

WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

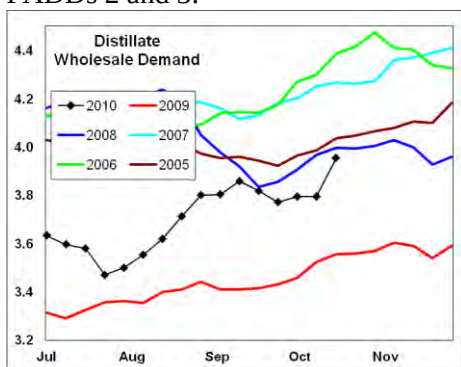
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, October 20, 2010



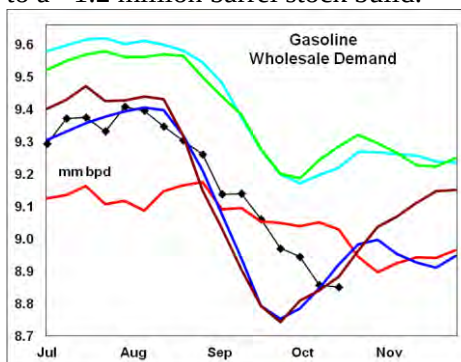
Major Fundamental Trends¹

Distillate wholesale demand saw a robust gain of +250,000 bpd last week as Midwest agriculture use peaked and exports surged from the Gulf. Dry weather conditions in major agriculture regions have encouraged sharply higher fall tillage and corresponding increased fuel usage. These regional sources of higher demand led to stock draws of -2 million barrels in both PADDs 2 and 3.



Distillate stock levels remain extremely high in PADDs 1 and 3, although recent draws in other regions have driven levels in PADDs 2, 4 and 5 to the historic mid range.

Gasoline wholesale demand levels remain at the low end of the historic range as high unemployment offsets very favorable weather across all regions. High production offset the continued low level of imports, leading to a +1.2 million barrel stock build.

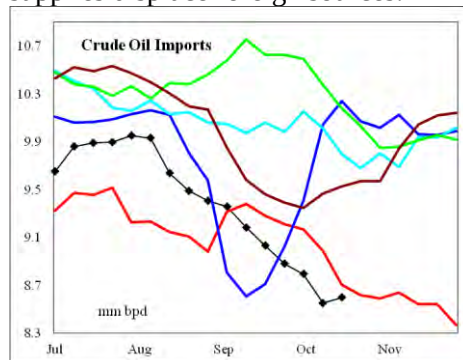


While stock levels remain relatively low on the East Coast due to refinery maintenance and lack of imports, stock

levels in other regions are at record high levels. The market remains extremely over supplied with U.S. total stocks +12.4 million barrels above the prior record high.

Stocks of crude oil climbed +0.7 million barrels on the week as increases in all regions except the mid west offset a -3.5 million barrel draw in PADD 2. Fall maintenance in the Midwest led refiners to draw down working stocks.

Imports into the Gulf remain exceptionally low as record domestic supplies displace foreign sources.



Demand for distillate surged last week while jet fuel collapsed.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline down -1.4%; distillate up +9.3%; jet fuel down -1.8% while residual fuel oil decreased -26%.

Stocks forward coverage: Gasoline demand coverage increased on a +1.2 million barrel stock build and lackluster demand. Coverage remains a exceptionally high.

Distillate demand coverage trended lower on the week with a -2.2 million barrel stock draw and robust demand increase. The coverage level was well below last years' record high.

Jet fuel coverage increased on a +0.4 million barrel stock build and lower demand. Coverage remains near 5-year highs.

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

Refinery utilization rates were nearly unchanged on a +47,000 bpd increased in crude oil runs. Runs were

lower across all regions except the Gulf. Crude oil runs for the latest 4-wk period were -165,000 bpd below a year ago.

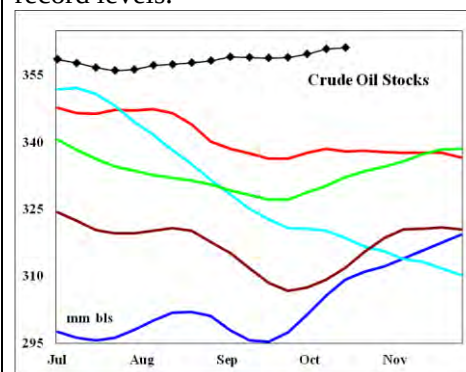
Gasoline yield % on crude oil runs spiked last week on a +319,000 bpd jump in production versus a +47,000 bpd rise in crude runs. Yield % was a record high for the week.

Distillate yield % on crude oil runs was nearly unchanged on flat week-on-week output and slightly higher crude oil runs. Yield % remains above the 5-year range.

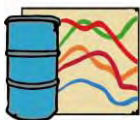
Jet fuel yield % on crude oil runs fell on a -57,000 bpd decrease in output, with the yield % below the historic range.

Petroleum Imports were higher for crude oil and gasoline, while middle distillates saw modest declines on the week.

During the latest 4-wk period distillate imports increased +14,000 bpd compared to last year; finished gasoline imports decreased -10,000 bpd, gasoline blend stock imports declined -20,000 bpd; jet fuel imports were -20,000 bpd lower, while residual fuel oil imports increased +45,000 bpd. **Crude Oil** imports climbed +0.5 million bpd on the week, but remain below the historic range. Stocks continue to trend seasonally higher, at record levels.



¹ Source is latest EIA Weekly Statistics



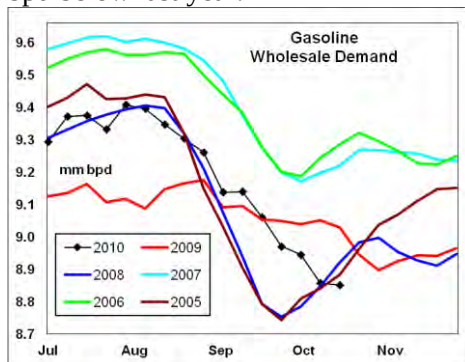
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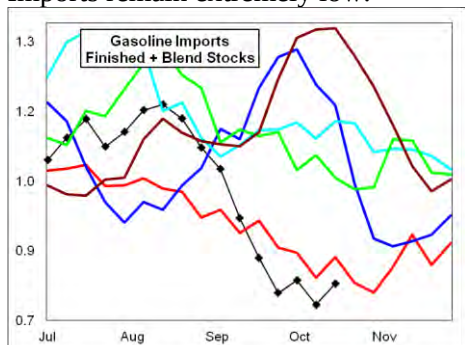
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Product Supply-Demand Trends

Gasoline demand increased +79,000 bpd last week, but remains at a level near historic lows. Demand for the latest 4-wk period averaged -132,000 bpd below last year.



Production jumped +319,000 bpd on the week (including a +249,000 bpd EIA adjustment at the U.S. level), with imports also higher by +71,000 bpd. Imports remain extremely low.



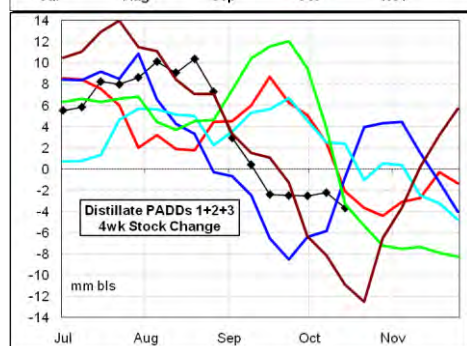
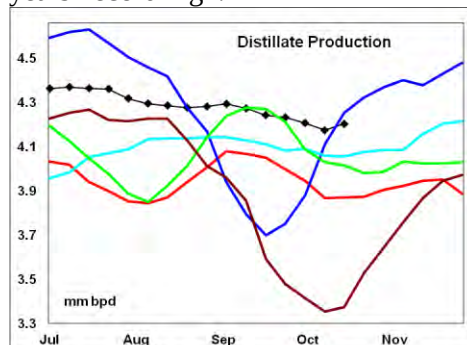
Stocks increased +1.2 million barrels on the week, with the build concentrated in the Midwest and Gulf regions. Stock levels remain +12.4 million barrels above the prior record high.

Gasoline demand levels are extremely low. Stock levels in regions other than PADD 1 remain at record highs. Even with a relatively tight supply in PADD 1 due to refiner maintenance and very low imports, gasoline prices should remain depressed relative to the overall energy complex.

Distillate demand surged +250,000 bpd last week, driven by peak Midwest agriculture use and robust exports. Demand levels, including exports, were once again near pre recession rates.

Supply decreased -53,000 bpd on the week, with the latest 4-wk average +311,000 bpd above a year ago.

Stocks fell -2.2 million barrels on the week. Stock levels match last years' record high.



The latest 4-wk stock draw East of the Rockies was -3.7 million barrels, the 5th consecutive week of stock draws. Robust demand continues to offset extremely high output.

While stock levels remain extremely high, the drawdown has provided support to prices compared to the overall energy complex. This trend should extend through the 4th quarter.

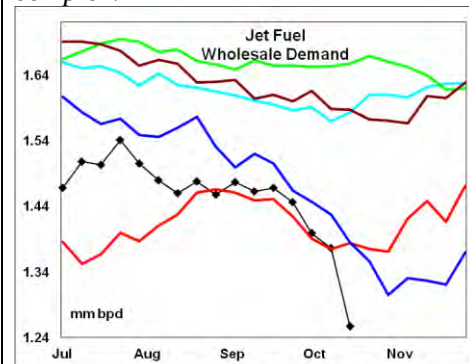
Jet Fuel demand fell -173,000 bpd last week, with the latest 4-wk average -25,000 bpd below last year.

Production declined -57,000 bpd on the week, to a level below the historic range. Import levels remain below the historic range.

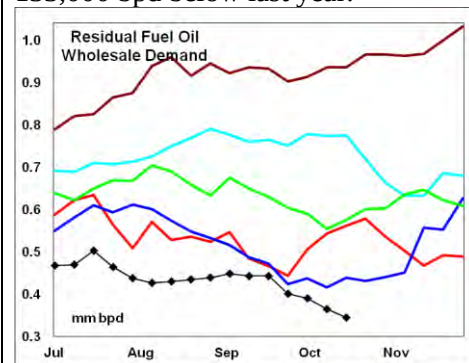
Very weak demand led to a +0.4 million barrel stock build. Stock levels remain above the historic range.

Record low levels of demand have offset low production and imports, leaving stock levels a record highs for the period. Expect seasonal stock draws, but continued high levels on

low seasonal demand in the near term. These trends should limit price strength relative to the overall energy complex.



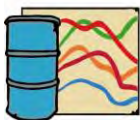
Residual fuel oil demand, including exports, increased +4,000 bpd last week, with the 4-wk average -133,000 bpd below last year.



Supply (production + imports) fell -120,000 bpd on the week, to a record low level. The latest 4-wk average was -141,000 bpd below a year ago. Stocks week, with the level well above four of the last five years.

The industry has sharply cut both production and imports into the Gulf region as stock levels remain at record high levels.

Exports, and domestic demand remain extremely low. These trends should limit price strength compared to the overall energy complex.



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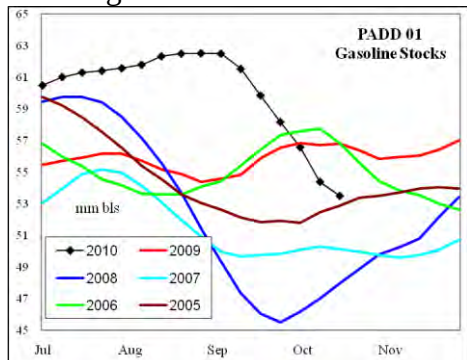
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PADD Supply Trends

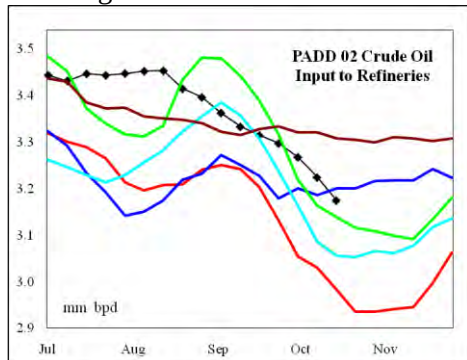
PADD 1 refinery crude oil runs declined -17,000 bpd on the week, with the 4-wk average -378,000 bpd below last years' record low rate. Crude oil stocks increased +0.5 million barrels on a +340,000 bpd jump in imports.

Gasoline production climbed +152,000 bpd on the week, with the latest 4-wk average +459,000 bpd above a year ago. Imports increased +79,000 bpd last week, but remain at an extremely low level. Stocks decreased -0.6 million barrels, matching the 5-year mid range.



Distillate supply increased +18,000 bpd last week, but remains at an extremely low level. Stocks jumped +2.3 million barrels on a surge in receipts from the Gulf region.

Jet fuel production jumped +24,000 bpd to a level near the mid range. Stock levels remain above the mid range.



PADD 2 crude oil refinery runs decreased -13,000 bpd last week, to a level below the mid range. Imports increased to a level above the mid

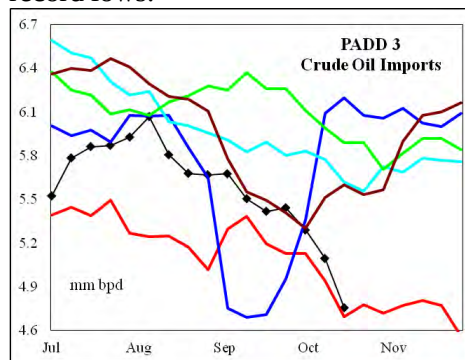
range. Stocks fell -3.5 million barrels, including a -1.1 million barrel draw in Cushing. Stock levels in Cushing remain +33% above the prior record.

Gasoline production fell -129,000 bpd as FCCU maintenance began in the Chicago area. Stocks climbed +1.3 million barrels on the week, reaching an all time record level.

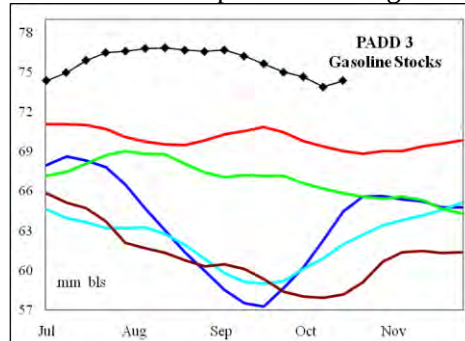
Distillate production increased +20,000 bpd to a level at the upper end of the historic range. Stocks fell -1.9 million barrels on peak harvest demand. Stock levels remain above four of the last five years.

Jet fuel production increased +26,000 bpd last week, with stock levels reaching new all time highs.

PADD 3 crude oil runs increased +121,000 bpd, to a level above the mid range. The latest 4-wk average was +195,000 bpd above a year ago. Crude imports fell -301,000 bpd, matching record lows.



Gasoline production jumped +190,000,000 bpd on the week. Stocks increased +1.1 million, +6.5 million barrels above the prior record high.



Distillate production fell -95,000 bpd on the week, but remains well above the historic range. Stocks decreased -2.1 million barrels on robust exports.

Jet fuel production decreased -115,000 bpd to a level at the low end of the historic range. Stock levels remain +14% above the prior record.

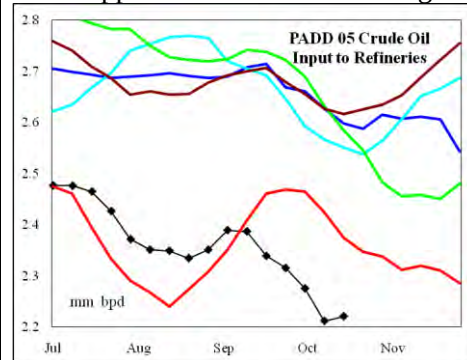
Residual fuel oil supply fell -99,000 bpd, to a record low level. Stocks were nearly unchanged at a record high level.

PADD 4 refinery crude runs fell -38,000 bpd on the week, to a record low level for the period. Light product output did not decrease a comparable amount on record yield %. Crude stocks increased to a new all time high.

Gasoline production increased +17,000 bpd to a new 5-year high. Stocks extended the longer term uptrend, with the level above the historic range.

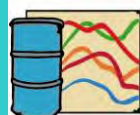
Distillate production was a new record low for the period. Stock levels remain above the mid range.

PADD 5 crude oil refinery runs decreased -7,000 bpd on the week, with the latest 4-wk average -212,000 bpd below last year. Crude imports jumped +441,000 bpd as Tesoro restarted the Anacortes WA plant. Stocks increased +2.1 million barrels to the upper end of the historic range.



Gasoline production declined -8,000 bpd on the week, to a level that was below the mid range. Imports remain at record levels. Stocks decreased -0.8 million barrels but the level remains above the historic range.

Distillate production increased +21,000 bpd on the week, but the level remains at the low end of the range. Stocks declined -0.5 million barrels to a level above the mid range.


**FUNDAMENTAL
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PETROLEUM: Graph Link and Weekly Summary

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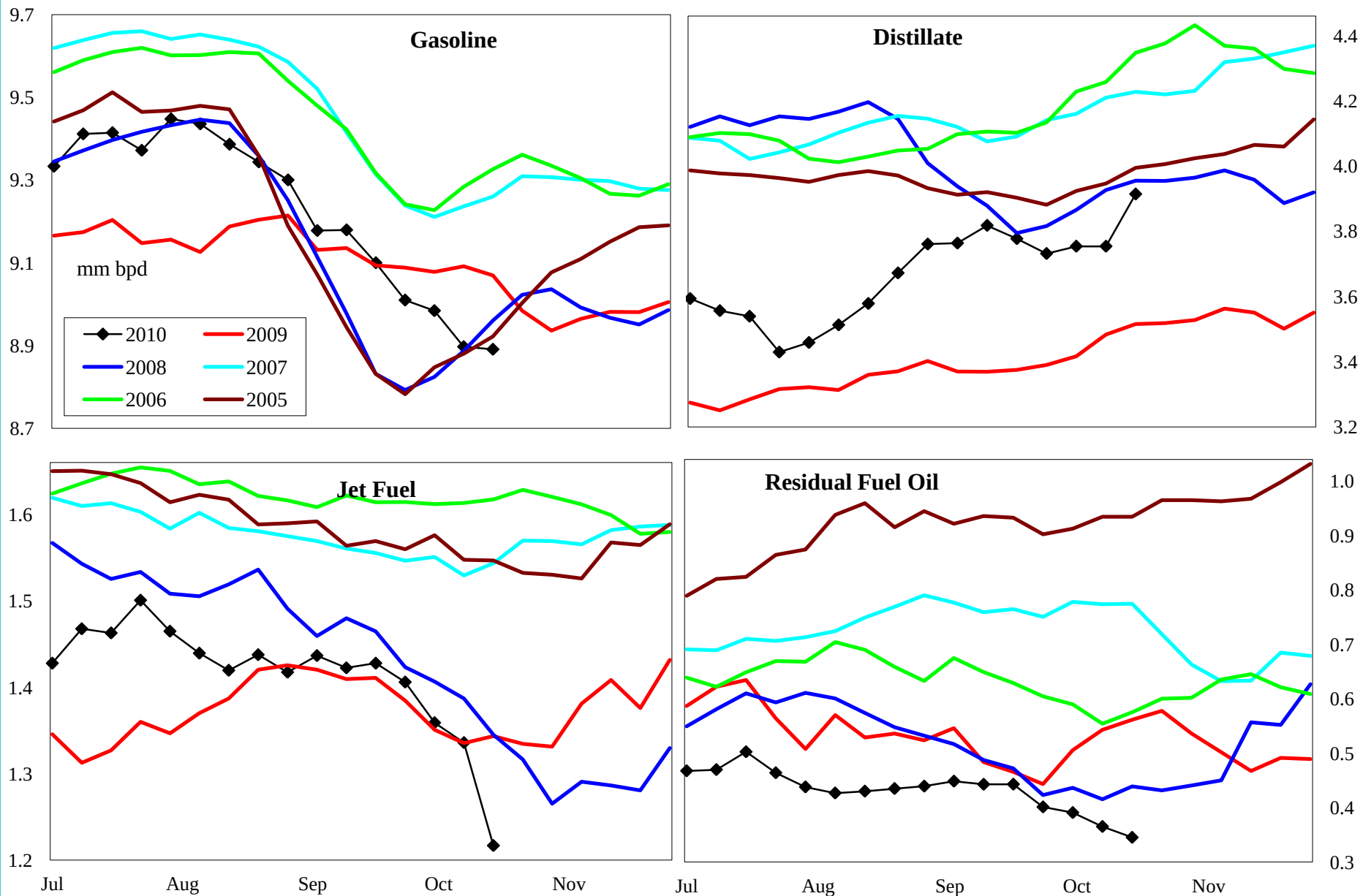
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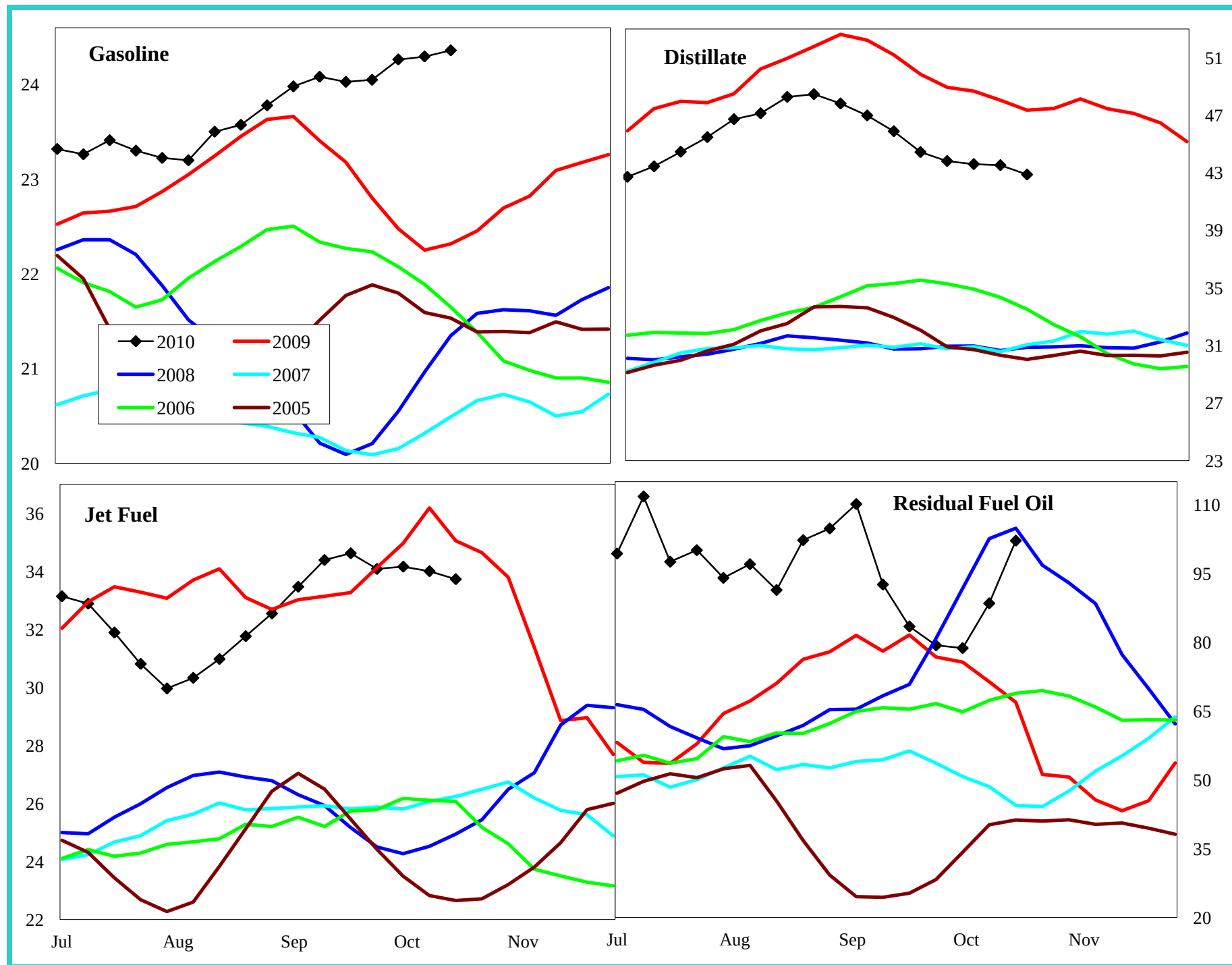
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Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization</u> <u>Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	15-Oct-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	667	506	-3,519	1,177	370	2,133
	Imports	472	340	60	-301	-69	441
	Input	47	-17	-13	121	-38	-7
	% Utilization	0.60					
<u>Gasoline</u>	Stocks	1,155	-551	1,311	1,075	107	-788
	Production	319	152	-129	190	17	-8
	Imports	71	79	-1	-13	0	6
	Supplied	79					
<u>Distillate</u>	Stocks	-2,155	2,299	-1,864	-2,103	-18	-468
	Production	-5	51	20	-95	-2	21
	Imports	-48	-33	-19	0	4	0
	Supplied	250					
<u>Jet Fuel</u>	Stocks	376	474	91	-272	-28	110
	Production	-57	24	26	-115	-8	15
	Imports	16	-20	0	45	0	-9
	Supplied	-173					
<u>Residual Fuel Oil</u>	Stocks	-167	-402	44	-188	0	380
	Production	-52	-4	17	-68	12	-9
	Imports	-68	10	0	-31	0	-47
	Supplied	4					

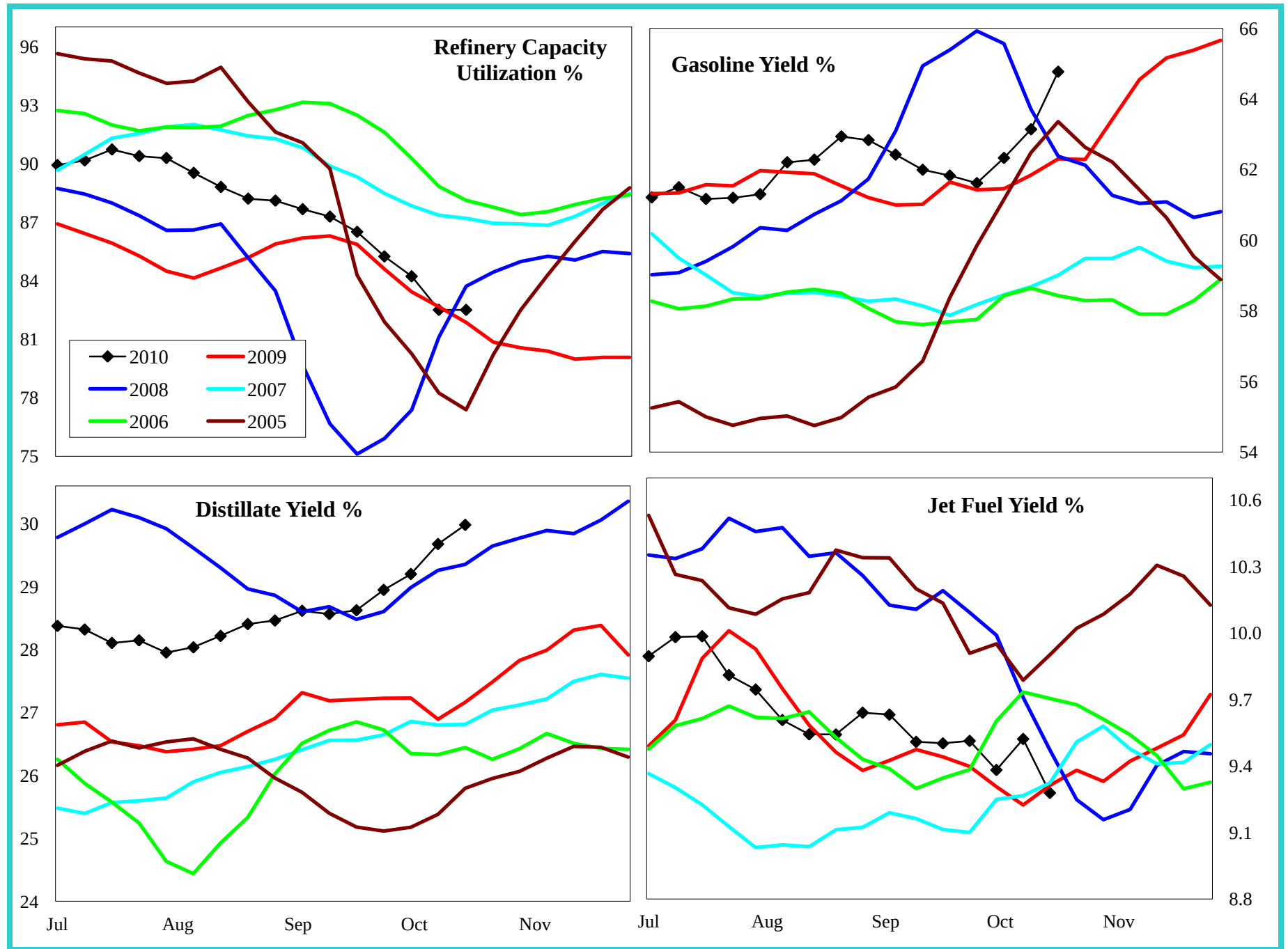
United States Wholesale Petroleum Demand



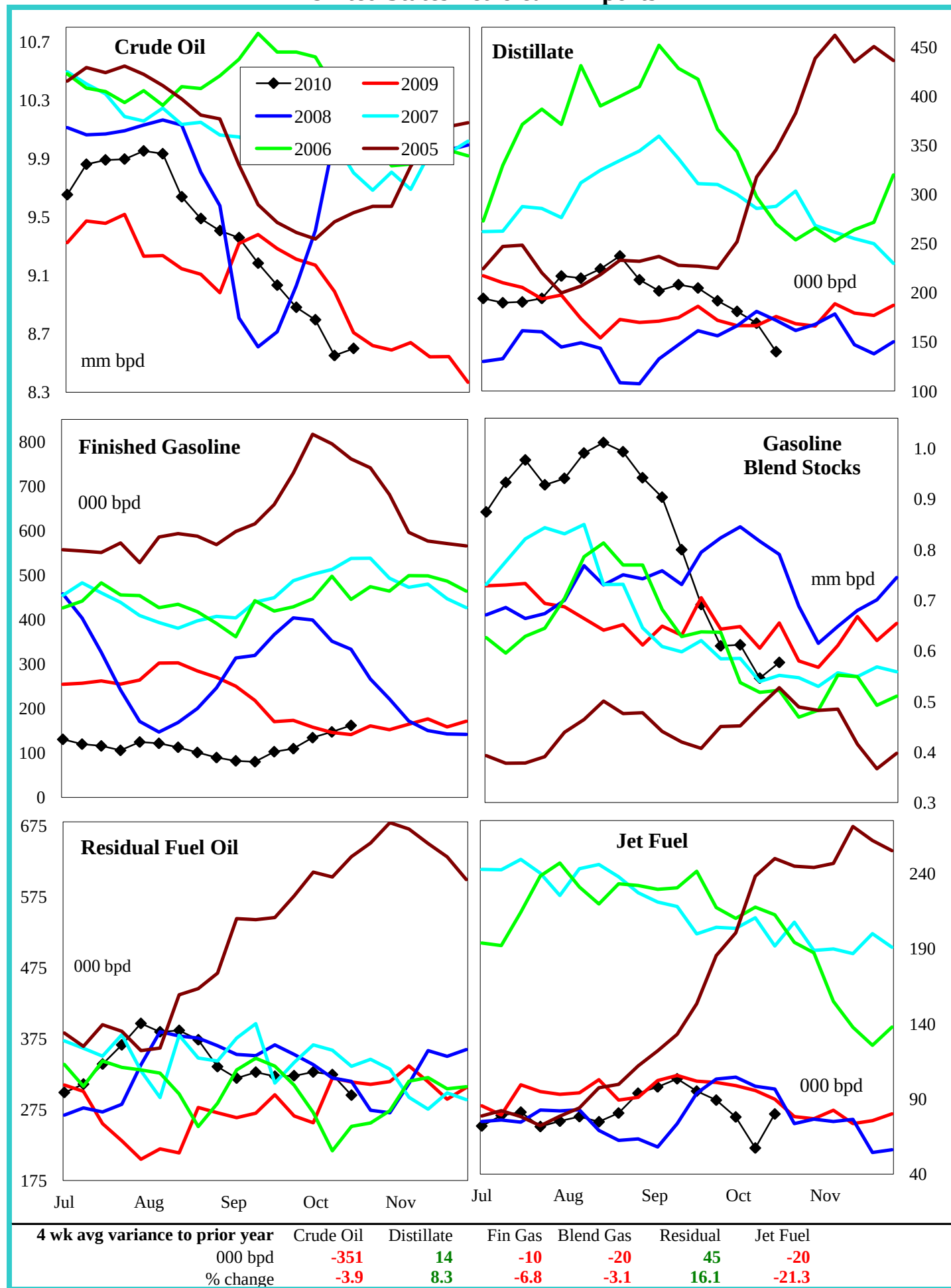
	000 bpd change from prior year				% change from prior year				
	4wk avg	Sep	Aug	Jul	4wk avg	Sep	Aug	Jul	
Gasoline	-132	149	76	72	-1.4	1.7	0.8	0.8	
Distillate	325	229	364	166	9.3	6.4	10.6	4.9	
Jet Fuel	-25	36	0	-48	-1.8	2.5	0.0	-3.2	
Resid	-133	76	-22	255	-26.1	22.4	-4.7	79.9	



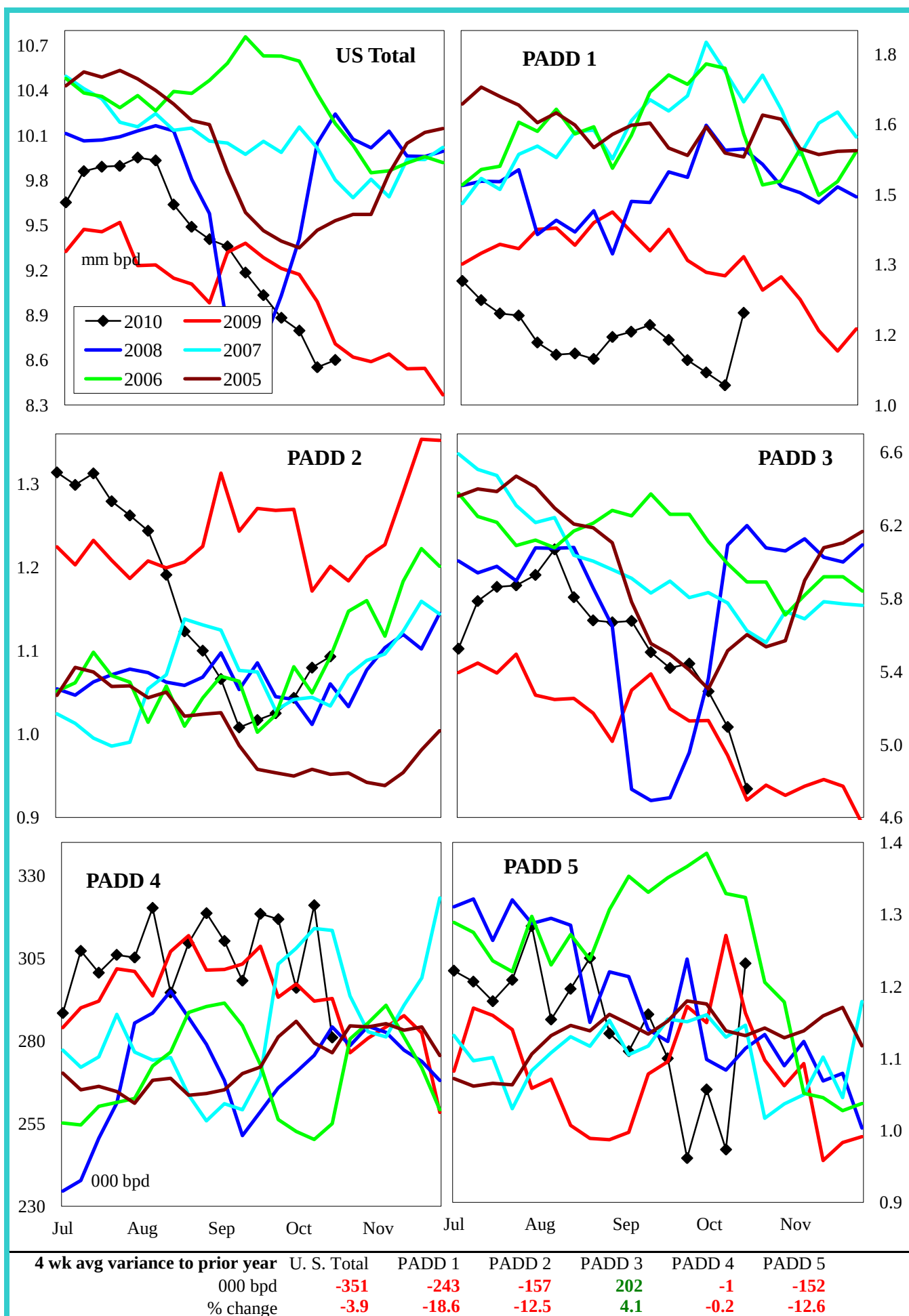
United States Refinery Percent Utilization Rate and Product Yields



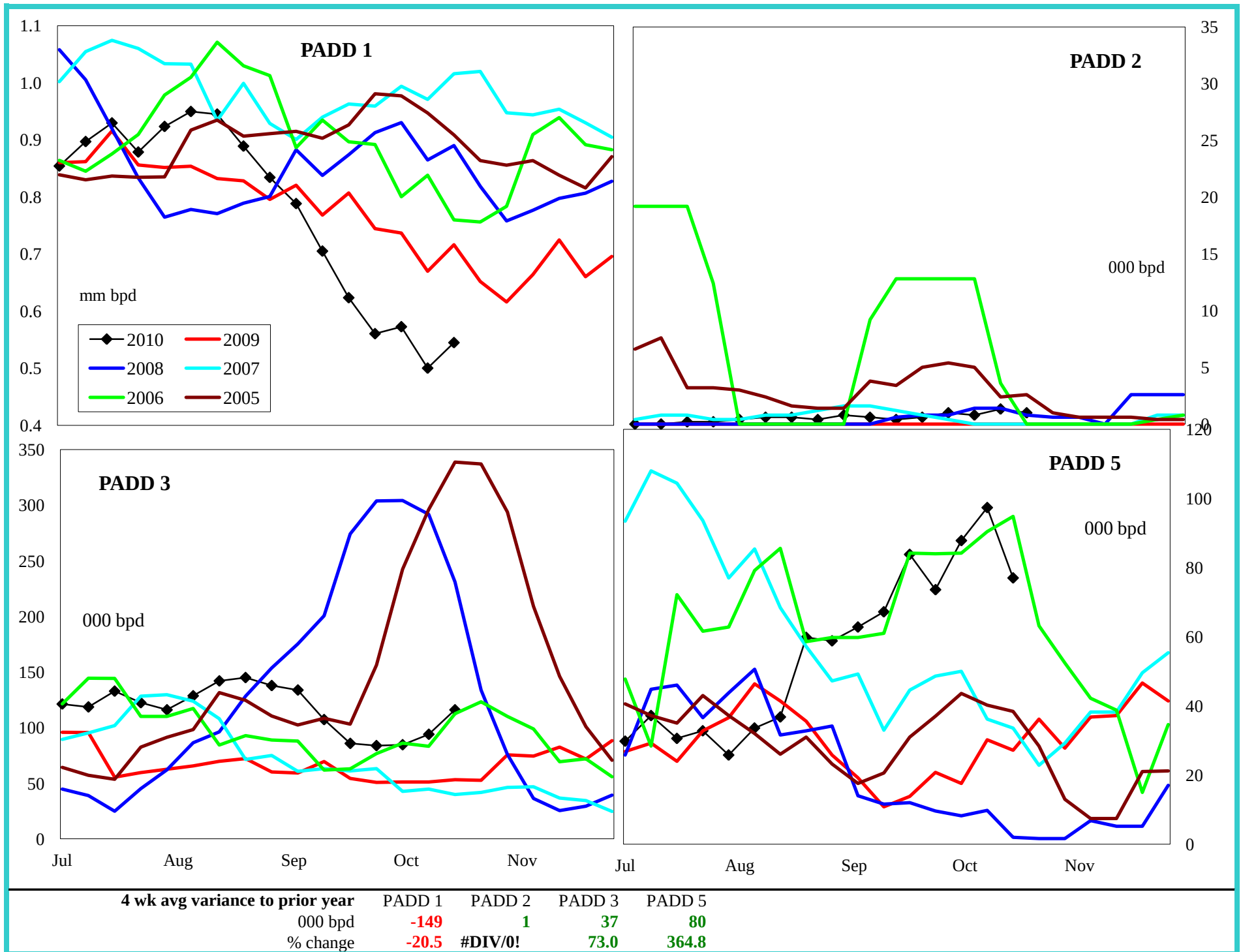
United States Petroleum Imports



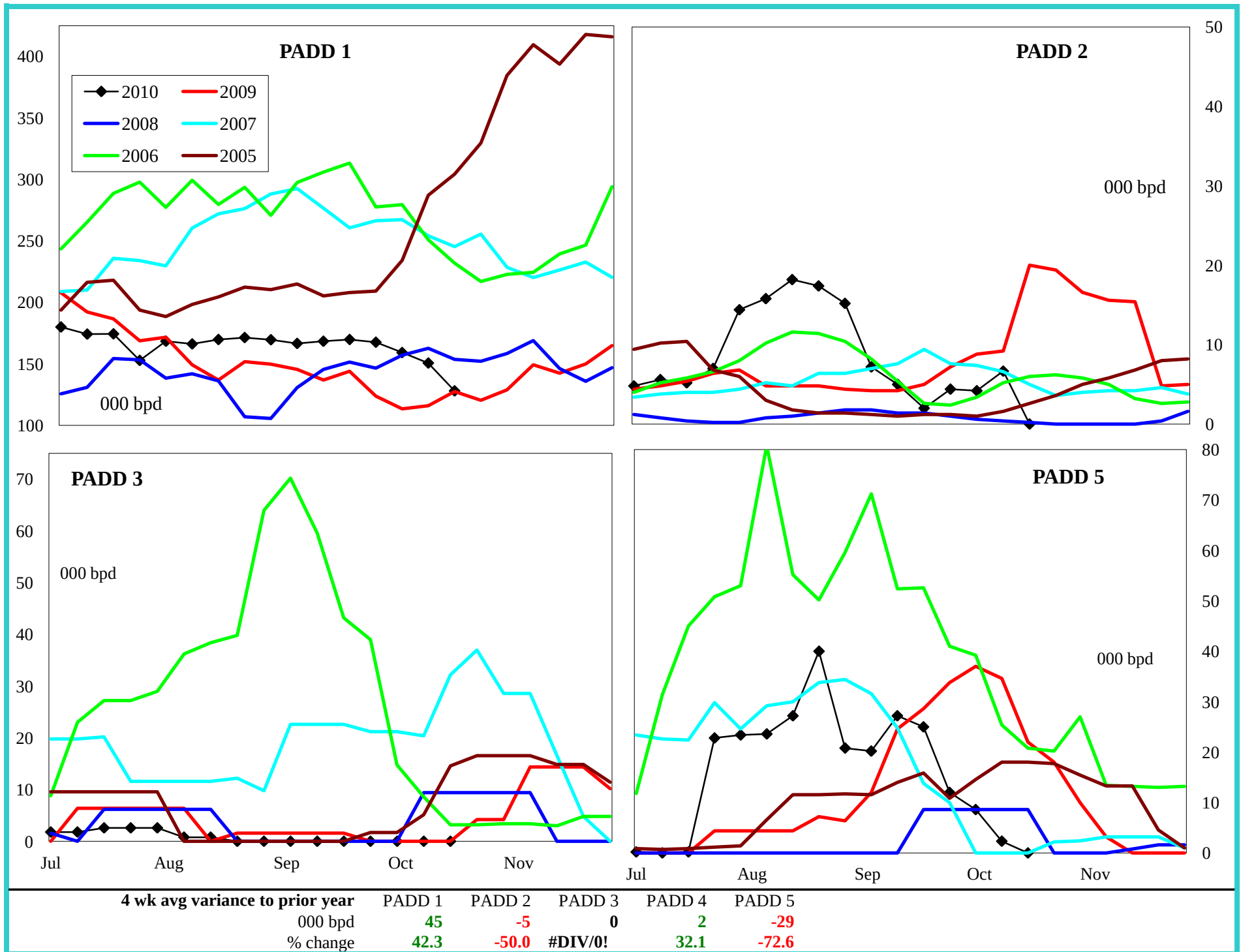
Crude Oil Imports by PADD



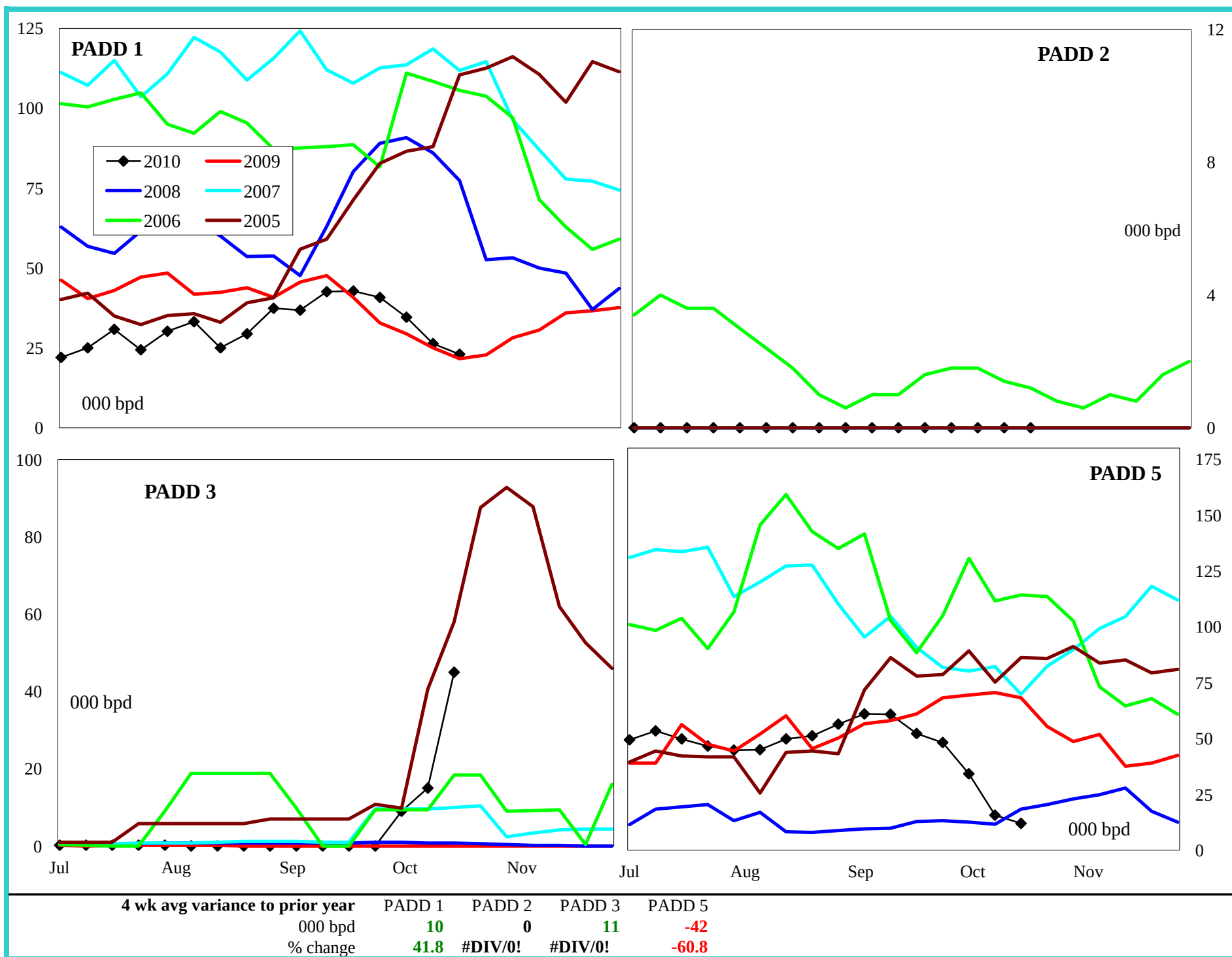
Gasoline Imports by PADD (Finished + Blend Stocks)



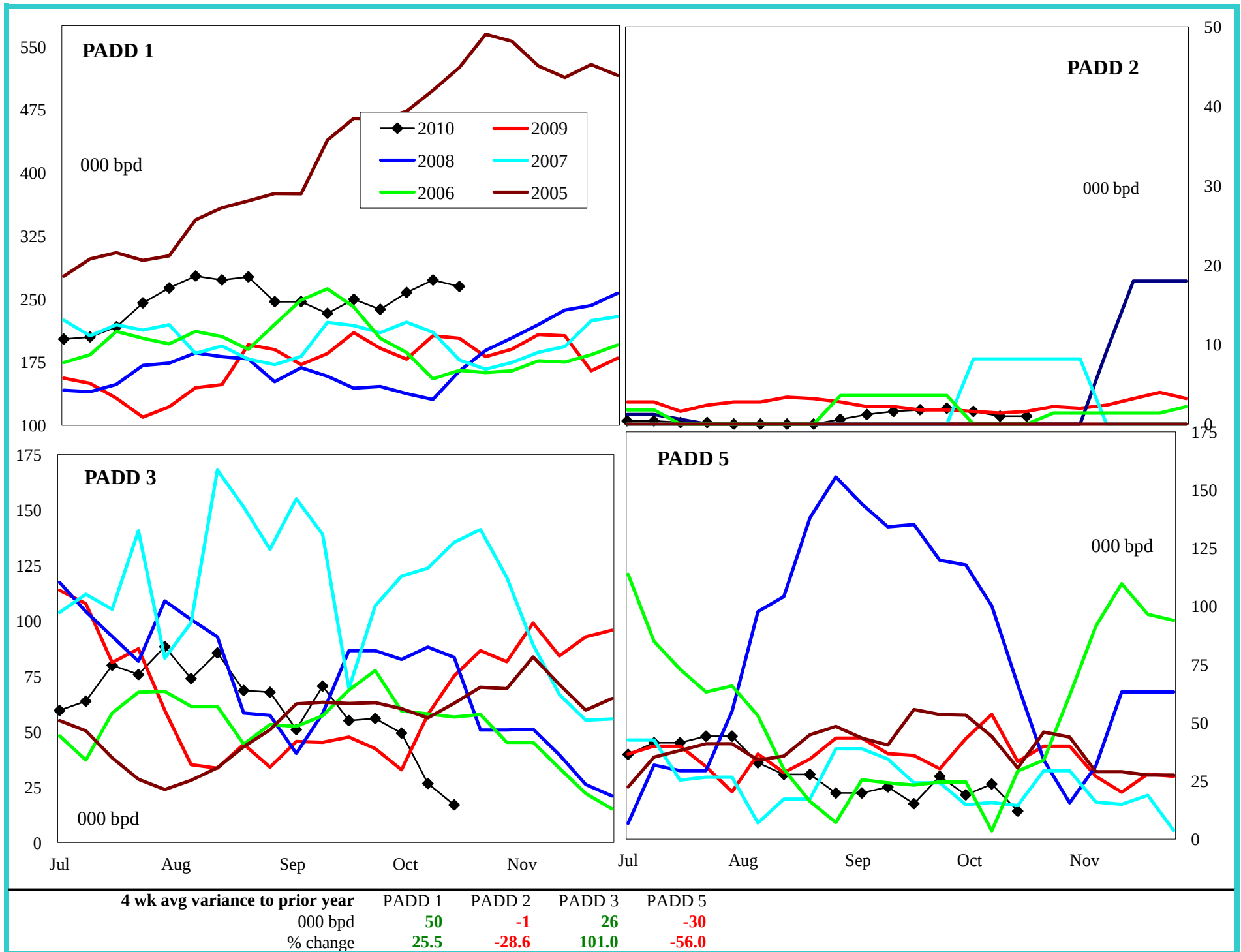
Distillate Imports by PADD



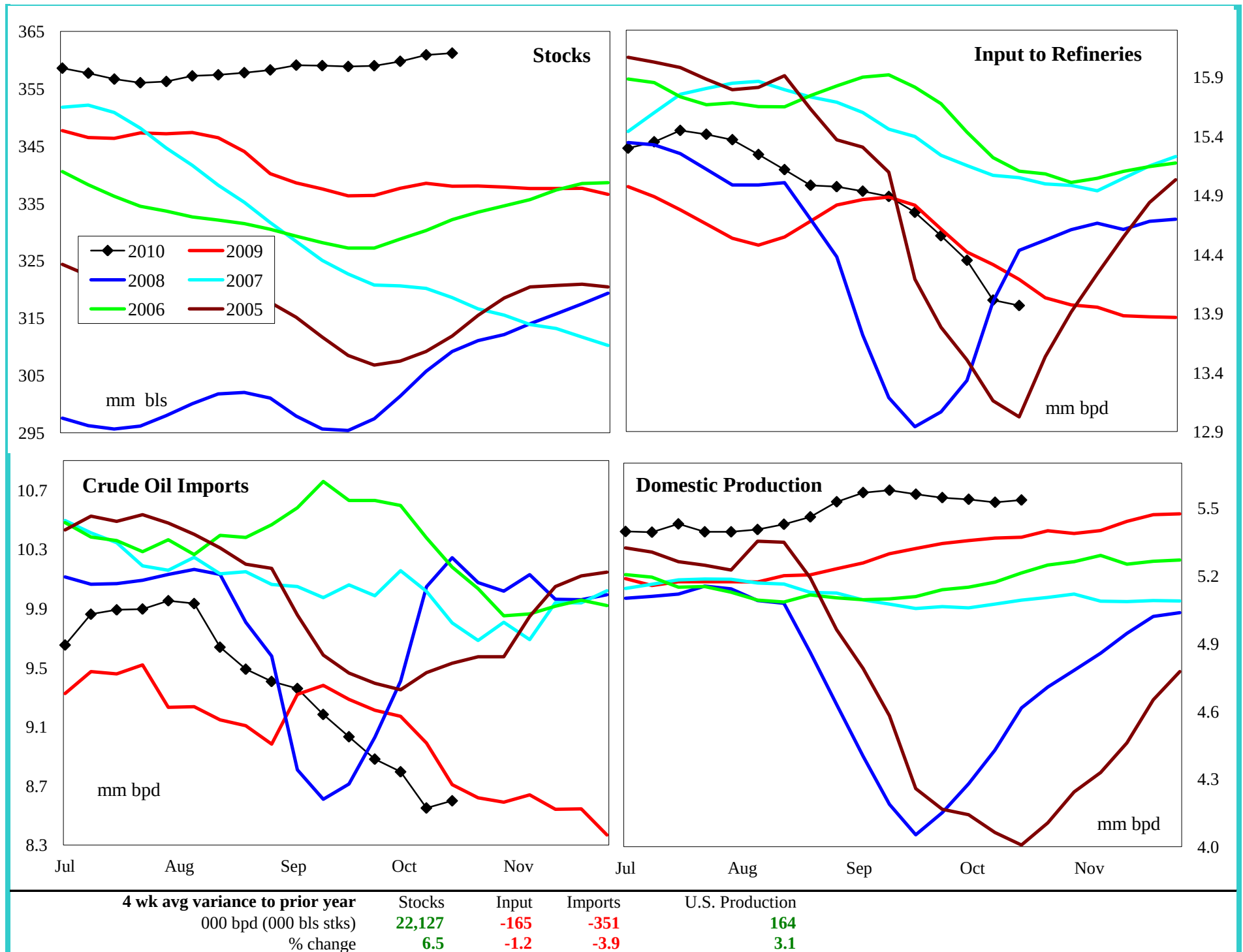
Jet Fuel Imports by PADD



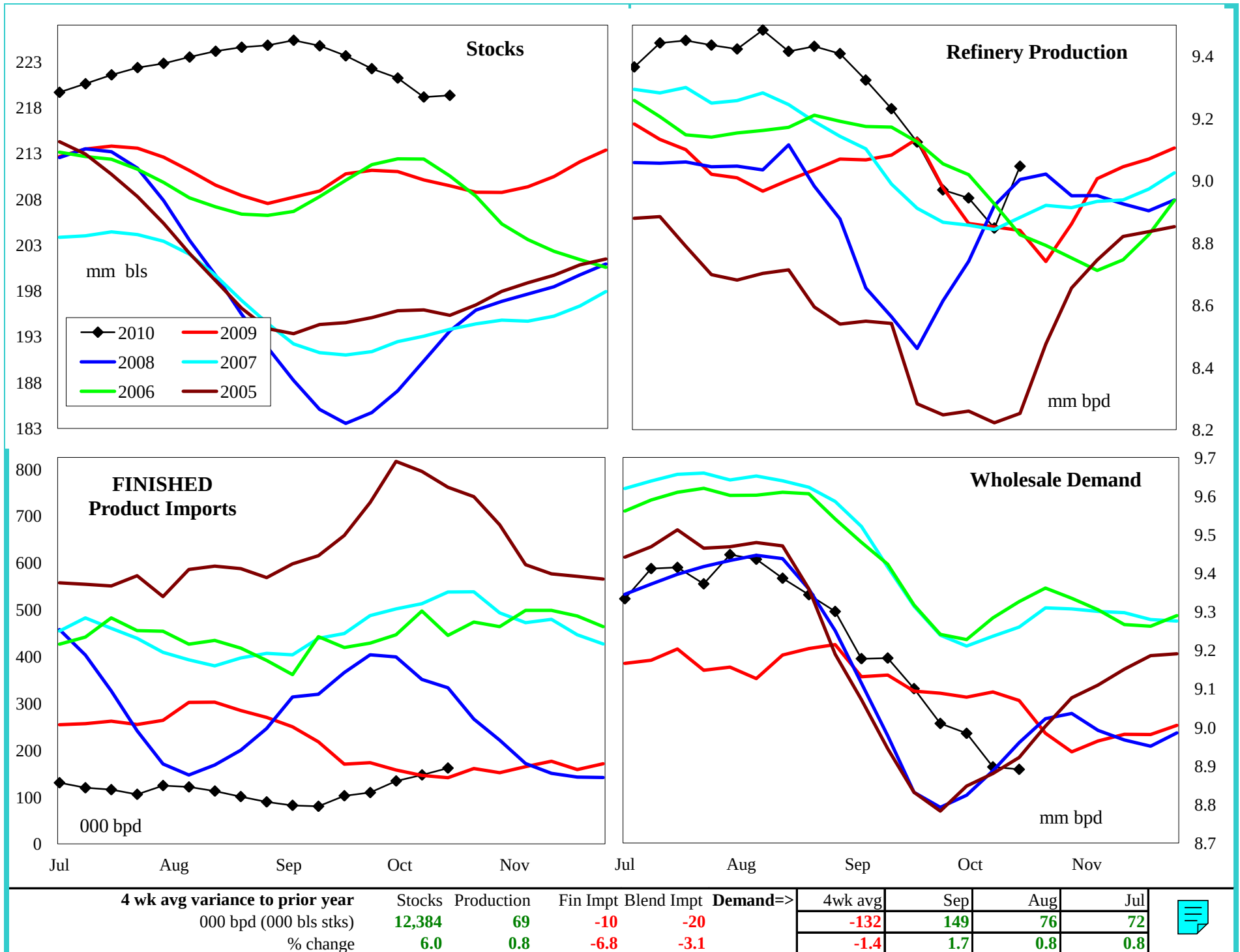
Residual Fuel Oil Imports by PADD



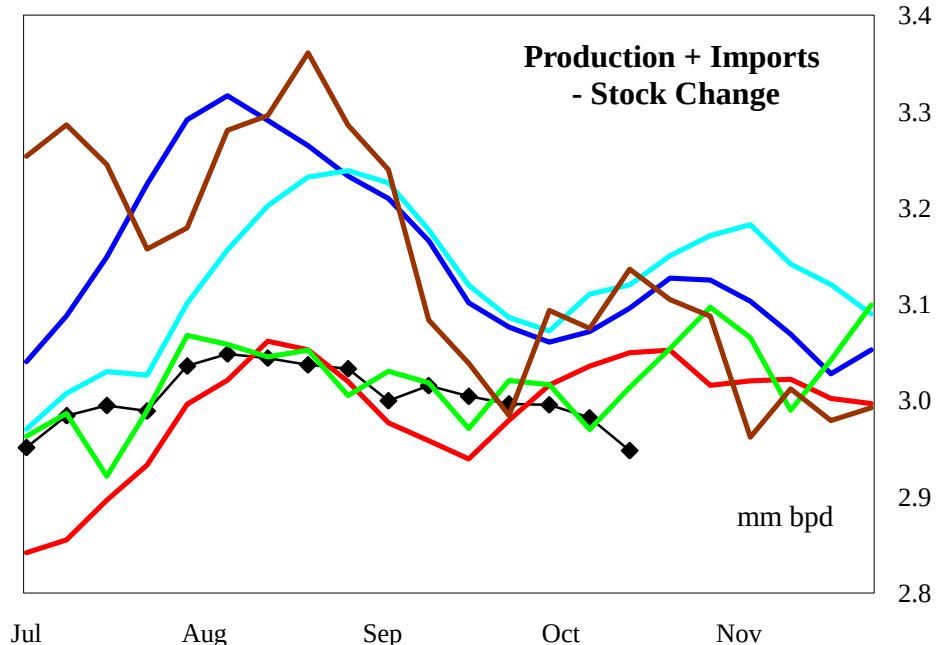
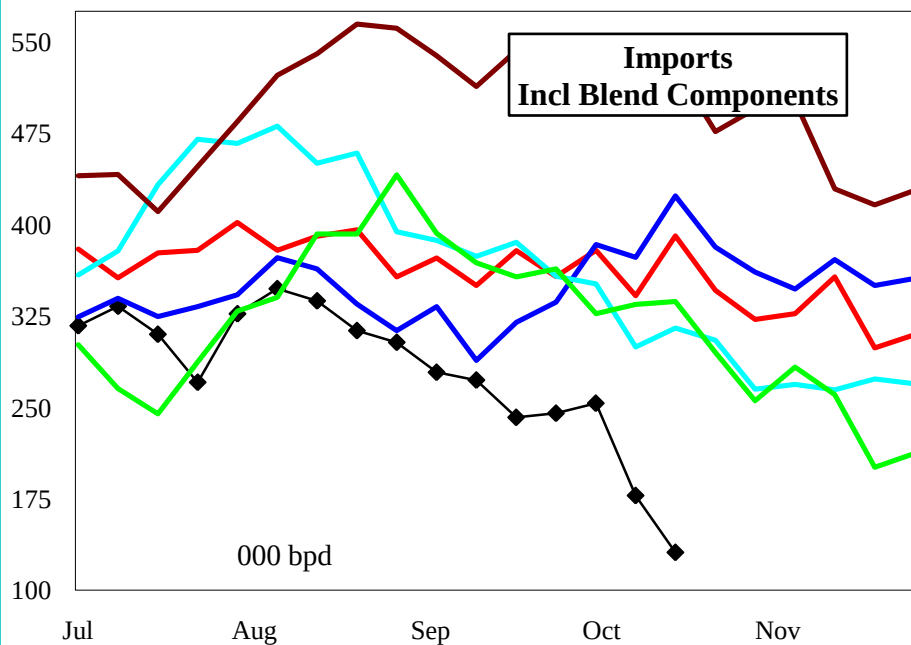
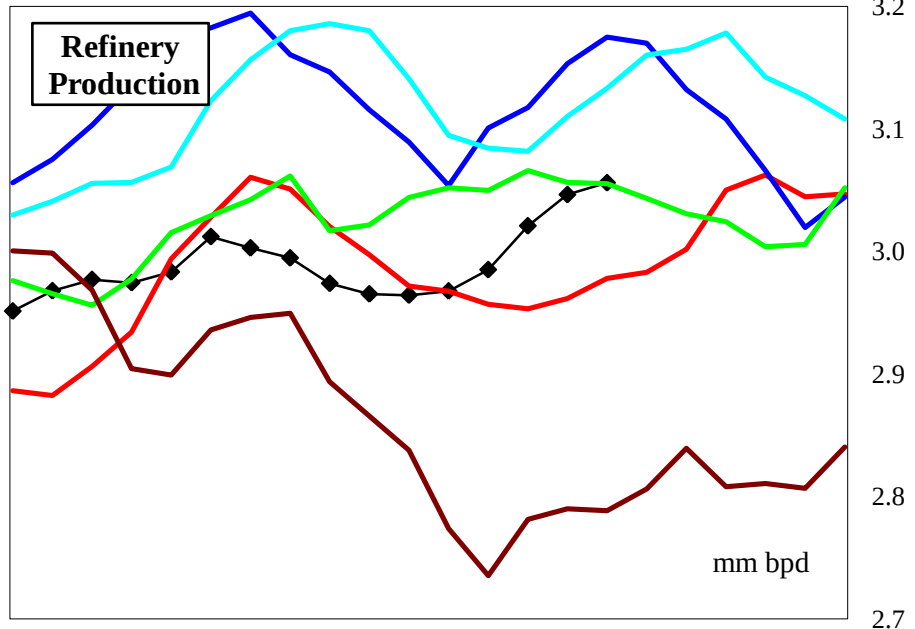
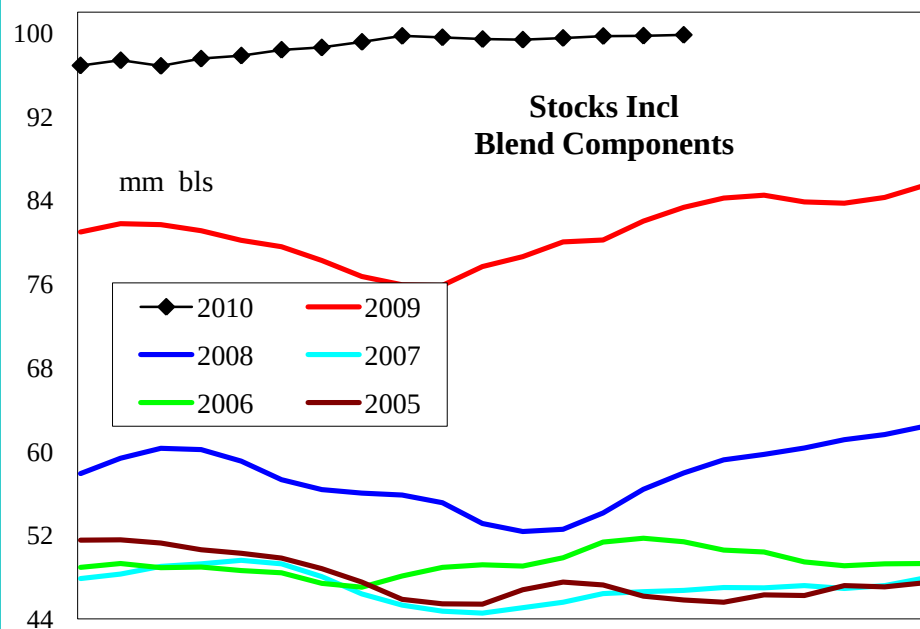
United States Crude Oil Supply and Demand Balance



United States Gasoline Supply and Demand Balance



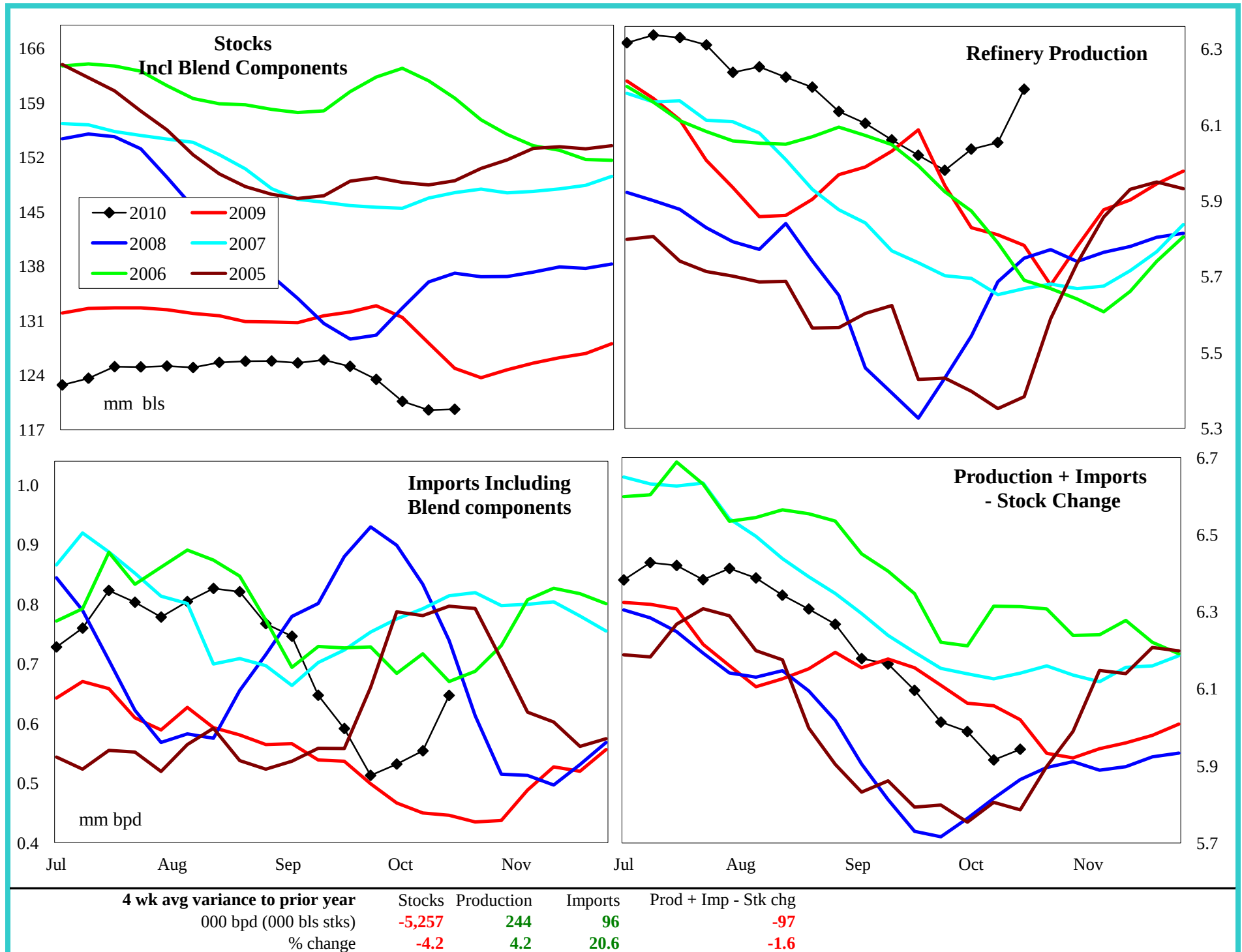
United States Reformulated Gasoline Supply



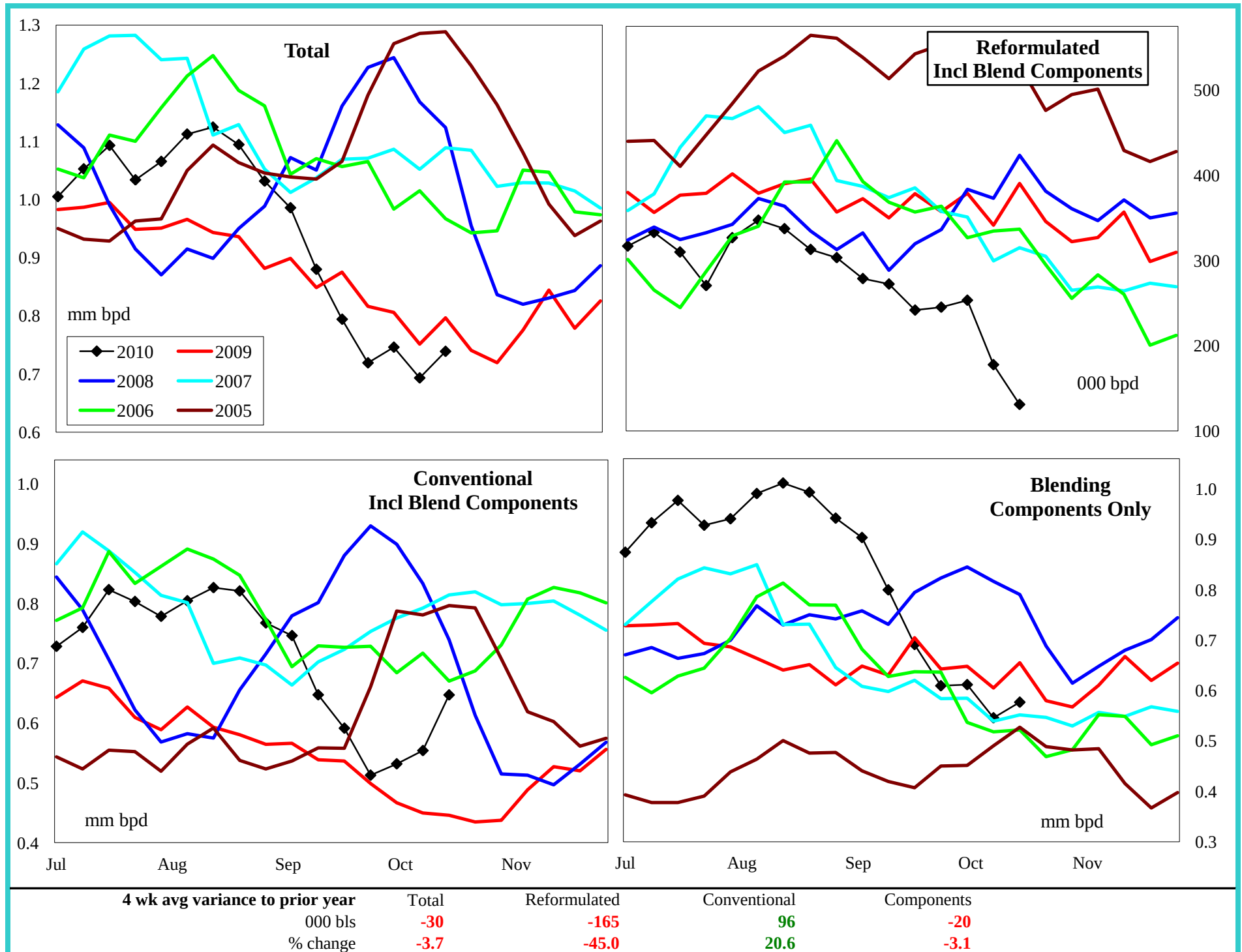
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
16,488	86	-165	-40
19.8	2.9	-45.0	-1.3

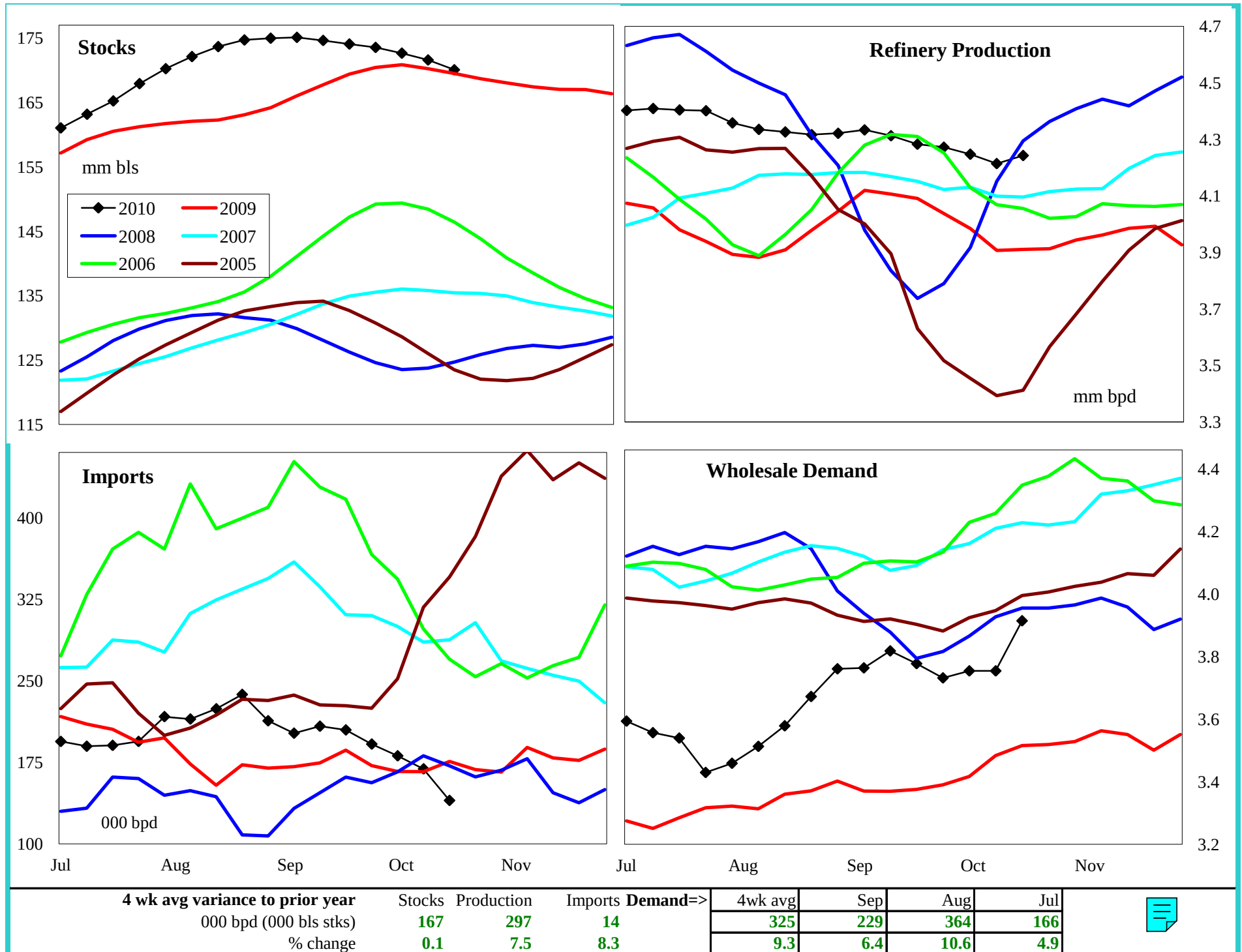
United States Conventional Gasoline Supply



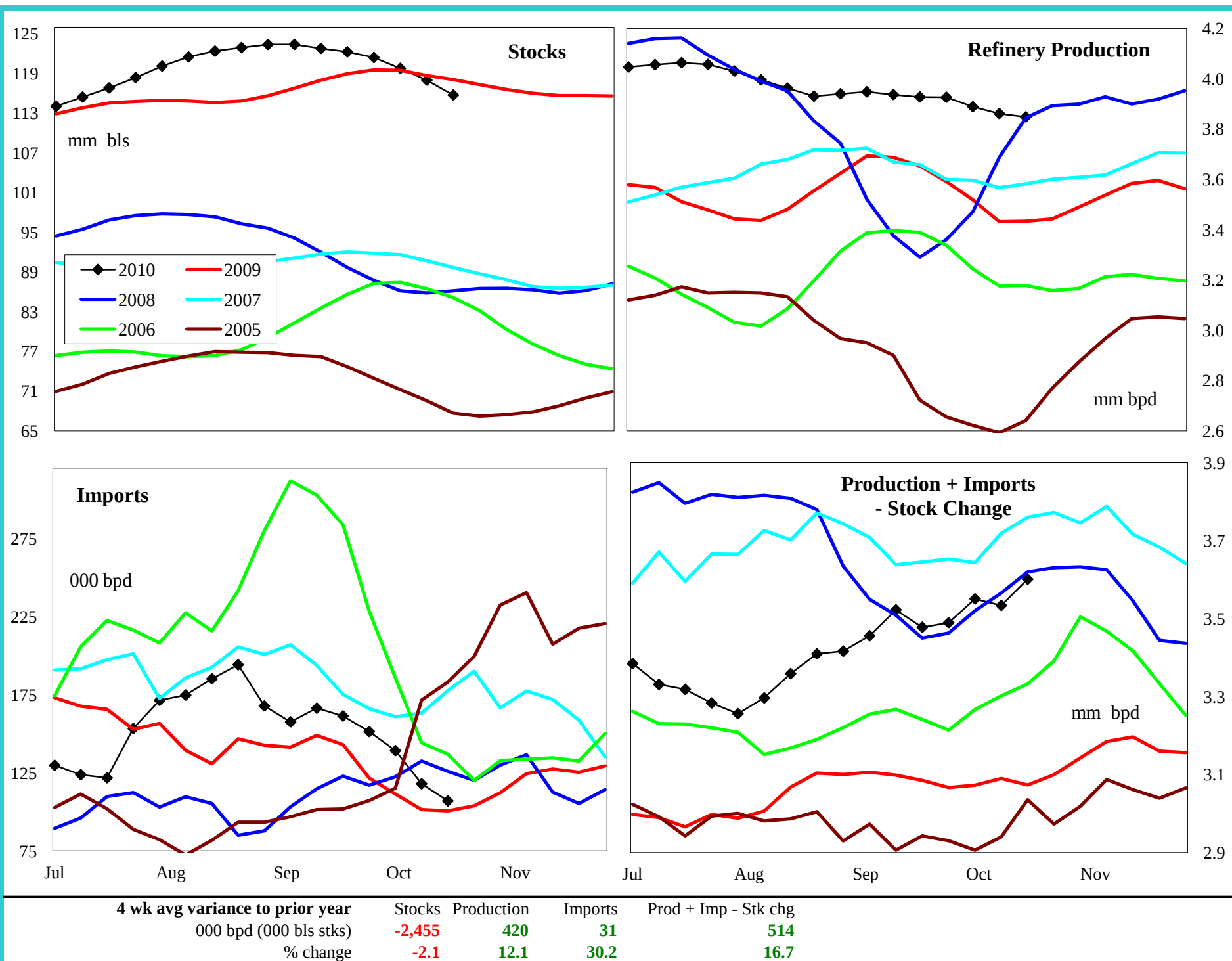
United States Gasoline Imports by Type



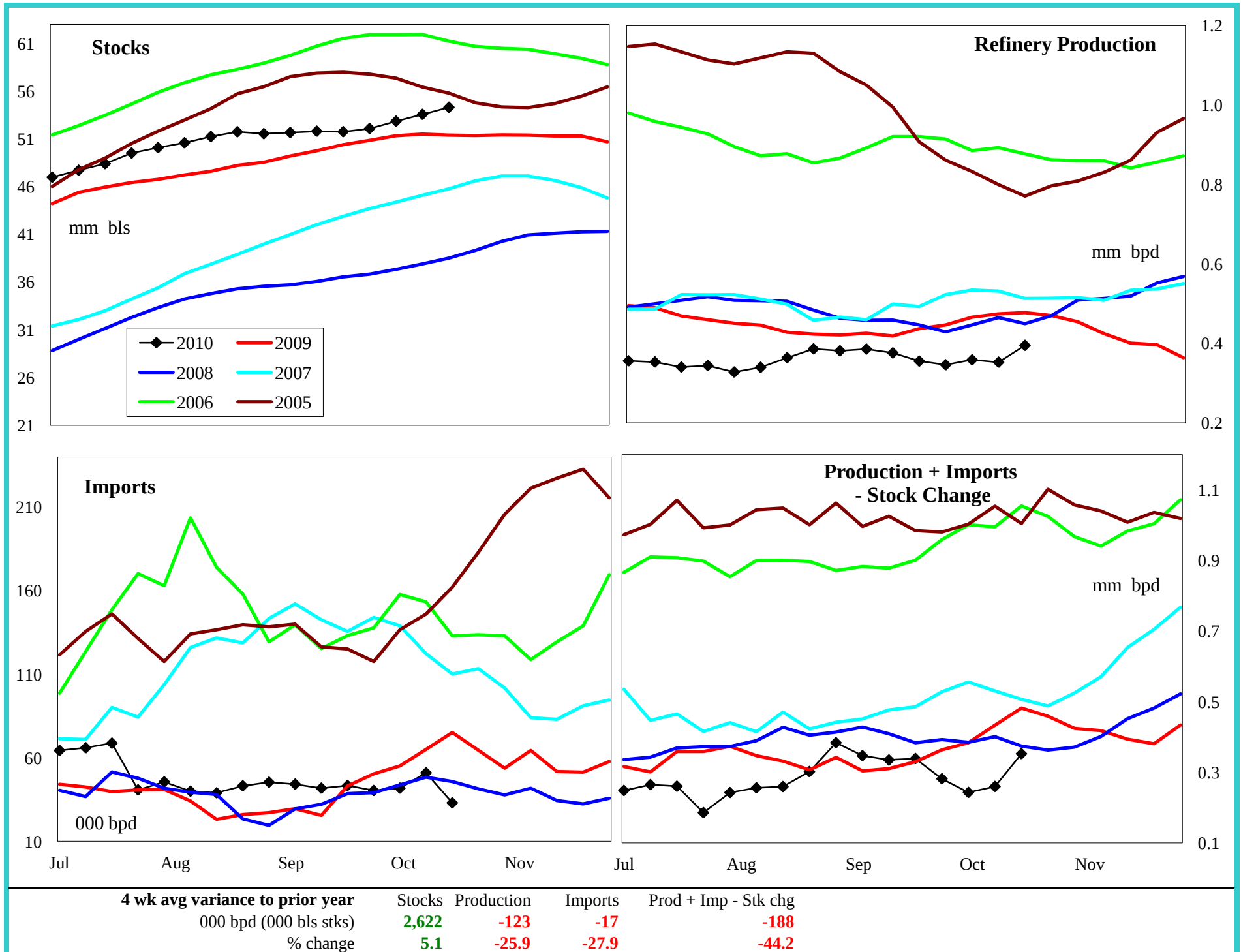
United States Distillate Supply and Demand Balance



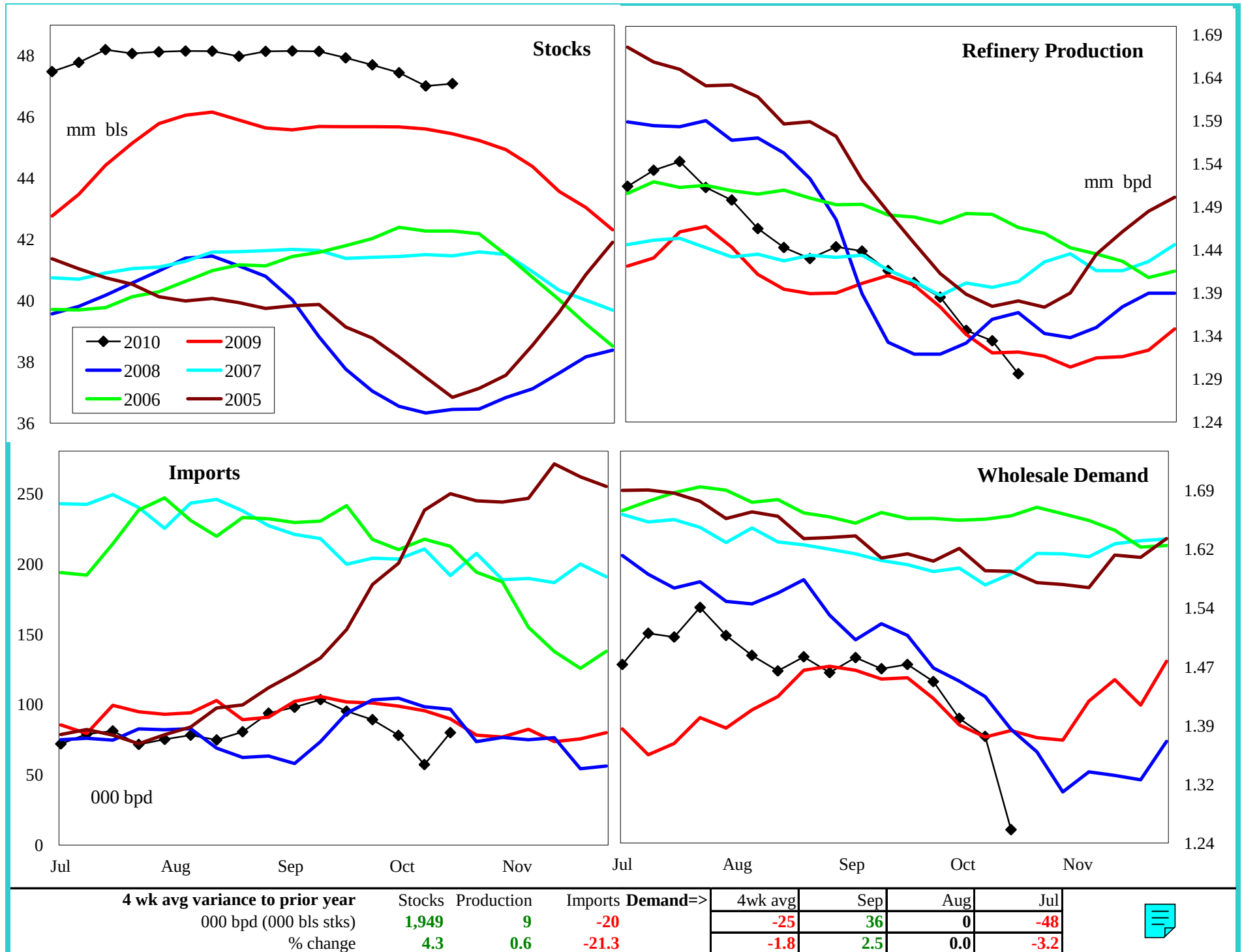
United States Low Sulfur Distillate Supply



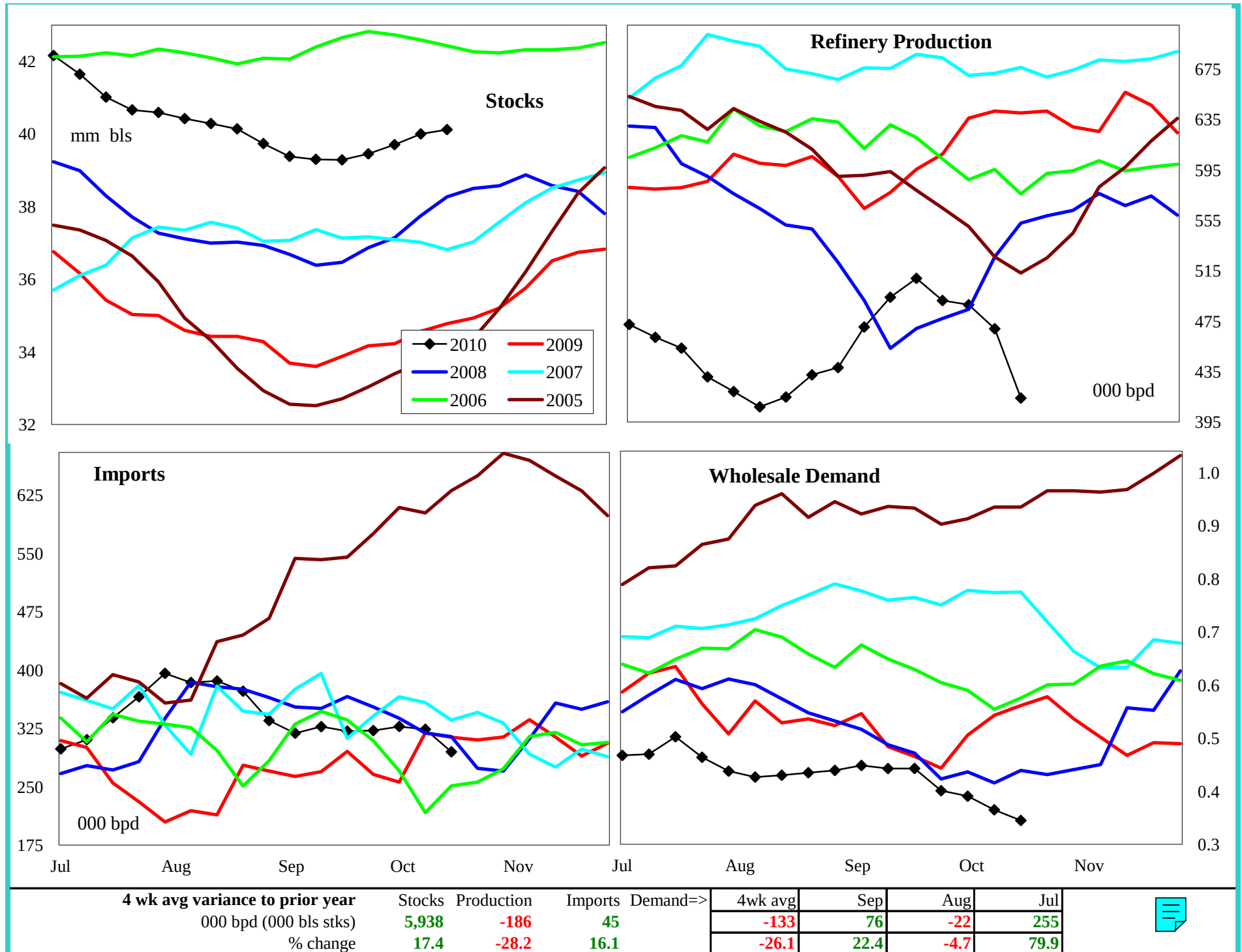
United States High Sulfur Distillate Supply



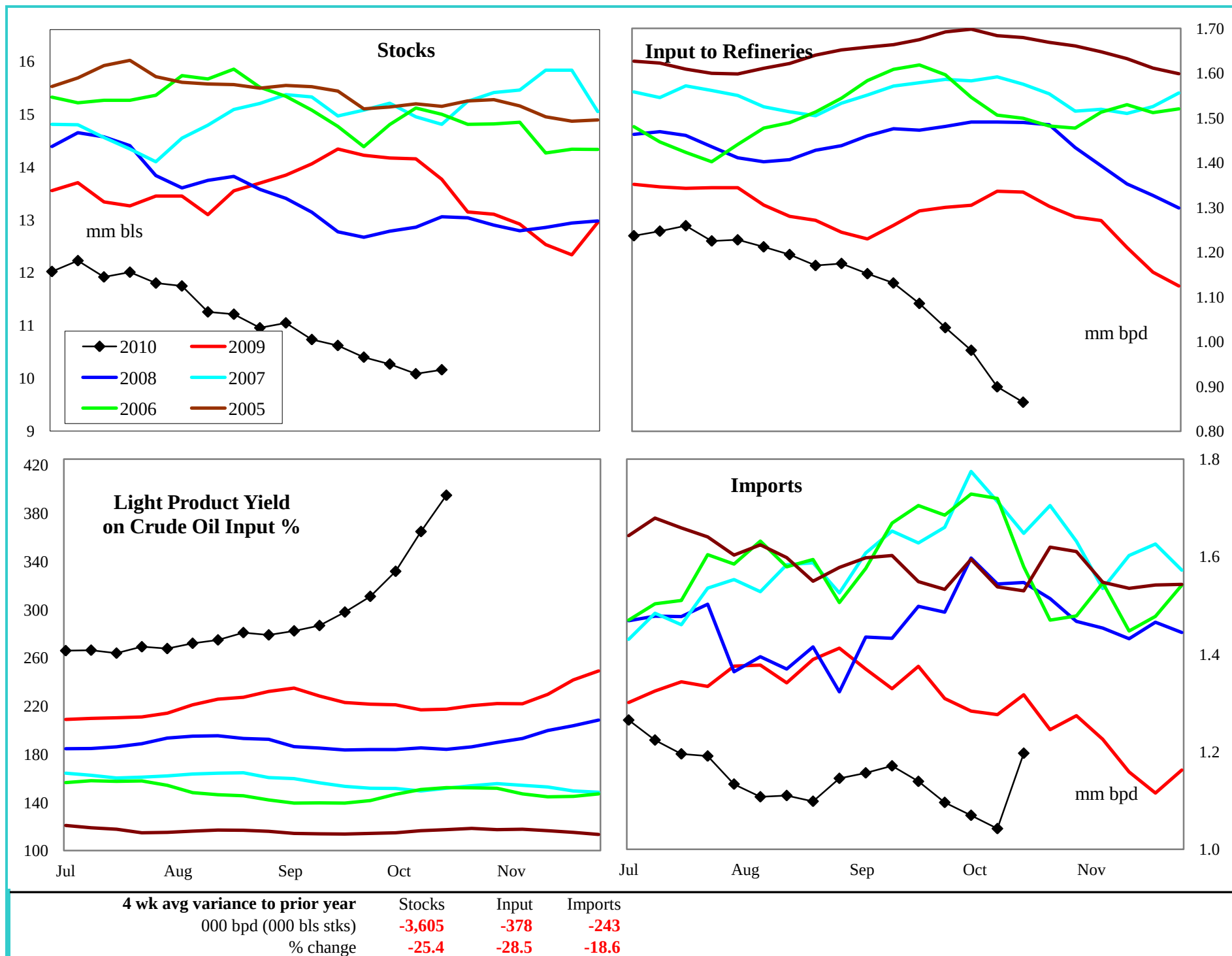
United States Jet Fuel Supply and Demand Balance



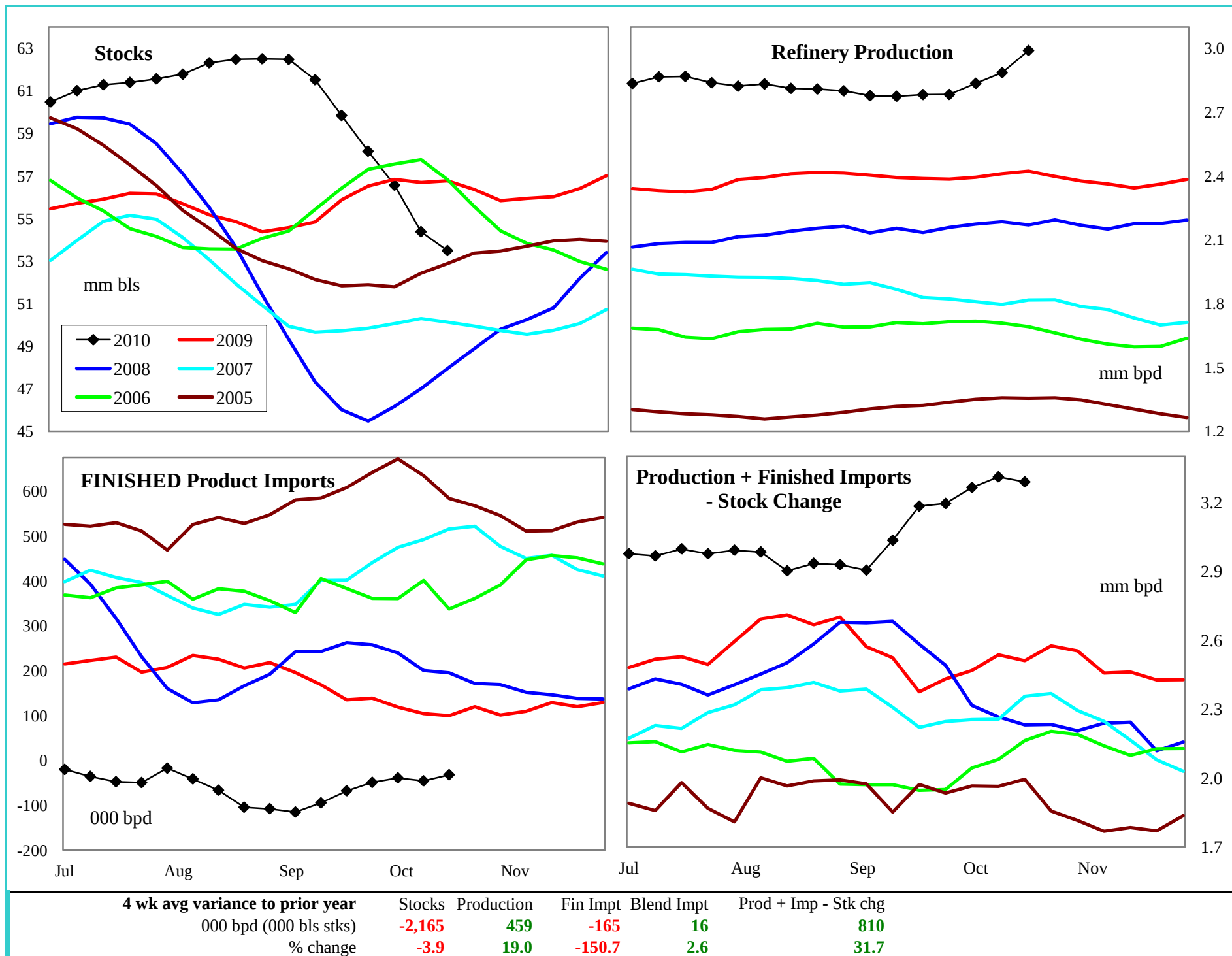
United States Residual Fuel Oil Supply and Demand Balance



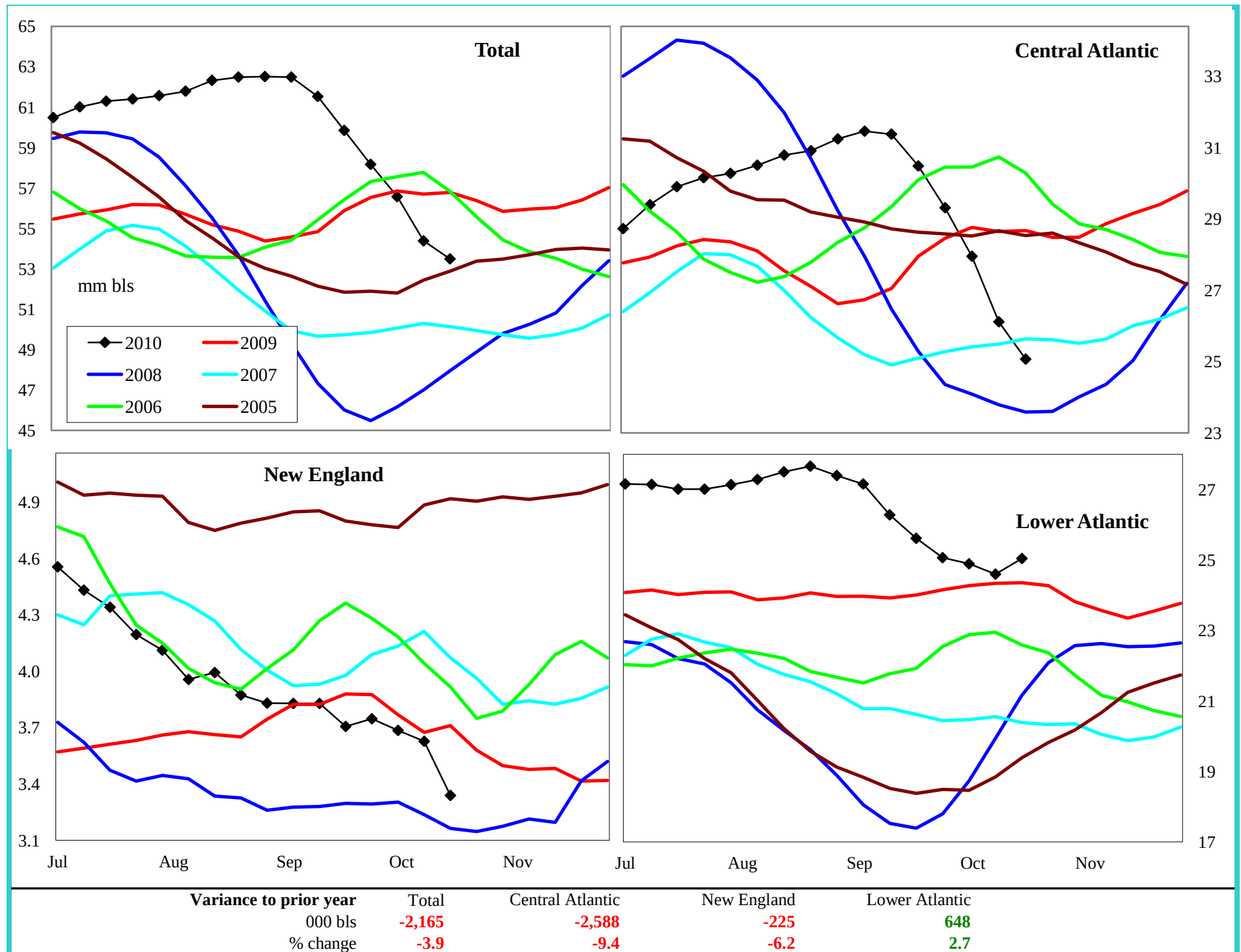
PADD 1 Crude Oil Supply and Refining



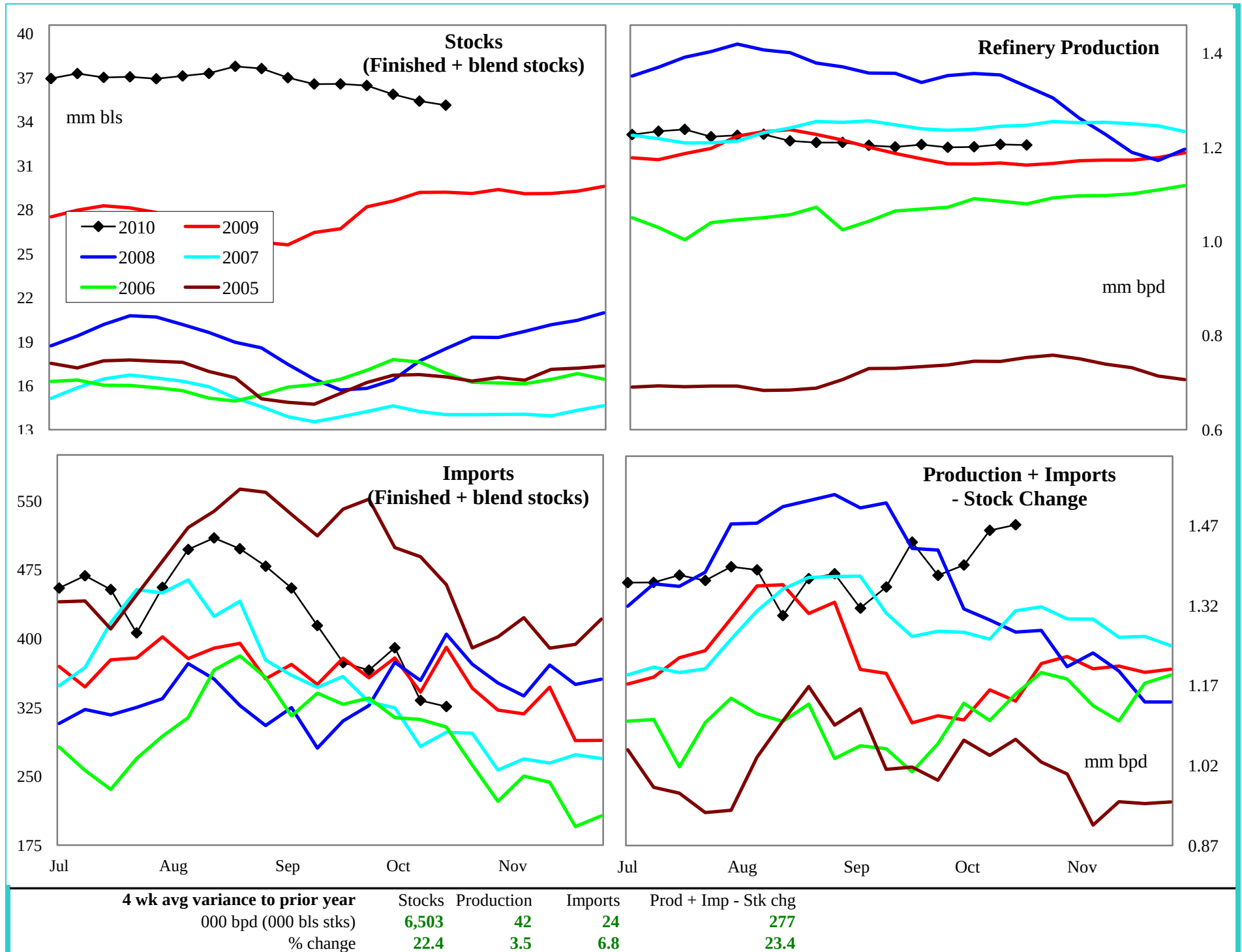
PADD 1 Gasoline Supply



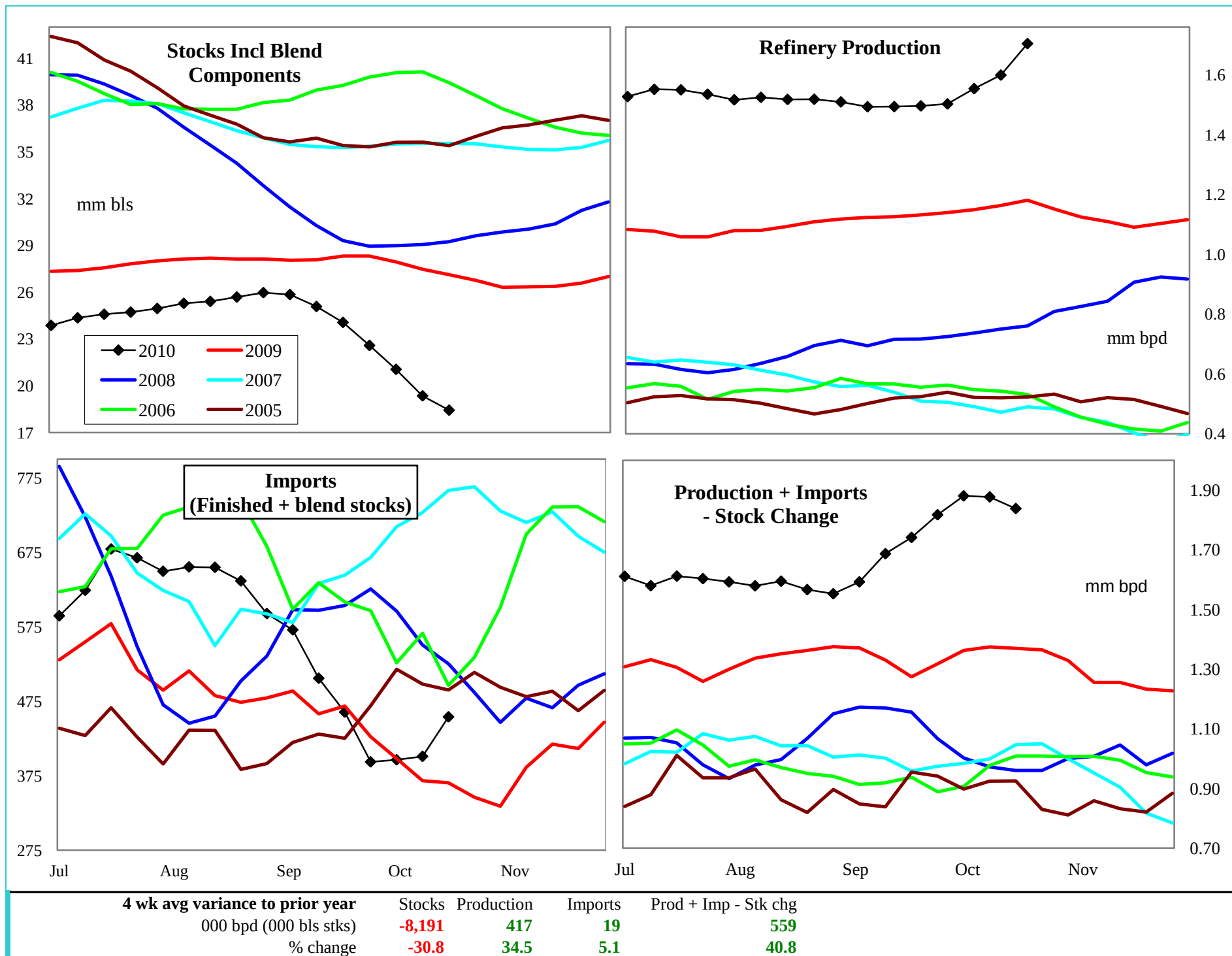
PADD 1 Gasoline Stocks by Region



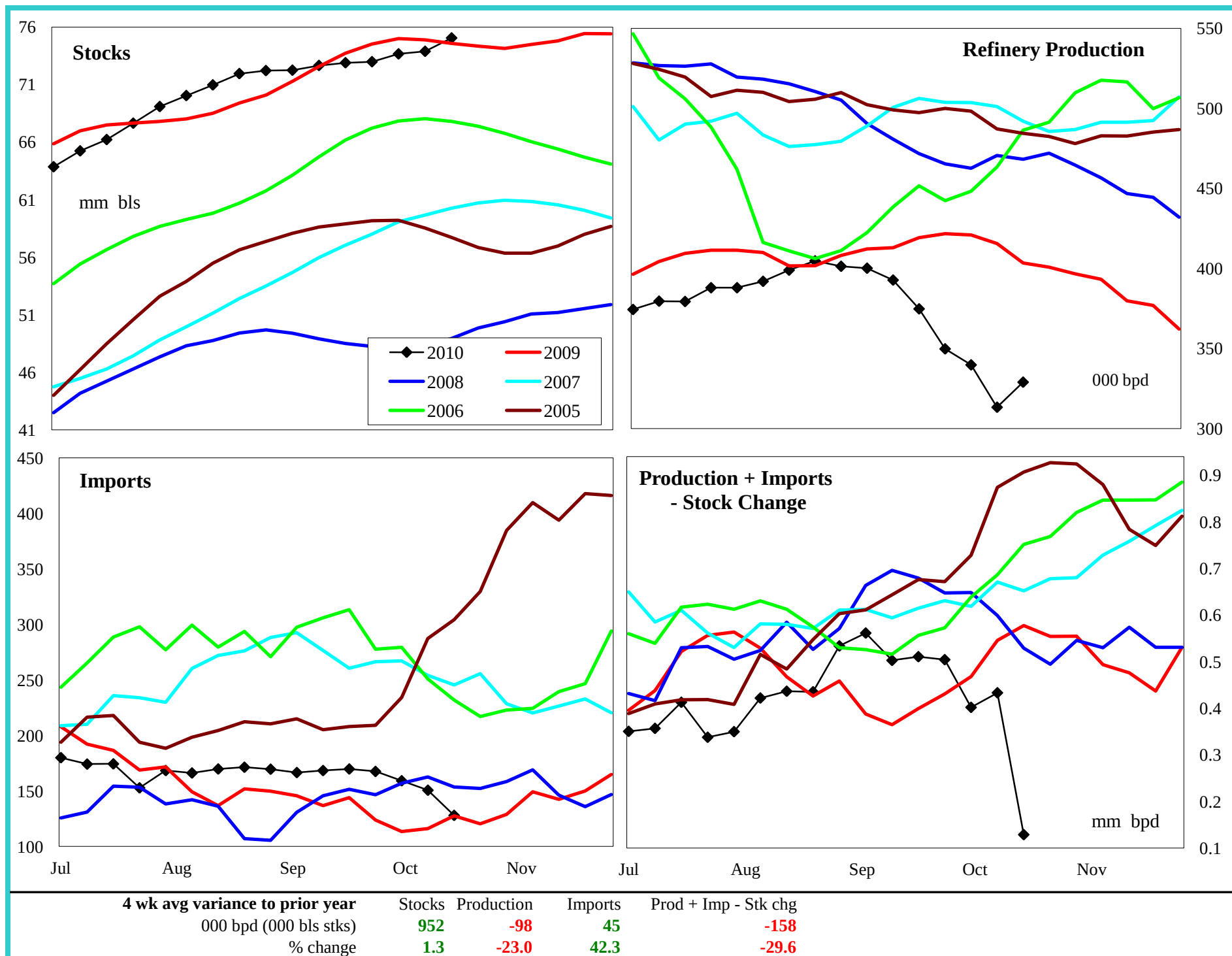
PADD 1 Reformulated Gasoline Supply



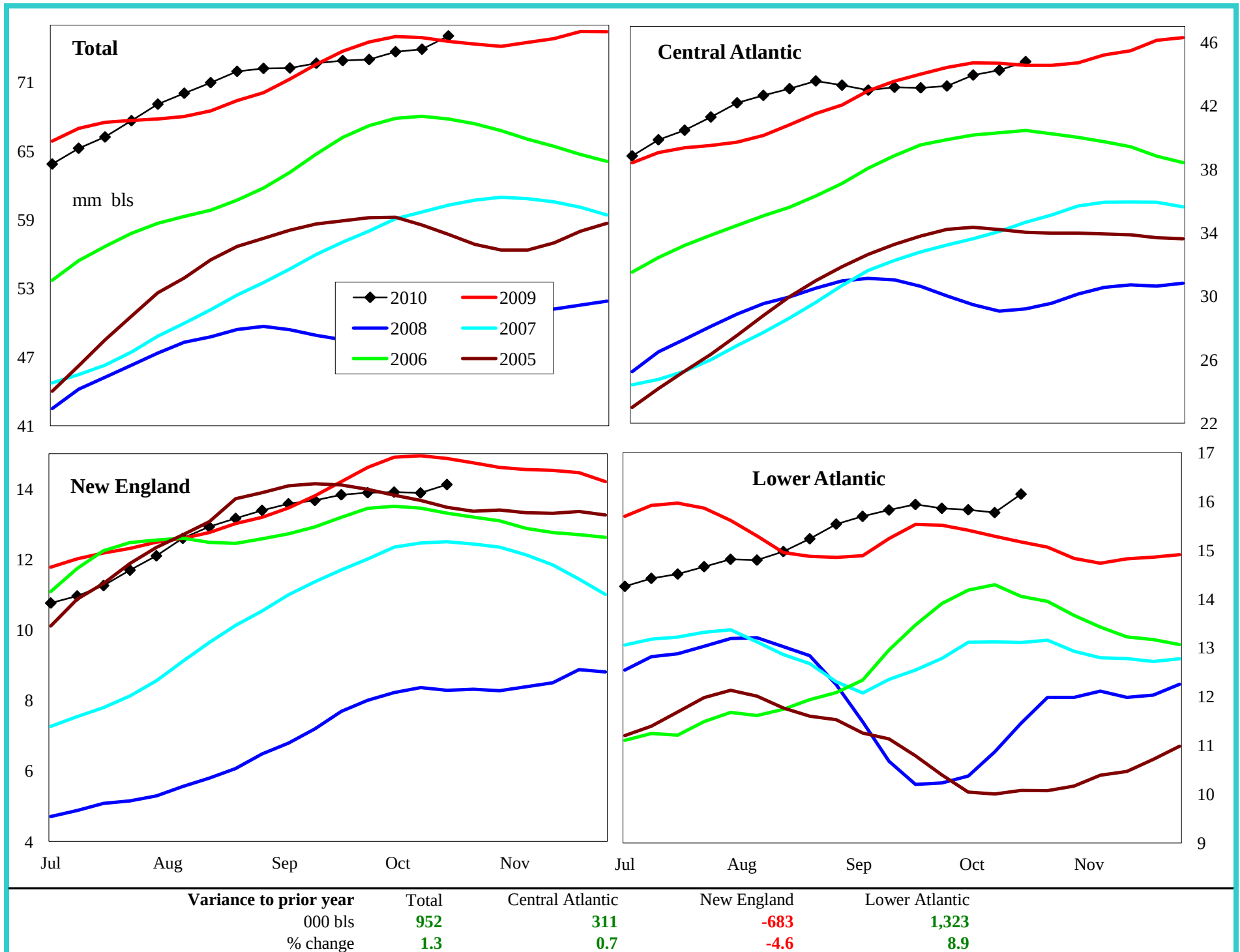
PADD 1 Conventional Gasoline Supply



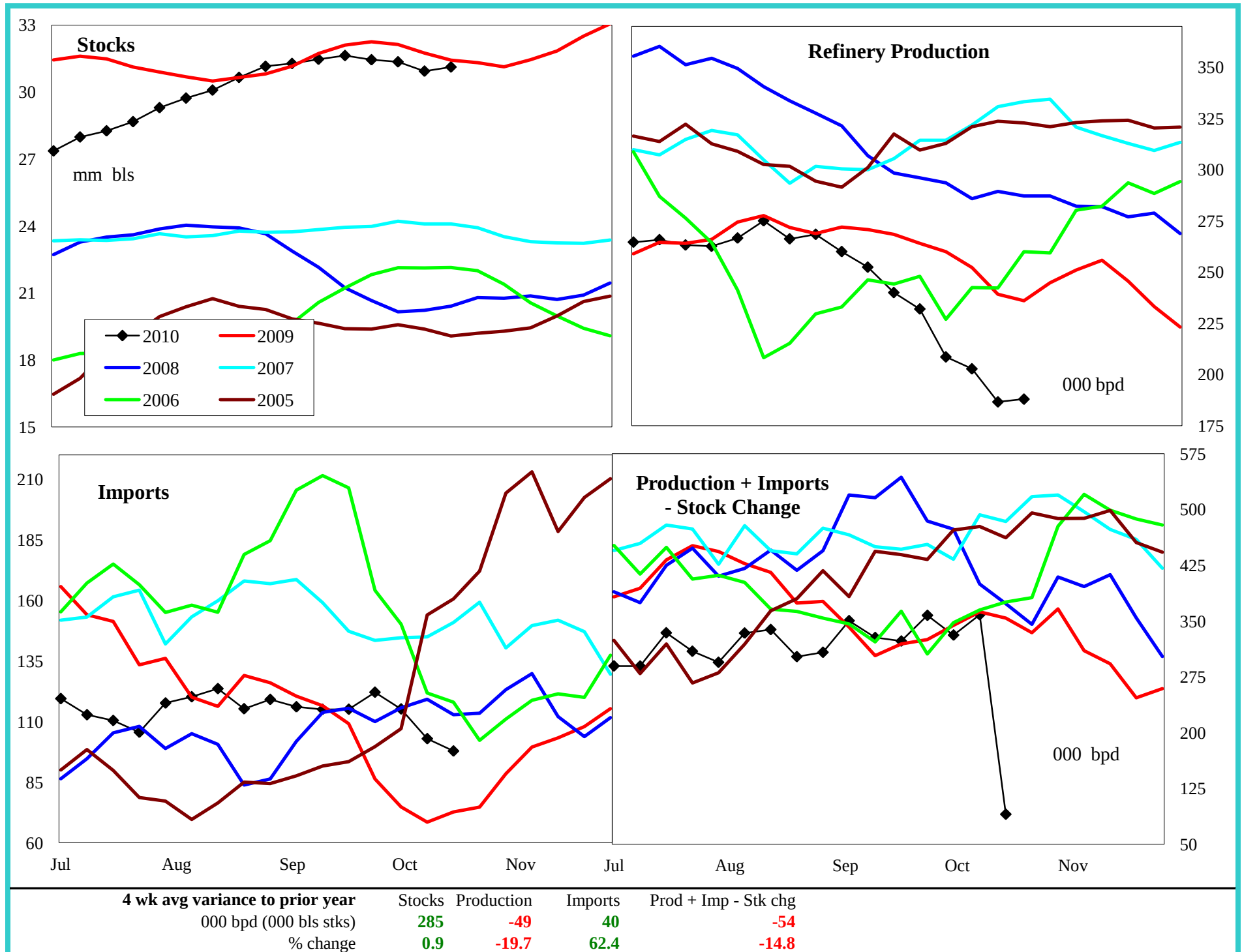
PADD 1 Distillate Supply



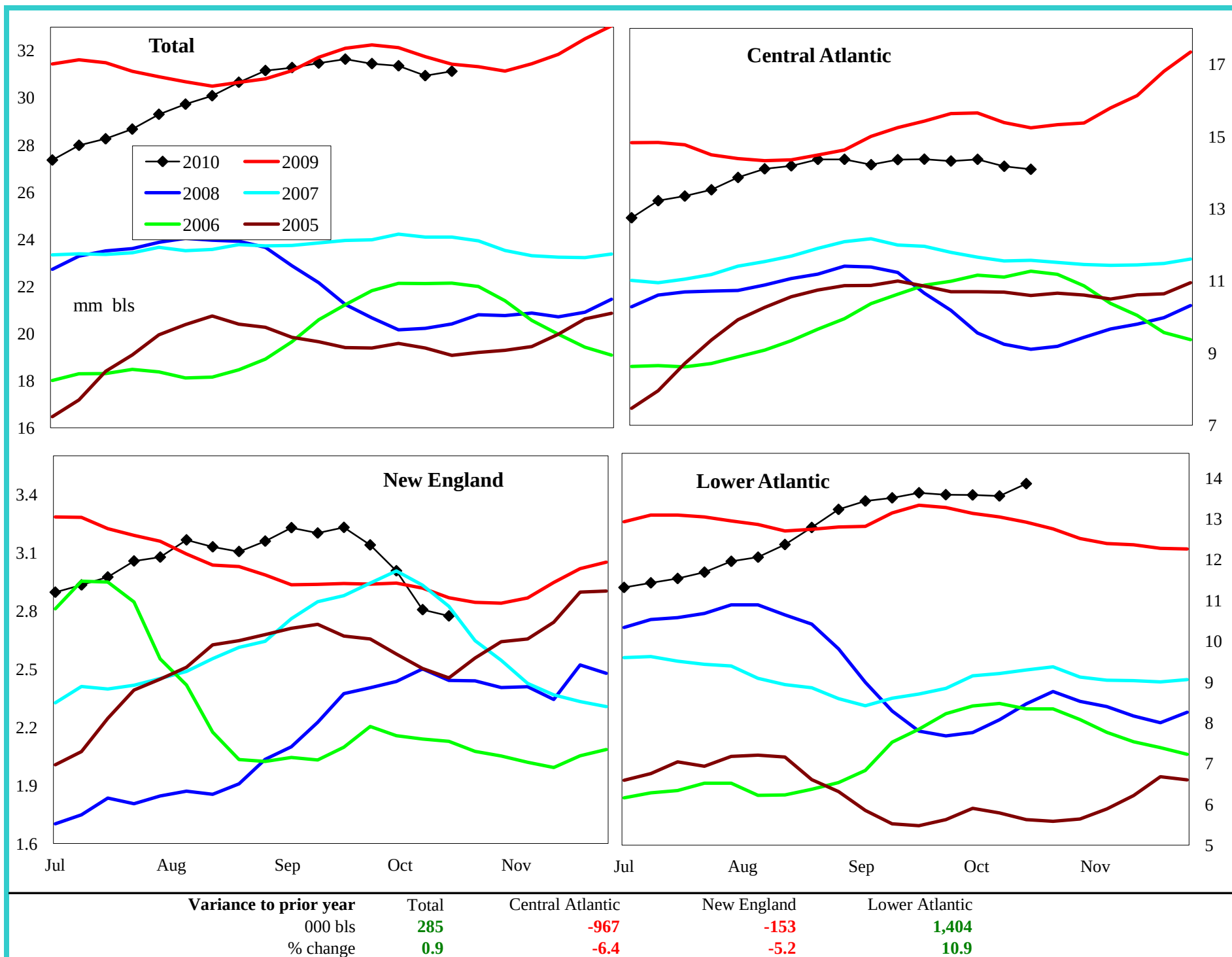
PADD 1 Distillate Stocks by Region



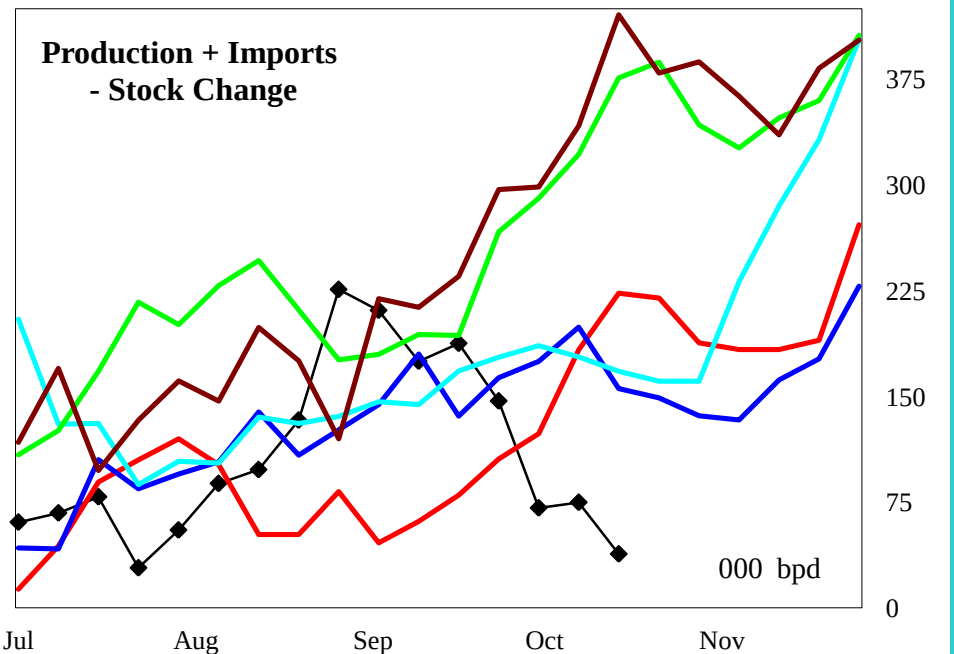
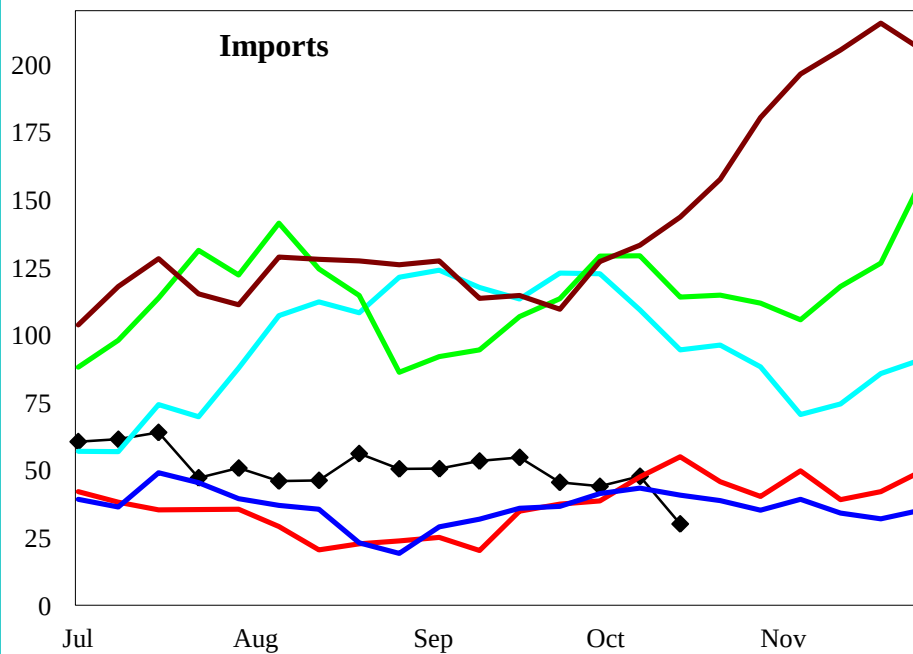
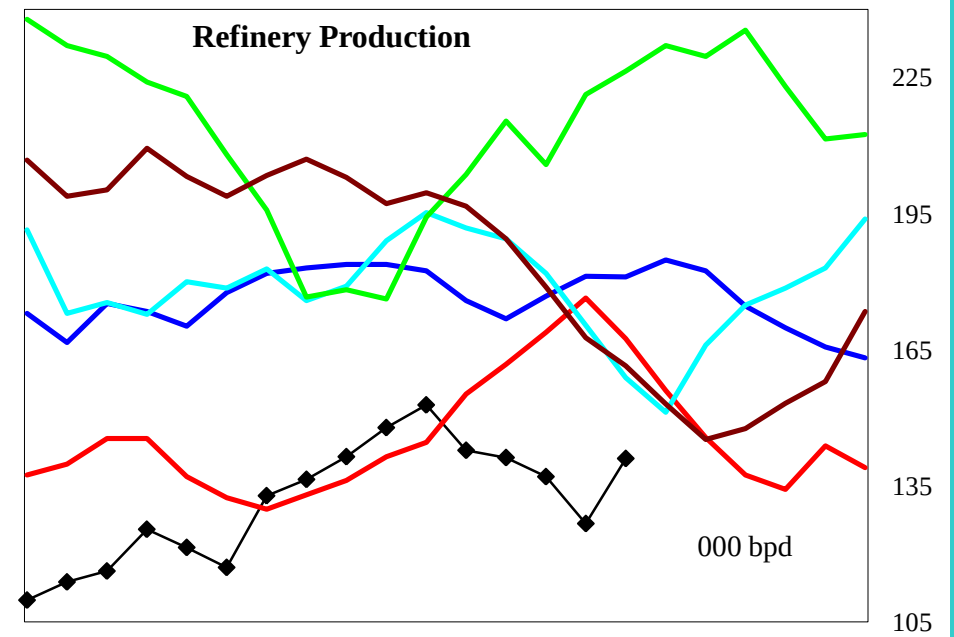
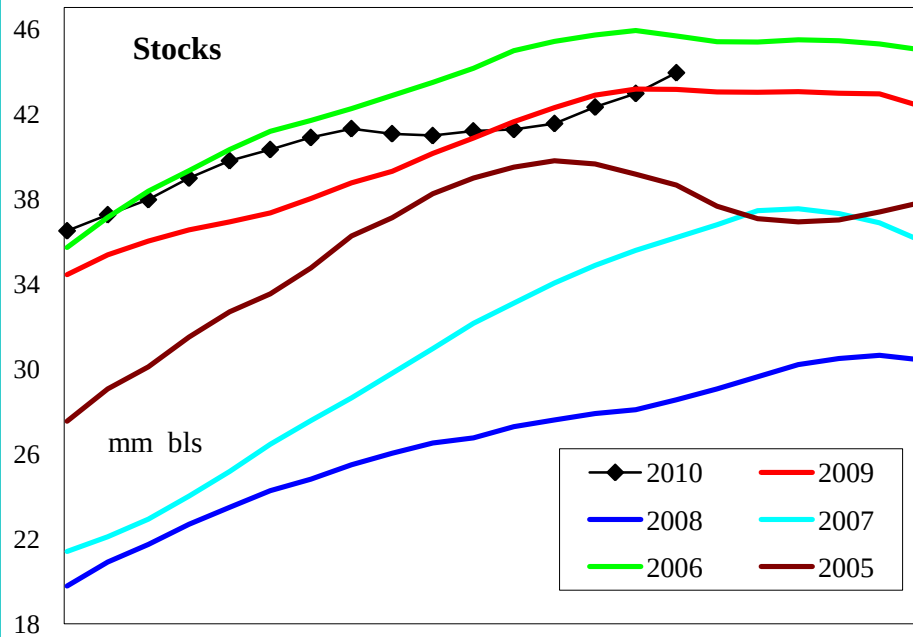
PADD 1 Low Sulfur Distillate Supply



PADD 1 Low Sulfur Distillate Stocks by Region



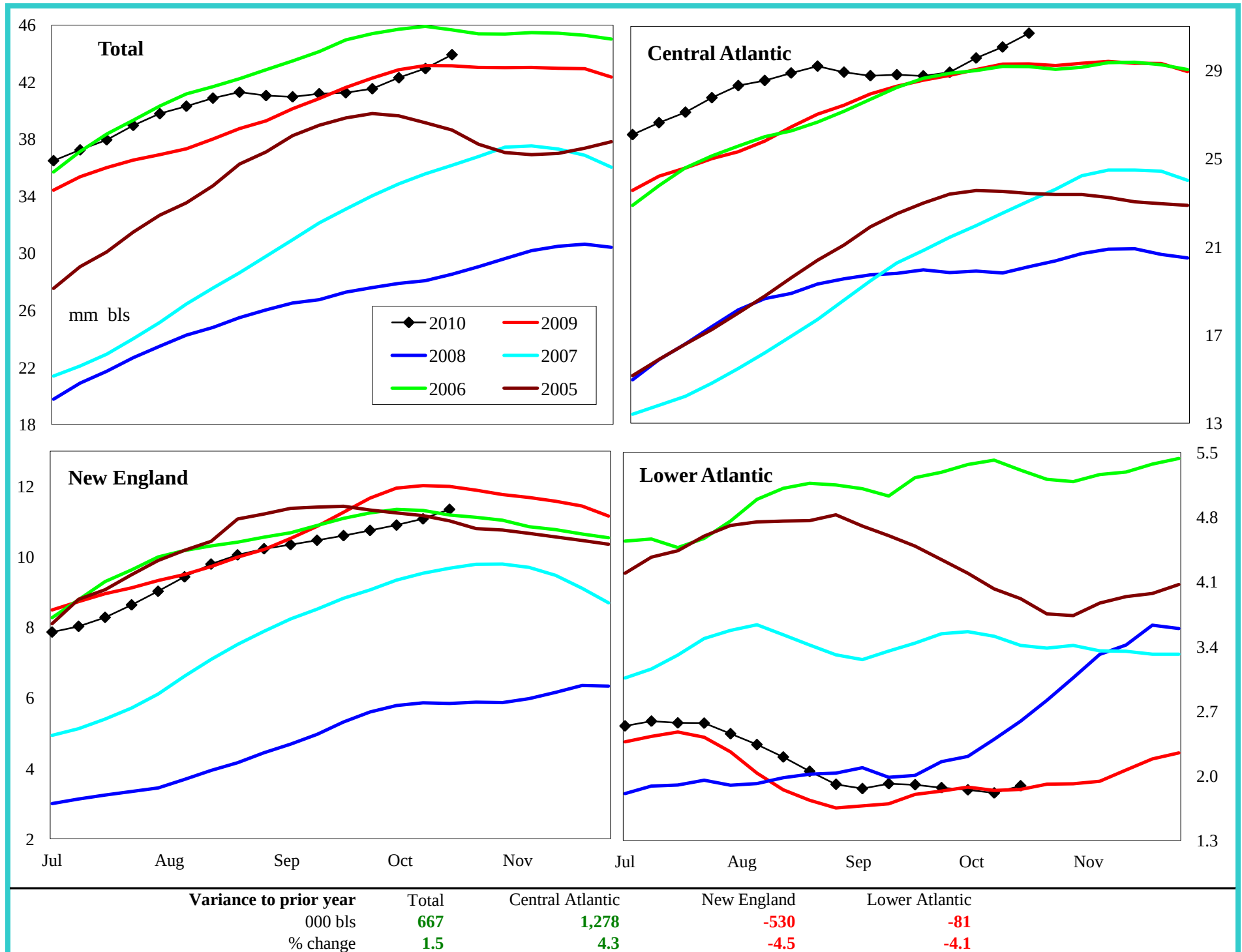
PADD 1 High Sulfur Distillate Supply



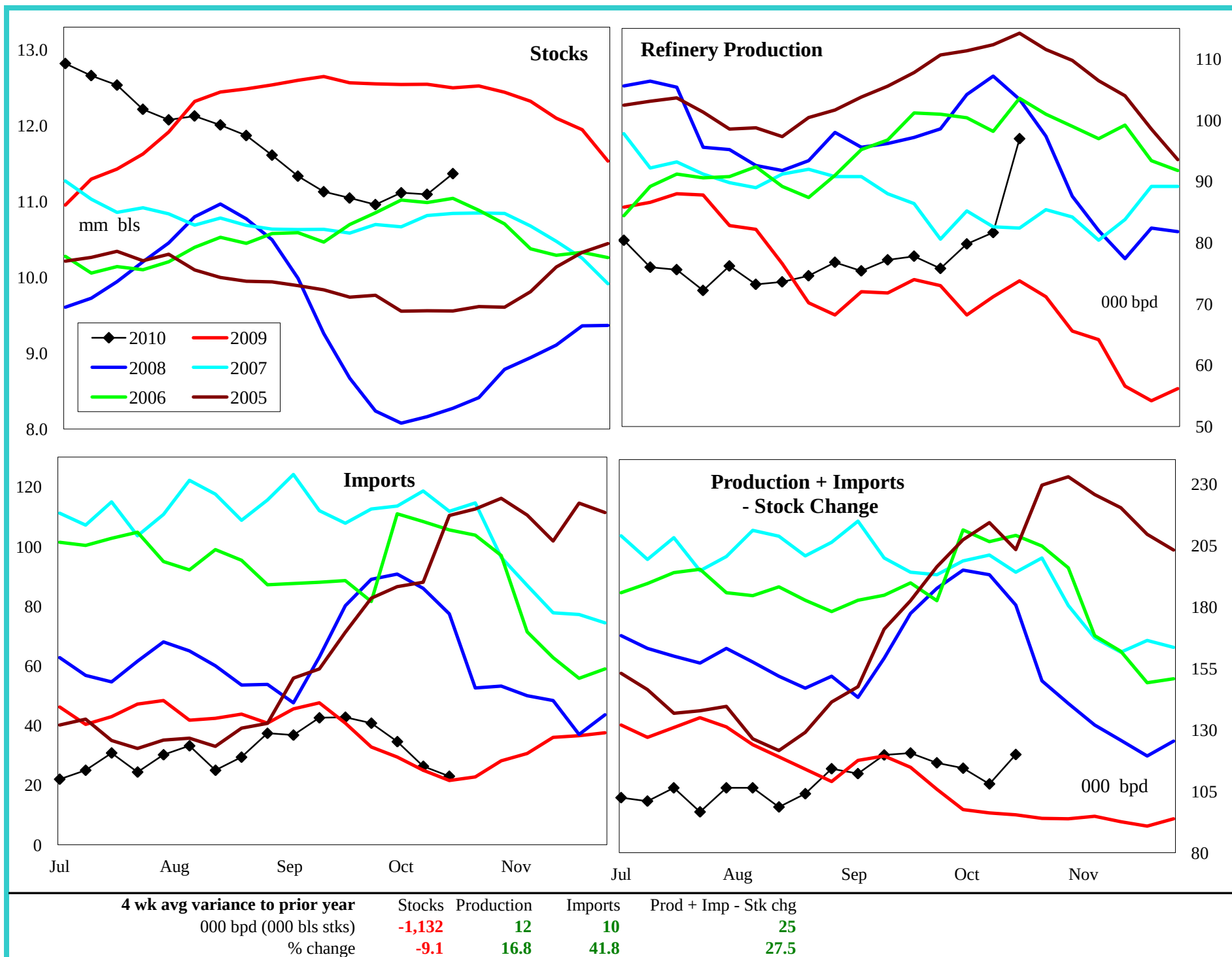
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

	Stocks	Production	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	667	-49	5	-104
% change	1.5	-27.6	12.0	-60.9

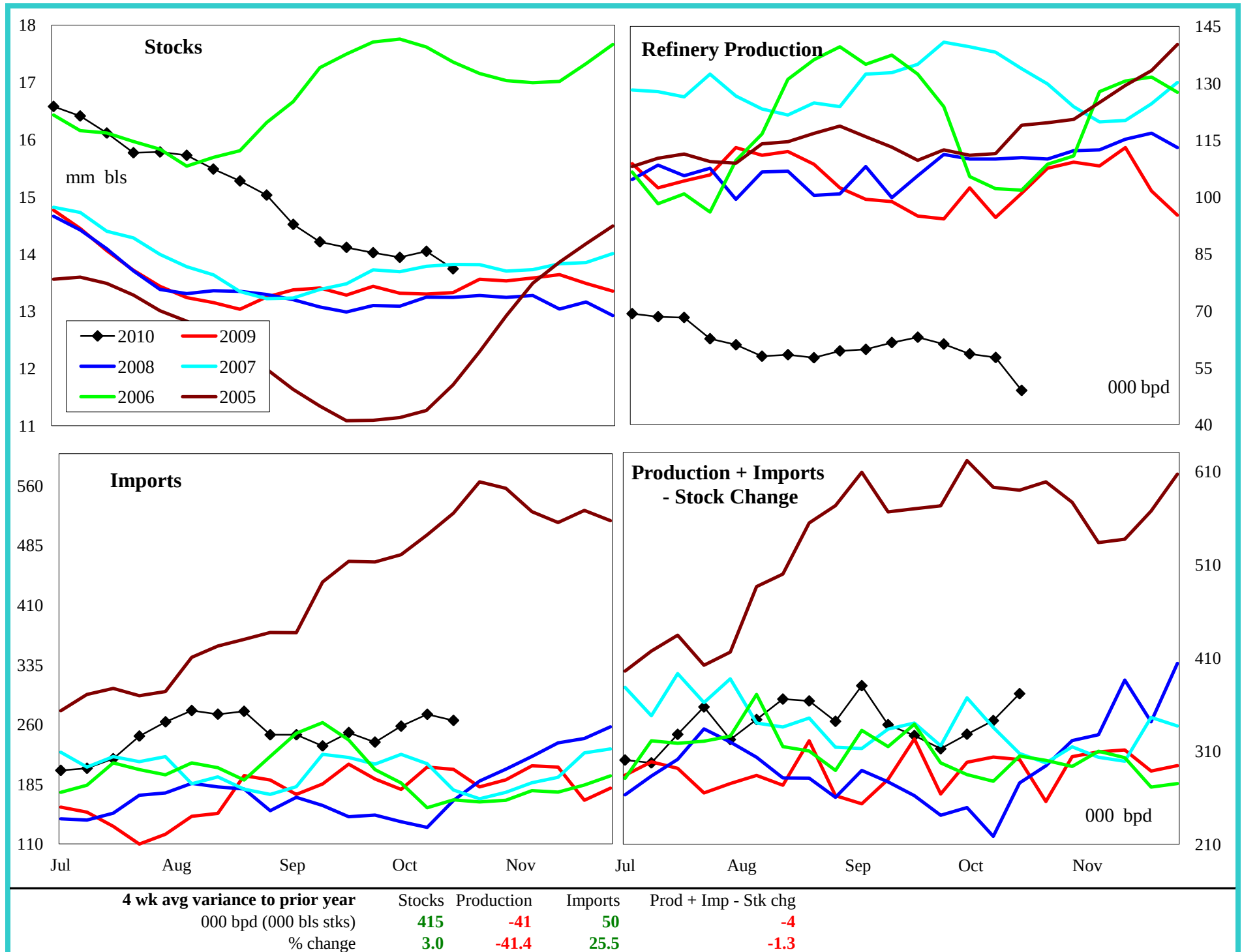
PADD 1 High Sulfur Distillate Stocks by Region



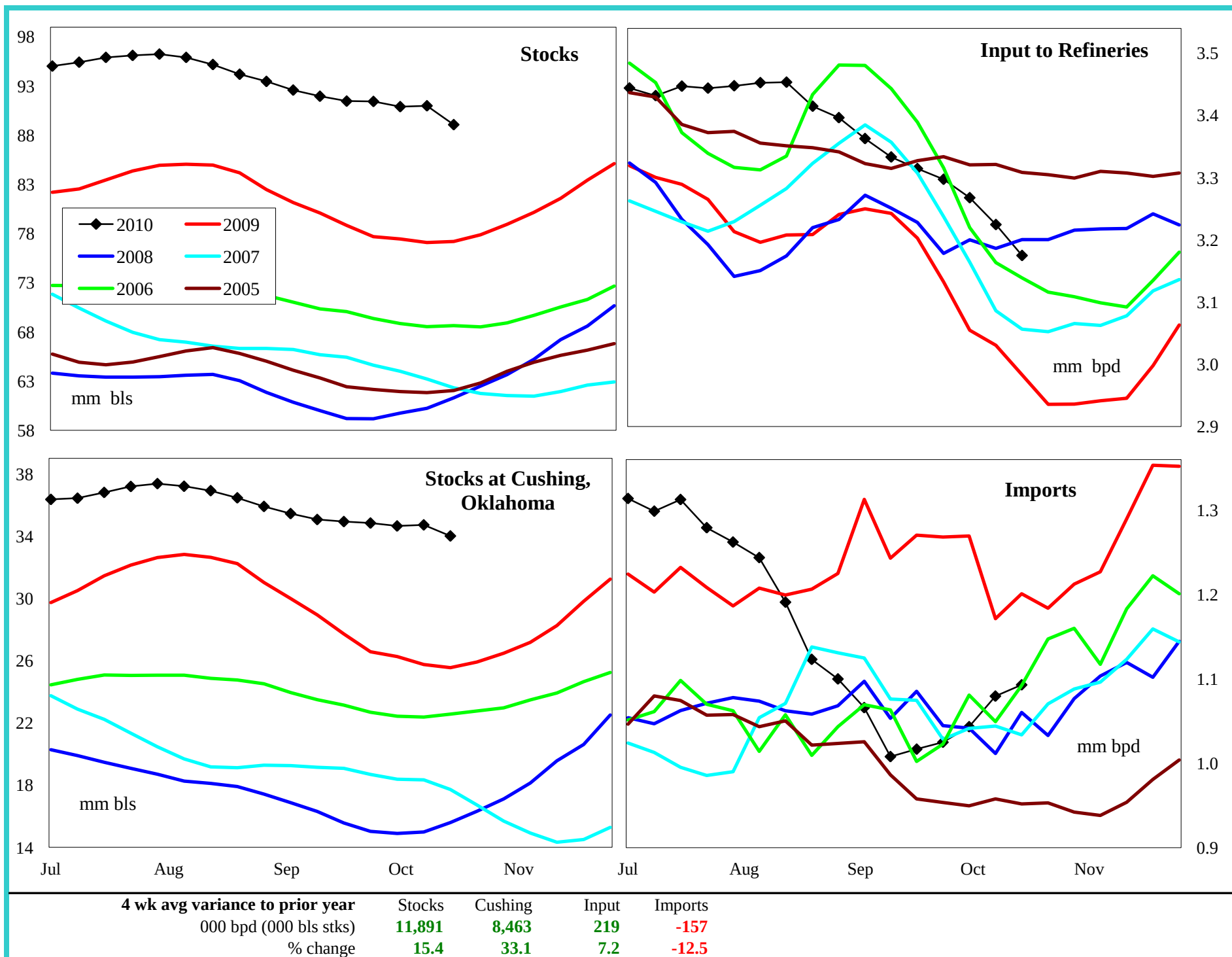
PADD 1 Jet Fuel Supply



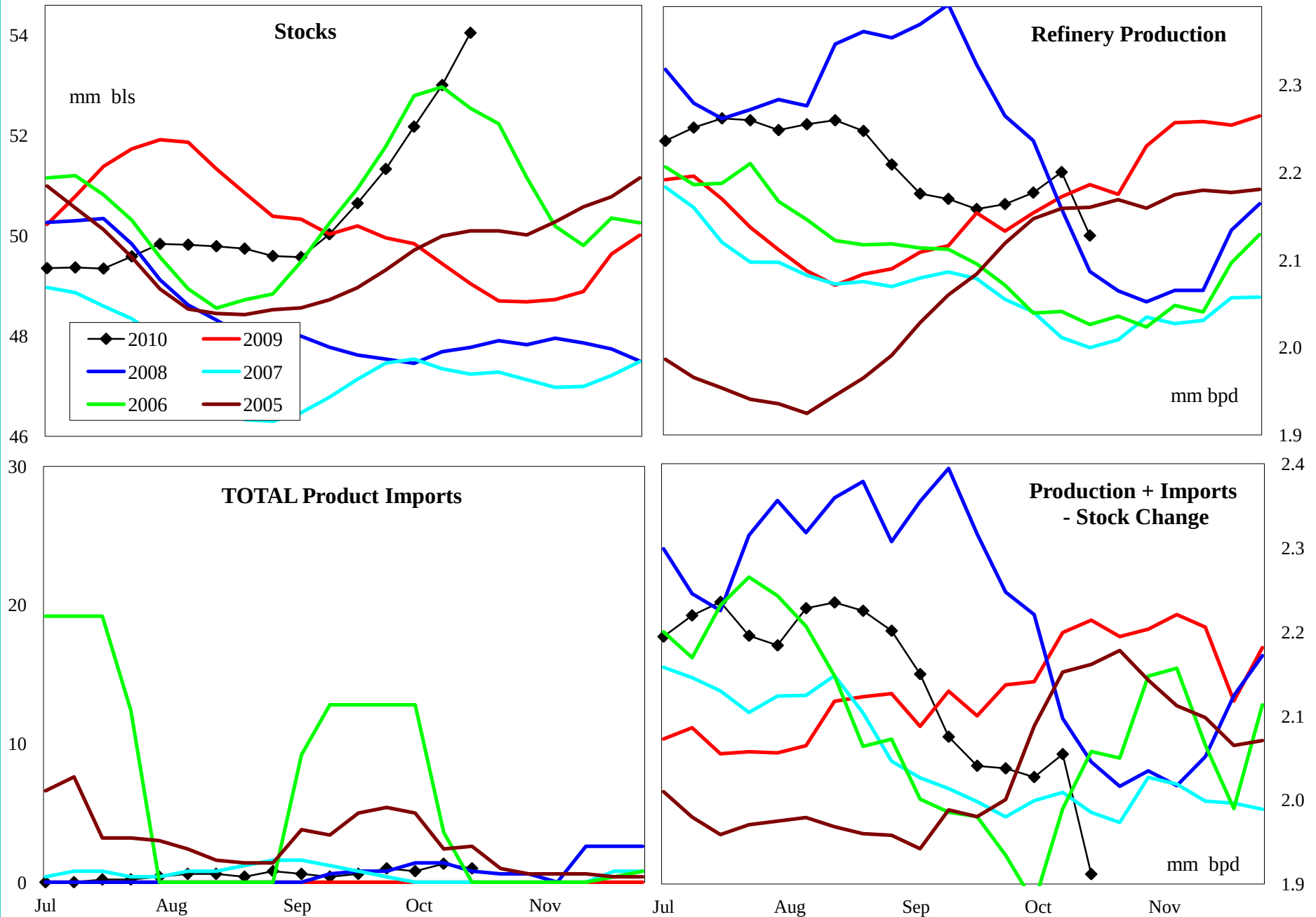
PADD 1 Residual Fuel Oil Supply



PADD 2 Crude Oil Supply and Refining



PADD 2 Gasoline Supply



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

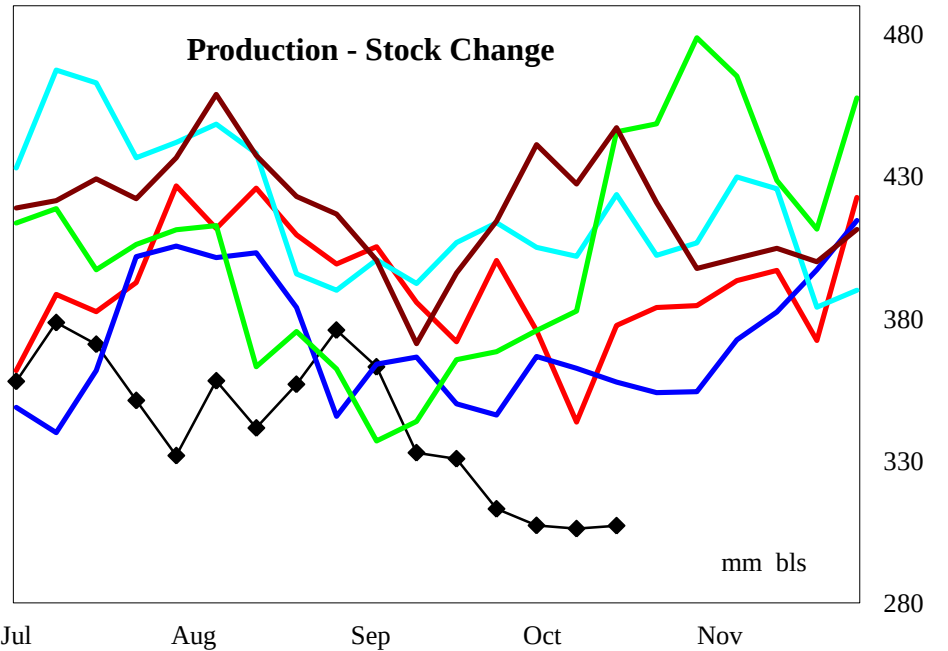
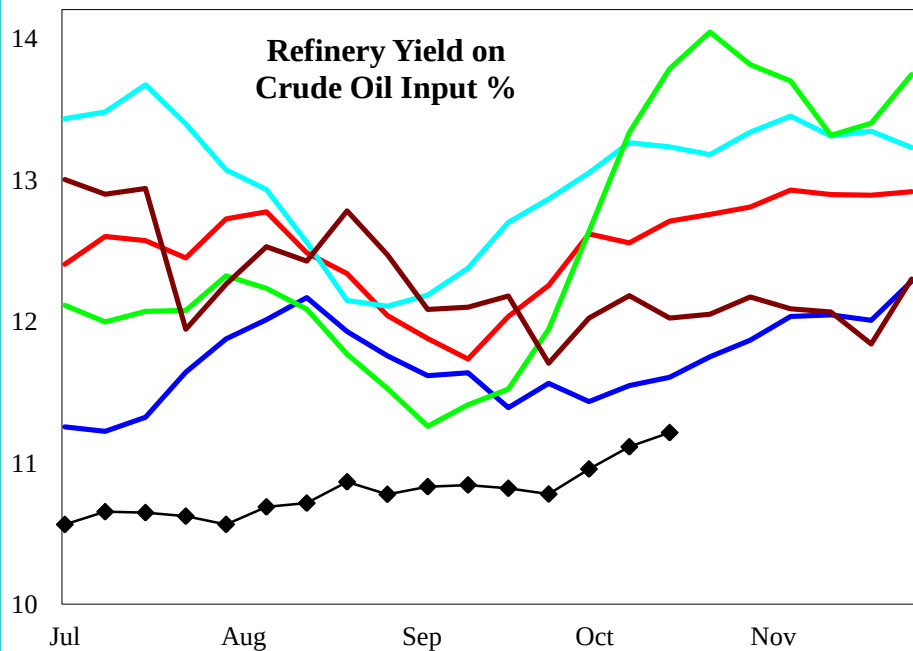
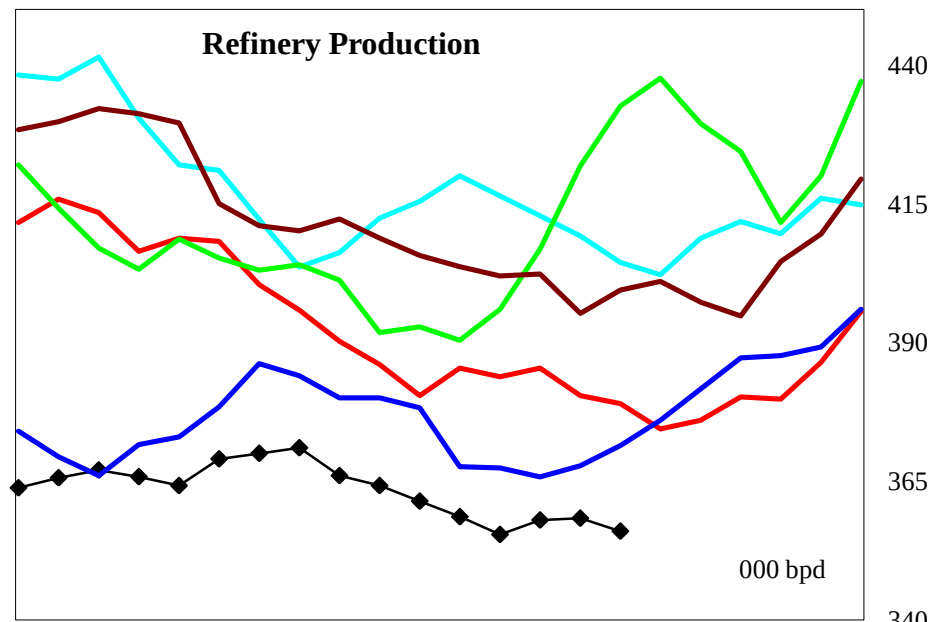
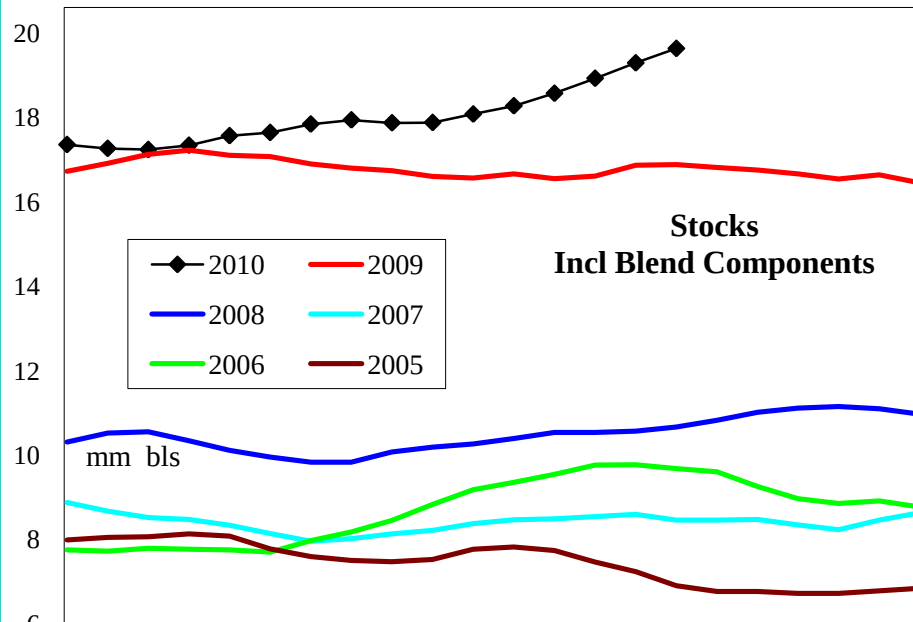
Stocks
5,005
10.1

Production
53
2.4

Imports
1
#DIV/0!

Prod + Imp - Stk chg
-145
-6.5

PADD 2 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

2,752

-25

15.9

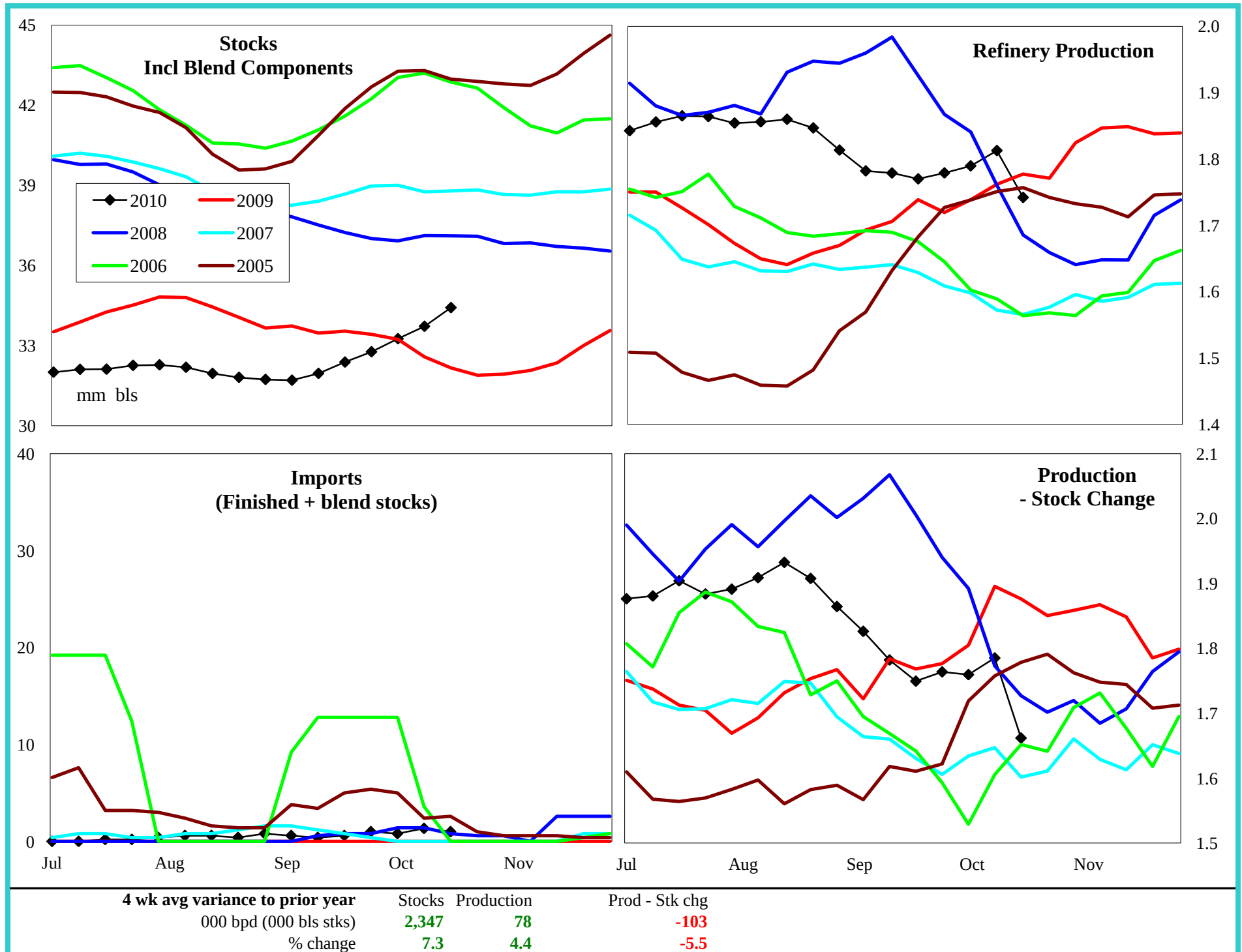
-6.6

Prod - Stk chg

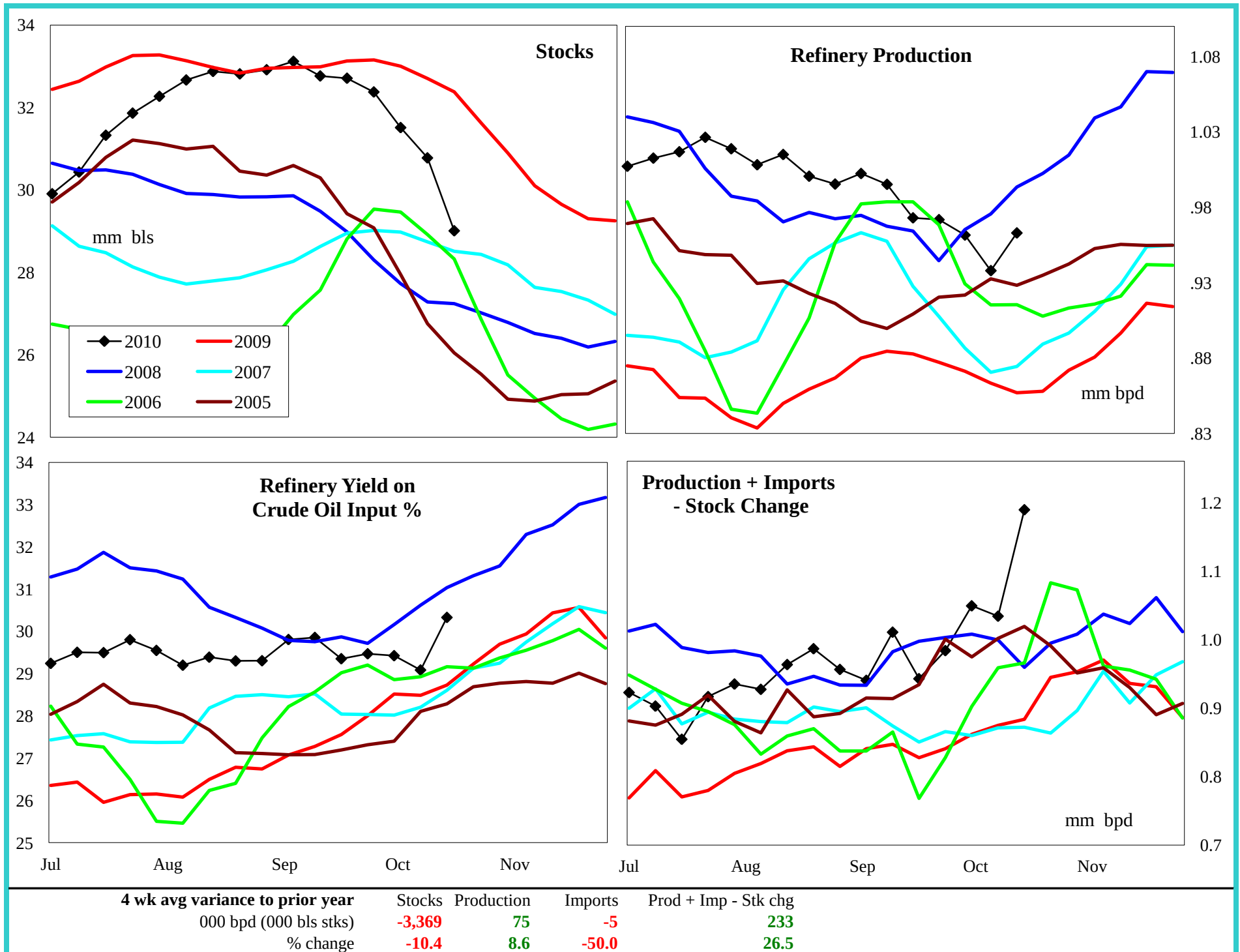
-66

-17.6

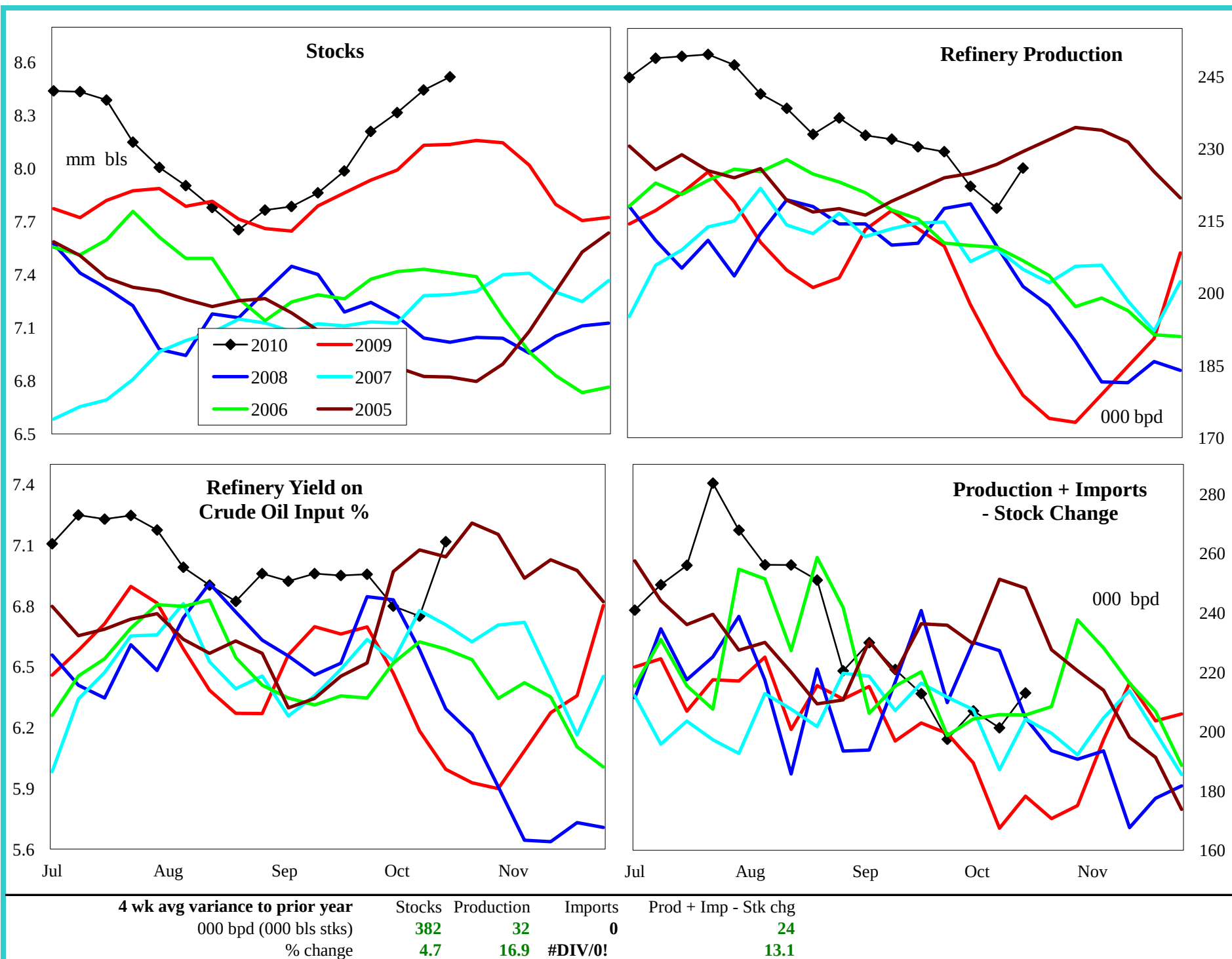
PADD 2 Conventional Gasoline Supply



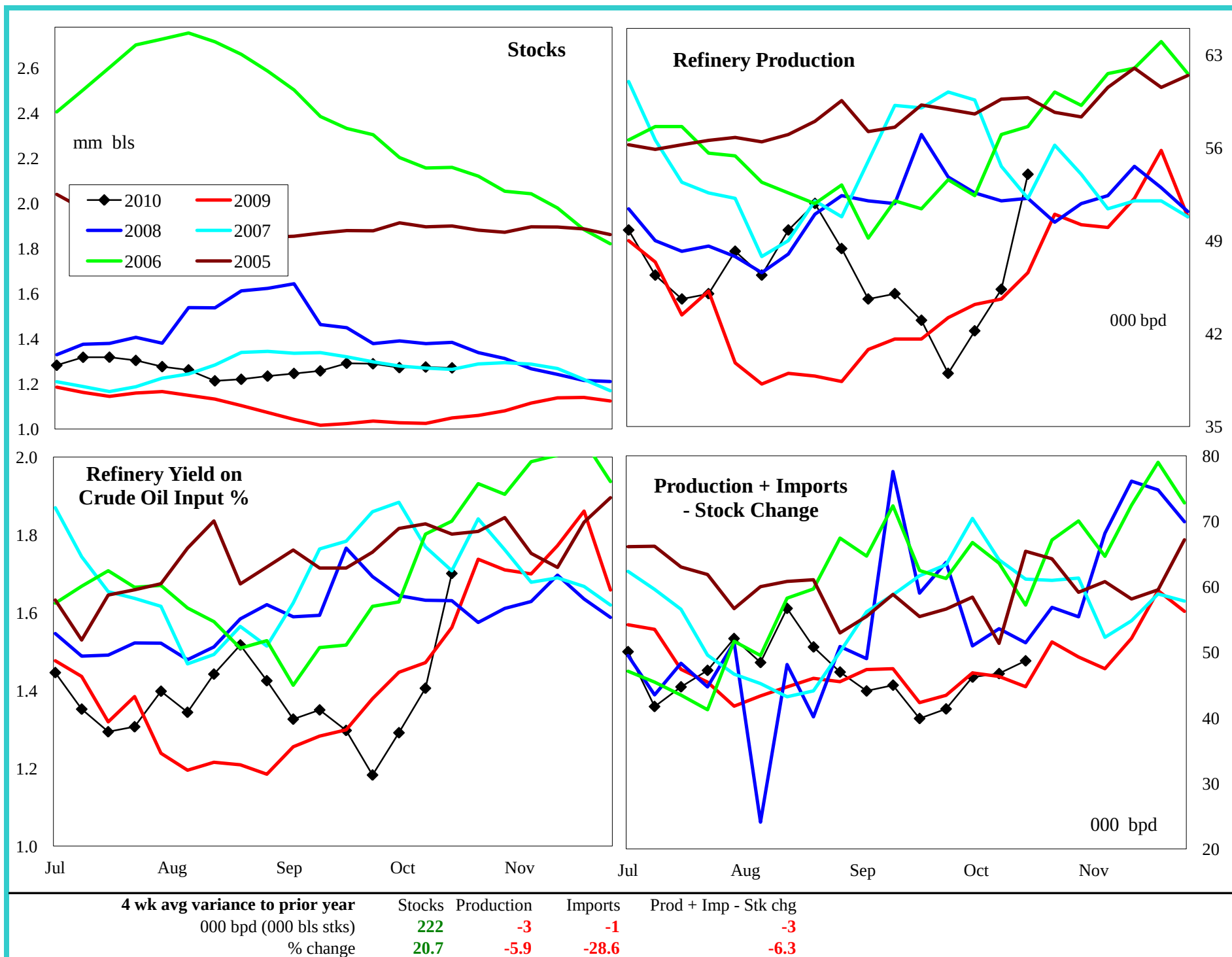
PADD 2 Distillate Supply



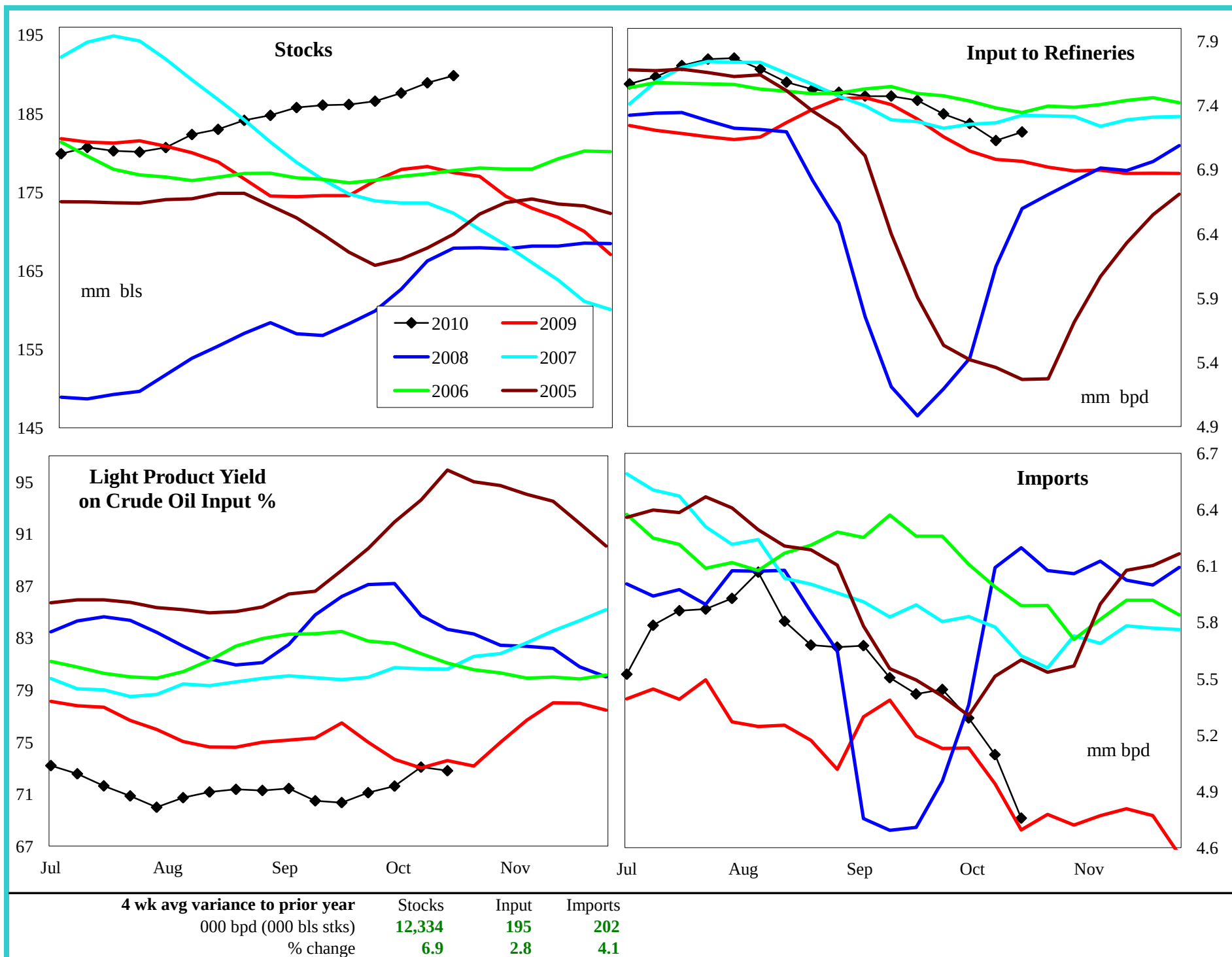
PADD 2 Jet Fuel Supply



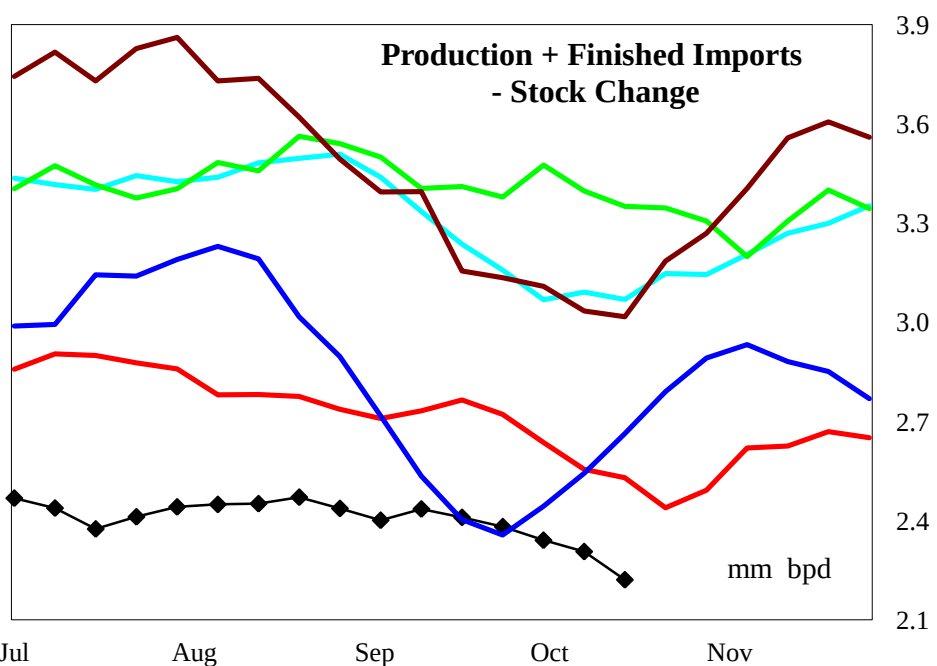
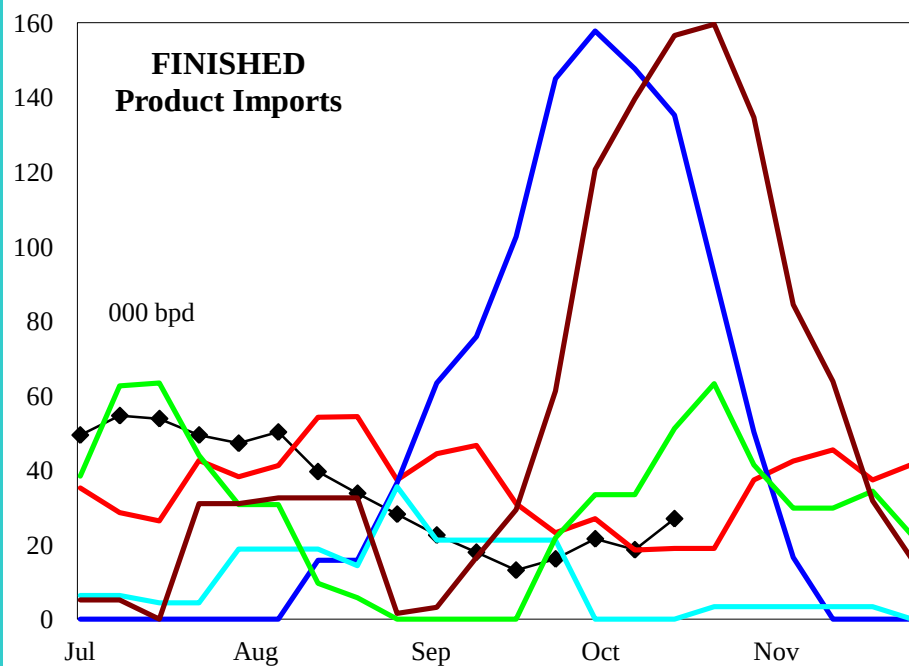
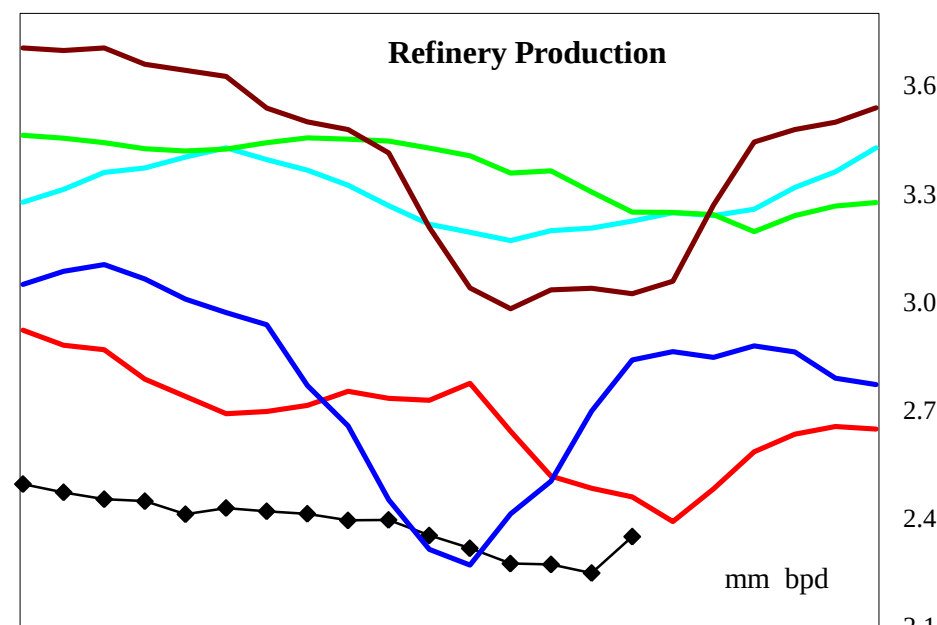
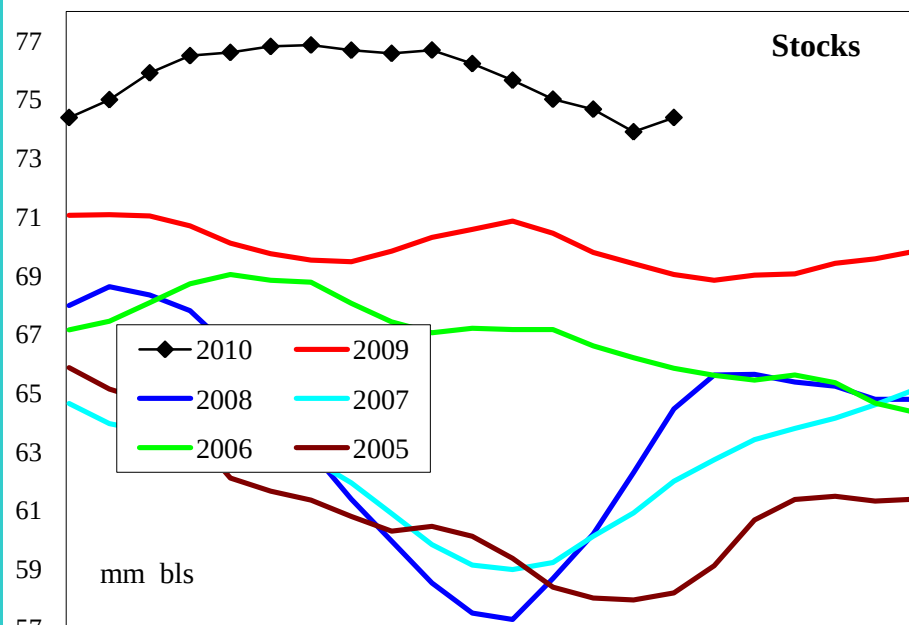
PADD 2 Residual Fuel Oil Supply



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

6,484

9.5

Production

-241

-9.6

Fin Impt

-1

-5.7

Blend Impt

39

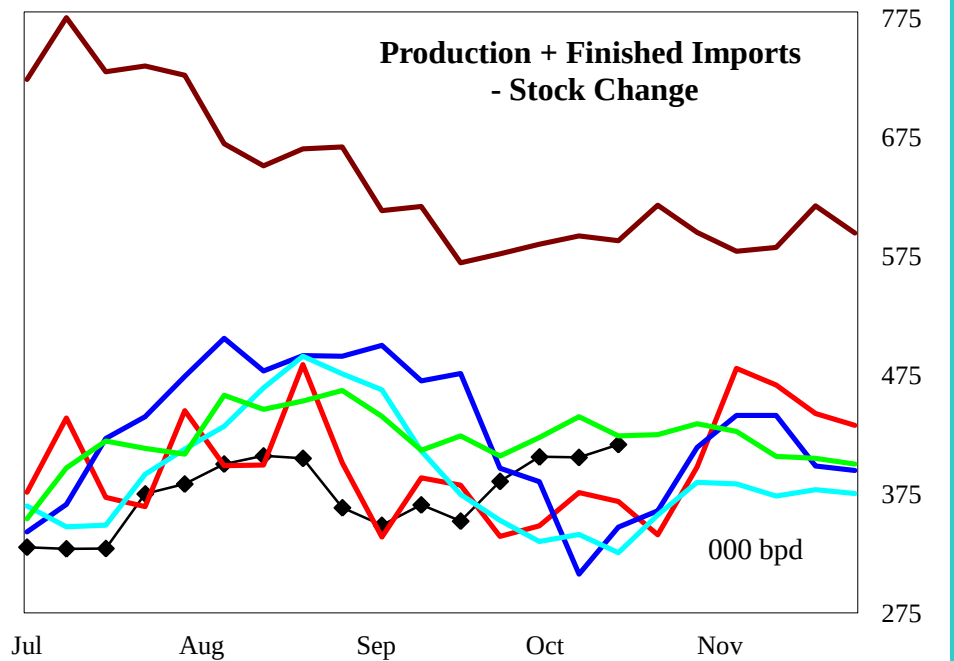
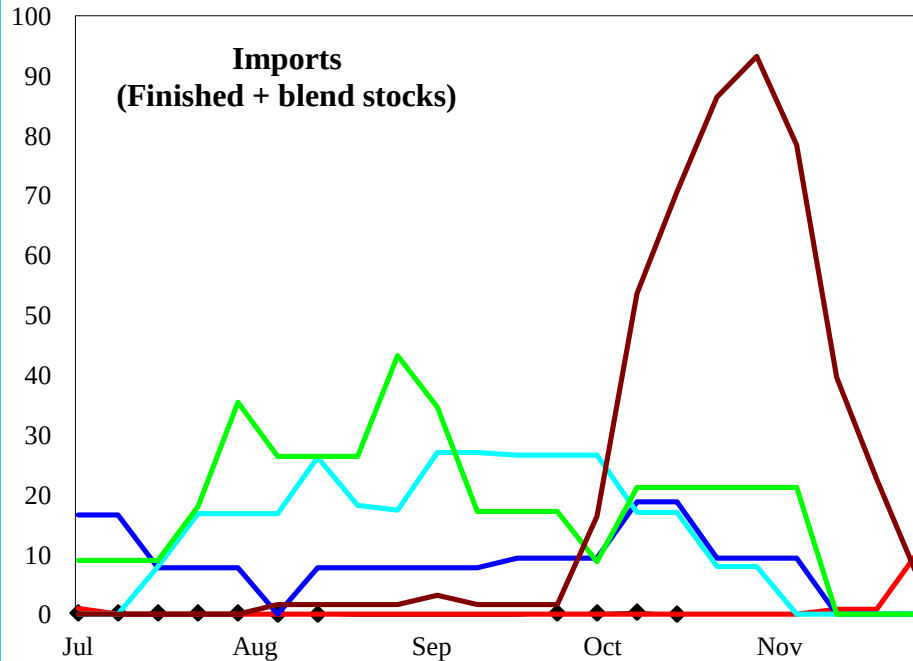
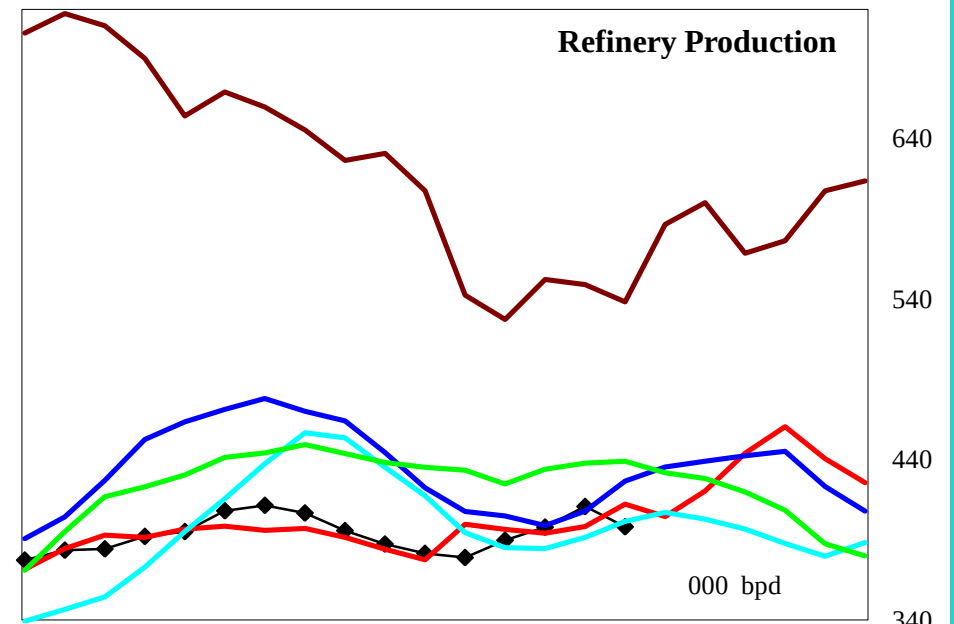
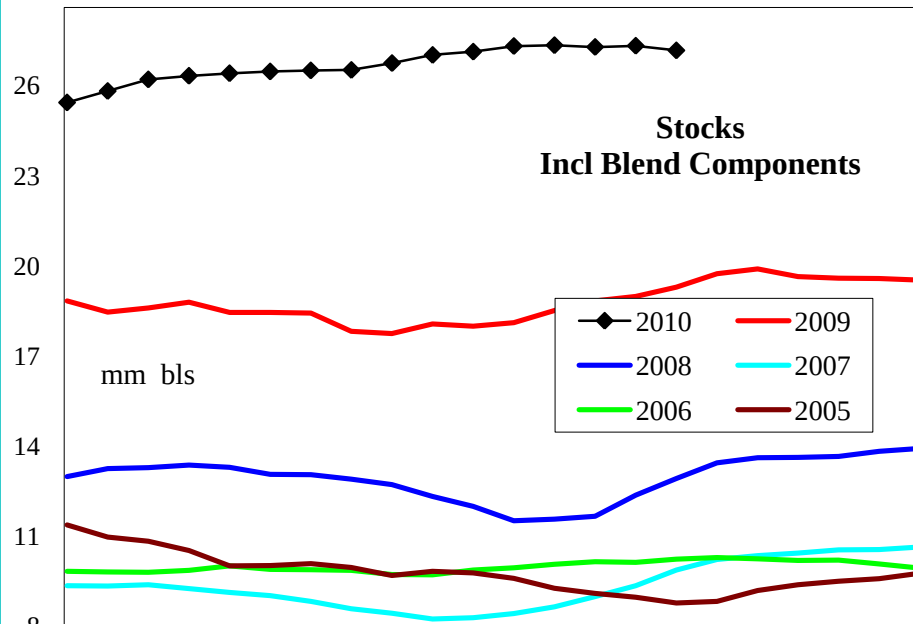
132.8

Prod + Imp - Stk chg

-296

-11.2

PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

6,990

34.0

Production

3

0.8

Imports

0

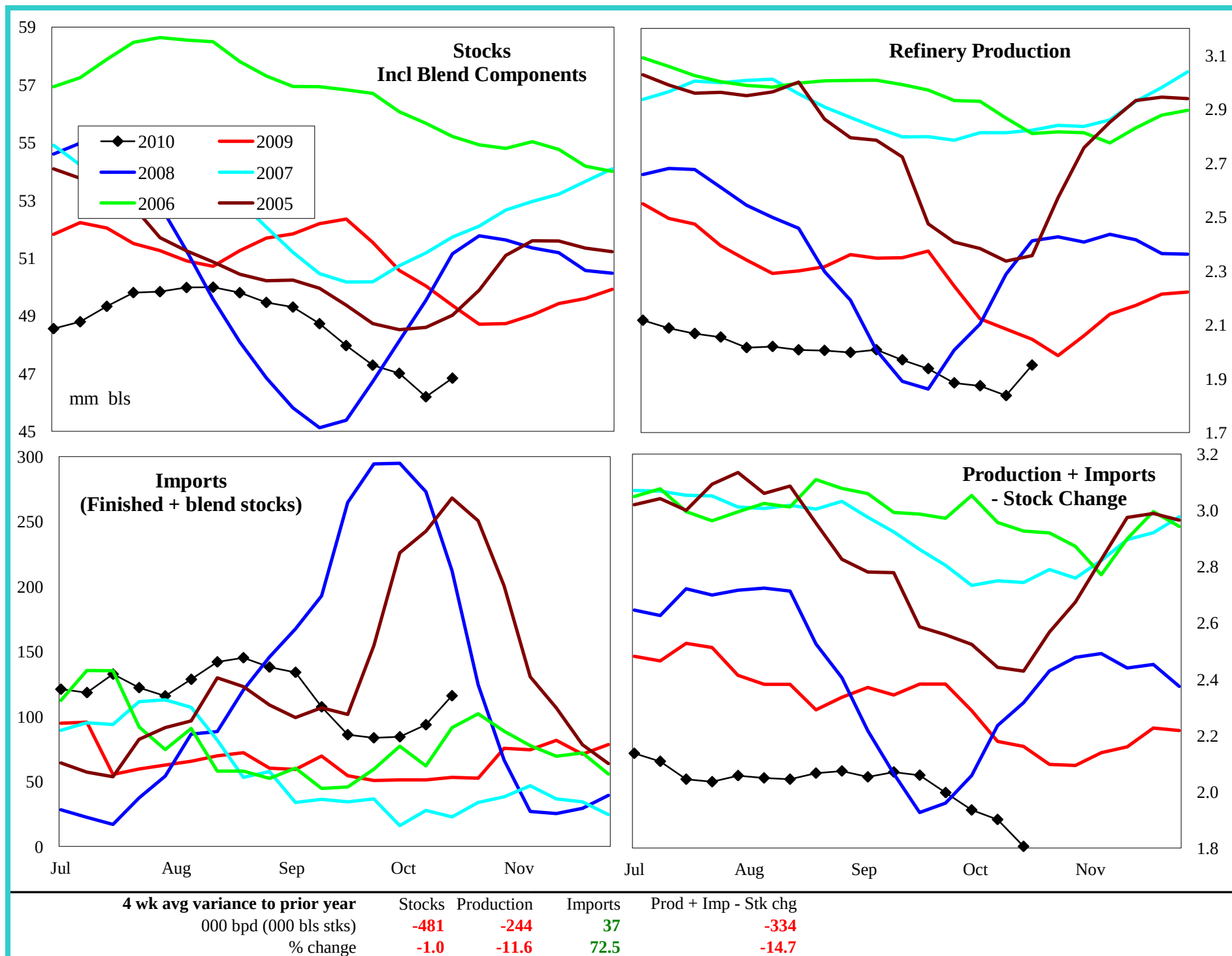
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Prod + Imp - Stk chg

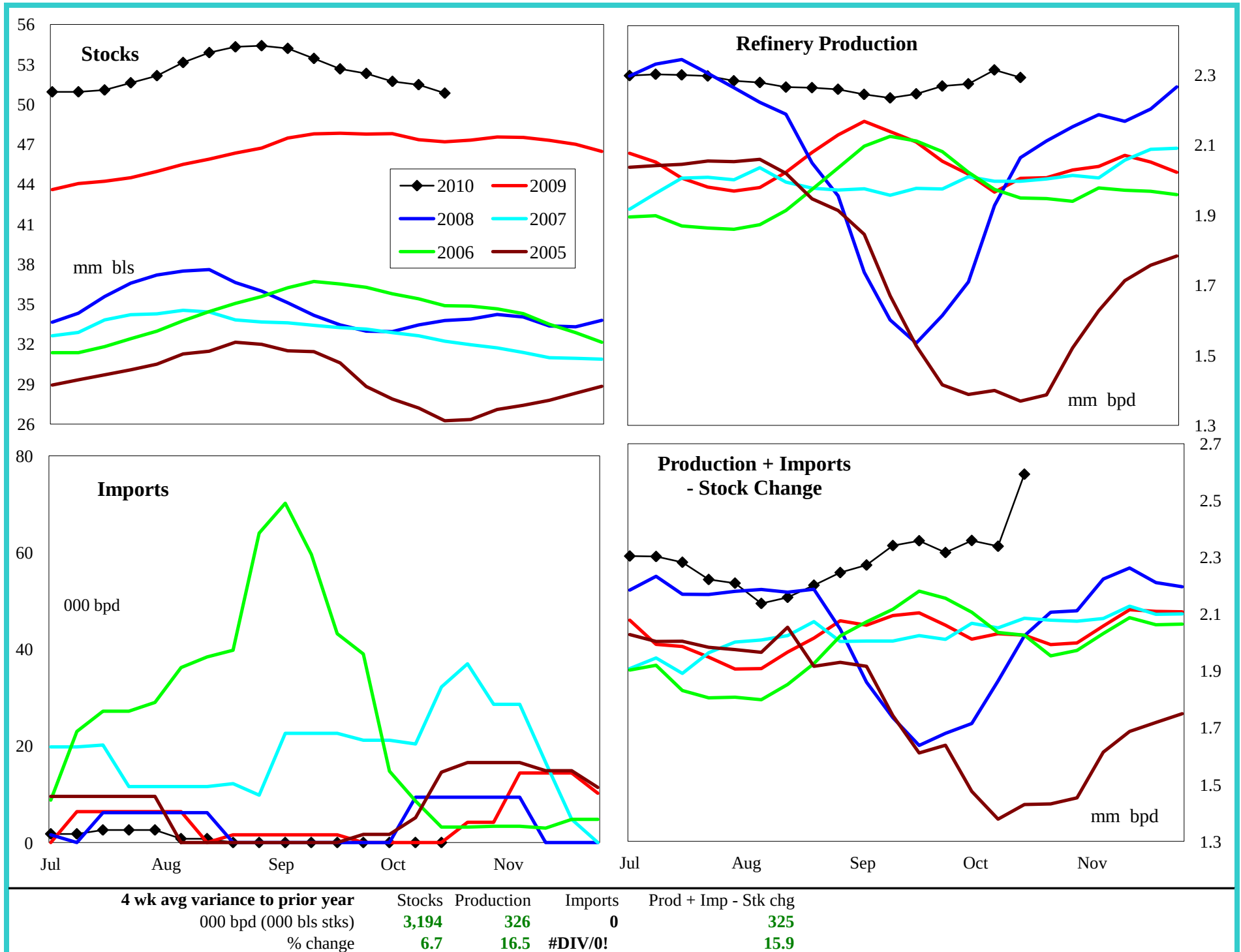
39

10.4

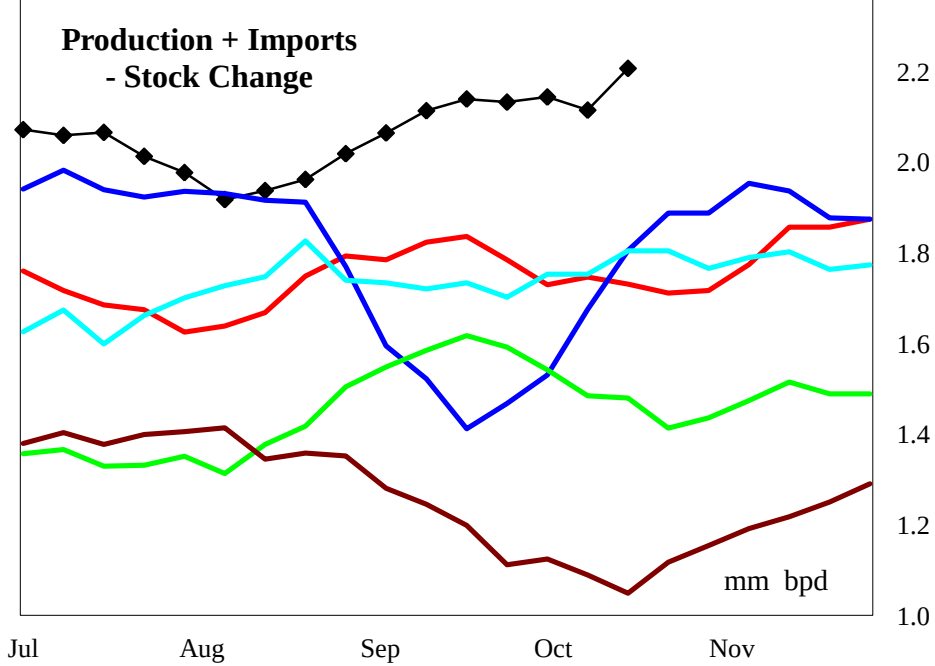
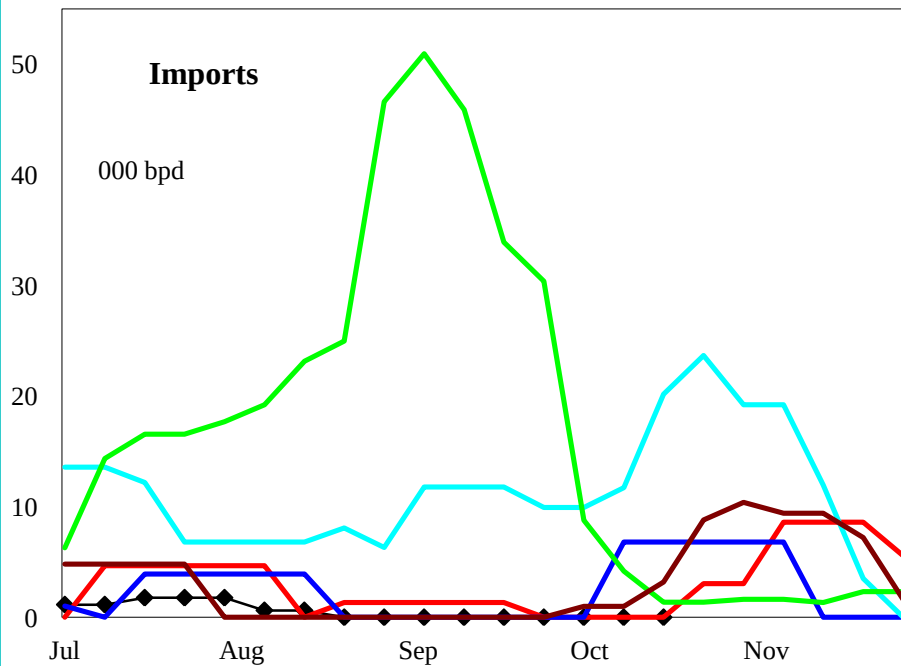
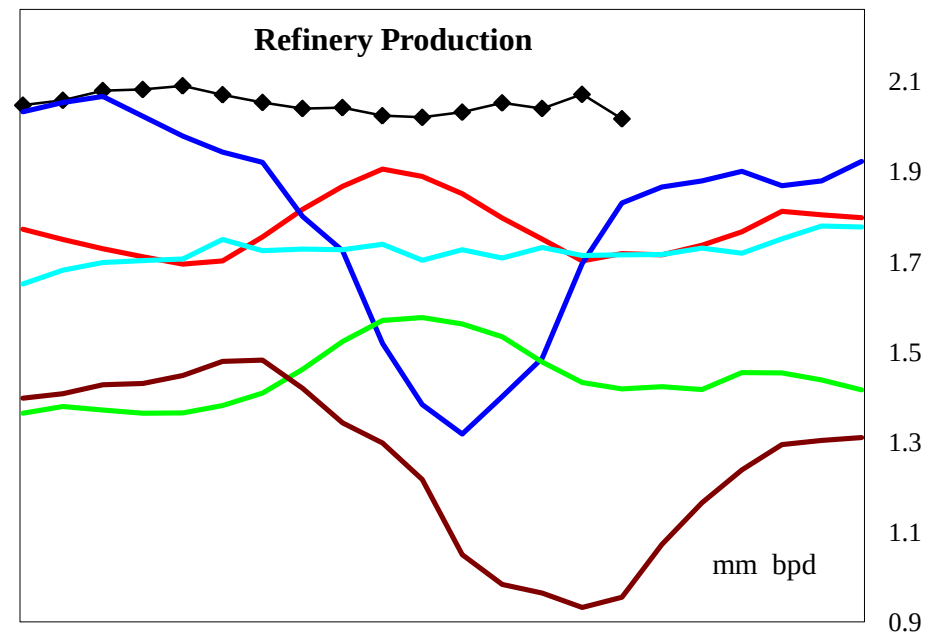
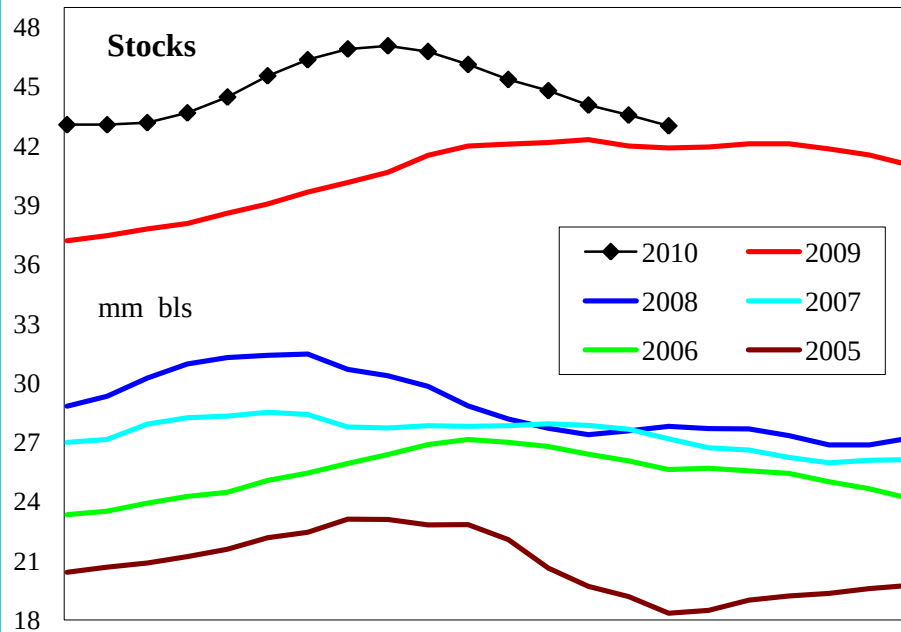
PADD 3 Conventional Gasoline Supply



PADD 3 Distillate Supply



PADD 3 Low Sulfur Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

805

1.9

Production

350

19.9

Imports

0

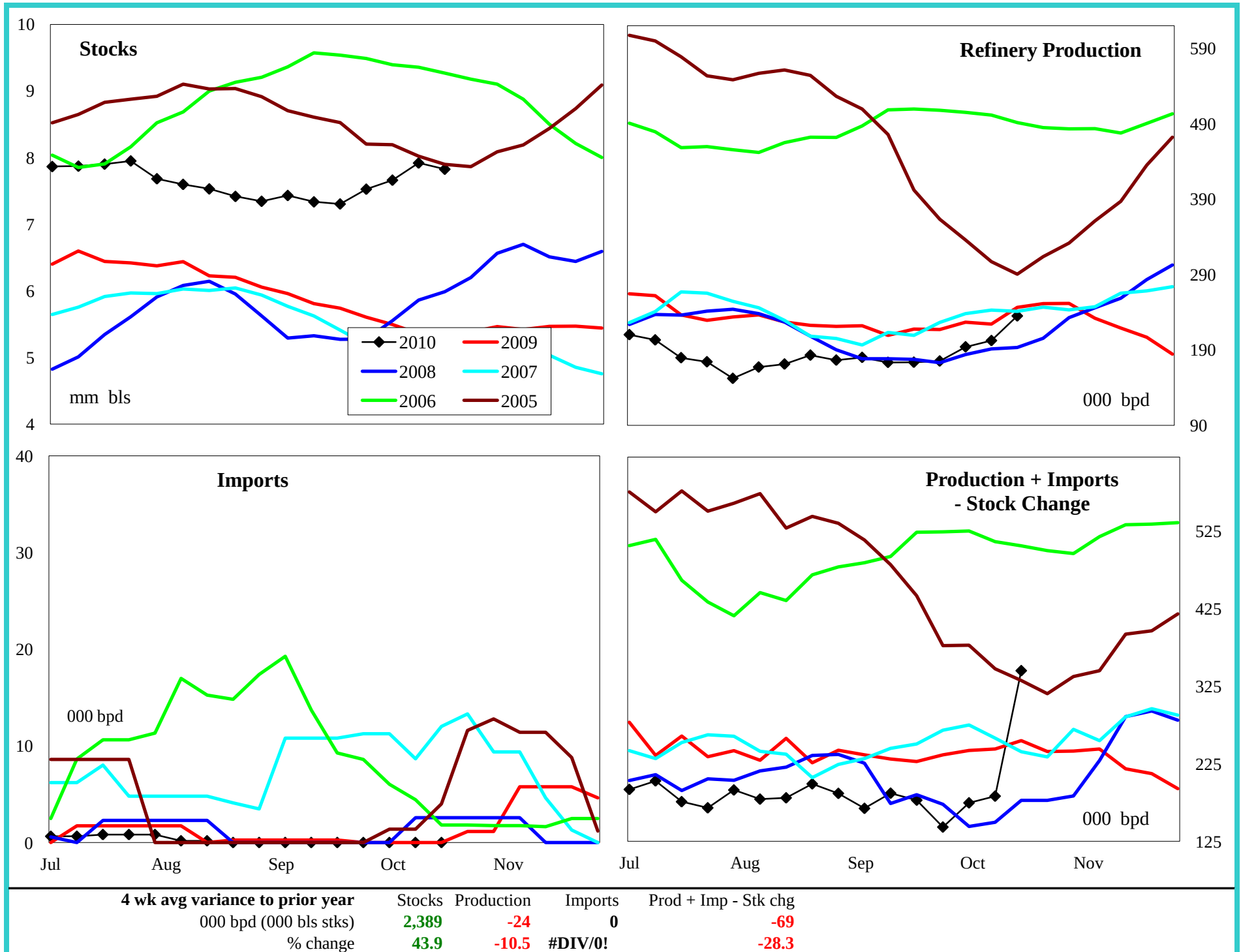
#DIV/0!

Prod + Imp - Stk chg

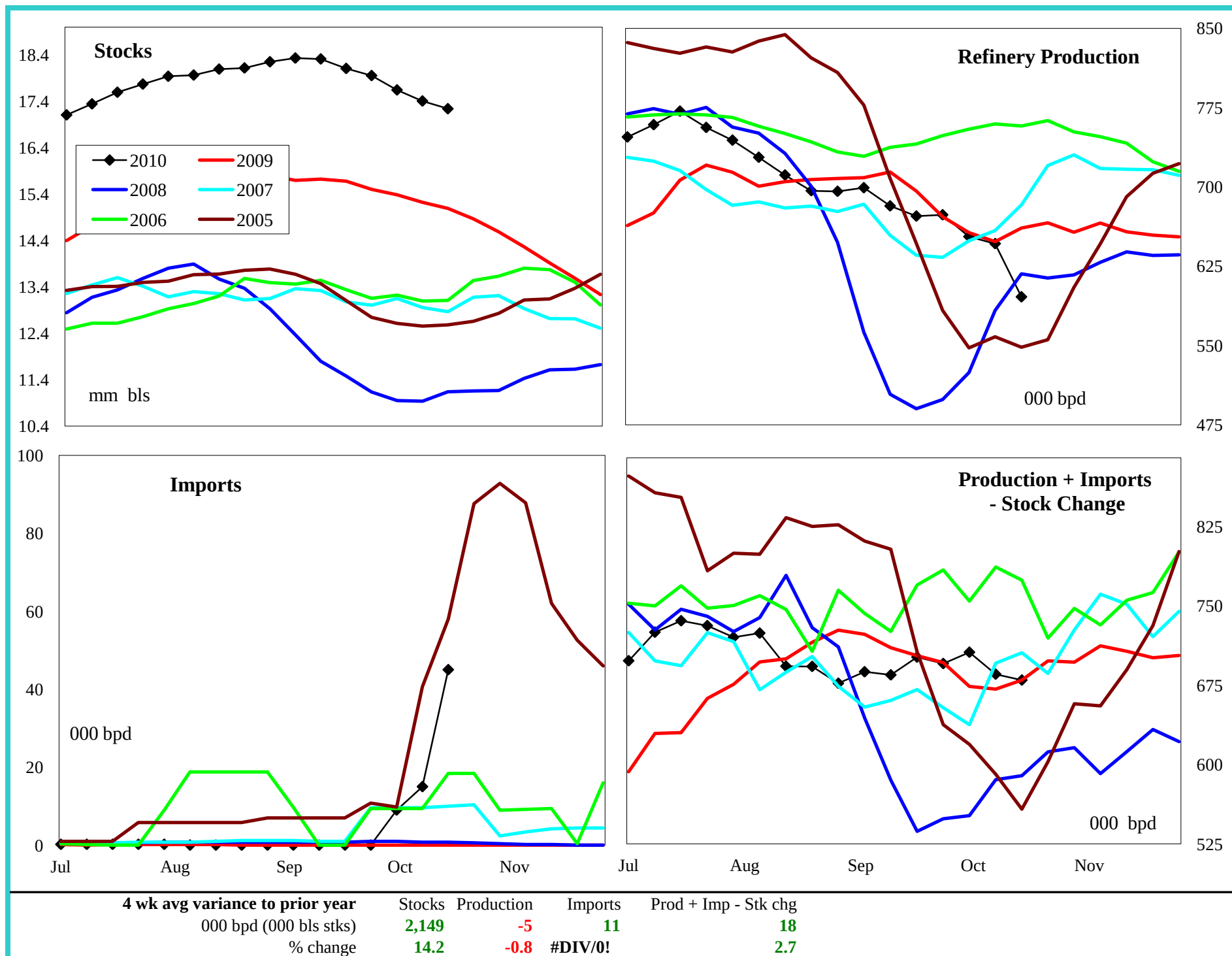
394

21.8

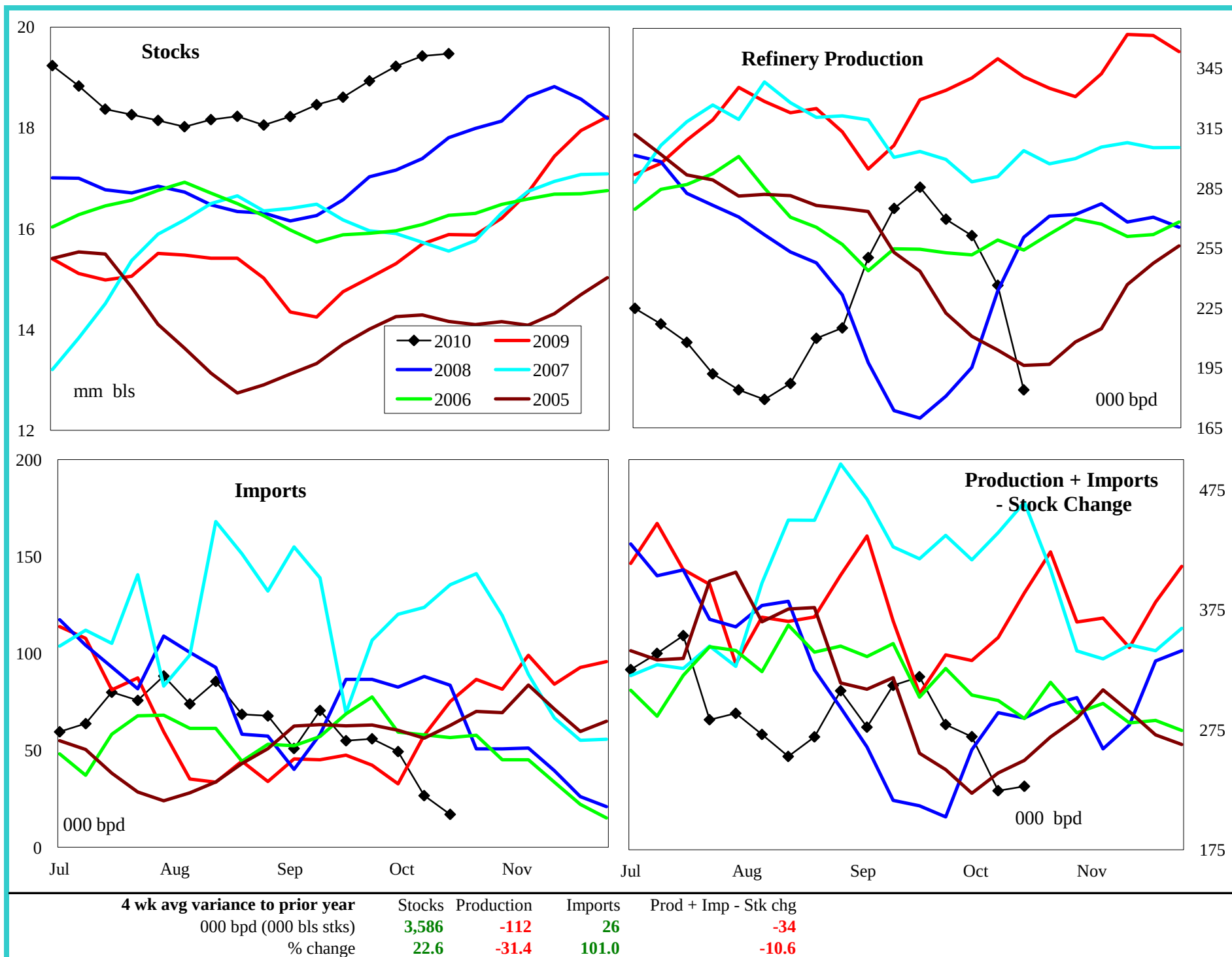
PADD 3 High Sulfur Distillate Supply



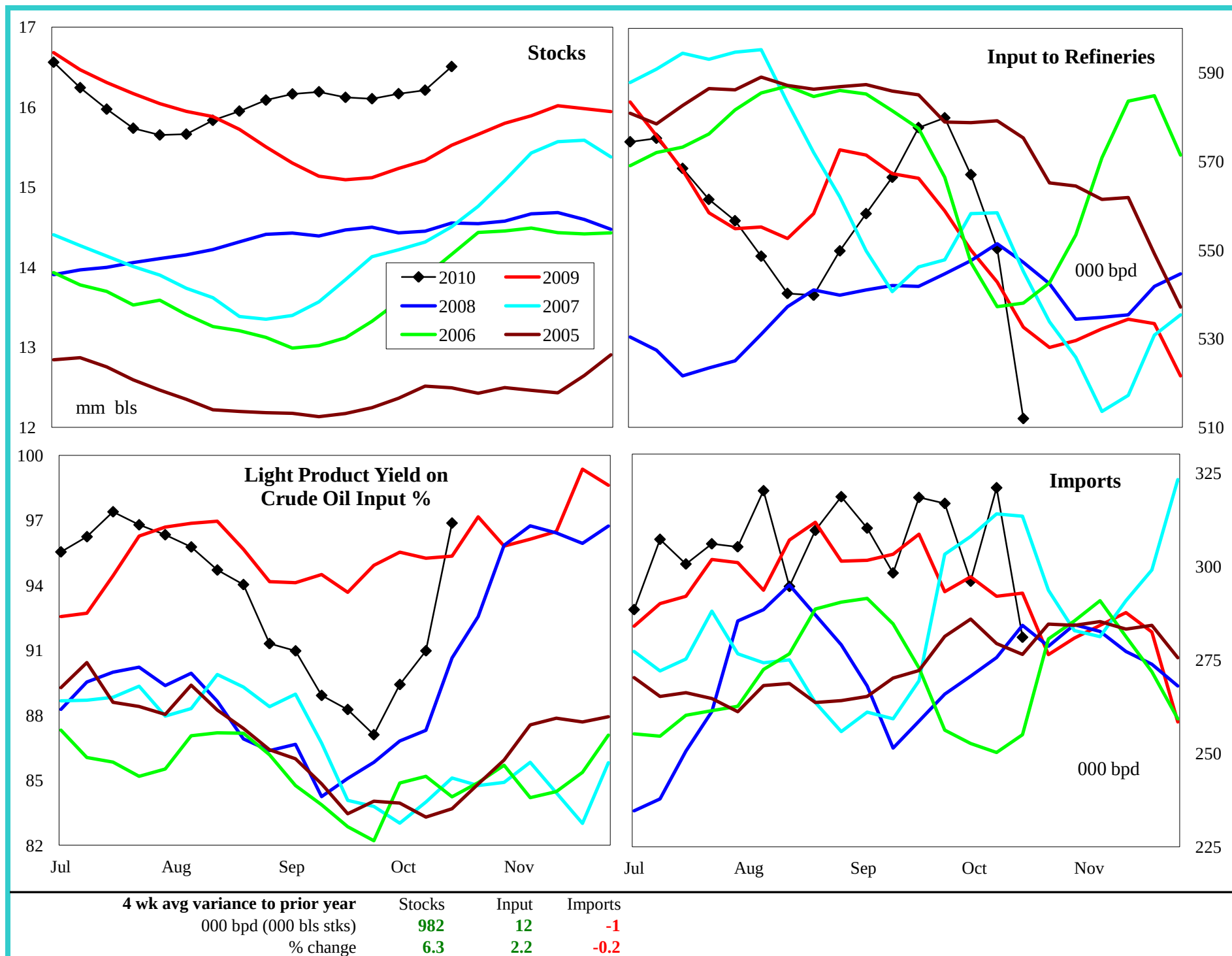
PADD 3 Jet Fuel Supply



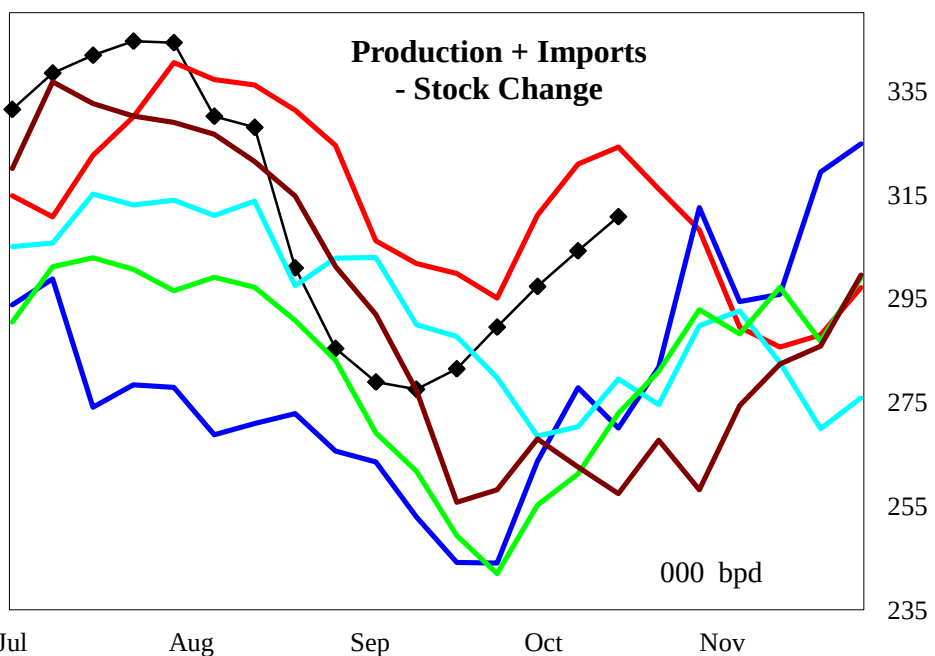
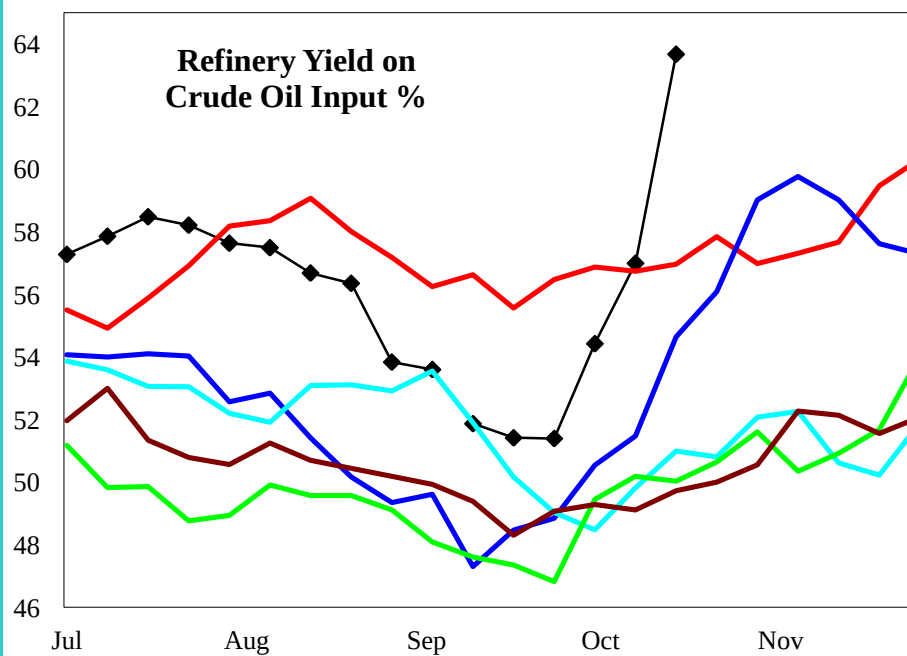
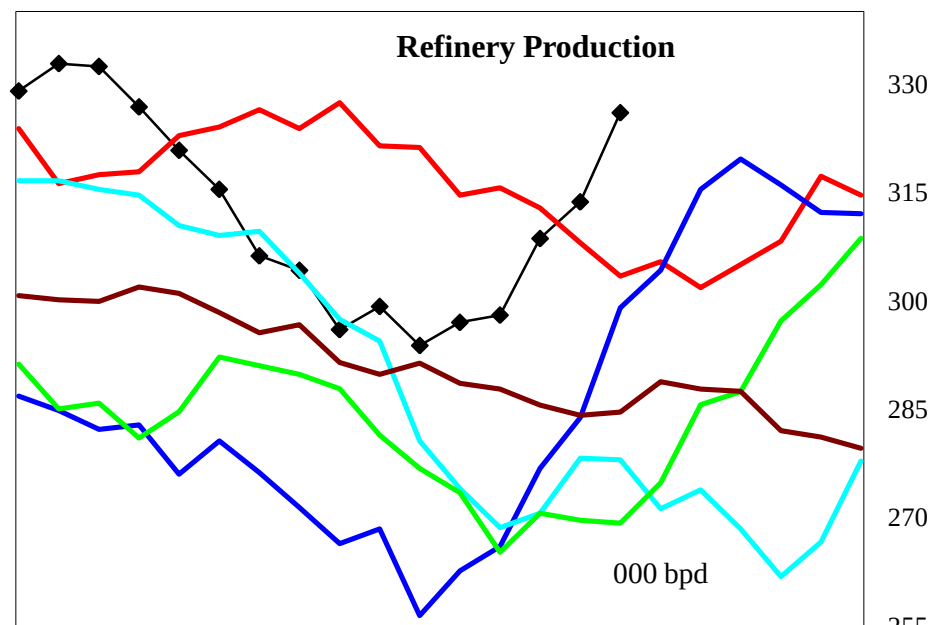
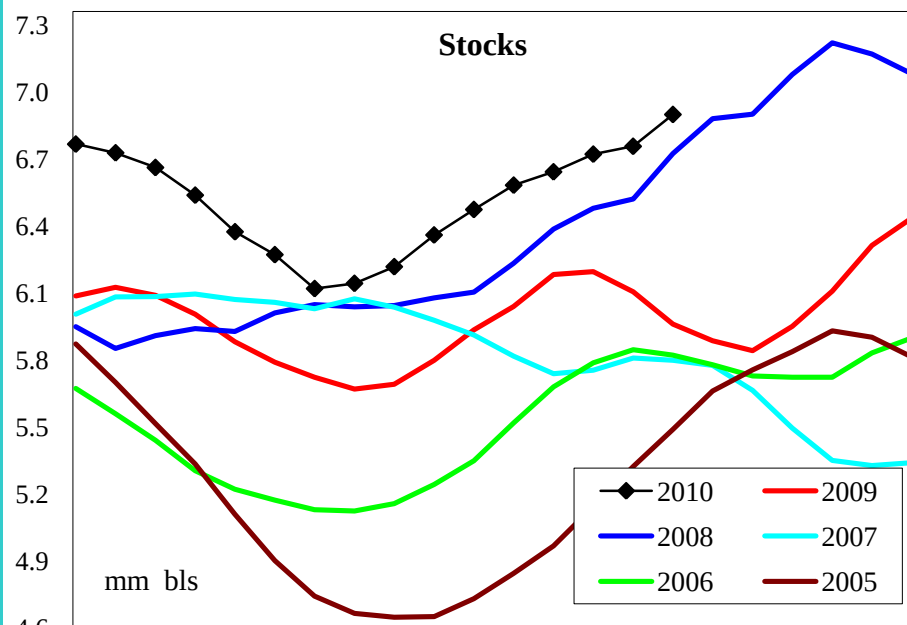
PADD 3 Residual Fuel Oil Supply



PADD 4 Crude Oil Supply and Refining



PADD 4 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Prod + Imp - Stk chg

939

-6

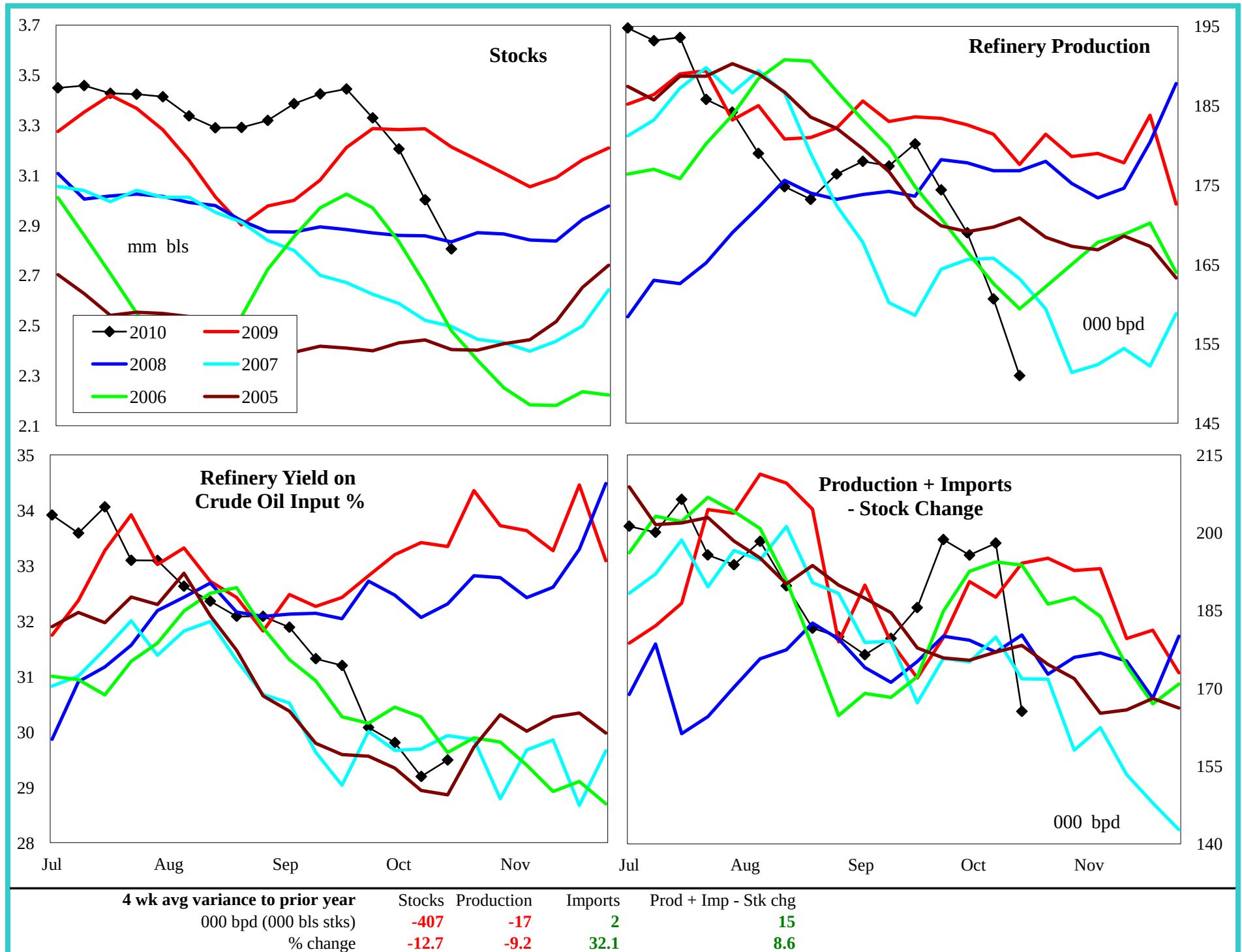
-28

15.7

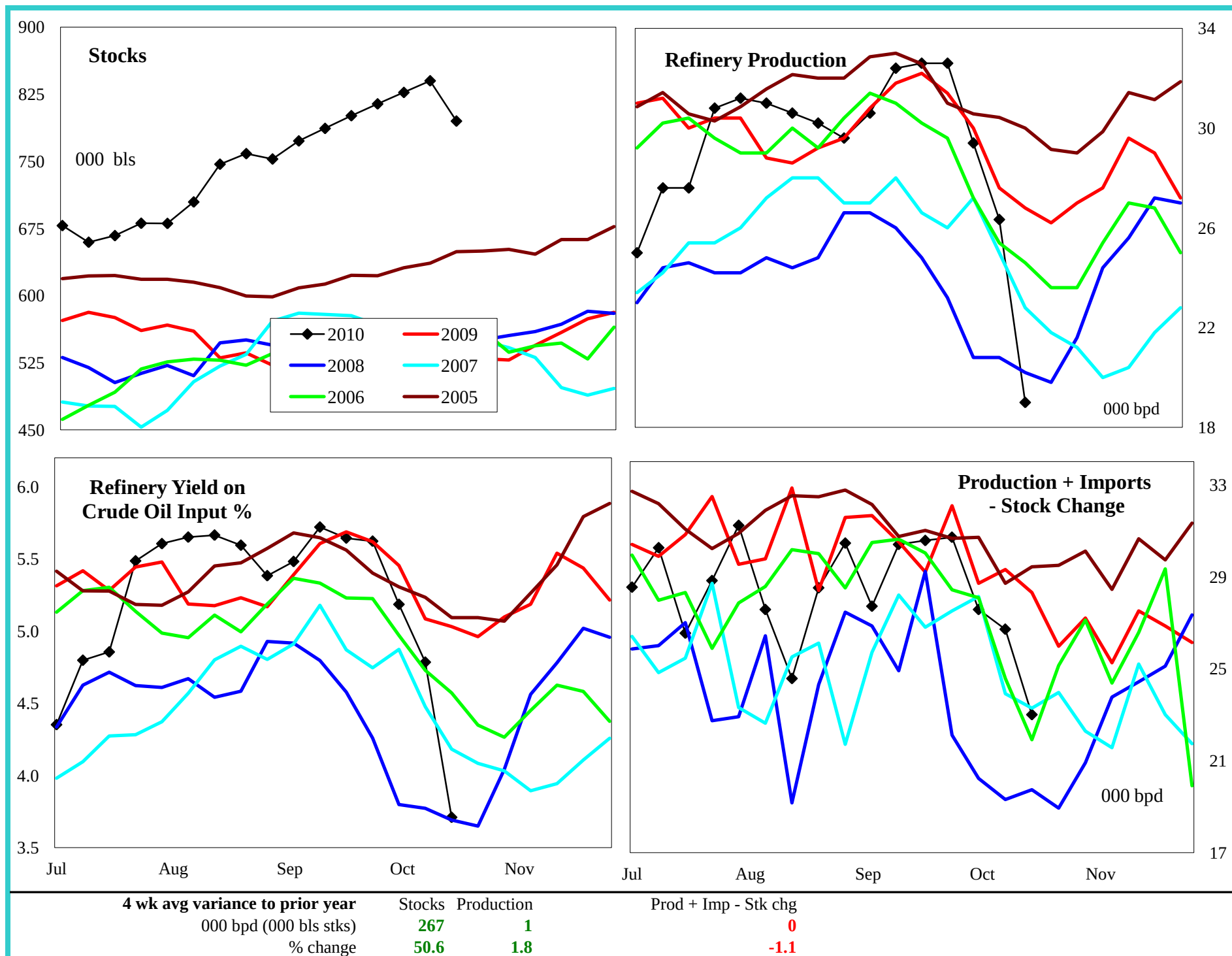
-2.0

-8.5

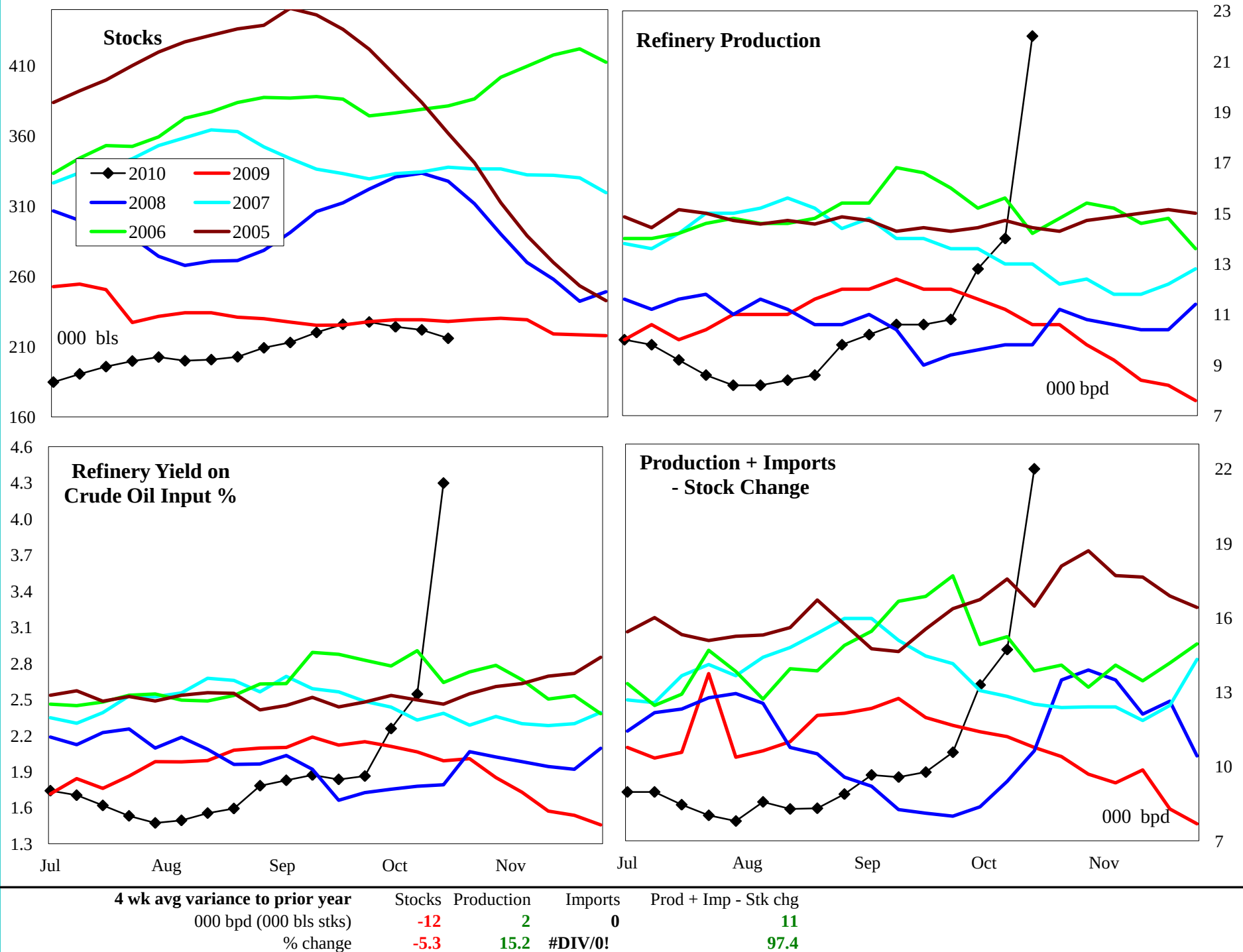
PADD 4 Distillate Supply



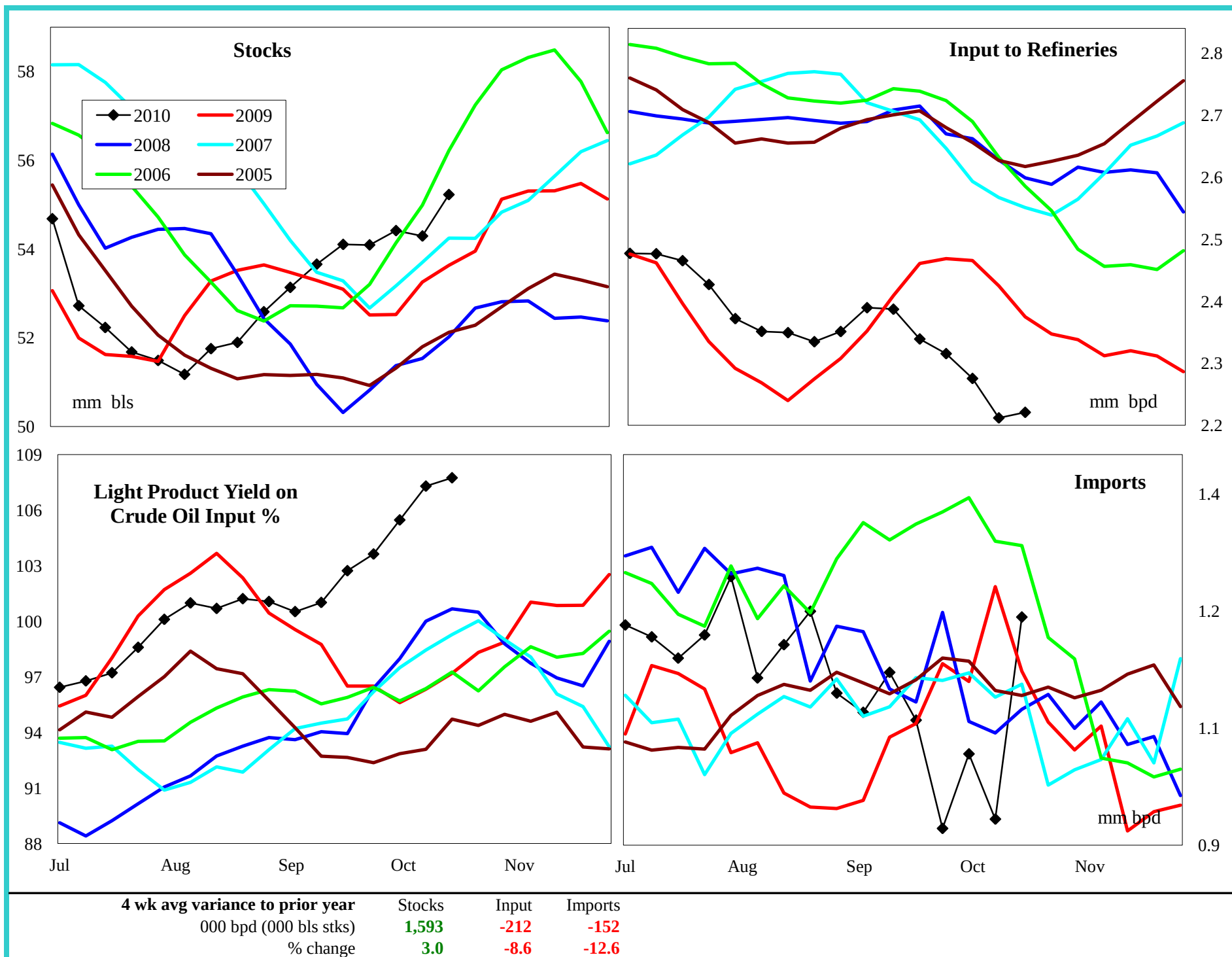
PADD 4 Jet Fuel Supply



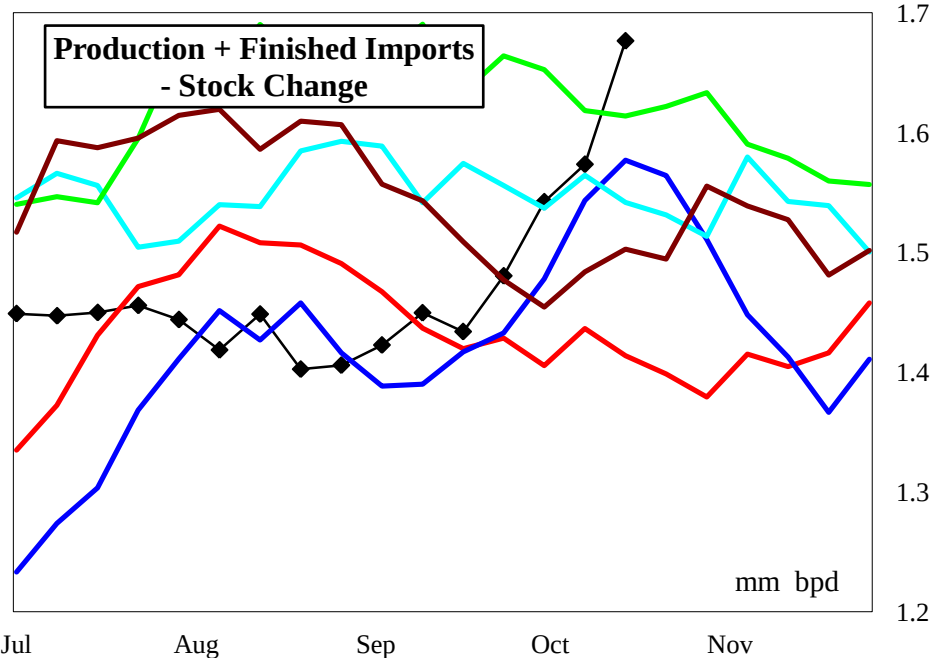
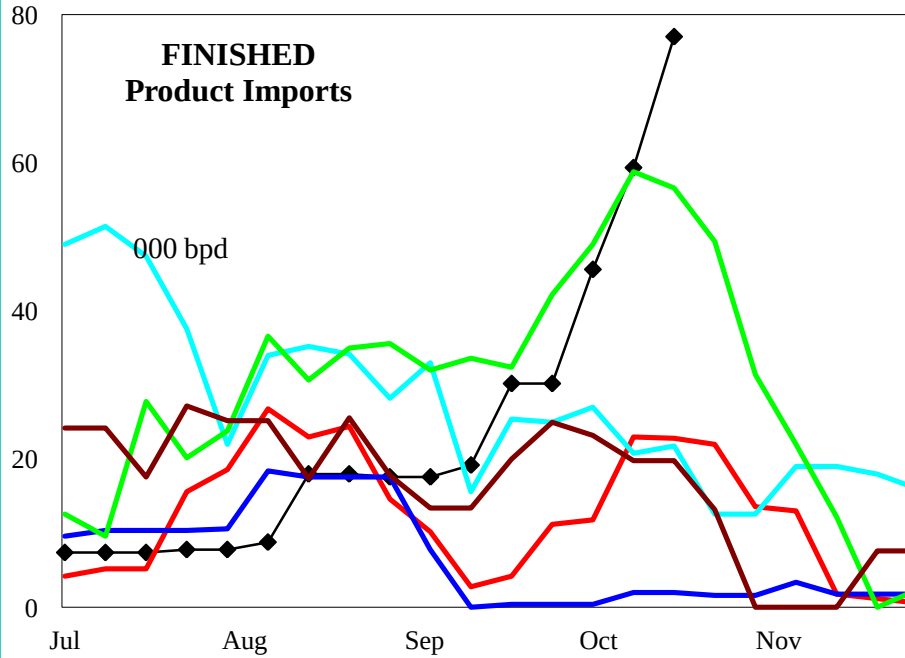
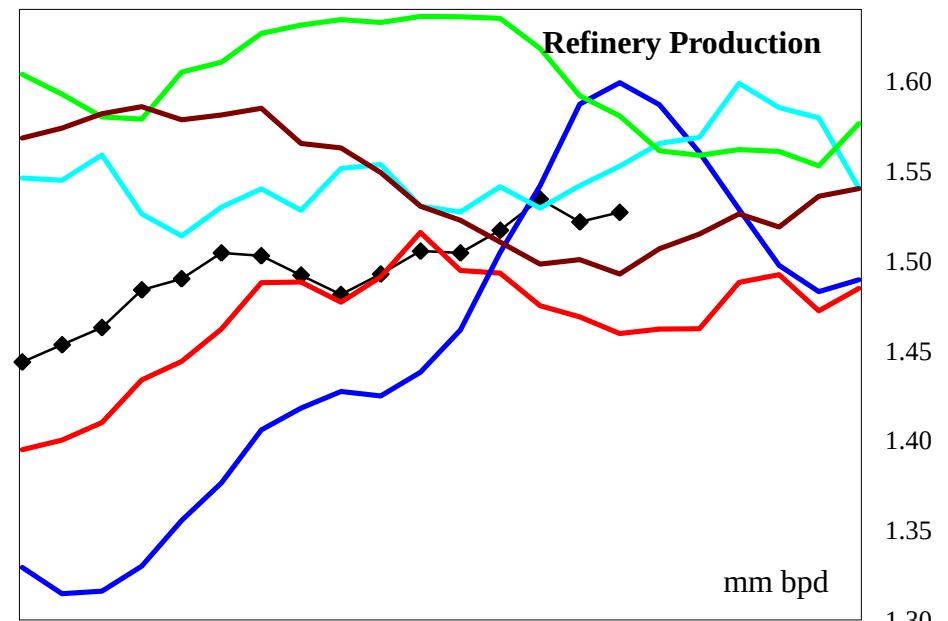
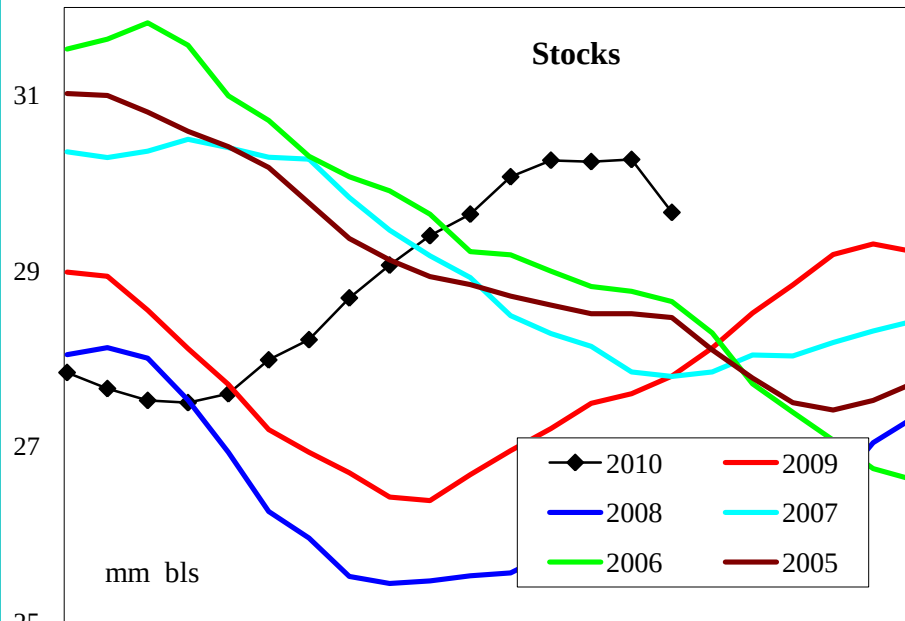
PADD 4 Residual Fuel Oil Supply



PADD 5 Crude Oil Supply and Refining



PADD 5 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

2,255

8.1

Production

65

4.4

Fin Impt Blend Impt

42 38

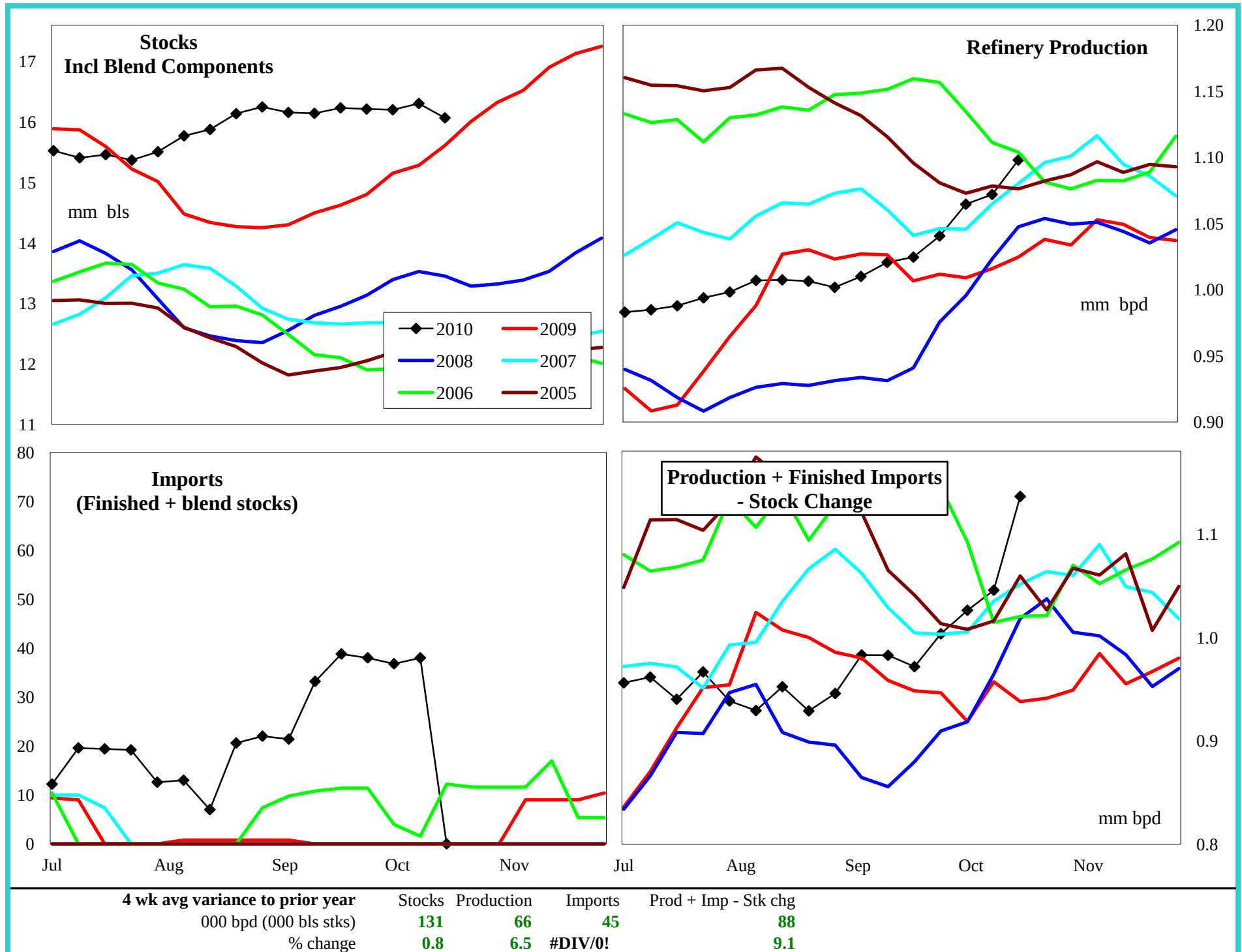
286.4 524.1

Prod + Imp - Stk chg

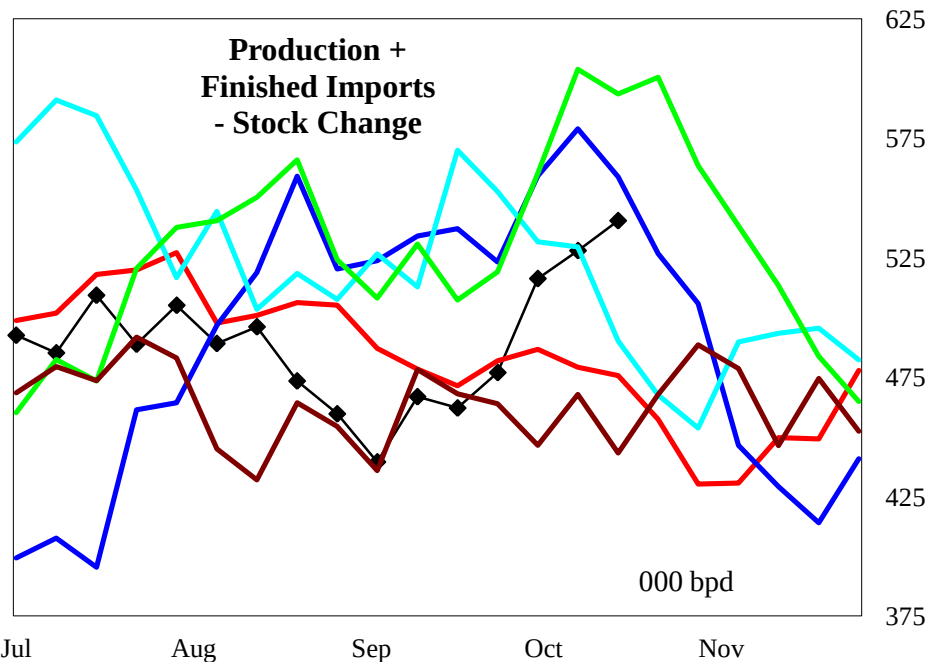
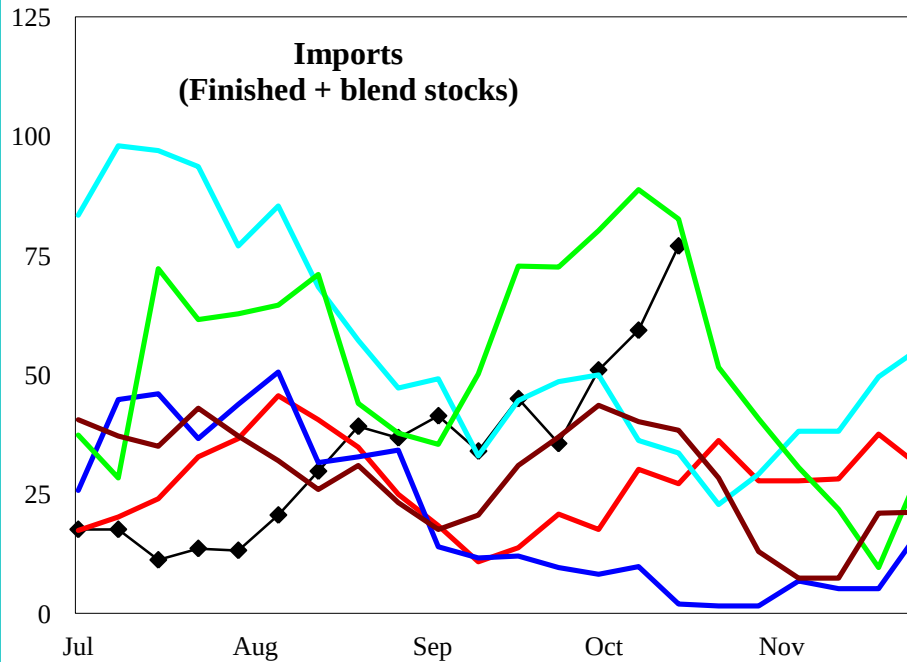
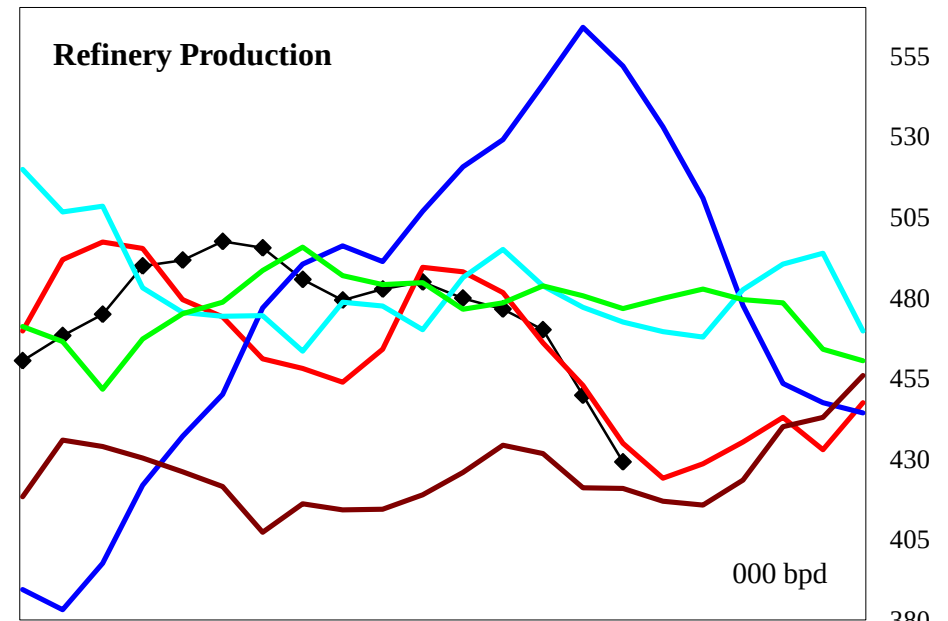
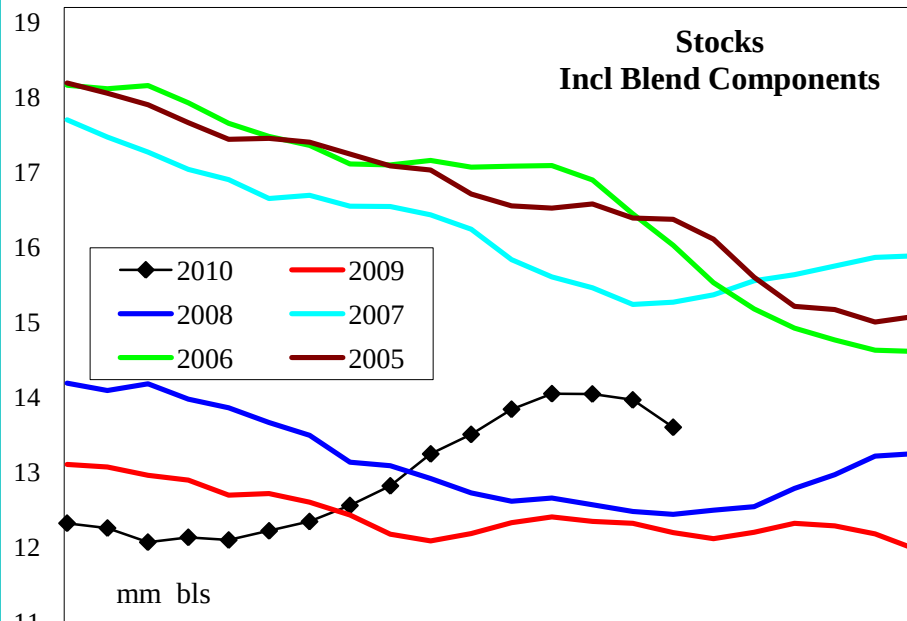
134

9.1

PADD 5 Reformulated Gasoline Supply



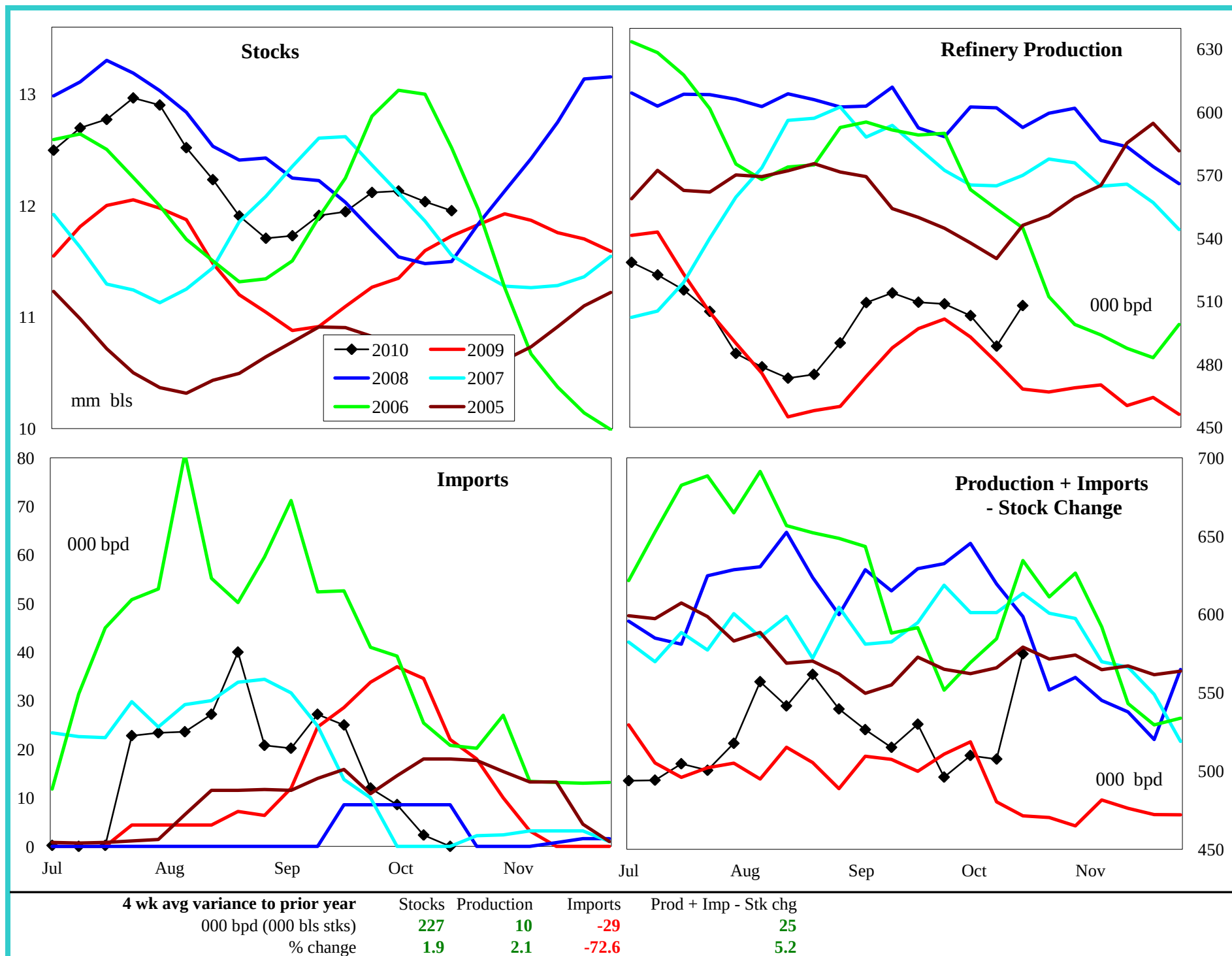
PADD 5 Conventional Gasoline Supply



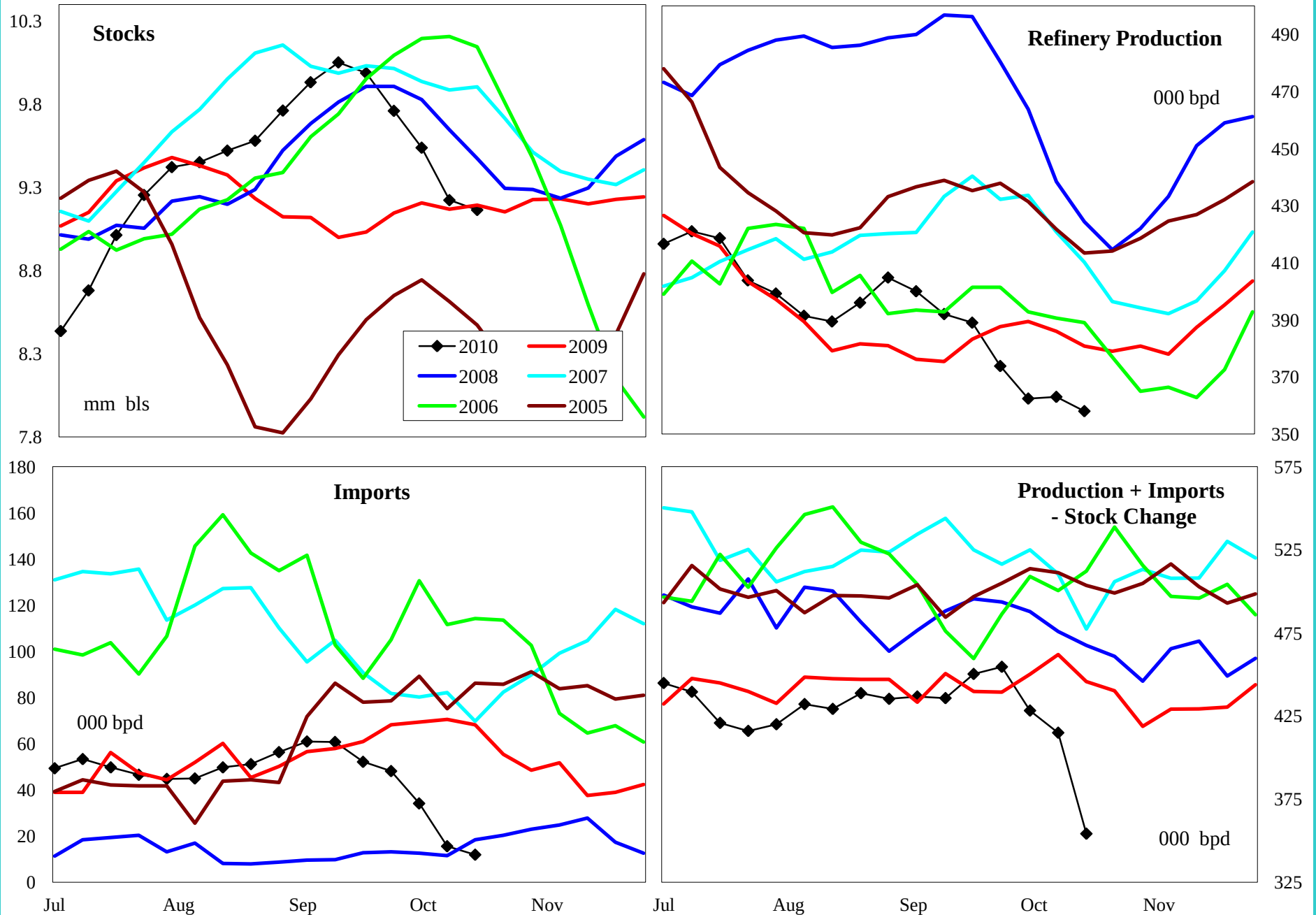
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
2,124	-1	35	46
18.5	-0.2	159.1	9.2

PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-5

-0.1

Production

-33

-8.3

Imports

-42

-60.8

Prod + Imp - Stk chg

-50

-10.6

PADD 5 Residual Fuel Oil Supply

