

**FUNDAMENTAL
PETROLEUM
TRENDS**

WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Weekly Report

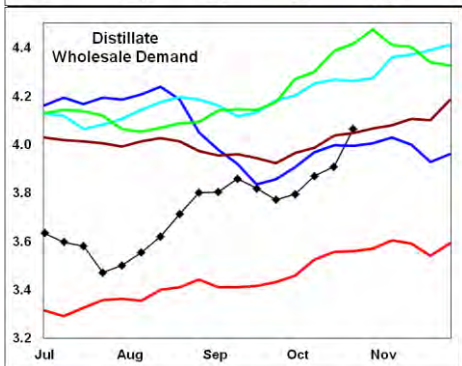
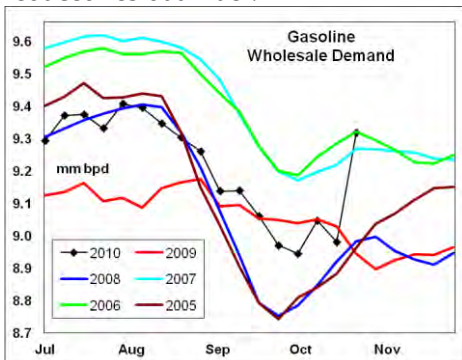
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, October 27, 2010



Major Fundamental Trends¹

Gasoline and distillate wholesale demand have exhibited robust growth over the last 2-wks, up +546,000 bpd and +360,000 bpd, respectively. The distillate increase has been influenced by freight movement ahead of the holiday season, fall agriculture tillage and exports. Gasoline demand was driven by favorable weather for travel and an apparent restatement of stock levels by the EIA.

Refinery light product yields remain exceptionally high as indicated by crude oil runs that were nearly -1.5 million bpd below historic highs for this time of year, while both gasoline and distillate production were at record high levels for the period. A jump in imports of gasoline blend stocks contributed to the high level of gasoline output, while refiners investments in heavy oil cracking has reduced residual fuel.

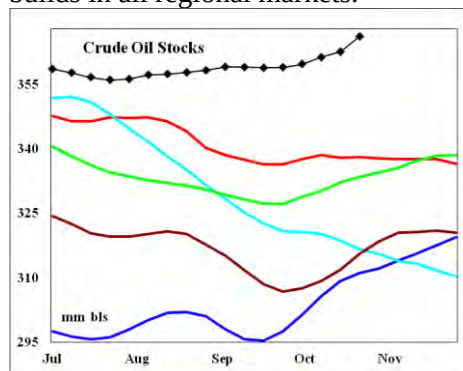


The recent surge in demand is likely to diminish on less favorable weather and seasonal declines in demand.

¹ Source is latest EIA Weekly Statistics

Relatively high light product yields, combined with a return to operation of plants down for maintenance should lift production further during the 4th quarter. Gasoline imports have also jumped from record lows. These trends should assure very ample supplies of transport fuels.

Crude oil imports jumped +0.9 million bpd last week, including a -0.5 million bpd drop in PADD 1. This jump in imports led to a +5 million barrel stock build, with meaningful builds in all regional markets.



Demand for both gasoline and distillate has surged in the last 2-wks.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline down -0.8%; distillate up +8.7%; jet fuel up +0.9% while residual fuel oil decreased -34%.

Stocks forward coverage: Gasoline demand coverage fell on a -4.4 million barrel drop in stocks and +467,000 bpd surge in demand. Coverage remains a very high.

Distillate demand coverage trended lower on the week with a -1.6 million barrel stock draw and continued strong demand. The coverage level was well below last years' record high.

Jet fuel coverage decreased on a -0.3 million barrel stock draw and higher demand. Coverage remains near 5-year highs.

Residual fuel oil coverage increased to a new record high on rising stocks and weak demand.

Refinery utilization rates increased on a +171,000 bpd increase in crude oil

runs. Runs were higher in PADDs 3, 4 and 5 while other regions saw modest declines. Crude oil runs for the latest 4-wk period were -200,000 bpd below a year ago.

Gasoline yield % on crude oil runs increased last week on a +168,000 bpd rise in production versus a +171,000 bpd rise in crude runs. Yield % was a record high for the week.

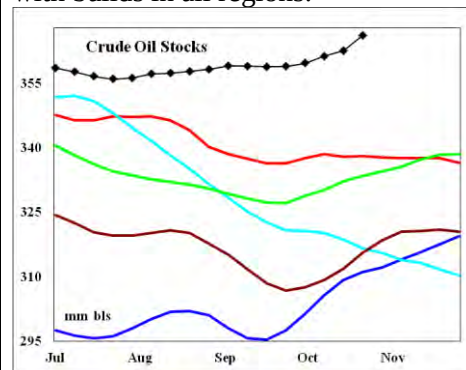
Distillate yield % on crude oil runs increased on a +138,000 bpd rise in output compared to the higher crude oil runs. Yield % remains above the 5-year range.

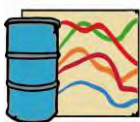
Jet fuel yield % on crude oil runs also increased on a +49,000 bpd increase in output, with the yield % at the mid range.

Petroleum Imports were higher for crude oil and gasoline, while middle distillates were nearly unchanged.

During the latest 4-wk period distillate imports increased +4,000 bpd compared to last year; finished gasoline imports increased +16,000 bpd, gasoline blend stock imports increased +7,000 bpd; jet fuel imports were -39,000 bpd lower, while residual fuel oil imports increased +35,000 bpd. **Crude Oil** imports jumped +0.9 million bpd last week, including a -0.5 million bpd drop in PADD 1. Imports were sharply higher in recent weeks for all regions except the East Coast where maintenance and closures have reduced refinery runs.

The surge in imports led to a +5 million barrel stock build last week, with builds in all regions.





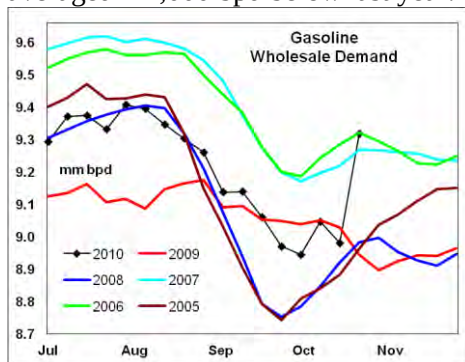
WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

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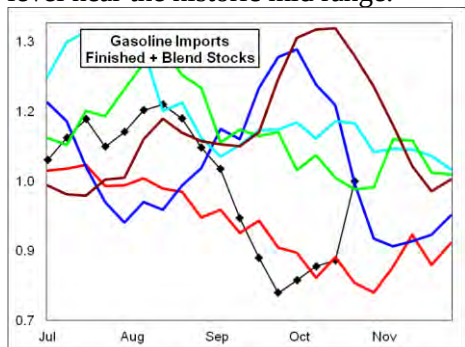
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Product Supply-Demand Trends

Gasoline demand spiked +467,000 bpd higher last week, to a level that matched the 5-year high for the period. Demand for the latest 4-wk period averaged -71,000 bpd below last year.



Production increased +168,000 bpd on the week (including a +393,000 bpd EIA adjustment at the U.S. level). Imports increased +220,000 bpd, to a level near the historic mid range.



Stocks fell -4.4 million barrels on the week, with meaningful draws in all regional markets. Stock levels remain +6.4 million barrels above the prior record high.

The spike in wholesale demand and stock draws last week point to a rebalancing of EIA stock data, as well as highly favorable weather conditions for travel across the country. Stock levels in regions other than PADD 1 remain at very high levels. Imports rebounded last week.

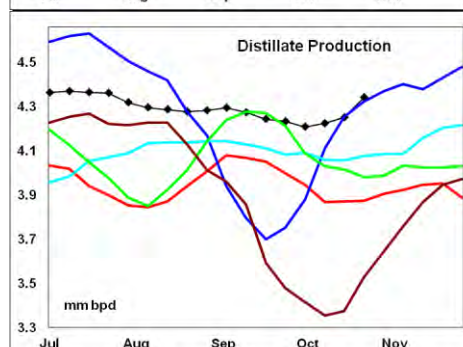
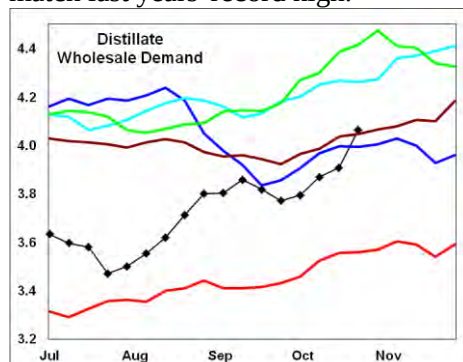
Expect lower seasonally demand and refiners return from maintenance to increase supply over the next month; driving price weakness.

Distillate demand has jumped +360,000 bpd during the last two weeks, to a level that matched the 5-year mid range. Favorable weather for

fall tillage in the Midwest and robust exports contributed to the jump in demand.

Supply increased +188,000 bpd on the week, with the latest 4-wk average +361,000 bpd above a year ago. Output matched the 5-year high last week.

Stocks decreased -1.6 million barrels on the week. Stock levels match last years' record high.



Stocks continue to draw, driving stock levels down to match the prior record high on robust demand. Production remains at record levels, even while crude oil runs were -1.5 million bpd below the historic high for this time of year.

A continued tightening of the supply balance should support prices until refiners return from maintenance in late November.

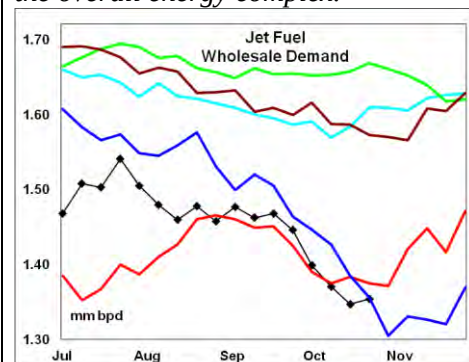
Jet Fuel demand increased +97,000 bpd last week, with the latest 4-wk average +12,000 bpd above last year.

Production increased +49,000 bpd on the week, offset by a -43,000 bpd decrease in imports. Supply levels remain below last years' record lows.

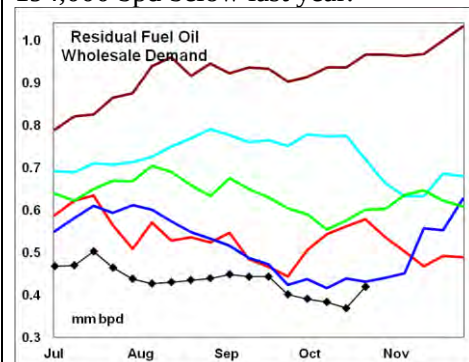
Stocks decreased -0.3 million barrels on the week, with the level +1

million barrels above the historic range.

The market remains very well supplied on weak demand and high stock levels. Expect production to trend seasonally higher, offsetting increased demand during the 4th quarter. The market should remain very well supplied. These trends should limit price strength relative to the overall energy complex.



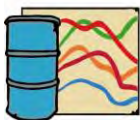
Residual fuel oil demand, including exports, increased +74,000 bpd last week, with the 4-wk average -194,000 bpd below last year.



Supply (production + imports) increased +151,000 bpd on the week, but remains very low. The latest 4-wk average was -139,000 bpd below a year ago. Stock levels remain above four of the last five years.

Production remains exceptionally low, with higher imports partially offsetting the -27% decline compared to last year. Output was down -44% in PADD 1 and -32% in PADD 3 compared to a year ago.

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



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

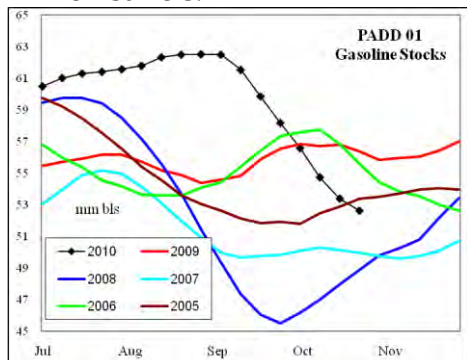
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PADD Supply Trends

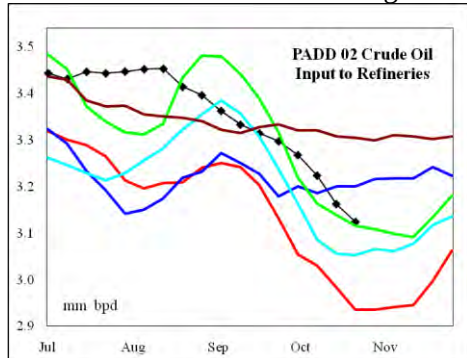
PADD 1 refinery crude oil runs declined -44,000 bpd on the week, with the 4-wk average -464,000 bpd below last years' record low rate. Crude oil stocks increased +0.8 million barrels on very low runs. Imports fell -0.5 million bpd to a new all time low.

Gasoline production decreased -64,000 bpd on the week, with the latest 4-wk average +474,000 bpd above a year ago. Imports increased +261,000 bpd last week, to a level that matched the 5-year mid range. Stocks decreased -0.9 million barrels.



Distillate supply increased +14,000 bpd last week, but remains at an extremely low level. Stocks declined -1.1 million barrels to match last years' record high level.

Jet fuel supply decreased -27,000 bpd to a level near historic lows. Stock levels remain above the mid range.



PADD 2 crude oil refinery runs decreased -51,000 bpd last week, with the level matching the historic mid range. Imports increased +62,000 bpd to a level at the upper end of the historic range. Stocks increased +2.6

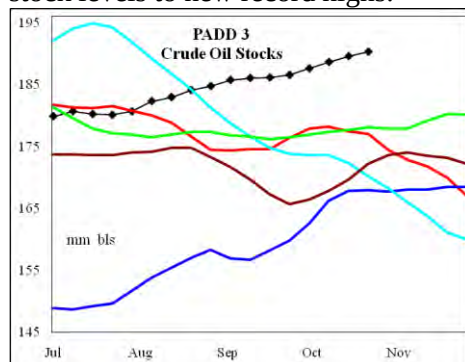
million barrels, including a -0.4 million barrel draw in Cushing. Stock levels in Cushing remain +30% above the prior record.

Gasoline production increased +69,000 bpd to a level that matched the 5-year high for the period. Stocks decreased -1.6 million barrels on the week, still a record high level.

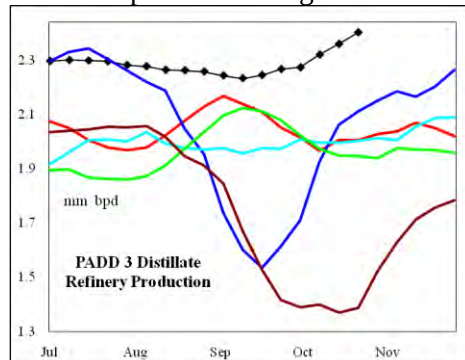
Distillate production declined -23,000 bpd to a level above the mid range. Stocks declined -0.6 million barrels. Stock levels remain well above the mid range.

Jet fuel production was near 5-year highs last week, with stock levels above the 5-year range.

PADD 3 crude oil runs increased +28,000 bpd, to a level above the mid range. The latest 4-wk average was +182,000 bpd above a year ago. Crude imports surged +1.1 million bpd, to a level above the mid range; driving stock levels to new record highs.



Gasoline production fell -235,000 bpd on the week. Stocks declined -0.6 million barrels, +4.3 million barrels above the prior record high.



Distillate production climbed +112,000 bpd on the week, to a new record high level. Stocks decreased -0.7 million

barrels on higher seasonal demand.

Jet fuel production increased +28,000 bpd to a level below the mid range. Stock levels were +19% above the prior record.

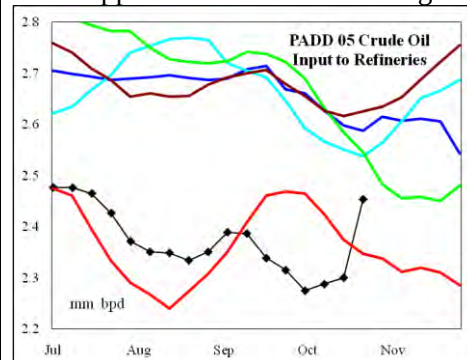
Residual fuel oil supply increased +47,000 bpd, but remains below the historic range. Stocks decreased -0.6 million barrels, with the level still above the historic range.

PADD 4 refinery crude runs increased +7,000 bpd on the week, but remain at a level below the historic range. Light product output increased with gasoline production at a record high. Crude oil stock levels reached a new record high.

Gasoline production increased +7,000 bpd to a new 5-year high. Stocks decreased -0.4 million barrels, with the level near historic highs.

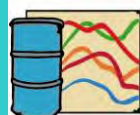
Distillate production increased +5,000 bpd, but remains at a level near historic lows. Stock levels declined to near the mid range.

PADD 5 crude oil refinery runs jumped +233,000 bpd on the week, as 'Tesoro' Anacortes WA plant returned to operation. Additional maintenance was completed at CA plants. Crude imports increased +105,000 bpd to a record high for this time of year. Stocks increased +0.8 million barrels to the upper end of the historic range.



Gasoline production was unchanged on the week, at a level below the mid range. Imports fell -77,000 bpd. Stocks -0.9 million barrels but the level remains above the historic range.

Distillate production increased +58,000 bpd on the week, to a level above the mid range. Stocks climbed +1 million barrels to a new high.


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PETROLEUM: Graph Link and Weekly Summary

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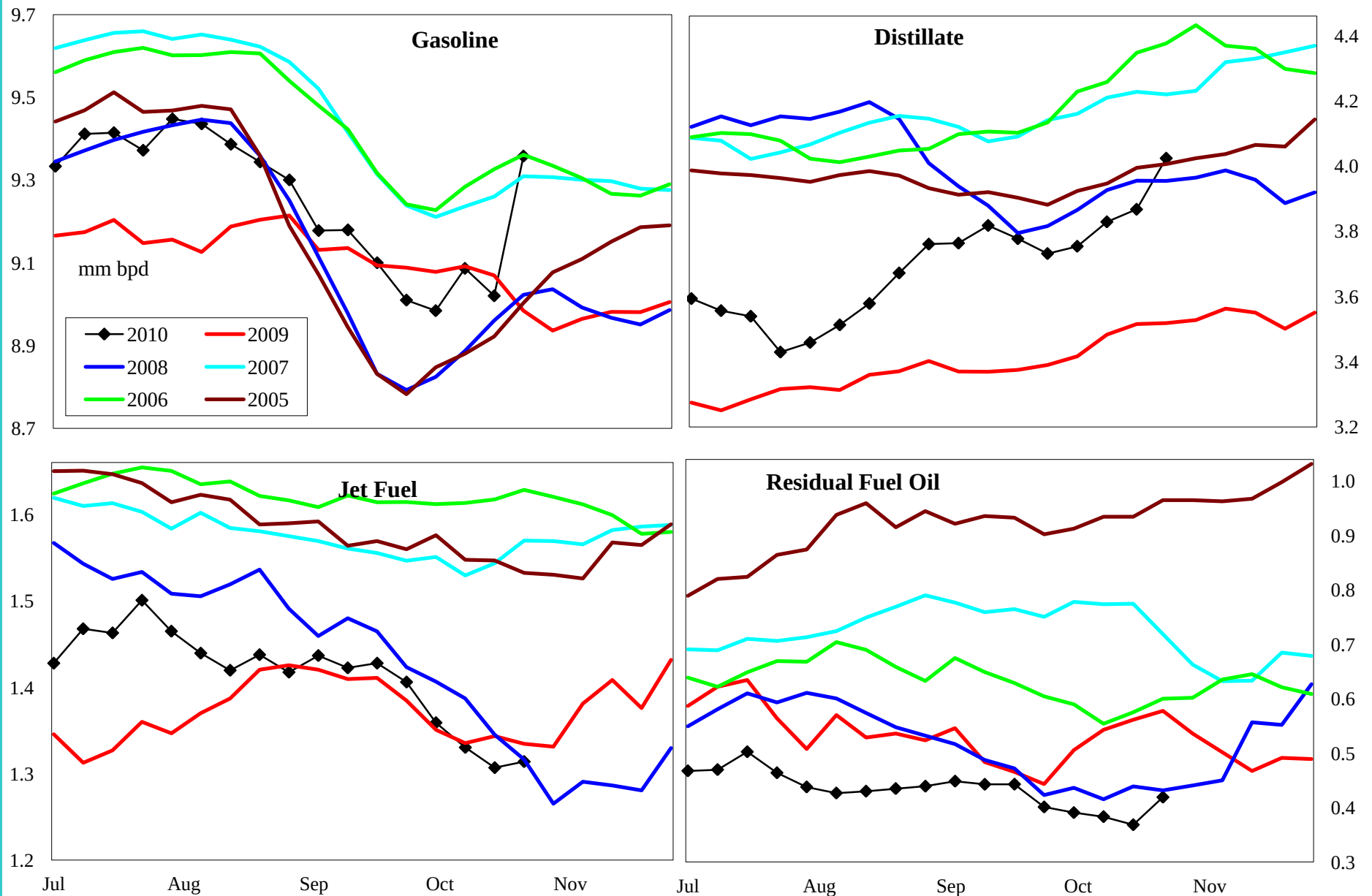
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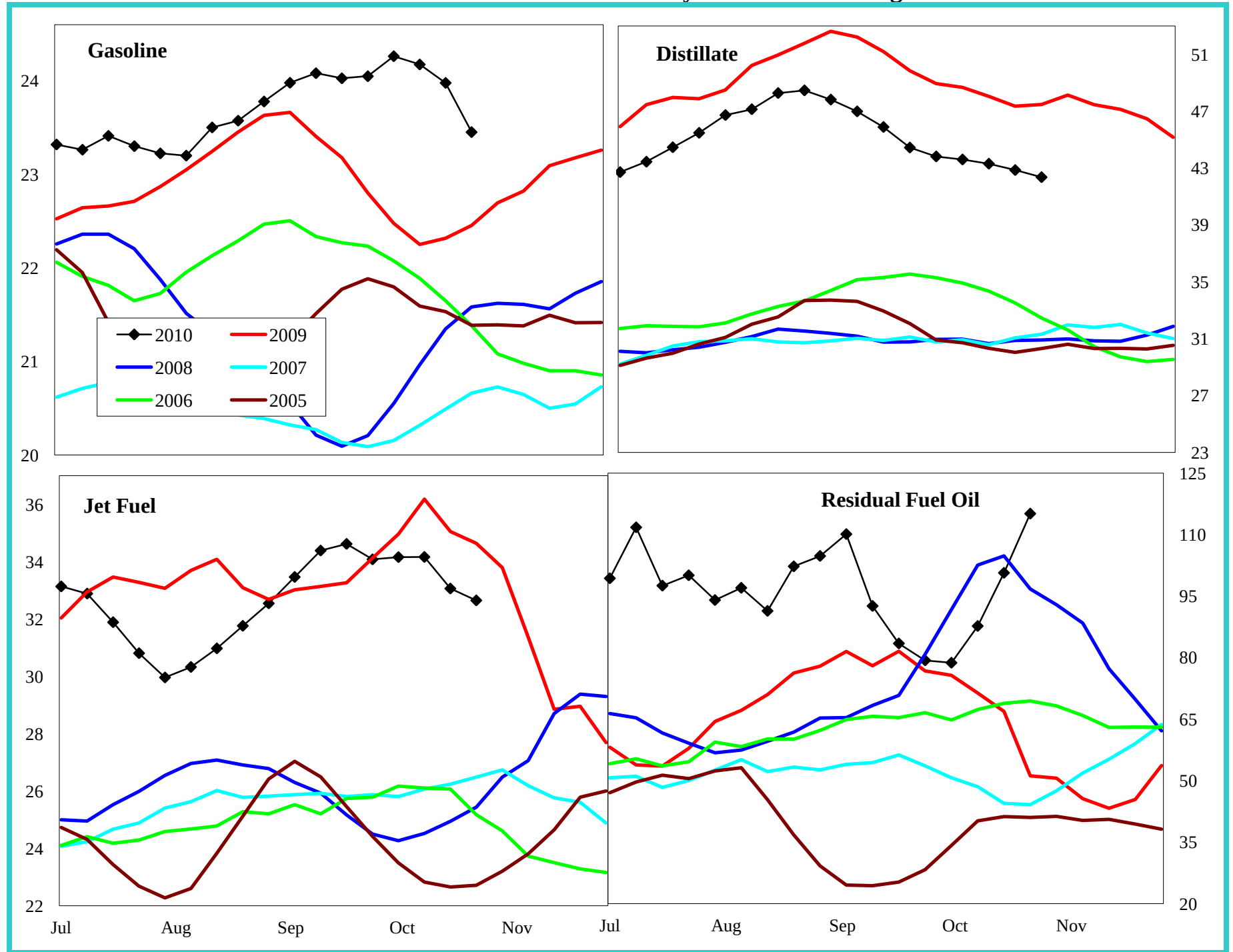
Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	22-Oct-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	5,007	848	2,619	497	220	823
	Imports	863	-479	62	1,143	32	105
	Input	171	-44	-51	28	7	233
	% Utilization	1.20					
<u>Gasoline</u>	Stocks	-4,387	-882	-1,588	-626	-436	-855
	Production	168	-64	69	-235	7	-2
	Imports	220	261	0	36	0	-77
	Supplied	467					
<u>Distillate</u>	Stocks	-1,613	-1,126	-619	-706	-146	983
	Production	138	-14	-23	112	5	58
	Imports	50	32	1	23	-7	0
	Supplied	110					
<u>Jet Fuel</u>	Stocks	-259	29	-217	424	-33	-461
	Production	49	-23	-2	28	5	41
	Imports	-43	-4	0	-45	0	6
	Supplied	97					
<u>Residual Fuel Oil</u>	Stocks	371	1,143	57	-593	29	-266
	Production	59	-7	-7	43	-9	40
	Imports	92	47	0	4	0	42
	Supplied	74					

United States Wholesale Petroleum Demand

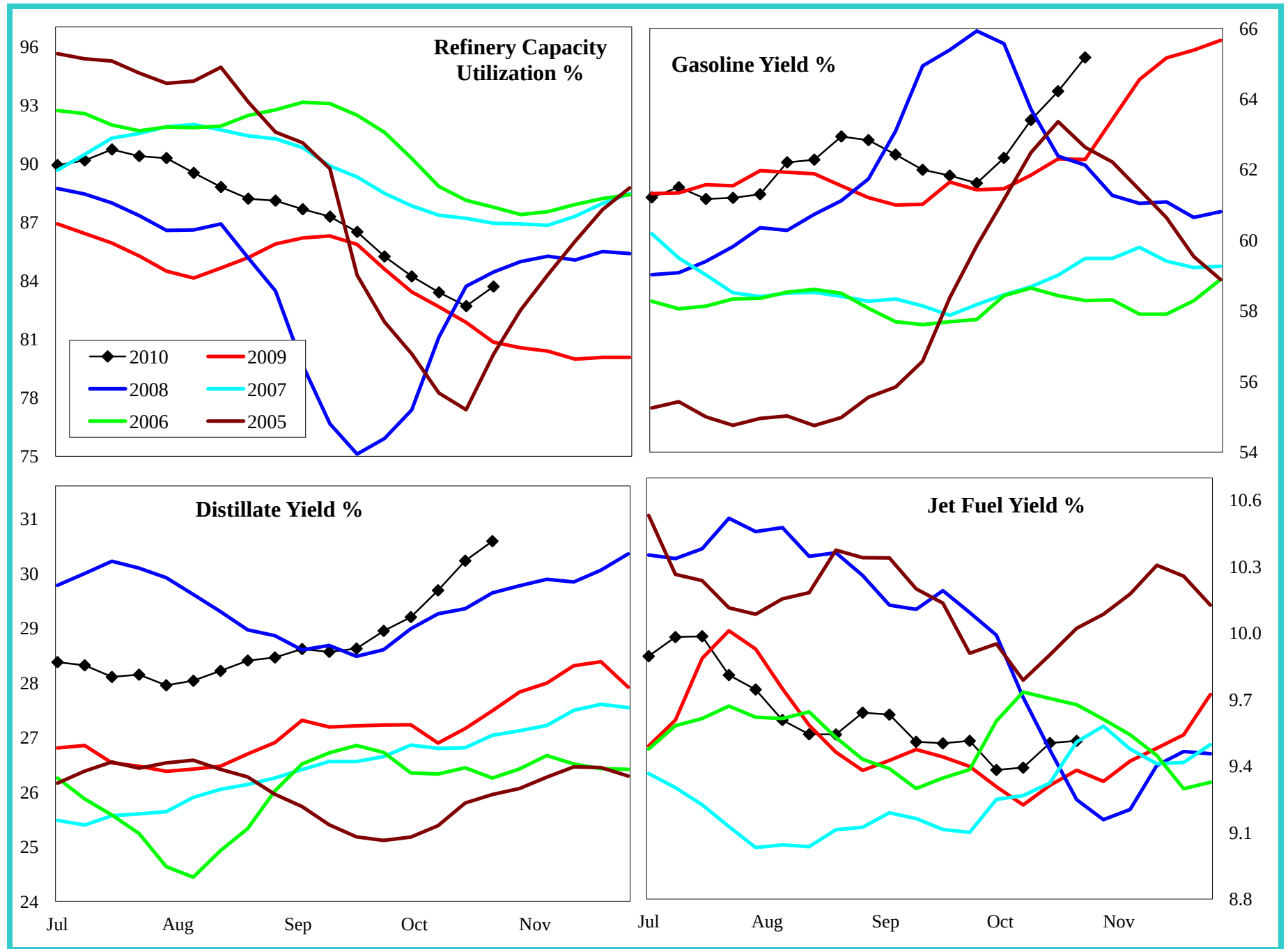


	000 bpd change from prior year				% change from prior year				
	4wk avg	Sep	Aug	Jul	4wk avg	Sep	Aug	Jul	
Gasoline	-71	149	76	72	-0.8	1.7	0.8	0.8	
Distillate	310	229	364	166	8.7	6.4	10.6	4.9	
Jet Fuel	12	36	0	-48	0.9	2.5	0.0	-3.2	
Resid	-194	76	-22	255	-33.9	22.4	-4.7	79.9	

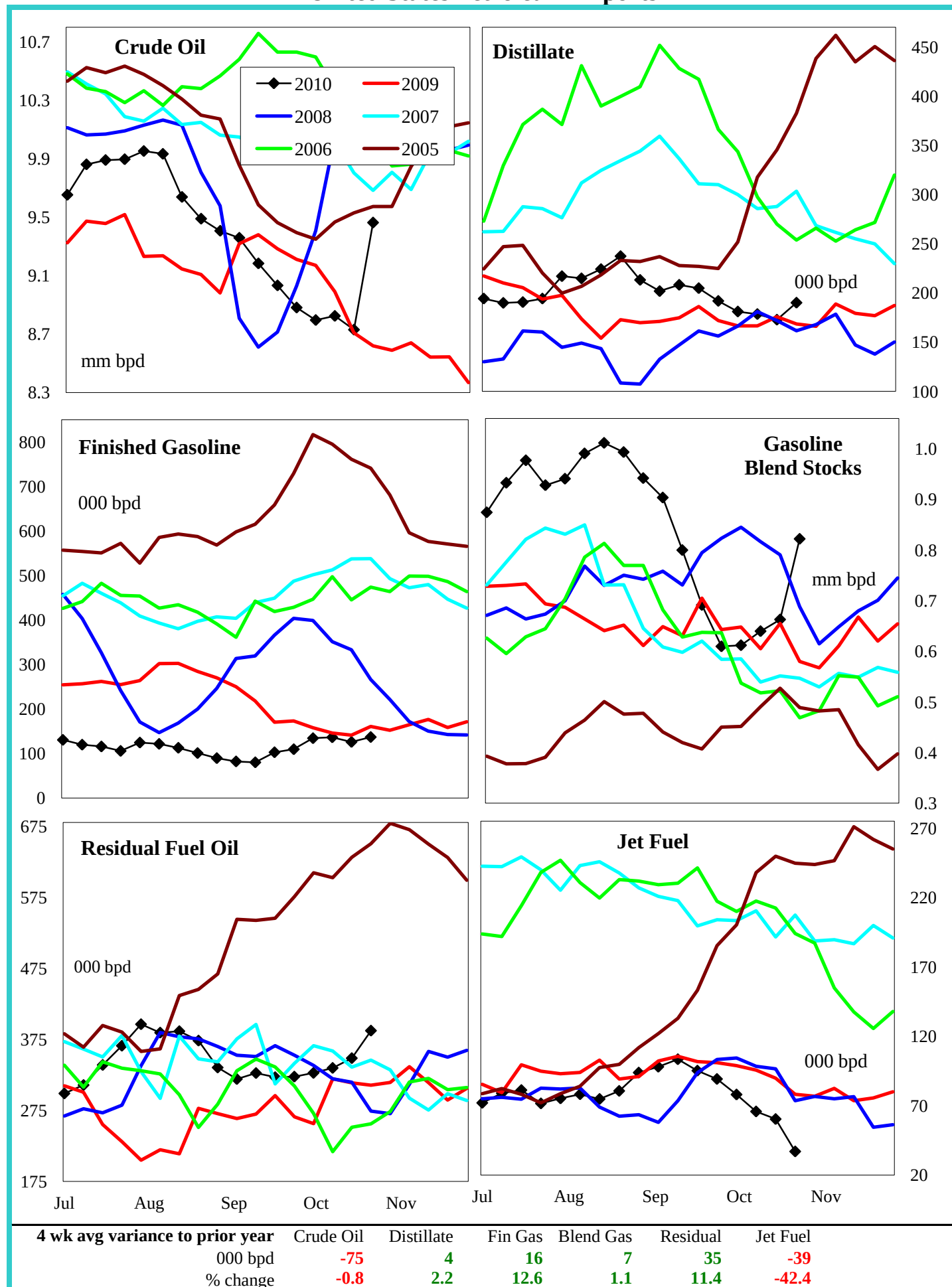
United States Product Stocks: Days Forward Coverage



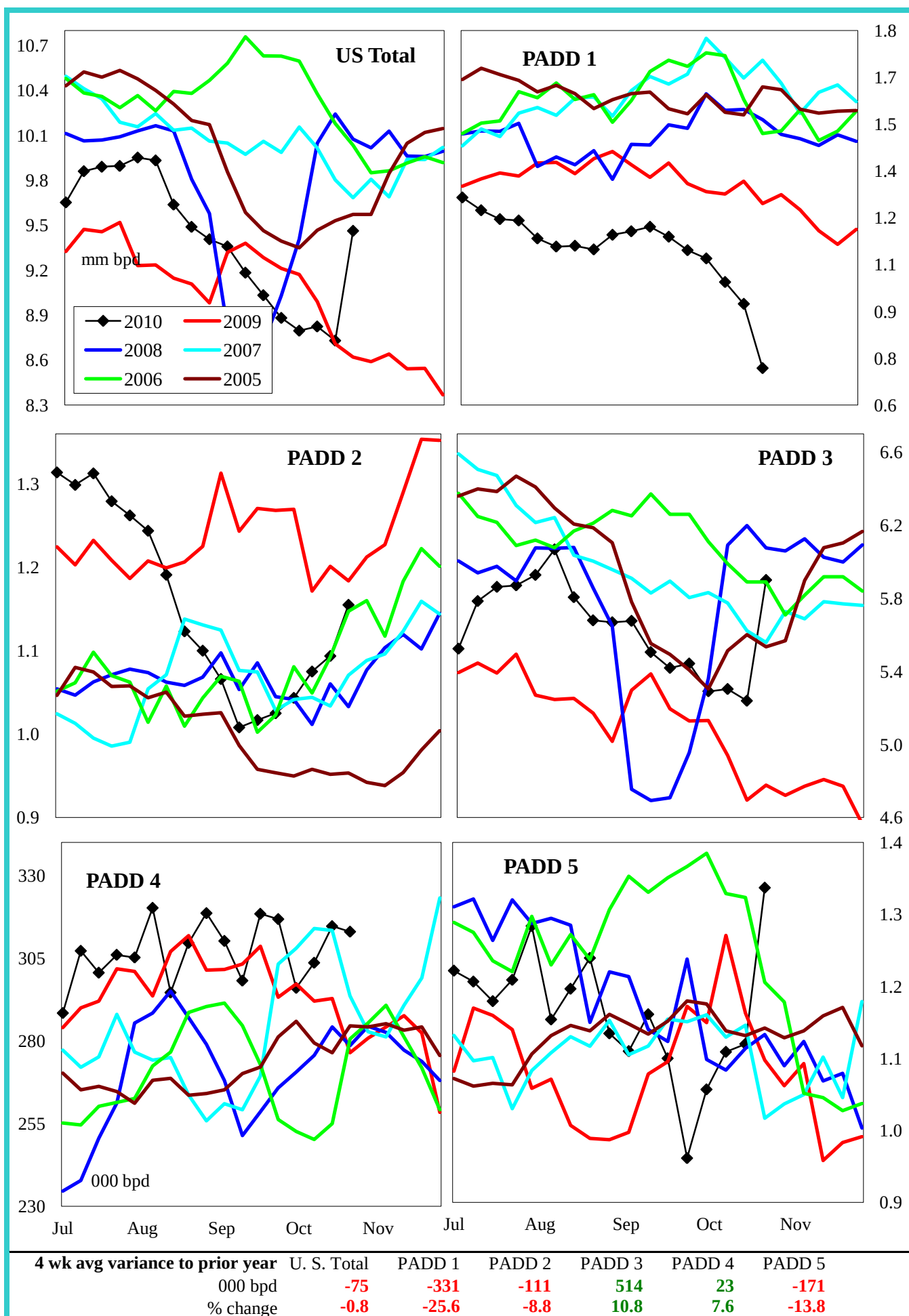
United States Refinery Percent Utilization Rate and Product Yields



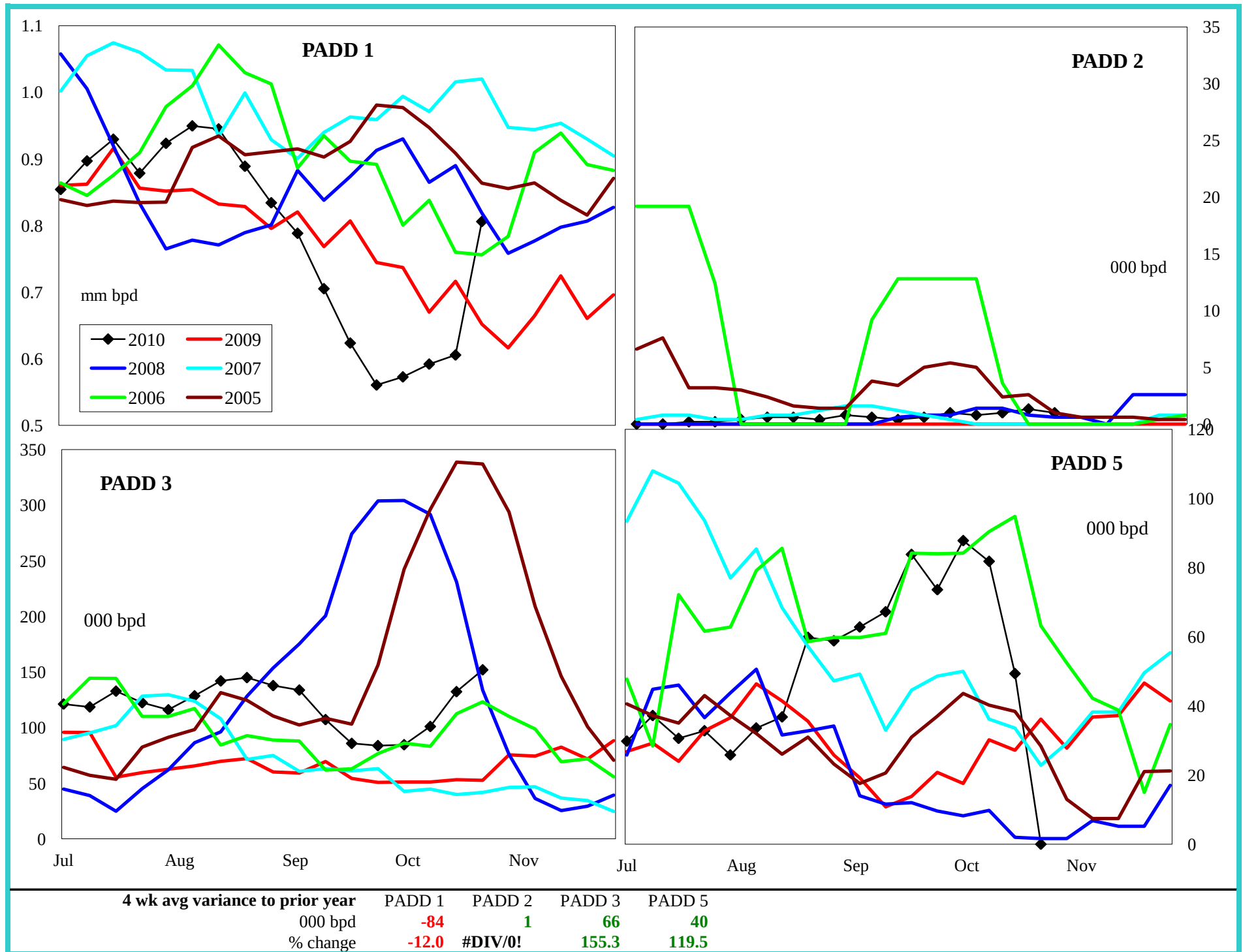
United States Petroleum Imports



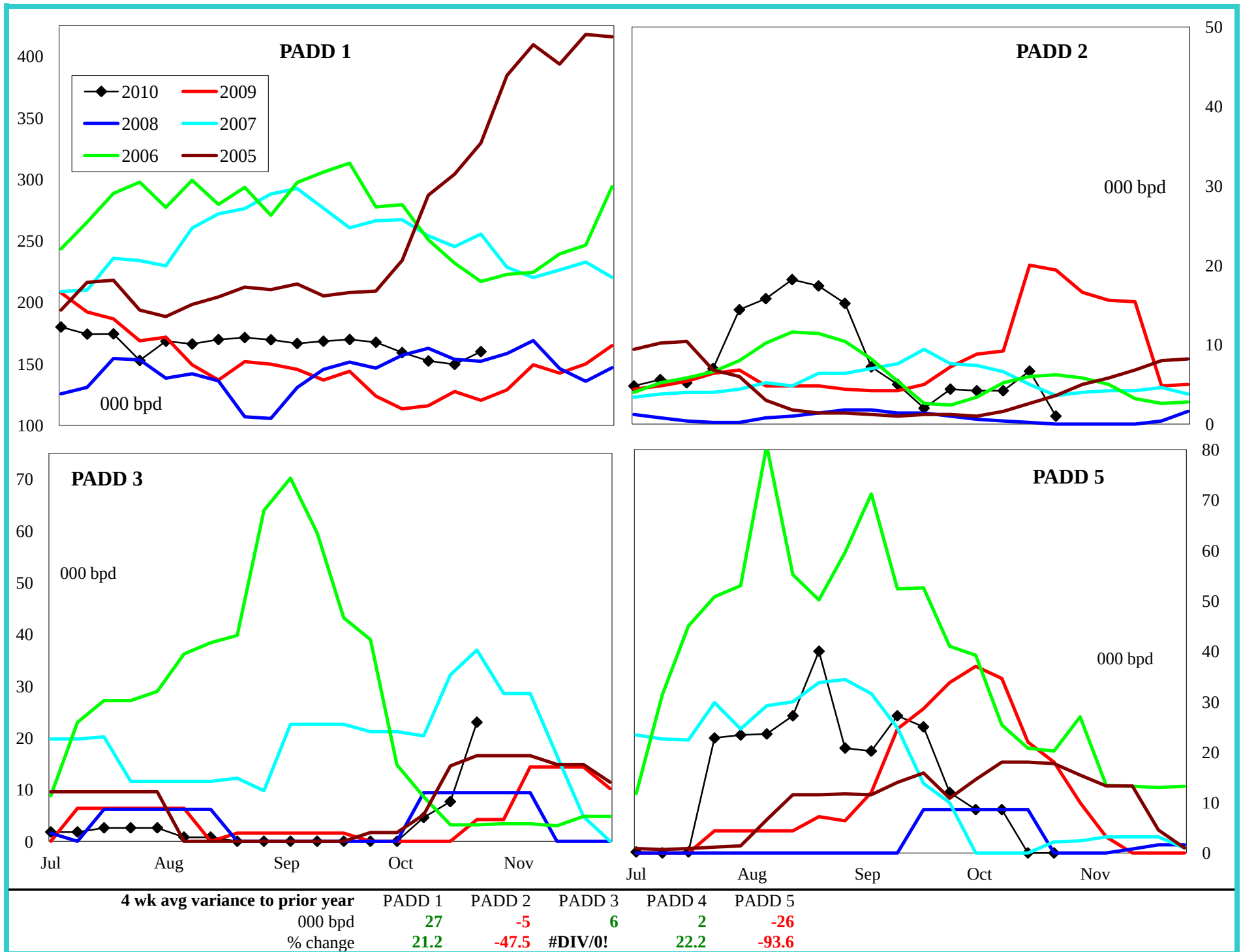
Crude Oil Imports by PADD



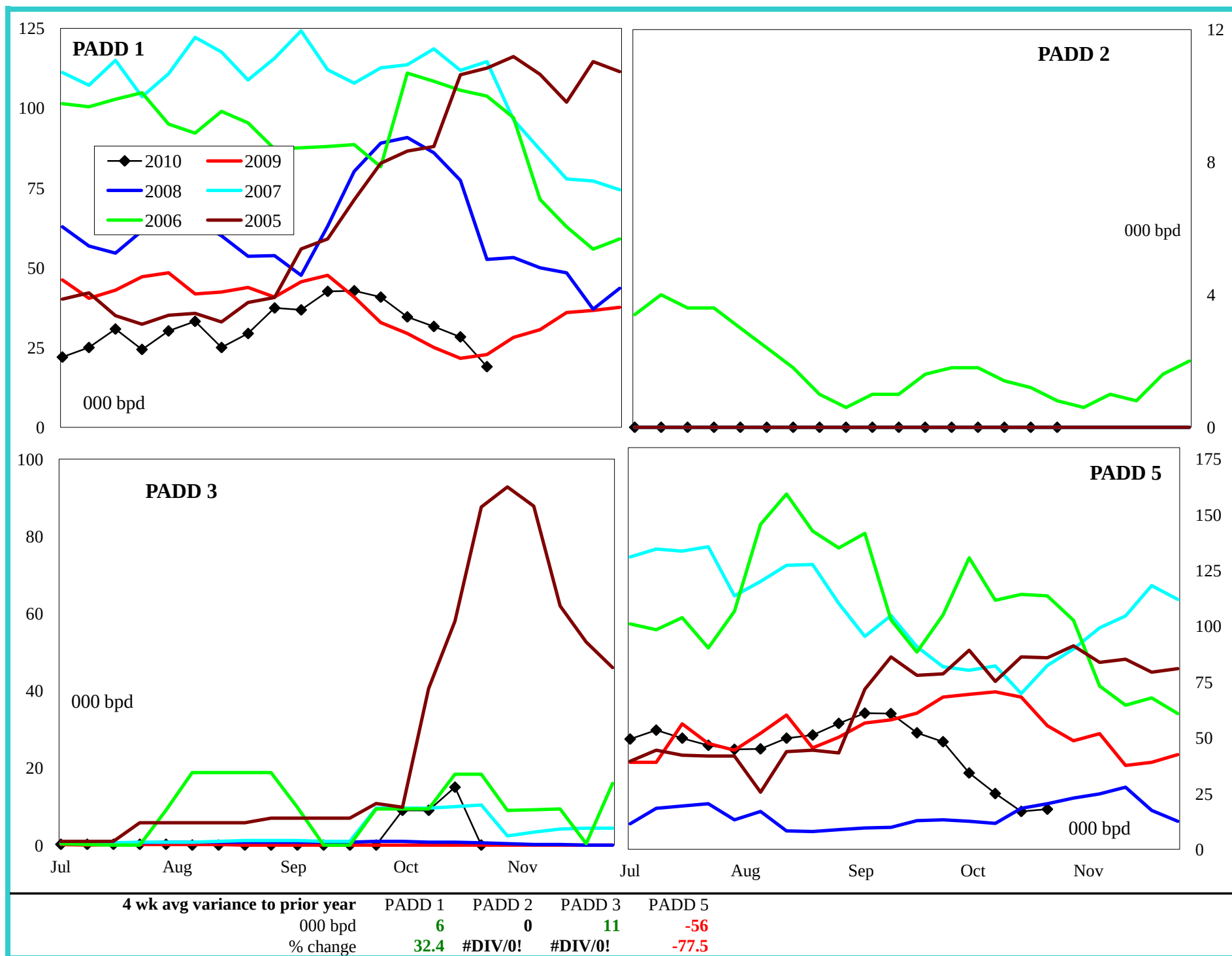
Gasoline Imports by PADD (Finished + Blend Stocks)



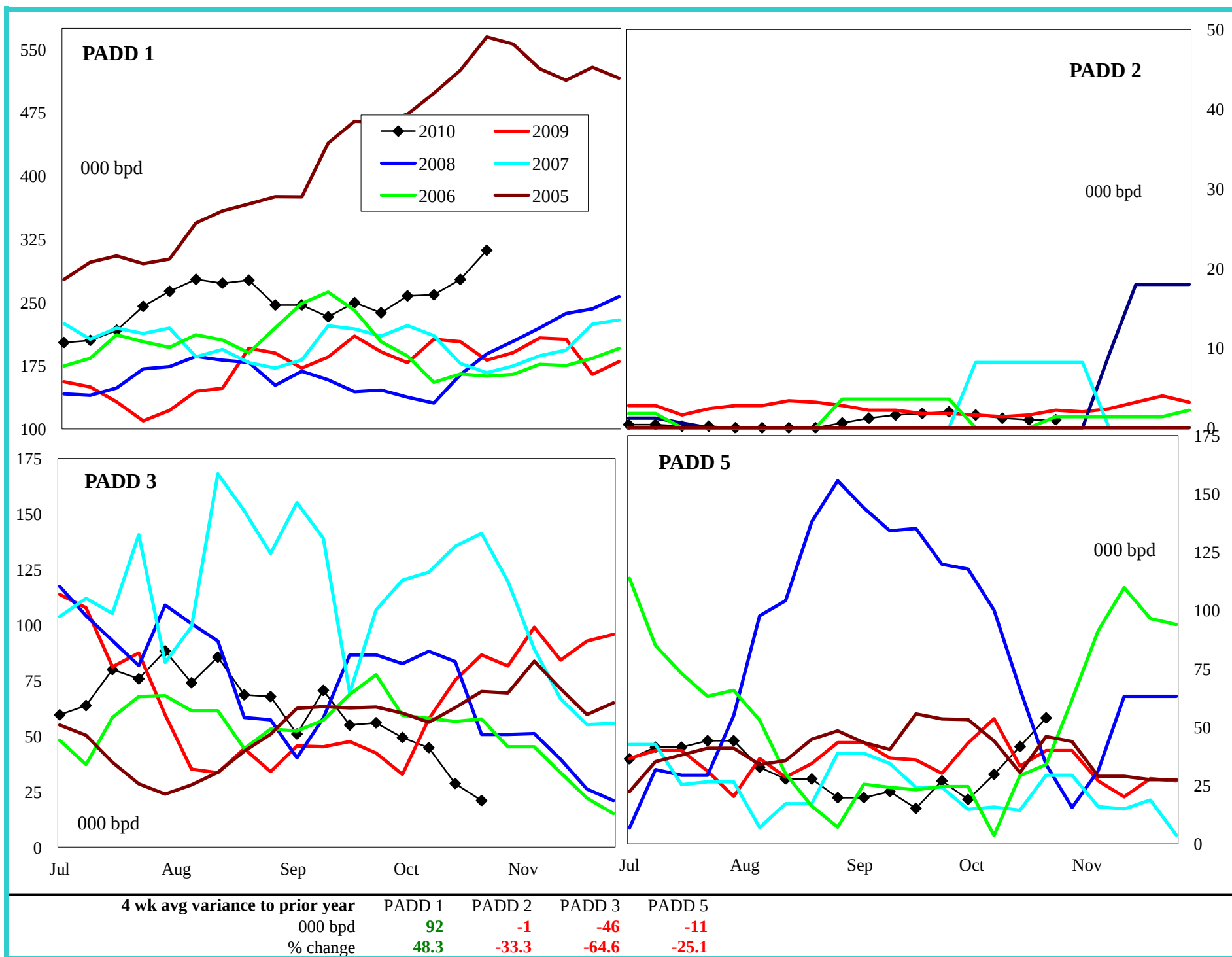
Distillate Imports by PADD



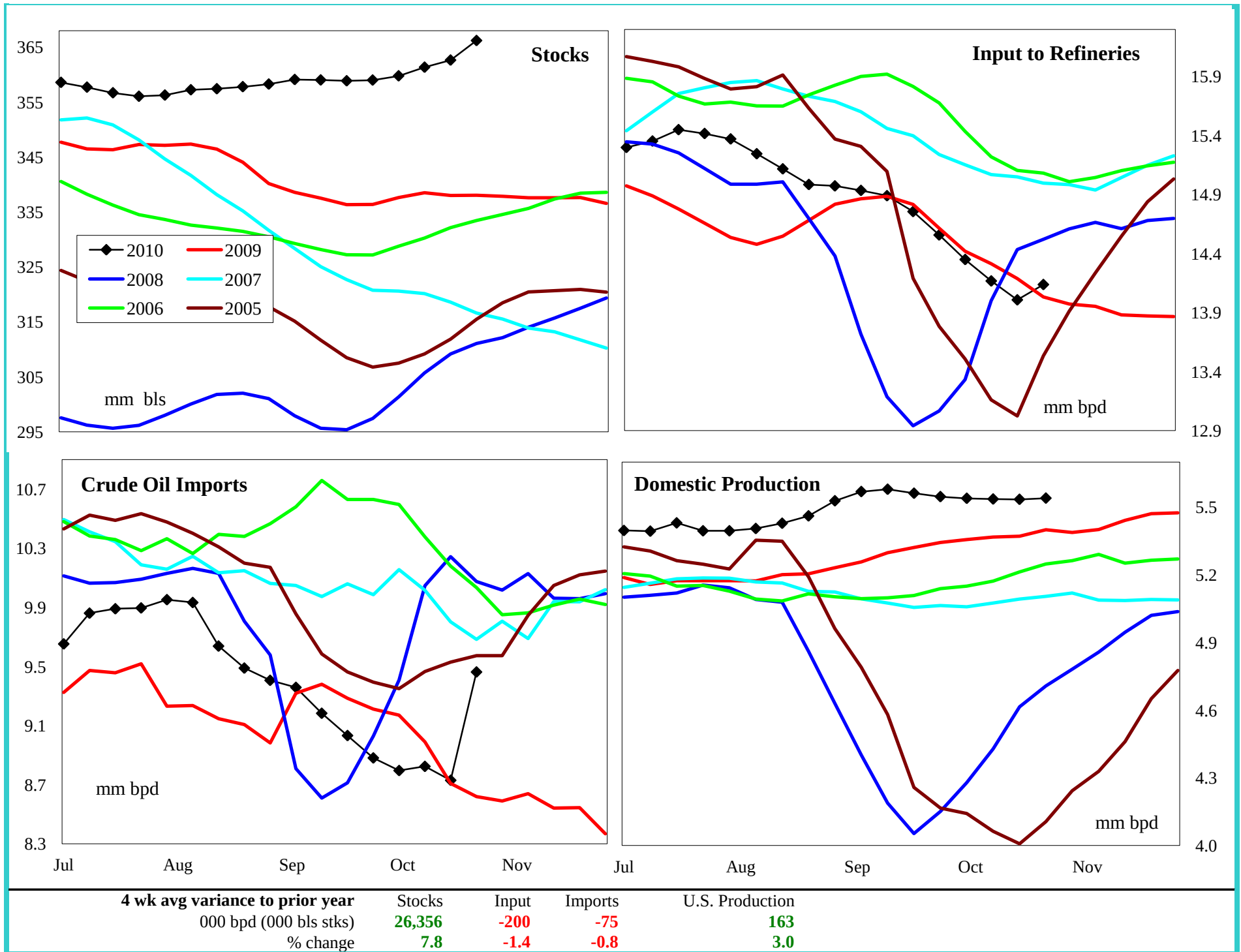
Jet Fuel Imports by PADD



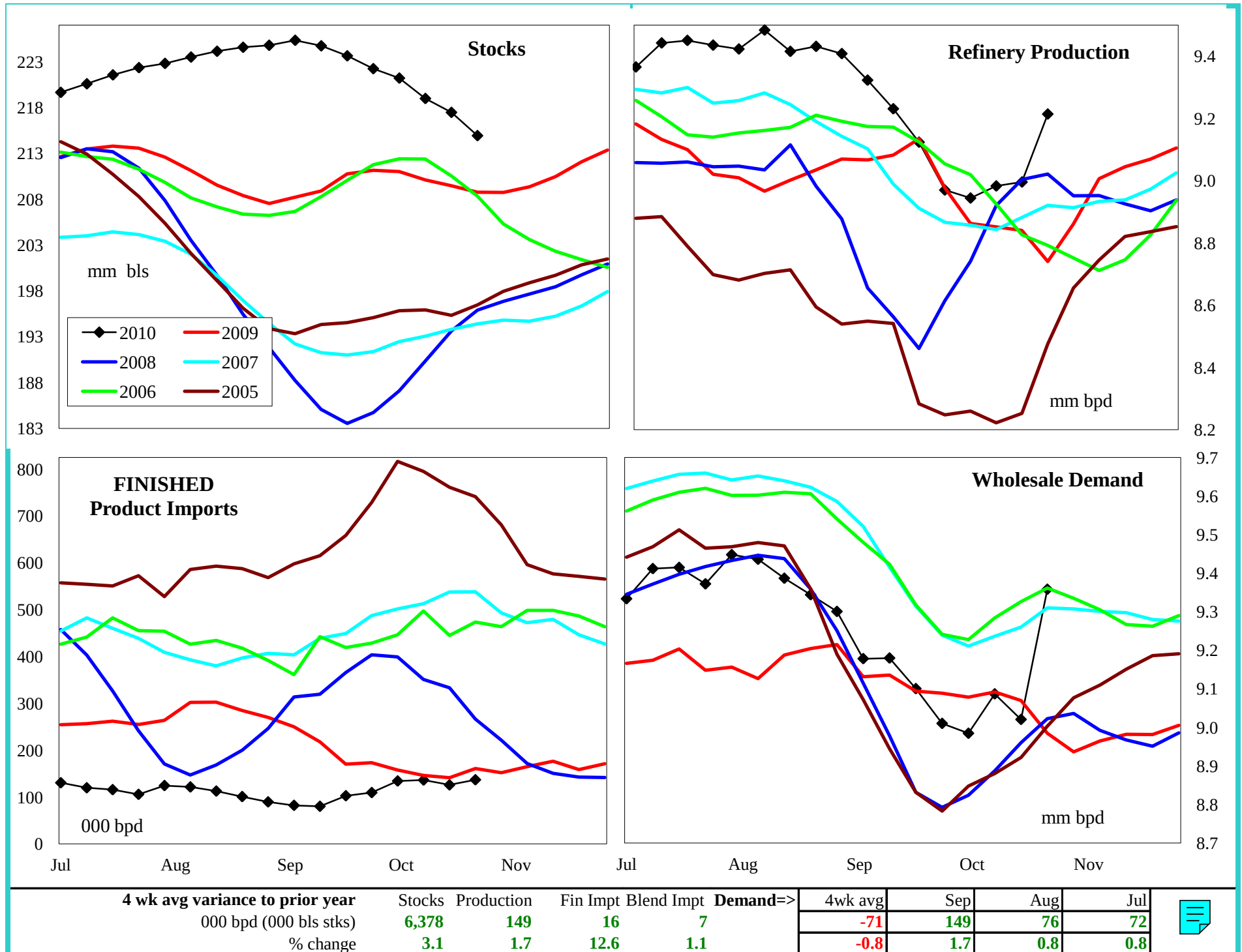
Residual Fuel Oil Imports by PADD



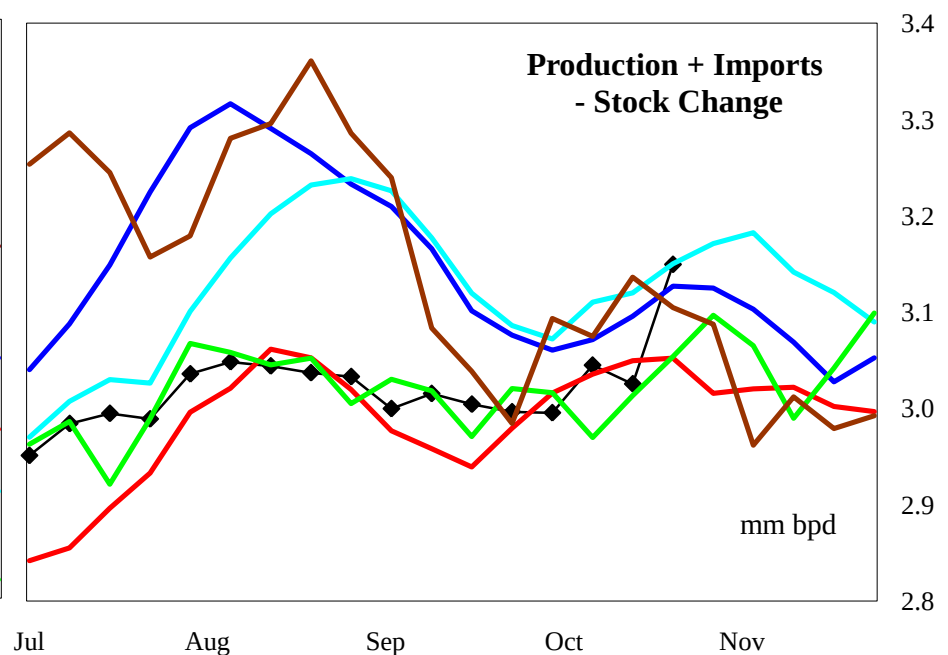
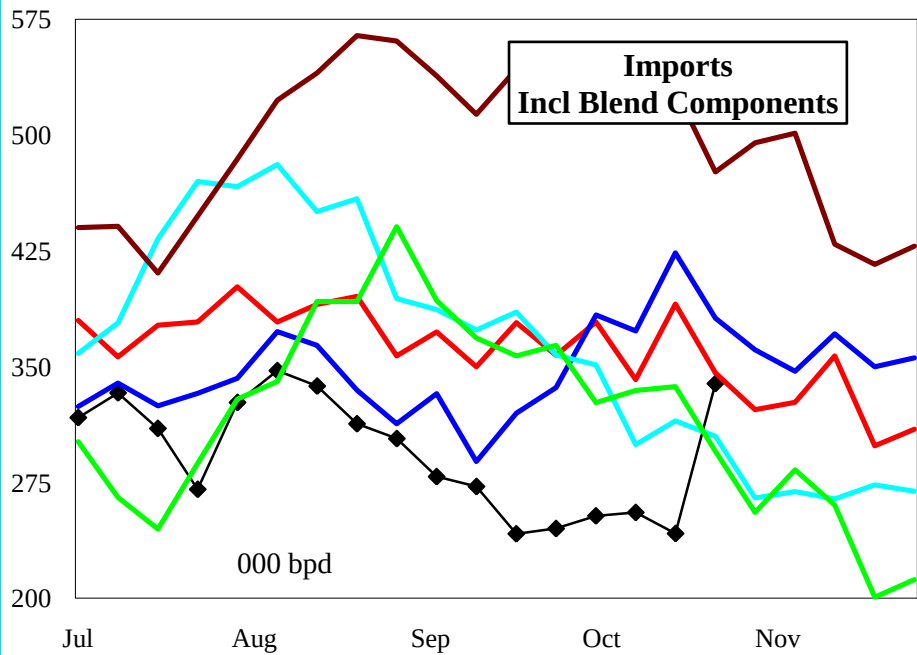
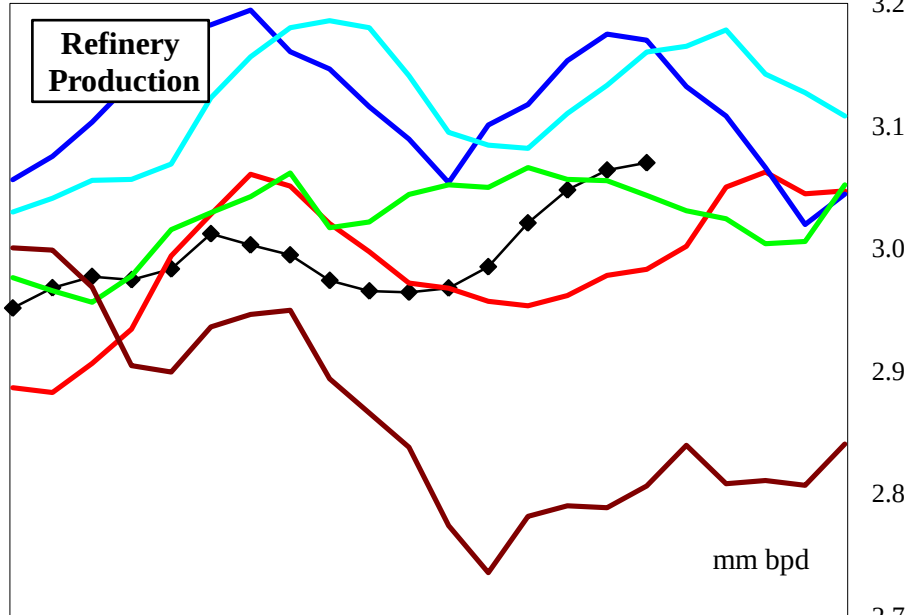
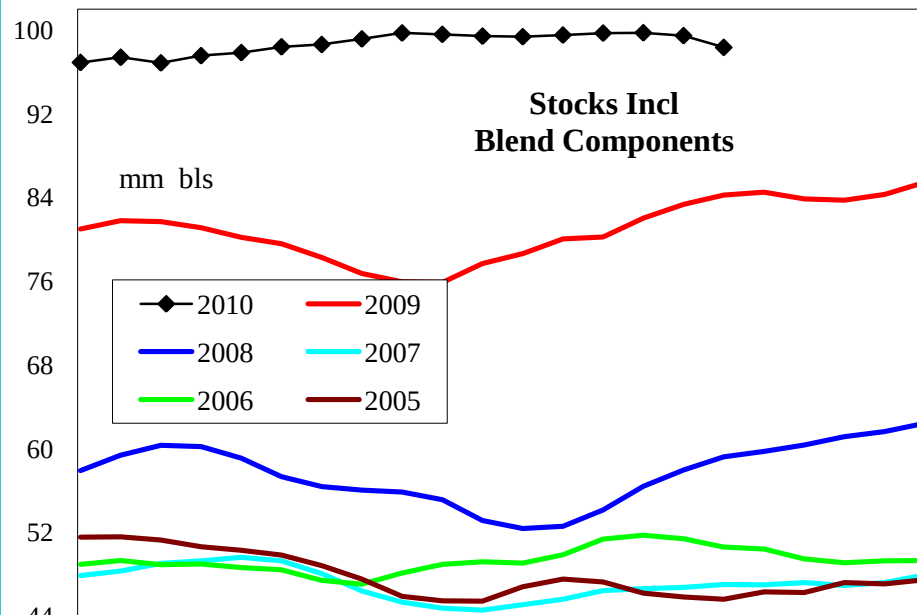
United States Crude Oil Supply and Demand Balance



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

14,111

93

-92

16

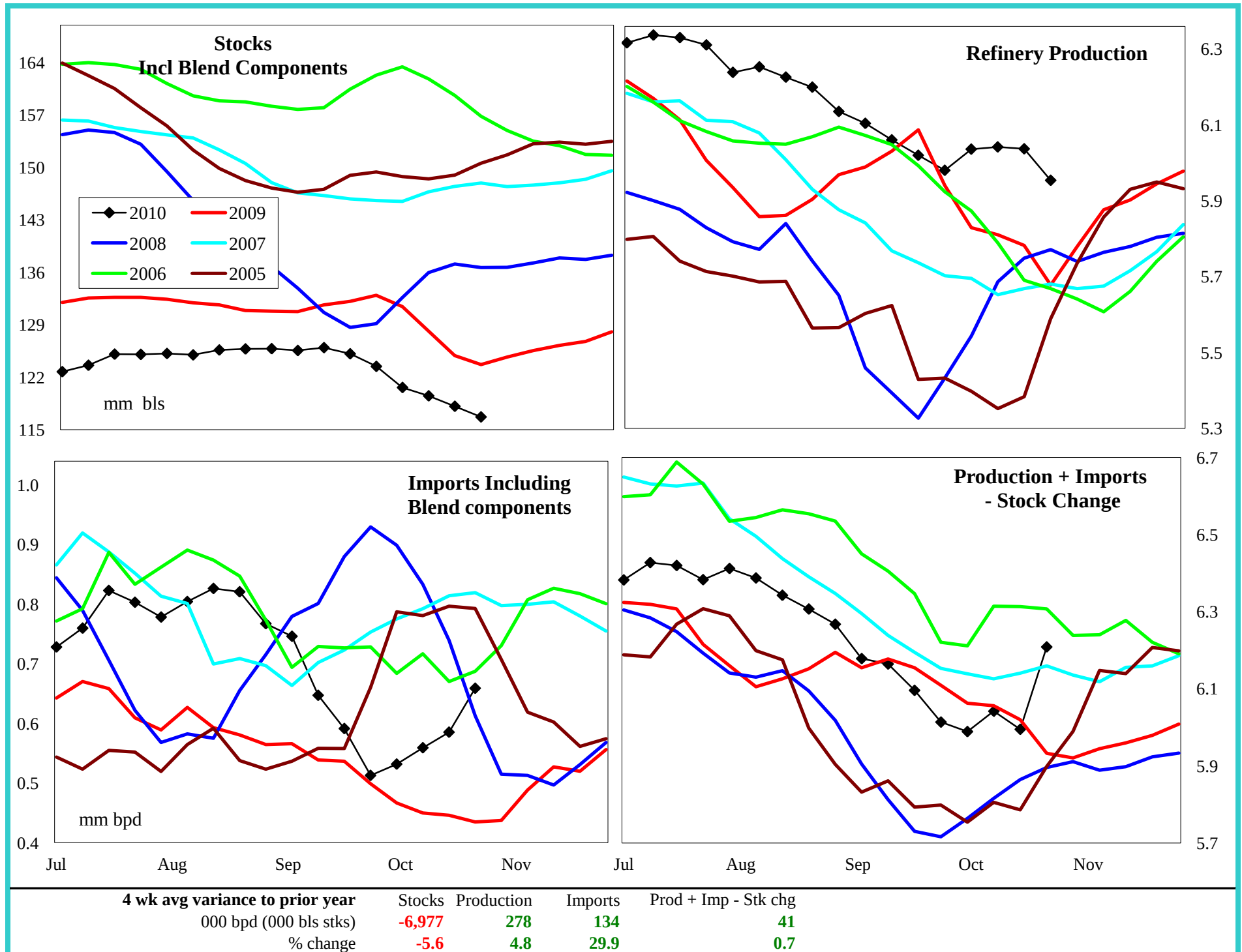
16.8

3.1

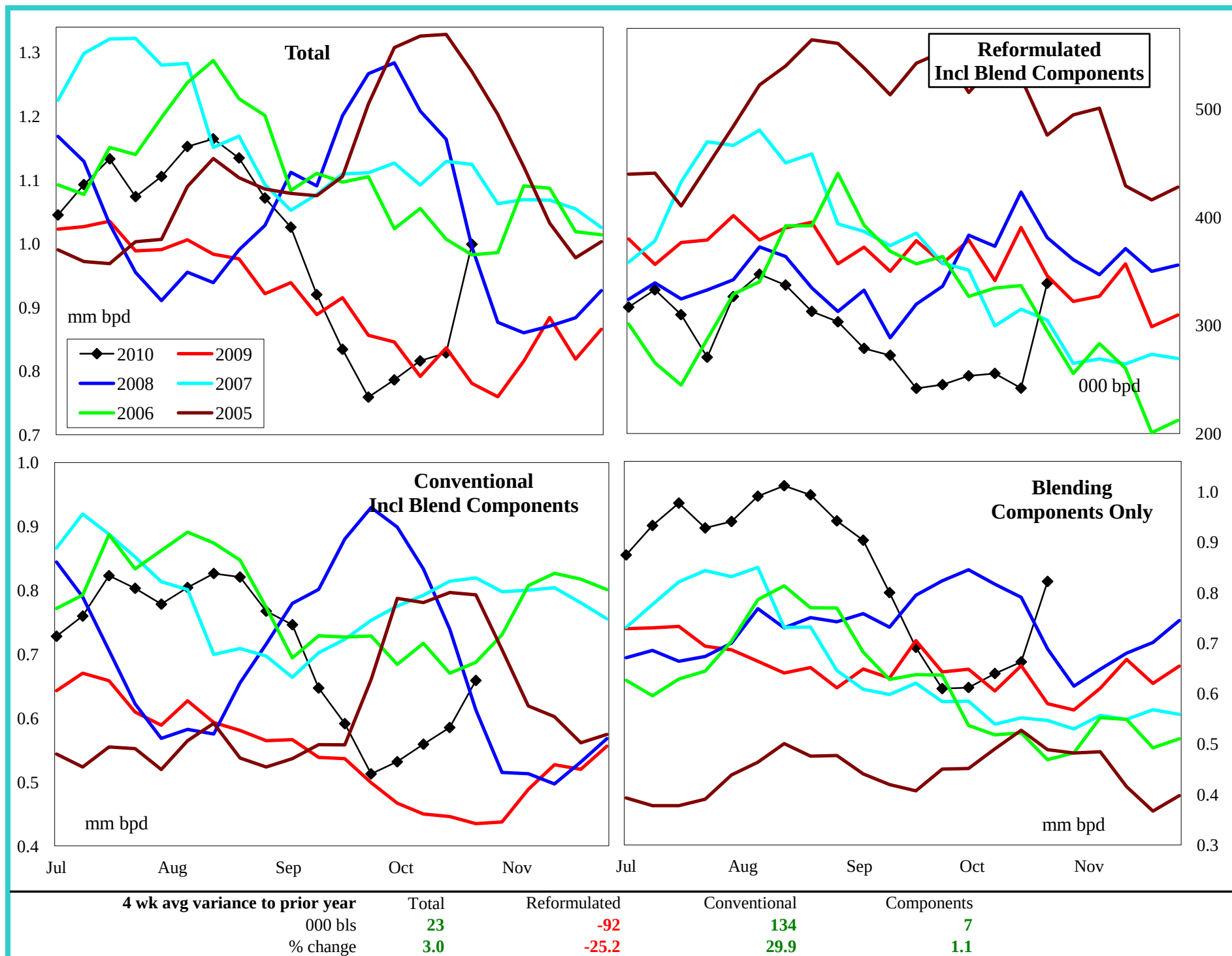
-25.2

0.5

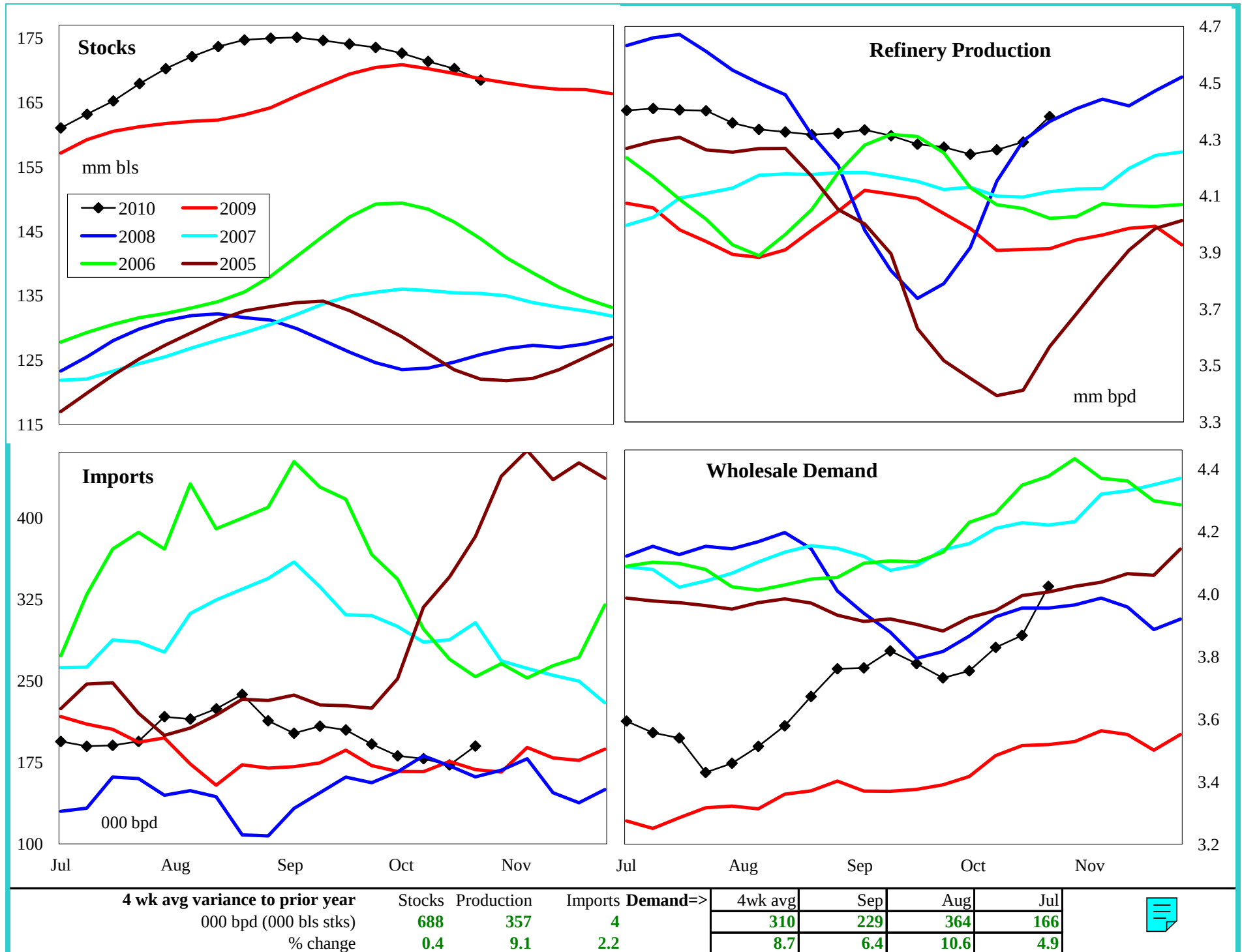
United States Conventional Gasoline Supply



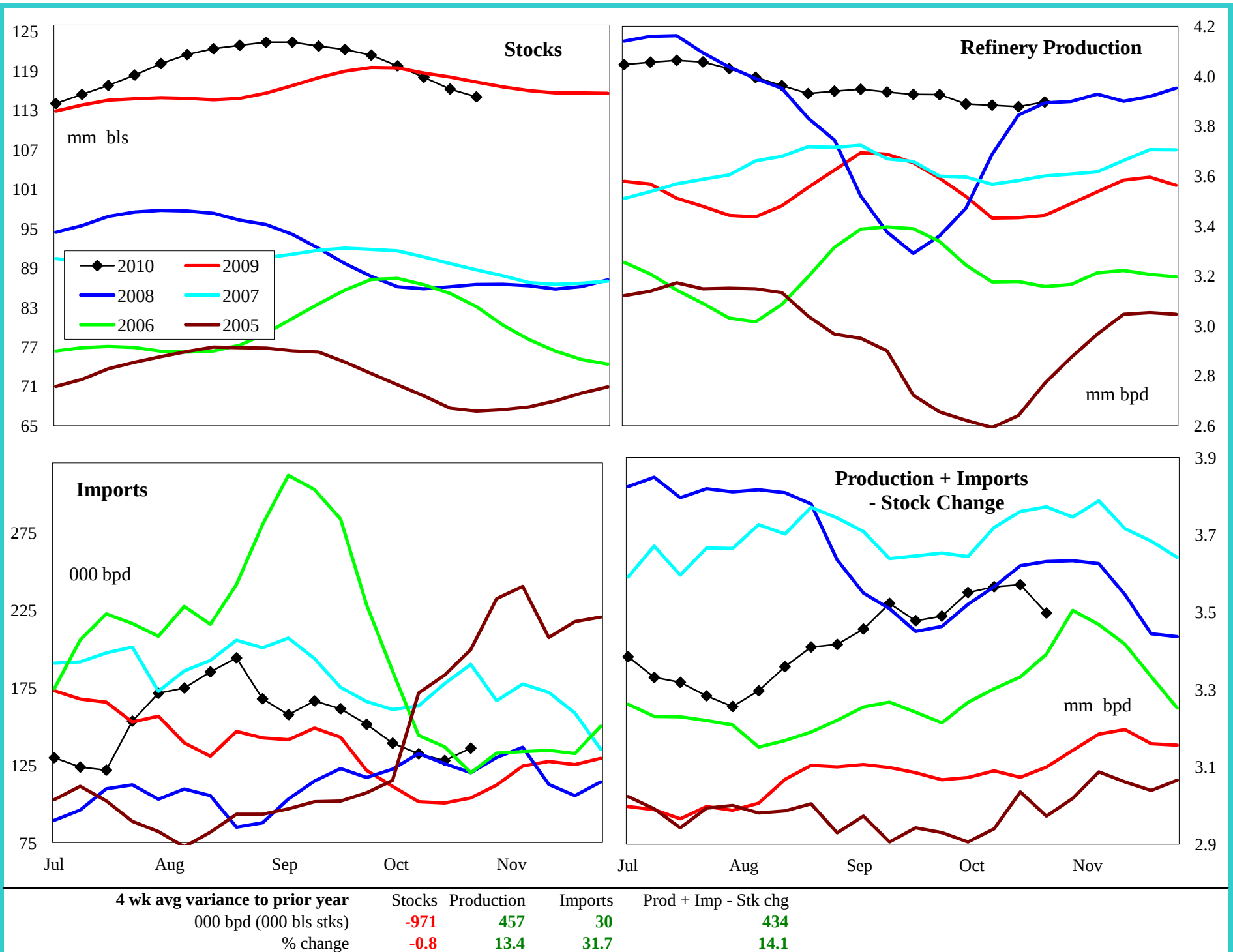
United States Gasoline Imports by Type



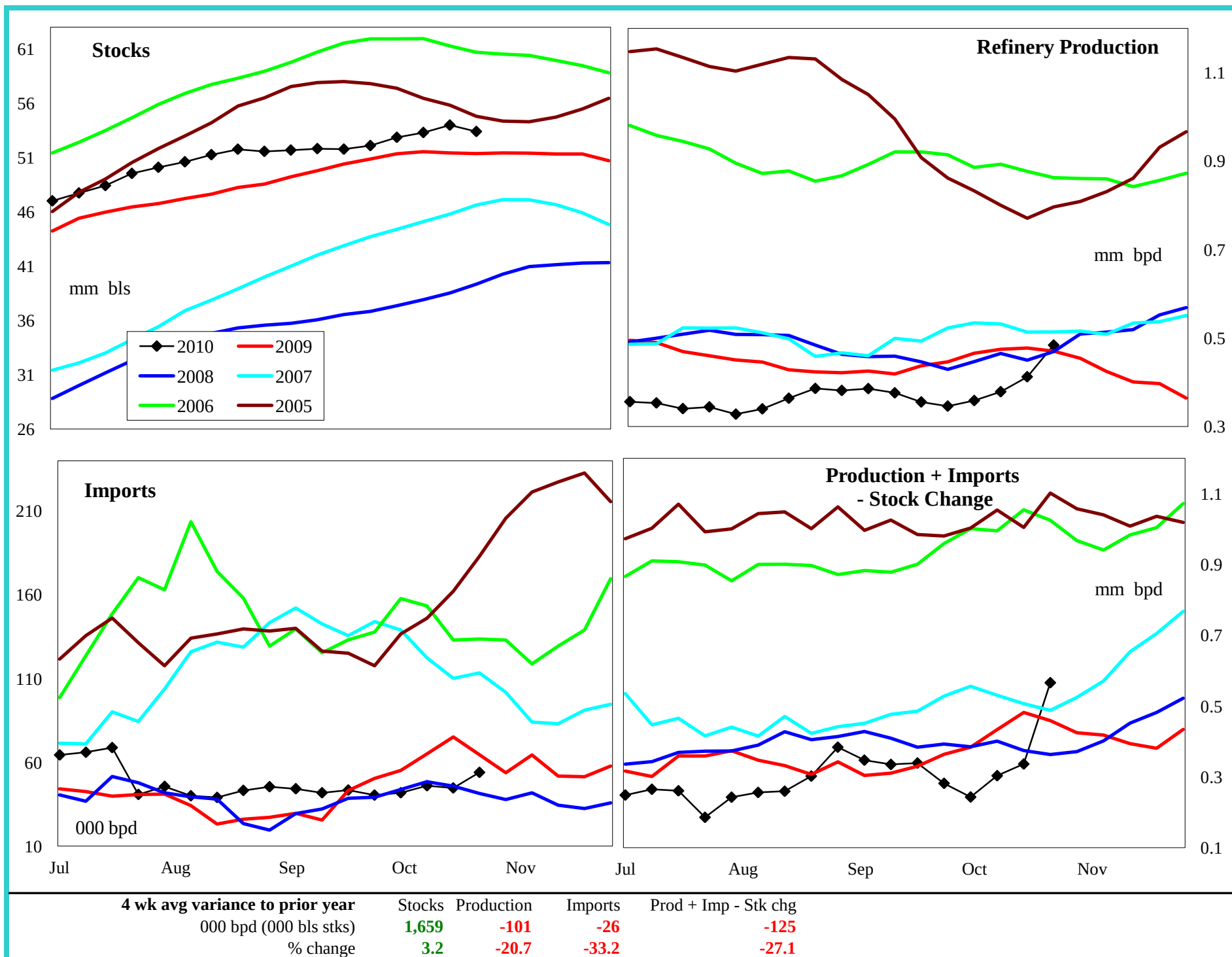
United States Distillate Supply and Demand Balance



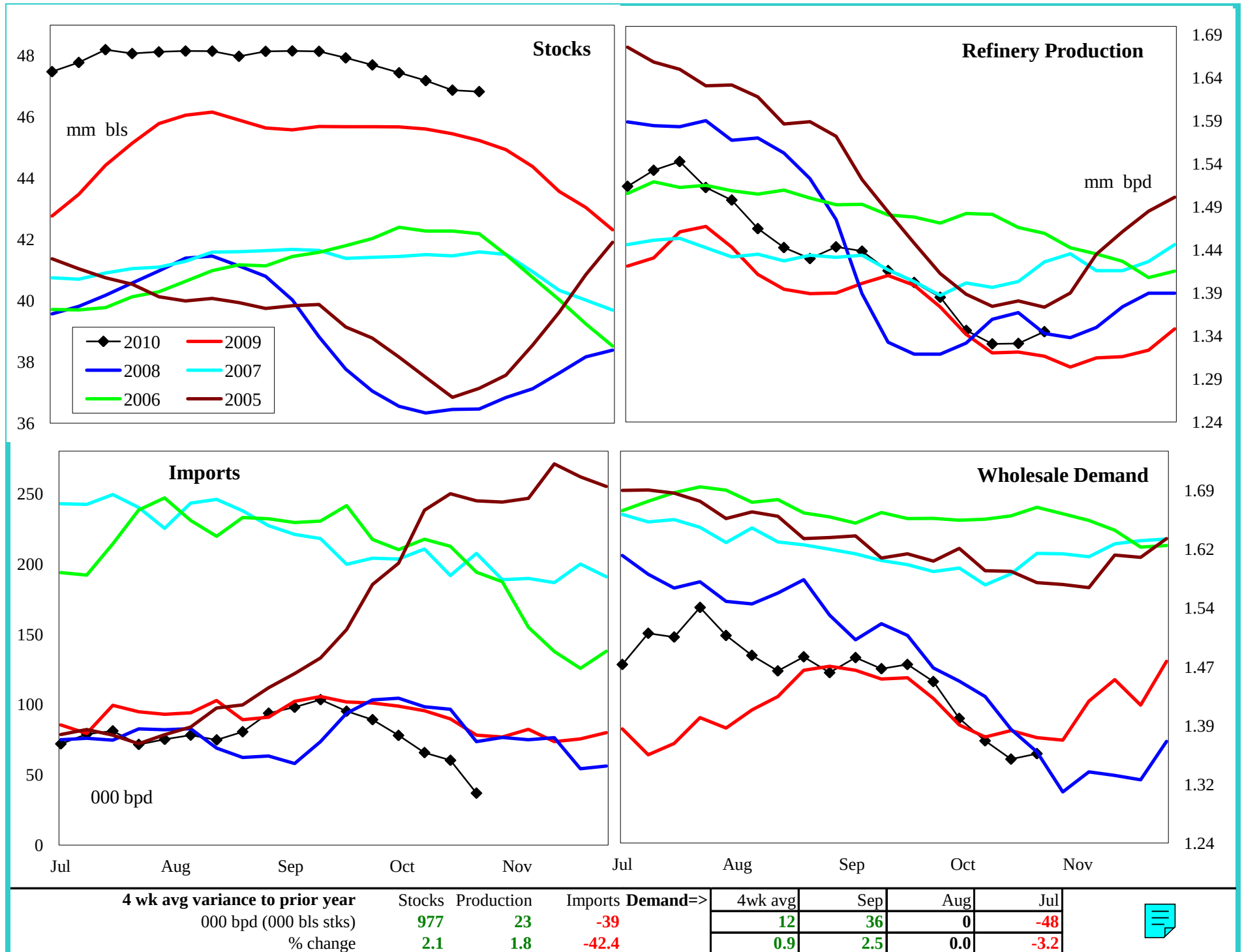
United States Low Sulfur Distillate Supply



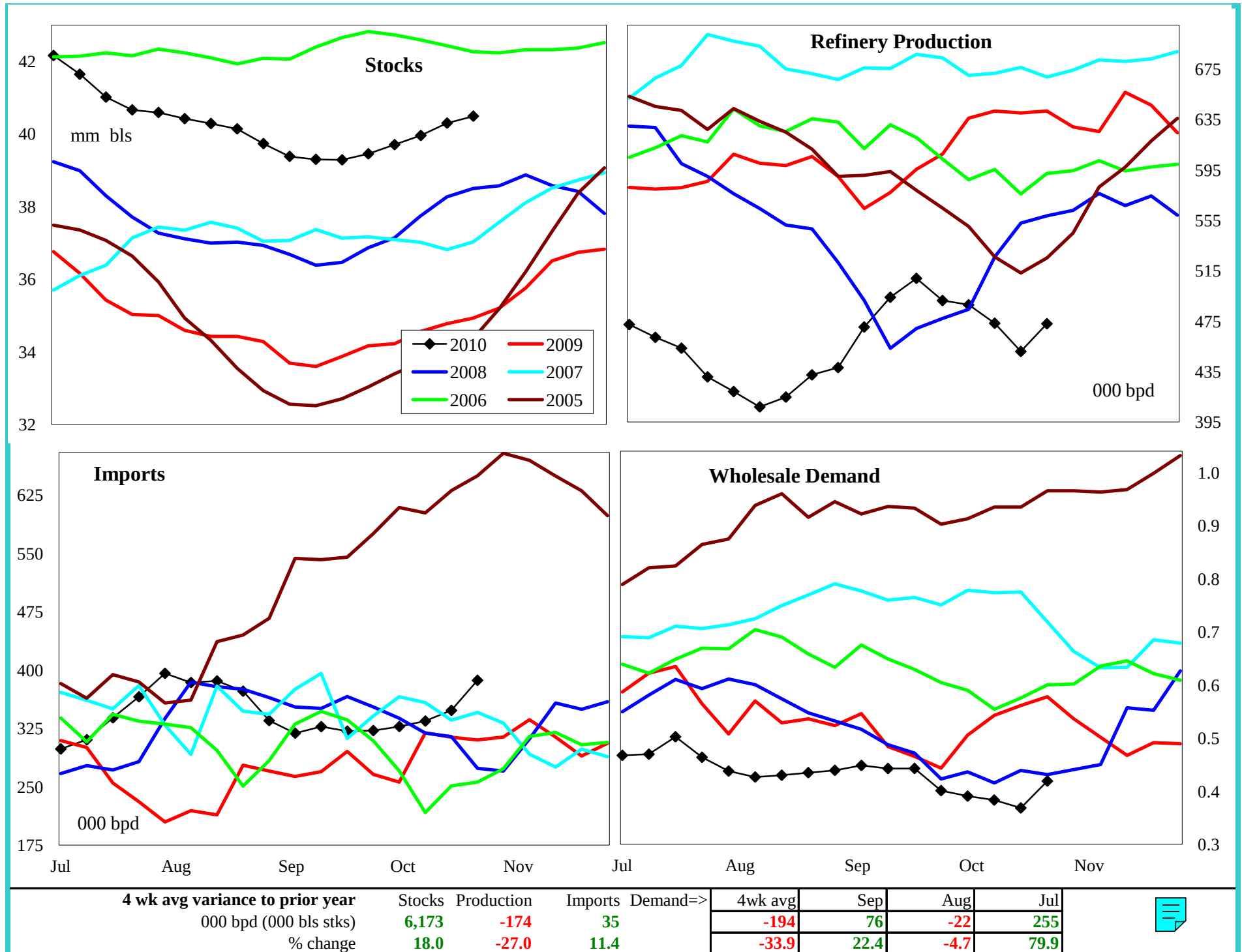
United States High Sulfur Distillate Supply



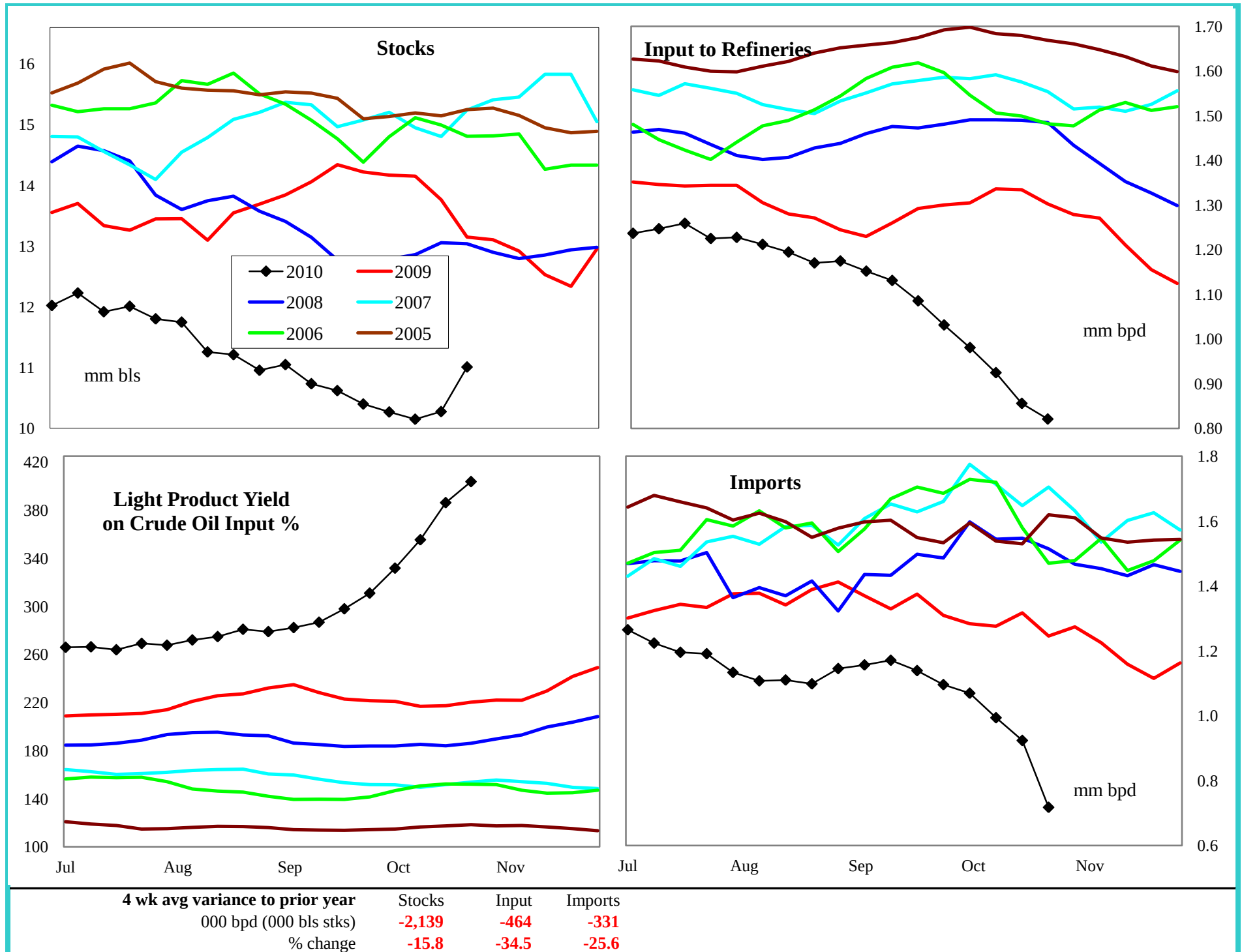
United States Jet Fuel Supply and Demand Balance



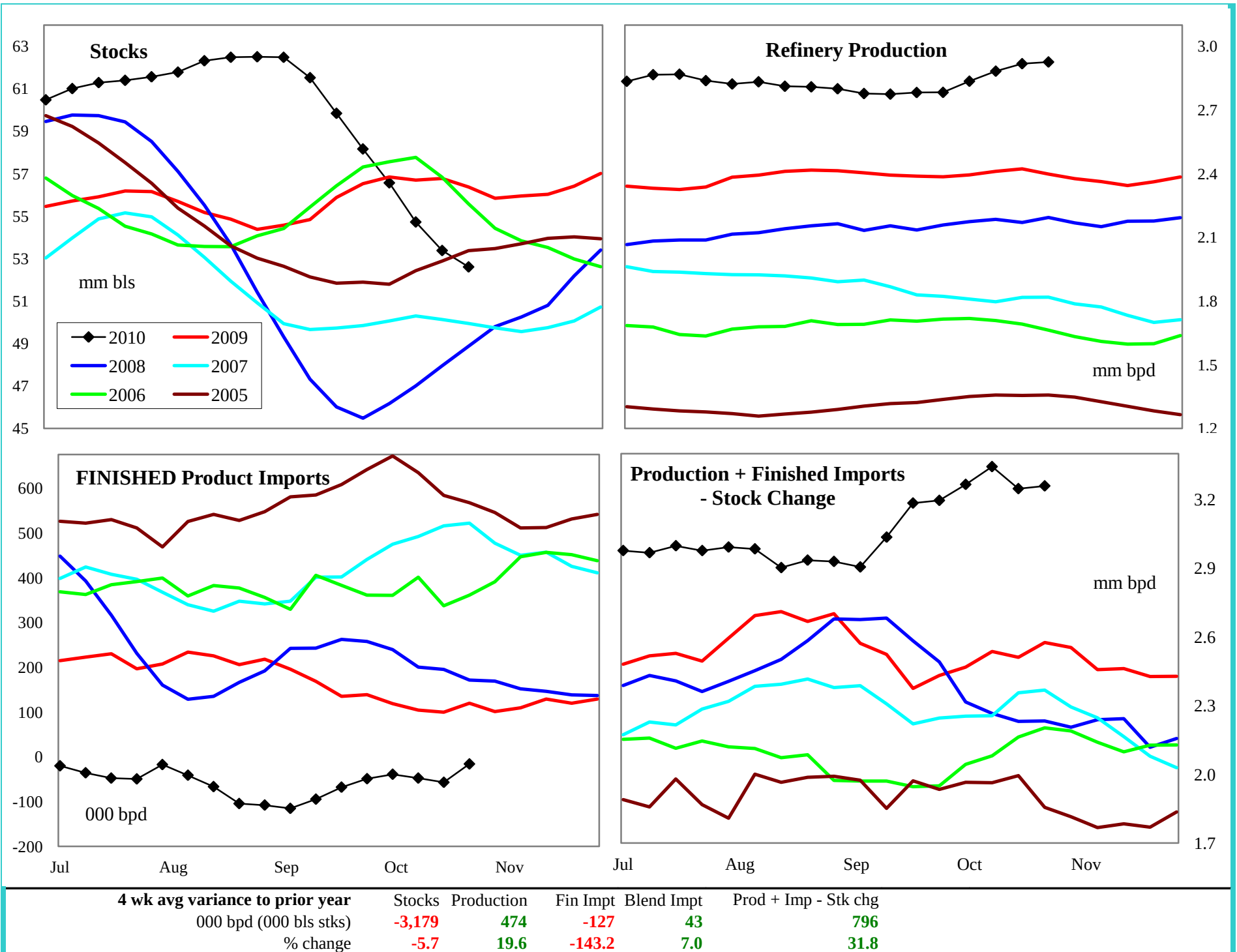
United States Residual Fuel Oil Supply and Demand Balance



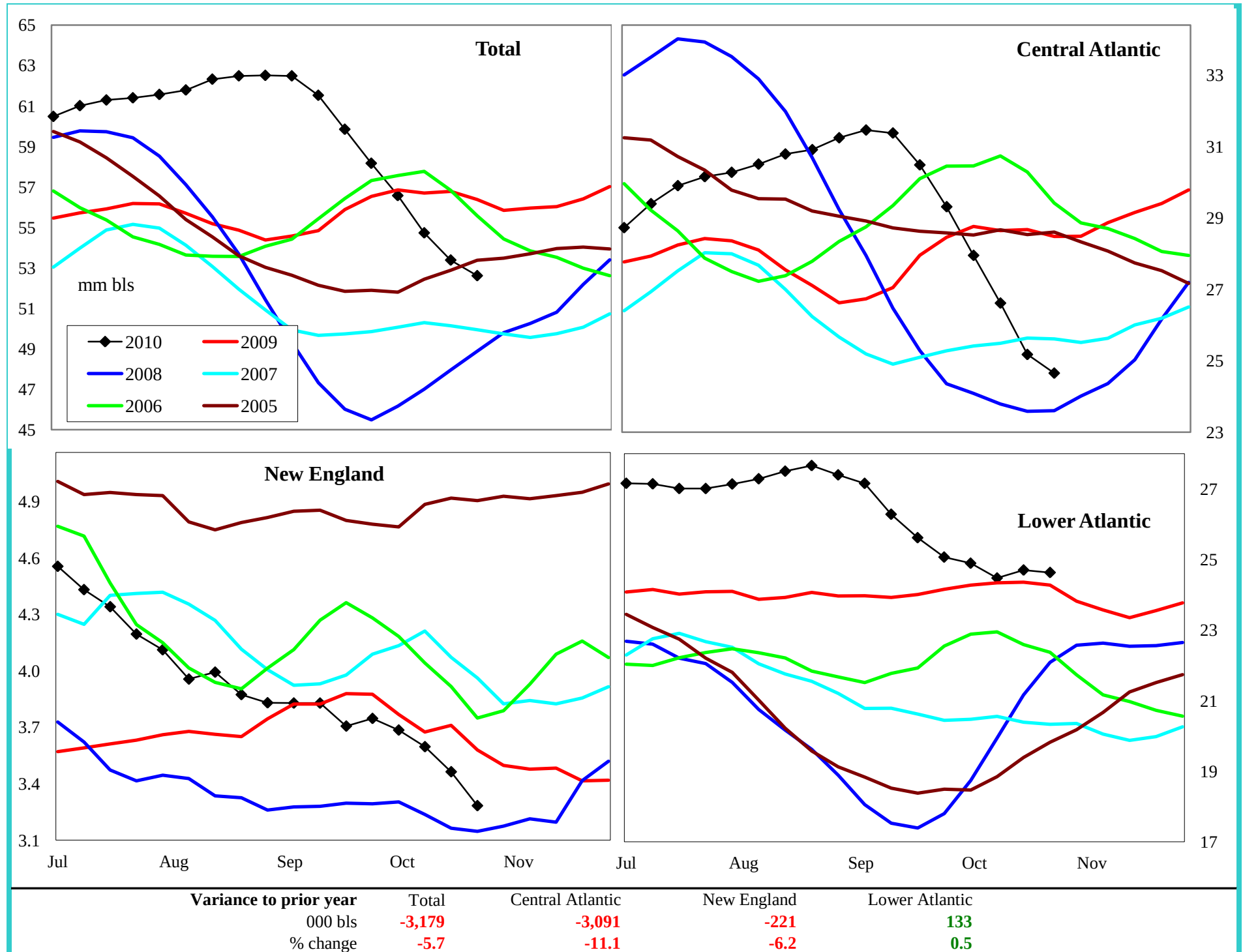
PADD 1 Crude Oil Supply and Refining



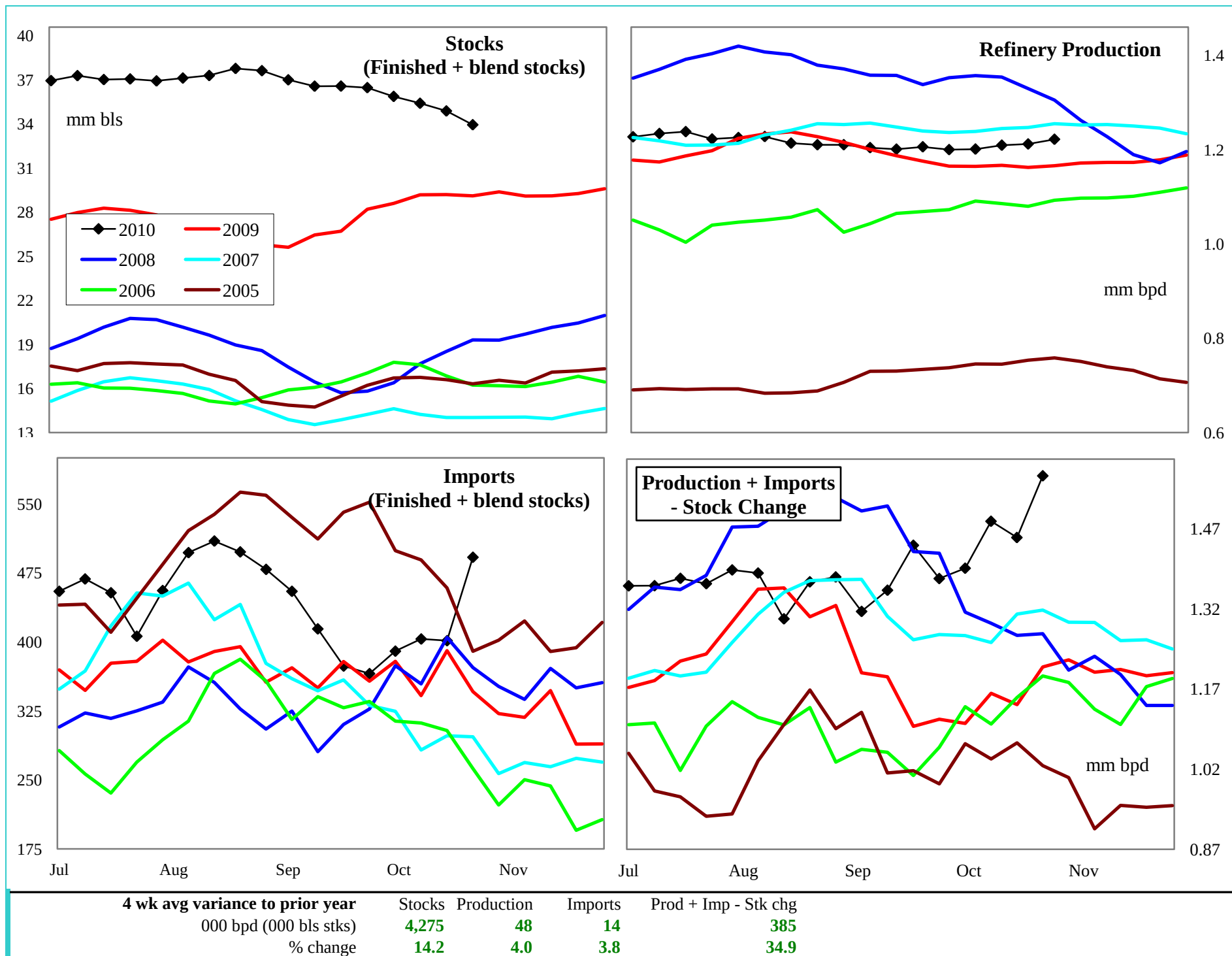
PADD 1 Gasoline Supply



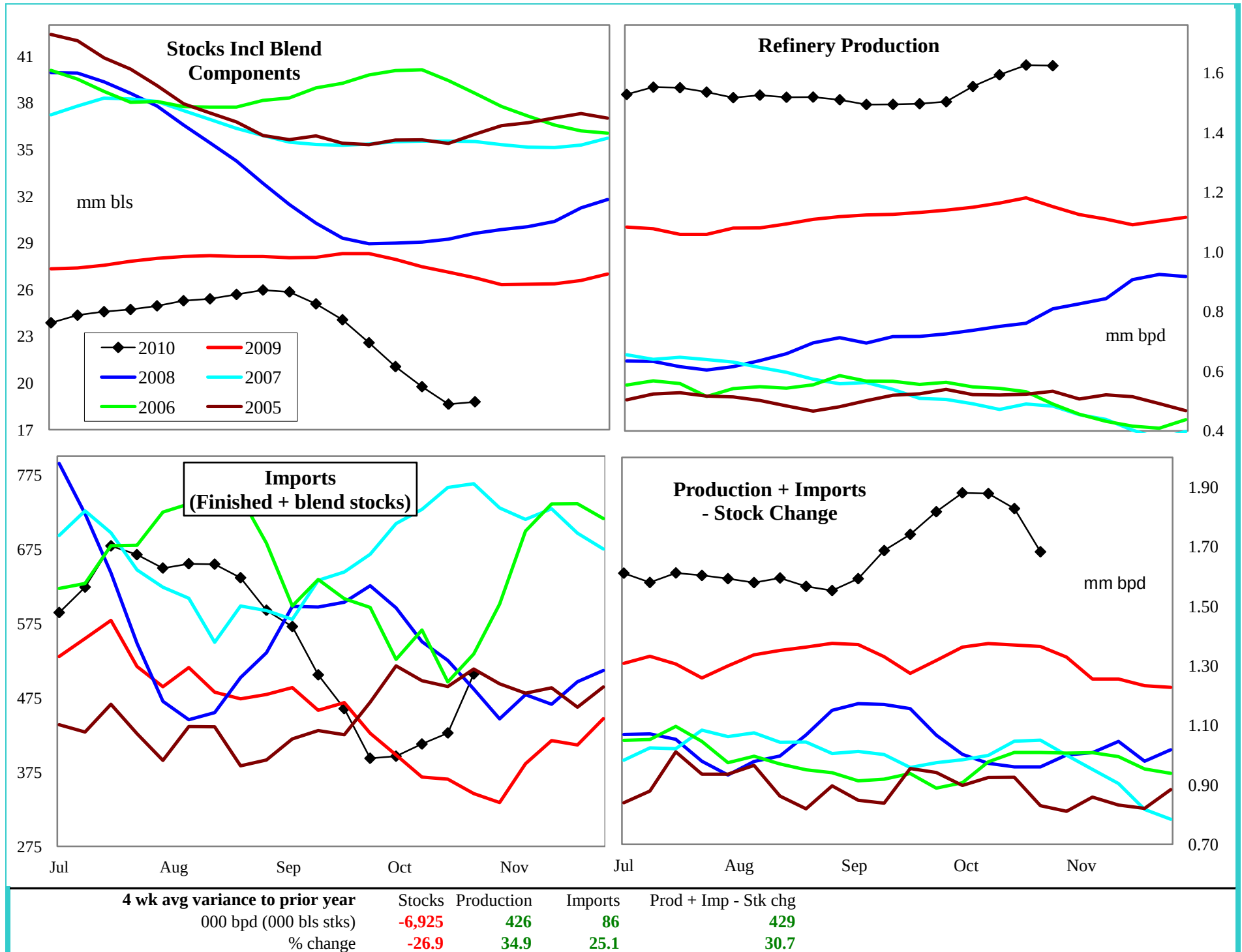
PADD 1 Gasoline Stocks by Region



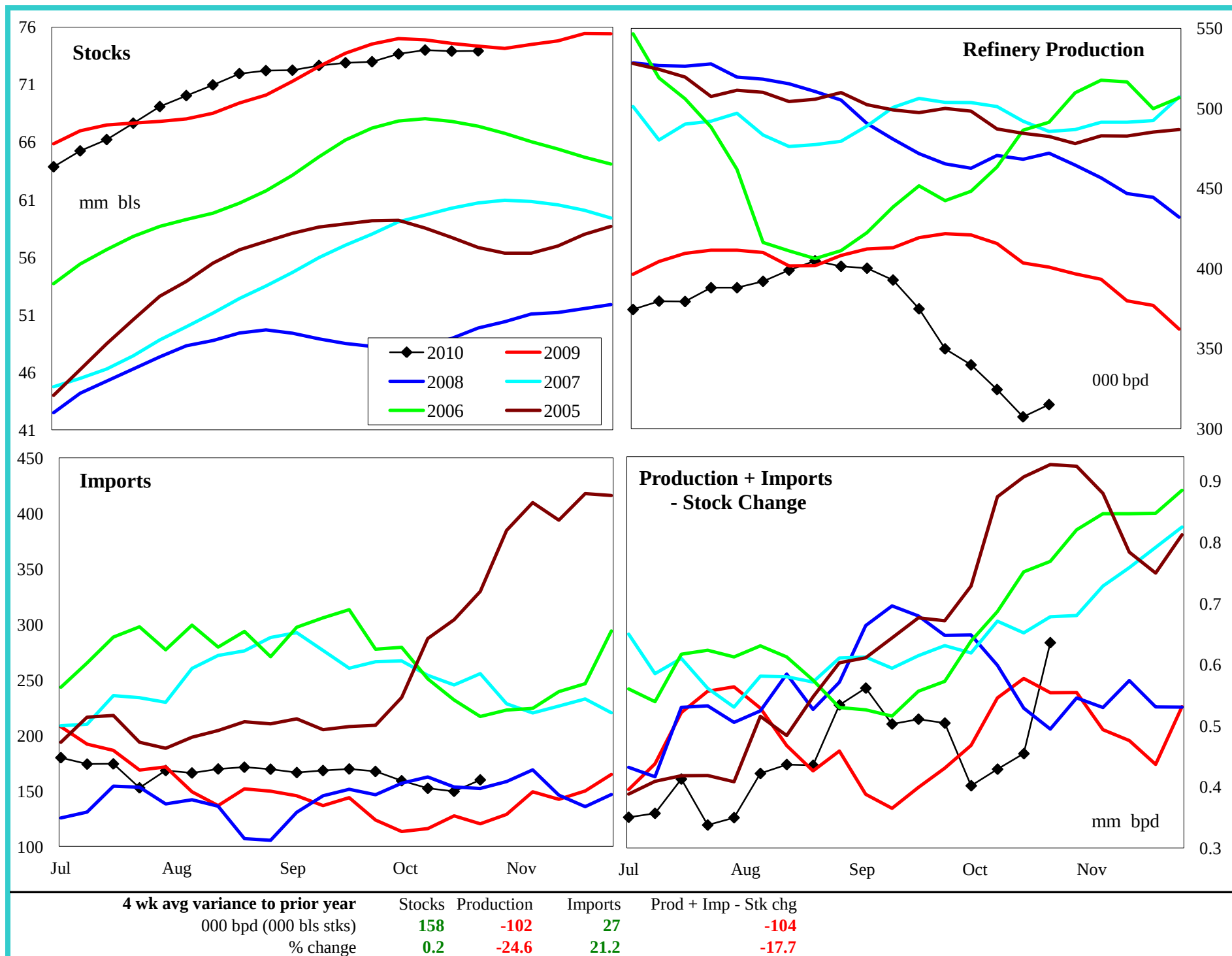
PADD 1 Reformulated Gasoline Supply



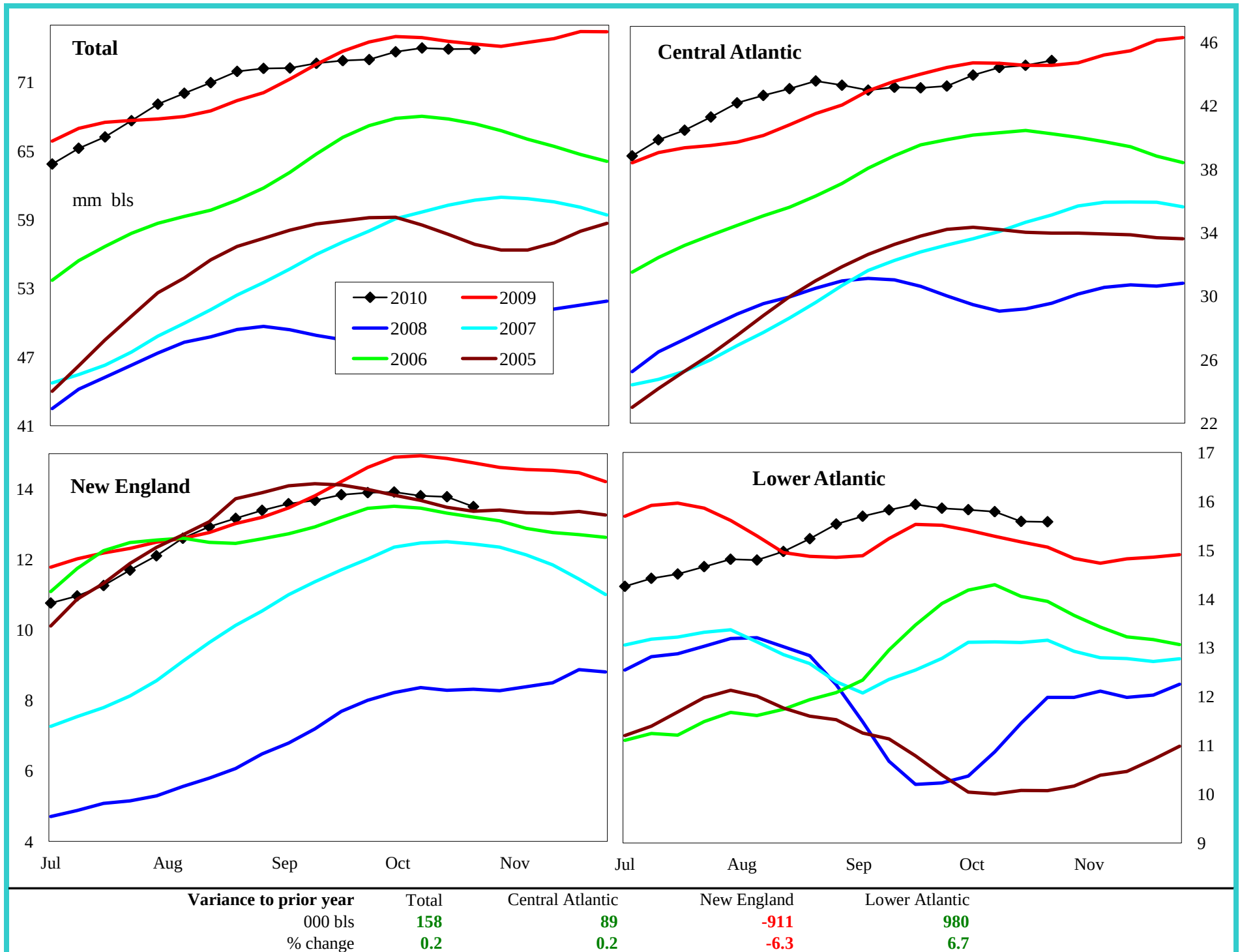
PADD 1 Conventional Gasoline Supply



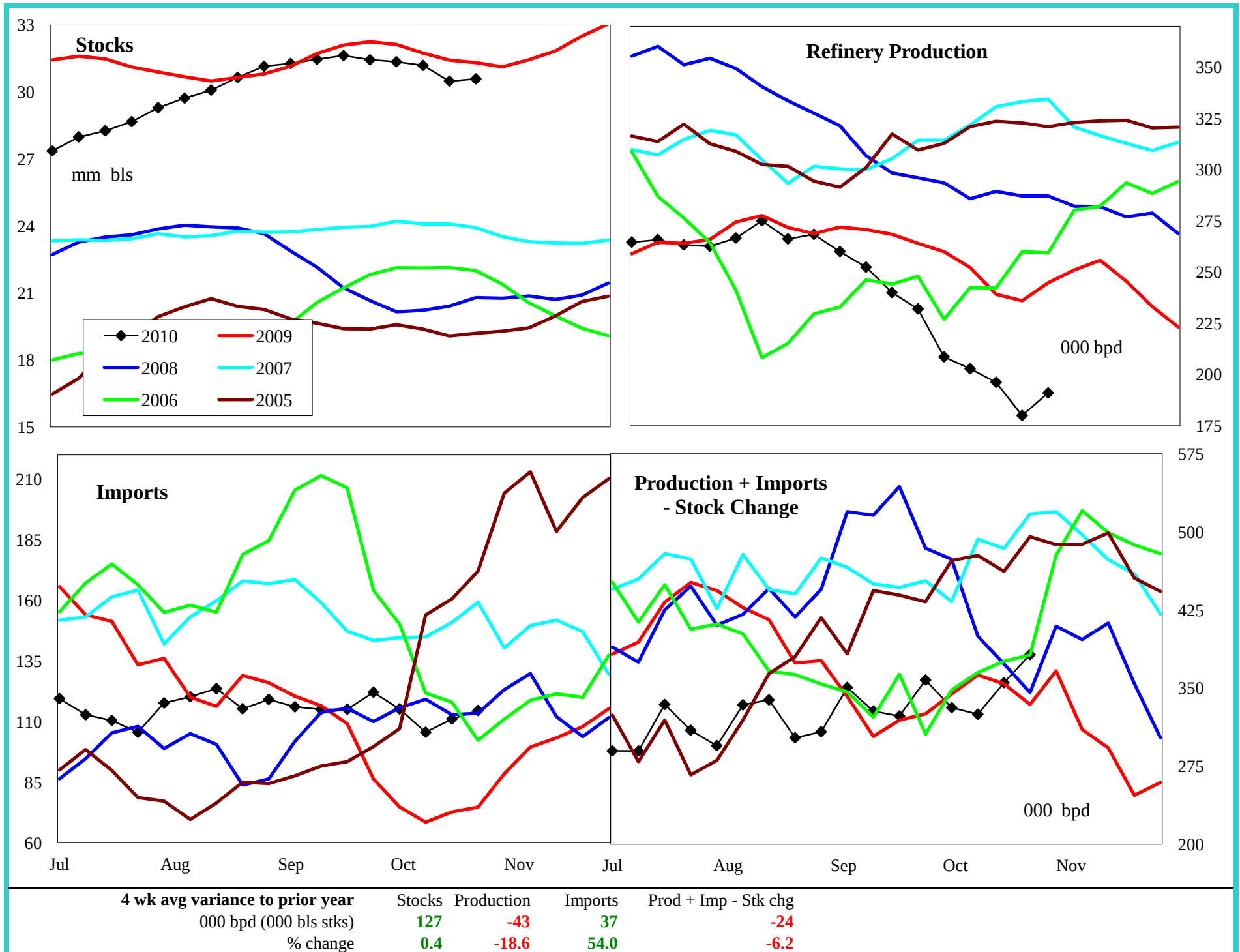
PADD 1 Distillate Supply



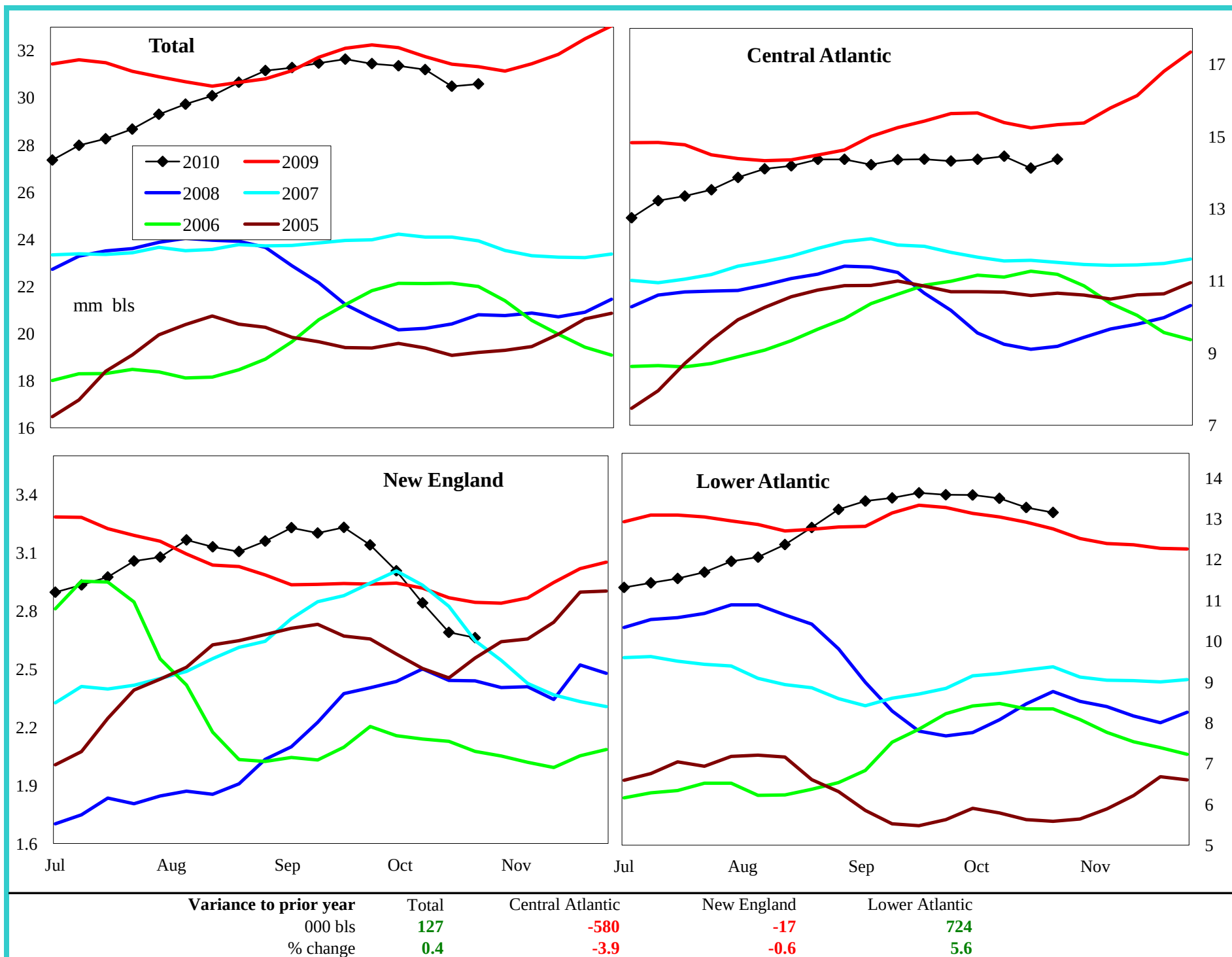
PADD 1 Distillate Stocks by Region



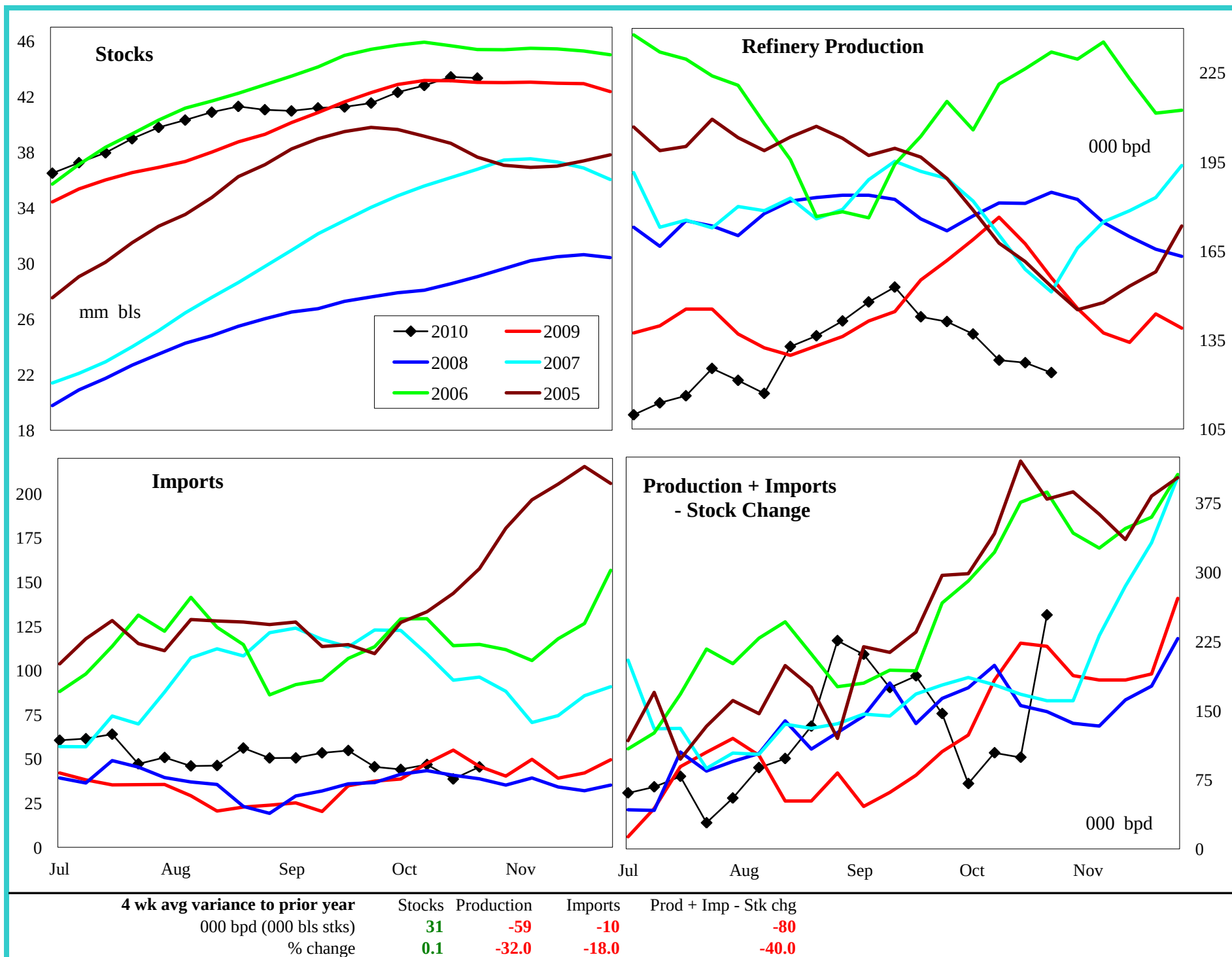
PADD 1 Low Sulfur Distillate Supply



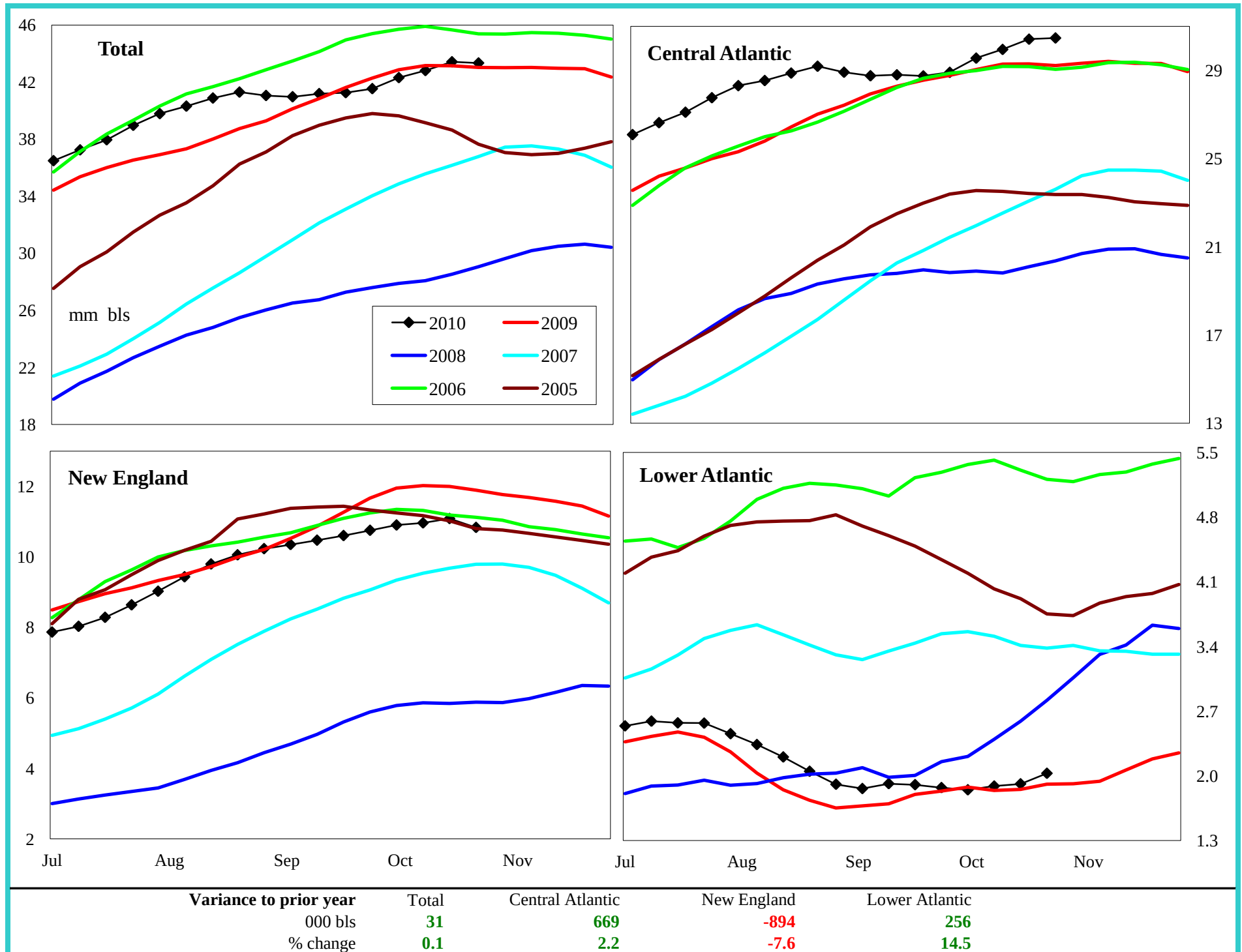
PADD 1 Low Sulfur Distillate Stocks by Region



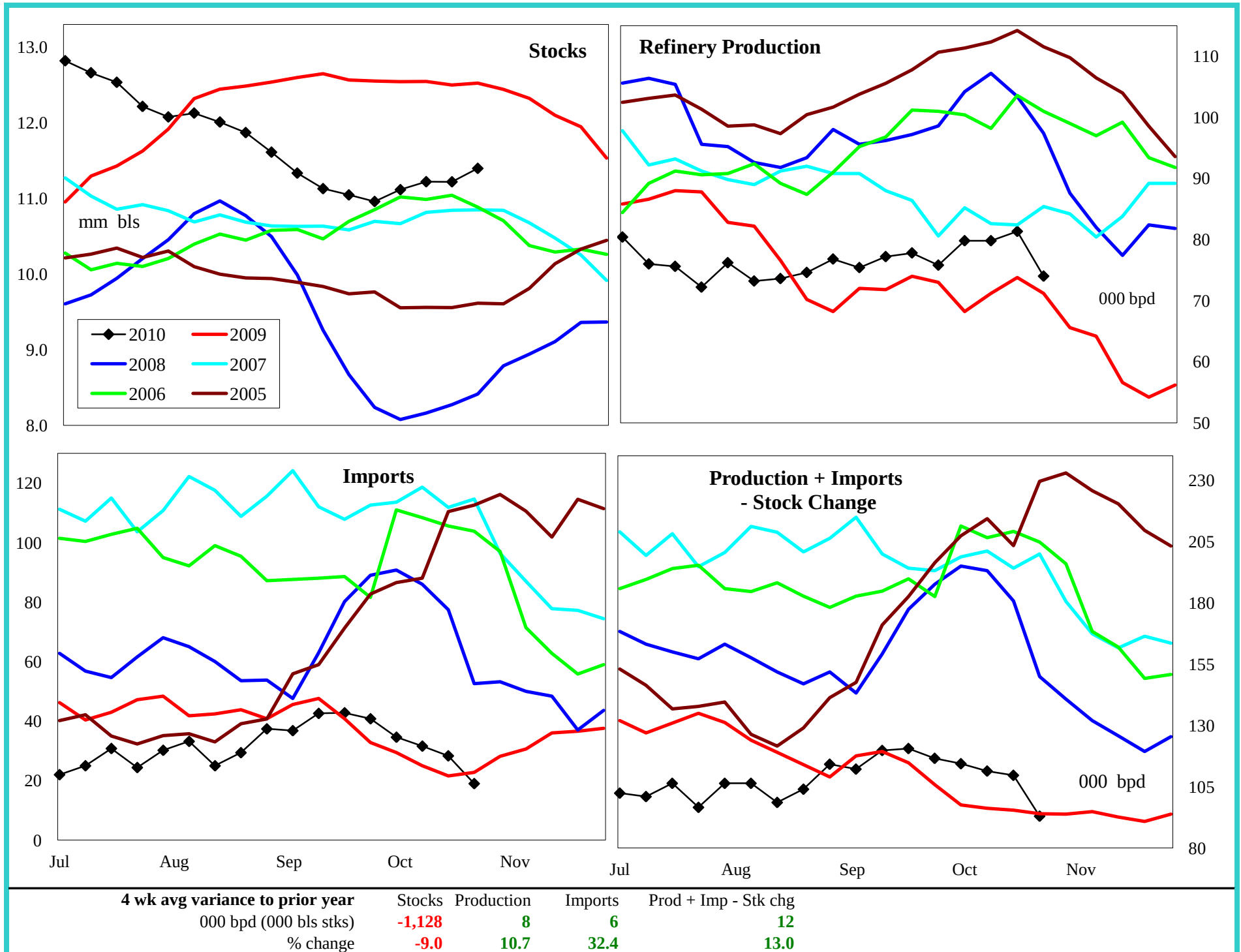
PADD 1 High Sulfur Distillate Supply



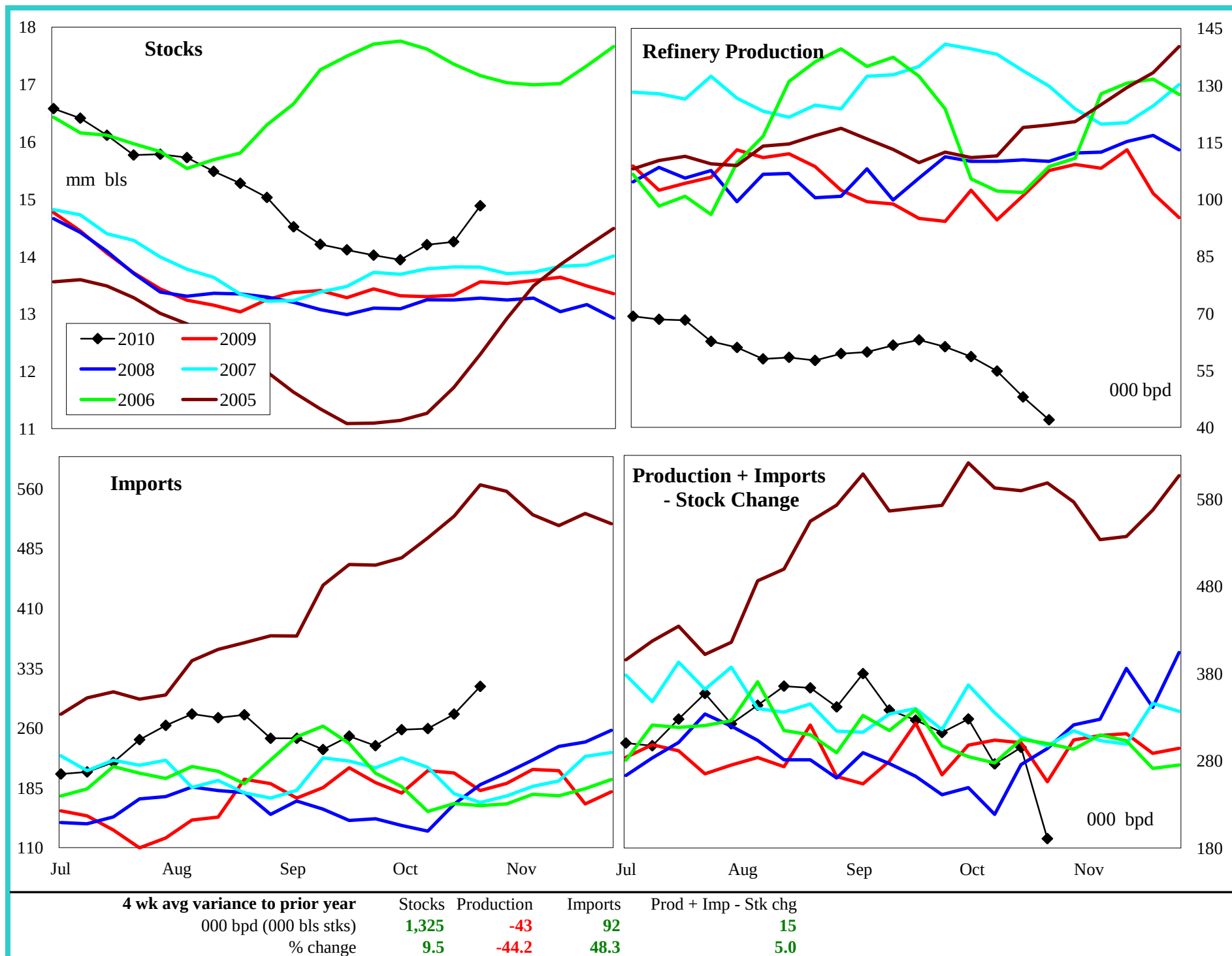
PADD 1 High Sulfur Distillate Stocks by Region



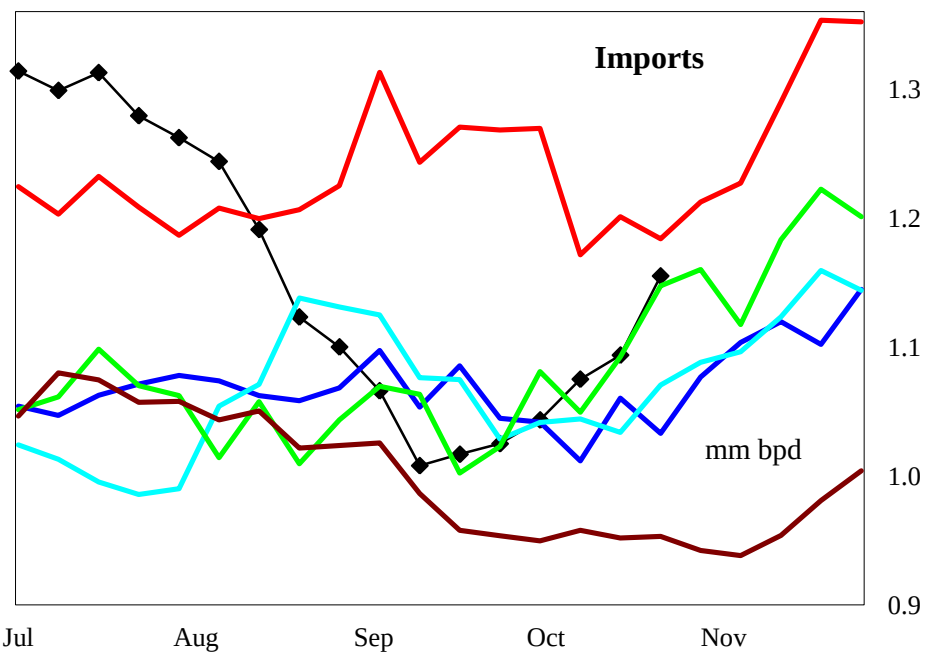
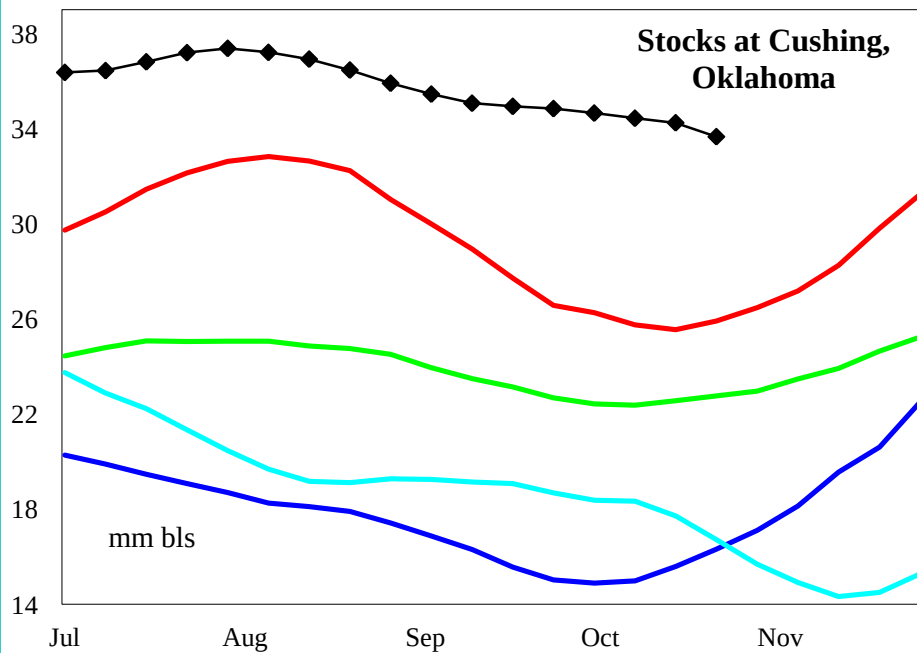
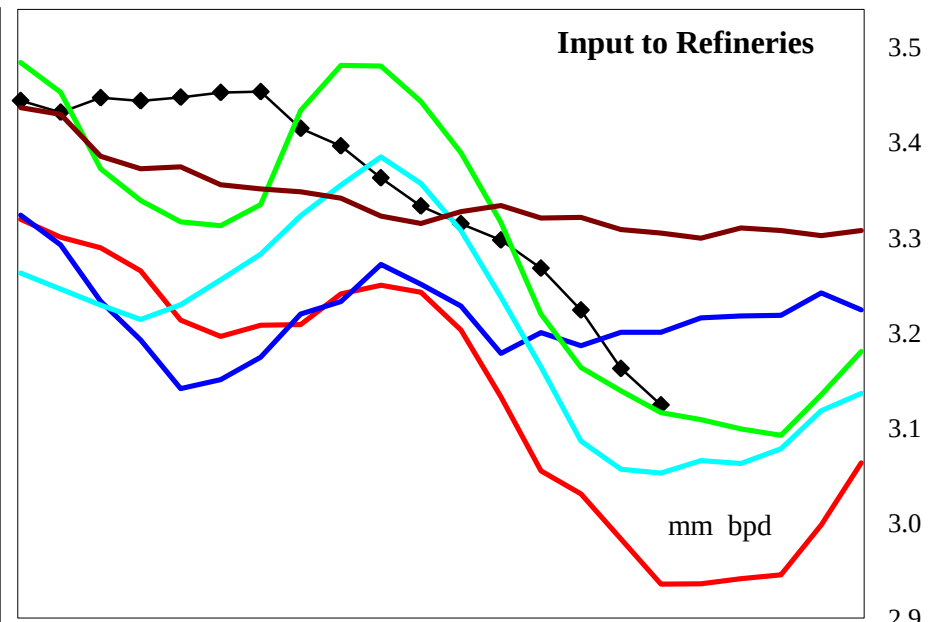
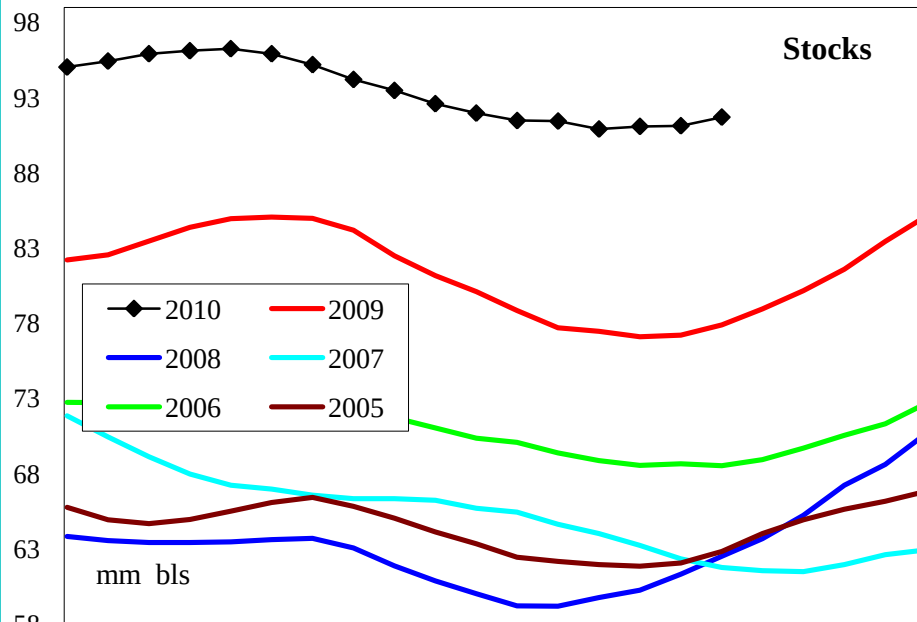
PADD 1 Jet Fuel Supply



PADD 1 Residual Fuel Oil Supply



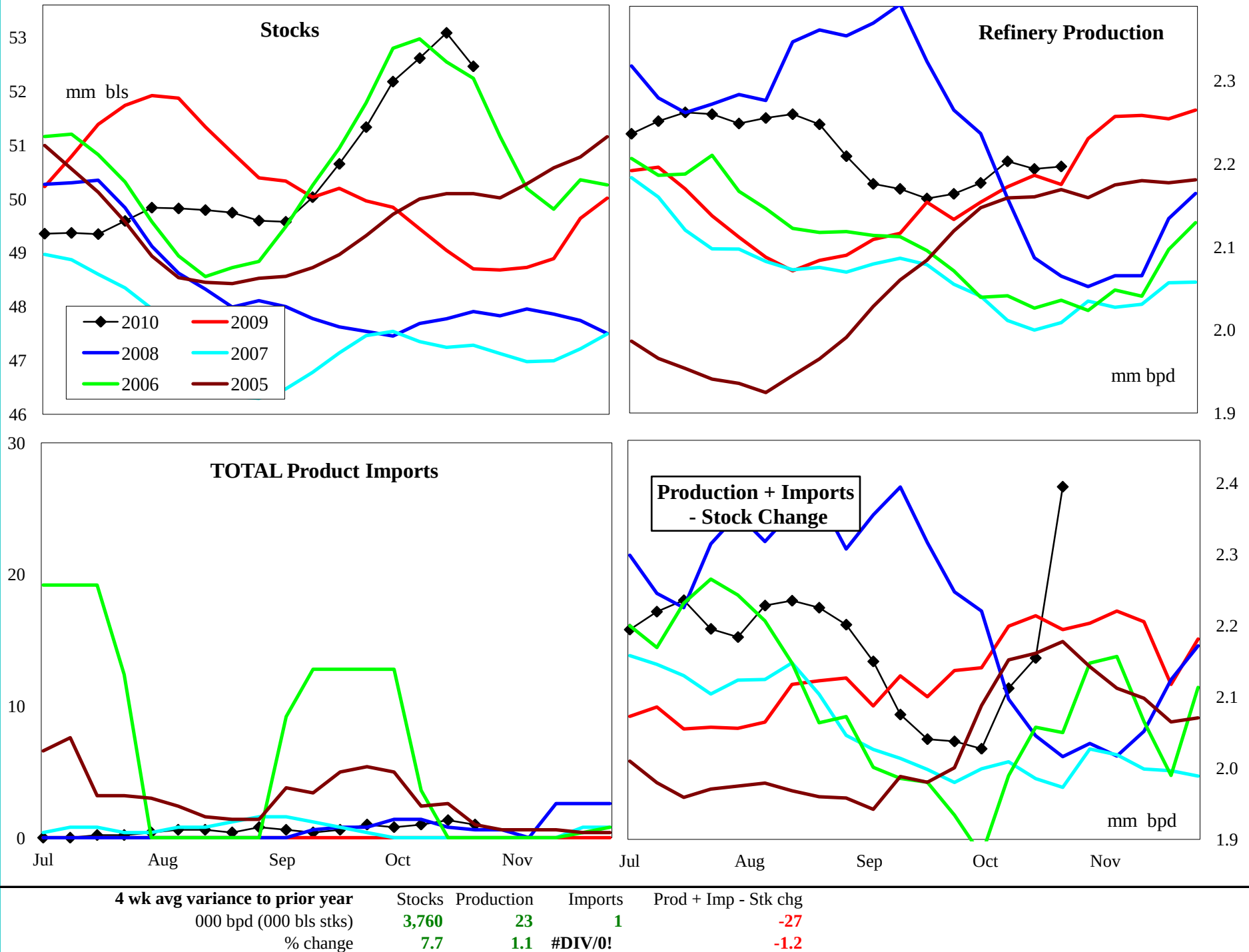
PADD 2 Crude Oil Supply and Refining



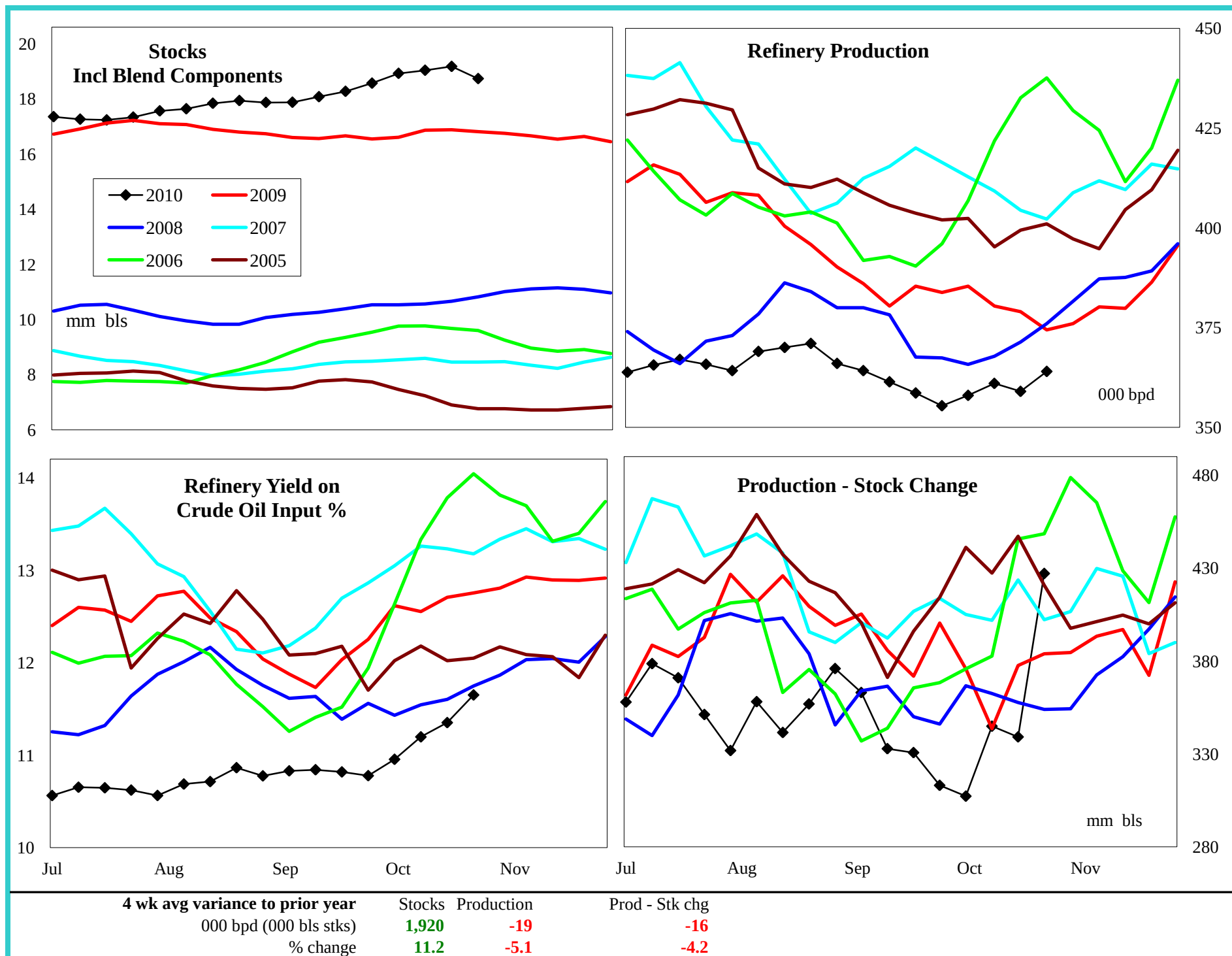
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

	Stocks	Cushing	Input	Imports
000 bpd (000 bbls stks)	13,822	7,743	203	-111
% change	17.7	29.9	6.8	-8.8

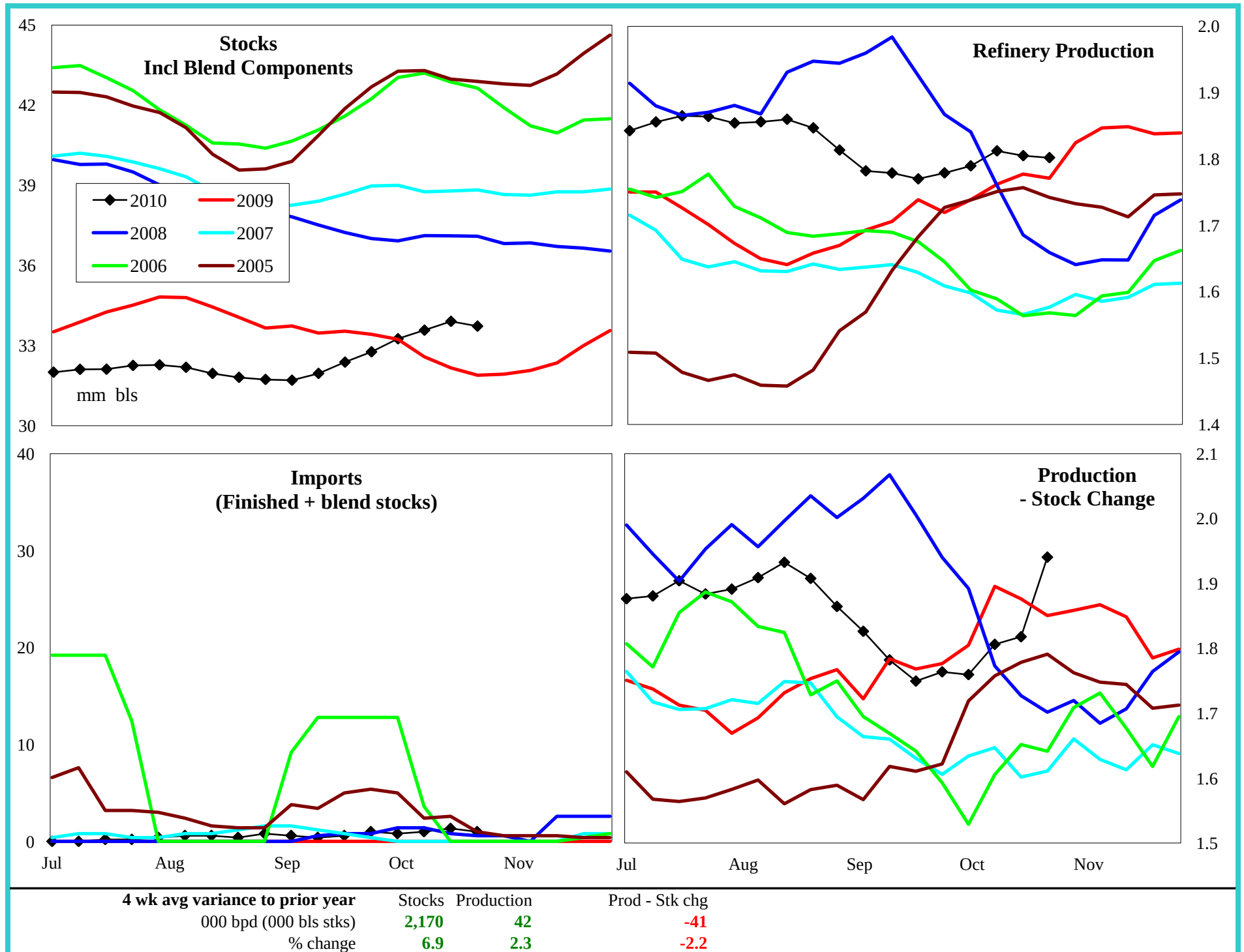
PADD 2 Gasoline Supply



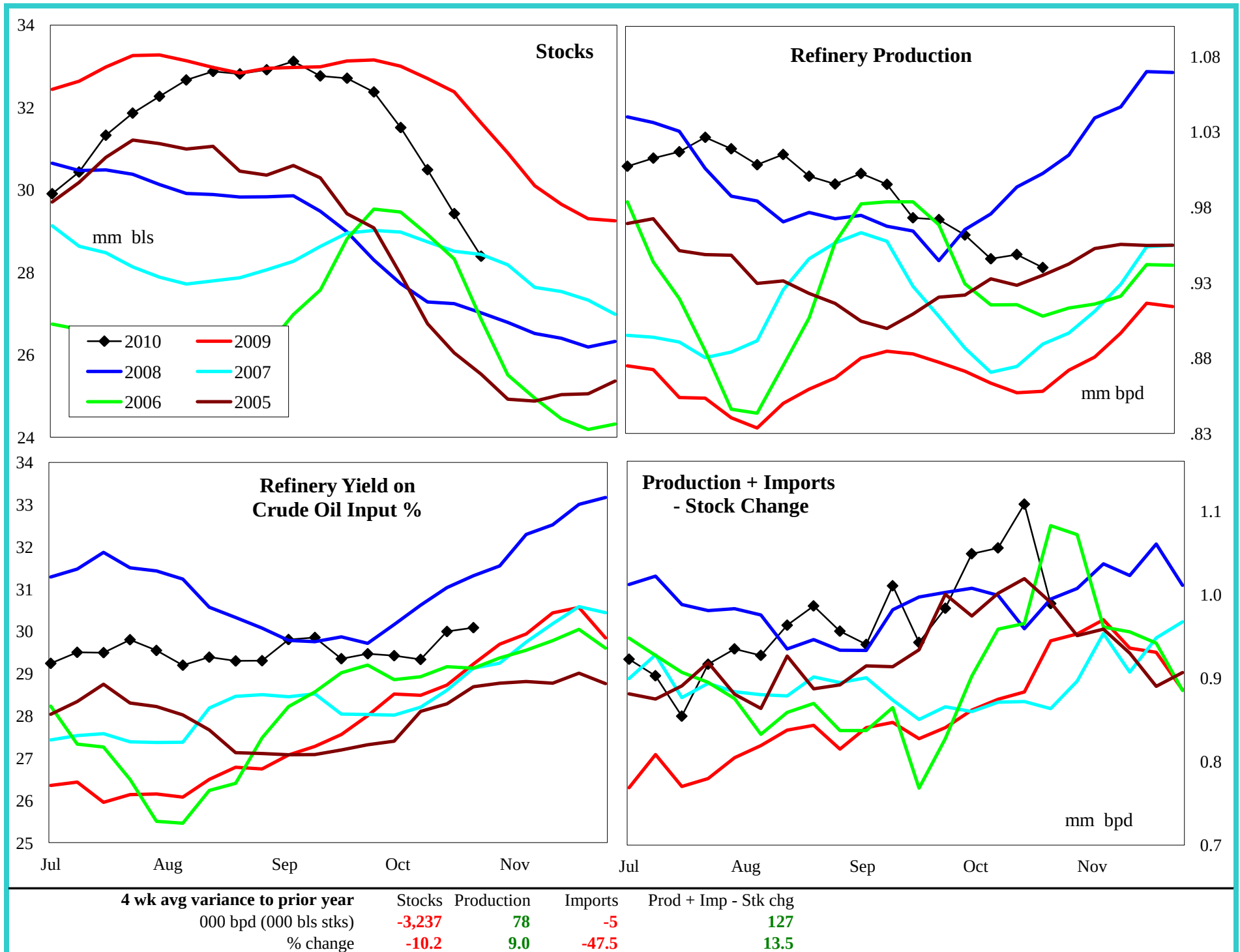
PADD 2 Reformulated Gasoline Supply



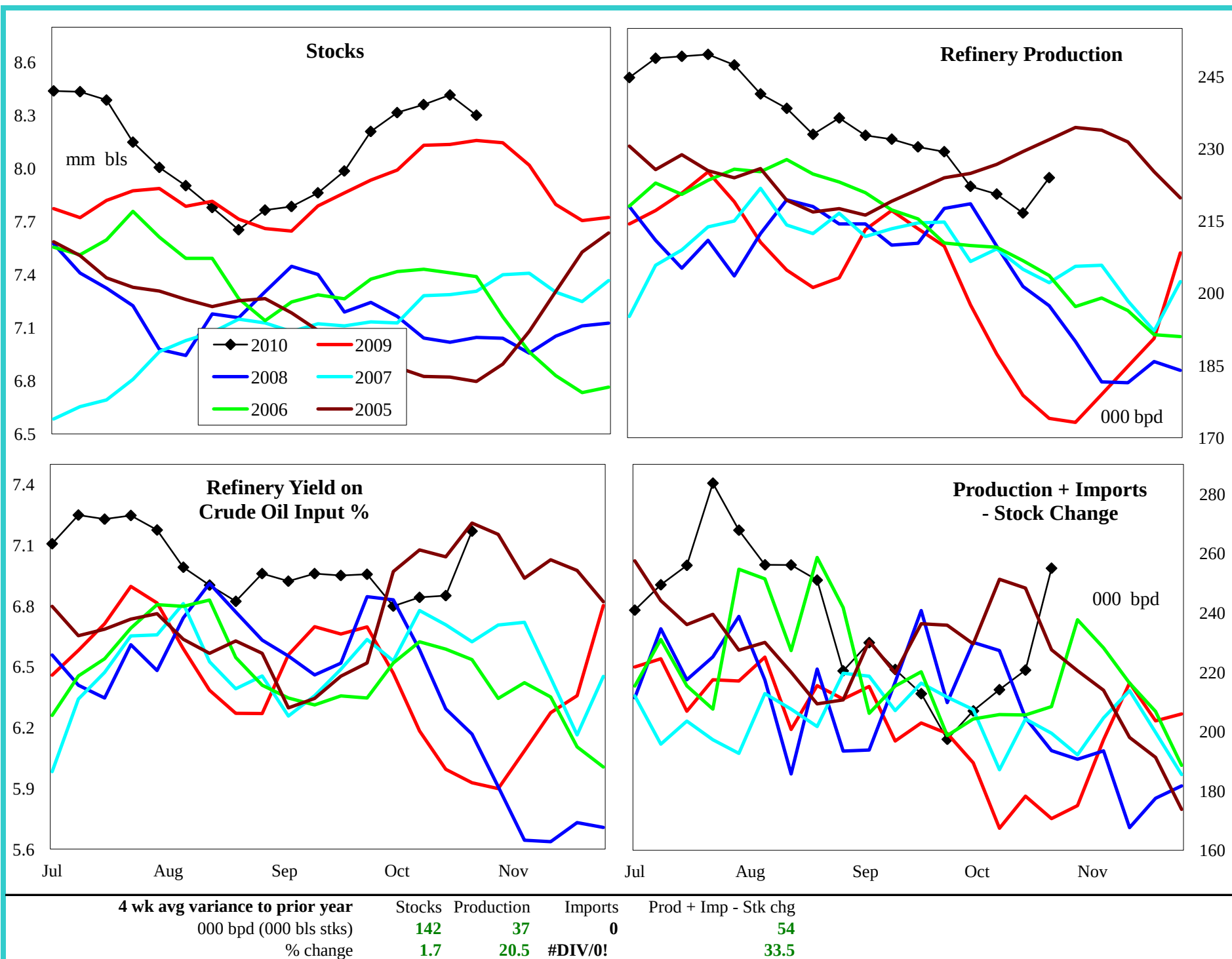
PADD 2 Conventional Gasoline Supply



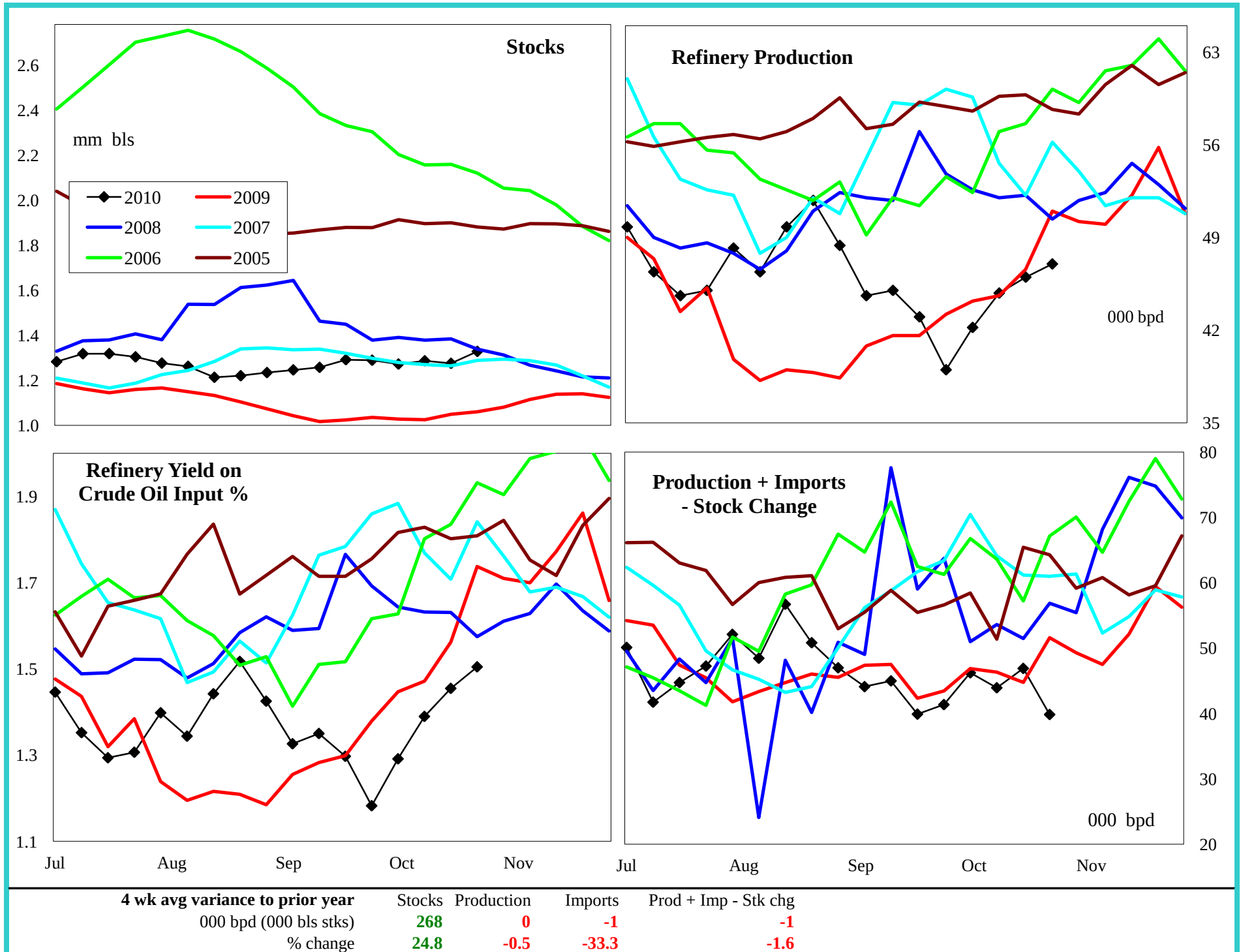
PADD 2 Distillate Supply



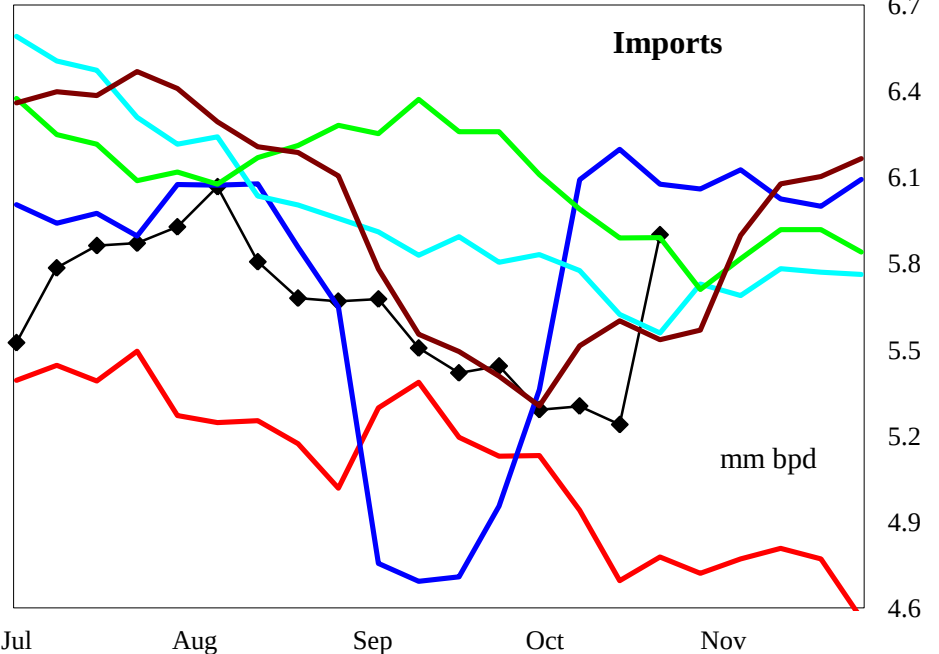
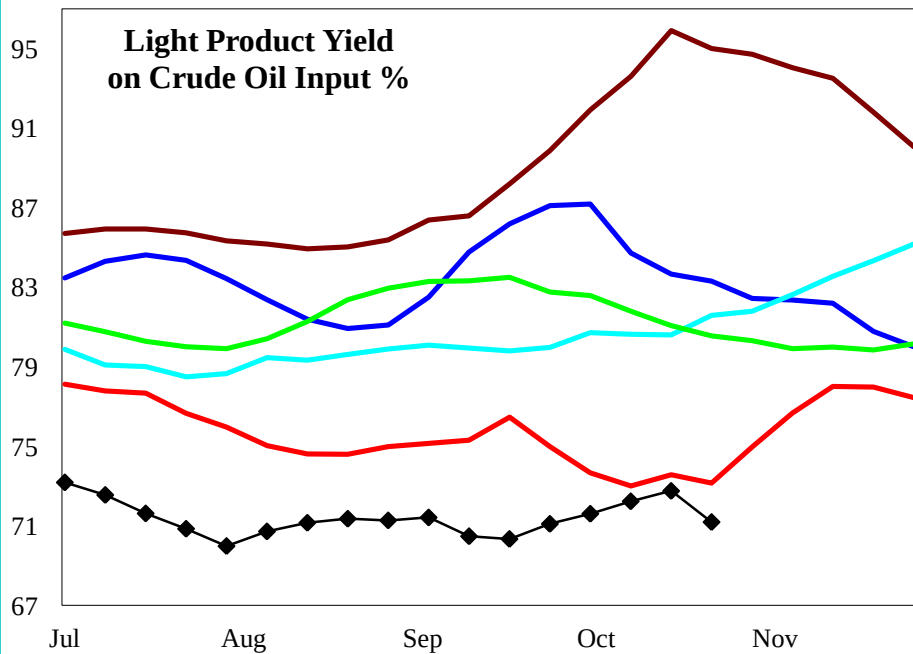
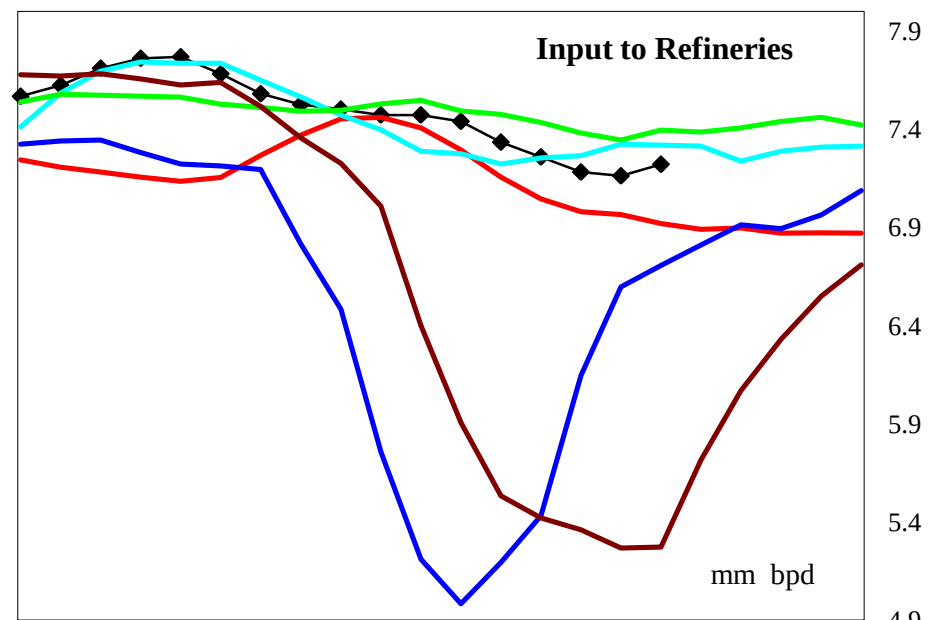
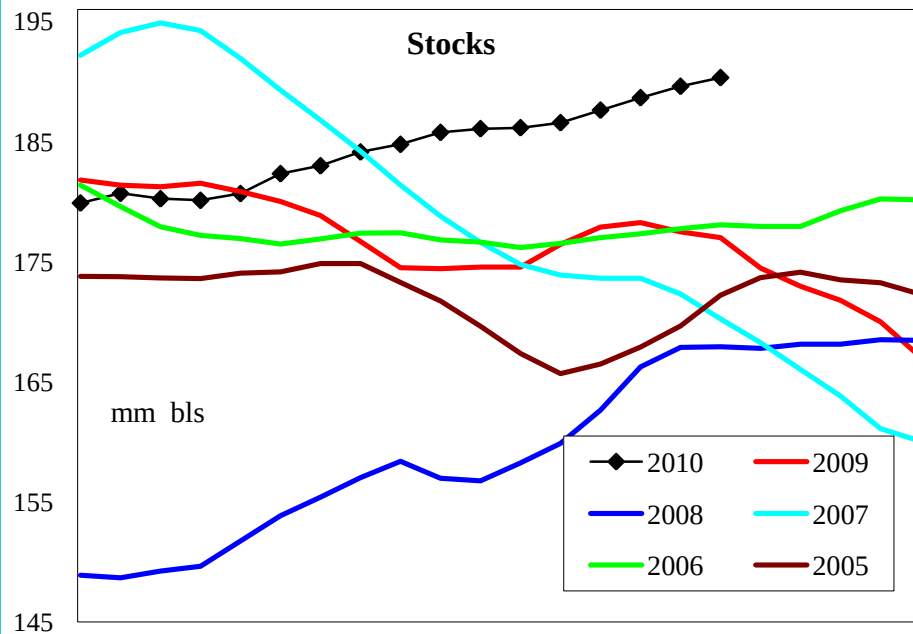
PADD 2 Jet Fuel Supply



PADD 2 Residual Fuel Oil Supply



PADD 3 Crude Oil Supply and Refining



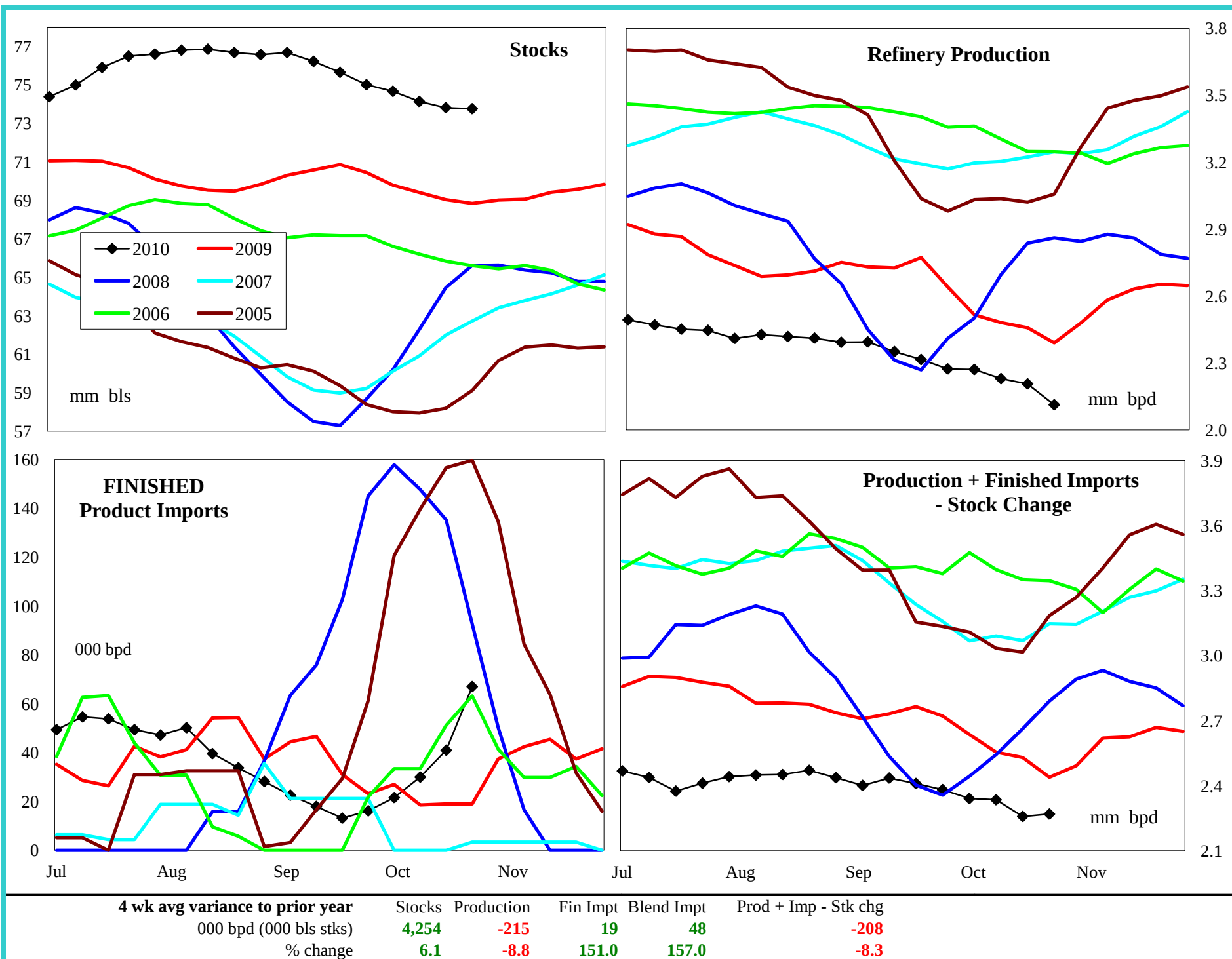
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks
13,310
7.5

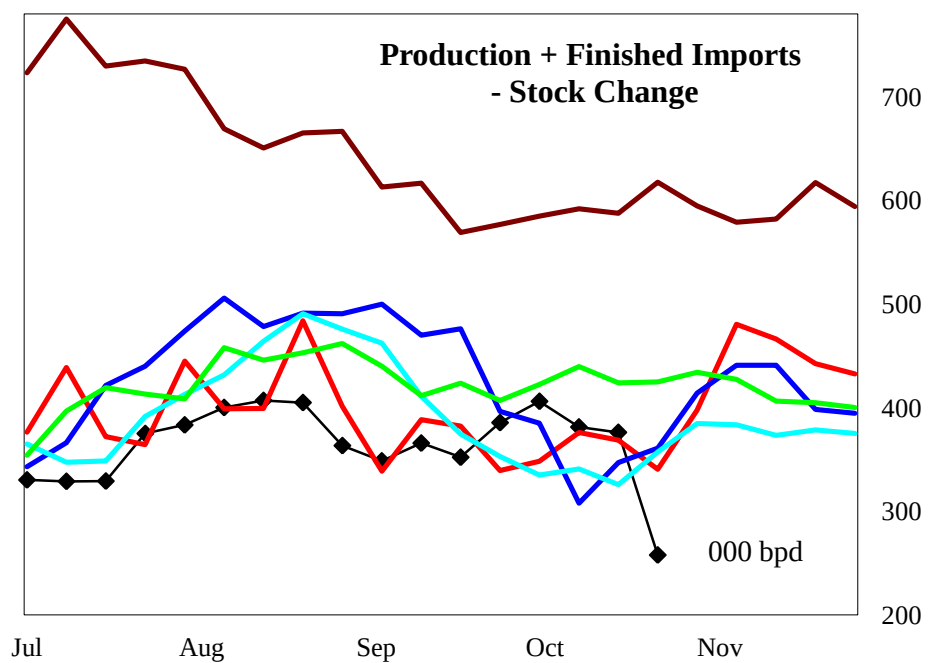
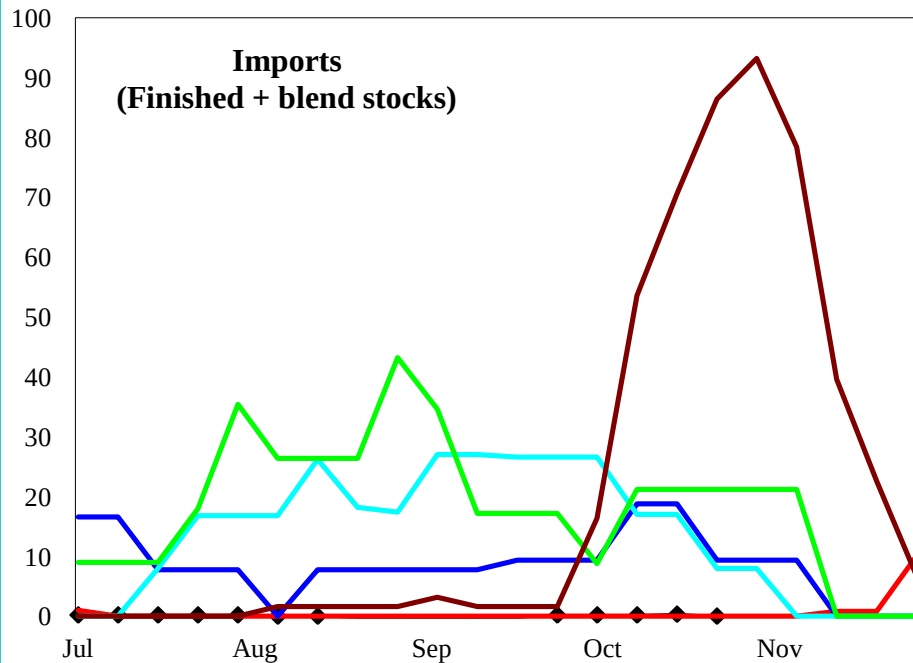
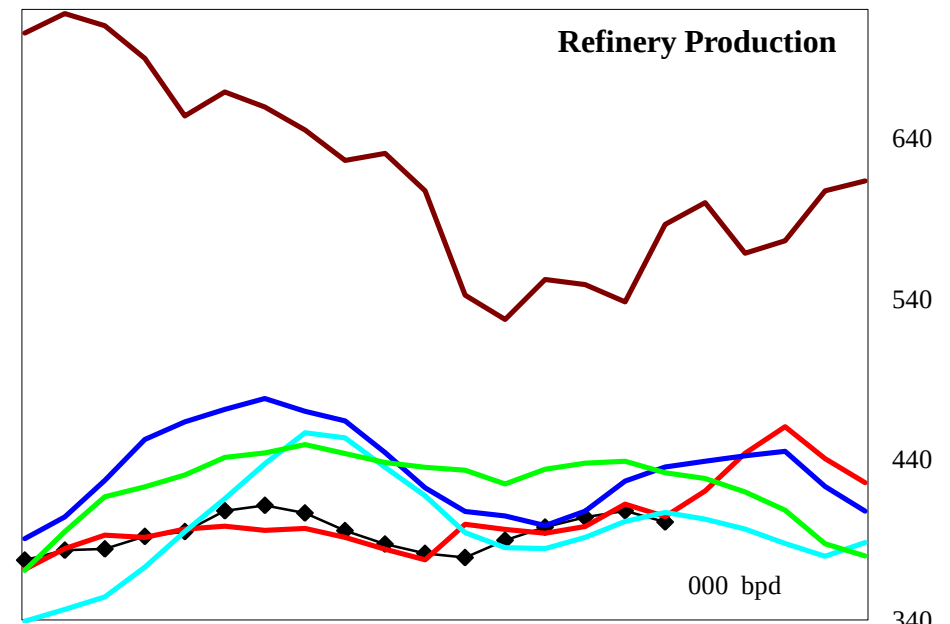
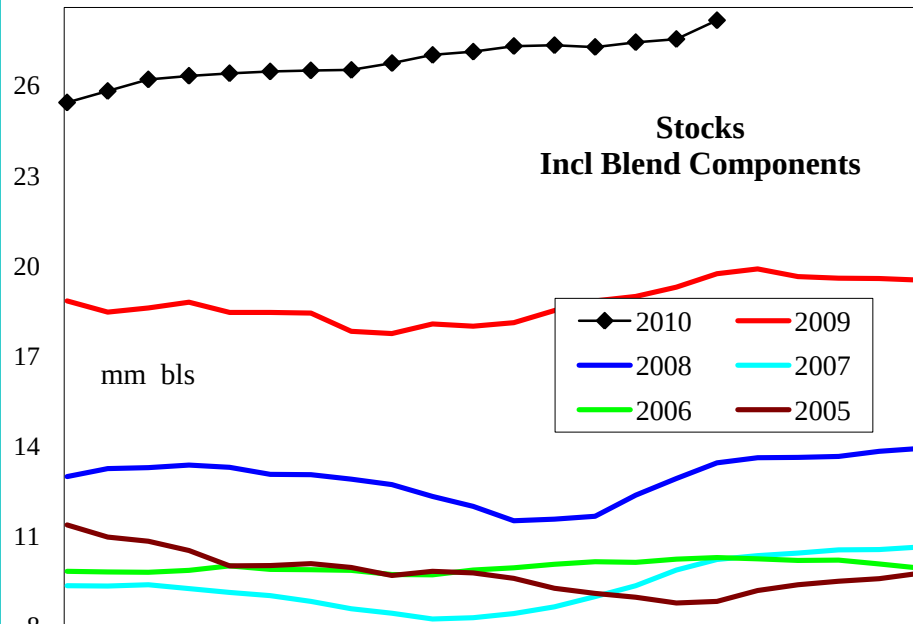
Input
182
2.6

Imports
514
10.8

PADD 3 Gasoline Supply



PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

8,005

38.9

Production

4

1.1

Imports

0

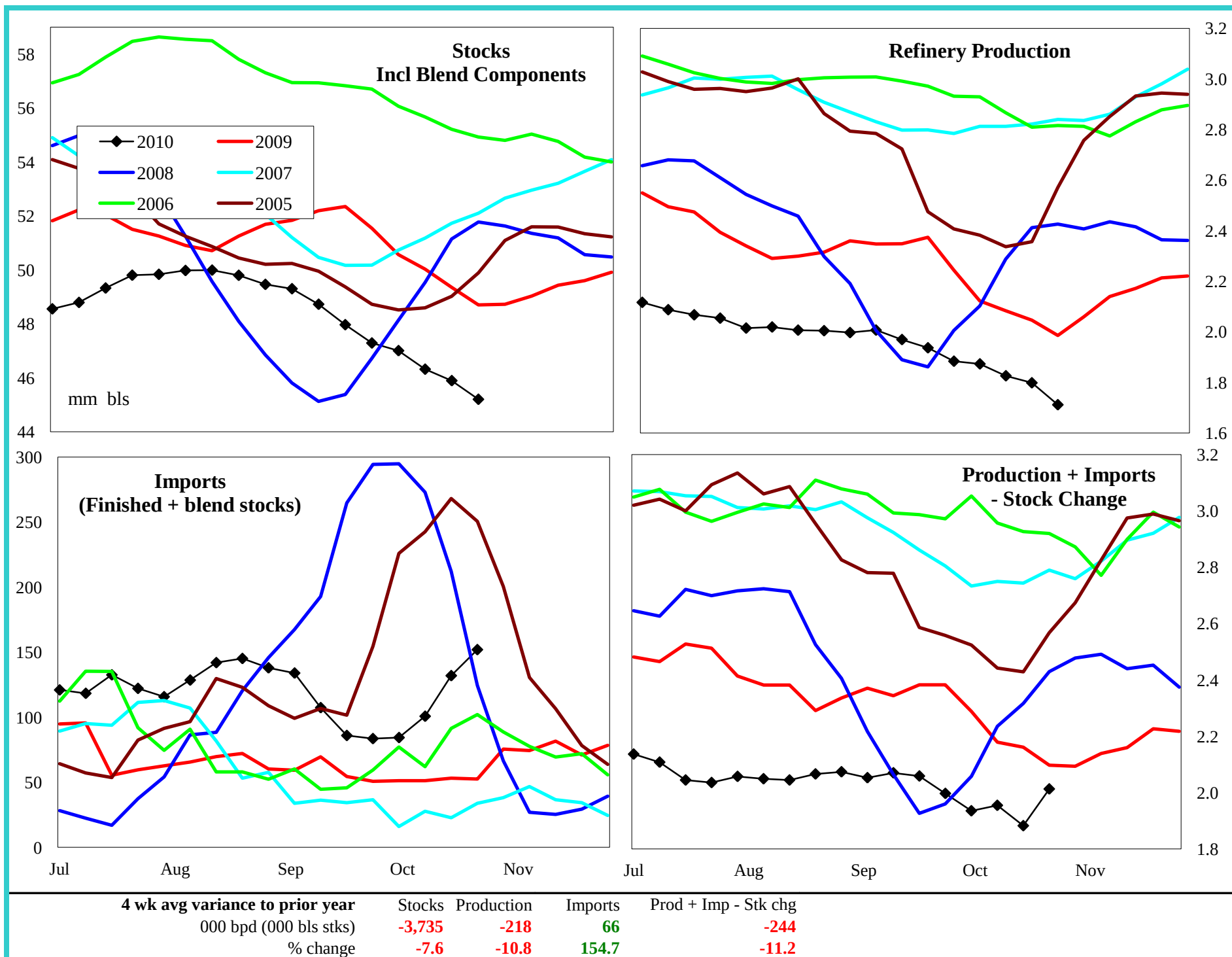
#DIV/0!

Prod + Imp - Stk chg

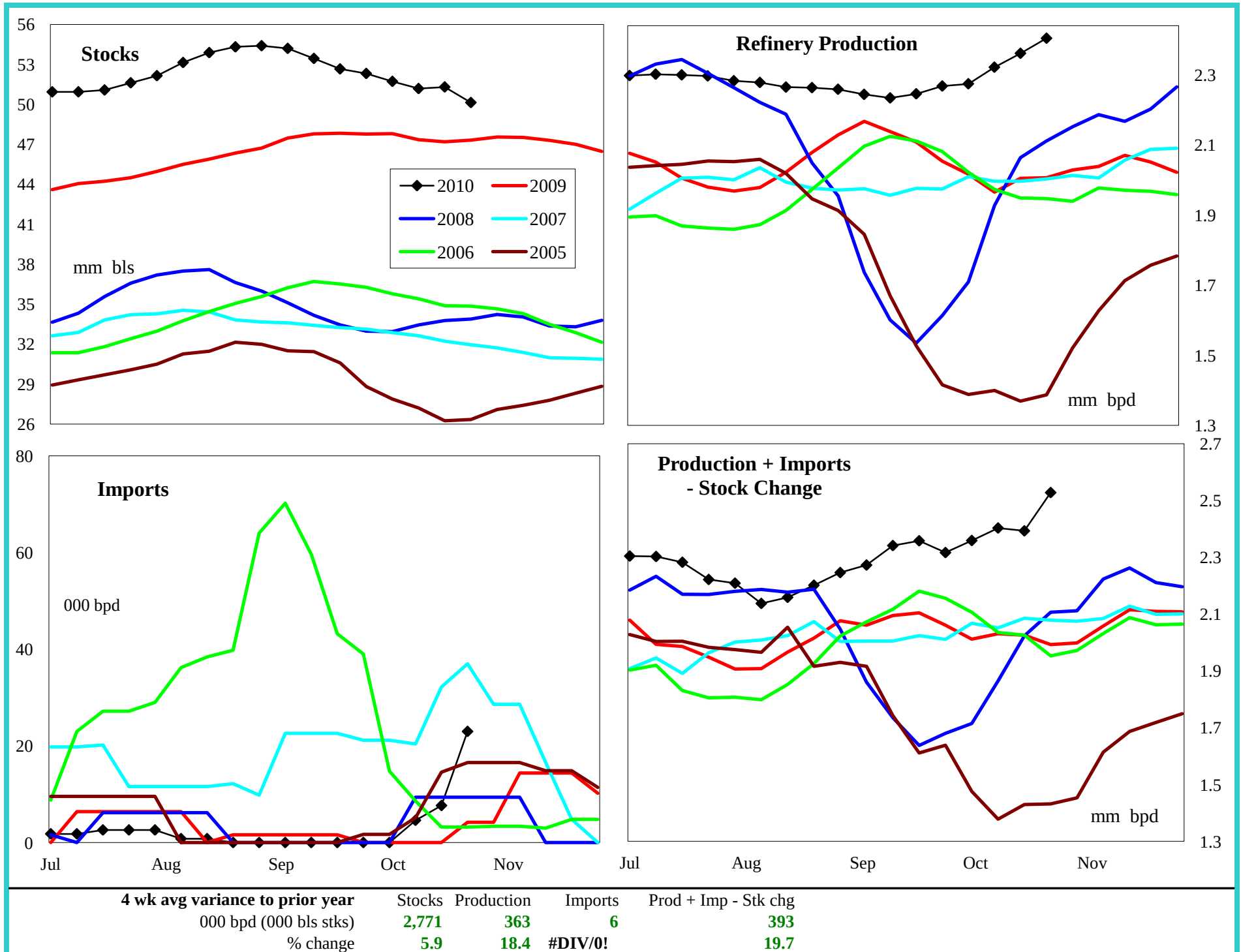
37

11.1

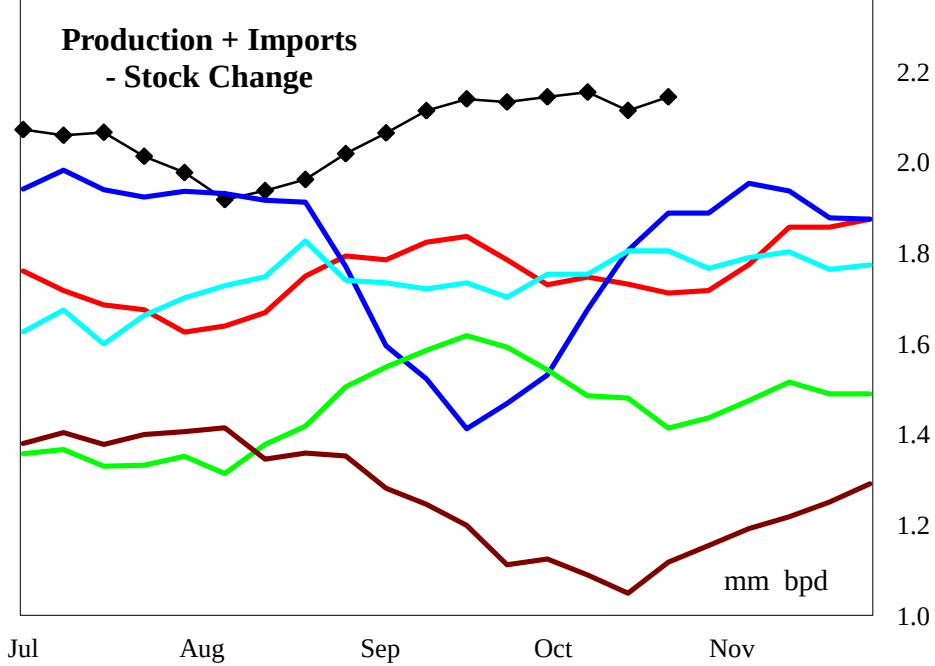
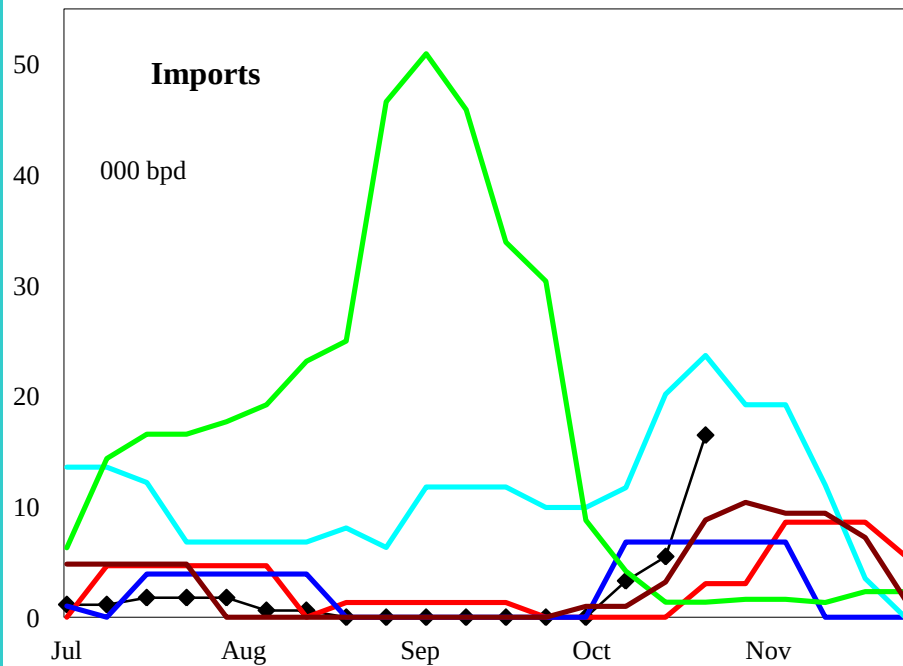
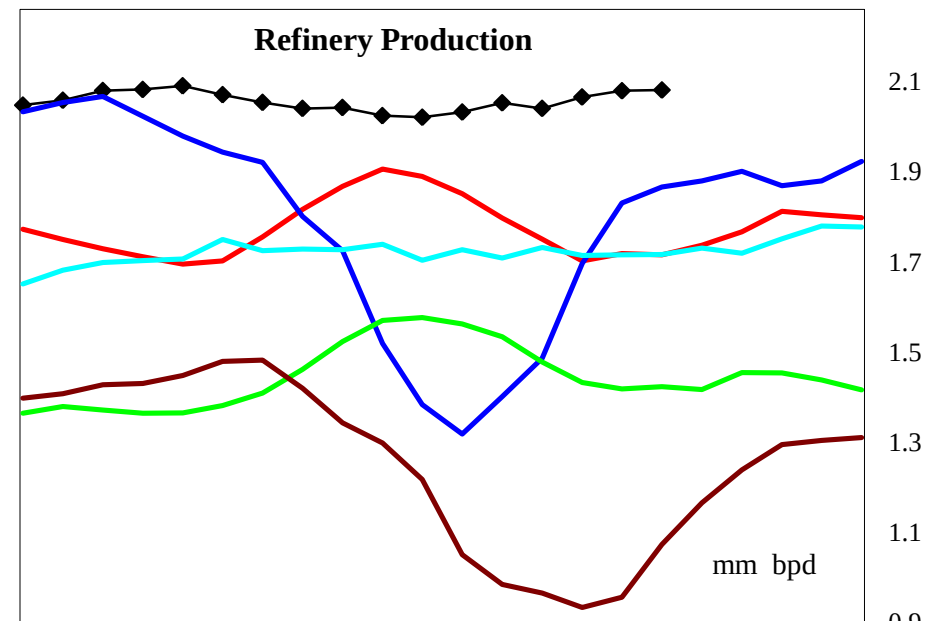
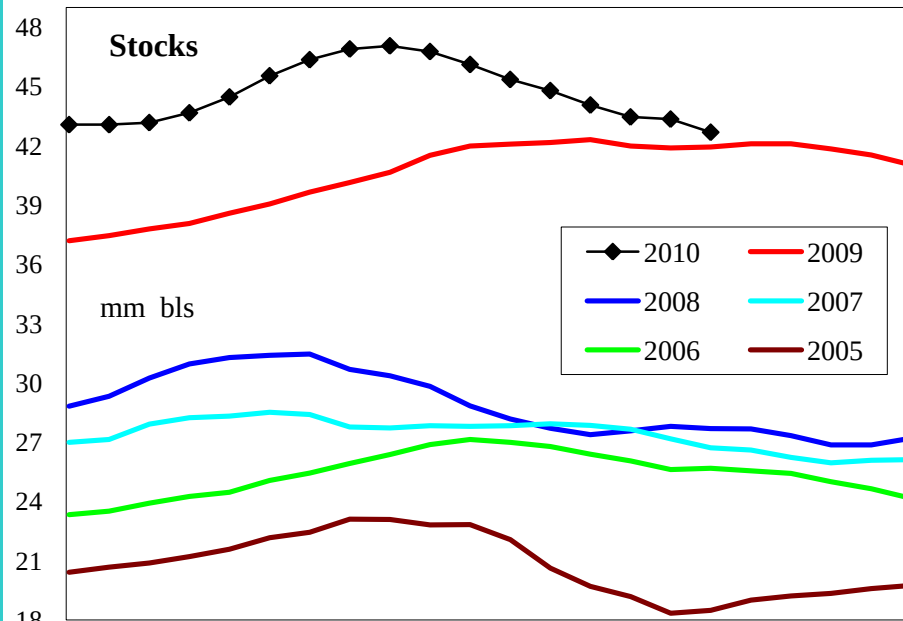
PADD 3 Conventional Gasoline Supply



PADD 3 Distillate Supply



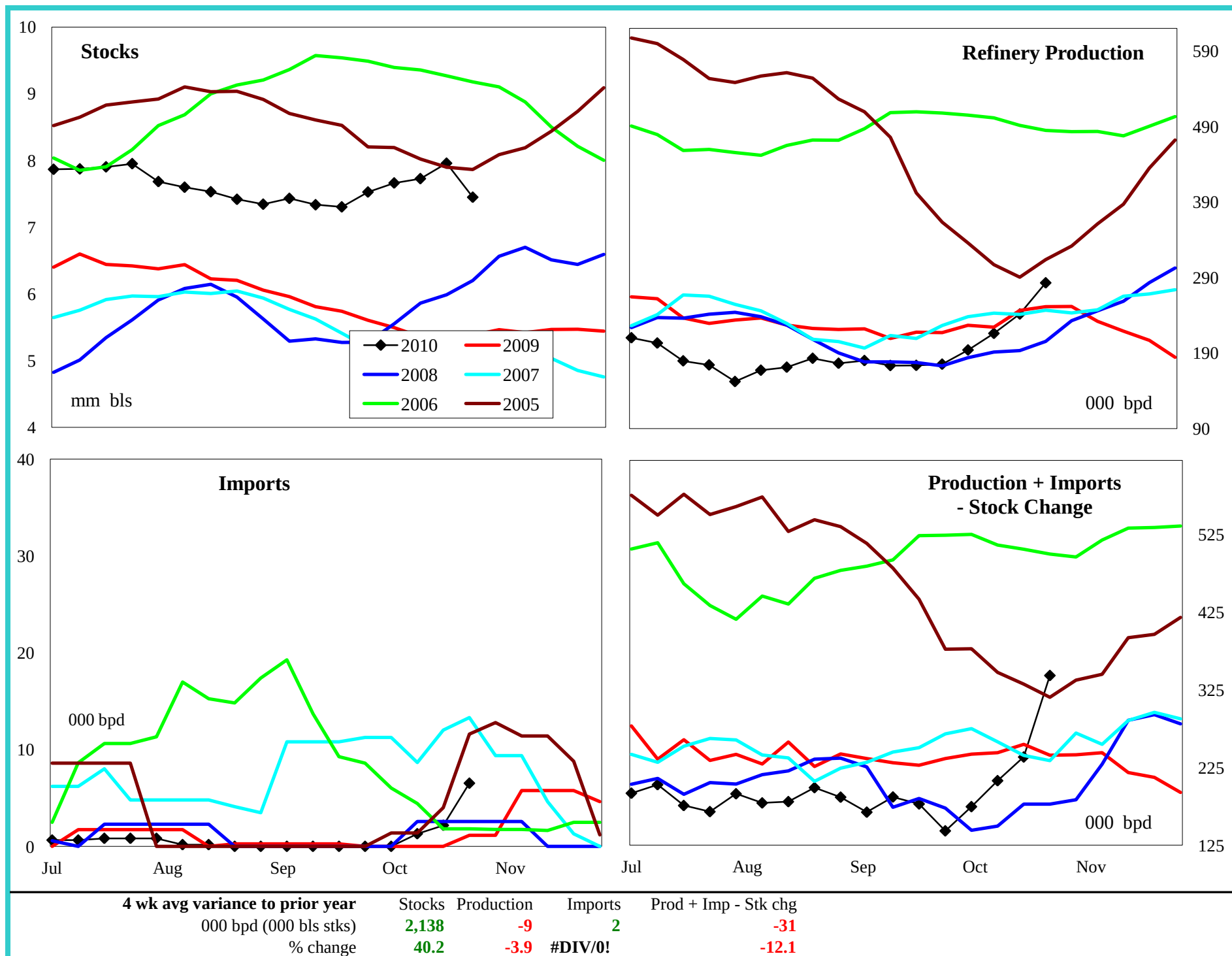
PADD 3 Low Sulfur Distillate Supply



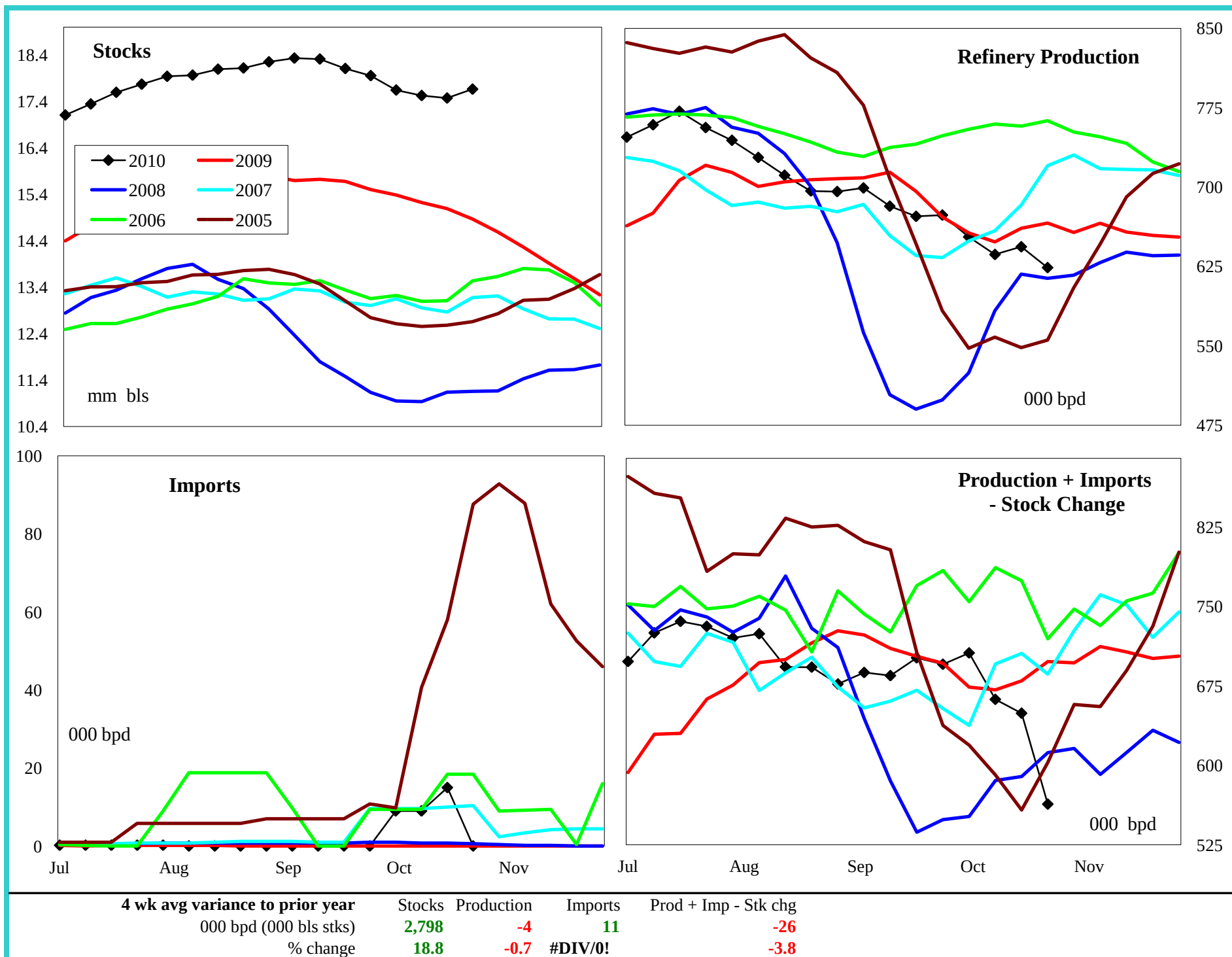
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
633	372	4	424
1.5	21.4	#DIV/0!	24.4

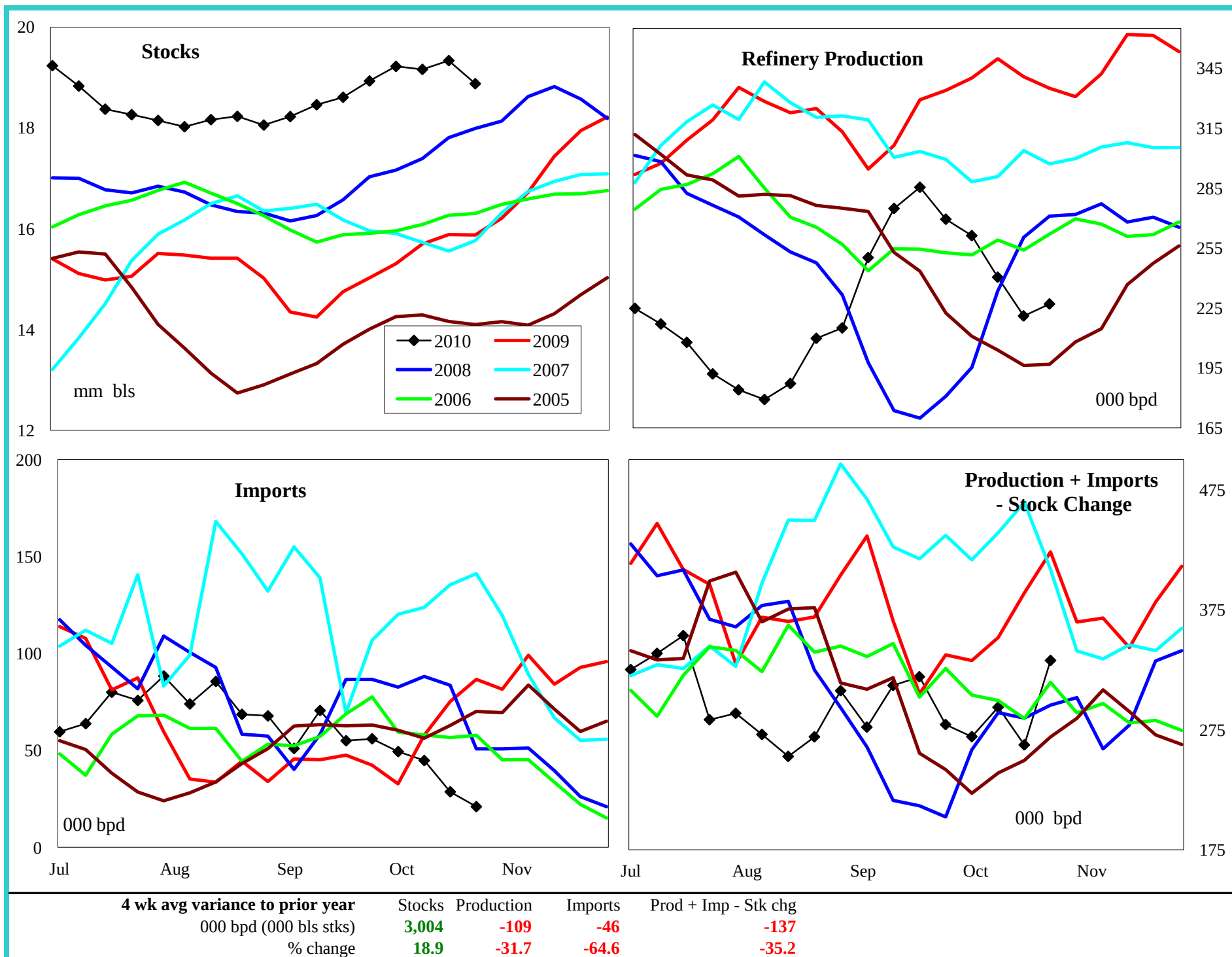
PADD 3 High Sulfur Distillate Supply



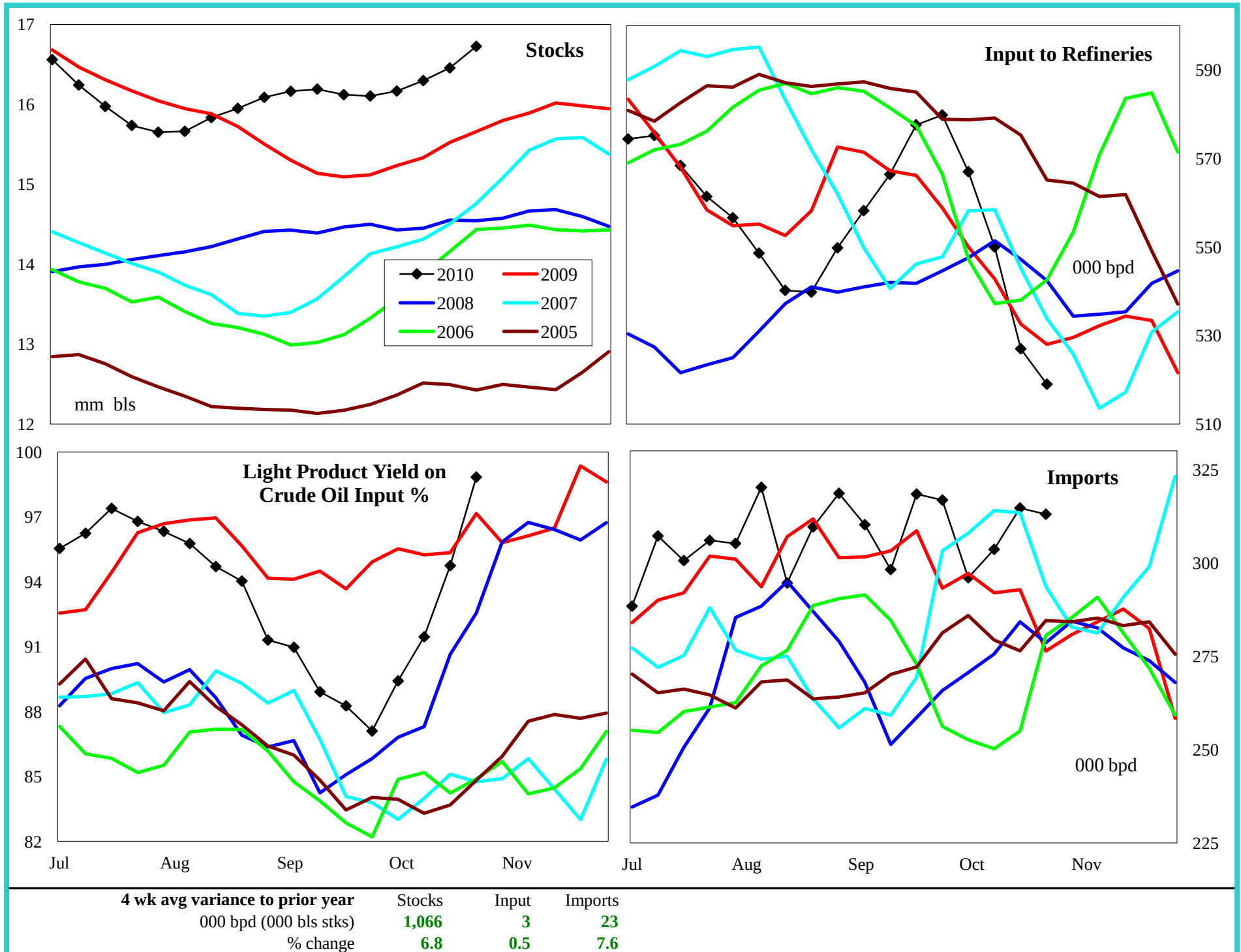
PADD 3 Jet Fuel Supply



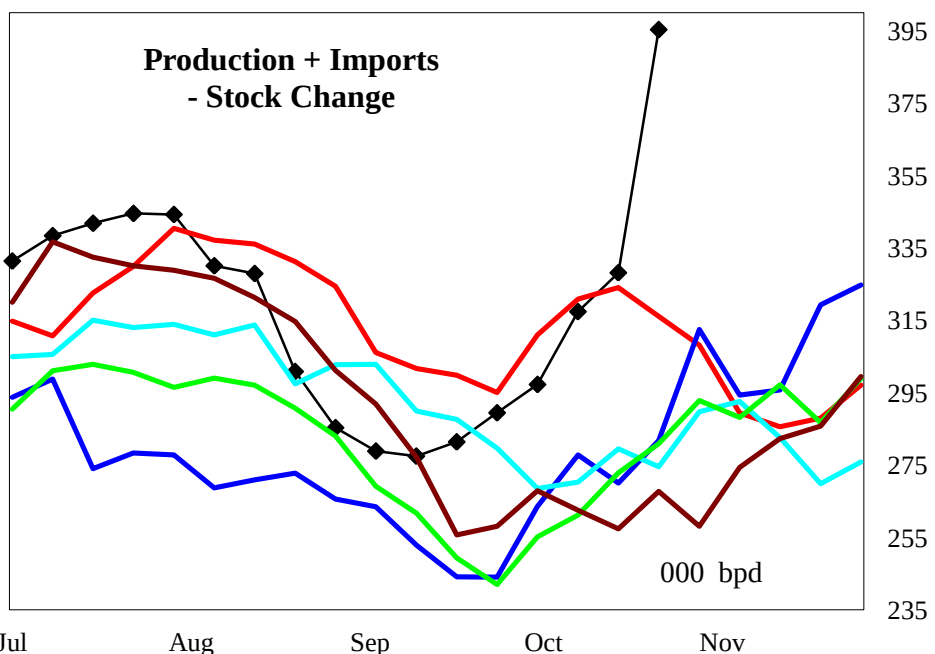
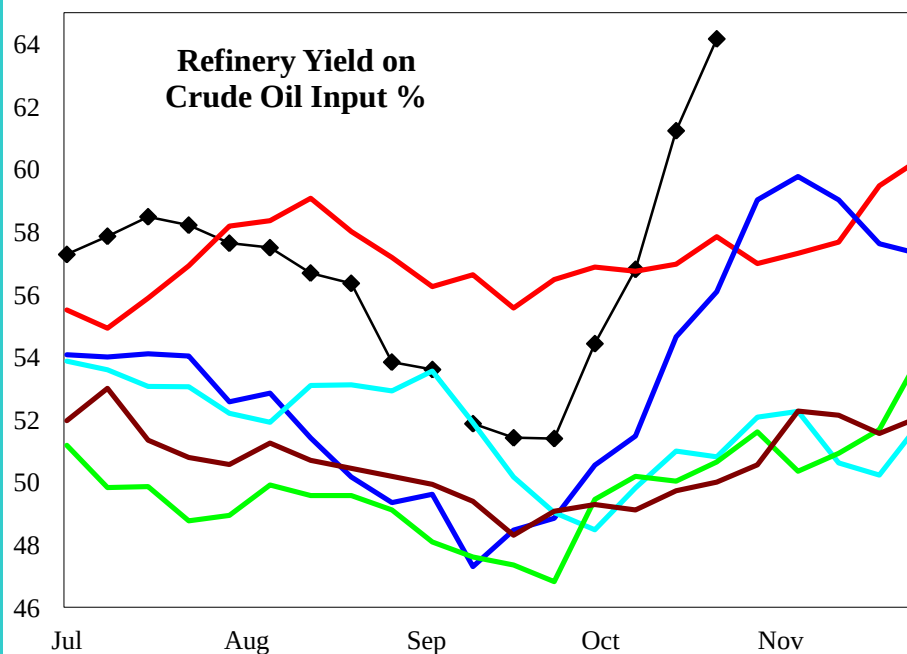
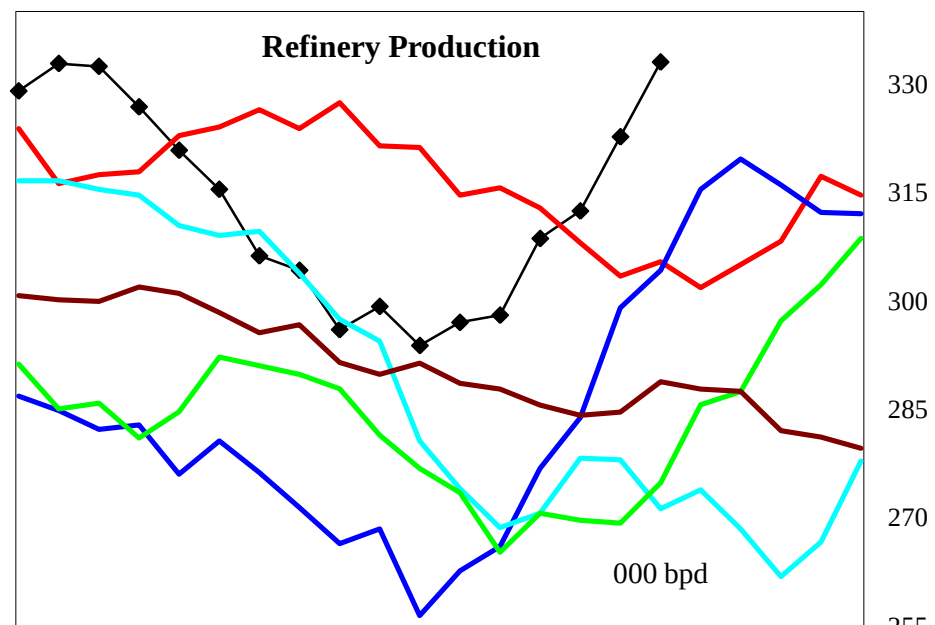
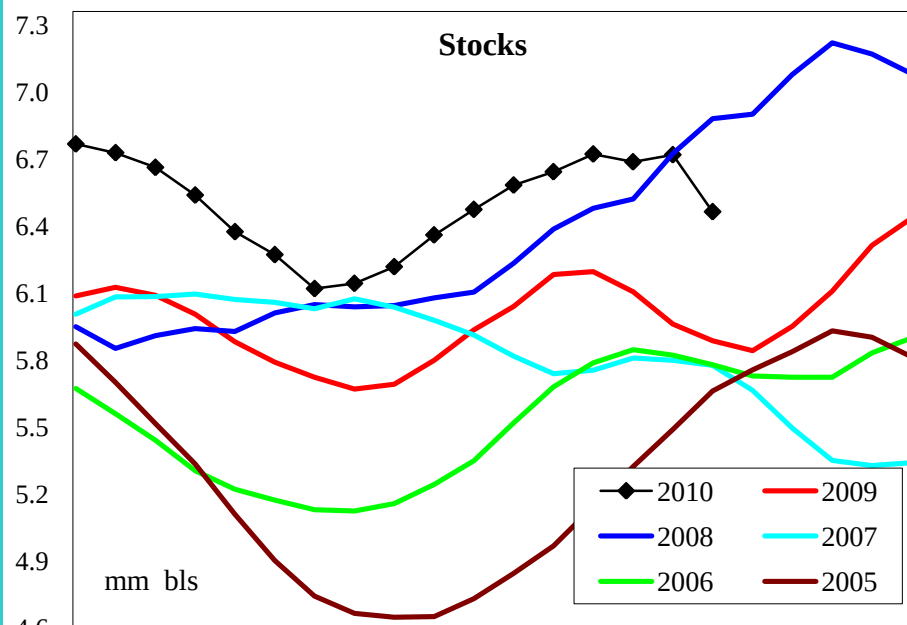
PADD 3 Residual Fuel Oil Supply



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

578

9

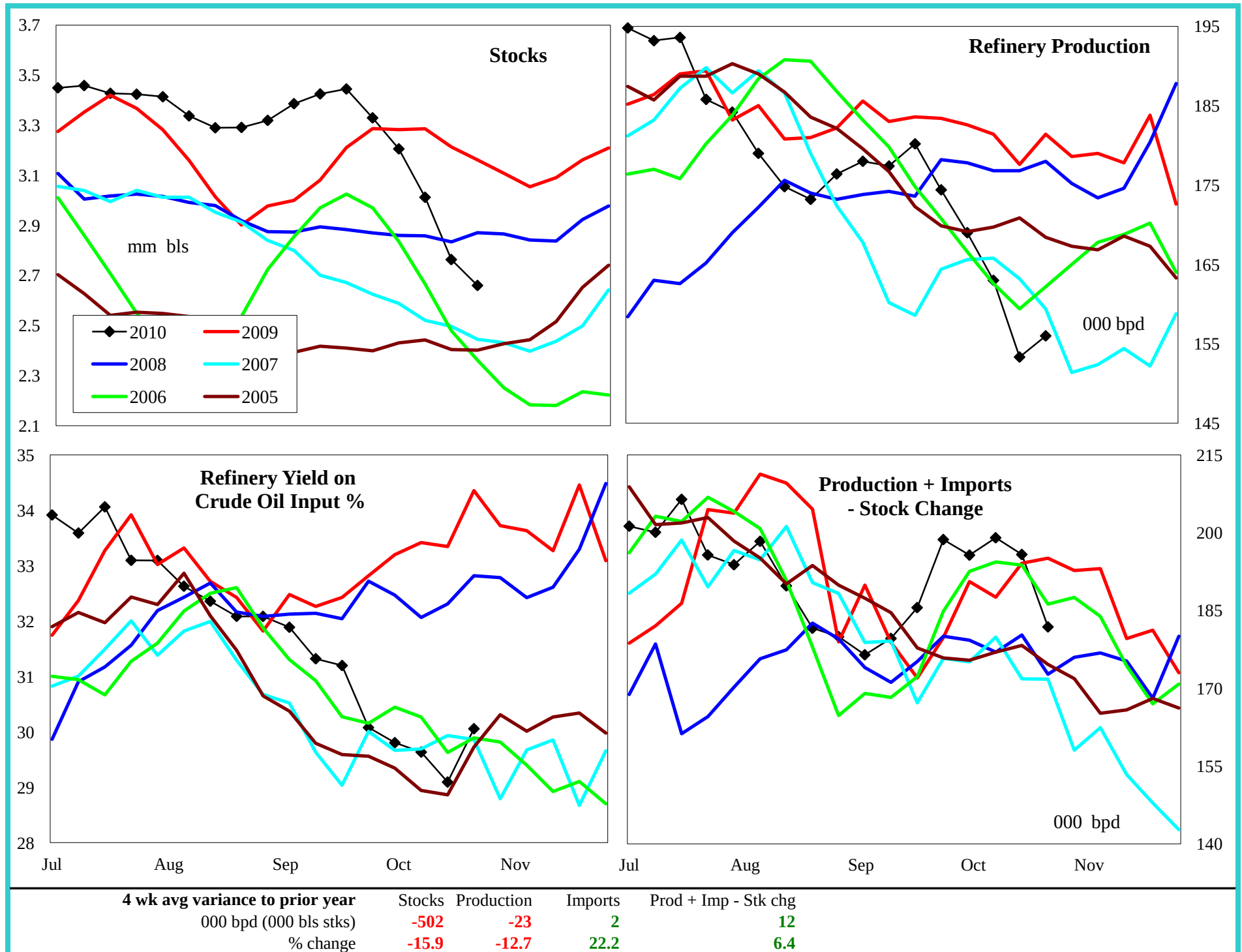
-2

9.8

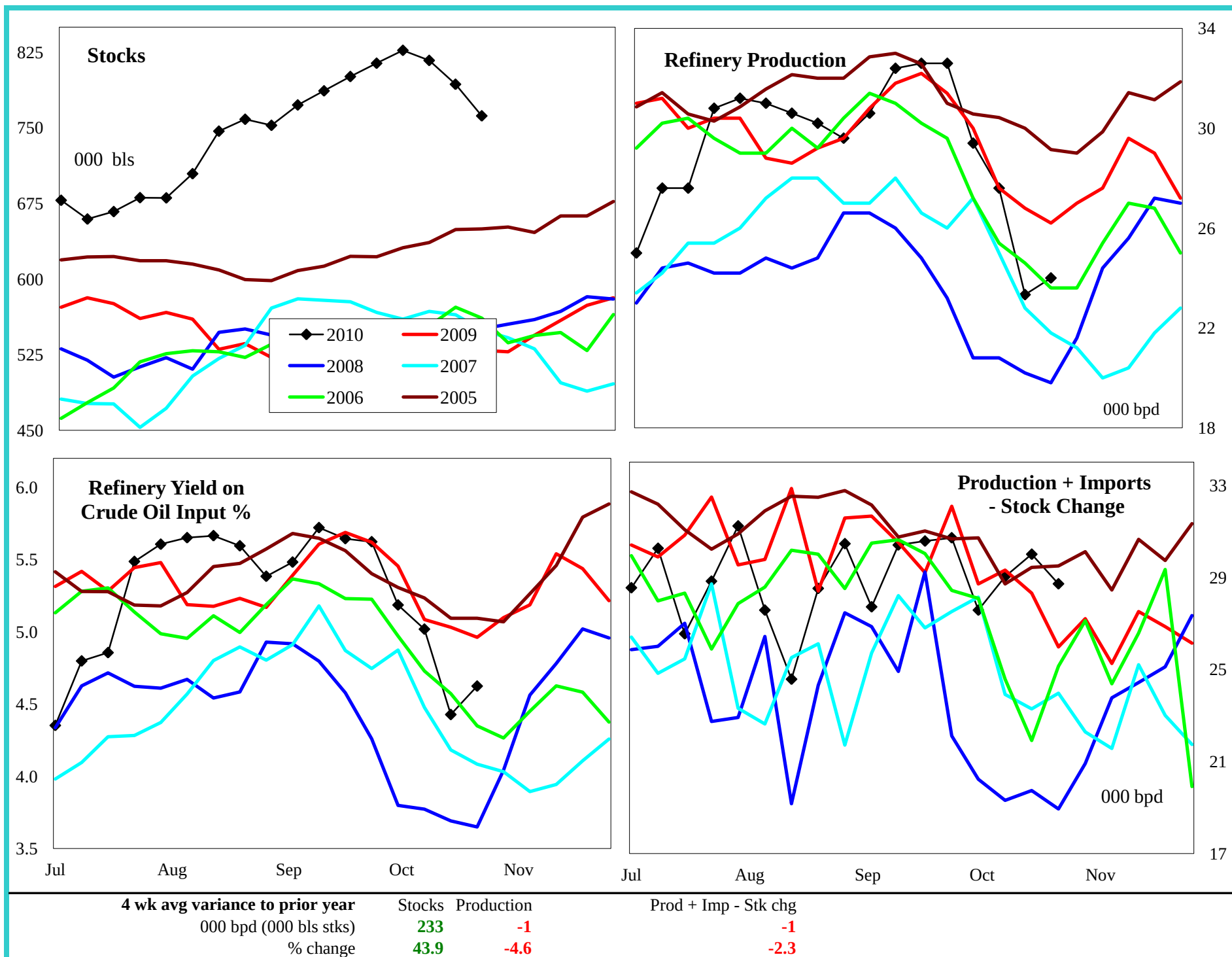
3.0

-0.6

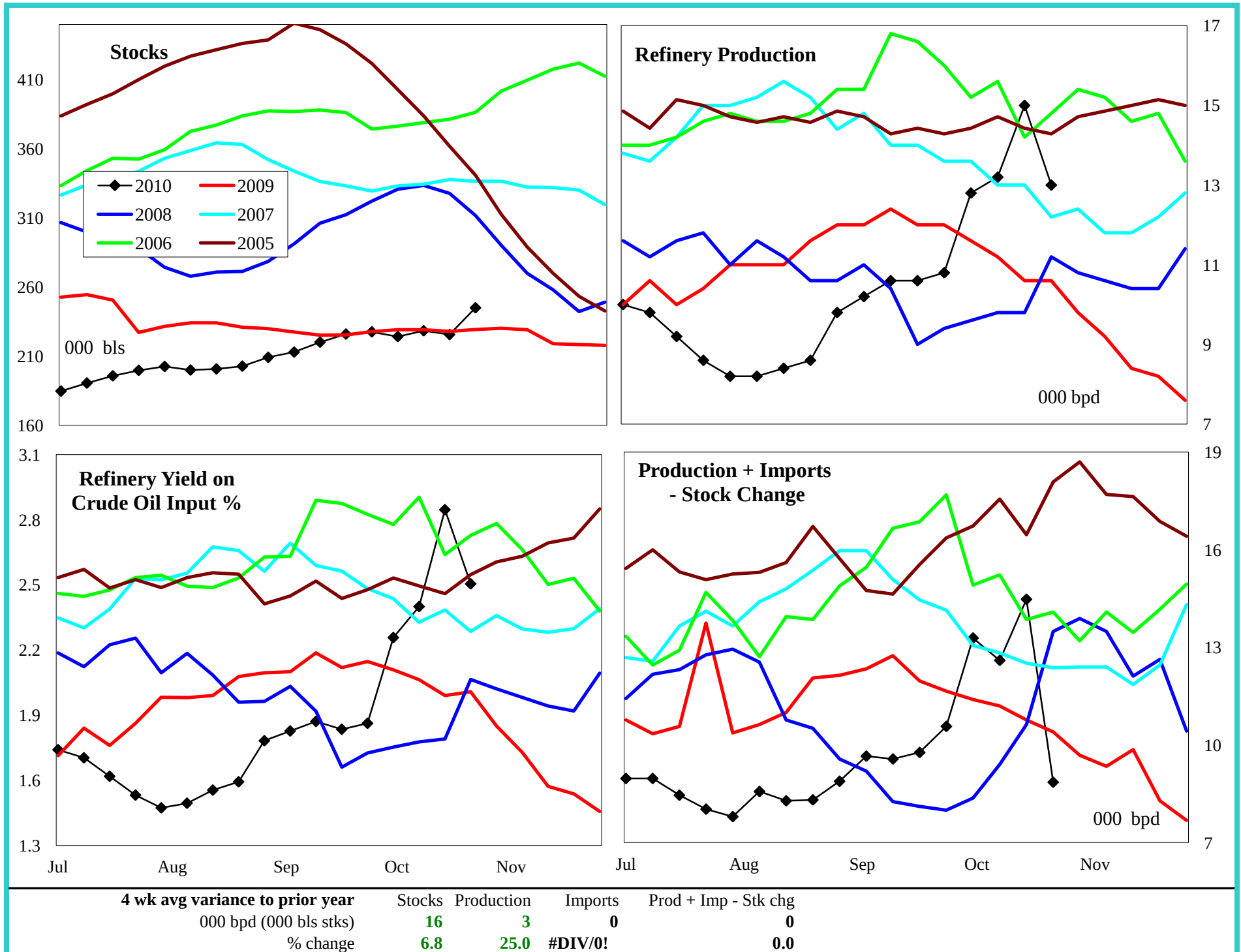
PADD 4 Distillate Supply



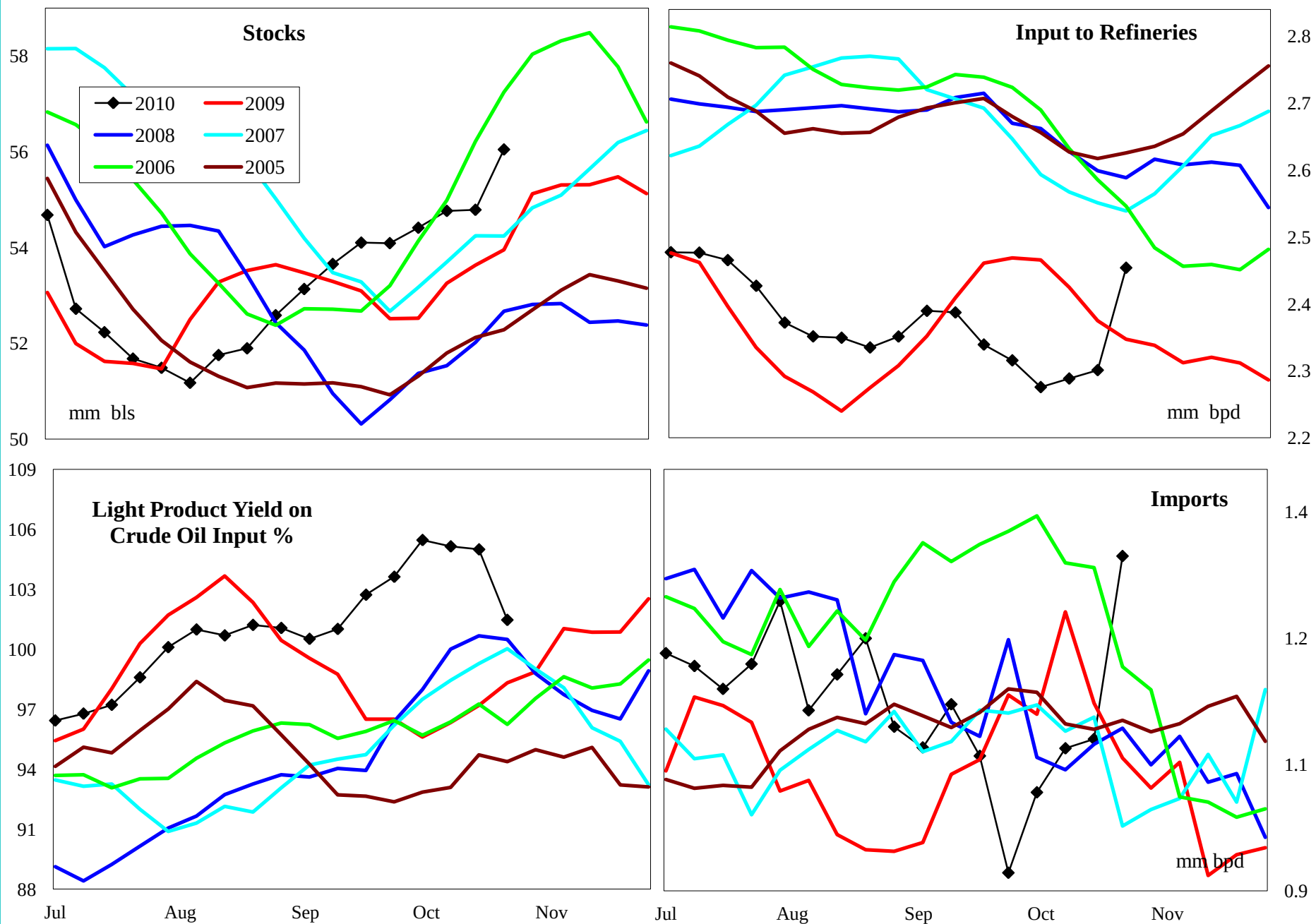
PADD 4 Jet Fuel Supply



PADD 4 Residual Fuel Oil Supply



PADD 5 Crude Oil Supply and Refining



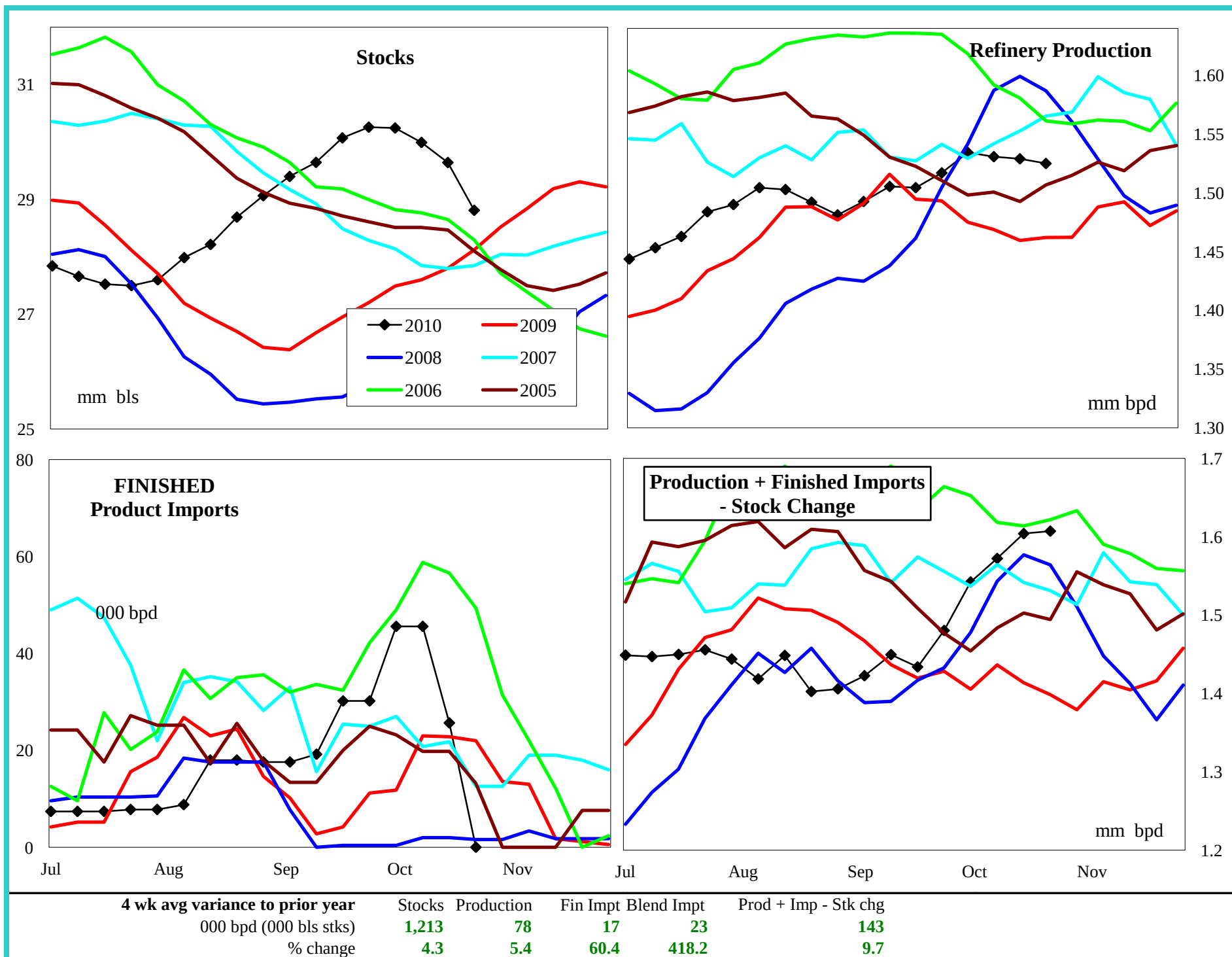
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks
2,093
3.9

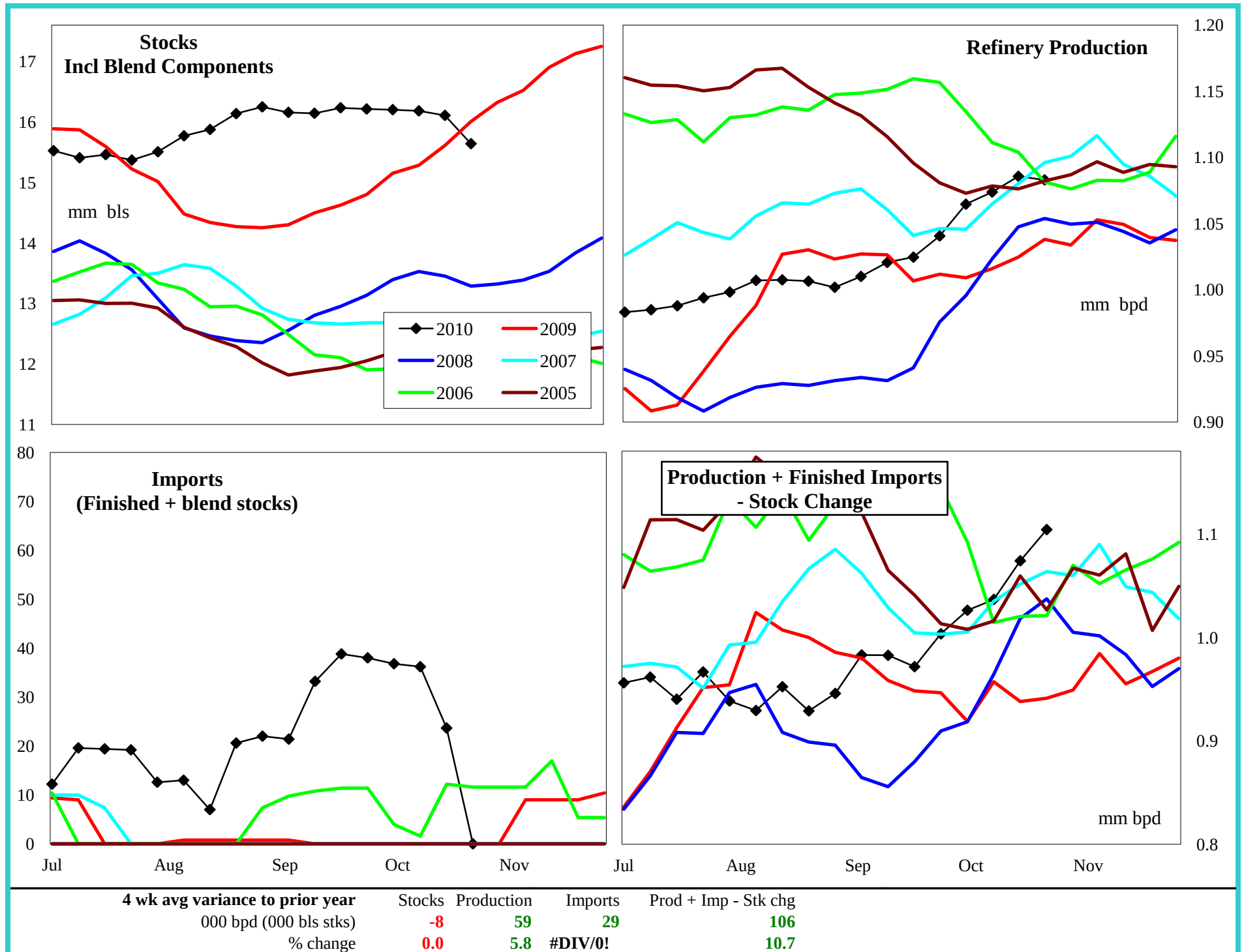
Input
-124
-5.2

Imports
-171
-13.8

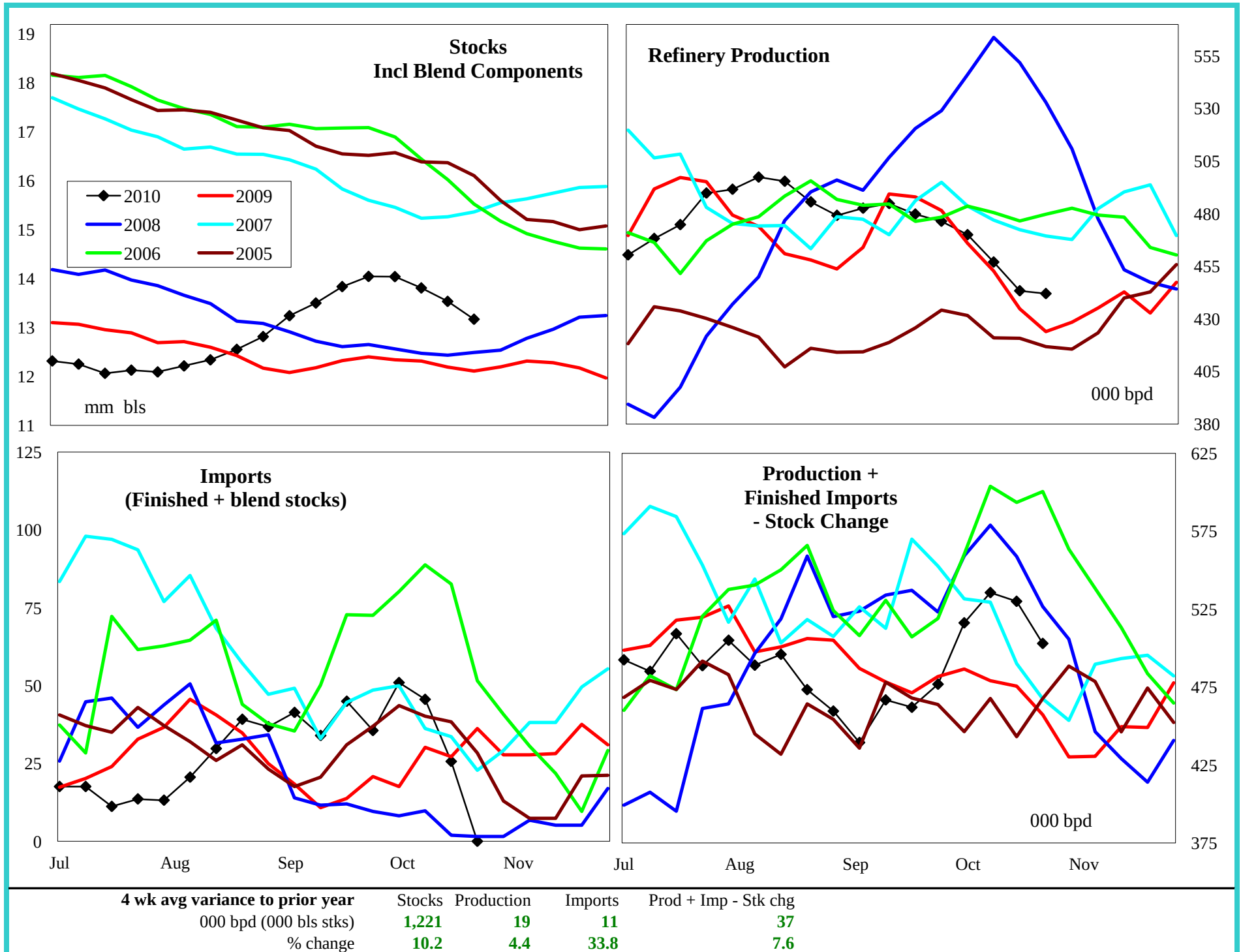
PADD 5 Gasoline Supply



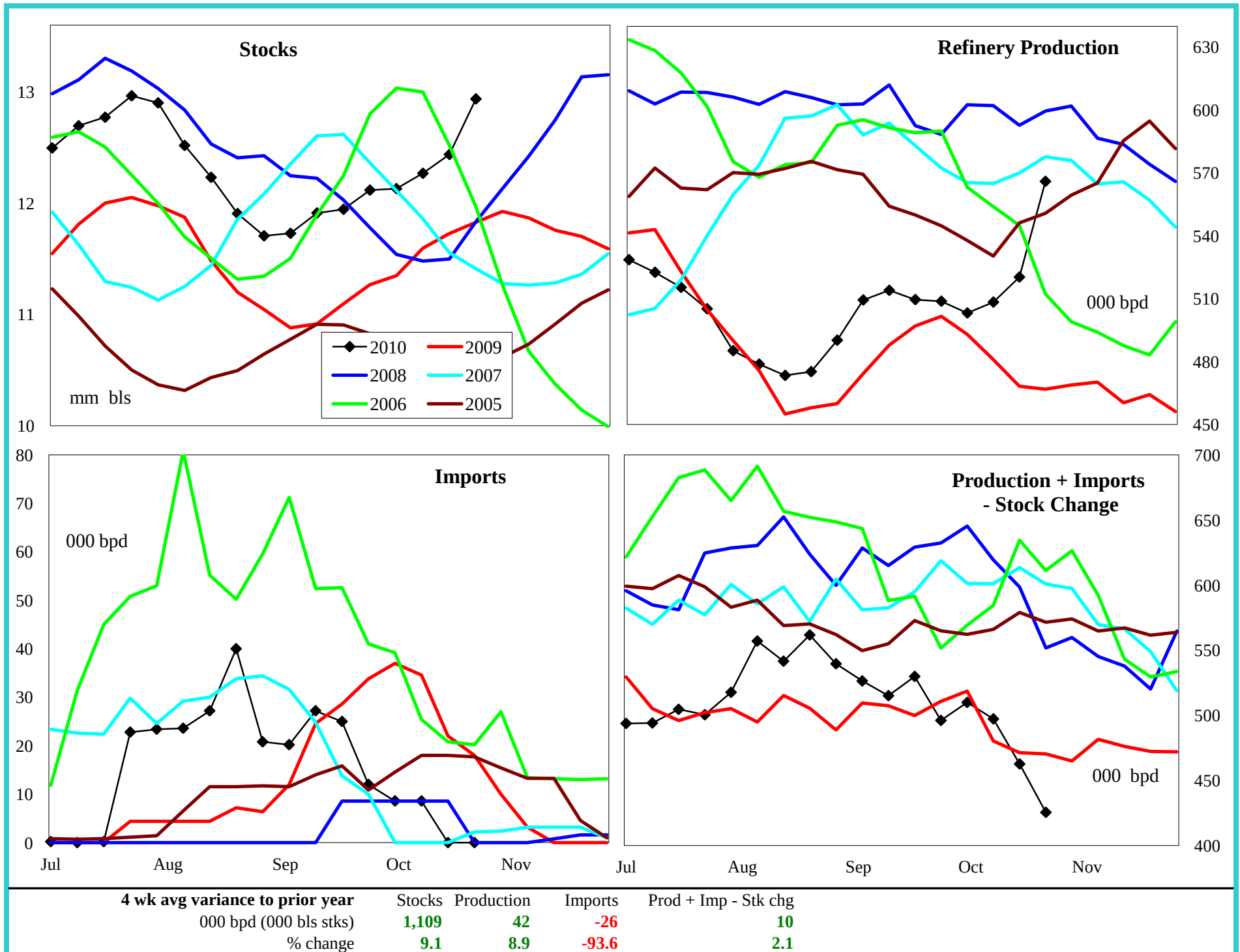
PADD 5 Reformulated Gasoline Supply



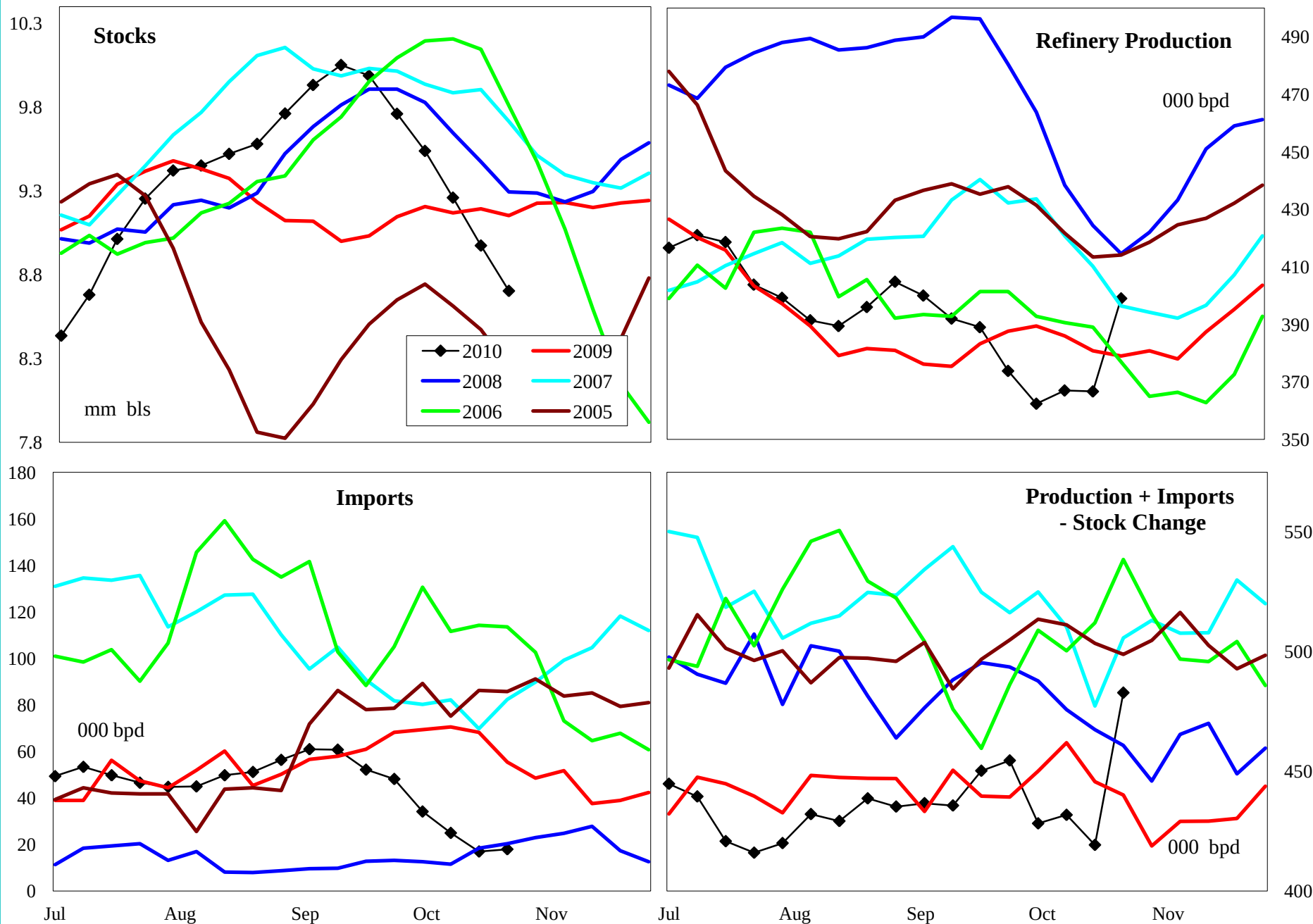
PADD 5 Conventional Gasoline Supply



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

-489

-14

-56

-21

-5.3

-3.7

-77.5

-4.6

PADD 5 Residual Fuel Oil Supply

