

WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

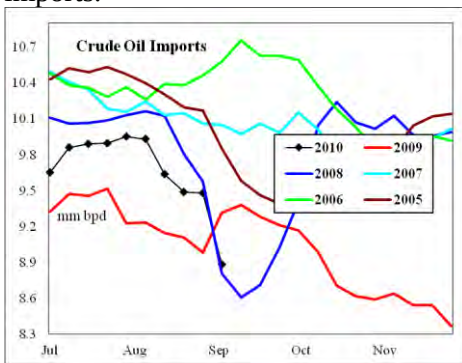
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, September 09, 2010



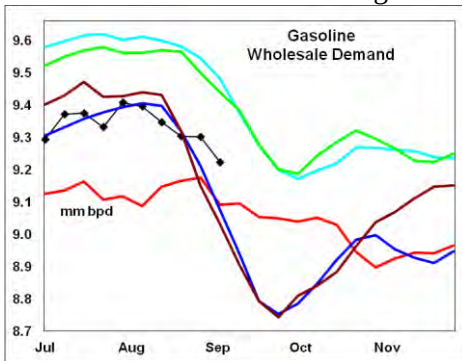
Major Fundamental Trends¹

Crude oil imports fell -0.8 million bpd last week, to levels last seen during the 2008 hurricane. Weather disruptions in the Gulf slowed off loading of cargos, where imports in PADD 3 fell 1 million bpd. This sharp drop in imports led to only a -1.9 million barrel crude oil stock draw. The start of fall maintenance in the midwest partially offset the sharp drop in imports.



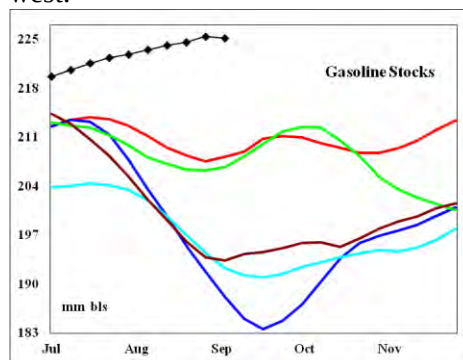
Weakness in prompt month WTI crude oil prices compared to deferred months are due in part to lower demand by mid west refiners as fall maintenance begins, record high domestic production, and depressed pricing of Canadian imports.

Gasoline demand declined -123,000 bpd last week as the end of summer seasonal downtrend began.

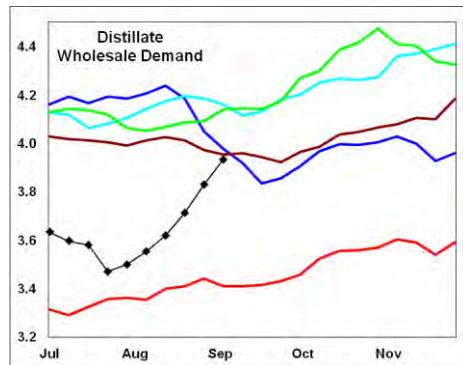


Gasoline production remains at a record high level for this time of year, with imports at the mid range. This high level of supply has driven a counter seasonal stock build, with end

of summer season carryout stocks +18 million barrels above the prior record high. Stock levels are at record levels in all regional markets except the mid west.



Distillate demand, driven by robust exports, has increased to near pre recession levels. High production and imports failed to fully offset the robust level of demand which led to a -0.4 million barrel counter seasonal stock draw last week. Seasonal refinery maintenance and higher seasonal demand should provide support to the distillate market.



Demand for gasoline decreased last week as the end of summer seasonal downtrend began.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline +1.1%; distillate up +9.4%; jet fuel down -0.6% while residual fuel oil fell -21%.

Stocks forward coverage: Gasoline demand coverage remains above the historic range on a -0.2 million barrel stock draw, with the stock level +18 million barrels above the prior record.

Distillate demand coverage declined last week on a -0.4 million

barrel stock draw for the week. The coverage level was below last years' record high.

Jet fuel coverage matched the record high set last year on record stock levels, even with higher demand.

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

Refinery utilization rates increased on a +90,000 bpd rise in crude oil runs last week. Crude oil runs for the latest 4-wk period were +205,000 bpd above a year ago.

Gasoline yield % on crude oil runs declined last week on a -67,000 bpd decrease in production versus a +90,000 bpd rise in crude runs. Yield % was near the historic high for this time of year.

Distillate yield % on crude oil runs decreased on a -1,000 bpd decline in output versus the increase in crude oil runs. Yield % matched the 5-year record high for the period.

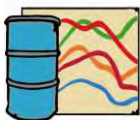
Jet fuel yield % on crude oil runs increased on a +16,000 bpd rise in production, with the yield % above the mid range.

Petroleum Imports of crude oil and gasoline were lower last week, while middle distillates increased.

During the latest 4-wk period distillate imports increased +43,000 bpd compared to last year; finished gasoline imports decreased -197,000 bpd, gasoline blend stock imports increased +398,000 bpd; jet fuel imports decreased -9,000 bpd, while residual fuel oil imports increased +81,000 bpd.

Crude Oil imports decreased -794,000 bpd last week, due largely to weather disruptions in the Gulf that slowed offloading of cargos. Stocks decreased -1.9 million barrels, with declines in all regional markets except the West Coast. Stocks decreased -0.2 million barrels in Cushing, where stock levels remain very high.

¹ Source is latest EIA Weekly Statistics



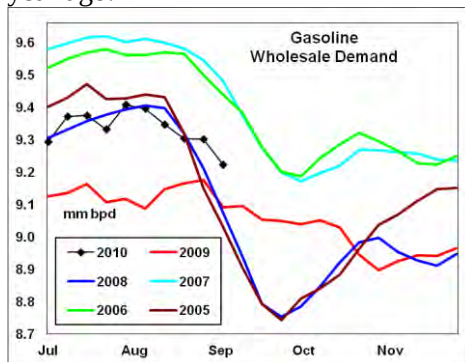
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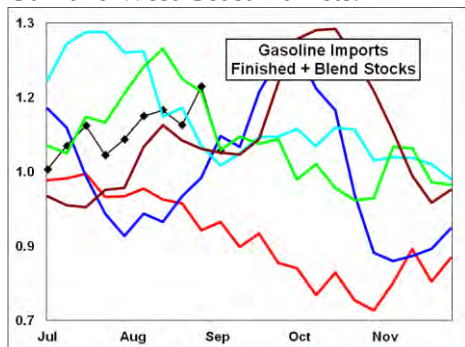
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Product Supply-Demand Trends

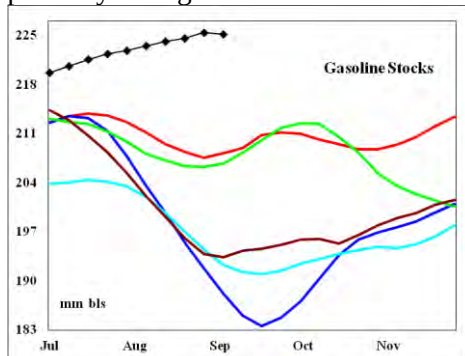
Gasoline demand decreased -123,000 bpd on the week as the end of summer downtrend began. The latest 4-wk average was +103,000 bpd above a year ago.



Gasoline production decreased -67,000 bpd on the week, but the level remains above the 5-year range. Imports declined -59,000 bpd, to the mid range. Imports were unusually high in the Gulf and West Coast markets.



High production and an average level of imports limited the stock draw last week to -0.2 million barrels. Stocks increased +1.3 million barrels in PADDs 4 & 5, combined. Stock levels were +18 million barrels above the prior 5-year high.



The gasoline market remains extremely over supplied in PADDs 1 and 3.

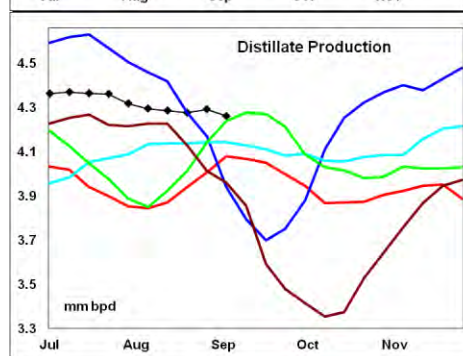
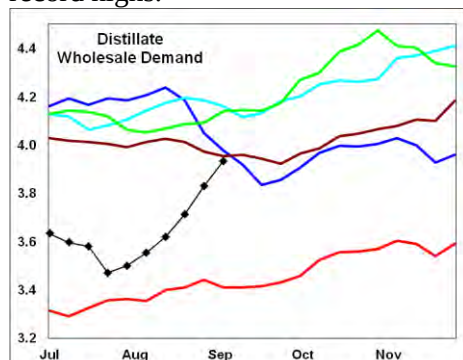
Stocks levels are also at 5-year highs in PADDs 4 & 5. Only in the midwest where refinery maintenance is expected to be above normal are supplies relatively tight.

Look for further deterioration in gasoline prices compared to the overall energy complex.

Distillate demand was unchanged last week following the prior week +300,000 bpd surge, with the 4-wk average to +336,000 bpd above last years' depressed level.

Production was unchanged on the week at a level which matched the 5-year high for the period. Imports also increased to above the mid range.

Stocks declined -0.4 million barrels on the week. Stock levels are +9.3 million barrels above last years' record highs.



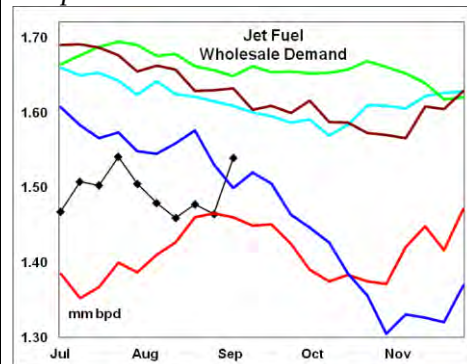
Weekly distillate demand was at pre recession levels, including robust exports. Expect a seasonal decline in production on fall refinery maintenance and strong exports to support prices compared to the overall energy complex.

Jet Fuel demand climbed +125,000 bpd on the week, with the latest 4-wk average -13,000 bpd below last year.

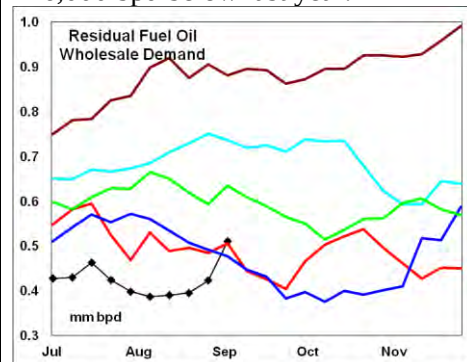
Supply increased +41,000 bpd on the week. Production was at the 5-year mid range for the period.

Stock levels remain +5.6% above the prior record high.

Expect production to trend lower as refiners began fall maintenance, offsetting a seasonal decline in demand. High stock levels and lower seasonal demand should limit prices compared to the overall energy complex.

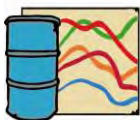


Residual fuel oil demand, including exports, increased +142,000 bpd last week, with the 4-wk average -116,000 bpd below last year.



Supply (production + imports) increased +118,000 bpd on the week, with the latest 4-wk average -88,000 bpd below a year ago. Production jumped to a level near the mid range. Stock levels remain above four of the last five years.

Production increased +112,000 bpd in PADD 3 last week, reflecting the restart of a high residual fuel yielding refinery. This increase in supply should drive higher exports in the near term. The increased Gulf production may signal an end to the improved supply balance.



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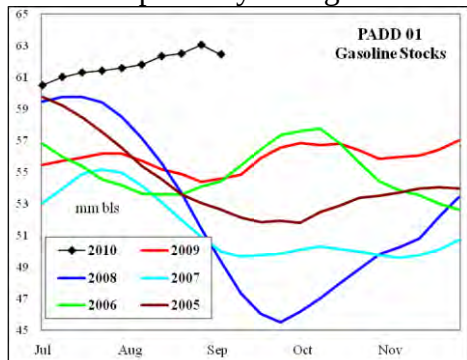
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PADD Supply Trends

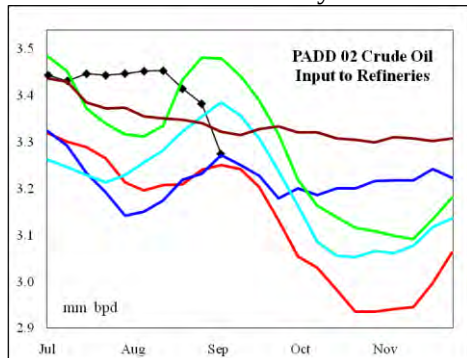
PADD 1 refinery crude oil runs decreased -27,000 bpd on the week, with the 4-wk average -55,000 bpd below last years' record low rate.

Gasoline production increased +43,000 bpd on the week, with the latest 4-wk average +392,000 bpd above a year ago. Imports (blend stocks) decreased -117,000 bpd last week, to the low end of the historic range. Stocks decreased -1.6 million barrels, but remain +14% above the prior 5-year high.



Distillate supply decreased -4,000 bpd last week, with lower production offset by higher imports. Stocks decreased -0.4 million barrels on the week, +1% above the prior record high.

Jet fuel supply increased +52,000 bpd last week. Stock levels remain above four of the last five years.



PADD 2 crude oil refinery runs decreased -130,000 bpd last week, comparable to levels of the last 2-years for this time of year. Imports decreased -77,000 bpd to a record low level for this time of year. Stocks decreased -1 million barrels, including a -0.2 million barrel decline in

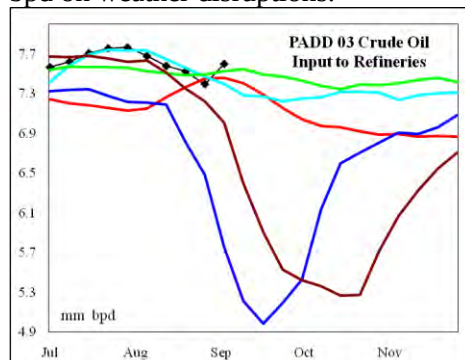
Cushing. Stock levels remain extremely high.

Gasoline production decreased -46,000 bpd last week, with the level above four of the last five years. Stocks increased +0.2 million barrels, with the level above the mid range.

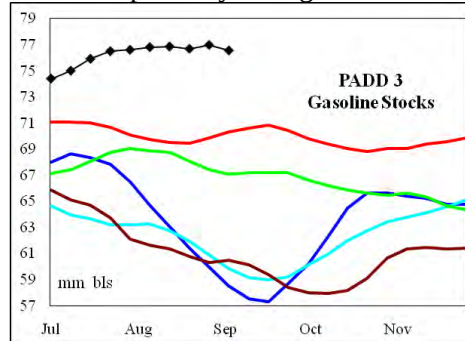
Distillate production declined -70,000 bpd on the week, with the level at the mid range. Stocks decreased -0.2 million barrels, with the level near last years' record high.

Jet fuel production fell -30,000 bpd while stocks declined -0.5 million barrels to the mid range.

PADD 3 refinery crude oil runs climbed +325,000 bpd, to a level above the historic range. The latest 4-wk average was +30,000 bpd above a year ago. Crude imports fell -1 million bpd on weather disruptions.



Gasoline production declined -42,000 bpd on the week. Stocks decreased -0.3 million barrels, but remain +9% above the prior 5-year high.



Distillate production increased +73,000 bpd on the week, still at a level above the 5-year range. Stocks were unchanged and remain +17% above the prior 5-year high.

Jet fuel production increased +25,000 bpd, to a level at the mid

range. Stocks decreased -0.2 million barrels, to a level +16% above the prior record high.

Residual fuel oil production jumped +112,000 bpd on the week, matching the 5-year high for the period. Stock levels remain above the historic range.

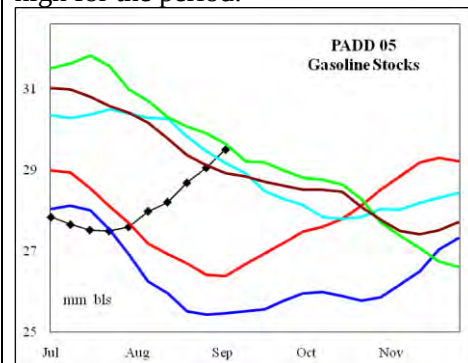
PADD 4 refinery crude runs increased +6,000 bpd on the week, to match the 5-year low for the period. The latest 4-wk average thru put was -28,000 bpd below last year. Stocks increased on a record high imports.

Gasoline production increased +14,000 bpd on the week, to a level about the mid range. Stocks increased +0.5 million barrels to a 5-year high for the period.

Distillate production increased +18,000 bpd to a level at the upper end of the historic range. Stock levels remain above the 5-year range.

PADD 5 crude oil refinery runs decreased -81,000 bpd on the week, with the latest 4-wk average +60,000 bpd above last year. Crude imports increased +281,000 bpd last week to a record high. Stocks increased +0.8 million barrels to above the mid range.

Gasoline production declined -36,000 bpd on the week, at the low end of the historic range. Imports of blend stocks were over 120,000 bpd on the week, a record high. Stocks increased +1 million barrels to match the 5-year high for the period.



Distillate supply increased +45,000 bpd, including 65,000 bpd of imports, a level that matched the prior record. Stocks were nearly unchanged at a level that matched the mid range.

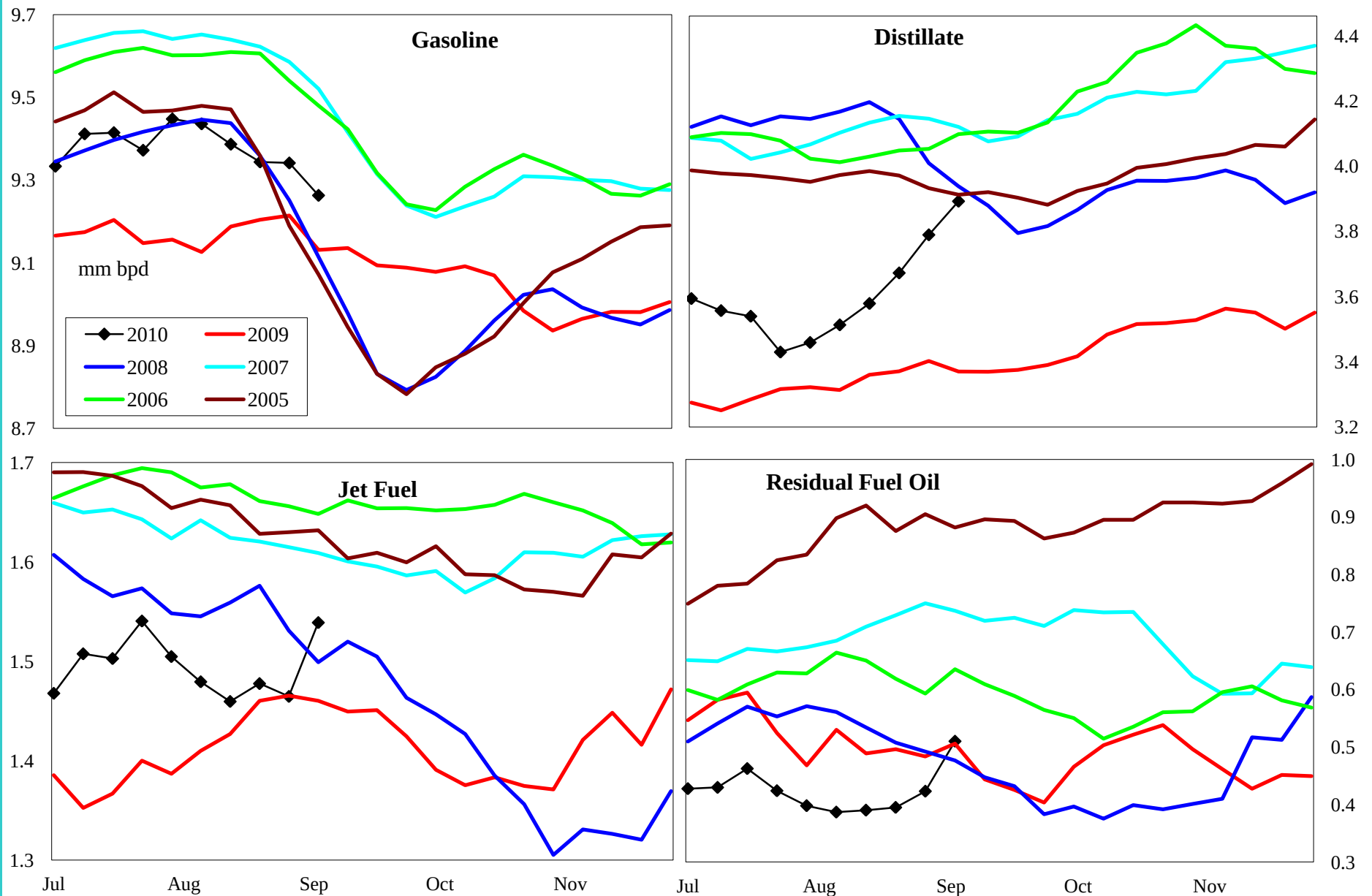

**FUNDAMENTAL
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PETROLEUM: Graph Link and Weekly Summary

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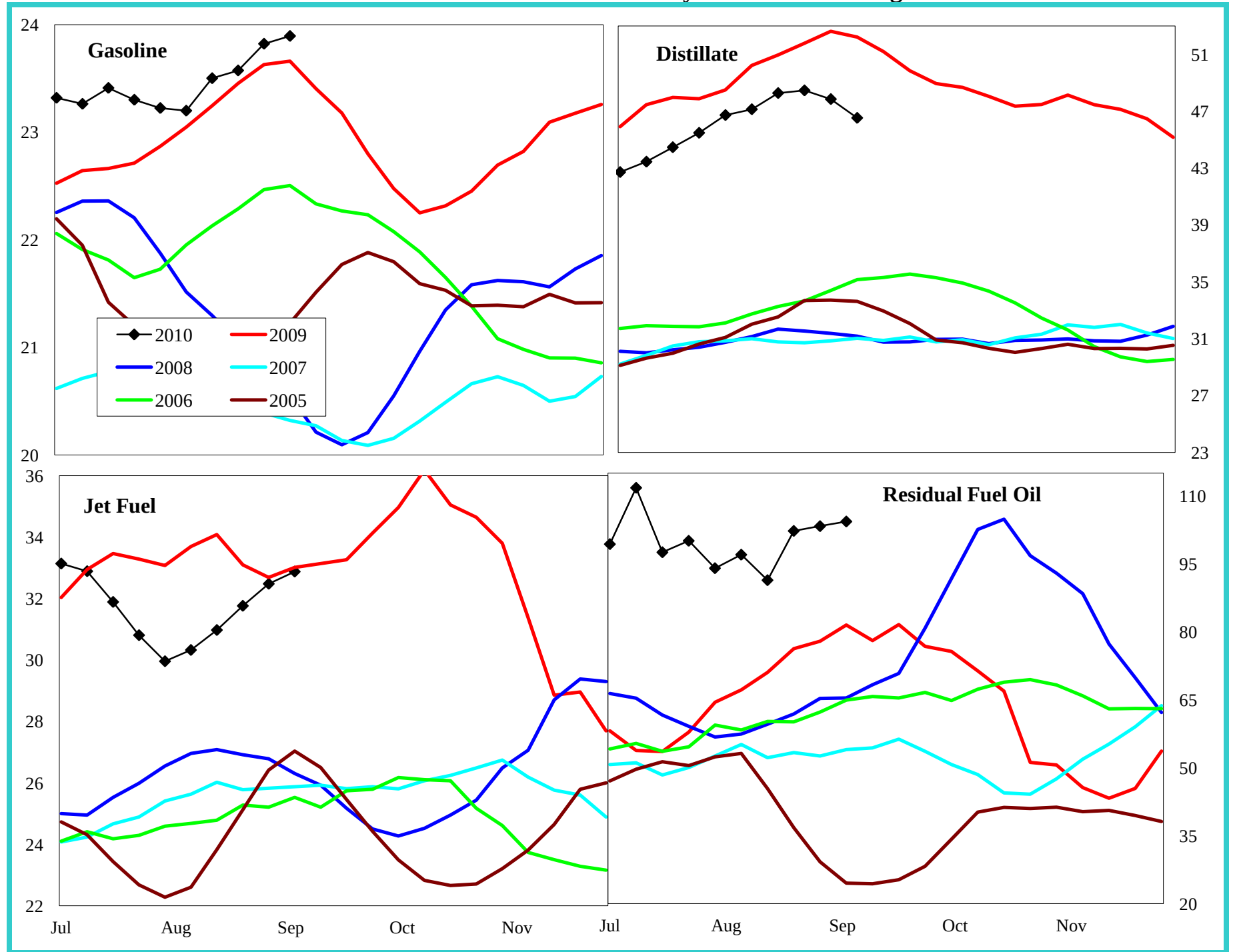
Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization</u> <u>Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	3-Sep-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	-1,853	-245	-1,012	-1,293	-118	815
	Imports	-794	-159	-77	-966	127	281
	Input	90	-27	-130	325	6	-81
	% Utilization	1.20					
<u>Gasoline</u>	Stocks	-243	-1,566	184	-277	460	955
	Production	-67	43	-46	-42	14	-36
	Imports	-59	-117	0	-5	0	61
	Supplied	-123					
<u>Distillate</u>	Stocks	-388	-391	-185	69	123	-4
	Production	-1	-20	-70	73	18	-2
	Imports	57	16	-9	0	4	47
	Supplied	5					
<u>Jet Fuel</u>	Stocks	-433	-112	-461	-210	-74	425
	Production	16	11	-30	25	-5	16
	Imports	25	41	0	0	0	-16
	Supplied	125					
<u>Residual Fuel Oil</u>	Stocks	-212	-126	85	-355	3	182
	Production	102	-2	2	112	-1	-10
	Imports	16	101	0	-50	0	-36
	Supplied	142					

United States Wholesale Petroleum Demand

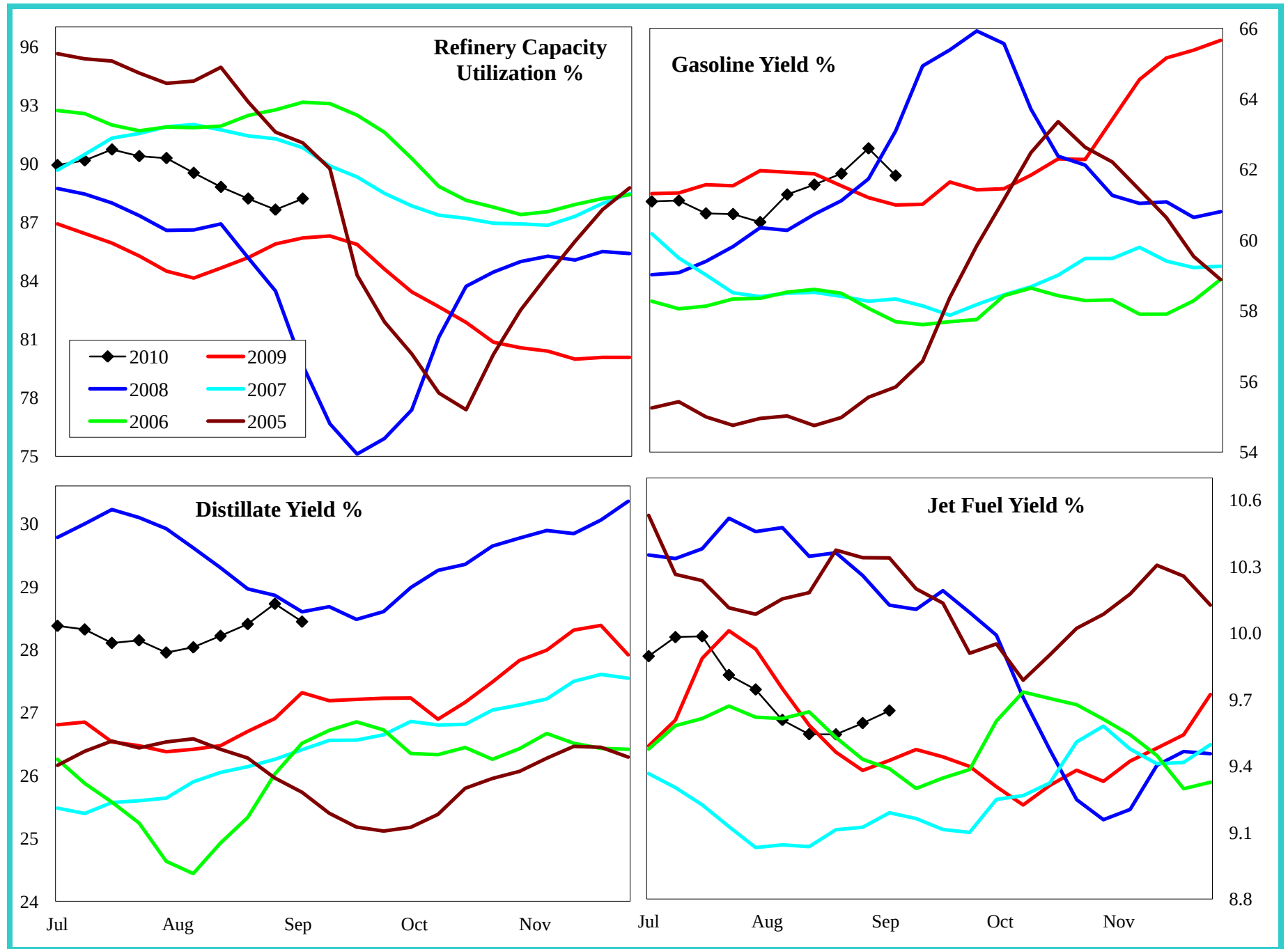


	000 bpd change from prior year				% change from prior year				
	4wk avg	Jul	Jun	May	4wk avg	Jul	Jun	May	
Gasoline	103	139	129	133	1.1	1.5	1.4	1.5	
Distillate	326	213	258	199	9.4	6.3	7.3	5.8	
Jet Fuel	-13	10	-74	93	-0.9	0.7	-5.2	7.0	
Resid	-116	178	-124	81	-20.5	55.8	-21.9	18.7	

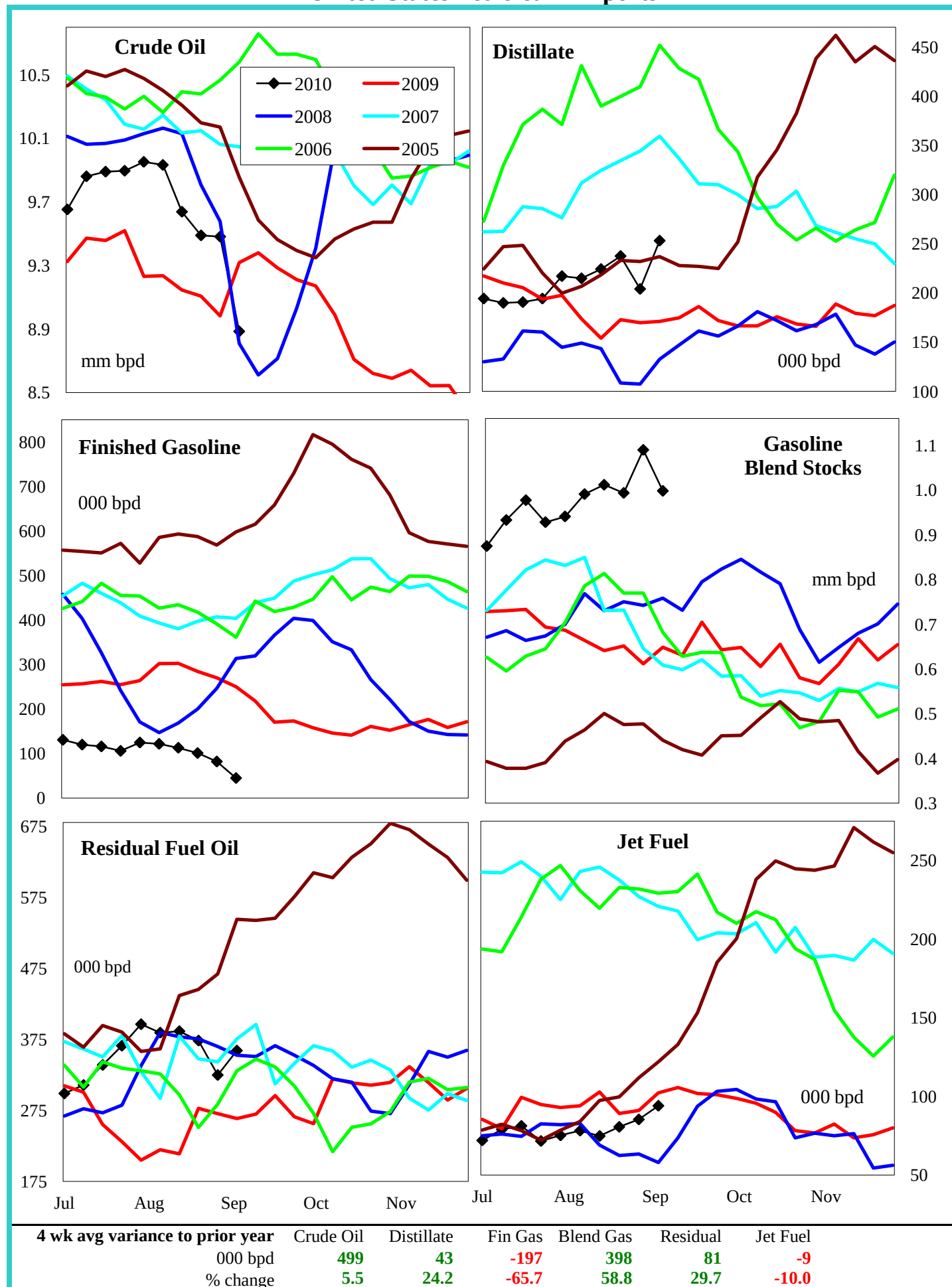
United States Product Stocks: Days Forward Coverage



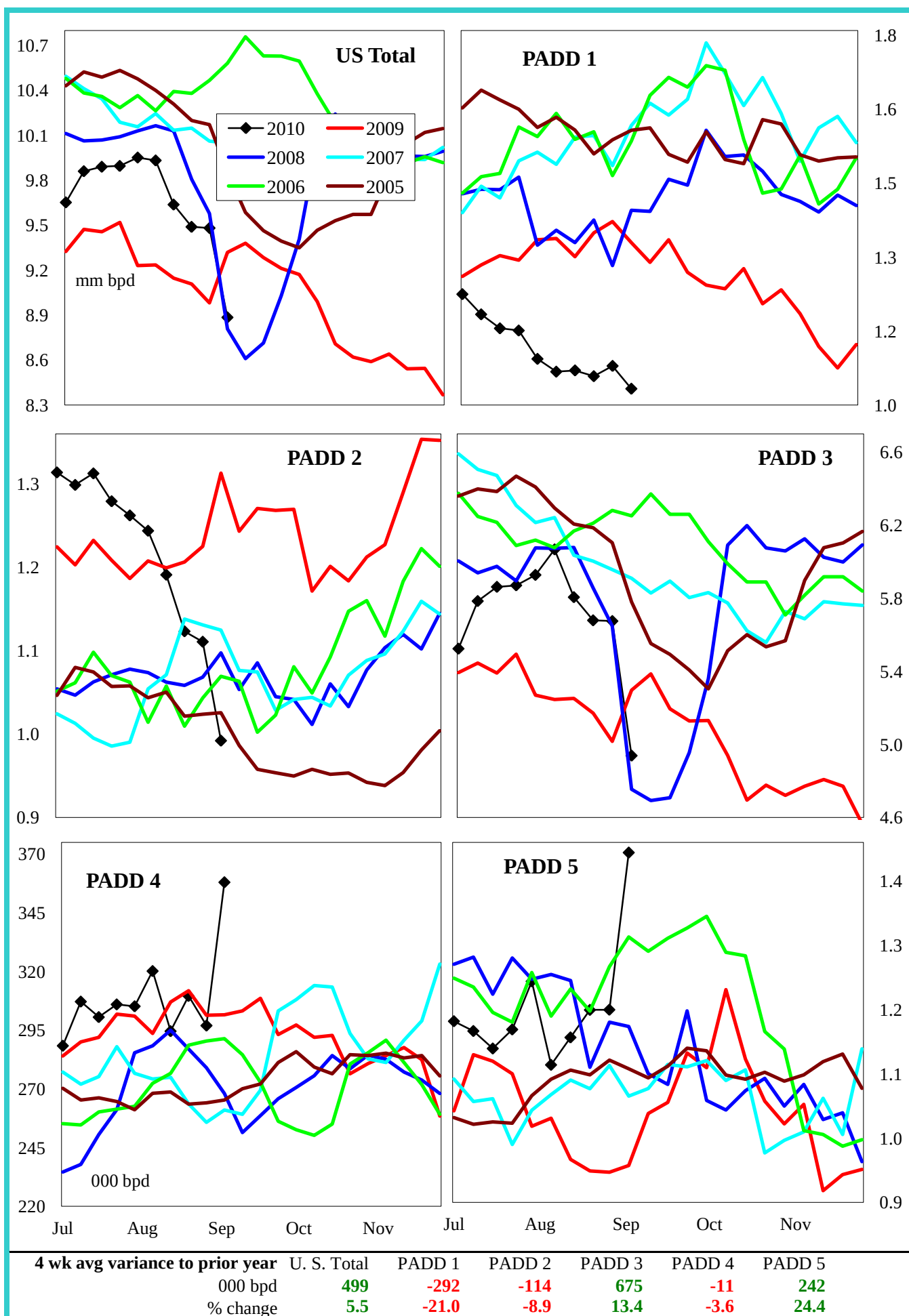
United States Refinery Percent Utilization Rate and Product Yields



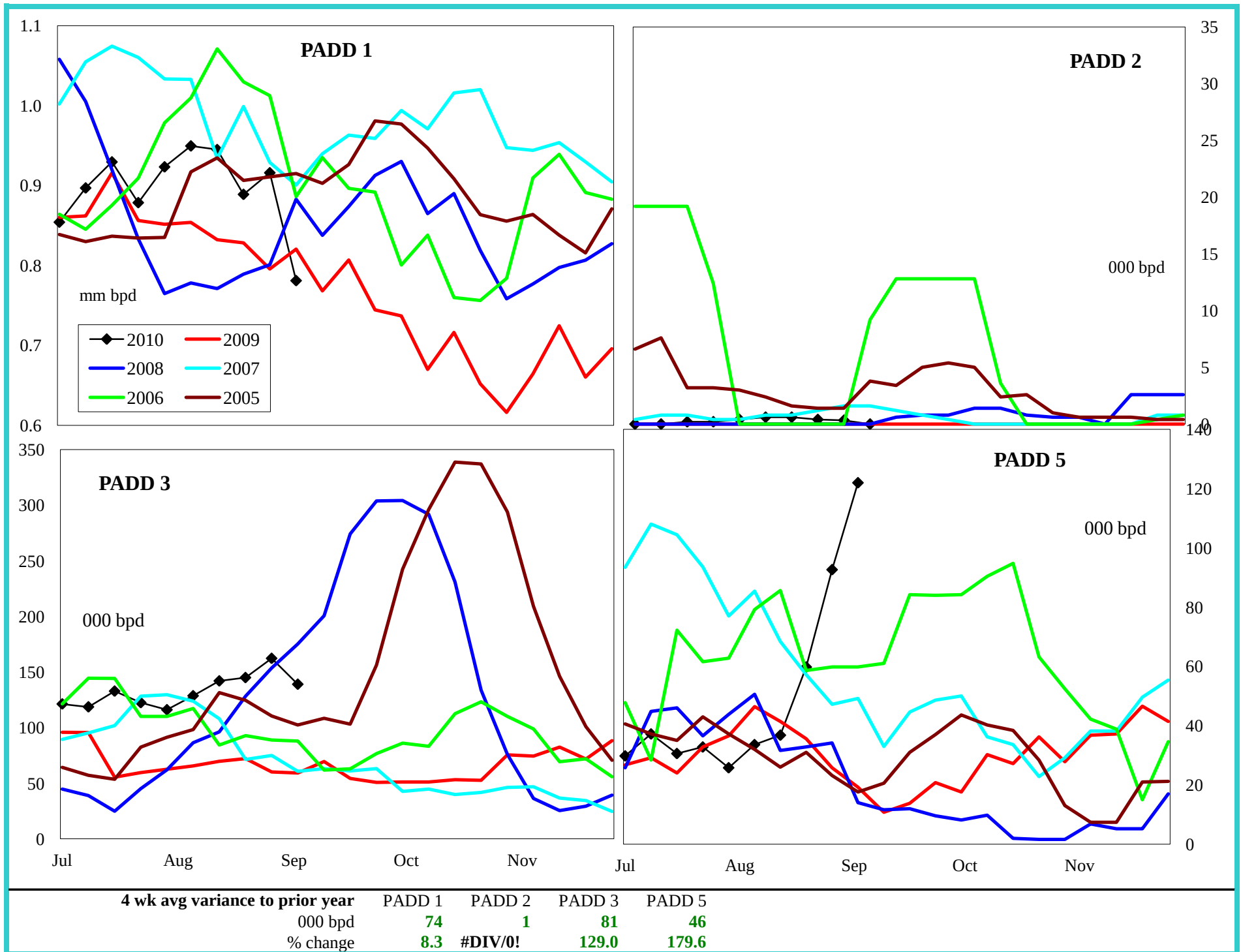
United States Petroleum Imports



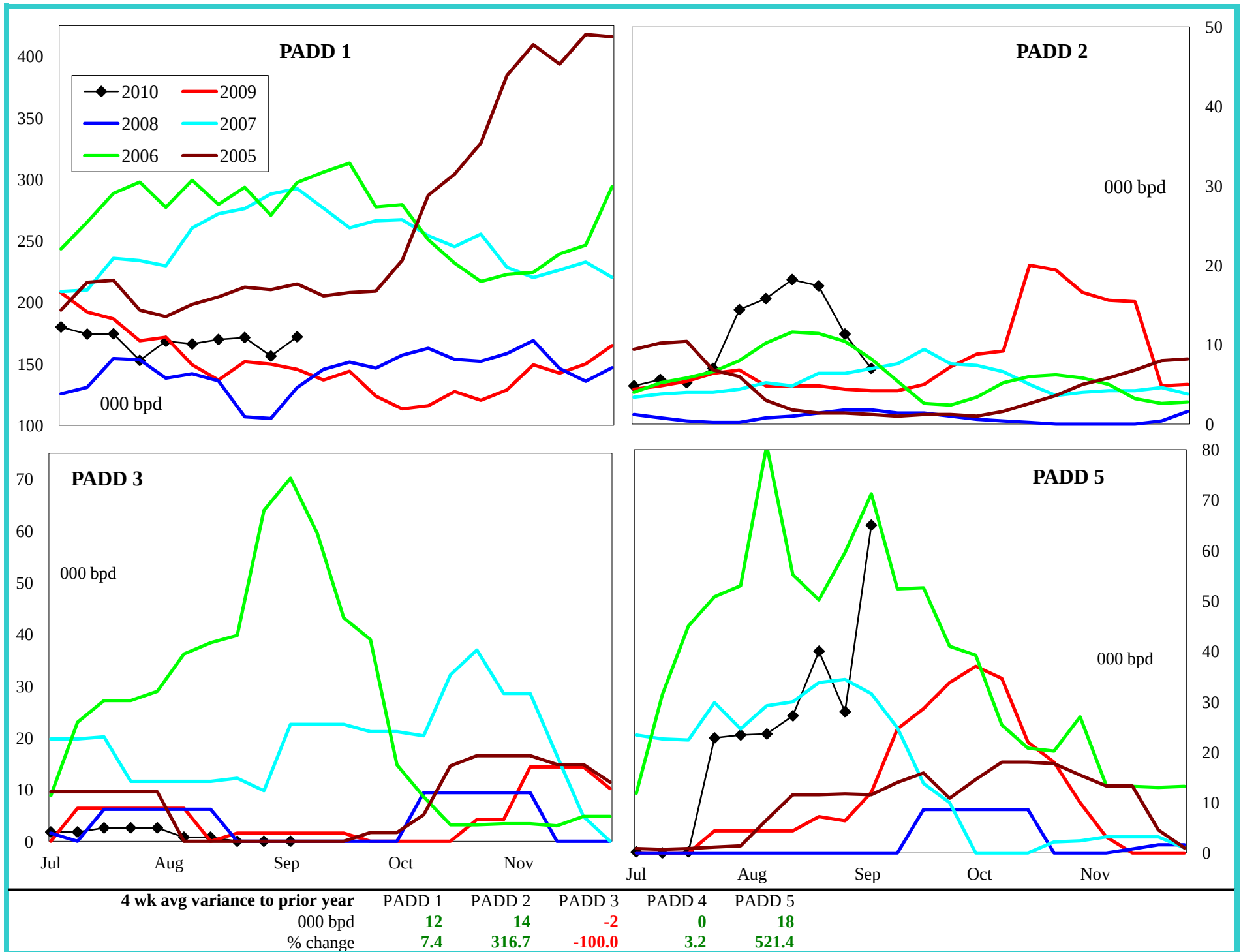
Crude Oil Imports by PADD



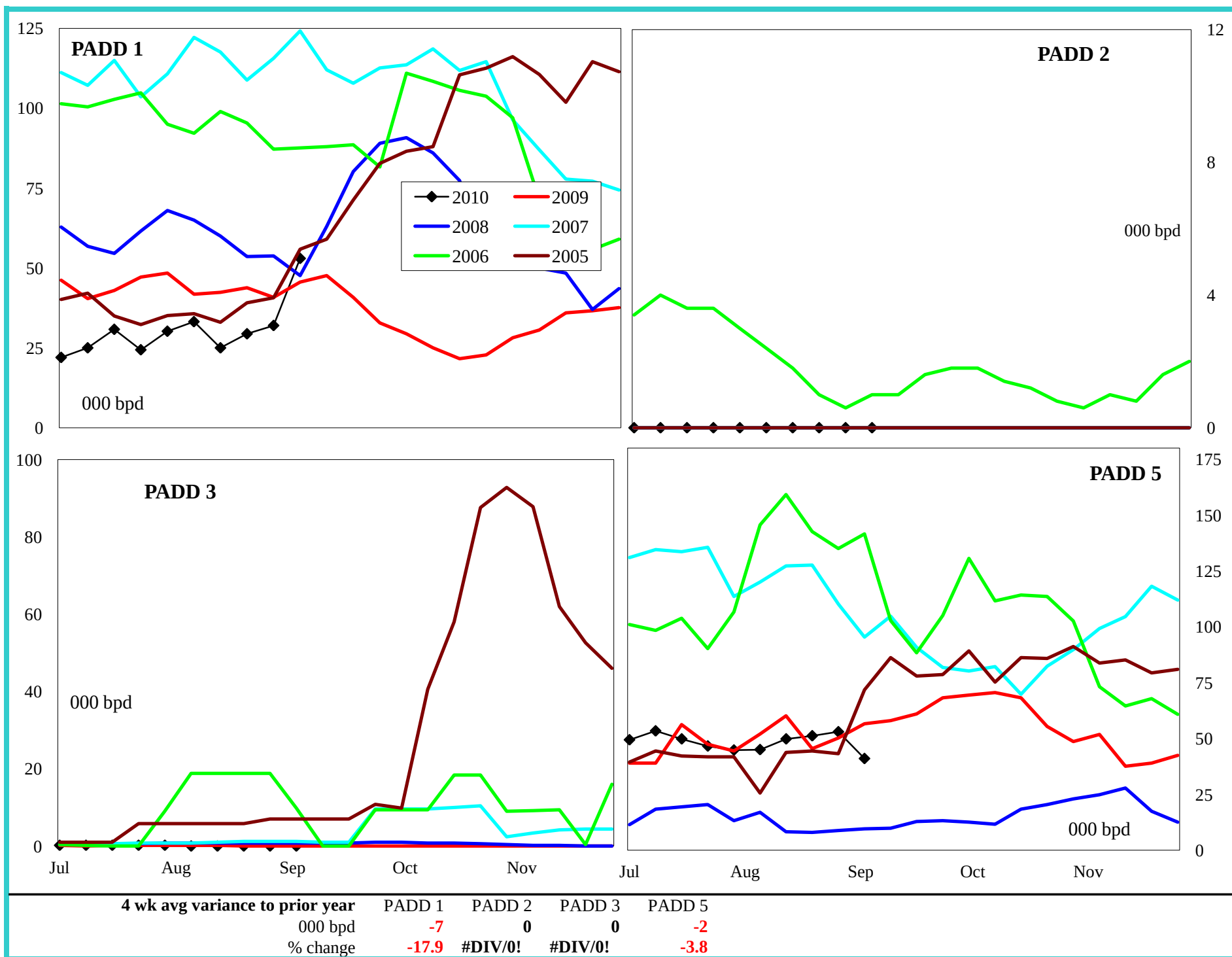
Gasoline Imports by PADD (Finished + Blend Stocks)



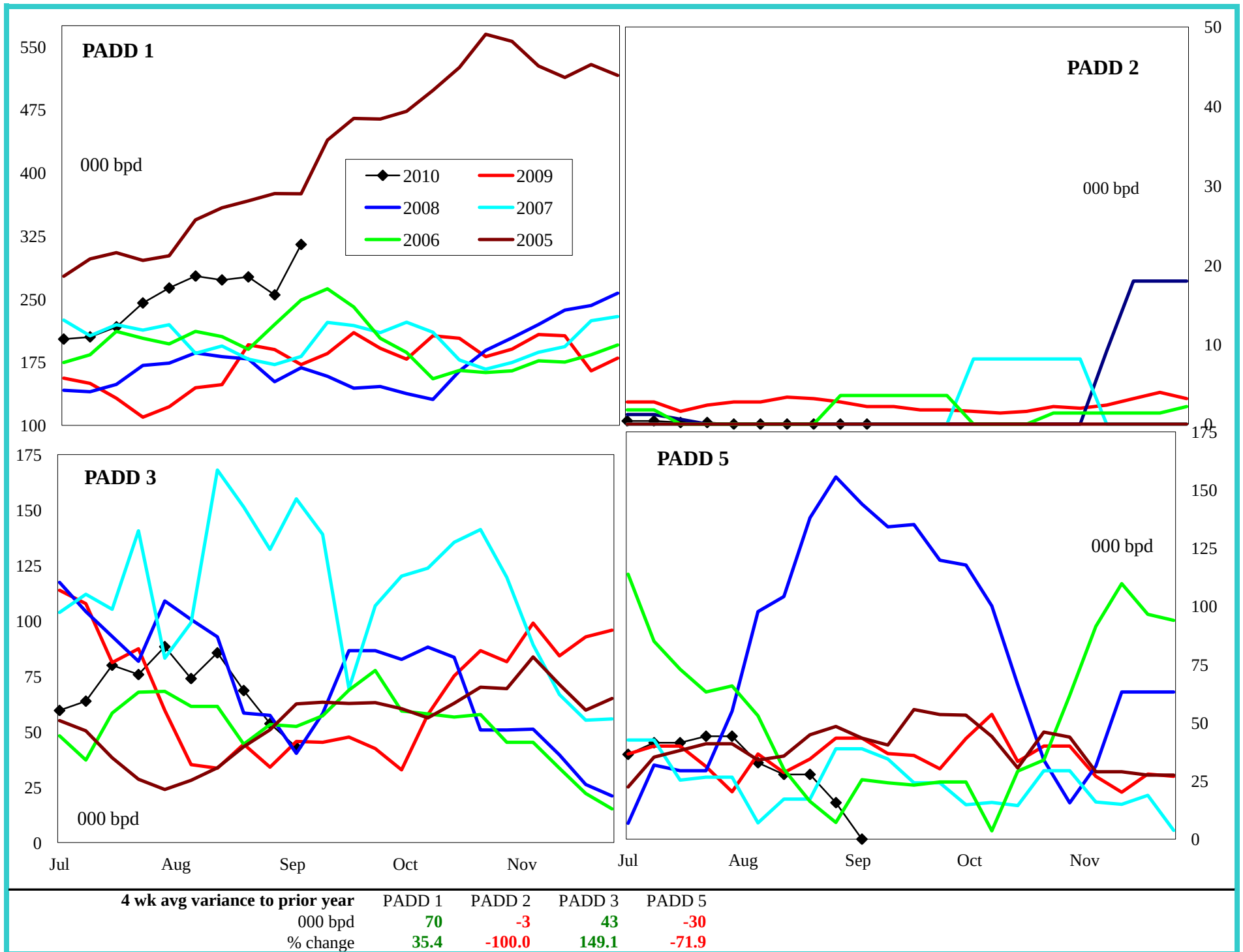
Distillate Imports by PADD



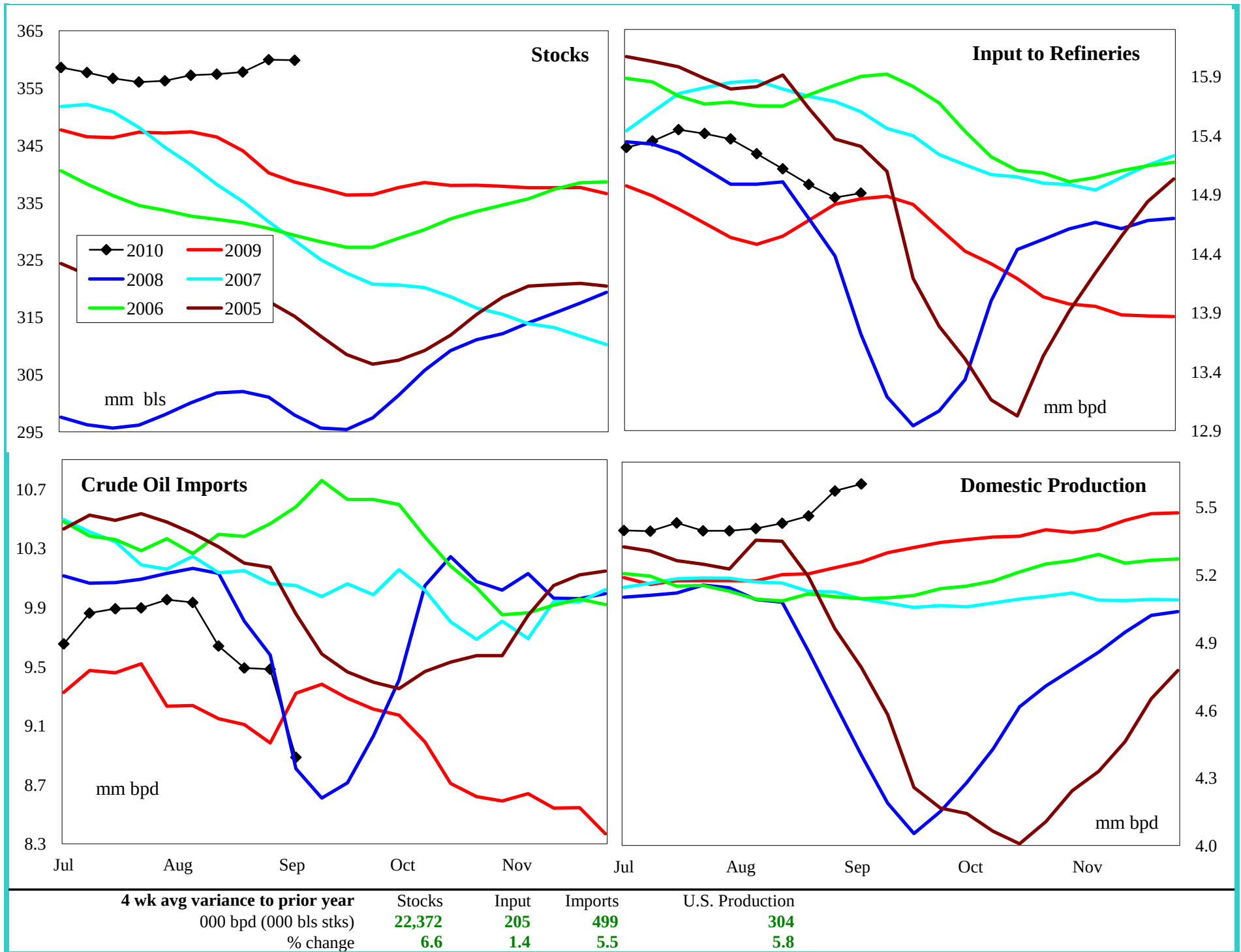
Jet Fuel Imports by PADD



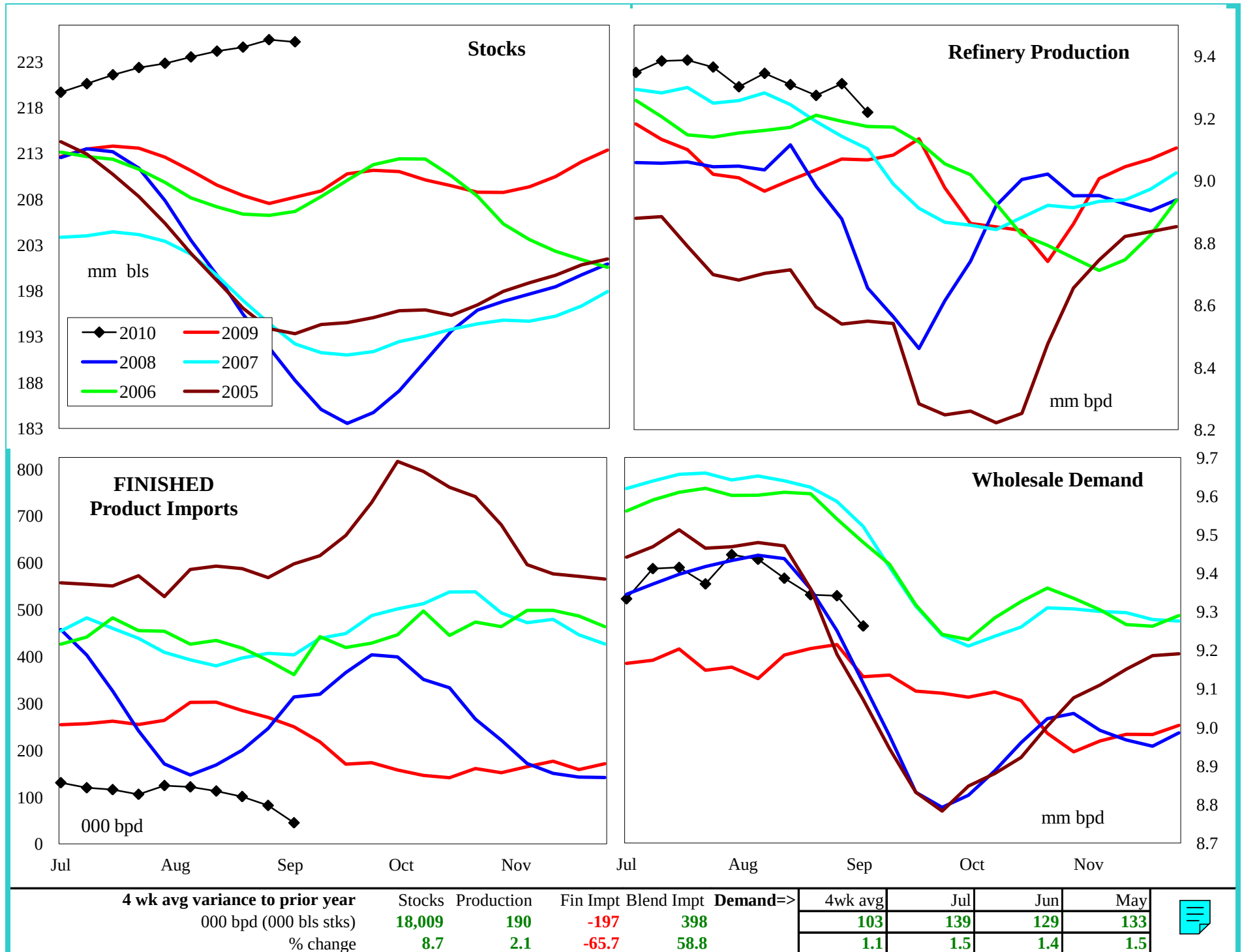
Residual Fuel Oil Imports by PADD



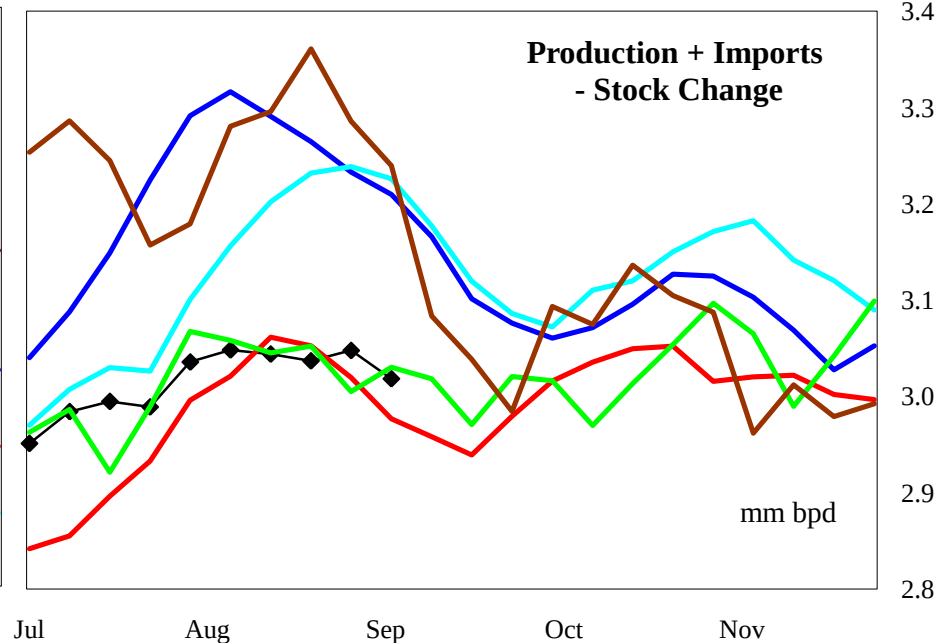
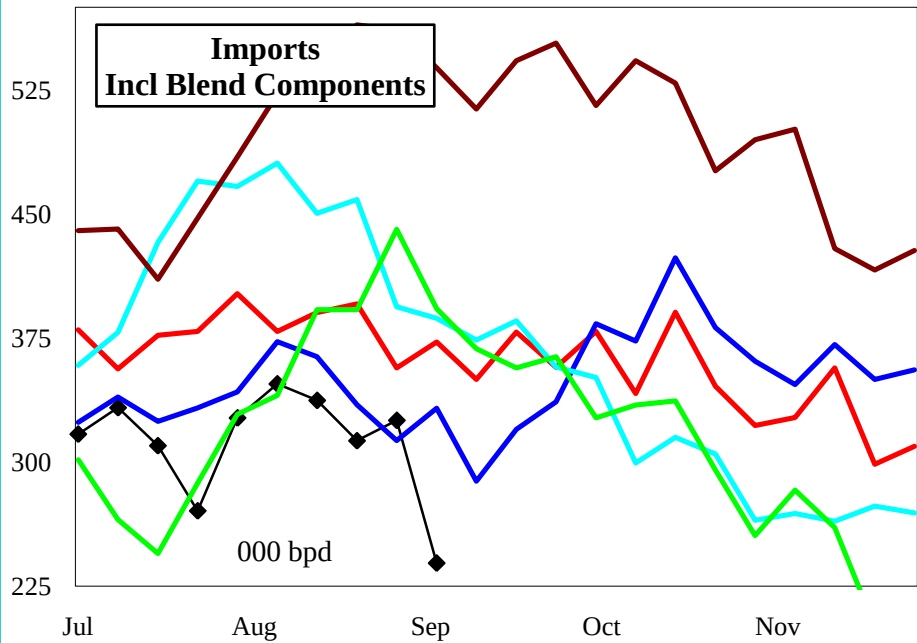
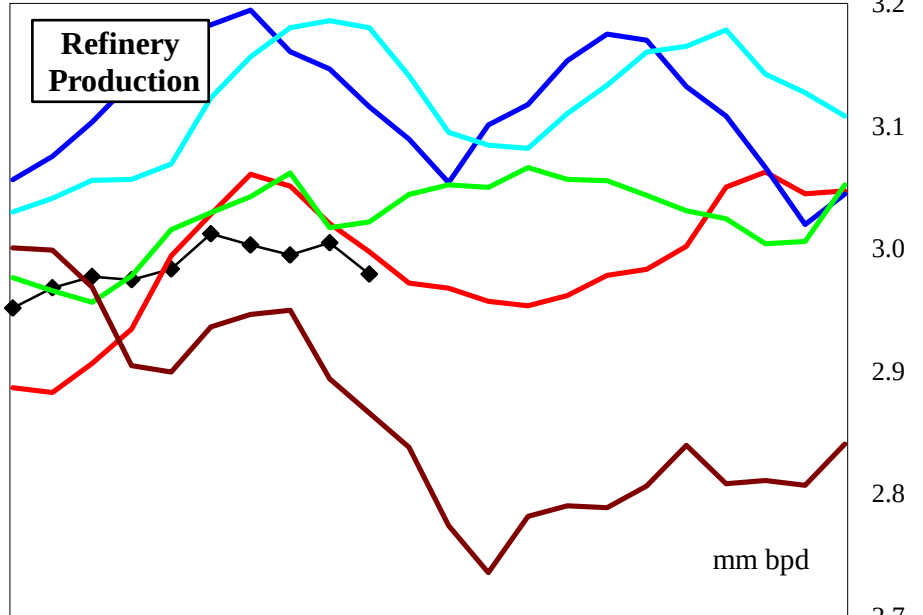
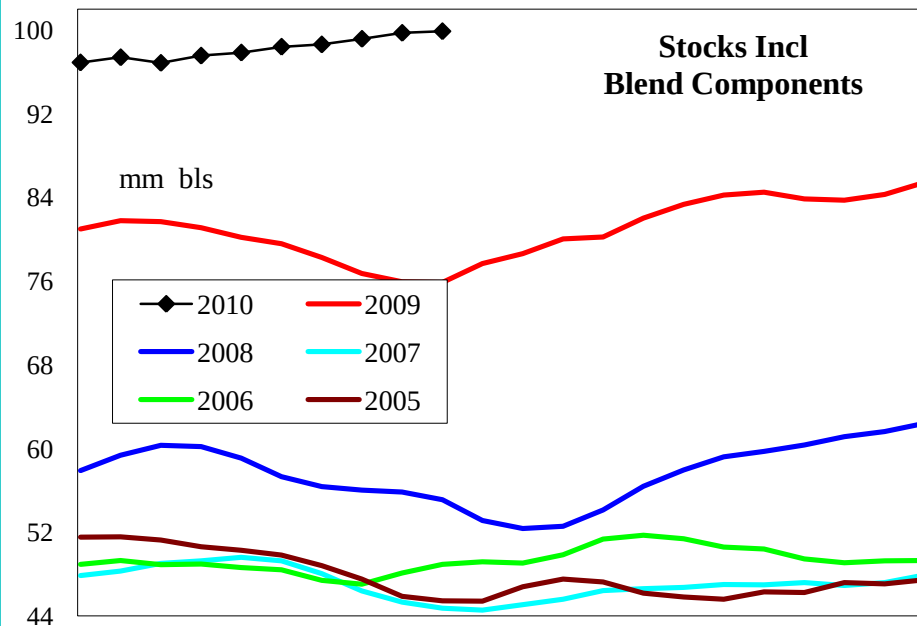
United States Crude Oil Supply and Demand Balance



United States Gasoline Supply and Demand Balance



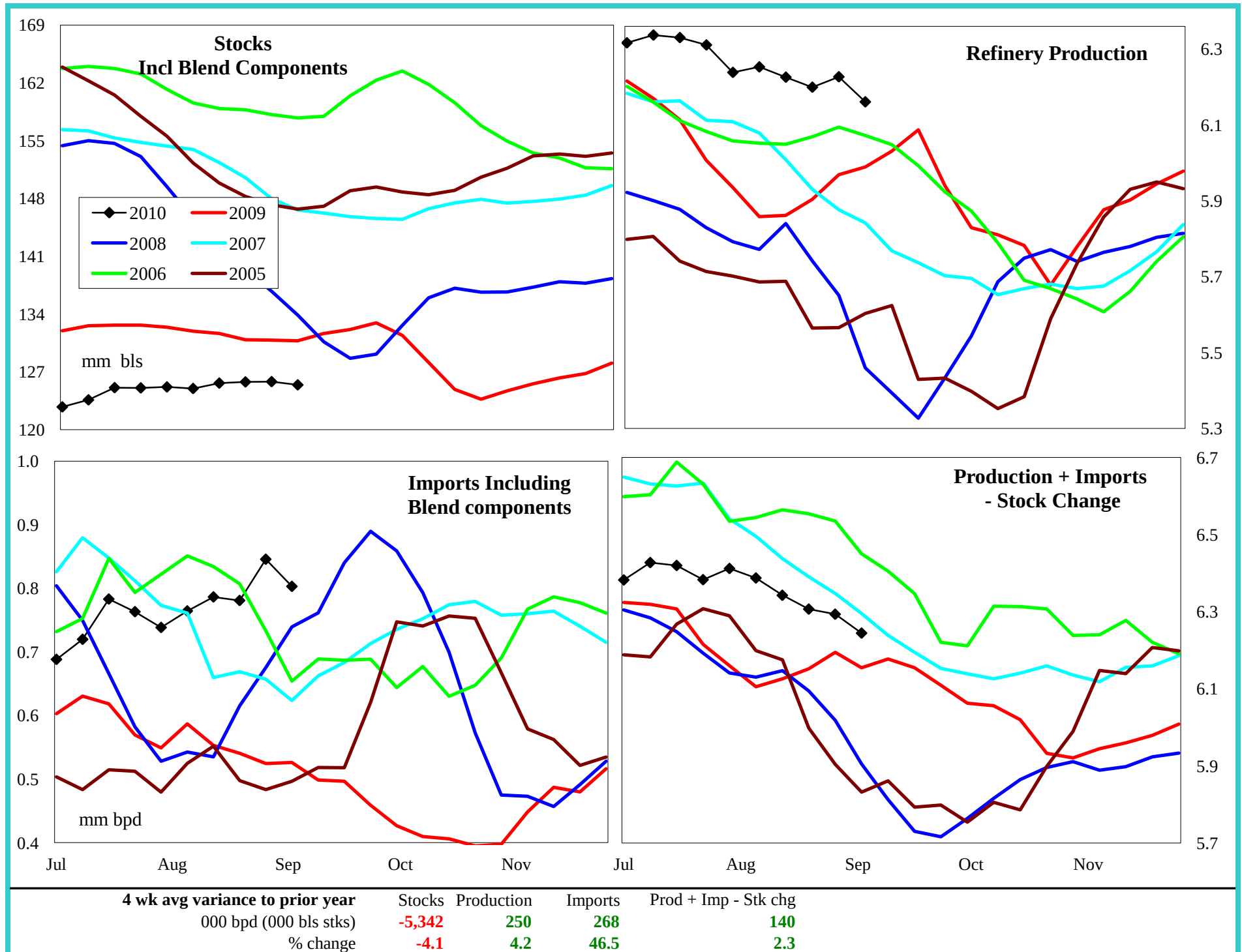
United States Reformulated Gasoline Supply



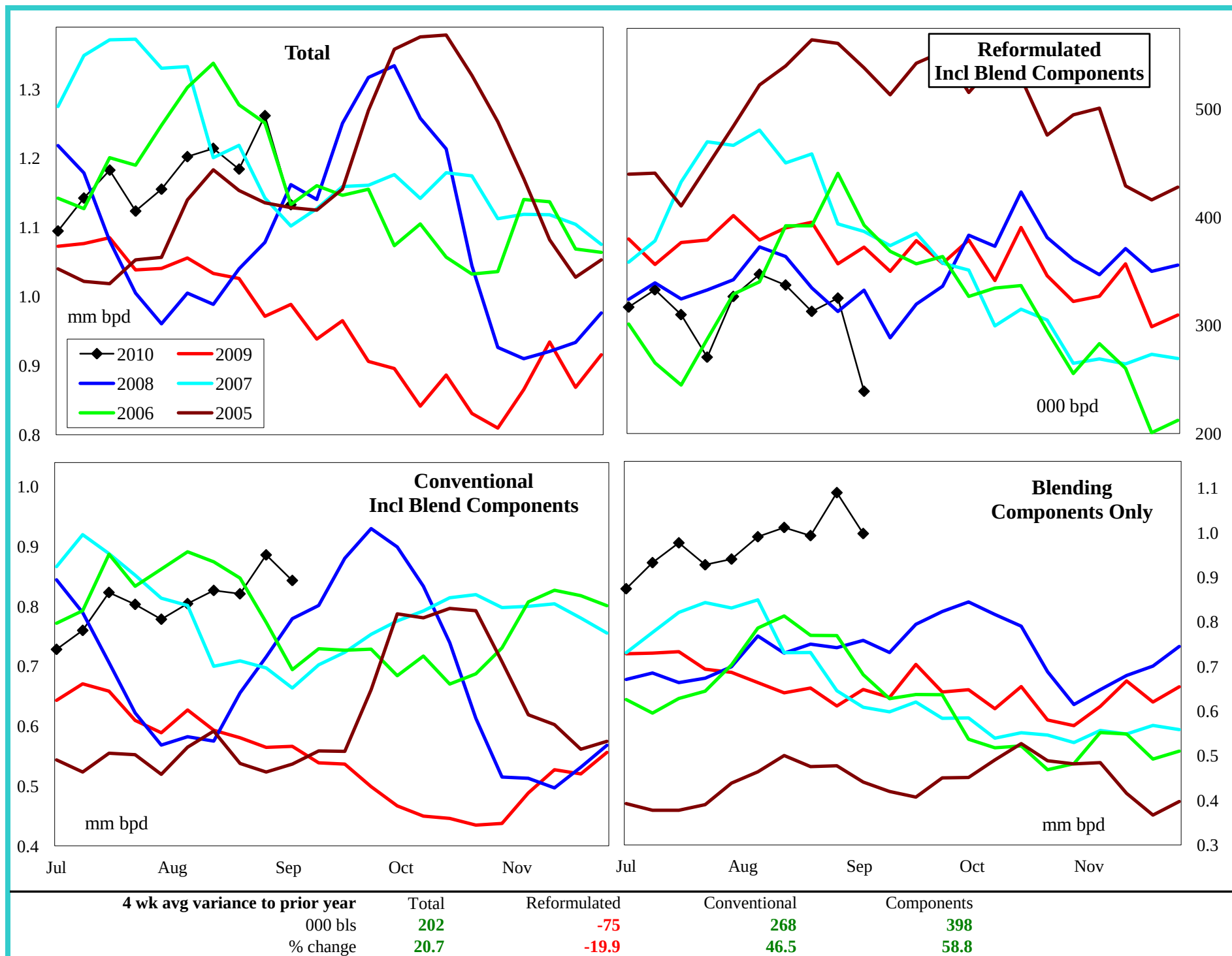
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
24,009	-60	-75	9
31.6	-1.9	-19.9	0.3

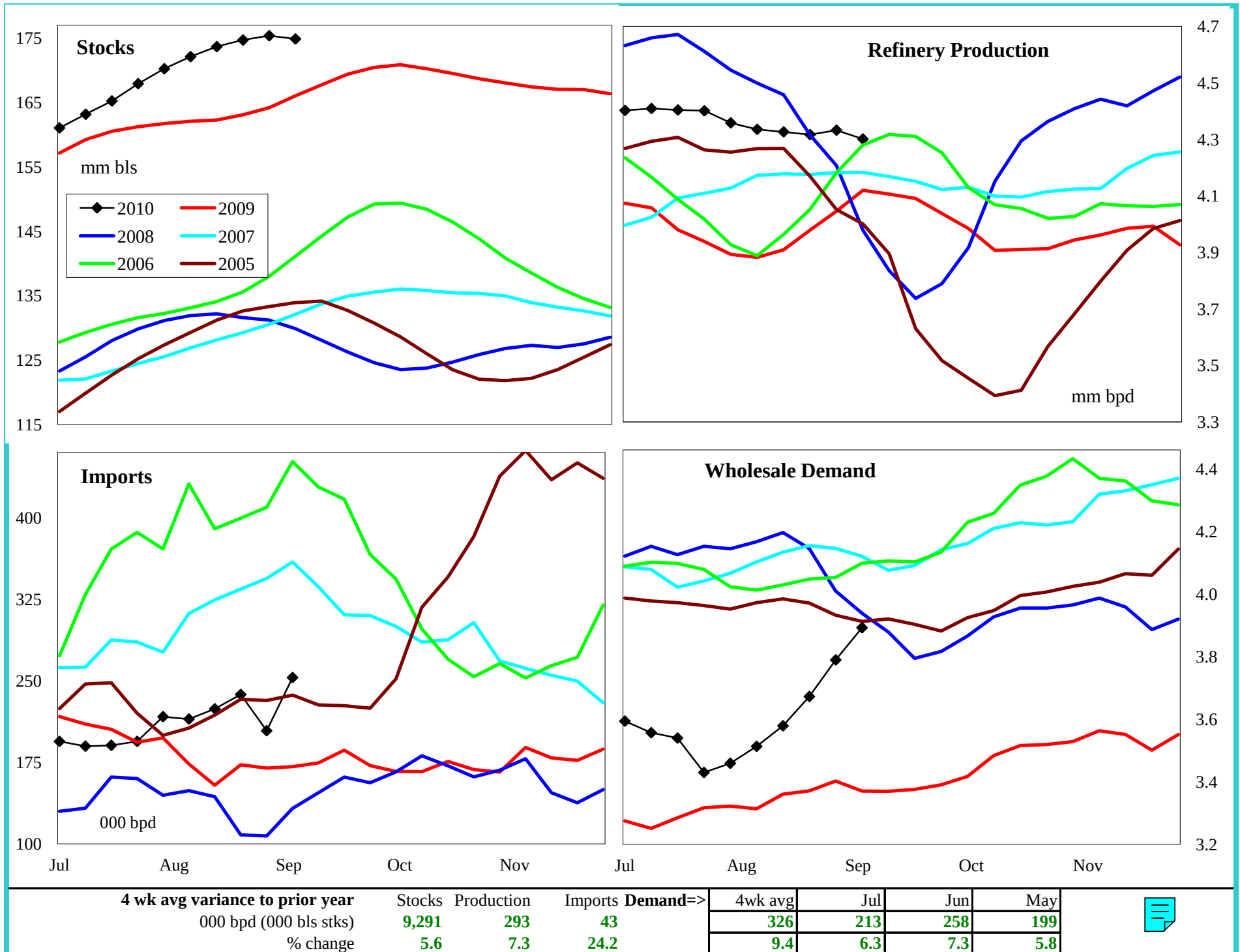
United States Conventional Gasoline Supply



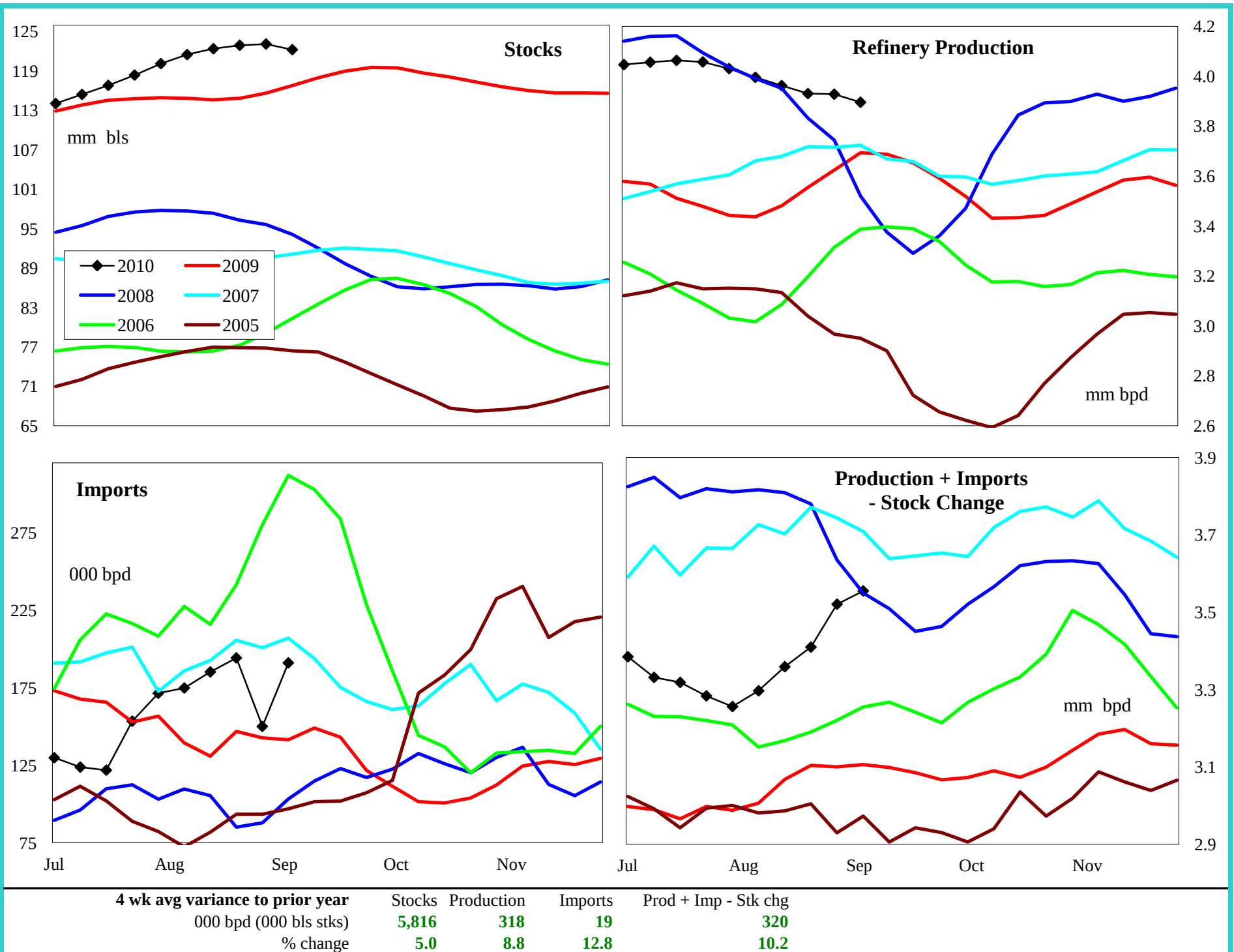
United States Gasoline Imports by Type



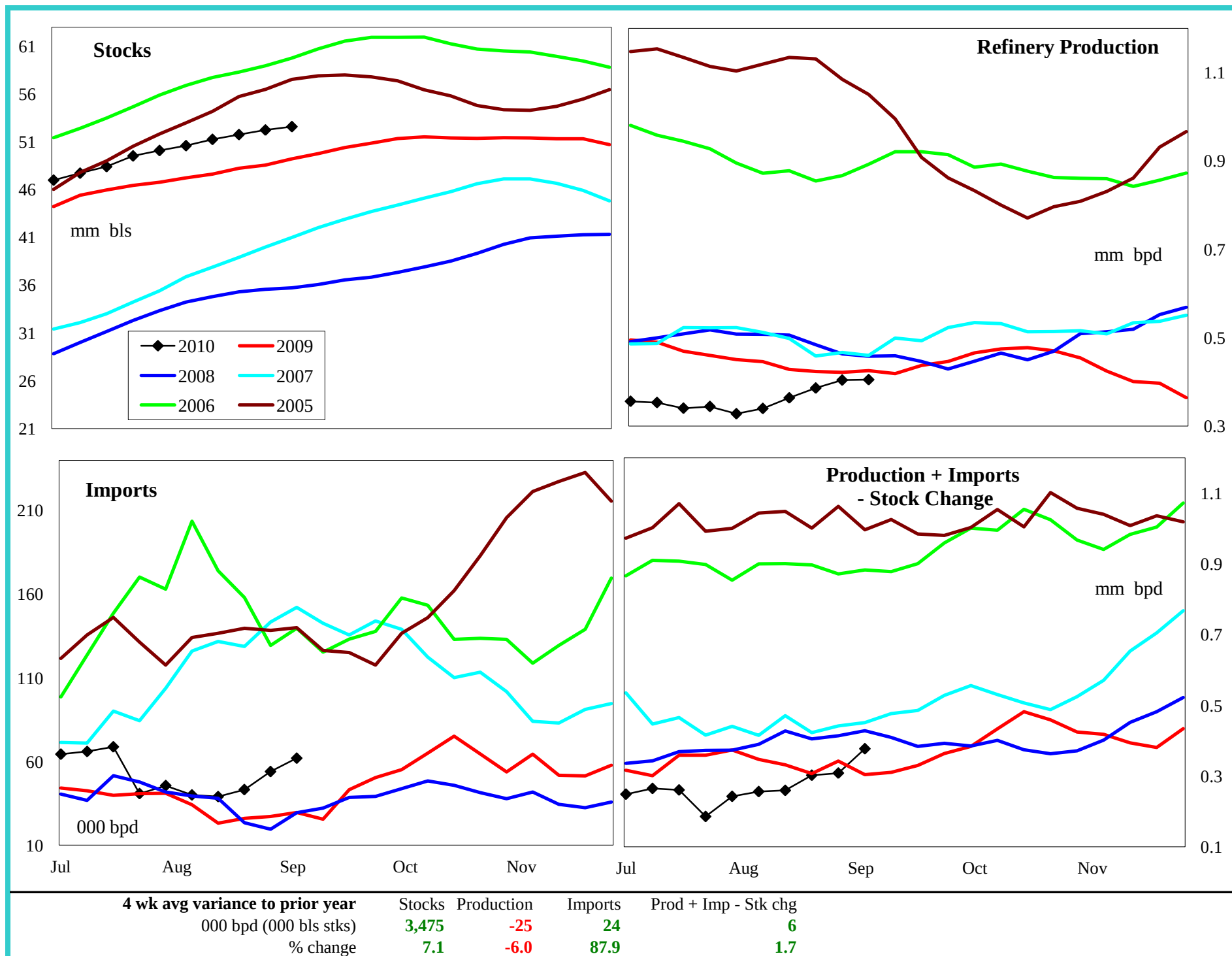
United States Distillate Supply and Demand Balance



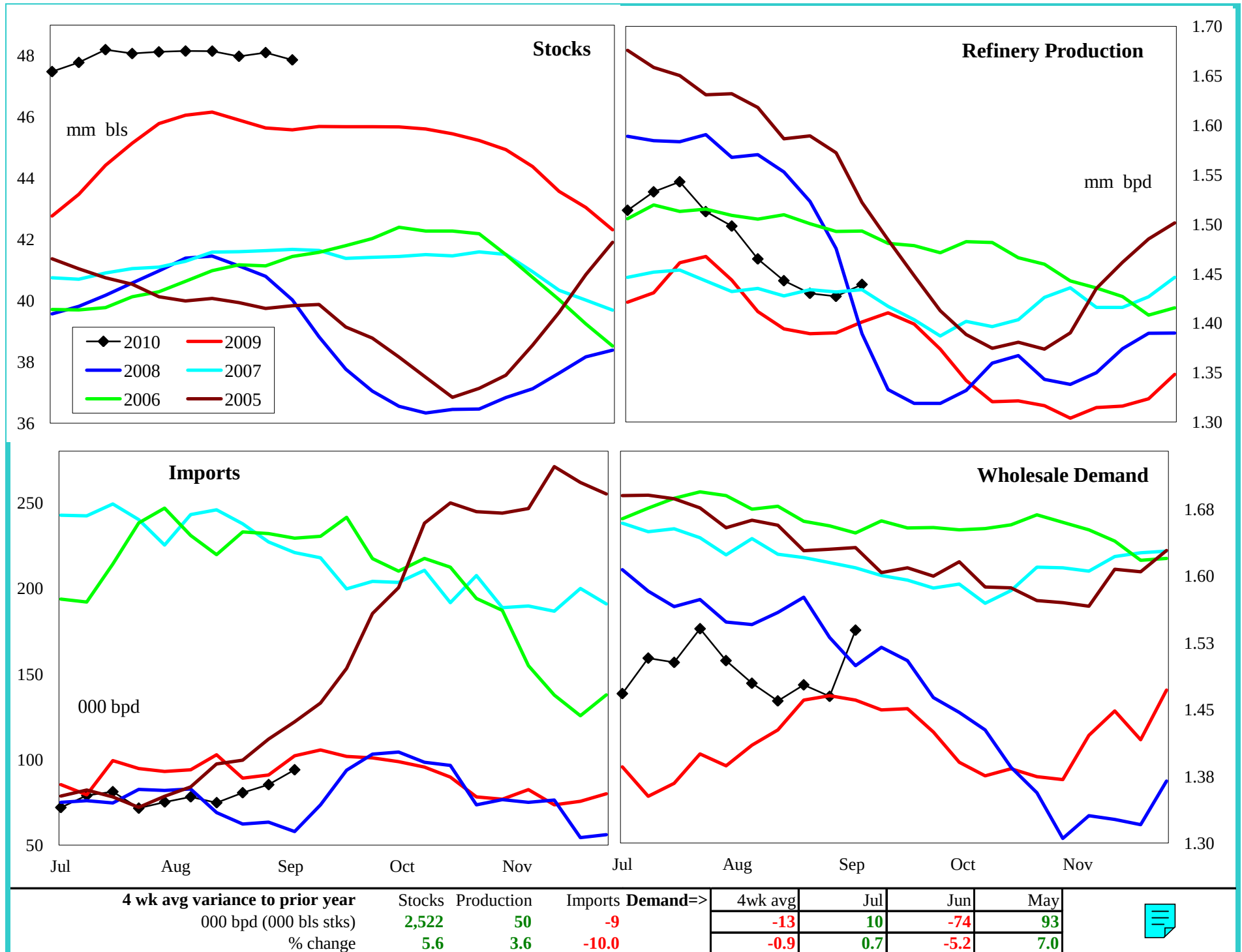
United States Low Sulfur Distillate Supply



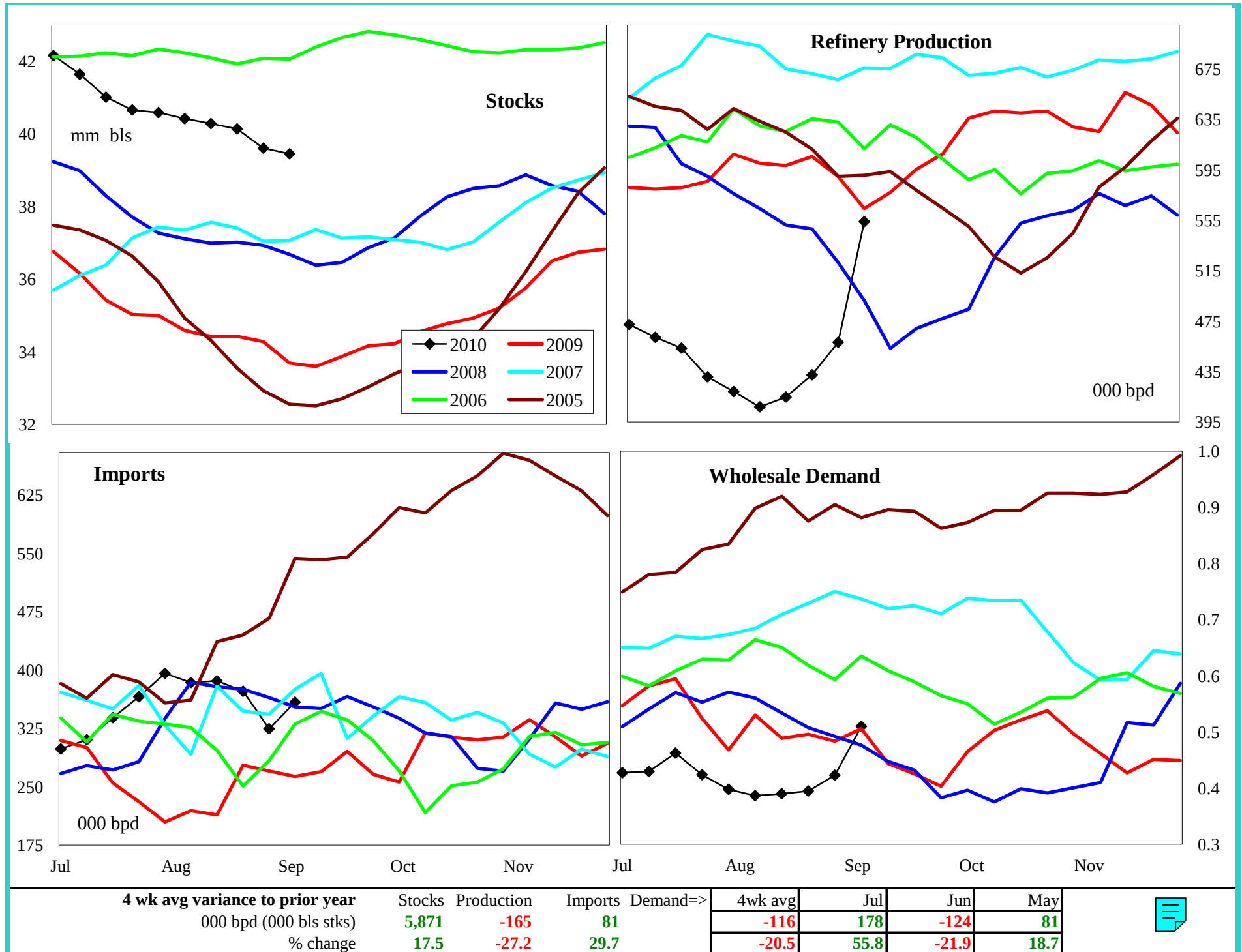
United States High Sulfur Distillate Supply



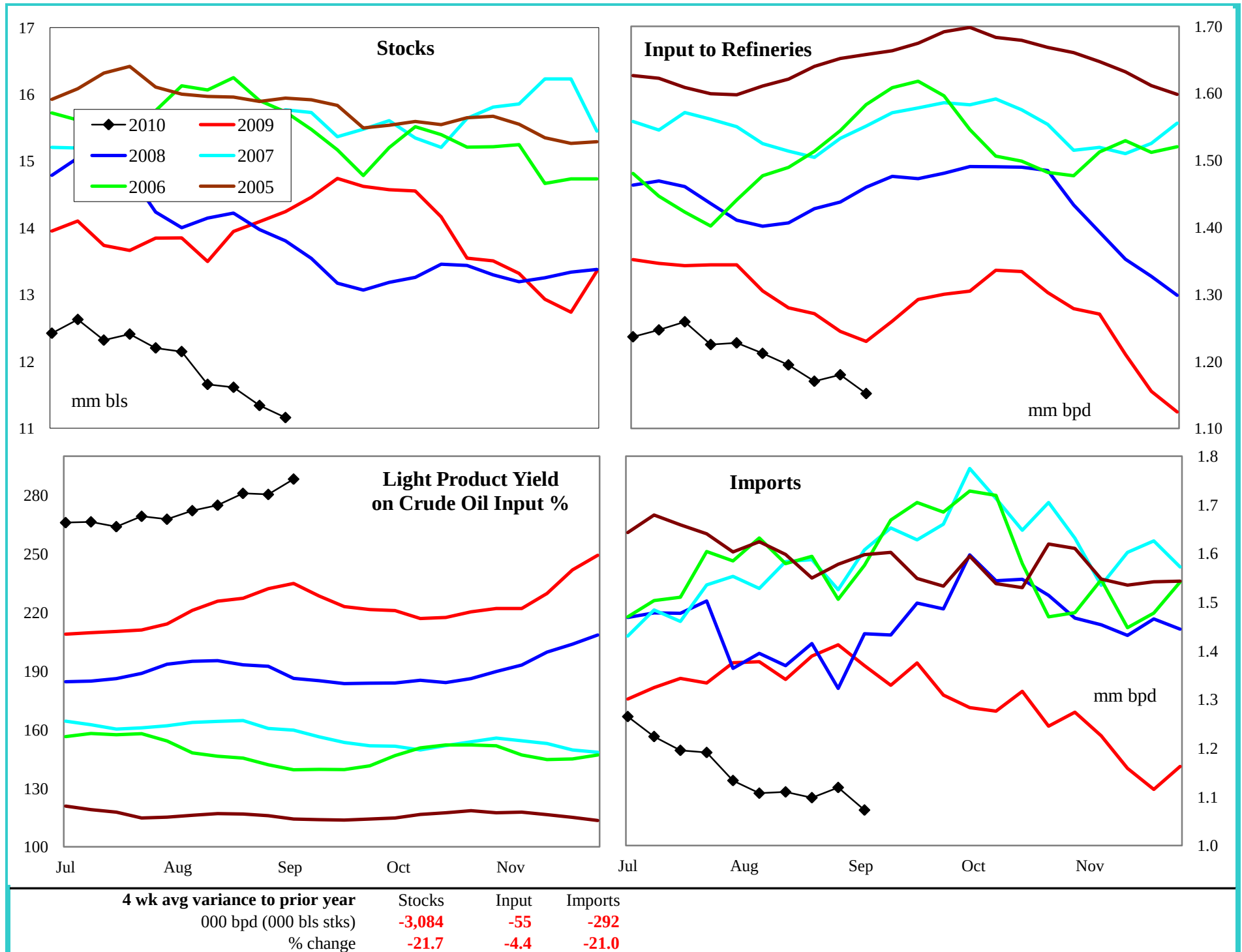
United States Jet Fuel Supply and Demand Balance



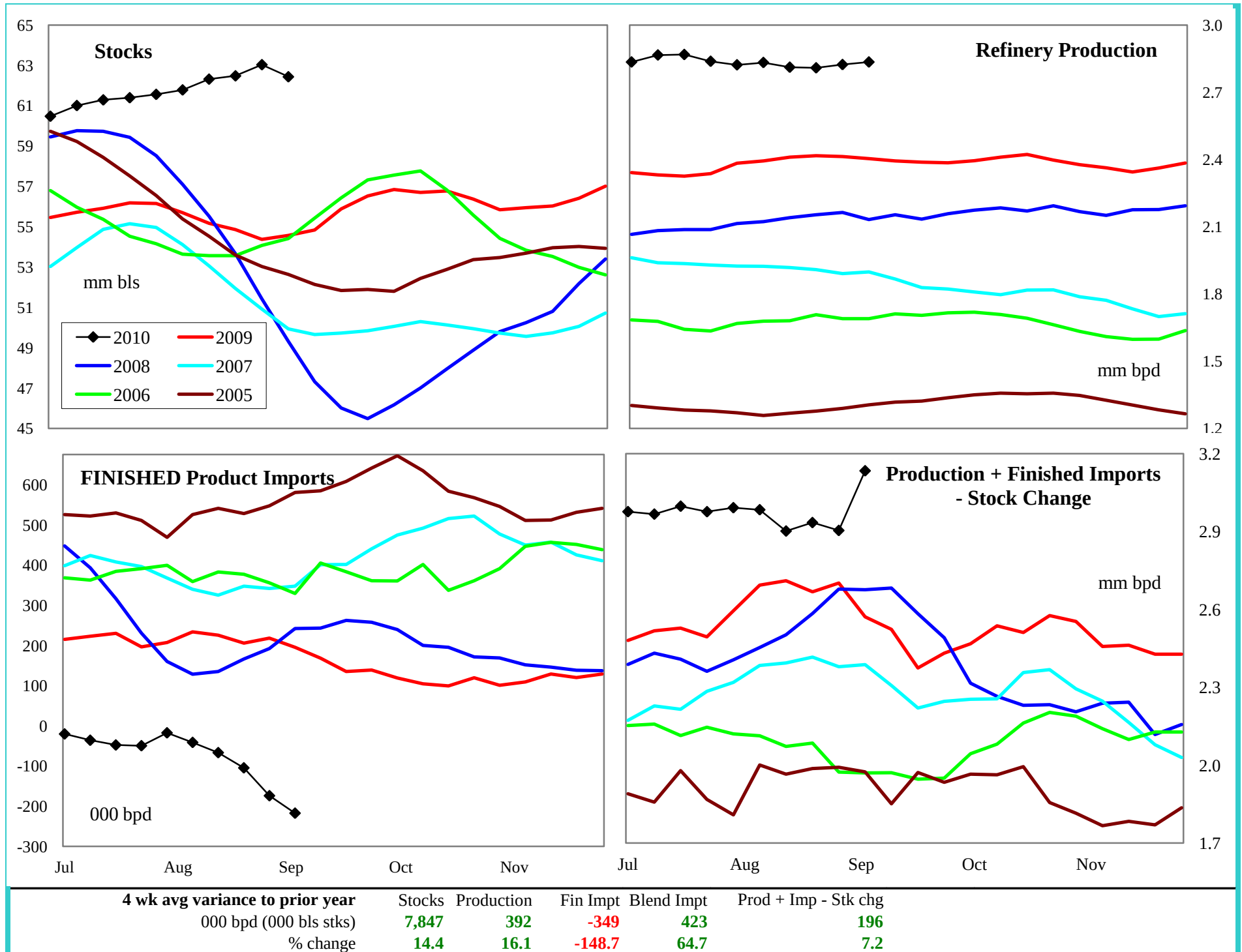
United States Residual Fuel Oil Supply and Demand Balance



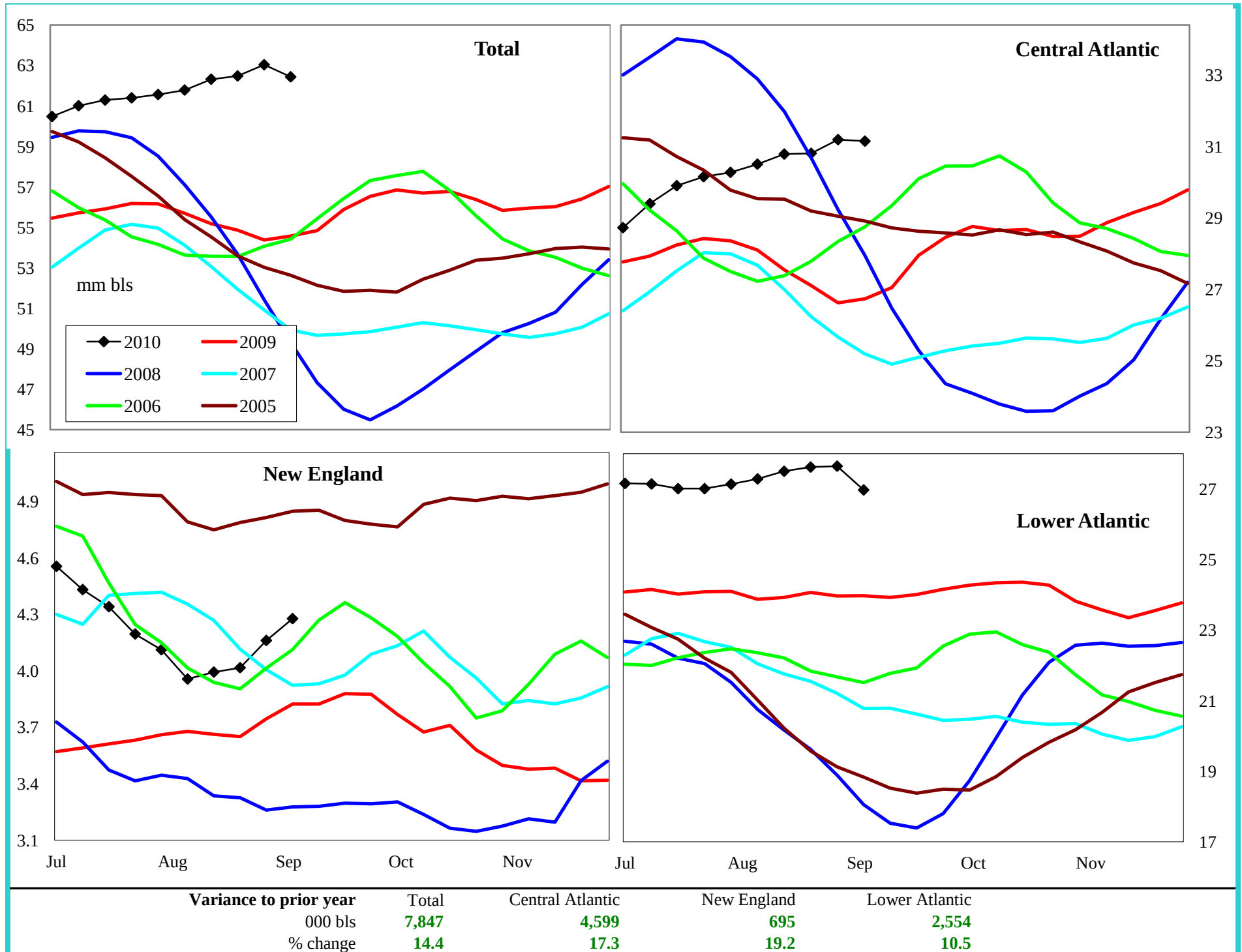
PADD 1 Crude Oil Supply and Refining



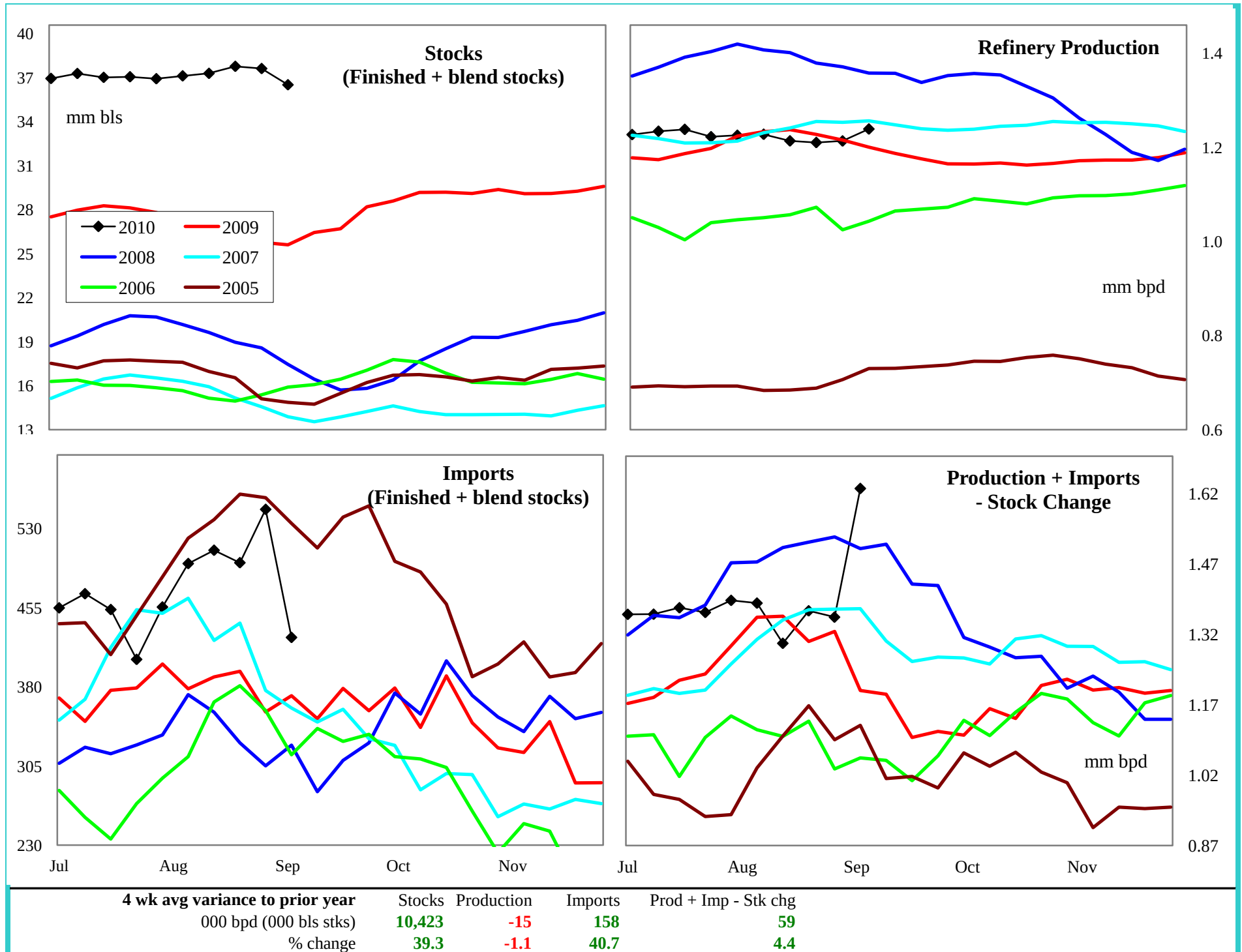
PADD 1 Gasoline Supply



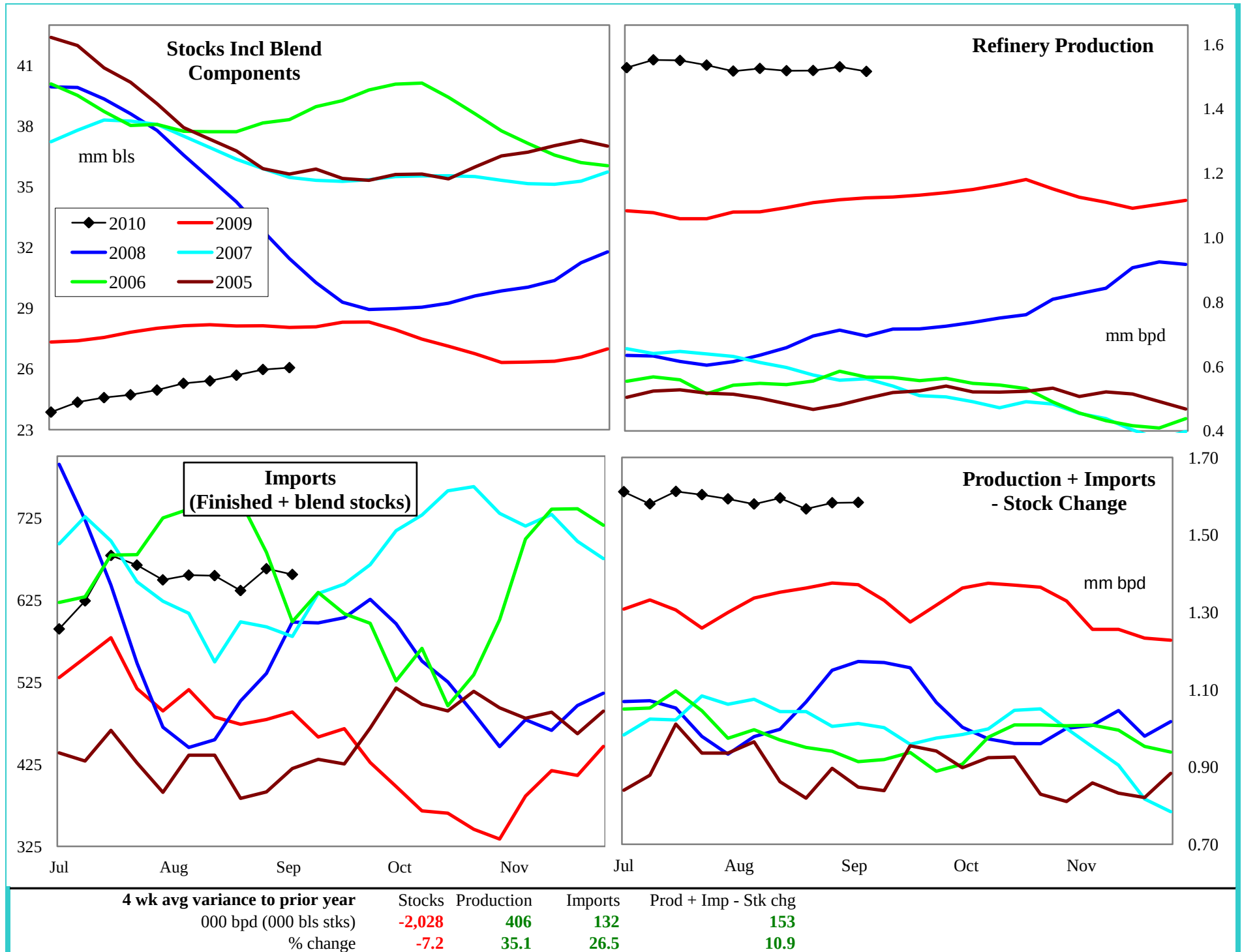
PADD 1 Gasoline Stocks by Region



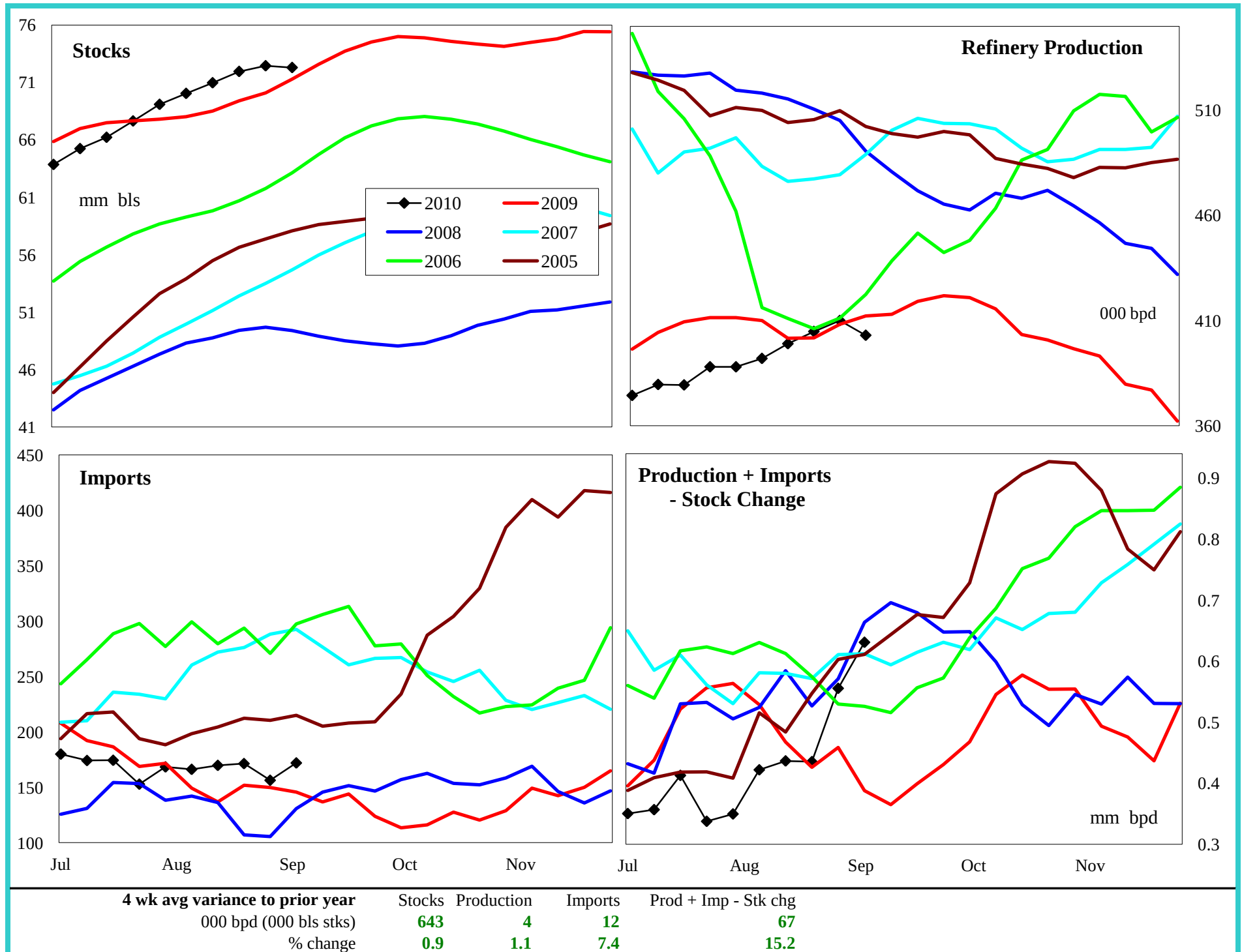
PADD 1 Reformulated Gasoline Supply



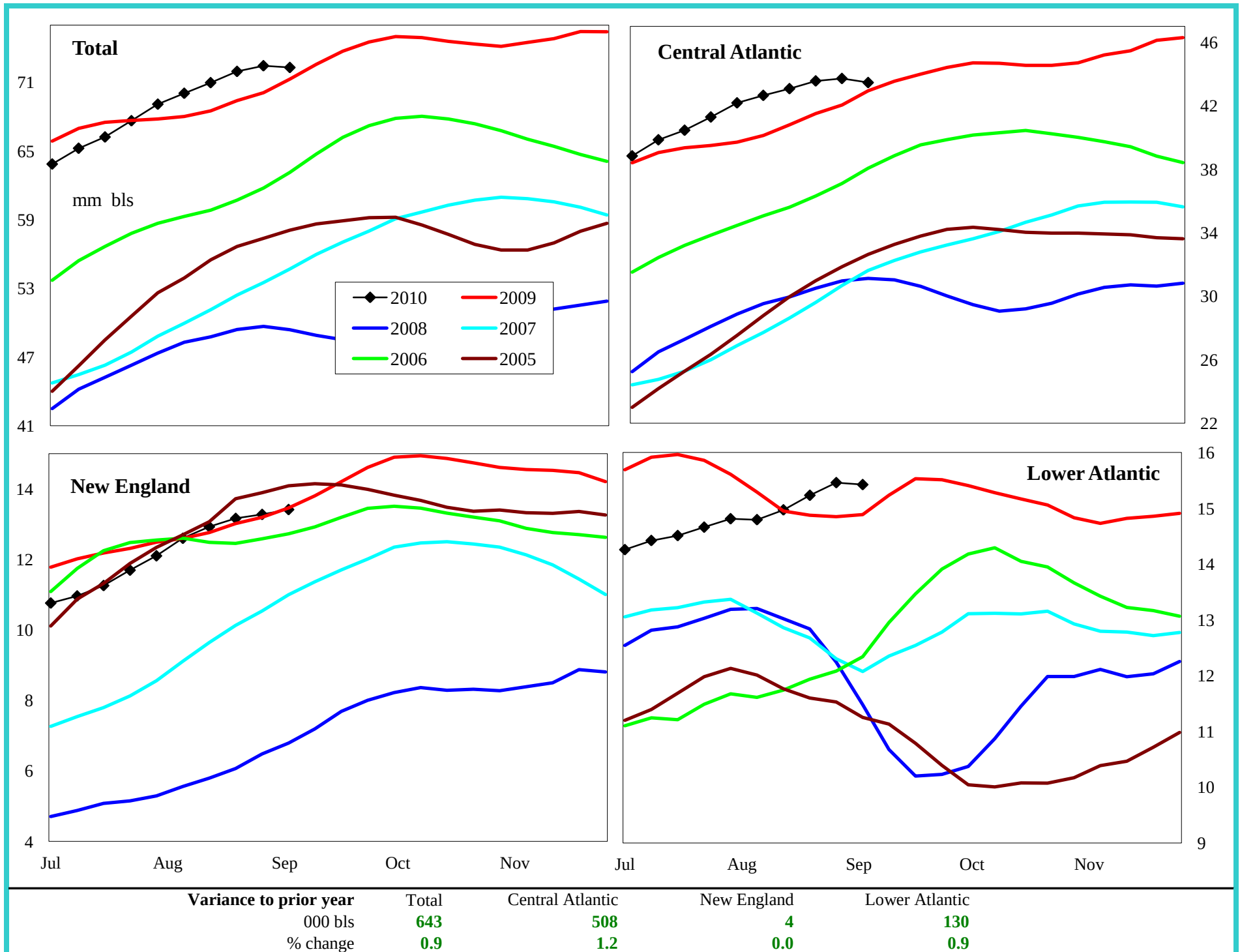
PADD 1 Conventional Gasoline Supply



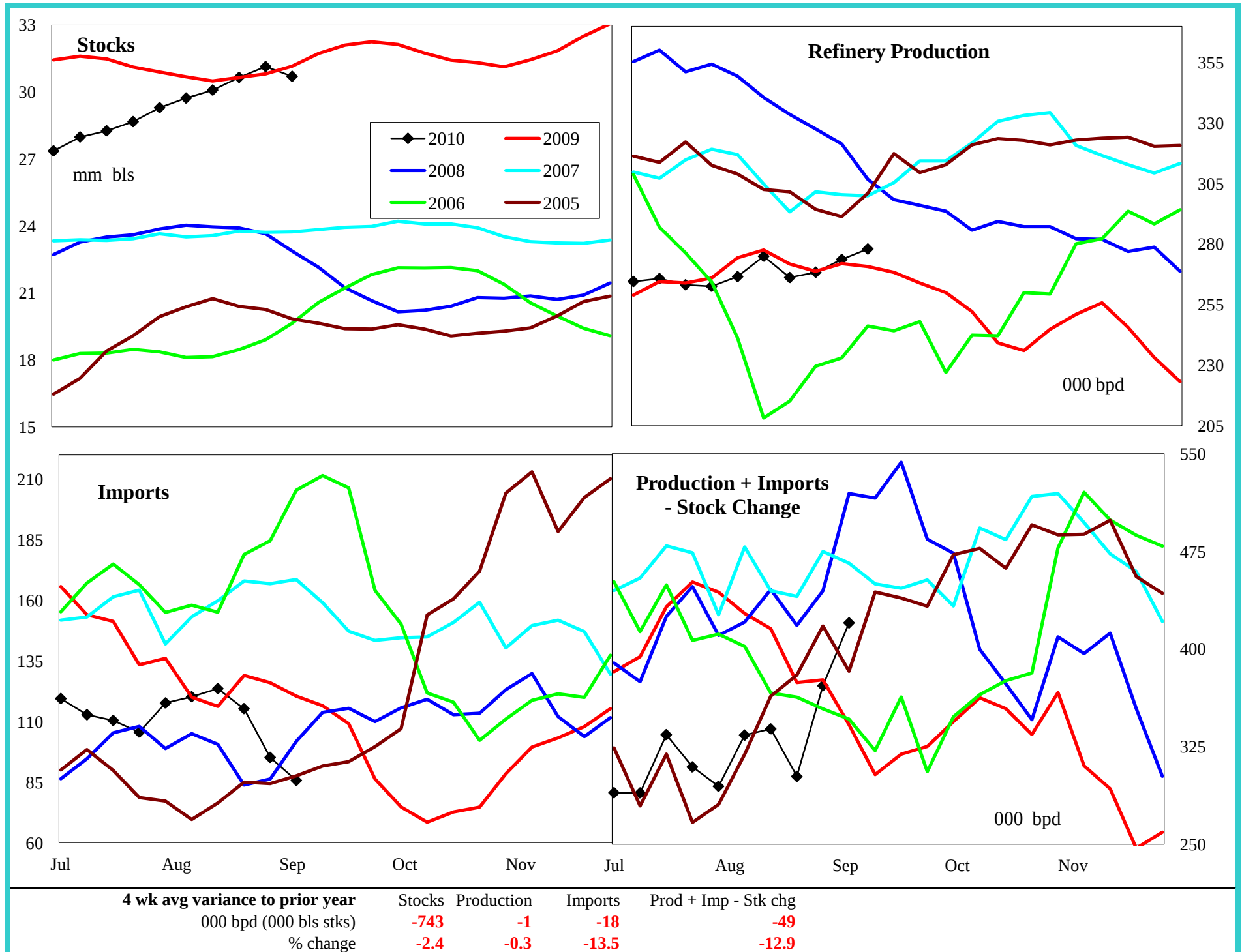
PADD 1 Distillate Supply



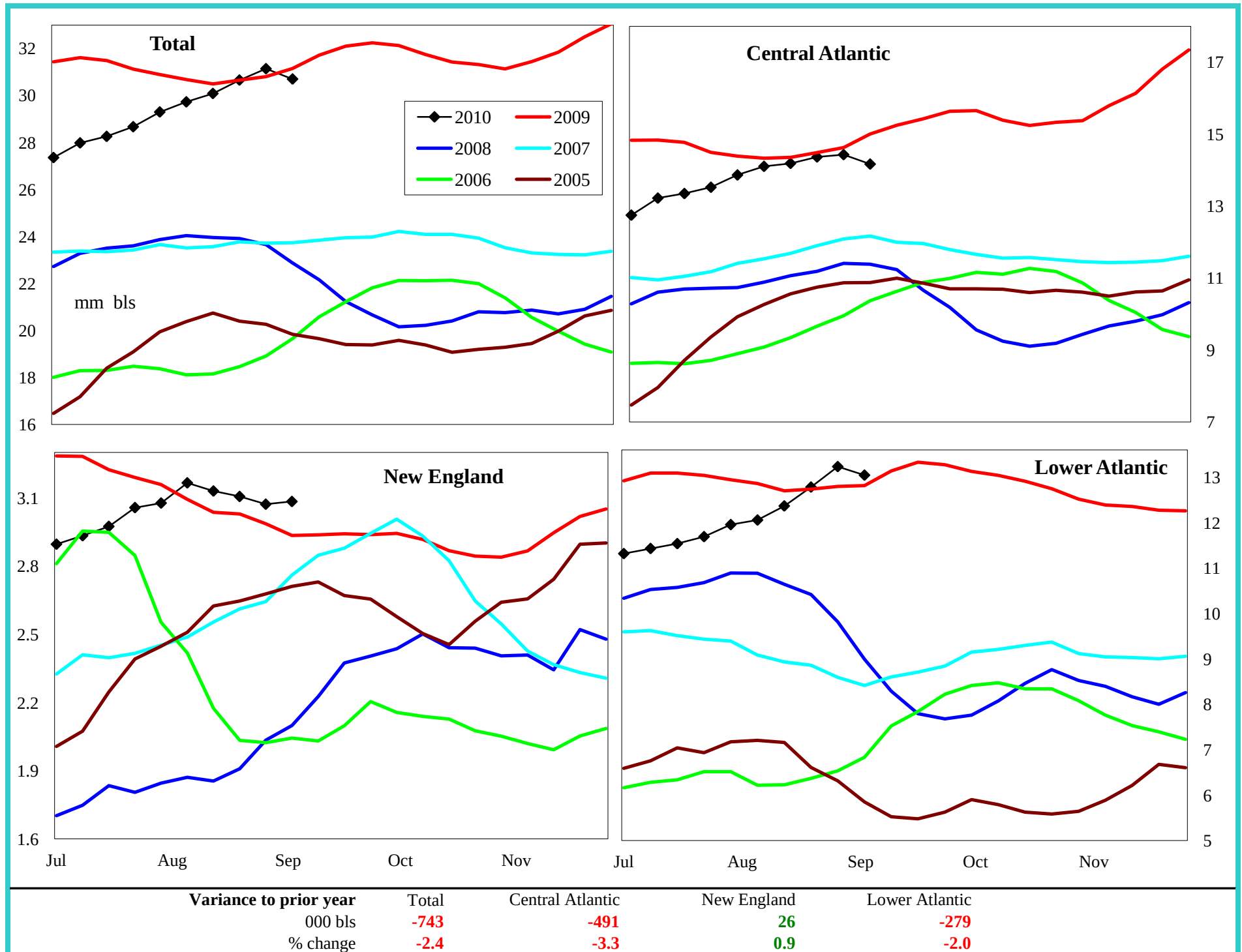
PADD 1 Distillate Stocks by Region



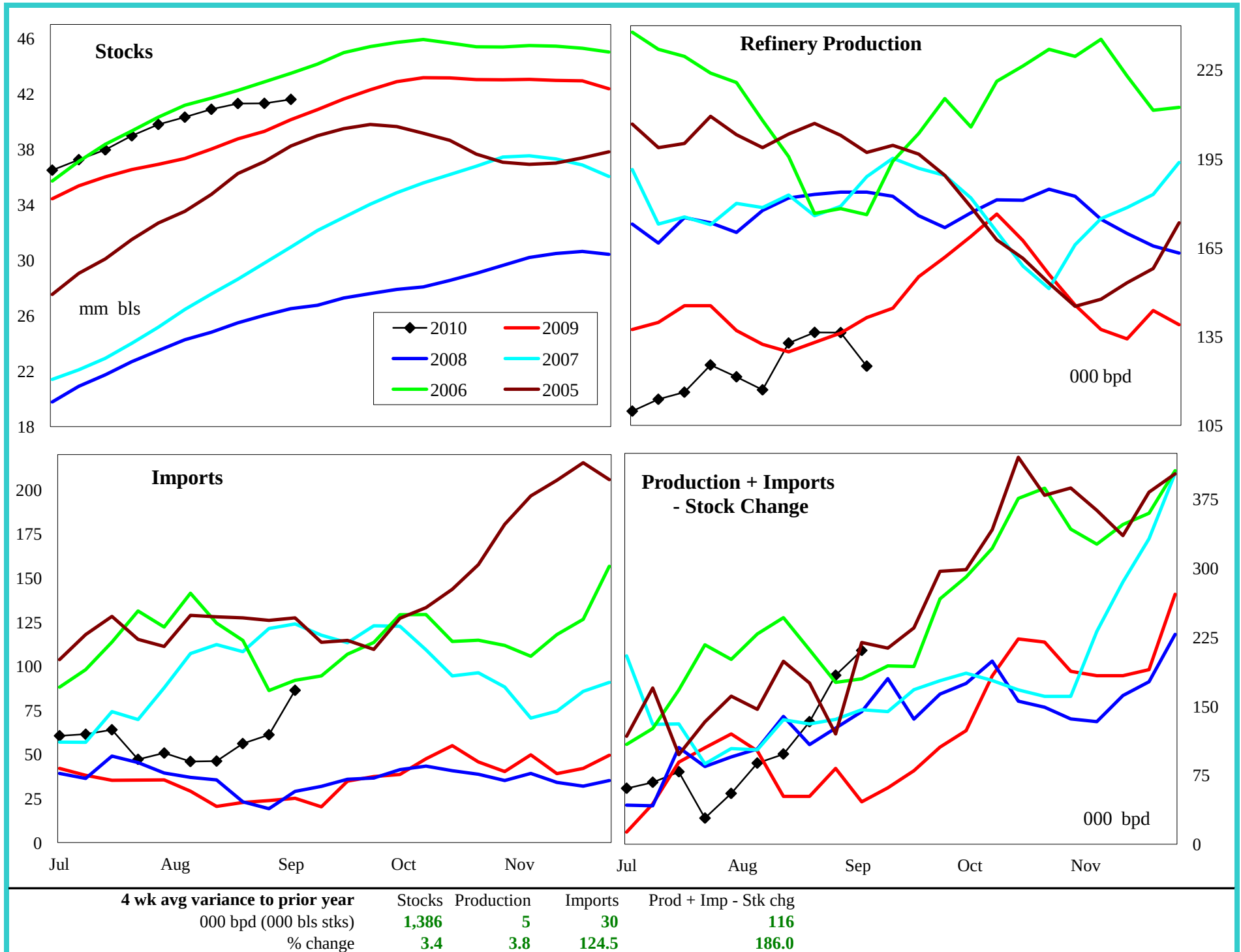
PADD 1 Low Sulfur Distillate Supply



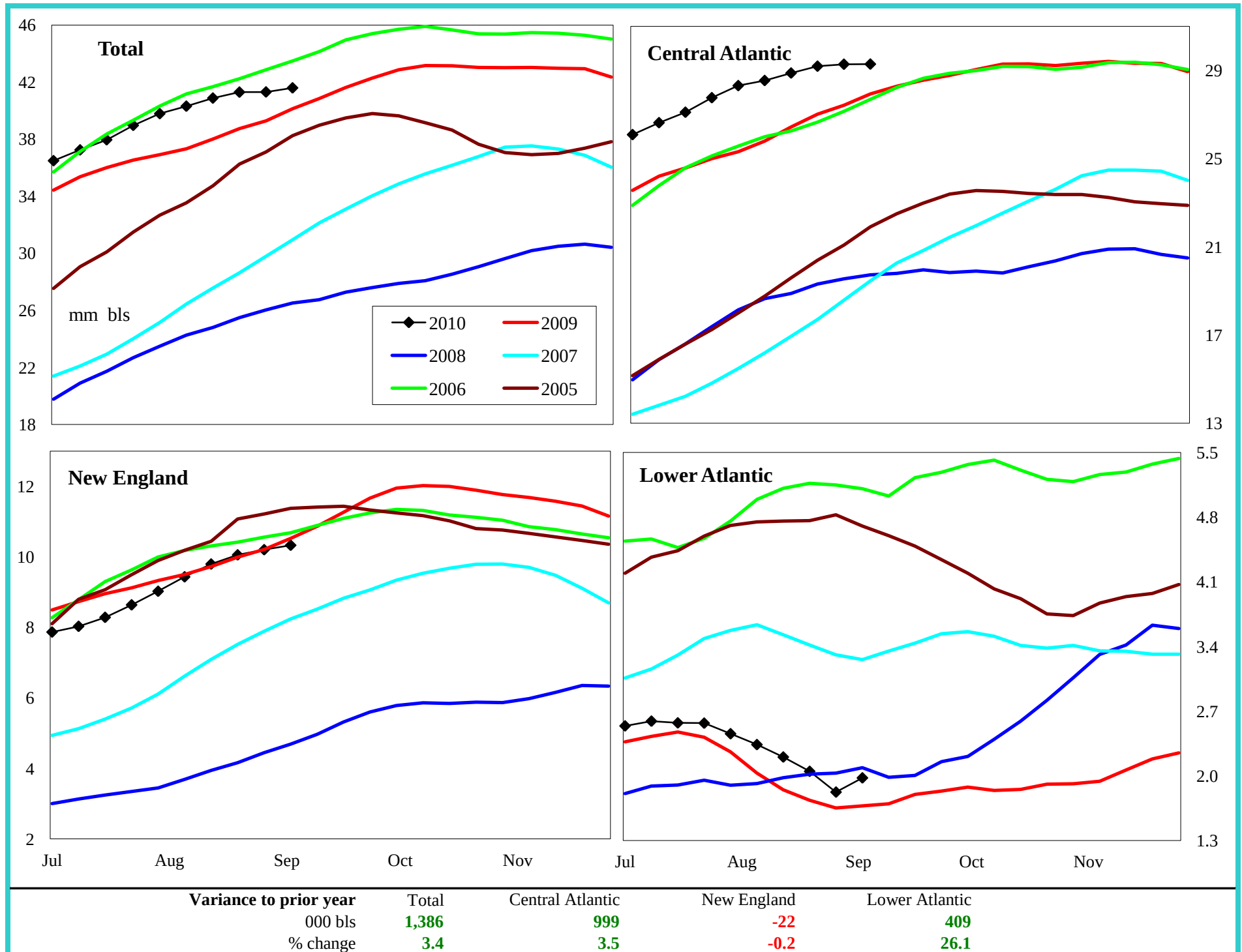
PADD 1 Low Sulfur Distillate Stocks by Region



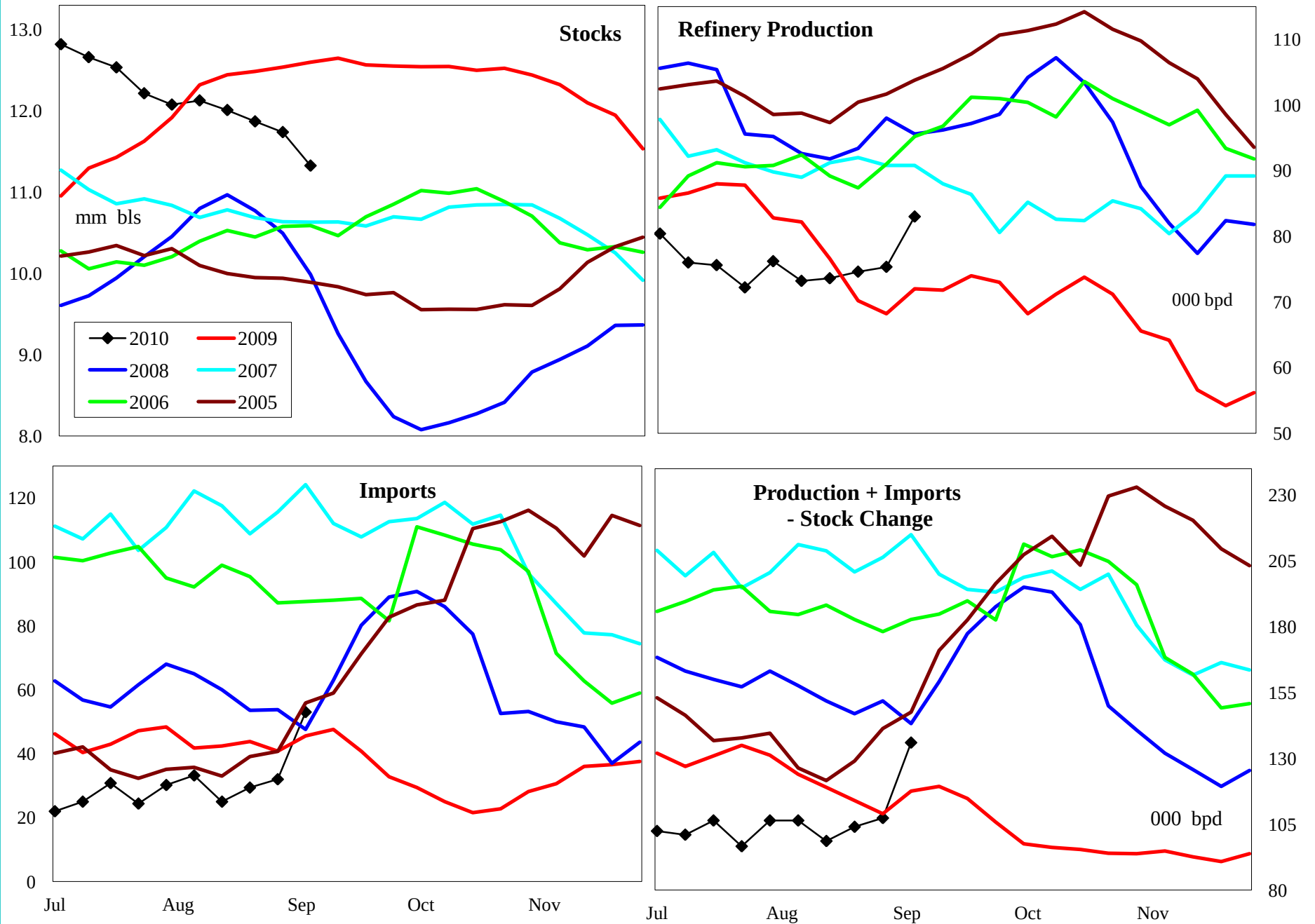
PADD 1 High Sulfur Distillate Supply



PADD 1 High Sulfur Distillate Stocks by Region



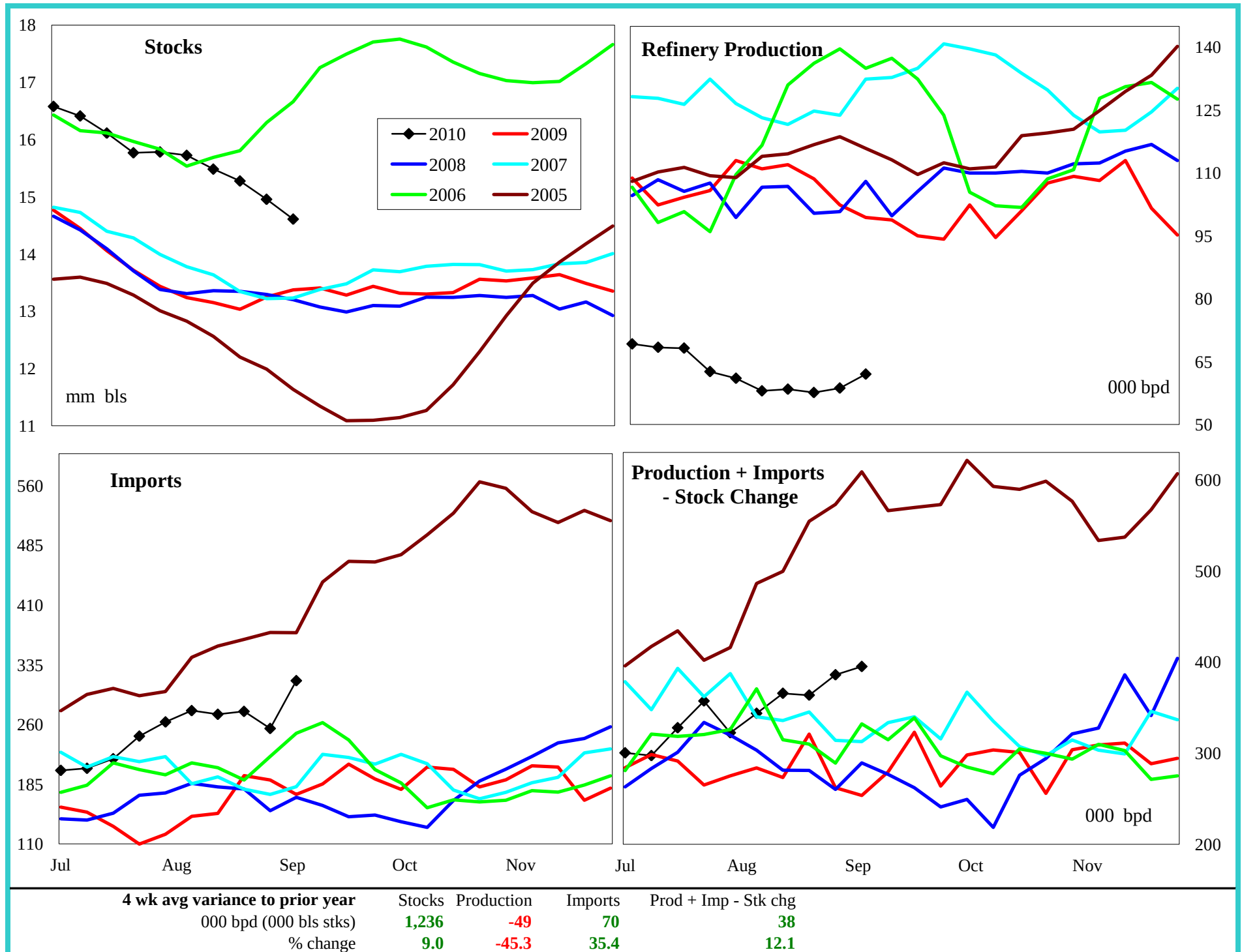
PADD 1 Jet Fuel Supply



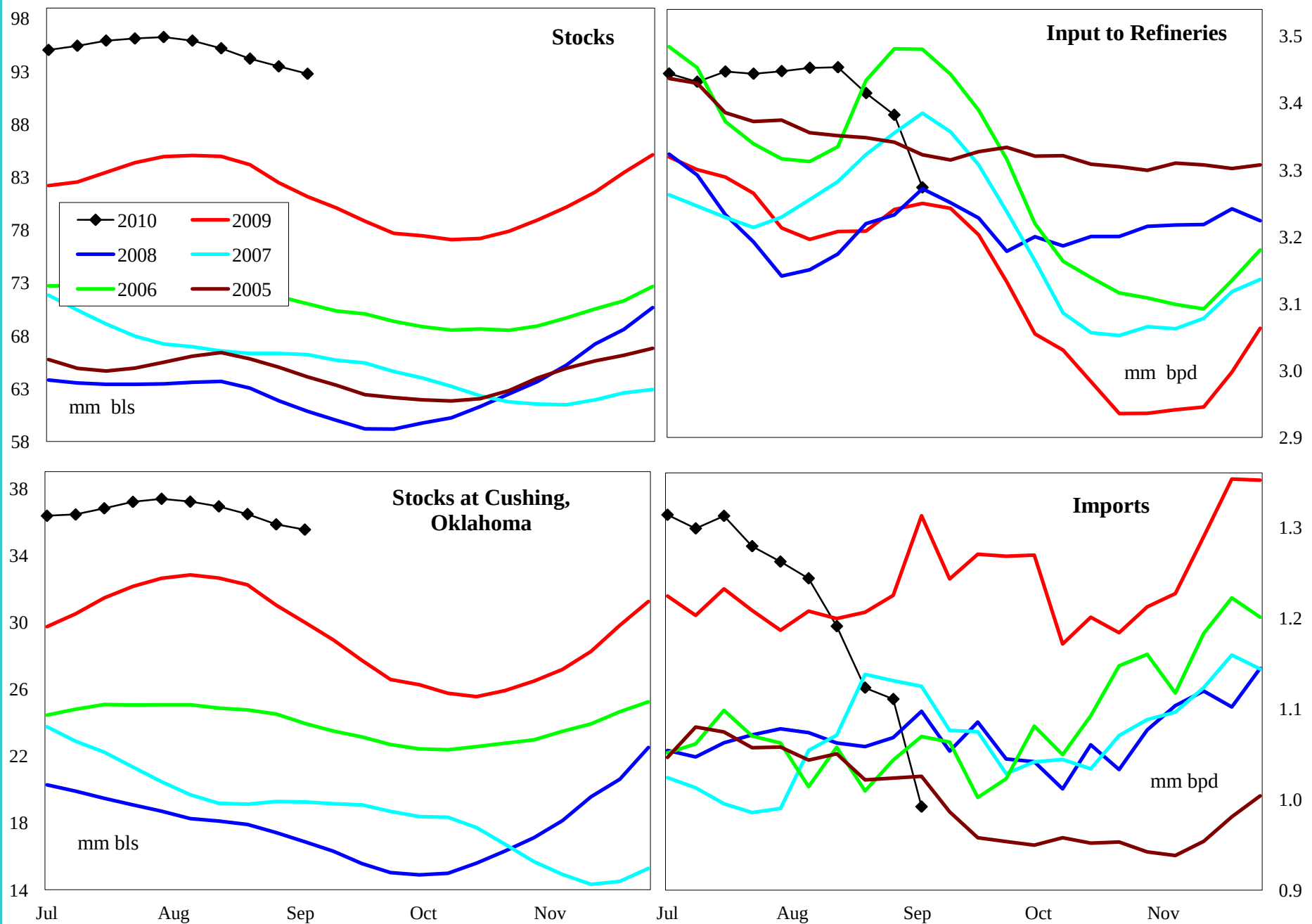
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

	Stocks	Production	Imports	Prod + Imp - Stk chg
000 bpd (000 bbls stks)	-1,272	5	-7	4
% change	-10.1	6.8	-17.9	3.3

PADD 1 Residual Fuel Oil Supply



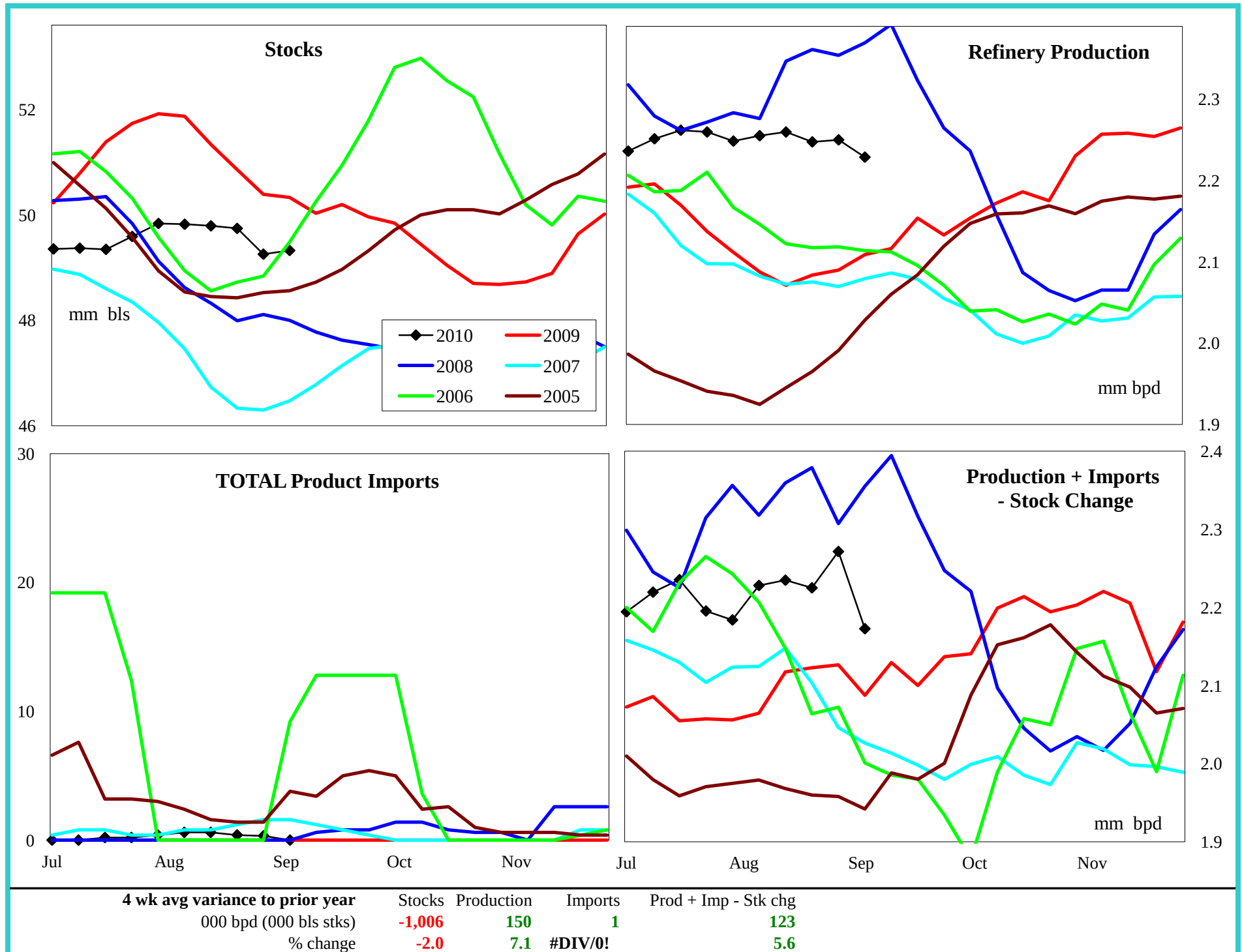
PADD 2 Crude Oil Supply and Refining



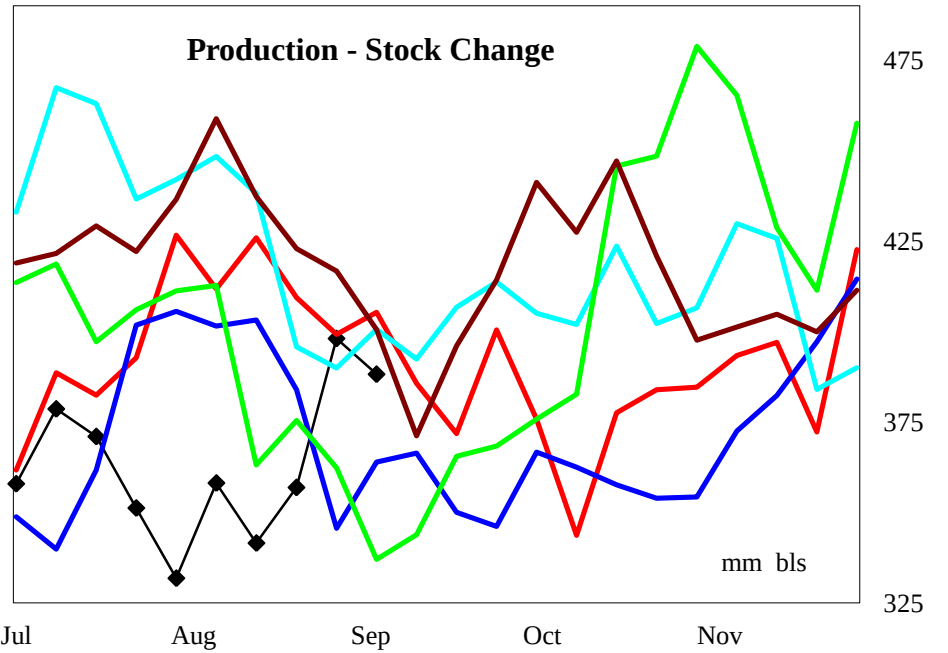
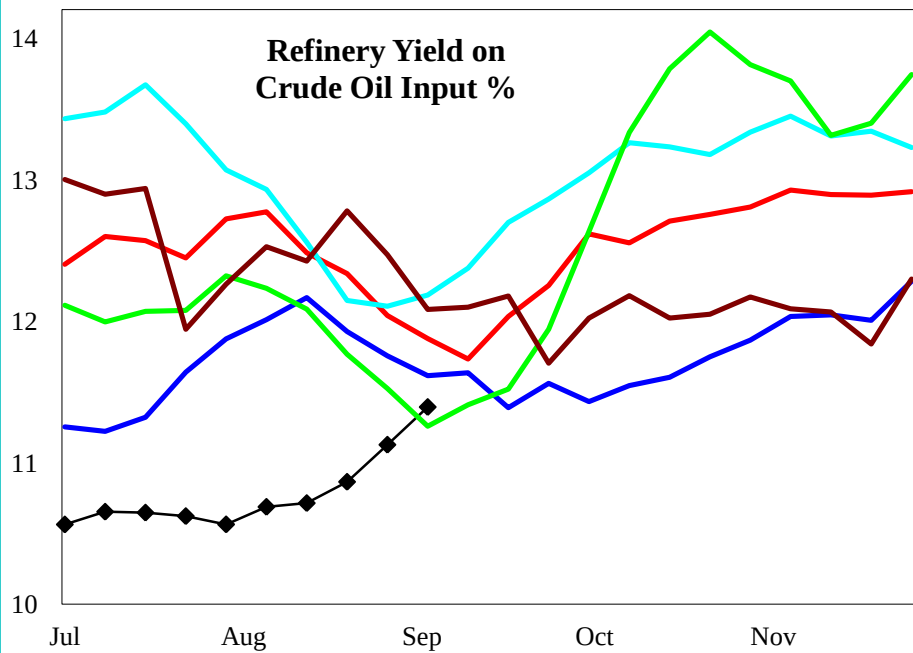
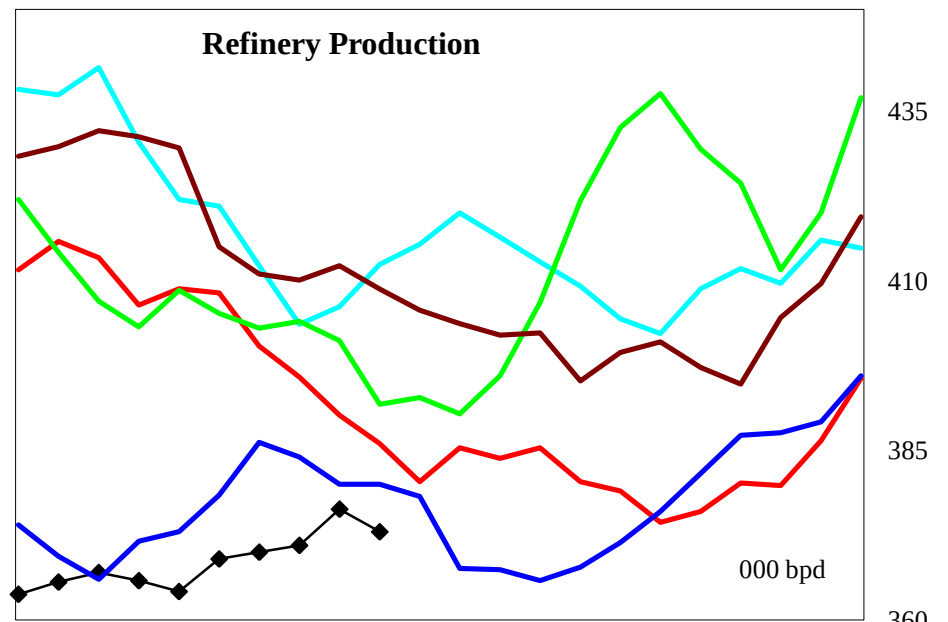
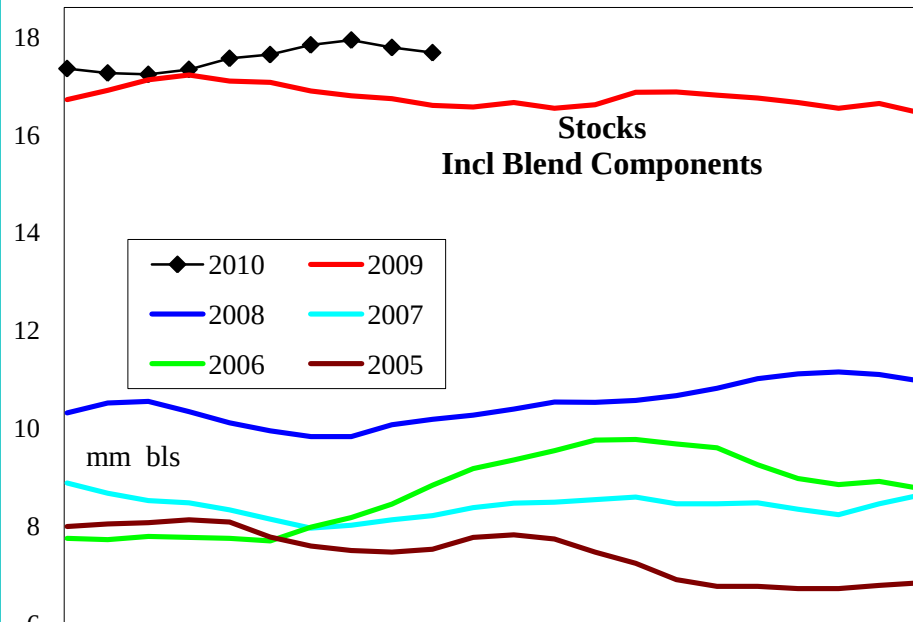
4 wk avg variance to prior year
000 bpd (000 bbls stks)
% change

	Stocks	Cushing	Input	Imports
000 bpd (000 bbls stks)	11,607	5,546	198	-114
% change	14.3	18.5	6.2	-8.9

PADD 2 Gasoline Supply



PADD 2 Reformulated Gasoline Supply

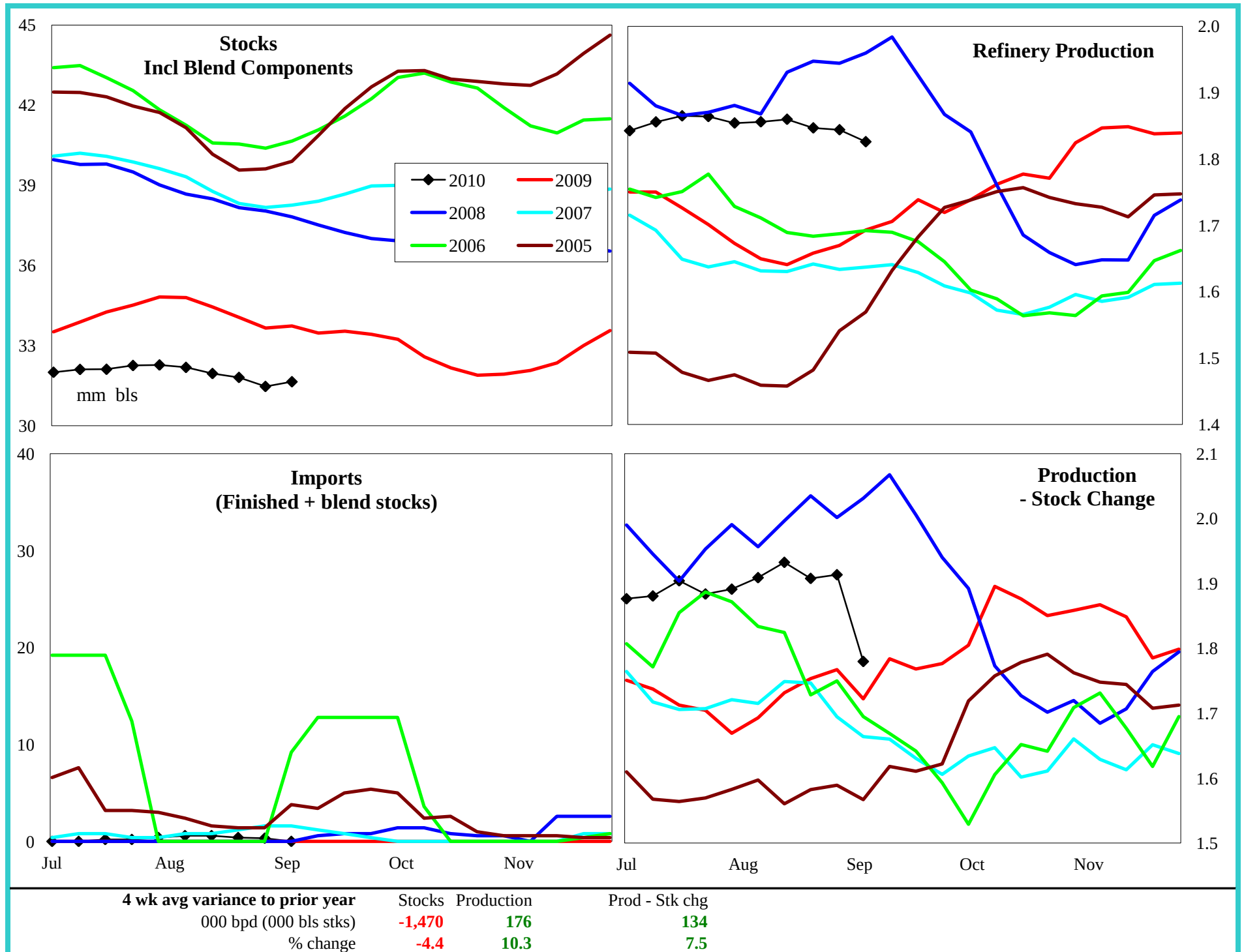


4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

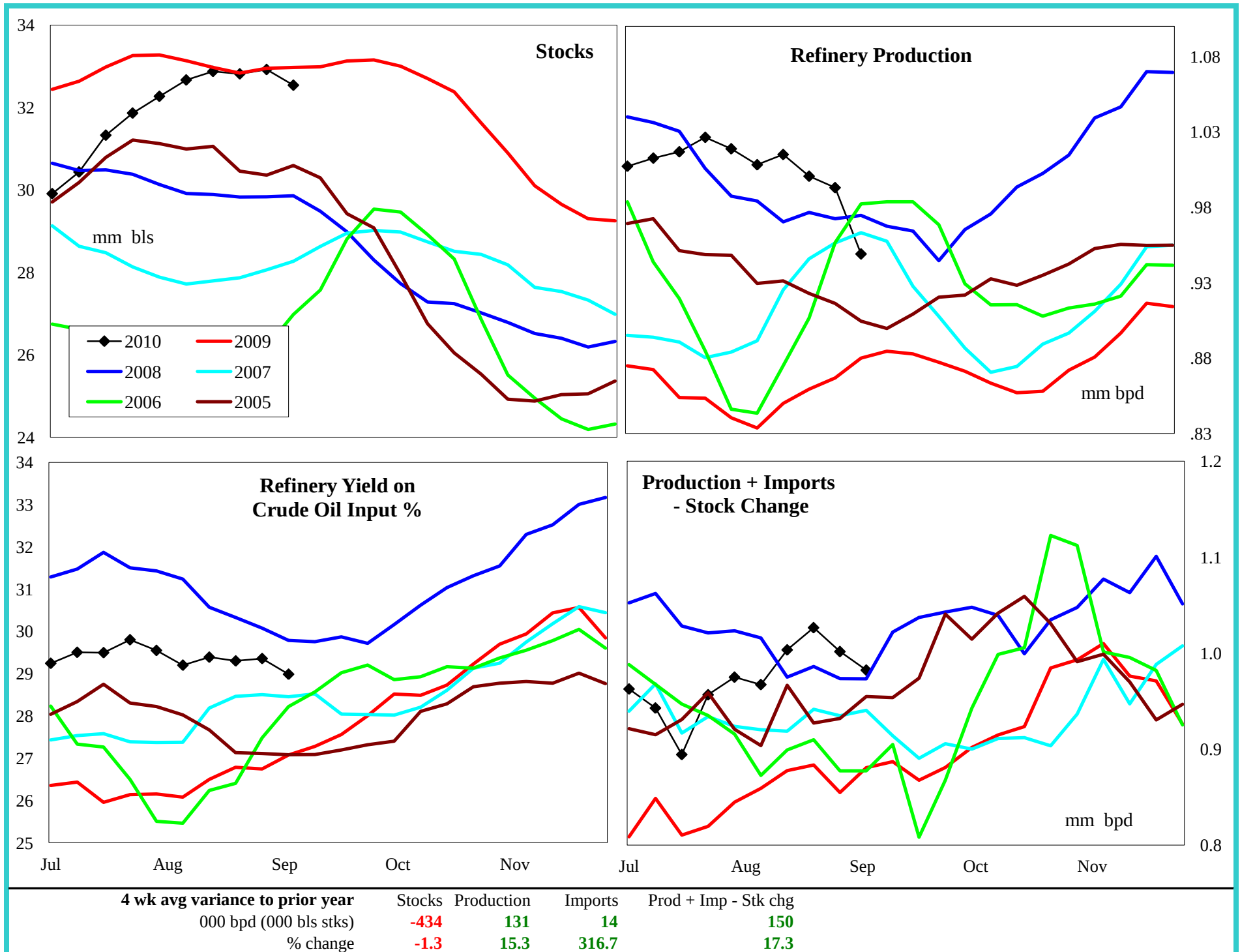
Stocks Production
1,077 **-21**
6.3 **-5.2**

Prod - Stk chg
-39
-9.5

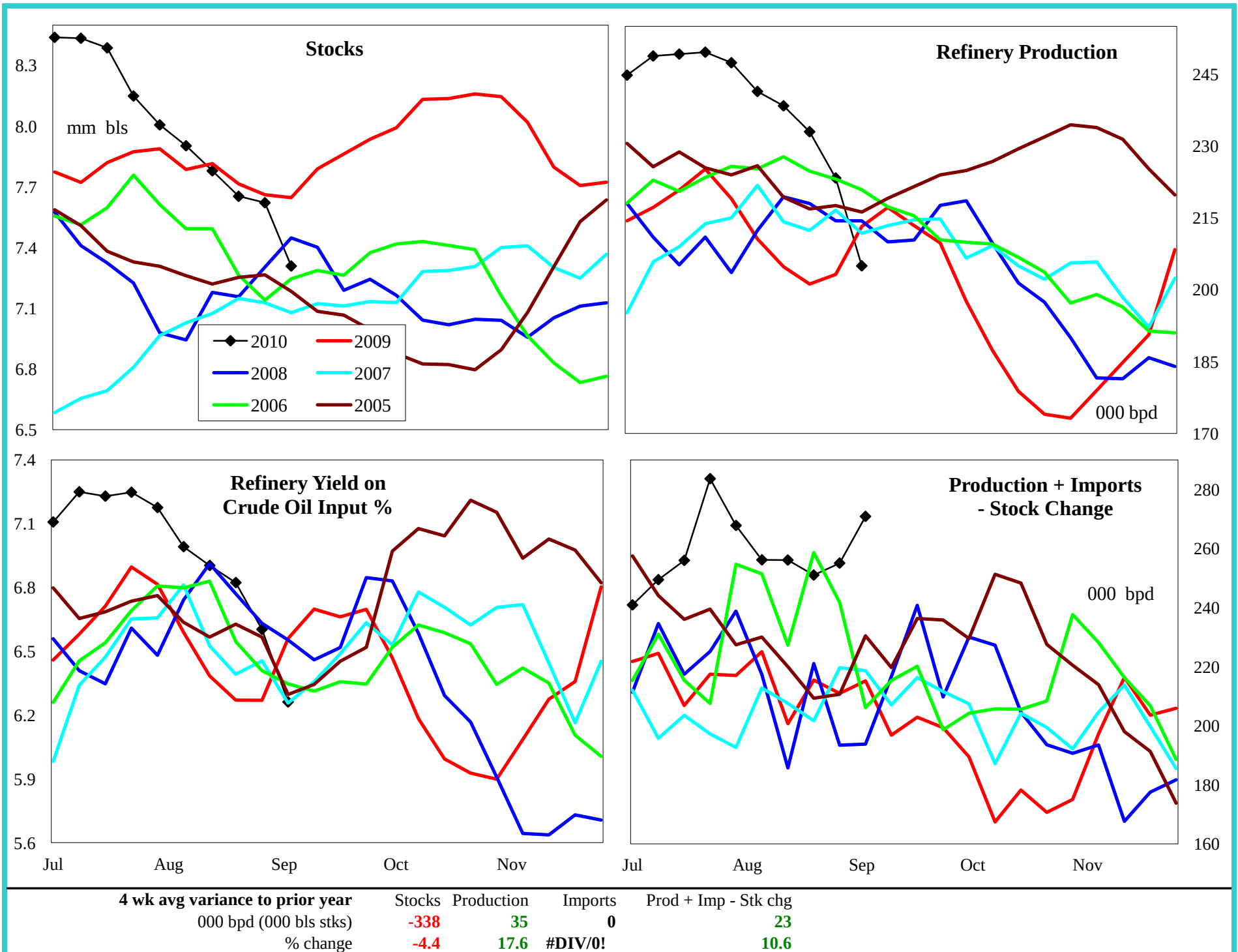
PADD 2 Conventional Gasoline Supply



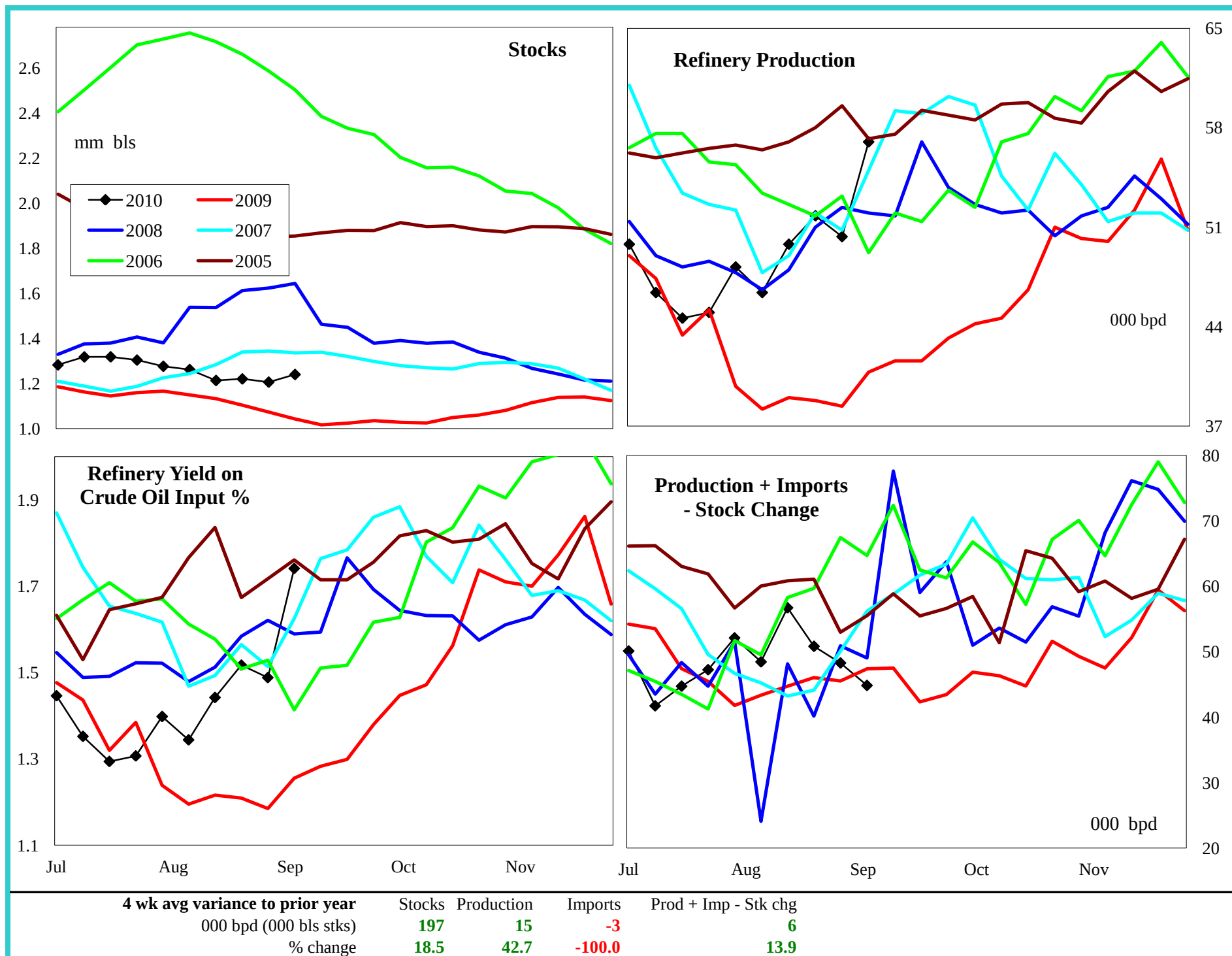
PADD 2 Distillate Supply



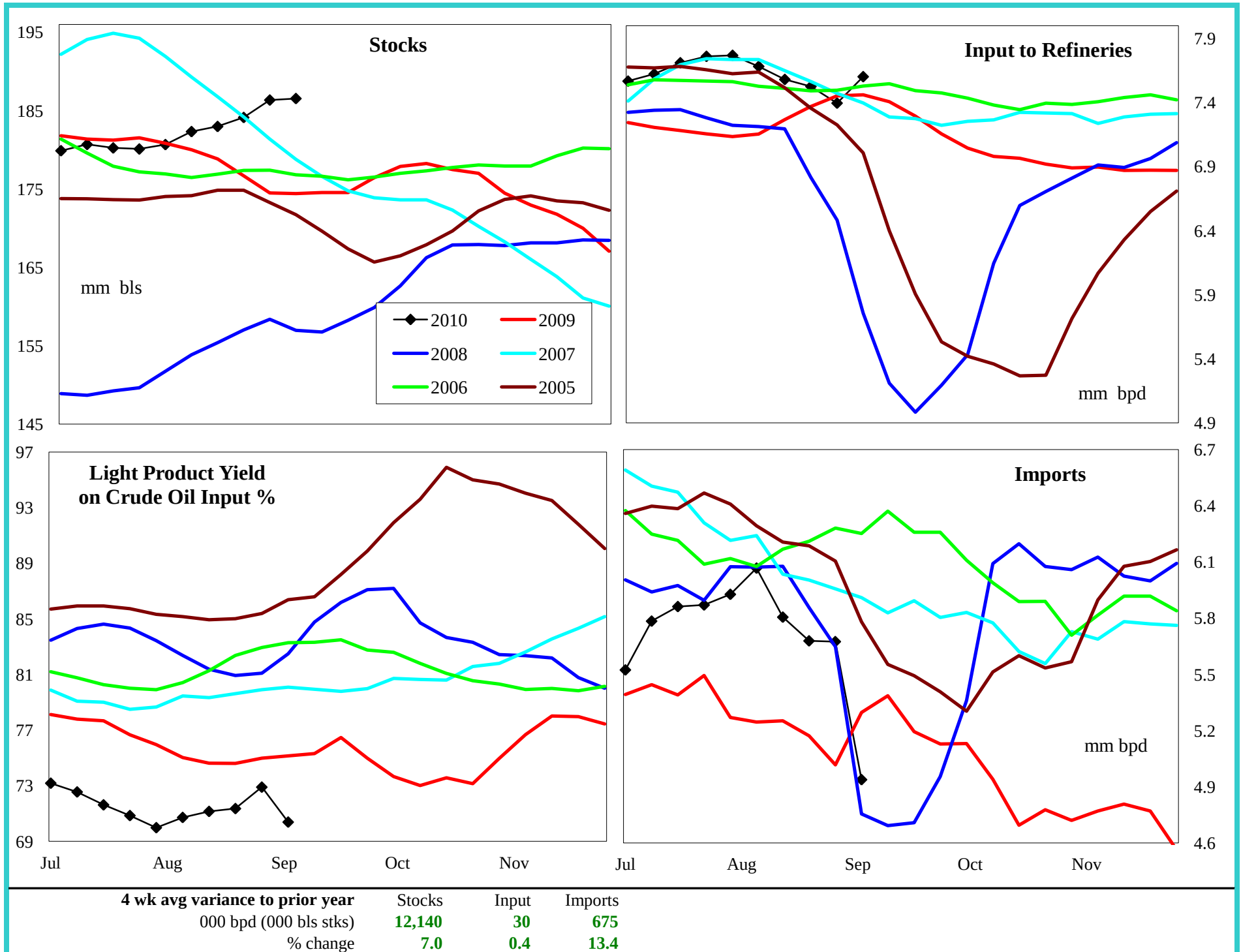
PADD 2 Jet Fuel Supply



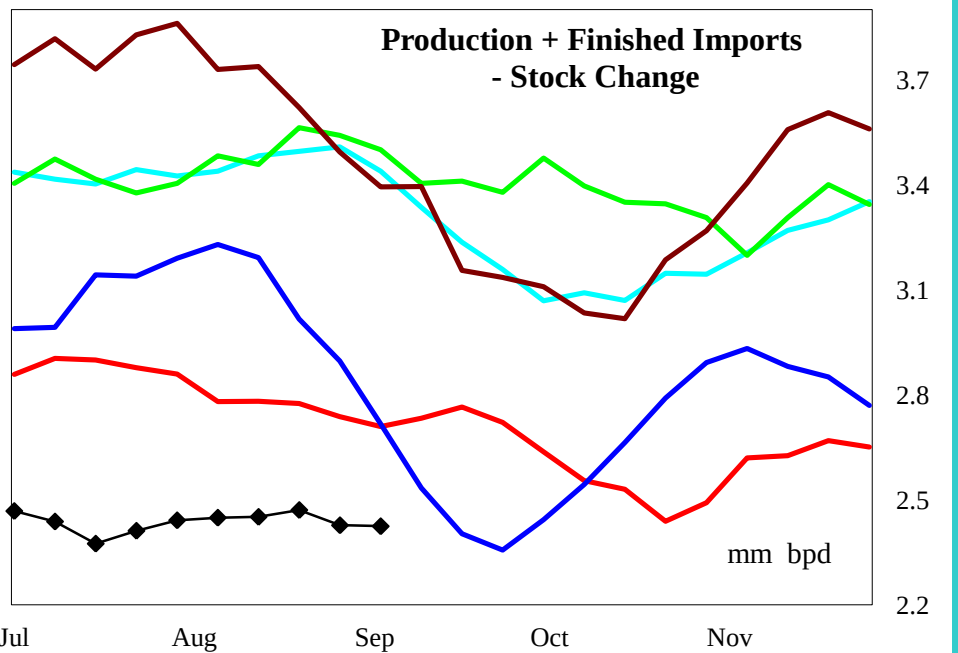
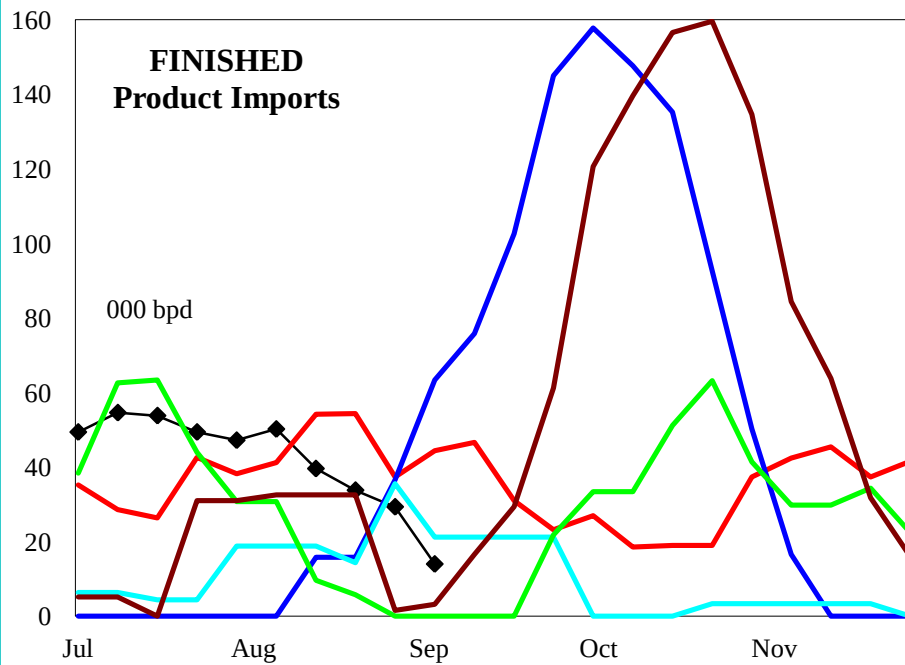
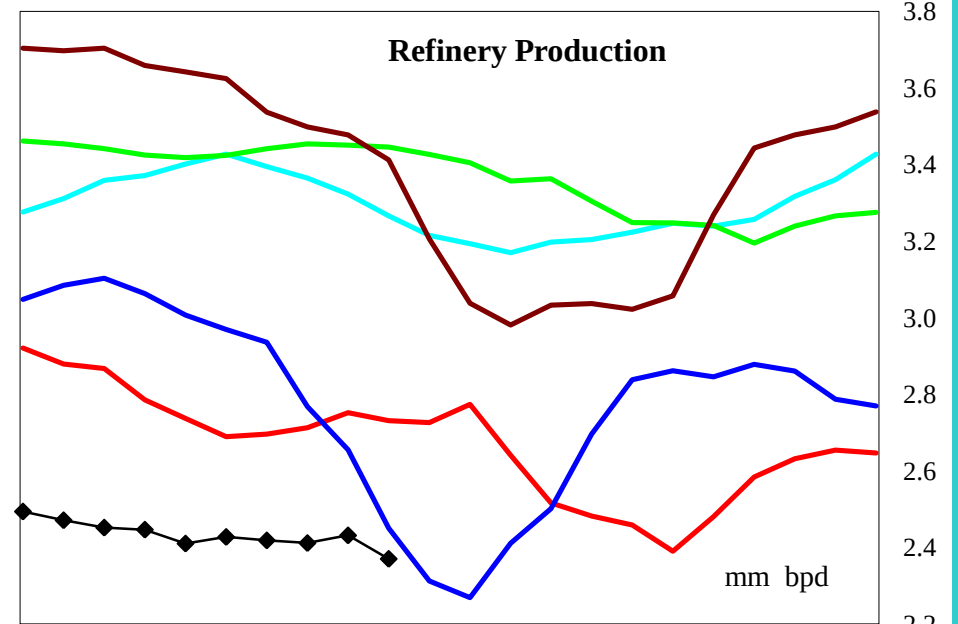
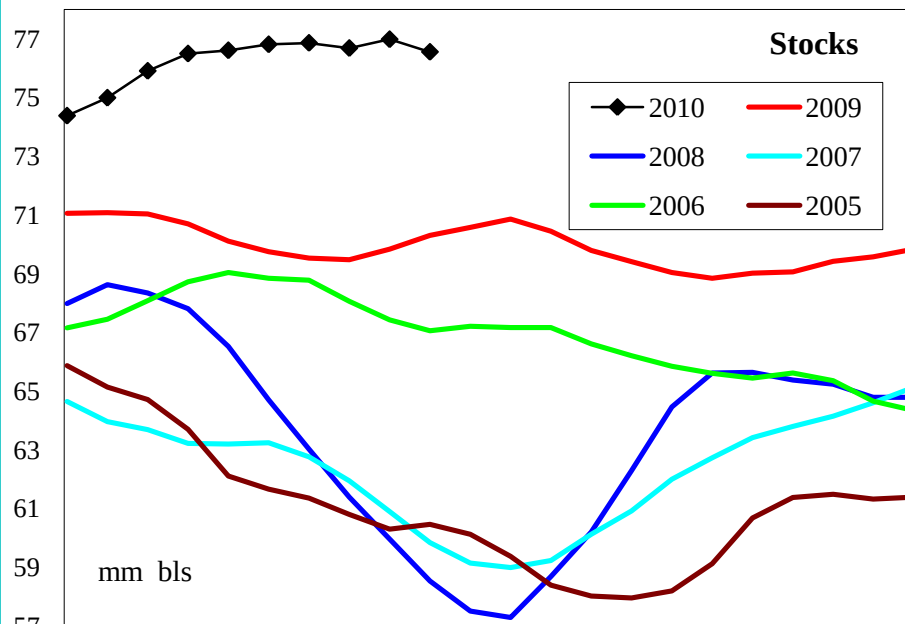
PADD 2 Residual Fuel Oil Supply



PADD 3 Crude Oil Supply and Refining



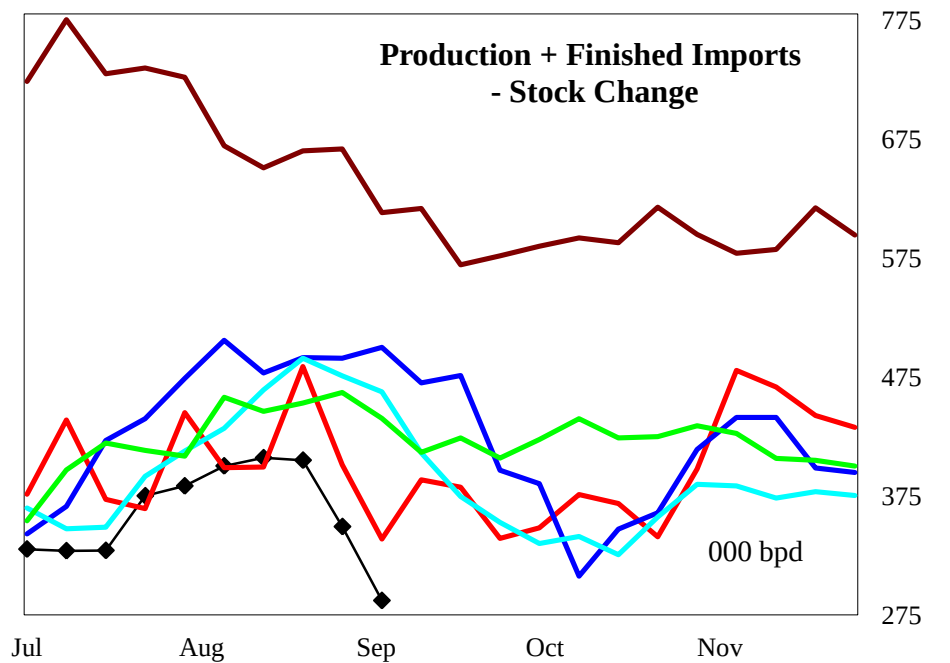
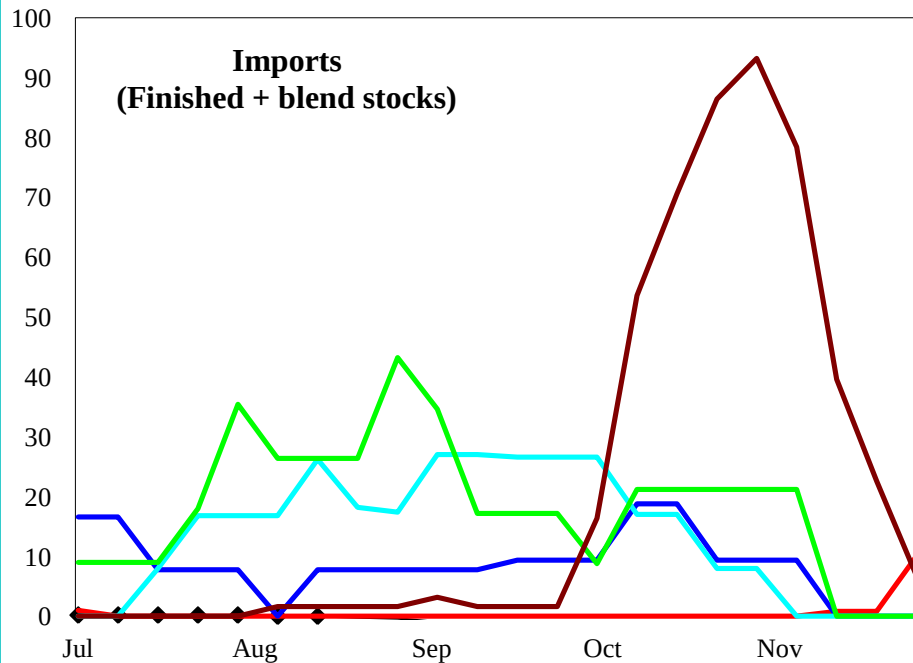
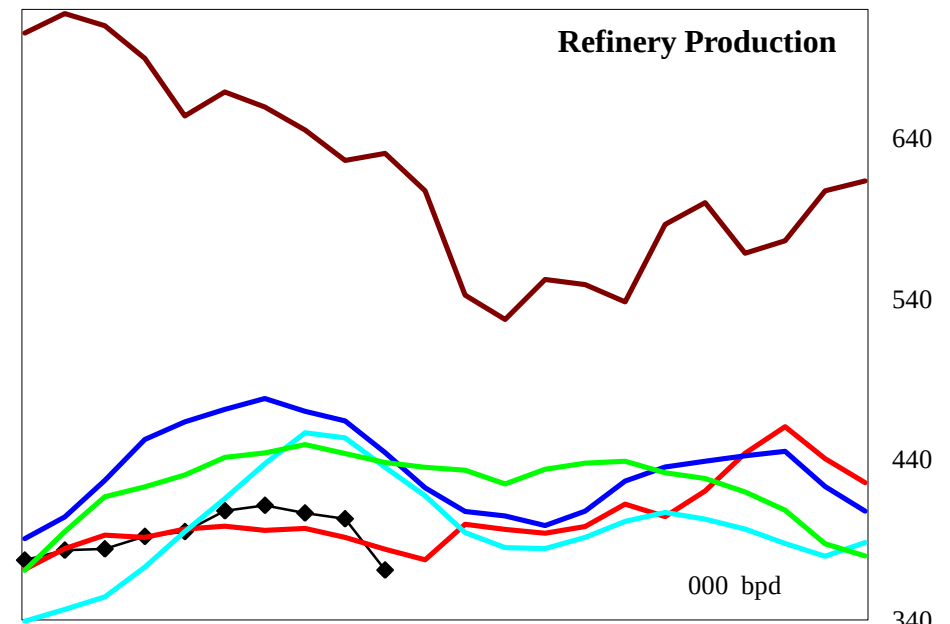
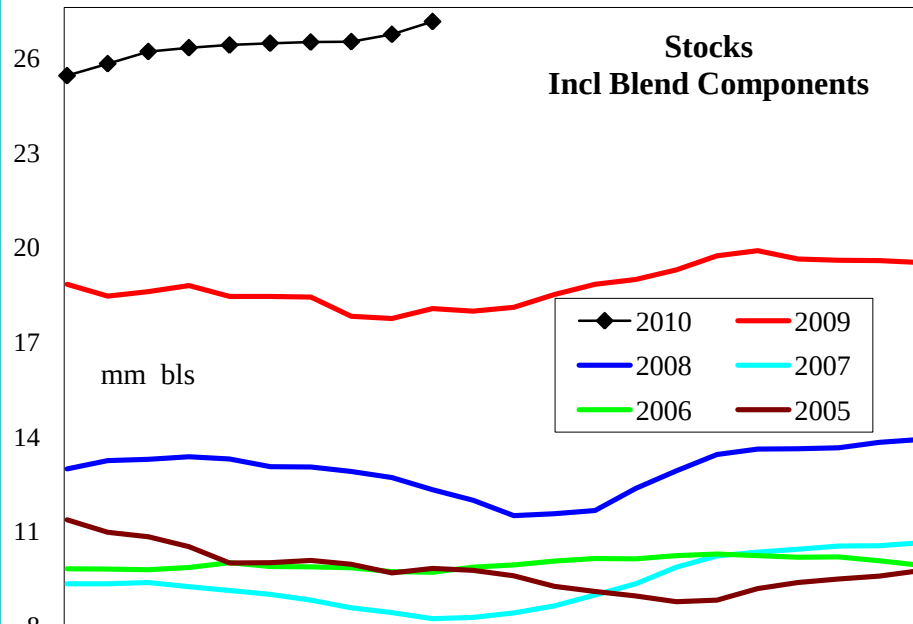
PADD 3 Gasoline Supply



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

Stocks	Production	Fin Impt	Blend Impt	Prod + Imp - Stk chg
6,485	-336	-12	93	-319
9.3	-12.3	-24.6	570.8	-11.6

PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

10,588

62.4

Production

9

2.2

Imports

0

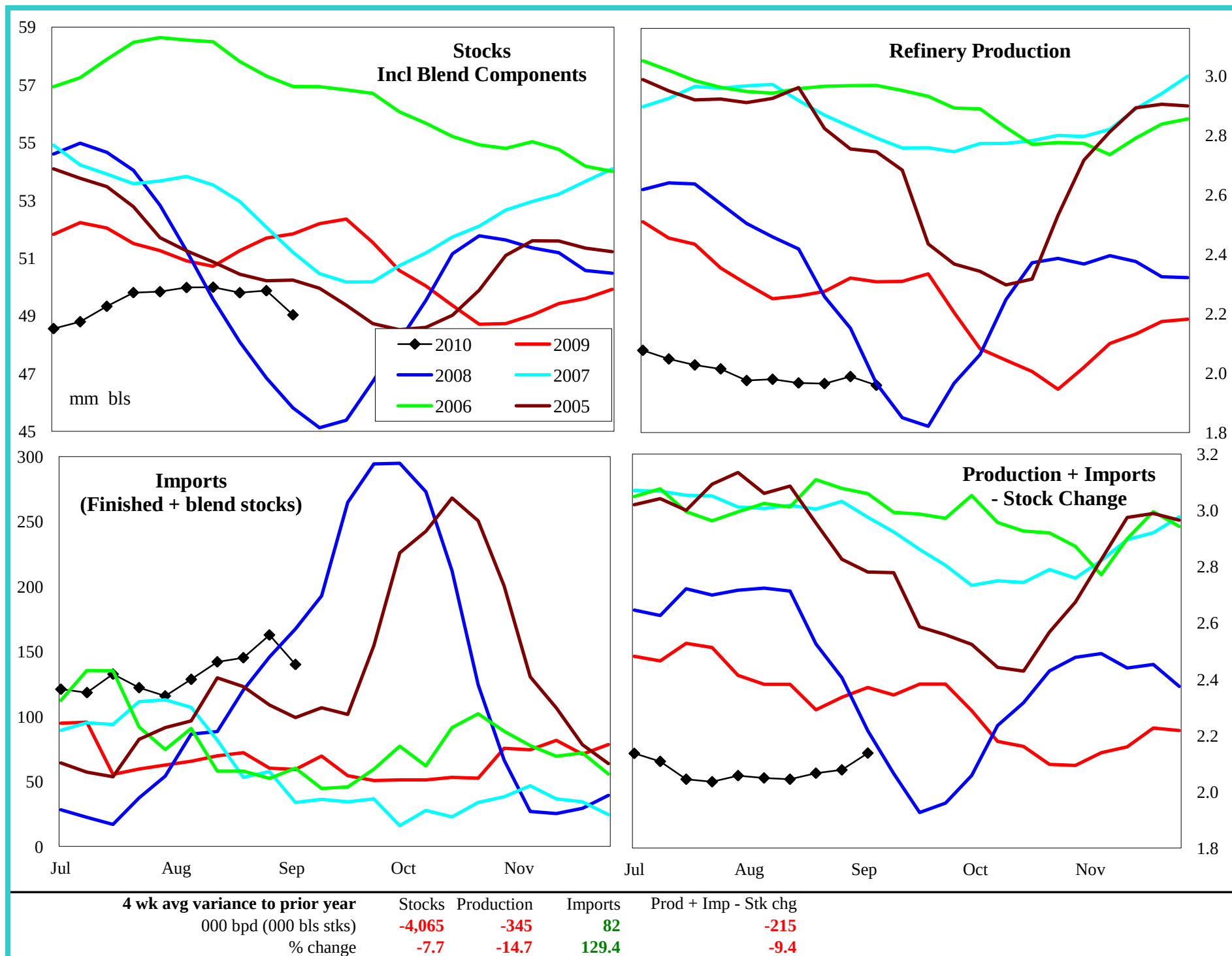
#DIV/0!

Prod + Imp - Stk chg

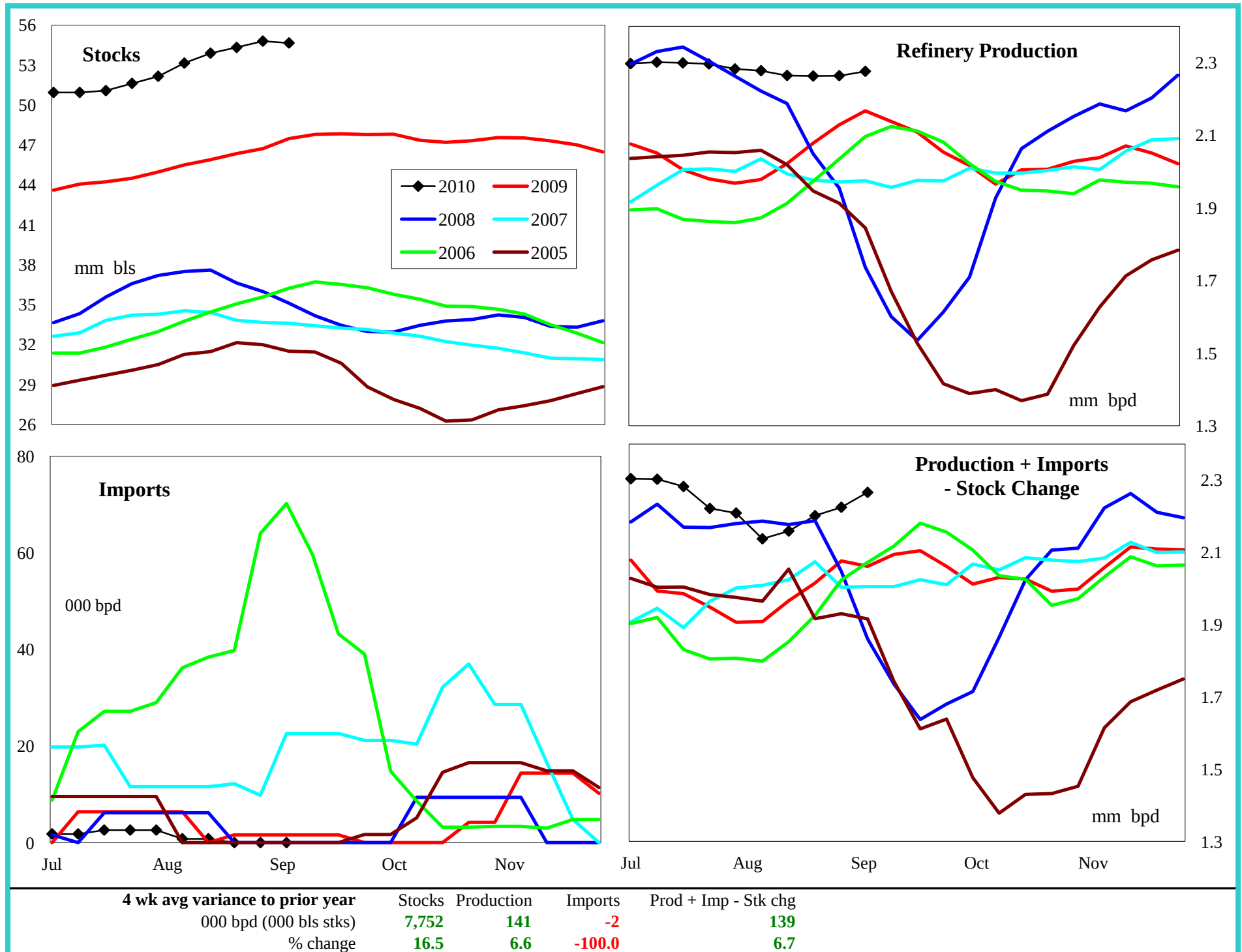
-105

-21.8

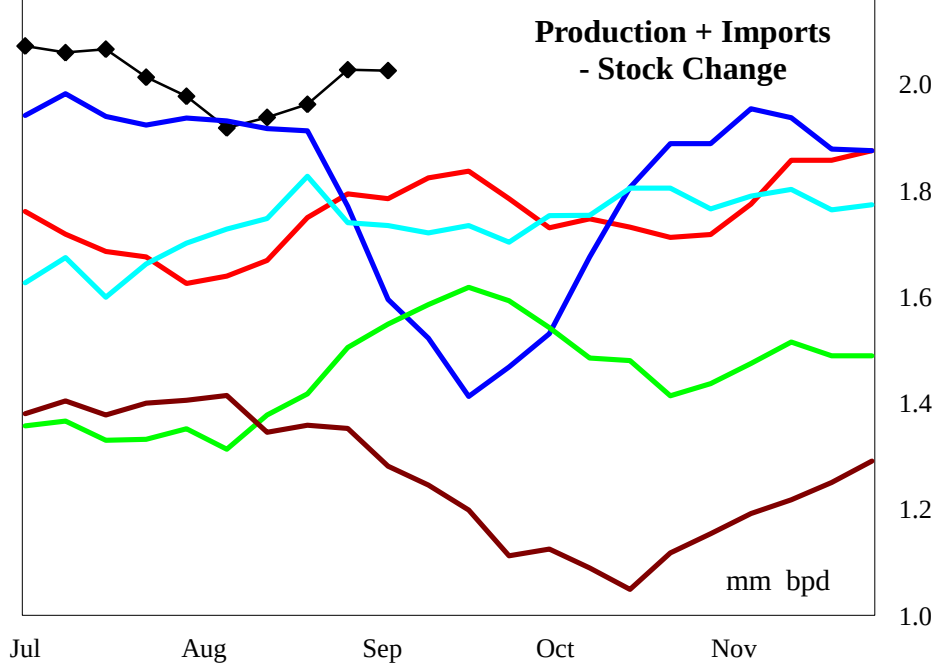
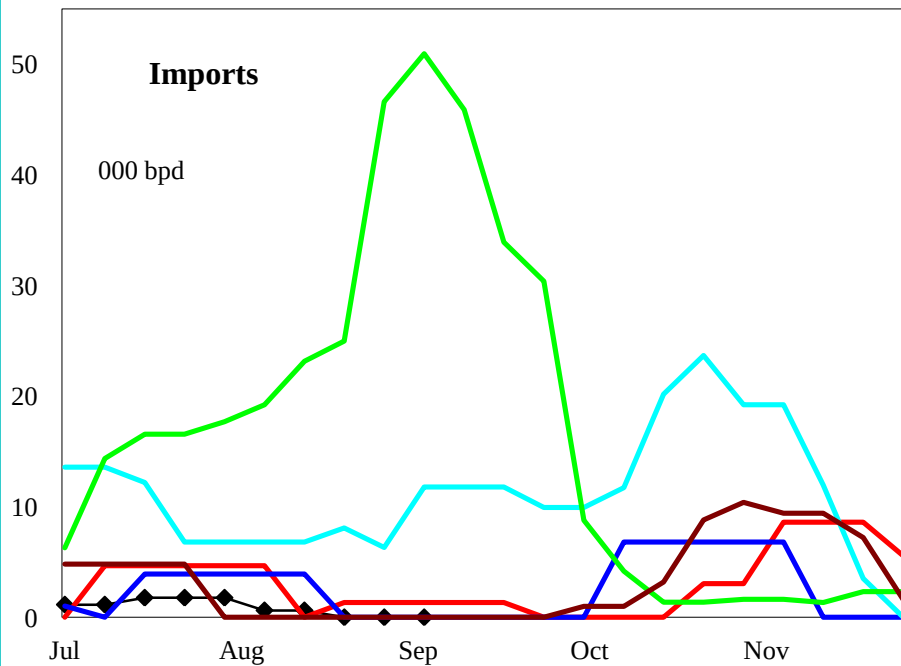
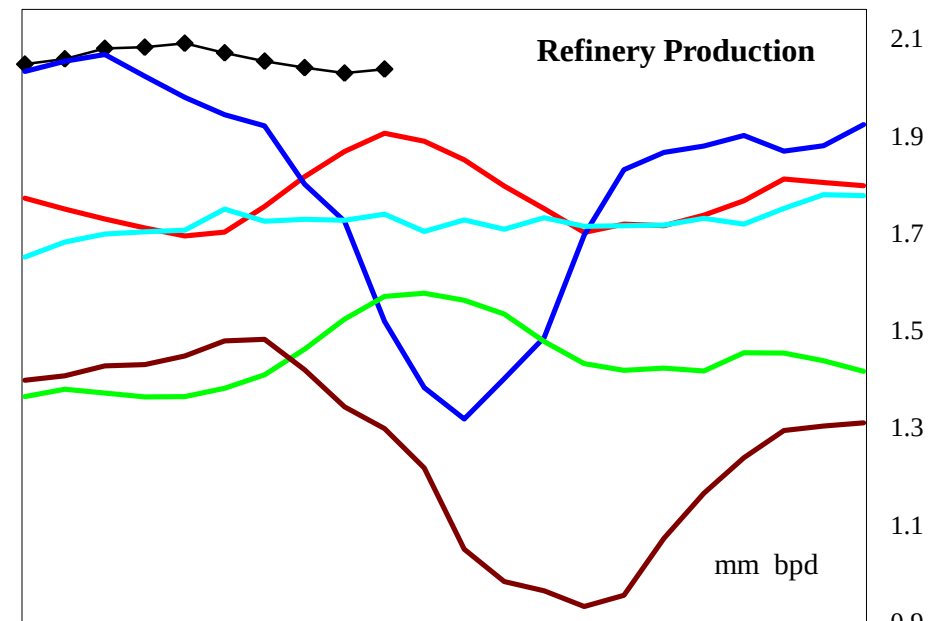
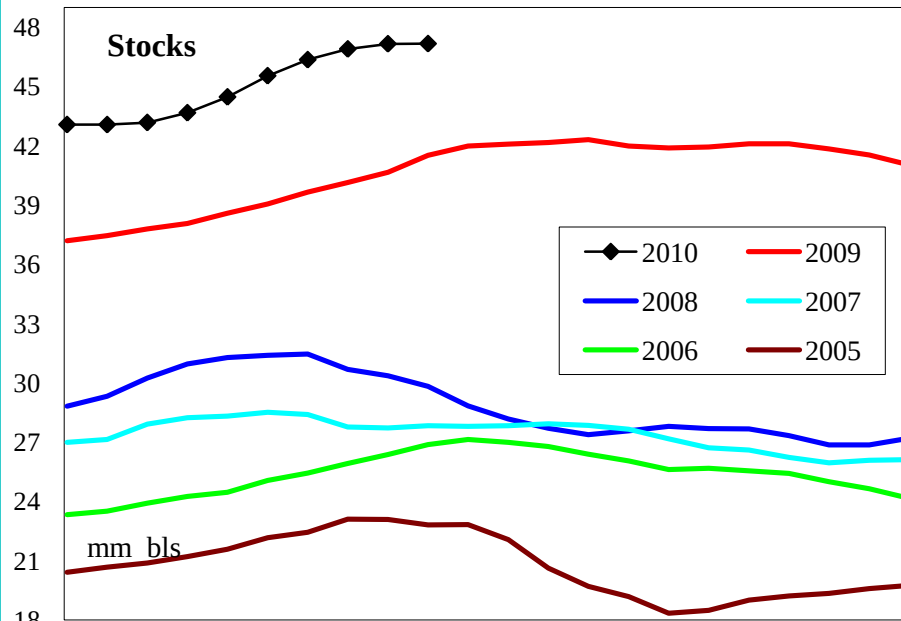
PADD 3 Conventional Gasoline Supply



PADD 3 Distillate Supply



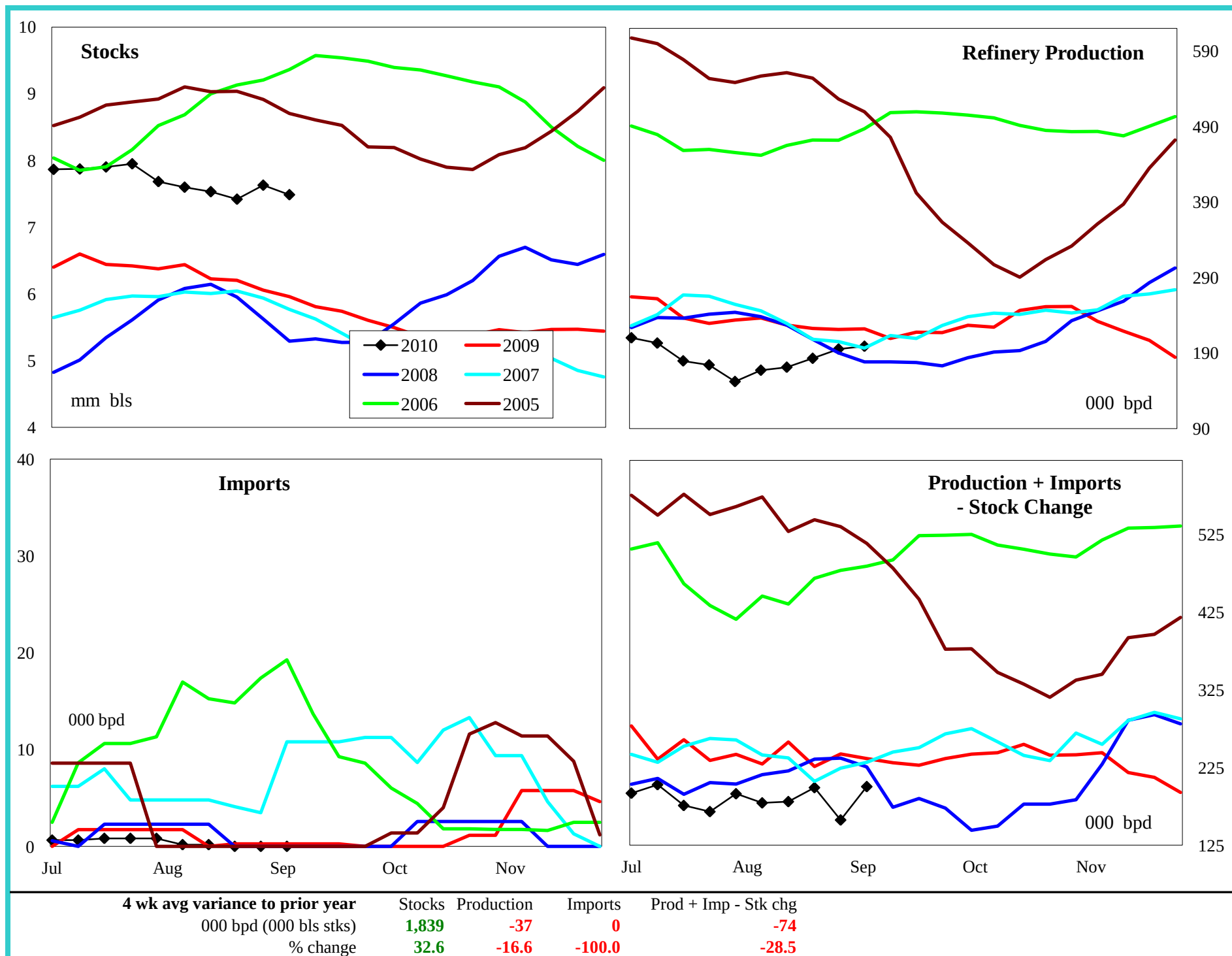
PADD 3 Low Sulfur Distillate Supply



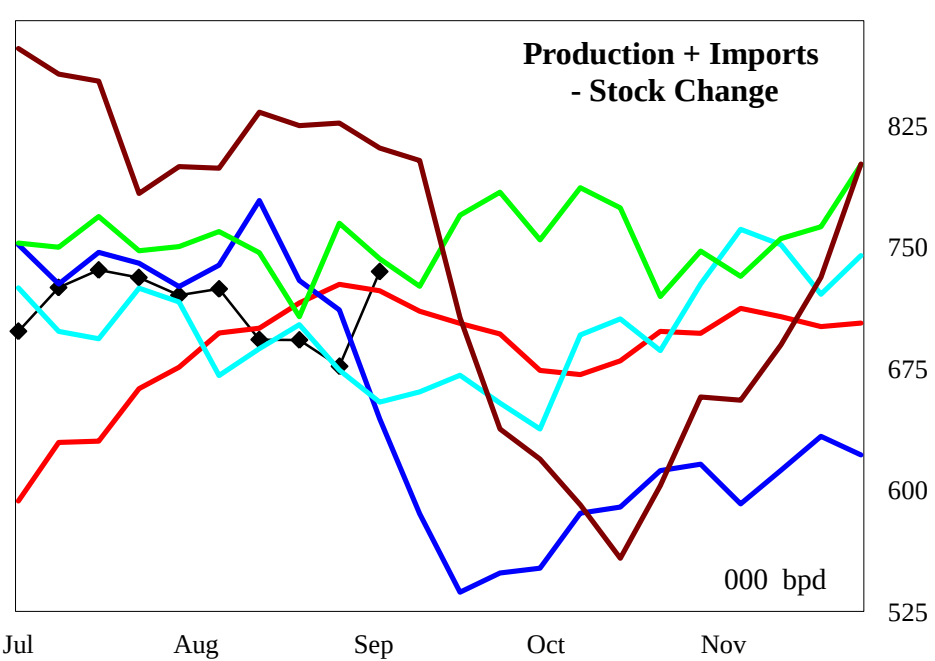
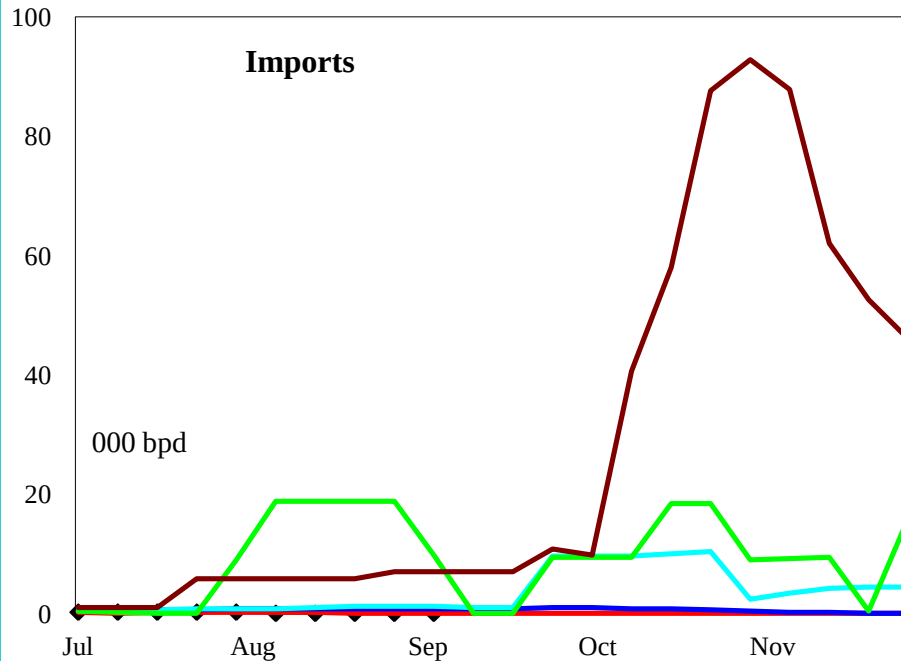
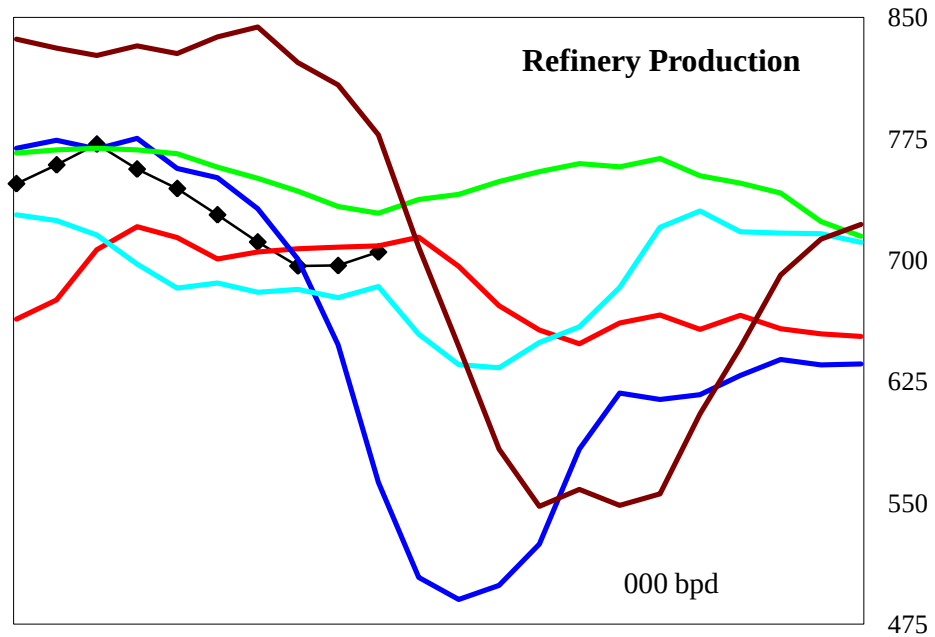
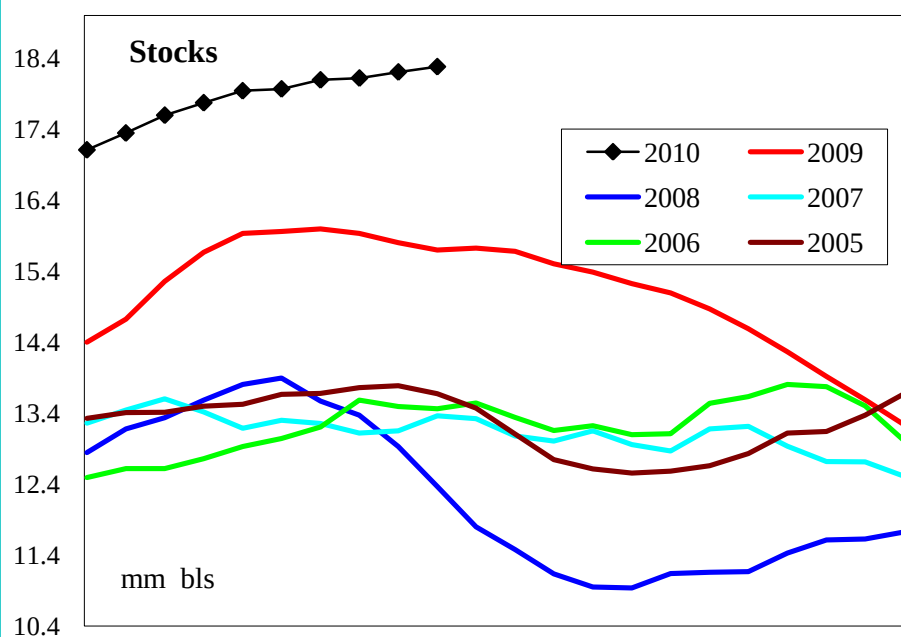
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
5,913	178	-2	214
14.3	9.4	-100.0	11.8

PADD 3 High Sulfur Distillate Supply



PADD 3 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

2,580

16.4

Production

-15

-2.1

Imports

0

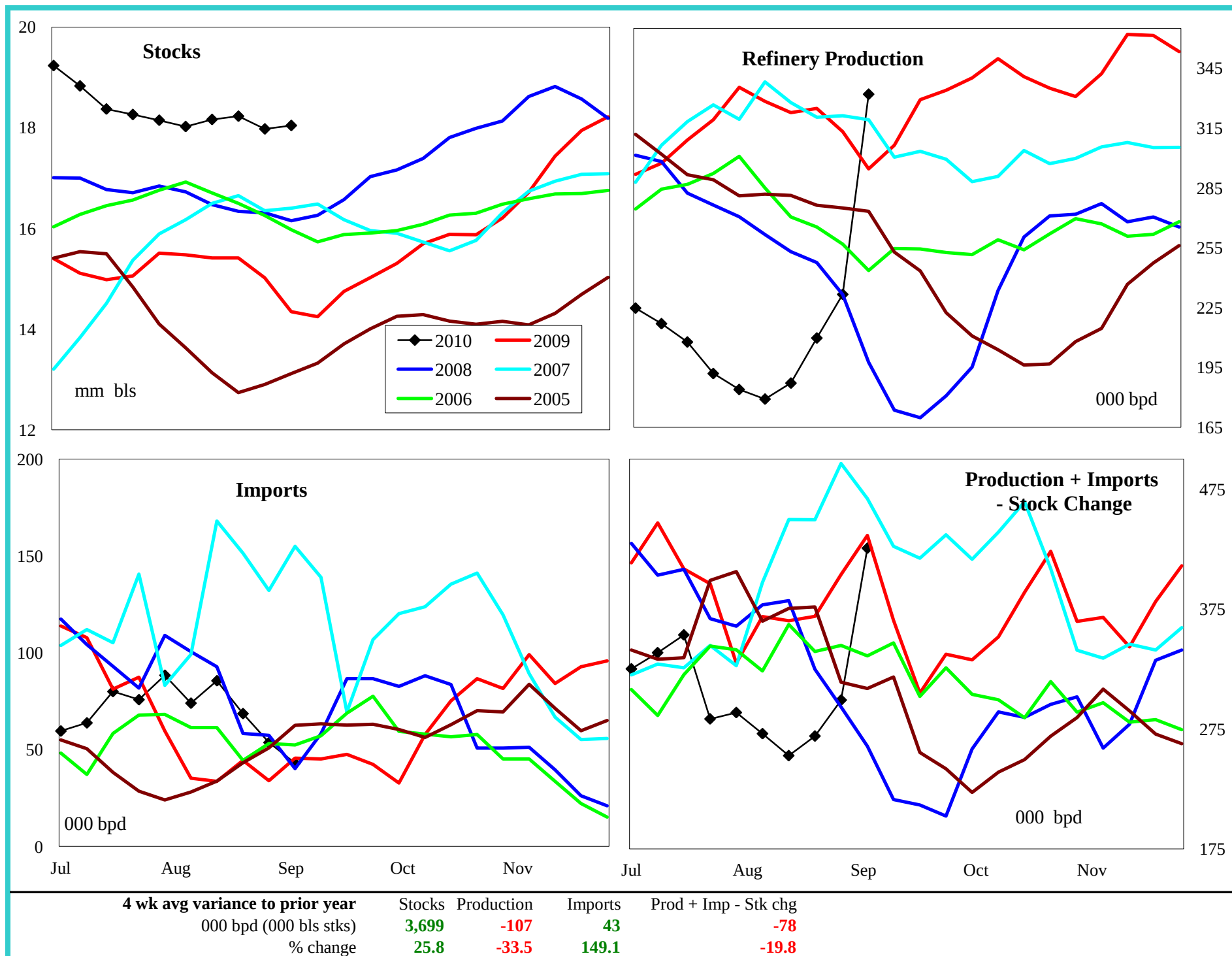
#DIV/0!

Prod + Imp - Stk chg

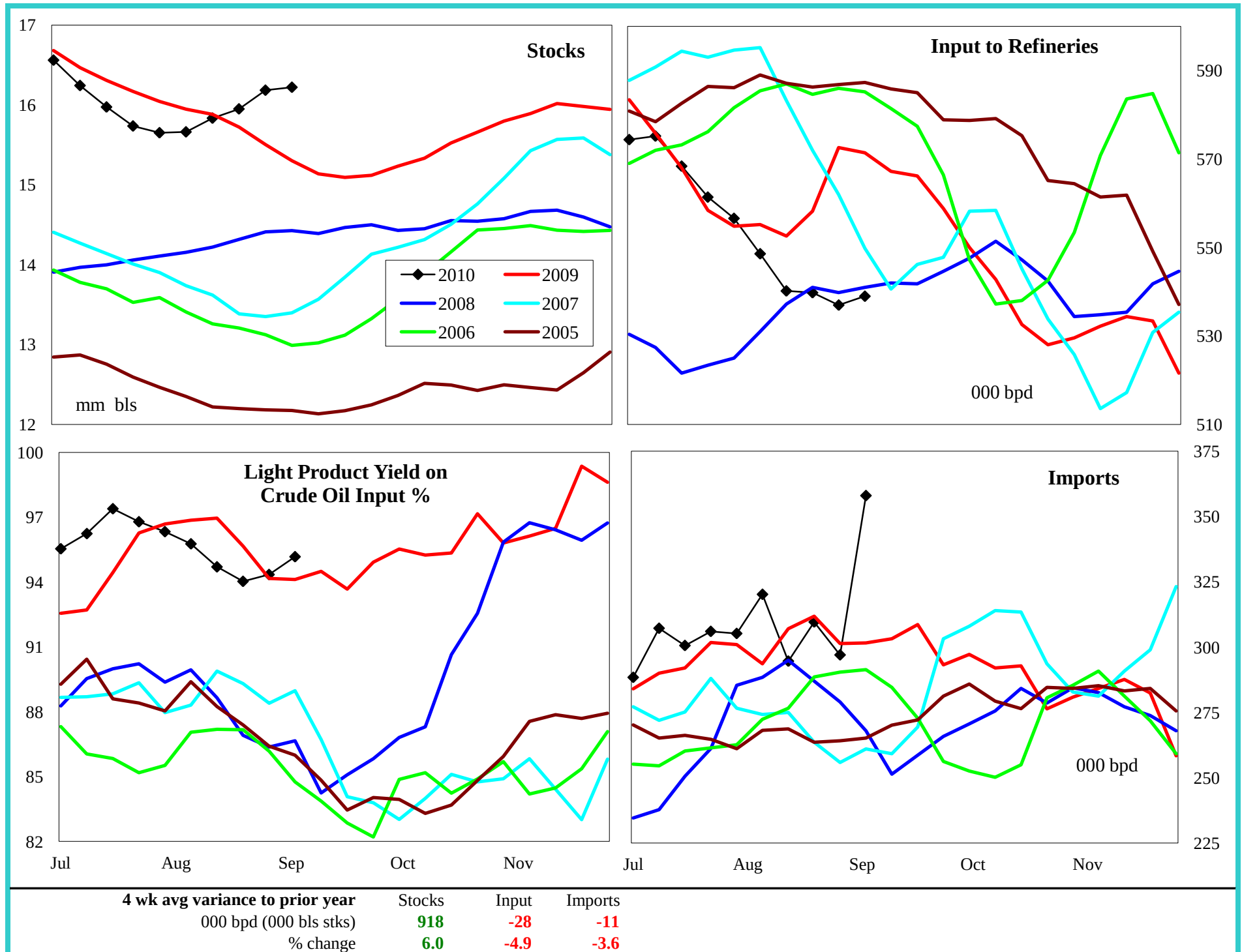
-29

-4.1

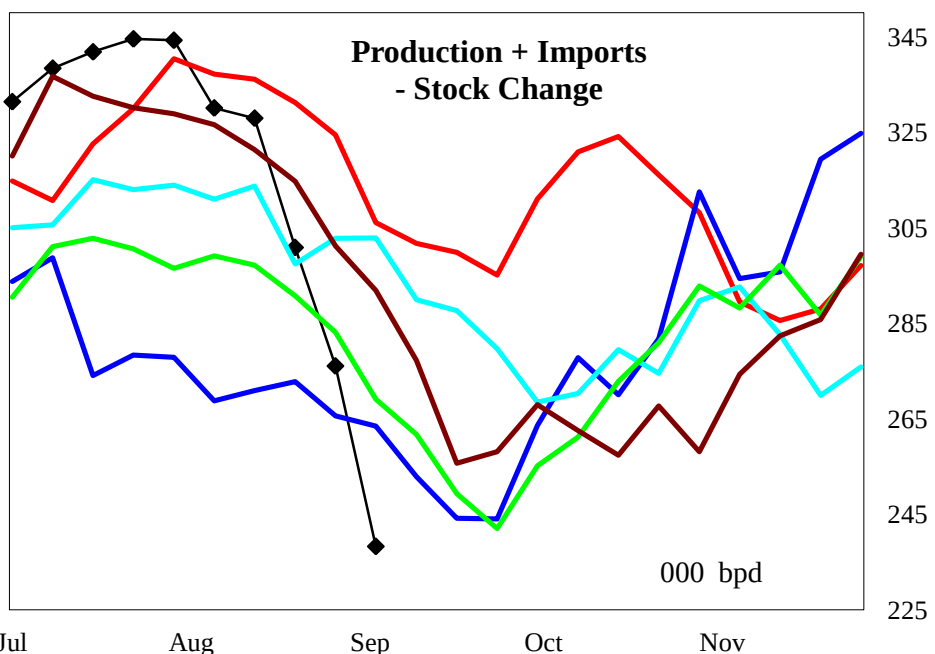
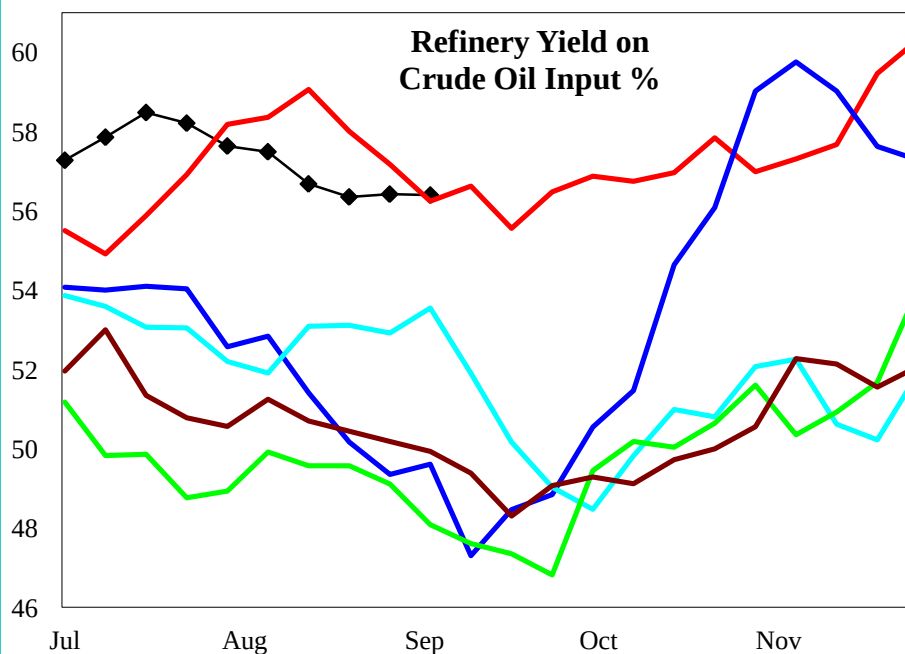
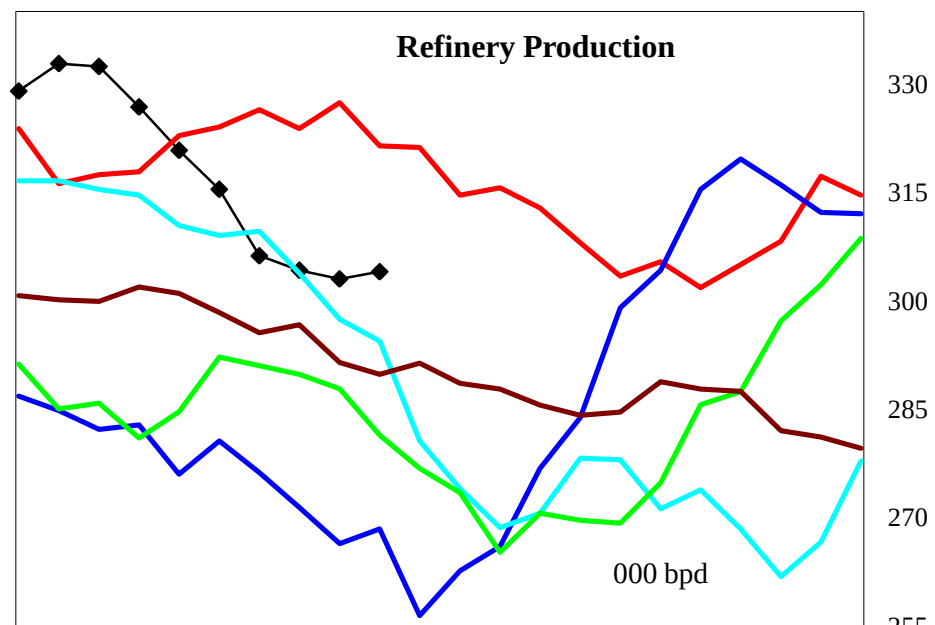
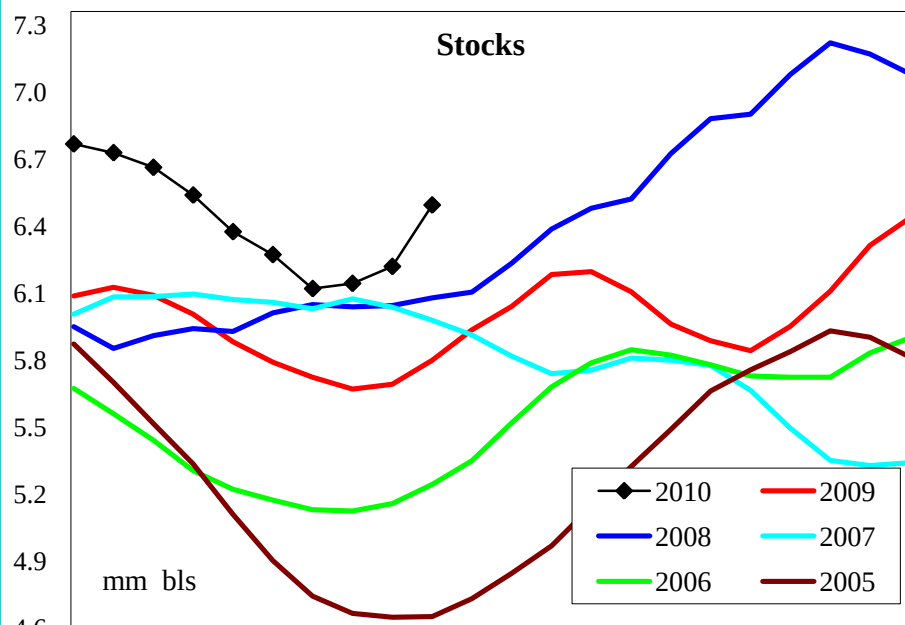
PADD 3 Residual Fuel Oil Supply



PADD 4 Crude Oil Supply and Refining



PADD 4 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Prod + Imp - Stk chg

695

-24

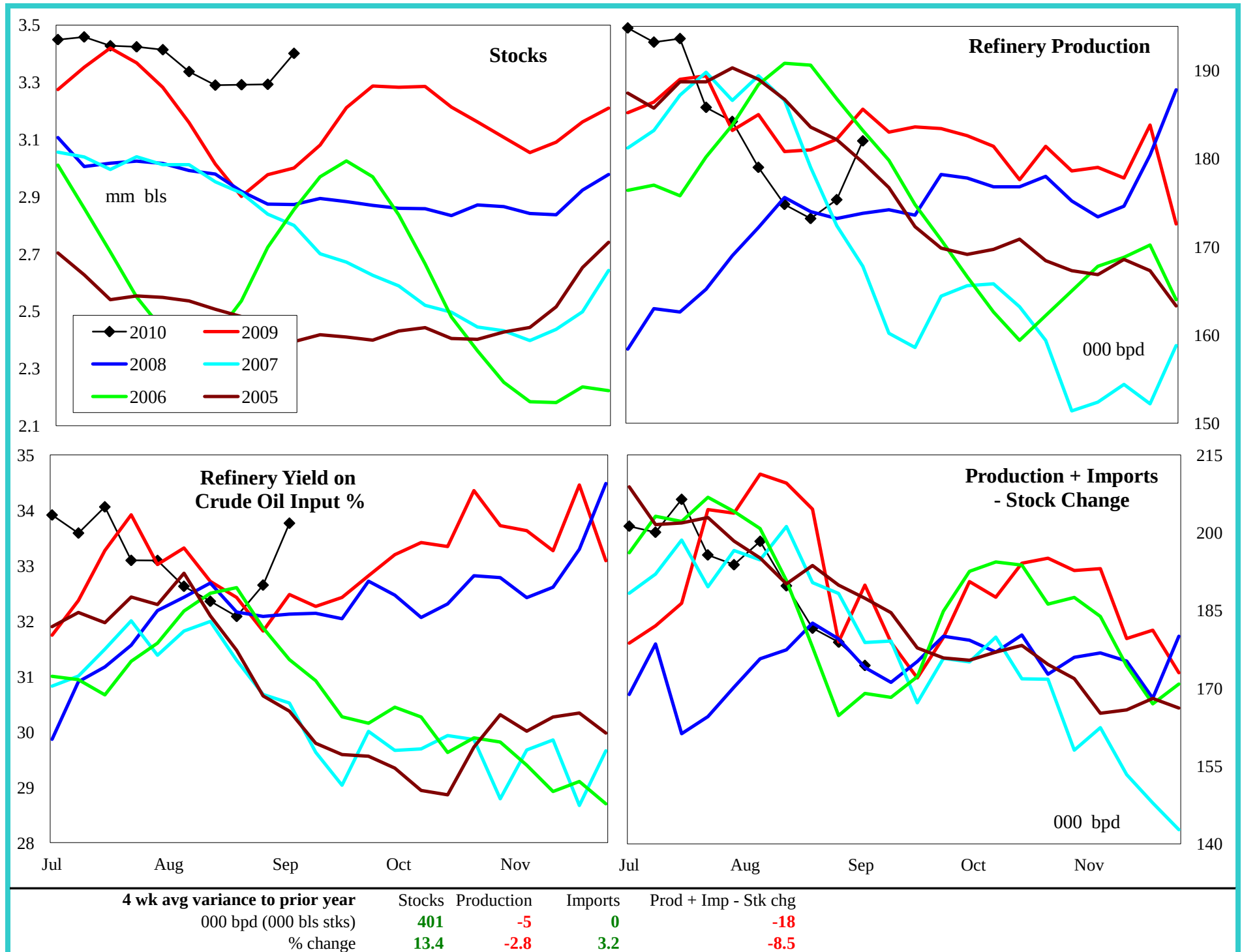
-44

11.9

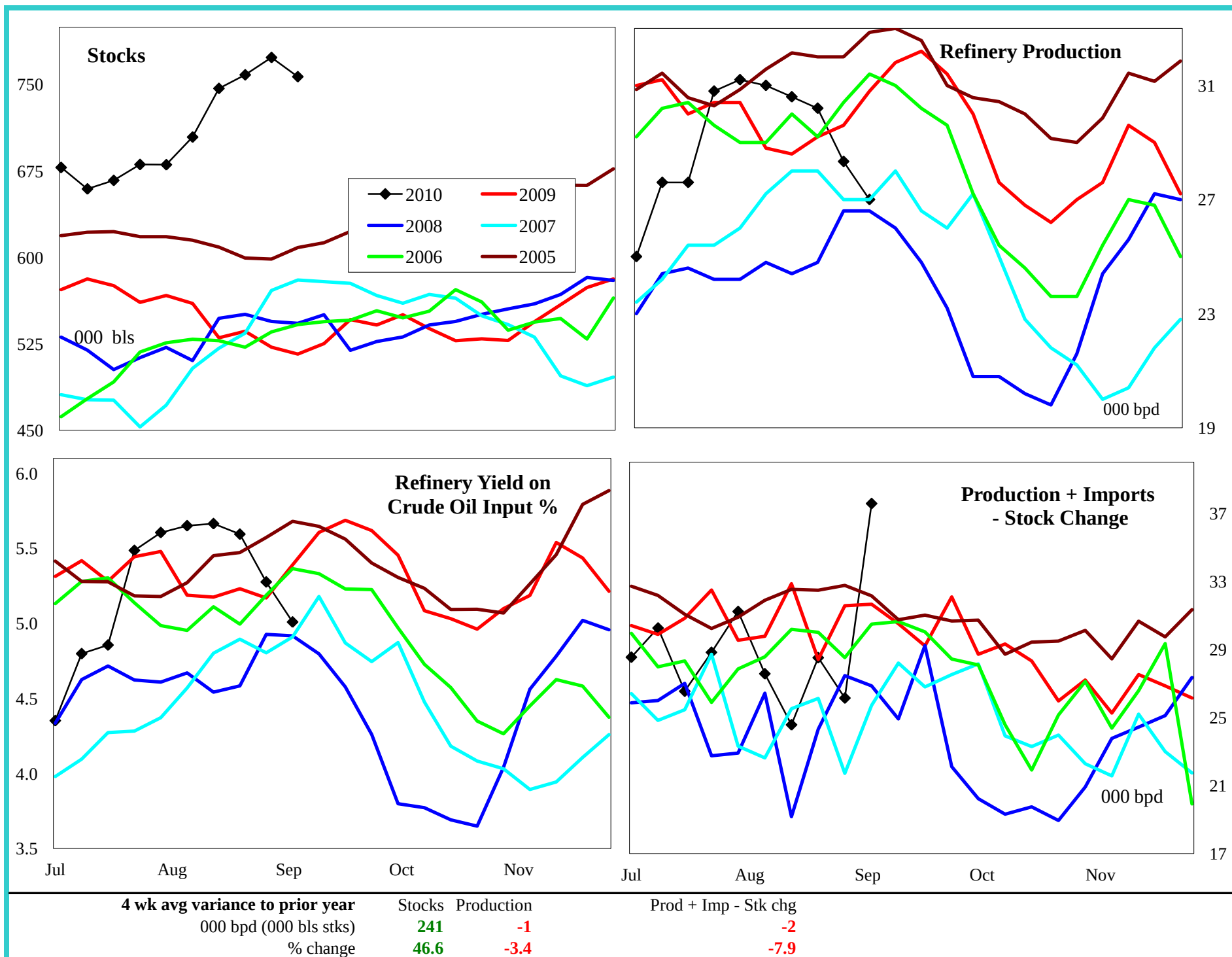
-7.4

-13.1

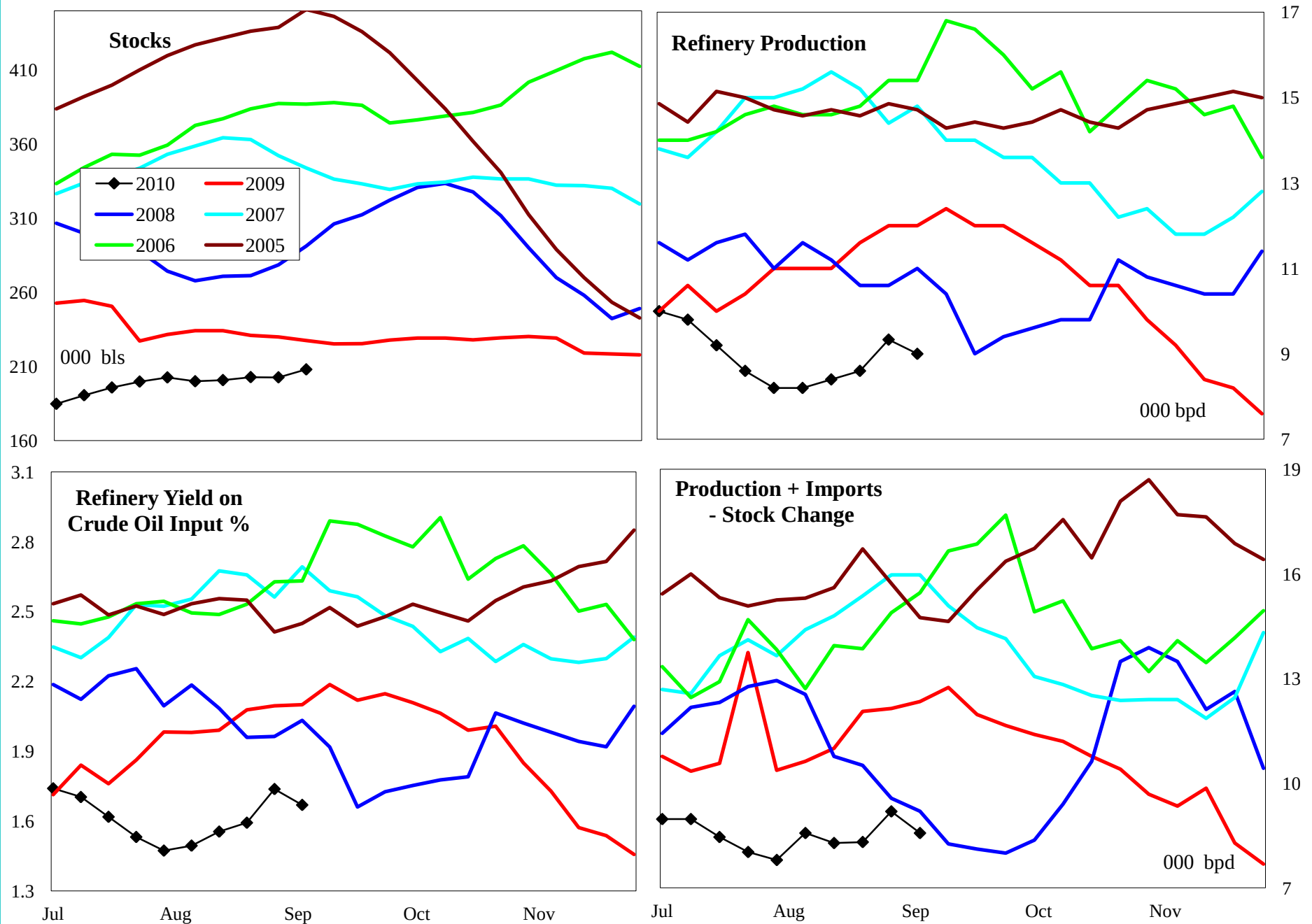
PADD 4 Distillate Supply



PADD 4 Jet Fuel Supply



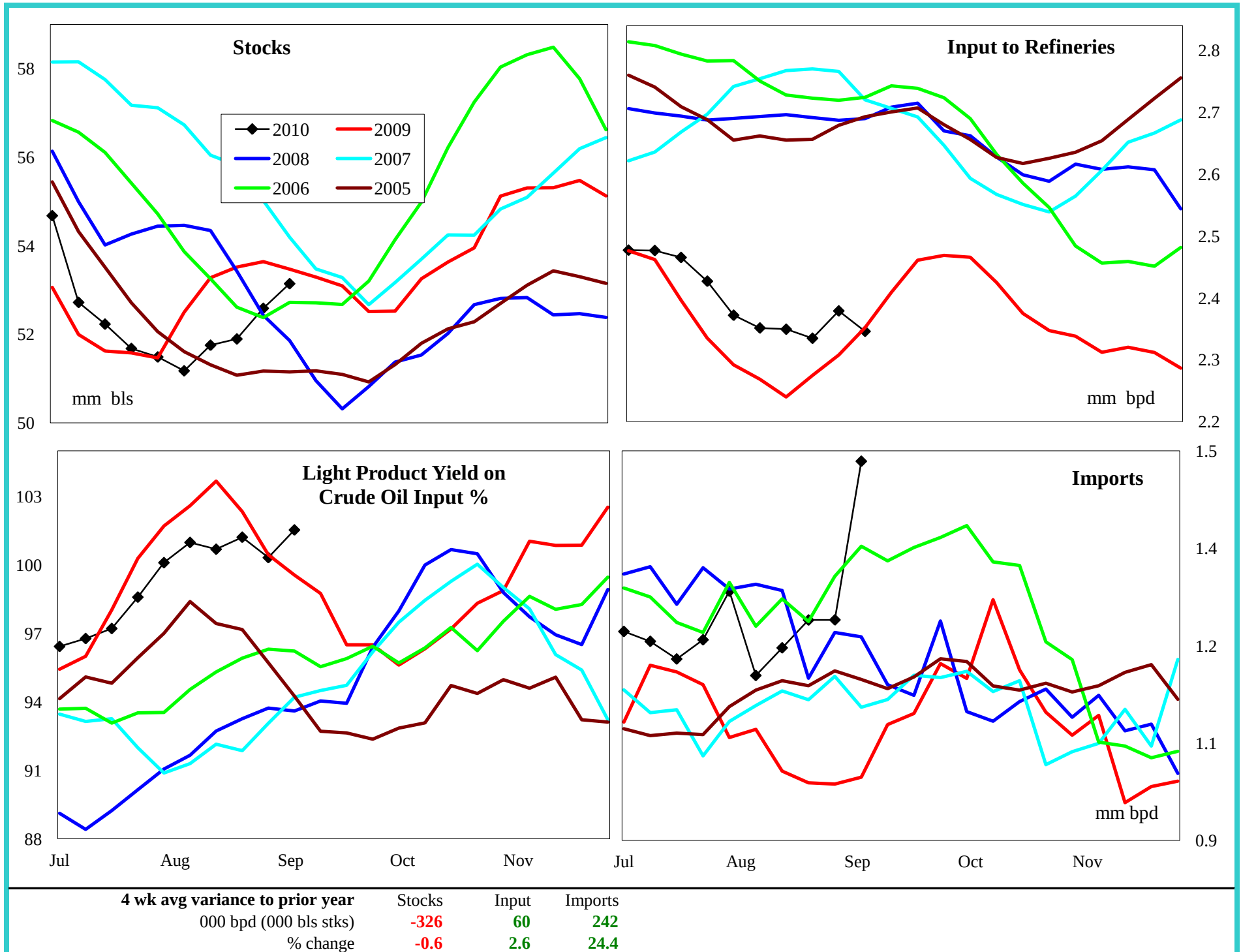
PADD 4 Residual Fuel Oil Supply



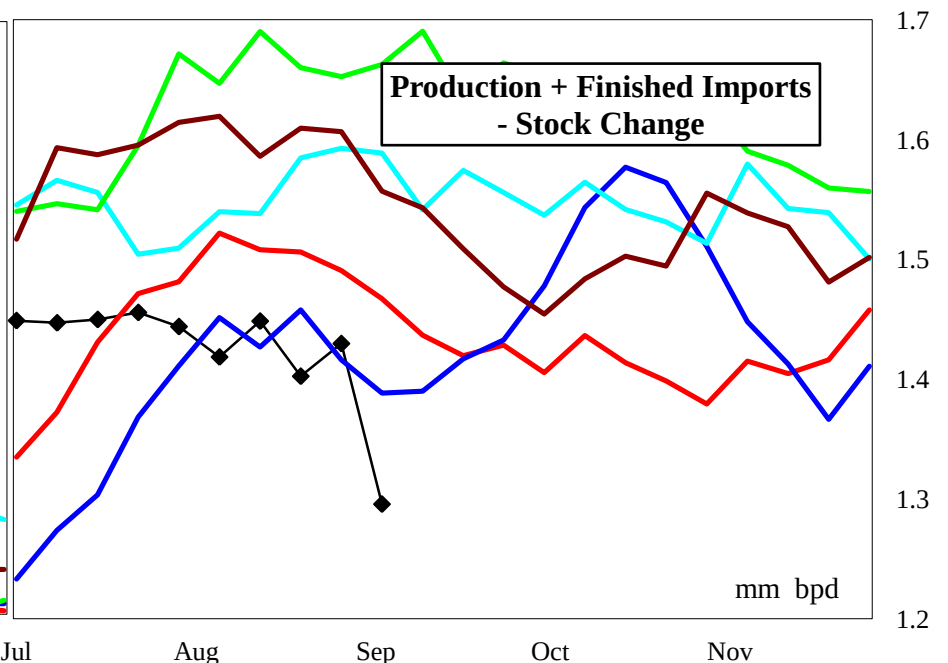
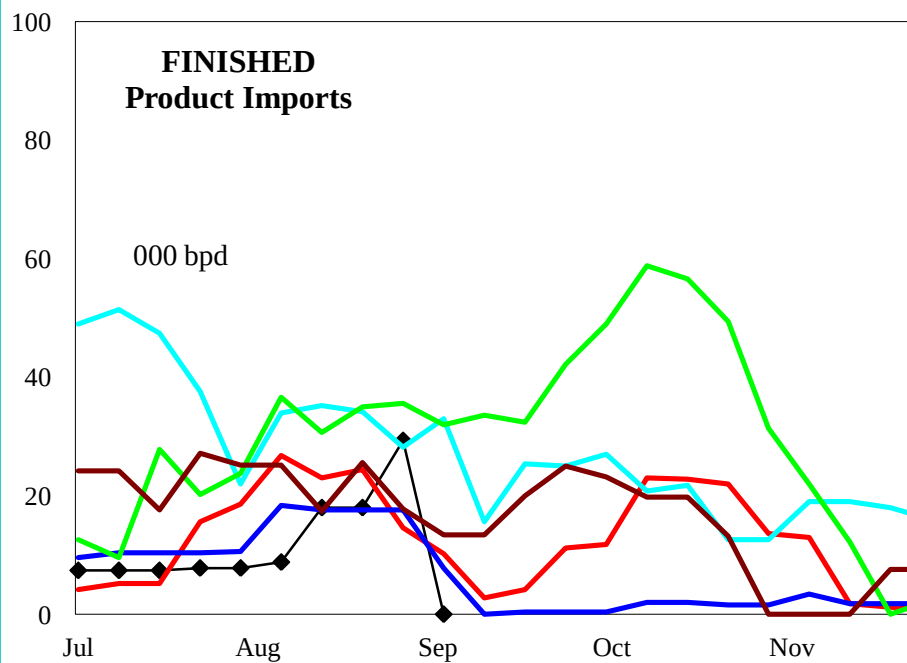
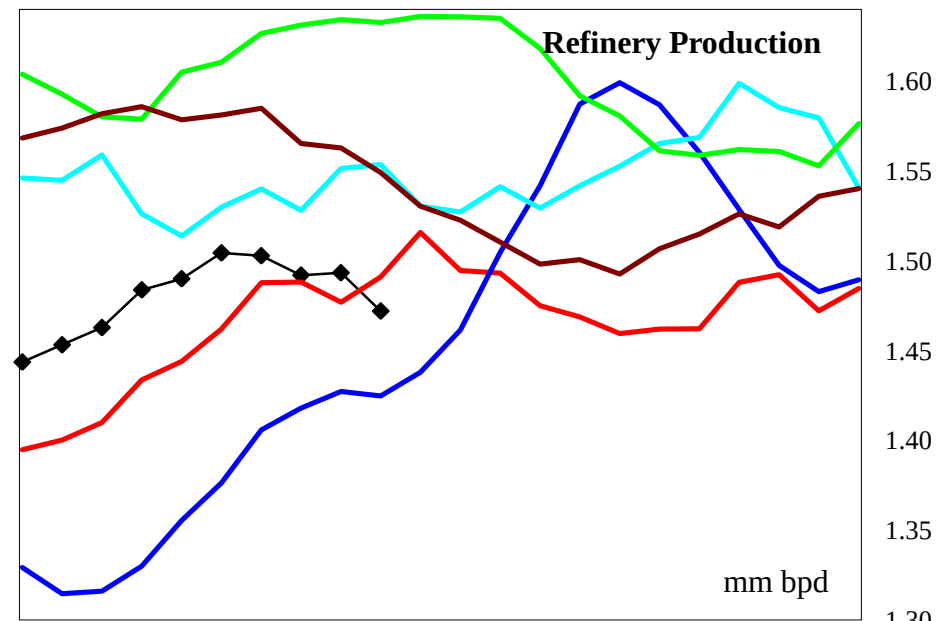
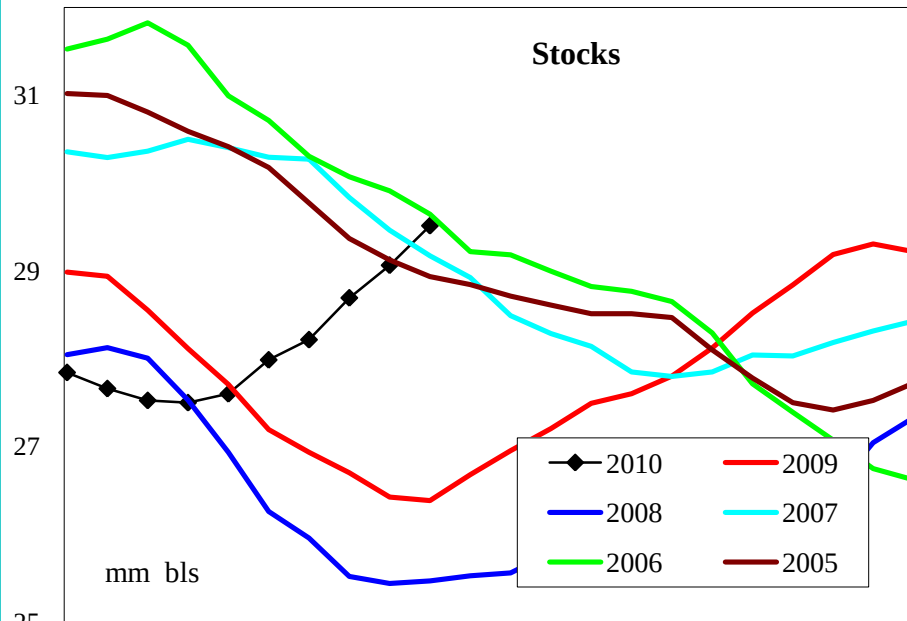
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
-20	-2	0	-5
-8.6	-19.6	#DIV/0!	-37.5

PADD 5 Crude Oil Supply and Refining



PADD 5 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

3,554

13.5

Production

9

0.6

Fin Impt

5

25.7

Blend Impt

42

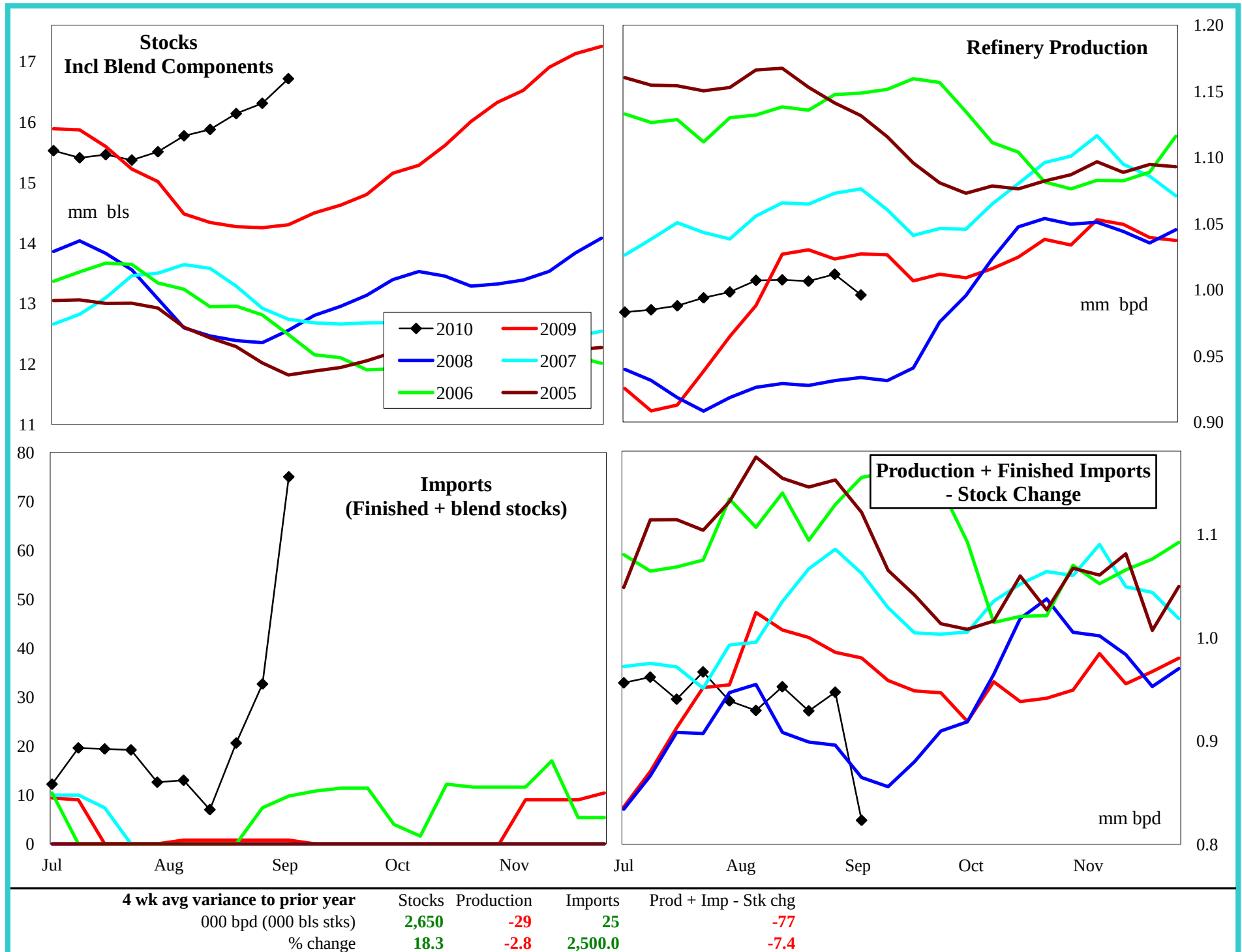
506.1

Prod + Imp - Stk chg

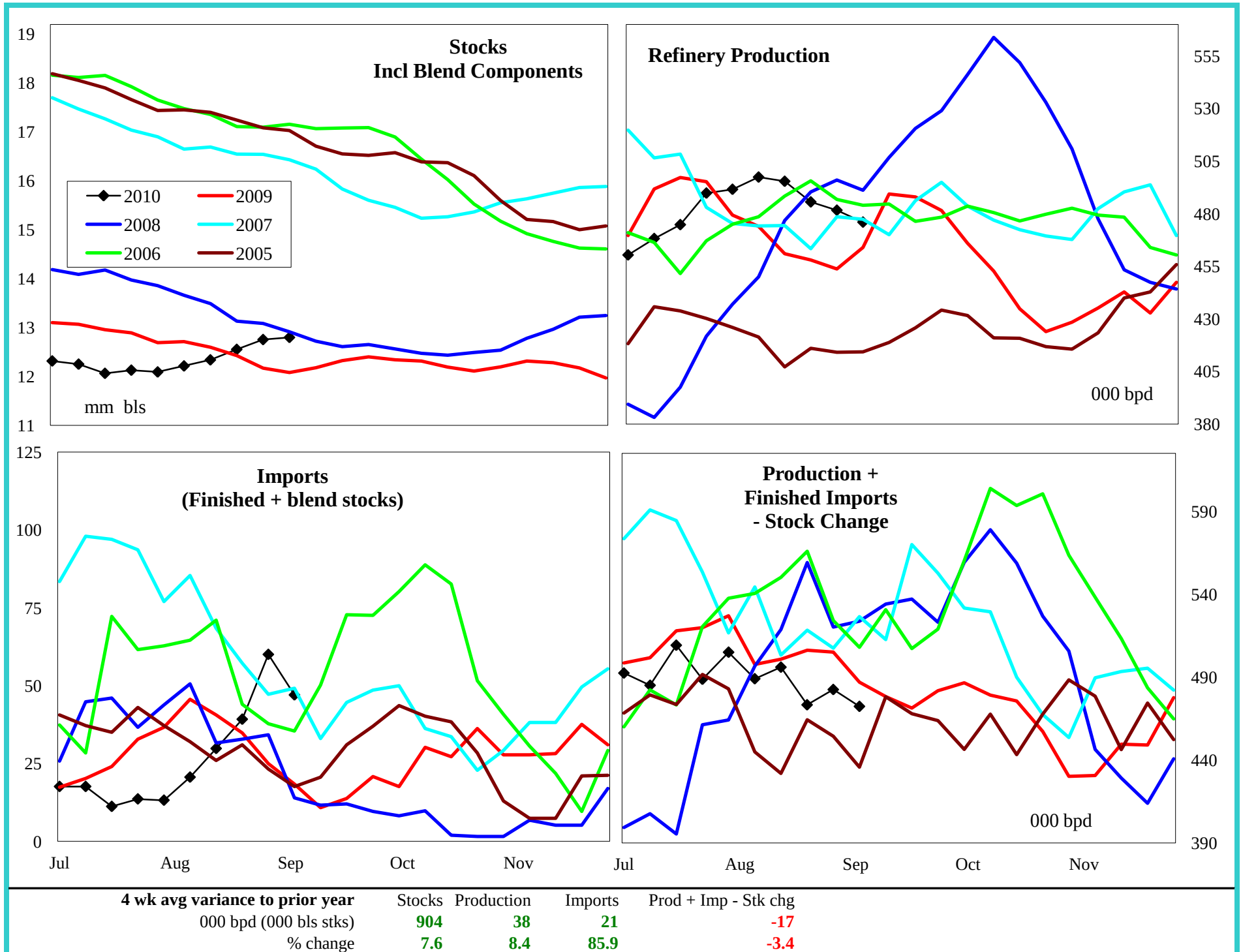
-94

-6.1

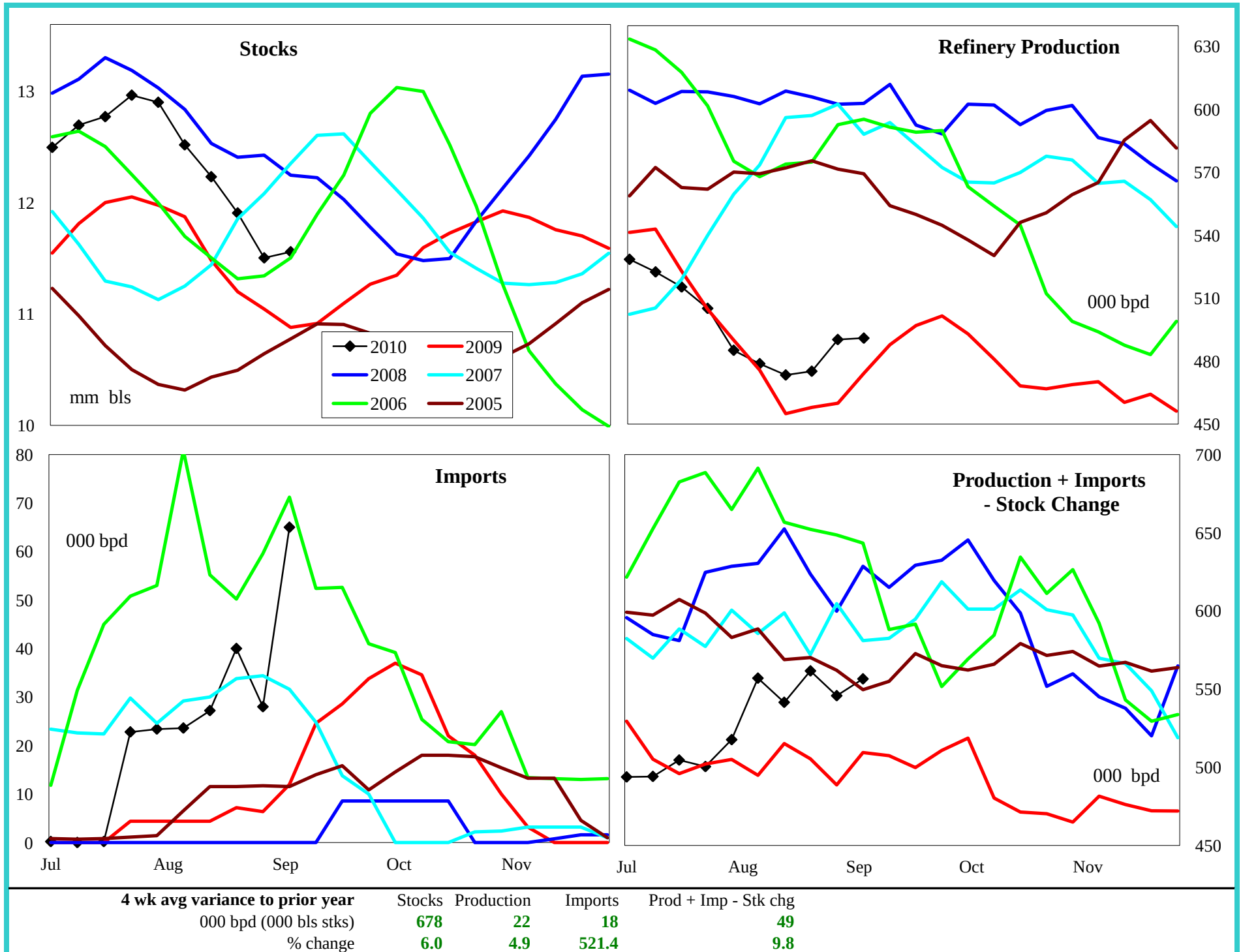
PADD 5 Reformulated Gasoline Supply



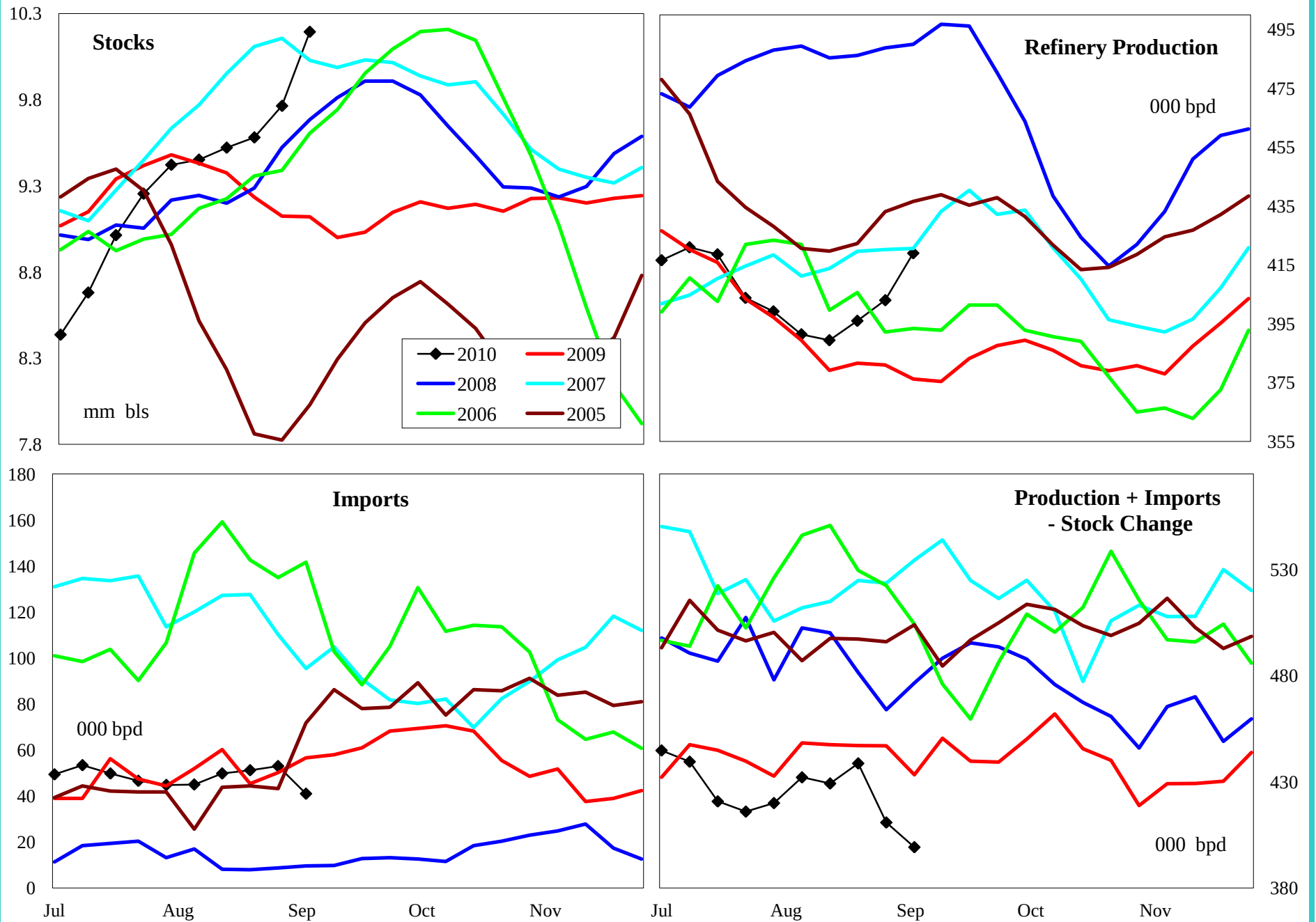
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

1,070

11.7

Production

21

5.4

Imports

-2

-3.8

Prod + Imp - Stk chg

-31

-6.8

PADD 5 Residual Fuel Oil Supply

