

WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

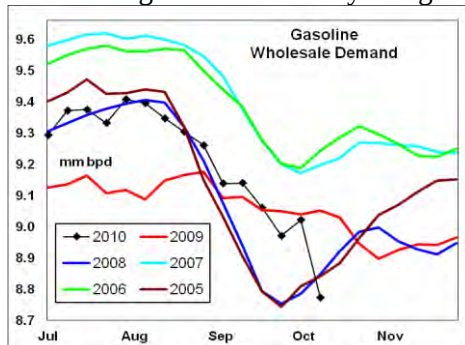
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, October 14, 2010

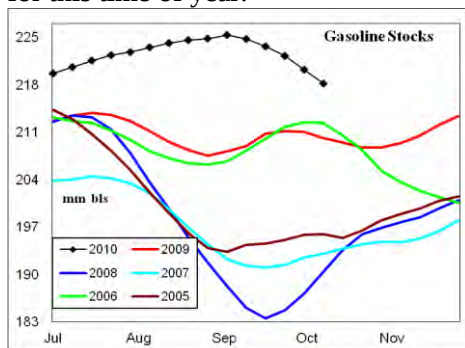


Major Fundamental Trends¹

Gasoline wholesale demand decreased -177,000 bpd last week, with the latest 4-wk average off -1.1% vs a year ago.



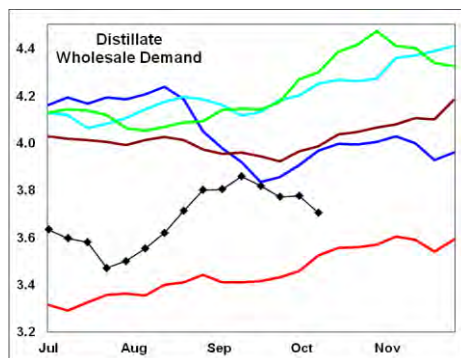
Extremely low imports and refinery maintenance in recent weeks has led to a -10 million barrel stock draw in PADD 1, while stock levels in all other regions combined were up +3 million barrels. Stock levels in all regions except PADD 1 were at record highs for this time of year.



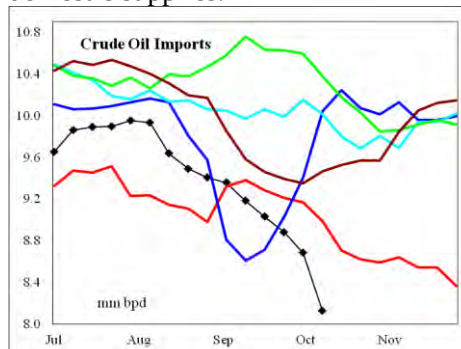
Distillate wholesale demand declined -20,000 bpd on the week, to a level below pre recession rates. Production remains just above the historic range, even with record low output in PADD 1 on plant closures and maintenance.

Seasonal distillate demand may grow more slowly over the next 30-days with agriculture demand in the mid west having peaked on a much earlier than normal season and moderate temperatures forecast for the northeast heating region. Combined with very high production levels, the distillate market should remain well supplied in the 4th quarter.

¹ Source is latest EIA Weekly Statistics



Crude oil imports hit record low levels last week as refiners on the East and West coasts cut back during maintenance. Gulf refiners also cut imports as they substitute lower cost domestic supplies.



Excluding PADD 1 where refinery closures have reduced the need for working stocks, crude oil stocks were +27 million barrels above the prior record high level. This overhang in supply has depressed the relative price of WTI versus foreign grades. And should encourage refiners to substitute lower cost domestic supplies for imports.

Demand for gasoline extended the sharp downtrend last week.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline down -1.1%; distillate up +8.8%; jet fuel up +1.7% while residual fuel oil decreased -13.6%.

Stocks forward coverage: Gasoline demand coverage increased offset the -1.8 million barrel stock draw. Coverage remains a record high level.

Distillate demand coverage trended lower on the week with a -0.3 million barrel stock draw. The coverage level was well below last

years' record high.

Jet fuel coverage decreased on a -0.5 million barrel stock draw. Coverage remains near 5-year highs.

Residual fuel oil coverage remains at the upper end of the historic range.

Refinery utilization rates decreased on a -231,000 bpd drop in crude oil runs. Runs were lower across all regions except the west coast. Crude oil runs for the latest 4-wk period were -61,000 bpd below a year ago.

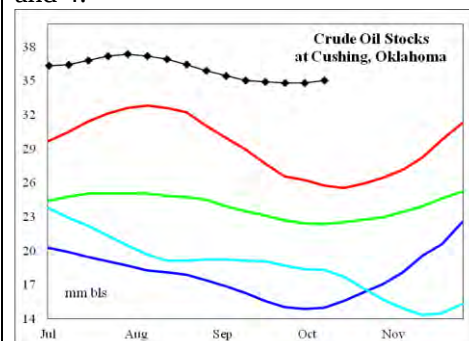
Gasoline yield % on crude oil runs increased last week on a -42,000 bpd decrease in production versus a -231,000 bpd decline in crude runs. Yield % was at the upper end of the historic range for the week.

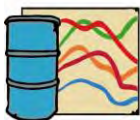
Distillate yield % on crude oil runs increased on a +96,000 bpd rise in output versus lower crude oil runs. Yield % was a record high for the period.

Jet fuel yield % on crude oil runs increased on a -1,000 bpd decrease in output, with the yield at the mid range.

Petroleum Imports were lower for crude oil and gasoline, while slightly higher for middle distillates last week.

During the latest 4-wk period distillate imports increased +13,000 bpd compared to last year; finished gasoline imports decreased -51,000 bpd, gasoline blend stock imports declined -57,000 bpd; jet fuel imports were -28,000 bpd lower, while residual fuel oil imports increased +70,000 bpd. **Crude Oil** imports decreased -0.8 million bpd on the week, to new record lows for this time of year. Stock levels remain extremely high in PADDs 2, 3 and 4.





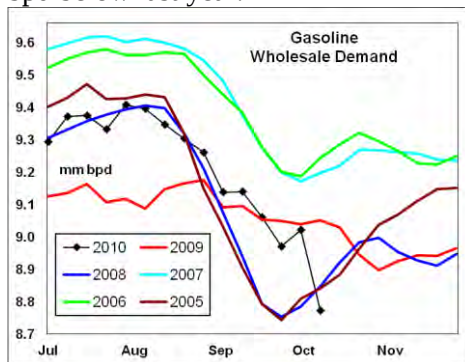
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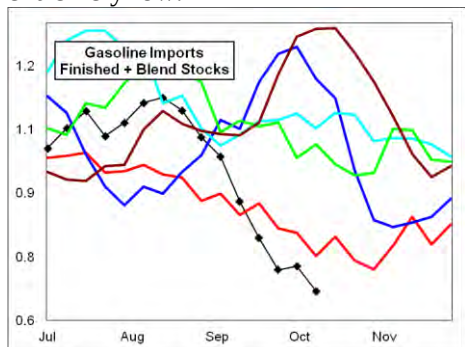
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Product Supply-Demand Trends

Gasoline demand declined -177,000 bpd last week, falling to the low end of the historic range. Average demand for the latest 4-wk period was -103,000 bpd below last year.



Production decreased -42,000 bpd on the week (including an EIA adjustment at the U.S. level), with imports nearly unchanged. Supply has declined sharply in recent weeks with imports extremely low.



Stocks decreased -1.8 million barrels on the week, with the draw concentrated in PADD 1; driven by record low imports. Stock levels remain +8 million barrels above the prior record high.

The sharply lower supply in PADD 1 that has resulted from refinery maintenance and low imports has been partially offset by increased receipts from the Gulf and lackluster demand. Stocks remain extremely high in all other regions.

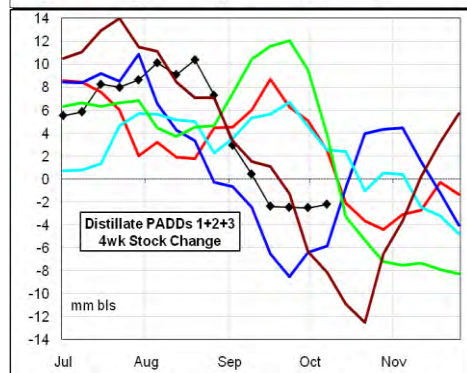
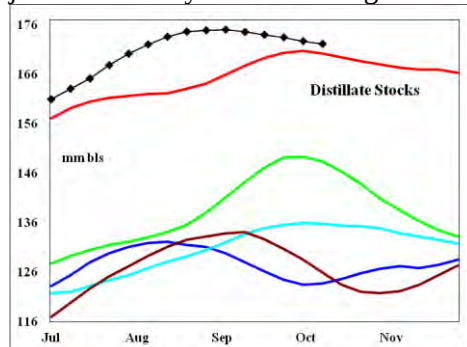
Expect a tightening of supply on the East Coast to depress cash basis in other regions.

Distillate demand declined -20,000 bpd last week, with the 4-wk average to +305,000 bpd above last year. Demand levels remain below pre

recession levels, including exports.

Supply increased +104,000 bpd on the week, with the latest 4-wk average +255,000 bpd above a year ago.

Stocks decreased -0.3 million barrels on the week. Stock levels are just above last years' record high.



The latest 4-wk stock draw East of the Rockies was -2.2 million barrels, compared to a build of +2 million barrels for the same period in non hurricane years. The recent increase in demand and seasonally lower production led to the large draw.

Lower production due to refinery maintenance, and robust exports should extend stock draws in the near term. These trends should support distillate prices compared to the overall energy complex.

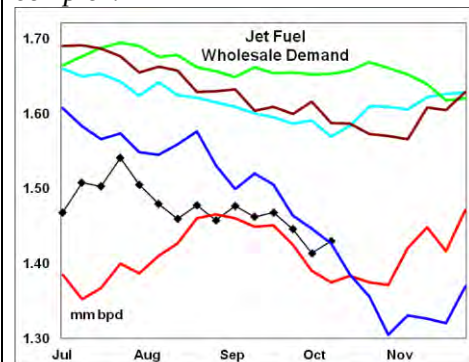
Jet Fuel demand decreased -11,000 bpd on the week, with the latest 4-wk average +24,000 bpd above last year.

Production was unchanged on the week while imports climbed +36,000 bpd. Supply remains very low.

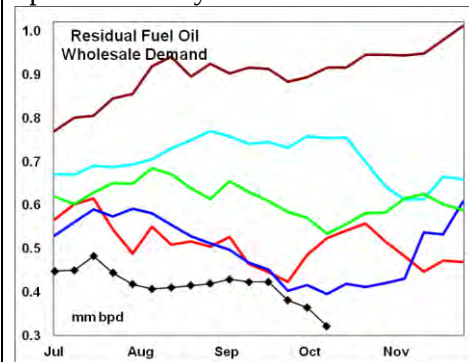
Stocks decreased -0.5 million barrels on the week, with the level above the 5-year range.

Lower seasonal demand should offset much of the reduced supply

rates. Stocks usually draw down this time of year (non hurricane years), so expect modest draws in the next 60-days. These trends should limit price strength relative to the overall energy complex.

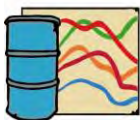


Residual fuel oil demand, including exports, declined -68,000 bpd last week, with the 4-wk average -64,000 bpd below last year.



Supply (production + imports) decreased -11,000 bpd on the week, with lower production partially offset by higher imports. The latest 4-wk average was -51,000 bpd below a year ago. Stocks increased +0.7 million barrels to a level well above four of the last five years.

Stocks in the Gulf Region hit a new all time high last week, even though production has been at/below the mid range. Exports, and domestic demand remain below the historic range. These trends should limit price strength compared to the overall energy complex.



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

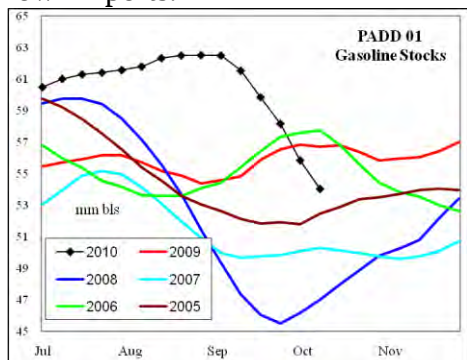
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PADD Supply Trends

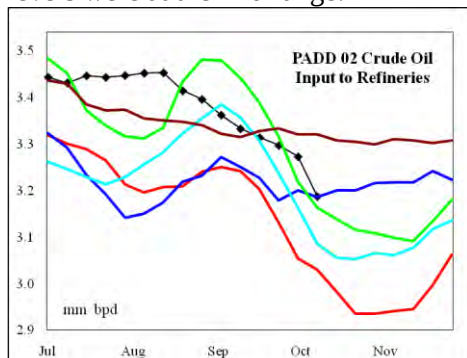
PADD 1 refinery crude oil runs fell -69,000 bpd on the week, with the 4-wk average -303,000 bpd below last years' record low rate. Crude oil stock levels and imports are extremely low.

Gasoline production was nearly unchanged on the week, with the latest 4-wk average +406,000 bpd above a year ago. Imports decreased -24,000 bpd last week, to a new record low level for the period. Stocks declined -1.6 million barrels, due to extremely low imports.



Distillate supply decreased -57,000 bpd last week, to a new record low level. Stocks decreased -1.1 million barrels, still near a record high level.

Jet fuel supply increased +28,000 bpd, but remains extremely low. Stock levels were at the mid range.



PADD 2 crude oil refinery runs decreased -123,000 bpd last week, to a level near the mid range. Imports were at the low end of the historic range. Stocks increased +1.3 million barrels on the week, to a level +15.5 million barrels above the prior record. Stocks in Cushing were unchanged, at a level

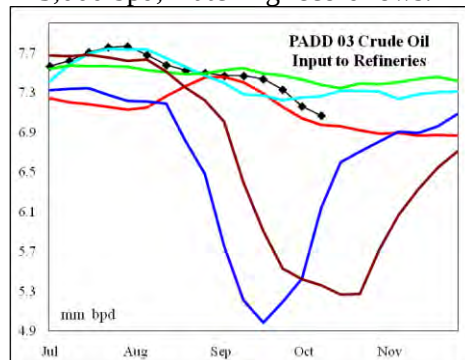
+36% above the prior record high.

Gasoline production increased +40,000 bpd to a new record high for the period. Stocks increased +0.5 million barrels, matching the 5-yr high.

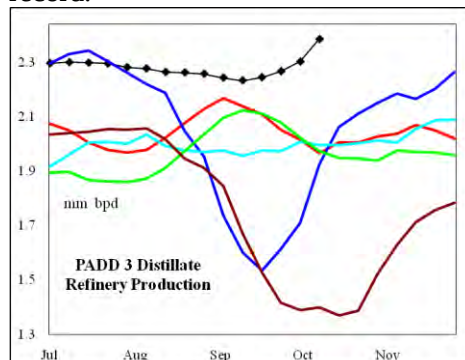
Distillate production increased +35,000 bpd to a level above the mid range. Stocks fell -1.6 million barrels on peak harvest demand. Stock levels are just below last years' record high.

Jet fuel production fell -27,000 bpd last week, although stock levels remain extremely high.

PADD 3 crude oil runs declined -42,000 bpd, to the mid range. The latest 4-wk average was +191,000 bpd above a year ago. Crude imports fell -413,000 bpd, matching record lows.



Gasoline production declined -77,000 bpd on the week. Stocks fell -0.7 million barrels on higher deliveries to the East Coast. Stock levels remain +5.3 million barrels above the prior record.



Distillate production jumped +125,000 bpd on the week, to a new record high for the period. Stocks surged +2.3 million barrels, to a level +6.3 million barrels above the prior high.

Jet fuel production increased +79,000 bpd to a level at the upper end

of the historic range. Stock levels remain +15% above the prior record.

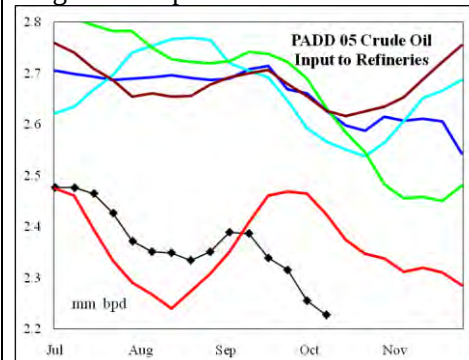
Residual fuel oil supply increased +22,000 bpd, but remain below the mid range. Stocks increased +0.5 million barrels to a new all time high.

PADD 4 refinery crude runs declined -39,000 bpd on the week, to a level that matched the mid range. The latest 4-wk average thru put was +27,000 bpd above last year. Imports were at a record high level. Stock levels remain at record highs.

Gasoline production matched the historic high for this time of year. Stocks increased +0.2 million barrels and remain above 5-year range.

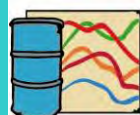
Distillate production fell to a record low level for this time of year, leading to a -0.6 million barrel stock draw, the result of refinery maintenance in the region.

PADD 5 crude oil refinery runs increased +41,000 bpd on the week, with the latest 4-wk average -186,000 bpd below last year. Crude imports declined -106,000 bpd last week to a record low level. Stock fell -1.5 million barrels to match the 5-year mid range for the period.



Gasoline production increased +32,000 bpd on the week, to a level that matched the mid range. Imports of blend stocks remain near record highs. Stock levels ended the week extremely high for this time of year.

Distillate increased +9,000 bpd on the week, with slightly higher production partially offset by lower imports. Stocks increased +0.7 million barrels to a level near historic highs for this time of year.


**FUNDAMENTAL
PETROLEUM
TRENDS**


PETROLEUM: Graph Link and Weekly Summary

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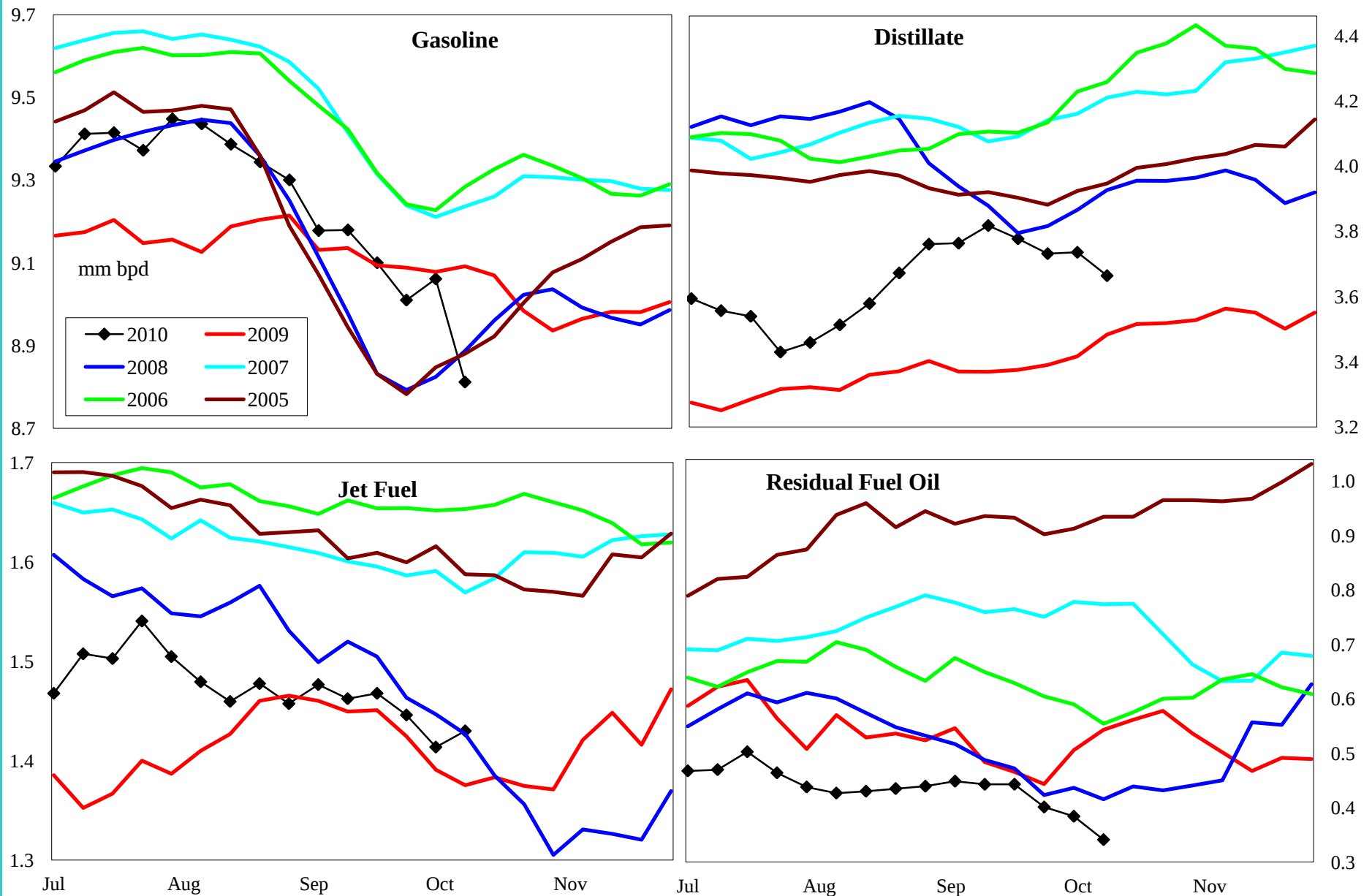
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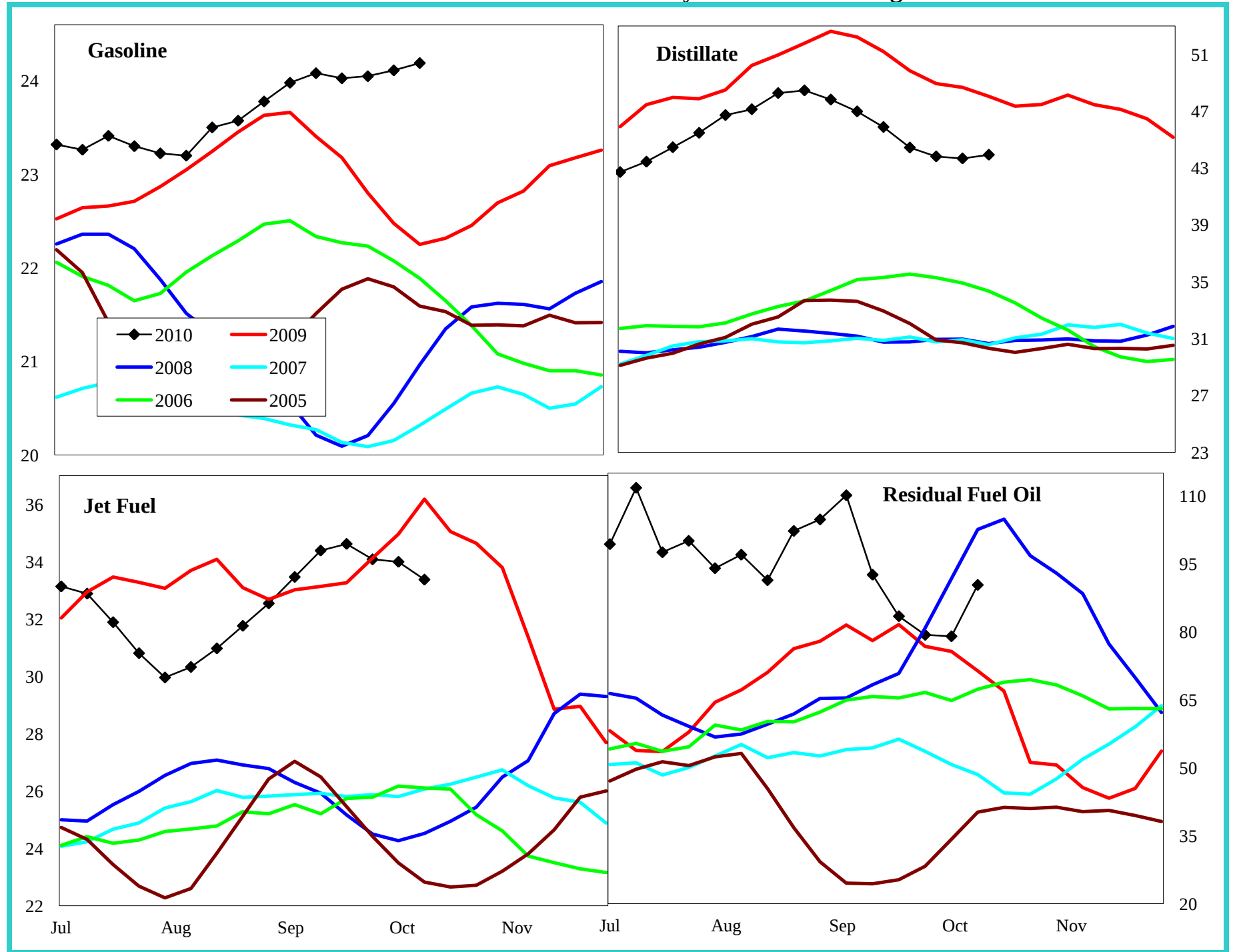
Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization</u>				<u>Imports</u>
Supply/Demand Trends	8-Oct-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	-416	-783	1,290	401	144	-1,467
	Imports	-798	-216	-80	-413	18	-106
	Input	-231	-69	-123	-42	-39	41
	% Utilization	-1.20					
<u>Gasoline</u>	Stocks	-1,769	-1,570	504	-685	214	-233
	Production	-42	8	40	-77	3	32
	Imports	-5	-24	1	92	0	-73
	Supplied	-177					
<u>Distillate</u>	Stocks	-255	-1,120	-1,575	2,298	-553	695
	Production	96	-55	35	125	-25	16
	Imports	9	-2	18	0	0	-7
	Supplied	-20					
<u>Jet Fuel</u>	Stocks	-519	-129	41	45	-79	-397
	Production	-1	-2	-27	79	-6	-45
	Imports	36	30	0	0	0	7
	Supplied	-11					
<u>Residual Fuel Oil</u>	Stocks	692	-112	-99	515	-18	405
	Production	-61	-18	-8	-21	0	-16
	Imports	49	-43	0	33	0	59
	Supplied	-68					

United States Wholesale Petroleum Demand

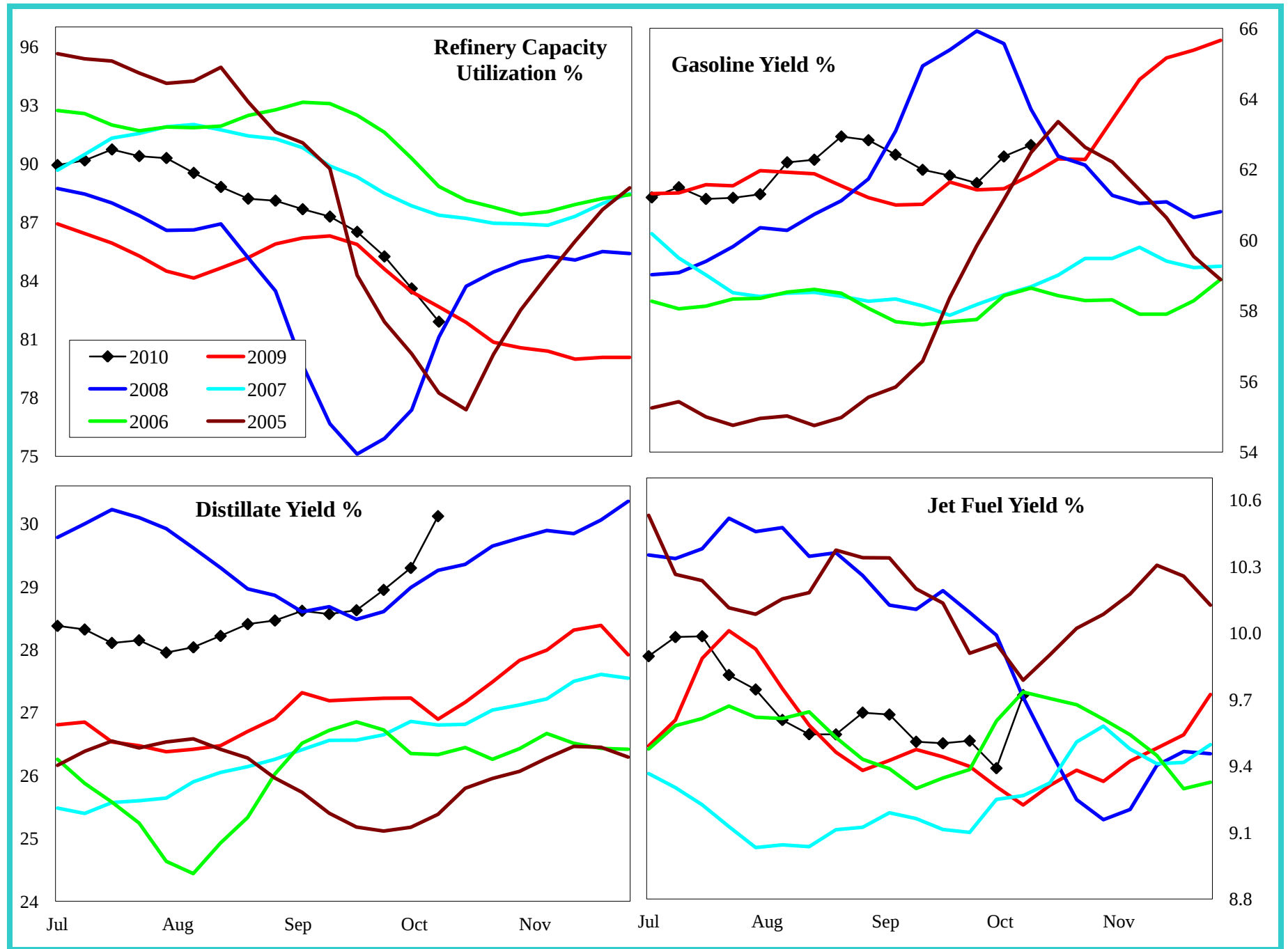


	000 bpd change from prior year				% change from prior year				
	4wk avg	Sep	Aug	Jul	4wk avg	Sep	Aug	Jul	
Gasoline	-103	149	76	72	-1.1	1.7	0.8	0.8	
Distillate	305	229	364	166	8.8	6.4	10.6	4.9	
Jet Fuel	24	36	0	-48	1.7	2.5	0.0	-3.2	
Resid	-64	76	-22	255	-13.6	22.4	-4.7	79.9	

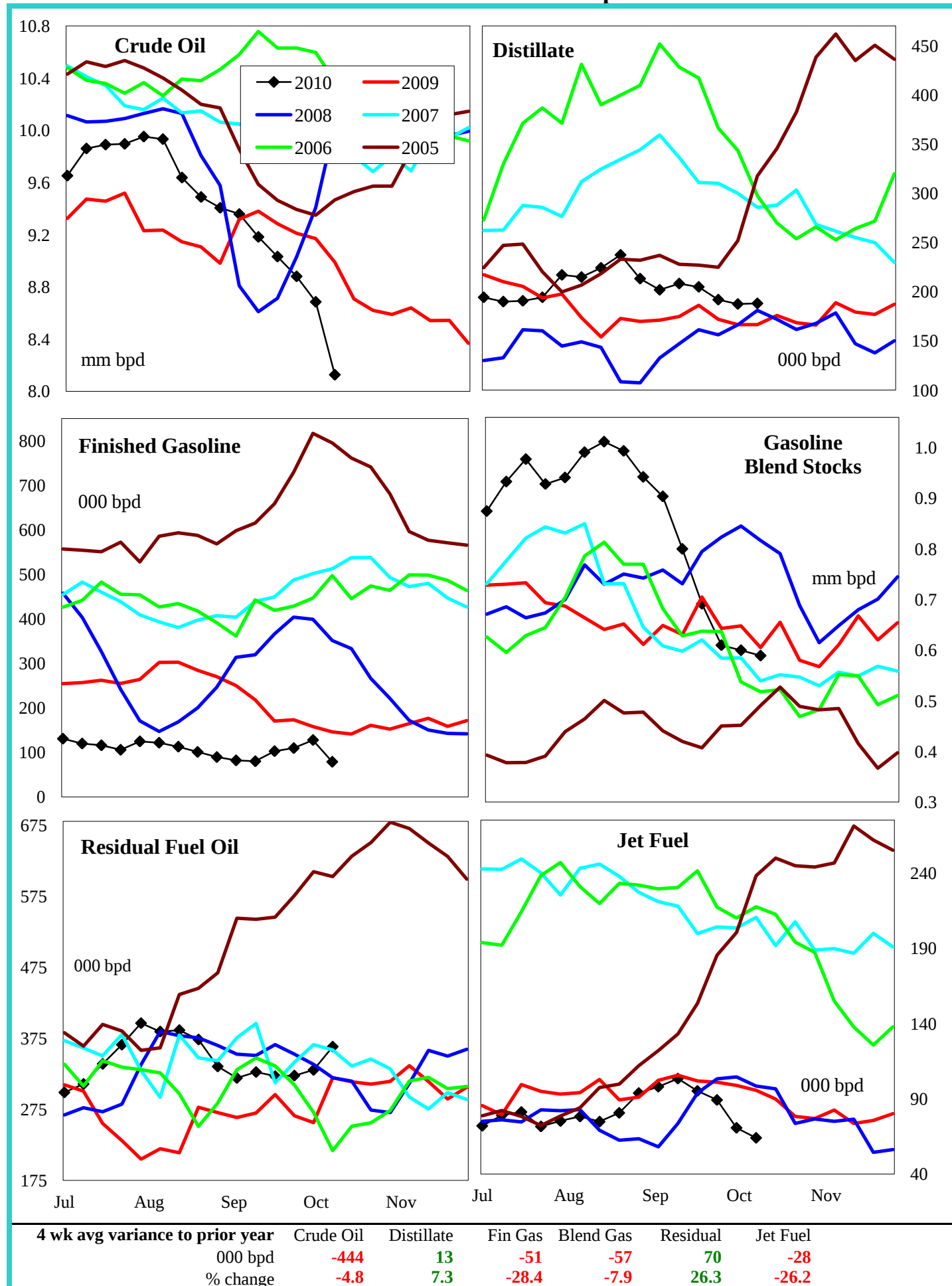
United States Product Stocks: Days Forward Coverage



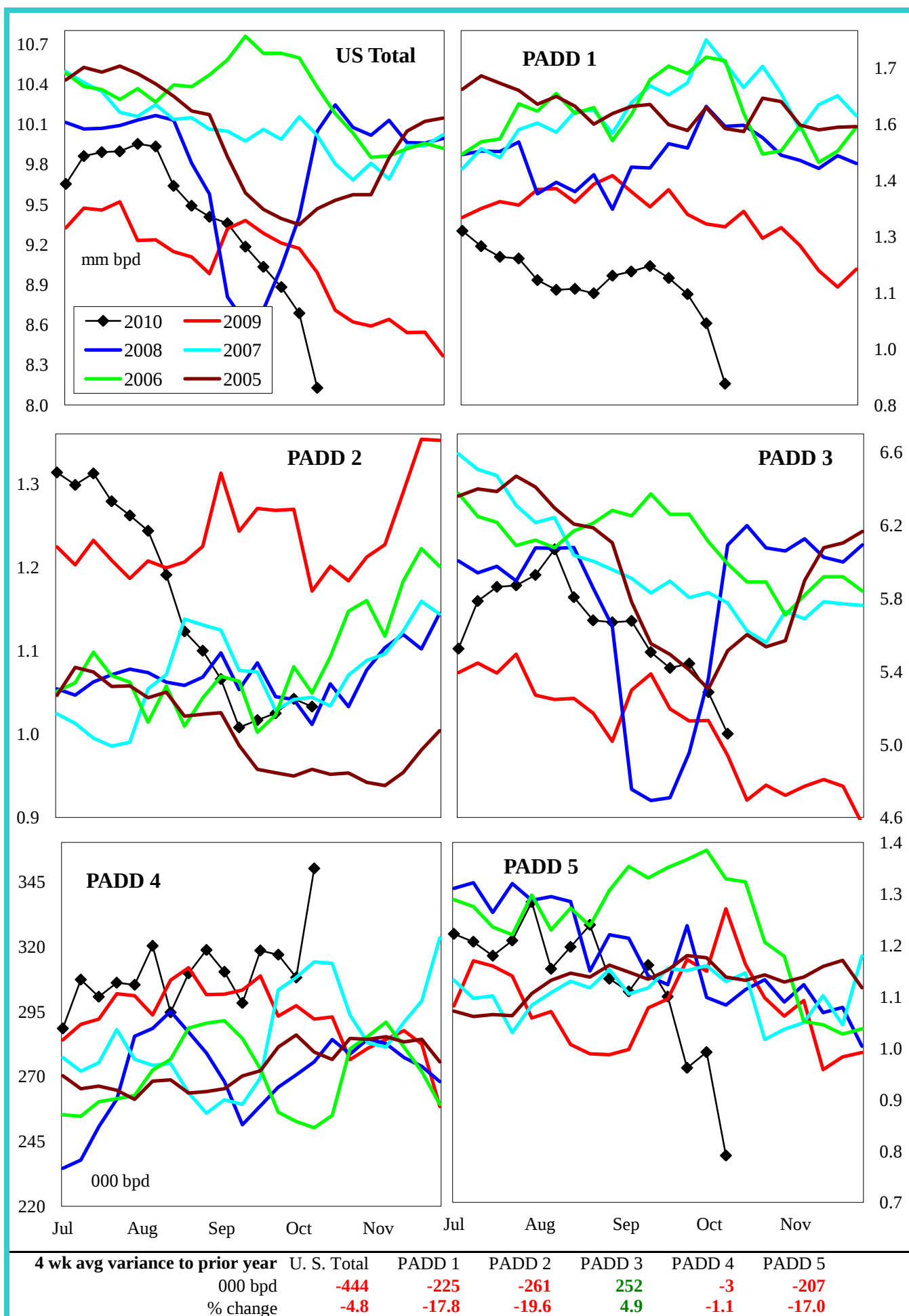
United States Refinery Percent Utilization Rate and Product Yields



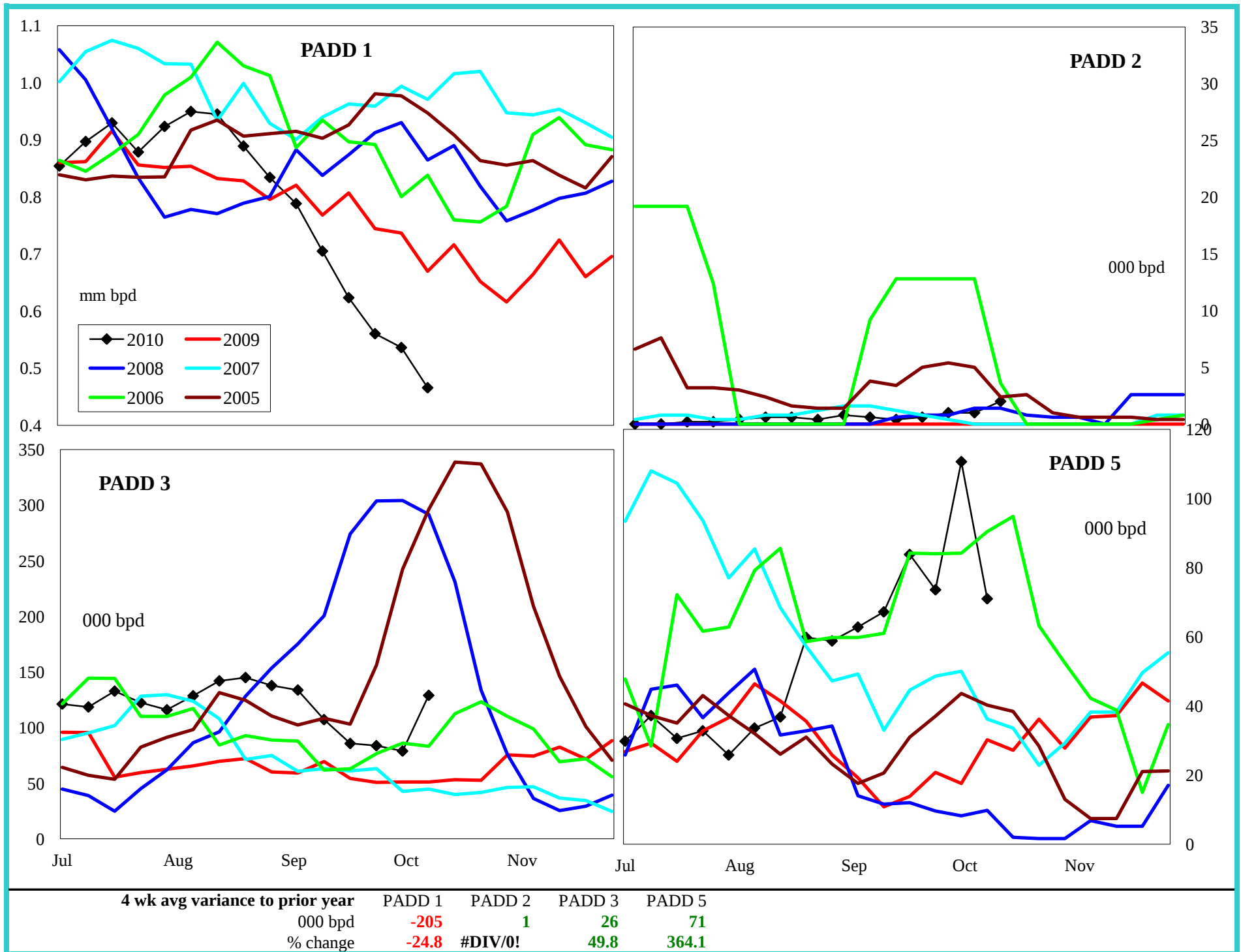
United States Petroleum Imports



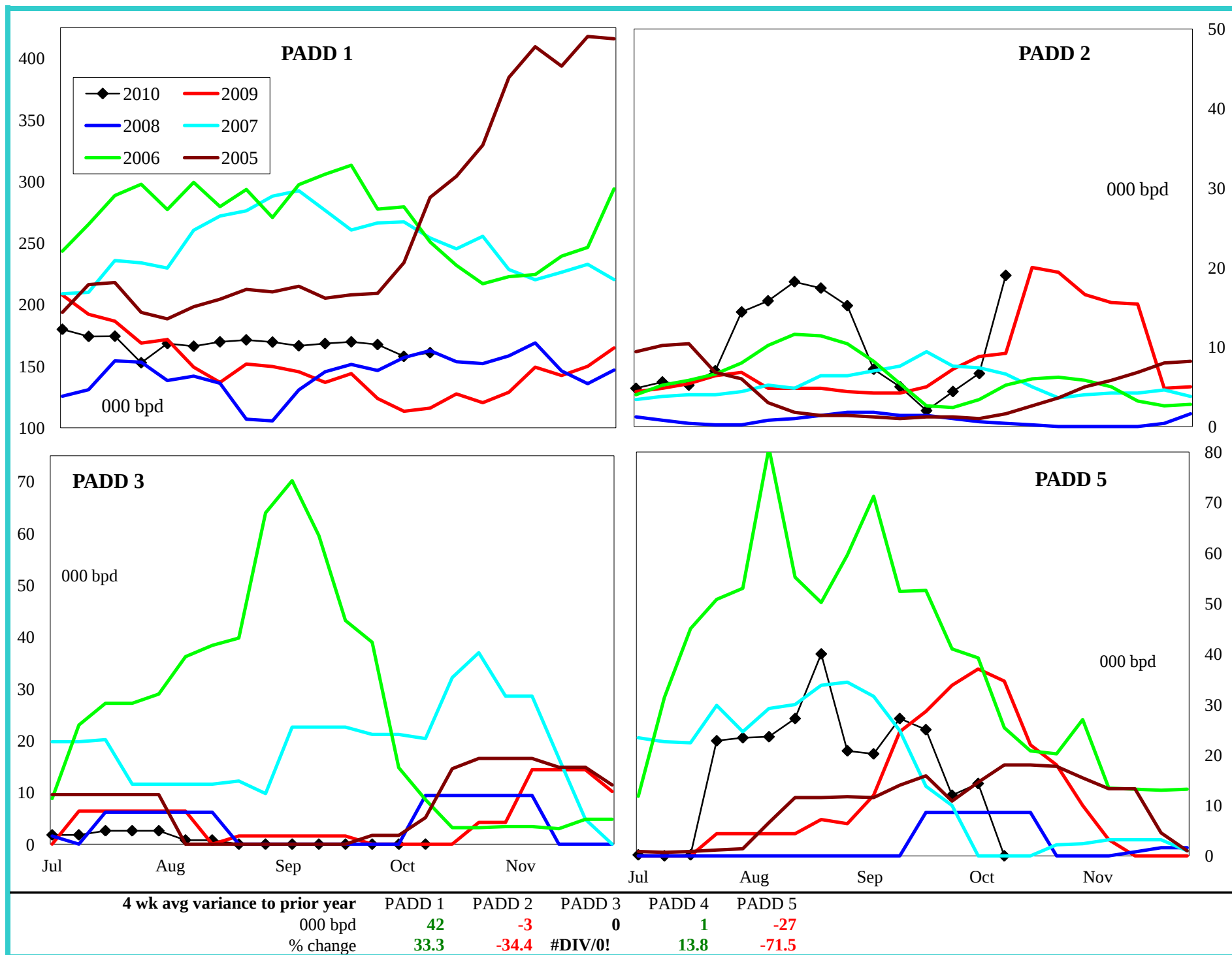
Crude Oil Imports by PADD



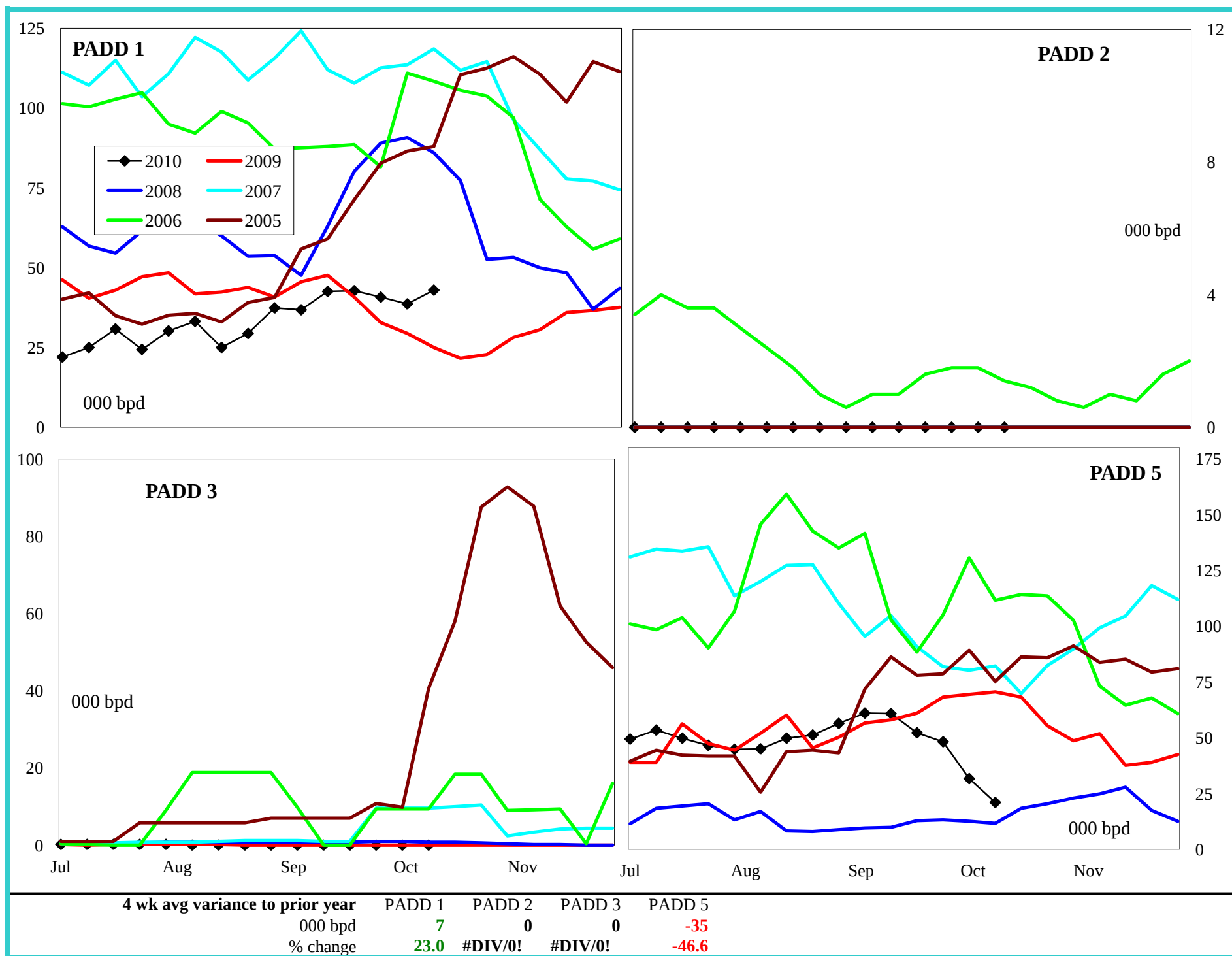
Gasoline Imports by PADD (Finished + Blend Stocks)



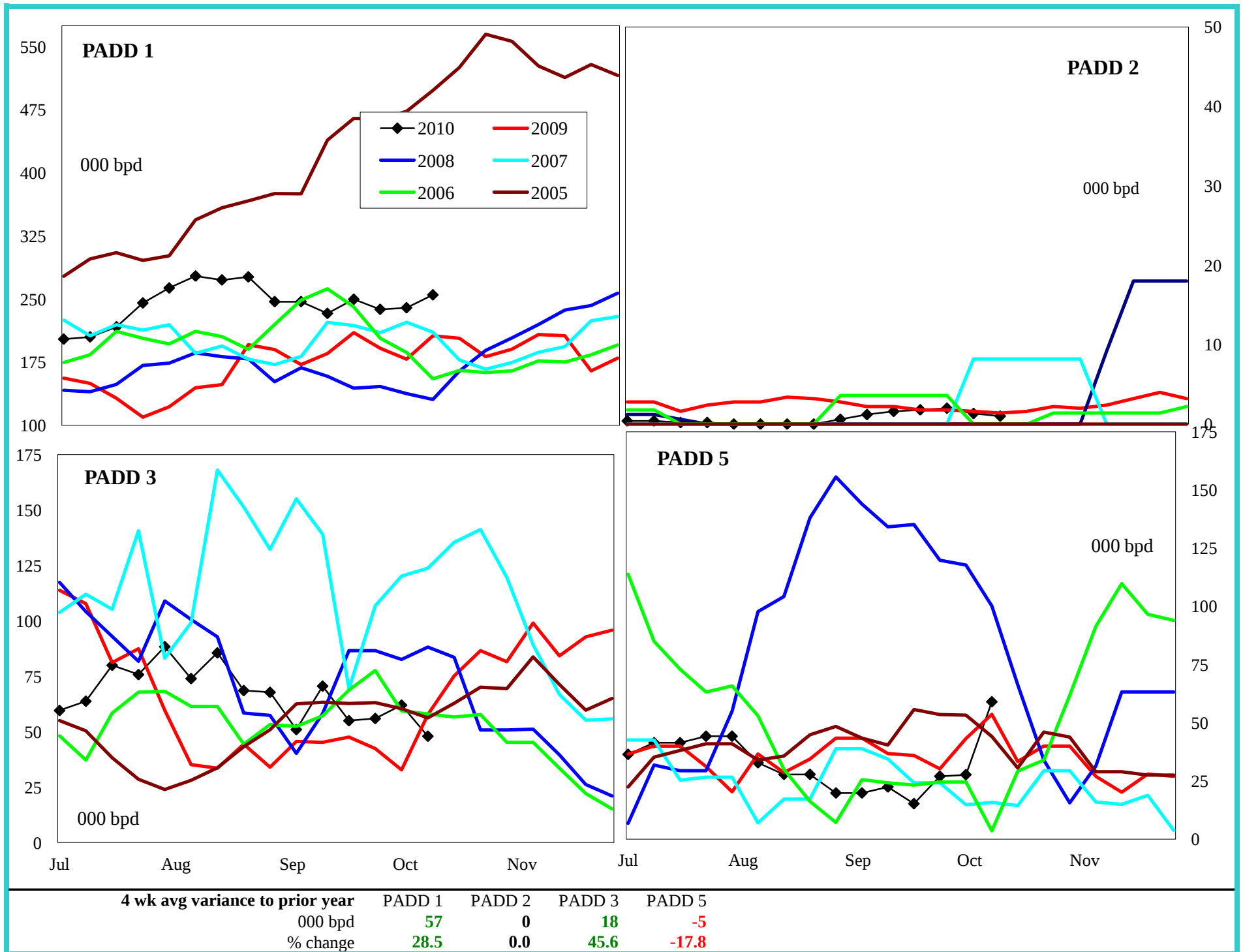
Distillate Imports by PADD



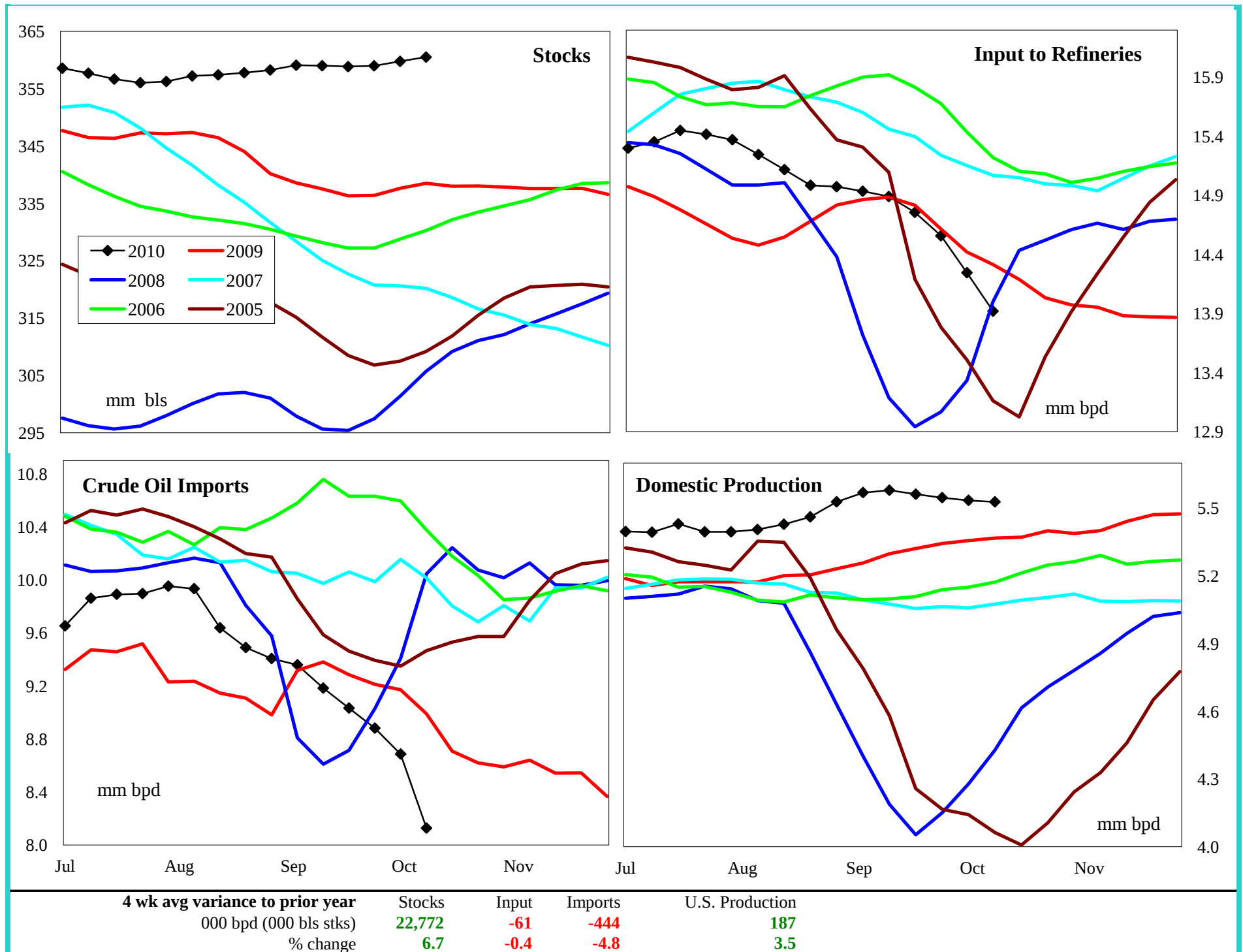
Jet Fuel Imports by PADD



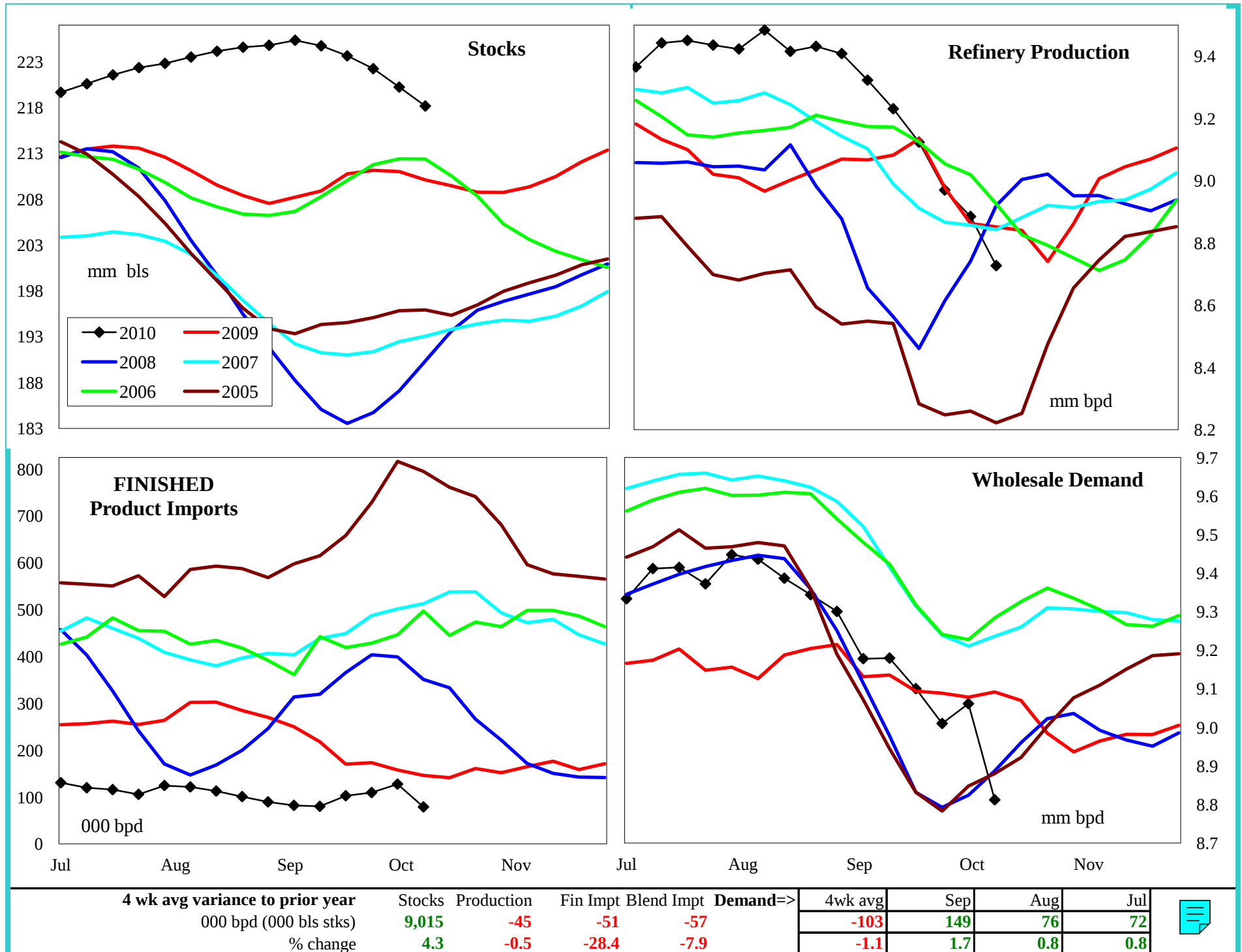
Residual Fuel Oil Imports by PADD



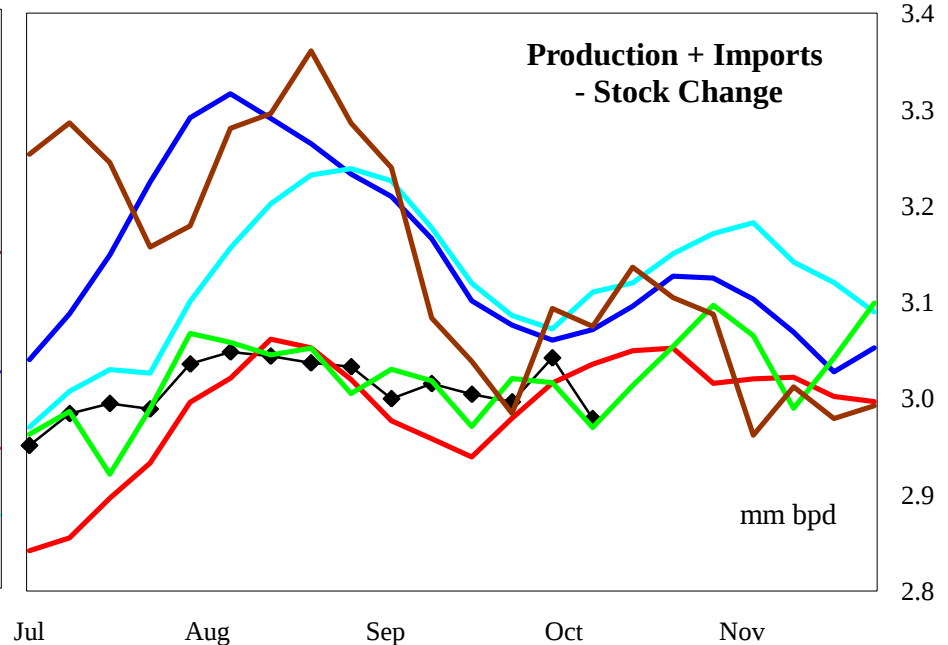
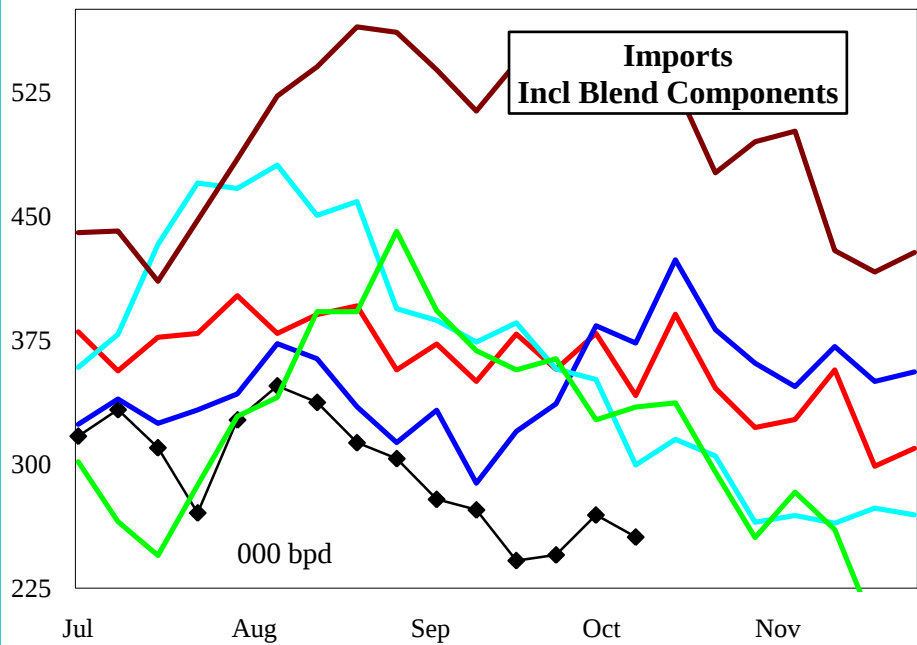
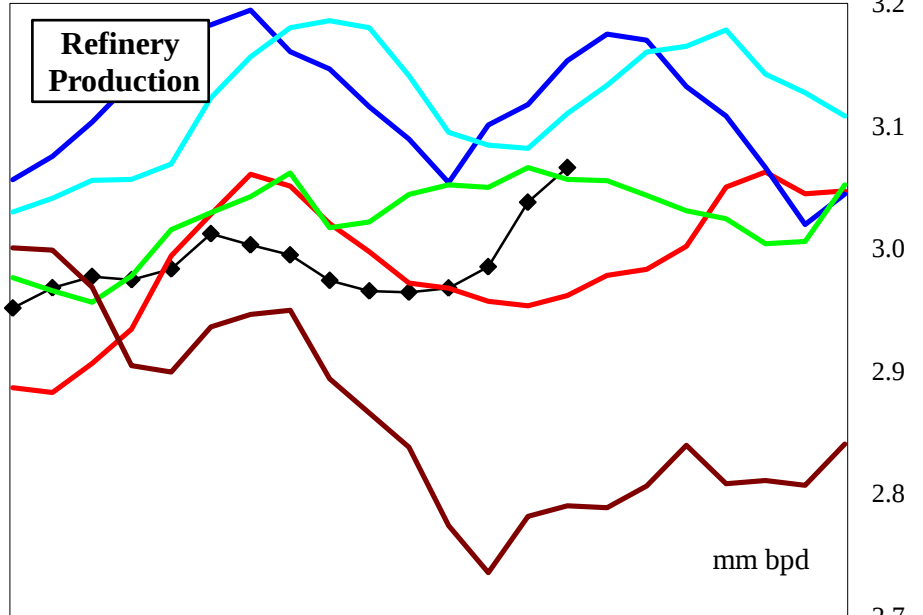
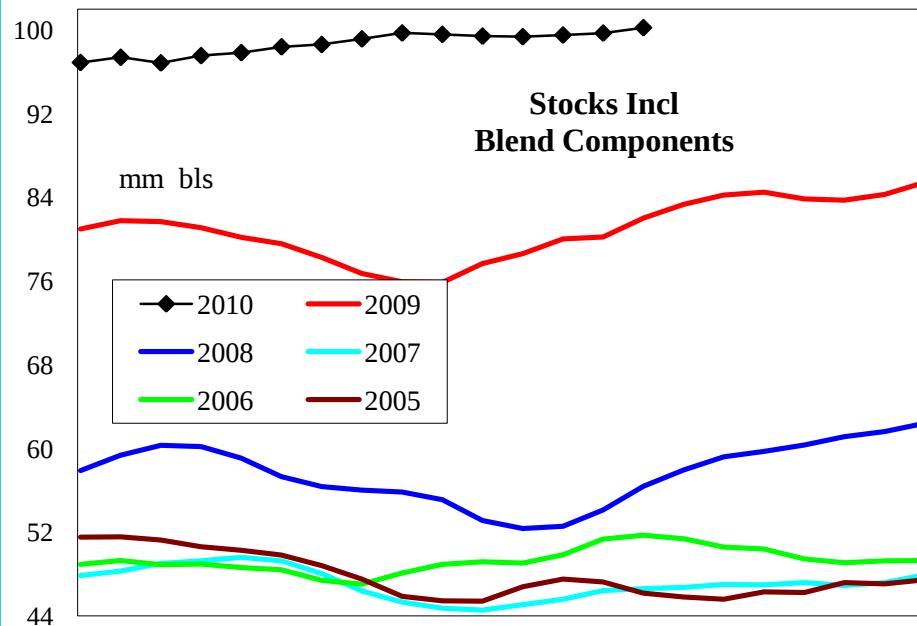
United States Crude Oil Supply and Demand Balance



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

18,210

33

-111

13

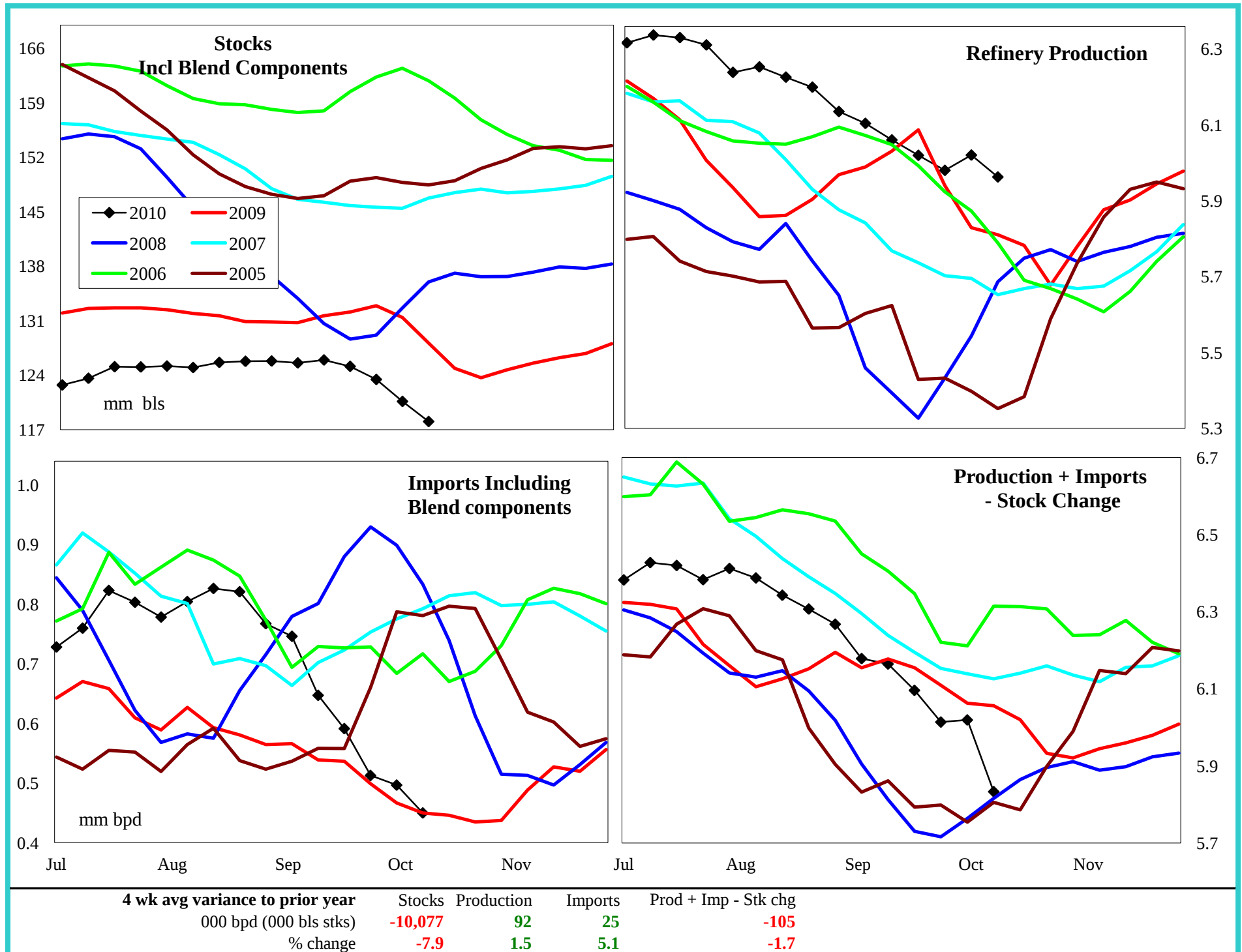
22.2

1.1

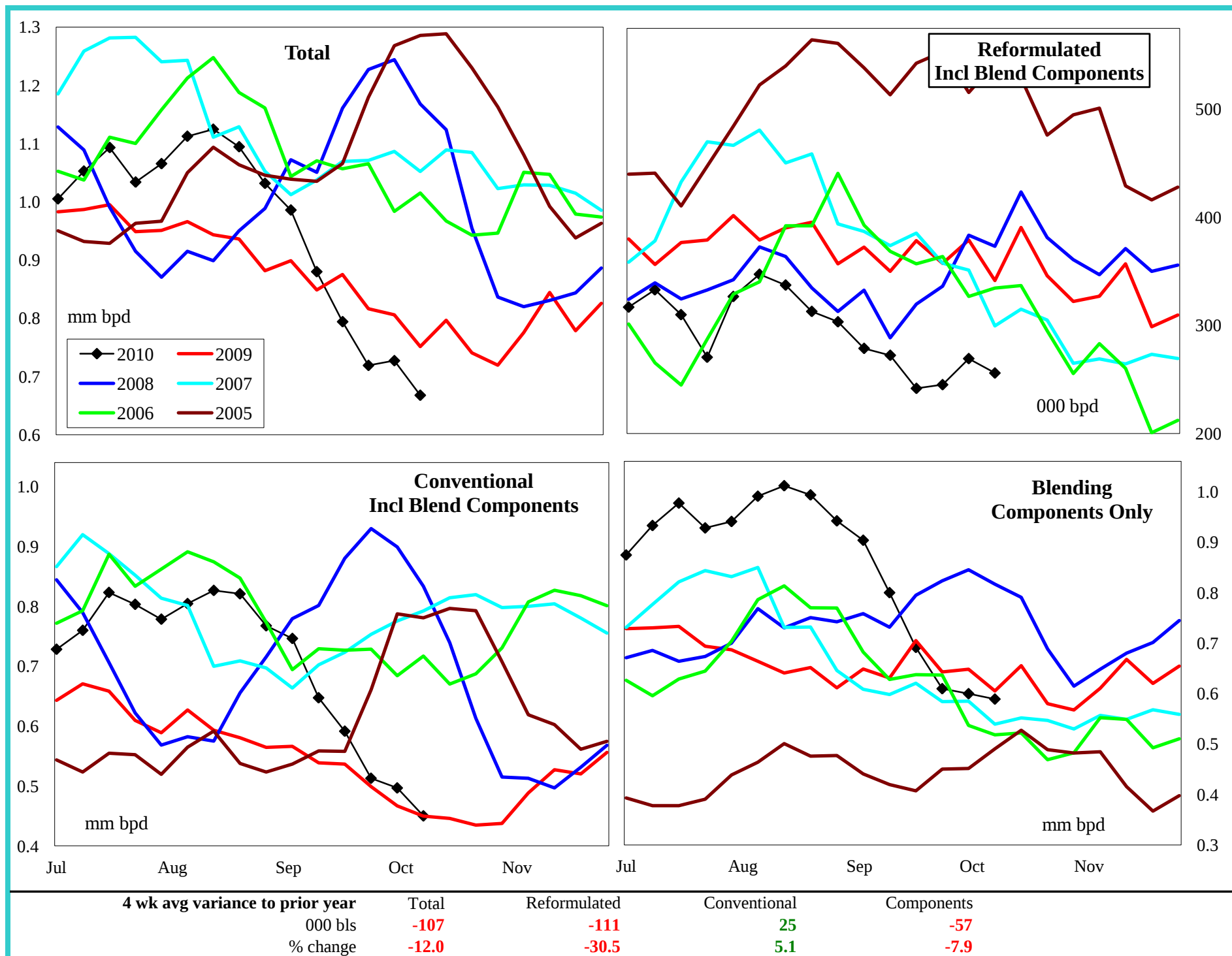
-30.5

0.4

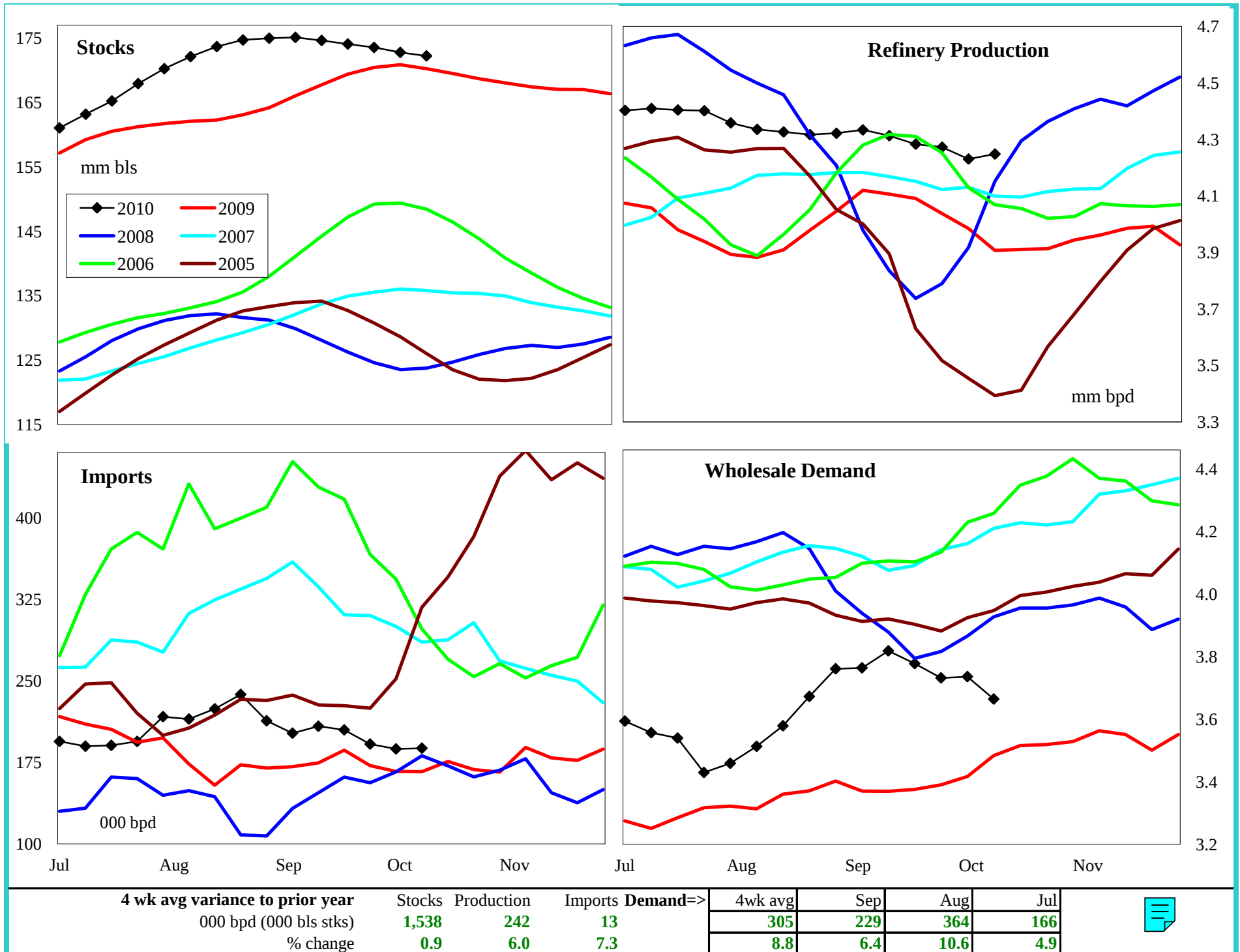
United States Conventional Gasoline Supply



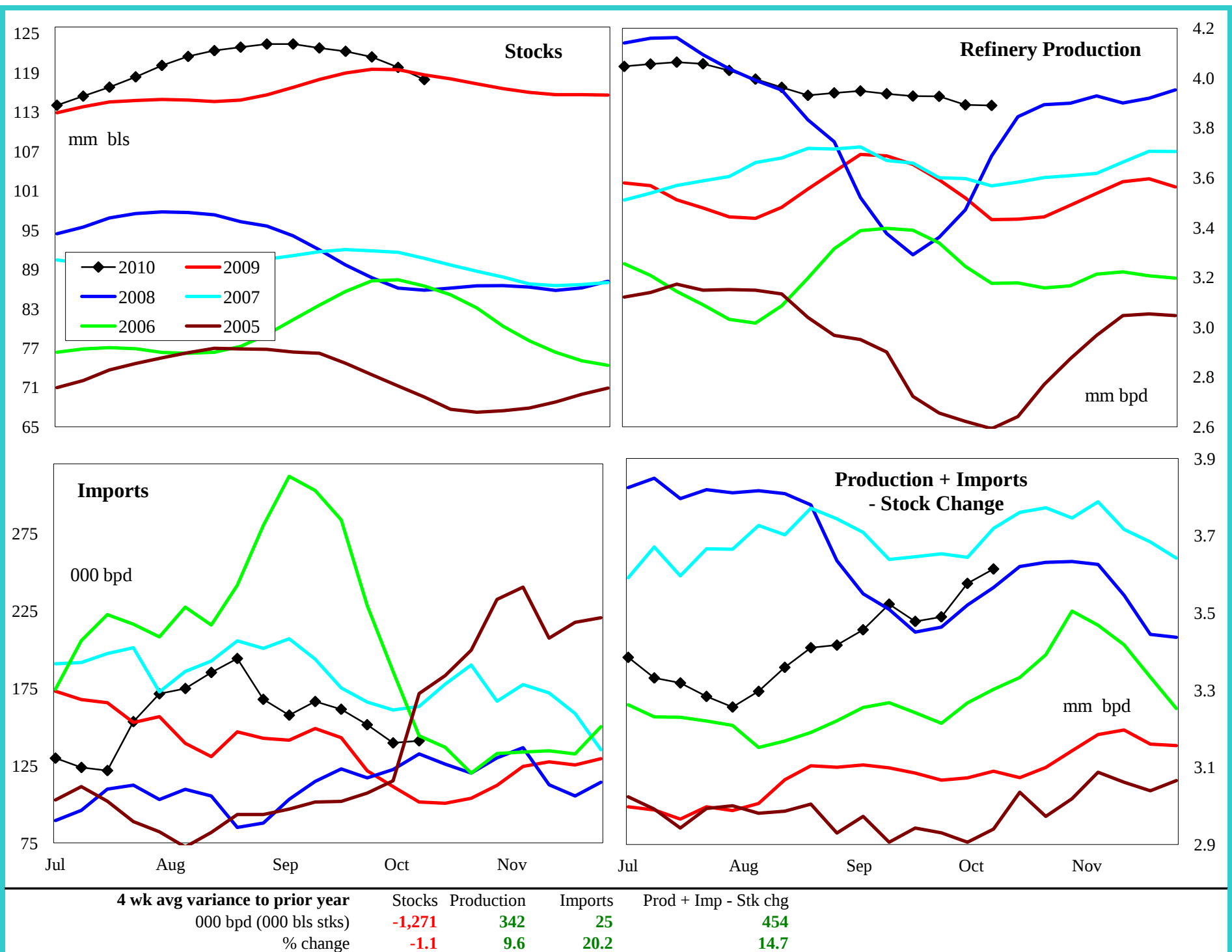
United States Gasoline Imports by Type



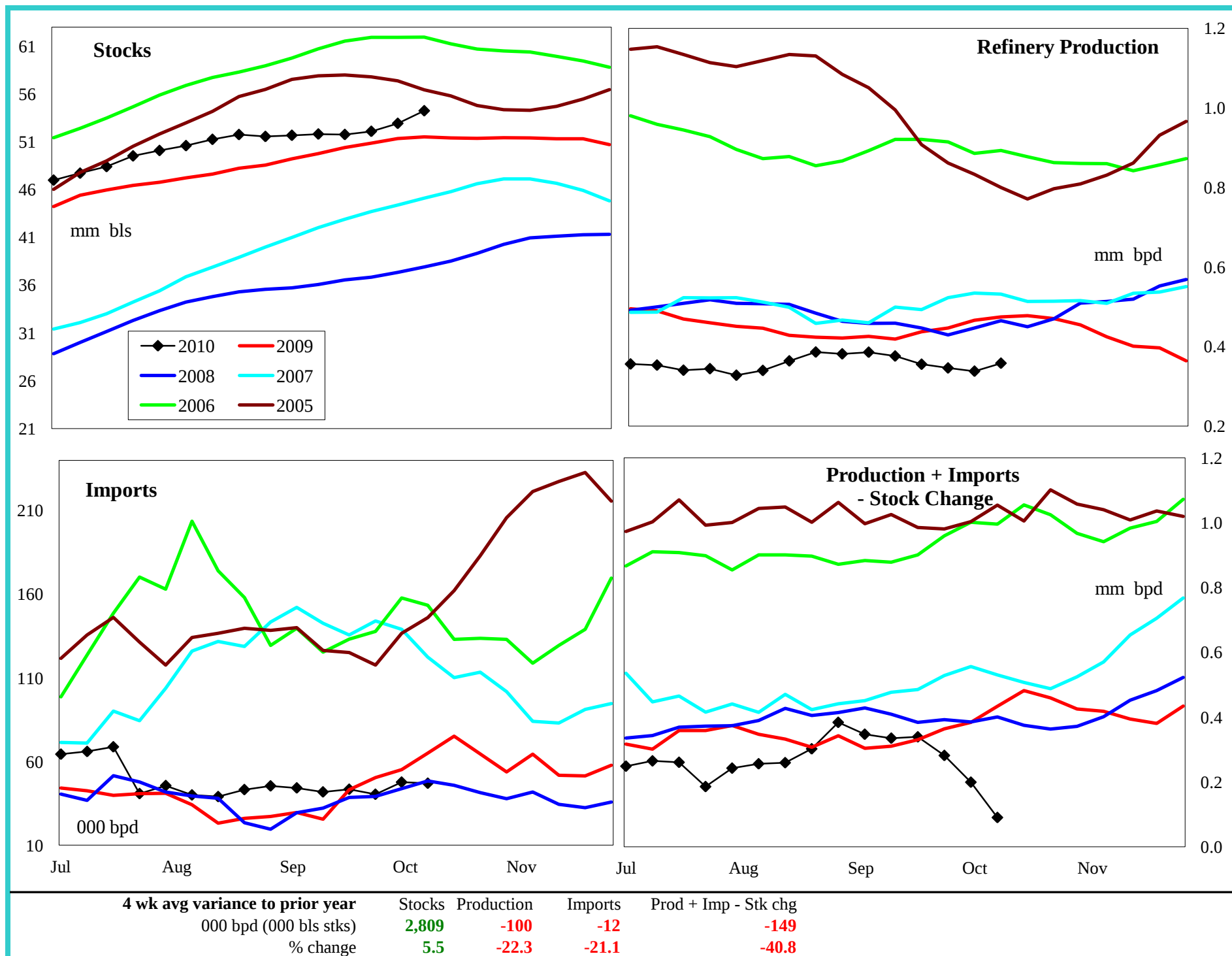
United States Distillate Supply and Demand Balance



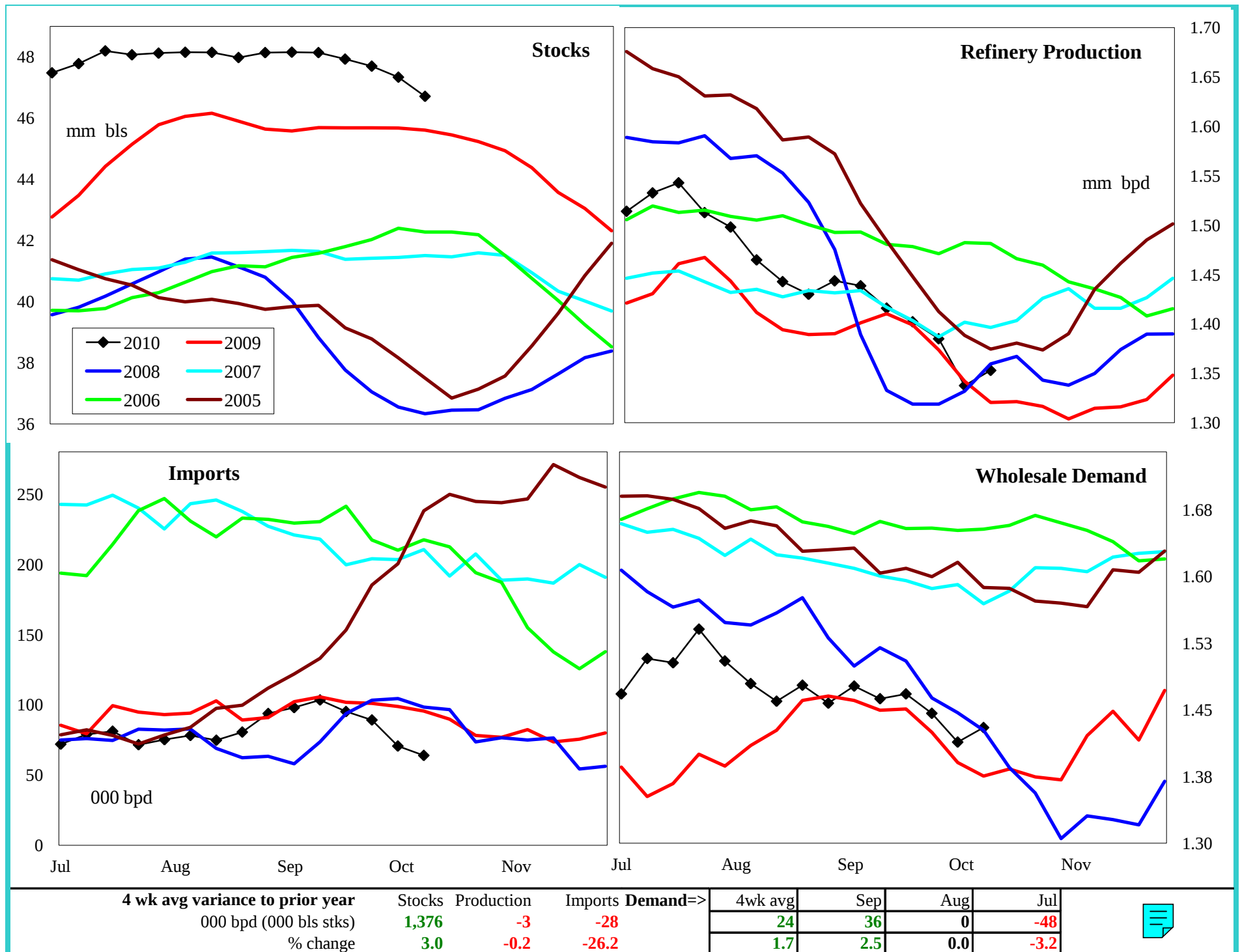
United States Low Sulfur Distillate Supply



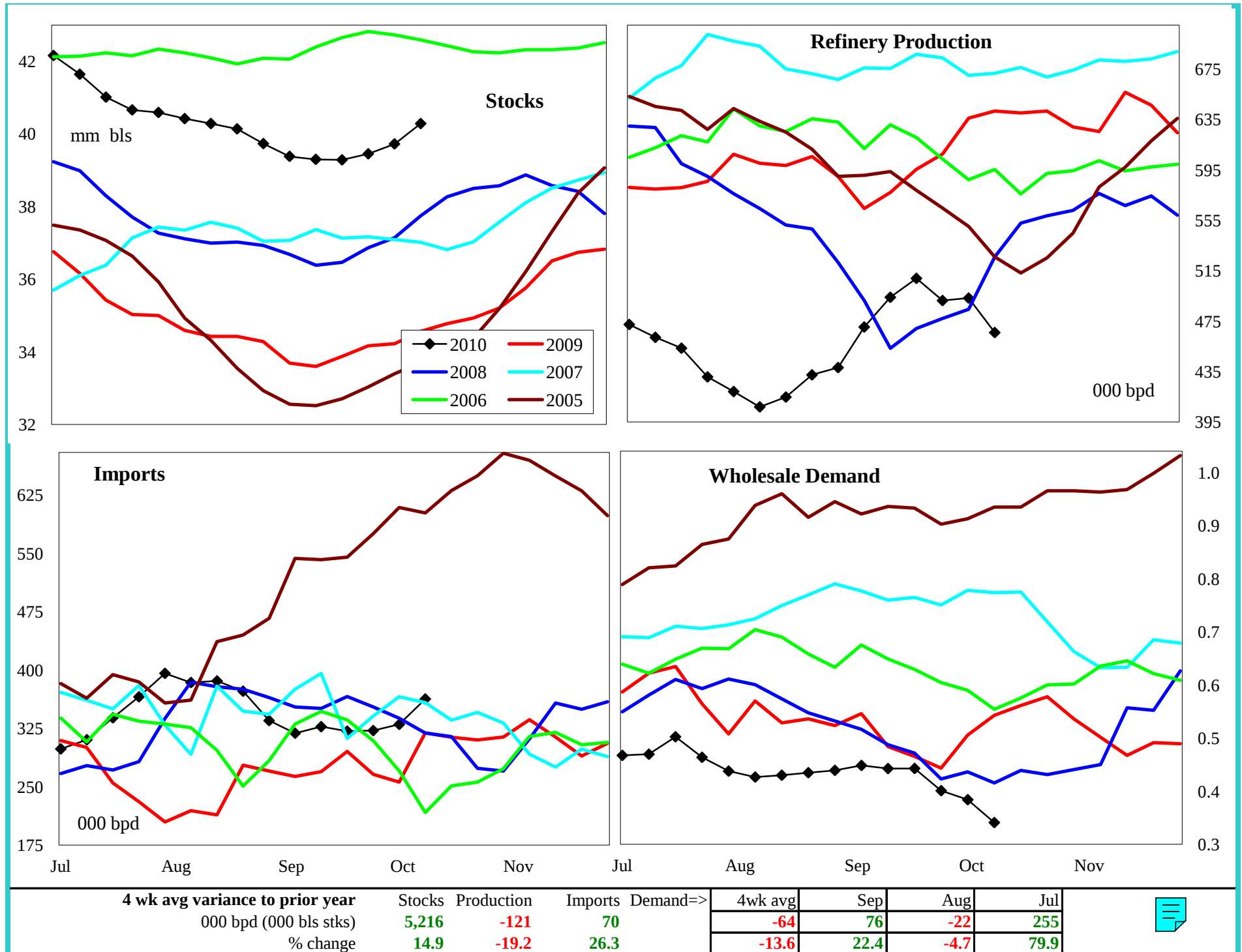
United States High Sulfur Distillate Supply



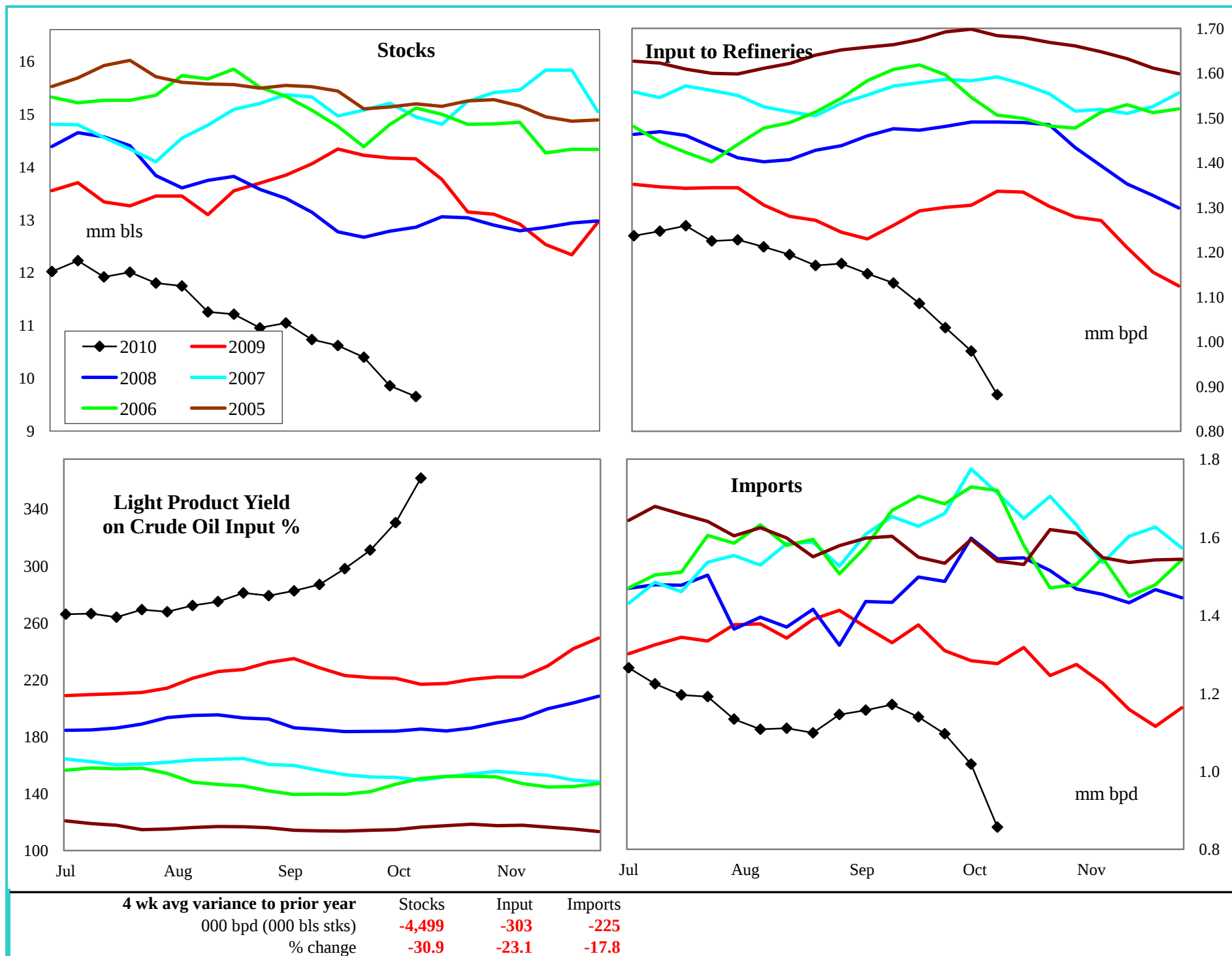
United States Jet Fuel Supply and Demand Balance



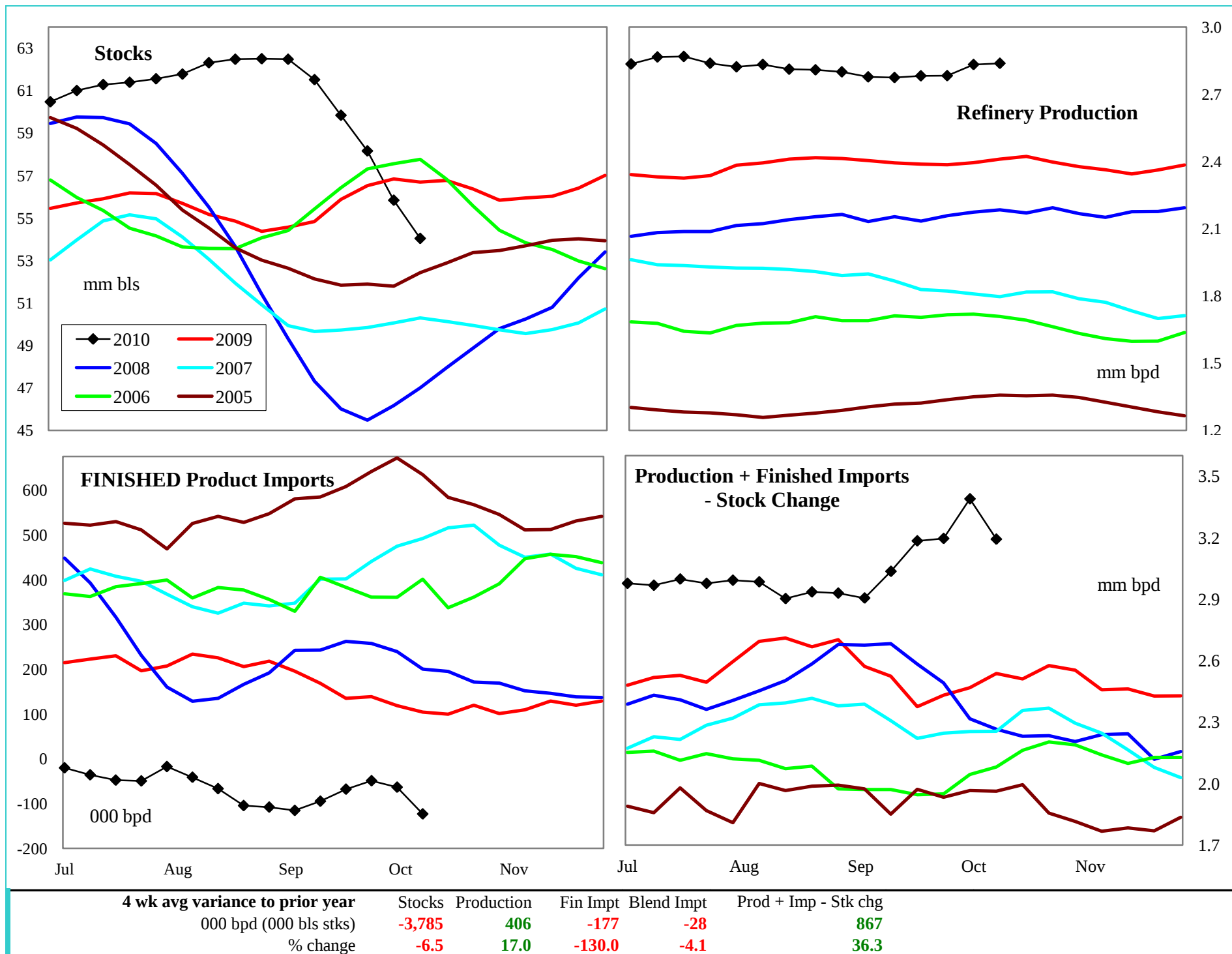
United States Residual Fuel Oil Supply and Demand Balance



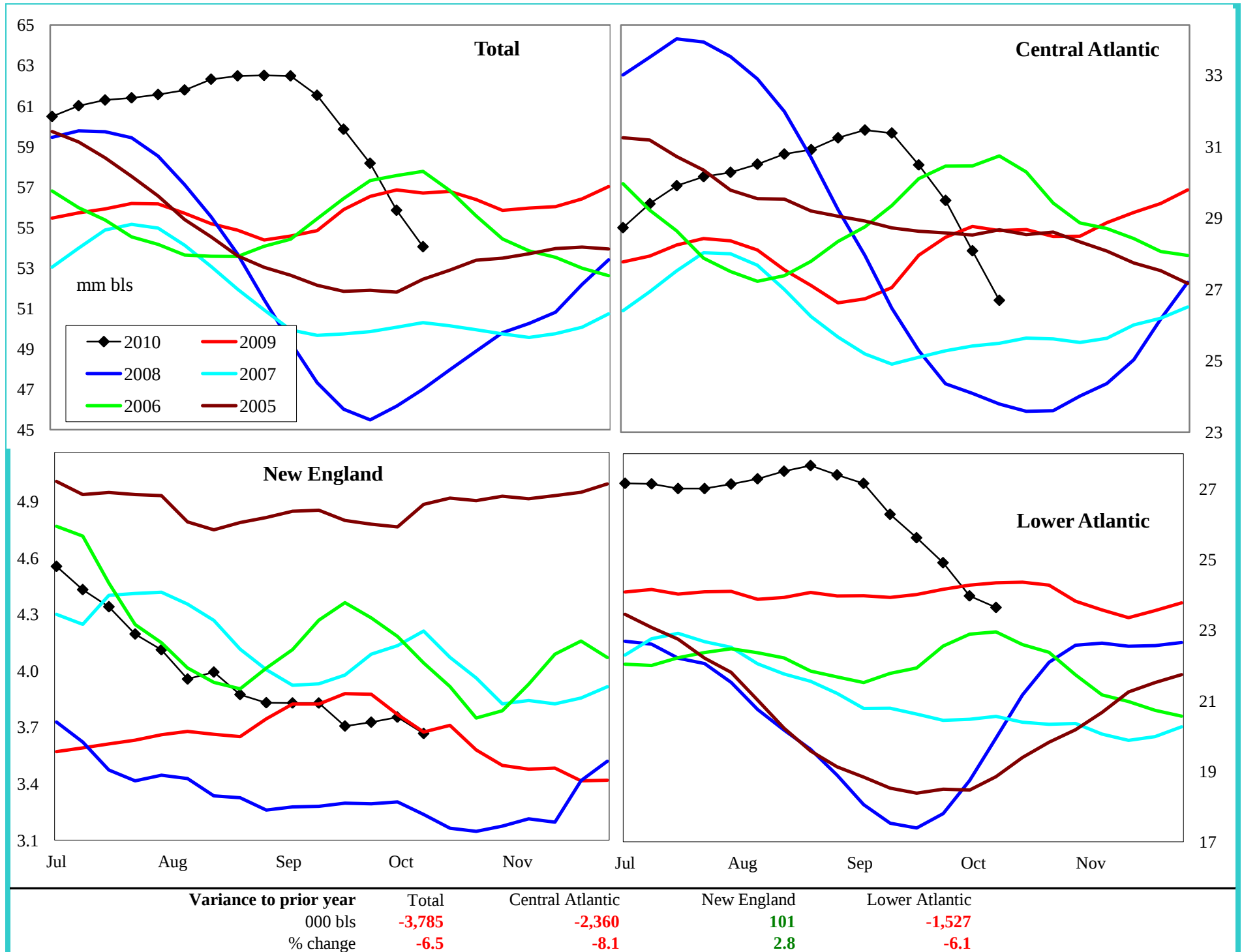
PADD 1 Crude Oil Supply and Refining



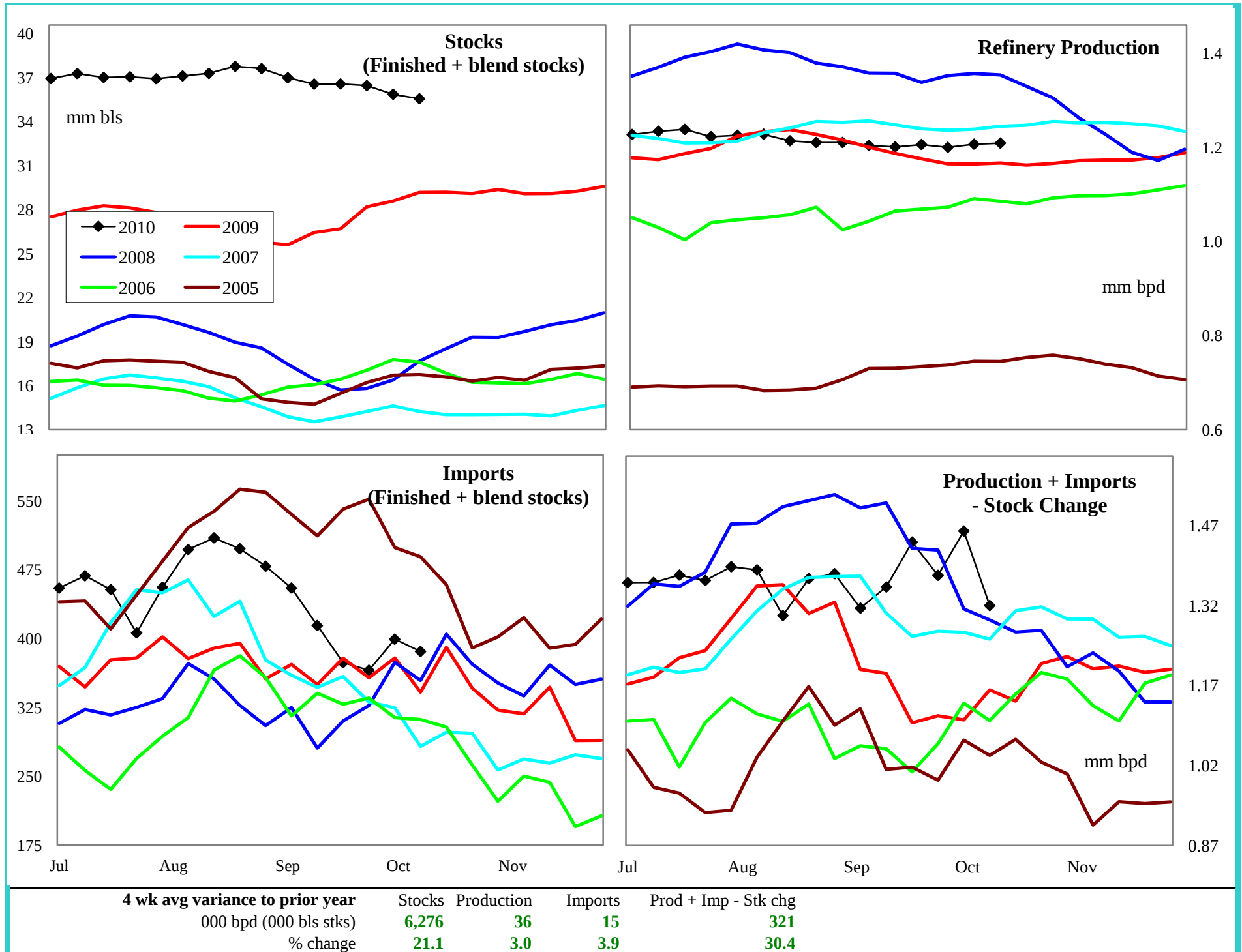
PADD 1 Gasoline Supply



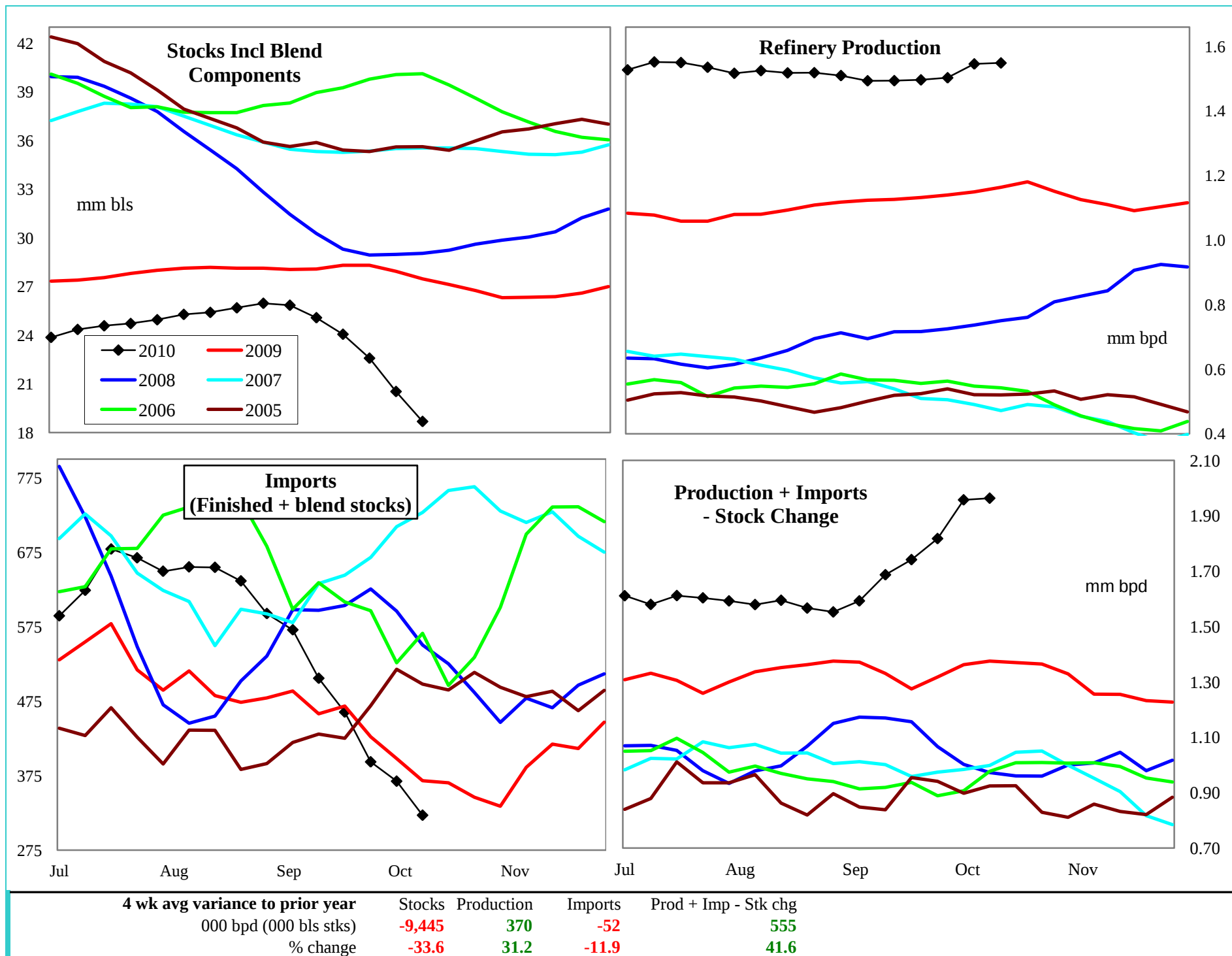
PADD 1 Gasoline Stocks by Region



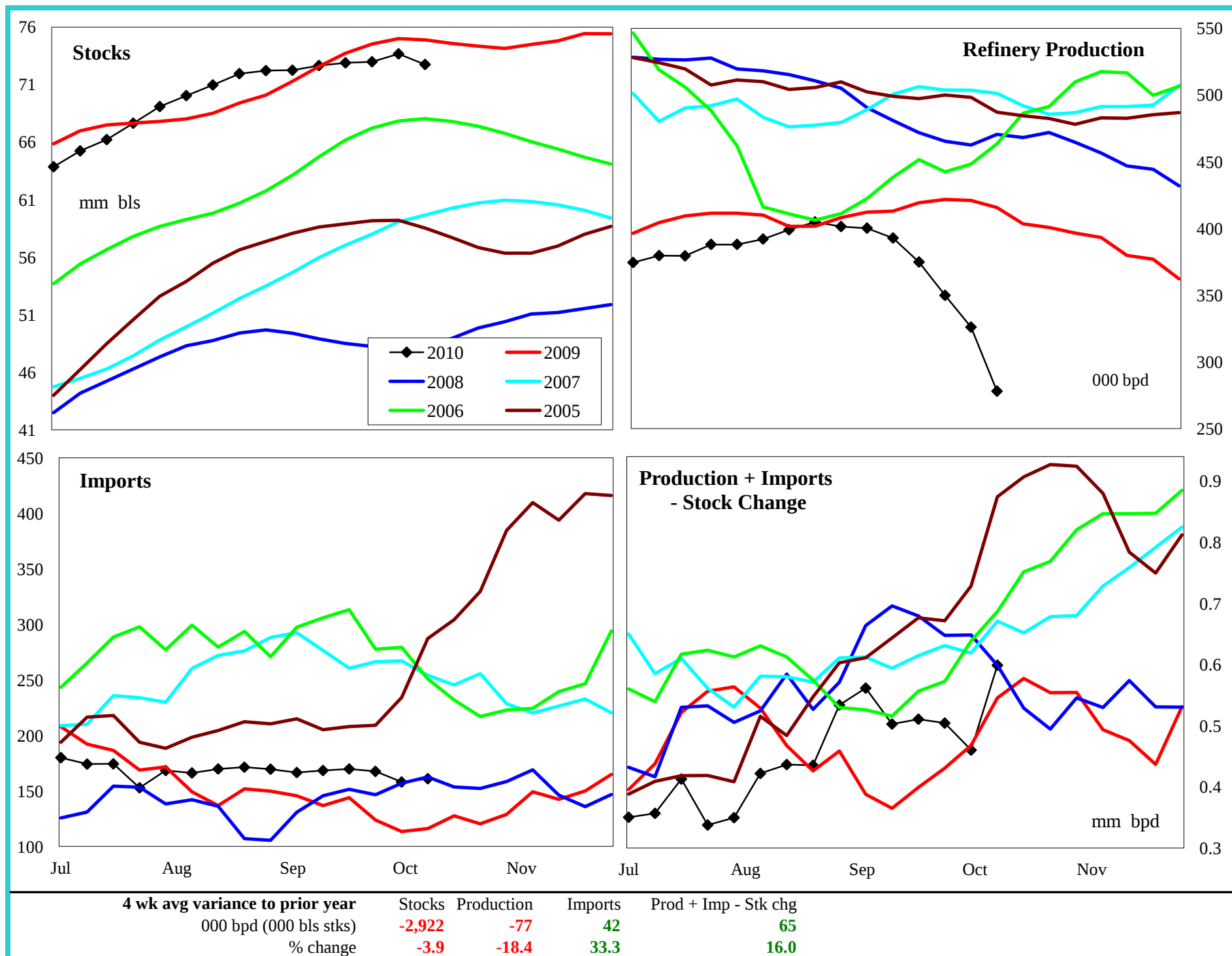
PADD 1 Reformulated Gasoline Supply



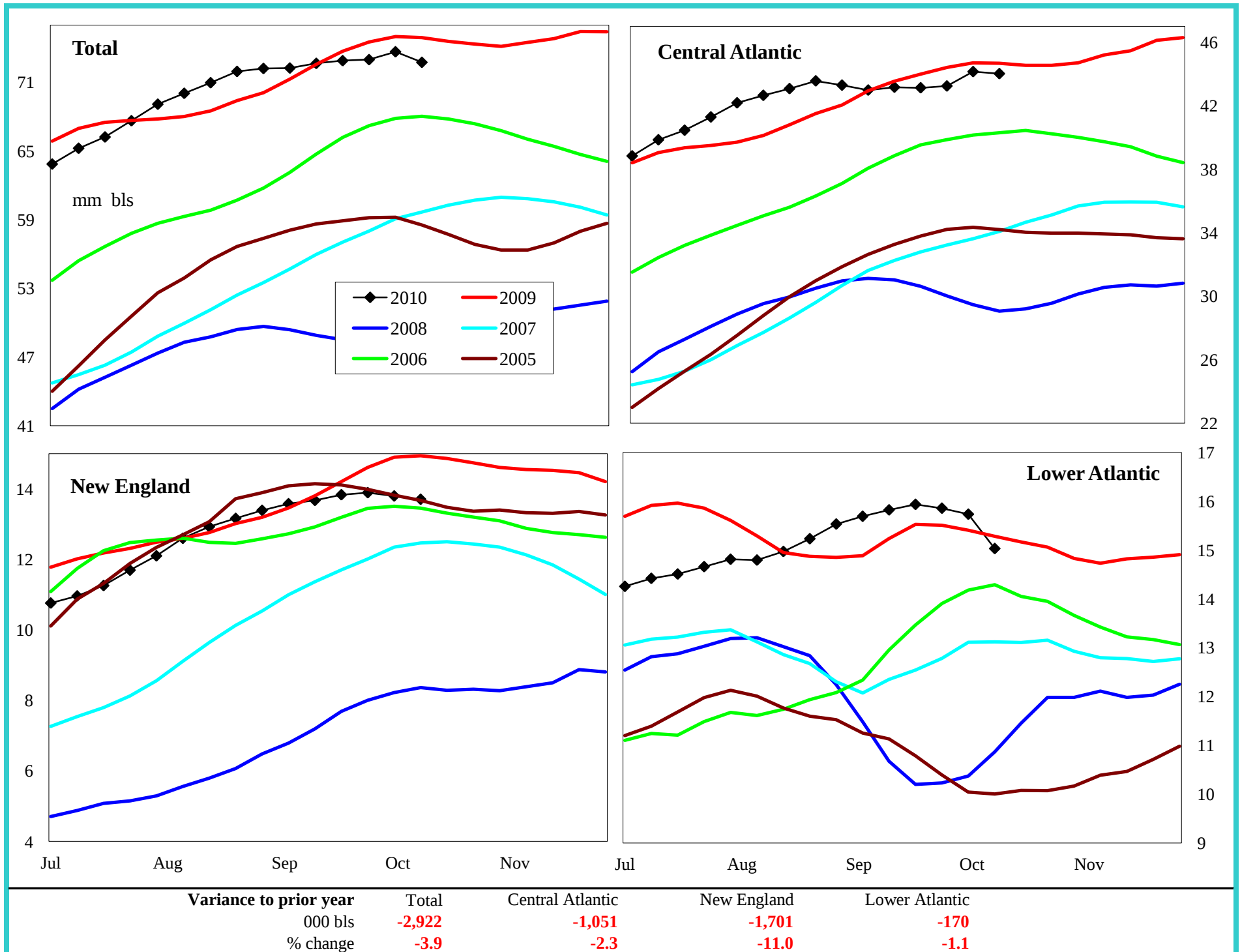
PADD 1 Conventional Gasoline Supply



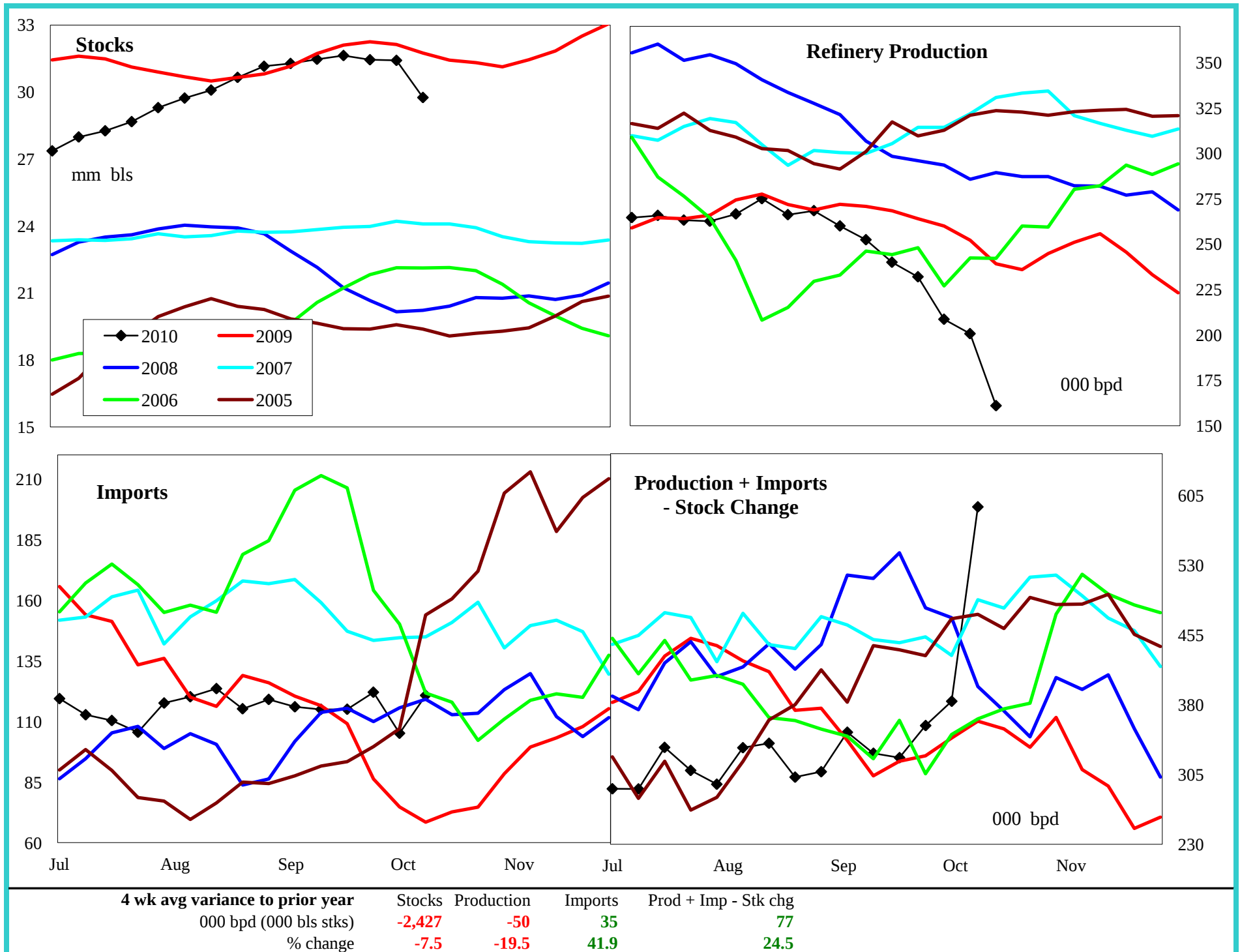
PADD 1 Distillate Supply



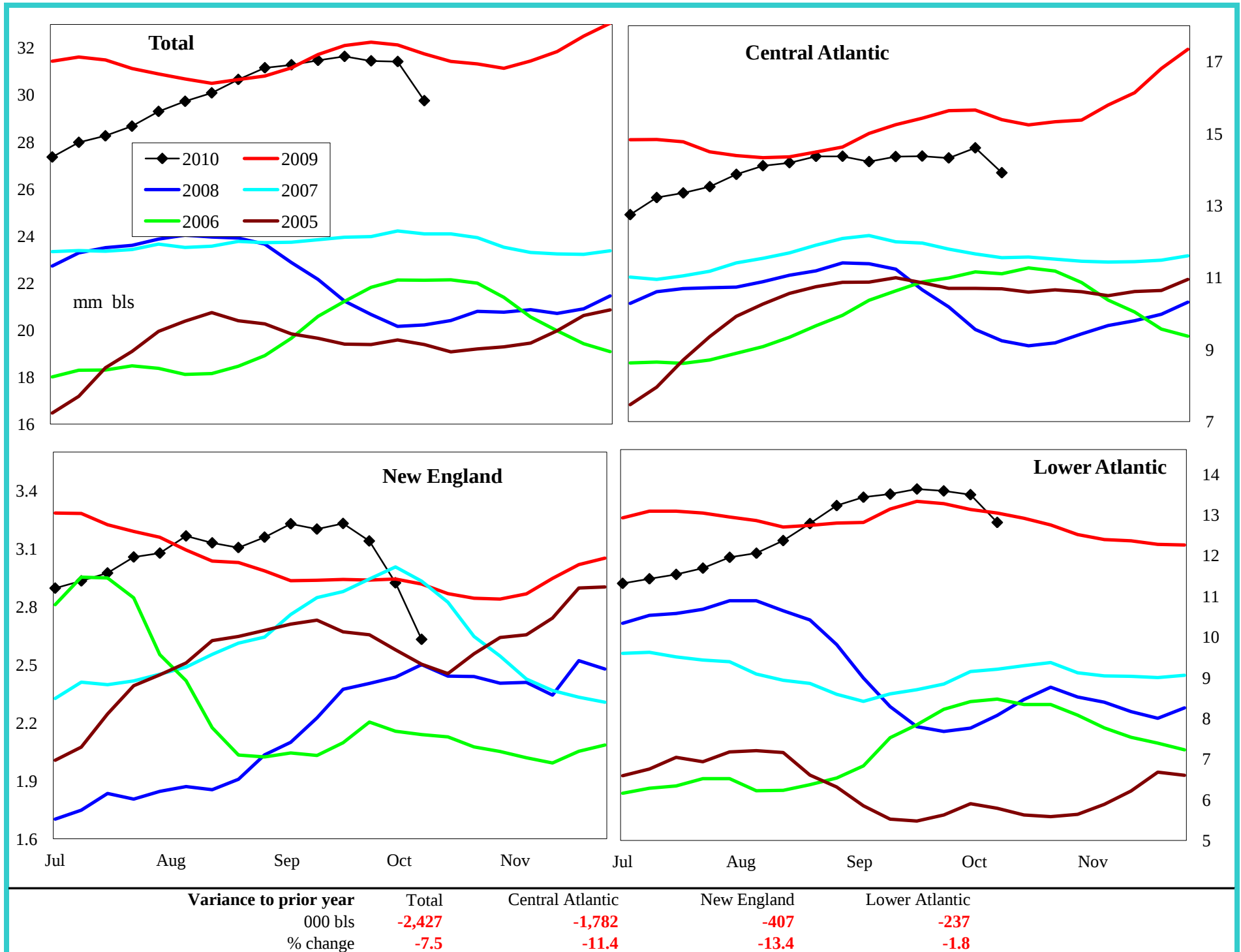
PADD 1 Distillate Stocks by Region



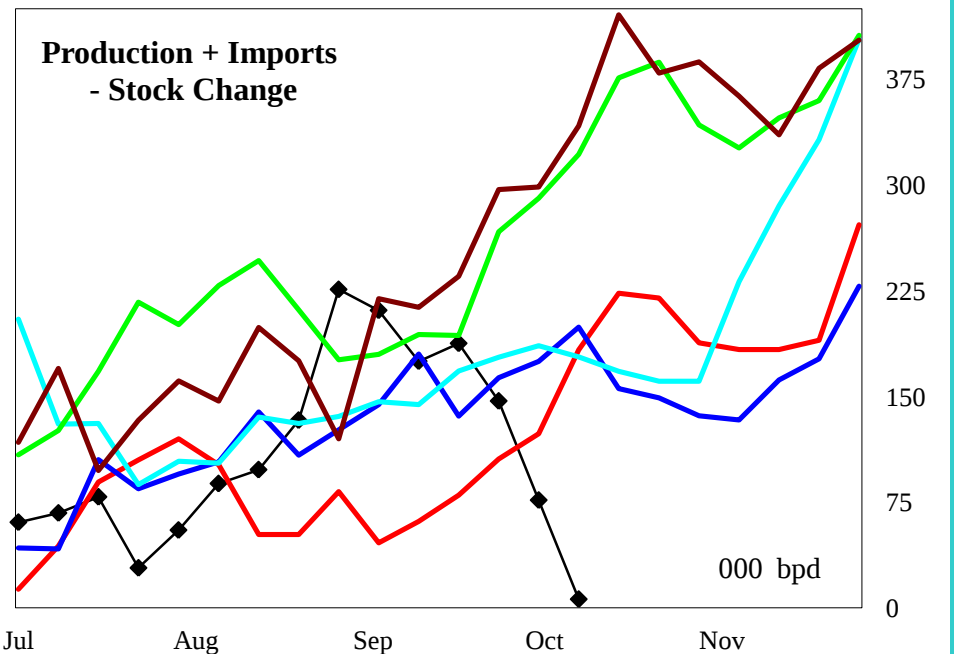
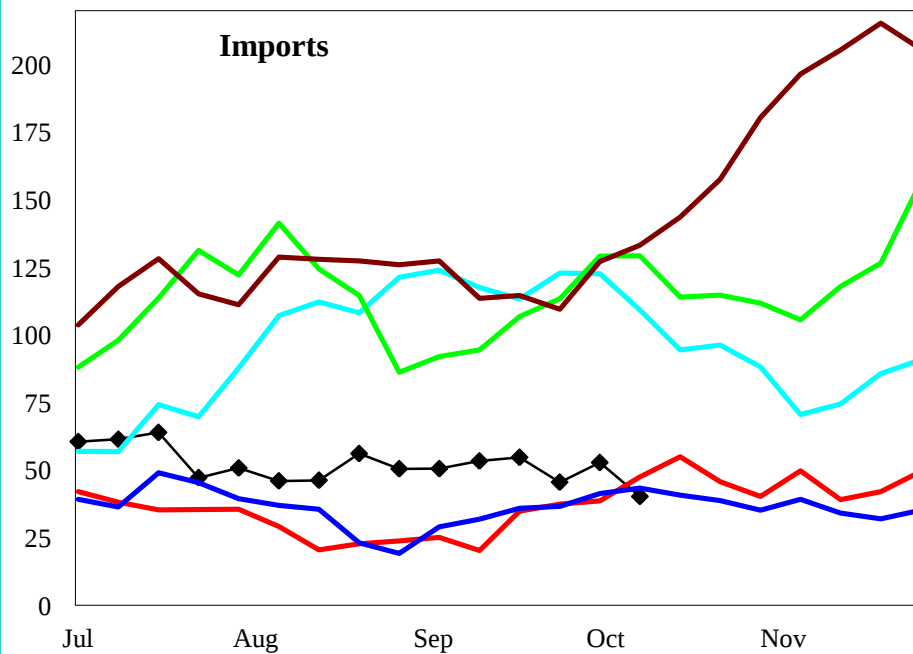
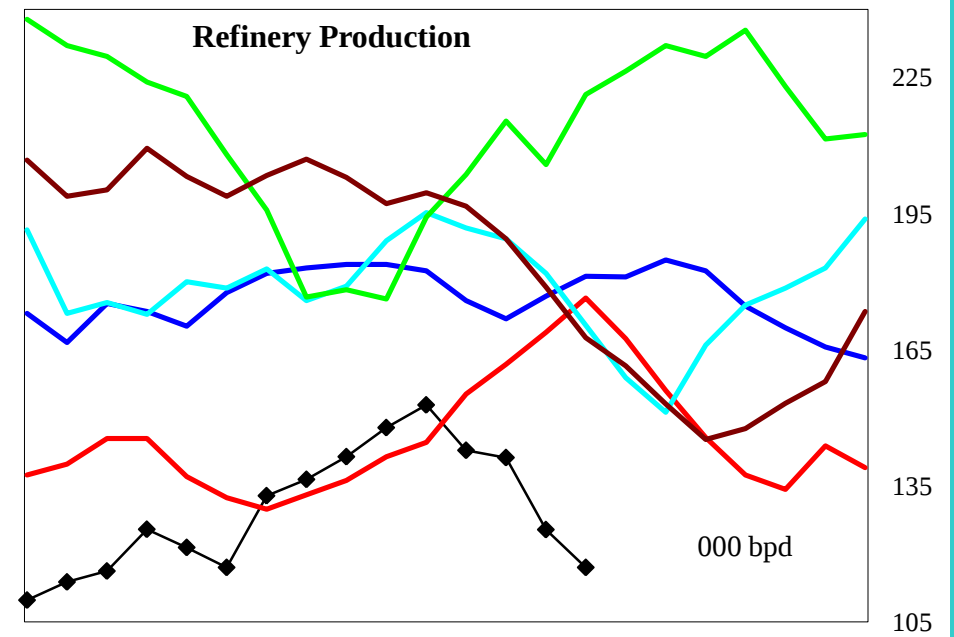
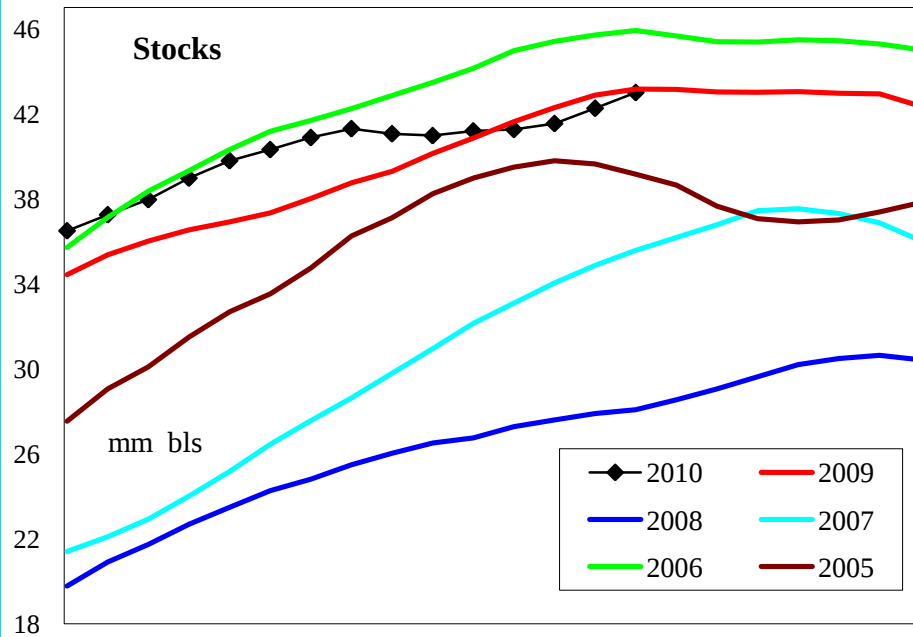
PADD 1 Low Sulfur Distillate Supply



PADD 1 Low Sulfur Distillate Stocks by Region



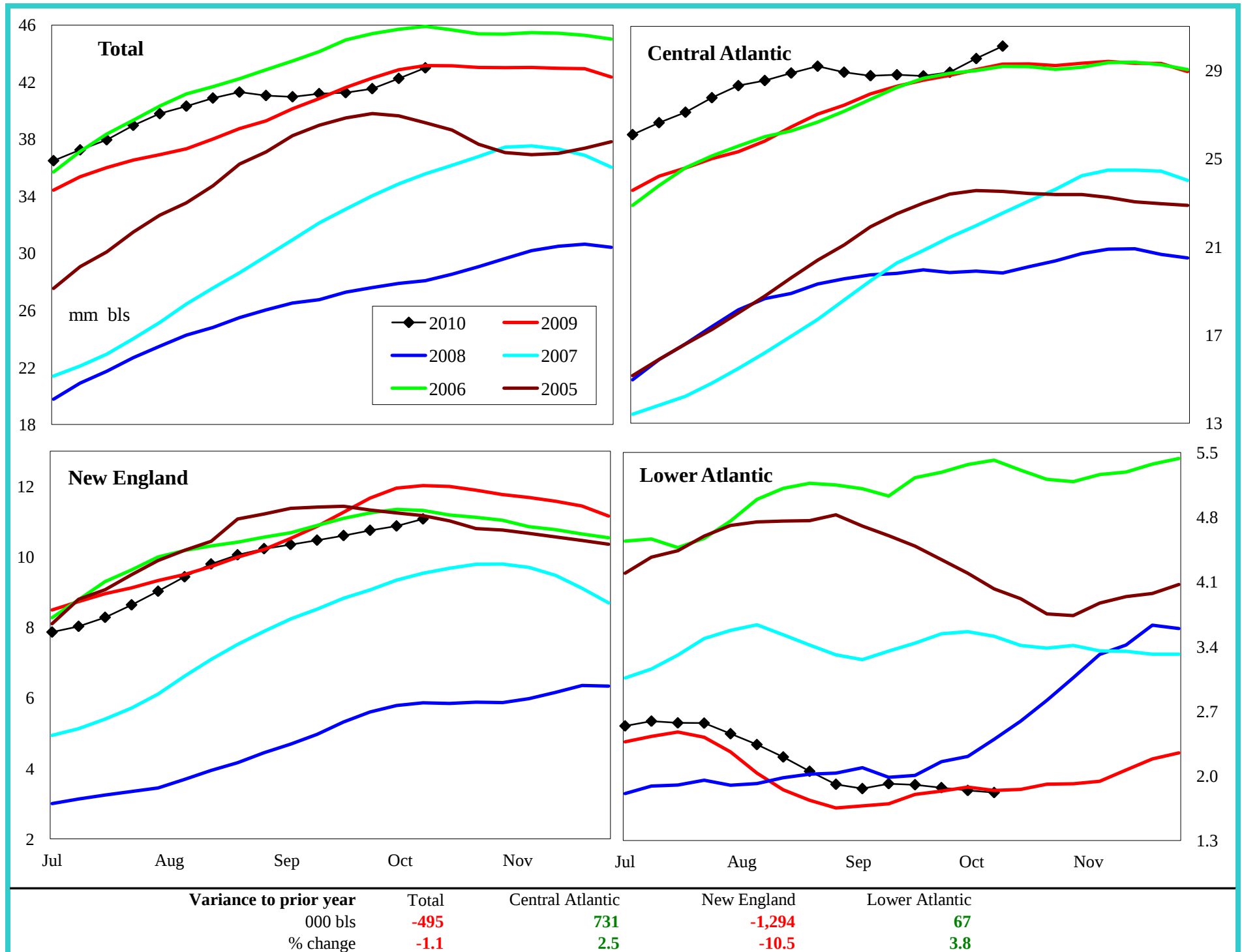
PADD 1 High Sulfur Distillate Supply



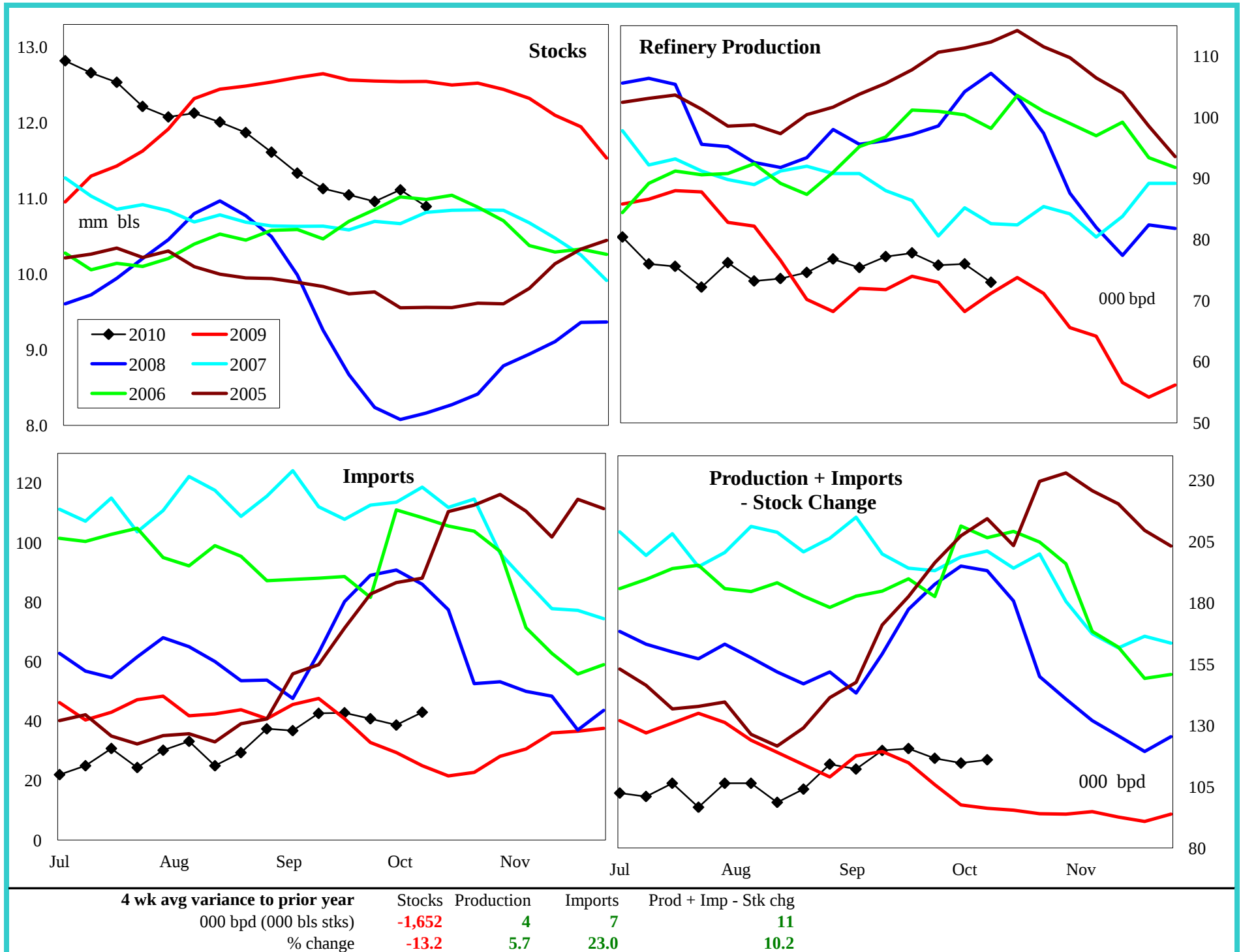
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

	Stocks	Production	Imports	Prod + Imp - Stk chg
000 bpd (000 bbls stks)	-495	-27	6	-12
% change	-1.1	-16.7	15.7	-13.4

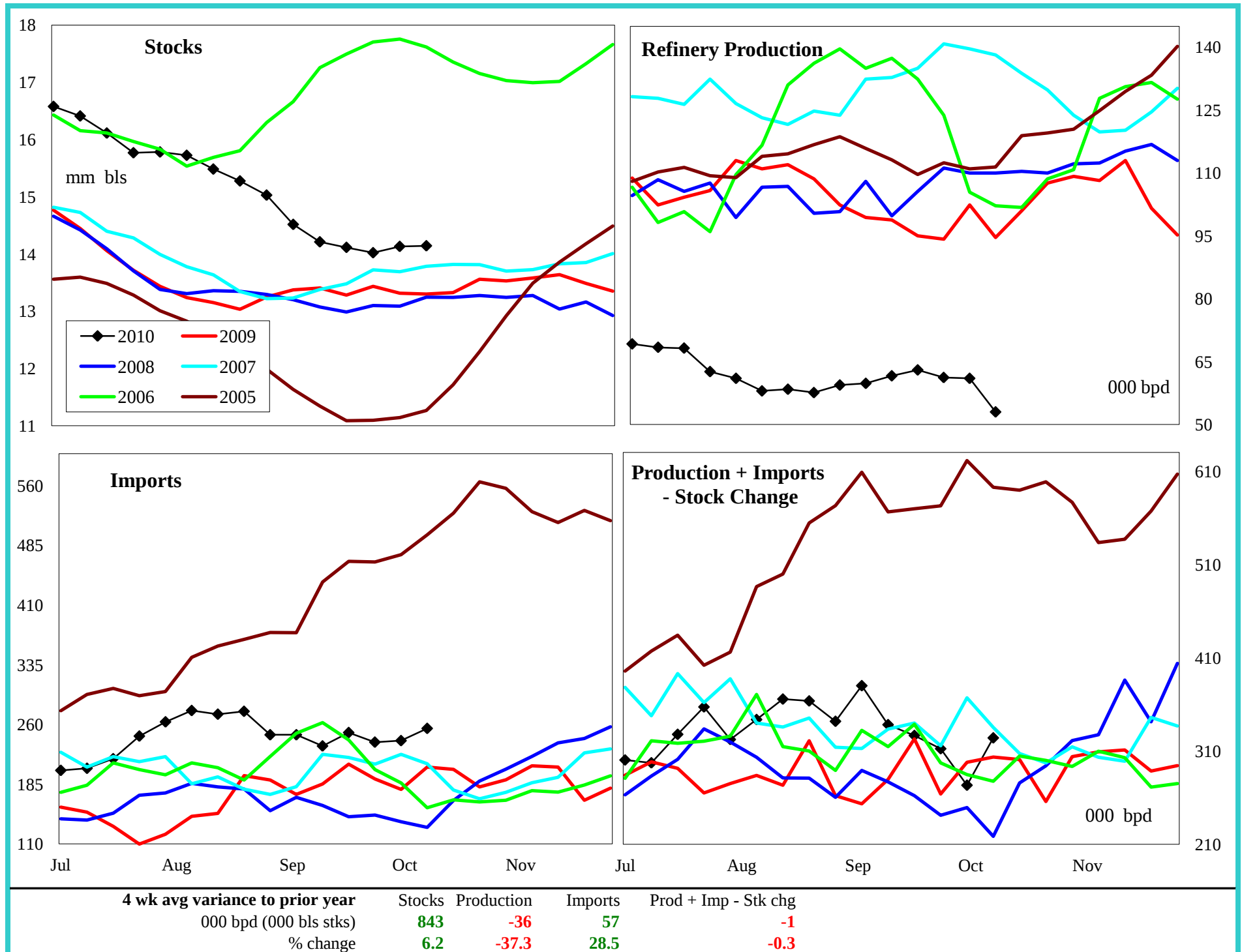
PADD 1 High Sulfur Distillate Stocks by Region



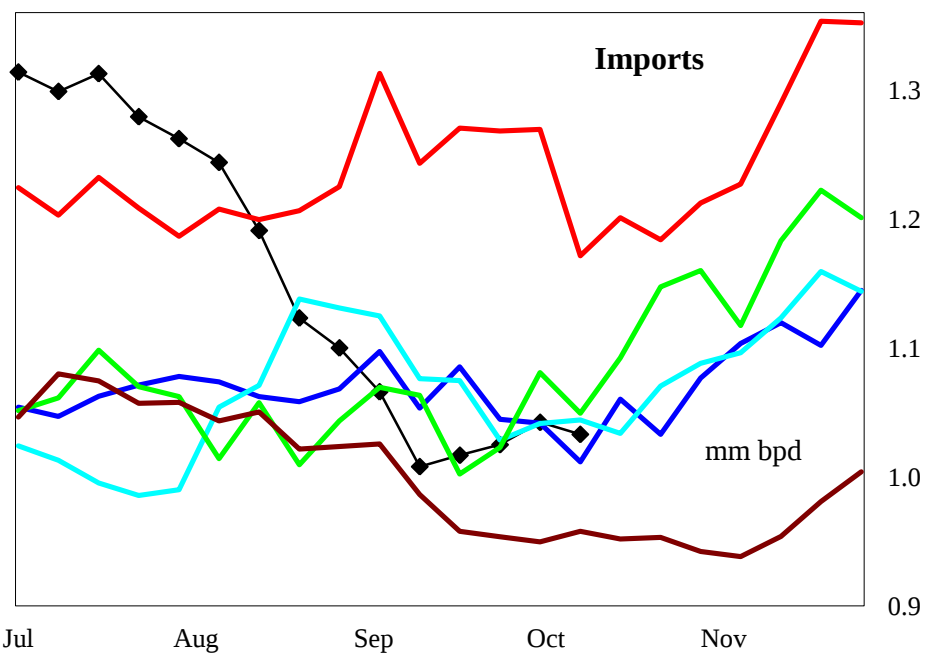
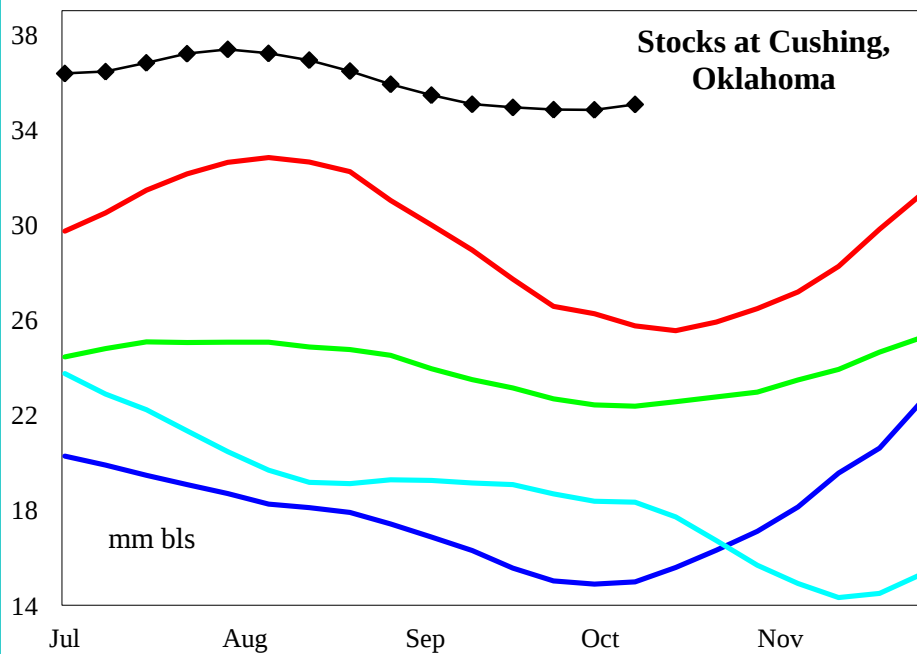
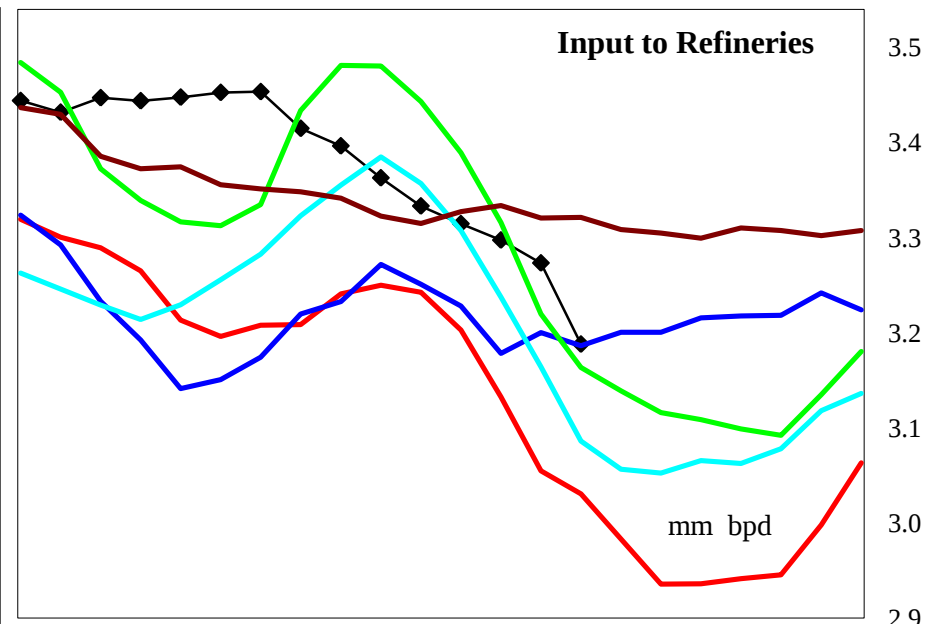
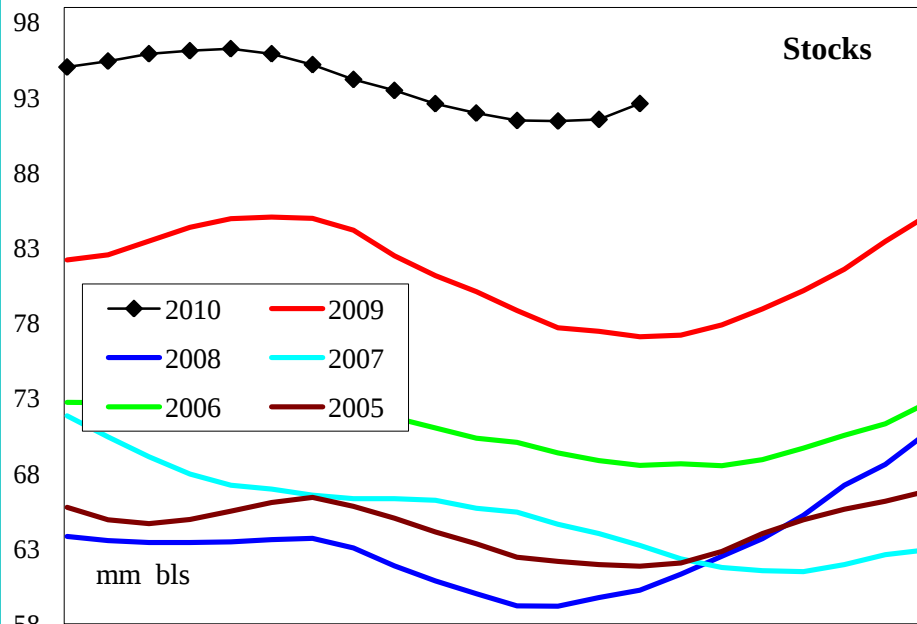
PADD 1 Jet Fuel Supply



PADD 1 Residual Fuel Oil Supply



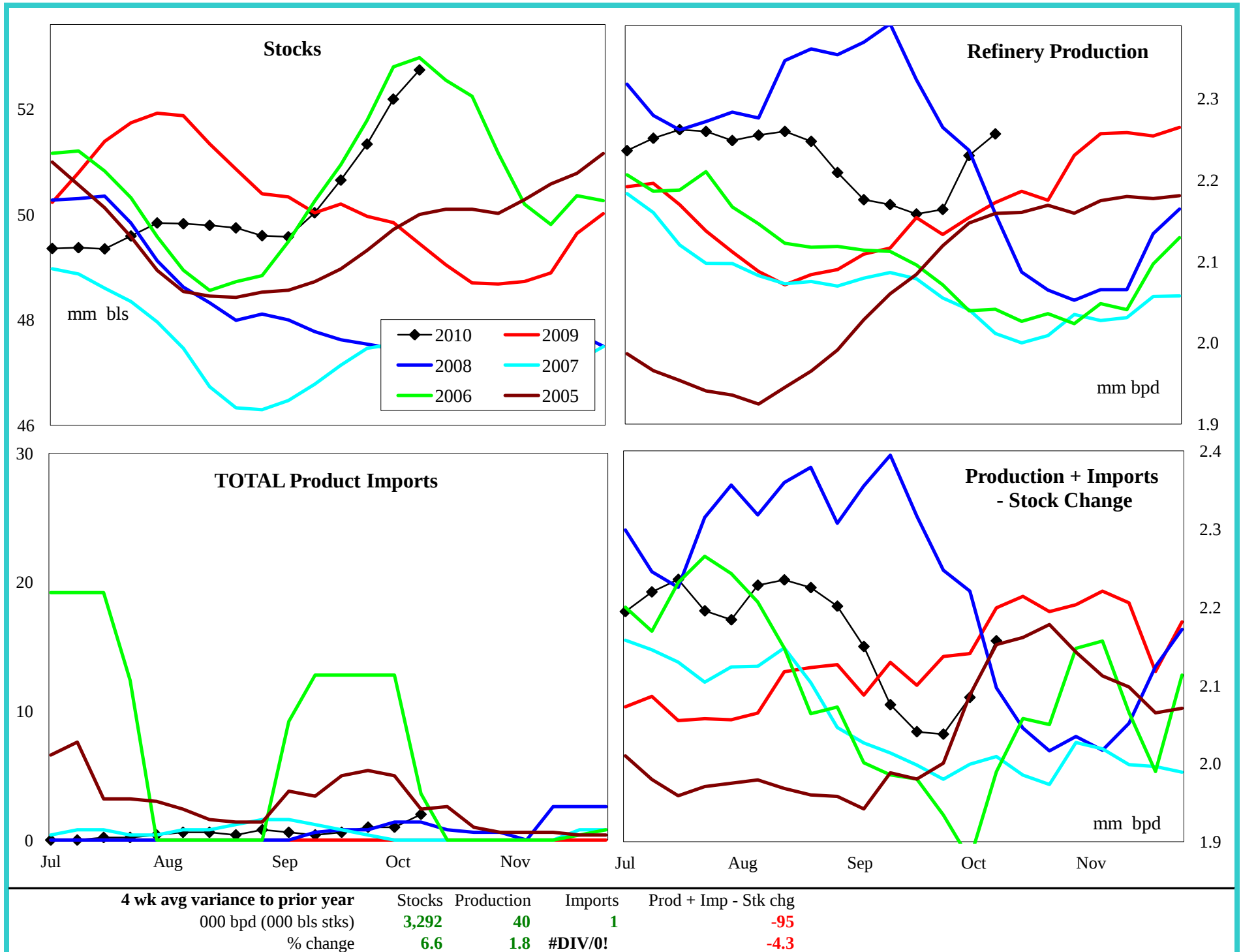
PADD 2 Crude Oil Supply and Refining



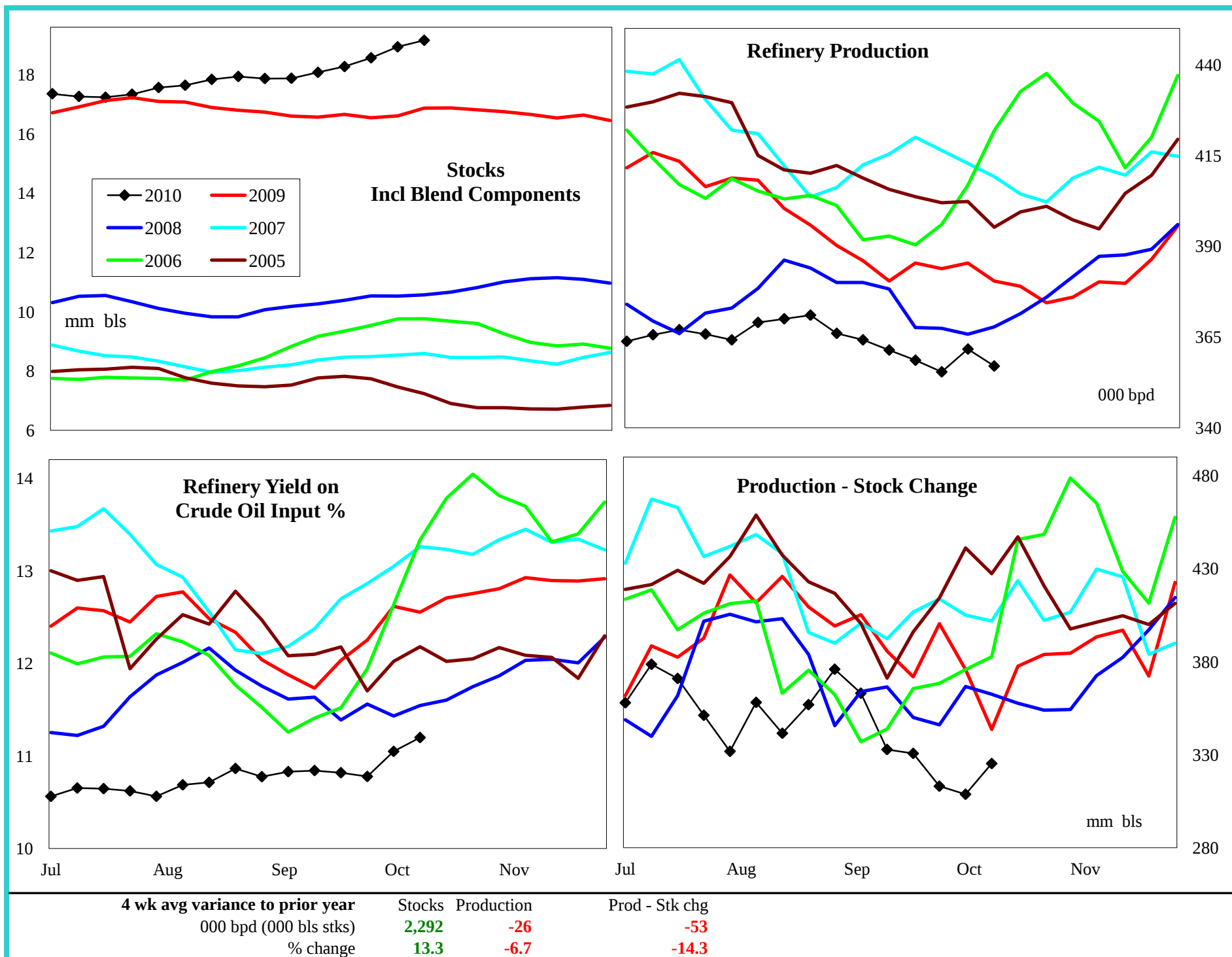
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

	Stocks	Cushing	Input	Imports
000 bpd (000 bbls stks)	15,505	9,317	210	-261
% change	20.1	36.2	6.8	-19.6

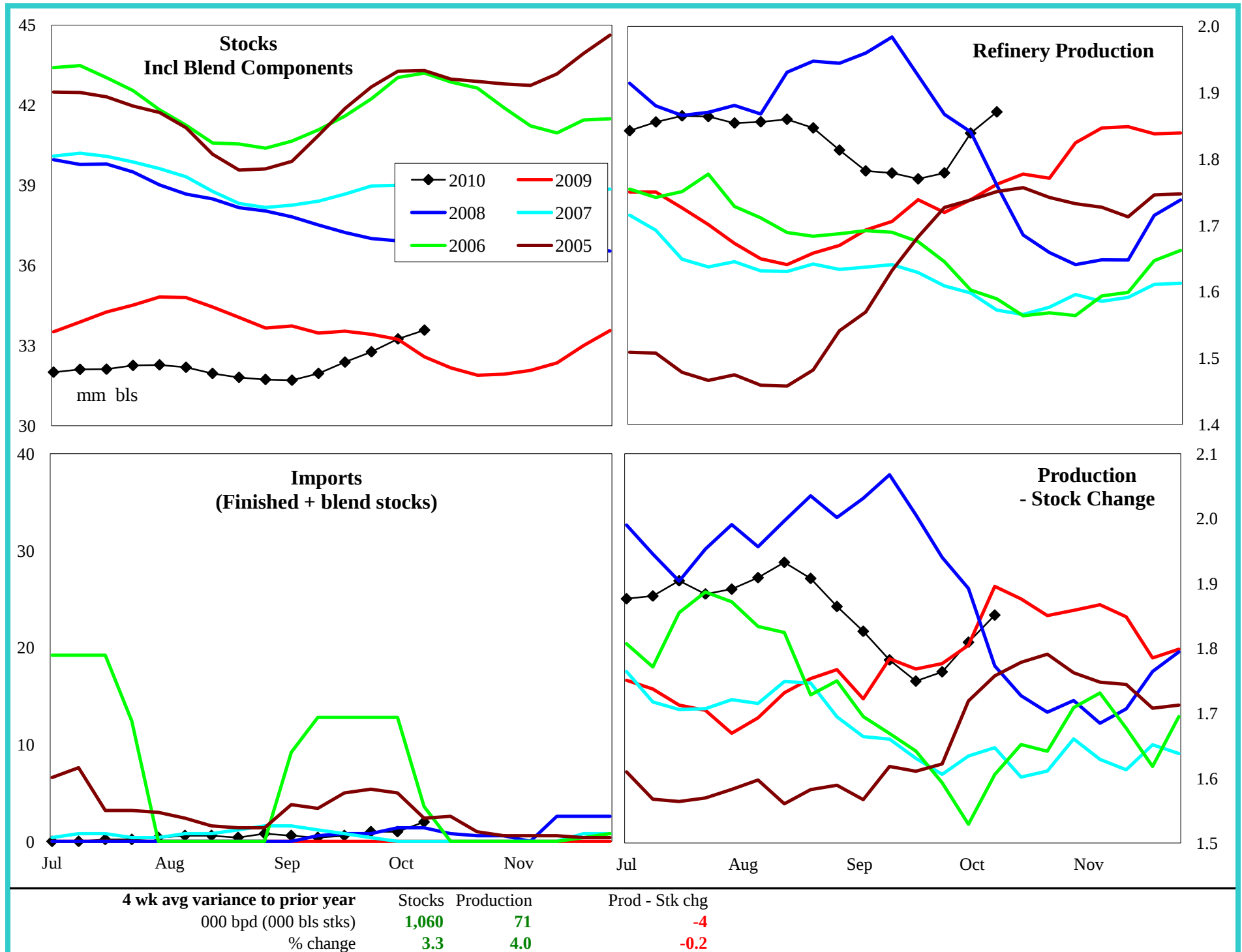
PADD 2 Gasoline Supply



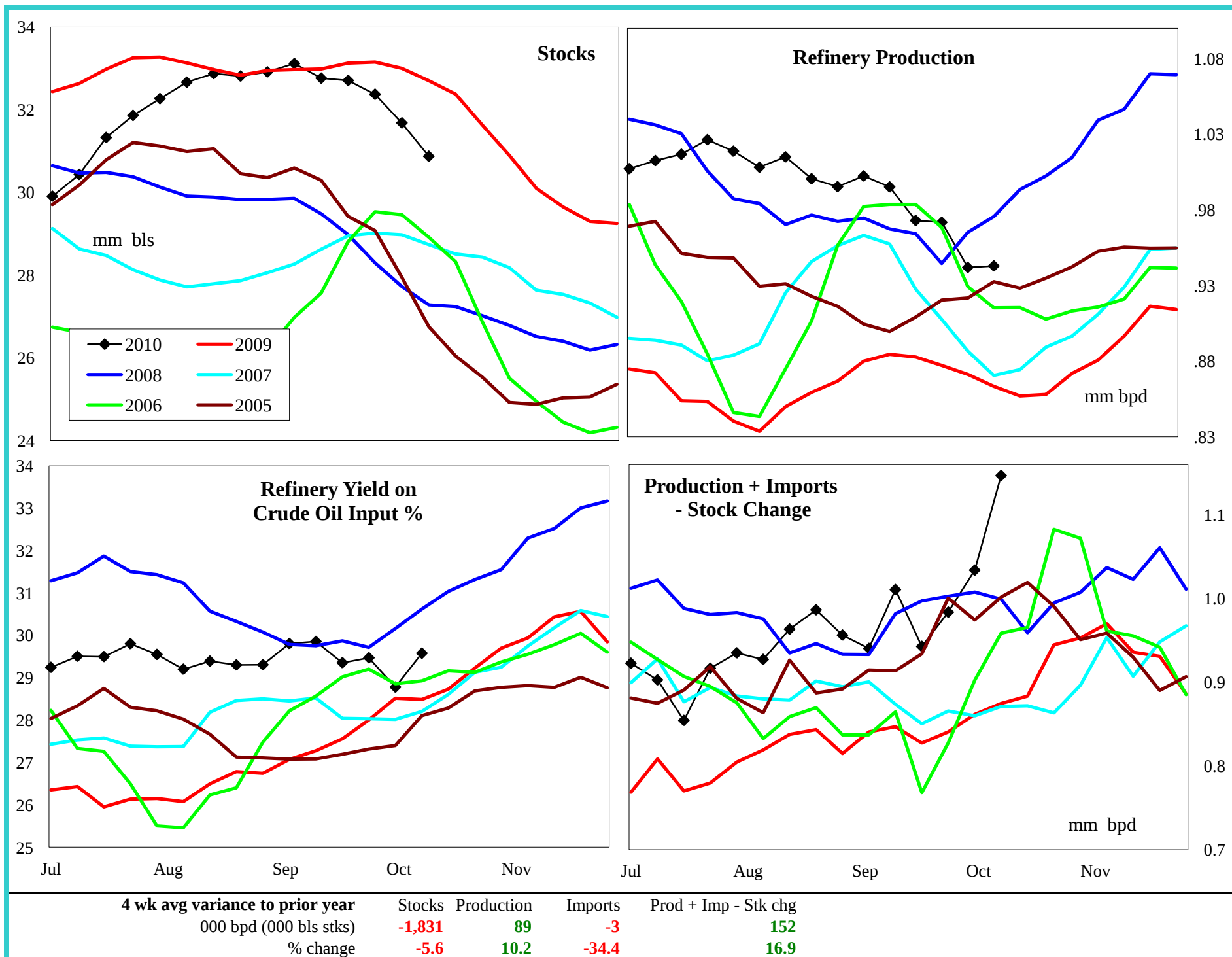
PADD 2 Reformulated Gasoline Supply



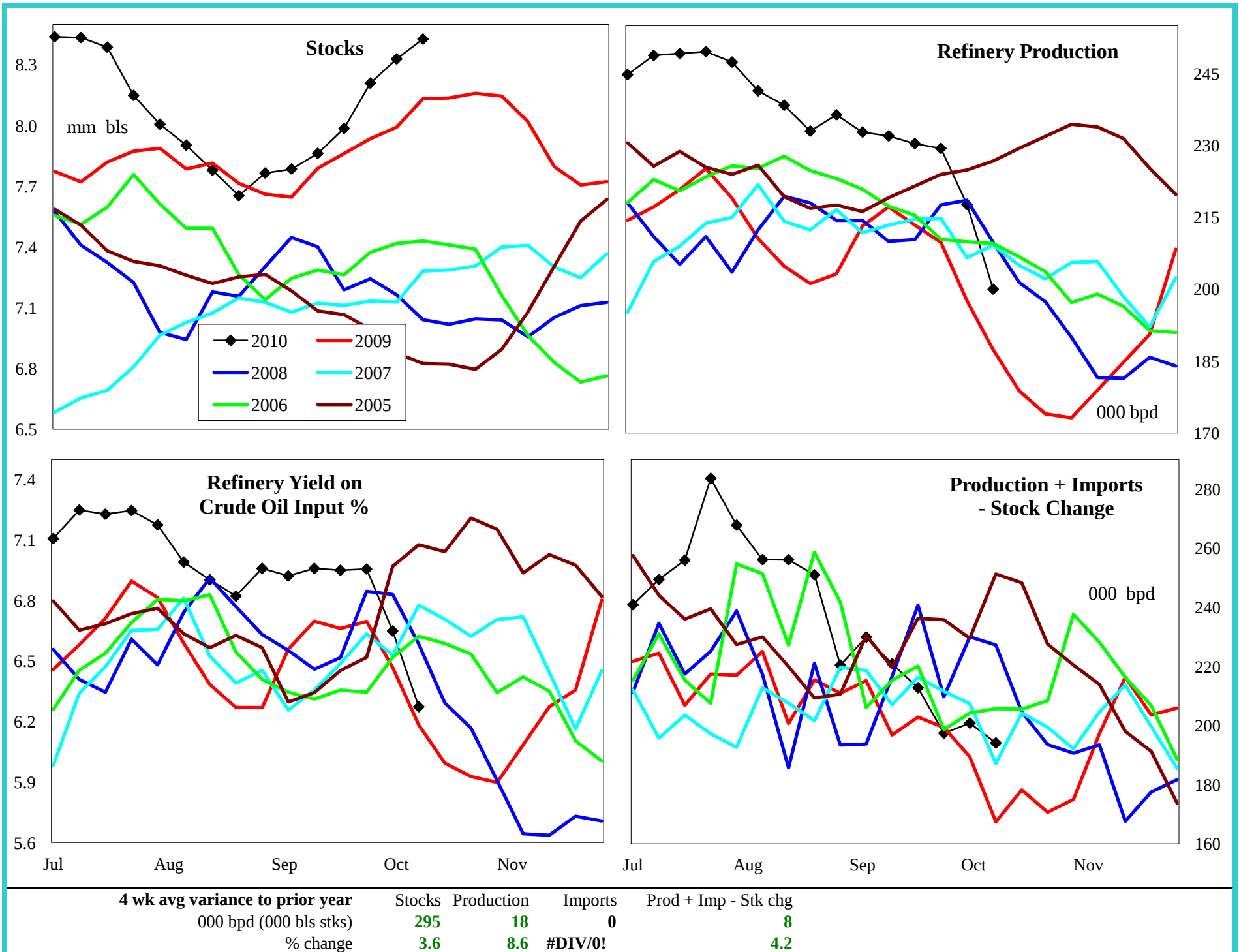
PADD 2 Conventional Gasoline Supply



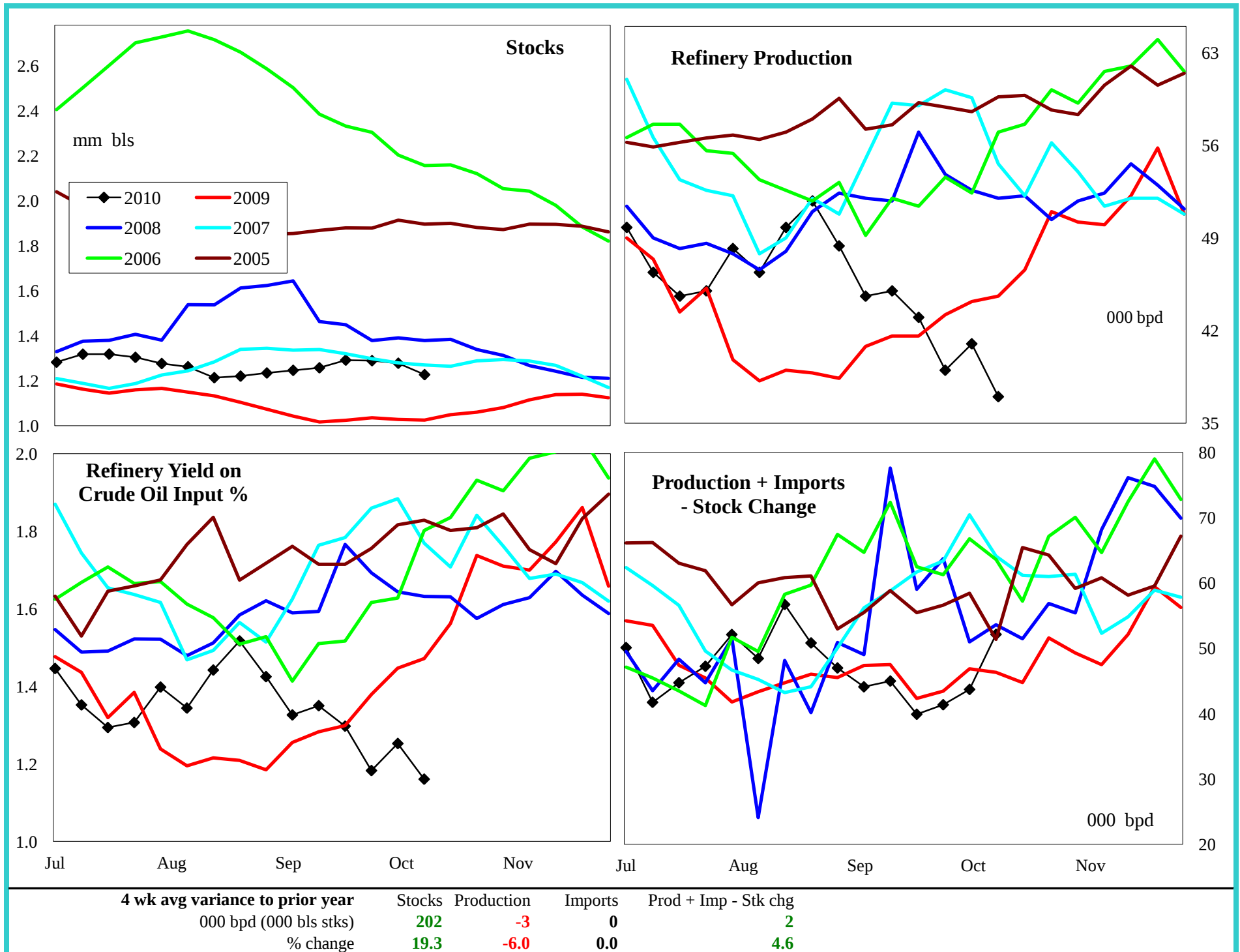
PADD 2 Distillate Supply



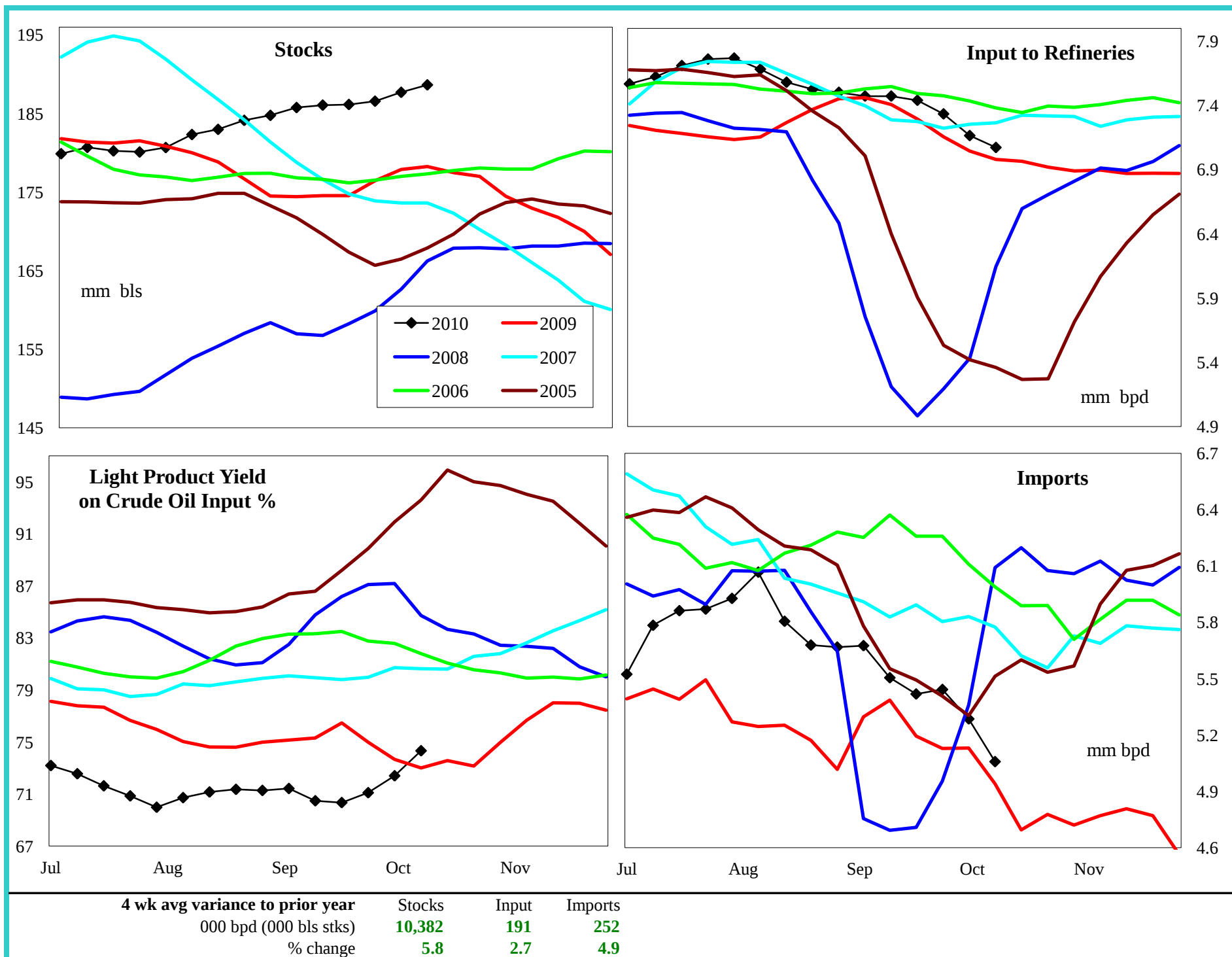
PADD 2 Jet Fuel Supply



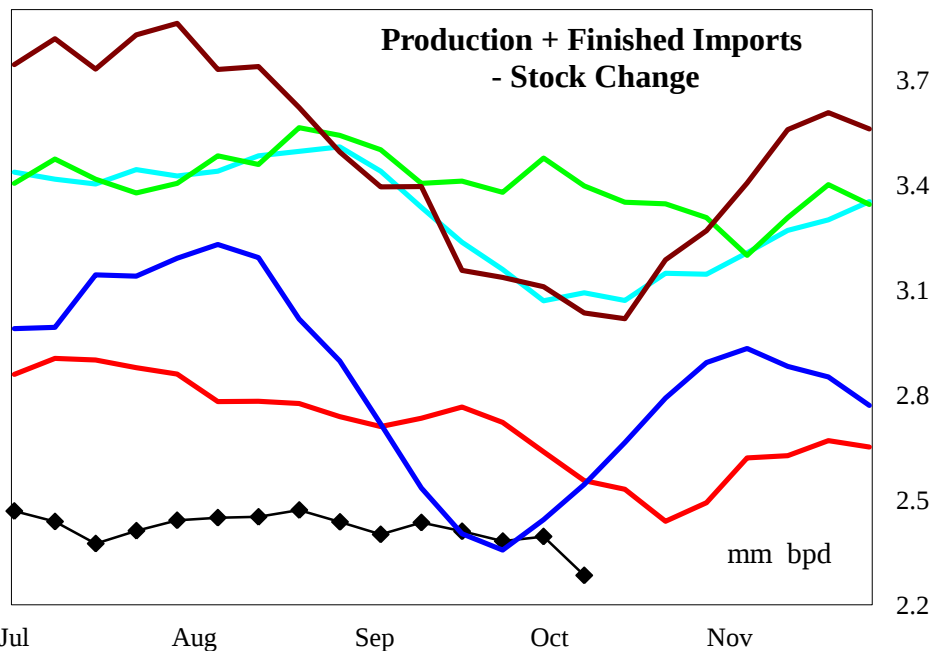
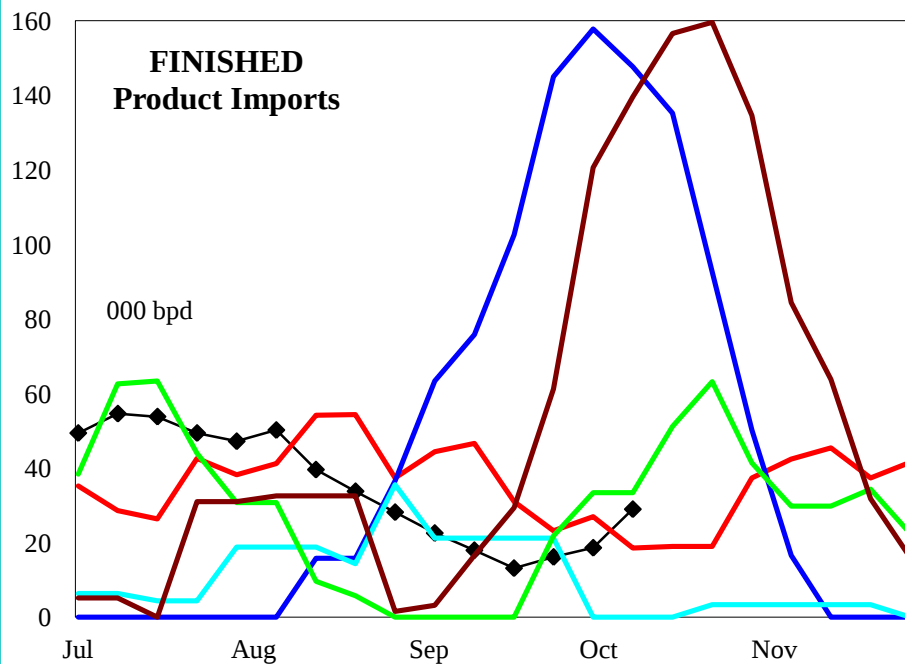
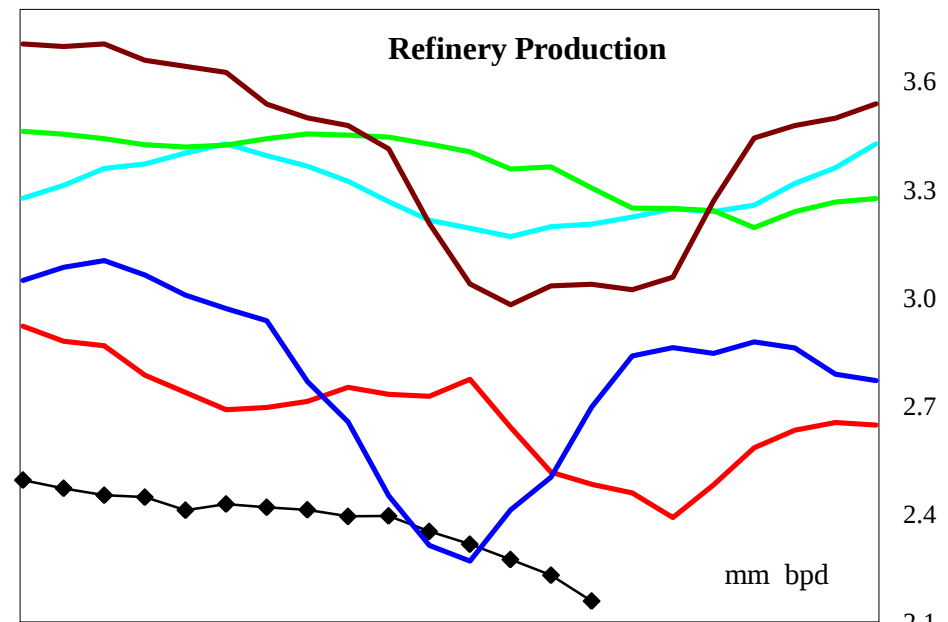
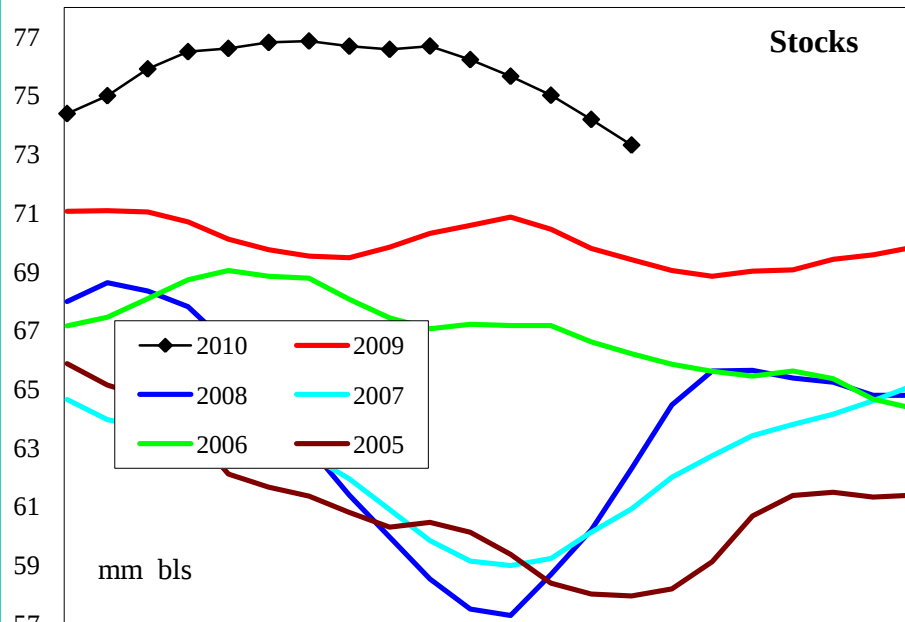
PADD 2 Residual Fuel Oil Supply



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

5,273

7.8

Production

-347

-13.3

Fin Impt

-9

-30.2

Blend Impt

34

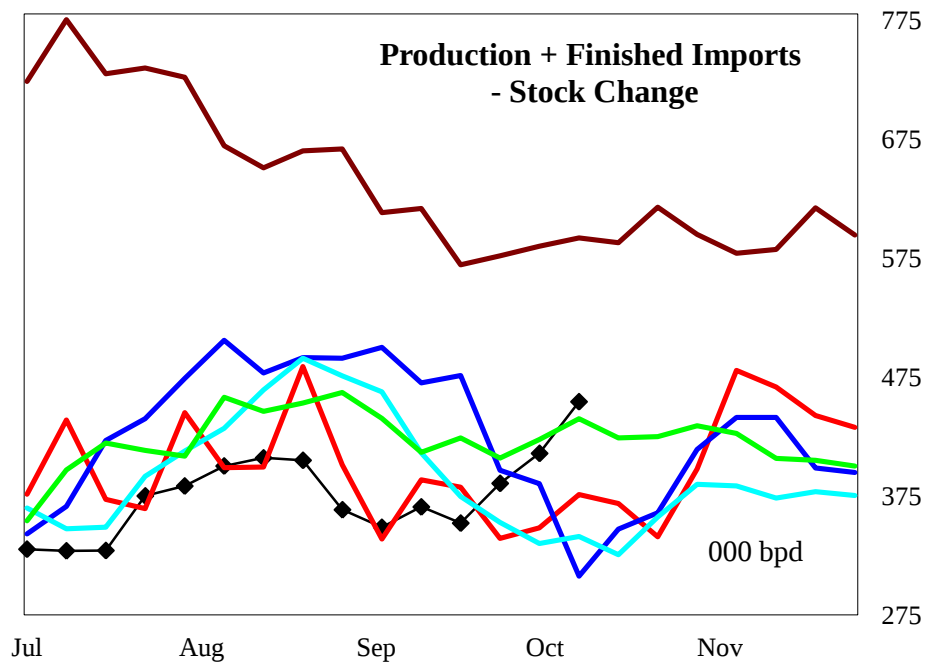
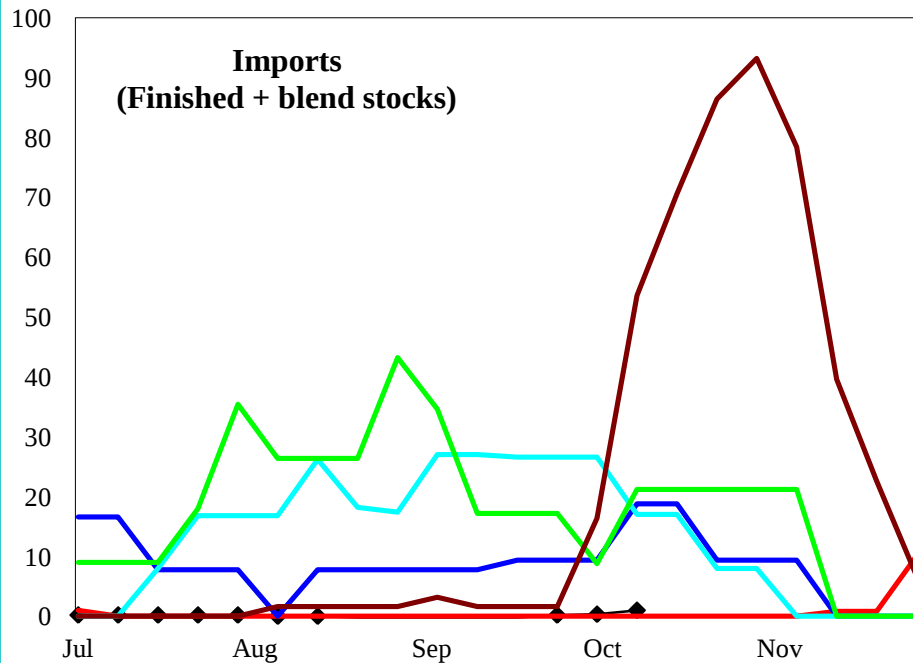
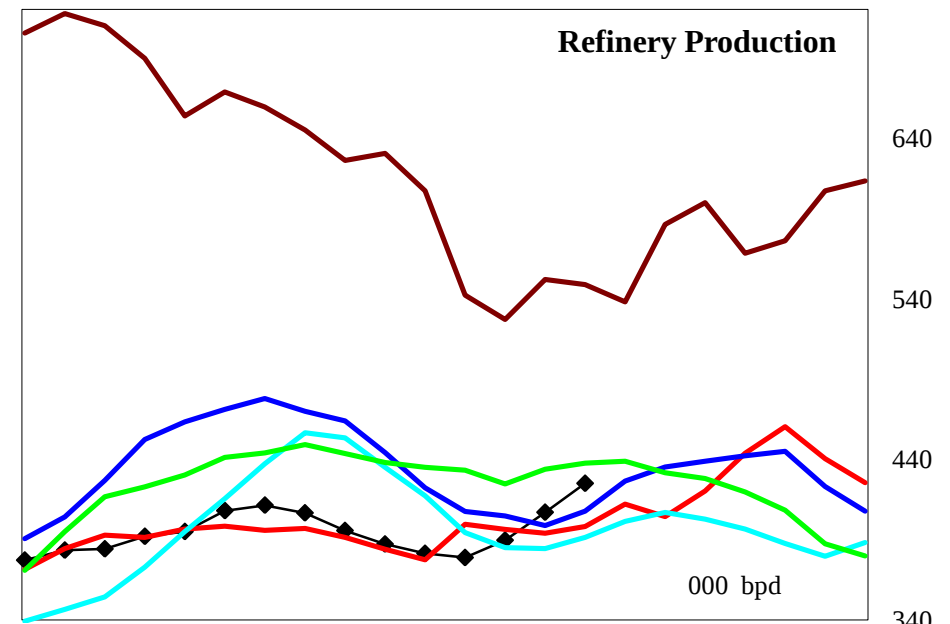
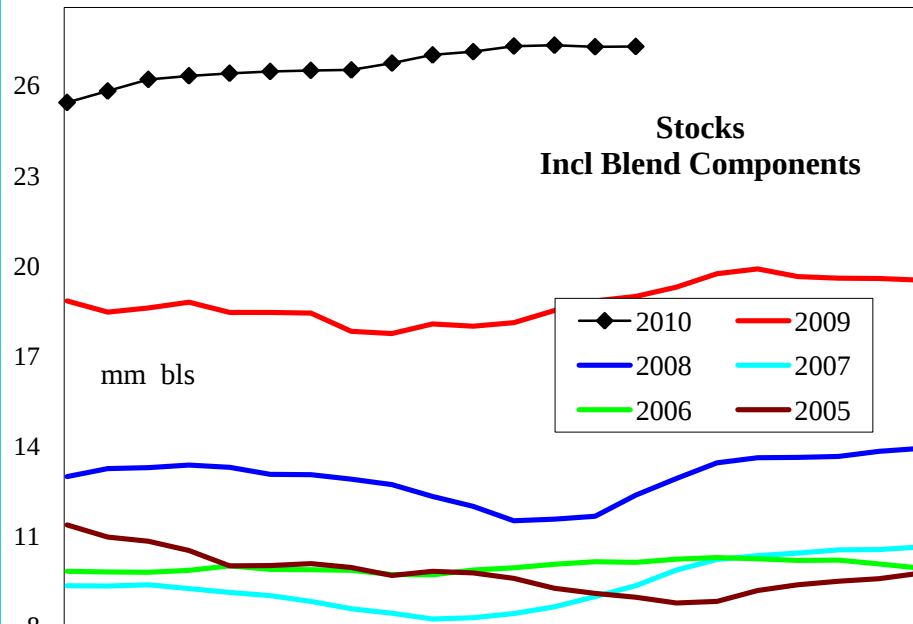
153.9

Prod + Imp - Stk chg

-368

-13.4

PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

8,726

46.0

Production

-5

-1.2

Imports

0

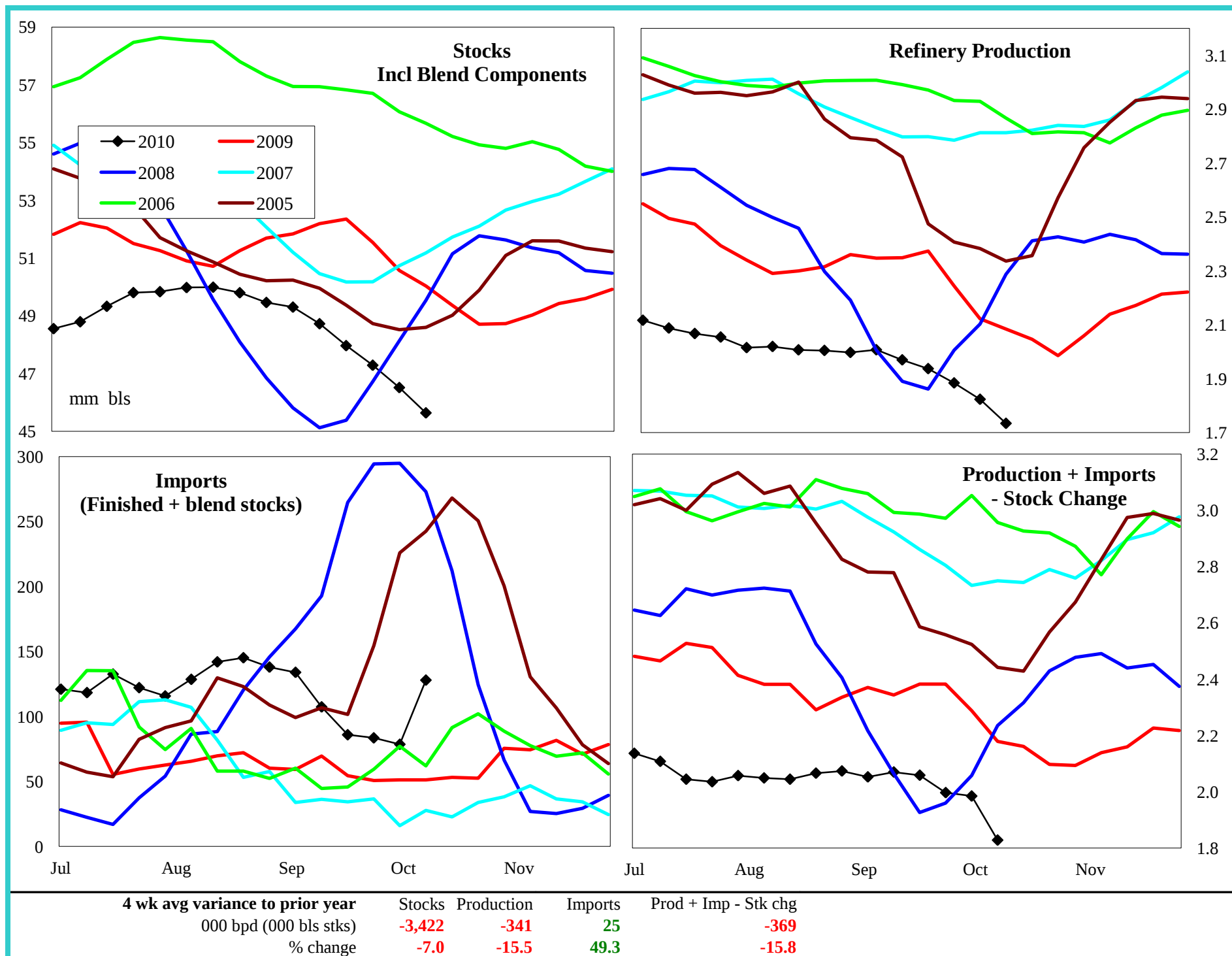
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Prod + Imp - Stk chg

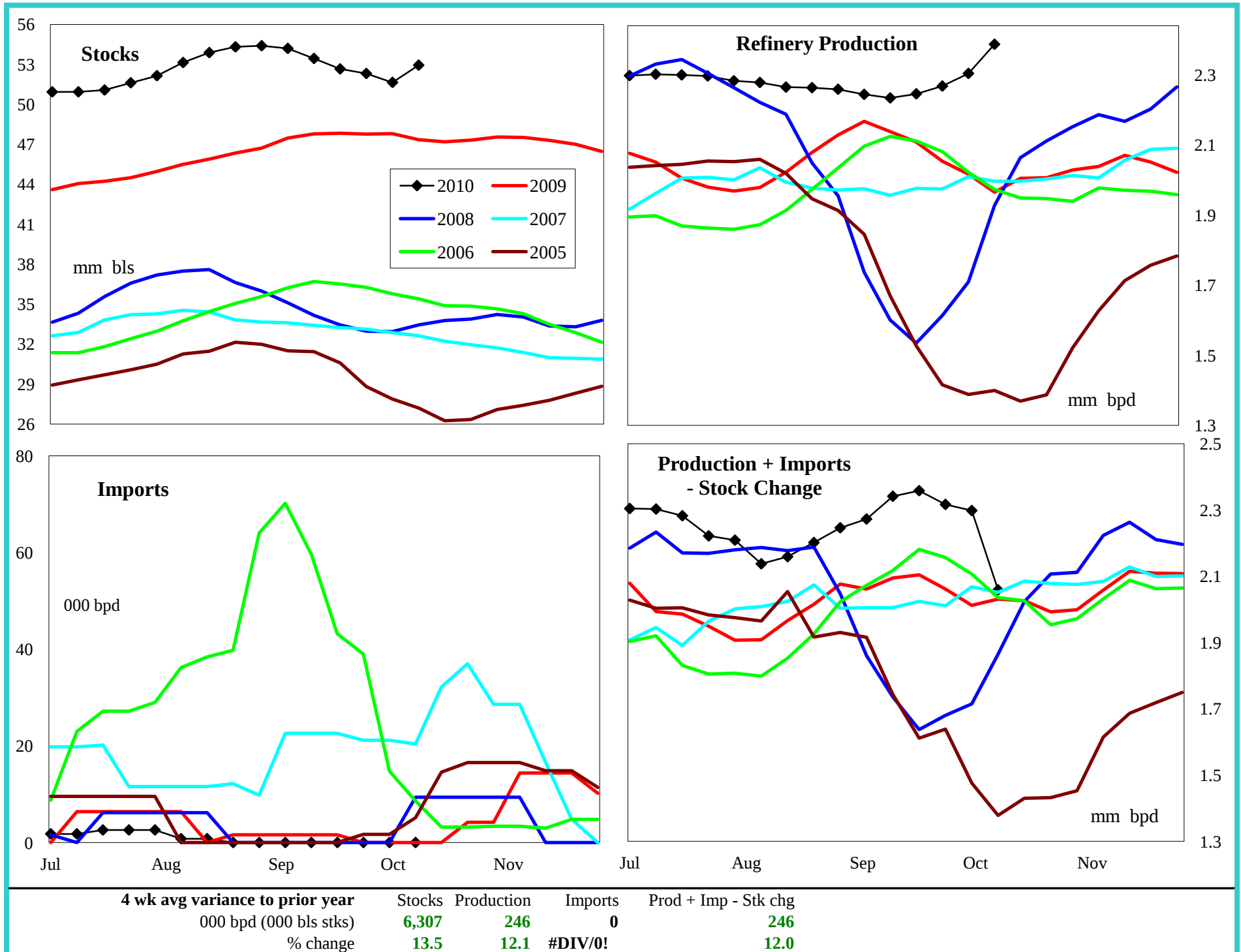
1

0.2

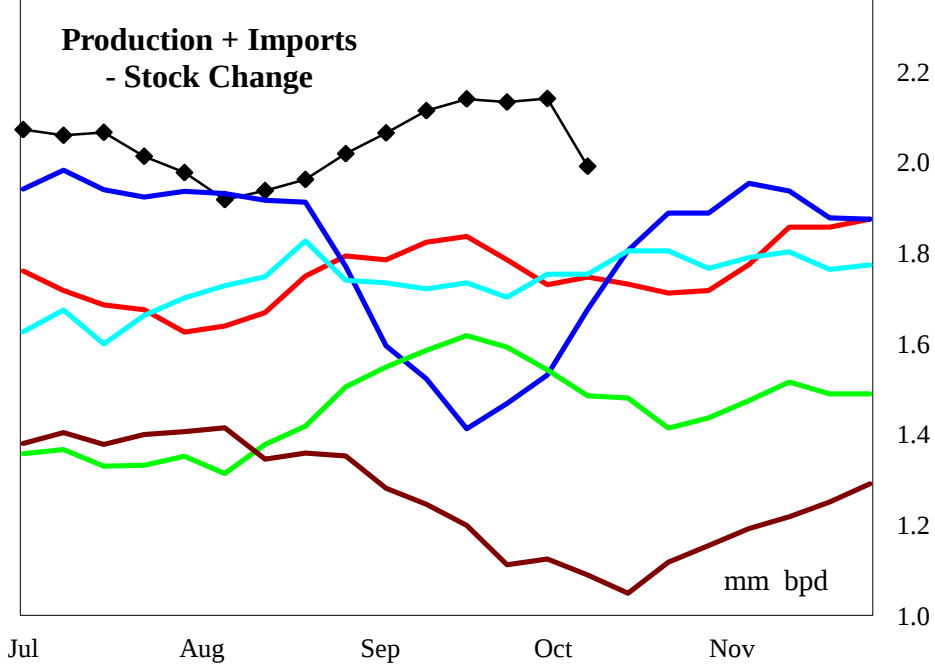
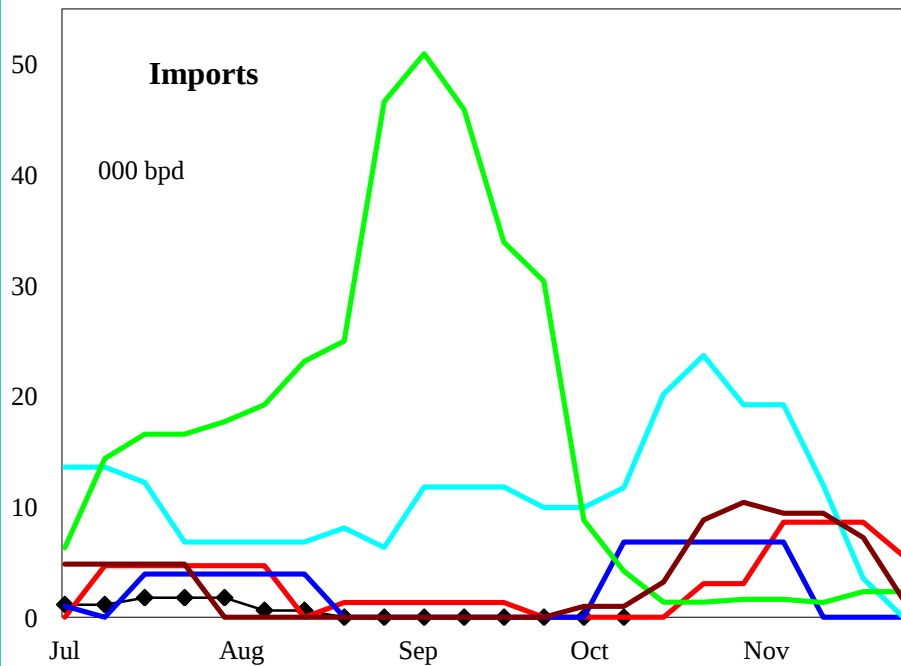
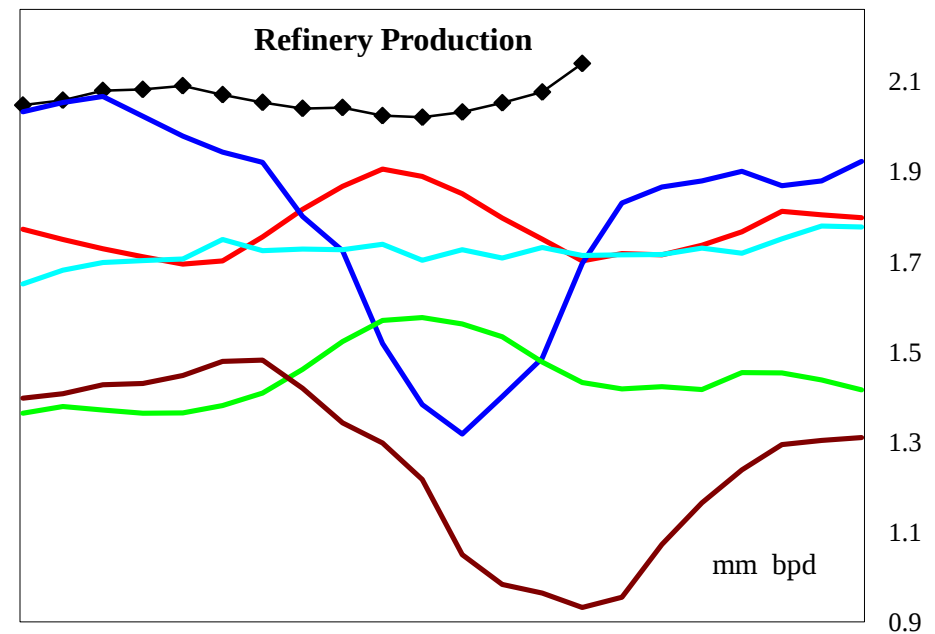
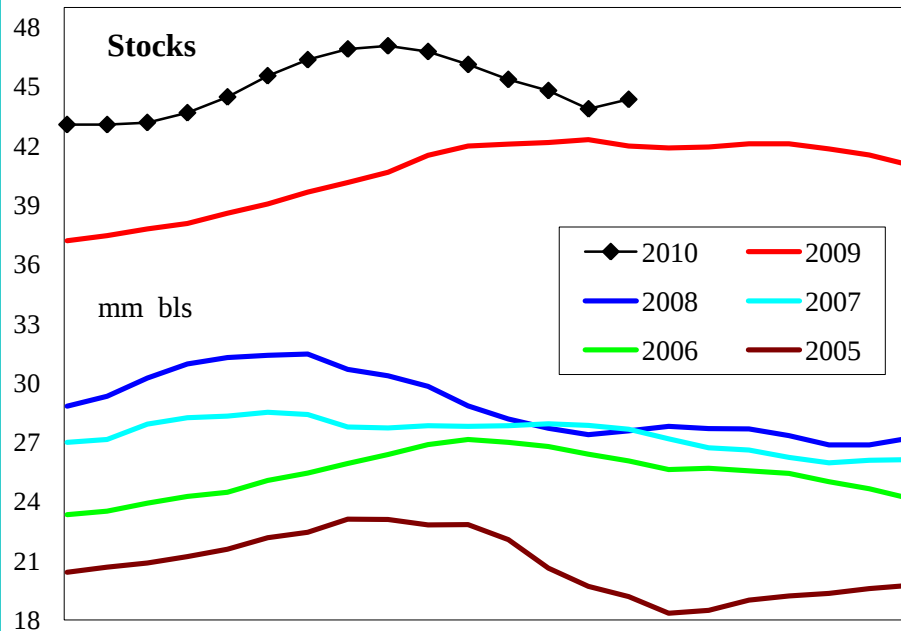
PADD 3 Conventional Gasoline Supply



PADD 3 Distillate Supply



PADD 3 Low Sulfur Distillate Supply



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

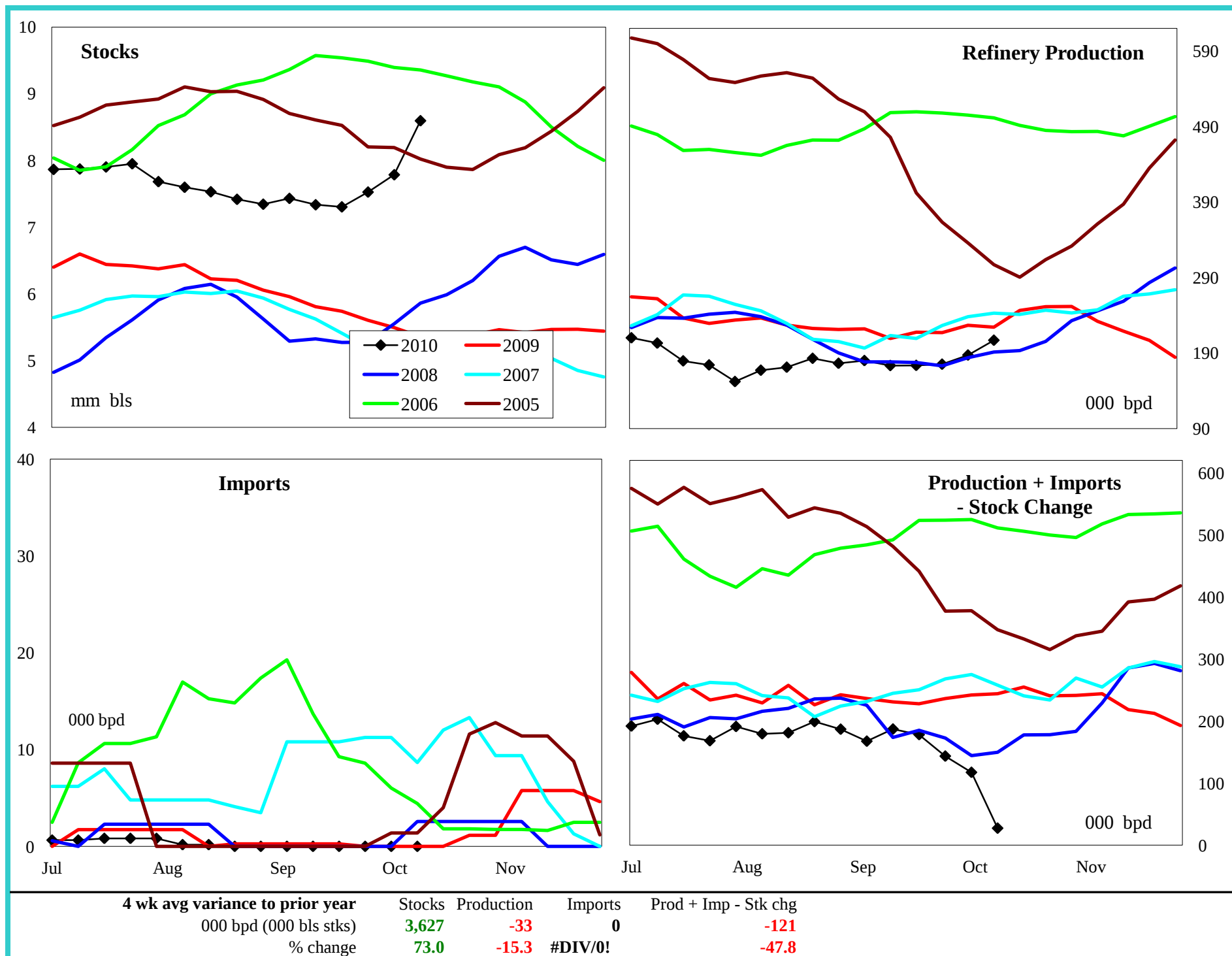
Stocks
2,680
6.4

Production
279
15.4

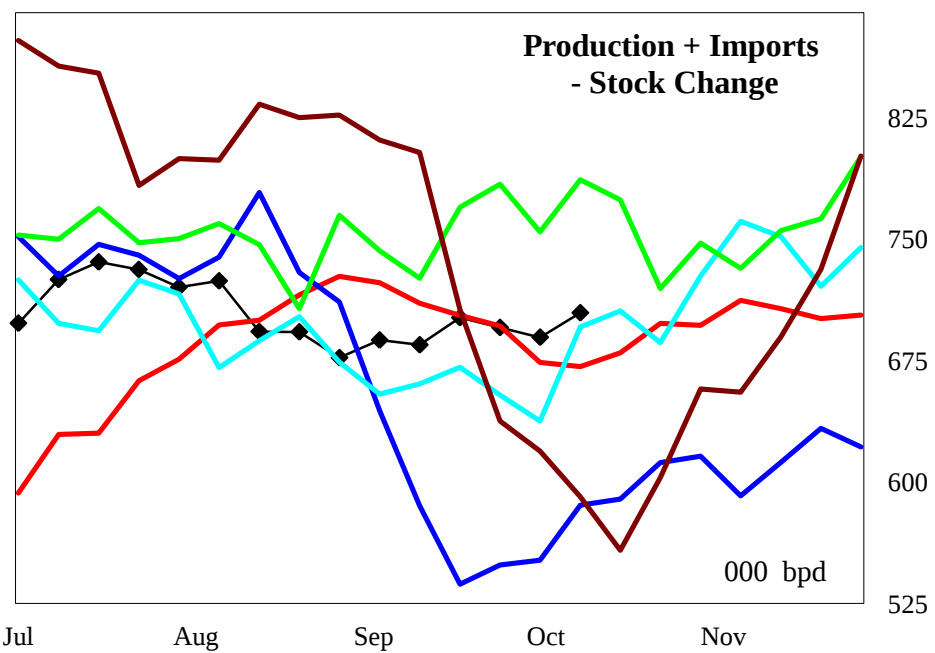
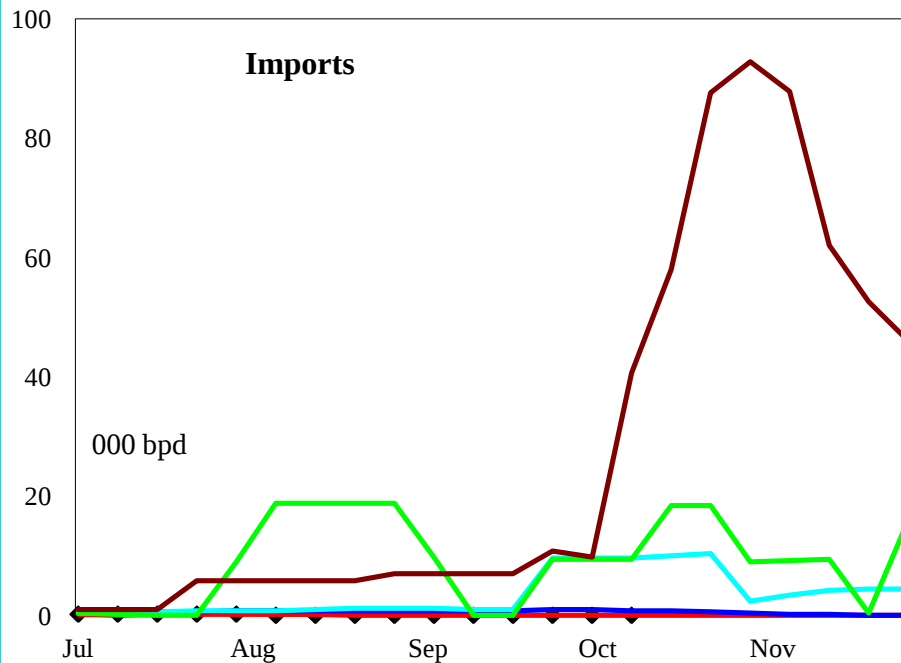
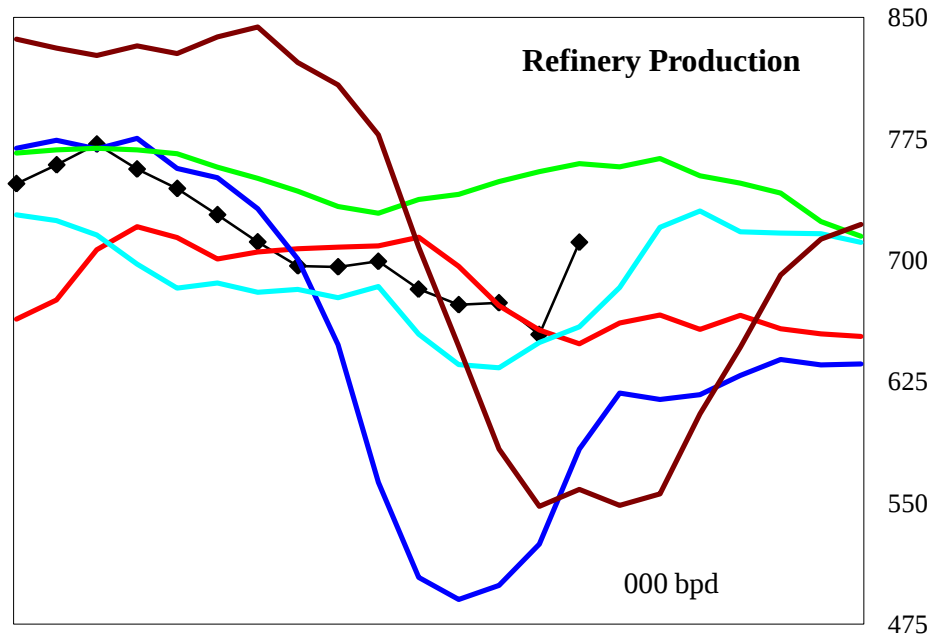
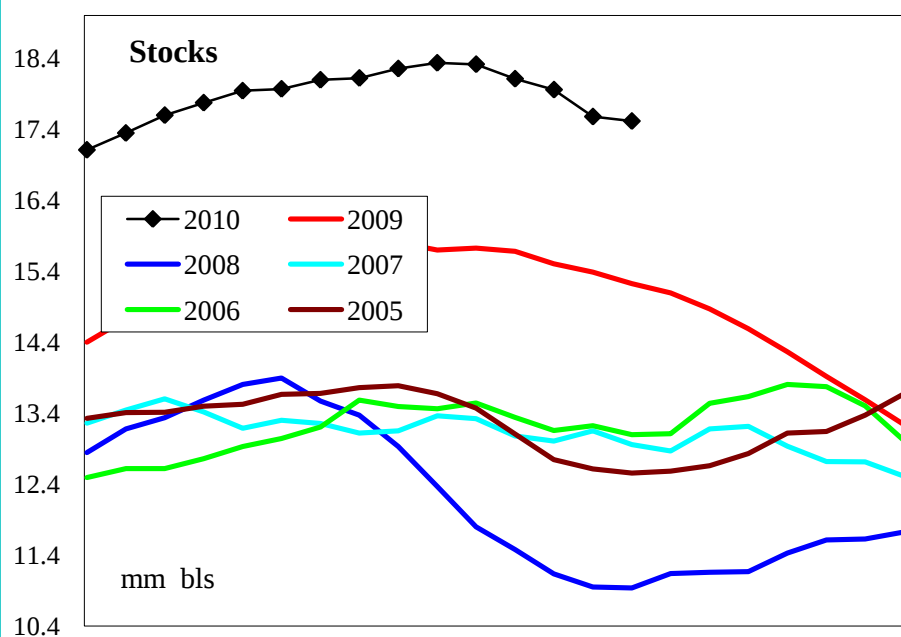
Imports
0
#DIV/0!

Prod + Imp - Stk chg
367
20.4

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

2,291

15.0

Production

2

0.3

Imports

0

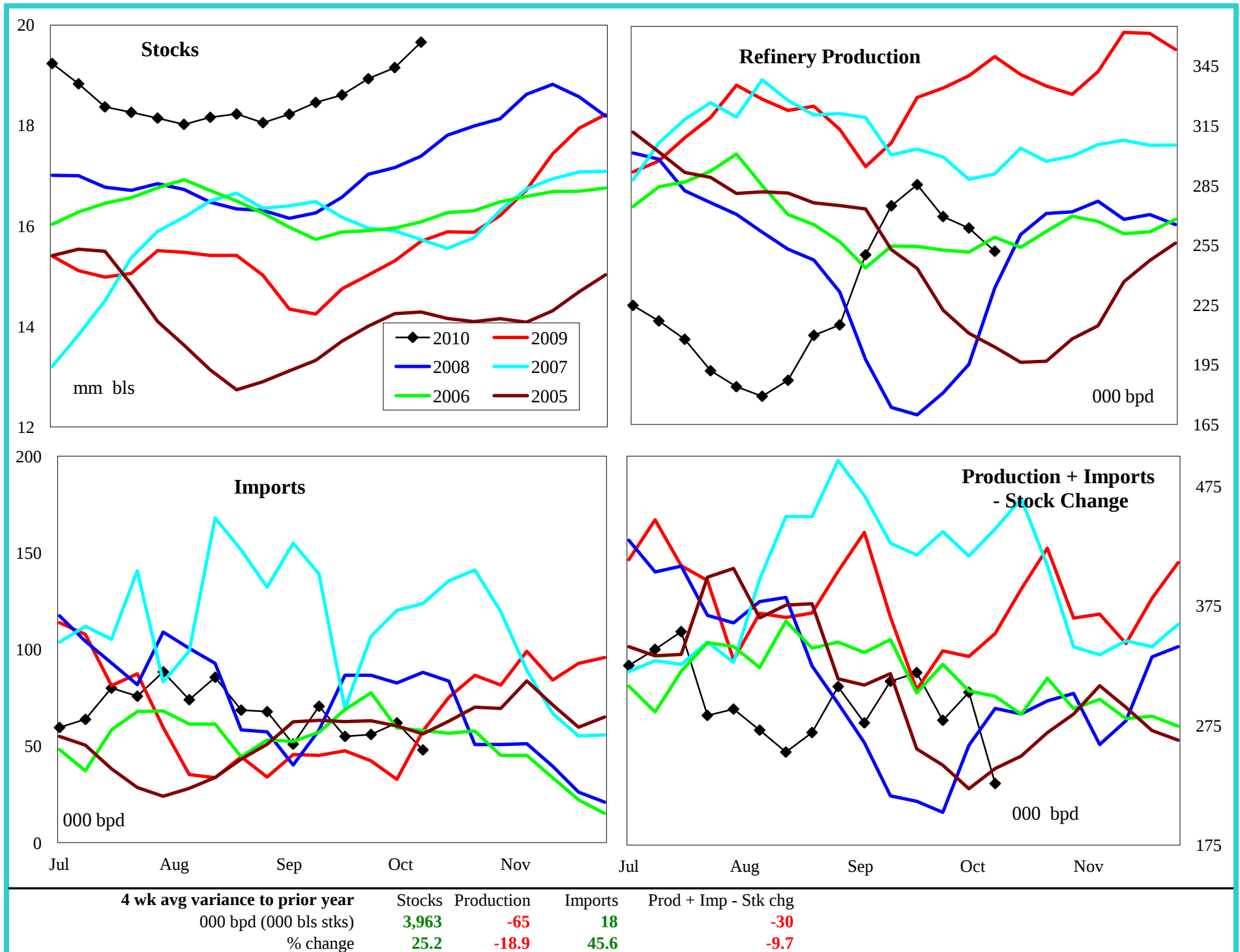
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Prod + Imp - Stk chg

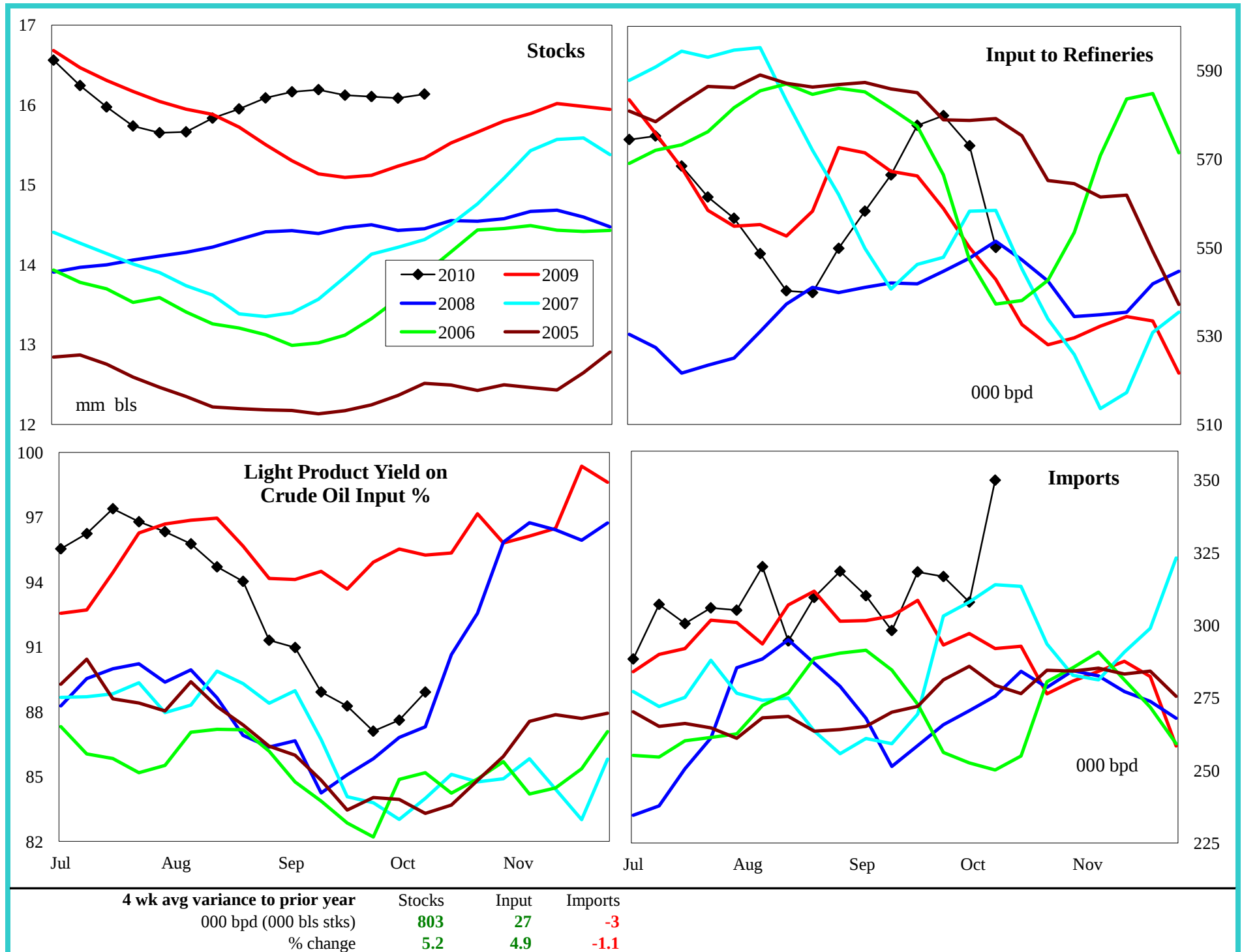
32

4.8

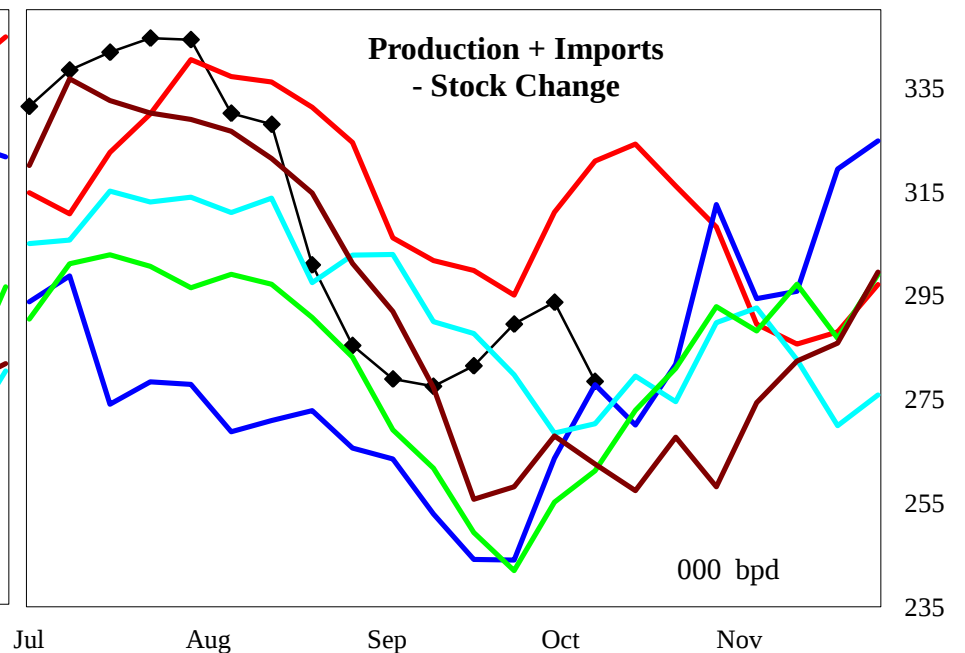
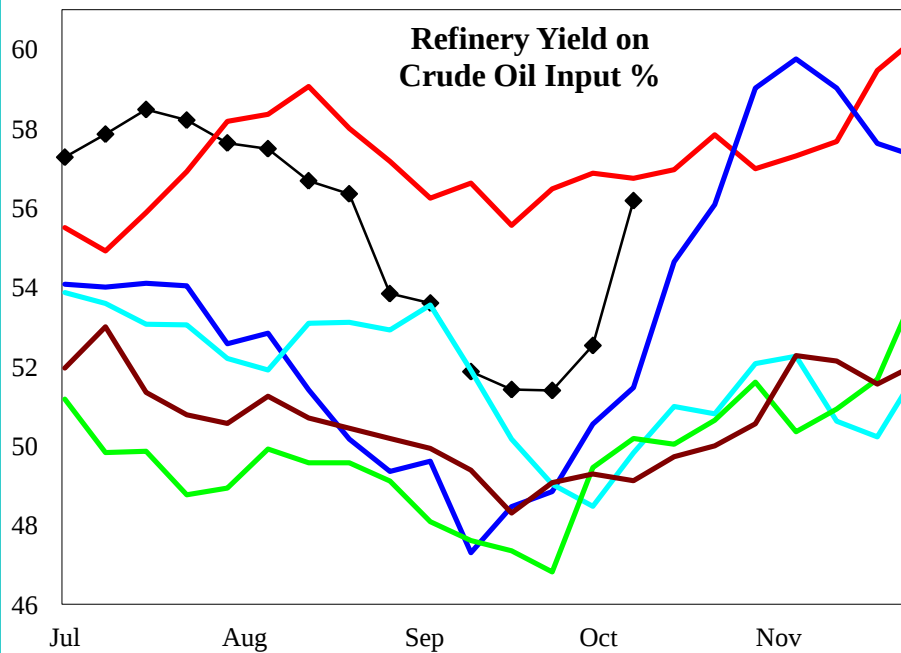
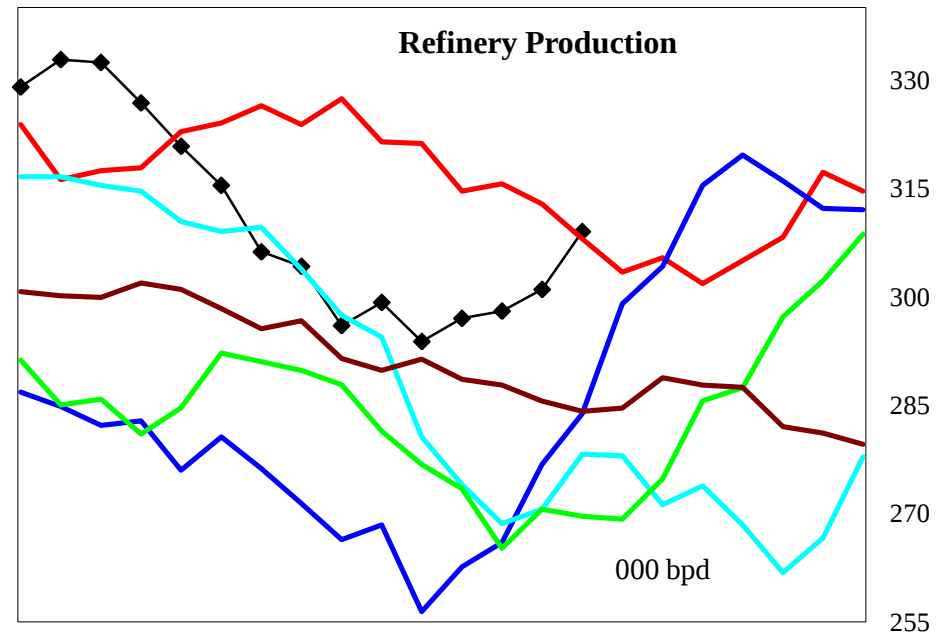
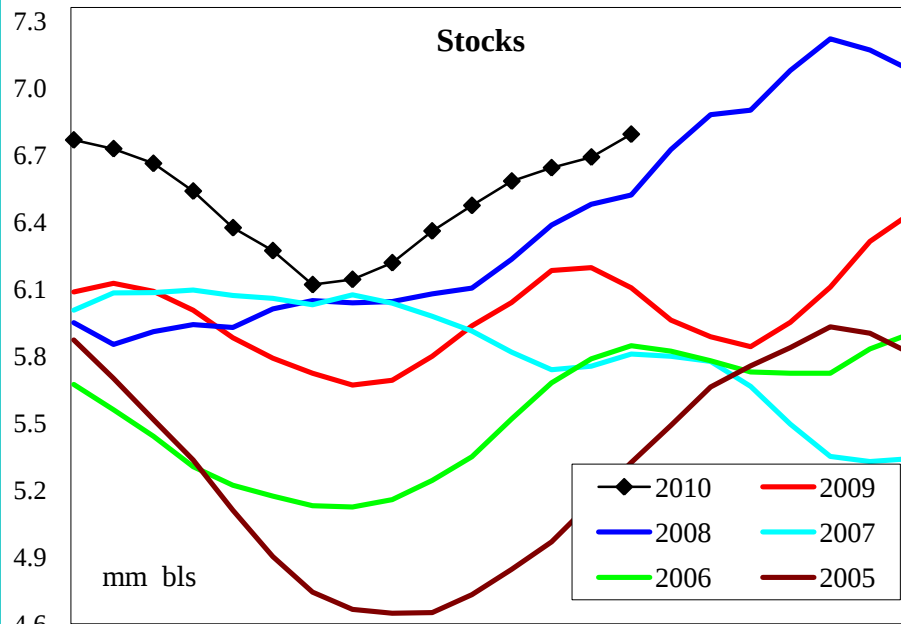
PADD 3 Residual Fuel Oil Supply



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

687

-7

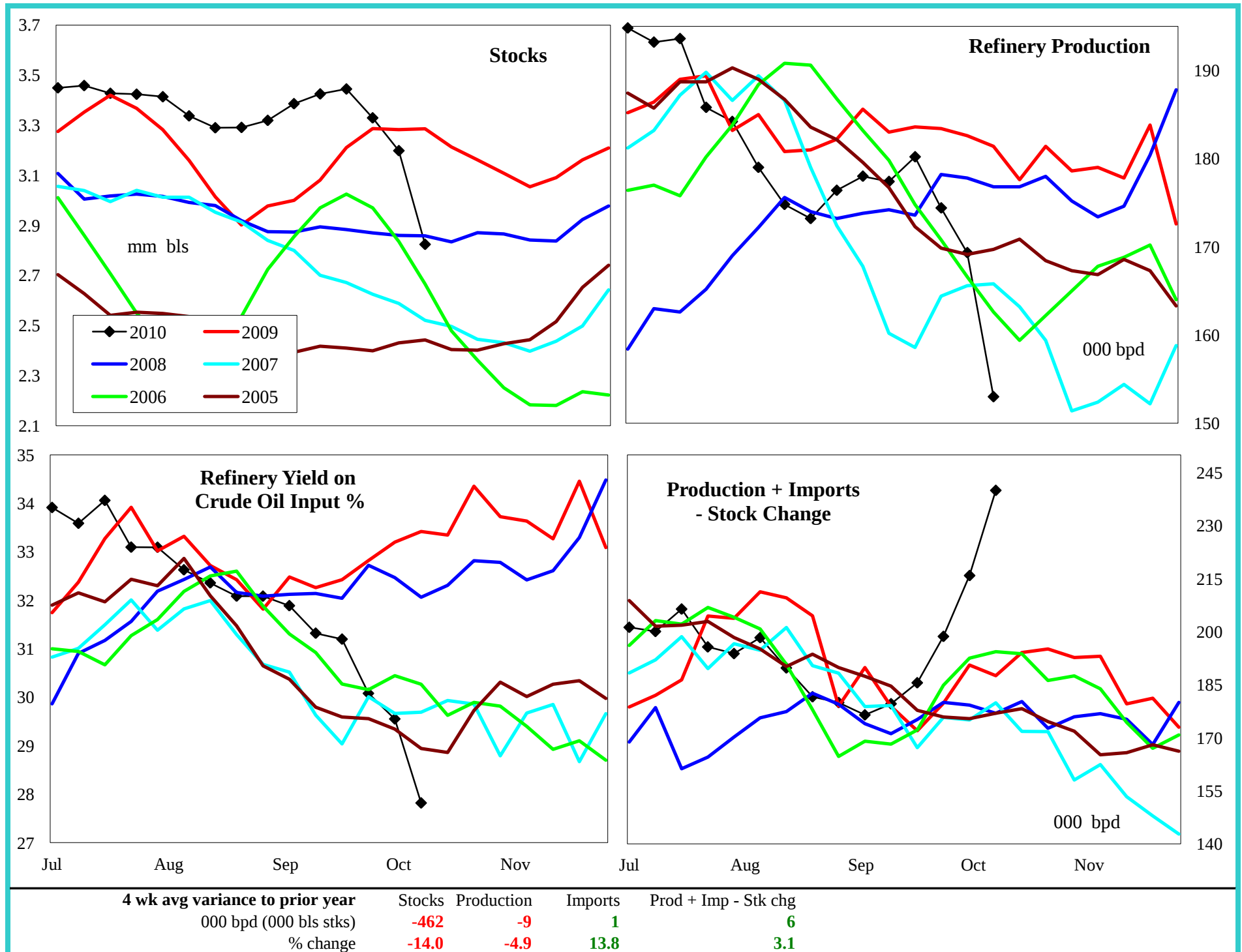
-2

11.2

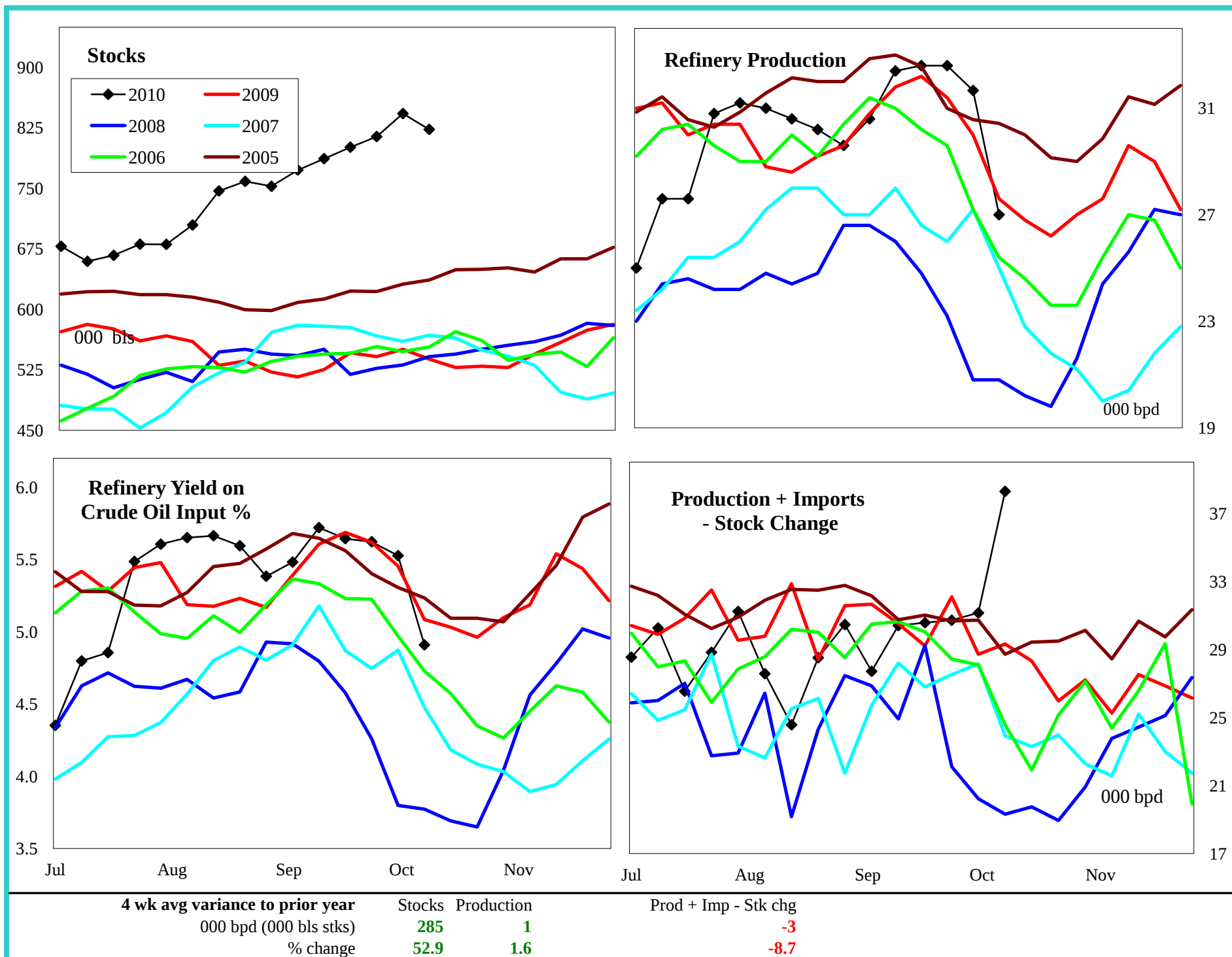
-2.2

-0.6

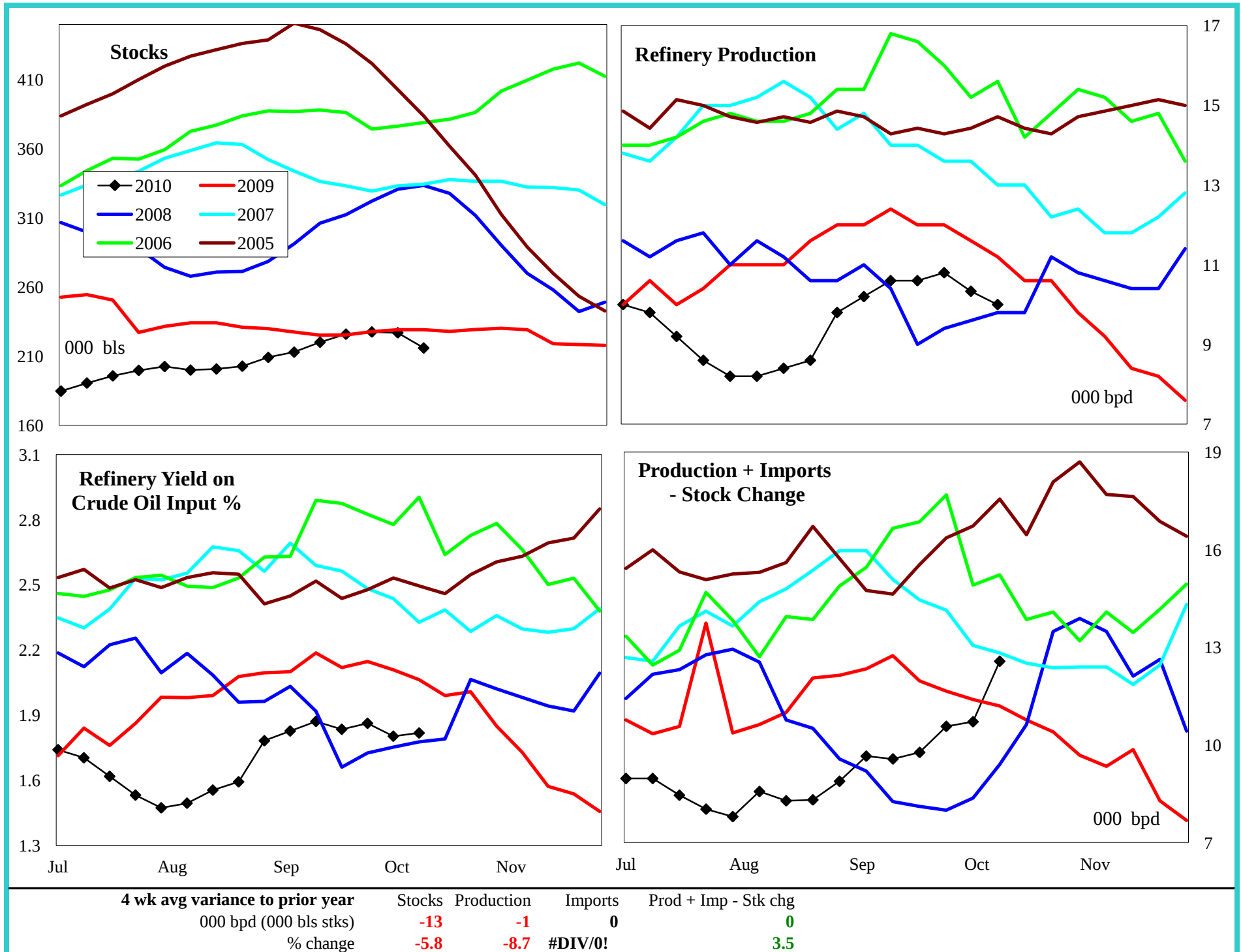
PADD 4 Distillate Supply



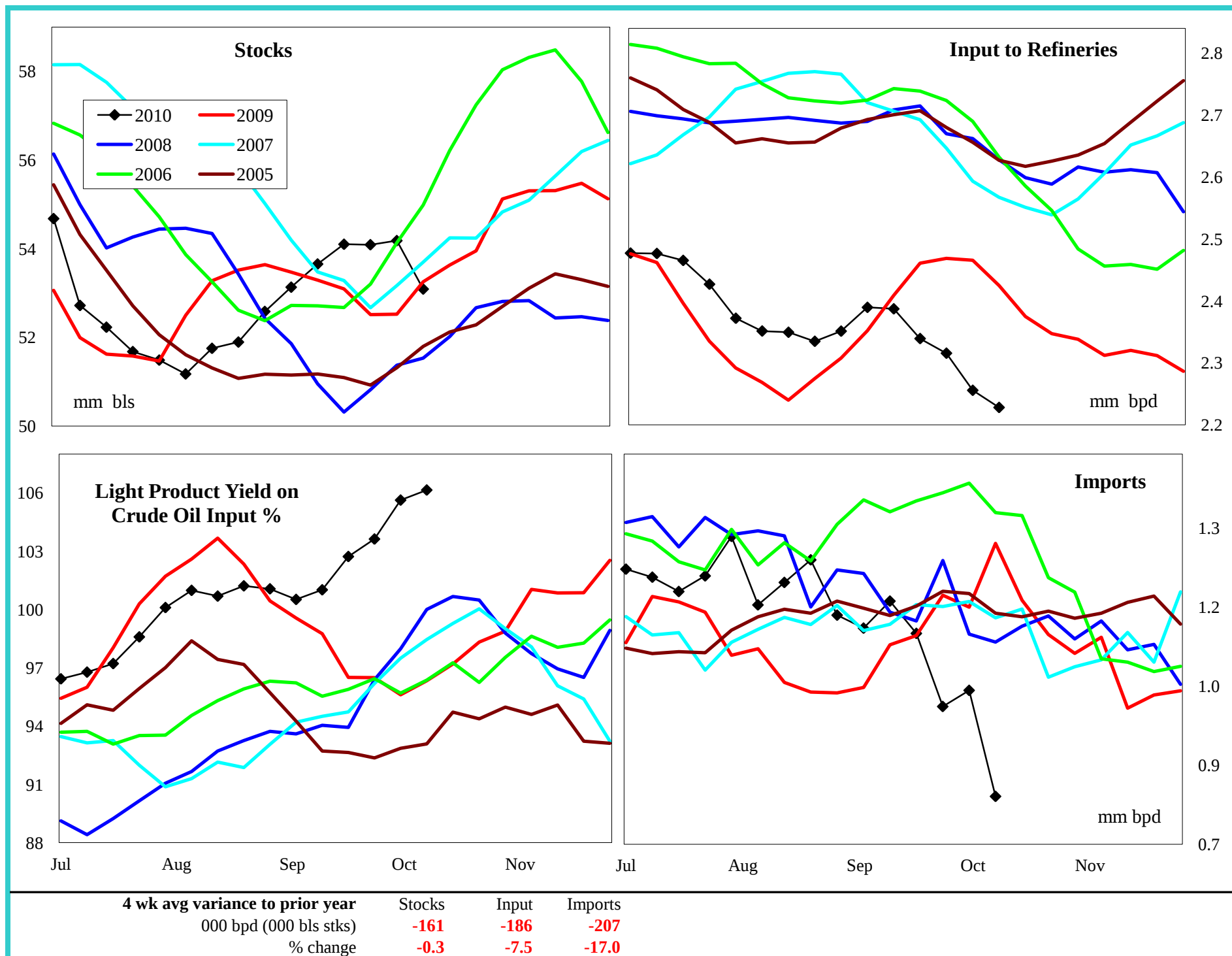
PADD 4 Jet Fuel Supply



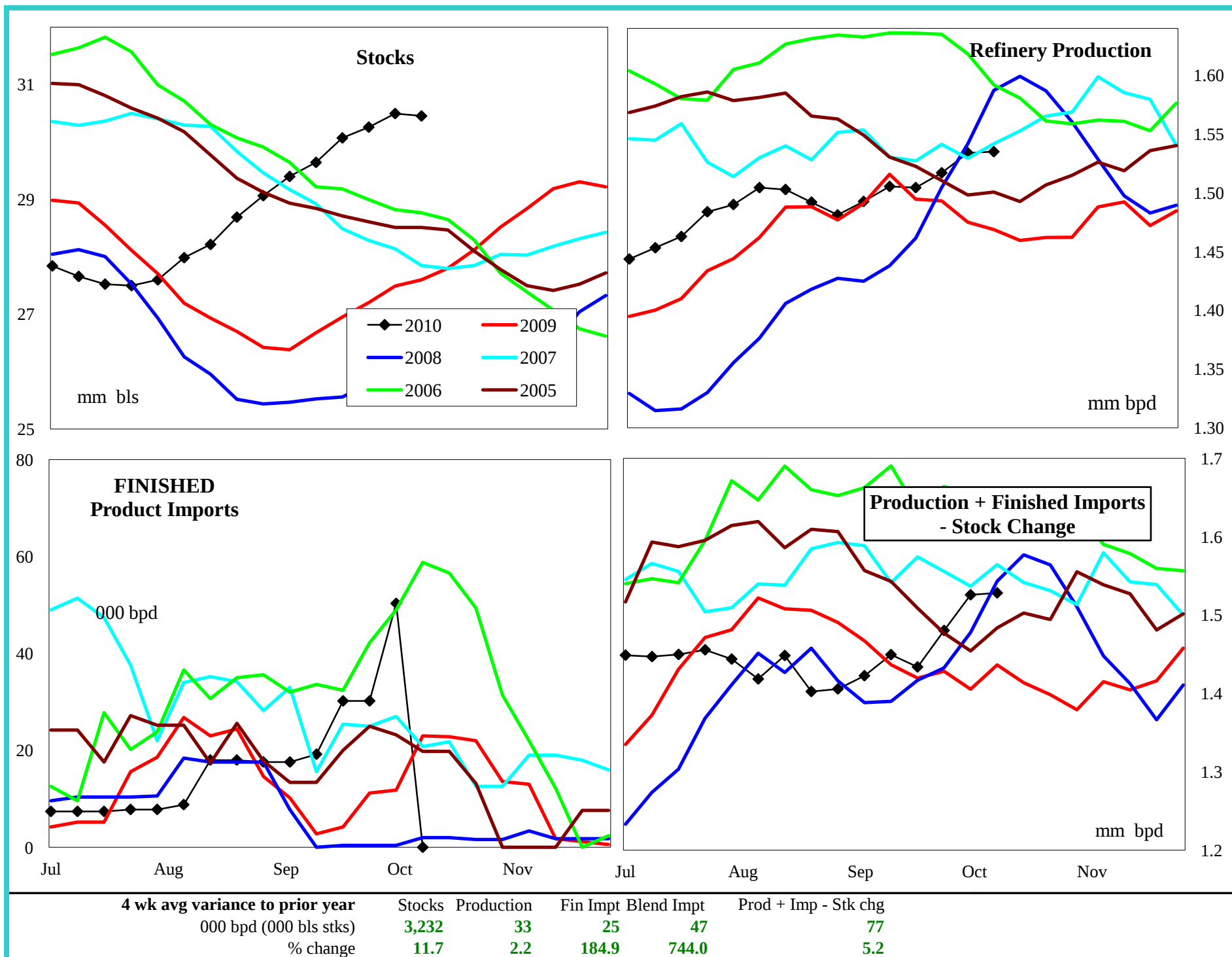
PADD 4 Residual Fuel Oil Supply



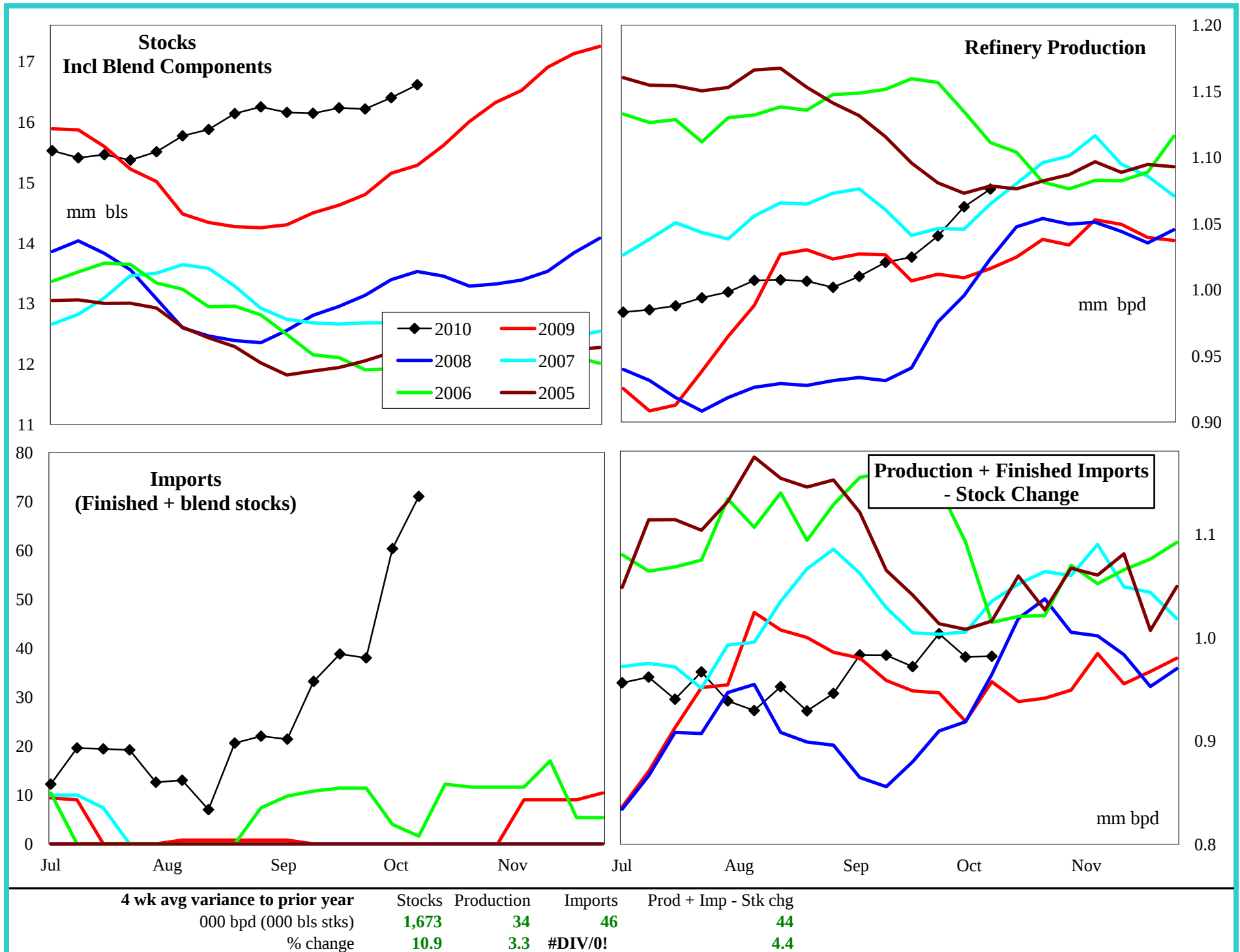
PADD 5 Crude Oil Supply and Refining



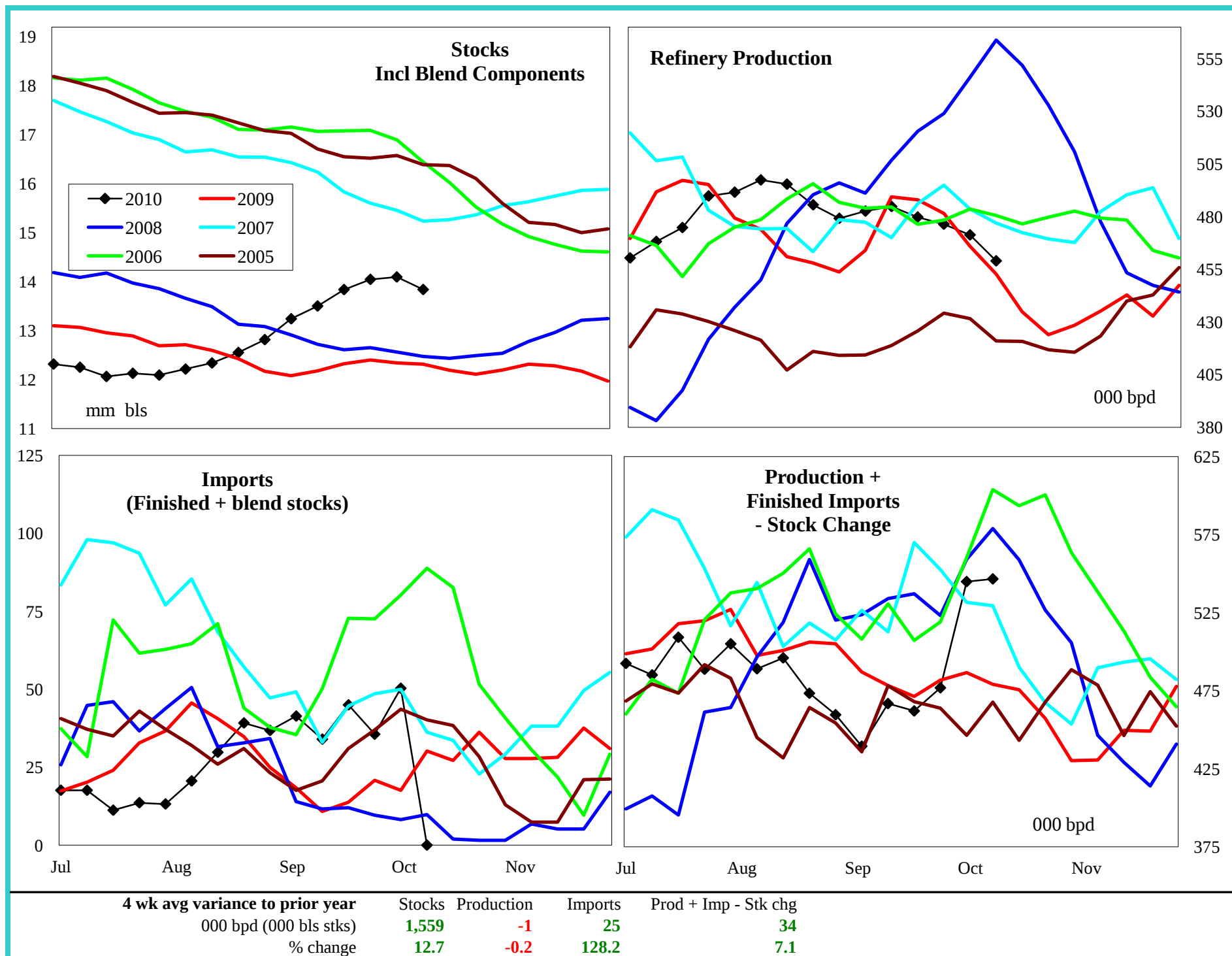
PADD 5 Gasoline Supply



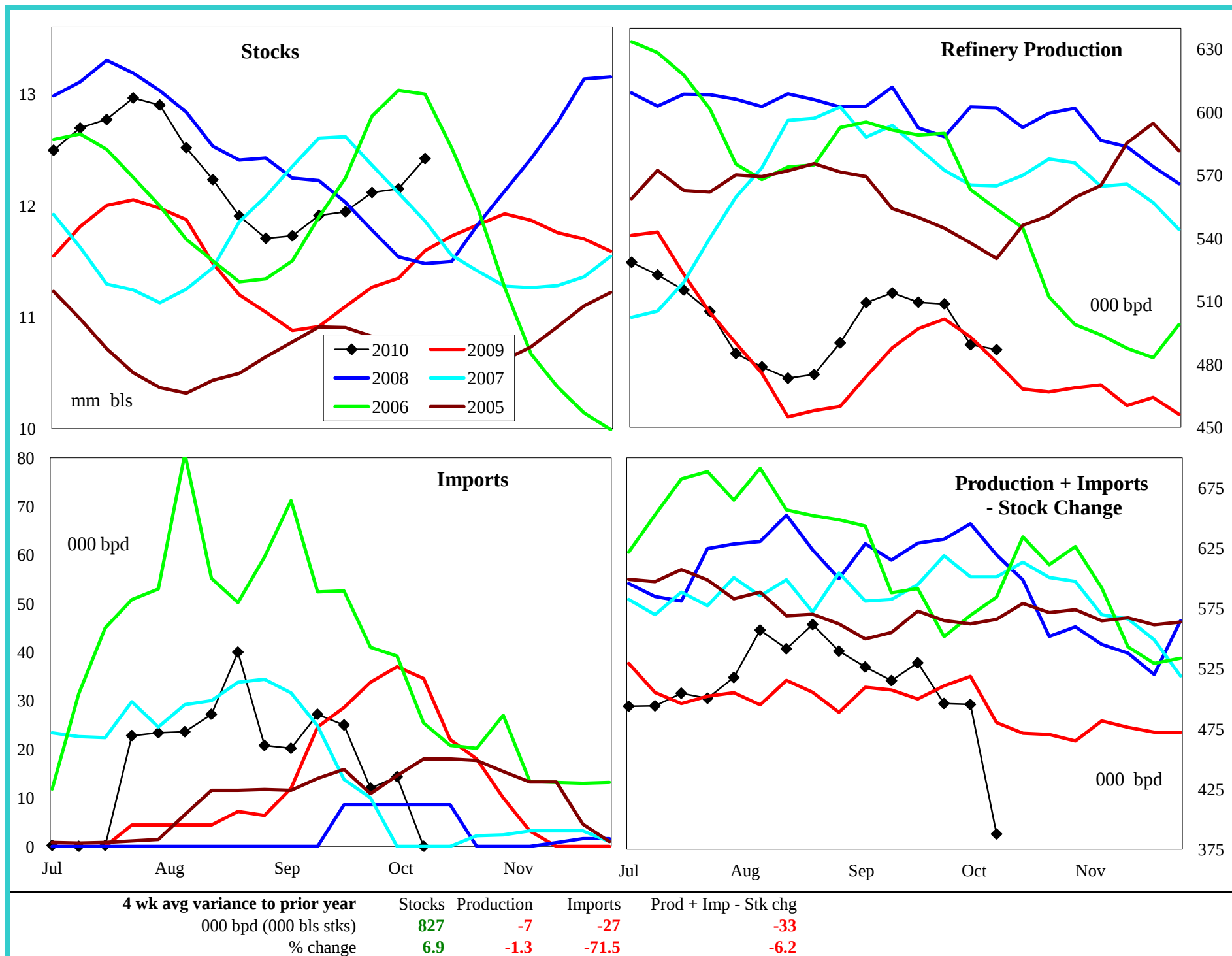
PADD 5 Reformulated Gasoline Supply



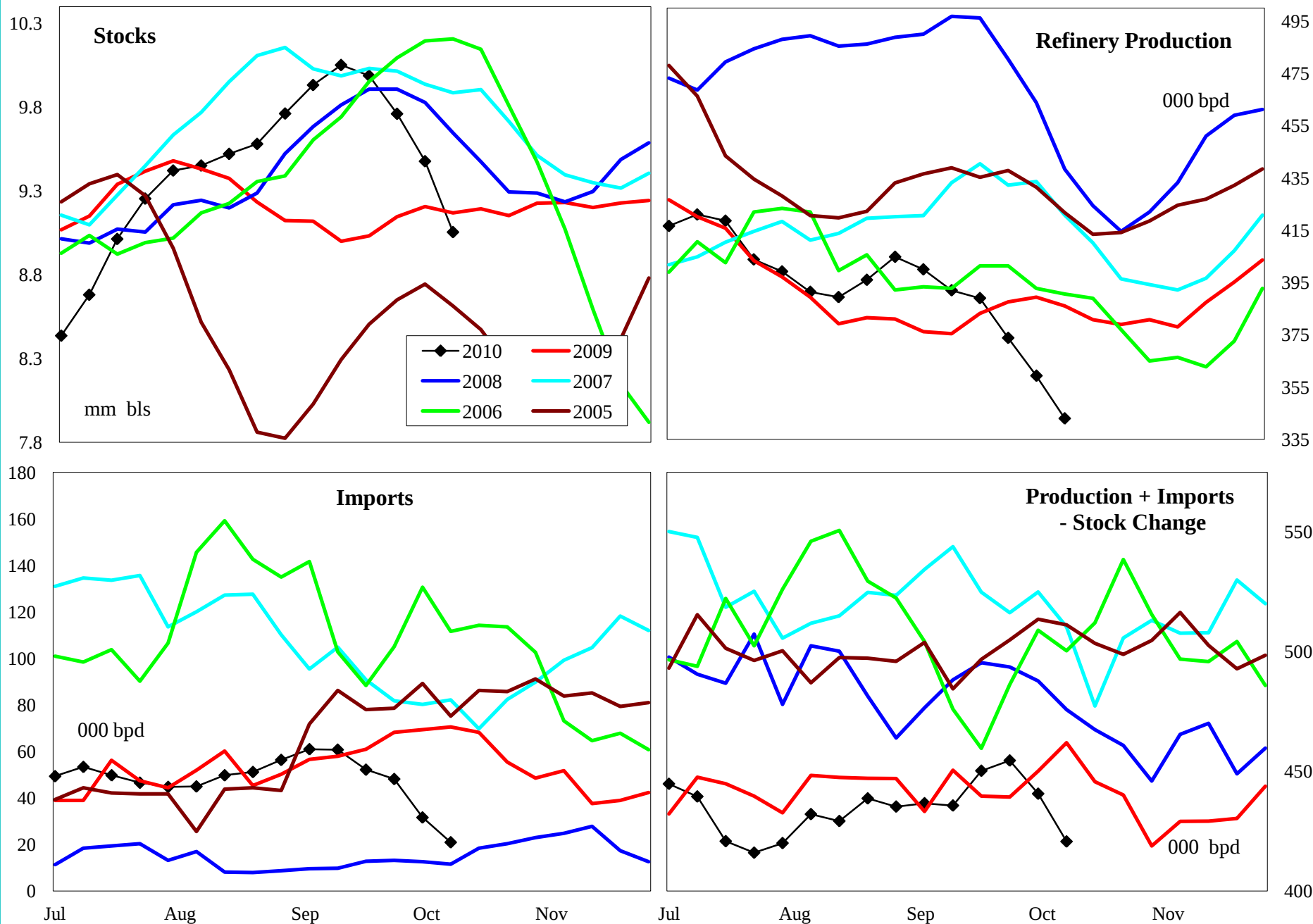
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

-153

-26

-35

3

-1.7

-6.7

-46.6

0.6

PADD 5 Residual Fuel Oil Supply

