

**FUNDAMENTAL
PETROLEUM
TRENDS**

WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

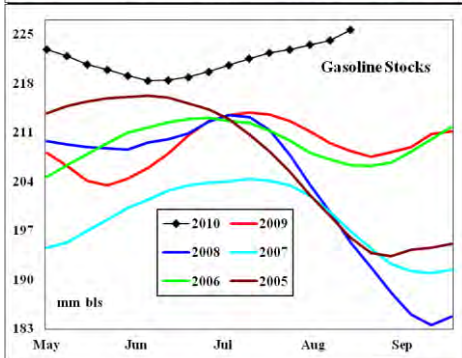
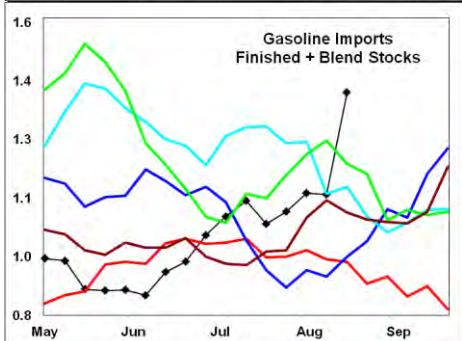
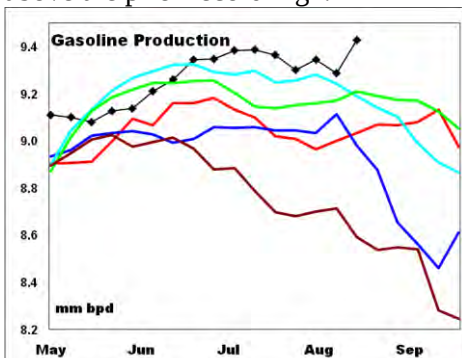
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, August 25, 2010



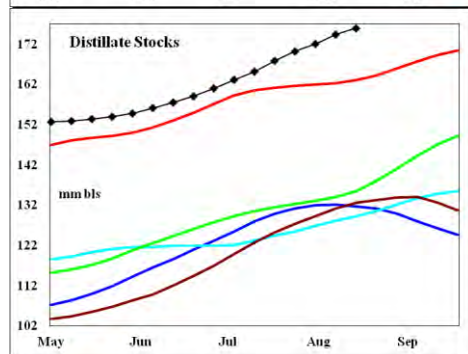
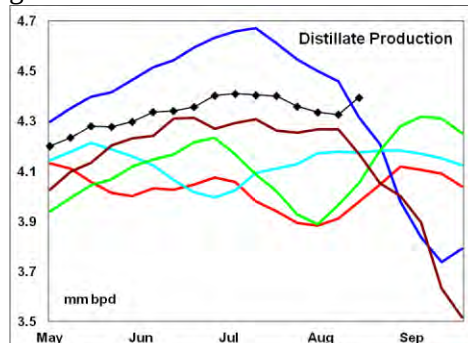
Major Fundamental Trends¹

Gasoline markets on the East and Gulf Coasts face the need for dramatic reductions in supply. With an end to peak summer demand and no weather disruptions; production and imports are each at record high levels. The result has been a counter seasonal stock build, lifting levels +16 million barrels above the prior record high.



Distillate production increased last week, to a level that was above the prior 5-year range. Stock levels are also extremely high; although, robust exports and a seasonal uptrend in demand points to a less dramatic over supply than is the situation for

gasoline.



Crude oil stocks increased +4.1 million barrels last week on lower refinery runs, higher imports and record domestic production. Stock levels were +14.5 million barrels above the prior record for this time of year.

Refineries have operated at relatively low rates during the recession, allowing plants to conduct maintenance without tightening supply. Fall maintenance is likely to be below normal so that all ready over supplied transport fuel markets may not experience a meaningful improvement in the supply balance.

Demand for gasoline and distillate was slightly lower last week, following the prior week surge.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline +3%; distillate up +4.9%; jet fuel up +2.9% while residual fuel oil fell -21%.

Stocks forward coverage: Gasoline demand coverage increased to a new record high on a +2.3 million barrel stock build that more than offset robust seasonal demand.

Distillate demand coverage remains near record highs on a +1.8

million barrel weekly stock build, with stock levels +13.6 million barrels above the prior 5-year high.

Jet fuel coverage was near last years' record high on lackluster demand and record high stock levels.

Residual fuel oil coverage remains extremely high on very low demand and stock levels at the upper end of the 5-year range.

Refinery utilization rates decreased on a -348,000 bpd drop in crude oil runs last week. Crude oil runs for the latest 4-wk period were +746,000 bpd above a year ago.

Gasoline yield % on crude oil runs jumped last week on a +289,000 bpd rise in production versus a -348,000 bpd drop in crude runs. Yield % was a record for this time of year.

Distillate yield % on crude oil runs increased on a +150,000 bpd increase in output versus the decline in crude oil runs. Yield % matched the 5-year record high for the period.

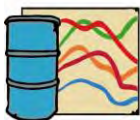
Jet fuel yield % on crude oil runs was nearly unchanged on a -29,000 bpd decrease in production, with the yield % at the mid range.

Petroleum Imports of crude oil and gasoline were sharply higher last week, while middle distillates decreased.

During the latest 4-wk period distillate imports increased +78,000 bpd compared to last year; finished gasoline imports decreased -177,000 bpd, gasoline blend stock imports increased +338,000 bpd; jet fuel imports decreased -24,000 bpd, while residual fuel oil imports increased +163,000 bpd.

Crude Oil imports increased +320,000 bpd last week, while domestic production increased +159,000 bpd, reaching a new record high. Combined with the -348,000 bpd drop in crude oil runs, the result was a +4.1 million barrel stock build. Stock levels are now +14.5 million barrels above the prior record level for the period.

¹ Source is latest EIA Weekly Statistics



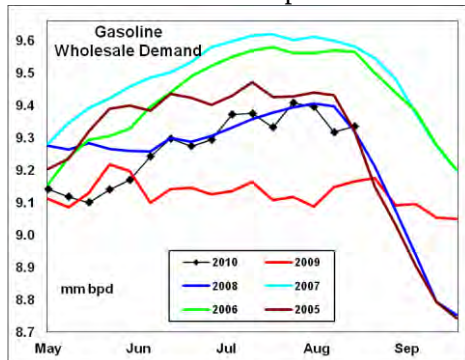
WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

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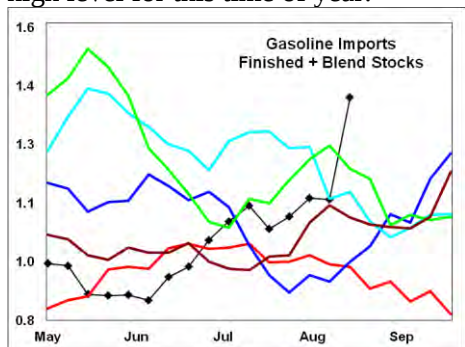
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Product Supply-Demand Trends

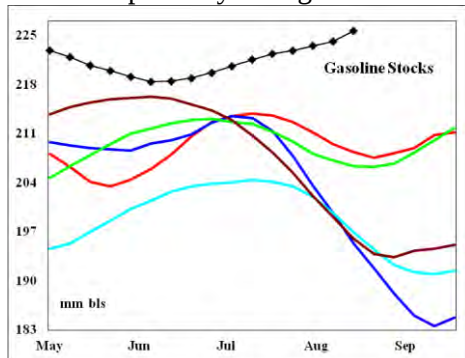
Gasoline demand decreased -84,000 bpd on the week, with the latest 4-wk average +272,000 bpd above a year ago. Gasoline demand growth remains the most robust of transport fuels.



Gasoline production increased +289,000 bpd on the week, to a seasonal record high level. Imports increased +331,000 bpd, also a record high level for this time of year.



Record high production and imports more than offset peak seasonal demand, driving stocks +2.3 million barrels higher on the week. Stock levels were +17.6 million barrels above the prior 5-year high..



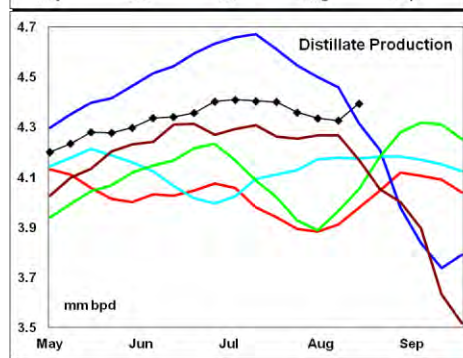
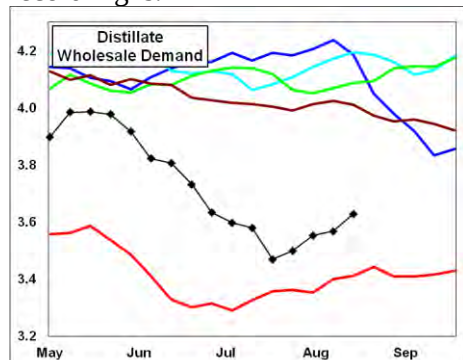
The gasoline market is exceptioally over supplied on record production, imports extending the longer term counter seasonal build. Look for

further meaningful deterioration in gasoline prices comapred to the over all energy complex.

Distillate demand decreased -46,000 bpd on the week, with the 4-wk average to +166,000 bpd above last years' depressed level.

Production increased +150,000 bpd while imports declined -97,000 bpd on the week. Output was a record high for this time of year.

Stocks increased +1.8 million barrels on the week. Stock levels are +13.6 million barrels above last years' record highs.



Distillate demand growth continues to be driven by robust exports. Record production has more than offset higher exports, lifting stock levels to new all time highs. The latest 4-wk stock build East of the Rockies was +10.4 million barrels, a record for this time of year. Expect a seasonal decline in production and strong exports to support prices compared to the overall energy complex.

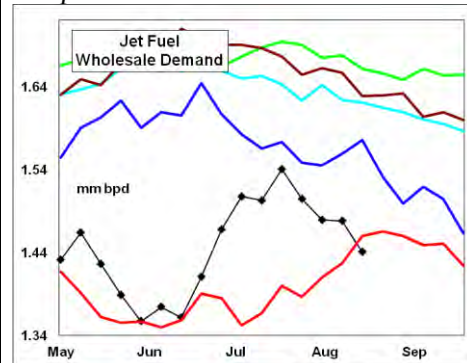
Jet Fuel demand increased +40,000 bpd on the week, with the latest 4-wk average +42,000 bpd above last year.

Supply decreased -13,000 bpd on the week, with production and imports

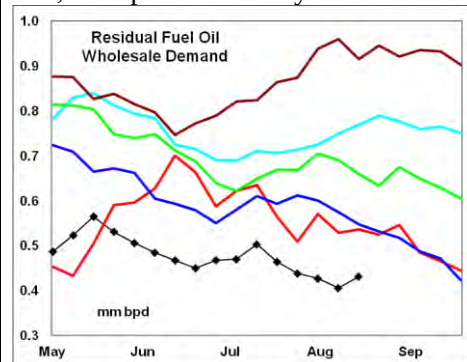
at the low end of the historic range.

Stock levels remain at record highs.

Expect production to trend lower as refiners began fall maintenance by month end, offsetting a seasonal decline in demand. Continued high stock levels should pressure prices compared to the overall energy complex.



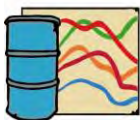
Residual fuel oil demand, including exports, increased +21,000 bpd last week, with the 4-wk average -113,000 bpd below last year.



Supply (production + imports) declined -177,000 bpd on the week, with the latest 4-wk average -35,000 bpd below a year ago. Stocks decreased -1.3 million barrels, with the level well above the historic mid range.

Refiners continue to cut output, with the latest 4-wk average -33% below last year. Imports also fell sharply last week. These supply reductions continue to improve the supply balance, although stock levels remain high.

Expect very low production rates to provide modest price support compared to the energy complex.



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

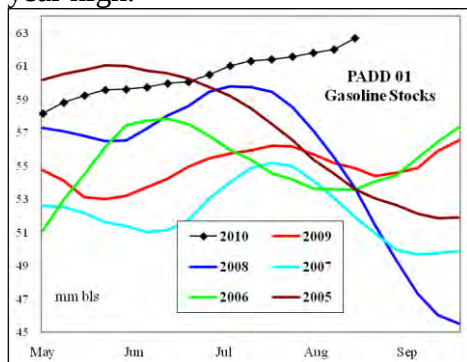
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PADD Supply Trends

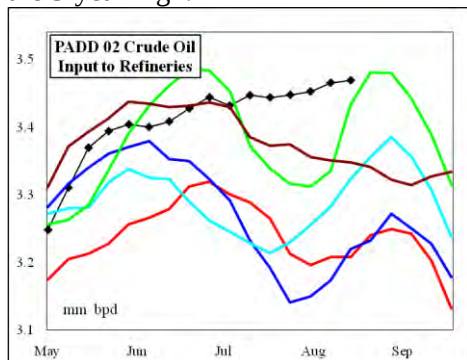
PADD 1 refinery crude oil runs were nearly unchanged on the week, with the 4-wk average -93,000 bpd below last years' record low rate.

Gasoline production increased +42,000 bpd on the week, with the latest 4-wk average +429,000 bpd above a year ago. Imports (blend stocks) increased +130,000 bpd last week, to a record high for the week. Stocks increased +0.7 million barrels, +16% above the prior 5-year high.



Distillate imports fell -68,000 bpd last week, with production nearly unchanged. Stocks increased +0.3 million barrels on the week, a new record high level.

Jet fuel supply decreased -16,000 bpd last week. Stock levels matched the 5-year high.



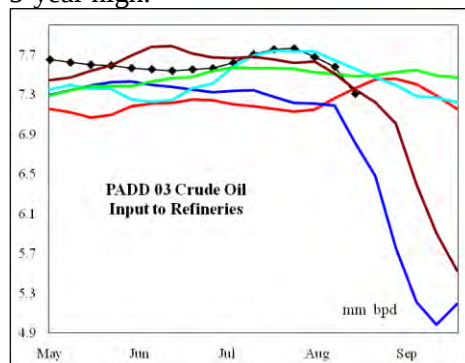
PADD 2 crude oil refinery runs decreased -43,000 bpd last week, but the level remains at a 5-year high. Imports increased +104,000 bpd to a level above the historic range. Stocks decreased -1.4 million barrels last week, including a -0.8 million barrel draw in Cushing.

Gasoline production increased +13,000 bpd last week, with the level above four of the last five years. Stocks decreased -1.1 million barrels on the week, to a level above the mid range.

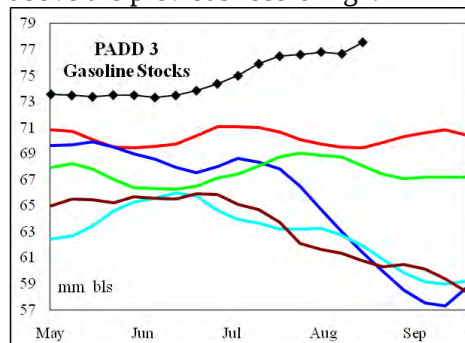
Distillate production increased +27,000 bpd on the week, with the level above the 5-year range. Stocks increased +1 million barrels to a record high for the season.

Jet fuel production and stock levels were each above the historic range.

PADD 3 refinery crude oil runs decreased -442,000 bpd, to a level below the mid range. The latest 4-wk average was +475,000 bpd above a year ago. Crude imports increased +384,000 bpd to the upper end of the historic range. Stocks increased +4.5 million barrels to match the level of the 5-year high.



Gasoline production increased +202,000 bpd on the week. Imports jumped +114,000 bpd. Stocks increased +1.7 million barrels, +11% above the previous record high.



Distillate production increased +73,000 bpd on the week, to a new record high for this time of year. Stocks increased +1.3 million barrels, up +19% over the prior 5-year high.

Jet fuel production increased +15,000 bpd to the mid range. Stock levels are now +12% above the prior record high.

Residual fuel oil supply fell -115,000 bpd on the week, with both production and imports at record low levels. Stocks remain above the historic range.

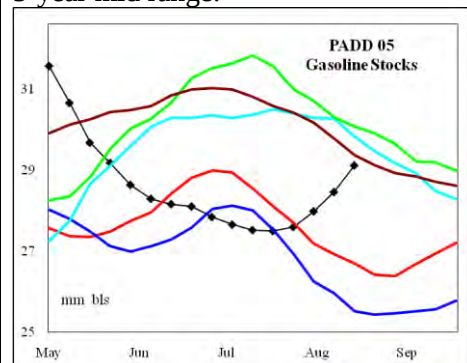
PADD 4 refinery crude runs decreased -23,000 bpd on the week, matching the 5-year low for the period. The latest 4-wk average thru put was -8,000 bpd below last year. Stocks were above the 5-year range.

Gasoline production increased +17,000 bpd on the week, to the upper end of the historic range. Stock levels matched the 5-year high for the week.

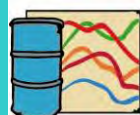
Distillate production was at the mid range while stock levels remain above the historic range.

PADD 5 crude oil refinery runs increased +166,000 bpd on the week, with the latest 4-wk average +93,000 bpd above last year. Crude imports decreased -167,000 bpd last week to the lowest level of this year. Stocks increased +0.7 million barrels, to a the low end of the historic range.

Gasoline production increased +14,000 bpd on the week, at a level that is above the last 2-years. Imports jumped +85,000 bpd to a record level for this time of year. Stocks increased +0.7 million barrels to a level near the 5-year mid range.



Distillate production increased +43,000 bpd, but remains at the low end of the historic range. Stocks fell -0.7 million barrels to the historic mid range.


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PETROLEUM: Graph Link and Weekly Summary

A Fundamental Petroleum Trends Weekly Report

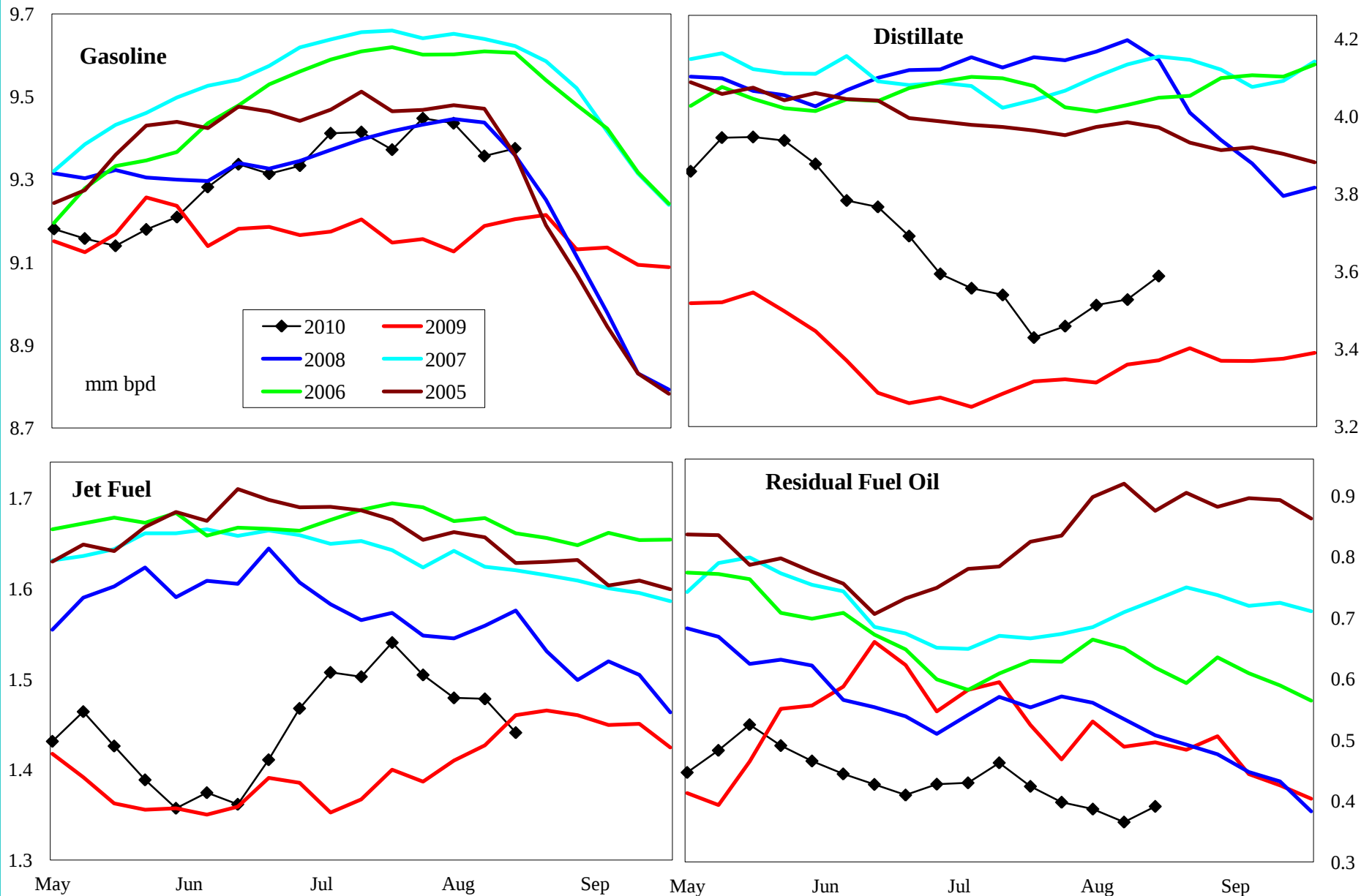
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Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization</u> <u>Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	20-Aug-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	4,108	-82	-1,363	4,511	300	742
	Imports	320	13	104	384	-15	-167
	Input	-348	-7	-43	-442	-23	166
	% Utilization	-2.30					
<u>Gasoline</u>	Stocks	2,273	722	-1,097	1,720	201	726
	Production	289	42	13	202	17	14
	Imports	331	130	0	114	0	85
	Supplied	-84					
<u>Distillate</u>	Stocks	1,763	293	1,011	1,297	-95	-745
	Production	150	6	27	73	2	43
	Imports	-97	-68	-30	0	4	-2
	Supplied	-46					
<u>Jet Fuel</u>	Stocks	104	200	-188	-12	22	83
	Production	-29	-10	-20	15	-2	-13
	Imports	16	-6	0	0	0	20
	Supplied	40					
<u>Residual Fuel Oil</u>	Stocks	-1,283	-605	27	-851	-10	154
	Production	-16	-9	-14	-12	0	19
	Imports	-161	-69	0	-103	0	11
	Supplied	21					

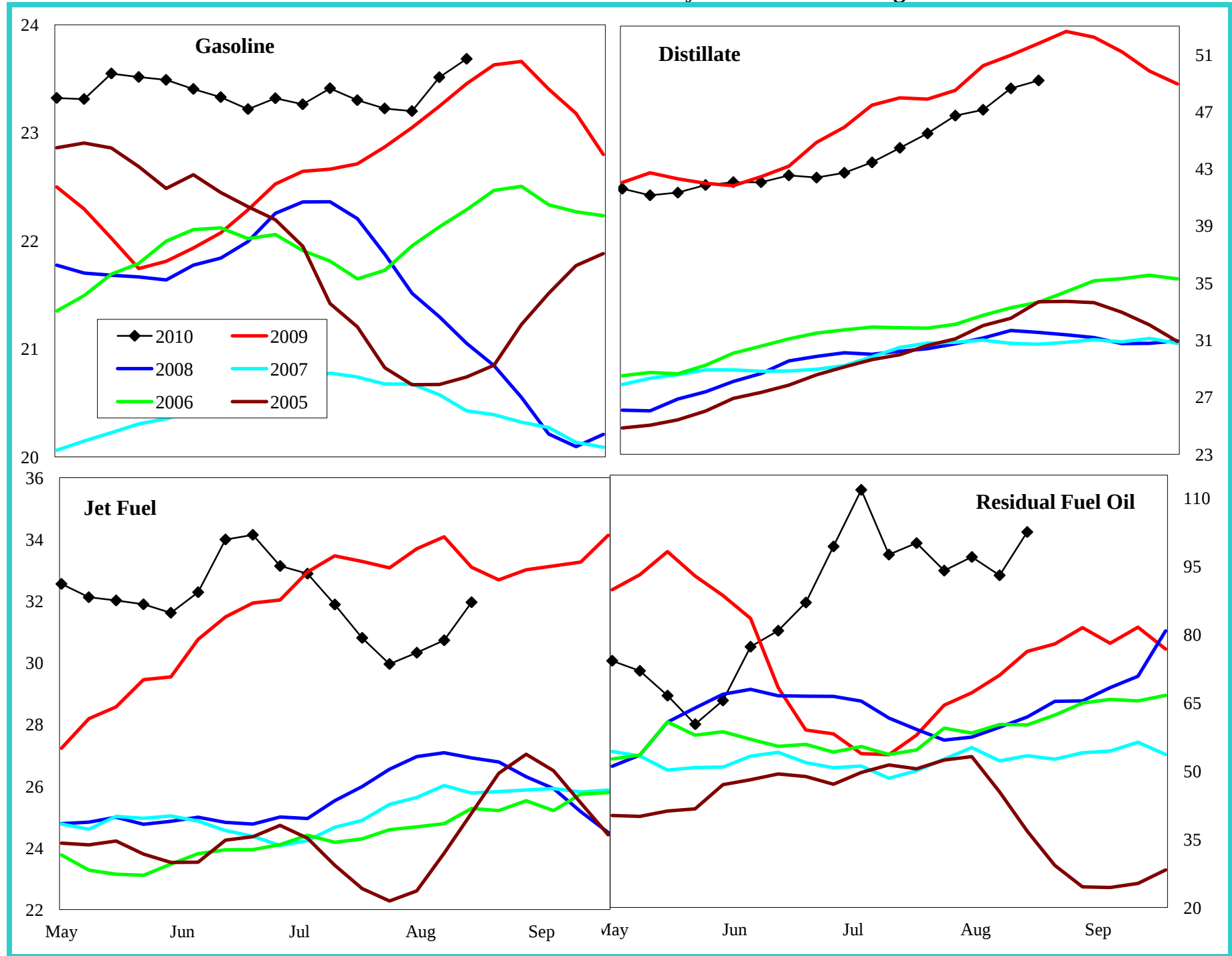
United States Wholesale Petroleum Demand



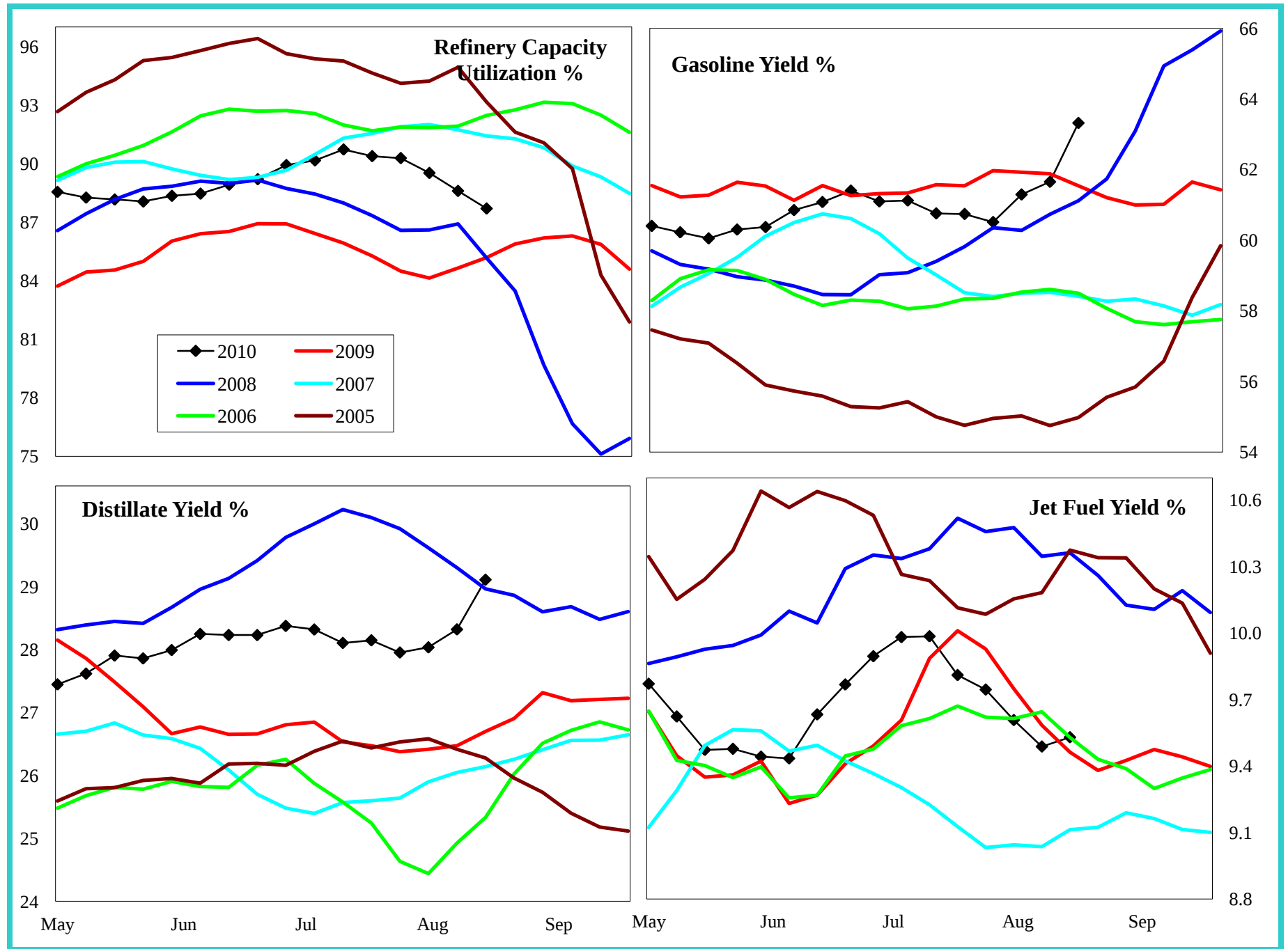
	000 bpd change from prior year				% change from prior year			
	4wk avg	Jul	Jun	May	4wk avg	Jul	Jun	May
Gasoline	272	139	129	133	3.0	1.5	1.4	1.5
Distillate	166	213	258	199	4.9	6.3	7.3	5.8
Jet Fuel	42	10	-74	93	2.9	0.7	-5.2	7.0
Resid	-113	178	-124	81	-20.6	55.8	-21.9	18.7



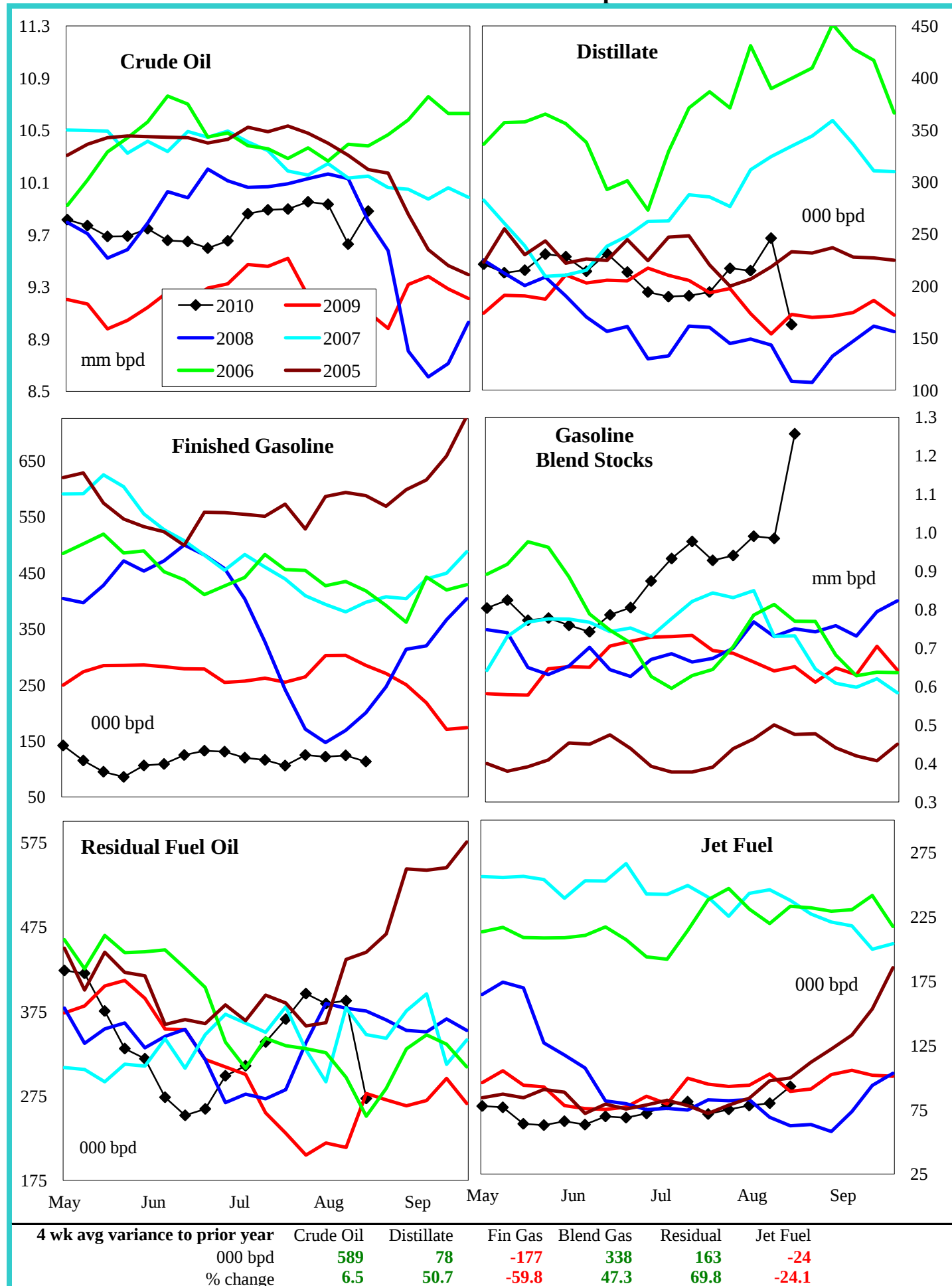
United States Product Stocks: Days Forward Coverage



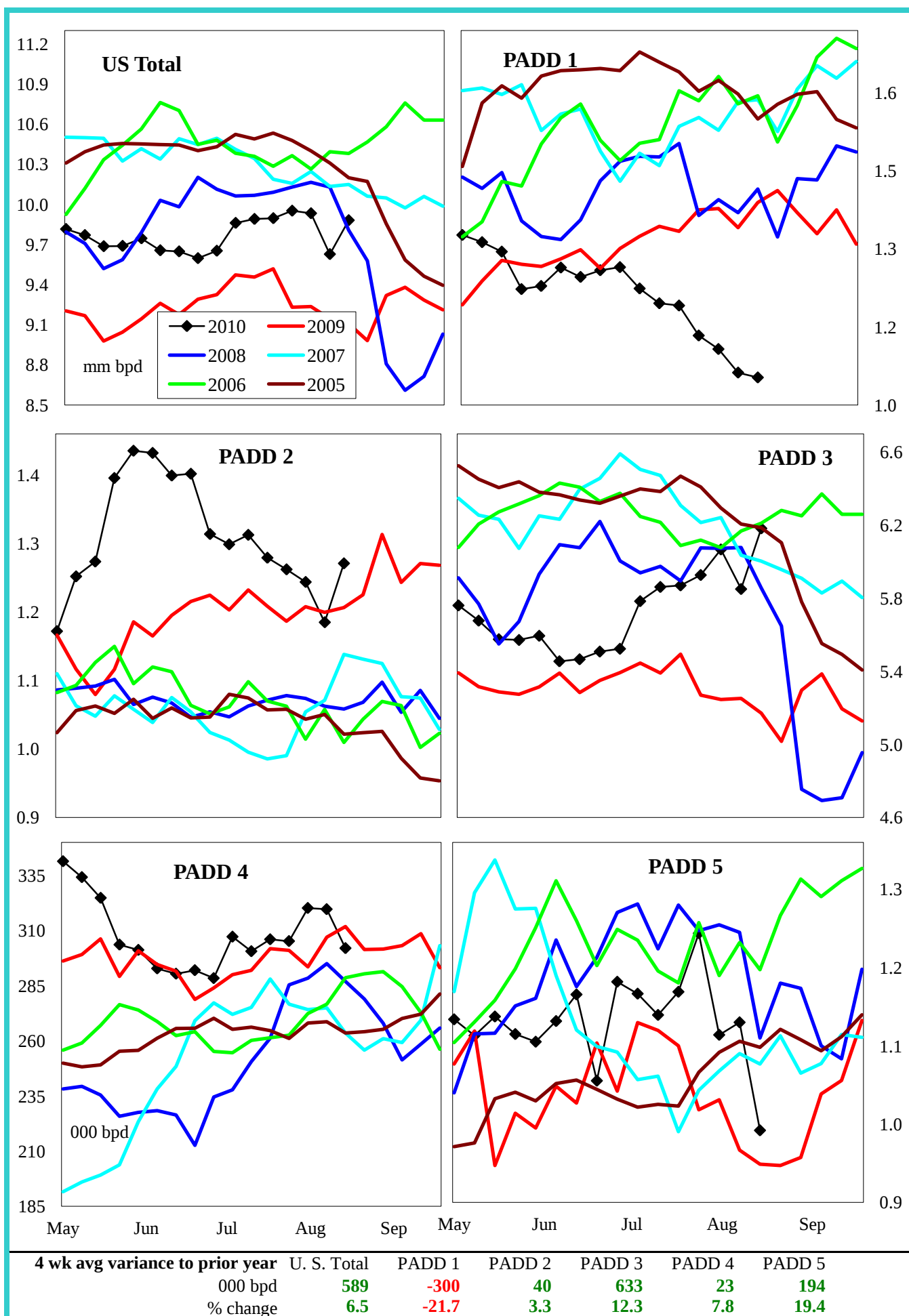
United States Refinery Percent Utilization Rate and Product Yields



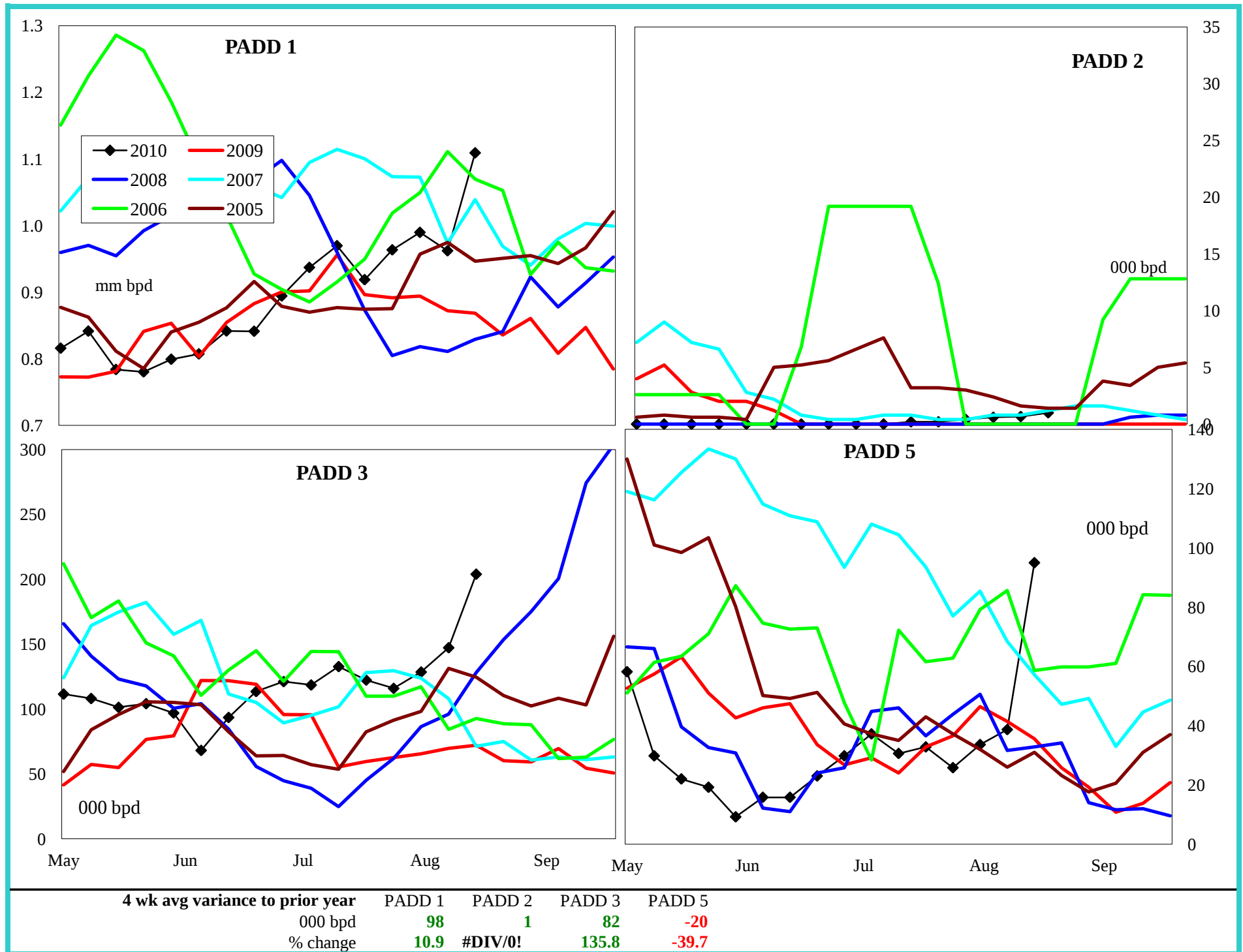
United States Petroleum Imports



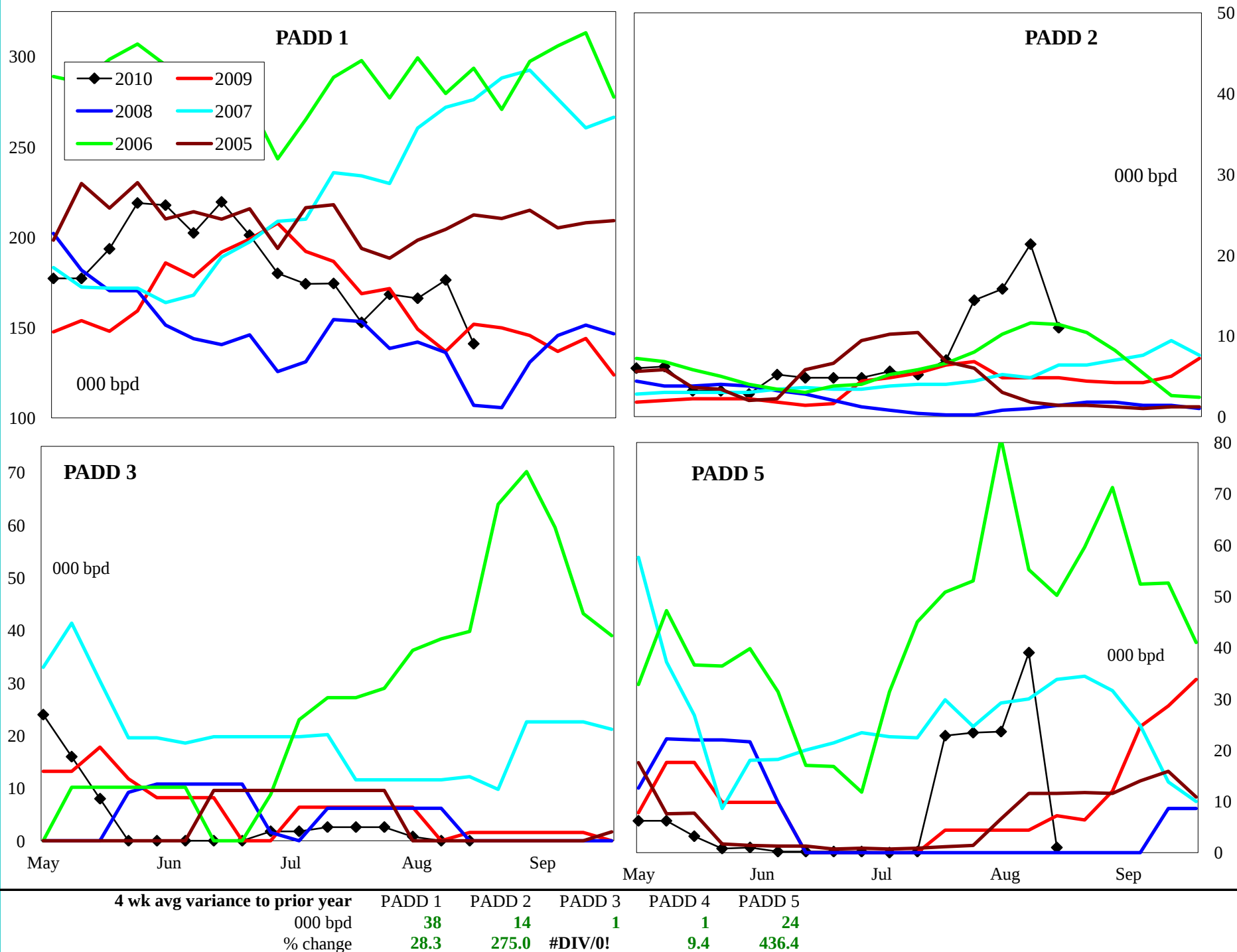
Crude Oil Imports by PADD



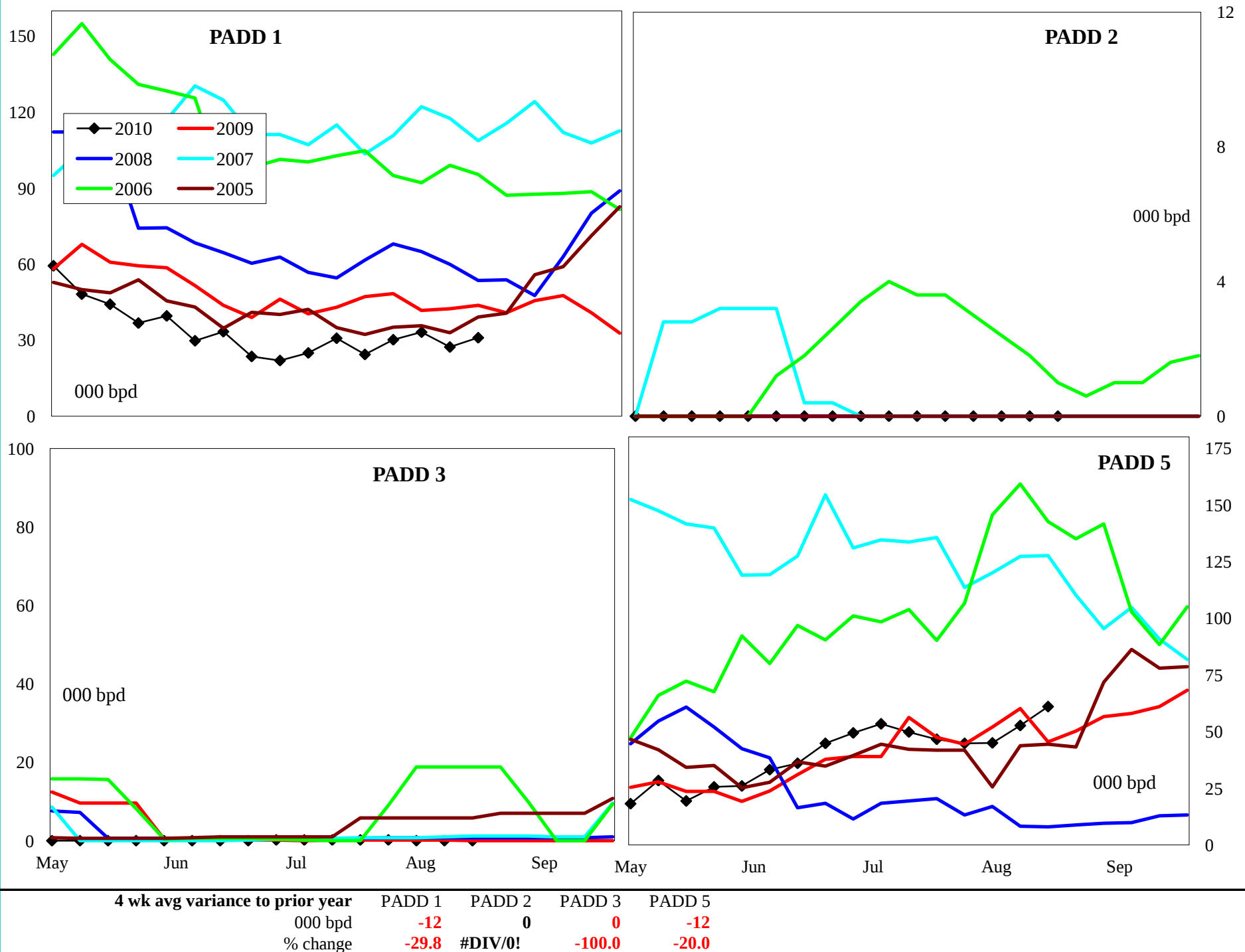
Gasoline Imports by PADD (Finished + Blend Stocks)



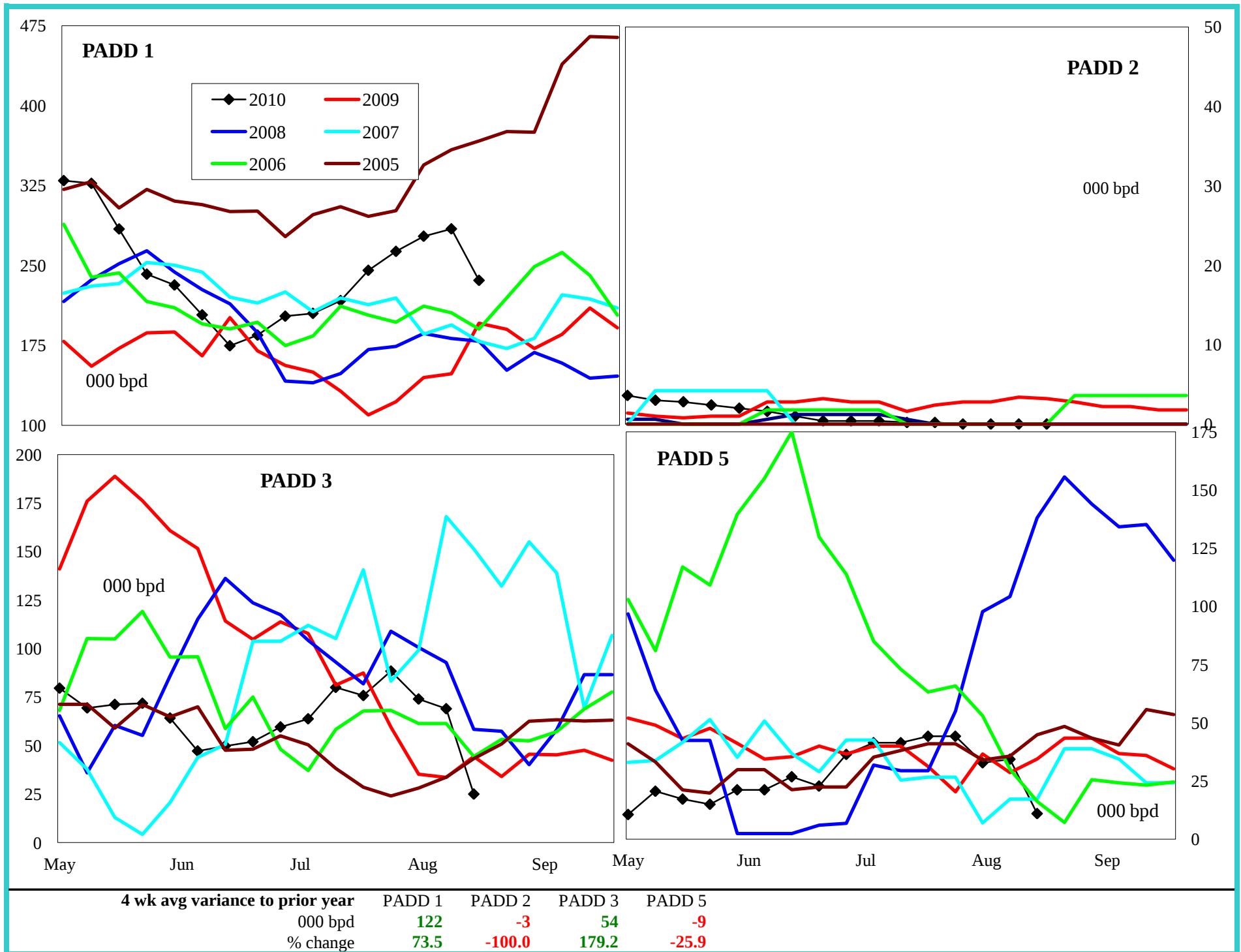
Distillate Imports by PADD



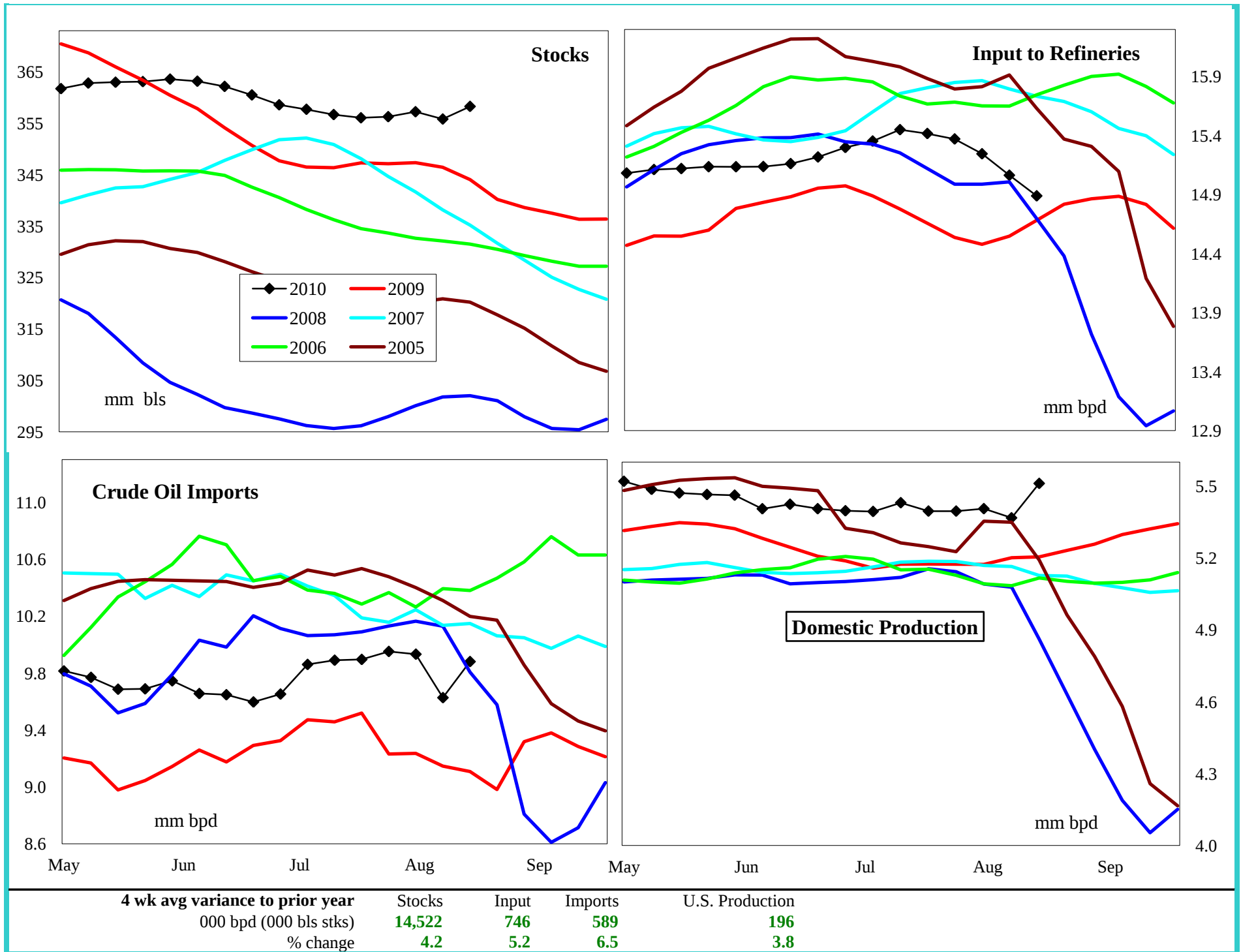
Jet Fuel Imports by PADD



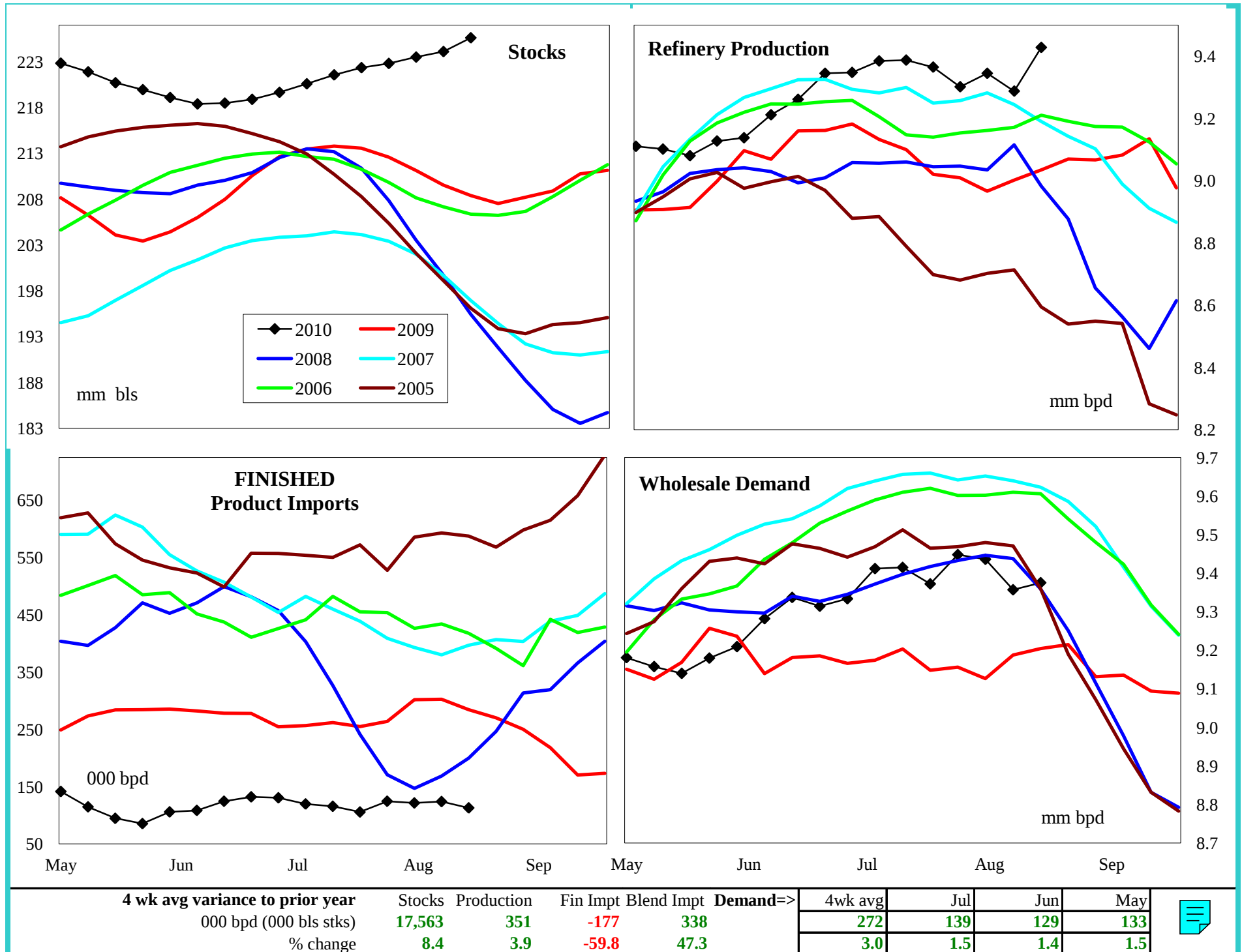
Residual Fuel Oil Imports by PADD



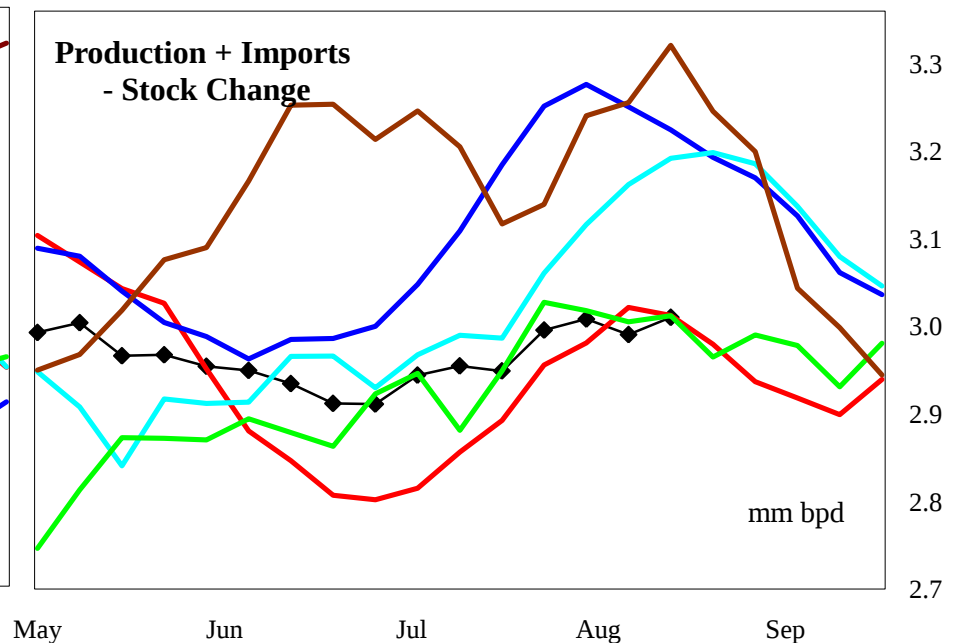
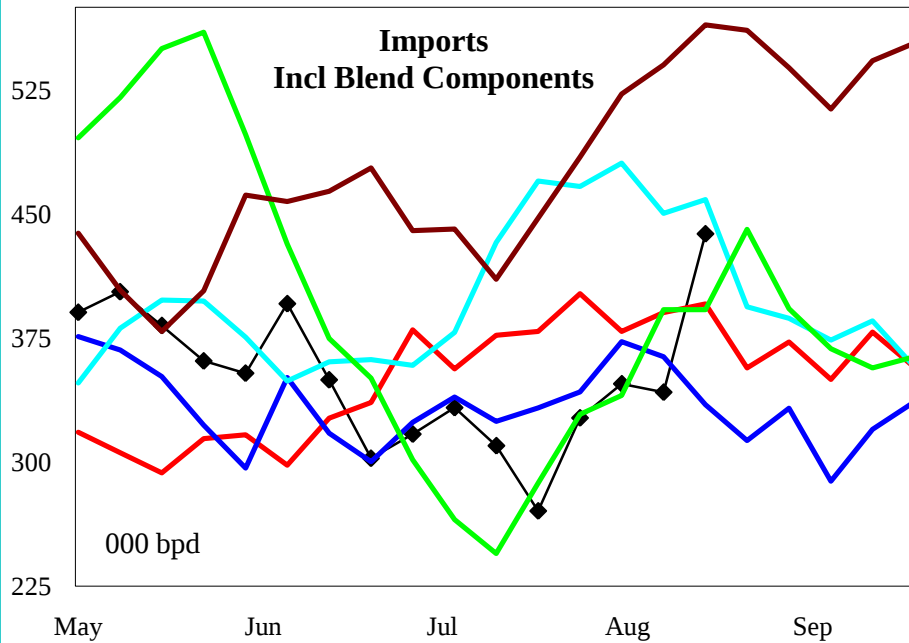
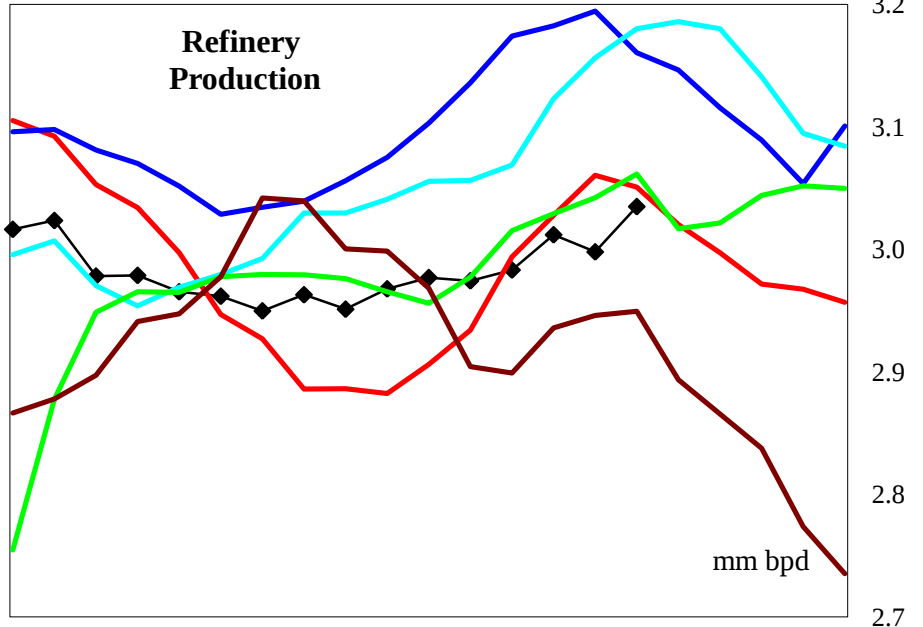
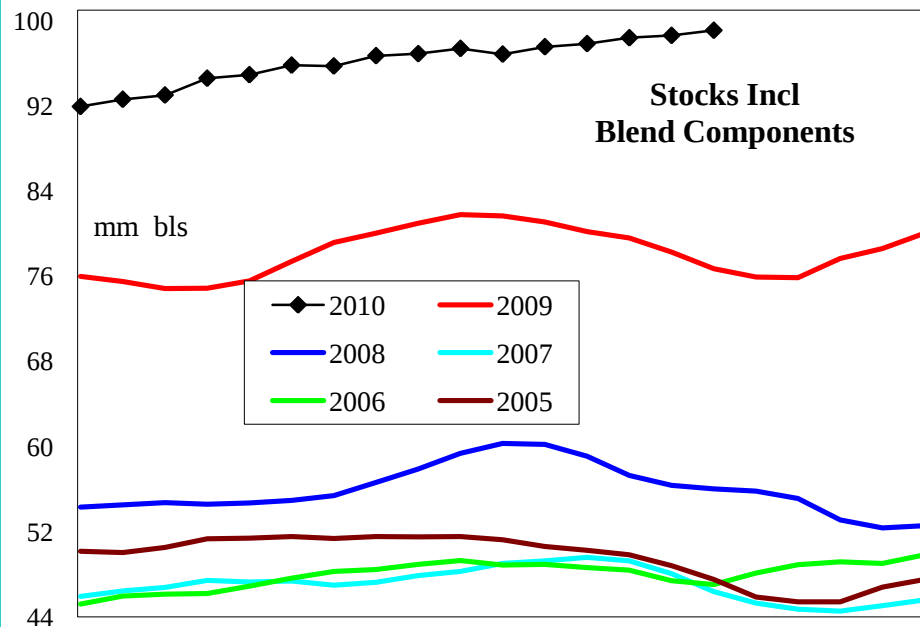
United States Crude Oil Supply and Demand Balance



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

22,382

Production

-55

Imports

-28

Prod + Imp - Stk chg

9

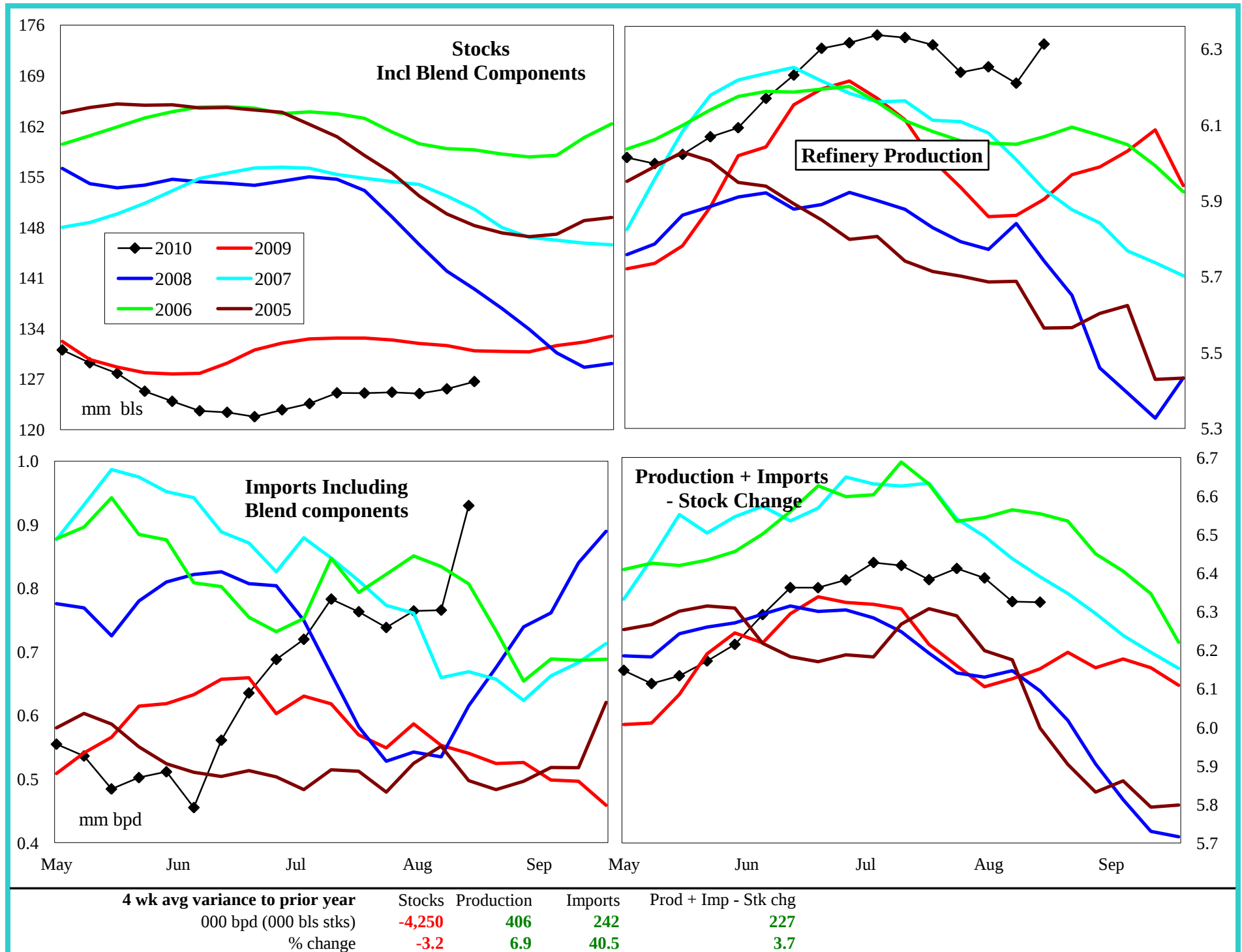
29.2

-1.8

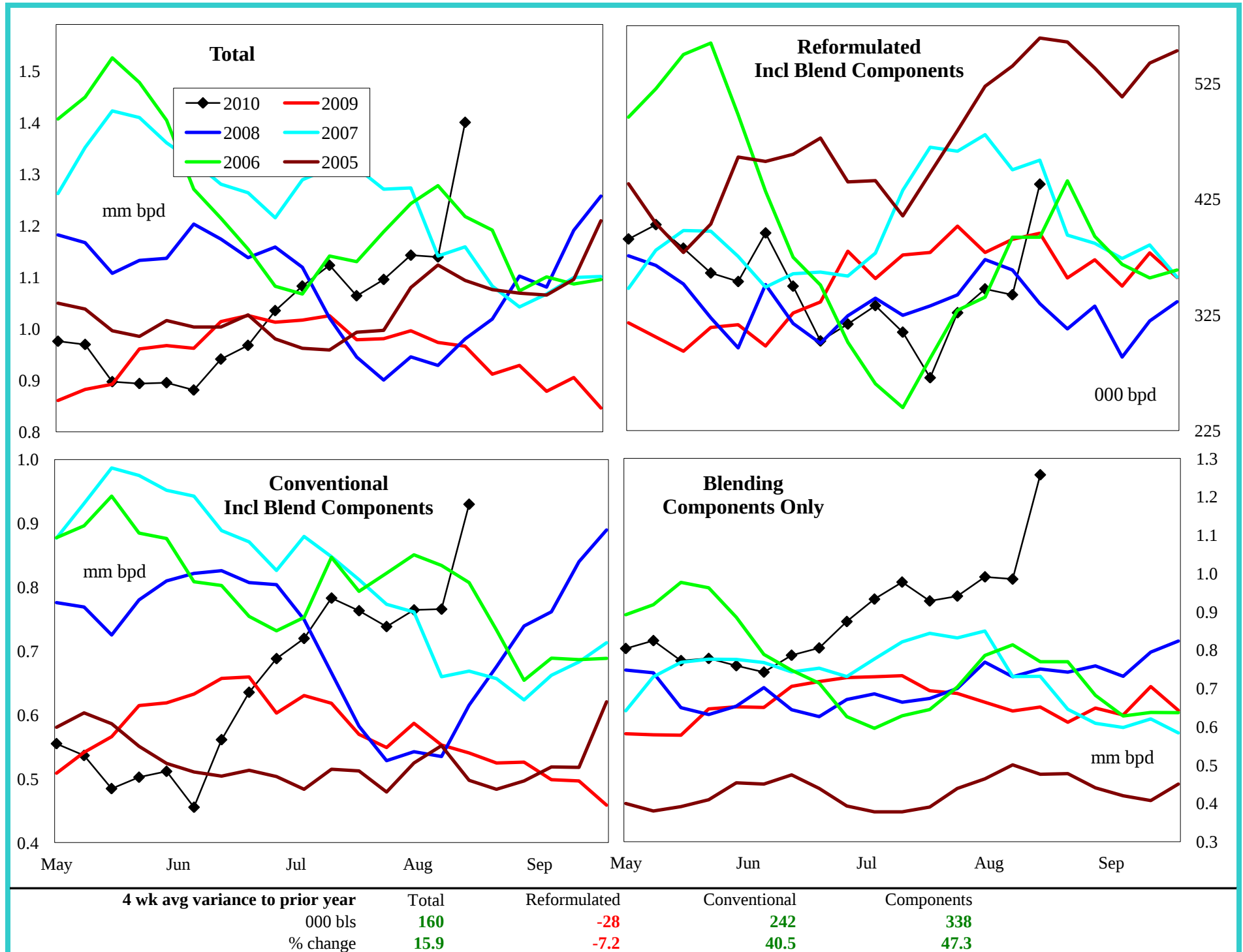
-7.2

0.3

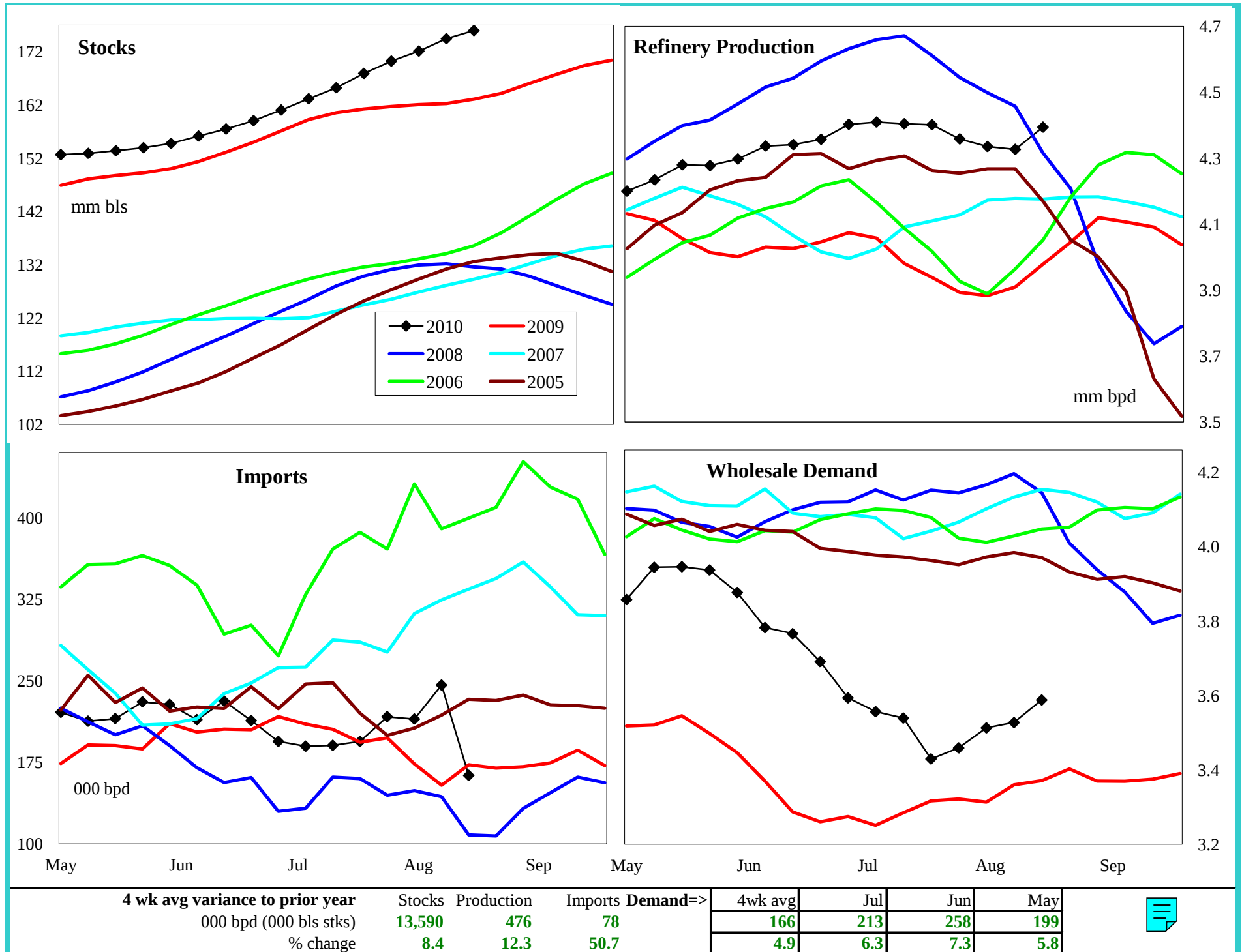
United States Conventional Gasoline Supply



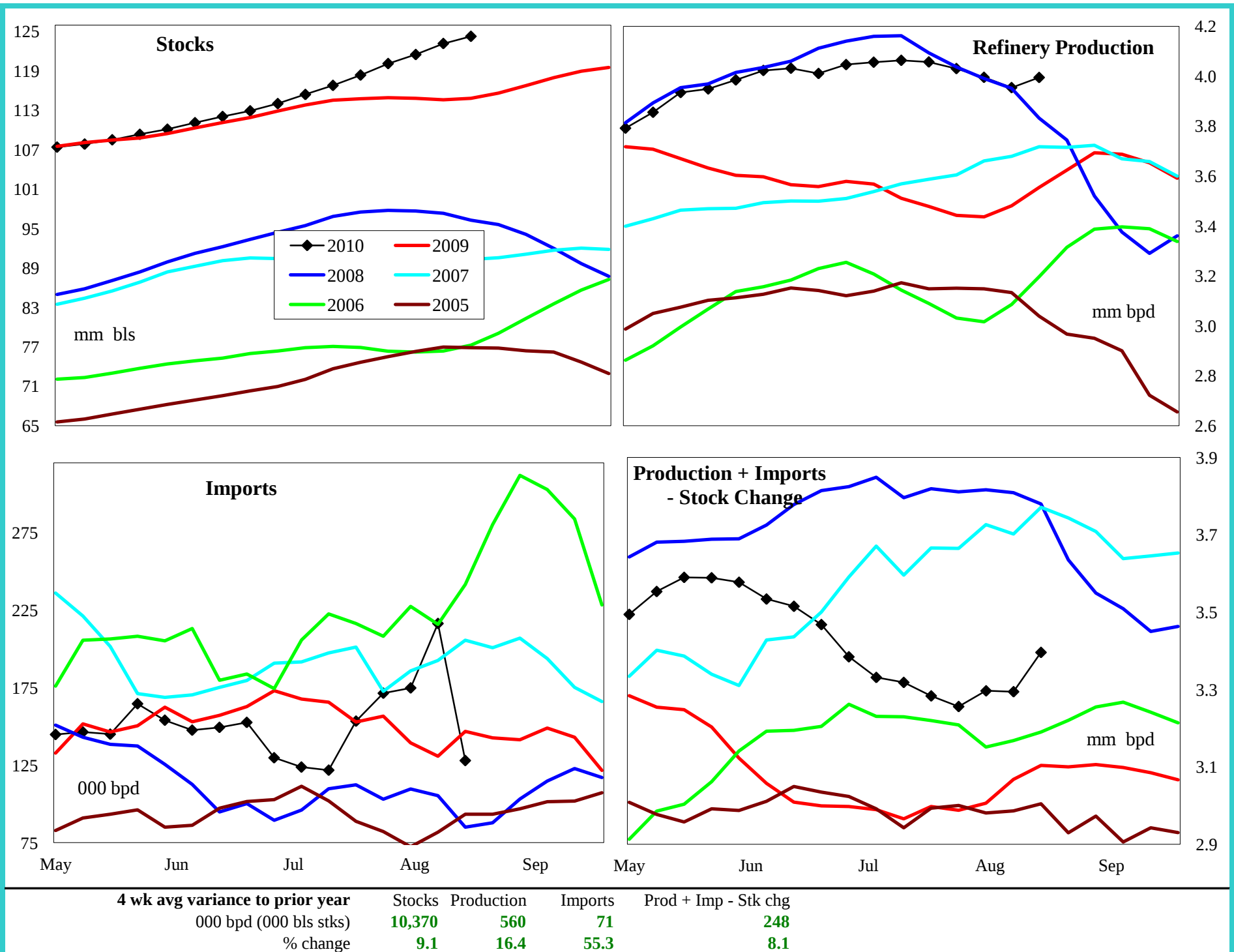
United States Gasoline Imports by Type



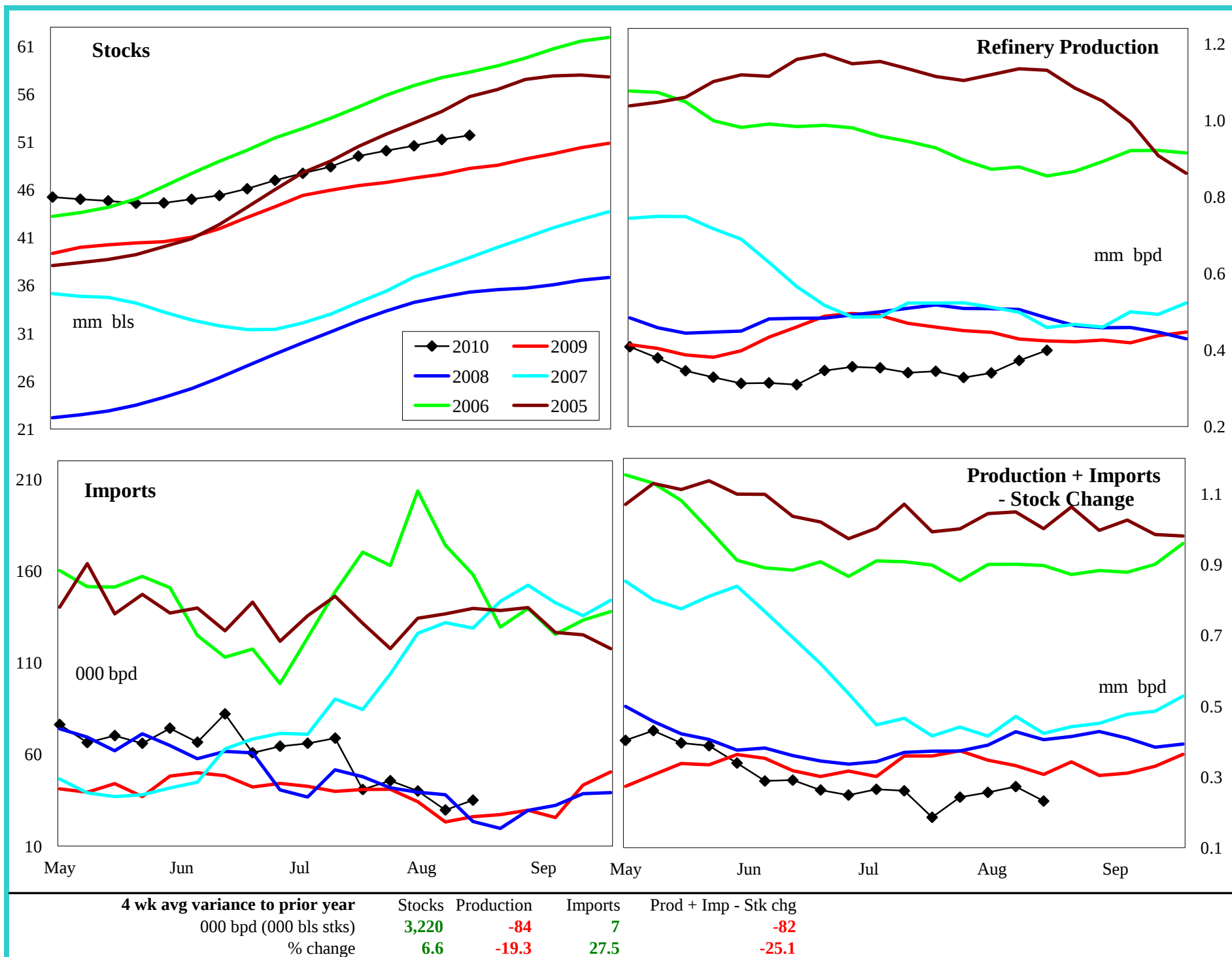
United States Distillate Supply and Demand Balance



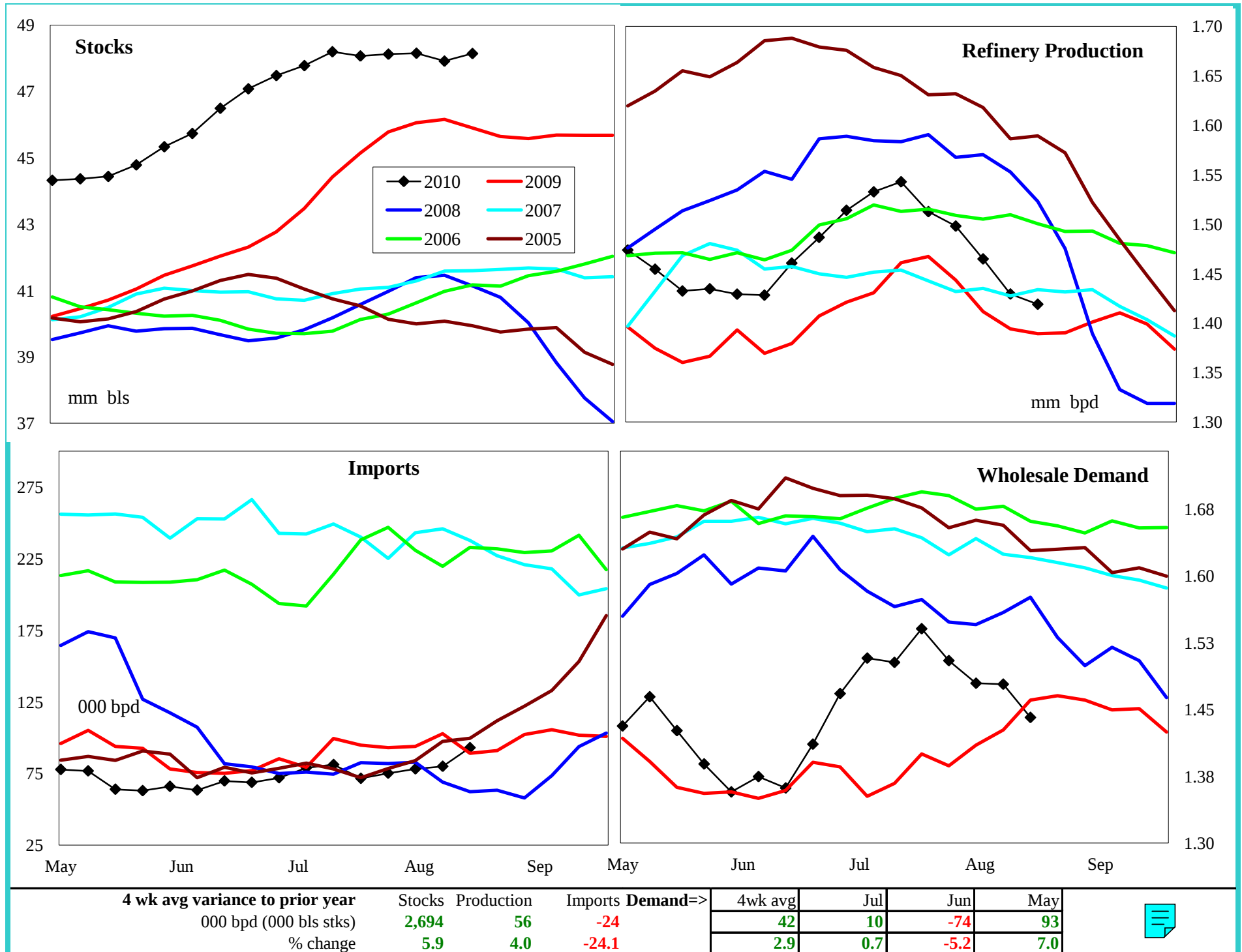
United States Low Sulfur Distillate Supply



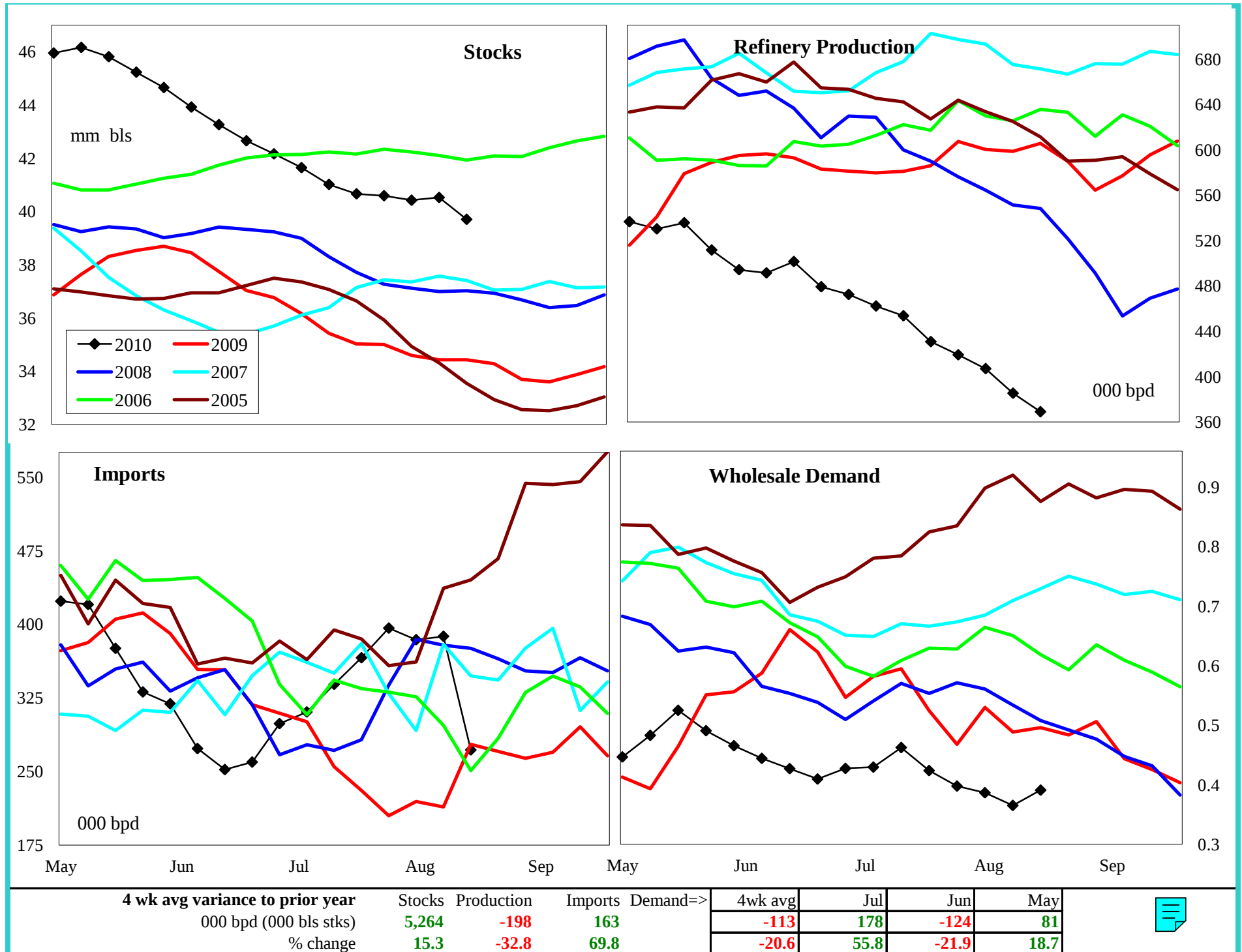
United States High Sulfur Distillate Supply



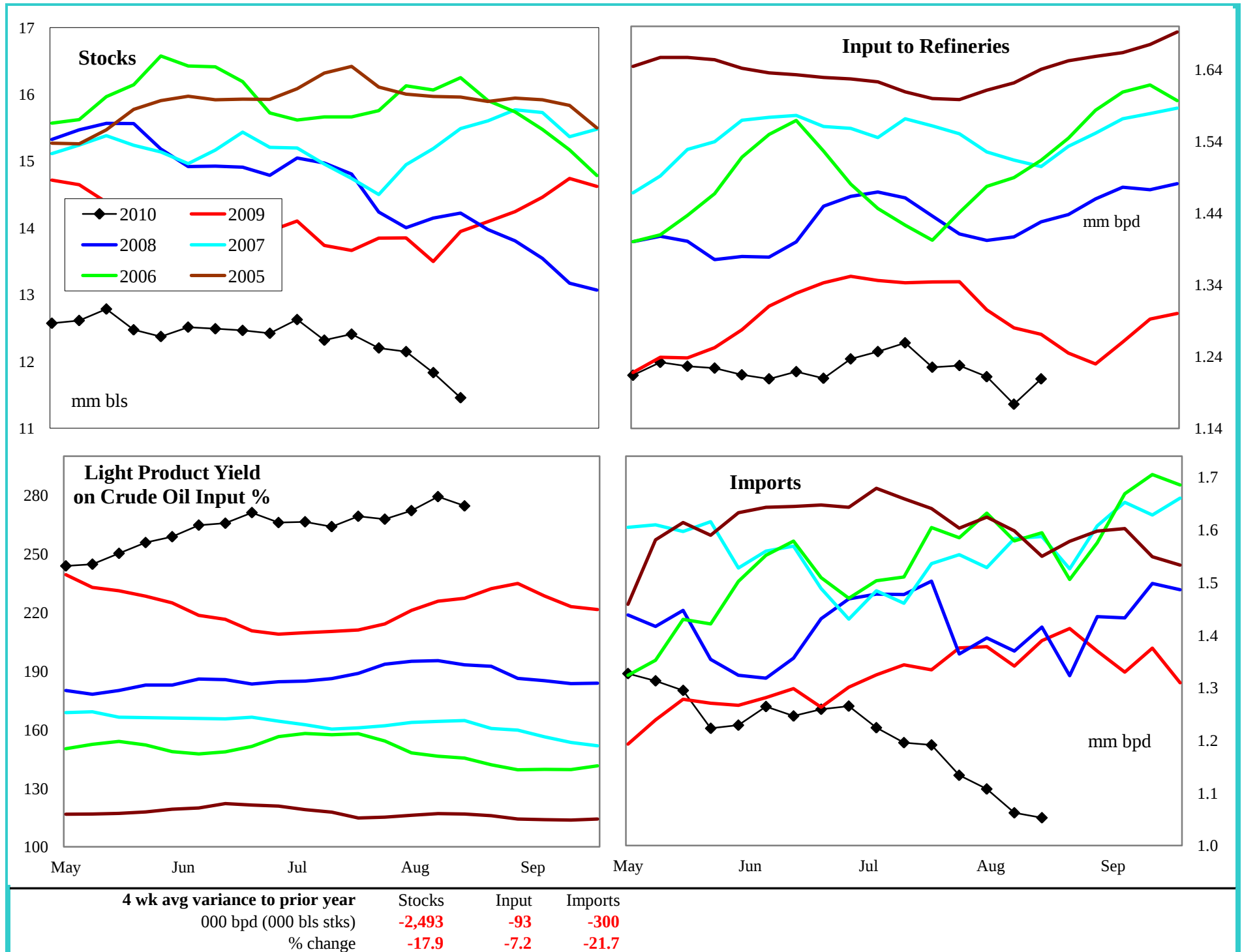
United States Jet Fuel Supply and Demand Balance



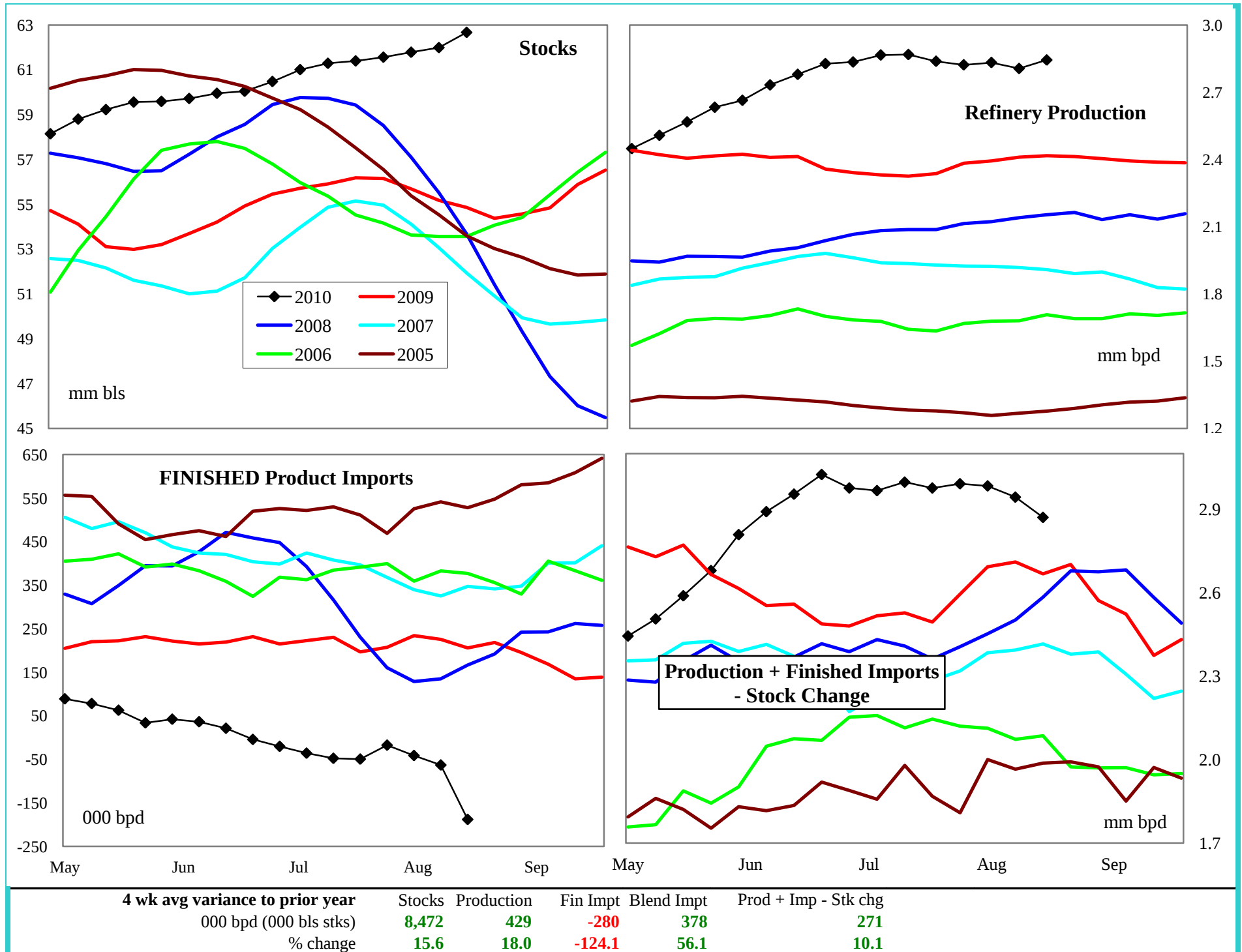
United States Residual Fuel Oil Supply and Demand Balance



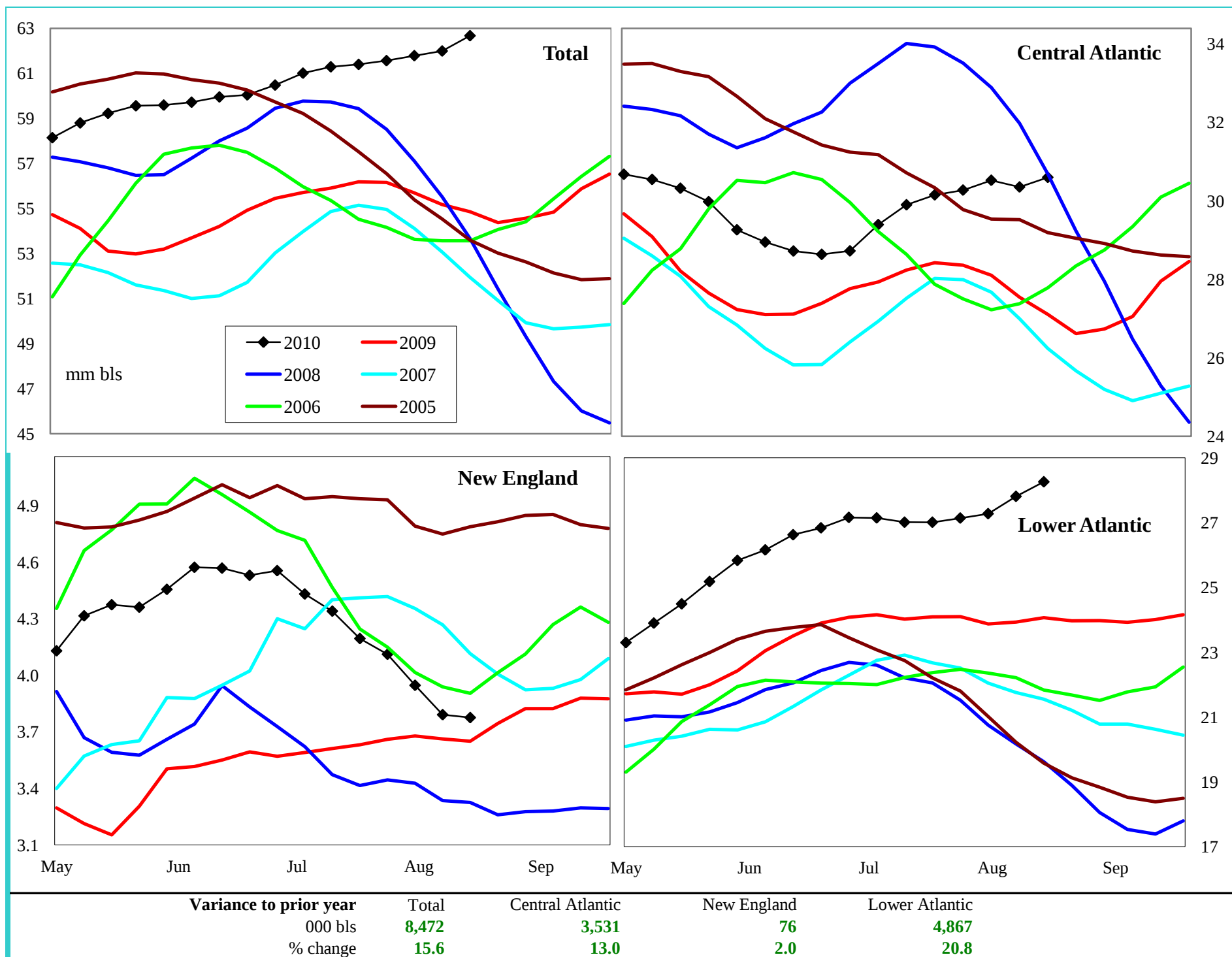
PADD 1 Crude Oil Supply and Refining



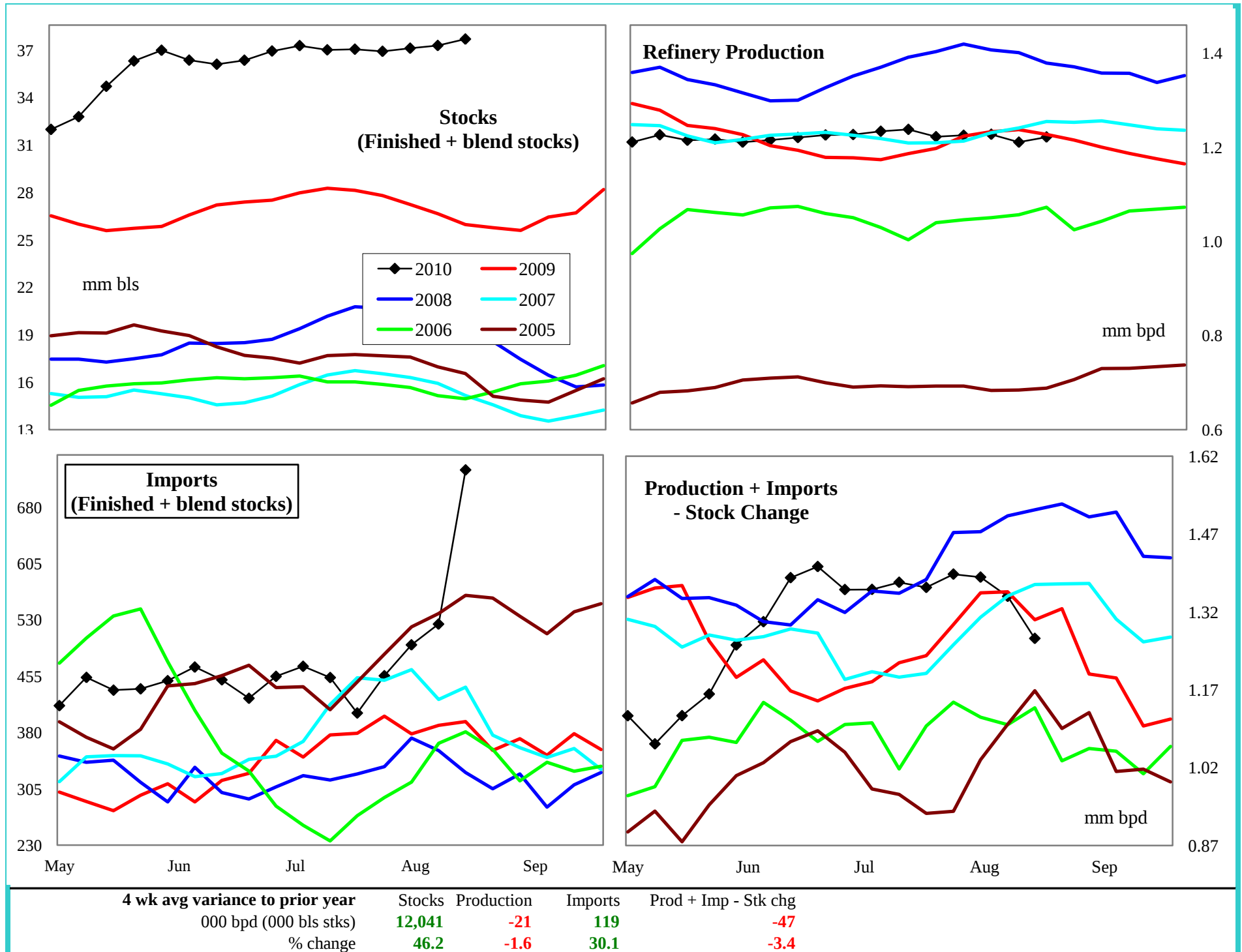
PADD 1 Gasoline Supply



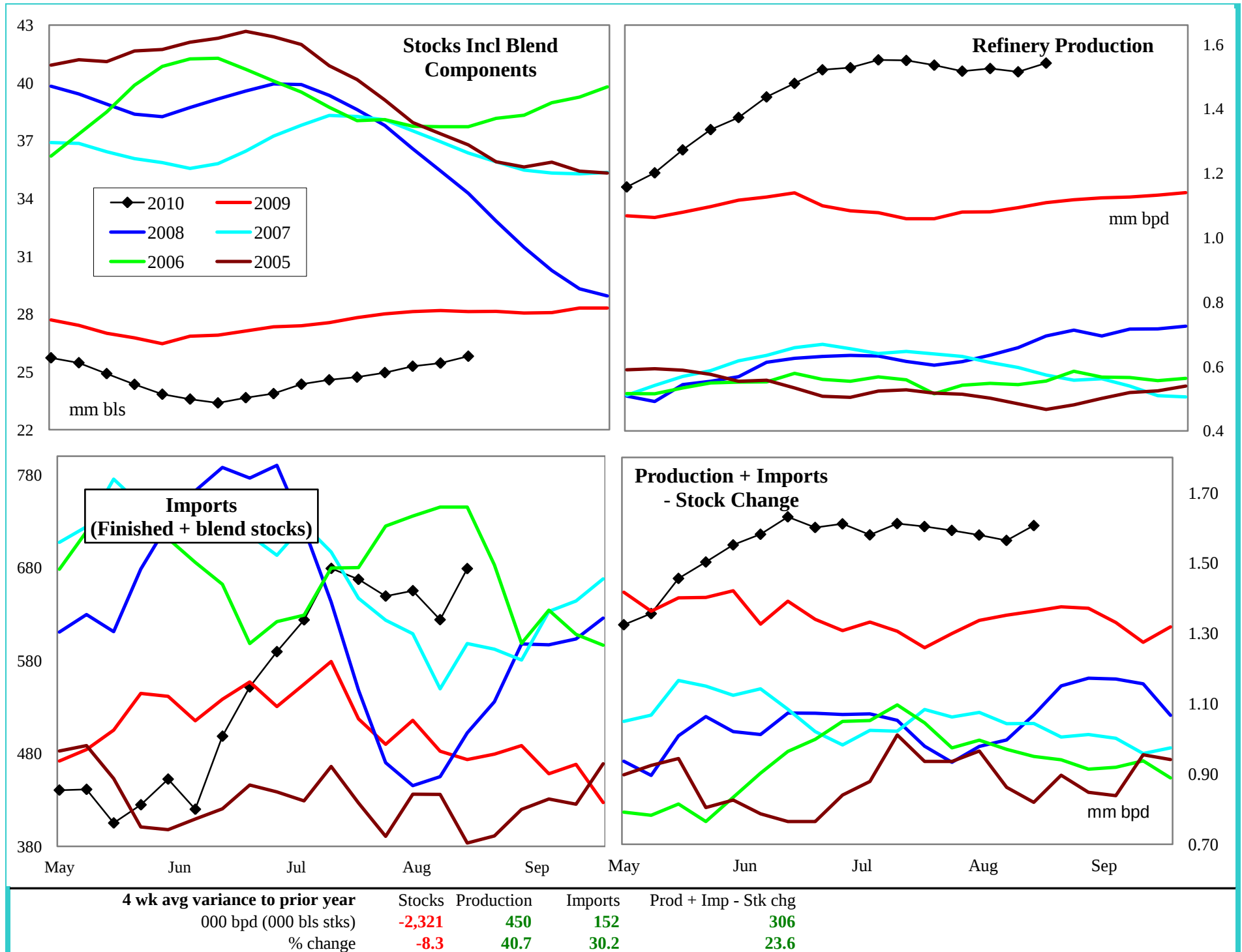
PADD 1 Gasoline Stocks by Region



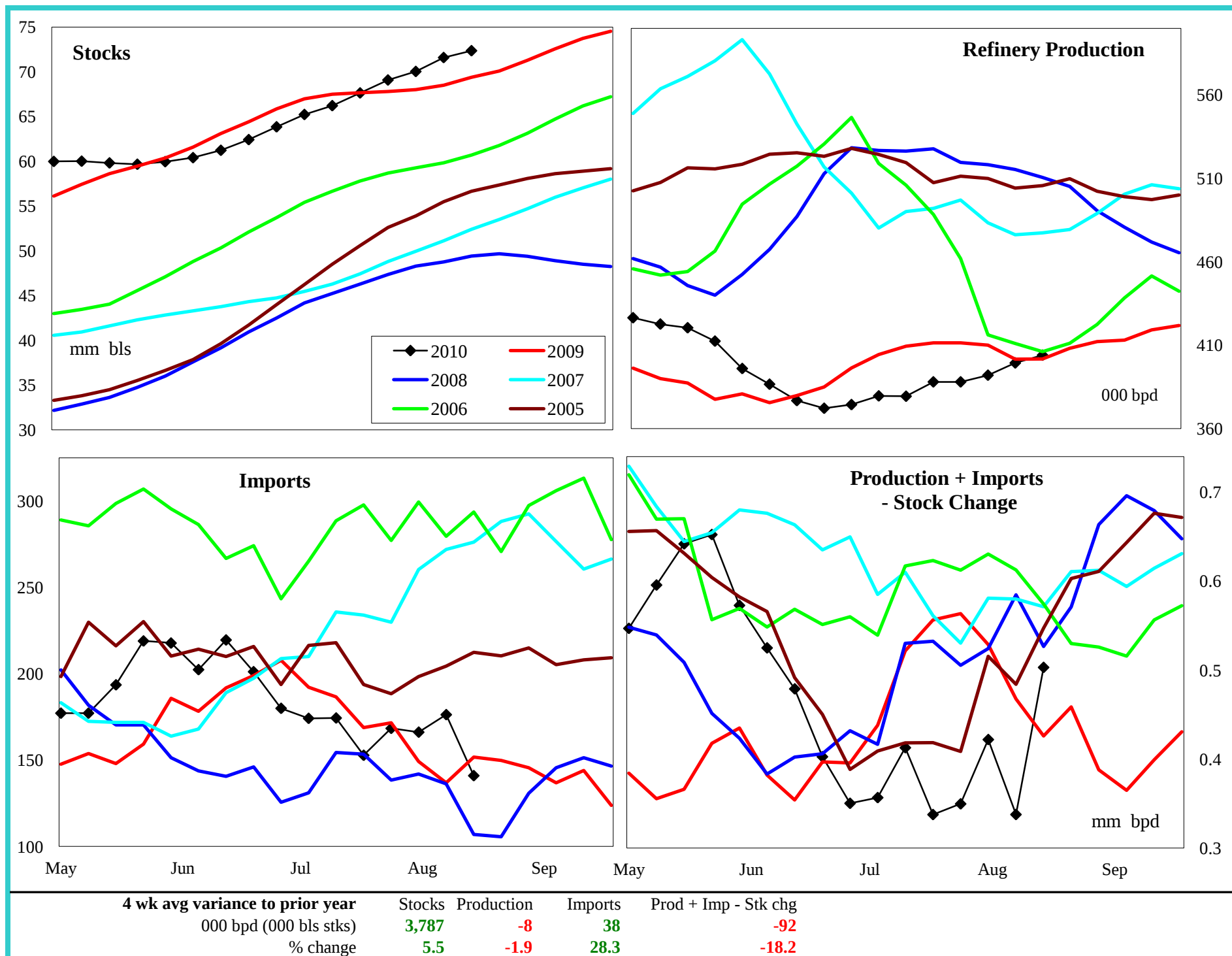
PADD 1 Reformulated Gasoline Supply



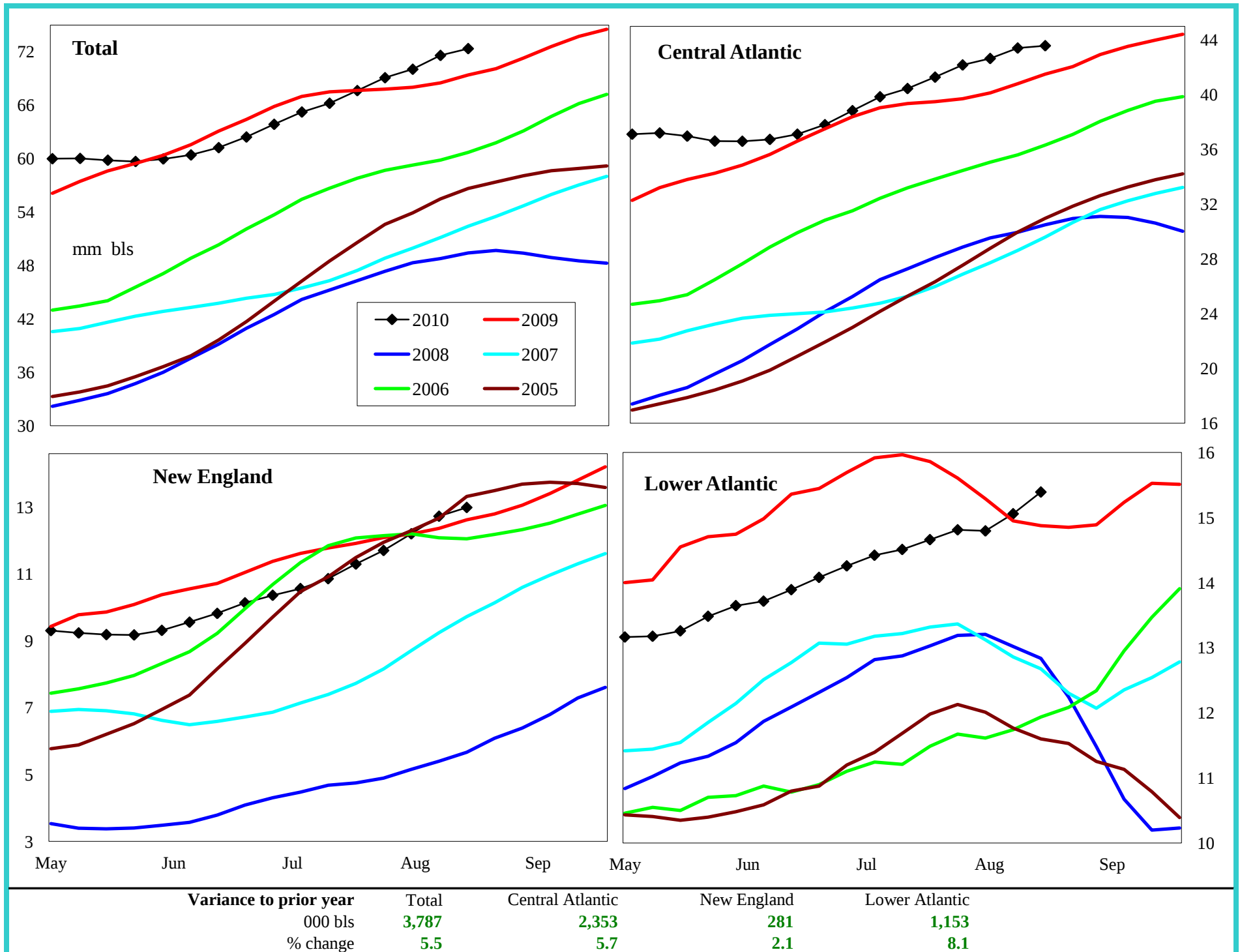
PADD 1 Conventional Gasoline Supply



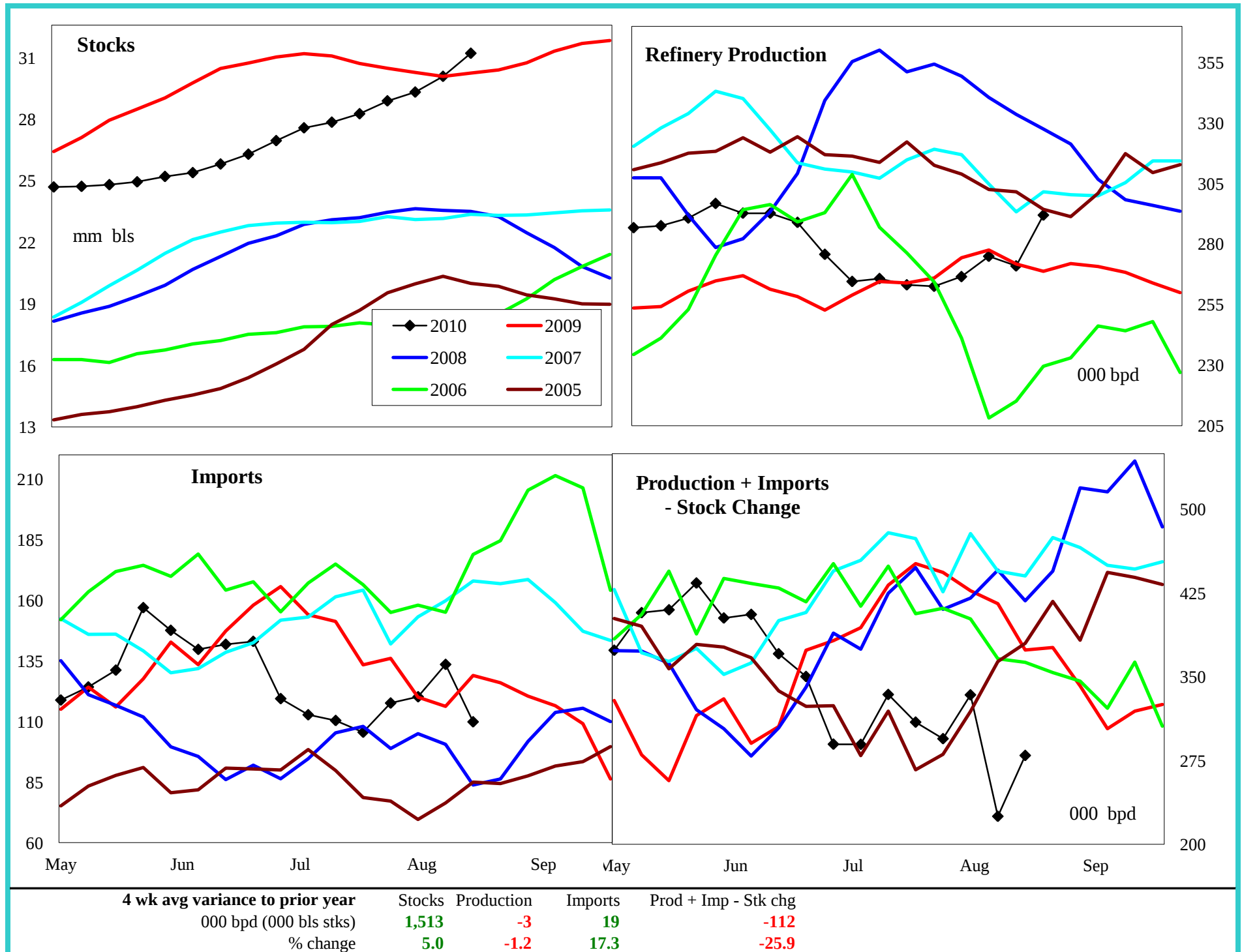
PADD 1 Distillate Supply



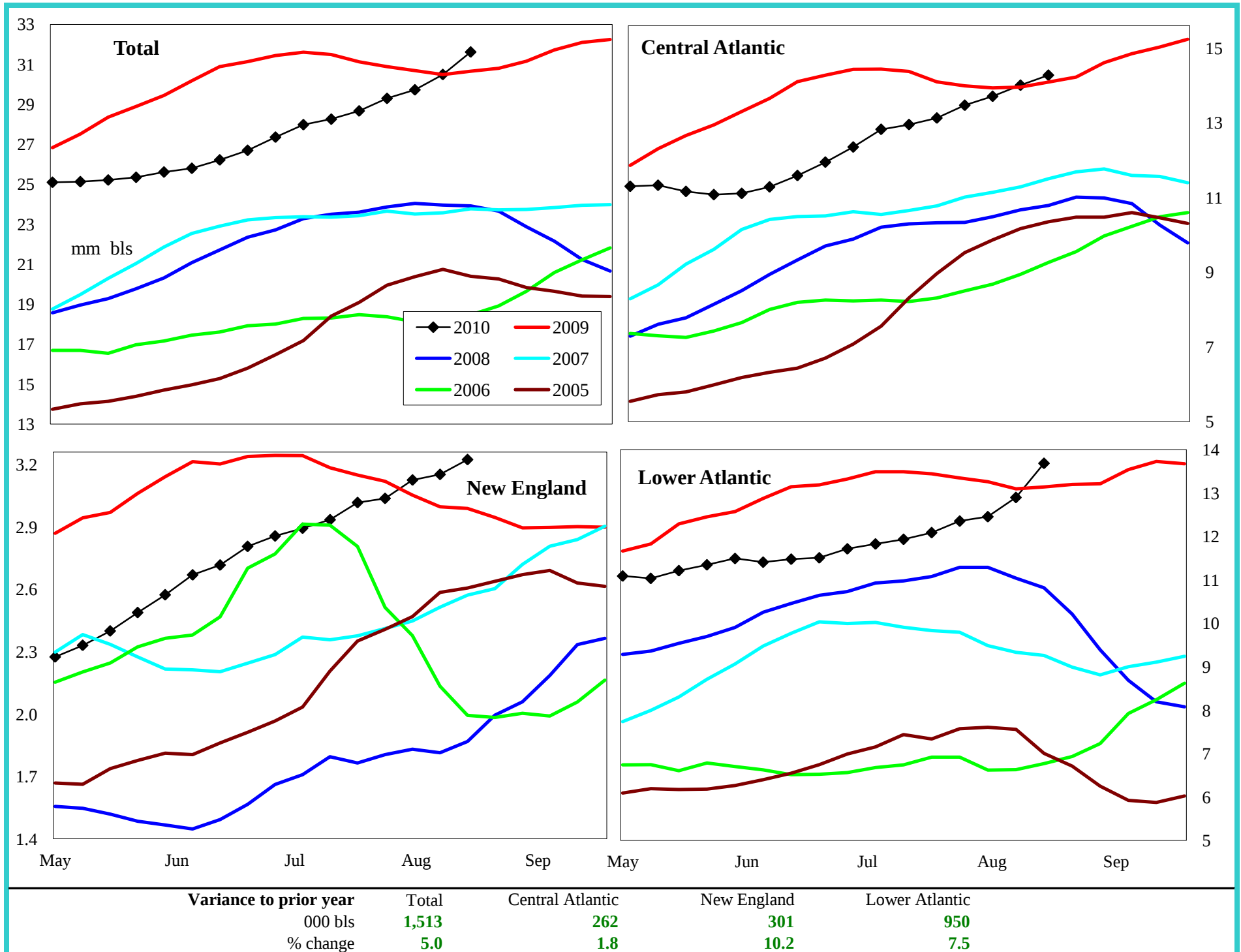
PADD 1 Distillate Stocks by Region



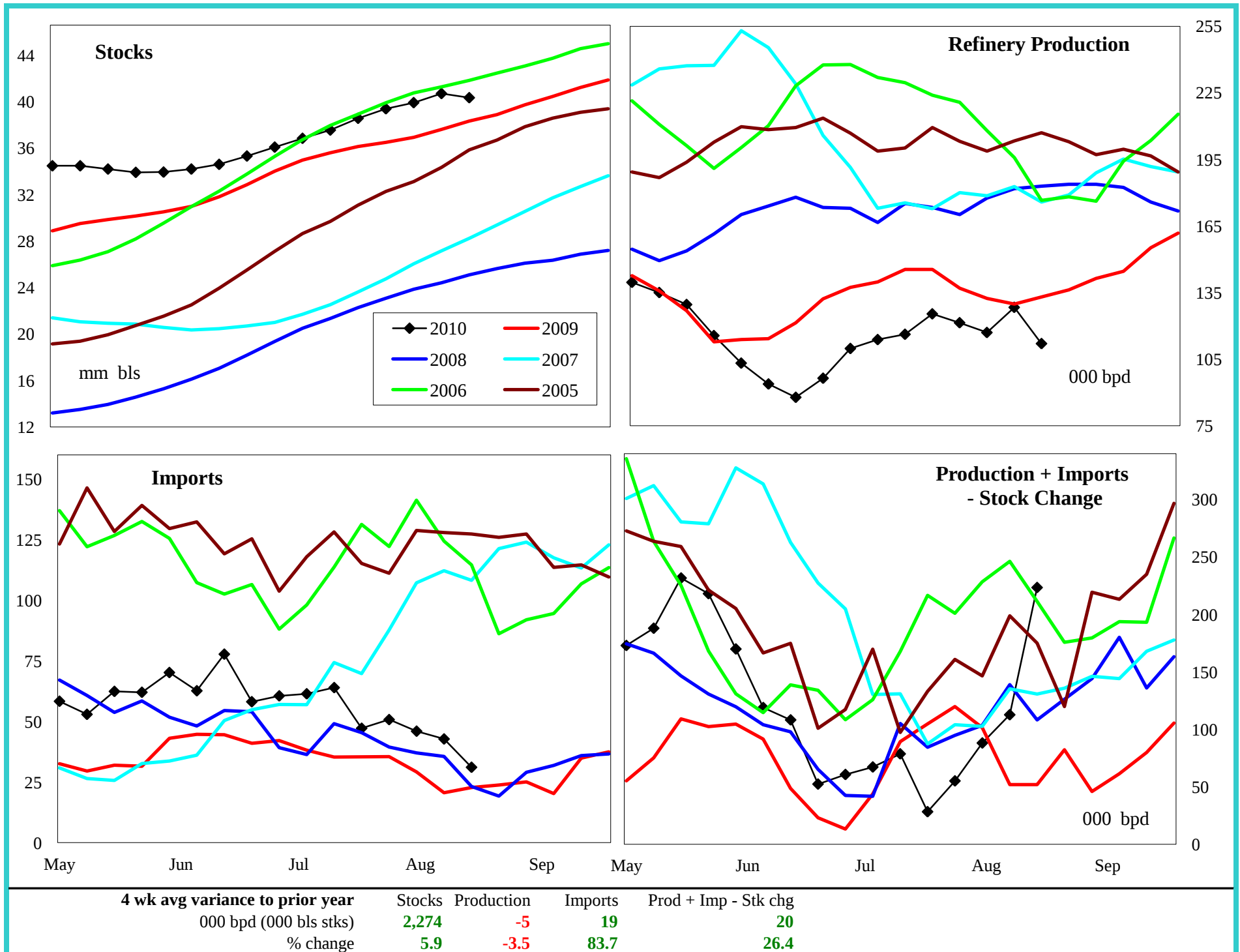
PADD 1 Low Sulfur Distillate Supply



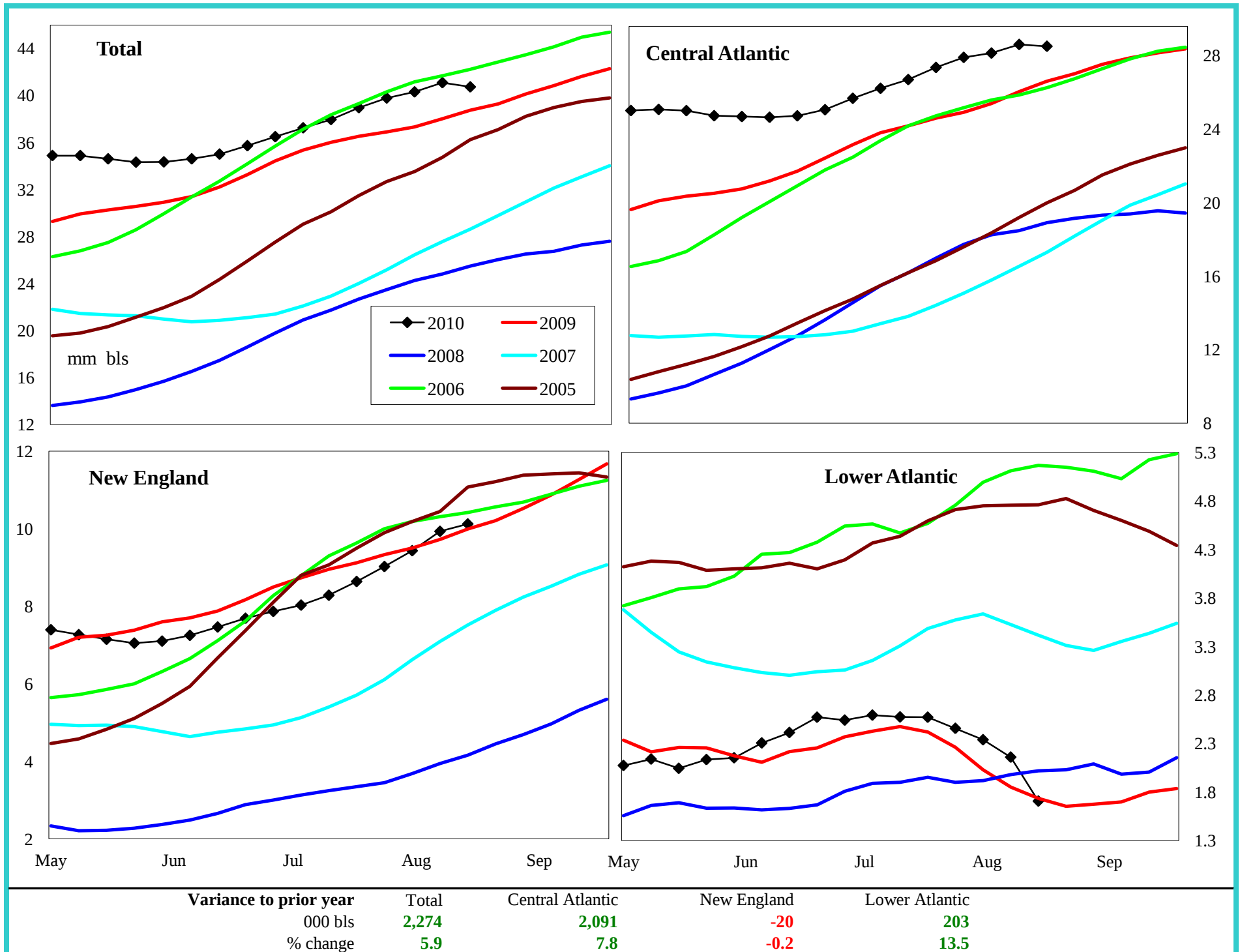
PADD 1 Low Sulfur Distillate Stocks by Region



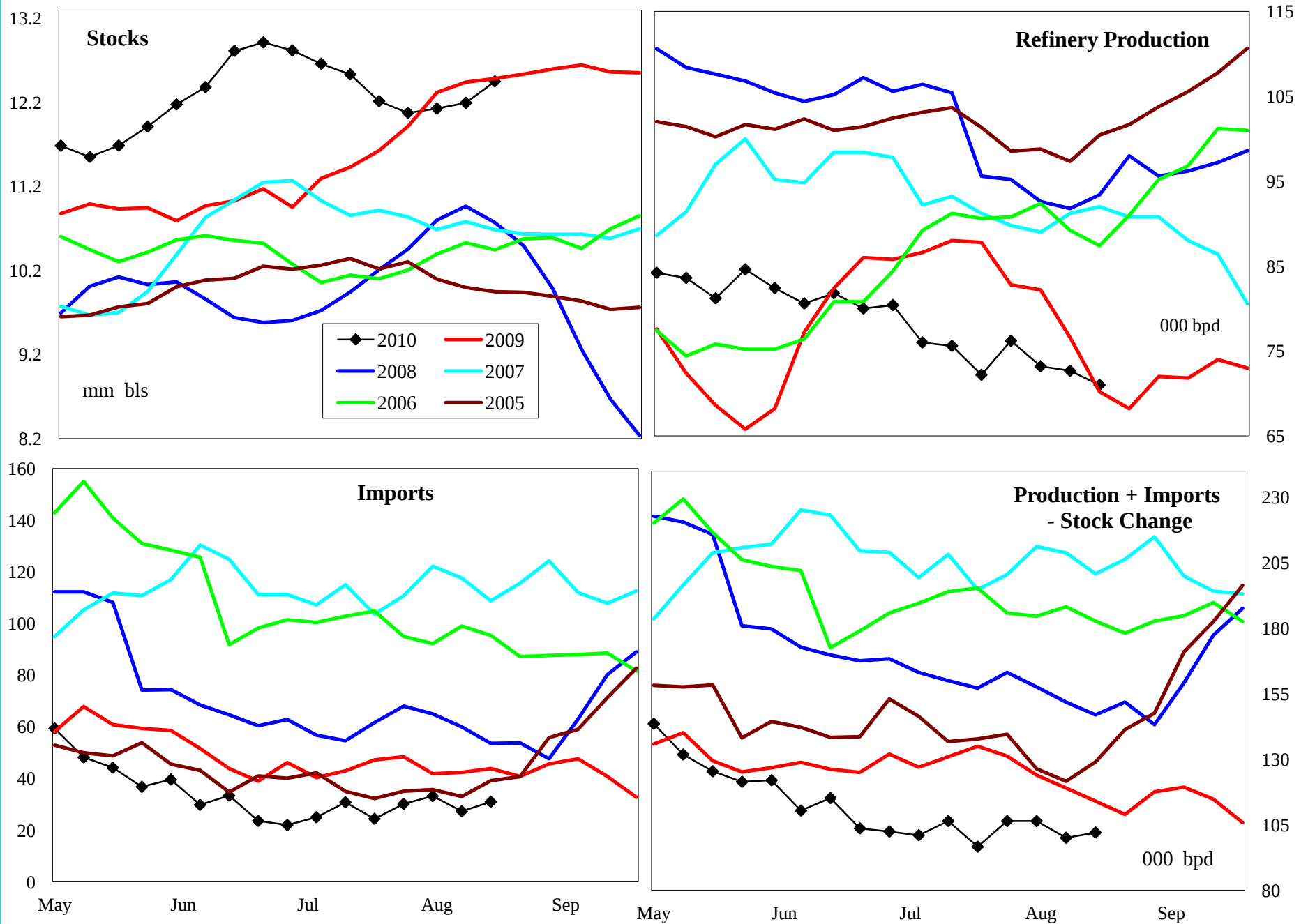
PADD 1 High Sulfur Distillate Supply



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

-33

-5

-12

-17

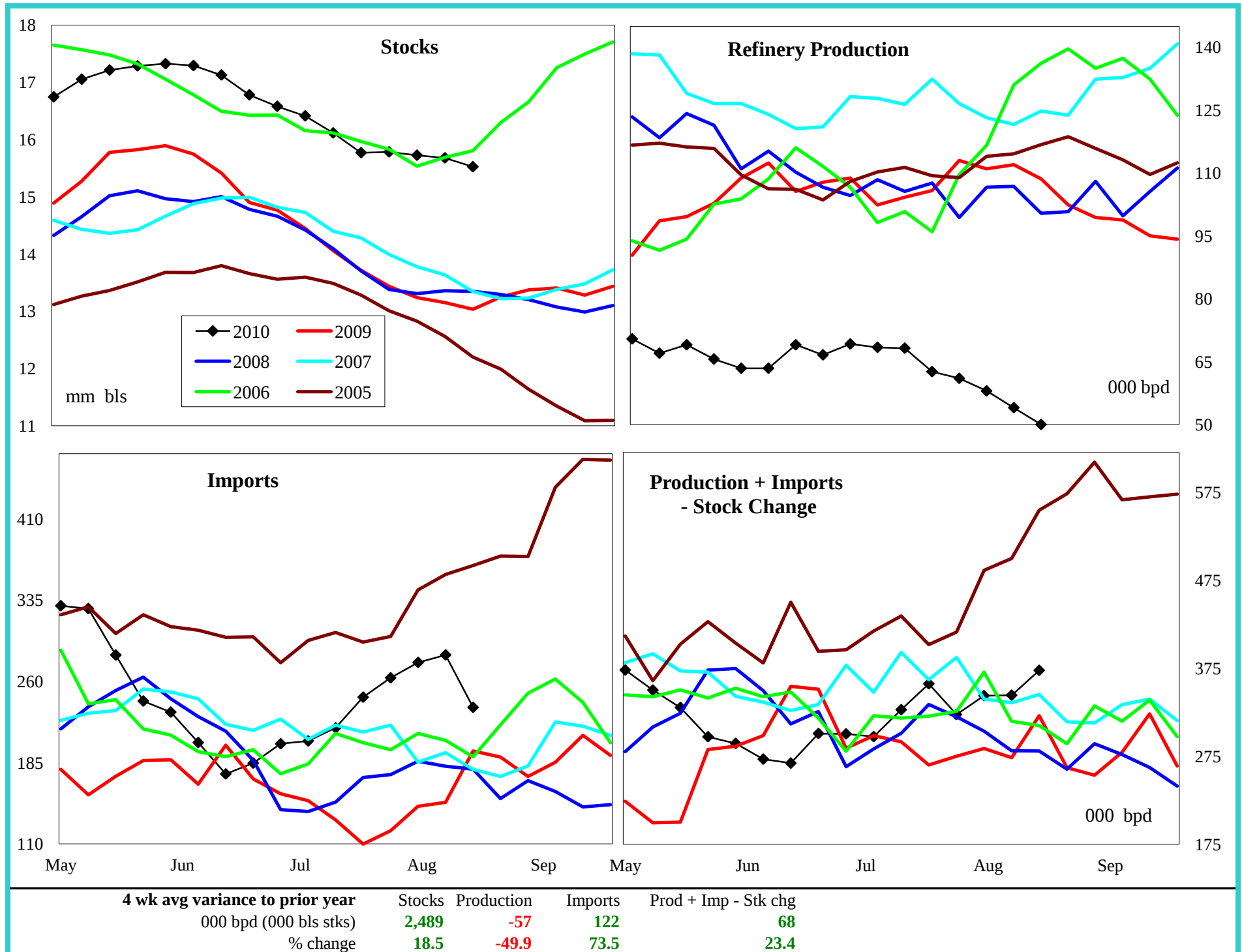
-0.3

-6.0

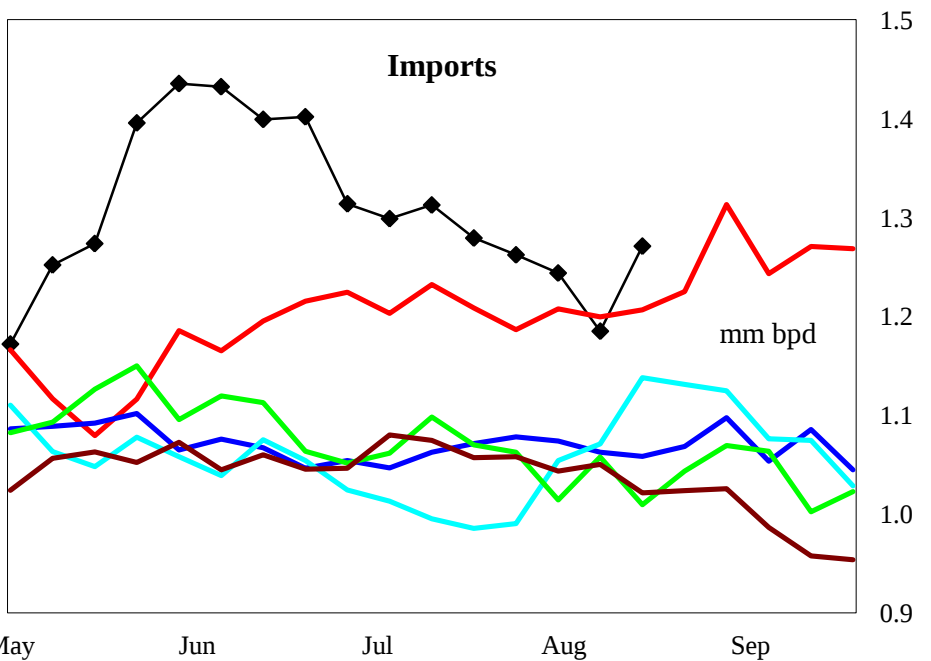
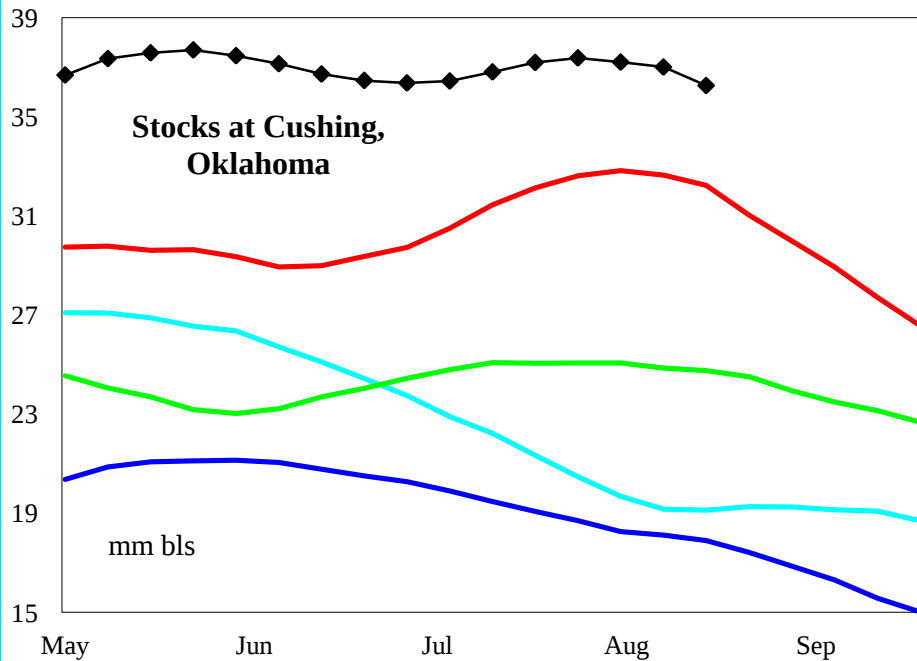
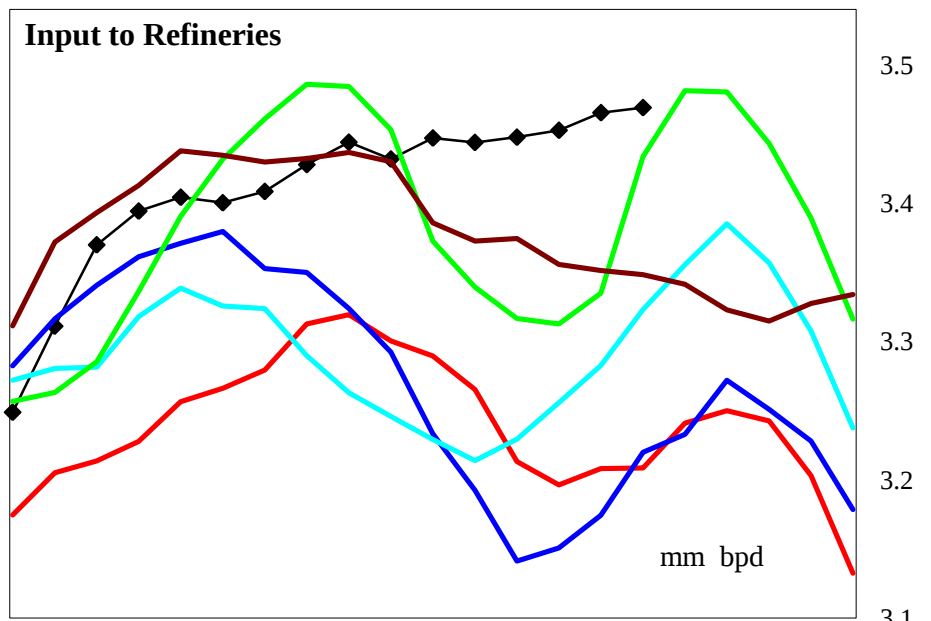
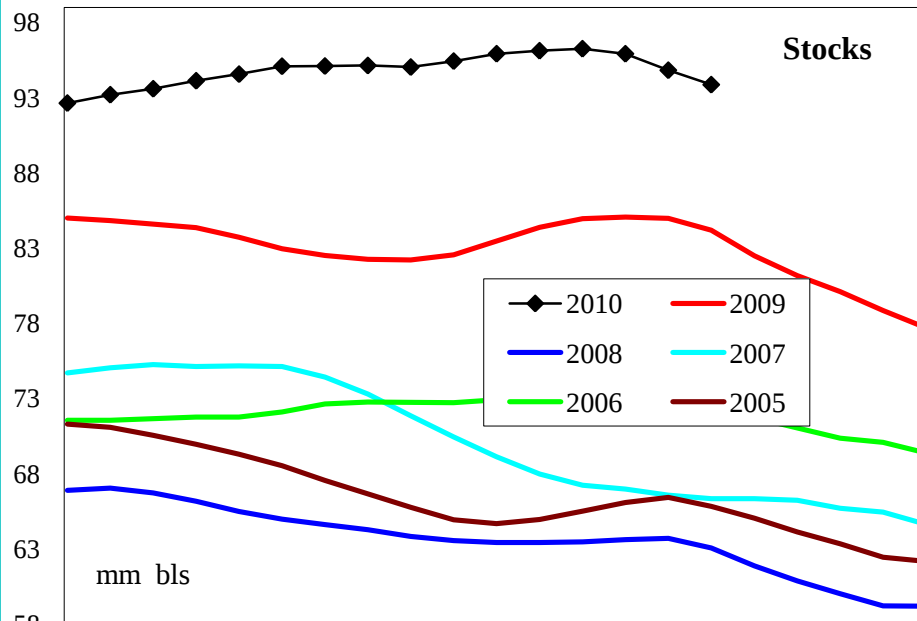
-29.8

-14.1

PADD 1 Residual Fuel Oil Supply



PADD 2 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

9,675

11.5

Cushing

4,026

12.5

Input

279

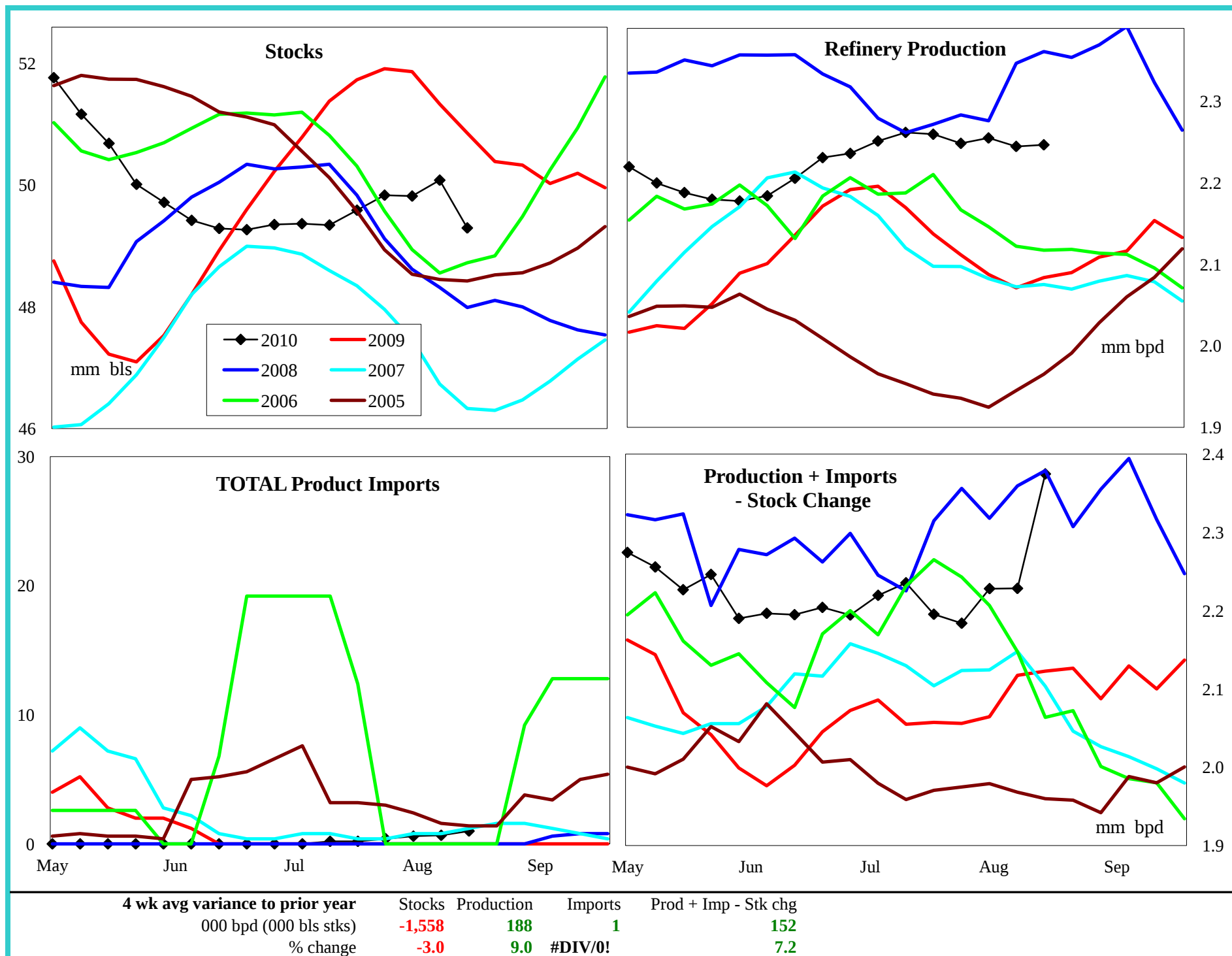
8.7

Imports

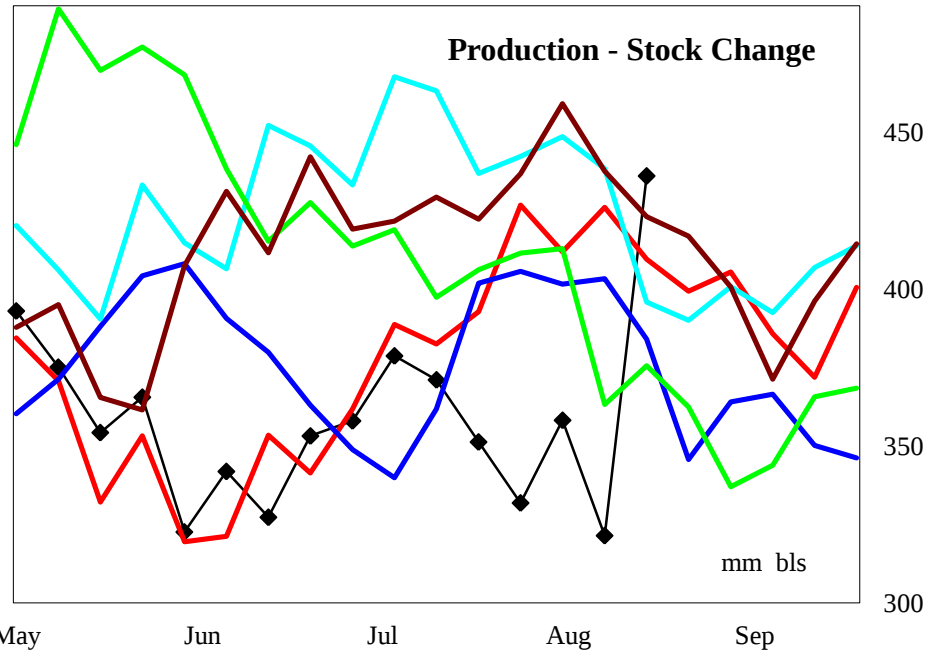
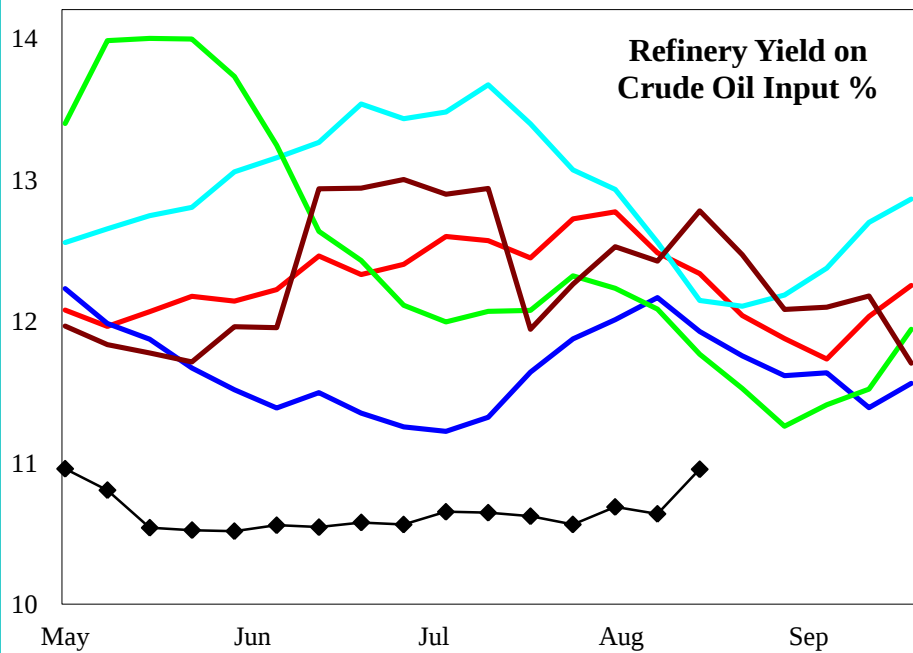
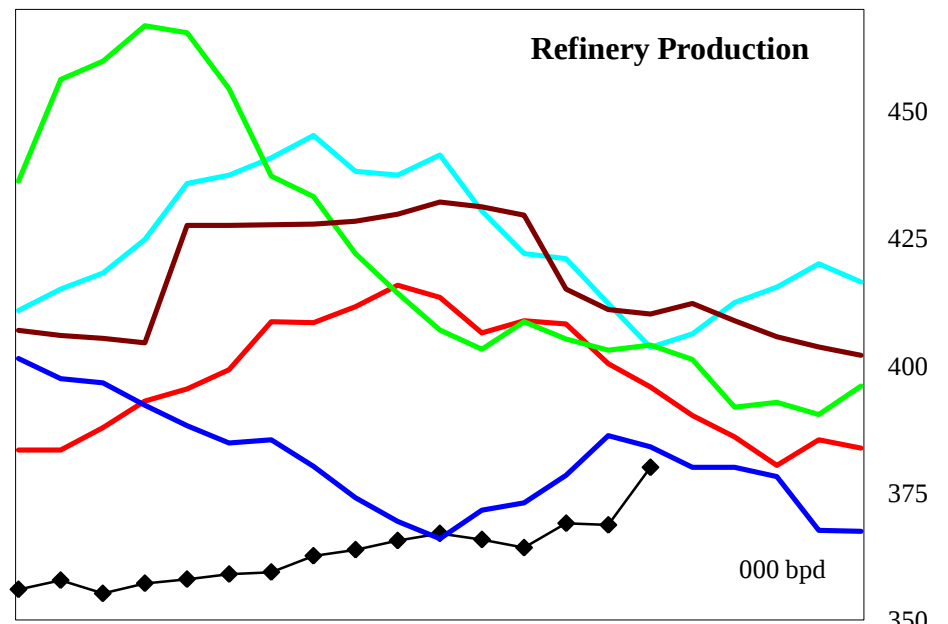
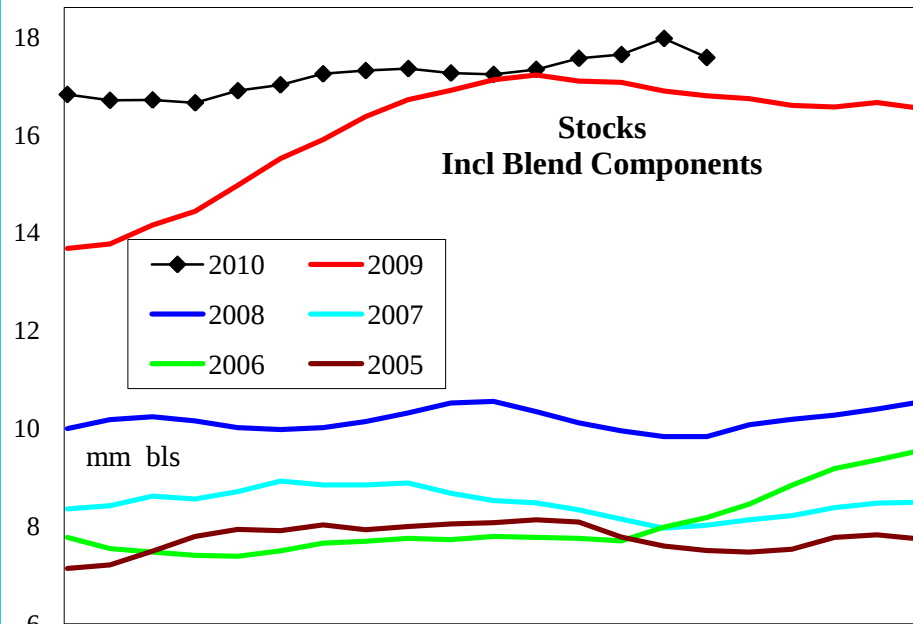
40

3.3

PADD 2 Gasoline Supply



PADD 2 Reformulated Gasoline Supply

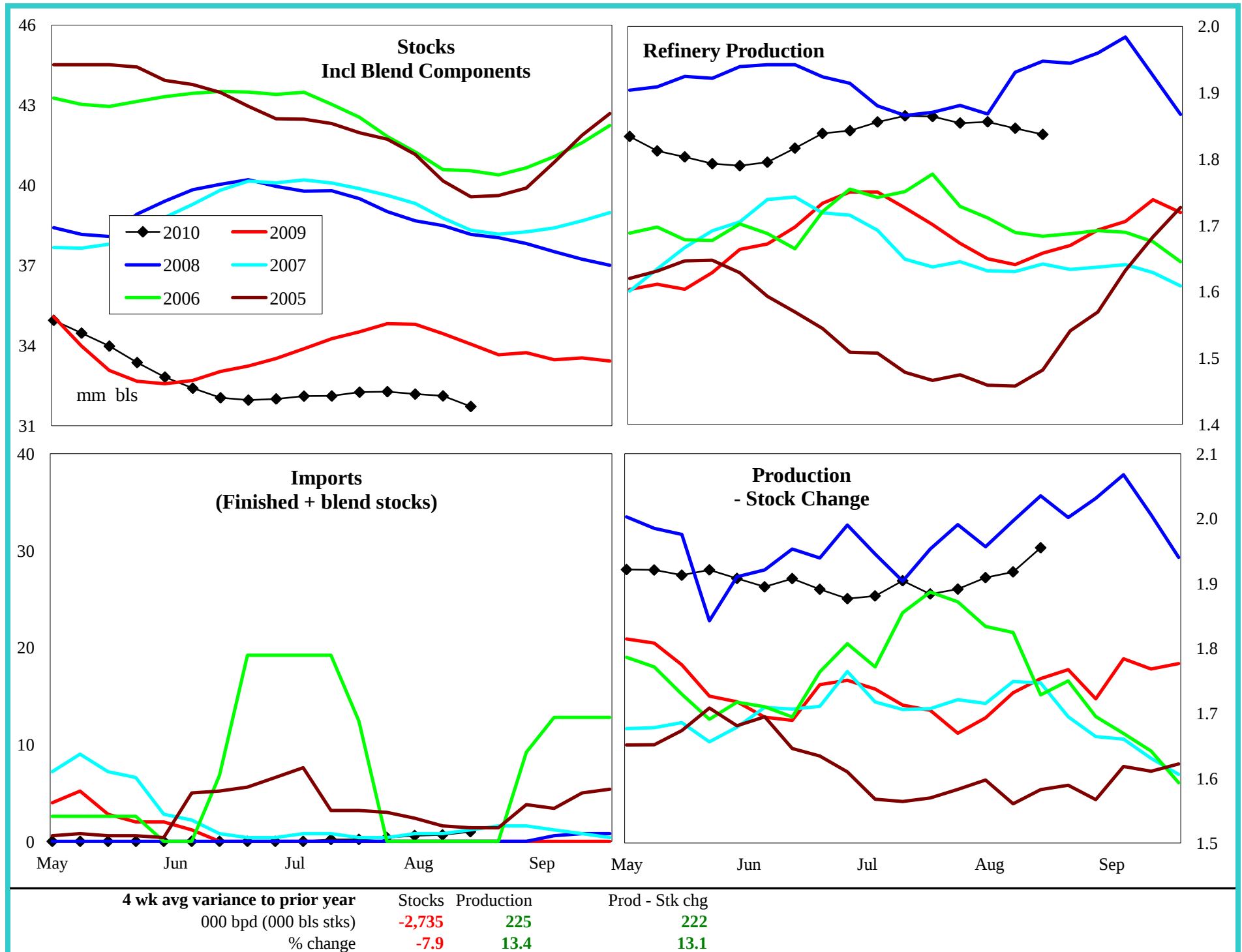


4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

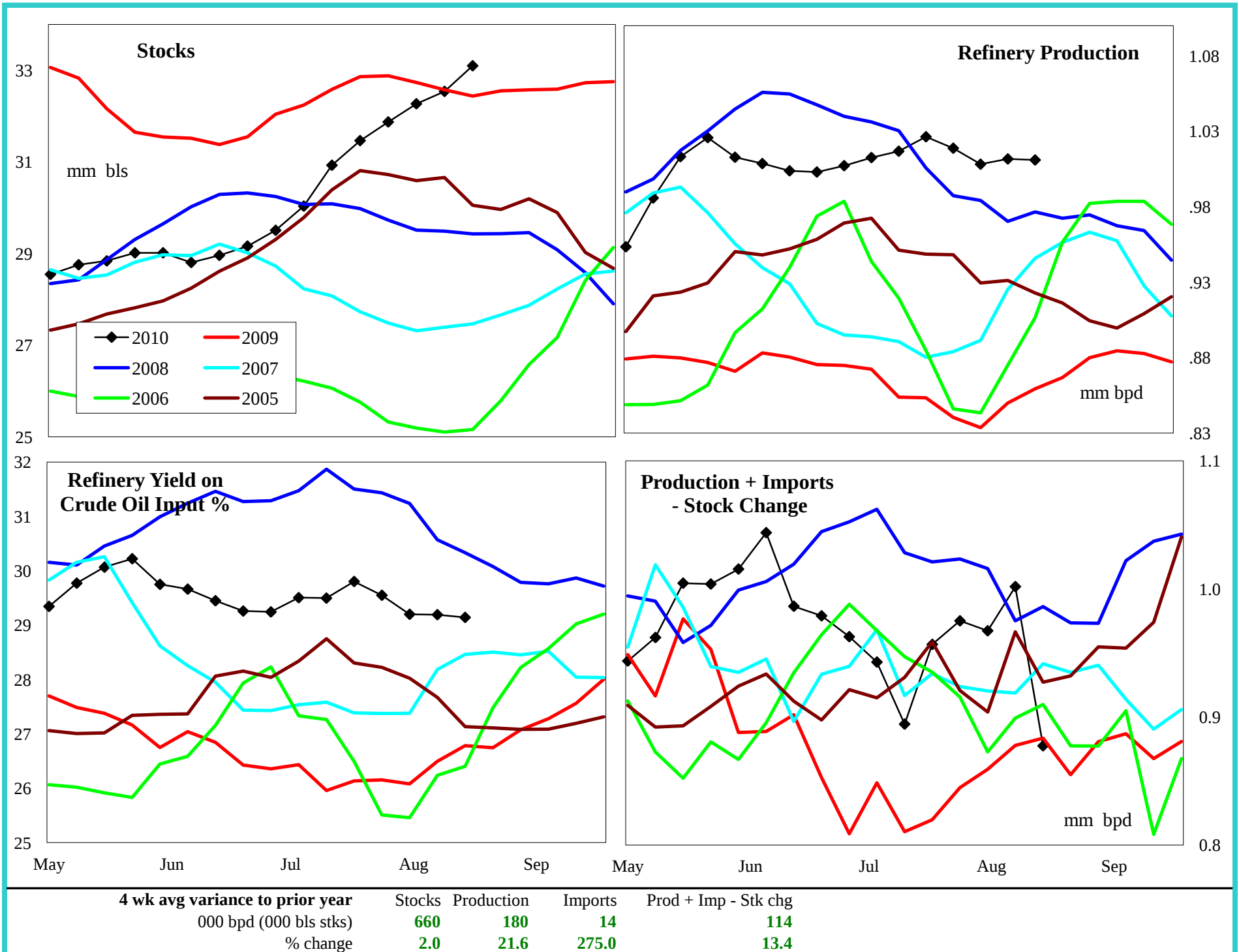
Stocks Production
 779 -33
 4.5 -8.1

Prod - Stk chg
 -57
 -13.5

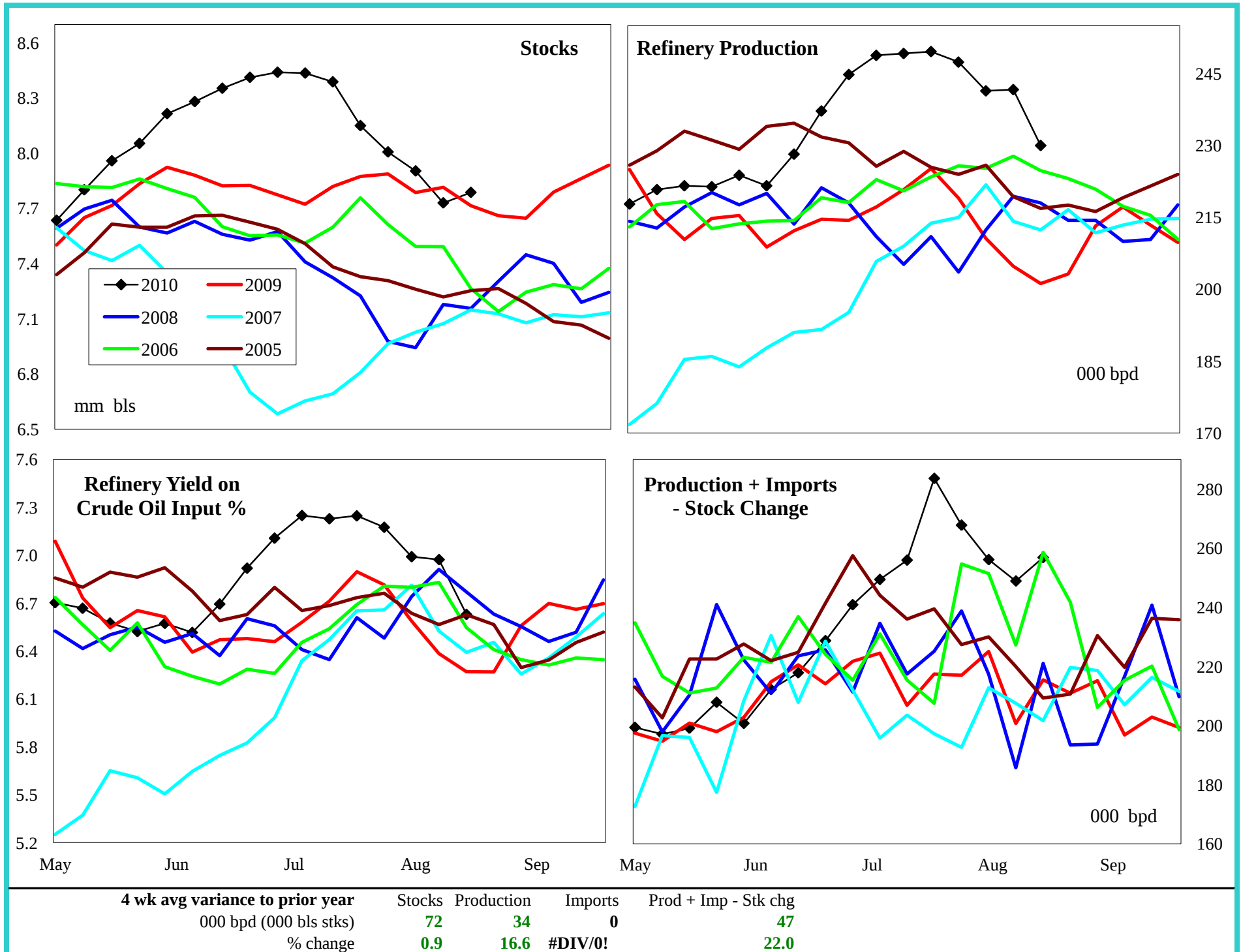
PADD 2 Conventional Gasoline Supply



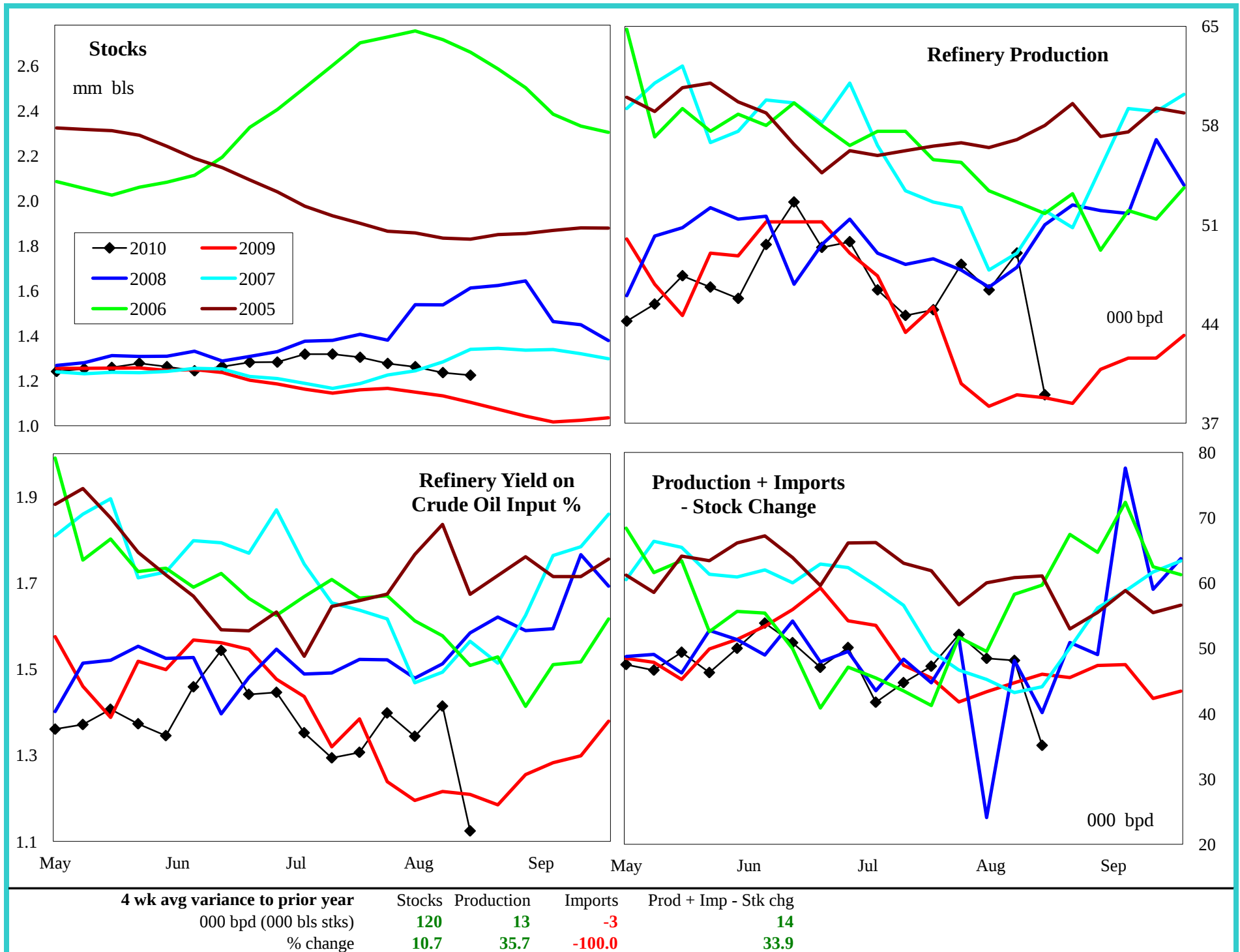
PADD 2 Distillate Supply



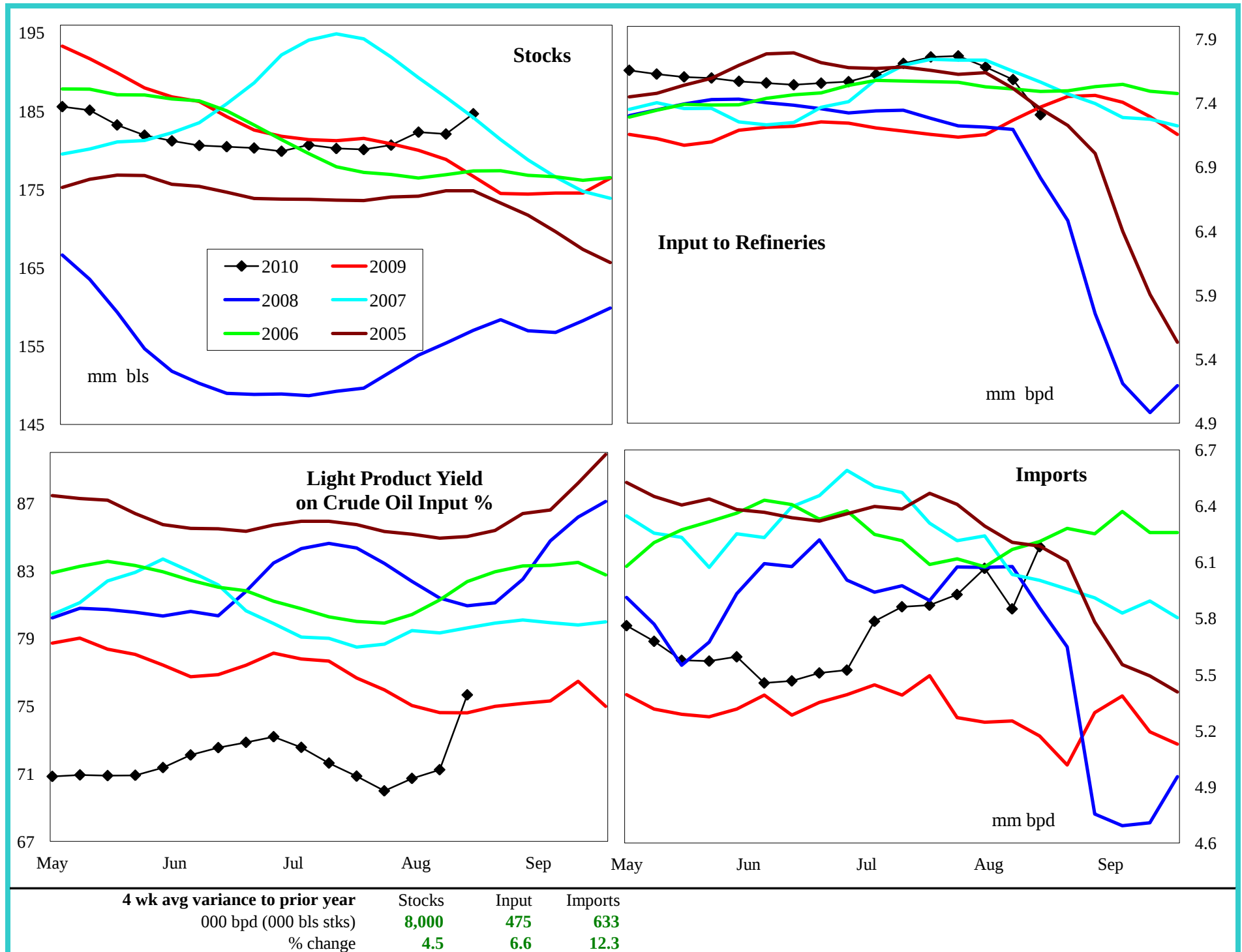
PADD 2 Jet Fuel Supply



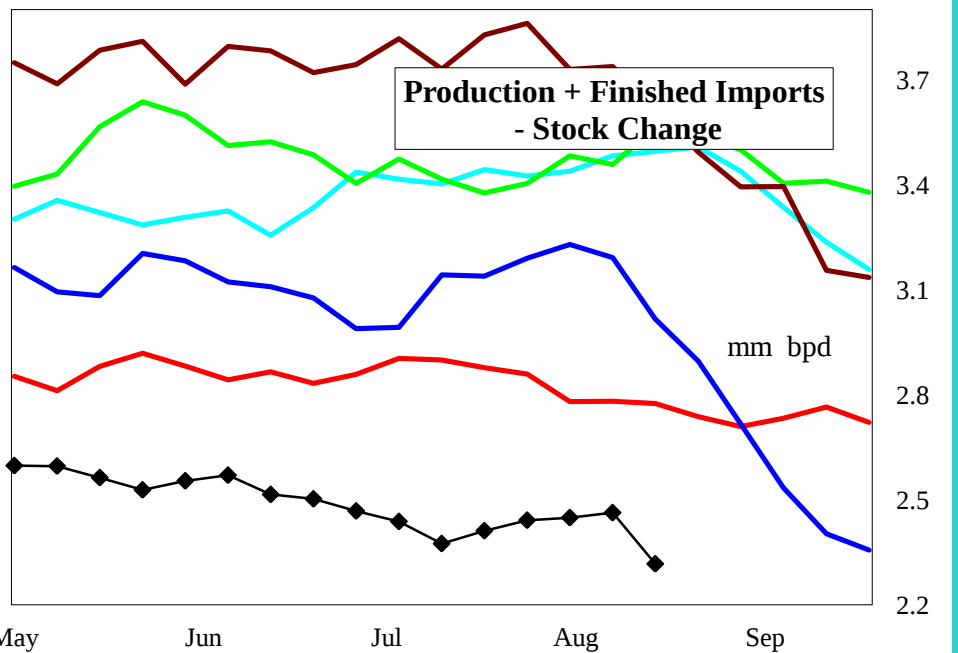
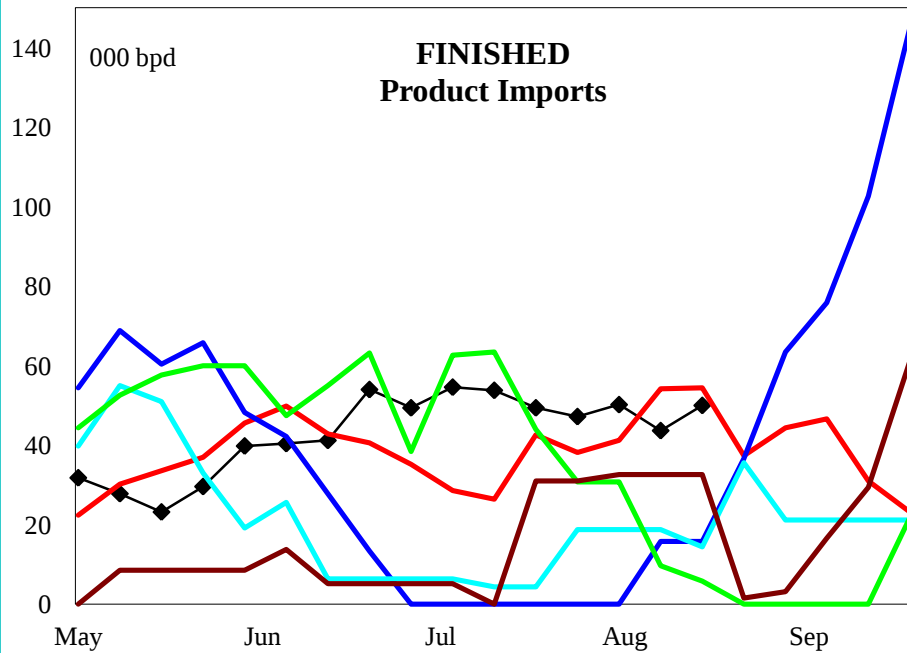
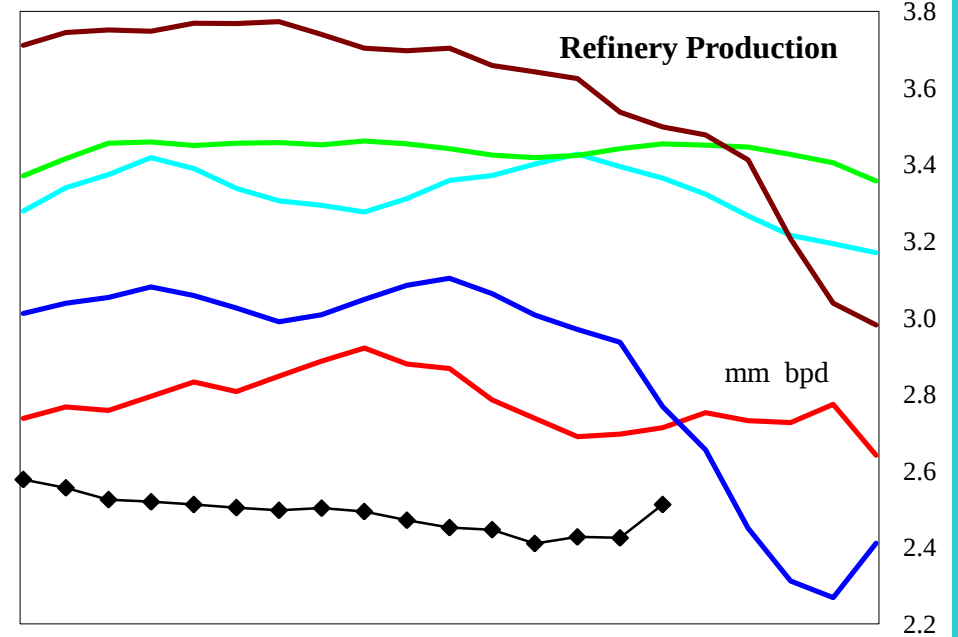
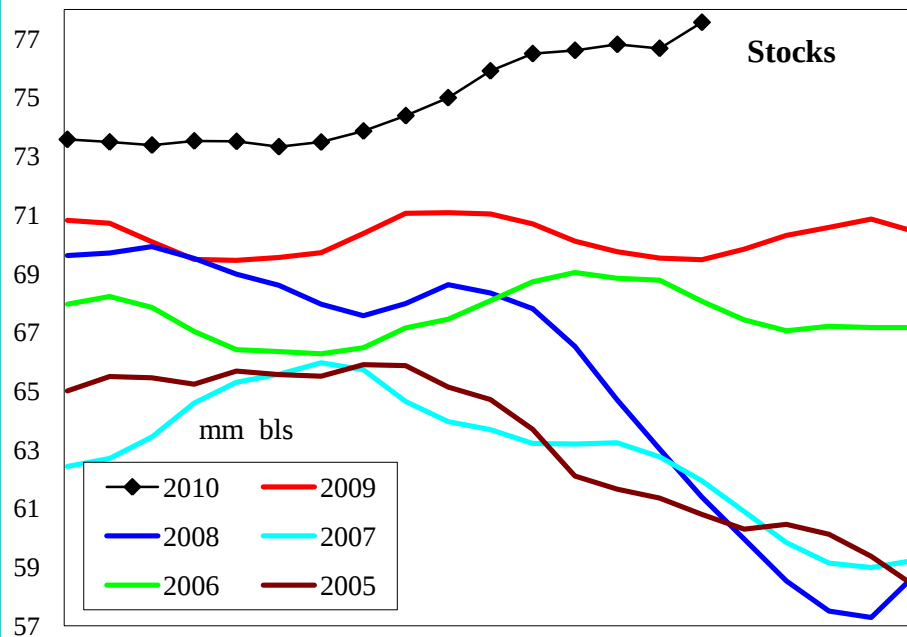
PADD 2 Residual Fuel Oil Supply



PADD 3 Crude Oil Supply and Refining



PADD 3 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

7,632

10.9

Production

-284

-10.5

Fin Impt

2

3.6

Blend Impt

80

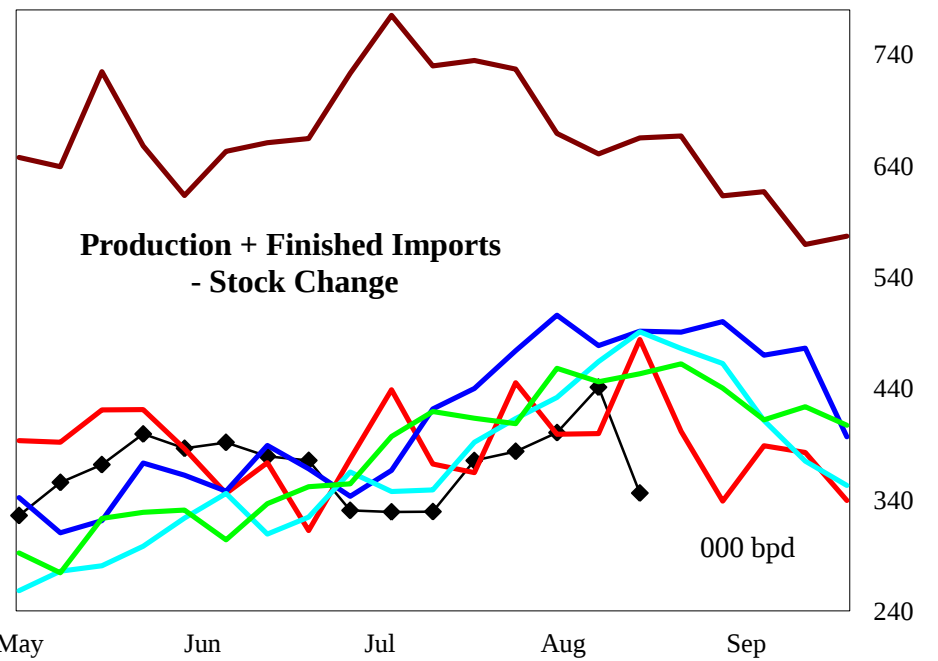
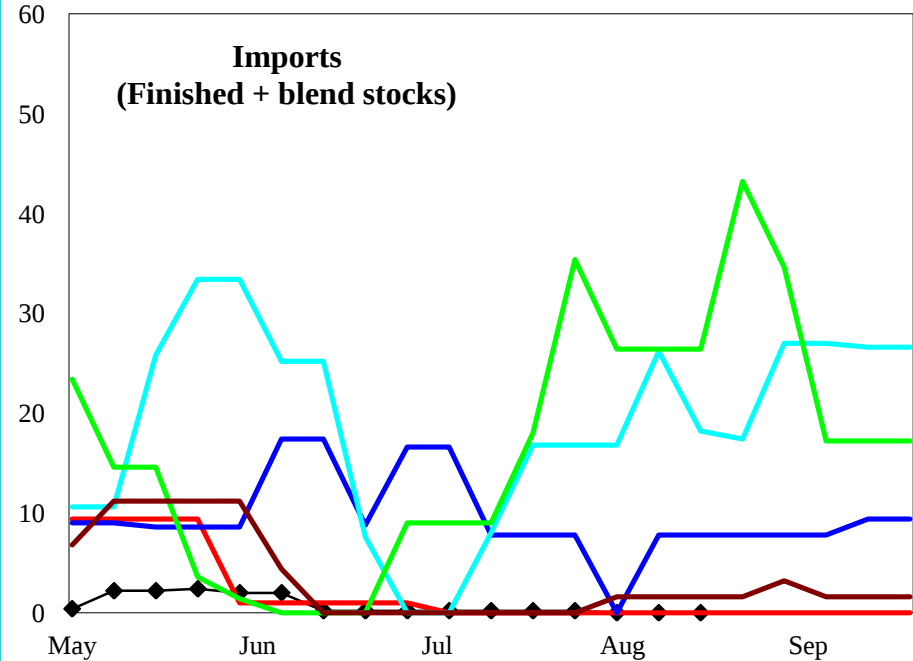
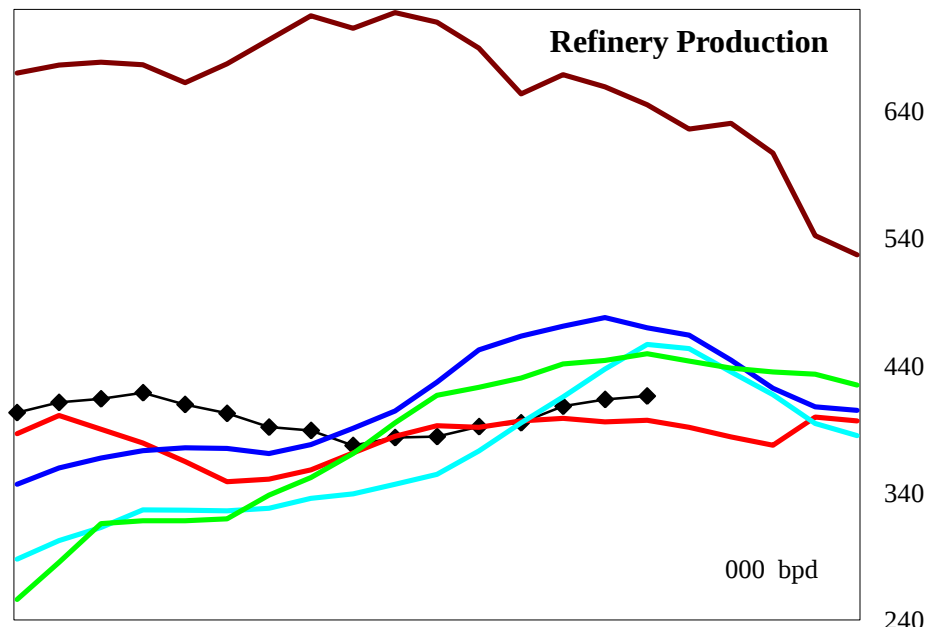
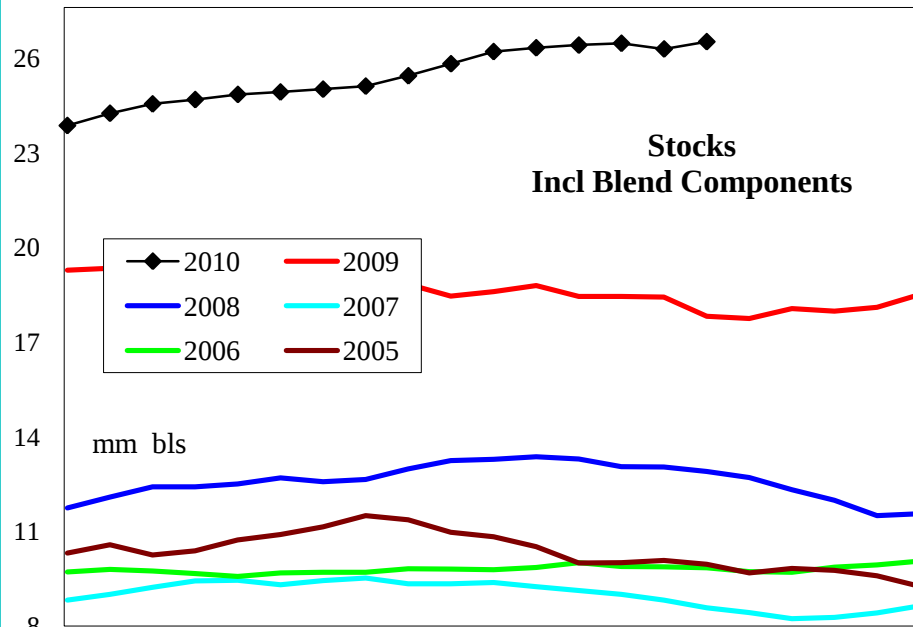
444.4

Prod + Imp - Stk chg

-320

-11.6

PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

7,985

Production

11

2.7

Imports

0

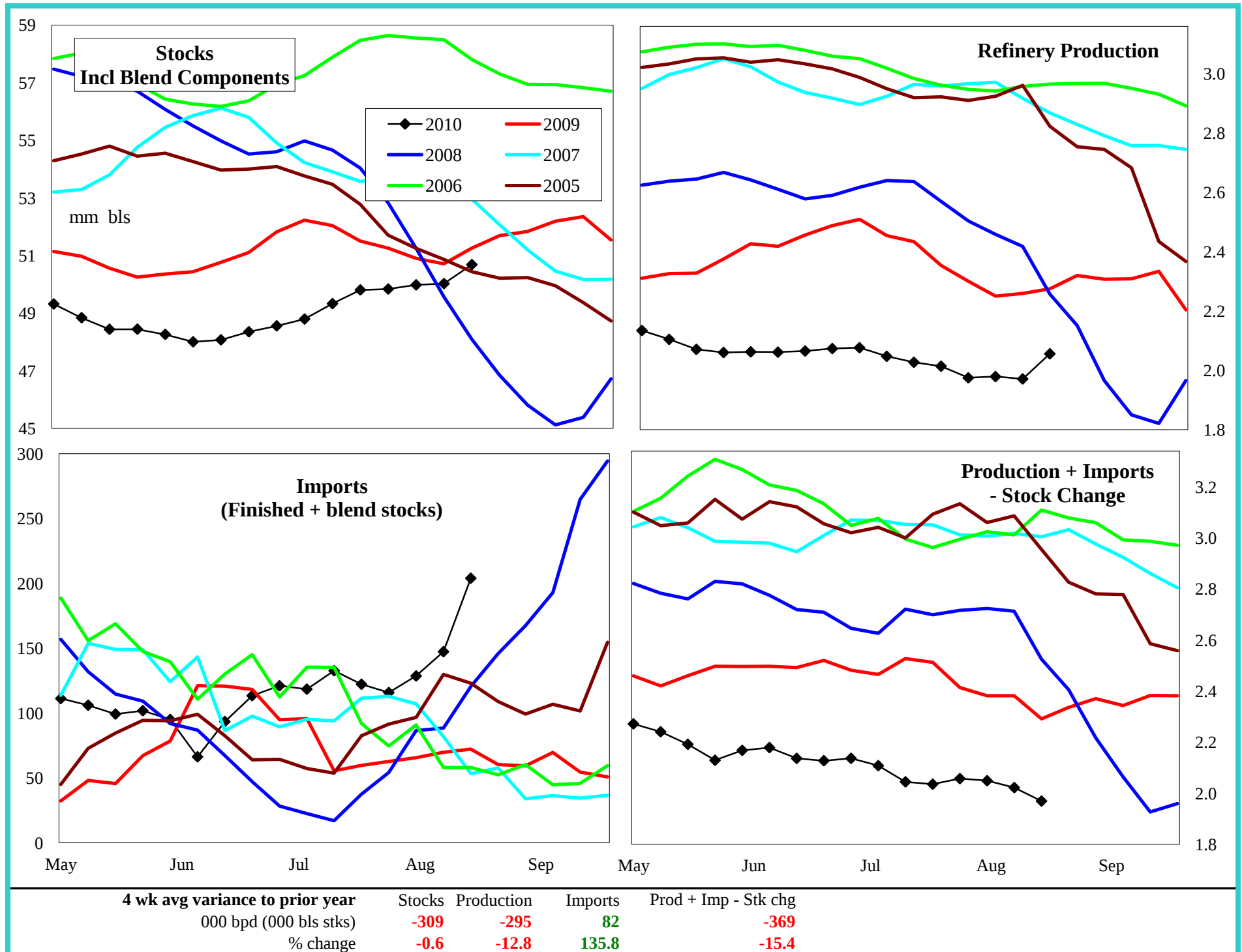
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Prod + Imp - Stk chg

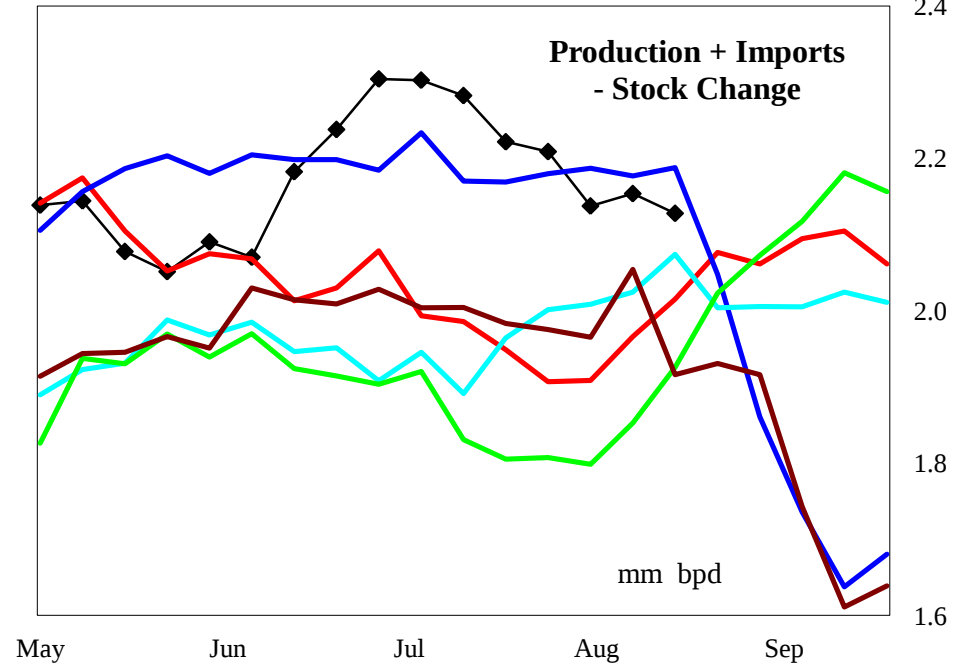
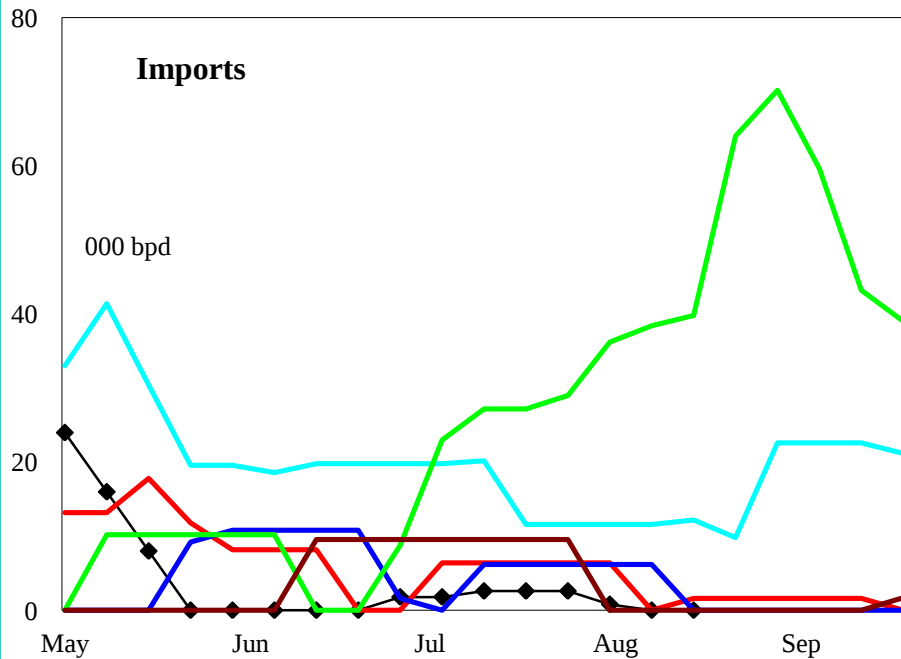
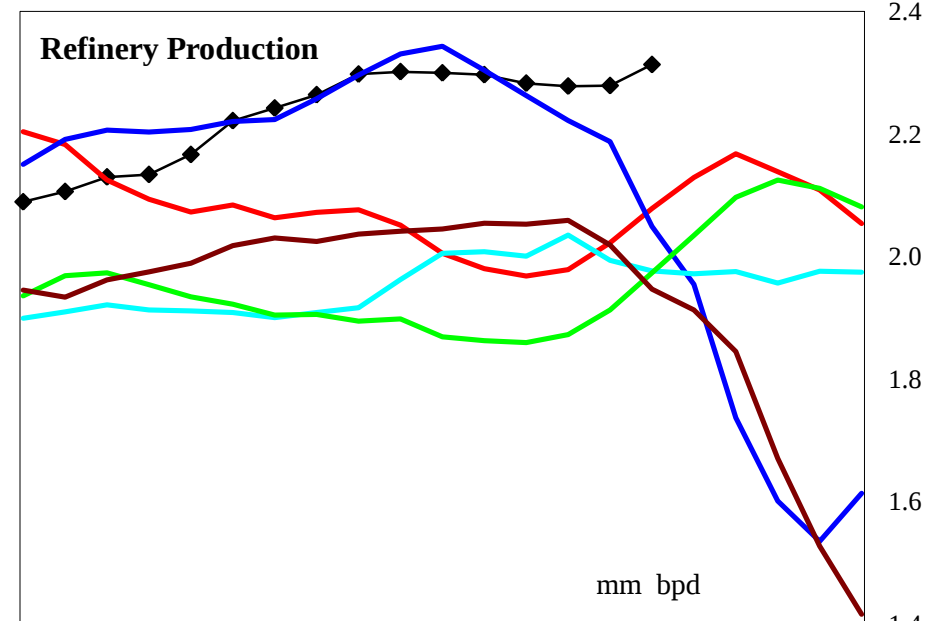
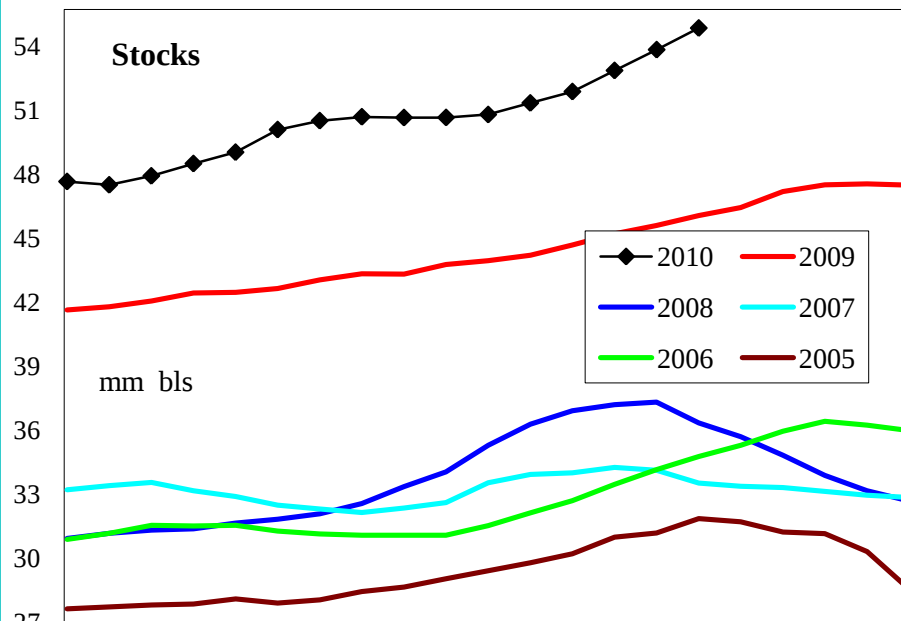
49

13.8

PADD 3 Conventional Gasoline Supply



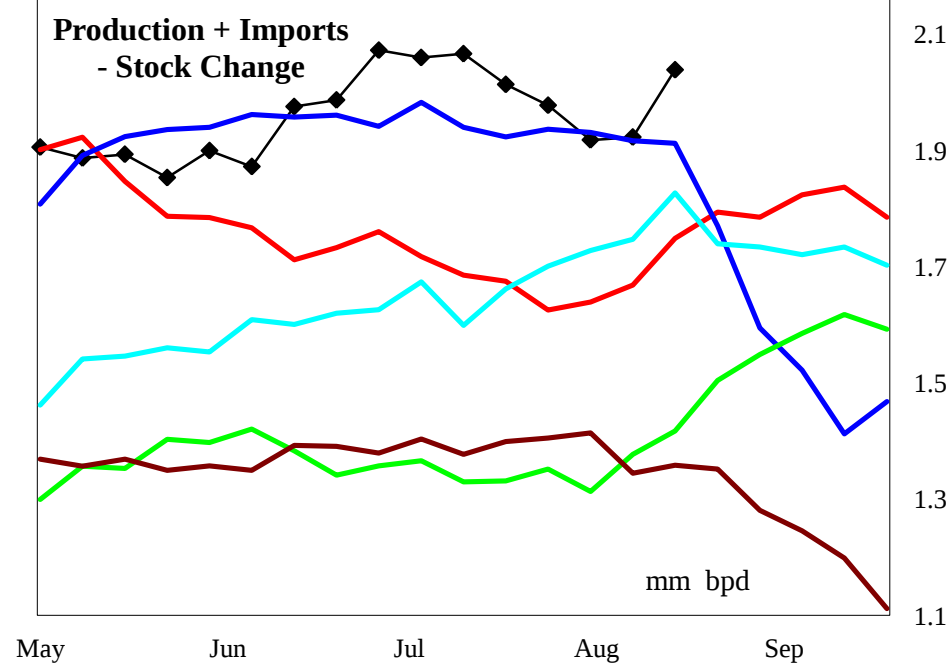
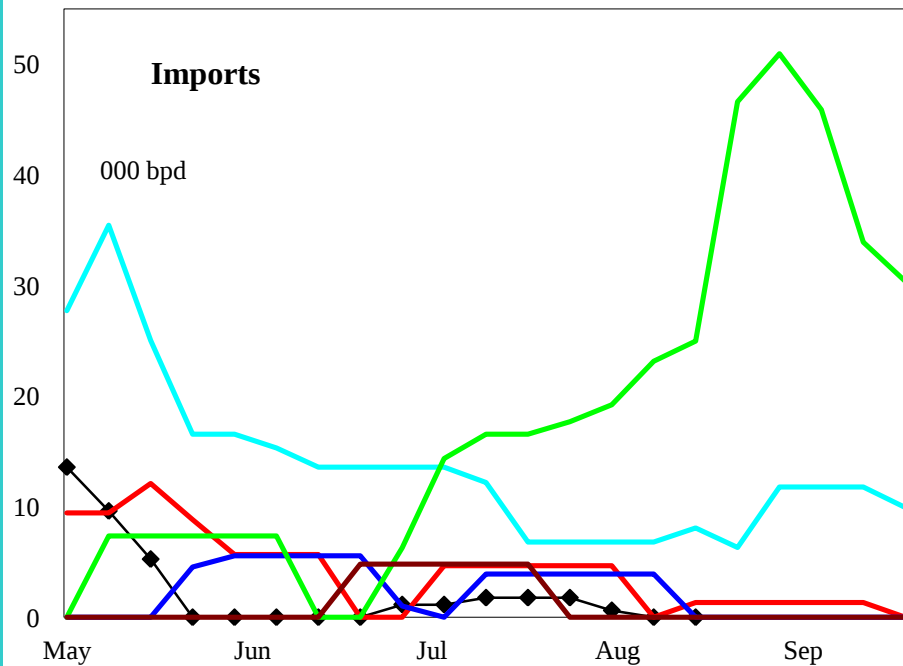
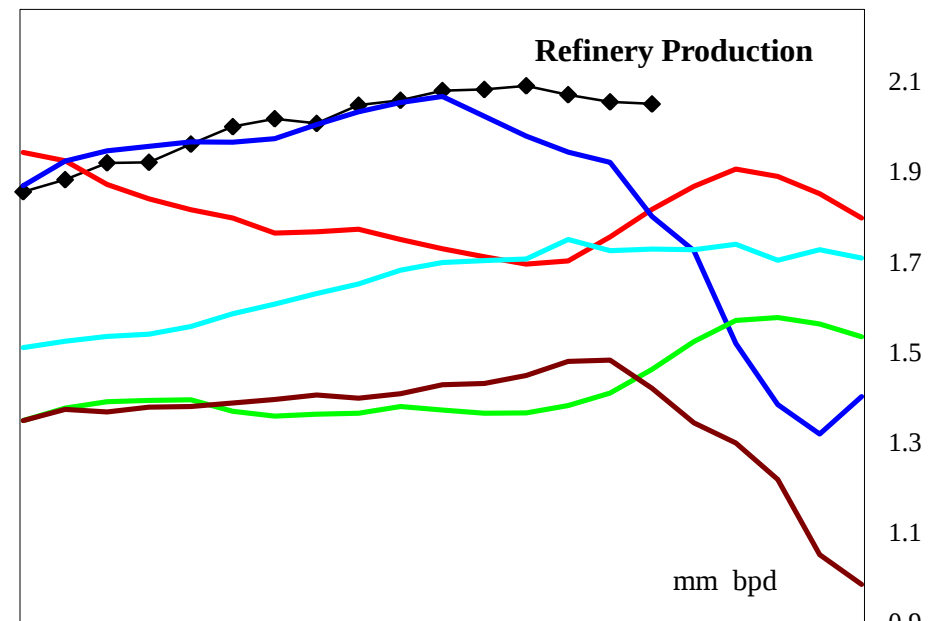
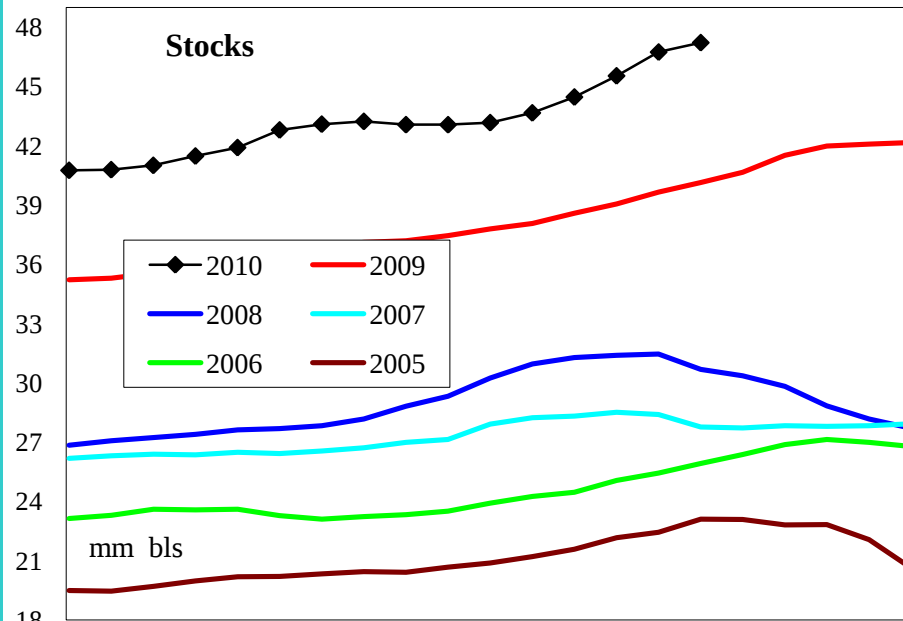
PADD 3 Distillate Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
8,798	301	1	196
19.0	15.2	#DIV/0!	10.2

PADD 3 Low Sulfur Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

7,577

19.1

Production

363

20.8

Imports

1

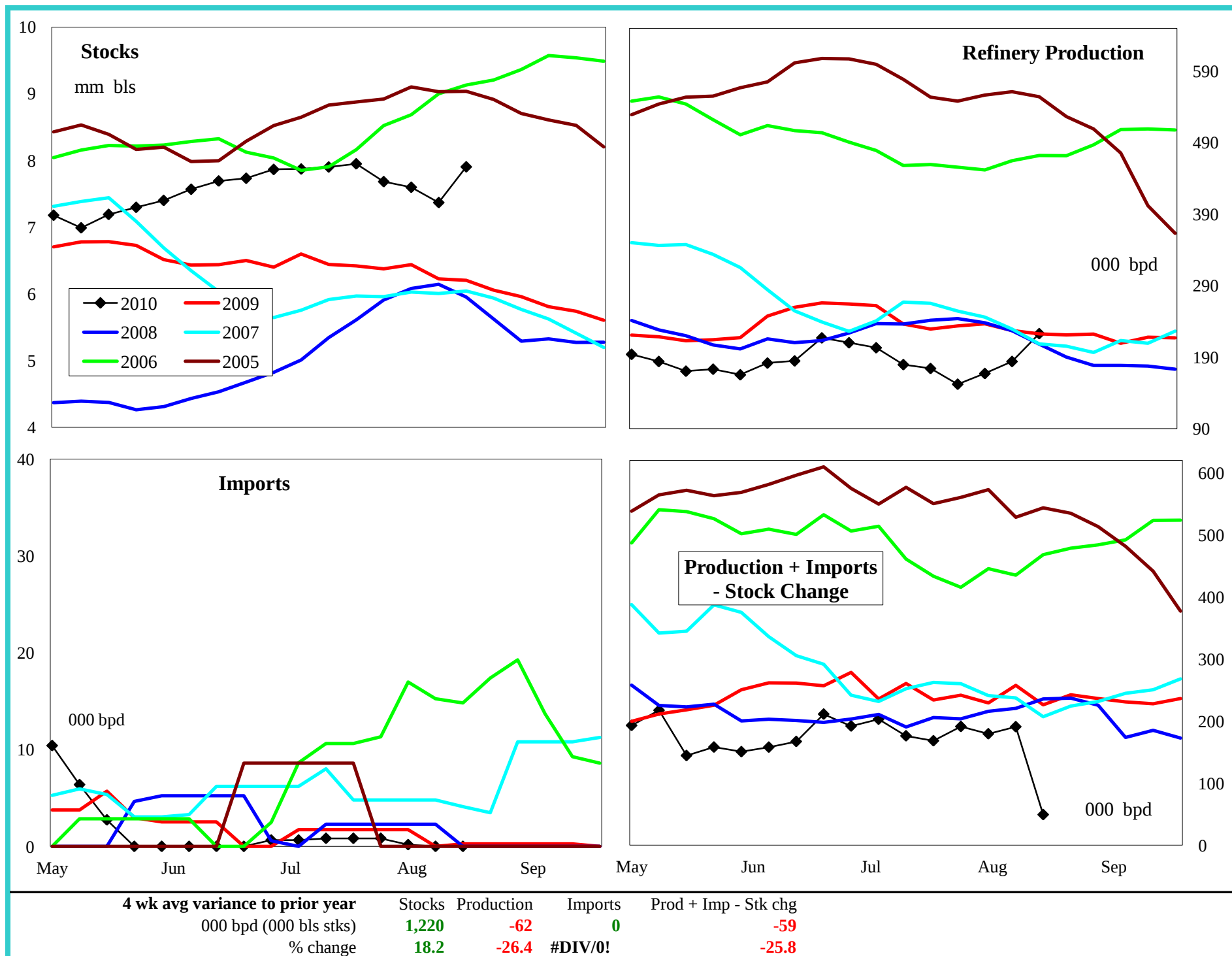
#DIV/0!

Prod + Imp - Stk chg

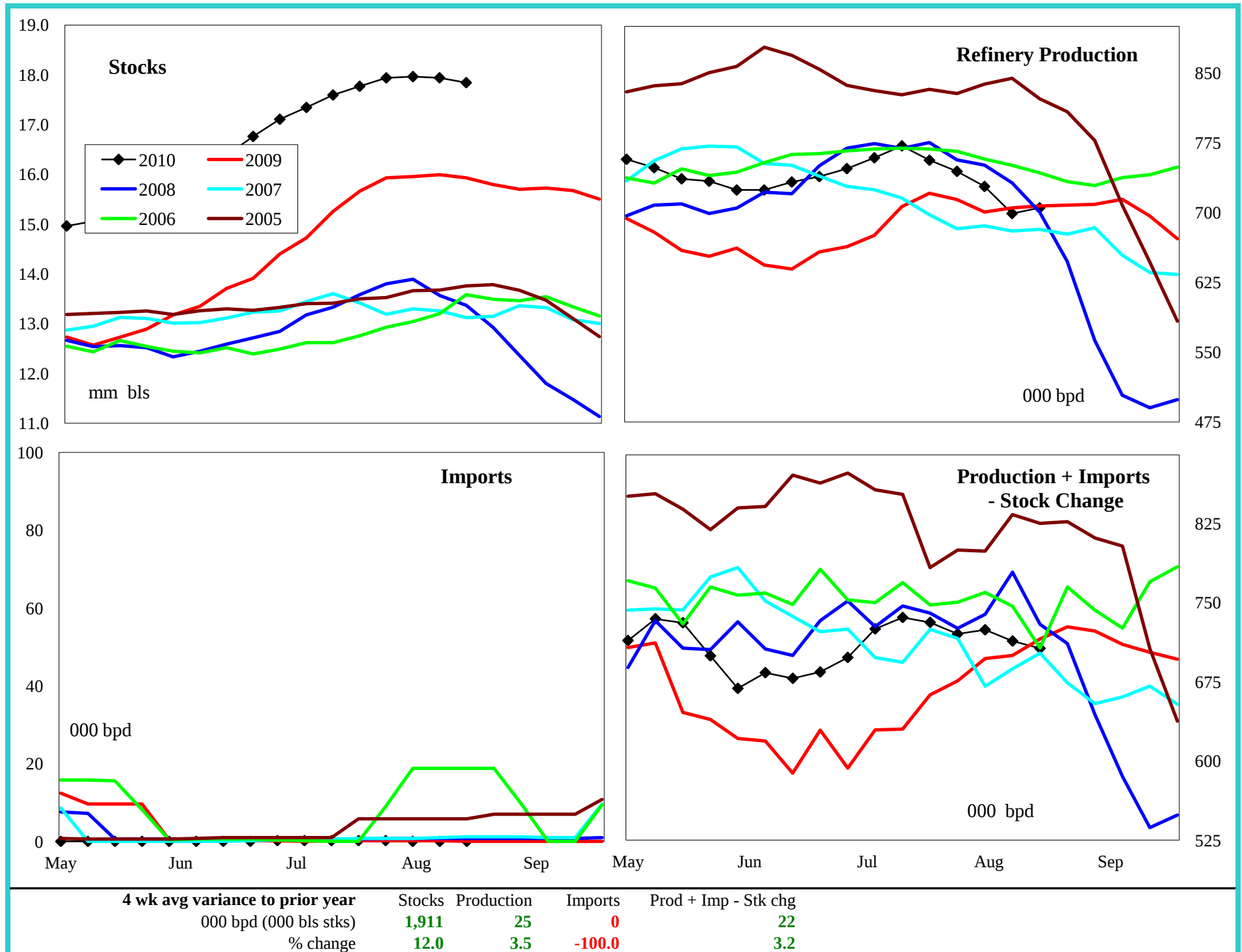
255

15.0

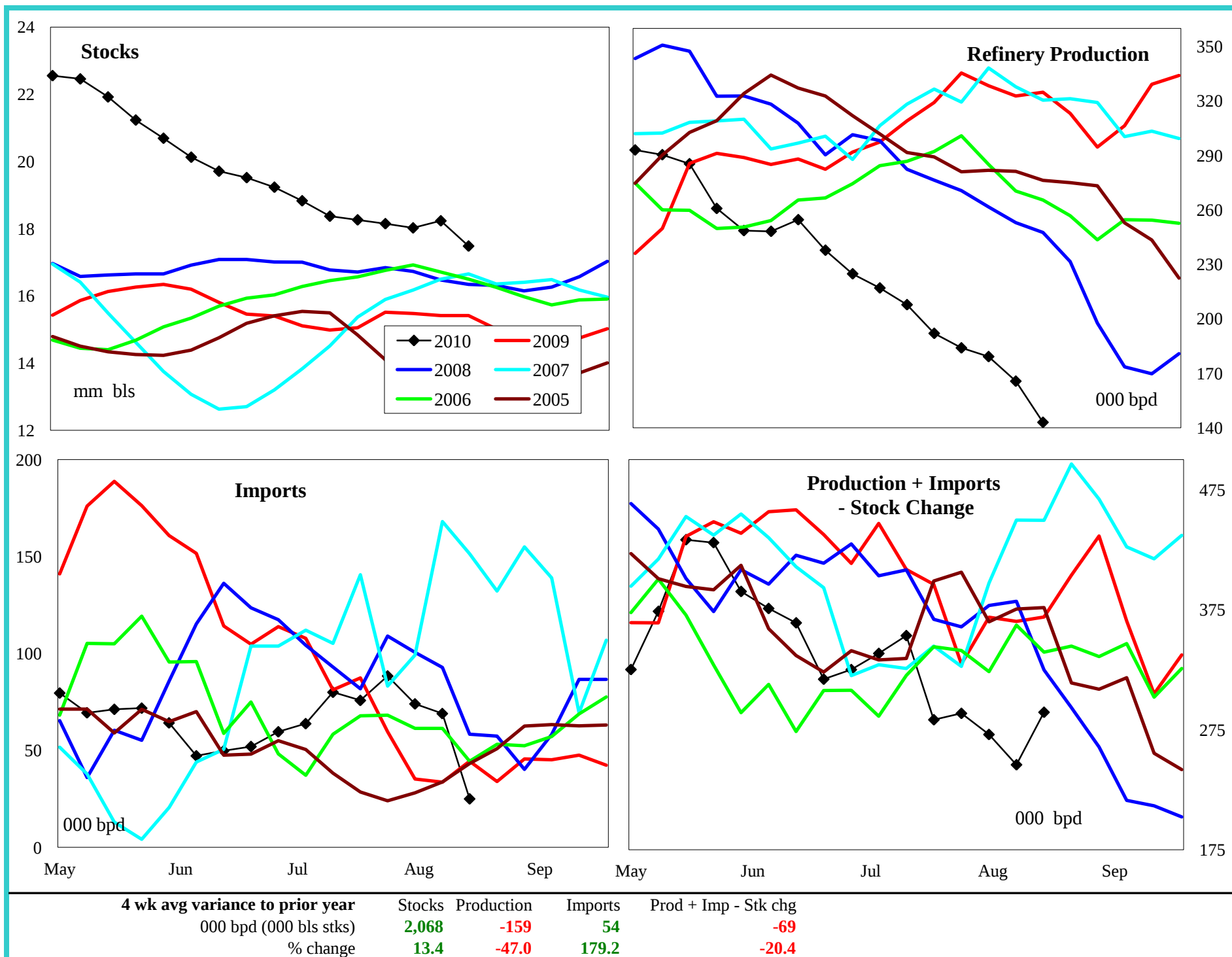
PADD 3 High Sulfur Distillate Supply



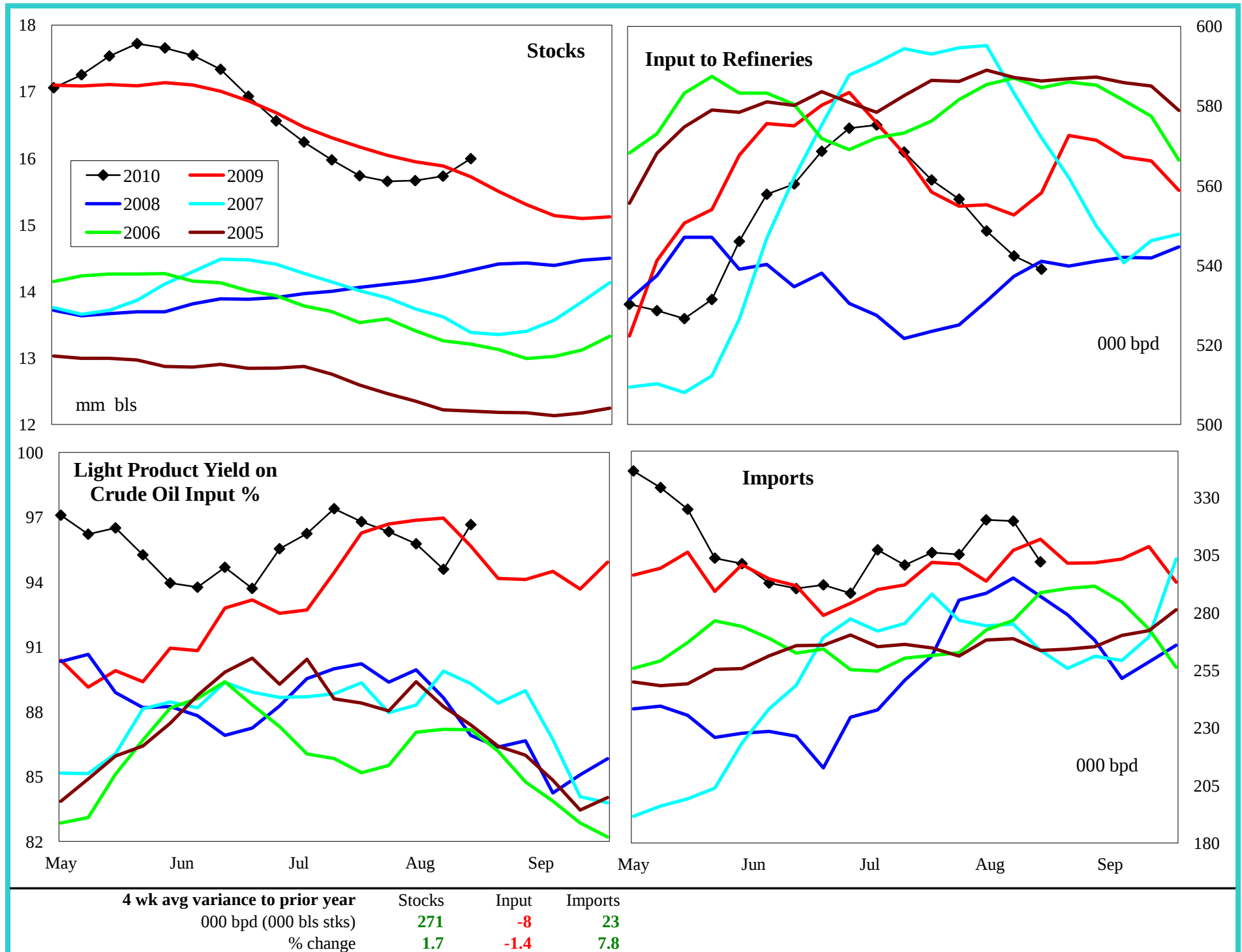
PADD 3 Jet Fuel Supply



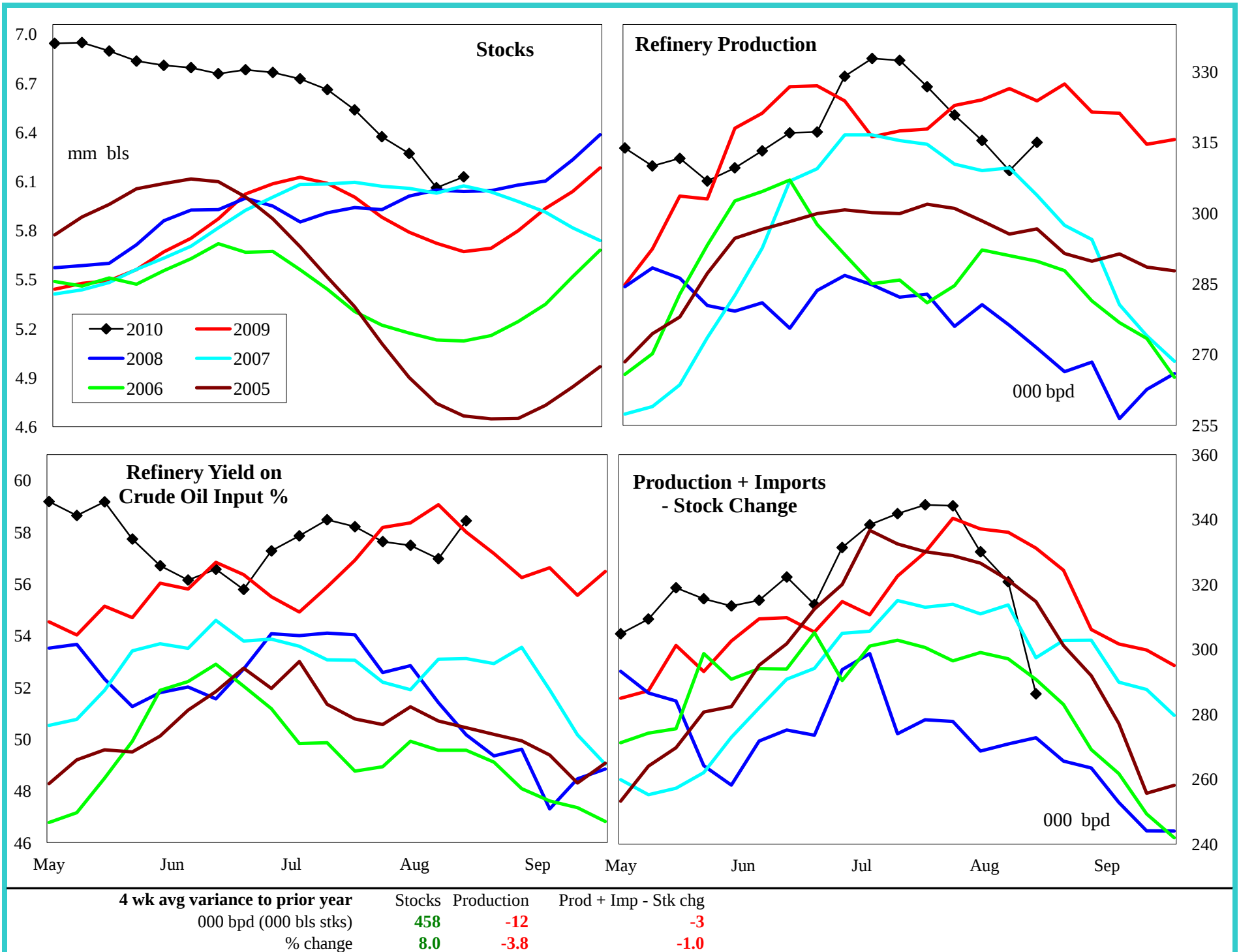
PADD 3 Residual Fuel Oil Supply



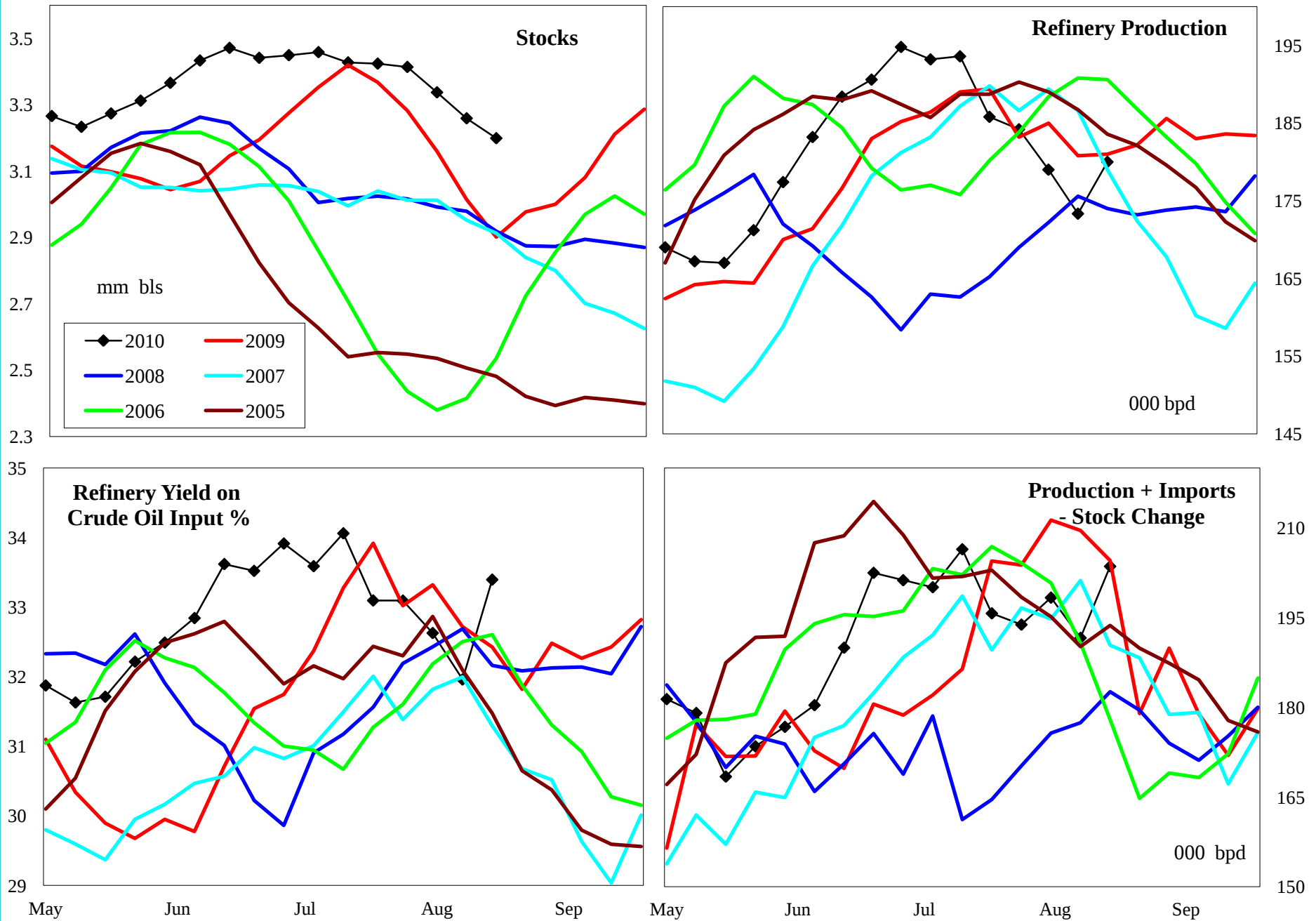
PADD 4 Crude Oil Supply and Refining



PADD 4 Gasoline Supply



PADD 4 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

298

-4

1

-8

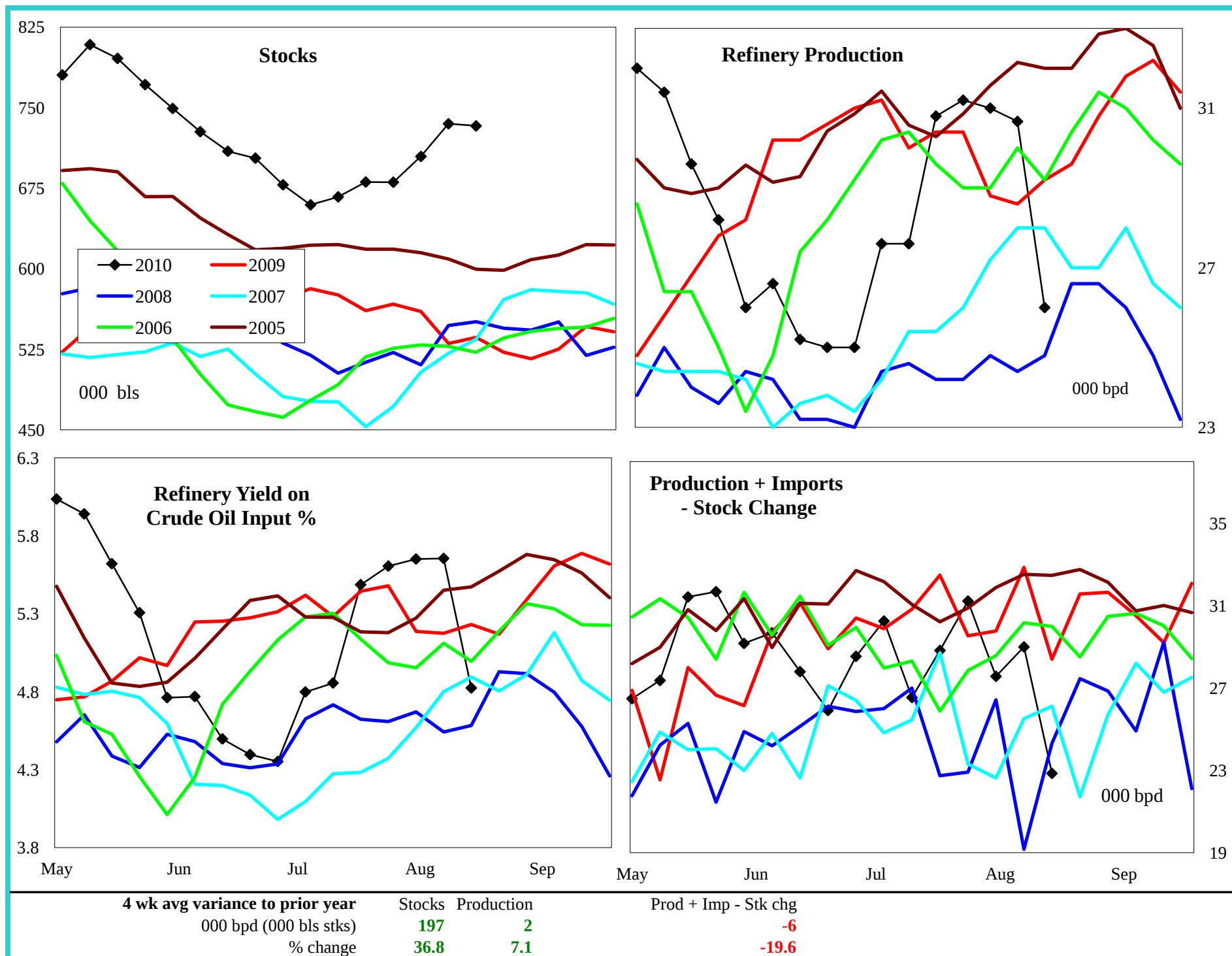
10.3

-2.1

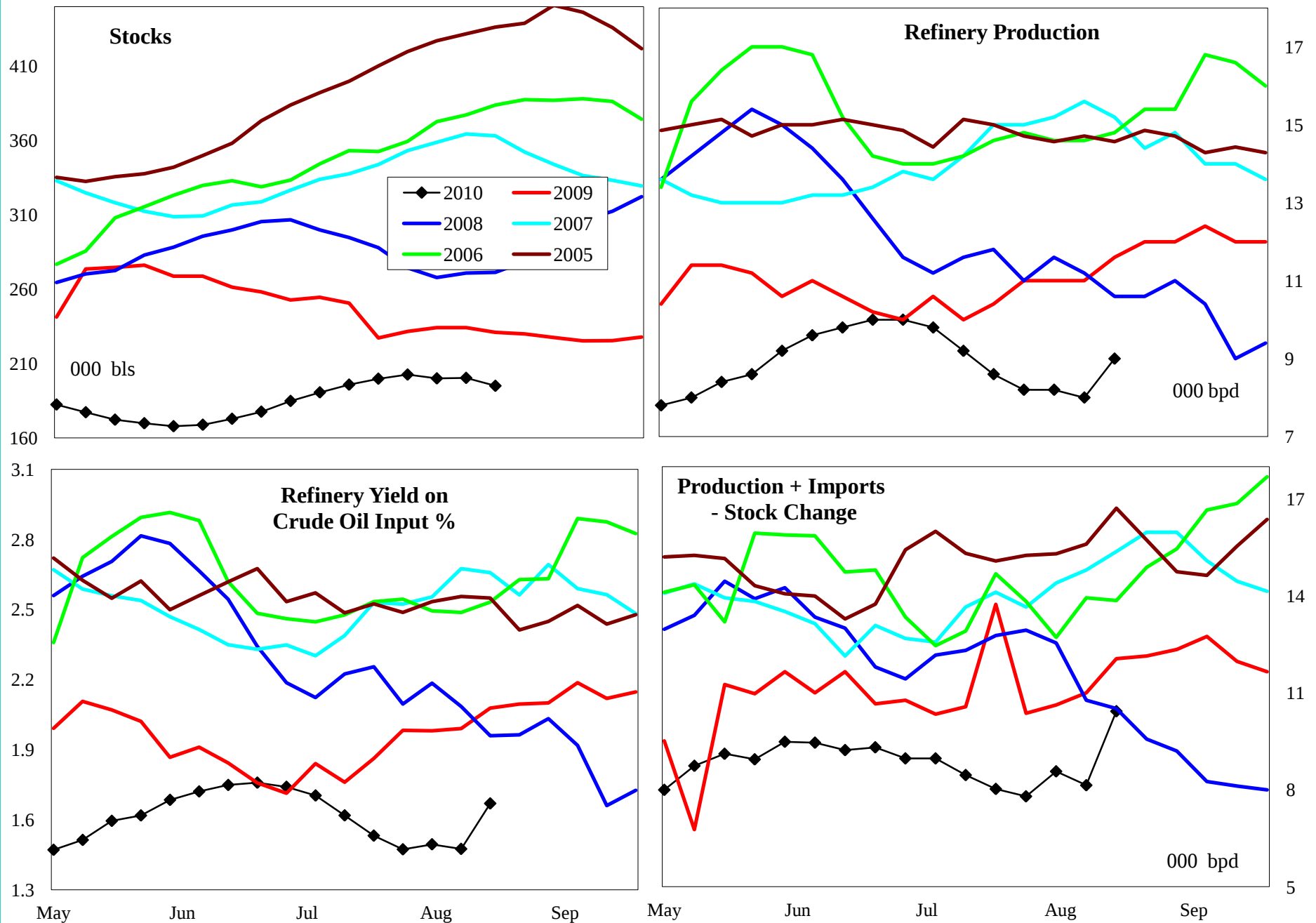
9.4

-4.0

PADD 4 Jet Fuel Supply



PADD 4 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-36

-15.6

Production

-3

-25.6

Imports

0

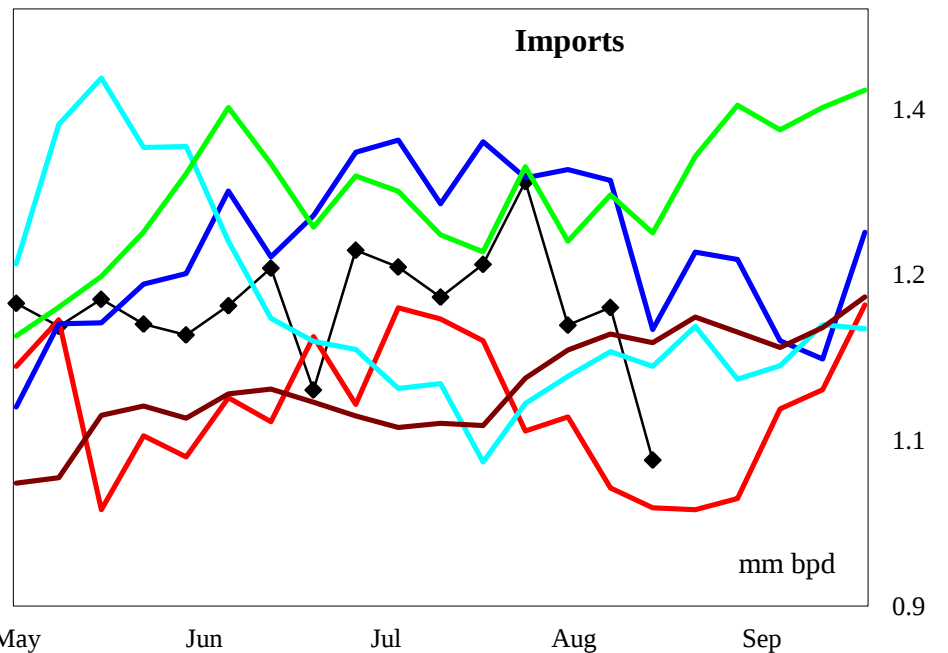
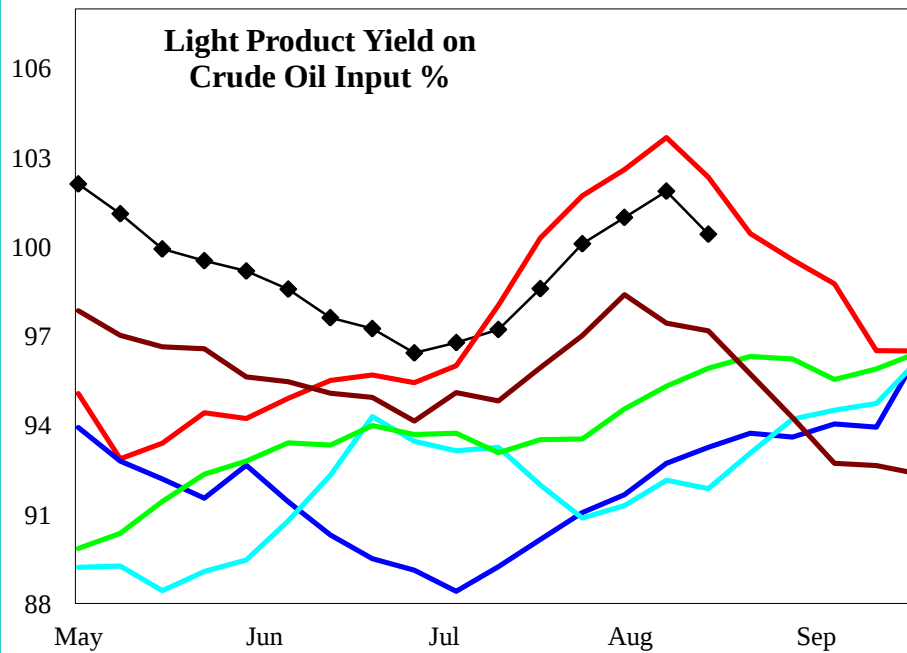
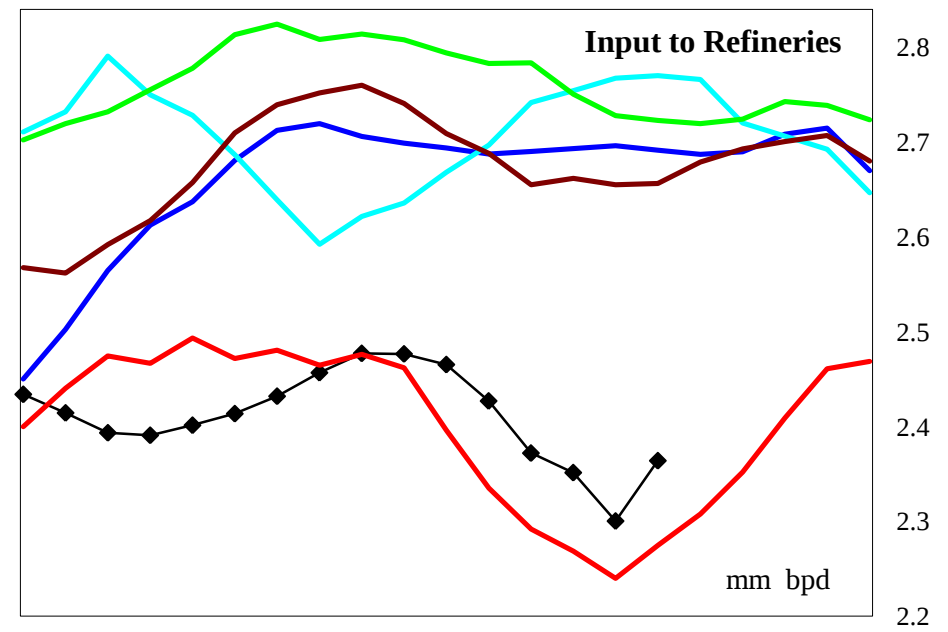
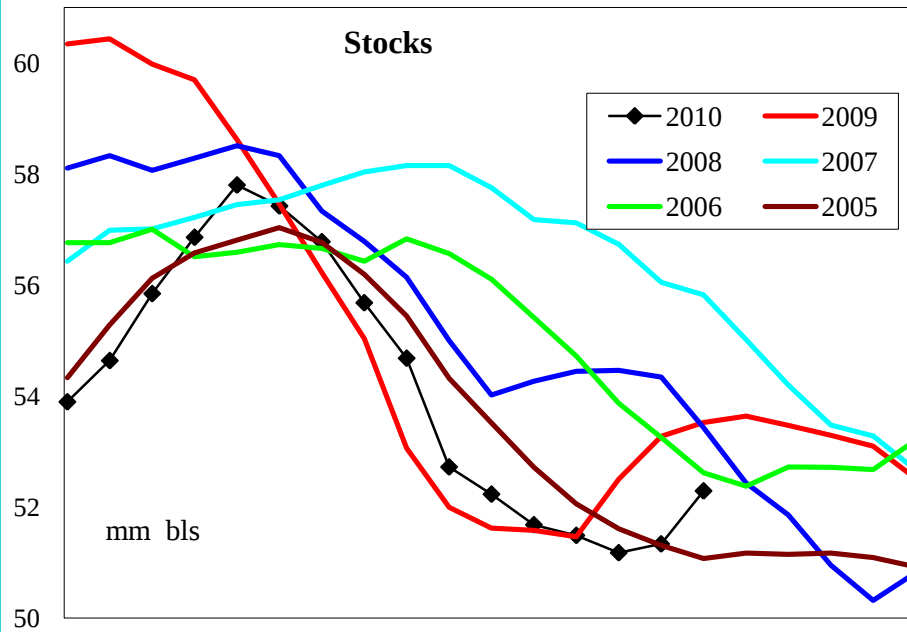
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Prod + Imp - Stk chg

-1

-7.6

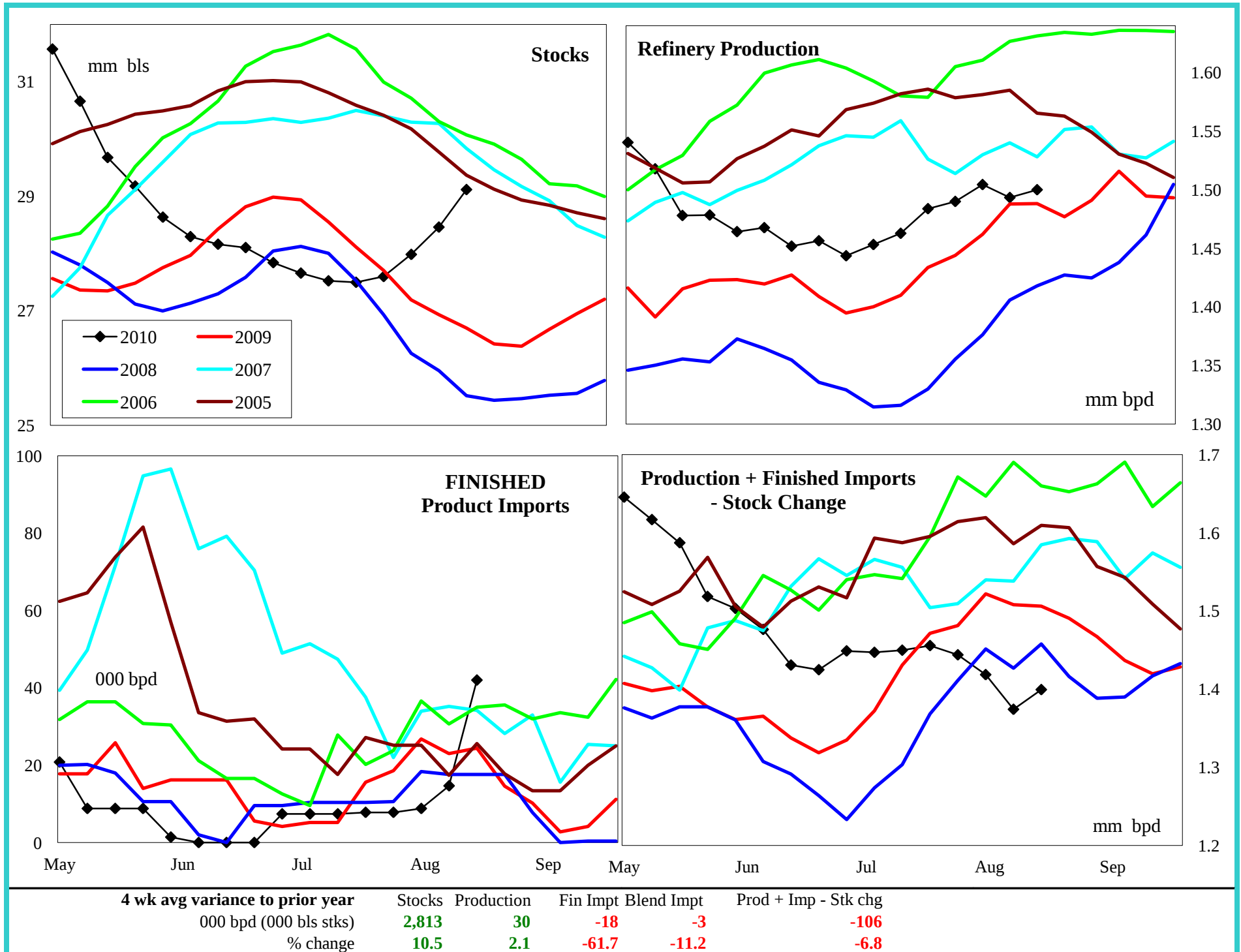
PADD 5 Crude Oil Supply and Refining



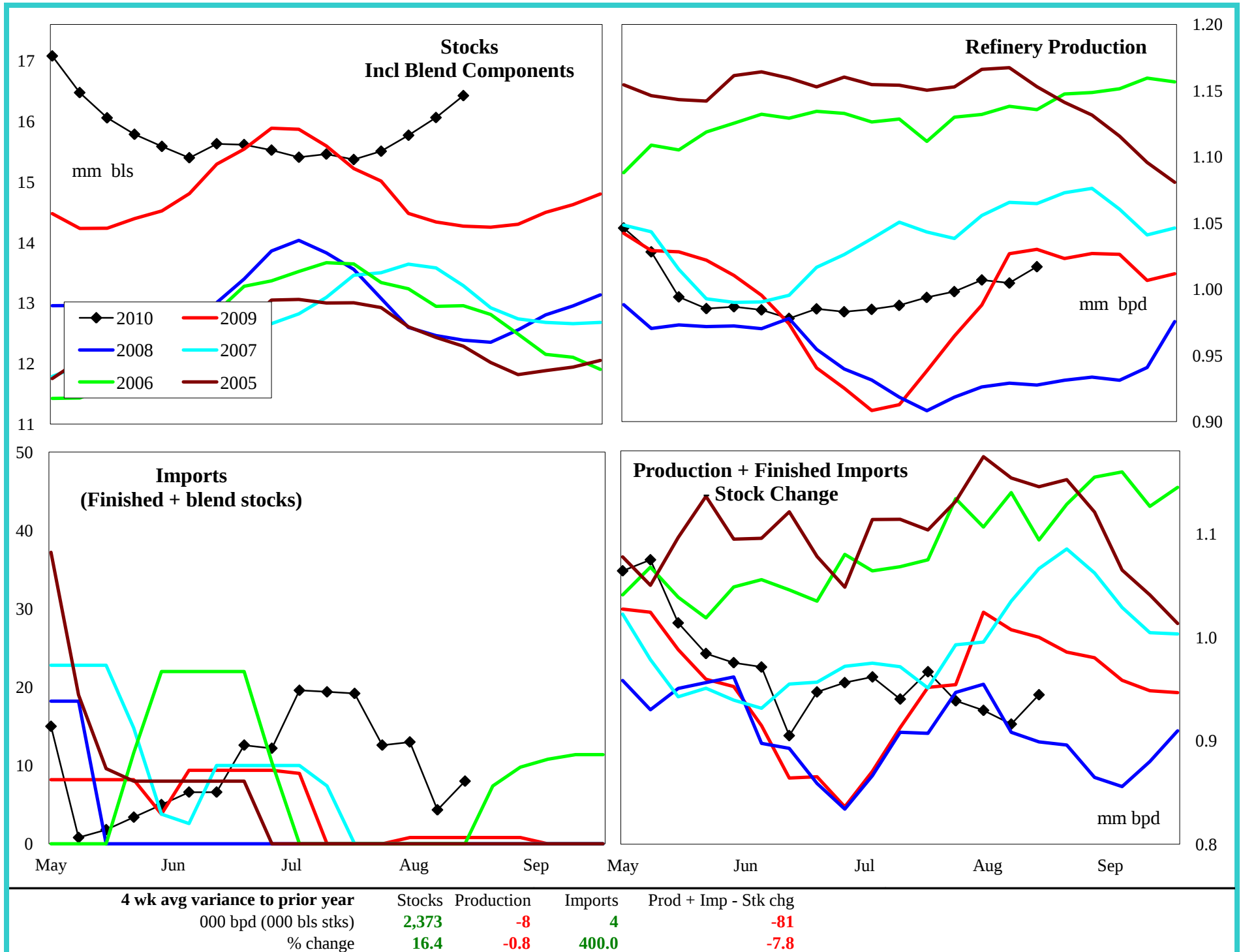
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

	Stocks	Input	Imports
000 bpd (000 bls stks)	-1,229	93	194
% change	-2.3	4.2	19.4

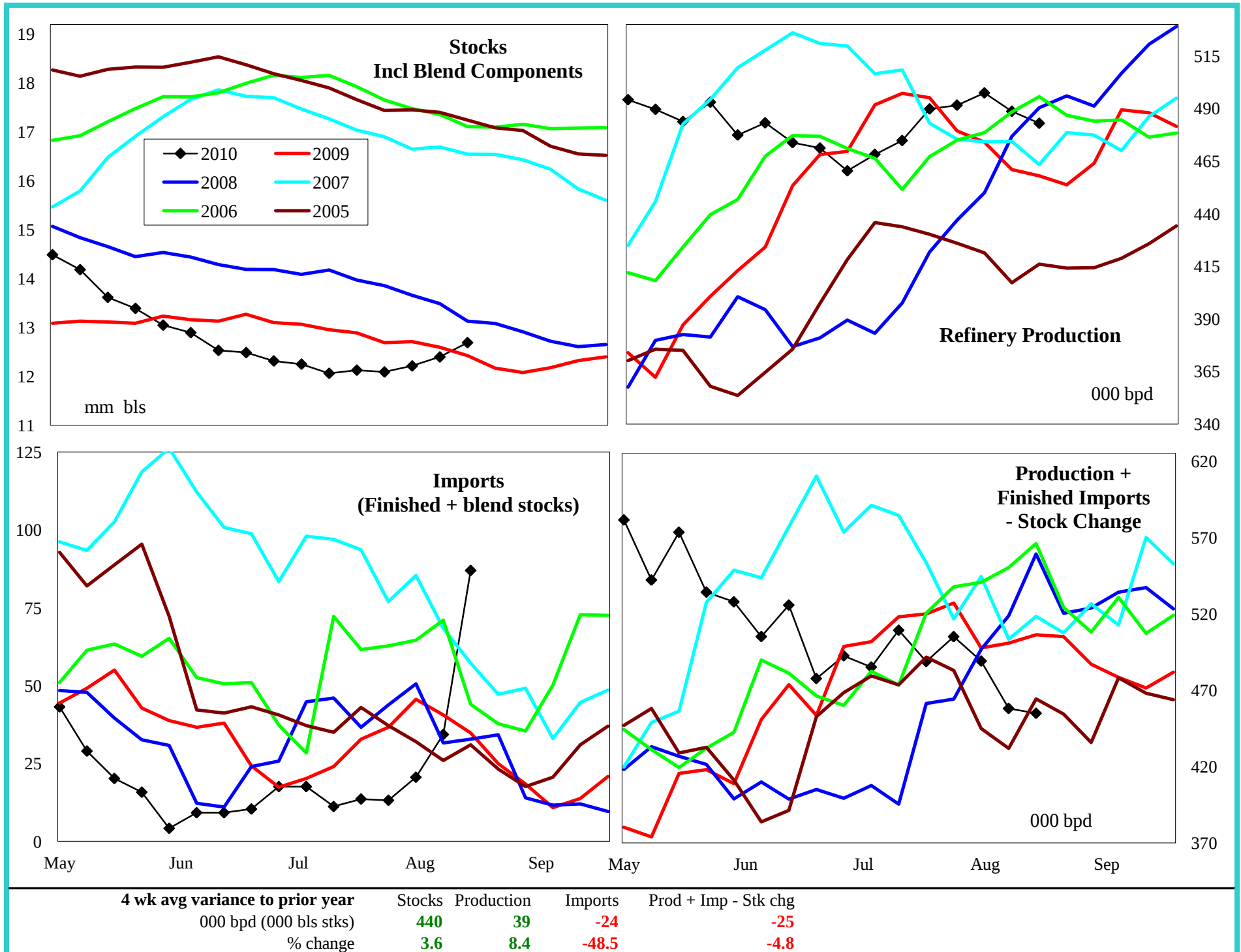
PADD 5 Gasoline Supply



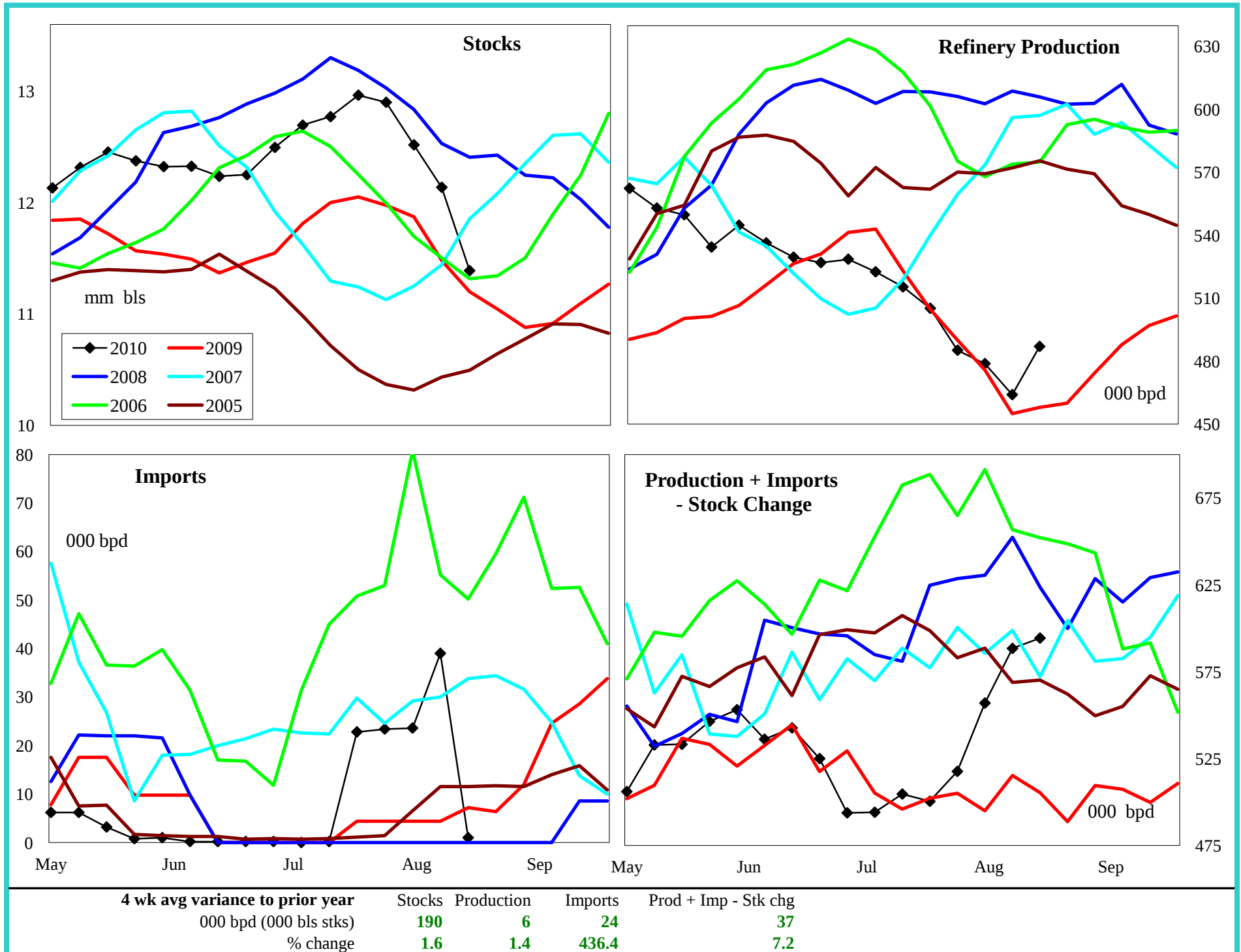
PADD 5 Reformulated Gasoline Supply



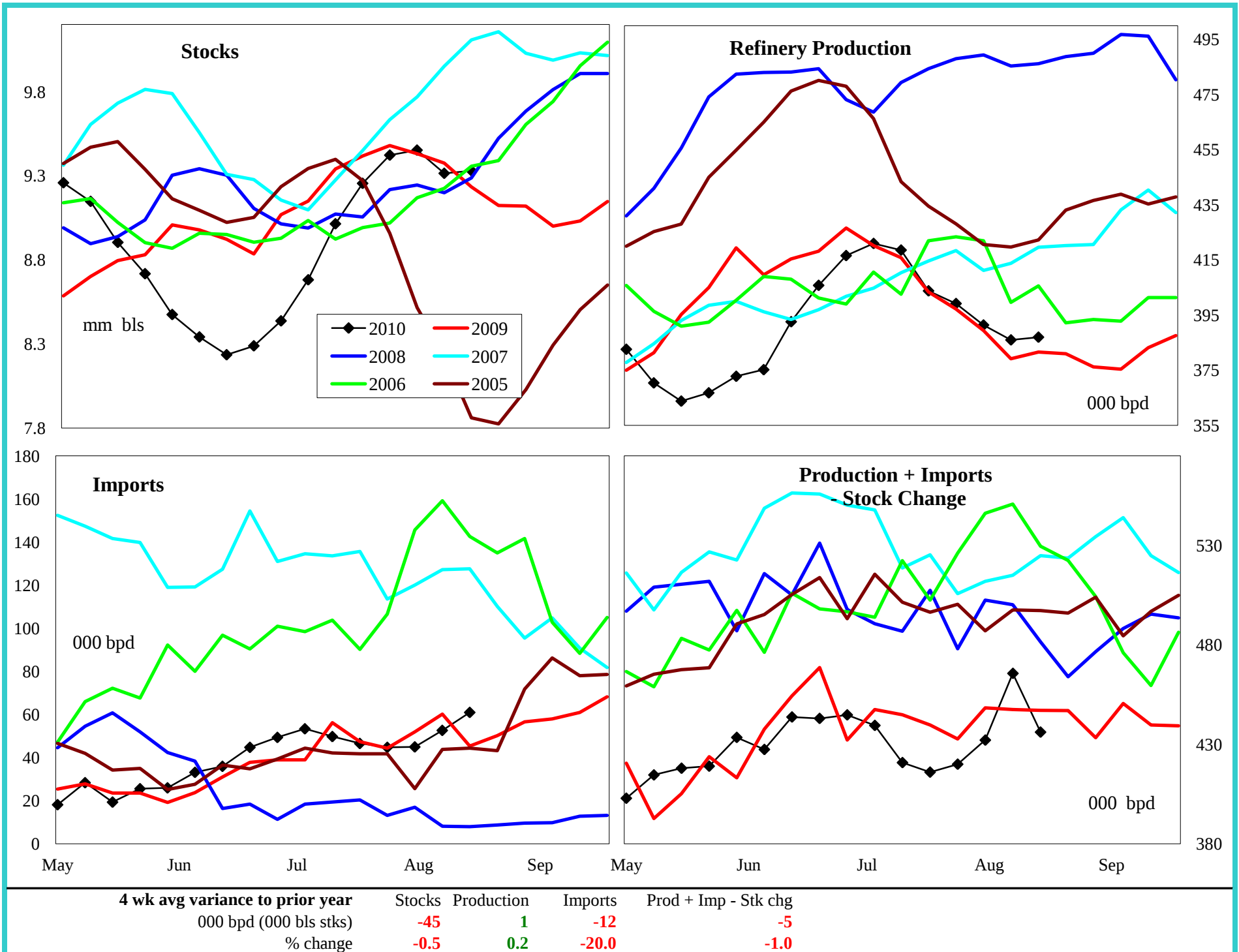
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

