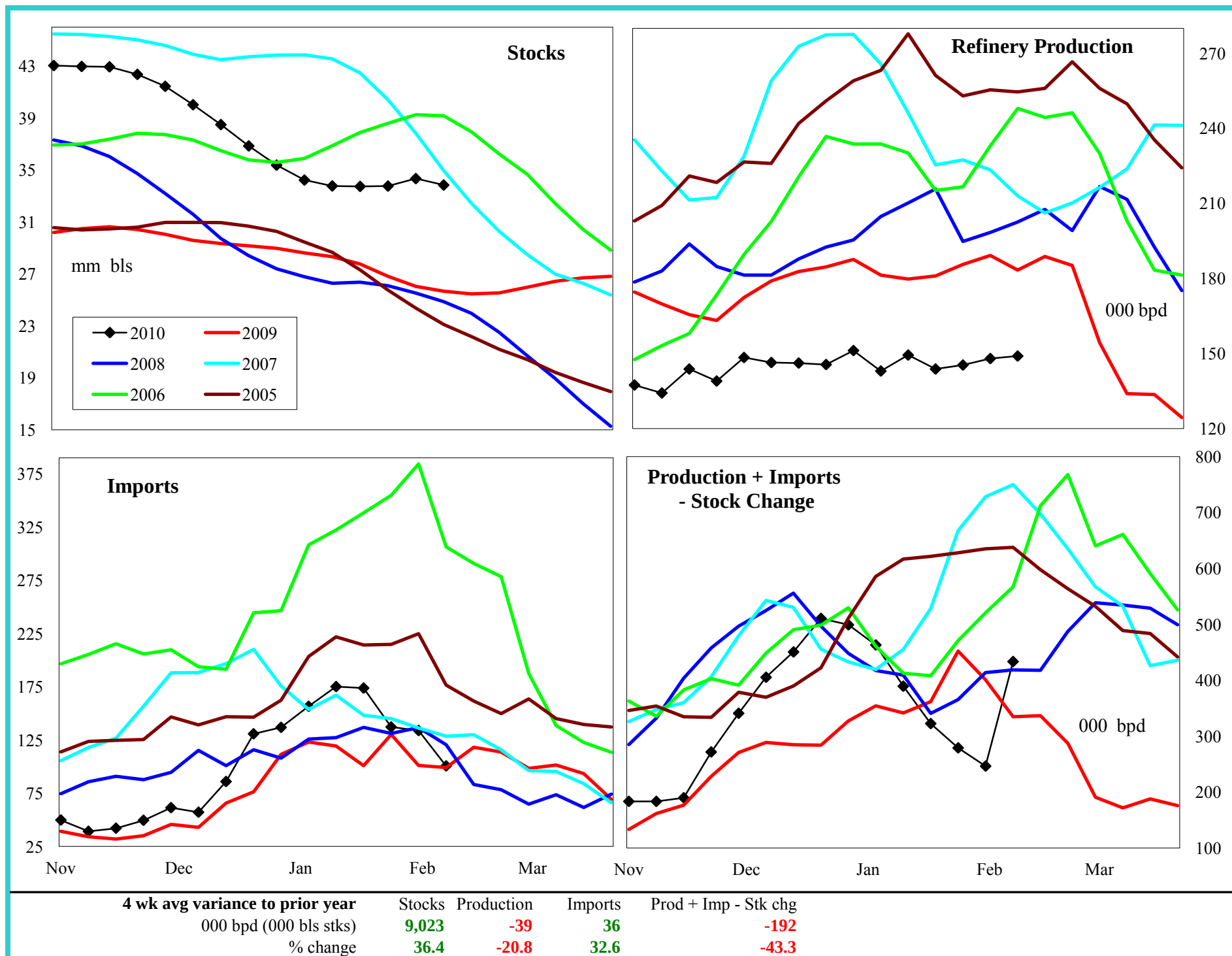
PADD 1 Low Sulfur Distillate Supply



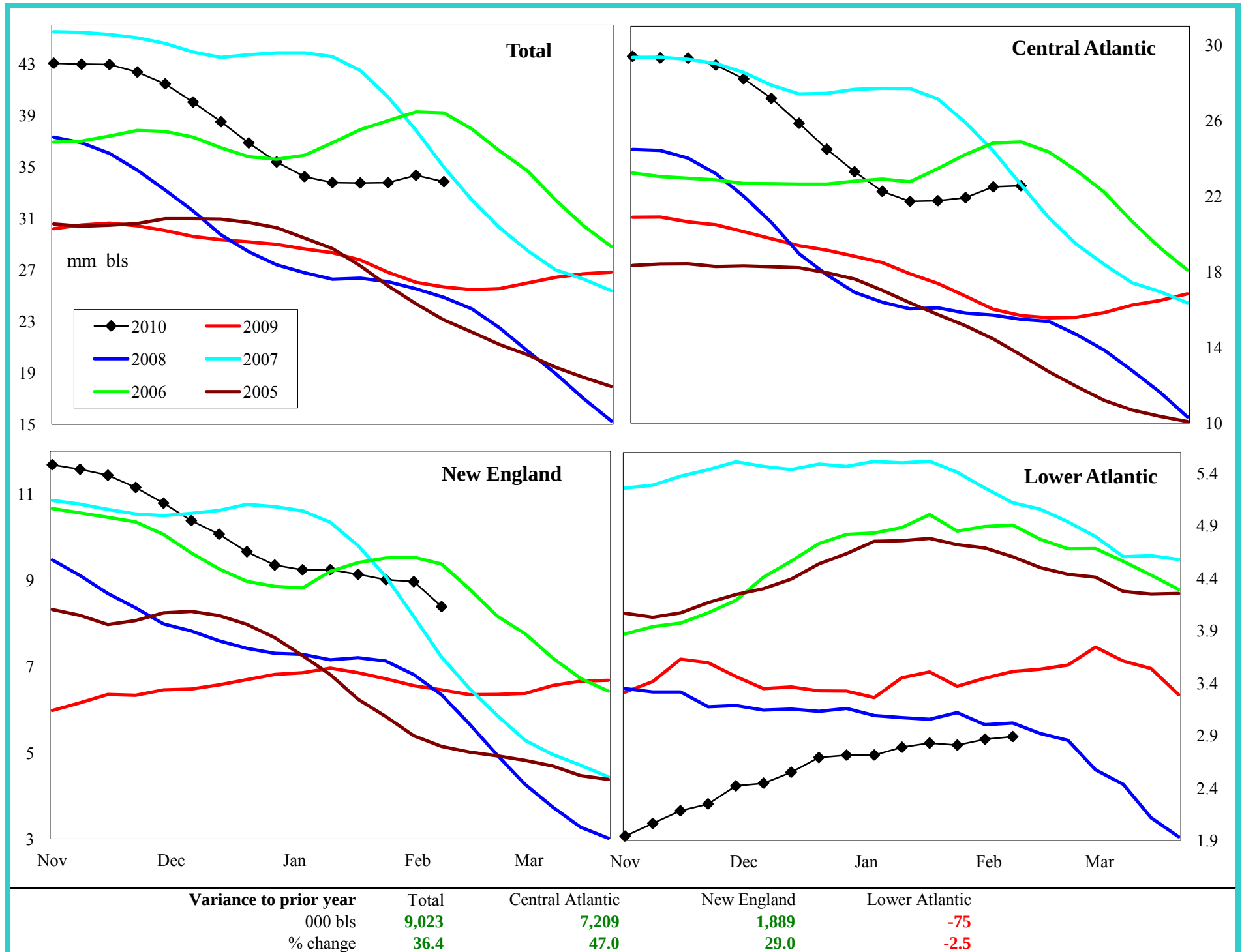
PADD 1 Low Sulfur Distillate Stocks by Region



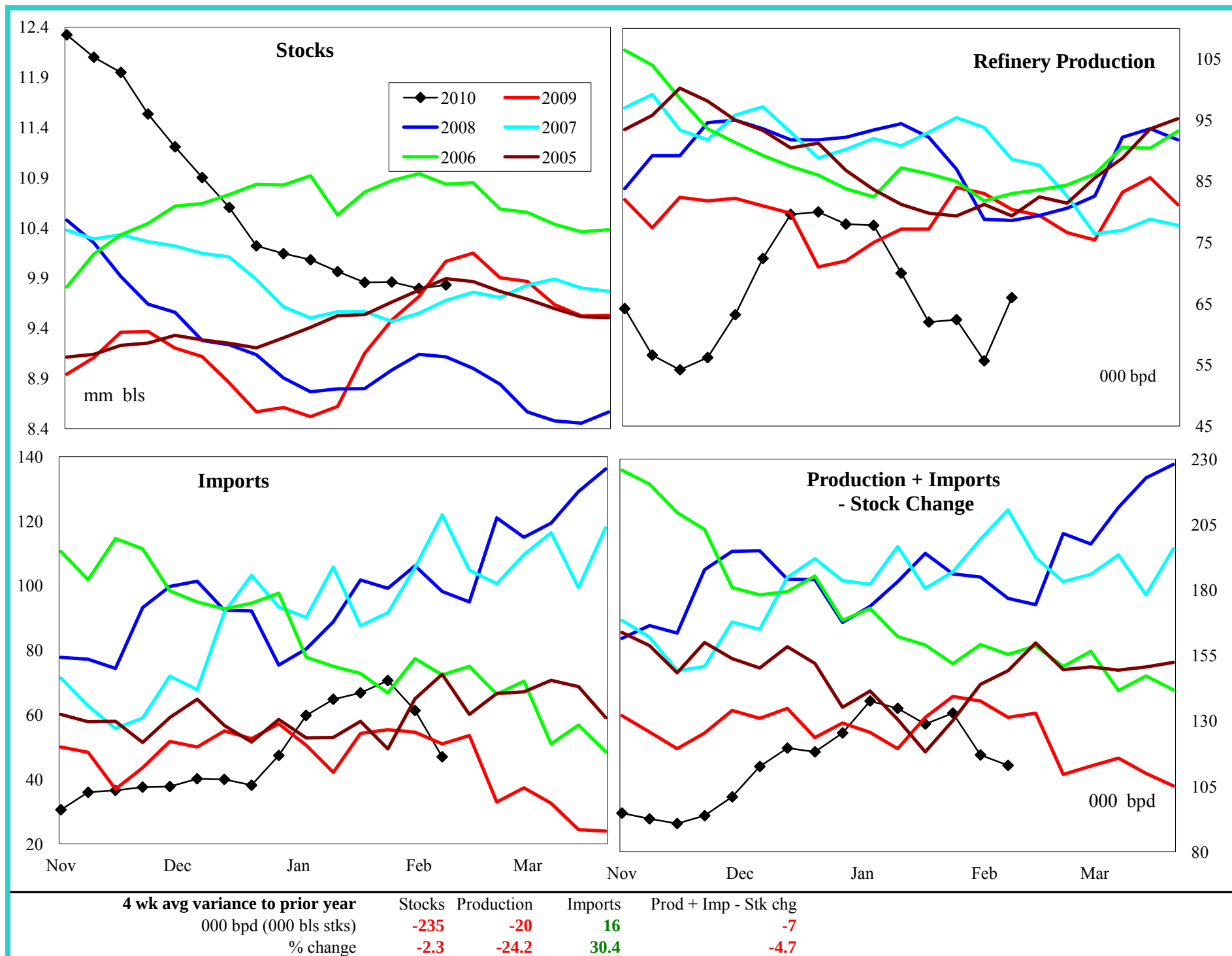
PADD 1 High Sulfur Distillate Supply



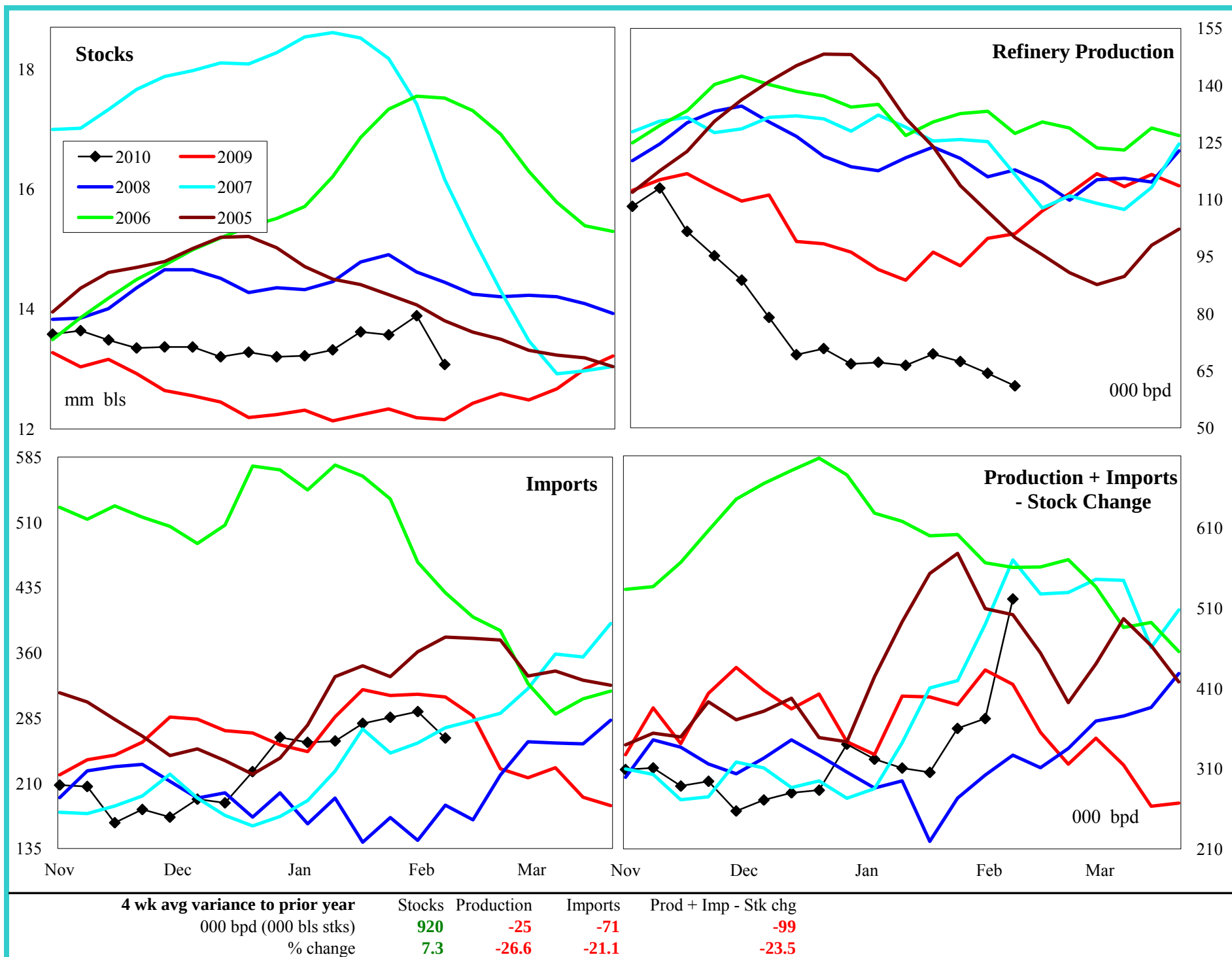
PADD 1 High Sulfur Distillate Stocks by Region



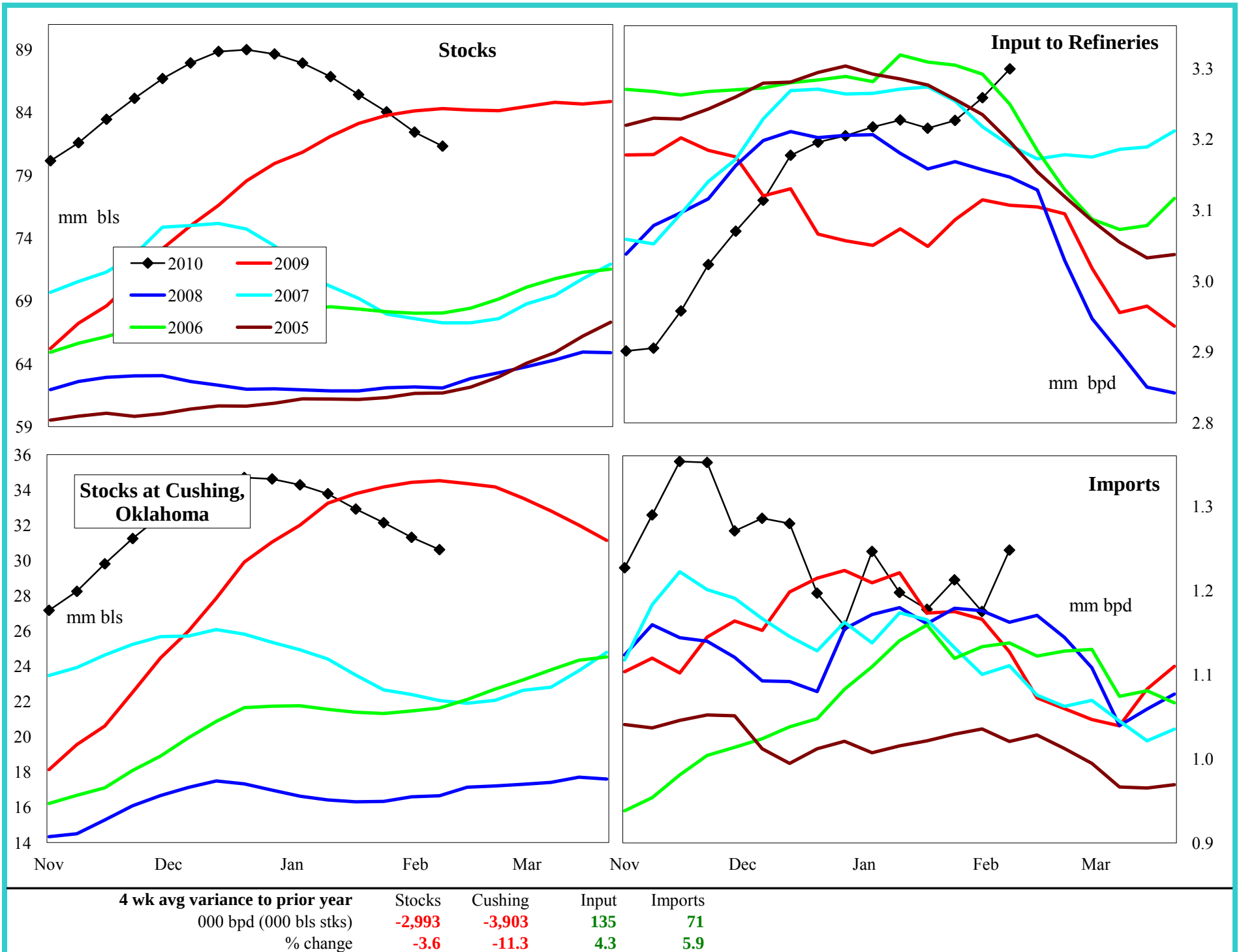
PADD 1 Jet Fuel Supply



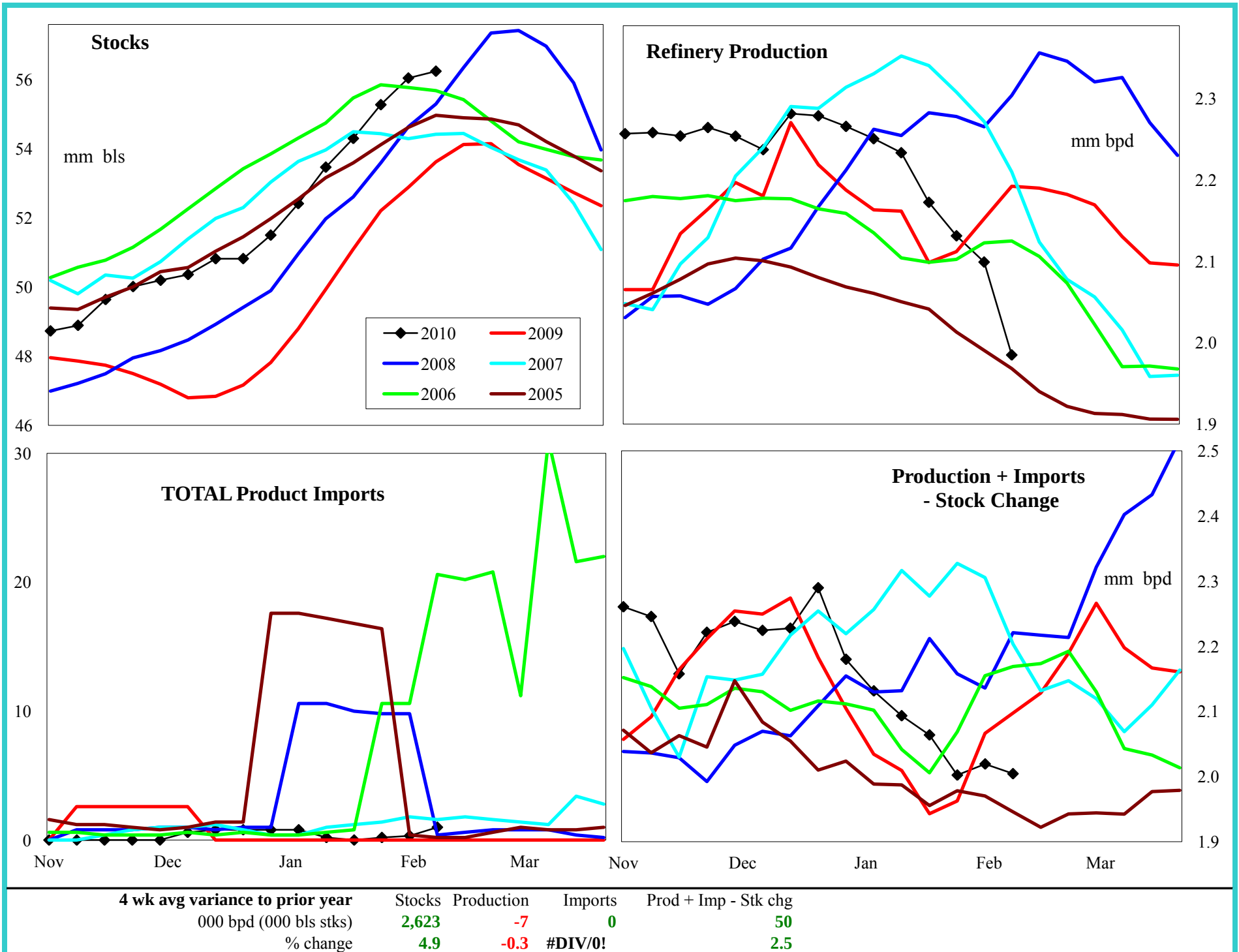
PADD 1 Residual Fuel Oil Supply



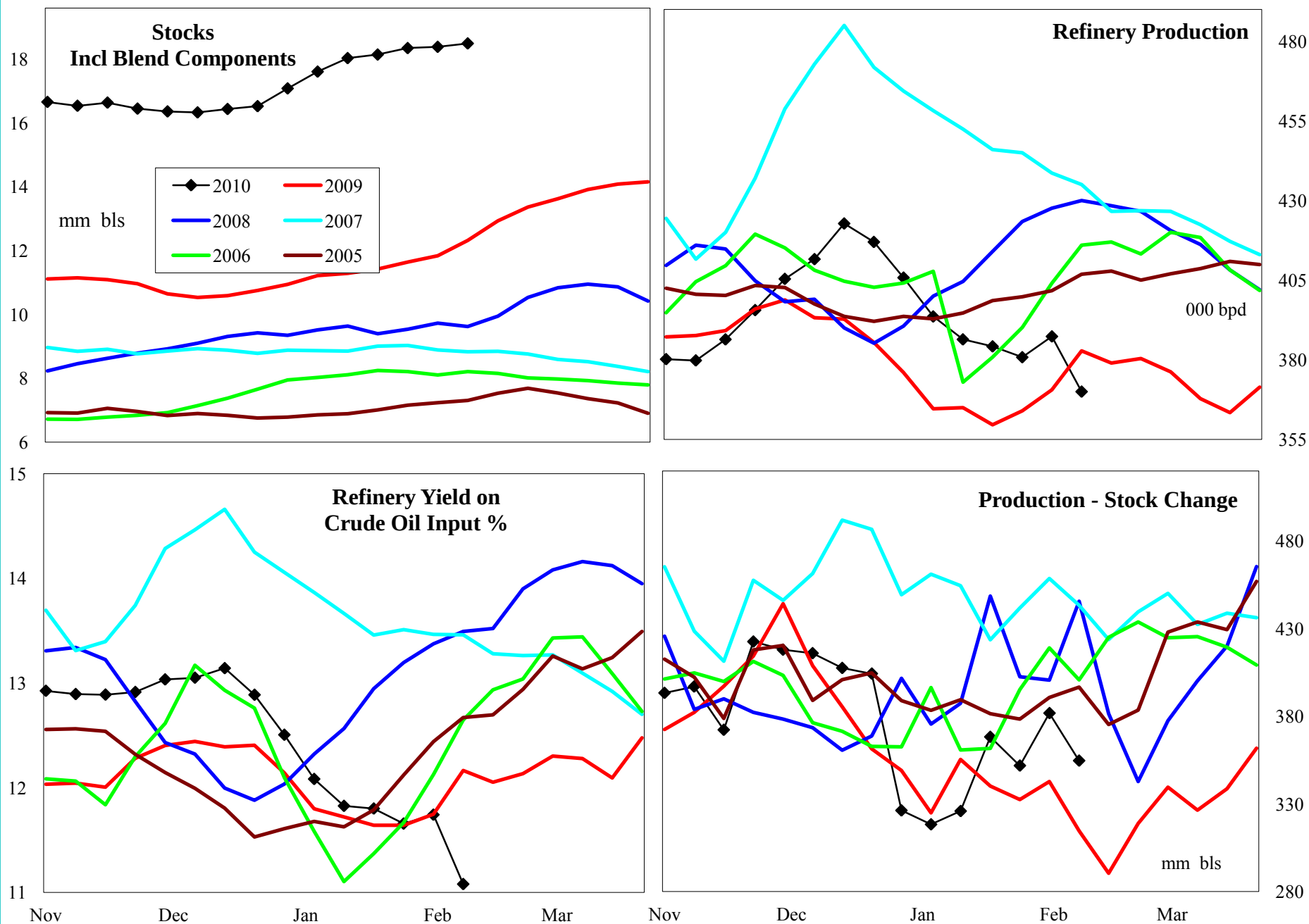
PADD 2 Crude Oil Supply and Refining



PADD 2 Gasoline Supply



PADD 2 Reformulated Gasoline Supply



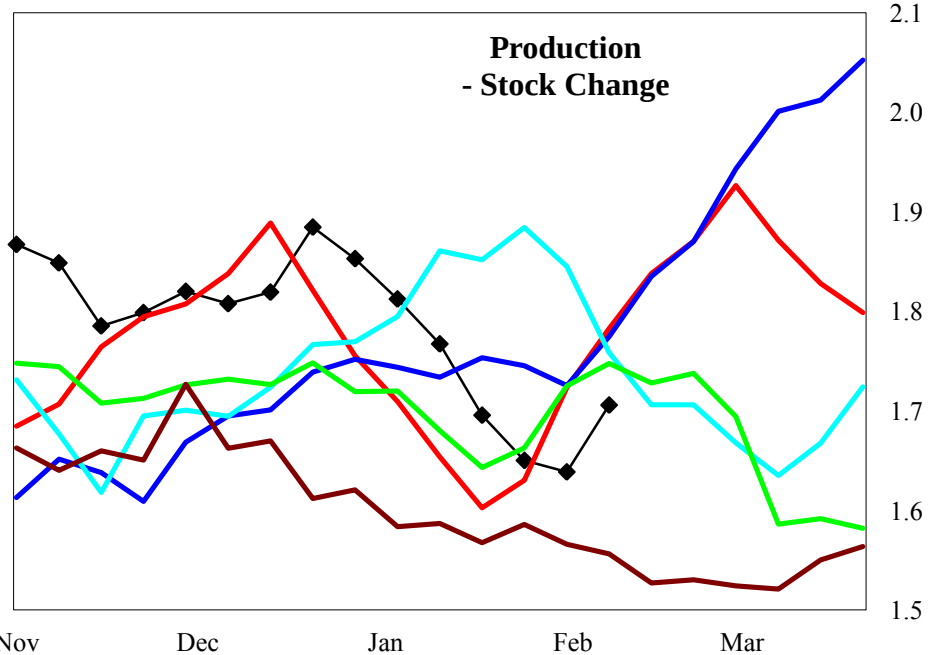
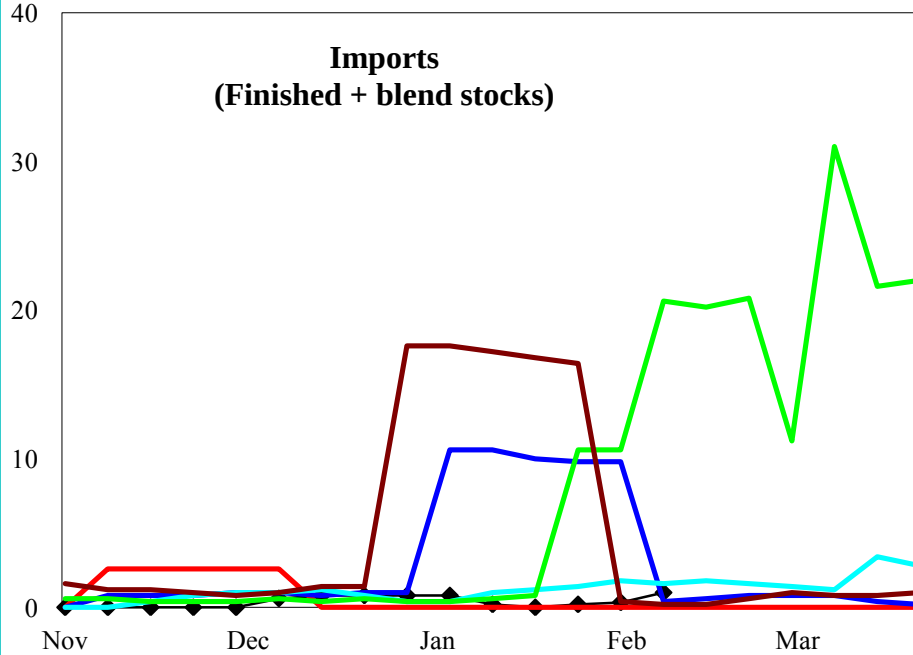
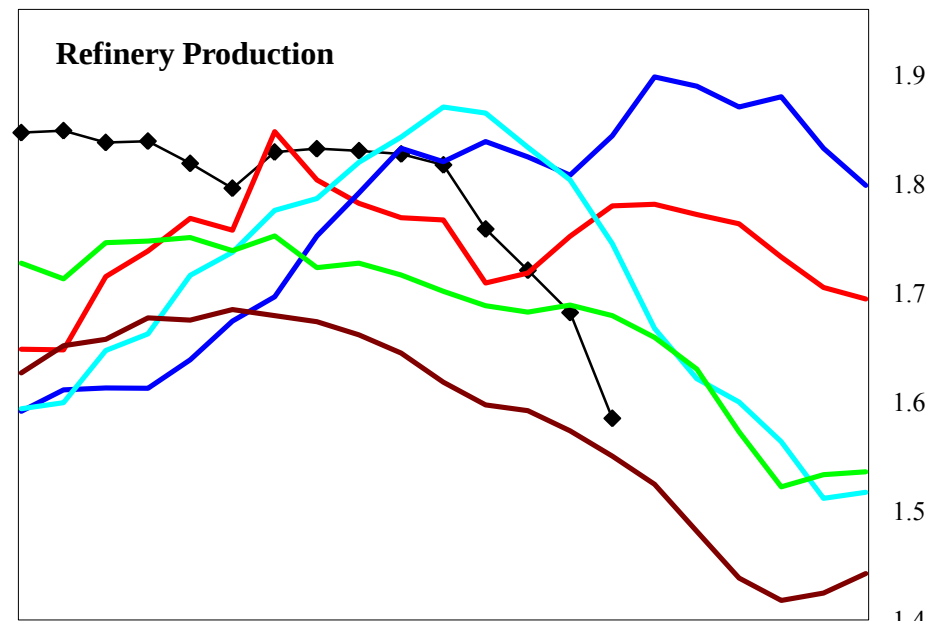
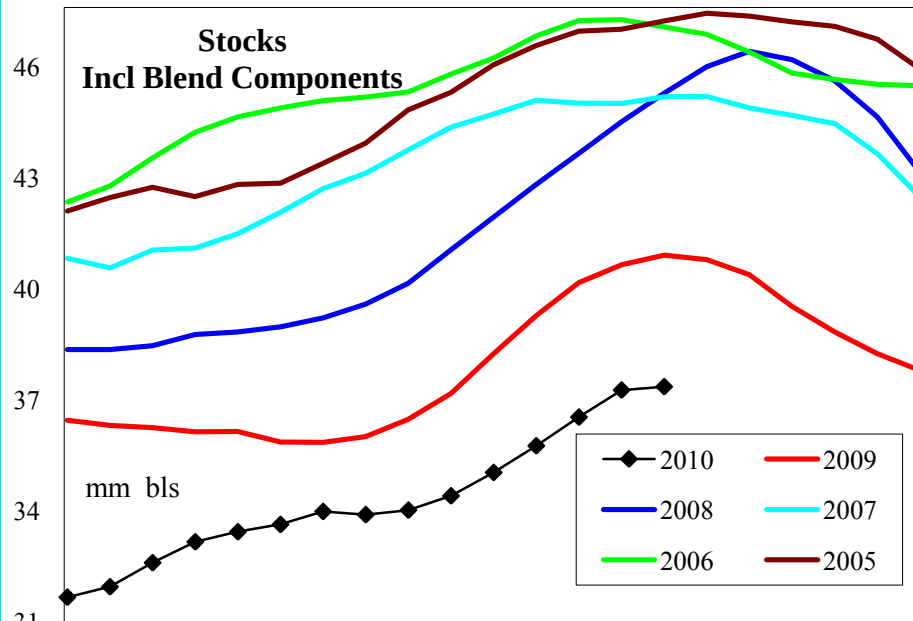
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks
6,176
48.6

Production
11
3.1

Prod - Stk chg
32
9.5

PADD 2 Conventional Gasoline Supply

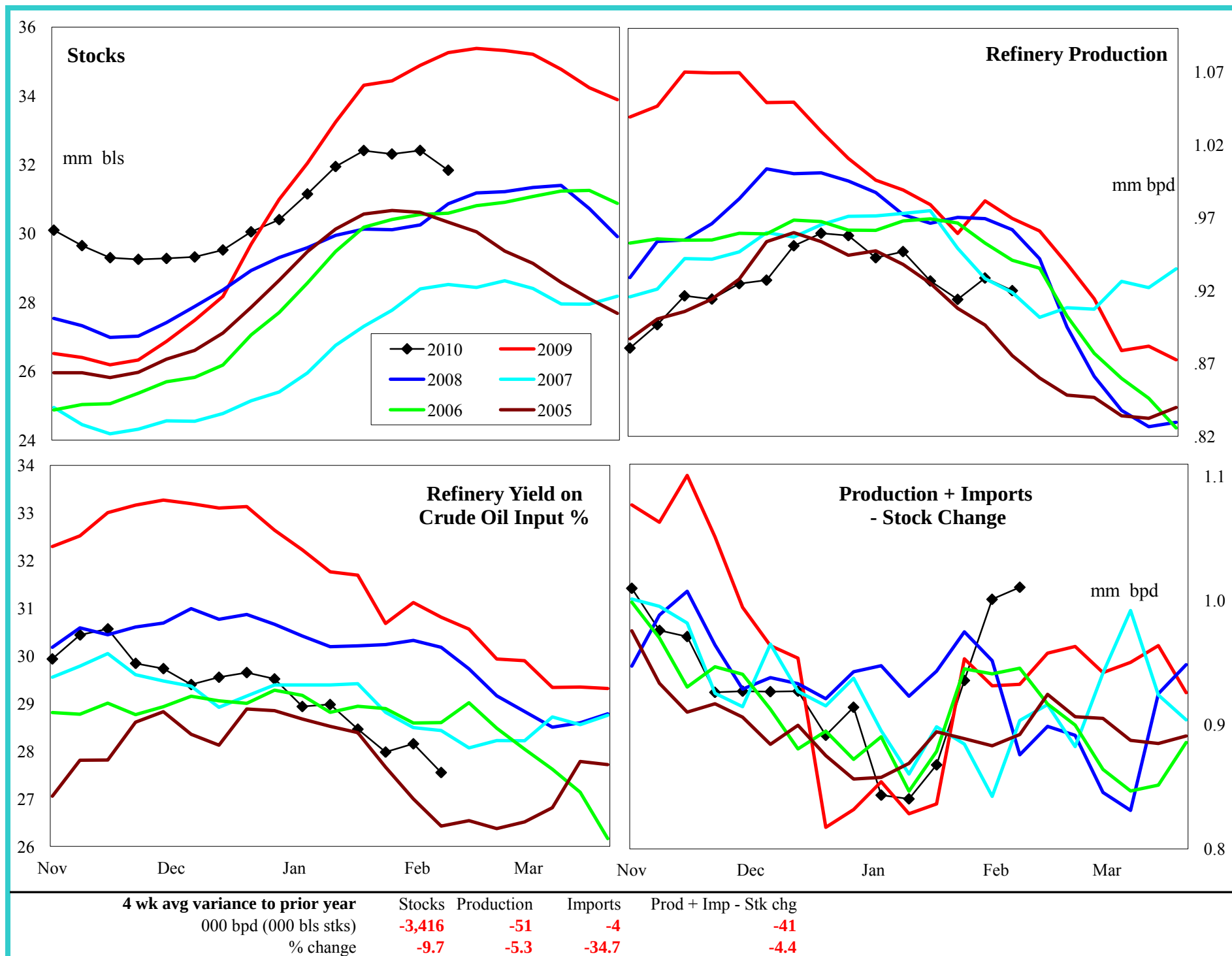


4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

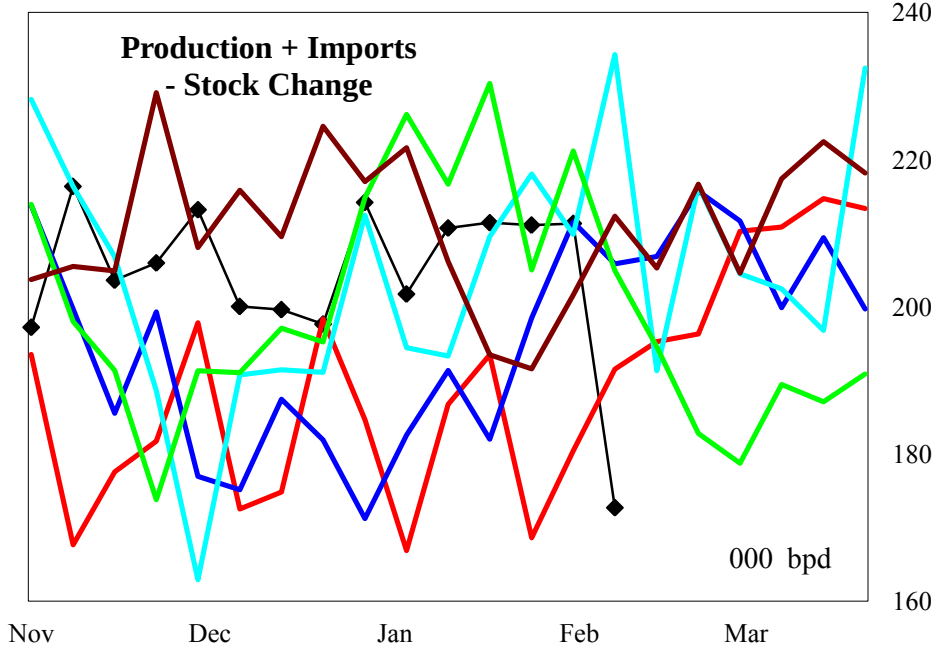
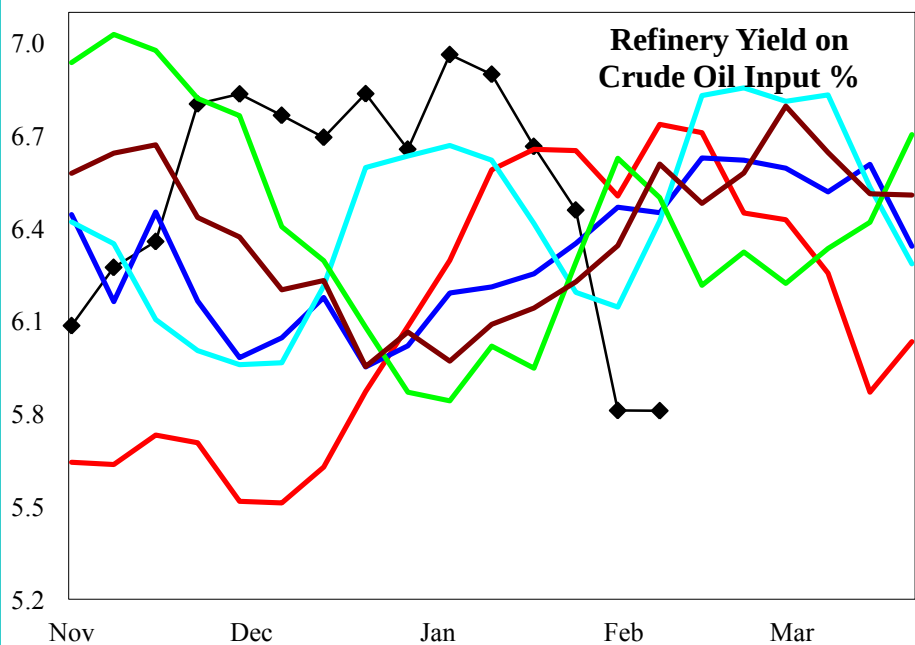
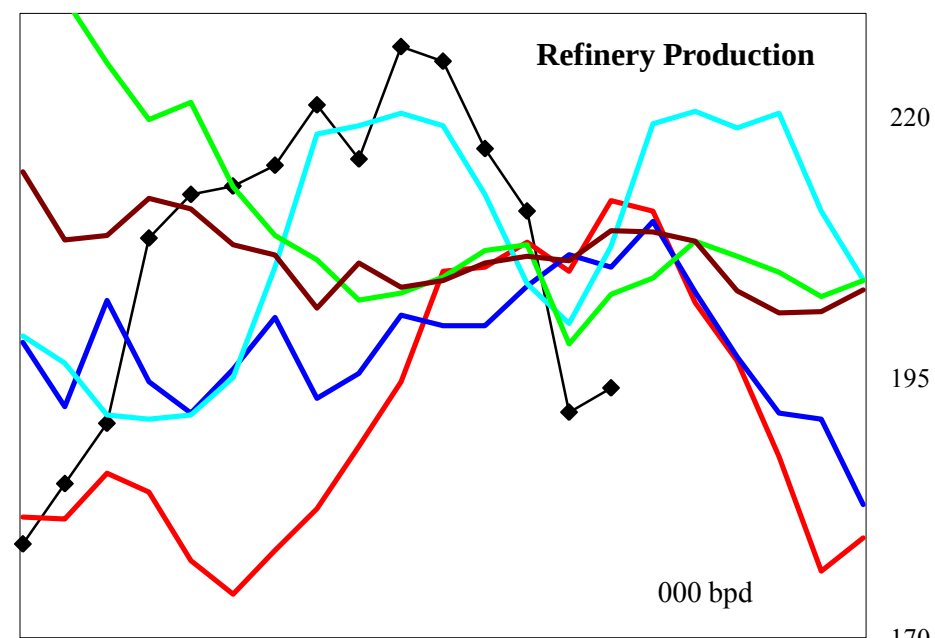
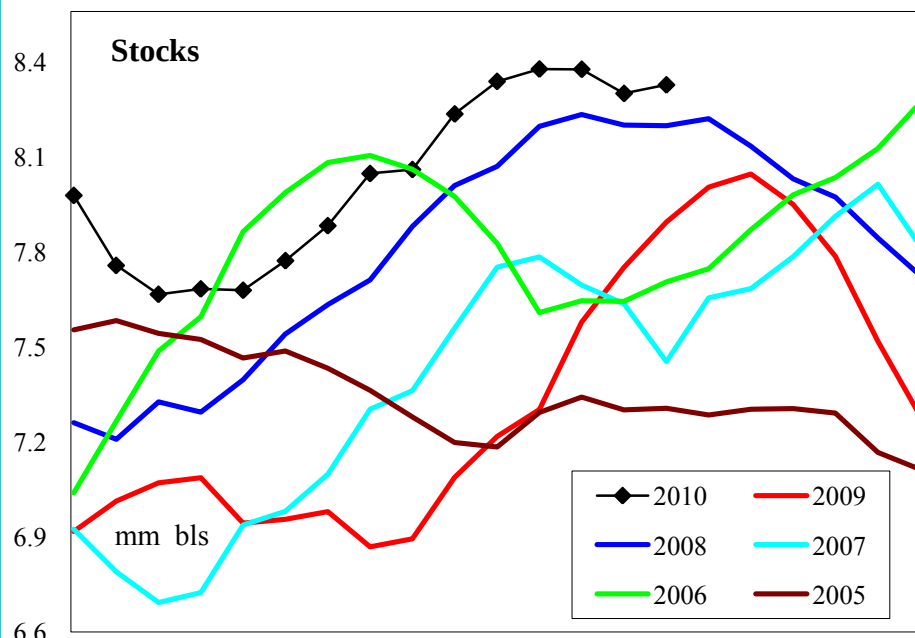
	Stocks	Production
000 bpd (000 bbls stks)	-3,874	-26
% change	-9.3	-1.5

	Prod - Stk chg
000 bpd (000 bbls stks)	11
% change	0.7

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

433

4

0

29

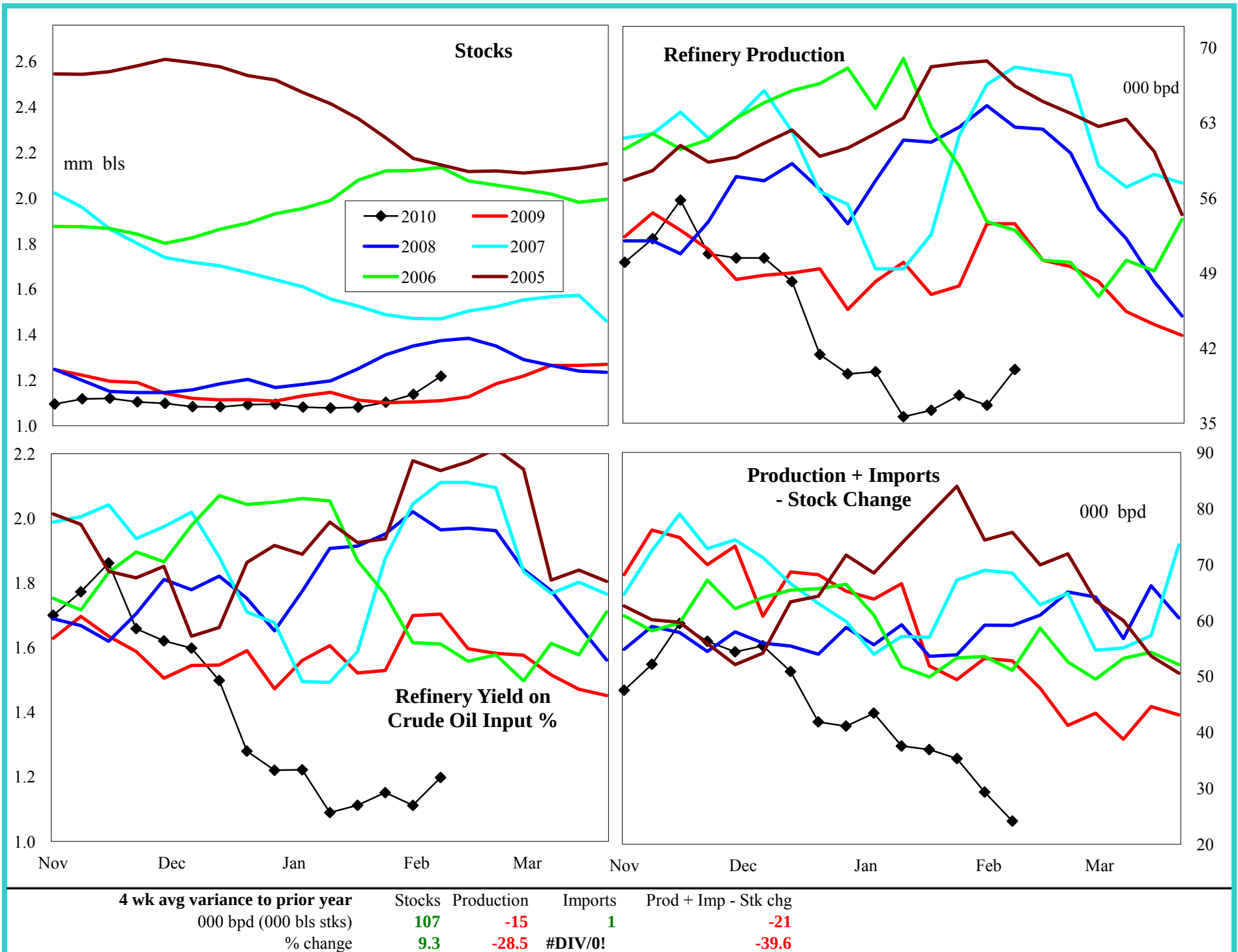
5.5

1.8

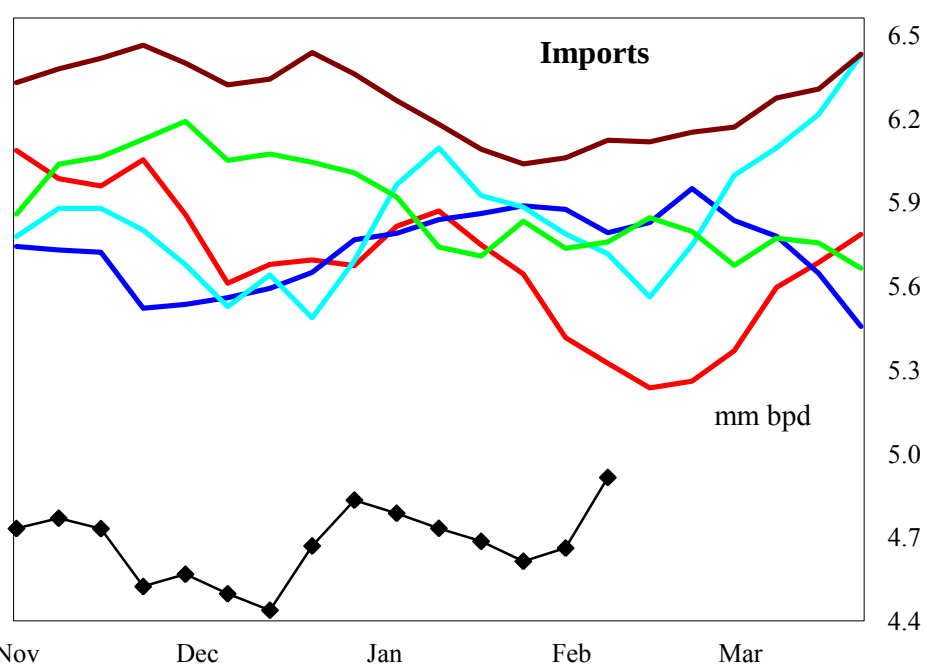
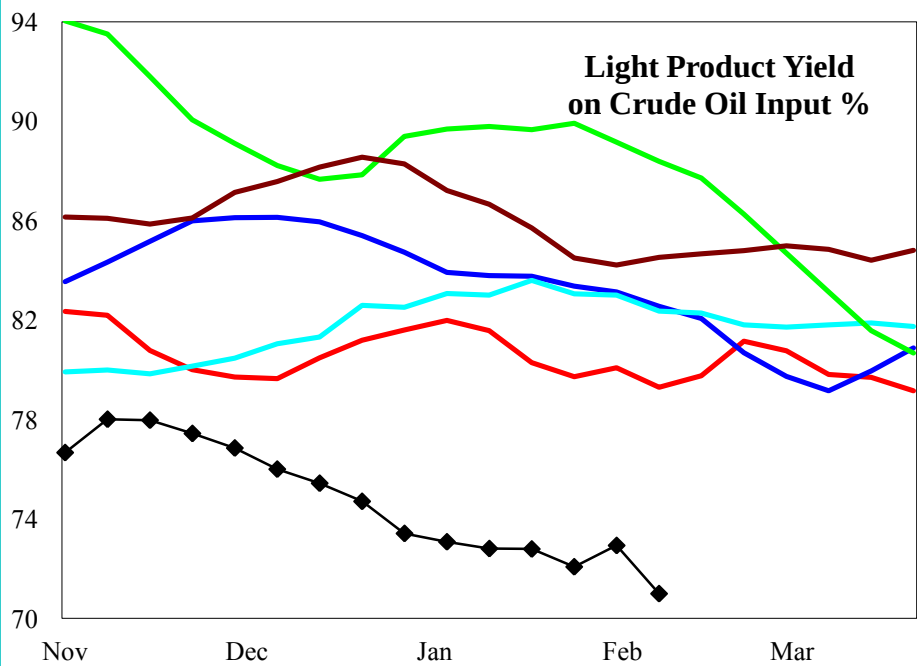
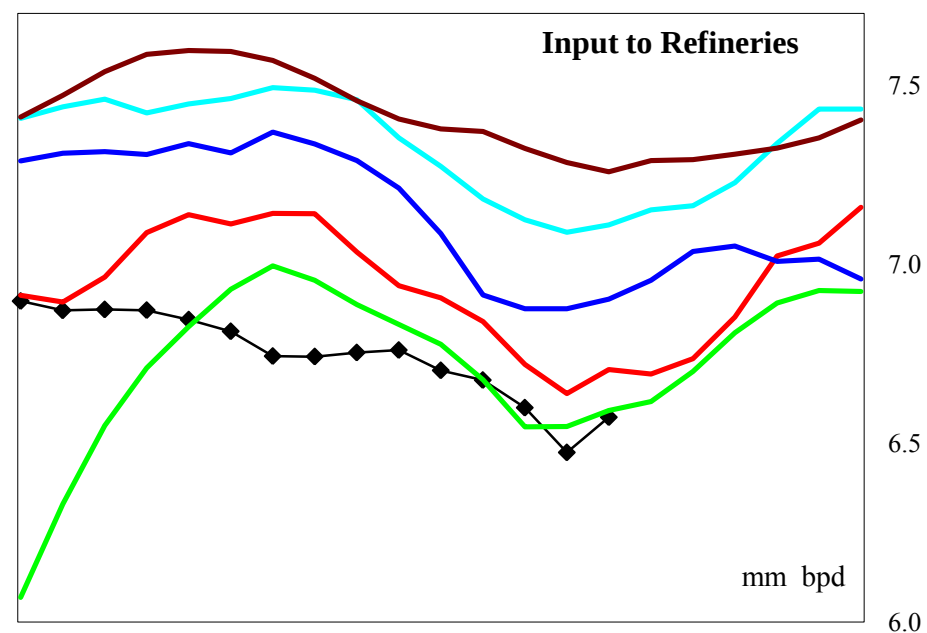
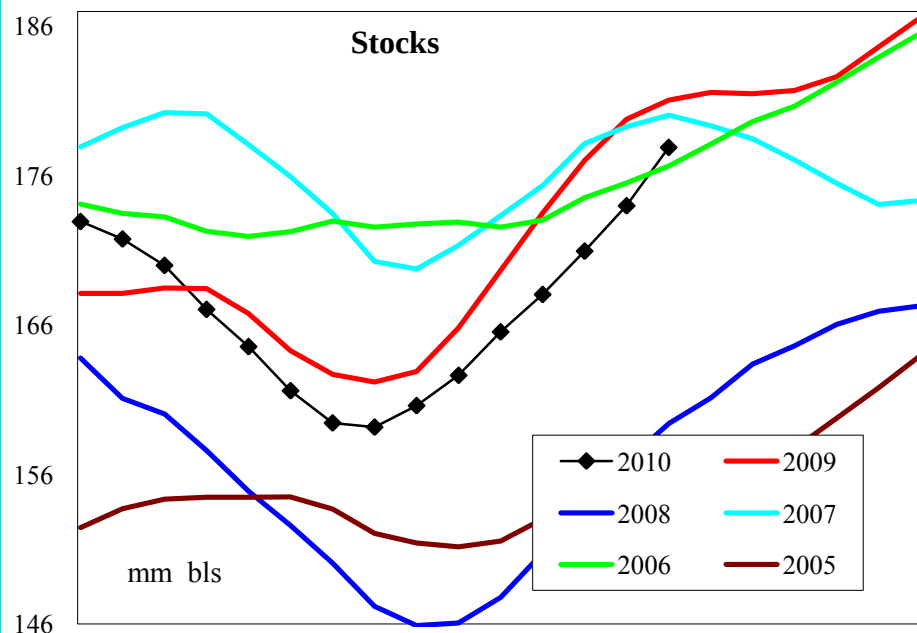
#DIV/0!

16.4

PADD 2 Residual Fuel Oil Supply



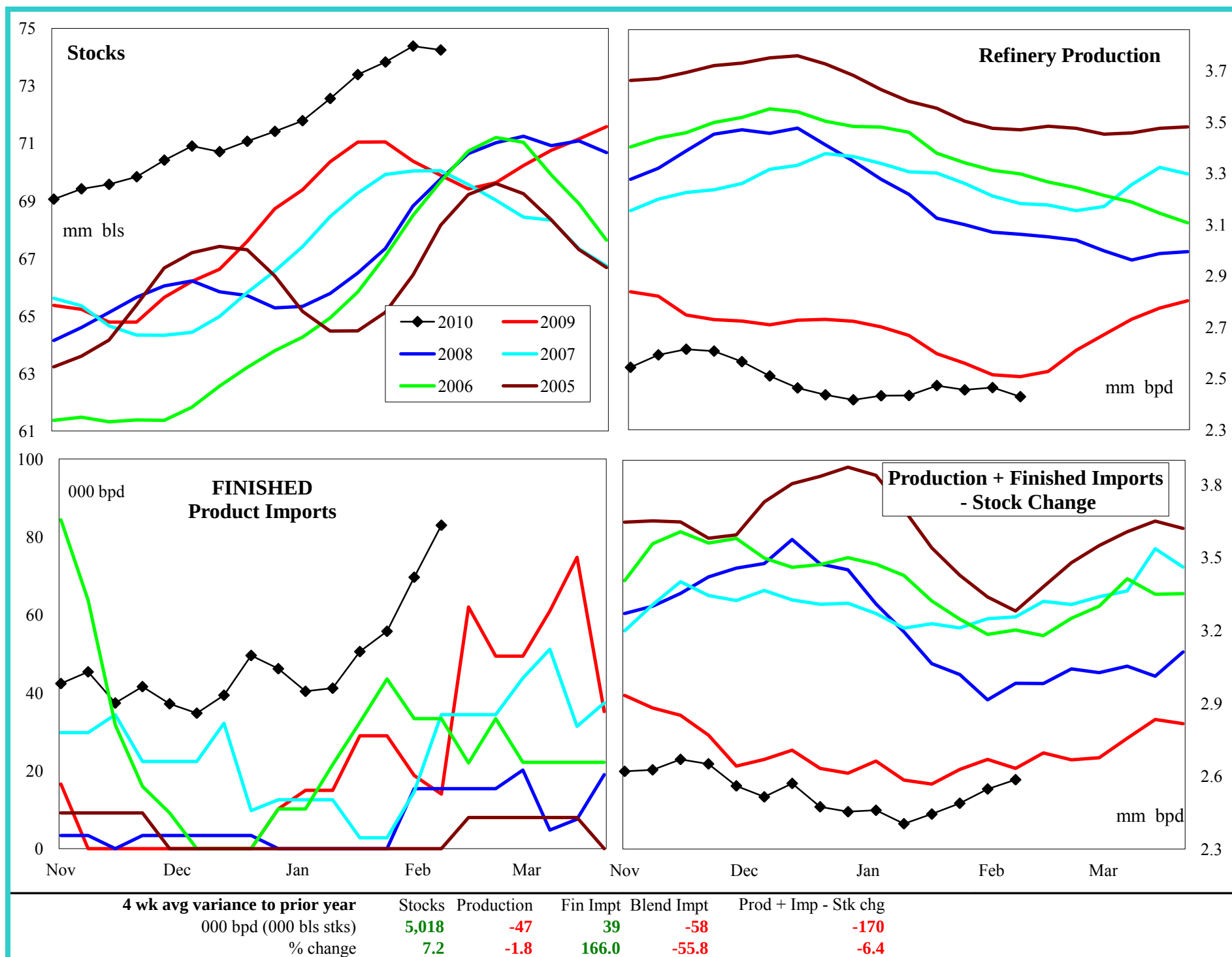
PADD 3 Crude Oil Supply and Refining



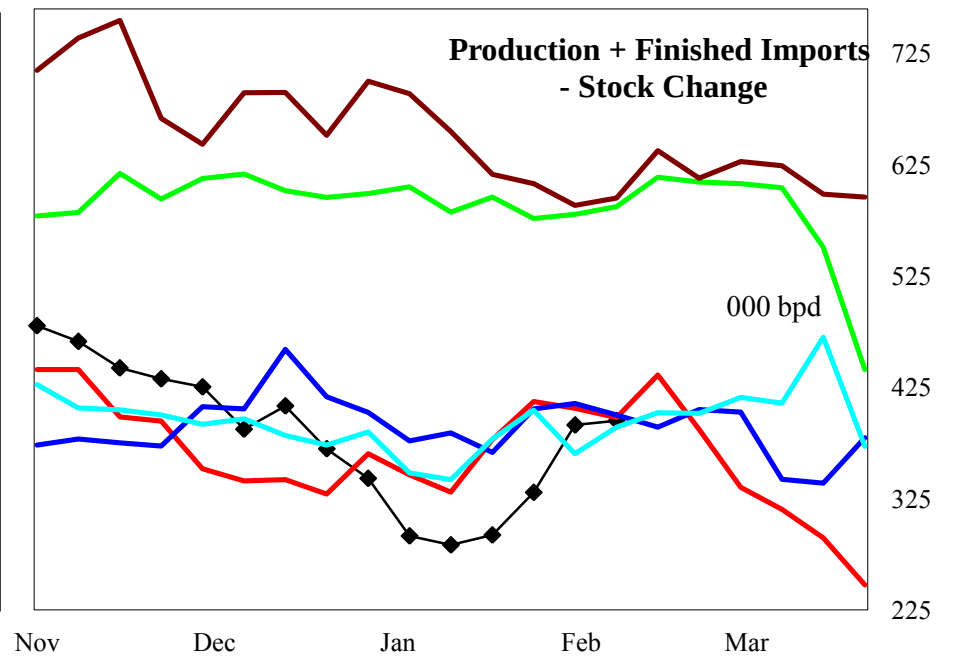
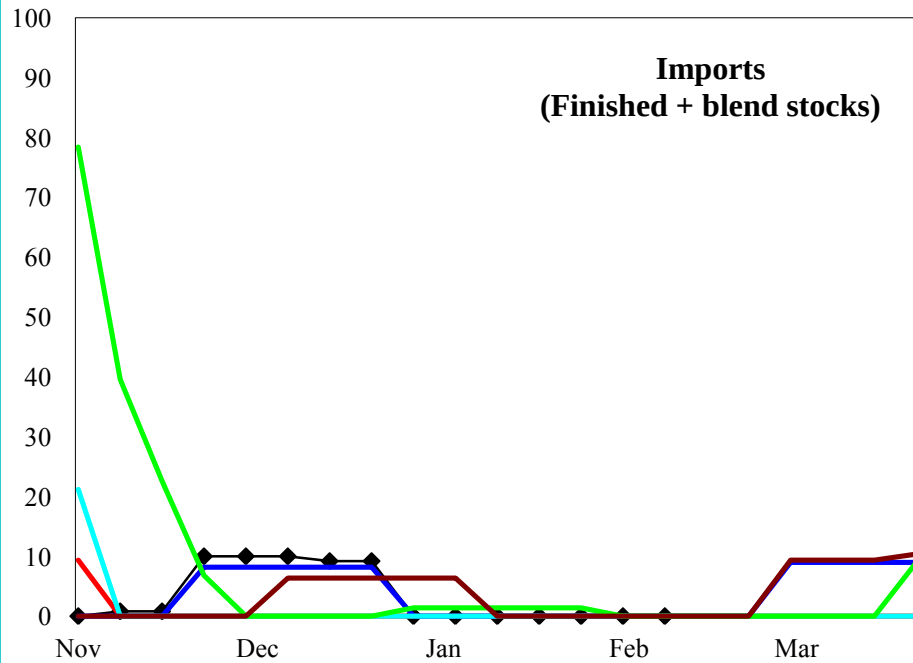
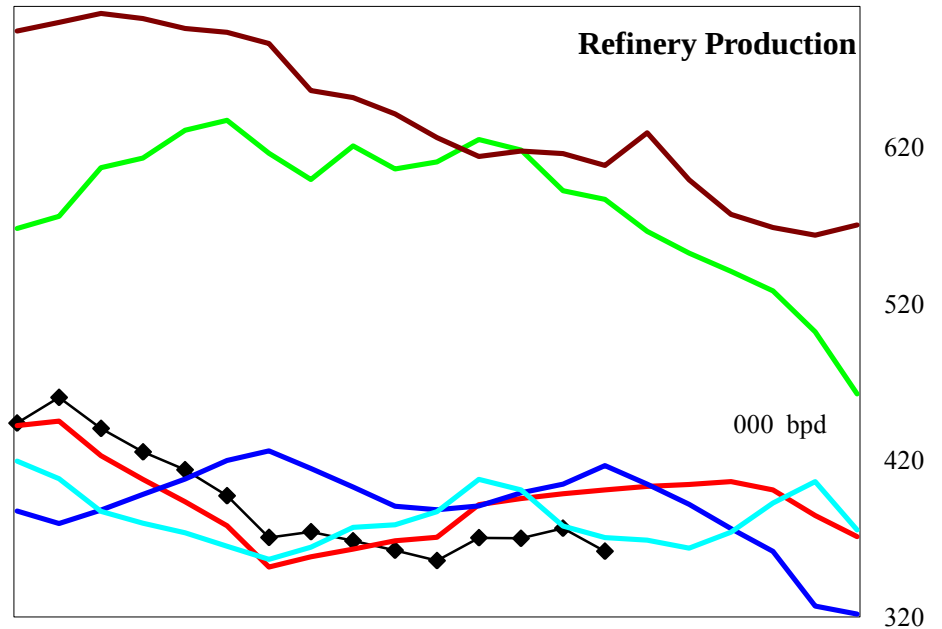
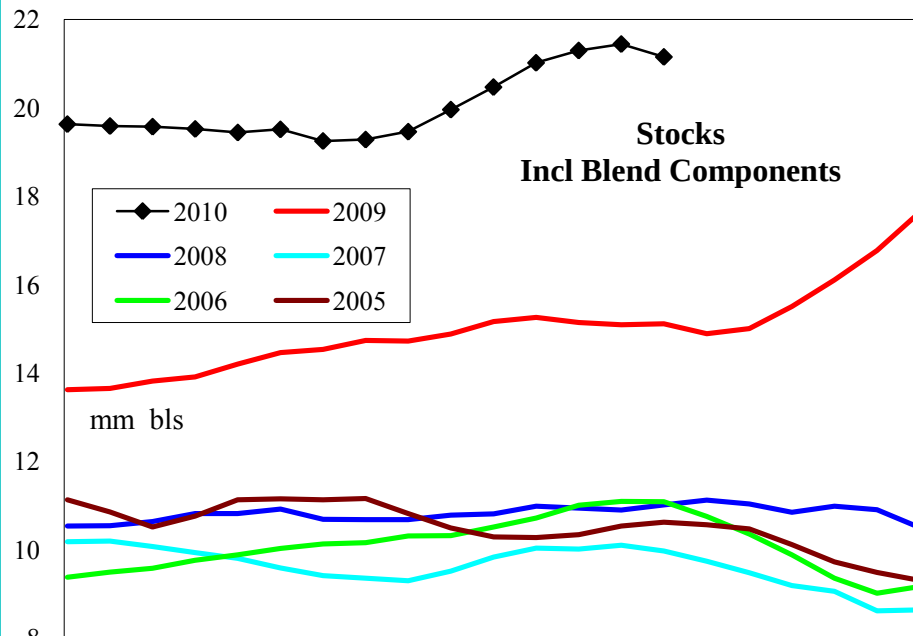
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

	Stocks	Input	Imports
000 bpd (000 bls stks)	-3,154	-182	-1,014
% change	-1.7	-2.7	-18.1

PADD 3 Gasoline Supply



PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

6,269

Production

-23

Imports

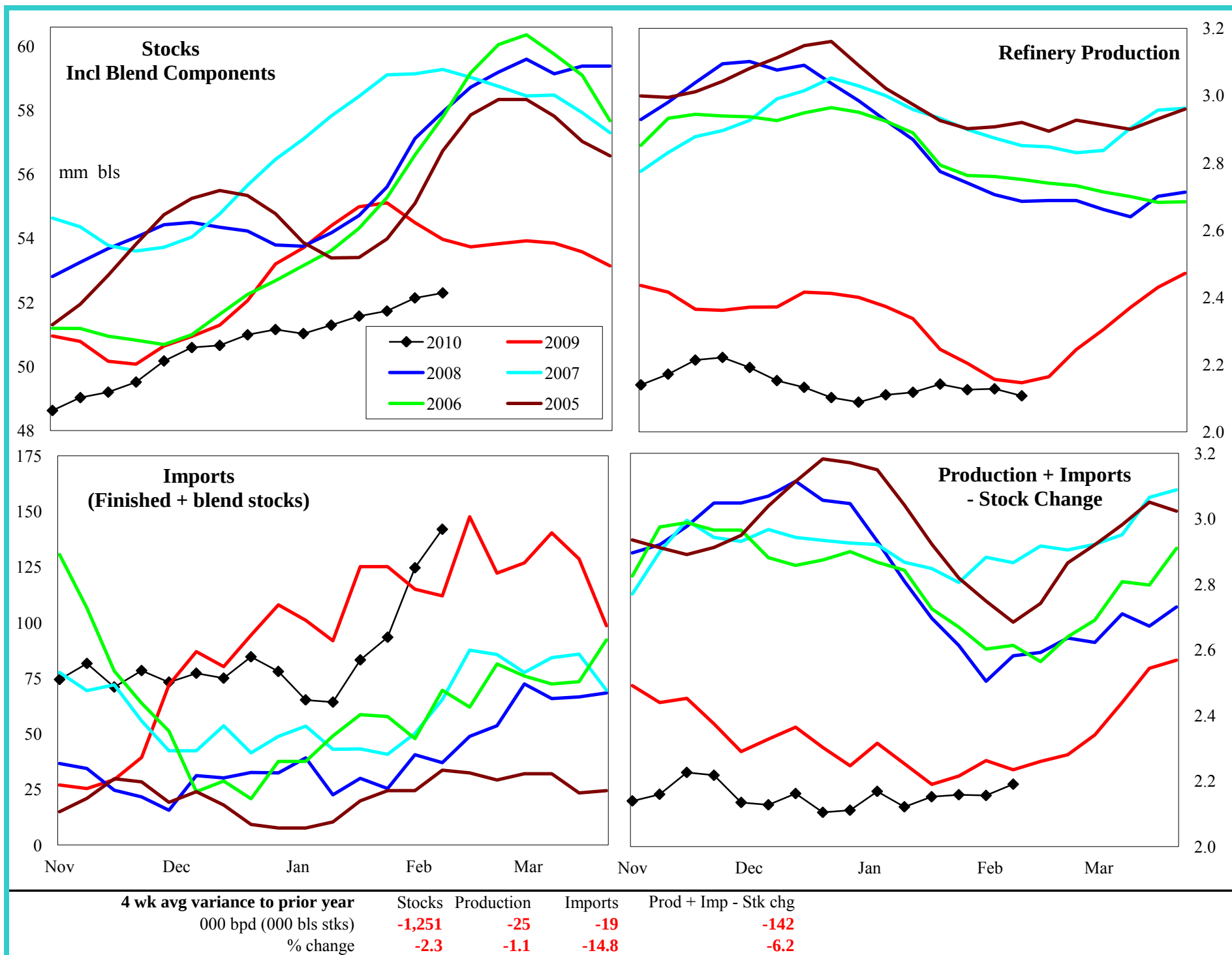
0

Prod + Imp - Stk chg

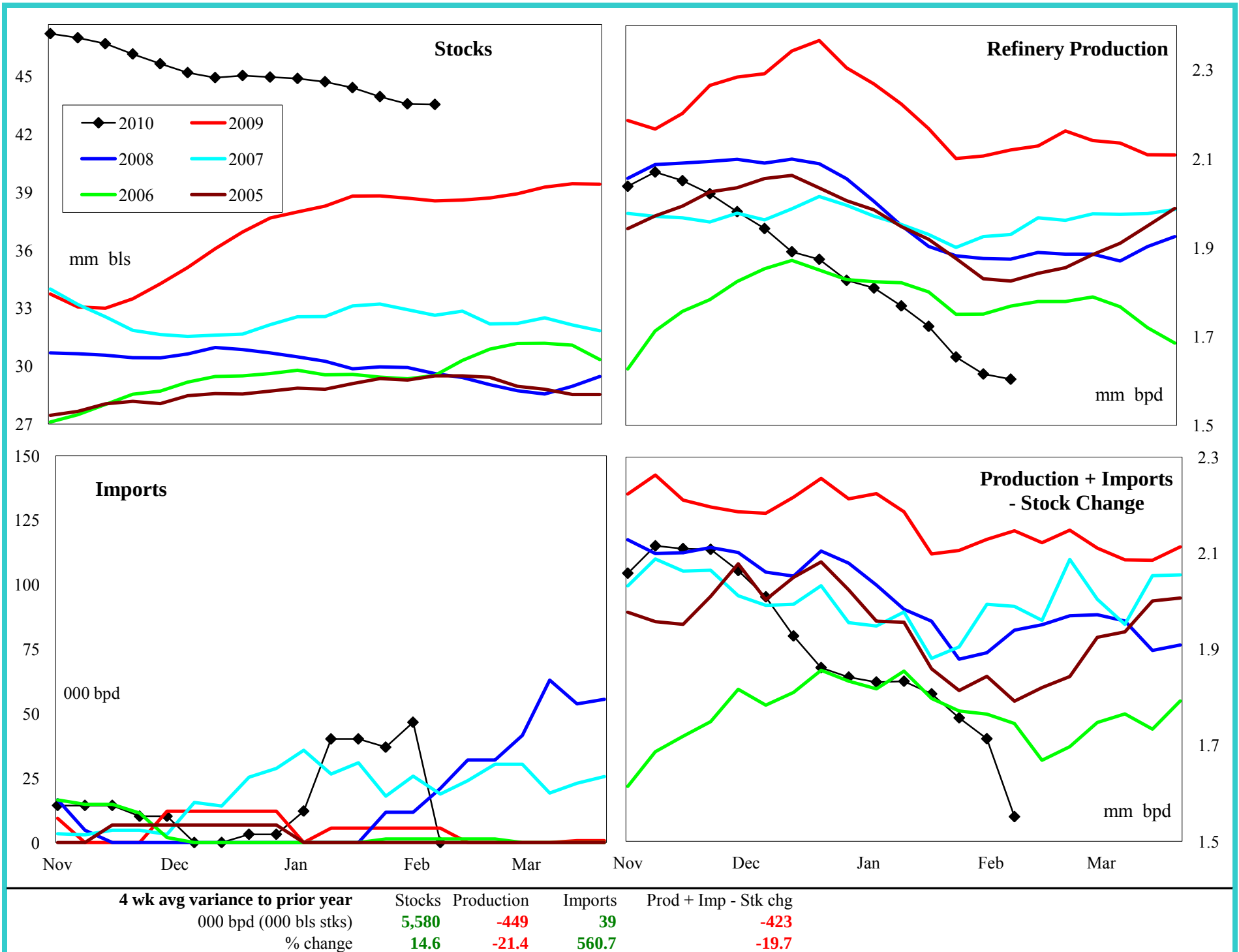
-28

-7.2

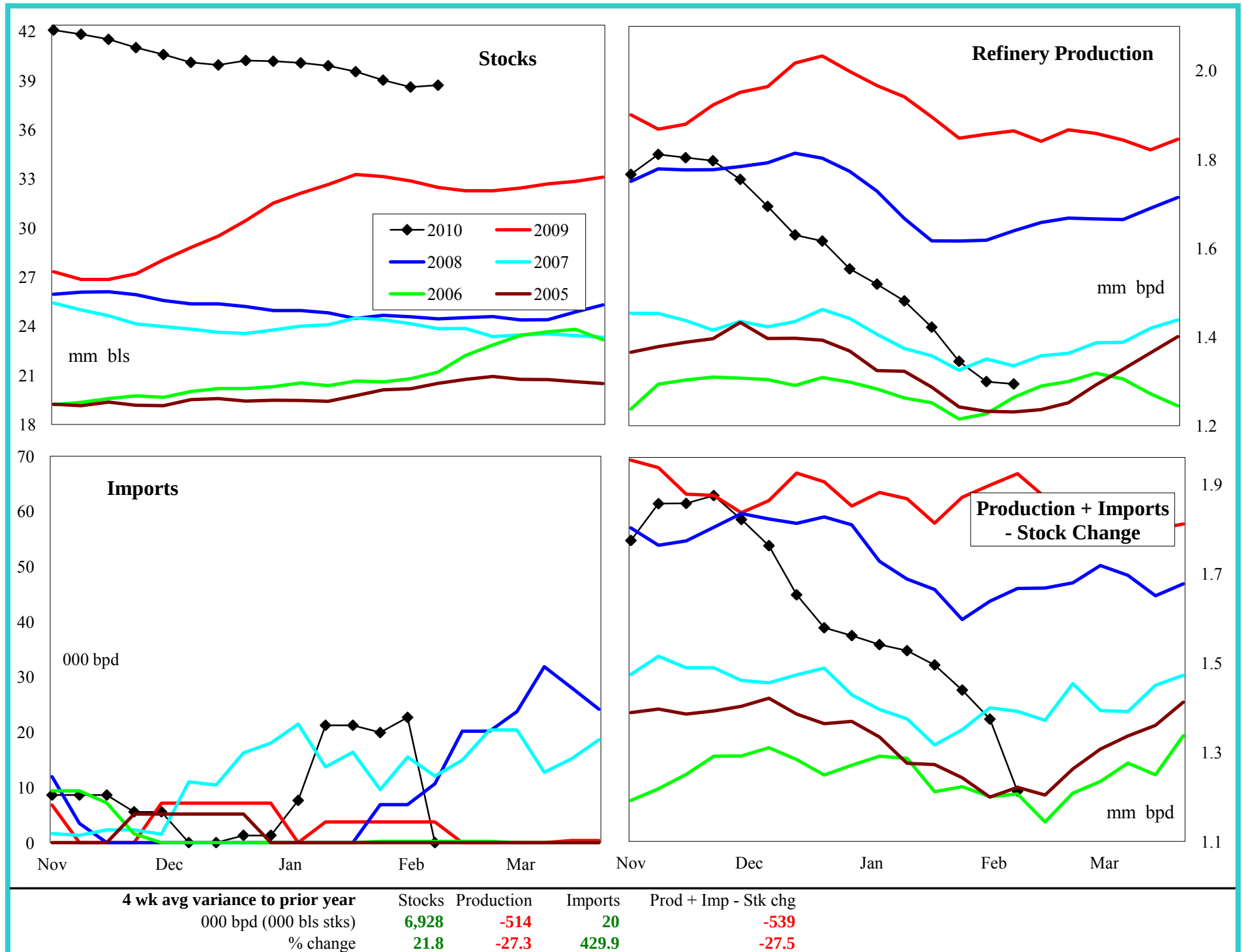
PADD 3 Conventional Gasoline Supply



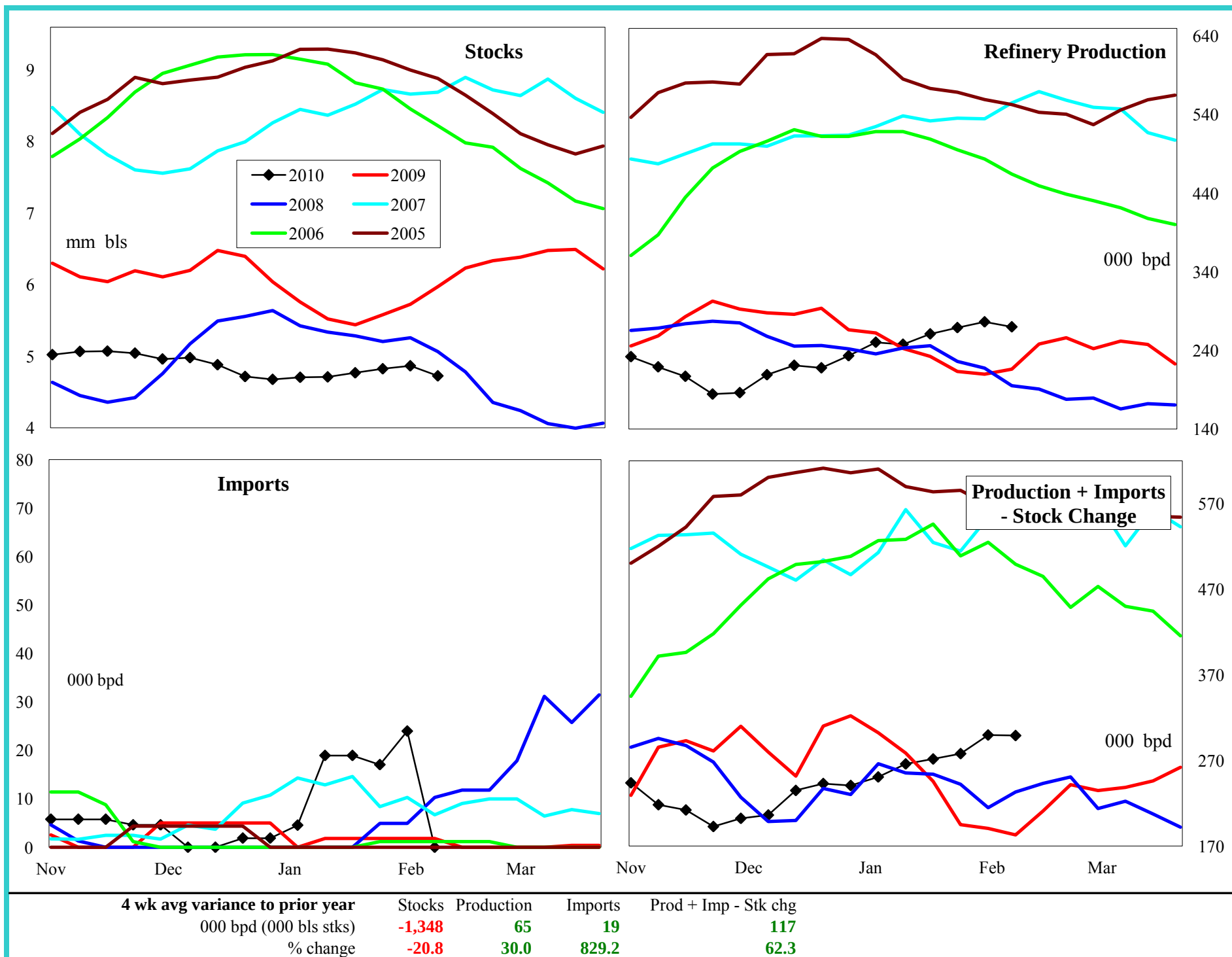
PADD 3 Distillate Supply

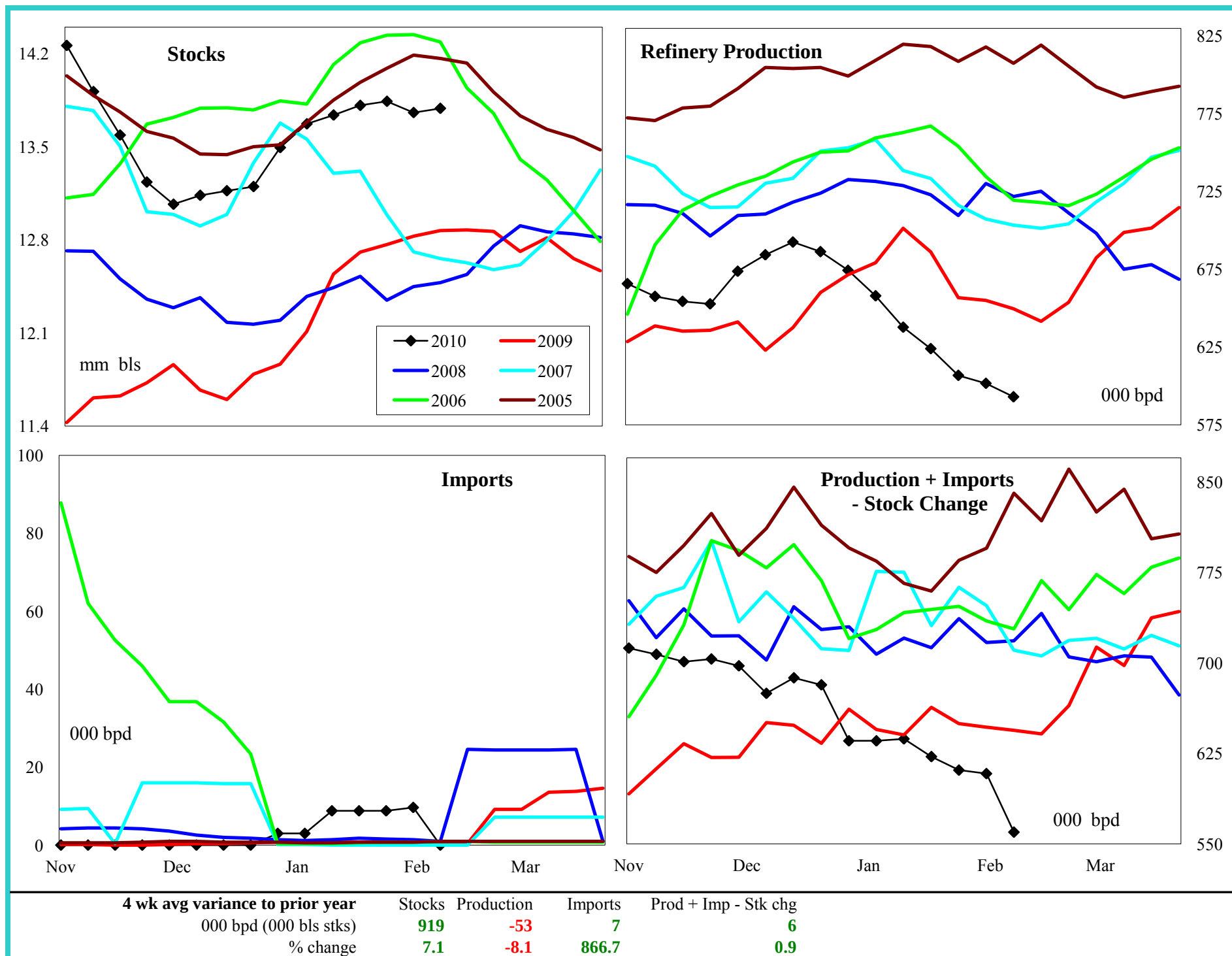


PADD 3 Low Sulfur Distillate Supply

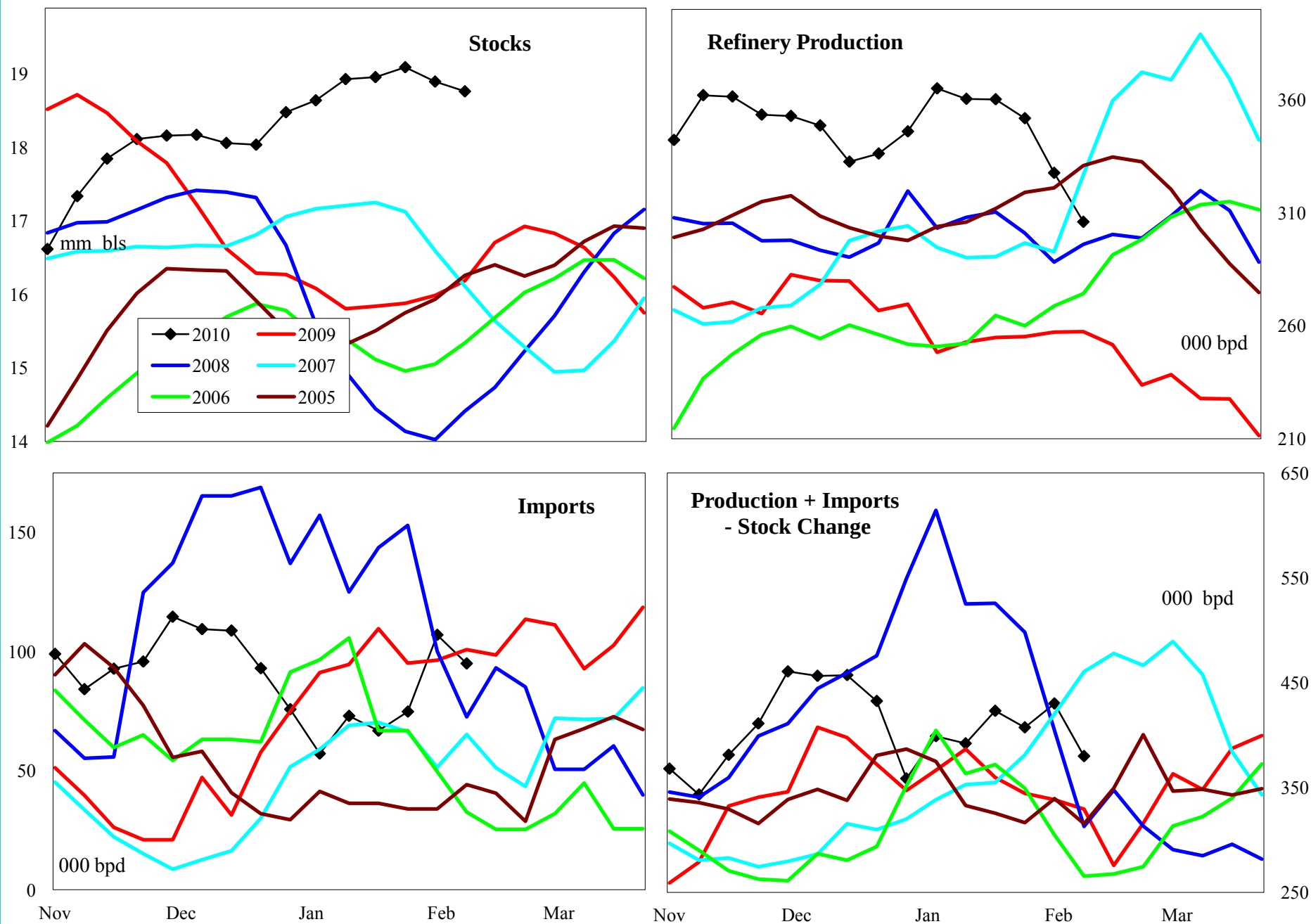


PADD 3 High Sulfur Distillate Supply





PADD 3 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

2,578

15.8

Production

100

39.8

Imports

-16

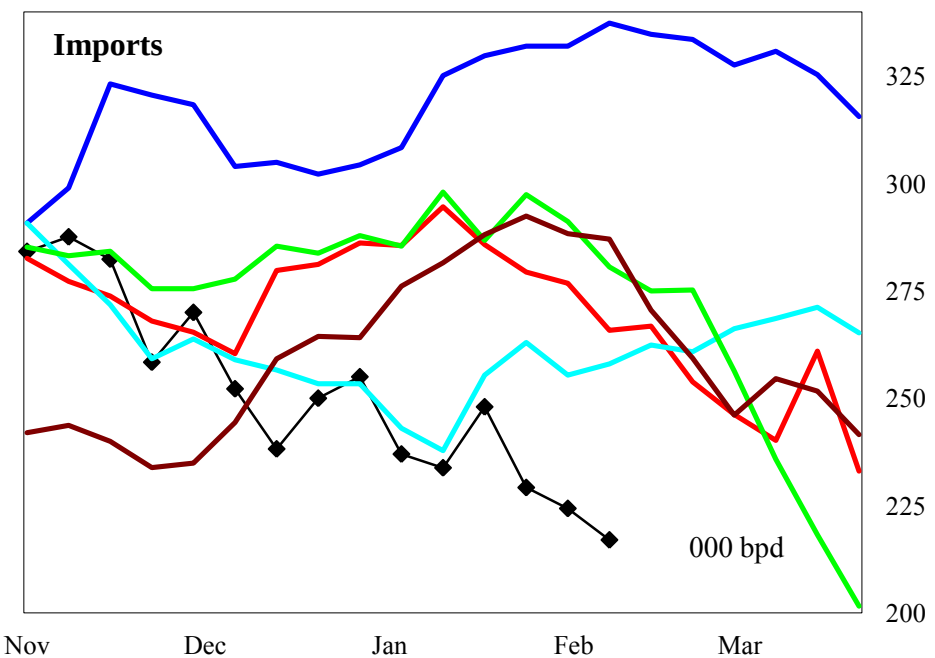
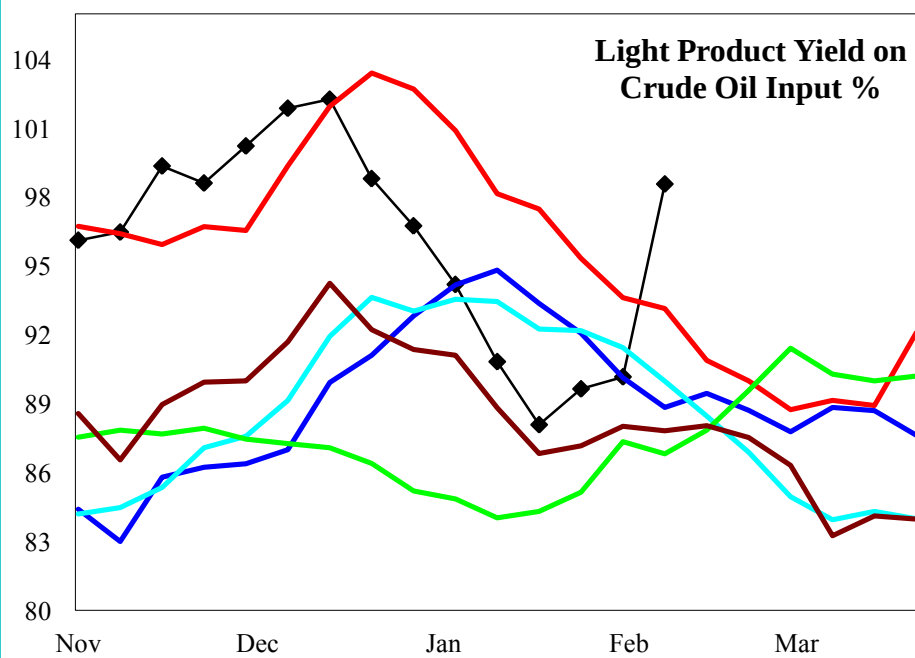
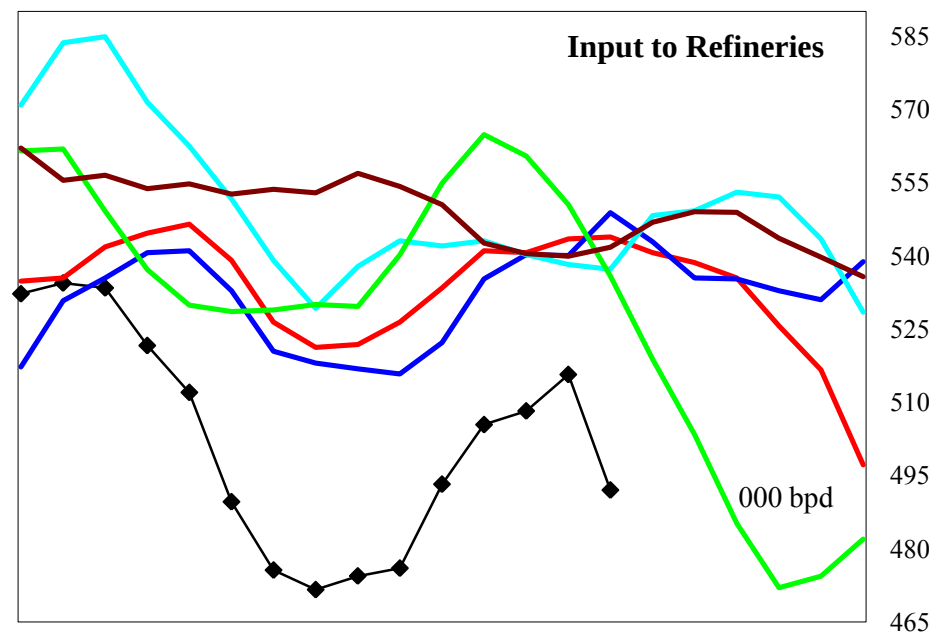
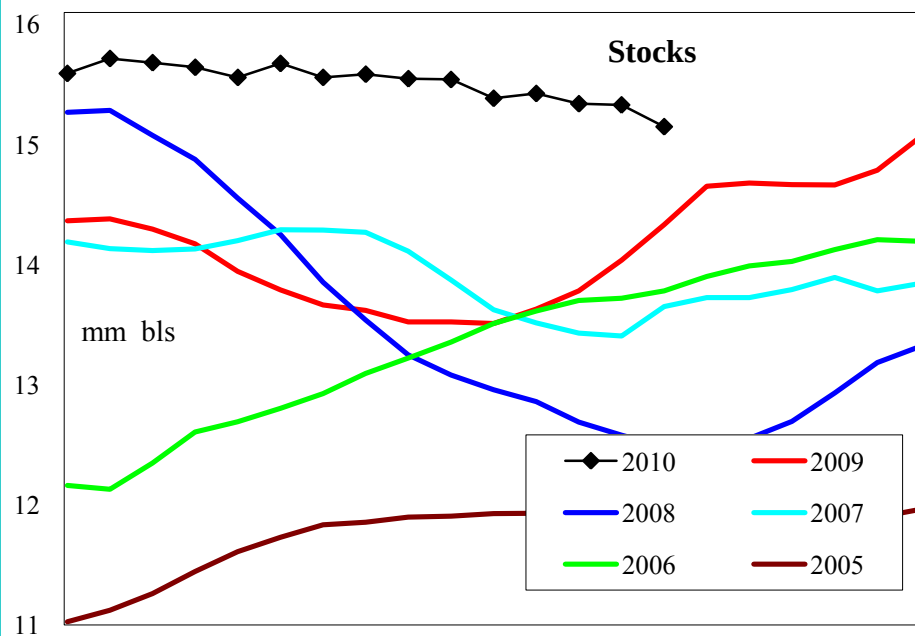
-15.9

Prod + Imp - Stk chg

117

32.3

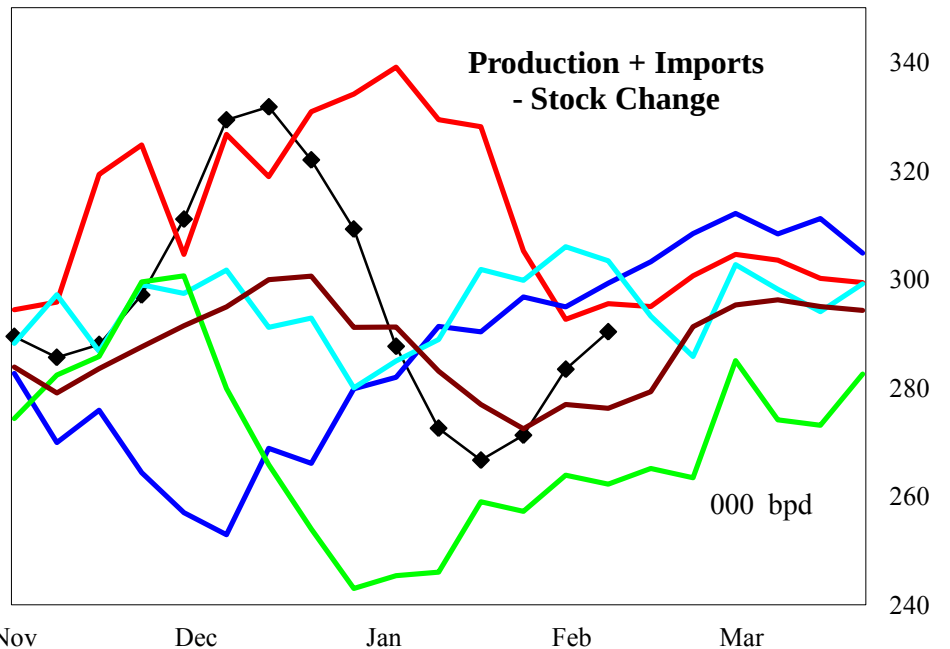
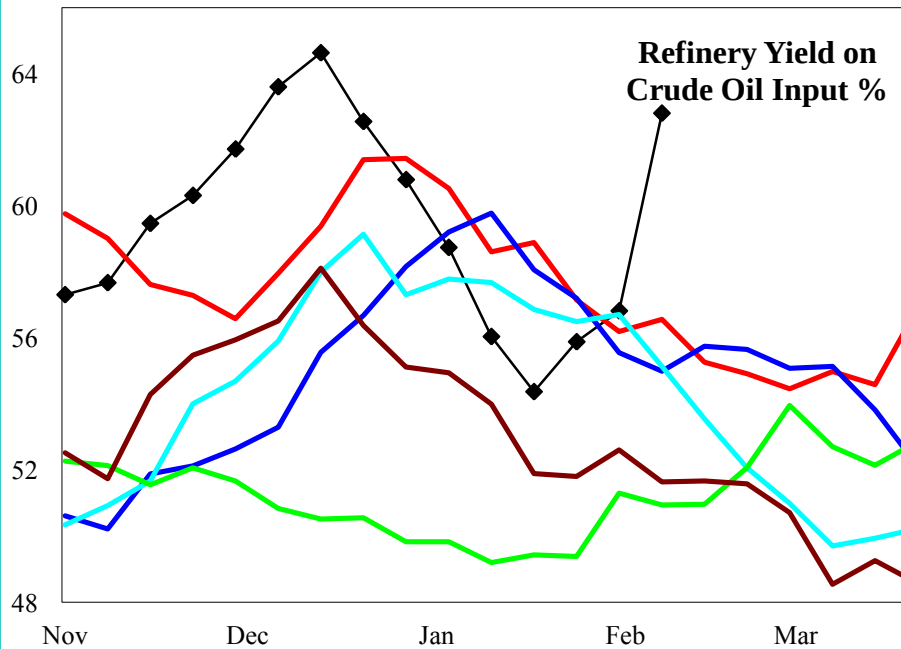
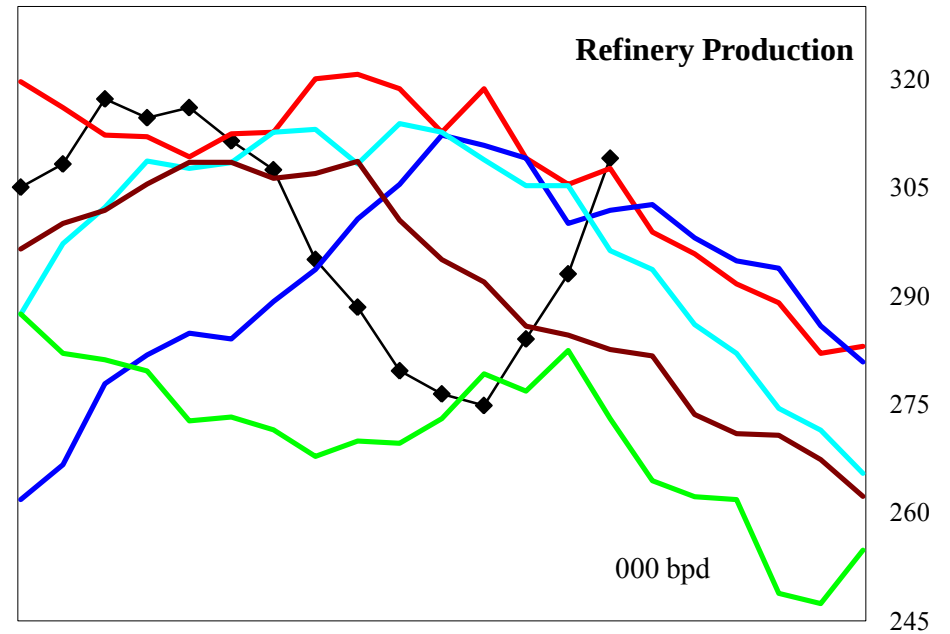
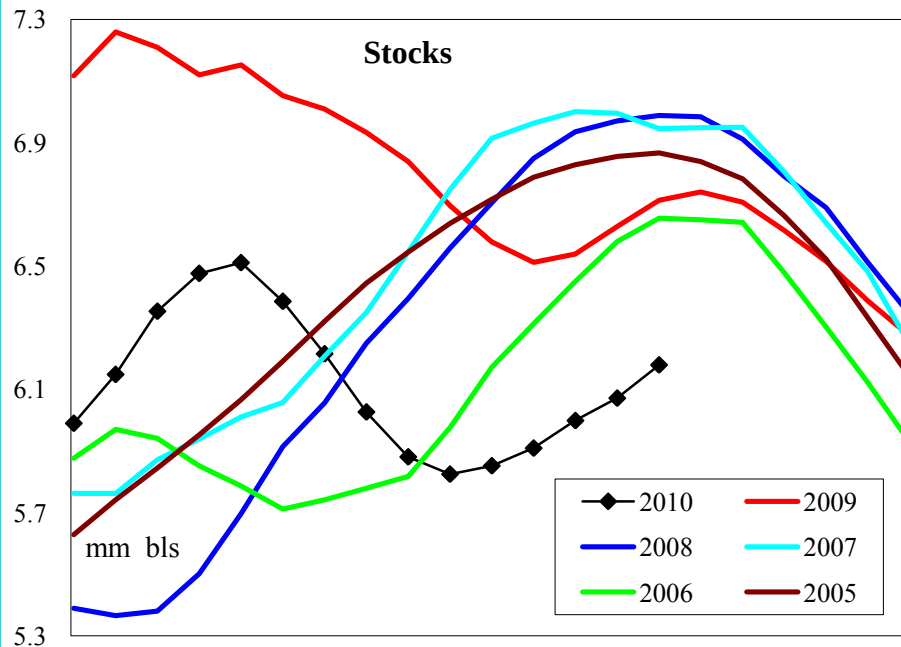
PADD 4 Crude Oil Supply and Refining



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

	Stocks	Input	Imports
000 bpd (000 bls stks)	817	-29	-51
% change	5.6	-5.4	-18.3

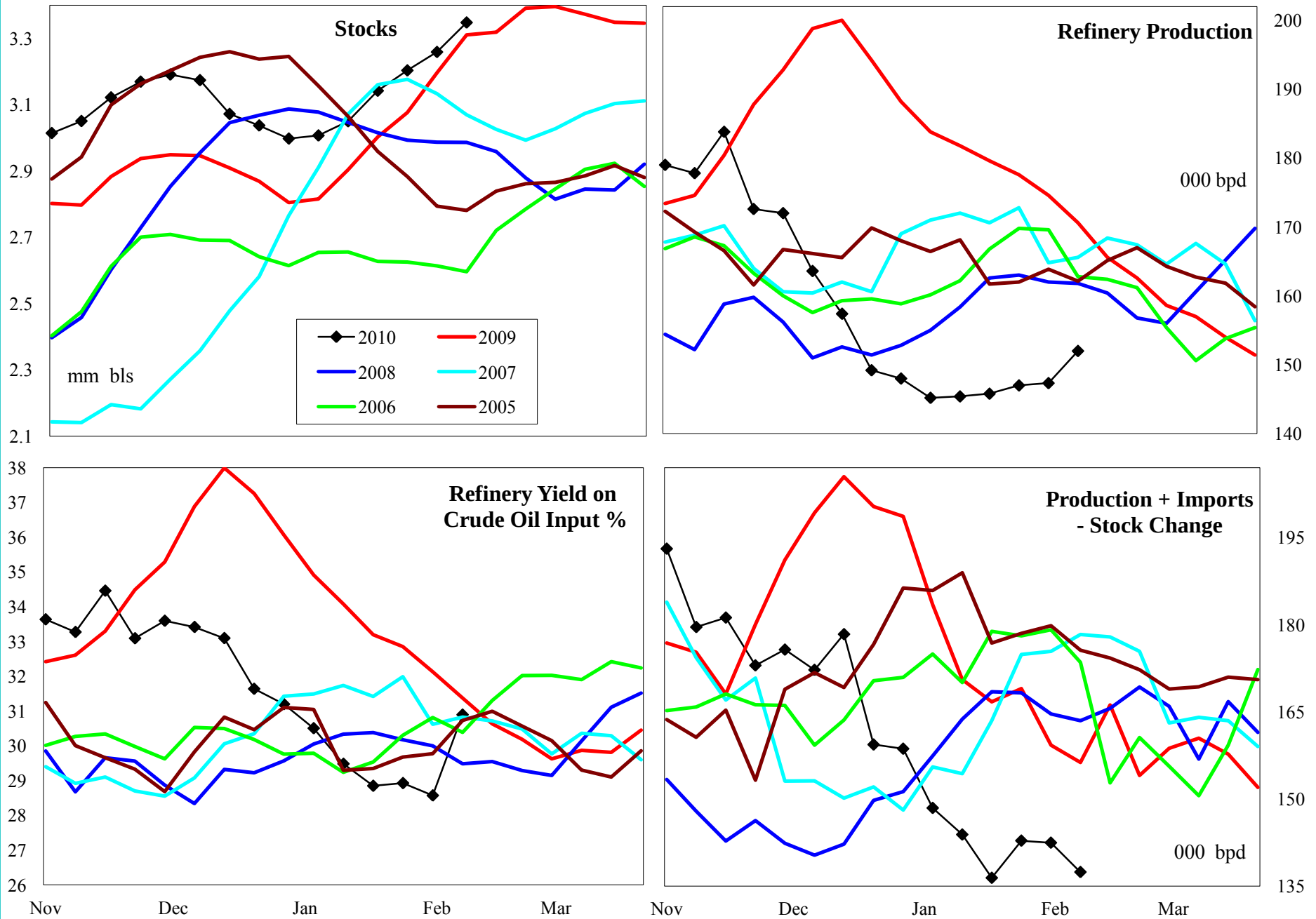
PADD 4 Gasoline Supply



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

	Stocks	Production	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-534	-20	-19
% change	-8.0	-6.4	-6.6

PADD 4 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

38

1.1

Production

-25

-14.5

Imports

3

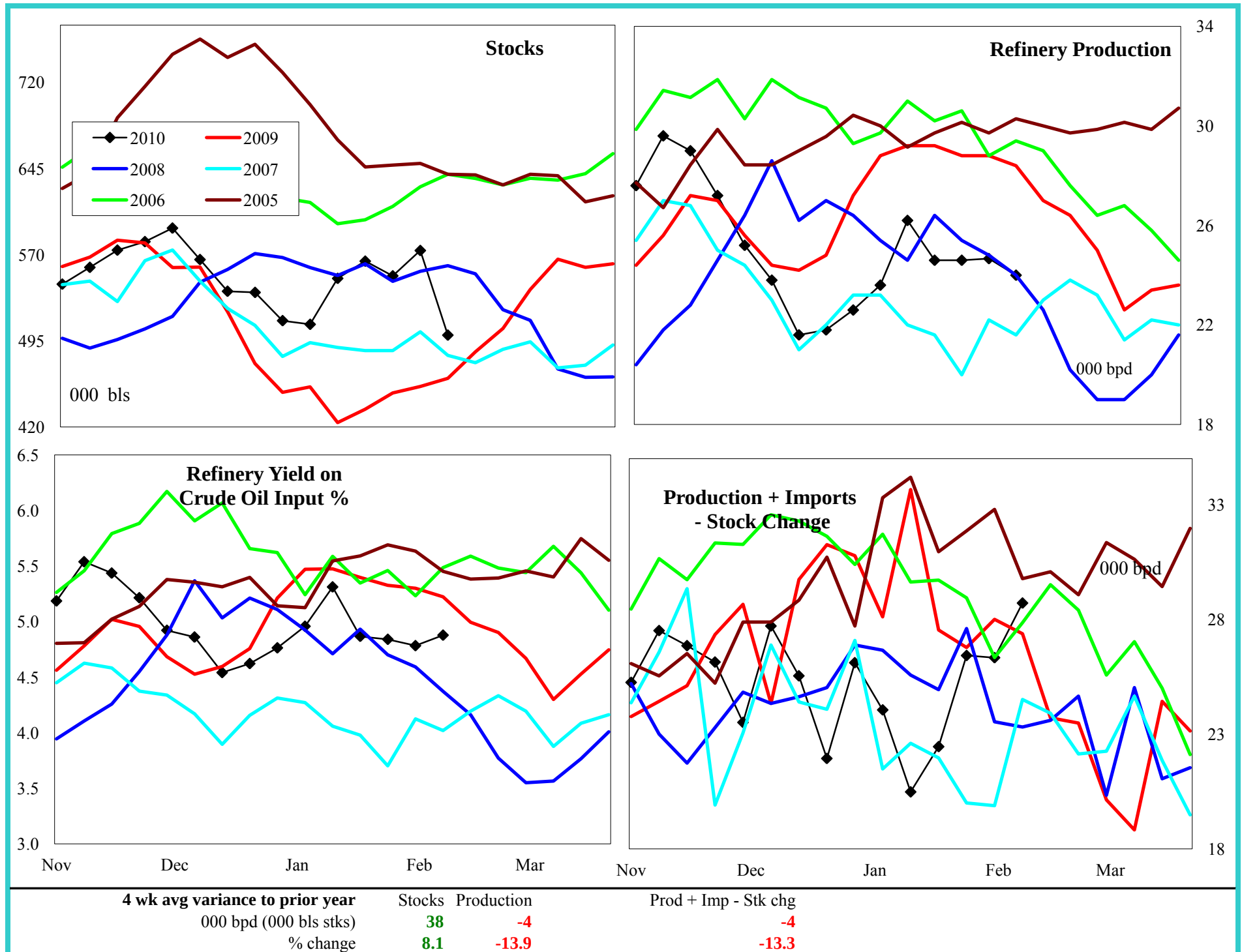
216.7

Prod + Imp - Stk chg

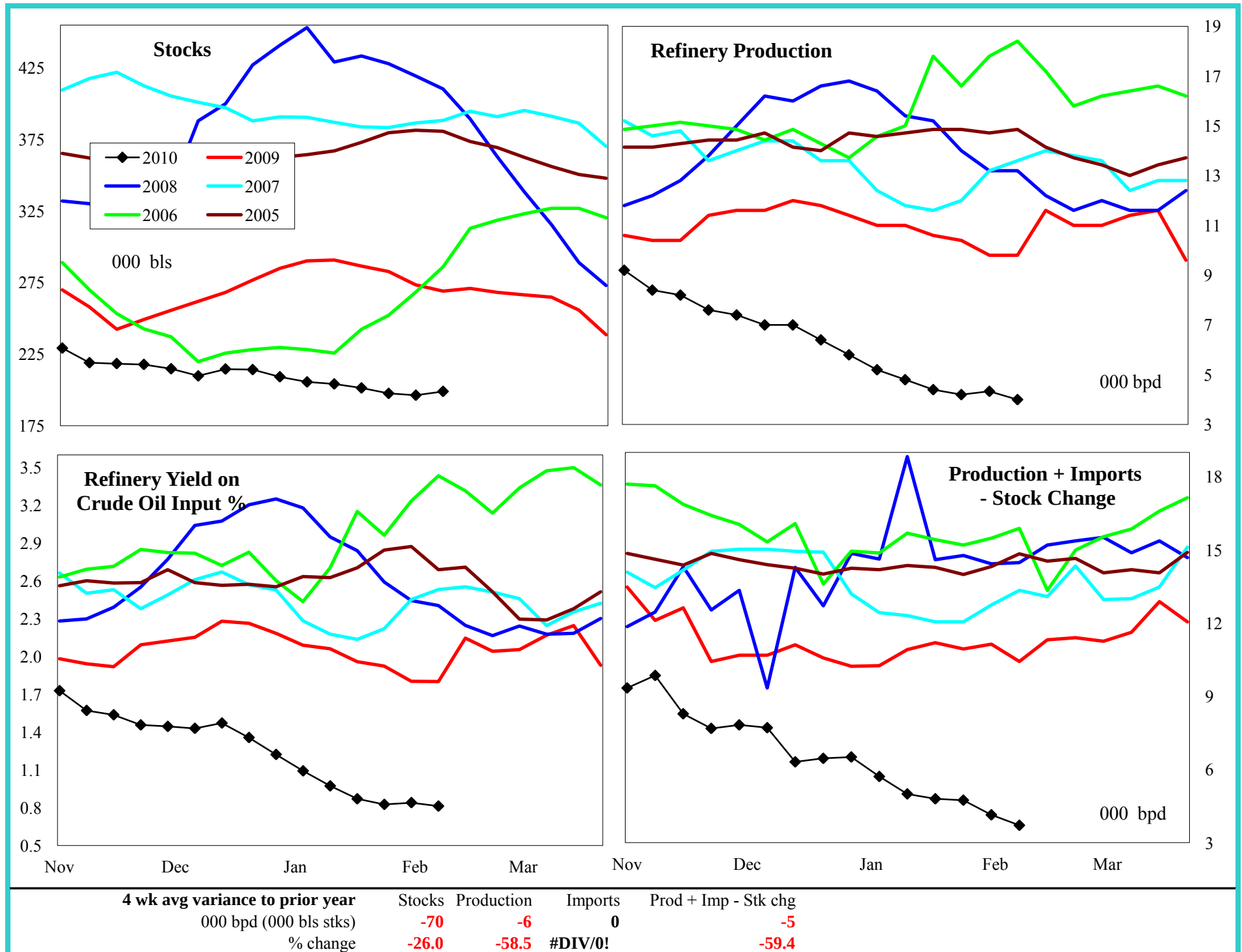
-26

-15.6

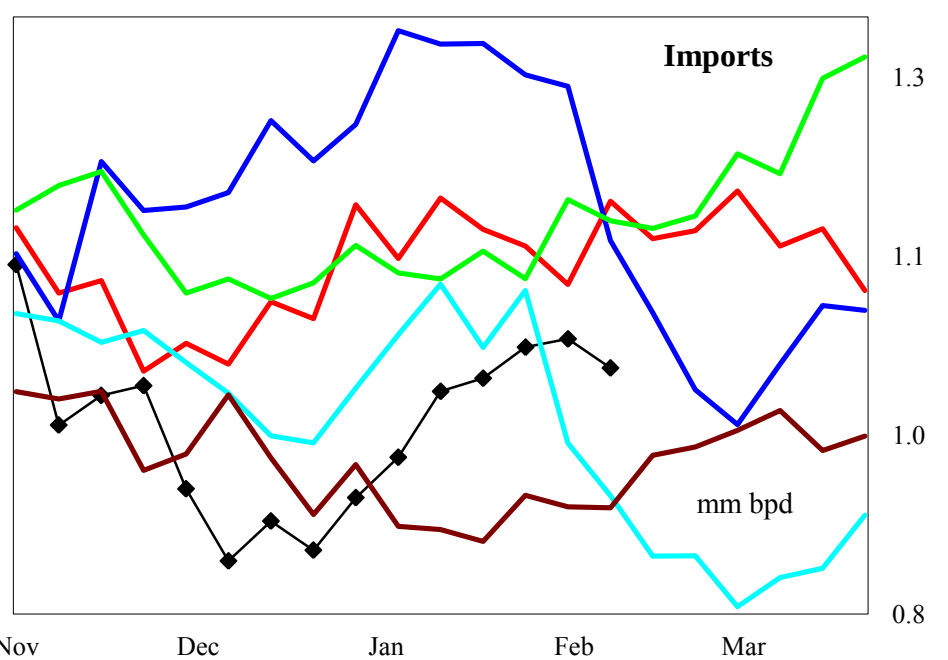
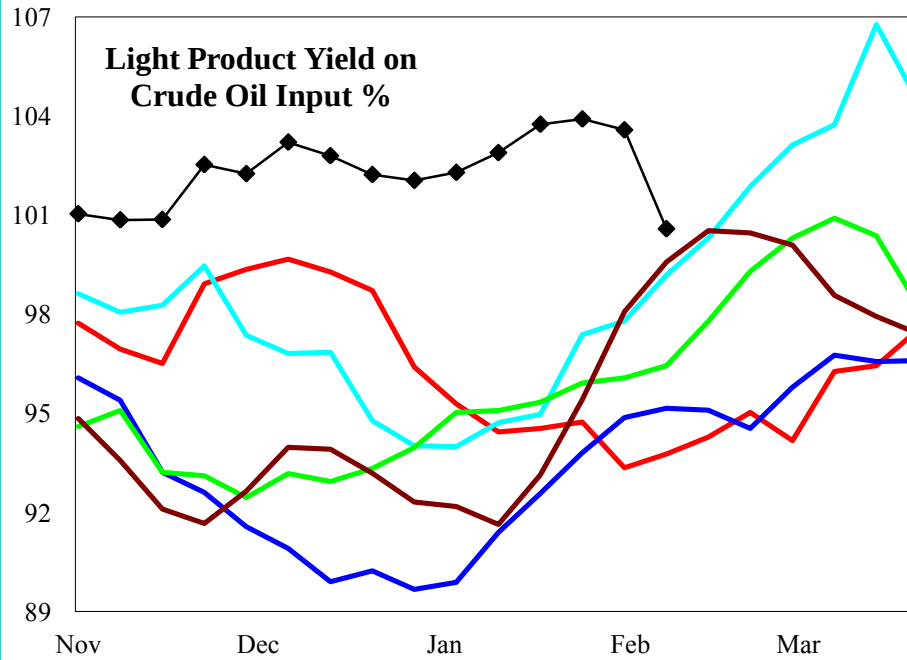
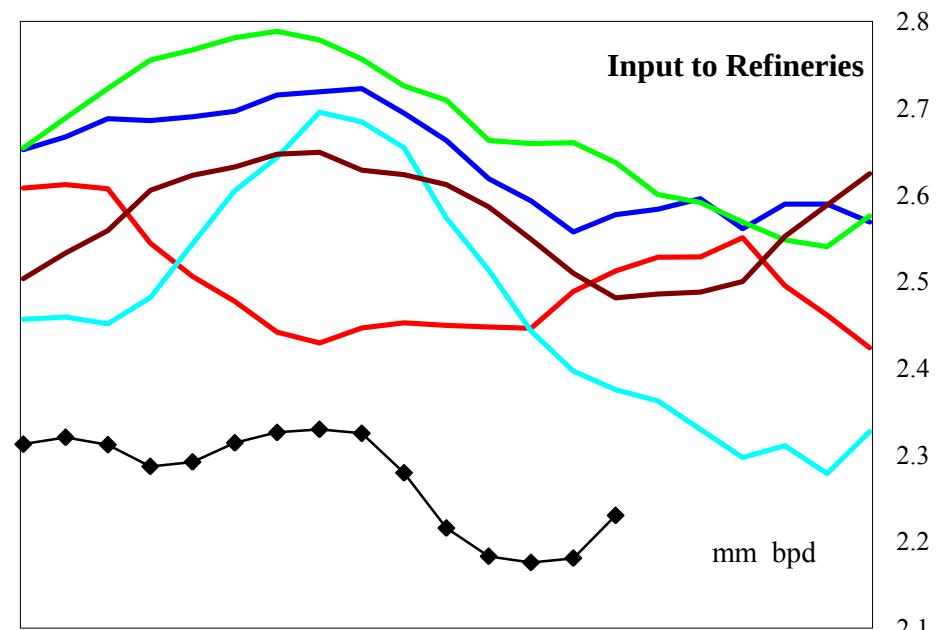
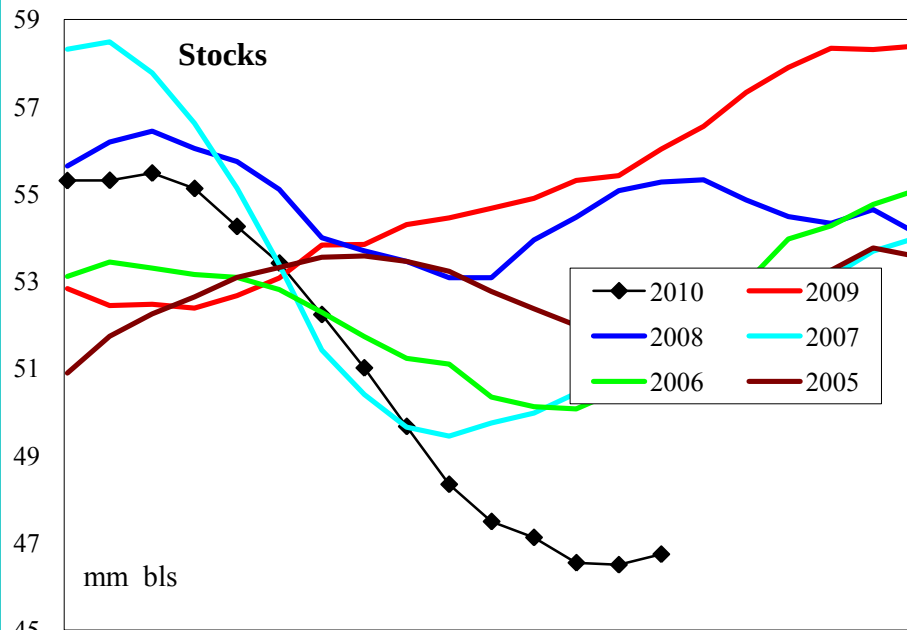
PADD 4 Jet Fuel Supply



PADD 4 Residual Fuel Oil Supply



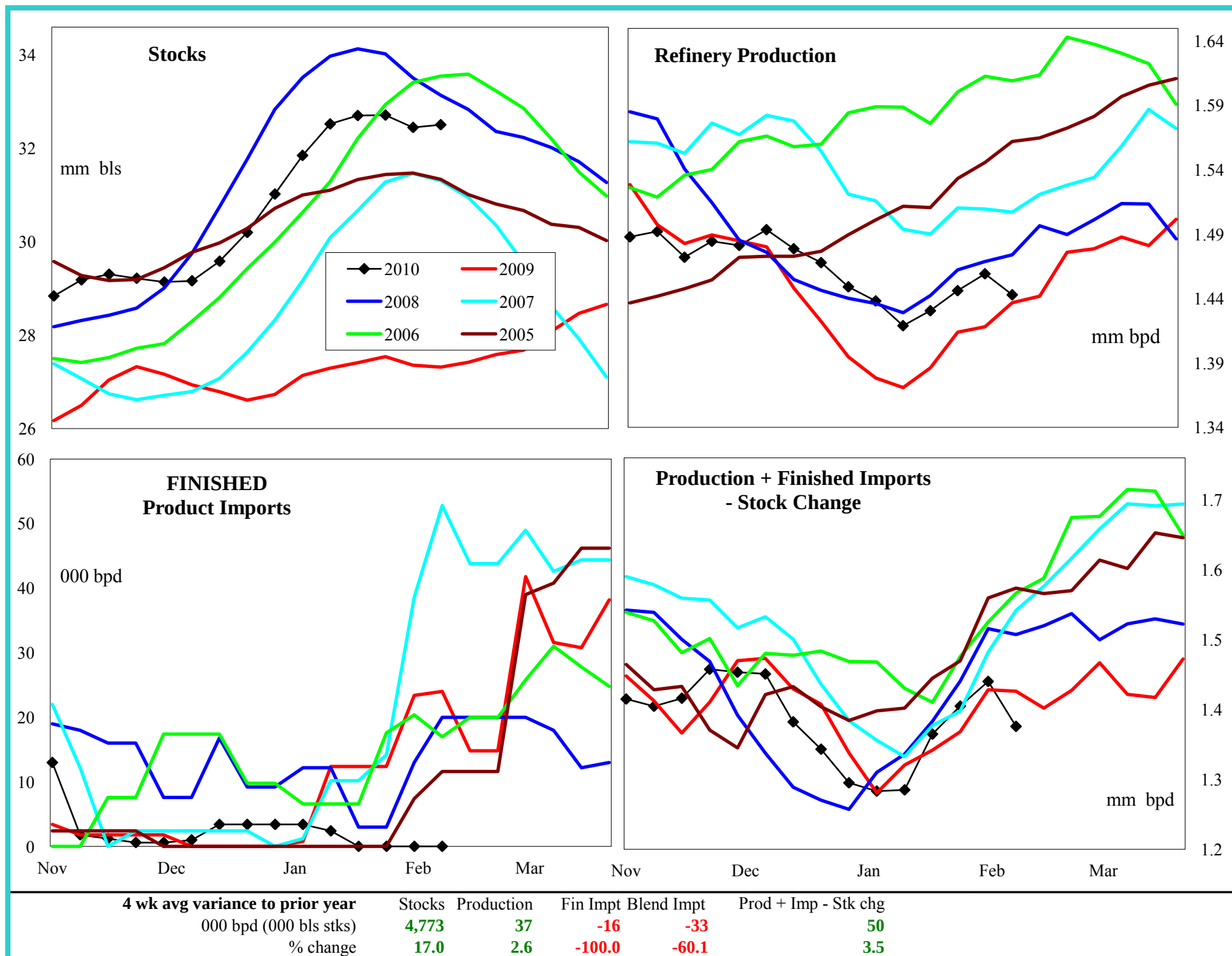
PADD 5 Crude Oil Supply and Refining



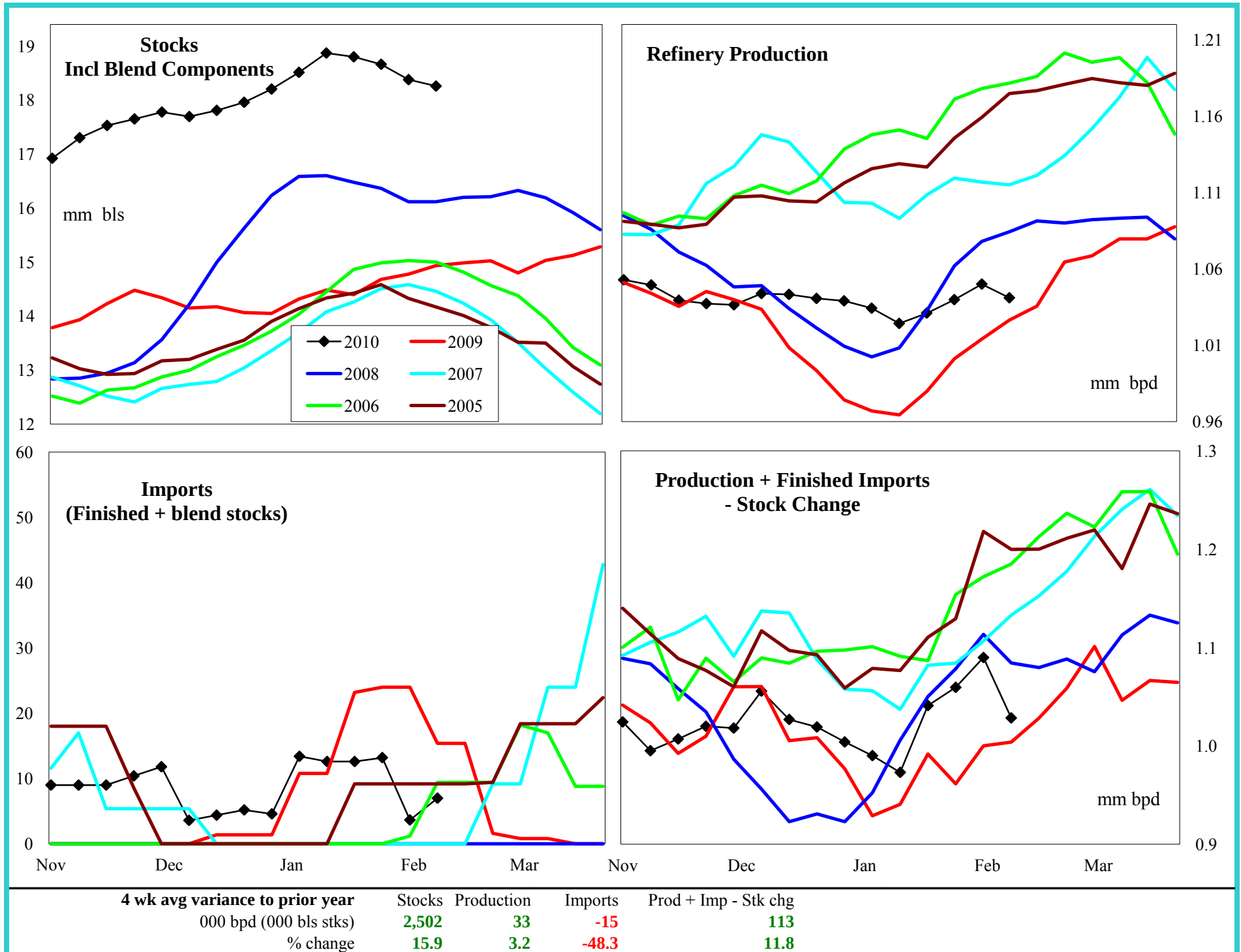
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

	Stocks	Input	Imports
000 bpd (000 bls stks)	-9,288	-283	-41
% change	-16.6	-11.6	-3.9

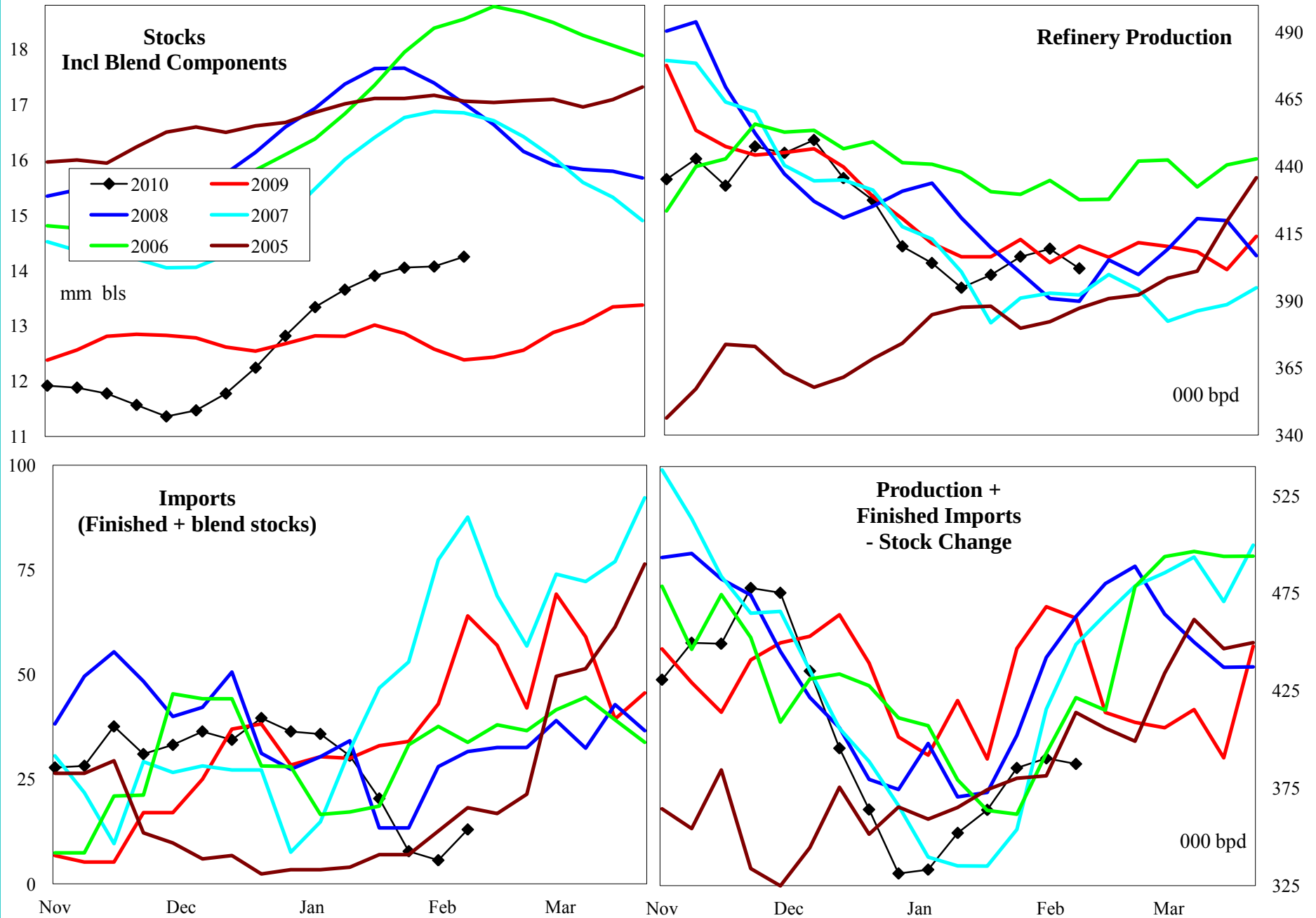
PADD 5 Gasoline Supply



PADD 5 Reformulated Gasoline Supply



PADD 5 Conventional Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

2,271

18.3

Production

5

1.1

Imports

-34

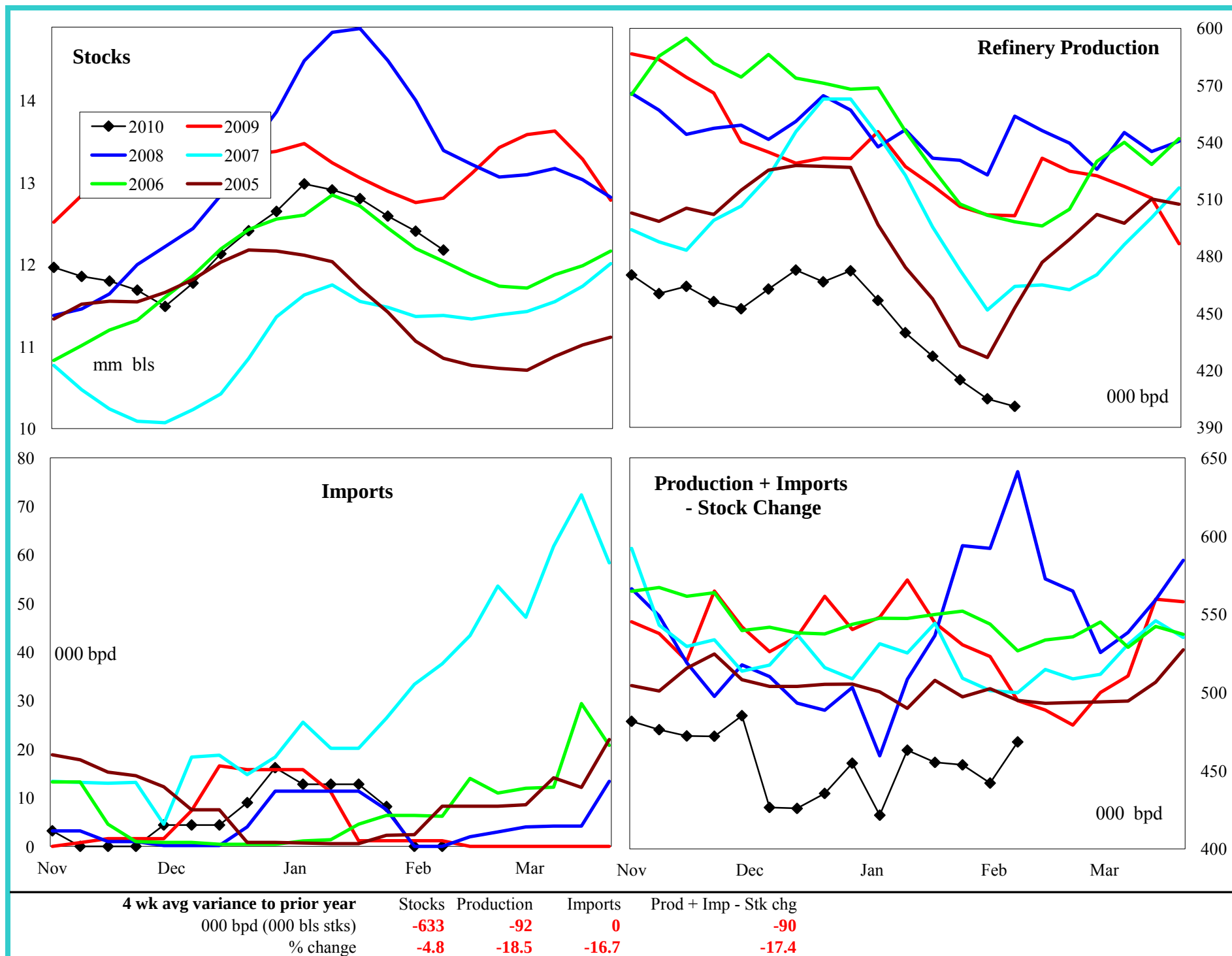
-84.4

Prod + Imp - Stk chg

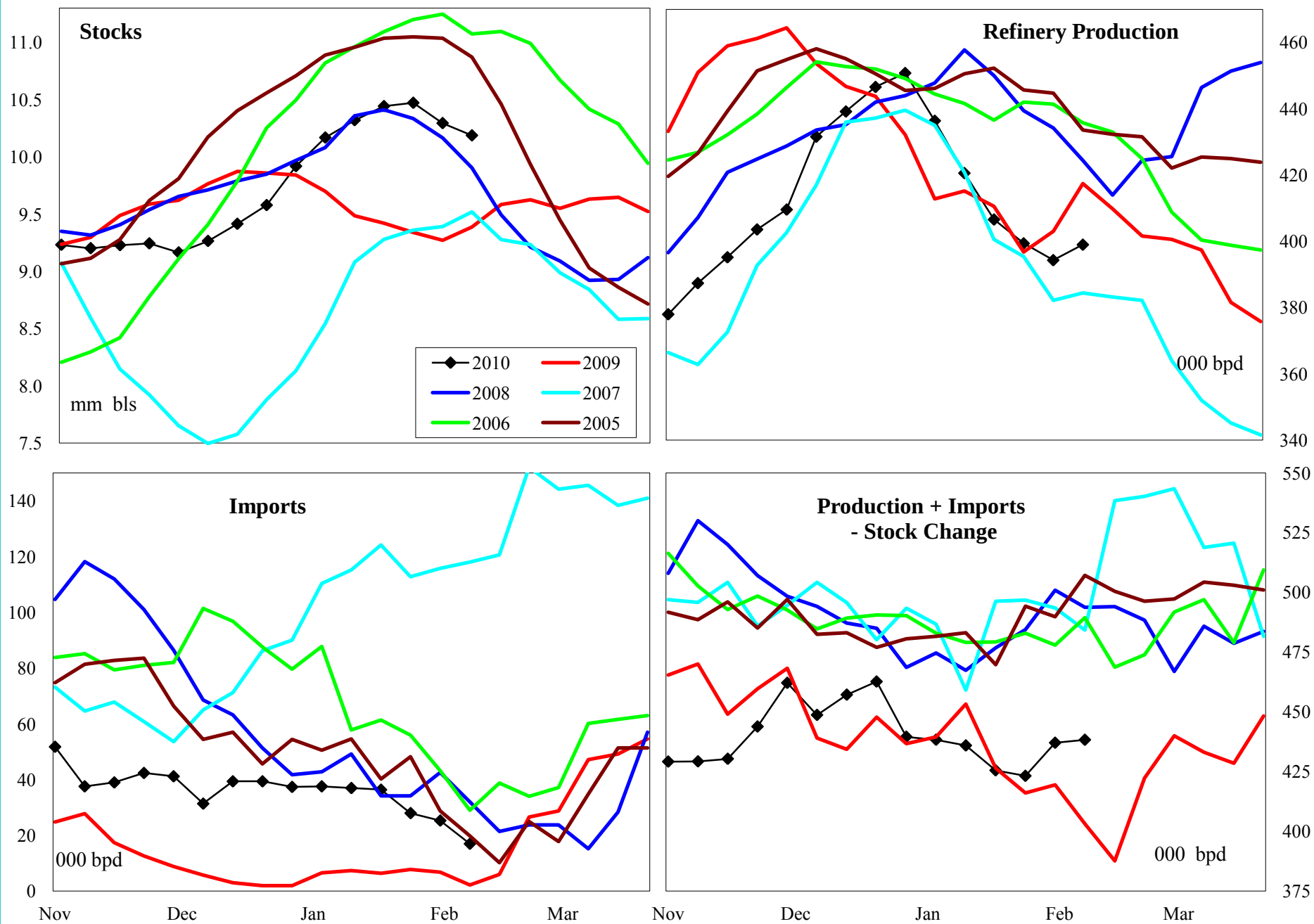
-63

-13.4

PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

915

-15

22

32

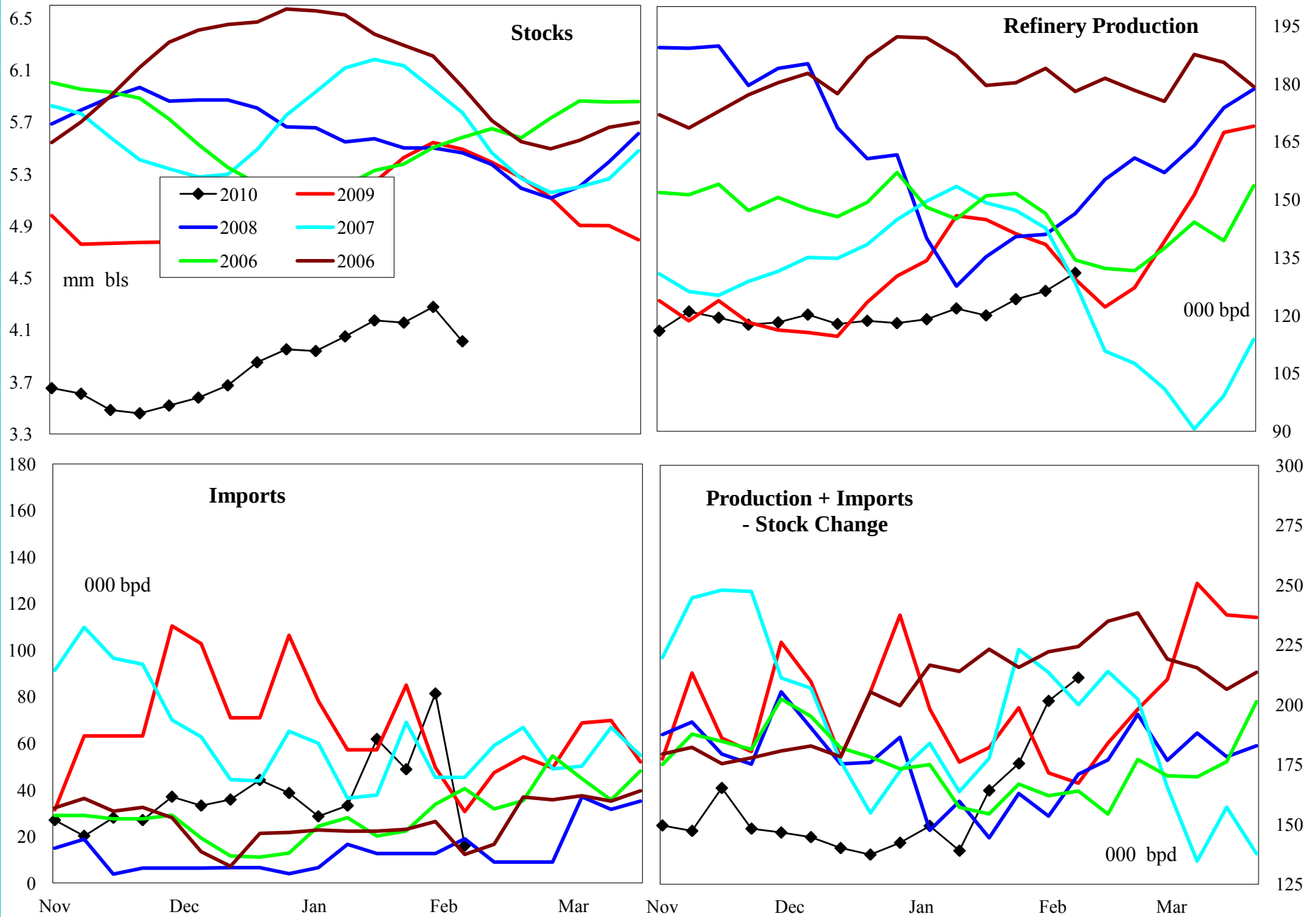
9.9

-3.7

255.9

7.9

PADD 5 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

-1,478

-16

-1

3

-26.7

-11.3

-1.6

1.9