

## WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

### A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com) Wednesday, September 29,

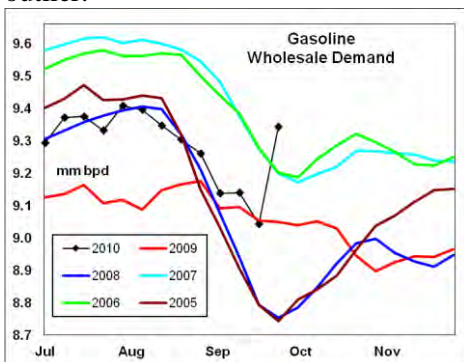


#### Major Fundamental Trends<sup>1</sup>

The +536,000 bpd spike in wholesale gasoline demand last week was likely over stated. Disruption of gasoline supplies in the Chicago market area resulting from the closure of Enbridge crude oil pipeline may have caused gasoline hoarding and distortions in the survey data.

The earlier disruption in Chicago area gasoline markets that was due to the Enbridge crude oil pipeline closure appears to have led Gulf refiners to displace distillate shipments into PADD 2 with gasoline, and displace gasoline shipments to the East Coast with distillate. Gasoline stocks in PADD 2 increased +1.3 million barrels while distillate stocks fell -1.8 million barrels. Gasoline stocks in PADD 1 decreased -4 million barrels while distillate stocks increased +2.2 million barrels.

There exists a modest seasonal uptrend in wholesale gasoline demand beginning in late September and extending through late October, however last weeks' spike was an outlier.



Gasoline production reached a new record high for this time of year last week while stock levels remain extremely high in all regional markets.

Distillate demand extended the longer term seasonal uptrend, rising +210,000 bpd last week. Demand levels, including robust exports, reached the low end of the pre

recession range. Distillate stocks are exhibiting an earlier than normal seasonal draw, due in part to an early Midwest harvest season. The closure of 1.9 million bpd of refining capacity in the Atlantic Basin during the recession (many of the shutdowns were temporary) appears to be driving a gradual tightening of distillate supplies in the region.

Crude oil stock levels have declined -33% (-5 million barrels) in PADD 1 over the last 3-years, with most of the decline in the last year. This structural drop in stocks has been offset by higher stock levels in other regions, although crude oil runs in other regions remain within the historic range. These trends point to particularly high stock levels in regions outside the East Coast.

**Demand** for gasoline spiked on an apparent restatement of stocks in PADD 1, while distillate demand renewed the seasonal uptrend.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline +0.9%; distillate up +13.4%; jet fuel up +1.2% while residual fuel oil decreased -8.4%.

**Stocks forward coverage:** Gasoline demand coverage fell sharply last week on a -3.5 million barrel stock draw and spike in demand. This was the first meaningful drop since late July.

Distillate demand coverage declined last week on a -1.3 million barrel stock draw and surge in demand. The coverage level was well below last years' record high.

Jet fuel coverage remains above the historic range on record high stock levels, that offset higher demand.

Residual fuel oil coverage matched historic highs on high stock levels and weak demand.

**Refinery utilization** rates fell on a -381,000 bpd drop in crude oil runs. Crude oil runs for the latest 4-wk period were +38,000 bpd above a year ago.

Gasoline yield % on crude oil runs surged last week on a +264,000 bpd increased in production versus a -381,000 bpd decline in crude runs. Yield % increased to above four of the last five years.

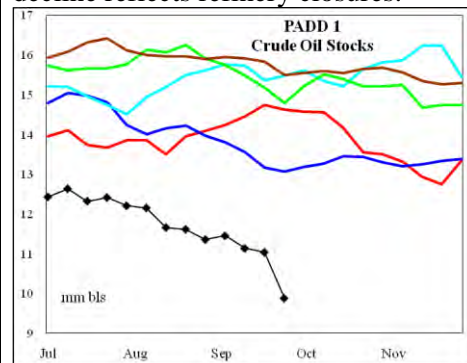
Distillate yield % on crude oil runs increased on a -13,000 bpd decline in output versus the sharp drop in crude oil runs. Yield % matched the 5-year high for the period.

Jet fuel yield % on crude oil runs fell sharply on a -117,000 bpd drop in output, with the yield % below the historic range.

**Petroleum Imports** of crude oil decreased -317,000 bpd last week, while imports of products were little changed.

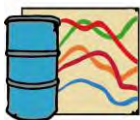
During the latest 4-wk period distillate imports increased +32,000 bpd compared to last year; finished gasoline imports decreased -112,000 bpd, gasoline blend stock imports increased +86,000 bpd; jet fuel imports increased +8,000 bpd, while residual fuel oil imports increased +20,000 bpd.

**Crude Oil** imports decreased -317,000 bpd on the week, to levels that match hurricane years. Stocks decreased -0.5 million barrels, including a -2.1 million barrel draw on the East Coast. Stock levels in PADD 1 have dropped to a level below 10 million barrels, compared to the historic mid range of 15 million barrels. This structural decline reflects refinery closures.



Stock levels remain exceptionally high in all other regional markets.

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



**FUNDAMENTAL  
PETROLEUM  
TRENDS**

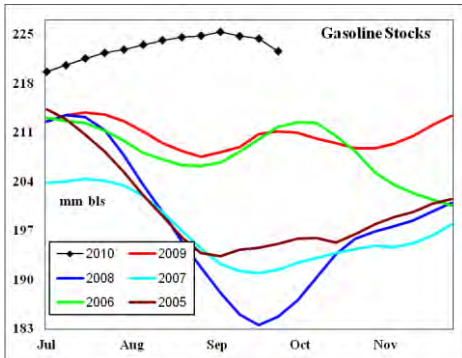
## WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

### A Fundamental Petroleum Trends Weekly Report

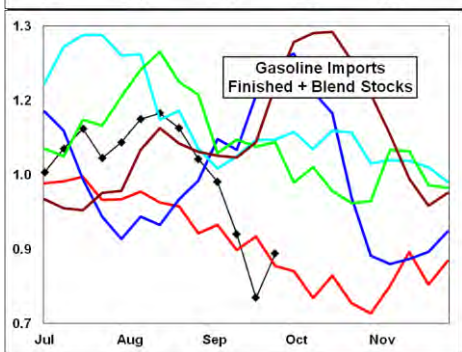
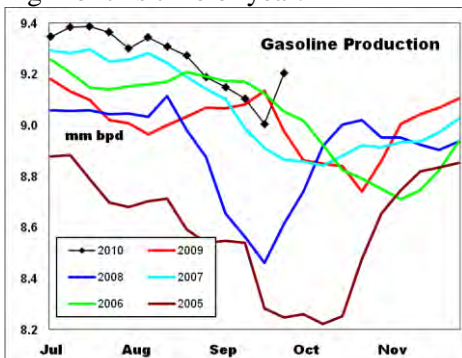
Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com) Wednesday, September 29,

#### Product Supply-Demand Trends

**Gasoline** demand surged +536,000 bpd last week; likely a restatement by the EIA of stocks on the East Coast.



Production increased +264,00 bpd on the week, with imports up just +31,000 bpd. Production levels were a record high for this time of year.



The apparent stock level restatement by the EIA led to a -3.5 million barrel stock draw last week. Stock levels remain +11 million barrels above the prior record high, with each region above the historic range.

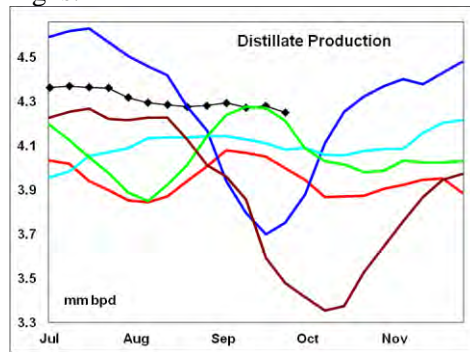
All regional markets remain very over supplied. Concurrently, production levels are above the historic range. Demand should trend modestly higher during the next 45-days. These trends point to continued burdensome supply conditions and

downside price risk.

**Distillate** demand jumped +210,000 bpd last week, with the 4-wk average to +453,000 bpd above last year. Demand has returned to the low end of pre recession levels, due in part to higher exports.

Supply was nearly unchanged on the week, with production above the 5-year range and imports above the last 2-years.

Stocks fell -1.3 million barrels on the week. Stock levels are +2.5 million barrels above last years' record highs.



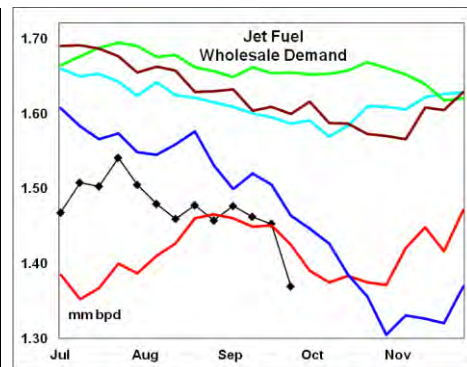
Distillate stock levels remain very high in all regional markets. However, refinery closures in the Atlantic Basin during the recession points toward a gradual tightening of supply in the entire region. Expect lower seasonal production on refinery maintenance, and robust exports to extend the recent stock draws. These trends should support distillate prices compared to the overall energy complex.

**Jet Fuel** demand fell -127,000 bpd on the week, with the latest 4-wk average +17,000 bpd above last year.

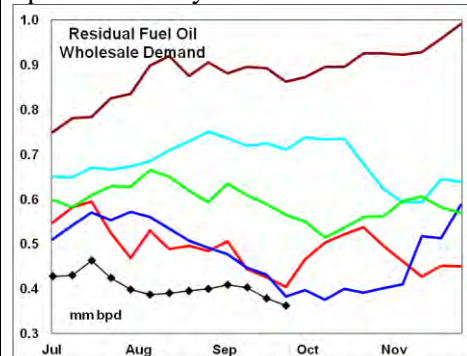
Production fell -117,000 bpd on the week to a level below the historic range. Import levels remain above the last two years.

Stocks were unchanged at a level +2 million barrels above the prior 5-year high.

Sharply lower output has been offset by the seasonal decline in demand, leaving stock levels extremely high. These trends should limit price strength relative to the overall energy complex.



**Residual fuel oil** demand, including exports, decreased -54,000 bpd last week, with the 4-wk average -42,000 bpd below last year.

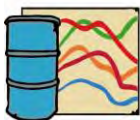


Supply (production + imports) decreased -97,000 bpd on the week, with the latest 4-wk average -52,000 bpd below a year ago. Supply was at the low end of the historic range for the week. Stocks were unchanged on the week, at a level well above four of the last five years.

While supply has increased on a seasonal trend, the level remains low compared to the historic range. Residual fuel prices remain unfavorable compared to natural gas, significantly reducing domestic use. Lower supply reduces exports, which account for 2/3rds of weekly demand.

Ongoing over supply in the Gulf market should limit price strength for residual fuel in the region.





## WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

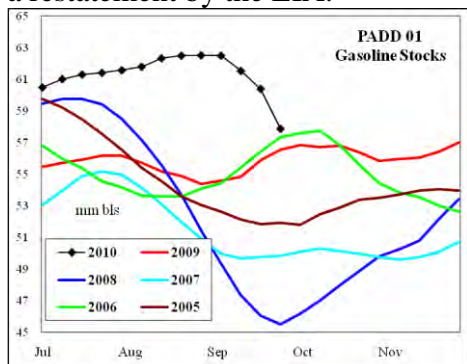
### A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com) Wednesday, September 29,

#### PADD Supply Trends

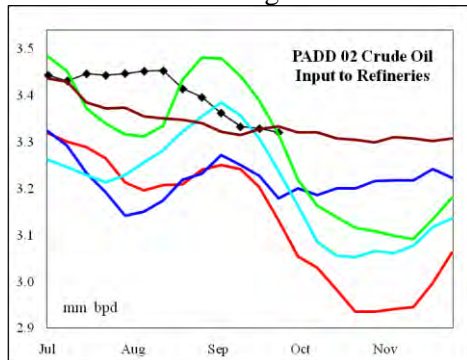
**PADD 1** refinery crude oil runs increased +3,000 bpd on the week, with the 4-wk average -147,000 bpd below last years' record low rate.

Gasoline production increased +140,000 bpd on the week, with the latest 4-wk average +405,000 bpd above a year ago. Imports decreased -57,000 bpd last week, to a level below the historic range. Stocks fell -4 million barrels, likely a restatement by the EIA.



Distillate supply declined -69,000 bpd last week, to a level below the historic range. Stocks surged +2.2 million barrels as Gulf refiners redirected bbls from the Midwest to the East Coast; with the level matching 5-year highs.

Jet fuel supply increased +32,000 bpd on the week, but remains near historic lows. Stocks increased +0.6 million barrels, to a level at the upper end of the historic range.



**PADD 2** crude oil refinery runs decreased -23,000 bpd last week, to a level that matched the historic high for this time of year. Imports remain extremely low. Stocks were nearly unchanged, including a -0.4 million

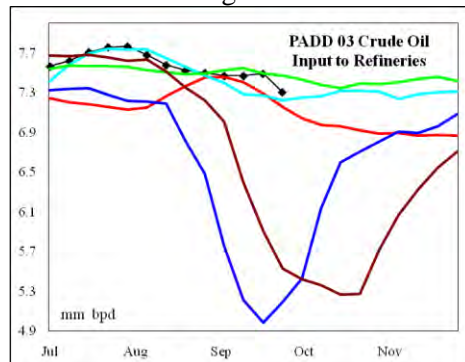
barrel draw in Cushing.

Gasoline production increased +150,000 bpd as Chicago area refiners returned to full rates. Stocks jumped +1.3 million barrels, to match prior record levels on higher Gulf receipts.

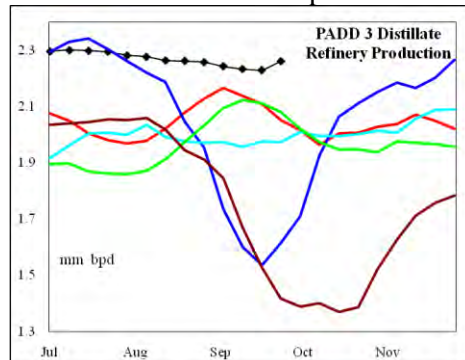
Distillate production decreased -44,000 bpd, but remains above the 5-year range. Stocks fell -1.8 million barrels as receipts from the Gulf were displaced by gasoline. Stock levels remain near last years' record.

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

**PADD 3** crude oil runs declined -297,000 bpd, to a level above the mid range. The latest 4-wk average was +165,000 bpd above a year ago. Crude imports fell -0.5 million bpd to a level below the mid range.



Gasoline production declined -21,000 bpd on the week. Stocks fell -1.1 million barrels on higher deliveries to the Midwest. Stock levels remain +3.9 million barrels above the prior record.



Distillate production increased +95,000 bpd on the week, to a new record. Stocks decreased -1.5 million barrels on the week, as deliveries increased to other regions.

Jet fuel production fell -88,000 bpd

on the week to below the mid range. Stocks decreased -0.5 million barrels but remain +14.5% above last year.

Residual fuel oil production remains above the mid range while stock levels remain well above the prior record high.

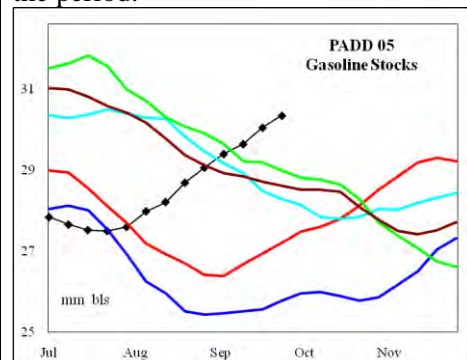
**PADD 4** refinery crude runs declined -24,000 bpd on the week, to a level that matched the historic high. The latest 4-wk average thru put was +7,000 bpd above last year. Imports fell to a record low for this time of year. Stock levels remain at record highs.

Gasoline production remains above the mid range while stock levels are at record highs.

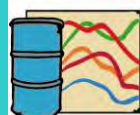
Distillate production was at the upper end of the historic range while stock levels remain above the 5-year range.

**PADD 5** crude oil refinery runs decreased -38,000 bpd on the week, with the latest 4-wk average -71,000 bpd below last year. Crude imports increased +212,000 bpd last week to the upper end of the historic range. Stocks increased +0.6 million barrels a new 5-year high for this time of year.

Gasoline production increased +21,000 bpd on the week, to a level well above the mid range. Imports increased +87,000 bpd. The surge in imports and higher production led to a +0.3 million barrel stock build. Stock levels reached a new 5-year high for the period.



Distillate production decreased -30,000 bpd last week, to a level only slightly above last years' record lows. Stocks were nearly unchanged at a level above the mid range.

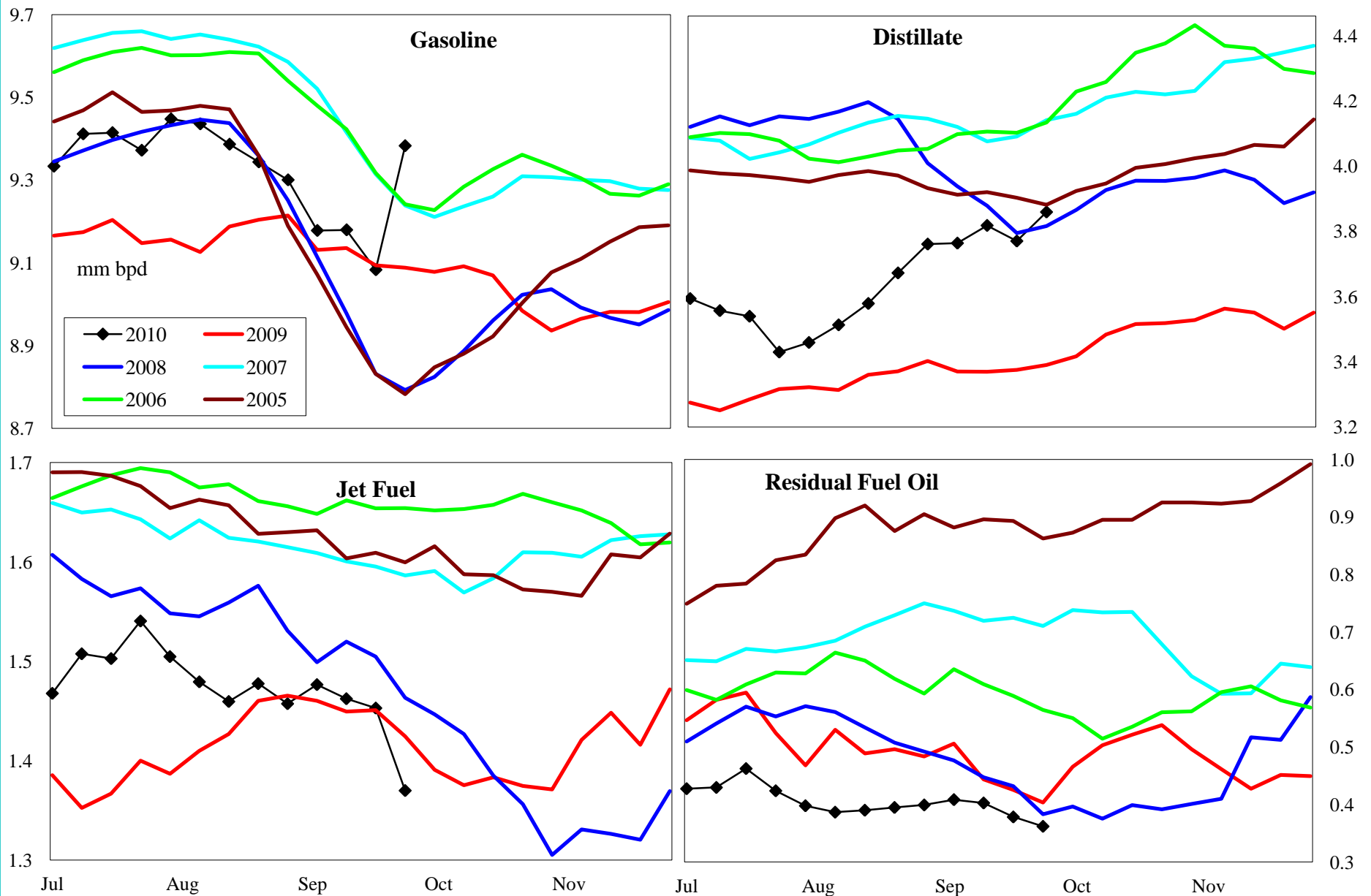

**FUNDAMENTAL  
PETROLEUM  
TRENDS**


# PETROLEUM: Graph Link and Weekly Summary

A Fundamental Petroleum Trends Weekly Report September 29, 2010  
Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com)

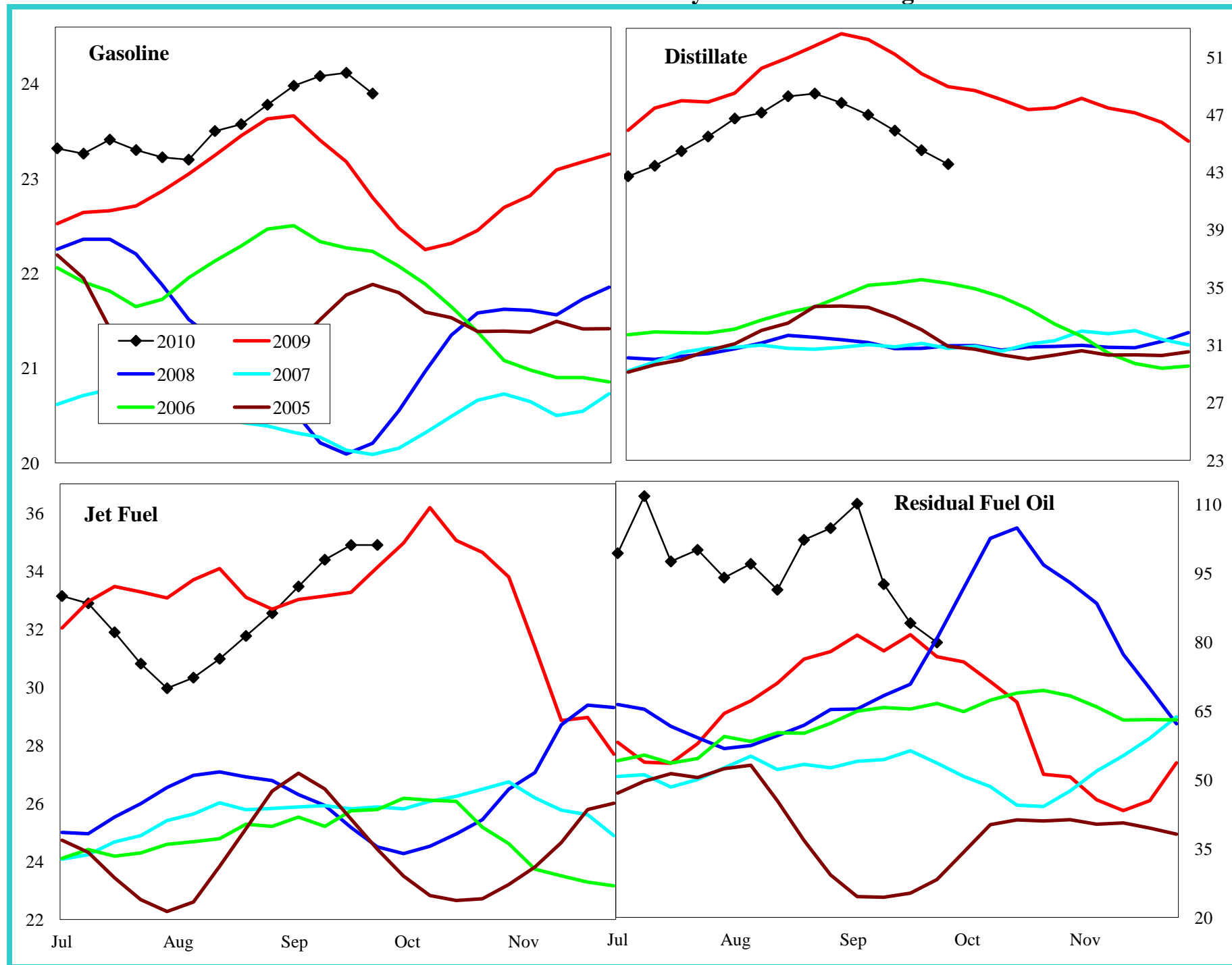
| Fundamental Trends                | <a href="#">Wholesale Demand</a> | <a href="#">Stocks Days Fwd Coverage</a> |        | <a href="#">Refinery Utilization Product Yield %</a> |        |      | <a href="#">Imports</a> |
|-----------------------------------|----------------------------------|--|--------|--|--------|------|-------------------------|
| Supply/Demand Trends              | 24-Sep-10                        | EIA-DOE CHANGE FROM PRIOR WEEK           |        |  |        |      |                         |
|                                   | 000 bpd<br>stocks 000 bls        | U. S.<br>Total                           | PADD   |  |        |      |                         |
|                                   |                                  |  | 1      | 2  | 3      | 4    | 5                       |
| <a href="#">Crude Oil</a>         | Stocks                           | -475                                     | -2,118 | -97  | 1,073  | 55   | 612                     |
|                                   | Imports                          | -317                                     | 29     | -16  | -510   | -33  | 212                     |
|                                   | Input                            | -381                                     | 3      | -23  | -297   | -24  | -38                     |
|                                   | % Utilization                    | -2.00                                    |        |  |        |      |                         |
| <a href="#">Gasoline</a>          | Stocks                           | -3,469                                   | -3,956 | 1,295  | -1,149 | 61   | 281                     |
|                                   | Production                       | 264                                      | 140    | 150  | -21    | -26  | 21                      |
|                                   | Imports                          | 31                                       | -57    | 0  | 1      | 0    | 87                      |
|                                   | Supplied                         | 536                                      |        |  |        |      |                         |
| <a href="#">Distillate</a>        | Stocks                           | -1,265                                   | 2,152  | -1,778   | -1,462 | -233 | 56                      |
|                                   | Production                       | -13                                      | -25    | -44  | 95     | -9   | -30                     |
|                                   | Imports                          | -8                                       | -44    | -1   | 0      | 1    | 36                      |
|                                   | Supplied                         | 210                                      |        |  |        |      |                         |
| <a href="#">Jet Fuel</a>          | Stocks                           | -37                                      | 554    | 100  | -511   | -9   | -171                    |
|                                   | Production                       | -117                                     | 6      | -6   | -88    | 2    | -29                     |
|                                   | Imports                          | 22                                       | 26     | 0  | 0      | 0    | -4                      |
|                                   | Supplied                         | -127                                     |        |  |        |      |                         |
| <a href="#">Residual Fuel Oil</a> | Stocks                           | 68                                       | 431    | 24   | -520   | 7    | 126                     |
|                                   | Production                       | -59                                      | -2     | 7  | -65    | 0    | 2                       |
|                                   | Imports                          | -38                                      | -139   | -1   | 79     | 0    | 24                      |
|                                   | Supplied                         | -54                                      |        |  |        |      |                         |

# United States Wholesale Petroleum Demand

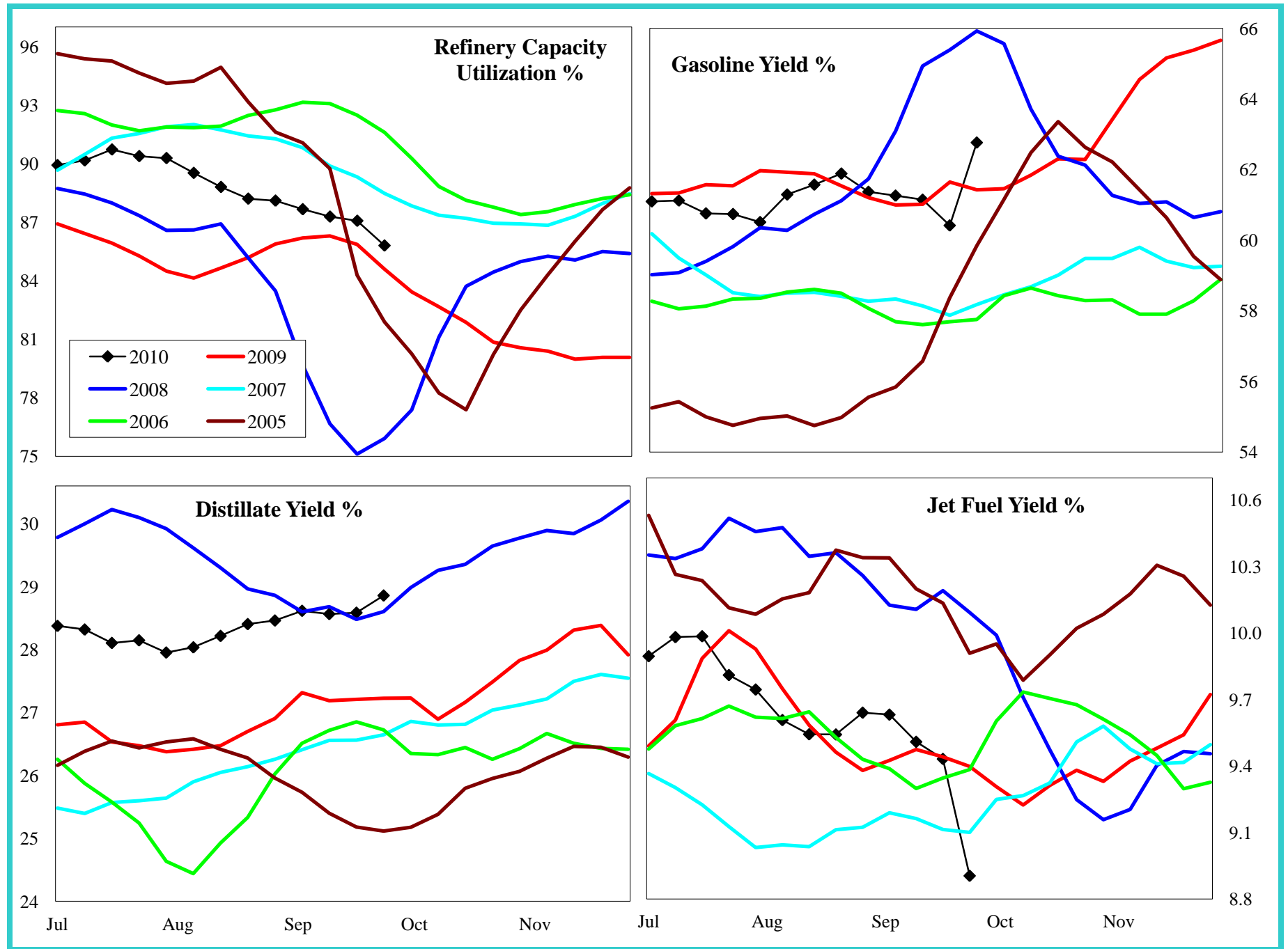


|            | 000 bpd change from prior year |     |     |     | % change from prior year |      |      |       |  |
|------------|--------------------------------|-----|-----|-----|--------------------------|------|------|-------|--|
|            | 4wk avg                        | Aug | Jul | Jun | 4wk avg                  | Aug  | Jul  | Jun   |  |
| Gasoline   | 78                             | 76  | 139 | 104 | 0.9                      | 0.8  | 1.5  | 1.1   |  |
| Distillate | 453                            | 364 | 213 | 246 | 13.4                     | 10.6 | 6.3  | 7.0   |  |
| Jet Fuel   | 17                             | 0   | 10  | 82  | 1.2                      | 0.0  | 0.7  | 5.8   |  |
| Resid      | -42                            | -22 | 178 | -61 | -8.4                     | -4.7 | 55.8 | -10.8 |  |

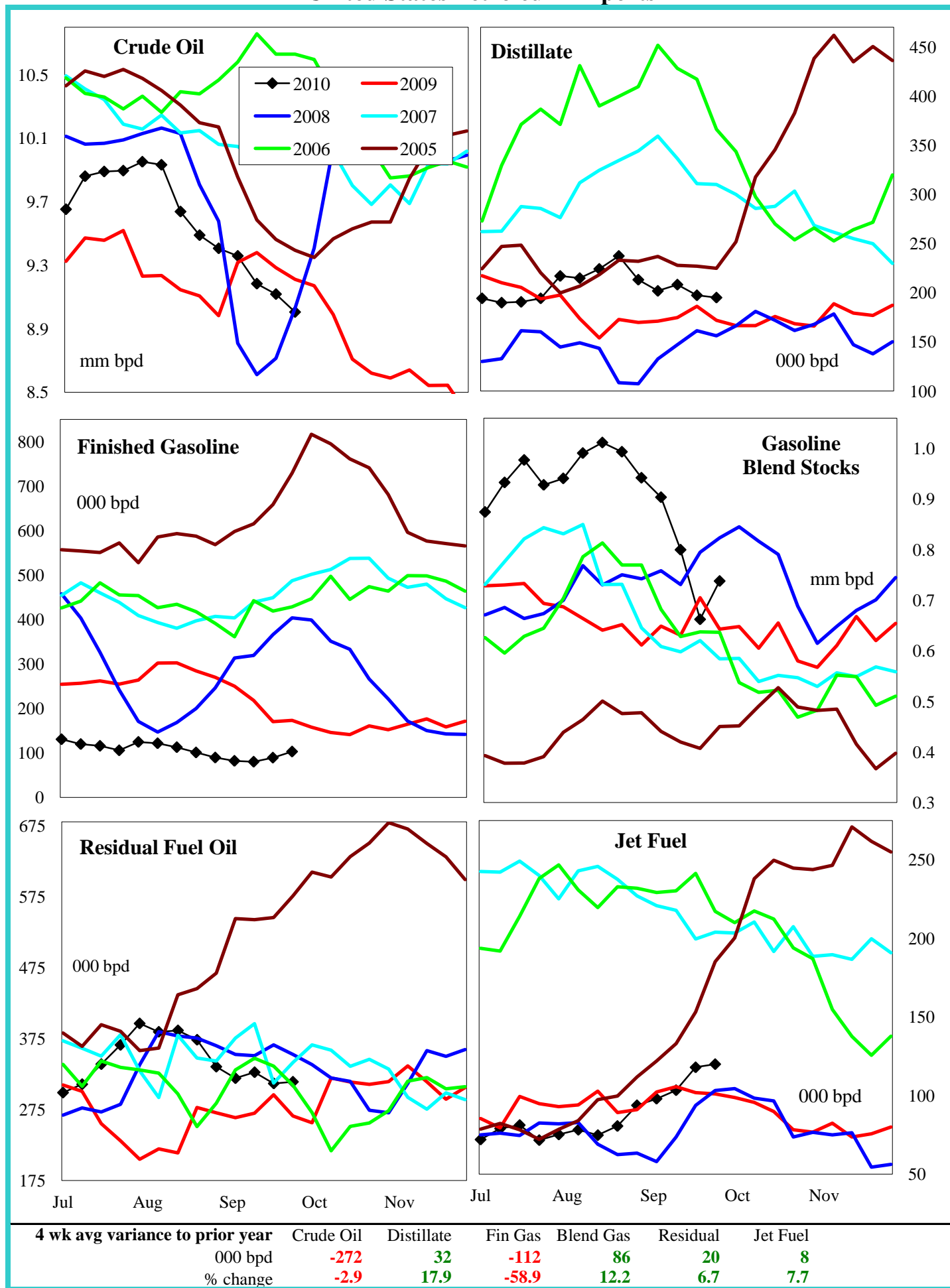
# United States Product Stocks: Days Forward Coverage



## United States Refinery Percent Utilization Rate and Product Yields

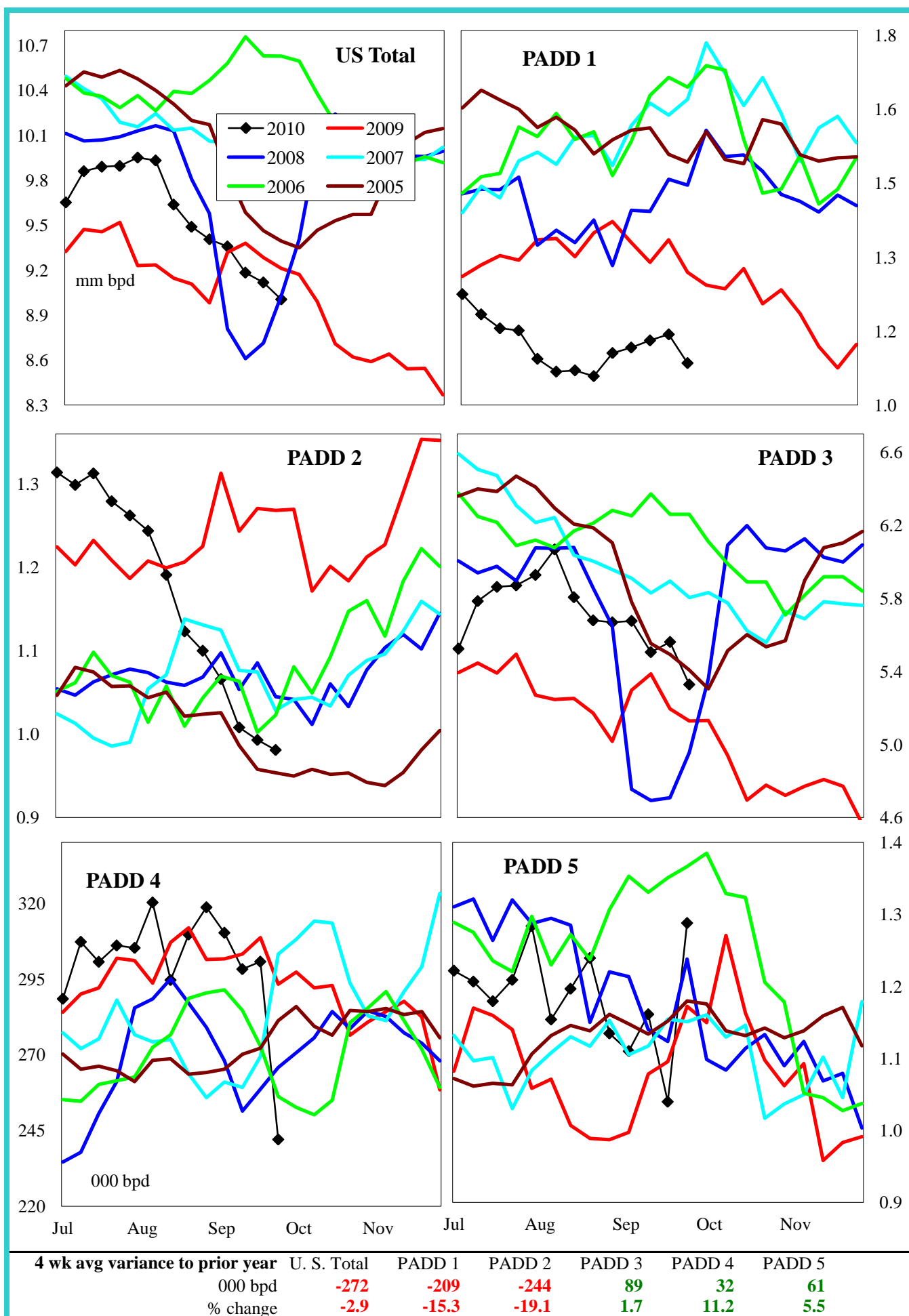


# United States Petroleum Imports

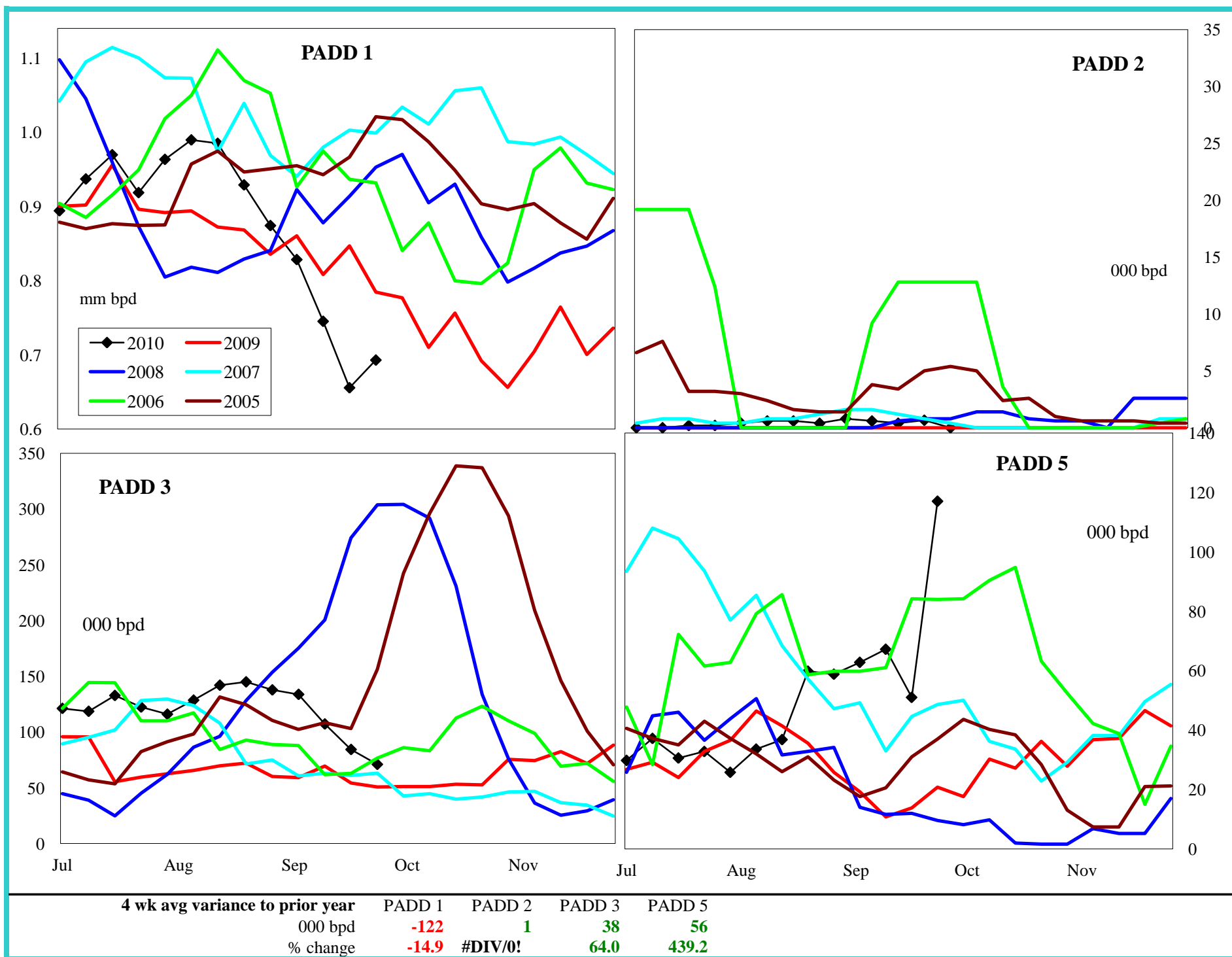




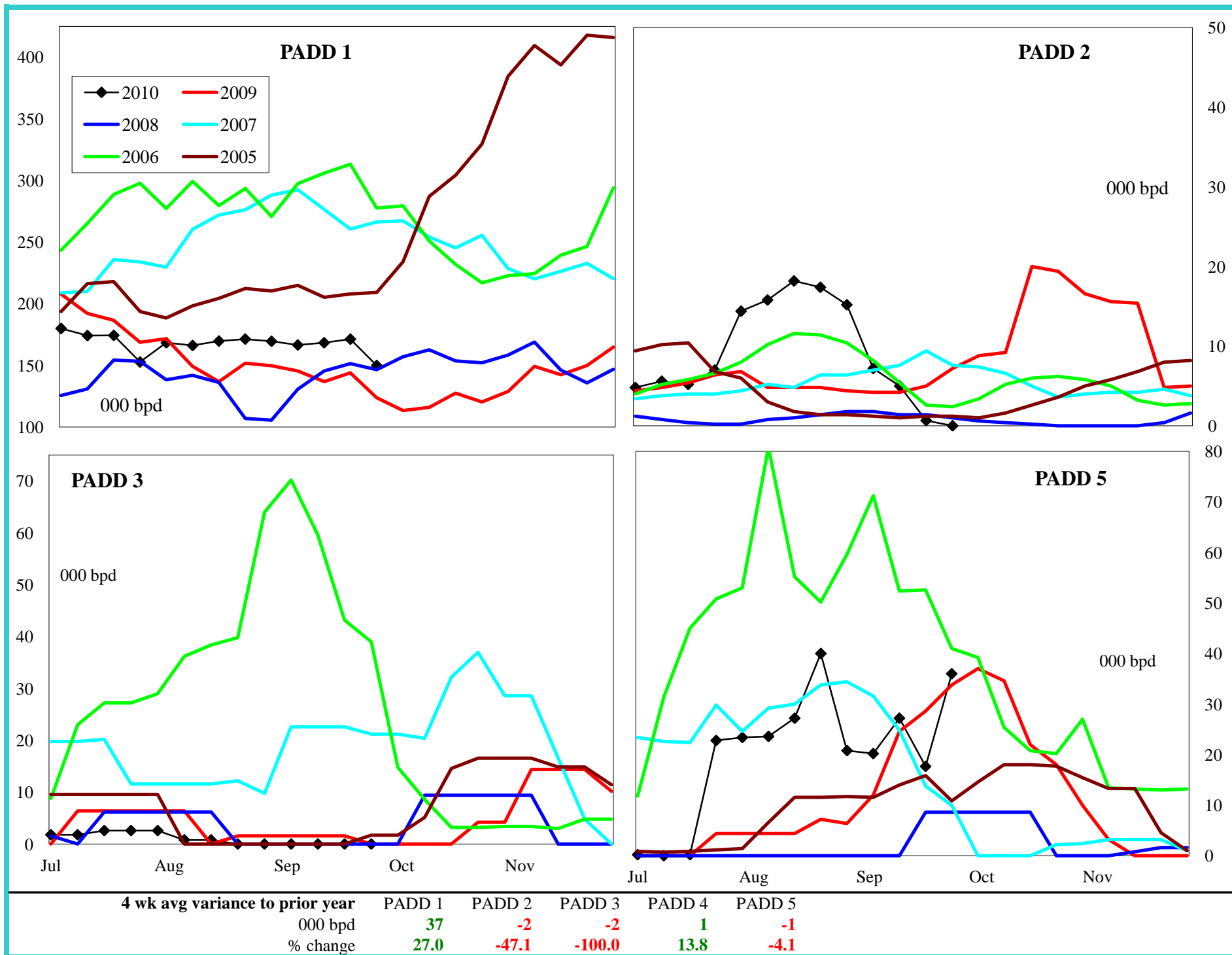
## Crude Oil Imports by PADD



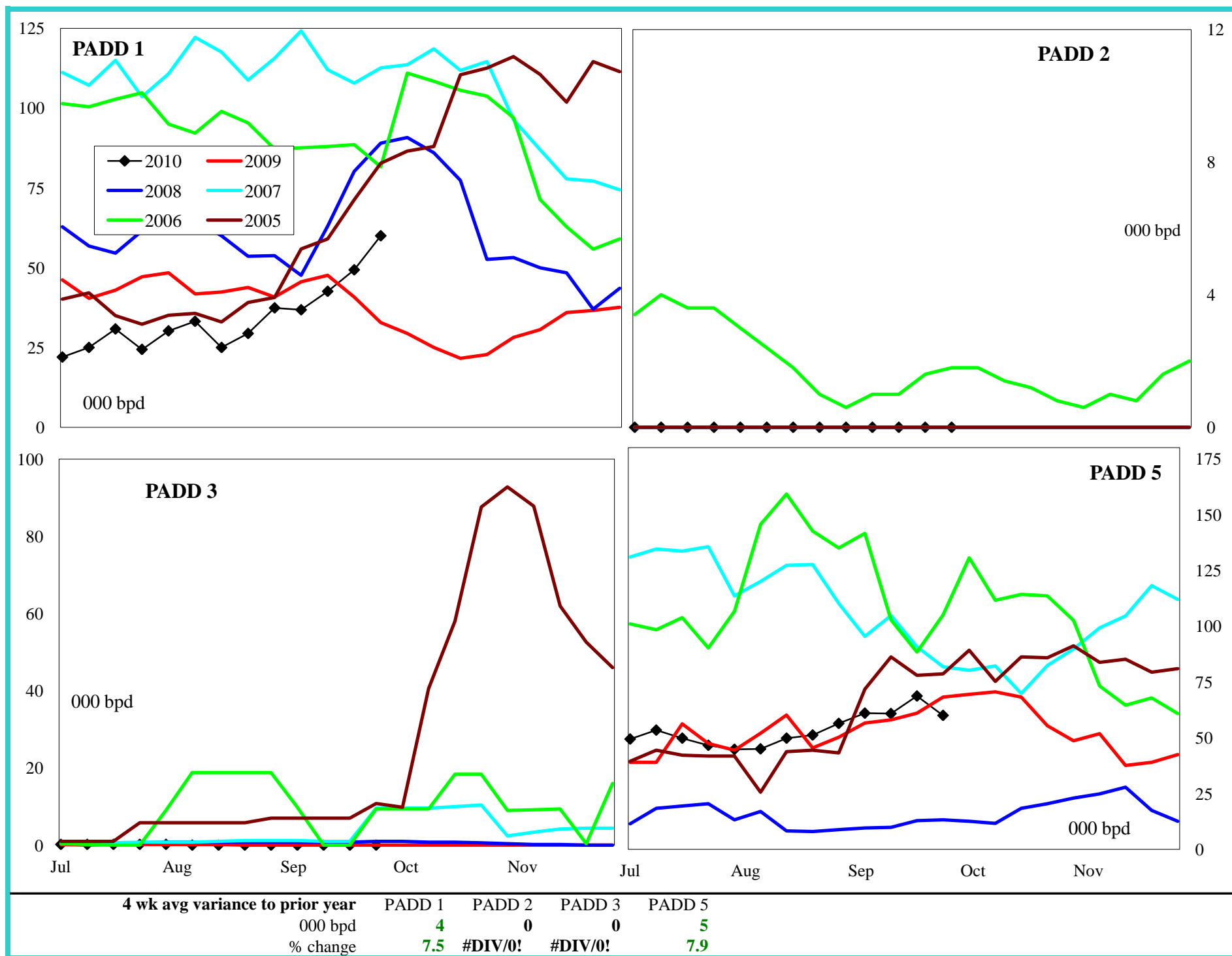
# Gasoline Imports by PADD (Finished + Blend Stocks)



# Distillate Imports by PADD

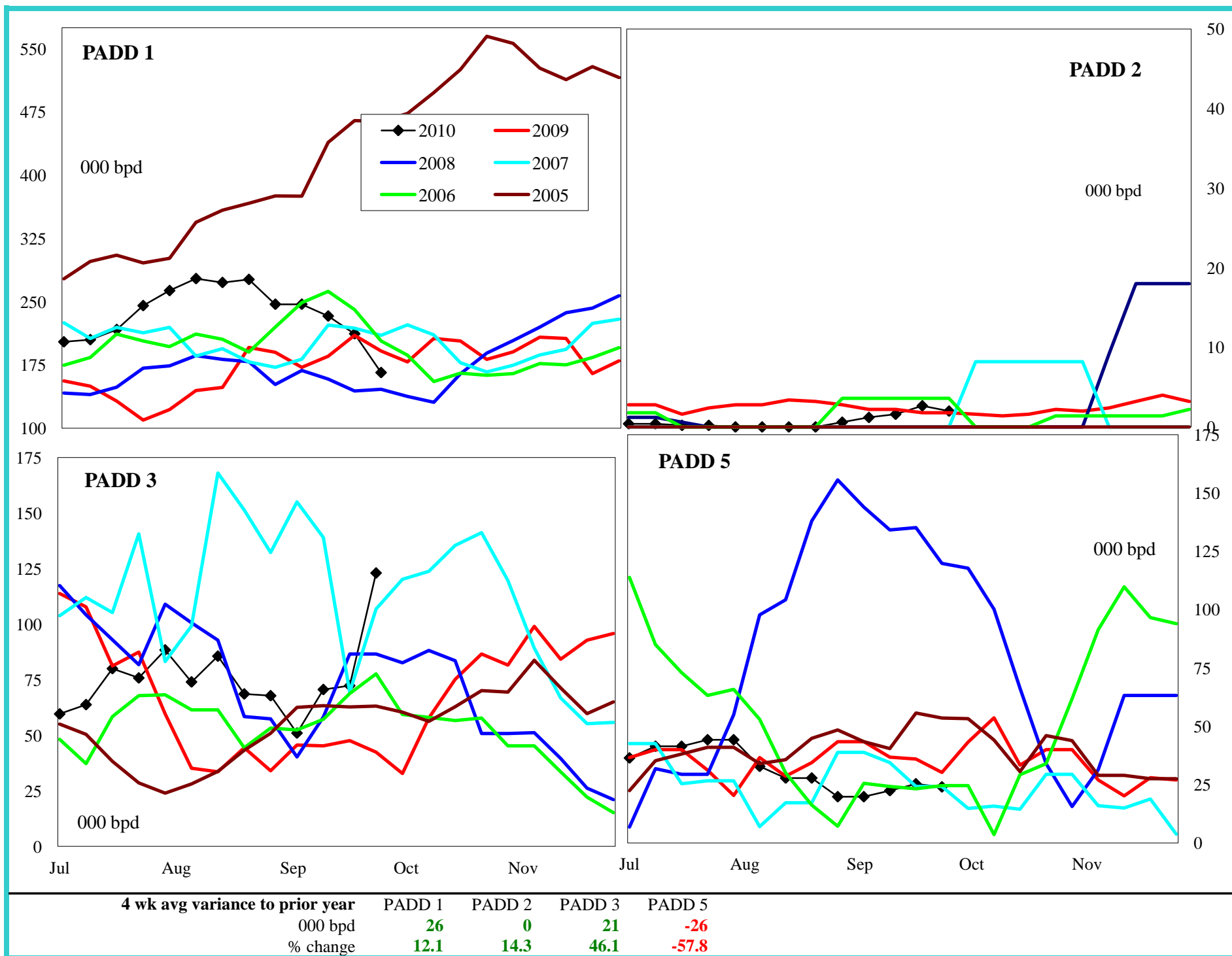


# Jet Fuel Imports by PADD

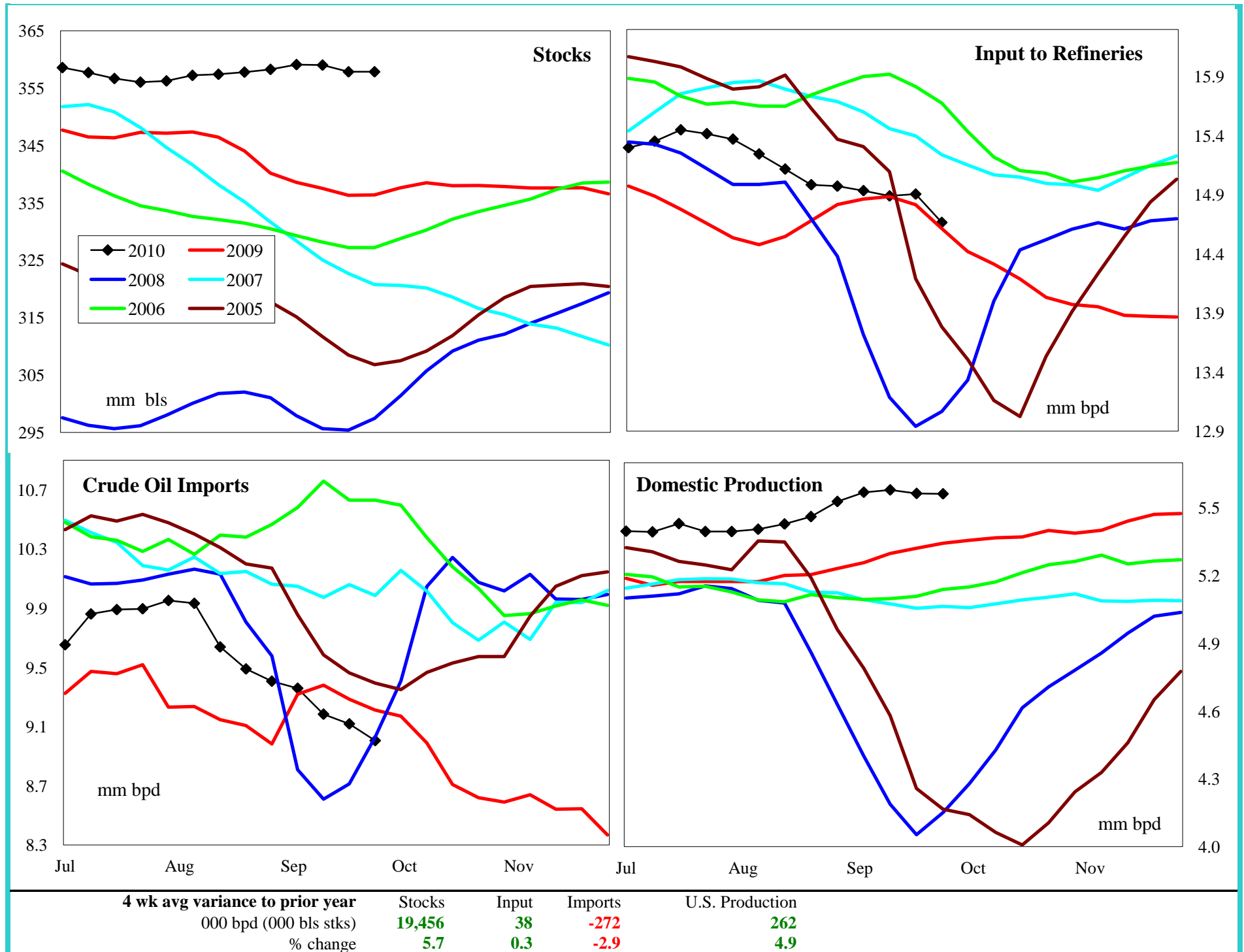




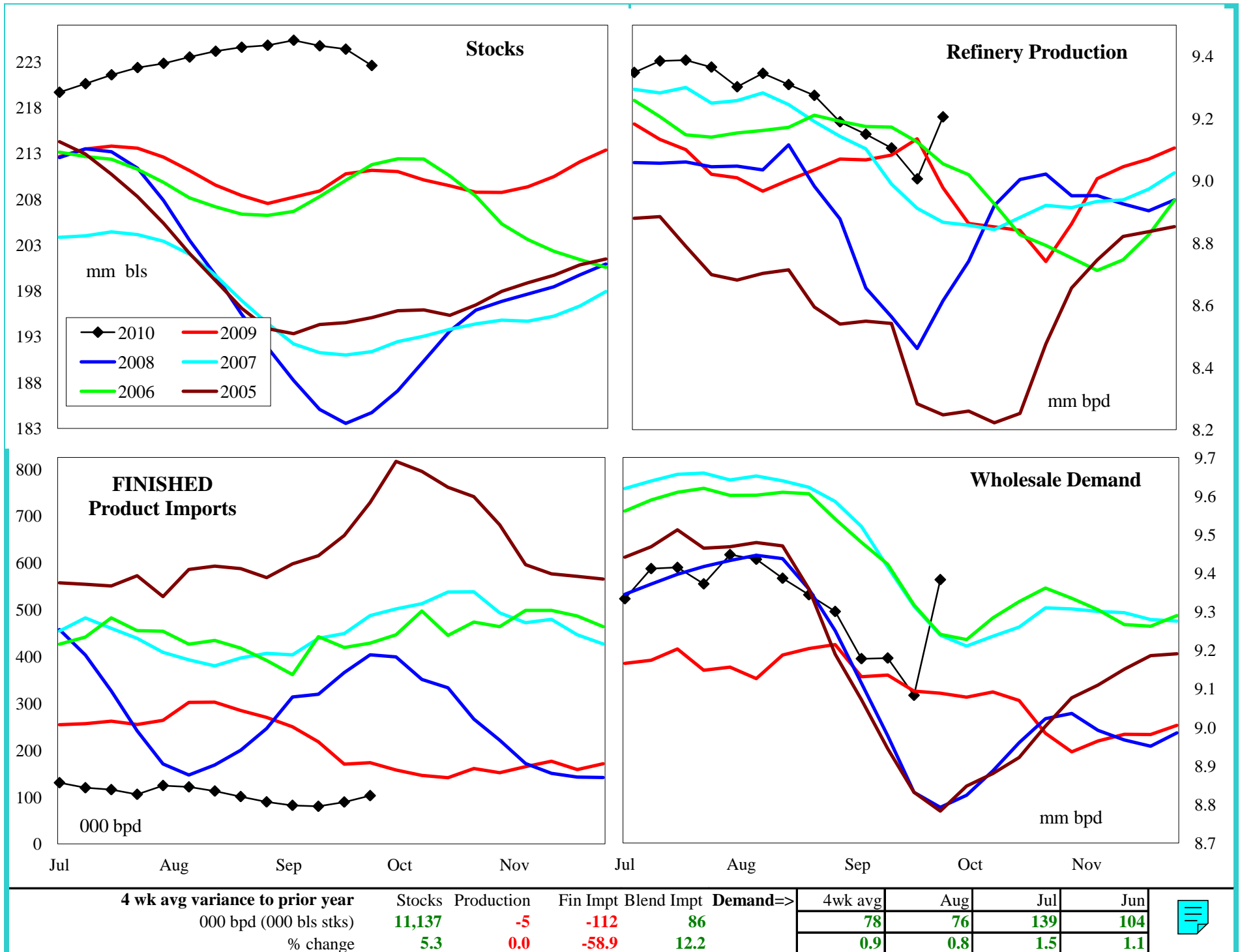
## Residual Fuel Oil Imports by PADD



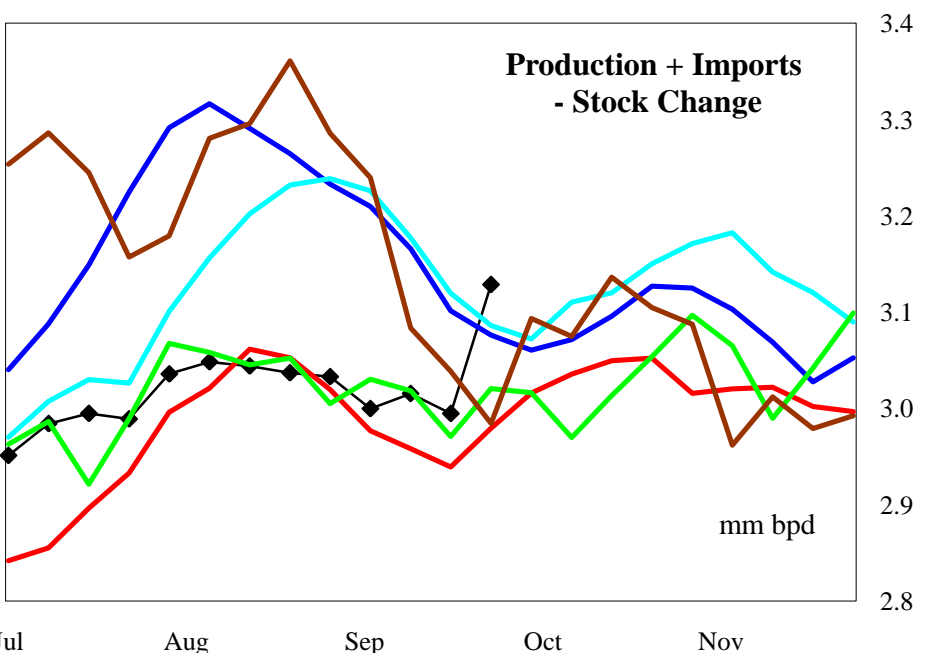
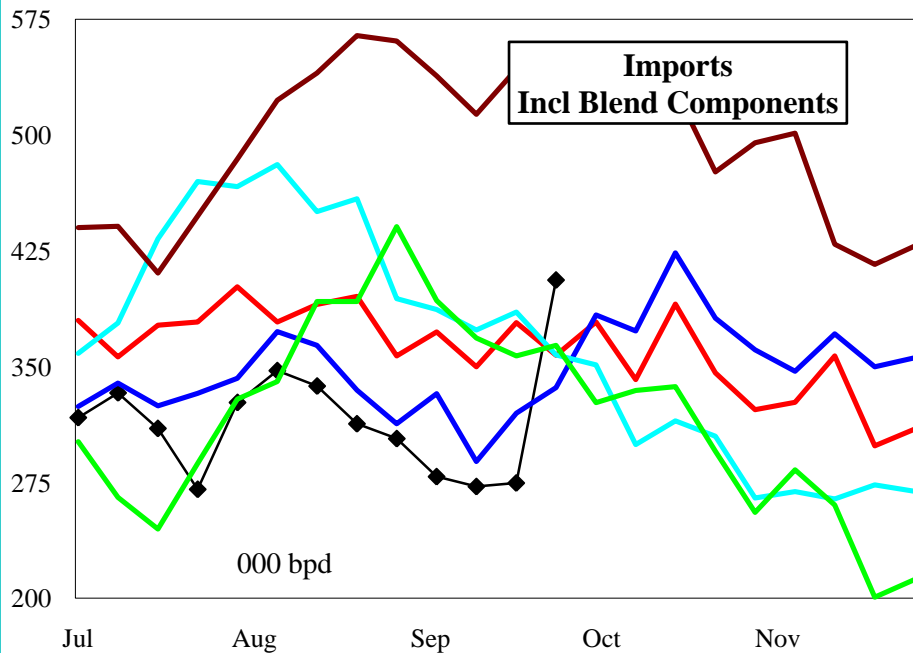
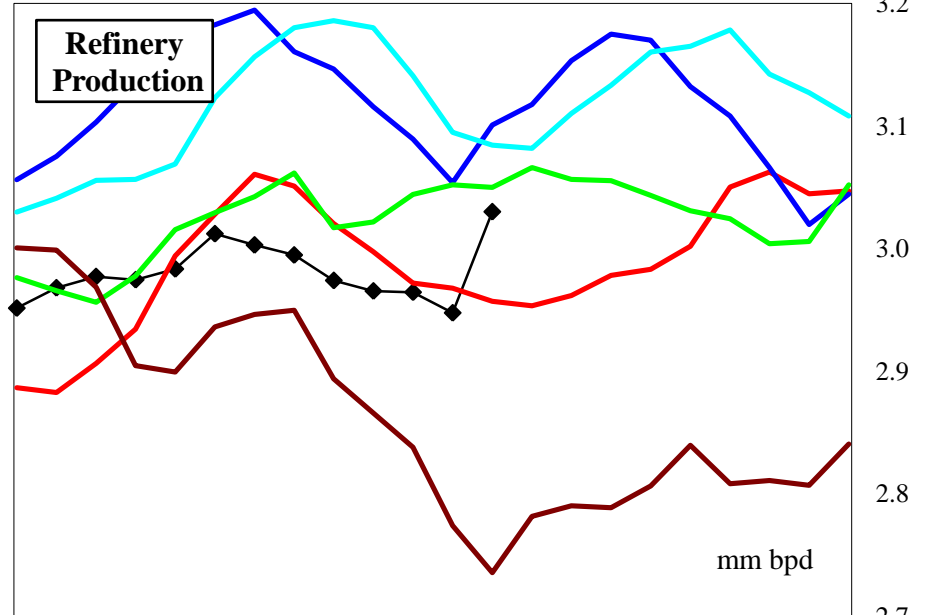
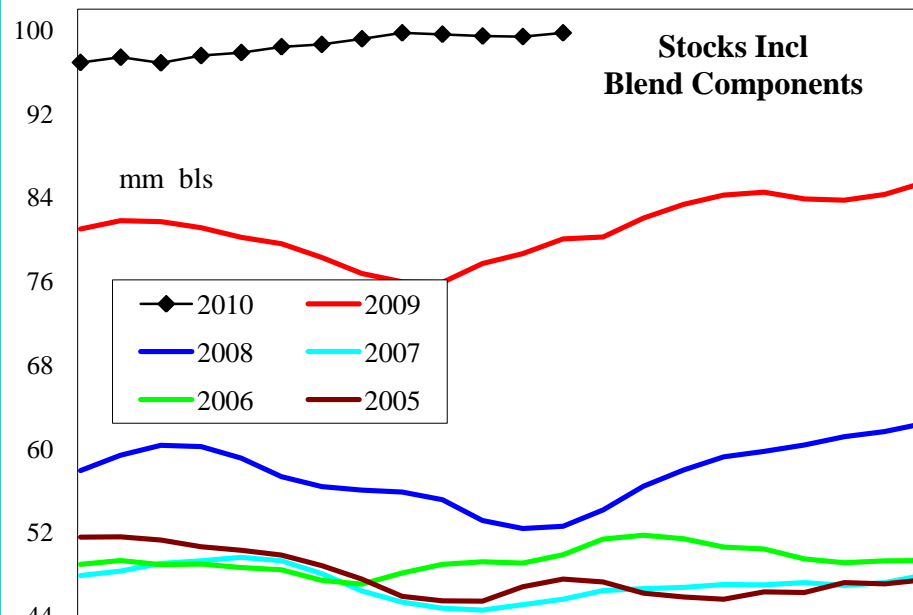
# United States Crude Oil Supply and Demand Balance



# 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

19,689

24.6

Production

8

0.3

Imports

-57

-15.5

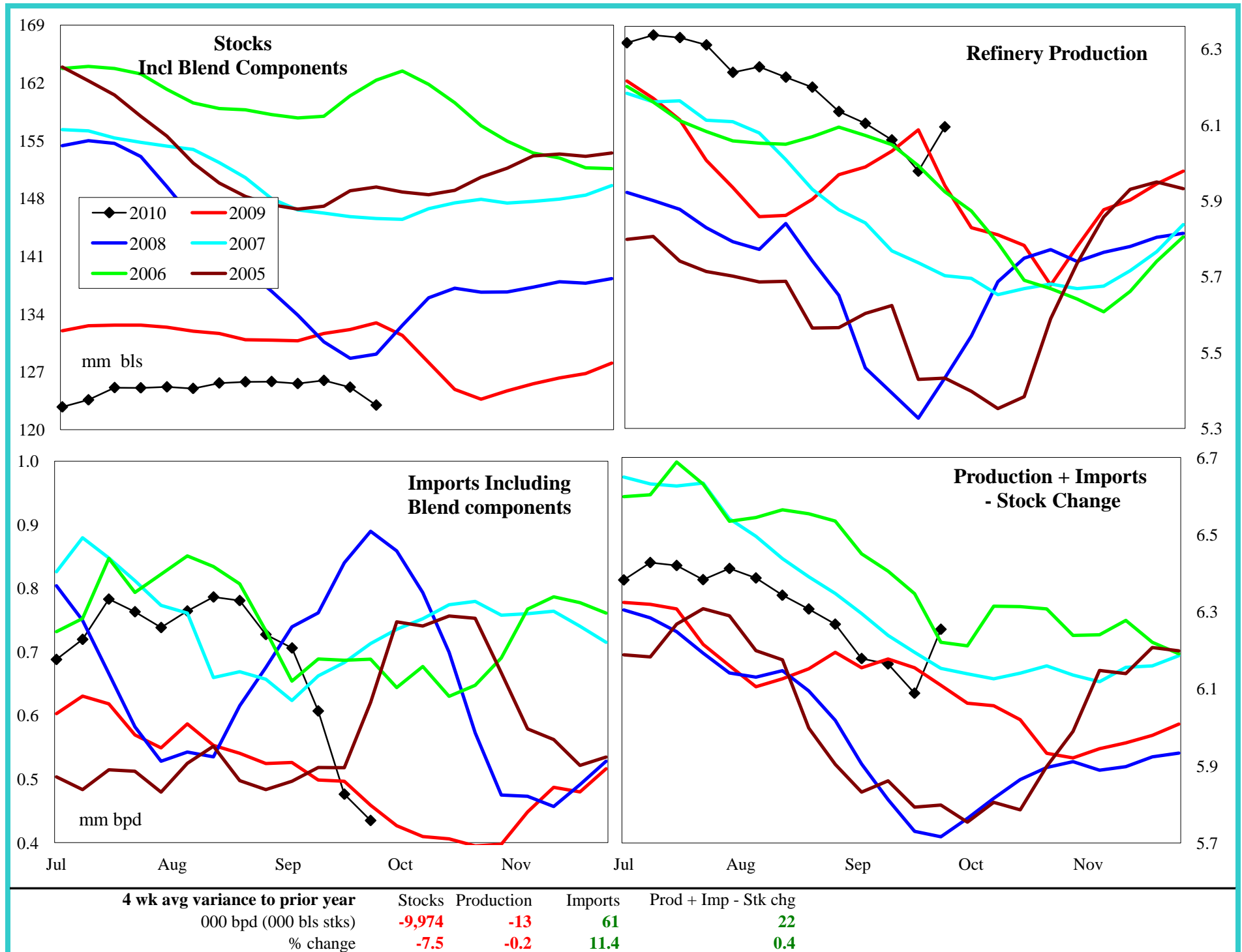
Prod + Imp - Stk chg

71

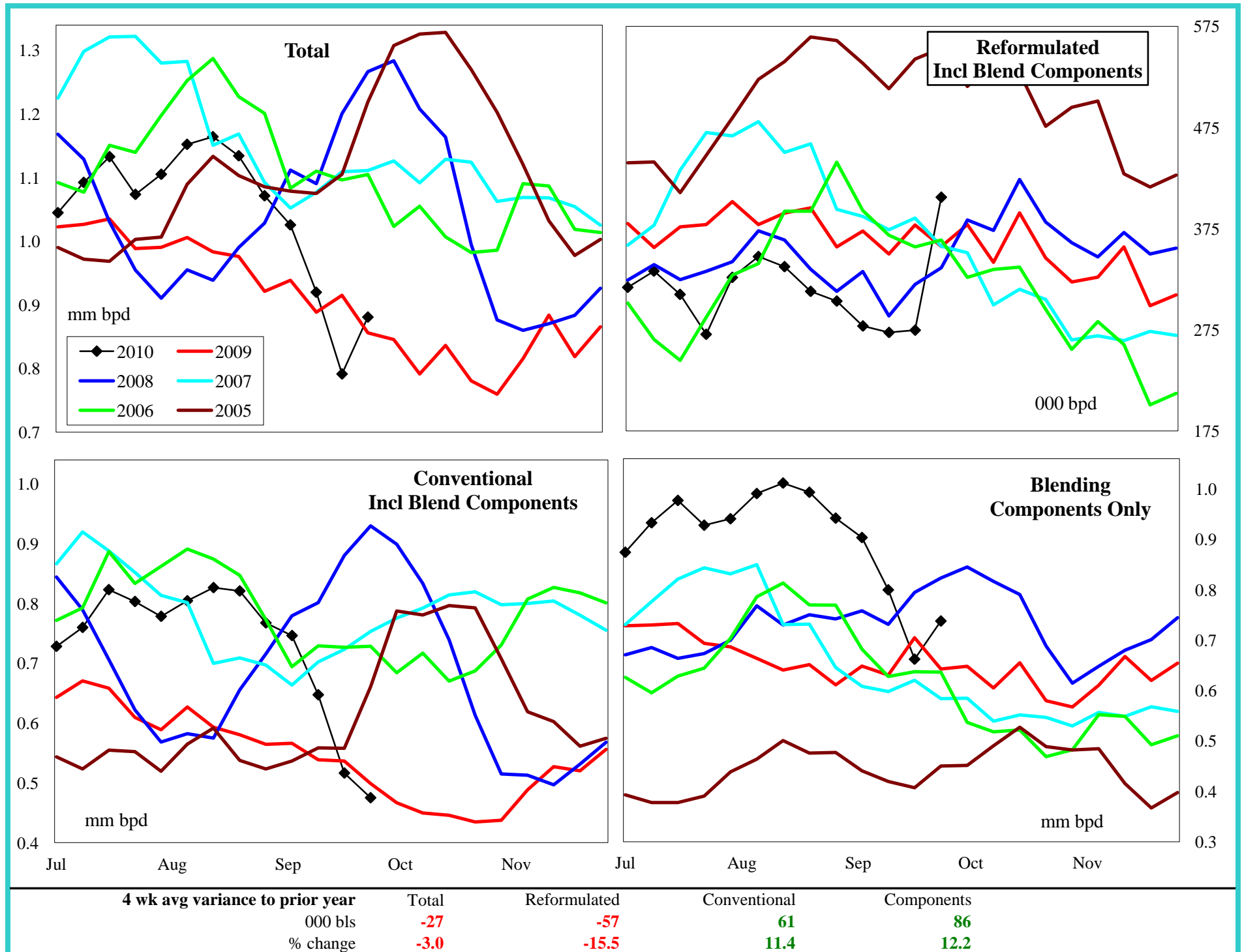
2.4



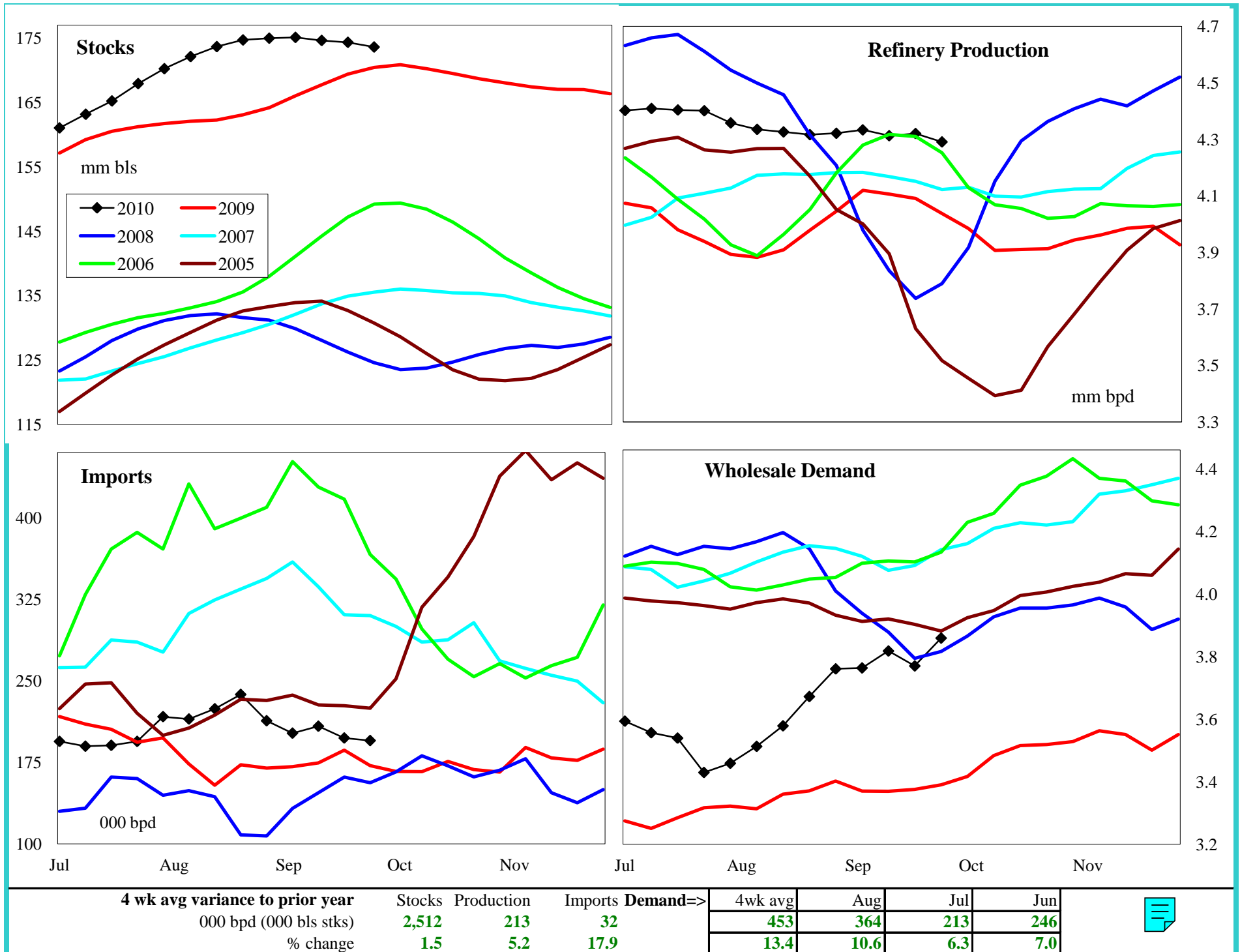
# United States Conventional Gasoline Supply



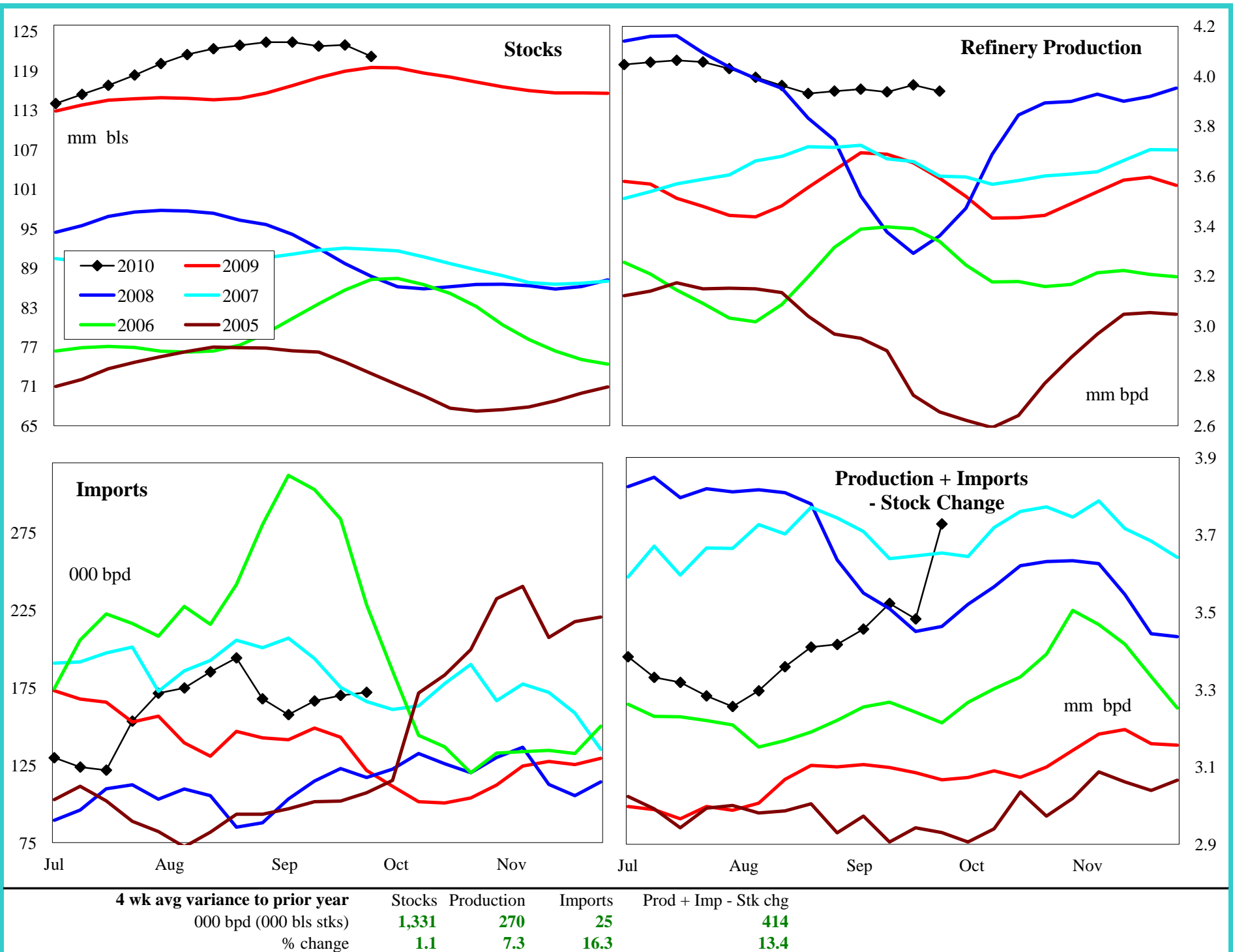
# United States Gasoline Imports by Type



# United States Distillate Supply and Demand Balance

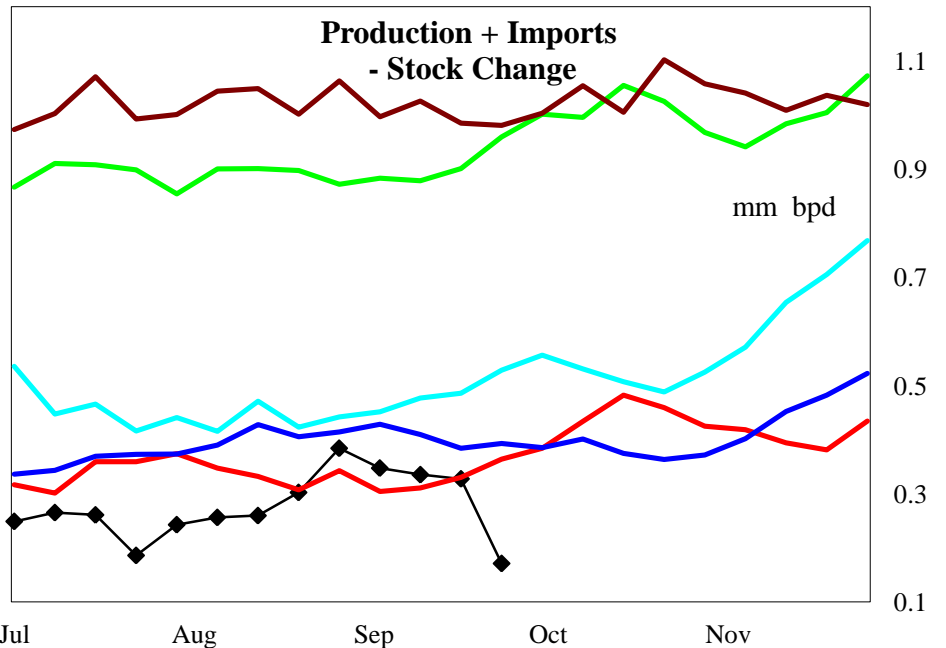
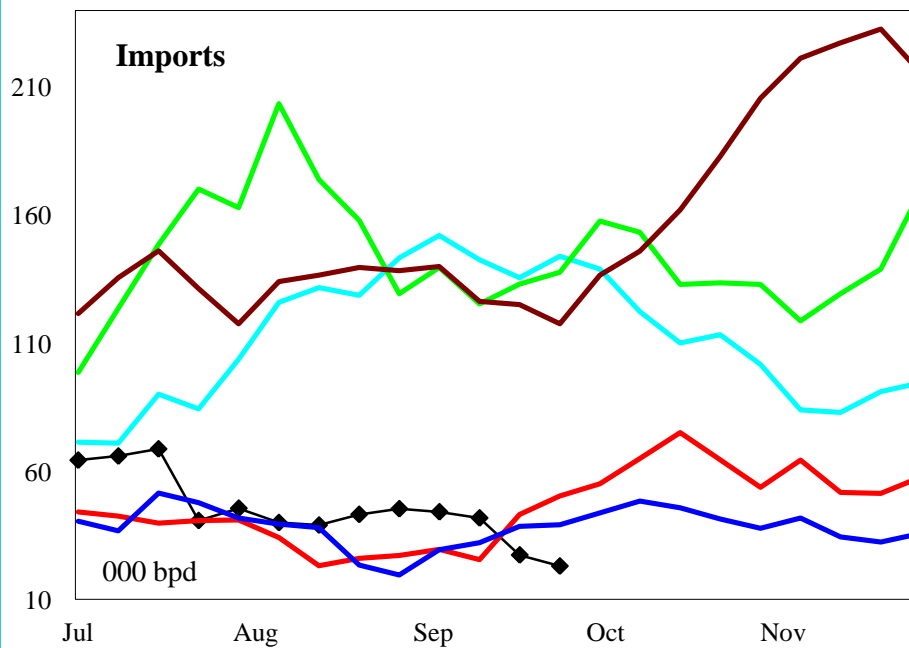
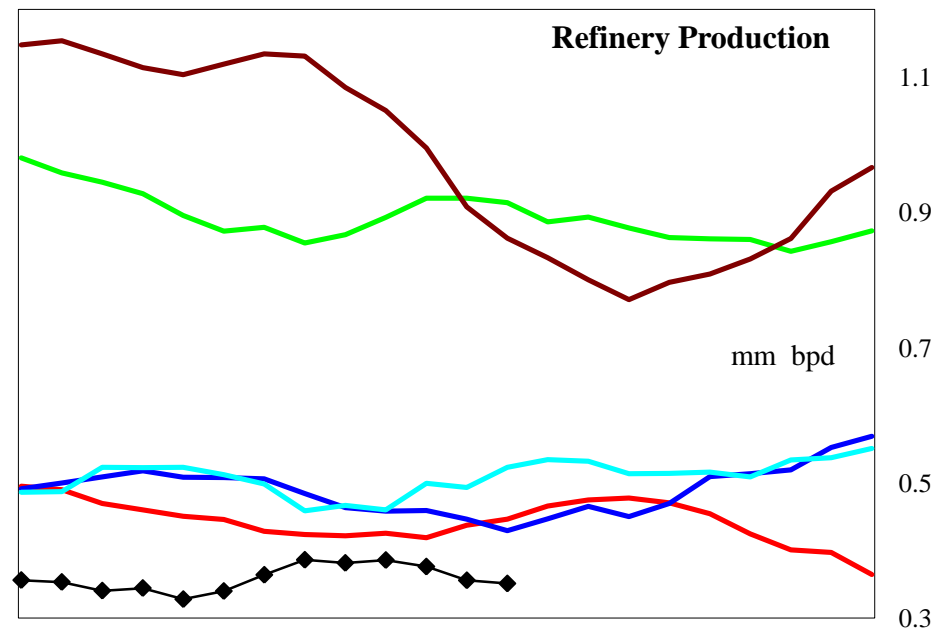
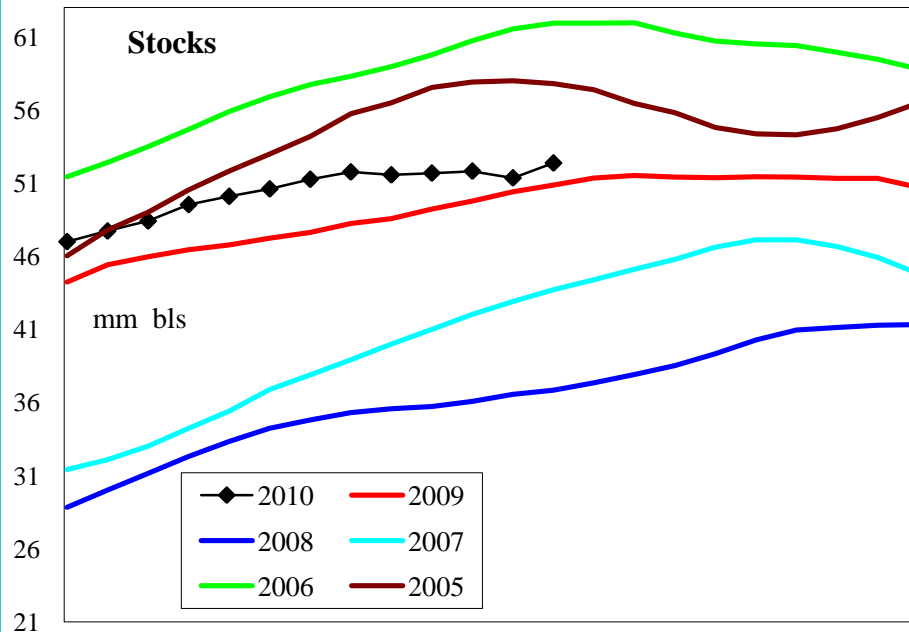


# United States Low Sulfur Distillate Supply





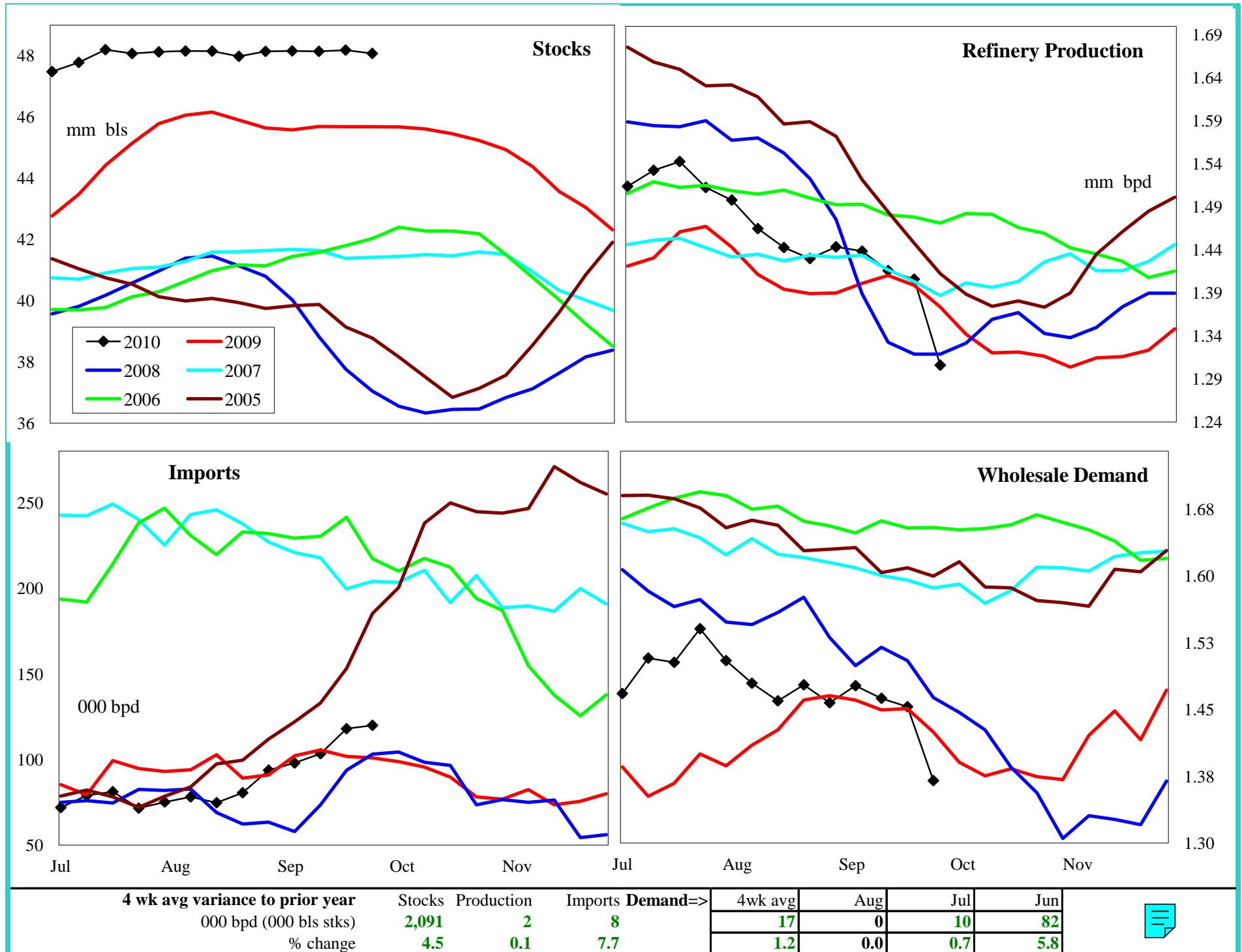
# United States High Sulfur Distillate Supply



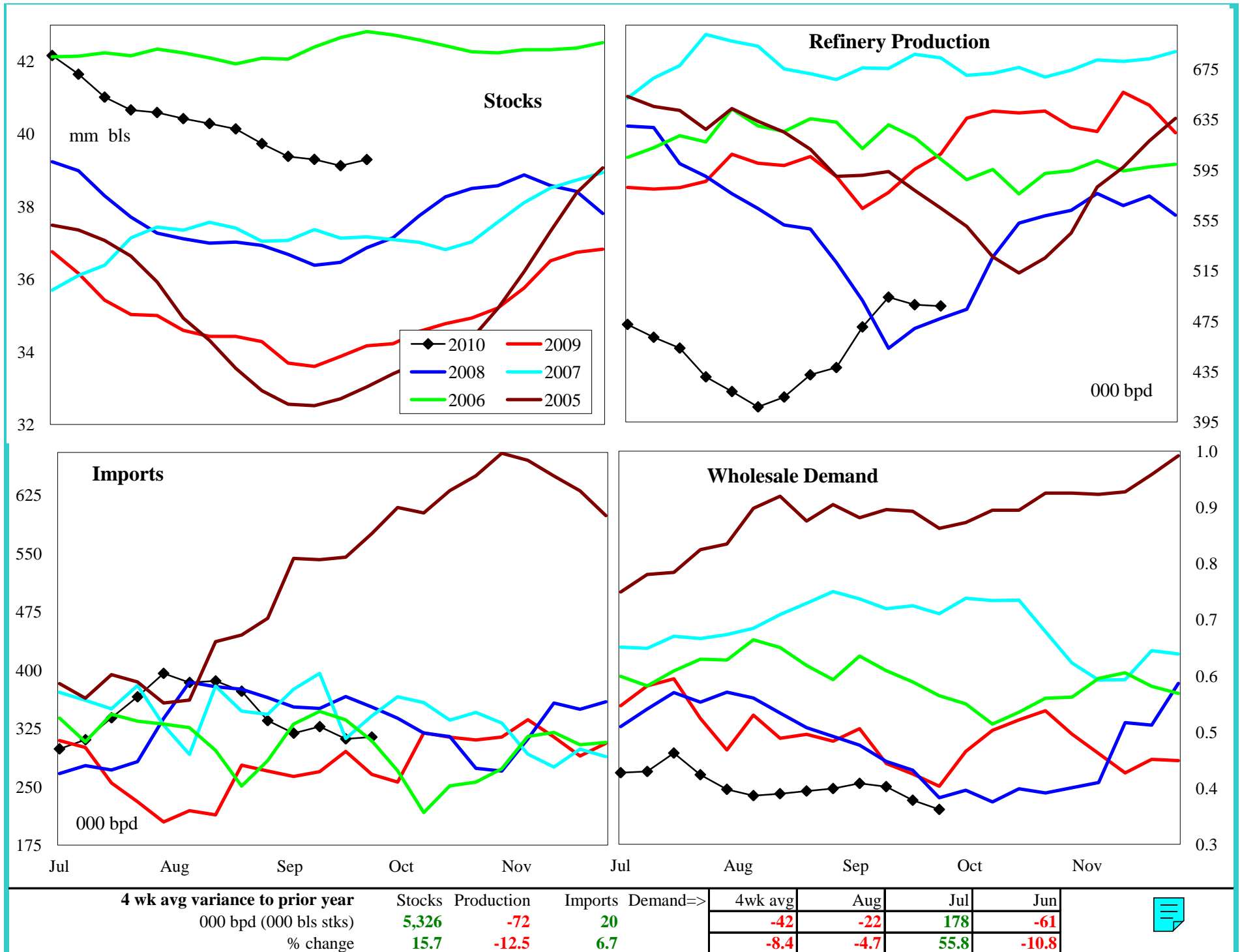
**4 wk avg variance to prior year**  
 000 bpd (000 bls stks)  
 % change

| Stocks | Production | Imports | Prod + Imp - Stk chg |
|--------|------------|---------|----------------------|
| 1,181  | -57        | 8       | 39                   |
| 2.3    | -13.4      | 26.3    | 13.1                 |

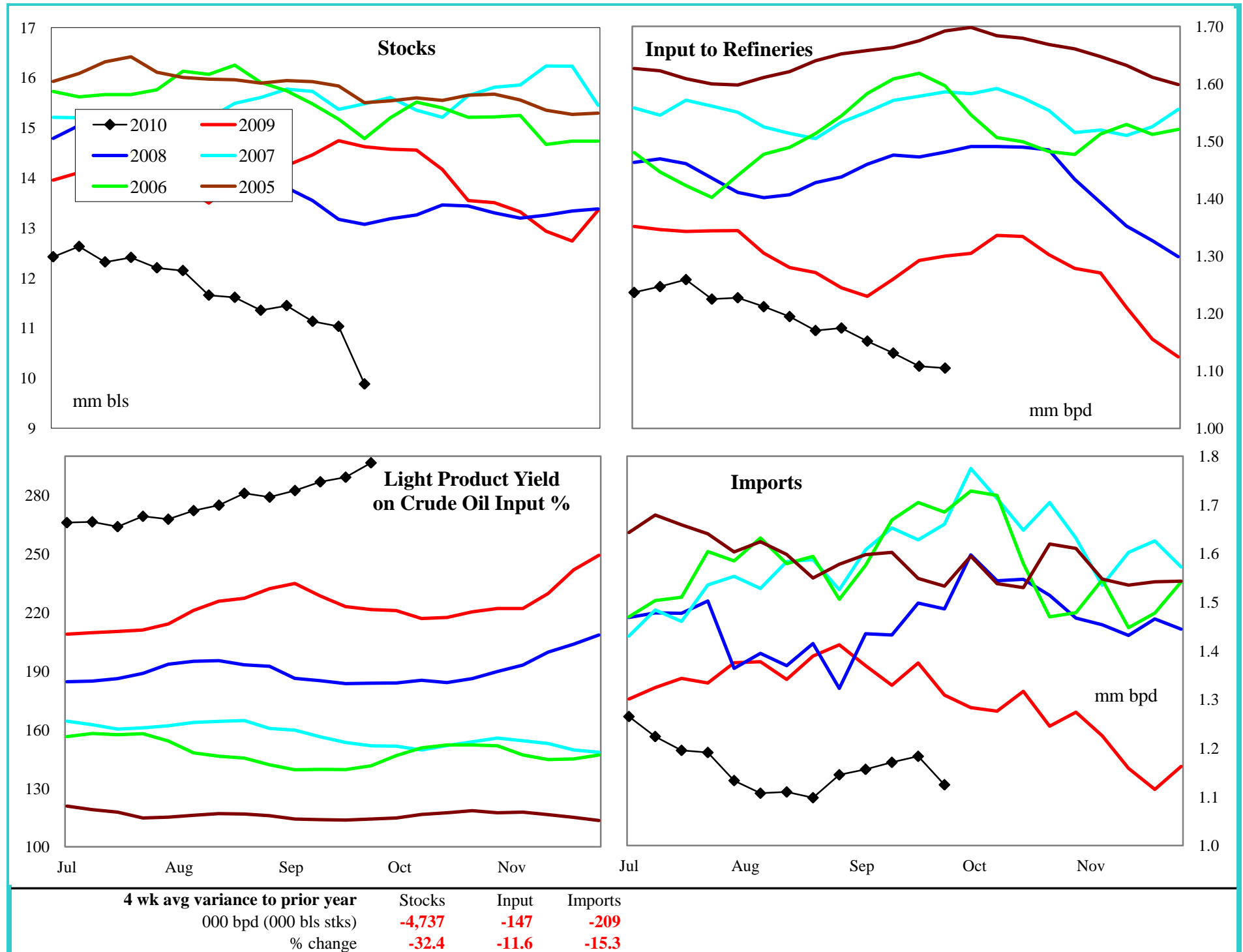
# United States Jet Fuel Supply and Demand Balance



# United States Residual Fuel Oil Supply and Demand Balance

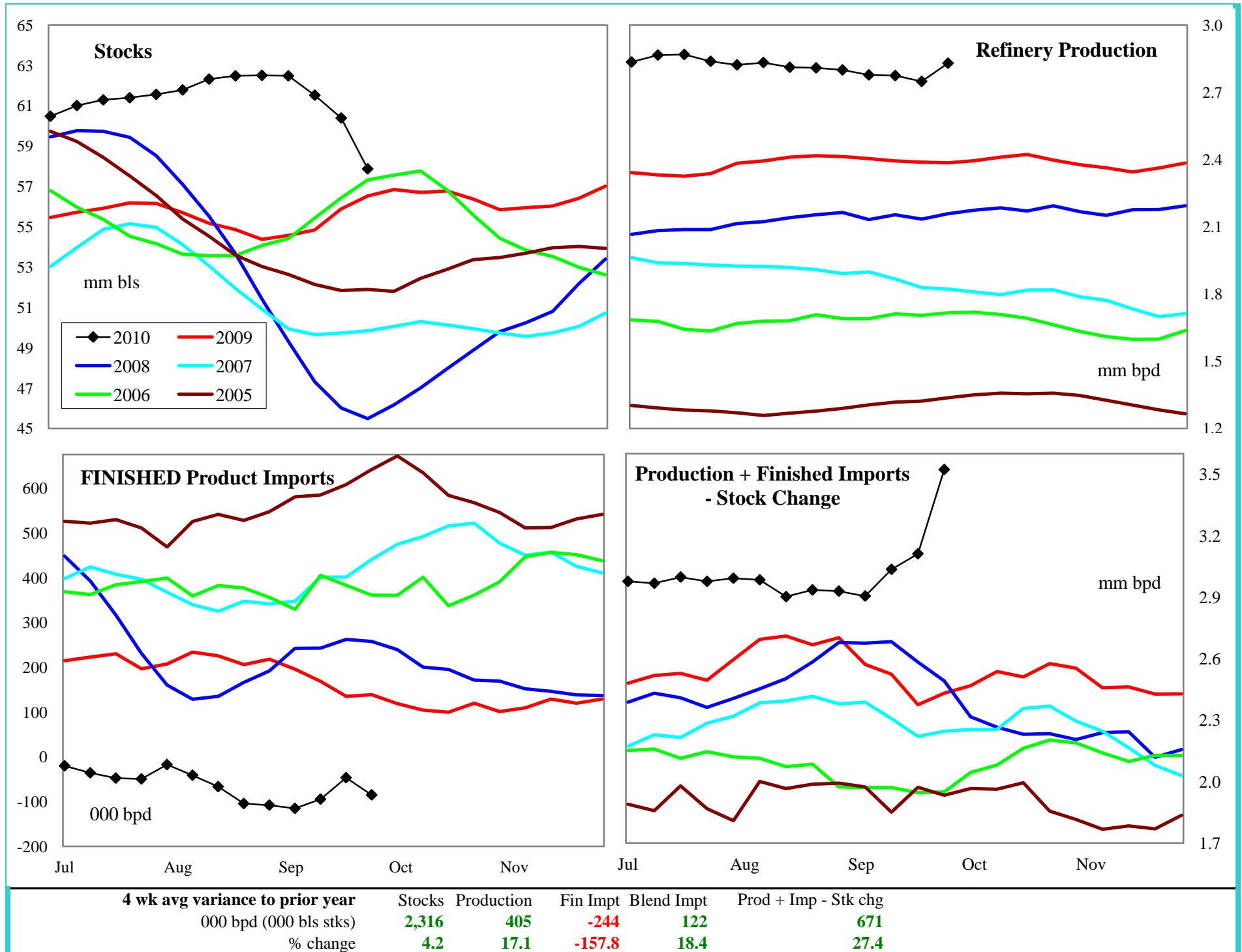


# PADD 1 Crude Oil Supply and Refining

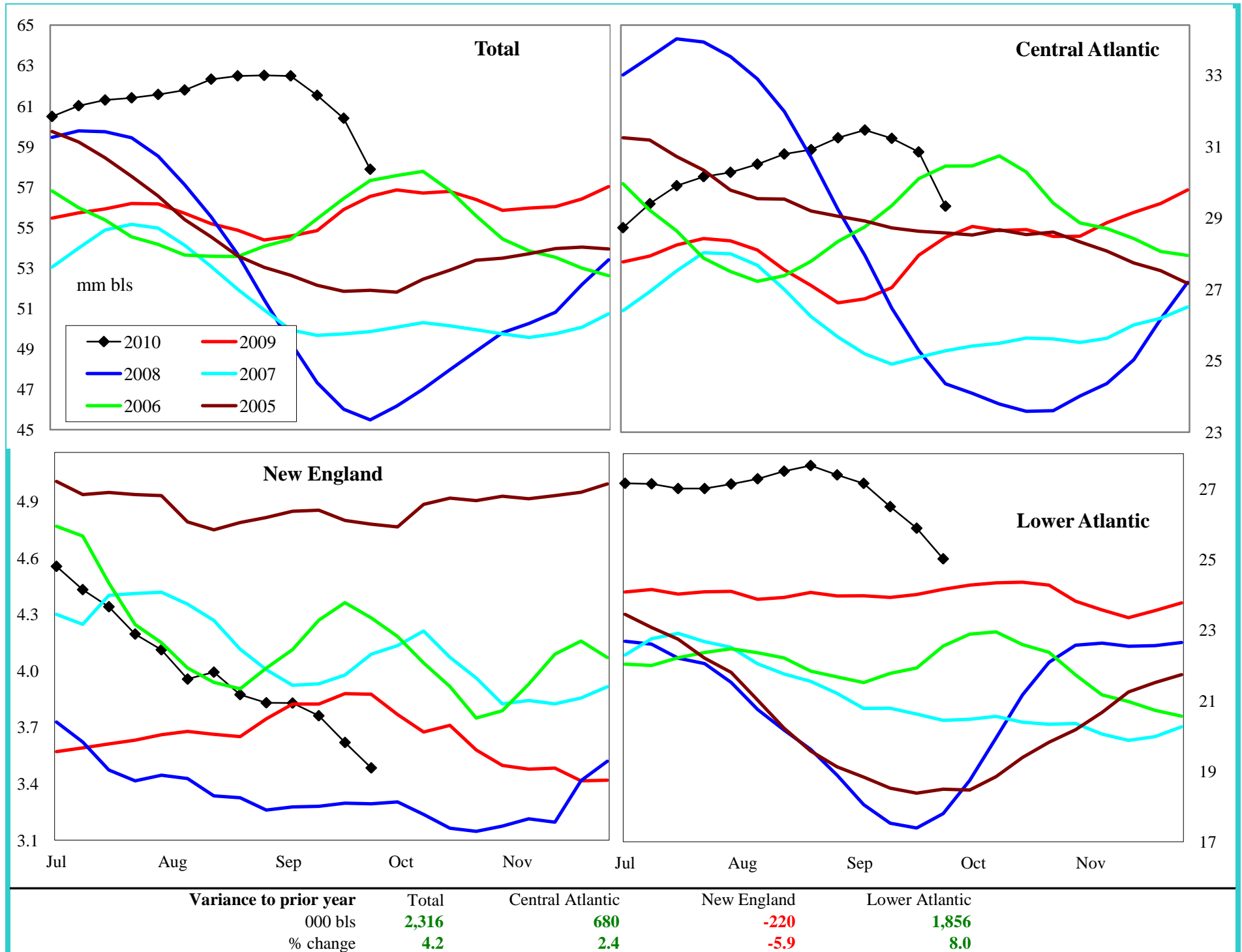




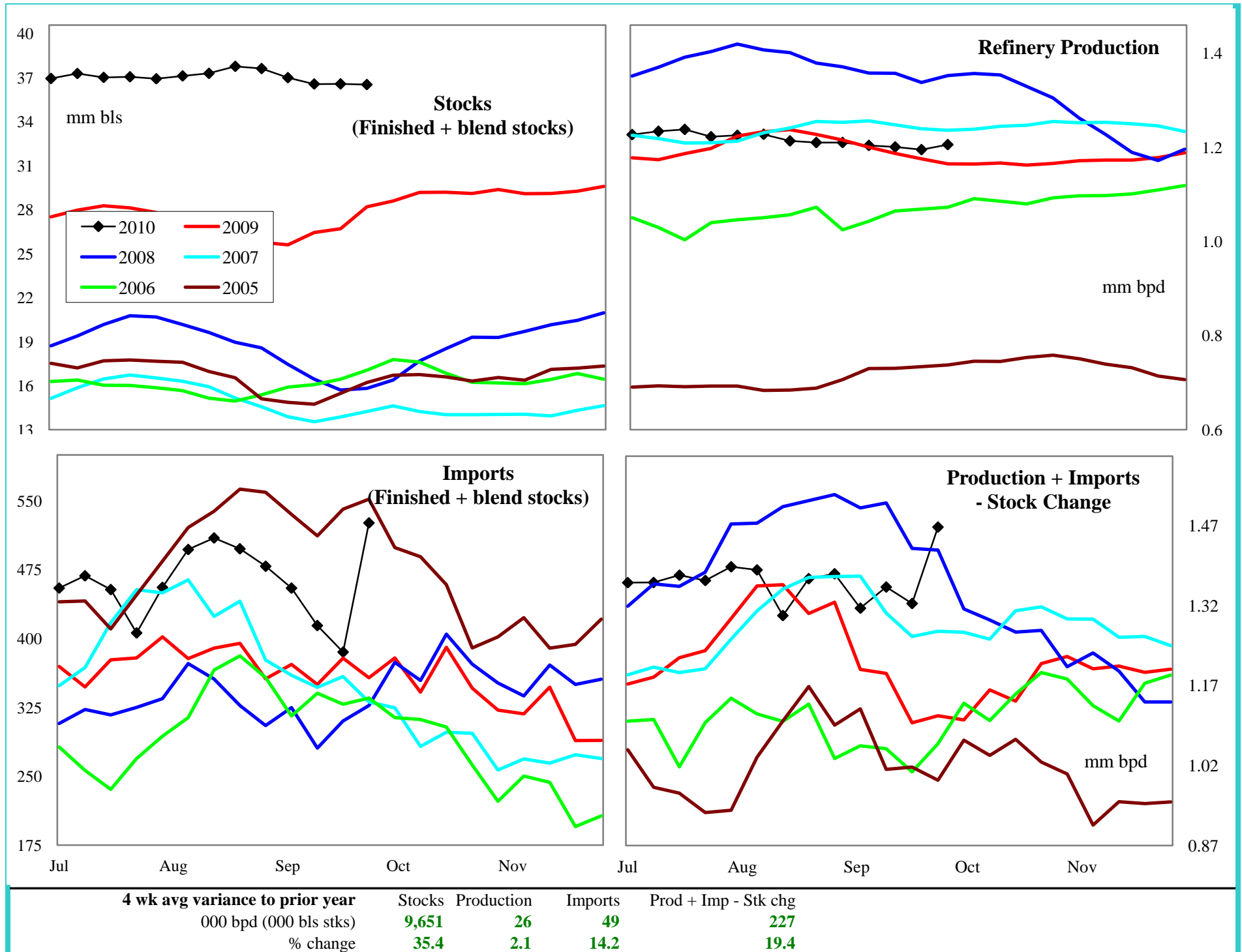
# PADD 1 Gasoline Supply



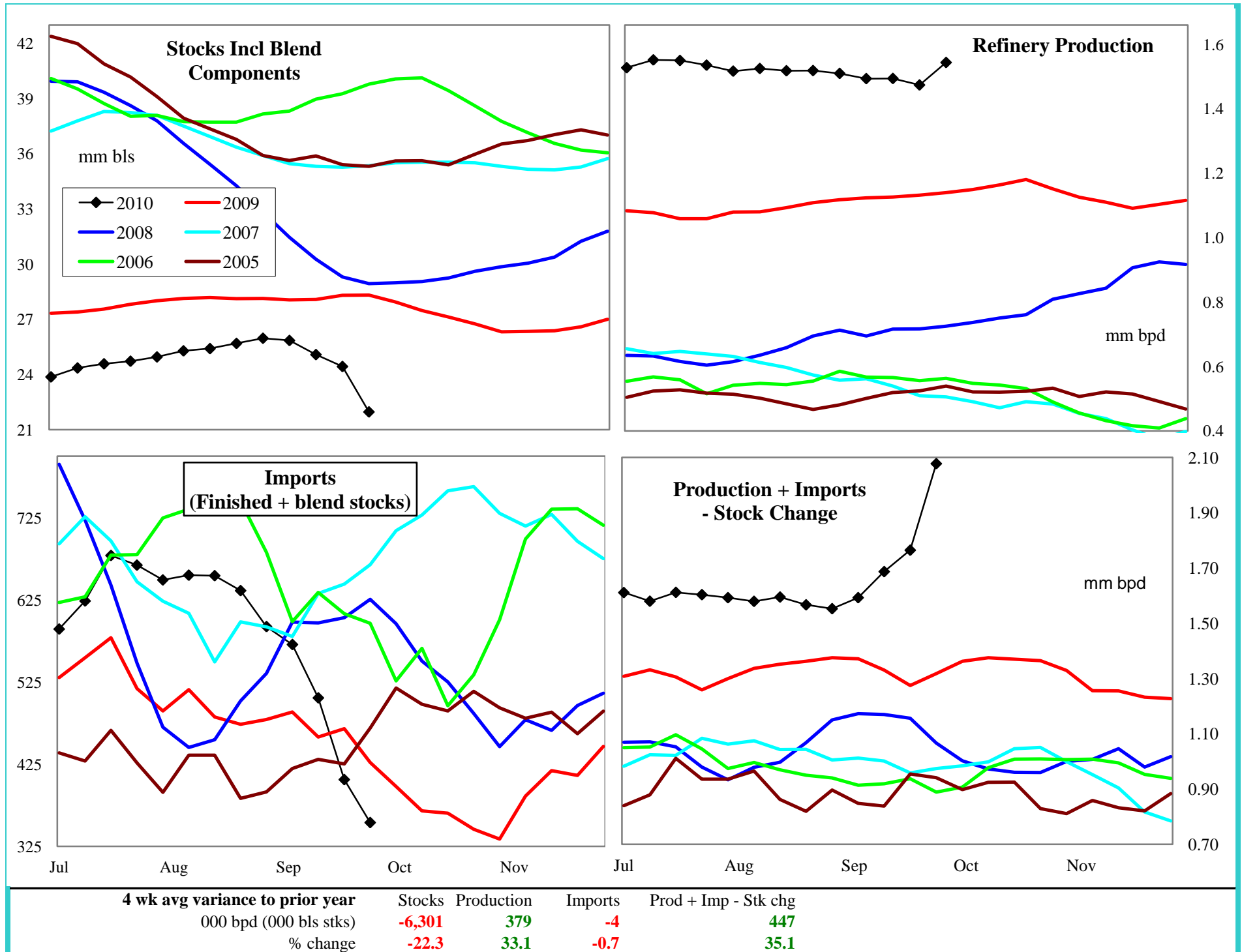
# PADD 1 Gasoline Stocks by Region



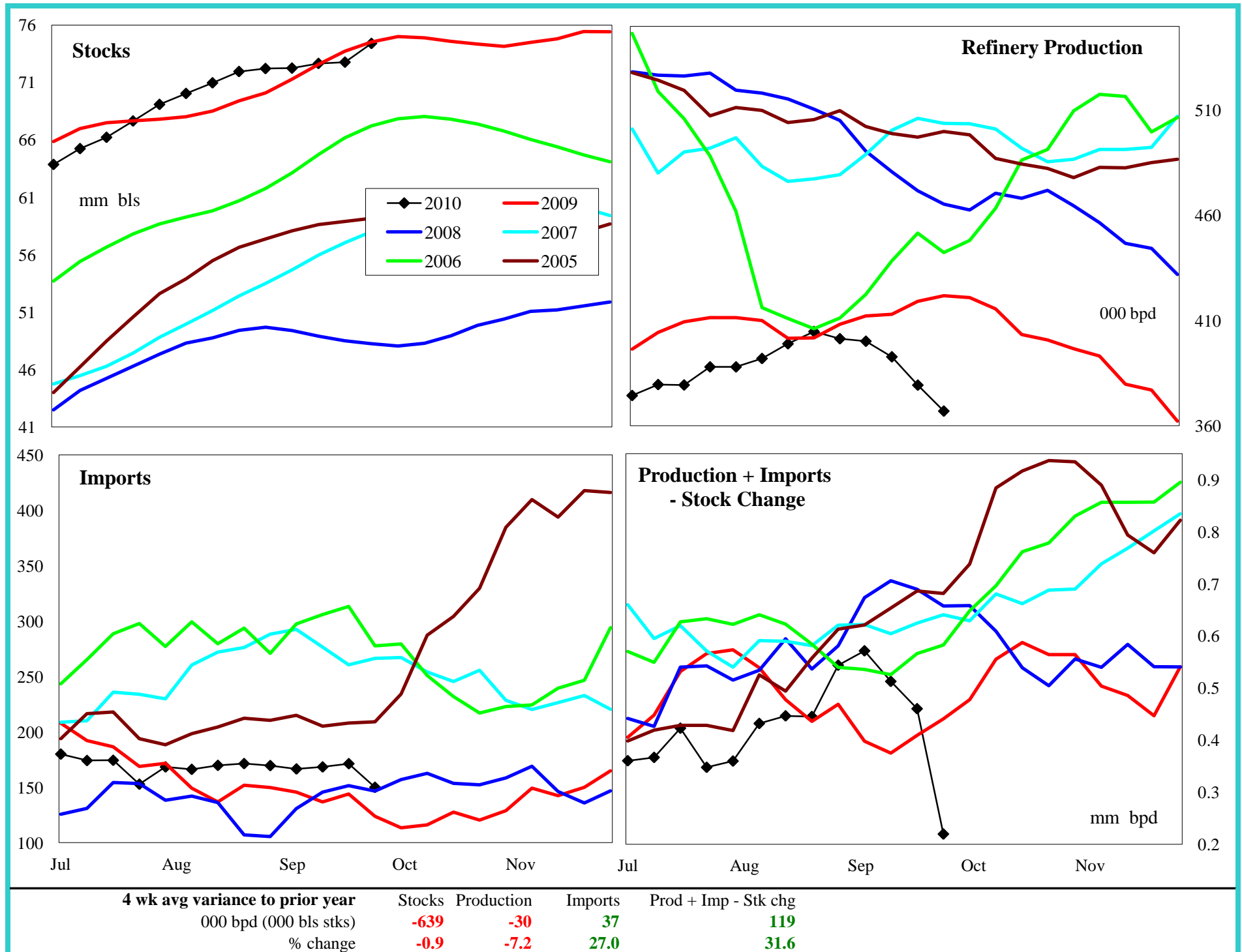
# PADD 1 Reformulated Gasoline Supply



# PADD 1 Conventional Gasoline Supply

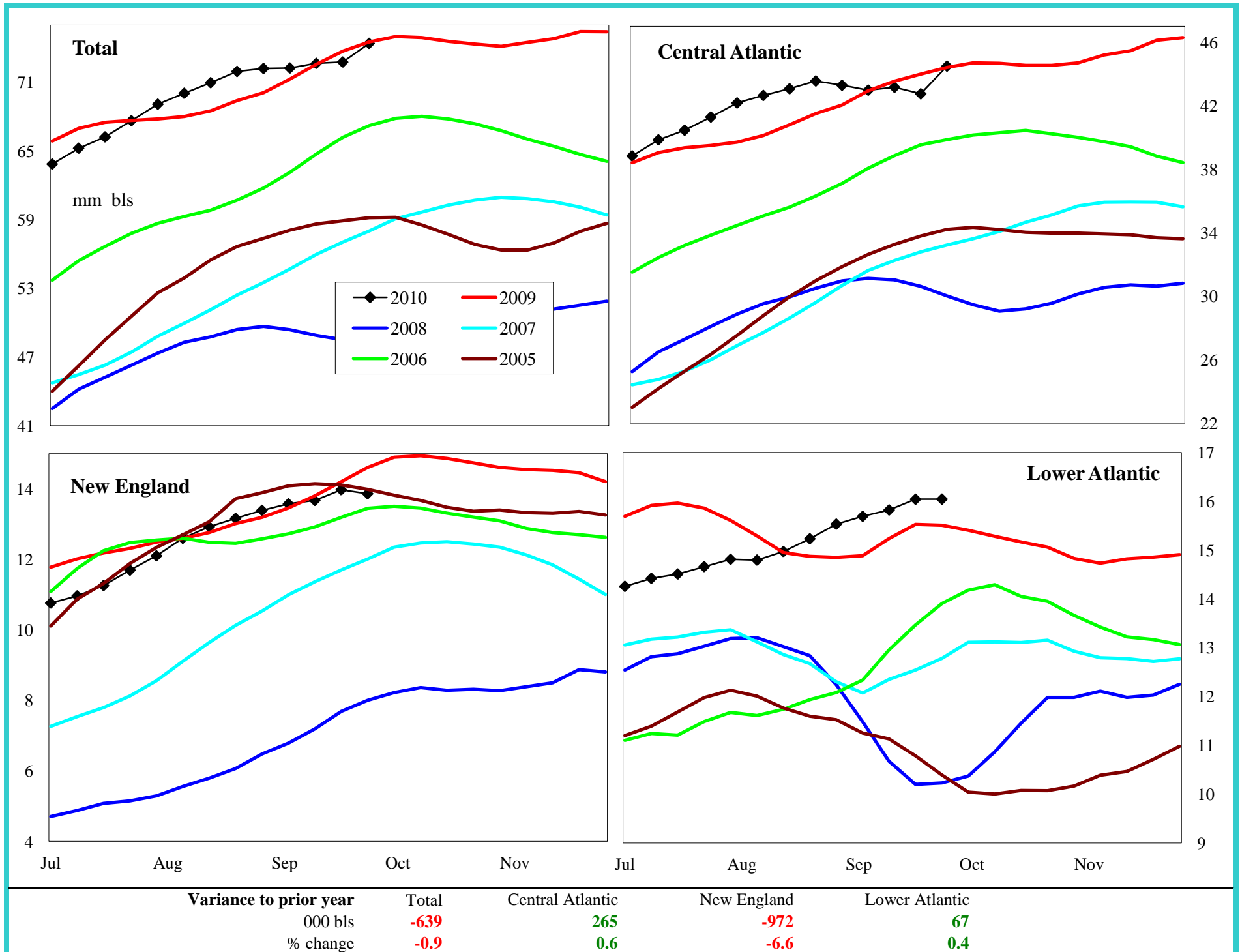


# PADD 1 Distillate Supply

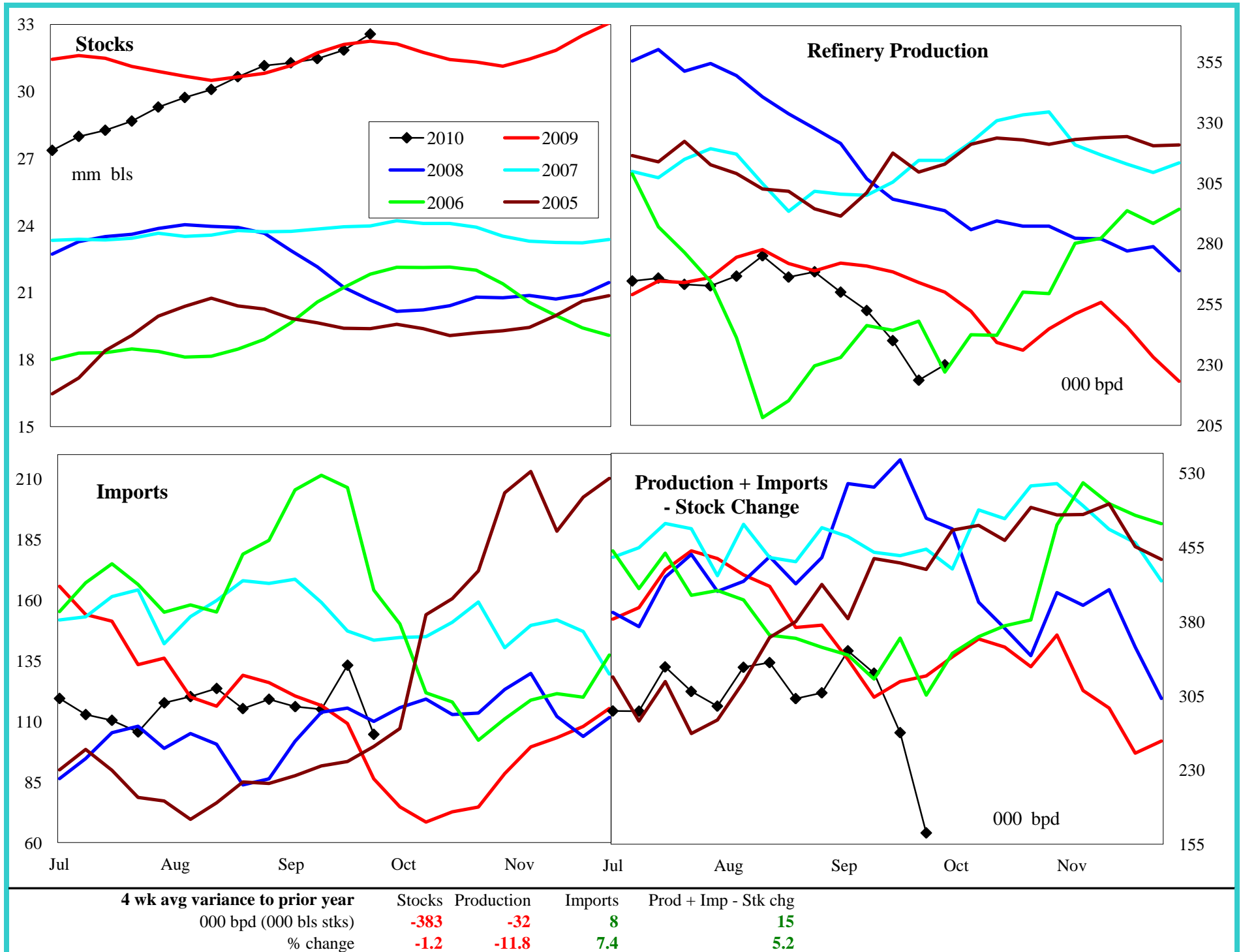




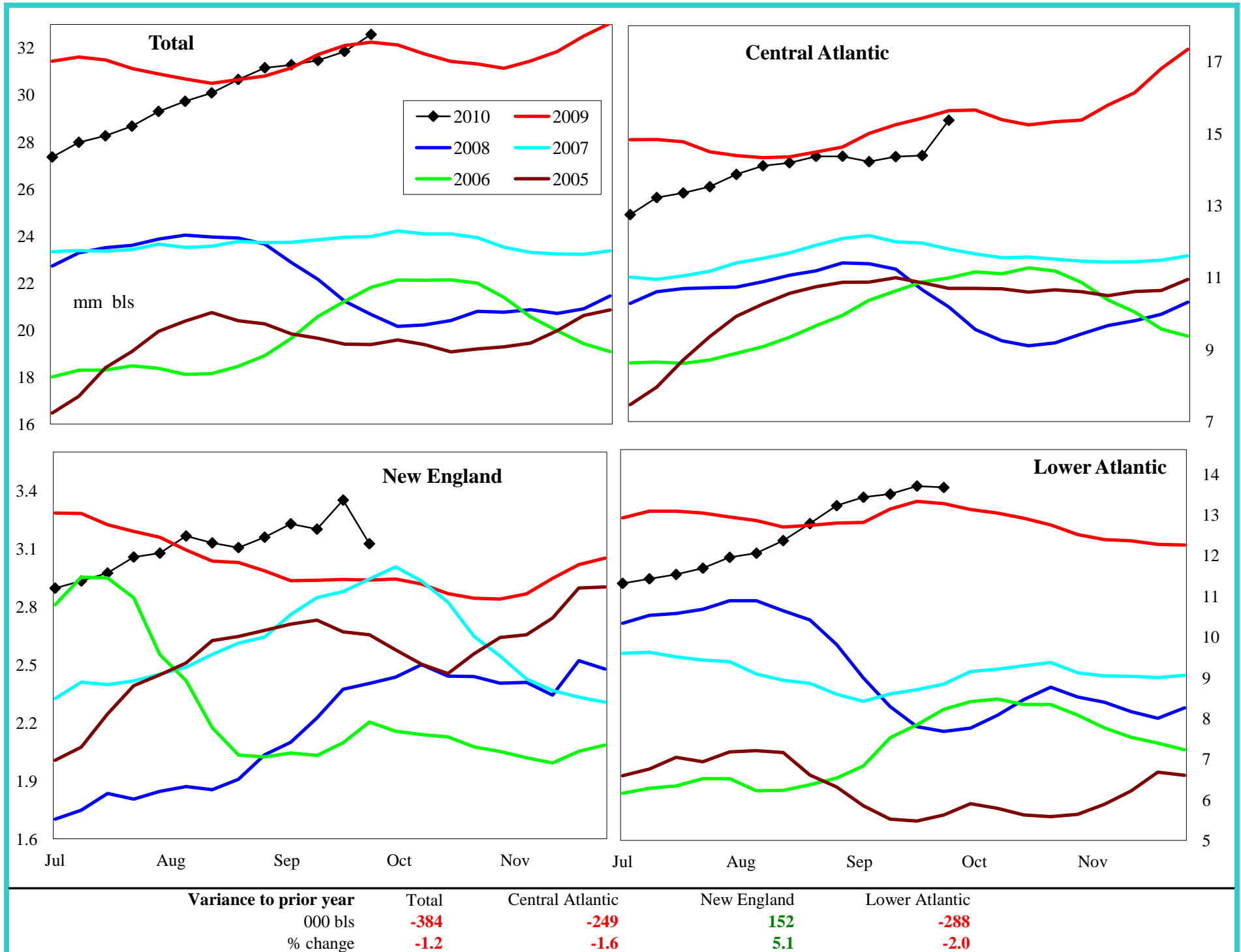
# PADD 1 Distillate Stocks by Region



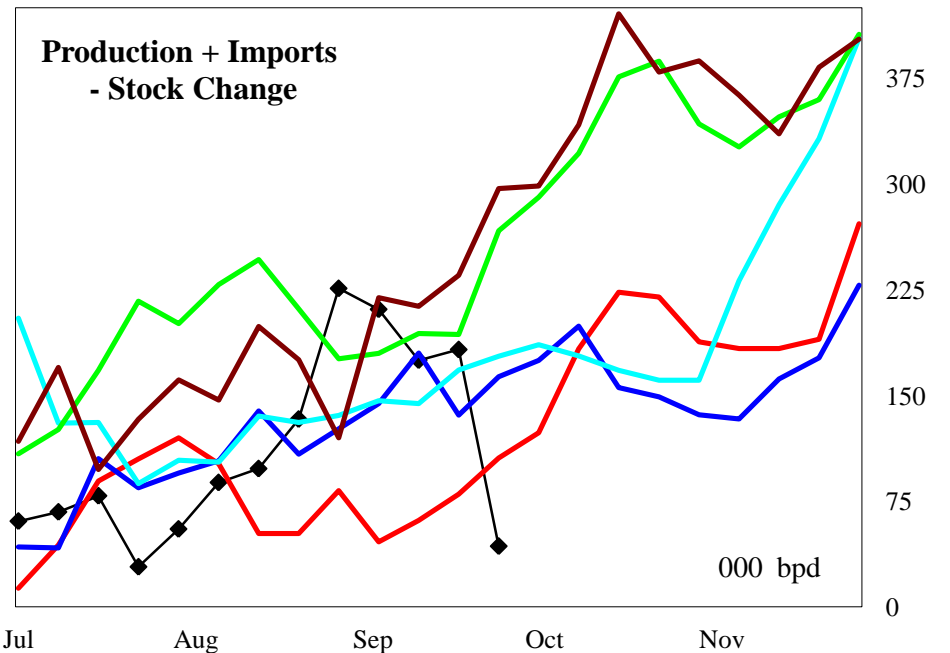
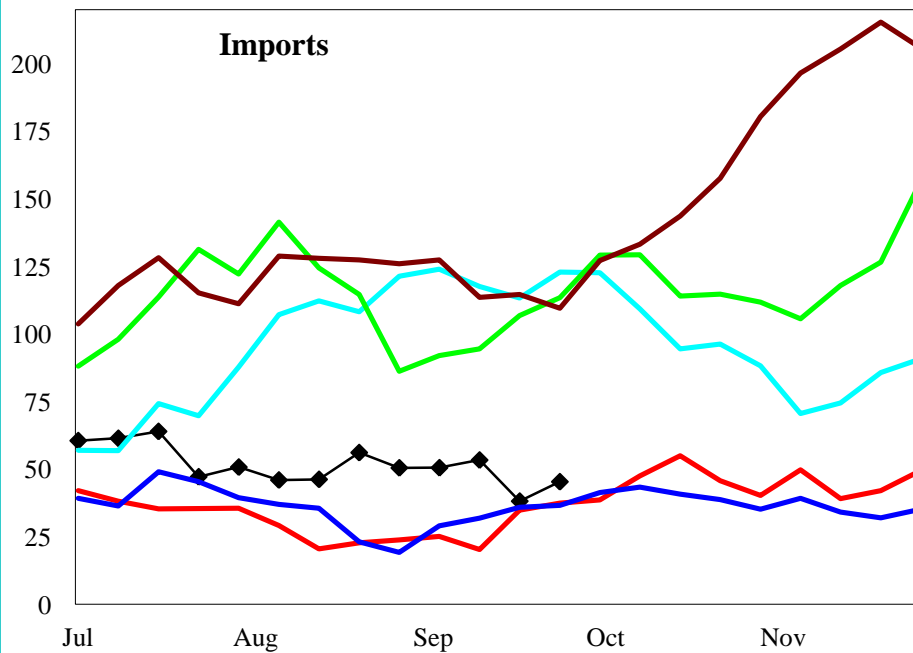
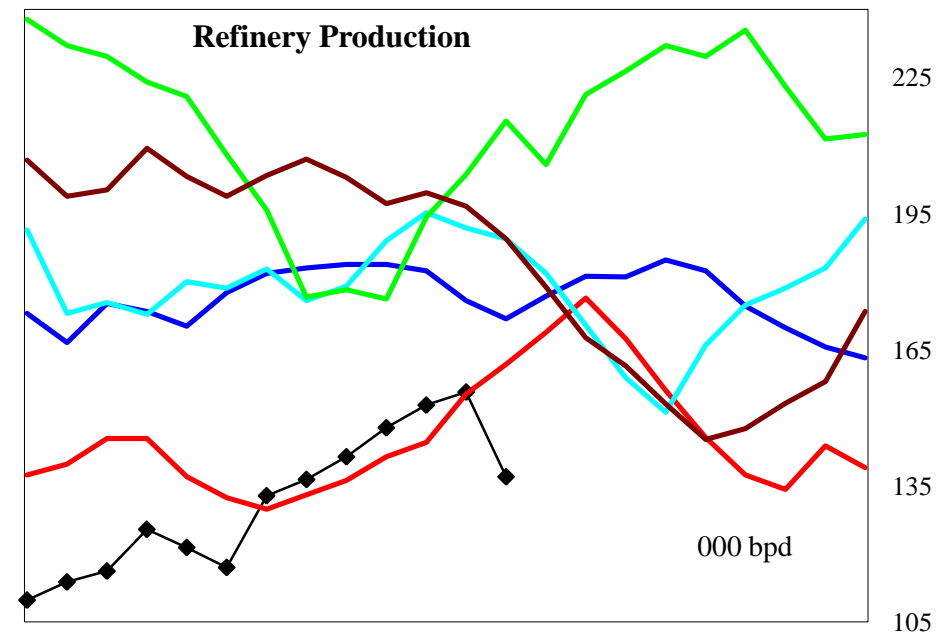
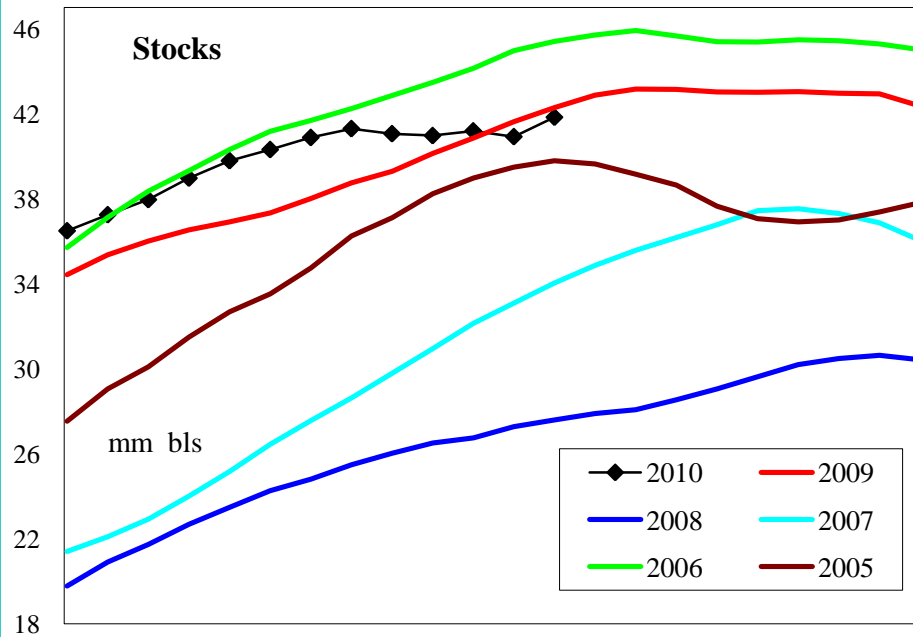
# PADD 1 Low Sulfur Distillate Supply



# PADD 1 Low Sulfur Distillate Stocks by Region



# PADD 1 High Sulfur Distillate Supply



**4 wk avg variance to prior year**

000 bpd (000 bbls stks)

% change

Stocks

-255

-0.6

Production

2

1.4

Imports

28

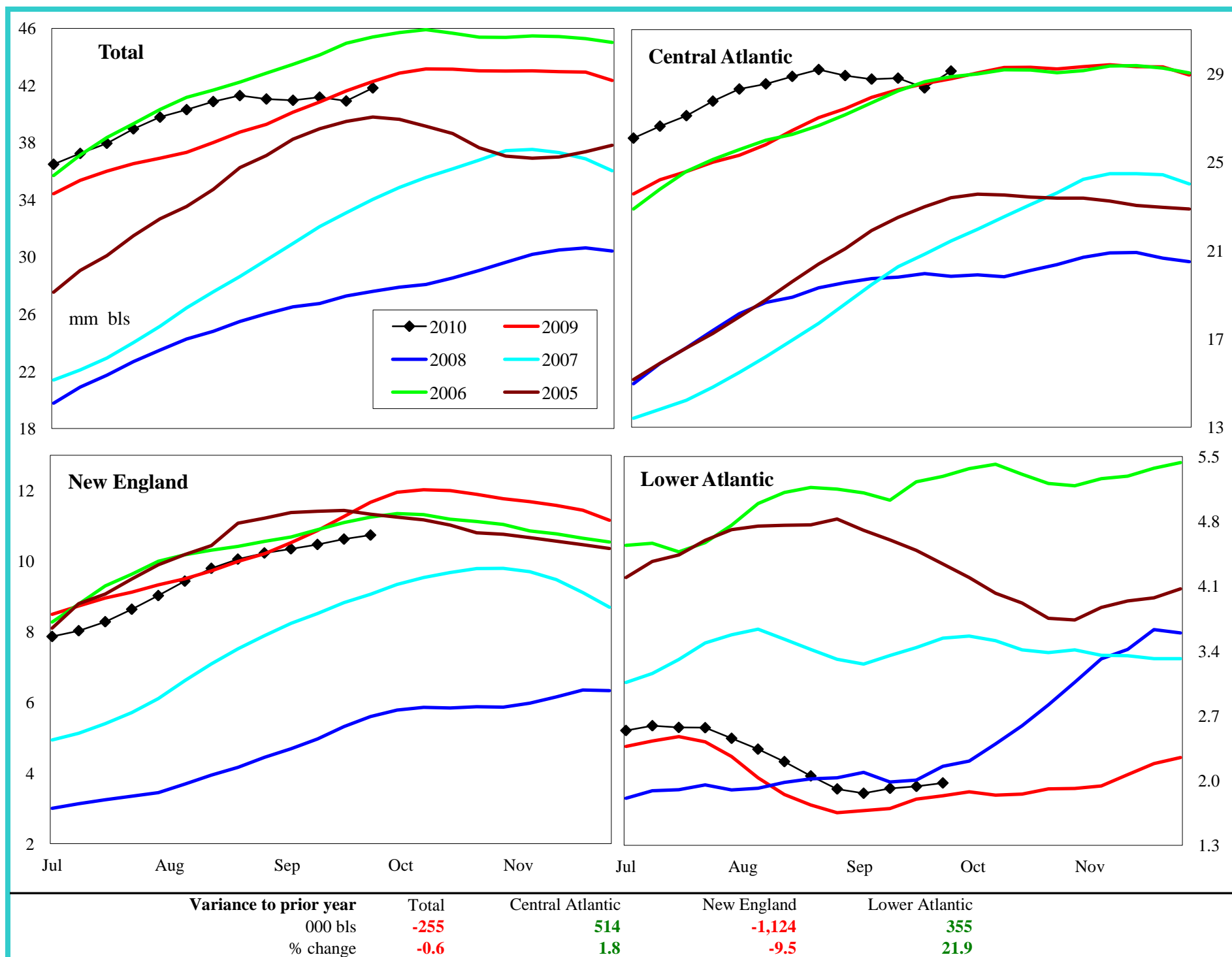
127.0

Prod + Imp - Stk chg

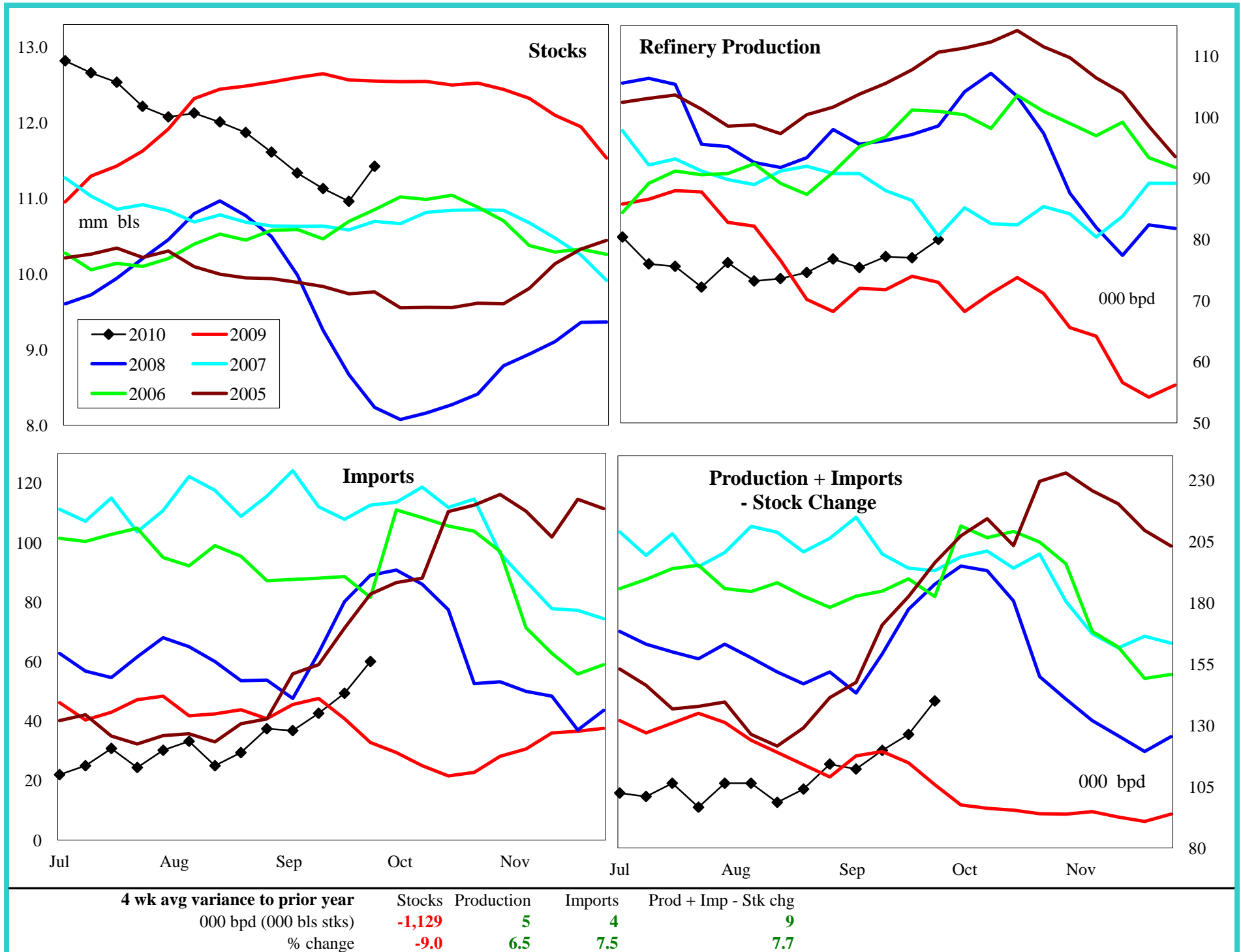
104

121.4

## PADD 1 High Sulfur Distillate Stocks by Region

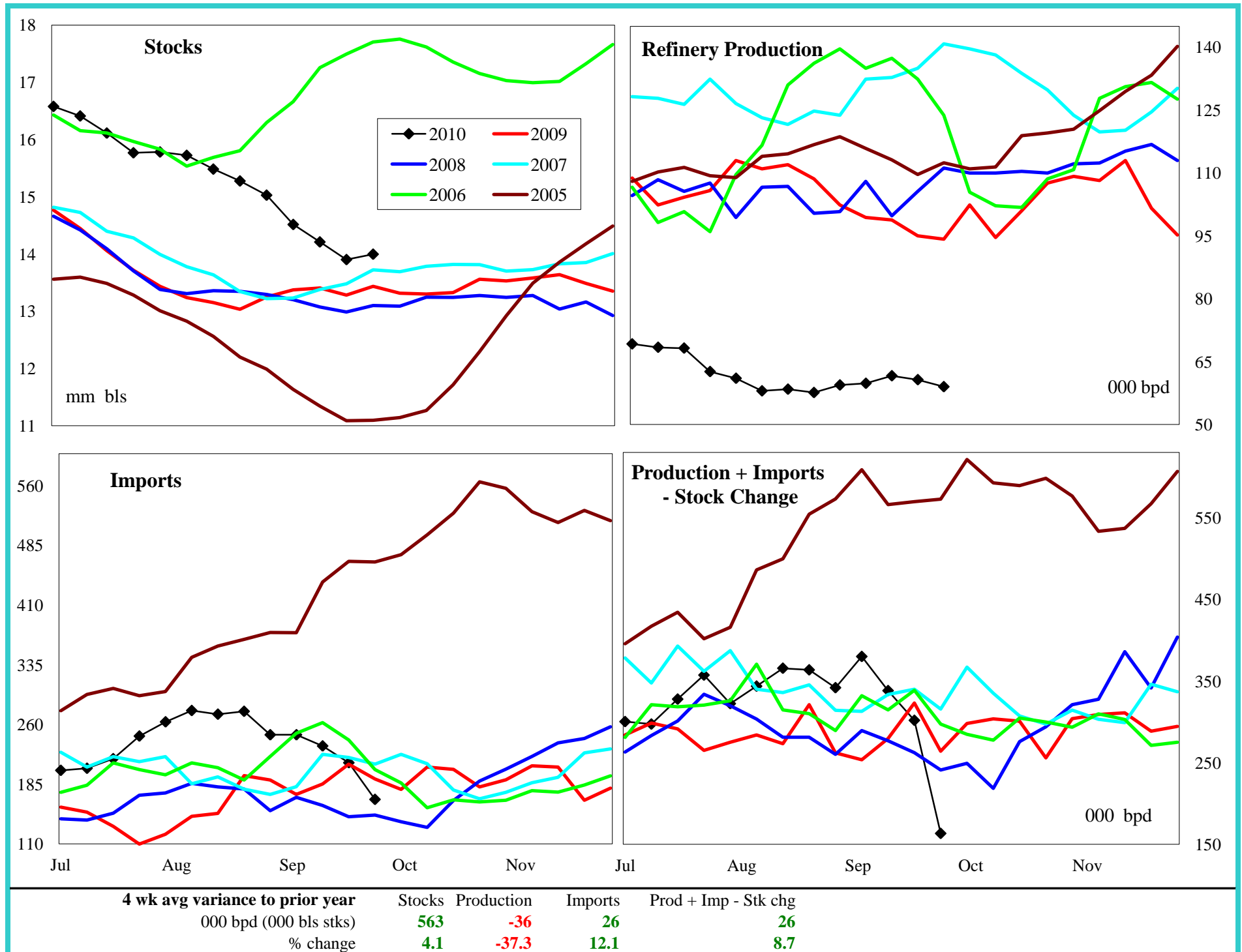


# PADD 1 Jet Fuel Supply

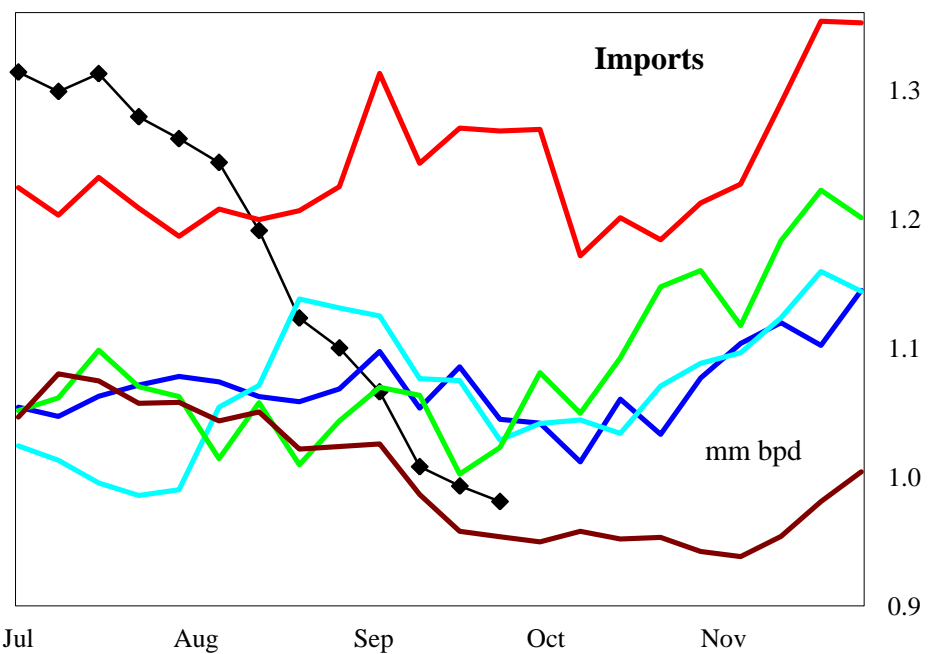
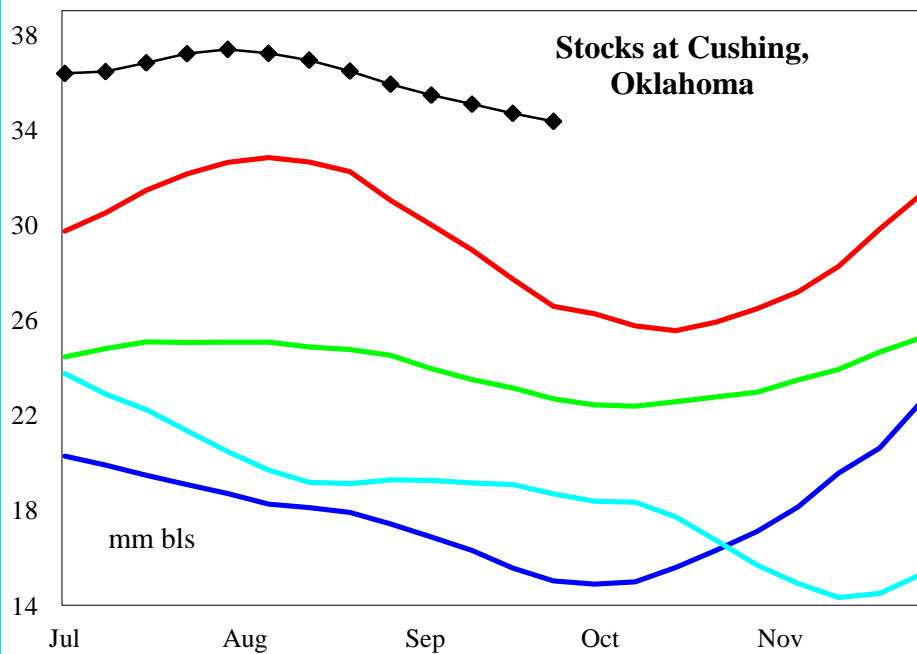
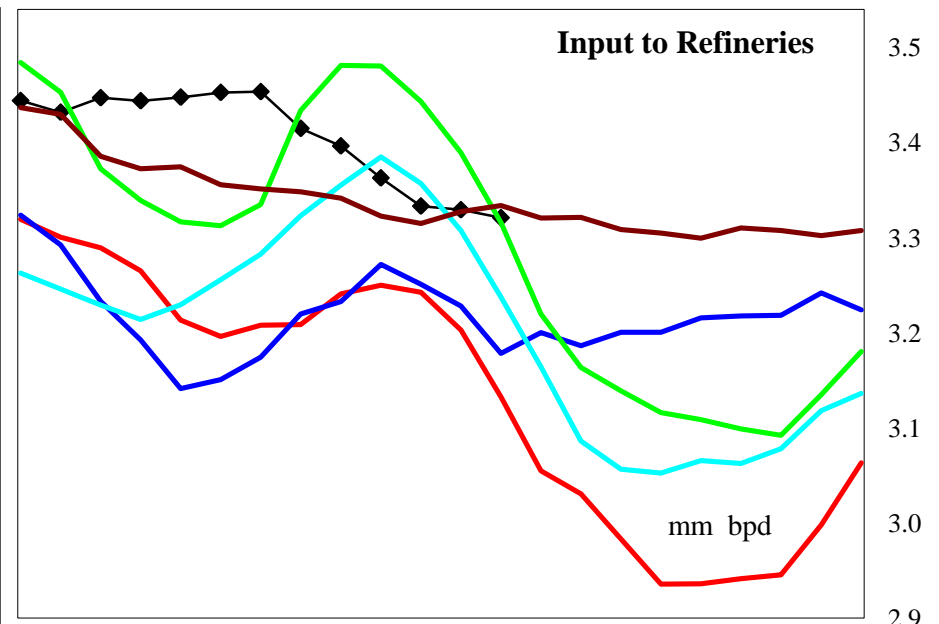
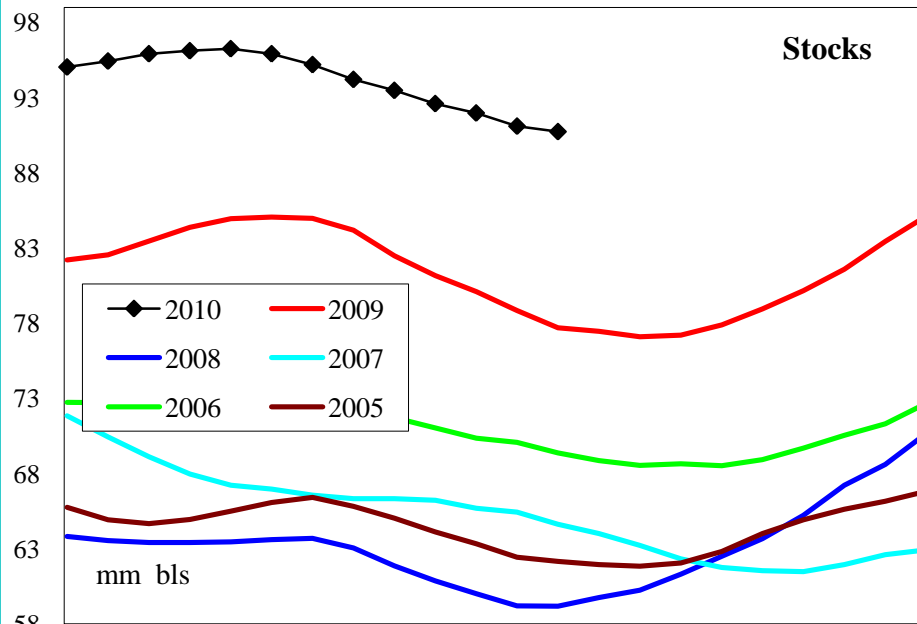




# PADD 1 Residual Fuel Oil Supply



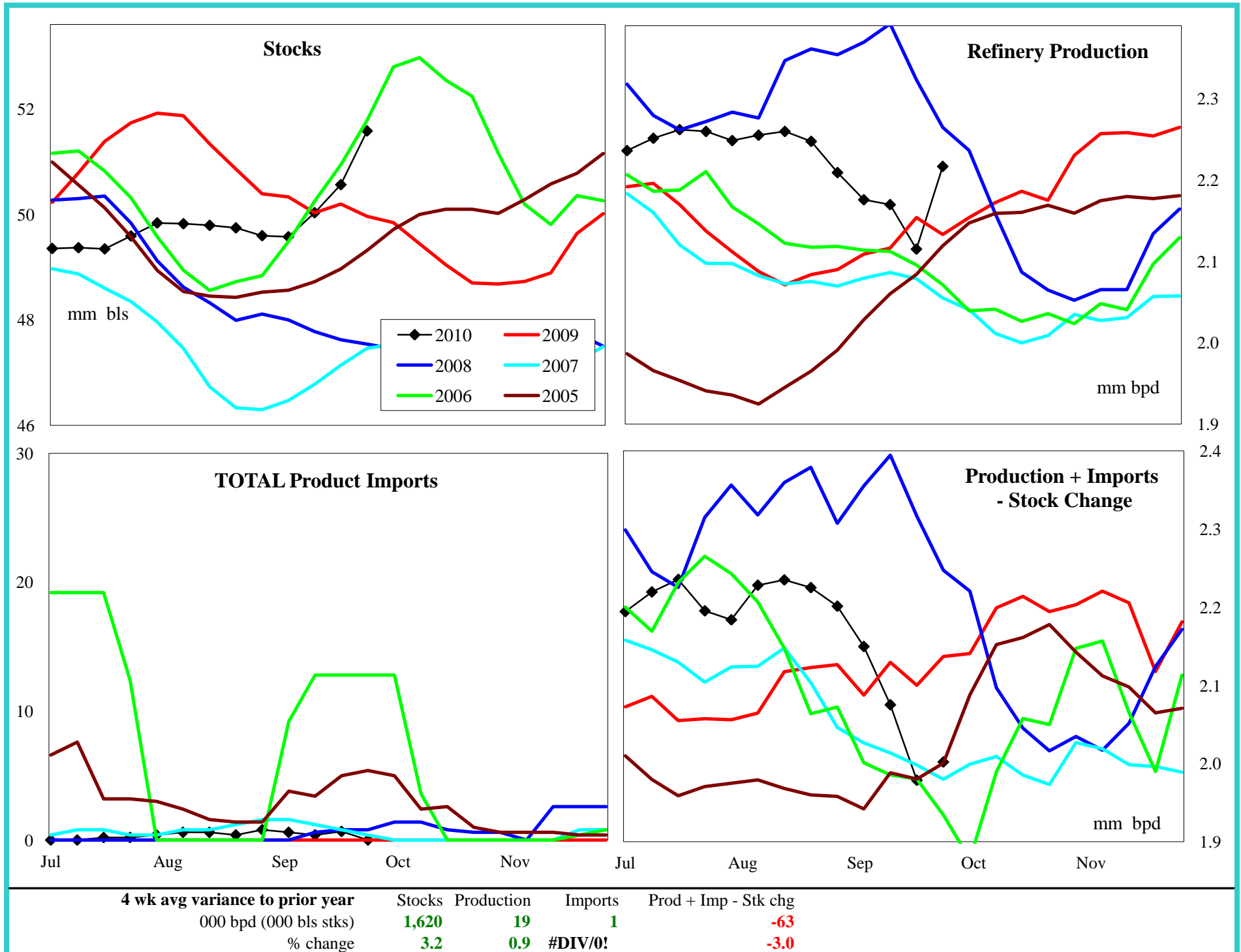
# PADD 2 Crude Oil Supply and Refining



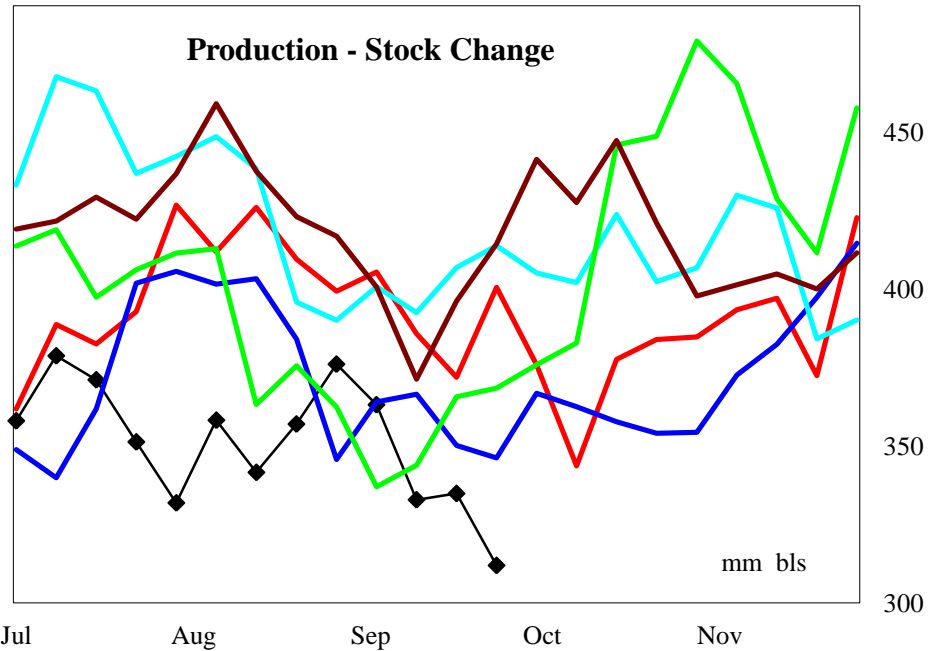
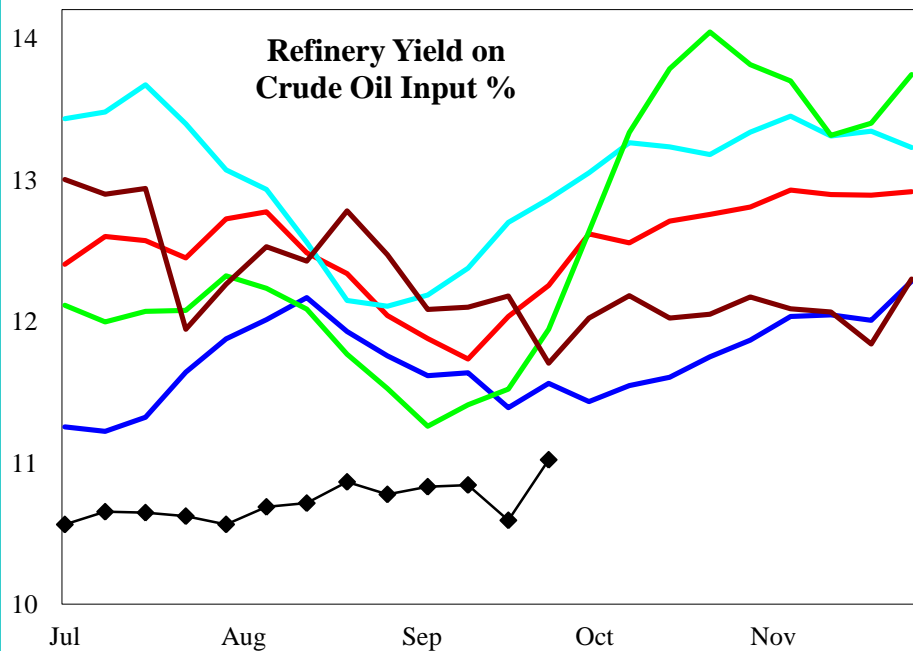
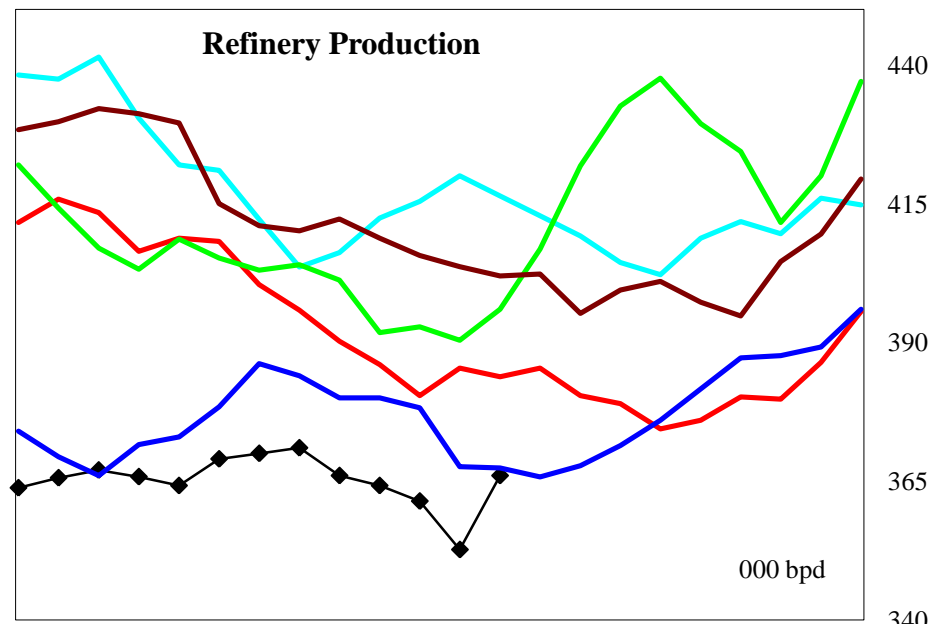
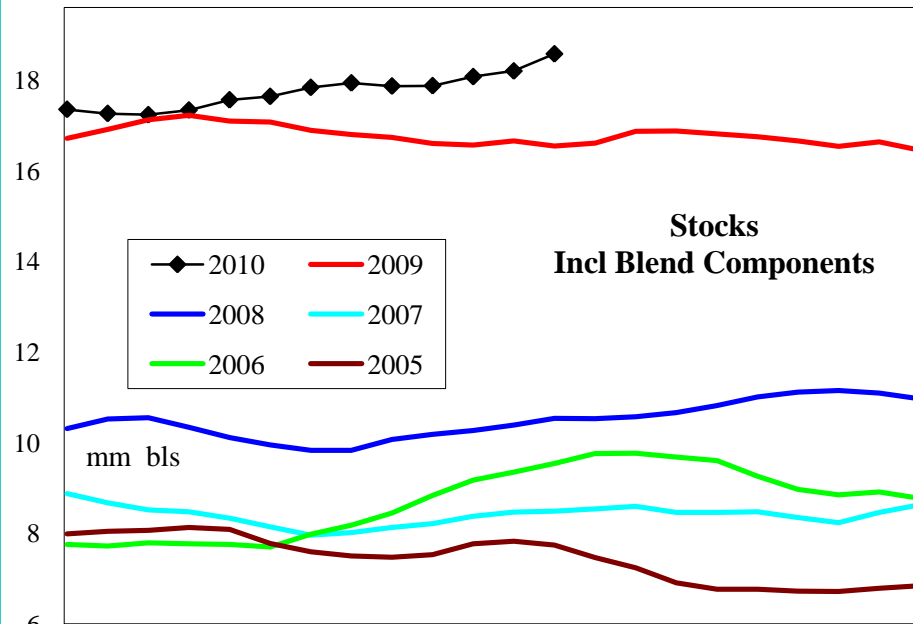
**4 wk avg variance to prior year**  
000 bpd (000 bbls stks)  
% change

|                         | Stocks | Cushing | Input | Imports |
|-------------------------|--------|---------|-------|---------|
| 000 bpd (000 bbls stks) | 13,031 | 7,773   | 85    | -244    |
| % change                | 16.8   | 29.3    | 2.6   | -19.1   |

# PADD 2 Gasoline Supply



# PADD 2 Reformulated Gasoline Supply

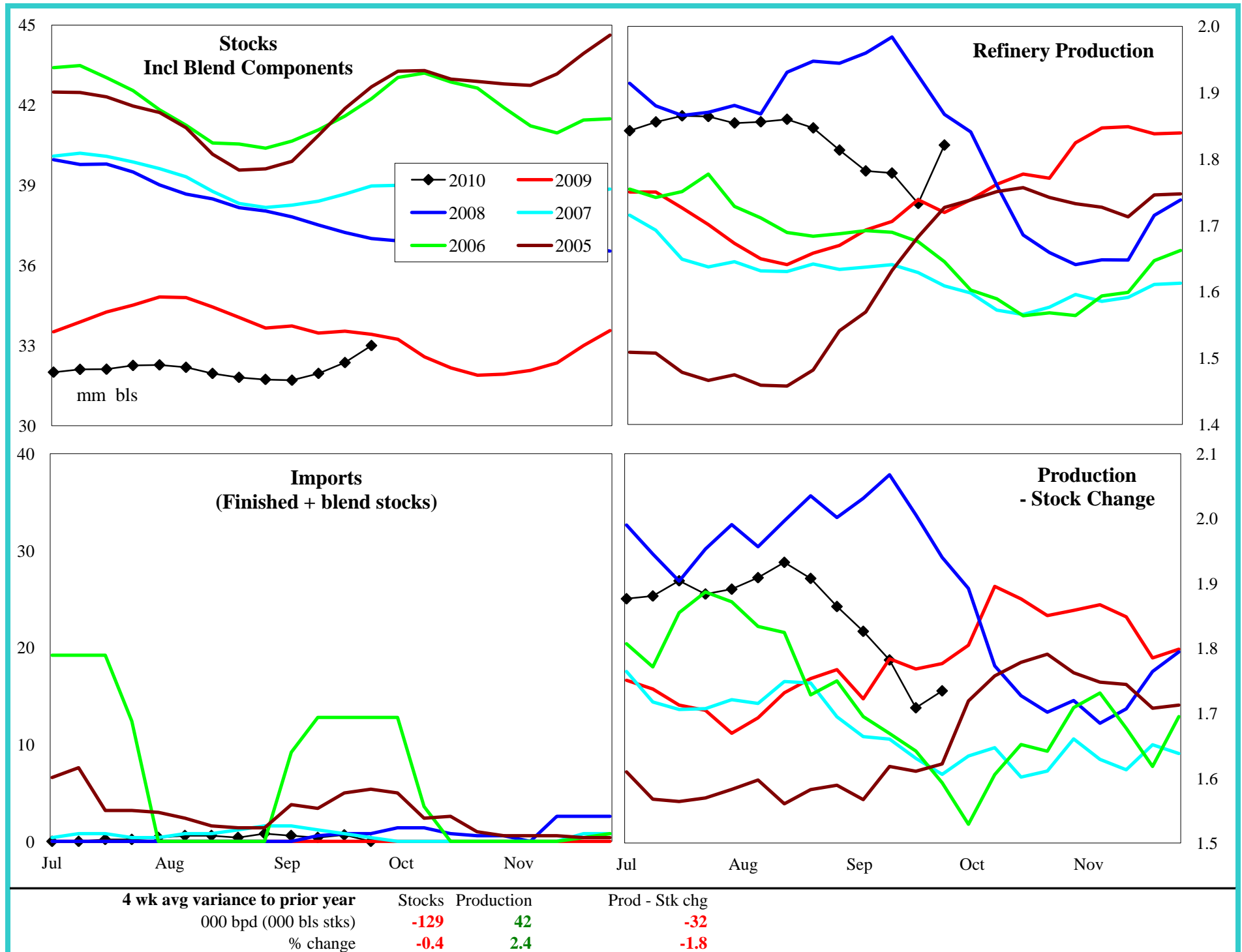


**4 wk avg variance to prior year**  
 000 bpd (000 bls stks)  
 % change

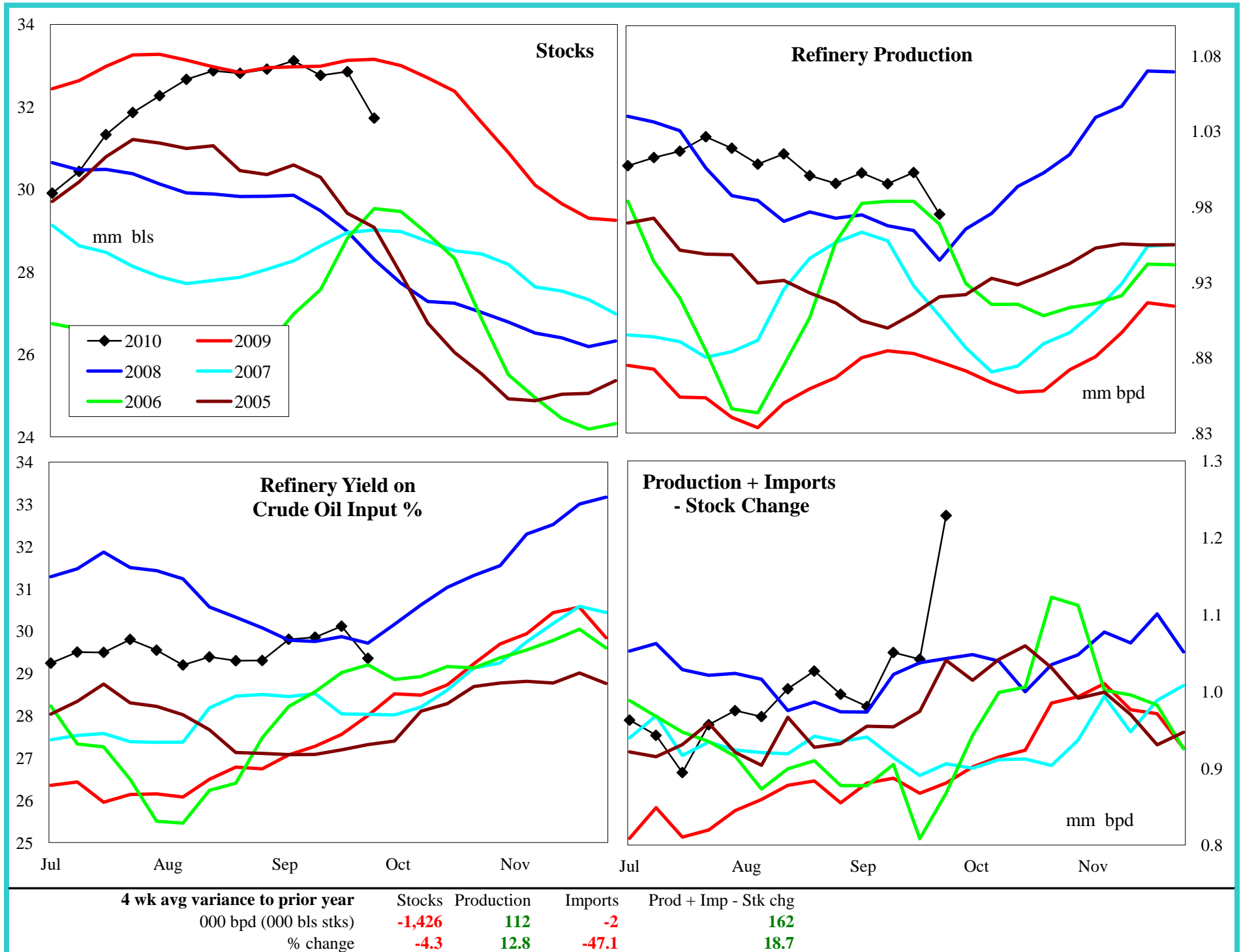
Stocks    Production  
**2,036**    **-23**  
**12.0**    **-5.9**

Prod - Stk chg  
**-55**  
**-14.1**

# PADD 2 Conventional Gasoline Supply

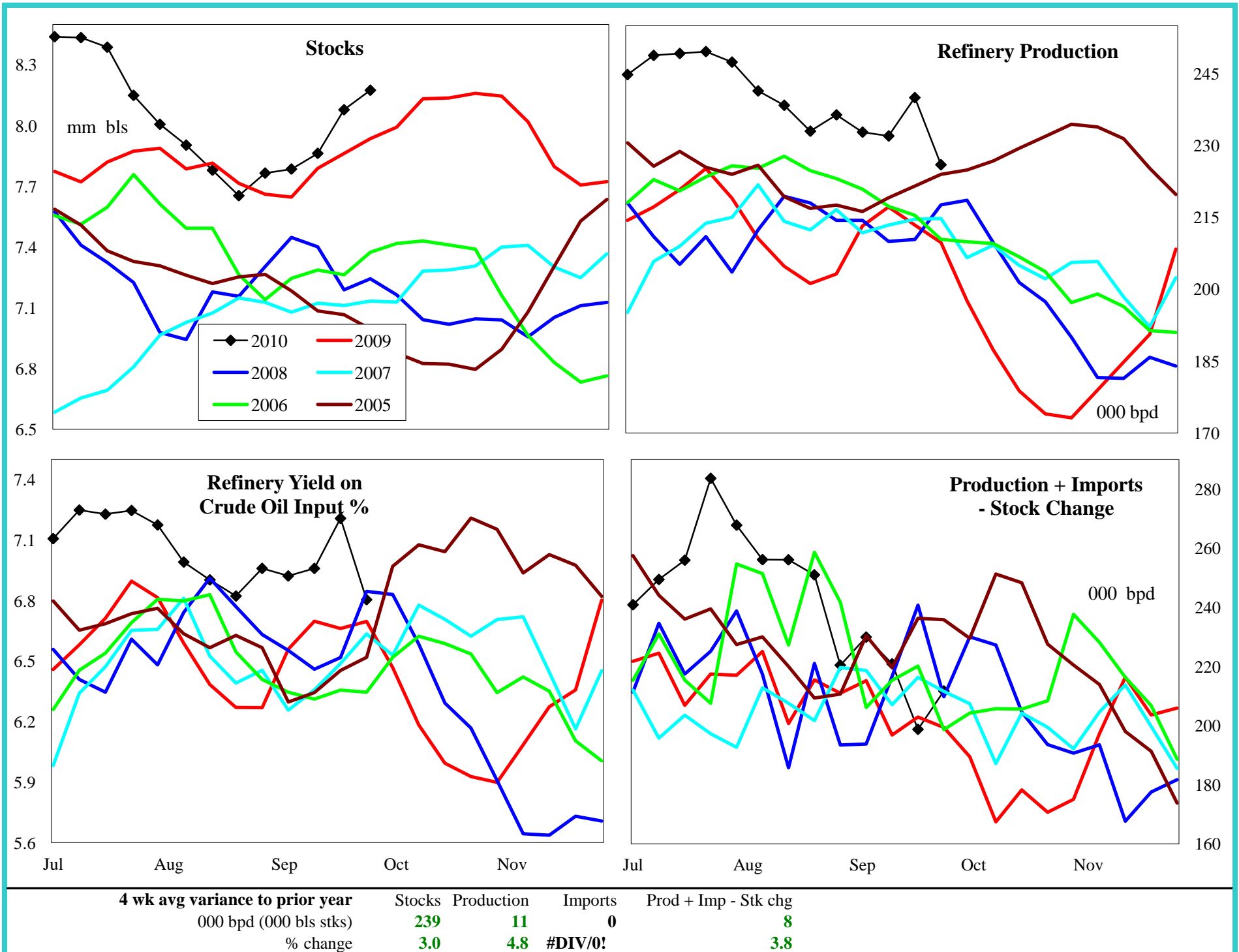


# PADD 2 Distillate Supply

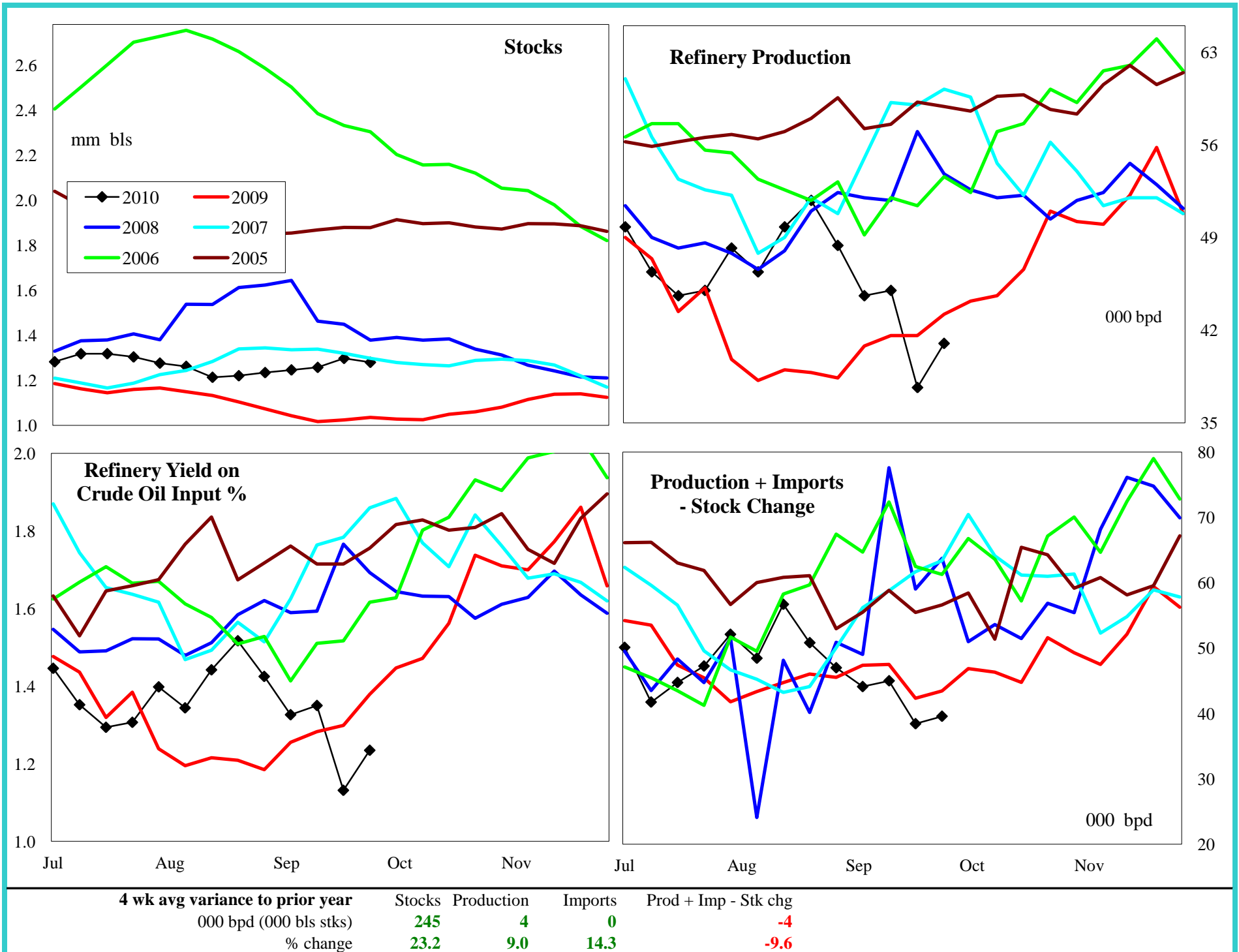




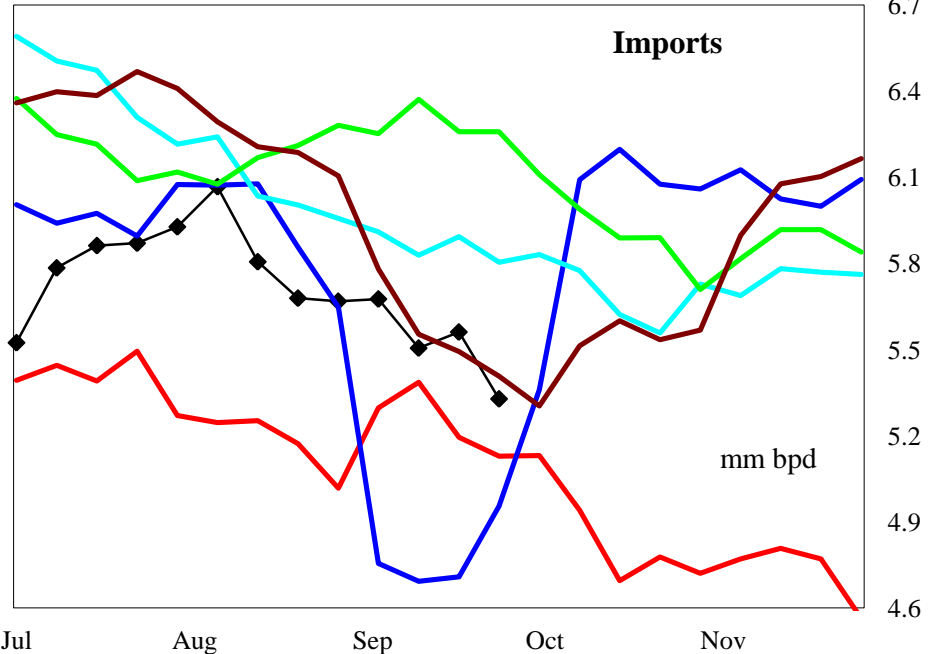
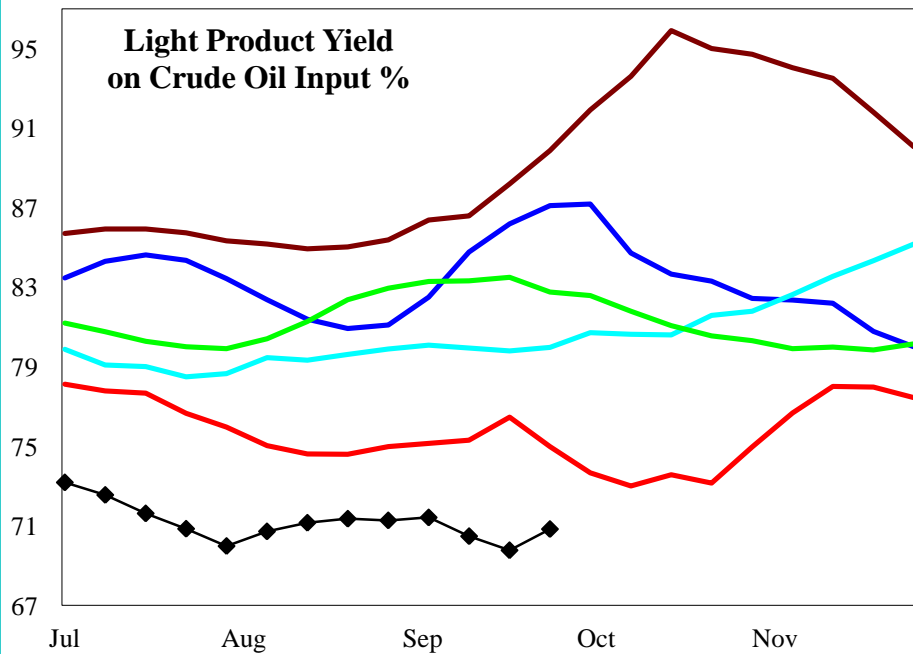
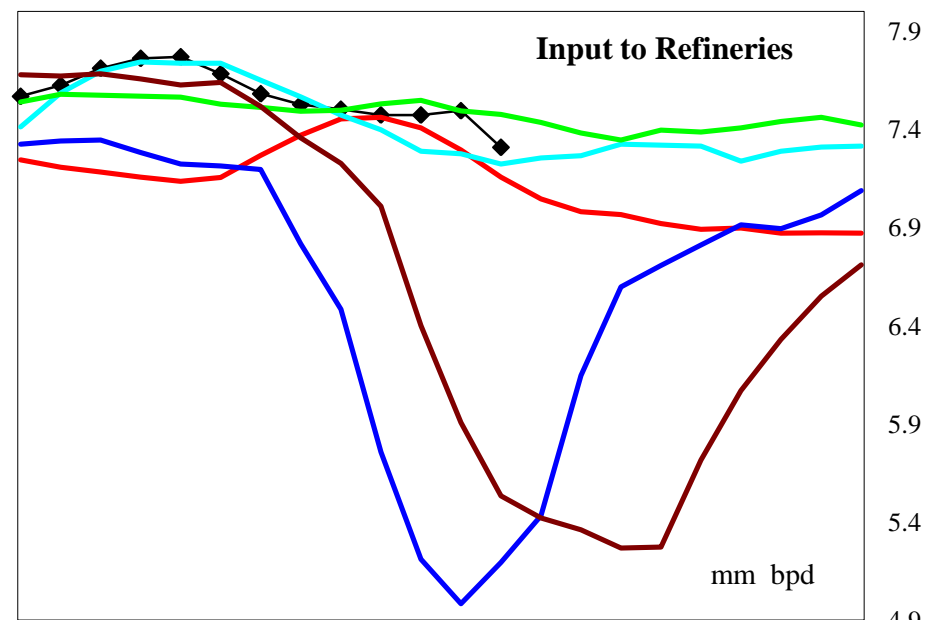
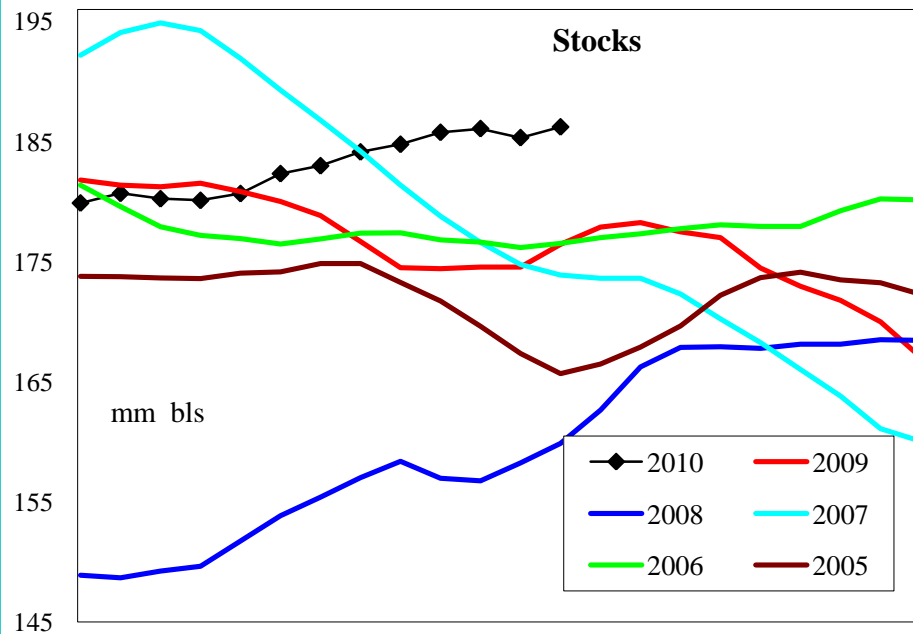
# PADD 2 Jet Fuel Supply



# PADD 2 Residual Fuel Oil Supply



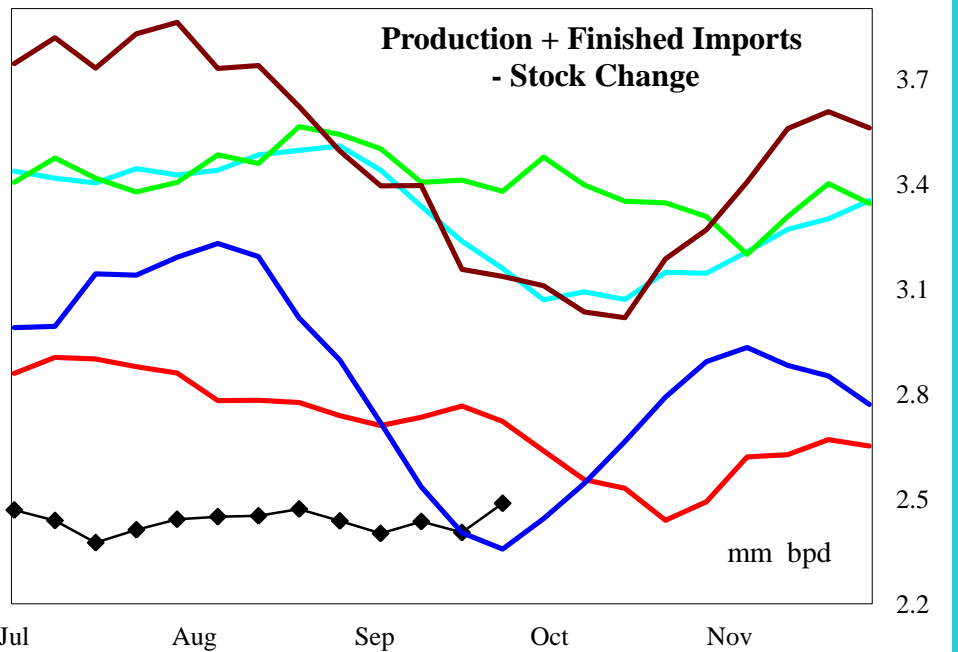
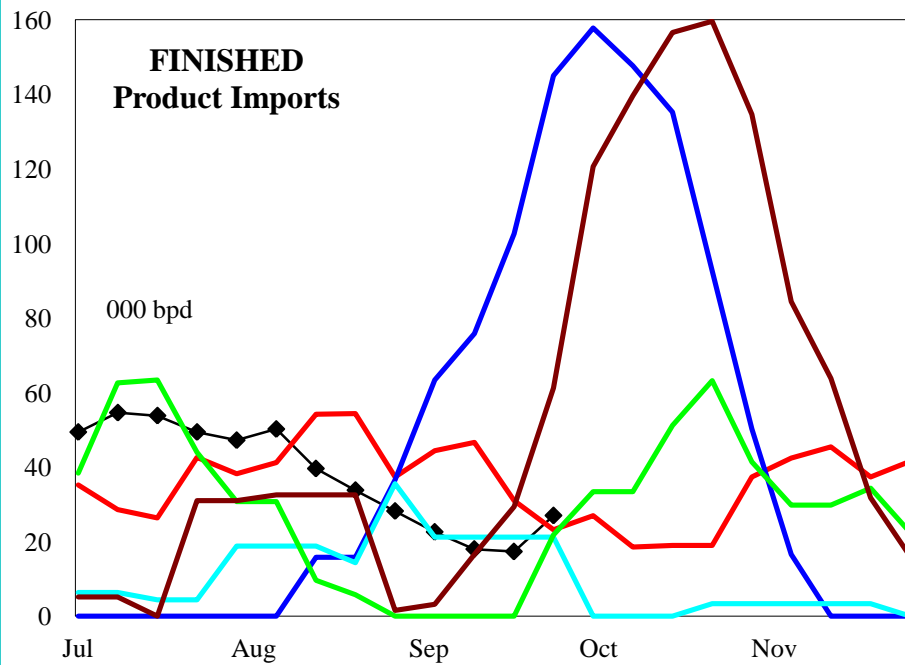
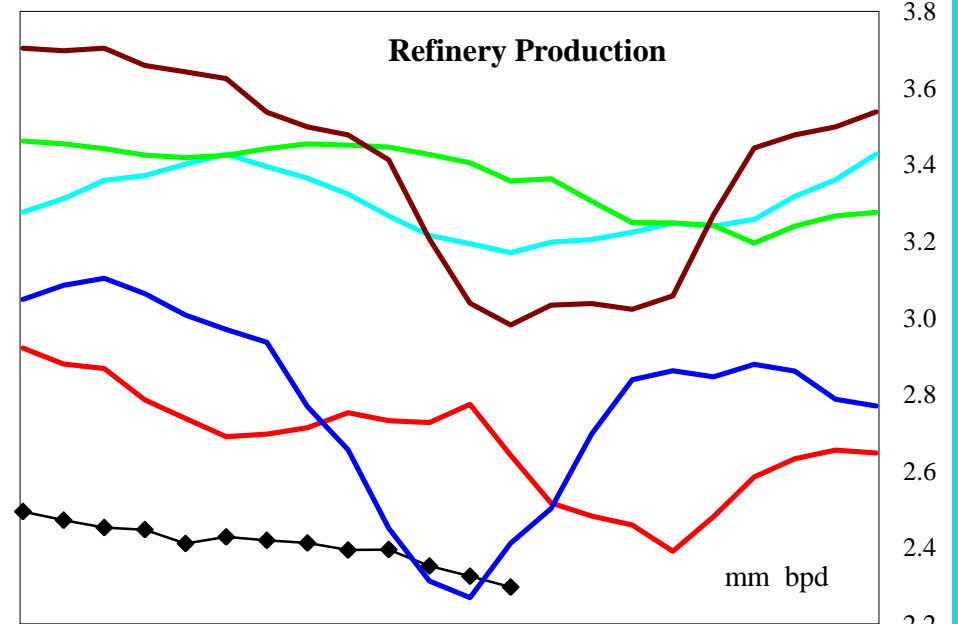
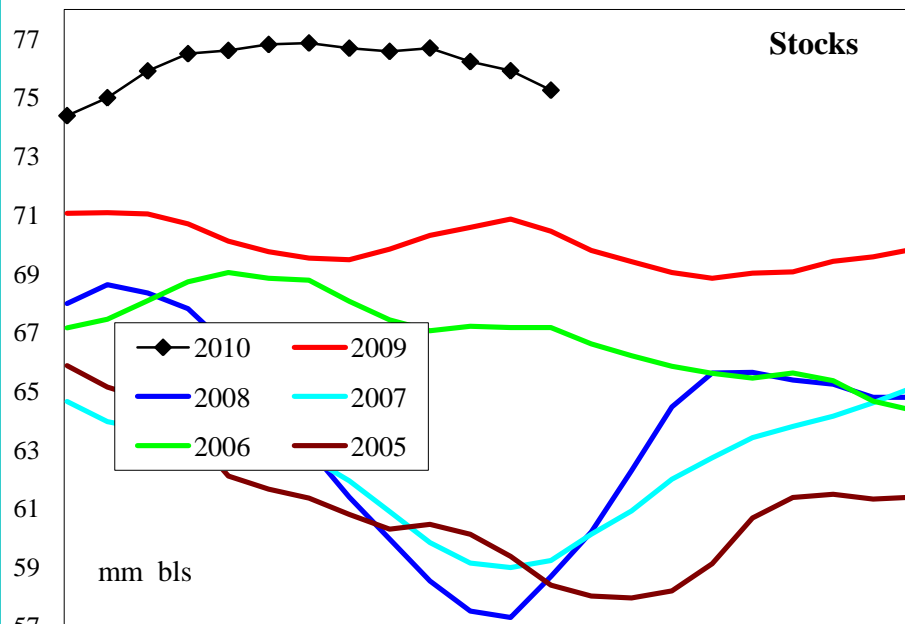
# PADD 3 Crude Oil Supply and Refining



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

|                        | Stocks | Input | Imports |
|------------------------|--------|-------|---------|
| 000 bpd (000 bls stks) | 9,781  | 165   | 89      |
| % change               | 5.5    | 2.2   | 1.7     |

# PADD 3 Gasoline Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

3,924

5.5

Production

-406

-14.8

Fin Impt

-16

-49.2

Blend Impt

54

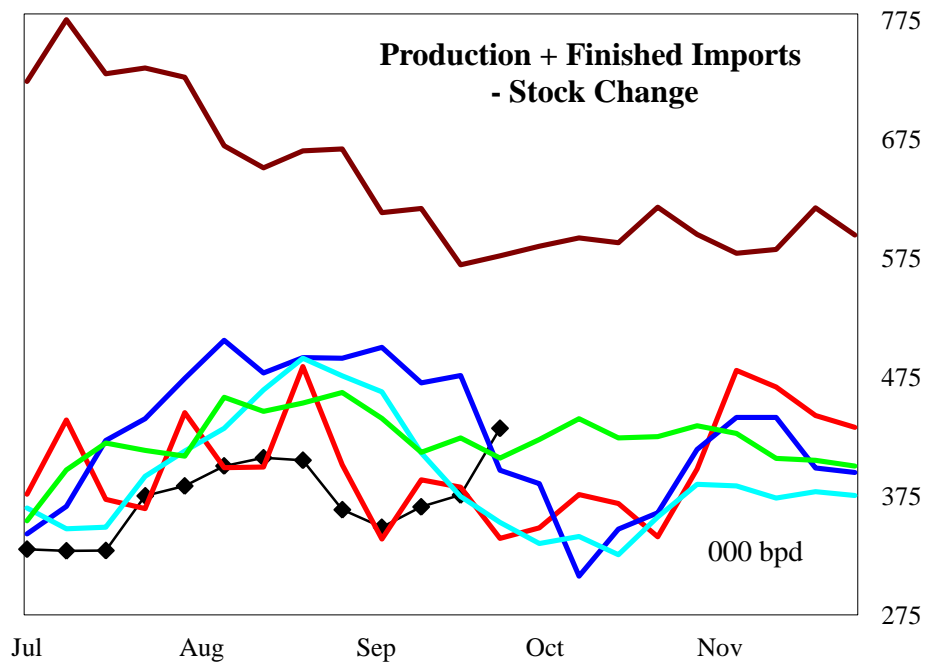
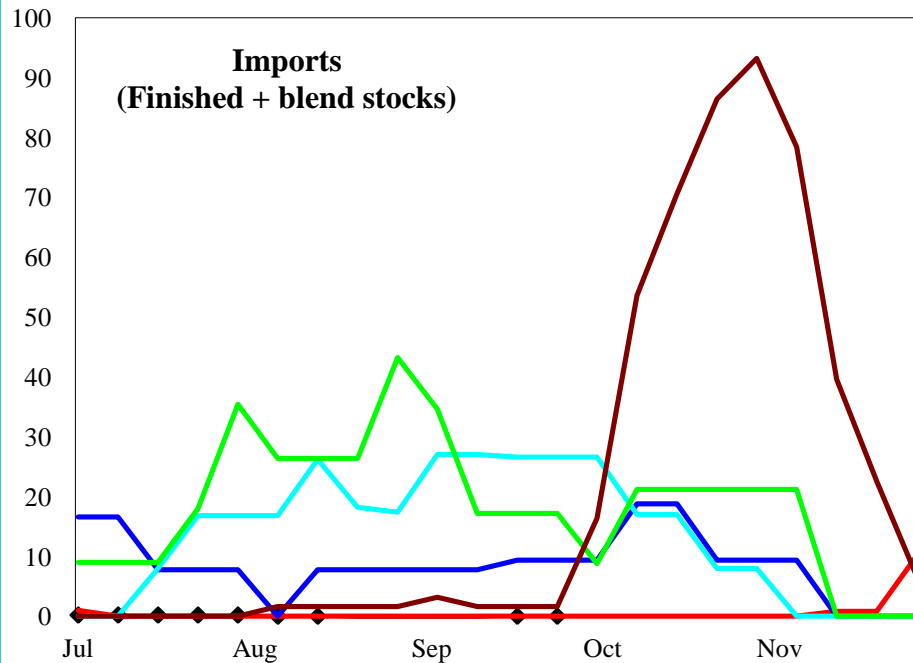
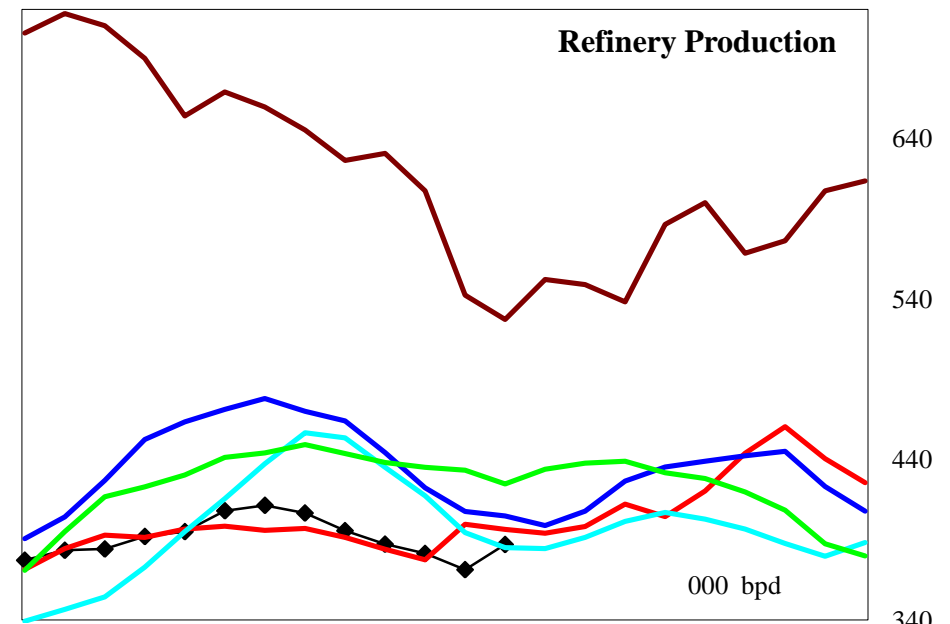
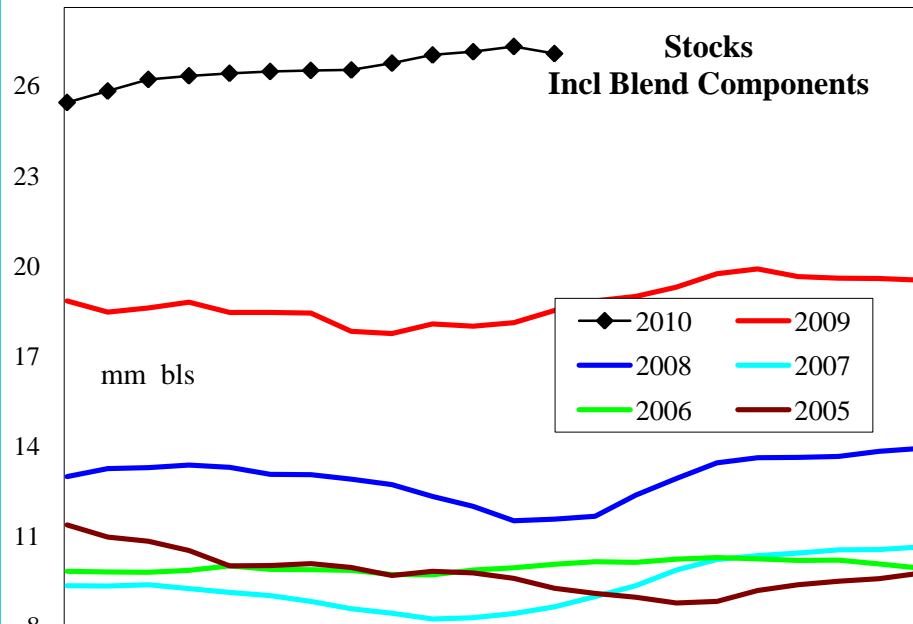
199.1

Prod + Imp - Stk chg

-279

-10.4

# PADD 3 Reformulated Gasoline Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

**Stocks**

**8,918**

**48.1**

**Production**

**-4**

**-1.0**

**Imports**

**0**

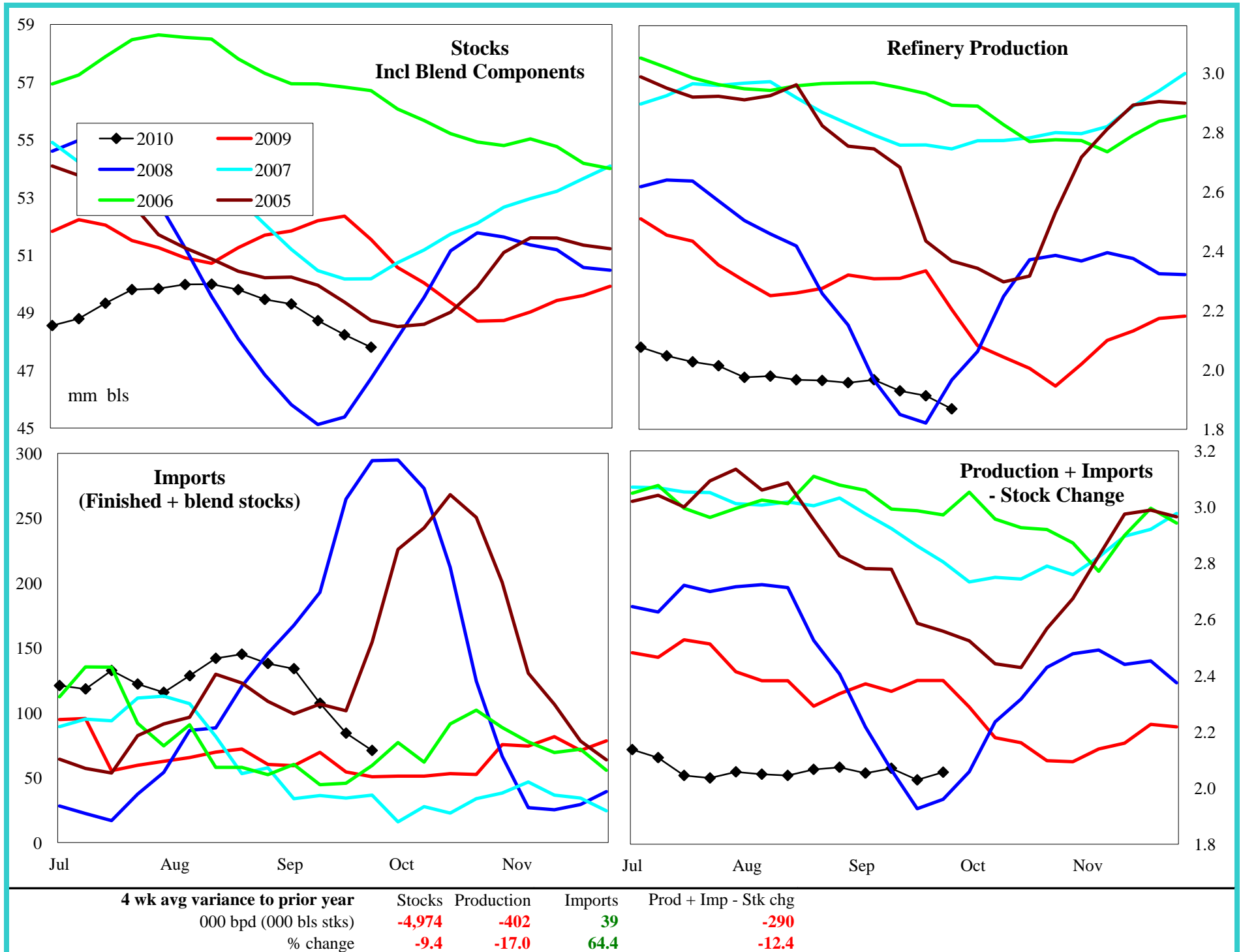
**#DIV/0!**

**Prod + Imp - Stk chg**

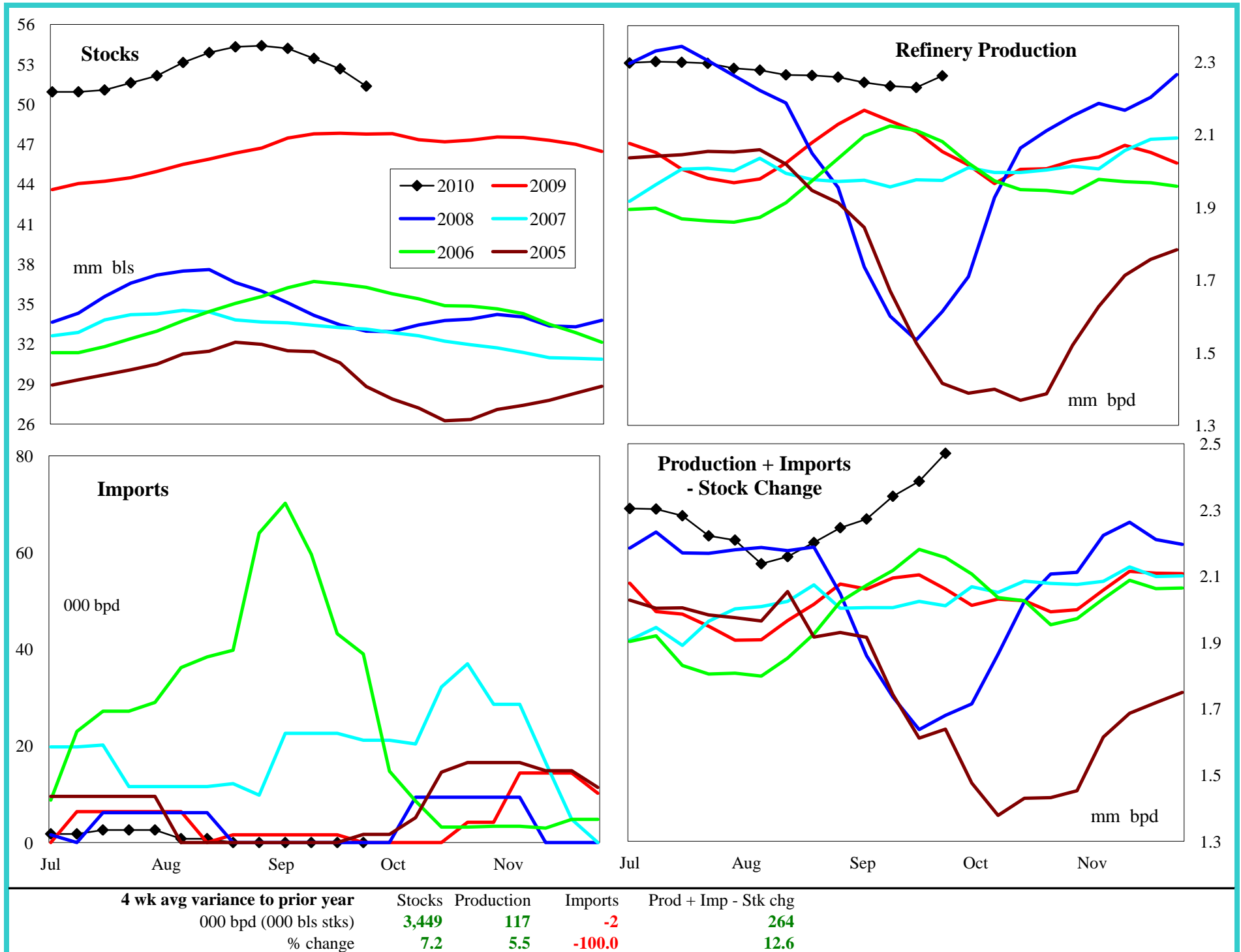
**11**

**3.3**

# PADD 3 Conventional Gasoline Supply

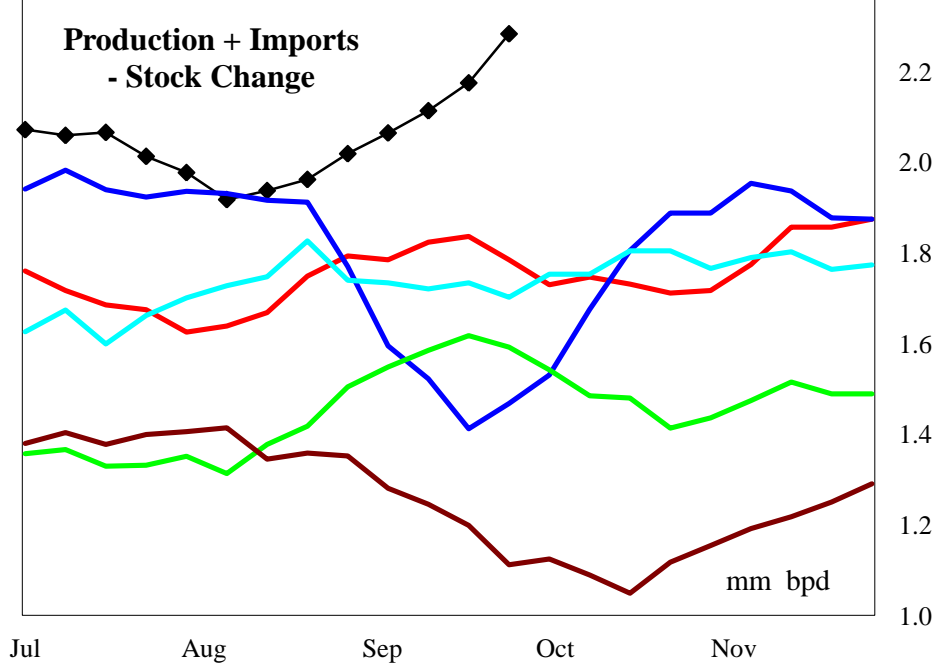
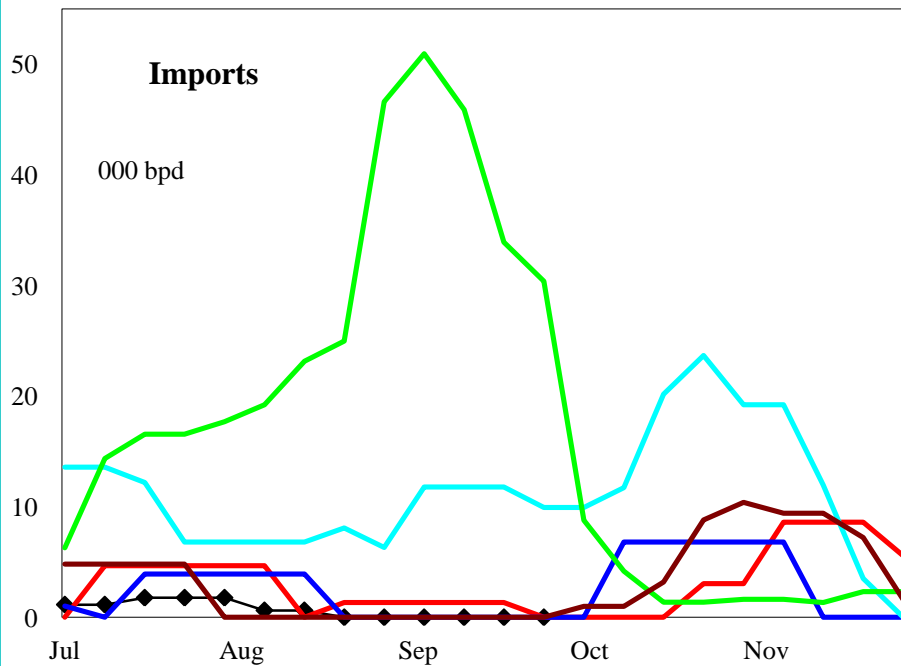
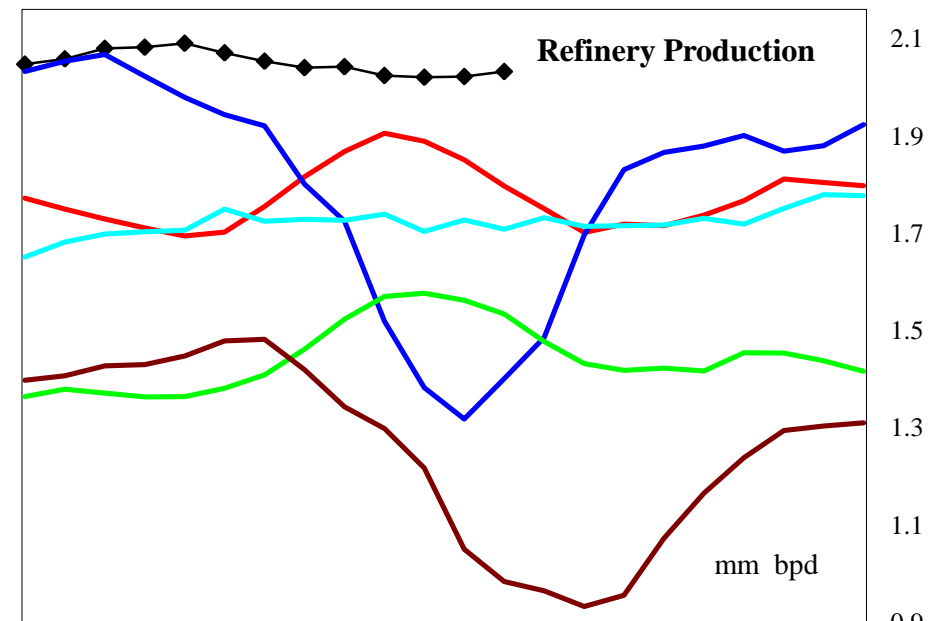
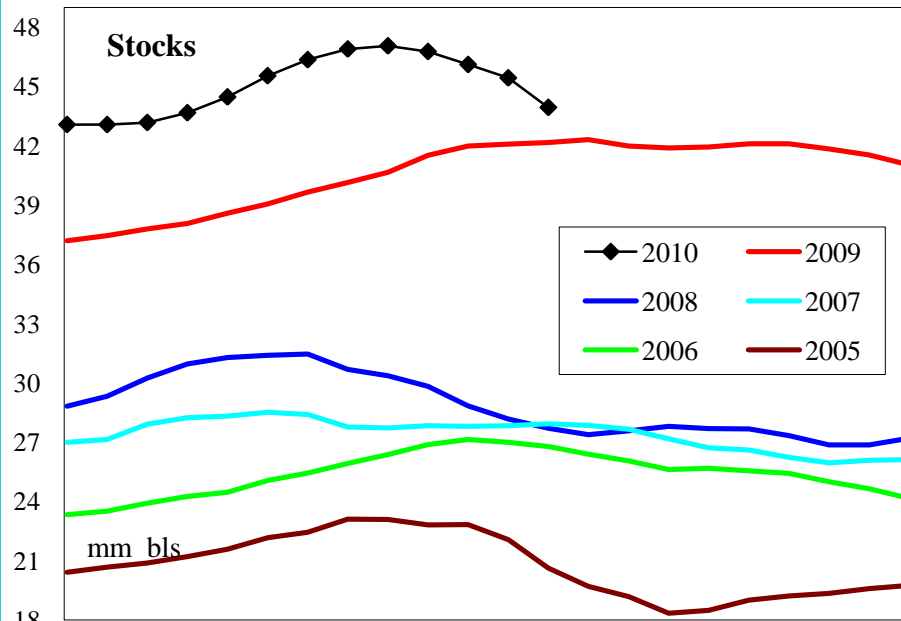


# PADD 3 Distillate Supply





# PADD 3 Low Sulfur Distillate Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

**1,962**

**4.7**

Production

**154**

**8.1**

Imports

**-2**

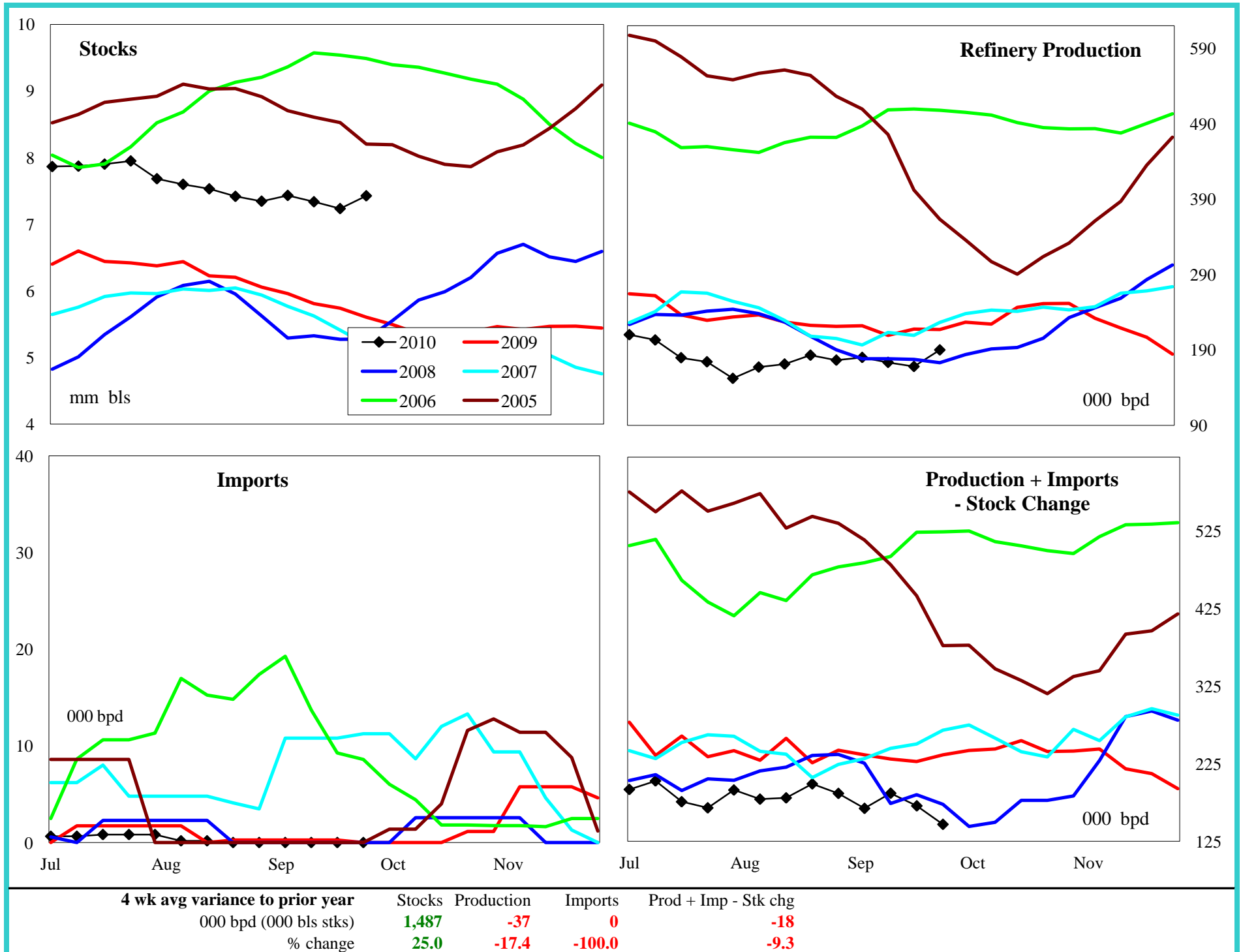
**-100.0**

Prod + Imp - Stk chg

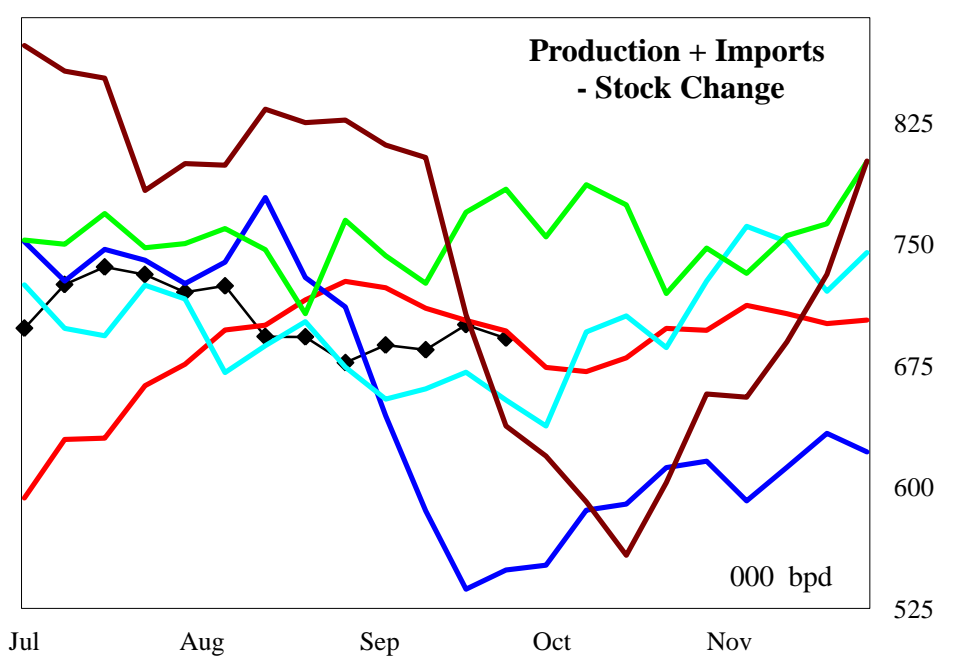
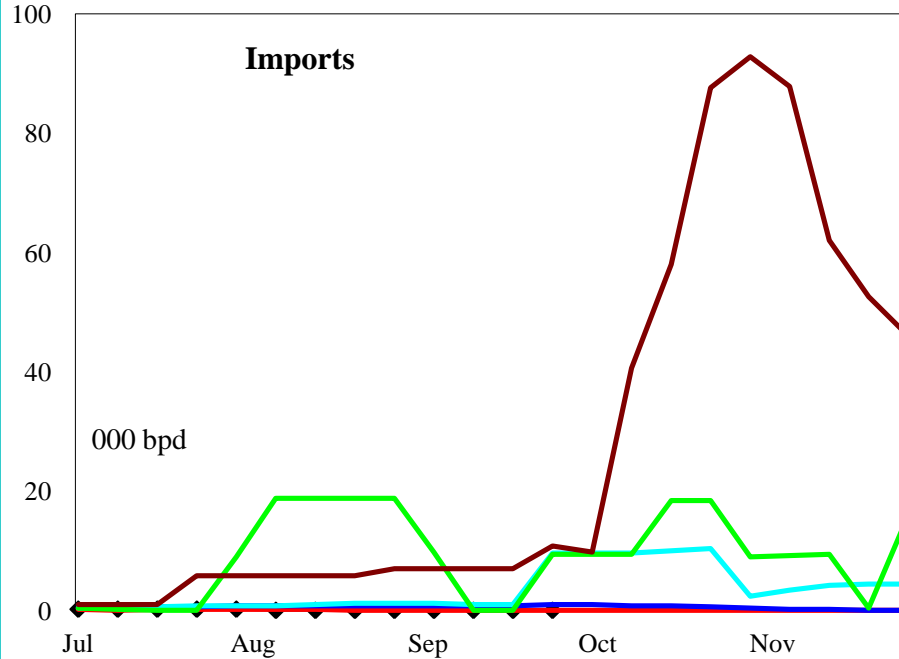
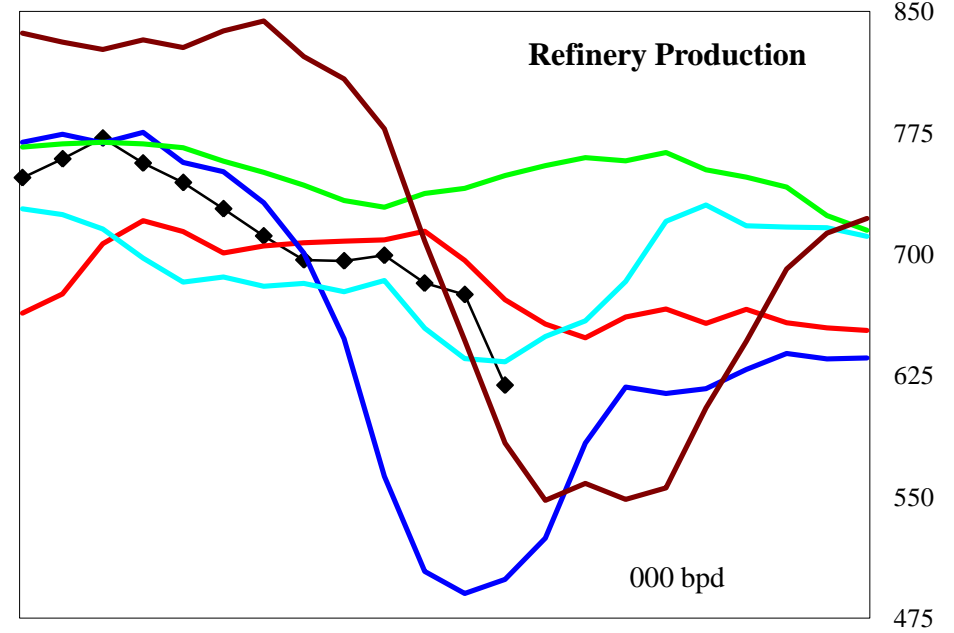
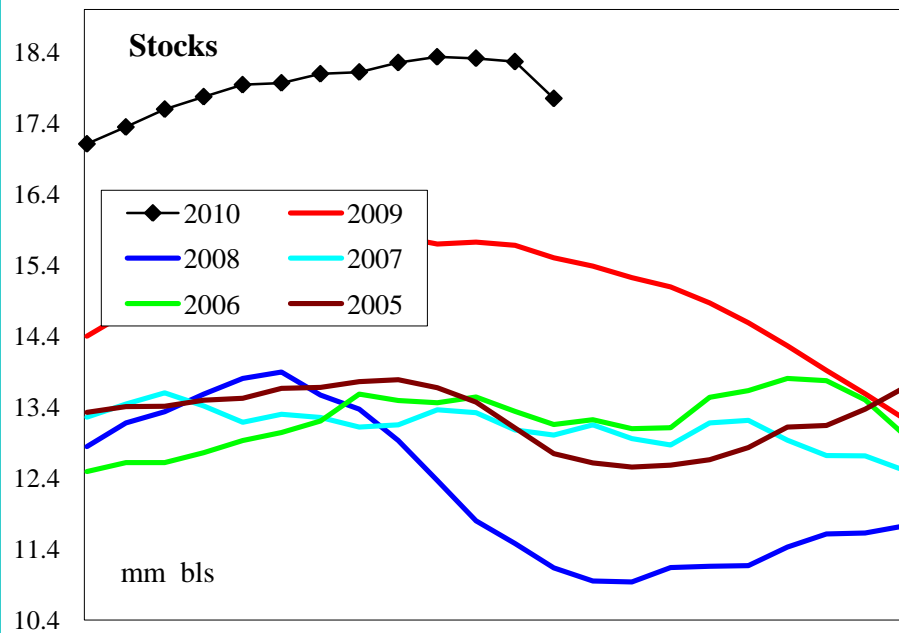
**282**

**14.9**

# 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

2,242

14.5

Production

-24

-3.3

Imports

0

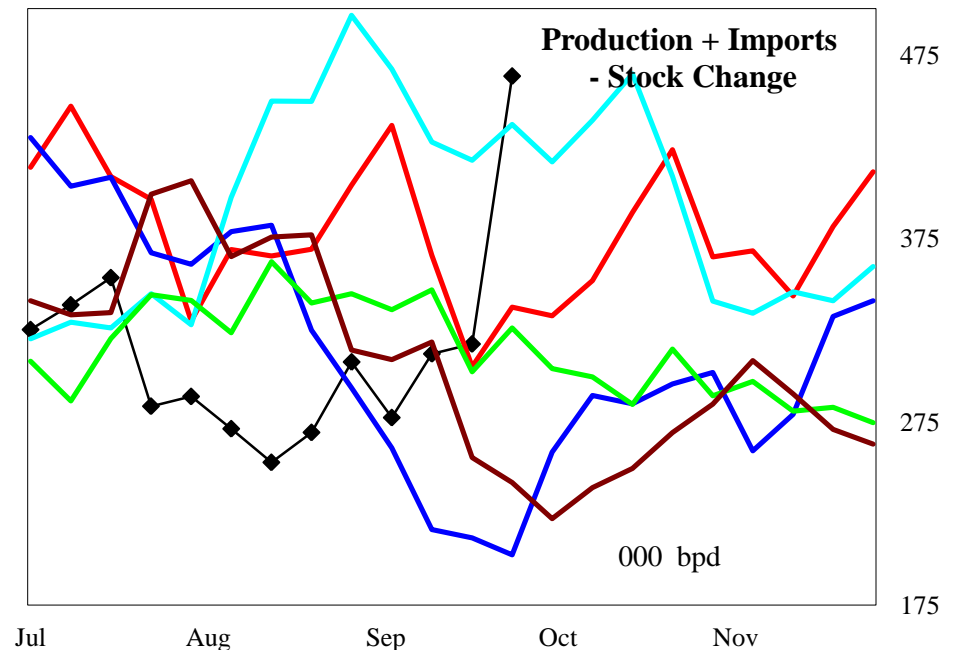
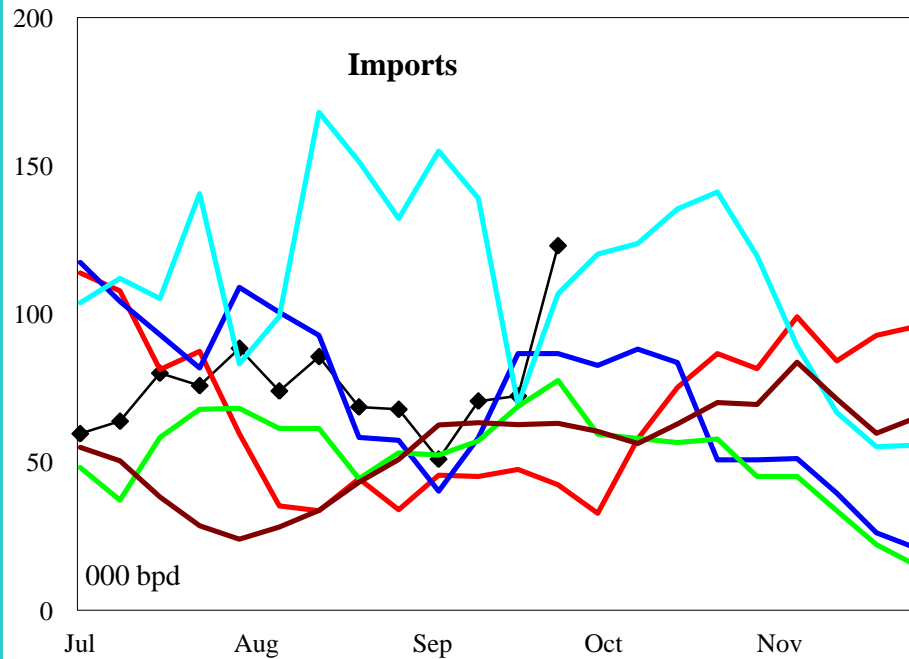
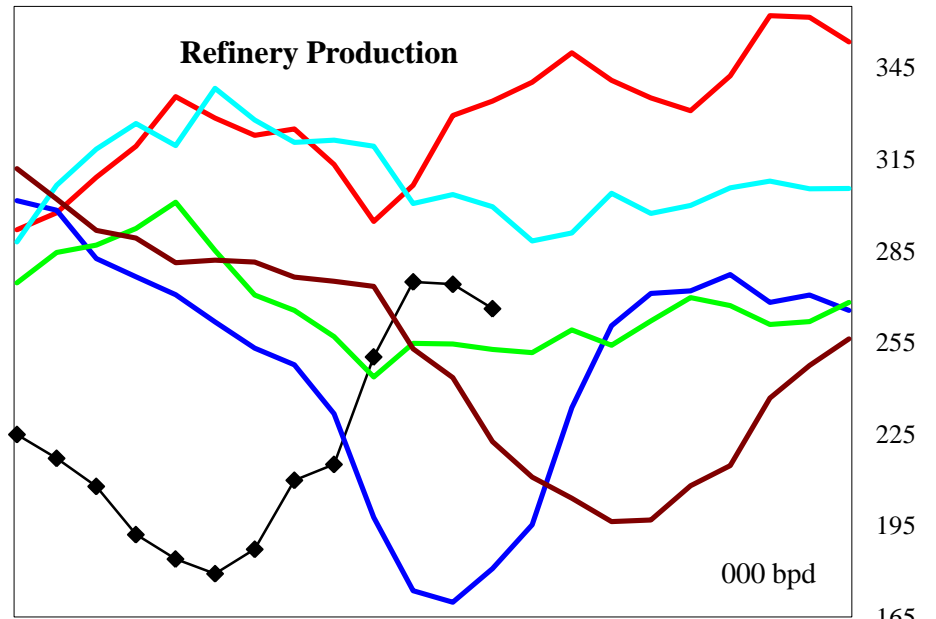
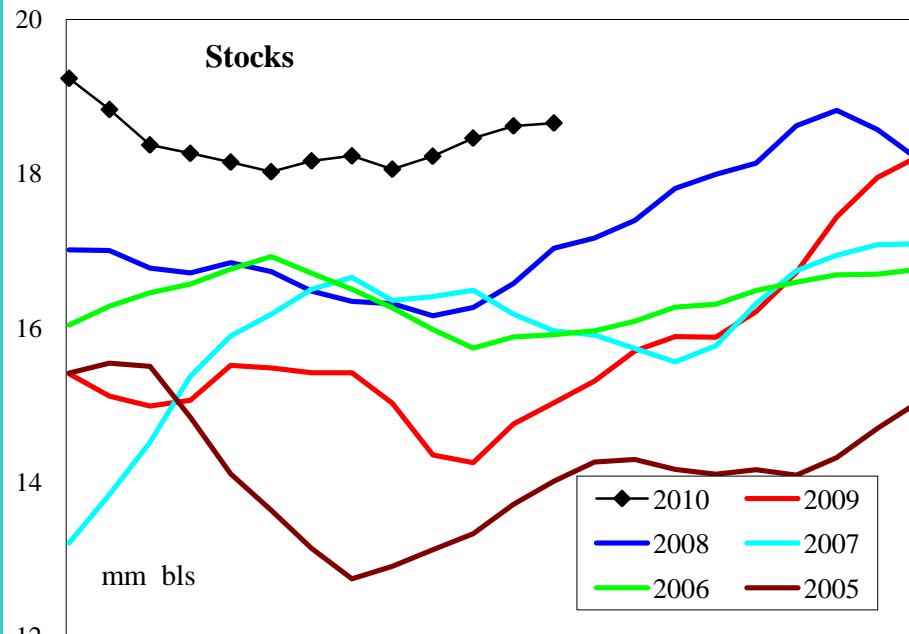
#DIV/0!

Prod + Imp - Stk chg

-1

-0.1

# PADD 3 Residual Fuel Oil Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

3,633

24.2

Production

-29

-9.1

Imports

21

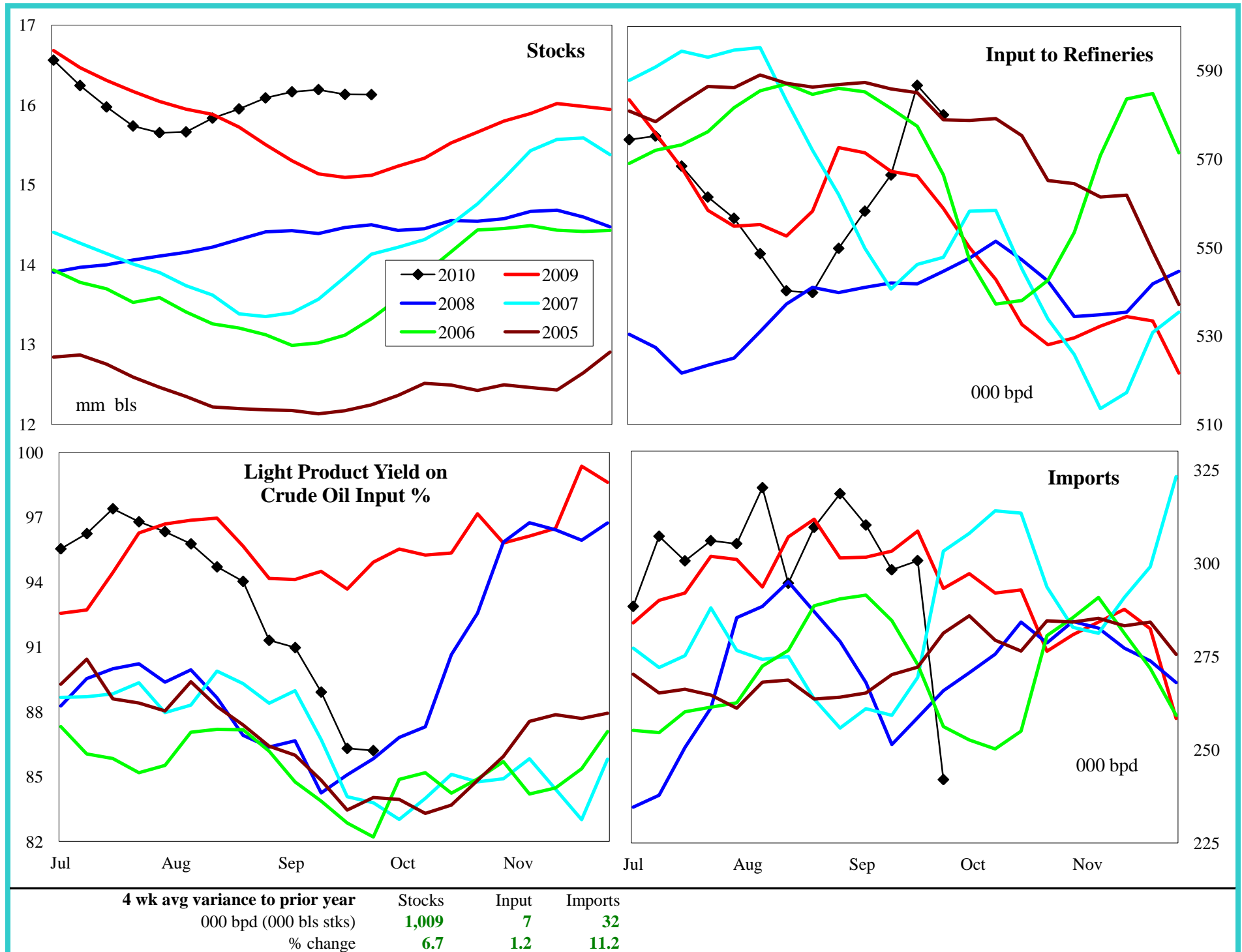
46.1

Prod + Imp - Stk chg

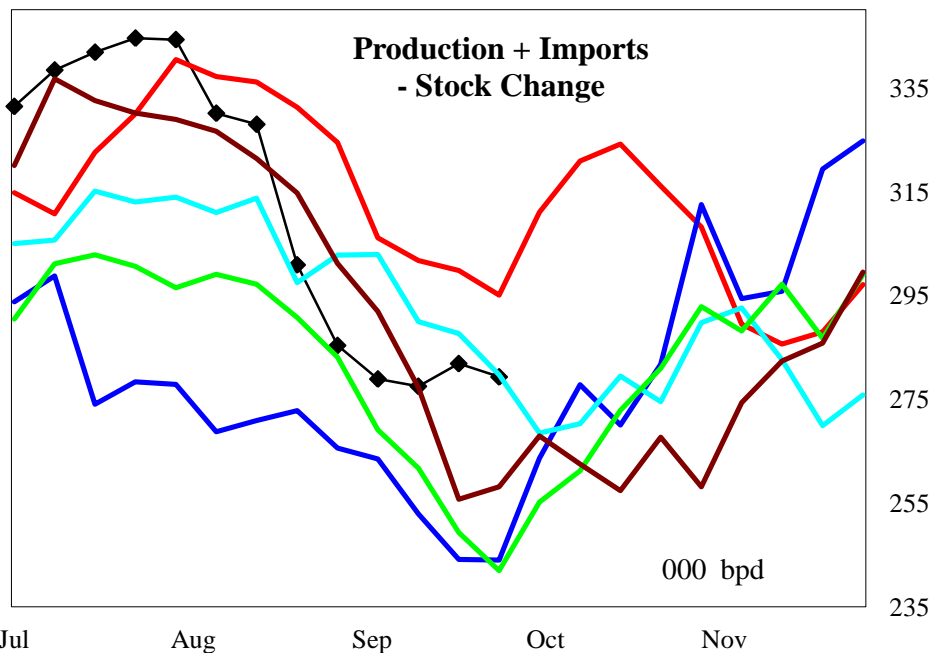
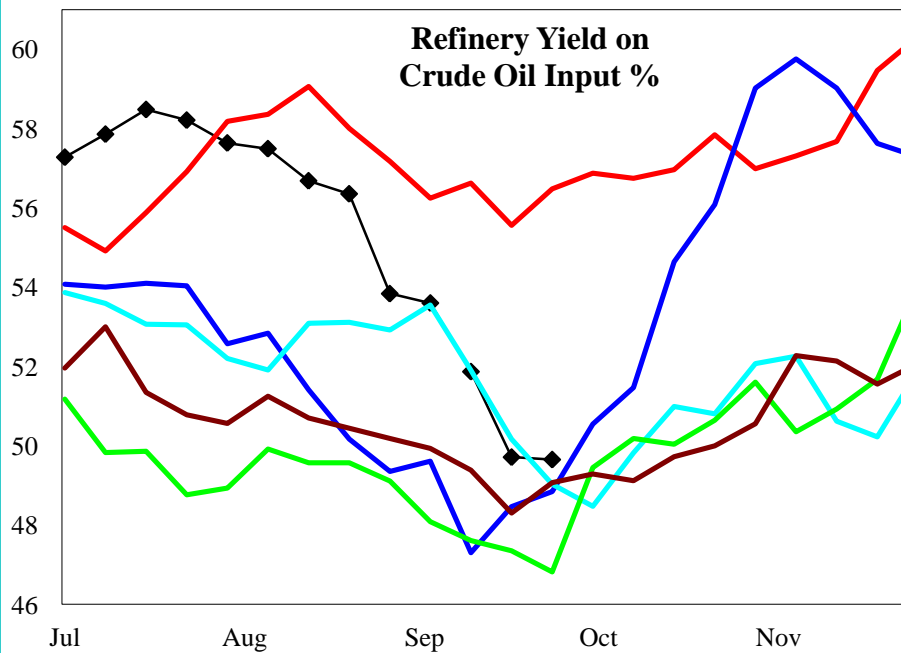
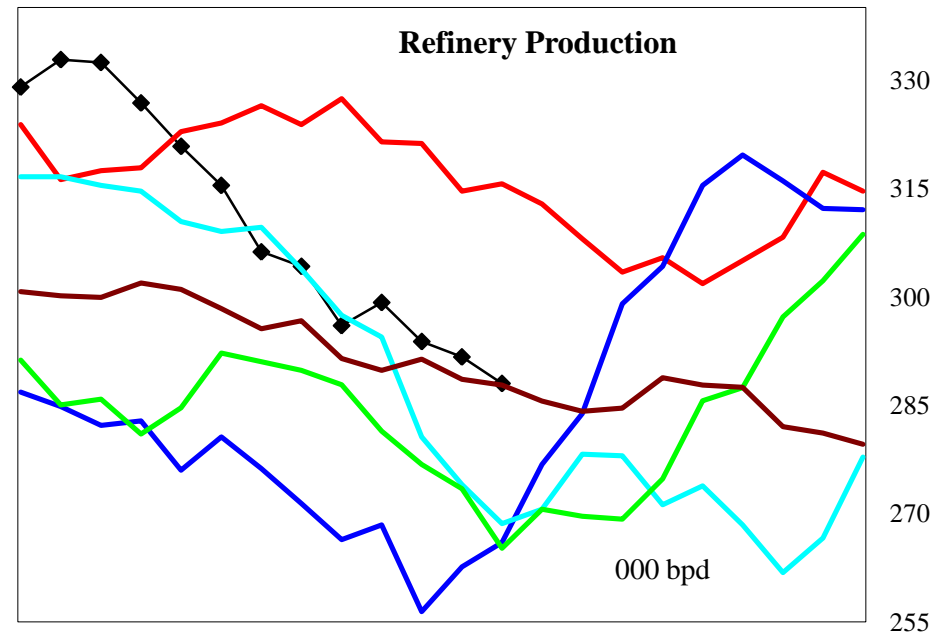
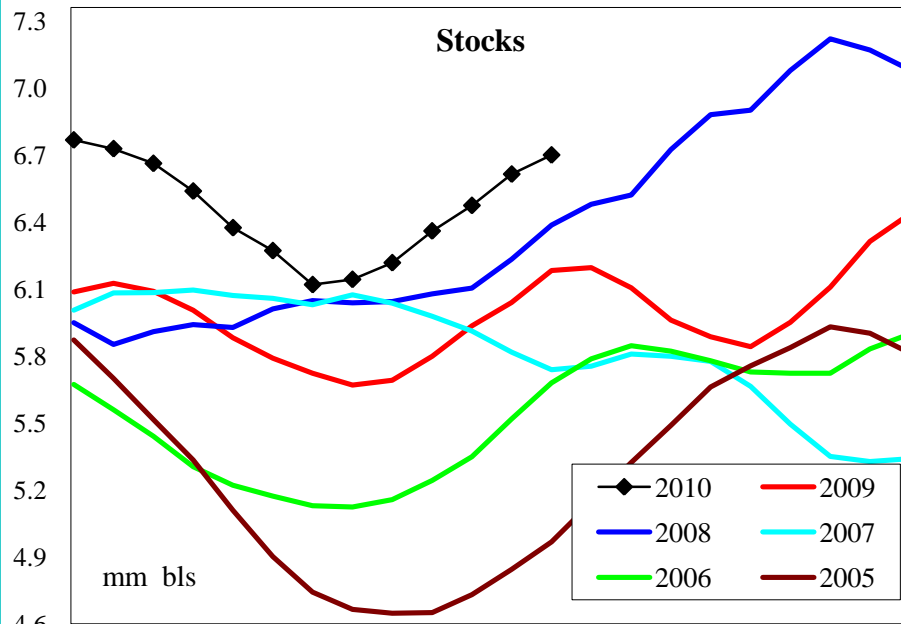
4

1.3

# 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

517

-21

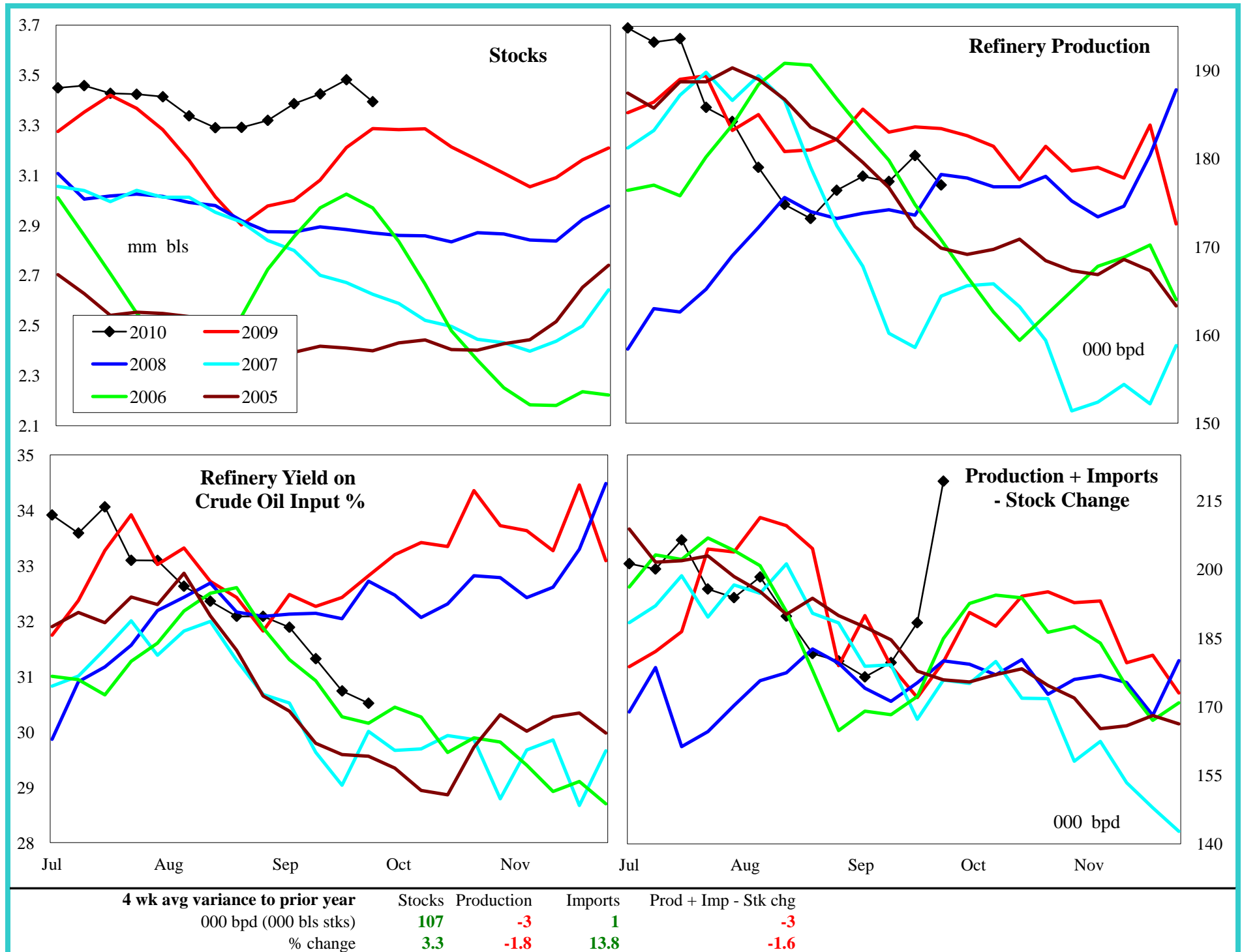
-23

8.3

-6.7

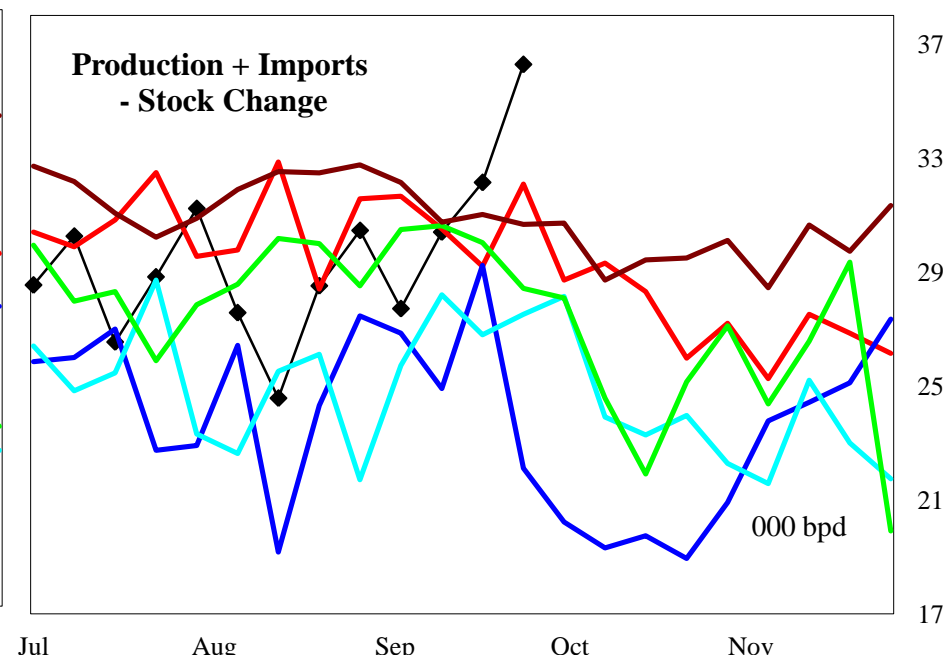
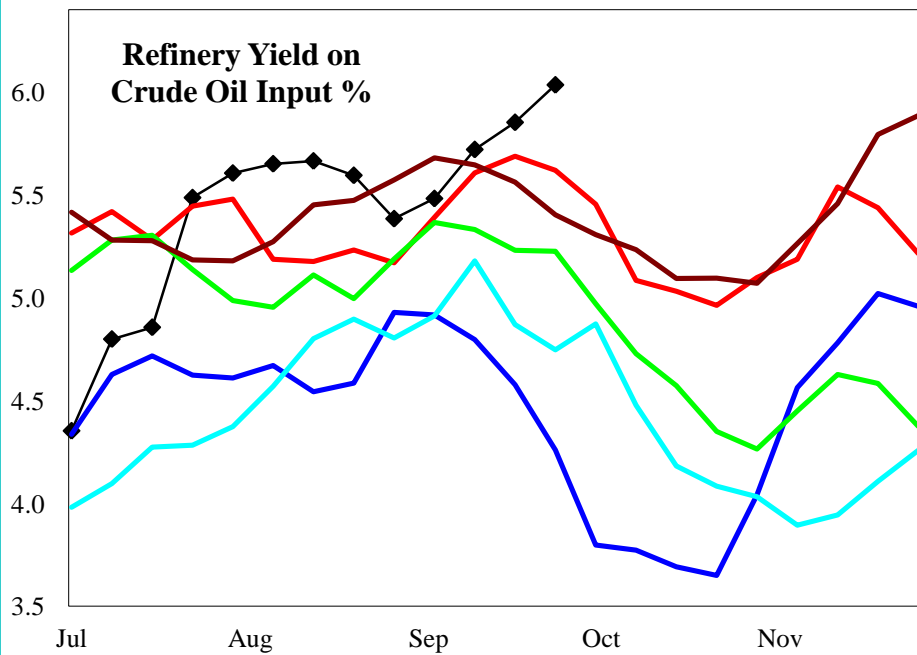
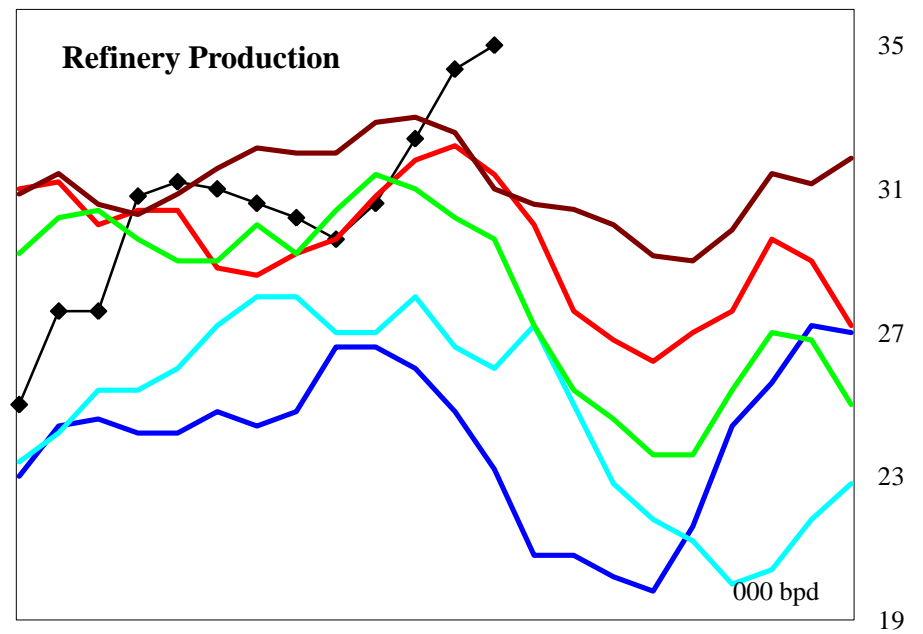
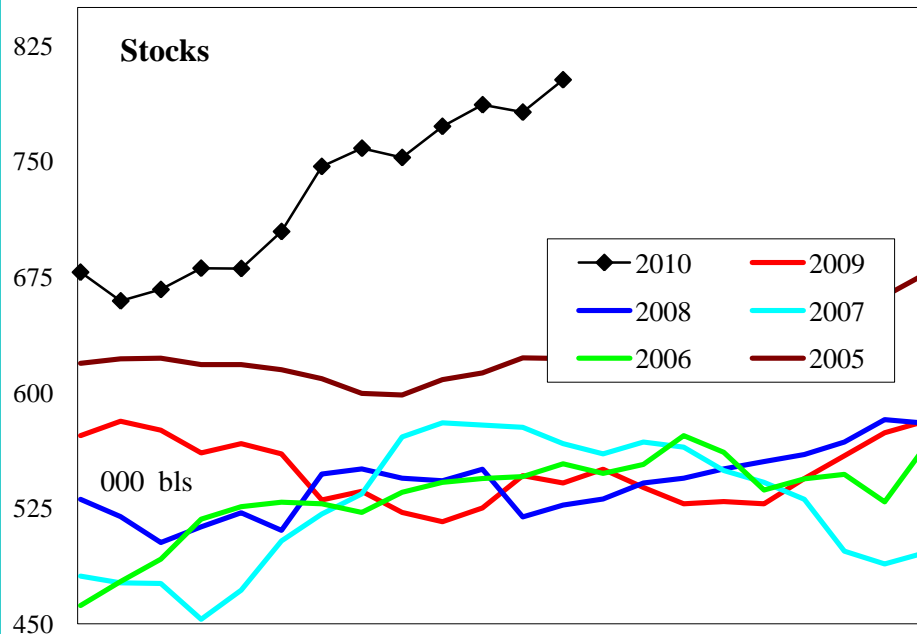
-8.0

# PADD 4 Distillate Supply





# PADD 4 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Prod + Imp - Stk chg

262

0

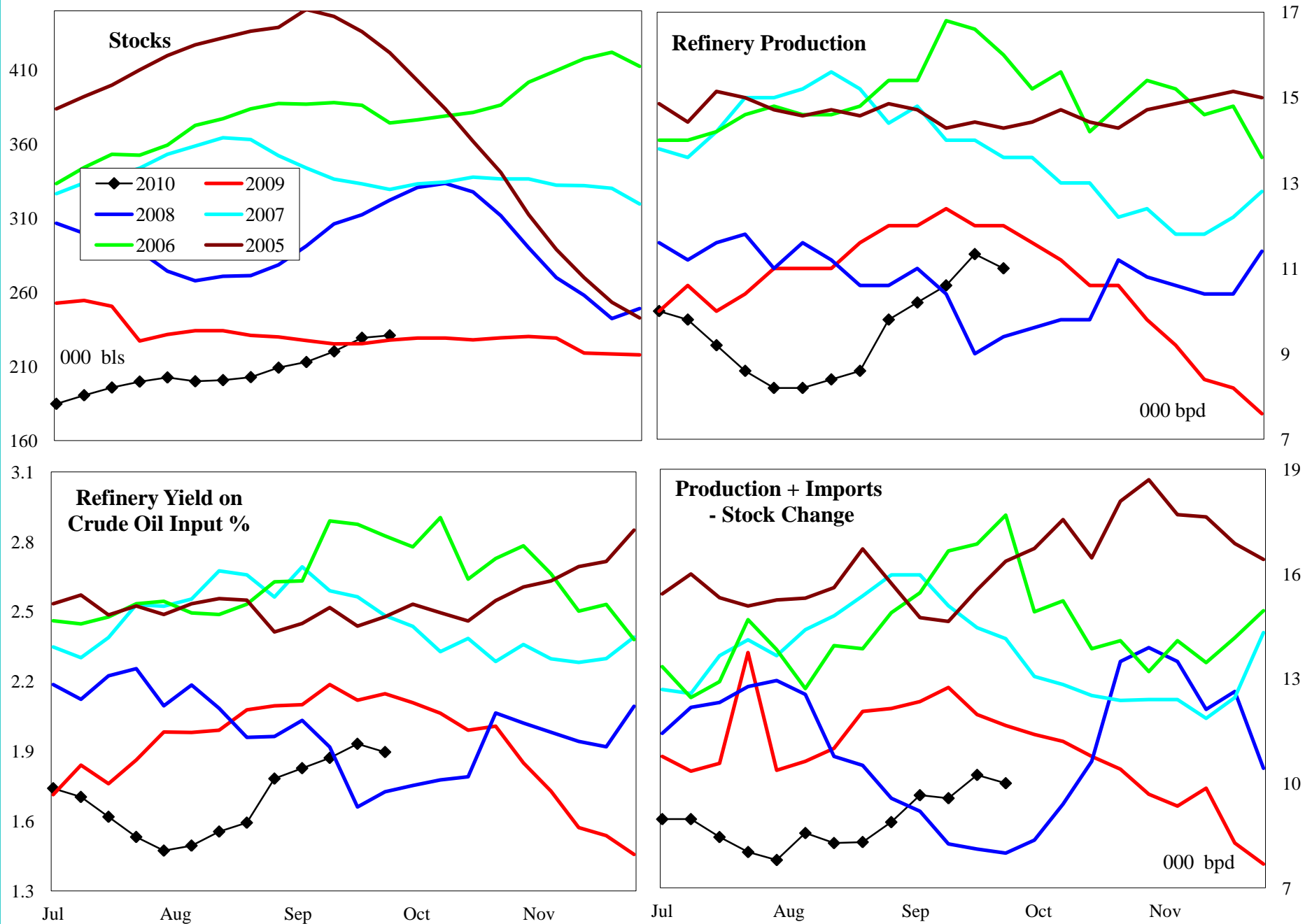
4

48.3

0.8

12.9

# PADD 4 Residual Fuel Oil Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

3

Production

-2

Imports

0

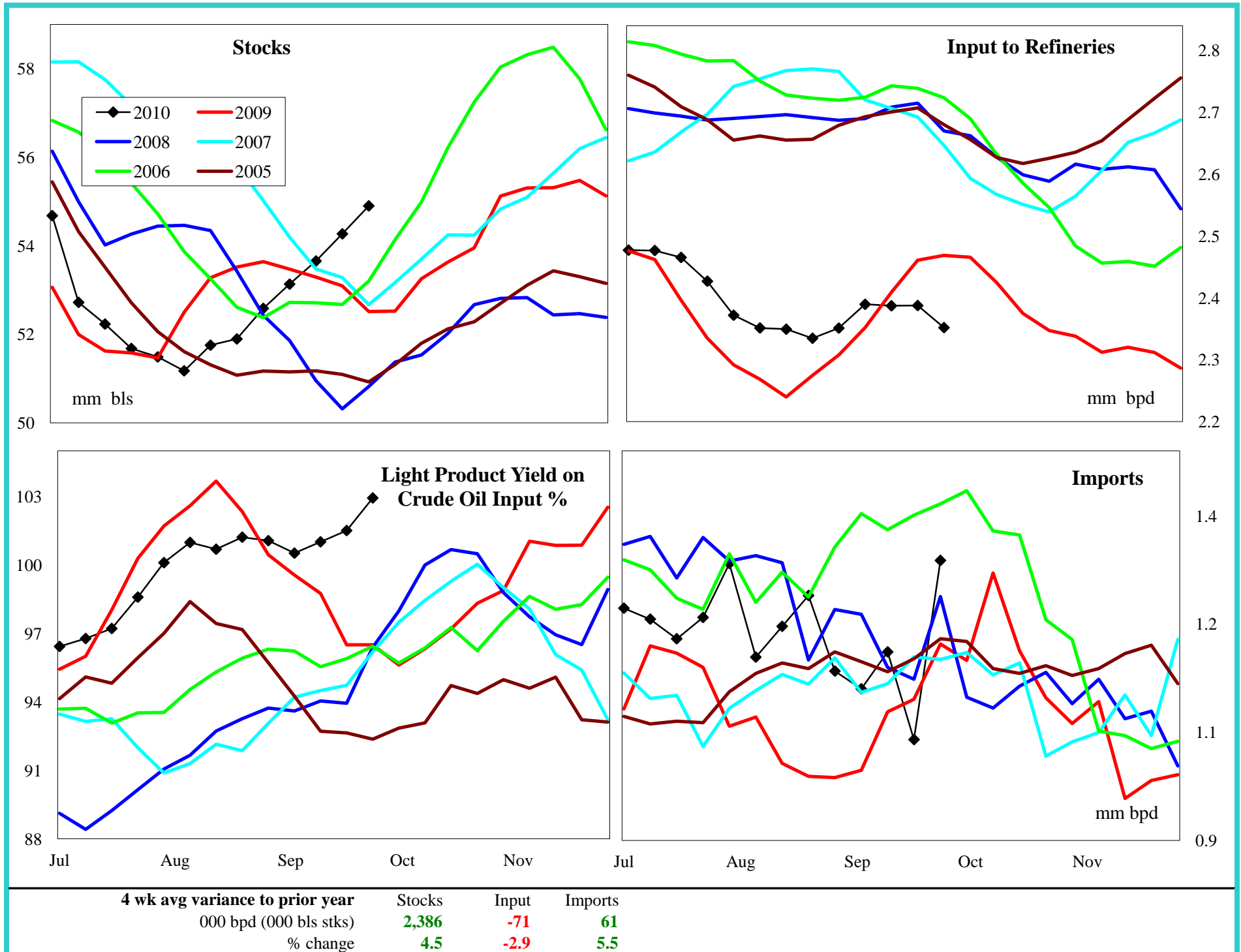
Prod + Imp - Stk chg

-3

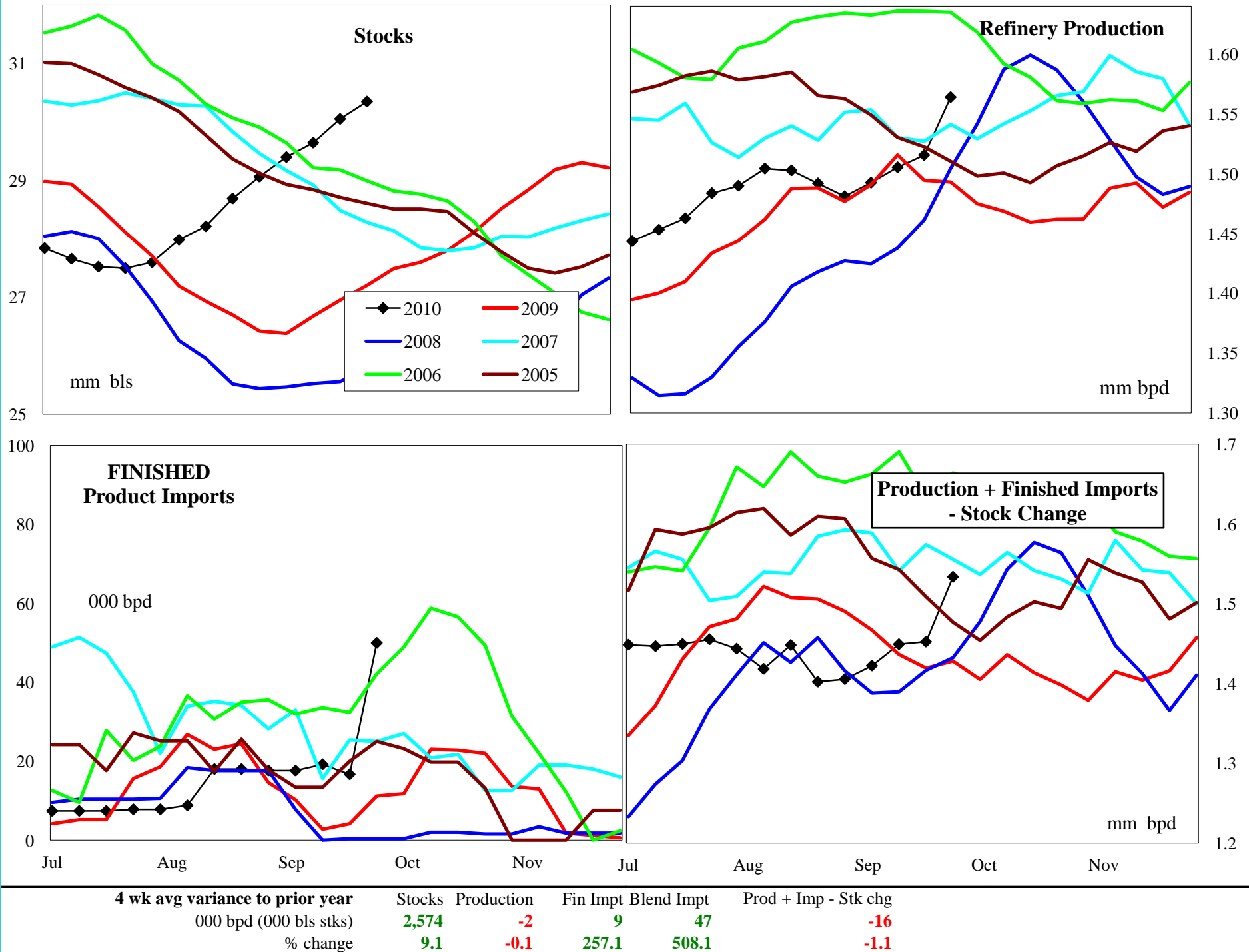
#DIV/0!

-24.7

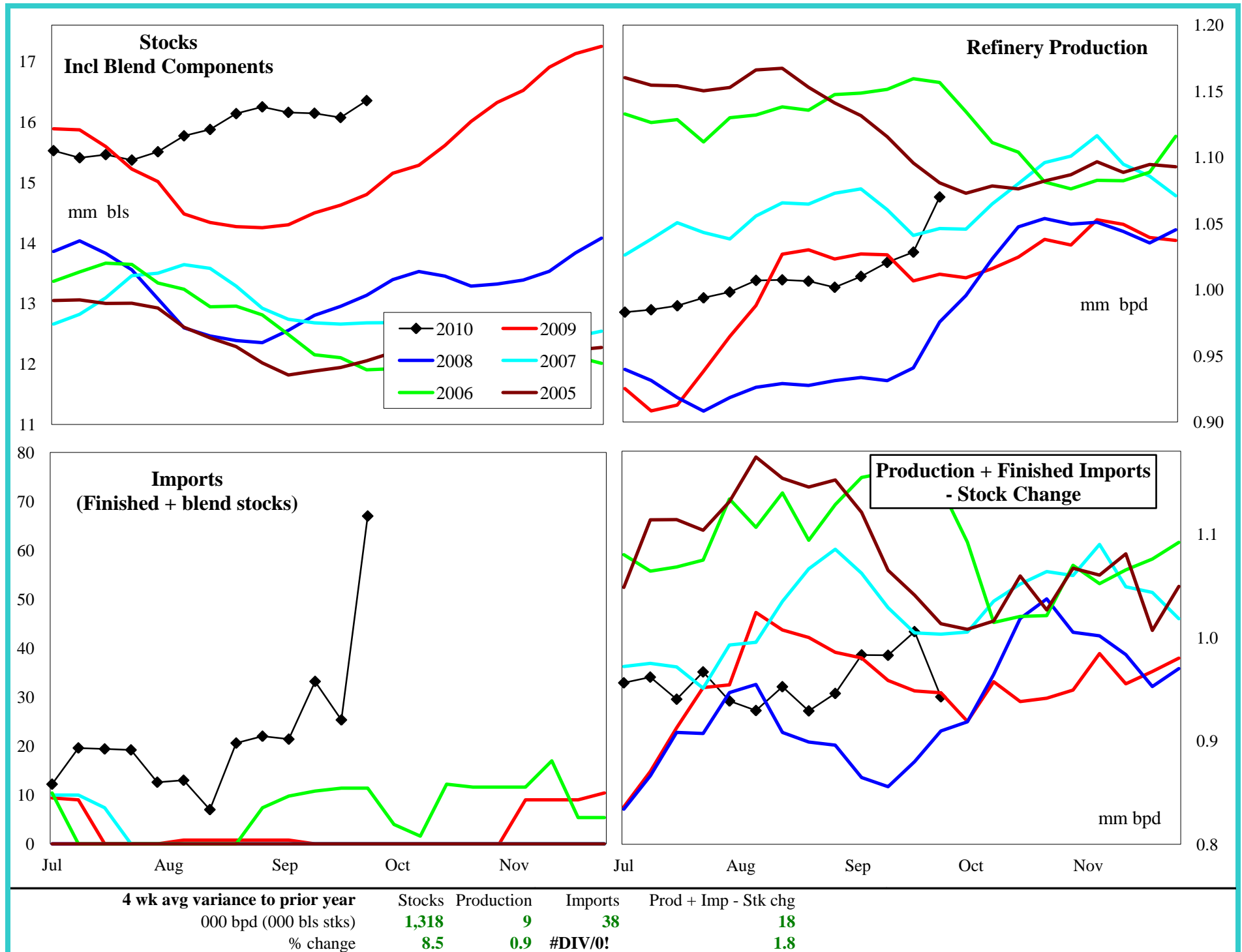
# PADD 5 Crude Oil Supply and Refining



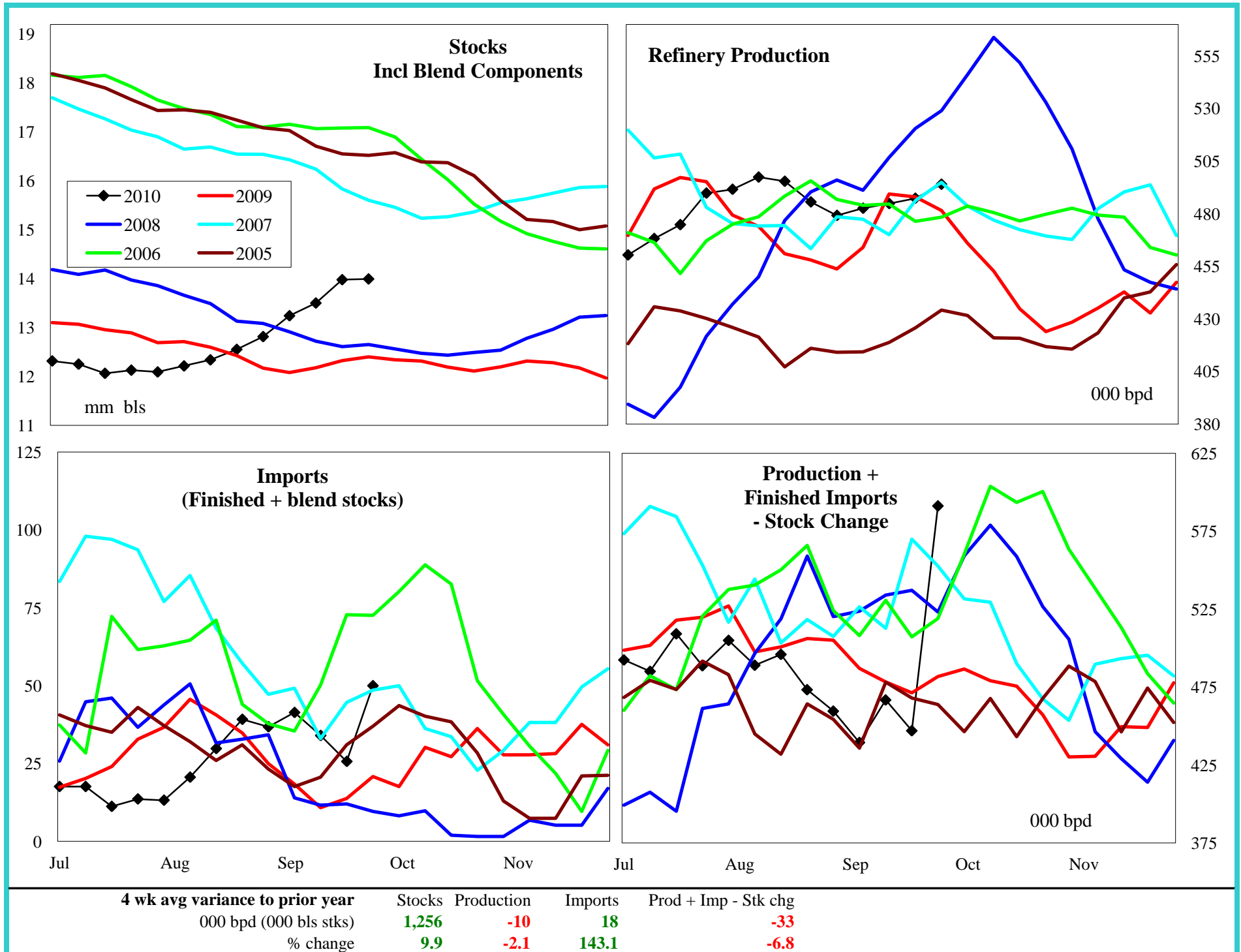
# PADD 5 Gasoline Supply



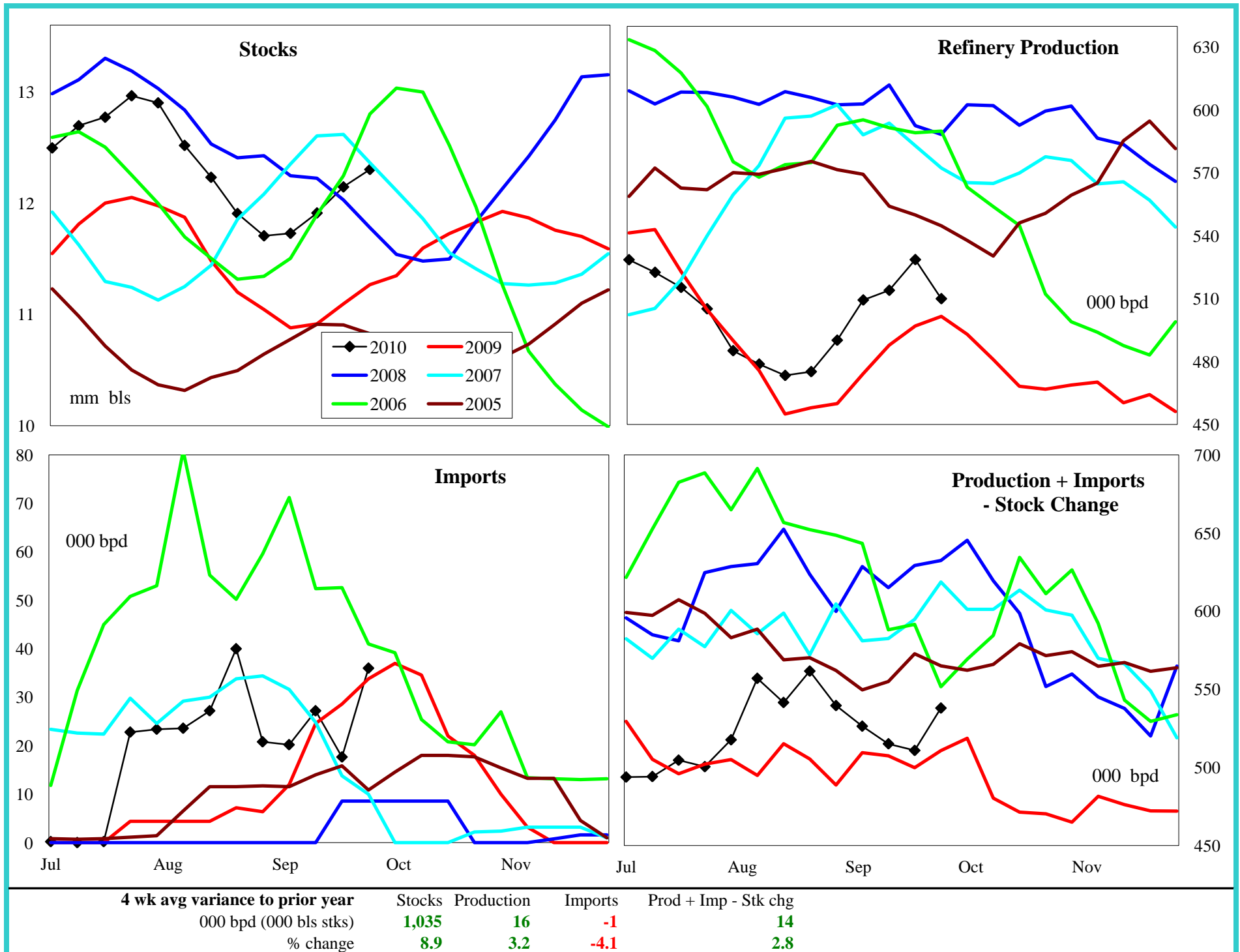
# PADD 5 Reformulated Gasoline Supply



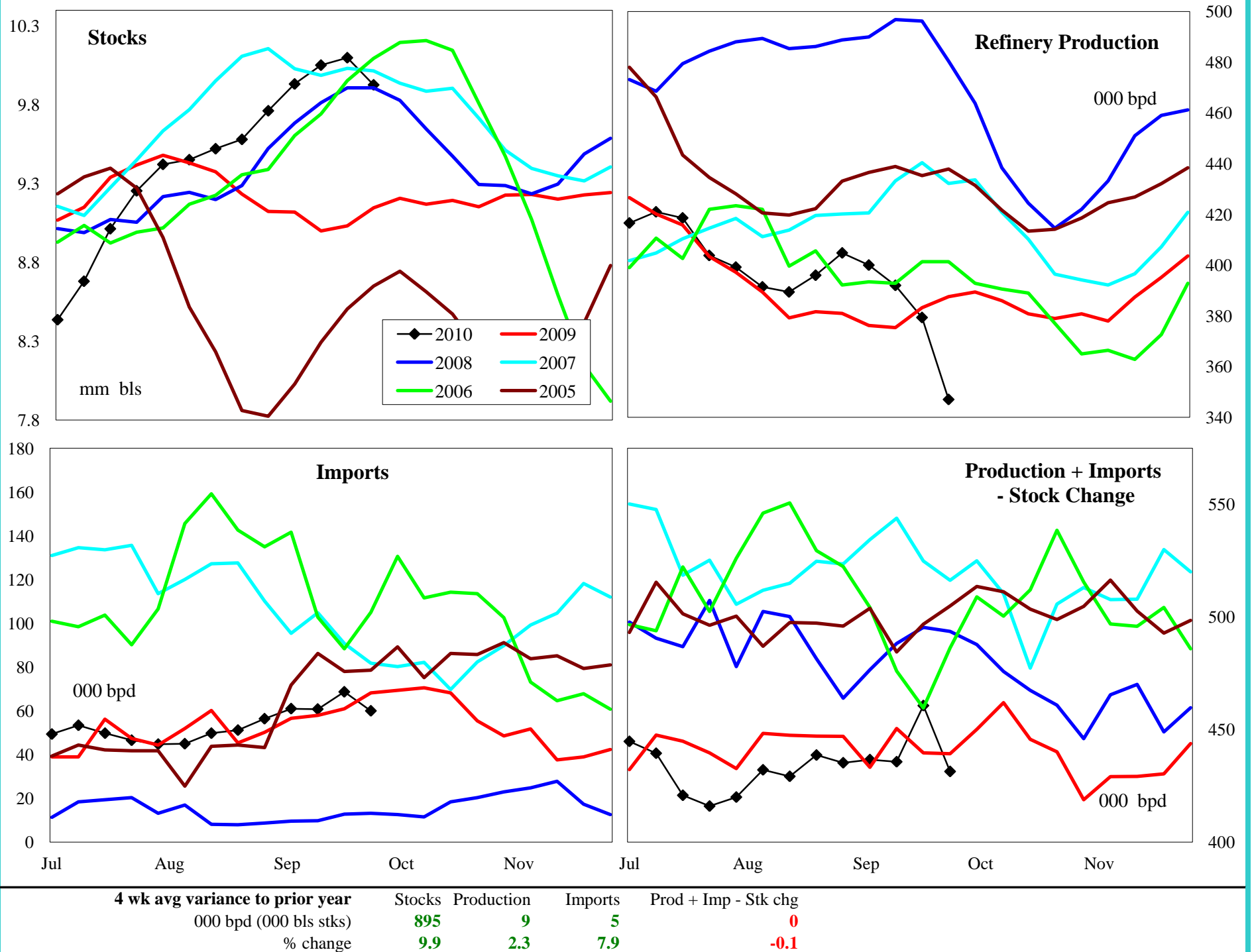
# PADD 5 Conventional Gasoline Supply



# PADD 5 Distillate Supply



# PADD 5 Jet Fuel Supply





# PADD 5 Residual Fuel Oil Supply

